

**OJSC “BSW – management company of  
“BMC” holding”**

**Consolidated financial statements  
for the year ended  
31 December 2016  
and Auditors’ report**



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### **Independent auditors' report**

**To the shareholders of Open Joint Stock Company "Byelorussian Steel Works – management company of "Byelorussian Metallurgical Company" holding"**

#### ***Opinion***

We have audited the consolidated financial statements of the Open Joint Stock Company "Byelorussian Steel Works – Management Company of "Byelorussian Metallurgical Company" Holding" and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

#### ***Basis for Opinion***

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Belarus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### ***Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.



The Board of Directors are responsible for overseeing the Company's financial reporting process.

***Auditors' Responsibilities for the Audit of the Consolidated Financial Statement***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 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 auditors' report to the related disclosures in the consolidated 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the (consolidated) financial statements, including the disclosures, and whether the (consolidated) financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion



We communicate with the Board of Directors 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.

**Irina Vereschagina**  
Partner

**KPMG in Belarus**  
**Minsk**  
**30 June 2017**



*Details of the audited entity*

*Name: Open Joint Stock Company "Byelorussian Steel Works" - Management Company of "Byelorussian Metallurgical Company" Holding"*

*Registration details: registered by the Zhlobin District Executive Committee of the Gomel region on 2 January 2012  
registration number in the Unified State Register of entities and individual entrepreneurs No. 400074854*

*Legal address: 37 Promyshlennaya str, 247210 Zhlobin, Republic of Belarus*

*Details of the audit company*

*Name: Limited Liability Company "KPMG"*

*Registration details: registered by the Minsk City Executive Committee on 10 February 2011,*

*Registration number in the Unified State Register of entities and individual entrepreneurs № 191434140*

*Legal address: 57 Dzerzhinsky Avenue, office 53-2, 220089 Minsk, Republic of Belarus*

**Consolidated Statement of Financial Position as at 31 December 2016**

thousands of roubles	Notes	31 December 2016	31 December 2015	1 January 2015
<b>Assets</b>				
Property, plant and equipment	8	2 812 635	2 477 490	2 454 208
Investments in associates	9	2 648	2 034	1 115
Available-for-sale investments		6 625	5 265	3 608
Long-term loans granted		596	2 620	855
Trade and other receivables	10	372	1 007	2 027
Prepayments and other assets	11	5 481	17 530	24 093
Bank deposit		5 112	5 270	5 930
Deferred tax assets	25	139 061	107 007	7 307
<b>Total non-current assets</b>		<b>2 972 530</b>	<b>2 618 223</b>	<b>2 499 143</b>
Inventories	12	382 202	390 122	500 321
Short-term loans granted		1 500	94	88
Trade and other receivables	10	147 698	107 140	128 863
Prepayments and other assets	11	51 497	36 937	57 679
Tax receivables		34 199	41 075	42 114
Income tax receivable		597	1 750	3 221
Bank deposit		7 643	9 418	2 706
Cash and cash equivalents	13	59 935	32 813	62 773
<b>Total current assets</b>		<b>685 271</b>	<b>619 349</b>	<b>797 765</b>
<b>Total assets</b>		<b>3 657 801</b>	<b>3 237 572</b>	<b>3 296 908</b>
<b>Liabilities</b>				
Trade and other payables		5 125	2 722	4 949
Advances received and other liabilities	14	12 187	5 962	1 582
Loans and borrowings	15	1 011 131	677 683	529 741
Government grants		61 993	55 783	34 342
Deferred tax liabilities	25	2 919	3 009	68 426
<b>Total non-current liabilities</b>		<b>1 093 355</b>	<b>745 159</b>	<b>639 040</b>
Trade payables		520 907	430 615	261 856
Advances received and other liabilities	14	250 526	163 352	148 517
Loans and borrowings	15	1 580 092	1 796 760	1 070 646
Income tax payable		2 997	2 421	544
Other taxes payable		37 886	21 324	55 555
Government grants		1 397	1 126	7 595
<b>Total current liabilities</b>		<b>2 393 805</b>	<b>2 415 598</b>	<b>1 544 713</b>
<b>Total liabilities</b>		<b>3 487 160</b>	<b>3 160 757</b>	<b>2 183 753</b>
<b>Net assets</b>		<b>170 641</b>	<b>76 815</b>	<b>1 113 155</b>

The accompanying notes on pages 13 to 71 form an integral part of these consolidated financial statements.



**Consolidated Statement of Financial Position as at 31 December 2016**

thousands of roubles	Notes	31 December 2016	31 December 2015	1 January 2015
<b>Equity</b>				
Share capital	17	939 996	939 996	939 996
Reserve capital		6 967	6 085	4 795
Property, plant and equipment revaluation reserve		883 640	506 689	542 476
Accumulated loss		(1 691 487)	(1 402 019)	(387 638)
Foreign currency translation reserve		1 677	(10 641)	(17 964)
<b>Equity attributable to equity holders of the parent company</b>		<b>140 793</b>	<b>40 110</b>	<b>1 081 665</b>
Non-controlling interest	17	29 848	36 705	31 490
<b>Total equity</b>		<b>170 641</b>	<b>76 815</b>	<b>1 113 155</b>

First Deputy General Director  
Volkov A.V.

30 June 2017



Chief Accountant  
Kosteeva O.B.

**Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016**

thousands of roubles	Notes	2016	2015
Revenue	18	2 217 077	2 053 592
Cost of sales	19	(1 929 535)	(1 993 000)
<b>Gross profit</b>		<b>287 542</b>	<b>60 592</b>
Administrative expenses	20	(132 639)	(139 864)
Selling expenses	21	(122 809)	(124 652)
Other operating expenses	22	(50 151)	(30 187)
Other operating income	23	28 163	27 217
Government grants	16	1 921	963
Charge of provision for doubtful debts	10,11	(2 270)	(5 812)
<b>Operating profit (loss)</b>		<b>9 757</b>	<b>(211 743)</b>
Loss from impairment of property, plant and equipment	8	(57 430)	(52 781)
Finance income	24	739	2 453
Finance costs	24	(335 865)	(901 858)
Share of profit of investees accounted for under the equity method		635	246
<b>Loss before tax</b>		<b>(382 164)</b>	<b>(1 163 683)</b>
Income tax benefit	25	94 400	147 359
<b>Loss for the year</b>		<b>(287 764)</b>	<b>(1 016 324)</b>
<b>Other comprehensive income (loss)</b>			
<i>Items that will never be reclassified to profit or loss</i>			
Effect of revaluation of property, plant and equipment	8	459 679	(43 740)
Tax effect of revaluation of property, plant and equipment		(82 728)	7 953
		376 951	(35 787)
<i>Items that are or may be reclassified to profit or loss</i>			
Effect of translation to presentation currency		12 087	20 066
		12 087	20 066
<b>Other comprehensive income (loss) for the reporting year</b>		<b>389 038</b>	<b>(15 721)</b>
<b>Total comprehensive income (loss) for the reporting year</b>		<b>101 274</b>	<b>(1 032 045)</b>
<i>Profit (loss) attributable to:</i>			
Equity holders of the Company		(288 538)	(1 011 016)
Non-controlling interests		774	(5 308)
		<b>(287 764)</b>	<b>(1 016 324)</b>
<i>Total comprehensive income (loss) attributable to</i>			
Equity holders of the Company		100 269	(1 039 480)
Non-controlling interests		1 005	7 435
		<b>101 274</b>	<b>(1 032 045)</b>



First Deputy General Director  
Volkov A.V.

30 June 2017

Chief Accountant  
Kosteeva O.B.



*Consolidated statement of changes in equity for the year ended 31 December 2016*

thousands of roubles	Notes	Share capital	Reserve capital	Property, plant and equipment revaluation reserve	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interest	Total equity and reserves
<b>Balance as at 1 January 2015</b>		<b>939 996</b>	<b>4 795</b>	<b>542 476</b>	<b>(17 964)</b>	<b>(387 638)</b>	<b>1 081 665</b>	<b>31 490</b>	<b>1 113 155</b>
<b>Comprehensive income (loss)</b>		-	-	-	-	-	-	-	-
Loss for the year		-	-	-	-	(1 011 016)	(1 011 016)	(5 308)	(1 016 324)
Effect of property, plant and equipment revaluation	8	-	-	(43 740)	-	-	(43 740)	-	(43 740)
Tax effect of property, plant and equipment revaluation	25	-	-	7 953	-	-	7 953	-	7 953
Effect of translation to presentation currency		-	-	-	7 323	-	7 323	12 743	20 066
<b>Total comprehensive income (loss)</b>		-	-	<b>(35 787)</b>	<b>7 323</b>	<b>(1 011 016)</b>	<b>(1 039 480)</b>	<b>7 435</b>	<b>(1 032 045)</b>
<b>Transactions with the equity holder accounted for in equity</b>									
Dividends	17	-	-	-	-	-	-	(2 220)	(2 220)
Gratuitous transfer of shares in an associate		-	-	-	-	(2 075)	(2 075)	-	(2 075)
<b>Total transactions with the equity holders accounted for in equity</b>		-	-	-	-	<b>(2 075)</b>	<b>(2 075)</b>	<b>(2 220)</b>	<b>(4 295)</b>
<b>Other transactions affecting equity</b>		-	-	-	-	-	-	-	-
Transfer to reserve capital		-	1 290	-	-	(1 290)	-	-	-
<b>Total other transactions affecting equity</b>		-	<b>1 290</b>	-	-	<b>(1 290)</b>	-	-	-
<b>Balance as at 31 December 2015</b>		<b>939 996</b>	<b>6 085</b>	<b>506 689</b>	<b>(10 641)</b>	<b>(1 402 019)</b>	<b>40 110</b>	<b>36 705</b>	<b>76 815</b>

The accompanying notes on pages 13 to 71 form an integral part of these consolidated financial statements.

**Consolidated statement of changes in equity for the year ended 31 December 2016**

thousands of roubles	Notes	Share capital	Reserve capital	Property, plant and equipment revaluation reserve	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interest	Total equity and reserves
<b>Comprehensive income</b>									
Loss for the year		-	-	-	-	(288 538)	(288 538)	774	(287 764)
Effect of property, plant and equipment revaluation	8	-	-	459 679	-	-	459 679	-	459 679
Tax effect of property, plant and equipment revaluation	25	-	-	(82 728)	-	-	(82 728)	-	(82 728)
Transfer of revaluation reserve		-	-	-	-	-	-	-	-
Effect of translation to presentation currency		-	-	-	12 318	-	12 318	(231)	12 087
<b>Total comprehensive income (loss)</b>		-	-	<b>376 951</b>	<b>12 318</b>	<b>(288 538)</b>	<b>100 731</b>	<b>543</b>	<b>101 274</b>
<b>Transactions with the equity holder accounted for in equity</b>									
Dividends	17	-	-	-	-	-	-	(7 400)	(7 400)
Gratuitous transfer of shares in an subsidiary		-	-	-	-	(48)	(48)	-	(48)
<b>Total transactions with the equity holders accounted for in equity</b>		-	-	-	-	<b>(48)</b>	<b>(48)</b>	<b>(7 400)</b>	<b>(7 448)</b>
<b>Other transactions affecting equity</b>									
Transfer to reserve capitals		-	882	-	-	(882)	-	-	-
<b>Total other transactions affecting equity</b>		-	<b>882</b>	-	-	<b>(882)</b>	-	-	-
<b>Balance as at 31 December 2016</b>		<b>939 996</b>	<b>6 967</b>	<b>883 640</b>	<b>1 677</b>	<b>(1 691 487)</b>	<b>140 793</b>	<b>29 848</b>	<b>170 641</b>



First Deputy General Director  
Volkov A.V.

Chief Accountant  
Kosteeva O.B.

The accompanying notes on pages 13 to 71 form an integral part of these consolidated financial statements.

**Consolidated statement of cash flows for the year ended 31 December 2016**

thousands of roubles	Notes	2016	2015
<b>Cash flows from operating activities</b>			
Loss for the year		(287 764)	(1 016 324)
Income tax benefit	25	(94 400)	(147 359)
Depreciation of property, plant and equipment	8	144 347	176 359
Recognition of income related to government grants	16	(1 921)	(963)
Inventory write-off	12	6 193	4 430
Loss from impairment of property, plant and equipment		57 430	52 781
Impairment of trade and other receivables	10, 11	2 270	5 812
Provisions for pension payments		1 935	6
Loss from disposal of property, plant and equipment		19 175	2 227
Net finance costs	24	335 126	899 405
Share of profit of investees accounted for under the equity method		(635)	(246)
		<b>181 756</b>	<b>(23 872)</b>
<b>Changes in:</b>			
Inventories		12 301	104 271
Trade and other receivables		(33 441)	17 493
Tax receivables		8 029	2 509
Tax liabilities		16 562	(34 230)
Prepayments granted and other current assets		(1 592)	27 278
Trade and other payables		18 011	64 173
Prepayments received		87 303	24 523
<b>Cash flows from operations before income taxes and interest paid</b>		<b>288 929</b>	<b>182 145</b>
Interest paid		(187 480)	(122 968)
Income tax paid		(21 501)	(8 383)
<b>Cash flows from operating activities</b>		<b>79 948</b>	<b>50 794</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment		(92 840)	(290 255)
Proceeds from sale of property, plant and equipment		551	773
Loans granted		618	(1 770)
Bank deposit		2 601	(4 670)
Purchases of investments in associates and investments in available for sale		(1 355)	(1 001)
Proceeds from disposal of investments available for sale		-	262
<b>Cash flows used in investing activities</b>		<b>(90 425)</b>	<b>(296 661)</b>



**Consolidated statement of cash flows for the year ended 31 December 2016**

thousands of roubles	Notes	2016	2015
<b>Cash flows from financing activities</b>		-	-
Loans and borrowings paid		(1 936 646)	(1 433 154)
Loans and borrowings received		2 009 834	1 555 152
Dividends paid		(7 400)	(2 220)
<b>Net cash flow from financing activities</b>		<b>65 788</b>	<b>119 778</b>
<b>Net decrease in cash and cash equivalents</b>		<b>55 311</b>	<b>(126 089)</b>
Effect of foreign currency translation and effect of exchange rate changes on cash and cash equivalents		(28 189)	96 129
<b>Cash and cash equivalents at 1 January</b>	<b>13</b>	<b>32 813</b>	<b>62 773</b>
<b>Cash and cash equivalents at 31 December</b>	<b>13</b>	<b>59 935</b>	<b>32 813</b>



**First Deputy General Director**  
**Volkov A.V.**

30 June 2017

**Chief Accountant**  
**Kosteeva O.B.**

## **1. GENERAL INFORMATION**

Open Joint Stock Company “Byelorussian Steel Works - management company of “Byelorussian Metallurgical Company” holding” (formerly Republican Unitary Enterprise “Byelorussian Steel Works”) was formed in 1985.

On 30 December 2011, Republican Unitary Enterprise “Byelorussian Steel Works” was reorganized into Open Joint Stock Company “Byelorussian Steel Works” (the “Company” or “OJSC BSW”). The Company is the legal successor in respect of the rights and duties of Republican Unitary Enterprise “Byelorussian Steel Works”. As at 31 December 2016 100% of the Company's shares are owned by the Republic of Belarus. The state controls the Company through a representative of the Ministry of Industry of the Republic of Belarus (authorized body).

