

Mining and Metallurgical Company Norilsk Nickel

**Consolidated financial statements
for the years ended 31 December 2019, 2018 and 2017**

MINING AND METALLURGICAL COMPANY NORILSK NICKEL

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2019, 2018 AND 2017

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MINING AND METALLURGICAL COMPANY NORILSK NICKEL

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2019, 2018 AND 2017

The following statement, which should be read in conjunction with the auditors' responsibility stated in the auditors' report set out on pages 2-5, is made with a view to distinguishing the respective responsibilities of management and those of the auditors in relation to the consolidated financial statements of Public Joint Stock Company "Mining and Metallurgical Company Norilsk Nickel" and its subsidiaries (the "Group").

Management of the Group is responsible for the preparation of the consolidated financial statements that present fairly in all material aspects the consolidated financial position of the Group at 31 December 2019, 2018 and 2017 and consolidated statements of income, comprehensive income, cash flows and changes in equity for the years ended 31 December 2019, 2018 and 2017, 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 for:

- 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 years ended 31 December 2019, 2018 and 2017 were approved by:

President



V.O. Potanin

**Senior Vice President –
Chief Financial Officer**



S.G. Malyshev

Moscow, Russia
26 February 2020



Independent Auditors' Report

To the Shareholders and Board of Directors of PJSC "Mining and Metallurgical Company Norilsk Nickel"

Opinion

We have audited the consolidated financial statements of PJSC "Mining and Metallurgical Company Norilsk Nickel" (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at 31 December 2019, 2018 and 2017, the consolidated income statements, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Key Audit Matters

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

Audited entity: PJSC "Mining and Metallurgical Company Norilsk Nickel"

Registration No. in the Unified State Register of Legal Entities
1028400000298.

Dudinka, Krasnoyarsk region, Russian Federation

Independent auditor: JSC "KPMG", a company incorporated under the Laws of the Russian Federation, a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

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

Member of the Self-regulatory Organization of Auditors Association "Sodruzhestvo" (SRO AAS). The Principal Registration Number of the Entry in the Register of Auditors and Audit Organisations: No. 12006020351.



Implementation of the SAP ERP in the Polar division	
The key audit matter	How the matter was addressed in our audit
<p>Starting from 1 January 2019 SAP ERP was implemented in the Polar division. The Polar division represents mining and metallurgy operations of GMK Group segment and a major production facility of the Group.</p> <p>During transition to SAP ERP system IT general and process level controls were updated in accordance with the specificity of the new IT environment.</p> <p>Given the significance of the operations of the Polar division to the Group, the increased data integrity risks inherent to migration of financial information as at 1 January 2019 and risks in respect of maintenance of accounting records throughout the reporting period, we consider implementation of SAP ERP in relation to the financial reporting process of the major production facility to be a key audit matter.</p>	<p>We understood and evaluated the SAP ERP implementation project governance and data migration plan. We involved KPMG IT specialists to assist us in evaluating the design, implementation, and operating effectiveness of certain IT general controls over the migration. We evaluated design and implementation of process level controls over migration of financial data at 1 January 2019 and in addition, we tested accuracy and completeness of migrated data substantially as at 1 January 2019 by comparison to respective information as at 31 December 2018 in legacy systems.</p> <p>We performed a walkthrough analysis for significant financial accounting processes that had been updated in relation to the activity of the Polar division. We evaluated design and implementation of controls applied at Group level to address risks arisen from the SAP ERP implementation in relation to the financial reporting process of the Polar division.</p> <p>We decreased our materiality when performing our audit procedures in respect of transactions in the Polar division for the year ended 31 December 2019 resulting in further detailed substantive testing to specifically address the significant risks over accounting records.</p>

Other Information

Management is responsible for the other information. The other information comprises the Financial Overview (MD&A) (but does not include the consolidated financial statements and our auditors' report thereon), which we obtained prior to the date of this auditors' report, and the information included in other sections of Annual Report for 2019, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other



information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we have obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty



exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

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



Natalia Velichko
JSC "KPMG"
Moscow, Russia

26 February 2020

MINING AND METALLURGICAL COMPANY NORILSK NICKEL

CONSOLIDATED INCOME STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2019, 2018 AND 2017 *US Dollars million*

	Notes	For the year ended 31 December		
		2019	2018	2017
Revenue				
Metal sales	7	12,851	10,962	8,415
Other sales		712	708	731
Total revenue		13,563	11,670	9,146
Cost of metal sales	8	(4,509)	(4,505)	(3,939)
Cost of other sales		(684)	(622)	(632)
Gross profit		8,370	6,543	4,575
General and administrative expenses	9	(938)	(890)	(788)
Selling and distribution expenses	10	(117)	(92)	(75)
Impairment of non-financial assets	15	24	(50)	(227)
Other operating expenses, net	11	(303)	(95)	(362)
Operating profit		7,036	5,416	3,123
Foreign exchange gain/(loss), net		694	(1,029)	159
Finance costs, net	12	(306)	(580)	(535)
Gain from disposal of subsidiaries	21	2	—	20
Income from investments	13	98	95	77
Profit before tax		7,524	3,902	2,844
Income tax expense	14	(1,558)	(843)	(721)
Profit for the year		5,966	3,059	2,123
Attributable to:				
Shareholders of the parent company		5,782	3,085	2,129
Non-controlling interests		184	(26)	(6)
		5,966	3,059	2,123
EARNINGS PER SHARE				
Basic and diluted earnings per share attributable to shareholders of the parent company (US Dollars per share)	22	36.5	19.5	13.5

The accompanying notes on pages 12 - 65 form an integral part of the consolidated financial statements

MINING AND METALLURGICAL COMPANY NORILSK NICKEL

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2019, 2018 AND 2017

US Dollars million

	For the year ended 31 December		
	2019	2018	2017
Profit for the year	5,966	3,059	2,123
Other comprehensive income/(loss)			
Items to be reclassified to profit or loss in subsequent periods:			
Effect of translation of foreign operations	(4)	(2)	15
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods, net	(4)	(2)	15
Items not to be reclassified to profit or loss in subsequent periods:			
Effect of translation to presentation currency	488	(905)	277
Other comprehensive income/(loss) not to be reclassified to in subsequent periods, net	488	(905)	277
Other comprehensive income/(loss) for the year, net of tax	484	(907)	292
Total comprehensive income for the year, net of tax	6,450	2,152	2,415
Attributable to:			
Shareholders of the parent company	6,226	2,232	2,417
Non-controlling interests	224	(80)	(2)
	6,450	2,152	2,415

The accompanying notes on pages 12 - 65 form an integral part of the consolidated financial statements

MINING AND METALLURGICAL COMPANY NORILSK NICKEL

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2019, 2018 AND 2017 US Dollars million

		At 31 December		
	Notes	2019	2018	2017
ASSETS				
Non-current assets				
Property, plant and equipment	15	11,993	9,934	10,960
Intangible assets		215	163	148
Other financial assets	16	223	141	192
Deferred tax assets	14	98	73	77
Other non-current assets	18	370	386	732
		12,899	10,697	12,109
Current assets				
Inventories	18	2,475	2,280	2,689
Trade and other receivables	19	362	204	327
Advances paid and prepaid expenses		74	75	71
Other financial assets	16	51	147	99
Income tax receivable		68	92	82
Other taxes receivable	17	644	271	296
Cash and cash equivalents	20	2,784	1,388	852
Other current assets		117	97	110
		6,575	4,554	4,526
TOTAL ASSETS		19,474	15,251	16,635
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	22	6	6	6
Share premium		1,254	1,254	1,254
Translation reserve		(4,899)	(5,343)	(4,490)
Retained earnings	28	7,452	7,306	7,557
Equity attributable to shareholders of the parent company		3,813	3,223	4,327
Non-controlling interests	23	474	250	331
		4,287	3,473	4,658
Non-current liabilities				
Loans and borrowings	24	8,533	8,208	8,212
Lease liabilities	24	180	16	24
Provisions	26	674	365	464
Trade and other long-term payables		37	200	402
Derivative financial instruments		–	61	–
Deferred tax liabilities	14	60	385	407
Other long-term liabilities		281	185	116
		9,765	9,420	9,625
Current liabilities				
Loans and borrowings	24	1,087	209	813
Lease liabilities	24	44	6	4
Trade and other payables	27	1,706	1,551	783
Dividends payable	28	1,553	6	6
Employee benefit obligations	25	393	307	377
Provisions	26	100	77	189
Derivative financial instruments		–	5	24
Income tax payable		36	35	9
Other taxes payable	17	503	162	147
		5,422	2,358	2,352
TOTAL LIABILITIES		15,187	11,778	11,977
TOTAL EQUITY AND LIABILITIES		19,474	15,251	16,635

The accompanying notes on pages 12 - 65 form an integral part of the consolidated financial statements

MINING AND METALLURGICAL COMPANY NORILSK NICKEL

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2019, 2018 AND 2017

US Dollars million

	For the year ended 31 December		
	2019	2018	2017
OPERATING ACTIVITIES			
Profit before tax	7,524	3,902	2,844
Adjustments for:			
Depreciation and amortisation	911	765	645
Impairment of non-financial assets	(24)	50	227
Loss on disposal of property, plant and equipment	19	1	9
Gain from disposal of subsidiaries	(2)	–	(20)
Change in provisions and allowances	220	61	41
Finance costs and income from investments, net	208	485	458
Foreign exchange (gain)/loss, net	(694)	1,029	(159)
Other	64	46	58
	8,226	6,339	4,103
Movements in working capital:			
Inventories	48	297	(346)
Trade and other receivables	(122)	102	(174)
Advances paid and prepaid expenses	14	(5)	10
Other taxes receivable	(331)	(15)	(5)
Employee benefit obligations	62	11	9
Trade and other payables	(247)	676	(1,118)
Provisions	(35)	(28)	(48)
Other taxes payable	304	(97)	2
Cash generated from operations	7,919	7,280	2,433
Income tax paid	(1,910)	(787)	(670)
Net cash generated from operating activities	6,009	6,493	1,763
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(1,262)	(1,480)	(1,940)
Purchase of intangible assets	(62)	(73)	(62)
Purchase of other non-current assets	–	(104)	(88)
Loans issued	(3)	(7)	(18)
Proceeds from repayment of loans issued	54	13	48
Net change in deposits placed	78	5	(80)
Proceeds from sale of other financial assets	–	–	9
Proceeds from disposal of property, plant and equipment	10	3	29
(Net cash outflow)/net cash inflow from disposal of subsidiaries (Note 21)	(20)	–	99
Interest and other investment income received	85	81	67
Net cash used in investing activities	(1,120)	(1,562)	(1,936)

The accompanying notes on pages 12 - 65 form an integral part of the consolidated financial statements

MINING AND METALLURGICAL COMPANY NORILSK NICKEL

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2019, 2018 AND 2017 (CONTINUED)

US Dollars million

	For the year ended 31 December		
	2019	2018	2017
FINANCING ACTIVITIES			
Proceeds from loans and borrowings	3,212	2,173	4,233
Repayments of loans and borrowings	(2,163)	(2,547)	(3,140)
Payments of lease liabilities	(45)	(9)	(10)
Dividends paid (note 28)	(4,166)	(3,369)	(2,971)
Dividends paid to non-controlling interest	(1)	(1)	(1)
Interest paid	(460)	(551)	(642)
Proceeds from sale of a non-controlling interest in a subsidiary (note 23)	—	—	294
Net cash used in financing activities	(3,623)	(4,304)	(2,237)
Net change in cash and cash equivalents	1,266	627	(2,410)
Cash and cash equivalents at the beginning of the year	1,388	852	3,325
Effects of foreign exchange differences on balances of cash and cash equivalents	130	(91)	(63)
Cash and cash equivalents at the end of the year	2,784	1,388	852

The accompanying notes on pages 12 - 65 form an integral part of the consolidated financial statements

MINING AND METALLURGICAL COMPANY NORILSK NICKEL

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2019, 2018 AND 2017

US Dollars million

	Notes	Equity attributable to shareholders of the parent company					Non-controlling interests	Total
		Share capital	Share premium	Translation reserve	Retained earnings	Total		
Balance at 1 January 2017		6	1,254	(4,778)	7,340	3,822	74	3,896
Profit/(loss) for the year		–	–	–	2,129	2,129	(6)	2,123
Other comprehensive income		–	–	288	–	288	4	292
Total comprehensive income/(loss) for the year		–	–	288	2,129	2,417	(2)	2,415
Dividends	28	–	–	–	(1,846)	(1,846)	(1)	(1,847)
Increase in non-controlling interest due to decrease in ownership of a subsidiary	23	–	–	–	35	35	259	294
Other effects related to transactions with non-controlling interest owners		–	–	–	(100)	(100)	–	(100)
Decrease in non-controlling interest due to increase in ownership of a subsidiary		–	–	–	(1)	(1)	1	–
Balance at 31 December 2017		6	1,254	(4,490)	7,557	4,327	331	4,658
Profit/(loss) for the year		–	–	–	3,085	3,085	(26)	3,059
Other comprehensive loss		–	–	(853)	–	(853)	(54)	(907)
Total comprehensive income/(loss) for the year		–	–	(853)	3,085	2,232	(80)	2,152
Dividends	28	–	–	–	(3,336)	(3,336)	(1)	(3,337)
Balance at 31 December 2018		6	1,254	(5,343)	7,306	3,223	250	3,473
Profit for the year		–	–	–	5,782	5,782	184	5,966
Other comprehensive income		–	–	444	–	444	40	484
Total comprehensive income for the year		–	–	444	5,782	6,226	224	6,450
Dividends	28	–	–	–	(5,636)	(5,636)	–	(5,636)
Balance at 31 December 2019		6	1,254	(4,899)	7,452	3,813	474	4,287

The accompanying notes on pages 12 - 65 form an integral part of the consolidated financial statements

MINING AND METALLURGICAL COMPANY NORILSK NICKEL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2019, 2018 AND 2017

US Dollars million

1. GENERAL INFORMATION

Organisation and principal business activities

Public Joint-Stock Company “Mining and Metallurgical Company “Norilsk Nickel” (the “Company” or “MMC “Norilsk Nickel”) was incorporated in the Russian Federation on 4 July 1997. The principal activities of the Company and its subsidiaries (the “Group”) are exploration, extraction, refining of ore and nonmetallic minerals and sale of base and precious metals produced from ore. Further details regarding the nature of the business and structure of the Group are presented in note 34.

