PSC “Corporation VSMPO-AVISMA”

Consolidated Financial Statements for 2020 and Independent Auditors’ Report

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Statement of management's responsibilities for the preparation and approval of the consolidated financial statements for 2020

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 2020, 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 2020 were approved by:

D.V. Osipov
General Director
Verkhnyaya Salda, Russia
12 March 2021

V.N. Borisov
Chief Financial Officer

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 2020, 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 2020, 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 Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the requirements in the Russian Federation and the IESBA Code. 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.

Audited entity: PSC "Corporation VSMPO-AVISMA".

Registration number in the Unified State Register of Legal Entities: No. 1026600784011.

Verkhnyaya Salda, Sverdlovsk region, Russia.

Independent auditor: JSC "KPMG", a company incorporated under the Laws of the Russian Federation, a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

Registration number in the Unified State Register of Legal Entities: No. 1027700125628.

Member of the Self-regulatory Organization of Auditors Association "Sodruzhestvo" (SRO AAS). Principal registration number of the entry in the Register of Auditors and Audit Organizations: No. 12006020351.

Fair value of property, plant and equipment	
Please refer to the Note 13 in the consolidated financial statements.	
The key audit matter	**How the matter was addressed in our audit**
The Group accounts for its property, plant and equipment at fair value. The Group analysed the key assumptions affecting the necessity of revaluation of property, plant and equipment as at 31 December 2020 and concluded that revaluation of property, plant and equipment as 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 impairment test for property, plant and equipment as at 31 December 2020. A significant part of the Group's property, plant and equipment is represented by specialized items of property, plant and equipment. The analysis of the need to perform revaluation of property, plant and equipment as at the reporting date, as well as performance of the impairment test, largely depend on application of judgement. As the value of property, plant and equipment is material and given the inherent uncertainties in forecasting of discounted cash flows and the complexity of recording property, plant and equipment at fair value - this area is a key matter for our audit.	We involved our internal valuation specialists to assist us in the review of key assumptions used by the Group in analysis of the need to perform revaluation of property, plant and equipment as at 31 December 2020 and results of the Group's property, plant and equipment impairment test as at the reporting date. As part of our analysis of the assumptions used by the Group to conclude whether to revalue property, plant and equipment as at 31 December 2020, we considered the following: — the results of the revaluation of property, plant and equipment as at 30 June 2020 — residual useful lives of property, plant and equipment as one of the key assumptions affecting the fair value of property, plant and equipment — 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 to perform impairment test we compared key assumptions used in the model to our own assessment including: — comparison of the Group's forecasted sale prices 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 similar companies — comparison of key macroeconomic indicators used by management, such as inflation rates, exchange rates and other with consensus forecasts developed by recognized external sources — analysis of external market reviews to assess reasonableness of projected demand recovery of aerospace products and related expected increase in production and sales volumes — recalculation and analysis of discount rate We used alternative assumptions related to forecasts of production costs, sales prices, working capital and discount rate to perform our own sensitivity analysis. We also compared actual financial performance results of the Group in 2020 with forecasts that were developed by the Group in previous periods for the purposes of economic impairment test. We considered the accuracy and completeness of the disclosures in the consolidated financial statements.

Tax issues	
Please refer to the Notes 11 and 29 in the consolidated financial statements.	
The key audit matter	**How the matter was addressed in our audit**
The taxation system in the Russian Federation and in the world continues 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 tax authorities in different countries of the Group's operations. While preparing consolidated financial statements, the Group's management evaluates compliance of the existing tax accounting policies with current practice of applying tax legislation. Estimation of potential tax risks requires significant degree of judgement applied by the Group's management and the effect of this estimate has significant impact on the consolidated financial statement of the Group, therefore we focused our attention on 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 in our analysis of transfer pricing, international taxation issues, income tax, VAT and other areas for 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 determining pricing methods used in controlled transactions — comparison of actual profitability of controlled transactions with market indicative intervals — analysis for completeness of the controlled foreign companies' tax base — analysis of compliance with the conditions for obtaining tax concessions used by the Group — analysis of tax audit results for 2016-2017 tax periods — analysis of current court practice on tax disputes related to tax risks of the Group — 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, actions taken to eliminate threats or safeguards applied.

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:

АКЦИОНЕРНОЕ ОБЩЕСТВО ОГРН 1027700125628 КПМГ KPMG МОСКВА

Adamov N. A.

JSC "KPMG"
Moscow, Russia

12 March 2021

	Note	2020 ’000 USD	2019 ’000 USD	2020 ’000 RUB	2019 ’000 RUB
Revenue	5,6	1 251 070	1 628 625	89 050 689	105 431 024
Cost of sales	7	(808 430)	(1 036 116)	(57 543 753)	(67 074 198)
Gross profit		**442 640**	**592 509**	**31 506 936**	**38 356 826**
Distribution expenses	7	(21 838)	(31 510)	(1 554 451)	(2 039 849)
General and administrative expenses	7	(181 169)	(199 398)	(12 895 554)	(12 908 263)
Operating profit before loss on disposal of property, plant and equipment		**239 633**	**361 601**	**17 056 931**	**23 408 714**
Loss on disposal of property, plant and equipment		(4 631)	(24 164)	(329 659)	(1 564 278)
Operating profit		**235 002**	**337 437**	**16 727 272**	**21 844 436**
Litigations settlement results	29	23 834	-	1 696 500	-
Impairment loss on intangible assets and property, plant and equipment	13,14	(894)	(2 185)	(63 655)	(141 435)
Finance income	8	34 790	46 074	2 476 429	2 982 642
Share in income/(loss) of equity accounted investees	16	2 900	(6 831)	206 496	(442 118)
Finance costs	8	(42 983)	(59 253)	(3 059 548)	(3 835 798)
Foreign currency exchange (loss)/gain, net		(158 888)	101 169	(11 309 592)	6 549 296
Profit before income tax		**93 761**	**416 411**	**6 673 902**	**26 957 023**
Income tax expense	11	(2 083)	(95 394)	(148 257)	(6 175 469)
Profit for the period		**91 678**	**321 017**	**6 525 645**	**20 781 554**
Other comprehensive income/(loss)					
Items that will never be reclassified to profit or loss					
Revaluation of property, plant and equipment	13	151 767	(10 118)	10 616 308	(626 308)
Equity investments at FVOCI – net change in fair value	17	82 207	28 184	5 851 498	1 824 557
Equity-accounted investees – share of other comprehensive income		(1 202)	176	(85 532)	11 378
Translation to presentation currency		(488 749)	320 444	-	-
Remeasurement of defined benefit obligations		(3 131)	(3 785)	(222 855)	(245 021)
Related income tax	11	(31 625)	2 741	(2 211 878)	169 551
		(290 733)	**337 642**	**13 947 541**	**1 134 157**
Items that are or may be reclassified to profit or loss					
Foreign currency translation differences - foreign operations		(664)	(4 454)	(47 259)	(288 381)
		(664)	**(4 454)**	**(47 259)**	**(288 381)**
Other comprehensive (loss)/income for the period, net of income tax		**(291 397)**	**333 188**	**13 900 282**	**845 776**
Total comprehensive (loss)/income for the period		**(199 719)**	**654 205**	**20 425 927**	**21 627 330**
Profit/(loss) attributable to:					
Shareholders of the Company		92 284	318 658	6 568 782	20 628 809
Non-controlling interests		(606)	2 359	(43 137)	152 745
Profit for the period		**91 678**	**321 017**	**6 525 645**	**20 781 554**
Total comprehensive (loss)/income attributable to:					
Shareholders of the Company		(199 131)	652 131	20 467 727	21 493 062
Non-controlling interests		(588)	2 074	(41 800)	134 268
Total comprehensive (loss)/income for the period		**(199 719)**	**654 205**	**20 425 927**	**21 627 330**
Earnings per share attributable to shareholders of the Company, basic and diluted (expressed in USD/RUB per share)	9	8,009	27,652	570,072	1 790,105

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 72.

		’000 USD		’000 RUB	
	Note	31 December 2020	31 December 2019	31 December 2020	31 December 2019
ASSETS					
Non-current assets					
Property, plant and equipment	13	2 565 346	3 012 814	189 516 701	186 510 358
Goodwill	15	27 097	32 337	2 001 817	2 001 817
Intangible assets	14	11 910	14 388	879 835	890 681
Equity-accounted investees	16	24 023	31 773	1 774 706	1 966 908
Other investments	17	267 363	258 372	19 751 570	15 994 723
Deferred tax assets	11	13 440	10 946	992 871	677 615
Other non-current assets	18	89 573	103 981	6 617 238	6 436 994
Total non-current assets		**2 998 752**	**3 464 611**	**221 534 738**	**214 479 096**
Current assets					
Inventories	19	720 527	949 546	53 229 437	58 782 292
Other investments	17	3 627	54 815	267 926	3 393 353
Trade and other receivables	20	159 004	300 801	11 746 420	18 621 282
Current income tax receivable		3 426	5 375	253 130	332 767
Cash and cash equivalents	21	942 026	738 818	69 592 824	45 737 072
Other current assets		3 032	3 056	223 981	189 206
Total current assets		**1 831 642**	**2 052 411**	**135 313 718**	**127 055 972**
Total assets		**4 830 394**	**5 517 022**	**356 848 456**	**341 535 068**
EQUITY AND LIABILITIES					
Equity	22				
Share capital		22 785	22 785	596 313	596 313
Share premium		153 924	153 924	4 594 608	4 594 608
Treasury shares		(4 020)	(1 407)	(246 809)	(47 842)
Retained earnings		2 289 727	2 081 062	96 326 648	81 474 179
Reserves		1 463 307	1 381 231	100 926 217	95 231 309
Cumulative currency translation difference		(1 193 724)	(704 293)	(107 457)	(58 861)
Total equity attributable to shareholders of the Company		**2 731 999**	**2 933 302**	**202 089 520**	**181 789 706**
Non-controlling interests		4 207	5 249	49 614	123 565
Total equity		**2 736 206**	**2 938 551**	**202 139 134**	**181 913 271**
Non-current liabilities					
Long-term borrowings	24	968 223	1 258 714	71 528 143	77 921 556
Defined benefit pension plan		32 705	37 063	2 416 110	2 294 415
Other long-term liabilities		33 501	38 610	2 474 927	2 390 145
Deferred tax liabilities	11	395 923	475 345	29 249 059	29 426 553
Total non-current liabilities		**1 430 352**	**1 809 732**	**105 668 239**	**112 032 669**
Current liabilities					
Trade and other payables	25	75 567	110 120	5 582 469	6 817 060
Current income tax payable		29 244	18 108	2 160 388	1 121 007
Other taxes payable		14 399	6 110	1 063 543	378 055
Short-term borrowings	24	433 620	478 392	32 034 004	29 615 145
Advances received from customers		109 781	154 105	8 110 146	9 540 007
Dividends payable		1 225	1 904	90 533	117 854
Total current liabilities		**663 836**	**768 739**	**49 041 083**	**47 589 128**
Total liabilities		**2 094 188**	**2 578 471**	**154 709 322**	**159 621 797**
Total equity and liabilities		**4 830 394**	**5 517 022**	**356 848 456**	**341 535 068**

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 72.

