



NOVOLIPETSK STEEL

**INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

**AS AT 30 JUNE 2017
AND FOR THE THREE AND THE SIX MONTHS ENDED 30 JUNE 2017
(UNAUDITED)**

Novolipetsk Steel
Interim condensed consolidated financial statements
as at 30 June 2017 and 31 December 2016 and
for the three and the six months ended 30 June 2017 and 30 June 2016 (unaudited)

CONTENTS

Report on review of interim condensed consolidated financial statements	3
Interim condensed consolidated statement of financial position	5
Interim condensed consolidated statement of profit or loss	6
Interim condensed consolidated statement of comprehensive income	7
Interim condensed consolidated statement of changes in equity	8
Interim condensed consolidated statement of cash flows	9
Notes to the interim condensed consolidated financial statements	10



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 (the “Group”) as of 30 June 2017 and the related interim condensed consolidated statements of profit or loss and of comprehensive income for the three and six-month periods then ended, and of changes in equity and of cash flows for the six-month period then ended. 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 this interim condensed consolidated financial information 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 financial information 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".

AO PricewaterhouseCoopers Audit

26 July 2017

Moscow, Russian Federation



A. S. Ivanov, certified auditor (licence no. № 01-000531), AO PricewaterhouseCoopers Audit

Audited entity: Novolipetsk Steel

State registration certificate № 5, 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 № 1024800823123
2, Metallurgov sq., Lipetsk, 398040, Russian Federation

Independent auditor: AO PricewaterhouseCoopers Audit

State registration certificate № 008.890, issued by the Moscow Registration Chamber on 28 February 1992

Certificate of inclusion in the Unified State Register of Legal Entities issued on 22 August 2002 under registration № 1027700148431

Member of Self-regulated organization of auditors «Russian Union of auditors» (Association)

ORNZ 11603050547 in the register of auditors and audit organizations



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

	Note	As at 30 June 2017	As at 31 December 2016
Assets			
Current assets			
Cash and cash equivalents	4	760	610
Short-term financial investments	5	689	970
Trade and other accounts receivable	6	1,198	955
Inventories	7	1,723	1,549
Other current assets		7	19
		4,377	4,103
Non-current assets			
Long-term financial investments	5	178	164
Investments in associates and other companies accounted for using the equity method of accounting	5	184	181
Property, plant and equipment	8	5,359	5,328
Goodwill	9	259	253
Other intangible assets	9	130	126
Deferred income tax assets		73	62
Other non-current assets		35	22
		6,218	6,136
Total assets		10,595	10,239
Liabilities and equity			
Current liabilities			
Accounts payable and other liabilities	10	944	888
Dividends payable		210	361
Short-term borrowings	11	915	468
Current income tax liability		37	12
		2,106	1,729
Non-current liabilities			
Long-term borrowings	11	1,499	1,801
Deferred income tax liability		431	386
Other long-term liabilities		13	13
		1,943	2,200
Total liabilities		4,049	3,929
Equity attributable to NLMK shareholders			
Common stock		221	221
Additional paid-in capital		10	10
Accumulated other comprehensive loss		(5,796)	(5,978)
Retained earnings		12,097	12,039
		6,532	6,292
Non-controlling interests		14	18
Total equity		6,546	6,310
Total liabilities and equity		10,595	10,239

The interim condensed consolidated financial statements as set out on pages 5 to 21 were approved on 26 July 2017.



