

Registered number: 6662004

Camec Finance Limited

Annual Report and Accounts 2020

TUESDAY



AA778Z6Z

A10

22/06/2021

#174

COMPANIES HOUSE

Camec Finance Limited

Strategic Report

Results

The result of Camec Finance Limited ('the Company') is US\$nil for the year (2019: US\$nil). The Company has total equity of US\$nil (2019: US\$nil).

Principal activity and review of the business

The principal activity of the Company is the financing of subsidiary undertakings of Eurasian Resources Group S.à r.l. ('ERG S.à r.l.'), its ultimate parent. The Directors do not anticipate any significant changes to the business in the future.

Key performance indicators

No key financial and other performance indicators have been identified for the Company.

Principal risks and uncertainties

The principal risks and uncertainties of the Company are integrated with the principal risks and uncertainties of ERG S.à r.l. and its subsidiaries (the 'Group') and are not managed separately.

In March 2020, the World Health Organisation declared a global pandemic related to COVID-19. Despite various COVID-19 related challenges, the Company has continued to operate. Whilst 2021 may be a year of uncertainty as the world continues to grapple with and recover from the COVID-19 pandemic, the Company is confident that it can successfully continue its business activities.

On behalf of the board



Satzhan Temirgaliyev

Director

Date: June 17, 2021

Camec Finance Limited

Directors' Report

Directors

The Directors of the Company who were in office during the year and up to the date of signing the Annual Report and the audited financial statements (the financial statements are further referred as the 'Accounts') are Satzhan Temirgaliyev and Dmitry Melnikov.

Dividends

The Directors have not declared any dividends in 2020. The Directors do not propose any other dividend payments.

Qualifying third party indemnity provisions

Eurasian Natural Resources Corporation Limited, an indirect parent of the Company, has entered into deeds of indemnity for the benefit of each Director of the Company in respect of liabilities to which they may become liable in their capacity as a Director of the Company. These indemnities are qualifying third party indemnity provisions within the meaning given to that term by Section 234 of the Companies Act 2006. These indemnity provisions were in force during the year and remain in force at the time this report is approved.

Financial risk management

Financial risk management is the responsibility of the Company and its ultimate parent entity, ERG S.à r.l. There have been no significant changes to any risk exposures from the previous year and as such no changes in the processes for managing risk.

Going concern

Refer to note 2 of the Accounts.

Subsequent event

None.

Outlook

The principal activity of the Company is not expected to change in the near future.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Accounts in accordance with applicable law and regulation.

Company law requires the Directors to prepare the Accounts for each financial year. Under that law the Directors have prepared the Accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law the Directors must not approve the Accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the Accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the Accounts;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the Accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Accounts comply with the Companies Act 2006.

Camec Finance Limited

Directors' Report (continued)

Directors' confirmation

In the case of each of the Directors in office at the date the Directors' report is approved:

- so as far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Independent auditor

The independent auditor, PricewaterhouseCoopers LLP, has indicated their willingness to continue in office and will be deemed to be re-appointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the Company receives notice under section 488(1) of the Companies Act 2006.

On behalf of the board



Satzhan Temirgaliyev
Director

Date: June 17, 2021

Camec Finance Limited

Comprehensive income statement

US\$ million	note	Year ended 31 December	
		2020	2019
Interest receivable from Group undertakings		-	5
Impairment on amounts owed by Group undertakings		-	(5)
Result before income tax		-	-
Income tax expense	5	-	-
Result for the year		-	-
Comprehensive result for the year		-	-

Camec Finance Limited

Balance sheet

US\$ million	note	At 31 December	
		2020	2019
Current assets			
Amounts owed by Group undertakings		-	-
Net assets		-	-
Equity			
Called up share capital	6	222	222
Other reserves		861	861
Accumulated losses		(1,083)	(1,083)
Total		-	-

The notes on pages 7 to 10 are an integral part of the Accounts.

The Accounts on pages 4 to 10 were authorised for issue by the board of Directors on 17 June 2021 and were signed on its behalf by:



Satzhan Temirgaliyev
Director

Statement of changes in equity

US\$ million	Called up share capital	Other reserves	Accumulated losses	Total
Balance at 1 January 2019	222	861	(1,083)	-
Comprehensive result for the year	-	-	-	-
Balance at 31 December 2019	222	861	(1,083)	-
Comprehensive result for the year	-	-	-	-
Balance at 31 December 2020	222	861	(1,083)	-

Camec Finance Limited

Notes to the Accounts – 31 December 2020

1. Significant accounting policies

General information

The Company is a private limited company, limited by shares, and is incorporated and domiciled in England, United Kingdom. The registered office of the Company is 8th floor, 20 Farringdon Street, London, England, United Kingdom, EC4A 4AB. The principal activity of the Company is the financing of subsidiary undertakings of ERG S.à r.l.

Basis of preparation

The Accounts are prepared under the historical cost convention in accordance with the Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101), and in accordance with the provisions of the UK Companies Act 2006 as applicable to the companies reporting under FRS 101.

The immediate parent of the Company is ENRC Africa Holdings Limited incorporated and domiciled in England.

The ultimate parent of the Company is ERG S.à r.l., which is the smallest and largest group to consolidate these Accounts. The ultimate parent is incorporated in the Grand Duchy of Luxembourg. The registered address and domicile of ERG S.à r.l. is 9, rue Sainte Zithe, L-2763 Luxembourg, the Grand Duchy of Luxembourg. Copies of ERG S.à r.l.'s consolidated accounts are publicly available.

The principal accounting policies have been consistently applied to all the years presented.

No new standards, or amendments to standards, or interpretation that are effective for the year ended 31 December 2020 have had an impact on the Company.

FRS101 disclosure exemptions

The following disclosure exemptions have been adopted under FRS101:

- IFRS 2, 'Share based payments': paragraphs 45(b) and 46 to 52
- IFRS 7, 'Financial instruments: Disclosures'
- IFRS 13, 'Fair value measurement': paragraphs 91 to 99
- IAS 1, 'Presentation of Financial Statements': paragraphs 38; 10(d); 16; 38A; 38B-D; 111; and 134-136
- IAS 7, 'Statement of Cash flows'
- IAS 8, 'Accounting policies, changes in accounting estimates and errors': paragraphs 30 and 31
- IAS 24, 'Related party disclosures': paragraph 17
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.
- IAS 36, 'Impairment of Assets': paragraphs 130 (f) (ii), 130 (f) (iii), 134 (d)-(f), 135 (c)-(e).

Functional and presentation currency

The functional and presentation currency of the Company is USD.

Debtors

Amounts owed by Group undertakings are recognised initially at fair value and subsequently carried at amortised cost less any allowance for expected credit loss.

2. Critical accounting estimates, judgements and assumptions in applying accounting policies

Inherent in the application of many of the accounting policies used in preparing the Accounts is the need for management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the Accounts and the reported amounts of revenues and expenses during the period. Actual outcomes could differ from the estimates and assumptions used. The critical judgements and estimates that could have a significant impact on the results of the Company are set out below and should be read in conjunction with the information provided in the notes to the Accounts.

Impairment of assets

The Company reviews the carrying value of amounts owed by Group undertakings to determine whether there is any indication that these assets are still impaired. Based on the analysis of the internal and external factors, management determined there were no indicators of impairment reversal at the end of the reporting period.

ECL

Allowance for expected credit loss possible within the next 12 months or expected over the remaining life of the exposure is recognised for amounts owed by Group undertakings based on credit risk of borrowers with comparable credit rating.

Going concern

COVID-19 pandemic

In March 2020, the World Health Organisation declared a global pandemic related to COVID-19. Despite various COVID-19 related challenges, the Group's assets have continued to operate. The Group has made efforts to safeguard the health of its employees, while continuing to operate safely and responsibly maintain employment and economic activity, and has incurred COVID-19 safety and social costs of US\$39 million at 31 December 2020.

The Group has not experienced significant disruption to supply chains and product shipments since the onset of the COVID-19 pandemic and the Group is working to manage the logistical challenges presented by the closure of trade borders, using alternative routes where feasible.

In addition, a significant number of steps were taken to keep the Group's liquidity at a satisfactory level, including but not limited to deferrals of non-critical spend, revision of capital investment programmes, renegotiation of consumables prices, and the arrangement of additional facilities with banks.

Whilst 2021 may be a year of uncertainty as the world continues to grapple with and recover from the COVID-19 pandemic, the Group is confident that the Group can successfully continue developing as a socially responsible, resilient and efficient business with the support of its partners and employees.

Liquidity forecast

The Board of Managers of ERG S.à r.l. has reviewed the liquidity available for the period until 30 June 2022. Throughout the period under review the Group generates sufficient cash flow to maintain a position above minimum working capital requirements.

The Group continuously monitors its financial position to ensure adequate liquidity headroom is in place to support its business needs and to ensure compliance with loan covenants or to obtain waivers where appropriate. As of 31 December 2020, the Group complied with applicable covenants.

2. Critical accounting estimates, judgements and assumptions in applying accounting policies (continued)

The Group is actively pursuing significant mitigating actions in its business plan to manage liquidity and the covenant position during the period under review. These actions, inter alia, include:

- renegotiation with the Group's main providers of finance to give rise to an additional liquidity before 30 June 2022 of up to US\$290 million;
- cost reduction and restructuring within the business which will generate annual savings of approximately US\$83 million;
- enhanced management of working capital to generate further liquidity but also enhance flexibility regarding the deployment of cash resources (for example, by management of expenditure within the period under review).

These actions will further support the Group's liquidity and the plan of management is to generate a sufficient liquidity 'buffer' to provide further headroom should market conditions further worsen.

The Group maintained its B2 rating from Moody's in March 2020, with a shift in outlook from stable to negative to reflect the low commodity prices and growing risks of recession at the onset of the COVID-19 outbreak. Nonetheless, in December 2020, Standard & Poor's affirmed the Group to B- but improved the outlook from negative to stable thanks to favourable commodity prices and the launch of the Group's Metalkol RTR cobalt and copper project.

The global spread of COVID-19 towards the end of Q1 2020 pushed commodity prices downward reflecting reduced demand, the impact of lockdowns, closures and other measures enacted by the governments to fight the pandemic. The trend continued into Q2 2020, however, then reversed following the swift recovery of economic activity and government stimulus packages. Prices returned largely to pre-pandemic levels, with iron ore and copper reaching multi-year highs prompted by increased demand in China and exacerbated by mine closures and supply cuts.

The Group appreciates the dependence of liquidity on commodity prices in its key markets and ability to raise additional funding when required. To ensure adequate liquidity is available to meet contractual obligations, the Group ensures continuing focus on operational efficiency, working capital improvements, and allocation and spending of capital expenditures budget.

The Managers of ERG S.à r.l. therefore consider that the Group can access adequate resources to continue its business operations for the foreseeable future and that the preparation of Group's financial statements under the going concern basis is appropriate.

Therefore, Directors believe that the Company has access to adequate resources to continue its operations in its current capacity for the foreseeable future and that the preparation of these accounts under a going concern basis is appropriate.

3. Auditor's remuneration

The fee for the audit of the Company's Accounts is US\$13 thousand (2019: US\$15 thousand). This fee has been borne by a subsidiary undertaking of ERG S.à r.l..

4. Key management compensation and employee information

The Directors did not receive any compensation in respect of the services to the Company during the year (2019: US\$nil).

The Company had no employees during the year (2019: none).

5. Income tax expense

US\$ million	Year ended 31 December	
	2020	2019
Result before income tax	-	-
Notional tax charge at 19% UK tax rate	-	-
Non-deductible expenses	-	(1)
Group relief	-	1
Income tax expense	-	-

The Company is a member of a group for the purposes of relief within Part 5, Corporation Tax Act 2010.

6. Called up share capital

Authorised, issued and fully paid share capital is US\$222 million consisting of 222,064,659 shares of US\$1 par value each.

Camec Finance Limited
Registered number: 6662004
to be annexed to the accounts on record

**Eurasian Resources Group S.à r.l.
Annual Report and Accounts 2020**

Strictly Confidential

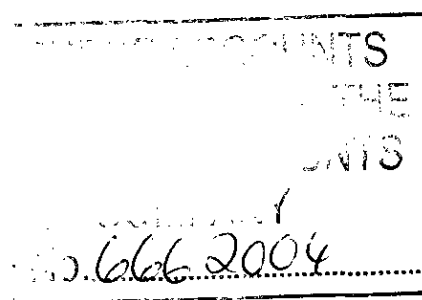


Table of contents

About this report.....	2
Introduction.....	6
Chief Executive Officer Report.....	7
Corporate review.....	10
Performance.....	10
Key initiatives and events in 2020.....	15
2025 Strategy.....	17
Divisional review.....	19
Ferroalloys Division.....	19
Iron Ore Division.....	22
Alumina and Aluminium Division.....	24
Other Non-ferrous Division.....	27
Energy Division.....	29
Logistics Division.....	31
Financial review.....	32
Group performance.....	32
Key events in 2020.....	34
Risk management.....	35
Principal risks and mitigation actions.....	36
Consolidated management report.....	39
Audit report.....	42
Consolidated income statement.....	46
Consolidated statement of comprehensive income.....	47
Consolidated balance sheet.....	48
Consolidated cash flow statement.....	49
Consolidated statement of changes in equity.....	50
Notes to consolidated financial statements.....	51

About this report

Please note the following abbreviations throughout this report:

- ERG = Eurasian Resources Group S.à r.l. (the ultimate parent company of the Group)
- Group = ERG and its subsidiaries
- ERG BV = Eurasian Resources Group B.V. (a wholly owned subsidiary of ERG)

The following sections are based on a Consolidated balance sheet and Consolidated income statement for the Group:

- CEO Report
- Corporate review
- Divisional review
- Financial review
- Risk management
- Consolidated management report

The information in these sections is unaudited unless otherwise stated.

Forward-looking information

This Annual Report and Accounts contain certain forward-looking statements. Forward-looking statements are not based on historical facts and are inherently prospective in nature. Forward-looking statements may be identified by the use of terminology including, but not limited to, 'intend', 'aim', 'project', 'anticipate', 'estimate', 'plan', 'believes', 'expect', 'may', 'should', 'will', 'potential', 'possible', 'investigate', 'explore', or similar terms.

Forward-looking statements involve known and unknown risks, uncertainties and other variables that may cause actual performance, events and outcomes to vary significantly from any future performance, events or outcomes expressly or implicitly anticipated by such forward-looking statements. Such variables may include, but are not limited to, actual operational performance, market conditions, exchange rate fluctuations, operational disruption, macroeconomic dynamics, political uncertainty, government regulation and other related factors. As such, undue reliance should not be placed on such forward-looking statements.

Forward-looking statements contained in this report are only made with respect to the situation at the date of publishing. ERG will not be under any obligation and will not undertake to update or revise any forward-looking statements contained in this report after this date.

Proposed infographics¹

Business model

Finance

We seek to use all funds efficiently, whether obtained through financing or generated from operations or investments.

People

We rely on the skills, wellbeing and motivation of employees, contractors and service providers to generate value.

Relationships

We seek to build and sustain constructive relationships with all our stakeholders that are based on mutual respect, transparency and trust.

Natural resources

It is critical that our businesses responsibly manage all the natural resources used in our processes, given their finite nature.

Capital assets

Significant financial investment in the purchase, development and maintenance of property, plant and equipment has provided us with the capacity to generate longer-term returns.

Activities

- Exploration and execution;
- Development;
- Mining;
- Processing and beneficiation;
- Smelting and metallurgy;
- Sales;
- Post-mining reclamation;
- Logistics²;
- Energy³.

Key products

- Ferroalloys (stainless steel);
- Cobalt (lithium-ion batteries, alloys, magnets);
- Copper (infrastructure construction, transportation, electrical and electronics);
- Aluminium (transportation, infrastructure construction);
- Iron ore (steel);
- Coal (energy heat).

¹ Could be a part of a different section in the final designed version.

² Logistics and transportation services to support our own operations as well as third party businesses.

³ Generation of power for our operations and third parties in Kazakhstan.

Key markets

- China;
- European union;
- Kazakhstan;
- Russia;
- Japan.

Outputs**Financial**

Underlying EBITDA, revenue, free cash flow.

Social

Community social investments, economic value.

Environmental

CO2 emissions.

Our vision

An international, sustainable, socially responsible and efficient natural resources company.

Our mission

Be the best at what we do. Navigate global change whilst holding true to our values. Responsibly unlocking the potential of the Earth and its people, ensuring the prosperity of those who rely on us.

Our values**Safety**

- We put safety first;
- We ensure safe labour conditions for all our employees and contractors, continuously working to prevent any injuries occurring in the workplace.

Unity

- We work together as a team of passionate people aiming to achieve our set goals;
- We respect the cultural and regional traditions where we operate.

Efficiency

- We are focused on delivering results;
- We manage our resources carefully to achieve results;
- We prioritise the most relevant issues;
- We minimise tasks that do not bring value.

Development

- We appreciate our employees and create conditions for their development;
- We efficiently implement new technologies and develop as a company;
- We ensure the sustainable development of the Group.

Responsibility

- We fulfil our obligations to our employees, their families, customers, partners, shareholders and society;
- We carefully manage the resources and the environment entrusted to us;
- We build a culture of mutual confidence and respect in the Group, as well as with partners and customers.

Key commodities

Division	Ferroalloys	Iron Ore	Alumina and Aluminium	Other Non-ferrous	Energy	Logistics
Number of key operational assets ⁴	4	1	4	5	4	1

Messaging

- A leading diversified natural resources producer
- A socially responsible, resilient and efficient business
- Responding to the COVID-19 pandemic and global challenges
- Focused on long-term sustainability and value creation
- Taking care of those who rely on us
- An embedded strategy to support our Vision
- Six divisions supported by a central sales and marketing department
- Advancing our risk management system

⁴ Major territorial separate unit

Introduction

About ERG

ERG has integrated mining, processing, energy, logistics and marketing operations focused on Kazakhstan and Africa. We operate in 15 jurisdictions across four continents and have a global workforce of almost 67,000 people (excluding contractors).

ERG represents one third of the metals and mining industry in Kazakhstan and is the world leader in high-carbon ferrochrome production by chrome content. We are also a key supplier of iron ore, aluminium and alumina, as well as a provider of power generation/distribution and railway services.

Through our assets in Africa, we are a principal producer of cobalt and copper with further development projects focused on coal, manganese, platinum, bauxite and fluorspar. We are also developing an integrated iron ore mining and logistics project in Brazil.

Key metrics in 2020

Operational:

- -0.5% iron ore primary concentrate production (13,701kt – compared to 13,767kt in 2019);
- -1.0% total ferroalloy production (1,793kt – compared to 1,811kt in 2019);
- +0.8% aluminium production (265kt – compared to 263kt in 2019);
- +37.0% increase in copper metal (80.3kt – compared to 58.6kt in 2019);
- +24.6% increase in copper concentrate production (103.3kt – compared to 82.9kt in 2019);
- +146.3% increase in cobalt hydroxide output as Metalkol RTR ramps up production (16.5kt – compared to 6.7kt in 2019);
- +5.0% coal production (28,871kt – compared to 27,503kt in 2019);
- +2.3% electricity production (14,793 GWh – compared to 14,460 GWh in 2019).

Financial:

- +31.5% Underlying EBITDA (US\$2,023 million – compared to US\$1,538 million in 2019);
- -34.2% capex (US\$572 million – compared to US\$869 million in 2019).

Sustainability:

Business model – no changes

Key metrics in 2020:

- US\$64.7 million community social investment spending;
- US\$4,203 economic value distributed to stakeholders;
- -26.5% reduction in LTIFR (employees only).

CEO Report

2020 was a year of unprecedented global challenge and change. However, I am proud to say that against the backdrop of the worldwide pandemic, ERG emerged an even stronger business, marking progress in both our operational and broader sustainable development performance.

The effectiveness of our response was a Group-wide effort, which demonstrated the strength of our employees and their unwavering dedication to the business and our corporate values. I am grateful to every member of the ERG team who adapted to these challenging circumstances to keep our operations going and enable the business to weather the storm.

Thanks to these remarkable efforts, 2020 proved to be a year in which ERG fulfilled production plans, set new records, and strengthened our cobalt, copper and iron ore operations across the world. At our operations in Kazakhstan, we completed major overhauls of furnaces, continued rolling out our Smart Mine initiative and advanced other innovative technological solutions, such as achieving a breakthrough in chrome tailings flotation technology. We started commercial production of iron ore at our Pedra de Ferro mine in Brazil, achieved record aluminium production in Kazakhstan. We continued to represent one third of the metals and mining industry in Kazakhstan and maintained our position as the world leader in high-carbon ferrochrome production by chrome content, whilst our Metalkol RTR operation in Democratic Republic of the Congo ('DRC') became the world's second largest producer of cobalt. This was reflected in our Group EBITDA and revenue, which increased by 31.5% and 9.9%, respectively.

We also took great strides towards our vision of being 'an international, sustainable, socially responsible and efficient natural resources Group'. We have continued to embed our 2025 Strategy and focus on community social investments, as well as championing ethical leadership and responsible supply chains through our work with international partners and organisations.

With effect from 3 March 2021, following the sad passing of Mr. Alijan Ibragimov, one of the co-founders of ERG and a member of the Board of Managers, his son Mr. Shukhrat Ibragimov was appointed to ERG's Board of Managers, as well as the Board's Audit Committee, Remuneration Committee and Mergers and Acquisitions Committee. Having headed TNC Kazchrome JSC and presided over the Board of Directors at Aluminium of Kazakhstan, Mr. Alijan Ibragimov's contribution to the Group's success is impossible to truly quantify and he will always be remembered. We look forward to Mr. Shukhrat Ibragimov building on his father's vision. He has already been instrumental in developing and launching some of the Group's most ambitious international projects whilst serving as ERG's Head of Business Development and we are confident he will be invaluable to the Group's future growth.

Sustainable Development

Focus on safety

Safety was brought into sharper focus this year as a result of the COVID-19 pandemic. The safety and wellbeing of our employees and local communities is our top priority, and this has been reflected in our proactive response to preventing the spread of the virus.

From the onset of COVID-19, we were quick to take wide-ranging preventative measures across our sites to safeguard our people and supply chains. We swiftly implemented a business continuity plan, installed remote thermal sensing cameras at our plants, initiated strict disinfectant and social distancing regimes, and introduced remote working and shift schedules to minimise human contact. It is with great sadness that we marked the passing of a number of colleagues from the virus, and our thoughts and sympathies are with the loved ones of all those who passed away.

We are also deeply saddened to report four non-COVID-19 related fatalities in 2020 (three employees and one contractor) and would like to send our sincere condolences to the friends and families of those lost. Although this was an improvement compared to the previous year (2019 – 11 fatalities, 10 employees and one contractor), all loss of life is unacceptable, and each incident was subject to a thorough investigation in order to inform appropriate measures to prevent reoccurrence.

I am pleased to note that Metalkol RTR reached 12.3 million consecutive injury-free hours in December 2020, a record among mines with a similar profile. This is both a testament to our commitment to safety and to the hard work and dedication of our employees.

Over the coming year, we will continue progressing efforts to achieve Zero Harm, including through undertaking thorough safety management system audits, integrating safety targets into managers' KPIs and implementing risk assessment using the HAZID method.

Focus on the environment

ERG remained committed to environmental stewardship in 2020 and continued to progress our Environment Strategy, with a focus on reducing emissions to air. To this end, we launched a new filter at the sintering side of Aluminium of Kazakhstan, which considerably decreased levels of air pollution.

The ramp up and expansion of our Metalkol RTR project, which reprocesses historic copper and cobalt tailings, is actively 'cleaning up' legacy waste that has been deposited in the Kingamyambo Tailings Dam and Musonoi River Valley by previous mining operators. By the end of 2020, we had increased production to reach 80% of cobalt hydroxide and 75% of copper metal Phase 2 design capacity at the project.

Meanwhile, in Brazil, we have successfully renewed the environmental license for Porto Sul for an additional six years.

We plan to continue improving our environmental performance through the continued implementation of certified energy management systems, renewable energy projects and ESG framework.

Revenue and Underlying EBITDA

In 2020, our revenue increased by 9.9% to US\$5,356 million (2019: US\$4,872 million) and underlying EBITDA rose by 31.5% to US\$2,023 million (2019: US\$1,538 million), despite the challenges posed by COVID-19. Against the backdrop of the pandemic, we took steps to increase our financial resilience and addressed instances of insufficient supply chain visibility by increasing inventories and locking up more working capital.

Year-on-year average price performance was mixed across most of products in our portfolio. Iron ore reached prices not seen since 2011, which boosted EBITDA, whereas ferrochrome prices remained low due to global economic uncertainty. Whilst the copper market proved to be very volatile, copper gained 26.0% through the course of 2020 due to global lockdown-related mine disruptions, unprecedented economic stimulus packages and China's rapid economic recovery, reaching price levels not seen since 2013. Cobalt also performed well in the second half of the year, supported by green stimulus packages in China, those announced by major European governments and robust electric vehicle sales.

Thanks to the continued ramp up of our Metalkol RTR operation, which initiated Phase 2 last year, ERG was well-placed to capitalise on the increased market prices and higher demand for these products. Metalkol RTR reached cobalt and copper production levels of 16.3kt and around 80kt respectively in 2020. The increase in underlying EBITDA was primarily driven by higher output at our Metalkol RTR and Frontier operations.

We also grew shipment volumes of iron ore to China by 95.7% from 2.3mt in 2019 to 4.5mt in 2020, reached record aluminium production of 265kt and achieved a net increase in saleable ferroalloy production from 1,639kt in 2019 to 1,653kt.

Debt position and credit rating

Over the course of 2020, the Group signed several key amendment agreements with our creditors to achieve more favourable terms and conditions in our existing facility agreements. This includes an amended and restated agreement with VTB Bank (PJSC), through which our interest rate for all tranches was reduced and the final maturity date of loans was extended until 2030, and agreements with Sberbank of Russia to defer certain payments, decrease interest rate and improve our commercial terms.

These measures have allowed us to lower our weighted average cost of debt by more than 0.8% per annum and extend our maturity profile increasing our available liquidity by approximately US\$2.8 billion as at the end of 2023. This will not only support our medium-term liquidity and enhance our financial resilience, but it will also enable us to invest in future growth in the coming years.

In June 2020, we signed amendments to our existing loan facility agreement with VTB Bank (PJSC) and prepayment facility agreement with VTB Commodities Trading DAC, an affiliate of VTB Bank (JSC) for additional tranches of up to US\$350 million and US\$250 million respectively. The substantial funds, still available for utilisation, should further support the Group's liquidity and implementation of important investment projects.

The Group maintained its B2 rating from Moody's in March 2020, with a shift in outlook from stable to negative to reflect the low commodity prices and growing risks of recession at the onset of the COVID-19 outbreak. Nonetheless, in December 2020, Standard & Poor's affirmed ERG to B- but improved the outlook from negative to stable thanks to favourable commodity prices and the launch of ERG's Metalkol RTR cobalt and copper project.

Looking ahead

We expect Metalkol RTR to continue contributing to Group EBITDA as Phase 2 production ramps up and we increase shipment volumes to China in line with the growing demand for batteries. Our Pedra de Ferro mine in the State of Bahia, which began commercial production at the end of 2020, is expected to deliver 2 million tonnes of high-grade iron ore annually by next year and should likewise be a strong contributor to Group revenue.

Whilst 2021 may be a year of uncertainty as the world continues to grapple with and recover from the COVID-19 pandemic, we are confident that ERG can successfully continue developing as a socially responsible, resilient and efficient business with the support of our partners and employees.

Benedikt Sobotka

Chief Executive Officer

Corporate review

Performance

Operational

2020 was unprecedented in terms of price volatility. The global spread of COVID-19 towards the end of Q1 pushed commodity prices downward reflecting reduced demand, the impact of lockdowns, closures and other measures enacted by the governments to fight the pandemic. The trend continued into Q2, however, then reversed following the swift recovery of economic activity and government stimulus packages. Prices returned largely to pre-pandemic levels, with iron ore and copper reaching multi-year highs prompted by increased demand in China and exacerbated by mine closures and supply cuts.

Market prices for some products within ERG's portfolio remained weak throughout the year, namely ferroalloys and thermal coal. For ferroalloys, despite the mine closures in South Africa and Zimbabwe in Q2, the supply chain remained saturated and inventories were on the higher side. Thermal coal prices suffered from lower economic activity and a drop in electricity generation amid the pandemic restrictions.

As was the case for many other companies at the start of pandemic, ERG faced uncertainty in demand for its products. In addition to the urgent measures to ensure the safety of staff and continuation of operations, a significant number of steps were taken to shore up liquidity, including but not limited to deferrals of non-critical spend, revision of capital investment programmes, renegotiation of consumables prices, and arrangement of additional facilities with banks. These measures have allowed the Group to navigate the crisis and ensure the continuity of operations.

The Metalkol RTR project in the DRC continued the production ramp-up in 2020. The construction of the Phase 2 of the plant was completed in Q2. The issues with product impurities that we faced in 2019 were largely resolved. We are continuing to enhance the operation's production processes to ensure the achievement of planned output levels. Long-term growth in global battery demand is expected to continue and Metalkol RTR will make us a major global producer of cobalt.

Frontier mine saleable production was 24.6% higher at 103.3kt copper contained in concentrate (2019: 82.9kt) in line with the mine plan as cut 3 has been developed.

Total ferroalloy production remained largely stable at 1,793kt gross output (2019: 1,811kt). The commissioning of the Furnace No.64 has not yet been completed post renovation, and the furnace continued to operate in test regime.

We kept the production of saleable iron ore concentrate and pellets largely stable at 13,114kt (2019: 13,195kt), while sales were 4.1% higher at 13,451kt (2019: 12,916kt). We were therefore able to lower our iron ore inventories brought forward from the 2019.

The production of thermal coal increased by 5%, in 2020 in order to fulfil the increase in orders from new clients.

Aluminium production during 2020 reached a historical record of 265kt (2019: 263kt). This reflected a range of continuous technological improvements (including increased amperage during electro winning) to safely take the smelter beyond its original designed capacity.