'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 - foreign 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 72.

’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 2020	**22 785**	**153 924**	**(1 407)**	**2 081 062**	**1 381 231**	**(704 293)**	**2 933 302**	**5 249**	**2 938 551**
Total comprehensive loss for the period									
Profit for the period	-	-	-	92 284	-	-	92 284	(606)	91 678
Other comprehensive loss									
Foreign currency translation difference - foreign operation	-	-	-	-	-	(682)	(682)	18	(664)
Translation to presentation currency	-	-	-	-	-	(488 749)	(488 749)	-	(488 749)
Equity investments at FVOCI – net change in fair value	-	-	-	-	82 207	-	82 207	-	82 207
Revaluation of property, plant and equipment	-	-	-	-	151 767	-	151 767	-	151 767
Defined benefit plan revaluation	-	-	-	-	(3 131)	-	(3 131)	-	(3 131)
Equity-accounted investees – share of other comprehensive income	-	-	-	-	(1 202)	-	(1 202)	-	(1 202)
Income tax on other comprehensive income	-	-	-	-	(31 625)	-	(31 625)	-	(31 625)
Total other comprehensive loss	-	-	-	-	198 016	(489 431)	(291 415)	18	(291 397)
Total comprehensive loss for the period	**-**	**-**	**-**	**92 284**	**198 016**	**(489 431)**	**(199 131)**	**(588)**	**(199 719)**
Dividends	-	-	-	415	-	-	415	(454)	(39)
Treasury shares acquired	-	-	(2 613)	-	-	-	(2 613)	-	(2 613)
Equity-accounted investees – change in capital	-	-	-	26	-	-	26	-	26
Total transactions with owners	**-**	**-**	**(2 613)**	**441**	**-**	**-**	**(2 172)**	**(454)**	**(2 626)**
Write-off of revaluation reserve of property, plant and equipment due to disposal and depreciation	-	-	-	111 736	(111 736)	-	-	-	-
Written off revaluation reserve of disposed equity investments at FVOCI	-	-	-	1 220	(1 220)	-	-	-	-
Written off share of other comprehensive income of disposed equity accounted investee	-	-	-	2 984	(2 984)	-	-	-	-
Balance at 31 December 2020	**22 785**	**153 924**	**(4 020)**	**2 289 727**	**1 463 307**	**(1 193 724)**	**2 731 999**	**4 207**	**2 736 206**

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 72.

'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 - foreign 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 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 72.

’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 2020	**596 313**	**4 594 608**	**(47 842)**	**81 474 179**	**95 231 309**	**(58 861)**	**181 789 706**	**123 565**	**181 913 271**
Total comprehensive income for the period									
Profit for the period	-	-	-	6 568 782	-	-	6 568 782	(43 137)	6 525 645
Other comprehensive income									
Foreign currency translation difference - foreign operation	-	-	-	-	-	(48 596)	(48 596)	1 337	(47 259)
Equity investments at FVOCI – net change in fair value	-	-	-	-	5 851 498	-	5 851 498	-	5 851 498
Revaluation of property, plant and equipment	-	-	-	-	10 616 308	-	10 616 308	-	10 616 308
Defined benefit plan revaluation	-	-	-	-	(222 855)	-	(222 855)	-	(222 855)
Equity-accounted investees – share of other comprehensive income	-	-	-	-	(85 532)	-	(85 532)	-	(85 532)
Income tax on other comprehensive income	-	-	-	-	(2 211 878)	-	(2 211 878)	-	(2 211 878)
Total other comprehensive income	-	-	-	-	13 947 541	(48 596)	13 898 945	1 337	13 900 282
Total comprehensive income for the period	**-**	**-**	**-**	**6 568 782**	**13 947 541**	**(48 596)**	**20 467 727**	**(41 800)**	**20 425 927**
Dividends	-	-	-	29 194	-	-	29 194	(32 151)	(2 957)
Treasury shares acquired	-	-	(198 967)	-	-	-	(198 967)	-	(198 967)
Equity-accounted investees – change in capital	-	-	-	1 860	-	-	1 860	-	1 860
Total transactions with owners	**-**	**-**	**(198 967)**	**31 054**	**-**	**-**	**(167 913)**	**(32 151)**	**(200 064)**
Write-off of revaluation reserve of property, plant and equipment due to disposal and depreciation	-	-	-	7 953 357	(7 953 357)	-	-	-	-
Written off revaluation reserve of disposed equity investments at FVOCI	-	-	-	86 860	(86 860)	-	-	-	-
Written off share of other comprehensive income of disposed equity accounted investee	-	-	-	212 416	(212 416)	-	-	-	-
Balance at 31 December 2020	**596 313**	**4 594 608**	**(246 809)**	**96 326 648**	**100 926 217**	**(107 457)**	**202 089 520**	**49 614**	**202 139 134**

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 72.

	Note	2020 ’000 USD	2019 ’000 USD	2020 ’000 RUB	2019 ’000 RUB
Cash flows from operating activities					
Profit before income tax		93 761	416 411	6 673 902	26 957 023
Adjustments for:					
Depreciation and amortization	7	226 778	225 313	16 141 963	14 585 941
Impairment loss of property, plant and equipment	13	1 029	1 823	73 240	117 999
Impairment loss/(reversal of loss) of accounts receivable	7	5 130	(4 658)	365 125	(301 518)
(Reversal of loss)/impairment loss of intangible assets	14	(135)	362	(9 585)	23 436
Reversal of loss from impairment of investments		(250)	(937)	(17 808)	(60 671)
Share in (profit)/loss of equity accounted investees		(2 900)	6 831	(206 496)	442 118
Interest income	8	(22 345)	(31 446)	(1 590 566)	(2 035 670)
Dividend income	8	(12 445)	(14 628)	(885 863)	(946 972)
Foreign currency translation loss/(gain)		163 708	(92 878)	12 141 442	(6 128 209)
Interest expenses	8	42 983	59 253	3 059 548	3 835 798
(Reversal of loss)/impairment loss of inventory obsolescence	7	(3 781)	2 982	(269 128)	193 014
Loss on disposal of property, plant and equipment		4 631	24 164	329 659	1 564 278
Pension cost	7	3 040	3 602	216 379	233 188
Operating profit before changes in working capital and other long-term liabilities		**499 204**	**596 194**	**36 021 812**	**38 479 755**
Changes in:					
Trade and other receivables		108 517	(31 886)	7 724 137	(2 071 307)
Advances to suppliers		13 451	(8 867)	957 391	(573 999)
Inventories		75 642	(170 237)	5 390 316	(11 026 140)
Trade and other payables, advances received and other taxes payable		(34 825)	11 980	(2 478 905)	743 313
Other non-current and current assets		458	4 003	32 536	259 165
Other long-term liabilities		298	(2 190)	21 180	(141 788)
Cash flows from operations before income taxes and interest paid		**662 745**	**398 997**	**47 668 467**	**25 668 999**
Income taxes paid		(24 360)	(110 842)	(1 733 960)	(7 175 461)
Interest paid		(44 099)	(62 618)	(3 138 995)	(4 053 670)
Net cash from operating activities		**594 286**	**225 537**	**42 795 512**	**14 439 868**

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 72.

	Note	2020 ’000 USD	2019 ’000 USD	2020 ’000 RUB	2019 ’000 RUB
Cash flows from investing activities					
Purchases of property, plant and equipment, including advances and other non-current assets	13,18	(119 593)	(258 179)	(8 512 593)	(16 425 586)
Purchases of intangible assets		(2)	(14)	(128)	(903)
Proceeds from disposal of property, plant and equipment		963	2 048	68 535	132 568
Loans provided and acquisition of other investments		108	(1 468)	7 652	(95 022)
Proceeds from disposal of investments		78 070	77	5 557 037	4 978
Interest and dividends received		35 684	47 372	2 540 006	3 077 729
Net cash used in investing activities		**(4 770)**	**(210 164)**	**(339 491)**	**(13 306 236)**
Cash flows from financing activities					
Dividends paid to shareholders		(425)	(313 895)	(30 278)	(20 320 397)
Acquisition of treasury shares		(2 613)	-	(198 967)	-
Proceeds from borrowings		252 629	929 485	17 982 019	60 171 354
Repayment of borrowings		(590 755)	(669 972)	(42 049 779)	(43 371 437)
Repayment of the lease obligation		(7 212)	(6 691)	(513 308)	(433 118)
Net cash used in financing activities		**(348 376)**	**(61 073)**	**(24 810 313)**	**(3 953 598)**
Effect of exchange rate changes on cash and cash equivalents		(37 932)	23 852	6 210 044	(4 286 898)
Net increase/(decrease) in cash and cash equivalents		**203 208**	**(21 848)**	**23 855 752**	**(7 106 864)**
Cash and cash equivalents at the beginning of the period		**738 818**	**760 666**	**45 737 072**	**52 843 936**
Cash and cash equivalents at the end of the period		**942 026**	**738 818**	**69 592 824**	**45 737 072**

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 72.

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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 2020, 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").

Going concern

During 2020, there was substantial reduction in demand in the aerospace industry and as a result annual production volumes of titanium products for 2020 are 20% below respective volumes for 2019. The Group expects recovery in the aerospace industry in 2022-2023.

Despite decrease in the customers' activity during the forced quarantine, distributors and manufacturers continued to order products from titanium and titanium alloys for new projects and needs.

In response to these circumstances, management has already initiated actions aimed at mitigating the risks, which include:

- inclusion of the Group in the federal list of core organizations of the Russian Federation economy as well as inclusion of the Group in the list of companies with continuous operating cycle;
- introduction of strict anti-COVID-19 measures at the Group's factories to ensure continuous production process;
- review of the production plan for 2020 and 2021 to avoid unnecessary stock production;
- development of measures to reduce working capital aiming to achieve amount of working capital not more than USD 648 892 thousand or RUB 47 427 490 thousand by 31 December 2021;
- revision of major supply contracts to obtain more favorable conditions including extended payment terms and lower prices;
- review of its investment plans in the view of postponement or renegotiation of payment terms;
- revision and optimization of the Groups' expenses aiming to achieve at least 20% reduction;
- optimization and reallocation of production and admirative staff of the Group;
- introduction of weekly receivables analysis to ensure timely receipts from customers;
- securing additional credit limits in the amount of USD 190 609 thousand or RUB 14 081 355 thousand;
- developing plans to increase the Group's presence on industrial market less impacted by COVID-19 to replace reduced orders from aerospace industry;

- accumulation of considerable cash and cash equivalents balance in the amount of USD 942 026 thousand or RUB 69 592 824 thousand as at 31 December 2020 to ensure the Group’s ability to meet short term liquidity requirements;
- at the annual General Meeting of Shareholders of the Company, it was decided not to distribute the net profit based on the results of the reporting year 2019 and not to pay dividends on ordinary shares.

