Mining and Metallurgical Company Norilsk Nickel

Interim condensed consolidated financial statements (unaudited) for the six months ended 30 June 2019

MINING AND METALLURGICAL COMPANY NORILSK NICKEL

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2019

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MINING AND METALLURGICAL COMPANY NORILSK NICKEL

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

The following statement, which should be read in conjunction with the auditors' responsibility stated in the auditors' report on the review of the interim condensed consolidated financial statements set out on pages 2-3, is made with a view to distinguishing the respective responsibilities of management and those of the auditors in relation to the interim condensed 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 and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34").

In preparing the interim condensed 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 International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the interim condensed consolidated financial statements; and
- preparing the interim condensed 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 interim condensed consolidated financial statements for the six months ended 30 June 2019 were approved by:

President ______________________ **V.O. Potanin**

Senior Vice President – Chief Financial Officer ______________________ **S.G. Malyshev**

Moscow, Russia
20 August 2019

KPMG

JSC “KPMG”
10 Presnenskaya Naberezhnaya
Moscow, Russia 123112
Telephone +7 (495) 937 4477
Fax +7 (495) 937 4400/99
Internet www.kpmg.ru

Independent Auditors’ Report on Review of Interim Condensed Consolidated Financial Statements

To the Shareholders and Board of Directors

PJSC “Mining and Metallurgical Company Norilsk Nickel”

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of PJSC “Mining and Metallurgical Company Norilsk Nickel” (the “Company”) and its subsidiaries (the “Group”) as at 30 June 2019, and the related interim condensed consolidated income statement, interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the interim condensed consolidated financial statements (the “interim condensed consolidated financial statements”). Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting.* Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity.* A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements as at 30 June 2019 and for the six-month period then ended are not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

Velichko N.N.

JSC "KPMG"

Moscow, Russia

20 August 2019

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2019

US Dollars million

	Notes	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Revenue			
Metal sales	6	5,940	5,473
Other sales		352	361
Total revenue		**6,292**	**5,834**
Cost of metal sales	7	(2,181)	(2,195)
Cost of other sales		(355)	(334)
Gross profit		**3,756**	**3,305**
General and administrative expenses	8	(443)	(461)
Selling and distribution expenses	9	(55)	(35)
Impairment of non-financial assets	12	(5)	(6)
Other operating income/(expenses), net	10	18	(80)
Operating profit		**3,271**	**2,723**
Foreign exchange gain/(loss), net		548	(453)
Finance costs, net	11	(89)	(246)
Income from investments		43	32
Profit before tax		**3,773**	**2,056**
Income tax expense		(776)	(403)
Profit for the period		**2,997**	**1,653**
Attributable to:			
Shareholders of the parent company		2,881	1,675
Non-controlling interests		116	(22)
		2,997	**1,653**
EARNINGS PER SHARE			
Basic and diluted earnings per share attributable to shareholders of the parent company (US Dollars per share)		18.2	10.6

The accompanying notes on pages 10 - 26 form an integral part of the interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2019

US Dollars million

	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Profit for the period	**2,997**	**1,653**
Other comprehensive income/(loss)		
Items to be reclassified to profit or loss in subsequent periods:		
Effect of translation of foreign operations	(3)	(2)
Other comprehensive loss to be reclassified to profit or loss in subsequent periods, net	**(3)**	**(2)**
Items not to be reclassified to profit or loss in subsequent periods:		
Effect of translation to presentation currency	378	(474)
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods, net	**378**	**(474)**
Other comprehensive income/(loss) for the period, net of tax	**375**	**(476)**
Total comprehensive income for the period, net of tax	**3,372**	**1,177**
Attributable to:		
Shareholders of the parent company	3,226	1,226
Non-controlling interests	146	(49)
	3,372	**1,177**

The accompanying notes on pages 10 - 26 form an integral part of the interim condensed consolidated financial statements