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

	Note	For the six months ended 30 June 2017	For the six months ended 30 June 2016	For the three months ended 30 June 2017	For the three months ended 30 June 2016
Revenue	15	4,699	3,446	2,544	1,869
Cost of sales		(3,202)	(2,400)	(1,798)	(1,233)
Gross profit		1,497	1,046	746	636
General and administrative expenses		(164)	(150)	(90)	(96)
Selling expenses		(380)	(331)	(195)	(184)
Other operating income		2	2	2	6
Taxes, other than income tax		(40)	(33)	(20)	(16)
Operating profit before equity share in net losses of associates and other companies accounted for using the equity method of accounting, impairment and write-off of assets		915	534	443	346
Gain on disposals of property, plant and equipment		-	8	-	7
Impairment losses and write-off of assets		(15)	(6)	(12)	(4)
Share in net losses of associates and other companies accounted for using the equity method		(8)	(38)	(6)	(21)
Losses on investments		(1)	-	(1)	-
Finance income		14	22	8	12
Finance costs		(37)	(64)	(19)	(44)
Foreign currency exchange gain/(loss), net	13	13	(94)	32	(28)
Other expenses, net		(34)	(28)	(14)	(9)
Profit before income tax		847	334	431	259
Income tax expense	14	(182)	(92)	(89)	(72)
Profit for the period		665	242	342	187
Profit attributable to:					
NLMK shareholders		665	241	342	186
Non-controlling interests		-	1	-	1
Earnings per share – basic and diluted:					
Earnings per share attributable to NLMK shareholders (US dollars)		0.1110	0.0402	0.0571	0.0310
Weighted-average shares outstanding: basic and diluted (in thousands)	12	5,993,227	5,993,227	5,993,227	5,993,227



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

Note	For the six months ended 30 June 2017	For the six months ended 30 June 2016	For the three months ended 30 June 2017	For the three months ended 30 June 2016
Profit for the period	665	242	342	187
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss:				
Cumulative translation adjustment	182	692	(278)	254
Total comprehensive income for the period	847	934	64	441
attributable to:				
NLMK shareholders	847	932	65	439
Non-controlling interests	-	2	(1)	2



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

		NLMK shareholders					
Note	Common stock	Additional paid-in capital	Accumulated other comprehensive loss	Retained earnings	Non-controlling interest	Total equity	
Balance at 31 December 2015	221	10	(6,988)	11,883	12	5,138	
Profit for the period	-	-	-	241	1	242	
Cumulative translation adjustment	-	-	691	-	1	692	
Total comprehensive income	-	-	691	241	2	934	
Dividends to shareholders	-	-	-	(320)	-	(320)	
Balance at 30 June 2016	221	10	(6,297)	11,804	14	5,752	
Balance at 31 December 2016	221	10	(5,978)	12,039	18	6,310	
Profit for the period	-	-	-	665	-	665	
Cumulative translation adjustment	-	-	182	-	-	182	
Total comprehensive income	-	-	182	665	-	847	
Acquisition of non- controlling interest	-	-	-	-	(1)	(1)	
Dividends to shareholders	-	-	-	(607)	(3)	(610)	
Balance at 30 June 2017	221	10	(5,796)	12,097	14	6,546	



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

	Note	For the six months ended 30 June 2017	For the six months ended 30 June 2016
Cash flows from operating activities			
Profit for the period		665	242
Adjustments to reconcile profit for the period to net cash provided by operating activities:			
Depreciation and amortization		306	215
Gain on disposals of property, plant and equipment		-	(8)
Losses on investments		1	-
Finance income		(14)	(22)
Finance costs		37	64
Equity in net losses of associates and other companies accounted for using the equity method		8	38
Income tax expense		182	92
Impairment losses and write-off of assets		15	6
Foreign currency exchange (gain)/loss, net		(13)	94
Other adjustments		-	5
Changes in operating assets and liabilities			
Increase in trade and other accounts receivable		(195)	(23)
(Increase)/decrease in inventories		(125)	1
Decrease in other current assets		12	1
Increase in trade and other accounts payable		9	121
Cash provided by operating activities		888	826
Income tax paid		(128)	(86)
Net cash provided by operating activities		760	740
Cash flows from investing activities			
Purchases and construction of property, plant and equipment		(206)	(280)
Proceeds from sale of property, plant and equipment		6	12
Withdrawal/(placement) of bank deposits, net		287	(55)
Interest received		11	12
Change in advance VAT payments on imported equipment		-	2
Net cash provided by/(used in) investing activities		98	(309)
Cash flows from financing activities			
Proceeds from borrowings		563	737
Repayment of borrowings		(485)	(691)
Interest paid		(32)	(42)
Dividends to shareholders		(737)	(477)
Net cash used in financing activities		(691)	(473)
Net increase/(decrease) in cash and cash equivalents		167	(42)
Effect of exchange rate changes on cash and cash equivalents		(17)	26
Cash and cash equivalents at the beginning of the year	4	610	343
Cash and cash equivalents at the end of the period	4	760	327
Supplemental disclosures of cash flow information:			
Cash paid during the period for:			
Placements of bank deposits		(266)	(476)
Withdrawals of bank deposits		553	421
Non cash investing activities:			
Conversion of debt to equity		-	139

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

1 Background

Novolipetsk Steel (the “Parent Company”) 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 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 IAS 34, “Interim Financial Reporting” and should be read in conjunction with the audited consolidated financial statements of the Group as at and for the year ended 31 December 2016, which have been prepared in accordance with IFRSs.