Management is taking all necessary actions to reduce overall debt burden. Measures are being taken to refinance part of the debt on more favorable terms, as well as to bring its structure to more optimal ratio in terms of currency and maturity. These measures will reduce the total cost of the loan portfolio.

Due to the fact that the situation related to the COVID-19 outbreak is very dynamic and responses of the Russian and other governments worldwide are evolving rapidly, it is possible that, depending on the further development of the economic situation in the Russian Federation and the world, additional measures may be required from the Group's management. However, as at the date of approval of these consolidated financial statements, the management believes that under current conditions and expected recovery of the aerospace industry in 2022-2023 the Group is able to continue to operate as a going concern. Management has therefore assessed the going concern assumption applied in the preparation of these consolidated financial statements to be appropriate.

There is no material uncertainty in the Group’s ability to continue as going concern.

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 “Demurinskiy GOK” 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 13 – Property, plant and equipment;
- Note 14 – Intangible assets;
- Note 26(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 13 – Property, plant and equipment (related to fair value of property, plant and equipment and useful lives);
- Note 14 – 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 13 – Property, plant and equipment;
- Note 26 – Financial instruments.

5. 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	**2020 '000 USD**	**2019 '000 USD**	**2020 '000 RUB**	**2019 '000 RUB**
Europe	363 363	537 965	25 864 064	34 825 785
North America	362 401	510 836	25 795 552	33 069 615
Russia	408 702	414 586	29 091 239	26 838 748
Asia	99 751	152 790	7 100 217	9 891 056
Other CIS countries	16 853	12 448	1 199 617	805 820
	1 251 070	**1 628 625**	**89 050 689**	**105 431 024**

Revenue	2020 '000 USD	2019 '000 USD	2020 '000 RUB	2019 '000 RUB
Foreign countries, including:	825 515	1 201 591	58 759 833	77 786 456
Aerospace industry	*701 449*	*1 052 915*	*49 928 910*	*68 161 745*
Other industries	*124 066*	*148 676*	*8 830 923*	*9 624 711*
Russia and CIS, including:	425 555	427 034	30 290 856	27 644 568
Aerospace industry	*223 146*	*233 987*	*15 883 461*	*15 147 402*
Other industries	*202 409*	*193 047*	*14 407 395*	*12 497 166*
	1 251 070	**1 628 625**	**89 050 689**	**105 431 024**

The Group has revenue from three customers each amounting to 10% or more of total revenue in the amount of approximately USD 576 million or RUB 40 991 million (2019: two customers USD 631 million or RUB 40 874 million). Furthermore, revenue to parties under Government control is disclosed in Note 30.

6. Revenue

	2020 '000 USD	2019 '000 USD	2020 '000 RUB	2019 '000 RUB
Revenue from sales of goods	1 234 769	1 608 398	87 890 440	104 121 580
Revenue from services provided	15 284	19 418	1 087 923	1 257 060
Other revenue	1 017	809	72 326	52 384
Total revenue from contracts with customers	**1 251 070**	**1 628 625**	**89 050 689**	**105 431 024**

7. Income and expenses

(a) Cost of sales

	2020 '000 USD	2019 '000 USD	2020 '000 RUB	2019 '000 RUB
Materials and consumables used	(320 901)	(434 142)	(22 841 628)	(28 104 731)
Depreciation of property, plant and equipment	(194 849)	(196 728)	(13 869 270)	(12 735 447)
Personnel cost	(126 583)	(155 780)	(9 010 114)	(10 084 627)
Utilities	(82 638)	(116 724)	(5 882 135)	(7 556 261)
Social insurance costs	(38 041)	(46 452)	(2 707 730)	(3 007 128)
Semi-product processing services	(13 432)	(19 271)	(956 084)	(1 247 535)
Repairs and maintenance	(9 079)	(22 002)	(646 212)	(1 424 355)
Pension cost	(3 040)	(3 602)	(216 379)	(233 188)
Amortization of intangible assets	(27)	(26)	(1 951)	(1 671)
Provision for inventory obsolescence	3 781	(2 982)	269 128	(193 014)
Other costs	(23 621)	(38 407)	(1 681 378)	(2 486 241)
	(808 430)	**(1 036 116)**	**(57 543 753)**	**(67 074 198)**

(b) Distribution expenses

	2020 '000 USD	2019 '000 USD	2020 '000 RUB	2019 '000 RUB
Personnel cost	(8 939)	(10 210)	(636 277)	(660 948)
Materials	(4 465)	(6 229)	(317 806)	(403 243)
Transport	(3 437)	(4 174)	(244 612)	(270 237)
Certification expenses	(2 855)	(3 201)	(203 249)	(207 217)
Social insurance costs	(989)	(1 239)	(70 400)	(80 227)
Advertising expenses	(526)	(1 944)	(37 438)	(125 815)
Customs	(72)	(42)	(5 135)	(2 710)
Other	(555)	(4 471)	(39 534)	(289 452)
	(21 838)	**(31 510)**	**(1 554 451)**	**(2 039 849)**

(c) General and administrative expenses

	2020 '000 USD	2019 '000 USD	2020 '000 RUB	2019 '000 RUB
Personnel cost	(67 190)	(81 048)	(4 782 552)	(5 246 715)
Depreciation of property, plant and equipment	(31 590)	(28 193)	(2 248 535)	(1 825 099)
Social insurance costs	(18 913)	(19 724)	(1 346 199)	(1 276 843)
Insurance	(18 457)	(21 055)	(1 313 751)	(1 363 001)
Charity expenses	(8 645)	(10 798)	(615 342)	(699 036)
Taxes other than income tax	(5 559)	(6 592)	(395 657)	(426 738)
Repair and maintenance	(5 347)	(6 937)	(380 611)	(449 046)
Impairment (loss)/ reversal on trade, other receivables and advances to suppliers	(5 130)	4 658	(365 125)	301 518
Consulting expenses	(3 589)	(5 536)	(255 458)	(358 409)
Materials	(2 999)	(5 612)	(213 450)	(363 292)
Amortization of intangible assets	(312)	(366)	(22 207)	(23 724)
Other expenses	(13 438)	(18 195)	(956 667)	(1 177 878)
	(181 169)	**(199 398)**	**(12 895 554)**	**(12 908 263)**

8. Net finance costs

	2020 '000 USD	2019 '000 USD	2020 '000 RUB	2019 '000 RUB
Finance income				
Interest income	22 345	31 446	1 590 566	2 035 670
Dividend income	12 445	14 628	885 863	946 972
Finance income	**34 790**	**46 074**	**2 476 429**	**2 982 642**
Finance costs				
Interest expenses	(42 983)	(59 253)	(3 059 548)	(3 835 798)
Finance costs	**(42 983)**	**(59 253)**	**(3 059 548)**	**(3 835 798)**

9. 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	**2020**	**2019**
Issued shares as at 1 January	11 523 801	11 523 801
Effect of treasury shares owned	(1 083)	-
Weighted average number of shares for the year ended 31 December	11 522 718	11 523 801
	2020	**2019**
Weighted average number of shares for the year ended 31 December	11 522 718	11 523 801
Profit attributable to the equity holders of the Company ('000 USD)	92 284	318 658
Basic earnings per share (USD per 1 share)	8,009	27,652
	2020	**2019**
Weighted average number of shares for the year ended 31 December	11 522 718	11 523 801
Profit attributable to the equity holders of the Company ('000 RUB)	6 568 782	20 628 809
Basic earnings per share (RUB per 1 share)	570,072	1 790,105

10. Employee benefit expenses

	2020 '000 USD	2019 '000 USD	2020 '000 RUB	2019 '000 RUB
Wages and salaries, social insurance costs	(260 655)	(314 453)	(18 553 272)	(20 356 488)
Pension cost	(3 040)	(3 602)	(216 379)	(233 188)
	(263 695)	**(318 055)**	**(18 769 651)**	**(20 589 676)**

11. Income tax expense

The Company applied 19,61% tax rate for income tax in 2020 (2019: 18,64%). Other Russian subsidiaries applied 20% tax rate for income tax in 2020 (2019: 20%). Tax rates applicable for foreign subsidiaries varied from 12,50% to 31,93% (2019: from 8,57% to 31,93%).

(a) Amounts recognised in profit or loss

	2020 '000 USD	2019 '000 USD	2020 '000 RUB	2019 '000 RUB
Current tax expense				
Current period	(47 859)	(99 384)	(3 406 577)	(6 433 779)
Over/(under) provided in prior periods	7 778	(6 184)	553 599	(400 319)
	(40 081)	**(105 568)**	**(2 852 978)**	**(6 834 098)**
Deferred tax expense				
Origination and reversal of temporary differences	37 998	10 174	2 704 721	658 629
	(2 083)	**(95 394)**	**(148 257)**	**(6 175 469)**

(b) Amounts recognised in other comprehensive income

’000 USD	**2020**			**2019**		
	Before tax	**Tax**	**Net of tax**	**Before tax**	**Tax**	**Net of tax**
Translation to presentation currency	(488 749)	-	(488 749)	320 444	-	320 444
Foreign currency translation differences	(664)	-	(664)	(4 454)	-	(4 454)
Equity investments at FVOCI – net change in fair value	82 207	-	82 207	28 184	-	28 184
Revaluation of property, plant and equipment	151 767	(31 865)	119 902	(10 118)	2 776	(7 342)
Defined benefit plan revaluation	(3 131)	-	(3 131)	(3 785)	-	(3 785)
Equity-accounted investees – share of other comprehensive income	(1 202)	240	(962)	176	(35)	141
	(259 772)	**(31 625)**	**(291 397)**	**330 447**	**2 741**	**333 188**

’000 RUB	2020			2019		
	Before tax	Tax	Net of tax	Before tax	Tax	Net of tax
Foreign currency translation differences	(47 259)	-	(47 259)	(288 381)	-	(288 381)
Equity investments at FVOCI – net change in fair value	5 851 498	-	5 851 498	1 824 557	-	1 824 557
Revaluation of property, plant and equipment	10 616 308	(2 228 984)	8 387 324	(626 308)	171 827	(454 481)
Defined benefit plan revaluation	(222 855)	-	(222 855)	(245 021)	-	(245 021)
Equity-accounted investees – share of other comprehensive income	(85 532)	17 106	(68 426)	11 378	(2 276)	9 102
	16 112 160	**(2 211 878)**	**13 900 282**	**676 225**	**169 551**	**845 776**

Reconciliation of effective tax rate:

