

JSC SUEK

Consolidated annual financial statements

for the year ended 31 December 2020

Table of contents

Independent Auditors' Report	2
Consolidated statement of profit or loss	4
Consolidated statement of comprehensive income	5
Consolidated statement of financial position	6
Consolidated statement of cash flows	7
Consolidated statement of changes in shareholders' equity	8
Notes to the consolidated financial statements	
1. General information	9
2. Basis of presentation	9
3. Significant accounting policies	10
4. Critical accounting judgements and estimates	21
5. Segmental information	24
6. Revenue	25
7. Cost of sales	26
8. Distribution costs	26
9. General and administrative expenses	27
10. Finance costs, net	27
11. Property, plant and equipment	28
12. Right-of-use assets	29
13. Other assets	30
14. Trade accounts and other receivables	30
15. Inventories	30
16. Derivative financial instruments	30
17. Prepaid and recoverable taxes	32
18. Cash and cash equivalents	32
19. Share capital and reserves	33
20. Earnings per share	33
21. Borrowings	34
22. Lease liabilities	35
23. Changes in liabilities arising from financial activities	35
24. Other long-term liabilities	36
25. Trade accounts and other payables	36
26. Taxes payable	36
27. Taxation	37
28. Related party transactions	39
29. Commitments	39
30. Contingencies	39
31. Fair value measurement	41
32. Financial risk management	42
33. Investments in significant subsidiaries	46
34. Events subsequent to the balance sheet date	48



Independent Auditors' Report

To the Shareholders of JSC SUEK

Opinion

We have audited the consolidated financial statements of JSC SUEK (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statements of profit or loss, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

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

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

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

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

Audited entity: JSC SUEK

Registration number in the Unified State Register of Legal Entities
No. 1027700151380.

Moscow, Russia

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

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

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



Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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


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

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

Andrey Kim
JSC "KPMG"
Moscow, Russia
29 January 2021

JSC SUEK**Consolidated statement of profit or loss for the year ended 31 December 2020***Millions of US Dollars*

	<u>Notes</u>	<u>2020</u>	<u>2019</u>
Revenue	6	6,683	7,638
Cost of sales	7	(3,846)	(4,301)
Distribution costs	8	(1,762)	(1,978)
General and administrative expenses	9	(185)	(229)
Other income/(expenses), net		<u>2</u>	<u>(15)</u>
Operating profit		892	1,115
Finance costs, net	10	(337)	(420)
Foreign exchange (loss)/gain		<u>(308)</u>	<u>200</u>
Profit before tax		247	895
Income tax expense	27	<u>(53)</u>	<u>(146)</u>
Net profit for the year		<u>194</u>	<u>749</u>
Net profit attributable to:			
Ordinary shareholders of the parent		185	742
Non-controlling interests		<u>9</u>	<u>7</u>
Net profit for the year		<u>194</u>	<u>749</u>
Basic and diluted earnings per share (in US Dollars)	20	0.78	3.14



Stepan Solzhenitsyn
Chief Executive Officer

29 January 2021



Andrey Vanyushin
Chief Financial Officer

The comparative consolidated statement of profit or loss for the year ended 31 December 2019 has been restated for the effect of the acquisition under common control described in note 33.

The accompanying notes on pages 9 to 48 are an integral part of these consolidated financial statements.

JSC SUEK**Consolidated statement of comprehensive income for the year ended 31 December 2020***Millions of US Dollars*

	<u>Notes</u>	<u>2020</u>	<u>2019</u>
Net profit for the year		194	749
Other comprehensive (loss)/income			
Items which may be reclassified to profit or loss in the future:			
Transfer of changes in fair value of cash flow hedges to profit or loss, net of deferred tax	16	31	(220)
Effective portion of changes in fair value of cash flow hedges, net of deferred tax	16	(488)	311
Total items which may be reclassified to profit or loss in the future		(457)	91
Items which may not be reclassified to profit or loss in the future:			
Translation difference		(354)	154
Revaluation of intra-group debt denominated in foreign currency	3.2	(43)	(1)
Revaluation surplus/(deficit)	4	648	(810)
Tax effect of revaluation	4	(130)	162
Actuarial gains/(losses)		8	(7)
Total items which may not be reclassified to profit or loss in the future		129	(502)
Total other comprehensive loss for the year		(328)	(411)
Total other comprehensive loss attributable to:			
Ordinary shareholders of the parent		(263)	(401)
Non-controlling interests		(65)	(10)
Total other comprehensive loss for the year		(328)	(411)
Total comprehensive (loss)/income attributable to:			
Ordinary shareholders of the parent		(81)	336
Non-controlling interests		(53)	2
Total comprehensive (loss)/income for the year		(134)	338

The comparative consolidated statement of comprehensive income for the year ended 31 December 2019 has been restated for the effect of the acquisition under common control described in note 33.

The accompanying notes on pages 9 to 48 are an integral part of these consolidated financial statements.

JSC SUEK**Consolidated statement of financial position as at 31 December 2020***Millions of US Dollars*

	<u>Notes</u>	<u>2020</u>	<u>2019</u>
ASSETS			
Non-current assets		14,109	14,354
Property, plant and equipment	11	13,068	12,310
Right-of-use assets	12	591	1,647
Deferred tax assets	27	246	132
Goodwill		78	78
Derivative financial assets	16	21	87
Other assets	13	105	100
Current assets		1,925	2,245
Trade accounts and other receivables	14	822	981
Inventories	15	704	767
Prepaid and recoverable taxes	17	183	265
Derivative financial assets	16	33	55
Cash and cash equivalents	18	183	177
Total assets		<u>16,034</u>	<u>16,599</u>
EQUITY AND LIABILITIES			
Equity		5,054	5,603
Share capital	19	—	—
Share premium		104	104
Revaluation reserve		5,267	4,866
Hedging reserve		(340)	117
Translation reserve		(2,110)	(1,747)
Retained earnings		2,016	2,088
Attributable to ordinary shareholders of the parent		<u>4,937</u>	<u>5,428</u>
Non-controlling interests		117	175
Non-current liabilities		7,900	7,795
Long-term borrowings	21	5,270	4,939
Long-term lease liabilities	22	470	999
Deferred tax liabilities	27	1,510	1,481
Derivative financial liabilities	16	314	5
Other liabilities	24	336	371
Current liabilities		3,080	3,201
Short-term borrowings	21	1,732	1,799
Short-term lease liabilities	22	147	225
Trade accounts and other payables	25	915	1,003
Derivative financial liabilities	16	102	7
Taxes payable	26	184	167
Total shareholders' equity and liabilities		<u>16,034</u>	<u>16,599</u>

The comparative consolidated statement of financial position as at 31 December 2019 has been restated for the effect of the acquisition under common control described in note 33.

The accompanying notes on pages 9 to 48 are an integral part of these consolidated financial statements.

JSC SUEK**Consolidated statement of cash flows for the year ended 31 December 2020***Millions of US Dollars*

	<u>Notes</u>	<u>2020</u>	<u>2019</u>
Profit before tax		247	895
Adjustments to profit before tax:			
Depreciation and amortisation	7, 8	1,081	1,053
Bad debt expense		19	7
Finance costs, net	10	337	420
Foreign exchange loss/(gain)		308	(200)
Other, net		6	10
Changes in working capital items:			
Increase in trade accounts and other receivables		(263)	(17)
(Increase)/decrease in inventories		(7)	3
Decrease/(increase) in prepaid and recoverable taxes (other than income tax)		22	(60)
Increase in trade accounts and other payables		8	231
Increase/(decrease) in taxes payable (other than income tax)		49	(28)
Net cash flow from operations		1,807	2,314
Income tax paid		(138)	(189)
Net cash flow from operating activities		1,669	2,125
Investing activities			
Purchase of property, plant and equipment		(965)	(1,329)
Business combinations	33	(262)	(259)
Acquisition of subsidiaries		(9)	—
Interest received		7	15
Loans issued, net		3	(8)
Other non-current investments, net		3	(12)
Payments for the acquisition of SGC group		—	(1,941)
Net cash flow used in investing activities		(1,223)	(3,534)
Financing activities			
Proceeds from long-term borrowings		3,067	3,424
Repayments of long-term borrowings		(2,407)	(1,295)
(Repayments of)/proceeds from short-term borrowings, net		(102)	5
Payment for purchase of leased railcars	12	(363)	—
Interest and commissions paid		(264)	(301)
Payment of lease liabilities	22	(224)	(313)
Dividends paid to shareholders		(103)	—
Other transactions	33	(20)	(62)
Dividends paid to non-controlling interests		(5)	(12)
Acquisition of non-controlling interests		—	(17)
Net cash flow (used in)/from financing activities	23	(421)	1,429
Foreign exchange effect on cash and cash equivalents		(19)	(10)
Net increase in cash and cash equivalents		6	10
Cash and cash equivalents at the beginning of the year	18	177	167
Cash and cash equivalents at the end of the year	18	183	177

The comparative consolidated statement of cash flows for the year ended 31 December 2019 has been restated for the effect of the acquisition under common control described in note 33.

The accompanying notes on pages 9 to 48 are an integral part of these consolidated financial statements.