Major production facilities of the Group are located in Taimyr and Kola Peninsulas and the Zabaikalsky region of the Russian Federation, and in Finland.

2. BASIS OF PREPARATION

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

The entities of the Group maintain their accounting records in accordance with the laws, accounting and reporting regulations of the jurisdictions in which they are incorporated and registered. Accounting principles in certain jurisdictions may differ from those generally accepted under IFRS. Financial statements of such entities have been adjusted to ensure that the consolidated financial statements are presented in accordance with IFRS.

The Group issues a separate set of IFRS consolidated financial statements to comply with the requirements of Russian Federal Law No 208-FZ *On consolidated financial statements* (“Law 208-FZ”) dated 27 July 2010.

Basis of measurement

The consolidated financial statements of the Group are prepared on the historical cost basis, except for mark-to-market valuation of certain classes of financial instruments, in accordance with IFRS 9 *Financial Instruments* (IAS 39 *Financial Instruments: Recognition and Measurement* for comparative information at 31 December 2017).

3. CHANGES IN ACCOUNTING POLICIES

The accounting policies applied in the preparation of these consolidated financial statements are generally consistent with those applied in the preparation of the Group’s consolidated financial statements at and for the years ended 31 December 2018 and 2017 except for changes related to the adoption of IFRS 9 *Financial instruments* and IFRS 15 *Revenue from contracts with customers* from 1 January 2018 and IFRS 16 *Leases* from 1 January 2019.

Adoption of new and revised standards and interpretations during the year ended 31 December 2019

The Group initially adopted IFRS 16 *Leases* in the preparation of these consolidated financial statements for the year ended 31 December 2019 from 1 January 2019. In accordance with the modified retrospective approach on the initial application of the standard the comparative information for the years ended 31 December 2018 and 2017 has not been restated.

MINING AND METALLURGICAL COMPANY NORILSK NICKEL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2019, 2018 AND 2017

US Dollars million

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

In accordance with modified retrospective approach as of the date of initial application:

- for leases previously classified as operating lease in line with IAS 17 *Leases* lease liabilities were recognised at the present value of the remaining lease payments, discounted using the weighted average incremental borrowing rate at that date (at 1 January 2019: 5.55% per annum);
- right-of-use assets were recognised in the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the respective lease contracts.

On the initial application of IFRS 16 *Leases* the Group has recognised additional lease liabilities (both current and non-current) in the amount of USD 204 million (see below). These leases were classified as operating lease applying IAS 17 *Leases* and not recognised as lease liabilities before 1 January 2019.

	At 1 January 2019
Future minimum lease payments due under non-cancellable operating lease agreements at 31 December 2018	611
Less	
Current leases	(13)
Variable lease payments that do not depend on an index or a rate	(103)
Future lease payments for leased items not transferred to the lessee at 1 January 2019	(158)
Effect of discounting of payments	(133)
Lease liabilities additionally recognised at 1 January 2019	204
Plus	
Finance lease liabilities recognised at 31 December 2018	22
Lease liabilities recognised at 1 January 2019	226

The Group applied the following practical expedients on the initial application of IFRS 16 *Leases*:

- applied this standard to the contracts that were previously identified as leases in line with IAS 17 *Leases* and IFRIC 4 *Determining whether an Arrangement contains a Lease*;
- did not recognise lease liabilities in respect of the current leases expiring within 12 months of the date of the initial application;
- did not perform impairment review of right-of-use assets due to the absence of the onerous lease contracts according to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* immediately before the date of initial application;
- excluded initial direct costs from the measurement of right-of-use assets;
- used hindsight, such as determination of the lease term if the contract contains options to extend or terminate the lease.

Adoption of other new and revised standards and interpretations during the year ended 31 December 2019

Adoption of amendments to the following Standards did not have material impact on the accounting policies, financial position or results of the Group:

- IFRIC 23 *Uncertainty over Income Tax Treatments*;
- IFRS 9 *Financial Instruments (amended)*;
- IAS 28 *Investments in Associates and Joint Ventures (amended)*;
- IAS 19 *Employee Benefits (amended)*;
- Annual Improvements to IFRSs 2015-2017 Cycle.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2019, 2018 AND 2017**

US Dollars million

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

**Adoption of new and revised standards and interpretations during the year ended
31 December 2018**

The Group has initially adopted IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* from 1 January 2018.

The Group has adopted IFRS 15 *Revenue from Contracts with Customers* at the date of initial application using the cumulative effect method with no material effect on the Group's consolidated financial statements at 31 December 2018 and for the year then ended. Comparative information for the year 31 December 2017 has not been restated.

The Group has taken an exemption not to restate comparative information for prior periods with respect to classification requirements of IFRS 9 *Financial Instruments*. Therefore, the information presented at 31 December 2017 does not generally reflect the requirements of classification of IFRS 9 *Financial Instruments* but rather those of IAS 39 *Financial Instruments: Recognition and Measurement*.

Trade receivables under provisionally priced contracts where price is not settled until a predetermined future date have been classified at 31 December 2018 at fair value through profit or loss and are remeasured at each reporting date using the forward price for the period till the price settlement date outlined in the contract (mark-to-market adjustment). Previously such receivables were classified as loans and receivables under IAS 39 *Financial Instruments: Recognition and Measurement*.

There were no material differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 *Financial Instruments* at 31 December 2018.

The significant accounting policies in respect of revenue from contracts with customers and financial instruments in effect from 1 January 2018 are set out in note 4.

**Adoption of other new and revised standards and interpretations during the year ended
31 December 2018**

Adoption of amendments to the following Standards for annual periods from 1 January 2018 did not have material impact on the accounting policies, financial position or results of the Group:

- IFRS 1 *First-time Adoption of International Financial Reporting Standards (amended)*;
- IFRS 2 *Share-based Payment (amended)*;
- IFRS 4 *Insurance Contracts (amended)*;
- IAS 28 *Investments in Associates and Joint Ventures (amended)*;
- IAS 40 *Investment Property (amended)*;
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*.

**Adoption of new and revised standards and interpretations during the year ended
31 December 2017**

Adoption of amendments to the following Standards for annual periods from 1 January 2017 did not have material impact on the accounting policies, financial position or results of the Group:

- IFRS 12 *Disclosure of interests in other entities (amended)*;
- IAS 7 *Statement of cash flows (amended)*;
- IAS 12 *Income taxes (amended)*.

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3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Standards and interpretations in issue but not yet effective

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Standards and Interpretations	Effective for annual periods beginning on or after
IFRS 3 Business combinations (amended)	1 January 2020
IFRS 7 Financial Instruments: Disclosures (amended)	1 January 2020
IFRS 9 Financial Instruments (amended)	1 January 2020
IAS 1 Presentation of Financial Statements (amended)	1 January 2020
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (amended)	1 January 2020
IAS 39 Financial Instruments: Recognition and Measurement (amended)	1 January 2020
Revised Conceptual Framework for Financial Reporting	1 January 2020
IFRS 17 Insurance Contracts	1 January 2021

Management of the Group plans to adopt all of the above standards and interpretations in the Group's consolidated financial statements for the respective periods.

Reclassification

Finance lease liabilities recognised in line with IAS 17 *Leases* are presented as lease liabilities in the consolidated statement of financial position at 31 December 2018 and at 31 December 2017 (previously presented in loans and borrowings).

For the year ended 31 December 2019 and 2018, revenue from sales of semi-products is allocated to revenue from each metal sales as per respective metal content in a semi-product rather than being presented under a separate "semi-products" caption (refer to note 7). Information for the year ended 31 December 2017 has been reclassified to conform with this presentation.

For the year ended 31 December 2017 management reassessed classification of some expenses of cost of metal sales and selling and distribution expenses in order to better align cost of sales structure with management accounts and reporting.

4. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

Subsidiaries

The consolidated financial statements incorporate financial statements of the Company and its subsidiaries, from the date that control effectively commenced until the date that control effectively ceased. Control is achieved where the Company 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.

Non-controlling interests in net assets (excluding goodwill) of the consolidated subsidiaries are identified separately from the equity of the shareholders of the Company therein. Non-controlling interests include interests at the date of the original business combination and a non-controlling share of changes in net assets since the date of the combination. Total comprehensive income must be attributed to the shareholders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

All intra-group balances, transactions and any unrealised profits or losses arising from intra-group transactions are eliminated in full on consolidation.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in the Group's ownership interest in a subsidiary that do not result in the Group losing control are accounted for within the equity.

When the Group loses control of a subsidiary it derecognises the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognised in the consolidated income statement. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost.

Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures, depending on the contractual rights and obligations of each investor. The Group recognises in relation to its interest in a joint operation: its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation; and its expenses, including its share of any expenses incurred jointly. The Group accounts for its investments in joint ventures using the equity method.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group at the date of acquisition in exchange for control of the acquiree.

Where an investment in a subsidiary, an associate or a joint venture is made, any excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the fair value of the identifiable assets acquired and the liabilities assumed at the acquisition date is recognised as goodwill. Goodwill in respect of subsidiaries and joint operations is disclosed separately and goodwill relating to associates and joint ventures is included in the carrying value of the investment in associates or joint ventures. Goodwill disclosed separately is reviewed for impairment at least annually. If impairment has occurred, it is recognised in the consolidated income statement during the period in which the circumstances are identified and is not subsequently reversed.

If, after reassessment, the fair value of the identifiable assets acquired and liabilities assumed at the acquisition date exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised in the consolidated income statement immediately as a bargain purchase gain.

Acquisition-related costs are recognised in the consolidated income statement as incurred.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are retrospectively adjusted during the measurement period (a maximum of twelve months from the date of acquisition), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

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US Dollars million

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional and presentation currency

The individual financial statements of each Group entity are presented in its functional currency.

The Russian Rouble (“RUB”) is the functional currency of the Company, all of its subsidiaries located in the Russian Federation and all foreign subsidiaries of the Group, except for the following subsidiaries operating with a significant degree of autonomy. The functional currency of Norilsk Nickel Harjavalta Oy is US Dollar, and the functional currency of Norilsk Nickel Africa Proprietary Limited and Nkomati Nickel Mine is South African Rand.

The presentation currency of the consolidated financial statements of the Group is US Dollar (“USD”). Using USD as a presentation currency is common practice for global mining companies. In addition, USD is a more relevant presentation currency for international users of the consolidated financial statements of the Group. The Group also issues consolidated financial statements to comply with Law 208-FZ, which use the Russian Rouble as the presentation currency.

The translation of components of the consolidated statement of financial position, consolidated income statement, consolidated statement of cash flows and consolidated statement of changes in equity into presentation currency is made as follows:

- all assets and liabilities, both monetary and non-monetary, in the consolidated statement of financial position are translated at the closing exchange rates at the end of the respective reporting period;
- income and expense are translated at the average exchange rates for each quarter (unless this average rate is not a reasonable approximation of the cumulative effect of the rates prevailing at the dates of the transactions, in which case income and expenses are translated at exchange rates at the dates of the transactions);
- all equity items are translated at the historical exchange rates;
- all resulting exchange differences are recognised as a separate component in other comprehensive income; and
- in the consolidated statement of cash flows, cash balances at the beginning and the end of each period presented are translated at exchange rates at the respective dates;
- all cash flows are translated at the average exchange rates for each quarter with the exception of proceeds from and repayments of loans and borrowings, dividends paid and advances received, proceeds from disposal of subsidiaries, which are translated at exchange rates at the dates of the transactions;
- resulting exchange differences are presented in the consolidated statement of cash flows as effects of foreign exchange differences on balances of cash and cash equivalents.

Foreign currency transactions

Transactions in currencies other than the entity’s functional currency (foreign currencies) are recorded at exchange rates prevailing at the dates of the transactions. All monetary assets and liabilities denominated in foreign currencies are translated at the closing exchange rates at the end of the respective reporting period. Non-monetary items carried at historical cost are translated at exchange rates at the dates of the transactions. Non-monetary items carried at fair value are translated at exchange rates that existed when the fair values were determined. Exchange differences arising from changes in exchange rates are recognised in the consolidated income statement.

MINING AND METALLURGICAL COMPANY NORILSK NICKEL

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US Dollars million

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Exchange rates used in the preparation of the consolidated financial statements were as follows:

	At 31 December		
	2019	2018	2017
Russian Rouble/US Dollar			
31 December	61.91	69.47	57.60
Average for the year ended 31 December	64.74	62.71	58.35
South African Rand/US Dollar			
31 December	13.99	14.35	12.36
Average for the year ended 31 December	14.44	13.18	13.30
Euro/US Dollar			
31 December	0.89	0.87	0.84
Average for the year ended 31 December	0.89	0.85	0.89

Revenue recognition

Metal sales revenue

Accounting policies after 1 January 2018

Revenue from metal sales is recognised at a point of time when control over the asset is transferred to a customer and represents the invoiced value of all metal products shipped to customers, net of value added tax (if any).

Revenue from contracts that are entered into and continue to meet the Group's expected sale requirements designated for that purpose at their inception and are expected to be settled by physical delivery of the goods, is recognised in the consolidated financial statements as and when they are delivered. A gain or loss on forward contracts expected to be settled by physical delivery or on net basis is measured at fair value recognised in revenue and disclosed separately from revenue from contracts with customers.

As a practical expedient, the Group does not adjust the promised amount of consideration for the effects of a significant financing component, if the expected period between when the Group transfers a promised good or service to a customer and the customer pays for that good or service will be one year or less.

Certain contracts are provisionally priced so that price is not settled until a predetermined future date based on the market price at that time. Revenue from these transactions is initially recognised at the market price at the time of sale. Price adjustment on provisionally priced contracts is recorded in revenue.

Accounting policies before 1 January 2018

Revenue from metal sales is recognised when the significant risks and rewards of ownership are transferred to the buyer and represents invoiced value of all metal products shipped to customers, net of value added tax.

Other revenue

Revenue from contracts with customers on sale of goods, other than metals, is recognised at a point of time when control over the asset is transferred to the customer in accordance with the shipping terms specified in the sales agreements.

Revenue from service contracts is recognised over-time when the services are rendered.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Dividend and interest income

Dividend income from investments is recognised when the Group's right to receive payment has been established. Interest income is accrued using the effective interest method.

