



**NOVOLIPETSK STEEL**

**INTERIM CONDENSED  
CONSOLIDATED FINANCIAL STATEMENTS**

**AS AT 30 SEPTEMBER 2020  
AND FOR THE THREE AND THE NINE MONTHS ENDED 30 SEPTEMBER 2020  
(UNAUDITED)**

**Novolipetsk Steel**  
**Interim condensed consolidated financial statements**  
**as at 30 September 2020 and for the three and the nine months ended 30 September 2020**  
**(unaudited)**

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## Report on Review of Interim Condensed Consolidated Financial Statements

To the Shareholders and Board of Directors of Novolipetsk Steel:

### Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Novolipetsk Steel and its subsidiaries (together – the “Group”) as of 30 September 2020 and the related interim condensed consolidated statements of profit or loss, comprehensive income for the three- and the nine-month periods then ended, changes in equity and cash flows for the nine-month periods then ended, and the related explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, “Interim Financial Reporting”. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

20 October 2020

Moscow, Russian Federation

Signed on the original: A. B. Fomin

A.B. Fomin, certified auditor (licence no. № 01-000059), AO PricewaterhouseCoopers Audit

Audited entity: Novolipetsk Steel

State registration certificate No. 5-G, issued by the Administration of Levoberezhny district of the city of Lipetsk on 28 January 1993

Certificate of inclusion in the Unified State Register of Legal Entities issued on 9 July 2002 under registration No. 1024800823123

2, Metallurgov sq., Lipetsk, 398040, Russian Federation

Independent auditor: AO PricewaterhouseCoopers Audit

Registered by the Government Agency Moscow Registration Chamber on 28 February 1992 under No. 008.890

Record made in the Unified State Register of Legal Entities on 22 August 2002 under State Registration Number 1027700148431

Taxpayer Identification Number 7705051102

Member of Self-regulatory organization of auditors Association «Sodruzhestvo»

Principal Registration Number of the Record in the Register of Auditors and Audit Organizations –12006020338

**Novolipetsk Steel**  
**Interim condensed consolidated statement of financial position (unaudited)**  
*(millions of US dollars)*

	Note	As at 30 September 2020	As at 31 December 2019
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	755	713
Short-term financial investments	4	596	287
Trade and other accounts receivable	5	890	1,047
Inventories	6	1,219	1,634
Other current assets		18	14
		<b>3,478</b>	<b>3,695</b>
<b>Non-current assets</b>			
Long-term financial investments	4	5	5
Investments in joint ventures	4	174	223
Property, plant and equipment	7	5,112	6,039
Goodwill	8	198	248
Other intangible assets	8	143	162
Deferred income tax assets		102	101
Other non-current assets		6	11
		<b>5,740</b>	<b>6,789</b>
<b>Total assets</b>		<b>9,218</b>	<b>10,484</b>
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Trade and other accounts payable	9	937	1,124
Dividends payable		363	318
Short-term borrowings	10	856	468
Current income tax liability		14	32
Other short-term liabilities		5	-
		<b>2,175</b>	<b>1,942</b>
<b>Non-current liabilities</b>			
Long-term borrowings	10	2,346	2,188
Deferred income tax liability		346	405
Other long-term liabilities		38	2
		<b>2,730</b>	<b>2,595</b>
<b>Total liabilities</b>		<b>4,905</b>	<b>4,537</b>
<b>Equity attributable to Novolipetsk Steel shareholders</b>			
Common stock		221	221
Additional paid-in capital		9	9
Accumulated other comprehensive loss		(7,538)	(6,140)
Retained earnings		11,611	11,840
		<b>4,303</b>	<b>5,930</b>
<b>Non-controlling interests</b>		<b>10</b>	<b>17</b>
<b>Total equity</b>		<b>4,313</b>	<b>5,947</b>
<b>Total liabilities and equity</b>		<b>9,218</b>	<b>10,484</b>

The interim condensed consolidated financial statements as set out on pages 5 to 23 were approved by the Group's management and authorised for issue on 20 October 2020.

**Novolipetsk Steel**
**Interim condensed consolidated statement of profit or loss (unaudited)**
*(millions of US dollars, unless otherwise stated)*

