INTERPIPE

INTERPIPE LIMITED

Consolidated Financial Statements
Year ended 31 December 2014 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 2014, and the consolidated statements of comprehensive income, changes in equity and 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 12, Lavinia Court, 6th floor, 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 manufacturer of steel pipes and railway wheels in Ukraine.

Its products are exported to 72 countries and sold domestically.

In 2014, the Group generated revenue from sales of USD 1.0 billion and net profit attributable to the equity holders of the Company amounted to USD 27.4 million. The pipes business segment accounted for 75 per cent of the revenue from sales, wheel business segment accounted for 18 per cent of the revenues and steel making segment accounted for 4 per cent of the revenues in 2014. 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.

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.

As a result of the above mentioned transactions, as at 31 December 2013 and 2014, 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 2014, 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 exposed to the risks of operating environment in Ukraine. Since November 2013, Ukraine has been in a political and economic turmoil. In February 2014, the Parliament of Ukraine voted for reinstatement of the 2004 Constitution and dismissal of the incumbent President. In March 2014, Crimea, an autonomous republic of Ukraine, was annexed by the Russian Federation. On 21 March 2014, Ukraine signed political provisions of the association agreement with the European Union. On 27 June 2014, Ukraine signed the economic part of the association agreement. On 25 May 2014, presidential elections took place and a new President of Ukraine was elected.

Protests against the central Government, which began in the Donetsk and Lugansk regions in March 2014, escalated into the insurgency. This led the Government to launch a military counter-offensive mission against the insurgents, which resulted in the ongoing armed confrontation in these regions. No material direct impact of such military activity on Group's operations was identified so far, except for impairment charges in the total amount of USD 8.7 million related to the items of property, plant and equipment and current assets of the "Luganskiy Kombinat Vtormet" LLC located in the Lugansk region and inventories of the "Interpipe Ukraine" LLC located in the Donetsk region (Note 8 and 27).

Furthermore, from 1 January 2014 and up to the date of the issuance of these consolidated financial statements, the Ukrainian Hryvnia (the "UAH") devaluated against major foreign currencies by approximately 270% calculated based on the National Bank of Ukraine (the "NBU") exchange rate of the UAH to the USD . The National Bank of Ukraine imposed certain restrictions on purchase of foreign currencies at the inter-bank market, and also mandated obligatory conversion of foreign currency proceeds into Ukrainian Hryvnia. Such restrictions have material effect on Group's operations.

In addition to the factors mentioned above, in late 2013, the Group breached certain financial covenants and missed scheduled principal repayments of USD 106 million, which triggered cross-default on the Group's borrowings. As a result, lenders became entitled to demand early repayment of any outstanding amounts. During 2014 further USD 307 million of the scheduled principal repayments were also missed and as at 31 December 2014 the carrying amount of such borrowings in default amounted to USD 996,465 thousand (USD 1,026,013 thousand as at 31 December 2013). Accordingly, the liabilities due or claimable within 12 months from 31 December 2014 and 2013 exceeded the Group's current assets as of that dates by USD 850,235 thousand and USD 649,125 thousand respectively.

As at 31 December 2014, the Group had negative equity in the amount of USD 396,173 thousand resulting from the significant foreign exchange losses on intragroup and external loans of Ukrainian companies of the Group and exchange differences on translation of Ukrainian operations into USD, the presentation currency of the Group.

Further discussion on the operating environment and related risks of the Group as well as on the going concern of the Group is included in Note 2 to the financial statements.

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

Likely Future Developments

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 region and to expand 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 and decreasing its costs to improve its profit margins, expanding its global presence and working more closely with its customers to deliver higher value-added products and services.

Research and Development

The Company did not carry out any material research and development activities in 2014.

Events after the Reporting period

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

Board of Directors

As at 31 December 2014 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
Oleg Rozenberg	Chief Executive Officer of Interpipe Limited	22 November 2013

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.

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	Oleg Rozenberg
Member of the Board, Non-Executive Director	Andrii Dudnyk

28 September 2015

STATEMENT OF THE DIRECTORS' AND MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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 2014, the consolidated results of its operations, cash flows and changes in equity 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 2014 were authorised for issue on 28 September 2015.

Member of the Board, Chief Executive Officer — Oleg Rozenberg

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

28 September 2015

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Independent Auditor's Report

To the Members of Interpipe Ltd

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Interpipe Ltd (the "Company") and its subsidiaries (together with the Company, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement 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 information.

Board of Directors' Responsibility for the Consolidated Financial Statements

The Company's 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

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Emphasis of matter

Without qualifying our opinion, 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 has negative equity of USD396,173 thousand as at 31 December 2014 and, as of that date, the Group's current liabilities exceeded its current assets by USD 850,235 thousand. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

We further draw attention to Note 2 to the consolidated financial statements, which describe the current political and economic situation in Ukraine. The circumstances referred to in Note 2 could continue to adversely affect the Group's financial position and performance in a manner not currently determinable. Our opinion is not qualified in respect of these matters.

Report on Other Legal Requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of these books.
- The consolidated financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the accompanying report of the Board of Directors is consistent with the consolidated financial statements.

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 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013 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 2015

INTERPIPE LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014
(in US dollars and in thousands)

INTERPIPE

	Notes	31 December 2014	31 December 2013
ASSETS			
Non-current assets			
Property, plant and equipment	8	514,604	1,105,212
Intangible assets and goodwill	9	973	1,676
Investments in associates	10	1,613	3,159
Deferred tax assets	11	9,497	43,645
Other non-current assets		370	597
		527,057	**1,154,289**
Current assets			
Inventories	12	188,042	307,151
Trade and other accounts receivable	13	98,767	198,924
Prepayments and other current assets	14	170,694	100,130
Prepaid current income tax		9,926	10,644
Taxes recoverable, other than income tax	15	24,091	29,286
Other financial assets	16	24,550	54,020
Cash and cash equivalents	17	19,885	34,516
		535,955	**734,671**
TOTAL ASSETS		**1,063,012**	**1,888,960**
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		257,010	294,870
Accumulated deficit		(5,993)	(68,783)
Cash flow hedge reserve		(234,774)	-
Foreign currency translation reserve		(912,341)	(291,907)
		(407,729)	422,549
Non-controlling interests		11,556	34,634
Total equity	31	**(396,173)**	**457,183**
Non-current liabilities			
Subordinated loan	18	40,000	-
Deferred tax liabilities	11	6,813	3,670
Provisions	20	26,139	44,230
Other non-current liabilities		43	81
		72,995	**47,981**
Current liabilities			
Borrowings	18	996,465	1,026,013
Trade and other accounts payable	21	154,194	230,757
Advances and other current liabilities	23	216,787	105,088
Current income tax payable		3,445	1,559
Taxes payable, other than income tax	22	3,417	5,739
Provisions	20	11,882	14,640
		1,386,190	**1,383,796**
Total liabilities		**1,459,185**	**1,431,777**
TOTAL EQUITY AND LIABILITIES		**1,063,012**	**1,888,960**

Member of the Board, Chief Executive Officer — Oleg Rozenberg

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

28 September 2015

The Notes presented on pages 13 – 58 form an integral part of the consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

(in US dollars and in thousands)

	Notes	2014	2013
Revenue	6	1,038,460	1,520,688
Cost of sales	24	(814,336)	(1,231,822)
Gross profit		**224,124**	**288,866**
Selling and distribution expenses	25	(166,870)	(141,828)
General and administrative expenses	26	(58,341)	(68,405)
Other operating income and expenses	27	(9,798)	(13,973)
Operating foreign exchange difference	28	119,780	(3,527)
Operating profit		**108,895**	**61,133**
Finance income	29	3,860	3,076
Finance costs	30	(131,257)	(137,870)
Non-operating foreign exchange difference	28	35,891	6,728
Share of profit of associates	10	2	187
Profit / (loss) before tax		**17,391**	**(66,746)**
Income tax benefit	11	2,118	(6,697)
Profit / (loss) for the year		**19,509**	**(73,443)**
Profit / (loss) attributable to:			
Equity holders of the parent		27,376	(72,723)
Non-controlling interests		(7,867)	(720)
		19,509	(73,443)
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Net loss on cash flow hedges	35	(234,774)	-
Exchange differences on translation of foreign operations		(634,556)	(3,201)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods:		(869,330)	(3,201)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Re-measurement losses (gains) on defined benefit plans	20	(4,223)	4,822
Income tax effect	11	760	(772)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods:		(3,463)	4,050
Other comprehensive income for the year, net of tax:		(872,793)	849
Total comprehensive income / (loss) attributable to:			
Equity holders of the parent		(831,295)	(71,867)
Non-controlling interests		(21,989)	(727)
		(853,284)	**(72,594)**

The Notes presented on pages 14 – 58 form an integral part of the consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