Leases

Accounting policies after 1 January 2019

The Group assesses at the inception of a contract whether it or its components is, or contains, a lease. The Group recognises a right-of-use asset and a corresponding lease liability, if a lease contract transfers to the lessee the right to control the use of the identified asset for a period of time in exchange for a consideration, except for current leases with the term of 12 months or less. The Group recognises lease payments associated with current leases as an expense on a straight-line basis over the lease term. Land plots lease payments are treated as variable payments, if they are linked to land cadastral value and changes in the latter do not depend on market rental rates. The Group recognises variable lease payments as an expense in the period when the event that triggers those payments occurs.

Right-of-use assets are initially recognised at cost that comprise when applicable:

- the initial amount of the lease liability;
- any lease payments made at or before the lease commencement date;
- any initial direct costs incurred by the lessee;
- an estimate of costs to be incurred by the lessee for retirement of the underlying asset and restoration of the site on which it is located.

Right-of-use assets are subsequently measured at cost less any accumulated depreciation and any accumulated impairment losses, adjusted for any remeasurement of the lease liability. Right-of-use assets are depreciated on a straight-line basis over their estimated economic useful lives or over the term of the lease, if shorter. Right-of-use assets are presented in property, plant and equipment in the consolidated statement of financial position.

Lease liabilities (refer to note 24) are initially measured at the present value of the lease payments that are not paid at the commencement date and subsequently remeasured to reflect changes to the lease payments. The lease payments are discounted using interest rate implicit in the lease (if that rate can be readily determined) or using Group incremental borrowing rate at the commencement date determined based on lease term and currency of the lease payments.

Accounting policies before 1 January 2019

Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets subject to finance leases are capitalised as property, plant and equipment at the lower of fair value or present value of future minimum lease payments at the date of acquisition. Simultaneously, related lease obligation is recognised at the same value. Assets held under finance leases are depreciated over their estimated economic useful lives or over the term of the lease, if shorter. If there is reasonable certainty that the lessee will obtain ownership at the end of the lease term, the period of expected use is the useful life of the asset.

Finance lease payments are allocated using the effective interest rate method, between the lease finance cost, which is included in finance costs, and the capital repayment, which reduces the related lease obligation to the lessor.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated income statement on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating and finance leases are expensed in the period in which they are incurred.

Finance costs

Finance costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time when the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all conditions and requirements attaching to the grant will be met. Government grants related to assets are deducted from the cost of these assets in arriving at their carrying value.

Employee benefits

Remuneration to employees in respect of services rendered during a reporting period is recognised as an expense in that period. Long-term employee benefits obligations are discounted to present value.

Defined contribution plans

The Group contributes to the following major defined contribution plans:

- Pension Fund of the Russian Federation;
- Mutual accumulated pension plan.

The only obligation of the Group with respect to these and other defined contribution plans is to make specified contributions in the period in which they arise. These contributions are recognised in the consolidated income statement when employees have rendered respective services.

Income tax expense

Income tax expense represents the sum of the current and deferred tax.

Income tax is recognised as an expense or income in the consolidated income statement unless it relates to other items recognised directly in other comprehensive income, in which case the tax is also recognised directly in other comprehensive income. Where current or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Current tax

Current tax is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it also excludes items that are never taxable or deductible.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in computation of taxable profit. As a general rule, deferred tax liabilities are recognised for all taxable temporary differences, and deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Deferred tax assets and liabilities are not recognised, if temporary differences arise from goodwill or from the initial recognition of assets and liabilities other than in a business combination which, at the time of the transaction, affects neither taxable profit nor accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, joint ventures, associates and interests in joint operations, unless the Group is able to control the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and adjusted to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

The measurement of deferred tax liabilities and assets reflects the tax consequences of the manner in which the Group expects at the reporting date to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority.

Property, plant and equipment and mine development costs

Mining assets

Mine development costs are capitalised and comprise expenditures directly related to:

- acquiring mining and exploration licences;
- developing new mining operations;
- estimating revised content of minerals in the existing ore bodies; and
- expanding capacity of a mine.

Mine development costs include directly attributable borrowings costs.

Mine development costs are transferred to mining assets and start to be depreciated when a new mine reaches commercial production quantities.

Mining assets are recorded at cost less accumulated depreciation and impairment losses. Mining assets include cost of acquiring and developing mining properties, pre-production expenditure, mine infrastructure, plant and equipment that process extracted ore, mining and exploration licenses and present value of future decommissioning costs and borrowing costs eligible for capitalisation.

Carrying value of mining assets is depreciated over the lesser of their individual economic useful lives on a straight-line basis, or the remaining life of mine based on the amount of the commercial ore reserves on a units of production basis. When determining the life of mine, assumptions valid at the time of estimation may change in case new information becomes available. Useful lives are in average varying from 1 to 50 years.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-mining assets

Non-mining assets include metallurgical processing plants, buildings, infrastructure, machinery and equipment and other non-mining assets. Non-mining assets are stated at cost less accumulated depreciation and impairment losses.

Non-mining assets are depreciated on a straight-line basis over their economic useful lives.

Depreciation charge is calculated over the following economic useful lives:

- buildings, structures and utilities 2 – 50 years
- machinery, equipment and transport 1 – 30 years
- other non-mining assets 1 – 20 years

Capital construction-in-progress

Capital construction-in-progress comprises costs directly related to construction of buildings, processing plant, infrastructure, machinery and equipment, including:

- advances given for purchases of property, plant and equipment and materials acquired for construction of buildings, processing plant, infrastructure, machinery and equipment;
- irrevocable letters of credit opened for future fixed assets deliveries and secured with deposits placed in banks;
- borrowing costs eligible for capitalisation.

Depreciation of an asset begins when it is available for use and it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Exploration expenditure

Exploration expenditure, including geophysical, topographical, geological and similar types of expenditure made within research, mining and exploration licences acquired, is capitalised and begins to be amortised over the life of mine, when commercial viability of the project is proved. Otherwise it is expensed in the period in which it is incurred.

Exploration expenditure written-off before development and construction starts is not subsequently capitalised, even if a commercial discovery subsequently occurs.

Intangible assets, excluding goodwill

Intangible assets are recorded at cost less accumulated amortisation and impairment losses. Intangible assets mainly include patents, licences, software and rights to use software and other intangible assets.

Amortisation of patents, licenses and software is charged on a straight-line basis over 1 – 10 years.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of tangible and intangible assets, excluding goodwill

At each reporting date, the Group analyses the triggers of impairment of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not practical to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less cost to sell and value-in-use. 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 cash-generating unit. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the consolidated income statement immediately.

Where an impairment loss subsequently reversed, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the original carrying amount that would have been determined had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the consolidated income statement.

Inventories

Refined metals

Main jointly produced metals include nickel, copper, palladium, platinum; by-products include cobalt, gold, rhodium, silver and other metals. Main products are measured at the lower of cost of production or net realisable value. The cost of production of main products is determined as total production cost, allocated to each joint product by reference to their relative sales value. By-products are initially measured at net realisable value.

Work-in-process

Work-in-process includes all costs incurred in the normal course of business including direct material and direct labour costs and allocation of production overheads, depreciation and amortisation and other costs, incurred for producing each product, given its stage of completion.

Materials and supplies

Materials and supplies are valued at the weighted average cost less allowance for obsolete and slow-moving items.

Financial assets

Accounting policies after 1 January 2018

Financial assets are recognised when the Group has become a party to the contractual arrangement of the instrument and are initially measured at fair value, plus transaction costs, except for those financial assets classified at fair value through profit or loss, which are initially measured at fair value.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets are classified into the following specified categories:

- financial assets at amortised cost;
- financial assets at fair value through other comprehensive income; and
- financial assets at fair value through profit or loss.

The classification of financial assets depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows and is determined at the time of initial recognition.

Effective interest method

The effective interest method is used for calculating the amortised cost of a financial asset and for allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated at fair value through profit or loss or fair value through other comprehensive income.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated at fair value through profit or loss:

- 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.

The Group generally classifies cash and cash equivalents, trade and other receivables (excluding trade receivables under provisionally priced contracts), loans issued and bank deposits as financial assets at amortised cost.

Financial assets at fair value through other comprehensive income

A debt instrument is measured at fair value through other comprehensive income if it meets both of the following conditions and is not designated at fair value through profit or loss:

- 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.

At initial recognition the Group may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading. This election is made on an instrument-by-instrument basis.

Financial assets at fair value through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income are classified as financial assets at fair value through profit or loss.

Trade receivables under provisionally priced contracts and derivative financial assets are measured at fair value through profit or loss. Trade receivables under provisionally priced contracts are remeasured at each reporting date using the forward price for the period till the price settlement date outlined in the contract.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets

The Group recognises an allowance for expected credit losses on a financial asset measured at amortised cost using one of the two methods:

Lifetime expected credit losses	Trade and other receivables
	Financial assets other than trade and other receivables if the credit risk on that financial asset has increased significantly since initial recognition
12-month expected credit losses since the reporting date	Financial assets other than trade and other receivables at initial recognition
	Financial assets other than trade and other receivables for which credit risk has not increased significantly since initial recognition

When determining whether the credit risk of the financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Group considers reasonable and supportable information that is relevant and available, including both quantitative and qualitative information and analysis based on Group's historical experience and forward-looking information.

The Group applies the IFRS 9 *Financial Instruments* simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The Group assumes that expected credit loss for all trade and other receivables, which are overdue in excess of 365 days is equal to their carrying amount. To measure the expected credit losses, trade and other receivables that are past due for less than 365 days are grouped based on the length of the overdue period to which respective expected loss rates are applied. The expected loss rates are based on the historical credit loss experience, adjusted to reflect current and forward-looking information on the ability of the customers to settle the receivables.

When trade and other receivables are considered uncollectible, they are written off against the allowance for expected credit losses. Changes in the allowance are recognised in the consolidated income statement.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for the amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting policies before 1 January 2018

Financial assets are recognised when the Group has become a party to the contractual arrangement of the instrument and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories:

- financial assets at fair value through profit or loss
- held-to-maturity investments;
- available-for-sale financial assets; and
- loans and receivables.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss where the financial asset is either held for trading or it is designated as at fair value through profit or loss.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in the consolidated income statement. The net gain or loss recognised in the consolidated income statement incorporates any dividend or interest earned on the financial asset.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments which are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Available-for-sale financial assets

Available-for-sale financial assets may include investments in listed and unlisted equity securities, that are not classified in other categories.

Listed equity securities held by the Group that are traded in an active market are measured at their market value. Gains and losses arising from changes in fair value are recognised in other comprehensive income in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in the consolidated income statement. Where an investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investment revaluation reserve is included in the consolidated income statement for the period.

Investments in unlisted equity securities that do not have a quoted market price in an active market are recorded at managements' estimate of fair value.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each statement of financial position date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been negatively impacted.

The Group has fully provided for all trade and other receivables which were due in excess of 365 days. Trade and other receivables that are past due for less than 365 days are provided according to expected probability of repayment and the length of the overdue period.

Objective evidence of impairment for accounts receivable could include the Group's past experience of collecting payments, an increase in the number of delayed payments as well as observable changes in economic conditions that correlate with defaults on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an provision for doubtful debts. When trade and other receivables are considered uncollectible, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited against the provision. Changes in the provision are recognised in the consolidated income statement.

With the exception of available-for-sale debt and equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the consolidated income statement to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. When a decline in fair value of an available-for-sale investment has been recognised in other comprehensive income and there is objective evidence that investment is impaired, the cumulative loss that had been recognised in other comprehensive income is reclassified from other comprehensive income and recognised in the consolidated income statement even though the investment has not been derecognised. Impairment losses previously recognised through consolidated income statement are not reversed. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

Financial liabilities

The Group classifies financial liabilities into loans and borrowings, trade and other payables. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Derivative financial liabilities are measured at fair value through profit or loss.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash outflows through the expected life of the financial liability, or where appropriate, a shorter period.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, cash deposits in banks, brokers and other financial institutions and highly liquid investments with original maturities of three months or less and on demand deposits, which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events for which it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Decommissioning obligations

Decommissioning obligations include direct asset decommissioning costs as well as related land restoration costs.

Future decommissioning and other related obligations, discounted to present value, are recognised at the moment when the legal or constructive obligation in relation to such costs arises and the future costs can be reliably estimated. These costs are capitalised as part of the initial cost of the related asset (i.e. a mine) and is depreciated over the useful life of the asset. The unwinding of the discount on decommissioning obligations is included in the consolidated income statement as finance costs. Decommissioning obligations are periodically reviewed in light of current laws and regulations, and adjustments are made as necessary.

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**5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION
UNCERTAINTY**

In order to prepare the consolidated financial statements in accordance with IFRS the Group's management have to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date, and the reported amounts of revenues and expenses for the reporting period. Making estimates may require judgement based on historical experience, current and expected economic conditions, and all other available information. Actual results may differ from such estimates.

The most significant areas requiring the use of management estimates and assumptions are as follows:

- useful economic lives of property, plant and equipment;
- impairment of non-financial assets;
- provisions and allowances;
- decommissioning obligations;
- income taxes and
- contingencies.

Useful economic lives of property, plant and equipment

Carrying value of the Group's mining assets, classified within property, plant and equipment, is depreciated over the lesser of their individual economic useful lives on a straight-line basis or the remaining life of mine based on the amount of the commercial ore reserves on a unit of production basis. When determining the life of a mine, valid assumptions at the time of estimation may change in case of new information becomes available.

The factors that may affect the estimation of the life of mine include the following:

- changes in proved and probable ore reserves;
- the grade of ore reserves varying significantly from time to time;
- differences between actual commodity prices and commodity price assumptions used in the estimation and classification of ore reserves;
- unforeseen operational issues at mine sites; and
- changes in capital, operating, mining, processing and decommissioning costs, discount rates and foreign exchange rates could possibly adversely affect the economic viability of ore reserves.

Useful economic lives of non-mining property, plant and equipment are reviewed by management periodically. The review is based on the current condition of the assets and the estimated length of the period during which they will continue to bring economic benefit to the Group.

Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible non-financial assets for an indication that these assets may be impaired or that a previously recognised impairment loss may have decreased. For the purpose of the impairment test, the assets that do not generate independent cash flows are allocated to an appropriate cash-generating unit. To calculate the value in use, management necessarily applies judgement in allocating assets that do not generate independent cash flows to appropriate cash-generating units, and in estimating the timing and value of the underlying cash flows. Subsequent changes to the assets allocation to cash generating units or the timing of cash flows may affect the carrying value of the respective assets.