		For the nine months ended	For the nine months ended	For the three months ended	For the three months ended
	Note	30 September 2020	30 September 2019	30 September 2020	30 September 2019
Revenue	12, 15	6,860	8,242	2,229	2,576
Cost of sales		(4,595)	(5,640)	(1,477)	(1,754)
<b>Gross profit</b>		<b>2,265</b>	<b>2,602</b>	<b>752</b>	<b>822</b>
General and administrative expenses		(252)	(261)	(84)	(91)
Selling expenses		(647)	(630)	(208)	(202)
Net impairment losses on financial assets		(8)	(2)	(3)	-
Other operating income/(expenses), net		3	5	(6)	-
Taxes, other than income tax		(48)	(50)	(14)	(17)
<b>Operating profit before share of results of joint ventures, impairment of non-current assets and loss on disposals of property, plant and equipment</b>		<b>1,313</b>	<b>1,664</b>	<b>437</b>	<b>512</b>
Loss on disposals of property, plant and equipment		(4)	(2)	(2)	(1)
Impairment of non-current assets		(3)	(6)	(2)	(1)
Share of results of joint ventures		(186)	(45)	(10)	-
Finance income		7	13	2	5
Finance costs		(70)	(54)	(29)	(19)
Foreign currency exchange (loss)/gain, net	13, 18	(29)	(53)	38	(13)
Hedging result	18	(11)	-	(7)	-
Expenses on operations with financial instruments		(31)	-	-	-
Other expenses, net		(53)	(19)	(13)	(2)
<b>Profit before income tax</b>		<b>933</b>	<b>1,498</b>	<b>414</b>	<b>481</b>
Income tax expense	14	(255)	(357)	(102)	(137)
<b>Profit for the period</b>		<b>678</b>	<b>1,141</b>	<b>312</b>	<b>344</b>
Profit attributable to:					
<b>Novolipetsk Steel shareholders</b>		<b>678</b>	<b>1,139</b>	<b>312</b>	<b>343</b>
<b>Non-controlling interests</b>		<b>-</b>	<b>2</b>	<b>-</b>	<b>1</b>
<b>Earnings per share – basic and diluted:</b>					
Earnings per share attributable to Novolipetsk Steel shareholders (US dollars)	11	0.1131	0.1900	0.0521	0.0572

**Novolipetsk Steel**
**Interim condensed consolidated statement of comprehensive income (unaudited)**
*(millions of US dollars)*

		For the nine months ended	For the nine months ended	For the three months ended	For the three months ended
	Note	30 September 2020	30 September 2019	30 September 2020	30 September 2019
Profit for the period		678	1,141	312	344
Other comprehensive (loss)/income:					
Items that may be reclassified subsequently to profit or loss:					
Hedge reserve of cash flows	18	(306)	-	(176)	-
Deferred tax related to hedge reserve of cash flows	18	61	-	35	-
Cumulative translation adjustment		(1,156)	423	(582)	(116)
<b>Total comprehensive (loss)/income for the period</b>		<b>(723)</b>	<b>1,564</b>	<b>(411)</b>	<b>228</b>
attributable to:					
Novolipetsk Steel shareholders		(720)	1,560	(410)	226
Non-controlling interests		(3)	4	(1)	2

**Novolipetsk Steel**
**Interim condensed consolidated statement of changes in equity (unaudited)**
*(millions of US dollars)*

	NLMK shareholders				Non-controlling interest	Total equity
	Common stock	Additional paid-in capital	Accumulated other comprehensive loss	Retained earnings		
<b>Balance at 1 January 2019</b>	<b>221</b>	<b>10</b>	<b>(6,782)</b>	<b>12,370</b>	<b>15</b>	<b>5,834</b>
Profit for the period	-	-	-	1,139	2	1,141
Cumulative translation adjustment	-	-	421	-	2	423
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>421</b>	<b>1,139</b>	<b>4</b>	<b>1,564</b>
Disposal of assets to an entity under common control	-	(1)	-	-	-	(1)
Acquisition of non-controlling interest	-	-	-	-	(2)	(2)
Dividends to shareholders	-	-	-	(1,560)	-	(1,560)
<b>Balance at 30 September 2019</b>	<b>221</b>	<b>9</b>	<b>(6,361)</b>	<b>11,949</b>	<b>17</b>	<b>5,835</b>
<b>Balance at 1 January 2020</b>	<b>221</b>	<b>9</b>	<b>(6,140)</b>	<b>11,840</b>	<b>17</b>	<b>5,947</b>
Profit for the period	-	-	-	678	-	678
Hedge reserve of cash flows net of related deferred tax	-	-	(245)	-	-	(245)
Cumulative translation adjustment	-	-	(1,153)	-	(3)	(1,156)
<b>Total comprehensive (loss)/income</b>	<b>-</b>	<b>-</b>	<b>(1,398)</b>	<b>678</b>	<b>(3)</b>	<b>(723)</b>
Dividends to shareholders	-	-	-	(907)	(4)	(911)
<b>Balance at 30 September 2020</b>	<b>221</b>	<b>9</b>	<b>(7,538)</b>	<b>11,611</b>	<b>10</b>	<b>4,313</b>



