

NLMK DANSTEEL A/S

FINANCIAL STATEMENTS

**PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL
REPORTING STANDARDS**

**AS AT AND FOR THE YEAR ENDED
31 DECEMBER 2020**

WITH INDEPENDENT AUDITOR'S REPORT THEREON

**The Financial Statement has been presented to and adopted
by the Company's Annual General Meeting
on 30 / 6 2021**

Chairman of the Meeting

Alexei Fomenko

CVR NO. 10092922

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Statement by Board of Directors and Board of Executives

The Board of Directors and Board of Executives have today presented the annual report for 2020 of NLMK DanSteel A/S.

The annual report is presented in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union 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 financial position, financial performance 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 June 2021

Board of Executives:

Igor Sarkits

Board of Directors:

Barend Jacobus De Vos
Chairman

Peter Georg Selbach

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 result from primary operations in the financial year was DKK (-138,6) mln., which is significantly lower than the expectation presented in the Annual Report for 2019. The main reason is a continued increase in the slabs price in 2020 which was not recovered by plates prices due to weak demand as a result of COVID-19. The other reason is decline in overall market demand which has led to decline in sales volumes by 15%. In order to respond to sales decline the company has declined the amount of production activity by 12.5% since April 2020 via switch to 3 shifts production since April 2020 and 3.5 shifts since August 2020. Extraordinary cost saving programme has been started, which allowed to generate 3 MEUR in savings. These events have led to lower average contribution margin than was initially expected for 2020. The number of customer industries significantly restricted their activities due to COVID-19 especially shipbuilding sector. The fixed cost reduction program was launched in 2Q 2020 in order to mitigate adverse impact to profit in 2Q 2020 and to support liquidity in this period. The company applied for government compensations for workers who is staying at home following self-isolation measures recommended by Danish authorities. The administrative personnel was transferred to distance work mode.

The company has continued in 2020 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 previous years.

NLMK DanSteel has continued to develop profitability 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 maintained in 2020 a competitive advantage from the ability to offer short delivery times. The high share of orders with short delivery time has furthermore helped to reduce the price risk in a volatile market. This focus allowed to keep incoming orders on higher level than for competitors and to maintain price levels.

In 2020 NLMK DanSteel has maintained a product mix with a high share of special steel grades, such as boiler & PV, special steel for offshore application and a strong footprint in thicker gages. These products are generally characterised by a high price level, but also a higher cost of production.

In 2020 the company has maintained its strong focus on the Onshore wind segment and was working on development of Offshore wind foundation segment, where the demand is for thick and heavy plates, which fits well into the product mix. The sales volume for Onshore wind segment was stable in 2020 and is expected to be maintained at the same level in 2021. For Offshore wind, the company has met expectations despite the epidemic situation reaching the growth of 20% in Wind Foundation segment.

In 2020 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, including the European Union's TEN-T development plan for the European member states. It is the company's expectation that activity in this segment will remain at a high level.

The Oil and Gas sector remains volatile, but the company's sales into the segment is on a low but stable level. The current investment programme at NLMK DanSteel provided the company with the opportunity to supply higher steel grades into the Oil & Gas segment.

In 2020 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 the focus in 2020 has been on offering add-on services such as Just

In Time-deliveries, Fast Track-production, and offering of shaped plates via the In-House Steel Service Center. This has increased the importance of planning alongside the entire supply chain, but has also implied that price is no longer the only important parameter in the competition, where service and logistics is becoming equally important. This focus will be continued in 2021.

The aggregate primary operating result is considered unsatisfactory mainly impacted by market price for semiproducts and plates.

Investments have been increased in 2020 in accordance with the strategy for NLMK DanSteel. 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 main investment activities for 2020 has been installation milling machine to service center and preparatory works for new furnace construction. The total investments in 2020 amount to DKK 220.206 thousand.

It has been decided not to pay dividend for 2020.

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 2021 expected to increase substantially compared to the level of 2020 due to growing demand for slabs in adjacent industries. Furthermore it is expected that the slabs price will continue to fluctuate due to a number of different factors, which makes it difficult to foresee the development in medium and long term. On top since the slabs price on the world market is determined in US Dollar, fluctuations in the USD-rate will affect the slabs price. Import of plates from especially Ukraine, South Korea and India is expected to continue in 2021, affecting the entire European market in spite of the significant excess capacity at the European steel works. The import of plates to EC decreased in 2020, mainly due to, 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 lack of demand will cause high pressure on price from 2020 to continue unchanged into 2021. 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. NLMK Dansteel has already been involved and even fixed some deals in wind offshore segment with plates delivery in 2021 and 2022.

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 working capital. This has significantly increased the company's sensitivity towards increases in the market rate of interest.

Environmental, energy and safety situation

The Company was approved to start production in Denmark under the name *DanSteel A/S* in 2002 according to the environmental permit for *Det Danske Stålvalseværk A/S*. The permit was renewed by Frederiksborg Amt in November 2006, and in December 2019, the Danish EPA / Miljøstyrelsen issued an updated permit. The new permit will be reviewed by Miljøstyrelsen next time, when the EU-commission publishes BAT conclusions in relation to hot steel rolling.

In consequence of customer requirements, since 2018 NLMK DanSteel A/S holds an Environmental Product Declaration on the basis of EN 15804 and ISO 14025.

During 2020, the main focus from the authorities was on control of cooling water discharge, noise control and discharges from oil separators to the municipal sewer system.

Measurements of exhaust emissions from furnaces are carried out every second year according to the measurement program required by Miljøstyrelsen. Control measurements are performed if emissions show exceedances of the required concentration limits. Measurements were performed in 2018 presenting perfect compliance with requirements. A new series of measurements covering all furnaces and dust filters were initiated and completed in December 2020. The measurements performed were fully compliant with the requirements.

Cooling water emissions are sampled continuously and analyzed once a month. No exceedances of required maximum levels were detected. Results of analysis are forwarded every month to Miljøstyrelsen for information.

During 2020, a third of all identified sources of noise were measured. Major sources of noise were pointed out for reduction of emitted noise levels, as measurements showed one case of exceedance of the required limits at the facility's border. Measures were taken immediately to reduce noise. Several complaints of high noise levels were received from neighbors during the year, and efforts were made to identify the sources. NLMK DanSteel is in a continuous dialogue with the neighbors to identify the individual noise sources and reduce any noise nuisances.

In December 2020, NLMK DanSteel received a wastewater permit from Halsnæs Municipality. The permit addresses storm water and water from washing vehicles et al. discharging to the municipal sewer system. Sampling from defined points on the internal sewer system had been conducted in 2020 as required in the permit. During 2020, NLMK DanSteel purchased its own sludge extractor and initiated a thorough mapping and description of oil separators to review the existing procedure for maintenance of the separators.

The company aims at the highest possible recycling of all waste products including rolling sludge, filter dust, mill scales, refractories, waste oil and other industrial waste as well as paper, cardboard, metal scrap, plastics etc. The aggregated recycling percentage for all materials is 99% of which the mill scale comprises the major part. It is still a goal to reduce especially the volume of mixed incinerable waste and transfer this waste to recycling. A challenge in this respect is the many external contractors not familiar with the local directives for waste sorting. All waste containers are provided with large signs explaining what to put into the container and what not. The next challenge is to persuade the employees to read the signs.

The IT-system for management of chemical substances and materials implemented in 2015 has been constantly updated since then. The system facilitates overview of the company's chemicals, preparing site-usage instructions and identifying substances, which should be replaced with more environmentally and health friendly ones. In 2020 the system was converted to another system which may take a while to exploit to its full capacity.

Behind continuous reduction in specific energy consumption lie systematic efforts to save energy and increase efficiency. During the last six years, the specific energy consumption has been reduced by 16,4%, which has mainly been achieved through a reduction in specific consumption of natural gas. This reduced the company's CO₂-emission per produced ton plate by 5,6% in 2018 followed by increase of 2,0% in 2019 due to change in production mix and further increase in 2020 by 0,7% due to decrease in production.

An Agreement for electricity-intensive companies on reduction of the PSO-tax signed by The DEA (Energistyrelsen) and NLMK DanSteel in June 2019, expired 31 December 2020. The Agreement entitled NLMK DanSteel to a partial compensation of the PSO-tax on electricity on condition that the company fulfils its obligations on energy improvements. Therefore, an additional audit was carried out in November 2020 following the DEA's supplementary requirements that went beyond the energy management standard DS/EN ISO 50001:2015. Based on reported material from NLMK DanSteel in the form of an audit report, including technical expert report, the DEA acknowledged that the obligations in the Agreement of 02-05-2019 between NLMK DanSteel and the DEA have been complied with until the latest audit date on 05-11-2020.

