NLMK DANSTEEL A/S

FINANCIAL STATEMENTS

PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL
REPORTING STANDARDS

AS AT AND FOR THE YEAR ENDED
31 DECEMBER 2017

WITH INDEPENDENT AUDITOR'S REPORT THEREON

The Financial Statement has been presented to and adopted
by the Company's Annual General Meeting
on 30 / 5 2018

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Chairman of the Meeting

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Alexei Fomenko

CVR NO. 10092922

Company address: Havnevej 33, DK-3300 Frederiksværk

CONTENTS

Statement by Board of Directors and Board of Executives

The Board of Directors and Board of Executives have today presented the annual report for 2017 of NLMK DanSteel A/S.

The annual report is presented in accordance with International Financial Reporting Standards (IFRS) as adopted by the EC and further requirements of the Danish Financial Statements Act.

We consider the accounting policies appropriate and the annual report to give a true and fair view of the Company's assets and liabilities, financial position and result and cash flow.

The management's review includes in our opinion a fair presentation of the matters dealt with in the review.

The annual report is submitted for adoption by the General Meeting.

Frederiksværk, 30 May 2018

Board of Executives:

Igor Sarkits

Board of Directors:

Barend Jacobus De Vos Chairman	Cornelius Janse Louwrens	Igor Sarkits
Mariia Starostina	Gunnar Fonseca Larsen*	Brian Bjerre*

* Appointed by the employees)

Management's review

Principal activities

The principal activities comprise production of and trade in steel plates, including plates that have been finished by blasting and priming and fitted plates.

The plates are made from slabs (raw steel), where the majority is produced by PAO Novolipetsk Steel (NLMK) in Russia.

The plates are primarily sold in Northern Europe.

Development in the financial year and results for the year

The profit from primary operations in the financial year was DKK (-61) mln., which is below the expectation presented in the Annual Report for 2016. The main reason is a significant increase in the slabs price in 2017, which remained in place for the entire 2017, while the sales price level only partially followed this increase. This caused a significantly reduced average contribution margin on the orders taken through the year. The low demand has continued in 2018 and caused the capacity utilisation within the European plate mills in general to remain on a level around 65 %.

The company has in 2017 continued its focus on product and process development based on the approval and certification from the classification societies for a number of new steel qualities achieved in 2015.

The company has in 1st half of 2017 experienced 6 breakdowns in the reheating furnace, which is an extremely high number. In spite of this has the budgeted production tonnage been achieved. There has been taken several measures to reduce the risk of breakdowns and since June 2017 breakdowns has been avoided.

The fact, that the slabs price in 2017 has increased faster than the plate price has caused the profitability of the plate mills in general to remain at an unsatisfying low level. The company has through a continued focus on and effort to mitigate the sources of rejection of plates improved the rejection rate from 3,8% in 2016 to 2,4% in 2017. The effort to reduce the cost of alloying in the slabs, which is enabled by the stronger rolling stand, has also been continued.

But it has not been enough to outweigh the decreasing spread between the slabs price and plate price, which enables a satisfying gross margin.

NLMK DanSteel has continued to mitigate this through a strong focus on orders with short lead time and high complexity. In spite of the fact, that the low demand in the market has maintained the short general delivery time from the plate mills compared to previous years, the company has in 2017 maintained a competitive advantage from the ability to offer short delivery times. The high share of orders with short delivery time has furthermore reduced the price risk in a volatile market. This focus has made it possible to maintain a price level above the market price, but it has not been enough to secure a satisfying profitability in 2017. This highly competitive market with low spread between slabs and plates have been seen to continue into first half of 2018 even though there are signs of an improvement in the plate price level.

NLMK DanSteel has in 2017 maintained a product mix with a high share of the higher steel grades, such as boiler and Offshore steel. Likewise has the share of thin plates, which mainly is used by shipbuilders, been maintained at a high level. These products are generally characterized by a high price level, but also a higher cost of production. In 2017 the company has maintained its strong focus on the Offshore windmill segment, demanding thick and heavy plates, which fits well into the product mix. The sales volume for this segment was stable in 2017 and is expected to be maintained at the same level in 2018. In 2017 there has been an increased focus in the business area for construction steel such as bridge building. This is mainly due to major developments and new infrastructure investments in Europe. It is the company's expectation that activity in this segment will remain at a high level. With newly developed steel qualities and approvals, it is the company´s expectation that 2018 will show a further increase in activities in this segment. A slow recovery has begun in the Oil and Gas sector. Future investments at NLMK DanSteel will provide the company with the opportunity to supply higher steel grades. It is the company's expectation that this segment will continue to grow.

In 2017 the company has maintained its high focus on the end-user segment as well as those of the wholesale segment, who delivers to major single end-users. This gives more project-oriented orders with higher demand for tests and non-standard plate sizes. Furthermore has the focus in 2017 been on offering add-on services within machining as well as deliveries. This has increased the importance of the production planning and management, but has also implied that the price is no longer the only important parameter in the competition. This focus will be maintained in 2018.

The aggregate primary operating result in isolation is considered to be very unsatisfactory. But based on the excess capacity in the market and the resulting market situation combined with the breakdowns in 1st half of 2017 the achieved primary operating result for 2017 is only considered to be unsatisfactory.

Investments have in accordance with the strategy for NLMK DanSteel been increased in 2017. The focus has been on increasing efficiency in the production line, implementation of measures to avoid accidents as well as aligning the production equipment to the current product mix. The total investments in 2017 amounts to DKK'000 94m.

On 27 December 2017 NLMK International BV has converted debt of DKK 446.440 thousand to share capital. The common stock were increased with 4,464 shares with a par value of 1,000 Danish kroners each.

It has been decided not to pay dividend for 2017.

Events after the end of the financial year

No significant events have occurred after the end of the financial year.

Special risks

Price risks

The slab price is in 2017 expected to increase significantly compared to the current level. On top since the slabs price on the world market is given in US Dollar, fluctuations in the USD-rate will affect the slabs price. Import of plates from especially Ukraine, South Corea and India is in 2018 expected to continue affecting the entire European market in spite of the significant excess capacity at the European steel works. The import of plates to EC increased in 2017 with 4% in spite that the EC commission in the fall 2016 levied an anti-dumping charge on plates produced in China, which has reduced the import of plates from China significantly. The excess capacity will cause the tough competition on price from 2017 to continue unchanged into 2018. NLMK DanSteel has in the last years aimed at reducing the threat from the price competition by establishing a strong position in the Offshore windmill and Offshore market as well as non-standard plates within the end-user segment. These are niches with relatively few competitors and a strong focus on quality and delivery performance.

Foreign exchange risks

The majority of the company's foreign exchange transactions are in EUR, which significantly reduces its exchange risks.

Interest risks

NLMK DanSteel has taken out loans, where the interest is based on EURIBOR, for financing of the new rolling stand as well as working capital. This has significantly increased the company's sensitivity towards increases in the market rate of interest.

Environmental, energy and safety situation

NLMK DanSteel A/S was under the name DanSteel A/S approved to start production in Denmark in 2002 according to the environmental approval for Det Danske Stålvalseværk A/S. NLMK DanSteel fulfils all requirements of the updated environmental approval from Frederiksborg Amt, dated 21 November 2006, including subsequent additions and changes from Miljøstyrelsen regarding the production and necessary analyses. The environmental approval is expected to be renewed in the summer 2018.

The main focus from the authorities has been on emission control, noise-reducing facilities and oil skimmers in the fortified areas. In the beginning of 2017 a large investment with creation of a large oilskimmer for surface-water were completed. At the same time railroad tracks were removed and a new tarmac surface established. This will reduce the damage on vehicles and oil-spill as consequence of the previously very uneven driving areas.

In 2017 has Miljøstyrelsen claimed exceeding of the requirements in the environmental permit regarding concentration of nitrogenoxides in emmissions from chimneys and dust from filters. The remaining control parameters have not given cause for any claims.

In 2013 NLMK DanSteel received certifications of the Environmental Management System under DS/EN ISO 14001:2004 and Occupational Health and Safety under DS/OHSAS 18001:2008. The company has previously been certified within Quality Management under DS/EN ISO 9001:2008 and Energy Management under DS/EN 50001:2011. In December 2015 DNV performed a successfull recertification on all 4 management systems and the company received 4 new certificates with 3 years validity. During 2017 the management systems for environment and for quality were upgraded to the 2015-versions of the standards, and much effort was put into combining the four management systems into one administrative unit. These certifications assure a high degree of attention to compliance of legislation and continous improvement of the production conditions.

Attention to the cooling water discharge from NLMK DanSteel was increased in connection with the revision of the waste water permit dated 25 November 2015. The permit contains new very low discharge limits for the cooling water, which since November 2012 has been cleaned in an advanced Water Treatment Plant. No major exceedances of discharge limits were detected in 2017.

The company aims at the highest possible re-cycling of all waste products including rolling sludge, filter dust, mill scales, refractories, waste oil and other industrial waste. The aggregated recycling percentage for all materials is 99%. It is still a goal to reduce especially the volume of combustable waste.

Upon completion of a significant effort regarding noise, including establishment of baffles and replacement of the transport equipment with a more modern and less noisy type, the company has performed control measurement and documented that the company complies with the requirements in all reference points. However, several complaints from neighbours were received during 2017, particularly due to comprehensive construction work including pile driving and opening of the façade exposing the cooling bed to the exterior. NLMK DanSteel is in a continued dialogue with the neighbours to identify the individual noise sources and reduce any noise nuisances.

Measurements of exhaust emissions are carried out every second year according to the measurement program approved by Miljøstyrelsen. Control measurements are performed if emissions show exceedances of the required concentration limits. Emission analysis and OML-calculations documents, that the company meets the requirements of the environmental permit regarding the emission concentration contribution to the company's surroundings.