(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 2012	62,304	426,065	356,538	(61,908)	-	(288,713)	494,286	35,491	529,777
Loss for the year	-	-	-	(72,723)	-	-	(72,723)	(720)	(73,443)
Other comprehensive income (Note 20)	-	-	-	4,050	-	(3,194)	856	(7)	849
Total comprehensive income / (loss)	-	-	-	(68,673)	-	(3,194)	(71,867)	(727)	(72,594)
Depreciation transfer	-	-	(61,668)	61,668	-	-	-	-	-
Acquisition of non-controlling interest	-	-	-	130	-	-	130	(130)	-
At 31 December 2013	62,304	426,065	294,870	(68,783)	-	(291,907)	422,549	34,634	457,183
Profit / (loss) for the year	-	-	-	27,376	-	-	27,376	(7,867)	19,509
Other comprehensive loss (Note 20, 35)	-	-	-	(3,463)	(234,774)	(620,434)	(858,671)	(14,122)	(872,793)
Total comprehensive income / (loss)	-	-	-	23,913	(234,774)	(620,434)	(831,295)	(21,989)	(853,284)
Depreciation transfer	-	-	(37,860)	37,860	-	-	-	-	-
Acquisition of non-controlling interest	-	-	-	1,017	-	-	1,017	(1,089)	(72)
At 31 December 2014	62,304	426,065	257,010	(5,993)	(234,774)	(912,341)	(407,729)	11,556	(396,173)

The Notes presented on pages 14 – 58 form an integral part of the consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014
(in US dollars and in thousands)

	Notes	2014	2013
Profit / (loss) before tax		**17,391**	**(66,746)**
Adjustments for:			
Depreciation and amortisation	24,25,26	97,881	137,094
Impairment of property, plant and equipment and intangible assets	24	4,208	20,335
Loss on disposal of property, plant and equipment and intangible assets	27	109	1,768
Reclassification of the foreign exchange loss to cost of sales	24	17,540	-
Finance costs	30	131,257	137,870
Finance income	29	(3,860)	(3,076)
Movement in provisions less interest cost		(2,279)	(1,207)
Share of profit of associates	10	(2)	(187)
Translation difference and foreign exchange difference		(186,637)	2,647
Operating cash flows before working capital changes		**75,608**	**228,498**
Decrease in inventories		3,360	72,098
Decrease in trade and other accounts receivable		43,887	63,816
Increase in prepayments and other assets		(122,508)	(30,847)
(Increase) / decrease in taxes recoverable, other than income tax		(10,940)	9,409
Increase / (decrease) in trade and other accounts payable		23,047	(72,479)
Decrease in taxes payable, other than income tax		(728)	(4,256)
Increase / (decrease) in advances and other current liabilities		123,475	(54,110)
Cash generated from operations		**135,201**	**212,129**
Income tax paid		(8,064)	(24,235)
Interest and other finance costs paid		(93,274)	(112,285)
Net cash inflow from operating activities		**33,863**	**75,609**
Cash flow from investing activities			
Purchases of property, plant and equipment and intangible assets		(72,581)	(82,074)
Proceeds from sale of property, plant and equipment		1,071	1,453
Acquisition of non-controlling interests		(72)	-
Interest received		4,425	2,293
Net cash outflow from investing activities		**(67,157)**	**(78,328)**
Cash flows from financing activities			
Proceeds from borrowings		4,441	175,357
Repayments of borrowings		(18,748)	(259,267)
Release from restricted cash accounts		(85)	-
Proceeds from subordinated loan	18	40,000	-
Dividends paid to non-controlling interest holders		(7)	(70)
Net cash outflow from financing activities		25,601	**(83,980)**
Net decrease in cash and cash equivalents		(7,693)	(86,699)
Net foreign exchange difference		(6,938)	1,414
Cash and cash equivalents at period beginning		**34,516**	**119,801**
Cash and cash equivalents at period end	17	**19,885**	**34,516**

The Notes presented on pages 14 – 58 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 12, Lavinia Court, 6th floor, 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.

The consolidated financial statements of the Group as at 31 December 2014 and for the year then ended were authorised for issue in accordance with a resolution of the Board of Directors on 28 September 2015.

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.

In late 2013, the Group breached certain financial covenants and missed scheduled principal repayments of USD 106 million, which triggered cross-default on the Group's borrowings. As a result, lenders became entitled to demand early repayment of any outstanding amounts. During 2014 further USD 307 million of the scheduled principal repayments were also missed and as at 31 December 2014 the carrying amount of such borrowings in default amounted to USD 996,465 thousand (USD 1,026,013 thousand as at 31 December 2013). Accordingly, the liabilities due or claimable within 12 months from 31 December 2014 and 2013 exceeded the Group's current assets as of that dates by USD 850,235 thousand and USD 649,125 thousand respectively. See Note 19 – Borrowings for further details.

As at 31 December 2014 the Group had negative equity in the amount of USD 396,173 thousand resulting from the significant foreign exchange losses on intragroup and external loans of Ukrainian companies of the Group and exchange differences on translation of Ukrainian operations into USD, the presentation currency of the Group.

In October 2013, the Group entered into financial debt restructuring negotiations with its lenders under the Override Agreement dated 25 November 2011 (the "Lenders") to revise the debt amortisation schedule. Interest payments and related charges were settled in full during 2014 by the Group. As of 31 December 2014, the Lenders have not indicated any intention to accelerate and have not accelerated any amounts owing to them and have not enforced their rights under any finance documents on the basis of the above events of default.

In addition to the above, the Group is also exposed to the risks of operating environment in Ukraine. Since November 2013, Ukraine has been in a political and economic turmoil. In February 2014, the Parliament of Ukraine voted for reinstatement of the 2004 Constitution and dismissal of the incumbent President. In March 2014, Crimea, an autonomous republic of Ukraine, was annexed by the Russian Federation. On 21 March 2014, Ukraine signed political provisions of the association agreement with the European Union. On 27 June 2014, Ukraine signed the economic part of the association agreement. On 25 May 2014, presidential elections took place and a new President of Ukraine was elected.

Protests against the central Government, which began in the Donetsk and Lugansk regions in March 2014, escalated into the insurgency. This led the Government to launch a military counter-offensive mission against the insurgents, which resulted in the ongoing armed confrontation in these regions. No material direct impact of such military activity on Group's operations was identified so far, except for impairment charges in the total amount of USD 8.7 million related to the items of property, plant and equipment and current assets of the "Luganskiy Kombinat Vtormet" LLC located in the Lugansk region and inventories of the "Interpipe Ukraine" LLC located in the Donetsk region (Note 8 and 27).

Furthermore, from 1 January 2014 and up to the date of the issuance of these consolidated financial statements, the Ukrainian Hryvnia (the "UAH") devaluated against major foreign currencies by approximately 270% calculated based on the National Bank of Ukraine (the "NBU") exchange rate of the UAH to the USD. The National Bank of Ukraine imposed certain restrictions on purchase of foreign currencies at the inter-bank market, and also mandated obligatory conversion of foreign currency proceeds into Ukrainian Hryvnia. Such restrictions have material effect on Group's operations but a considerable positive impact is expected on the future operating performance from the devaluation of Ukrainian Hryvnia against major foreign currencies, given that a significant portion of the Group expenses is denominated in Ukrainian hryvnia and the major portion of revenues is pegged to the foreign currencies.

Stabilization of the economy and political situation depends, to a large extent, upon success of the Ukrainian Government's efforts to launch and implement reforms and upon access of the state to significant external financing sources. The international rating agencies have downgraded sovereign debt ratings for Ukraine. The combination of the above events has resulted in a deterioration of liquidity and much tighter credit conditions in the Ukrainian financial market.

In 2014, the Group generated approximately 30% of its revenues from Russian market. The dispute over Crimea, the armed confrontation in the Eastern regions of Ukraine and the resulting significant deterioration in the political relations between Ukraine and the Russian Federation had a considerable negative impact on trade conditions between the two states and, therefore, may further affect the Group's ability to maintain its historic level of business and operations with its Russian customers.

The Group's ability to operate as a going concern continues to be dependent on the successful completion of the restructuring negotiations as well as its success in entering new markets to replace reduced volume of business with Russian customers. As of the date of these consolidated financial statements the restructuring terms have not been agreed by parties. Further negative developments in the political, macroeconomic or international trade conditions could also adversely affect the Group's results and 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 a mutually acceptable restructuring agreement with the lenders will be reached 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, they continue to adopt the going concern basis of accounting in preparing the Group's 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, which have been measured at fair value as at 1 July 2012, 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 carrying values of recognised assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortised cost are adjusted to record changes in fair values attributable to the risks that are being hedged in effective hedge relationships.

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 a 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 IFRS 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.

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 2014.

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

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact to the Group, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the Group, since none of the entities in the Group has any offsetting arrangements.

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have no impact on the Group as the Group has not novated its derivatives during the current or prior periods.

Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36

These amendments remove the unintended consequences of IFRS 13 Fair Value Measurement on the disclosures required under IAS 36 Impairment of Assets. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognised or reversed during the period. The Group adopted these disclosure requirements in the annual consolidated financial statements for the year ended 31 December 2014.

IFRIC 21 Levies

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Group as it has applied the recognition principles under IAS 37 Provisions, Contingent Liabilities and Contingent Assets consistent with the requirements of IFRIC 21 in prior years.