Financial

2020 market context

Ferroalloys	Ferrochrome prices decreased in Q1 2020 due to the COVID-19 outbreak, which caused shutdowns in demand regions. Prices remained relatively low for the rest of the year, as demand from stainless steel end-use markets was low due to global economic uncertainty.
Iron ore	Growing steel production in China triggered by economic stimulus and supply cuts in South America and South Africa pushed iron ore prices to above US\$170 per tonne, for the first time since 2011.
Alumina and aluminium	2020 was a challenging year for the aluminium market starting with low prices triggered by lock-downs, yet reversed owing to quick recovery. Prices reached US\$2,000 per tonne through the end of the year.
Other non-ferrous	Cobalt remained range-bound on the LME between US\$28,000 per tonne and US\$34,750 per tonne, ending 2020 1.5% lower than it started. Copper market was extremely volatile. After copper prices reached the low point of US\$4,618 per tonne, the downward price trajectory was reversed following record-breaking economic stimulus towards the levels of US\$8,000 per tonne.
Energy	2020 turned out to be another challenging year for thermal coal due to lower economic activity and a drop in electricity generation amid the pandemic restrictions.
Logistics	Decline in railway cars (gondolas) rent rates by approximately 50% compared to 2019 due to gondolas over supply in the market.

Sustainable Development

In 2020, we continued to make progress in terms of preparing our business for the future. This included implementing a range of initiatives in order to:

- Continue the transformation of our business, including through cultural transformation and a focus on continuous improvement;
- Develop our project portfolio, including through the ramp up and expansion of our Metalkol RTR cobalt and copper project, which will actively 'clean-up' legacy waste from previous operators in the DRC;
- Embed technology and efficiency across our business, including through our Digital Strategy; and
- Pursue financial resilience, including through the maintenance of appropriate liquidity and the enhancement of our Group debt portfolio.

Protecting our workforce, business and communities: A proactive and coordinated response to COVID-19

Given the unprecedented nature of the COVID-19 pandemic – as well as associated government responses – we implemented a coordinated, multi-layered response to ensure the safety of our workforce, the continuity of our business and the wellbeing of our communities. Our efforts were coordinated through our specially established Anti-Crisis Control Centre, with strategic support from our Health and Safety and Human Resources functions.

Protecting our people

Our measures during the year were focused on prevention, testing and treatment – and were informed by direct engagement with the World Health Organisation and a range of leading medical specialists.

Prevention	Testing	Treatment
• Employee awareness-raising and the provision of personal protective equipment and hand sanitisers; • Flu and pneumonia vaccinations for vulnerable employees to prevent double-infections in Kazakhstan – as well as annual flu vaccinations for employees in Brazil; • The disinfecting of our facilities and buses; • Temperature testing; • Social distancing in the workplace and the use of additional buses to safely transport employees; • Remote working and amended shift patterns to minimise human contact.	• The rollout of a PCR ⁵ diagnostic testing programme; • The rollout of an antibody testing programme in Kazakhstan; • The opening of a new ERG testing laboratory in Kazakhstan.	• The provision of free treatment for employees in Kazakhstan at our Eurasia Medical Centre (acquired in 2020); • The provision of free treatment through local clinics for employees at our operations in Africa; • The provision of free treatment for employees in Brazil through our health insurance plan; • Daily monitoring of employees with COVID-19.

⁵ Polymerase chain reaction

During the year, 2,122 employees tested positive for COVID-19 and 1,771 employees were diagnosed with pneumonia (with negative COVID-19 test). Tragically, nine of our colleagues died from health complications relating to COVID-19 (i.e. following a positive test for the virus) and 31 colleagues died from pneumonia. We send our sincere condolences to their loved ones during this difficult time.

Ensuring operational continuity

Similarly, we took a multi-layered approach to minimise any disruption to our operations – whether this resulted from our own safety measures, or as a result of broader value chain disruption.

Key actions included:

- The application of focused operational continuity plans to ensure at least three months of uninterrupted production in the event of a significant decrease in the availability of personnel – as well as emergency succession planning for key managers and operational staff;
- Special supply chain continuity measures, including planning to ensure the maintenance of adequate supplies of raw materials, goods and equipment. In addition, we analysed the potential impact of the pandemic in terms of deferred deliveries of equipment and/or contractor availability, whilst addressing any associated project implementation backlogs;
- Enhanced sales planning, including scenario analysis to better understand and manage the impact of the outbreak on our sales, contingency planning and customer engagement – as well as the identification of alternative markets.

As a result of these efforts, our operations were not materially impacted.

Maintaining our financial resilience

The pandemic had a material impact on commodity prices in the first half of 2020 – potentially increasing our financial risks. In this context, we took immediate steps to bolster our liquidity position, including through;

- Working capital management;
- Cost optimization;
- Capex optimisation – including the focusing of spending on the maintenance of our existing production targets;
- Debt refinancing and the accessing of new financing (page 34).

Despite the exceptional circumstances, our credit ratings from Moody's and Standard & Poor's remained the same – although the former changed its outlook from stable to negative in early 2020 and the latter changed its outlook from negative to stable at the end of the year.

Supporting our communities

We implemented a range of measures across our global operations to support our local communities and beyond. This included:

Kazakhstan:

- A donation of US\$10 million to support a national foundation focused on addressing the socio-economic impacts of the pandemic;
- A contribution of US\$230,000 to support the fight against the virus in Nur-Sultan.

Africa:

- Support for a Good Shepherd International Foundation initiative, which provided 10,000 reusable face masks to local communities (including the families of employees) near Metalkol RTR.

Brazil:

- A donation of US\$54,000 to our local municipalities, including for food and hygiene baskets, more than 300,000 gloves and hand sanitiser gel.

Safety

We are deeply saddened by the loss of four of our colleagues in 2020 (three employees and one contractor). We would like to express our sincere condolences to all those affected by these tragic events. Although we did see an improvement compared to prior year (2019 – 11 fatalities, 10 employees and one contractor), all loss of life is unacceptable and we are determined to eliminate fatalities across our business. Each incident was subject to a thorough investigation in order to inform appropriate prevention measures and reduce the risk of reoccurrence.

The number of lost time injuries (LTIs) has decreased to 67 in 2020 (2019: 85) resulting in a lost time injury frequency rate (LTIFR) of 0.61 (2019: 0.83)⁶.

At Metalkol RTR in the DRC, we recorded 12.3 million consecutive LTI-free hours (employees and contractors) during 2020. This strong performance reflects the effective nature of the operation's safety management systems and controls.

Community social investment

ERG's worldwide corporate social investment "CSI" contributions were US\$64.7 million (2019: US\$118 million). The decrease against prior year was due to the one-off payments for a number of national-level social investment projects in Kazakhstan in 2019.

During the year, we continued to support other national-level social investment projects. Most notably, this included a donation of US\$10 million to the certain of a national foundation in Kazakhstan aimed at minimising the socio-economic impacts of the COVID-19 outbreak as well as US\$10 million to the Foundation of the First President of the Republic of Kazakhstan – Elbasy (2019: US\$53 million), to support infrastructure development.

Furthermore, we continued to support regional development through Memoranda of Understanding with local governments in Kazakhstan. In 2020, this support amounted to US\$17.4 million (2019: US\$18.5 million).

Energy and greenhouse gas emissions

In 2020, we used 270,197 terajoules of energy globally (2019: 270,939 terajoules), with 83% of direct energy sourced from coal (2019: 82%). Insignificant decrease in our energy consumption resulted from:

- Reduced consumption of natural gas due to the capital repairs of our Akturbo Power Station in Kazakhstan;
- Reduced consumption of diesel fuel by our entities in Africa;
- Reduced consumption of indirect electricity (i.e. purchased from third parties) in Kazakhstan due to the commissioning of Eurasian Energy Corporation's (EEC's) Power Unit No. 5.

In terms of our greenhouse gas "GHG" emissions, in 2020 we saw a minor increase to 24.3 mln tonnes of CO2 equivalent (2019: 24.2 mln tonnes of CO2 equivalent) resulting from increased coal consumption at EEC's Power Station.

⁶ Employees only. This includes the reported employee fatalities.

Kazakhstan achieved its 2020 national renewable energy target by generating at least 3% of its electricity from renewable energy sources (i.e. wind, solar and small-scale hydro) and has set additional targets to generate 6% of electricity from renewables by 2025, 10% by 2030, and 50% by 2050 (including alternative energy sources such as nuclear energy).

In this context, conventional power producers – including EEC – are legally required to purchase defined amounts of renewable energy (which can significantly increase their cost base) or to establish captive renewable energy generation capacity. We are planning to establish generation capacity of between 150-180MW using wind turbines. Following strong wind monitoring results in 2019, we have transitioned two potential generation sites in the Aktobe and Pavlodar regions – one near Kazchrome's Donskoy GOK operation and one near EEC's Vostochny coal pit – to a feasibility stage.

We are also examining the potential integration of other early-stage renewable energy projects into our portfolio to further reduce our cost base and carbon footprint.

In Africa, we significantly rely on electricity generated from hydropower what means its carbon footprint is reduced.

Economic value generated and distributed

Our long-term ability to generate shareholder value is ultimately contingent on our ongoing generation of revenues, as well as the delivery of shared economic benefits to our other stakeholders.

In 2020, we distributed a total of US\$4,203⁷ million to our stakeholders, including suppliers, employees, providers of capital, governments and communities (2019: US\$4,183 million).

Beyond these immediate measures of performance, our evolving 2025 Strategy is supporting our journey towards long-term business sustainability. The Strategy integrates well-defined, Group-level goals to support each strategic priority (ranging from balanced portfolio growth to the sustainable development of our host regions), as well as planned key performance indicators to support their achievement at all levels of our business. Over time, our 2025 Strategy will play an important role in improving our performance across all areas of Sustainable Development.

Further information is available in our Sustainable Development Report 2020.

Key initiatives and events in 2020

Operating

The construction of the Phase 2 of the plant at Metalkol RTR project in the DRC was completed in Q2 2020. The issues with product impurities that we faced in 2019 were largely resolved.

The Kazakhstan Aluminium Smelter JSC has achieved a milestone of 265kt (2019: 263kt) of saleable aluminum production, representing 15kt increase over plants designed capacity.

In Q4 2020 we restarted commercial production of iron ore at Pedra de Ferro mine. Pedra de Ferro is a part BAMIN, our integrated mining and logistics project in Brazil.

⁷ This figure includes operating costs/payments to suppliers, employee wages and benefits, payments to providers of capital, payments to government and community investment spending.

Modification of major credit facilities

In Q4 2020, we reached an agreement with our major lenders VTB Bank (PJSC) and Sberbank of Russia to improve certain terms and conditions of the existing facility agreements including:

- Interest rates under VTB Bank (PJSC) and Sberbank of Russia facility agreements were substantially decreased, which had a positive impact on the cost of debt for the Group and will support the Group's liquidity profile for coming years;
- The final maturity date of the VTB Bank (PJSC) facility was extended until 2030, which improves the Group's debt repayment profile;
- The covenants package under the facilities with both lenders was improved.

We continue working on the further amendment of the credit facility agreements with Sberbank of Russia in order to extend loan maturity and improve certain commercial terms

Key financing initiatives

In June 2020, we signed an amendment to the existing loan agreement with VTB Bank (PJSC) to receive an additional tranche of up to US\$350 million and to improve certain commercial terms. Following the recent debt modification, completed in December 2020, the final maturity of this tranche was extended to 2030 and the interest rate was reduced to a rate similar to other tranches.

Also, in June 2020, the Group signed an amendment to the existing prepayment facility agreement with VTB Commodities Trading DAC, an affiliate of VTB Bank (PJSC), for additional tranches of up to US\$250 million with interest within the existing range in the Group debt portfolio, and repayable in six years.

The Group has also signed amendments to the existing credit facility agreements with Sberbank of Russia to modify the principal payment schedule by deferring certain payments to later periods within the existing maturity and to improve certain commercial terms. After amendment, completed in December 2020, the debt to Sberbank of Russia bears interest at a reduced rate starting from 31 December 2020.

This has not only improved our liquidity and enhanced our financial resilience, but will also enable us to invest in future growth.

Roll-out of the ERG Way Production system

The ERG Way Production System is one of the key tools we are using to promote a more effective working culture in Kazakhstan (where most of our assets and people are located). This supports efficiency across the product lifecycle, including through the application of the lean management principles. In 2020, the ERG Way was rolled out to SSGPO ore concentrating plant and a number of divisions of SSGPO's Kacharsky mine and Kazchrome's Aksu Ferroalloys Plant and Aktobe Ferroalloys Plant. The roll-out of the ERG Way will continue further in the next years.

Credit ratings remained robust despite challenging market conditions

In March 2020, Moody's affirmed the Group's B2 credit rating, but changed its outlook to negative from stable. The negative outlook reflected low commodity prices at the time that the decision was taken and growing risks of recession amid the COVID-19 outbreak.

In December 2020, Standard & Poor's revised the outlook from negative to stable (with no changes to the B- rating). The action was supported by favorable commodity prices and the launch of ERG's Metalkol RTR cobalt and copper project.

2025 Strategy⁸

During the year, we continued to embed our Strategy 2025 - which was approved by our Board of Managers. This integrated strategy – which is underpinned by well-defined strategic goals, Key Performance Indicators (KPIs) and implementation levers – will help us achieve our Vision of being ‘an international, sustainable, socially responsible and efficient natural resources company’.

Our strategic priorities are:

- Balanced portfolio growth;
- A happy and professional team;
- Sustainable development of our host regions;
- Efficiency in all that we do; and
- Financial stability.

Strategic priorities	Strategic goals
Balanced portfolio growth	
Steady growth and development of the asset portfolio in Kazakhstan and internationally, with a primary focus on natural resources.	• Develop existing assets in Kazakhstan; • Increase returns on the existing portfolio of international assets; • Optimise our portfolio through new natural resource opportunities and/or divestment; and • Further develop the Group's power generation business.
A happy and professional team	
Development of our employees' competencies and the maintenance of their safety and well-being.	• Deliver safe working conditions; • Improve employee wellness and health; • Deliver comfortable workplaces; • Develop strategic skills and competencies; • Improve employee benefits; • Improve ERG's employee proposition and status as an employer; • Further develop our corporate culture; and • Develop our talent pool and leadership pipeline.

⁸ Please note that we reviewed our 2025 Strategy involving top tier strategy consultants and confirmed that priorities that we had set are valid and Group is committed to perform towards fulfilment of these goals.

Sustainable development of our host regions	
Contribution to the socio-economic development and well-being of communities in our regions of operation.	• Improve the well-being and prosperity of communities in our regions of operation; • Maintain international environmental standards – including those relating to water, air and soil – to support local well-being in our regions of operation; and • Support entrepreneurship and the development of the business environment in our host countries.
Efficiency in all that we do	
A strong focus on pursuing efficiency at Group and asset level.	• Reduce unit costs by eliminating bottlenecks and improving productivity; • Improve organisational effectiveness; • Improve sales effectiveness; and • Develop a culture of continuous improvement supported by relevant tools and mechanisms.
Financial stability	
The maintenance of financial sustainability, whilst delivering decent shareholder returns.	• Maintain a decent level of dividend yield for shareholders; • Maintain high returns on invested capital; • Achieve and maintain acceptable leverage; and • Maintain high levels of liquidity to support resilience in the face of changing market conditions.

Divisional review

ERG is a leading diversified natural resources producer and operates through six Divisions supported by a central sales and marketing department.

Ferroalloys Division

We produce and sell ferroalloys for use as alloying products by third-party steel producers. Our key markets include China, Japan, Europe, the US, South Korea and Russia.

ERG is the world leader in high-carbon ferrochrome production by chrome content – with the lowest unit cost of production. The Ferroalloys Division is vertically integrated, using its own chrome and manganese ore mines to feed its ferroalloy production plants. Furthermore, the Division benefits from its own gas-fired power plant at Aktobe, competitively priced power supplied by our Energy Division (page 29) and transportation services supplied by our Logistics Division (page 31).

2020 highlights

- +0.9% net saleable ferroalloy production (1,653kt – compared to 1,639kt in 2019). Reported figures do not include the volumes of furnace No. 64 which were capitalized as a part of the renovation costs.
- Commissioning of furnace No. 64 in workshop No.6 was postponed and is now planned for the first half of 2021.

Market context in 2020

- In Q1 2020, the COVID-19 outbreak, that stroke the market caused shutdowns in both supply and demand regions. However, from the very beginning, demand was stronger affected as China, the main Ferrochrome consuming market, announced lockdown in several industrial regions and European countries implemented restrictions. This in line with accumulated stocks in the whole chrome ore and ferrochrome value chain pushed ferrochrome prices downwards.
- In Q2 2020, since South Africa, India and Zimbabwe are among the main chrome ore producing countries announced complete lockdown that drew away around 70% of chrome supply for about two months. This led to a slight increase in prices for ferrochrome.
- In late Q2-Q3 2020, lockdown measures across chrome ore producing countries were relaxed and miners started to recover operations quickly. However, although lockdown measures were eased in ferrochrome consuming regions there was no growth of demand from stainless steel end-use markets due to uncertainty in the global economic perspectives. This pushed ferrochrome prices downwards.
- In late 2020, economic support measures started affecting global industrial production. However even in China, with the fastest V-shaped recovery of industrial production across all other markets total cars production decreased by 1.7%, and amount of new floor space completed dropped by 10.9%. This, in line with remaining stocks of chrome ore resulted in a sluggish recovery of prices for ferrochrome.
- By the end of 2020 stainless steel output in China increased by approximately 4% in 2020 year-on-year, compared to approximately 8% decline in the rest of the world.
- Overall, in 2020 TISCO tender price for ferrochrome in China dropped by approximately 11% lower comparing with 2019 levels (0.67 US\$/lb Cr in 2020 from 0.75 US\$/lb Cr in 2019).

Key Facts		2020	2019	% change
Third-party Sales Volumes				
High-carbon ferrochrome	'000t	1,480	1,481	(0.1)%
Medium-carbon ferrochrome	'000t	15	14	7.1%
Low-carbon ferrochrome	'000t	37	49	(24.5)%
Ferrosilicochrome	'000t	32	38	(15.8)%
Ferrosilicomanganese	'000t	65	74	(12.2)%
Ferrosilicon	'000t	37	27	37.0%
Total Ferroalloys	'000t	1,666	1,683	(1.0)%
Chrome ore	'000t	–	501	(100.0)%
Production				
Chrome ore	'000t	3,692	4,571	(19.2)%
Manganese ore concentrate	'000t	154	165	(6.7)%
Ferroalloys total gross	'000t	1,793	1,811	(1.0)%
Ferroalloys total net	'000t	1,653	1,639	0.9%
High-carbon ferrochrome gross	'000t	1,546	1,557	(0.7)%
High-carbon ferrochrome net	'000t	1,454	1,445	0.6%

Results

In millions of US\$	2020	2019	% change
Revenue	1,623	1,847	(12.1)%
Underlying EBITDA	662	729	(9.2)%

Performance in 2020

The Ferroalloys Division contributed US\$662 million or 32.7% to the Group's Underlying EBITDA (2019: US\$729 million or 47.4%). The decrease in EBITDA reflected the weak price environment for ferroalloys on the back of sluggish stainless steel demand in the year and higher global inventories, amongst other factors.

Sales volumes were marginally lower at 1,665kt compared to 1,683kt in 2019. The reported figures exclude the volumes of 46kt (2019: 13kt) produced at furnace No.64 that were capitalised as a part of the renovation costs. Output from furnace No.64 will not form part of reported production volumes until the furnace is commissioned (46kt – compared to 13kt in 2019).

Lower revenues were offset by economies achieved on consumables, reflecting both lower purchase prices as well as improvements in operational efficiency, such as consumptions norms for graphite electrodes and reductants.

Commissioning of furnace No. 64 in workshop No.6 was postponed and is now planned for the first half of 2021.

Capital expenditure

Ferroalloys divisions' capital expenditure in 2020 achieved US\$189 million (2019: US\$241 million), this reflects optimisation measures to increase Group liquidity during COVID-19 pandemic.

The key project for the Division is the development of the DNK mine (part of Donskoy GOK). It will increase the mine's ore extraction, which will ensure sufficient future supplies for the production of ferroalloys.

In 2020, emphasis was placed on projects aimed at increasing the production of chromium concentrate (starting from 2022):

- contracts were signed for the supply of main process equipment for US\$10.4 million for the project of slime processing of Donskoy GOK tailing dumps (+700 ktpa of concentrate);
- contracts were signed for the design and supply of equipment for projects on enrichment of jigging tailings in heavy media and modification of the thickening unit at the plant (+140 ktpa of concentrate).

In 2020, the development of small deposits of Kazchrome began actively. The stripping of «Geologicheskoye-1» deposit started with 714 kt of reserves. «Yuzhny» deposit mining and tunnelling has started - it is planned to extract 370 kt of ore. Work is underway to study the reserves of the «Geofizicheskoe VII» deposit.

Work continued to bring furnace No.64, which was commissioned in 2019, to its design capacity. Investment in the renovation of furnace No.64 reached US\$89 million. In 2020, 45.8 kt of ferrochrome were smelted in the new furnace.

In 2020, the Group continued to implement a programme to increase productivity of workshop No.4 of the Aktobe Ferroalloys Plant, which enabled us to reach a record volume of ferroalloy production - 380 kt (in 2019 - 350 kt).

Within the programme to extend the operations of smelting shop No.1 of the Aktobe Ferroalloys Plant, a major overhaul of the furnace No.14 was carried out in 2020, and there are plans to modernise all the furnaces of the shop before 2024. This will reduce the risk of accidents and replace obsolete equipment.

Planning for 2021 and beyond

Kazchrome is implementing or considering implementation of a number of projects to increase production and optimise costs:

- With regards to mining, this includes building the capacity of the ShDNK-2 mine and increasing the capacity of the ShDNK-1 mine, the development of additional adjacent deposits, including a significant Geophysicheskoe-7 deposit, exploration of C2 reserves of Perfomayskoe deposit, additional exploration to find new chrome and manganese ore deposits, and the development of legacy chromium-bearing overburden dumps, as well as the recycling of manganese dumps.
- In terms of beneficiation, this includes the recycling of slimes from Donskoy GOK's tailing dumps to produce additional volumes of chrome concentrate (including additional flotation circuit to maximize recovery), to increase the overall recovery of beneficiation and the capacity of fines beneficiation (OMK).
- With respect to metallurgy, Kazchrome will complete the production ramp-up at Aktobe Ferroalloys Plant Workshop No.4 to achieve its design capacity of 440 ktpa. Focus will also be placed on the further processing of slag materials to produce additional volumes of metal concentrate and construction materials. In addition, Kazchrome will perform a number of projects aimed at increasing production and decreasing costs, including the casting of ferroalloys into casting boxes, the installation of new jiggings and the sheltering of existing jiggings, reductions in the output of fines, the agglomeration of fines, building separate furnace for metal concentrate smelting, achieving increased time between (and improved efficiency of) furnace repairs, using less expensive and / or more efficient reductants and anode paste and a few other projects.

Iron Ore Division

The Iron Ore Division consists of producing assets in Kazakhstan, as well as exploration and development assets in Brazil. We are a major exporter of iron ore products (including concentrate and pellets) from Kazakhstan. Key customers include steel producers in Russia, China and Kazakhstan.

2020 highlights

- +6.7% concentrate sold (8,354kt – compared to 7,828kt in 2019).
- +0.2% pellets sold (5,097kt – compared to 5,088kt in 2019).
- +7.0% saleable concentrate production (8,366kt – compared to 7,816kt in 2019) increase driven by demand.
- -11.7% pellet production (4,748kt – compared to 5,379kt in 2019) due to higher stocks at the start of the year and pandemic driven changes in customer mix.
- +95.7% increase in sales of iron ore to customers in China (4.5mt – compared to 2.3mt in 2019) to offset pandemic-driven declines in deliveries to clients in Russia and Kazakhstan.
- Restart of commercial production of iron ore at Pedra de Ferro mine in Brazil.

Market context in 2020

- After a start at around US\$90 per tonne, iron ore prices saw an astonishing 2020 and almost doubled towards the year-end.
- Supply cuts in South America and South Africa on the back of the fight against COVID-19, coupled with a prompt post-COVID-19 recovery in China over Q2-Q3 2020, pushed iron ore prices above US\$120 per tonne over the summer.
- Moreover, China's economic stimulus had a prolonged effect on construction activity and industrial production. The country's 2020 crude steel output exceeded 1 billion tonnes, while 5.2% year-on-year growth significantly surpassed initial market forecasts of ~1-2% year-on-year growth.
- Stronger-than-expected steel production in China, persisting operational issues in South Brazil and reduced production plans for 2021 sent iron ore prices above US\$170 per tonne towards the end of 2020, for the first time since 2011.
- Overall, iron ore prices averaged US\$109 per tonne during the year, 17% above 2019 prices.

Key Facts		2020	2019	% change
Third-party Sales Volumes				
Iron ore concentrate	'000t	8,354	7,828	6.7%
Iron ore pellets	'000t	5,097	5,088	0.2%
Production				
Iron ore mined	'000t	30,864	31,520	(2.1)%
Iron ore primary concentrate	'000t	13,701	13,767	(0.5)%
Iron ore concentrate	'000t	8,366	7,816	7.0%
Iron ore pellets	'000t	4,748	5,379	(11.7)%

Results

In millions of US\$	2020	2019	% change
Revenue	1,252	1,077	16.2%
Underlying EBITDA	433	391	10.7%

Performance in 2020

The Iron Ore Division contributed US\$433 million or 21.4% to the Group's Underlying EBITDA (2019: US\$391 million or 25.4%). The Group hedged a large proportion of its exposure to iron ore prices in 2020. Higher 2020 revenue on the back of higher prices was to large extent offset by US\$164 million realized results on our iron ore hedges (2019: US\$36 million). The loss is booked in operating expenses.

Higher prices were driven by a combination of supply cuts in South America due to COVID-19-related measures and the swift post-COVID-19 recovery of steel production in China.

Sales volumes of iron ore pellets exceeded production volumes due to changes in customer mix driven by the pandemic and de-stocking of inventories at the start of the year.

Capital expenditure

Iron ore divisions' capital expenditure in 2020 achieved US\$99 million (2019: US\$139 million), this reflects optimisation measures to increase Group liquidity during COVID-19 pandemic.

Investments were focused on maintaining existing production levels at our iron ore assets in Kazakhstan. In 2020, the results of modelling the Kachar open pit were obtained and the resource base was evaluated according to the JORC. The reconstruction of the Kachar open pit will increase the production capacity to 26 million tonnes of ore per year (an increase of 50% compared to 2020).

In 2020, BAMIN achieved many significant milestones including the successful extension of the Port Installation License (LI) for a further 6 years and at the end of the year, the launch of small-scale operations with sales to domestic customers and the potential to export. Additional development marked the announcement of FIOL railway concession for H1 2021. Over the course of the year, BAMIN continued to discuss the project and its components with potential investors to unlock value for ERG, potential partners and the whole region.

Planning for 2021 and beyond

While prices are likely to correct downwards over 2021 as overall seaborne supply is expected to increase against 2020, multiple upside risks, including higher-than-expected steel output in China and further delays in recovery of Brazilian supply, may keep iron ore prices elevated for longer.

SSGPO, which represents all of ERG's iron ore assets in Kazakhstan, is planning to progress a number of major projects to improve its cost position and ensure further growth of production volumes and long-term sustainable development. The projects in the most mature stage include:

- Accelerated development of the Kachar open pit, which is expected to become one of SSGPO's key sources of iron ore. In combination with a major programme of mining fleet renovation and upgrade, this project will make a major contribution to the reduction of SSGPO operating costs and sustaining capital expenses.
- Execution of a sophisticated multi pit optimisation programme for all the other SSGPO mines, covering optimisation of the mining plans and blending strategy.
- Assessment of renovation options for SSGPO ore concentrating and pellet production plants. The corresponding programme will contribute to the reduction of sustaining CAPEX, while securing stable production volumes and product quality.

In addition, SSGPO will continue to evaluate a pipeline of further development opportunities, including those focused on improving concentrate and pellet quality, potential entry into new product segments, improvement of mining equipment utilisation and related costs, reduction of internal rail transportation costs and further extension of Industry 4.0 technologies usage across the value chain. SSGPO will also be making further investments aimed at the continued improvement of HSE aspects.

Alumina and Aluminium Division

Our Division is the only producer of alumina and aluminium in Kazakhstan. We sell alumina to third-party aluminium producers and use it to produce our own aluminium.

The majority of the aluminium produced was sold to customers in Europe and the CIS.

2020 highlights

- -0.7% Alumina production (1,383kt – compared to 1,393kt in 2019) at Aluminium of Kazakhstan. These lower volumes were due to an increase of work in progress stock levels at Pavlodar Aluminum Plant (PAP) required to enhance the production process.
- +0.8% Aluminium production (265kt – compared to 263kt in 2019) at Kazakhstan Aluminium Smelter. This reflected a range of continuous technological improvements (including increased amperage during electro winning) to safely take the smelter beyond its original designed capacity.
- The electric filters No.1 and No.2 of the sintering furnace No.1 were put into trial operation at Aluminium of Kazakhstan, which are expected to reduce the amount of dust emissions into the atmosphere.

Market context in 2020

- 2020 became a challenging year for the global aluminium market; our estimates suggest a 2.7 million tonnes surplus – the second largest annual surplus since the global financial crisis.
- The LME aluminium price plunged below US\$1,500 per tonne in the first half of 2020 after the introduction of strict lockdowns around the world, which led to suspensions of transportation plants and construction facilities. This led to a 2.8% year-on-year drop in global aluminium consumption.
- However, the LME price soared above US\$2,000 per tonne in the second half of 2020 as robust demand in China, where the pandemic was quickly brought under control, consumed domestic stocks and made the country a net aluminium importer for the first time since 2009.
- 2020 also accelerated the global drive towards decarbonisation. This development benefits the aluminium consumption outlook through expansion of electricity grids, production of frames for solar panels, and a transition towards electric vehicles (which are more aluminium intensive than traditional vehicles with internal combustion engines) and eco-friendly aluminium packaging.
- Alumina prices also fell to the lowest level since 2016 in the first half of 2020, on the back of the collapse of aluminium prices and input costs.
- Nevertheless, while aluminium prices rallied in the second half of 2020, the Australian FOB alumina price remained largely stagnant, trading in a narrow range of US\$265-305 per tonne, although with a tilt to the upside thanks to the improving demand from China, rising aluminium prices and input costs as well as production disruptions in China and at the Alunorte refinery in Brazil.

Key Facts		2020	2019	% change
Third-party Sales Volumes				
Alumina	'000t	836	875	(4.5)%
Aluminium	'000t	258	279	(7.5)%
Production				
Bauxite mined	'000t	4,058	4,118	(1.5)%
Alumina produced	'000t	1,383	1,393	(0.7)%
Aluminium produced	'000t	265	263	0.8%

Results

In millions of US\$	2020	2019	% change
Revenue	756	846	(10.6)%
Underlying EBITDA	248	250	(0.8)%

Performance in 2020

The Division contributed US\$248 million or 12.3% to the Group's Underlying EBITDA (2019: US\$250 million or 16.3%).

The decrease in revenue by US\$90 million (2019: US\$846 million) was driven by lower prices as well as lower sales volumes for aluminum & alumina.

