

**Open Joint Stock Company**  
**“BSW - management company of “BMC” holding”**

**Consolidated financial statements**  
**for the year ended**  
**31 December 2019,**  
**prepared in accordance with**  
**International financial reporting standards**

## Contents

Statement of Management’s Responsibility	3
INDEPENDENT AUDITORS’ REPORT	4
▫ Consolidated Statement of Financial Position	9
▫ Consolidated Statement of Profit or Loss and Other Comprehensive Income	11
▫ Consolidated Statement of Changes in Equity	13
▫ Consolidated Statement of Cash Flows	15
1. GENERAL INFORMATION	17
2. BASIS OF PRESENTATION	21
3. FUNCTIONAL AND PRESENTATION CURRENCY	22
4. USE OF JUDGMENTS AND ESTIMATES	22
5. BASIS OF MEASUREMENT	23
6. SIGNIFICANT ACCOUNTING POLICIES	24
7. NEW STANDARDS AND INTERPRETATIONS	36
8. PROPERTY, PLANT AND EQUIPMENT	39
9. INVESTMENTS IN ASSOCIATES	43
10. TRADE AND OTHER RECEIVABLES	43
11. PREPAYMENTS AND OTHER ASSETS	44
12. INVENTORIES	44
13. CASH AND CASH EQUIVALENTS	44
14. ADVANCES RECEIVED AND OTHER LIABILITIES	46
15. LOANS AND BORROWINGS	46
16. GOVERNMENT GRANTS	50
17. EQUITY AND RESERVES	50
18. REVENUE	54
19. COST OF SALES	56
20. ADMINISTRATIVE EXPENSES	56
21. SELLING EXPENSES	56
22. OTHER OPERATING EXPENSES	57
23. OTHER OPERATING INCOME	57
24. FINANCE INCOME AND COSTS	58
25. TAXATION	58
26. RELATED PARTY TRANSACTIONS	61
27. CONTINGENT LIABILITIES	61
28. UNCERTAINTIES	62
29. RISK MANAGEMENT	63
30. FAIR VALUE OF FINANCIAL INSTRUMENTS	69
31. SUBSEQUENT EVENTS	70



### Statement of Management's Responsibility

The Management of the Group, consisting of Joint Stock Company "Byelorussian Steel Works - Management Company of "Byelorussian Metallurgical Company" Holding" and its subsidiaries (hereinafter - "Group") is responsible for preparing these consolidated financial statements. The consolidated financial statements on pages 9 to 71 present fairly the consolidated financial position of the Group as at 31 December 2019, the consolidated results of its operations and its cash flows for the year ended 31 December 2019 in accordance with International Financial Reporting Standards (hereinafter - "IFRSs").

The Management of the Group confirms the consistent application of the relevant accounting policies. Reasonable and prudent judgments and estimates have been made in the preparation of these consolidated financial statements. Management of the Group also confirms that consolidated financial statements have been prepared on a going concern basis.

The Management of the Group is responsible for developing, implementing and maintaining an effective system of internal control in all the companies of the Group, for taking necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.



First Deputy General Director  
Volkov A.V.

Chief Accountant  
Kosteeva O.B.

27 July 2020

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of Open Joint Stock Company "Byelorussian Steel Works - Management Company of "Byelorussian Metallurgical Company" holding"

To the General director Korchik D.A.

Ref. number: 04-05/82/1/1 от 27.07.2020

Date: 27 July 2020

### Information about the auditee:

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

**Location:** Republic of Belarus, 247210, Zhlobin, Promyshlennaya street 37.

**Information on the state registration:** Certificate on state registration was issued by Zhlobin District Executive Committee on 24.08.2012

**Payer's identification number:** 400074854

## Qualified Opinion

We have audited the consolidated financial statements of Open Joint Stock Company "Byelorussian Steel Works - Management Company of "Byelorussian Metallurgical Company" holding" and its subsidiaries (hereinafter - "Group"), which comprise:

- ▶ the consolidated statement of financial position as at 31 December 2019;
- ▶ the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended; and
- ▶ notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, with the exception of the impact of the matters described in the "Basis for Qualified Opinion" section, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (hereinafter - "IFRSs").

## Basis for Qualified Opinion

1. The Group recognized deferred tax assets in the amount of BYN 259,459 thousand and BYN 264,503 thousand as at 31 December 2019 and 31 December 2018, respectively. International Financial Reporting Standard IAS 12 Income Taxes requires that a deferred tax asset should be recognized to the extent that it is probable that taxable profit will be available in the amount, against which the deductible temporary differences can be realised. However considering history of recent tax losses of the Group there is no reasonable evidence in respect of future tax profits to be generated by the Group. The financial effect of this departure from International Financial Reporting Standards on the consolidated financial statements have not been determined.
2. As at 31 December 2019, the Group did not recognize the test results of property, plant and equipment impairment with respect to specific cash-generating units as it is required by International Accounting Standard IAS 36 Impairment of Assets. If the results of the impairment test would be recognized, the property, plant and equipment and equity as of 31 December 2019 would decrease by BYN 206,191 thousand. Also, the impairment loss on property, plant and equipment, loss before tax and net loss for the year would increase by BYN 64,318 thousand for the year then ended, effect on revaluation of property, plant and equipment through comprehensive income would increase by BYN 141,873 thousand. If the results of property, plant and equipment impairment test would be recognized, the net assets would decrease by BYN 206,191 thousand.

Our audit opinion on the audited consolidated financial statements as at and for the year ended 31 December 2019 was modified, accordingly.

We conducted our audit in accordance with International Standards on Auditing (hereinafter - "ISAs"). Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Consolidated Financial Statements" section of this report.

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with this Code and the legislation of the Republic of Belarus.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

## Material Uncertainty Related to Going Concern

We draw attention to Note 2 "Matters of financial support" to the consolidated financial statements, which discloses negative values of the Group's key financial indicators. For the year ended 31 December 2019, the Group's net loss amounted to BYN 148,530 thousand (2018: BYN 147,450 thousand), also as of these dates the Group's current liabilities exceeded its current assets by BYN 2,006,955 thousand and BYN 1,882,169 thousand, respectively. These circumstances may indicate that there is significant uncertainty about the Group's ability to continue as a going concern. In Note 2 "Matters of financial support" to the consolidated financial statements, the management expresses confidence in the Group's ability to continue as a going concern with consideration of the further financial and other support from shareholders and discloses a list of planned activities therein.

We do not qualify our audit opinion on this matter.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that, with the exception of the matters set out in the sections "Basis for Qualified Opinion" and "Material Uncertainty Related to Going Concern", there are no other key audit matters to report in our audit report.

## Other Matters

The audit of the consolidated financial statements of the Group for the previous year was conducted by another auditor, who expressed a qualified audit opinion on these consolidated financial statements in the auditors' report dated 16 July 2019. The basis for the qualified auditors' opinion was the following reasons:

- ▶ unjustified recognition of deferred tax assets as at 31 December 2018 and 31 December 2017 in the absence of reasonable evidence in respect of future tax profits to be generated by the Group;
- ▶ not reflected results of testing for impairment of property, plant and equipment as at 31 December 2017 for specific cash-generating units.

## Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, 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 and (or) error.

In preparing the consolidated financial statements, management is responsible for assessing the ability of the Group to continue as a going concern and the appropriateness of applying the going concern principle, as well as the proper disclosure in the consolidated financial statements, where appropriate, of information on going concern, except for cases where management intends to liquidate the Group's enterprises, to terminate their activities, or where it does not have any viable alternative other than liquidation or termination of activity.

Those charged with governance are responsible for the supervision of the preparation of the Group's consolidated financial statements.



## Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance whether the consolidated financial statements of the Group are free from material misstatement, whether due to fraud and (or) error, and to issue an auditors' report that includes our opinion expressed in the prescribed form. Reasonable assurance forms a high level of assurance, but it does not guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise due to fraud and (or) error and are considered material if, individually or taken together, they could reasonably be expected to influence the economic decisions of the users of these consolidated financial statements taken on its basis.

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 and (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 specially designed measures to conceal it;
- ▶ Obtain an understanding of the internal control system of the Group 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 internal control system;
- ▶ Evaluate the appropriateness of accounting policies used by the Group and the reasonableness of accounting estimates and related disclosures of the consolidated financial statements made by the auditee;
- ▶ 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause the Group 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 companies 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.







▪ Consolidated Statement of Financial Position

	Notes	31 December 2019 BYN'000	31 December 2018 BYN'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	2,891,789	2,984,830
Investments in associates	9	3,595	4,050
Other investments		8,268	9,425
Loans granted		731	700
Trade and other receivables	10	636	399
Prepayments and other assets	11	28,288	9,803
Bank deposits		-	33
Deferred tax assets	25	259,459	264,503
<b>Total non-current assets</b>		<b>3,192,766</b>	<b>3,273,743</b>
<b>Current assets</b>			
Inventories	12	723,660	792,765
Loans granted		2,776	3,909
Trade and other receivables	10	163,500	173,034
Prepayments and other assets	11	136,935	124,019
Other tax receivables		47,191	57,914
Current income tax assets		6,622	4,770
Bank deposits		1,410	11,977
Cash and cash equivalents	13	108,596	45,319
<b>Total current assets</b>		<b>1,190,690</b>	<b>1,213,707</b>
<b>Total assets</b>		<b>4,383,456</b>	<b>4,487,450</b>
<b>Non-current liabilities</b>			
Trade payables		71,659	80,516
Advances received and other liabilities	14	7,899	5,065
Loans and borrowings	15	916,597	960,930
Government grants	16	101,182	94,630
Deferred tax liabilities	25	2,475	2,028
<b>Total non-current liabilities</b>		<b>1,099,812</b>	<b>1,143,169</b>



	Notes	31 December 2019 BYN'000	31 December 2018 BYN'000
<b>Current liabilities</b>			
Trade payables		509,472	401,600
Advances received and other liabilities	14	562,967	431,410
Loans and borrowings	15	2,091,732	2,225,017
Current income tax liabilities		980	6,262
Other taxes payable		27,273	26,537
Government grants	16	5,221	5,050
<b>Total current liabilities</b>		<b>3,197,645</b>	<b>3,095,876</b>
<b>Total liabilities</b>		<b>4,297,457</b>	<b>4,239,045</b>
<b>Net assets</b>		<b>85,999</b>	<b>248,405</b>
<b>EQUITY</b>			
Share capital	17	969,994	969,994
Capital reserves	17	12,832	11,854
Additional paid-in capital	17	19,871	19,871
Property, plant and equipment revaluation reserve	17	1,209,441	1,217,268
Accumulated loss		(2,215,721)	(2,051,689)
Foreign currency translation reserve	17	15,099	17,174
<b>Equity attributable to equity holders of the parent company</b>		<b>11,516</b>	<b>184,472</b>
Non-controlling interests	17	74,483	63,933
<b>Total equity</b>		<b>85,999</b>	<b>248,405</b>

The accompanying notes on pages 17 to 71 form an integral part of these consolidated financial statements.

First Deputy General Director  
Volkov A.V.

27 July 2020



Chief Accountant  
Kosteeva O.B.



▪ Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	2019 BYN'000	2018 BYN'000
Revenue	18	3,504,344	3,717,601
Cost of sales	19	(3,016,340)	(3,074,166)
Gross profit		488,004	643,435
Administrative expenses	20	(195,340)	(177,846)
Selling expenses	21	(204,385)	(195,322)
Other operating expenses	22	(64,945)	(63,611)
Other operating income	23	22,661	8,982
Income from government grants	16	7,170	4,643
Impairment loss of trade receivables and other contract assets	10,29	(6,653)	(10,263)
Operating profit		46,512	210,018
Impairment (loss)/reversal of property, plant and equipment	8	(26,411)	16,337
Finance income	24	85,200	1,786
Finance expenses	24	(225,103)	(431,618)
Net finance costs		(139,903)	(429,832)
Share of profit from equity-accounted investees		274	474
Loss before tax		(119,528)	(203,003)
Income tax (expense) / benefit	25	(29,002)	55,553
Net loss for the year		(148,530)	(147,450)
<b>Other comprehensive (loss)/ income</b>			
<i>Items that won't be reclassified to profit or loss:</i>			
Revaluation of property, plant and equipment	8	(4,334)	461,090
Tax effect of revaluation of property, plant and equipment	25	780	(82,980)
		(3,554)	378,110
<i>Items that are or might be reclassified subsequently to profit or loss:</i>			
Effect of translation to presentation currency		(2,744)	(6,516)
		(2,744)	(6,516)
Other comprehensive income for the year		(6,298)	371,594
Total comprehensive (loss)/ income for the year		(154,828)	224,144



Profit /(loss) attributable to:

Shareholders of the parent company

(164,510)

(173,431)

Non-controlling interests holders

15,980

25,981

(148,530)

(147,450)

Total comprehensive (loss) / income  
attributable to:

Shareholders of the parent company

(170,139)

203,166

Non-controlling interests holders

15,311

20,978

(154,828)

224,144

The accompanying notes on pages 17 to 71 form an integral part of these consolidated financial statements.