The functional currency of all of the Group’s Russian entities is considered to be the Russian ruble. The functional currency of the majority of the foreign subsidiaries is their local currency. The Group uses US dollars as presentation currency of these Interim condensed consolidated financial statements. All amounts in the financial statements rounded to the nearest million for users’ convenience (in prior period financial statements all amounts were rounded to the nearest million decimal). This adjustment did not result in significant changes in comparative data.

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

	<u>2017</u>	<u>2016</u>
For the 1 st quarter	58.8366	74.6283
As at 31 March	56.3779	67.6076
For the 2 nd quarter	57.1451	65.8883
As at 30 June	59.0855	64.2575
As at 31 December	<u>60.6569</u>	<u>60.6569</u>

3 Significant accounting policies

The accounting policies applied are consistent with those of the consolidated financial statements for the year ended 31 December 2016 except for the estimation of income tax expenses using the effective tax rate method (Note 14). Amendments to IFRSs effective for the year ending 31 December 2017 did not result in significant impact on the Group.

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

4 Cash and cash equivalents

	As at 30 June 2017	As at 31 December 2016
Cash		
Russian rubles	32	11
US dollars	162	89
Euros	115	52
Other currencies	3	2
	<hr/>	<hr/>
Deposits		
Russian rubles	83	49
US dollars	258	394
Euros	105	11
Other currencies	-	1
	<hr/>	<hr/>
Other cash equivalents	2	1
	<hr/>	<hr/>
	760	610
	<hr/> <hr/>	<hr/> <hr/>

5 Investments

Short-term and long-term financial investments

	As at 30 June 2017	As at 31 December 2016
Short-term financial investments		
Loans to related parties (Note 16(c))	75	66
Bank deposits, including:	609	898
- Russian rubles	75	1
- US dollars	534	855
- Euros	-	42
Other short-term financial investments	5	6
	<hr/>	<hr/>
	689	970
	<hr/>	<hr/>
Long-term financial investments		
Loans to related parties (Note 16(c))	178	164
	<hr/>	<hr/>
	178	164
	<hr/>	<hr/>
	867	1,134
	<hr/> <hr/>	<hr/> <hr/>

5 Investments (continued)

Investments in associates and other companies accounted for using the equity method of accounting

	As at 30 June 2017 Ownership	As at 31 December 2016 Ownership	As at 30 June 2017	As at 31 December 2016
NLMK Belgium Holdings S.A. ("NBH")	51.0%	51.0%	174	171
TBEA & NLMK (Shenyang) Metal Product Co., Ltd.	50.0%	50.0%	10	10
			184	181

Management has analysed the performance of NBH in the first half of 2017 and believes that no changes are necessary to the estimates made in the consolidated financial statements as at 31 December 2016 of the recoverable amount of this asset.

6 Trade and other accounts receivable

	As at 30 June 2017	As at 31 December 2016
Financial assets		
Trade accounts receivable	892	693
Allowance for impairment of trade accounts receivable	(22)	(24)
Other accounts receivable	27	25
Allowance for impairment of other accounts receivable	(18)	(18)
	879	676
Non-financial assets		
Advances given to suppliers	42	54
Allowance for impairment of advances given to suppliers	(3)	(2)
VAT and other taxes receivable	278	225
Accounts receivable from employees	2	2
	319	279
	1,198	955

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

As at 30 June 2017 and 31 December 2016, accounts receivable of \$170 and \$122, respectively, served as collateral for certain borrowings (Note 11).