The system for management of chemical substances and materials implemented in 2015 is constantly being updated. The system facilitates overview of the company's chemicals, preparing site-usage instructions and identify substances, which should be replaced with more environmentally and health friendly ones.

A systematic effort on energy savings and efficiencies lies behind the positive development during the last years. Significant energy optimisations and increased production in 2016 reduced the key figure for total gas- and electricity consumption compared to 2015. This reduced the company's CO2-emission per produced tonne of plate with 4,6%. This effort has been continued in 2017, which has resulted in a further reduction of the emmisions with 3,0%. The new agreement for electricity-intensive companies on reduction of the PSO-tax were put into force on 10 September 2015. The agreement entitles NLMK DanSteel to a partial compensation of the PSO-tax on electricity on condition that the company fulfils its obligations within energy improvements. Therefore a supplemental certification according to supplementary requirements from Energistyrelsen beyond the energy management standard DS/EN ISO 50001:2011 were carried out with the aim to fulfill the agreement on energy efficiency, which were signed in August 2016. The agreement runs until 2020.

In 2017, 4 injuries with absence of more than one day were recorded against 2 in 2016. The calculated frequency of accidents has increased from 3,1 to 7,4. Though the total amount of absence hours due to accidents has decreased from 560 in 2016 to 202 in 2017. The increase in the number of accidents is of course not satisfying, but the decrease in the number of hours of absence indicates, that the nature of the accidents has become less severe and that the effort to reduce the risk of injuries give positive results. This is a tendency, which the company expects to maintain together with an increased effort to reduce the number of accidents as well. Working environment and safety are key areas for all departments at NLMK DanSteel.

Financing of the environmental-, energy- and working environment projects is included in the budget for 2018. The full engagement in and support from the management of the company as well NLMK Group to the company's effort ensures a continued systematic effort in all areas and the achievement of the set targets.

The mandatory courses according to the working environment- and the high voltage legislation were held in 2017. Furthermore in 2017 the specific focus on prevention of accidents and health improvement has been continued. Finally, the company has in 2017 offered courses in Danish for dyslexics as well as courses in Danish for employees, which doesn't have Danish as their native language.

The company has continued its health insurance for all employees, who is secured access to examination and treatment in private clinics for a broad range of sicknesses. Likewise the agreement with Falck Healthcare, which gives the employees access to treatment by chiropractor, physiotherapist, masseur and zone therapist has been maintained. In 2017 the employees received 1,368 treatments under this agreement, which is an increase of 10% compared to 2016. It is the company's opinion that both these agreements contribute to decrease the absence due to illness, which in 2017 were 3,9% to the benefit the company as well as the employees.

Furthermore the employees can obtain rebates by utilising company agreements in Hundested Fitness and Frederiksvaerk Motionscenter respectively.

Goals and politics for the less represented gender

The company is working on increasing the number of female Managers and has therefore set-up specific goals for the share of the less represented gender within the Board of Directors and prepared a politic for how to secure the right gender composition in the management in general.

Goals

The company has a goal, that minimum 25% of the shareholder elected members of the board shall be women. At the end of 2017 is 1 of the company's 4 shareholder elected members of the board women.

Politics

In order to achieve the abovementioned goal of more female Managers the company has prepared a Equality policy concerning all management levels in the company as an addendum to the personal policy. Based on this initiative to promote the equality at management levels and develop and promote female managers has been taken. In connection with employing and recruitment for management positions it is the goal, that there shall be both male and female candidates in spite of, that the company operates in an industry traditionally dominated by men. The principle applies to both internal and external job postings.

Future prospects

In 2018, a negative result on primary operations in the level of DKK 70 to 85m is expected. The main reason for this is the continued significant overcapacity at the plate mills in general and the derived low price level. This is intensified by a continued high import of plates to the European market. The companys effort to mitigate this market situation can be divided in 3 factors. First NLMK DanSteel will through its reputation as a high quality producer continue focusing on the segments, where special dimensions and/or higher demands for quality and delivery performance from customers justify, that a higher price can be obtained for the delivered tonnage. Secondly the company will in 2018 continue the development of processes and optimization of production costs, which is enabled by the stronger and wider rolling stand. These 2 factors shall contribute to an improved profitability of the delivered tonnage. For the third, NLMK DanSteel expects in spite of the overcapacity in the market to be able to maintain its high utilisation rate and as for the previous years as well in 2018 to be able to increase the production and the sold tonnage, which will improve profitability through a reduction of the fixed production costs per tonne.

Furthermore the company will through the strategic investment program for 2018 – 2022 continue to strengthen its position in market niches, which are not affected by the import and with only few European competitors. One of the main equipments in this programme is an ACC (Accelerated Controlled Cooling) equipment, which will expand the thickness range, where NLMK Dansteel can supply Thermo-Mechanically rolled plates. This is required in the Offshore windmill segment in order to supply the full range of dimensions and qualities demanded by the windmill tower manufacturers.

Key figures and ratios

	For the year ended 31 December 2017	For the year ended 31 December 2016	For the year ended 31 December 2015	For the year ended 31 December 2014	For the year ended 31 December 2013
Income statement					
Net revenue	2,372	1,887	1,933	1,908	1,745
Gross profit	**173**	**151**	**69**	**(2)**	**(38)**
Profit on primary activities expenses	(70)	(69)	(100)	(143)	(194)
Operating profit	**(61)**	**(62)**	**(100)**	**(142)**	**(193)**
Financial income and expenses, net	(30)	(29)	(21)	(15)	(21)
Profit for the year before tax	**(91)**	**(91)**	**(121)**	**(157)**	**(215)**
Profit for the year	**(216)**	**(72)**	**(100)**	**(129)**	**(197)**
EBITDA (Earnings before interest, tax, depreciation and amortisation)	16	11	(23)	(63)	(103)
EBIT (Earnings before interest and tax)	(61)	(62)	(100)	(142)	(193)
EBT (Earnings before tax)	(91)	(91)	(121)	(157)	(215)
Balance sheet					
Investments in tangible fixed assets	94	51	15	11	27
Balance sheet total	2,200	2,133	2,032	2,247	2,309
Equity	425	195	267	368	497
Key figures as %					
Gross margin (gross profit as % of revenue)	7.3	8.0	3.5	(0.1)	(2.2)
Profit margin (operating profit as % of net revenue)	(2.6)	(3.3)	(5.2)	(7.4)	(11.1)
Rate of return (operating profit as % of aver. balance sheet total)	(2.8)	(3.0)	(4.7)	(6.2)	(9.0)
Rate of turnover stock of raw materials (Slabs consumption compared to aver. stock of raw materials)	5.6	4.5	4.5	4.0	4.0
Rate of turnover stock of finished goods (Revenue compared to aver. stock of finished goods)	8.7	9.6	9.6	8.4	9.9
Rate of turnover receivables from sales (Revenue compared to aver. trade recievables)	6.8	6.0	6.5	5.8	6.7
Equity ratio (solvency ratio) (equity as % of assets, end of year)	19.3	9.1	13.2	16.4	21.5
Return on equity (profit after tax as % of average equity)	(70.0)	(31.2)	(31.6)	(29.9)	(33.1)
Average number of employees	384	368	351	353	355
Net revenue per employee in DKK ‘000	6,177	5,142	5,508	5,406	4,916

Comparison figures for 2016 has been translated in accordance with IFRS, while 2013 to 2015 are in accordance with the Danish Financial Statements Act.

Independent Auditor's Report

To the Shareholders of NLMK Dansteel A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2017, and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2017 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

We have audited the Financial Statements of NLMK Dansteel A/S for the financial year 1 January - 31 December 2017, which comprise statement of profit and loss, statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

Basis for Opinion

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

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Frederiksværk, 30 May 2018
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Jacob F Christiansen State Authorised Public Accountant mne18628	Carsten Blicher State Authorised Public Accountant mne16560

(thousands of DKK)

	Note	As at 31 December 2017	As at 31 December 2016	As at 1 January 2016
Assets				
Current assets				
Cash and cash equivalents	3	81,151	43,856	75,719
Trade and other accounts receivable	5	385,198	403,051	321,133
Inventories	6	656,698	498,811	452,680
Other current assets		1,052	7,869	-
		1,124,099	**953,587**	**849,532**
Non-current assets				
Investments in subsidiaries accounted for using the equity method of accounting	4	3,412	-	2,880
Property, plant and equipment	7	1,048,966	1,030,925	1,052,779
Deferred income tax assets	15	23,062	148,698	129,490
		1,075,440	**1,179,623**	**1,185,149**
Total assets		**2,199,539**	**2,133,210**	**2,034,681**
Liabilities and equity				
Current liabilities				
Trade and other accounts payable	8	856,540	579,867	421,538
Short-term borrowings	9	95,864	98,966	96,964
		952,404	**678,833**	**518,502**
Non-current liabilities				
Long-term borrowings	9	822,520	1,259,344	1,249,001
		822,520	**1,259,344**	**1,249,001**
Total liabilities		**1,774,924**	**1,938,177**	**1,767,503**
Equity attributable to NLMK shareholders	10, 11			
Common stock		80,695	76,231	76,231
Additional paid in capital		441,936	0	0
Retained earnings		(98,016)	118,802	190,947
Total equity		**424,615**	**195,033**	**267,178**
Total liabilities and equity		**2,199,539**	**2,133,210**	**2,034,681**

The financial statements as set out on pages 11 to 15 were approved on 30 May 2018.

