PSC "Corporation VSMPO-AVISMA"

Consolidated Financial Statements
for 2019
and Independent Auditors' Report

Contents

Statement of management's responsibilities for the preparation and approval of the consolidated financial statements for 2019

The following statement, which should be read in conjunction with the auditors' responsibilities stated in the independent auditors' report set out on page 4, is made with a view to distinguishing the responsibilities of management and those of the auditors in relation to the consolidated financial statements of Public Stock Company "Corporation VSMPO-AVISMA" and its subsidiaries (the "Group").

Management is responsible for the preparation of the consolidated financial statements that present fairly in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

In preparing the consolidated financial statements, management is responsible for:

- selecting suitable accounting principles and applying them consistently;
- making judgements and estimates that are reasonable and prudent;
- stating whether IFRS have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- preparing the consolidated financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

Management, within its competencies, is also responsible:

- designing, implementing and maintaining an effective system of internal controls throughout the Group;
- maintaining statutory accounting records in compliance with local legislation and accounting standards in the respective jurisdictions in which the Group operates;
- taking steps to safeguard the assets of the Group; and
- detecting and preventing fraud and other irregularities.

The consolidated financial statements for the year ended 31 December 2019 were approved by:

M.V. Voevodin	**D.Yu. Sannikov**
General Director	Chief Accountant
Verkhnyaya Salda, Russia	
20 March 2020	

Independent Auditors' Report

To the Shareholders of Public stock company "Corporation VSPMO-AVISMA"

Opinion

We have audited the consolidated financial statements of Public stock company "Corporation VSMPO-AVISMA" (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated 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.

<table>
<tr><th colspan="2">Fair value of property, plant and equipment</th></tr>
<tr><td colspan="2">Please refer to the Note 14 in the consolidated financial statements.</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>The Group accounts for its property, plant and equipment at fair value.

The Group with assistance of the independent appraiser analyzed key assumptions affecting the necessity of revaluation of property, plant and equipment as at 31 December 2019. The Group concluded that revaluation of property, plant and equipment at the reporting date is not required as the carrying amount of property, plant and equipment does not differ significantly from its fair value.

The Group also performed an economic impairment test for property, plant and equipment as at 31 December 2019.

Significant part of the Group's property, plant and equipment is represented by specialized fixed assets. Decision to perform revaluation of property, plant and equipment as at the reporting date and impairment test are largely depend on application of judgement.

As the value of property, plant and equipment is material and given the inherent uncertainties in forecasting of discounting cash flows and the complexity of accounting for property, plant and equipment at fair value, this area is a key matter for our audit.</td><td>We involved our internal valuation specialists to analyze key assumptions used by the Group to conclude on whether revaluation of property, plant and equipment is required as at 31 December 2019, as well as to analyze key assumptions used by the Group performing impairment test of property, plant and equipment as at the reporting date.

As part of analysis of the assumptions used by the Group to decide on whether revaluation of property, plant and equipment as at 31 December 2019 is required, we considered the following:

— the results of the revaluation of property, plant and equipment as at 31 December 2018;
— residual useful lives of property, plant and equipment considered as one of the key assumptions that affect the fair value of property, plant and equipment;
— materiality of the impact of changes in property, plant and equipment revaluation on the Group's consolidated financial statements.

With respect to the discounted cash flows model used for impairment test we compared key assumptions applied in the model to externally derived data as well as our own assessments. This included:

— comparison of the Groups' products sales prices forecasts with expected sales prices growth rate based on internal and external sources;
— comparison of EBITDA margins and production volumes forecasts with actual historic results of the Group and comparable companies;
— comparison of key macroeconomic factors projections used, like inflation rates, exchange rates and other with consensus forecasts developed by recognized external sources;
— recalculation of discount rate.

We used alternative assumptions related to forecasts of EBITDA margin, sales growth, production volumes, discount rate and working capital to perform our own sensitivity analysis.

We also compared actual financial performance results of the Group in 2019 with forecasts that were developed by the Group in previous periods for the purposes of impairment tests.

We considered the accuracy and completeness of the disclosures in the consolidated financial statements.</td></tr>
</table>

Tax issues	
Please refer to the Notes 12 and 30 in the consolidated financial statements.	
The key audit matter	**How the matter was addressed in our audit**
The taxation systems in the Russian Federation and in the world continue to evolve and is characterized by frequent changes in legislation, official pronouncements and court decisions. Therefore, the current position of the Group management regarding the accepted accounting principles for the tax purposes may be challenged by the by the tax authorities in different countries of the Group operations. While preparing consolidated financial statements, the Group management evaluates compliance of the existing tax accounting policies with current practice of tax legislation application. Estimate of potential tax risks requires significant degree of judgement application by the Group management and the effect of this estimate has significant impact on the consolidated financial statement of the Group, therefore we have paid attention to this key audit matter.	The audit procedures for assessing the probability and amount of potential tax liabilities included the following: — involvement of KPMG tax specialists specializing in transfer pricing, international taxation, income tax, VAT and other areas including jurisdictions where operations of the Group are material; — analysis of key tax accounting policies of the Group; — analysis of key management's assumptions used in determination of pricing methods in controlled transactions; — analysis of controlled transactions actual profitability with comparison to market intervals; — analysis of the controlled foreign companies' tax base completeness; — analysis of the Group's compliance with the conditions of tax benefits used; — analysis of the current tax disputes court practice; — analysis of disclosures made by the Group in the consolidated financial statements related to contingent liabilities regarding tax risks.

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the 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 entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is:

Adamov N.A.

JSC "KPMG"
Moscow, Russia

20 March 2020

	Note	2019 ’000 USD	2018 ’000 USD	2019 ’000 RUB	2018 ’000 RUB
Revenue	6,7	1 628 625	1 617 059	105 431 024	101 402 164
Cost of sales	8	(1 036 116)	(926 533)	(67 074 198)	(58 100 790)
Gross profit		**592 509**	**690 526**	**38 356 826**	**43 301 374**
Distribution expenses	8	(31 510)	(34 223)	(2 039 849)	(2 146 023)
General and administrative expenses	8	(199 398)	(203 166)	(12 908 263)	(12 740 098)
Operating profit before loss on disposal of property, plant and equipment		**361 601**	**453 137**	**23 408 714**	**28 415 253**
Loss on disposal of property, plant and equipment	14	(24 164)	(16 798)	(1 564 278)	(1 053 336)
Operating profit		**337 437**	**436 339**	**21 844 436**	**27 361 917**
Impairment loss on intangible assets and property, plant and equipment	14,15	(2 185)	(13 987)	(141 435)	(877 118)
Finance income	9	147 243	45 487	9 531 938	2 852 387
Share in (loss)/income of equity accounted investees	17	(6 831)	2 629	(442 118)	164 907
Finance costs	9	(59 253)	(172 243)	(3 835 798)	(10 800 939)
Profit before income tax		**416 411**	**298 225**	**26 957 023**	**18 701 154**
Income tax expense	12	(95 394)	(53 677)	(6 175 469)	(3 365 959)
Profit for the period		**321 017**	**244 548**	**20 781 554**	**15 335 195**
Other comprehensive income/(loss)					
Items that will never be reclassified to profit or loss					
Revaluation of property, plant and equipment	14	(10 118)	347 909	(626 308)	24 169 458
Equity investments at FVOCI – net change in fair value	18	28 184	(106 613)	1 824 557	(6 685 453)
Translation to presentation currency		320 444	(503 569)	-	-
Remeasurement of defined benefit obligations		(3 785)	172	(245 021)	10 767
Related income tax	12	2 776	(91 836)	171 827	(6 379 953)
		337 501	**(353 937)**	**1 125 055**	**11 114 819**
Items that are or may be reclassified to profit or loss					
Foreign currency translation differences - foreing operations		(4 454)	(1 756)	(288 381)	(110 143)
Equity-accounted investees – share of other comprehensive income		176	(2 915)	11 378	(182 786)
Related income tax	12	(35)	583	(2 276)	36 557
		(4 313)	**(4 088)**	**(279 279)**	**(256 372)**
Other comprehensive income/(loss) for the period, net of income tax		**333 188**	**(358 025)**	**845 776**	**10 858 447**
Total comprehensive income/(loss) for the period		**654 205**	**(113 477)**	**21 627 330**	**26 193 642**
Profit attributable to:					
Shareholders of the Company		318 658	246 690	20 628 809	15 469 455
Non-controlling interests		2 359	(2 142)	152 745	(134 260)
Profit for the period		**321 017**	**244 548**	**20 781 554**	**15 335 195**
Total comprehensive income/(loss) attributable to:					
Shareholders of the Company		652 131	(110 589)	21 493 062	26 374 655
Non-controlling interests		2 074	(2 888)	134 268	(181 013)
Total comprehensive income/(loss)		**654 205**	**(113 477)**	**21 627 330**	**26 193 642**
Earnings per share attributable to shareholders of the Company, basic and diluted (expressed in USD/RUB per share)	10	27,652	21,407	1 790,105	1 342,392

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 17 to 74.

	Note	’000 USD 31 December 2019	’000 USD 31 December 2018	’000 RUB 31 December 2019	’000 RUB 31 December 2018
ASSETS					
Non-current assets					
Property, plant and equipment	14	3 012 814	2 783 009	186 510 358	193 337 336
Goodwill	16	32 337	28 815	2 001 817	2 001 817
Intangible assets	15	14 388	12 663	890 681	879 692
Equity-accounted investees	17	31 773	36 664	1 966 908	2 547 068
Other investments	18	258 372	244 598	15 994 723	16 992 387
Deferred tax assets	12	10 946	5 248	677 615	364 561
Other non-current assets	19	103 981	1 329	6 436 994	92 338
Total non-current assets		**3 464 611**	**3 112 326**	**214 479 096**	**216 215 199**
Current assets					
Inventories	20	949 546	650 505	58 782 292	45 190 941
Other investments	18	54 815	8 449	3 393 353	586 917
Short-term trade and other receivables	21	300 801	244 354	18 621 282	16 975 395
Current income tax receivable		5 375	3 496	332 767	242 869
Cash and cash equivalents	22	738 818	760 666	45 737 072	52 843 936
Other current assets		3 056	8 676	189 206	602 773
Total current assets		**2 052 411**	**1 676 146**	**127 055 972**	**116 442 831**
Total assets		**5 517 022**	**4 788 472**	**341 535 068**	**332 658 030**
EQUITY AND LIABILITIES					
Equity	23				
Share capital		22 785	22 785	596 313	596 313
Share premium		153 924	153 924	4 594 608	4 594 608
Treasury shares		(1 407)	(1 407)	(47 842)	(47 842)
Retained earnings		2 081 062	1 879 068	81 474 179	68 288 224
Reserves		1 381 231	1 559 467	95 231 309	106 748 810
Cumulative currency translation difference		(704 293)	(1 020 568)	(58 861)	211 043
Total equity attributable to shareholders of the Company		**2 933 302**	**2 593 269**	**181 789 706**	**180 391 156**
Non-controlling interests		5 249	4 035	123 565	44 935
Total equity		**2 938 551**	**2 597 304**	**181 913 271**	**180 436 091**
Non-current liabilities					
Long-term borrowings	25	1 258 714	1 245 780	77 921 556	86 545 092
Defined benefit pension plan		37 063	27 447	2 294 415	1 906 768
Other long-term liabilities		38 610	15 106	2 390 145	1 049 419
Deferred tax liabilities	12	475 345	430 969	29 426 553	29 939 680
Total non-current liabilities		**1 809 732**	**1 719 302**	**112 032 669**	**119 440 959**
Current liabilities					
Trade and other payables	26	110 120	95 413	6 817 060	6 628 346
Current income tax payable		18 108	19 756	1 121 007	1 372 472
Other taxes payable		6 110	4 860	378 055	337 783
Short-term borrowings	25	478 392	227 201	29 615 145	15 783 820
Advances received from customers		154 105	123 454	9 540 007	8 576 454
Dividends payable	23	1 904	1 182	117 854	82 105
Total current liabilities		**768 739**	**471 866**	**47 589 128**	**32 780 980**
Total liabilities		**2 578 471**	**2 191 168**	**159 621 797**	**152 221 939**
Total equity and liabilities		**5 517 022**	**4 788 472**	**341 535 068**	**332 658 030**

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 17 to 74.

’000 USD	Attributable to equity holders of the Company								
	Share capital	Share premium	Treasury share reserve	Retained earnings	Reserves	Cumulative translation reserve	Total	Non-controlling interests	Total equity
Balance at 1 January 2018, as previously reported	**22 785**	**153 924**	**(1 407)**	**1 766 435**	**1 578 260**	**(515 989)**	**3 004 008**	**6 923**	**3 010 931**
Adjustment on initial application of IFRS 9 (net of tax)	-	-	-	(3 760)	-	-	(3 760)	-	(3 760)
Adjusted balance at 1 January 2018	**22 785**	**153 924**	**(1 407)**	**1 762 675**	**1 578 260**	**(515 989)**	**3 000 248**	**6 923**	**3 007 171**
Total comprehensive income									
Profit for the period	-	-	-	246 690	-	-	246 690	(2 142)	244 548
Other comprehensive loss									
Foreign currency translation difference - foreing operation	-	-	-	-	-	(1 010)	(1 010)	(746)	(1 756)
Translation to presentation currency	-	-	-	-	-	(503 569)	(503 569)	-	(503 569)
Equity investments at FVOCI – net change in fair value	-	-	-	-	(106 613)	-	(106 613)	-	(106 613)
Revaluation of property, plant and equipment	-	-	-	-	347 909	-	347 909	-	347 909
Defined benefit plan revaluation	-	-	-	-	172	-	172	-	172
Equity-accounted investees – share of other comprehensive income	-	-	-	-	(2 915)	-	(2 915)	-	(2 915)
Income tax on other comprehensive income	-	-	-	-	(91 253)	-	(91 253)	-	(91 253)
Total other comprehensive loss	-	-	-	-	147 300	(504 579)	(357 279)	(746)	(358 025)
Total comprehensive loss for the period	**-**	**-**	**-**	**246 690**	**147 300**	**(504 579)**	**(110 589)**	**(2 888)**	**(113 477)**
Dividends	-	-	-	(296 390)	-	-	(296 390)	-	(296 390)
Total transactions with owners	**-**	**-**	**-**	**(296 390)**	**-**	**-**	**(296 390)**	**-**	**(296 390)**
Write-off of revaluation reserve of property, plant and equipment due to disposal and depreciation	-	-	-	166 093	(166 093)	-	-	-	-
Balance at 31 December 2018	**22 785**	**153 924**	**(1 407)**	**1 879 068**	**1 559 467**	**(1 020 568)**	**2 593 269**	**4 035**	**2 597 304**

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 17 to 74.

'000 USD	Attributable to equity holders of the Company								
	Share capital	**Share premium**	**Treasury share reserve**	**Retained earnings**	**Reserves**	**Cumulative translation reserve**	**Total**	**Non-controlling interests**	**Total equity**
Balance at 1 January 2019	**22 785**	**153 924**	**(1 407)**	**1 879 068**	**1 559 467**	**(1 020 568)**	**2 593 269**	**4 035**	**2 597 304**
Total comprehensive income for the period									
Profit for the period	-	-	-	318 658	-	-	318 658	2 359	321 017
Other comprehensive income									
Foreign currency translation difference - foreing operation	-	-	-	-	-	(4 169)	(4 169)	(285)	(4 454)
Translation to presentation currency	-	-	-	-	-	320 444	320 444	-	320 444
Equity investments at FVOCI – net change in fair value	-	-	-	-	28 184	-	28 184	-	28 184
Revaluation of property, plant and equipment	-	-	-	-	(10 118)	-	(10 118)	-	(10 118)
Defined benefit plan revaluation	-	-	-	-	(3 785)	-	(3 785)	-	(3 785)
Equity-accounted investees – share of other comprehensive income	-	-	-	-	176	-	176	-	176
Income tax on other comprehensive income	-	-	-	-	2 741	-	2 741	-	2 741
Total other comprehensive income	-	-	-	-	17 198	316 275	333 473	(285)	333 188
Total comprehensive income for the period	**-**	**-**	**-**	**318 658**	**17 198**	**316 275**	**652 131**	**2 074**	**654 205**
Dividends	-	-	-	(314 368)	-	-	(314 368)	(1 772)	(316 140)
Establishment of subsidiary with non-controlling interest	-	-	-	-	-	-	-	912	912
Equity-accounted investees – change in capital	-	-	-	2 270	-	-	2 270	-	2 270
Total transactions with owners	**-**	**-**	**-**	**(312 098)**	**-**	**-**	**(312 098)**	**(860)**	**(312 958)**
Write-off of revaluation reserve of property, plant and equipment due to disposal and depreciation	-	-	-	195 434	(195 434)	-	-	-	-
Balance at 31 December 2019	**22 785**	**153 924**	**(1 407)**	**2 081 062**	**1 381 231**	**(704 293)**	**2 933 302**	**5 249**	**2 938 551**

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 17 to 74.