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

7 Inventories

	As at 30 June 2017	As at 31 December 2016
Raw materials	700	705
Work in process	645	460
Finished goods and goods for resale	437	443
	<u>1,782</u>	<u>1,608</u>
Impairment allowance for inventories	(59)	(59)
	<u>1,723</u>	<u>1,549</u>

As at 30 June 2017 and 31 December 2016, inventories of \$490 and \$296, respectively, served as collateral for certain borrowings (Note 11).

8 Property, plant and equipment

	As at 30 June 2017	As at 31 December 2016
Land	124	121
Buildings	1,876	1,799
Land and buildings improvements	2,231	2,113
Machinery and equipment	6,189	5,994
Vehicles	277	266
Construction in progress	900	858
	<u>11,597</u>	<u>11,151</u>
Accumulated depreciation and impairment	(6,238)	(5,823)
	<u>5,359</u>	<u>5,328</u>

As at 30 June 2017, the Group clarified classification of fixed assets in accordance with the System of National Accounts (2008 SNA). Accordingly fixed assets from the group "Other" were reclassified between groups "Buildings", "Land and buildings improvements", "Machinery and equipment" and "Vehicles" with no changes of estimated useful life and depreciation charges. Comparative amounts as at 31 December 2016 also were reclassified.

The amount of borrowing costs capitalized was \$12 and \$19 for the six months ended 30 June 2017 and 30 June 2016, respectively. The capitalisation rate was 1.9% and 2.2% for the six months ended 30 June 2017 and 30 June 2016, respectively.

The amount of borrowing costs capitalized was \$6 and \$10 for the three months ended 30 June 2017 and 30 June 2016, respectively. The capitalisation rate was 1.0% and 1.1% for the three months ended 30 June 2017 and 30 June 2016, respectively.

Management has analysed the performance of key cash generating units in the first half of 2017 and believes that no changes to the estimates made as at 31 December 2016 regarding impairment of fixed assets and goodwill are required.

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

9 Intangible assets

	As at 30 June 2017	As at 31 December 2016
Goodwill	273	267
Mineral rights	342	333
Beneficial contracts	9	9
Other intangible assets	5	-
	<u>629</u>	<u>609</u>
Accumulated amortization and impairment	<u>(240)</u>	<u>(230)</u>
	<u>389</u>	<u>379</u>

10 Trade and other accounts payable

	As at 30 June 2017	As at 31 December 2016
Financial liabilities		
Trade accounts payable	570	522
Other accounts payable	33	16
	<u>603</u>	<u>538</u>
Non-financial liabilities		
Accounts payable and accrued liabilities to employees	155	179
Advances received	93	130
Taxes payable other than income tax	93	41
	<u>341</u>	<u>350</u>
	<u>944</u>	<u>888</u>

The estimated fair value of the trade and other accounts payable approximates their carrying value.

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

11 Borrowings

Rates	Currency	Maturity	As at 30 June 2017	As at 31 December 2016
Bonds				
From 8.05% to 11.10%	RUR	2017	172	168
From 4.45% to 4.95%	USD	2018-2023	1,318	1,318
Loans				
LIBOR +2.0%	USD	2017-2021	207	332
From EURIBOR +0.9% to EURIBOR +2.0%	EUR	2017-2022	717	451
			2,414	2,269
Less: short-term loans and current maturities of long-term loans and bonds			(915)	(468)
Long-term borrowings			1,499	1,801

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

	As at 30 June 2017		As at 31 December 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Bonds	911	940	1,307	1,325

The fair value of borrowings except bonds approximate their carrying amount. The fair values of bonds are based on future cash flows discounted using an applicable rate and are within level 2 of the fair value hierarchy.

Collateral

As at 30 June 2017 and 31 December 2016, the total amount of the Group companies' collateral was \$660 and \$418, respectively.

12 Earnings per share

	For the six months ended 30 June 2017	For the six months ended 30 June 2016
Profit for the period attributable to NLMK shareholders (millions of US dollars)	665	241
Weighted average number of shares	5,993,227,240	5,993,227,240
Basic and diluted earnings per share (US dollars)	0.1110	0.0402

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

12 Earnings per share (continued)

	For the three months ended 30 June 2017	For the three months ended 30 June 2016
Profit for the period attributable to NLMK shareholders (millions of US dollars)	342	186
Weighted average number of shares	5,993,227,240	5,993,227,240
Basic and diluted earnings per share (US dollars)	0.0571	0.0310

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

In June 2017, the Parent Company declared dividends for the fourth quarter of 2016 of 3.38 Russian rubles per share in the total amount of \$358 and for the three months ended 31 March 2017 of 2.35 Russian rubles per share in the total amount of \$249 (at the historical rate as of the announcement date).