JSC SUEK
Consolidated statement of changes in shareholders' equity for the year ended 31 December 2020
Millions of US Dollars, unless otherwise stated

	Share capital	Share premium	Revaluation reserve	Hedging reserve	Translation reserve	Retained earnings	Attributable to ordinary shareholders of the parent	Non-controlling interests	Total
Balance at 1 January 2019 (as previously reported)	—	104	5,665	26	(1,812)	1,063	5,046	189	5,235
Acquisition of Tuapse Bulk Terminal and Murmansk Bulk Terminal (see note 33)	—	—	—	—	(76)	184	108	—	108
Balance at 1 January 2019 (as adjusted)	—	104	5,665	26	(1,888)	1,247	5,154	189	5,343
Net profit for the year	—	—	—	—	—	742	742	7	749
Other comprehensive loss	—	—	(626)	91	141	(7)	(401)	(10)	(411)
Transfer to retained earnings	—	—	(173)	—	—	168	(5)	5	—
Total comprehensive income for the year	—	—	(799)	91	141	903	336	2	338
Business combination	—	—	—	—	—	—	—	13	13
Acquisition of non-controlling interests	—	—	—	—	—	—	—	(17)	(17)
Other transactions (see note 33)	—	—	—	—	—	(62)	(62)	—	(62)
Dividends to non-controlling interests	—	—	—	—	—	—	—	(12)	(12)
Total transactions with owners	—	—	—	—	—	(62)	(62)	(16)	(78)
Balance at 31 December 2019	—	104	4,866	117	(1,747)	2,088	5,428	175	5,603
Balance at 1 January 2020	—	104	4,866	117	(1,747)	2,088	5,428	175	5,603
Net profit for the year	—	—	—	—	—	185	185	9	194
Other comprehensive loss	—	—	549	(457)	(363)	8	(263)	(65)	(328)
Transfer to retained earnings	—	—	(148)	—	—	145	(3)	3	—
Total comprehensive loss for the year	—	—	401	(457)	(363)	338	(81)	(53)	(134)
Acquisition of subsidiaries under common control (see note 33)	—	—	—	—	—	(287)	(287)	—	(287)
Dividends to shareholders	—	—	—	—	—	(103)	(103)	—	(103)
Other transactions (see note 33)	—	—	—	—	—	(20)	(20)	—	(20)
Dividends to non-controlling interests	—	—	—	—	—	—	—	(5)	(5)
Total transactions with owners	—	—	—	—	—	(410)	(410)	(5)	(415)
Balance at 31 December 2020	—	104	5,267	(340)	(2,110)	2,016	4,937	117	5,054

The comparative consolidated statement of changes in shareholders' equity for the year ended 31 December 2019 has been restated for the effect of the acquisition under common control described in note 33.

The accompanying notes on pages 9 to 48 are an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

Organisation and principal activities. Joint Stock Company (“JSC”) “Siberian Coal Energy Company” (“SUEK” or the “Company”) was founded on 1 December 1999. The Company and its subsidiaries are collectively referred to as the Group. The address of registered office is Dubininskaya st. 53, bld. 7, Moscow, Russian Federation. The principal activities of the Group are the extraction and sales of coal, generation and sales of electricity, heat and capacity and railroad transportation and transshipment in ports.

AIM Capital SE, registered in the Republic of Cyprus, is the immediate parent company of SUEK with 92.2% interest in the Company’s share capital.

A company that holds business interests beneficially for Mr. Andrey Melnichenko indirectly owns 100% of AIM Capital SE.

2. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The consolidated financial statements of the Group have been prepared on the historical cost basis, except for:

- mining assets carried at fair value; and
- derivative financial instruments which are stated at fair value.

Functional currency. The functional currency of subsidiaries of the Group is the currency of the primary economic environment where these entities operate. The functional currency of foreign trading subsidiaries and predominantly export-oriented Russian subsidiaries is US Dollar (“USD”). The functional currency of the Company and Russian subsidiaries that are not predominantly export-oriented is the Russian Rouble (“RUB”).

Presentation currency. The presentation currency is the USD. The translation of the consolidated financial statements into the presentation currency was performed in accordance with the requirements of IAS 21 “*The Effects of Changes in Foreign Exchange Rates*”.

The following RUB/USD exchange rates were applied at 31 December and during the years then ended:

	2020	2019
Year end	73.88	61.91
Average rate	72.15	64.74

Adoption of new and revised standards and interpretations

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

A number of amendments to the existing standards are effective from 1 January 2020 but they do not have a material effect on the Group’s 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); and
- interest rate benchmark reform (Amendments to IFRS 9, IAS 39 and IFRS 7).

3. SIGNIFICANT ACCOUNTING POLICIES

3.1. Basis of consolidation

Subsidiaries. Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

The acquisition of subsidiaries from third parties is accounted for using the purchase method of accounting. The identifiable assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values as at the date of acquisition. Non-controlling (minority) interest is measured at its proportionate interest in the identifiable assets and liabilities of the acquiree. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Changes in ownership interests by the Group in a subsidiary, while maintaining control, are recognised as an equity transaction.

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

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

3.2. Foreign currency transactions

Transactions in foreign currencies are recorded at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted to the respective functional currency at the exchange rate ruling at the balance sheet date. Exchange differences arising from changes in exchange rates are recognised in profit or loss, except that exchange differences arising from the revaluation of the intra-group debt accounted for as a part of net investments in foreign entities are recognised in other comprehensive income in the consolidated financial statements.

The translation of the financial statements from functional currency into presentation currency is performed in accordance with the requirements of IAS 21 “*The Effects of Changes in Foreign Exchange Rates*” as follows:

- all assets and liabilities, both monetary and non-monetary, are translated at closing exchange rates at the dates of each consolidated statement of financial position presented;
- all income and expenses in the consolidated statement of profit or loss are translated at the average exchange rates for the years presented;
- resulting exchange differences are included in equity and presented separately; and
- in the consolidated statement of cash flows, cash balances at the beginning and end of each year presented are translated at exchange rates at the respective dates. All cash flows are translated at the annual average exchange rates for the years presented. Resulting exchange differences are presented as foreign exchange effect on cash and cash equivalents.

3.3. Property, plant and equipment

Basis of carrying value of property, plant and equipment.

Mining assets. Mining assets include mineral rights with capitalised mine development costs and certain types of operating equipment, such as equipment which represents an integral part of a particular mine or a particular open-pit, or such items of mining equipment whose use on an alternative mine or open-pit is impracticable or not economically feasible. The remaining part of tangible fixed assets besides listed above is defined as operating tangible fixed assets.

Mining assets are carried at fair value since the date of the creation of this new class of property, plant and equipment. Mineral rights were classified as property, plant and equipment and carried at fair value starting from 1 January 2013.

The fair value is determined by discounting future cash flows which can be obtained from operations of the mines based on the life-of-mine plans and deducting the fair value of the operating tangible fixed assets.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the mining assets and the net amount is restated to the revalued amount of the asset. Revaluations are performed on an annual basis.

A revaluation increase is recognised in other comprehensive income and accumulated in equity except to the extent it reverses a previous revaluation decrease recognised in profit or loss, in which case it is recognised in profit or loss. A revaluation decrease is recognised in profit or loss except to the extent that it reverses a revaluation increase recognised directly in equity, in which case it is recognised directly in equity.

At the year end a portion of the revaluation reserve, which is equal to the difference between depreciation based on the revalued carrying amount of the mining assets and depreciation based on the asset's historical cost, is transferred from the revaluation reserve to retained earnings.

The mineral rights of new greenfields are carried at historical value until detailed technical and financial plans for the assets are finalised.

Property, plant and equipment, other than mining assets. Property, plant and equipment, other than mining assets, is stated at cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads, and the corresponding capitalised borrowing costs.

Where an item of property, plant and equipment, other than mining assets, comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment. Expenditure incurred to replace a component of an item of property, plant and equipment, other than mining assets, that is accounted for separately, is capitalised to the carrying amount of the component that has been replaced being written off.

Renewals, improvements and major capital maintenance costs are capitalised and the assets replaced are retired. Regular repair and maintenance costs are expensed as incurred. Gains and losses arising from the retirement of property, plant and equipment are included in profit and loss as incurred.

Depreciation. Mining assets are depreciated using the unit-of-production method, based on the estimated proven and probable coal reserves to which they relate, or are written off if the mine is abandoned or where there is an impairment in value. The impairment loss is recognised in profit or loss for the year to the extent it exceeds the previous revaluation surplus in equity. Estimated proven and probable coal reserves determined in accordance with internationally recognised standards for reporting coal reserves reflect the economically recoverable coal reserves which can be legally recovered in the future from coal deposits.

Tangible assets, other than mining assets, are depreciated using the straight-line method based on estimated useful lives. For each item the estimated useful life has due regard to both its own physical life limitations and, if applicable, the present assessment of the economically recoverable reserves of the mine property at which the item is located, and to possible future variations in those assessments. Estimates of remaining useful lives are made on a regular basis for all tangible assets, with annual reassessments for major items.

The estimated useful lives of property, plant and equipment, including mining assets, are as follows:

- | | |
|---|---------------------|
| • mining assets | average of 57 years |
| • generating assets | 4 – 65 years |
| • machinery, equipment, transport and other | 2 – 37 years |
| • buildings, structures and utilities | 6 – 60 years |
| • railcars | 7 – 32 years |

3.4. Capital construction-in-progress

Capital construction-in-progress comprises costs directly related to mine development, construction of buildings, infrastructure, processing plant, machinery and equipment. Amortisation or depreciation of these assets commences when the assets are put in the location and condition necessary for them to be capable of operating in the manner intended by management. Capital construction-in-progress is reviewed regularly to determine whether its carrying value is recoverable.

3.5. Impairment

The Group reviews the carrying amounts of its tangible and intangible assets regularly to determine whether there are indicators of impairment. If any such indicators exist, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs.

A recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or CGU is estimated to be less than the carrying amount, the carrying amount is reduced to the recoverable amount and the impairment losses are recognised in profit or loss for the year. Impairment losses are allocated first to reduce the carrying amount of any goodwill allocated to CGU, and then to reduce the carrying amounts of the other assets in CGU on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.6. Research and exploration expenditure

Pre-exploration costs are recognised in profit or loss as incurred.

Exploration and evaluation costs (including geophysical, topographical, geological and similar types of expenditure) are capitalised as exploration and evaluation assets on a project-by-project basis pending determination of the technical feasibility and commercial viability of the project. The technical feasibility and commercial viability of extracting coal is considered to be determinable when proven coal reserves are determined to exist. Expenditure deemed to be unsuccessful is recognised immediately in profit or loss.

3.7. Inventories

Coal. Coal is measured at the lower of production cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses. Production costs include on-mine and processing costs, as well as transportation costs to the point of sale.

Consumable stores and materials. The cost of inventories is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

3.8. Financial instruments

Non-derivative financial instruments. Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

The Group recognises a financial asset or a financial liability in its consolidated statement of financial position when it becomes party to the contractual provisions of the instrument. At initial recognition, the Group measures a financial asset or a financial liability at its fair value plus or minus, in the case of a financial asset or a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or the financial liability.

Financial assets at amortised cost. Financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss (“FVTPL”):

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The financial assets are measured at amortised cost using the effective interest method, less any impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial assets at fair value through other comprehensive income (“FVOCI”). Financial assets are classified and measured at fair value through other comprehensive income if they meet both of the following conditions and are not designated as at FVTPL:

- they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- their contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Financial assets at fair value through profit or loss. Any financial assets that are not held in one of the two business models mentioned above are measured at fair value through profit or loss. This includes all derivative financial assets.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

If the Group changes its business model for managing financial assets it must reclassify all affected financial assets.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset, or it retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement.