First Deputy General Director  
Volkov A.V.

Chief Accountant  
Kosteeva O.B.

27 July 2020





▪ Consolidated Statement of Changes in Equity

Attributable to equity holders of the Company

Notes	Share capital	Capital reserves	Additional paid-in capital	Property, plant and equipment revaluation reserve	Foreign currency translation reserve	Accumulated loss	Total	Non-controlling interests	Total equity
	BYN'000	BYN'000	BYN'000	BYN'000	BYN'000	BYN'000	BYN'000	BYN'000	BYN'000
Balance as at 1 January 2018	969,994	9,552	19,871	843,837	18,687	(1,877,448)	(15,507)	50,577	35,070
Comprehensive income (loss)	-	-	-	-	-	(173,431)	(173,431)	25,981	(147,450)
Net loss for the year	-	2,302	-	-	-	(2,302)	-	-	-
Transfer to capital reserves	-	-	-	-	-	-	-	-	-
Revaluation of property, plant and equipment	-	-	-	461,090	-	-	461,090	-	461,090
Tax effect of the revaluation of fixed assets	-	-	-	(82,980)	-	-	(82,980)	-	(82,980)
Transfer to retained earnings	-	-	-	(4,679)	-	4,679	-	-	-
Effect of translation to presentation currency	-	-	-	-	(1,513)	-	(1,513)	(5,003)	(6,516)
Total comprehensive income / (loss)	-	2,302	-	373,431	(1,513)	(171,054)	203,166	20,978	224,144
Transactions with shareholders of the parent company recognized in equity	-	-	-	-	-	-	-	-	-
Dividends	17	-	-	-	-	-	-	(7,622)	(7,622)
Other distributions (part of the profit)	17	-	-	-	-	(3,187)	(3,187)	-	(3,187)
Total transactions with shareholders of the parent company recognized in equity	-	-	-	-	-	(3,187)	(3,187)	(7,622)	(10,809)
Balance as at 31 December 2018	969,994	11,854	19,871	1,217,268	17,174	(2,051,689)	184,472	63,933	248,405



JSC "BSW - management company of "BMC" holding"  
Consolidated financial statements  
for the year ended 31 December 2019



Attributable to equity holders of the Company

Notes	Share capital	Capital reserves	Additional paid-in capital	Property, plant and equipment revaluation reserve	Foreign currency translation reserve	Accumulated loss	Total	Non-controlling interests	Total equity
	BYN'000	BYN'000	BYN'000	BYN'000	BYN'000	BYN'000	BYN'000	BYN'000	BYN'000
Balance at 1 January 2019	969,994	11,854	19,871	1,217,268	17,174	(2,051,689)	184,472	63,933	248,405
Comprehensive income (loss)									
Net loss for the year	-	-	-	-	-	-	-	-	-
Revaluation of property, plant and equipment	-	-	-	(4,334)	-	(164,510)	(164,510)	15,980	(148,530)
Tax effect of the revaluation of fixed assets	-	-	-	780	-	-	(4,334)	-	(4,334)
Transfer to reserve capital	-	978	-	-	-	(978)	780	-	780
Transfer to retained earnings	-	-	-	(4,273)	-	4,273	-	-	-
Effect of translation to presentation currency	-	-	-	-	(2,075)	-	(2,075)	(669)	(2,744)
Total comprehensive income /(loss)	-	978	-	(7,827)	(2,075)	(161,215)	(170,139)	15,311	(154,828)
Transactions with shareholders of the parent company recognized in equity									
Dividends	-	-	-	-	-	-	-	(4,761)	(4,761)
Other distributions (part of the profit)	-	-	-	-	-	(2,817)	(2,817)	-	(2,817)
Total transactions with shareholders of the parent company recognized in equity	-	-	-	-	-	(2,817)	(2,817)	(4,761)	(7,578)
Balance as at 31 December 2019	969,994	12,832	19,871	1,209,441	15,099	(2,215,721)	11,516	74,483	85,999

The accompanying notes on pages 17 to 71 form an integral part of these consolidated financial statements.

First Deputy General Director  
Volkov A.V.

Chief Accountant  
Kosteeva O.B.

27 July 2020





▪ Consolidated Statement of Cash Flows

	Notes	2019 BYN'000	2018 BYN'000
<b>Cash flows from operating activities</b>			
Loss for the year		(148,530)	(147,450)
Adjustments to:			
Income tax (expense) / benefit	25	29,002	(55,553)
Depreciation	8	146,211	197,753
Reversal of property, plant and equipment impairment	8	26,411	(16,337)
Impairment loss of trade receivables and other contract assets	10	6,653	10,263
Provisions for pension payments		457	279
Loss from disposal of property, plant and equipment	22	1,608	6,586
Net finance costs	24	139,903	429,832
Share of profit from equity-accounted investees		(274)	(474)
		<u>201,441</u>	<u>424,899</u>
<b>Changes in:</b>			
Inventories		68,340	(166,266)
Trade and other receivables		389	(43,594)
Tax receivables		10,723	20,959
Tax liabilities		736	(2,830)
Prepayments and other assets		(37,402)	(61,936)
Government grants		10,752	19,882
Trade payables		75,027	32,844
Advances received and other liabilities		135,373	15,575
<b>Cash flows' increase from operations before income taxes and interest paid</b>		<u>465,379</u>	<u>239,533</u>
Interest paid		(172,347)	(234,247)
Income tax paid		(21,781)	(42,298)
<b>Net cash flows increased (used in) into the operating activities</b>		<u>271,251</u>	<u>(37,012)</u>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment		(79,582)	(61,188)
Proceeds from sale of property, plant and equipment		1,116	2,108
Repayment/(issuance) of loans		1,102	(426)
Interest received on deposits		2,054	1,695
Withdrawal of deposits		10,600	1,988
Sale/(purchases) of investments in associates and other investments		1,216	(2,452)
<b>Net cash flows used in investing activities</b>		<u>(63,494)</u>	<u>(58,275)</u>

JSC "BSW - management company of "BMC" holding"  
Consolidated financial statements  
for the year ended 31 December 2019



	Notes	2019 BYN'000	2018 BYN'000
<b>Cash flows from financing activities</b>			
Loans and borrowings paid	15	(3,874,876)	(2,913,244)
Payment of finance lease liabilities	15	(2,007)	(3,726)
Long term accounts payable paid	15	3,769,918	3,005,705
Accounts payable related to financial activities	15	(13,024)	(7,310)
Dividends paid to non controlling interest holders	17	(7,578)	(10,809)
<b>Net cash flow (used in) /from financing activities</b>		<b>(127,567)</b>	<b>70,616</b>
<b>Net decrease in cash and cash equivalents</b>		<b>80,190</b>	<b>(24,671)</b>
Effect of foreign currency translation and effect of exchange rate changes on cash and cash equivalents		(16,913)	8,894
<b>Cash and cash equivalents as at 1 January</b>	<b>13</b>	<b>45,319</b>	<b>61,096</b>
<b>Cash and cash equivalents as at 31 December</b>	<b>13</b>	<b>108,596</b>	<b>45,319</b>

The accompanying notes on pages 17 to 71 form an integral part of these consolidated financial statements.

First Deputy General Director  
Volkov A.V.

27 July 2020



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 reorganised into Open Joint Stock Company "Byelorussian Steel Works" (hereinafter - 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 2019, 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 (authorised 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 principally is engaged in the production 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 (2018: 17 auxiliary shops).

The Company's average number of employees for the years ended 31 December 2019 and 2018 was 11,002 and 10,944, respectively.

The Company is the parent of the Group (hereinafter - the "Group") comprising the following subsidiaries and associates, which consolidated into these financial statements:

Company	Country of incorporation	Effective ownership share, %		Type of activities
		2019	2018	
Subsidiaries				
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
PUE "Brestvtorchernet"	Republic of Belarus	100.00	100.00	Procurement and processing of non-ferrous and ferrous waste and scrap
PUE "Vitebskvtorchernet"	Republic of Belarus	100.00	100.00	Procurement and processing of non-ferrous and ferrous waste and scrap



Company	Country of incorporation	Effective ownership share, %		Type of activities
		2019	2018	
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
UE "Trading House RMP"	Republic of Belarus	100.00	100.00	Supply of goods as per orders of trade and other organisations for the products of OJSC "Rechitsa Metizny Plant"
AUE "Rechitsky-Agro"	Republic of Belarus	100.00	100.00	Crop production combined with cattle breeding
OJSC "Belvtorchermet"	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
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.)
PUE "Tsvetmet"	Republic of Belarus	100.00	100.00	Procurement and processing of non-ferrous waste and scrap
TPUE "Metallurgtorg"	Republic of Belarus	100.00	100.00	Sale of consumer goods
TPUE "Metallurgtrans"	Republic of Belarus	100.00	100.00	Transportation services
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 building processes, transportation by truck
PAUE "Paporotnoe"	Republic of Belarus	100.00	100.00	Growing of grain, pulse, forage and technical crops, production of milk and meat
PUE "BMZ-Ekoservice", Zhlobin	Republic of Belarus	100.00	100.00	Processing of ferrous waste and scrap
UE "Metallurgsotsservice"	Republic of Belarus	100.00	100.00	Rendering of services
OJSC "Polesyeelectromash"	Republic of Belarus	100.00	100.00	Development, production and sale of electrical goods, consumer goods, and special





Company	Country of incorporation	Effective ownership share, %		Type of activities
		2019	2018	
				technological equipment and tools
OJSC "BELNIILIT"	Republic of Belarus	99.67	99.67	Research and development in foundry production
OJSC "Minsk Bearing Plant"	Republic of Belarus	99.47	99.47	Production of bearings
OJSC "Zhlobinsky Open-Cast Mine of Moulding Materials"	Republic of Belarus	98.15	98.15	Development of gravel and sand pits
CJSC "Hockey Club Metallurg-Zlobin"	Republic of Belarus	85.00	85.00	Sporting activities and other leisure and entertainment activities
"BSW" Trading House, Barnayl	Russian Federation	82.50	82.50	Wholesale of OJSC "BSW"'s steel products
CJSC "DOR-MPZ"	Republic of Belarus	81.77	81.77	Production of component parts for rail fastenings, and equipment
				Steel, iron, light metals and other non-ferrous metals casting, metalworking, production of construction metal structures, equipment and spare parts
OJSC "Plant "Legmash"	Republic of Belarus	81.71	81.71	
BELASTAHL Außenhandel GmbH	Germany	75.00	75.00	Wholesale of OJSC "BSW"'s steel products
"BSW" Trading House, Saint Petersburg	Russian Federation	60.00	60.00	Delivery of scrap metal to OJSC "BSW", collection of scrap metal from individuals at the scrap collecting sites in Russia
Belaruski lageri AD	Bulgaria	59.68	59.68	Wholesale of OJSC "MPZ"'s products
JLLC "BSW-GKS"	Republic of Belarus	57.38	57.38	Production of gaseous oxygen
JLLC "Manuli Hydraulics Manufacturing Bel"	Republic of Belarus	56.56	56.56	Production of high-pressure hoses for hydraulic devices
Trading House "BSW-Baltija"	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	
Trade and production unitary enterprise "MMP-Service"	Republic of Belarus	54.67	54.67	Retail, public catering, rendering of services
BEL-KAP-STEEL, LLC	USA	50.00	50.00	Wholesale of OJSC "BSW"'s steel products
LLC "Bel-Kap-Steel Scandinavia"	Lithuania	-	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



Company	Country of incorporation	Effective ownership share, %		Type of activities
		2019	2018	
BMZ Polska Sp. z o.o.	Republic of Poland	50.00	50.00	Wholesale of OJSC "BSW"'s steel products
LLC Belmet Steel DMSS, Dubai	UAE	50.00	50.00	Wholesale of OJSC "BSW"'s steel products
LLC "Belmet D.O.O. Belgrad"	Republic of Serbia	25.50	25.50	Wholesale of metal products of OJSC "BMZ"
RMZ Vertriebs GmbH	Austria	25.00	25.00	Wholesale of OJSC "Rechitsa Metizny Plant" products

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; RMZ Vertrieb GmbH, LLC Belmet Steel DMSS, Dubai and LLC "Belmet D.O.O. Belgrad" through Belmet Handelsgesellschaft m.b.H.

LLC "Bel-Kap-Steel Scandinavia" disposed BEL-KAP-STEEL, LLC on October 29, 2019.