Lower prices were booked in the first half of the year reflecting oversupply and demand cuts caused by the pandemic. Price declines were reversed in the second half of the year with positive momentum continuing as the year ended, however, average prices for the year were lower than in 2019.

Alumina sales volumes were affected by lower production of finished product due to an increase of the work in progress levels in the production circuit. Shipments were also affected by challenges at the end of the year caused by pandemic related logistical bottlenecks.

Aluminum production remained strong and another milestone of 265kt (2019: 263kt) of saleable aluminum has been achieved by Kazakhstan Aluminum Smelter. The sales volumes were 258kt or 7.5% lower (2019: 279kt), partly reflecting the timing difference caused by the change in delivery terms in 2019 and as a result lower stocks at the start of 2020.

Lower revenue was fully offset by lower operating costs on the back of cost optimization initiatives and deferral of non-critical spend.

Capital expenditure

Alumina divisions' capital expenditure in 2020 achieved US\$90 million (2019: US\$89).

In 2020, Aluminium of Kazakhstan commissioned a group of open pits No.9 at the Ayatsky site and the open pit No.17 at the Krasnogorsky site, which will ensure the development of up to 1 mtpa and 300 ktpa, respectively.

In addition, the Division invested in the development of open pits VAM-4 and KBR-4 to ensure the development of 11.5 million tonnes and 24 million tonnes of alumina, respectively.

In 2020, the project "Reconstruction of TPP ash dump at PAP" was put into operation, which increased the capacity of the dump for storing TPP's ash and slag waste.

The electric filters No.1 and No.2 of the sintering furnace No.1 were put into trial operation, which will reduce dust emissions into the atmosphere.

Planning for 2021 and beyond

While our forecast assumes the price of aluminium will continue rising throughout 2021, supported by the global economic recovery, we expect a temporary downward correction in the first half of 2021 as Chinese supply will outpace demand, leading to inventory build-ups and China's return to a net exporter status.

We expect the Australian FOB alumina price in 2021 to stay at a discount to China's domestic index in order to drive exports. Overall, we anticipate alumina prices to remain under pressure during the year as production ramps up and global market returns to an oversupply in 2021.

Aluminium of Kazakhstan will implement several projects to ensure a stable and sustainable development:

- With respect to mining, Aluminium of Kazakhstan is planning to develop the new VAM-2 mine, which will ensure a stable flow of bauxite ore until 2024.
- In terms of beneficiation, Aluminium of Kazakhstan is planning to complete the research of beneficiation methods, which include kaolinite washing and iron sands removal.
- With respect to metallurgy, Aluminium of Kazakhstan will continue its efforts to remove its bottleneck at the red mud washing and filtration unit.
- With respect to the environment, Aluminium of Kazakhstan will continue to realise its ecological strategy, considerably decreasing rates of pollution at its sintering unit and power plant.

Other Non-ferrous Division

Our Other Non-ferrous Division is primarily focused on the DRC, where we mine and produce copper cathode/sulphide concentrate and cobalt hydroxide.

We also own the Chambishi copper and cobalt refinery in Zambia that is currently placed on care and maintenance. In addition, we have a number of exploration and development assets – primarily in the DRC, Mozambique, South Africa, Mali and Zimbabwe.

2020 highlights

- Continuing the ramp-up of Metalkol. Year-on-year production increase: +28kt of copper cathode (+54%) and +9.9kt (+146%) cobalt contained in hydroxide.
- The construction of Phase 2 of our Metalkol RTR project in the DRC completed.
- +24.6% copper contained in concentrate produced at Frontier mine (103.3kt – compared to 82.9kt in 2019).

Market context in 2020

- 2020 proved to be a hugely volatile year for the copper market, with prices moving in a range of almost US\$3,500 per tonne – more than three times the volatility of 2019. Overall, copper gained 26.0% through the course of 2020, reaching price levels not seen since 2013.
- The year started well for copper, supported by thawing trade relations between the US and China, which pushed prices towards 2019 highs by mid-January.
- However, the price strength was cut short by the spread of the COVID-19 in China, which quickly escalated to a global pandemic. By late March, copper had fallen to a 3.5-year low of US\$4,618 per tonne.
- However, the downward price trajectory was swiftly reversed by a swathe of mine disruptions, record-breaking economic stimulus packages and China's rapid economic recovery. By early July, prices had recovered to pre-COVID-19 levels and continued to rally thereafter, buoyed by speculative demand from the stimulus-driven green energy boom. At the end of 2020, the drivers of price increase were the election of Biden administration, focused on fighting climate change and progress in the development of vaccines against COVID-19, which brought copper to the US\$8,000 per tonne mark.
- Cobalt, meanwhile, remained range-bound on the LME between US\$28,000 per tonne and US\$34,750 per tonne, ending 2020 at 1.5% lower than it started, with the average 2020 price down 6.0% year-on-year from US\$33,314 per tonne in 2019 to US\$31,419 per tonne in 2020.
- After benefitting from an initial price rally in January and early February, increased uncertainty around the COVID-19 outbreak led to a sharp drop in demand and prices. This price decline continued until late July, despite numerous mine shutdowns.
- Cobalt performed better in the second half of the year, supported by a combination of green stimulus packages in China, Europe and other parts of the world. Electric vehicle subsidies, in particular, were increased and extended in all principal markets, leading to robust sales of more than 3.2 million full electric and plug-in hybrid vehicles in 2020, compared to 2.3 million units in 2019.
- Furthermore, the Chinese government committed to strategic cobalt metal purchases in September and December, providing additional impetus to the positive price trend.

Key Facts		2020	2019	% change
Third-party Sales Volumes				
Copper metal	'000t	81.1	61.2	32.5%
Copper concentrate (Frontier)	'000t	104.4	81.1	28.7%
Cobalt metal	'000t	1.2	0.5	140.0%
Cobalt hydroxide	'000t	17.0	0.9	1788.9%

Key Facts (continued)		2020	2019	% change
Production				
Saleable copper metal	'000t	80.3	58.6	37.0%
Saleable copper concentrate (Frontier)	'000t	103.3	82.9	24.6%
Cobalt metal	'000t	0.1	1.5	(93.3)%
Saleable cobalt hydroxide	'000t	16.5	6.7	146.3%

Results

In millions of US\$		2020	2019	% change
Revenue		1,494	778	92.0%
Underlying EBITDA		584	(64)	(1012.5)%

Performance in 2020

The Division contributed US\$584 million or 28.9% to the Group's Underlying EBITDA (2019: -US\$64 million). Revenue in 2020 increased to US\$1,494 million (2019: US\$778 million) driven by higher output of Metalkol and Frontier, as well as copper prices rallying in the second half of 2020. Metalkol increased production during 2020 to 80.3kt of copper cathode (2019: 58.6kt) and saleable hydroxide 16.5kt (2019: 6.7kt) as part of the operations ramp-up. Phase 2 of construction of the plant was completed in Q2 2020.

2019 Saleable copper metal production figures include 6.5kt of the residual volumes produced at Boss and Chambishi prior to putting Boss in care and maintenance and halting of copper circuit at Chambishi.

Frontier has posted strong results and achieved the production 103.3kt of copper contained in concentrate (2019: 82.9kt). Cobalt metal production was completed in Q1 2020 and Chambishi was put in care and maintenance. Operating costs have increased only marginally, reflecting the productivity improvements in Metalkol. Thus, most of the revenue uplift has flowed through to EBITDA, making 2020 a very positive year for Other Non-ferrous division.

Capital expenditure

Other non-ferrous divisions' capital expenditure in 2020 achieved US\$69 million (2019: US\$194), this reflects optimisation measures to increase Group liquidity during COVID-19 pandemic.

In 2020, the Group continued to invest in the extension of Frontier Mine's life of mine. This includes the Cut 3 project, which is focused on stripping up to 29 million cubic metres of overburden – in order to push back the pit boundaries and expose more than 45mt of economically recoverable ore. The project will extend the mine's life by up to four years, supporting an average production of 80ktpa of copper contained in concentrate between 2020 and 2024. Furthermore, it will potentially lay the ground for a subsequent Cut 4 project.

Planning for 2021 and beyond

The key focus for the Other Non-ferrous division is to complete the full commissioning of Metalkol project to full capacity, which will dramatically improve the divisional financial performance, and make ERG one of the market leaders in the prospective cobalt market. We also work on the cobalt traceability solution to ensure that final customers receive ethically mined cobalt, which can be traced back to Metalkol operations. The Group continues to evaluate the investment decision to extend the life of mine for the Frontier operations by implementing Cut 4 project.

In parallel, we continue to look for the new opportunities and potential technological improvements to restart Boss and Chambishi assets, and develop some of the other mining licenses the Group currently possesses.

Energy Division

The Energy Division is one of the largest electricity generators in Kazakhstan, producing 14% of electricity in the country in 2020. It sells the majority of the electricity it produces (approximately 87%) to our other entities and the rest to third parties. The Division is also a major coal and semi-coke producer. The coal is used by the Division to generate electricity and is sold both to our other entities and to third parties. Our Shubarkol Komir Original brand of coal is recognised as one of the best in the region, due to its low ash, high calorie characteristics.

2020 highlights

- 11.5 million cubic meters of stripping using the conveyor belt process at Vostochny pit.
- +5.0% coal production (28,871kt – compared to 27,503kt in 2019).
- +2.3% electricity production (14,793 GWh – compared to 14,460 GWh in 2019).

Market context in 2020

- 2020 turned out to be another challenging year for thermal coal due to lower economic activity and a drop in electricity generation amid the pandemic restrictions. For example, coal burn in the six largest European coal-consuming countries (Germany, France, the UK, Spain, Poland and the Netherlands) is estimated to have plunged by 33% year-on-year in 2020.
- The average European CIF ARA benchmark price declined by 16% year-on-year to US\$51 per tonne.
- The FOB Newcastle Australian benchmark (6,000kcal) on the Asian market also dropped by 23% year-on-year to US\$60 per tonne.
- The International Energy Agency expects global thermal coal trade to fall 10% year-on-year in 2020 to 983 million tonnes. Thermal coal imports are anticipated to decline by 9% year-on-year (the largest drop of 31 million tonnes seen in India), while exports are estimated to drop by 10% (mostly on account of lower volumes from Indonesia, Colombia, the US and Australia).
- China was one of the few markets, which demonstrated higher coal demand in 2020 due to the quick post-pandemic economic recovery: the country's thermal power generation increased by 1.2% year-on-year in 2020, while overall Chinese coal imports were up 1.5% year-on-year. Similarly, Turkish coal-fired generation reached an all-time high last year rising by 3% year-on-year resulting in higher thermal coal imports.

Key Facts		2020	2019*	% change
Third-party Sales Volumes				
Coal Eurasian Energy Corporation JSC	'000t	4,973	4,195	18.5%
Coal Shubarkol Komir JSC	'000t	10,118	9,843	2.8%
Semi-coke	'000t	25.2	26.7	(5.6)%
Electricity	GWh	1,838	1,892	(2.9)%
Consumption				
Coal consumed in the production of electricity	'000t	8,333	8,299	0.4%
Electricity produced and consumed for own use	GWh	1,053	1,046	0.7%
Production				
Coal Eurasian Energy Corporation JSC	'000t	17,407	16,172	7.6%
Coal Shubarkol Komir JSC	'000t	11,464	11,331	1.2%
Semi-coke	'000t	212.5	209.2	1.6%
Electricity	GWh	14,793	14,460	2.3%

* Restated to reflect prior year correction, due to change in methodology of calculation.

Results

In millions of US\$	2020	2019	% change
Revenue	510	588	(13.3)%
Underlying EBITDA	172	251	(31.5)%

Performance in 2020

The Energy division contributed US\$172 million or 8.5% of Group EBITDA (2019: US\$251 million). Revenue decreased by US\$78 million from US\$588 million in 2019 to US\$510 million in 2020 reflecting significantly lower prices on thermal coal caused by pandemic restrictions and lower post pandemic economic recovery in Europe, Australia and Asian markets. The negative price impact was partly compensated by higher coal output in order to fulfil the increase in orders from new clients.

Capital expenditure

Energy divisions' capital expenditure in 2020 achieved US\$99 million (2019: US\$118), this reflects optimisation measures to increase Group liquidity during COVID-19 pandemic.

Power Unit No.5, which has been operating since 1973, was reconstructed and put into operation in 2020. In Q1 2020, Power Unit No.5 reached its design capacity. During 2020, work continued on making a decision on the partial reconstruction of Power Units No.7 or No.8 to provide the generating capacities required for our existing production needs, as well as new projects for the Group's development.

In 2020, the designing of a new plant to produce special coke with a capacity of 400ktpa started in order to meet the internal needs of the Group and third party sales from 2024.

Planning for 2021 and beyond

We plan to:

- Balance intragroup electricity consumption and production via maintaining and rehabilitating existing power units at the Aksu Power Plant, Group's CHPPs and building own renewable capacities. Group completed wind measurement study at two sites and now started design of 150 MW wind park which will replace part of Group's obligations of buying renewable energy from other Kazakhstan renewable energy producers;
- Further increase conveyor belt capacity at Vostochny pit to reduce costs of stripping transportation.
- Pursue increased semi-coke production with improved quality at Shubarkol Komir to decrease reductant costs for Group ferroalloys production and increase sales to external clients.
- Develop Shubarkol packed coal project in both Kazakhstan and Europe markets.
- Further improve operational efficiency of key mining equipment at both Vostochny pit and Shubarkol Komir; and
- Optimise our portfolio, including through investments that will help the Group support and benefit from the transition towards a global 'Green Economy': Limit the projected life of coal based power generating assets; Research optimal ways of transitioning to net-zero economy and taking expected cross-border carbon regulations into account when taking investment decisions.

Logistics Division

Our Logistics Division provides transportation and logistics services to the Group's principal operating divisions in Kazakhstan, as well as to third parties.

2020 highlights

- The growth in shipment volumes of iron ore to China by 95.7% from 2.3mt in 2019 to 4.5mt in 2020.
- Sharp decline of railway cars (gondolas) rent rates by approximately 50% compared to 2019 due to gondola oversupply in the market

Key Facts		2020	2019	% change
Transportation				
Total tonnage transported by rail	'000t	53,076	53,836	(1.4)%
Sales Volumes				
Third party freight forwarding	'000t	12,371	14,625	(15.4)%

Results

In millions of US\$	2020	2019	% change
Revenue	121	146	(17.1)%
Underlying EBITDA	44	61	(27.9)%

Performance in 2020

The Logistics Division contributed US\$44 million or 2.2% to the Group's Underlying EBITDA (2019: US\$61 million). Revenue decreased by US\$25 million to US\$121 million (2019: US\$146 million) driven by lower rent rates for railway cars across the CIS, due to oversupply of gondolas in the market and market decline driven by pandemic. EBITDA decreased by US\$17 million or 27.9% as a result.

While our total tonnage remained largely unchanged, our third party freight forwarding volumes were 15.4% lower than in 2019 as we switched capacity to the Group's Iron Ore shipments to China.

Capital expenditure

During 2020, US\$8.4 million CAPEX was spent to improve the competitive transportation services for other Group divisions. The expenditure included leasing open wagons and repairing equipment.

Planning for 2021 and beyond

The priority of the Division is to provide our other entities with transportation and logistics services. The Division expects a potential increase in the required number of railway cars due to growing shipment volumes to China and intends to provide additional required quantity from outsourcing.

Financial review

Key 2020 highlights

- +9.9% revenue (US\$5,356 million – compared to US\$4,872 million in 2019).
- -34.2% capex (US\$572 million – compared to US\$869 million in 2019).
- B- (Stable) and B2 (Negative) credit ratings from Standard & Poor's and Moody's respectively (compared to B-/B (Negative) and B2 (Stable) in 2019).

COVID-19 has spread internationally, contributing to a sharp decline in global financial markets and a significant decrease in global economic activity.

The Group established a crisis management office, which developed a comprehensive set of measures to mitigate risks linked to COVID-19, whilst optimising the Group's liquidity and financial performance. Our anti-crisis plan with a key focus on personnel protection, sales support, supply chain optimization, production stability, project management, liquidity management was aimed at minimising the negative impact on the Group's operations and financial position.

Volatility in foreign exchange markets resulted in the recognition of a US\$287 million net foreign exchange loss in the consolidated income statement and a US\$399 million currency translation difference expense in the consolidated comprehensive income statement for 2020.

Group performance

Underlying EBITDA and cost of sales

Underlying EBITDA increased by 31.5% to US\$2,023 million (2019: US\$1,538 million). This was driven by 9.9% increase in Group revenue to US\$5,356 million (2019: US\$4,872 million), driven primarily by higher output at our Other Non-ferrous division, namely Metalkol RTR and Frontier operations, and higher iron ore prices (although these iron ore price gains were offset by hedging losses). The gains were partly offset by weaker market prices for ferroalloys on the back of oversupply coupled with lower demand, and for thermal coal driven by lower industrial global use of coal for electricity generation.

Net realised losses from the Group's hedging programme were US\$142 million higher (2020: US\$152 million, 2019: US\$10 million). Most of this increase, or US\$128 million, is attributed to our iron ore hedges (2020: US\$164 million, 2019: US\$36 million). The realised losses on hedges are booked in operating expenses.

Excluding the effect of the hedging program, operating expenses were US\$141 million lower due to tenge exchange rate devaluation, business optimisation activities, deferrals of non-critical spend due to pandemic and lower prices on consumables. Our 2020 EBITDA increased by US\$485 million, or 31.5%, to US\$2,023 million (2019: US\$1,538 million).

Capital expenditure

In 2020, our payments for capital expenditure were US\$572 million (2019: US\$869 million). Lower spend reflects the decision to postpone non-critical projects to future periods as part of the programme of measures to shore up Group liquidity over the pandemic and partly due to the completion of the Metalkol RTR Phase 1 project construction in 2019.

The focus of the investment programme was on sustaining capital investments to maintain our production volumes and reduce future costs at our existing assets.

Key examples included:

- Development of ShDNK-2 mine at Donskoy GOK;
- Further enrichment of slime tailings and production of sellable concentrate at Donskoy GOK;
- Projects to improve the productivity of workshop No. 4 of Aktobe Ferroalloys Plant;
- Reconstruction of Kachar open pit at SSGPO;
- Development of open pits No.9 at Ayatskiy deposit, No.17 Krasnogorskiy site, VAM-4, KBR-4 site at Aluminium of Kazakhstan.

Dividends

No dividend was declared in 2020.

Cash flow

Net cash generated from operating activities

We generated US\$905 million in net cash from our operating activities (2019: US\$561 million). This 61.3% increase was driven by (amongst other factors):

- Higher EBITDA on the back of Metalkol RTR ramp-up and increase of production at Frontier;
- Ability to keep the costs at the same level through optimisation, cost deferrals and favorable impact of tenge depreciation on the cost base;
- Agreements to postpone to 2021 the interest payments on selected facilities as part of programme of measures to shore up liquidity following the COVID-19 outbreak.

Net cash used for investing activities

We used a net total of US\$573 million in cash for investing activities (2019: US\$833 million) – most of which was focused on capital expenditure (page 32). In 2020, we focused capital expenditure on the completion of a number of in-progress projects and sustaining capital investments to maintain our production capacity. The reduction in investment activity was due to the completion of Metalkol RTR Phase 1 and postponement of several non-critical projects to subsequent periods as a measure to improve liquidity during a turbulent year.

Net cash generated from for financing activities

In 2020, net cash outflow from financing activities was US\$136 million, compared to a net cash inflow of US\$12 million in 2019. The amount drawn from credit facilities totalled US\$320 million. Proceeds from new borrowings were used to support our operations in Ferroalloys division and Aluminium division.

The net repayments of the borrowings totalled US\$113 million (2019: net proceeds of US\$71 million). The group incurred fees of US\$12 million (2019: US\$20 million) for arrangement of new facilities and restructuring of existing facilities with VTB Bank (PJSC) and Sberbank of Russia.

In addition, the Group incurred outflows related to:

- Buyout of non-controlling interests in EEC of US\$8 million;
- Dividends to non-controlling interests US\$3 million (2019: US\$6 million).

Tax

The Group's income tax expense for 2020 was US\$268 million (2019: US\$213 million), with an effective tax rate of 75.3% (2019: 75.3%). The Group's effective tax rate is higher than income tax rate of 20% applicable in the Republic of Kazakhstan, where the majority of the Group's operations are located. This largely reflected the negative impact of tax losses in Africa and Europe for which no deferred tax is recognised.

Key events in 2020

Debt modification

In March 2020, we reached an agreement with VTB Bank (PJSC) to defer certain interest payments. In accordance with the new terms, interest under one of the tranches is accrued during 2020 and paid only in Q1 2021.

In June 2020, the Group signed amendments to the existing credit facility agreements with Sberbank of Russia to modify principal repayment schedules by deferring payments due in 2020 and 2021 to later periods within the existing maturity.

In December 2020, we signed an amended and restated agreement with VTB Bank (PJSC). Based on new terms, our interest rate for all tranches was reduced and final maturity of loans was extended until 2030.

Our debt maturity profile has significantly improved as a result of these recent amendments, with debt that had been due to mature in 2023 now payable over a longer period with a final maturity date of 2030. These arrangements extend our maturity profile increasing our available liquidity by approximately US\$2.8 billion as at the end of 2023, supporting our medium-term business plans.

Amended and restated agreements to reduce interest rates were also signed with Sberbank of Russia in December 2020. This measure, together with the interest rate decrease under the VTB credit facility, allowed us to reduce our weighted average cost of debt by more than 0.8% per annum.

These initiatives improved our short-term liquidity and created additional liquidity reserves to fund business operations going forward.

New financing

During the year, the Group drew down an additional US\$15 million within the existing credit facilities that was used to reimburse certain expenses.

In June 2020, we signed an amendment to the existing loan agreement with VTB Bank (PJSC) to receive an additional tranche of up to US\$350 million and to improve certain commercial terms. As at 31 December 2020, US\$100 million had been utilised and US\$250 million was still available to be drawn.

Also in June 2020, the Group signed an amendment to the existing prepayment facility agreement with VTB Commodities Trading DAC, an affiliate of VTB Bank (PJSC), for additional tranches in the amount of up to US\$250 million. As at 31 December 2020, US\$110 million was utilised and up to US\$100 million was still available for utilisation. These undrawn funds will additionally support Group's liquidity and the implementation of important investment projects in case of urgent need.

Credit rating

In 2020, the Group maintained its B2 rating from Moody's, albeit with its outlook shifting from 'Stable' to 'Negative'. A future upgrade will depend on a sustainable improvement in various financial metrics, including a reduction in debt levels. Standard & Poor's affirmed ERG to B- but improved the outlook to 'stable'. This is supported by favourable commodity prices and the launch of ERG's Metalkol RTR cobalt and copper project.

Tax environment

The Group is strongly committed to complying with all applicable laws, rules and regulations. The Group adheres to the Group Tax Policy and Tax Code of Conduct adopted in 2018 and 2019, respectively.

Risk management

Our risk management framework defines the oversight responsibilities of the Board of Managers and the Executive Committee. Our Risk and Compliance Management Committee, as well as our Risk Management, Internal Control and Internal Audit teams support them in this role. Our risk management system is designed to help ERG identify, assess and manage risks affecting our business sustainability – as well as our most material Sustainable Development issues – in accordance with our approved levels of risk appetite. Our Group Risk Management Policy conforms with the International Standard for Risk Management (ISO 31000). Recommended ISO 31010 techniques are applied for assessing risk in a wide range of situations.

Our ongoing efforts to identify and manage risks are critical for the successful achievement of our objectives. Our key risks are regularly reviewed by our Risk and Compliance Management Committee, Executive Committee and Board of Managers to ensure visibility of our overall risk exposure and to support the prioritization of our mitigation actions.

The risk management function helps to implement these actions in a timely manner, thus ensuring the proactive mitigation of our key risks in accordance with approved levels of risk appetite.

In 2020, we advanced our management of risk through:

- Implementation of counterparties credit risk management process;
- Pilot implementation of new CP-ISMS 'Risk Management' module Initiation of a project to implement risk-based repair planning using SAP software;
- Unification of internal control systems relating to the preparation of financial statements at regional level;
- Development of a framework for project risks insurance;
- Initiation of an automated health and safety hazard identification (HAZID) management project in Kazakhstan. This will create a 'live' database of hazards, risks and associated mitigation actions, and assign relevant personal responsibilities and resources needed to manage these risks; and
- Further development of our capital project risk analysis approach and tools (including technological, engineering, budgeting aspects, etc.) and implementation of a new Project Risk module within our Integrated Project Management System portal.

As the COVID-19 outbreak unfolded in 2020, the Group established a crisis management office, which developed a comprehensive set of measures to mitigate risks linked to COVID-19, whilst optimising Group liquidity and financial performance.

Our risk management framework helps us identify and understand potential threats to our business sustainability.

In 2020, we advanced our risk management practice through a range of new measures, including the application of new methodologies and information systems.

ERG's principal risks are set out in the table below. Please note that there may be additional unidentified risks and other risks currently not considered material, which could have an impact on our business performance and financial results.

Principal risks and key mitigation actions relevant to sustainable development

Risk area and description	Selected mitigation actions
Political risks There are varying degrees of political stability in our host countries. We conduct our business in complex environments, which are characterised by ever-changing political dynamics.	• Monitoring and analysis of political and macroeconomic trends in our regions of operation.
Regulatory and legal risks There are a number of factors that could affect our regulatory context. This includes the introduction of new (or changes to existing) laws and regulations by our host governments.	• Monitoring of potential legislative and regulatory changes; • Representation of our interests through professional bodies / associations; and • Monitoring of compliance with our license and permit obligations.
Price risks A substantial decline in – or volatility around – commodity prices could materially affect our business, including our financial results and our liquidity.	• Maintenance of long-term sales contracts that link commodity prices to benchmarks; • Hedging of commodity prices; and • Development of alternative sales channels.
Production and operational risks Challenging operational environments have the potential to result in business interruption, damage to physical property, unplanned downtime, asset shutdown, uncertainty in geological formations and mineralisation, serious safety incidents and environmental harm.	• Risk-based reliability planning and maintenance; • Maintenance of a resilient power supply system / long-term contracts with reliable suppliers; • Control of input materials including the introduction of a raw material control system; • Implementation of business continuity management processes; • Infill drilling and ore body modelling; and • Maintenance of property damage / business interruption insurance.
Supply chain and logistics risks The Group's large supply chain exposes it to risks relating to contractual non-compliance by suppliers, including non-delivery, changes in prices for purchased goods, shortage of transportation for goods.	• Creation and maintenance of supplementary stocks of critical inventories (including PPE); • Quality / specification / completeness controls related to the supply of goods and services; • Long-term contracts and category strategies for key goods / services (including formula pricing); and • Maintenance of own fleet of railway wagons.
Capital project execution risks A failure to deliver major capital projects within planned timeframes, budgets and quality criteria could negatively affect long-term profitability and reputation (including our ability to attract future financing).	• Systematic, transparent and stage-gated project implementation process; • Enhanced project due diligence, including independent project reviews; • Contingency planning based on schedule and budget risk analysis; and • Monitoring / control of project deadlines, budgets, ramp-up etc.
Financial risks Our ability to carry out necessary operational and investment activities could potentially be undermined by credit risks, liquidity risks, foreign	• Maintenance of strong relationships with existing lenders, the expansion of our credit lines, as well as improvements to our debt

exchange risks and interest rate risks as well as risks relating to inability of the Group to access commercially viable external financing that could undermine our ability to carry out necessary operating and investment activities. Furthermore, any deterioration to the cash flow and profitability that could adversely affect ability to meet our financial obligations, including debt repayments.	portfolio, funding opportunities and conditions; • Regular updating of our cash flow plan and control of the Group's liquidity level; • Compliance with our covenants; • Monitoring of Group open FX position; • Monitoring of tax legislation compliance; and • Credit control implementation (incl. setting credit limits and alignment control)
Personnel management risks The fact we operate in remote locations poses risks in terms of our ability to attract personnel with the skills and experience we need, as well as the outflow of qualified personnel.	• Maintenance of competitive remuneration packages; • Training and development to maintain the skills pipeline; • Implementation of an effective incentivisation and retention system; and • Implementation of social support programs for personnel.
Social risks Our business activities may negatively affect nearby communities. Therefore, there is a risk that this could affect our social license to operate. In addition, we provide social benefits to Group employees (many of whom are from our local communities) as part of our broader human resources management approach.	• Application of community social investment including through regional Memoranda of Understanding with regional governments, aimed at promoting socio-economic development in our mining towns in Kazakhstan; • Application of the Participatory Rural Appraisal programme and Clean Cobalt Framework in the DRC; and • Monitoring of social attitudes within our host regions – and community grievance mechanisms.
Health, safety and security risks The nature and location of our operations mean they have, in absence of appropriate controls, the potential to affect the physical well-being and health of our employees, contractors and community members. Health risks came to the fore in 2020, with the unfolding of the COVID-19 outbreak.	• Implementation of ISO 45001-certified and / or aligned occupational health and safety management systems; • Zero Harm approach towards critical health and safety risks; • Safety management system audits; • Integration of safety targets into Managers' KPIs; • Implementation of risk assessment using the HAZID method; • Enhancement of transportation safety through application of satellite monitoring and transport analytics; and • A dedicated programme to address the risks posed by COVID-19 to our workforce, whilst maintaining operational continuity (including PPE, social distancing, changed working patterns, screening, testing and other related approaches).

Environmental and climate change risks The nature of our activities and processes mean they have, in the absence of appropriate controls, the potential to harm the environment. Furthermore, our substantial greenhouse gas emissions mean we face direct and indirect risks in relation to future regulatory attempts to limit organisations' emissions.	• Implementation of ISO 14001-certified and / or aligned environmental management systems; • Implementation of ISO 50001-certified energy management systems in Kazakhstan; • Implementation of renewable energy projects; and • Implementation of ESG framework.
Compliance risks The Group has a presence and does business in locations that are considered to pose higher levels of legal compliance risk in terms of bribery and corruption, sanctions, human rights, personal data protection, anti-money laundering and counter-financing of terrorism.	• Monitoring of adherence to Group compliance policies; • Extensive training and awareness programme; • Regular counterparty and supply chain due diligence; • Application of a Sanctions Compliance Programme; • Compliance with the EU General Data Protection Regulation (GDPR) and other applicable laws, including: - data protection impact assessment for high risk processes; and - maintenance of a whistle-blower system, including an anonymous and confidential 24-hour, independently operated Group Hotline.
IT and information security risks In the context of our digitalisation and the enhancement of our Information Technology (IT) landscape, we recognise that this exposes us to potential risks including but not limited to loss of access to IT infrastructure; disruption in business processes; internal and / or external fraud; data leakage and data breaches; non-compliance with information security regulations; and other related risks.	• Building of a robust cyber resilience framework for our IT and Industrial Control Systems; • Prompt responses to IT failures and cyber security incidents; • Implementation of continuity plans for critical IT processes; and • Monitoring of software license compliance.