(thousands of DKK, unless otherwise stated)

	Note	For the year ended 31 December 2017	For the year ended 31 December 2016
Revenue	12	2,372,071	1,886,470
Cost of sales		(2,199,072)	(1,735,578)
Gross profit		**172,999**	**150,892**
General and administrative expenses		(76,088)	(64,884)
Selling expenses		(164,422)	(149,914)
Other operating income		6,040	7,063
Taxes, other than income tax	14	(2,734)	(4,977)
Gain on disposals of property, plant and equipment		3,545	-
Operating profit		**(60,660)**	**(61,820)**
Share in net result of subsidiary accounted for using the equity method	4	3,412	(2,880)
Finance income		73	93
Finance costs	16	(23,979)	(24,887)
Foreign currency exchange (loss) / gain, net	17	(10,028)	(1,860)
Profit before income tax		**(91,182)**	**(91,354)**
Income tax (expense) / gain	15	(125,636)	19,209
Profit for the year		**(216,818)**	**(72,145)**

The accompanying notes constitute an integral part of these financial statements.

	Note	For the year ended 31 December 2017	For the year ended 31 December 2016
Profit for the year		(216,818)	(72,145)
Other comprehensive income / (loss):		-	-
Items that may be reclassified subsequently to profit or loss:		-	-
Cumulative translation adjustment		-	-
Total comprehensive income / (loss)		**(216,818)**	**(72,145)**

(thousands of DKK)

	Note	Common stock	Additional paid-in capital	Net revaluation under the equity method	Retained earnings	Total equity
Balance at 1 January 2016		**76,231**	**-**	**2,657**	**188,290**	**267,178**
Profit for the year		-	-	(2,657)	(69,488)	(72,145)
Total comprehensive loss		**-**	**-**	**(2,657)**	**(69,488)**	**(72,145)**
Balance at 31 December 2016		**76,231**	**-**	**-**	**118,802**	**195,033**
Profit for the year		-	-	3,188	(220,006)	(216,818)
Total comprehensive loss		**-**	**-**	**3,188**	**(220,006)**	**(216,818)**
Additional paid-in capital		4,464	441,936	-	-	446,400
Balance at 31 December 2017		**80,695**	**441,936**	**3,188**	**(101,204)**	**424,615**

(thousands of DKK)

	Note	For the year ended 31 December 2017	For the year ended 31 December 2016
Cash flows from operating activities			
Profit for the year		**(216,818)**	**(72,145)**
Adjustments to reconcile profit for the year to net cash provided by operating activities:			
Depreciation and amortization	7	76,304	73,154
Loss on disposals of property, plant and equipment		(3,545)	-
Finance income		(73)	(93)
Finance costs	16	23,979	24,887
Share in net losses of subsidiaries accounted for using the equity method	4	(3,412)	2,880
Deferred income tax (benefit) / expense	15	125,636	(19,209)
Unrealized (gains) / losses on foreign currency exchange		7,771	(938)
Change in impairment allowance for inventories and accounts receivables		9,794	-
Other adjustments		-	(39)
Changes in operating assets and liabilities			
Decrease / (increase) in trade and other accounts receivable		(15,176)	59,016
Decrease / (increase) in inventories		(164,534)	(46,134)
Decrease / (Increase) in other current assets		6,818	(7,869)
Increase / (decrease) in trade and other accounts payable		253,188	(12,676)
Net cash provided by operating activities		**99,932**	**836**
Cash flows from investing activities			
Purchases and construction of property, plant and equipment		(48,289)	(32,053)
Proceeds from sale of property, plant and equipment		3,605	-
Interest received		7	1
Net cash used in investing activities		**(44,678)**	**(32,052)**
Cash flows from financing activities			
Proceeds from borrowings		256,632	316,620
Repayment of borrowings and capital lease payments		(247,298)	(287,972)
Interest paid		(27,159)	(37,272)
Net cash used in financing activities		**(17,825)**	**(8,625)**
Net increase / (decrease) in cash and cash equivalents		**37,429**	**(39,842)**
Cash and cash equivalents at the beginning of the year	3	43,856	75,719
Effect of exchange rate changes on cash and cash equivalents		(133)	7,977
Cash and cash equivalents at the end of the year	3	**81,151**	**43,856**

(thousands of DKK)

1 Background

NLMK DanSteel A/S (the "Company") is a producer of steel plates, including plates that have been shotblasted and primed as well as fitted plates. The Company is a Danish limited liability company in accordance with the Company Act of Denmark. The Company was established on 1 October 2002 on basis of the former Danish Steel Works Ltd., which was founded in 1940. Since the establishment the company has expanded and developed it's business areas continuously.

The plates are made from slabs (raw steel), where the majority is produced by PAO Novolipetsk Steel ("NLMK") in Russian Federation. The plates are primarily sold in Northern Europe. The Company's registered office is located at Havnevej 33, 3300 Frederiksværk, Denmark.

NLMK DanSteel A/S is incorporated in the consolidated financial statements of the parent company PAO Novolipetsk Steel, Russian Federation, and the Company's exclusive shareholder with 100% ownership interest is NLMK International B.V. (Strawinskylaan 1331, 1077 XX Amsterdam, The Netherlands). The consolidated financial statements is available on the homepage of the group at www.nlmk.com

2 Basis of financial statements preparation

(a) Basis of preparation

For all periods up to and including the year ended 31 December 2016, the Company prepared its financial statements in accordance with the Danish Financial Statements Act. These financial statements are the first prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention except as described below. Refer to Note 26 for information on how the Company adopted IFRS. The principal accounting policies applied in the preparation of these financial statements are set out in Note 23.

The accounting policies have been consistently applied to all the periods presented in these financial statements. The financial year of the Company runs from 1 January until 31 December.

(b) Functional and reporting currency

The financial statements are presented in Danish kroners ("DKK"), which is the presentation currency of the Company, while the functional currency is EURO ("EUR").

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

3 Cash and cash equivalents

	As at 31 December 2017	As at 31 December 2016	As at 1 January 2016
Cash			
Danish kroners	5,389	3,428	3,829
Euros	70,893	35,377	71,879
Great Britain Pounds	3,146	4,131	5
US dollars	1,722	917	2
Other currencies	2	3	3
	81,151	**43,856**	**75,719**

(thousands of DKK)

4 Investments in subsidiary accounted for using the equity method of accounting

The company owns 100% share in its subsidiary NLMK Plate Baltic SIA, Latvia. The cost of investment amounted to DKK 224 thousand. Net result of NLMK Plate Baltic for the year ended 31 December 2017 and 2016 amounted to a profit of DKK 6,479 thousand and a loss of DKK 5,948 thousand, respectively. The Company accounted for investments in subsidiaries by equity method in accordance with IAS 27.

The table below summarizes the movements in the carrying amount of the Company's investment in subsidiary accounted for using the equity method of accounting.

	2017	**2016**
Cost as at 1 January	**224**	**224**
Additions	-	-
Disposals	-	-
Cost as at 31 December	**224**	**224**
Re- and devaluations as at 1 January	**(224)**	**2,656**
Share of net result using the equity method of accounting	3,412	(2,880)
Translation adjustment	-	-
Re- and devaluations as at 31 December	**3,188**	**(224)**
Carrying amount as at 31 December	3,412	**-**

5 Trade and other accounts receivable

	As at 31 December 2017	**As at 31 December 2016**	**As at 1 January 2016**
Financial assets			
Trade accounts receivable	385,044	418,115	313,086
Allowance for impairment of trade accounts receivable	-	(15,446)	(952)
Other accounts receivable	-	272	8,993
Allowance for impairment of other accounts receivable	-	-	-
	385,044	**402,941**	**321,127**
Non-financial assets			
Advances given to suppliers	43	-	-
Allowance for impairment of advances given to suppliers	-	-	-
VAT and other taxes receivable	79	93	7
Accounts receivable from employees	32	18	-
	154	**111**	**7**
	385,198	**403,051**	**321,134**

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

As at 31 December 2017, 2016 and 1 January 2016 accounts receivable of DKK 385,044 thousand, DKK 418,115 thousand and DKK 313,086 thousand, respectively, served as collateral for certain borrowings (Note 9).

(thousands of DKK)

5 Trade and other accounts receivable (continued)

Movements in the Company's provision for impairment of trade and other accounts receivables are as follows:

	2017	2016
As at 1 January	**(15,446)**	**(952)**
Provision for impairment during the year	(3,336)	(15,446)
Receivables written off during the year as uncollectible	15,715	765
Unused amounts reversed	3,067	178
Translation adjustment	0	9
As at 31 December	**0**	**(15,446)**

The allocation of trade accounts receivable, net of provision for doubtful debt, by geographical area is follows:

	As at 31 December 2017	As at 31 December 2016	As at 1 January 2016
Denmark	87,871	143,617	30,766
Other European Union countries	241,640	198,000	169,760
Other European countries	16,105	9,147	97,337
Other regions	39,428	51,905	14,271
	385,044	**402,669**	**312,134**

6 Inventories

	As at 31 December 2017	As at 31 December 2016	As at 1 January 2016
Raw materials	342,643	279,968	279,769
Work in process	286,178	184,477	42,075
Finished goods and goods for resale	36,916	36,641	130,836
	665,737	501,086	452,680
Valuation to net realizable value	(9,038)	(2,276)	-
	656,698	**498,811**	**452,680**

As at 31 December 2017, 2016 and 1 January 2016 inventories of DKK 518,814 thousand, DKK 361,772 thousand and DKK 322,723 thousand, respectively, served as collateral for certain borrowings (Note 9).

Share of raw materials and acquired semi-finished goods in cost of sales for the years ended 31 December 2017 and 2016 amounted to 91% and 81%, respectively. Share of fuel and energy resources expenses in cost of sales for the years ended 31 December 2017 and 2016 amounted to 4% and 6%, respectively.