’000 RUB	Attributable to equity holders of the Company								
	Share capital	**Share premium**	**Treasury share reserve**	**Retained earnings**	**Reserves**	**Cumulative translation reserve**	**Total**	**Non-controlling interests**	**Total equity**
Balance at 1 January 2018, as previously reported	**596 313**	**4 594 608**	**(47 842)**	**61 591 124**	**106 195 563**	**274 433**	**173 204 199**	**225 948**	**173 430 147**
Adjustment on initial application of IFRS 9 (net of tax)	-	-	-	(216 581)	-	-	(216 581)	-	(216 581)
Adjusted balance at 1 January 2018	**596 313**	**4 594 608**	**(47 842)**	**61 374 543**	**106 195 563**	**274 433**	**172 987 618**	**225 948**	**173 213 566**
Total comprehensive income									
Profit for the period	-	-	-	15 469 455	-	-	15 469 455	(134 260)	15 335 195
Other comprehensive income									
Foreign currency translation difference - foreing operation	-	-	-	-	-	(63 390)	(63 390)	(46 753)	(110 143)
Equity investments at FVOCI – net change in fair value	-	-	-	-	(6 685 453)	-	(6 685 453)	-	(6 685 453)
Revaluation of property, plant and equipment	-	-	-	-	24 169 458	-	24 169 458	-	24 169 458
Defined benefit plan revaluation	-	-	-	-	10 767	-	10 767	-	10 767
Equity-accounted investees – share of other comprehensive income	-	-	-	-	(182 786)	-	(182 786)	-	(182 786)
Income tax on other comprehensive income	-	-	-	-	(6 343 396)	-	(6 343 396)	-	(6 343 396)
Total other comprehensive income	-	-	-	-	10 968 590	(63 390)	10 905 200	(46 753)	10 858 447
Total comprehensive income for the period	**-**	**-**	**-**	**15 469 455**	**10 968 590**	**(63 390)**	**26 374 655**	**(181 013)**	**26 193 642**
Dividends	-	-	-	(18 971 117)	-	-	(18 971 117)	-	(18 971 117)
Total transactions with owners	**-**	**-**	**-**	**(18 971 117)**	**-**	**-**	**(18 971 117)**	**-**	**(18 971 117)**
Write-off of revaluation of property, plant and equipment due to disposal and depreciation	-	-	-	10 415 343	(10 415 343)	-	-	-	-
Balance at 31 December 2018	**596 313**	**4 594 608**	**(47 842)**	**68 288 224**	**106 748 810**	**211 043**	**180 391 156**	**44 935**	**180 436 091**

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 17 to 74.

’000 RUB	Attributable to equity holders of the Company								
	Share capital	**Share premium**	**Treasury share reserve**	**Retained earnings**	**Reserves**	**Cumulative translation reserve**	**Total**	**Non-controlling interests**	**Total equity**
Balance at 1 January 2019	**596 313**	**4 594 608**	**(47 842)**	**68 288 224**	**106 748 810**	**211 043**	**180 391 156**	**44 935**	**180 436 091**
Total comprehensive income for the period									
Profit for the period	-	-	-	20 628 809	-	-	20 628 809	152 745	20 781 554
Other comprehensive income									
Foreign currency translation difference - foreing operation	-	-	-	-	-	(269 904)	(269 904)	(18 477)	(288 381)
Equity investments at FVOCI – net change in fair value	-	-	-	-	1 824 557	-	1 824 557	-	1 824 557
Revaluation of property, plant and equipment	-	-	-	-	(626 308)	-	(626 308)	-	(626 308)
Defined benefit plan revaluation	-	-	-	-	(245 021)	-	(245 021)	-	(245 021)
Equity-accounted investees – share of other comprehensive income	-	-	-	-	11 378	-	11 378	-	11 378
Income tax on other comprehensive income	-	-	-	-	169 551	-	169 551	-	169 551
Total other comprehensive income	-	-	-	-	1 134 157	(269 904)	864 253	(18 477)	845 776
Total comprehensive income for the period	**-**	**-**	**-**	**20 628 809**	**1 134 157**	**(269 904)**	**21 493 062**	**134 268**	**21 627 330**
Dividends	-	-	-	(20 241 455)	-	-	(20 241 455)	(114 691)	(20 356 146)
Establishment of subsidiary with non-controlling interest	-	-	-	-	-	-	-	59 053	59 053
Equity-accounted investees – change in capital	-	-	-	146 943	-	-	146 943	-	146 943
Total transactions with owners	**-**	**-**	**-**	**(20 094 512)**	**-**	**-**	**(20 094 512)**	**(55 638)**	**(20 150 150)**
Write-off of revaluation reserve of property, plant and equipment due to disposal and depreciation	-	-	-	12 651 658	(12 651 658)	-	-	-	-
Balance at 31 December 2019	**596 313**	**4 594 608**	**(47 842)**	**81 474 179**	**95 231 309**	**(58 861)**	**181 789 706**	**123 565**	**181 913 271**

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 17 to 74.

	Note	2019 '000 USD	2018 '000 USD	2019 '000 RUB	2018 '000 RUB
Cash flows from operating activities					
Profit before income tax		416 411	298 225	26 957 023	18 701 154
Adjustments for:					
Depreciation and amortization	8	225 313	213 817	14 585 941	13 407 894
Impairment loss of property, plant and equipment	14	1 823	8 856	117 999	555 355
(Reversal of Impairment loss of accounts receivable)/Impairment loss	8	(4 658)	5 784	(301 518)	362 723
Impairment loss of intangible assets	15	362	5 131	23 436	321 763
(Reversal of impairment)/Impairment loss of investments	18	(937)	1 222	(60 671)	76 615
Share in loss/(profit) of equity accounted investees		6 831	(2 629)	442 118	(164 907)
Interest income	9	(31 446)	(34 663)	(2 035 670)	(2 173 620)
Dividend income	9	(14 628)	(10 824)	(946 972)	(678 767)
Foreign currency translation (gain)/loss		(92 878)	108 079	(6 128 209)	6 523 753
Interest expenses	9	59 253	56 366	3 835 798	3 534 566
Impairment loss on inventories/(Reversal of impairment loss of inventory obsolescence)	8	2 982	(5 751)	193 014	(360 654)
Loss on disposal of property, plant and equipment		24 164	16 798	1 564 278	1 053 336
Pension cost	8	3 602	819	233 188	51 361
Operating profit before changes in working capital and other long-term liabilities		**596 194**	**661 230**	**38 479 755**	**41 210 572**
Changes in:					
Trade and other receivables		(31 886)	(35 271)	(2 071 307)	(2 211 870)
Advances to suppliers		(8 867)	(7 791)	(573 999)	(488 523)
Inventories		(170 237)	(104 130)	(11 026 140)	(6 415 503)
Trade and other payables, advances received and other taxes payable		11 980	20 061	743 313	1 258 018
Other current assets		4 003	(4 010)	259 165	(251 377)
Other long-term liabilities		(2 190)	6 308	(141 788)	395 552
Cash flows from operations before income taxes and interest paid		**398 997**	**536 397**	**25 668 999**	**33 496 869**
Income taxes paid		(110 842)	(75 476)	(7 175 461)	(4 732 967)
Interest paid		(62 618)	(54 235)	(4 053 670)	(3 439 195)
Net cash from operating activities		**225 537**	**406 686**	**14 439 868**	**25 324 707**

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 17 to 74.

	Note	2019 '000 USD	2018 '000 USD	2019 '000 RUB	2018 '000 RUB
Cash flows from investing activities					
Purchases of property, plant and equipment, including advances and other non-current assets	14,19	(258 179)	(143 477)	(16 425 586)	(8 997 180)
Purchases of intangible assets		(14)	(49)	(903)	(3 092)
Proceeds from disposal of property, plant and equipment		2 048	5 955	132 568	373 431
Loans provided and acquisition of other investments		(1 468)	(209 253)	(95 022)	(13 121 789)
Proceeds from disposal of investments		77	100 634	4 978	6 310 557
Interest and dividends received		47 372	51 066	3 077 729	3 202 237
Net cash used in investing activities		**(210 164)**	**(195 124)**	**(13 306 236)**	**(12 235 836)**
Cash flows from financing activities					
Dividends paid to shareholders		(313 895)	(302 390)	(20 320 397)	(18 962 200)
Proceeds from treasury shares disposal		-	9 901	-	671 996
Proceeds from borrowings		929 485	838 014	60 171 354	52 550 015
Repayment of borrowings		(669 972)	(764 028)	(43 371 437)	(47 910 502)
Repayment of the lease obligation		(6 691)	-	(433 118)	-
Net cash used in financing activities		**(61 073)**	**(218 503)**	**(3 953 598)**	**(13 650 691)**
Effect of exchange rate changes on cash and cash equivalents		23 852	(38 920)	(4 286 898)	6 949 626
Net (decrease)/increase in cash and cash equivalents		**(21 848)**	**(45 861)**	**(7 106 864)**	**6 387 806**
Cash and cash equivalents at the beginning of the period		**760 666**	**806 527**	**52 843 936**	**46 456 130**
Cash and cash equivalents at the end of the period		**738 818**	**760 666**	**45 737 072**	**52 843 936**

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 17 to 74.

1. Reporting entity

(a) Organisation and operations

Public Stock Company “Corporation VSMPO-AVISMA” (the “Company”) and its subsidiaries (together referred to as the “Group”) comprise Russian joint stock companies and limited liability companies as defined in the Civil Code of the Russian Federation and companies located abroad. The Group is one of the world’s leading titanium producers. The Company was originally established as a state owned enterprise in 1933 in the Moscow region and moved to Verkhnyaya Salda (Sverdlovsk region) in 1941. The Company was privatized in the form of a joint stock company in 1992 and registered as an open joint stock company “Verkhnesaldinskoye Metallurgicheskoe Proizvodstvennoe Obyedinenie” (“VSMPO”) in accordance with the Law on Joint Stock Companies of the Russian Federation.

In 1998, VSMPO acquired a controlling interest in open joint stock company “AVISMA” (“AVISMA”). In January 2005, VSMPO was renamed to open joint stock company “Corporation VSMPO-AVISMA”. In July 2005, following the acquisition of the outstanding non-controlling interest AVISMA was reorganized in the form of a merger into the Company.

The Company’s legal organizational form was changed from “Open joint stock company (OJSC)” to “Public stock company (PSC)” in 2015.

The Company’s main operations are based on two production sites located in Verkhnaya Salda (Sverdlovsk region) and in Berezniki (Perm region) in the Russian Federation. The production site at Berezniki (referred to as AVISMA) produces titanium sponge and primary magnesium. Titanium sponge is then used in the production of titanium products at the Verkhnaya Salda site. The Group’s final products are titanium melted and mill products; as well as forgings and press forming for aerospace, industrial and other applications. It also produces ferrotitanium, aluminium extrusions and specialty steel mill products and forgings. These products are sold both in the Russian Federation and abroad. There is no seasonality in the Group operations.

The Company and its subsidiaries form a vertically integrated group.

As at 31 December 2019, the ultimate parent of the Group is CJSC “BUSINESS ALLIANCE COMPANY” that controls 65,27% share of the Company. CJSC “BUSINESS ALLIANCE COMPANY” is controlled by the management of the Group, in particular majority shares of CJSC “BUSINESS ALLIANCE COMPANY” is controlled by Shelkov M. E., who is the ultimate beneficiary of the Group.

The Company’s registered address is: Parkovaya St. 1, Verkhnyaya Salda, Sverdlovsk Region, Russia, 624760.

(b) Russian business environment

The Group’s operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation, which display the characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which contribute together with other legal and fiscal impediments 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.

In addition, the first months of 2020 have seen significant global market turmoil triggered by the outbreak of the coronavirus. Together with other factors, this has resulted in a sharp decrease in the oil price and the stock market indices, as well as a depreciation of the Russian Rouble. These developments are further increasing the level of uncertainty in the Russian business environment.

The consolidated financial statements reflect management’s assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management’s assessment.

2. Basis of accounting

Statement of compliance

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

3. Functional and presentation currency

The functional currency of the Company and the majority of its subsidiaries is considered to be the Russian Rouble (“RUB”). The functional currency of Cyprus based company “Limpieza” Ltd and Ukrainian based companies LLC “Demurinsky Ore-dressing Plant” and LLC “VSMPO Titan Ukraine” is the Ukrainian Hryvna.

The results and financial position of subsidiaries whose functional currency is different from the presentation currency are translated into presentation currency using the following procedures:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income presented are translated at average exchange rates; and
- all resulting exchange differences shall be recognised in other comprehensive income.

The accompanying consolidated financial statements have been prepared using the US Dollar (“USD”) and Russian Ruble (“RUB”) as the Group’s presentation currencies. All amounts in the consolidated financial statements are presented in thousands of USD and thousands of RUB, unless otherwise stated.

4. Use of estimates and judgments

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:

- Note 14 – Property, plant and equipment;
- Note 15 – Intangible assets;
- Note 27(b)(i) – Credit risk.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in the following notes:

- Note 14 – Property, plant and equipment (related to fair value of property, plant and equipment and useful lives);
- Note 15 – Intangible assets (related to impairment of intangible assets).

Measurement of fair values

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

The Group involves independent appraiser if complex calculations of fair value are required. Key assumptions used in valuations are agreed with by the management of the Group.

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.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 14 – Property, plant and equipment;
- Note 27 – Financial instruments.

5. Changes in significant accounting policies

IFRS 16

The Group has initially adopted IFRS 16 Leases from 1 January 2019.

The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

(a) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining Whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

The Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(b) As a lessee

As a lessee, the Group leases many assets including property, production equipment. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

However, for leases of property the Group has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

(i) Leases classified as operating leases under IAS 17

Previously, the Group classified property leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019 (see Note 5(c)(i)). Right-of-use assets are measured at their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Group's incremental borrowing rate at the date of initial application. The Group applied this approach to its largest property lease.

The Group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Group used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Group:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets;
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and

- used hindsight when determining the lease term.

(ii) Leases classified as finance leases under IAS 17

The Group leases a number of items of production equipment. These leases were classified as finance leases under IAS 17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

(c) Impact on financial statements

(i) Impact on transition

On transition to IFRS 16, the Group recognised additional right-of-use assets, including investment property, and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below.

	1 January 2019	
	'000 USD	**'000 RUB**
Right-of-use assets - property, plant and equipment	34 545	2 399 894
Lease liabilities	(34 545)	(2 399 894)

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 2,89%.

	1 January 2019	
	'000 USD	**'000 RUB**
Amount of future lease payments under operating leases as at 31 December 2018	37 088	2 576 499
Impacts of discount using the incremental borrowing rate at 1 January 2019	(2 356)	(163 675)
– Recognition exemption for leases of low-value assets	(66)	(4 557)
– Recognition exemption for leases with less than 12 months of lease term at transition	(121)	(8 373)
Lease liabilities recognised at 1 January 2019	**34 545**	**2 399 894**

(ii) Impacts for the period

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised USD 35 135 thousand or RUB 2 175 058 thousand of right-of-use assets and USD 31 588 thousand or RUB 1 955 480 thousand of lease liabilities as at 31 December 2019.

Also in relation to those leases under IFRS 16, the Group has recognised depreciation and interest costs, instead of operating lease expense. During the twelve months ended 31 December 2019, the Group recognised USD 6 717 thousand or RUB 434 817 thousand of depreciation charges and USD 778 thousand or RUB 50 337 thousand of interest costs from these leases.