**Novolipetsk Steel**
**Interim condensed consolidated statement of cash flows (unaudited)**
*(millions of US dollars)*

		For the nine months ended 30 September 2020	For the nine months ended 30 September 2019
	Note		
<b>Cash flows from operating activities</b>			
<b>Profit for the period</b>		<b>678</b>	<b>1,141</b>
<b>Adjustments to reconcile profit for the period to net cash provided by operating activities:</b>			
Depreciation and amortisation		442	420
Loss on disposals of property, plant and equipment		4	2
Finance income		(7)	(13)
Finance costs		70	54
Share of results of joint ventures		186	45
Income tax expense	14	255	357
Impairment of non-current assets		3	6
Foreign currency exchange loss, net	13, 18	29	53
Hedging result	18	11	-
Expenses on operations with financial instruments		31	-
Change in impairment allowance for inventories and credit loss allowance for accounts receivable		3	6
<b>Changes in operating assets and liabilities</b>			
Decrease in trade and other accounts receivable		28	76
Decrease in inventories		198	193
Increase in other operating assets		(4)	(2)
Increase /(decrease) in trade and other accounts payable		18	(136)
<b>Cash provided by operating activities</b>		<b>1,945</b>	<b>2,202</b>
Income tax paid		(188)	(289)
<b>Net cash provided by operating activities</b>		<b>1,757</b>	<b>1,913</b>
<b>Cash flows from investing activities</b>			
Purchases and construction of property, plant and equipment and intangible assets		(851)	(721)
Proceeds from sale of property, plant and equipment		5	1
Purchases of investments and loans given		(51)	(164)
Proceeds from repayment of loans given		85	-
Placement of bank deposits		(686)	(930)
Withdrawal of bank deposits		347	410
Interest received		7	20
Contribution to share capital of joint venture	4	(131)	-
Acquisition of non-controlling interest		-	(1)
<b>Net cash used in investing activities</b>		<b>(1,275)</b>	<b>(1,385)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		1,599	980
Repayment of borrowings		(1,118)	(434)
Payments on leases		(15)	(10)
Interest paid		(39)	(27)
Payments from settlement of derivative financial instruments		(8)	-
Dividends paid to Novolipetsk Steel shareholders		(845)	(1,773)
Dividends paid to non-controlling interests		(4)	-
<b>Net cash used in financing activities</b>		<b>(430)</b>	<b>(1,264)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>52</b>	<b>(736)</b>
Effect of exchange rate changes on cash and cash equivalents		(10)	(22)
Cash and cash equivalents at the beginning of the year	3	713	1,179
<b>Cash and cash equivalents at the end of the period</b>	3	<b>755</b>	<b>421</b>

## Novolipetsk Steel

### Notes to the interim condensed consolidated financial statements (unaudited)

(millions of US dollars)

#### 1 Background

Novolipetsk Steel (the “Parent Company” or “NLMK”) and its subsidiaries (together – the “Group”) is one of the world’s leading steelmakers with facilities that allow it to operate an integrated steel production cycle. The Group is a vertically integrated steel company and the largest steel producer in Russia. The Group also operates in the mining segment.

The Group’s main operations are in the Russian Federation, the European Union and the USA and are subject to the legislative requirements of the subsidiaries’ state and regional authorities. The Parent Company’s registered office is located at 2, Metallurgov sq., 398040, Lipetsk, Russian Federation.

#### 2 Basis of preparation

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”, should be read in conjunction with the audited consolidated financial statements of the Group as at and for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

The functional currency of all of the Group’s Russian entities is considered to be the Russian ruble (“RUR”). The functional currency of the majority of the foreign subsidiaries is their local currency. The Group uses US dollars (“USD”) as presentation currency of these interim condensed consolidated financial statements. For users’ convenience all amounts in the financial statements are rounded to the nearest million, if not stated otherwise.

The Central Bank of the Russian Federation’s Russian ruble to the main foreign currencies closing rates of exchange as at the reporting dates and the period weighted average exchange rates for corresponding reporting periods are indicated below.

	2020	2019
<b>Russian ruble to US dollar</b>		
For the 1 <sup>st</sup> quarter	66.3818	66.1271
For the 2 <sup>nd</sup> quarter	72.3611	64.5584
For the 3 <sup>rd</sup> quarter	73.5598	64.5685
As at 30 September	79.6845	64.4156
As at 31 December		61.9057
<b>Russian ruble to Euro</b>		
For the 1 <sup>st</sup> quarter	73.2348	75.1715
For the 2 <sup>nd</sup> quarter	79.6485	72.5210
For the 3 <sup>rd</sup> quarter	85.9671	71.8329
As at 30 September	93.0237	70.3161
As at 31 December		69.3406

**Novolipetsk Steel**
**Notes to the interim condensed consolidated financial statements (unaudited)**
*(millions of US dollars)*
**3 Cash and cash equivalents**

	As at 30 September 2020	As at 31 December 2019
Cash	496	388
Deposits	232	296
Other cash equivalents	27	29
	<u>755</u>	<u>713</u>

**4 Investments**

	As at 30 September 2020	As at 31 December 2019
<b>Short-term financial investments</b>		
Bank deposits	501	157
Loans to related parties (Note 16(c))	95	128
Other short-term financial investments	-	2
	<u>596</u>	<u>287</u>
<b>Long-term financial investments</b>		
Loans to related parties (Note 16(c))	5	5
	<u>5</u>	<u>5</u>
	<u>601</u>	<u>292</u>

The carrying amounts of financial investments approximate their fair values.

**Investments in joint ventures**

	As at 30 September 2020 Ownership	As at 31 December 2019 Ownership	As at 30 September 2020	As at 31 December 2019
NLMK Belgium Holdings S.A. ("NBH")	49.0%	49.0%	164	213
TBEA & NLMK (Shenyang) Metal Product Co., Ltd.	50.0%	50.0%	10	10
			<u>174</u>	<u>223</u>

Management has analysed the performance of NBH in the nine months ended 30 September 2020 and believes that no changes are necessary to the estimate of the recoverable amount of the investment made in the consolidated financial statements as at 30 June 2020. Information about the investment impairment testing is disclosed in Note 7.