Further to the achieved reductions in the energy consumption by the year 2019, the Agreement required continued reductions of the specific consumption, which after many years' efficiency improvements called for exceptional efforts in defining and finding new energy saving possibilities. These requirements concurred with those of the DS/EN ISO 50001:2015 standard and were in accord with the government's and NLMK DanSteel's intents and policy. The company will continue striving to achieve this through on-going optimization of the production, increased capacity utilization and improved management of the production processes.

Five LTIs (Lost Time Incidents) were recorded in 2020. The calculated LTIFR 2019 (Lost Time Frequency Rate), which has been changed to include subcontractors, has increased from 1.21 in 2019 to 6.09 in 2020. This performance gap, which is a disappointment and at the same time a strong incentive for improvement, does not affect the overall positive trend in the results of the last several years. This tendency and the comparison with the LTIFR level in the iron and metal industry of 42.2 in 2018 and 33.3 in 2019 (report 2020 is not yet available) shows that the right strategy in risk management together with the support from the Company and the NLMK Group management leads to desired positive results. This is a trend that the company expects to maintain after setting "Zero accident" as its ultimate goal and following "Vision Zero" global movement strategies. Working environment is the number one priority for all departments at NLMK DanSteel.

The OHS work in 2020 was performed with a special focus on infection prevention in relation to the COVID-19 situation, accident prevention and health improvement.

Highlights of the year:

In 2020, the OHS work was strengthened with a new employee (a HSE specialist) so that the OHS function now consisted of three ETEs (full-time equivalents). This has been incredibly important, as the OHS function in 2020 had to contribute to the NPS program with a full-time employee.

In relation to the COVID-19 pandemic, NLMK DanSteel followed the recommendations of the national authorities from the beginning of the pandemic. The measures were continuously adjusted, depending on the development of the pandemic. Thus, homework has been introduced, where possible, cancellation of not strictly necessary tasks and meetings, this to reduce personal contact. Physical meetings were replaced by digital meetings. Distance requirements were introduced and alcohol has been set up in many places. The conditions in the canteen have also changed, so that the buffet has not been possible, but replaced by portion dishes and then, of course, mandatory use of bandages has been introduced.

The statutory risk assessment of the workplace (APV) has become an unusual and interesting event. It was introduced and implemented in a new form in 2019, and offers a new method and organizational structure that has proven to be effective and viable. In 2020, NLMK DanSteel's 29 departments worked at departmental level with implementation of this crucial for OHS work which has increased the level of OHS awareness and moved the culture in the right direction.

Also in 2020, there was extensive building activities that induced a sharpened focus in relation to external suppliers. In order to maintain a high level of safety, a special focus was maintained to ensure that all external suppliers, without exception, received NLMK DanSteel's compulsory safety training before starting work. In addition, significant efforts were made in relation to subsequent compliance with all rules, including safe use of personal protective equipment. OHS coordination of construction work was streamlined.

Mandatory OHS and statutory professional courses which were to be held in 2020 had to be postponed until 2021, as due to the COVID-19 pandemic it was not possible to hold physical meetings, cf. the authorities' guidelines. Digital solutions were investigated and found: for example, a digital course in hot work has been offered and is planned to be implemented in the first quarter of 2021.

Apart from the mandatory health check for employees working night shifts, the extended health check was also offered to all NLMK DanSteel employees in 2020. The health check had been interrupted and had to be stopped in the middle of the process due to the COVID-19 situation, but will be resumed and completed as soon as possible. As part of its health plan, in 2019, the company initiated cooperation with the local municipality and DGI (Association of Danish Sports Clubs) on a wide range of various initiatives aimed at improving health and well-being among employees. This was intended to supplement current activities, such as the company's running team and the company's agreements with the local gyms, which gives employees a discount on membership fees. Unfortunately, this collaboration was put on hold in 2020 due to the COVID-19 pandemic, but NLMK DanSteel's employees still participated and won a nationwide counting step competition.

The company has extended the health insurance for all employees, which ensures access to examination and treatment in private clinics for a wide range of diseases. Likewise, the agreement with Falck Healthcare, which gives employees access to treatment by a chiropractor, physiotherapist, masseur and reflexologist, has been maintained.

Financing of environmental, energy and working environment projects is included in the budget for 2021. The full commitment and support from the management of the company as well as the NLMK Group for the company's efforts ensures a continued systematic effort in all areas and the achievement of the set goals.

Received in 2018 by NLMK DanSteel certifications of the five management systems: Quality (ISO 9001:2015), Environment (ISO 14001: 2015), Occupational Health and Safety (DS/EN OHSAS 18001:2008, as well as the newest ISO 45001:2018) and upgraded to the new version of the standard (ISO 50001:2018) Energy Management System were successfully confirmed by the follow-up audit in November 2020.

The new requirements of the High Level Structure have increased the demand for inclusion of the employees in the energy savings, called for more responsible evaluation of risks and opportunities, and for a serious consideration of the stakeholders. The requirements pertain to propelling energy-efficiency decision making on all levels, which should become an integral part of the strategy of the company.

The QHSE certifications assure a high degree of attention to compliance with the legislation and continuous improvement of the production conditions. The DNV GL auditors have confirmed that NLMK DanSteel A/S complies with the ISO-requirements, and made it clear that the results of several years' efforts and dedicated systematic work are in evidence. The most valuable remarks in the conclusion of the DNV certification body's report were:

"There is a very high degree of commitment from top management in all areas, but especially on safety and product quality; Involvement of employees is assessed to be at a high level; There is a good correlation between NLMK DanSteel's strategic direction and the set work environment, environmental, energy and quality goals."

Future prospects

In 2021, a negative result on primary operations in the level of DKK 100m to 115m is expected. The main reason for this is narrowing of spread as a result of diminishing demand invoked by epidemic situation. This is intensified by a continued high import of plates to the European market. The Company's 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 its focus on the segments, where special dimensions and/or higher demands for quality and delivery performance from customers justify a higher price to be obtained for the delivered tonnage. Secondly, the company will in 2021 continue the development of processes and optimisation of production costs, which is enabled by the stronger and wider rolling stand, new ACC system, new furnace and the new downstream for "thick" plates. These two factors shall contribute to an improved profitability of the delivered tonnage. For the third, NLMK DanSteel expects in spite of lack of demand in the market to be able to maintain its high utilisation rate and as for the previous years 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 – 2023 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 equipment in this programme is an ACC equipment, which was put into operation during April 2019. This will expand the thickness range, where NLMK Dansteel can supply Thermo-Mechanically rolled plates as well as increase the productivity per hour for these qualities. These qualities are required in the Offshore windmill segment in order to supply the full range of dimensions and qualities demanded by the windmill tower manufacturers.

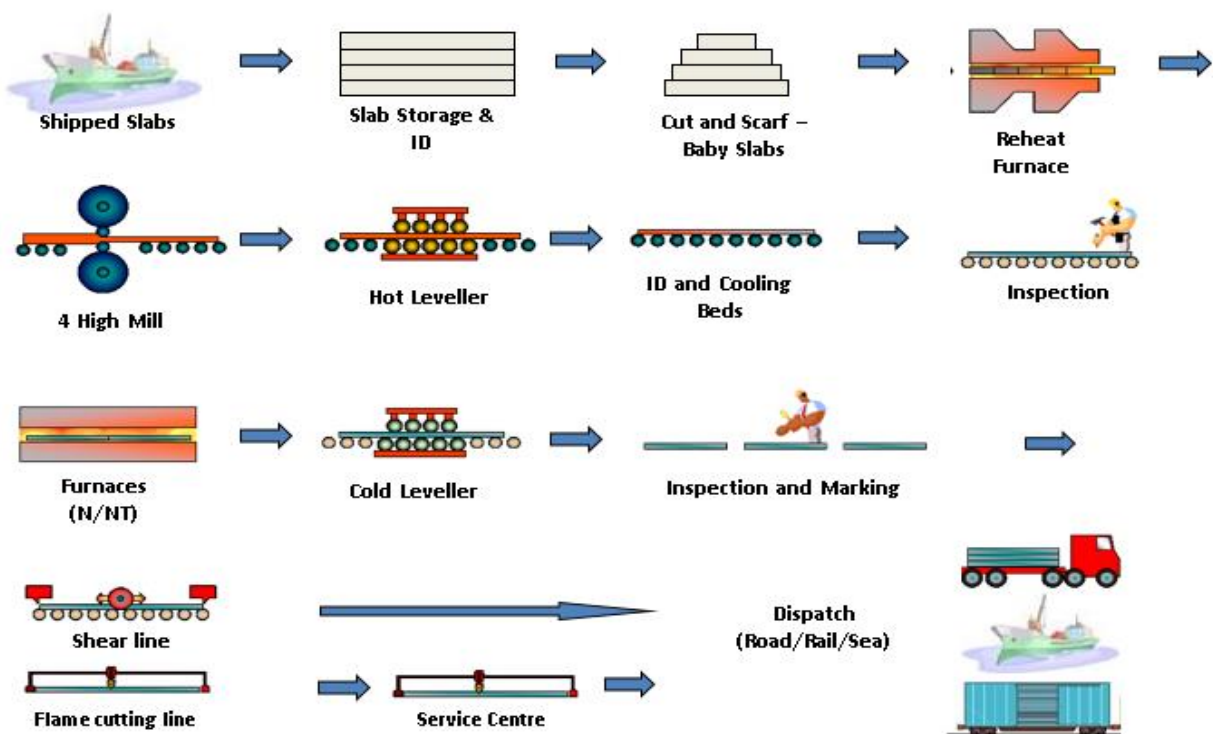
Report on Corporate Social Responsibility