	2020 '000 USD	2019 '000 USD	2020 '000 RUB	2019 '000 RUB
Profit before income tax	93 761	416 411	6 673 902	26 957 023
Income tax at applicable tax rate	(18 752)	(77 619)	(1 334 780)	(5 024 789)
Effect of income taxed at different rates	4 079	(4 889)	303 390	(327 563)
Effect of non-taxable income/(non-deductible expenses)	4 812	(6 702)	329 534	(422 798)
Over/(under) provided in prior years	7 778	(6 184)	553 599	(400 319)
	(2 083)	**(95 394)**	**(148 257)**	**(6 175 469)**

(c) Movement in deferred tax balances

					31 December 2020		
’000 USD	1 January 2020	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	(464 634)	25 848	(31 865)	76 032	(394 619)	1 843	(396 462)
Intangible assets	(981)	20	-	157	(804)	47	(851)
Inventories	578	11 011	-	(496)	11 093	39 080	(27 987)
Trade and other receivables	2 037	1 346	-	(379)	3 004	3 046	(42)
Trade and other payables	1 399	705	-	(252)	1 852	1 858	(6)
Investments	(1 891)	(1 299)	240	346	(2 604)	633	(3 237)
Tax loss carry-forwards	562	59	-	(93)	528	528	-
Borrowings	(2 489)	107	-	400	(1 982)	-	(1 982)
Other items	1 020	201	-	(172)	1 049	2 409	(1 360)
Total deferred tax balances	**(464 399)**	**37 998**	**(31 625)**	**75 543**	**(382 483)**	**49 444**	**(431 927)**
Set-off of tax					**-**	**(36 004)**	**36 004**
Net deferred tax balances					**(382 483)**	**13 440**	**(395 923)**

					31 December 2019		
’000 USD	**1 January 2019**	**Recognized in profit or loss**	**Recognized in other comprehen-sive income**	**Translation difference**	**Net deferred balances**	**Deferred tax asset**	**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)**

					31 December 2020		
’000 RUB	**1 January 2020**	**Recognized in profit or loss**	**Recognized in other comprehen-sive income**	**Translation difference**	**Net deferred balances**	**Deferred tax asset**	**Deferred tax liability**
Property, plant and equipment	(28 763 467)	1 839 868	(2 228 984)	17	(29 152 566)	136 172	(29 288 738)
Intangible assets	(60 733)	1 415	-	(110)	(59 428)	3 529	(62 957)
Inventories	35 770	783 741	-	-	819 511	2 887 052	(2 067 541)
Trade and other receivables	126 094	95 815	-	-	221 909	224 982	(3 073)
Trade and other payables	86 584	50 187	-	-	136 771	137 234	(463)
Investments	(117 067)	(92 483)	17 106	-	(192 444)	46 738	(239 182)
Tax loss carry-forwards	34 765	4 235	-	-	39 000	39 000	-
Borrowings	(154 072)	7 626	-	-	(146 446)	-	(146 446)
Other items	63 188	14 317	-	-	77 505	177 973	(100 468)
Total deferred tax balances	**(28 748 938)**	**2 704 721**	**(2 211 878)**	**(93)**	**(28 256 188)**	**3 652 680**	**(31 908 868)**
Set-off of tax					**-**	**(2 659 809)**	**2 659 809**
Net deferred tax balances					**(28 256 188)**	**992 871**	**(29 249 059)**

'000 RUB	1 January 2019	Recognized in profit or loss	Recognized in other comprehen-sive 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	(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)**

As at 31 December 2020, deferred tax liabilities for temporary differences (before calculating tax effect) of USD 608 212 thousand or RUB 44 932 072 thousand (2019: USD 588 232 thousand or RUB 36 414 915 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, deffered tax assets for losses in the amount of USD 92 724 thousand or RUB 5 740 159 thousand were not recognized by the Group since the probability of obtaining taxable profit for the use of these losses was not high, in 2020 nil.

12. 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	2020 '000 USD	2019 '000 USD	2020 '000 RUB	2019 '000 RUB
Operating profit		235 002	337 437	16 727 272	21 844 436
Adjustments for:					
- Depreciation	13	226 439	224 921	16 117 805	14 560 546
- Amortisation	14	339	392	24 158	25 395
EBITDA		**461 780**	**562 750**	**32 869 235**	**36 430 377**

13. 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 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)/ reversal	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**
Cost							
Balance at 1 January 2020	1 126 533	4 372 811	115 196	186 250	63 123	194 545	6 058 458
Additions	1 257	27 074	13 972	-	838	77 036	120 177
Transfers	5 074	45 947	171	1 635	4 143	(56 970)	-
Disposals	(2 591)	(36 437)	(1 442)	(231)	(1 011)	(544)	(42 256)
Revaluation	32 531	56 965	7 753	6 694	1 033	(1 963)	103 013
Translation to presentation currency	(184 387)	(712 893)	(19 539)	(30 585)	(10 454)	(32 098)	(989 956)
Balance at 31 December 2020	**978 417**	**3 753 467**	**116 111**	**163 763**	**57 672**	**180 006**	**5 249 436**
Accumulated depreciation							
Balance at 1 January 2020	(581 968)	(2 252 793)	(43 930)	(116 829)	(46 037)	(4 087)	(3 045 644)
Depreciation charge	(27 204)	(174 124)	(6 225)	(5 851)	(7 088)	-	(220 492)
Impairment (losses)/ reversal	(1 686)	200	(52)	55	545	(91)	(1 029)
Disposals	1 865	33 139	650	216	792	-	36 662
Revaluation	(8 427)	48 769	2 202	2 369	3 841	-	48 754
Translation to presentation currency	95 722	367 563	7 207	19 007	7 495	665	497 659
Balance at 31 December 2020	**(521 698)**	**(1 977 246)**	**(40 148)**	**(101 033)**	**(40 452)**	**(3 513)**	**(2 684 090)**
Net book value							
Balance at 1 January 2020	**544 565**	**2 120 018**	**71 266**	**69 421**	**17 086**	**190 458**	**3 012 814**
Balance at 31 December 2020	**456 719**	**1 776 221**	**75 963**	**62 730**	**17 220**	**176 493**	**2 565 346**

'000 RUB	Buildings and construc-tions	Plant and equipment	Transport	Transfer devices	Other	Assets under construction	Total
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)/ reversal	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**
Cost							
Balance at 1 January 2020	69 738 832	270 701 953	7 131 265	11 529 909	3 907 654	12 043 441	375 053 054
Additions	89 439	1 927 135	994 545	-	59 683	5 483 404	8 554 206
Transfers	361 143	3 270 509	12 176	116 408	294 931	(4 055 167)	-
Disposals	(184 429)	(2 593 550)	(102 619)	(16 462)	(71 987)	(38 712)	(3 007 759)
Revaluation	2 275 648	3 984 829	542 311	468 244	72 236	(137 315)	7 205 953
Translation to presentation currency	675	(884)	84	-	(1 954)	2 387	308
Balance at 31 December 2020	**72 281 308**	**277 289 992**	**8 577 762**	**12 098 099**	**4 260 563**	**13 298 038**	**387 805 762**
Accumulated depreciation							
Balance at 1 January 2020	(36 027 163)	(139 460 733)	(2 719 505)	(7 232 359)	(2 849 946)	(252 990)	(188 542 696)
Depreciation charge	(1 936 330)	(12 394 108)	(443 124)	(416 447)	(504 519)	-	(15 694 528)
Impairment (losses)/ reversal	(119 978)	14 214	(3 671)	3 889	38 778	(6 472)	(73 240)
Disposals	132 743	2 358 798	46 282	15 346	56 396	-	2 609 565
Revaluation	(589 501)	3 411 459	153 999	165 695	268 703	-	3 410 355
Translation to presentation currency	(685)	(95)	72	-	2 191	-	1 483
Balance at 31 December 2020	**(38 540 914)**	**(146 070 465)**	**(2 965 947)**	**(7 463 876)**	**(2 988 397)**	**(259 462)**	**(198 289 061)**
Net book value							
Balance at 1 January 2020	**33 711 669**	**131 241 220**	**4 411 760**	**4 297 550**	**1 057 708**	**11 790 451**	**186 510 358**
Balance at 31 December 2020	**33 740 394**	**131 219 527**	**5 611 815**	**4 634 223**	**1 272 166**	**13 038 576**	**189 516 701**

Depreciation expense of USD 194 849 thousand or RUB 13 869 270 thousand (2019: USD 196 728 thousand or RUB 12 735 447 thousand) has been charged to cost of sales and USD 31 590 thousand or RUB 2 248 535 thousand (2019: USD 28 193 thousand or RUB 1 825 099 thousand) to general and administrative expenses. The amount of depreciation recognized as expense is provided in Note 7 including change in depreciation charged to inventories (as at 31 December 2020 in the amount of USD 148 796 thousand or RUB 10 992 373 thousand (2019: USD 184 404 thousand or RUB 11 415 650 thousand)).

(a) Revaluation of property, plant and equipment

The accounting policies of the Group include accounting for property, plant and equipment at fair value. Revaluation of fixed assets should be carried out with sufficient regularity to prevent a significant difference between the carrying amount and that which would be determined using fair value at the reporting date, but not less than once every three years.

Due to significant changes in the Group's business and economic situation in the Russian Federation and in the world as a whole, the Group's management determined fair value of property, plant and equipment except for land as at 30 June 2020. The Group involved independent appraiser to conduct analysis whether new revaluation should be done as at 31 December 2020. The Group concluded that carrying amount of property, plant and equipment as at 31 December 2020 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 2020. In estimating depreciated replacement cost the Group uses inflation and exchange rates which did not differ significantly as at 31 December 2020 compared to the date of previous revaluation.

As at 31 December 2020, the Group analyzed its property, plant and equipment 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 1 029 thousand or RUB 73 240 thousand.

In addition, the Group conducted impairment test with respect to main production assets and goodwill by determining their value in use. As a result, depreciated replacement cost was not decreased.

Cash flows were projected based on the expected cash flow method, which assumed that all possible cash flow expectations would be used based on actual operating results for 2020 and budgets for 2021-2025, reflecting the Group's expectations for the period when sales volumes further decrease in 2021 and start to recover in 2022 ("Scenario 1"). Budgets for 2021 – 2025 are based on concluded contracts and current updates from the customers, which allow forecast for a period of five years.

As it is possible that the negative impact of the coronavirus pandemic on the aerospace industry could have longer effect, the Group also considered potential cash flows if demand for products would recover in 2023 ("Scenario 2"). The Group assessed the probabilities of each of the scenarios and assigned a weight of 50% to each scenario.

This method of calculating the present value involves deciding which option to use for the possible distribution of cash flows in time, and, accordingly, reflects the probabilities of the distribution in time of "Scenario 1" and "Scenario 2". All other assumptions for these scenarios were unchanged.