(thousands of DKK)

7 Property, plant and equipment

	Land	Buildings	Machinery and equipment	Vehicles	Construction in progress	Total
Cost at 1 January 2016	4,780	198,031	1,265,624	19,788	11,326	1,499,550
Accumulated depreciation and impairment	-	(39,747)	(387,236)	(19,788)	-	(446,771)
Net book value at 1 January 2016	**4,780**	**158,285**	**878,388**	-	**11,326**	**1,052,779**
Additions	-	-	-	-	51,301	51,301
Disposals	-	-	-	-	-	-
Impairment	-	-	-	-	-	-
Transfers	-	3,089	28,726	-	(31,813)	-
Depreciation charge	-	(6,189)	(66,966)	-	-	(73,154)
Cost at 31 December 2016	4,780	201,120	1,294,348	19,788	30,814	1,550,851
Accumulated depreciation and impairment	-	(45,936)	(454,202)	(19,788)	-	(519,926)
Net book value at 31 December 2016	**4,780**	**155,184**	**840,147**	-	**30,814**	**1,030,925**
Additions	-	-	-	-	94,521	94,521
Disposals	-	-	(177)	-	-	(177)
Impairment	-	-	-	-	-	-
Transfers	-	961	28,851	-	(29,812)	-
Depreciation charge	-	(6,313)	(69,991)	-	-	(76,304)
Cost at 31 December 2017	4,780	202,081	1,321,670	513	95,524	1,624,567
Accumulated depreciation and impairment	-	(52,248)	(522,840)	(513)	-	(575,601)
Net book value at 31 December 2017	**4,780**	149,833	798,830	-	95,524	1,048,966

Public land assessment as at 1 October 2016 is DKK 126,648 thousand. The 2016 assessment has in August 2017 been reduced to DKK 84,648 thousand.

(thousands of DKK)

7 Property, plant and equipment (continued)

The Company's management has decided to analyze impairment indicators of the Company's assets as at 30 September 2017. High volatility on the market of finished products and main raw materials (coal and ore) triggered impairment assessment of some of the Company's assets. At the same time during 2nd -4th quarter of 2017 positive trends on the steel market caused by increases in metal prices represented triggers, that worked against a need for impairment, which required determination of the recoverable amounts of assets using the income approach based on primarily Level 3 inputs. As of 31 December 2017 the Company's management did not find any indication of potential impairment.

For the purpose of impairment testing the Company's management has estimated cash flows for 6 years due to long useful lives of steel making equipment and normalized cash flows for a post-forecast period.

The table below shows major assumptions and their sensitivity used in the impairment model of NLMK DanSteel, subject to determination of the recoverable amount as of 30 September 2017. Prices for steel products in this estimate were determined on the basis of forecasts of investment banks' analysts. Sensitivity in the table below was determined as a percent of changes of corresponding factors in forecast and post-forecast periods when recoverable values of assets (value in use) become equal to their balance values. As of 30 September 2017 testing showed neither impairment, nor reversal of previously recognized impairment loss.

Company	Asset type	Forecast period, years	Discount rate, %	Product types	Average sale price*, $ per tonne (FCA)	Sensitivity, % of change	
						Price	Sales volume
NLMK DanSteel A/S	Property, plant and equipment	6	8%	Plate	692	1,8%	11,3%

** Weighted average prices giving the product mix, averaged for the period from November 2017 to 2024*

The table below shows major assumptions and their sensitivity used in the impairment model of NLMK DanSteel, subject to determination of the recoverable amount as of 31 October 2016. Prices for steel products in this estimate were determined on the basis of forecasts of investment banks' analysts. Sensitivity in the table below was determined as a percent of changes of corresponding factors in forecast and post-forecast periods when recoverable values of assets (value in use) become equal to their balance values. As of 31 October 2016 testing showed neither impairment, nor reversal of previously recognized impairment loss.

Company	Asset type	Forecast period, years	Discount rate, %	Product types	Average sale price*, $ per tonne (FCA)	Sensitivity, % of change	
						Price	Sales volume
NLMK DanSteel A/S	Property, plant and equipment	7	8%	Plate	685	-0.3%	-2,1%

** Weighted average prices giving the product mix, averaged for the period from November 2016 to 2023*

(thousands of DKK)

8 Trade and other accounts payable

	As at 31 December 2017	As at 31 December 2016	As at 1 January 2016
Financial liabilities			
Trade accounts payable	766,950	498,201	351,566
Other accounts payable	12,597	10,016	17,892
	779,547	508,218	369,458
Non-financial liabilities			
Advances received	15,638	11,952	-
Taxes payable other than income tax	21,256	22,420	20,168
Accounts payable and accrued liabilities to employees	40,099	37,277	31,912
	76,993	71,649	52,080
	856,540	**579,867**	**421,537**

9 Borrowings

Lender	Rates	Currency	Maturity	As at 31 December 2017	As at 31 December 2016	As at 1 January 2016
NLMK Overseas	2,0%	EUR	2019	218,772	574,464	555,627
Deutsche Bank	2,0%	EUR	2020	446,658	446,260	368,670
Societe Generale	0,626%	EUR	2020	252,954	337,586	421,668
				918,384	1,358,310	1,345,965
Less: short-term loans and current maturities				95,864	98,966	96,964
Long-term borrowings				**822,520**	**1,259,344**	**1,249,001**

Long-term liabilities concerns debt to banks in connection with the acquisition of the new rolling stand, working capital facility with Deutsche Bank and debt to LLC NLMK Overseas Holding. The rolling stand was put into operation in 2012.

The fair value of short-term borrowings equals their carrying amount. The fair values of long-term borrowings and finance lease liabilities approximate their carrying amount.

The payments scheduled for long-term borrowings are as follows:

	As at 31 December 2017	As at 31 December 2016	As at 1 January 2016
1-2 year	375,862	728,477	712,517
2-5 years	446,658	530,867	536,484
over 5 years	-	-	-
	822,520	**1,259,344**	**1,249,001**

Collateral

As at 31 December 2017, 2016 and 1 January 2016, the total amount of collateral was DKK 903,858 thousand, DKK 779,887 thousand and DKK 635,809 thousand, respectively (Notes 5, 6).

10 Shareholders' equity

(a) Share capital

As at 31 December 2017, 2016 and 1 January 2016, the Company's share capital consisted of 80,695, 76,231 and 76,231 issued common shares respectively, with a par value of 1,000 Danish kroners each. The increase of the common share capital was carried out by conversion of debt with DKK 446,400 thousand as a non-cash transaction.

(b) Dividends

The Board of Directors does not recommend the payment of a dividend and the profit for the year is retained.

(c) Capital management

The Company's objectives when managing capital are to safeguard a financial stability and a target return for shareholders, as well as reduction of capital cost and optimization of its structure. To achieve these objectives the Company may revise investing program, borrow new or repay existing loans.

When managing capital the Company uses the following indicators:

- the return on invested capital ratio, which is defined as operating profit for the last twelve months less tax divided by capital employed, should exceed cost of capital;
- free cash-flow, which is defined as net cash provided by operating activities less net interest paid less capital expenditures less advances given in investing activities, should be positive.
- The approval process for Capex projects includes evaluation of IRR based on the budgeted cost of the project and the discounted free cash flow generated by the Capex project.

There were no changes in the Company's approach to capital management during the reporting period.

11 Earnings per share

	For the year ended 31 December 2017	For the year ended 31 December 2016
Profit for the year attributable to NLMK Dansteel shareholder (thousands of DKK)	216,818	(72,145)
Weighted average number of shares	76,292	76,231
Basic and diluted loss per share attributable to NLMK DanSteel shareholder (thousands of DKK)	**(2,842)**	**(946)**

Basic net loss per share is calculated by dividing profit by the weighted average number of common shares outstanding during the reporting period.

The average shares outstanding for the purposes of basic and diluted earnings per share information was 80,695 for the years ended 31 December 2017 and 76,231 for the years ended 31 December 2016 and 1 January 2016. The Company does not have potentially dilutive financial instruments outstanding.

12 Revenue

(a) Revenue by product

	For the year ended 31 December 2017	For the year ended 31 December 2016
Flat products	1,940,526	1,662,796
Scrap	143,368	98,456
Other products	288,176	125,218
	2,372,071	**1,886,470**

(thousands of DKK)

(b) Revenue by geographical area

The allocation of total revenue by geographical area is based on the location of end customers, who purchased the Company's products. The Company's total revenue from external customers by geographical area for the years ended 31 December 2017 and 2016 is as follows:

	For the year ended 31 December 2017	For the year ended 31 December 2016
Denmark	377,569	400,816
Other European Union countries	1,765,242	1,342,584
Other European countries	102,285	39,882
Other regions	126,975	103,188
	2,372,071	**1,886,470**

The Company has in 2017 had one customer with a share of more than 10% from revenue. The revenue from this customer amounted in 2017 to DKK 327,951 thousand against DKK 153,698 thousand in 2016, which corresponds to 14% and 8% from the revenue respectively.

13 Labour costs

Company's labour costs, including social security costs, which are included in the corresponding lines of the statement of profit or loss were as indicated below.

	For the year ended 31 December 2017	For the year ended 31 December 2016
Cost of sales	167,226	144,115
General and administrative expenses	28,524	40,038
Selling expenses	8,532	7,292
	204,282	**191,445**

Remuneration to the key management personnel consists of payments to the members of the Board of Executives and Board of Directors. Remuneration to key management personel has been paid with DKK 2,784 thousand and DKK 1,701 thousand for 2017 and 2016 respectively.

Number of employees was 384 in 2017 and 368 in 2016.

14 Taxes, other than income tax

Allocation of taxes, other than income tax to the functional items of statement of profit or loss is indicated below:

	For the year ended 31 December 2017	For the year ended 31 December 2016
Cost of sales	(1,169)	(3,223)
General and administrative expenses	(1,341)	(1,541)
Selling expenses	(225)	(213)
	(2,734)	**(4,977)**

(thousands of DKK)

15 Income tax

Income tax charge comprises the following:

	For the year ended 31 December 2017	For the year ended 31 December 2016
Current income tax expense	-	-
Deferred income tax benefit / (expense)	(125,636)	19,209
Total income tax expense	**(125,636)**	**19,209**

The corporate income tax rate applicable to the Company is 22%.