#### Associates

Company	Country of incorporation	Effective ownership interest, %		Type of activities
		2019	2018	
LLC "BSW-Novomet"	Republic of Belarus	33.00	40.00	Recycling of waste and scrap of ferrous metals
LLC "Cylinders Bel"	Republic of Belarus	30.00	30.00	Production of balloons for technical gases
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
LLC "TH BSW-Snab"	Russian Federation	20.63	20.63	Wholesale of metals and metallic ores
Dismas Trading s.r.l.	Italy	16.50	16.50	Wholesale of OJSC "BSW"'s steel products

There were some changes in the effective ownership and structure within the Group in 2019 which resulted in immaterial effect on consolidated financial statements.

These consolidated financial statements were approved for issue by the Group's Management on 27 July 2020.

#### Belarusian business environment

The Group's operations are primarily located in Belarus. Accordingly, the Group is exposed to the economic environment and financial markets of Belarus, which represent the emerging market characteristics. The legal, tax and regulatory frameworks continue to develop, but are subject to varying interpretations and frequent changes, which, together with other legal and fiscal impediments, contribute to the challenges faced by business entities operating in Belarus. The monetary policy regulations, adopted by the National Bank of the Republic of Belarus and effective over the past two years, have resulted in reduced inflation and a less-volatile Belarusian Rouble. However, the fairly recent devaluation of the Belarusian Rouble, and the subsequent period of high inflation, still leads to a certain level of uncertainty in the business environment.

The consolidated financial statements reflect management's assessment of how the Belarusian business environment has impacted the operations and financial position of the Group. The business environment in the future may differ from management's assessment.



## 2. BASIS OF PRESENTATION

### Statement of compliance

These consolidated financial statements have been prepared in accordance with and fully comply with International financial reporting standards ("IFRS"), including all International financial reporting standards adopted and effective during the reporting period and interpretations of the International accounting standards Board.

### Matters of financial support

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 BYN 148,530 thousand for the year ended 31 December 2019 (for the year ended 31 December 2018 - BYN 147,450 thousand). In addition as at the mentioned dates Group's current liabilities exceeded its current assets by BYN 2,006,955 thousand and BYN 1,882,169 thousand, respectively, accumulated loss were reported in the amount of BYN 2,215,721 thousand for the year ended 31 December 2019 (31 December 2018: BYN 2,051,689 thousand).

As a result of the increasing competition, the Group's Management plans to increase the Company's industrial production in 2020 through the ongoing reconstruction and technical re-equipment of the main metallurgical production, as well as through structural changes in production process, with a reasonable reduction in the consumption of raw materials, fuel and energy resources based on resource-and energy - saving technologies. The result of the work (following the implementation of investment projects) will be an increase in the volume of steel production, the sale of products with higher added value.

The Group's management forecasts stabilization of the main sales markets, which will increase the sales volumes. In order to minimize the impact of negative environmental factors, constant and systematic work is being done to reduce costs. Management intends to mobilize internal reserves, optimize all types of production resources, develop and strictly monitors measures to reduce the cost of production. The economic effect of these measures would lead to reduce production costs amounting to 79.3 million rubles in the first 6 months of 2020, or 6.3% of the cost of production.

Historical analysis of relations with creditors shows successful results of the Group to refinance its obligations. Credit institutions historically did not apply any measures of influence, in particular, early repayment of the Group's obligations due to violation of financial conditions. The Group's management is confident that it has sufficient capacity to refinance all current liabilities and receive, if necessary, notifications under loan agreements about non-application of impact measures. In addition, the ongoing work to reduce interest rates on loans has reduced the cost of financial activities by 9.3 million rubles.

In March 2020, a formal confirmation was received from the government of Belarus on the implementation of a government subsidy plan aimed at compensating the Group's interest expenses (Resolution of the Council of Ministers of the Republic of Belarus of 30 March 2020 № 177 "On reimbursement of interest for using Bank loans" in accordance with the decree of the President of the Republic of Belarus of 06.06.2011 № 231 "on certain issues of stimulating highly efficient production"). The amount to be refunded is 441 thousand euros. In 2019, the amount of interest reimbursed from the Republican budget for the use of Bank loans amounted to 1,894 thousand euros.

Also, for 2020, the Group's parent company agreed on retention the individual tariff for electric energy (an Addendum to the Declaration on the level of tariffs for electric energy issued by the Republican unitary enterprises of the electric power industry of GPO "Belenergo" for legal entities and individual entrepreneurs, registered by order of the Ministry of Antimonopoly regulation and trade of the Republic of Belarus dated 31.01.2019 No. 35.). In addition, the Group is working on reducing electricity tariffs to the level applicable to the metallurgical industry in the Russian Federation.

In July 2020, the Group received confirmation of its intention to support its activities from the Ministry of Manufacturing of the Republic of Belarus.



The parent company of the Group is also included in the list of legal entities that ensure the functioning of the system of strategically important sectors of the economy, the decision to terminate the activities of which is only within the authority of the owner.

Based on the above, management believes that the Group will be able to continue operating in the foreseeable future and implement all measures to improve its performance.

### 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. All figures in roubles are rounded to (the nearest) thousand, unless otherwise indicated.

Functional currencies of subsidiaries are the currencies of the respective countries of registration.

Financial result and financial position of a subsidiary with the functional currency different from the presentation currency are translated to the presentation currency as follows:

- 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 as for the dates of the respective transactions; and
- equity components are translated at the exchange rates as for the dates of the respective transactions; and
- all exchange differences resulting from translation are recognised in other comprehensive income as "Effect of translation to 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 2019 and 31 December 2018 the share of ownership in Belmet Handelsgesellschaft m.b.H. and BEL-KAP-STEEL, LLC was 50%. However as the representatives of OJSC "BSW - management company of "BMC" holding" are members of their executive boards and control the process of making all significant decisions on their relevant business activities, 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 considered as part of the Group and are consolidated into these consolidated financial statements of 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.



### ***Allowances for trade accounts receivable***

Loss allowances for trade accounts receivables are measured at an amount equal to lifetime expected credit losses based on the probability of a receivable progressing through successive stages of delinquency to write-off. The Management's estimated used in calculation of allowance are disclosed in Note 29.

### ***Deferred tax assets***

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. 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 categorised 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 categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised 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 recognises 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 are 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 amortised cost. The amortised 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.





## 5. BASIS OF MEASUREMENT

These consolidated financial statements have been prepared on the historical (initial) cost basis except for 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 2019 and 31 December 2018 were as follows:

	31 December 2019	31 December 2018
USD/BYN	2.1036	2.1598
RUB/BYN	0.0340	0.0311
EUR/BYN	2.3524	2.4734

Average exchange rates for the period

	2019	2018
USD/BYN	2.0914	2.0366
RUB/BYN	0.0323	0.0326
EUR/BYN	2.3418	2.4054

### (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 their carrying amounts at the date of acquisition. Income and expenses of the acquired entity are included in the consolidated financial statements from the date of acquisition. 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 former 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 joint ventures.

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.

The revaluation reserve is transferred to retained earnings on ultimate disposal of the relevant item of property, plant and equipment.

**(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:

	Years
Buildings and infrastructure	1-142
Production machinery	1-66
Other equipment	1-20
Other property, plant and equipment	1-88

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:



	<u>Years</u>
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**

**(i) Recognition and initial measurement**

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

**(ii) Classification and subsequent measurement**

**Financial assets - Policy applicable from 1 January 2018**

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) - debt investment; FVOCI - equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.





On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Based on the business model assessment the Group classifies financial assets, excluding equity-accounted investments, into the following categories:

**Financial assets at amortised cost:** These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

**Equity investments at FVOCI:** These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

#### **Financial assets - Policy applicable before 1 January 2018**

The Group classified its financial assets into one of the following categories:

- loans and receivables;
- held to maturity;
- available for sale.

**Held-to-maturity financial assets:** Measured at amortised cost using the effective interest method.

**Loans and receivables:** Measured at amortised cost using the effective interest method.

**Available-for-sale financial assets:** Unquoted equity investments, if their fair value cannot be measured reliably, are recognised at acquisition cost less any impairment losses, if any.

#### **Financial liabilities - Classification, subsequent measurement and gains and losses**

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

The Group has fixed rate bank loans for which the banks have the option to revise the interest rate following the change of key rate set by the National Bank of Belarus (NBB). The Group have an option to either accept the revised rate or redeem the loan at par without penalty. The Group considers these loans as in essence floating rate loans.

#### **(iii) *Modification of financial assets and financial liabilities***

##### **Financial assets**

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different (referred to as 'substantial modification'), then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.



The Group assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset deemed to have expired. In making this evaluation the Group analogizes to the guidance on the derecognition of financial liabilities.

The Group concludes that the modification is substantial as a result of the following qualitative factors:

- change the currency of the financial asset;
- change in collateral or other credit enhancement;

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. The gross carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

#### **Financial liabilities**

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

If a modification (or exchange) does not result in the derecognition of the financial liability the Group applies accounting policy consistent with the requirements for adjusting the gross carrying amount of a financial asset when a modification does not result in the derecognition of the financial asset, i.e. the Group recognises any adjustment to the amortised cost of the financial liability arising from such a modification (or exchange) in profit or loss at the date of the modification (or exchange).

Changes in cash flows on existing financial liabilities are not considered as modification, if they result from existing contractual terms, e.g. changes in fixed interest rates initiated by banks due to changes in the NBB key rate, if the loan contract entitles banks to do so and the Group have an option to either accept the revised rate or redeem the loan at par without penalty. The Group treats the modification of an interest rate to a current market rate using the guidance on floating-rate financial instruments. This means that the effective interest rate is adjusted prospectively.

Group performs a quantitative and qualitative evaluation of whether the modification is substantial considering qualitative factors, quantitative factors and combined effect of qualitative and quantitative factors. The Group concludes that the modification is substantial as a result of the following qualitative factors:

- change in the currency of the financial liability;
- change in collateral or other credit enhancement;
- inclusion of conversion option;
- change in the subordination of the financial liability.

For the quantitative assessment the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment.



If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

**(iv) Derecognition**

**Financial assets**

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

**Financial liabilities**

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

**(i) Offsetting**

Financial assets and financial 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 amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

**(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 capitalised 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**

**Policy applicable from 1 January 2018**

The Group recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost.

The Group measures loss allowances at an amount equal to lifetime ECLs.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

*Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

*Credit-impaired financial assets*

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or delinquency of more than 90 days;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

*Write-off*

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 360 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery of the amounts written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

**Policy applicable before 1 January 2018**

Financial assets were assessed at each reporting date to determine whether there was objective evidence of impairment.



Objective evidence that financial assets (including equity securities) are impaired included:

- 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,
- adverse changes in the payment status of borrowers in the group,
- economic conditions that correlate with defaults,
- the disappearance of an active market for a security, or
- observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets.

*Financial assets measured at amortised cost*

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

In assessing collective impairment, the Group used historical information on the timing of recoveries and the amount of loss incurred, and made an adjustment if current economic and credit conditions were such that the actual losses were likely to be greater or lesser than suggested by historical trends.

An impairment loss was 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 were recognised in profit or loss and reflected in an allowance account. When the Group considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through profit or loss.

*Equity-accounted investees*

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

**(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 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.



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 recognised at cost. Non-monetary contributions are included into the share capital at the fair value of the contributed assets.

Dividends on ordinary shares are recognised in equity as a reduction in the period, in which they are declared.

**(j) Revenue**

The Group has initially applied IFRS 15 from 1 January 2018. Information about the Group's accounting policies relating to contracts with customers is provided in Note 18.

**(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.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.



**(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) 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.

**(n) 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.

To the extent that the Group's contributions to social programs benefit the community at large and are not restricted to the Group's employees, they are recognised in profit or loss as incurred.

**(o) Contingent assets and liabilities**

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

**(p) 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.





Deferred tax assets are 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. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. 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; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

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 taxable 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.

#### **(q) 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**

The Group has not prematurely applied standards, clarifications or amendments that have been issued but are not yet effective.

Standards applied by the Group from 1 January 2019:

- IFRS 16 “leases” (issued in January 2016 and applied for annual periods beginning on or after 1 January 2019). The standard replaces IAS 17 “leases” and introduces a single model for all types of leases in the statement of financial position in a manner similar to the current accounting for Finance leases, and requires lessees to recognize assets and liabilities for most leases, except where specifically specified. For lessors, there have been minor changes to the current rules established by IAS 17 “leases”.



The Group has applied a practical simplification that allows, at the date of initial application, to apply the standard only to contracts that were previously identified as lease agreements applying IAS 17 and (IFRIC) 4.

The Group also decided to use the recognition exemption for leases that have a lease term of no more than 12 months at the start of the lease and that do not contain a purchase option, as well as leases in which the underlying asset has a low value.

The Group also decided to use the recognition exemption for leases that have a lease term of no more than 12 months at the start of the lease and that do not contain a purchase option, as well as leases in which the underlying asset has a low value.

Based on the results of the analysis, it was determined that the application of this standard did not have a significant impact on the group's consolidated financial statements accordingly, no adjustments were made to the consolidated financial statements and comparative data were not restated.