MINING AND METALLURGICAL COMPANY NORILSK NICKEL

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED) AT 30 JUNE 2019

US Dollars million

	Notes	At 30 June 2019	At 31 December 2018
ASSETS			
Non-current assets			
Property, plant and equipment	12	11,236	9,934
Intangible assets		185	163
Other financial assets	13	201	141
Deferred tax assets		79	73
Other non-current assets	14	326	386
		12,027	**10,697**
Current assets			
Inventories	14	2,470	2,280
Trade and other receivables		327	204
Advances paid and prepaid expenses		89	75
Other financial assets	13	69	147
Income tax receivable		9	92
Other taxes receivable		340	271
Cash and cash equivalents	15	3,488	1,388
Other current assets		86	97
		6,878	**4,554**
Assets classified as held for sale	12	51	–
		6,929	**4,554**
TOTAL ASSETS		**18,956**	**15,251**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	16	6	6
Share premium		1,254	1,254
Translation reserve		(4,998)	(5,343)
Retained earnings		8,259	7,306
Equity attributable to shareholders of the parent company		**4,521**	**3,223**
Non-controlling interests		396	250
		4,917	**3,473**
Non-current liabilities			
Loans and borrowings	17	8,493	8,208
Lease liabilities	17	185	16
Provisions		442	365
Trade and other long-term payables		224	200
Derivative financial instruments		–	61
Deferred tax liabilities		294	385
Other long-term liabilities		55	185
		9,693	**9,420**
Current liabilities			
Loans and borrowings	17	132	209
Lease liabilities	17	35	6
Trade and other payables		1,358	1,551
Dividends payable	18	1,996	6
Employee benefit obligations		336	307
Provisions		70	77
Derivative financial instruments		–	5
Income tax payable		36	35
Other taxes payable		223	162
Other current liabilities		146	–
		4,332	**2,358**
Liabilities associated with assets classified as held for sale	12	14	–
		4,346	**2,358**
TOTAL LIABILITIES		**14,039**	**11,778**
TOTAL EQUITY AND LIABILITIES		**18,956**	**15,251**

The accompanying notes on pages 10 - 26 form an integral part of the interim condensed consolidated financial statements

MINING AND METALLURGICAL COMPANY NORILSK NICKEL

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2019

US Dollars million

	For the six months ended 30 June 2019	For the six months ended 30 June 2018
OPERATING ACTIVITIES		
Profit before tax	**3,773**	**2,056**
Adjustments for:		
Depreciation and amortisation	443	350
Impairment of non-financial assets	5	6
Loss on disposal of property, plant and equipment	5	–
Change in provisions and allowances	6	(3)
Finance costs and income from investments, net	46	214
Foreign exchange (gain)/loss, net	(548)	453
Other	27	9
	3,757	**3,085**
Movements in working capital:		
Inventories	98	131
Trade and other receivables	(111)	(173)
Advances paid and prepaid expenses	(8)	(30)
Other taxes receivable	(54)	33
Employee benefit obligations	11	(29)
Trade and other payables	(303)	536
Provisions	(26)	(22)
Other taxes payable	32	2
Cash generated from operations	**3,396**	**3,533**
Income tax paid	(809)	(390)
Net cash generated from operating activities	**2,587**	**3,143**
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(481)	(503)
Purchase of other financial assets	(5)	–
Purchase of intangible assets	(19)	(33)
Purchase of other non-current assets	–	(99)
Loans issued	(2)	(3)
Proceeds from repayment of loans issued	2	4
Net change in deposits placed	80	51
Proceeds from disposal of property, plant and equipment	3	1
Interest and other investment income received	41	39
Net cash used in investing activities	**(381)**	**(543)**

The accompanying notes on pages 10 - 26 form an integral part of the interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2019 (CONTINUED)

US Dollars million

	For the six months ended 30 June 2019	For the six months ended 30 June 2018
FINANCING ACTIVITIES		
Proceeds from loans and borrowings	727	1,210
Repayments of loans and borrowings	(639)	(879)
Payments of lease liabilities	(24)	(5)
Dividends paid	(1)	(1)
Interest paid	(202)	(264)
Net cash (used in)/generated from financing activities	**(139)**	**61**
Net increase in cash and cash equivalents	**2,067**	**2,661**
Cash and cash equivalents at the beginning of the period	**1,388**	**852**
Less: cash and cash equivalents related to assets classified as held for sale at the end of the period	(25)	–
Effects of foreign exchange differences on balances of cash and cash equivalents	58	(75)
Cash and cash equivalents at the end of the period (note 15)	**3,488**	**3,438**