NLMK DanSteel business model

NLMK DanSteel is 100% order producing plate mill, which produces steel plates in thicknesses from 5-200 mm in widths and lengths up to 4 and 32 meters respectively. The majority of the slabs (raw steel) used for the production area produced by PAO Novolipetsk Steel (NLMK) in Russia, which is the ultimate parent company in the NLMK Group. The slabs are shipped from NLMK to DanSteel via rail to Kaliningrad, where it is reloaded to ships, which are unloaded directly in NLMK DanSteels own harbour.

The plates, which are used for a wide range of applications in a number of different industries, whereof shipbuilding and Windmills are the largest, are marketed by a combined sales force, which consists of independent agents, Sales companies in the NLMK Group and DanSteels own Sales department.

The production process, which is illustrated in the figure below can shortly be described as follows:



The slabs, which can weight up to 60 tonnes are divided into babyslabs by flame cutting in order to match the dimensions of the requested motherplate. The babyslabs are heated in the reheating furnaces, which are heated by natural gas, to temperatures around 1.200°C and rolled to the motherplate in the Rolling stand applying a pressure of up to 8.000 tonnes. After rolling the plate is levelled in a Hot Plate Leveller, marked for identification and distributed to the Cooling bed before inspection and further operations. The company developed the thermomechanical and accelerated cooled plate production upon of main customer requirements. Some plates will be rolled with application of acceleration cooling equipment which is placed right after rolling stand and after send for inspection and marking before cutting. Other plates are sent for Normalisation in the Normalisation furnaces, where the plates is reheated to certain temperatures in in defined time intervals in order to obtain the requested properties of the steel. The normalized plates are then cold levelled, if necessary, and sent to inspection and marking before cutting.

The plates that are to be delivered in square formats are cut by either mechanical shears or by flame cutting depending on thickness and strength of the steel. Other plates are sent to internal or external service centres for figure cutting, bevelling etc before shipment to the end user. From all plates there are cut samples, which are tested in the internal laboratory/Quality department in order to have certificates issued. Some plates are also treated in the company’s Shotblasting and Priming facility in order to deliver shotblasted or primed to the customer.

The majority of the plates are shipped to the customers by ship but the company is also using both trucks and rail for delivery.

Risks in relation to CSR

Due to the activities of the company, NLMK DanSteel is exposed to a number of risks, which includes general risks as well as risks that are inherent in the steel industry. The Management considers efficient risk management an integrated part of the company's activities and works continuously to minimize risks and uncertainties. This includes a regular assessment of the risks in order to determine, whether these have changed or if the risk control measures in place are sufficient and relevant. The assessment of the risks is based on a combination of likelihood and impact of the issues. The assessment of the risks contributes to the base for deciding, whether policies for managing of the risks are required.

Based on the above criteria the following has been assessed as the main risks within CSR:

- High energy consumption with derived negative effect on the climate.
- High risk of serious working accidents due to production process with heavy and hot products and powerful equipment.

Implemented policies, actions and achieved results are presented throughout this report.

Use of non-financial KPI's in management reporting

The company has included the following non-financial KPI's in its monthly management reporting:

- KWh/ ton of steel produced
- NM3 natural gas/ton steel for the reheating furnaces
- Yield (tonnes of raw steel per ton plate produced)
- Occupational accidents (Lost time due to injuries and Frequency rate of accidents)

These KPI's are necessary for evaluating as well the operational efficiency as well as the fulfillment of the targets within the different policies.

Due diligence procedures regarding CSR

The company has not defined procedures in relation to CSR to be used in connection with acquisitions and take overs of other companies. The reason for this is that NLMK DanSteel is not supposed to acquire or take over other companies and in case it should be considered relevant to perform such a transactions, it will be managed by the central corporate finance department in NLMK Group.

Policies for social and labor issues

The purpose of the Personnel policy is to create a motivating and result oriented working environment in the company.

Additional training and education are offered and carried out in order to enable the employees to perform the current and future tasks. It is the responsibility of the management, that the employees has the necessary qualifications to perform their tasks effectively and with attention to quality and safety.

The employees shall on a continuous basis have their superiors evaluation of their working efforts and the possibility to debate this. The managers shall therefore as a minimum perform a yearly appraisal and development interview, where the working conditions are discussed and the plan for the employees future development is evaluated and confirmed. Management positions in the company shall as far as possible be offered to current employees to the extent, they are considered to be able to fulfill these.

The company promotes the freedom of associations and the right for collective bargaining: The Company does not limit the freedom of its employees for establishing associations to promote their interests. The company

sets remunerations in accordance with the applicable statutory provisions on remuneration, in particular those that establish the minimum wage, acceptable working hours and compensation for overtime.

Health and safety policy

The main risk to be mitigated by the Health and safety policy is the high risk of serious working accidents due to production process with heavy and hot products and powerful equipment.

The main contents of the policy are:

- Promote high standards of health and safety for all employees and involve and consult employees in improving the health and safety system.
- Integrate health and safety in business decisions and processes where appropriate.
- Minimise unsafe actions by encouraging a safety culture and safety conscious behavior.
- Motivate and train employees to participate and take responsibility for a safe and healthy working environment at all levels. This includes encouraging employees to report on accidents, hazards, risks and opportunities.

Special effort on avoiding accidents has in 2020 included safety courses for subcontractors for the very high level of construction works in connection with the investments carried out at the same time. This required a lot of coordination and cooperation between the subcontractors and internal maintenance personnel.

The effect of this increased effort is, that it with great satisfaction can be concluded that no accidents with absence were recorded in connection with the work on the investment projects.

Policies for anti-corruption and bribery

Based on the business model for NLMK DanSteel and the risk assessment of the business environment, which the company operates in, it is deemed not to be necessary to issue a local policy for anti-corruption and bribery as NLMK DanSteel complies with the anti-corruption policy for the NLMK Group. The main content of this policy is:

“NLMK Group strives to foster an honest and open relationship with its staff, partners, regulating bodies and with society as a whole. In the course of our activities, the company and its employees are guided by principles, which encourage fair competition and counter corruption. These values, which are set out in the documents published on this page, bring the NLMK team together and support the sustainable development of the Group”

“NLMK adheres to best corporate governance practices and deems any form of corruption to be unacceptable, including bribery, collusion, corrupt payments, abuse of position, facilitation payments, etc. Direct and indirect involvement of NLMK Group employees in corrupt activities is prohibited without exception.”

“NLMK Group is guided by high ethical standards and principles of business transparency. Respect for active legislation, professionalism and honesty are essential for all NLMK Group employees.”

Based on the low risk of corruption and bribery in the business model together with the content and intentions of this policy, which is communicated by all managers it has not been considered necessary to set up specific system and procedures to enforce this policy besides, what is already included in the group policy.

Policies for environment, climate and human rights

Environment and climate

The main risk to be mitigated through the energy and climate policy is the high energy consumption with the derived negative effect on the climate.

NLMK Group aims to make products that meet the requirements of its consumers whilst constantly improving its processes, ensuring safe working conditions, reducing its environmental impact, rationally using resources, and adhering to generally recognized social responsibility practices. NLMK Group believes that a safe

environment and rational use of natural resources are key to sustainable economic and social development in the long term. The Company assumes the responsibility of maintaining a favorable environment for the communities in the regions where it operates by improving the efficiency of resource use and utilizing environmentally friendly and safe production technologies.

The main content of NLMK DanSteels Energy policy is:

- NLMK DanSteel A/S will put targets to its energy consumption and will therefore make sure that sufficient information and the needed resources is available to develop and organize its production in such way, as to enhance the efficiency of energy consumption and to restrict the CO2 emission.
- NLMK DanSteel A/S will currently observe and evaluate energy consumption on the main production equipment and will strive to optimize the processes, and thereupon based on action plans, ensure that all potential energy savings are achieved in a specifically prioritized order.
- Furthermore, in order to secure an overall economic efficiency and optimal energy consumption, NLMK DanSteel A/S will include energy consumption as a consideration criterion under project engineering as well as purchase of energy consuming equipment.