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

- Capital expenditures for 2021 were projected based on the Group's investment program. Capital expenditures for 2021-2025 ranged from 3,68% to 4,34% of the Group's forecasted revenue;
- In the terminal period the amount of capital expenditures equalled to 3,95% of the terminal period forecasted revenue;
- The forecasted USD exchange rates range from 73,1 RUB per USD in 2021 to 74,4 RUB per USD in 2025. In the terminal period the forecasted USD exchange rate is 76,0 roubles per dollar;
- The forecasted rates of ruble inflation were: in 2021 – 3,9%; in 2022 – 2025 – from 3,9% to 4,2%, in the terminal period – 4,0%;
- The forecasted rates of dollar inflation were: in 2021 – 1,5%; in 2022 – 1,8%; in 2023 – 2,2%; in 2024 – 1,9%; in 2025 – 2,0%; in the terminal period – 1,9%;
- A pre-tax discount rate of 14,4% 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 31,5% at a market borrowing rate of 3,1%;
- A terminal growth rate of 1,9% 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.

Value in use determined using expected cash flow method exceeded the carrying amount of property, plant and equipment and goodwill as at 31 December 2020.

Sensitivity analysis

’000 USD Changing in the key inputs	Impact on scenario 1	Impact on scenario 2	Weighted average value	Possible write-down of fixed assets	The ratio of possible write down to the book value of fixed assets
31 December 2020					
Increase in discount rate by 1%	(294 371)	(273 595)	(283 983)	(176 066)	-7%
Decrease in sales prices by 1%	(108 373)	(103 485)	(105 929)	-	-

’000 RUB Changing in the key inputs	Impact on scenario 1	Impact on scenario 2	Weighted average value	Possible write-down of fixed assets	The ratio of possible write down to the book value of fixed assets
31 December 2020					
Increase in discount rate by 1%	(21 746 894)	(20 212 046)	(20 979 470)	(13 006 997)	-7%
Decrease in sales prices by 1%	(8 006 109)	(7 644 998)	(7 825 553)	-	-

Most of the possible property, plant and equipment write-down would have to be recognized in other comprehensive income and reserves in equity.

Information on net book value of property, plant and equipment as at 31 December 2020 should the Group continue accounting using cost model is provided below. Actual depreciation charge for 2020 is higher by USD 129 412 thousand or RUB 9 560 394 thousand (2019: USD 126 877 thousand or RUB 7 854 379 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 2020	127 922	441 214	50 685	28 514	12 388	171 795	832 518

’000 RUB	Buildings and construc-tions	Plant and equipment	Transport	Transfer devices	Other	Assets under construction	Total
Balance at 31 December 2020	9 450 314	32 594 952	3 744 376	2 106 503	915 219	12 691 470	61 502 834

(b) Security

At 31 December 2020, properties with a net book value of USD 11 025 thousand or RUB 814 507 thousand (2019: USD 13 799 thousand or RUB 854 242 thousand) are pledged to secure bank loans (see Note 24).

(c) Property, plant and equipment under construction

Advances given to suppliers for capital construction in the amount of USD 37 167 thousand or RUB 2 745 708 thousand (31 December 2019: USD 41 107 thousand or RUB 2 544 775 thousand) are included in the balance of assets under construction.

In 2020, capitalized borrowing costs related to the construction of new property, plant and equipment amounted to USD 2 202 thousand or RUB 156 728 thousand (2019: USD 2 513 thousand or RUB 162 681 thousand) with an average capitalization rate of 2,83% (2019: 4,03%).

14. Intangible assets

'000 USD	Mining rights	Land lease rights	Other	Total
Cost				
Balance at 1 January 2019	13 179	10 355	1 285	24 819
Acquisitions	-	-	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**
Cost				
Balance at 1 January 2020	15 409	11 620	2 101	29 130
Acquisitions	-	-	2	2
Disposals	-	-	(9)	(9)
Effect of the movement of exchange rates	(2 471)	(1 882)	(67)	(4 420)
Balance at 31 December 2020	**12 938**	**9 738**	**2 027**	**24 703**
Accumulated amortization and impairment losses				
Balance at 1 January 2020	(10 286)	(3 151)	(1 305)	(14 742)
Amortization for the period	(15)	(303)	(21)	(339)
Disposals	-	-	9	9
Reversal of/(impairment losses)	-	135	-	135
Effect of the movement of exchange rates	1 649	577	(82)	2 144
Balance at 31 December 2020	**(8 652)**	**(2 742)**	**(1 399)**	**(12 793)**
Carrying amounts				
Balance at 1 January 2020	**5 123**	**8 469**	**796**	**14 388**
Balance at 31 December 2020	**4 286**	**6 996**	**628**	**11 910**

’000 RUB	Mining rights	Land lease rights	Other	Total
Cost				
Balance at 1 January 2019	915 540	719 357	89 245	1 724 142
Acquisitions	-	-	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**
Cost				
Balance at 1 January 2020	953 881	719 357	130 059	1 803 297
Acquisitions	-	-	128	128
Disposals	-	-	(668)	(668)
Effect of the movement of exchange rates	1 946	-	20 171	22 117
Balance at 31 December 2020	**955 827**	**719 357**	**149 690**	**1 824 874**
Accumulated amortization and impairment losses				
Balance at 1 January 2020	(636 776)	(195 063)	(80 777)	(912 616)
Amortization for the period	(1 091)	(21 582)	(1 485)	(24 158)
Disposals	-	-	668	668
Reversal of/(impairment losses)	-	9 585	-	9 585
Effect of the movement of exchange rates	(1 276)	4 517	(21 759)	(18 518)
Balance at 31 December 2020	**(639 143)**	**(202 543)**	**(103 353)**	**(945 039)**
Carrying amounts				
Balance at 1 January 2020	**317 105**	**524 294**	**49 282**	**890 681**
Balance at 31 December 2020	**316 684**	**516 814**	**46 337**	**879 835**

Amortization expense for intangible assets of USD 339 thousand or RUB 24 158 thousand (2019: USD 392 thousand or RUB 25 395 thousand) has been charged to cost of sales, general and administrative expenses.

(a) “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 is 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 8 590 thousand or RUB 634 579 thousand due to the delay in project realisation and increase of discount rate due to increased country risks.

As at 31 December 2020, 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 on mining production of ilmenite, rutile and zirconium concentrate in 2020. The average volume of production in the forecast period will be 38 thousand tons per year until 2030;
- A pre-tax discount rate of 21,62% was applied to discount projected cash flows for the whole period from 2020 to 2030;
- 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 13,7%;
- The cash flows were forecasted 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 is decreased by 1% and sales decrease by 5%, an impairment loss of USD 2 877 thousand or RUB 212 517 thousand may occur.

15. Goodwill

	’000 USD	’000 RUB
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**
Balance as at 1 January 2020	**32 337**	**2 001 817**
Cumulative translation adjustment	(5 240)	-
Balance as at 31 December 2020	**27 097**	**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 13).

16. Equity-accounted investees and joint operations

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

		2020			2019		
	Country	Carrying value ’000 USD	Carrying value ’000 RUB	Interest	Carrying value ’000 USD	Carrying value ’000 RUB	Interest
LLC “Uniti”	USA	7 583	560 223	50%	7 548	467 246	50%
JSC “Uralredmet”	Russia	16 440	1 214 483	25%	17 541	1 085 881	25%
LLC “Aviacapital Service”	Russia	-	-	-	6 684	413 781	27,02%
		24 023	**1 774 706**		**31 773**	**1 966 908**	

(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 equity of the entity is 50% (2019: 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 2020 and 2019:

	2020 ’000 USD	2019 ’000 USD	2020 ’000 RUB	2019 ’000 RUB
Non-current assets	11	33	813	2 043
Current assets	22 695	25 105	1 676 609	1 554 116
Current liabilities	(2 080)	(5 984)	(153 661)	(370 413)
Net assets (100%)	**20 626**	**19 154**	**1 523 761**	**1 185 746**

	2020 ’000 USD	2019 ’000 USD	2020 ’000 RUB	2019 ’000 RUB
Revenue	65 203	69 221	4 641 126	4 481 105
Profit and total comprehensive income for the year (100%)	**1 472**	**1 094**	**104 776**	**70 821**
Group’s share of profit/(loss) for the year	35	(537)	2 455	(34 763)
Dividends received by the Group	-	(1 970)	-	(127 547)

In 2020, the Group had sales to Uniti of USD 28 852 thousand or RUB 2 053 682 thousand (2019: USD 32 509 thousand or RUB 2 104 501 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 2020 and 31 December 2019:

	2020 '000 USD	2019 '000 USD	2020 '000 RUB	2019 '000 RUB
Revenue	53 962	188 077	3 841 023	12 175 400
Profit for the year (100%)	**7 227**	**9 256**	**514 410**	**599 191**
Profit Distribution (100%)	**-**	**(7 961)**	**-**	**(515 371)**
Group's share of profit for the year including profit distribution	1 807	324	128 602	20 955
Non-current assets	19 697	22 385	1 455 134	1 385 786
Current assets	42 008	42 959	3 103 351	2 659 426
Non-current liabilities	(2 567)	(3 015)	(189 659)	(186 631)
Current liabilities	(7 362)	(8 853)	(543 872)	(548 037)
Net assets (100%)	**51 776**	**53 476**	**3 824 954**	**3 310 544**
Group's share of net assets (25%)	12 944	13 369	956 239	827 636

Purchases of the Group for the year ended 31 December 2020 were USD 40 301 thousand or RUB 2 868 605 thousand (2019: USD 163 532 thousand or RUB 10 586 453 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 USD 8 265 thousand or RUB 465 000 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.

In 2020, the Group sold 27,02% share in statutory capital of LLC "Aviacaptal-Service". The Group's share in profit of LLC "Aviacapital-Service" for the current period up to the date of disposal amounted to USD 6 163 thousand or RUB 438 665 thousand, the share in other comprehensive loss in the current period up to the date of disposal amounted to USD 1 202 thousand or RUB 85 532 thousand, loss on disposal equalled to USD 5 105 thousand or RUB 363 226 thousand.

(c) Joint operations

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% 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% (2019: 5,29%) of assets and liabilities, revenue and expenses of the arrangement.

17. Other investments

	2020 '000 USD	2019 '000 USD	2020 '000 RUB	2019 '000 RUB
Non-current				
Loans receivable	22 204	24 675	1 640 320	1 527 545
Equity investments at FVOCI	244 771	233 213	18 082 659	14 437 229
Other investments	388	484	28 591	29 949
	267 363	**258 372**	**19 751 570**	**15 994 723**
Current				
Loans receivable	3 513	53 974	259 500	3 341 296
Bank deposits	114	841	8 426	52 057
	3 627	**54 815**	**267 926**	**3 393 353**

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. Interest rate equals to 14% fixed per annum. Interest is payable on a monthly basis. The loan is not secured. 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 16). As at 31 December 2020, the amount of loans receivable equaled to USD 20 378 thousand or RUB 1 505 408 thousand (2019: USD 22 531 thousand or RUB 1 394 298 thousand). The loans are 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 secured. The Group estimates risks of default on these loans as low. As at 31 December 2020, expected credit losses on these loans were calculated based on credit rating (Baa2 provided by independent rating agency Moody’s).

