RUSAL

UNITED COMPANY RUSAL PLC

(Incorporated under the laws of Jersey with limited liability)

(Stock Code: 486)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

Key highlights

- In 2019, the whole aluminium industry continued to see challenging environment. United Company RUSAL Plc's ("**UC RUSAL**" or the "**Company**", together with its subsidiaries, the "**Group**") revenue for the year ended 31 December 2019 decreased by 5.5% to USD9,711 million as compared to USD10,280 million for 2018 following a 15.1% decrease in the average London Metals Exchange ("**LME**") aluminium price from USD2,110 per tonne in 2018 to USD1,792 per tonne in 2019 and a 11.2% drop in the average realized premiums to the LME price.

- The decrease of the aluminium price in the last year was partially offset by the 13.8% increase in sales of primary aluminium and alloys in 2019 as compared with 2018. The 26.2% growth in aluminium sales volumes in the last quarter of 2019 as compared with the last quarter of 2018 resulted in the increase in revenue by 5.2% to USD2,489 million for the last quarter of 2019 as compared to USD2,365 million in the same quarter of 2018. The average premium increased by 32.4% to USD143 per tonne for the last quarter of 2019 as compared to USD108 per tonne in the fourth quarter of 2018.

- Despite the market volatility, the production cost per tonne in aluminium segment in 2019 went down by 1.2% to USD1,627 per tonne, compared to USD1,646 per tonne in 2018 as a result of effective cost management.

- During the last quarter of 2019 the Company continued optimization of the cost and structure of its debt portfolio by entering into a 5-year new sustainability-linked pre-export finance facility (PXF2019) of USD1,085 million (the interest rate is subject to the Company's fulfilment of the sustainability KPIs) and successful placement of 4th tranche of local bonds in the amount of RUB 15 billion with the record low rate of 7.45%. The deal was subsequently hedged into USD, resulting in the USD interest rate of 3.65%.

Statement of the Chief Executive Officer

"It is no understatement to say that during the last year, both RUSAL and the whole industry witnessed a variety of challenging conditions that included the average LME aluminium price slumping by over 15%, which contributed to our annual revenue decrease, as compared with the 2018 results. The situation was aggravated by the missed mating season that was the result of the OFAC sanctions.

Capping off that challenging year for the Company, we remained attractive to the investment community by staying committed to our strategy that is focused on the development and promotion of new VAP aluminium products and alloys, along with self-sufficiency with our raw materials.

The interest and support received from the investment and financial community proved itself through two successful capital raising deals: first, the Company has completed four rouble bond placements with a collective total value of approximately USD930 mln. Second, RUSAL became the first ever company on the Russian market to sign a sustainability linked syndicated facility arranged by leading international and Russian commercial banks of over USD1 bln, a record.

In 2019, we continued to deepen our customer relationships, as we have managed to return to the VAP market and renewed a number of long-term contracts, while moving forward with strengthening our market position as the world's largest producer of green aluminium."

Evgenii Nikitin
Chief Executive Officer

13 March 2020

Financial and Operating Highlights

	Quarter ended 31 December 2019 *unaudited*	Quarter ended 31 December 2018 *unaudited*	Change quarter on quarter, % (4Q to 4Q)	Quarter ended 30 September 2019 *unaudited*	Change quarter on quarter, % (4Q to 3Q)	Year ended 31 December 2019	Year ended 31 December 2018	Change year-on-year, %
Key operating data								
('000 tonnes)								
Aluminium	948	943	0.5%	942	0.6%	3,757	3,753	0.1%
Alumina	2,050	1,958	4.7%	1,957	4.8%	7,858	7,774	1.1%
Bauxite	4,026	3,719	8.3%	3,948	2.0%	16,047	13,847	15.9%
Key pricing and performance data								
('000 tonnes)								
Sales of primary aluminium and alloys	1,107	877	26.2%	1,091	1.5%	4,176	3,671	13.8%
(USD per tonne)								
Production cost per tonne in Aluminium segment[1]	1,588	1,606	(1.1%)	1,612	(1.5%)	1,627	1,646	(1.2%)
Aluminium price per tonne quoted on the LME[2]	1,754	1,968	(10.9%)	1,761	(0.4%)	1,792	2,110	(15.1%)
Average premiums over LME price[3]	143	108	32.4%	145	(1.4%)	135	152	(11.2%)
Average sales price	1,873	2,115	(11.4%)	1,896	(1.2%)	1,920	2,259	(15.0%)
Alumina price per tonne[4]	280	444	(36.9%)	300	(6.7%)	332	473	(29.8%)
Key selected data from the consolidated statement of income								
(USD million)								
Revenue	2,489	2,365	5.2%	2,486	0.1%	9,711	10,280	(5.5%)
Adjusted EBITDA	201	363	(44.6%)	237	(15.2%)	966	2,163	(55.3%)
margin (% of revenue)	8.1%	15.3%	NA	9.5%	NA	9.9%	21.0%	NA
Profit for the period	141	149	(5.4%)	194	(27.3%)	960	1,698	(43.5%)
margin (% of revenue)	5.7%	6.3%	NA	7.8%	NA	9.9%	16.5%	NA
Adjusted Net (Loss)/Profit for the period	(138)	(17)	711.8%	(34)	305.9%	(270)	856	NA
margin (% of revenue)	(5.5%)	(0.7%)	NA	(1.4%)	NA	(2.8%)	8.3%	NA
Recurring Net Profit for the period	367	101	263.4%	240	52.9%	1,273	1,695	(24.9%)
margin (% of revenue)	14.7%	4.3%	NA	9.7%	NA	13.1%	16.5%	NA

1 For any period, "Production cost per tonne in Aluminium segment" is calculated as aluminium segment revenue (excluding sales of third parties' metal and other products sales) less aluminium segment results less amortisation and depreciation (excluding margin on sales of third parties' metal and intersegment margin) divided by sales volume of the aluminium segment (excluding volumes of third parties' aluminium sold).

2 Aluminium price per tonne quoted on the LME represents the average of the daily closing official London Metals Exchange ("**LME**") prices for each period.

3 Average premiums over LME realized by the Company based on management accounts.

4 The average alumina price per tonne provided in this table is based on the daily closing spot prices of alumina according to Non-ferrous Metal Alumina Index FOB Australia USD per tonne.

Key selected data from consolidated statement of financial position

	As at 31 December 2019	As at 31 December 2018	Change year-on- year end, %
(USD million)			
Total assets	17,814	15,777	12.9%
Total working capital[5]	2,041	2,834	(28.0%)
Net Debt[6]	6,466	7,442	(13.1%)

Key selected data from consolidated statement of cash flows

	Year ended 31 December 2019	Year ended 31 December 2018	Change year-on- year end, %
(USD million)			
Net cash flows generated from operating activities	1,652	680	142.9%
Net cash flows generated from/(used in) investing activities	246	(106)	NA
of which dividends from Norilsk Nickel	1,100	887	24.0%
of which CAPEX[7]	(848)	(834)	1.7%
Interest paid	(553)	(490)	12.9%

5 Total working capital is defined as inventories plus trade and other receivables minus trade and other payables.

6 Net Debt is calculated as Total Debt less cash and cash equivalents as at the end of any period. Total Debt refers to UC RUSAL's loans and borrowings and bonds outstanding at the end of any period.

7 CAPEX is defined as payment for the acquisition of property, plant and equipment and intangible assets.

OVERVIEW OF TRENDS IN THE ALUMINIUM INDUSTRY AND BUSINESS ENVIRONMENT

Aluminium demand

Final manufacturing PMIs for January 2020 further prove that the sector's outlook has turned a corner in recent months. In January 2020, the global manufacturing PMI rose from 50.1 to 50.4 – the highest level since April last year has been driven mainly by increases in developed markets, as the aggregate PMI for emerging markets has been flat for the past five months. But issues related to COVID-19 might seriously affect this recovery and lead to deterioration of aluminium market fundamentals in 1H2020.

Global aluminium demand rose by 0.1% to 65.3 million tonnes in 2019. In the world excluding China, demand dropped by 2.6% to 28.5 million tonnes, while Chinese demand increased by 2.4% to 36.8 million tonnes. While uncertainty remains in place, the transportation segment should contribute to aluminium demand growth in 2020 on the back of launching of new models, including EVs, and increasing the aluminium content in cars. Given the above, worldwide demand for primary aluminium is expected to show a 1.3% year-on-year growth to 66.1 million tonnes in 2020, driven by ex-China growth of 1.1% to 28.8 million tonnes and China growth of 1.5% to 37.3 million tonnes..

In 2019, the Russian economy continued to tick over: the GDP growth rate dropped to 1.2% (comparing to 1.8% last year), whereas industrial production index declined to 2.4% amid a slowdown in investment rates to 2.0%. In the second half of 2019, business activities have noticeably deteriorated, which contributed to a fall in manufacturing PMI below the level of 50 points.

Against the background of a slowdown in industrial growth and a decrease in purchasing power, negative dynamics were also observed in most aluminium-consuming industries, predominantly in automotive and energy segments. Construction was the only sector that demonstrated significant growth, where new housing building increased by 6.2% in 2019 year-on-year.

Primary aluminium demand in Russia and CIS countries grew by 1.1% to 1.13 million tonnes (including 0.9 million tonnes in Russia) in 2019 and is expected to rise to 1.15 to 1.2 million tonnes in 2020.

Europe's economy was facing a combination of shocks in 2019 that kept GDP growth subdued. The elevated uncertainty around trade policies and the risk of a no-deal Brexit continued to inflict uncertainty to business confidence until at least the end of the year. After a moderate start in January 2020, the economies of the EU28 appeared to have lost significant momentum as the year progressed. Meanwhile, the headwinds that disrupted European industries have eased recently, proven by a broad-based uptick in industrial production, at a rate slightly higher than at the end of last year. Eurozone's manufacturing PMI clearly showed marginal improvements in the health of the business conditions for three consecutive of four of the last months (growth to 47.9 in January 2020), to suggesting that the downturn has slowed in September.

One may see the same recovery trend in the automotive sector, which plunged into a prolonged contraction period due to the implementation of the Worldwide Harmonised Light Vehicle Test Procedure ("**WLTP**") for emissions, leading to the car certification and registration bottlenecks. The changeover to the WLTP test cycle hit output, pushing production figures in the largest country-producers down by 6.5% in 2019. However, as the six month average demonstrated growth since the middle of the year, when German and Turkish automotive sectors showed first signs of recovery, the automotive production is set to recover and reach the level of 2018 in the next year.

Output in the construction industry increased throughout 2019 with Germany's construction PMI hitting a nine-month high (53.8) in December. This was mainly attributed to a positive development of the new build market.

The net effect of these changes is European primary aluminium demand (including Turkey but excluding Russia) fall by 2.1% to 9.2 million tonnes.

The North American economy slowed during 2019, with economic and industrial activity harmed by the escalation of a US-China trade war and the Section 232 rules restricting imports of aluminium and steel from the majority of producing countries. Year-on-year GDP growth is estimated at 2.3% in 2019, exceeding market expectations in the beginning of the year mainly on the back of strong domestic demand. Despite industrial production decreasing in September to November 2019 on a yearly basis, it is set to grow in the upcoming months amid the "phase one" deal signed between the USA and China in January 2020.

In 2019, North American automotive production declined by 4.1% resulting in weaker aluminium demand. Meanwhile, US construction indicators are performing very well, especially in November and December 2019, leading to 3.9% year-on-year increase in new housing starts.

Overall primary aluminium demand in North America contracted by 3.6% to 6.5 million tonnes in 2019.

In the first half of 2019, Japan's economy was supported by strong domestic demand, but this weakened as the year progressed amid an unfavorable external environment (US-China trade war escalation) and a hike in consumption tax. Thus, annual GDP growth is estimated at 0.8%, while industrial production declined by 1.8% in 2019. Despite a strong outlook for commercial and infrastructure spending ahead of the Olympics, a slowdown in new housing developments tempered overall activity in the construction sector. At the same time, automotive production grew by 1.3% year-on-year in the first ten months.

The ASEAN region saw a moderate slowdown in 2019, and primary aluminium demand could not resist this trend affected by trade conflicts in Asia. As a result, primary aluminium demand in Asia (ex China and India) plummeted by 5.5% to 6.0 million tonnes in 2019. Nevertheless, December manufacturing PMI highlighted only a fractional decline in overall business conditions, at its slowest pace since June 2019. Market expectations for 2020 are broadly positive, mainly driven by an increase in production and incoming new business first time in several months.

The Indian economy has been struggling with a prolonged slowdown and GDP growth dipped to 5.1% in 2019, from 7.4% in 2018, on the back of weak domestic demand, which used to drive the national economy. Output growth from the construction sector increased by 5.7% on a yearly basis, while automotive production plummeted by 12.7% due to weak sales and the shift to new emission standards. Those factors combined lead to primary aluminium demand fall of 1.4% in 2019 to 2.1 million tonnes.

The Chinese economy grew at 6.1% year-on-year in 2019 and the Caixin manufacturing PMI fell from 51.5 to 51.1 in January 2020 which was still far above 50 points. Despite this, as previously mentioned, the Chinese economy is expected to be heavily affected by coronavirus issues in 1Q20 resulting in the overall GDP growth to be around 5.8%.

Aluminium demand was up by 2.4% year-on-year to 36.8 million tonnes in 2019 and was significantly strengthened in the second half of 2019 on the back of Governmental support measures and final positive outcomes in trade negotiations between the US and China.

Aluminium supply

The rest of the world ("**RoW**") aluminium production grew during 2019 by 1.7% to 28.2 million tonnes.

Overall, the RoW aluminium market was in a deficit of around 0.3 million tonnes during 2019.

Looking at the cash cost curve in the RoW today, around 10% of smelters or 3 million tonnes operate at a loss despite the decline in cost of raw materials; more than half of RoW alumina producers suffer from losses.

In 2019, China's primary aluminium production fell by 1.8% year-on-year to 35.7 Mt and most of the producers generate slim margins. Some producers have decided to transfer closed capacity to other provinces based on environmental and bauxite feed issues. Operating capacity rose by 575 ktpy M-M to 36.6 Mtpy in December due to restarts of 420 ktpy and new commission of 185 ktpy, while 30 ktpy cuts trimmed the growth.

As highlighted, the coronavirus will negatively affect aluminium market in China in 1H20 with expectation of bigger supply surplus and weak demand. Looking at the cash cost curve in China today, around 27% of smelters or 10 million tonnes operate at a loss with declined SHFE price to RMB12,830/tonnes.

Alumina refining in a number of areas in particular is suffering from logistics issues for both bauxite arrivals and shipping out their alumina. Lower aluminium demand in China and excessive inventories may affect prices and ultimately delay new aluminium smelting capacity ramp up.

During 2019, China's exports of unwrought aluminium and aluminium semis declined by 1.2% year-on-year to 5.733 Mt. Chinese exports have crashed by 25.3% year-on-year to 669,208 tonnes in January-February 2020, expected to decline in March 2020 amid coronavirus effects.

BUSINESS REVIEW

Aluminium production

- In 12M19, aluminium production totaled 3,757 thousand tonnes, unchanged YoY.

Alumina production

- In 12M19 alumina output totaled 7,858 thousand tonnes (+1.1% YoY). The Friguia bauxite and alumina complex increased output by 102% YoY as a result of the gradual ramp-up of production, which has reached 76% of the nameplate capacity as of 4Q19.

Bauxite production

- In 12M19, bauxite output totaled 16,047 thousand tons (+15.9% YoY). The growth is largely attributed to reaching the full capacity of Dian-Dian (+231% YoY to 2,780 thousand tonnes) and Friguia bauxite and alumina complex (+81% YoY to 1,304 thousand tonnes of bauxite).

FINANCIAL OVERVIEW

Revenue

	Year ended 31 December 2019			Year ended 31 December 2018		
	USD million	*kt*	*Average sales price (USD/tonne)*	*USD million*	*kt*	*Average sales price (USD/tonne)*
Sales of primary aluminium and alloys	8,019	4,176	1,920	8,293	3,671	2,259
Sales of alumina	664	1,753	379	975	1,930	505
Sales of foil and other aluminium products	410	–	–	346	–	–
Other revenue	618	–	–	666	–	–
Total revenue	**9,711**			**10,280**		

Total revenue decreased by USD569 million or by 5.5% to USD9,711 million in 2019 compared to USD10,280 million in 2018.

	Quarter ended 31 December 2019 *(unaudited)*	Quarter ended 31 December 2018 *(unaudited)*	Change quarter on quarter, % (4Q to 4Q)	Quarter ended 30 September 2019 *(unaudited)*	Change quarter on quarter, % (4Q to 3Q)	Year ended 31 December 2019	Year ended 31 December 2018	Change year-on-year, %
Sales of primary aluminium and alloys								
USD million	2,073	1,855	11.8%	2,069	0.2%	8,019	8,293	(3.3%)
Kt	1,107	877	26.2%	1,091	1.5%	4,176	3,671	13.8%
Average sales price *(USD/t)*	1,873	2,115	(11.4%)	1,896	(1.2%)	1,920	2,259	(15.0%)
Sales of alumina								
USD million	162	256	(36.7%)	162	0.0%	664	975	(31.9%)
Kt	512	473	8.2%	450	13.8%	1,753	1,930	(9.2%)
Average sales price *(USD/t)*	316	541	(41.6%)	360	(12.2%)	379	505	(25.0%)
Sales of foil and other aluminium products (USD million)	93	72	29.2%	112	(17.0%)	410	346	18.5%
Other revenue (USD million)	161	182	(11.5%)	143	12.6%	618	666	(7.2%)
Total revenue (USD million)	**2,489**	**2,365**	**5.2%**	**2,486**	**0.1%**	**9,711**	**10,280**	**(5.5%)**

Revenue from sales of primary aluminium and alloys decreased by USD274 million, or by 3.3%, to USD8,019 million in 2019, as compared to USD8,293 million in 2018, primarily due to 15.0% decrease in the weighted-average realized aluminium price per tonne (to an average of USD1,920 per tonne in 2019 from USD2,259 per tonne in 2018) driven by a decrease in the LME aluminium price (to an average of USD1,792 per tonne in 2019 from USD2,110 per tonne in 2018), which was partially offset by a 13.8% increase in primary aluminium and allows sales volume.

Revenue from sales of alumina decreased by 31.9% to USD664 million for the year ended 31 December 2019 from USD975 million for the year ended 31 December 2018 due a decrease in the average sales price by 25.0% together with a decrease in the sales volumes by 9.2%.

Revenue from sales of foil and other aluminium products increased by USD64 million, or by 18.5%, to USD410 million in 2019, as compared to USD346 million in 2018, due to an increase in revenue from sales of aluminium wheels by USD62 million between the comparable periods.

Revenue from other sales, including sales of other products, bauxite and energy services decreased by 7.2% to USD618 million for the year ended 31 December 2019 as compared to USD666 million for the previous year, due to a 3.5% decrease in sales of other materials (such as silicon by 23.0%, aluminium powder by 10.6%, potassium sulfate by 15.5%).

Cost of sales

The following table demonstrates the breakdown of UC RUSAL's cost of sales for the year ended 31 December 2019 and 2018, respectively:

	Year ended 31 December		**Change year-on-year, %**	**Share of costs, %**
	2019	**2018**		
(USD million)				
Cost of alumina	764	877	(12.9%)	9.4%
Cost of bauxite	483	495	(2.4%)	6.0%
Cost of other raw materials and other costs	2,515	2,833	(11.2%)	31.0%
Purchases of primary aluminium from JV	454	307	47.9%	5.6%
Energy costs	2,054	2,147	(4.3%)	25.3%
Depreciation and amortisation	549	498	10.2%	6.8%
Personnel expenses	499	582	(14.3%)	6.2%
Repairs and maintenance	358	74	383.8%	4.4%
Reversal of inventories	(16)	(20)	(20.0%)	(0.3%)
Change in finished goods	453	(347)	NA	5.6%
Total cost of sales	**8,113**	**7,446**	**9.0%**	**100.0%**

Total cost of sales increased by USD667 million, or by 9.0%, to USD8,113 million for the year ended 31 December 2019, as compared to USD7,446 million for the year ended 31 December 2018. The increase was primarily driven by 13.8% increase in primarily aluminium sales volume, which was partially offset by depreciation of Russian rouble against US dollar between the comparable periods.

Cost of alumina decreased by USD113 million, or by 12.9%, to USD764 million in 2019 as compared to USD877 million in 2018 primarily due to the decrease in alumina purchase price by 16.5% between the periods.

Cost of raw materials (other than alumina and bauxite) and other costs decreased by 11.2% for the year ended 31 December 2019 compared to the same period of 2018, due to a decrease in raw materials purchase price (prices for the calcined petroleum coke by 12.5%, raw pitch coke by 4.9%, anode blocks by 15.7%, caustic soda by 33.0%).

Cost of bauxite were almost flat between the comparable periods.

The finish goods mainly consist of primary aluminium and alloys (app.92%). The dynamic of change between the reporting periods was driven by the fluctuations of primary aluminium and alloys physical inventory between the reporting dates: 38.0% decrease in 2019 and 40.7% increase in 2018.

Distribution, administrative and other expenses

Distribution expenses increased by 16.7% to USD539 million in 2019, compared to USD462 million in 2018, primarily due to the increase in primarily aluminium sales volume, as well as the increase in transportation tariffs partially compensated by depreciation of the Russian rouble against the US Dollar between the periods.

Administrative expenses decreased to USD594 million in 2019 as compared to USD629 million in 2018 primarily due to depreciation of Russian rouble against US dollar between the periods.

Gross profit

As a result of the foregoing factors, UC RUSAL reports a gross profit of USD1,598 million for the year ended 31 December 2019 as compared to USD2,834 million for the year ended 31 December 2018, representing gross margins over the periods of 16.5% and 27.6%, respectively.