The company has continued the constant calibration of furnaces as well as optimizing the electricity consumption through adjustment of the pumps and hydraulic stations and start/stop functions in connection with production stops.

This has contributed with the following developments in energy consumption and emissions per ton of plates produced:

		2018	2019	2020
Production	Tonnes	529.146	538.146	493.615
Electricity	KWh/T	108,8	115,8	113,8
Natural gas	M3/T	64,0	67,3	71,9
CO2-emmission	KG/T	151	154	160
NOx-emission / ton	KG/T	0,143	0,147	0,132

The developments were driven by new accelerated cooling equipment launch (increase in electricity) and repair conducted for pusher furnace (gas consumption).

Human rights

Based on the business model for NLMK DanSteel and the risk assessment of the business environment, which the company operates in, it is deemed not to be necessary to issue a local policy for human rights as NLMK DanSteel complies with the human rights policy for the NLMK Group. The main content of this policy is:

- NLMK Group does not tolerate any form or manifestation of human rights violations in its operations, financial or other activities, including interaction with stakeholders. Our corporate policy calls for all employees of the Group to comply with internationally recognized principles and norms, as well as international agreements of the Russian federation and other countries where NLMK Group operates, as applicable under the labour laws of any country and irrespective of its business practice.
- The Company's employees are free from any form of harassment and unlawful discrimination, irrespective of their race, colour, religion, ethnicity, gender, age, family status, or any other status protected by the legislation of the countries where the company operates.

Based on the low risk of violating human rights in the business model together with the content and intentions of this policy, which is communicated by all managers, it has not been considered necessary to set up specific system and procedures to enforce this policy besides, what is already included in the group policy.

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 have equal gender distribution among the shareholder elected board members

Politics

In order to achieve the abovementioned goal of more female Managers the company has prepared an 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 to 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 the fact that the company operates in an industry traditionally dominated by men. The principle applies to both internal and external job postings.

Key figures and ratios

(amounts in mln DKK)

	<u>For the year ended 31 December 2020</u>	<u>For the year ended 31 December 2019</u>	<u>For the year ended 31 December 2018</u>	<u>For the year ended 31 December 2017</u>	<u>For the year ended 31 December 2016</u>
Income statement					
Net revenue	2,324	2,862	2,824	2,372	1,887
Gross profit / (loss)	182	285	75	173	151
Loss on primary activities	(321)	(199)	(199)	(70)	(69)
Operating loss	(139)	(49)	(185)	(61)	(62)
Financial income and expenses, net	(11)	(8)	(17)	(30)	(29)
Loss for the year before tax	(150)	(353)	(202)	(91)	(91)
Loss for the year	(150)	(354)	(226)	(216)	(72)
EBITDA (Earnings before interest, tax, depreciation and amortisation)	(41)	47	(103)	16	11
EBIT (Earnings before interest and tax)	(132)	(345)	(185)	(61)	(62)
EBT (Earnings before tax)	(150)	(353)	(202)	(91)	(91)
Balance sheet					
Investments in tangible fixed assets	220	207	188	94	51
Balance sheet total	2,278	2,183	2,427	2,200	2,133
Equity	441	591	945	425	195
Key figures as %					
Gross margin (gross profit as % of revenue)	7.8	10.0	2.7	7.3	8.0
Profit margin (operating profit as % of net revenue)	(6.0)	(1.7)	(6.6)	(2.6)	(3.3)
Rate of return (operating profit as % of aver. balance sheet total)	(6.1)	(2.1)	(8.0)	(2.8)	(3.0)
Rate of turnover stock of raw materials (Slabs consumption compared to aver. stock of raw materials)	5.8	6.1	5.9	5.6	4.5
Rate of turnover stock of finished goods (Revenue compared to aver. stock of finished goods)	6.9	8.6	8.5	8.7	9.6
Rate of turnover receivables from sales (Revenue compared to aver. trade receivables)	6.0	7.1	8.3	6.8	6.0
Equity ratio (solvency ratio) (equity as % of assets, end of year)	19.36	27.07	38.94	19.3	9.1
Return on equity (profit after tax as % of average equity)	(34.1)	(4.6)	(33.0)	(70.0)	(31.2)
Average number of employees	427	426	411	384	368
Net revenue per employee in DKK '000	5,443	6,718	6,872	6,177	5,142

Figures for years 2020, 2019, 2018, 2017 and 2016 are in accordance with IFRS.

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 2020, and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2020 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 2020, 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 June 2021
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Jacob F Christiansen
State Authorised Public Accountant
mne18628

Carsten Blicher
State Authorised Public Accountant
mne16560

	Note	As at 31 December 2020	As at 31 December 2019
Assets			
Current assets			
Cash and cash equivalents	3	8,473	5,118
Short term financial investments	5, 21	359	32,988
Trade and other accounts receivable	6	342,081	432,944
Inventories	7	613,378	628,949
Other current assets		13,199	2,152
		977,490	1,102,151
Non-current assets			
Long-term financial investments	5, 21	31,923	-
Investments in subsidiaries accounted for using the equity method of accounting	4	17,628	13,872
Property, plant and equipment	8	1,250,427	1,067,366
Deferred income tax assets	15	-	-
		1,299,978	1,081,238
Total assets		2,277,468	2,183,389
Liabilities and equity			
Current liabilities			
Trade and other accounts payable	9	735,346	673,545
Short-term borrowings	10	511,481	638,770
		1,246,827	1,312,315
Non-current liabilities			
Long-term borrowings	10	566,882	272,535
Other accounts payable		22,789	7,219
		589,671	279,754
Total liabilities		1,836,498	1,592,069
Equity attributable to NLMK shareholders			
Common stock	11	88,155	88,155
Additional paid-in capital		1,180,476	1,180,476
Retained losses		(827,661)	(677,311)
Total equity		440,970	591,320
Total liabilities and equity		2,277,468	2,183,389

The financial statements as set out on pages 17 to 50 were approved on 30 June 2021.

	Note	For the year ended 31 December 2020	For the year ended 31 December 2019
Revenue	12	2,324,103	2,861,692
Cost of sales		<u>(2,142,317)</u>	<u>(2,576,949)</u>
Gross profit		<u>181,786</u>	<u>284,743</u>
General and administrative expenses		(135,345)	(121,878)
Selling expenses		(187,764)	(213,709)
Net impairment losses on Financial assets		(1,019)	(2,830)
Other operating income		5,641	5,928
Taxes, other than income tax	14	(1,899)	(1,664)
Gain on disposals of property, plant and equipment		<u>-</u>	<u>-</u>
Operating loss		<u>(138,600)</u>	<u>(49,410)</u>
Share in net result of subsidiary accounted for using the equity method	4	3,756	4,437
Impairment of non-current assets		-	(296,073)
Finance income		895	754
Finance costs	16	(18,742)	(14,903)
Foreign currency exchange (loss), net	17	2,604	876
Other expenses, net		<u>-</u>	<u>928</u>
Loss before income tax		<u>(150,087)</u>	<u>(353,391)</u>
Income tax (expense)	15	<u>(260)</u>	<u>(258)</u>
Loss for the year		<u><u>(150,347)</u></u>	<u><u>(353,649)</u></u>

	<u>Note</u>	<u>For the year ended 31 December 2020</u>	<u>For the year ended 31 December 2019</u>
Loss for the year		(150,347)	(353,649)
Other comprehensive income / (loss):		-	-
Items that may be reclassified subsequently to profit or loss:		-	-
Total comprehensive loss		(150,347)	(353,649)

	Note	Common stock	Additional paid-in capital	Net revaluation under the equity method	Retained earnings / (losses)	Total equity
Balance at 31 December 2018		88,155	1,180,476	9,212	(332,874)	944,969
Loss for the year		-	-	4,437	(358,086)	(353,649)
Total comprehensive loss		-	-	4,437	(358,086)	(353,649)
Additional paid-in capital	11	-	-	-	-	-
Balance at 31 December 2019		88,155	1,180,476	13,649	(690,960)	591,320
Loss for the year		-	-	3,756	(154,103)	(150,347)
Total comprehensive loss		-	-	3,756	(154,103)	(150,347)
Additional paid-in capital	11	-	-	-	-	-
Balance at 31 December 2020		88,155	1,180,476	17,405	(845,066)	440,970