6. Segment reporting

The Group has one primary reportable segment: the manufacturing and sale of titanium products. The Group evaluates performance and makes investment and strategic decisions based upon a review of profitability for the Group as a whole.

Revenue	2019 '000 USD	2018 '000 USD	2019 '000 RUB	2018 '000 RUB
Europe	537 965	536 065	34 825 785	33 615 456
North America	510 836	469 112	33 069 615	29 416 945
Russia	414 586	462 208	26 838 748	28 984 055
Asia	152 790	132 205	9 891 056	8 290 302
Other CIS countries	12 448	17 469	805 820	1 095 406
	1 628 625	**1 617 059**	**105 431 024**	**101 402 164**

Revenue	2019 '000 USD	2018 '000 USD	2019 '000 RUB	2018 '000 RUB
Foreign countries, including:	1 201 591	1 137 382	77 786 456	71 322 703
Aerospace Industry	*1 052 915*	*997 789*	*68 161 745*	*62 569 099*
Other Industries	*148 676*	*139 593*	*9 624 711*	*8 753 604*
Russia and CIS, including:	427 034	479 677	27 644 568	30 079 461
Aerospace Industry	*233 987*	*206 430*	*15 147 402*	*12 944 776*
Other Industries	*193 047*	*273 247*	*12 497 166*	*17 134 685*
	1 628 625	**1 617 059**	**105 431 024**	**101 402 164**

The Group has revenue from one customer amounting to 10% or more of total revenue in the amount of approximately USD 631 million or RUB 40 874 million (2018: USD 629 million or RUB 39 442 million). Furthermore, revenue to parties under Government control is disclosed in Note 31.

7. Revenue

	2019 '000 USD	2018 '000 USD	2019 '000 RUB	2018 '000 RUB
Revenue from sales of goods	1 608 398	1 595 885	104 121 580	100 074 411
Revenue from services provided	19 418	20 602	1 257 060	1 291 888
Other revenue	809	572	52 384	35 865
	1 628 625	**1 617 059**	**105 431 024**	**101 402 164**

8. Income and expenses

(a) Cost of sales

	2019 '000 USD	2018 '000 USD	2019 '000 RUB	2018 '000 RUB
Materials and consumables used	(434 142)	(374 585)	(28 104 731)	(23 489 391)
Depreciation property, plant and equipment	(196 728)	(194 603)	(12 735 447)	(12 203 093)
Personnel cost	(155 780)	(144 309)	(10 084 627)	(9 049 274)
Utilities	(116 724)	(111 055)	(7 556 261)	(6 964 004)
Social insuarance costs	(46 452)	(42 911)	(3 007 128)	(2 690 880)
Repairs and maintenance	(22 002)	(23 386)	(1 424 355)	(1 466 502)
Semi-product processing services	(19 271)	(12 911)	(1 247 535)	(809 624)
Pension cost	(3 602)	(819)	(233 188)	(51 361)
Provision for inventory obsolescence	(2 982)	5 751	(193 014)	360 654
Depreciation intangible assets	(26)	(23)	(1 671)	(1 427)
Other costs	(38 407)	(27 682)	(2 486 241)	(1 735 888)
	(1 036 116)	**(926 533)**	**(67 074 198)**	**(58 100 790)**

(b) Distribution expenses

	2019 '000 USD	2018 '000 USD	2019 '000 RUB	2018 '000 RUB
Personnel cost	(10 210)	(9 616)	(660 948)	(602 996)
Materials	(6 229)	(5 899)	(403 243)	(369 909)
Transport	(4 174)	(7 201)	(270 237)	(451 573)
Certification expenses	(3 201)	(2 364)	(207 217)	(148 269)
Advertising expenses	(1 944)	(1 401)	(125 815)	(87 825)
Social insuarance costs	(1 239)	(1 166)	(80 227)	(73 139)
Customs	(42)	(131)	(2 710)	(8 243)
Other	(4 471)	(6 445)	(289 452)	(404 069)
	(31 510)	**(34 223)**	**(2 039 849)**	**(2 146 023)**

(c) General and administrative expenses

	2019 '000 USD	2018 '000 USD	2019 '000 RUB	2018 '000 RUB
Personnel cost	(81 048)	(81 749)	(5 246 715)	(5 126 277)
Depreciation property, plant and equipment	(28 193)	(18 887)	(1 825 099)	(1 184 337)
Insurance	(21 055)	(20 419)	(1 363 001)	(1 280 458)
Social insuarance costs	(19 724)	(19 684)	(1 276 843)	(1 234 370)
Charity expenses	(10 798)	(9 034)	(699 036)	(566 521)
Repair and maintenance	(6 937)	(6 462)	(449 046)	(405 204)
Taxes other than income tax	(6 592)	(9 190)	(426 738)	(576 304)
Materials	(5 612)	(6 421)	(363 292)	(402 667)
Consulting expenses	(5 536)	(4 811)	(358 409)	(301 711)
Depreciation intangible assets	(366)	(304)	(23 724)	(19 037)
Change in impairment provision on trade and other receivables	4 658	(5 784)	301 518	(362 723)
Other expenses	(18 195)	(20 421)	(1 177 878)	(1 280 489)
	(199 398)	**(203 166)**	**(12 908 263)**	**(12 740 098)**

9. Net finance income/(costs)

Finance income	2019 '000 USD	2018 '000 USD	2019 '000 RUB	2018 '000 RUB
Interest income	31 446	34 663	2 035 670	2 173 620
Dividend income	14 628	10 824	946 972	678 767
Foreign currency exchange gain, net	101 169	-	6 549 296	-
Finance income	**147 243**	**45 487**	**9 531 938**	**2 852 387**
Finance costs				
Interest expenses	(59 253)	(56 366)	(3 835 798)	(3 534 566)
Foreign currency exchange loss, net	-	(115 877)	-	(7 266 373)
Finance costs	**(59 253)**	**(172 243)**	**(3 835 798)**	**(10 800 939)**

10. Earnings per share

The calculation of earnings per share is based on the profit for the year and weighted average number of ordinary shares outstanding during the year, calculated as shown below. The Company has no dilutive potential ordinary shares, thus diluted earning per share is equal to base earning per share.

In units of shares	**2019**	**2018**
Issued shares as at 1 January	11 523 801	11 523 801
Effect of treasury shares owned	-	-
Weighted average number of shares for the year ended 31 December	11 523 801	11 523 801

	2019	**2018**
Weighted average number of shares for the year ended 31 December	11 523 801	11 523 801
Profit attributable to the equity holders of the Company ('000 USD)	318 658	246 690
Basic earnings per share (USD per 1 share)	27,652	21,407

	2019	**2018**
Weighted average number of shares for the year ended 31 December	11 523 801	11 523 801
Profit attributable to the equity holders of the Company ('000 RUB)	20 628 809	15 469 455
Basic earnings per share (RUB per 1 share)	1 790,105	1 342,392

11. Employee benefit expenses

	2019 '000 USD	**2018 '000 USD**	**2019 '000 RUB**	**2018 '000 RUB**
Wages and salaries, social insuarance costs	(314 453)	(299 435)	(20 356 488)	(18 776 936)
Pension cost	(3 602)	(819)	(233 188)	(51 361)
	(318 055)	**(300 254)**	**(20 589 676)**	**(18 828 297)**

12. Income tax expense

The Company applied 18,64% tax rate for income tax in 2019 (2018: 18,25%). Other Russian subsidiaries applied 20% tax rate for income tax in 2019 (2018: 20%).

(a) Amounts recognised in profit or loss

	2019 '000 USD	**2018 '000 USD**	**2019 '000 RUB**	**2018 '000 RUB**
Current tax expense				
Current period	(99 384)	(83 853)	(6 433 779)	(5 258 215)
(Under)/over provided in prior periods	(6 184)	(5 889)	(400 319)	(369 347)
	(105 568)	**(89 742)**	**(6 834 098)**	**(5 627 562)**
Deferred tax expense				
Origination and reversal of temporary differences	10 174	36 065	658 629	2 261 603
	(95 394)	**(53 677)**	**(6 175 469)**	**(3 365 959)**

(b) Amounts recognised in other comprehensive income

’000 USD	2019			2018		
	Before tax	Tax	Net of tax	Before tax	Tax	Net of tax
Translation to presentation currency	320 444	-	320 444	(503 569)	-	(503 569)
Foreign currency translation differences	(4 454)	-	(4 454)	(1 756)	-	(1 756)
Equity investments at FVOCI – net change in fair value	28 184	-	28 184	(106 613)	-	(106 613)
Revaluation of property, plant and equipment	(10 118)	2 776	(7 342)	347 909	(91 836)	256 073
Defined benefit plan revaluation	(3 785)	-	(3 785)	172	-	172
Equity-accounted investees – share of other comprehensive income	176	(35)	141	(2 915)	583	(2 332)
	330 447	**2 741**	**333 188**	**(266 772)**	**(91 253)**	**(358 025)**

’000 RUB	2019			2018		
	Before tax	Tax	Net of tax	Before tax	Tax	Net of tax
Foreign currency translation differences	(288 381)	-	(288 381)	(110 143)	-	(110 143)
Equity investments at FVOCI – net change in fair value	1 824 557	-	1 824 557	(6 685 453)	-	(6 685 453)
Revaluation of property, plant and equipment	(626 308)	171 827	(454 481)	24 169 458	(6 379 953)	17 789 505
Defined benefit plan revaluation	(245 021)	-	(245 021)	10 767	-	10 767
Equity-accounted investees – share of other comprehensive income	11 378	(2 276)	9 102	(182 786)	36 557	(146 229)
	676 225	**169 551**	**845 776**	**17 201 843**	**(6 343 396)**	**10 858 447**

Reconciliation of effective tax rate:

	2019 '000 USD	2018 '000 USD	2019 '000 RUB	2018 '000 RUB
Profit before income tax	416 411	298 225	26 957 023	18 701 154
Income tax at applicable tax rate	(77 619)	(54 426)	(5 024 789)	(3 412 961)
Effect of income taxed at different rates	(4 889)	3 525	(327 563)	234 744
Effect of (non-deductible expenses)/non-taxable income	(6 702)	3 113	(422 798)	181 605
(Under) provided in prior years	(6 184)	(5 889)	(400 319)	(369 347)
	(95 394)	**(53 677)**	**(6 175 469)**	**(3 365 959)**

(c) Movement in deferred tax balances

'000 USD	1 January 2019	Recognized in profit or loss	Recognized in other comprehensive income	Translation difference	31 December 2019 Net deferred balances	31 December 2019 Deferred tax asset	31 December 2019 Deferred tax liability
Property, plant and equipment	(440 622)	25 871	2 776	(52 659)	(464 634)	1 481	(466 115)
Intangible assets	(935)	99	-	(145)	(981)	89	(1 070)
Inventories	17 619	(18 355)	-	1 314	578	29 338	(28 760)
Trade and other receivables	2 523	(759)	-	273	2 037	2 124	(87)
Trade and other payables	1 049	212	-	138	1 399	1 399	-
Investments	(3 206)	1 668	(35)	(318)	(1 891)	873	(2 764)
Tax loss carry-forwards	(57)	599	-	20	562	562	-
Borrowings	(1 921)	(318)	-	(250)	(2 489)	-	(2 489)
Other items	(171)	1 157	-	34	1 020	1 513	(493)
Total deferred tax balances	**(425 721)**	**10 174**	**2 741**	**(51 593)**	**(464 399)**	**37 379**	**(501 778)**
Set-off of tax					**-**	**(26 433)**	**26 433**
Net deferred tax balances					**(464 399)**	**10 946**	**(475 345)**

'000 USD	1 January 2018	Adjustment on initial application of IFRS 9	Recognized in profit or loss	Recognized in other comprehensive income	Translation difference	31 December 2018 Net deferred balances	31 December 2018 Deferred tax asset	31 December 2018 Deferred tax liability
Property, plant and equipment	(448 889)	-	25 915	(91 836)	74 188	(440 622)	2 123	(442 745)
Intangible assets	(1 411)	-	512	-	(36)	(935)	36	(971)
Inventories	15 708	-	5 091	-	(3 180)	17 619	35 589	(17 970)
Trade and other receivables	2 150	367	483	-	(477)	2 523	2 546	(23)
Trade and other payables	994	-	250	-	(195)	1 049	1 080	(31)
Investments	(9 570)	521	4 176	583	1 084	(3 206)	883	(4 089)
Tax loss carry-forwards	28	-	(89)	-	4	(57)	29	(86)
Borrowings	(2 217)	-	(92)	-	388	(1 921)	-	(1 921)
Other items	(10)	-	(181)	-	20	(171)	392	(563)
Total deferred tax balances	**(443 217)**	**888**	**36 065**	**(91 253)**	**71 796**	**(425 721)**	**42 678**	**(468 399)**
Set-off of tax						**-**	**(37 430)**	**37 430**
Net deferred tax balances						**(425 721)**	**5 248**	**(430 969)**

					31 December 2019		
’000 RUB	**1 January 2019**	**Recognized in profit or loss**	**Recognized in other comprehensive income**	**Translation difference**	**Net deferred balances**	**Deferred tax asset**	**Deferred tax liability**
Property, plant and equipment	(30 610 274)	1 674 798	171 827	182	(28 763 467)	91 718	(28 855 185)
Intangible assets	(64 985)	6 433	-	(2 181)	(60 733)	5 527	(66 260)
Inventories	1 224 008	(1 188 238)	-	-	35 770	1 816 206	(1 780 436)
Trade and other receivables	175 253	(49 159)	-	-	126 094	131 480	(5 386)
Trade and other payables	72 889	13 695	-	-	86 584	86 584	-
Investments	(222 767)	107 976	(2 276)	-	(117 067)	54 055	(171 122)
Tax loss carry-forwards	(3 993)	38 758	-	-	34 765	34 765	-
Borrowings	(133 482)	(20 590)	-	-	(154 072)	-	(154 072)
Other items	(11 768)	74 956	-	-	63 188	93 653	(30 465)
Total deferred tax balances	**(29 575 119)**	**658 629**	**169 551**	**(1 999)**	**(28 748 938)**	**2 313 988**	**(31 062 926)**
Set-off of tax					**-**	**(1 636 373)**	**1 636 373**
Net deferred tax balances					**(28 748 938)**	**677 615**	**(29 426 553)**

						31 December 2018		
’000 RUB	**1 January 2018**	**Adjustment on initial application of IFRS 9**	**Recognized in profit or loss**	**Recognized in other comprehensive income**	**Translation difference**	**Net deferred balances**	**Deferred tax asset**	**Deferred tax liability**
Property, plant and equipment	(25 856 114)	-	1 625 056	(6 379 953)	737	(30 610 274)	147 490	(30 757 764)
Intangible assets	(81 260)	-	32 081	-	(15 806)	(64 985)	2 493	(67 478)
Inventories	904 758	-	319 250	-	-	1 224 008	2 472 392	(1 248 384)
Trade and other receivables	123 847	21 134	30 272	-	-	175 253	176 845	(1 592)
Trade and other payables	57 222	-	15 667	-	-	72 889	75 071	(2 182)
Investments	(551 193)	29 999	261 870	36 557	-	(222 767)	61 362	(284 129)
Tax loss carry-forwards	1 615	-	(5 608)	-	-	(3 993)	1 948	(5 941)
Borrowings	(127 694)	-	(5 788)	-	-	(133 482)	-	(133 482)
Other items	(571)	-	(11 197)	-	-	(11 768)	27 217	(38 985)
Total deferred tax balances	**(25 529 390)**	**51 133**	**2 261 603**	**(6 343 396)**	**(15 069)**	**(29 575 119)**	**2 964 818**	**(32 539 937)**
Set-off of tax						**-**	**(2 600 257)**	**2 600 257**
Net deferred tax balances						**(29 575 119)**	**364 561**	**(29 939 680)**

As at 31 December 2019, deferred tax liabilities for temporary differences (before calculating tax effect) of USD 588 232 thousand or RUB 36 414 915 thousand (2018: USD 593 774 thousand or RUB 41 249 870 thousand) related to investments in subsidiaries were not recognized because the Group controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future.