Income before income tax is reconciled to the income tax expense as follows:

	For the year ended 31 December 2017	For the year ended 31 December 2016
Profit before income tax	(91,182)	(91,354)
Income tax at applicable tax rate 22%	20,060	20,098
Change in income tax:		
- tax effect of non-deductible expenses	1,986	2,616
- unrecognized tax loss carry forward for current year	(8,459)	(11,315)
- increase of deferred tax asset	-	19,209
- write-off of previously recognized deferred tax assets	(125,636)	-
- other	(13,587)	(11,399)
Total income tax expense	**(125,636)**	**19,209**

The tax effects of temporary differences that give rise to the deferred tax assets and deferred tax liabilities are presented below:

	As at 31 December 2017	As at 31 December 2016	As at 1 January 2016
Deferred tax assets			
Property, plant and equipment	-	64,708	49,405
Trade and other accounts receivable	-	3,920	950
Inventories	-	500	1,420
Net operating loss and credit carry-forwards	23,062	81,840	81,840
	23,062	**150,968**	**133,616**
Deferred tax liabilities			
Inventories	-	(2,270)	(4,126)
	-	**(2,270)**	**(4,126)**
Total deferred tax asset, net	**23,062**	**148,698**	**129,490**

The movements in deferred income tax assets and liabilities are presented below:

	2017	2016
As at 1 January	**148,698**	**129,490**
Recognized in financial statement of profit or loss	(125,636)	19,209
Write-off	-	-
As at 31 December	23,062	**148,698**

(thousands of DKK)

15 Income tax (continued)

The tax asset has been recognized based on the expectations of the coming years tax profit, which is expected to utilise the tax losses. The expectation is based on the Company's budget for 2018 and a projection for the following 4 years. The budget has been prepared in accordance with the normal budget procedure. It is expected, that the initiated optimisation of production, closer focus on profitability and an increased production volume will improve the earnings for the coming years.

The amount of net operating losses that can be utilized each year is limited under the Company's tax jurisdiction. The Company regularly evaluates assumptions underlying its assessment of the realisability of its deferred tax assets and makes adjustments to the extent necessary. In assessing probability that future taxable profit against which the Company can utilize the potential benefit of the tax loss carry-forwards will be available, management considers the current situation and the future economic benefits outlined in business plan.

The table below summarizes not recognized cumulative tax-loss carry forwards, for which no deferred tax assets were recognised, with a breakdown by the expiry dates.

	As at 31 December 2017	As at 31 December 2016	As at 1 January 2016
From 1 to 5 years	-	-	-
From 5 to 10 years	-	-	-
More than 10 years	-	-	-
No expiration	551,534	245,913	253,730
	551,534	245,913	253,730

Deferred tax assets are recorded only to the extent that it is probable that the temporary difference will reverse in the future and there is sufficient future taxable profit available against which the deductions can be utilized.
As at 31 December 2017, 2016 and 1 January 2016 the Company analysed its tax positions for uncertainties affecting recognition and measurement thereof. Following the analysis, the Company believes that all deductible tax positions stated in the income tax return has been recognised and valuated in accordance with the tax legislation.

16 Finance costs

	For the year ended 31 December 2017	For the year ended 31 December 2016
Interest expense on borrowings	(23,924)	(24,756)
Other finance costs	(55)	(131)
Total finance costs	**(23,979)**	**(24,887)**

17 Foreign currency exchange

	For the year ended 31 December 2017	For the year ended 31 December 2016
Foreign exchange (loss) on cash and cash equivalents	(303)	(599)
Foreign exchange gain / (loss) on debt financing	(2,830)	1,537
Foreign exchange loss on other assets and liabilities	(6,895)	(2,798)
	(10,028)	**(1,860)**

(thousands of DKK)

18 Audit fees

Fees to the auditors appointed by the shareholders on the general meeting can be specified as follows:

	For the year ended 31 December 2017	For the year ended 31 December 2016
Statutory audit	495	375
Opinion tasks with assurance	90	122
Tax consultancy	51	60
Other services	176	51
	812	**608**

19 Operating leases

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	As at 31 December 2017	As at 31 December 2016	As at 1 January 2016
Before 1 year	9,086	3,261	1,576
From 1 to 5 years	31,201	30,004	2,105
After 5 years	11,181	16,579	-
Total commitments for minimum lease payments	**51,468**	**49,844**	**3,681**

In 2017 and 2016 total leasing expenses relating to operating leases were equal to DKK 11,239 thousand and DKK 3,261 thousand, respectively.

Operating leases mainly concerns internal transport equipment.

20 Risks and uncertainties

(a) Operating environment of the Company

The major financial risks inherent to the Company's operations are market risk and credit risk. The objectives of the financial risk management function are to monitor the risks and assure, that the company's procedures as far as possible mitigate these risks.

The management board is responsible for the Company's system of internal controls and for reviewing its effectiveness. However, such a system has been designed to manage rather than eliminate risk of failure to meet business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss. The Company's risk management and internal control system is designed to determine risks in relation to the achievement of business objectives and appropriate risk responses.

The management board has a risk management and internal control system, which has been designed to ensure that significant risks are identified and are monitored and to ensure compliance with relevant laws and regulations.

The Company's perceivable risk are financial risks, including foreign currency risk, liquidity and cash flow risk.

(b) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three types of risk: interest rate risk, foreign currency risk and commodity price risk.

(thousands of DKK)

20 Risks and uncertainties (continued)

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with variable interest rates.

The Company has taken out loans, where the interest is based on EURIBOR, for financing of the new rolling stand as well as working capital. Even though the EURIBOR is considered to have a low risk of fluctuations, this has significantly increased the Company's sensitivity towards increases in the market rate of interest.

The interest rate risk profile of the Company is follows:

	As at 31 December 2017	As at 31 December 2016	As at 1 January 2016
Fixed rate instruments			
Financial assets	469,761	446,907	399,733
- cash and cash equivalents (Note 3)	81,151	43,856	75,719
- trade and other accounts receivable less allowance (Note 5)	385,198	403,051	321,134
- long-term financial investments (note 4)	3,412	-	2.880
Financial liabilities	(868,693)	(595,236)	(434,594)
- trade, other accounts payable and dividends payable (Note 8)	(856,540)	(579,867)	(421,537)
- short-term borrowings (Note 9)	(12,153)	(15,369)	(13,057)
- long-term borrowings (Note 9)	-	-	-

	As at 31 December 2017	As at 31 December 2016	As at 1 January 2016
Variable rate instruments			
Financial liabilities	(906,231)	(1,342,941)	(1,332,908)
- short-term borrowings (Note 9)	(83,711)	(83,597)	(83,907)
- long-term borrowings (Note 9)	(822,520)	(1,259,344)	(1,249,001)

A change of 100 basis points in interest rates for variable rate instruments would insignificantly change profit and equity.

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The majority of the company's foreign exchange transactions are in EUR, which significantly reduces its exchange risks.

Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

(thousands of DKK)

20 Risks and uncertainties (continued)

To minimize foreign currency risks the export program is designed taking into account potential major foreign currencies' exchange fluctuations. In its export contracts the Company controls the balance of currency positions by settling payments in foreign currency with export revenues in the same currency as far as possible. The Company has beside DKK revenue in GBP and USD. The sensitivity of revenue to fluctuations in exchange rates is as follows:

	For the year ended 31 December 2017	For the year ended 31 December 2016
DKK/EUR rate change 10%	9,886	11,297
GBP/EUR rate change 10%	18,867	20,953
USD/EUR rate change 10%	12,241	7,853

The effect on the equity of a fluctuation in the exchange rate is equal to the figures above.

The net foreign currency position presented below is calculated in respect of major currencies by items of statement of financial position as the difference between assets and liabilities denominated in a currency other than the functional currency of the Company at 31 December 2017.

	DKK	GBP	US dollar
Cash and cash equivalents	5,389	3,146	1,722
Trade and other accounts receivable	18,242	24,887	34,844
Long-term financial investments	-	-	-
Trade and other accounts payable	(17,730)	(501)	(1,497)
Short-term borrowings	-	-	-
Long-term borrowings	-	-	-
Net foreign currency position	**5,901**	**27,532**	**35,069**

The net foreign currency position presented below is calculated in respect of major currencies by items of statement of financial position as the difference between assets and liabilities denominated in a currency other than the functional currency of the Company at 31 December 2016.

	DKK	GBP	US dollar
Cash and cash equivalents	3,428	4,131	917
Trade and other accounts receivable	24,438	159,538	51,451
Long-term financial investments	-	-	-
Trade and other accounts payable	(16,505)	(935)	(2,371)
Short-term borrowings	-	-	-
Long-term borrowings	-	-	-
Net foreign currency position	**11,361**	**162,734**	**49,997**

(thousands of DKK)

20 Risks and uncertainties (continued)

The net foreign currency position presented below is calculated in respect of major currencies by items of statement of financial position as the difference between assets and liabilities denominated in a currency other than the functional currency of the Company at 1 January 2016.

	DKK	GBP	US dollar
Cash and cash equivalents	3,829	5	2
Trade and other accounts receivable	9,274	25,978	12,500
Long-term financial investments	-	-	-
Trade and other accounts payable	(29,623)	(627)	75
Short-term borrowings	-	-	-
Long-term borrowings	-	-	-
Net foreign currency position	**(16,519)**	**25,357**	**12,577**

Sensitivity analysis

Sensitivity is calculated by multiplying a net foreign currency position of a corresponding currency by percentage of currency rates changes.