In October 2019, the Group and SOGEPa have agreed to jointly support NBH bank financing via shareholder guarantees on a parity basis and to invest in the charter capital of NBH for the execution of the Group's Strategy 2022 investment projects EUR 35 million, EUR 50 million and EUR 15 million in 2019, 2020 and 2021, respectively, each.

**Novolipetsk Steel**
**Notes to the interim condensed consolidated financial statements (unaudited)**
*(millions of US dollars)*
**5 Trade and other accounts receivable**

	As at 30 September 2020	As at 31 December 2019
<b>Financial assets</b>		
Trade accounts receivable	722	818
Credit loss allowance for trade accounts receivable	(14)	(18)
Other accounts receivable	40	33
Credit loss allowance for other accounts receivable	(22)	(23)
	<u>726</u>	<u>810</u>
<b>Non-financial assets</b>		
Advances given to suppliers	62	70
Allowance for impairment of advances given to suppliers	(6)	(3)
VAT and other taxes receivable	107	168
Accounts receivable from employees	1	2
	<u>164</u>	<u>237</u>
	<u><b>890</b></u>	<u><b>1,047</b></u>

The carrying amounts of trade and other accounts receivable approximate their fair values.

As at 30 September 2020 and 31 December 2019, accounts receivable with a carrying value of \$107 and \$133, respectively, served as collateral for certain borrowings (Note 10).

**6 Inventories**

	As at 30 September 2020	As at 31 December 2019
Raw materials	688	927
Work in process	268	383
Finished goods	305	384
	1,261	1,694
Impairment allowance	(42)	(60)
	<u><b>1,219</b></u>	<u><b>1,634</b></u>

Product type “Slabs” is represented by semi-finished products of own production or purchased from third parties, which the Group plans to process further or sell to third parties without processing. Depending on the origin and usage plans, this type of product is distributed between “Raw materials”, “Work in process” and “Finished goods” categories as follows:

	As at 30 September 2020	As at 31 December 2019
Raw materials	123	219
Work in process	92	141
Finished goods	20	42
		12

**Novolipetsk Steel**
**Notes to the interim condensed consolidated financial statements (unaudited)**
*(millions of US dollars)*
**6 Inventories (continued)**

As at 30 September 2020 and 31 December 2019, inventories with a carrying value of \$300 and \$460, respectively, served as collateral for certain borrowings (Note 10).

**7 Property, plant and equipment**

	As at 30 September 2020	As at 31 December 2019
Land	116	143
Buildings	1,684	2,081
Land and buildings improvements	1,949	2,263
Machinery and equipment	5,898	6,880
Vehicles	316	370
Construction in progress	1,229	1,472
	11,192	13,209
Accumulated depreciation and impairment	(6,080)	(7,170)
	<b>5,112</b>	<b>6,039</b>

The amount of borrowing costs capitalized was \$25 and \$37 for the nine months ended 30 September 2020 and 2019, respectively. The capitalisation rate was 2.5% and 4.0% for the nine months ended 30 September 2020 and 2019, respectively.

The amount of borrowing costs capitalized was \$8 and \$14 for the three months ended 30 September 2020 and 2019, respectively. The capitalisation rate was 0.9% and 1.3% for the three months ended 30 September 2020 and 2019, respectively.

Management estimates the outstanding commitments in connection with equipment supply and construction works amounted to \$901 and \$1,157 as at 30 September 2020 and 31 December 2019, respectively.

The Group management made an analysis of impairment indicators of the Group's assets as well as indicators of potential reversal of an impairment loss recognized in prior periods as at 30 June 2020. Against the background of the spread of coronavirus infection (COVID-19) heightened volatility accompanied by the sales volumes and prices decline on the market of certain finished products and raw materials triggered impairment assessment of some of the Group's cash generating units, which required the reassessment of the recoverable amounts using the income approach based primarily on Level 3 inputs as at 30 June 2020. Goodwill was also tested for impairment as of the same date. No indicators that an impairment loss recognized in prior periods may no longer exists or may have decreased have been identified.

For the purpose of the impairment test, the Group management used a forecast of cash flows for five years and normalised cash flows for a post-forecast period. Impairment testing showed that recoverable amount of investment (value in use) in NLMK Belgium Holdings S.A. before impairment recognised was below its carrying amount by \$120 and \$31 as at 30 June 2020 and 31 December 2019, respectively. As at 30 September 2020 the Group management believes that there are no conditions for significant revision of the plans of the Group and update of impairment testing performed as at 30 June 2020.

**Novolipetsk Steel**
**Notes to the interim condensed consolidated financial statements (unaudited)**
*(millions of US dollars)*
**8 Intangible assets**

	As at 30 September 2020	As at 31 December 2019
Goodwill	212	262
Mineral rights	242	311
Industrial intellectual property	89	86
	<u>543</u>	<u>659</u>
Accumulated amortization and impairment	(202)	(249)
	<u><b>341</b></u>	<u><b>410</b></u>

**9 Trade and other accounts payable**

	As at 30 September 2020	As at 31 December 2019
<b>Financial liabilities</b>		
Trade accounts payable	441	558
Accounts payable for purchases of property, plant and equipment	108	184
Other accounts payable	35	29
	<u>584</u>	<u>771</u>
<b>Non-financial liabilities</b>		
Accounts payable and accrued liabilities to employees	126	149
Advances received	113	103
Taxes payable other than income tax	114	101
	<u>353</u>	<u>353</u>
	<u><b>937</b></u>	<u><b>1,124</b></u>

The carrying amounts of the trade and other accounts payable approximate their fair values.