As at 31 December 2019, deferred tax assets for losses of USD 92 724 thousand or RUB 5 740 159 thousand (2018: USD 108 414 thousand or RUB 7 531 576 thousand) were not recognized by Group since the probability of obtaining taxable profit for the use of these losses is not high.

13. Earnings before interest, tax, depreciation and amortisation (EBITDA)

The management of the Group have presented the performance measure EBITDA as management monitors this performance measure at consolidated level and management believes this measure is relevant for understanding of the Group’s financial performance. EBITDA is calculated by adjusting operating profit to exclude the impact of depreciation and amortisation.

EBITDA is not a defined performance measure in IFRS. The Group’s definition of EBITDA may not be comparable with similarly titled performance measures and disclosures by other entities.

Reconciliation of EBITDA

	Note	2019 '000 USD	2018 '000 USD	2019 '000 RUB	2018 '000 RUB
Operating profit		337 437	436 339	21 844 436	27 361 917
Adjustments for:					
- Depreciation	14	224 921	213 490	14 560 546	13 387 430
- Amortisation	15	392	327	25 395	20 464
EBITDA		**562 750**	**650 156**	**36 430 377**	**40 769 811**

14. Property, plant and equipment

’000 USD	Buildings and construc-tions	Plant and equipment	Transport	Transfer devices	Other	Assets under construction	Total
Cost							
Balance at 1 January 2018	1 078 824	4 167 063	126 823	175 534	54 247	216 846	5 819 337
Additions	264	45 270	1 407	-	1 982	92 556	141 479
Transfers	15 643	97 017	1 350	4 006	4 278	(122 294)	-
Disposals	(13 269)	(52 811)	(4 068)	(564)	(1 845)	-	(72 557)
Revaluation	66 572	345 439	7 870	11 803	3 959	3 617	439 260
Translation to presentation currency	(183 627)	(719 060)	(21 439)	(30 328)	(9 265)	(33 486)	(997 205)
Balance at 31 December 2018	**964 407**	**3 882 918**	**111 943**	**160 451**	**53 356**	**157 239**	**5 330 314**
Accumulated depreciation							
Balance at 1 January 2018	(552 951)	(2 010 439)	(42 455)	(108 983)	(36 032)	(1 800)	(2 752 660)
Depreciation charge	(21 426)	(191 899)	(6 062)	(6 237)	(5 909)	-	(231 533)
Impairment losses	(6 025)	(4 566)	(185)	(65)	(561)	2 546	(8 856)
Disposals	6 162	39 009	2 561	526	1 546	-	49 804
Revaluation	(15 624)	(77 780)	4 524	(1 567)	(904)	-	(91 351)
Translation to presentation currency	96 018	358 176	7 566	19 185	6 290	56	487 291
Balance at 31 December 2018	**(493 846)**	**(1 887 499)**	**(34 051)**	**(97 141)**	**(35 570)**	**802**	**(2 547 305)**
Net book value							
Balance at 1 January 2018	**525 873**	**2 156 624**	**84 368**	**66 551**	**18 215**	**215 046**	**3 066 677**
Balance at 31 December 2018	**470 561**	**1 995 419**	**77 892**	**63 310**	**17 786**	**158 041**	**2 783 009**
Cost							
Balance at 1 January 2019	964 407	3 882 918	111 943	160 451	53 356	157 239	5 330 314
The effect of IFRS 16	33 224	882	133	-	306	-	34 545
Additions	2 420	47 060	1 473	6	1 989	108 845	161 793
Transfers	11 170	70 180	871	6 590	2 949	(91 760)	-
Disposals	(7 150)	(103 931)	(2 808)	(676)	(2 356)	119	(116 802)
Revaluation	-	-	(10 118)	-	-	-	(10 118)
Translation to presentation currency	122 462	475 702	13 702	19 879	6 879	20 102	658 726
Balance at 31 December 2019	**1 126 533**	**4 372 811**	**115 196**	**186 250**	**63 123**	**194 545**	**6 058 458**
Accumulated depreciation							
Balance at 1 January 2019	(493 846)	(1 887 499)	(34 051)	(97 141)	(35 570)	802	(2 547 305)
Depreciation charge	(31 235)	(213 166)	(7 310)	(8 079)	(7 600)	-	(267 390)
Impairment losses	1 110	-	-	-	-	(2 933)	(1 823)
Disposals	3 821	84 362	1 757	604	1 882	(1 836)	90 590
Translation to presentation currency	(61 818)	(236 490)	(4 326)	(12 213)	(4 749)	(120)	(319 716)
Balance at 31 December 2019	**(581 968)**	**(2 252 793)**	**(43 930)**	**(116 829)**	**(46 037)**	**(4 087)**	**(3 045 644)**
Net book value							
Balance at 1 January 2019	**470 561**	**1 995 419**	**77 892**	**63 310**	**17 786**	**158 041**	**2 783 009**
Balance at 31 December 2019	**544 565**	**2 120 018**	**71 266**	**69 421**	**17 086**	**190 458**	**3 012 814**

’000 RUB	Buildings and constructions	Plant and equipment	Transport	Transfer devices	Other	Assets under construction	Total
Cost							
Balance at 1 January 2018	62 140 468	240 023 836	7 305 110	10 110 819	3 124 657	12 490 351	335 195 241
Additions	16 552	2 838 795	88 259	-	124 270	5 803 984	8 871 860
Transfers	980 905	6 083 736	84 681	251 193	268 272	(7 668 787)	-
Disposals	(832 098)	(3 311 635)	(255 077)	(35 355)	(115 683)	-	(4 549 848)
Revaluation	4 624 831	23 997 858	546 714	819 981	275 051	251 264	30 515 699
Translation to presentation currency	67 300	116 075	7 029	-	30 118	46 654	267 176
Balance at 31 December 2018	**66 997 958**	**269 748 665**	**7 776 716**	**11 146 638**	**3 706 685**	**10 923 466**	**370 300 128**
Accumulated depreciation							
Balance at 1 January 2018	(31 850 104)	(115 801 744)	(2 445 392)	(6 277 401)	(2 075 462)	(103 912)	(158 554 015)
Depreciation charge	(1 343 592)	(12 033 535)	(380 122)	(391 135)	(370 541)	-	(14 518 925)
Impairment losses	(377 864)	(286 346)	(11 591)	(4 067)	(35 150)	159 663	(555 355)
Disposals	386 356	2 446 159	160 626	33 016	96 924	-	3 123 081
Revaluation	(1 085 426)	(5 403 430)	314 256	(108 873)	(62 768)	-	(6 346 241)
Translation to presentation currency	(37 157)	(46 820)	(3 320)	-	(24 040)	-	(111 337)
Balance at 31 December 2018	**(34 307 787)**	**(131 125 716)**	**(2 365 543)**	**(6 748 460)**	**(2 471 037)**	**55 751**	**(176 962 792)**
Net book value							
Balance at 1 January 2018	**30 290 364**	**124 222 092**	**4 859 718**	**3 833 418**	**1 049 195**	**12 386 439**	**176 641 226**
Balance at 31 December 2018	**32 690 171**	**138 622 949**	**5 411 173**	**4 398 178**	**1 235 648**	**10 979 217**	**193 337 336**
Cost							
Balance at 1 January 2019	66 997 958	269 748 665	7 776 716	11 146 638	3 706 685	10 923 466	370 300 128
The effect of IFRS 16	2 308 160	61 300	9 207	-	21 227	-	2 399 894
Additions	156 651	3 046 505	95 374	396	128 764	7 046 243	10 473 933
Transfers	723 103	4 543 174	56 367	426 617	190 878	(5 940 139)	-
Disposals	(462 879)	(6 728 105)	(181 765)	(43 742)	(152 549)	7 715	(7 561 325)
Revaluation	-	-	(626 308)	-	-	-	(626 308)
Translation to presentation currency	15 839	30 414	1 674	-	12 649	6 156	66 732
Balance at 31 December 2019	**69 738 832**	**270 701 953**	**7 131 265**	**11 529 909**	**3 907 654**	**12 043 441**	**375 053 054**
Accumulated depreciation							
Balance at 1 January 2019	(34 307 787)	(131 125 716)	(2 365 543)	(6 748 460)	(2 471 037)	55 751	(176 962 792)
Depreciation charge	(2 022 022)	(13 799 553)	(473 192)	(523 014)	(492 012)	-	(17 309 793)
Impairment losses	71 895	-	-	-	-	(189 894)	(117 999)
Disposals	247 370	5 461 254	113 729	39 115	121 858	(118 847)	5 864 479
Translation to presentation currency	(16 619)	3 282	5 501	-	(8 755)	-	(16 591)
Balance at 31 December 2019	**(36 027 163)**	**(139 460 733)**	**(2 719 505)**	**(7 232 359)**	**(2 849 946)**	**(252 990)**	**(188 542 696)**
Net book value							
Balance at 1 January 2019	**32 690 171**	**138 622 949**	**5 411 173**	**4 398 178**	**1 235 648**	**10 979 217**	**193 337 336**
Balance at 31 December 2019	**33 711 669**	**131 241 220**	**4 411 760**	**4 297 550**	**1 057 708**	**11 790 451**	**186 510 358**

Depreciation expense of USD 196 728 thousand or RUB 12 735 447 thousand (2018: USD 194 603 thousand or RUB 12 203 093 thousand) has been charged to cost of sales and USD 28 193 thousand or RUB 1 825 099 thousand (2018: USD 18 887 thousand or RUB 1 184 337 thousand) to general and administrative expenses. The amount of depreciation recognized as expense provided in Note 8 includes change in depreciation charged to inventories (as at 31 December 2019 in the amount of USD 184 404 thousand or RUB 11 415 650 thousand (2018: USD 124 749 thousand or RUB 8 666 403 thousand)).

(a) Revaluation of property, plant and equipment

In accordance with the Group’s accounting policy property, plant and equipment is accounted for at fair value. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period but not less once in three years. Recent revaluation was conducted by the Group on 31 December 2018. The Group involved independent appraiser to conduct analysis whether new revaluation should be done as at 31 December 2019. The Group concluded that carrying amount of property, plant and equipment as at 31 December 2019 is not significantly different from expected fair value, therefore the Group decided that revaluation of property, plant and equipment is not required as at 31 December 2019.

As at 31 December 2019, the Group analyzed its property, plant and equipment for impairment indicators. The Group conducted impairment tests for separate fixed asset. As a result, the Group recognized impairment losses within profit or loss with respect to these assets in the amount of USD 1 823 thousand or RUB 117 999 thousand. Impairment losses in the amount of USD 10 118 thousand or RUB 626 308 thousand were recognized within other comprehensive income as there was previously recognized revaluation surplus related to these assets.

In addition, the Group conducted impairment test with respect to main production assets and goodwill by determining their value in use.

The following key assumptions were used in performing the cash flow testing:

- Cash flows were projected based on actual operating results for 2019 and budgets for 2020-2024. Budgets for 2020 – 2024 are based on concluded contracts, which allow forecast for a period of five years. During the mentioned period the Group’s management plans to increase levels of titan production by maximizing capacity utilization, implementing a program to improve efficiency;
- EBITDA was projected at the level historically achieved by the Group;
- Capital expenditures for 2020 were projected based on the Group’s investment program. Capital expenditures for 2020-2023 ranged from 11,79% to 3,44% of the Group’s forecasted revenue. In the terminal period the amount of capital expenditures equalled to 3,44% of the terminal period forecasted revenue, which is comparable with the annual physical depreciation calculated on the basis of replacement cost;
- The forecasted USD exchange rates ranged from 65,7 roubles per dollar in 2020 to 67,4 roubles per dollar in 2024. In the terminal period the forecasted USD exchange rate equaled to 68,8 roubles per dollar;
- The forecasted rates of ruble inflation were: in 2020 – 3,0%; in 2020 – 2023 – range from 3,7% to 4,0%, in the terminal period – 4,0%;
- The forecasted rates of dollar inflation were: in 2020 – 1,6%; in 2021 – 1,9%; in 2022 – 2,1%; in 2023 – 1,8%; in 2024 – 1,8%; in the terminal period – 1,8%;
- An after tax discount rate of 11,6% was applied to discount projected cash flows for the whole period;
- Discount rate was estimated based on an industry weighted average cost of capital, which applied a possible debt leveraging of 32% at a market borrowing rate of 5,2%;
- A terminal rate of 4,2% was considered in estimating the terminal value.

The values assigned to the key assumptions represent management’s assessment of future trends in the industry and are based on both external sources and internal sources.

The amount of discounted cash flows exceeded the carrying value of property, plant and equipment and goodwill as at 31 December 2019.

The test results do not have significant sensitivity to any reasonably expected changes in the parameters of the discounted cash flow model.

Information on net book value of property, plant and equipment as at 31 December 2019 should the Group continue accounting using cost model is provided below. Actual depreciation charge for 2019 is higher by USD 126 877 thousand or RUB 7 854 379 thousand (2018: USD 145 116 thousand or RUB 9 099 851 thousand) comparing to depreciation charge that would have been charged under cost model.

'000 USD	Buildings and construc-tions	Plant and equipment	Transport	Transfer devices	Other	Assets under construction	Total
Balance at 31 December 2019	162 042	518 903	49 015	34 382	14 346	175 403	954 091

'000 RUB	Buildings and construc-tions	Plant and equipment	Transport	Transfer devices	Other	Assets under construction	Total
Balance at 31 December 2019	10 031 327	32 123 045	3 034 274	2 128 400	888 057	10 858 549	59 063 652

(b) Security

At 31 December 2019, properties with a net book value of USD 36 251 thousand or RUB 2 244 129 thousand (2018: USD 22 891 thousand or RUB 1 590 278 thousand) are pledged to secure bank loans (see Note 25).

(c) Property, plant and equipment under construction

Advances given to suppliers for capital construction in the amount of USD 41 107 thousand or RUB 2 544 775 thousand (31 December 2018: USD 22 356 thousand or RUB 1 553 093 thousand) are included in the balance of assets under construction.

In 2019, capitalized borrowing costs related to the construction of new property, plant and equipment amounted to USD 2 513 thousand or RUB 162 681 thousand (2018: USD 3 508 thousand or RUB 219 961 thousand) with an average capitalization rate of 4,03% (2018: 4,23%).