Consolidated management report

The Managers present their report and the audited Consolidated financial statements for the year ended 31 December 2020.

Principal activities

The Group is a leading diversified natural resources group with integrated mining, processing, energy, logistical, and marketing operations. Production assets are located in the Republic of Kazakhstan, Zambia, Brazil and the DRC. The Group has six operating Divisions: Ferroalloys, Iron Ore, Alumina and Aluminium, Energy, Logistics, and Other Non-ferrous.

Corporate review

The Corporate review has been prepared to provide the Company's shareholder and other interested parties with a fair review of the business of the Group and a description of the principal risks and uncertainties facing it. In accordance with Article 68 of the Luxemburg Accounting Law dated 19 December 2002 (as amended), information required to be disclosed in this regard has been presented in the report as follows:

- CEO Report on pages 7 to 9;
- Corporate review on pages 10 to 18 which includes information on financial and operational performance, key initiatives and events in 2020 and 2025 Strategy;
- Divisional review on pages 19 to 31;
- Financial review on pages 32 to 34;
- Risk management on pages 35 to 38, 51 to 52 and 87 to 92.

All of the above form part of the management report required by the accounting legislation of the Grand Duchy of Luxembourg.

Managers

The Managers who held office during the financial year ended 31 December 2020 and up to the date of signing the Consolidated financial statements are those listed below:

Manager	Occupation	Domicile	Date of appointment	Date of resignation
Mr Bakyt Sultanov	Class A Manager	Kazakhstan	17/06/2013	-
Mr Alexander Machkevitch	Class B Manager	Israel	17/06/2013	-
Mr Alijan Ibragimov	Class B Manager	Switzerland	17/06/2013	03/02/2021
Mr Patokh Chodiev	Class B Manager	Switzerland	17/06/2013	-
Mr Beibut Atamkulov	Class A Manager	Kazakhstan	20/06/2013	-
Mr Shukhrat Ibragimov	Class B Manager	Switzerland	03/03/2021	-

Mr. Alijan Ibragimov passed away on 3 February 2021.

The following individuals were served as delegates to the daily management of the Company:

Delegate	Position	Date of appointment
Mr Benedikt Sobotka	Chief Executive Officer	15/01/2014
Mr Satzhan Temirgaliyev	Chief Financial Officer	02/04/2018
Mr Dmitry Melnikov	Chief Legal Officer	01/01/2017

The Company is contractually bound by a sole signature of any of the Managers or the joint signatures of two delegates to the daily management.

Managers' indirect interests in ordinary shares:

Manager	Number of ordinary shares	
	31 December 2020	31 December 2019
Mr Alexander Machkevitch	16,059	16,059
Mr Alijan Ibragimov	16,051	16,051
Mr Patokh Chodiev	14,390	14,390

Events after the balance sheet date

Details of events after the balance sheet date, including COVID-19, have been disclosed in notes 30 and 1 to the Consolidated financial statements.

Financial instruments

Details of the Group's financial risk management, objectives and policies, together with details of financial instruments are described in note 25 to the Consolidated financial statements.

Research and development activities

The Group has a research and development center, which reviews scientific and technological developments to improve existing mining and metallurgical processes as well as discover innovative technologies and approaches to be implemented at our entities.

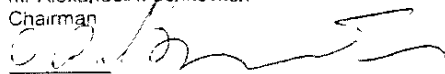
The Group incurred costs amounting to US\$7.5 million (2019: US\$9.3 million) during the year in relation to research and development activities.

Management responsibility statement

We confirm to the best of our knowledge that the Consolidated financial statements which have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole, and that the Consolidated management report presents a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The Consolidated financial statements on pages 46 to 99 were approved by the Board of Managers on 30 April 2021 and signed on its behalf by:

Mr Alexander Machkevitch
Chairman



Mr Benedikt Sobotka
Chief Executive Officer



Financial instruments

Details of the Group's financial risk management, objectives and policies, together with details of financial instruments are described in note 25 to the Consolidated financial statements.

Research and development activities

The Group has a research and development center, which reviews scientific and technological developments to improve existing mining and metallurgical processes as well as discover innovative technologies and approaches to be implemented at our entities.

The Group incurred costs amounting to US\$7.5 million (2019: US\$9.3 million) during the year in relation to research and development activities.

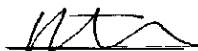
Management responsibility statement

We confirm to the best of our knowledge that the Consolidated financial statements which have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole, and that the Consolidated management report presents a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The Consolidated financial statements on pages 46 to 99 were approved by the Board of Managers on 30 April 2021 and signed on its behalf by:

Mr Alexander Machkevitch
Chairman

Mr Benedikt Sobotka
Chief Executive Officer





Audit report

To the Shareholders of
Eurasian Resources Group S.à r.l.

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of Eurasian Resources Group S.à r.l. (the "Company") and its subsidiaries (the "Group") as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated income statement for the year then ended;
- the consolidated comprehensive income statement for the year then ended;
- the consolidated balance sheet as at 31 December 2020;
- the consolidated cash flow statement for the year then ended;
- the consolidated changes in equity statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the consolidated financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements. We have fulfilled our other ethical responsibilities under those ethical requirements.

*PricewaterhouseCoopers, Société coopérative, 2 rue Gerhard Mercator, B.P. 1443, L-1014 Luxembourg
T : +352 494848 1, F : +352 494848 2900, www.pwc.lu*

*Cabinet de révision agréé. Expert-comptable (autorisation gouvernementale n°10028256)
R.C.S. Luxembourg B 65 477 - TVA LU25482518*



Other information

The Board of Managers is responsible for the other information. The other information comprises the information stated in the annual report including the consolidated management report but does not include the consolidated financial statements and our audit report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Managers and those charged with governance for the consolidated financial statements

The Board of Managers is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Board of Managers 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, the Board of Managers 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 the Board of Managers 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.

Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the consolidated financial statements

The objectives of our audit 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 audit 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 the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF 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 the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, 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 the Board of Managers;
- conclude on the appropriateness of the Board of Managers' 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 audit 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 audit 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 and 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.

Report on other legal and regulatory requirements

The consolidated management report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 30 April 2021

Electronically signed by
Andrei Chizhov

A handwritten signature in black ink, appearing to be "A. Chizhov", written over a horizontal line.

Andrei Chizhov

Consolidated income statement

US\$ million	note	Years ended 31 December	
		2020	2019
Revenue	3	5,356	4,872
Cost of sales	5	(3,111)	(2,995)
Gross profit		2,245	1,877
Distribution costs	6	(215)	(174)
General and administrative expenses	7	(651)	(800)
Exploration costs		(10)	(28)
Impairments		(9)	(7)
Other operating expense	8	(775)	(330)
Other operating income	8	295	230
Operating profit		880	768
Finance income	10	355	126
Finance cost	11	(879)	(611)
Profit before income tax		356	283
Income tax expense	12	(268)	(213)
Profit for the year		88	70
Profit/(loss) attributable to:			
Owners of the Company		100	132
Non-controlling interests		(12)	(62)

Consolidated comprehensive income statement

US\$ million	Years ended 31 December	
	2020	2019
Profit for the year	88	70
Other comprehensive (expense)/income, net of income taxes:		
Items that may be subsequently or are reclassified to profit or loss:		
Currency translation differences	(397)	(18)
Cash flow hedges	(4)	14
Cash flow hedges – reclassification to profit	(20)	(25)
Items that will not be subsequently reclassified to profit or loss:		
Remeasurement of employee benefit obligations	2	(1)
Comprehensive (expense)/income for the year	(331)	40
Comprehensive (expense)/income attributable to:		
Owners of the Company	(324)	95
Non-controlling interests	(7)	(55)

Consolidated balance sheet

US\$ million	2020	2019
Assets		
Non-current assets		
Property, plant and equipment	10	10,148
Intangible assets	10	107
Other financial assets		116
Deferred tax asset	10	66
Other		106
Total		11,433
Current assets		
Inventories	14	672
Trade and other receivables	14	842
Cash and cash equivalents	14	668
Total		2,182
Total assets		13,615
Equity		
Capital reserve	14	3,169
Reserves		(1,398)
Attributable to owners of the Company		1,761
Non-controlling interests		110
Total equity		1,871
Liabilities		
Non-current liabilities		
Borrowings	20	7,714
Deferred tax liability	10	1,214
Asset retirement obligations	20	92
Employee benefit obligations	20	26
Other	20	79
Total		9,125
Current liabilities		
Borrowings	20	669
Trade and other payables	24	1,182
Other taxes payable		148
Income tax payable		50
Total		2,049
Total liabilities		11,174
Total equity and liabilities		13,045

These Consolidated financial statements were approved by the Board of Managers on 30 Apr. 2021 and were signed on its behalf by

Mr. Alexander Machkevitch
Chairman

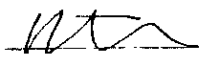
Mr. Benedikt Sobotka
Chief Executive Officer

Consolidated balance sheet

		31 December	
US\$ million	note	2020	2019
Assets			
Non-current assets			
Property, plant and equipment	13	10,048	10,923
Intangible assets	14	137	148
Other financial assets		116	72
Deferred tax asset	12	58	28
Other		109	128
Total		10,468	11,299
Current assets			
Inventories	15	972	977
Trade and other receivables	16	942	750
Cash and cash equivalents	17	665	472
Total		2,579	2,199
Total assets		13,047	13,498
Equity			
Capital reserve	19	3,159	3,159
Reserves		(1,398)	(1,085)
Attributable to owners of the Company		1,761	2,074
Non-controlling interests		110	139
Total equity		1,871	2,213
Liabilities			
Non-current liabilities			
Borrowings	20	7,714	8,058
Deferred tax liability	12	1,214	1,294
Asset retirement obligations	21	92	95
Employee benefit obligations	22	28	37
Other	23	79	243
Total		9,127	9,727
Current liabilities			
Borrowings	20	669	584
Trade and other payables	24	1,182	870
Other taxes payable		148	81
Income tax payable		50	23
Total		2,049	1,558
Total liabilities		11,176	11,285
Total equity and liabilities		13,047	13,498

These Consolidated financial statements were approved by the Board of Managers on 30 April 2021, and were signed on its behalf by

Mr. Alexander Machkevitch
Chairman


Mr. Benedikt Sobotka
Chief Executive Officer

Consolidated cash flow statement

US\$ million	note	Years ended 31 December	
		2020	2019
Cash generated from operating activities	18	1,574	1,319
Interest and other similar expenses paid		(444)	(505)
Income tax paid		(241)	(295)
Income tax refund		9	28
Interest received		7	14
Net cash generated from operating activities		905	561
Cash flow from investing activities			
Purchase of property, plant and equipment		(560)	(858)
Acquisition of subsidiaries		(17)	(2)
Purchase of intangible assets		(12)	(11)
Proceeds from disposal of subsidiaries		8	23
Proceeds from disposal of property, plant and equipment		7	9
Proceeds from repayment of loans and deposits		1	6
Net cash used for investing activities		(573)	(833)
Cash flow from financing activities			
Borrowings – proceeds		346	1,298
Borrowings – repayments		(459)	(1,227)
Payment of arrangement fees		(12)	(20)
Acquisitions of non-controlling interests	29	(8)	(33)
Dividends paid to non-controlling interests		(3)	(6)
Net cash (used for)/generated from financing activities		(136)	12
Net change in cash and cash equivalents		196	(260)
Cash and cash equivalents at the beginning of the year		472	734
Foreign exchange loss on cash and cash equivalents		(3)	(2)
Cash and cash equivalents at the end of the year	17	665	472

Purchases of property, plant and equipment include US\$28 million of capitalised borrowing costs (2019: US\$79 million).

Consolidated changes in equity statement

	Attributable to owners of the Company							Non-controlling interests	Total equity
US\$ million	Share capital	Capital reserve	Retained earnings	Translation reserve	Hedge reserve	Other reserve	Total		
Balance at 1 January 2019	–	3,159	5,999	(7,212)	15	9	1,970	216	2,186
Profit/(loss) for the year	–	–	132	–	–	–	132	(62)	70
Other comprehensive (expense)/income	–	–	–	(25)	(8)	(4)	(37)	7	(30)
Comprehensive income/(expense)	–	–	132	(25)	(8)	(4)	95	(55)	40
Dividends	–	–	–	–	–	–	–	(2)	(2)
Other changes in non-controlling interests	–	–	9	–	–	–	9	(20)	(11)
Balance at 31 December 2019	–	3,159	6,140	(7,237)	7	5	2,074	139	2,213
Profit/(loss) for the year	–	–	100	–	–	–	100	(12)	88
Other comprehensive (expense)/income	–	–	–	(402)	(17)	(5)	(424)	5	(419)
Comprehensive income/(expense)	–	–	100	(402)	(17)	(5)	(324)	(7)	(331)
Dividends	–	–	–	–	–	–	–	(3)	(3)
Other changes in non-controlling interests ¹	–	–	11	–	–	–	11	(19)	(8)
Balance at 31 December 2020	–	3,159	6,251	(7,639)	(10)	–	1,761	110	1,871

¹ The Group acquired 1.588% of Eurasian Energy Corporation JSC for cash consideration of US\$8 million resulting in 100% ordinary shares ownership.

1. Principal accounting policies

General

Eurasian Resources Group S.à r.l. (the 'Company') was incorporated on 13 May 2013 and is organised under the laws of the Grand Duchy of Luxembourg as a private limited liability company for an unlimited period. The Company's registered address and domicile is 9, rue Sainte Zithe, L-2763 Luxembourg, the Grand Duchy of Luxembourg. The Consolidated financial statements as at and for the year ended 31 December 2020 comprise the Company and its subsidiaries (the 'Group').

The Company, together with its subsidiaries, is a leading diversified natural resources group with integrated mining, processing, energy, logistical and marketing operations. Production assets are located in the Republic of Kazakhstan, Zambia and the Democratic Republic of the Congo ('DRC'). The Group has six operating divisions: Ferroalloys, Iron Ore, Alumina and Aluminium, Energy, Logistics and Other Non-ferrous.

Basis of preparation

The Consolidated financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU').

The Consolidated financial statements have been prepared under the historical cost convention as modified for the revaluation of certain assets and liabilities as further explained in the respective accounting policies.

The preparation of the Consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates and judgments in applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Consolidated financial statements are disclosed in note 2.

During 2019, the Group has resolved certain complex taxation and commercial issues in its business in the Democratic Republic of Congo by engaging specialist consultants. The Group sought to verify that they complied with all applicable laws, including all applicable regulatory legislation. Additionally, the M&A transaction to acquire a 51% interest in Evelyne Investissement SAU entered into by the Group in November 2018 was subject to adverse media reporting during 2020.

During the course of 2020 the Group launched an independent internal investigation led by a leading global law firm supported by specialist forensic experts and reporting directly to the Group's Audit Committee to cover both matters. The internal investigation is complete and closed with key areas of risk addressed and no adverse findings having been discovered insofar as it relates to any potential wrongdoing by the Group or its employees.

Going concern basis

COVID-19 pandemic

In March 2020, the World Health Organisation declared a global pandemic related to COVID-19. Despite various COVID-19 related challenges, the Group's assets have continued to operate. The Group has made efforts to safeguard the health of our employees, while continuing to operate safely and responsibly maintain employment and economic activity, and has incurred COVID-19 safety and social costs of US\$39 million at 31 December 2020.

The Group has not experienced significant disruption to supply chains and product shipments since the onset of the COVID-19 pandemic and the Group is working to manage the logistical challenges presented by the closure of trade borders, using alternative routes where feasible.

1. Principal accounting policies (continued)

In addition, significant number of steps were taken to keep Group's liquidity at satisfactory level, including but not limited to deferrals of non-critical spend, revision of capital investment programmes, renegotiation of consumables prices, and arrangement of additional facilities with banks.

Whilst 2021 may be a year of uncertainty as the world continues to grapple with and recover from the COVID-19 pandemic, the Group is confident that the Group can successfully continue developing as a socially responsible, resilient and efficient business with the support of our partners and employees.

Liquidity forecast

The Board of Managers has reviewed the liquidity available for the period until 30 June 2022. Throughout the period under review the Group generates sufficient cash flow to maintain a position above minimum working capital requirements.

The Group continuously monitors its financial position to ensure adequate liquidity headroom is in place to support its business needs and to ensure compliance with loan covenants or to obtain waivers where appropriate. As of 31 December 2020, the Group complied with applicable covenants.

The Group is actively pursuing significant mitigating actions in its business plan to manage liquidity and the covenant position during the period under review. These actions, inter alia, include:

- renegotiation with the Group's main providers of finance to give rise to an additional liquidity before 30 June 2022 of up to US\$290 million;
- cost reduction and restructuring within the business which will generate annual savings of approximately US\$83 million;
- enhanced management of working capital to generate further liquidity but also enhance flexibility regarding the deployment of cash resources (for example, by management of expenditure within the period under review).

These actions will further support the Group's liquidity and the plan of management is to generate a sufficient liquidity 'buffer' to provide further headroom should market conditions further worsen.

The Group maintained its B2 rating from Moody's in March 2020, with a shift in outlook from stable to negative to reflect the low commodity prices and growing risks of recession at the onset of the COVID-19 outbreak. Nonetheless, in December 2020, Standard & Poor's affirmed the Group to B- but improved the outlook from negative to stable thanks to favourable commodity prices and the launch of the Group's Metalkol RTR cobalt and copper project.

The global spread of COVID-19 towards the end of Q1 2020 pushed commodity prices downward reflecting reduced demand, the impact of lockdowns, closures and other measures enacted by the governments to fight the pandemic. The trend continued into Q2 2020, however, then reversed following the swift recovery of economic activity and government stimulus packages. Prices returned largely to pre-pandemic levels, with iron ore and copper reaching multi-year highs prompted by increased demand in China and exacerbated by mine closures and supply cuts.

The Group appreciates the dependence of liquidity on commodity prices in our key markets and ability to raise additional funding when required. To ensure adequate liquidity is available to meet contractual obligations, the Group ensures continuing focus on operational efficiency, working capital improvements, and allocation and spending of capital expenditures budget.

1. Principal accounting policies (continued)

The Managers therefore consider that the Group can access adequate resources to continue its business operations for the foreseeable future and that the preparation of these Consolidated financial statements under the going concern basis is appropriate.

New standards

The Consolidated financial statements have been drawn up on the basis of accounting policies consistent with those applied in the Consolidated financial statements for the year ended 31 December 2019. Adoption of amendments to standards effective from 1 January 2020 did not have a significant impact on the Group. Amendments to standards effective from 1 January 2021 have no significant impact on the Group. The Group has not early adopted any standard, interpretation or amendment that has been issued, but is not yet effective. *The Group is evaluating potential impact arising from new standards, amendments to standards, interpretations and improvements.*

Basis of consolidation

The Consolidated financial statements of the Group include the consolidation of the financial statements of the Company and its subsidiaries drawn up to 31 December 2020.

Subsidiaries are those entities, over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are consolidated from the date on which control is transferred to the Company (acquisition date) and are deconsolidated from the date that control ceases. The financial statements of subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies, and intercompany transactions, balances and unrealised gains and losses on transactions between subsidiaries are eliminated.

Non-controlling interest is a portion of net results and of the equity in a subsidiary not attributable, directly or indirectly, to the Company. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Functional and presentation currency

All amounts in the Consolidated financial statements are presented in millions of US dollars, unless otherwise stated.

The functional currency for major entities in the Group is determined as the currency of the primary economic environment in which the entities operate. The following additional factors are considered in determining the functional currency of a foreign operation:

- whether the activities of the foreign operation are carried out as an extension of the reporting entity, rather than being carried out with a significant degree of autonomy;
- whether transactions with the reporting entity are a high or a low proportion of the foreign operation's activities;
- whether cash flows from the activities of the foreign operation directly affect the cash flows of the reporting entity and are readily available for remittance to it;
- whether cash flows from the activities of the foreign operation are sufficient to service existing and normally expected debt obligations without funds being made available by the reporting entity.

1. Principal accounting policies (continued)

The functional currency of the operating entities in the Republic of Kazakhstan is the Kazakhstani tenge (KZT). For the Sales and Marketing entities and significant African operations, the functional currency is the US dollar (US\$). The functional currency of the Company is the US\$. The exchange rates for significant operating entities are set out below.

	31 December		Average	
	2020	2019	2020	2019
Kazakhstani tenge (KZT)	420.91	382.59	412.95	382.75
Brazilian real (BRL)	5.20	4.03	5.16	4.12
South African rand (ZAR)	14.69	13.99	14.90	14.42
Congolese franc (CDF)	1,950.97	1,705.62	1,852.12	1,670.53

Foreign currency translation

Transactions in currencies other than the functional currency are translated to the functional currency at the rate of exchange ruling at the date of the transaction, unless hedge accounting applies in which case the contract rate is used. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. Exchange gains and losses on settlement of foreign currency transactions and the translation of monetary assets and liabilities are taken to the Consolidated income statement, except when recognised in other comprehensive income, depending on whether intra group monetary assets and liabilities are regarded as a part of a net investment in a foreign operation where a settlement is neither planned nor likely to occur in a foreseeable future. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

All intra Group monetary assets and liabilities within Kazakhstani operations have been concluded not to form the part of an investment in a foreign operation. Accordingly, all the related foreign exchange gains and losses have been recognised in the Consolidated income statement.

Translation from functional to presentation currency

The results and financial position of all Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the date of the Consolidated balance sheet;
- income and expenses for each income statement are translated at average monthly exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);
- all resulting exchange differences are recognised as a separate component of equity; and
- goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate at the date of the Consolidated balance sheet.

Revenue recognition

A significant portion of production is sold under contracts of sale of goods. Revenue from contracts with customers is recognised when control of the goods (generally, upon delivery) or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

1. Principal accounting policies (continued)

Revenues are shown net of VAT and discounts. Certain of the commodities delivered to customers are provisionally priced at the date revenue is recognised. The prices are generally finalised within 3 months. Such adjustments to revenue are dealt with under IFRS 9 'Financial Instruments' rather than IFRS 15 'Revenue from Contracts with Customers' and therefore the IFRS 15 'Revenue from Contracts with Customers' rules on variable consideration do not apply. Such adjustments therefore represent revenue from sources other than contracts with customers.

Employee benefits

Defined benefit plans

The Group provides long-term employee benefits to employees before, on and after retirement, in accordance with labour union agreements in Kazakhstan and the DRC. The agreements typically provide for one-off retirement payments, financial aid for employees' disability, significant anniversaries and funeral aid. The entitlement to some benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. Such benefits are valued consistent with an unfunded defined benefit plan in accordance with IAS 19 'Employee Benefits'.

The future benefits that employees have earned in return for their service in the current and prior periods is discounted to determine the present value. Since Kazakhstan and the DRC do not have an extensive market of high quality corporate bonds, the market yields on government bonds with a maturity closest to average duration of actuarial liabilities are used as a basis for discount rates. The calculation is performed annually internally or by a qualified, independent actuary depending on the complexity of computations.

The expected costs of the benefits associated with one-off retirement payments are accrued over the period of employment using the same accounting methodology as used for defined benefit post-employment plans. This means that the difference between the fair value of the plan assets (if any) and the present value of the defined benefit obligations is recognised as an asset or liability on the Consolidated balance sheet. Actuarial gains and losses related to remeasurement of defined benefit pension plan obligations shall be recorded within other comprehensive income. Remeasurement of other long-term employee benefits are recognised in profit and loss.

For this purpose, actuarial gains and losses comprise both the effects of changes in actuarial assumptions and experience adjustments arising because of differences between the previous actuarial assumptions and what has actually occurred.

Other movements in the net surplus or deficit are recognised in the Consolidated income statement, including current service cost, any past service cost and the effect of any curtailments or settlements. Benefit costs are split between (i) the cost of benefits accrued in the current period (service cost) and benefit changes (past-service cost, settlements and curtailments); and (ii) finance expense or income. This analysis is presented in the Consolidated income statement or in the notes to the Consolidated financial statements.

Defined contribution plans

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. Contributions to defined contribution plans are recognised in the Consolidated income statement as an employee benefit expense in the period in which they are due.

1. Principal accounting policies (continued)

Payroll expense and related contributions

Wages, salaries and social insurance funds, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by the employees of the Group.

On behalf of its employees, the Group pays those statutory pension and post-employment benefit amounts prescribed by the legal requirements of the countries in which it operates. These payments are expensed as incurred unless capitalised.

Finance income and cost

Finance income comprises interest income on funds invested, gain on modification of borrowings and unwinding of loss on origination of loans. Finance costs comprise interest expense on borrowings, expenses from the unwinding of discount on asset retirement obligations, expenses from the unwinding of discount on financial instruments, expenses from the unwinding of discount on employee benefits obligations, amortisation of arrangement fees on credit facilities, accelerated unwinding of debt issue costs/discount.

Finance income and costs include foreign exchange gains and losses that relate mainly to loans receivable, borrowings, and term deposits (more than three months).

Interest income and expenses are recognised on a time proportion basis, using the effective interest method. All interest and other costs incurred in connection with borrowings are expensed as incurred as part of finance costs unless incurred on borrowings to finance the acquisition of a qualifying asset.

Borrowing costs to finance the acquisition of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. All borrowings are classified between specific borrowings and general borrowings for the purpose of capitalisation. Borrowing costs which relate to borrowings made specifically to fund the acquisition of a specific qualifying asset are fully capitalised during the period when this specific qualifying asset is being constructed. Borrowings which do not qualify as specific are defined as general borrowings.

For general borrowings which are not excluded from the general borrowings pool the capitalisation rate is used to determine the amount of borrowing costs eligible for capitalisation.

Income tax

The income tax expense for the period comprises current and deferred tax. Current tax expense is the amount of tax estimated to be payable or recoverable in respect of the taxable income or loss for a period, as well as adjustments to estimates in respect of previous periods. It is calculated on the basis of the tax laws and rates enacted or substantively enacted at the balance sheet date.

Deferred tax represents the amount of income taxes payable or recoverable in future periods in respect of temporary differences, unused tax losses and unused tax credits. The deferred tax is recognised in respect of temporary differences between the tax bases of assets and liabilities and their carrying amounts in the Consolidated financial statements, subject to the exceptions below.

Deferred tax is not accounted for if it arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

1. Principal accounting policies (continued)

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, carry forward of unused tax credits and unused tax losses can be utilised.

Deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised.

Deferred tax is provided on temporary differences associated with investments in subsidiaries, interests in joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets and liabilities are offset only if there is a legally enforceable right to offset the recognised amounts and the deferred tax assets and liabilities are intended to be settled either simultaneously or on a net basis.

Exploration and evaluation

Exploration for and evaluation of mineral resources include the search for mineral resources after the Group company has obtained legal rights to explore in a specific area, as well as the determination of the technical feasibility and commercial viability of extracting mineral resources. Exploration and evaluation expenditures related to an area of interest are written off as incurred until management concludes that it is probable that future costs will be recovered through successful development and exploitation of the area of interest, or alternatively through its sale, from which point they are carried forward as an asset in the Consolidated balance sheet and are included within the assets under construction component of property, plant and equipment at cost less impairment charges.

Capitalised costs include costs directly related to exploration and evaluation activities in the relevant area of interest. General and administrative costs are allocated to an exploration or evaluation asset only to the extent that those costs can be related directly to operational activities in the relevant area of interest. All capitalised exploration and evaluation expenditure is assessed for impairment if facts and circumstances indicate that impairment may exist.

For the purpose of assessing impairment, the exploration and evaluation assets subject to testing are grouped with relevant existing cash-generating units of operating mines that are located in the same geographical region. Where the assets are not associated with a specific cash-generating unit, the recoverable amount is assessed for the specific exploration area. Any impairment loss is recognised as an expense in accordance with the policy on impairment of non-financial assets.

Identifiable exploration and evaluation assets acquired as part of a business combination are recognised as assets at their fair value at the date of acquisition.

1. Principal accounting policies (continued)

Property, plant and equipment

Property, plant and equipment is carried at cost less accumulated depreciation and any accumulated impairment loss.

Cost includes the original purchase price of the asset, costs attributable to bringing the asset to its working condition for its intended use and estimated future cost of closure and restoration of the asset.

Depreciation is recorded over the useful life of the asset, or over the expected remaining life of the mine if shorter, as follows:

- buildings (including mining premises): 10 to 60 years on a straight-line basis;
- mining assets (including mineral rights): on a units of production basis;
- plant and equipment: 5 to 30 years on a straight-line basis;
- motor vehicles: 5 to 30 years on a straight-line basis; and
- land: not depreciated.

The residual value of an asset is nil if the Group expects to use the asset until the end of its physical life. Estimates of residual values and useful lives are reassessed annually, and any change in estimate is taken into account in the determination of future depreciation charges.

The individual significant parts of an item of property, plant and equipment (components), whose useful lives are different from the useful life of the asset as a whole, are depreciated individually, applying depreciation rates reflecting their anticipated useful lives. The cost of replacing major parts or components of property, plant and equipment items is capitalised and the replaced part is retired.

Subsequent costs are included in an asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to the Consolidated income statement in the period in which they are incurred.

Specialised spare parts and servicing equipment with a significant initial value and a useful life of more than one year are recognised as items of property, plant and equipment. Other spare parts and servicing-related equipment are recognised as inventories and accounted for in the Consolidated income statement on utilisation.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the assets disposed of and are recognised in the Consolidated income statement.

Property, plant and equipment is tested for impairment if facts and circumstances indicate that impairment may exist, in accordance with the impairment policy below.

i) Mining assets

Once a project has been established as commercially viable, capitalised expenditures are transferred from 'exploration and evaluation' to 'mining assets'. In addition, mining assets include mineral rights, expenditure incurred to establish or expand production capacity, costs to conduct mining construction and mining capital works, as well as costs arising from mining preparation works during the development or mine reconstruction phase.

1. Principal accounting policies (continued)

Development expenditure incurred by or on behalf of the Group is accumulated separately for each area of interest in which economically recoverable resources have been identified.

Such expenditure comprises costs directly attributable to the construction of a mine and the related infrastructure, including the cost of materials, direct labour and an appropriate proportion of production overheads.

When further development expenditure is incurred in respect of a mining asset after the commencement of production, such expenditure is carried forward as part of the mining asset when it is probable that additional future economic benefits associated with the expenditure will flow to the Group. Otherwise such expenditure is recognised as a cost of production.