The Company is registered in the Unified State Register of Legal Entities and Individual Entrepreneurs (No. 400074854) by the Zhlobin District Executive Committee of the Gomel region on 2 January 2012. The Company is located at 37 Promyshlennaya str, 247210 Zhlobin, Republic of Belarus.

In July 2012, in accordance with Decree No. 113 of the President of the Republic of Belarus “On Some Issues Relating to the Establishment and Activities of Holdings and State Associations of the Ministry of Industry of the Republic of Belarus” and Resolution No. 598 of the Council of Ministers of the Republic of Belarus “On Non-Monetary Contributions” dated 28 June 2012, OJSC “BSW” received shares of open joint stock companies in order to establish “Byelorussian Metallurgical Company” holding.

The Company is part of “Byelorussian Metallurgical Company” holding and is the managing company of the holding.

The Company is principally engaged in the manufacture and sale of steel products: cast billets, structural and round sections, and high-tech products, such as steel cord, seamless pipes, hose and bead wire, and other various types of wire made of carbon steel.

The Company's operating assets comprise primarily production facilities, namely: two electric steel melting shops, two section rolling shops, three steel cord and wire shops and seamless pipes production shop. Service facilities comprise 17 auxiliary shops (2015: 18 auxiliary shops).

The Company's average number of employees for the years ended 31 December 2016 and 2015 was 10 823 employees and 11 183 employees, respectively.

The Company is the parent of the Group (the “Group”) comprising the following subsidiaries and associates consolidated in these financial statements:



Company	Country of incorporation	Effective ownership interest, %		Type of activities
		2016	2015	
TPUE “Metallurgtorg”	Republic of Belarus	100,00	100,00	Sale of consumer goods
TPUE “Metallurgtrans”	Republic of Belarus	100,00	100,00	Transportation services
OJSC “Belvtorchermet”	Republic of Belarus	100,00	100,00	Procurement and processing of non-ferrous and ferrous waste and scrap
PUE “Brestvtorchermet”	Republic of Belarus	100,00	100,00	Procurement and processing of non-ferrous and ferrous waste and scrap
PUE “Vitebskvtorchermet”	Republic of Belarus	100,00	100,00	Procurement and processing of non-ferrous and ferrous waste and scrap
PUE “Gomelvtorchermet”	Republic of Belarus	100,00	100,00	Procurement and processing of non-ferrous and ferrous waste and scrap
PUE “Grodnovtorchermet”	Republic of Belarus	100,00	100,00	Procurement and processing of non-ferrous and ferrous waste and scrap
PUE “Mogilevvtorchermet”	Republic of Belarus	100,00	100,00	Procurement and processing of non-ferrous and ferrous waste and scrap
OJSC “Beltsvetmet”	Republic of Belarus	100,00	100,00	Procurement and processing of non-ferrous waste and scrap
PUE “Tsvetmet”	Republic of Belarus	100,00	100,00	Procurement and processing of non-ferrous waste and scrap
OJSC “Kobrin tools plant “SITOMO”	Republic of Belarus	100,00	100,00	Production of metal- and woodworking tools, other tools and tooling
OJSC “Rechitsa Metizny Plant”	Republic of Belarus	100,00	100,00	Production of steel wire, nails of all types and sizes, fasteners (screws, nuts, wood screws, bolts, etc.)
UE “Trading House RMP”	Republic of Belarus	100,00	100,00	Supply of goods as per orders of trade and other organizations for the products of OJSC “Rechitsa Metizny Plant”
UE “Zhlobinmetallurgstroy”	Republic of Belarus	100,00	100,00	Construction and installation works, production of construction materials
PTUE “BSW Service Center”	Republic of Belarus	100,00	100,00	Wholesale of cast iron, steel, iron and steel castings, rolled products, and pipes, metal machining using principal machine

**OJSC “BSW – management company of “BMC” holding”**  
*Notes to the consolidated financial statements for the year ended 31 December 2016*

PAUE “Paporotnoe”	Republic of Belarus	100,00	100,00	building processes, transportation by truck Growing of grain, pulse, forage and technical crops, production of milk and meat
OJSC “BELNIILIT”	Republic of Belarus	99,67	99,67	Research and development in foundry production
OJSC “Zhlobinsky Open-Cast Mine of Moulding Materials”	Republic of Belarus	97,28	97,28	Development of gravel and sand pits
OJSC “Polesyelectromash”	Republic of Belarus	100,00	100,00	Development, production and sale of electrical goods, consumer goods, and special technological equipment and tools
CJSC “Hockey Club Metallurg-Zlobin”	Republic of Belarus	85,00	85,00	Sporting activities and other leisure and entertainment activities
“BSW” Trading House, Moscow	Russian Federation	82,50	82,50	Wholesale of OJSC “BSW”'s steel products Steel, iron, light metals and other non-ferrous metals casting,
OJSC “Plant “Legmash”	Republic of Belarus	81,71	81,71	metalworking, production of construction metal structures, equipment and spare parts
BELASTAHL Außenhandel GmbH	Germany	75,00	75,00	Wholesale of OJSC “BSW”'s steel products Delivery of scrap metal to OJSC “BSW”, collection of scrap metal from individuals at the scrap collecting sites in Russia
JLLC “BSW-GKS”	Republic of Belarus	57,38	57,38	Production of gaseous oxygen
Trading House “BSW-Baltiya”	Lithuania	55,00	55,00	Wholesale of OJSC BSW's steel products Production of steel tubes, cast iron, steel and ferroalloys, iron and steel casting, production of construction metal structures and hardware, radiators and central heating boilers
OJSC “Mogilev Metallurgical Works”	Republic of Belarus	54,67	54,67	Wholesale of OJSC “BSW”'s steel products
Belmet (Shanghai) Trading Co., Ltd.	China	50,00	50,00	Wholesale of OJSC “BSW”'s steel products
Belmet Handelsgesellschaft m.b.H.	Austria	50,00	50,00	Wholesale of OJSC “BSW”'s steel products
BMZ Polska Sp. z o.o.	Republic of Poland	50,00	50,00	Wholesale of OJSC “BSW”'s steel products
BEL-KAP-STEEL, LLC	USA	50,00	50,00	Wholesale of OJSC “BSW”'s steel products
LLC “Bel-Kap-Steel Scandinavia”	Lithuania	50,00	50,00	Wholesale of OJSC “BSW”'s steel products

**OJSC “BSW – management company of “BMC” holding”**  
*Notes to the consolidated financial statements for the year ended 31 December 2016*

LLC “TH BSW-Snab”	Russian Federation	41,25	41,25	Wholesale of metals and metallic ores
JLLC “Manuli Hydraulics Manufacturing Bel”	Republic of Belarus	55,42	55,42	Production of high-pressure hoses for hydraulic devices
OJSC “Minsk Bearing Plant”	Republic of Belarus	99,47	99,97	Production of bearings
CJSC “DOR-MPZ”	Republic of Belarus	81,77	82,18	Production of component parts for rail fastenings, and equipment
PUE “BMZ-Ekoservice”, Zhlobin	Republic of Belarus	100,00	100,00	Processing of ferrous waste and scrap
UE «Metallurgcotsservice”	Republic of Belarus	100,00	100,00	Rendering of services
AUE “Rechitsky-Agro”	Republic of Belarus	100,00	100,00	Crop production combined with cattle breeding
TUE “BVTM-Market”	Republic of Belarus	100,00	100,00	Retail and public catering
SAUE “Selhoz-Povitie”	Republic of Belarus	100,00	100,00	Crop production combined with cattle breeding
Belaruski lageri AD, Bulgaria, Sofia	Bulgaria	59,98	59,98	Wholesale of OJSC “MPZ”’s products
LLC Belmet Steel DMSS, Dubai	UAE	50,00	50,00	Wholesale of OJSC “BSW”’s steel products
<i>Associates</i>				
RMZ Vertriebs GmbH	Austria	25,00	25,00	Wholesale of OJSC “Rechitsa Metizny Plant”’s products
RMZ Polska Sp. z o.o.	Republic of Poland	25,00	25,00	Wholesale of OJSC “Rechitsa Metizny Plant”’s products
Transconsult Poland Sp. z o.o.	Republic of Poland	25,00	25,00	Transportation and forwarding services
VLB s.r.l.	Italy	0,00	22,50	Wholesale of OJSC “BSW”’s steel products
LLC “Mogilev Volleyball Club “Tekhnopribor”	Republic of Belarus	21,60	21,60	Sporting activities
Dismas Trading s.r.l.	Italy	16,50	12,75	Wholesale of OJSC “BSW”’s steel products
CJSIC “Promtransinvest”*	Republic of Belarus	10,51	13,93	Insurance services
LLC “MetallurgPress”	Republic of Belarus	26,00	26,00	Procurement and processing of non-ferrous and ferrous waste and scrap

The Group ultimately controls the following companies, in which its effective ownership interest does not exceed 50%, through its subsidiaries whose interests in such companies exceed 50%: BMZ Polska Sp. z o.o. and Bel-Kap-Steel Scandinavia through BEL-KAP-STEEL, LLC; TH BSW-Snab through “BSW” Trading House, Moscow; RMZ Vertrieb GmbH, RMZ Polska Sp. z o.o., Transconsult Poland Sp. z o.o., VLB s.r.l., Belmet (Shanghai) Trading Co., Ltd., LLC Belmet Steel DMSS, Dubai through Belmet Handelsgesellschaft m.b.H.

These consolidated financial statements were approved for issue by Management of the Group on 30 June 2017.

## **2. BASIS OF PRESENTATION**

### **Statement of compliance**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).

### **Hyperinflation**

During the 2014 and prior years the economy of the Republic of Belarus was considered to be hyperinflationary in accordance with IAS 29. Starting from 1 January 2015, the economy of the Republic of Belarus is no longer considered hyperinflationary. Thus, the value of non-monetary assets, liabilities, equity and items of Statement of Profit and Loss and Other Comprehensive Income of the Group presented in measuring units as at 31 December 2014, were used to form the opening balances as at 1 January 2015.

### **Going concern assumption**

These consolidated financial statements have been prepared on a going concern basis which contemplates that the Group will continue its operations in the foreseeable future.

The Group reported a net loss in the amount of 287 764 thousand roubles for the year ended 31 December 2016 (for the year ended 31 December 2015 - 1 016 324 roubles). In addition as at the mentioned dates Group's current liabilities exceeded its current assets by 1 708 534 thousand roubles and 1 796 249 thousand roubles, respectively.

The Group's management believes that the current market situation in 2016 and the ongoing development trend in the metallurgical sector in 2017 are consistent with the Group's previously designed development plans. At the reporting date, the management forecasts the recovery of the main sales markets, which will increase both sales volumes and sales prices.

These plans are confirmed by actual observations after the reporting date in 2017, the capacity load of the parent company for April and May 2017 was 97% - 98% of the designed capacity. As a result, for the 4 months of 2017, there was an increase in sales by 13,5% and an increase in price by 26,4%, which ultimately contributed to an increase in revenue by 41,5%.

In addition, the Group plans to improve its liquidity performance by continuing the implementation of the following plans in 2016:

- stabilization of revenue volumes for products sold with its subsequent increase as a result of improvements in production structure and sales of high quality grades of steel, products of rolling mill, metal goods, which are items with high added value and marginal profit;
- For example, for 4 months of 2017, in comparison with the same period in 2016, the production of high-tech products with a high degree of processing, i.e. with high added value and marginal revenue, continues to increase. Namely increases are for metal products by 38%; Steel pipes by 54%, by small-quality rolled stock by 48%, by the rolling mill 850 - by 23%, these resulted in the improvement of the structure of production and sales of quality steel grades, rolled products, hardware products

- structure optimization and cost reduction through the introduction of more efficient methods of production and management;
- improvement of logistics schemes and schemes of usage of material resources;
- reduction of administrative costs;
- In 2017-2018 the technical policy of the Group will be directed on:
  - Creation of high-tech productions in the field of ferrous metallurgy and hardware production;
  - Large-scale introduction of science-intensive energy and resource-saving technologies.
- The increase in production in 2017-2018 is envisaged to be achieved through the spent and ongoing reconstruction and technical re-equipment of the main metallurgical production, development of previously introduced and newly introduced production capacities and, consequently, homologation of products, as well as structural shifts in production with a relative reduction in the consumption of material, fuel and energy resources on the basis of the introduction of resource and energy-saving technologies
- At the same time, for 2017 the individual (decreasing) tariff for electricity, which was in effect in 2016, was confirmed.
- The result of the implementation of the plan of cost reduction started in 2016 had a positive impact on the Group's financial statements under IFRS resulted in a significant increase in the operating result.
- The Group continues collaboration with credit institutions and financial institutions about refinancing of debt, receipt of new credit resources, as well as receipt of waivers under loan agreements on non-application of measures on the Group for breaching of covenants.
- As at the date of the issue of the financial statements, in 2017 the following work on the debt refinancing, increasing credit limits and obtaining waiver was carried out:
  - Renewable credit line for a total of EUR 15 million was extended for another year in UniCreditBankAustria AG, Austria;
  - New loan agreements were signed within the established limit with the Moscow branch of GLOBEXBANK, Moscow for USD 40 million;
  - The credit limit has been increased to USD 55 million in JSCB "NOVIKOMBANK", Moscow;
  - It is expected that the credit committee will approve in Promsvyazbank, St. Petersburg, an increase in the credit limit of USD 7,7 million;
  - It is planned to sign a new loan agreement in the amount of EUR 20 million with PJSC "Transcapital", Moscow
  - In 2017, additional loans were received from OAO "ASB Belarusbank":
    - for the production of goods and services with export sales provided under the Presidential Decree of the Republic of Belarus - 41.0 million US dollars with



- payment of interest for use at a rate of 5.3% per annum;
- for replenishment of current assets - USD 25.0 million with payment of interest for use at a rate of 9.0% per annum.

- European, Russian and Belarusian banks have retained credit limits, while JSCB NOVIKOMBANK, Moscow, has reduced interest rates from 9% to 6% per annum.

Historical analysis of mutual relationship with creditors demonstrates successful actions of the Group on refinancing of liabilities. Credit institutions also have never used measures, particularly accelerating the maturity of repayment of the liabilities by the Group due to violation of financial covenants. Management of the Group believes that the Group has sufficient means for refinancing all current liabilities and is able to obtain waivers under loan agreements on non-application of measures, if necessary.

In addition, the Group continues to receive periodical support from the Government of Belarus

In particular, as part of the financial and economic sustainability of the parent company, in accordance with Presidential Decree No. 100 of 3 April 2017, there was an increase in share capital amounting to 29 998,6 thousand roubles at the expense of the centralized innovation fund.

Also, the Group received the confirmation from the Government of Belarus on the continuation of the implementation of the government subsidy to compensate for the interest payments of the Group (Resolution of the Council of Ministers of the Republic of Belarus of 6 June 2017, No. 428 "On reimbursement in 2017 to legal entities implementing investment projects, interest for using banking Credits "). The amount to be refunded is EUR 1 250 654,13 for the Eurasian Development Bank and EUR 4 977 827,82 for JSCB ASB Belarusbank. Of which, as at the date of issue of the financial statements, 2 237 214,50 EUR (or 4 714 thousand roubles) were received. In 2016, the amount of compensated interest received from the republican budget was 7 922 447 EUR.