15. Intangible assets

'000 USD	Mining rights	Land lease rights	Other	Total
Cost				
Balance at 1 January 2018	38 561	12 489	1 291	52 341
Additions	14	-	35	49
Disposals	(23 495)	-	(9)	(23 504)
Effect of the movement of exchange rates	(1 901)	(2 134)	(32)	(4 067)
Balance at 31 December 2018	**13 179**	**10 355**	**1 285**	**24 819**
Accumulated amortization and impairment losses				
Balance at 1 January 2018	(29 347)	(2 271)	(1 145)	(32 763)
Amortization for the period	(13)	(272)	(42)	(327)
Disposals	23 495	-	9	23 504
Reversal of/(impairment losses)	(5 022)	(109)	-	(5 131)
Effect of the movement of exchange rates	2 104	426	31	2 561
Balance at 31 December 2018	**(8 783)**	**(2 226)**	**(1 147)**	**(12 156)**
Carrying amounts				
Balance at 1 January 2018	**9 214**	**10 218**	**146**	**19 578**
Balance at 31 December 2018	**4 396**	**8 129**	**138**	**12 663**
Cost				
Balance at 1 January 2019	13 179	10 355	1 285	24 819
Additions	-	-	14	14
Effect of the movement of exchange rates	2 230	1 265	802	4 297
Balance at 31 December 2019	**15 409**	**11 620**	**2 101**	**29 130**
Accumulated amortization and impairment losses				
Balance at 1 January 2019	(8 783)	(2 226)	(1 147)	(12 156)
Amortization for the period	(16)	(332)	(44)	(392)
Reversal of/(impairment losses)	-	(362)	-	(362)
Effect of the movement of exchange rates	(1 487)	(231)	(114)	(1 832)
Balance at 31 December 2019	**(10 286)**	**(3 151)**	**(1 305)**	**(14 742)**
Carrying amounts				
Balance at 1 January 2019	**4 396**	**8 129**	**138**	**12 663**
Balance at 31 December 2019	**5 123**	**8 469**	**796**	**14 388**

’000 RUB	Mining rights	Land lease rights	Other	Total
Cost				
Balance at 1 January 2018	2 221 103	719 362	74 351	3 014 816
Additions	904	-	2 188	3 092
Disposals	(1 473 317)	-	(577)	(1 473 894)
Effect of the movement of exchange rates	166 850	(5)	13 283	180 128
Balance at 31 December 2018	**915 540**	**719 357**	**89 245**	**1 724 142**
Accumulated amortization and impairment losses				
Balance at 1 January 2018	(1 690 381)	(130 758)	(65 929)	(1 887 068)
Amortization for the period	(784)	(17 032)	(2 648)	(20 464)
Disposals	1 473 317	-	577	1 473 894
Reversal of/(impairment losses)	(314 912)	(6 851)	-	(321 763)
Effect of the movement of exchange rates	(77 398)	9	(11 660)	(89 049)
Balance at 31 December 2018	**(610 158)**	**(154 632)**	**(79 660)**	**(844 450)**
Carrying amounts				
Balance at 1 January 2018	**530 722**	**588 604**	**8 422**	**1 127 748**
Balance at 31 December 2018	**305 382**	**564 725**	**9 585**	**879 692**
Cost				
Balance at 1 January 2019	915 540	719 357	89 245	1 724 142
Additions	-	-	903	903
Effect of the movement of exchange rates	38 341	-	39 911	78 252
Balance at 31 December 2019	**953 881**	**719 357**	**130 059**	**1 803 297**
Accumulated amortization and impairment losses				
Balance at 1 January 2019	(610 158)	(154 632)	(79 660)	(844 450)
Amortization for the period	(1 025)	(21 514)	(2 856)	(25 395)
Reversal of/(impairment losses)	-	(23 436)	-	(23 436)
Effect of the movement of exchange rates	(25 593)	4 519	1 739	(19 335)
Balance at 31 December 2019	**(636 776)**	**(195 063)**	**(80 777)**	**(912 616)**
Carrying amounts				
Balance at 1 January 2019	**305 382**	**564 725**	**9 585**	**879 692**
Balance at 31 December 2019	**317 105**	**524 294**	**49 282**	**890 681**

Amortization expense for intangible assets of USD 392 thousand or RUB 25 395 thousand (2018: USD 327 thousand or RUB 20 464 thousand) has been charged to cost of sales and administrative expenses.

(a) “Tsentralnoe” deposit mining rights

In July 2011, the Group acquired mining rights for the development of the Northern part of the Eastern field of the “Tsentralnoe” deposit located in the Tambov region of Russia.

This license gives the right to explore the deposits and mine ilmenite-rutile-zircon sands, which serve as the main raw material for the production of titanium sponge. The Group carried out a complex of experimental and scientific works to determine the feasibility of developing “Tsentralnoe” deposit as a source of titanium raw materials. As a result of the analysis of the work carried out, the Group concluded that the minimum possible volume of extraction of sands and the production of commercial concentrates (ilmenite, rutile, and zirconium) from which the deposit is economically feasible significantly exceeds the market demand. Overproduction of concentrates was identified as the most significant risk in the implementation of the project.

Therefore in 2017 the Group recognized the project for the extraction of ilmenite-rutile-zircon sands of “Tsentralnoe” deposit as unprofitable and decided to close the project. Therefore, the cost of the license was fully impaired, the impairment loss in 2017 amounted to USD 6 614 thousand or USD 385 926 thousand.

In 2018, the license for the right of use subsoil was sold.

(b) “Volchanskoe” deposit mining rights

In July 2012, the Group acquired 75% share in Limpieza Group, which holds a license on extraction of ilmenite-zircon sands in “Volchanskoe” field in the Dnepropetrovsk region of Ukraine. The total amount of the field’s reserves are assessed at the level of 5 million tonnes of ilmenite, rutil, zircon and other minerals. The Group acquired these mining rights for USD 44 380 thousand or RUB 1 456 420 thousand. The Group commenced mining in 2016.

Before 2019, the Group recognized impairment loss in the amount of USD 15 252 thousand or RUB 948 198 thousand due to the delay in project realisation and increase of discount rate due to increased country risks.

As at 31 December 2019, the Group assessed the recoverable amount of the license for subsoil deposits “Volchanskoe” in the Dnepropetrovsk region. The recoverable amount was determined on the basis of the value in use calculated by discounting future cash flows from the continued operation of production facilities.The following basic assumptions were used to determine the recoverable amount:

- Cash flows were determined on the basis of plans to continue mining and production of ilmenite, rutile and zirconium concentrate in 2020. The average volume of production in the forecast period is expected to be 36 thousand tons per year until 2031;
- An adter-tax discount rate of 19.08% was applied to discount projected cash flows for the whole period from 2020 to 2031;
- Discount rate was estimated based on an industry weighted average cost of capital, which applied a possible debt leveraging of 37,0% at a borrowing rate of 12,8%;
- The cash flows were forecast until the moment of effective development of the field, therefore, the terminal value was not calculated.

The values assigned to each of these key assumptions reflect management's assessment of the industry's development prospects and are based on both external sources of information and internal data.

Based on the results of the impairment test, there are no signs of license impairment. However, the model is sensitive to changes in external factors. If the discount rate is increased by 2%, Ukrainian Hryvna to US Dollar exchange rate increase by 2% and sales decrease by 5%, an impairment loss of USD 2 435 thousand or RUB 150 727 thousand may occur.

16. Goodwill

	’000 USD	’000 RUB
Balance as at 1 January 2018	**34 754**	**2 001 817**
Cumulative translation adjustment	(5 939)	-
Balance as at 31 December 2018	**28 815**	**2 001 817**
Balance as at 1 January 2019	**28 815**	**2 001 817**
Cumulative translation adjustment	3 522	-
Balance as at 31 December 2019	**32 337**	**2 001 817**

Impairment testing of goodwill

Goodwill was originally determined as a result of VSMPO’s acquisition of AVISMA.VSMPO’s main objectives when acquiring AVISMA were to further expand vertically as well as to ensure full control over its main provider of raw materials. The goodwill relates not only to the specifics of the business of AVISMA but largely to the synergies VSMPO, and the Group as a whole, would benefit from as a result of the business combination. Correspondingly, the goodwill is allocated to VSMPO-AVISMA, as this represents the lowest level within the Group at which the goodwill is monitored by management.

Goodwill related to acquisition of Limpieza Group was initially recognized in July 2012. The goodwill relates to the developed production technology of LLC “Demurinskiy GOK”, high quality of the ilmenite-zircon sands extracted by LLC “Demurinskiy GOK”. The Group as a whole is expected to benefit from this vertical integration and the synergies of the business combination. Correspondingly, the goodwill is allocated to VSMPO-AVISMA, as this represents the lowest level within the Group at which the goodwill is monitored by management.

The recoverable amount was determined based on value in use calculations as determined by discounting the future cash flows generated from the continuing use of the plants (Note 14).

17. Equity-accounted investees and joint operation

The Group has the following investments in equity-accounted investees:

		2019			2018		
	Country	**Carrying value ’000 USD**	**Carrying value ’000 RUB**	**Interest**	**Carrying value ’000 USD**	**Carrying value ’000 RUB**	**Interest**
LLC “Uniti”	USA	7 548	467 246	50,00%	10 055	698 533	50%
JSC “Uralredmet”	Russia	17 541	1 085 881	25,00%	15 329	1 064 926	25%
LLC “Aviacapital Service”	Russia	6 684	413 781	27,02%	11 280	783 609	27%
		31 773	**1 966 908**		**36 664**	**2 547 068**	

(a) Joint ventures

LLC “Uniti”

On 29 April 2003, the Group entered into the joint arrangement with Allegheny Technologies Incorporated (ATI) to form a joint venture to engage in the marketing and sale of titanium products and conversion services. The joint venture is organized in the form of LLC “Uniti” (“Uniti”), a company registered in the United States of America. The Group’s share in net assets 2019 – 50% (2018 – 50%).

In accordance with the agreement, income or losses are allocated based on the percentage interest in the goods and services provided by the partners that were included in Uniti’s sales. Percentage interest is defined as the ratio of each partner’s transfer price charged for all goods and services included in Uniti’s cost of goods sold for reporting period.

The following is summarised financial information of Uniti as at and for 2019 and 2018:

	2019 ’000 USD	**2018 ’000 USD**	**2019 ’000 RUB**	**2018 ’000 RUB**
Non-current assets	33	49	2 043	3 404
Current assets	25 105	26 804	1 554 116	1 862 090
Current liabilities	(5 984)	(3 792)	(370 413)	(263 433)
Net assets (100%)	**19 154**	**23 061**	**1 185 746**	**1 602 061**

	2019 ’000 USD	2018 ’000 USD	2019 ’000 RUB	2018 ’000 RUB
Revenue	69 221	79 394	4 481 105	4 978 621
Profit and total comprehensive income for the year (100%)	**1 094**	**3 321**	**70 821**	**215 863**
Group’s share of loss for the year	(537)	592	(34 763)	37 123
Dividends received by the Group	(1 970)	-	(127 547)	-

In 2019, the Group had sales to Uniti of USD 32 509 thousand or RUB 2 104 501 thousand (2018: USD 29 469 thousand or RUB 1 847 935 thousand).

(b) Associates

JSC “Uralredmet”

In September 2010, the Group acquired 18,98% of shares in JSC “Uralredmet”, which is one of the key suppliers of alloys to the Group. In April 2011, the Group acquired a further 6,03% of shares in JSC “Uralredmet” for USD 6 168 thousand or RUB 181 261 thousand. After this acquisition the Group’s share in JSC “Uralredmet” increased to 25% + 1 share and resulted in obtaining significant influence over the operating and financial activities of the company. Investments in JSC “Uralredmet” were made by the Group to secure supplies of one of the key raw materials used in production of titanium products.

The following is summarized financial information of JSC “Uralredmet” as at and for the year ended 31 December 2019 and 31 December 2018:

	2019 ’000 USD	2018 ’000 USD	2019 ’000 RUB	2018 ’000 RUB
Revenue	188 077	142 083	12 175 400	8 909 723
Profit for the year (100%)	**9 256**	**9 151**	**599 191**	**573 850**
Profit distribution (100%)	**(7 961)**	**-**	**(515 371)**	**-**
Group’s share of profit for the year including profit distribution	324	2 288	20 955	143 463
Non-current assets	22 385	20 132	1 385 786	1 398 577
Current assets	42 959	46 159	2 659 426	3 206 682
Non-current liabilities	(3 015)	(2 765)	(186 631)	(192 073)
Current liabilities	(8 853)	(17 079)	(548 037)	(1 186 462)
Net assets (100%)	**53 476**	**46 447**	**3 310 544**	**3 226 724**
Group’s share of net assets (25%)	13 369	11 612	827 636	806 681

Purchases of the Group for the year ended 31 December 2019 were USD 163 532 thousand or RUB 10 586 453 thousand (2018: USD 109 196 thousand or RUB 6 847 469 thousand).

LLC “Aviacapital-Service”

In September 2014, the Group acquired 27,02% share in statutory capital of LLC “Aviacaptal-Service”. The Group converted loan issued to this company in 2012 in the amount of RUB 465 000 thousand or USD 8 265 thousand to the share in statutory capital. After this transaction, the Group obtained significant influence over the operating and financial activities of the company. LLC “Aviacapital-Service” is involved in aircraft leasing business.

The following is summarized financial information of LLC “Aviacapital-Service” as at 31 December 2019 and 31 December 2018:

	2019 ’000 USD	2018 ’000 USD	2019 ’000 RUB	2018 ’000 RUB
Revenue	-	-	-	-
Profit / (loss) for the period (100%)	**(30 194)**	**(845)**	**(1 954 661)**	**(52 971)**
Other comprehensive loss for the period (100%)	**650**	**(10 788)**	**42 110**	**(676 484)**
Increase / (decrease) in additional capital for the year (100%)	**8 401**	**-**	**543 832**	**-**
Group’s share in change of net assets for the year	(5 713)	(3 143)	(369 828)	(197 099)
Non-current assets	49 799	50 753	3 082 853	3 525 812
Current assets	48 480	38 660	3 001 190	2 685 709
Non-current liabilities	(27 576)	(3 169)	(1 707 121)	(220 165)
Current liabilities	(43 976)	(42 724)	(2 722 341)	(2 968 056)
Net assets (100%)	**26 727**	**43 520**	**1 654 581**	**3 023 300**
Group’s share of net assets (27.02%)	7 222	11 759	447 067	816 895

(c) Joint operation

The Group is a 50% partner in JSC “Ural Boeing Manufacturing” (located in Verkhnyaya Salda, Russia) a joint arrangement formed with the Boeing Company to perform titanium forgings machining services. JSC “Ural Boeing Manufacturing” is separated from the parties in a legal entity. The activity of the arrangement is designed to provide the parties with substantially all output of the joint arrangement. The Group classifies the joint arrangement as a joint operation and consolidates 50% of assets and liabilities, revenue and expenses of the arrangement.

The Group is a 5,29% (2018:4,8%) partner in “AlTi Forge” Sarl (Switzerland), which in turn owns 100% shares in the capital of JSC “AlTi Forge” (Samara, Russia). In accordance with shareholders agreement with JSC “ARKONIK SMZ” the parties have joint control over the activities of these companies, since decisions on all significant activities of this joint operation require consent of both parties. The activity of this joint operation is designed to provide the parties with substantially all output of the joint arrangement. The purpose of this joint operation for the Group is to secure additional pressing facilities to increase production volumes and ensure continuity of the production process. The Group classifies the joint arrangement as a joint operation and consolidates 5,29% (2018:4,8%) of assets and liabilities, revenue and expenses of the arrangement

18. Other investments

	2019 '000 USD	2018 '000 USD	2019 '000 RUB	2018 '000 RUB
Non-current				
Loans receivable	24 675	62 709	1 527 545	4 356 422
Equity investments at FVOCI	233 213	181 554	14 437 229	12 612 671
Other investments	484	335	29 949	23 294
	258 372	**244 598**	**15 994 723**	**16 992 387**
Current				
Loans receivable	53 974	8 335	3 341 296	579 028
Bank deposits	841	114	52 057	7 889
	54 815	**8 449**	**3 393 353**	**586 917**

In December 2014, the Group issued a subordinated loan to JSC “AKB Novikombank”, which is controlled by State Corporation “Rostec”, in the amount of RUB 2 800 000 thousand or USD 59 155 thousand at the exchange rate at the date of transaction. The loan is payable in 2020. Interest rate equals to 14% fixed per annum. Interest is payable on a monthly basis. The loan is not secured. The Group estimates risks of default on this loan as low. As at 31 December 2019, the loan was reclassified to short-term investments. The loan was repaid early in January 2020.

In 2017 and 2018, the Group issued loans to JSC “Ural Boeing Manufacturing” a joint arrangement for the Group (see Note 17). As at 31 December 2019, the amount of loans receivable equaled to USD 22 531 thousand or RUB 1 394 298 thousand (2018: USD 18 459 thousand or RUB 1 282 376 thousand). The loans is payable in 2037. Interest rate of RUB nominated loan equals to 10% per annum, interest rate for USD nominated loan is 3,75% per annum. Interest rates are fixed. The loans are not secured. The Group estimates risks of default on these loans as low. As at 31 December 2019, expected credit losses on these loans were calculated based on credit rating.

As at 31 December 2019, fair value available on the Group's balance sheet shares of PSC “RusHydro”, amounted to USD 231 211 thousand or RUB 14 313 296 thousand (2018: USD 180 247 thousand or RUB 12 521 879 thousand). Fair value has been determined based on share prices as at 31 December 2019 (level 1 of the fair value hierarchy). Profit on the fair value of shares in the amount of USD 27 673 thousand or RUB 1 791 417 thousand (loss for the 2018: USD 106 309 thousand or RUB 6 666 406 thousand) was included in other comprehensive income.