Adjusted EBITDA and Results from operating activities

	Year ended 31 December		**Change year-on-year, %**
	2019	**2018**	
(USD million)			
Reconciliation of Adjusted EBITDA			
Results from operating activities	87	1,481	(94.1%)
Add:			
Amortisation and depreciation	566	513	10.3%
Impairment of non-current assets	291	157	85.4%
Loss on disposal of property, plant and equipment	22	12	83.3%
Adjusted EBITDA	**966**	**2,163**	**(55.3%)**

Adjusted EBITDA, defined as results from operating activities adjusted for amortisation and depreciation, impairment charges and loss on disposal of property, plant and equipment, decreased to USD966 million for the year ended 31 December 2019, as compared to USD2,163 million for the year ended 31 December 2018. The factors that contributed to the decrease in Adjusted EBITDA margin were the same that influenced the operating results of the Company.

Finance income and expenses

	Year ended 31 December		**Change, year-on-year,%**
	2019	**2018**	
(USD million)			
Finance income			
Interest income on third party loans and deposits	44	31	41.9%
Interest income on loans to related party			
– *companies related through parent company*	1	1	0.0%
Change in fair value of derivative financial instruments, including:	–	171	(100.0%)
Change in fair value of embedded derivatives	–	*57*	*(100.0%)*
Change in other derivatives instruments	–	*114*	*(100.0%)*
	45	**203**	**(77.8%)**
Finance expenses			
Interest expense on bank loans and company loans, bonds and other bank charges, including	(576)	(498)	15.7%
Interest expense	*(517)*	*(459)*	*12.6%*
Bank charges	*(59)*	*(39)*	*51.3%*
Other finance costs	(13)	(2)	550.0%
Interest expense on provisions	(8)	(3)	166.7%
Net foreign exchange loss	(124)	(183)	(32.2%)
Change in fair value of derivative financial instruments, including:	(21)	–	100.0%
Change in fair value of embedded derivatives	*(6)*	–	*100.0%*
Change in other derivatives instruments	*(15)*	–	*100.0%*
Lease interest cost	(5)	–	100.0%
	(747)	**(686)**	**8.9%**

Finance income decreased by USD158 million, or 77.8% to USD45 million for the year ended 31 December 2019 compared to USD203 million for the year ended 31 December 2018 primarily due to net loss on change in fair value of derivative financial instruments in 2019 as compared to the net profit from this item in 2018.

Finance expenses increased by USD61 million or by 8.9% to USD747 million in 2019 as compared to USD686 million for the corresponding period of 2018 primarily due to the reason described above as well as 15.7% increase of interest expense and other bank charges between the comparable periods.

Share of profits of associates and joint ventures

	Year ended 31 December		Change, year-on-year,%
	2019	**2018**	
(USD million)			
Share of profits of Norilsk Nickel,	1,587	885	79.3%
with Effective shareholding of	*27.82%*	*27.82%*	
Share of profits of associates	**1,587**	**885**	79.3%
Share of profits of joint ventures	**82**	**70**	17.1%

The Company's share in profits of associates for the years ended 31 December 2019 and 2018 amounted to USD1,587 million and USD885 million, respectively. Share in results of associates in both periods resulted primarily from the profit from the Company's investment in Norilsk Nickel.

The market value of the investment in Norilsk Nickel at 31 December 2019 was USD13,586 million as compared to USD8,286 million as at 31 December 2018.

Share of profits of joint ventures was USD82 million for the year ended 31 December 2019 as compared to USD70 million for the same period in 2018. This represents the Company's share of profits in joint ventures, namely BEMO, LLP Bogatyr Komir and Mega Business and Alliance (transportation business in Kazakhstan).

Profit before income tax

UC RUSAL earned a profit before income tax in an amount of USD1,054 million for the year ended 31 December 2019, as compared to a profit before income tax in an amount of USD1,953 million for the year ended 31 December 2018 due to reasons set out above.

Income tax

Income tax expense decreased by USD161 million to USD94 million in 2019, as compared to USD255 million in 2018.

Current tax expenses decreased by USD143 million, or 46.9%, to USD162 million for the year ended 31 December 2019, as compared to USD305 million for the previous year primarily due to decrease in taxable profit.

The deferred tax benefit increased by USD18 million, or 36.0%, to USD68 million for the year ended 31 December 2019, as compared to USD50 million for the previous year primarily due to the tax effect of accruals of certain temporary differences, change in fair value of derivative financial instruments and reversal of deferred withholding tax related to the share of the company in Norilsk Nickel profits.

Profit for the period

As a result of the above, the Company recorded a profit of USD960 million in 2019, as compared to USD1,698 million in 2018.

Adjusted and Recurring Net (Loss)/Profit

(USD million)	Quarter ended 31 December 2019 *unaudited*	Quarter ended 31 December 2018 *unaudited*	Change quarter on quarter, % (4Q to 4Q) 2019	Quarter ended 30 September 2019 *unaudited*	Change quarter on quarter, % (4Q to 3Q) 2018	Year ended 31 December 2019	Year ended 31 December 2018	Change year-on-year, %
Reconciliation of Adjusted Net (Loss)/Profit								
Net profit for the period	141	149	(5.4%)	194	(27.3%)	960	1,698	(43.5%)
Adjusted for:								
Share of profits and other gains and losses attributable to Norilsk Nickel, net of tax effect	(505)	(118)	328.0%	(274)	84.3%	(1,543)	(839)	83.9%
Change in the fair value of derivative financial liabilities, net of tax (20%)	6	(39)	NA	24	(75.0%)	22	(160)	NA
Impairment of non-current assets, net of tax	220	(9)	NA	22	900.00%	291	157	85.4%
Adjusted Net (Loss)/Profit	**(138)**	**(17)**	**711.8%**	**(34)**	**305.9%**	**(270)**	**856**	**NA**
Add back:								
Share of profits of Norilsk Nickel, net of tax	505	118	328.0%	274	84.3%	1,543	839	83.9%
Recurring Net Profit	**367**	**101**	**263.4%**	**240**	**52.9%**	**1,273**	**1,695**	**(24.9%)**

Adjusted Net (Loss)/Profit for any period is defined as the net (loss)/profit adjusted for the net effect of the Company's investment in Norilsk Nickel, the net effect of derivative financial instruments and the net effect of non-current assets impairment. Recurring Net Profit for any period is defined as Adjusted Net (Loss)/Profit plus the Company's net effective share in Norilsk Nickel results.

Assets and liabilities

UC RUSAL's total assets increased by USD2,037 million, or 12.9%, to USD17,814 million as at 31 December 2019 as compared to USD15,777 million as at 31 December 2018. The increase in total assets driven primarily by the increase in investments in associates and cash and cash equivalents.

Total liabilities increased by USD499 million, or 4.7%, to USD11,067 million as at 31 December 2019 as compared to USD10,568 million as at 31 December 2018 mainly due to the increase in the Company's trade and other payables.

Cash flows

The Company generated net cash from operating activities of USD1,652 million for the year ended 31 December 2019 as compared to USD680 million for the previous year driven by the net decrease in working capital and provisions to USD950 million for 2019 as compared to the net increase in working capital and provisions to USD1,270 million for the previous year.

The Company generated USD246 million net cash from investing activities for the year ended 31 December 2019 as compared to USD106 million net cash used in the investing activities in the previous year primarily due to an increase in dividends from associates and joint ventures in 2019.

The above mentioned factors allowed the Company to assign USD337 million of its own cash flows for the debt repayment that together with the interest payments of USD553 million represent the main components of the cash used in the financing activities with the total net amount of USD949 million for 2019.

Segment reporting

The Group has four reportable segments, as described in the Annual Report, which are the Group's strategic business units: Aluminium, Alumina, Energy and Mining and Metals. These business units are managed separately and results of their operations are reviewed by the Chief Executive Officer on a regular basis.

The core segments are Aluminium and Alumina.

	Year ended 31 December			
	2019		2018	
	Aluminium	Alumina	Aluminium	Alumina
(USD million)				
Segment revenue				
kt	*4,036*	*7,662*	*3,596*	*7,525*
USD million	*7,732*	*2,539*	*8,068*	*2,753*
Segment result	800	(51)	1,813	239
Segment EBITDA[8]	1,167	79	2,150	353
Segment EBITDA margin	15.1%	3.1%	26.6%	12.8%
Total capital expenditure	554	267	271	332

The segment result margin (calculated as a percentage of segment profit to total segment revenue per respective segment) for aluminium segment decreased to 10.3% for the year ended 31 December 2019 from 22.5% for the year ended 31 December 2018, and decreased to negative 2.0% compared to positive 8.6%, respectively, for the alumina segment. Key drivers for the decrease in margin in the aluminium segment are disclosed in "Revenue", "Cost of sales" and "Adjusted EBITDA and results from operating activities" sections above. Detailed segment reporting can be found in the consolidated financial statements for the year ended 31 December 2019.

Capital expenditure

UC RUSAL recorded a total capital expenditure of USD848 million for the year ended 31 December 2019. UC RUSAL's capital expenditure in 2019 was aimed at maintaining existing production facilities.

	Year ended 31 December	
	2019	2018
(USD million)		
Development capex	**349**	**453**
Maintenance		
Pot rebuilds costs	131	101
Re-equipment	368	280
Total capital expenditure	**848**	**834**

The BEMO project companies utilise the project financing proceeds to make necessary contributions to the ongoing construction projects and do not require contributions from the joint ventures partners at this time.

8 Segment EBITDA for any period is defined as segment result adjusted for amortisation and depreciation for the segment.

Consolidated financial statements

The following section contains the audited consolidated financial statements of UC RUSAL for the year ended 31 December 2019 which were approved by the directors of UC RUSAL (the "**Directors**") on 12 March 2020, and reviewed by the Audit Committee.

The full set of audited consolidated financial statements of UC RUSAL, together with the report of the independent auditor is available on UC RUSAL's website at: *http://www.rusal.ru/en/investors/financial_stat.aspx.*

		Year ended 31 December	
		2019	2018
	Note	USD million	USD million
Revenue	5	9,711	10,280
Cost of sales	6(a)	(8,113)	(7,446)
Gross profit		**1,598**	**2,834**
Distribution expenses	6(b)	(539)	(462)
Administrative expenses	6(b)	(594)	(629)
Impairment of non-current assets	6(b)	(291)	(157)
Net other operating expenses	6(b)	(87)	(105)
Results from operating activities		**87**	**1,481**
Finance income	7	45	203
Finance expenses	7	(747)	(686)
Share of profits of associates and joint ventures	15	1,669	955
Profit before taxation		**1,054**	**1,953**
Income tax	8	(94)	(255)
Profit for the year		**960**	**1,698**
Attributable to Shareholders of the Company		960	1,698
Profit for the year		**960**	**1,698**
Earnings per share			
Basic and diluted earnings per share (USD)	12	**0.063**	**0.112**
Adjusted EBITDA	6(d)	966	2,163

The consolidated statement of income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 24 to 97.

		Year ended 31 December	
		2019	**2018**
	Note	**USD million**	**USD million**
Profit for the year		**960**	**1,698**
Other comprehensive income			
Items that will never be reclassified subsequently to profit or loss:			
Actuarial (loss)/gain on post retirement benefit plans	20	(9)	6
		(9)	**6**
Items that are or may be reclassified subsequently to profit or loss:			
Change in fair value of cash flow hedges	21	34	-
Share of other comprehensive income of associates	15	-	10
Disposal of subsidiary		4	-
Foreign currency translation differences for equity-accounted investees	15	448	(810)
Foreign currency translation differences on foreign operations		101	(139)
		587	**(939)**
Other comprehensive income/(loss) for the year, net of tax		**578**	**(933)**
Total comprehensive income for the year		**1,538**	**765**
Attributable to:			
Shareholders of the Company		1,538	765
Total comprehensive income for the year		**1,538**	**765**

There was no significant tax effect relating to each component of other comprehensive income.

The consolidated statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 24 to 97.

	Note	31 December 2019 USD million	31 December 2018 USD million
ASSETS			
Non-current assets			
Property, plant and equipment	13	4,499	4,421
Intangible assets	14	2,557	2,409
Interests in associates and joint ventures	15	4,240	3,698
Deferred tax assets	8	130	93
Derivative financial assets	21	33	33
Other non-current assets		87	57
Total non-current assets		**11,546**	**10,711**
Current assets			
Inventories	16	2,460	3,006
Short-term investments		171	105
Trade and other receivables	17(a)	1,351	1,102
Dividends receivable		430	-
Derivative financial assets	21	75	9
Cash and cash equivalents	17(c)	1,781	844
Total current assets		**6,268**	**5,066**
Total assets		**17,814**	**15,777**

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 24 to 97.

	Note	31 December 2019 USD million	31 December 2018 USD million
EQUITY AND LIABILITIES			
Equity	18		
Share capital		152	152
Share premium		15,786	15,786
Other reserves		2,892	2,863
Currency translation reserve		(9,201)	(9,750)
Accumulated losses		(2,882)	(3,842)
Total equity		**6,747**	**5,209**
Non-current liabilities			
Loans and borrowings	19	7,699	7,372
Provisions	20	403	366
Deferred tax liabilities	8	465	502
Derivative financial liabilities	21	27	24
Other non-current liabilities		83	50
Total non-current liabilities		**8,677**	**8,314**
Current liabilities			
Loans and borrowings	19	548	914
Trade and other payables	17(b)	1,770	1,274
Derivative financial liabilities	21	27	7
Provisions	20	45	59
Total current liabilities		**2,390**	**2,254**
Total liabilities		**11,067**	**10,568**
Total equity and liabilities		**17,814**	**15,777**
Net current assets		**3,878**	**2,812**
Total assets less current liabilities		**15,424**	**13,523**

Approved and authorised for issue by the board of directors on 12 March 2020.

Evgenii V. Nikitin
Chief Executive Officer

Alexander V. Popov
Chief Financial Officer

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 24 to 97.

	Share capital	Share premium	Other reserves	Currency translation reserve	Accumulated losses	Total equity
	USD million	USD million	USD million	USD million	USD million	USD million
Balance at 1 January 2019	**152**	**15,786**	**2,863**	**(9,750)**	**(3,842)**	**5,209**
Profit for the year	-	-	-	-	960	**960**
Other comprehensive income for the year	-	-	29	549	-	**578**
Total comprehensive income for the year	-	-	**29**	**549**	**960**	**1,538**
Balance at 31 December 2019	**152**	**15,786**	**2,892**	**(9,201)**	**(2,882)**	**6,747**
Balance at 1 January 2018	**152**	**15,786**	**2,847**	**(8,801)**	**(5,540)**	**4,444**
Profit for the year	-	-	-	-	1,698	**1,698**
Other comprehensive income/(loss) for the year	-	-	16	(949)	-	**(933)**
Total comprehensive income for the year	-	-	**16**	**(949)**	**1,698**	**765**
Balance at 31 December 2018	**152**	**15,786**	**2,863**	**(9,750)**	**(3,842)**	**5,209**

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 24 to 97.

	Note	Year ended 31 December 2019	2018
		USD million	USD million
OPERATING ACTIVITIES			
Profit for the year		**960**	**1,698**
Adjustments for:			
Depreciation	6, 13	562	511
Amortisation	6, 14	4	2
Impairment of non-current assets	6(b)	291	157
(Reversal of)/ impairment of trade and other receivables	6(b)	(12)	36
Reversal of impairment of inventories	16	(16)	(20)
Reversal of pension provision	20	(7)	(2)
Provision for legal claims	20	14	-
Change in fair value of derivative financial instruments	7	21	(171)
Net foreign exchange loss	7	124	80
Loss on disposal of property, plant and equipment	6(b)	22	12
Interest expense	7	602	503
Interest income	7	(45)	(32)
Income tax expense	8	94	255
Share of profits of associates and joint ventures	15	(1,669)	(955)
Cash from operating activities before changes in working capital and provisions		**945**	**2,074**
Decrease/(increase) in inventories		580	(498)
Increase in trade and other receivables		(210)	(154)
Increase/(decrease) in trade and other payables		586	(608)
Decrease in provisions		(6)	(10)
Cash generated from operations before income tax paid		**1,895**	**804**
Income taxes paid	8	(243)	(124)
Net cash generated from operating activities		**1,652**	**680**

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 24 to 97.

	Note	Year ended 31 December 2019 USD million	Year ended 31 December 2018 USD million
INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		43	22
Interest received		31	29
Acquisition of property, plant and equipment		(811)	(812)
Dividends from associates and joint ventures		1,141	909
Acquisition of intangible assets		(37)	(22)
Other investments		(85)	(153)
Contribution to joint venture		(75)	-
Acquisition of subsidiaries		(35)	(53)
Return of prepayment for investment in associate		44	-
Changes in restricted cash	17(c)	30	(26)
Net cash generated from/(used in) investing activities		**246**	**(106)**
FINANCING ACTIVITIES			
Proceeds from borrowings		1,568	1,996
Repayment of borrowings		(1,905)	(2,142)
Refinancing fees and other expenses		(33)	(6)
Interest paid		(553)	(490)
Settlement of derivative financial instruments		(26)	125
Net cash used in financing activities		**(949)**	**(517)**
Net increase in cash and cash equivalents		**949**	**57**
Cash and cash equivalents at the beginning of the year	17(c)	801	814
Effect of exchange rate fluctuations on cash and cash equivalents		18	(70)
Cash and cash equivalents at the end of the year	17(c)	**1,768**	**801**

Restricted cash amounted to USD13 million and USD43 million at 31 December 2019 and 31 December 2018, respectively.

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 24 to 97.

1 Background

(a) Organisation

United Company RUSAL Plc (the "Company" or "UC RUSAL") was established by the controlling shareholder of RUSAL Limited ("RUSAL") as a limited liability company under the laws of Jersey on 26 October 2006. On 27 January 2010, the Company successfully completed a dual placing on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") and the Professional Segment of NYSE Euronext Paris ("Euronext Paris") (the "Global Offering") and changed its legal form from a limited liability company to a public limited company.

On 23 March 2015, the shares of the Company were admitted to listing on PJSC Moscow Exchange MICEX-RTS ("Moscow Exchange") in the First Level quotation list. The trading of shares on Moscow Exchange commenced on 30 March 2015. There was no issue of new shares.

The Company has filed the application for the delisting of its global depositary receipts ("GDSs") with the Euronext Paris. The GDSs were delisted on 7 May 2018.

The Company's registered office is 3rd floor, 44 Esplanade, St Helier, Jersey, JE4 9WG, Channel Islands.

The extraordinary general meeting of the Company held on 1 August 2019 approved the application by the Company to the regulatory authorities in the Russian Federation (the "New Jurisdiction") for continuance as a company with the status of an International Company established under the laws of the New Jurisdiction. The Company is currently in process of completing relevant actions for approved redomiciliation.

The Company directly or through its wholly owned subsidiaries controls a number of production and trading entities engaged in the aluminium business and other entities, which together with the Company are referred to as "the Group".

The shareholding structure of the Company as at 31 December 2019 and 31 December 2018 was as follows:

	31 December 2019	31 December 2018
EN+GROUP IPJSC ("EN+", former En+ Group Plc)	50.10%	48.13%
SUAL Partners Limited ("SUAL Partners")	22.50%	22.50%
Zonoville Investments Limited ("Zonoville")	4.00%	4.00%
Amokenga Holdings Limited ("Amokenga Holdings")	6.78%	8.75%
Mr. Oleg V. Deripaska	0.01%	0.01%
Publicly held	16.61%	16.61%
Total	**100.00%**	**100.00%**

At 31 December 2019 and 2018 the directors consider the immediate parent of the Group to be EN+, which was incorporated in Jersey with its registered office at 44 Esplanade, St Helier, Jersey, JE4 9WG, Channel Islands. On 9 July 2019 the Parent Company changed its domicile to Russian Federation with a registration as EN+ GROUP International public joint-stock company (EN+GROUP IPJSC). As at the reporting date the Parent Company's registered office is Oktyabrskaya st. 8, office 34, Kaliningrad, Kaliningrad Region, 236006, Russian Federation.

Based on the information provided by EN+, at the reporting date there is no individual that has an indirect prevailing ownership interest in EN+ GROUP IPJSC exceeding 50%, who could exercise voting rights in respect of more than 35% of EN+ GROUP IPJSC's issued share capital or has an opportunity to exercise control over EN+ GROUP IPJSC. As at 31 December 2019 Mr. Oleg Deripaska beneficially controls and exercises voting rights in respect of 35% of the voting shares of EN+ GROUP IPJSC and cannot exceed his direct or indirect shareholding over 44.95% of the shares of the Company.

According to the information disclosed at the Stock Exchange of Hong Kong Limited Zonoville Investments Limited and SUAL Partners Limited are associates. Amokenga Holdings is ultimately controlled by Glencore International Plc. Major ultimate beneficiaries of SUAL Partners are Mr. Victor Vekselberg and Mr. Len Blavatnik.

At the date of these financial statements the shareholding structure of the Company was as follows:

EN+GROUP IPJSC ("EN+", former En+ Group Plc)	56.88%
SUAL Partners Limited ("SUAL Partners")	22.50%
Zonoville Investments Limited ("Zonoville")	4.00%
Mr. Oleg V. Deripaska	0.01%
Publicly held	16.61%
Total	**100.00%**

Based on publicly available information at the Company's disposal at the date of these financial statements, Mr. Oleg Deripaska has indirect ownership interest in the Company exceeding 25%. There is no individual that has an opportunity to exercise control over the Company.

Related party transactions are disclosed in note 25.

(b) Operations

The Group operates in the aluminium industry primarily in the Russian Federation, Ukraine, Guinea, Jamaica, Ireland, Italy, Nigeria and Sweden and is principally engaged in the mining and refining of bauxite and nepheline ore into alumina, the smelting of primary aluminium from alumina and the fabrication of aluminium and aluminium alloys into semi-fabricated and finished products. The Group sells its products primarily in Europe, Russia, other countries of the Commonwealth of Independent States ("CIS"), Asia and North America.