A 10 percent strengthening of the following currencies against the functional currency as at 31 December 2017, 2016 and 1 January 2016 would have increased / (decreased) equity by the amounts shown below:

	For the year ended 31 December 2017	For the year ended 31 December 2016	For the year ended 1 January 2016
DKK	590	1,136	(1,652)
GBP	2,753	16,273	2,536
US dollar	3,507	5,000	1,258

A weakening of these currencies against the functional currency would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

Commodity price risk

Commodity price risk is a risk arising from possible changes in price of raw materials and metal products, and their impact on the Company's future performance and the Company's operational results.

The fact that the company only produces to orders of which a high share has short delivery time, has reduced the companys exposure to price risk in a volatile market.

The slab price is in first half of 2018 expected to continue its increase compared to the current level after which it is expected to fall back to a level below the current level. On top, since the slabs price on the world market is nominated in US Dollar, fluctuations in the US dollar rate will affect the slabs price. Import of plates from especially South Corea, Ukraine and India is in 2018 expected to continue affecting the entire European market in spite of the significant excess capacity at the European steelworks.

(c) Credit risk

Credit risk is the risk when a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss for the Company.

The Company is exposed to credit risk from its operating activities, primarily for trade receivables.

(thousands of DKK)

20 Risks and uncertainties (continued)

The Company controls the levels of credit risk it undertakes by taking out credit insurance on all customers for which it is possible. Where credit insurance is not possible, other means of security is applied. Sales without security can only be approved after assessing the degree of risk for each counterparty. Such risks are monitored on a revolving basis and are subject to a yearly, or more frequent, review.

The Company's management reviews on a weekly basis ageing analysis of outstanding trade receivables and follows up on past due balances.

The Company's maximum exposure to credit risk by class of assets reflected in the carrying amounts of financial assets on the statement of financial position is as follows:

	As at 31 December 2017	As at 31 December 2016	As at 1 January 2016
Cash and cash equivalents (Note 3)	81,151	43,856	75,719
Trade and other accounts receivable (Note 5)	385,198	403,051	321,134
Total on-balance sheet exposure	**466,349**	**446,907**	**396,852**

Analysis by credit quality, based on international agencies' credit rating of bank balances is as follows:

	As at 31 December 2017	As at 31 December 2016	As at 1 January 2016
Bank balances			
AAA-BBB	81,151	43,856	75,719
BB-B	-	-	-
Unrated and cash on hand	-	-	-
	81,151	**43,856**	**75,719**

Trade receivables were overdue as indicated below with accruals of corresponding allowance after due dates:

	As at 31 December 2017	As at 31 December 2016	As at 1 January 2016
Undue, expected to be received on time	268,034	303,515	213,310
Overdue, including:	117,010	114,600	99,777
- up to 1 month	*114,134*	*87,872*	*55,010*
- from 1 to 3 months	*1,399*	*2,855*	*6,678*
- from 3 to 12 months	*285*	*281*	*3,275*
- over 12 months	*1,192*	*23,592*	*34,814*
	385,044	418,115	313,086
Allowance	0	(15,446)	(952)
Net of allowance	**385,044**	**402,669**	**312,134**

As at 31 December 2017, 2016 and 1 January 2016 trade receivables of DKK 117,010 thousand, DKK 99,154 thousand and DKK 98,825 thousand were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

(thousands of DKK)

20 Risks and uncertainties (continued)

(d) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company is exposed to daily calls on its available cash resources.

The Company monitors its risk to a shortage of funds using a regular cash flow forecast. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, intercompany loans and finance leases. To provide for sufficient cash balances required for settlement of its obligations in time the Company uses detailed budgeting and cash flow forecasting instruments.

The Company has procedures with the object of minimising its risk by maintaining sufficient cash and other current assets and by having available an adequate amount of committed credit facilities.

The table below analyses the Company's short-term and long-term borrowings by their remaining corresponding contractual maturity. The amounts disclosed in the maturity table are the undiscounted cash outflows.

	As at 31 December 2017	As at 31 December 2016	As at 1 January 2016
Less than 1 year	95,864	98,966	96,964
From 1 to 2 years	375,862	728,477	712,517
From 2 to 5 years	446,658	530,867	536,484
Over 5 years	-	-	-
Total borrowings	**918,384**	**1,358,310**	**1,345,965**

As at 31 December 2017, 2016 and 1 January 2016 the Company does not have significant trade and other accounts payable with maturity over one year and its carrying amount approximates its fair value.

(e) Insurance

To minimize risks the Company concludes insurance policies which cover: property damages and business interruptions, freightage, vehicles and commercial trade credits. In respect of legislation requirements, the Company purchases compulsory motor third party liability insurance as well as accident insurance for employees of the Company. The Company also buys civil liability insurance, product liability insurance, voluntary health insurance and travel insurance.

The company provide health insurance for all employees, who is secured access to examination and treatment in private clinics for a broad range of sicknesses. Likewise the agreement with Falck Healthcare, which gives the employees access to treatment by chiropractor, physiotherapist, masseur and zone therapist has been maintained. It is still the company's opinion that both these agreements contribute to decrease the absence due to illness.

21 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.

21 Related party transactions (continued)

(a) Sales to and purchases from related parties

	For the year ended 31 December 2017	For the year ended 31 December 2016
Sales		
NLMK Plate Baltic (subsidiary)	26,864	30,184
NLMK group companies	75,125	84,524
NBH group companies	9,529	3,396
Purchases		
Novex Trading S.A.	1,844,983	1,304,896
Other NLMK group companies	247	4,558
NBH group companies	44,654	5,148

NLMK DanSteel A/S has in 2016 and 2017 purchased its slabs from companies in the NLMK Group, hereof the majority by Novex Trading SA.

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

	As at 31 December 2017	As at 31 December 2016	As at 1 January 2016
Accounts receivable			
NLMK Plate Baltic (subsidiary)	9,887	10,262	17,865
NLMK group companies	18,446	36,213	9,862
NBH group companies	1,978	3,061	3,667
Accounts payable			
Novex Trading S.A.	675,632	455,181	320,826
Other NLMK group companies	227	27	-
NBH group companies	1,740	1,277	5,366

(c) Financial transactions

	As at 31 December 2017	As at 31 December 2016	As at 1 January 2016
Loans due to LLC NLMK Overseas Holding (Note 9)	208,440	561,282	544,704
Interest due to LLC NLMK Overseas Holding	10,331	13,183	10,923
Interest expense to LLC NLMK Overseas Holding for the year	13,096	14,853	-

The interest is fixed on market conditions.

(d) Contributions to non-governmental pension fund

Total contributions to a non-governmental pension fund in 2017 and 2016 amounted to 14,738 kDKK and 13,516 kDKK, respectively. The Company has no long-term commitments to provide funding, guarantees or other support to the abovementioned funds.

22 Commitments and contingencies

(a) Litigation

The Company, in the ordinary course of business, is not the subject of, or party to, any pending or threatened legal actions.

(b) Capital commitments

Management estimates the outstanding agreements in connection with equipment supply and construction works amounted to DKK 214,766 thousand and DKK 34,818 thousand as at 31 December 2017 and 2016, respectively.

(c) Tax contingencies

The Danish transfer pricing legislation is generally aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD). This legislation provides the possibility for tax authorities to impose additional tax liabilities in respect of controlled transactions, provided, that the transaction price is deemed not to be at arm’s length.

(d) Major terms of loan agreements

The Company is in compliance with all debt covenants as at each reporting date. The covenants establishes limits for DanSteels rights with relation to establishing negative pledges, disposal of assets, mergers and acquisitions, change of shareholders as well as rules relating to insolvency proceedings, creditor processes and ligitations etc. for NLMK DanSteel.

23 Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies is consistently applied by the Company from one reporting period to another.

(a) Basis of consolidation

As permitted under IFRS 10, no consolidation of the Company and its subsidiary has been performed, since the financial statements of the Company and its subsidiary are incorporated in the consolidated financial statements of the ultimate holding company, PAO Novolipetsk Steel, Lipetsk, Russian Federation.

(b) Cash and cash equivalents

Cash and cash equivalents include cash balances in hand, cash on current accounts with banks, bank deposits and other short-term highly liquid investments with original maturities of three months or less.

(c) Value added tax (VAT)

Output value added tax arising upon the sale of goods is payable to the tax authorities in the month following the month of invoicing to customers. VAT is excluded from revenue.

Input VAT on goods and services purchased (received) is generally recoverable against output VAT in the month following the month of receipt of the VAT invoice.

Where provision has been made for impairment of receivables, an impairment loss is recorded for the net amount of the debt, excluding VAT.

(d) Inventories

Inventories are recorded at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

23 Significant accounting policies (continued)

Inventories include raw materials designated for use in the production process, finished goods and work in progress. Spare parts, consumables and other auxiliary materials are already included in raw materials.

Release to production or any other write-down of inventories is carried at the weighted average cost.

The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads based on normal operating capacity.

Other costs are included in the cost of inventories only to the extent they were incurred to provide for the current location and condition of inventories.

When inventories are sold, the carrying amount of those inventories shall be recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories, including obsolete inventories written down, shall be recognised as an expense in the period in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, shall be recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(e) Property, plant and equipment (PP&E)

Measurement at recognition

Property, plant and equipment are initially stated at historical cost. The PP&E cost includes:

- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Company's management;
- the initial estimate of the cost of subsequent dismantling and removal of a fixed asset, and restoring the site on which it was located, the obligation for which the Company incurs either when the item is acquired or as a consequence of having used the item during a specific period for purposes other than to produce inventories during that period.

The value of property, plant and equipment built using the Company's own resources includes the cost of materials and labour, and the relevant portion of production overhead costs directly attributable to the construction of the PP&E.