In March-April 2016, in accordance with the Decree of the President of Belarus, the loans and borrowings in the amount of USD 240,6 million was refinanced by issuing bonds. As a result of refinancing, the interest rate decreased by 3,7% per annum and the maturity period prolonged by 3 years. In addition, in February of 2017 the parent company of the Group received the confirmation from the Ministry of Industry of Belarus of its intention to support its activities.

The above mentioned facts confirm the Government's intention to support the business activity of the Group.

### **3. FUNCTIONAL AND PRESENTATION CURRENCY**

The national currency of the Republic of Belarus is the Belarusian Rouble (“BYN”), which is the Company’s functional currency and the currency in which these consolidated financial statements are presented. The functional currencies of subsidiaries are the national currencies where they operate.

If the functional currency of the subsidiary is different from the presentation currency then the financial result and financial position of the subsidiary are translated with the help of following procedures:

- Assets and liabilities in each of the reported statements of financial position are translated at the closing rate as of the date of these statements of financial position
- Income and expenses in each statement of comprehensive income are translated at the exchange rates a for the dates of the respective transactions; and
- Share capital and other equity components are translated at the exchange rates a for the dates of the respective transactions
- All exchange differences resulting from translation are recognized in other comprehensive income as "Effect of translation to presentation currency".

On 1 July 2016, the national currency in the Republic of Belarus was denominated by 10 000. The international code of the Belarusian ruble was changed from "BYR" to "BYN". The comparative values from the financial statements for the year ended 31 December 2015 and 1 January 2015 were restated.

#### **Change of presentation currency**

Euro (EUR) was used as a presentation currency during preparation of Group's consolidated financial statements for the year ended 31 December 2015 and for the previous periods.

The Company management have elected to change the Group's presentation currency from EUR to Belarusian Rouble (BYR) from 1 January 2016, as management believes that this currency more fairly reflects the consolidated financial results and the consolidated financial position of the Group as the majority of its components operate in Belarus. The change of presentation currency is voluntary and accounted retrospectively.

Since these financial statements are the first with a modified presentation currency, the third statement of financial position as of the beginning of the preceding period was presented.

Management had not changed the accounting policies, significant judgments, or estimates used in the preparation of the previous financial statements while presenting the comparatives for these financial statements using the new presentation currency.

#### **4. USE OF JUDGMENTS AND ESTIMATES**

The preparation of consolidated financial statements in conformity with IFRSs requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

***The consolidation of companies where ownership interest does not exceed 50%***

As at 31 December 2016 and 31 December 2015 the ownership interest in Belmet Handelsgesellschaft m.b.H. and BEL-KAP-STEEL, LLC was 50%, but as the representatives of OJSC “BSW – management company of “BMC” holding” are members of their Board of Directors and the representatives control the process of making all important decisions as well as the Group receives significant part of the returns related to their operations and has the current ability to direct these entities’ activities that most significantly affect these returns, these companies are included and consolidated as part of the Group. During 2016 and 2015, shareholders took no action to make any decision not supported by the Group.

***Useful lives of property and equipment***

Management estimates and reassesses useful lives of property, plant and equipment annually based on planned residual periods of use, information on technology changes, physical state of property and equipment. Applicable depreciation policy is outlined further in Note 6 (c) (iv) to these consolidated financial statements.

***Allowance on trade accounts receivable***

Trade accounts receivable are mainly short-term and are measured at their amortized cost less allowance for impairment (Note 10). Allowance is based upon Management’s best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgments about counterparty’s financial position and the net realizable value of any underlying collateral. Impairment of receivables that are collectively assessed for impairment and for which no specific provision is not recognized, is based on the available historical information on the collectability of doubtful receivables.

***Deferred tax assets***

Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. The estimate of probability is based on the Group’s management forecasts in relation to the future taxable profit and includes a significant degree of judgment of the Group’s management.

***Measurement of fair values***

A number of the Group’s accounting policies and disclosures require the measurement of fair values both for financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2*: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3*: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized

in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

*Fair value of buildings, infrastructure and production machinery*

Fair value of buildings, infrastructure and production machinery is determined based on market information as well as the valuation technique of depreciated replacement cost based on assessment of qualified appraisers. Management’s assumptions in respect of current period disclosed in Note 8.

*Fair value of loans granted, loans and borrowings and other financial instruments*

Loans granted, loans and borrowings and other financial instruments are measured at the amortized cost. The amortized cost of loans received at floating interest rates represents their fair value as these rates usually approximate the market rates. The fair value of loans at fixed interest rates is based on the calculation of discounted cash flows by applying interest rates at the money market rate for financial instruments with similar credit risk and maturities. The Group’s management believes that the amortized cost of other financial instruments as at 31 December 2016 and 31 December 2015 did not significantly differ from their fair value.

## **5. BASIS OF MEASUREMENT**

These consolidated financial statements have been prepared on the historical cost basis, excluding such groups of fixed assets as buildings, infrastructure and production machinery which are measured at fair value.

## **6. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies described below are applied consistently to all periods presented in these consolidated financial statements.

### **(a) Foreign currency transactions**

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured

based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising in translation are recognised in profit or loss for the period.

The official exchange rates of the key currencies as at 31 December 2016, 31 December 2015 and 31 December 2014 were as follows:

	<b>31 December 2016</b>	<b>31 December 2015</b>	<b>31 December 2014</b>
USD/BYN	1,9585	1,8569	1,1850
RUB/BYN	0,0324	0,0255	0,0215
EUR/BYN	2,0450	2,0300	1,4380

Average exchange rates for the period

	<b>2016</b>	<b>2015</b>
USD/BYN	1,9885	1,5865
RUB/BYN	0,0297	0,0261
EUR/BYN	2,2005	1,7610

**(b) Basis of consolidation**

**(i) Business combinations**

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquire; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.



Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

**(ii) Non-controlling interests**

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

**(iii) Subsidiaries**

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

**(iv) Acquisitions from entities under common control**

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for from the date of settlement of transaction and control acquisition. The assets and liabilities acquired are recognised at the carrying amounts recognised at their carrying amounts at the date of accession. Income and expenses of acquired entity are included in the consolidated financial statements from the date of accession. Any cash paid for the acquisition is recognised directly in equity.

**(v) Loss of control**

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

**(vi) Interests in equity-accounted investees**

The Group's interests in equity-accounted investees comprise interests in associates and a joint venture.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. A joint venture is an arrangement in which the Group has joint control, whereby the Group

has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method and are recognised initially at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the Group’s share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group’s share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued, except to the extent that the Group has an obligation or has made payments on behalf of the investee.

***(vii) Transactions eliminated on consolidation***

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group’s interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

**(c) Property, plant and equipment**

***(i) Recognition and measurement***

Items of property, plant and equipment, except for buildings, infrastructure and production machinery are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income/other expenses in profit or loss. When revalued assets are sold, any related amount included in the revaluation reserve as revaluation surplus is transferred to retained earnings.

***(ii) Subsequent expenditure***

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be

measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

**(iii) Revaluation of buildings, infrastructure and production machinery**

Buildings, infrastructure and production machinery are measured at fair value, based on periodic valuation by external independent appraisers. A revaluation increase on these assets is recognised directly under the heading of effect of revaluation of property, plant and equipment in other comprehensive income. However, the increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

A revaluation decrease on buildings, infrastructure and production machinery is recognised in profit or loss. However, the decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus.

Revaluation surplus is never translated to retained earnings.

**(iv) Depreciation**

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. Depreciation is based on the cost of an asset less its estimated residual value.

The Group’s property, plant and equipment are depreciated using the straight-line and production methods over their subsequent estimated useful lives which are based on Management’s business plans and operational estimates:

	<b><i>Years</i></b>
Buildings and infrastructure	5-110
Production machinery	3-50
Other equipment	3-35
Other property, plant and equipment	2-5

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

**(d) Intangible assets**

**(i) Goodwill**

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

**(ii) Other intangible assets**

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

**(iii) Subsequent expenditure**

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the profit or loss as incurred.

**(iv) Amortisation**

Amortisation is based on the cost of the asset less its estimated residual value.

Amortisation is generally recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

	<b><i>Years</i></b>
Property rights on the items of industrial property	5-15
Software	1-10
Property rights on computer software and databases	5-7

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

**(e) Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and sale.

**(f) Financial instruments**

The Group classifies non-derivative financial assets into the following categories: held-to-maturity investments, loans and receivables and available-for-sale financial assets.

**(i) Non-derivative financial assets and financial liabilities – recognition and derecognition**

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets and financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership

of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The Group currently has a legally enforceable right to set off if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the Group and all counterparties.

#### ***Financial assets available-for-sale***

Unquoted equity investments, if their fair value cannot be reliably measured, are stated at acquisition cost less impairment losses (if any).

#### ***Held-to-maturity investments***

If the Group has the intent and ability to hold to maturity non-derivative financial assets, then such non-derivative financial assets with fixed or estimated payments and fixed maturity date are classified as held-to-maturity. Investments intended to be held for an undefined period are not included in this classification. Held-to-maturity investments are subsequently measured at amortised cost. Income and expenses are recognized in profit or loss when the investments are impaired as well as through the amortisation process.

#### ***Loans and receivables***

Loans and receivables are a category of financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables category comprise the following classes of financial assets: trade and other receivables as presented in Note 10 and cash and cash equivalents as presented in Note 13.

#### ***Cash and cash equivalents***

Cash and cash equivalents comprise cash balances, call deposits and highly liquid investments with maturities of three months or less from the acquisition date that are subject to insignificant risk of changes in their fair value.

In the statement of cash flows, cash and cash equivalents includes bank overdrafts that are repayable on demand and form an integral part of the Group’s cash management.

#### ***(ii) Non-derivative financial liabilities – measurement***

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables.



**(g) Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the Group incurs in connection with borrowing of funds.

**(h) Impairment**

**(i) Financial assets**

The Group assess a financial asset, including equity-accounted investees, at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include: default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy or adverse changes in the payment status of borrowers.

The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together items with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in loans and receivables impairment allowance account. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

**(ii) Non-financial assets**

The carrying amounts of the Group's non-financial assets, other than property, plant and equipment measured at fair value, inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from

continuing use that are largely independent of the cash inflows of other assets or CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Cash generating unit was defined as separate entity (legal entity) of the Group.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present 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 or CGU.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata basis*.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**(i) Share capital**

Share capital is recognized at cost. Non-monetary contributions are included into the share capital at the fair value of the contributed assets. Own shares are recognized at cost adjusted to inflation. Non-redeemable preferred shares are classified as the share capital.

Dividends on ordinary shares are recognized in equity as a reduction in the period, in which they are declared. Dividends that are declared after the reporting period are treated as a subsequent event according to IAS 10 “Events after the reporting period” and the information is disclosed as appropriate.

**(j) Revenue**

**(i) Goods sold**

Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates.

**(ii) Services**

Revenue from services rendered is recognised in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

**(iii) Rental income**

Rental income from operating leases of investment property is recorded on a straight-line basis over the lease terms.

**(iv) Government grants**

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant and are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised.

**(k) Financial income and costs**

The Group's finance income and finance costs include:

- interest income;
- interest expense;
- dividend income;
- foreign currency gain or loss on financial assets and financial liabilities;

Interest income or expense is recognised using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

**(l) Provisions**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

**(m) Employee benefits**

**(i) Short-term employee benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has

a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

**(ii) General pension system**

In accordance with the requirements of legislation of the Republic of Belarus, in pension systems where the Group is included, the Group holds the pension contribution from the salaries of employees and transfers to the state pension fund. The current pension system provides for the calculation of current payments by the employer as a percentage of current total payments to employees. Such expenses are recognised in the period where relevant payments to employees are referred.

**(iii) Defined pension liabilities**

The Group makes monthly payments to retired employees who have worked more than 5 years before retirement. Amounts on these liabilities are payable through cash provided by operating activities.

The net liability is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods. Then the benefit is discounted in order to define the current cost of a liability that recorded in the balance.

When calculating the liabilities of the Group, if any comprehensive not recognized actuarial gain or loss exceeds ten per cents of the current cost of defined liabilities, this part will be recognized in the statement of profit and loss over the estimated term of work of employees.

**(n) Contingent assets and liabilities**

Contingent liabilities are not recognized in the consolidated financial statements except for the cases when for settling the liability an outflow of resources is required with a high probability, and which can be estimated reliably. Contingent liabilities are disclosed in the consolidated financial statements unless the possibility of any outflow in settlement is remote.

Contingent asset is not recognized in the consolidated statement of financial position but disclosed in the consolidated financial statements when an inflow of economic benefits is probable.

**(o) Income tax**

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

**(i) Current tax**

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

**(ii) Deferred tax**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

A deferred tax asset is recognised for unused tax losses, unused tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

In accordance with the tax legislation of the Republic of Belarus, the Russian Federation and other tax jurisdictions, tax losses and current tax assets of a company in the Group may not be set off against taxable profits and current tax liabilities of other Group companies. In addition, the tax base is determined separately for each of the Group's main activities and, therefore, tax losses and taxable profits related to different activities cannot be offset.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes, penalties and late-payment interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the tax expense in the period that such a determination is made.

**(p) Related parties transactions**

The Group applies the exemption related to the requirements to disclosure of transactions and balances with related parties in accordance with paragraph 25 of IAS 24 “Related parties disclosures” that allows to present simplified disclosures on transactions with entities related to the Government.

## **7. NEW STANDARDS AND INTERPRETATIONS**

A number of new standards, amendments to standards and explanations enter into force for annual periods beginning after 1 January 2016, early application is permitted; when preparing these consolidated financial statements, the Group has not yet applied the following new standards or amendments to standards:

**(a) Disclosure Initiative (Amendments to IAS 7)**

The amendments require disclosure of information that will allow users of financial statements to assess changes in liabilities that arise from financial activities, including changes that are related or not related to changes in cash flows.

The amendments become effective for annual periods beginning on or after 1 January 2017. Early application is permitted.

In order to meet the new disclosure requirements, the Group intends to present a reconciliation of the balance of liabilities at the beginning and end of the reporting period with disclosure of changes caused by the financial activities.

**(b) Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)**

The amendments clarify the accounting for deferred tax assets in respect of unrealized losses that arose on debt instruments measured at fair value.

The amendments become effective for annual periods beginning on or after 1 January 2017. Early application is permitted.

The Group is assessing the possible impact of the amendments on the consolidated financial statements. Currently, the Group does not expect any significant effect.

**IFRS 15 Revenue from Contracts with Customers**

IFRS 15 sets out the basic principles for determining whether revenue should be recognized, in what amount and when. The standard supersedes the current guidance on revenue recognition, including IAS 11 Construction Contracts, IAS 18 Revenue and Clarification of IFRIC 13 Customer Loyalty Programs.

IFRS 15 becomes effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted).

The Group has completed the initial assessment of the possible impact of IFRS 15 on its consolidated financial statements. The Group does not expect significant changes in the timing of revenue recognition based on the requirements of the new standard.

### **(c) IFRS 9 Financial Instruments**

In July 2014, the International Accounting Standards Board issued the final version of IFRS 9 Financial Instruments. IFRS 9 becomes effective for annual periods beginning on or after 1 January 2018. Early application is permitted.

At present, the Group plans to apply IFRS 9 from 1 January 2018. The actual impact of the adoption of IFRS 9 on the Group's financial statements in 2018 is not known and cannot be reliably estimated, as it will depend on the financial instruments owned by the Group at that time, and on future economic conditions, as well as on selected options for accounting and judgments that will be made by the Company in the future. The new Standard will require the Group to review the accounting processes and elements of internal control related to the reflection of financial instruments in the accounting, and these changes have not yet been completed. However, the Group has made a preliminary assessment of the possible impact of the application of IFRS 9, based on the positions as at 31 December 2016, determined by the Group in 2016 in accordance with IAS 39.