(c) Business environment in emerging economies

The Russian Federation, Ukraine, Jamaica, Nigeria and Guinea have been experiencing political and economic changes that have affected, and may continue to affect, the activities of enterprises operating in these environments. Consequently, operations in these countries involve risks that typically do not exist in other markets, including reconsideration of privatisation terms in certain countries where the Group operates following changes in governing political powers.

The conflict in Ukraine and related events has increased the perceived risks of doing business in the Russian Federation. The imposition of economic sanctions on Russian individuals and legal entities by the European Union, the United States of America, Japan, Canada, Australia and others, as well as retaliatory sanctions imposed by the Russian government, has resulted in increased economic uncertainty including more volatile equity markets, a depreciation of the Russian Rouble, a reduction in both local and foreign direct investment inflows and a significant tightening in the availability of credit. In particular, some Russian entities may be experiencing difficulties in accessing international equity and debt markets and may become increasingly dependent on Russian state banks to finance their operations. The longer term effects of recently implemented sanctions, as well as the threat of additional future sanctions, are difficult to determine.

The consolidated financial statements reflect management's assessment of the impact of the Russian, Ukrainian, Jamaican, Nigerian and Guinean business environments on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

(d) OFAC Sanctions

On 6 April 2018, the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") designated, amongst others, the Company, as a Specially Designated National ("SDN") (the "OFAC Sanctions").

As a result, all property or interests in property of the Company and its subsidiaries located in the United States or in the possession of U.S. Persons were blocked, must have been frozen, and could not be transferred, paid, exported, withdrawn, or otherwise dealt in. Several general licenses were issued at the time of the designation and later on authorizing certain transactions with the Company, its majority shareholder EN+GROUP IPJSC ("EN+", former En+ Group Plc), and with their respective debt and equity.

On 27 January 2019 OFAC announced removal of the Company and En+ from OFAC's SDN List with immediate effect. The removal was subject to and conditional upon the satisfaction of a number of conditions including, but not limited to, corporate governance changes, including, inter alia, overhauling the composition of the Board to ensure that independent directors constitute the majority of the Board, stepping down of the Chairman of the Board, and ongoing reporting and certifications by the Company to OFAC concerning compliance with the conditions for removal.

2 Basis of preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which collective term includes all International Accounting Standards and related interpretations, promulgated by the International Accounting Standards Board ("IASB"), and the disclosure requirements of the Hong Kong Companies Ordinance.

These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

This is the first set of the Group's annual financial statements in which IFRS 16 *Leases* have been applied. Changes to significant accounting policies are described in Note 3. A number of other new standards are also effective from 1 January 2019 but they do not have a material effect on the Group's financial statements.

Due to the transition method chosen by the Group in applying this standard, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

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

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

- *Amendments to References to Conceptual Framework in IFRS Standards.*
- *Definition of a Business (Amendments to IFRS 3).*
- *Definition of Material (Amendments to IAS 1 and IAS 8).*

- *IFRS 17 Insurance Contracts.*
- *Interest Rate Benchmarking Reform (Amendments to IFRS 9, IAS 39 and IFRS 7).*

3 Significant accounting policies

(a) Changes in accounting policies

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

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group has applied IFRS 16 using the modified retrospective approach, under which the comparative information presented for 2018 has not been restated – i. e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

Definition of a lease

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

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

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for the leases of properties in which Group acts as a lessee, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

As a lessee

The Group leases many assets, including land, properties and production equipment.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16 the Group recognises right-of-use assets and lease liabilities for most leases – i. e. these leases are on-balance sheet.

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

The group presents right-of-use assets as part of property plant and equipment, the same line item as it presents underlying assets of the same nature that it owns. The carrying amounts of right-of-use assets are presented below.

	Property, plant and equipment		
USD Million	**Land and buildings**	**Machinery and equipment**	**Total**
Balance at 1 January 2019	19	19	38
Balance at 31 December 2019	**17**	**13**	**30**

The Group presents lease liabilities as part of other payables and other non-current liabilities in the statement of financial position depending on the period to which future lease payments relate.

Significant accounting policies

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost and subsequently measured at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability as required by IFRS 16.

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

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

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

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options, the assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

In determining the enforceable period (i.e. the maximum lease term), the Group considers whether both it and the lessor has a right to terminate the lease without permission from the other party and, if so, whether that termination would result in more than an insignificant penalty. If a more than insignificant penalty exists, then the enforceable period extends until the point at which a no more than an insignificant penalty exists.

In accordance with IFRS 16 variable payments which do not depend on index or rate, e. g. which do not reflect changes in market rental rates, should not be included in the measurement of lease liability.

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

Transition

Previously, the Group classified property and equipment leases as operating leases under IAS 17. These mainly include land plots, office spaces and items of machinery and equipment. The leases run for different periods of time, with longer periods for land plots. Some leases include an option to renew the lease for an additional period after the end of the non-cancellable period. Some leases provide for additional rent payments that are based on changes in various indices.

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying IFRS 16 to lease previously classified as operating leases under IAS 17:

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.

- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

For the leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

As a lessor

The accounting policies applicable to the Group as a lessor are not different from those under IAS 17. However, when the Group is an intermediate lessor the sub-leases are classified with reference to the right-of the use asset arising from the head lease, not with reference to the underlying asset.

Impacts on financial statements

Impacts on transition

On transition to IFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities in equal amounts. The impact on transition is summarised below.

	1 January 2019
	USD million
Right-of-use assets presented in property, plant and equipment less impairment losses	38
Lease liabilities	38

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average rate applied is 11%.

	1 January 2019
	USD million
Discounted using incremental borrowing rate at 1 January 2019	59
- *Recognition exemption for leases with less than 12 month of lease term at transition*	*(12)*
- *Termination options reasonably certain to be exercised*	*(9)*
Lease liabilities recognised at 1 January 2019	38

Impacts for the period

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised USD30 million of right-of-use assets and USD39 million of lease liabilities as at 31 December 2019. USD25 million of lease liabilities (including USD4 million of related parties – companies related through parent company) are long-term and included in other non-current liabilities, USD14 million of lease liabilities (including USD4 million of related parties – companies related through parent company) are short-term and included in other payables.

Also in relation to these leases under IFRS 16, the Group has recognised USD10 million of depreciation charges and USD5 million of interest costs for the year ended 31 December 2019. USD8 million of right-of-use assets have been impaired during the year ended 31 December 2019. The Group's total cash outflow for leases was in the amount of USD13 million.

The expense relating to short-term leases in the amount of USD23 million is included in cost of sales or administrative expenses depending on type of underlying asset.

Future cash outflows to which the Group is potentially exposed that are not recognised in right-to-use assets and are not reflected in the measurement of lease liabilities and which arise from variable lease payments not linked to index or rate are in the amount of USD45 million.

(b) Basis of measurement

The consolidated financial statements have been prepared in accordance with the historical cost basis except as set out in the significant accounting policies in the related notes below.

(c) Functional and presentation currency

The Company's functional currency is the United States Dollar ("USD") because it reflects the economic substance of the underlying events and circumstances of the Company. The functional currencies of the Group's significant subsidiaries are the currencies of the primary economic environment and key business processes of these subsidiaries and include USD, Russian Roubles ("RUB"), Ukrainian Hryvna and Euros ("EUR"). The consolidated financial statements are presented in USD, rounded to the nearest million, except as otherwise stated herein.

(d) Use of judgements, estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the consolidated financial statements, and the reported revenue and costs during the relevant period.

Management bases its judgements and estimates on historical experience and various other factors that are believed to be appropriate and reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have a significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year relate to:

- measurement of recoverable amount of property, plant and equipment (note 13) and goodwill (note 14);
- measurement of net realizable value of inventories (note 16);
- measurement of recoverable amount of investments in associates and joint ventures (note 15);
- estimates in respect of legal proceedings, restoration and exploration, taxation and pension reserve (note 20).

(e) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the group. The Group controls an entity when it is exposed, 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. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

When the group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

(ii) Transactions eliminated on consolidation

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

(f) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary items in a foreign currency are measured based on historical cost and translated using the exchange rate at the date of transaction. Foreign currency differences arising on retranslation are recognised in the statement of income, except for differences arising on the retranslation of qualifying cash flow hedges to the extent the hedge is effective, which is recognised in the other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated from their functional currencies to USD at the exchange rates ruling at the reporting date. The income and expenses of foreign operations are translated to USD at exchange rates approximating exchange rates at the dates of the transactions.

Foreign currency differences arising on translation are recognised in the statement of comprehensive income and presented in the currency translation reserve in equity. For the purposes of foreign currency translation, the net investment in a foreign operation includes foreign currency intra-group balances for which settlement is neither planned nor likely in the foreseeable future and foreign currency differences arising from such a monetary item are recognised in the statement of comprehensive income.

When a foreign operation is disposed of, such that control, significant influence or joint control is lost, the cumulative amount of the currency translation reserve is transferred to the statement of income as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to the statement of income.

4 Segment reporting

(a) Reportable segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance and for which discrete consolidated financial information or statements are available.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

The Group has four reportable segments, as described below, which are the Group's strategic business units. These business units are managed separately and the results of their operations are reviewed by the CEO on a regular basis.

Aluminium. The Aluminium segment is involved in the production and sale of primary aluminium and related products.

Alumina. The Alumina segment is involved in the mining and refining of bauxite into alumina and the sale of alumina.

Energy. The Energy segment includes the Group companies and projects engaged in the mining and sale of coal and the generation and transmission of electricity produced from various sources. Where the generating facility is solely a part of an alumina or aluminium production facility it is included in the respective reportable segment.

Mining and Metals. The Mining and Metals segment includes the equity investment in PJSC MMC Norilsk Nickel ("Norilsk Nickel").

Other operations include manufacturing of semi-finished products from primary aluminium for the transportation, packaging, building and construction, consumer goods and technology industries; and the activities of the Group's administrative centres. None of these segments meet any of the quantitative thresholds for determining reportable segments in 2019 and 2018.

The Aluminium and Alumina segments are vertically integrated whereby the Alumina segment supplies alumina to the Aluminium segment for further refining and smelting with limited sales of alumina outside the Group. Integration between the Aluminium, Alumina and Energy segments also includes shared servicing and distribution.

(b) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitor the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of income tax assets and corporate assets. Segment liabilities include trade and other payables attributable to the production and sales activities of the individual segments. Loans and borrowings are not allocated to individual segments as they are centrally managed by the head office.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments excluding impairment.

The measure used for reporting segment results is the statement of income before income tax adjusted for items not specifically attributed to individual segments, such as finance income, costs of loans and borrowings and other head office or corporate administration costs. The segment profit or loss is included in the internal management reports that are reviewed by the Group's CEO. Segment profit or loss is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

In addition to receiving segment information concerning segment results, management is provided with segment information concerning revenue (including inter-segment revenue), the carrying value of investments and share of profits/(losses) of associates and joint ventures, depreciation, amortisation, impairment and additions of non-current segment assets used by the segments in their operations. Inter-segment pricing is determined on a consistent basis using market benchmarks.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and intangible assets other than goodwill.

(i) Reportable segments

Year ended 31 December 2019

	Aluminium	Alumina	Energy	Mining and Metals	Total segment result
	USD million	USD million	USD million	USD million	USD million
Revenue from external customers	8,082	984	-	-	**9,066**
Inter-segment revenue	232	2,881	-	-	**3,113**
Total segment revenue	**8,314**	**3,865**	**-**	**-**	**12,179**
Segment profit	**275**	**456**	**-**	**-**	**731**
Impairment of non-current assets	(153)	(42)	-	-	**(195)**
Share of profits of associates and joint ventures	-	-	82	1,587	**1,669**
Depreciation/amortisation	(378)	(158)	-	-	**(536)**
Non-cash income other than depreciation	9	10	-	-	**19**
Additions to non-current segment assets during the year	554	267	-	-	**821**
Non-cash disposals to non-current segment assets related to site restoration	(3)	(8)	-	-	**(11)**

	Aluminium	Alumina	Energy	Mining and Metals	Total segment result
	USD million	USD million	USD million	USD million	USD million
Segment assets	6,912	2,656	-	-	**9,568**
Interests in associates and joint ventures	-	-	699	3,462	**4,161**
Total segment assets					**13,729**
Segment liabilities	(966)	(614)	(11)	-	**(1,591)**
Total segment liabilities					**(1,591)**

Year ended 31 December 2018

	Aluminium	Alumina	Energy	Mining and Metals	Total segment result
	USD million	USD million	USD million	USD million	USD million
Revenue from external customers	8,334	1,325	-	-	**9,659**
Inter-segment revenue	228	3,381	-	-	**3,609**
Total segment revenue	**8,562**	**4,706**	**-**	**-**	**13,268**
Segment profit	**791**	**1,221**	**-**	**-**	**2,012**
Reversal of/(impairment) of non-current assets	7	(87)	-	-	**(80)**
Share of profits of associates and joint ventures	-	-	72	885	**957**
Depreciation/amortisation	(346)	(138)	-	-	**(484)**
Non-cash income/(expense) other than depreciation	13	(1)	-	-	**12**
Additions to non-current segment assets during the year	271	332	-	-	**603**
Non-cash disposals to non-current segment assets related to site restoration	-	(5)	-	-	**(5)**
Segment assets	6,864	2,656	-	-	**9,520**
Interests in associates and joint ventures	-	-	594	3,101	**3,695**
Total segment assets					**13,215**
Segment liabilities	(634)	(568)	(10)	-	**(1,212)**
Total segment liabilities					**(1,212)**

(ii) Reconciliation of reportable segment revenue, profit or loss, assets and liabilities

	Year ended 31 December	
	2019	2018
	USD million	USD million
Revenue		
Reportable segment revenue	12,179	13,268
Elimination of inter-segment revenue	(3,113)	(3,609)
Unallocated revenue	645	621
Consolidated revenue	**9,711**	**10,280**

	Year ended 31 December	
	2019	2018
	USD million	USD million
Profit		
Reportable segment profit	731	2,012
Impairment of non-current assets	(291)	(157)
Share of profits of associates and joint ventures	1,669	955
Finance income	45	203
Finance expenses	(747)	(686)
Unallocated expenses	(353)	(374)
Consolidated profit before taxation	**1,054**	**1,953**

	31 December 2019	31 December 2018
	USD million	USD million
Assets		
Reportable segment assets	13,729	13,215
Unallocated assets	4,085	2,562
Consolidated total assets	**17,814**	**15,777**

	31 December 2019	31 December 2018
	USD million	USD million
Liabilities		
Reportable segment liabilities	(1,591)	(1,212)
Unallocated liabilities	(9,476)	(9,356)
Consolidated total liabilities	**(11,067)**	**(10,568)**

(iii) Geographic information

The Group's operating segments are managed on a worldwide basis, but operate in four principal geographical areas: the CIS, Europe, Africa and the Americas. In the CIS, production facilities operate in Russia and Ukraine. In Europe, production facilities are located in Italy, Ireland and Sweden. African production facilities are represented by bauxite mines and an alumina refinery in Guinea and an aluminium plant in Nigeria. In the Americas the Group operates one production facility in Jamaica, one in Guyana and a trading subsidiary in the United States of America.

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, intangible assets and interests in associates and joint ventures ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods were delivered. The geographical location of the specified non-current assets is based on the physical location of the asset. Unallocated specified non-current assets comprise mainly goodwill and interests in associates and joint ventures.

	Revenue from external customers Year ended 31 December	
	2019	**2018**
	USD million	**USD million**
Russia	2,290	2,485
Turkey	1,051	750
Netherlands	985	1,121
USA	649	887
South Korea	577	282
Italy	570	359
Poland	456	333
Japan	440	800
Germany	220	227
France	209	311
Norway	203	372
Greece	188	262
Sweden	158	333
China	118	53
Other countries	1,597	1,705
	9,711	**10,280**

	Specified non-current assets	
	31 December 2019	**31 December 2018**
	USD million	**USD million**
Russia	7,357	7,031
Ireland	655	376
Guinea	230	152
Ukraine	158	158
Sweden	-	126
Unallocated	3,146	2,868
	11,546	**10,711**

5 Revenue

Accounting policies

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised.

The details of significant accounting policies in relation to the Group's various goods and services are set out below:

Sales of goods: comprise sale of primary aluminium, alloys, alumina, bauxite and other products. Customers obtain control of the goods supplied when the goods are delivered to the point when risks are transferred based on Incoterms delivery terms stated in the contract. Invoices are generated and revenue is recognised at that point in time. Invoices are usually payable within 60 days or in advance. Under certain Group sale contracts the final price for the goods shipped is determined a few months later than the delivery took place. Under current requirements the Group determines the amount of revenue at the moment of recognition based on estimated selling price at the date of the invoice issued. At price finalisation the difference between estimated price and actual one is recognised as other revenue.

Rendering of transportation services: as part of sales of goods the Group also performs transportation to the customer under contract terms. In certain cases the control for goods delivered is transferred to customer at earlier point than the transportation is completed. In these cases rendering of transportation services from when the control of goods has transferred is considered as a separate performance obligation.

Rendering of electricity supply services: The Group is involved in sales of energy to 3rd and related parties. Invoices are issued once a month at the end of month and paid within 30 days. Revenue is recognised over time during the month of energy supply.

Disclosures

	Year ended 31 December	
	2019	**2018**
	USD million	**USD million**
Revenue from contracts with customers	**9,711**	**10,280**
Sales of products	**9,529**	**10,066**
Sales of primary aluminium and alloys	8,019	8,293
Sales of alumina and bauxite	668	984
Sales of foil and other aluminium products	410	346
Sales of other products	432	443
Provision of services	**182**	**214**
Supply of energy	118	143
Provision of transportation services	10	8
Provision of other services	54	63
Total revenue by types of customers	**9,711**	**10,280**
Third parties	6,530	6,150
Related parties – companies capable of exerting significant influence	2,727	3,671
Related parties – companies related through parent company	140	166
Related parties – associates and joint ventures	314	293
Total revenue by primary regions	**9,711**	**10,280**
Europe	4,805	4,804
CIS	2,669	2,944
America	799	1,076
Asia	1,381	1,400
Other	57	56

The Group's customer base is diversified and includes only one major customer - Glencore International AG (a member of Glencore International Plc which is a shareholder of the Company with a 6.78% share – refer to note 1(a)) - with whom transactions have exceeded 10% of the Group's revenue. In 2019 revenues from sales of primary aluminium and alloys to this customer amounted to USD2,325 million (2018: USD3,115 million).

Revenue from sale of primary aluminium and alloys relates to aluminium segment (Note 4). Revenue from sales of alumina and bauxite relates to alumina segment which also includes sale of other products. Revenue from sale of foil and other aluminium products and other products and services relates mostly to the revenue of non-reportable segments.

6 Cost of sales and operating expenses

(a) Cost of sales

	Year ended 31 December	
	2019	**2018**
	USD million	**USD million**
Cost of alumina, bauxite and other materials	**(3,388)**	**(3,720)**
Third parties	*(3,300)*	*(3,588)*
Related parties – companies capable of exerting significant influence	*(54)*	*(78)*
Related parties – companies related through parent company	*(34)*	*(54)*
Purchases of primary aluminium	**(516)**	**(467)**
Third parties	*(49)*	*(145)*
Related parties – companies related through parent company	*(13)*	*(15)*
Related parties – associates and joint ventures	*(454)*	*(307)*
Energy costs	**(2,054)**	**(2,147)**
Third parties	*(1,235)*	*(1,267)*
Related parties – companies capable of exerting significant influence	*(5)*	*(4)*
Related parties – companies related through parent company	*(782)*	*(839)*
Related parties – associates and joint ventures	*(32)*	*(37)*
Personnel costs	**(499)**	**(582)**
Depreciation and amortisation	**(548)**	**(498)**
Change in finished goods	**(453)**	**347**
Other costs	**(655)**	**(379)**
Third parties	*(502)*	*(196)*
Related parties – companies related through parent company	*(30)*	*(35)*
Related parties – associates and joint ventures	*(123)*	*(148)*
	(8,113)	**(7,446)**

(b) Distribution, administrative and other operating expenses, and impairment of non-current assets

	Year ended 31 December	
	2019	**2018**
	USD million	**USD million**
Transportation expenses	(438)	(373)
Personnel costs	(325)	(330)
Impairment of non-current assets	(291)	(157)
Consulting and legal expenses	(79)	(79)
Packaging materials	(43)	(36)
Security	(31)	(24)
Charitable donations	(31)	(22)
Taxes other than on income	(30)	(31)
Repair and other services	(24)	(19)
Loss on disposal of property, plant and equipment	(22)	(12)
Depreciation and amortisation	(18)	(15)
Short-term lease and variable lease payments	(17)	(24)
Provision for legal claims	(14)	-
Auditors' remuneration	(6)	(6)
Reversal/(impairment) of trade and other receivables	12	(36)
Other expenses	(154)	(189)
	(1,511)	**(1,353)**

(c) Personnel costs

Accounting policies

Personnel costs comprise salaries, annual bonuses, annual leave and cost of non-monetary benefits. Salaries, annual bonuses, paid annual leave and cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

The employees of the Group are also members of retirement schemes operated by local authorities. The Group is required to contribute a certain percentage of their payroll to these schemes to fund the benefits. The Group's total contribution to those schemes charged to the statement of income during the years presented is shown below.

The Group's net obligation in respect of defined benefit pension and other post-retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

Where there is a change in actuarial assumptions, the resulting actuarial gains and losses are recognised directly in other comprehensive income.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in the statement of income on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately.

The Group recognises gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs.

The gain or loss on curtailment comprises any resulting change in the fair value of plan assets, any change in the present value of the defined benefit obligation, any related actuarial gains and losses.