Once a project has been fully commissioned, depreciation is charged using the units of production method, based on proved and probable reserves, with separate calculations being made for each area of interest. The units of production basis results in a depreciation charge proportional to the depletion of proved and probable reserves.

Mining assets are included within the category 'buildings and mining assets' of property, plant and equipment.

ii) Assets under construction

Assets under construction are capitalised as a separate component of property, plant and equipment. Self-constructed assets include the cost of materials, direct labour and an appropriate proportion of allocated overheads.

On completion, the cost of construction is transferred to the appropriate asset category. Assets under construction are not depreciated. Depreciation commences on the date when the assets are available for intended use.

iii) Stripping costs

Stripping costs comprise the removal of overburden and other waste products from mines. Stripping costs incurred in the development of mines and open pits before the production commences are capitalised as part of the cost of constructing the mines and open pits, and depreciated using the unit of production method over the lives of the mines or open pits.

Stripping costs incurred during the production phase of operations are treated as a production cost that forms part of the cost of inventory.

Impairment

The carrying amounts of property, plant and equipment and all other non-financial assets are reviewed for impairment if facts and circumstances indicate that impairment may exist. An intangible asset that has an indefinite useful life, such as goodwill, is tested for impairment annually and whenever there is an indication that the asset may be impaired.

The Group tests an asset or cash-generating unit ('CGU') for impairment by comparing its recoverable amount with its carrying amount. When an impairment review is undertaken, the recoverable amount is assessed by reference to the higher of 'value in use' and 'fair value less costs of disposal'.

A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

1. Principal accounting policies (continued)

Value in use is the net present value of expected future cash flows of the relevant CGU in its current condition. Value in use is determined by applying assumptions specific to the Group's continued use of the asset or CGU and does not take into account future developments.

The estimates used for impairment reviews to determine value in use are based on detailed mine plans and operating budgets.

Future cash flows are based on management's best estimates of:

- quantities of the reserves and mineral resources for which there is a high degree of confidence of economic extraction;
- future production levels;
- future commodity prices; and
- future cash costs of production, capital expenditure related to construction in progress and development projects that are not yet completed, close down, restoration and environmental clean up.

Fair value less costs of disposal is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date less incremental costs directly attributable to the disposal of an asset or cash-generating unit, excluding finance costs and income tax expense. Where there is no binding sale agreement or active market, fair value less costs of disposal is based on the best information available to reflect the amount that the Group could receive for the CGU in an arm's length transaction.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the Consolidated income statement so as to reduce the carrying amount in the Consolidated balance sheet to its recoverable amount. For assets excluding goodwill, a previously recognised impairment loss is reversed if the recoverable amount increases as a result of a reversal of the conditions that originally resulted in the impairment.

This reversal is recognised in the Consolidated income statement and is limited to the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised in prior years. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Business combinations and goodwill

The acquisition method of accounting is used to account for business combinations. The Group elects on a transaction-by-transaction basis to measure non-controlling interests at the value of their proportion of identifiable assets and liabilities or at full fair value. The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets, liabilities and contingent liabilities acquired, represents goodwill.

'Bargain purchase gain' which is the excess of the net identifiable amounts of the assets acquired and liabilities assumed over the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest, is recognised immediately in the Consolidated income statement.

The consideration transferred in a business combination is measured at fair value of the assets transferred, the liabilities incurred to the former owners of an acquiree and the equity interests issued by the Group, with contingent consideration recognised at fair value as part of that consideration transferred. The obligation to pay contingent consideration is classified as either liability or equity on the basis of the terms and conditions of the contingent consideration.

1. Principal accounting policies (continued)

In a business combination achieved in stages, previously held equity interest in the acquiree is remeasured at its acquisition date fair value and the resulting gain or loss, if any, is recognised in the Consolidated income statement.

Goodwill acquired through business combinations has been allocated to those CGUs or groups of CGUs that are expected to benefit from the business combination. These CGUs or groups of CGUs represent the lowest level within the Group at which goodwill is monitored for internal management purposes and these CGUs or groups of CGUs are not larger than the Group's operating divisions, which are its product groups.

Goodwill is tested for impairment annually in accordance with the impairment policy described above. Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. Subsequently, goodwill is measured at cost less accumulated impairment losses.

Intangible assets

Intangible assets, which are acquired by the Group and have finite useful lives, are stated at cost less accumulated amortisation and impairment losses. Intangible assets acquired in a business combination are capitalised at fair value when the fair value can be measured reliably on initial recognition. Intangible assets are tested for impairment if facts and circumstances indicate that impairment may exist, in accordance with the impairment policy described above.

Intangible assets are amortised using the straight-line method over their useful lives not exceeding 5 years.

Financial assets

Classification

The Group classifies its financial assets into the following measurement categories: financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, and financial assets at amortised cost. The classification depends on the Group's business model for managing financial assets and the contractual terms of the cash flows. Management determines the classification of its financial assets at initial recognition.

Non-derivative financial assets

The Group classifies its non-derivative financial assets as at amortised cost only if both of the following criteria are met: (a) the asset is held within a business model with the objective of collecting the contractual cash flows; and (b) the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Financial assets at amortised cost include loans receivable, trade receivables (other than provisionally priced trade receivables), and other financial assets that are held with the objective of collecting contractual cash flows. After initial measurement at fair value, the financial assets are measured at amortised cost using the effective interest rate ('EIR') method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

The EIR amortisation is included in finance income in the Consolidated income statement. The losses arising from impairment are recognised in profit or loss.

1. Principal accounting policies (continued)

Derivative financial assets

Derivative instruments (including instruments with embedded derivatives such as provisionally priced receivables) are measured at fair value through profit or loss, and are held for trading or designated as cash flow hedges relating to highly probable forecast transactions.

The effective portion of a change in fair value of a derivative contract designated as a cash flow hedge is recognised in other comprehensive income until the hedged transaction occurs; any ineffective portion is recognised in the Consolidated income statement.

The amount in accumulated other comprehensive income is reclassified to income when the hedged transaction is recognised in the Consolidated income statement. Cost of hedging deferred in a separate reserve in equity is transferred to the Consolidated income statement only when the hedged transactions occurs.

Gains and losses on derivative contracts not qualifying or not designated as hedges are recognised in the Consolidated income statement.

Derecognition

The Group derecognises financial assets when: (i) the assets are redeemed or the rights to cash flows from the assets have otherwise expired; (ii) the Group has transferred the rights to the cash flows from the financial assets and transferred substantially all the risks and rewards of ownership of the assets; or (iii) the Group has neither transferred nor retained substantially all risks and rewards of ownership but has not retained control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Impairment

The Group assesses the expected credit losses associated with its financial assets carried at amortised cost. The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation. This judgement is based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventory is determined on a weighted average basis.

Cost includes all costs incurred in the normal course of business in bringing each product to its present location and condition. Cost for raw materials, consumable stores and other inventories is purchase price or extraction cost. Cost for work in progress and finished goods is the cost of production, including the appropriate proportion of depreciation and overheads based on normal operating capacity, but excluding borrowing costs. Net realisable value is based on estimated selling price in the ordinary course of business less any further costs expected to be incurred to completion and disposal.

Trade and other receivables

Trade and other receivables (other than provisionally priced receivables which are carried at fair value through profit or loss) are recognised initially at fair value and subsequently carried at amortised cost using the effective interest method less provision for impairment.

1. Principal accounting policies (continued)

The Group applies the simplified approach to providing for expected credit losses, which permits the use of the lifetime expected loss provision for all trade receivables. In calculating the expected credit loss rates for trade receivables, the Group considers historical loss rates for each category of counterparties, and adjusts for forward looking macroeconomic data. The accounts receivables have been divided in aging buckets and based on a historical analysis on defaults and recovery rates, a percentage for expected credit losses has been determined. The movement in the provision for impairment from the previous reporting period is recognised in the Consolidated income statement.

Subsequent recoveries of the amounts previously written off are credited against general and administrative expenses in the Consolidated income statement.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with maturities of three months or less. Balances restricted from being exchanged or used to settle a liability for at least 12 months after the balance sheet date are included in other financial non-current assets, while balances restricted for more than three months but less than 12 months after the balance sheet date are included in trade and other receivables. Restricted balances are excluded from cash and cash equivalents in the Consolidated cash flow statement.

Financial liabilities

Classification

The Group classifies its financial liabilities into the following measurement categories: financial liabilities at fair value through profit or loss and other financial liabilities measured at amortised cost. Management determines the classification of its financial liabilities at initial recognition.

Non-derivative financial liabilities

The Group measures non-derivative financial liabilities at amortised cost. The non-derivative financial liabilities (including borrowings) are initially recorded at fair value less any directly attributable transaction costs. Borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement.

Any difference between the proceeds net of transaction costs and the redemption value is recognised in the Consolidated income statement over the period of the borrowings using the effective interest method.

Where a loan is obtained at interest rates different from market rates, the loan is remeasured at origination to its fair value, which is calculated as future interest payments and principal repayments discounted at market interest rates for similar loans. The difference between the fair value of the loan at origination and its cost (fair value of the contribution to the borrower, net of transaction costs) represents an origination gain or loss. The origination gain or loss is recorded in the Consolidated income statement within finance income/cost unless it qualifies for recognition as an asset, liability or a charge to equity in accordance with the substance of the arrangement. Subsequently, the carrying amount of the borrowing is adjusted for amortisation of the origination gain or loss and the amortisation is recorded as finance income/cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

1. Principal accounting policies (continued)

Derivative financial liabilities

Derivative instruments are measured at fair value through profit or loss, and are held for trading or designated as cash flow hedges relating to highly probable forecast transactions.

Derivatives embedded within contracts that are not already required to be recognised at fair value, and that are not closely related to the host contract in terms of economic characteristics and risks, are separated from their host contract and recognised at fair value; associated gains and losses are recognised in the Consolidated income statement.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

Where there has been an exchange between an existing borrower and lender of debt instruments with substantially different terms, or there has been a substantial modification of the terms of an existing financial liability, this transaction is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. A gain or loss from extinguishment of the original financial liability is recognised in the Consolidated income statement. When an existing financial liability is replaced by another one from the same lender on not substantially different terms, or the terms of an existing liability are not substantially modified, such an exchange or modification is not treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Consolidated income statement.

Trade and other payables

Trade and other payables are accrued when the counterparty performs its obligations under the contract and are carried at amortised cost using the effective interest method.

Provisions for liabilities and charges

Provisions for liabilities and charges are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a part of finance cost.

Asset retirement obligations and other environmental provisions

An obligation to incur asset retirement costs occurs when environmental disturbance is caused by exploration, evaluation, development or ongoing production. Costs are estimated on the basis of a formal closure plan and are subject to a regular review. The estimates are based on Management's interpretation of compliance with current environmental legislation in the country of operation.

Asset retirement costs arising from the installation of a plant and other site preparation work, discounted to their net present value, are provided when the obligation to incur such costs arises and are capitalised into the cost of the related asset. These costs are charged to the Consolidated income statement through depreciation of the asset and unwinding of the discount on the provision.

1. Principal accounting policies (continued)

Depreciation is included in operating costs while the unwinding of the discount is included as a finance cost.

Changes in the measurement of a liability relating to the decommissioning or site rehabilitation of a plant and other site preparation work are added to, or deducted from, the cost of the related asset.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax from the proceeds.

Dividends are recognised as a liability and deducted from equity at the balance sheet date only if they have been approved before or on the balance sheet date. Dividends are disclosed when they have been proposed before the balance sheet date or when declared after the balance sheet date, but before the Consolidated financial statements are authorised for issue.

2. Critical accounting estimates and judgements in applying principal accounting policies

The Group makes judgements in the process of applying accounting policies. The Group also makes estimates and assumptions concerning the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates may differ from the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year and areas of judgements that have a significant effect on the amounts recognised in the Consolidated financial statements are discussed below.

Ore reserve estimates

Ore reserve estimates are calculated based on Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves of December 2012 (the 'JORC code') which requires the use of reasonable assumptions, including:

- future production estimates, including proved and probable reserves, resource estimates and committed expansions;
- expected future commodity prices based on current market prices, forward prices and the Group's assessment of the long-term average prices; and
- future cash costs of production, capital expenditure and rehabilitation obligations.

The Group's ore reserves are based on its best estimate of product that can be economically and legally extracted from the relevant mining properties. Estimates are developed after taking into account a range of factors including quantities, ore grades, production techniques and recovery rates, forecast commodity prices and production costs. Estimates are normally supported by drilling samples and geological studies by independent mining engineering consultants. Significant judgement is required to generate an estimate based on the geological data available.

Ore reserve estimates may change from period to period. This may impact the Group's financial results. Changes in these estimates may impact depreciation charges, impairment charges on individual assets and CGUs, and asset retirement obligation provisions.

2. Critical accounting estimates and judgements in applying principal accounting policies (continued)

Life of mines

Contracts for subsurface use expire between 2022 and 2050. The Group expects that the subsurface use contracts will be extended at nominal cost until the end of the lives of the related mines. Any changes in these assumptions may impact depreciation charges, impairment charges on individual assets and CGUs and asset retirement obligations, as these items have been measured using the assumption that the subsurface use contracts will be extended until the end of the mine life.

Going concern

Note 1 provides details of going concern assessment for the Group.

Asset retirement obligations

Provision is made for asset retirement obligations when the related environmental disturbance takes place. Decommissioning and rehabilitation expenditure is largely expected to take place at the end of the respective mine lives.

Provisions are measured using the net present value of the expected costs as outlined in notes 1 and 21 to the Consolidated financial statements.

The provision represents Management's best estimate of the costs that will be incurred based on legislative and regulatory requirements. Significant judgement is required as many of these costs will not crystallise until the end of the life of the mine.

Estimates are reviewed annually and based on Management's interpretation of compliance with current environmental legislation in the country of operation. Significant changes in environmental legislation, restoration techniques and estimates of contamination will result in changes to provisions from period to period.

The long-term inflation rates currently applied in the calculations are disclosed in note 21 being the estimates of the rate of inflation over the mine lives (2019: 2.1% - 5.4%). The discount rates currently applied in the calculation are disclosed in note 21 being the estimates of the risk-free, pre-tax interest rates for long-term government securities.

Impairment of assets

The Group considers, at least annually, the recoverability of all assets if there have been any indications of impairment.

Non-current assets

Note 1 outlines the Group's policy for impairment of long-term non-financial assets and goodwill. Significant judgement is used to determine the present value of cash flows used (including the estimated quantum and timing) in the Group's impairment models. Judgement is also employed in the assessment of the value of an asset or a group of assets prior to the receipt of a confirmed offer as well as for the estimation of future cash flows required to determine value in use.

The Group is currently capital constrained which limits its ability to develop its assets in the most effective manner and maximise their value. As a result, where impairment indicators have been identified, 2020 impairment reviews have been performed on the basis of fair value less costs of disposal taking into account of how a less capital constrained market participant would develop the assets held by the Group.

2. Critical accounting estimates and judgements in applying principal accounting policies (continued)

The valuations have been carried out using a combination of techniques (classified as level 3 under the fair value hierarchy).

The cash flow projections utilised in impairment models were based on the Group's long-term strategic plans. The long-term US inflation rate has been used as the assumed growth rate, which was applied for the years where no direct input was available. The price assumptions were based on internal management five year forecasts for commodity prices, which were then benchmarked with external sources of information to ensure that they were within the range of available analyst forecasts, as well as on forecasts by independent experts.

Key assumptions which formed the basis of forecasting future cash flows in the impairment models are:

- commodity prices, which are based on internal forecasts by the management of the Group's sales and marketing business as well as on forecasts by independent experts. The main sources for inputs into internal forecasts are Bloomberg, CRU, Wood Mackenzie, Platts and Metal Bulletin. These internal forecasts are comparable to the forecasts of industry market researchers;
- long-term costs are set in line with current operational performance, as adjusted for future inflation rates in countries of operation and, where applicable, the expected movements in key input costs;
- successful extraction, processing and sale of the reserves and resources in accordance with the quantities described in the report on Ore Reserves and Mineral Resources and companies' long-term mine plans;
- compliance with regulations in the area of licencing to ensure maintenance and retention of tenure and permits. The legal system and dispute resolution mechanisms in some countries may be uncertain so that we may be unable to enforce our understanding of our title, permits or other rights. Changes to the laws or their more stringent enforcement or restrictive interpretation could cause additional expenditure to be incurred or impose suspensions of licenses;
- a long-term US inflation rate average of 2.0% (2019: 1.9%) per annum and a long-term Kazakhstani inflation rate average of 5.9% (2019: 4.8%), in line with external forecasts;
- in determining the discount rate to be applied to the future cash flows, the Group used the post-tax Weighted Average Cost of Capital ('WACC'), adjusted for the country risk premium for each CGU accordingly. The rates used were in the range of 9.25% - 11.75% (2019: 8.00% - 12.00%); and
- KZT/US\$ long- term exchange rate used is KZT448/US\$ (2019: KZT390.00/US\$).

The impairment test for Eurasian Energy Corporation Power CGU was particularly sensitive to changes in electricity tariff. The Ministry of Energy of the Republic of Kazakhstan enacted new marginal tariffs for electricity in June 2020. For the purpose of the impairment test, the Group adjusted applicable regulatory electricity tariff to reflect strategic nature of the Group for the Republic of Kazakhstan. Whilst Management remains confident in the assumptions used in the recoverable amount computation, application of enacted electricity tariff without relevant adjustment to reflect strategic nature of the Group for the Republic of Kazakhstan would have resulted in an impairment equaling the carrying amount.

As a result of the annual impairment testing, Management do not believe that the carrying value of long-term non-financial assets was impaired at 31 December 2020.

2. Critical accounting estimates and judgements in applying principal accounting policies (continued)

Contingent liabilities

The Group exercises judgement in measuring and recognising the exposure to contingent liabilities related to pending litigation or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities (refer to note 27). Judgement is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the financial settlement. Because of the inherent uncertainty in this evaluation process, actual losses may be different from the originally estimated provision.

Taxation

The Group is subject to the taxation requirements in the jurisdictions in which the Group operates. Significant judgement is required in determining the position for income taxes across these jurisdictions owing to the complexity of tax laws, frequent changes in tax laws and regulations, and the manner of their implementation. Judgement must also be exercised whilst interpreting the interaction between different taxes and interaction between tax rules of different jurisdictions.

Tax provisions are recognised in accordance with tax laws enacted or substantively enacted by the tax authorities in the jurisdictions in which the Group operates, and in accordance with requirements of the applicable accounting standards.

Note 12 contains information on current period tax charges, prior period adjustments, current and deferred tax assets and liabilities including, where appropriate, provisions against uncertain tax positions.

Functional currency

Management exercised judgment in determining the functional currency of the Company (the ultimate holding company) and intermediate holding companies of the Group. The selection of the functional currency has an effect for the recognition or non-recognition of foreign exchange gains and losses on external and intra-group borrowings.

Based on the analysis performed, Management concluded that the US dollar ('US\$') is the functional currency of the Company and the intermediate holding companies of the Group. The Group developed an accounting policy for the determination of the functional currency of the ultimate holding company based on the company's own operations.

The Company does not perform operational activities, thus the analysis of the primary indicators is not applicable.

The analysis of the secondary indicators supported the conclusion that the US\$ is the functional currency of the Company as its share capital, intra-group liabilities, and investments are denominated predominantly in US\$ and the external financing provided to its non-autonomous operations is denominated predominantly in US\$. The functional currency of the intermediate holding companies of the Group was assessed based on the fact that none of them are autonomous, therefore Management has concluded that their functional currency is the same as the functional currency of the ultimate parent company, the US\$.

Long-term incentive plan

In 2017 the Company entered into a remuneration plan with some key management personnel.

2. Critical accounting estimates and judgements in applying principal accounting policies (continued)

As part of this remuneration plan, the Company granted long-term incentives that are conditional to some vesting conditions including the occurrence of a liquidity event (including the sale or partial sale of the Group), the payment of dividends above a limit or the achievement of other financial targets by the Group. These incentives had to be achieved before the end of 2019 with an option to extend until the end of 2021 (this extension took place on 27 November 2019, with a new agreed due date for the end of 2022 and an option to extend to the end of 2024).

If these incentives were to crystallise then amounts payable by the Company under these schemes may represent a material amount for the Company and the Group and will depend upon the amount of any proceeds arising from a sale or partial sale or other liquidity event. Determination of the liability depends on several assumptions, such as (i) the probability of occurrence of a triggering event and (ii) estimation of the payout. Management best estimation at 31 December 2020 is that none of the triggering events will occur within the time frames, as defined in the employment agreements, and therefore no liability or expense has been recognised in the annual accounts for this plan.

3. Divisional information

Management has determined the operating divisions based on the reports reviewed and used by the Board of Managers to make strategic decisions.

The divisional Underlying EBITDA (refer to note 28) includes items directly attributable to the operating division, as well as those that can be allocated on a reasonable basis.

The Group is organised on the basis of six (2019: six) operating divisions:

- Ferroalloys – comprises extraction and sale of chrome ore, as well as production and sale of ferrochrome and other ferroalloys;
- Iron Ore – comprises extraction of iron ore, production and sale of iron ore concentrate and pellets, and exploration and development of assets in Brazil;
- Alumina and Aluminium – comprises extraction of bauxite, as well as production and sale of alumina and aluminium;
- Other Non-ferrous – comprises extraction of cobalt and copper, production and sale of copper and cobalt products, and exploration and development of assets in Africa;
- Energy – comprises extraction and sale of coal, as well as production and sale of semi-coke and electricity; and
- Logistics – comprises provision of logistical services to Eurasian based Group operations as well as freight forwarding to third parties.

Internal charges between divisions have been reflected in the performance of each operating division. The Group has a number of activities that exist principally to support the metals operations, including power generation, coal mining and transportation. Inter-division transfers or transactions are performed under a cost-plus pricing structure. The revenue generated from third parties is measured in a manner consistent with that in the Consolidated income statement. The identified operating and reportable divisions of the Group are the same as those that applied to the Group's Annual Report and Accounts for the year ended 31 December 2019.

The disclosure of divisional information is not required by IFRS and is presented to provide readers of the Consolidated financial statements with additional information.

3. Divisional information (continued)

Year ended 31 December 2020 US\$ million	Ferroalloys Division	Iron Ore Division	Alumina and Aluminium Division	Other Non- ferrous Division	Energy Division	Logistics Division	Corporate	Intra Group Eliminations	Total
Revenue	1,617	1,241	720	1,494	253	31	-	-	5,356
Inter-division revenue	6	11	36	-	257	90	-	(400)	-
Divisional revenue	1,623	1,252	756	1,494	510	121	-	(400)	5,356
Divisional operating profit/(loss)	495	116	189	225	69	31	(245)	-	880
Finance income									355
Finance cost									(879)
Profit before income tax									356
Income tax expense									(268)
Profit for the year									88
Depreciation and amortisation	(153)	(114)	(61)	(294)	(97)	(13)	(14)	-	(746)
Unrealised loss on derivatives	-	(205)	-	(34)	-	-	-	-	(239)
Professional fees and other exceptional litigation costs	(5)	-	-	-	-	-	(81)	-	(86)
Costs related to COVID-19	(8)	(7)	(4)	(2)	(4)	-	(13)	-	(38)
Net operating foreign exchange (loss)/gain	(1)	15	7	(18)	(2)	-	(17)	-	(16)
Impairments	-	(3)	(1)	(5)	-	-	-	-	(9)
Restructuring costs	-	-	-	(6)	-	-	-	-	(6)
Loss from disposal of subsidiary	-	(2)	-	-	-	-	-	-	(2)
Other	-	(1)	-	-	-	-	-	-	(1)
Underlying EBITDA (note 28)	662	433	248	584	172	44	(120)	-	2,023
Average number of employees	19,764	17,402	13,428	3,473	8,113	804	3,614	-	66,598

Year ended 31 December 2019 US\$ million	Ferroalloys Division	Iron Ore Division	Alumina and Aluminium Division	Other Non- ferrous Division	Energy Division	Logistics Division	Corporate	Intra Group Eliminations	Total
Revenue	1,837	1,066	822	778	323	46	-	-	4,872
Inter-division revenue	10	11	24	-	265	100	-	(410)	-
Divisional revenue	1,847	1,077	846	778	588	146	-	(410)	4,872
Divisional operating profit/(loss)	567	266	189	(280)	126	47	(147)	-	768
Finance income									126
Finance cost									(611)
Profit before income tax									283
Income tax expense									(213)
Profit for the year									70
Depreciation and amortisation	(151)	(119)	(56)	(153)	(95)	(14)	(10)	-	(598)
Professional fees and other exceptional litigation costs	(4)	-	-	-	-	-	(56)	-	(60)
Restructuring costs	-	-	-	(45)	-	-	-	-	(45)
Net operating foreign exchange loss	(7)	(2)	(4)	(8)	(1)	-	(1)	-	(23)
Unrealised loss on derivatives	-	(5)	-	(3)	-	-	-	-	(8)
Impairments	-	1	(1)	(7)	-	-	-	-	(7)
Other	-	-	-	-	(29)	-	-	-	(29)
Underlying EBITDA (note 28)	729	391	250	(64)	251	61	(80)	-	1,538
Average number of employees	19,902	18,008	13,621	4,642	8,424	862	2,771	-	68,230

Revenue consists of sales of goods recognised at a point in time – 98% (2019: 97%). Revenue includes US\$134 million revenue from sources other than from contracts with customers (2019: US\$121 million charge).

4. Transactions and balances with related parties

Transactions incurred in the ordinary course of business with related parties in the years ended 31 December 2020 and 31 December 2019 were as follows:

US\$ million	Sales	Purchases	Net finance income
Class B Managers			
2020	1	(89)	6
2019	–	(96)	7
Other			
2020	–	(1)	–
2019	–	(4)	–

'Class B Managers' category is made of Class B Managers and all entities under their control. Purchases in 'Class B Managers' category include reimbursement of business travel costs to represent the Group and defence of reputation costs.

Outstanding balances with related parties at 31 December 2020 and 31 December 2019 were as follows:

US\$ million	Other financial assets	Trade and other receivables	Borrowings	Trade and other payables	Cash and cash equivalents
Class B Managers					
2020	27	5	(4)	(20)	391
2019	32	8	–	(69)	266
Other					
2020	–	–	(5)	(46)	–
2019	–	–	(11)	(49)	–

Tables above exclude transactions and balances with the DRC and the Republic of Kazakhstan Government. The details of transactions with the government bodies are presented below.

Class B Managers and all entities under their control are related parties of the Group as a result of Class B Managers' indirect interests in the ordinary shares of the Company. Class B Managers of the Company are Mr. Alexander Machkevitch, Mr. Alijan Ibragimov, and Mr. Patokh Chodiev.

Transactions and balances with Government

The Government of the Republic of Kazakhstan and related entities are related parties of the Group as a result of the Government's 40% shareholding in the Company. The Group has a number of transactions with the Government of the Republic of Kazakhstan and related entities, including but not limited to:

- social investment and donations amounted to US\$20 million in 2020 (2019: US\$98 million);
- services received in relation to transportation of electricity and energy and in relation to supply and transportation of fuel and oil-associated gas, national railway services and a variety of other services that amounted to US\$234 million in 2020 (2019: US\$202 million);
- taxation and similar payments (including royalties and mineral extraction taxes) in accordance with the tax legislation of the Republic of Kazakhstan; and
- loan agreements with the Development Bank of Kazakhstan (refer to note 20).

4. Transactions and balances with related parties (continued)

The DRC Government and related entities are related parties of the Group as a result of the Government's shareholding in the Group's certain subsidiaries. La Générale des Carrières et des Mines ('Gécamines'), the representative entity of the DRC Government, holds 25% interest in Swanmines SAS and 49% interest in Boss Mining SAS. The DRC Government holds 5% interest in both Frontier SA and Metalkol SA. The Group has a number of transactions with the DRC Government and related entities, including but not limited to services received in relation to supply of electricity, taxation and similar payments (including royalties) in accordance with the tax legislation of the DRC.

Acquisition

In March 2018, the Group acquired 93.9% interest in 3-Energoortalyk JSC from a vendor for cash consideration of US\$41 million. Subject to certain conditions, contingent consideration of US\$60 million could become payable during a four year period. During 2020, contingent consideration of approximately US\$59 million was paid to the vendor, US\$46 million was presented within cash flow from operating activities, and US\$13 million was presented within cash flow from investing activities.

The vendor is a related party of the Group as a result of Class B Managers being the controlling related party through indirect interests in that vendor. This acquisition strengthens the Group's integrated business model through securing a reliable and cost effective supply of electrical power, and enhances the Group's position as a low cost producer.

Key management compensation

Key management are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

Compensation for key management personnel (excluding the Managers of the Company) is set out in the table below:

US\$ million	Years ended 31 December	
	2020	2019
Salary and other short-term benefits	54	49
Long-term benefits	25	15
Total	79	64

Balances outstanding with key management arising from key management compensation and representing accrued but unpaid bonuses and amounts accrued under other long-term benefits were US\$67 million as at 31 December 2020 (2019: US\$80 million). US\$51 million amount was paid in respect of other long-term benefits for the year ended 31 December 2020 (2019: US\$10 million).

Board of Managers compensation

Compensation payable to the Managers of the Company is for services performed for the Group. No compensation was paid or payable to the Managers for the year ended 31 December 2020 (2019: US\$nil million).

Long-term incentive plan

For the year ended 31 December 2020 the amount of US\$nil was paid under the long-term incentive remuneration plan with certain key management personnel (2019: US\$ nil million).

5. Cost of sales

US\$ million	Years ended 31 December	
	2020	2019
Materials and components used	(943)	(1,052)
Depreciation and amortisation	(694)	(549)
Staff costs	(511)	(508)
Mineral extraction tax, royalties and other taxes	(263)	(200)
Mining services	(216)	(233)
Power and energy	(169)	(162)
Repairs and maintenance	(123)	(126)
Insurance	(42)	(42)
Transportation costs	(25)	(27)
Restructuring costs	(4)	(34)
Changes in inventories	(3)	62
Other	(118)	(124)
Total cost of sales	(3,111)	(2,995)

6. Distribution costs

US\$ million	Years ended 31 December	
	2020	2019
Transportation costs	(122)	(97)
Taxes and duties	(42)	(32)
Agency and commission fees	(21)	(19)
Other	(30)	(26)
Total distribution costs	(215)	(174)

7. General and administrative expenses

US\$ million	Years ended 31 December	
	2020	2019
Staff costs	(301)	(330)
Professional and other services	(138)	(188)
Sponsorship and donations	(56)	(114)
Depreciation and amortisation	(37)	(33)
Business travel	(26)	(39)
Taxes and duties	(20)	(12)
Restructuring costs	(3)	(10)
Allowance for receivables	2	28
Other	(72)	(102)
Total general and administrative expenses	(651)	(800)

Contributions to a number of different non-recurring individual social development infrastructure projects at the national level in Kazakhstan amounted to US\$41 million (2019: US\$88 million), and primarily related to healthcare, education, cultural and recreation projects.