The following clarifications and amendments to the current IFRS standards are effective from 1 January 2019:

- IFRIC 23 "Uncertainty in accounting for income taxes" (issued in June 2017 and applied for annual reporting periods beginning on or after 1 January 2019) clarifies requirements for the recognition and measurement of a tax liability or tax asset when there is uncertainty in accounting for income taxes.
- Amendments to IAS 28 Investments in associates and joint ventures (issued in October 2017 and applied for annual reporting periods beginning on or after 1 January 2019). The amendments clarify that long-term investments in an associate or joint venture that form part of an entity's net investment in an associate or joint venture should be accounted for in accordance with IFRS 9 Financial instruments.
- Amendments to IAS 23 "borrowing Costs" (issued in December 2017 and applied for annual reporting periods beginning on or after 1 January 2019). The changes clarify which borrowing costs can be capitalized in certain circumstances.
- Amendments to IFRS 3 "business Combinations" and IFRS 11 "Joint ventures" (issued in December 2017 and applied for annual reporting periods beginning on or after 1 January 2019). The changes explain how the acquisition of control (or joint control) over a business that is a joint operation should be accounted for if the entity is already involved in the business.
- Amendments to IAS 19 employee Benefits (issued in February 2018 and applied for annual periods beginning on or after 1 January 2019). The changes clarify the accounting procedure in the event of changes to the program, its reduction or full repayment of obligations under the program.

The group considered these clarifications and amendments to the standards in preparing the consolidated financial statements. The clarifications and amendments to the standards did not have a significant impact on the group's consolidated financial statements.

*Standards, clarifications and amendments to existing standards that are not yet effective and are not applied by the Group ahead of time:*

A number of new standards, clarifications and amendments to standards are effective for annual periods beginning on or after 1 January 2020. In particular, the Group did not early apply the following standards, clarifications and amendments to standards:

- IFRS 17 insurance Contracts (issued in May 2017 and applied for annual periods beginning on or after 1 January 2023). The standard replaces IFRS 4 insurance Contracts. IFRS 17 provides for the measurement of insurance liabilities at the present value of performance and offers a more unified approach to the assessment and presentation of all insurance contracts. Under IFRS 17, entities must identify insurance contract portfolios containing contracts that are subject to similar risks and are managed jointly.



- Amendments to IFRS 3 "business Combinations "(issued in October 2018 and applied for annual reporting periods beginning on or after 1 January 2020). The changes introduce a new definition of a business and simplify the assessment of whether an acquired set of activities and assets is a group of assets or a business.
- Amendments to IAS 1 Presentation of financial statements and IAS 8 Accounting policies, changes in accounting estimates and errors (issued in October 2018 and applied for annual periods beginning on or after 1 January 2020). The changes clarify the definition of the term "materiality", as well as provide recommendations for improving consistency in its application when referred to in IFRS standards.

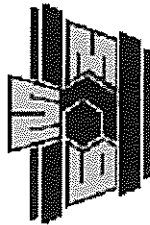
The Group is currently assessing the impact of these changes on its financial position and results of operations.



JSC "BSW" - management company of "BMC" holding"  
Consolidated financial statements  
for the year ended 31 December 2019

## 8. PROPERTY, PLANT AND EQUIPMENT

Cost	Buildings and infrastructure BYN'000	Production machinery BYN'000	Other equipment BYN'000	Other property, plant and equipment BYN'000	Construction in progress and equipment for installation BYN'000	Total BYN'000
<b>1 January 2018</b>	1,221,202	2,389,276	82,507	91,903	199,342	3,984,230
Additions	-	-	-	-	75,666	75,666
Transfers	25,887	52,407	4,759	4,924	(87,977)	-
Disposals	(5,365)	(9,041)	(990)	(3,464)	(81)	(18,941)
Revaluation recognised in profit/loss of the reporting period	13,469	3,520	-	-	-	16,989
Revaluation recognised in comprehensive income	253,290	1,384,548	-	-	-	1,637,838
Change in exchange rates of presentation currency	(576)	-	(5,253)	194	4	(5,631)
<b>31 December 2018</b>	<b>1,507,907</b>	<b>3,820,710</b>	<b>81,023</b>	<b>93,557</b>	<b>186,954</b>	<b>5,690,151</b>
Additions	-	-	-	-	84,276	84,276
Transfers	18,992	66,609	4,502	9,978	(100,081)	-
Disposals	(2,011)	(6,061)	(1,415)	(1,997)	-	(11,484)
Depreciation	(15,507)	(35,531)	-	(1,142)	-	(52,180)
Change in exchange rates of presentation currency	365	-	5,303	11	-	5,679
<b>31 December 2019</b>	<b>1,509,746</b>	<b>3,845,727</b>	<b>89,413</b>	<b>100,407</b>	<b>171,149</b>	<b>5,716,442</b>



JSC "BSW" - management company of "BMC" holding"  
Consolidated financial statements  
for the year ended 31 December 2019

	Buildings and infrastructure BYN'000	Production machinery BYN'000	Other equipment BYN'000	Other property, plant and equipment BYN'000	Construction in progress and equipment for installation BYN'000	Total BYN'000
<b>Depreciation and impairment losses</b>						
<b>1 January 2018</b>	170,890	1,072,388	38,459	60,763	-	1,342,500
Depreciation for the year	32,071	154,387	5,994	5,479	-	197,931
Disposals	(1,357)	(5,950)	(959)	(1,981)	-	(10,247)
Revaluation recognised in profit/loss of the reporting period	927	4,540	-	-	-	5,467
Revaluation recognised in comprehensive income	31,193	1,145,555	-	-	-	1,176,748
Recovery of impairment	-	-	-	(4,815)	-	(4,815)
Change in exchange rates of presentation currency	29	(1)	(2,400)	109	-	(2,263)
<b>31 December 2018</b>	<b>233,753</b>	<b>2,370,919</b>	<b>41,094</b>	<b>59,555</b>	-	<b>2,705,321</b>
Depreciation for the year	24,863	108,828	6,314	6,994	-	146,999
Disposals	(779)	(4,677)	(1,342)	(1,962)	-	(8,760)
Depreciation	(4,325)	(16,399)	-	(711)	-	(21,435)
Change in exchange rates of presentation currency	46	-	2,473	9	-	2,528
<b>31 December 2019</b>	<b>253,558</b>	<b>2,458,671</b>	<b>48,539</b>	<b>63,885</b>	-	<b>2,824,653</b>
<b>1 January 2018</b>	1,050,312	1,316,888	44,048	31,140	199,342	2,641,730
<b>31 December 2018</b>	1,274,154	1,449,791	39,929	34,002	186,954	2,984,830
<b>31 December 2019</b>	1,256,188	1,387,056	40,874	36,522	171,149	2,891,789



As at 31 December 2019 and 2018, property, plant and equipment in the amount of BYN 1,929,126 thousand and BYN 2,083,816 thousand, respectively, were pledged as collateral under received loans.

Property plant and equipment in the amount of BYN 10,322 thousand was acquired under finance lease in 2019 (2018: BYN 9,900 thousand).

As at 31 December 2019 the property, plant and equipment with the cost of BYN 264,553 thousand were fully depreciated but the Group used them in production activities and for administrative purposes (2018: BYN 223,037 thousand).

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

	Notes	2019 BYN'000	2018 BYN'000
Cost of sales	19	130,069	182,697
Administrative expenses	20	14,867	14,182
Selling expenses	21	1,275	874
Finished goods		788	178
<b>Total</b>		<b>146,999</b>	<b>197,931</b>

The Group's management engaged an independent appraiser to give an independent assessment of the fair value of property, plant and equipment groups “Buildings and infrastructure” and “Production machines” as at 31 December 2018.

The property, plant and equipment of the Group are the specialised items that are rarely sold in an open market except for as a part of a current business as well as non-specialised items. The fair value of non-specialised items of property, plant and equipment is determined using market valuation technique. Market for specialised 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 specialised 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.

Additionally, in 2019, Management, with the involvement of several independent appraisers, conducted an analysis of changes in the market for similar items of property, plant and equipment and concluded that there were no significant fluctuations in this market, and, accordingly, the carrying value of assets as at 31 December 2019, taking into account the 2018 fair value assessment, does not differ significantly from its fair value.

However, given that most items of property, plant and equipment were assessed using the replacement cost method based on accumulated depreciation, Management engaged an independent appraiser to conduct an economic impairment test with an analysis of cash flows as at 31 December 2019.

Cash flow analysis was performed at the level of individual cash-generating units (CGUs), which, given the specifics of the Group, are each subsidiary and Company.



The following key assumptions were used in performing the testing:

- Forecast of nominal cash flows was prepared based on accumulated data for prior periods, actual operating results, business plans for five-year period approved by each CGU, and forecast of prices using consensus forecast of the analytical agency Consensus-Economics. The currency used in the forecast is US dollar.
- The forecasted EBITDA margin by the parent company for the forecast period varies from 6.4% to 9.2% and is stabilised at the level of 8.58% in the terminal period (from 5.21% to 11.98% for other CGU).
- For discounting the nominal after-tax rate of 11.2% was used for the Group. For the parent company, 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 58.57% and industry average beta coefficient without debt burden and unlevered beta of 0.69%. 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 2019 - 1.92%). When calculating the discount rate, country risk and size premium 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 WACC rate of 8.91% and growth rate 2.3%.

As a result of the test for certain USGS, an impairment of property, plant and equipment was recognized in the amount of BYN 26,411 thousand through the income statement and BYN 4,334 thousand through other comprehensive income

Management has identified two key assumptions that are reasonably possible to change and may cause the carrying amount to exceed the discounted amount of future cash flows. The above estimates are particularly sensitive to the following changes:

- Increase in the applied discount rate by 2.6% would result in the discounted amount of future cash flows being equal to the carrying amount.
- Decrease in the long-term growth rate of 1.4% would result in the discounted value of future cash flows being equal to the carrying amount.

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

	2019 BYN'000		2018 BYN'000	
	Buildings and infrastructure	Production machinery	Buildings and infrastructure	Production machinery
Initial cost	957,083	1,262,901	939,737	1,202,353
Accumulated depreciation	(434,266)	(753,056)	(419,218)	(721,761)
Net carrying amount	<b>522,817</b>	<b>509,845</b>	<b>520,519</b>	<b>480,592</b>



## 9. INVESTMENTS IN ASSOCIATES

As at 31 December 2019 and 31 December 2018, investments in associates were as follows:

	31 December 2019 BYN'000	31 December 2018 BYN'000
LLC "Dismas Trading s.r.l."	2,727	3,144
LLC "Transconsult Poland Sp. z o.o."	453	489
LLC "BSW-Novomet"	361	361
LLC "Cylinders-Bel"	30	30
LLC "RMZ Polska Sp. z o.o."	24	26
<b>Investments in associates</b>	<b>3,595</b>	<b>4,050</b>

Group's share of profit of investees in 2019 amounted to BYN 274 thousand (2018: BYN 474 thousand).

## 10. TRADE AND OTHER RECEIVABLES

Trade and other receivables as at 31 December 2019 and 31 December 2018 comprised the following:

	31 December 2019 BYN'000	31 December 2018 BYN'000
Trade receivables	163,014	185,617
Other receivables	31,497	17,497
Provision for impairment of trade and other receivables	(30,375)	(29,681)
<b>Trade and other receivables</b>	<b>164,136</b>	<b>173,433</b>
<b>Non-current</b>	<b>636</b>	<b>399</b>
<b>Current</b>	<b>163,500</b>	<b>173,034</b>
<b>Financial trade and other receivables</b>	<b>132,639</b>	<b>155,936</b>
<b>Non-financial trade and other receivables</b>	<b>31,497</b>	<b>17,497</b>

Change in allowance for impairment of trade and other receivables:

	31 December 2019 BYN'000	31 December 2018 BYN'000
At the beginning of the year	29,681	17,275
Application of IFRS 9	-	2,011
At the beginning of the year	29,681	19,286
Accrued during the year	6,653	10,263
Credited during the year	(5,932)	-
Effect of translation to presentation currency	(27)	132
<b>At the end of the year</b>	<b>30,375</b>	<b>29,681</b>





## 11. PREPAYMENTS AND OTHER ASSETS

Prepayments and other assets as at 31 December 2019 and 31 December 2018 comprised the following:

	31 December 2019 BYN'000	31 December 2018 BYN'000
VAT recoverable and paid	61,807	50,580
Prepayments	70,355	58,543
Biological assets	29,563	16,648
Intangible assets	3,429	7,975
Other assets	69	76
Allowance for impairment of prepayments	-	-
<b>Prepayments and other assets</b>	<b>165,223</b>	<b>133,822</b>
<b>Non-current</b>	<b>28,288</b>	<b>9,803</b>
<b>Current</b>	<b>136,935</b>	<b>124,019</b>

Change in provision for impairment of prepayments:

	31 December 2019 BYN'000	31 December 2018 BYN'000
At the beginning of the year	-	257
Charge for the year	-	(257)
At the end of the year	-	-

## 12. INVENTORIES

As at 31 December 2019 and 31 December 2018 inventories comprised the following:

	31 December 2019 BYN'000	31 December 2018 BYN'000
Raw materials, supplies and auxiliary items	309,045	372,594
Finished goods	316,391	292,250
Work in progress	98,224	127,921
<b>Inventories</b>	<b>723,660</b>	<b>792,765</b>

As at 31 December 2019, inventories of BYN 142,654 thousand (31 December 2018: BYN 181,648 thousand) were pledged as collateral.