Cash and cash equivalents. Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

Financial liabilities. All financial liabilities are measured at amortised cost, except for financial liabilities at fair value through profit or loss. Such liabilities include derivatives (other than derivatives that are financial guarantee contracts or are designated and effective hedging instruments), other liabilities held for trading, and liabilities that the Group designates to be measured at fair value through profit or loss. After initial recognition, the Group cannot reclassify any financial liability.

The Group derecognises a financial liability (or a part of a financial liability) when the obligation specified in the contract is discharged or cancelled or expires.

Impairment of financial assets. The Group assesses on a forward looking basis the expected credit losses ("ECL") associated with its financial assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. This will require considerable judgement over how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The impairment model applies to the financial instruments that are not measured at FVTPL.

Loss allowance is recognised at an amount equal to either 12-month ECLs or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.

The Group measures loss allowances at an amount equal to lifetime ECLs, except in the following cases, for which the amount recognised will be 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date;
- other financial instruments (other than lease and trade receivables) for which credit risk has not increased significantly since initial recognition.

For loans, the Group measures ECL on an individual basis, or on a collective basis for portfolios that share similar economic risk characteristics.

An impairment loss in respect of the financial assets is calculated as present value of the difference between the contractual cash flows that are due to the Group under the contract, and the cash flows that the Group expects to receive. For trade receivables, the Group applies a simplified approach permitted by the standard, which requires expected lifetime losses to be recognised from initial recognition of the receivables. To measure the expected credit losses, trade receivables and contract assets are grouped based on shared credit risk characteristics and the days past due. In assessing the impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred. 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.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognised in other comprehensive income, instead of reducing the carrying amount of the asset. Impairment losses on financial assets are presented under 'other expenses' in the operating profit or loss, similar to the presentation under IAS 39, and not presented separately in the consolidated statement of profit or loss due to materiality considerations.

Derivative financial instruments. The Group may enter into a variety of derivative financial instruments to manage its exposure to commodity price risk, foreign currency risk, interest rate risk and risk of changes in the price of freight.

Derivatives are initially recognised at fair value; any directly attributable transaction costs are recognised in profit or loss as they are incurred. The subsequent changes are recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The Group designates certain derivatives as hedges of a highly probable forecast transaction (cash flow hedge). When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. The amount accumulated in equity is retained in other comprehensive income and reclassified to profit or loss (to revenue or foreign exchange gain/loss depending on a hedged item) in the same period in which the hedged item affects profit or loss.

When a hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, or the designation is revoked, then hedge accounting is discontinued prospectively. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in equity is reclassified to profit or loss.

3.9. Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. If the effect is material, 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, where appropriate, the risks specific to the liability.

3.10. Employee benefit obligations

Remuneration to employees in respect of services rendered during a reporting year is recognised as an expense in that reporting year.

Defined contribution plan. The Group contributes to the Pension Fund of the Russian Federation, a defined contribution pension plan. The only obligation of the Group is to make the specified contributions in the year in which they arise and these contributions are expensed as incurred.

Defined benefit plans. In accordance with current legislation and internal documentation the Group operates defined benefit plans whereby field workers of its coal-producing subsidiaries are entitled to a lump sum payment. The amount of benefits depends on age, years of service, compensation and other factors.

The liability recognised in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date. Actuarial gains and losses are recognised directly in other comprehensive income.

The defined benefit obligation is calculated annually by the Group. The Projected Unit Credit Method is used to determine the present value of defined benefit obligations and the related current service cost. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability.

3.11. Income tax

Income tax expense comprises current and deferred taxation.

Current tax is the tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and includes any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. In addition, deferred tax is not recognised for temporary differences arising on the initial recognition of goodwill and temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the timing of the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future.

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

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

In accordance with the tax legislation of the Russian Federation, tax losses and current tax assets of a company in the Group may not be set off against taxable profits and current tax liabilities of other Group companies. In addition, the tax base is determined separately for each of the Group's main activities and, therefore, tax losses and taxable profits related to different activities cannot be offset.

3.12. Revenue recognition

Revenue comprises the sales value of coal, energy, heat, capacity and other goods and services supplied to customers during the period, excluding value-added tax.

Revenue is recognised when the Group fulfils the obligation to perform by transferring the promised goods and services to a customer. An asset is transferred when the buyer receives control of such an asset. Revenue is recognised in the amount of reimbursement that the Group expects to receive in return for the transfer of the promised goods or services to the customer.

Revenue from the sale of coal and other goods is recognised at the time of delivery. Revenue from the sale of electricity and heat is recognised at the time the electricity and heat are supplied to consumers. The ordinary conditions for settlements with customers imply payment upon delivery.

As a practical expedient, the Group does not adjust the promised amount of consideration for the effects of a significant financing component, if the term of settlement is up to one year from the date when the Group transfers a promised goods or services to a customer and the customer pays for that goods or services within one year or less.

Energy sales are carried out on both regulated and unregulated energy markets. Regulated market revenue is based on the application of authorised tariffs as approved by the Federal Antimonopoly Service and Regional Energy Commission of the Russian Federation. Revenue is recognised on a monthly basis upon the delivery of the electricity, heat and capacity. Capacity is a special good/service which gives a customer the right to demand generating company (the Group) to maintain its generation assets in a state of readiness to enable the electricity production for the customer.

Electricity volumes produced, not covered by the regulated contracts are traded at unregulated prices on the basis of free bilateral contracts or on a day-ahead market while capacity is supplied based on competitive capacity selection under the contracts for sales of capacity. Non-regulated bilateral contracts for supply of capacity may be also concluded.

The amounts of revenue and expenses of self-produced and consumed electricity volume are shown net for presentation purposes based on selling prices on a day-ahead market. Management believes that such presentation provides more relevant and meaningful information about the operation of the Group.

Revenue from the sale of railroad and transshipment service is recognised when the Group fulfils the obligation of transshipment. The ordinary conditions for settlements with customers imply payment upon delivery.

3.13. Dividends declared

Dividends and related taxation thereon are recognised as a liability in the year in which they have been declared and become legally payable.

Retained earnings legally distributable by the Group are based on the amounts available for distribution in accordance with the applicable legislation and as reflected in the statutory financial statements of the individual Group entities. These amounts may differ significantly from the amounts recognised in the Group's consolidated IFRS financial statements.

3.14. Development expenditure

Development costs are capitalised when shaft sinking is done to prepare a certain part of a deposit for mining and used throughout the life of a mine. Development costs are capitalised in case longwalls are being prepared for extraction and amortised during the mining of the longwall.

3.15. Overburden removal expenditure

In open-pit coal mining operations, it is necessary to remove the overburden and other waste in order to access the economically recoverable coal.

Stripping costs incurred during the pre-production phase of the open-pit mine are capitalised as the cost of the development of the mining property and amortised over the life of the mine.

Due to the specifics of the geology of the Group's mining assets, the period required to gain access to a coal seam is short, and the stripping ratio (volume of overburden removed over the volume of coal extracted) is relatively constant over the periods. Therefore, stripping costs incurred during the production phase of the open-pit mine are recognised in the profit or loss as incurred.

3.16. Environmental obligation

Environmental obligation includes provision for decommissioning and site restoration costs.

Environmental provision is recognised when the Group has a present legal or constructive obligation as a result of past events that existed at the balance sheet date:

- to dismantle and remove its items of property, plant and equipment (decommissioning); and
- to restore site damage after the commencement of coal production to bring the land into a condition suitable for its further use (site restoration).

Estimated future costs are provided for at the present value of estimated future expenditures expected to be incurred to settle the obligation, using estimated cash flows, based on current prices adjusted for the inflation.

The increase in the provision through unwinding of the obligation, due to the passage of time, is recognised as a finance cost in profit or loss.

Changes in the obligation, reassessed regularly, related to new circumstances or changes in law or technology, or in the estimated amount of the obligation, or in the pre-tax discount rates, are recognised as an increase or decrease of the cost of the relevant asset to the extent of the carrying amount of the asset; the excess is recognised immediately in profit or loss.

Gains from the expected disposal of mining assets at the end of the life of the mine are not taken into account when determining the provision.

3.17. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until the assets are substantially ready for their intended use. All other borrowing costs are recognised in profit or loss for the year in which they are incurred.

3.18. Goodwill

Goodwill arises on acquisitions and is recognised as an asset initially measured at cost, being the excess of the cost of the business combination over the Group's share of the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities recognised at the date of acquisition. If the Group's share of the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities, after reassessment, exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

Goodwill is measured at cost less accumulated impairment losses. In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment. Transaction costs incurred in a business combination are expensed.

The Group elected not to restate past business combinations at the date of adoption of IFRS.

3.19. Lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any repayments of lease 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 earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are 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 payments of lease 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 weighted-average rate applied is 7.6% (8.03% in 2019).

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

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

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

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

If the terms of the asset's lease agreement provide for a purchase option and the Group is reasonably certain that it exercises this option, the Group depreciates the right-of-use asset from the commencement date till the end of the useful life of the underlying asset. Depreciation will be calculated based on the useful life of assets under lease.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of assets that have a lease term of 12 months or less and leases of low-value assets (with a value of USD 5,000 or less upon purchase). The Group recognises the payments of lease associated with these leases as an expense on a straight-line basis over the lease term.

4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Group's accounting policies management has made the following principal judgements and estimates that have a significant effect on the amounts recognised in the consolidated financial statements. Actual results may differ from these estimates.

Coal reserve estimates. Coal reserve estimates are used as the basis for future cash flows, which enter into the valuation of mining rights, the determination of provision for environmental obligations, calculations of amortisation and depreciation of mining assets, the unwinding of discount on environmental obligations and the related deferred taxes.

The coal reserve estimates represent the quantity of coal expected to be mined, processed and sold at prices at least sufficient to recover the estimated total costs, the carrying value of the investment and anticipated additional expenditures ("proven and probable coal reserves" in international mining terminology). The estimates are based on several assumptions about the physical existence of coal reserves, future mining and recovery factors, production costs and coal prices and have been calculated using the assessment of available exploration and other data. The Group undertakes revisions of the coal reserve estimates, which are confirmed by independent consulting mining engineers, as appropriate.