#### ***Classification – financial assets***

IFRS 9 introduces a new approach to the classification and measurement of financial assets, reflecting the business model used to manage these assets and the characteristics of the cash flows associated with them.

IFRS 9 specifies three main categories of financial assets: measured at amortized cost, measured at fair value through other comprehensive income and measured at fair value through profit or loss. The standard thus replaces the category of financial assets currently established in IAS 39: held to maturity, loans and receivables and available-for-sale.

In accordance with IFRS 9, derivatives that are embedded in contracts where the host contract is a financial asset within the scope of IFRS 9 shall never be separated from the host contract. Instead, the requirements of the standard for classification apply to the entire hybrid financial instrument.

According to the Group's preliminary assessment, the application of the new requirements for the classification of financial assets as at 31 December 2016 would not have a significant impact on the accounting of trade receivables and investments in debt securities.

#### ***Impairment – financial assets and contractual assets***

With respect to impairment, IFRS 9 introduces a new, forward-looking model of "expected credit losses" that replaces the "incurred credit loss" model established by IAS 39. Applying the new impairment model will require significant professional judgments from the Company as to how changes in economic factors affect the expected credit losses, determined by weighting by probability of occurrence.

The new impairment model will be applied to financial assets measured at amortized cost or at fair value through other comprehensive income.

In accordance with IFRS 9, estimated reserves for expected credit losses will be assessed in one of the following ways:

- based on 12-month expected credit losses. These are the expected credit losses that will arise as a result of defaults possible within 12 months after the reporting date.

- on the basis of expected credit losses for the entire period. These are the expected credit losses arising from all possible cases of default throughout the expected life of the financial instrument.

An estimate of the expected credit losses for the entire period is applied if the credit risk on the financial asset at the reporting date has increased significantly since the initial recognition. Otherwise, the estimated credit loss is evaluated for 12 months after the reporting date. In this case, the Group is entitled to use the assumption that the credit risk on the financial instrument has not increased significantly since the initial recognition if it was determined that the financial instrument has a low credit risk as at the reporting date. However, in respect of trade receivables that do not contain significant components of financing, an estimate of the expected credit losses for the entire period should always be applied. The Group can choose as its accounting policy the same approach for trade receivables that contain significant components of financing.

The Group believes that applying the new impairment model in accordance with IFRS 9 is likely to lead to an increase in impairment losses, as well as to greater volatility. According to the Group's preliminary assessment, the application of IFRS 9 with respect to impairment as at 31 December 2016 would have resulted in an insignificant increase in estimated provisions for expected credit losses as compared to provisions recognized in accordance with IAS 39. However, the Group has not yet completed the process of establishing an impairment methodology that will be applied in accordance with IFRS 9.

#### ***Classification – financial liabilities***

IFRS 9 generally preserves the existing requirements of IAS 39 regarding the classification of financial liabilities.

However, in accordance with IAS 39, all changes in fair value of financial liabilities classified at fair value through profit or loss are recognized in profit or loss, whereas in accordance with IFRS 9, in the general case, they are recognized in the following order:

- the amount reflecting the change in fair value of the financial liability due to changes in credit risk for such a liability is recognized in other comprehensive income;
- the remaining amount of the change in fair value of the liability is recognized in profit or loss.

The Group does not classify at its sole discretion any financial liabilities as measured at fair value through profit or loss, and it does not currently have any intention to do so. According to the Group's preliminary assessment, the application of the requirements of IFRS 9 regarding the classification of financial liabilities as at 31 December 2016 would not have a significant impact on the consolidated financial statements.

#### **(d) IFRS 16 Lease**

IFRS 16 introduces a single model for recording lease agreements by lessees, which implies their reflection on the lessee's balance sheet. According to this model, the lessee must recognize the asset in the form of the right to use, which is the right to use the underlying asset, and the lease obligation, which is the obligation to make lease payments. There are optional simplifications for short-term leases and rentals of low-cost properties. For the lessors, the accounting rules are generally preserved - they will continue to classify the lease as financial and operating.



IFRS 16 replaces the existing lease guidance, including IAS 17 Leases, Clarification of IFRIC 4, Determination of Lease Characteristics in the Agreement, Clarification of SIC 15 Operating Leases - Incentives and Clarification of SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 becomes effective for annual periods beginning on or after 1 January 2019. An early adoption of the standard is permitted for enterprises that apply IFRS 15 Revenue Under Contracts with Customers on or before the date of initial application of IFRS 16. According to the Group’s preliminary assessment, the application of the new requirements for the lease will not affect financial statements significantly.

**(e) Other changes**

Other new standards or amendments to standards will not affect Group consolidated financial statements significantly:

- *«Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)»*
- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)*

## 8. PROPERTY, PLANT AND EQUIPMENT

thousands of roubles

	Buildings and infrastructure	Production machinery	Other equipment	Other property, plant and equipment	Construction in progress and equipment for installation	Total
<b>Cost</b>						
<b>1 January 2015</b>	<b>688 474</b>	<b>1 605 399</b>	<b>52 148</b>	<b>85 998</b>	<b>800 393</b>	<b>3 232 412</b>
Additions	38 823	86 389	6 262	41 491	125 212	<b>298 177</b>
Transfers	227 738	349 345	779	62 567	(640 429)	-
Disposals	(1 871)	(12 002)	(673)	(3 163)	-	<b>(17 709)</b>
Revaluation of property, plant and equipment	(48 503)	(350 341)	-	-	-	<b>(398 844)</b>
Change in exchange rates of presentation currency	739	22	6 094	714	83	<b>7 652</b>
<b>31 December 2015</b>	<b>905 400</b>	<b>1 678 812</b>	<b>64 610</b>	<b>187 607</b>	<b>285 259</b>	<b>3 121 688</b>
Additions	8 610	17 554	89	9 270	59 876	<b>95 399</b>
Transfers	24 080	61 292	1 719	8 673	(95 764)	-
Disposals	(3 506)	(15 885)	(644)	(2 935)	(4 359)	<b>(27 329)</b>
Revaluation of property, plant and equipment	81 697	483 440	2	(4 190)	-	<b>560 949</b>
Change in exchange rates of presentation currency	789	-	10 441	112	3	<b>11 345</b>
<b>31 December 2016</b>	<b>1 017 070</b>	<b>2 225 213</b>	<b>76 217</b>	<b>198 537</b>	<b>245 015</b>	<b>3 762 052</b>

### Depreciation

<b>1 January 2015</b>	<b>90 162</b>	<b>631 866</b>	<b>13 333</b>	<b>42 843</b>	<b>-</b>	<b>778 204</b>
Depreciation charge	13 523	144 102	9 764	12 259	-	179 648
Disposals	(1 362)	(9 555)	(480)	(1 579)	-	(12 976)
Revaluation of property, plant and equipment	(16 207)	(286 116)	-	-	-	(302 323)
Change in exchange rates of presentation currency	193	5	1 010	437	-	1 645
<b>31 December 2015</b>	<b>86 309</b>	<b>480 302</b>	<b>23 627</b>	<b>53 960</b>	<b>-</b>	<b>644 198</b>
Depreciation charge	13 204	120 267	5 454	12 124	-	151 049
Disposals	(26)	(4 898)	(430)	(2 249)	-	(7 603)
Revaluation of property, plant and equipment	(2 386)	161 853	-	(767)	-	158 700
Change in exchange rates of presentation currency	11	-	2 969	93	-	3 073
<b>31 Ddecember 2016</b>	<b>97 112</b>	<b>757 524</b>	<b>31 620</b>	<b>63 161</b>	<b>-</b>	<b>949 417</b>

### Carrying amount

<b>1 January 2015</b>	<b>598 312</b>	<b>973 533</b>	<b>38 815</b>	<b>43 155</b>	<b>800 393</b>	<b>2 454 208</b>
<b>31 December 2015</b>	<b>819 091</b>	<b>1 198 510</b>	<b>40 983</b>	<b>133 647</b>	<b>285 259</b>	<b>2 477 490</b>
<b>31 December 2016</b>	<b>919 958</b>	<b>1 467 689</b>	<b>44 597</b>	<b>135 376</b>	<b>245 015</b>	<b>2 812 635</b>

As at 31 December 2016 and 2015, property, plant and equipment in the amount of BYN 1 670 075 thousand and BYN 1 557 472 thousand, respectively, were pledged as collateral under received loans.

Property plant and equipment in the amount of BYN 8 038 thousand was acquired under finance lease in 2016 (2015: BYN 8 136 thousand).

As at 31 December 2016 the property, plant and equipment with the cost of BYN 239 774 thousand were fully depreciated but the Group used them in production activities and for administrative purposes (2015: BYN 122 009 thousand).

Depreciation of property and equipment is included in “Cost of sales”, “Administrative expenses” and “Selling and distribution expenses” and “Finished goods” depending on the nature of their use

<b>thousands of roubles</b>	<b>Notes</b>	<b>2016</b>	<b>2015</b>
Cost of sales	19	133 230	165 138
Administrative expenses	20	10 308	10 403
Selling and distribution expenses	21	809	818
Finished goods		6 702	3 289
<b>Total depreciation</b>		<b>151 049</b>	<b>179 648</b>

The Group’s management engaged an independent appraiser to give an independent assessment of property, plant and equipment as at 31 December 2016. The fair value of property, plant and equipment was determined in the amount: buildings and infrastructure – BYN 919 958 thousand, production machinery – BYN 1 467 689 thousand. The fair level was categorized as Level 3 fair value hierarchy based on the inputs to valuation techniques used.

The property, plant and equipment of the Group are the specialized items that are rarely sold in an open market except for as a part of a current business as well as non-specialized items. The fair value of non-specialized items of property, plant and equipment is determined using market valuation technique. Market for specialized items of property, plant and equipment is not an active market and does not allow to use market approaches to determine their fair value as the number of transactions on the sale of comparable items is not sufficient.

Respectively, the fair value of specialized items of property, plant and equipment is determined using depreciated replacement cost method. This method considers the cost to reproduce or replace the property, plant and equipment, adjusted for physical, functional or economical depreciation, and obsolescence.

Depreciated replacement cost was estimated based on internal sources and analysis of the domestic and international markets for similar property, plant and equipment. Various market data were collected from published information, catalogues, statistical data etc, and industry experts and suppliers of property, plant and equipment were contacted both in the Republic of Belarus and abroad.

In addition to the determination of the depreciated replacement cost, cash flow testing was conducted, which resulted in depreciated replacement cost values being decreased by BYN 45 934 thousand in arriving at the above value. The cash flow testing was conducted on the level of separated cash generating units (CGU) which, considering the Group’s specifics, are each of subsidiary.

The following key assumptions were used in performing the testing:

- Cash flows were projected based on past experience, actual operating results, macroeconomic forecasts and the Group’s five-year business plan.
- According to the forecasts, the compounded annual growth rate (CAGR) of revenue from the sale of products, goods and services in Belarusian roubles excluding VAT will

equal to 8,0 %-14,9% during 5 years depending on CGU. Similar indicators of revenue translated to USD at forecast rate have 5-year CAGR of 2,6%-8,9% depending on CGU. Starting from the 6-th year and further, the level of sales remains without changes (annual growth will be 0%). In physical units the production volume CAGR for 5-year projection period varies from (0,1%) to 3,9% depending on CGU.

- Cash flows for 2017-2021 were extrapolated based on the assumption that the production growth will be equal to the growth of real GDP of the respective sales markets and revenue and expenses will increase on a pro rate basis against inflation.
- For the purposes of discounting the rate of 13,64% for all CGU. The discount rate was estimated based on an industry average weighted average cost of capital (WACC), which was based on a possible range of debt leveraging of 85,3% and unlevered beta 0.63. Risk-free rate was calculated in the amount of effective yield to maturity on 10-year treasury bonds of the Government of the USA (as at 31 December 2016 – 2,45%). When calculating the discount rate, country risk and other specific risks were also considered.
- Terminal value (i.e. the value in the end of projection period) was determined at the end of five-year projection period using Gordon Constant Growth model. When calculating the terminal value of estimated property, plant and equipment, the terminal rate of 13,64% and growth rate of 0% were used.

Calculated discounted future cash flows for CGU, where no impairment was recognized, exceeds the carrying amount of corresponding property, plant and equipment approximately by BYN 7 499 thousand. Management has identified two key assumptions for which there could be a reasonably possible change that could cause the carrying amount to exceed the discounted amount of future cash flows. The estimates provided above are particularly sensitive in the following areas:

- Increase in applied discount rate by 2,41% would have caused the discounted amount of future cash flows to equal the carrying amount.
- Decrease in long-term growth rate by 4,10% would have caused the discounted amount of future cash flows to equal the carrying amount.

If buildings and production machinery were measured using the historical cost model, the carrying amounts would be as follows:

thousands of roubles	31 December 2016		31 December 2015	
	Buildings and infrastructure	Production machinery	Buildings and infrastructure	Production machinery
Cost	909 347	1 110 305	908 628	1 108 213
Accumulated depreciation	(352 431)	(481 050)	(292 940)	(465 348)
<b>Carrying amount</b>	<b>556 916</b>	<b>629 255</b>	<b>615 688</b>	<b>642 865</b>

## 9. INVESTMENTS IN ASSOCIATES

As at 31 December 2016 and 31 December 2015, investments in associates were as follows:

<b>Company</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
LLC “Dismas Trading s.r.l.”	2 280	1 596
LLC “Transconsult Poland Sp. z o.o.”	348	297
LLC “VLB s.r.l.”	-	122
LLC “RMZ Polska Sp. z o.o.”	20	20
<b>Investments in associates</b>	<b>2 648</b>	<b>2 034</b>

Group’s share of profit of investees in 2016 amounted to BYN 635 thousand (2015: BYN 246 thousand).

## 10. TRADE AND OTHER RECEIVABLES

Trade and other receivables as at 31 December 2016 and 31 December 2015 comprised the following:

<b>thousands of roubles</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
Trade receivables	136 270	108 273
Other receivables	25 206	11 010
Provision for impairment of trade and other receivables	(13 406)	(11 136)
<b>Trade and other receivables</b>	<b>148 070</b>	<b>108 147</b>
<b>Non-current</b>	<b>372</b>	<b>1 007</b>
<b>Current</b>	<b>147 698</b>	<b>107 140</b>
 <b>Financial trade and other receivables</b>	 <b>122 864</b>	 <b>97 137</b>
<b>Non-financial trade and other receivables</b>	<b>25 206</b>	<b>11 010</b>

Change in provision for impairment of trade and other receivables:

<b>thousands of roubles</b>	<b>2016</b>	<b>2015</b>
<b>At the beginning of the year</b>	<b>11 136</b>	<b>4 270</b>
Charge during the year	2 270	6 866
<b>At the end of the year</b>	<b>13 406</b>	<b>11 136</b>

The provision for impairment of trade receivables is reflected in “Charge of provision for doubtful debts” in the statement of profit and loss and other comprehensive income.

As at 31 December 2016 and 31 December 2015 past due but not impaired receivables were insignificant.