Annual Improvements 2010-2012 Cycle

In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, which included an amendment to IFRS 13 Fair Value Measurement. The amendment to IFRS 13 is effective immediately and, thus, for periods beginning at 1 January 2014, and it clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 has no impact on the Group.

Annual Improvements 2011-2013 Cycle

In the 2011-2013 annual improvements cycle, the IASB issued four amendments to four standards, which included an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 is effective immediately and, thus, for periods beginning at 1 January 2014, and clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. This amendment to IFRS 1 has no impact on the Group, since the Group is an existing IFRS preparer.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Basis of consolidation

The IFRS consolidated financial statements comprise the financial statements of the Company and its subsidiaries at 31 December 2014 and for the year then ended. 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 Company, 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 IFRS consolidated financial statements are presented in the US Dollars ("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 investment

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 on disposal of the 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

During the year ended 31 December 2008, management of the Company adopted the revaluation model of accounting for property, plant and equipment. This change in accounting policy, in management's view, allows for a more fair presentation of property, plant and equipment in accordance with the industry specifics. The revaluations were performed by independent appraisers as at 1 July 2008 and 1 July 2012. 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 restated to the revalued amount of the asset.

Increases in carrying amount arising on revaluation of property, plant and equipment are credited to revaluation reserve in equity. However, such increase is to be recognised in profit and loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in the consolidated statement of comprehensive income. If the asset's carrying amount is decreased as a result of the revaluation, the decrease is recognised the consolidated statement of comprehensive income. However, such decrease is taken directly to equity to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

As the asset is used by an entity, 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 completed. 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 the consolidated statement of comprehensive income 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. The items of social infrastructure facilities do not meet the definition of an asset according to IFRS; therefore, these items 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, the investment in the associate is carried in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment. The consolidated statement of comprehensive income reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

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 statement of comprehensive income. 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 the consolidated statement of comprehensive income. 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 2014 and 2013.

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.

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, financial guarantee contracts, and derivative financial instruments.

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. This category includes derivative financial instruments entered into by the Group that do not meet the hedge accounting criteria as defined by IAS 39. 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 is 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.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, and cash flow hedges to hedge its foreign currency risks.

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.

Derivative financial instruments

Derivative financial instruments hedges are accounted for as fair value hedges.

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting and the ineffective portion of an effective hedge, are taken to finance income or finance costs, respectively, in the consolidated statement of comprehensive income.

The fair value of forward currency contracts is the difference between the forward exchange rate and the contract rate. The forward exchange rate is referenced to current forward exchange rates for contracts with similar maturity profiles.

Fair value hedges of unrecognised firm commitment

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised as finance income or finance costs, respectively, in the consolidated statement of comprehensive income.

The Group discontinues fair value hedge accounting if the hedging instrument expires, is sold, terminated or exercised, or no longer meets the criteria for hedge accounting, or the Group revokes the designation. The Group discontinues fair value hedge accounting from the last date on which compliance with the hedge effectiveness was demonstrated.

When hedge relationship no longer meets the criteria for hedge accounting the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged and continues to be accounted for in a manner that was applicable prior to it being hedged. The basis adjustment on the hedged item is frozen and continues as part of the carrying amount of the asset up to the date the carrying value is recovered through use or sale of the asset becomes impaired. The hedged instrument continues to be accounted as derivative at fair value through profit and loss.

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.

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.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

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 revenue can be reliably measured. Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably. Advances from customers represent cash receipts from the buyer before significant risks and rewards of ownership of the goods have passed to the buyer. 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 2014, 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

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess the full impact of the application of IFRS 9. The Group will also consider the impact of the remaining phases of IFRS 9 when completed.

IFRS 15 Revenue from contracts with customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to 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 or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

There are no other IFRSs or IFRIC interpretations that are not yet effective that 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 as described below and considers such approach to be the most appropriate in the current operating environment of the Group.

Based on the results of the review, which takes into account uncertainties in timing, size and inherent volatility of the expected future cash flows, management concluded that the carrying amount of property, plant and equipment as at 31 December 2014 does not differ materially from its fair value.

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 financial year-end. 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 (Note 8).

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 the cash generating units ("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 the cash generating unit 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 the cash generating unit 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 two 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.

Allowances and net realisable value

The Group makes allowances for doubtful accounts receivable (Note 13). Significant judgment is used to determine doubtful accounts. In determining 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.

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 differing 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 with 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 this 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 vast majority of these loans are denominated in the USD and are translated into the respective local functional currencies in the subsidiaries' local accounts. Loans 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 loans 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 granted by the Group 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. Surplus of scrap 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 both for internal production of railway wheels 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 "MP "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.

Steel making segment was formed in the year ended 31 December 2013 due to the commencement of the EAF normal capacity operations and respective processed scrap consumption in steel billets production.

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

(in US dollars and in thousands)

Segment revenues and results Year ended 31 December 2014	*Pipes*	*Railway wheels*	*Steel making*	*Other operations*	*Total*
Revenue	781,341	183,559	482,546	30,016	1,477,462
Elimination of sales to other segments	-	-	(439,002)	-	(439,002)
Revenue - external	**781,341**	**183,559**	**43,544**	**30,016**	**1,038,460**
Operating profit / (loss)	**74,978**	**48,196**	**(17,971)**	**3,692**	**108,895**
Finance income					3,860
Finance costs					(131,257)
Non-operating foreign exchange difference					35,891
Share of profit of associates					2
Income tax expense					2,118
Profit for the year					**19,509**

For the years ended 31 December 2014, 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 operating foreign exchange difference and plus extraordinary losses / (gains).

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 2014	*Pipes*	*Railway wheels*	*Steel making*	*Other operations*	*Total*
Operating profit / (loss)	74,978	48,196	(17,971)	3,692	108,895
Depreciation and amortisation	54,724	14,295	28,807	55	97,881
Impairment of property, plant and equipment and intangible assets (Note 24)	-	-	4,208	-	4,208
Loss / (gain) on disposal of property, plant and equipment (Note 27)	(29)	(53)	191	-	109
Foreign exchange cash flow hedges (Note 35)	16,895	70	561	14	17,540
Extraordinary loss	1,827	402	4,475	-	6,704
Operating foreign exchange difference	(109,685)	(13,499)	3,220	184	(119,780)
EBITDA	**38,710**	**49,411**	**23,491**	**3,945**	**115,557**

Segment assets, liabilities and other information Year ended 31 December 2014	*Pipes*	*Railway wheels*	*Steel making*	*Other operations*	*Total*
Segment assets	611,947	92,378	264,814	4,823	973,962
Segment liabilities	302,656	25,352	55,392	5,955	389,355
Investment in associates (Note 10)	1,613	-	-	-	1,613
Additions to property, plant and equipment (Note 8)	33,890	10,750	10,592	3	55,235
Movement in provisions (Note 20)	7,648	2,626	449	584	11,307
Other non-cash items	26,651	3,514	(397)	253	30,021

(in US dollars and in thousands)

Segment revenues and results Year ended 31 December 2013	*Pipes*	*Railway wheels*	*Steel making*	*Other operations*	*Total*
Revenue	1,115,408	333,236	648,686	30,819	2,128,149
Elimination of sales to other segments	-	-	(607,461)	-	(607,461)
Revenue - external	**1,115,408**	**333,236**	**41,225**	**30,819**	**1,520,688**
Operating profit / (loss)	**6,154**	**46,189**	**9,770**	**(980)**	**61,133**
Finance income					3,076
Finance costs					(137,870)
Non-operating foreign exchange difference					6,728
Share of profit of associates					187
Income tax expense					(6,697)
Loss for the year					**(73,443)**

For the year ended 31 December 2013, share of profit of associates was attributable to pipes segment.