Disclosures

	Year ended 31 December	
	2019	**2018**
	USD million	**USD million**
Contributions to defined contribution retirement plans	176	173
Contributions to defined benefit retirement plans	3	-
Total retirement costs	179	173
Wages and salaries	645	739
	824	**912**

(d) EBITDA and operating effectiveness measures

Adjusted EBITDA is the key non-IFRS financial measure used by the Group as reference for assessing operating effectiveness.

	Year ended 31 December	
	2019	**2018**
	USD million	**USD million**
Results from operating activities	87	1,481
Add:		
Amortisation and depreciation	566	513
Impairment of non-current assets	291	157
Loss on disposal of property, plant and equipment	22	12
Adjusted EBITDA	**966**	**2,163**

7 Finance income and expenses

Accounting policies

Finance income comprises interest income on funds invested, changes in the fair value of financial assets at fair value through profit or loss and foreign currency gains. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, foreign currency losses and changes in the fair value of financial assets at fair value through profit or loss. All borrowing costs are recognised in the statement of income using the effective interest method, except for borrowing costs related to the acquisition, construction and production of qualifying assets which are recognised as part of the cost of such assets.

Foreign currency gains and losses are reported on a net basis. Foreign exchange loss on loans and borrowing for the year ended 31 December 2019 equaled to USD 213 million.

Disclosures

	Year ended 31 December	
	2019	**2018**
	USD million	**USD million**
Finance income		
Interest income on third party loans and deposits	44	31
Interest income on loans to related parties – *companies related through parent company*	1	1
Change in fair value of derivative financial instruments (refer to note 21)	-	171
	45	**203**
Finance expenses		
Interest expense on bank loans and bonds wholly repayable within 5 years and other bank charges	(576)	(239)
Interest expense on bank loans and bonds wholly repayable after 5 years	-	(259)
Other finance costs	(13)	(2)
Change in fair value of derivative financial instruments (refer to note 21)	(21)	-
Net foreign exchange loss	(124)	(183)
Interest expense on provisions	(8)	(3)
Leases interest costs	(5)	-
	(747)	**(686)**

8 Income tax

Accounting policies

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the statement of income and other comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liability. Such changes to tax liabilities will impact tax expenses in the period that such a determination is made. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group has both the right and the intention to settle its current tax assets and liabilities on a net or simultaneous basis.

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

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividends is recognised.

Disclosures

(a) Income tax expense

	Year ended 31 December	
	2019	2018
	USD million	USD million
Current tax		
Current tax for the year	162	305
Deferred tax		
Origination and reversal of temporary differences	(68)	(50)
Actual tax expense	**94**	**255**

The Company is a tax resident of Cyprus with an applicable corporate tax rate of 12.5%. Subsidiaries pay income taxes in accordance with the legislative requirements of their respective tax jurisdictions. For subsidiaries domiciled in Russia, the applicable tax rate is 20%; in Ukraine of 18%; Guinea of 0%; China of 25%; Kazakhstan of 20%; Australia of 30%; Jamaica of 25%; Ireland of 12.5%; Sweden of 21.4% and Italy of 27.9%. For the Group's subsidiaries domiciled in Switzerland the applicable tax rate for the period is the corporate income tax rate in the Canton of Zug, Switzerland, which may vary depending on the subsidiary's tax status. The rate consists of a federal income tax and cantonal/communal income and capital taxes. The latter includes a base rate and a multiplier, which may change from year to year. Applicable income tax rates are 9.55% and 14.35% for different subsidiaries. For the Group's significant trading companies, the applicable tax rate is 0%. The applicable tax rates for the period ended 31 December 2018 were the same as for the period ended 31 December 2019 except for tax rates for subsidiaries domiciled in Sweden which amounted to 22% and tax rates for subsidiaries domiciled in Switzerland which amounted to 9.6% and 14.51% accordingly.

	Year ended 31 December			
	2019		2018	
	USD million	%	USD million	%
Profit before taxation	**1,054**	**100**	**1,953**	**100**
Income tax at tax rate applicable to the tax residence of the Company	132	13	244	13
Effect of different income tax rates	25	2	(50)	(3)
Effect of changes in investment in Norilsk Nickel	(154)	(15)	(63)	(3)
Change in unrecognised deferred tax assets	31	3	11	1
Effect of reversal/accrual of impairment	79	7	(35)	(2)
Other non-deductible taxable items	(21)	(1)	31	2
Income tax related to prior periods, including provision	2	-	117	6
Actual tax expense	**94**	**9**	**255**	**14**

(b) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following temporary differences:

	Assets		Liabilities		Net	
USD million	**31 December 2019**	**31 December 2018**	**31 December 2019**	**31 December 2018**	**31 December 2019**	**31 December 2018**
Property, plant and equipment	77	55	(580)	(574)	(503)	(519)
Inventories	97	54	(13)	(14)	84	40
Trade and other receivables	26	17	(19)	(9)	7	8
Derivative financial assets/(liabilities)	7	6	(8)	(8)	(1)	(2)
Tax loss carry-forwards	66	41	-	-	66	41
Others	328	224	(316)	(201)	12	23
Deferred tax assets/(liabilities)	601	397	(936)	(806)	(335)	(409)
Set-off of deferred taxation	(471)	(304)	471	304	-	-
Net deferred tax assets/(liabilities)	**130**	**93**	**(465)**	**(502)**	**(335)**	**(409)**

(c) Movement in deferred tax assets/(liabilities) during the year

USD million	1 January 2018	Recognised in profit or loss	Foreign currency translation	31 December 2018
Property, plant and equipment	(547)	28	-	(519)
Inventories	32	8	-	40
Trade and other receivables	6	2	-	8
Derivative financial assets/(liabilities)	9	(11)	-	(2)
Tax loss carry-forwards	19	22	-	41
Others	22	1	-	23
Total	**(459)**	**50**	**-**	**(409)**

USD million	1 January 2019	Recognised in profit or loss	Foreign currency translation	31 December 2019
Property, plant and equipment	(519)	10	6	(503)
Inventories	40	44	-	84
Trade and other receivables	8	(1)	-	7
Derivative financial assets/(liabilities)	(2)	1	-	(1)
Tax loss carry-forwards	41	25	-	66
Others	23	(11)	-	12
Total	**(409)**	**68**	**6**	**(335)**

Recognised tax losses expire in the following years:

	31 December 2019	31 December 2018
Year of expiry	**USD million**	**USD million**
Without expiry	66	41
	66	**41**

(d) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	31 December 2019	31 December 2018
	USD million	**USD million**
Deductible temporary differences	834	789
Tax loss carry-forwards	212	232
	1,046	**1,021**

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the Group can utilise the benefits therefrom. Tax losses expire in the following years:

	31 December 2019	31 December 2018
Year of expiry	**USD million**	**USD million**
Without expiry	210	231
From 2 to 5 years	2	1
	212	**232**

(e) Unrecognised deferred tax liabilities

Retained earnings of the Group's subsidiaries where dividend distributions are subject to taxation included USD1,361 million and USD 1,778 million as at 31 December 2019 and 31 December 2018, respectively, for which deferred taxation has not been provided because remittance of the earnings has been indefinitely postponed through reinvestment and, as a result, such amounts are considered to be permanently invested. It was not practicable to determine the amount of temporary differences relating to investments in subsidiaries where the Group is able to control the timing of reversal of the difference. Reversal is not expected in the foreseeable future. For other subsidiaries in the Group, including the significant trading companies, the distribution of dividends does not give rise to taxes.

(f) Current taxation in the consolidated statement of financial position represents:

	31 December 2019	31 December 2018
	USD million	**USD million**
Net income tax (payable)/receivable at the beginning of the year	(105)	16
Income tax for the year	(162)	(305)
Income tax paid	220	124
Dividend withholding tax	57	47
Income tax provision (note 20)	-	20
Translation difference	(5)	(7)
	5	**(105)**
Represented by:		
Income tax payable (note 17)	(16)	(127)
Prepaid income tax (note 17)	21	22
Net income tax receivable/(payable)	**5**	**(105)**

9 Directors' remuneration

Directors' remuneration disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of information about Benefits of Directors) Regulations are as follows:

	Year ended 31 December 2019			
	Directors' fees	**Salaries, allowances, benefits in kind**	**Discretionary bonuses**	**Total**
	USD thousand	**USD thousand**	**USD thousand**	**USD thousand**
Executive Directors				
Evgenii Nikitin (a)	-	1,221	1,104	2,325
Evgenii Vavilov (a)	-	51	7	58
Evgeny Kuryanov (b)	-	353	13	366
Sergei Popov (c)	-	7	-	7
Non-executive Directors				
Marco Musetti	217	-	-	217
Vyacheslav Solomin (d)	196	-	-	196
Vladimir Kolmogorov(e)	104	-	-	104
Timur Valiev (f)	70	-	-	70
Independent Non-executive Directors				
Bernard Zonneveld (Chairman)	675	-	-	675
Christopher Burnham (g)	243	-	-	243
Nicholas Jordan (g)	181	-	-	181
Elsie Leung Oi-Sie	202	-	-	202
Kevin Parker (g)	185			185
Maksim Poletaev (g)	180	-	-	180
Randolph Reynolds (g)	267	-	-	267
Dmitry Vasiliev	224	-	-	224
Philippe Bernard Henri Mailfait (h)	12	-	-	12
Jean-Pierre Thomas (h)	36	-	-	36
	2,792	**1,632**	**1,124**	**5,548**

	Year ended 31 December 2018			
	Directors' fees	Salaries, allowances, benefits in kind	Discretionary bonuses	Total
	USD thousand	USD thousand	USD thousand	USD thousand
Executive Directors				
Evgenii Nikitin (a)	-	591	616	1,207
Sergei Popov (c)	-	54	86	140
Evgenii Vavilov (a)	-	20	7	27
Oleg Deripaska (i)	-	400	4,280	4,680
Vladislav Soloviev (j)	-	1,631	3,939	5,570
Siegfried Wolf (j)	-	911	-	911
Non-executive Directors				
Marco Musetti	186	-	-	186
Vyacheslav Solomin (d)	82	-	-	82
Timur Valiev (f)	88	-	-	88
Maksim Goldman (k)	58	-	-	58
Dmitry Afanasiev (j)	89	-	-	89
Ivan Glasenberg (k)	58	-	-	58
Gulzhan Moldazhanova (j)	93	-	-	93
Ekaterina Nikitina(j)	96	-	-	96
Olga Mashkovskaya (j)	89	-	-	89
Daniel Lesin Wolfe (k)	58	-	-	58
Maksim Sokov (j)	96	-	-	96
Independent Non-executive Directors				
Matthias Warnig (Chairman) (l)	452	-	-	452
Philippe Bernard Henri Mailfait (h)	82	-	-	82
Jean-Pierre Thomas (h)	95	-	-	95
Bernard Zonneveld	230	-	-	230
Philip Lader (k)	97	-	-	97
Elsie Leung Oi-Sie	203	-	-	203
Mark Garber (j)	114	-	-	114
Dmitry Vasiliev	193	-	-	193
	2,459	**3,607**	**8,928**	**14,994**

a. Evgenii Nikitin and Evgenii Vavilov were appointed as Executive Directors in June 2018.

b. Evgeny Kuryanov was appointed as Executive Director in February 2019.

c. Sergei Popov was appointed as Executive Director in June 2018 and resigned from his position in February 2019.

d. Vyacheslav Solomin was appointed as Non-executive Director in June 2018.

e. Vladimir Kolmogorov was appointed as Non-executive Directors in May 2019.

f. Timur Valiev was appointed as Non-executive Directors in June 2018 and resigned from his position in May 2019.

g. Christopher Burnham, Nicholas Jordan, Kevin Parker, Maksim Poletaev and Randolph Reynolds were appointed as Independent Non-executive Directors in February 2019.

h. Philippe Bernard Henri Mailfait and Jean-Pierre Thomas were appointed as Independent Non-executive Directors in June 2018 and resigned from their positions in January 2019.

i. Oleg Deripaska resigned from his position as member of the Board of Directors in May 2018

j. Vladislav Soloviev, Siegfried Wolf, Gulzhan Moldazhanova, Ekaterina Nikitina, Olga Mashkovskaya, Maksim Sokov, Dmitry Afanasiev and Mark Garber resigned from their positions as members of the Board of Directors in June 2018.

k. Maksim Goldman, Ivan Glasenberg, Philip Lader and Daniel Lesin Wolfe resigned from their positions as members of the Board of Directors in April 2018.

l. Matthias Warnig resigned from his position as an independent non-executive director of the Company and the Chairman of the Company with effect from 31 December 2018.

The remuneration of the executive directors disclosed above includes compensation received starting from the date of the appointment and/or for the period until their termination as a member of the Board of Directors.

Retirement scheme contributions for the directors, who are members of management, are not disclosed as the amount is considered not significant for either year presented. There are no retirement scheme contributions for non-executive directors.

10 Individuals with highest emoluments

Of the five individuals with the highest emoluments, one was director in the year ended 31 December 2019, whose emolument is disclosed in note 9. The aggregate of the emoluments in respect of the other individuals are as follows:

	Year ended 31 December	
	2019	**2018**
	USD thousand	**USD thousand**
Salaries	19,291	11,449
Discretionary bonuses	14,406	11,238
	33,697	**22,687**

The emoluments of the other individuals with the highest emoluments are within the following bands:

	Year ended 31 December	
	2019	**2018**
	Number of individuals	**Number of individuals**
HK$29,500,001-HK$30,000,000 (US$3,750,001 – US$3,850,000)	1	-
HK$37,000,001-HK$37,500,000 (US$4,700,001 – US$4,800,000)	-	1
HK$39,000,001-HK$39,500,000 (US$4,900,001 – US$5,000,000)	-	1
HK$41,000,001-HK$41,500,000 (US$5,200,001 – US$5,300,000)	-	1
HK$48,000,001-HK$48,500,000 (US$6,100,001 – US$6,200,000)	1	-
HK$51,000,001-HK$51,500,000 (US$6,500,001 – US$6,600,000)	1	-
HK$51,500,001-HK$52,000,000 (US$6,600,001 – US$6,700,000)	1	-
HK$59,500,001-HK$60,000,000 (US$7,600,001 – US$7,700,000)	-	1
HK$83,000,001-HK$83,500,000 (US$10,600,001 – US$10,700,000)	1	-

No emoluments have been paid to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the years presented.

Retirement scheme contributions to individuals with highest emoluments are not disclosed as the amount is considered not significant for either year presented.

11 Dividends

No dividends were declared and paid by the Company during the year ended 31 December 2019 and the year ended 31 December 2018.

The Company is subject to external capital requirements (refer to note 22(f)).

12 Earnings per share

The calculation of earnings per share is based on the profit attributable to ordinary equity shareholders of the Company and the weighted average number of shares in issue during the years ended 31 December 2019 and 31 December 2018. Weighted average number of shares:

	Year ended 31 December	
	2019	**2018**
Issued ordinary shares at beginning of the year	15,193,014,862	15,193,014,862
Effect of treasury shares	-	-
Weighted average number of shares at end of the year	**15,193,014,862**	**15,193,014,862**
Profit for the year, USD million	**960**	**1,698**
Basic and diluted earnings per share, USD	**0.063**	**0.112**

There were no outstanding dilutive instruments during the years ended 31 December 2019 and 2018.

13 Property, plant and equipment

Accounting policies

(i) Recognition and measurement

Items of property, plant and equipment, are measured at cost less accumulated depreciation and impairment losses. The cost of property, plant and equipment at 1 January 2004, the date of transition to IFRSs, was determined by reference to its fair value at that date.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of periodic relining of electrolysers is capitalised and depreciated over the expected production period.

Gains or losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within gain/(loss) on disposal of property, plant and equipment in the statement of income.

(ii) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statement of income as incurred.

(iii) Exploration and evaluation assets

Exploration and evaluation activities involve the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Exploration and evaluation activities include:

- researching and analysing historical exploration data;
- gathering exploration data through topographical, geochemical and geophysical studies;
- exploratory drilling, trenching and sampling;
- determining and examining the volume and grade of the resource;
- surveying transportation and infrastructure requirements; and
- conducting market and finance studies.

Administration costs that are not directly attributable to a specific exploration area are charged to the statement of income.

License costs paid in connection with a right to explore in an existing exploration area are capitalised and amortised over the term of the permit.

Exploration and evaluation expenditure is capitalised as exploration and evaluation assets when it is expected that expenditure related to an area of interest will be recouped by future exploitation, sale, or, at the reporting date, the exploration and evaluation activities have not reached a stage that permits a reasonable assessment of the existence of commercially recoverable ore reserves. Capitalised exploration and evaluation expenditure is recorded as a component of property, plant and equipment at cost less impairment losses. As the asset is not available for use, it is not depreciated. All capitalised exploration and evaluation expenditure is monitored for indications of impairment. Where there are indicators of potential impairment, an assessment is performed for each area of interest in conjunction with the group of operating assets (representing a cash-generating unit) to which the exploration is attributed. Exploration areas at which reserves have been discovered but which require major capital expenditure before production can begin are continually evaluated to ensure that commercial quantities of reserves exist or to ensure that additional exploration work is underway or planned. To the extent that capitalised expenditure is not expected to be recovered it is charged to the statement of income.

Exploration and evaluation assets are transferred to mining property, plant and equipment or intangible assets when development is sanctioned.

(iv) Stripping costs

Expenditure relating to the stripping of overburden layers of ore, including estimated site restoration costs, is included in the cost of production in the period in which it is incurred.

(v) Mining assets

Mining assets are recorded as construction in progress and transferred to mining property, plant and equipment when a new mine reaches commercial production.

Mining assets include expenditure incurred for:

- Acquiring mineral and development rights;
- Developing new mining operations.

Mining assets include interest capitalised during the construction period, when financed by borrowings.

(vi) Depreciation

The carrying amounts of property, plant and equipment (including initial and any subsequent capital expenditure) are depreciated to their estimated residual value over the estimated useful lives of the specific assets concerned, or the estimated life of the associated mine or mineral lease, if shorter. Estimates of residual values and useful lives are reassessed annually and any change in estimate is taken into account in the determination of remaining depreciation charges. Leased assets are depreciated over the shorter of the lease term and their useful lives. Freehold land is not depreciated.

The property, plant and equipment is depreciated on a straight-line or units of production basis over the respective estimated useful lives as follows:

• Buildings	30 to 50 years;
• Plant, machinery and equipment	5 to 40 years;
• Electrolysers	4 to 15 years;
• Mining assets	units of production on proven and probable reserves;
• Other (except for exploration and evaluation assets)	1 to 20 years.

Disclosures

USD million	**Land and buildings**	**Machinery and equipment**	**Electro-lysers**	**Other**	**Mining assets**	**Construction in progress**	**Total**
Cost/Deemed cost							
Balance at 1 January 2018	3,488	6,242	2,340	183	492	1,751	14,496
Additions	1	23	101	-	7	705	837
Acquired through business combination	-	-	-	16	-	-	16
Disposals	(6)	(63)	-	(2)	(4)	(86)	(161)
Transfers	106	280	118	5	8	(517)	-
Foreign currency translation	(80)	(108)	(15)	(1)	(60)	(67)	(331)
Balance at 31 December 2018	**3,509**	**6,374**	**2,544**	**201**	**443**	**1,786**	**14,857**
IFRS 16 application	19	19	-	-	-	-	38
Balance at 1 January 2019	**3,528**	**6,393**	**2,544**	**201**	**443**	**1,786**	**14,895**
Additions	10	44	131	1	13	688	887
Acquired through business combination	4	-	-	-	-	2	6
Disposals	(10)	(140)	(8)	(51)	(2)	(21)	(232)
Transfers	110	275	42	8	4	(439)	-
Foreign currency translation	40	50	4	-	35	43	172
Balance at 31 December 2019	**3,682**	**6,622**	**2,713**	**159**	**493**	**2,059**	**15,728**
Accumulated depreciation and impairment losses							
Balance at 1 January 2018	1,942	4,541	2,025	148	427	1,090	10,173
Depreciation charge	85	296	151	5	2	-	539
Impairment loss/ (reversal) of impairment loss	(53)	16	-	2	6	76	47
Disposals	(2)	(53)	-	(2)	-	(7)	(64)
Transfers	14	(60)	46	1	-	(1)	-
Foreign currency translation	(68)	(87)	(12)	(1)	(58)	(33)	(259)
Balance at 31 December 2018	**1,918**	**4,653**	**2,210**	**153**	**377**	**1,125**	**10,436**
Balance at 1 January 2019	1,918	4,653	2,210	153	377	1,125	10,436
Depreciation charge	89	320	144	3	2	-	558
Impairment loss/ (reversal) of impairment loss	106	76	32	(5)	39	(17)	231
Disposals	(3)	(99)	(5)	(4)	(1)	-	(112)
Transfers							
Foreign currency translation	27	35	4	-	34	16	116
Balance at 31 December 2019	**2,137**	**4,985**	**2,385**	**147**	**451**	**1,124**	**11,229**
Net book value							
At 31 December 2018	**1,591**	**1,721**	**334**	**48**	**66**	**661**	**4,421**
At 31 December 2019	**1,545**	**1,637**	**328**	**12**	**42**	**935**	**4,499**

Depreciation expense of USD544 million (2018: USD496 million) has been charged to cost of goods sold, USD4 million (2018: USD3 million) to distribution expenses and USD14 million (2018: USD12 million) to administrative expenses.

During the year ended 31 December 2019 interest expense of USD26 million was capitalised following commencement of active construction at several projects (2018: USD20 million) .

Included into construction in progress at 31 December 2019 and 2018 are advances to suppliers of property, plant and equipment of USD124 million and USD32 million, respectively.

The carrying value of property, plant and equipment subject to lien under loan agreements was USD44 million as at 31 December 2019 (31 December 2018: USD3 million), refer to note 19.