Raw materials, consumables and movements of finished goods and construction in progress recognized in cost of sales amounted to BYN 1,908,907 thousand in 2019 (in 2018: BYN 1,944,769 thousand). In 2019 the Group wrote down the inventories to the net realizable value in the amount of BYN 73,764 thousand. In 2018 the Group wrote down the inventories to the net realizable value in the amount of BYN 77,923 thousand. The charge of write-downs amounted to BYN 4,159 thousand in 2018 (2018: BYN 10,765 thousand). The write-down is included in cost of sales.



### 13. CASH AND CASH EQUIVALENTS

As at 31 December 2019 and 31 December 2018 cash and cash equivalents comprised the following:

	31 December 2019 BYN'000	31 December 2018 BYN'000
Cash at banks	101,353	43,504
Cash in transit	7,211	1,408
Cash on hand	32	407
<b>Cash and cash equivalents</b>	<b>108,596</b>	<b>45,319</b>

Significant amounts of cash, except cash in transit and cash in hand, are placed as at 31 December 2019 with the following banks:

	Moody's Investors Service credit rating	Standard and Poor's credit rating	31 December 2019
OJSC "Savings Bank Belarusbank"	Caa2/Caa1	B/B	47,063
Joint-Stock Commercial Bank "Novikombank"	B1/Ba3	-	1,897
Pekalo S.A., Poland	A2/A2	BBB+/BBB+	96
OJSC "BPS-Sberbank"	Caa2/Caa1	-	3,535
OJSC "Belagroprombank"	Caa2/Caa1	B-/B	6,183
Bank Austria	Baa1/Baa1	BBB/BBB+	153
OJSC "Belinvestbank"	Caa2/Caa1	-	188
Commerzbank AG	A2/A1	BBB+/A-	2,041
OJSC "BelVEB Bank"	-	B-/B	975
Unicredit Bank Austria AG	Baa1/Baa1	BBB/BBB+	15
PLC "Bank VTB"	Ba2/Baa3	BB+/BBB-	10
PLC "Sberbank Rossii"	Ba2/Baa3	-	24
Credit Suisse AG	Baa2/Baa2	BBB+/BBB+	-
Other banks	-	-	40,583
<b>Total:</b>			<b>102,763</b>



Significant amounts of cash are placed as at 31 December 2018 with the following banks:

	<u>Moody's Investors Service credit rating</u>	<u>Standard and Poor's credit rating</u>	<u>31 December 2018</u>
OJSC "Savings Bank Belarusbank"	Caa2/Caa1	B/B	14,910
Joint-Stock Commercial Bank "Novikombank"	B1/Ba3	-	7,992
Pekalo S.A., Poland	A2/A2	BBB+/BBB+	3,214
OJSC "BPS-Sberbank"	Caa2/Caa1	-	2,732
OJSC "Belagroprombank"	Caa2/Caa1	B-/B	2,230
Bank Austria	Baa1/Baa1	BBB/BBB+	1,681
OJSC "Belinvestbank"	Caa2/Caa1	-	1,676
Commerzbank AG	A2/A1	BBB+/A-	1,652
OJSC "BelVEB Bank"	-	B-/B	820
Unicredit Bank Austria AG	Baa1/Baa1	BBB/BBB+	134
PLC "Bank VTB"	Ba2/Baa3	BB+/BBB-	23
PLC "Sberbank Rossii"	Ba2/Baa3	-	22
Credit Suisse AG	Baa2/Baa2	BBB+/BBB+	-
Other banks	-	-	18,428
<b>Total:</b>			<b>55,514</b>

#### 14. ADVANCES RECEIVED AND OTHER LIABILITIES

As at 31 December 2019 and 31 December 2018 advances received and other liabilities comprise the following:

	<u>31 December 2019 BYN'000</u>	<u>31 December 2018 BYN'000</u>
Advances received	449,677	326,184
Amounts due to personnel	31,813	31,773
Liabilities for electricity	25,557	24,193
Payroll taxes	8,741	9,073
Pension provision	6,723	6,335
Other liabilities	48,355	38,917
<b>Advances received and other liabilities</b>	<b>570,866</b>	<b>436,475</b>
<b>Non-current</b>	<b>7,899</b>	<b>5,065</b>
<b>Current</b>	<b>562,967</b>	<b>431,410</b>
<b>Financial advances received and other liabilities</b>	<b>-</b>	<b>-</b>
<b>Non-financial advances received and other liabilities</b>	<b>570,866</b>	<b>436,475</b>



## 15. LOANS AND BORROWINGS

As at 31 December 2019, the Group did not meet its contractual obligation to comply with the "total liquidity Ratio" and "Financial debt / EBITDA Ratio" covenants under the agreement with the Eurasian development Bank with a maturity date of 2023. A breach of these obligations is a "case of default" and may, upon notification from creditors, lead to a demand for immediate refund of these funds. Thus, the amount of debt under the agreement with the Eurasian development Bank in the amount of 147,151 thousand is presented as part of current liabilities (as at 31 December 2018 - 198,637 thousand).

At the date of signing these consolidated financial statements, the Group is engaged in activities with the credit institutions on the receipt of notifications under the loan agreements of the non-application to the Group of enforcement actions for the breach of the financial covenants. On 27 July 2020, the notification of the non-application of enforcement actions for the breach of the financial covenants was received in the amount of BYN 147,151 thousand from Eurasian Development Bank (Kazakhstan).

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: OJSC "Belarusbank", OJSC "Belagroprombank", OJSC "Belinvestbank", OJSC "BelVEB Bank", OJSC "Belgazprombank", OJSC "BPS-Sberbank". As at 31 December 2019, the outstanding balance on the issued bonds of the 5th and 6th issues in USD is BYN 505,916 thousand (in 2018: BYN 519,432 thousand). In accordance with the issuing documents, the final maturity of the issued bonds is February 2021.

At 31 December 2019 loans and borrowings comprised the following:

	Currency	Maturity Date	31 December 2019
Bonds	USD	2021	505,916
Bank loans	EUR	2020-2026	1,468,022
Bank loans	USD	2020-2022	572,171
Bank loans	RUB	2020-2022	186,345
Bank loans	BYN	2020-2051	28,422
Other loans	USD	2023-2024	232,652
Other loans	EUR	2020	536
Other loans	BYN	2021-2022	368
Other loans	CHF	2020	14
Other loans	RUB	2020	340
Financial lease	BYN	2020-2027	11,602
Financial lease	EUR	2020	1,864
Financial lease	USD	2020	77
<b>Total loans and borrowings</b>			<b>3,008,329</b>
<b>Net of short-term part</b>			<b>2,091,732</b>
<b>Total long-term part</b>			<b>916,597</b>



At 31 December 2018 loans and borrowings comprised the following:

	Currency	Maturity Date	31 December 2018
Bonds	USD	2021	519,432
Bank loans	EUR	2019 - 2025	1,467,933
Bank loans	USD	2019 - 2022	808,419
Bank loans	RUB	2019 - 2021	184,375
Bank loans	BYN	2019 - 2051	21,725
Other loans	USD	2019	168,020
Other loans	EUR	2019	2,974
Other loans	BYN	2019 - 2021	423
Financial lease	BYN	2019 - 2026	11,458
Financial lease	RUB	2019 - 2021	1,188
<b>Total loans and borrowings</b>			<b>3,185,947</b>
<b>Net of short-term part</b>			<b>2,225,017</b>
<b>Total long-term part</b>			<b>960,930</b>

The applicable contractual interest rates on loans and borrowings of the Group by currencies for the year ended December 31, 2019 were USD - up to 9.00% (2018: up to 11%), EUR - up to 8.75% (2018: up to 13.75%), RUB - up to 14% (2018: up to 16%), BYN - up to 20% (2018 - up to 20%).

The amount of loans and borrowings received from state-controlled banks amounted to BYN 671,597 thousand and BYN 1,783,120 thousand as of 31 December 2019 and 31 December 2018, respectively. The weighted average nominal interest rate on such loans was 2.8% as of 31 December 2019, (31 December of 2018: 7.1%).

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

#### Finance lease liabilities

Finance lease liabilities are payable as follows:

	2019			2018		
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	5,687	666	5,021	5,104	1,158	3,946
Between one and five years	11,749	3,227	8,522	11,112	3,697	7,415
More than five years	-	-	-	1,443	158	1,285
<b>Total:</b>	<b>17,436</b>	<b>3,893</b>	<b>13,543</b>	<b>17,659</b>	<b>5,013</b>	<b>12,646</b>



Reconciliation of movements of liabilities to cash flows arising from financing activities for 2018 and 2019:

	Liabilities			
	Loans and borrowings	Finance lease liabilities	Portion of trade and other payables related to financial activities	Total
<b>Balance at 1 January 2019</b>	<b>3,173,301</b>	<b>12,646</b>	<b>81,045</b>	<b>3,266,992</b>
<i>Changes from financing cash flows</i>				
Raising loans and borrowings	3,769,918	-	-	3,769,918
Repayment of loans and borrowings	(3,874,876)	-	-	(3,874,876)
Payment of finance lease liabilities	-	(2,007)	-	(2,007)
Debt repayment	-	-	(13,024)	(13,024)
<b>Total changes from financing cash flows</b>	<b>(104,958)</b>	<b>(2,007)</b>	<b>(13,024)</b>	<b>(119,989)</b>
<b>The effect of changes in foreign exchange rates</b>	<b>(121,991)</b>	<b>-</b>	<b>-</b>	<b>(121,991)</b>
<i>Changes from liabilities</i>				
Translation effect	4,566	-	-	4,566
New finance leases	-	2,904	-	2,904
Interest expense	215,203	1,012	7,711	223,926
Interest paid	(171,335)	(1,012)	-	(172,347)
<b>Total liability-related other changes</b>	<b>48,434</b>	<b>2,904</b>	<b>7,711</b>	<b>59,049</b>
<b>Balance at 31 December 2019</b>	<b>2,994,786</b>	<b>13,543</b>	<b>75,732</b>	<b>3,084,061</b>
<b>Balance at 1 January 2018</b>	<b>2,884,223</b>	<b>8,760</b>	<b>88,355</b>	<b>2 981,338</b>
<i>Changes from financing cash flows</i>				
Raising loans and borrowings	3,005,705	-	-	3 005,705
Repayment of loans and borrowings	(2,913,244)	-	-	(2,913,244)
Payment of finance lease liabilities	-	(3,726)	-	(3,726)
Debt repayment	-	-	(7,310)	(7,310)
<b>Total changes from financing cash flows</b>	<b>92,461</b>	<b>(3,726)</b>	<b>(7,310)</b>	<b>81,425</b>
<b>The effect of changes in foreign exchange rates</b>	<b>192,631</b>	<b>-</b>	<b>-</b>	<b>192,631</b>
<i>Changes from liabilities</i>				
Translation effect	10,698	-	-	10,698
New finance leases	-	7,573	-	7,573
Interest expense	216,113	867	10,594	227,574
Interest paid	(222,825)	(828)	(10,594)	(234,247)
<b>Total liability-related other changes</b>	<b>3,986</b>	<b>7,612</b>	<b>-</b>	<b>11,598</b>
<b>Balance at 31 December 2018</b>	<b>3,173,301</b>	<b>12,646</b>	<b>81,045</b>	<b>3,266,992</b>



## 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 stated in income in the consolidated statement of comprehensive income in the amount proportional to the amount of depreciation of the corresponding property, plant and equipment in the respective periods in relation to compensation received with regard to interest on borrowed funds that were previously capitalized according to the accounting policy on recognition of borrowing costs (Note 6 (g)). The obtained government grant for compensation of interest expenses incurred after putting the underlying assets into operation (in November 2015) is recognized as income within the period of recognition of the underlying expenses in the consolidated statement of comprehensive income.

As a result, the Group recognized an income on government grant in the amount of BYN 1,941 thousand and BYN 1,942 thousand in 2019 and 2018 respectively with regard to the depreciation of the underlying assets. In addition during 2019, the Group recognized a government grant income of BYN 5,395 thousand as a reduction in interest expenses in relation to compensation of non-capitalized interest expense received in the same period (2018: BYN 10,257 thousand).