## 11. PREPAYMENTS AND OTHER ASSETS

Prepayments and other assets as at 31 December 2016 and 31 December 2015 comprised the following:

<b>thousands of roubles</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
Prepayments	24 428	28 253
VAT recoverable and paid	17 965	11 886
Biological assets	9 223	8 457
Intangible assets	5 362	4 740
Other assets	-	1 131
<b>Prepayments and other assets</b>	<b>56 978</b>	<b>54 467</b>
<b>Non-current</b>	<b>5 481</b>	<b>17 530</b>
<b>Current</b>	<b>51 497</b>	<b>36 937</b>

Change in provision for impairment of prepayments:

<b>thousands of roubles</b>	<b>2016</b>	<b>2015</b>
At the beginning of the year	-	1 054
Reversal during the year	-	(1 054)
<b>At the end of the year</b>	<b>-</b>	<b>-</b>

## 12. INVENTORIES

As at 31 December 2016 and 31 December 2015 inventories comprised the following:

<b>thousands of roubles</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
Raw materials, supplies and auxiliary items	195 981	202 787
Finished goods	122 830	128 402
Work in progress	63 391	58 933
<b>Inventories</b>	<b>382 202</b>	<b>390 122</b>

As at 31 December 2016, inventories of BYN 182 564 thousand (31 December 2015: BYN 146 432 thousand) were pledged as collateral.

As at 31 December 2016 and 31 December 2015 inventories are stated at the lower of cost and net realisable value. In 2016 the Group wrote down the inventories to the net realizable value in the amount of BYN 67 746 thousand. In 2015 the Group wrote down the inventories to the net realizable value in the amount of BYN 61 553 thousand. The charge of write-downs amounted to BYN 6 193 thousand in 2016 (2015: BYN 4 430). The write-down is included in cost of sales.

### 13. CASH AND CASH EQUIVALENTS

As at 31 December 2016 and 31 December 2015 cash and cash equivalents comprised the following:

<b>thousands of roubles</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
Cash at banks	59 784	19 051
Cash in transit	-	13 654
Cash on hand	151	108
<b>Cash and cash equivalents</b>	<b>59 935</b>	<b>32 813</b>

Significant amounts of cash are placed as at 31 December 2016 with the following banks:

<b>thousands of roubles</b>	<b>Moody's Investors Service credit rating</b>	<b>Standard and Poor's credit rating</b>	<b>Balance at 31 December 2016</b>
OJSC "Savings Bank Belarusbank"	B3/ Stable; B3/ Stable	B-/Stable	10 998
DZ Bank AG	Aa3	AA-	11 904
«CreditSuisse»	A1/Stable; A1/Stable	A/Stable	1 473
ОАО "Банк БелВЭБ"	-	B-/Stable; C/Stable	94
OJSC "BPS-Sberbank"	B3/Stable	B-/Stable	1 473
OJSC «Belgazprombank»	-	B-/Stable	1 276
ОАО "Приорбанк"	-	B-/Stable; B/Stable	217
			<b>27 435</b>

Significant amounts of cash are placed as at 31 December 2015 with the following banks:

<b>thousands of roubles</b>	<b>Moody's Investors Service credit rating</b>	<b>Standard and Poor's credit rating</b>	<b>31 December 2015</b>
ОАО "АСБ Беларусбанк"	Caa1/ Negative; B3/ Negative	B-/Stable	5 361
DZ Bank AG	Aa2	AA-	13 112
Credit Suisse	A1/Stable; 1/Stable	A/Stable	1 462
ОАО "Банк БелВЭБ"		B-/Stable; C/Stable	788
ОАО "БПС-СБЕРБАНК"	B3/Caa2	B-/Stable	757
ОАО "Белгазпромбанк"		B-/Stable	363
ОАО "Приорбанк"		B-/Stable; B/Stable	351
			<b>22 194</b>



## 14. ADVANCES RECEIVED AND OTHER LIABILITIES

As at 31 December 2016 and 31 December 2015 advances received and other liabilities comprise the following:

<b>thousands of roubles</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
Advances received	187 985	112 297
Amounts due to personnel	17 338	19 966
Liabilities for electricity	22 823	9 185
Payroll taxes	4 713	4 267
Pension reserve	3 364	2 177
Letters of credit	1 506	17 209
Other liabilities	24 984	4 213
<b>Advances received and other liabilities</b>	<b>262 713</b>	<b>169 314</b>
<b>Non-current</b>	<b>12 187</b>	<b>5 962</b>
<b>Current</b>	<b>250 526</b>	<b>163 352</b>
<b>Financial advances received and other liabilities</b>	<b>1 506</b>	<b>17 209</b>
<b>Non-financial advances received and other liabilities</b>	<b>261 207</b>	<b>152 105</b>

## 15. LOANS AND BORROWINGS

The Group received significant funding from DZ Bank AG, Raiffeisenlandesbank, Eurasian Development Bank and Credit Suisse Bank. As at 31 December 2016, the Group breached financial covenants under the agreements with “Credit Suisse” and “Raiffeisenlandesbank” with regard to the following ratio: “Net debt/EBITDA”, “Total debt/capitalisation”; breached financial covenants under the agreements with Eurasian Development Bank with regard to the following ratio: “Overall liquidity ratio”, “Overall solvency ratio” and “Financial debt/EBITDA”; breached financial covenants under the agreements with DZ Bank AG with regard to the following ratio: “Total net debt to the total equity”, “The ratio of EBITDA to debt service”. Breaches in meeting these covenants may permit the creditors, upon their due notification, to immediately call the funds provided. Thus, BYN 221 783 thousand is presented within current liabilities.

The item “Loans and Borrowings” includes bonds of OJSC “BSW” issued in 2016 for the purpose of repaying (refinancing) the loans that were previously received from Belarusian banks. These bonds were purchased by the following banks: Belarusbank OJSC, Belagroprombank OJSC, Belinvestbank OJSC, BelVEB Bank OJSC, Belgazprombank OJSC, BPS-Sberbank OJSC. As at December 31, 2016, the outstanding balance on the issued bonds of the 5th and 6th issues in USD is BYN 471 019 thousand. In accordance with the issuing documents, the final maturity of the issued bonds is February 2021.

At 31 December 2016, loans and borrowings comprised the following:

<b>Counterparty</b>	<b>Currency</b>	<b>Contractual maturity</b>	<b>31 December 2016</b>
"Eurasian Bank of Development", Kazakhstan	EUR	2023	241 153
OJSC “Savings Bank Belarusbank”	EUR	2022	216 676
OJSC “Savings Bank Belarusbank”	USD	2017	176 743
OJSC “Savings Bank Belarusbank”	BYN	2017	165 303
OJSC “Savings Bank Belarusbank”	USD	2021	147 867
Ministry of Finance of Republic of Belarus	USD	2020	137 895
OJSC «Belagroprombank»	USD	2021	117 510
OJSC «Belagroprombank»	EUR	2017	103 107
JSC "GLOBEXBANK"	USD	2017	78 406
OJSC «Belgazprombank»	USD	2021	70 506
JSC «NOVIKOMBANK»	USD	2017	58 755
OJSC «Belinvestbank»	USD	2021	56 797
OJSC «Bank BelVEB», Minsk	USD	2017	53 141
OJSC “Savings Bank Belarusbank”	EUR	2017	50 015
OJSC «Belagroprombank»	USD	2017	49 729
OJSC «BPS-Sberbank»	USD	2021	48 963
OJSC «Belinvestbank»	USD	2019	45 983
OJSC “Savings Bank Belarusbank”	EUR	2020	37 486
Raiffeisen Bank International AG	EUR	2017	36 175
JSC «Promsvyazbank	USD	2017	33 478
OJSC “Savings Bank Belarusbank”	EUR	2024	33 261
JSC Absolut Bank	EUR	2017	33 181
UniCredit Bank Austria AG	EUR	2017	30 697
OJSC «Bank BelVEB», Minsk	USD	2021	29 378
VTB Bank AG	EUR	2019	28 987
VTB Bank AG	EUR	2017	27 679
Bank Austria	EUR	2017	24 525
CJSC «Bank VTB», Belarus	USD	2019	23 734
OJSC “Savings Bank Belarusbank”	USD	2019	23 157
OJSC "Moscow-Minsk Bank”	USD	2020	21 705
AKA Ausfuhrkredit - Gesellschaft mbH	EUR	2020	21 102
JSC «NOVIKOMBANK»	EUR	2017	20 700
JSC «Promsvyazbank	RUB	2017	20 327
OJSC «Belgazprombank»	USD	2020	20 016

<b>Counterparty</b>	<b>Currency</b>	<b>Contractual maturity</b>	<b>31 December 2016</b>
Raiffeisenlandesbank	EUR	2019	19 819
OJSC “Savings Bank Belarusbank”	EUR	2019	19 280
JSC «Promsvyazbank	EUR	2017	18 777
OJSC «Bank Saint Petersburg»	RUB	2017	15 247
OJSC «Paritetbank»	USD	2018	14 835
OJSC “Savings Bank Belarusbank”	USD	2018	14 635
JSC “TKB Bank”	EUR	2017	12 972
KAMAZ	EUR	2017	12 298
Foster Loan	USD	2017	11 730
Pisec Group GmbH	EUR	2017	11 143
OJSC «Priorbank»	EUR	2017	11 117
DZ Bank AG	EUR	2017	10 525
JSC «NOVIKOMBANK»	USD	2019	10 030
Erste Bank	EUR	2017	9 261
OJSC «Belinvestbank»	USD	2017	9 194
Credit Suisse	EUR	2018	8 128
JSC «NOVIKOMBANK»	RUB	2017	8 110
Raiffeisen Bank International AG	USD	2017	8 019
OJSC «BPS-Sberbank»	USD	2017	7 034
OJSC “Savings Bank Belarusbank”	BYN	2018	6 906
OJSC “Savings Bank Belarusbank”	EUR	2018	6 875
OJSC «BPS-Sberbank»	EUR	2019	4 635
Pisec Group GmbH	USD	2017	4 414
Ministry of Finance of Republic of Belarus	BYN	2017	3 489
OJSC «Belinvestbank»	EUR	2019	3 384
JSC “Runa-Bank”	RUB	2017	3 244
AKA Ausfuhrkredit - Gesellschaft mbH	EUR	2021	2 922
Manuli Hydraulics Polska	EUR	2019	2 301
AB “Šiaulių Bankas”	EUR	2017	2 257
OJSC “Savings Bank Belarusbank”	RUB	2018	2 123
OJSC «Paritetbank»	EUR	2018	2 063
BAWAG	EUR	2017	2 061
CJSC «Bank VTB», Belarus	BYN	2017	2 036
OJSC «Belgazprombank»	USD	2017	1 979
Raiffeisenlandesbank	EUR	2017	1 959

<b>Counterparty</b>	<b>Currency</b>	<b>Contractual maturity</b>	<b>31 December 2016</b>
Credit Suisse	EUR	2017	1 802
JSC «NOVIKOMBANK»	RUB	2019	1 752
OJSC «BPS-Sberbank»	EUR	2018	1 670
OJSC «Belagroprombank»	CNY	2017	1 585
OJSC «BPS-Sberbank»	EUR	2017	1 314
OJSC «Paritetbank»	USD	2019	1 283
OJSC «BPS-Sberbank»	USD	2019	1 236
FIS Finance&Investment Services GesmbH	EUR	2018	1 250
Connect Beteiligungs GmbH	EUR	2017	1 023
CJSC «Bank VTB», Belarus	EUR	2018	960
OJSC «Belagroprombank»	USD	2018	898
OJSC «Belgazprombank»	BYN	2019	875
AB "Medicinos Bankas"	EUR	2017	794
OJSC «Belagroprombank»	EUR	2018	649
OJSC «Bank BelVEB», Minsk	BYN	2017	623
OJSC «Belinvestbank»	BYN	2017	606
Bank Hapoalim	USD	2017	525
Bank Austria	USD	2017	457
OJSC “Savings Bank Belarusbank”	USD	On demand	403
OJSC «BPS-Sberbank»	BYN	2017	356
OJSC “Savings Bank Belarusbank”	BYN	2020	331
OJSC «Belagroprombank»	BYN	2017	230
OJSC "Gomeloilproduct"	BYN	On demand	212
OJSC “Savings Bank Belarusbank”	BYN	2019	209
OJSC «Paritetbank»	BYN	2017	143
OJSC «Belagroprombank»	BYN	2051	123
OJSC «Belagroprombank»	BYN	2047	109
VKB	EUR	2017	99
OJSC «Belagroprombank»	BYN	On demand	98
OJSC “Belarusian cement plant”	BYN	On demand	75
OJSC «Belagroprombank»	BYN	2020	64
OJSC "BELAZ" - Management Company of Holding "BELAZ-HOLDING"	BYN	On demand	61
OJSC "Gomeloilproduct"	BYN	2017	58
JSC "Mogilevsky zavod "Electrodvigatel"	BYN	2017	58
OJSC «Belagroprombank»	BYN	2046	51

<b>Counterparty</b>	<b>Currency</b>	<b>Contractual maturity</b>	<b>31 December 2016</b>
OJSC «Paritetbank»	BYN	2019	50
JSC "Development Bank of the Republic of Belarus"	BYN	2024	47
JSC "Development Bank of the Republic of Belarus"	BYN	2022	46
OJSC «Belagroprombank»	BYN	2050	32
OJSC «Belagroprombank»	BYN	2048	31
JSC "Kobrin Butter and Cheese making Factory"	BYN	2017	20
OJSC «Belagroprombank»	BYN	2049	18
OJSC «Belagroprombank»	BYN	2041	15
OJSC «Belagroprombank»	BYN	2026	14
OJSC «Belagroprombank»	BYN	2044	10
OJSC «Belagroprombank»	BYN	2045	7
Pisec Group GmbH	EUR	On demand	5
OJSC «Belagroprombank»	BYN	On demand	3
OJSC «Belagroprombank»	BYN	2040	2
GZLIN	BYN	2017	1
Raiba Polen	PLN	2017	1
<b>Loans and borrowings</b>			<b>2 591 223</b>
<b>Non-current</b>			<b>1 011 131</b>
<b>Current</b>			<b>1 580 092</b>

At 31 December 2015 loans and borrowings comprised the following:

<b>Counterparty</b>	<b>Currency</b>	<b>Contractual maturity</b>	<b>31 December 2015</b>
OJSC “Savings Bank Belarusbank”	EUR	2022	311 627
"Eurasian Bank of Development", Kazakhstan	EUR	2023	274 614
OJSC “Savings Bank Belarusbank”	USD	2017	173 244
OJSC “Savings Bank Belarusbank”	USD	2016	162 408
OJSC «Belagroprombank»	USD	2016	151 598
JSC "GLOBEXBANK"	USD	2016	120 801
OJSC «Belgazprombank»	USD	2016	93 636
OJSC «Belinvestbank»	USD	2016	84 420
JSC «NOVIKOMBANK»	USD	2016	74 903
OJSC “Savings Bank Belarusbank”	EUR	2017	65 945
VTB Bank AG	EUR	2016	58 222
UniCredit Bank Austria AG	USD	2016	53 263
OJSC «Belagroprombank»	EUR	2016	48 584
OJSC «Bank BelVEB», Minsk	USD	2016	47 332
OJSC «Bank BelVEB», Minsk	USD	2017	44 282
OJSC “Savings Bank Belarusbank”	EUR	2024	30 099
OJSC «Belagroprombank»	EUR	2017	35 009
Prefinance RBI	EUR	2016	34 378
DZ Bank AG	EUR	2017	31 599