EBITDA by segments Year ended 31 December 2013	*Pipes*	*Railway wheels*	*Steel making*	*Other operations*	*Total*
Operating profit / (loss)	6,154	46,189	9,770	(980)	61,133
Depreciation and amortisation	74,591	19,520	42,956	27	137,094
Impairment of property, plant and equipment and intangible assets (Note 24)	17,525	-	2,810	-	20,335
Loss / (gain) on disposal of property, plant and equipment (Note 27)	1,274	223	271	-	1,768
Operating foreign exchange difference	969	79	2,288	191	3,527
EBITDA	**100,513**	**66,011**	**58,095**	**(762)**	**223,857**

Segment assets, liabilities and other information Year ended 31 December 2013	*Pipes*	*Railway wheels*	*Steel making*	*Other operations*	*Total*
Segment assets	954,724	197,320	542,077	20,771	1,714,892
Segment liabilities	257,308	51,116	63,486	6,626	378,536
Investment in associates (Note 10)	3,159	-	-	-	3,159
Additions to property, plant and equipment (Note 8)	57,782	16,357	25,597	111	99,847
Movement in provisions (Note 20)	4,208	1,531	360	278	6,377
Other non-cash items	3,702	245	1,444	88	5,479

(in US dollars and in thousands)

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

	31 December 2014	31 December 2013
Segment assets for reportable segments	**969,139**	**1,694,120**
Other segments assets	**4,823**	**20,772**
Unallocated		
Intangible assets	973	1,676
Deferred tax assets	9,497	43,645
Prepaid current income tax	9,926	10,644
Taxes recoverable, other than income tax	24,091	29,286
Other financial assets	24,550	54,020
Cash and cash equivalents	19,885	34,516
Other non-current assets	128	281
	89,050	**174,068**
Total assets	**1,063,012**	**1,888,960**

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

	31 December 2014	31 December 2013
Segment liabilities for reportable segments	**383,400**	**371,910**
Other segments liabilities	**5,955**	**6,626**
Unallocated		
Deferred tax liabilities	6,813	3,670
Taxes payable, other than income tax	3,417	5,739
Current income tax liabilities	3,445	1,559
Borrowings	996,465	1,026,013
Subordinated loan	40,000	-
Interest payable	18,947	14,257
Dividends payable to non-controlling interest owners	372	744
Other liabilities	371	1,259
	1,069,830	**1,053,241**
Total liabilities	**1,459,185**	**1,431,777**

Geographical information

Revenues from external customers

	For the year ended 31 December 2014	For the year ended 31 December 2013
Russia	307,052	405,821
Europe	220,693	177,078
Ukraine	191,171	392,763
Americas	146,048	152,232
Other CIS countries	103,665	252,035
Middle East and Africa	66,656	105,649
Other countries	3,175	35,110
	1,038,460	**1,520,688**

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.

(in US dollars and in thousands)

Non-current assets

Non-current assets comprising property, plant and equipment, intangible assets and goodwill 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 2014	*31 December 2013*
Ukraine	515,192	1,106,429
Europe	192	165
Other countries	193	294
	515,577	**1,106,888**

(in US dollars and in thousands)

7. Fair value measurement

The Group measures 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 following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

Fair value measurement hierarchy for assets and liabilities as at 31 December 2014:

		Fair value measurement using		
	Total	*Quoted prices in active markets (Level 1)*	*Significant observable inputs (Level 2)*	*Significant unobservable inputs (Level 3)*
Assets measured at fair value:				
Property, plant and equipment	514,604	-	-	514,604
Trade and other accounts receivable	98,767	-	98,767	-
	613,371	-	**98,767**	**514,604**
Liabilities measured at fair value:				
Borrowings	914,246	-	914,246	-
Trade and other accounts payable	154,198	-	154,198	-
	1,068,444	-	**1,068,444**	-

There have been no transfers between Level 1 and Level 2 during 2014.

Fair value measurement hierarchy for assets and liabilities as at 31 December 2013:

		Fair value measurement using		
	Total	*Quoted prices in active markets (Level 1)*	*Significant observable inputs (Level 2)*	*Significant unobservable inputs (Level 3)*
Assets measured at fair value:				
Property, plant and equipment	1,105,212	-	-	1,105,212
Trade and other accounts receivable	198,924	-	198,924	-
	1,304,136	-	**198,924**	**1,105,212**
Liabilities measured at fair value:				
Borrowings	992,046	-	992,046	-
Trade and other accounts payable	230,757	-	230,757	-
	1,222,803	-	**1,222,803**	-

There have been no transfers between Level 1 and Level 2 during 2013.

(in US dollars and in thousands)

8. Property, plant and equipment

Movement in property, plant and equipment and related accumulated depreciation for the years ended 31 December 2014 and 2013 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 2013	**544,962**	**494,994**	**37,900**	**7,781**	**133,181**	**1,218,818**
Additions	-	-	-	-	99,847	99,847
Transfers	46,783	110,332	1,132	1,438	(159,685)	-
Disposals and write-offs	(1,065)	(1,594)	(1,213)	(466)	(110)	(4,448)
Impairment (Note 24)	(11,061)	(5,125)	(352)	(100)	(3,697)	(20,335)
Translation difference	(8)	(9)	(1)	-	(1)	(19)
At 31 December 2013	**579,611**	**598,598**	**37,466**	**8,653**	**69,535**	**1,293,863**
Additions	-	-	-	-	55,235	55,235
Transfers	9,002	35,647	288	777	(45,714)	-
Disposals and write-offs	(21)	(761)	(859)	(93)	(405)	(2,139)
Impairment (Note 24)	(4,256)	(909)	(285)	(15)	(83)	(5,548)
Translation difference	(282,416)	(293,842)	(18,094)	(3,767)	(59,225)	(657,344)
At 31 December 2014	**301,920**	**338,733**	**18,516**	**5,555**	**19,343**	**684,067**
Accumulated depreciation and impairment:						
At 1 January 2013	**19,624**	**26,789**	**2,721**	**4,108**	-	**53,242**
Depreciation for the year	45,654	84,785	4,876	1,404	-	136,719
Disposals and write-offs	(159)	(411)	(272)	(453)	-	(1,295)
Translation difference	(5)	(9)	(1)	-	-	(15)
At 31 December 2013	**65,114**	**111,154**	**7,324**	**5,059**	-	**188,651**
Depreciation for the year	32,557	61,419	2,931	765	-	97,672
Disposals and write-offs	(4)	(494)	(386)	(78)	-	(962)
Impairment (Note 24)	(678)	(480)	(173)	(9)	-	(1,340)
Translation difference	(40,146)	(68,033)	(4,193)	(2,186)	-	(114,558)
At 31 December 2014	**56,843**	**103,566**	**5,503**	**3,551**	-	**169,463**
Net book value						
At 31 December 2013	514,497	487,444	30,142	3,594	69,535	1,105,212
At 31 December 2014	245,077	235,167	13,013	2,004	19,343	514,604

As at 31 December 2014 and 2013, property, plant and equipment with carrying value of USD 433,075 thousand and USD 934,625 thousand, respectively, were pledged as a security for the Group's borrowings (Note 19).

As at 31 December 2014 and 2013, the cost of fully depreciated items of property, plant and equipment, which remain in use, amounted to USD 8,334 thousand and USD 16,078 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 2013	316,703	445,127	24,276	3,082	53,723	842,911
31 December 2014	154,257	198,689	10,902	976	36,798	401,622

Additional impairment charges in the amount of USD 4,208 thousand were related to items of property, plant and equipment of the "Luganskiy Kombinat Vtormet" LLC located in Lugansk region due to the armed confrontations in the Eastern regions of Ukraine. The impairment losses were recognised in the statement of profit or loss in cost of sales (Note 24).

(in US dollars and in thousands)

9. Intangible assets and goodwill

Movement in intangible assets and goodwill and related accumulated amortisation for the years ended 31 December 2014 and 2013 was as follows:

	Goodwill	*Patents and trademark*	*Accounting software*	*Other software*	*Intangible assets under development*	*Total*
Cost						
At 1 January 2013	**10,478**	**89**	**2,348**	**2,093**	**4,299**	**19,307**
Additions	-	-	193	37	197	427
Transfers	-	13	394	358	(765)	-
Disposals	-	(1)	(1)	(10)	(548)	(560)
Translation difference	-	-	-	-	-	-
At 31 December 2013	**10,478**	**101**	**2,934**	**2,478**	**3,183**	**19,174**
Additions	-	1	87	38	488	614
Transfers	-	13	237	(25)	(225)	-
Disposals	-	-	-	(9)	(12)	(21)
Impairment (Note 24)	-	-	-	(7)	-	(7)
Translation difference	-	(54)	(1,486)	(1,239)	(1,645)	(4,424)
At 31 December 2014	**10,478**	**61**	**1,772**	**1,236**	**1,789**	**15,336**
Accumulated amortisation and impairment						
At 1 January 2013	**10,478**	**59**	**2,148**	**1,719**	**3,216**	**17,620**
Amortisation for the year	-	18	132	211	-	361
Disposals	-	-	(1)	(9)	(473)	(483)
Translation difference	-	-	-	-	-	-
At 31 December 2013	**10,478**	**77**	**2,279**	**1,921**	**2,743**	**17,498**
Amortisation for the year	-	11	284	124	-	419
Disposals	-	-	-	(11)	-	(11)
Impairment (Note 24)	-	-	-	(7)	-	(7)
Translation difference	-	(40)	(1,159)	(986)	(1,351)	(3,536)
At 31 December 2014	**10,478**	**48**	**1,404**	**1,041**	**1,392**	**14,363**
Net book value						
At 31 December 2013	-	24	655	557	440	1,676
At 31 December 2014	-	13	368	195	397	973

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 2014 and 2013, there were no internally generated intangible assets included into additions of intangible assets under development.