Although management's long-term mine plans exceed the remaining useful life of some of the mining licenses of the Group, the Group has a legal right to apply for the extension of the licenses for its existing mining resources and therefore management is confident that the licenses will be extended provided that it is the same coal resource within the original mining license and that certain other conditions are met. Extensions to new seams or adjacent areas are often subject to open auctions. Delay or failure in securing relevant government approvals or licences, as well as any adverse change in government policies, may cause a significant adjustment to development and acquisition plans, which may have a material adverse effect on the Group's financial position and performance.

Valuation of mining assets. Mining assets for coal extraction are stated at their fair value based on reports prepared by internal specialists of the Group at each year end.

Since there is no active market for mining assets, the fair value is determined by discounting future cash flows, which can be obtained from the operations of the mines based on the life-of-mine plans, and deducting the fair value of the operating tangible fixed assets. The Group did not identify any material intangible assets which should be deducted in arriving at the fair value of the mining assets.

Since the operating tangible fixed assets are carried at historical cost, for the purposes of regular revaluation of mining assets their fair value is determined either based on market prices for similar items of tangible fixed assets recently acquired or constructed by the Group or, in absence of such items, by applying a price index for the relevant year of acquisition of mining equipment to the residual value of items.

At 31 December 2020 the fair value of mining assets was determined based on the following key assumptions:

- the cash flows were projected based on actual operating results and life-of-mine models constructed for each cash-generating mining unit and based on an assessment of proven and probable reserves using projected volumes of coal and the available capacity of the transport infrastructure in the foreseeable period and thereafter;
- export coal sales volumes were estimated to grow at an average of 2% for the foreseeable forecasted period 2021-2031;
- export coal prices for Asian markets are estimated to grow by 9% in 2021 in comparison to 2020 and to grow at an average of 1% for 2022-2025. Export coal prices for European markets are estimated to grow by 7% in 2021 in comparison to 2020 and to grow at an average of 2% for 2022-2025. Forecast for 2021-2025 is based on the forward rates and consensus forecast of investment banks, forecast after 2025 is estimated to be in line with long-term USD inflation;
- domestic coal sales volumes were estimated to grow at an average of 2% for the foreseeable forecasted period 2021-2031;
- domestic coal prices were estimated to grow at an average of 3.5% in 2021 and to grow in line with RUB inflation thereafter;
- regulated railroad tariffs for 2021 were estimated to grow at an average of 3.7% and to grow in line with RUB inflation less than 0.1% thereafter;
- the RUB/USD exchange rate was estimated in 2021 at the level of 75.8 RUB/USD. For 2021-2025 the estimate was based on the RUB/USD forward rate and a consensus forecast of investment banks and was indexed by the ratio between the expected RUB inflation of the corresponding year and the long-term USD inflation thereafter;
- cash flow forecasts were discounted to their present value at the nominal weighted average cost of capital of 12.3% in RUB for brown coal mining units and at the nominal weighted average cost of capital of 9.2% in USD for hard coal mining units.

JSC SUEK

Notes to the consolidated financial statements for the year ended 31 December 2020

Millions of US Dollars, unless otherwise stated

At 31 December 2020 the total effect of the revaluation of the mining assets was an increase of 648 million USD (31 December 2019 – a decrease of 810 million USD); the after-tax effect on equity was an increase of 518 million USD (31 December 2019 – a decrease of 648 million USD).

Example changes in key assumptions applied to the first forecasted year would have the following effect on the fair value of the mining assets:

	<u>(Decrease)/increase of the fair value</u>
Increase in weighted average cost of capital by 1 percentage point	(935)
Increase in export coal prices of 1%	371
Increase in RUB/USD exchange rate of 1%	228
Increase in export coal sales volumes of 1%	201
Increase in regulated railroad tariffs growth of 1%	(107)
Increase in domestic coal prices of 1%	121
Increase in domestic coal sales volumes of 1%	82

Determination of recoverable amount of property, plant and equipment of the Coal segment (other than mining assets). The recoverable amount of the property, plant and equipment of the coal segment (other than mining assets) as at 31 December 2020 was determined either based on market prices for similar items of machinery and equipment recently acquired by the Group or, if no such purchases occurred, by applying a price index for the relevant year of acquisition for mining equipment to the residual value of items. As a result of the testing no impairment loss was recognised.

5. SEGMENTAL INFORMATION

The Group evaluates performance and makes investment and strategic decisions based on a review of the profitability of the Group as a whole, and based on operating segments. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses and whose operating results are regularly reviewed by management.

Operating segments identified by management are coal, logistics, energy and corporate segments. The coal segment includes coal extraction and washing, sales and distribution in the Russian Federation and abroad; the logistics segment includes railroad transportation and transshipment in ports; the energy segment includes generation and sales of electricity, heat and capacity and the corporate segment includes operations of holding companies. Non-current assets of the Group are mostly located in the Russian Federation.

Operating segment information for the Group at 31 December 2020 and for the year then ended is as follows:

	<u>Coal</u>	<u>Logistics</u>	<u>Energy</u>	<u>Corporate</u>	<u>Inter- segment elimination</u>	<u>Total</u>
<i>Segment revenue and profitability</i>						
Segment external revenues	4,057	252	2,374	—	—	6,683
Russian Federation	488	252	2,374	—	—	3,114
Pacific region	2,377	—	—	—	—	2,377
Atlantic region	1,192	—	—	—	—	1,192
Inter-segment revenues	760	1,666	65	48	(2,539)	—
Segment expenses	<u>(4,779)</u>	<u>(1,542)</u>	<u>(1,917)</u>	<u>(92)</u>	<u>2,539</u>	<u>(5,791)</u>
Operating profit/(loss)	<u>38</u>	<u>376</u>	<u>522</u>	<u>(44)</u>	<u>—</u>	<u>892</u>
Depreciation and amortisation	(637)	(207)	(228)	(9)	—	(1,081)
Interest expense and interest on lease	(136)	(76)	(83)	(227)	218	(304)
Interest income	5	6	1	214	(218)	8
(Loss)/profit before tax	(183)	387	438	(395)	—	247
Income tax benefit/(expense)	<u>33</u>	<u>(77)</u>	<u>(88)</u>	<u>79</u>	<u>—</u>	<u>(53)</u>
Net (loss)/profit for the year	<u>(150)</u>	<u>310</u>	<u>350</u>	<u>(316)</u>	<u>—</u>	<u>194</u>
Capital expenditures incurred during the year	723	64	227	12	—	1,026
Additions of right-of-use assets	8	1	11	—	—	20
<i>Segment assets and liabilities</i>						
Total segment assets	<u>13,291</u>	<u>2,565</u>	<u>3,410</u>	<u>1,748</u>	<u>(4,980)</u>	<u>16,034</u>
Total segment liabilities	<u>4,962</u>	<u>1,224</u>	<u>2,119</u>	<u>7,655</u>	<u>(4,980)</u>	<u>10,980</u>

JSC SUEK
Notes to the consolidated financial statements for the year ended 31 December 2020
Millions of US Dollars, unless otherwise stated

Operating segment information for the Group at 31 December 2019 and for the year then ended is as follows:

	<u>Coal</u>	<u>Logistics</u>	<u>Energy</u>	<u>Corporate</u>	<u>Inter-segment elimination</u>	<u>Total</u>
<i>Segment revenue and profitability</i>						
Segment external revenues	5,140	309	2,189	—	—	7,638
Russian Federation	614	309	2,189	—	—	3,112
Pacific region	2,712	—	—	—	—	2,712
Atlantic region	1,814	—	—	—	—	1,814
Inter-segment revenues	664	1,903	8	53	(2,628)	—
Segment expenses	<u>(5,650)</u>	<u>(1,676)</u>	<u>(1,714)</u>	<u>(111)</u>	<u>2,628</u>	<u>(6,523)</u>
Operating profit/(loss)	<u>154</u>	<u>536</u>	<u>483</u>	<u>(58)</u>	<u>—</u>	<u>1,115</u>
Depreciation and amortisation	(597)	(271)	(178)	(7)	—	(1,053)
Interest expense and interest on lease	(157)	(95)	(121)	(239)	206	(406)
Interest income	5	10	4	210	(206)	23
(Loss)/profit before tax	(88)	493	363	127	—	895
Income tax benefit/(expense)	<u>51</u>	<u>(101)</u>	<u>(71)</u>	<u>(25)</u>	<u>—</u>	<u>(146)</u>
Net (loss)/profit for the year	<u>(37)</u>	<u>392</u>	<u>292</u>	<u>102</u>	<u>—</u>	<u>749</u>
Capital expenditures incurred during the year	972	94	158	12	—	1,236
Additions of right-of-use assets	13	932	4	—	—	949
<i>Segment assets and liabilities</i>						
Total segment assets	<u>13,271</u>	<u>2,722</u>	<u>3,688</u>	<u>1,210</u>	<u>(4,292)</u>	<u>16,599</u>
Total segment liabilities	<u>5,013</u>	<u>1,434</u>	<u>2,493</u>	<u>6,348</u>	<u>(4,292)</u>	<u>10,996</u>

	<u>2020</u>	<u>2019</u>
6. REVENUE		
Coal	3,799	4,877
Electric capacity	832	732
Electricity	813	693
Heat	647	707
Railroad transportation and transshipment in ports	231	309
Petroleum coke	77	153
Other	<u>284</u>	<u>167</u>
Total	<u>6,683</u>	<u>7,638</u>

JSC SUEK**Notes to the consolidated financial statements for the year ended 31 December 2020***Millions of US Dollars, unless otherwise stated*

	<u>2020</u>	<u>2019</u>
7. COST OF SALES		
Depreciation and amortisation	887	794
Coal and petroleum coke purchased from third parties	779	1,090
Labour	752	854
Consumables and spares	354	457
Purchased fuel	330	279
Purchased energy	187	197
Repairs and maintenance services	144	164
Property and other taxes	58	54
Transportation services	44	73
Fire and rescue brigade expenses	36	36
Personnel transportation services	35	37
Tax on mining	29	41
Transfer of heat	21	28
Drilling and blasting services	16	22
Other	174	175
Total	<u>3,846</u>	<u>4,301</u>

Proceeds from the sale of electricity and purchased energy are presented after deduction of cost of electricity generated by the Group and consumed for own process needs in the amount of 83 million USD for the year ended 31 December 2020 (for the year ended 31 December 2019 – 96 million USD).