The accompanying notes on pages 10 - 26 form an integral part of the interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2019

US Dollars million

		Equity attributable to shareholders of the parent company						
	Notes	Share capital	Share premium	Translation reserve	Retained earnings	Total	Non-controlling interests	Total
Balance at 1 January 2018		**6**	**1,254**	**(4,490)**	**7,557**	**4,327**	**331**	**4,658**
Profit/(loss) for the period		–	–	–	1,675	**1,675**	(22)	**1,653**
Other comprehensive loss		–	–	(449)	–	**(449)**	(27)	**(476)**
Total comprehensive income/(loss) for the period		**–**	**–**	**(449)**	**1,675**	**1,226**	**(49)**	**1,177**
Dividends	18	–	–	–	(1,524)	**(1,524)**	(1)	**(1,525)**
Balance at 30 June 2018		**6**	**1,254**	**(4,939)**	**7,708**	**4,029**	**281**	**4,310**
Balance at 1 January 2019		**6**	**1,254**	**(5,343)**	**7,306**	**3,223**	**250**	**3,473**
Profit for the period		–	–	–	2,881	**2,881**	116	**2,997**
Other comprehensive income		–	–	345	–	**345**	30	**375**
Total comprehensive income for the period		**–**	**–**	**345**	**2,881**	**3,226**	**146**	**3,372**
Dividends	18	–	–	–	(1,928)	**(1,928)**	–	**(1,928)**
Balance at 30 June 2019		**6**	**1,254**	**(4,998)**	**8,259**	**4,521**	**396**	**4,917**

The accompanying notes on pages 10 - 26 form an integral part of the interim condensed consolidated financial statements

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.

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

Foreign currency exchange rates

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

	At 30 June 2019	At 30 June 2018	At 31 December 2018
Russian Rouble/US Dollar			
Period-end rates	63.08	62.76	69.47
Average for the reporting period ended	65.34	59.35	62.71
South African Rand/US Dollar			
Period-end rates	14.07	13.75	14.35
Average for the reporting period ended	14.38	12.29	13.18
Euro/US Dollar			
Period-end rates	0.88	0.86	0.87
Average for the reporting period ended	0.88	0.83	0.85

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2019 have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34").

The interim condensed consolidated financial statements of the Group do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2018, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The Group issues a separate set of IFRS interim condensed consolidated financial statements to comply with the requirements of Russian Federal Law No. 208 *On consolidated financial statements* ("208-FZ") which was adopted on 27 July 2010.

US Dollars million

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of these interim condensed consolidated financial statements are generally consistent with those applied in the preparation of the Group's annual consolidated financial statements as at and for the year ended 31 December 2018 except for changes related to the adoption of IFRS 16 *Leases*.

Adoption of new and revised standards and interpretations

The Group initially adopted IFRS 16 *Leases* in the preparation of these interim condensed consolidated financial statements for the six months ended 30 June 2019 from 1 January 2019. In accordance with the modified retrospective approach on the initial application of the standard the comparative information for the six months ended 30 June 2018 and for the year ended 31 December 2018 has not been restated.

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 (as 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.

Leases

For contracts entered into 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 the underlying asset and restoration 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 interim condensed consolidated statement of financial position.

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 inception date determined based on lease term and currency of the lease payments.

Adoption of other new and revised standards and interpretations

Adoption of amendments to the following Standards for annual periods from 1 January 2019 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.

The Group did not early adopt any other standard, interpretation or amendment that had been issued but was not yet effective.

Reclassification

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

Certain cost items presented in the interim condensed consolidated income statements were also reclassified from cost of metal sales to general and administrative expenses to conform with the current period presentation.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The critical accounting judgements, estimates and assumptions made by management of the Group and applied in these interim condensed consolidated financial statements for the six months ended 30 June 2019 are consistent with those applied in the preparation of annual consolidated financial statements of the Group for the year ended 31 December 2018.