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US Dollars million

**5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION
UNCERTAINTY (CONTINUED)**

Provisions and allowances

The Group creates an allowance for obsolete and slow-moving inventories. In addition, certain finished goods of the Group are carried at net realisable value. Estimates of net realisable value of inventories are based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly relating to events occurring subsequent to the statement of financial position date to the extent that such events confirm conditions existing at the end of the period.

The Group creates provisions for social commitments, tax and other provisions. Provisions represent present value of the best estimate of the future outflow of economic benefits to settle these obligations.

Decommissioning obligations

The Group's mining and exploration activities are subject to various environmental laws and regulations. The Group estimates decommissioning obligations based on management's understanding of the current legal requirements in the various jurisdictions in which it operates, terms of the license agreements and internally generated engineering estimates. Provisions are recognised, based on present values, for decommissioning and land restoration costs as soon as the obligations arise. Actual costs incurred in future periods may differ materially from the amounts provided. Additionally, future changes to environmental laws and regulations, life of mine estimates and discount rates may affect the carrying amount of this provision.

Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining provision for income taxes due to the complexity of legislation in some jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises provisions for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets are reviewed at each reporting date and adjusted to the extent that it is probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilised. The estimation of that probability includes judgements based on the expected performance.

Various factors are considered to assess the probability of the future utilisation of deferred tax assets, including past operating results, operational plans, expiration of tax losses carried forward, and tax planning strategies. If actual results differ from these estimates or if these estimates must be adjusted in future periods, the financial position, results of operations and cash flows may be affected.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgement and estimates of the outcome of future events.

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6. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports on components of the Group that are regularly reviewed by the Management Board.

During the second half of 2019, the Group has updated its management accounting system to account for business changes. As a result, South Cluster segment was presented separately from GMK Group segment at 31 December 2019 and for the year then ended. In May 2019, the Group replaced certain intersegment tolling arrangements with intersegment sales of semi-products for further processing with resulting segment revenue re-distribution between inter-segment metal sales and sales of metal sales to external customers, as further detailed below.

- GMK Group segment includes main mining, processing and metallurgy operations as well as transport services, energy, repair and maintenance services located in Taimyr Peninsula. GMK Group metal sales to external customers include metal volumes produced from semi-products purchased from South Cluster segment starting May 2019. Intersegment revenue from metal sales for 2019 included primarily sale of semi-products to KGMK Group segment for further processing (previously processed under intersegment tolling arrangements). GMK Group other sales to external customers primarily include revenue for energy and utilities services provided in Taimyr Peninsula.
- South Cluster segment includes certain ore mining and processing operations located in Taimyr Peninsula which were previously reviewed within GMK Group segment. Intersegment revenue from metal sales included sale of semi-products to GMK Group for further processing starting May 2019 (previously processed under intersegment tolling arrangements). South Cluster segment revenue from other sales includes intersegment ore processing services under tolling arrangements provided to GMK Group segment.
- KGMK Group segment includes mining and metallurgy operations, energy, exploration activities located in Kola Peninsula. KGMK Group metal sales to external customers included metal produced from semi-products purchased from GMK Group segments starting in 2019. Intersegment revenue from metal sales includes sale of semi-products to GMK Group and NN Harjavalta for further processing. KGMK Group revenue from other sales includes intersegment metal processing services under tolling arrangements provided to other segments and energy and utilities services provided to external customers in Kola Peninsula.
- NN Harjavalta segment includes refinery operations located in Finland. NN Harjavalta metal sales to external customers primarily include metal produced from semi-products purchased from GMK Group and KGMK Group segments.
- GRK Bystrinskoye segment includes ore mining and processing operations located in the Zabaikalsky region of the Russian Federation.
- Other mining segment primarily includes 50% Group interest in metal mining and processing joint operations of Nkomati Nickel Mine ("Nkomati"), as well as certain other mining and exploration activities located in Russia and abroad. Other mining segment sales primarily include Group 50% share in sales of metal semi-products produced by Nkomati.
- Other non-metallurgical segment includes resale of third party metal products, other trading operations, supply chain management, transport services, energy and utility, research and other activities located in Russia and abroad. Other non-metallurgical segment also includes resale of 50% metal semi-products produced by Nkomati. Other sales of Other non-metallurgical segment primarily include revenue from passenger air transportation, freight transportation services and fuel sales.

Corporate activities of the Group do not represent an operating segment, include primarily headquarters' general and administrative expenses and treasury operations of the Group and are presented as Unallocated.

The amounts in respect of reportable segments in the disclosure below are stated before intersegment eliminations, excluding:

- balances of intercompany loans and borrowings and interest accruals;
- intercompany investments;
- accrual of intercompany dividends.

Amounts are measured on the same basis as those in the consolidated financial statements. Following a change in the composition of its operating segments the Group did not restate the corresponding items of the segment information for the years ended 31 December 2018 and 2017 since the necessary information is not practically available.

MINING AND METALLURGICAL COMPANY NORILSK NICKEL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2019, 2018 AND 2017

US Dollars million

6. SEGMENT INFORMATION (CONTINUED)

The following tables present revenue, measure of segment profit or loss (EBITDA) and other segment information from continuing operations regarding the Group's reportable segments for the years ended 31 December 2019, 2018 and 2017, respectively.

For the year ended 31 December 2019	GMK Group	South cluster	KGMK Group	NN Harjavalta	GRK Bystrinskoye	Other mining	Other non-metal- lurgical	Elimi- nations	Total
Metal sales to external customers	8,208	349	2,271	1,145	182	133	563	–	12,851
Other sales to external customers	171	–	36	6	4	–	495	–	712
Inter-segment metal sales	5,177	336	608	21	12	–	4	(6,158)	–
Inter-segment other sales	280	179	200	–	3	–	350	(1,012)	–
Total revenue	13,836	864	3,115	1,172	201	133	1,412	(7,170)	13,563
Segment EBITDA	9,522	475	58	74	349	(31)	31	(1,770)	8,708
Unallocated									(785)
Consolidated EBITDA									7,923
Depreciation and amortisation									(911)
Reversal of impairment of non-financial assets									24
Finance costs									(306)
Foreign exchange gain, net									694
Other income and expenses, net									100
Profit before tax									7,524
Other segment information									
Purchase of property, plant and equipment and intangible assets	839	76	221	18	103	5	62	–	1,324
Depreciation and amortisation	669	25	104	26	54	1	32	–	911
Impairment of non-financial assets, net	(43)	–	(1)	–	–	13	7	–	(24)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2019, 2018 AND 2017

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6. SEGMENT INFORMATION (CONTINUED)

For the year ended 31 December 2018	GMK Group	KGMK Group	NN Harjavalta	GRK Bystrinskoye	Other mining	Other non-metal- lurgical	Elimi- nations	Total
Metal sales to external customers	8,787	361	1,020	–	107	687	–	10,962
Other sales to external customers	160	33	6	6	1	502	–	708
Inter-segment metal sales	720	154	–	–	–	–	(874)	–
Inter-segment other sales	75	363	–	2	–	325	(765)	–
Total revenue	9,742	911	1,026	8	108	1,514	(1,639)	11,670
Segment EBITDA	6,602	190	71	96	(6)	50	(13)	6,990
Unallocated								(759)
Consolidated EBITDA								6,231
Depreciation and amortisation								(765)
Impairment of non-financial assets								(50)
Finance costs								(580)
Foreign exchange loss, net								(1,029)
Other income and expenses, net								95
Profit before tax								3,902
Other segment information								
Purchase of property, plant and equipment and intangible assets	1,016	292	18	168	21	38	–	1,553
Depreciation and amortisation	612	82	24	13	6	28	–	765
Impairment of non- financial assets, net	8	3	–	–	39	–	–	50

MINING AND METALLURGICAL COMPANY NORILSK NICKEL

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US Dollars million

6. SEGMENT INFORMATION (CONTINUED)

For the year ended 31 December 2017	GMK Group	KGMK Group	NN Harjavalta	GRK Bystrinskoye	Other mining	Other non-metal- lurgical	Elimi- nations	Total
Metal sales to external customers	6,712	347	835	–	128	393	–	8,415
Other sales to external customers	176	34	5	14	–	502	–	731
Inter-segment metal sales	500	122	–	–	–	–	(622)	–
Inter-segment other sales	59	394	–	1	–	391	(845)	–
Total revenue	7,447	897	840	15	128	1,286	(1,467)	9,146
Segment EBITDA	4,559	182	61	(65)	(3)	18	(34)	4,718
Unallocated								(723)
Consolidated EBITDA								3,995
Depreciation and amortisation								(645)
Impairment of non-financial assets								(227)
Finance costs								(535)
Foreign exchange gain, net								159
Other income and expenses, net								97
Profit before tax								2,844
Other segment information								
Purchase of property, plant and equipment and intangible assets	1,225	228	16	449	20	64	–	2,002
Depreciation and amortisation	463	61	25	–	72	24	–	645
Impairment of non- financial assets, net	101	3	–	–	122	1	–	227

MINING AND METALLURGICAL COMPANY NORILSK NICKEL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2019, 2018 AND 2017

US Dollars million

6. SEGMENT INFORMATION (CONTINUED)

The following table presents segment metal sales to external customers breakdown by metal for the years ended 31 December 2019, 2018 and 2017 , respectively.

For the year ended 31 December 2019	GMK Group	South cluster	KGMK Group	NN Harjavalta	GRK Bystrinskoye	Other mining	Other non-metal- lurgical	Total
Nickel	1,079	30	1,269	880	–	65	65	3,388
Copper	2,417	35	246	83	76	10	10	2,877
Palladium	3,634	209	588	106	–	31	475	5,043
Platinum	484	39	78	12	–	8	7	628
Other metals	594	36	90	64	106	19	6	915
	8,208	349	2,271	1,145	182	133	563	12,851

For the year ended 31 December 2018	GMK Group	KGMK Group	NN Harjavalta	Other mining	Other non-metal- lurgical	Total
Nickel	1,827	275	805	53	53	3,013
Copper	2,824	51	86	8	8	2,977
Palladium	2,990	1	55	18	610	3,674
Platinum	574	3	7	6	6	596
Other metals	572	31	67	22	10	702
	8,787	361	1,020	107	687	10,962

For the year ended 31 December 2017	GMK Group	KGMK Group	NN Harjavalta	Other mining	Other non-metal- lurgical	Total
Nickel	1,409	254	647	53	53	2,416
Copper	2,268	49	79	13	13	2,422
Palladium	2,056	11	36	23	308	2,434
Platinum	618	6	10	10	10	654
Other metals	361	27	63	29	9	489
	6,712	347	835	128	393	8,415

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6. SEGMENT INFORMATION (CONTINUED)

The following tables present assets and liabilities of the Group's reportable segments at 31 December 2019, 2018 and 2017, respectively.

	GMK Group	South cluster	KGMK Group	NN Harjavalta	GRK Bystrinskoye	Other mining	Other non-metal- lurgical	Elimi- nations	Total
At 31 December 2019									
Inter-segment assets	3,286	163	315	100	28	5	38	(3,935)	–
Segment assets	10,416	375	4,177	486	1,791	78	984	(1,983)	16,324
Total segment assets	13,702	538	4,492	586	1,819	83	1,022	(5,918)	16,324
Unallocated									3,150
Total assets									19,474
Inter-segment liabilities	305	39	3,227	138	11	–	215	(3,935)	–
Segment liabilities	1,732	108	348	102	107	54	1,197	–	3,648
Total segment liabilities	2,037	147	3,575	240	118	54	1,412	(3,935)	3,648
Unallocated									11,539
Total liabilities									15,187
		GMK Group	KGMK Group	NN Harjavalta	GRK Bystrinskoye	Other mining	Other non-metal- lurgical	Elimi- nations	Total
At 31 December 2018									
Inter-segment assets		292	114	140	24	–	57	(627)	–
Segment assets		9,903	996	451	1,492	88	792	(56)	13,666
Total segment assets		10,195	1,110	591	1,516	88	849	(683)	13,666
Unallocated									1,585
Total assets									15,251
Inter-segment liabilities		139	63	122	39	5	259	(627)	–
Segment liabilities		1,756	134	100	68	26	1,028	–	3,112
Total segment liabilities		1,895	197	222	107	31	1,287	(627)	3,112
Unallocated									8,666
Total liabilities									11,778

MINING AND METALLURGICAL COMPANY NORILSK NICKEL

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US Dollars million

6. SEGMENT INFORMATION (CONTINUED)

	GMK Group	KGMK Group	NN Harjavalta	GRK Bystrinskoye	Other mining	Other non-metal- lurgical	Elimi- nations	Total
At 31 December 2017								
Inter-segment assets	346	207	172	2	9	54	(790)	–
Segment assets	11,536	975	390	1,518	118	935	(42)	15,430
Total segment assets	11,882	1,182	562	1,520	127	989	(832)	15,430
Unallocated								1,205
Total assets								16,635
Inter-segment liabilities	89	135	124	43	1	398	(790)	–
Segment liabilities	2,128	157	73	89	32	171	–	2,650
Total segment liabilities	2,217	292	197	132	33	569	(790)	2,650
Unallocated								9,327
Total liabilities								11,977

MINING AND METALLURGICAL COMPANY NORILSK NICKEL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2019, 2018 AND 2017

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7. METAL SALES

The Group's metal sales to external customers are detailed below (based on external customers' locations):

For the year ended 31 December 2019	Total	Nickel	Copper	Palladium	Platinum	Other metals
Europe	6,680	1,399	2,354	1,892	574	461
Asia	3,243	1,329	226	1,476	32	180
North and South America	2,289	427	77	1,595	14	176
Russian Federation and CIS	639	233	220	80	8	98
	12,851	3,388	2,877	5,043	628	915
For the year ended 31 December 2018						
Europe	5,868	1,323	2,356	1,216	514	459
Asia	2,929	1,090	386	1,313	41	99
North and South America	1,619	348	26	1,111	34	100
Russian Federation and CIS	546	252	209	34	7	44
	10,962	3,013	2,977	3,674	596	702
For the year ended 31 December 2017						
Europe	4,753	1,084	2,130	756	449	334
Asia	1,939	804	115	825	119	76
North and South America	1,166	313	–	807	–	46
Russian Federation and CIS	557	215	177	46	86	33
	8,415	2,416	2,422	2,434	654	489

Revenue from metal sales for the year ended 31 December 2019 included net loss of USD (47) million in respect of forward contracts measured at fair value that are expected to be settled by physical delivery or on a net basis (for the year ended 31 December 2018: net gain in the amount of USD 12 million and for the year ended: 31 December 2017: net loss in the amount of USD (26) million).