As at 31 December 2020, fair value of PSC “RusHydro” shares owned by the Group amounted to USD 242 975 thousand or RUB 17 949 928 thousand (2019: USD 231 211 thousand or RUB 14 313 296 thousand). Fair value has been determined based on share prices as at 31 December 2020 (level 1 of the fair value hierarchy). Profit from revaluation of the shares at the fair value in the amount of USD 82 083 thousand or RUB 5 842 699 thousand (profit for the 2019: USD 27 673 thousand or RUB 1 791 417 thousand) was included in other comprehensive income.

18. Other non-current assets

	2020 '000 USD	2019 '000 USD	2020 '000 RUB	2019 '000 RUB
Non-ferrous metals in ingots	85 264	101 751	6 298 917	6 298 917
Other	4 309	2 230	318 321	138 077
	89 573	**103 981**	**6 617 238**	**6 436 994**

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

19. Inventories

	2020 '000 USD	2019 '000 USD	2020 '000 RUB	2019 '000 RUB
Raw materials and consumables	208 286	283 140	15 387 297	17 527 957
Work in progress	144 402	257 726	10 667 800	15 954 695
Finished goods and goods for resale	367 839	408 680	27 174 340	25 299 640
	720 527	**949 546**	**53 229 437**	**58 782 292**

Inventories are presented net of provision of USD 9 051 thousand or RUB 668 725 thousand (2019: USD 15 149 thousand or RUB 937 853 thousand).

At 31 December 2020, there are no pledged inventories.

20. Trade and other receivables

	2020 ’000 USD	2019 ’000 USD	2020 ’000 RUB	2019 ’000 RUB
Short-term trade accounts receivable under contracts with customers	117 968	189 276	8 714 975	11 717 277
Other accounts receivable	16 973	21 370	1 253 888	1 322 895
Less: provision	(20 798)	(20 917)	(1 536 473)	(1 294 830)
	114 143	**189 729**	**8 432 390**	**11 745 342**
Advances to suppliers	13 796	31 929	1 019 184	1 976 575
Less: provision	(520)	(612)	(38 409)	(37 880)
Value-added tax recoverable	2 432	7 690	179 629	476 085
Other taxes receivable	29 153	72 065	2 153 626	4 461 160
	159 004	**300 801**	**11 746 420**	**18 621 282**

At 31 December 2020, 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 26.

21. Cash and cash equivalents

	2020 ’000 USD	2019 ’000 USD	2020 ’000 RUB	2019 ’000 RUB
Petty cash	14	16	1 054	970
Bank balances	404 702	128 352	29 897 651	7 945 775
Deposits	537 102	610 200	39 678 772	37 774 856
Other cash and cash equivalents	208	250	15 347	15 471
	942 026	**738 818**	**69 592 824**	**45 737 072**

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

	2020 '000 USD	2019 '000 USD	2020 '000 RUB	2019 '000 RUB
Cash on hand and bank balances denominated in RUB	204 835	86 624	15 132 306	5 362 501
Cash on hand and bank balances denominated in USD	196 943	38 183	14 549 315	2 363 776
Cash on hand and bank balances denominated in other currencies	2 938	3 561	217 084	220 468
Short-term bank deposits, denominated in RUB	34 761	131 448	2 568 020	8 137 381
Short-term bank deposits, denominated in USD	501 405	478 450	37 041 638	29 618 774
Short-term bank deposits, denominated in other currencies	936	302	69 114	18 701
Other cash equivalents	208	250	15 347	15 471
	942 026	**738 818**	**69 592 824**	**45 737 072**

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:

	2020 '000 USD	2019 '000 USD	2020 '000 RUB	2019 '000 RUB
Cash on hand	14	16	1 054	970
Rated Ba2 and above*	928 531	180 818	68 595 848	11 193 657
Rated Ba3*	375	69 673	27 725	4 313 179
Rated B1*	13	474 872	972	29 397 265
Rated Caa1*	360	492	26 602	30 464
Unrated	12 733	12 947	940 623	801 537
	942 026	**738 818**	**69 592 824**	**45 737 072**

* 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 26.

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 2020, restricted funds amounted to USD 165 030 thousand or RUB 12 191 697 thousand (2019: USD 205 609 thousand or RUB 12 728 353 thousand).

In February 2021, bank deposits in USD in the amount of USD 463 383 thousand or RUB 35 332 845 thousand were transferred from a foreign bank to the Russian Federation and were deposited in Russian bank with credit rating Baa3 of independent rating agency Moody's.

22. Capital and reserves

(a) Share capital and additional paid-in capital

Number of shares unless otherwise stated	Ordinary shares 2020	Ordinary shares 2019
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.

In July 2020, at the annual General Meeting of Shareholders of the Company, it was decided not to distribute the net profit based on the results of the reporting year 2019 and not to pay dividends on ordinary shares.

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.

In 2020, the Group reversed dividends payable for previous years that were not received by shareholders in the amount of USD 415 thousand or RUB 29 194 thousand (2019: USD 272 thousand or RUB 17 618 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 2020, the net statutory profit of the Company as reported in the published annual statutory financial statements amounted to RUB 9 529 137 thousand (equivalent to USD 133 874 thousand translated at the average exchange rate for 2020) (2019: RUB 23 263 976 thousand (equivalent to USD 359 366 thousand translated at the average exchange rate for 2019)) and the closing balance of the retained earnings including the current year net statutory profit amounted to USD 716 322 thousand or RUB 52 918 803 thousand (2019: USD 700 389 thousand or RUB 43 358 086 thousand).

(b) Treasury shares

In the end of 2020, the Group companies acquired from minority shareholders on open market 10 371 Company's shares (2019: nil) for a total amount of RUB 198 967 thousand or USD 2 613 thousand. As at 31 December 2020, 16 108 shares are recorded as treasury shares (2019: 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.

23. 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 24).

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 2020	**31 December 2019**	**31 December 2020**	**31 December 2019**
Total loans and borrowings	1 401 843	1 737 106	103 562 147	107 536 701
Less: cash and cash equivalents	(942 026)	(738 818)	(69 592 824)	(45 737 072)
Net debt	**459 817**	**998 288**	**33 969 323**	**61 799 629**
Total equity	2 736 206	2 938 551	202 139 134	181 913 271
Net debt to equity ratio at 31 December	**0,17**	**0,34**	**0,17**	**0,34**

24. 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 26.

	2020 '000 USD	**2019 '000 USD**	**2020 '000 RUB**	**2019 '000 RUB**
Non-current liabilities				
Secured bank loans	21 727	46 380	1 605 127	2 871 210
Unsecured bank loans	946 496	1 212 334	69 923 016	75 050 346
	968 223	**1 258 714**	**71 528 143**	**77 921 556**
Current liabilities				
Secured bank loans	21	10 038	1 581	621 397
Unsecured bank loans	433 599	468 354	32 032 423	28 993 748
	433 620	**478 392**	**32 034 004**	**29 615 145**

Terms and debt repayment schedule

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

'000 USD			**2020**		**2019**	
	Currency	**Year maturity**	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**
Long-term loans						
Secured bank loans						
Citibank, N.A.	USD	2023	13 500	13 500	15 000	15 000
The Boeing Company	RUB	2037	8 227	8 227	8 880	8 880
Russian Commercial Bank	USD	2023	-	-	22 500	22 500
			21 727	***21 727***	***46 380***	***46 380***
Unsecured bank loans						
Sberbank	USD	2024	361 111	357 950	400 000	395 820
Crédit Agricole CIB	USD	2022-2025	180 769	179 315	123 077	121 998
UniCredit Bank	USD	2022-2023	154 542	153 623	301 839	300 030
ING Bank	USD	2023	115 385	114 381	105 769	105 267
AKB Novikombank	USD	2022	70 000	70 000	100 000	100 000
PJSC Sovcombank	USD	2023	29 167	28 937	45 833	45 439
Banka Intesa	USD	2022	26 667	26 600	-	-
Commerzbank AG	EUR	2024-2025	12 216	12 103	14 169	14 028
UniCredit Bank AG	EUR	2022-2024	2 775	2 741	5 358	5 300
Russian Technological Development Fund	RUB	2023	846	846	1 615	1 615
Nordea Bank	USD	2020	-	-	71 601	70 540
Raiffeisen Bank	USD	2021	-	-	52 632	52 297
			953 478	***946 496***	***1 221 893***	***1 212 334***
			975 205	**968 223**	**1 268 273**	**1 258 714**

'000 USD			**2020**		**2019**	
	Currency	**Year maturity**	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**
Short-term loans						
Secured bank loans						
The Boeing Company	RUB	2021	21	21	22	22
Russian Commercial Bank	USD	2021	-	-	10 000	10 000
Citibank, N.A.	USD	2021	-	-	16	16
			21	***21***	***10 038***	***10 038***
Unsecured bank loans						
UniCredit Bank	USD	2021	149 282	147 962	120 471	119 609
Alfa-Bank	USD	2021	70 011	70 011	140 041	140 041
Raiffeisen Bank	USD	2021	53 094	52 561	47 718	47 417
Crédit Agricole CIB	USD	2021	43 530	43 082	16 660	16 469
Sberbank	RUB	2021	40 651	40 651	31	31
Sberbank	USD	2021	40 249	39 908	502	502
PJSC Sovcombank	USD	2021	16 884	16 753	4 216	4 180
Banka Intesa	USD	2021	13 386	13 352	-	-
UniCredit Bank AG	EUR	2021	3 181	3 135	2 918	2 884
Commerzbank AG	EUR	2021	3 503	3 470	3 228	3 197
Credi Agricole	USD	2021	1 669	1 625	15 026	14 984
Russian Technological Development Fund	RUB	2021	509	509	1	1
ING Bank	USD	2021	580	580	19 897	19 805
Nordea Bank	USD	2021	-	-	77 997	76 703
AKB Rosbank	USD	2021	-	-	22 531	22 531
			436 529	***433 599***	***471 237***	***468 354***
			436 550	**433 620**	**481 275**	**478 392**