OJSC «BPS-Sberbank»	USD	2017	31 307
OJSC «Belagroprombank»	USD	2017	31 221
JSC "GLOBEXBANK"	EUR	2016	30 450
OJSC “Savings Bank Belarusbank”	EUR	2016	30 432
JSC «NOVIKOMBANK»	EUR	2016	28 237
Raiffeisenlandesbank Oberösterreich Aktiengesellschaft	EUR	2019	27 025
Raiffeisen Bank	EUR	2016	24 912
OJSC “Savings Bank Belarusbank”	EUR	2019	24 281
OJSC «Belinvestbank»	USD	2017	23 136
OJSC «BPS-Sberbank»	USD	2016	22 803
OJSC FUNDSERVICEBANK	EUR	2016	16 969
AKA Ausfuhrkredit - Gessellschaft mbH	EUR	2020	16 953
OJSC «Priorbank»	EUR	2016	15 915
OJSC "Moscow-Minsk Bank”	USD	2017	13 106
Credit Suisse	EUR	2018	13 100
JSC «NOVIKOMBANK»	USD	2018	12 235
KAMAZ	EUR	2016	12 208
Bank Austria	EUR	On demand	11 981
AKA Ausfuhrkredit - Gessellschaft mbH	EUR	2021	11 504
OJSC «BPS-Sberbank»	EUR	2016	10 796
Pisec Group GmbH	EUR	2016	10 605
Foster Loan	USD	2017	10 347
JSC «Promsvyazbank	EUR	2016	10 118
OJSC “Savings Bank Belarusbank”	EUR	2018	9 697
CJSC «Bank VTB», Belarus	USD	2016	9 362
OJSC “Savings Bank Belarusbank”	BYR	2018	8 985
Erste Bank	EUR	On demand	8 402
FINPROMBANK A/O	EUR	2016	7 767
RBI Finance LLC	USD	2016	7 355
OJSC «BPS-Sberbank»	EUR	2019	5 652
Credit Suisse	EUR	2017	5 367
OJSC “Savings Bank Belarusbank”	BYR	2016	4 984
OJSC «Bank Saint Petersburg»	RUB	2016	4 330
OJSC «Belinvestbank»	EUR	2019	4 038
JSC «NOVIKOMBANK»	RUB	2016	3 823
Ministry of Finance of Republic of Belarus	BYR	2017	3 751
OJSC “Savings Bank Belarusbank”	USD	2018	3 609
CJSC «Bank VTB», Belarus	EUR	2016	3 281
AO "Manuli Gidravlics, Polska	EUR	2019	3 195
OJSC «BPS-Sberbank»	EUR	2018	2 984
OJSC «Priorbank»	USD	2016	2 806
JSC «Runabank»	RUB	2016	2 674
OJSC «BPS-Sberbank»	BYR	2016	2 653
Pisec Group GmbH	USD	2016	2 355
OJSC "Moscow-Minsk Bank”	RUB	2017	2 261
OJSC «BPS-Sberbank»	EUR	2017	2 174
AB "Šiaulių Bankas"	EUR	2016	2 101
OJSC «Belgazprombank»	EUR	2018	2 010
Bank Austria	USD	2016	1 951
OJSC «Belgazprombank»	USD	2017	1 876

BAWAG	EUR	2015	1 853
JSC «NOVIKOMBANK»	RUB	2019	1 776
Raiffeisenlandesbank	EUR	2016	1 774
OJSC “Savings Bank Belarusbank”	RUB	2017	1 720
Raiffaisen, Austria	EUR	2016	1 636
Bank Austria	EUR	2016	1 372
OJSC «Belinvestbank»	EUR	2016	1 208
Bank Austria	USD	On demand	1 121
OJSC «Belagroprombank»	BYR	2016	1 090
OJSC «Belagroprombank»	BYR	2018	993
OJSC «Belinvestbank»	BYR	2016	796
OJSC «BPS-Sberbank»	USD	2019	692
OJSC «Bank BelVEB», Minsk	BYR	2016	601
OJSC “Savings Bank Belarusbank”	BYR	2020	426
OJSC «Paritetbank»	BYR	2017	317
OJSC “Savings Bank Belarusbank”	BYR	2019	300
OJSC «Belagroprombank»	BYR	On demand	217
OJSC «Belinvestbank»	BYR	2017	215
OJSC «Belagroprombank»	BYR	2051	126
OJSC "BELAZ" - Management Company of Holding "BELAZ-HOLDING"	BYR	2012	122
OJSC «Belagroprombank»	BYR	2047	116
OJSC “Savings Bank Belarusbank”	BYR	2017	114
Partner Panin O.V.	RUB	2016	108
OJSC "Gomeloilproduct"	BYR	2016	106
OJSC «Belagroprombank»	BYR	2049	89
OJSC «Belagroprombank»	BYR	2020	79
OJSC «Belagroprombank»	BYR	2050	69
OJSC «Belagroprombank»	BYR	2046	59
JSC "Development Bank of the Republic of Belarus"	BYR	2022	55
JSC "Development Bank of the Republic of Belarus"	BYR	2024	53
OJSC «Belagroprombank»	BYR	2048	51
OJSC “Belarusian cement plant”	BYR	2016	45
VKB	EUR	On demand	22
OJSC «Belagroprombank»	BYR	2026	14
OJSC «Belagroprombank»	BYR	2041	14
OJSC «Belagroprombank»	BYR	2044	10
JSC "Ikar"	RUB	2016	10
OJSC «Belagroprombank»	BYR	2045	8
JSC "Kobrin Butter and Cheese making Factory"	BYR	2016	4
OJSC «Belagroprombank»	BYR	On demand	4
Export support fund	BYR	2016	2
OJSC "Brest-meat packing plant"	BYR	2016	2
Pisec Group GmbH	EUR	On demand	2
OJSC «BPS-Sberbank»	BYR	On demand	2
OJSC «Belagroprombank»	BYR	2040	2
Bank Austria	RUB	On demand	2
<b>Loans and borrowings</b>			<b>2 474 443</b>
<b>Non-current</b>			<b>677 683</b>
<b>Current</b>			<b>1 796 760</b>

For the years ended 31 December 2016 and 31 December 2015, the Group's loans and borrowings denominated in foreign currencies had nominal interest rates of 1.6-20% and 1.25-22%, respectively.

The Group pledged property, plant and equipment and inventory to secure bank loans (Notes 8, 12).

## **16. GOVERNMENT GRANTS**

In November 2013, as a result of achievement of target performance indicators as defined in Decree No. 231 of the President of the Republic of Belarus “On Certain Issues Concerning Incentives for Development of High-Technology Production” dated 6 June 2011, the Group was included in the list of legal entities which are to receive compensation of interest on investment loans received to achieve these target indicators. The Group does not expect any additional costs or capital expenditures related to performance indicators already achieved. The funding received is initially recorded as deferred income and is taken to income in the consolidated statement of comprehensive income in the amount proportionally to the amount of depreciation of the corresponding property, plant and equipment in the respective periods, as interests which funding is intended to compensate were previously capitalized following borrowing costs accounting policy (Note 6 (g)). As a result, the Group recognized an income on government grant in the amount of BYN 564 thousand and BYN 133 thousand in 2016 and 2015 respectively in the part related to depreciation of the underlying assets. In addition during 2016, the Group recognized a government grant income of BYN 17 061 thousand as a reduction in interest expenses in relation to compensation of non-capitalized interest expense received in the same period.

The Group also received some other government grants representing government financing for acquisition of property, plant and equipment. The Group recognized an income on government grant in the amount of BYN 1 357 thousand and 830 thousand in 2016 and 2015 respectively.

## **17. EQUITY AND RESERVES**

Share capital of the Group as at 31 December 2016 amounted to BYN 939 996 thousand (including effect of inflation of 271 296 thousands recognized during the period of classification of the Belarusian economy as hyper-inflationary (Note 2)).

### *Number of shares*

	<b>Ordinary shares</b>	
	<b>2016</b>	<b>2015</b>
<b>In issue at the beginning of the year</b>	<b>364 414</b>	<b>364 414</b>
<b>In issue at the end of the year, fully paid</b>	<b>364 414</b>	<b>364 414</b>
Shares issued – nominal value, BYN thousand	1,835	1,835

All shares are ordinary and fully paid, they give a right for one vote, receive of dividends and participate in the distribution of residual assets of the Group.

During the year ended 31 December 2016 the Group declared dividends in the amount of BYN 7 400 thousand (2015: BYN 2 220 thousand). Dividends were fully paid.



The sole owner of the Company is The Republic of Belarus. According to the Charter of the Company, The Republic of Belarus has a right for profit distribution. The amount and the process of dividend payment to budget is established by the legislation.

**Nature and purpose of other reserves**

*Reserve capital* is created by entities as required by the legislation of the country of registration to cover general risks and unforeseen losses

*Property, plant and equipment revaluation reserve* is used to record increases in the fair value of buildings and decreases in such value to the extent that such decrease relates to an increase in the value of the same asset previously recognized in equity.

*Foreign currency translation reserve* is used to record exchange differences arising from the translation of the financial statements from the functional currency to the presentation currency.

## Non-controlling interest

<i>31 December 2016 thousands of roubles</i>	<b>Belmet Handelsge- sellschaft t m.b.H.</b>	<b>OJSC “Mogilev Metallurg- ical Works”</b>	<b>OJSC “Minsk Bearing Plant”</b>	<b>“BSW” Trading House, Saint Petersbur- g</b>	<b>Trading House “BSW- Baltiya”</b>	<b>JLLC “Manuli Hydraul- ics Manufa- cturing Bel”</b>	<b>“BSW” Trading House, Mosco- w</b>	<b>BELASTA HL Außenhan- del GmbH</b>	<b>BEL-KAP- STEEL, LLC</b>	<b>JLLC “BSW- GKS”</b>	<b>OJSC “Plant “Legmash”</b>	<b>Other individua- lly immateri- al subsidiari- es</b>	<b>Intra- group eliminat- ions</b>	<b>Total</b>
<b>NCI percentage</b>	50,00%	45,30%	0,53%	40,00%	45,00%	44,60%	17,50%	25,00%	50,00%	42,60%	18,300%	-	-	-
Assets	71 896	27 446	136 284	192 472	49 043	27 645	67 892	40 514	97 038	48 456	9 484	-	-	-
Liabilities	(48 521)	(101 413)	(111 377)	(153 217)	(17 881)	(9 750)	(53 685)	(30 370)	(87 732)	(35 482)	(8 429)	-	-	-
<b>Net assets</b>	<b>23 375</b>	<b>(73 967)</b>	<b>24 907</b>	<b>39 255</b>	<b>31 162</b>	<b>17 895</b>	<b>14 207</b>	<b>10 144</b>	<b>9 306</b>	<b>12 974</b>	<b>1 055</b>	-	-	-
Net assets attributable to NCI	11 687	(33 529)	132	15 702	14 023	7 981	2 486	2 536	4 653	5 527	193	484	(2 027)	29 848
Revenue	314 984	57 474	38 372	381 575	227 708	13 521	200 878	127 693	326 079	30 178	8 585	-	-	-
Loss (profit)	9 722	(52 145)	(18 195)	14 630	15 221	1 220	1 477	1 769	1 800	9 374	(1 334)	-	-	-
OCI	-	(4 211)	1 509	2 235	1 773	1 018	811	-	530	735	60	-	-	-
<b>Total comprehensive income</b>	<b>9 722</b>	<b>(56 356)</b>	<b>(16 686)</b>	<b>16 865</b>	<b>16 994</b>	<b>2 238</b>	<b>2 288</b>	<b>1 769</b>	<b>2 330</b>	<b>10 109</b>	<b>(1 274)</b>	-	-	-
Loss (profit) allocated to NCI	5 511	(23 636)	(96)	5 852	6 849	544	258	442	900	3 993	(244)	401	-	774
OCI allocated to NCI	-	(439)	2	205	183	104	33	-	61	70	3	9	-	231

**OJSC “BSW – management company of “BMC” holding”**  
*Notes to the consolidated financial statements for the year ended 31 December 2016*

<i>31 December 2015 thousands of roubles</i>	<b>Belmet Handelsge- sellschaft t m.b.H.</b>	<b>OJSC “Mogilev Metallurg- ical Works”</b>	<b>OJSC “Minsk Bearing Plant”</b>	<b>“BSW” Trading House, Saint Petersbur- g</b>	<b>Trading House “BSW- Baltiya”</b>	<b>JLLC “Manuli Hydraul- ics Manufa- cturing Bel”</b>	<b>“BSW” Trading House, Mosco- w</b>	<b>BELASTA HL Außenhan- del GmbH</b>	<b>BEL-KAP- STEEL, LLC</b>	<b>JLLC “BSW- GKS”</b>	<b>OJSC “Plant “Legmash”</b>	<b>Other individua- lly immateri- al subsidiari- es</b>	<b>Intra- group eliminatio- ns</b>	<b>Total</b>
<b>NCI percentage</b>	50,00%	45,30%	0,033%	40,00%	45,00%	44,60%	17,50%	25,00%	50,00%	42,60%	18,3%	-		
Assets	58 819	65 572	134 620	169 377	40 176	28 490	30 612	31 280	144 154	47 921	9 943	-		
Liabilities	(36 422)	(90 404)	(91 425)	(149 493)	(21 934)	(12 342)	(20 571)	(22 170)	(135 969)	(44 315)	(7 557)			
<b>Net assets</b>	<b>22 397</b>	<b>(24 832)</b>	<b>43 195</b>	<b>19 884</b>	<b>18 242</b>	<b>16 148</b>	<b>10 041</b>	<b>9 110</b>	<b>8 185</b>	<b>3 606</b>	<b>2 386</b>			
Net assets attributable to NCI	11 198	(11 256)	14	7 954	8 209	7 202	1 757	2 278	4 093	1 536	437	484	2 799	36 705
Revenue	216 100	51 718	30 597	248 285	163 414	6 958	230 500	87 888	259 608	-	15 025			
Loss (profit)	2 495	(22 323)	(30 115)	10 125	5 249	(3 263)	195	1 066	1 251	(2 881)	(7 146)			
OCI	-	(9 036)	15 385	7 238	6 638	5 877	3 651	-	2 980	1 312	863			
<b>Total comprehensive income</b>	<b>2 495</b>	<b>(31 359)</b>	<b>(14 730)</b>	<b>17 363</b>	<b>11 887</b>	<b>2 614</b>	<b>3 846</b>	<b>1 066</b>	<b>4 231</b>	<b>(1 569)</b>	<b>(6 283)</b>			
Loss (profit) allocated to NCI	1 512	(10 112)	(10)	4 050	2 362	(1 455)	34	267	626	(1 227)	(1 308)	(47)	-	(5 308)
OCI allocated to NCI	-	(7 014)	9	4 959	5 118	4 491	1 096	-	2 552	958	271	303	-	12 743

## 18. REVENUE

Revenue of the Group by types of products:

<b>thousands of roubles</b>	<b>2016</b>	<b>2015</b>
Rolled products	691 746	504 792
Steel pipes	479 000	320 823
Steel cord	304 708	185 369
Other types of wire	250 748	283 132
Sale of scrap	106 700	82 243
Fasteners	86 545	73 261
Cast billets	71 988	383 831
Bronze-plated bead wire	43 939	27 308
Bearing	37 188	28 707
Wire RML	30 098	49 767
Other products	114 417	114 359
<b>Revenue</b>	<b>2 217 077</b>	<b>2 053 592</b>