In June 2016, the Parent Company declared dividends for the fourth quarter of 2015 of 2.43 Russian rubles per share in the total amount of Russian rubles of \$218 and for the three months ended 31 March 2016 of 1.13 Russian rubles per share in the total amount of \$102 (at the historical rate as of the announcement date).

13 Foreign currency exchange

	For the six months ended 30 June 2017	For the six months ended 30 June 2016
Foreign exchange loss on cash and cash equivalents	(1)	(58)
Foreign exchange loss on financial investments	(17)	(303)
Foreign exchange (loss)/gain on debt financing	(2)	264
Foreign exchange gain on other assets and liabilities	33	3
	13	(94)
	For the three months ended 30 June 2017	For the three months ended 30 June 2016
Foreign exchange gain/(loss) on cash and cash equivalents	27	(24)
Foreign exchange gain/(loss) on financial investments	102	(117)
Foreign exchange (loss)/gain on debt financing	(121)	119
Foreign exchange gain/(loss) on other assets and liabilities	24	(6)
	32	(28)

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 six months ended 30 June 2017 and 30 June 2016 are 21% and 26%, respectively. The lower tax rate expected for 2017 was the result of decrease in share of unrecognised carried forward losses of foreign subsidiaries. Income before income tax used for the calculation of the income tax charge for the six months ended 30 June 2017 based on estimated annual income tax rate was adjusted for share in net losses of associates and other companies accounted for using the equity method, losses from non-taxable translation adjustment in the total amount of \$38.

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 subsidiaries, 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 management.

The Group's management determines intersegmental sales and transfers, as if the sales or transfers were to third parties. The Group's management evaluates performance of the segments based on segment revenues, gross profit, operating profit before equity share in net losses of associates and other companies accounted for using the equity method of accounting, impairment and write-off of assets, and profit for the period.

Intersegmental operations and balances include elimination of intercompany dividends paid to Russian flat products segment by other segments and presented within line "Profit / (loss) for the period" together with other intercompany elimination adjustments, including elimination of NBH liabilities to the Group companies. NBH deconsolidation adjustments include full elimination of sales of NBH with further recognition of the Group's sales to NBH and elimination of unrealised profits, recognition of investment in NBH and recognition of impairment and share of loss arising for NBH.

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

15 Segment information (continued)

Information on segments' profit or loss for the six months ended 30 June 2017 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	11	2,493	623	835	206	754	-	(223)	4,699
Intersegment revenue	476	1,178	148	-	-	54	(1,802)	(54)	-
Gross profit	310	1,012	88	139	25	66	(77)	(66)	1,497
Operating profit/(loss)*	280	541	(5)	101	1	(13)	(3)	13	915
Profit/(loss) for the period	214	577	(11)	99	(2)	(16)	(204)	8	665
Segment assets	2,071	7,497	1,205	949	314	1,646	(1,645)	(1,442)	10,595
Segment liabilities	(346)	(3,959)	(601)	(460)	(319)	(1,431)	2,134	933	(4,049)
Depreciation and amortization	(63)	(173)	(37)	(29)	(4)	(36)	-	36	(306)

Information on segments' profit or loss for the six months ended 30 June 2016 and their assets and liabilities as at 31 December 2016 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	63	1,924	415	552	165	596	-	(269)	3,446
Intersegment revenue	189	609	103	-	1	20	(902)	(20)	-
Gross profit	156	793	97	63	20	33	(83)	(33)	1,046
Operating profit/(loss)*	112	404	29	32	(1)	(38)	(42)	38	534
Profit/(loss) for the period	81	219	32	25	(5)	(74)	(72)	36	242
Segment assets	1,903	7,429	1,171	742	285	1,406	(1,484)	(1,213)	10,239
Segment liabilities	(312)	(3,939)	(591)	(302)	(288)	(1,194)	1,932	765	(3,929)
Depreciation and amortization	(20)	(138)	(22)	(31)	(4)	(37)	-	37	(215)