5. 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.

Management has determined the following operating segments:

- GMK Group segment includes mining and metallurgy operations, transport services, energy, repair and maintenance services located in Taimyr Peninsula. GMK Group metal sales to external customers include metal volumes processed at KGMK Group metallurgy facilities. GMK Group other sales to external customers primarily include revenue for energy and utilities services provided in Taimyr Peninsula; intersegment revenue from metal sales includes sale of semi-products to NN Harjavalta segment, and starting May 2019 to KGMK Group segment, for further processing.
- KGMK Group segment includes mining and metallurgy operations, energy, exploration activities located in Kola Peninsula. KGMK Group revenue from other sales includes intersegment metal processing services under tolling arrangement provided to other segments and energy and utilities services provided to external customers in Kola Peninsula. Intersegment revenue from metal sales previously included sale of semi-products to NN Harjavalta for further processing.
- NN Harjavalta segment includes refinery operations located in Finland. NN Harjavalta sales primarily include metal produced from semi-products purchased from GMK Group segment (previously: from GMK Group and KGMK Group segments).
- GRK Bystrinskoye segment includes metal 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 refined 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 metal sales also include 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 the reportable segments in the disclosure below are stated before intersegment eliminations, except for:

- 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 interim condensed consolidated financial statements.

US Dollars million

5. 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 six months ended 30 June 2019 and 30 June 2018, respectively.

For the six months ended 30 June 2019	**GMK Group**	**KGMK Group**	**NN Harjavalta**	**GRK Bystrinskoye**	**Other mining**	**Other non-metal-lurgical**	**Elimi-nations**	**Total**
Metal sales to external customers	4,839	260	518	–	74	249	–	**5,940**
Other sales to external customers	82	19	4	1	–	246	–	**352**
Inter-segment metal sales	1,154	–	–	–	–	–	(1,154)	**–**
Inter-segment other sales	42	186	–	–	–	152	(380)	**–**
Total revenue	**6,117**	**465**	**522**	**1**	**74**	**647**	**(1,534)**	**6,292**
Segment EBITDA	4,300	87	40	160	(4)	12	(494)	**4,101**
Unallocated								(382)
Consolidated EBITDA								**3,719**
Depreciation and amortisation								(443)
Impairment of non-financial assets								(5)
Finance costs								(89)
Foreign exchange gain, net								548
Other income and expenses, net								43
Profit before tax								**3,773**
Other segment information								
Purchase of property, plant and equipment and intangible assets	328	106	6	32	2	26	–	**500**
Depreciation and amortisation	356	46	13	11	2	15	–	**443**
Impairment/(reversal of impairment) of non-financial assets	(11)	3	–	–	13	–	–	**5**

US Dollars million

5. SEGMENT INFORMATION (CONTINUED)

For the six months ended 30 June 2018	GMK Group	KGMK Group	NN Harjavalta	GRK Bystrinskoye	Other mining	Other non-metal-lurgical	Elimi-nations	Total
Metal sales to external customers	4,377	141	483	–	59	413	–	**5,473**
Other sales to external customers	85	18	3	–	2	253	–	**361**
Inter-segment metal sales	319	124	–	–	–	–	(443)	**–**
Inter-segment other sales	35	203	–	–	–	147	(385)	**–**
Total revenue	**4,816**	**486**	**486**	**–**	**61**	**813**	**(828)**	**5,834**
Segment EBITDA	3,296	129	24	5	6	(1)	(23)	**3,436**
Unallocated								(357)
Consolidated EBITDA								**3,079**
Depreciation and amortisation								(350)
Impairment of non-financial assets								(6)
Finance costs								(246)
Foreign exchange loss, net								(453)
Other income and expenses, net								32
Profit before tax								**2,056**
Other segment information								
Purchase of property, plant and equipment and intangible assets	287	134	4	88	10	13	–	**536**
Depreciation and amortisation	277	38	9	4	8	14	–	**350**
Impairment of non-financial assets	2	3	–	–	1	–	–	**6**

US Dollars million

5. SEGMENT INFORMATION (CONTINUED)

The following tables present assets and liabilities of the Group's reportable segments at 30 June 2019 and 31 December 2018, respectively.