(a) Impairment

In accordance with the Group's accounting policies, each asset or cash generating unit is evaluated every reporting period to determine whether there are any indications of impairment. If any such indication exists, a formal estimate of recoverable amount is performed and an impairment loss recognised to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset or cash generating group of assets is measured at the higher of fair value less costs to sell and value in use.

Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties and is generally determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset, including any expansion prospects, and its eventual disposal.

Value in use is also generally determined as the present value of the estimated future cash flows, but only those expected to arise from the continued use of the asset in its present form and its eventual disposal. Present values are determined using a risk-adjusted pre-tax discount rate appropriate to the risks inherent in the asset. Future cash flow estimates are based on expected production and sales volumes, commodity prices (considering current and historical prices, price trends and related factors), bauxite reserve estimate, operating costs, restoration and rehabilitation costs and future capital expenditure.

Bauxite reserves are estimates of the amount of product that can be economically and legally extracted from the Group's properties. In order to calculate reserves, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates. The Group determines ore reserves under the Australasian Code for Reporting of Mineral Resources and Ore Reserves September 1999, known as the JORC Code. The JORC Code requires the use of reasonable investment assumptions to calculate reserves.

Management identified several factors that indicated that for a number of Group's cash-generating units previously recognised impairment loss may require reversal and for a number of cash-generating units impairment loss shall be recognised. These include significant decrease of aluminium and alumina prices during the year as result of LME and overall market instability. In aluminium production, the Group benefited from decrease in cash cost due to decrease in alumina and energy resources costs. For alumina cash generating units, major influence was on the part of decrease in alumina prices, favourable dynamics in prices of energy resources being a significant part of cash cost. Bauxite cash generating units incurred more or less stable sale price and cash cost of bauxite.

For the purposes of impairment testing the recoverable amount of each cash generating unit was determined by discounting expected future net cash flows of the cash generating unit.

Based on results of impairment testing as at 31 December 2019, management has concluded that a reversal of previously recognised impairment loss relating to property, plant and equipment should be recognised in these consolidated financial statements in respect of Aughinish and Cobad cash generating units in the amount of USD363 million. Additionally, management has concluded that an impairment loss in respect of KAZ, VgAZ, BAZ and UAZ, Kubal, Kremny and Windalco cash generating units, in the amount of USD545 million should be recognised in these consolidated financial statements.

Based on results of impairment testing as at 31 December 2018, management has concluded that a reversal of previously recognised impairment loss relating to property, plant and equipment should be recognised in these consolidated financial statements in respect BAZ and UAZ cash generating unit in the amount of USD177 million. Additionally, management has concluded that an impairment loss in respect of Cobad cash generating unit in the amount of USD78 million should be recognised in these consolidated financial statements.

For the purposes of impairment testing the recoverable amount of each cash generating unit was determined by discounting expected future net cash flows of the cash generating unit. The pre-tax discount rates applied to the above mentioned cash generating units, estimated in nominal terms based on an industry weighted average cost of capital, are presented in the table below.

	Year ended 31 December	
	2019	**2018**
Kubikenborg Aluminium (Kubal)	11.1%	11.1%
Windalco	18.6%	21.0%
BAZ and UAZ (Bogoslovsk and Ural aluminium smelters)	12.5%	19.2%
KAZ (Kandalaksha aluminium smelter)	12.5%	14.0%
VgAZ (Volgograd aluminium smelter)	12.0%	13.0%
Compagnie de Bauxites de Dian-Dian (Cobad)	20.0%	22.0%
Kremny	13.0%	13.0%
Aughinish Alumina	12.0%	13.4%

The recoverable amount of a number of the cash generating units tested for impairment are particularly sensitive to changes in forecast aluminium and alumina prices, foreign exchange rates and applicable discount rates.

Additionally, management identified specific items of property, plant and equipment that are no longer in use and therefore are not considered to be recoverable amounting to USD49 million at 31 December 2019 (2018: USD146 million). These assets have been impaired in full. No further impairment of property, plant and equipment or reversal of previously recorded impairment was identified by management.

14 Intangible assets

Accounting policies

(i) Goodwill

On the acquisition of a subsidiary, an interest in a joint venture or an associate or an interest in a joint arrangement that comprises a business, the identifiable assets, liabilities and contingent liabilities of the acquired business (or interest in a business) are recognised at their fair values unless the fair values cannot be measured reliably. Where the fair values of assumed contingent liabilities cannot be measured reliably, no liability is recognised but the contingent liability is disclosed in the same manner as for other contingent liabilities.

Goodwill arises when the cost of acquisition exceeds the fair value of the Group's interest in the net fair value of identifiable net assets acquired. Goodwill is not amortised but is tested for impairment annually. For this purpose, goodwill arising on a business combination is allocated to the cash-generating units expected to benefit from the acquisition and any impairment loss recognised is not reversed even where circumstances indicate a recovery in value.

When the fair value of the Group's share of identifiable net assets acquired exceeds the cost of acquisition, the difference is recognised immediately in the statement of income.

In respect of associates or joint ventures, the carrying amount of goodwill is included in the carrying amount of the interest in the associate and joint venture and the investment as a whole is tested for impairment whenever there is objective evidence of impairment. Any impairment loss is allocated to the carrying amount of the interest in the associate and joint venture.

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the statement of income when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use and capitalised borrowing costs. Other development expenditure is recognised in the statement of income when incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

(iii) Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

(iv) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the statement of income when incurred.

(v) Amortisation

Amortisation is recognised in the statement of income on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives are as follows:

- software 5 years;
- other 2-8 years.

The amortisation method, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

Disclosures

	Goodwill	Other intangible assets	Total
	USD million	USD million	USD million
Cost			
Balance at 1 January 2018	2,917	547	3,464
Additions	48	39	87
Disposals	-	(8)	(8)
Foreign currency translation	(215)	(5)	(220)
Balance at 31 December 2018	**2,750**	**573**	**3,323**
Balance at 1 January 2019	2,750	573	3,323
Additions	-	41	41
Disposals	-	(23)	(23)
Foreign currency translation	127	7	134
Balance at 31 December 2019	**2,877**	**598**	**3,475**
Amortisation and impairment losses			
Balance at 1 January 2018	(449)	(463)	(912)
Amortisation charge	-	(2)	(2)
Balance at 31 December 2018	**(449)**	**(465)**	**(914)**
Balance at 1 January 2019	(449)	(465)	(914)
Amortisation charge	-	(4)	(4)
Balance at 31 December 2019	**(449)**	**(469)**	**(918)**
Net book value			
At 31 December 2018	**2,301**	**108**	**2,409**
At 31 December 2019	**2,428**	**129**	**2,557**

The amortisation charge is included in cost of sales in the consolidated statement of income.

Goodwill recognised in these consolidated financial statements initially arose on the formation of the Group in 2000 and the acquisition of a 25% additional interest in the Group by its controlling shareholder in 2003. The amount of goodwill was principally increased in 2007 as a result of the acquisition of certain businesses of SUAL Partners and Glencore.

(a) Impairment testing of goodwill and other intangible assets

For the purposes of impairment testing, the entire amount of goodwill is allocated to the aluminium segment of the Group's operations. The aluminium segment represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. The recoverable amount represents value in use as determined by discounting the future cash flows generated from the continuing use of the plants within the Group's aluminium segment.

Similar considerations to those described above in respect of assessing the recoverable amount of property, plant and equipment apply to goodwill.

At 31 December 2019, management analysed changes in the economic environment and developments in the aluminium industry and the Group's operations since 31 December 2018 and performed an impairment test for goodwill at 31 December 2019 using the following assumptions to determine the recoverable amount of the segment:

- Total production was estimated based on average sustainable production levels of 3.8 million metric tonnes of primary aluminium, of 8.2 million metric tonnes of alumina and of 15.4 million metric tonnes of bauxite. Bauxite and alumina will be used primarily internally for production of primary aluminium;
- Aluminium sales prices were based on the long-term aluminium price outlook derived from available industry and market sources at USD1,802 per tonne for primary aluminium in 2020, USD1,860 in 2021, USD1,952 in 2022, USD2,028 in 2023, USD2,099 in 2024. Alumina prices were derived from the same sources as aluminium prices at USD301 per tonne for alumina in 2020, USD311 in 2021, USD322 in 2022, USD341 in 2023, USD349 in 2024. Operating costs were projected based on the historical performance adjusted for inflation;
- Nominal foreign currency exchange rates applied to convert operating costs of the Group denominated in RUB into USD were RUB65.8 for one USD in 2020, RUB65.4 in 2021, RUB63.9 in 2022, RUB63.0 in 2023, RUB63.6 in 2024. Inflation of 4.0% – 4.6% in RUB and 1.7% - 2.1% in USD was assumed in determining recoverable amounts;
- The pre-tax discount rate was estimated in nominal terms based on the weighted average cost of capital basis and was 11.3%;
- A terminal value was derived following the forecast period assuming a 1.7% annual growth rate.

Values assigned to key assumptions and estimates used to measure the units' recoverable amount was based on external sources of information and historic data. Management believes that the values assigned to the key assumptions and estimates represented the most realistic assessment of future trends. The results were particularly sensitive to the following key assumptions:

- A 5% reduction in the projected aluminium and alumina price levels would result in a decrease in the recoverable amount by 44% and would lead to an impairment in amount USD 1 241 million;
- A 5% increase in the projected level of electricity and alumina costs in the aluminium production would have resulted in a 21% decrease in the recoverable amount but would not lead to an impairment;
- A 1% increase in the discount rate would have resulted in a 11% decrease in the recoverable amount but would not lead to an impairment.

Based on results of impairment testing of goodwill, management concluded that no impairment should be recorded in the consolidated financial statements as at 31 December 2019.

At 31 December 2018, management analysed changes in the economic environment and developments in the aluminium industry and the Group's operations since 31 December 2017 and performed an impairment test for goodwill at 31 December 2018 using the following assumptions to determine the recoverable amount of the segment:

- Total production was estimated based on average sustainable production levels of 3.8 million metric tonnes of primary aluminium, of 8.1 million metric tonnes of alumina and of 16.5 million metric tonnes of bauxite. Bauxite and alumina will be used primarily internally for production of primary aluminium;

- Sales prices were based on the long-term aluminium price outlook derived from available industry and market sources at USD2,117 per tonne for primary aluminium in 2019, USD2,159 in 2020, USD2,193 in 2021, USD2,193 in 2022, USD2,216 in 2023. Operating costs were projected based on the historical performance adjusted for inflation;
- Nominal foreign currency exchange rates applied to convert operating costs of the Group denominated in RUB into USD were RUB66.8 for one USD in 2019, RUB68.3 in 2020, RUB66.7 in 2021, RUB65.1 in 2022, RUB65.0 in 2023. Inflation of 4.0% – 4.5% in RUB and 1.6% - 2.4% in USD was assumed in determining recoverable amounts;
- The pre-tax discount rate was estimated in nominal terms based on the weighted average cost of capital basis and was 15.9%;
- A terminal value was derived following the forecast period assuming a 1.7% annual growth rate.

Values assigned to key assumptions and estimates used to measure the units' recoverable amount was based on external sources of information and historic data. Management believes that the values assigned to the key assumptions and estimates represented the most realistic assessment of future trends. The results were particularly sensitive to the following key assumptions:

- A 5% reduction in the projected aluminium price level would have resulted in a decrease in the recoverable amount by 22% but would not lead to an impairment;
- A 5% increase in the projected level of electricity and alumina costs in the aluminium production would have resulted in a 14% decrease in the recoverable amount but would not lead to an impairment;
- A 1% increase in the discount rate would have resulted in a 8% decrease in the recoverable amount but would not lead to an impairment.

Based on results of impairment testing of goodwill, management concluded that no impairment should be recorded in the consolidated financial statements as at 31 December 2018.

15 Interests in associates and joint ventures

Accounting policies

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of income, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint venture are eliminated to the extent of the group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

In accordance with the Group's accounting policies, each investment in an associate or joint venture is evaluated every reporting period to determine whether there are any indications of impairment after application of the equity method of accounting. If any such indication exists, a formal estimate of recoverable amount is performed and an impairment loss recognised to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an investment in an associate or joint venture is measured at the higher of fair value less costs to sell and value in use.

Similar considerations to those described above in respect of assessing the recoverable amount of property, plant and equipment apply to investments in associates or joint venture. In addition to the considerations described above the Group may also assess the estimated future cash flows expected to arise from dividends to be received from the investment, if such information is available and considered reliable.

Disclosures

	31 December	
	2019	**2018**
	USD million	**USD million**
Balance at the beginning of the year	3,698	4,448
Group's share of profits, impairment and reversal of impairment	1,669	955
(Return of prepayment)/prepayment for shares	(41)	41
Acquisition of investments	75	-
Dividends	(1,609)	(946)
Group's share of other comprehensive income of associates	-	10
Foreign currency translation	448	(810)
Balance at the end of the year	**4,240**	**3,698**
Goodwill included in interests in associates	2,428	2,163

The following list contains only the particulars of associates and joint ventures, all of which are corporate entities, which principally affected the results or assets of the Group.

			Ownership interest		
Name of associate/ joint venture	**Place of incorporation and operation**	**Particulars of issued and paid up capital**	**Group's effective interest**	**Group's nominal interest**	**Principal activity**
PJSC MMC Norilsk Nickel	Russian Federation	158,245,476 shares, RUB1 par value	27.82%	27.82%	Nickel and other metals production
Queensland Alumina Limited	Australia	2,212,000 shares, AUD2 par value	20%	20%	Production of alumina under a tolling agreement
BEMO project	Cyprus, Russian Federation	BOGES Limited, BALP Limited – 10,000 shares EUR1.71 each	50%	50%	Energy / Aluminium production

The summary of the consolidated financial statements of associates and joint ventures for the year ended 31 December 2019 is presented below:

	PJSC MMC Norilsk Nickel		Queensland Alumina Limited		BEMO project		Other joint ventures	
	Group share	100%	Group share	100%	Group share	100%	Group share	100%
Non-current assets	5,868	12,899	163	535	1,528	2,942	252	464
Current assets	1,829	6,575	33	169	151	302	44	87
Non-current liabilities	(2,726)	(9,765)	(64)	(202)	(1,012)	(2,024)	(69)	(139)
Current liabilities	(1,509)	(5,422)	(132)	(373)	(83)	(166)	(33)	(67)
Net assets	**3,462**	**4,287**	**-**	**129**	**584**	**1,054**	**194**	**345**

	PJSC MMC Norilsk Nickel		Queensland Alumina Limited		BEMO project		Other joint ventures	
	Group share	100%	Group share	100%	Group share	100%	Group share	100%
Revenue	3,774	13,563	124	620	365	729	165	330
Profit from continuing operations	1,587	5,966	-	4	49	(128)	33	62
Other comprehensive income	383	484	-	(1)	61	123	4	2
Total comprehensive income	**1,970**	**6,450**	**-**	**3**	**110**	**(5)**	**37**	**64**

The summary of the consolidated financial statements of associates and joint ventures for the year ended 31 December 2018 is presented below:

	PJSC MMC Norilsk Nickel		Queensland Alumina Limited		BEMO project		Other joint ventures	
	Group share	100%	Group share	100%	Group share	100%	Group share	100%
Non-current assets	5,123	10,697	104	503	1,366	2,849	146	293
Current assets	1,267	4,554	38	196	126	252	104	287
Non-current liabilities	(2,633)	(9,420)	(67)	(194)	(986)	(1,972)	(37)	(74)
Current liabilities	(656)	(2,358)	(75)	(379)	(37)	(75)	(85)	(230)
Net assets	**3,101**	**3,473**	**-**	**126**	**469**	**1,054**	**128**	**276**

	PJSC MMC Norilsk Nickel		Queensland Alumina Limited		BEMO project		Other joint ventures	
	Group share	100%	Group share	100%	Group share	100%	Group share	100%
Revenue	3,247	11,670	140	701	288	575	969	2,704
Profit from continuing operations	885	3,085	-	(1)	41	69	29	58
Other comprehensive income	(693)	(853)	-	(13)	(92)	(184)	(15)	(30)
Total comprehensive income	**192**	**2,232**	**-**	**(14)**	**(51)**	**(115)**	**14**	**28**

(a) PJSC MMC Norilsk Nickel

The Group's investment in Norilsk Nickel is accounted for using equity method and the carrying value as at 31 December 2019 and 31 December 2018 amounted USD3,462 million and USD3,101 million, respectively. The market value amounted USD13,586 million and USD8,286 million as at 31 December 2019 and 31 December 2018, respectively, and is determined by multiplying the quoted bid price per share on the Moscow Exchange on the year-end date by the number of shares held by the Group.

(b) Queensland Alumina Limited ("QAL")

The carrying value of the Group's investment in Queensland Alumina Limited as at both 31 December 2019 and 31 December 2018 amounted to USD nil million. At 31 December 2019 management has not identified any impairment reversal indicators relating to the Group's investment in QAL and as a result no detailed impairment testing was performed in relation to this investment.

(c) BEMO project

The carrying value of the Group's investment in BEMO project as at 31 December 2019 and 31 December 2018 amounted USD584 million and USD469 million, respectively.

For the purposes of impairment testing, the BEMO project was separated into two cash generating units – the Boguchansky Aluminium Smelter ("BoAZ') and the Boguchansky Hydro Power Plant ("BoGES"). The recoverable amount was determined by discounting the expected future net cash flows of each cash generating unit.

At 31 December 2019 management has not identified any impairment indicators relating to the Group's investment in BoGES as well as any impairment reversal indicators relating to investments in BoAZ and as a result no detailed impairment testing was performed in relation to this investment.

At 31 December 2019, accumulated losses of USD651 million (2018: USD639 million) related to impairment charges at BoAZ have not been recognised because the Group's investment has already been fully written down to USD nil million.

Summary of the additional financial information of the Group's effective interest in BEMO project for the year ended 31 December 2019 and 31 December 2018 is presented below (all in USD million):

	31 December 2019	31 December 2018
	USD million	USD million
Cash and cash equivalents	60	51
Current financial liabilities	(41)	(12)
Non-current financial liabilities	(929)	(947)
Depreciation and amortisation	(17)	(19)
Interest income	3	2
Interest expense	(18)	(19)
Income tax expense	(12)	(11)

16 Inventories

Accounting policies

Inventories are measured at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is determined under the weighted average cost method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

The production costs include mining and concentrating costs, smelting, treatment and refining costs, other cash costs and depreciation and amortisation of operating assets.

The Group recognises write-downs of inventories based on an assessment of the net realisable value of the inventories. A write-down is applied to the inventories where events or changes in circumstances indicate that the net realisable value is less than cost. The determination of net realisable value requires the use of judgement and estimates. Where the expectation is different from the original estimates, such difference will impact the carrying value of the inventories and the write-down of inventories charged to the statement of income in the periods in which such estimate has been changed.

Disclosures

	31 December 2019	**31 December 2018**
	USD million	**USD million**
Raw materials and consumables	1,134	1,211
Work in progress	672	711
Finished goods and goods held for resale	792	1,245
	2,598	3,167
Provision for inventory obsolescence	(138)	(161)
	2,460	**3,006**

Inventories at 31 December 2019 and 31 December 2018 are stated at cost.

Inventory with a carrying value of USD383 million was pledged under existing trading contracts at 31 December 2019 (31 December 2018: nil).

The analysis of the amount of inventories recognised as an expense is as follows:

	Year ended 31 December	
	2019	**2018**
	USD million	**USD million**
Carrying amount of inventories sold	7,006	7,414
Write off of inventories	16	20
	7,022	**7,434**

17 Non-derivative financial instruments

Accounting policies

Non-derivative financial instruments comprise investments in securities, trade and other receivables (excluding prepayments and tax assets), cash and cash equivalents, loans and borrowings and trade and other payables (excluding advances received and tax liabilities).

Non-derivative financial instruments except for trade and other receivables are recognised initially at fair value plus any directly attributable transaction costs. Trade and other receivables are recognised at transaction price.

A financial instrument is recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

IFRS 9 *Financial Instruments* sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The details of significant accounting policies are set out below.

Classification and measurement of financial assets and financial liabilities

IFRS 9 contains such classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

The Group's financial assets most fall within category of financial assets measured at amortised cost. The only exception is derivative financial assets measured at fair value through profit or loss and cash flow hedges accounted through other comprehensive income (note 21). The same applies to the Group's financial liabilities.

Disclosures

(a) Trade and other receivables

	31 December 2019 USD million	31 December 2018 USD million
Trade receivables from third parties	502	384
Impairment loss on trade receivables	(30)	(33)
Net trade receivables from third parties	**472**	**351**
Trade receivables from related parties, including:	**124**	**87**
Related parties – companies capable of exerting significant influence	*82*	*76*
Impairment loss on trade receivables from related parties - companies capable of exerting significant influence	*(1)*	*(6)*
Net trade receivables to related parties - companies capable of exerting significant influence	*81*	*70*
Related parties – companies related through parent company	*16*	*13*
Related parties – associates and joint ventures	*27*	*4*
VAT recoverable	402	305
Impairment loss on VAT recoverable	(28)	(33)
Net VAT recoverable	**374**	**272**
Advances paid to third parties	121	185
Impairment loss on advances paid	(2)	(1)
Net advances paid to third parties	**119**	**184**
Advances paid to related parties, including:	**47**	**51**
Related parties – companies capable of exerting significant influence	*-*	*1*
Related parties – companies related through parent company	*1*	*1*
Related parties – associates and joint ventures	*46*	*49*
Prepaid expenses	**5**	**4**
Prepaid income tax	**21**	**22**
Prepaid other taxes	**26**	**22**
Other receivables from third parties	158	112
Impairment loss on other receivables	(10)	(10)
Net other receivables from third parties	**148**	**102**
Other receivables from related parties, including:	**15**	**7**
Related parties – companies related through parent company	*15*	*10*
Impairment loss on other receivables from related parties - companies related through parent company	*-*	*(3)*
Net other receivables to related parties - companies related through parent company	*15*	*7*
	1,351	**1,102**

All of the trade and other receivables are expected to be settled within one year or are repayable on demand.

