



**NOVOLIPETSK STEEL**

**Report on Payments to Governments for the year 2016**

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## 1. Introduction

This Report provides an overview of the payments to governments made by Novolipetsk Steel and its subsidiary undertakings for the year 2016 as required under the “Disclosure Rules and Transparency Rules” of the United Kingdom.

The “Disclosure Rules and Transparency Rules” were introduced by the Financial Conduct Authority of the United Kingdom to increase transparency in the extractive and logging sectors.

The consolidated report of Novolipetsk Steel on payments to Governments, presented below, has been prepared in accordance with the UK’s Report on Payments to Governments Regulations 2014 (SI 2014/3209) and Chapter 10 of the Directive 2013/34/EU (the EU Accounting Directive (2013)).

This Report is available for download from <http://www.nlmk.com>.

## 2. Reporting principles

### Legislation

This Report is prepared in accordance with the Reports on Payments to Governments Regulations 2014 as enacted in the UK in December 2014 and as amended in December 2015.

### Scope and Reporting entities

Novolipetsk Steel has prepared a consolidated report on payments to governments for activities related to the exploration, prospection, discovery, development, and extraction of minerals or other materials (hereinafter referred to as 'extractive activities'). The main products of such activities are iron ore concentrate, sinter ore, and fluxes (dolomite and limestone). In this Report, we only disclose payments to governments made by legal entities involved in the above mentioned activities.

Novolipetsk Steel carries out production and processing of raw materials only in Russia. The legal entities active in the extractive activities operate in two Russian regions: Lipetsk and Belgorod.

### Government

In the context of this Report, government means any national, regional or local authority of a country. It includes a department, agency or entity that is a subsidiary of a government controlled by that authority.

### Project definition

Payments are reported at project level except payments that are not attributable to a specific project (they are reported at entity level). Project is defined as operational activities which are governed by a single contract, license, lease, concession or similar legal agreement, and form the basis for payment liabilities with a government. If such agreements are substantially interconnected, those agreements are to be treated as a single project. According to the regulation, 'substantially interconnected' means that the agreements are governed by a single overarching agreement, that the agreements have substantially similar terms, and that the agreements are geographically and operationally interconnected.

### Reporting currency and materiality

All payments to governments in this Report are presented in thousands of Russian Roubles (RUB).

For each payment type, total payments below GBP 81,000 to a government whether made as a single payment or as a series of related payments are excluded from this Report. For determining of threshold in RUB a weighted average exchange rates for the reporting period were used, i.e. certain payments below RUB 7,400,000 were excluded from the scope of disclosure.

### Payment types

Payment is a single payment or series of payments to a government, carried out during the reporting period (2016) on a cash basis.

The following payment types are disclosed for legal entities involved in extractive activities:

- Taxes levied on the income, production or profits of companies, which include Corporate Income Tax, Mineral Resources Extraction Tax (MRET), Land Tax. Consumption taxes such as Value Added Tax and Personal Income Taxes, Withholding Taxes, Property Taxes and Environmental Taxes are excluded;
- License fees, rental fees paid for access to the area where extractive activities will be conducted.

For the year ended 31 December 2016, there were no reportable production entitlements, dividends, bonuses, payments for infrastructure improvements.

## 3. Consolidated overview of payments to governments

The consolidated overview below discloses the sums of Novolipetsk Steel's payments to governments in Russia per:

- government (all payments),
- project (only MRET),
- entity level (all other payments except MRET).

### Payments per government

(Thousands of Russian Roubles)

Government	Taxes	Royalties	Fees	Total
Federal budget of the Russian Federation	103,345	0	0	<b>103,345</b>
Regional budget of Lipetsk Region	267,867	0	0	<b>267,867</b>
Regional budget of Belgorod Region	1,854,228	0	0	<b>1,854,228</b>
Municipal budgets of Belgorod Region	239,485	0	8,121	<b>247,606</b>
<b>Total</b>	<b>2,464,925</b>	<b>0</b>	<b>8,121</b>	<b>2,473,046</b>

**Payments per project**

(Thousands of Russian Roubles)

Project	Taxes	Royalties	Fees	Total
The Sokol'sko-Sitovskoe field	22,137	0	0	<b>22,137</b>
The Stojlenskoe field	235,873	0	0	<b>235,873</b>
The Verhneatamanskoe field	364	0	0	<b>364</b>
The Dankovskoe field	15,901	0	0	<b>15,901</b>
<b>Total</b>	<b>274,275</b>	<b>0</b>	<b>0</b>	<b>274,275</b>

**Payments per entity level**

(Thousands of Russian Roubles)

Legal entity	Taxes	Royalties	Fees	Total
OJSC Dolomit	102,416	0	0	<b>102,416</b>
OJSC Studenovskaya joint stock mining company	142,628	0	0	<b>142,628</b>
OJSC Stoilensky GOK	1,945,606	0	8,121	<b>1,953,727</b>
<b>Total</b>	<b>2,190,650</b>	<b>0</b>	<b>8,121</b>	<b>2,198,771</b>

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