	<u>2020</u>	<u>2019</u>
8. DISTRIBUTION COSTS		
Railway services	1,034	1,172
Freight	310	289
Depreciation and amortization	194	259
Stevedoring from third parties	112	138
Labour	42	44
Repair and maintenance services	38	44
Consumables and spares	16	9
Property and other taxes	2	2
Other	14	21
Total	<u>1,762</u>	<u>1,978</u>

JSC SUEK**Notes to the consolidated financial statements for the year ended 31 December 2020***Millions of US Dollars, unless otherwise stated*

	<u>2020</u>	<u>2019</u>
9. GENERAL AND ADMINISTRATIVE EXPENSES		
Salaries	127	140
Consulting, legal, audit and other professional services	31	38
Charitable donations	14	26
Other	13	25
Total	<u>185</u>	<u>229</u>
10. FINANCE COSTS, NET		
Interest expense	241	317
Interest on lease	63	89
Bank commissions and charges	26	24
Unwinding of discount on provisions	15	13
Interest income	(8)	(23)
Total	<u>337</u>	<u>420</u>

JSC SUEK
Notes to the consolidated financial statements for the year ended 31 December 2020
Millions of US Dollars, unless otherwise stated
11. PROPERTY, PLANT AND EQUIPMENT

	Mining assets	Generating assets	Machinery, equipment, transport and other	Buildings, structures and utilities	Railcars	Construction- in-progress	Total
Cost							
Balance at 1 January 2019 (as previously reported)	7,991	2,356	2,676	1,513	316	607	15,459
Acquisition of Tuapse Bulk Terminal and Murmansk Bulk Terminal	—	—	29	76	—	9	114
Balance at 1 January 2019 (as adjusted)	7,991	2,356	2,705	1,589	316	616	15,573
Revaluation of mining assets	(810)	—	—	—	—	—	(810)
Business combination	28	314	15	36	—	40	433
Additions	55	—	6	57	—	1,118	1,236
Transfers	108	52	599	138	41	(938)	—
Disposals	(5)	(8)	(77)	(15)	—	(17)	(122)
Translation difference	207	305	112	85	23	30	762
Balance at 31 December 2019	7,574	3,019	3,360	1,890	380	849	17,072
Revaluation of mining assets	648	—	—	—	—	—	648
Business combination (see note 33)	—	181	5	17	2	17	222
Additions	42	—	23	27	—	934	1,026
Transfers	81	86	451	160	14	(792)	—
Reclassification from right-of-use assets	—	—	—	7	808	—	815
Disposals	—	(2)	(57)	(8)	(12)	(9)	(88)
Translation difference	(314)	(512)	(165)	(164)	(106)	(61)	(1,322)
Balance at 31 December 2020	8,031	2,772	3,617	1,929	1,086	938	18,373
Accumulated depreciation and amortisation							
Balance at 1 January 2019 (as previously reported)	1,025	627	1,513	542	28	—	3,735
Acquisition of Tuapse Bulk Terminal and Murmansk Bulk Terminal	—	—	18	20	—	—	38
Balance at 1 January 2019 (as adjusted)	1,025	627	1,531	562	28	—	3,773
Depreciation and amortisation	305	108	297	86	38	—	834
Disposals	(5)	—	(46)	(2)	—	—	(53)
Translation difference	44	81	56	24	3	—	208
Balance at 31 December 2019	1,369	816	1,838	670	69	—	4,762
Depreciation and amortisation	272	158	377	107	20	—	934
Disposals	—	(1)	(56)	(7)	(5)	—	(69)
Reclassification from right-of-use assets	—	—	—	—	30	—	30
Translation difference	(73)	(136)	(83)	(58)	(2)	—	(352)
Balance at 31 December 2020	1,568	837	2,076	712	112	—	5,305
Net book value at 31 December 2019	6,205	2,203	1,522	1,220	311	849	12,310
Net book value at 31 December 2020	6,463	1,935	1,541	1,217	974	938	13,068

JSC SUEK**Notes to the consolidated financial statements for the year ended 31 December 2020***Millions of US Dollars, unless otherwise stated*

Group assets include advances issued for capital expenditures of 45 million USD (31 December 2019 – 64 million USD).

If mining assets had been carried at the historical cost, the net book value of property, plant and equipment at 31 December 2020 would have been 7,366 million USD (31 December 2019 – 6,854 million USD).

12. RIGHT-OF-USE ASSETS

	<u>Generating assets</u>	<u>Buildings, structures and utilities</u>	<u>Machinery, equipment, transport and other</u>	<u>Railcars</u>	<u>Total</u>
Cost					
Balance at 1 January 2019	79	117	11	591	798
Additions	4	11	2	932	949
Modifications	(5)	13	(1)	(1)	6
Disposals	—	—	—	(38)	(38)
Translation difference	10	14	1	111	136
Balance at 31 December 2019	88	155	13	1,595	1,851
Additions	11	5	3	1	20
Modifications	11	24	1	36	72
Reclassification to property, plant and equipment	—	(7)	—	(808)	(815)
Disposals	(9)	(6)	(10)	(1)	(26)
Translation difference	(14)	(24)	(2)	(190)	(230)
Balance at 31 December 2020	87	147	5	633	872
Accumulated depreciation					
Balance at 1 January 2019	—	4	—	—	4
Depreciation	10	11	7	192	220
Modifications	—	—	—	(4)	(4)
Disposals	—	—	—	(25)	(25)
Translation difference	1	(1)	1	8	9
Balance at 31 December 2019	11	14	8	171	204
Depreciation	11	9	3	145	168
Modifications	—	—	—	(8)	(8)
Reclassification to property, plant and equipment	—	—	—	(30)	(30)
Disposals	(1)	(1)	(9)	(1)	(12)
Translation difference	(2)	(2)	(1)	(36)	(41)
Balance at 31 December 2020	19	20	1	241	281
Net book value at 1 January 2020	77	141	5	1,424	1,647
Net book value at 31 December 2020	68	127	4	392	591

In 2020 the Group purchased railcars from lease for a consideration of 363 million USD. The net book value of the railcars was reclassified from right-of-use assets to property, plant and equipment in the amount of 778 million USD.

JSC SUEK**Notes to the consolidated financial statements for the year ended 31 December 2020***Millions of US Dollars, unless otherwise stated*

	<u>2020</u>	<u>2019</u>
13. OTHER ASSETS		
Contract assets under concession agreements	52	49
Other assets	53	51
Total	<u>105</u>	<u>100</u>

14. TRADE ACCOUNTS AND OTHER RECEIVABLES

Trade accounts receivable	833	1,001
Advances issued	133	121
Other receivables	32	57
Subtotal	998	1,179
Less: Allowance for doubtful debts	176	198
Total	<u>822</u>	<u>981</u>

15. INVENTORIES

Coal stock	288	356
Consumable stores and materials	454	456
Less: Allowance for obsolescence	38	45
Net consumable stores and materials	416	411
Total	<u>704</u>	<u>767</u>

16. DERIVATIVE FINANCIAL INSTRUMENTS

	<u>2020</u>		<u>2019</u>	
	<u>Derivative assets</u>	<u>Derivative liabilities</u>	<u>Derivative assets</u>	<u>Derivative liabilities</u>
Coal contracts – cash flow hedges	2	86	37	7
Cross-currency swaps – cash flow hedges	22	328	104	5
Cross-currency forward contracts – cash flow hedge	27	1	—	—
Other derivatives	3	1	1	—
Total	<u>54</u>	<u>416</u>	<u>142</u>	<u>12</u>

JSC SUEK**Notes to the consolidated financial statements for the year ended 31 December 2020***Millions of US Dollars, unless otherwise stated*

Derivative financial instruments were valued using observable inputs, which correspond to Level 2 of the hierarchy of the fair value measurements (see note 31). Details of the effective portion of changes in fair value of cash flow hedges were as follows:

	2020		2019	
	Loss recognised in comprehensive income	Loss recycled from comprehensive income to the profit or loss	Gain recognised in comprehensive income	Gain recycled from comprehensive income to the profit or loss
Effective portion of changes in fair value of cash flow hedges	(558)	40	344	(241)
Deferred tax	70	(9)	(33)	21
Total	(488)	31	311	(220)

Coal contracts. The Group uses coal forwards to hedge the coal price index used in index price coal sales and purchase contracts. Details of the coal forwards designated as cash flow hedges were as follows:

	2020		2019	
	Volume (million tonne)	Derivative	Volume (million tonne)	Derivative
Derivative assets				
0 – 3 months	0.5	1	1.0	9
3 – 6 months	0.1	1	0.7	11
6 – 9 months	0.1	—	0.7	9
9 – 12 months	—	—	0.9	8
Total	0.7	2	3.3	37
Derivative liabilities				
0 – 3 months	3.6	23	0.2	2
3 – 6 months	2.4	27	0.1	2
6 – 9 months	1.9	16	0.1	2
9 – 12 months	2.3	20	0.1	1
Total	10.2	86	0.5	7

At 31 December 2020 the average coal sales price under the hedge coal forward contracts was 64 USD per ton (31 December 2019 – 70 USD per ton).

JSC SUEK**Notes to the consolidated financial statements for the year ended 31 December 2020***Millions of US Dollars, unless otherwise stated*

Cross-currency swaps. The Group entered into cross-currency swap contracts to manage exposure of fluctuations in foreign currency exchange rates.

At 31 December 2020 the outstanding principle amount of hedge is 3,185 million USD. Details of the cross-currency swaps designated as cash flow hedges were as follows:

	2020		2019	
	Volume (million USD)	Derivative	Volume (million USD)	Derivative
<i>Derivative assets</i>				
2021	13	1	177	17
2022	256	11	676	62
2023	258	10	392	25
Total	527	22	1,245	104
<i>Derivative liabilities</i>				
2021	194	14	—	—
2022	937	73	—	—
2023	831	127	662	5
2024	220	35	—	—
2025	476	79	—	—
Total	2,658	328	662	5

	2020	2019
17. PREPAID AND RECOVERABLE TAXES		
Value-added tax recoverable	145	195
Income tax receivable	36	65
Prepaid other taxes	2	5
Total	183	265

18. CASH AND CASH EQUIVALENTS

Current accounts	— foreign currency	117	56
	— RUB	17	83
Deposits	— RUB	33	24
	— foreign currency	16	9
Other cash equivalents	— foreign currency	—	5
Total		183	177

JSC SUEK**Notes to the consolidated financial statements for the year ended 31 December 2020***Millions of US Dollars, unless otherwise stated***19. SHARE CAPITAL AND RESERVES**

	Number of shares, in thousands	
	2020	2019
Authorised share capital		
Ordinary shares	236,060	236,060
Issued share capital		
Ordinary shares	236,060	236,060

Ordinary shares of the Company have a par value of 0.005 RUB. All issued shares were fully paid.