**Novolipetsk Steel**
**Notes to the interim condensed consolidated financial statements (unaudited)**
*(millions of US dollars)*
**10 Borrowings**

<b>Rates*</b>	<b>Currency</b>	<b>Maturity*</b>	<b>As at 30 September 2020</b>	<b>As at 31 December 2019</b>
<b>Bonds</b>				
From 4.00% to 4.70%	USD	2023-2026	1,718	1,709
<b>Loans</b>				
From EURIBOR +0.90% to EURIBOR +1.30%	EUR	2020-2024	770	784
From LIBOR +1.20% to LIBOR +1.50%	USD	2020-2021	296	85
2.25%	USD	2020	100	-
0.95%	EUR	2022	233	-
Leases		2020-2089	85	78
			<b>3,202</b>	<b>2,656</b>
Less: short-term loans and current maturities of long-term loans, bonds and leases			(856)	(468)
<b>Long-term borrowings</b>			<b>2,346</b>	<b>2,188</b>

\* Rates and maturity as of 30 September 2020

Bonds and bonds' coupons as at 30 September 2020 were designated as hedging instrument with carrying amount and fair value of \$1,718 and \$1,849, respectively (Note 18).

The carrying amounts and fair value of long-term bonds are as follows:

	<b>As at 30 September 2020</b>		<b>As at 31 December 2019</b>	
	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>
Bonds	1,718	1,849	1,709	1,823

The fair value of short-term borrowings equals their carrying amount. The fair values of long-term borrowings approximate their carrying amount. The fair value of bonds is based on market price and is within level 1 of the fair value hierarchy. The carrying amounts of loans and leases approximate their fair values.

**Collateral**

As at 30 September 2020 and 31 December 2019, the total amount of the Group companies' collateral was \$407 and \$593, respectively (Notes 5 and 6).

**11 Earnings per share**

	<b>For the nine months ended 30 September 2020</b>	<b>For the nine months ended 30 September 2019</b>	<b>For the three months ended 30 September 2020</b>	<b>For the three months ended 30 September 2019</b>
Profit for the period attributable to NLMK shareholders (millions of US dollars)	678	1,139	312	343
Weighted average number of shares	5,993,227,240	5,993,227,240	5,993,227,240	5,993,227,240
<b>Basic and diluted earnings per share (US dollars)</b>	<b>0.1131</b>	<b>0.1900</b>	<b>0.0521</b>	<b>0.0572</b>

The Parent Company does not have potentially dilutive financial instruments outstanding.

**Novolipetsk Steel**
**Notes to the interim condensed consolidated financial statements (unaudited)**
*(millions of US dollars)*
**12 Revenue**
**(a) Revenue by type**

	For the nine months ended 30 September 2020	For the nine months ended 30 September 2019	For the three months ended 30 September 2020	For the three months ended 30 September 2019
<b>Revenue from sale of goods</b>				
Flat products	3,591	4,520	1,151	1,432
Pig iron, slabs and billets	1,997	2,096	611	579
Long products and metalware	722	925	287	314
Coke and other chemical products	136	237	53	83
Iron ore and sintering ore	53	44	11	34
Scrap	40	60	12	17
Other products	101	137	37	46
<b>Total revenue from sale of goods</b>	<b>6,640</b>	<b>8,019</b>	<b>2,162</b>	<b>2,505</b>
Revenue from transportation services	220	223	67	71
	<b>6,860</b>	<b>8,242</b>	<b>2,229</b>	<b>2,576</b>

**(b) Revenue by geographical area**

The allocation of total revenue by geographical area is based on the location of end customers who purchased the Group's products. The Group's total revenue from external customers by geographical area is as follows:

	For the nine months ended 30 September 2020	For the nine months ended 30 September 2019	For the three months ended 30 September 2020	For the three months ended 30 September 2019
Russia	2,828	3,264	1,022	1,171
European Union	1,115	1,540	252	376
North America	1,084	1,539	300	426
Middle East, including Turkey	737	923	246	321
Asia and Oceania	677	191	315	30
CIS	185	316	52	100
Central and South America	115	245	22	94
Other regions	119	224	20	58
	<b>6,860</b>	<b>8,242</b>	<b>2,229</b>	<b>2,576</b>



**Novolipetsk Steel**
**Notes to the interim condensed consolidated financial statements (unaudited)**
*(millions of US dollars)*
**13 Foreign exchange differences**

	For the nine months ended 30 September 2020	For the nine months ended 30 September 2019	For the three months ended 30 September 2020	For the three months ended 30 September 2019
Foreign exchange gain/(loss) on cash and cash equivalents	101	(86)	96	5
Foreign exchange gain/(loss) on financial investments	94	(121)	89	(3)
Foreign exchange (loss)/gain on debt financing	(196)	178	(135)	5
Foreign exchange loss on other assets and liabilities	(28)	(24)	(12)	(20)
	<b>(29)</b>	<b>(53)</b>	<b>38</b>	<b>(13)</b>

Starting from February 3, 2020 the Group adopted hedge accounting of cash flows in accordance with IFRS 9 "Financial instruments" (Note 18).