'000 RUB			2020		2019	
	Currency	Year maturity	Face value	Carrying amount	Face value	Carrying amount
Long-term loans						
Secured bank loans						
Citibank, N.A.	USD	2023	997 322	997 322	928 585	928 585
The Boeing Company	RUB	2037	607 805	607 805	549 747	549 747
Russian Commercial Bank	USD	2023	-	-	1 392 878	1 392 878
			1 605 127	***1 605 127***	***2 871 210***	***2 871 210***
Unsecured bank loans						
Sberbank	USD	2024	26 677 336	26 443 786	24 762 280	24 503 532
Crédit Agricole CIB	USD	2022-2025	13 354 453	13 246 955	7 619 164	7 552 374
UniCredit Bank	USD	2022-2023	11 416 902	11 349 038	18 685 576	18 573 577
ING Bank	USD	2023	8 524 119	8 449 996	6 547 718	6 516 598
AKB Novikombank	USD	2022	5 171 299	5 171 299	6 190 570	6 190 570
PJSC Sovcombank	USD	2023	2 154 709	2 137 750	2 837 345	2 812 916
Banka Intesa	USD	2022	1 970 019	1 965 081	-	-
Commerzbank AG	EUR	2024-2025	902 439	894 124	877 157	868 391
UniCredit Bank AG	EUR	2022-2024	205 040	202 487	331 697	328 074
Russian Technological Development Fund	RUB	2023	62 500	62 500	100 000	100 000
Nordea Bank	USD	2020	-	-	4 432 500	4 366 846
Raiffeisen Bank	USD	2021	-	-	3 258 193	3 237 468
			70 438 816	***69 923 016***	***75 642 200***	***75 050 346***
			72 043 943	**71 528 143**	**78 513 410**	**77 921 556**

'000 RUB			2020		2019	
	Currency	Year maturity	Face value	Carrying amount	Face value	Carrying amount
Short-term loans						
Secured bank loans						
The Boeing Company	RUB	2021	1 581	1 581	1 331	1 331
Russian Commercial Bank	USD	2021	-	-	619 057	619 057
Citibank, N.A.	USD	2021	-	-	1 009	1 009
			1 581	***1 581***	***621 397***	***621 397***
Unsecured bank loans						
UniCredit Bank	USD	2021	11 028 327	10 930 797	7 457 852	7 404 458
Alfa-Bank	USD	2021	5 172 092	5 172 091	8 669 334	8 669 334
Raiffeisen Bank	USD	2021	3 922 351	3 882 972	2 954 040	2 935 387
Crédit Agricole CIB	USD	2021	3 215 810	3 182 747	1 031 366	1 019 549
Sberbank	RUB	2021	3 003 129	3 003 129	1 917	1 917
Sberbank	USD	2021	2 973 395	2 948 198	31 072	31 072
PJSC Sovcombank	USD	2021	1 247 332	1 237 642	260 987	258 766
Banka Intesa	USD	2021	988 864	986 396	-	-
UniCredit Bank AG	EUR	2021	235 025	231 608	180 633	178 543
Commerzbank AG	EUR	2021	258 788	256 378	199 851	197 891
Credi Agricole	USD	2021	123 316	120 039	930 167	927 593
Russian Technological Development Fund	RUB	2021	37 568	37 568	77	77
ING Bank	USD	2021	42 858	42 858	1 231 710	1 226 051
Nordea Bank	USD	2021	-	-	4 828 457	4 748 317
AKB Rosbank	USD	2021	-	-	1 394 793	1 394 793
			32 248 855	***32 032 423***	***29 172 256***	***28 993 748***
			32 250 436	**32 034 004**	**29 793 653**	**29 615 145**

Foreign exchange differences for 2020 amounted to USD 281 476 thousand or RUB 20 035 341 thousand (2019: USD 174 693 thousand or RUB 11 308 930 thousand), other movements were cash settled.

As at 31 December 2020, bank loans are secured with property, plant and equipment with carrying amount of USD 11 025 thousand and RUB 814 507 thousand (2019: USD 13 799 thousand or RUB 854 242 thousand) and guarantee issued by the Boeing Company.

As at 31 December 2020, the Group had undrawn credit line facilities for the total amount of USD 533 360 thousand or RUB 39 402 343 thousand (2019: USD 478 077 thousand or RUB 29 595 679 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 2020 and 31 December 2019, the Group was in compliance with the covenants under the loan agreements.

25. Trade and other payables

	2020 '000 USD	2019 '000 USD	2020 '000 RUB	2019 '000 RUB
Trade accounts payable	34 348	49 177	2 537 492	3 044 323
Accrued liabilities and other creditors	29 628	42 592	2 188 777	2 636 710
Payroll and social tax payable	11 591	18 351	856 200	1 136 027
Total accounts payable and accrued expenses	**75 567**	**110 120**	**5 582 469**	**6 817 060**

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 26.

26. 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 17). Investments are classified as Level 1. Their fair value is determined based on quoted market prices.

As at 31 December 2020 and 31 December 2019, carrying amount of the Group's financial assets and liabilities did not differ significantly from their fair value.

As at 31 December 2020 and 31 December 2019, 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 8% (2019: 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 evaluated taking into account their financial position, prior experience and other factors. The Group deals with new customers and clients with with high credit risk only on a prepayment basis. Standard payment terms for delivered goods may be changed where there is a good trading 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 20.

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, Europe and Russia 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	
	2020 '000 USD	2019 '000 USD	2020 '000 RUB	2019 '000 RUB
Loans receivable	25 717	78 649	1 899 820	4 868 841
Bank deposits, current	114	841	8 426	52 057
Trade accounts receivable	103 199	176 323	7 623 907	10 915 437
Other account receivable	10 944	13 406	808 483	829 905
Cash and cash equivalents	942 026	738 818	69 592 824	45 737 072
	1 082 000	**1 008 037**	**79 933 460**	**62 403 312**

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
31 December 2020				
Current (not past due)	0,00%	88 134	-	No
Past due less than 3 months	0,08%	12 756	(11)	No
Past due less from 3 to 6 months	2,08%	1 168	(584)	Yes
Past due less from 6 to 12 months	6,80%	230	(115)	Yes
Past due over 12 months	11,18%	3 242	(1 621)	Yes
		105 530	**(2 331)**	
31 December 2019				
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 12 438 thousand (31 December 2019: USD 11 483 thousand).

’000 RUB	Weighted-average loss rate	Gross carrying amount*	Loss allowance	Credit-impaired
31 December 2020				
Current (not past due)	0,00%	6 510 929	-	No
Past due less than 3 months	0,08%	942 322	(790)	No
Past due less from 3 to 6 months	2,08%	86 322	(43 161)	Yes
Past due less from 6 to 12 months	6,80%	17 019	(8 510)	Yes
Past due over 12 months	11,18%	239 552	(119 776)	Yes
		7 796 144	**(172 237)**	
31 December 2019				
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 918 831 thousand (31 December 2019: RUB 710 895 thousand).

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

	2020		**2019**	
'000 USD	**Trade receivables**	**Other receivables**	**Trade receivables**	**Other receivables**
Provision for impairment as at 1 January	**12 953**	**7 964**	**15 809**	**5 577**
Impairment loss recognised	4 183	1 151	757	2 043
Provision reversed	(123)	(107)	(5 260)	(2 162)
Provision used	(56)	(1 929)	(32)	1 808
Cumulative translation adjustment	(2 189)	(1 050)	1 679	698
Provision for impairment as at 31 December	**14 769**	**6 029**	**12 953**	**7 964**

	2020		2019	
'000 RUB	Trade receivables	Other receivables	Trade receivables	Other receivables
Provision for impairment as at 1 January	**801 840**	**492 990**	**1 098 258**	**387 431**
Impairment loss recognised	297 755	81 928	48 991	132 230
Provision reversed	(8 735)	(7 638)	(340 453)	(139 987)
Provision used	(3 990)	(137 321)	(2 053)	117 067
Cumulative translation adjustment	4 198	15 446	(2 903)	(3 751)
Provision for impairment as at 31 December	**1 091 068**	**445 405**	**801 840**	**492 990**

(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 24.

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
31 December 2020						
Unsecured loans and borrowings	1 380 095	1 383 855	392 674	470 073	287 743	233 365
Secured loans and borrowings	21 748	30 181	820	799	14 299	14 263
Trade and other accounts payable	68 510	68 510	68 510	-	-	-
Lease liabilities	27 112	31 273	7 056	6 811	3 772	13 634
Total current and non-current liabilities	**1 497 465**	**1 513 819**	**469 060**	**477 683**	**305 814**	**261 262**
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	-	-	-
Lease liabilities	31 588	36 995	6 223	9 564	5 469	15 739
Total current and non-current liabilities	**1 872 592**	**2 030 587**	**655 357**	**474 547**	**502 225**	**398 458**

’000 RUB	Carrying amount	Contractual cash flows	0-12 mths	1-2 yrs	2-3 yrs	Over 3 yrs
31 December 2020						
Unsecured loans and borrowings	101 955 439	102 233 245	29 009 050	34 726 967	21 257 195	17 240 033
Secured loans and borrowings	1 606 708	2 229 613	60 585	59 004	1 056 324	1 053 700
Trade and other accounts payable	5 061 207	5 061 207	5 061 207	-	-	-
Lease liabilities	2 002 868	2 310 353	521 262	503 183	278 681	1 007 227
Total current and non-current liabilities	**110 626 222**	**111 834 418**	**34 652 104**	**35 289 154**	**22 592 200**	**19 300 960**
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	-	-	-
Lease liabilities	1 955 480	2 290 144	385 185	592 077	338 540	974 342
Total current and non-current liabilities	**115 924 055**	**125 704 916**	**40 570 317**	**29 377 191**	**31 090 593**	**24 666 815**

(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:

31 December 2020

’000 USD	USD	EUR	Other foreign currencies
Cash and cash equivalents	698 348	1 210	2 663
Accounts receivable	92 198	2 076	163
Bank deposits	-	-	114
Loans receivable	16 574	-	-
Accounts payable and other liabilities	(8 217)	(12 484)	(2 882)
Loans and borrowings	(1 330 140)	(21 449)	-
Net exposure	**(531 237)**	**(30 647)**	**58**

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**

31 December 2020

’000 RUB	**USD**	**EUR**	**Other foreign currencies**
Cash and cash equivalents	51 590 953	89 422	196 776
Accounts receivable	6 811 174	153 348	12 057
Bank deposits	-	-	8 426
Loans receivable	1 224 386	-	-
Accounts payable and other liabilities	(607 072)	(922 228)	(212 926)
Loans and borrowings	(98 264 967)	(1 584 597)	-
Net exposure	**(39 245 526)**	**(2 264 055)**	**4 333**

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**

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

	31 December 2020	**Average for 2020**	**31 December 2019**	**Average for 2019**
USD	73,8757	71,1796	61,9057	64,7362
EUR	90,6824	82,4488	69,3406	72,5021

Sensitivity analysis

A 10% weakening of the RUB against USD and Euro at 31 December 2020 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 2019.