At 30 June 2019	GMK Group	KGMK Group	NN Harjavalta	GRK Bystrinskoye	Other mining	Other non-metal-lurgical	Elimi-nations	Total
Inter-segment assets	1,527	107	101	48	3	53	(1,839)	–
Segment assets	10,596	2,066	419	1,671	69	808	(503)	**15,126**
Total segment assets	**12,123**	**2,173**	**520**	**1,719**	**72**	**861**	**(2,342)**	**15,126**
Unallocated								3,830
Total assets								**18,956**
Inter-segment liabilities	116	1,005	100	21	3	594	(1,839)	–
Segment liabilities	2,127	160	82	74	46	860	–	**3,349**
Total segment liabilities	**2,243**	**1,165**	**182**	**95**	**49**	**1,454**	**(1,839)**	**3,349**
Unallocated								10,690
Total liabilities								**14,039**

At 31 December 2018	GMK Group	KGMK Group	NN Harjavalta	GRK Bystrinskoye	Other mining	Other non-metal-lurgical	Elimi-nations	Total
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**

US Dollars million

5. SEGMENT INFORMATION (CONTINUED)

The following table presents segment metal sales to external customers breakdown by metal for the six months ended 30 June 2019 and 30 June 2018, respectively.

For the six months ended 30 June 2019	**GMK Group**	**KGMK Group**	**NN Harjavalta**	**Other mining**	**Other non-metal-lurgical**	**Total**
Nickel	843	203	387	33	33	**1,499**
Copper	1,299	31	43	6	6	**1,385**
Palladium	2,092	7	55	17	203	**2,374**
Platinum	313	3	6	4	4	**330**
Other metals	292	16	27	14	3	**352**
	4,839	**260**	**518**	**74**	**249**	**5,940**

For the six months ended 30 June 2018	**GMK Group**	**KGMK Group**	**NN Harjavalta**	**Other mining**	**Other non-metal-lurgical**	**Total**
Nickel	932	109	387	33	33	**1,494**
Copper	1,337	18	41	5	4	**1,405**
Palladium	1,560	–	19	8	363	**1,950**
Platinum	323	3	3	3	3	**335**
Other metals	225	11	33	10	10	**289**
	4,377	**141**	**483**	**59**	**413**	**5,473**

US Dollars million

6. METAL SALES

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

For the six months ended 30 June 2019	Total	Nickel	Copper	Palladium	Platinum	Other metals
Europe	**3,315**	619	1,151	1,031	308	206
Asia	**1,456**	582	99	720	15	40
North and South America	**913**	202	42	591	4	74
Russian Federation and CIS	**256**	96	93	32	3	32
	5,940	**1,499**	**1,385**	**2,374**	**330**	**352**
For the six months ended 30 June 2018						
Europe	**3,125**	675	1,182	781	302	185
Asia	**1,406**	511	132	690	26	47
North and South America	**674**	176	–	462	–	36
Russian Federation and CIS	**268**	132	91	17	7	21
	5,473	**1,494**	**1,405**	**1,950**	**335**	**289**

Metal revenue for the six months ended 30 June 2019 included net fair value loss of USD 21 million in respect of forward contracts expected to be settled by metal physical delivery or on a net basis (for the six months ended 30 June 2018: net gain in the amount of USD 31 million).

For the six months ended 30 June 2019, metal revenue included net loss of USD 24 million from market-linked contract price adjustments in respect of certain provisionally priced contracts, primarily for sale of other metals in Europe and Asia.