	Note	For the year ended 31 December 2020	For the year ended 31 December 2019
Cash flows from operating activities			
Loss for the year		(150,347)	(353,649)
Adjustments to reconcile loss for the year to net cash provided by operating activities:			
Depreciation and amortisation	8	96,035	96,786
Gain on disposals of property, plant and equipment		-	-
Finance income		(895)	(754)
Finance costs	16	18,783	14,903
Share in net gains of subsidiaries accounted for using the equity method	4	(3,756)	(4,437)
Income tax expense	15	260	258
Impairment of non-current assets		-	296,073
Unrealised losses on foreign currency exchange		(2,604)	(876)
Change in impairment allowance for inventories and credit allowance for accounts receivable		(2,143)	(954)
Other expenses		-	-
Changes in operating assets and liabilities			
Decrease / (increase) in trade and other accounts receivable		89,797	(56,714)
(Increase) in inventories		13,950	96,753
Decrease / (Increase) in other current assets		3,572	6,484
Increase / (decrease) in trade and other accounts payable		18,802	47,217
Net cash (used in) / provided by operations		81,454	141,090
Income tax paid		(261)	(259)
Net cash (used in) / provided by operating activities		81,193	140,831
Cash flows from investing activities			
Purchases and construction of property, plant and equipment		(220,206)	(214,215)
Proceeds from sale of property, plant and equipment		-	-
Loans given		-	-
- Interest received		1450	17
Net cash used in investing activities		(218,756)	(214,198)
Cash flows from financing activities			
Proceeds from borrowings		333,340	166,048
Repayment of borrowings		(184,271)	(163,570)
Interest paid		(6,680)	(8,162)
Net cash Provided by / (used in) financing activities		142,389	(5,684)
Net increase in cash and cash equivalents		4,826	(79,051)
Effect of exchange rate changes on cash and cash equivalents		(1,471)	(509)
Cash and cash equivalents at the beginning of the year	3	5,118	84,678
Cash and cash equivalents at the end of the year	3	8,473	5,118

Supplemental disclosures of cash flow information:

Non-cash investing activities:

Conversion of debt to equity	10	-	-
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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 its 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 are 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. Financial statements of year 2017 were the first prepared in accordance with International Financial Reporting Standards (“IFRS”) under the historical cost convention except as described below. 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 kroner (“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 recognised in profit or loss.

3 Cash and cash equivalents

	As at 31 December 2020	As at 31 December 2019
Cash		
Danish kroner	664	3,765
Euros	4,474	967
Great Britain Pounds	2,416	44
US dollars	919	342
Other currencies	-	-
	8,473	5,118

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 2020 and 2019 amounted to a profit of DKK 3,756 thousand and a profit of DKK 4,437 thousand, respectively. The Company accounted for its investment in subsidiary using the equity method as allowed by IAS 27 *Separate Financial Statements*.

5 Financial investments

	As at 31 December 2020	As at 31 December 2019
Short-term financial investments		
Interests due from Tubes de Haren et Nimy S.A. (subsidiary of NBH) (Note 21)	359	919
Loan due from Tubes de Haren et Nimy S.A. (subsidiary of NBH) (Note 21)	-	32,069
Long-term financial investments		
Loan due from Tubes de Haren et Nimy S.A. (subsidiary of NBH) (Note 21)	31,923	-
	32,282	32,988

6 Trade and other accounts receivable

	As at 31 December 2020	As at 31 December 2019
Financial assets		
Trade accounts receivable	340,315	434,231
Credit loss allowance of trade accounts receivable	(1,153)	(4,265)
Other accounts receivable	87	174
Credit loss allowance of other accounts receivable	-	-
	339,249	430,140
Non-financial assets		
Advances given to suppliers	-	-
Allowance of advances given to suppliers	-	-
VAT and other taxes receivable	2,180	2,209
Accounts receivable from employees	650	595
Other accounts receivable	-	-
	2,830	2,804
	342,079	432,944

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

As at 31 December 2020 and 2019 accounts receivable of DKK 340,315 thousand and DKK 434,231 thousand, respectively, served as collateral for certain borrowings (Note 10).

6 Trade and other accounts receivable (continued)

Movements in the Company's credit loss allowance of trade and other accounts receivables are as follows:

	<u>2020</u>	<u>2019</u>
As at 1 January	(4,265)	(2,543)
Credit loss allowance recognised	(1,153)	(3,634)
Accounts receivable written off	-	-
Credit loss allowance reversed	4,265	1,912
Translation adjustment	-	-
As at 31 December	<u>(1,153)</u>	<u>(4,265)</u>

The allocation of trade accounts receivable, net of credit loss allowance, by geographical area is follows:

	<u>As at 31 December 2020</u>	<u>As at 31 December 2019</u>
Denmark	95,181	113,670
Other European Union countries	203,724	256,506
Other European countries	33,848	12,067
Other regions	2,796	47,723
	<u>335,549</u>	<u>429,966</u>

7 Inventories

	<u>As at 31 December 2020</u>	<u>As at 31 December 2019</u>
Raw materials	275,944	298,862
Work in process	318,176	296,849
Finished goods	20,676	33,687
	614,796	629,398
Valuation to net realizable value	(1,418)	(449)
	<u>613,378</u>	<u>628,949</u>

Raw materials include spare parts of a value of DKK 84,397 thousand (31 December 2019: DKK 82,002 thousand). The increase in spare parts and rolls included in inventories is mainly due to purchasing spare parts to support new equipment put into use (Note 8).

As at 31 December 2020 and 2019 inventories of DKK 497,435 thousand and DKK 510,165 thousand, respectively, served as collateral for certain borrowings (Note 10).

Share of raw materials and acquired semi-finished goods in cost of sales for the years ended 31 December 2020 and 2019 amounted to DKK 1,570,361 thousand and DKK 2,130,115 thousand, respectively. Share of fuel and energy resources expenses in cost of sales for the years ended 31 December 2020 and 2019 amounted to DKK 80,562 thousand and DKK 95,407 thousand, respectively.

8 Property, plant and equipment

	Land	Land (lease)	Buildings	Machinery and equipment	Machinery and equipment (lease)	Vehicles	Vehicles (lease)	Construction in progress	Rolls	Total
Cost at 1 January 2019	4,780	-	205,797	-	-	-	-	-	44,803	1,873,216
Accumulated depreciation and impairment	-	-	(58,702)	(592,609)	-	(513)	-	-	(20,864)	(672,687)
Net book value at 1 January 2019	4,780	-	147,095	-	-	-	-	-	23,939	1,200,529
Additions	-	-	-	-	49,785	-	3,402	206,508	-	259,695
Disposals	-	-	-	-	-	-	-	-	-	-
Impairment	-	-	(38,136)	(235,355)	-	-	-	(17,587)	(4,995)	(296,073)
Transfers	-	-	22,794	327,299	-	-	-	(354,381)	4,288	-
Transfers from inventory	-	-	-	-	-	-	-	-	-	-
Depreciation charge	-	-	(6,853)	(73,364)	(9,062)	-	(633)	-	(6,874)	(96,786)
Cost at 31 December 2019	4,780	-	228,590	1,672,139	49,785	513	3,402	124,611	49,090	2,132,910
Accumulated depreciation and impairment	-	-	(103,690)	(901,327)	(9,062)	(513)	(633)	(17,587)	(32,732)	(1,065,544)
Net book value at 31 December 2019	4,780	-	124,900	770,812	40,723	-	2,769	107,024	16,358	1,067,366
Additions	-	6,278	-	-	3,317	-	856	268,645	-	279,095
Disposals	-	-	-	-	-	-	-	-	-	-
Impairment	-	-	-	(17,587)	-	-	-	17,587	-	-
Transfers	-	-	6,464	40,660	-	-	-	(55,407)	8,283	-
Transfers from inventory	-	-	-	-	-	-	-	-	-	-
Depreciation charge	-	-	(7,647)	(73,339)	(9,695)	-	(1,127)	-	(4,228)	(96,036)
Cost at 31 December 2020	4,780	6,278	235,054	1,712,807	53,101	513	4,258	337,849	57,373	2,412,005
Accumulated depreciation and impairment	-	-	(111,337)	(992,253)	(18,756)	(513)	(1,760)	-	(36,960)	(1,161,579)
Net book value at 31 December 2020	4,780	6,278	123,717	720,554	34,345	-	2,498	337,849	20,413	1,250,426

Public land assessment as at 1 October 2016 has in August 2017 DKK 84,648 thousand. There has not been performed any assessment in 2019.

The depreciation charge is included within the cost of sales line of the statement of the profit or loss.

8 Property, plant and equipment (continued)

The Company's management made an analysis of impairment indicators of the Company's assets as at 31 December 2020. High volatility on the market of finished and raw materials triggered impairment assessment of the Company's assets, which required determination of their recoverable amounts using the income approach based on primarily Level 3 inputs as at 31 December 2020. Testing for impairment in the comparative period was also caused by a high volatility on the steel market and was conducted as of 31 December 2019.

For the purpose of impairment test, the Company's management used a forecast of cash flows for five years and normalised cash flows for a post-forecast period.