Sensitivity analysis

2020	**Equity ’000 USD**	**Profit or loss ’000 USD**
USD strengthening 10%	(53 124)	(53 124)
Euro strengthening 10%	(3 065)	(3 065)
2019		
USD strengthening 10%	(100 323)	(100 323)
Euro strengthening 10%	(3 201)	(3 201)

2020	**Equity ’000 RUB**	**Profit or loss ’000 RUB**
USD strengthening 10%	(3 924 553)	(3 924 553)
Euro strengthening 10%	(226 406)	(226 406)
2019		
USD strengthening 10%	(6 210 582)	(6 210 582)
Euro strengthening 10%	(198 169)	(198 169)

(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 ensure stable financial results related to interest bearing financial instruments. 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 interest 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:

	2020 ’000 USD	**2019 ’000 USD**	**2020 ’000 RUB**	**2019 ’000 RUB**
Fixed rate instruments				
Loans receivable	25 717	78 649	1 899 820	4 868 841
Bank deposits classified as cash equivalents	537 102	610 200	39 678 772	37 774 856
Bank deposits	114	841	8 426	52 057
Current loans and borrowings	(82 676)	(23 056)	(6 107 771)	(1 427 272)
Non-current loans and borrowings	(367 023)	(406 316)	(27 114 090)	(25 153 279)
	113 234	**260 318**	**8 365 157**	**16 115 203**
Variable rate instruments				
Current loans and borrowings	(350 944)	(455 336)	(25 926 233)	(28 187 873)
Non-current loans and borrowings	(601 200)	(852 398)	(44 414 053)	(52 768 277)
	(952 144)	**(1 307 734)**	**(70 340 286)**	**(80 956 150)**

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
2020				
100 bp parallel fall	9 521	9 521	703 403	703 403
100 bp parallel rise	(9 521)	(9 521)	(703 403)	(703 403)
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)

(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 2020 and 2019, the Group does not have financial instruments, which would require additional disclosures under IFRS in respect of netting arrangements.

27. Significant subsidiaries

	Country of incorporation	2020 Ownership	2019 Ownership
VSMPO-Tirus, U.S., Inc	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 "Avitrans"	Russia	100%	100%
LLC "Upravlenie gostinits"	Russia	100%	100%
LLC "Torgovy Dom "VSMPO-AVISMA Corporation"	Russia	100%	100%

28. Commitments

(a) Capital commitments

As at 31 December 2020, the Group has entered into contracts to purchase plant and equipment for USD 158 068 thousand or RUB 11 677 398 thousand (2019: USD 217 709 thousand or RUB 13 477 411 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.

29. Contingencies

(a) Litigation

During the year, the Group was involved in a number of court proceedings (both as a plaintiff and as a defendant) arising in the ordinary course of business. There were a number of litigations pending as at the reporting date, which were resolved in 2021 by conclusion of settlement agreements with no significant additional obligations arising for the Group. Also, in 2020, the Group concluded settlement agreement under legal case initiated by the Group. In accordance with the agreement the Group received settlement payment in the amount of USD 23 834 thousand or RUB 1 696 500 thousand. The amount of the agreed compensation was paid to the Group in the end of 2020 in cash. Results of other cases were not significant. In the opinion of management, as at the date of these consolidated financial statement approval there are no legal proceedings or other claims outstanding, which could have a material adverse effect on the Group's operating results, financial position or cash-flows and which have not been accrued or disclosed in these consolidated financial statements or in the Notes.

(b) 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.

In addition, changes aimed at regulating tax consequences of transactions with foreign companies have been introduced, such as concept of beneficial ownership of income, taxation of controlled foreign companies, tax residency rules, etc. These changes may potentially impact the Group's tax position and create additional tax risks.

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.

30. Related parties

(a) Government

The Government of the Russian Federation controls the State Corporation "Rostech" (SC "Rostech"), which has significant influence over the Company. 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 exemption 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	2020 '000 USD	2019 '000 USD	2020 '000 RUB	2019 '000 RUB
Revenue				
Parties under Government control	110 783	94 397	7 885 505	6 110 926
Entities under Rostech control	199 499	218 680	14 200 247	14 156 512
Joint arrangement	28 852	32 563	2 053 682	2 107 999
Associates	565	2 667	40 251	172 660
Purchases				
Parties under Government control	(22 098)	(32 171)	(1 572 958)	(2 082 657)
Entities under Rostech control	(123)	(116)	(8 744)	(7 509)
Joint arrangement	(12 686)	(18 408)	(903 020)	(1 191 675)
Associates	(40 301)	(163 532)	(2 868 605)	(10 586 453)
Purchases of property, plant and equipment				
Parties under Government control	(415)	(264)	(29 570)	(17 114)
Entities under ultimate beneficiary's control	(12 241)	-	(871 330)	-
Sales of property, plant and equipment				
Parties under Government control	-	3	-	182
Joint arrangement	-	5	-	306
Loans provided				
Joint venture	(467)	(2 350)	(33 250)	(152 130)
Associates	-	(124)	-	(8 000)
Proceeds from borrowings				
Parties under Government control	42 147	400 745	3 000 000	25 942 719
Interest income				
Parties under Government control	112	346	7 973	22 377
Entities under Rostech control	466	6 055	33 202	392 000
Joint venture	817	811	58 179	52 487
Associates	-	277	-	17 919
Interest expenses				
Parties under Government control	(14 308)	(12 037)	(1 018 419)	(779 237)
Entities under Rostech control	(2 361)	(4 193)	(168 067)	(271 409)
Dividend income				
Parties under Government control	12 445	14 628	885 863	946 972

Revenue from related parties refers to sales of titanium products. The largest share in the amount of 10,16% in the total revenue of the Group from the list of related parties belongs to JSC "UEC" (part of the Rostec Corporation Group). The Group does not have significant sales (over 5% from the total Group's sales) to any other individual related party.

Related party purchases mainly refer to machining services and gas which are made under standard short-term agreements.

Balances with related parties:

Relationship	31 December 2020 '000 USD	31 December 2019 '000 USD	31 December 2020 '000 RUB	31 December 2019 '000 RUB
Bank balances				
Parties under Government control	329 146	83 654	24 315 913	5 178 681
Entities under Rostech control	403	1 042	29 737	64 507
Trade and other receivables				
Parties under Government control	5 696	3 060	420 772	189 404
Entities under Rostech control	7 400	4 846	546 668	299 974
Joint arrangement	388	196	28 680	12 146
Associates	204	331	15 066	20 475
Entities under ultimate beneficiary's control	6 521	4 071	481 745	252 000
Advances to suppliers				
Parties under Government control	434	849	32 056	52 573
Entities under Rostech control	1	13	90	788
Incompleted acquisition of shares in associate				
Entities under ultimate beneficiary's control	2 978	-	220 000	-
Bank deposits, classified as cash and cash equivalents				
Parties under Government control	6 915	99 606	510 846	6 166 193
Entities under Rostech control	22 810	10 883	1 685 110	673 727
Equity investments at FVOCI				
Parties under Government control	244 771	233 213	18 082 659	14 437 229
Loans issued				
Entities under Rostech control	-	45 230	-	2 800 000
Associates	-	4 484	-	277 559
Top management	-	236	-	14 582
Joint arrangement	20 408	22 565	1 507 655	1 396 882
Loans and borrowings				
Parties under Government control	(439 864)	(397 969)	(32 495 181)	(24 636 598)
Entities under Rostech control	(70 000)	(100 000)	(5 171 299)	(6 190 570)
Trade and other payables				
Parties under Government control	(319)	(2 645)	(23 600)	(163 751)
Entities under Rostech control	(4)	(4)	(312)	(271)
Joint arrangement	(947)	(1 530)	(69 947)	(94 731)
Associates	(5 244)	(7 547)	(387 395)	(467 198)
Advances received				
Parties under Government control	(62 301)	(49 492)	(4 602 508)	(3 063 835)
Entities under Rostech control	(27 657)	(82 997)	(2 043 210)	(5 137 964)
Joint arrangement	-	(590)	-	(36 552)
Associates	-	-	(5)	(14)

Loans and borrowing obtained from the related parties under Government control are nominated in USD were received with the interest rate of 3,3% to 3,8% and in RUB were received with the interest rate of 1,4% to 3%.

Bank deposits in USD and RUB, classified as cash and cash equivalents, in banks under Government control have interest rate from 2,24% to 3,32%.

Bank deposits in RUB, classified as cash and cash equivalents, in banks under Rostech control have interest rate of 1,75%.

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, to members of Boards of Directors of the Company and its main subsidiaries and to senior management of the Group. 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 general and administrative expenses in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020 amounted to USD 10 827 thousand or RUB 770 654 thousand (2019: USD 13 001 thousand or RUB 841 636 thousand). Related state pension and social security costs for the year ended 31 December 2020 amounted to USD 1 735 thousand or RUB 123 477 thousand (2019: USD 2 983 thousand or RUB 193 079 thousand). There were no significant post-employment or other long-term benefits.

31. Subsequent events

On 25 January 2021, CJSC “Business Alliance Company” was merged with LLC “Promishlenniye Investitsii”. Consequently, the ultimate parent company of the Group is LLC “Promishlenniye Investitsii”. As a result, the ultimate beneficiary of the Group has not changed.

32. Basis of measurement

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

33. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, except changes in presentation of the foreign currency exchange net loss or gain in the consolidated statement of profit or loss and other comprehensive income, and have been applied consistently by Group entities. Certain other comparative amounts were reclassified to correspond with the current year presentation.

(a) Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group (see Note 33(a)(iii)). In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and a substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a ‘concentration test’ that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

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 33(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) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are revised. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group's controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity except that any share capital of the acquired entities is recognised as part of additional paid-in capital. Any cash paid for the acquisition is recognised directly in equity.

(v) Loss of control

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

(vi) Interests in equity-accounted investees

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

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

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

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

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

(vii) Transactions eliminated on consolidation

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

(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 5 and Note 6).

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.

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 the 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 in respect of that asset.

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 December 2020	31 December 2019
Buildings and constructions	22 years	23 years
Plant and equipment	14 years	13 years
Transport	11 years	11 years
Transfer devices	11 years	11 years
Other	3 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 26 (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 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

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.

COVID-19-related rent concessions

The Group has applied COVID-19-Related Rent Concessions – Amendment to IFRS 16. The Group applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications. The Group applies the practical expedient consistently to contracts with similar characteristics and in similar circumstances. For rent concessions in leases to which the Group chooses not to apply the practical expedient, or that do not qualify for the practical expedient, the Group assesses whether there is a lease modification.

(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.

34. New standards and interpretations not yet adopted

A number of new standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

(a) *Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)*

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparatives are not restated. The Group has determined that all contracts existing at 31 December 2020 will be completed before the amendments become effective.

(b) Other standards

The following new and amended standards are not expected to have a significant impact on the Group’s consolidated financial statements.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
- Reference to Conceptual Framework (Amendments to IFRS 3).
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.

These amended standards will not have a significant impact on the Group's financial statements.