7. COST OF METAL SALES

	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Cash operating costs		
Labour	615	660
Materials and supplies	275	325
Purchases of raw materials and semi-products	246	259
Purchases of refined metals for resale	192	196
Mineral extraction tax and other levies	110	110
Third party services	96	91
Electricity and heat energy	77	74
Fuel	48	45
Transportation expenses	38	32
Sundry costs	76	70
Total cash operating costs	**1,773**	**1,862**
Depreciation and amortisation	340	325
Decrease in metal inventories	68	8
Total	**2,181**	**2,195**

US Dollars million

8. GENERAL AND ADMINISTRATIVE EXPENSES

	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Staff costs	301	306
Third party services	41	45
Taxes other than mineral extraction tax and income tax	38	51
Depreciation and amortisation	33	20
Transportation expenses	8	6
Rent expenses	1	11
Other	21	22
Total	**443**	**461**

9. SELLING AND DISTRIBUTION EXPENSES

	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Marketing expenses	22	9
Transportation expenses	22	18
Staff costs	7	6
Other	4	2
Total	**55**	**35**

10. OTHER OPERATING INCOME/(EXPENSES), NET

	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Net income earned during the pre-commissioning stage	155	19
Social expenses	(112)	(98)
Change in allowances	(11)	(10)
Other, net	(14)	9
Total	**18**	**(80)**

11. FINANCE COSTS, NET

	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Interest expense, net of amounts capitalised	162	191
Unwinding of discount on provisions and payables	42	52
Fair value gain on the cross-currency interest rate swap	(117)	–
Other, net	2	3
Total	**89**	**246**

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, additions of property, plant and equipment amounted to USD 524 million (for the six months ended 30 June 2018: USD 660 million).

At 30 June 2019 capital construction-in-progress included USD 93 million of irrevocable letters of credit opened for property, plant and equipment purchases (31 December 2018: USD 197 million), representing security deposits placed in banks at the end of the period.

Capitalised borrowing costs for the six months ended 30 June 2019 amounted to USD 96 million (for the six months ended 30 June 2018: USD 79 million). Annual capitalisation rate used to determine the amount of borrowing costs was 5.28% at 30 June 2019 (30 June 2018: 5.10%).

At 30 June 2019 mining assets and mine development cost included USD 3,409 million of mining assets under development (31 December 2018: USD 2,868 million). At 30 June 2019 non-mining assets included USD 47 million of investment property (31 December 2018: USD 44 million). At 30 June 2019 non-mining assets included USD 210 million of right-of-use assets recognised in line with IFRS 16 *Leases* (initial adoption of IFRS 16 *Leases* as at 1 January 2019: USD 204 million).

In June 2019 the Group entered into the agreement to sell its subsidiary located in the Russian Federation. At 30 June 2019 respective assets and liabilities, including property, plant and equipment in the amount of USD 18 million were classified as assets held for sale. The sale of 100% share in the subsidiary was completed in July 2019.

Impairment

At 30 June 2019 the Group identified indicators of further impairment of Nkomati Nickel Mine (Nkomati) assets based on the analysis of several scenarios of Nkomati development, as well as Nkomati performance results against budget and management expectations, and performed an impairment test 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. Impairment loss in the amount of USD 12 million was recognised in impairment of non-financial assets in the interim condensed consolidated income statement for the six months ended 30 June 2019.

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 30 June 2019 the Group identified indicators for the partial reversal of previously recognised impairment, primarily due to an increase in regulated gas tariffs, and performed an impairment test. As a result, a gain of USD 15 million on impairment reversal was recognised in impairment of non-financial assets in the interim condensed consolidated income statement for the six months ended 30 June 2019. Accumulated impairment loss, net of respective accumulated depreciation had no impairment been recognised, amounted to USD 208 million at 30 June 2019.

During the six months ended 30 June 2019 the Group recognised additional impairment losses in the amount of USD 8 million in respect of specific individual assets (for the six months ended 30 June 2018: USD 6 million).

US Dollars million

13. OTHER FINANCIAL ASSETS

	At 30 June 2019	At 31 December 2018
Non-current		
Loans issued and other receivables	146	130
Derivative financial instruments	47	3
Bank deposits	8	8
Total non-current	**201**	**141**
Current		
Loans issued and other receivables	58	57
Derivative financial instruments	5	7
Bank deposits	6	83
Total current	**69**	**147**

14. INVENTORIES

	At 30 June 2019	At 31 December 2018
Refined metals and other metal products	424	526
Less: Adjustment to net realisable value	(38)	–
Work-in-process and semi-products	1,337	1,138
Less: Allowance for work-in-process	(4)	(4)
Total metal inventories	**1,719**	**1,660**
Materials and supplies	808	662
Less: Allowance for obsolete and slow-moving items	(57)	(42)
Materials and supplies, net	**751**	**620**
Inventories	**2,470**	**2,280**

At 31 December 2018 part of metal semi-products stock in the amount of USD 88 million was presented in other non-current assets according to Group’s production plans.