Sales price is estimated using an average annual growth rate, over the 5-year (31 December 2017: 6-year; 31 October 2016: 7-year) forecast period based on current industry trends and including long-term inflation forecasts for each territory. Sales volume is estimated using an average annual growth rate over the same forecast period based on past performance and management's expectations of market development. Discount rate reflects specific risks relating to the relevant segments and the countries in which they operate. Sensitivity in the tables below was determined as a percentage of changes of each corresponding factors in forecast and post-forecast periods when recoverable values of assets (value in use) become equal to their balance values. Impairment test of 2019 identified impairment in amount DKK 296.073 thousand. Impairment tests of 2020 did not identify any impairment.

The table below shows major assumptions and their sensitivity used in the impairment model of 2020:

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	5	7,0%	Plate	570	0,7%	3,6%

* Weighted average prices giving the product mix, averaged for the period from 2021 to 2025

The table below shows major assumptions and their sensitivity used in the impairment model of 2019:

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	5	7,7%	Plate	551	0,7%	3,6%

* Weighted average prices giving the product mix, averaged for the period from 2020 to 2024

9 Trade and other accounts payable

	As at 31 December 2020	As at 31 December 2019
Financial liabilities		
Trade accounts payable	575,921	579,499
Other accounts payable	94,158	39,506
	<u>670,079</u>	<u>619,005</u>
Non-financial liabilities		
Advances received	23,450	15,293
Taxes payable other than income tax	13,707	-
Accounts payable and accrued liabilities to employees	28,110	39,247
	<u>65,267</u>	<u>54,540</u>
	<u>735,346</u>	<u>673,545</u>

Due to the short-term nature of trade and other accounts payable, their carrying amount is considered to be the same as their fair values.

10 Borrowings

Lender	Rates	Currency	Maturity	As at 31 December 2020	As at 31 December 2019
NLMK Overseas	1,9%-4.9%	EUR	2021	468,217	259,380
Deutsche Bank	1,3%	EUR	2024	565,736	523,302
Societe Generale	0,633%	EUR	2020	-	84,144
Leases					
	From 2.80% to 3.80%	DKK	2021-2025	44,410	44,479
				<u>1,078,363</u>	<u>911,305</u>
Less: short-term loans and current maturities				<u>(511,481)</u>	<u>(638,770)</u>
Long-term borrowings				<u>566,882</u>	<u>272,535</u>

Long-term liabilities concern debt to banks in connection with debt to LLC NLMK Overseas Holding, working capital facility to Deutsche bank and lease liabilities.

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

10 Borrowings (continued)

The long-term borrowings mature as follows:

	<u>As at 31 December 2020</u>	<u>As at 31 December 2019</u>
1-2 year	531,324	246,727
2-5 years	32,678	23,865
over 5 years	<u>2,880</u>	<u>1,943</u>
	<u>566,882</u>	<u>272,535</u>

Collateral

As at 31 December 2020 and 2019, the total amount of collateral was DKK 837,750 thousand and DKK 944,396 thousand, respectively (Notes 6, 7).

Net debt reconciliation

	<u>Short-term borrowings</u>	<u>Long-term borrowings</u>	<u>Cash and cash equivalents</u>	<u>Short-term bank deposits</u>	<u>Net debt</u>
Balance at 1 January 2019	(101,160)	(747,096)	84,678	-	(763,578)
Cash flows	(524,431)	474,963	(79,051)	(17)	(128,536)
Converted to Equity	-	-	-	-	-
Interest accrued	(13,116)	-	-	17	(13,099)
Foreign exchange difference	(63)	(402)	(509)	-	(974)
Balance at 31 December 2019	(638,770)	(272,535)	5,118	-	(906,187)
Cash flows	143,895	(298,414)	4,826	(1,450)	(151,143)
Converted to Equity	-	-	-	-	-
Interest accrued	(16,884)	-	-	1,450	(15,434)
Foreign exchange difference	278	4,067	(1,471)	-	2,874
Balance at 31 December 2020	(511,481)	(566,882)	8,473	-	(1,069,890)

11 Shareholders' equity

(a) Share capital

As at 31 December 2020 and 2019, the Company's share capital consisted of 88,155 and 88,155 issued common shares respectively, with a par value of 1,000 DKK each.. No conversion of debt to share capital occurred in 2020 and 2019.

(b) Dividends

The Board of Directors did not recommend the payment of a dividend in years 2020 and 2019.

(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 optimisation 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, 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.

12 Revenue

(a) Revenue by product

	<u>For the year ended 31 December 2020</u>	<u>For the year ended 31 December 2019</u>
Revenue from sale of goods		
Plates	2,150,172	2,641,164
Scrap	124,291	169,937
Other products	-	172
Total revenue from sale of goods	<u>2,274,463</u>	<u>2,811,273</u>
Revenue from transportation services	49,639	50,419
Total revenue	<u>2,324,102</u>	<u>2,861,692</u>

(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 2020 and 2019 is as follows:

	<u>For the year ended 31 December 2020</u>	<u>For the year ended 31 December 2019</u>
Denmark	456,064	510,703
Germany	228,243	460,761
Sweden	181,783	252,679
Poland	335,758	322,939
United Kingdom	107,815	149,448
Other European Union countries	880,488	887,021
Other European countries	68,627	100,352
Other regions	65,324	177,789
	<u>2,324,102</u>	<u>2,861,692</u>

The Company has had no customers in 2020 and 2019 with a share of more than 10% from revenue.

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.

	<u>For the year ended 31 December 2020</u>	<u>For the year ended 31 December 2019</u>
Cost of sales	163,105	182,866
General and administrative expenses	37,876	47,448
Selling expenses	<u>10,961</u>	<u>13,424</u>
	<u>211,942</u>	<u>243,738</u>

Remuneration to the key management personnel consists of payments to the members of the Board of Executives and Board of Directors. It is recorded within general and administrative expenses and includes annual compensation and performance bonus contingent on the Company's results for the reporting year. Remuneration to key management personnel amounted to DKK 3,678 thousand and DKK 3,678 thousand for 2020 and 2019 respectively.

Number of employees was 427 in 2020 and 426 in 2019.

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:

	<u>For the year ended 31 December 2020</u>	<u>For the year ended 31 December 2019</u>
Cost of sales	(17)	(158)
General and administrative expenses	(1,881)	(1,501)
Selling expenses	<u>-</u>	<u>(5)</u>
	<u>(1,898)</u>	<u>(1,664)</u>

15 Income tax

Income tax charge comprises the following:

	<u>For the year ended 31 December 2020</u>	<u>For the year ended 31 December 2019</u>
Current income tax expense	(260)	(258)
Deferred income tax (expense)	<u>-</u>	<u>-</u>
Total income tax (expense)	<u>(260)</u>	<u>(258)</u>

The corporate income tax rate applicable to the Company is 22% for years 2020 and 2019.

15 Income tax (continued)

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

	<u>For the year ended 31 December 2020</u>	<u>For the year ended 31 December 2019</u>
Loss before income tax	(150,087)	(353,391)
Income tax at applicable tax rate 22%	33,019	77,746
Change in income tax:		
- tax effect of non-deductible expenses	702	(757)
- unrecognised tax loss carry forward for current year	(11,058)	(9,019)
- increase of deferred tax asset	-	-
- write-off of previously recognised deferred tax assets	-	-
- impairment of non-current assets	-	(65,136)
- other	(22,923)	(3,092)
Total income tax (expense)	<u>(260)</u>	<u>(258)</u>

There is now deferred tax assets or liabilities as on 31.12.2020 and 31.12.2019.

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 utilised.

As at 31 December 2020 and 2019 the Company analysed its tax positions for uncertainties affecting recognition and measurement thereof.

The amount of net operating losses that can be utilised 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 utilise the potential benefit of the tax loss carry-forwards will be available, management decided to write off the deferred tax asset in year 2018.

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

	<u>As at 31 December 2020</u>	<u>As at 31 December 2019</u>
From 1 to 5 years	-	-
From 5 to 10 years	-	-
More than 10 years	-	-
No expiration	839,337	789,073
	<u>839,337</u>	<u>789,073</u>

16 Finance costs

	<u>For the year ended 31 December 2020</u>	<u>For the year ended 31 December 2019</u>
Interest expense on borrowings	16,843	13,116
Other finance costs	1,899	1,787
Total finance costs	<u>18,742</u>	<u>14,903</u>

17 Foreign exchange differences

	<u>For the year ended 31 December 2020</u>	<u>For the year ended 31 December 2019</u>
Foreign exchange loss on cash and cash equivalents	(1,612)	(509)
Foreign exchange gain on investment in Tubes de Haren et Nimy S.A. (subsidiary of NBH) (Note 21)	(145)	20
Foreign exchange loss on debt financing	4,341	(746)
Foreign exchange gain / (loss) on other assets and liabilities	21	2,111
	<u>2,605</u>	<u>876</u>

18 Audit fees

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

	<u>For the year ended 31 December 2020</u>	<u>For the year ended 31 December 2019</u>
Statutory audit	901	563
Opinion tasks with assurance	-	-
Tax consultancy	27	36
Other services	10	45
	<u>938</u>	<u>644</u>

19 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 risks 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.