As a part of the State Program for the Development of the Machine-Building Complex of the Republic of Belarus for 2017-2020 of September 20, 2018, No. GPRMK-3-2018-gp, in accordance with the Resolution of the Council of Ministers of the Republic of Belarus No. 588 of August 7, 2017, as a result of the data analysis for conformity with the criteria identified in the State Program on the projected indicators for 2018-2020 on the growth rates of exports and value added per employee, the Group was included in the list of executors of the "Modernization, technical re-equipment of existing production facilities and creation of new production facilities" measures, which will be provided with state financial support at the expense of the state budget in the form of reimbursement of part of expenses for the purchase of technological equipment and spare parts. The Group doesn't expect any additional costs or investments related to achieve performance indicators. Funding received is initially recognized as deferred income and is included in income in the consolidated statement of comprehensive income in the amount proportional to the depreciation of the relevant fixed assets in the corresponding periods in respect of compensation for a share of the costs of acquiring these fixed assets. The amount of state subsidies received is BYN 2,700 thousand and 12,347 thousand for the year, ended 31 December 2019 and 31 December 2018, respectively. The Group recorded the part of income related to the depreciation of the relevant assets in the amount of BYN 2,259 thousand and BYN 253 thousand for the year, ended 31 December 2019 and 31 December 2018, respectively.

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 2,970 thousand and BYN 2,448 thousand in 2019 and 2018, respectively.

The total amount of government grants received by the Group in 2019 amounted to BYN 24,683 thousand (2018: BYN 24,525 thousand).

## 17. EQUITY AND RESERVES

The Group's share capital as of 31 December 2019 was BYN 969,994 thousand, this amount includes the effect of inflation of BYN 271,296 thousand recognized in the period until 31 December 2014, when the Belarusian economy was hyperinflationary.

According to Decree No. 100 of the President of the Republic of Belarus dated 3 April 2017, there was an increase in share capital in the amount of BYN 29,998 thousand at the expense of the National centralized innovation fund and additional issue of 16,348 ordinary shares.



*Number of shares*

**Ordinary shares**

	<b>2019</b>	<b>2018</b>
In issue at the beginning of the year	<b>380,762</b>	<b>380,762</b>
Additional issue	-	-
In issue at the end of the year, fully paid	<b>380,762</b>	<b>380,762</b>
Shares issued - nominal value, BYN thousand	<b>1,835</b>	<b>1,835</b>

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

During the year ended 31 December 2019, the Group declared dividends in the amount of BYN 4,761 thousand (2018: BYN 7,622 thousand). Dividends were fully paid.

During 2019 the owner withdrew BYN 2,817 thousand from the Company's profit calculated in accordance with Belarusian legislation, in the form of deductions of the part of the profit of state unitary enterprises in accordance with the Decree of the President of the Republic of Belarus No. 637 of December 28, 2005. In 2018 is 3,187 thousand.

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 process of dividend payment to the budget is established by the legislation.

**Nature and purpose of other reserves**

*Capital reserves*

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

*Additional paid-in capital*

Additional paid-in capital was recognised in 2017 and includes total benefits in the amount of BYN 24,233 thousand of the initial recognition at fair value of financial payables occurred due to the Presidential Decree on restructuring payables to the energy supplier under common control which resulted in significant change in this financial instrument. As a result of the significant change, the previously recognized debt in the amount of BYN 112,588 thousand was replaced by a new financial instrument with a fair value at the recognition date of BYN 88,355 thousand. These actions were considered as the provision of favorable conditions by the owner. The benefit was decreased by the amount of recognized deferred tax liability in the amount of BYN 4,362 thousand.

*Property, plant and equipment revaluation reserve*

Property, plant and equipment revaluation reserve is used to present 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 recognised in equity.

*Foreign currency translation reserve*

Foreign currency translation reserve is used to present exchange differences arising from the translation of the financial statements of foreign subsidiaries.





JSC "BSW" - management company of "BMC" holding"  
Consolidated financial statements  
for the year ended 31 December 2019

**Non-controlling interests**  
**As of December 31, 2019:**

	Belmet Hans- delsgesell- schaft m.b.H.	OJSC "Mogilev Metallur- gical Works"	OJSC "Minsk Bearing Plant"	"BSW" Trading House, Saint- Peters- burg	Trading House "BSW- Baltiya "	JLLC "Manuli Hydraulics Manufac- turing Bel"	"BSW" Trading House, Moscow	BELAS- TAHL Außen- handel GmbH	BEL-KAP- STEEL, LLC	JLLC "BSW- GKS"	OJSC "Plant "Leg- mash"	Other in- dividual y imater- ial subsidiar- ies	Intra- group elimina- tions	Total
NCI percentage	50.00%	45.33%	0.53%	40.00%	45.00%	43.44%	17.50%	25.00%	50.00%	42.63%	18.29%	-	-	-
Non-current assets	28,313	551	86,644	36,432	265	19,183	772	2,963	8,102	36,857	16,141	-	-	-
Current assets	98,328	26,956	35,678	177,620	160,664	10,241	95,372	53,709	25,567	5,518	12,301	-	-	-
Non-current liabilities	7,121	35,092	33,624	3,593	-	-	7,741	431	17,352	-	8,757	-	-	-
Current liabilities	63,750	106,908	105,518	125,135	85,409	5,836	63,626	38,775	6,336	7,763	19,208	-	-	-
<b>Net assets</b>	<b>55,770</b>	<b>(114,493)</b>	<b>(16,820)</b>	<b>85,324</b>	<b>75,520</b>	<b>23,588</b>	<b>24,777</b>	<b>17,466</b>	<b>9,981</b>	<b>34,612</b>	<b>477</b>	<b>3,536</b>	-	-
Net assets attributable to NCI	27,885	(51,900)	(89)	34,130	33,984	10,247	4,336	4,367	4,991	14,755	87	110	(8,420)	74 483
Revenue	438,226	67,885	49,737	2,397	580,734	23,903	392,058	143,398	142,153	1,901	7,119	-	-	-
Profit (loss)	4,413	(9,091)	(13,916)	13,009	15,545	2,061	3,885	3,121	(1,077)	9,021	1,185	-	-	-
Other comprehensive loss	(274)	-	-	(525)	(411)	-	(349)	(172)	(50)	-	-	-	-	-
<b>Total comprehensive income (loss)</b>	<b>4,139</b>	<b>(9,091)</b>	<b>(13,916)</b>	<b>12,484</b>	<b>15,134</b>	<b>2,061</b>	<b>3,536</b>	<b>2,949</b>	<b>(1,127)</b>	<b>9,021</b>	<b>1,185</b>	-	-	-
Profit (loss) allocated to non-controlling interests	2,207	(4,121)	(74)	5,204	6,995	895	680	780	(539)	3,846	217	(110)	-	15,980
Other comprehensive loss allocated to non-controlling interests	(137)	-	-	(210)	(185)	-	(61)	(43)	(25)	-	-	(8)	-	(669)



JSC "BSW" - management company of "BMC" holding"  
Consolidated financial statements  
for the year ended 31 December 2019

As of December 31, 2018:

	Belmet Hans- delgesell schaft m.b.H.	OJSC "Mogilev Metallur- gical Works"	OJSC "Minsk Bearing Plant"	"BSW" Trading House, Saint Pe- tersburg	Trading House "BSW- Baltiya"	JLLC "Manuli Hydraulics Manufac- turing Bel"	"BSW" Trading House, Moscow	BELAS- TAHL Außen- handel GmbH	BEL-KAP- STEEL, LLC	JLLC "BSW- GKS"	OJSC "Plant "Leg- mash"	Other in- dividually immaterial subsidiar- ies	Intra- group elimina- tions	Total
NCI percentage	50.00%	45.33%	0.53%	40.00%	45.00%	43.44%	17.50%	25.00%	50.00%	42.63%	18.29%	-	-	-
Non-current assets	24,519	8,974	93,912	34,213	138	19,931	693	3,137	6,503	39,443	9,302	-	-	-
Current assets	113,521	30,356	37,239	196,771	150,913	9,696	91,282	49,360	174,005	2,193	9,217	-	-	-
Non-current liabilities	-	31,813	37,197	14,212	-	1,237	14,110	-	16,834	-	3,420	-	-	-
Current liabilities	90,539	108,907	96,857	147,395	84,506	6,046	58,196	36,920	149,593	13,876	15,741	-	-	-
<b>Net assets</b>	<b>47,501</b>	<b>(101,390)</b>	<b>(2,903)</b>	<b>69,377</b>	<b>66,545</b>	<b>22,344</b>	<b>19,669</b>	<b>15,577</b>	<b>14,081</b>	<b>27,760</b>	<b>(642)</b>	<b>5,276</b>	-	-
Net assets attributable to NCI	23,751	(45,960)	(15)	27,751	29,945	9,961	3,442	3,894	7,041	11,834	(117)	27	(7,621)	63,933
Revenue	509,476	75,164	49,414	4,048	570,243	23,552	372,393	145,082	287,885	2,124	10,449	-	-	-
Profit (loss)	11,292	(14,842)	(16,231)	21,552	19,291	3,303	3,876	3,650	1,735	10,802	(1,233)	-	-	-
Other comprehensive loss	(2,470)	-	-	(3,608)	(3,460)	-	(1,023)	(812)	(732)	-	-	-	-	-
<b>Total</b>	<b>8,822</b>	<b>(14,842)</b>	<b>(16,231)</b>	<b>17,944</b>	<b>15,831</b>	<b>3,303</b>	<b>2,853</b>	<b>2,838</b>	<b>1,003</b>	<b>10,802</b>	<b>(1,233)</b>	-	-	-
<b>comprehensive income (loss)</b>														
Profit (loss)	7,153	(6,728)	(84)	8,621	8,681	1,472	678	913	868	4,605	(225)	26	-	25,981
allocated to non-controlling interests	(1,235)	-	-	(1,443)	(1,557)	-	(179)	(203)	(366)	-	-	(20)	-	(5,003)
Other comprehensive loss allocated to non-controlling interests														



## 18. REVENUE

The Group generates revenue primarily from the sale of its finished goods and provision of shipping and handling services to its customers.

Revenue of the Group by types of products:

	2019 BYN'000	2018 BYN'000
Rolled products	1,298,952	1,307,828
Other types of wire	503,118	363,829
Steel pipes	292,310	297,733
Metal chord	270,618	402,513
Bronze-plated bead wire	191,232	253,338
Mold billet	176,728	271,371
Fasteners	156,917	147,769
Sale of scrap	128,710	162,328
Bearing	118,770	107,386
Wire RML	49,085	48,889
Transportation services	30,554	36,485
Other products	287,350	318,132
<b>Revenue</b>	<b>3,504,344</b>	<b>3,717,601</b>

The geographical concentration of the Group's revenue:

	2019 BYN'000	2018 BYN'000
Non-CIS countries	2,086,873	2,204,133
Russian Federation	779,231	741,155
Domestic market	506,172	479,473
Other CIS countries	132,068	292,840
<b>Revenue</b>	<b>3,504,344</b>	<b>3,717,601</b>

Disaggregation of the Group's revenue by timing of recognition:

	2019 BYN'000	2018 BYN'000
Products transferred at a point in time	3,473,790	3,681,116
Products and services transferred over time	30,554	36,485
<b>Revenue</b>	<b>3,504,344</b>	<b>3,717,601</b>

Balances under the contract:

	2019 BYN'000	2018 BYN'000
Trade receivables	132,639	155,936
Contractual liabilities	(449,677)	(326,184)

The liabilities under the contract are represented by short-term advances received from customers, the proceeds of which are recognized in full during the next reporting period.



### Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of product/ service	Nature and timing of performance of obligations, including significant payment terms	Revenue recognition under IFRS 15 (applicable from 1 January 2018)	Revenue recognition under IAS 18 (applicable before 1 January 2018)
<b>Finished goods</b>	In most cases, customers obtain control over standard paper products when the goods are delivered to and accepted at their premises. Invoices are issued and revenue is recognized at that point in time. Normally the Group exports goods only under prepayment up to 90 days, it can sell goods in the internal market with deferred payment up to 90 days. No discounts are provided for standard products. Some contracts permit the customer to return an item, however the historical percentage of returns is not significant.	Revenue is recognised when the goods are delivered and accepted by customers at their premises, and the control over the products is transferred to customers. For contracts that permit the customer to return an item, revenue is recognised to the extent that it is highly probable that further it will not be required to reverse this amount and recognize a significant decrease in the total amount of recognized revenue. Based on the analysis of the historical percentage of returns, the Group assessed that the potential adjustment of the amount of expected returns is not significant.	Revenue was recognised when there was strong evidence (usually in the form of an executed sales contract) that the significant risks and rewards of ownership had been transferred to the customer, recovery of the relevant consideration is probable, the incurred costs and potential returns of goods can be measured reliably, involvement in the management of the goods sold has ceased, and the amount of revenue can be measured reliably. Revenue was measured at the fair value of the consideration given or receivable, net of returns.
<b>Transportation services</b>	In certain product supply agreements, control over the products is transferred to the customer upon shipment from the warehouse of the Group's division. In these contracts, the Group allocates a separate obligation to	The revenue component related to the delivery of products after the transfer of control to the customer is recognised over the period, while the service is being provided.	The delivery component was not identified separately and was included in the sales revenue as described above.