**14 Income tax**

Income tax expense is recognised based on management's estimate of the effective annual income tax rate expected for the full financial year. The expected effective annual income tax rates used for the three and the nine months ended 30 September 2020 and 2019 are 23% and 23%, respectively.

**15 Segment information**

The Group has six reportable business segments: Mining, Russian flat products, Russian long products, NLMK USA, NLMK DanSteel and Plates Distribution Network, and Investments in NBH. These segments are combinations of entities, have separate management teams and offer different products and services. The above six segments meet the criteria for reportable segments. Subsidiaries are consolidated by the segment to which they belong based on their products and governance.

The Group management determines pricing for intersegmental sales, as if the sales were to third parties. The revenue from external parties is measured in the same way as in the consolidated statement of profit or loss. The Group management evaluates performance of the segments based on segment revenues, gross profit, operating profit before share of results of joint ventures, impairment of non-current assets and gain on disposals of property, plant and equipment, profit for the period and amount of total assets and total liabilities.

Elimination of intersegmental operations and balances represents elimination of intercompany dividends paid to Russian flat products segment by other segments and presented within "Profit for the period" line together with other intercompany elimination adjustments, including elimination of NBH's liabilities to the Group companies (Note 16). NBH deconsolidation adjustments include elimination of NBH's sales and recognition of the Group's sales to NBH, elimination of unrealised profits (Note 16), elimination of NBH's assets and liabilities and recognition of the investment in joint venture, recognition of impairment and share of NBH's loss, and other consolidation adjustments.

# Novolipetsk Steel

## Notes to the interim condensed consolidated financial statements (unaudited)

(millions of US dollars)

### 15 Segment information (continued)

Information on segments' profit or loss for the nine months ended 30 September 2020 and their assets and liabilities on this date is as follows:

	Mining	Russian flat products	Russian long products	NLMK USA	NLMK DanSteel and Plates Distribution Network	Investments in NBH	Inter-segmental operations and balances	NBH deconsolidation adjustments	Total
Revenue from external customers	72	4,185	848	838	304	953	-	(340)	6,860
Intersegment revenue	906	827	246	-	1	36	(1,980)	(36)	-
Gross profit/(loss)	712	1,404	132	(29)	34	23	23	(34)	2,265
Operating profit/(loss)*	644	689	27	(74)	(9)	(108)	47	97	1,313
Profit/(loss) for the period	508	986	12	(75)	(16)	(114)	(540)	(83)	678
Segment assets	1,592	6,756	859	655	403	1,362	(1,281)	(1,128)	9,218
Segment liabilities	(468)	(4,764)	(350)	(153)	(290)	(1,127)	1,383	864	(4,905)
Depreciation and amortization	(81)	(275)	(34)	(43)	(9)	(43)	-	43	(442)

\* Operating profit/(loss) before share of results of joint ventures, impairment of non-current assets and loss on disposals of property, plant and equipment.

Information on segments' profit or loss for the nine months ended 30 September 2019 and their assets and liabilities as at 31 December 2019 is as follows:

	Mining	Russian flat products	Russian long products	NLMK USA	NLMK DanSteel and Plates Distribution Network	Investments in NBH	Inter-segmental operations and balances	NBH deconsolidation adjustments	Total
Revenue from external customers	62	4,550	1,112	1,393	380	1,170	-	(425)	8,242
Intersegment revenue	932	1,090	256	-	1	43	(2,279)	(43)	-
Gross profit	704	1,693	179	20	43	1	(67)	29	2,602
Operating profit/(loss)*	652	995	54	(44)	(1)	(150)	(22)	180	1,664
Profit/(loss) for the period	489	1,479	31	(46)	(3)	(154)	(793)	138	1,141
Segment assets	2,120	7,483	1,160	840	371	1,318	(1,752)	(1,056)	10,484
Segment liabilities	(607)	(4,567)	(437)	(314)	(258)	(1,161)	2,028	779	(4,537)
Depreciation and amortization	(84)	(247)	(37)	(44)	(8)	(43)	-	43	(420)

\* Operating profit/(loss) before share of results of joint ventures, impairment of non-current assets and loss on disposals of property, plant and equipment.

# Novolipetsk Steel

## Notes to the interim condensed consolidated financial statements (unaudited)

(millions of US dollars)

### 15 Segment information (continued)

Information on segments' profit or loss for the three months ended 30 September 2020 is as follows:

	Mining	Russian flat products	Russian long products	NLMK USA	NLMK DanSteel and Plates Distribution Network	Investments in NBH	Inter-segmental operations and balances	NBH deconsolidation adjustments	Total
Revenue from external customers	38	1,425	337	223	79	286	-	(159)	2,229
Intersegment revenue	292	175	115	-	1	13	(583)	(13)	-
Gross profit/(loss)	248	457	62	(16)	5	(6)	(18)	20	752
Operating profit/(loss)*	224	218	26	(26)	(6)	(47)	(13)	61	437
Profit/(loss) for the period	170	441	24	(26)	(11)	(50)	(290)	54	312
Depreciation and amortization	(26)	(88)	(11)	(14)	(3)	(15)	-	15	(142)

\* Operating profit/(loss) before share of results of joint ventures, impairment of non-current assets and loss on disposals of property, plant and equipment.