(in US dollars and in thousands)

10. Investments in associates

The Group's investments in associates were as follows:

Entity	*Activity*	*% of the Group ownership*	*31 December 2014*	*31 December 2013*
CJSC "Nikopolsky Repairing Plant"	Repairs	25%	657	1,305
CJSC "Nikopolsky Tooling Plant"	Tooling for machines	25%	605	1,055
CJSC "Teplogeneratzia"	Utility services	30%	351	799
			1,613	**3,159**

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

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

	For the year ended 31 December 2014	*For the year ended 31 December 2013*
At period beginning	3,159	2,972
Share of profit	2	187
Translation difference	(1,548)	-
At period end	**1,613**	**3,159**

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

	CJSC "Teplo-generatzia"	*CJSC "Nikopolsky Tooling Plant"*	*CJSC "Nikopolsky Repairing Plant"*
At 31 December 2014			
Assets	1,040	981	899
Liabilities	(689)	(376)	(242)
Net assets – carrying amounts of investments	**351**	**605**	**657**

	CJSC "Teplo-generatzia"	*CJSC "Nikopolsky Tooling Plant"*	*CJSC "Nikopolsky Repairing Plant"*
At 31 December 2013			
Assets	3,009	1,937	2,498
Liabilities	(2,210)	(882)	(1,193)
Net assets – carrying amounts of investments	**799**	**1,055**	**1,305**

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

	For the year ended 31 December 2014		*For the year ended 31 December 2013*	
	Revenue	*Profit / (loss) for the year*	*Revenue*	*Profit for the year*
CJSC "Teplogeneratzia"	2,808	(56)	4,059	144
CJSC "Nikopolsky Repairing Plant"	2,869	(11)	3,587	15
CJSC "Nikopolsky Tooling Plant"	2,152	69	3,261	28

(in US dollars and in thousands)

11. Income tax

The components of income tax expense for the years ended 31 December 2014 and 2013 were as follows:

	For the year ended 31 December 2014	*For the year ended 31 December 2013*
Current income tax expense	(4,512)	(13,596)
Deferred income tax benefit	6,630	6,899
	2,118	**(6,697)**

Income tax benefit / (expense) for the years ended 31 December 2014 and 2013 originated in the following tax jurisdictions:

	Domestic tax rates applicable to individual group entities as at			
	31 December 2014	*31 December 2013*	*For the year ended 31 December 2014*	*For the year ended 31 December 2013*
Ukraine	18%	19%	4,802	(2,663)
Russia	20%	20%	(1,165)	(1,914)
Switzerland	11%	11%	(5,657)	(701)
The USA	34%	34%	4,210	191
Cyprus	12.5%	12.5%	(128)	(1,679)
Kazakhstan	20%	20%	56	69
			2,118	**(6,697)**

Starting 1 January 2011 in Ukraine new Tax Code was enforced which superseded a set of tax laws (including VAT, Corporate profit tax and other). Key provisions related to Corporate profit tax are following: tax rate was reduced to 23% starting from 1 April 2011, further reduced to 21% in 2012, to 19% in 2013, and 18% thereafter; harmonisation between tax and financial accounting in respect of profit before tax calculation, and valuation of assets and liabilities.

Profit / (loss) before tax for financial reporting purposes is reconciled to tax expense as follows:

	For the year ended 31 December 2014	*For the year ended 31 December 2013*
Accounting profit / (loss) before tax	17,391	(66,746)
Tax benefit / (charge) calculated at domestic rates applicable to individual Group entities	8,898	19,353
Tax effect of non-deductible expenses	(312)	(12,255)
Tax effect of non-taxable incomes	2,474	496
Recognition of the tax asset relating to the change in an estimate of deductibility of certain temporary difference	(3,960)	-
Effect of change in tax rates in Ukraine (period of recoverability of temporary differences)	1,278	(2,206)
Change in previously unrecognised deferred tax assets	(8,765)	(10,485)
Translation difference	2,410	15
Other differences	95	(1,615)
	2,118	**(6,697)**

(in US dollars and in thousands)

Deferred tax assets and liabilities related to the following:

	31 December 2014	*Change recognised in profit or loss*	*Change recognised in other comprehensive income*	*Translation difference*	*31 December 2013*
Deferred tax liabilities:					
Taxable differences on intercompany settlements and investments	(10,345)	(4,539)	-	44	(5,850)
Deferral of revenues and related costs	(34)	442	-	308	(784)
	(10,379)	**(4,097)**	-	**352**	**(6,634)**
Deferred tax assets:					
Revaluation of property, plant and equipment and difference in depreciation	8,243	5,161	-	(2,549)	5,631
Deductible costs retained in inventories	797	474	-	227	96
Tax losses carry forward	19,010	5,546	-	(4,871)	18,335
Write-down of inventories	986	107	-	(810)	1,689
Deductible differences on intercompany settlements and investments	41,251	5,179	-	(319)	36,391
Accrued liabilities and provisions	7,942	1,904	760	(5,901)	11,179
Loans and interest payable	6,427	5,092	-	(3,014)	4,349
Allowance for doubtful accounts	2,793	3,417	-	(1,148)	524
Adjustment for unrealised profits in inventories	4,037	1,606	-	(72)	2,503
Deferral of deductible expenses	499	(8,609)	-	(4,234)	13,342
Other deferred tax assets	44	(385)	-	(981)	1,410
	92,029	**19,492**	**760**	**(23,672)**	**95,449**
Unrecognised deferred tax assets	(78,966)	(8,765)	-	(21,361)	(48,840)
Deferred income tax benefit from origination and reversal of temporary differences		6,630	760		
Reflected in the consolidated statement of financial position as follows:					
Deferred tax assets	9,497				43,645
Deferred tax liabilities	(6,813)				(3,670)
Deferred tax assets, net	**2,684**				**39,975**

(in US dollars and in thousands)

	31 December 2013	Change recognised in profit or loss	Change recognised in other comprehensive income	Translation difference	31 December 2012
Deferred tax liabilities:					
Taxable differences on intercompany settlements and investments	(5,850)	(98)	-	-	(5,752)
Deferral of revenues and related costs	(784)	(823)	-	-	39
	(6,634)	**(921)**	-	-	**(5,713)**
Deferred tax assets:					
Revaluation of property, plant and equipment and difference in depreciation	5,631	11,605	-	-	(5,974)
Deductible costs retained in inventories	96	(669)	-	(1)	766
Tax losses carry forward	18,335	33	-	(6)	18,308
Write-down of inventories	1,689	404	-	(3)	1,288
Deductible differences on intercompany settlements and investments	36,391	5,088	-	7	31,296
Accrued liabilities and provisions	11,179	(4,814)	(772)	6	16,759
Loans and interest payable	4,349	(915)	-	18	5,246
Allowance for doubtful accounts	524	468	-	(14)	70
Adjustment for unrealised profits in inventories	2,503	1,038	-	-	1,465
Deferral of deductible expenses	13,342	4,695	-	-	8,647
Other deferred tax assets	1,410	1,372	-	68	(30)
	95,449	**18,305**	**(772)**	75	**77,841**
Unrecognised deferred tax assets	(48,840)	(10,485)	-	(65)	(38,290)
Deferred income tax benefit from origination and reversal of temporary differences		6,899	(772)		
Reflected in the consolidated statement of financial position as follows:					
Deferred tax assets	43,645				39,944
Deferred tax liabilities	(3,670)				(6,106)
Deferred tax assets, net	39,975				33,838

The deferred tax effect on tax losses was as follows:

Country of origination	For the year ended 31 December 2014	For the year ended 31 December 2013
Ukraine	7,324	6,134
Cyprus	1,132	1,614
US	6,556	6,594
Switzerland	3,761	3,993
Kazakhstan	236	-
	19,009	**18,335**

Tax losses carry 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 not recognised in respect of write-down of inventories and tax losses carry forward in USA and tax losses carry forward in Cyprus as there are doubts on availability of sufficient taxable profits in future periods against which assets can be utilised.

As at 31 December 2014 and 2013, the Company has not recognised deferred tax liability in respect of temporary differences amounting to USD 32,358 thousand and USD 49,754 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.

(in US dollars and in thousands)

12. Inventories

Inventories, carried at lower of cost and net realisable value, consisted of the following:

	31 December 2014	*31 December 2013*
Raw materials	51,723	117,782
Work in process	30,034	37,473
Finished goods	106,285	151,896
	188,042	**307,151**

As at 31 December 2014 and 2013, write down of inventories to net realisable value amounted to USD 2,511 thousand and USD 7,977 thousand, respectively.

As at 31 December 2014 and 2013, raw materials, work in process and finished, were pledged as a security for the Group's borrowings (Note 19):

	31 December 2014	*31 December 2013*
Raw materials	19,509	46,081
Work in process	18,236	17,443
Finished goods	80,645	108,966
	118,390	**172,490**

13. Trade and other accounts receivable

Trade and other accounts receivable consisted of the following:

	31 December 2014	*31 December 2013*
Trade accounts receivable	117,428	195,602
Less allowance for impairment	(24,632)	(6,439)
	92,796	189,163
Other receivables net of allowance for impairment	5,971	9,761
	98,767	**198,924**

As at 31 December 2014, trade receivables with carrying value of USD 49,308 thousand (2013: USD 36,181 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 2014	*For the year ended 31 December 2013*
At period beginning	6,439	3,471
Charge / (release) for the year (Note 25)	22,879	3,040
Utilisation	(1,141)	(18)
Translation difference	(3,545)	(54)
At period end	**24,632**	**6,439**

As at 31 December 2014 and 2013, allowance for impairment of other receivables amounted to USD 1,530 thousand and USD 1,423 thousand, respectively.