Type of product/ service	Nature and timing of performance of obligations, including significant payment terms	Revenue recognition under IFRS 15 (applicable from 1 January 2018)	Revenue recognition under IAS 18 (applicable before 1 January 2018)
	deliver products to a specific location after the transfer of control to the customer.		

## 19. COST OF SALES

	2019 BYN'000	2018 BYN'000
Materials	1,908,907	1,944,769
Electricity and fuel	502,662	493,287
Payroll expenses and related taxes	242,543	217,273
Depreciation	130,069	182,697
Contributions to social security fund	86,599	77,890
Transportation expenses	49,007	45,684
Spoilage and waste	20,033	14,952
Current maintenance of property, plant and equipment	15,990	14,308
Taxes other than income tax	6,131	6,136
Travel expenses	1,999	1,464
Other expenses	52,400	75,706
<b>Cost of sales</b>	<b>3,016,340</b>	<b>3,074,166</b>

## 20. ADMINISTRATIVE EXPENSES

	2019 BYN'000	2018 BYN'000
Payroll expenses and related taxes	67,356	61,006
Bank charges	28,099	30,004
Taxes other than income tax	26,653	13,626
Contributions to social security fund	23,693	21,288
Depreciation	14,867	14,182
Third parties' services	7,071	6,639
Electricity, fuel, water	3,774	3,997
Private security	3,610	3,416
Excess over maximum permissible concentration	2,903	6,747
Current repair and use of property, plant and equipment	1,784	2,021
Materials	1,447	3,956
Travel expenses	1,013	1,070
Legal and consultancy	550	658
Insurance	182	161
Other expenses	12,338	9,075
<b>Administrative expenses</b>	<b>195,340</b>	<b>177,846</b>



## 21. SELLING EXPENSES

	2019 BYN'000	2018 BYN'000
Transportation expenses	144,760	141,092
Payroll expenses and related taxes	18,839	16,173
Materials	6,098	5,654
Contributions to social security fund	4,605	4,279
Advertising expenses	2,693	1,141
Electricity, fuel, water	2,219	2,254
Travel expenses	1,915	1,975
Depreciation	1,275	874
Rent expenses	1,011	1,007
Insurance	768	1,113
Taxes other than income tax	704	1,028
Other expenses	19,498	18,732
<b>Selling expenses</b>	<b>204,385</b>	<b>195,322</b>

## 22. OTHER OPERATING EXPENSES

	2019 BYN'000	2018 BYN'000
Other employee benefits	17,053	16,762
Expenses for social sphere	10,846	9,452
Other fees and charges	7,847	6,027
Penalties paid	6,379	3,610
Maintenance costs during downtime	3,040	3,950
Expenses on disposal of materials	2,503	6,565
Charity expenses	2,017	2,784
Expenses from disposal of property, plant and equipment	1,608	6,586
Expenses related to operations with packaging and other materials	542	1,198
Provision for pension payments	457	279
Expenditures for sports activities	254	3,151
Other expenses	12,399	3,247
<b>Other operating expenses</b>	<b>64,945</b>	<b>63,611</b>



## 23. OTHER OPERATING INCOME

	2019 BYN'000	2018 BYN'000
Penalties, fines, penalties for violation of the terms of contracts, paid or recognized as payable	11,328	1,089
Surplus, identified during inventories	1,931	605
Posting the wastage	1,477	2,060
Rental income	817	957
Sponsor support or gratuitous receipt	-	366
Other income	7,108	3,905
<b>Other operating income</b>	<b>22,661</b>	<b>8,982</b>

## 24. FINANCE INCOME AND COSTS

Finance income and costs comprise the following:

	2019 BYN'000	2018 BYN'000
<b>Finance income</b>		
Interest income under the effective interest method:		
- Interest income	846	1,695
- Other income	1,275	91
<b>Total finance income</b>	<b>83,079</b>	<b>-</b>
<b>Finance costs</b>	<b>85,200</b>	<b>1,786</b>
Financial liabilities measured at amortised cost - interest expense		
Net foreign exchange loss	(223,926)	(216,448)
Other finance costs	-	(211,558)
<b>Total finance costs</b>	<b>(1,177)</b>	<b>(3,612)</b>
<b>Net finance costs, recognized in profit and loss</b>	<b>(225,103)</b>	<b>(431,618)</b>
<b>Finance income</b>	<b>(139,903)</b>	<b>(429,832)</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 recognised 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 2019 and 2018 relate mostly to different methods of income and expense recognition, as well as the carrying amounts of certain assets.

Movements in deferred net tax assets and liabilities are represented below:



	31 December 2019	Recognized in profit or loss	Recognised in other comprehensi ve income	Effect of translation to presentation currency	1 January 2019
Property, plant and equipment	125,698	2,923	780	(207)	122,202
Financial investments	2,064	-	-	-	2,064
Prepayments and other assets <sup>1)</sup>	162,525	13,457	-	(261)	149,329
Trade and other payables	(1,067)	1,388	-	-	(2,455)
Trade and other receivables	4,923	267	-	(8)	4,664
Loans granted	-	(35)	-	-	35
Government grants	19,448	1,816	-	(31)	17,663
Inventories	(1,321)	(9,685)	-	2	8,362
Loans and borrowings	(1,616)	1,305	-	-	(2,921)
Advanced obtained and other liabilities	9,140	793	-	(11)	8,358
Other differences	(850)	(67)	-	-	(783)
<b>Tax assets before offset</b>	<b>318,944</b>	<b>12,162</b>	<b>780</b>	<b>(516)</b>	<b>306,518</b>
Effect of change in unrecognized deferred tax assets	(61,960)	(17,917)	-	-	(44,043)
<b>Net deferred tax assets</b>	<b>256,984</b>	<b>(5,755)</b>	<b>780</b>	<b>(516)</b>	<b>262,475</b>





	31 December 2018	Recognize d in profit or loss	Recognised in other comprehensiv e Income	Effect of translation to presentation currency	1 January 2018*
Property, plant and equipment	122,202	64,170	(82,980)	(104)	141,116
Financial investments	2,064	2,050	-	-	14
Prepayments and other assets <sup>1)</sup>	149,329	26,518	-	(121)	122,932
Trade and other payables	(2,455)	(15,076)	-	(7)	12,628
Trade and other receivables	4,664	1,441	-	(4)	3,227
Loans granted	35	116	-	-	(81)
Government grants	17,663	5,357	-	(15)	12,321
Inventories	8,362	5,405	-	-	2,957
Loans and borrowings	(2,921)	(744)	-	-	(2,177)
Advanced obtained and other liabilities	8,358	8,362	-	(4)	-
Other differences	(783)	(1,546)	-	-	763
<b>Tax assets before offset</b>	<b>306,518</b>	<b>96,053</b>	<b>(82,980)</b>	<b>(255)</b>	<b>293,700</b>
Effect of change in unrecognized deferred tax assets	(44,043)	51	-	-	(44,094)
<b>Net deferred tax assets</b>	<b>262,475</b>	<b>96,104</b>	<b>(82,980)</b>	<b>(255)</b>	<b>249,606</b>

\* including effect of adoption of IFRS 9.

1) include accumulated exchange differences deferred in tax records.

Management of the Group believes that as the measures disclosed in Note 2 are taken, 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 2019 and 31 December 2018, deferred tax assets and liabilities comprise the following:

	2019 BYN'000	2018 BYN'000
Deferred tax asset	259,459	264,503
Deferred tax liability	(2,475)	(2,028)
<b>Total</b>	<b>256,984</b>	<b>262,475</b>

The reconciliation between theoretical tax expenses (income), current income tax and accounting profit for the year ended 31 December 2019 and 31 December 2018 is as follows:



		2019 BYN'000		2018 BYN'000
		(119,528)		(203 003)
<b>Loss before tax</b>				
Theoretical income on income tax at an effective tax rate of 18%	(18.0%)	(21,515)	(18.0%)	(36,541)
The impact of the revaluation write-off on national accounting and other permanent differences	(26.3%)	(31,445)	(16.0%)	(32,490)
The tax effect of the current year losses for which no deferred tax asset was recognized	17.1%	20,459	0.9%	1,813
The effect on deferred tax from expenses and income not taken for tax purposes	38.5%	46,048	6.2%	12,664
The tax effect of different tax rates in other jurisdictions	0.5%	599	0.9%	1,919
Other adjustments	12.4%	14,856	(1.4%)	(2,918)
<b>Income tax benefit</b>	<b>24.3%</b>	<b>29,002</b>	<b>(27.4%)</b>	<b>(55,553)</b>

Benefits on income tax for the years ended 31 December 2019 and 31 December 2018 are as follows:

	2019 BYN'000	2018 BYN'000
Current income tax expense for the year	(23,247)	(40,551)
Deferred income tax gains for the year	(5,755)	96,104
<b>Total income tax benefit</b>	<b>(29,002)</b>	<b>55,553</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 2019 and 31 December 2018 made up BYN 6,515 thousand and BYN 6,585 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 entered into economic transactions with such entities, including sale of goods, purchase of raw and other materials, electricity, and rendering of services, rise of borrowings (Note 15) and receiving government grants. Except for government grants (Note 16) and transactions on non-market terms from the owner (Note 17), all transactions are made under market conditions and in the ordinary course of activities.

## 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 consolidated financial statements.



### ***Taxation contingencies in Belarus***

The taxation system in Belarus is characterised by complexity and frequent changes in legislation, official pronouncements and authorities' decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities. However, there is no extensive court practice in Belarus on tax issues.

Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year generally remains open for review by the tax authorities during the period not exceeding 5 calendar years.

Transfer pricing legislation enacted in Belarus starting from 1 January 2012 provides the framework for preventing the erosion of the tax base. The specifics of the current transfer pricing legislation in Belarus is that the sources of information for analysing the market prices are not available or significantly limited. There is also no extensive court practice, which creates additional uncertainty in connection with the practical application of tax legislation by tax authorities in certain cases.

In accordance with the draft amendment to the Tax Code of the Republic of Belarus, significant changes in relation to transfer pricing legislation have entered into force since the beginning of 2019, which are intended to bring them closer to OECD guidelines.

The transfer pricing rules apply to cross-border and domestic transactions between related parties, as well as to certain cross-border transactions between independent parties, as determined under the Belarussian Tax Code.

Recently, there have been a number of changes in the tax legislation of Belarus aimed at regulating the tax consequences of transactions with related parties, such as limitation on "deductible" expenses on controlled debts (interest, management fees, etc.), restrictions on deductibility from the tax base of so-called "economically unjustified costs". In addition, new changes to the Belarussian tax legislation have been recently adopted, which aimed at regulating tax consequences of transactions with foreign companies, such as concept of beneficial ownership of income.

These changes may potentially impact the Group's tax position and create additional tax risks going forward. This legislation and practice of its application is still evolving and the impact of legislative changes should be considered based on the actual circumstances.

All these circumstances may create tax risks in Belarus that could be more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Belarussian tax legislation, official pronouncements and tax authorities' decisions. However, the interpretations of the tax authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

## **28. UNCERTAINTIES**

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

The significant part of Group's revenue is generated 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.

Starting in 2014, the United States of America, the European Union and some other countries have imposed and gradually expanded economic sanctions against a number of Russian individuals and legal entities.



The imposition of the sanctions has led to 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. As a result, some Russian entities may experience difficulties accessing the international equity and debt markets and may become increasingly dependent on state support for their operations. The longer-term effects of the imposed and possible additional 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 actual effect of the future business environment may differ from management's assessment. The Group has a portion of sales to Russian Federation (Note 18) which is 22.2 % of total sales for 2019 (2018: 19.9 %). Trade accounts receivable related to the Russian Federation are equal to BYN 9,738 thousand as at 31 December 2019 (2018: BYN 16,328 thousand), trade accounts payable are equal to BYN 232,512 thousand as at 31 December 2019 (2018: BYN 6,568 thousand), loans and borrowings are equal to BYN 605,041 thousand as at 31 December 2019 (2018: BYN 200,783 thousand) and there is also a non-significant amount of other assets or liabilities to Russian counterparties. At the same time, the 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 of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments in debt securities.

The carrying amounts of financial assets represent the maximum credit exposure of the Group. Impairment losses on financial assets and contract assets recognised in profit or loss were as follows.