* Operating profit / (loss) before equity share in net losses of associates and other companies accounted for using the equity method of accounting, impairment and write-off of assets

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

15 Segment information (continued)

Information on segments' profit or loss for the three months ended 30 June 2017 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	7	1,323	403	436	101	384	-	(110)	2,544
Intersegment revenue	242	634	102	-	-	27	(978)	(27)	-
Gross profit	152	505	49	65	10	30	(35)	(30)	746
Operating profit/(loss)*	140	256	(5)	47	(2)	(11)	7	11	443
Profit/(loss) for the period	112	376	(6)	45	(3)	(11)	(176)	5	342
Depreciation and amortization	(35)	(88)	(20)	(15)	(2)	(18)	-	18	(160)

Information on segments' profit or loss for the three months ended 30 June 2016 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	995	250	314	87	322	-	(137)	1,869
Intersegment revenue	107	399	79	-	1	12	(586)	(12)	-
Gross profit	93	456	85	55	10	15	(63)	(15)	636
Operating profit/(loss)*	64	236	44	37	-	(11)	(35)	11	346
Profit/(loss) for the period	47	138	40	36	(1)	(41)	(51)	19	187
Depreciation and amortization	(11)	(74)	(12)	(15)	(2)	(19)	-	19	(114)

* Operating profit / (loss) before equity share in net losses of associates and other companies accounted for using the equity method of accounting, impairment and write-off of assets

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

16 Related party transactions

Parties are considered to be related if one party has the ability to control the other party, is under common control 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 arm's length.

(a) Sales to and purchases from related parties

	For the six months ended 30 June 2017	For the six months ended 30 June 2016
Sales		
NBH group companies	569	332
Universal Cargo Logistics Holding group companies (companies under the common control of beneficial owner)	<u>1</u>	<u>1</u>
Purchases		
Universal Cargo Logistics Holding group companies (companies under the common control of beneficial owner)	170	155
NBH group companies	54	20
Other related parties	<u>2</u>	<u>3</u>
	For the three months ended 30 June 2017	For the three months ended 30 June 2016
Sales		
NBH group companies	<u>278</u>	<u>209</u>
Purchases		
Universal Cargo Logistics Holding group companies (companies under the common control of beneficial owner)	84	95
NBH group companies	27	12
Other related parties	<u>1</u>	<u>2</u>

NBH group are the major customer of the Group. Sales to NBH group performed by Russian flat products segment and represents 12.2% and 9.6% from the total sales of the Group for the six months ended 30 June 2017 and 30 June 2016, respectively, and 11.0% and 11.2% from the total sales of the Group for the three months ended 30 June 2017 and 30 June 2016, respectively.

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

16 Related party transactions (continued)

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

	As at 30 June 2017	As at 31 December 2016
Accounts receivable and advances given		
NBH group companies	244	199
Universal Cargo Logistics Holding group companies (companies under the common control of beneficial owner)	13	34
Other related parties	1	-
	<hr/>	<hr/>
Accounts payable		
NBH group companies	20	16
Universal Cargo Logistics Holding group companies (companies under the common control of beneficial owner)	11	3
Other related parties	1	-
	<hr/>	<hr/>

(c) Financial transactions

	As at 30 June 2017	As at 31 December 2016
Loans, issued to NBH group companies	253	230
Deposits and current accounts in PJSC Bank ZENIT and PJSC Lipetskcombank (companies under the significant influence of the Group's controlling shareholder)	63	25
	<hr/>	<hr/>

(d) Financial guarantees issued

As at 30 June 2017 and 31 December 2016 guarantees issued by the Group for borrowings of NBH group companies' amounted to \$306 and \$255, respectively, which is the maximum potential amount of future payments, to be paid 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 probability of cash outflows, related to these guarantees, as low.

The maturity of the guaranteed obligations is as follows:

	As at 30 June 2017	As at 31 December 2016
Less than 1 year	69	70
From 1 to 2 years	237	5
Over 2 years	-	180
	<hr/>	<hr/>
	306	255
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