20. EARNINGS PER SHARE

Basic earnings per share are calculated based on the weighted average number of ordinary shares outstanding during the year. Basic and diluted earnings per share are the same, as there is no dilution effect.

	2020	2019
Profit for the year attributable to ordinary shareholders of the parent	185	742
Weighted average number of ordinary shares in issue (in thousands)	236,060	236,060
Basic and diluted earnings per share (in USD)	0.78	3.14

21. BORROWINGS

	<u>Effective interest rate</u>	<u>2020</u>	<u>2019</u>
<i>Long-term borrowings</i>			
Variable rate borrowings		4,115	2,952
Unsecured USD-denominated borrowings	6M LIBOR + 0.9% to 1M LIBOR + 3%	2,545	2,780
Unsecured RUB-denominated borrowings	CBR + 0.3% to CBR + 1.85%	1,286	—
Unsecured EUR-denominated borrowings	6M EURIBOR + 0.37% to 6M EURIBOR + 2.25%	284	172
Fixed rate borrowings		2,843	3,631
Unsecured USD-denominated borrowings	2.99% to 4%	1,404	1,814
Unsecured RUB-denominated bonds	6.7% to 8.3%	1,314	840
Unsecured RUB-denominated borrowings	0.05% to 4%	125	977
Subtotal		6,958	6,583
Less: Current portion of long-term borrowings		1,688	1,644
Total long-term borrowings		5,270	4,939
<i>Short-term borrowings</i>			
Fixed rate borrowings		44	155
Unsecured RUB-denominated borrowings	1.8%	41	—
Unsecured USD-denominated borrowings		—	150
Other borrowings		3	5
Subtotal		44	155
Current portion of long-term borrowings		1,688	1,644
Total short-term borrowings		1,732	1,799

The Group's long-term borrowings have restrictive covenants including, but not limited to, the requirement to maintain minimum ratios associated with:

- consolidated net indebtedness to earnings before interest, tax, depreciation and amortisation ("EBITDA"); and
- EBITDA to consolidated interest expense.

The covenants are calculated based on the IFRS financial statements of the Group on a semi-annual basis. As at 31 December 2020 the Group was in compliance with all such covenants.

	2020	2019
22. LEASE LIABILITIES		
Opening balance	1,224	813
Additions	20	521
Modifications	74	11
Interest on lease	63	89
Payment of lease liabilities	(224)	(313)
Payment for purchase of leased railcars	(363)	—
Disposals	(14)	(16)
Translation difference	(163)	119
Closing balance	617	1,224

The remaining amount of lease liabilities related to railcars reclassified from right-of-use assets to property, plant and equipment amounted to 10 million USD.

23. CHANGES IN LIABILITIES ARISING FROM FINANCIAL ACTIVITIES

The table below provides information of changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes:

	Long-term borrowings	Short-term borrowings	Lease liabilities	Dividends paid to shareholders	Other	Total
Balance as at 1 January 2019	4,291	62	813	—	—	5,166
Cash flows	1,828	5	(313)	—	(91)	1,429
Foreign exchange loss	144	67	119	—	—	330
Interest expenses and interest on lease	296	21	89	—	—	406
Change in lease obligations	—	—	516	—	—	516
Bank commissions	24	—	—	—	—	24
Other payables	—	—	—	—	91	91
Balance as at 31 December 2019	6,583	155	1,224	—	—	7,962
Balance as at 1 January 2020	6,583	155	1,224	—	—	7,962
Cash flows	396	(102)	(587)	(103)	(25)	(421)
Foreign exchange gain	(278)	(19)	(163)	—	—	(460)
Interest expenses and interest on lease	231	10	63	—	—	304
Change in lease obligations	—	—	80	—	—	80
Bank commissions	26	—	—	—	—	26
Other payables	—	—	—	103	25	128
Balance as at 31 December 2020	6,958	44	617	—	—	7,619

JSC SUEK**Notes to the consolidated financial statements for the year ended 31 December 2020***Millions of US Dollars, unless otherwise stated*

	<u>2020</u>	<u>2019</u>
24. OTHER LONG-TERM LIABILITIES		
Provision for environmental obligation	159	175
Provision for defined benefit obligation	44	64
Other long-term liabilities	<u>133</u>	<u>132</u>
Total	<u>336</u>	<u>371</u>

Provision for environmental obligation. The extent and cost of future site restoration programmes are inherently difficult to estimate and depend on the estimated lives of the assets, the scale of any possible disturbance and contamination as well as the timing and extent of corrective actions. The following is a summary of the key assumptions on which the discounted carrying amounts of the obligations are based:

	<u>2020</u>	<u>2019</u>
Discount rate	7%	7%
Inflation rate	4%	4%

Provision for defined benefit obligation. Actuarial assumptions used for the calculation of the defined benefit obligation were as follows:

	<u>2020</u>	<u>2019</u>
Discount rate	6%	7%
Inflation rate	4%	4%
Future increases in salaries	4%	4%

25. TRADE ACCOUNTS AND OTHER PAYABLES

Trade accounts payable and accruals	325	519
Payables for the acquisition of subsidiaries (see note 33)	282	65
Advances from customers	93	198
Accrual for vacation payments	62	72
Wages and salaries	42	66
Other creditors	<u>111</u>	<u>83</u>
Total	<u>915</u>	<u>1,003</u>

26. TAXES PAYABLE

Value-added tax	104	72
Income tax	35	47
Social security contributions	26	28
Other	<u>19</u>	<u>20</u>
Total	<u>184</u>	<u>167</u>

JSC SUEK
Notes to the consolidated financial statements for the year ended 31 December 2020
Millions of US Dollars, unless otherwise stated

	<u>2020</u>	<u>2019</u>
27. TAXATION		
Current income tax expense	138	220
Deferred income tax benefit	(85)	(74)
Income tax expense	<u>53</u>	<u>146</u>

The reconciliation of theoretical income tax, calculated at the rate effective in the Russian Federation, where the Company is domiciled, to the amount of actual income tax expense recorded in the consolidated statement of profit or loss and other comprehensive income is as follows:

	<u>2020</u>	<u>2019</u>
Profit before tax	247	895
Theoretical income tax expense at 20%	49	179
Impact of specific tax rates in Switzerland	(5)	(38)
Impact of specific tax rates in Russian Federation	(1)	(2)
Impact of tax rate change in Switzerland	—	(22)
Tax effect of non-deductible expenses	10	29
Total income tax expense	<u>53</u>	<u>146</u>

The tax effects of temporary differences that give rise to deferred taxation are presented below:

	<u>Opening balance</u>	<u>Recognised in equity</u>	<u>Recognised in profit or loss</u>	<u>Reclassification of railcars</u>	<u>Effect of translation to presentation currency</u>	<u>Closing balance</u>
2020						
Deferred tax assets	531	46	164	(73)	(68)	600
Tax losses carried forward	191	—	177	—	(20)	348
Lease liabilities (see note 12)	231	—	(9)	(73)	(36)	113
Derivative financial liabilities	—	46	—	—	—	46
Environmental and other provisions	39	—	(4)	—	(3)	32
Prepaid expenses and accruals	14	—	(4)	—	(1)	9
Employee benefit obligations	17	—	(2)	—	(2)	13
Trade accounts and other receivables	11	—	3	—	(1)	13
Inventory	5	—	1	—	(2)	4
Other	23	—	2	—	(3)	22
Deferred tax liabilities	(1,880)	(101)	(79)	73	123	(1,864)
Property, plant and equipment	(1,627)	(116)	(88)	—	89	(1,742)
Right-of-use assets (see note 12)	(231)	—	5	73	33	(120)
Derivative financial assets	(15)	15	—	—	—	—
Other	(7)	—	4	—	1	(2)
Net deferred tax liabilities	<u>(1,349)</u>	<u>(55)</u>	<u>85</u>	<u>—</u>	<u>55</u>	<u>(1,264)</u>

JSC SUEK
Notes to the consolidated financial statements for the year ended 31 December 2020
Millions of US Dollars, unless otherwise stated

	Opening balance	Effect of IFRS 16	Recognised in equity	Recognised in profit or loss	Effect of translation to presentation currency	Closing balance
2019						
Deferred tax assets	247	159	9	81	35	531
Lease liabilities	—	159	—	62	10	231
Tax losses carried forward	193	—	6	(24)	16	191
Prepaid expenses and accruals	13	—	2	—	(1)	14
Environmental and other provisions	19	—	1	17	2	39
Employee benefit obligations	14	—	—	2	1	17
Trade accounts and other receivables	8	—	—	2	1	11
Inventory	—	—	—	—	5	5
Other	—	—	—	22	1	23
Deferred tax liabilities	(1,778)	(159)	149	(7)	(85)	(1,880)
Property, plant and equipment	(1,761)	—	161	37	(64)	(1,627)
Right-of-use assets	—	(159)	—	(62)	(10)	(231)
Derivative financial assets	(3)	—	(12)	—	—	(15)
Inventory	(7)	—	—	10	(3)	—
Other	(7)	—	—	8	(8)	(7)
Net deferred tax liabilities	(1,531)	—	158	74	(50)	(1,349)

Unrecognised temporary differences, related to investments in subsidiaries where the Group is able to control the timing of the reversal and distribution of dividends, including distribution on a tax-free basis when certain conditions are met, and it is probable that the temporary difference will not be reversed in the foreseeable future, amounted to 3,843 million USD (31 December 2019 – 3,229 million USD).

Management believes that sufficient taxable profits will be available, against which the unused tax losses can be utilised by the Group in the unlimited future period.

For presentation purposes certain deferred tax assets and liabilities are offset in accordance with the accounting policy.

	2020	2019
Deferred tax assets	246	132
Deferred tax liabilities	(1,510)	(1,481)
Net deferred tax liabilities	(1,264)	(1,349)

28. RELATED PARTY TRANSACTIONS

Related parties are considered to include the ultimate beneficiary, affiliates and entities under common ownership and control of the same principal ultimate beneficiary. The Company and its subsidiaries, in the ordinary course of their business, enter into various sales, purchases and service transactions with related parties.