15. CASH AND CASH EQUIVALENTS

		At 30 June 2019	At 31 December 2018
Current accounts			
	- RUB	34	49
	- USD	402	398
	- EUR	28	13
	- other	95	64
Bank deposits			
	- RUB	1,592	–
	- USD	1,318	850
	- other	3	10
Other cash and cash equivalents		16	4
Total		**3,488**	**1,388**

Bank deposits

At 30 June 2019 interest rate on RUB-denominated deposits held in banks was in the range from 7.20% to 7.65% per annum (31 December 2018: no RUB-denominated deposits), on USD-denominated deposits held in banks in the range from 1.55% to 2.50% per annum (31 December 2018: from 1.70% to 3.95% per annum).

US Dollars million

16. SHARE CAPITAL

Authorised and issued ordinary shares

At 30 June 2019, 31 December 2018 and 30 June 2018 the Group's number of authorised and issued ordinary shares was 158,245,476.

Weighted average number of issued shares outstanding

Weighted average number of shares used in the calculation of basic and diluted earnings per shares for the six months ended 30 June 2019 and 30 June 2018 was 158,245,476 shares.

17. LOANS AND BORROWINGS, LEASE LIABILITIES

	Currency	Fixed or floating interest rate	Average nominal rate during the six months ended 30 June 2019, %	Maturity	At 30 June 2019	At 31 December 2018
Unsecured loans	USD	floating	3.98%	2019-2024	3,793	3,837
	RUB	fixed	8.30%	2021	951	864
	RUB	floating	8.50%	2019	127	–
	EUR	floating	0.85%	2019-2028	32	19
Secured loans	RUB	fixed	9.75%	2021-2022	10	9
Total loans					**4,913**	**4,729**
Bonds	USD	fixed	5.24%	2020-2023	3,474	3,472
	RUB	fixed	11.60%	2026	238	216
Total bonds					**3,712**	**3,688**
Total loans and borrowings					**8,625**	**8,417**
Less: current portion due within twelve months and presented as current loans and borrowings					(132)	(209)
Non-current loans and borrowings					**8,493**	**8,208**

	Currency	Average borrowing rate during the six months ended 30 June 2019, %	Maturity	At 30 June 2019	At 31 December 2018
Lease liabilities	USD	4.87%	2020-2029	144	2
	RUB	8.49%	2020-2099	54	–
	EUR	2.02%	2020-2050	21	19
	other	4.24%	2020-2022	1	1
Total lease liabilities				**220**	**22**
Less: current lease liabilities				**(35)**	**(6)**
Non-current lease liabilities				**185**	**16**

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.

At 30 June 2019 loans were secured by property, plant and equipment with a carrying amount of USD 8 million (31 December 2018: USD 8 million).

At 30 June 2019 lease liabilities with original maturity in excess of 15 years amounted to USD 12 million.

US Dollars million

18. DIVIDENDS

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.

On 19 September 2018, the Extraordinary General shareholders' meeting declared interim dividends in respect of the six 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.

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.

19. RELATED PARTIES TRANSACTIONS AND OUTSTANDING BALANCES

Related parties include major shareholders and entities under their ownership and control, Nkomati 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.

	Sale of goods and services		Purchase of assets and services and other operating expenses	
Transactions with related parties	**For the six months ended 30 June 2019**	**For the six months ended 30 June 2018**	**For the six months ended 30 June 2019**	**For the six months ended 30 June 2018**
Entities under ownership and control of the Group's major shareholders	–	4	45	60
Joint operation of the Group	–	1	64	53
Total	**–**	**5**	**109**	**113**

	Accounts receivable		Accounts payable	
Outstanding balances with related parties	**At 30 June 2019**	**At 31 December 2018**	**At 30 June 2019**	**At 31 December 2018**
Entities under ownership and control of the Group's major shareholders	1	1	3	1
Joint operation of the Group	4	8	5	3
Total	**5**	**9**	**8**	**4**

20. COMMITMENTS AND CONTINGENCIES

Capital commitments

At 30 June 2019, contractual capital commitments amounted to USD 807 million (31 December 2018: USD 544 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 30 June 2019 total future non-discounted variable lease payments under such contracts with the maturity up to 2067 amounted to USD 184 million.