As at 31 December 2014 and 2013, the allowance for impairment of trade accounts receivable included USD 3,976 thousand and USD 111 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 analysis 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 2014	**98,767**	40,965	22,472	8,751	6,220	20,359
31 December 2013	**198,924**	96,279	44,795	17,666	20,591	19,593

Trade receivables are non-interest bearing and are generally collected within a three-month term. As at 31 December 2014 and 2013, 51% and 57% of trade accounts receivable, respectively, were due from twenty major customers.

(in US dollars and in thousands)

14. Prepayments and other current assets

Prepayments and other current assets consisted of the following:

	31 December 2014	*31 December 2013*
Prepayments to suppliers	169,164	97,975
Prepaid insurance expense	697	1,392
Other current assets	833	763
	170,694	**100,130**

15. Taxes recoverable, other than income tax

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

	31 December 2014	*31 December 2013*
Value-added tax recoverable	24,085	27,798
Other taxes recoverable	6	1,488
	24,091	**29,286**

VAT recoverable primarily originated in Ukraine (Note 5).

16. Other financial assets

Other financial assets consisted of the following:

	31 December 2014	*31 December 2013*
Restricted bank deposit pledged as collateral for loans	16,562	45,338
Guarantee deposits	4,122	3,936
Available reimbursement related to litigations (Notes 20 and 27)	3,750	3,750
Other	116	996
	24,550	**54,020**

As at 31 December 2014 and 2013, restricted bank deposits with carrying value of USD 16,271 thousand and USD 45,338 thousand, respectively, were pledged as a security for the Group's borrowings (Note 19).

As at 31 December 2014 and 2013, the guarantee deposits represented restricted bank deposits relating to 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 2014	*31 December 2013*
Current accounts and deposits on demand at banks	19,848	34,481
Cash in hand	30	26
Time deposits at banks	7	9
	19,885	**34,516**

Demand deposits at bank earned interest at rates up to 3.5% in UAH for the year ended 31 December 2014 and up to 8% in USD for the year ended 31 December 2013.

As at 31 December 2014 and 2013, cash and cash equivalents with carrying value of USD 5,952 thousand and USD 5,116 thousand, respectively, were pledged as a 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.

(in US dollars and in thousands)

19. Borrowings

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

	31 December 2014	*31 December 2013*
Current borrowings		
Interest bearing loans due to banks	795,603	824,014
Bonds issued	199,219	198,967
Other borrowings	1,643	3,032
	996,465	**1,026,013**

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

	Applicable interest rates	*31 December 2014*	*31 December 2013*
2011 Restructured SACE facilities*			
USD			
Fixed rate	7.77% - 13.12%	76,717	73,849
Floating rate	LIBOR (3month) + 1.5% - 3.5%	93,415	89,883
Floating rate	LIBOR (3month) + 4.0% - 6.0%	16,158	14,867
		186,290	178,599
2011 Restructured facilities			
USD			
Floating rate	LIBOR (3month) + 4.0% - 6.0%	486,796	474,766
		486,796	474,766
Bonds			
USD			
Fixed rate	10.25%	199,219	198,967
		199,219	198,967
Other facilities			
EUR			
Floating rate	LIBOR (3month - 12month) + 4.0% - 10.5%	56,264	59,774
EUR			
Fixed rate	7.00% - 13.25%	54,274	88,809
USD			
Fixed rate	7.00% – 15.75%	11,809	21,754
EUR			
Fixed rate	7.50% – 8.60%	1,643	3,032
UAH			
Fixed rate	15.00%	170	312
		124,160	173,681
		996,465	**1,026,013**

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

In 2011, the Group executed 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 acts as an umbrella amendment agreement applicable to each of the 2011 Restructured facilities and the 2011 Restructured SACE facilities.

As at 31 December 2014, 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 and was not completed as at 31 December 2014 and is continuing.

(in US dollars and in thousands)

As at 31 December 2014, USD 274,127 thousand (USD 446,235 thousand as at 31 December 2013) 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 2014 and 2013, the nominal value of the Group's loans and borrowings was USD 1,001,087 thousand and USD 1,037,140 thousand, respectively.

Pledges of assets

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

	31 December 2014	*31 December 2013*
Carrying values of property, plant and equipment (Note 8)	433,075	934,625
Inventories (Note 12)	118,390	172,490
Trade receivables (Note 13)	49,308	36,181
Other financial assets (Note 16)	16,271	45,338
Cash and cash equivalents (Note 17)	5,952	5,116
Rights/title/interest under property, plant and equipment purchase agreements	188	125

As at 31 December 2014 and 2013, 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 Restructured facilities.

As at 31 December 2014 and 2013, 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 2014	*31 December 2013*
Provision for customers' and other claims	8,556	8,232
Defined benefit state pension plan	27,833	47,937
Retirement benefit plan	1,632	2,701
	38,021	**58,870**
Provision – current portion	(11,882)	(14,640)
Provision – non-current portion	**26,139**	**44,230**

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

For the years ended 31 December 2014 and 2013, movements in the provisions were as follows:

	Provision for customers' and other claims	*Defined benefit state pension plan*	*Retirement benefit plan*	*Total provisions*
At 1 January 2013	**6,286**	**49,571**	**3,341**	**59,198**
Charge for the year	6,825	4,461	(159)	11,127
Payments and utilisation	(129)	(6,095)	(481)	(6,705)
Reversal	(4,750)	-	-	(4,750)
At 31 December 2013	**8,232**	**47,937**	**2,701**	**58,870**
Charge for the year	1,537	8,928	842	11,307
Payments and utilisation	(552)	(4,212)	(470)	(5,234)
Translation difference	(661)	(24,820)	(1,441)	(26,922)
At 31 December 2014	**8,556**	**27,833**	**1,632**	**38,021**

For the years ended 31 December 2014 and 2013, interest costs attributable to the provisions and amounting to USD 4,172 thousand and USD 6,451 thousand, respectively, were included in finance costs in the consolidated statement of comprehensive income (Note 30).

(in US dollars and in thousands)

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 2014 in the amount of USD 1,060 thousand (charge, net of reversal, for the year ended 31 December 2013 amounted to USD 1,374 thousand), is included in customers' and other claims charges (Note 27) and other finance costs (Note 30) in the consolidated statement of comprehensive income.

As at 31 December 2014 and 2013, insurance coverage and other reimbursements against probable losses amounting to USD 3,750 thousand and USD 3,750 thousand, respectively, were recognised as an asset and included in other financial assets (Note 16) in the consolidated statement of financial position. For the years ended 31 December 2014 and 2013, change in insurance coverage of USD nil thousand and decrease of USD 750 thousand, respectively, was credited to customers' and other claims (charges), net of reversals, in other operating income and expenses (Note 27) in the consolidated statement of comprehensive income. 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 2014	*For the year ended 31 December 2013*
Interest cost (Note 30)	3,944	6,048
Current service cost	1,311	2,533
	5,255	**8,581**

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

	For the year ended 31 December 2014	*For the year ended 31 December 2013*
Present value at the beginning of the year	47,937	49,571
Current service cost	1,311	2,533
Interest cost (Note 30)	3,944	6,048
Payment	(4,212)	(6,095)
Re-measurement losses / (gains) on defined benefit plans:		
- changes in financial assumptions	363	(4,573)
- experience adjustments	3,310	453
Translation difference	(24,820)	-
Present value at the end of the year	**27,833**	**47,937**

The Group's best estimate of contributions expected to be paid to the plan during the year ending 31 December 2015 amounts to USD 3,289 thousand.

(in US dollars and in thousands)

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 (Note 24) and general and administrative expenses (Note 26) 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 2014	*For the year ended 31 December 2013*
Interest cost (Note 30)	228	403
Current service cost	64	140
	292	**543**

Changes in the present value of retirement benefit plan

	For the year ended 31 December 2014	*For the year ended 31 December 2013*
Present value at the beginning of the year	2,701	3,341
Current service cost	64	140
Interest cost (Note 30)	228	403
Payment	(470)	(481)
Re-measurement losses / (gains) on defined benefit plans:		
- changes in financial assumptions	119	(525)
- experience adjustments	431	(177)
Translation difference	(1,441)	-
Present value at the end of the year	**1,632**	**2,701**

The Group's best estimate of contributions expected to be paid to the plan during the year ending 31 December 2015 amounts to USD 504 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 2014	*31 December 2013*
Annual discount rate	16.0%	13.0%
Annual salary increase rate	12.7% in 2015, 10.0% afterwards	2.0% in 2014, 5.0% afterwards
Annual pension increase rate	0% in 2015, 8.0% afterwards	2.0% in 2014, 5.0% afterwards

Sensitivity analysis

A quantitative sensitivity analysis for significant assumption as at 31 December 2014 is as shown below:

Assumptions	*Discount rate*		*Future salary increases*		*Inflation*		*Staff turnover*	
Sensitivity Level	*1% increase*	*1% decrease*	*1% increase*	*1% decrease*	*1% increase*	*1% decrease*	*1% increase*	*1% decrease*
Impact on the net defined benefit obligation	(2,261)	2,620	1,450	(1,294)	751	(727)	58	(63)

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.