8. COST OF METAL SALES

	For the year ended 31 December		
	2019	2018	2017
Labour	1,295	1,283	1,363
Materials and supplies	712	727	732
Purchases of refined metals for resale	438	430	530
Purchases of raw materials and semi-products	402	436	297
Third party services	239	200	242
Mineral extraction tax and other levies	221	212	221
Electricity and heat energy	155	143	143
Fuel	101	87	81
Transportation expenses	88	70	65
Sundry costs	167	155	152
Total cash operating costs	3,818	3,743	3,826
Depreciation and amortisation	735	653	630
(Increase)/decrease in metal inventories	(44)	109	(517)
Total	4,509	4,505	3,939

MINING AND METALLURGICAL COMPANY NORILSK NICKEL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2019, 2018 AND 2017

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9. GENERAL AND ADMINISTRATIVE EXPENSES

	For the year ended 31 December		
	2019	2018	2017
Staff costs	601	569	507
Third party services	117	96	97
Taxes other than mineral extraction tax and income tax	77	103	79
Depreciation and amortisation	69	38	32
Transportation expenses	15	9	8
Rent expenses	5	23	25
Other	54	52	40
Total	938	890	788

10. SELLING AND DISTRIBUTION EXPENSES

	For the year ended 31 December		
	2019	2018	2017
Marketing expenses	45	31	14
Transportation expenses	43	39	38
Staff costs	15	14	13
Other	14	8	10
Total	117	92	75

11. OTHER OPERATING EXPENSES, NET

	For the year ended 31 December		
	2019	2018	2017
Social expenses	224	207	303
Provision on production facilities shut down	190	–	–
Change in other provisions	39	21	30
Net income earned during the pre-commissioning stage	(192)	(106)	–
Other, net	42	(27)	29
Total	303	95	362

12. FINANCE COSTS, NET

	For the year ended 31 December		
	2019	2018	2017
Interest expense, net of amounts capitalised	340	382	384
Unwinding of discount on provisions and payables	84	100	133
Changes in fair value of non-current liabilities	64	46	–
Interest expense on lease liabilities	12	2	2
Fair value (gain)/loss on the cross-currency interest rate swap	(199)	51	–
Other, net	5	(1)	16
Total	306	580	535

MINING AND METALLURGICAL COMPANY NORILSK NICKEL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2019, 2018 AND 2017

US Dollars million

13. INCOME FROM INVESTMENTS

	For the year ended 31 December		
	2019	2018	2017
Interest income on bank deposits	64	59	39
Other, net	34	36	38
Total	98	95	77

14. INCOME TAX EXPENSE

	For the year ended 31 December		
	2019	2018	2017
Current income tax expense	1,924	812	686
Deferred tax (benefit)/expense	(366)	31	35
Total	1,558	843	721

A reconciliation of theoretic income tax, calculated at the statutory rate in the Russian Federation, the location of major production assets of the Group, to the amount of actual income tax expense recorded in the consolidated income statement is as follows:

	For the year ended 31 December		
	2019	2018	2017
Profit before tax	7,524	3,902	2,844
Income tax at statutory rate of 20%	1,505	780	569
Allowance for deferred tax assets	25	29	38
Non-deductible impairment of non-financial assets	–	4	7
Non-deductible social expenses	64	54	73
Effect of different tax rates of subsidiaries	(62)	(39)	8
Tax effect of other permanent differences	26	15	26
Total	1,558	843	721

The corporate income tax rates in other countries where the Group has a taxable presence vary from 0% to 30%.

Deferred tax balances

	At 31 December 2018, prior to adoption of IFRS 16	Adjust- ments on IFRS 16 adoption	At 1 January 2019, adjusted on IFRS 16 adoption	Recognised in income statement	Effect of translation to presentation currency	At 31 December 2019
Property, plant and equipment, right-of use assets	386	41	427	15	50	492
Inventories	107	–	107	(377)	(9)	(279)
Trade and other receivables	(7)	–	(7)	(3)	–	(10)
Decommissioning obligations	(53)	–	(53)	(51)	(9)	(113)
Loans and borrowings, lease liabilities, trade and other payables	(82)	(41)	(123)	(15)	(15)	(153)
Other assets	24	–	24	(3)	1	22
Other liabilities	(2)	–	(2)	38	–	36
Tax loss carried forward	(61)	–	(61)	30	(2)	(33)
Net deferred tax liabilities/(assets)	312	–	312	(366)	16	(38)

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14. INCOME TAX EXPENSE (CONTINUED)

	At 31 December 2017	Recognised in income statement	Disposed on disposal of subsidiaries	Effect of translation to presentation currency	At 31 December 2018
Property, plant and equipment	368	86	–	(68)	386
Inventories	124	–	–	(17)	107
Trade and other receivables	(3)	(5)	–	1	(7)
Decommissioning obligations	(69)	5	–	11	(53)
Loans and borrowings, trade and other payables	(69)	(28)	–	15	(82)
Other assets	46	(18)	–	(4)	24
Other liabilities	8	(10)	–	–	(2)
Tax loss carried forward	(75)	1	–	13	(61)
Net deferred tax liabilities	330	31	–	(49)	312

	At 31 December 2016	Recognised in income statement	Disposed on disposal of subsidiaries	Effect of translation to presentation currency	At 31 December 2017
Property, plant and equipment,	350	2	(4)	20	368
Inventories	102	16	–	6	124
Trade and other receivables	(12)	9	–	–	(3)
Decommissioning obligations	(79)	16	–	(6)	(69)
Loans and borrowings, trade and other payables	(33)	(35)	–	(1)	(69)
Other assets	(10)	57	–	(1)	46
Other liabilities	6	2	–	–	8
Tax loss carried forward	(41)	(32)	–	(2)	(75)
Net deferred tax liabilities	283	35	(4)	16	330

Certain deferred tax assets and liabilities have been offset to the extent they relate to taxes levied on the Group's entities which entered into the tax consolidation group. Deferred tax balances (after offset) presented in the consolidated statement of financial position were as follows:

	At 31 December		
	2019	2018	2017
Deferred tax liability	60	385	407
Deferred tax asset	(98)	(73)	(77)
Net deferred tax (assets)/liabilities	(38)	312	330

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14. INCOME TAX EXPENSE (CONTINUED)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised as follows:

	At 31 December		
	2019	2018	2017
Deductible temporary differences	164	100	104
Tax loss carry-forwards	240	191	219
Total	404	291	323

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

At 31 December 2019 deferred tax asset in the amount of USD 162 million related to tax loss arising on disposal of OJSC “Third Generation Company of the Wholesale Electricity Market” (“OGK-3”) (31 December 2018: USD 145 million and 31 December 2017: USD 175 million) was not recognised as it was incurred by the Company prior to setting up of the tax consolidation group. This deferred tax asset can be utilised without expiry only if the Company exits the tax consolidation group.

At 31 December 2019 deferred tax assets in the amount of USD 78 million related to other non-expiring tax losses were not recognised due to specific rules stated by art. 283 of the Tax code of the Russian Federation (31 December 2018: USD 46 million and 31 December 2017: USD 44 million).

At 31 December 2019, the Group did not recognise a deferred tax liability in respect of taxable temporary differences of USD 628 million (31 December 2018: USD 1,558 million and 31 December 2017: USD 1,459 million) associated with investments in subsidiaries, because management believes that it is in a position to control the timing of reversal of such differences and does not expect its reversal in foreseeable future.

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15. PROPERTY, PLANT AND EQUIPMENT

Cost	Mining assets and mine development cost	Non-mining assets and right-of-use assets				Total
		Buildings, structures and utilities	Machinery, equipment and transport	Other	Capital construction -in-progress	
Balance at 1 January 2017	7,314	2,855	2,976	215	1,387	14,747
Additions	1,429	—	—	—	840	2,269
Transfers	—	247	477	84	(808)	—
Change in decommissioning provision	(7)	(13)	—	—	—	(20)
Disposals	(124)	(150)	(90)	(23)	(12)	(399)
Other	(40)	42	(6)	2	2	—
Effect of translation to presentation currency	422	153	150	11	75	811
Balance at 31 December 2017	8,994	3,134	3,507	289	1,484	17,408
Additions	925	—	—	—	798	1,723
Transfers	—	304	348	9	(661)	—
Change in decommissioning provision	(6)	(1)	—	—	—	(7)
Disposals	(67)	(4)	(43)	(4)	(12)	(130)
Other	(12)	(13)	20	5	—	—
Effect of translation to presentation currency	(1,589)	(542)	(586)	(50)	(251)	(3,018)
Balance at 31 December 2018, before the adoption of IFRS 16	8,245	2,878	3,246	249	1,358	15,976
Effect of adoption of IFRS 16 (Note 3)	—	137	62	5	—	204
Balance at 1 January 2019, after the adoption of IFRS 16	8,245	3,015	3,308	254	1,358	16,180
Additions	614	—	—	—	855	1,469
Transfers	—	177	513	11	(701)	—
Change in decommissioning provision	79	4	—	—	—	83
Additions of right-of-use assets and remeasurement of the lease liability	—	9	15	5	—	29
Disposals	(52)	(43)	(69)	(6)	(32)	(202)
Other	91	38	(43)	—	(86)	—
Effect of translation to presentation currency	999	360	382	31	166	1,938
Balance at 31 December 2019	9,976	3,560	4,106	295	1,560	19,497

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15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Mining assets and mine development cost	Non-mining assets and right-of-use assets				Total
		Buildings, structures and utilities	Machinery, equipment and transport	Other	Capital constructi on-in- progress	
Accumulated depreciation and impairment						
Balance at 1 January 2017	(2,090)	(1,413)	(1,618)	(72)	(248)	(5,441)
Charge for the year	(347)	(97)	(264)	(24)	–	(732)
Disposals	107	56	79	5	4	251
Impairment loss, net	(154)	(87)	(7)	–	21	(227)
Other	4	(18)	16	(1)	(1)	–
Effect of translation to presentation currency	(120)	(78)	(82)	(4)	(15)	(299)
Balance at 31 December 2017	(2,600)	(1,637)	(1,876)	(96)	(239)	(6,448)
Charge for the year	(350)	(108)	(291)	(24)	–	(773)
Disposals	62	3	38	3	2	108
Impairment loss, net	(33)	(31)	(19)	(2)	35	(50)
Other	9	6	(12)	(3)	–	–
Effect of translation to presentation currency	460	274	329	19	39	1,121
Balance at 31 December 2018	(2,452)	(1,493)	(1,831)	(103)	(163)	(6,042)
Charge for the year	(437)	(145)	(314)	(27)	–	(923)
Disposals	41	36	54	4	15	150
Impairment loss, net	(32)	42	–	(1)	15	24
Other	7	(18)	19	1	(9)	–
Effect of translation to presentation currency	(286)	(182)	(214)	(13)	(18)	(713)
Balance at 31 December 2019	(3,159)	(1,760)	(2,286)	(139)	(160)	(7,504)
Carrying value						
At 31 December 2017	6,394	1,497	1,631	193	1,245	10,960
At 31 December 2018	5,793	1,385	1,415	146	1,195	9,934
At 31 December 2019	6,817	1,800	1,820	156	1,400	11,993

At 31 December 2019 capital construction-in-progress included USD 52 million of irrevocable letters of credit opened for fixed assets purchases (31 December 2018: USD 197 million and 31 December 2017: USD 225 million), representing security deposits placed in banks. For the year ended 31 December 2019 purchases of property, plant and equipment in the consolidated statement of cash flows include USD 221 million of irrevocable letters of credit (for the year ended 31 December 2018: USD 192 million and for the year ended 31 December 2017: USD 210 million).

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15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Capitalised borrowing costs for the year ended 31 December 2019 amounted to USD 174 million (for the year ended 31 December 2018: USD 172 million and for the year ended 31 December 2017: USD 263 million). Capitalisation rate used to determine the amount of borrowing costs equals to 5.12% per annum (31 December 2018: 5.15% and 31 December 2017: 6.28%). At 31 December 2019 mining assets and mine development cost included USD 2,750 million of mining assets under development (31 December 2018: USD 2,868 million and 31 December 2017: USD 3,728 million).

At 31 December 2019 non-mining assets included USD 48 million of investment property (31 December 2018: USD 44 million and 31 December 2017: USD 55 million).

Impairment

At 31 December 2017 the Group reclassified Nkomati Nickel Mine (Nkomati) from assets classified as held for sale and tested the assets for impairment. As a result, impairment loss in the amount of USD 129 million was recognised in impairment of non-financial assets in the consolidated income statement for the year ended 31 December 2017.

During the years ended 31 December 2018 and 31 December 2019 the Group identified indicators of further impairment of Nkomati assets and performed impairment tests using a discounted cash flow model approach. As a result, the carrying value of the Group's share in Nkomati property, plant and equipment was impaired in full at 31 December 2019 (the value-in-use of the Group's share in Nkomati property, plant and equipment at 31 December 2018: USD 12 million). Impairment loss in the amount of USD 12 million was recognised in impairment of non-financial assets in the consolidated income statement for the year ended 31 December 2019 (31 December 2018: USD 39 million).

The most significant estimates and assumptions used in determination of value in use at 31 December 2019, 31 December 2018 and 31 December 2017 are as follows:

- Future cash flows were projected based on budgeted amounts, taking into account actual results for the previous years. Forecasts were assessed up to 2028.
- Management estimated prices for metal concentrates based on adjusted commodity price consensus forecast.
- Production forecasts were primarily based on internal production reports available at the date of impairment test and management's assumptions regarding future production levels.
- The inflation rate separate forecasts for each period were in range of 2-5%. Forecast for exchange rates was made based on expected ZAR and USD inflation indices.
- A pre-tax nominal ZAR discount rate was estimated at each reporting date in the range of 21,3-21,6% by reference to the weighted average cost of capital for the Group and management's estimates of the risks specific to the production units.