The geographical concentration of the Group's revenue:

<b>thousands of roubles</b>	<b>2016</b>	<b>2015</b>
Non-CIS countries	1 392 743	1 313 730
Russian Federation	465 444	417 382
Domestic market	341 478	307 966
Other CIS countries	17 412	14 514
<b>Revenue</b>	<b>2 217 077</b>	<b>2 053 592</b>

## 19. COST OF SALES

<b>thousands of roubles</b>	<b>2016</b>	<b>2015</b>
Materials	1 003 199	1 078 250
Electricity and fuel	471 211	424 573
Payroll expenses and related taxes	190 169	224 832
Depreciation	133 230	165 138
Repair and maintenance of property, plant and equipment	8 023	12 896
Transportation expenses	15 091	10 635
Taxes other than income tax	10 477	4 563
Spoilage and waste	8 991	3 693
Travel expenses	1 966	2 034
Other expenses	87 178	66 386
<b>Cost of sales</b>	<b>1 929 535</b>	<b>1 993 000</b>

## 20. ADMINISTRATIVE EXPENSES

<b>thousands of roubles</b>	<b>2 016</b>	<b>2 015</b>
Payroll expenses and related taxes	53 132	63 721
Taxes other than income tax	29 071	13 965
Depreciation	10 308	10 403
Bank charges	18 143	13 896
Third party's services	5 221	14 243
Excess over maximum permissible concentration	4 197	3 962
Private security	2 926	1 600
Electricity, fuel, water	2 602	2 391
Materials	1 583	1 289
Repair and maintenance of property, plant and equipment	849	1 995
Travel expenses	336	392
Legal and consultancy	405	354
Insurance	212	304
Other expenses	3 654	11 349
<b>Administrative expenses</b>	<b>132 639</b>	<b>139 864</b>

## 21. SELLING EXPENSES

<b>thousands of roubles</b>	<b>2016</b>	<b>2015</b>
Transportation expenses	90 476	96 832
Materials	8 143	7 074
Payroll expenses and related taxes	4 901	8 135
Travel expenses	2 112	155
Advertising expenses	1 277	1 019
Electricity, fuel, water	1 278	1 163
Depreciation	809	818
Rent expenses	413	-
Insurance	343	72
Taxes other than income tax	52	53
Other expenses	13 005	9 331
<b>Selling expenses</b>	<b>122 809</b>	<b>124 652</b>

## 22. OTHER OPERATING EXPENSES

<b>thousand of roubles</b>	<b>2016</b>	<b>2015</b>
Expenses for social sphere	10 801	1 819
Penalties paid	10 086	1 291
Other employee benefits	9 177	3 220
Expenditures for the development of new industries	5 503	2 824
Provision for pension payments	1 935	6
Expenses for other sales	1 896	-
Expenses of serving industries	1 335	3 181
Expenses related to operations with packaging and other materials	1 248	5 723
Net expenses on sale of currency	1 882	-
Charity expenses	412	1 628
Other fees and charges	454	-
Other expenses	5 422	10 495
<b>Other operating expenses</b>	<b>50 151</b>	<b>30 187</b>

## 23. OTHER OPERATING INCOME

<b>thousand of roubles</b>	<b>2016</b>	<b>2015</b>
Surplus, identified during inventories	10 207	14 474
Posting the wastage	8 037	3 293
Income from securities	1 652	1 822
Penalties, fines, penalties for violation of the terms of contracts, paid or recognized for payment, settlement of claims	2 237	2 029
Donation	1 412	3 414
Income for the maintenance of non-industrial objects	896	-
Rental income	912	-
Net income on sale of currency	-	180
Other income	2 810	2 005
<b>Other operating income</b>	<b>28 163</b>	<b>27 217</b>

## 24. FINANCE INCOME AND COSTS

Finance income and costs comprise the following:

<b>thousands of roubles</b>	<b>2016</b>	<b>2015</b>
<b>Finance income</b>		
Interest income	668	1 381
Other income	71	1 072
<b>Total finance income</b>	<b>739</b>	<b>2 453</b>
<b>Finance costs</b>		
Interest expenses	(205 840)	(181 025)
Net foreign exchange loss	(118 865)	(719 240)
Other	(11 160)	(1 593)
<b>Total finance costs</b>	<b>(335 865)</b>	<b>(901 858)</b>
<b>Net finance costs, recognized in profit and loss</b>	<b>(335 126)</b>	<b>(899 405)</b>

## 25. TAXATION

The Group companies calculate current income taxes based on tax accounts maintained and prepared in accordance with the tax regulations of the countries of their registration which may differ from IFRS. The applicable tax rate for income tax for the Group is 18% and represents income tax rate for Belarusian enterprises.

Particular types of expenses are not recognized for taxation purposes, resulting in certain permanent tax differences for the Group.

Deferred taxes reflect net tax effects of temporary differences between carrying amounts of assets and liabilities for the purposes of consolidated financial statements and those used for taxation purposes. Temporary differences at 31 December 2016 and 2015 relate mostly to different methods of income and expense recognition, as well as the carrying amounts of certain assets.

Movements in deferred tax assets and liabilities are attributable to the following items:

	<b>31 December 2016</b>	<b>Recognised in profit or loss</b>	<b>Recognised in OCI</b>	<b>Effect of translation to presentation currency</b>	<b>31 December 2015</b>
Property, plant and equipment	53 550	83 312	(82 728)	(1 242)	54 208
Prepayments and other assets	133 622	64 736	-	(965)	69 852
Trade and other payables	(31 655)	(30 738)	-	458	(1 376)
Trade and other receivables	2 395	491	-	(7)	1 911
Loans granted	(98)	6	-	-	(104)
Government grants	10 124	(120)	-	-	10 244
Inventories	8 168	(1 678)	-	-	9 846

Loans and borrowings	(1 552)	(391)	-	-	(1 162)
Other differences	(677)	379	-	-	(1 056)
<b>Tax assets before offset</b>	<b>173 877</b>	<b>115 998</b>	<b>(82 728)</b>	<b>(1 758)</b>	<b>142 363</b>
Effect of change in unrecognized deferred tax assets	(37 735)	630	-	(1 758)	(38 365)
<b>Net deferred tax assets</b>	<b>136 142</b>	<b>116 628</b>	<b>(82 728)</b>	<b>(1 758)</b>	<b>103 998</b>

	<b>31 December 2015</b>	<b>Recognised in profit or loss</b>	<b>Recognised in OCI</b>	<b>Effect of translation to presentation currency</b>	<b>1 January 2015</b>
Property, plant and equipment	54 208	110 160	7 953	(295)	(63 611)
Prepayments and other assets	69 852	74 980	-	(200)	(4 928)
Trade and other payables	(1 376)	15 571	-	(42)	(16 905)
Trade and other receivables	1 911	2 824	-	(8)	(906)
Loans granted	(104)	11	-	-	(115)
Government grants	10 244	3 954	-	-	6 290
Inventories	9 846	17 404	-	-	(7 558)
Loans and borrowings	(1 162)	(228)	-	-	(933)
Other differences	(1 056)	(34 138)	-	-	33 083
<b>Tax assets (liability) before offset</b>	<b>142 363</b>	<b>190 538</b>	<b>7 953</b>	<b>(544)</b>	<b>(55 584)</b>
Effect of change in unrecognized deferred tax assets	(38 365)	(32 830)	-	-	(5 535)
<b>Net deferred tax assets (liability)</b>	<b>103 998</b>	<b>157 708</b>	<b>7 953</b>	<b>(544)</b>	<b>(61 119)</b>

Management of the Group believes that following measures disclosed in Note 2, the Group will improve its financial position and will have future taxable profit against which it will be possible to utilize deductible temporary differences.

As at 31 December 2016 and 31 December 2015 deferred tax asset comprise the following:

<b>thousands of roubles</b>	<b>2016</b>	<b>2015</b>
Deferred tax asset	139 061	107 007
Deferred tax liability	(2 919)	(3 009)
<b>Total</b>	<b>136 142</b>	<b>103 998</b>



The reconciliation between theoretical tax benefits, current income tax and accounting profit for the year ended 31 December 2016 and 31 December 2015 is as follows:

<b>thousands of roubles</b>	<b>2016</b>	<b>2015</b>
Loss before tax	(382 164)	(1 163 683)
Effect of consolidation adjustments	16 749	1 376
<b>Loss before tax of consolidated subsidiaries subject to income taxes</b>	<b>(365 415)</b>	<b>(1 161 623)</b>
Theoretical income tax benefit at the effective interest rate of 18%	65 775	209 092
Permanent differences	(36 804)	(37 376)
Effect of local revaluation write-off	106 481	66 061
Tax effect of losses for current year, for which deferred tax assets were not recognized	(3 590)	(54 269)
Effect on deferred tax from non-taxable income and expenses	166	(2 260)
Tax effect of different tax rates in other jurisdictions	(1 082)	(634)
Tax effect of unrecognised tax losses	(37 735)	(38 539)
Other adjustments	1 189	5 284
<b>Income tax benefit</b>	<b>94 400</b>	<b>147 359</b>

Benefits on income tax for the years ended 31 December 2016 and 31 December 2015 are as follows:

<b>thousands of roubles</b>	<b>2016</b>	<b>2015</b>
Current income tax expense for the year	(22 228)	(10 349)
Deferred income taxes for the year	116 628	157 708
<b>Total income tax benefit</b>	<b>94 400</b>	<b>147 359</b>

## 26. RELATED PARTY TRANSACTIONS

The total amount of payroll, bonuses and other payments to key management personnel of the Group during the years ended 31 December 2016 and 31 December 2015 amounted to BYN 4 910 thousand and BYN 3 406 thousand accordingly.

Republic of Belarus exercises control over the Group’s activities. The Republic of Belarus both directly and indirectly controls and significantly influences a large number of entities (collectively referred to as «state-related entities»). The Group enters into economic transactions with such entities, including sale of goods, purchase of raw and other materials, electricity, and rendering of services, rise of borrowings, receiving government grants. Except for state support and transactions that are disclosed below all transactions are made under market conditions and in the ordinary course of activities.

In 2015 agricultural unitary enterprise «Domovitsky-agro» were gratuitously transferred to republican ownership. The result of transaction in the amount of BYN 2 075 thousand was recognized directly in equity in transactions with owner.

## **27. CONTINGENT LIABILITIES**

### ***Lawsuits***

In the normal course of the Group's activities, customers and counterparties are making claims to the Group. Management believes that the Group will not incur significant losses, as a result of the proceedings on them and, accordingly, no provision has been made in the financial statements

## **28. UNCERTAINTIES**

### ***Economy of the Republic of Belarus***

The economy of the Republic of Belarus is characterized by high rates of inflation, significant changes in foreign currency exchange rates, a relatively high level of taxation and a high degree of State regulation. Business legislation of the Republic of Belarus constantly changes. Future economic development to a large extent depends on the effectiveness of measures taken by the Belarusian government and is outside the control of the Group. The recoverability of the Group's assets and ability to maintain or pay debts as they mature is in part dependent on the future direction and results of the economic policy of the government of the Republic of Belarus. Management of the Group has made its best estimates of recoverability and classification assets and liabilities. However, uncertainty stated above may remain and have significant influence on the operations of the Group.

The global financial system continues to face serious problems. In many countries the rates of economic growth have reduced. Moreover, the uncertainty increased regarding the creditworthiness of several Eurozone countries and financial institutions which carry significant risks for the sovereign debt of these countries. These problems can result in slower global growth rate and the growth rate of the Belarusian economy, adversely affect the availability and cost of capital for the Group, as well as the business of the Group in general, results of its operations, financial position and prospects of development.

### ***Legislation***

Certain provisions of Belarusian business and tax legislation in particular may contain different treatments and may be applied inconsistently by different state institutions. In addition, interpretations made by Management may be different from official interpretations and compliance established by law may be changed by the authorities. As a result, the Group may be subject to additional tax payments and fines and other preventive actions. Management of the Group considers that it has made the required tax and other payments and no additional provisions are needed in the consolidated financial statements. The previous financial years remain open for consideration by the authorities.

### ***Russian business environment***

The significant part of Group's operations are located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation which display characteristics of an emerging market. The legal, tax and

regulatory frameworks are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation.

The conflict in Ukraine and related events has increased the perceived risks of doing business in the Russian Federation. The imposition of economic sanctions on Russian individuals and legal entities by the European Union, the United States of America, Japan, Canada, Australia and others, as well as retaliatory sanctions imposed by the Russian government, has resulted in increased economic uncertainty including more volatile equity markets, a depreciation of the Russian Rouble, a reduction in both local and foreign direct investment inflows and a significant tightening in the availability of credit. In particular, some Russian entities may be experiencing difficulties in accessing international equity and debt markets and may become increasingly dependent on Russian state banks to finance their operations. The longer term effects of recently implemented sanctions, as well as the threat of additional future sanctions, are difficult to determine.

The consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment. The Group has a portion of sales to Russian Federation (Note 18) which is 20,9% of total sales for 2016 (2015: 20,3%), Trade accounts receivables in RUB is equal to BYN 42 852 thousand as at 31 December 2016 (2015: BYN 19 752 thousand), Trade payables in RUB is equal to BYN 124 450 thousand as at 31 December 2016 (2015: BYN 53 683 thousand), Loans and borrowings in RUB is equal to BYN 50 803 thousand as at 31 December 2016 (2015: BYN 15 351 thousand) and no significant amounts of other assets or liabilities. At the same time, management, against the backdrop of sanctions, observes signs of a recovery in demand in the Russian metal products market.

## **29. RISK MANAGEMENT**

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to various controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into interest rate and currency risks. It is also exposed to operating risks.

### **Credit risk**

Credit risk is the risk that the Group will incur losses because its customers, clients or counterparties failed to discharge their obligations under financial instruments or contractual obligations. The Group is exposed to credit risk inherent to its operating activities (related primarily to trade receivables and loans) and its financing activities, including deposits with banks and foreign currency transactions.

The carrying amount of financial assets represents the maximum credit risk exposure.

Financial assets, which potentially subject the Group to credit risk, consist principally of trade receivables and other financial assets. The Group has specific policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. The carrying amount of receivables, net of allowance for impairment of receivables, represents the maximum amount exposed to credit risk. Although collection

of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group.

Cash is placed with banks, which are considered at the time of deposit to have minimal risk of default.

The carrying amount of financial assets represents the maximum credit risk exposure:

<b>thousands of roubles</b>	<b>Notes</b>	<b>2 016</b>	<b>2 015</b>
Available-for-sale investments		6 625	5 265
Cash and cash equivalents	13	59 935	32 813
Deposits		12 755	14 688
Loans granted		2 096	2 714
Financial trade and other receivables	10	122 864	97 137

### **Liquidity risk and funding management**

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

To limit this risk, the management of the Group has arranged diversified funding sources. It also manages assets with liquidity in mind and monitors future cash flows and liquidity. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required. Management's plans for improving liquidity position disclosed in Note 2.

### *Analysis of financial liabilities by remaining contractual maturities*

The table below summarizes the Group's financial liabilities as at 31 December 2016 and 2015, by the earliest possible maturity, based on contractual undiscounted repayment obligations. Total nominal cash outflow in the table represents contractual undiscounted repayment obligations on the financial liabilities. The Group's actual expected future cash flows on these financial liabilities can vary from this analysis.