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.

19 Risks and uncertainties (continued)

The risk of changes in market interest rates relates primarily to the Company's long-term borrowings 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 as follows:

	<u>As at 31 December 2020</u>	<u>As at 31 December 2019</u>
Fixed rate instruments		
Financial assets	380,070	468,246
- cash and cash equivalents (Note 3)	8,473	5,118
- trade and other accounts receivable less credit loss allowance (Note 6)	339,249	430,140
- financial investments (notes 5 and 21)	32,988	32,988
Financial liabilities	(714,432)	(663,121)
- trade, other accounts payable and dividends payable (Note 9)	(670,022)	(618,642)
- short-term borrowings (Note 10)	(11,026)	(9,553)
- long-term borrowings (Note 10)	(33,384)	(34,926)
	<u>As at 31 December 2020</u>	<u>As at 31 December 2019</u>
Variable rate instruments		
Financial liabilities	(1,033,953)	(866,826)
- short-term borrowings (Note 10)	(500,455)	(629,217)
- long-term borrowings (Note 10)	(533,498)	(237,609)

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.

To minimise 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:

	<u>For the year ended 31 December 2020</u>	<u>For the year ended 31 December 2019</u>
DKK/EUR rate change 10%	12,193	13,625
GBP/EUR rate change 10%	9,978	8,704
USD/EUR rate change 10%	2,359	16,920

19 Risks and uncertainties (continued)

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 2020.

	<u>DKK</u>	<u>GBP</u>	<u>US dollar</u>
Cash and cash equivalents	664	2,416	919
Trade and other accounts receivable	11,784	30,567	1,048
Long-term financial investments	-	-	-
Trade and other accounts payable	(1,521)	-	(11,278)
Short-term borrowings	(11,026)	-	-
Long-term borrowings	(33,384)	-	-
Net foreign currency position	<u>(33,483)</u>	<u>32,983</u>	<u>(9,311)</u>

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 2019.

	<u>DKK</u>	<u>GBP</u>	<u>US dollar</u>
Cash and cash equivalents	3,764	44	342
Trade and other accounts receivable	15,678	22,795	45,235
Long-term financial investments	-	-	-
Trade and other accounts payable	(10,890)	(1,343)	(6,045)
Short-term borrowings	(9,553)	-	-
Long-term borrowings	(34,926)	-	-
Net foreign currency position	<u>(35,927)</u>	<u>21,496</u>	<u>39,532</u>

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 2020 and 2019 would have increased equity by the amounts shown below:

	<u>For the year ended 31 December 2020</u>	<u>For the year ended 31 December 2019</u>
DKK	(3,348)	(3,593)
GBP	3,298	2,150
US dollar	(931)	3,953

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.

19 Risks and uncertainties (continued)

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 Company's exposure to price risk in a volatile market. During 2020 the company faced the risk connected to fixed price contracts which were based on pre-agreed index with duration of the year which was lower than actual slab prices in the market. The company uses SBB slab prices for setting new orders as a reference point to determine the final product price.

(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.

In order to minimise credit risk, management developed and maintain the Company's credit risk grading to categorise exposures according to their degree of risk of default. The Company's credit risk grading framework comprises six categories (AAA, A, B, C, D, NR). The credit rating information is based on a range of data that is determined to be predictive of the risk of default and applying experienced credit judgement. The nature of the exposure and type of borrower are taken into account in the analysis. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default.

The credit risk grades are designed and calibrated to reflect the risk of default as credit risk deteriorates. As the credit risk increases the difference in risk of default between grades changes. Each exposure is allocated to a credit risk grade at initial recognition, based on the available information about the counterparty. All exposures are monitored and the credit risk grade is updated to reflect current information. The monitoring procedures followed are both general and tailored to the type of exposure.

The following data are typically used to monitor the Company's exposures:

- Payment record, including payment ratios and ageing analysis;
- Extent of utilisation of granted limit;
- Changes in business, financial and economic conditions;
- Credit rating information supplied by external rating agencies.

The Company analyses all data collected using statistical models and estimates the remaining lifetime probability of default exposures and how these are expected to change over time. The factors taken into account in this process include macro-economic data such as GDP growth, unemployment and interest rates. The Company generates a 'base case' scenario of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. The Company then uses these forecasts, which are probability-weighted, to adjust its estimates of probability of default.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due unless the Company has reasonable and supportable information that demonstrates otherwise.

The Company has monitoring procedures in place to make sure that the criteria used to identify significant increases in credit are effective, meaning that significant increase in credit risk is identified before the exposure is defaulted or when the asset becomes 30 days past due. The Company performs periodic back-testing of its ratings to consider whether the drivers of credit risk that led to default were accurately reflected in the rating in a timely manner.

The Company uses forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of expected credit loss.

19 Risks and uncertainties (continued)

The Company employs experts, who use external and internal information to generate a 'base case' scenario of future forecast of relevant

economic variables along with a representative range of other possible forecast scenarios. The external information used includes economic data and forecasts published by governmental bodies and monetary authorities.

The Company applies probabilities to the forecast scenarios identified. The base case scenario is the single most-likely outcome. The Company has not made changes in the estimation techniques or significant assumptions made during the reporting period.

The Company holds collateral to mitigate credit risk associated with trade accounts receivable. The main types of collateral are bank coverage and credit insurance.

The Company did not hold any financial instrument for which no loss allowance is recognized because of collateral at 31 December 2020. There was no change in Company's collateral policy during the year.

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 3 years.

The measurement of expected credit loss is based on probability weighted average credit loss. As a result, the measurement of the loss allowance should be the same regardless of whether it is measured on an individual basis or a collective basis. In relation to the assessment of whether there has been a significant increase in credit risk it can be necessary to perform the assessment on a collective basis.

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	As at
	31 December 2020	31 December 2019
Cash and cash equivalents (Note 3)	8,473	5,118
Trade and other accounts receivable (Note 6)	339,249	430,140
Financial investments	32,282	32,988
Total on-balance sheet exposure	380,004	468,246

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

	As at	As at
	31 December 2020	31 December 2019
Bank balances		
AAA-BBB	8,472	5,118
BB-B	-	-
Unrated and cash on hand	-	-
	8,472	5,118

19 Risks and uncertainties (continued)

As at 31 December 2020, ageing of trade and other receivables is as follows:

	Trade and other receivables		
	<u>Gross Amount</u>	<u>credit loss allowance</u>	<u>Net of credit loss allowance</u>
Undue, expected to be received on time	249,708	(41)	249,667
Overdue, including:	91,694	(1,112)	90,582
- up to 1 month	86,467	(266)	86,201
- from 1 to 3 months	2,552	(166)	2,386
- from 3 to 12 months	1,754	(140)	1,614
- over 12 months	921	(540)	381
Total	341,402	(1,153)	340,249

As at 31 December 2019, ageing of trade and other receivables is as follows:

	Trade and other receivables		
	<u>Gross Amount</u>	<u>credit loss allowance</u>	<u>Net of credit loss allowance</u>
Undue, expected to be received on time	360,383	(193)	360,190
Overdue, including:	74,022	(4,072)	69,950
- up to 1 month	54,802	(132)	54,670
- from 1 to 3 months	6,314	(126)	6,188
- from 3 to 12 months	9,125	(379)	8,746
- over 12 months	3,781	(3,435)	346
Total	434,405	(4,265)	430,140

As at 31 December 2020 and 2019 trade receivables of DKK 91,694 thousand and DKK 69,950 thousand were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

(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.

19 Risks and uncertainties (continued)

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 2020	As at 31 December 2019
Less than 1 year	511,481	638,770
From 1 to 2 years	531,324	246,727
From 2 to 5 years	32,678	23,865
Over 5 years	2,880	1,943
Total borrowings	1,078,363	911,305

As at 31 December 2020 and 2019 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 minimise 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.

20 Related party transactions

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

(a) Sales to and purchases from related parties

	For the year ended 31 December 2020	For the year ended 31 December 2019
Sales		
NLMK Plate Baltic (subsidiary)	20,494	18,643
NLMK group companies	6,856	57,653
NBH group companies	4,713	28,085
Purchases		
NLMK Trading S.A. (formerly Novex Trading (Swiss) S.A.)	1,633,663	1,986,828
Other NLMK group companies	7,174	10,611
NBH group companies	43,989	40,605

NLMK DanSteel A/S has in 2020 and 2019 purchased its slabs from companies in the NLMK Group, hereof the majority by NLMK Trading SA.