Borrowing costs directly attributable to the acquisition, construction or production of an asset which takes a substantial period of time to prepare for use or sale are included in the cost of this asset.

Recognition of costs in the carrying amount of a property, plant and equipment item ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management of the Company.

Subsequent measurement

Property, plant and equipment items are carried at cost less accumulated depreciation and recognised impairment losses.

Subsequent expenditures

The costs of minor repairs and maintenance are expensed when incurred. The costs of regular replacement of large components of property, plant and equipment items are recognised in the carrying amount of the relevant asset when incurred subject to recognition criteria. The carrying amount of the parts being replaced is de-recognised.

23 Significant accounting policies (continued)

When a large-scale technical inspection is conducted, related costs are recognised in the carrying amount of a fixed asset as replacement of previous technical inspection subject to recognition criteria. Any costs related to the previous technical inspection that remain in the carrying value shall be de-recognised.

Other subsequent expenditures are capitalised only when they increase the future economic benefits embodied in these assets.

All other expenses are treated as costs in the financial statement of profit or loss in the reporting period as incurred.

Property, plant and equipment line of the statement of financial position also includes capital construction and machinery, and equipment to be installed.

If PP&E items include major units with different useful lives, then each individual unit of the related asset is accounted for separately.

Borrowing costs

Borrowing costs are capitalised from the date of capitalisation and up to the date when the assets are substantially ready for utilisation or sale.

The commencement date for capitalisation is when the Company (a) incurs expenditures for the qualifying asset; (b) incurs borrowing costs; and (c) undertakes activities that are necessary to prepare the asset for its intended use or sale.

When funds borrowed for common purposes are used to purchase an asset, capitalised borrowing costs are determined through multiplying the capitalisation rate by expenses related to the asset.

Interest payments capitalised under IAS 23 are classified in statement of cash flows in a manner that is consistent with the classification of the underlying asset on which the interest is capitalised.

All other borrowing costs are attributed to expenses in the reporting period when incurred and recorded in the financial statement of profit or loss in the “Finance costs” line.

Depreciation

Depreciation is charged on a straight-line basis over the estimated remaining useful lives of the individual assets through an even write-down of historical cost to their net book value. Property, plant and equipment items under finance leases and subsequent capitalised expenses are depreciated on a straight-line basis over the estimated remaining useful lives of the individual assets. Depreciation commences from the time an asset is available for use, i.e. when the location and condition provide for its operation in line with the Company management’s intentions.

Depreciation is not charged on assets to be disposed of and on land. In some cases, the land itself may have a limited useful life, in which case it is depreciated in a manner that reflects the consumption of benefits to be derived from it.

The range of estimated useful lives of different asset categories is as follows:

Buildings and land and buildings improvements	25 years
Machinery and equipment	5 – 30 years
Vehicles	5 years

The residual value of an asset is the estimated amount that the Company would currently obtain from disposal of the asset less the estimated costs of disposal if the asset was already of the age and in the condition expected at the end of its useful life. The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Residual value of all asset categories are nil as at 31 December 2017.

23 Significant accounting policies (continued)

If the cost of land includes the costs of site dismantlement, removal of PP&E items and restoration expenses, that portion of the land asset is depreciated over the period of consumption of benefits obtained by incurring those costs.

Impairment of PP&E is outlined in section (g) "Impairment of non-current assets".

(f) Leasing

Leasing transactions are classified according to the relevant lease agreements, which specify the risks and rewards associated with the leased property and distributed between the lessor and lessee. Lease agreements are classified as financial leases or operating leases.

In a financial lease, the Company receives the major portion of economic benefits and risks associated with the ownership of the asset. At the commencement of the lease term, the leased asset is recognised in the statement of

financial position at the lower of fair value or discounted value of future minimum lease payments. The corresponding rental obligations are included in borrowings. Interest expenses within lease payments are charged to profit or loss over the lease term using the effective interest method.

Accounting policies for depreciation of leased assets are consistent with the accounting policies applicable to owned depreciable assets.

A lease is classified as an operating lease if it does not imply transferring the major portion of risks and rewards associated with the ownership of the asset. Payments made under operating leases are recorded as an expense on a straight-line basis over the lease term.

(g) Impairment of non-current assets

At each reporting date, the Company determines if there are any objective indications of potential impairment of an individual asset or group of assets.

Intangible assets with indefinite useful lives are tested for impairment at least once a year if their carrying amount impairment indicators are identified.

Recoverable value measurement

If any such impairment indicators exist, then the asset's recoverable amount is estimated. In the event of impairment, the value of the asset is written down to its recoverable value, which represents the higher of: the fair value less costs to sell or the value in use.

Fair value less costs to sell is the amount obtainable from the sale of an asset or payable on the transfer of a liability at the evaluation date, in an arm's length transaction between knowledgeable, willing parties, less any direct costs related to the sale or transfer.

Value in use is the present value of estimated future cash flows from expected continuous use of an asset and its disposal at the end of its useful life.

In assessing value-in-use, the anticipated future cash proceeds are discounted to their current 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 the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows, cash-generating units, which in most cases are determined as individual subsidiaries of the Company. Estimated cash flows are adjusted in line with the risk of specific conditions at sites and discounted at the rate based on the weighted average cost of capital. With regard to assets that do not generate cash regardless of cash flows generated by other assets, the recoverable amounts are based on the cash-generating unit to which such assets relate.

23 Significant accounting policies (continued)

Impairment loss

The asset's carrying amount is written down to its estimated recoverable value, and loss is included in the financial statement of profit or loss for the period. Impairment loss is reversed if there are indications that the assets' impairment losses other than goodwill recognised in previous periods no longer exist or have been reduced, and if any consequent increase in the recoverable value can be objectively linked to the event that took place after the impairment loss recognition. Impairment loss is reversed only to the extent that the carrying amount of an asset does not exceed its carrying amount that would be established less amortisation, if the asset impairment loss had not been recognised. An impairment loss is reversed for the relevant asset immediately through financial statement of profit or loss.

(h) Pension and post-retirement benefits other than pensions

The Company maintain defined contribution plans in accordance with which contributions are made on a monthly basis to a non-government pension fund, calculated as a certain fixed percentage of the employees' salaries. These pension contributions are accumulated in the Fund during the employment period and subsequently distributed by the Fund. Accordingly, the Company has no long-term commitments to provide funding, guarantees, or other support to the Fund.

The Company complies with the pension and social insurance legislation of Denmark. Contributions to the Pension Fund by the employer are calculated as a percentage of current gross salaries. Such contributions constitute defined contribution plans.

Payments under defined contribution plans are expensed as incurred.

(i) Provisions for liabilities and charges

Provisions for liabilities and charges are accrued when the Company:

- has present obligations (legal or constructive) as a result of past events;
- it is probable that an outflow of resources embodying economic benefits will be required to settle such an obligation;
- an reliable estimate of the amount of the obligation can be made.

The amount recognised as a provision shall be the best estimate of the expenses required to settle the present obligation at the end of the reporting period. Where the impact of the time factor on the value of money is significant, the provision should equal the present value of the expected cost of settling the liability using the discount rate before taxes. Any increase in the carrying amount of the provision is recorded in statement of profit or loss as finance costs.

The nature and estimated value of contingent liabilities and assets (including court proceedings, environmental costs, etc.) are disclosed in notes to the financial statements where the probability of economic benefits outflow is insignificant.

The creation and release of provision for impaired receivables have been included in selling expenses in statement of profit or loss. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

(j) Income taxes

Income tax expense comprises current and deferred tax. The current and deferred taxes are recognised in profit or loss for the period, except for the portion thereof that arises from a business combination or transactions or events that are recognised directly within equity.

23 Significant accounting policies (continued)

Current tax

Current tax liabilities are measured in the amount expected to be paid to the tax authorities, applying the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax assets and liabilities are recognised for the differences between the carrying amount of an asset or liability in the statement of financial position and their tax base.

Deferred tax is not recognised if temporary differences:

- arise at the goodwill initial recognition;
- arise at the initial recognition (except for business combination) of assets and liabilities that do not impact taxable or accounting profits;
- are associated with investments in subsidiaries where the Company controls the timing of the reversal of these temporary differences, and it is probable that the temporary differences will not be utilised in the foreseeable future.

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 end of the reporting period.

Estimation of tax assets and liabilities reflects tax implications that would arise depending on the method to be used at the end of the reporting period to recover or settle carrying value of these assets or liabilities.

Deferred tax assets are recognised in respect of the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits may be utilised.

The carrying amount of deferred tax assets is subject to revision at the end of each reporting period and is decreased to the extent of reduced probability of receiving sufficient taxable income to benefit from utilising the deferred tax assets partially or in full.

Deferred tax assets and liabilities are offset if there is a legal right for the offset of current tax assets and liabilities, and when they relate to income taxes levied by the same tax authority and the Company intends to either settle on a net basis or to realise the asset and settle the liability simultaneously.

(k) Dividends payable

Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved. Any dividends declared after the reporting date and before the financial statements have been authorised for issue are disclosed in the subsequent events note.

(l) Revenue recognition

Revenue from sales of goods

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Company's activities. The Company recognises revenue when the amount can be reliably measured, it is probable that future economic benefits will flow to the Company.

Revenue is recorded less of discounts, provisions, value added tax and export duties, and refunds, and after excluding internal Company sales turnover.

23 Significant accounting policies (continued)

Revenues from sales of goods are recognised at the point of transfer of risks and rewards of ownership of the goods, normally when the goods are shipped. If the Company agrees to transport goods to a specified location, revenue is recognised, when the goods are passed to the customer at the destination point. Revenue from services is recognised in the period in which the services were rendered, by reference to the stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be rendered under the relevant agreement.