<b>31 December 2016</b>	<b>Carrying amount</b>	<b>Less than 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>More than 5 years</b>	<b>Total contractual cashflows</b>
<b>Financial liabilities</b>						
Short-term loans and borrowings	<b>(1 580 092)</b>	(429 041)	(1 238 704)	-	-	<b>(1 667 745)</b>
Long-term loans and borrowings	<b>(1 011 131)</b>	(24 336)	(60 356)	(1 151 720)	(52 743)	<b>(1 289 155)</b>
Financial advances received and other liabilities	<b>(1 506)</b>	-	(1 506)	-	-	<b>(1 506)</b>
Trade payables	<b>(526 032)</b>	(368 276)	(147 081)	(4 179)	(6 496)	<b>(526 032)</b>
<b>Total financial liabilities</b>	<b><u>(3 118 761)</u></b>	<b><u>(821 653)</u></b>	<b><u>(1 447 647)</u></b>	<b><u>(1 155 899)</u></b>	<b><u>(59 239)</u></b>	<b><u>(3 484 438)</u></b>

<b>31 December 2015</b>	<b>Carrying amount</b>	<b>Less than 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>More than 5 years</b>	<b>Total cashflows under contracts</b>
<b>Financial liabilities</b>						
Short-term loans and borrowings	<b>(1 796 760)</b>	(566 737)	(1 275 092)	-	-	<b>(1 841 829)</b>
Long-term loans and borrowings	<b>(677 683)</b>	(4 484)	(87 214)	(663 884)	(103 087)	<b>(858 669)</b>
Financial advances received and other liabilities	<b>(17 209)</b>	(12 999)	(944)	(3 266)	-	<b>(17 209)</b>
Trade and other payables	<b>(433 337)</b>	(409 179)	(21 054)	(3 104)	-	<b>(433 337)</b>
<b>Total financial liabilities</b>	<b>(2 924 989)</b>	<b>(993 398)</b>	<b>(1 384 304)</b>	<b>(670 254)</b>	<b>(103 087)</b>	<b>(3 151 043)</b>

### Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and equity prices. The Group classifies exposures to market risk into trading and non-trading portfolios. Currently, both trading and non-trading portfolio positions are managed and controlled using sensitivity analysis. Except for foreign currency positions and concentrations of currency risk, the Group has no significant concentration of market risk.

#### Price risk

Price risk is the risk of changes in the market price of financial asset. The management believes that the Group is not exposed to the price risk as there are no long-term fixed price contracts for the delivery of raw and other materials in its trading portfolio.

#### Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's statement of comprehensive income. The sensitivity of the statement of comprehensive income is the effect of the assumed changes in interest rates on net interest income for one year, calculated based on the non-trading financial assets and financial liabilities with a floating interest rate (LIBOR, EURIBOR, the refinancing rate of the National Bank of the Republic of Belarus) held at 31 December 2016 and 2015. The structure of Group financial assets and liabilities as at 31 December 2016 is indicated below:

<b>thousands of roubles</b>	<b>Interest Free</b>	<b>Fixed interest rate</b>	<b>Floating interest rate</b>	<b>Total</b>
<b>Financial assets</b>				
Available-for-sale investments	6 625	-	-	<b>6 625</b>
Short-term loans granted	1 500	-	-	<b>1 500</b>
Long-term loans granted	596			<b>596</b>

Financial trade and other receivables	122 864	-	-	<b>122 864</b>
Deposits	4 401	3 121	5 233	<b>12 755</b>
Cash and cash equivalents	37 419	8 977	13 539	<b>59 935</b>
<b>Financial liabilities</b>				
Financial advances received and other liabilities	(1 506)	-	-	<b>(1 506)</b>
Trade and other payables	(526 032)	-	-	<b>(526 032)</b>
Loans and borrowings	(511)	(1 809 676)	(781 036)	<b>(2 591 223)</b>
<b>Open position of interest rate</b>	<b><u>(354 644)</u></b>	<b><u>(1 797 578)</u></b>	<b><u>(762 264)</u></b>	<b><u>(2 914 486)</u></b>

The structure of Group financial assets and liabilities as at 31 December 2015 is indicated below:

<b>thousands of roubles</b>	<b>Interest Free</b>	<b>Fixed interest rate</b>	<b>Floating interest rate</b>	<b>Total</b>
<b>Financial assets</b>				
Available-for-sale investments	5 265	-	-	<b>5 265</b>
Short-term loans granted	94	-	-	<b>94</b>
Long-term loans granted	2 620	-	-	<b>2 620</b>
Financial trade and other receivables	97 137	-	-	<b>97 137</b>
Deposits	3 855	5 160	5 673	<b>14 688</b>
Cash and cash equivalents	3 317	12 925	16 571	<b>32 813</b>
<b>Financial liabilities</b>				
Financial advances received and other liabilities	(17 209)	-	-	<b>(17 209)</b>
Trade and other payables	(433 337)	-	-	<b>(433 337)</b>
Loans and borrowings	-	(1 526 242)	(948 201)	<b>(2 474 443)</b>
<b>Open position of interest rate</b>	<b><u>(338 258)</u></b>	<b><u>(1 508 157)</u></b>	<b><u>(925 957)</u></b>	<b><u>(2 772 372)</u></b>

The table below indicates the sensitivity of statement of comprehensive income to possible changes in interest rates and all other variables are held constant.

	<b>31 December 2016</b>		<b>31 December 2015</b>	
	<b>Interest rate</b>	<b>Interest rate</b>	<b>Interest rate</b>	<b>Interest rate</b>
	1%	-1%	1%	-1%
Effect on profit/(loss) before tax	(7 623)	7 623	(9 260)	9 260
Effect on equity	(6 251)	6 251	(7 593)	7 593

The Group does not account for any fixed-rate financial instruments as fair value through profit or loss or as available-for-sale. Therefore a change in interest rates at the reporting date would not have an effect in profit or loss.

#### *Currency risk*

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The tables below indicate the currencies to which the Group had significant exposure at 31 December 2016 and 31 December 2015 on its non-trading monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rates against the Belarusian rouble on the consolidated statement of comprehensive income (due to non-trading monetary assets and liabilities whose fair value is sensitive to exchange rate changes).

<b>thousands of roubles</b>	<b>USD</b>	<b>EUR</b>	<b>RUB</b>	<b>Other</b>	<b>Total</b>
<b>Financial assets</b>					
Short-term loans granted	-	370	-	-	<b>370</b>
Financial trade and other receivables	6 491	3 170	41 339	527	<b>51 527</b>
Deposits	828	6 991	1 180	641	<b>9 640</b>
Cash and cash equivalents	5 216	17 015	16 274	219	<b>38 724</b>
<b>Total financial assets</b>	<b>12 535</b>	<b>27 546</b>	<b>58 793</b>	<b>1 387</b>	<b>100 261</b>
<b>Financial liabilities</b>					
Financial advances received and other liabilities	-	(1 506)	-	-	<b>(1 506)</b>
Trade and other payables	(90 428)	(56 667)	(124 450)	(811)	<b>(272 356)</b>
Loans and borrowings	(1 280 428)	(958 288)	(50 803)	(1 585)	<b>(2 291 104)</b>
<b>Total financial liabilities</b>	<b>(1 370 856)</b>	<b>(1 016 461)</b>	<b>(175 253)</b>	<b>(2 396)</b>	<b>(2 564 966)</b>
<b>Total net monetary position</b>	<b>(1 358 321)</b>	<b>(988 915)</b>	<b>(116 460)</b>	<b>(1 009)</b>	<b>(2 464 705)</b>

The tables below indicate the currencies to which the Group had significant exposure at 31 December 2015:

<b>thousands of roubles</b>	<b>USD</b>	<b>EUR</b>	<b>RUB</b>	<b>Other</b>	<b>Total</b>
<b>Financial assets</b>					
Financial trade and other receivables	1 070	39 124	25 446	-	<b>65 640</b>
Deposits	322	3 789	2	10	<b>4 123</b>
Cash and cash equivalents	2 846	22 362	2 357	944	<b>28 509</b>
<b>Total financial assets</b>	<b>4 238</b>	<b>65 275</b>	<b>27 805</b>	<b>954</b>	<b>98 272</b>
<b>Financial liabilities</b>					
Financial advances received and other liabilities	(12 999)	(4 210)	-	-	<b>(17 209)</b>
Trade and other payables	(152 133)	(61 258)	(53 597)	(1 657)	<b>(268 645)</b>
Loans and borrowings	(1 161 116)	(1 204 362)	(16 693)	-	<b>(2 382 171)</b>
<b>Total financial liabilities</b>	<b>(1 326 248)</b>	<b>(1 269 830)</b>	<b>(70 290)</b>	<b>(1 657)</b>	<b>(2 668 025)</b>
<b>Total net monetary position</b>	<b>(1 322 011)</b>	<b>(1 192 735)</b>	<b>(42 484)</b>	<b>(701)</b>	<b>(2 557 931)</b>

The effect on net assets does not differ from the effect on the statement of comprehensive income. All other variables are held constant. A negative amount in the table reflects a potential net reduction in the statement of comprehensive income or net assets attributable to the participants, while a positive amount reflects a potential net increase.

The sensitivity analysis as at 31 December 2016 and 31 December 2015 is presented as follows:

<b>31 December 2016</b>	<b>USD</b>		<b>EUR</b>		<b>RUB</b>	
	10%	-10%	10%	-10%	10%	-10%
Effect on profit/(loss) before tax	(135 832)	135 832	(98 892)	98 892	(11 646)	11 646
Effect on equity	(111 382)	111 382	(81 091)	81 091	(9 550)	9 550
<b>31 December 2015</b>	<b>USD</b>		<b>EUR</b>		<b>RUB</b>	
	40%	-10%	20%	-10%	30%	-10%
Effect on profit/(loss) before tax	(528 804)	132 201	(238 547)	119 274	(12 745)	4 248
Effect on equity	(433 619)	108 405	(195 609)	97 805	(10 451)	3 483

### Operational risk

Operational risk is the risk arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and monitoring and by responding to potential risks the Group is able to manage such risks. Controls include effective segregation of duties, access rights, authorization and reconciliation procedures, staff education and assessment procedures.



## **Capital management and capital adequacy**

The Group maintains an actively managed capital base to cover risks inherent in the business. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to participants and return capital to participants. No changes were made in the capital management objectives, policies and procedures from the previous years.

The Group monitors capital using a gearing ratio, which is net debt divided by net assets attributable to the Group's participants plus net debt. The Group aims keep the gearing ratio between 35% and 70%. Management of the Group believes that actions described in Note 2 of these financial statements will improve current year's deterioration of gearing ratio during 2016. Net debt includes interest-bearing and interest-free loans, trade and other payables, less cash and amounts due from banks. Net assets include net assets attributable to the Group's shareholders owning a majority of shares, and non-controlling interests.

<b>thousands of roubles</b>	<b>2016</b>	<b>2015</b>
Loans and borrowings	2 591 223	2 474 443
Trade payables and other current liabilities	788 745	602 651
Less cash and cash equivalents, and amounts due from banks	(72 690)	(47 501)
<b>Net debt</b>	<b>3 307 278</b>	<b>3 029 593</b>
Net assets	170 641	76 815
<b>Net assets and net debt</b>	<b>3 477 919</b>	<b>3 106 408</b>
Gearing ratio	95%	98%

## **30. FAIR VALUE OF FINANCIAL INSTRUMENTS**

### **Assets for which fair value approximates carrying amount**

For financial assets and financial liabilities that are liquid, have flexible interest rate or have a short term maturity it is assumed that their fair value approximates their carrying amount. This assumption is also applied to demand deposits and current accounts without a specific maturity.

### **Financial instruments with the fixed interest rate**

The following table shows fair value of financial instruments according to the requirements of IFRS 7 «Financial instruments: Disclosures». Fair value of financial instruments with the fixed rate carried at amortized cost is estimated by comparing market rates at recognition with current market interest rates for similar financial instruments. The estimated fair value of these financial instruments is determined as a present value of cash flows using prevalent market rates for financial instruments with similar characteristics.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. None of financial assets and financial liabilities are measured at fair value.

thousands of roubles	Note	Carrying amount	Level 1	Level 2	Level 3	Total
<b>31 December 2016</b>						
<b>Financial assets</b>						
Available-for-sale investments		6 625	-	-	6 625	<b>6 625</b>
Short-term loans granted		1 500	-	-	-	-
Long-term loans granted		596	-	-	596	<b>596</b>
Financial trade and other receivables	10	122 864	-	-	-	-
Deposits		12 755	-	-	-	-
Cash and cash equivalents	13	59 935	-	-	-	-
<b>Total financial assets</b>		<b>204 275</b>	<b>-</b>	<b>-</b>	<b>7 221</b>	<b>7 221</b>
<b>Financial liabilities</b>						
Financial advances received and other liabilities		(1 506)	-	-	(1 506)	<b>(1 506)</b>
Trade and other payables		(526 032)	-	-	-	-
Loans and borrowings	15	(2 591 223)	-	-	(2 584 585)	<b>(2 584 585)</b>
<b>Total financial liabilities</b>		<b>(3 118 761)</b>	<b>-</b>	<b>-</b>	<b>(2 586 091)</b>	<b>(2 586 091)</b>
<b>31 December 2015</b>						
<b>Financial assets</b>						
Available-for-sale investments		5 265	-	-	5 265	<b>5 265</b>
Short-term loans granted		94	-	-	-	-
Long-term loans granted		2 620	-	-	2 620	<b>2 620</b>
Financial trade and other receivables	10	97 137	-	-	-	-
Deposits		14 688	-	-	-	-
Cash and cash equivalents	13	32 813	-	-	-	-
<b>Total financial assets</b>		<b>152 617</b>	<b>-</b>	<b>-</b>	<b>7 885</b>	<b>7 885</b>
<b>Financial liabilities</b>						
Financial advances received and other liabilities		(17 209)	-	-	(17 209)	<b>(17 209)</b>
Trade and other payables		(433 337)	-	-	-	-
Loans and borrowings	15	(2 474 443)	-	-	(2 472 866)	<b>(2 472 866)</b>
<b>Total financial liabilities</b>		<b>(2 924 989)</b>	<b>-</b>	<b>-</b>	<b>(2 490 075)</b>	<b>(2 490 075)</b>

There were no transfers between fair value hierarchy levels in 2016 and 2015.

The Group did not perform fair value analysis on cash and cash equivalents, deposits, trade and other receivables, trade and other payables as due to short-term nature of these financial instruments their carrying values are generally equivalent to their fair values.

For the valuation of Level 3 for loans and borrowings and other financial liabilities valuation technique of discounted cash flows is used. Significant unobservable inputs are not available for the Group.

### **31. SUBSEQUENT EVENTS**

For the period from 31 December 2016 to the date of issuance of consolidated financial statements, the Belarusian ruble strengthened by 1,27%, to the US dollar and devalued by 8.01% and 0.92% against the euro and the Russian ruble, respectively.

The increase in the consumer price index for the period January-May 2017 was 2,65%.

At the date of issuance of the financial statements in 2017, the Group attracted a significant amount of new borrowed funds as described in Note 2.

During the first 5 months of 2017, the Company's operating indicators improved significantly Compared with the same period last year. Thus, proceeds from the sale of basic products for January-May 2017 increased by 34,0% compared with the same period in 2016.