8. Net other operating expense

US\$ million	Years ended 31 December	
	2020	2019
Foreign exchange gain	189	74
Realised gain on derivatives	27	71
Unrealised gain on derivatives	4	–
Other	75	85
Total other operating income	295	230
Unrealised loss on derivatives	(243)	(8)
Foreign exchange loss	(205)	(97)
Realised loss on derivatives	(179)	(81)
Depreciation and amortisation	(13)	(15)
Other	(135)	(129)
Total other operating expense	(775)	(330)
Total net other operating expense	(480)	(100)

Loss on derivatives resulted from increased commodity market prices (refer to note 25).

9. Employee benefit expense

US\$ million	Years ended 31 December	
	2020	2019
Wages and salaries	(770)	(835)
Compulsory social security costs	(55)	(55)
Income/(expense) related to employee benefit plans	2	(2)
Contributions to defined contribution plans	(3)	(2)
Total employee benefit expense	(826)	(894)

10. Finance income

US\$ million	Years ended 31 December	
	2020	2019
Gain on modification of borrowings	313	17
Foreign exchange gain	11	63
Interest income	7	14
Other	24	32
Total finance income	355	126

Gain on modification of borrowings resulted from revision of certain credit facility agreements (refer to note 20).

11. Finance cost

US\$ million	Years ended 31 December	
	2020	2019
Interest expense on borrowings	(577)	(537)
Foreign exchange losses	(283)	(15)
Unwinding of discount on financial instruments	(22)	(39)
Amortisation of arrangement fees on credit facilities	(9)	(6)
Unwinding of discount on asset retirement obligations	(8)	(9)
Accelerated unwinding of debt issue costs	(3)	(6)
Unwinding of discount on employee benefits obligations	(2)	(2)
Loss on borrowings	–	(72)
Other	(3)	(4)
	(907)	(690)
Less: amounts capitalised on qualifying assets	28	79
Total finance cost	(879)	(611)

Loss on borrowings resulted from revision of estimated future cash payments.

12. Income tax

US\$ million	Years ended 31 December	
	2020	2019
Current income tax expense	(290)	(306)
Deferred income tax credit	22	93
Total income tax expense	(268)	(213)

Statutory income tax rate is 20% in the Republic of Kazakhstan, where the majority of the Group's operations are located.

US\$ million	Years ended 31 December	
	2020	2019
Profit before income tax	356	283
Notional tax charge at 20%	(71)	(57)
Effect of tax rates in other jurisdictions	(28)	38
Net unrecognised tax losses	(125)	(142)
Non-deductible expenses	(22)	(40)
Prior period charges	(14)	(19)
Withholding tax	(12)	(15)
Other	4	22
Income tax expense	(268)	(213)

12. Income tax (continued)

US\$ million	Mineral rights	Accelerated capital allowances	Tax losses	Other	Total
At 1 January 2019	(1,163)	(281)	34	45	(1,365)
Additions on business combination	–	–	–	(2)	(2)
Credited to profit	9	10	59	15	93
Credited to other comprehensive expense	–	–	–	4	4
Exchange differences	7	–	(1)	(2)	4
At 31 December 2019	(1,147)	(271)	92	60	(1,266)
Credited/(charged) to profit	21	16	(30)	15	22
Credited to other comprehensive expense	–	–	–	6	6
Exchange differences	63	29	(2)	(8)	82
At 31 December 2020	(1,063)	(226)	60	73	(1,156)
Deferred tax asset					28
Deferred tax liability					(1,294)
At 31 December 2019					(1,266)
Deferred tax asset					58
Deferred tax liability					(1,214)
At 31 December 2020					(1,156)

US\$58 million deferred tax asset (2019: US\$28 million) has been recognised on a basis of future taxable profit forecasts.

Taxable temporary differences associated with investments in subsidiaries, for which deferred tax liability was not recognised amounted US\$1,158 million (2019: US\$1,362 million).

	31 December	
US\$ million	2020	2019
Unused tax losses - expiry within 10 years	520	473
Unused tax losses - no expiry	902	857
Deductible temporary differences	193	143
Total unrecognised deferred tax asset	1,615	1,473

13. Property, plant and equipment

US\$ million	Land	Buildings and mining assets	Mineral rights	Plant and equipment	Vehicles	Assets under construction	Total
Cost							
At 1 January 2019	42	2,118	4,803	2,650	786	2,402	12,801
Additions	–	74	10	131	49	886	1,150
Additions on business combination	1	3	–	8	–	–	12
Change in asset retirement costs (note 21)	–	(6)	–	7	–	–	1
Transfers	–	71	–	181	46	(298)	–
Net transfers from current assets	–	2	–	–	3	37	42
Disposals	–	(38)	–	(44)	(26)	(10)	(118)
Exchange differences	–	6	(18)	9	2	(3)	(4)
At 1 January 2020	43	2,230	4,795	2,942	860	3,014	13,884
Additions	1	17	–	55	28	427	528
Additions on business combination	–	3	–	1	–	–	4
Change in asset retirement costs (note 21)	–	(1)	–	–	–	–	(1)
Transfers	–	177	–	1,591	31	(1,799)	–
Net transfers from/(to) current assets	–	–	–	4	(2)	13	15
Disposals	(1)	(9)	–	(35)	(21)	(17)	(83)
Exchange differences	(5)	(141)	(264)	(208)	(75)	(150)	(843)
At 31 December 2020	38	2,276	4,531	4,350	821	1,488	13,504
Accumulated depreciation and impairment							
At 1 January 2019	–	(858)	(301)	(991)	(271)	(45)	(2,466)
Disposals	–	37	–	42	24	3	106
Depreciation charge	–	(146)	(56)	(286)	(98)	–	(586)
Transfers	–	(6)	–	6	–	–	–
Impairment charge	–	–	(6)	–	–	(1)	(7)
Exchange differences	–	(3)	(1)	(3)	(1)	–	(8)
At 1 January 2020	–	(976)	(364)	(1,232)	(346)	(43)	(2,961)
Disposals	–	5	–	32	20	12	69
Depreciation charge	–	(150)	(70)	(440)	(82)	–	(742)
Transfers	–	(23)	–	(2)	1	24	–
Impairment charge	–	(1)	–	(3)	–	(5)	(9)
Exchange differences	–	45	18	93	28	3	187
At 31 December 2020	–	(1,100)	(416)	(1,552)	(379)	(9)	(3,456)
Carrying value							
At 31 December 2019	43	1,254	4,431	1,710	514	2,971	10,923
At 31 December 2020	38	1,176	4,115	2,798	442	1,479	10,048

13. Property, plant and equipment (continued)

Additions to assets under construction included US\$28 million of capitalised borrowing costs (2019: US\$79 million). The average capitalisation rate was 6% (2019: 6%). Carrying value of right of use assets was US\$161 million at 31 December 2020 (2019: US\$175 million).

Significant transfer to plant and equipment resulted from completion of Metalkol RTR Project Phase 1.

During the year impairment of US\$149 million related to an operating production facility within Other Non-ferrous division was recognised as a result of temporary adverse change of commodity prices and country risk factors. This impairment was subsequently reversed due to improvement of both factors.

Capital expenditure commitments at 31 December 2020 amounted US\$223 million (2019: US\$174 million).

14. Intangible assets

US\$ million	Internally generated	Goodwill	Other	Total
At 1 January 2019	38	83	22	143
Additions on business combination	—	2	10	12
Additions	—	—	14	14
Amortisation	(13)	—	(9)	(22)
Exchange differences	—	1	—	1
At 31 December 2019	25	86	37	148
Additions	16	—	6	22
Amortisation	(13)	—	(7)	(20)
Exchange differences	(2)	(7)	(4)	(13)
At 31 December 2020	26	79	32	137

Goodwill of US\$37 million, US\$28 million, and US\$12 million is attributed to iron ore, ferroalloys, and alumina and aluminium divisions, respectively (2019: US\$41 million, US\$30 million, and US\$13 million, respectively).

15. Inventories

US\$ million	31 December	
	2020	2019
Consumable stores	339	300
Finished goods	218	273
Work-in-progress	194	160
Raw materials	181	200
Other	147	170
Less write-down for obsolete and slow-moving inventory	(107)	(126)
Total inventories	972	977

Inventory reversal of US\$6 million (2019: write-down of US\$17 million) is recognised within cost of sales, and inventory write-down of US\$5 million (2019: US\$2 million) is recognised within other operating expense.

16. Trade and other receivables

US\$ million	31 December	
	2020	2019
Trade receivables	300	200
Trade receivables provisionally priced	193	156
Other receivables	33	34
Deferred consideration	–	7
Other	21	34
Loss allowance	(15)	(15)
Total financial assets	532	416
Other taxes	268	228
Advances to suppliers	86	51
Prepaid expenses	48	29
Income tax receivable	13	28
Impairment	(5)	(2)
Total non-financial assets	410	334
Total trade and other receivables	942	750

Loss allowance of trade and other receivables at amortised cost:

US\$ million	31 December					
	2020			2019		
	Gross	Loss allowance	Net	Gross	Loss allowance	Net
Current and not past due	268	(3)	265	171	–	171
Within 3 months overdue	65	(5)	60	68	(9)	59
3 to 6 months overdue	3	–	3	5	–	5
6 to 12 months overdue	6	–	6	4	–	4
Over 12 months overdue	8	(3)	5	9	(3)	6
Individually impaired	4	(4)	–	3	(3)	–
Total trade and other receivables at amortised cost	354	(15)	339	260	(15)	245

Movements of loss allowance for trade and other receivables at amortised cost:

US\$ million	2020	2019
At 1 January	15	9
Charged	11	10
Amounts determined as uncollectable reversed/(written off)	1	(3)
Unused amounts reversed	(10)	(1)
Exchange differences	(2)	–
At 31 December	15	15

17. Cash and cash equivalents

US\$ million	31 December	
	2020	2019
Cash at bank and on hand	579	191
Short-term deposits	86	281
Total cash and cash equivalents	665	472
Bank overdrafts	(2)	(23)
Net cash and cash equivalents	663	449

18. Cash generated from operating activities

US\$ million	note	Years ended 31 December	
		2020	2019
Cash flow from operating activities			
Profit before income tax		356	283
Adjustments for:			
Depreciation and amortisation		746	598
Impairments		9	7
Allowance for receivables		(2)	(28)
Write-down of inventories		(1)	19
Net finance cost	10, 11	524	485
Net operating foreign exchange loss		15	23
Other		5	2
		1,652	1,389
Changes in inventories		(55)	(158)
Changes in trade and other receivables		(264)	25
Changes in trade and other payables		176	104
Changes in asset retirement obligations		(3)	(16)
Changes in employee benefit obligations		(2)	(4)
Changes in other taxes payable		70	(21)
Cash generated from operating activities		1,574	1,319

19. Capital and dividend

	Par value of each share	Number (issued and fully paid)	Ordinary shares US\$'000
At 31 December 2020	\$1	77,500	78
At 31 December 2019	\$1	77,500	78

Capital reserve is a capital contribution by the shareholders of the Company.

Fully paid ordinary shares carry one vote per share and carry the right to dividends as declared from time to time. No dividend was declared (2019: US\$nil million).

20. Borrowings

US\$ million	31 December	
	2020	2019
Non-current		
Bank borrowings	7,132	7,394
Lease	117	160
Term borrowings	12	11
Total third party	7,261	7,565
Bank borrowings	436	478
Lease	17	15
Total related party	453	493
Total non-current	7,714	8,058
Current		
Bank borrowings	491	399
Lease	50	44
Bank overdrafts	2	23
Total third party	543	466
Bank borrowings	123	114
Lease	3	4
Total related party	126	118
Total current	669	584
Total	8,383	8,642

20. Borrowings (continued)

US\$ million	currency	maturity	interest rate	31 December	
				2020	2019
Non-current					
Bank borrowings	US\$	2025	5.60% - 6.50%	3,469	3,633
Bank borrowings	US\$	2028-2030	5.10%	3,120	3,275
Bank borrowings	EUR	2024	5.80%	355	391
Bank borrowings	US\$	2022	6.00%	95	95
Bank borrowings	US\$	2026	6.75%	93	—
Lease	KZT	2022-2028	2.00% - 10.00%	84	120
Lease	US\$	2024	7.50%	33	40
Term borrowings	US\$	n/a	n/a	12	11
Total third party				7,261	7,565
Bank borrowings	US\$	2026	6.30% - 6.72%	312	324
Bank borrowings	US\$	2025	4.00%	124	154
Lease	KZT	2022-2067	n/a	17	15
Total related party				453	493
Total non-current				7,714	8,058
Current					
Bank borrowings	US\$	2025	5.60% - 6.50%	254	271
Bank borrowings	US\$	2028-2030	5.10%	151	58
Bank borrowings	EUR	2024	5.80%	75	69
Lease	KZT	2021-2028	2.00% - 10.00%	41	36
Bank borrowings	US\$	2026	6.75%	10	—
Lease	US\$	2024	7.50%	8	8
Bank overdrafts	US\$	2021	9.00%	2	23
Bank borrowings	US\$	2022	6.00%	1	1
Lease	KZT	2021 - 2024	n/a	1	—
Total third party				543	466
Bank borrowings	US\$	2021	6.50%	70	70
Bank borrowings	US\$	2025	4.00%	33	34
Bank borrowings	US\$	2026	6.30% - 6.72%	20	10
Lease	KZT	2021-2067	n/a	3	4
Total related party				126	118
Total current				669	584
Total				8,383	8,642

20. Borrowings (continued)

During the year, the Group signed amendments to the existing credit facility agreement with VTB Bank (PJSC) to receive additional loans in the aggregate amount of up to US\$350 million, extend the final maturity date by 7 years, reduce the interest rate by 0.85%-1.20% per annum, and improve certain other commercial terms, including financial covenants. As at 31 December 2020, US\$100 million was drawn down from this facility, and assigned from VTB Bank (PJSC) to CQUR Bank LLC, another lender under the credit facility agreement.

The Group also signed an amendment to the existing prepayment facility agreement with VTB Commodities Trading DAC, Dublin, Zug Branch and other affiliates of VTB Bank (PJSC), for additional tranches in the aggregate amount of up to US\$250 million with an interest rate within the existing range in the Group's debt portfolio, and repayable in full in six years. As at 31 December 2020, US\$110 million of the facility was drawn down.

The Group signed amendments to the existing credit facility agreements with Sberbank of Russia which modify principal repayment schedules by deferring certain payments to later periods within the existing maturity, reduce interest rates by 0.65% per annum, and improve certain other commercial terms, including financial covenants.

In 2019, the Group signed amendments to the existing credit facility agreements with the aim to receive additional tranches and to improve certain commercial terms. US\$941 million was drawn down. US\$488 million outstanding balance of promissory notes and related costs, US\$153 million under the copper sales and pre-financing agreement, and US\$50 million under the offtake and prepayment agreement were repaid. US\$1,288 million of existing debt was assigned from VTB Bank (PJSC) and its subsidiary to CQUR Bank LLC and US\$1,700 million of existing debt was assigned from VTB Bank (PJSC) to RCB Bank Limited.

US\$ million	Carrying values		Fair values	
	2020	2019	2020	2019
Bank borrowings	8,182	8,385	8,401	8,431
Term borrowings	12	11	12	11
Bank overdrafts	2	23	2	23
Total	8,196	8,419	8,415	8,465

US\$ million	2020	2019
At 1 January	(8,642)	(8,356)
Cash movements	594	519
Fair value movements	1	3
Other non-cash movements	(306)	(813)
Exchange (losses)/gains	(30)	5
At 31 December	(8,383)	(8,642)

Other non-cash movements include primarily interest expense and gain on modification.

The Group's credit facility agreements include a number of financial and non-financial covenants. The Group complied with applicable covenants at 31 December 2020 and 31 December 2019.

At 31 December 2020, the Group had US\$300 million of undrawn committed facilities (2019: US\$84 million) and US\$50 million of undrawn uncommitted facilities (2019: US\$nil million).

21. Asset retirement obligations

The Group has a legal obligation to complete landfill site restoration during mining operations and decommission its mining property after closure. The timing of decommissioning activity is subject to reassessment at the same time as the revision of the Group's proved and probable reserves.

US\$ million	31 December	
	2020	2019
Current provision for asset retirement obligations	4	5
Non-current provision for asset retirement obligations	92	95
Total provision for asset retirement obligations	96	100

Movements in asset retirement obligations are as follows:

US\$ million	Asset decommissioning costs	Site restoration and re-vegetation	Total
At 1 January 2019	35	72	107
Capitalisation	4	(3)	1
Production costs	(8)	(3)	(11)
Unwinding of discount	4	5	9
Utilisation	—	(6)	(6)
At 1 January 2020	35	65	100
Capitalisation	(1)	3	2
Production costs	(2)	(3)	(5)
Unwinding of discount	3	5	8
Utilisation	(1)	(1)	(2)
Exchange differences	(1)	(6)	(7)
At 31 December 2020	33	63	96

In accordance with its subsurface use contracts, the Group makes annual obligatory contributions to a deposit fund for the closure costs which will take effect upon exhaustion of the mineral deposits at the end of the respective mine lives.

The amount of the provision for asset retirement obligations is determined using the nominal prices effective at the reporting date and applying the forecasted rate of inflation for the expected period of the life of the mines. Uncertainties in estimating these costs include potential changes in regulatory requirements, decommissioning and reclamation alternatives, and the level of discount and inflation rates.

Principal assumptions made in the calculations of asset retirement obligations are presented below:

	31 December			
	2020		2019	
	Kazakhstani entities	African entities	Kazakhstani entities	African entities
Discount rate	6.0% - 11.0%	8.0% - 13.0%	8.7% - 10.4%	8.0% - 15.0%
Inflation rate	5.3% - 6.8%	1.2% - 5.0%	4.8% - 5.4%	2.1% - 5.0%

22. Employee benefit obligations

Defined benefit obligations relate to lump sum payments upon retirement and other payments to pensioners. Movements in the present value of defined benefit obligations are as follows:

US\$ million	2020	2019
Present value at 1 January	22	29
Interest cost	1	1
Benefits paid	(2)	(8)
Current service cost	(1)	1
Past service cost	3	1
Actuarial losses arising from changes in demographic assumptions	–	1
Actuarial gain arising from changes in financial assumptions	(2)	–
Reclassifications	(4)	(3)
Exchange differences	(1)	–
Present value at 31 December	16	22

The weighted average maturity of defined benefit obligations is 24 years (2019: 25 years).

Other actuarial employee benefit obligations relate to non-pensioners and include lump sum payments for anniversaries, injuries and other financial aid. Movements in the present value of other actuarial employee benefit obligations are as follows:

US\$ million	2020	2019
Present value at 1 January	15	14
Interest cost	1	1
Past service cost	1	–
Benefits paid	–	(1)
Actuarial (gain)/loss	(2)	1
Reclassification	(2)	–
Exchange differences	(1)	–
Present value at 31 December	12	15

The current service cost, past service cost and actuarial gains for the year ended 31 December 2020 are recognised in cost of sales and general and administrative expenses in the amount of US\$nil million (2019: US\$2 million) and US\$3 million (2019: US\$nil million), respectively, refer to note 9.

Principal actuarial assumptions used at the balance sheet date are as follows:

	31 December			
	2020		2019	
	Defined benefit obligations	Other actuarial employee benefit obligations	Defined benefit obligations	Other actuarial employee benefit obligations
Discount rate	9.4%	10.0%	8.2%	8.3%
Future salary increase	5.8%	6.2%	6.7%	7.8%
Average labour turnover rate of production personnel	7.0%	7.8%	6.5%	6.9%
Average labour turnover rate of administrative personnel	6.0%	6.3%	7.6%	9.1%

22. Employee benefit obligations (continued)

Assumptions regarding future mortality are based upon advice in accordance with published statistics and experience.

The future average life expectancy in years of a pensioner retiring at age 65, is as follows:

		31 December			
		2020		2019	
		Defined benefit obligations	Other actuarial employee benefit obligations	Defined benefit obligations	Other actuarial employee benefit obligations
On the balance sheet date	Male	15	12	13	13
	Female	16	16	14	17
20 years after the balance sheet date	Male	14	11	13	13
	Female	15	14	15	16

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

		31 December 2020		
		Impact on defined benefit obligation		
	Change in assumptions	Increase in assumptions	Decrease in assumptions	
Discount rate	3.0%	Decrease by 17.33%	Increase by 22.49%	
Salary growth rate/minimum calculation index	3.0%	Increase by 22.55%	Decrease by 17.81%	
Average labour turnover	3.0%	Decrease by 17.05%	Increase by 22.03%	

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the Consolidated balance sheet.

23. Other non-current liabilities

In 2018, Metalkol SA (the 'Employer') and China Nonferrous Metal Industry's Foreign Engineering and Construction Co. Ltd and NFC Development (DRC) Company Limited S.a r.l. (together, the 'Contractor') entered into and the Contractor commenced the works under an engineering, procurement and construction contract for the construction of phase 2 of Metalkol RTR Project to increase the copper and cobalt production of RTR project (RTR Phase 2 EPC).

Up to 31 December 2020, the value of the works conducted under the RTR Phase 2 EPC by the Contractor is estimated to amount US\$159 million (2019: US\$147 million), of which US\$119 million is recognised within trade and other payables (2019: US\$nil million), and US\$40 million is recognised within other non-current liabilities (2019: US\$147 million). Subject to the RTR Phase 2 EPC, such amount is to be paid to the Contractor by the Employer under a deferred cash payment mechanism that is subject to and payable after completion of relevant construction works.

23. Other non-current liabilities (continued)

The cash advance payment made by the Employer to the Contractor under the RTR Phase 2 EPC contract amounts US\$47 million. Estimated liability incurred by the Employer toward the Contractor after set-off with the cash advance payment made to the Contractor amounts US\$112 million liability at 31 December 2020 (2019: US\$100 million liability).

24. Trade and other payables

US\$ million	31 December	
	2020	2019
Trade payables	492	519
Derivatives	291	8
Other	60	62
Total financial liabilities	843	589
Accruals relating to employee entitlements	165	170
Advances received from customers	33	21
Asset retirement obligations	4	5
Other	137	85
Total non-financial liabilities	339	281
Total trade and other payables	1,182	870

25. Financial and capital risks management

The Group's activities expose it to a variety of financial risks. Responsibility for management of these risks is allocated between the treasury (foreign exchange risk, credit risk, capital risk, liquidity risk), corporate finance (interest rate risk) and Sales and Operations planning (commodity price risk) teams, depending on the process ownership and skills required to manage the risk effectively.

Credit risk

Credit risk of the majority of Group sales is covered by letters of credit or cash prepayments against documents. The credit terms are subject to internal policy to ensure credit limits are within the policy. In 2020 counterparty Credit Risk Management Policy (on managing credit risk arising from granting trade credit to the customers of the Group) was developed and implemented, that sets goals, principles and rules of establishing management process for credit risk arising from granting trade credit by the Group to the customers of Group's products/services. For all key Group buyers credit limits were defined in order to ensure Group credit risk exposure is aligned with approved risk appetite level.

The Group's policy is to invest surplus funds with relationship banks and highly rated banks and highly rated liquidity funds. When placing investments and deposits the Group assigns individual counterparty exposure limits based on published credit ratings or an internal credit assessment. Monitoring of these counterparties is carried out on a regular basis to ensure all credit exposures are quantified, and when required, appropriate actions are taken to reduce risk. In some areas where the Group operates it is necessary to deal with counterparties that do not necessarily meet the credit requirements of the Group. These cases are managed in accordance with the Group's Financing and Treasury policy, including setting of individual credit limits.

The Group placed cash and deposits to financial institutions with credit ratings ranging from A+ to BBB- and from BB+ and lower/unrated in the amount of US\$28 million (2019: US\$73 million) and US\$637 million at 31 December 2020 (2019: US\$399 million), respectively.

25. Financial and capital risks management (continued)

The Group has established relationships with a number of international and domestic banks in the areas, where the Group operates.

US\$ million	note	31 December	
		2020	2019
Cash and cash equivalents	17	665	472
Trade and other receivables	16	532	416
Other financial assets		116	72
Total maximum credit risk exposure		1,313	960

The maximum uncollateralised exposure to credit risk for cash and cash equivalents, trade and other receivables and other financial assets by geographic region is as follows:

US\$ million	31 December 2020			
	Cash and cash equivalents	Trade and other receivables	Other financial assets	Total
Eurasia	520	175	54	749
Europe and Middle East	65	83	47	195
Africa	72	57	11	140
Asia Pacific	1	204	–	205
Rest of the World	7	13	4	24
Total	665	532	116	1,313

US\$ million	31 December 2019			
	Cash and cash equivalents	Trade and other receivables	Other financial assets	Total
Eurasia	357	191	58	606
Europe and Middle East	91	33	–	124
Africa	17	50	14	81
Asia Pacific	2	133	–	135
Rest of the World	5	9	–	14
Total	472	416	72	960

Top 10 customers as a proportion of the outstanding balance of trade receivables amounted 81% (2019: 79%).

Liquidity risk

The Group's principal sources of liquidity are cash generated from operations and corporate credit lines. Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Fluctuations in commodity prices and overall economic uncertainty may have an adverse impact on forecasted cash flows as well as the ability to access capital at reasonable pricing. The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. This is achieved by close monitoring of the Group's key financial resilience indicators and producing regular cash forecasts as well as securing adequate cash reserves or bank facilities for meeting future liabilities. Liquidity risk is currently identified at all levels (regional and Group) and measured through various term forecast and stress scenario forecasts. The Group's going concern status is discussed in note 1.

25. Financial and capital risks management (continued)

The following tables summarise the Group's financial assets and liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows, translated at balance sheet date exchange rates.

Non-derivative financial assets and liabilities

31 December 2020									
US\$ million	note	Carrying value	Contractual cash flows	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	After 5 years
Borrowings	20	(8,383)	(11,282)	(1,185)	(1,281)	(1,051)	(1,295)	(2,861)	(3,609)
Trade and other payables	24	(552)	(552)	(552)	—	—	—	—	—
Other non-current liabilities		(64)	(61)	(35)	(18)	(3)	(1)	(1)	(3)
Cash and cash equivalents	17	665	665	665	—	—	—	—	—
Trade and other receivables	16	532	532	532	—	—	—	—	—
Other financial assets		9	10	—	3	2	1	1	3
Net position		(7,793)	(10,688)	(575)	(1,296)	(1,052)	(1,295)	(2,861)	(3,609)

31 December 2019									
US\$ million	note	Carrying value	Contractual cash flows	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	After 5 years
Borrowings	20	(8,642)	(11,005)	(1,134)	(1,057)	(1,314)	(3,810)	(1,092)	(2,598)
Trade and other payables	24	(581)	(581)	(581)	—	—	—	—	—
Other non-current liabilities		(212)	(224)	—	(154)	(65)	(1)	—	(4)
Cash and cash equivalents	17	472	472	472	—	—	—	—	—
Trade and other receivables	16	401	401	401	—	—	—	—	—
Other financial assets		15	19	—	3	4	1	2	9
Net position		(8,547)	(10,918)	(842)	(1,208)	(1,375)	(3,810)	(1,090)	(2,593)

Derivative financial assets and liabilities

31 December 2020						31 December 2019				
In millions of US\$	Carrying value	Contractual cash flows	Less than 1 year	1-2 years	2-3 years	Carrying value	Contractual cash flows	Less than 1 year	1-2 years	2-3 years
Commodity derivatives	(302)	—	—	—	—	8	—	—	—	—
Outflow	—	(302)	(290)	(11)	(1)	—	(6)	(5)	—	(1)
Inflow	—	—	—	—	—	—	15	13	2	—
Net position	(302)	(302)	(290)	(11)	(1)	8	9	8	2	(1)

Foreign exchange risk

The majority of the Group's production costs are denominated in Kazakhstani tenge (KZT) and US dollars (US\$) while the majority of sales are denominated in US\$. The Group is therefore exposed to the risk that movements in exchange rates will affect both its operating profit and cash flows.

The Group's foreign currency exposure arises from:

- highly probable forecast transactions (sales/purchases) denominated in foreign currencies; and
- monetary items (mainly intercompany receivables, payables and borrowings) denominated in foreign currencies.

25. Financial and capital risks management (continued)

Foreign exchange exposures are regularly reported and reviewed for any mitigating action that may be required.

The table below summarises the foreign currency exposure on the net monetary position of each Group entity against its respective functional currency, expressed in the Group's presentation currency.

US\$ million	KZT	US\$	RUB	EUR	GBP	ZAR	Other
31 December 2020							
Kazakhstani entities (KZT)	n/a	(1,033)	(60)	(195)	–	–	3
Marketing and holding entities (US\$)	–	n/a	(22)	(270)	124	4	132
Marketing Russian entities (RUB)	–	5	n/a	–	–	–	–
UK management entities (GBP)	–	(47)	–	–	n/a	–	–
African entities (primarily US\$) ¹	–	(540)	–	8	(66)	(11)	31
Brazilian entities (BRL)	–	(387)	–	–	–	–	–
Net monetary (liability)/asset position	–	(2,002)	(82)	(457)	58	(7)	166
31 December 2019							
Kazakhstani entities (KZT)	n/a	(1,556)	(86)	(254)	–	–	1
Marketing and holding entities (US\$)	–	n/a	(16)	(236)	62	4	(1)
Marketing Russian entities (RUB)	–	6	n/a	–	–	–	–
UK management entities (GBP)	–	(9)	–	–	n/a	–	–
African entities (primarily US\$) ¹	–	(433)	–	6	(47)	(8)	31
Brazilian entities (BRL)	–	(371)	–	–	–	–	–
Net monetary (liability)/asset position	–	(2,363)	(102)	(484)	15	(4)	31

¹ US\$ balances for African entities represent US\$ balances in non-US\$ functional currency entities.

Intercompany balances are included to fully reflect the Group's exposure to foreign currency risk. The principal exchange rates are presented in note 1.

As at 31 December 2020, based on the net monetary position as set out in the previous table, the sensitivity to a reasonable possible change in the US dollar exchange rate of the Group's profit before tax is as follows: if the US dollar had strengthened/weakened by 20% against Kazakhstani tenge with all other variables held constant, the recalculated profit before tax for the year would have been US\$258 million higher and US\$172 million lower (2019: US\$389 million higher and US\$259 million lower based on 20%), mainly as a result of foreign exchange gains/losses on translation of US dollar/Kazakhstani tenge denominated cash and cash equivalents, trade receivables and loans receivable, and foreign exchange losses/gains on translation of US dollar/Kazakhstani tenge denominated trade payables and borrowings.