19. Other non-current assets

	2019 '000 USD	**2018 '000 USD**	**2019 '000 RUB**	**2018 '000 RUB**
Non-ferrous metals bars	101 751	-	6 298 917	-
Other	2 230	1 329	138 077	92 338
	103 981	**1 329**	**6 436 994**	**92 338**

In 2019, the Group acquired non-ferrous metals bars which were recognized in the financial statements at historic cost. The Group does not plan to conduct active trading activities with purchased metals. The Group has applied IAS 2 to account for these assets.

20. Inventories

	2019 '000 USD	**2018 '000 USD**	**2019 '000 RUB**	**2018 '000 RUB**
Raw materials and consumables	283 140	200 081	17 527 957	13 899 750
Work in progress	257 726	140 693	15 954 695	9 774 035
Finished goods and goods for resale	408 680	309 731	25 299 640	21 517 156
	949 546	**650 505**	**58 782 292**	**45 190 941**

Inventories are shown net of provision of USD 15 149 thousand or RUB 937 853 thousand (2018: USD 10 722 thousand or RUB 744 839 thousand).

At 31 December 2019, there are no pledged inventories.

21. Trade and other receivables

	2019 '000 USD	2018 '000 USD	2019 '000 RUB	2018 '000 RUB
Short-term trade accounts receivable under contracts with customers	189 276	187 590	11 717 277	13 031 995
Other accounts receivable	21 370	16 619	1 322 895	1 154 480
Less: provision	(20 917)	(21 386)	(1 294 830)	(1 485 689)
	189 729	**182 823**	**11 745 342**	**12 700 786**
Advances to suppliers	31 929	20 189	1 976 575	1 402 576
Less: provision	(612)	(584)	(37 880)	(40 542)
Value-added tax recoverable	7 690	5 478	476 085	380 503
Other taxes receivable	72 065	36 448	4 461 160	2 532 072
	300 801	**244 354**	**18 621 282**	**16 975 395**

At 31 December 2019, there are no pledged receivables.

The Group’s exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in Note 27.

22. Cash and cash equivalents

	2019 ’000 USD	2018 ’000 USD	2019 ’000 RUB	2018 ’000 RUB
Petty cash	16	33	970	2 320
Bank balances	128 352	128 424	7 945 775	8 921 723
Deposits	610 200	631 986	37 774 856	43 904 445
Other cash and cash equivalents	250	223	15 471	15 448
	738 818	**760 666**	**45 737 072**	**52 843 936**

Bank deposits were classified as cash equivalents as their maturity does not exceed three months

	2019 ’000 USD	2018 ’000 USD	2019 ’000 RUB	2018 ’000 RUB
Cash on hand and bank balances denominated in RUB	86 624	50 709	5 362 501	3 522 774
Cash on hand and bank balances denominated in USD	38 183	74 333	2 363 776	5 163 985
Cash on hand and bank balances denominated in other currencies	3 561	3 415	220 468	237 284
Short-term bank deposits, denominated in RUB	131 448	141 019	8 137 381	9 796 656
Short-term bank deposits, denominated in USD	478 450	490 745	29 618 774	34 092 323
Short-term bank deposits, denominated in other currencies	302	222	18 701	15 466
Other cash equivalents	250	223	15 471	15 448
	738 818	**760 666**	**45 737 072**	**52 843 936**

The fair value of cash and cash equivalents is equal to their carrying amount. All bank balances and term deposits are neither past due nor impaired. Analysis of the credit quality of the Group’s cash and cash equivalents is as follows:

	2019 '000 USD	2018 '000 USD	2019 '000 RUB	2018 '000 RUB
Cash on hand	16	33	970	2 320
Rated Ba2 and above*	180 818	716 595	11 193 657	49 782 270
Rated Ba3*	69 673	-	4 313 179	-
Rated B1*	474 872	10 544	29 397 265	732 504
Rated B2*	-	18 941	-	1 315 848
Rated Caa1*	492	1 859	30 464	129 136
Unrated	12 947	12 694	801 537	881 858
	738 818	**760 666**	**45 737 072**	**52 843 936**

* Based on the credit ratings of independent rating agency Moody's.

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 27.

As part of its operations, the Group receives cash from customers in order to fulfil government contracts. In accordance with the legislation requirements, funds received under government contracts should be used only for the purposes related to their fulfilment. Thus, funds received under government contracts are restricted in use. At 31 December 2019, restricted funds amounted to
USD 205 609 thousand or RUB 12 728 353 thousand (2018: USD 148 332 thousand or RUB 10 304 738 thousand).

23. Capital and reserves

(a) Share capital and additional paid-in capital

Number of shares unless otherwise stated	Ordinary shares 2019	Ordinary shares 2018
Authorised shares	11 529 538	11 529 538
Par value	1 RUB	1 RUB
On issue at the beginning of year	11 529 538	11 529 538
On issue at the end of year, fully paid	**11 529 538**	**11 529 538**

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general shareholders' meetings of the Company.

Dividends were declared in May 2019 in respect of 2018 to the holders of ordinary shares in the amount of RUB 873,42 per ordinary share (equivalent to USD 13,54 per share translated at the exchange rate at the date of declaration), for the total amount of USD 156 153 thousand or RUB 10 070 129 thousand.

Dividends were declared in September 2019 in respect of first half of 2019 to the holders of ordinary shares in the amount of RUB 884,60 per ordinary share (equivalent to USD 13,76 per share translated at the exchange rate at the date of declaration), for the total amount of USD 158 644 thousand or RUB 10 199 029 thousand.

Dividends were declared in May 2018 in respect of 2017 to the holders of ordinary shares in the amount of RUB 890,45 per ordinary share (equivalent to USD 14,24 per share translated at the exchange rate at the date of declaration), for the total amount of USD 164 178 thousand or RUB 10 266 478 thousand.

Dividends were declared in September 2018 in respect of first half of 2018 to the holders of ordinary shares in the amount of RUB 756,00 per ordinary share (equivalent to USD 11,48 per share translated at the exchange rate at the date of declaration), for the total amount of USD 132 395 thousand or RUB 8 716 331 thousand.

In 2019, the Group recovered dividends for previous years that were not received by shareholders in the amount of USD 272 thousand or RUB 17 618 thousand (2018: USD 183 thousand or RUB 11 692 thousand).

In 2019, the dividends related to treasury shares amounted to USD 157 thousand or RUB 10 085 thousand.

In accordance with Russian legislation the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's statutory financial statements prepared in accordance with Russian Accounting Principles. For 2019, the net statutory profit of the Company as reported in the published annual statutory financial statements amounted to RUB 23 263 976 thousand (equivalent to USD 359 366 thousand translated at the average exchange rate for 2019) (2018: RUB 18 788 910 thousand (equivalent to USD 299 626 thousand translated at the average exchange rate for 2018)) and the closing balance of the retained earnings including the current year net statutory profit amounted to USD 700 389 thousand or RUB 43 358 086 thousand (2018: USD 580 690 thousand or RUB 40 340 865 thousand).

(b) Treasury shares

As at 31 December 2019, 5 737 shares are recorded as treasury shares (2018: 5 737).

(c) Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

(d) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of equity investments at FVOCI.

(e) Revaluation surplus

The revaluation surplus relates to the revaluation of property, plant and equipment.

24. Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, as well as to maintain the required level of financial resources for investing activities and to maintain an optimal capital structure to reduce the cost of capital.

The Group's capital management includes compliance with externally imposed minimum capital requirements arising from the Group's borrowings (see Note 25).

The Group monitors capital using a ratio of net debt to equity. For this purpose, net debt is defined as total liabilities, comprising interest-bearing loans and borrowings, less cash and cash equivalents. The Group considers total capital under management to be equity as shown in the IFRS consolidated statement of financial position. The Group's strategy is to keep the ratio below 1.

	'000 USD		'000 RUB	
	31 December 2019	**31 December 2018**	**31 December 2019**	**31 December 2018**
Total loans and borrowings	1 737 106	1 472 981	107 536 701	102 328 912
Less: cash and cash equivalents	(738 818)	(760 666)	(45 737 072)	(52 843 936)
Net debt	**998 288**	**712 315**	**61 799 629**	**49 484 976**
Total equity	2 938 551	2 597 304	181 913 271	180 436 091
Net debt to equity ratio at 31 December	**0,34**	**0,27**	**0,34**	**0,27**

25. Loans and borrowings

This note provides information about the contractual terms of the Group’s interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group’s exposure to interest rate, foreign currency and liquidity risk, see Note 27.

	2019 ’000 USD	**2018 ’000 USD**	**2019 ’000 RUB**	**2018 ’000 RUB**
Non-current liabilities				
Secured bank loans	46 380	54 677	2 871 210	3 798 467
Unsecured bank loans	1 212 334	1 191 103	75 050 346	82 746 625
	1 258 714	**1 245 780**	**77 921 556**	**86 545 092**
Current liabilities				
Secured bank loans	10 038	10 000	621 397	694 706
Unsecured bank loans	468 354	217 201	28 993 748	15 089 114
	478 392	**227 201**	**29 615 145**	**15 783 820**

Terms and debt repayment schedule

Terms and conditions of outstanding loans and borrowings were as follows:

’000 USD			**2019**		**2018**	
	Currency	**Year maturity**	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**
Long-term loans						
Secured bank loans and borrowings						
Russian Commercial Bank	USD	2023	22 500	22 500	32 500	32 500
Citibank, N.A.	USD	2023	15 000	15 000	15 000	15 000
The Boeing Company	RUB	2037	8 880	8 880	7 177	7 177
			46 380	***46 380***	***54 677***	***54 677***
Unsecured bank loans						
PJSC Sberbank	USD	2024	400 000	395 820	287 500	285 396
JSC UniCredit Bank	USD	2022-2023	301 839	300 030	420 270	418 147
Crédit Agricole CIB	USD	2022-2024	123 077	121 998	38 462	38 134
JSC ING Bank (Eurasia)	USD	2023	105 769	105 267	125 000	124 388
JSC AKB Novikombank	USD	2022	100 000	100 000	100 000	100 000
JSC Nordea Bank	USD	2022	71 601	70 540	147 388	145 944
JSC Raiffeisen Bank	USD	2021	52 632	52 297	40 000	39 433
PJSC Sovcombank	USD	2023	45 833	45 439	-	-
Commerzbank AG	EUR	2024-2025	14 169	14 028	17 555	17 425
UniCredit Bank AG	EUR	2022-2024	5 358	5 300	8 357	8 296
Russian Technological Development Fund	RUB	2023	1 615	1 615	1 439	1 439
PJSC Sberbank	RUB	2022	-	-	1	1
PJSC AKB Rosbank	USD	2020	-	-	12 500	12 500
			1 221 893	***1 212 334***	***1 198 472***	***1 191 103***
			1 268 273	**1 258 714**	**1 253 149**	**1 245 780**

’000 USD			2019		2018	
	Currency	Year maturity	Face value	Carrying amount	Face value	Carrying amount
Short-term loans						
Secured bank loans						
Russian Commercial Bank	USD	2020	10 000	10 000	10 000	10 000
The Boeing Company	RUB	2020	22	22	-	-
Citibank, N.A.	USD	2020	16	16	-	-
			10 038	***10 038***	***10 000***	***10 000***
Unsecured bank loans						
JSC Alfa-Bank	USD	2020	140 041	140 041	-	-
JSC UniCredit Bank	USD	2020	120 471	119 609	46 116	45 418
JSC Nordea Bank	USD	2020	77 997	76 703	66 999	66 344
JSC Raiffeisen Bank	USD	2020	47 718	47 417	9 325	9 048
PJSC AKB Rosbank	USD	2020	22 531	22 531	12 551	12 551
JSC ING Bank (Eurasia)	USD	2020	19 897	19 805	397	397
Crédit Agricole CIB	USD	2020	16 660	16 469	12 167	12 069
JSC Credi Agricole	USD	2020	15 026	14 984	-	-
PJSC Sovcombank	USD	2020	4 216	4 180	-	-
Commerzbank AG	EUR	2020	3 228	3 197	3 279	3 255
UniCredit Bank AG	EUR	2020	2 918	2 884	2 961	2 939
PJSC Sberbank	USD	2020	502	502	65 618	65 154
PJSC Sberbank	RUB	2020	31	31	25	25
Russian Technological Development Fund	RUB	2020	1	1	1	1
			471 237	***468 354***	***219 439***	***217 201***
			481 275	**478 392**	**229 439**	**227 201**

’000 RUB			2019		2018	
	Currency	Year maturity	Face value	Carrying amount	Face value	Carrying amount
Long-term loans						
Secured bank loans						
Russian Commercial Bank	USD	2023	1 392 878	1 392 878	2 257 795	2 257 795
Citibank, N.A.	USD	2023	928 585	928 585	1 042 059	1 042 059
The Boeing Company	RUB	2037	549 747	549 747	498 613	498 613
			2 871 210	***2 871 210***	***3 798 467***	***3 798 467***
Unsecured bank loans						
PJSC Sberbank	USD	2024	24 762 280	24 503 532	19 972 797	19 826 623
JSC UniCredit Bank	USD	2022-2023	18 685 576	18 573 577	29 196 428	29 048 898
Crédit Agricole CIB	USD	2022-2024	7 619 164	7 552 374	2 671 946	2 649 221
JSC ING Bank (Eurasia)	USD	2023	6 547 718	6 516 598	8 683 825	8 641 297
JSC AKB Novikombank	USD	2022	6 190 570	6 190 570	6 947 060	6 947 060
JSC Nordea Bank	USD	2022	4 432 500	4 366 846	10 239 106	10 138 788
JSC Raiffeisen Bank	USD	2021	3 258 193	3 237 468	2 778 824	2 739 446
PJSC Sovcombank	USD	2023	2 837 345	2 812 916	-	-
Commerzbank AG	EUR	2024-2025	877 157	868 391	1 219 585	1 210 512
UniCredit Bank AG	EUR	2022-2024	331 697	328 074	580 548	576 360
Russian Technological Development Fund	RUB	2023	100 000	100 000	100 000	100 000
PJSC Sberbank	RUB	2022	-	-	37	37
PJSC AKB Rosbank	USD	2020	-	-	868 383	868 383
			75 642 200	***75 050 346***	***83 258 539***	***82 746 625***
			78 513 410	**77 921 556**	**87 057 006**	**86 545 092**

’000 RUB			2019		2018	
	Currency	Year maturity	Face value	Carrying amount	Face value	Carrying amount
Short-term loans						
Secured bank loans						
Russian Commercial Bank	USD	2020	619 057	619 057	694 706	694 706
The Boeing Company	RUB	2020	1 331	1 331	-	-
Citibank, N.A.	USD	2020	1 009	1 009	-	-
			621 397	***621 397***	***694 706***	***694 706***
Unsecured bank loans						
JSC Alfa-Bank	USD	2020	8 669 334	8 669 334	-	-
JSC UniCredit Bank	USD	2020	7 457 852	7 404 458	3 203 737	3 155 206
JSC Nordea Bank	USD	2020	4 828 457	4 748 317	4 654 429	4 608 954
JSC Raiffeisen Bank	USD	2020	2 954 040	2 935 387	647 790	628 544
PJSC AKB Rosbank	USD	2020	1 394 793	1 394 793	871 925	871 925
JSC ING Bank (Eurasia)	USD	2020	1 231 710	1 226 051	27 589	27 589
Crédit Agricole CIB	USD	2020	1 031 366	1 019 549	845 274	838 456
JSC Credi Agricole	USD	2020	930 167	927 593	-	-
PJSC Sovcombank	USD	2020	260 987	258 766	-	-
Commerzbank AG	EUR	2020	199 851	197 891	227 776	226 123
UniCredit Bank AG	EUR	2020	180 633	178 543	205 732	204 208
PJSC Sberbank	USD	2020	31 072	31 072	4 558 520	4 526 270
PJSC Sberbank	RUB	2020	1 917	1 917	1 754	1 754
Russian Technological Development Fund	RUB	2020	77	77	85	85
			29 172 256	***28 993 748***	***15 244 611***	***15 089 114***
			29 793 653	**29 615 145**	**15 939 317**	**15 783 820**

Exchange differences for 2019 amounted to USD 174 693 thousand or RUB 11 308 930 thousand (2018: USD 262 790 thousand or RUB 16 478 967 thousand), other movements were cash settled.