At 30 June 2019 future lease payments for leased items not transferred to the lessee and not recognised as lease liabilities amounted to USD 158 million.

Litigation

The Group is involved in legal disputes in the ordinary course of its operations. At 30 June 2019, total claims under unresolved litigation with the probability of their unfavorable resolution assessed as possible amounted to approximately USD 14 million (31 December 2018: USD 13 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), corporate income tax, mandatory social security contributions, together with others. 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 in the financial statements of the Group it has provided adequate provisions for tax liabilities based on its interpretation of current and previous legislation, the risk remains that 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.

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.

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 objects as well as formation and disposal of production wastes.

20. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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 of 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 depends 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 interim condensed consolidated financial statements. The longer-term effects of the imposed and possible additional sanctions are difficult to determine.

21. FAIR VALUE OF FINANCIAL INSTRUMENTS

Management believes that the carrying value of financial instruments such as cash and cash equivalents (refer to note 15), other financial assets (refer to note 13), trade and other short-term accounts receivable and current accounts payable approximates to their fair value or may not significantly differ from it. Derivative financial instruments measured at fair value through profit or loss include a cross-currency interest rate swap, Level 2 of fair value hierarchy. Other current 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. At 30 June 2019 trade and other short-term accounts receivable include USD 154 million of short-term trade accounts receivable measured at fair value through profit or loss upon recognition, Level 2 of fair value hierarchy (31 December 2018: USD 120 million).

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 assets or liabilities, either directly or indirectly; and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for assets or liabilities that are not based on observable market data.

US Dollars million

21. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The information below presents financial liabilities not measured at fair value, including loans and borrowings (refer to note 17), trade and other long-term payables.

	At 30 June 2019		At 31 December 2018	
	Carrying value	**Fair value Level 1**	**Carrying value**	**Fair value Level 1**
Fixed rate bonds	3,712	3,860	3,688	3,705
Total bonds	**3,712**	**3,860**	**3,688**	**3,705**
Loans, including:	**Carrying value**	**Fair value Level 2**	**Carrying value**	**Fair value Level 2**
Floating rate loans	3,952	3,924	3,856	3,654
Fixed rate loans	961	948	873	861
Total loans	**4,913**	**4,872**	**4,729**	**4,515**
	Carrying value	**Fair value Level 2**	**Carrying value**	**Fair value Level 2**
Trade and other long-term payables	224	232	200	210
Total trade and other long-term payables	**224**	**232**	**200**	**210**

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

- the fair value of bonds was determined based on market quotations existing at the reporting dates;
- the fair value of floating rate and fixed rate loans at 30 June 2019 was determined based on the present value of future cash flows (principal and interest), discounted at the best management estimation of market 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 30 June 2019 was determined based on the present value of future cash flows, discounted at the best management estimation of market rates.

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. The fair value of cross-currency interest rate swap is determined 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 risk of the Group and of the counterparty, which is calculated based on credit spreads derived from tradeable financial instruments effective at the reporting date.

22. EVENTS SUBSEQUENT TO THE REPORTING DATE

On 20 August 2019 the Board of Directors recommended that the Extraordinary General shareholders' meeting approve dividend payments in respect of the six months ended 30 June 2019 in the amount of RUB 883.93 (USD 13.27 using RUB/USD rate on 20 August 2019) per ordinary share.

In August 2019 the Group extended USD-denominated loan agreement for USD 200 million from October 2020 to February 2023. The Group also entered into a new RUB-denominated committed credit line in the total amount of USD 475 million (using RUB/USD rate on 30 June 2019). No amounts were draw-down under this facility at the issue date.