The Group does not consider the sensitivity to a reasonable possible change in the US dollar exchange rate (15%) against RUB and (5%) against EUR, GBP, ZAR, BRL and other currencies to be significant.

Interest rate risk

For interest rate risk the Group measures and monitors the risk using sensitivity analysis. The Group has financial assets and liabilities which are exposed to changes in market interest rates. These assets and liabilities are exposed to fair value interest rate risk or cash flow interest rate risk depending on whether they are subject to fixed or floating rates of interest.

25. Financial and capital risks management (continued)

The Group's policy is to maintain a balance between fixed and floating interest rates on long-term borrowings to prevent the debt portfolio being over exposed to interest rate movements. However, during 2020 the interest rate on the long-term debt portfolio was predominately fixed to provide certainty of interest costs.

The Group's significant interest bearing assets and liabilities are as follows:

US\$ million	31 December 2020		31 December 2019	
	Fixed rate	Floating rate	Fixed rate	Floating rate
Cash and cash equivalents	85	1	283	3
Trade and other receivables	56	1	5	–
Other financial assets	24	–	37	1
Borrowings	(8,350)	–	(8,612)	–
Net position	(8,185)	2	(8,287)	4
Effect of 1% increase in interest rates on profit before income tax	n/a	–	n/a	–

All other financial assets and liabilities are non-interest bearing.

All the Group's interest-bearing assets and liabilities are fixed-rate and measured at amortised cost, so not sensitive to interest rate movements.

The impact on equity is the same as the impact on income. This analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

Commodity price risk

The results of our sensitivity analysis to commodity price risk are mainly impacted by our use of swap instruments to manage the risk of these commodity prices. Where hedge accounting is adopted this sensitivity is reported below as an impact in the income statement or otherwise in equity.

To mitigate commodity price risk, the Group proactively manages price fluctuations for commodities, including monitoring changes in macroeconomic factors, price indices, benchmarks.

The Group's commodity derivatives and trade receivables provisionally priced are exposed to the risk of fluctuations in prevailing market commodity prices.

Sensitivity on open commodity derivative contracts at 31 December 2020

A ten percent increase in aluminum market prices would decrease profit before tax by US\$nil million (2019: US\$nil million), and would decrease equity by US\$30 million (2019: US\$13 million decrease), and a ten percent decrease in prices would increase profit before tax by US\$nil million (2019: US\$nil million) and would increase equity by US\$26 million (2019: US\$17 million increase).

A ten percent increase in iron ore market prices would decrease profit before tax by US\$80 million (2019: US\$10 million) and a ten percent decrease in prices would increase profit before tax by US\$80 million (2019: US\$10 million), with no additional impact on equity.

A ten percent increase in copper market prices would decrease profit before tax by US\$39 million and a ten percent decrease in prices would increase profit before tax by US\$43 million, with no additional impact on equity.

25. Financial and capital risks management (continued)

Sensitivity on trade receivables provisionally priced at 31 December 2020

A ten percent increase in ferroalloys market prices would increase profit before tax by US\$34 million (2019: US\$27 million) and a ten percent decrease in prices would decrease profit before tax by US\$34 million (2019: US\$27 million), with no additional impact on equity.

This analysis assumes that all other variables remain constant.

Capital risk management

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

In order to achieve this overall objective, the Group's capital management, among other things, aims to ensure compliance with financial covenants attached to its interest-bearing borrowings that form part of its capital structure (refer to 'Going concern basis' in note 1).

The key financial ratios monitored for covenant compliance are:

- net debt to EBITDA;
- EBITDA to finance charges;
- net debt to equity.

The Group considers the following balances as a part of its capital management:

US\$ million	note	31 December	
		2020	2019
Borrowings	20	8,383	8,642
Capital reserve		3,159	3,159
Reserves		(1,398)	(1,085)
Total capital		10,144	10,716

The Group manages its capital structure in light of changes in economic conditions and compliance with financial covenants. In order to maintain or adjust the capital structure, the Group may adjust the amount of returned capital to shareholders, issue new shares or sell assets to manage its debt level. The Group currently has credit ratings of B2 with a negative outlook with Moody's (2019: B2 with a stable outlook) and B-/B with a stable outlook with Standard & Poor's (2019: B-/B with a negative outlook).

Fair value of financial instruments

Fair values of derivatives, embedded derivatives, and provisionally priced trade receivables are level 2 measurements derived from standard option pricing models, discounted cash flows models using quoted prices, such as forward commodity prices and US dollar swap curves, based on observable market activity.

Fair values of financial instruments carried at amortised cost are derived from expected cash flows discounted at prevailing interest rates for new instruments with similar credit risks and maturities. Fair value of borrowings excluding leases is level 2 measurement and amounts US\$8,427 million (2019: US\$8,465 million). Fair values of other financial assets and liabilities carried at amortised cost approximate their carrying values.

26. Auditor's remuneration

The Group obtained services from the Company's external auditor as detailed below:

US\$ million	Years ended 31 December	
	2020	2019
Fees payable to the Company's auditor for the audit of the Company and Consolidated financial statements	2.0	2.0
Audit of the Company's subsidiaries	4.0	4.0
Other assurance services	1.0	1.0
Total	7.0	7.0

27. Contingencies

Regulatory matters

Between 2011 and 2013, ENRC was engaged in an internal investigation into certain matters, including allegations concerning its African and Kazakhstan businesses. Throughout that period, ENRC voluntarily provided the Serious Fraud Office ('SFO') with a considerable volume of information resulting from this investigation. In late April 2013, the SFO decided to open a formal investigation into ENRC. The SFO has confirmed that it is 'not at present actively investigating' the Company's operations in Kazakhstan. ENRC has provided a further substantial volume of documentation to the SFO, both voluntarily and in response to formal statutory requests. To date, the SFO has not indicated to ENRC the precise scope of their investigation. However, the SFO has commenced formal interviews with individual suspects. ENRC is not privy to the SFO's intended timeline for the investigation and has no visibility on whether the investigation will be resolved before the end of 2021. ENRC is represented by specialist external counsel.

Tax audits and assessments

As at 31 December 2020, the Group had uncertainties in respect of the application and interpretation of the tax laws. The Group believes that additional tax assessment by tax authorities in relation to these contingent exposures is not probable. Therefore, no material provisions were recorded in these Consolidated financial statements.

The Group is routinely subject to tax audits by the Kazakhstan and African tax authorities. The outcome of these audits and assessments is uncertain. However, the Group believes that the final outcome of any audit pending assessment is not likely to have any material impact on these Consolidated financial statements.

28. Reconciliation of non-GAAP measure

Underlying EBITDA

US\$ million	note	Years ended 31 December	
		2020	2019
Profit for the year		88	70
Adjustments for:			
Finance cost	11	879	611
Depreciation and amortisation		746	598
Income tax expense	12	268	213
Unrealised loss on derivatives	8	239	8
Professional fees and other exceptional litigation costs		86	60
Costs related to COVID-19		38	–
Net operating foreign exchange loss	8	16	23
Impairments		9	7
Restructuring costs		6	45
Loss from disposal of subsidiary		2	–
Finance income	10	(355)	(126)
Other		1	29
Underlying EBITDA		2,023	1,538

29. Non-controlling interests and principal subsidiaries

The Group comprises a large number of companies and it is not practical to include all of them in a list in these Consolidated financial statements. Therefore, the Group discloses only those companies that have a more significant impact on the profit or assets of the Group. A full list of companies is filed along with these Consolidated financial statements to Registre de Commerce et des Sociétés in Luxembourg.

31 December 2020						
Subsidiary	Principal activity	Country of incorporation	Proportion of equity interest held by the Parent Company (%)	Effective proportion of ordinary shares/ equity interest held by the Group (%)	Effective proportion of ordinary shares/ equity interest held by non-controlling interests (%)	Proportion of preference shares held by the Group (%)
SSGPO JSC	Mining and processing	Kazakhstan	-	100.00	-	81.56
Shubarkol Komir JSC	Mining and processing	Kazakhstan	-	100.00	-	46.39
TNC Kazchrome JSC	Mining and processing	Kazakhstan	-	99.99	0.01	92.85
Aluminium of Kazakhstan JSC	Mining and processing	Kazakhstan	-	98.29	1.71	-
Frontier SA	Mining and processing	DRC	-	95.00	5.00	-
Boss Mining SAS	Mining and processing	DRC	-	51.00	49.00	-
Comide SARL	Mining	DRC	-	100.00	-	-
Kazakhstan Aluminium Smelter JSC	Metals Processing	Kazakhstan	-	100.00	-	-
Chambishi Metals PLC	Metals Processing	Zambia	-	90.00	10.00	-
Eurasian Energy Corporation JSC	Power Generation	Kazakhstan	-	100.00	-	-
Bahia Mineração S/A	Mineral Exploration	Brazil	-	100.00	-	-
Mineração Minas Bahia SA	Mineral Exploration	Brazil	-	100.00	-	-
ENRC Mozambique Limitada	Mineral Exploration	Mozambique	-	100.00	-	-
ERG Manganese (Pty) Limited	Mineral Exploration	South Africa	-	74.00	26.00	-
Metalkol SA	Mineral Exploration	DRC	-	95.00	5.00	-
Todal Mining (Pvt) Limited	Mineral Exploration	Zimbabwe	-	60.00	40.00	-
Société D'Exploitation Des Gisements De Kalukundi ('Swanmines') SAS	Mineral Exploration	DRC	-	75.00	25.00	-
Congo Cobalt Corporation SARL	Mining Contracting Services	DRC	-	100.00	-	-
TransCom LLP	Transportation	Kazakhstan	-	100.00	-	-
Sabot Management Limited	Transportation	Seychelles	-	100.00	-	-
ERG Sales AG	Sales & Marketing	Switzerland	-	100.00	-	-
ERG Sales Africa AG	Sales & Marketing	Switzerland	-	100.00	-	-
ERG Commercial Center LLP	Sales & Marketing	Kazakhstan	100.00	-	-	-
ERG Sales LLC	Sales & Marketing	Russian Federation	-	100.00	-	-
Africo Resources Limited	Holding Company	Canada	-	100.00	-	-
Bahia Minerals BV	Holding Company	Netherlands	-	100.00	-	-
Camrose Resources Limited	Holding Company	British Virgin Islands	-	100.00	-	-
Enya Holding BV	Holding Company	Netherlands	-	100.00	-	-
ENRC NV	Holding Company	Netherlands	-	100.00	-	-
ENRC Africa BV	Holding Company	Netherlands	-	100.00	-	-
ENRC Limited	Holding Company	United Kingdom	-	100.00	-	-
ENRC Management (UK) Limited	Group Managing Company	United Kingdom	-	100.00	-	-
Corporate Fund ERG Komek	Charitable Foundation	Kazakhstan	-	100.00	-	-
ENRC Finance Limited	Treasury & Holding Company	United Kingdom	-	100.00	-	-
Eurasian Group LLP	Group Managing Company	Kazakhstan	100.00	-	-	-
ERG BV	Holding Company	Netherlands	100.00	-	-	-

29. Non-controlling interests and principal subsidiaries (continued)

Proportion of equity held by non-controlling interests (%)

Subsidiary	Country of incorporation	31 December	
		2020	2019
Frontier SA	DRC	5.00	5.00
Boss Mining SAS	DRC	49.00	49.00
Metalkol SA	DRC	5.00	5.00
Swanmines SAS	DRC	25.00	25.00
Aluminium of Kazakhstan JSC	Kazakhstan	1.71	1.71
TNC Kazchrome JSC	Kazakhstan	0.65	0.65
SSGPO JSC	Kazakhstan	1.84	1.84
Eurasian Energy Corporation JSC	Kazakhstan	–	1.59
Shubarkol Komir JSC	Kazakhstan	1.76	2.70
Chambishi Metals PLC	Zambia	10.00	10.00
Todal Mining (Pvt) Limited	Zimbabwe	40.00	40.00

Accumulated balances of material non-controlling interests in net assets/(liabilities)

US\$ million	31 December	
	2020	2019
Frontier SA	7	5
Boss Mining SAS	(1)	(1)
Metalkol SA	48	51
Swanmines SAS	5	6
Aluminium of Kazakhstan JSC	1	2
TNC Kazchrome JSC	20	21
SSGPO JSC	65	60
Eurasian Energy Corporation JSC	–	19
Shubarkol Komir JSC	21	22
Chambishi Metals PLC	(27)	(24)
Todal Mining (Pvt) Limited	(36)	(45)

Profit/(loss) allocated to material non-controlling interests

US\$ million	Years ended 31 December	
	2020	2019
Frontier SA	5	(3)
Boss Mining SAS	(20)	(58)
Metalkol SA	(2)	(4)
TNC Kazchrome JSC	2	2
SSGPO JSC	5	4
Shubarkol Komir JSC	1	2
Chambishi Metals PLC	(2)	(4)
Todal Mining (Pvt) Limited	–	(1)

29. Non-controlling interests and principal subsidiaries (continued)

Information below is before intercompany eliminations.

Summarised balance sheet

	31 December 2020						
US\$ million	Current assets	Current liabilities	Net current assets/ (liabilities)	Non-current assets	Non-current liabilities	Net non-current assets/ (liabilities)	Net assets/ (liabilities)
Frontier SA	269	(121)	148	541	(406)	135	283
Boss Mining SAS	61	(10)	51	120	(219)	(99)	(48)
Metakol SA	355	(240)	115	3,755	(2,782)	973	1,088
Swanmines SAS	2	(2)	–	93	(85)	8	8
Aluminium of Kazakhstan JSC	446	(301)	145	370	(267)	103	248
TNC Kazchrome JSC	678	(367)	311	2,884	(2,145)	739	1,050
SSGPO JSC	772	(695)	77	1,132	(620)	512	589
Eurasian Energy Corporation JSC	69	(84)	(15)	697	(482)	215	200
Shubarkol Komir JSC	384	(57)	327	396	(334)	62	389
Chambishi Metals PLC	30	(21)	9	6	(291)	(285)	(276)
Total Mining (Pvt) Limited	1	–	1	60	(18)	42	43

	31 December 2019						
US\$ million	Current assets	Current liabilities	Net current assets/ (liabilities)	Non-current assets	Non-current liabilities	Net non-current assets/ (liabilities)	Net assets/ (liabilities)
Frontier SA	119	(114)	5	623	(406)	217	222
Boss Mining SAS	66	(18)	48	138	(191)	(53)	(5)
Metakol SA	188	(150)	38	3,855	(2,761)	1,094	1,132
Swanmines SAS	1	–	1	94	(85)	9	10
Aluminium of Kazakhstan JSC	489	(318)	171	376	(292)	84	255
TNC Kazchrome JSC	637	(310)	327	2,819	(2,192)	627	954
SSGPO JSC	499	(203)	296	1,298	(934)	364	660
Eurasian Energy Corporation JSC	76	(122)	(46)	767	(475)	292	246
Shubarkol Komir JSC	380	(81)	299	442	(351)	91	390
Chambishi Metals PLC	49	(27)	22	10	(285)	(275)	(253)
Total Mining (Pvt) Limited	1	–	1	60	(18)	42	43

29. Non-controlling interests and principal subsidiaries (continued)

Summarised income statement

Year ended 31 December 2020							
US\$ million	Revenue	Profit/(loss) before income tax	Income tax (expense)/ credit	Profit/(loss)	Other comprehensive (expense)/ income	Comprehensive income/ (expense)	Comprehensive income/ (expense) allocated to non-controlling interests
Frontier SA	551	147	(53)	94	–	94	5
Boss Mining SAS	–	(41)	–	(41)	–	(41)	(20)
Metalkol SA	786	(41)	(4)	(45)	–	(45)	(2)
Swanmines SAS	–	(2)	–	(2)	–	(2)	–
Aluminium of Kazakhstan JSC	377	20	(4)	16	(23)	(7)	–
TNC Kazchrome JSC	1,611	274	(96)	178	(102)	76	2
SSGPO JSC	1,091	347	(75)	272	(63)	209	5
Eurasian Energy Corporation JSC	265	(28)	5	(23)	(24)	(47)	–
Shubarkol Komir JSC	177	48	(10)	38	(36)	2	1
Chambishi Metals PLC	13	(22)	–	(22)	–	(22)	(2)
Total Mining (Pvt) Limited	–	(1)	–	(1)	–	(1)	–

Year ended 31 December 2019							
US\$ million	Revenue	(Loss)/ profit before income tax	Income tax credit/ (expense)	(Loss)/profit	Other comprehensive income/ (expense)	Comprehensive (expense)/ income	Comprehensive (expense)/ income allocated to non-controlling interests
Frontier SA	356	(88)	34	(54)	–	(54)	(3)
Boss Mining SAS	30	(118)	–	(118)	–	(118)	(58)
Metalkol SA	308	(112)	25	(87)	–	(87)	(4)
Aluminium of Kazakhstan JSC	418	20	(9)	11	–	11	–
TNC Kazchrome JSC	1,834	443	(100)	343	2	345	2
SSGPO JSC	955	296	(57)	239	2	241	4
Eurasian Energy Corporation JSC	263	31	(9)	22	(1)	21	–
Shubarkol Komir JSC	254	109	(25)	84	2	86	2
Chambishi Metals PLC	55	(31)	(11)	(42)	–	(42)	(4)
Total Mining (Pvt) Limited	–	(1)	–	(1)	–	(1)	(1)

29. Non-controlling interests and principal subsidiaries (continued)

Summarised cash flows

US\$ million	Year ended 31 December 2020				Year ended 31 December 2019			
	Operating	Investing	Financing	Net increase/ (decrease) in cash and cash equivalents	Operating	Investing	Financing	Net increase/ (decrease) in cash and cash equivalents
Frontier SA	119	(2)	(44)	73	37	(90)	60	7
Boss Mining SAS	(18)	–	24	6	(164)	(1)	160	(5)
Metalkol SA	227	(116)	(81)	30	(55)	(85)	165	25
Swanmines SAS	–	–	–	–	(2)	–	2	–
Aluminium of Kazakhstan JSC	88	(35)	(17)	36	45	(30)	(25)	(10)
TNC Kazchrome JSC	440	(329)	(70)	41	525	(323)	(247)	(45)
SSGPO JSC	378	(311)	(59)	8	184	(246)	57	(5)
Eurasian Energy Corporation JSC	75	(64)	(14)	(3)	65	(110)	34	(11)
Shubarkol Komir JSC	59	(42)	(13)	4	115	42	(157)	–
Chambishi Metals PLC	(3)	(1)	4	–	(18)	(1)	–	(19)
Todal Mining (Pvt) Limited	(4)	–	4	–	(2)	–	2	–

30. Events after the balance sheet date

For technical reasons the Group was late in making a payment to a borrower's designated account with Sberbank of Russia that was due in December 2020, which resulted in breach of requirements of a facility agreement with Sberbank of Russia. Consent letters have been received from the creditor within the applicable grace period, and the delayed payment was made in March 2021, within the extended payment period. The breach did not result in any delay in satisfaction of the Group's payment obligations to Sberbank of Russia under existing facilities.

On 2 January 2021 new environmental code of the Republic of Kazakhstan was signed into law. Certain operational entities signed complex ecological permit ahead of formal schedule, which provides an exemption from environmental charges for the period from 2022 to 2030, subject to the fulfillment of the program for the implementation of best available technologies. Impact of the new environmental code on the Group's operations is subject to further analysis.

ERG's wholly-owned Brazilian subsidiary BAMIN has won the auction to complete and operate the first 537 km stretch of the East-West Integration Ferrovia de Integração Oeste-Leste ('FIOL') railway. The FIOL railway will serve as a high capacity and low-cost link between ERG's Pedra de Ferro mine in Caetite and its Porto Sul port in Ilhéus, Bahia state.

Camec Finance Limited
Registered number: 6662004
to be annexed to the accounts on record

**Eurasian Resources Group S.à r.l.
Annual Report and Accounts 2020**

Strictly Confidential

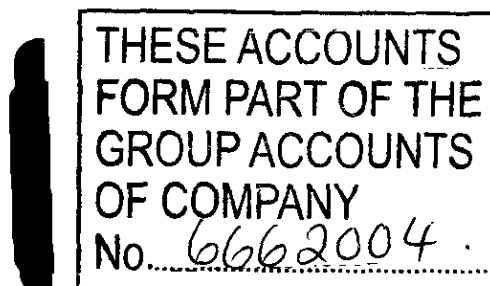


Table of contents

About this report.....	2
Introduction.....	6
Chief Executive Officer Report.....	7
Corporate review.....	10
Performance.....	10
Key initiatives and events in 2020.....	15
2025 Strategy.....	17
Divisional review.....	19
Ferroalloys Division.....	19
Iron Ore Division.....	22
Alumina and Aluminium Division.....	24
Other Non-ferrous Division.....	27
Energy Division.....	29
Logistics Division.....	31
Financial review.....	32
Group performance.....	32
Key events in 2020.....	34
Risk management.....	35
Principal risks and mitigation actions.....	36
Consolidated management report.....	39
Audit report.....	42
Consolidated income statement.....	46
Consolidated statement of comprehensive income.....	47
Consolidated balance sheet.....	48
Consolidated cash flow statement.....	49
Consolidated statement of changes in equity.....	50
Notes to consolidated financial statements.....	51

About this report

Please note the following abbreviations throughout this report:

- ERG = Eurasian Resources Group S.à r.l. (the ultimate parent company of the Group)
- Group = ERG and its subsidiaries
- ERG BV = Eurasian Resources Group B.V. (a wholly owned subsidiary of ERG)

The following sections are based on a Consolidated balance sheet and Consolidated income statement for the Group:

- CEO Report
- Corporate review
- Divisional review
- Financial review
- Risk management
- Consolidated management report

The information in these sections is unaudited unless otherwise stated.

Forward-looking information

This Annual Report and Accounts contain certain forward-looking statements. Forward-looking statements are not based on historical facts and are inherently prospective in nature. Forward-looking statements may be identified by the use of terminology including, but not limited to, 'intend', 'aim', 'project', 'anticipate', 'estimate', 'plan', 'believes', 'expect', 'may', 'should', 'will', 'potential', 'possible', 'investigate', 'explore', or similar terms.

Forward-looking statements involve known and unknown risks, uncertainties and other variables that may cause actual performance, events and outcomes to vary significantly from any future performance, events or outcomes expressly or implicitly anticipated by such forward-looking statements. Such variables may include, but are not limited to, actual operational performance, market conditions, exchange rate fluctuations, operational disruption, macroeconomic dynamics, political uncertainty, government regulation and other related factors. As such, undue reliance should not be placed on such forward-looking statements.

Forward-looking statements contained in this report are only made with respect to the situation at the date of publishing. ERG will not be under any obligation and will not undertake to update or revise any forward-looking statements contained in this report after this date.

Proposed infographics¹

Business model

Finance

We seek to use all funds efficiently, whether obtained through financing or generated from operations or investments.

People

We rely on the skills, wellbeing and motivation of employees, contractors and service providers to generate value.

Relationships

We seek to build and sustain constructive relationships with all our stakeholders that are based on mutual respect, transparency and trust.

Natural resources

It is critical that our businesses responsibly manage all the natural resources used in our processes, given their finite nature.

Capital assets

Significant financial investment in the purchase, development and maintenance of property, plant and equipment has provided us with the capacity to generate longer-term returns.

Activities

- Exploration and execution;
- Development;
- Mining;
- Processing and beneficiation;
- Smelting and metallurgy;
- Sales;
- Post-mining reclamation;
- Logistics²;
- Energy³.

Key products

- Ferroalloys (stainless steel);
- Cobalt (lithium-ion batteries, alloys, magnets);
- Copper (infrastructure construction, transportation, electrical and electronics);
- Aluminium (transportation, infrastructure construction);
- Iron ore (steel);
- Coal (energy heat).

¹ Could be a part of a different section in the final designed version.

² Logistics and transportation services to support our own operations as well as third party businesses.

³ Generation of power for our operations and third parties in Kazakhstan.

Key markets

- China;
- European union;
- Kazakhstan;
- Russia;
- Japan.

Outputs**Financial**

Underlying EBITDA, revenue, free cash flow.

Social

Community social investments, economic value.

Environmental

CO2 emissions.

Our vision

An international, sustainable, socially responsible and efficient natural resources company.

Our mission

Be the best at what we do. Navigate global change whilst holding true to our values. Responsibly unlocking the potential of the Earth and its people, ensuring the prosperity of those who rely on us.

Our values**Safety**

- We put safety first;
- We ensure safe labour conditions for all our employees and contractors, continuously working to prevent any injuries occurring in the workplace.

Unity

- We work together as a team of passionate people aiming to achieve our set goals;
- We respect the cultural and regional traditions where we operate.

Efficiency

- We are focused on delivering results;
- We manage our resources carefully to achieve results;
- We prioritise the most relevant issues;
- We minimise tasks that do not bring value.

Development

- We appreciate our employees and create conditions for their development;
- We efficiently implement new technologies and develop as a company;
- We ensure the sustainable development of the Group.

Responsibility

- We fulfil our obligations to our employees, their families, customers, partners, shareholders and society;
- We carefully manage the resources and the environment entrusted to us;
- We build a culture of mutual confidence and respect in the Group, as well as with partners and customers.

Key commodities

Division	Ferroalloys	Iron Ore	Alumina and Aluminium	Other non-ferrous	Energy	Logistics
Number of key operational assets ⁴	4	1	4	5	4	1

Messaging

- A leading diversified natural resources producer
- A socially responsible, resilient and efficient business
- Responding to the COVID-19 pandemic and global challenges
- Focused on long-term sustainability and value creation
- Taking care of those who rely on us
- *An embedded strategy to support our Vision*
- Six divisions supported by a central sales and marketing department
- Advancing our risk management system

⁴ Major territorial separate unit

Introduction

About ERG

ERG has integrated mining, processing, energy, logistics and marketing operations focused on Kazakhstan and Africa. We operate in 15 jurisdictions across four continents and have a global workforce of almost 67,000 people (excluding contractors).

ERG represents one third of the metals and mining industry in Kazakhstan and is the world leader in high-carbon ferrochrome production by chrome content. We are also a key supplier of iron ore, aluminium and alumina, as well as a provider of power generation/distribution and railway services.

Through our assets in Africa, we are a principal producer of cobalt and copper with further development projects focused on coal, manganese, platinum, bauxite and fluorspar. We are also developing an integrated iron ore mining and logistics project in Brazil.

Key metrics in 2020

Operational:

- -0.5% iron ore primary concentrate production (13,701kt – compared to 13,767kt in 2019);
- -1.0% total ferroalloy production (1,793kt – compared to 1,811kt in 2019);
- +0.8% aluminium production (265kt – compared to 263kt in 2019);
- +37.0% increase in copper metal (80.3kt – compared to 58.6kt in 2019);
- +24.6% increase in copper concentrate production (103.3kt – compared to 82.9kt in 2019);
- +146.3% increase in cobalt hydroxide output as Metalkol RTR ramps up production (16.5kt – compared to 6.7kt in 2019);
- +5.0% coal production (28,871kt – compared to 27,503kt in 2019);
- +2.3% electricity production (14,793 GWh – compared to 14,460 GWh in 2019).

Financial:

- +31.5% Underlying EBITDA (US\$2,023 million – compared to US\$1,538 million in 2019);
- -34.2% capex (US\$572 million – compared to US\$869 million in 2019).

Sustainability:

Business model – no changes

Key metrics in 2020:

- US\$64.7 million community social investment spending;
- US\$4,203 economic value distributed to stakeholders;
- -26.5% reduction in LTIFR (employees only).

CEO Report

2020 was a year of unprecedented global challenge and change. However, I am proud to say that against the backdrop of the worldwide pandemic, ERG emerged an even stronger business, marking progress in both our operational and broader sustainable development performance.

The effectiveness of our response was a Group-wide effort, which demonstrated the strength of our employees and their unwavering dedication to the business and our corporate values. I am grateful to every member of the ERG team who adapted to these challenging circumstances to keep our operations going and enable the business to weather the storm.

Thanks to these remarkable efforts, 2020 proved to be a year in which ERG fulfilled production plans, set new records, and strengthened our cobalt, copper and iron ore operations across the world. At our operations in Kazakhstan, we completed major overhauls of furnaces, continued rolling out our Smart Mine initiative and advanced other innovative technological solutions, such as achieving a breakthrough in chrome tailings flotation technology. We started commercial production of iron ore at our Pedra de Ferro mine in Brazil, achieved record aluminium production in Kazakhstan. We continued to represent one third of the metals and mining industry in Kazakhstan and maintained our position as the world leader in high-carbon ferrochrome production by chrome content, whilst our Metalkol RTR operation in Democratic Republic of the Congo ('DRC') became the world's second largest producer of cobalt. This was reflected in our Group EBITDA and revenue, which increased by 31.5% and 9.9%, respectively.

We also took great strides towards our vision of being 'an international, sustainable, socially responsible and efficient natural resources Group'. We have continued to embed our 2025 Strategy and focus on community social investments, as well as championing ethical leadership and responsible supply chains through our work with international partners and organisations.

With effect from 3 March 2021, following the sad passing of Mr. Alijan Ibragimov, one of the co-founders of ERG and a member of the Board of Managers, his son Mr. Shukhrat Ibragimov was appointed to ERG's Board of Managers, as well as the Board's Audit Committee, Remuneration Committee and Mergers and Acquisitions Committee. Having headed TNC Kazchrome JSC and presided over the Board of Directors at Aluminium of Kazakhstan, Mr. Alijan Ibragimov's contribution to the Group's success is impossible to truly quantify and he will always be remembered. We look forward to Mr. Shukhrat Ibragimov building on his father's vision. He has already been instrumental in developing and launching some of the Group's most ambitious international projects whilst serving as ERG's Head of Business Development and we are confident he will be invaluable to the Group's future growth.

Sustainable Development

Focus on safety

Safety was brought into sharper focus this year as a result of the COVID-19 pandemic. The safety and wellbeing of our employees and local communities is our top priority, and this has been reflected in our proactive response to preventing the spread of the virus.

From the onset of COVID-19, we were quick to take wide-ranging preventative measures across our sites to safeguard our people and supply chains. We swiftly implemented a business continuity plan, installed remote thermal sensing cameras at our plants, initiated strict disinfectant and social distancing regimes, and introduced remote working and shift schedules to minimise human contact. It is with great sadness that we marked the passing of a number of colleagues from the virus, and our thoughts and sympathies are with the loved ones of all those who passed away.