As at 31 December 2019, bank loans are secured with property, plant and equipment with carrying amount of USD 36 251 thousand and RUB 2 244 129 thousand (2018: USD 22 891 thousand or RUB 1 590 278 thousand) and guarantee issued by the Boeing Company.

As at 31 December 2019, the Group had undrawn credit line facilities for the total amount of USD 478 077 thousand or RUB 29 595 679 thousand (2018: USD 403 508 thousand or RUB 28 031 975 thousand).

A number of loans outstanding at the year end contain certain restrictive covenants in relation to unauthorized use of credit facilities, sales and purchases of assets, total amount of borrowings, change of controlling shareholders and management, defaults on liabilities, including tax liabilities, bankruptcy initiation, commencement of significant court proceedings, deterioration of financial position of the Group, improper execution of obligations and certain financial ratios.

As at 31 December 2019, the Group performed the covenants under the loan agreements.

26. Trade and other payables

	2019 '000 USD	2018 '000 USD	2019 '000 RUB	2018 '000 RUB
Trade accounts payable	49 177	48 707	3 044 323	3 383 727
Accrued liabilities and other creditors	42 592	32 750	2 636 710	2 275 104
Payroll and social tax payable	18 351	13 956	1 136 027	969 515
Total accounts payable and accrued expenses	**110 120**	**95 413**	**6 817 060**	**6 628 346**

The Group’s exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 27.

27. Fair values and risk management

(a) Fair value and fair value hierarchy

The Group doesn’t have any financial assets or liabilities measured at fair value except for equity investments at FVOCI (see Note 18). Investments are classified as Level 1. Their fair value is determined based on quoted market prices.

As at 31 December 2019 and 31 December 2018, carrying amount of the Group's financial assets and liabilities did not differ significantly from their fair value.

As at 31 December 2019 and 31 December 2018, fair value of financial assets (except for investments listed above) and liabilities was calculated by applying discounted cash flows technique using market discount rate and relates to Level 3 in the fair value hierarchy.

Financial instruments not measured at fair value

Type of financial instrument	Valuation technique
Trade and other receivables	Discounted cash flows
Other investments and loans receivable except for equity investments	Discounted cash flows
Cash and cash equivalents	Discounted cash flows
Trade and other payables	Discounted cash flows
Loans and borrowings	Discounted cash flows

(b) Financial risk management

The Group’s activities expose it to a variety of financial risks: market risk (including foreign currency exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The overall risk management procedures seek to minimize potential adverse effects on the financial performance of the Group.

(i) 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, deposits and investments.

Credit risk management is aimed at preventing losses of liquid assets placed on deposit or invested into financial institutions or decreasing value of accounts receivable.

The maximum exposure to credit risk related to the financial assets equals the carrying value of the Group's financial assets including loans receivable. The Group’s most significant customer represents 10% (2018: 10%) of trade accounts receivable at respective reporting dates.

The treasury department of the Group monitors and controls credit risk.

The credit quality of customers and borrowers is measured taking into account their financial position, prior experience and other factors. The Group deals with new customers and clients with creditworthiness concerns only on prepayment basis. Standard payment terms for delivered goods may be changed where there is a good history with the customer.

Although the collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the provision already recorded, see Note 21.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each individual customer. The concentration of credit risk geographically relates to the USA and Europe where the most significant customers are located.

The Group provides credit in the normal course of business to its customers and performs ongoing credit evaluations of those customers. Credit losses, when realized, have been within the range of the Group's expectations and, historically, have not been significant.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit at the reporting date was:

	Carrying amount		Carrying amount	
	2019 '000 USD	2018 '000 USD	2019 '000 RUB	2018 '000 RUB
Loans receivable	78 649	71 044	4 868 841	4 935 450
Bank deposits, current	841	114	52 057	7 889
Trade accounts receivable	176 323	171 781	10 915 437	11 933 737
Other account receivable	13 406	11 042	829 905	767 049
Cash and cash equivalents	738 818	760 666	45 737 072	52 843 936
	1 008 037	**1 014 647**	**62 403 312**	**70 488 061**

Provision for other accounts receivable was calculated based on the worst case scenario, using a Moody's Caa rating that corresponds to high credit risk.

Impairment losses

The ageing of trade receivables at the reporting date was as follows:

'000 USD	Weighted-average loss rate	Gross carrying amount*	Loss allowance	Credit-impaired
Current (not past due)	0,00%	153 192	-	No
Past due less than 3 months	0,09%	21 703	(21)	No
Past due less from 3 to 6 months	2,49%	739	(370)	Yes
Past due less from 6 to 12 months	8,17%	782	(391)	Yes
Past due over 12 months	13,53%	1 377	(688)	Yes
		177 793	**(1 470)**	

*these amounts do not include fully impaired balances receivable from the counterparties in the amount USD 11 483 thousand.

'000 RUB	Weighted-average loss rate	Gross carrying amount*	Loss allowance	Credit-impaired
Current (not past due)	0,00%	9 483 485	-	No
Past due less than 3 months	0,09%	1 343 549	(1 271)	No
Past due less from 3 to 6 months	2,49%	45 765	(22 883)	Yes
Past due less from 6 to 12 months	8,17%	48 440	(24 220)	Yes
Past due over 12 months	13,53%	85 143	(42 571)	Yes
		11 006 382	**(90 945)**	

*these amounts do not include fully impaired balances receivable from the counterparties in the amount RUB 710 895 thousand.

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

	2019		2018	
'000 USD	**Trade receivables**	**Other receivables**	**Trade receivables**	**Other receivables**
Provision for impairment as at 1 January	**15 809**	**5 577**	**12 266**	**6 825**
Impairment loss recognised	757	2 043	6 603	770
Provision reversed	(5 260)	(2 162)	(487)	(1 097)
Provision used	(32)	1 808	(2)	(80)
Cumulative translation adjustment	1 679	698	(2 571)	(841)
Provision for impairment as at 31 December	**12 953**	**7 964**	**15 809**	**5 577**

	2019		2018	
'000 RUB	**Trade receivables**	**Other receivables**	**Trade receivables**	**Other receivables**
Provision for impairment as at 1 January	**1 098 258**	**387 431**	**709 666**	**398 988**
Impairment loss recognised	48 991	132 230	414 090	48 250
Provision reversed	(340 453)	(139 987)	(30 519)	(68 817)
Provision used	(2 053)	117 067	(126)	(5 017)
Cumulative translation adjustment	(2 903)	(3 751)	5 147	14 027
Provision for impairment as at 31 December	**801 840**	**492 990**	**1 098 258**	**387 431**

(ii) Liquidity risk

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.

The Group treasury department conducts liquidity planning on a weekly basis and reports to the management. Beyond cash management, the Group mitigates liquidity risk by keeping committed credit lines available, see Note 25.

The management ensures that sufficient liquidity is available to the Group to meet its short-term payment obligations. Such cash balances include current balances in bank accounts and bank deposits. The Group’s policy as regards working capital funding is aimed at maximum utilisation of the Group’s operating cash flows including obtaining short-term bank loans, borrowings and other external funding sources to maintain adequate level of liquidity.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments and exclude the impact of netting agreements.

’000 USD	Carrying amount	Contractual cash flows	0-12 mths	1-2 yrs	2-3 yrs	Over 3 yrs
As at 31 December 2019						
Unsecured loans and borrowings	1 680 688	1 816 079	534 049	443 799	493 072	345 159
Secured loans and borrowings	56 418	73 615	11 187	21 184	3 684	37 560
Trade and other accounts payable	103 898	103 898	103 898	-	-	-
Other liabilities as a part of the lease	31 588	36 995	6 223	9 564	5 469	15 739
	1 872 592	**2 030 587**	**655 357**	**474 547**	**502 225**	**398 458**
As at 31 December 2018						
Unsecured loans and borrowings	1 408 304	1 547 289	267 746	427 266	428 749	423 528
Secured loans and borrowings	64 677	78 191	10 983	20 986	13 483	32 739
Trade and other accounts payable	95 413	95 413	95 413	-	-	-
	1 568 394	**1 720 893**	**374 142**	**448 252**	**442 232**	**456 267**

’000 RUB	Carrying amount	Contractual cash flows	0-12 mths	1-2 yrs	2-3 yrs	Over 3 yrs
As at 31 December 2019						
Unsecured loans and borrowings	104 044 094	112 425 634	33 060 688	27 473 688	30 523 977	21 367 281
Secured loans and borrowings	3 492 607	4 557 264	692 570	1 311 426	228 076	2 325 192
Trade and other accounts payable	6 431 874	6 431 874	6 431 874	-	-	-
Other liabilities as a part of the lease	1 955 480	2 290 144	385 185	592 077	338 540	974 342
	115 924 056	**125 704 916**	**40 570 317**	**29 377 191**	**31 090 593**	**24 666 815**
As at 31 December 2018						
Unsecured loans and borrowings	97 835 739	107 491 156	18 600 509	29 682 460	29 785 431	29 422 756
Secured loans and borrowings	4 493 173	5 432 007	763 003	1 457 896	936 680	2 274 428
Trade and other accounts payable	6 628 346	6 628 346	6 628 346	-	-	-
	108 957 258	**119 551 509**	**25 991 858**	**31 140 356**	**30 722 111**	**31 697 184**

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group’s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

Foreign currency risk is the risk of losses resulting from adverse movements in different currency exchange rates against the functional currency of the Group companies. Foreign currency risk arises from the international operations of the Group, future commercial transactions in foreign currencies, including repayment of foreign currency denominated borrowings and recognition of assets and liabilities denominated in a currency which is not a functional currency of the Group companies.

The objective of the Group’s foreign exchange risk management activities is to minimise the volatility of the Group’s financial results by matching the same foreign currency denominated assets and liabilities. The Group does not currently hedge foreign exchange exposure using financial instruments. Group entities are prohibited from borrowing and investing in foreign currencies on a speculative basis.

The Group’s policies for attracting foreign exchange denominated borrowings depend on current and forward rates of foreign currencies to Russian rouble. Funds borrowed are mainly nominated in USD, being the currency of general export trade contracts.

The Group relies on export sales to generate foreign currency earnings. As the Group’s sales outside the Russian Federation form a significant portion of its production, it is exposed to foreign currency risk arising primarily on the volatility of the US dollar rate, in which major export sales are denominated.

Exposure to currency risk

The tables below summarises the Group’s exposure to foreign currency exchange rate risk at the reporting date:

As at 31 December 2019

’000 USD	**USD**	**EUR**	**Other foreign currencies**
Cash and cash equivalents	516 633	1 083	2 781
Accounts receivable	175 201	1 401	2 362
Bank deposits	-	-	116
Loans receivable	22 731	-	-
Accounts payable and other liabilities	(16 650)	(9 087)	(3 586)
Loans and borrowings	(1 701 148)	(25 409)	-
Net exposure	**(1 003 233)**	**(32 012)**	**1 673**

As at 31 December 2018

’000 USD	**USD**	**EUR**	**Other foreign currencies**
Cash and cash equivalents	565 078	1 372	2 266
Accounts receivable	167 966	1 096	108
Bank deposits	-	-	114
Loans receivable	22 476	-	12
Accounts payable and other liabilities	(15 463)	(4 673)	(1 183)
Loans and borrowings	(1 432 423)	(31 915)	-
Net exposure	**(692 366)**	**(34 120)**	**1 317**

As at 31 December 2019

’000 RUB	**USD**	**EUR**	**Other foreign currencies**
Cash and cash equivalents	31 982 550	67 013	172 156
Accounts receivable	10 845 912	86 710	146 201
Bank deposits	-	-	7 157
Loans receivable	1 407 204	-	-
Accounts payable and other liabilities	(1 030 751)	(562 514)	(221 992)
Loans and borrowings	(105 310 730)	(1 572 899)	-
Net exposure	**(62 105 815)**	**(1 981 690)**	**103 522**

As at 31 December 2018

’000 RUB	**USD**	**EUR**	**Other foreign currencies**
Cash and cash equivalents	39 256 308	95 314	157 436
Accounts receivable	11 668 718	76 170	7 503
Bank deposits	-	-	7 889
Loans receivable	1 561 398	-	855
Accounts payable and other liabilities	(1 074 215)	(324 605)	(82 156)
Loans and borrowings	(99 511 220)	(2 217 203)	-
Net exposure	**(48 099 011)**	**(2 370 324)**	**91 527**

The following significant exchange rates have been applied during the year:

	As at 31 December 2019	**Average for 2019**	**As at 31 December 2018**	**Average for 2018**
USD	61,9057	64,7362	69,4706	62,7078
EUR	69,3406	72,5021	79,4605	73,9546

Sensitivity analysis

A 10% weakening of the RUB against USD and Euro at 31 December 2019 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2018.

Sensitivity analysis

2019	**Equity ’000 USD**	**Profit or loss ’000 USD**
USD strengthening 10%	(100 323)	(100 323)
Euro strengthening 10%	(3 201)	(3 201)
2018		
USD strengthening 10%	(69 237)	(69 237)
Euro strengthening 10%	(3 412)	(3 412)
2019	**Equity ’000 RUB**	**Profit or loss ’000 RUB**
USD strengthening 10%	(6 210 582)	(6 210 582)
Euro strengthening 10%	(198 169)	(198 169)
2018		
USD strengthening 10%	(4 809 901)	(4 809 901)
Euro strengthening 10%	(237 032)	(237 032)

(iv) Interest rate risk

Interest rate risk arises from movements in interest rates which could affect the Group’s financial results or the value of the Group’s equity. A change in interest rates may cause variations in interest income and expense.

The Group's objective when managing interest rate risk is to protect net results as regards interest. Interest rate risk management function is performed by the finance and treasury department of the Group.

Market interest rates are monitored and the Group's positions as regards interest bearing borrowings are analysed by the treasury and finance departments of the Group under the interest rate risk management framework. The monitoring is performed taking into account current terms of refinancing, renewal of existing positions and alternative funding. The Group does not apply interest hedging.

The Group’s interest rate risk arises from various debt facilities. Borrowings at variable rates expose the Group to the risk of future cash flows changes.

Exposure to interest rate risk

At the reporting date the interest rate profile of the Group’s interest-bearing financial instruments was as follows:

	2019 ’000 USD	2018 ’000 USD	2019 ’000 RUB	2018 ’000 RUB
Fixed rate instruments				
Loans receivable	78 649	71 044	4 868 841	4 935 450
Bank deposits classified as cash equivalents	610 200	631 986	37 774 856	43 904 445
Bank deposits	841	114	52 057	7 889
Current loans and borrowings	(23 056)	(12 552)	(1 427 272)	(872 010)
Non-current loans and borrowings	(406 316)	(21 117)	(25 153 279)	(1 466 995)
	260 318	**669 475**	**16 115 203**	**46 508 779**
Variable rate instruments				
Current loans and borrowings	(455 336)	(214 649)	(28 187 873)	(14 911 810)
Non-current loans and borrowings	(852 398)	(1 224 663)	(52 768 277)	(85 078 097)
	(1 307 734)	**(1 439 312)**	**(80 956 150)**	**(99 989 907)**

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant:

	Profit or loss ’000 USD	Equity ’000 USD	Profit or loss ’000 RUB	Equity ’000 RUB
2019				
100 bp parallel fall	13 077	13 077	809 562	809 562
100 bp parallel rise	(13 077)	(13 077)	(809 562)	(809 562)
2018				
100 bp parallel fall	14 393	14 393	999 899	999 899
100 bp parallel rise	(14 393)	(14 393)	(999 899)	(999 899)

(c) Master netting or similar agreements

The Group may enter into sales and purchase agreements with the same counterparty in the normal course of business. The related amount receivable and payable do not always meet the criteria for offsetting in the statement of financial position. This is because the Group may not have any currently legally enforceable right to offset recognised amounts, because the right to offset may be enforceable only on the occurrence of future events. In particular, in accordance with the Russian civil law an obligation can be settled by offsetting against a similar claim if it is due, has no maturity or is payable on demand.

As at 31 December 2019 and 2018, the Group does not have financial instruments, which can be offset.