(in US dollars and in thousands)

21. Trade and other accounts payable

Trade and other accounts payable consisted of the following:

	31 December 2014	31 December 2013
Payables to suppliers	126,204	207,688
Interest payable	18,947	14,257
Dividends payable to non-controlling interest owners	372	744
Other accounts payable	8,671	8,068
	154,194	**230,757**

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 2014	31 December 2013
Property tax payable	1,624	2,505
Accrued and withheld taxes on payroll	1,115	1,581
VAT payable	52	539
Miscellaneous other taxes payable	626	1,114
	3,417	**5,739**

23. Advances and other current liabilities

Advances and other current liabilities consisted of the following:

	31 December 2014	31 December 2013
Advances from customers	208,461	92,392
Short-term employee benefits	8,189	12,582
Other current liabilities	137	114
	216,787	**105,088**

24. Cost of sales

Cost of sales consisted of the following:

	For the year ended 31 December 2014	For the year ended 31 December 2013
Materials	(439,895)	(677,507)
Energy and utilities	(134,600)	(219,823)
Depreciation	(93,380)	(131,494)
Payroll and related expenses	(63,773)	(102,608)
Repairs and maintenance	(15,434)	(24,909)
Foreign exchange cash flow hedge (Note 35)	(17,540)	-
Rolling tools and instruments	(17,072)	(23,122)
Write down of inventories	(10,844)	(1,836)
Impairment of property, plant and equipment (Note 8)	(4,208)	(20,335)
Other	(17,590)	(30,188)
	(814,336)	**(1,231,822)**

(in US dollars and in thousands)

25. Selling and distribution expenses

Selling and distribution expenses consisted of the following:

	For the year ended 31 December 2014	*For the year ended 31 December 2013*
Forwarding and transportation services	(78,644)	(85,422)
Custom services and duties	(28,759)	(20,257)
Charge of accounts receivable impairment allowance (Note 13)	(22,879)	(3,040)
Storage and packaging expenses	(11,181)	(11,513)
Sales agency fees	(10,288)	(2,804)
Payroll and related expenses	(9,881)	(10,465)
Depreciation	(1,134)	(1,497)
Advertising and promotion	(874)	(1,393)
Professional fees	(868)	(1,638)
Insurance expense	(336)	(381)
Other	(2,026)	(3,418)
	(166,870)	**(141,828)**

26. General and administrative expenses

General and administrative expenses consisted of the following:

	For the year ended 31 December 2014	*For the year ended 31 December 2013*
Payroll and related expenses	(33,737)	(38,031)
Professional fees	(7,731)	(8,433)
Business trips and transportation	(4,392)	(6,172)
Depreciation and amortisation	(3,367)	(4,103)
Rent	(2,160)	(2,489)
Taxes, other than income tax	(1,223)	(1,243)
Communication	(906)	(1,406)
Bank fees	(701)	(1,129)
Repairs and maintenance	(698)	(847)
Insurance expense	(657)	(572)
Other	(2,769)	(3,980)
	(58,341)	**(68,405)**

Auditors' remuneration

Auditors' remuneration for the year ended 31 December 2014 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 the certain Group entities of USD 600 thousand (2013: USD 805 thousand) as well as non-audit fees of USD 44 thousand (2013: USD 74 thousand).

27. Other operating income and expenses

Other operating income and expenses consisted of the following:

	For the year ended 31 December 2014	*For the year ended 31 December 2013*
Impairment of prepayments and other accounts receivable	(1,248)	(895)
Maintenance of social assets	(2,300)	(3,175)
Customers' and other claims charges, net of reversals (Note 20)	(1,060)	(2,838)
Impairment of other assets	(4,857)	(1,371)
Loss on disposal of property, plant and equipment and intangible assets	(109)	(1,768)
Gain / (loss) on disposal of by-products	754	(864)
Other losses	(978)	(3,062)
	(9,798)	**(13,973)**

(in US dollars and in thousands)

28. Operating and non-operating foreign exchange difference

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

	For the year ended 31 December 2014	*For the year ended 31 December 2013*
Operating FOREX gains / (losses) originated on		
trade accounts receivable	63,713	(2,150)
trade accounts payable	(4,827)	63
prepayments to suppliers	56,634	-
other operating exchange difference	4,260	(1,440)
	119,780	**(3,527)**
Non-operating FOREX gains / (losses) originated on		
loans payable other than those designated as hedging items	4,341	(3,564)
cash balances	31,550	10,292
	35,891	**6,728**

29. Finance income

Finance income consisted of the following:

	For the year ended 31 December 2014	*For the year ended 31 December 2013*
Interest income	3,787	2,801
Other finance income	73	275
	3,860	**3,076**

30. Finance costs

Finance costs consisted of the following:

	For the year ended 31 December 2014	*For the year ended 31 December 2013*
Interest expense relating to bank loans and bonds issued	(97,708)	(86,499)
Insurance expenses	(20,831)	(39,048)
Debt restructuring costs	(4,275)	(1,457)
Defined benefit state pension plan interest costs (Note 20)	(3,944)	(6,048)
Retirement benefit plan interest costs (Note 20)	(228)	(403)
Other finance costs	(4,271)	(4,415)
	(131,257)	**(137,870)**

(in US dollars and in thousands)

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 authorised and issued and fully paid were as follows:

	Shares	*USD thousand*
At 1 January 2011	**4,000,000,000**	**62,278**
Issued in December 2011	1,950,000	26
At 31 December 2011	**4,001,950,000**	**62,304**

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 and a total premium of EUR 48,591 thousand, which is the equivalent of USD 64,974 thousand. The shares of the Company are not listed.

There were no changes in the share capital of the Company for the year ended 31 December 2013 and 2014.

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 OCI. Amounts recognised as OCI 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 years ended 31 December 2014 and 31 December 2013.

(in US dollars and in thousands)

32. Principal subsidiaries

The Group included the following subsidiaries as at 31 December 2014 and 2013:

			Effective ownership	
Name of the company	*Country of incorporation*	*Business activities*	*31 December 2014*	*31 December 2013*
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%	87.79%
"Interpipe Niko Tube" LLC	Ukraine	Production of seamless pipes	99.93%	99.93%
"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"	United States	Trading	100.00%	100.00%
"Interpipe Middle East" FZE with limited liability	United Arab Emirates	Trading	100.00%	100.00%
"Interpipe Central Trade" GmbH	Germany	Trading	100.00%	-
Steel.One Limited	Cyprus	Subholding	100.00%	100.00%
Saleks Investments Limited	Cyprus	Subholding	100.00%	100.00%

There were no acquisitions for the year ended 31 December 2014 and 2013.

In 2013, the Group established a new subsidiary "KLW Production" LLC as part of wheels business reorganization. The Group is considering a transfer of all wheels production facilities and related infrastructure as well as production certificates, permits and licences from JSC "Interpipe Niznedneprovsky Tube Rolling Plant" to "KLW Production" LLC to improve operating efficiency and transparency of the wheels business. As of 31 December 2013 and 2014 "KLW Production" LLC did not own any material assets.

In 2014, the Group established a new subsidiary "Interpipe Central Trade" GmbH which is responsible for the sales of Interpipe products throughout Europe.

(in US dollars and in thousands)

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 2014 and 2013, the Group's transactions with its related parties comprised those with its associates (Note 10) and key management personnel.

Transactions with associates

The transactions of the Group with its associates are presented below:

	For the year ended 31 December 2014	*For the year ended 31 December 2013*
Sales of the products and other commodities	1,470	655
Purchases of inventories, utilities and other services	14,274	21,046

Outstanding balances of the Group with its associates were as follows:

	31 December 2014	*31 December 2013*
Amounts owed to the Group	2,149	2,039
Amounts owed by the Group	4,134	9,040

The significant part of the associates' transactions is with the Group's production entities.

Terms and conditions of transactions with associates

The sales to and purchases from associates are made at 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 2014, the Group has recorded an impairment charge relating to receivables from the associates and amounting to USD 1.5 thousand (2013: 10 thousand). This assessment is undertaken each financial year through examining the financial position of the associate and the market in which the associate operates.

Transactions with shareholders

Subordinated loan

During 2014 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.

As at 31 December 2014, interest payable, included in other accounts payable, amounted to USD 3,010 thousand.

Accounts payable to shareholders

As at 31 December 2014, accounts payable to shareholders, included in other accounts payable, amounted to USD 255 thousand, (2013: USD 289 thousand) were interest free and payable on demand.

(in US dollars and in thousands)

Compensation to key management personnel

Key management personnel of the Group as at 31 December 2014 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
Oleg Rozenberg	Chief Executive Officer of Interpipe Limited

Senior Management of the Group as at 31 December 2014 and 2013 comprised fourteen persons (including the CEO who is also a member of the Board of Directors), respectively.