During the year ended 31 December 2015, the Group revised its intention on the further use of the gas extraction assets. As a result, these assets are assessed as a separate cash-generating unit with its value-in-use being determined using a discounted cash flow model approach at each subsequent reporting date.

At 31 December 2019, the Group identified indicators for a decrease of previously recognised impairment loss, primarily due to an increase in regulated gas tariffs and an increase in gas production forecast, and performed assessment of the value-in-use.

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15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The most significant assumptions used in the discounted cash flow model at 31 December 2019, 31 December 2018 and 31 December 2017 are as follows:

- Future cash flows were projected based on budgeted amounts, taking into account actual results for the previous years. Forecasts were assessed up to 2030. Measurements were performed based on discounted cash flows expected to be generated by gas extraction assets.
- Management estimates prices for natural gas and gas condensate based on commodities price consensus forecasts and government regulated natural gas tariffs.
- Production forecasts were primarily based on internal production reports available at the date of impairment test and management's assumptions regarding future production levels.
- The amounts and timing of capital investments were based on management's forecast.
- The inflation rate separate forecasts for each period were in range of 2-5%. A pre-tax nominal RUB discount rate of 16.5% (31 December 2018: 15.8%, 31 December 2017: 15.8%) was estimated by reference to the weighted average cost of capital and management's estimates of the risks specific to the production units.

As a result, an impairment loss reversal of USD 70 million was recognised in the consolidated income statement for the year ended 31 December 2019 (for the year ended 31 December 2018: impairment loss of USD 8 million and for the year ended 31 December 2017: impairment loss of USD 48 million). Accumulated impairment loss, net of respective accumulated depreciation had no impairment been recognised, amounted to USD 153 million at 31 December 2019 (31 December 2018: USD 243 million).

During the year ended 31 December 2019 the Group recognised additional impairment losses in the amount of USD 34 million in respect of specific individual assets (for the year ended 31 December 2018: USD 3 million and for the year ended 31 December 2017: USD 50 million).

Right-of-use assets

	Buildings, structures and utilities	Machinery, equipment and transport	Other	Total
Balance at 1 January 2019, adjusted on IFRS 16 adoption	137	62	5	204
Additions of right-of-use assets and remeasurement of the lease liability	9	15	5	29
Depreciation	(23)	(18)	(3)	(44)
Effect of translation to presentation currency	16	7	—	23
Balance at 31 December 2019	139	66	7	212

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16. OTHER FINANCIAL ASSETS

	At 31 December		
	2019	2018	2017
Non-current			
Loans issued and other receivables	113	130	190
Bank deposits	8	8	2
Derivative financial instruments	102	3	–
Total non-current	223	141	192
Current			
Loans issued and other receivables	47	57	1
Bank deposits	–	83	94
Derivative financial instruments	4	7	4
Total current	51	147	99

17. OTHER TAXES

	At 31 December		
	2019	2018	2017
Taxes receivable			
Value added tax recoverable	638	244	257
Other taxes	13	28	40
	651	272	297
Less: Allowance for value added tax recoverable	(7)	(1)	(1)
Other taxes receivable	644	271	296
Taxes payable			
Value added tax	397	74	66
Social security contributions	46	37	26
Property tax	15	23	22
Mineral extraction tax	16	15	17
Other	29	13	16
Other taxes payable	503	162	147

18. INVENTORIES

	At 31 December		
	2019	2018	2017
Refined metals and other metal products	407	526	655
Work-in-process and semi-products	1,339	1,138	1,333
Less: Allowance for work-in-process	(5)	(4)	(4)
Total metal inventories	1,741	1,660	1,984
Materials and supplies	811	662	739
Less: Allowance for obsolete and slow-moving items	(77)	(42)	(34)
Materials and supplies, net	734	620	705
Inventories	2,475	2,280	2,689

At 31 December 2019 part of metal semi-products stock in the amount of USD 52 million (31 December 2018: USD 88 million and 31 December 2017: USD 453 million) was presented in other non-current assets according to Group's production plans.

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19. TRADE AND OTHER RECEIVABLES

	At 31 December		
	2019	2018	2017
Trade receivables from metal sales	277	143	251
Other receivables	151	131	168
	428	274	419
Less: Allowance for expected credit losses	(66)	(70)	(92)
Trade and other receivables, net	362	204	327

In 2019, 2018 and 2017, the average credit period on metal sales varied from 0 to 30 days. Trade receivables are generally non-interest bearing.

At 31 December 2019 trade and other receivables include USD 196 million of short-term trade accounts receivable measured at fair value through profit or loss, Level 2 of fair value hierarchy (31 December 2018: USD 120 million and 31 December 2017: USD 214 million).

At 31 December 2019, 2018 and 2017 there were no material trade accounts receivable which were overdue or individually determined to be impaired.

The average credit period on sales of other products and services for the year ended 31 December 2019 was 25 days (for the year ended 31 December 2018: 23 days and for the year ended 31 December 2017: 23 days). No interest was charged on these receivables.

Included in the Group's other receivables at 31 December 2019 were debtors with a carrying value of USD 43 million (31 December 2018: USD 29 million and 31 December 2017: USD 34 million) that were past due but not impaired. Management of the Group believes that these amounts are recoverable in full.

The Group did not hold any collateral for accounts receivable balances.

Ageing of other receivables past due but not impaired was as follows:

	At 31 December		
	2019	2018	2017
Less than 180 days	35	24	25
180-365 days	8	5	9
	43	29	34

Movement in the allowance for expected credit losses was as follows:

	At 31 December		
	2019	2018	2017
Balance at beginning of the year	70	92	81
Change in allowance	(8)	5	16
Accounts receivable written-off	(4)	(12)	(9)
Effect of translation to presentation currency	8	(15)	4
Balance at end of the year	66	70	92

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20. CASH AND CASH EQUIVALENTS

		At 31 December		
		2019	2018	2017
Current accounts				
	- RUB	72	49	76
	- USD	918	398	334
	- EUR	34	13	10
	- other	60	64	14
Bank deposits				
	- RUB	1,357	–	–
	- USD	326	850	290
	- EUR	–	–	17
	- other	9	10	105
Restricted cash and cash equivalents		–	–	2
Other cash and cash equivalents		8	4	4
		2,784	1,388	852

Bank deposits

Interest rate on USD-denominated deposits held in banks at 31 December 2019 was in the range from 1.25% to 1.80% (31 December 2018: from 1.70% to 3.95% and 31 December 2017: from 1.07% to 2.29%) per annum. Interest rate on RUB-denominated deposits held in banks at 31 December 2019 was in the range from 5.90% to 6.26% per annum. Interest rate on deposits held in banks denominated in other currencies at 31 December 2019 was in the range from 0.40% to 3.80% (31 December 2018: from 0.75% to 2.29% and 31 December 2017: from 0.97% to 1.10%) per annum.

21. DISPOSAL OF SUBSIDIARIES

On 4 July 2019 the Group sold its interest in a subsidiary which provides construction services for a cash consideration of USD 5 million, resulting in a net cash outflow from disposal of the subsidiary in the amount of USD 20 million. Gain on disposal in the amount of USD 2 million was recognised in the consolidated income statement.

On 6 April 2017, the Group sold its interest in a subsidiary which owns real estate for a consideration of USD 113 million. Proceeds from disposal of the subsidiary in the amount of USD 95 million were recognised in the consolidated statement of cash flows, net of disposed cash and cash equivalents of USD 16 million and transaction costs of USD 2 million. Gain on disposal in the amount of USD 16 million was recognised in the consolidated income statement.

22. SHARE CAPITAL

Authorised and issued ordinary shares

At 31 December 2019, 2018 and 2017 the Group's number of authorised and issued ordinary shares was 158,245,476.

Earnings per share

		For the year ended 31 December		
		2019	2018	2017
Basic earnings per share (US Dollars per share):		36.5	19.5	13.5

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22. SHARE CAPITAL (CONTINUED)

The earnings and weighted average number of shares used in the calculation of earnings per share are as follows:

	For the year ended 31 December		
	2019	2018	2017
Profit for the year attributable to shareholders of the parent company	5,782	3,085	2,129

Weighted average number of shares used in the calculation of basic and diluted earnings per share for the years ended 31 December 2019, 2018 and 2017 was 158,245,476 shares.

At 31 December 2019, 2018 and 2017, the Group had no issued financial instruments, which would have a dilutive effect on earnings per share of ordinary stock.

23. NON-CONTROLLING INTEREST

In May 2017 the Group sold a 2.66% share in Bystrinskoye project for USD 21 million to Highland Fund. In October 2017 the Group sold a 36.66% share in Bystrinskoye project for USD 275 million to a related party.

At 31 December 2019, 2018 and 2017 aggregate financial information relating to the subsidiary, LLC “GRK “Bystrinskoye”, that has material non-controlling interest, before any intra-group eliminations, is presented below:

	At 31 December		
	2019	2018	2017
Non-current assets	1,486	1,222	1,281
Current assets	407	195	117
Non-current liabilities	(824)	(790)	(593)
Current liabilities	(142)	(139)	(156)
Net assets	927	488	649
Net assets attributable to non-controlling interest	464	244	325

	For the year ended 31 December		
	2019	2018	2017
Net profit/(loss) for the year	362	(61)	(32)
Other comprehensive income/(loss) for the year	76	(104)	31
Total comprehensive income/(loss) for the year	438	(165)	(1)
Profit/(loss) attributable to non-controlling interest	181	(31)	(6)
Other comprehensive income/(loss) attributable to non-controlling interest	38	(52)	5

	For the year ended 31 December		
	2019	2018	2017
Cash flows from/(used in) operating activities	302	72	(42)
Cash flows used in investing activities	(252)	(190)	(423)
Cash flows (used in)/from financing activities	(4)	142	458
Net increase/(decrease) in cash and cash equivalents	46	24	(7)

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24. LOANS AND BORROWINGS, LEASE LIABILITIES

			Average nominal % rate during the year ended 31 December			At 31 December			
	Currency	Fixed	2019	2018	2017	Maturity	2019	2018	2017
Unsecured loans									
	USD	floating	3.75%	3.45%	3.38%	2020-2028	3,746	3,837	2,898
	RUB	fixed	8.30%	8.30%	11.90%	2021	969	864	1,042
	EUR	floating	0.85%	0.85%	0.85%	2020-2028	30	19	4
Secured loans									
	USD	floating	-	-	6.72%	2018	—	—	582
	RUB	fixed	9.75%	9.75%	8.38%	2021-2022	10	9	34
Total loans							4,755	4,729	4,560
Bonds	USD	fixed	4.88%	5.24%	5.05%	2020-2024	4,220	3,472	4,206
	RUB	fixed	8.85%	11.60%	11.60%	2024-2026	645	216	259
Total bonds							4,865	3,688	4,465
Total loans and borrowings							9,620	8,417	9,025
Less: current portion due within twelve months and presented as current loans and borrowings							(1,087)	(209)	(813)
Non-current loans and borrowings							8,533	8,208	8,212

	Currency	Average borrowing rate during the year		Maturity	At 31 December		
					2019	2018	2017
Lease liabilities	USD		4.57%	2020-2031	148	2	4
	RUB		8.21%	2020-2099	56	-	-
	EUR		2.18%	2020-2050	19	19	23
	other		4.21%	2020-2022	1	1	1
Total lease liabilities					224	22	28
Less: current lease liabilities					(44)	(6)	(4)
Non-current lease liabilities					180	16	24

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24. LOANS AND BORROWINGS, LEASE LIABILITIES (CONTINUED)

The Group is obliged to comply with a number of restrictive financial and other covenants, including maintaining certain financial ratios and restrictions on pledging and disposal of certain assets.

Changes in loans and borrowings and lease liabilities, including interest, for the year ended 31 December 2019 consist of changes from financing cash flows in the amount of USD 544 million, effect of changes in foreign exchange rates of USD 164 million, adjustments on IFRS 16 adoption in the amount of USD 204 million and other non-cash changes of USD 505 million (for the year ended 31 December 2018: changes from financing cash flows in the amount of USD (934) million, effect of changes in foreign exchange rates of USD (230) million and other non-cash changes of USD 542 million and for the year ended 31 December 2017: changes from financing cash flows in the amount of USD 441 million, effect of changes in foreign exchange rates of USD 103 million and other non-cash changes of USD 667 million).

At 31 December 2019 loans were secured by property, plant and equipment with a carrying amount of USD 10 million (31 December 2018: USD 8 million and 31 December 2017: USD 15 million). At 31 December 2017 100% shares of the Group's subsidiary LLC "GRK "Bystrinskoye" were under pledge, which was released during 2018.

At 31 December 2019 lease liabilities with original maturity in excess of 15 years amounted to USD 15 million.