Information on segments' profit or loss for the three months ended 30 September 2019 is as follows:

	Mining	Russian flat products	Russian long products	NLMK USA	NLMK DanSteel and Plates Distribution Network	Investments in NBH	Inter-segmental operations and balances	NBH deconsolidation adjustments	Total
Revenue from external customers	42	1,482	359	391	111	348	-	(157)	2,576
Intersegment revenue	364	259	126	-	-	21	(749)	(21)	-
Gross profit/(loss)	309	504	72	(26)	11	(13)	(73)	38	822
Operating profit/(loss)*	285	280	34	(48)	(2)	(53)	(62)	78	512
Profit/(loss) for the period	232	660	26	(50)	(3)	(52)	(545)	76	344
Depreciation and amortization	(29)	(83)	(12)	(15)	(3)	(10)	-	10	(142)

\* Operating profit/(loss) before share of results of joint ventures, impairment of non-current assets and loss on disposals of property, plant and equipment.

**16 Related party transactions**

Parties are considered to be related if they are under common control, or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial or operational decisions as defined by IAS 24 "Related Party Disclosures". In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. The Group carries out operations with related parties on an arm's length basis.

**(a) Sales to and purchases from related parties**

	For the nine months ended 30 September 2020	For the nine months ended 30 September 2019	For the three months ended 30 September 2020	For the three months ended 30 September 2019
<b>Sales</b>				
NBH group companies	613	745	127	191
<b>Purchases</b>				
Companies of Freight One group and other transport companies under the common control of beneficial owner	276	268	89	92
NBH group companies	36	43	13	21
Other related parties	23	12	11	5

NBH group companies together are the major customer of the Group. Sales to NBH group companies are performed by the Russian flat products segment and represent 8.9% and 9.0% of the total sales of the Group for the nine months ended 30 September 2020 and 2019, respectively, and 5.7% and 7.4% of the total sales of the Group for the three months ended 30 September 2020 and 2019, respectively.

**(b) Accounts receivable from and accounts payable to related parties**

	As at 30 September 2020	As at 31 December 2019
<b>Accounts receivable and advances given</b>		
NBH group companies	163	249
Companies of Freight One group and other transport companies under the common control of beneficial owner	14	26
<b>Accounts payable</b>		
NBH group companies	35	28
Companies of Freight One group and other transport companies under the common control of beneficial owner	7	5

**(c) Financial transactions**

As at 30 September 2020 and 31 December 2019, loans issued to NBH group companies amounted to \$100 and \$133, respectively. When issuing loans to the foreign companies of the Group and joint ventures, interest rate is determined using information on similar external deals subject to company's internal credit rating.

**(d) Financial guarantees issued**

As at 30 September 2020 and 31 December 2019, guarantees issued by the Group for borrowings received by NBH group companies amounted to \$325 and \$331, respectively, which is the maximum potential amount of future payments, payable on demand of the guarantee. No amount has been accrued in these interim condensed consolidated financial statements for the Group's obligation under these guarantees as the Group assesses the probability of cash outflows related to these guarantees, as low.

## **16 Related party transactions (continued)**

The maturity of the guaranteed obligations is as follows:

	As at 30 September 2020	As at 31 December 2019
Less than 1 year	86	130
Over 2 years	239	201
	<b>325</b>	<b>331</b>

## **17 Commitments and contingencies**

### **(a) Anti-dumping investigations**

The Group's export trading activities are subject from time to time to compliance reviews by the regulatory authorities in the importers' jurisdictions. The Group's export sales prices were considered by local governments within several anti-dumping investigation frameworks. The Group takes steps to address negative effects of the current and potential anti-dumping investigations and participates in the settlement efforts coordinated through the Russian authorities. No provision arising from any possible agreements and decisions as a result of anti-dumping investigations has been made in the consolidated financial statements.

### **(b) Litigation**

The Group, in the ordinary course of business, is the subject of, or party to, various pending or threatened legal actions. The Group management believes that any liability resulting from these legal actions will not significantly affect its financial position or results of operations, and no amount has been accrued in the consolidated financial statements.

### **(c) Environmental matters**

The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised in financial statements immediately. Potential liabilities, which might arise as a result of future changes in existing regulations, civil litigation or legislation, cannot be reasonably estimated. In the current enforcement climate under existing environmental legislation, management believes that the Group has met the Government's federal and regional requirements concerning environmental matters, therefore, there are no significant liabilities for environmental damage and remediation.

### **(d) Social commitments**

The Group makes contributions to mandatory and voluntary insurance social programs. The Group's social contributions, as well as local social programs, benefit the community at large and are not normally restricted to the Group's employees. The Group has transferred certain social operations and assets to local authorities, however, the Group management expects that the Group will continue to fund certain social programs for the foreseeable future. These costs are recorded in the period they are incurred.