Transactions with related parties not dealt with elsewhere in the consolidated financial statements are as follows:

	<u>2020</u>	<u>2019</u>
Transshipment in the ports from EuroChem group	77	73
Coal sales to DEC group, which was an associate of a company with the same principal ultimate beneficiary till June 2020	44	134
Other energy sales	64	61
Other sales to EuroChem group	67	19
Purchases of goods and services from EuroChem group	68	21
Purchases of goods and services from other companies	34	9
Other expenses	2	4
Remuneration of the Board of Directors and the Management members	12	16

The outstanding balances with related parties are as follows:

Trade accounts and other receivables from EuroChem group	13	3
Other receivables	5	14
Payables to EuroChem group for the acquisition of subsidiaries (see note 33)	282	—
Trade accounts and other payables to EuroChem group	28	12

29. COMMITMENTS

Capital commitments. The following key capital expenditures were approved:

	<u>2020</u>	<u>2019</u>
Contracted	885	1,028
Not yet contracted	1,466	284
Total	<u>2,351</u>	<u>1,312</u>

30. CONTINGENCIES

Insurance. The insurance industry in the Russian Federation is in the process of development, and some forms of insurance protection common in developed markets are not yet generally available at commercially acceptable terms. The Group has limited coverage for its mining, processing, transportation and energy generating facilities for business interruption or for third-party liabilities in respect of property or environmental damage arising from accidents on the Group's property or relating to the Group's operations. Management understands that until the Group obtains adequate insurance coverage there is a risk that the loss or destruction of certain operating assets could have a material adverse effect on the Group's operations and financial position.

Litigation. The Group has a number of small claims and litigations relating to regular business activities and small fiscal claims. Management believes that none of these claims, individually or in aggregate, will have a material adverse impact on the Group.

Taxation contingencies in the Russian Federation. 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 regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation of the legislation and assessments and, as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. It is therefore possible that significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Management believes that it has paid or accrued all taxes that are applicable. Where uncertainty exists, the Group has accrued tax liabilities based on management's best estimate of the probable outflow of resources embodying economic benefits which will be required to settle such liabilities.

Management believes that it has provided adequately for all tax liabilities based on its interpretation of the tax legislation. However, the relevant authorities may have differing interpretations, and the effect could be significant.

Environmental matters. The Group is subject to extensive federal, state and local environmental controls and regulations in the regions in which it operates. The Group's operations involve disturbance of land, discharge of materials and contaminants into the environment and other environmental concerns.

The Group's management believes that it is in compliance with all current existing health, safety and environmental laws and regulations in the regions in which it operates. However, changes in environmental regulations are currently under consideration in the Russian Federation. The Group is continually evaluating its obligations relating to new and changing legislation. The Group is unable to predict the timing or extent to which environmental laws and regulations may change. Such change, if it occurs, may require the Group to modernise technology and incur future additional material costs to meet more stringent standards.

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

Starting in 2014, the United States of America, the European Union and some other countries have imposed and expanded economic sanctions against a number of Russian individuals and legal entities. The imposition of the sanctions has led to increased economic uncertainty, including more volatile equity markets, a depreciation of the Russian Rouble, a reduction in both local and foreign direct investment inflows and a significant tightening in the availability of credit. This change in the environment did not have a significant effect on the Group's operations, however, the longer-term effects of the imposed and possible additional sanctions are difficult to determine. The Group implemented relevant compliance policy, continuously monitors economic sanctions and analyses their effect on the Group's financial position and operation results.

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

Business environment. On 11 March 2020, the World Health Organization declared a new coronavirus infection (COVID-19) a pandemic. The global markets began to experience significant volatility. Together with other factors, this have resulted in a sharp decrease in the oil price, stock market indices and coal prices, as well as a depreciation of the Russian rouble. Responding to the potentially serious threat the COVID-19 presents to public health, the Russian and other countries government authorities have taken extensive measures to contain the outbreak, including imposing restrictions on the cross-borders movement of people, entry restrictions for foreigners and instructing business community to transfer employees to working from home. The scope and duration of these events against the backdrop of the second wave of COVID-19 remain uncertain and may have further significant influence on the economy and companies operating in this environment.

The management of the Group is taking necessary precautions to protect the safety and well-being of employees against the spread of COVID-19. The Group has developed plans for mitigating the impact on its business and has reviewed the economic environment; the demand for the Group's products; its supply chain; its available bank facilities; and the possible effects on its cash flow and liquidity position, including consideration of debt covenants.

Taking into account the above-mentioned measures and the Group's current operational and financial performance along with other currently available public information, management does not anticipate significant adverse impact of the COVID-19 outbreak on the Group's financial position and operating results. However, it may be difficult to predict the impact of the COVID-19 in the medium and long term perspective. Management closely monitors the development of the situation and takes necessary measures to mitigate negative effects of the COVID-19 pandemic.

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

31. FAIR VALUE MEASUREMENT

The fair value of assets and liabilities is determined with reference to various market information and other valuation methods as considered appropriate. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in valuation techniques, as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data.

Financial instruments carried at amortised cost. At 31 December 2020, the fair values of financial instruments carried at amortised cost, which are mainly loans, payables and receivables, did not materially differ from the carrying values. For payables and receivables this is based on their short-term nature, and loans fair values were calculated based on the present value of future cash flows (including interest) discounted at market interest rate.

Financial instruments carried at fair value. Fair values of derivative financial assets and liabilities were determined using inputs from observable market data, which correspond to Level 2 of the hierarchy of fair values.

Mining assets carried at fair value. The fair value of mining assets was determined using discounted cash flow method corresponding to Level 3 of the hierarchy of fair values (see note 4).

32. FINANCIAL RISK MANAGEMENT

In the normal course of its operations, the Group is exposed to market (including foreign currency and interest rate), credit and liquidity risks. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out through regular meetings of a risk management committee of operational management and by the central treasury department. The Board of Directors approves principles for overall risk management. In addition, operational management have developed policies covering specific areas, such as foreign currency risk, interest rate risk and the use of derivative and non-derivative financial instruments.

32.1. Market risk

Market risk is the risk that changes in market prices, such as coal prices, foreign exchange rates and interest rates will negatively impact the Group's results or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. Market risk management includes the analysis of foreign currency and interest rate risks.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely impact the financial results of the Group. The total net unhedged liability which exposes the Group to interest rate risk amounts to 4,115 million USD (31 December 2019 – 2,952 million USD).

The Group's interest rate risk arises primarily from long-term borrowings. The Group's borrowings at variable interest rates are primarily denominated in USD. Borrowings at variable interest rates expose the Group to a cash flow interest rate risk. The Group monitors the risk and, if necessary, manages its exposure by entering into variable-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from variable interest rates to fixed interest rates.

An increase or decrease in the floating interest rate by 1 percentage point, provided that the amount of outstanding balance remained constant for the whole year, would have decreased or increased profit for the year by 41 million USD (2019 – 30 million USD).

Foreign currency risk

Foreign currency risk is the risk that the financial results of the Group will be adversely impacted by changes in exchange rates to which the Group is exposed.

A significant portion of the Group's revenues are denominated in USD, whereas the majority of the Group's expenditures are denominated in RUB. Accordingly, operating profits may be adversely impacted by the appreciation of the RUB against the USD. The risk of negative fluctuations in the USD/RUB exchange rate for future revenue streams is naturally hedged by the USD borrowings.

The Group had the following monetary assets and liabilities denominated in currencies other than the functional currency of the respective Group entity:

	2020			2019		
	RUB	USD	EUR	RUB	USD	EUR
Balances with third and related parties	(469)	(1,206)	(380)	(203)	(1,787)	(312)
Prepaid and recoverable taxes	25	—	—	137	—	—
Cash and cash equivalents	4	13	6	49	7	—
Trade accounts receivable	42	6	—	45	—	1
Other receivables	2	(2)	—	23	—	—
Borrowings	(13)	(1,221)	(304)	—	(1,772)	(185)
Other long-term liabilities	(203)	—	—	(245)	—	(6)
Trade accounts payable and Accruals	(66)	(2)	(26)	(142)	(22)	(76)
Other creditors	(193)	—	(56)	(1)	—	(46)
Taxes payable	(21)	—	—	(25)	—	—
Accrual for vacation payments	(30)	—	—	(24)	—	—
Wages and salaries	(16)	—	—	(20)	—	—
Intra-group balances	(1,117)	(1,008)	2	(696)	(202)	4
Intra-group receivables	220	9	195	254	12	160
Intra-group borrowings	(1,041)	(971)	(193)	(450)	(206)	(156)
Intra-group payables	(296)	(46)	—	(500)	(8)	—
Total net liabilities	(1,586)	(2,214)	(378)	(899)	(1,989)	(308)

A 10% devaluation of functional currencies against foreign currencies at the reporting date would have the following effect on the profit or loss for the year and the equity including effect on derivatives:

	2020			
	RUB	USD	Other	Total
(Increase)/decrease in equity	(115)	161	30	76
(Increase)/decrease in profit or loss for the year	(39)	90	30	81

32.2. Credit risk

Credit risk is the risk that a counterparty may default or not meet its obligations to the Group on a timely basis, leading to a financial loss to the Group. The Group minimises its exposure to this risk by ensuring that credit risk is spread across a number of counterparties. Trade receivables comprise international companies and large Russian companies, and credit is only extended to these customers after rigid credit approval procedures. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position.

At 31 December 2020 4% of total trade receivables were due from the Group's largest customer and 22% of the total trade receivables were due from the Group's next 19 largest customers (31 December 2019 – 8% and 26%, respectively).

The table below analyses the Group's trade receivables into relevant groupings based on ageing.