25. EMPLOYEE BENEFIT OBLIGATIONS

	At 31 December		
	2019	2018	2017
Wages and salaries	225	147	168
Accrual for annual leave	206	177	203
Other	32	22	22
Total obligations	463	346	393
Less: non-current obligations	(70)	(39)	(16)
Current obligations	393	307	377

Defined contribution plans

Amounts recognised within continuing operations in the consolidated income statement in respect of defined contribution plans were as follows:

	For the year ended 31 December		
	2019	2018	2017
Pension Fund of the Russian Federation	281	278	311
Mutual accumulated pension plan	7	7	8
Other	5	7	5
Total	293	292	324

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26. PROVISIONS

	At 31 December		
	2019	2018	2017
Current provisions			
Tax provision	4	2	134
Provision for social commitments	51	53	28
Decommissioning obligations	29	21	26
Other provisions	16	1	1
Total current provisions	100	77	189
Non-current provisions			
Decommissioning obligations	633	316	396
Provision for social commitments	38	49	68
Other provisions	3	–	–
Total non-current provisions	674	365	464
Total	774	442	653

	Decommissioning	Social commitments	Tax	Other	Total
Balance at 1 January 2017	397	62	124	41	624
Provision accrued	6	42	2	2	52
Settlements during the year	–	(21)	(2)	(41)	(64)
Change in estimates	(38)	4	–	–	(34)
Unwinding of discount	35	6	–	–	41
Effect of translation to presentation currency	22	3	10	(1)	34
Balance at 31 December 2017	422	96	134	1	653
Provision accrued	–	47	21	2	70
Settlements during the year	(22)	(29)	(144)	(3)	(198)
Change in estimates	(21)	(2)	–	–	(23)
Unwinding of discount	29	5	–	–	34
Effect of translation to presentation currency	(71)	(15)	(9)	1	(94)
Balance at 31 December 2018	337	102	2	1	442
Provision accrued	187	32	4	38	261
Settlements during the year	(18)	(66)	(1)	(21)	(106)
Change in estimate	81	2	–	–	83
Unwinding of discount	30	8	–	–	38
Effect of translation to presentation currency	45	11	(1)	1	56
Balance at 31 December 2019	662	89	4	19	774

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26. PROVISIONS (CONTINUED)

Decommissioning obligations

Key assumptions used in estimation of decommissioning obligations were as follows:

	At 31 December		
	2019	2018	2017
Discount rates Russian entities	5.6% - 7.5%	7.7% - 8.9%	6.9% - 9.1%
Discount rates non-Russian entities	7.14%	8.17%	8.38%
Expected closure date of mines	up to 2060	up to 2068	up to 2071
Expected inflation over the period from 2020 to 2039	2.9% - 4.6%	3.0% - 4.3%	2.9% - 4.9%
Expected inflation over the period from 2040 onwards	2.9%	2.9% - 3.0%	2.9%

Present value of expected cost to be incurred for settlement of decommissioning obligations was as follows:

	At 31 December		
	2019	2018	2017
Due from second to fifth year	275	149	202
Due from sixth to tenth year	124	24	23
Due from eleventh to fifteenth year	102	27	39
Due from sixteenth to twentieth year	64	86	77
Due thereafter	68	30	55
Total	633	316	396

At 31 December 2019 the Group recognised a provision for expenditure to shutdown certain production facilities located in the Kola Peninsula starting from 2021 (Note 11). The amount of decommissioning obligation was calculated based on the best estimate of the amount and timing of future expenditures included in the detailed asset retirement programme, and accounted for accordingly.

Social commitments

In 2010 the Group entered into multilateral agreements with the Government of the Russian Federation and the Krasnoyarsk Regional Government for construction of pre-schools and other social facilities in Norilsk and Dudinka till 2020, and for resettlement of families currently residing in Norilsk and Dudinka to other Russian regions with more favorable living conditions till 2020. In 2017 the Group entered into agreements with the Zabaikalsky Regional Government for construction and development of industrial, social and other infrastructure till 2026. The provisions are measured at the best estimate of the present value of future expenditures to settle these obligations.

27. TRADE AND OTHER PAYABLES

	At 31 December		
	2019	2018	2017
Financial liabilities			
Trade payables	425	357	426
Payables for acquisition of property, plant and equipment	212	192	186
Other creditors	117	110	140
Total financial liabilities	754	659	752
Non-financial liabilities			
Advances received on contracts with customers	952	892	31
Total non-financial liabilities	952	892	31
Total	1,706	1,551	783

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27. TRADE AND OTHER PAYABLES (CONTINUED)

The maturity analysis for the Group's financial liabilities that shows the remaining contractual maturities was as follows:

	At 31 December		
	2019	2018	2017
Due within one month	260	183	194
Due from one to three months	199	192	244
Due from three to twelve months	295	284	314
Total	754	659	752

28. DIVIDENDS

On 16 December 2019, the Extraordinary General shareholders' meeting declared interim dividends in respect of the 9 months ended 30 September 2019 in the amount of RUB 604.09 (USD 9.66) per share with the total amount of USD 1,529 million. The dividends were paid to the shareholders in January 2020.

On 26 September 2019, the Extraordinary General shareholders' meeting declared interim dividends in respect of the 6 months ended 30 June 2019 in the amount of RUB 883.93 (USD 13.77) per share with the total amount of USD 2,179 million. The dividends were paid to the shareholders in October 2019 in the amount of USD 2,180 million recognised in the consolidated cash flow statement, using prevailing RUB/USD rates on the payment dates.

On 10 June 2019, the Annual General shareholders' meeting declared dividends for the year ended 31 December 2018 in the amount of RUB 792.52 (USD 12.19) per share with the total amount of USD 1,928 million. The dividends were paid to the shareholders in July 2019 in the amount of USD 1,986 million recognised in the consolidated cash flow statement, using prevailing RUB/USD rates on the payment dates.

On 19 September 2018, the Extraordinary General shareholders' meeting declared interim dividends in respect of the 6 months ended 30 June 2018 in the amount of RUB 776.02 (USD 11.45) per share with the total amount of USD 1,813 million. The dividends were paid to the shareholders in October 2018 in the amount of USD 1,841 million recognised in the consolidated cash flow statement, using prevailing RUB/USD rates on the payment dates.

On 28 June 2018, the Annual General shareholders' meeting declared dividends for the year ended 31 December 2017 in the amount of RUB 607.98 (USD 9.63) per share with the total amount of USD 1,524 million. The dividends were paid to the shareholders in July 2018 in the amount of USD 1,527 million recognised in the consolidated cash flow statement, using prevailing RUB/USD rates on the payment dates.

On 29 September 2017, the Extraordinary General shareholders' meeting declared interim dividends in respect of the 6 months ended 30 June 2017 in the amount of RUB 224.20 (USD 3.84) per share with the total amount of USD 607 million. The dividends were paid to the shareholders in October 2017 in the amount of USD 610 million recognised in the consolidated cash flow statement, using prevailing RUB/USD rates on the payment dates.

On 9 June 2017, the Annual General shareholders' meeting declared dividends for the year ended 31 December 2016 in the amount of RUB 446.10 (USD 7.83) per share with the total amount of USD 1,239 million. The dividends were paid to the shareholders in July 2017 in the amount of USD 1,188 million recognised in the consolidated cash flow statement, using prevailing RUB/USD rates on the payment dates.

On 16 December 2016, the Extraordinary General shareholders' meeting declared interim dividends in respect of the 9 months ended 30 September 2016 in the amount of RUB 444.25 (USD 7.21) per share with the total amount of USD 1,141 million. The dividends were paid to the shareholders in January 2017 in the amount of USD 1,172 million recognised in the consolidated cash flow statement, using prevailing RUB/USD rates on the payment dates.

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29. RELATED PARTIES TRANSACTIONS AND OUTSTANDING BALANCES

Related parties include major shareholders and entities under their ownership and control; associates, joint ventures and joint operation; and key management personnel. The Group defines major shareholders as shareholders, which have significant influence over the Group activities. The Company and its subsidiaries, in the ordinary course of their business, enter into various sale, purchase and service transactions with related parties. Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

	Sales of goods and services and participating shares		
	For the year ended 31 December 2019	For the year ended 31 December 2018	For the year ended 31 December 2017
Transactions with related parties			
Entities under ownership and control of the Group's major shareholders	–	7	279
Associates, joint ventures and joint operation	–	–	1
Total	–	7	280

	Purchase of assets and services and other operating expenses		
	For the year ended 31 December 2019	For the year ended 31 December 2018	For the year ended 31 December 2017
Transactions with related parties			
Entities under ownership and control of the Group's major shareholders	89	64	115
Associates, joint ventures and joint operation	136	86	107
Total	225	150	222

	Accounts receivable		
	At 31 December 2019	At 31 December 2018	At 31 December 2017
Outstanding balances with related parties			
Entities under ownership and control of the Group's major shareholders	1	1	–
Associates, joint ventures and joint operation	10	8	–
Total	11	9	–

	Accounts payable		
	At 31 December 2019	At 31 December 2018	At 31 December 2017
Outstanding balances with related parties			
Entities under ownership and control of the Group's major shareholders	3	1	2
Associates, joint ventures and joint operation	8	3	9
Total	11	4	11

Terms and conditions of transactions with related parties

Sales to and purchases from related parties of electricity, heat energy and natural gas were made at government-regulated tariffs.

Compensation of key management personnel

Key management personnel of the Group consists of members of the Management Board and the Board of Directors. For the year ended 31 December 2019 remuneration of key management personnel of the Group included salary and performance bonuses amounted to USD 134 million (for the year ended 31 December 2018: USD 109 million and for the year ended 31 December 2017: USD 103 million).

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30. COMMITMENTS

Capital commitments

At 31 December 2019, contractual capital commitments amounted to USD 930 million (31 December 2018: USD 544 million and 31 December 2017: USD 801 million).

Leases

The Group is a party to a number of lease contracts with variable lease payments that do not depend on an index or market rental rates, and hence are not recognised as lease liabilities. At 31 December 2019 total future non-discounted variable lease payments under such contracts with the maturity up to 2068 amounted to USD 310 million.

At 31 December 2019 future non-discounted lease payments for leased items not transferred to the lessee and not recognised as lease liabilities amounted to USD 192 million.

Social commitments

The Group contributes to mandatory and voluntary social programs and maintains social facilities in the locations in which it operates. The Group's social assets as well as local social programme benefit the community at large and are not normally restricted to the Group's employees.

31. CONTINGENCIES

Litigation

At 31 December 2019 the Group is involved in legal disputes in the ordinary course of its operations, with the probability of their unfavorable resolution being assessed as possible. At 31 December 2019, total claims under unresolved litigation amounted to approximately USD 14 million (31 December 2018: USD 13 million and 31 December 2017: USD 25 million).

Taxation contingencies in the Russian Federation

The Russian Federation currently has a number of laws related to various taxes imposed by both federal and regional governmental authorities. Applicable taxes include value-added (VAT), income tax, mandatory social security contributions, mineral extraction tax and other levies. Tax returns, together with other legal compliance areas (for example, customs and currency control matters), are subject to review and investigation by government authorities, which are authorised by law to impose severe fines, penalties and interest charges. Generally, tax returns remain open and subject to inspection for a period of three years following the fiscal year.

While management of the Group believes that it has recognised adequate provisions for tax liabilities based on its interpretation of current and previous legislation, the risk remains that the tax authorities in the Russian Federation could take differing positions with regard to interpretive issues. This uncertainty may expose the Group to additional taxation, fines and penalties.

Transfer pricing legislation enacted in the Russian Federation starting from 1 January 2012 provides for major modifications making local transfer pricing rules closer to OECD guidelines, but creating additional uncertainty in practical application of tax legislation in certain circumstances.

These transfer pricing rules provide for an obligation for the taxpayers to prepare transfer pricing documentation with respect to controlled transactions and prescribe the basis and mechanisms for accruing additional taxes and interest in case prices in the controlled transactions differ from the market level.

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31. CONTINGENCIES (CONTINUED)

Currently there is lack of practice of applying the transfer pricing rules by the tax authorities and courts, however, it is anticipated that transfer pricing arrangements will be subject to very close scrutiny potentially having effect on the financial results and the financial position of the Group.

In 2017 the Russian tax authorities completed the transfer pricing audit of the Group's metal export sales for the year ended 31 December 2013, which did not result in significant additional tax charges.

Environmental matters

The Group is subject to extensive federal, state and local environmental controls and regulations in the countries in which it operates. The Group's operations involve pollutant emissions to air and water bodies as well as generation and disposal of production waste.

Management of the Group believes that the Group is in compliance with all current existing environmental legislation in the countries in which it operates. However, environmental laws and regulations continue to evolve. The Group is unable to predict the timing or extent to which those laws and regulations may change. Such change, if it occurs, may require that the Group modernise technology to meet more stringent standards.

Russian Federation risk

As an emerging market, the Russian Federation does not possess a fully developed business and regulatory infrastructure including stable banking and judicial systems which would generally exist in a more mature market economy. The economy of the Russian Federation is characterised by a currency that is not freely convertible outside the country, currency controls, low liquidity levels for debt and equity markets, and continuing inflation. As a result, operations in the Russian Federation involve risks that are not typically associated with those in more developed markets. Stability and success of Russian economy and the Group's business mainly depend on the effectiveness of economic measures undertaken by the government as well as the development of legal system.

Starting 2014, the United States of America, the European Union and some other countries have imposed and 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 certain restrictions for operations with individuals and legal entities under sanctions, including financing and investment activities. Management assesses the changes in the Russian business environment did not significantly affect the operations, financial results and the financial position of the Group as of the date of issue of these consolidated financial statements. The longer-term effects of the imposed and possible additional sanctions are difficult to determine.

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32. FINANCIAL RISK MANAGEMENT

Capital risk management

The Group manages its capital in order to safeguard the Group's ability to continue as a going concern and to maximise the return to shareholders through the optimisation of debt and equity structure.

The capital of the Group consists of long and short-term borrowings, equity attributable to shareholders of the parent company, comprising share capital, other reserves and retained earnings.

Management of the Group regularly reviews its level of leverage, calculated as the ratio of Net Debt to EBITDA, to ensure that it is in line with the Group's financial policy aimed at preserving investment grade credit ratings.

The Company maintains BBB- investment grade ratings, assigned by rating agencies Fitch and S&P's. On 12 February 2019 Moody's rating agency upgraded the Company's rating from the investment grade Baa3 to the investment grade level Baa2 with stable outlook.

Financial risk factors and risk management structure

In the normal course of its operations, the Group is exposed to a variety of financial risks: market risk (including interest rate and currency risk), credit risk and liquidity risk. The Group has an explicit risk management structure aligned with internal control procedures that enable it to assess, evaluate and monitor the Group's exposure to such risks. The Group has adopted and documented policies covering specific areas, such as market risk management system, credit risk management system, liquidity risk management system and use of derivative financial instruments.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely impact the financial results of the Group. The Group's interest rate risk arises from long- and short-term borrowings at floating rates.

The Group performs thorough analysis of its interest rate risk exposure regularly. Various scenarios are simulated. The table below details the financial results sensitivity to a 2 percentage points increase in floating interest rate. The sensitivity analysis is prepared assuming that the amount of loans and borrowings at floating rates outstanding at the reporting date was outstanding for the whole year.

	2 p.p. floating rate increase impact		
	For the year ended 31 December 2019	For the year ended 31 December 2018	For the year ended 31 December 2017
Loss before tax	76	77	70

For the year ended 31 December 2019 changes in interest rates impact the value of cross-currency interest swap was as follows: 1 p.p. increase in RUB interest rate results in a loss of USD 33 million (for the year ended 31 December 2018: loss of USD 20 million), 1 p.p. decrease in USD interest rate results in a loss of USD 32 million (for the year ended 31 December 2018: loss of USD 23 million). Management believes that the Group's exposure to interest rate risk fluctuations does not require additional hedging activities.