(i) Ageing analysis

Included in trade and other receivables are trade receivables (net of allowance for doubtful debts) with the following ageing analysis as of the reporting dates:

	31 December 2019 USD million	31 December 2018 USD million
Current (not past due)	463	358
1–30 days past due	99	62
31–60 days past due	30	6
61–90 days past due	-	2
More than 90 days past due	4	10
Amounts past due	133	80
	596	**438**

Ageing analysis is performed based on number of days receivable is overdue. Trade receivables are on average due within 60 days from the date of billing. The receivables that are neither past due nor impaired (i.e. current) relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances. Further details of the Group's credit policy are set out in note 22(e).

(ii) Impairment of trade receivables

Under IFRS 9, loss allowances are measured on either of the following bases:

- *12-month ECLs*: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- *lifetime ECLs*: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition. The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs.

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

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

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

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due, but additional analysis is conducted for each such receivable and assessment is updated accordingly.

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

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset in case of long-term assets.

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

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. Impairment losses related to trade and other receivables are presented as part of net other operating expenses.

The following analysis provides further detail about the calculation of ECLs related to trade receivables. The Group uses an allowance matrix to measure the ECLs of trade receivables from the customers. Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. The ECLs were calculated based on actual credit loss experience over the past two years. The Group performed the calculation of ECL rates separately for the customers of each key trading company of the Group. Exposures within each trading company were not further segmented except for individually significant customers which bear specific credit risk depending on the repayment history of the customer and relationship with the Group.

The following table provides information about determined ECLs rates for trade receivables both as at 1 January 2019 and 31 December 2019.

	Weighted-average loss rate		**Credit-impaired**
	1 January 2019	**31 December 2019**	
Current (not past due)	2%	1%	No
1–30 days past due	10%	4%	No
31–60 days past due	40%	11%	No
61–90 days past due	50%	80%	No
More than 90 days past due	85%	92%	Yes

Fluctuations reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

The movement in the allowance for doubtful debts during the period is as follows:

	Year ended 31 December	
	2019	**2018**
	USD million	**USD million**
Balance at the beginning of the year	(39)	(16)
Reversal of impairment/ (Impairment loss) recognised	8	(23)
Balance at the end of the year	**(31)**	**(39)**

The Group does not hold any collateral over these balances.

(b) Trade and other payables

	31 December 2019 USD million	31 December 2018 USD million
Accounts payable to third parties	**474**	**520**
Accounts payable to related parties, including:	**92**	**64**
Related parties – companies capable of exerting significant influence	*3*	*5*
Related parties – companies related through parent company	*43*	*35*
Related parties – associates and joint ventures	*46*	*24*
Advances received	**518**	**32**
Advances received from related parties, including:	**392**	**259**
Related parties – companies capable of exerting significant influence	*392*	*259*
Other payables and accrued liabilities to third parties	**147**	**176**
Other payables and accrued liabilities to related parties, including:	**4**	**-**
Related parties – companies related through parent company	4	-
Current tax liabilities	**16**	**127**
Other taxes payable	**127**	**96**
	1,770	**1,274**

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

Included in trade and other payables are trade payables with the following ageing analysis as at the reporting date. Ageing analysis is performed based on number of days payable is overdue.

	31 December 2019 USD million	31 December 2018 USD million
Current	497	502
Past due 0-90 days	58	50
Past due 91-120 days	1	8
Past due over 120 days	10	24
Amounts past due	69	82
	566	**584**

(c) Cash and cash equivalents

	31 December 2019 USD million	31 December 2018 USD million
Bank balances, USD	1,310	50
Bank balances, RUB	83	238
Bank balances, EUR	116	290
Bank balances, other currencies	20	27
Cash in transit	-	16
Short-term bank deposits	228	169
Securities	11	11
Cash and cash equivalents in the consolidated statement of cash flows	**1,768**	**801**
Restricted cash	13	43
	1,781	**844**

As at 31 December 2019 and 31 December 2018 included in cash and cash equivalents was restricted cash of USD13 million and USD43 million, respectively, pledged under a Swiss Law Pledged Agreement with BNP Paribas (Suisse) SA and Allied Irish Bank.

18 Equity

(a) Share capital

	31 December 2019		31 December 2018	
	USD	Number of shares	USD	Number of shares
Ordinary shares at the end of the year, authorised	200 million	20 billion	200 million	20 billion
Ordinary shares at 1 January	151,930,148	15,193,014,862	151,930,148	15,193,014,862
Ordinary shares at the end of the year of USD0.01 each, issued and paid	**151,930,148**	**15,193,014,862**	**151,930,148**	**15,193,014,862**

(b) Other reserves

The acquisition of RUSAL Limited by the Company has been accounted for as a non-substantive acquisition. The consolidated share capital and share premium represent only the share capital and share premium of the Company and the share capital and other paid in capital of RUSAL Limited prior to the acquisition has been included in other reserves.

In addition, other reserves include the cumulative unrealised actuarial gains and losses on the Group's defined post retirement benefit plans, the effective portion of the accumulative net change in fair value of cash flow hedges and the Group’s share of other comprehensive income of associates.

(c) Distributions

In accordance with the Companies (Jersey) Law 1991 (the "Law"), the Company may make distributions at any time in such amounts as are determined by the Company out of the assets of the Company other than the capital redemption reserves and nominal capital accounts, provided that the directors of the Company make a solvency statement in accordance with that Law of Jersey at the time the distributions are proposed. Dividend pay-outs are restricted in accordance with the credit facilities.

(d) Currency translation reserve

The currency translation reserve comprises all foreign exchange differences arising from the translation of the consolidated financial statements of foreign operations and equity accounted investees. The reserve is dealt with in accordance with the accounting policies set out in note 3(f).

(e) Movement in components of equity within the Company

USD million	Share capital	Reserves	Total
Balance at 1 January 2018	**152**	**13,017**	**13,169**
Profit for the year	-	1,132	1,132
Other comprehensive income	-	3	3
Balance at 31 December 2018	**152**	**14,152**	**14,304**
Balance at 1 January 2019	**152**	**14,152**	**14,304**
Profit for the year	-	1,594	1,594
Other comprehensive income	-	(3)	(3)
Balance at 31 December 2019	**152**	**15,743**	**15,895**

19 Loans and borrowings

This note provides information about the contractual terms of the Group's loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk refer to notes 22(c)(ii) and 22(c)(iii), respectively.

	31 December 2019	31 December 2018
	USD million	USD million
Non-current liabilities		
Secured bank loans	4,951	5,566
Unsecured bank loans	202	226
Bonds	2,546	1,580
	7,699	**7,372**
Current liabilities		
Secured bank loans	223	476
Unsecured bank loans	202	12
Bonds	55	377
Accrued interest	68	49
	548	**914**

(a) Loans and borrowings

Terms and debt repayment schedule as at 31 December 2019

	TOTAL	2020	2021	2022	2023	2024
	USD million	USD million	USD million	USD million	USD million	USD million
Secured bank loans						
Variable						
USD – 3M Libor + 3.75%	2,089	-	332	396	556	805
USD – 3M Libor + 2.25%	1,070	-	-	356	357	357
USD 3M Libor + 1.65%	210	210	-	-	-	-
Fixed						
RUB – 9.15%	1,780	-	-	289	610	881
RUB 8.75%	25	13	12	-	-	-
	5,174	**223**	**344**	**1,041**	**1,523**	**2,043**
Unsecured bank loans						
Variable						
USD – 1M Libor + 2.4%	200	-	200	-	-	-
Fixed						
USD 3.6%	200	200	-	-	-	-
RUB 5%	4	2	2	-	-	-
Total	**404**	**202**	**202**	**-**	**-**	**-**
Accrued interest	68	68	-	-	-	-
Total	**5,646**	**493**	**546**	**1,041**	**1,523**	**2,043**

The secured bank loans are secured by pledges of shares of the following Group companies as at 31 December 2019:

- 100% of International limited liability company "GERSHVIN"
- 100% of International limited liability company "AKTIVIUM"

The secured bank loans are also secured by pledges of shares of associate as at 31 December 2019:

- 25% +1 share of Norilsk Nickel.

The secured bank loans are also secured by the property, plant and equipment with a carrying amount of USD44 million (31 December 2018: USD3 million).

As at 31 December 2019 and 31 December 2018 rights, including all monies and claims, arising out of certain sales contracts between the Group's trading subsidiaries and its ultimate customers, were assigned to secure the syndicated Pre-Export Finance Term Facility Agreement (PXF) dated 25 October 2019 (31 December 2018: the syndicated Pre-Export Finance Term Facility Agreement (PXF) 24 May 2017).

On 25 October 2019 the Group entered into new five-year sustainability-linked pre-export finance facility for USD 1,085,000,000. The interest rate is subject to a sustainability discount or premium depending on the Company's fulfilment of the sustainability key performance indicators (KPI). The proceeds were used to partly refinance the principal outstanding under the existing up to USD 2 billion pre-export finance facility.

As at 31 December 2019 the Group through its subsidiaries has outstanding REPO loans backed by Norilsk Nickel shares in number of 1,017,000, in the amount of USD 210 million and maturing in June 2020.

During the year ended 31 December 2019 the Group made a principal repayment in total amounts of USD1,700 million and RUB32,769 million (USD512 million) under the syndicated Pre-Export Finance Term Facility Agreement (PXF) and credit facilities with Sberbank and Gazprombank, respectively.

The nominal value of the Group's loans and borrowings was USD5,612 million at 31 December 2019 (31 December 2018: USD6,332 million).

Terms and debt repayment schedule as at 31 December 2018

	TOTAL	**2019**	**2020**	**2021**	**2022**	**2023**	**Later years**
	USD million	**USD million**	**USD million**	**USD million**	**USD million**	**USD million**	**USD million**
Secured bank loans							
Variable							
USD – 3M Libor + 3.75%	3,328	-	-	537	635	890	1,266
USD – 3M Libor + 2.5%	1,683	278	562	562	281	-	-
Fixed							
RUB – 9.25%	194	194	-	-	-	-	-
RUB – 9.15%	833	-	-	134	158	221	320
RUB - 5%	4	4	-	-	-	-	-
	6,042	**476**	**562**	**1,233**	**1,074**	**1,111**	**1,586**
Unsecured bank loans							
Variable							
USD – 1M Libor + 2.4%	200	-	-	200	-	-	-
Fixed							
RUB 8.75%	33	11	11	11	-	-	-
RUB 5%	5	1	2	2	-	-	-
Total	**6,280**	**488**	**575**	**1,446**	**1,074**	**1,111**	**1,586**
Accrued interest	49	49	-	-	-	-	-
Total	**6,329**	**537**	**575**	**1,446**	**1,074**	**1,111**	**1,586**

The secured bank loans are secured by pledges of shares of the following Group companies as at 31 December 2018:

- 100% of Gershvin Investments Corp. Limited;
- 100% of Aktivium Holding B.V.

The secured bank loans are also secured by pledges of shares of associate as at 31 December 2018:

- 25% +1 share of Norilsk Nickel.

In January 2018 the Company entered into a bilateral facility agreement with Nordea Bank AB with the following key terms: principal amount of USD200 million, tenor of 3 years, interest rate of 1M Libor + 2.4% per annum with a bullet repayment. The proceeds were applied for partial prepayment of Group's existing debt.

On 13 December 2018 the Group executed amendment to the existing credit facility with Sberbank for conversion of ½ of the principal outstanding amount of the loan into roubles with interest rate 9.15%. As at the date of this financial statement the amount of USD2,107 million was converted into rubles.

As at 31 December 2018 the Group through its subsidiaries has outstanding REPO loan backed by Norilsk Nickel shares in number of 1,413,379, in the amount equal to USD 194 million and maturing in June 2019.

During 2018 the Group made a principal repayment in total amounts of USD579 million, EUR55 million (USD68 million) and RUB18 million (USD3 million) under credit facilities with Gazprombank, VTB Capital and Credit Bank of Moscow.

(b) Bonds

As at 31 December 2019 27,751 series 08 bonds, 397,347 series BO-01 bonds, 15,000,000 series BO-001P-01 bonds, 15,000,000 series BO-001P-02 bonds, 15,000,000 series BO-001P-03 bonds, 15,000,000 series BO-001P-04 bonds were outstanding (traded in the market).

The closing market price at 31 December 2019 was RUB 917, RUB 982, RUB 1,030, RUB 1,047, RUB 1,026 and RUB 1,003 per bond for the six tranches, respectively.

On 20 March 2019 the Group executed the put option under Panda bonds issuance (the first tranche) and redeemed bonds with notional value CNY680 million (USD101 million).

On 29 March 2019 RUSAL Bratsk announced a new coupon rate in respect to the series 08 bonds at the level of 0.01% per annum. On 10 April 2019 the Company exercised a put option on the outstanding RUB-denominated bonds series 08 and redeemed the bonds with notional value of RUB23.8 million.

On 04 April 2019 RUSAL Bratsk announced a new coupon rate in respect to the series BO-01 bonds at the level of 0.01% per annum. On 18 April 2019 the Company exercised a put option on the outstanding RUB-denominated bonds series BO-01 and redeemed the bonds with notional value of RUB 3.8 billion.

On 29 April 2019 placement of the exchange-traded rouble bonds of PJSC RUSAL Bratsk series BO-001P-01 in the amount of RUB15 billion with a coupon rate 9.0% was completed and the exchange-traded rouble bonds commenced trading on the Moscow Exchange. Maturity of the bonds is ten years subject to bondholders' put option exercisable in April 2022. In addition to the placement, the Group entered into a cross-currency interest rate swap, which resulted in the exchange-traded rouble bonds exposure being translated in full amount into US-dollar exposure with the maturity of 3 years and the interest rate of 4.69%.

On 11 July 2019 placement of the exchange-traded rouble bonds of PJSC RUSAL Bratsk series BO-001P-02 in the amount of RUB15 billion with a coupon rate 8.60% was completed and the exchange-traded rouble bonds commenced trading on the Moscow Exchange. Maturity of the bonds is ten years subject to bondholders' put option exercisable in January 2023. In addition to the placement, the Group entered into a cross-currency interest rate swap, which resulted in the exchange-traded rouble bonds exposure being translated in full amount into US-dollar exposure with the maturity of 3.5 years and the interest rate of 4.45%.

On 04 September 2019 the Group executed the put option under Panda bonds issuance (the second tranche) and redeemed bonds with notional value CNY480 million (USD67 million).

On 12 September 2019 placement of the exchange-traded rouble bonds of PJSC RUSAL Bratsk series BO-001P-03 in the amount of RUB15 billion with a coupon rate 8.25% was completed and the exchange-traded rouble bonds commenced trading on the Moscow Exchange. Maturity of the bonds is ten years subject to bondholders' put option exercisable in September 2022. In addition to the placement, the Group entered into 2 cross-currency interest rate swaps, which resulted in the exchange-traded rouble bonds exposure being translated in full amount into US-dollar exposure with the maturity of 3 years for both swaps and the interest rates of 3.82% and 3.85%.

On 14 November 2019 placement of the exchange-traded rouble bonds of PJSC RUSAL Bratsk series BO-001P-04 in the amount of RUB15 billion with a coupon rate 7.45% was completed and the exchange-traded rouble bonds commenced trading on the Moscow Exchange. Maturity of the bonds is ten years subject to bondholders' put option exercisable in November 2022. In addition to the placement, the Group entered into a cross-currency interest rate swap, which resulted in the exchange-traded rouble bonds exposure being translated in full amount into US-dollar exposure with the maturity of 3 years and the interest rate of 3.65%.

20 Provisions

Accounting policies

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance costs.

Disclosures

USD million	**Pension liabilities**	**Site restoration**	**Provisions for legal claims**	**Tax provisions**	**Total**
Balance at 1 January 2018	69	382	3	-	454
Provisions made during the year	3	20	4	20	47
Provisions reversed during the year	-	(16)	-	-	(16)
Actuarial gain	(6)	-	-	-	(6)
Provisions utilised during the year	(4)	(7)	(4)	-	(15)
Foreign currency translation	(8)	(31)	-	-	(39)
Balance at 31 December 2018	**54**	**348**	**3**	**20**	**425**
Non-current	***50***	***316***	***-***	***-***	***366***
Current	***4***	***32***	***3***	***20***	***59***
Balance at 1 January 2019	54	348	3	20	425
Provisions made during the year	7	43	14	-	64
Provisions reversed during the year	(10)	(25)	-	-	(35)
Actuarial loss	9	-	-	-	9
Provisions utilised during the year	(4)	(2)	-	(20)	(26)
Foreign currency translation	4	7	-	-	11
Balance at 31 December 2019	**60**	**371**	**17**	**-**	**448**
Non-current	***56***	***347***	***-***	***-***	***403***
Current	***4***	***24***	***17***	***-***	***45***

(a) Pension liabilities

Group subsidiaries in the Russian Federation

The Group voluntarily provides long-term and post-employment benefits to its former and existing employees including death-in-service, jubilee, lump sum upon retirement, material support for pensioners and death-in-pension benefits. Furthermore, the Group provides regular social support payments to some of its veterans of World War II.

The above employee benefit programs are of a defined benefit nature. The Group finances these programs on a pay-as-you-go basis, so plan assets are equal to zero.

Group subsidiaries in Ukraine

Due to legal requirements, the Ukrainian subsidiaries are responsible for partial financing of the state hardship pensions for those of its employees who worked, or still work, under severe and hazardous labour conditions (hardship early retirement pensions). These pensions are paid until the recipient reaches the age of entitlement to the State old age pension (55-60 years for female (dependent on year of birth) and 60 years for male employees). In Ukraine, the Group also voluntarily provides long-term and post-employment benefits to its employees including death-in-service, lump sum benefits upon retirement and death-in-pension benefits.

The above employee benefit programs are of a defined benefit nature. The Group finances these programs on a pay-as-you-go basis, so plan assets are equal to zero.

Group subsidiaries outside the Russian Federation and Ukraine

At its Guinean and Nigerian entities the Group provides a death-in-service benefit and lump-sum benefits upon disability and old-age retirement.

At its Guyana subsidiary, the Group provides a death-in-service benefit.

At its Italian subsidiary (Eurallumina) the Group only provides lump sum benefits upon retirement, which relate to service up to 1 January 2007.

In Sweden (Kubikenborg Aluminium AB), the Group provides defined benefit lifelong and temporary pension benefits. The lifelong benefits are dependent on the past service and average salary level of the employee, with an accrual rate that depends on the salary bracket the employee is in. The liability relates only to benefits accrued before 1 January 2004.

The number of employees in all jurisdictions eligible for the plans as at 31 December 2019 and 2018 was 46,581 and 58,089, respectively. The number of pensioners in all jurisdictions as at 31 December 2019 and 2018 was 41,699 and 44,966, respectively.

The Group expects to pay under the defined benefit retirement plans an amount of USD4 million during the 12 month period beginning on 1 January 2020.

Actuarial valuation of pension liabilities

The actuarial valuation of the Group and the portion of the Group funds specifically designated for the Group's employees were completed by a qualified actuary, Robert van Leeuwen AAG, as at 31 December 2019, using the projected unit credit method as stipulated by IAS 19.

The key actuarial assumptions (weighted average, weighted by DBO) are as follows:

	31 December 2019	**31 December 2018**
	% per annum	% per annum
Discount rate	6.4	7.9
Expected return on plan assets	N/A	N/A
Future salary increases	8.4	7.8
Future pension increases	5.1	4.6
Staff turnover	4.7	4.7
Mortality	USSR population table for 1985, Ukrainian population table for 2000	USSR population table for 1985, Ukrainian population table for 2000
Disability	70% Munich Re for Russia; 40% of death probability for Ukraine	70% Munich Re for Russia; 40% of death probability for Ukraine

As at 31 December 2019 and 31 December 2018 the Group's obligations were fully uncovered as the Group has only wholly unfunded plans.

(b) Site restoration

The mining, refining and smelting activities of the Group can give rise to obligations for site restoration and rehabilitation. Restoration and rehabilitation works can include facility decommissioning and dismantling, removal or treatment of waste materials, land rehabilitation, and site restoration. The extent of work required and the associated costs are dependent on the requirements of law and the interpretations of the relevant authorities.

The Group provides for site restoration obligations when there is a specific legal or constructive obligation for mine reclamation, landfill closure (primarily comprising red mud basin disposal sites) or specific lease restoration requirements. The Group does not record any obligations with respect to decommissioning of its refining or smelting facilities and restoration and rehabilitation of the surrounding areas unless there is a specific plan to discontinue operations at a facility. This is because any significant costs in connection with decommissioning of refining or smelting facilities and restoration and rehabilitation of the surrounding areas would be incurred no earlier than when the facility is closed and the facilities are currently expected to operate over a term in excess of 50-100 years due to the perpetual nature of the refineries and smelters and continuous maintenance and upgrade programs resulting in the fair values of any such liabilities being negligible.

Costs included in the provision encompass obligated and reasonably estimable restoration and rehabilitation activities expected to occur progressively over the life of the operation and at the time of closure in connection with disturbances at the reporting date. Routine operating costs that may impact the ultimate restoration and rehabilitation activities, such as waste material handling conducted as an integral part of a mining or production process, are not included in the provision. Costs arising from unforeseen circumstances, such as the contamination caused by unplanned discharges, are recognised as an expense and liability when the event gives rise to an obligation which is probable and capable of reliable estimation.

Restoration and rehabilitation provisions are measured at the expected value of future cash flows, discounted to their present value and determined according to the probability of alternative estimates of cash flows occurring for each operation. Discount rates used are specific to the country in which the operation is located. Significant judgements and estimates are involved in forming expectations of future activities and the amount and timing of the associated cash flows. Those expectations are formed based on existing environmental and regulatory requirements.