	2020		2019	
	Gross	Allowance for doubtful debts	Gross	Allowance for doubtful debts
Not past due	559	—	725	—
Past due for less than 12 months	150	36	153	62
Past due for more than one year	124	124	123	123
Total	833	160	1,001	185

The movement in the allowance for doubtful debts in respect of trade receivables during the year was as follows:

	2020	2019
Opening balance	185	168
Additional doubtful debts	69	99
Bad debt recovered	(51)	(95)
Bad debt written-off	(13)	(7)
Effect of translation to presentation currency	(30)	20
Closing balance	160	185

Analysis of credit quality of cash and cash equivalents, including bank deposits, based on credit ratings of independent agencies "Standard & Poor's", "Fitch Ratings" and others is listed in the table below:

	2020	2019
From A- to AAA	28	48
From BBB- to BBB+	113	85
From BB- to BB+	28	30
Other	14	14
Total	183	177

32.3. Liquidity risk

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

Recently global and Russian capital markets have experienced significant volatility, including a lack of available sources of financing and significant fluctuation of the Russian Rouble against the USD and the Euro. Despite stabilisation measures undertaken by various governments, markets remain volatile.

Prudent liquidity risk management includes maintaining sufficient cash, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. The Group expects that cash generated from operations will be the major source of the Group's liquidity in 2021 and will be sufficient to cover the capital expenditures programme of the Group. In addition, management believes that the Company will be able to attract additional sources of financing in order to refinance existing short-term facilities.

The central treasury department of the Group maintains flexibility in funding by ensuring the availability of credit line facilities. The unused portion of these lines at 31 December 2020 totalled 2,499 million USD (31 December 2019 – 2,889 million USD).

JSC SUEK**Notes to the consolidated financial statements for the year ended 31 December 2020***Millions of US Dollars, unless otherwise stated*

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the contractual undiscounted cash flows to maturity, including interest payments.

	Carrying amount	Contractual cash flows	Due in the first year	Due in the second year	Due thereafter
Balance at 31 December 2020					
Long-term borrowings	6,958	7,493	1,885	1,707	3,901
Short-term borrowings	44	44	44	—	—
Lease liabilities	617	997	179	167	651
Net-settled derivative liabilities	416	416	102	73	241
Trade accounts payable and accruals	325	325	325	—	—
Other creditors	393	393	393	—	—
Total	8,753	9,668	2,928	1,947	4,793
Balance at 31 December 2019					
Long-term borrowings	6,583	6,947	1,903	2,087	2,957
Short-term borrowings	155	155	155	—	—
Lease liabilities	1,224	1,808	297	273	1,238
Trade accounts payable and accruals	519	519	519	—	—
Net-settled derivative liabilities	12	12	12	—	—
Other creditors	148	148	148	—	—
Total	8,641	9,589	3,034	2,360	4,195

32.4. 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 to equity holders and benefits for other stakeholders.

The Group defines capital as shareholders' equity. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, return capital to equity holders or issue new shares. This strategy remains unchanged from prior years.

JSC SUEK**Notes to the consolidated financial statements for the year ended 31 December 2020***Millions of US Dollars, unless otherwise stated***33. INVESTMENTS IN SIGNIFICANT SUBSIDIARIES**

Subsidiaries by country of incorporation	Principal activity	2020	2019
<i>Russian Federation</i>			
Murmansk			
JSC "Murmanskiy Morskoi Torgovyi Port"	Port facilities	100%	100%
LLC "Murmansk Bulk Terminal"	Port facilities	100%	—
Moscow Region			
JSC "National Transportation Company"	Transportation services	100%	—
Krasnodarskiy krai			
LLC "Tuapse Bulk Terminal"	Port facilities	100%	—
Altai			
JSC "Barnaul Generation"	Energy generation	100%	100%
JSC "Byiskenergo"	Energy generation	100%	100%
Novosibirsk			
JSC "SIBECO"	Energy generation	100%	100%
Kemerovo			
JSC "SUEK-Kuzbass"	Hard coal extraction	100%	100%
JSC "Kuzbassenergo"	Energy generation	99.9%	99.9%
JSC "Kemerovo Generation"	Energy generation	100%	100%
Krasnoyarsk			
JSC "SUEK-Krasnoyarsk"	Brown coal extraction	100%	100%
JSC "Razrez Berezovskiy"	Brown coal extraction	100%	100%
JSC "Razrez Nazarovskiy"	Brown coal extraction	100%	100%
JSC "Yenisei Territorial Generating Company (TGC-13)"	Energy generation	99.9%	99.9%
JSC "Nazarovo GRES"	Energy generation	100%	100%
Khakasia			
LLC "SUEK-Khakasia"	Hard coal extraction	100%	100%
LLC "Vostochno-Beyskiy razrez"	Hard coal extraction	50%	50%
Buryatia			
JSC "Razrez Tugnuiskiy"	Hard coal extraction	100%	100%
Zabaikalye			
JSC "Razrez Kharanorskiy"	Brown coal extraction	100%	100%
Khabarovsk			
JSC "Urgalugol"	Hard coal extraction	100%	100%
JSC "Daltransugol"	Port facilities	100%	100%
Primorye			
LLC "Primorskugol"	Brown coal extraction	100%	100%
LLC "Stevedoring Company "Maly port"	Port facilities	49.9%	49.9%
LLC "Primorskaya GRES"	Energy generation	100%	—
Switzerland			
SUEK AG	Export sales of coal	100%	100%
Republic of Cyprus			
SUEK LTD	Debt holding company	100%	100%

Business combinations

Acquisition of Krasnoyarskaya GRES-2. In March 2020, the Group acquired generating and other assets of Krasnoyarskaya GRES-2 for 156 million USD from a third party. The core activity of the acquired business is generation and sales of energy. Along with the acquired assets, the Group obtained control over all processes of generation and sales, acquired rights and obligations under key contracts were transferred to the Group. The Group recognizes the acquisition of the assets of Krasnoyarskaya GRES-2 as a business combination since assets represent a unified complex for generation of electricity and the Group also acquired all key processes, altogether representing the attributes of the business. The fair value amounts of the acquired assets, mainly presented by property, plant and equipment, and assumed liabilities at the date of acquisition were estimated at 158 million USD and 2 million USD, respectively. Before the Group completed the process of obtaining permits and licenses required to operate Krasnoyarskaya GRES-2, the acquired assets were leased back to the seller. Under the terms of the lease, the Group has control over business processes and financial results, thus, at the time of the transitional period, the Group consolidates Krasnoyarskaya GRES-2. In October 2020, the Group obtained permits and licenses required to operate Krasnoyarskaya GRES-2 and the lease back agreement has ended. The effect of the consolidation of the acquired assets on the consolidated revenue is 50 million USD for the year ended 31 December 2020. The effect on the consolidated profit or loss for the year ended 31 December 2020 is not significant.

Acquisition of Reftinskaya GRES. In October 2019, the Group acquired generating and other assets of Reftinskaya GRES for 345 million USD, including a contingent consideration described below, from a third party. In 2019 and in 2020 the Group paid for the acquisition 259 million USD and 57 million USD, respectively. As at 31 December 2019, the Group also recognised a contingent consideration at fair value of 24 million USD and allocated it to the generating assets. In 2020 the Group reassessed the fair value of the contingent consideration to the amount of 15 million USD, the change in the fair value was recognised in other income. The last contingent payment is in 2024. In 2020 the Group finalised purchase price allocation for this business combination, as a result, the carrying amounts of the acquired assets, mainly presented by property, plant and equipment, and assumed liabilities at the date of acquisition were estimated at 353 million USD and 8 million USD, respectively.

Acquisition of subsidiaries under common control

Acquisition of Primorskaya GRES. In November 2020, the Group acquired from a related company 100% of LLC “Primorskaya GRES” for 49 million USD. The principal activity of the acquired company is generation and sales of energy. Since the acquisition of the LLC “Primorskaya GRES” represents a transaction under common control the consolidated financial statements of the Group were retrospectively restated to reflect the effect of the acquisition as if it had occurred on 5 June 2020, at the date when common control was established. As LLC “Primorskaya GRES” did not prepare IFRS financial statements, the independent appraisal of assets and liabilities was performed on the date of acquisition of control by the related company. The difference between the transaction price and the net assets of the company was recorded in retained earnings in the amount of 5 million USD. The carrying amount of assets, mainly presented by property, plant and equipment, and liabilities of LLC “Primorskaya GRES” at the date of acquisition were estimated by the related party at 73 million USD and 13 million USD, respectively, and at 63 million USD and 14 million USD as at 31 December 2020. Other transactions in equity and consolidated cash flow statement include additional contribution to capital made by the prior owner in the amount of 8 million USD. The effect of the consolidation of LLC “Primorskaya GRES” on the consolidated revenue is 85 million USD for the year ended 31 December 2020. The effect of the transaction on the consolidated profit or loss for the year ended 31 December 2020 is not significant.

Acquisition of Tuapse Bulk Terminal and Murmansk Bulk Terminal. In December 2020, the Group acquired LLC “Tuapse Bulk Terminal” and LLC “Murmansk Bulk Terminal” for 114 million USD and 168 million USD, respectively, from EuroChem group to strengthen position on the logistics market. Since the acquisition of companies represents a transaction under common control the consolidated financial statements of the Group were retrospectively restated to reflect the effect of the acquisition as if it had occurred on 1 January 2019, at the beginning of the earliest comparative period presented. The transaction was accounted for using predecessor IFRS accounting at the carrying amount of the assets and liabilities. Other transactions in equity and consolidated cash flow statement include dividends paid to the previous shareholder in the amount of 28 million USD in 2020 (62 million USD in 2019).

The carrying amount of assets and liabilities of acquired subsidiaries is presented below:

	At the acquisition date	2019
Property, plant and equipment	64	78
Right-of-use assets	12	16
Other assets	4	2
Trade accounts and other receivables	17	24
Inventories	1	1
Cash and cash equivalents	11	—
Long-term lease liabilities	(12)	(15)
Deferred tax liabilities	(5)	(5)
Trade accounts and other payables	(4)	(4)
Taxes payable	(1)	(1)
Net assets	87	96

Non-controlling interests. Information of LLC “Vostochno-Beyskiy razrez” that has significant non-controlling interests is as follows:

	2020	2019
Non-current assets	154	285
Current assets	44	55
Non-current liabilities	(29)	(55)
Current liabilities	(6)	(15)
Net assets	163	270
Accumulated non-controlling interests	82	135
Revenue	131	139
Net profit/(loss) for the year	3	(2)
Profit/(loss) allocated to non-controlling interests	2	(1)
Revaluation of mining assets	(31)	(22)
Cash flows from operating activities	21	11
Cash flows used in investment activities	(16)	(11)
Cash flows used in financing activities	(6)	(13)
Dividends to non-controlling interests	3	6

34. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

In January 2021, SUEK LTD redomiciled from the Republic of Cyprus to the Russian Federation.