**17 Commitments and contingencies (continued)****(e) Tax contingencies**

The Group management believes that the tax policy of the Group complies with the legislation of the Russian Federation on taxes and related fees.

At the same time, the legislation on taxes and related fees in the Russian Federation is characterised by dynamic development, as well as the possibility of wide discretion by the tax administration on many issues of taxation, which can lead to different interpretations of individual legal norms by taxpayers and regulatory authorities.

Therefore, the risk of expenses cannot be excluded if the tax policy applied by the Group is contested in any part. As a general rule, risk may arise in respect of three calendar years preceding the year in which the decision to conduct the review is made. The amount and probability of risk cannot be estimated with a sufficient degree of reliability, however, they may turn out to be significant from the point of view of the financial situation and/or economic activity of the Group as a whole.

**(f) Major terms of loan agreements**

Certain of the loan agreements contain covenants that impose restrictions on the purposes for which the loans may be utilised, covenants with respect to disposal of assets, incurrence of additional liabilities, issuance of loans or guarantees, obligations in respect of any future reorganisations procedures or bankruptcy of the borrowers, and also require that the borrowers maintain pledged assets to their current value and conditions. In addition, these agreements contain covenants with respect to compliance with certain financial ratios, clauses in relation to performance of the borrowers, including cross-default provisions, as well as to legal claims in excess of certain amount, where reasonable expectations of a negative outcome exist, and covenants triggered by any failure of the borrower to fulfill contractual obligations. The Group companies were in compliance with all debt covenants as at 30 September 2020 and 31 December 2019.

**(g) Assessment of the coronavirus impact on the Group**

At the date of issuing these interim condensed consolidated financial statements the situation with the spread of coronavirus infection (COVID-19) is still evolving. The Group benefits from a strong financial position, with low leverage and significant liquidity. As at 30 September 2020 the Group has liquid resources of \$1,256 comprising cash and cash equivalents as well as a committed and unutilised credit facilities amounting to \$1,486. Furthermore, repayments of borrowings to financial institutions in 2020 are scheduled with \$129 only.

The Group management made an analysis of impairment indicators of the Group's assets as well as indicators of potential reversal of an impairment loss recognized in prior periods as at 30 June 2020 and identified existence of the impairment indicators for some of the Group cash generating units that resulted in the impairment testing (Note 7). As at 30 September 2020 Group management believes that there are no conditions for updating of impairment tests performed as at 30 June 2020. Management closely monitors the development of the situation and takes necessary measures to mitigate negative effects.

**18 Significant accounting policies**

The accounting policies applied in these interim condensed consolidated financial statements are consistent with those of the Group consolidated financial statements for the year ended 31 December 2019 except for the adoption of hedge accounting of cash flows in accordance with IFRS 9 "Financial instruments".

The Group is exposed to foreign currency risk related to the revenue expected to be received nominated in foreign currencies, mainly in US dollars. To hedge the foreign currency risk exposure on revenue expected to be received in foreign currency the Group attracts borrowings in the same foreign currency.

On February 3, 2020 the Group designated the portion of US dollars nominated borrowings as hedging instrument of the expected highly probable US dollars nominated revenue in accordance with IFRS 9 "Financial instruments".

On February 3, 2020 a portion of future monthly revenues expected to be received in US dollars over the period from February 2020 through May 2026 was designated as a hedged item. The Group's bonds and bonds' coupons nominated in US dollars were designated as hedging instrument (Note 10).

The nominal amounts of the hedged item and the hedging instrument are equal. To the extent that a change in the foreign currency rate impacts on the value of the hedging instrument, the effects are recognized in other comprehensive income or loss and further reclassified to profit or loss in the same period in which the hedged revenue is recognised.

The management strategy of foreign currency risk related to volatility of future cash inflows in foreign currency is to hedge revenue expected to be received in the amount of the net monetary position in US dollars. The amount of hedged revenue aligns the amount of payments on bonds and bonds' coupons. The Group expects that the hedging relationships are highly effective since the future cash outflows on bonds and bonds' coupons payments match the future cash inflows on the hedged portion of revenue.

Information on the amounts of currency differences on hedging instrument recognized in other comprehensive loss is as follows:

	For the nine months ended 30 September 2020	For the nine months ended 30 September 2019	For the three months ended 30 September 2020	For the three months ended 30 September 2019
Hedge reserve of cash flows	(317)	-	(183)	-
Hedging result	11	-	7	-
Deferred tax related to hedge reserve of cash flows	61	-	35	-
	<b>(245)</b>	<b>-</b>	<b>(141)</b>	<b>-</b>

A schedule of the expected reclassification of the accumulated effects from the remeasurement of hedging instrument recognized in other comprehensive loss to profit or loss as of September 30, 2020 is as follows:

	2020	2021	2022	2023	2024	2025	2026	Total
Reclassifications	(43)	(43)	(43)	(80)	(60)	(30)	(7)	(306)
Deferred tax	9	9	9	15	12	6	1	61
	<b>(34)</b>	<b>(34)</b>	<b>(34)</b>	<b>(65)</b>	<b>(48)</b>	<b>(24)</b>	<b>(6)</b>	<b>(245)</b>