When provisions for restoration and rehabilitation are initially recognised, the corresponding cost is capitalised as an asset, representing part of the cost of acquiring the future economic benefits of the operation. The capitalised cost of restoration and rehabilitation activities is amortised over the estimated economic life of the operation on a units of production or straight-line basis. The value of the provision is progressively increased over time as the effect of discounting unwinds, creating an expense recognised as part of finance expenses.

Restoration and rehabilitation provisions are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalised cost, except where a reduction in the provision is greater than the unamortised capitalised cost, in which case the capitalised cost is reduced to nil and the remaining adjustment is recognised in the statement of income. Changes to the capitalised cost result in an adjustment to future amortisation charges. Adjustments to the estimated amount and timing of future restoration and rehabilitation cash flows are a normal occurrence in light of the significant judgements and estimates involved. Factors influencing those changes include revisions to estimated reserves, resources and lives of operations; developments in technology; regulatory requirements and environmental management strategies; changes in the estimated costs of anticipated activities, including the effects of inflation and movements in foreign exchange rates; and movements in general interest rates affecting the discount rate applied.

The site restoration provision recorded in these consolidated financial statements relates primarily to mine reclamation and red mud basin disposal sites at alumina refineries and is estimated by discounting the risk-adjusted expected expenditure to its present value based on the following key assumptions:

	31 December 2019	**31 December 2018**
Timing of inflated cash outflows	2020: USD23 million	2019: USD31 million
	2021-2025: USD209 million	2020-2024: USD203 million
	2026-2035: USD99 million	2025-2034: USD95 million
	after 2035: USD161 million	after 2034: USD168 million
Risk free discount rate after adjusting for inflation [(a)]	1.96%	3.10%

(a) the risk free rate for the year 2018-2019 represents an effective rate, which comprises rates differentiated by years of obligation settlement and by currencies in which the provisions were calculated

At each reporting date the Directors have assessed the provisions for site restoration and environmental matters and concluded that the provisions and disclosures are adequate.

(c) Provisions for legal claims

In the normal course of business the Group may be involved in legal proceedings. Where management considers that it is more likely than not that proceedings will result in the Group compensating third parties a provision is recognised for the best estimate of the amount expected to be paid. Where management considers that it is more likely than not that proceedings will not result in the Group compensating third parties or where, in rare circumstances, it is not considered possible to provide a sufficiently reliable estimate of the amount expected to be paid, no provision is made for any potential liability under the litigation but the circumstances and uncertainties involved are disclosed as contingent liabilities. The assessment of the likely outcome of legal proceedings and the amount of any potential liability involves significant judgement. As law and regulations in many of the countries in which the Group operates are continuing to evolve, particularly in the areas of taxation, sub-soil rights and protection of the environment, uncertainties regarding litigation and regulation are greater than those typically found in countries with more developed legal and regulatory frameworks.

The Group's subsidiaries are subject to a variety of lawsuits and claims in the ordinary course of its business. As at 31 December 2019, there were several claims filed against the Group's subsidiaries contesting breaches of contract terms and non-payment of existing obligations. Management has reviewed the circumstances and estimated that the amount of probable outflow related to these claims should not exceed USD17 million (31 December 2018: USD 3 million). The amount of claims, where management assesses outflow as possible approximates USD21 million (31 December 2018: USD31 million).

At each reporting date the Directors have assessed the provisions for litigation and claims and concluded that the provisions and disclosures are adequate.

(d) Tax provisions

The Group's accounting policy for taxation requires management's judgement in assessing whether deferred tax assets and certain deferred tax liabilities are recognised in the statement of financial position. Deferred tax assets, including those arising from carried forward tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Deferred tax liabilities arising from temporary differences in investments, caused principally by retained earnings held in foreign tax jurisdictions, are recognised unless repatriation of retained earnings can be controlled and is not expected to occur in the foreseeable future.

Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, commodity prices, reserves, operating costs, restoration and rehabilitation costs, capital expenditure, dividends and other capital management transactions. Assumptions are also required about the application of income tax legislation. These estimates and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the statement of financial position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the statement of income.

The Group generally provides for current tax based on positions taken (or expected to be taken) in its tax returns. Where it is more likely than not that upon examination by the tax authorities of the positions taken by the Group additional tax will be payable, the Group provides for its best estimate of the amount expected to be paid (including any interest and/or penalties) as part of the tax charge.

At each reporting date the Directors have assessed the provisions for taxation and concluded that the provisions and disclosures are adequate.

21 Derivative financial assets/liabilities

Accounting policies

The Group enters, from time to time, into various derivative financial instruments to manage its exposure to commodity price risk, foreign currency risk and interest rate risk.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and the combined instrument is not measured at fair value through profit or loss.

On initial designation of the derivative as a hedging instrument, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80% - 125%. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variation in cash flows that ultimately could affect reported profit or loss.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in the statement of income when incurred. Subsequent to initial recognition, derivatives are measured at fair value.

The measurement of fair value of derivative financial instruments, including embedded derivatives, is based on quoted market prices. Where no price information is available from a quoted market source, alternative market mechanisms or recent comparable transactions, fair value is estimated based on the Group's views on relevant future prices, net of valuation allowances to accommodate liquidity, modelling and other risks implicit in such estimates. Changes in the fair value therein are accounted for as described below.

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in the statement of comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of a derivative is recognised in the statement of income.

When the hedged item is a non-financial asset, the amount accumulated in equity is included in the carrying amount of the asset when the asset is recognised. In other cases, the amount accumulated in equity is reclassified to the statement of income in the same period that the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified to the statement of income.

Changes in the fair value of separated embedded derivatives and derivative financial instruments not designated for hedge accounting are recognised immediately in the statement of income.

Disclosures

	31 December 2019		31 December 2018	
	USD million		USD million	
	Derivative assets	**Derivative liabilities**	**Derivative assets**	**Derivative liabilities**
Petroleum coke supply contracts and other raw materials	39	36	42	31
Forward contracts for aluminium and other instruments	21	18	-	-
Cross currency swap (note 19(b))	48	-	-	-
Total	**108**	**54**	**42**	**31**

Derivative financial instruments are recorded at their fair value at each reporting date. Fair value is estimated in accordance with Level 3 of the fair value hierarchy based on management estimates and consensus economic forecasts of relevant future prices, net of valuation allowances to accommodate liquidity, modelling and other risks implicit in such estimates. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the date of the event or change in circumstances that caused the transfer. The following significant assumptions were used in estimating derivative instruments:

	2020	2021	2022	2023	2024	2025
LME Al Cash, USD per tonne	1,831	1,908	1,991	2,078	2,166	2,222
Platt's FOB Brent, USD per barrel	64	59	57	57	57	-

The movement in the balance of Level 3 fair value measurements of derivatives is as follows:

	31 December	
	2019	**2018**
	USD million	**USD million**
Balance at the beginning of the year	11	(50)
Unrealised changes in fair value recognised in statement of income (finance (expense)/income) during the period	(21)	171
Unrealised changes in fair value recognised in other comprehensive income (cash flow hedge) during the period	34	-
Realised portion of electricity, coke and raw material contracts and cross currency swap	30	(110)
Balance at the end of the year	**54**	**11**

During the year 2019 there have been no changes in valuation techniques used to calculate the derivative financial instruments compared to prior year.

Management believes that the values assigned to the key assumptions and estimates represented the most realistic assessment of future trends. The results for the derivative instruments are not particularly sensitive to any factors other than the assumptions disclosed above.

Petroleum coke supply contracts and other raw materials

In May and September 2011, the Group entered into long-term petroleum coke supply contracts where the price of coke is determined with reference to the LME aluminium price and the Brent oil price. The strike price for aluminium is set at USD2,403.45 per tonne and USD1,735.03 per tonne, respectively, while the strike price for oil is set at USD61.10 per barrel and USD47.7 per barrel, respectively.

In May 2014, the Group entered into long-term petroleum coke supply contract where the price of coke is determined with reference to the LME aluminium price and average monthly aluminium quotations, namely of Aluminum MW US Transaction premium, MB Aluminium Premium Rotterdam Low - High» and Aluminum CIF Japan premium. The strike price for aluminium is set at USD1,809.65 per tonne while the strike aluminium premium quotations for US, Europe and Japan are set at USD403.96 per tonne, USD313.30 per tonne and USD366.00 per tonne, respectively.

In November 2015, the Group entered into long-term pitch supply contract where the price of pitch is determined with reference to the LME aluminium price. The strike price for aluminium is set at USD1,508 per tonne.

22 Financial risk management and fair values

(a) Fair values

Management believes that the fair values of short-term financial assets and liabilities approximate their carrying amounts.

The methods used to estimate the fair values of the financial instruments are as follows:

Trade and other receivables, cash and cash equivalents, current loans and borrowings and trade and other payables: the carrying amounts approximate fair value because of the short maturity period of the instruments.

Long-term loans and borrowings, other non-current liabilities: the fair values of other non-current liabilities are based on the present value of the anticipated cash flows and approximate carrying value, other than Eurobonds and RUSAL Bratsk bonds issued.

Derivatives: the fair value of derivative financial instruments, including embedded derivatives, is based on quoted market prices. Where no price information is available from a quoted market source, alternative market mechanisms or recent comparable transactions, fair value is estimated based on the Group's views on relevant future prices, net of valuation allowances to accommodate liquidity, modelling and other risks implicit in such estimates. Option-based derivatives are valued using Black-Scholes models and Monte-Carlo simulations. The derivative financial instruments are recorded at their fair value at each reporting date.

The following table presents the fair value of Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined by IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs.

The Group as at 31 December 2019

		Carrying amount				Fair value			
	Note	**Derivatives**	**Loans and receivables**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
		USD million	**USD million**	**USD million**	**USD million**	**USD million**	**USD million**	**USD million**	**USD million**
Financial assets measured at fair value									
Petroleum coke supply contracts and other raw materials	21	39	-	-	**39**	-	-	39	**39**
Forward contracts for aluminium and other instruments	21	21	-	-	**21**	-	-	21	**21**
Cross currency swaps	21	48	-	-	**48**	-	-	48	**48**
		108	**-**	**-**	**108**	**-**	**-**	**108**	**108**
Financial assets not measured at fair value*									
Trade and other receivables	17	-	1,133	-	**1,133**	-	1,133	-	**1,133**
Dividends receivable		-	430	-	**430**	-	430	-	**430**
Short-term investments		-	171	-	**171**	-	171	-	**171**
Cash and cash equivalents	17	-	1,781	-	**1,781**	-	1,781	-	**1,781**
		-	**3,515**	**-**	**3,515**	**-**	**3,515**	**-**	**3,515**
Financial liabilities measured at fair value									
Petroleum coke supply contracts and other raw materials	21	(36)	-	-	**(36)**	-	-	(36)	**(36)**
Forward contracts for aluminium and other instruments	21	(18)	-	-	**(18)**	-	-	(18)	**(18)**
		(54)	**-**	**-**	**(54)**	**-**	**-**	**(54)**	**(54)**
Financial liabilities not measured at fair value*									
Secured bank loans and company loans	19	-	-	(5,242)	**(5,242)**	-	(5,396)	-	**(5,396)**
Unsecured bank loans	19	-	-	(404)	**(404)**	-	(407)	-	**(407)**
Unsecured bond issue	19	-	-	(2,601)	**(2,601)**	(1,002)	(1,700)	-	**(2,702)**
Trade and other payables	17	-	-	(860)	**(860)**	-	(860)	-	**(860)**
		-	**-**	**(9,107)**	**(9,107)**	**(1,002)**	**(8,363)**	**-**	**(9,365)**

* The Group considers that the carrying amounts of short-term trade receivables and payables are a reasonable approximation of fair values.

The Group as at 31 December 2018

		Carrying amount				Fair value			
	Note	Derivatives	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		USD million	USD million	USD million	USD million	USD million	USD million	USD million	USD million
Financial assets measured at fair value									
Petroleum coke supply contracts and other raw materials	21	42	-	-	**42**	-	-	42	**42**
Forward contracts for aluminium and other instruments	21	-	-	-	**-**	-	-	-	**-**
		42	**-**	**-**	**42**	**-**	**-**	**42**	**42**
Financial assets not measured at fair value*									
Trade and other receivables	17	-	819	-	**819**	-	819	-	**819**
Short-term investments		-	105		**105**		105		**105**
Cash and cash equivalents	17	-	844	-	**844**	-	844	-	**844**
		-	**1,768**	**-**	**1,768**	**-**	**1,768**	**-**	**1,768**
Financial liabilities measured at fair value									
Petroleum coke supply contracts and other raw materials	21	(31)	-	-	**(31)**	-	-	(31)	**(31)**
Forward contracts for aluminium and other instruments	21	-	-	-	**-**	-	-	-	**-**
		(31)	**-**	**-**	**(31)**	**-**	**-**	**(31)**	**(31)**
Financial liabilities not measured at fair value*									
Secured bank loans and company loans	19	-	-	(6,091)	**(6,091)**	-	(6,164)	-	**(6,164)**
Unsecured bank loans	19	-	-	(238)	**(238)**	-	(236)	-	**(236)**
Unsecured bond issue	19	-	-	(1,957)	**(1,957)**	(161)	(1,813)	-	**(1,974)**
Trade and other payables	17	-	-	(983)	**(983)**	-	(983)	-	**(983)**
		-	**-**	**(9,269)**	**(9,269)**	**(161)**	**(9,196)**	**-**	**(9,357)**

* The Group considers that the carrying amounts of short-term trade receivables and payables are a reasonable approximation of fair values.

(b) Financial risk management objectives and policies

The Group's principal financial instruments comprise bank loans and trade payables. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets such as trade receivables and cash and short-term deposits, which arise directly from its operations.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk. Management reviews and agrees policies for managing each of these risks which are summarised below.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established a risk management group within its Department of Internal Control, which is responsible for developing and monitoring the Group's risk management policies. The Department reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group's Audit Committee is assisted in its oversight role by the Group's Internal Audit function which undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(c) Market risk

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

(i) Commodity price risk

During the years ended 31 December 2019 and 2018, the Group has entered into certain long term electricity contracts and other commodity derivatives contracts in order to manage its exposure of commodity price risks. Details of the contracts are disclosed in notes 21 and 25(c).

(ii) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates (refer to note 19). The Group's policy is to manage its interest costs by monitoring changes in interest rates with respect to its borrowings.

The following table details the interest rate profile of the Group's borrowings at the reporting date.

	31 December 2019		31 December 2018	
	Effective interest rate %	**USD million**	**Effective interest rate %**	**USD million**
Fixed rate loans and borrowings				
Loans and borrowings	0.01%-9.15%	4,610	4.85%-12.85%	3,026
		4,610		**3,026**
Variable rate loans and borrowings				
Loans and borrowings	3.58%-5.86%	3,569	4.91%-6.72%	5,211
		3,569		**5,211**
		8,179		**8,237**

The following table demonstrates the sensitivity to cash flows from interest rate risk arising from floating rate non-derivative instruments held by the Group at the reporting date in respect of a reasonably possible change in interest rates, with all other variables held constant. The impact on the Group's profit before taxation and equity and retained profits/accumulated losses is estimated as an annualised input on interest expense or income of such a change in interest rates. The analysis has been performed on the same basis for all years presented.

	Increase/decrease in basis points	**Effect on profit before taxation for the year**	**Effect on equity for the year, excluding tax effect**
		USD million	**USD million**
As at 31 December 2019			
Basis percentage points	+100	(36)	(35)
Basis percentage points	-100	36	35
As at 31 December 2018			
Basis percentage points	+100	(52)	(52)
Basis percentage points	-100	52	52

(iii) Foreign currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of group entities, primarily USD but also the Russian Rouble, Ukrainian Hryvna and Euros. The currencies in which these transactions primarily are denominated are RUB, USD and EUR.

Borrowings are primarily denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily USD but also RUB and EUR. This provides an economic hedge.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances or entering into currency swap arrangements.

The Group's exposure at the reporting date to foreign currency risk arising from recognised assets and liabilities denominated in a currency other than the functional currency of the entity to which they relate is set out in the table below. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are ignored.

	USD-denominated vs. RUB functional currency		**RUB-denominated vs. USD functional currency**		**EUR-denominated vs. USD functional currency**		**Denominated in other currencies vs. USD functional currency**	
As at 31 December	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
	USD million	**USD million**	**USD million**	**USD million**	**USD million**	**USD million**	**USD million**	**USD million**
Non-current assets	-	-	3	3	-	1	8	-
Trade and other receivables	1	1	662	640	55	91	43	28
Cash and cash equivalents	26	-	84	415	124	305	35	42
Derivative financial assets	-	-	40	42	-	-	-	-
Loans and borrowings	-	-	(1,980)	(1,030)	-	-	-	-
Provisions	-	-	(66)	(102)	(26)	(26)	(14)	(10)
Derivative financial liabilities	-	-	(11)	(11)	-	-	-	-
Non-current liabilities	-	-	(1)	-	(6)	(6)	-	-
Income taxation	-	-	(2)	(15)	-	-	(8)	(11)
Short-term bonds	-	-	(7)	(161)	-	-	(49)	(216)
Trade and other payables	-	-	(351)	(393)	(42)	(61)	(74)	(54)
Net exposure arising from recognised assets and liabilities	**27**	**1**	**(1,629)**	**(612)**	**105**	**304**	**(59)**	**(221)**

Foreign currency sensitivity analysis

The following tables indicate the instantaneous change in the Group's profit before taxation (and accumulated losses) and other comprehensive income that could arise if foreign exchange rates to which the Group has significant exposure at the reporting date had changed at that date, assuming all other risk variables remained constant.

	Year ended 31 December 2019		
		USD million	USD million
	Change in exchange rates	Effect on profit before taxation for the year	Effect on equity for the year
Depreciation of USD vs. RUB	15%	(248)	(248)
Depreciation of USD vs. EUR	10%	11	11
Depreciation of USD vs. other currencies	5%	(3)	(3)

	Year ended 31 December 2018		
		USD million	USD million
	Change in exchange rates	Effect on profit before taxation for the year	Effect on equity for the year
Depreciation of USD vs. RUB	15%	(92)	(92)
Depreciation of USD vs. EUR	10%	30	30
Depreciation of USD vs. other currencies	5%	(11)	(11)

Results of the analysis as presented in the above tables represent an aggregation of the instantaneous effects on the Group entities' profit before taxation and other comprehensive income measured in the respective functional currencies, translated into USD at the exchange rates ruling at the reporting date for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the reporting date. The analysis excludes differences that would result from the translation of other financial statements of foreign operations into the Group's presentation currency. The analysis has been performed on the same basis for all years presented.

(d) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The group policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to meet its operating and financial commitments.

The following tables show the remaining contractual maturities at the reporting date of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payment computed using contractual rates, or if floating, based on rates current at the reporting date) and the earliest the Group can be required to pay.

	31 December 2019 Contractual undiscounted cash outflow					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**TOTAL**	**Carrying amount**
	USD million	**USD million**	**USD million**	**USD million**	**USD million**	**USD million**
Trade and other payables to third parties	764	-	-	-	764	764
Trade and other payables to related parties	96	-	-	-	96	96
Bonds, including interest payable	219	161	2,720	-	3,100	2,601
Loans and borrowings, incl. interest payable	775	878	5,215	-	6,868	5,646
Guarantees	69	67	-	-	136	-
	1,923	**1,106**	**7,935**	**-**	**10,964**	**9,107**

	31 December 2018 Contractual undiscounted cash outflow					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**TOTAL**	**Carrying amount**
	USD million	**USD million**	**USD million**	**USD million**	**USD million**	**USD million**
Trade and other payables to third parties	919	-	-	-	919	919
Trade and other payables to related parties	64	-	-	-	64	64
Bonds, including interest payable	480	82	1,773	-	2,335	1,957
Loans and borrowings, including interest payable	897	948	4,364	1,681	7,890	6,329
Guarantees	62	59	-	-	121	-
	2,422	**1,089**	**6,137**	**1,681**	**11,329**	**9,269**

At 31 December 2019 and 31 December 2018 the Group's guarantee in respect of credit arrangement between BoAZ and VEB (note 24(d)) is presented as contingent liability and included at maximum exposure for the Group in the liquidity risk disclosure above.

(e) Credit risk

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The majority of the Group's third party trade receivables represent balances with the world's leading international corporations operating in the metals industry. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Goods are normally sold subject to retention of title clauses, so that in the event of non-payment the Group may have a secured claim. The Group does not require collateral in respect of trade and other receivables. The details of impairment of trade and other receivables are disclosed in note 17. The extent of the Group's credit exposure is represented by the aggregate balance of financial assets and financial guarantees given.

At 31 December 2019 and 2018, the Group has no concentration of credit risk within any single larger customer but 19.3% and 6.7% of the total trade receivables were due from the Group's five largest customers, respectively (refer to note 5 for the disclosure on revenue from largest customer).

With respect to credit risk arising from guarantees, the Group's policy is to provide financial guarantees only to wholly-owned subsidiaries, associates and joint ventures.

(f) Capital risk management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity, excluding non-controlling interests. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Board seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

There were no changes in the Group's approach to capital management during the year.

The Company and its subsidiaries were subject to externally imposed capital requirements in the both years presented in these consolidated financial statements.

(g) Master netting or similar agreements

The Group may enter into sales and purchase agreements with the same counterparty in the normal course of business. The related amount receivable and payable do not always meet the criteria for offsetting in the statement of financial position. This is because the Group may not have any currently legally enforceable right to offset recognised amounts, because the right to offset may be enforceable only on the occurrence of future events.

There are no financial instruments that meet the offsetting criteria in the statement of financial position for the year ended 31 December 2019 and 31 December 2018.

23 Commitments

(a) Capital commitments

The Group has entered into contracts that result in contractual obligations primarily relating to various construction and capital repair works. The commitments at 31 December 2019 and 31 December 2018 approximated USD337 million and USD255 million, respectively. These commitments are due over a number of years.