28. Significant subsidiaries

	Country of incorporation	2019 Ownership voting	2018 Ownership voting
VSMPO-TIRUS, U.S., Ins	USA	100%	100%
VSMPO-TIRUS GmbH	Germany	100%	100%
Tirus International SA	Switzerland	100%	100%
GRIFOLDO LTD	Cyprus	100%	100%
VSMPO-TIRUS LIMITED	Cyprus	100%	100%
VSMPO-TIRUS LIMITED	UK	100%	100%
VSMPO-Tirus (Bejing) Metallic Materials Ltd.	China	100%	100%
LIMPIEZA LIMITED	Cyprus	75%	75%
VSMPO Titan Ukraine	Ukraine	100%	100%
LLC Demurinskiy gorno-obogatitelny kombinat	Ukraine	75%	75%
NORVEX LIMITED	British Virgin Islands	100%	100%
LLC Sanatorny complex	Russia	100%	100%
LLC Upravlenie gostinits	Russia	100%	100%
LLC Torgovy Dom VSMPO-AVISMA Corporation	Russia	100%	100%

29. Commitments

(a) Capital commitments

As at 31 December 2019, the Group has entered into contracts to purchase plant and equipment for USD 217 709 thousand or RUB 13 477 411 thousand (2018: USD 102 654 thousand or RUB 7 131 406 thousand).

(b) Long term sales contracts

In the normal course of business group companies enter into long term framework sales contracts. These contracts allow for periodic adjustments in prices dependent on prevailing market conditions.

30. Contingencies

(a) Taxation contingencies in the Russian Federation

The taxation system in the Russian Federation continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities.

The tax authorities have the power to impose fines and penalties for tax arrears. A tax year is generally open for review by the tax authorities during three subsequent calendar years. Currently the tax authorities are taking a more assertive and substance-based approach to their interpretation and enforcement of tax legislation.

Current Russian transfer pricing legislation requires transfer pricing analysis for the majority of cross-border intercompany and major domestic intercompany transactions. Starting from 2019, transfer pricing control, as a general rule, is applied to domestic transactions only if both criteria are met: the parties apply different tax rates, and the annual turnover of transactions between them exceeds RUB 1 billion.

The Russian transfer pricing rules are close to OECD guidelines, but have certain differences that create uncertainty in practical application of tax legislation in specific circumstances. A very limited number of publicly available transfer pricing court cases in Russia does not provide enough certainty as to the approach to applying transfer pricing rules in Russia. The impact of any transfer pricing assessment may be material to financial statements of the Group, however, the probability of such impact cannot be reliably assessed.

Russian tax authorities may review prices used in intra-group transactions, in addition to transfer pricing audits. They may assess additional taxes if they conclude that taxpayers have received unjustified tax benefits as a result of those transactions.

Russian tax authorities continue to exchange transfer pricing as well as other tax related information with tax authorities of other countries. This information may be used by the tax authorities to identify transactions for additional in-depth analysis.

Specifics of the Group's operations assume significant amount of transactions with subsidiaries registered in foreign jurisdictions, including the issuance of loans. The terms of specific transactions (interest rate, currency, terms) are analyzed by the Group's management at the date of the transactions. Subsequently, the terms of transactions can be reviewed depending on the current market situation, as well as the needs of the Group and subsidiaries in financial resources. The Group's management believes that, based on management's understanding of applicable Russian tax legislation, official explanations and court decisions, the Group satisfies completely with tax legislation. Nevertheless, the interpretation of these Group's position by the tax and judicial authorities may be different and, if the tax authorities can prove the legitimacy of their position, this could have significant impact on these consolidated financial statements.

The Group purchases works, services, raw materials and supplies from various suppliers who are fully responsible for compliance with tax laws and established accounting rules (standards). However, taking into account the current practice of the tax authorities, if the tax authorities make claims to suppliers for non-compliance with tax legislation, this may lead to additional tax risks for the Group. If the tax authorities prove the legitimacy of their claims to the suppliers, the Group may be charged additional taxes to pay, despite the fact that the main responsibility for the completeness and timeliness of tax payments lies with the leadership of these providers.

In the course of its operations, the Group conducts regular maintenance of fixed assets. These expenses are recorded for income tax purposes in accordance with the group's accounting policies. Management of the Group believes that, based on its understanding of the applicable tax laws, official explanations and court decisions, the Group complies in all material respects with the tax laws. However, the interpretation of these provisions by the tax and judicial authorities may be different.

These facts have a significant impact on the group's tax position and may create additional tax risks in the future. Management did not include provisions for these liabilities in the consolidated financial statements because it assesses the risk of cash outflows for their repayment as possible, but not as high. In the opinion of the management of the Group, it is not possible to determine the financial implications of potential tax liabilities that may ultimately arise for the Group in connection with the above operations, due to the variety of approaches to determine the value of potential liabilities due to different interpretations of tax legislation. Management of the Group believes that, based on its understanding of the applicable tax laws, official explanations and court decisions, the Group complies in all material respects with the tax laws. However, the interpretations of the tax authorities and courts, especially due to reform of the supreme courts could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

31. Related parties

(a) Government

The Government of the Russian Federation controls the State Corporation "Rostech" (SC "Rostech"), which has significant influence over the Company. The Government does not prepare financial statements for public use. Governmental economic and social policies affect the Group's financial position, results of operations and cash flows.

(b) Transactions and balances with related parties

In the normal course of business, the Group enters into transactions with related parties and other entities under Government control. Taxes are accrued and settled in accordance with Russian tax legislation. The Group uses excemption provided in clause 25 of IAS 24 and does not disclose information related to transactions with different authorities of Russian Federation. The following turnovers and balances arise from transactions with related parties except for settlements with tax authorities and other government structures of Russian Federation.

Transactions with related parties:

Relationship	2019 '000 USD	2018 '000 USD	2019 '000 RUB	2018 '000 RUB
Revenue				
Parties under Government control	94 397	216 279	6 110 926	13 562 387
Entities under Rostech control	218 680	140 516	14 156 512	8 811 450
Joint arrangement	32 563	29 524	2 107 999	1 851 404
Associates	2 667	2 745	172 660	172 133
Purchases				
Parties under Government control	(32 171)	(26 919)	(2 082 657)	(1 688 042)
Entities under Rostech control	(116)	(190)	(7 509)	(11 915)
Joint arrangement	(18 408)	(12 066)	(1 191 675)	(756 659)
Associates	(163 532)	(109 196)	(10 586 453)	(6 847 469)
Purchases of property, plant and equipment				
Parties under Government control	(264)	(314)	(17 114)	(19 720)
Entities under Rostech control	-	(36)	-	(2 250)
Sales of property, plant and equipment				
Parties under Government control	3	-	182	-
Joint arrangement	5	-	306	-
Loans provided				
Joint venture	(2 350)	(5 600)	(152 130)	(351 164)
Associates	(124)	(120)	(8 000)	(7 500)
Proceeds from borrowings				
Parties under Government control	400 745	1 595	25 942 719	100 000
Interest income				
Parties under Government control	346	428	22 377	26 858
Entities under Rostech control	6 055	6 251	392 000	392 000
Joint venture	811	757	52 487	47 487
Associates	277	279	17 919	17 478
Entities under ultimate beneficiary's control	-	1 428	-	89 521
Interest expenses				
Parties under Government control	(12 037)	(16 517)	(779 237)	(1 035 737)
Entities under Rostech control	(4 193)	(4 191)	(271 409)	(262 818)

Revenue from related parties refers to sales of titanium products. The Group does not have significant sales (over 5% from total group sales) to any individual related party.

Related party purchases mainly refer to electricity and gas which are made under standard short term agreements

Balances with related parties:

Relationship	31 December 2019 '000 USD	31 December 2018 '000 USD	31 December 2019 '000 RUB	31 December 2018 '000 RUB
Bank balances				
Parties under Government control	83 654	33 845	5 178 681	2 351 219
Entities under Rostech control	1 042	10 527	64 507	731 289
Trade and other receivables				
Parties under Government control	3 060	3 577	189 404	248 462
Entities under Rostech control	4 846	9 189	299 974	638 359
Joint arrangement	196	1 197	12 146	83 137
Associates	331	545	20 475	37 828
Entities under ultimate beneficiary's control	4 071	3 627	252 000	252 000
Advances to suppliers				
Parties under Government control	849	779	52 573	54 143
Entities under Rostech control	13	-	788	30
Associates	-	61	-	4 239
Bank deposits, classified as cash and cash equivalents				
Parties under Government control	99 606	104 337	6 166 193	7 248 362
Entities under Rostech control	10 883	-	673 727	-
Equity investments at FVOCI				
Parties under Government control	233 213	181 554	14 437 228	12 612 671
Loans issued				
Entities under Rostech control	45 230	40 305	2 800 000	2 800 000
Associates	4 484	4 150	277 559	288 317
Top management	236	271	14 582	18 853
Joint arrangement	22 565	18 476	1 396 882	1 283 569
Loans and borrowings				
Parties under Government control	(402 150)	(352 017)	(24 895 346)	(24 454 768)
Entities under Rostech control	(99 975)	(99 988)	(6 189 051)	(6 946 222)
Trade and other payables				
Parties under Government control	(2 645)	(3 333)	(163 751)	(231 563)
Entities under Rostech control	(4)	(4)	(271)	(256)
Joint arrangement	(1 530)	(2 287)	(94 731)	(158 899)
Associates	(7 547)	(8 671)	(467 198)	(602 351)
Advances received				
Parties under Government control	(49 492)	(25 592)	(3 063 835)	(1 777 878)
Entities under Rostech control	(82 997)	(75 929)	(5 137 964)	(5 274 803)
Joint arrangement	(590)	(105)	(36 552)	(7 272)

All outstanding balances with related parties are expected to be settled within twelve months of the reporting date except for loans issued. Loan issued to entity under Rostech control in the amount of USD 45 230 thousand or RUB 2 800 000 thousand is long-term and is not past due and was granted with the interest rate of 14%. The balance is not secured.

Loans and borrowing obtained from the related parties under Government control are nominated in USD and were received with the interest rate of 3,30% to 3,80%.

Bank deposits in USD and RUB, classified as cash and cash equivalents, in banks under Government control have interest rate from 3,68% to 6,5%.

Bank deposits in RUB, classified as cash and cash equivalents, in banks under Rostech control have interest rate 3,50%.

Key management personnel compensation

Compensation of key management personnel consists of remuneration paid to the members of the Management Boards of the Group’s main subsidiaries and to members of Boards of Directors of the Company and its main subsidiaries. Compensation is made up of an annual remuneration and a performance bonus depending on the operating results.

Total key management personnel short-term benefits included in genneral and administrative expenses in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019 amounted to USD 13 001 thousand or RUB 841 636 thousand (2018: USD 11 710 thousand or RUB 734 302 thousand). Related state pension and social security costs for the year ended 31 December 2019 amounted to USD 2 983 thousand or RUB 193 079 thousand (2018: USD 2 580 thousand or RUB 161 813 thousand). There were no significant post-employment or other long-term benefits.

32. Subsequent events

No events after the reporting date to be disclosed in these consolidated financial statements have been identified.

33. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for equity investments at FVOCI and property, plant and equipment (except for land), which are measured on fair value basis.

34. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements except changes disclosed in Note 5, and have been applied consistently by Group entities. Certain comparative amounts were reclassified to correspond with the current year presentation.

(a) 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 (see Note 34(a)(iii)).

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 for period.

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 is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss for period.

(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) Loss of control

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

(v) Interests in equity-accounted investees

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

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

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

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

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

(vi) 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.

(b) Revenue

(i) Goods sold

The Group receives revenue mainly from the sale of titanium products. Other revenue includes revenue from the sales of services and other finished products (see Note 6 and Note 7).

Typically, the Group recognises revenue at the moment when persuasive evidence exists, usually in the form of an executed sales agreement, that the control of the goods have been transferred to the customer. The moment of control’s transfer, payment terms vary depending on the specific terms of the contract’s sale and the characteristics of the customer. As a rule, settlements under a particular contract with the customer take place in less than a year, so the Group applies practical simplification and does not calculate a significant component of financing under such contracts.

The Group does not provide discounts and bonuses to its customers.

The Group provides standard warranty conditions for the quality of its products. A separate obligation to provide a guarantee for products under contracts with customers is not allocated.

(ii) Services

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

(c) Finance income and costs

The Group’s finance income and finance costs include:

- interest income;
- interest expense;
- dividend income;
- the net gain or loss currency translation differences.

Interest income or expense is recognised using the effective interest method.

(d) Foreign currency

(i) Foreign currency transactions

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

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.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to the presentation currency at average exchange rates.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such item form part of a net investment in a foreign operation and are recognised in other comprehensive income, and presented in the translation reserve in equity.

(e) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(ii) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

Obligations for contributions to defined contribution pension plans, including Russia's State pension fund, are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

(iii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in OCI. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(f) 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. Current tax payable also includes any tax liability arising from dividends.

(ii) Deferred tax

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

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

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

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

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

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

In accordance with the tax legislation of the Russian Federation, 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.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. 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 selling expenses.

(h) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment, are initially measured at cost.

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.

After initial recognition items of property, plant and equipment (except for land) are measured at fair value based on periodic valuation by external independent appraisers. Revaluation increase is recognised directly 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 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.

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 «General and administrative expenses» in profit or loss. When revalued assets are disposed, any related amount included in the revaluation reserve as revaluation surplus is transferred to retained earnings. Also the revaluation reserve is transferred to retained earnings while revalued fixed assets are depreciated.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) 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.

Depreciation is generally recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives of significant items of property, plant and equipment for the current and comparative periods are as follows:

	31 Decemder 2018	31 Decemder 2019
Buildings and constructions	23 years	23 years
Plant and equipment	13 years	13 years
Transport	11 years	11 years
Transfer devices	11 years	11 years
Other	4 years	4 years

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

(i) 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 and mining rights, 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 of intangible assets are from 3 to 20 years. Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate. Mining rights are amortized using the units-of-production method.

(j) Financial instruments

(i) Recognition and initial measurement

Trade receivables and debt securities issued 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 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

On initial recognition, a financial asset is classified as measured at: amortised cost; 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 (see Note 27 (a)). 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.

Financial assets – Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

– the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management’s strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
– how the performance of the portfolio is evaluated and reported to the Group’s management;
– the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
– how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
– the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group’s continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest (SPPI criterion), the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses:

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
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.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to 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 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 CBR. 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 performs a quantitative and qualitative evaluation of whether the modification is substantial, i.e. whether the cash flows of the original financial asset and the modified or replaced financial asset are substantially different. 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;
- change of terms of financial asset that lead to non-compliance with SPPI criterion (e.g. inclusion of conversion feature).

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 CBR key rate, if the loan contract entitles banks to do so and 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 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.

(v) 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.

(k) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(l) Impairment

(i) Non-derivative financial assets

Financial instruments and contract assets

The Group recognises loss allowances for ECLs on:

– financial assets measured at amortised cost;

– debt investments measured at FVOCI; and

– contract assets.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

– debt securities that are determined to have low credit risk at the reporting date; and

– other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or

- the financial asset is more than 90 days past due.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Group considers this to be Baa3 or higher per Moody's.

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

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

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 entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI 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 being more than 90 days past due;
- 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.

Presentation of allowance for ECL in the statement of financial position

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

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

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 365 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 from the amount 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.

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 inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

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.

(m) 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.

(n) Leases

The Group has applied IFRS 16 using the modified retrospective approach, under which comparative information is not restated. The Group has disclosed accounting policies under both IFRS 16 (for the current period) and IAS 17 (for the comparative period presented) in order for users to understand the current period as well as comparative information and changes in significant accounting policies.

Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease.

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'other long-term liabilities' and in 'other payables' in the statement of financial position.

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

In accordance with IFRS 16 variable payments which do not depend on index or rate, e. g. which do not reflect changes in market rental rates, should not be included in the measurement of lease liability. In respect of municipal or federal land leases where lease payments are based on cadastral value of the land plot and do not change until the next revision of that value or the applicable rates (or both) by the authorities, the Group has determined that, under the current revision mechanism, the land lease payments cannot be considered as either variable that depend on index or rate or in-substance fixed, and therefore these payments are not included in the measurement of the lease liability.

(ii) As a lessee

In the comparative period, as a lessee the Group classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

(o) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.