20 Related party transactions(continued)

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

	As at 31 December 2020	As at 31 December 2019
Accounts receivable		
NLMK Plate Baltic (subsidiary)	5,016	8,179
NLMK group companies	351	7,856
NBH group companies	2,111	2,589
Accounts payable		
NLMK Trading S.A. (formerly Novex Trading (Swiss) S.A.)	534,360	530,722
Other NLMK group companies	4,446	4,200
NBH group companies	1,575	7,641

(c) Financial transactions

	As at 31 December 2020	As at 31 December 2019
Loan due from Tubes de Haren et Nimy S.A. (subsidiary of NBH)	32,069	32,069
Interests due from Tubes de Haren et Nimy S.A. (subsidiary of NBH)	919	919
Loans due to LLC NLMK Overseas Holding (Note 10)	436,610	237,609
Interest due to LLC NLMK Overseas Holding	31,607	21,770
Interest expense to LLC NLMK Overseas Holding for the year	9,956	6,000

The interest is fixed on market conditions.

(d) Contributions to non-governmental pension fund

Total contributions to a non-governmental pension fund in 2020 and 2019 amounted to DKK 17,086 thousand and DKK 17,439 thousand, respectively. The Company has no long-term commitments to provide funding, guarantees or other support to the abovementioned funds.

21 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 126,715 thousand and DKK 221,692 thousand as at 31 December 2020 and 2019, 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.

21 Commitments and contingencies(continued)

(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 NLMK DanSteel 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 litigations etc. for NLMK DanSteel.

22 Significant accounting policies

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

(a) Basis of consolidation

As permitted under IFRS 10 *Consolidated Financial Statements*, 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 Credit loss allowance has been made for receivables, a credit loss allowance 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.

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.

22 Significant accounting policies (continued)

(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.

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.

22 Significant accounting policies (continued)

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 *Borrowing Costs* 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.

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.

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. All leases of the Company are currently classified as operating leases.

22 Significant accounting policies (continued)

(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. 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.

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 maintains 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.

22 Significant accounting policies (continued)

(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; and
- a 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.

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.

22 Significant accounting policies (continued)

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 and provision of services

Revenue is recognised at a transaction price that represents an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring those goods

Revenues from sales of goods and services is recognised when a performance obligation is satisfied, i.e. when control over the goods or services underlying the particular performance obligation is transferred to the customer. If the Company agrees to transport goods to a specified location (typically under contracts based on certain Incoterms), revenue is split into two performance obligations – sale of goods and rendering of transportation services. Revenue from sale of goods is recognised at a point of time, when control over the goods is transferred to the customer, normally when the goods are shipped and the risks, rewards and legal title are passed. Revenue from

rendering of transportation services is recognised over time as the transportation service is provided to the customer. This is determined based on the actual days of transportation relative to the average expected days of transportation. The transaction price is allocated to the rendering of transportation services on an average transportation price per ton basis. Costs related to the rendering of transportation services are included in selling expenses.

Revenue is recorded net of discounts, provisions, value added tax and export duties and refunds.

No element of financing is deemed present as the sales are made with an average credit term of 60 days, which is consistent with market practice.

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.

22 Significant accounting policies (continued)

(m) Financial instruments

Financial assets

The Company's financial assets include cash and cash equivalents, trade and other accounts receivable and short-term financial instruments.

Financial assets have the following categories:

- those to be measured subsequently at amortised cost;
- those to be measured subsequently at fair value through other comprehensive income or through profit or loss.

Debt instruments have the following categories based on the business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest:

- debt instruments the payments on which represent solely payments of principal and interest and that are intended to collect payments are classified as those to be measured subsequently at amortised cost;
- debt instruments the payments on which represent solely payments of principal and interest and that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets are classified as those to be measured subsequently at fair value through other comprehensive income; and
- other financial assets are measured subsequently at fair value through profit or loss.

The Company does not have equity financial instruments.

To assess the expected credit loss on financial assets measured subsequently at amortised cost the Company uses the expected credit losses model in accordance with a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. The Company assesses expected credit losses using lifetime expected credit losses for cash and cash equivalents, trade and other accounts receivable and short-term financial investments since their terms are less than 12 months.

Initial recognition of financial assets

Financial investments measured subsequently at fair value 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.

22 Significant accounting policies (continued)

Financial liabilities

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

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.

23 Critical accounting estimates and judgements

(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.

23 Critical accounting estimates and judgements (continued)

(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 8).

(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 8).

Accounting for provisions

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

(d) Accrual credit loss allowance for accounts receivable

The credit loss allowance 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.

24 New or revised standards and interpretations

The following new standards and interpretations became effective from 1 January 2018:

IFRS 9 *Financial Instruments* (with amendments issued in July 2014)

For the periods starting 1 January 2018, the Company changed its accounting policy relating to classification and measurement of financial assets and liabilities in accordance with the core principles of the standard. Details of new accounting policy disclosed in Note 23.

The adoption of IFRS 9 did not significantly impact balance sheet classification of financial assets and liabilities in the financial statements of the Company. The amount of expected credit losses as at 1 January 2018 does not materially differ from the amount of recognised provisions and allowances in the financial statements as at 31 December 2017 and therefore there is no quantitative effect of transition as of 1 January 2018.

Financial assets and liabilities previously classified in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* within categories loans and receivables, investments held to maturity and other financial liabilities measured at amortised cost using the effective interest method, in accordance with IFRS 9 *Financial instruments* are classified as financial assets and financial liabilities carried at amortised cost. Measurement of cash and cash equivalents, trade and other receivables and payables, long-term and short-term loans and borrowings, held-to-maturity investments has not changed and these financial instruments are measured at amortised cost.

IFRS 15 *Revenue from Contracts with Customers* (with amendments issued in April 2016)

In accordance with the transition provisions in IFRS 15 the Company has elected the simplified transition method with the effect of transition to be recognised as at 1 January 2018. The Company applied the practical expedient available for the simplified transition method. Details of new accounting policy disclosed in Note 23.

Apart from providing more extensive disclosures on the Company's revenue transactions (Note 12), including presentation of goods transportation services as a separate performance obligation and disaggregation of revenue by geographical area, the adoption of IFRS 15 did not have a significant impact on the financial position or financial performance of the Company. Therefore comparative information and opening equity as at 1 January 2018 were not restated.

The following amended standards became effective from 1 January 2019, but did not have a material impact on the Company.

- IFRIC 23 *Uncertainty over Income Tax Treatments* (issued on 7 June 2017);
- Amendments to IFRS 9 *Prepayment Features with Negative Compensation* (issued on 12 October 2017);
- Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures* (issued on 12 October 2017);
- Annual Improvements to IFRSs 2015-2017 cycle – amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017);
- Amendments to IAS 19 *Plan Amendment, Curtailment or Settlement* (issued on 7 February 2018).

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2019 or later, and which the Company has not early adopted:

IFRS 16 Leases (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019)

The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the statement of profit or loss and other comprehensive income. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. Management estimates that on adoption of IFRS 16 starting 1 January 2019, the Company will recognise lease liabilities in the amount of DKK 55,365 thousand

in relation to leases which classified as operating leases as of 31 December 2018 under the principles of IAS 17 *Leases*. The balance as of 31 December 2019 comprise DKK 44,410 thousand. The weighted average lessee's incremental borrowing rate to be applied to the lease liabilities on 1 January 2020 expected to be 3,64%. The Company decided that it will apply the standard using the modified retrospective method, without restatement of comparatives.

A reconciliation of the operating lease commitments to this liability is as follows:

	As at 31 December 2020	As at 31 December 2019
Total future minimum lease payments for non-cancellable operating leases (Note 19)	47,933	48,424
Future lease payments that are due in periods subject to lease extension options that are reasonably certain to be exercised		
Future lease payments for leases with a term of less than 12 months	(3,523)	(3,945)
Effect of discounting to present value	(44,410)	(44,479)
Total lease liabilities on adoption of IFRS 16	(44,410)	(44,479)

24 New or revised standards and interpretations(continued)

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2020 or later, and which the Company has not early adopted and are not expected to have any material impact on the Company financial statements when adopted:

- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB);
- IFRS 17 *Insurance Contracts* (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021);
- Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020);
- Amendments to IFRS 3 *Definition of a business* (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020);
- Amendments to IAS 1 and IAS 8 *Definition of materiality* (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020).
- Amendments to IFRS 9, IAS 39 and IFRS 7 *Interest rate benchmark reform* (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020).

25 Subsequent events

The Company's management has performed an evaluation of subsequent events and did not find any through the period from 1 January 2021 to 2 March 2021, which is the date when these financial statements are approved by management.