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32. FINANCIAL RISK MANAGEMENT (CONTINUED)

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument denominated in foreign currency will fluctuate because of changes in exchange rates.

The major part of the Group's revenue and related trade accounts receivable are denominated in US dollars and therefore the Group is exposed primarily to USD currency risk. Foreign exchange risk arising from other currencies is assessed by management of the Group as immaterial.

The carrying amounts of monetary assets and liabilities denominated in foreign currencies other than functional currencies of the individual Group entities at 31 December 2019, 2018 and 2017 were as follows:

	At 31 December 2019			At 31 December 2018			At 31 December 2017		
	USD	EUR	Other currencies	USD	EUR	Other currencies	USD	EUR	Other currencies
Cash and cash equivalents	1,227	35	69	1,234	13	74	609	28	121
Trade and other receivables	398	13	4	265	3	4	384	4	4
Other assets	59	2	10	380	73	8	141	297	15
Total assets	1,684	50	83	1,879	89	86	1,134	329	140
Trade and other payables	213	66	8	249	114	10	290	80	14
Loans and borrowings, lease liabilities	8,113	33	2	7,308	19	3	7,684	5	–
Other liabilities	221	16	–	160	19	–	136	23	–
Total liabilities	8,547	115	10	7,717	152	13	8,110	108	14

Currency risk is monitored on a monthly basis utilising sensitivity analysis to assess if the risk of a potential loss is at an acceptable level. The Group estimates the financial impact of exchange rate fluctuations on USD-denominated monetary assets and liabilities in respect of the Group entities where functional currency is the Russian Rouble, as follows:

	US Dollar 20% strengthening against Russian Rouble		
	For the year ended 31 December 2019	For the year ended 31 December 2018	For the year ended 31 December 2017
Loss before tax	1,577	1,344	1,395

Given that the Group's exposure to currency risk for the net USD-denominated monetary assets and liabilities is offset by the revenue denominated in USD, management believes that the Group's exposure to currency risk is acceptable. The Group does not apply hedge instruments. The Group applies derivative financial instruments including cross-currency interest swaps in order to manage currency risk by matching cash flows from revenue denominated in USD and financial liabilities denominated in RUB.

Credit risk

Credit risk refers to the risk that a debtor will default on its contractual obligations resulting in a financial loss to the Group. Credit risk arises from cash and cash equivalents, bank deposits as well as credit exposures to customers, including outstanding uncollateralised trade and other receivables. The Group's exposure to credit risk is continuously monitored and controlled.

Before entering in a new contract, management assesses the creditworthiness of a potential customer or a financial institution. If the latter is rated by major independent credit-rating agencies, this rating is used to evaluate creditworthiness; otherwise it is evaluated using an analysis of the latest available financial statements and other publicly available information.

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32. FINANCIAL RISK MANAGEMENT (CONTINUED)

The outstanding balances with 5 financial institutions and 5 largest customers are presented below. The banks have a minimum of BB+ credit rating.

	Outstanding balance		
	At 31 December 2019	At 31 December 2018	At 31 December 2017
Cash and cash equivalents			
Bank A	821	417	224
Bank B	715	402	143
Bank C	485	214	125
Bank D	162	75	102
Bank E	152	64	80
Total	2,335	1,172	674
Trade and other receivables			
Customer A	31	50	66
Customer B	24	38	41
Customer C	22	34	23
Customer D	21	20	18
Customer E	21	15	16
Total	119	157	164

The Group is not economically dependent on a limited number of customers because the majority of its products are industrial metals traded on the world commodity markets. Metal and other sales to the Group's customers are presented below:

	For the year ended 31 December 2019			For the year ended 31 December 2018			For the year ended 31 December 2017		
	Number of custo- mers	Revenue USD million	%	Number of custo- mers	Revenue USD million	%	Number of custo- mers	Revenue USD million	%
Largest customer	1	2,363	17	1	1,564	13	1	1,319	14
Next 9 largest customers	9	4,176	31	9	3,461	30	9	2,936	32
Total	10	6,539	48	10	5,025	43	10	4,255	46
Next 10 largest customers	10	2,382	18	10	1,965	17	10	1,494	16
Total	20	8,921	66	20	6,990	60	20	5,749	62
Remaining customers		4,642	34		4,680	40		3,397	38
Total		13,563	100		11,670	100		9,146	100

Management of the Group believes that with the exception of the cash and cash equivalents in banks indicated above there is no significant concentration of credit risk.

The following table provides information about the exposure to credit risk for cash and cash equivalents, issued loans, irrevocable letters of credit, secured by deposits, bank deposits other than included in cash and cash equivalents and trade and other receivables:

	At 31 December		
	2019	2018	2017
Cash and cash equivalents	2,784	1,388	852
Loans, trade and other receivables	522	394	518
Irrevocable letters of credit	61	203	248
Bank deposits	8	91	96

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32. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to settle all liabilities as they fall due.

The Group has a well-developed liquidity risk management system to exercise control over its short-, medium- and long-term funding. The Group manages liquidity risk by maintaining adequate reserves, committed and uncommitted bank facilities. Management continuously monitors rolling cash flow forecasts and performs analysis of maturity profiles of financial assets and liabilities, and undertakes detailed annual budgeting procedures.

The following table contains the maturity profile of the Group's borrowings, lease liabilities and derivatives (maturity profiles for trade and other payables are presented in note 27) based on contractual undiscounted payments, including interest:

At 31 December 2019	Total	Due within one month	Due from one to three months	Due from three to twelve months	Due in the second year	Due in the third year	Due in the fourth year	Due in the fifth year	Due there-after
Fixed rate bank loans and borrowings									
Principal	5,860	–	–	985	974	1,505	1,000	1,154	242
Interest	1,050	–	49	297	277	200	103	82	42
	6,910	–	49	1,282	1,251	1,705	1,103	1,236	284
Floating rate bank loans and borrowings									
Principal	3,797	–	–	104	1,204	1,541	833	100	15
Interest	346	12	23	108	118	68	16	1	–
	4,143	12	23	212	1,322	1,609	849	101	15
Lease obligation									
Lease principal	199	2	7	30	36	34	33	30	27
	199	2	7	30	36	34	33	30	27
Cross-currency interest rate swap									
Payable	1,415	–	16	36	938	12	12	402	–
Receivable	(1,665)	–	(35)	(75)	(1,065)	(29)	(29)	(433)	–
	(250)	–	(19)	(38)	(127)	(17)	(17)	(31)	–
Total	11,002	14	60	1,486	2,482	3,331	1,968	1,336	326
At 31 December 2018	Total	Due within one month	Due from one to three months	Due from three to twelve months	Due in the second year	Due in the third year	Due in the fourth year	Due in the fifth year	Due there-after
Fixed rate bank loans and borrowings									
Principal	4,595	1	–	4	987	871	1,507	1,003	222
Interest	1,022	–	30	249	280	213	142	46	62
	5,617	1	30	253	1,267	1,084	1,649	1,049	284
Floating rate bank loans and borrowings									
Principal	3,883	5	–	205	957	1,202	1,302	202	10
Interest	363	4	21	102	123	77	33	3	–
	4,246	9	21	307	1,080	1,279	1,335	205	10
Cross-currency interest rate swap									
Payable	1 008	–	10	31	41	926	–	–	–
Receivable	(1 067)	–	(18)	(54)	(72)	(923)	–	–	–
	(59)	–	(8)	(23)	(31)	3	–	–	–
Total	9,804	10	43	537	2,316	2,366	2,984	1,254	294

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32. FINANCIAL RISK MANAGEMENT (CONTINUED)

At 31 December 2017		Due within one month	Due from one to three months	Due from three to twelve months	Due in the second year	Due in the third year	Due in the fourth year	Due in the fifth year	Due there- after
	Total								
Fixed rate bank loans and borrowings									
Principal	5,586	1	1	766	6	988	1,049	1,506	1,269
Interest	1,189	–	36	239	258	257	188	106	105
	6,775	1	37	1,005	264	1,245	1,237	1,612	1,374
Floating rate bank loans and borrowings									
Principal	3,510	9	–	29	236	996	1,028	808	404
Interest	246	5	8	51	65	52	33	20	12
	3,756	14	8	80	301	1,048	1,061	828	416
Total	10,531	15	45	1,085	565	2,293	2,298	2,440	1,790

At 31 December 2019 the Group had available committed bank facilities for the management of its day to day liquidity requirements of USD 5,044 million (31 December 2018: USD 4,290 million and 31 December 2017: USD 3,554 million).

33. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments that are measured at fair value subsequent to initial recognition, are grouped into Levels 1 to 3 of fair value hierarchy based on the degree to which their fair value is observable as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly or indirectly; and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

Management believes that the carrying value of current financial assets and liabilities: instruments such as cash and cash equivalents (refer to note 20), other financial assets (refer to note 16), trade and other accounts receivable (refer to note 19) and accounts payable (refer to note 27); as well as lease obligations approximates to their fair value or may not significantly differ from it. Derivative financial instruments measured at fair value through profit or loss include cross-currency interest rate swap contracts (Level 2 of fair value hierarchy). Other long-term liabilities classified as measured at fair value through profit or loss include a liability on the execution of a put option related to transactions with non-controlling interest owners, Level 3 of fair value hierarchy.

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33. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The information below presents financial instruments not measured at fair value, including loans and borrowings, trade and other long-term payables.

	At 31 December 2019		At 31 December 2018		At 31 December 2017	
	Carrying value	Fair value Level 1	Carrying value	Fair value Level 1	Carrying value	Fair value Level 1
Fixed rate bonds	4,865	5,100	3,688	3,705	4,465	4,685
Total bonds	4,865	5,100	3,688	3,705	4,465	4,685
	Carrying value	Fair value Level 2	Carrying value	Fair value Level 2	Carrying value	Fair value Level 2
Loans, including:						
Floating rate loans	3,776	3,814	3,856	3,654	3,484	3,439
Fixed rate loans	979	1,007	873	861	1,076	1,055
Total loans	4,755	4,821	4,729	4,515	4,560	4,494
	At 31 December 2019		At 31 December 2018		At 31 December 2017	
	Carrying value	Fair value Level 2	Carrying value	Fair value Level 2	Carrying value	Fair value Level 2
Trade and other long-term payables	37	37	200	210	402	440
Total trade and other long-term payables	37	37	200	210	402	440

The fair value of financial liabilities presented in table above is determined as follows:

- the fair value of corporate bonds was determined based on market quotations existing at the reporting dates;
- the fair value of floating rate and fixed rate loans and borrowings at 31 December 2019, 2018 and 2017 was calculated based on the present value of future cash flows (principal and interest), discounted at the best management estimation of market interest rates, taking into consideration currency of the loan, expected maturity and risks attributable to the Group existing at the reporting date;
- the fair value of trade and other long-term payables at 31 December 2019, 2018 and 2017 was calculated based on the present value of future cash flows, discounted at the best management estimation of market interest rates.

The fair value of cross-currency interest rate swap contracts is calculated as the present value of future cash flows discounted at the interest rates applicable to the currencies of the corresponding cash flows and available at the reporting date. The fair value is subject to a credit risk adjustment that reflects the credit risks of the Group and of the otherparty and is calculated based on credit spreads derived from current tradeable financial instruments.

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US Dollars million

34. INVESTMENTS IN SIGNIFICANT SUBSIDIARIES

			Effective % held		
Subsidiaries by operating segments	Country	Nature of business	31 December 2019	31 December 2018	31 December 2017
GMK Group					
JSC “Norilsky Kombinat”	Russian Federation	Rental of property	100	100	100
JSC “Taimyrgaz”	Russian Federation	Gas extraction	-	100	100
JSC “Norilskgazprom”	Russian Federation	Gas extraction	100	100	100
JSC “Norilsktransgaz”	Russian Federation	Gas transportation	100	100	100
JSC “Taimyreneργο”	Russian Federation	Rental of equipment	-	100	100
		Electricity production			
JSC “NTEK”	Russian Federation	and distribution	100	100	100
LLC “ZSC”	Russian Federation	Construction	100	100	100
LLC “Norilsknickelremont”	Russian Federation	Repairs	100	100	100
LLC “Norilskiyi obespechivaushyi complex”	Russian Federation	Production of spare parts	100	100	100
South Cluster					
		Ore mining and processing			
LLC “Medvezhyi ruchey”	Russian Federation		100	100	100
KGMK Group					
		Mining and metallurgy			
JSC “Kolskaya GMK”	Russian Federation		100	100	100
LLC “Pechengastroy”	Russian Federation	Repairs	100	100	100
Norilsk Nickel Harjavalta					
Norilsk Nickel Harjavalta OY	Finland	Metallurgy	100	100	100
GRK Bystrinskoye					
		Ore mining and processing			
LLC “GRK “Bystrinskoye”	Russian Federation		50.01	50.01	50.01
		Geological works and construction			
LLC “Vostokgeologiya”	Russian Federation		100	100	100
Other non-metallurgical					
Metal Trade Overseas A.G.	Switzerland	Distribution	100	100	100
Norilsk Nickel (Asia) Limited	Hong Kong	Distribution	100	100	100
Norilsk Nickel USA, Inc.	USA	Distribution	100	100	100
LLC “Institut Gypronickel”	Russian Federation	Research	100	100	100
JSC “TTK”	Russian Federation	Supplier of fuel	100	100	100
		River shipping			
JSC “ERP”	Russian Federation	operations	100	100	100
LLC “Aeroport Norilsk”	Russian Federation	Airport	100	100	100
JSC “AK “NordStar”	Russian Federation	Aircompany	100	100	100
			Effective % held		
Joint operations by operating segments	Country	Nature of business	31 December 2019	31 December 2018	31 December 2017
Other mining					
		Ore mining and processing			
Nkomati Nickel Mine	Republic of South Africa		50	50	50

35. EVENTS SUBSEQUENT TO THE REPORTING DATE

In February 2020, the Company entered into an amendment agreement to revise terms and conditions of the USD 2,500 million syndicated term loan originally signed in December 2017 with a group of international banks, increasing the total facility amount to USD 4,150 million concurrently reducing the interest rate and rescheduling the repayment of the outstanding amount of USD 2,500 million from the period of December 2020 - December 2022 to the period of February 2023 - February 2025. At the signing date, the committed undrawn facility amounted to USD 1,265 million with the availability period expiring in October 2020.