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend income

Dividend income on investments is recognised when the Company becomes entitled to receive the payment.

(m) Financial instruments

Financial assets

The Company's financial assets include cash and short-term deposits, trade and other accounts receivable, loans and other amounts receivable, quoted and non-quoted financial instruments and derivatives.

Financial assets have the following categories:

- loans and receivables;

Loans and receivables

Loans and receivables represent non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to the initial recognition, such financial assets are measured at amortised cost using the effective interest method less any impairment losses.

Valuation techniques

Depending on their classification, financial instruments are carried at fair value or amortised cost. Below are the methods and key definitions.

Fair value is the price that would be received from selling an asset or paid when transferring a liability in an orderly transaction between market participants as at the valuation date. The best evidence of fair value is the price quoted in an active market.

The fair value of financial instruments traded in active markets at each reporting date is determined based on the market quotes or dealers' quotes (buy quotes for long positions and sell quotes for short positions) without deducting transaction costs.

Valuation techniques, such as discounted cash flow models, or models based on recent arm's length transactions or consideration of financial data of the investees, are used to measure the fair value of financial instruments for which external market pricing information is unavailable.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred, if the transaction had not taken place.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus or minus the cumulative amortisation of any difference between that initial amount and the maturity amount, calculated using the effective interest method, and for financial assets less any impairment loss.

23 Significant accounting policies (continued)

The effective interest method is a method of allocating interest income or interest expense over the relevant period, in order to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument.

Initial recognition of financial assets

Financial investments available for sale and financial assets at fair value through profit or loss are initially recorded at fair value. All other financial assets are initially recorded at fair value plus transaction costs.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention (“regular way” purchases and sales) are recorded at the trade date, which is the date when the Company commits to buy or sell a financial asset.

De-recognition

The Company de-recognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Company has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets, or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control in respect of these assets.

Control of an asset is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale. If the Company neither transfers nor retains substantially all risks and rewards of ownership of the asset, but retains control over such transferred asset, the Company continues recognition of its share in this asset and the related obligation in the amount of the anticipated consideration.

Impairment of financial assets

At each reporting date, the Company assesses whether the objective indicators exist that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets are considered to be impaired only when there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that have had an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor or group of debtors are experiencing significant financial difficulty, cannot service their debt or are demonstrating delinquency in interest or principal payments; or they are likely to undergo bankruptcy procedures or any other financial reorganisation. In addition, such evidence includes observable data testifying to an identifiable decline in estimated future cash flows under a financial instrument, in particular, negative changes in a counterparty’s payment status caused by changes in the national or local business environment that impact the counterparty, or a significant impairment of collateral, if any, as a result of deteriorated market conditions.

Impairment of financial assets carried at amortised cost

The carrying amount of an asset is reduced by the amount of the allowance for impairment of financial assets. Losses from impairment of financial assets carried at amortised cost are carried through profit or loss as they arise.

Accrual of interest income on the reduced carrying value is continued based on the interest rate applied to discounting the future cash flows for impairment loss assessment.

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the counterparty, impairment is measured using the original effective interest rate before the modification of terms. The renegotiated asset is then de-recognised and a new asset is recognised at its fair value only if the risks and rewards of the asset substantially changed. This is normally evidenced by a substantial difference between the present values of the original cash flows and the new expected cash flows.

23 Significant accounting policies (continued)

Financial liabilities

The Company's financial liabilities include trade and other payables, bank overdrafts, borrowings, financial guarantee agreements and derivative financial instruments.

Financial liabilities are respectively classified as:

- borrowings and loans.

Borrowings

After initial recognition, interest-bearing borrowings are carried at amortised cost using the effective interest method. Gains and losses on such financial liabilities are recognised in financial statements of profit or loss upon their de-recognition and also as amortisation accrued using the effective interest method.

Initial recognition of financial liabilities

All financial liabilities are initially recorded at fair value less transaction costs incurred except for financial liabilities at fair value through the financial statements of profit or loss.

De-recognition

A financial liability is de-recognised from the financial statement of financial position if it was settled, cancelled or expired.

If the existing financial liability is replaced by another liability to the same creditor, on terms that significantly differ from the previous terms, or the terms of the existing liability significantly differ from the previous terms, such replacement or change is recorded as de-recognition of the initial liability and recognition of a new liability, and the difference in their carrying amount is recognised in the financial statement of profit or loss.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

(n) Related parties

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence over the other party in making financial and operational decisions or exercise a joint control over it. In considering each possible related-party relationship, attention is directed to the substance of the relationship, not merely the legal form.

24 Critical accounting estimates and judgements

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities as well as disclosures. Management also makes certain judgements, in the process of applying the Company's accounting policies. Estimates and judgements are continually evaluated based on historical experience and other factors, including forecasts and expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates, and management's estimates can be revised in the future, either negatively or positively, based on the facts surrounding each estimate.

Judgments that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year are reported below.

24 Critical accounting estimates and judgements (continued)

(a) Tax legislation and potential tax gains and losses

The Company's potential tax gains and losses are reassessed by management at every reporting date. Liabilities which are recorded for income tax positions are determined by management based on the interpretation of current tax laws. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle tax liabilities at the reporting date.

(b) Estimation of remaining useful lives of property, plant and equipment

The estimation of the useful life of an item of property, plant and equipment is a matter of management judgement based upon experience with similar assets. In determining the useful life of an asset, management considers the expected usage based on production volumes, inventories, technical obsolescence rates, physical wear and tear and the physical environment in which the asset is operated. Changes in any of these conditions or estimates may affect future useful lives (Note 7).

(c) Impairment analysis of property, plant and equipment

The estimation of forecasted cash flows for the purposes of impairment testing involves the application of a number of significant judgements and estimates to certain variables including volumes of production and extraction, prices on finished goods, operating costs, capital investment, and macroeconomic factors such as inflation and discount rates. In addition, judgement is applied in determining the cash-generating units assessed for impairment (Notes 7).

Accounting for provisions

Accounting for impairment includes provisions against capital construction projects, financial assets and other non-current assets at least annually.

(d) Accrual of accounts receivable impairment provision

The impairment provision for accounts receivable is based on the management's assessment of the collectability and recoverable amount of specific customer accounts, being the present value of expected cash flows. If there is deterioration in a major customer's creditworthiness or actual defaults are higher or lower than estimates, the actual results could differ from these estimates.

(e) Critical judgements in applying the Company's accounting policies

There were no critical judgments in applying the Company's accounting policies during the year.

25 New or revised standards and interpretations

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2018 or later, and which the Company has not adopted earlier:

- IFRS 15 Revenue from contracts with customer
- IFRS 9 Financial instruments

These new standards are not expected to affect the result and equity in future financial statements.

26 First-Time Adoption of IFRS

These financial statements for the year ended 31 December 2017 represent the Company's first IFRS financial statements. The date of transition to IFRS was 1 January 2016.

The accounting policies summarised in Note 22 were consistently used in the preparation of the financial statements for the year ended 31 December 2017, related comparatives and the opening balance sheet at the date of transition.

(thousands of DKK)

26 First-Time Adoption of IFRS (continued)

The Company applied IFRS 1 “First-Time Adoption of International Financial Reporting Standards”. IFRS 1 requires retrospective application of all IFRS in effect at 31 December 2017, and establishes mandatory exceptions and voluntary exemptions from retrospective application.

The Company applied the following mandatory exceptions:

Accounting estimates

Accounting estimates used to prepare IFRS financial statements at the IFRS transition date are consistent with estimates made at the same dates under the Danish Financial Statements Act after adjustments for differences in accounting policies, unless there is objective evidence that those estimates were in error.

De-recognition of financial assets and financial liabilities

Financial assets and liabilities de-recognised before the transition to IFRS are not re-recognised under IFRS. Management chose not to apply the IAS 39 “Financial Instruments: Recognition and Measurement” de-recognition criteria from an earlier date.

The Company used the following voluntary exemptions:

Borrowing costs

The Company adopted IAS 23 “Borrowing Costs” prospectively from its IFRS transition date. The Company did not restate the borrowing costs component that was capitalised under the Danish Financial Statements Act and included in the carrying amount of assets.

Deemed cost of property, plant and equipment

At 1 January 2016 the deemed cost of all PP&E items was the cost by the rest of IFRS 1. The effect of this approach is, that the carrying amount of these assets has not been changed compared to the carrying amounts accounted in accordance with requirements of the Danish Financial Statements Act on the date of the Company’s transition to IFRS as of 1 January 2016.

Reconciliation of shareholder’s equity as at 1 January 2016 and 31 December 2017 with previously reported under the Danish Financial Statements Act.

	As at 31 December 2017	As at 1 January 2016
Equity under the provisions of Danish Financial Statements Act	**424,615**	**267,178**
Effects of changes in accounting policies:		
Property, plant and equipment: impairment and other adjustments	-	-
Deferred tax asset: adjustments due to PPE impairment and other adjustments	-	-
Inventory: adjustments due to PPE other adjustments	-	-
Investment in subsidiary	-	-
Other adjustments	-	-
IFRS equity	**424,615**	**267,178**

(thousands of DKK)

26 First-Time Adoption of IFRS (continued)

Reconciliation of comprehensive loss for the year ended 31 December 2017 with previously reported under provisions of the Danish Financial Statements Act.

	For the year ended 31 December 2017
Comprehensive loss under the provisions of Danish Financial Statements Act	**424,615**
Cumulative translation adjustment	-
IFRS comprehensive loss	**424,615**

Adjustments

The Company's operating, investing and financing cash flows reported under the provisions of Danish Financial Statements Act did not significantly differ from IFRS.

27 Subsequent events

The Company's management has performed an evaluation of subsequent events and did not find any through the period from 1 January 2018 to 30 May 2018, which is the date when these financial statements are approved by management.