For the year ended 31 December 2014, total compensation, comprising short-term employee benefits, to the members of the Board of Directors amounted to USD 930 thousand (2013: USD 366 thousand) and to the members of Senior Management of the Group – to USD 4,058 thousand (2013: USD 5,580 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.

(in US dollars and in thousands)

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 in the periods preceding 31 December 2014 do not exceed USD 3,326 thousand.

Litigation

As at 31 December 2014 and 2013, North American Interpipe, Inc. and Interpipe Europe LLC were defendants in several litigations relating to quality claims from customers amounting to approximately USD 7,700 thousand and USD 6,800 thousand, respectively. Provision for probable adverse consequences of the above cases amounting to USD 7,700 thousand and USD 6,800 thousand was included in provision for customers' and other claims in the consolidated statement of financial position as at 31 December 2014 and 2013, respectively (Note 20).

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 2014 and 2013, provisions have been made in respect of these cases amounting to USD 856 thousand and USD 1,431 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 2014 and 2013, the Group's other contractual commitments for acquisition and modernisation of production equipment amounted to USD 18,866 thousand and USD 23,011 thousand, respectively.

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 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 rates of USD to those 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 28 September 2015	4.626	1.115	1.5227	3.7063
As at 31 December 2014	6.342	1.219	1.9218	5.4840
As at 31 December 2013	12.511	1.318	3.2924	6.6538

The Group sells its products to Russia, Europe, and other regions; purchases materials from other countries, mainly from Russia; 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.

(in US dollars and in thousands)

Currency risks as defined by IFRS 7 arise on account of financial instruments being denominated in a currency that is not the functional currency and being of a monetary nature; translation-related risks are not taken into consideration. Relevant risk variables are generally non-functional currencies in which the Group has financial instruments.

The following tables demonstrate USD equivalents of the monetary assets and liabilities originally denominated in different currencies, as at 31 December 2014 and 2013:

As at 31 December 2014	*UAH*	*USD*	*EUR*	*RUR*	*Other*	***Total***
Other non-current assets	242	128	-	-	-	**370**
Trade and other accounts receivable	21,580	35,515	23,292	14,289	4,091	**98,767**
Other financial assets	-	8,306	15,957	-	287	**24,550**
Cash and bank deposits	3,032	7,074	3,973	5,303	503	**19,885**
	24,854	**51,023**	**43,222**	**19,592**	**4,881**	**143,572**
Subordinated loan	-	40,000	-	-	-	**40,000**
Other non-current liabilities	21	22	-	-	-	**43**
Borrowings	170	940,378	54,274	1,643	-	**996,465**
Trade and other accounts payable	70,239	45,598	29,486	8,751	120	**154,194**
	70,430	**1,025,998**	**83,760**	**10,394**	**120**	**1,190,702**

As at 31 December 2013	*UAH*	*USD*	*EUR*	*RUR*	*Other*	***Total***
Other non-current assets	455	125	-	-	17	**597**
Trade and other accounts receivable	87,403	52,198	18,934	38,116	2,273	**198,924**
Other financial assets	-	7,672	45,150	996	202	**54,020**
Cash and bank deposits	2,346	18,085	2,813	10,590	682	**34,516**
	90,204	**78,080**	**66,897**	**49,702**	**3,174**	**288,057**
Other non-current liabilities	49	32	-	-	-	**81**
Borrowings	313	933,859	88,809	3,032	-	**1,026,013**
Trade and other accounts payable	152,524	25,968	31,516	20,580	169	**230,757**
	152,886	**959,859**	**120,325**	**23,612**	**169**	**1,256,851**

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 2014	*High / low limits of change in currency exchange rate, %*	*Effect on profit before tax*	*Effect on other comprehensive income*
USD/UAH	+28.93%	35,023	(280,091)
EUR/UAH	+28.96%	23,071	(11,264)
RUB/UAH	+39.92%	(1,121)	-
USD/KZT	+17.37%	(42)	-
EUR/USD	+6.23%	(6,957)	-
USD/UAH	-28.93%	(35,023)	280,091
EUR/UAH	-28.96%	(23,071)	11,264
RUB/UAH	-39.92%	1,121	-
USD/KZT	-17.37%	42	-
EUR/USD	-6.23%	6,957	-

(in US dollars and in thousands)

For the year ended 31 December 2013	*High / low limits of change in currency exchange rate, %*	*Effect on profit before tax*	*Effect on other comprehensive income*
USD/UAH	+0%	-	-
EUR/UAH	+0%	-	-
RUB/UAH	+0%	-	-
USD/KZT	+0%	-	-
EUR/USD	+2%	1,636	-
USD/UAH	-48%	(430,054)	-
EUR/UAH	-46%	11,788	-
RUB/UAH	-43%	3,659	-
USD/KZT	-24%	(310)	-
EUR/USD	-2%	(1,636)	-

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 for its investing activities in the same currencies as the forecasted revenue streams to economically hedge the foreign currency risk exposure.

On 1 January 2014, the subsidiaries designated certain USD and EUR nominated borrowings as a hedge of the expected highly probable USD and EUR nominated intragroup export revenue streams in accordance with IAS 39 "Financial Instruments: Recognition and Measurement".

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 then 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 2014	*For the year ended 31 December 2013*
Foreign exchange cash flow hedges total charge	(252,314)	-
Reclassification of the foreign exchange loss to cost of sales	17,540	-
	(234,774)	-

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 2014 is as follows:

	2015	*2016*	*2017*	*2018*	*2019*	*2020*
Reclassification	(26,026)	(18,511)	(39,500)	(34,656)	(34,640)	(81,440)

Net investments in foreign operations

On 1 January 2014, the Company designated certain intragroup monetary items with the settlement which is neither planned nor likely to occur in the foreseeable future, as net investments in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates". Such monetary items consist of intercompany loans and may include other long-term receivables and payables.

Respective foreign exchange differences arising on monetary items that form part of the Group's net investments in some of the Ukrainian subsidiaries, which represent foreign operations are recognised in other comprehensive income.

(in US dollars and in thousands)

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

	For the year ended 31 December 2014	*For the year ended 31 December 2013*
Net foreign exchange loss on net investments in foreign operations	(444,551)	-
	(444,551)	-

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

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 2014 exceeded the Group's current assets as of that date by USD 850,235 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 2014 (Notes 2 and 19).

As at 31 December 2014	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*More than 5 years*	*Total*
Borrowings and interest payable	1,017,023	-	-	-	1,017,023
Trade and other accounts payable	87,630	26,161	-	-	113,791
	1,104,653	**26,161**	-	-	**1,130,814**

As at 31 December 2013	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*More than 5 years*	*Total*
Borrowings and interest payable	1,037,916	-	-	-	1,037,916
Trade and other accounts payable	172,228	39,574	5,380	-	217,182
	1,210,144	**39,574**	**5,380**	-	**1,255,098**

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 on 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 long-term debt obligations with floating interest rates (Note 19). The Group's policy is to manage its interest costs by monitoring changes in interest rates with respect to its borrowings. During 2014 and 2013, the Group borrowed at a fixed and floating rates. Floating rates are mostly linked to London Inter Bank Offering Rate ("LIBOR").

(in US dollars and in thousands)

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 2014	*High / low limits of change in interest rate, basic points*	*Effect on profit before tax*
LIBOR (USD)	+ 40	(2,542)
LIBOR (USD)	+ 20	(1,271)

For the year ended 31 December 2013	*High / low limits of change in interest rate, basic points*	*Effect on profit before tax*
LIBOR (USD)	+ 50	(3,172)
LIBOR (USD)	+ 25	(1,586)

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 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.

Risk concentration

Not included in the analysis above, the Group also had a significant credit and liquidity risk concentration arising from prepayments issued amounting to USD 168,479 thousand as at 31 December 2014 (2013 – USD 80,818 thousand) as presented in Note 14 and advances received amounting to USD 194,976 thousand as at 31 December 2014 (2013 – USD 74,188 thousand) as presented in Note 23.

Management used such arrangements to serve intercompany financing, such as transfers of the liquidity from the Ukrainian subsidiaries to the non-resident companies within Interpipe Group. Such intercompany liquidity transfers were used to a) increase financing for the growth in trading operations in Europe, MEA and Americas, b) fulfil the NBU requirements relating to foreign currency repatriation, c) finance debt service and principal amortization of the loans issued by the Interpipe Limited. Although there were no offset agreements in place as of 31 December 2014, as of the date of this financial statements relevant parties entered into arrangements which enable the Group to mitigate credit and liquidity risk. In addition, as of the date of these financial statements balances of the prepayments issued and advances received were reduced by USD 109,260 thousand and USD 109,252 thousand, respectively.

Fair values of financial instruments

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

Long-term bank loans and borrowing predominately bear variable rates, which are based on prevailing market rates. Accordingly, carrying value of the long-term bank loans and borrowings as at the yearend approximates their fair value.

As at 31 December 2014 and 2013, the fair value of bonds issued and traded over-the-counter was based on market quotation and approximated to USD 117,000 thousand and USD 165,000 thousand, respectively.

36. Events after the reporting period

No significant events, other than those described above, occurred after the end of the reporting period.