(b) Purchase commitments

Commitments with third parties for purchases of alumina, bauxite, other raw materials and other purchases in 2020-2034 under supply agreements are estimated from USD3,257 million to USD4,135 million at 31 December 2019 (31 December 2018: USD2,932 million to USD3,527 million) depending on the actual purchase volumes and applicable prices.

Commitments with a related party - joint venture for purchases of primary aluminium and alloys in 2020-2030 under supply agreements are estimated from USD5,134 million to USD8,636 million at 31 December 2019 (31 December 2018: USD6,375 million to USD10,019 million) depending on the actual purchase volumes and applicable prices. Electricity purchase commitments are disclosed in note 25.

(c) Sale commitments

Commitments with third parties for sales of alumina and other raw materials in 2020-2034 are estimated from USD962 million to USD1,292 million at 31 December 2019 (31 December 2018: from USD509 million to USD2,344 million) and will be settled at market prices at the date of delivery. Commitments with related parties for sales of alumina in 2020-2024 approximated from USD413 million to USD771 million at 31 December 2019 (31 December 2018: from USD227 million to USD363 million).

Commitments with related parties for sales of primary aluminium and alloys in 2020-2021 are estimated from USD567 million to USD797 million at 31 December 2019 (31 December 2018: from USD889 million to USD1,223 million). Commitments with third parties for sales of primary aluminium and alloys in 2020-2022 are estimated to range from USD1,720 million to USD2,559 million at 31 December 2019 (31 December 2018: from USD832 million to USD1,155 million).

(d) Social commitments

The Group contributes to the maintenance and upkeep of the local infrastructure and the welfare of its employees, including contributions toward the development and maintenance of housing, hospitals, transport services, recreation and other social needs of the regions of the Russian Federation where the Group's production entities are located. The funding of such assistance is periodically determined by management and is appropriately capitalised or expensed as incurred.

24 Contingencies

(a) Taxation

Russian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activities of the Group may be challenged by the relevant local, regional and federal authorities. Notably recent developments in the Russian environment suggest that the authorities in this country are becoming more active in seeking to enforce, through the Russian court system, interpretations of the tax legislation, in particular in relation to the use of certain commercial trading structures, which may be selective for particular tax payers and different to the authorities' previous interpretations or practices. Different and selective interpretations of tax regulations by various government authorities and inconsistent enforcement create further uncertainties in the taxation environment in the Russian Federation.

In addition to the amounts of income tax the Group has provided, there are certain tax positions taken by the Group where it is reasonably possible (though less than 50% likely) that additional tax may be payable upon examination by the tax authorities or in connection with ongoing disputes with tax authorities. The Group's best estimate of the aggregate maximum of additional amounts that it is reasonably possible may become payable if these tax positions were not sustained at 31 December 2019 is USD nil million (31 December 2018: USD nil million).

(b) Environmental contingencies

The Group and its predecessor entities have operated in the Russian Federation, Ukraine, Jamaica, Guyana, the Republic of Guinea and the European Union for many years and certain environmental problems have developed. Governmental authorities are continually considering environmental regulations and their enforcement and the Group periodically evaluates its obligations related thereto. As obligations are determined, they are recognised immediately. The outcome of environmental liabilities under proposed or any future legislation, or as a result of stricter enforcement of existing legislation, cannot reasonably be estimated. Under current levels of enforcement of existing legislation, management believes there are no possible liabilities, which will have a material adverse effect on the financial position or the operating results of the Group. However, the Group anticipates undertaking significant capital projects to improve its future environmental performance and to bring it into full compliance with current legislation.

(c) Legal contingencies

The Group's business activities expose it to a variety of lawsuits and claims which are monitored, assessed and contested on the ongoing basis. Where management believes that a lawsuit or another claim would result in the outflow of the economic benefits for the Group, a best estimate of such outflow is included in provisions in the consolidated financial statements (refer to note 20). As at 31 December 2019 the amount of claims, where management assesses outflow as possible approximates USD21 million (31 December 2018: USD31 million).

In January 2013, the Company received a writ of summons and statement of claim filed in the High Court of Justice of the Federal Capital Territory of Nigeria (Abuja) by plaintiff BFIG Group Divino Corporation ("BFIG") against certain subsidiaries of the Company. It is a claim for damages arising out of the defendants' alleged tortious interference in the bid process for the sale of the Nigerian government's majority stake in the Aluminium Smelter Company of Nigeria Plc ("ALSCON") and alleged loss of BFIG's earnings resulting from its failed bid for the said stake in ALSCON. BFIG sought compensatory damages in the amount of USD2.8 billion plus interest.

In January 2014 the court granted the Company's motion to join the Federal Republic of Nigeria and Attorney General of Nigeria to the case as co-defendants. The last hearing took place on 8 November 2017. The claim was struck out. BFIG may appeal.

Based on a preliminary assessment of the claim, the Company does not expect the case to have any material adverse effect on the Group's financial position or its operation as a whole.

In January 2018 one of the Company's subsidiaries, ALSCON and the Bureau of Public Enterprises of Nigeria entered into an addendum to the original sale and purchase contract regarding ALSCON on the key terms and conditions as it was disclosed in the announcement of the Company dated 19 January 2018.

(d) Insurance and provision for guarantees

Where the Group enters into financial guarantee contracts to guarantee the indebtedness of other companies, controlled by the shareholder which is a beneficial owner of the Group at the reporting date, the Group considers these to be insurance arrangements and accounts for them as such. In this respect, the Group treats the guarantee contract as a contingent liability until such time as it becomes probable that the Group will be required to make a payment under the guarantee.

In September 2013 the Group entered into an agreement with PJSC RusHydro to provide funds to BoAZ, if the latter is unable to fulfil its obligations under its credit facility with GK Vnesheconombank ("VEB"). This agreement represents a surety for the increased credit limit obtained for the financing of BoAZ. The aggregate exposure under the agreement is limited to RUB16.8 billion (31 December 2019 and 2018 USD272 million and USD242 million, respectively) and is split between the Group and PJSC RusHydro in equal proportion.

25 Related party transactions

(a) Transactions with management and close family members

Management remuneration

Key management received the following remuneration, which is included in personnel costs (refer to note 6(c)):

	Year ended 31 December	
	2019	**2018**
	USD million	**USD million**
Salaries and bonuses	61	67
	61	**67**

(b) Transactions with associates and joint ventures

Sales to associates and joint ventures are disclosed in note 5, purchases from associates and joint ventures are disclosed in note 6, accounts receivable from associates and joint ventures as well as accounts payable to associates and joint ventures are disclosed in note 17.

(c) Transactions with other related parties

The Group transacts with other related parties, the majority of which are companies related through parent company or under the control of SUAL Partners Limited or its controlling shareholders or Glencore International Plc or entities under its control.

Sales to related parties for the year are disclosed in note 5, purchases from related parties are disclosed in note 6, accounts receivable from related parties as well as accounts payable to related parties are disclosed in note 17, commitments with related parties are disclosed in note 23, directors remuneration in notes 9 and 10 and other transactions with shareholders are disclosed in note 11.

Other purchases of assets and other non-operating expenses from related parties are the following:

	Year ended 31 December	
	2019	2018
	USD million	USD million
Related parties – companies capable of exerting significant influence	1	4
Related parties – companies related through parent company	11	18
Related parties – associates and joint ventures	3	1
	15	**23**

Electricity contracts

In November 2016, the Group entered into the new long-term electricity contracts to supply several Group's smelters from En+ subsidiaries over the years 2016-2026. Purchases will be made under a price formula close to market prices. The volumes committed under the long-term electricity contracts are as follows:

Year	2020	2021	2022	2023	2024	2025	2026
Mln kWh	37,700	37,598	37,598	37,598	37,700	37,598	25,194
Mln USD	449	447	447	447	449	447	293

(d) Related parties balances

At 31 December 2019, included in non-current assets are balances of related parties — companies related through parent company of nil and balances of related parties – associates and joint ventures of USD2 million (31 December 2018: USD46 million and USD 2 million, respectively). At 31 December 2019, included in non-current liabilities are balances of related parties – associates and joint ventures of USD11 million (31 December 2018: USD 10 million).

(e) Pricing policies

Prices for transactions with related parties are determined on a case by case basis but are not necessarily at arm's length.

The Group has entered into three categories of related-party transactions: (i) those entered into on an arm's length basis, (ii) those entered into on non-arm's length terms but as part of a wider deal resulting from arms' length negotiations with unrelated third parties, and (iii) transactions unique to the Group and the counterparty.

(f) Connected transactions

Not all the related party transactions and balances disclosed above meet the definition of connected transactions as per Chapter 14 of the Listing Rules of Hong Kong Stock Exchange. For particulars of the continuing connected transactions please refer to the Director's Report section of the Annual Report of the Company for the year ended 31 December 2019.

26 Particulars of subsidiaries

As at 31 December 2019 and 2018, the Company has direct and indirect interests in the following subsidiaries, which principally affected the results, assets and liabilities of the Group:

Name	Place of incorporation and operation	Date of incorporation	Particulars of issued and paid up capital	Attributable equity interest	Principal activities
Compagnie Des Bauxites De Kindia S.A.	Guinea	29 November 2000	2,000 shares of GNF 25,000 each	100.0%	Bauxite mining
Friguia SA	Guinea	9 February 1957	758,966,200,000 GNF	100.0%	Alumina
JSC RUSAL Achinsk	Russian Federation	20 April 1994	4,188,531 shares of RUB1 each	100.0%	Alumina
Mykolaiv Alumina Refinery Company Ltd	Ukraine	16 September 2004	1,524,126,720 UAH	100.0%	Alumina
JSC RUSAL Boxitogorsk Alumina	Russian Federation	27 October 1992	1,012,350 shares of RUB1 each	100.0%	Alumina
Eurallumina SpA	Italy	21 March 2002	10,000,000 shares of EUR1.55 each	100.0%	Alumina
PJSC RUSAL Bratsk	Russian Federation	26 November 1992	5,505,305 shares of RUB0.2 each	100.0%	Smelting
JSC RUSAL Krasnoyarsk	Russian Federation	16 November 1992	85,478,536 shares of RUB20 each	100.0%	Smelting
JSC RUSAL Novokuznetsk	Russian Federation	26 June 1996	53,997,170 shares of RUB0.1 each	100.0%	Smelting
JSC RUSAL Sayanogorsk	Russian Federation	29 July 1999	208,102,580,438 shares of RUB0.068 each	100.0%	Smelting
RUSAL RESAL LLC	Russian Federation	15 November 1994	charter fund of RUB67,706,217.29	100.0%	Processing
JSC RUSAL SAYANAL	Russian Federation	29 December 2001	59,902,661,099 shares of RUB0.006 each	100.0%	Foil
CJSC RUSAL ARMENAL	Armenia	17 May 2000	36,699,295 shares of AMD 1,000 each	100.0%	Foil
RUS-Engineering LLC	Russian Federation	18 August 2005	charter fund of RUB 1,751,832,184	100.0%	Repairs and maintenance
JSC Russian Aluminium	Russian Federation	25 December 2000	23,124,000,000 shares of RUB1 each	100.0%	Holding company
Rusal Global Management B.V.	Netherlands	8 March 2001	charter fund of EUR25,000	100.0%	Management company
JSC United Company RUSAL Trading House	Russian Federation	15 March 2000	163,660 shares of RUB100 each	100.0%	Trading
Rusal America Corp.	USA	29 March 1999	1,000 shares of USD 0.01 each	100.0%	Trading
RS International GmbH	Switzerland	22 May 2007	1 share with nominal value of CHF 20,000	100.0%	Trading

Name	Place of incorporation and operation	Date of incorporation	Particulars of issued and paid up capital	Attributable equity interest	Principal activities
Rusal Marketing GmbH	Switzerland	22 May 2007	Capital quota of CHF2,000,000	100.0%	Trading
RTI Limited	Jersey	27 October 2006	978,492,901 shares of USD1 each	100.0%	Trading
Alumina & Bauxite Company Limited	British Virgin Islands	3 March 2004	231,179,727 shares of USD1 each	100.0%	Trading
JSC Komi Aluminii	Russian Federation	13 February 2003	4,303,000,000 shares of RUB1 each	100.0%	Alumina
JSC Bauxite-Timana	Russian Federation	29 December 1992	44,500,000 shares of RUB10 each	100.0%	Bauxite mining
JSC Severo-Uralsky Bauxite Mine	Russian Federation	24 October 1996	10,506,609 shares of RUB275.85 each	100.0%	Bauxite mining
JSC RUSAL Ural	Russian Federation	26 September 1996	2,542,941,932 shares of RUB1 each	100.0%	Primary aluminum and alumina production
SUAL-PM LLC	Russian Federation	20 October 1998	charter fund of RUB56,300,959	100.0%	Aluminum powders production
JSC Kremniy	Russian Federation	3 August 1998	320,644 shares of RUB1,000 each	100.0%	Silicon production
RUSAL-Kremniy-Ural LLC	Russian Federation	1 March 1999	charter fund of RUB8,763,098	100.0%	Silicon production
UC RUSAL Alumina Jamaica Limited	Jamaica	26 April 2001	1,000,000 shares of JMD1 each	100.0%	Alumina
Kubikenborg Aluminium AB	Sweden	26 January 1934	25,000 shares of SEK 1,000 each	100.0%	Smelting
RFCL Sarl	Luxembourg	13 March 2013	90,000,000 RUB	100.0%	Finance services
International LLC AKTIVIUM	Russian Federation	06 December 2019	215,458,134,321 shares of RUB1 each	100.0%	Holding and investment company
Aughinish Alumina Ltd	Ireland	22 September 1977	1,000 shares of EUR2 each	100.0%	Alumina
LLC RUSAL Energo	Russian Federation	26 December 2005	715,000,000 RUB	100.0%	Electric power
Limerick Alumina Refining Ltd.	Ireland	30 March 1995	54,019,819 shares of USD1 each	100.0%	Alumina
JSC RUSAL Management	Russian Federation	26 December 2018	1,000,000 shares of RUB1 each	100.0%	Management company
RUSAL Taishet LLC	Russian Federation	11 September 2006	Charter fund of RUB 12,158,878,747.58	100.0%	Smelting
UC RUSAL Anode Plant LLC	Russian Federation	09 April 2008	Charter fund of RUB1,064,280,000	100.0%	Anodes

Trading entities are engaged in the sale of products to and from the production entities.

27 Statement of Financial Position of the Company as at 31 December 2019

	31 December 2019 USD million	31 December 2018 USD million
ASSETS		
Non-current assets		
Investments in subsidiaries	19,449	20,468
Loans to related parties	1,346	1,845
Total non-current assets	**20,795**	**22,313**
Current assets		
Loans to related parties	1,050	1,416
Other receivables	343	911
Cash and cash equivalents	23	186
Total current assets	**1,416**	**2,513**
Total assets	**22,211**	**24,826**
EQUITY AND LIABILITIES		
Equity		
Share capital	152	152
Reserves	15,743	14,152
Total equity	**15,895**	**14,304**
Non-current liabilities		
Loans and borrowings	6,188	6,816
Total non-current liabilities	**6,188**	**6,816**
Current liabilities		
Loans and borrowings	92	2,355
Trade and other payables	36	1,322
Other current liabilities	-	29
Total current liabilities	**128**	**3,706**
Total liabilities	**6,316**	**10,522**
Total equity and liabilities	**22,211**	**24,826**
Net current assets / (liabilities)	**1,288**	**(1,193)**
Total assets less current liabilities	**22,083**	**21,120**

28 Events subsequent to the reporting date

The first months of 2020 have seen significant global market turmoil triggered by the outbreak of the coronavirus. Together with other factors, this has resulted in a sharp decrease in the oil price and the stock market indices, as well as a depreciation of the Russian Rouble. At the moment the Group is assessing the impact of these market developments for its financial position, financial performance and future cash flows.

Purchase, sale or redemption of UC RUSAL's listed securities

Save as the redemption of bonds as disclosed in note 19 (g) to the consolidated financial statements, neither the Company nor any of its subsidiaries repurchased, sold or redeemed any of their securities during the financial year ended 31 December 2019.

Code of Corporate Governance Practices

UC RUSAL adopted a corporate code of ethics that sets out UC RUSAL's values and principles for many of its areas of operations.

The Directors adopted a corporate governance code which is based on the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Hong Kong Listing Rules**"). The Directors consider that save for code provision A.1.7 (physical board meetings at which Directors have material interests) and A.6.7 (attendance of Directors at annual general meeting), for reasons set out below and also on page 102 of UC RUSAL's interim report for the six months ended 30 June 2019, UC RUSAL has complied with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 to the Hong Kong Listing Rules during the period from 1 January 2019 to 31 December 2019.

The Board generally endeavoured throughout the twelve-month period ended 31 December 2019 to ensure that it did not deal with business by the way of written resolution where a substantial Shareholder of the Company or a Director had disclosed an interest in a matter to be considered by the Board which the Board determined to be material. As a result, there were no occurrence when urgent business was dealt with by the Board by way of written resolution where a material interest of a Director was stated to have been disclosed.

Of the ten Board meetings held, there were eight occasions where one or more independent non-executive Directors had a material interest in the transaction. On such occurrences, the independent non-executive Director abstained from voting and the resolutions approving entry into such transactions were passed by the requisite majority excluding the materially interested independent non-executive Director.

Of the eight Board meetings held in the twelve month period ended 31 December 2019 where one or more Directors had disclosed a material interest, all the independent non-executive Directors were present at six of the Board meetings held. Given the size of the Board and the amount of urgent business transacted by the Company where Director(s) have material interests, it is difficult to rearrange any scheduled Board meeting or postpone the discussion of such business in order to ensure all of the independent non-executive Directors are present. The Board meeting on those occasions therefore proceeded despite the fact that the independent non-executive Director was unable to attend but on such occasions the other independent non-executive Directors were present.

Certain executive directors and non-executive directors were unable to attend the Company's annual general meeting and extraordinary general meetings held in 2019 due to conflicting business schedules.

Audit Committee

The board of directors of the Company (the "**Board**") established an Audit Committee to assist it in providing an independent view of the effectiveness of the Company's financial reporting process, risk management and internal control systems, and internal audit function, to oversee the audit process and to perform other duties and responsibilities as are assigned to the Audit Committee by the Board. The Audit Committee is assisted by the Company's internal audit function which undertakes both regular and ad hoc reviews of risk management, internal controls and procedures, the results of which are reported to the Audit Committee. The Audit Committee consists of independent non-executive Directors. The members are as follows: Mr. Maxim Poletaev (chairman of the committee, independent non-executive Director), Dr. Elsie Leung Oi-sie (independent non-executive Director), Mr. Dmitry Vasiliev (independent non-executive Director) and Mr. Kevin Parker (independent non-executive Director).

On 12 March 2020, the Audit Committee has reviewed the financial results of the Company for the year ended 31 December 2019.

Material events since the end of the year

21 January 2020	Fitch Ratings ("**Fitch**") has revised the rating outlook on the Company's Long-Term Issuer Default Rating (IDR) to Negative from Stable and affirmed the IDR "BB-". Fitch has also affirmed Rusal Capital D.A.C.'s senior unsecured rating at "BB-"/"RR4".
3 February 2020	RUSAL decided to suspend the operations of its business in Guyana as a result of serious illegitimate actions that have gone beyond the control of government and enforcement agencies. The suspension of BCGI will have no impact on the Company's overall performance, as the expected decline in the overall bauxite supply from Guyana will be substituted with raw material from other mines.
3 February 2020	EN+ GROUP International public joint-stock company ("**En+**") completed the second stage of the securities exchange agreement with certain subsidiaries of Glencore plc. As a result, En+'s shareholding in the Company has increased to approximately 56.88% of the total issued share capital of the Company.
6 February 2020	RUSAL has been identified as a global leader for engaging with its suppliers on climate change by the Carbon Disclosure Project's (CDP) Supplier Engagement Leaderboard. The high CDP rating is further evidence of RUSAL's successful efforts to reduce emissions, manage climate risks and ensure transparent communications in this area.
28 February 2020	RUSAL announced operating results for the 4Q 2019 and full year 2019.

Compliance

The Directors confirm that the information contained in this announcement does not contain any false statements, misleading representations or material omissions, and all of them jointly and severally accept responsibility as to the truthfulness, accuracy and completeness of the content of this announcement.

Forward-looking statements

This announcement contains statements about future events, projections, forecasts and expectations that are forward-looking statements. Any statement in this announcement that is not a statement of historical fact is a forward-looking statement that involves known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These risks and uncertainties include those discussed or identified in the prospectus for UC RUSAL. In addition, past performance of UC RUSAL cannot be relied on as a guide to future performance. UC RUSAL makes no representation on the accuracy and completeness of any of the forward-looking statements, and, except as may be required by applicable law, assumes no obligations to supplement, amend, update or revise any such statements or any opinion expressed to reflect actual results, changes in assumptions or in UC RUSAL's expectations or changes in factors affecting these statements. Accordingly, any reliance you place on such forward-looking statements will be at your sole risk.

By Order of the board of directors of
United Company RUSAL Plc
Aby Wong Po Ying
Company Secretary

13 March 2020

As at the date of this announcement, the executive Directors are Mr. Evgenii Nikitin, Mr. Evgenii Vavilov and Mr. Evgeny Kuryanov, the non-executive Directors are Mr. Marco Musetti, Mr. Vyacheslav Solomin and Mr. Vladimir Kolmogorov, and the independent non-executive Directors are Mr. Kevin Parker, Mr. Nick Jordan, Mr. Christopher Burnham, Mr. Maxim Poletaev, Mr. Randolph N. Reynolds, Dr. Elsie Leung Oi-sie, Mr. Dmitry Vasiliev and Mr. Bernard Zonneveld (Chairman).

All announcements published by the Company are available on its website under the links: http://www.rusal.ru/en/investors/info.aspx and http://rusal.ru/investors/info/moex, respectively.