	Notes	2019 BYN'000	2018 BYN'000
Impairment loss on trade receivables	10	6,653	10,263

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

	Notes	2019 BYN'000	2018 BYN'000
Cash and cash equivalents	13	108,596	45,319
Deposits		1,410	12,010
Loans granted		3,507	4,609
Financial trade and other receivables	10	132,639	155,936

Additional credit risk arises from advances issued if the contractor (supplier) does not meet the delivery conditions and does not return the amount of the advance. As at 31 December 2019 and 31 December 2018 the amount of advances was:

	Notes	2019 BYN'000	2018 BYN'000
Prepayments	11	70,355	58,543



### Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer/client. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate. Details of concentration of revenue are included in Note 18.

The Group limits its exposure to credit risk from trade receivables by establishing a maximum payment period of one and three months respectively.

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets from individual customers as at 31 December 2019:

	Weighted- average loss rate	Gross carrying amount	Loss allowance	Credit-impaired
Not past due	1%	84,903	(839)	No
1-30 days past due	4%	9,926	(379)	No
31-60 days past due	13%	924	(104)	No
61-90 days past due	27%	994	(203)	No
More than 90 days past due	94%	66,267	(28,850)	Yes
		<b>163,014</b>	<b>(30,375)</b>	

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets from individual customers as at 31 December 2018:

	Weighted- average loss rate	Gross carrying amount	Loss allowance	Credit-impaired
Not past due	1%	139,690	(1,224)	No
1-30 days past due	9%	6,289	(590)	No
31-60 days past due	9%	12,314	(1,084)	No
61-90 days past due	58%	384	(222)	No
More than 90 days past due	99%	26,940	(26,561)	Yes
		<b>185,617</b>	<b>(29,681)</b>	

The Group uses an allowance matrix to measure the ECLs of trade receivables which comprise a large number balances. Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Loss rates are based on actual credit loss experience over the past three years.

### 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 in addition to the minimal amount of bank deposits. It also manages assets with liquidity in mind and monitors future cash flows and liquidity on a daily basis. 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 are 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 2019 and 2018, respectively, by the earliest possible maturity, based on the analysis of contractual cash flows. The Group's actual expected future cash flows on these financial liabilities can vary from this analysis.

<b>31 December 2019</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 cash flows</b>
<b>Financial liabilities</b>						
Short-term loans and borrowings	(2,091,732)	(801,528)	(1,344,687)	-	-	(2,146,215)
Long-term loans and borrowings	(916,596)	(18,877)	(37,667)	(978,225)	(36,174)	(1,070,943)
Trade payables	(581,131)	(498,578)	(21,700)	(60,853)	-	(581,131)
<b>Total financial liabilities</b>	<b>(3,589,459)</b>	<b>(1,318,983)</b>	<b>(1,404,054)</b>	<b>(1,039,078)</b>	<b>(36,174)</b>	<b>(3,798,289)</b>
<b>31 December 2018</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 cash flows</b>
<b>Financial liabilities</b>						
Short-term loans and borrowings	(2,225,017)	(690,002)	(1,629,844)	-	-	(2,319,846)
Long-term loans and borrowings	(960,930)	(19,702)	(52,313)	(1,018,482)	(34,111)	(1,124,608)
Trade payables	(482,116)	(407,065)	(16,100)	(72,590)	-	(495,755)
<b>Total financial liabilities</b>	<b>(3,668,063)</b>	<b>(1,116,769)</b>	<b>(1,698,257)</b>	<b>(1,091,072)</b>	<b>(34,111)</b>	<b>(3,940,209)</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 2019 and 2018.

The structure of Group financial assets and liabilities as at 31 December 2019 is indicated below:

	Interest Free	Fixed interest rate	Floating interest rate	Total
	BYN'000	BYN'000	BYN'000	BYN'000
<b>Financial assets</b>				
Other investments	8,268	-	-	8,268
Short-term loans granted	4	1,462	1 310	2,776
Long-term loans granted	468	263	-	731
Financial trade and other receivables	132,639	-	-	132,639
Deposits	40	753	617	1 410
Cash and cash equivalents	47,045	61,296	255	108 596
<b>Financial liabilities</b>				
Trade and other payables	(500,086)	(81,045)	-	(581 131)
Loans and borrowings	(112)	(2,798,300)	(209 917)	(3 008 329)
<b>Open position of interest rate</b>	<b>(311,734)</b>	<b>(2,815,571)</b>	<b>(207 735)</b>	<b>(3 335 040)</b>

The structure of Group financial assets and liabilities as at 31 December 2018 is indicated below:

	Interest Free	Fixed interest rate	Floating interest rate	Total
	BYN'000	BYN'000	BYN'000	BYN'000
<b>Financial assets</b>				
Other investments	9,425	-	-	9,425
Short-term loans granted	2,613	195	1,101	3,909
Long-term loans granted	536	164	-	700
Financial trade and other receivables	155,936	-	-	155,936
Deposits	508	6,227	5,275	12,010
Cash and cash equivalents	23,865	372	21,082	45,319
<b>Financial liabilities</b>				
Trade and other payables	(401,071)	(81,045)	-	(482,116)
Loans and borrowings	(1,158)	(2,847,300)	(337,489)	(3,185,947)
<b>Open position of interest rate</b>	<b>(209,346)</b>	<b>(2,921,387)</b>	<b>(310,031)</b>	<b>(3,440,764)</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.

	31 December 2019		31 December 2018	
	Increase of interest rate	Decrease of interest rate	Increase of interest rate	Decrease of interest rate
	1%	(1%)	1%	(1%)
Effect on profit/(loss) before tax	(2,077)	2,077	(3,100)	3,100
Effect on equity	(1,703)	1,703	(2,542)	2,542

#### 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 Group's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

The tables below indicate the currencies to which the Group had significant exposure at 31 December 2019 and 31 December 2018 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 functional currency of the respective entity of the Group on the consolidated statement of comprehensive income (due to non-trading monetary assets and liabilities whose fair value is sensitive to exchange rate changes).

	USD BYN'000	EUR BYN'000	RUB BYN'000	Other BYN'000	Uzoro BYN'000
<b>Financial assets</b>					
Other investments	-	558	-	-	558
Short-term loans granted	178	-	-	-	178
Financial trade and other receivables	1,067	6,180	9,257	2,982	19,486
Deposits	468	-	-	40	508
Cash and cash equivalents	5,070	37,467	3,045	1,271	46,853
<b>Total financial assets</b>	<b>6,783</b>	<b>44,205</b>	<b>12,302</b>	<b>4,293</b>	<b>67,583</b>
<b>Financial liabilities</b>					
Trade payables	(154,620)	(83,878)	(82,814)	(9)	(321,321)
Loans and borrowings	(1,310,816)	(1,470,422)	(186,685)	(14)	(2,967,937)
<b>Total financial liabilities</b>	<b>(1,465,436)</b>	<b>(1,554,300)</b>	<b>(269,499)</b>	<b>(23)</b>	<b>(3,289,258)</b>
<b>Total net monetary position</b>	<b>(1,458,653)</b>	<b>(1,510,095)</b>	<b>(257,197)</b>	<b>4,270</b>	<b>(3,221,675)</b>





The tables below indicate the currencies to which the Group had significant exposure at 31 December 2018:

	USD BYN'000	EUR BYN'000	RUB BYN'000	Other BYN'000	Итого BYN'000
<b>Financial assets</b>					
Other investments	-	1,774	-	-	1,774
Short-term loans granted	392	286	-	-	678
Financial trade and other receivables	1,960	34,353	3,179	10,106	49,598
Deposits	439	9,137	2	91	9,669
Cash and cash equivalents	1,248	23,252	922	104	25,526
<b>Total financial assets</b>	<b>4,039</b>	<b>68,802</b>	<b>4,103</b>	<b>10,301</b>	<b>87,245</b>
<b>Financial liabilities</b>					
Trade payables	(157,092)	(73,504)	(74,036)	(138)	(304,770)
Loans and borrowings	(1,495,871)	(1,470,907)	(185,563)	-	(3,152,341)
<b>Total financial liabilities</b>	<b>(1,652,963)</b>	<b>(1,544,411)</b>	<b>(259,599)</b>	<b>(138)</b>	<b>(3,457,111)</b>
<b>Total net monetary position</b>	<b>(1,648,924)</b>	<b>(1,475,609)</b>	<b>(255,496)</b>	<b>10,163</b>	<b>(3,369,866)</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 2019 and 31 December 2018 is presented as follows:

31 December 2019	USD		EUR		RUB	
	Strengthening 10%	Weakening (10%)	Strengthening 10%	Weakening (10%)	Strengthening 10%	Weakening (10%)
Effect on profit/(loss) before tax	(145,865)	145,865	(151,010)	151,010	(25,720)	25,720
Effect on equity	(119,609)	119,609	(123,828)	123,828	(21,090)	21,090
31 December 2018	USD		EUR		RUB	
	Strengthening 10%	Weakening (10%)	Strengthening 10%	Weakening (10%)	Strengthening 10%	Weakening (10%)
Effect on profit/(loss) before tax	(164,892)	164,892	(147,561)	147,561	(25,550)	25,550
Effect on equity	(135,211)	135,211	(121,000)	121,000	(20,951)	20,951

#### 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 has no formal policy for capital management but management seeks to maintain a sufficient capital base for meeting the Group's operational and strategic needs, and to maintain confidence of market participants. This is achieved with efficient cash management, constant monitoring of Group's revenues and profit, and long-term investment plans mainly financed by the Group's operating cash flows. With these measures the Group aims for steady profits growth.

### **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 the estimated fair value of financial instruments. 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.

Fair value analysis was not carried out on cash and cash equivalents, deposits, trade and other receivables, trade and other payables, as due to the short-term nature of these financial instruments, their carrying values are approximation to fair values. No financial assets and liabilities were measured at fair value.



The following table shows the carrying amounts and fair values of loans and borrowings, including their levels in the fair value hierarchy.

	Note	Carrying amount	Level 1	Level 2	Fair value Level 3	Total
<b>31 December 2019</b>						
<b>Financial liabilities</b>						
Loans and borrowings	15	(3,008,329)	-	-	(2,963,715)	(2,963,715)
<b>Total financial liabilities</b>		<b>(3,008,329)</b>	<b>-</b>	<b>-</b>	<b>(2,963,715)</b>	<b>(2,963,715)</b>

	Note	Carrying amount	Level 1	Level 2	Fair value Level 3	Total
<b>31 December 2018</b>						
<b>Financial liabilities</b>						
Loans and borrowings	15	(3,185,947)	-	-	(3,141,334)	(3,141,334)
<b>Total financial liabilities</b>		<b>(3,185,947)</b>	<b>-</b>	<b>-</b>	<b>(3,141,334)</b>	<b>(3,141,334)</b>

There were no transfers between fair value hierarchy levels in 2019 and 2018.

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

In the first months of 2020, there were significant economic fluctuations in the global markets, associated with a sharp decline in the price of oil and stocks. Quarantine measures related to the development of the coronavirus pandemic (COVID-19) in many countries also had a significant impact on the level and scale of business activities of market participants. The decline in oil prices caused a change in the exchange rate of the Russian ruble, affected the devaluation of the national currency, and affected the destabilization of prices for metallurgical products around the world. The low activity in steel-consuming sectors - the decline in new car sales in China and potential disruptions in the supply of components worldwide, with a high level of protectionism (protective measures in the EU in the form of quarterly quotas and duties, protective duties in the United States and other protective measures and tariffs in various countries of the world) leads to a redistribution of trade flows due to the limited number of export markets.

Starting from March 2020, a wave of shutdowns or significant reductions in production and lock down of companies that consume the Group's products began in the main export markets. It is expected that both the pandemic itself and related measures to minimize its consequences may affect the activities of the Group's companies. Nevertheless the Group's management regards this situation as a non-corrective event after the reporting date, the quantitative effect of which cannot be estimated with a sufficient degree of confidence at the moment.

The Group's management is currently analyzing the possible impact of changing micro-and macro-economic factors on the Group's financial position and results of operations.

According to the results of 6 months of 2020, there is an over-fulfillment of the plan for steel production relative to the level of the business plan for 2020. Given the existing volatility in the markets, the Group maintains export positions in the sales markets and maintains a presence in all strategic markets, the



share of exports in January-June 2020 amounted to 85.1% of the sales volume, 1,027.4 thousand tons of metal products were shipped for export in the amount of USD 488.9 million.

In order to minimize the impact of the global epidemiological situation on the Group's economy, the difference between the amount of tax deductions and the total amount of value added tax calculated on the sale of goods (works, services) and property rights is offset within 10 working days, which allows to increase the turnover of working capital.

In the opinion of the Group's management, it takes appropriate measures to maintain the sustainable development of its operations in the current circumstances, however it is currently not possible to determine the extent of the impact on the Group's consolidated financial statements of further unforeseen deterioration of the situation on global markets.