We are also deeply saddened to report four non-COVID-19 related fatalities in 2020 (three employees and one contractor) and would like to send our sincere condolences to the friends and families of those lost. Although this was an improvement compared to the previous year (2019 – 11 fatalities, 10 employees and one contractor), all loss of life is unacceptable, and each incident was subject to a thorough investigation in order to inform appropriate measures to prevent reoccurrence.

I am pleased to note that Metalkol RTR reached 12.3 million consecutive injury-free hours in December 2020, a record among mines with a similar profile. This is both a testament to our commitment to safety and to the hard work and dedication of our employees.

Over the coming year, we will continue progressing efforts to achieve Zero Harm, including through undertaking thorough safety management system audits, integrating safety targets into managers' KPIs and implementing risk assessment using the HAZID method.

Focus on the environment

ERG remained committed to environmental stewardship in 2020 and continued to progress our Environment Strategy, with a focus on reducing emissions to air. To this end, we launched a new filter at the sintering side of Aluminium of Kazakhstan, which considerably decreased levels of air pollution.

The ramp up and expansion of our Metalkol RTR project, which reprocesses historic copper and cobalt tailings, is actively 'cleaning up' legacy waste that has been deposited in the Kingamyambo Tailings Dam and Musonoi River Valley by previous mining operators. By the end of 2020, we had increased production to reach 80% of cobalt hydroxide and 75% of copper metal Phase 2 design capacity at the project.

Meanwhile, in Brazil, we have successfully renewed the environmental license for Porto Sul for an additional six years.

We plan to continue improving our environmental performance through the continued implementation of certified energy management systems, renewable energy projects and ESG framework.

Revenue and Underlying EBITDA

In 2020, our revenue increased by 9.9% to US\$5,356 million (2019: US\$4,872 million) and underlying EBITDA rose by 31.5% to US\$2,023 million (2019: US\$1,538 million), despite the challenges posed by COVID-19. Against the backdrop of the pandemic, we took steps to increase our financial resilience and addressed instances of insufficient supply chain visibility by increasing inventories and locking up more working capital.

Year-on-year average price performance was mixed across most of products in our portfolio. Iron ore reached prices not seen since 2011, which boosted EBITDA, whereas ferrochrome prices remained low due to global economic uncertainty. Whilst the copper market proved to be very volatile, copper gained 26.0% through the course of 2020 due to global lockdown-related mine disruptions, unprecedented economic stimulus packages and China's rapid economic recovery, reaching price levels not seen since 2013. Cobalt also performed well in the second half of the year, supported by green stimulus packages in China, those announced by major European governments and robust electric vehicle sales.

Thanks to the continued ramp up of our Metalkol RTR operation, which initiated Phase 2 last year, ERG was well-placed to capitalise on the increased market prices and higher demand for these products. Metalkol RTR reached cobalt and copper production levels of 16.3kt and around 80kt respectively in 2020. The increase in underlying EBITDA was primarily driven by higher output at our Metalkol RTR and Frontier operations.

We also grew shipment volumes of iron ore to China by 95.7% from 2.3mt in 2019 to 4.5mt in 2020, reached record aluminium production of 265kt and achieved a net increase in saleable ferroalloy production from 1,639kt in 2019 to 1,653kt.

Debt position and credit rating

Over the course of 2020, the Group signed several key amendment agreements with our creditors to achieve more favourable terms and conditions in our existing facility agreements. This includes an amended and restated agreement with VTB Bank (PJSC), through which our interest rate for all tranches was reduced and the final maturity date of loans was extended until 2030, and agreements with Sberbank of Russia to defer certain payments, decrease interest rate and improve our commercial terms.

These measures have allowed us to lower our weighted average cost of debt by more than 0.8% per annum and extend our maturity profile increasing our available liquidity by approximately US\$2.8 billion as at the end of 2023. This will not only support our medium-term liquidity and enhance our financial resilience, but it will also enable us to invest in future growth in the coming years.

In June 2020, we signed amendments to our existing loan facility agreement with VTB Bank (PJSC) and prepayment facility agreement with VTB Commodities Trading DAC, an affiliate of VTB Bank (JSC) for additional tranches of up to US\$350 million and US\$250 million respectively. The substantial funds, still available for utilisation, should further support the Group's liquidity and implementation of important investment projects.

The Group maintained its B2 rating from Moody's in March 2020, with a shift in outlook from stable to negative to reflect the low commodity prices and growing risks of recession at the onset of the COVID-19 outbreak. Nonetheless, in December 2020, Standard & Poor's affirmed ERG to B- but improved the outlook from negative to stable thanks to favourable commodity prices and the launch of ERG's Metalkol RTR cobalt and copper project.

Looking ahead

We expect Metalkol RTR to continue contributing to Group EBITDA as Phase 2 production ramps up and we increase shipment volumes to China in line with the growing demand for batteries. Our Pedra de Ferro mine in the State of Bahia, which began commercial production at the end of 2020, is expected to deliver 2 million tonnes of high-grade iron ore annually by next year and should likewise be a strong contributor to Group revenue.

Whilst 2021 may be a year of uncertainty as the world continues to grapple with and recover from the COVID-19 pandemic, we are confident that ERG can successfully continue developing as a socially responsible, resilient and efficient business with the support of our partners and employees.

Benedikt Sobotka

Chief Executive Officer

Corporate review

Performance

Operational

2020 was unprecedented in terms of price volatility. The global spread of COVID-19 towards the end of Q1 pushed commodity prices downward reflecting reduced demand, the impact of lockdowns, closures and other measures enacted by the governments to fight the pandemic. The trend continued into Q2, however, then reversed following the swift recovery of economic activity and government stimulus packages. Prices returned largely to pre-pandemic levels, with iron ore and copper reaching multi-year highs prompted by increased demand in China and exacerbated by mine closures and supply cuts.

Market prices for some products within ERG's portfolio remained weak throughout the year, namely ferroalloys and thermal coal. For ferroalloys, despite the mine closures in South Africa and Zimbabwe in Q2, the supply chain remained saturated and inventories were on the higher side. Thermal coal prices suffered from lower economic activity and a drop in electricity generation amid the pandemic restrictions.

As was the case for many other companies at the start of pandemic, ERG faced uncertainty in demand for its products. In addition to the urgent measures to ensure the safety of staff and continuation of operations, a significant number of steps were taken to shore up liquidity, including but not limited to deferrals of non-critical spend, revision of capital investment programmes, renegotiation of consumables prices, and arrangement of additional facilities with banks. These measures have allowed the Group to navigate the crisis and ensure the continuity of operations.

The Metalkol RTR project in the DRC continued the production ramp-up in 2020. The construction of the Phase 2 of the plant was completed in Q2. The issues with product impurities that we faced in 2019 were largely resolved. We are continuing to enhance the operation's production processes to ensure the achievement of planned output levels. Long-term growth in global battery demand is expected to continue and Metalkol RTR will make us a major global producer of cobalt.

Frontier mine saleable production was 24.6% higher at 103.3kt copper contained in concentrate (2019: 82.9kt) in line with the mine plan as cut 3 has been developed.

Total ferroalloy production remained largely stable at 1,793kt gross output (2019: 1,811kt). The commissioning of the Furnace No.64 has not yet been completed post renovation, and the furnace continued to operate in test regime.

We kept the production of saleable iron ore concentrate and pellets largely stable at 13,114kt (2019: 13,195kt), while sales were 4.1% higher at 13,451kt (2019: 12,916kt). We were therefore able to lower our iron ore inventories brought forward from the 2019.

The production of thermal coal increased by 5%, in 2020 in order to fulfil the increase in orders from new clients.

Aluminium production during 2020 reached a historical record of 265kt (2019: 263kt). This reflected a range of continuous technological improvements (including increased amperage during electro winning) to safely take the smelter beyond its original designed capacity.

Financial

2020 market context

Ferroalloys	Ferrochrome prices decreased in Q1 2020 due to the COVID-19 outbreak, which caused shutdowns in demand regions. Prices remained relatively low for the rest of the year, as demand from stainless steel end-use markets was low due to global economic uncertainty.
Iron ore	Growing steel production in China triggered by economic stimulus and supply cuts in South America and South Africa pushed iron ore prices to above US\$170 per tonne, for the first time since 2011.
Alumina and aluminium	2020 was a challenging year for the aluminium market starting with low prices triggered by lock-downs, yet reversed owing to quick recovery. Prices reached US\$2,000 per tonne through the end of the year.
Other non-ferrous	Cobalt remained range-bound on the LME between US\$28,000 per tonne and US\$34,750 per tonne, ending 2020 1.5% lower than it started. Copper market was extremely volatile. After copper prices reached the low point of US\$4,618 per tonne, the downward price trajectory was reversed following record-breaking economic stimulus towards the levels of US\$8,000 per tonne.
Energy	2020 turned out to be another challenging year for thermal coal due to lower economic activity and a drop in electricity generation amid the pandemic restrictions.
Logistics	Decline in railway cars (gondolas) rent rates by approximately 50% compared to 2019 due to gondolas over supply in the market.

Sustainable Development

In 2020, we continued to make progress in terms of preparing our business for the future. This included implementing a range of initiatives in order to:

- Continue the transformation of our business, including through cultural transformation and a focus on continuous improvement;
- Develop our project portfolio, including through the ramp up and expansion of our Metalkol RTR cobalt and copper project, which will actively 'clean-up' legacy waste from previous operators in the DRC;
- Embed technology and efficiency across our business, including through our Digital Strategy; and
- Pursue financial resilience, including through the maintenance of appropriate liquidity and the enhancement of our Group debt portfolio.

Protecting our workforce, business and communities: A proactive and coordinated response to COVID-19

Given the unprecedented nature of the COVID-19 pandemic – as well as associated government responses – we implemented a coordinated, multi-layered response to ensure the safety of our workforce, the continuity of our business and the wellbeing of our communities. Our efforts were coordinated through our specially established Anti-Crisis Control Centre, with strategic support from our Health and Safety and Human Resources functions.

Protecting our people

Our measures during the year were focused on prevention, testing and treatment – and were informed by direct engagement with the World Health Organisation and a range of leading medical specialists.

Prevention	Testing	Treatment
• Employee awareness-raising and the provision of personal protective equipment and hand sanitisers; • Flu and pneumonia vaccinations for vulnerable employees to prevent double-infections in Kazakhstan – as well as annual flu vaccinations for employees in Brazil; • The disinfecting of our facilities and buses; • Temperature testing; • Social distancing in the workplace and the use of additional buses to safely transport employees; • Remote working and amended shift patterns to minimise human contact.	• The rollout of a PCR ⁵ diagnostic testing programme; • The rollout of an antibody testing programme in Kazakhstan; • The opening of a new ERG testing laboratory in Kazakhstan.	• The provision of free treatment for employees in Kazakhstan at our Eurasia Medical Centre (acquired in 2020); • The provision of free treatment through local clinics for employees at our operations in Africa; • The provision of free treatment for employees in Brazil through our health insurance plan; • Daily monitoring of employees with COVID-19.

⁵ Polymerase chain reaction

During the year, 2,122 employees tested positive for COVID-19 and 1,771 employees were diagnosed with pneumonia (with negative COVID-19 test). Tragically, nine of our colleagues died from health complications relating to COVID-19 (i.e. following a positive test for the virus) and 31 colleagues died from pneumonia. We send our sincere condolences to their loved ones during this difficult time.

Ensuring operational continuity

Similarly, we took a multi-layered approach to minimise any disruption to our operations – whether this resulted from our own safety measures, or as a result of broader value chain disruption.

Key actions included:

- The application of focused operational continuity plans to ensure at least three months of uninterrupted production in the event of a significant decrease in the availability of personnel – as well as emergency succession planning for key managers and operational staff;
- Special supply chain continuity measures, including planning to ensure the maintenance of adequate supplies of raw materials, goods and equipment. In addition, we analysed the potential impact of the pandemic in terms of deferred deliveries of equipment and/or contractor availability, whilst addressing any associated project implementation backlogs;
- Enhanced sales planning, including scenario analysis to better understand and manage the impact of the outbreak on our sales, contingency planning and customer engagement – as well as the identification of alternative markets.

As a result of these efforts, our operations were not materially impacted.

Maintaining our financial resilience

The pandemic had a material impact on commodity prices in the first half of 2020 – potentially increasing our financial risks. In this context, we took immediate steps to bolster our liquidity position, including through;

- Working capital management;
- Cost optimization;
- Capex optimisation – including the focusing of spending on the maintenance of our existing production targets;
- Debt refinancing and the accessing of new financing (page 34).

Despite the exceptional circumstances, our credit ratings from Moody's and Standard & Poor's remained the same – although the former changed its outlook from stable to negative in early 2020 and the latter changed its outlook from negative to stable at the end of the year.

Supporting our communities

We implemented a range of measures across our global operations to support our local communities and beyond. This included:

Kazakhstan:

- A donation of US\$10 million to support a national foundation focused on addressing the socio-economic impacts of the pandemic;
- A contribution of US\$230,000 to support the fight against the virus in Nur-Sultan.

Africa:

- Support for a Good Shepherd International Foundation initiative, which provided 10,000 reusable face masks to local communities (including the families of employees) near Metalkol RTR.

Brazil:

- A donation of US\$54,000 to our local municipalities, including for food and hygiene baskets, more than 300,000 gloves and hand sanitiser gel.

Safety

We are deeply saddened by the loss of four of our colleagues in 2020 (three employees and one contractor). We would like to express our sincere condolences to all those affected by these tragic events. Although we did see an improvement compared to prior year (2019 – 11 fatalities, 10 employees and one contractor), all loss of life is unacceptable and we are determined to eliminate fatalities across our business. Each incident was subject to a thorough investigation in order to inform appropriate prevention measures and reduce the risk of reoccurrence.

The number of lost time injuries (LTIs) has decreased to 67 in 2020 (2019: 85) resulting in a lost time injury frequency rate (LTIFR) of 0.61 (2019: 0.83)⁶.

At Metalkol RTR in the DRC, we recorded 12.3 million consecutive LTI-free hours (employees and contractors) during 2020. This strong performance reflects the effective nature of the operation's safety management systems and controls.

Community social investment

ERG's worldwide corporate social investment "CSI" contributions were US\$64.7 million (2019: US\$118 million). The decrease against prior year was due to the one-off payments for a number of national-level social investment projects in Kazakhstan in 2019.

During the year, we continued to support other national-level social investment projects. Most notably, this included a donation of US\$10 million to the certain of a national foundation in Kazakhstan aimed at minimising the socio-economic impacts of the COVID-19 outbreak as well as US\$10 million to the Foundation of the First President of the Republic of Kazakhstan – Elbasy (2019: US\$53 million), to support infrastructure development.

Furthermore, we continued to support regional development through Memoranda of Understanding with local governments in Kazakhstan. In 2020, this support amounted to US\$17.4 million (2019: US\$18.5 million).

Energy and greenhouse gas emissions

In 2020, we used 270,197 terajoules of energy globally (2019: 270,939 terajoules), with 83% of direct energy sourced from coal (2019: 82%). Insignificant decrease in our energy consumption resulted from:

- Reduced consumption of natural gas due to the capital repairs of our Akturbo Power Station in Kazakhstan;
- Reduced consumption of diesel fuel by our entities in Africa;
- Reduced consumption of indirect electricity (i.e. purchased from third parties) in Kazakhstan due to the commissioning of Eurasian Energy Corporation's (EEC's) Power Unit No. 5.

In terms of our greenhouse gas "GHG" emissions, in 2020 we saw a minor increase to 24.3 mln tonnes of CO2 equivalent (2019: 24.2 mln tonnes of CO2 equivalent) resulting from increased coal consumption at EEC's Power Station.

⁶ Employees only. This includes the reported employee fatalities.

Kazakhstan achieved its 2020 national renewable energy target by generating at least 3% of its electricity from renewable energy sources (i.e. wind, solar and small-scale hydro) and has set additional targets to generate 6% of electricity from renewables by 2025, 10% by 2030, and 50% by 2050 (including alternative energy sources such as nuclear energy).

In this context, conventional power producers – including EEC – are legally required to purchase defined amounts of renewable energy (which can significantly increase their cost base) or to establish captive renewable energy generation capacity. We are planning to establish generation capacity of between 150-180MW using wind turbines. Following strong wind monitoring results in 2019, we have transitioned two potential generation sites in the Aktobe and Pavlodar regions – one near Kazchrome's Donskoy GOK operation and one near EEC's Vostochny coal pit – to a feasibility stage.

We are also examining the potential integration of other early-stage renewable energy projects into our portfolio to further reduce our cost base and carbon footprint.

In Africa, we significantly rely on electricity generated from hydropower what means its carbon footprint is reduced.

Economic value generated and distributed

Our long-term ability to generate shareholder value is ultimately contingent on our ongoing generation of revenues, as well as the delivery of shared economic benefits to our other stakeholders.

In 2020, we distributed a total of US\$4,203⁷ million to our stakeholders, including suppliers, employees, providers of capital, governments and communities (2019: US\$4,183 million).

Beyond these immediate measures of performance, our evolving 2025 Strategy is supporting our journey towards long-term business sustainability. The Strategy integrates well-defined, Group-level goals to support each strategic priority (ranging from balanced portfolio growth to the sustainable development of our host regions), as well as planned key performance indicators to support their achievement at all levels of our business. Over time, our 2025 Strategy will play an important role in improving our performance across all areas of Sustainable Development.

Further information is available in our Sustainable Development Report 2020.

Key initiatives and events in 2020

Operating

The construction of the Phase 2 of the plant at Metalkol RTR project in the DRC was completed in Q2 2020. The issues with product impurities that we faced in 2019 were largely resolved.

The Kazakhstan Aluminium Smelter JSC has achieved a milestone of 265kt (2019: 263kt) of saleable aluminum production, representing 15kt increase over plants designed capacity.

In Q4 2020 we restarted commercial production of iron ore at Pedra de Ferro mine. Pedra de Ferro is a part BAMIN, our integrated mining and logistics project in Brazil.

⁷ This figure includes operating costs/payments to suppliers, employee wages and benefits, payments to providers of capital, payments to government and community investment spending.

Modification of major credit facilities

In Q4 2020, we reached an agreement with our major lenders VTB Bank (PJSC) and Sberbank of Russia to improve certain terms and conditions of the existing facility agreements including:

- Interest rates under VTB Bank (PJSC) and Sberbank of Russia facility agreements were substantially decreased, which had a positive impact on the cost of debt for the Group and will support the Group's liquidity profile for coming years;
- The final maturity date of the VTB Bank (PJSC) facility was extended until 2030, which improves the Group's debt repayment profile;
- The covenants package under the facilities with both lenders was improved.

We continue working on the further amendment of the credit facility agreements with Sberbank of Russia in order to extend loan maturity and improve certain commercial terms

Key financing initiatives

In June 2020, we signed an amendment to the existing loan agreement with VTB Bank (PJSC) to receive an additional tranche of up to US\$350 million and to improve certain commercial terms. Following the recent debt modification, completed in December 2020, the final maturity of this tranche was extended to 2030 and the interest rate was reduced to a rate similar to other tranches.

Also, in June 2020, the Group signed an amendment to the existing prepayment facility agreement with VTB Commodities Trading DAC, an affiliate of VTB Bank (PJSC), for additional tranches of up to US\$250 million with interest within the existing range in the Group debt portfolio, and repayable in six years.

The Group has also signed amendments to the existing credit facility agreements with Sberbank of Russia to modify the principal payment schedule by deferring certain payments to later periods within the existing maturity and to improve certain commercial terms. After amendment, completed in December 2020, the debt to Sberbank of Russia bears interest at a reduced rate starting from 31 December 2020.

This has not only improved our liquidity and enhanced our financial resilience, but will also enable us to invest in future growth.

Roll-out of the ERG Way Production system

The ERG Way Production System is one of the key tools we are using to promote a more effective working culture in Kazakhstan (where most of our assets and people are located). This supports efficiency across the product lifecycle, including through the application of the lean management principles. In 2020, the ERG Way was rolled out to SSGPO ore concentrating plant and a number of divisions of SSGPO's Kacharsky mine and Kazchrome's Aksu Ferroalloys Plant and Aktobe Ferroalloys Plant. The roll-out of the ERG Way will continue further in the next years.

Credit ratings remained robust despite challenging market conditions

In March 2020, Moody's affirmed the Group's B2 credit rating, but changed its outlook to negative from stable. The negative outlook reflected low commodity prices at the time that the decision was taken and growing risks of recession amid the COVID-19 outbreak.

In December 2020, Standard & Poor's revised the outlook from negative to stable (with no changes to the B- rating). The action was supported by favorable commodity prices and the launch of ERG's Metalkol RTR cobalt and copper project.

2025 Strategy⁸

During the year, we continued to embed our Strategy 2025 - which was approved by our Board of Managers. This integrated strategy – which is underpinned by well-defined strategic goals, Key Performance Indicators (KPIs) and implementation levers – will help us achieve our Vision of being ‘an international, sustainable, socially responsible and efficient natural resources company’.

Our strategic priorities are:

- Balanced portfolio growth;
- A happy and professional team;
- Sustainable development of our host regions;
- Efficiency in all that we do; and
- Financial stability.

Strategic priorities	Strategic goals
Balanced portfolio growth	
Steady growth and development of the asset portfolio in Kazakhstan and internationally, with a primary focus on natural resources.	• Develop existing assets in Kazakhstan; • Increase returns on the existing portfolio of international assets; • Optimise our portfolio through new natural resource opportunities and/or divestment; and • Further develop the Group's power generation business.
A happy and professional team	
Development of our employees' competencies and the maintenance of their safety and well-being.	• Deliver safe working conditions; • Improve employee wellness and health; • Deliver comfortable workplaces; • Develop strategic skills and competencies; • Improve employee benefits; • Improve ERG's employee proposition and status as an employer; • Further develop our corporate culture; and • Develop our talent pool and leadership pipeline.

⁸ Please note that we reviewed our 2025 Strategy involving top tier strategy consultants and confirmed that priorities that we had set are valid and Group is committed to perform towards fulfilment of these goals.

Sustainable development of our host regions	
Contribution to the socio-economic development and well-being of communities in our regions of operation.	• Improve the well-being and prosperity of communities in our regions of operation; • Maintain international environmental standards – including those relating to water, air and soil – to support local well-being in our regions of operation; and • Support entrepreneurship and the development of the business environment in our host countries.
Efficiency in all that we do	
A strong focus on pursuing efficiency at Group and asset level.	• Reduce unit costs by eliminating bottlenecks and improving productivity; • Improve organisational effectiveness; • Improve sales effectiveness; and • Develop a culture of continuous improvement supported by relevant tools and mechanisms.
Financial stability	
The maintenance of financial sustainability, whilst delivering decent shareholder returns.	• Maintain a decent level of dividend yield for shareholders; • Maintain high returns on invested capital; • Achieve and maintain acceptable leverage; and • Maintain high levels of liquidity to support resilience in the face of changing market conditions.

Divisional review

ERG is a leading diversified natural resources producer and operates through six Divisions supported by a central sales and marketing department.

Ferroalloys Division

We produce and sell ferroalloys for use as alloying products by third-party steel producers. Our key markets include China, Japan, Europe, the US, South Korea and Russia.

ERG is the world leader in high-carbon ferrochrome production by chrome content – with the lowest unit cost of production. The Ferroalloys Division is vertically integrated, using its own chrome and manganese ore mines to feed its ferroalloy production plants. Furthermore, the Division benefits from its own gas-fired power plant at Aktobe, competitively priced power supplied by our Energy Division (page 29) and transportation services supplied by our Logistics Division (page 31).

2020 highlights

- +0.9% net saleable ferroalloy production (1,653kt – compared to 1,639kt in 2019). Reported figures do not include the volumes of furnace No. 64 which were capitalized as a part of the renovation costs.
- Commissioning of furnace No. 64 in workshop No.6 was postponed and is now planned for the first half of 2021.

Market context in 2020

- In Q1 2020, the COVID-19 outbreak, that stroke the market caused shutdowns in both supply and demand regions. However, from the very beginning, demand was stronger affected as China, the main Ferrochrome consuming market, announced lockdown in several industrial regions and European countries implemented restrictions. This in line with accumulated stocks in the whole chrome ore and ferrochrome value chain pushed ferrochrome prices downwards.
- In Q2 2020, since South Africa, India and Zimbabwe are among the main chrome ore producing countries announced complete lockdown that drew away around 70% of chrome supply for about two months. This led to a slight increase in prices for ferrochrome.
- In late Q2-Q3 2020, lockdown measures across chrome ore producing countries were relaxed and miners started to recover operations quickly. However, although lockdown measures were eased in ferrochrome consuming regions there was no growth of demand from stainless steel end-use markets due to uncertainty in the global economic perspectives. This pushed ferrochrome prices downwards.
- In late 2020, economic support measures started affecting global industrial production. However even in China, with the fastest V-shaped recovery of industrial production across all other markets total cars production decreased by 1.7%, and amount of new floor space completed dropped by 10.9%. This, in line with remaining stocks of chrome ore resulted in a sluggish recovery of prices for ferrochrome.
- By the end of 2020 stainless steel output in China increased by approximately 4% in 2020 year-on-year, compared to approximately 8% decline in the rest of the world.
- Overall, in 2020 TISCO tender price for ferrochrome in China dropped by approximately 11% lower comparing with 2019 levels (0.67 US\$/lb Cr in 2020 from 0.75 US\$/lb Cr in 2019).

Key Facts		2020	2019	% change
Third-party Sales Volumes				
High-carbon ferrochrome	'000t	1,480	1,481	(0.1)%
Medium-carbon ferrochrome	'000t	15	14	7.1%
Low-carbon ferrochrome	'000t	37	49	(24.5)%
Ferrosilicochrome	'000t	32	38	(15.8)%
Ferrosilicomanganese	'000t	65	74	(12.2)%
Ferrosilicon	'000t	37	27	37.0%
Total Ferroalloys	'000t	1,666	1,683	(1.0)%
Chrome ore	'000t	–	501	(100.0)%
Production				
Chrome ore	'000t	3,692	4,571	(19.2)%
Manganese ore concentrate	'000t	154	165	(6.7)%
Ferroalloys total gross	'000t	1,793	1,811	(1.0)%
Ferroalloys total net	'000t	1,653	1,639	0.9%
High-carbon ferrochrome gross	'000t	1,546	1,557	(0.7)%
High-carbon ferrochrome net	'000t	1,454	1,445	0.6%

Results

In millions of US\$	2020	2019	% change
Revenue	1,623	1,847	(12.1)%
Underlying EBITDA	662	729	(9.2)%

Performance in 2020

The Ferroalloys Division contributed US\$662 million or 32.7% to the Group's Underlying EBITDA (2019: US\$729 million or 47.4%). The decrease in EBITDA reflected the weak price environment for ferroalloys on the back of sluggish stainless steel demand in the year and higher global inventories, amongst other factors.

Sales volumes were marginally lower at 1,665kt compared to 1,683kt in 2019. The reported figures exclude the volumes of 46kt (2019: 13kt) produced at furnace No.64 that were capitalised as a part of the renovation costs. Output from furnace No.64 will not form part of reported production volumes until the furnace is commissioned (46kt – compared to 13kt in 2019).

Lower revenues were offset by economies achieved on consumables, reflecting both lower purchase prices as well as improvements in operational efficiency, such as consumptions norms for graphite electrodes and reductants.

Commissioning of furnace No. 64 in workshop No.6 was postponed and is now planned for the first half of 2021.

Capital expenditure

Ferroalloys divisions' capital expenditure in 2020 achieved US\$189 million (2019: US\$241 million), this reflects optimisation measures to increase Group liquidity during COVID-19 pandemic.

The key project for the Division is the development of the DNK mine (part of Donskoy GOK). It will increase the mine's ore extraction, which will ensure sufficient future supplies for the production of ferroalloys.

In 2020, emphasis was placed on projects aimed at increasing the production of chromium concentrate (starting from 2022):

- contracts were signed for the supply of main process equipment for US\$10.4 million for the project of slime processing of Donskoy GOK tailing dumps (+700 ktpa of concentrate);
- contracts were signed for the design and supply of equipment for projects on enrichment of jigging tailings in heavy media and modification of the thickening unit at the plant (+140 ktpa of concentrate).

In 2020, the development of small deposits of Kazchrome began actively. The stripping of «Geologicheskoye-1» deposit started with 714 kt of reserves. «Yuzhny» deposit mining and tunnelling has started - it is planned to extract 370 kt of ore. Work is underway to study the reserves of the «Geophizicheskoe VII» deposit.

Work continued to bring furnace No.64, which was commissioned in 2019, to its design capacity. Investment in the renovation of furnace No.64 reached US\$89 million. In 2020, 45.8 kt of ferrochrome were smelted in the new furnace.

In 2020, the Group continued to implement a programme to increase productivity of workshop No.4 of the Aktobe Ferroalloys Plant, which enabled us to reach a record volume of ferroalloy production - 380 kt (in 2019 - 350 kt).

Within the programme to extend the operations of smelting shop No.1 of the Aktobe Ferroalloys Plant, a major overhaul of the furnace No.14 was carried out in 2020, and there are plans to modernise all the furnaces of the shop before 2024. This will reduce the risk of accidents and replace obsolete equipment.

Planning for 2021 and beyond

Kazchrome is implementing or considering implementation of a number of projects to increase production and optimise costs:

- With regards to mining, this includes building the capacity of the ShDNK-2 mine and increasing the capacity of the ShDNK-1 mine, the development of additional adjacent deposits, including a significant Geophysicheskoe-7 deposit, exploration of C2 reserves of Perfomayskoe deposit, additional exploration to find new chrome and manganese ore deposits, and the development of legacy chromium-bearing overburden dumps, as well as the recycling of manganese dumps.
- In terms of beneficiation, this includes the recycling of slimes from Donskoy GOK's tailing dumps to produce additional volumes of chrome concentrate (including additional flotation circuit to maximize recovery), to increase the overall recovery of beneficiation and the capacity of fines beneficiation (OMK).
- With respect to metallurgy, Kazchrome will complete the production ramp-up at Aktobe Ferroalloys Plant Workshop No.4 to achieve its design capacity of 440 ktpa. Focus will also be placed on the further processing of slag materials to produce additional volumes of metal concentrate and construction materials. In addition, Kazchrome will perform a number of projects aimed at increasing production and decreasing costs, including the casting of ferroalloys into casting boxes, the installation of new jiggings and the sheltering of existing jiggings, reductions in the output of fines, the agglomeration of fines, building separate furnace for metal concentrate smelting, achieving increased time between (and improved efficiency of) furnace repairs, using less expensive and / or more efficient reductants and anode paste and a few other projects.

Iron Ore Division

The Iron Ore Division consists of producing assets in Kazakhstan, as well as exploration and development assets in Brazil. We are a major exporter of iron ore products (including concentrate and pellets) from Kazakhstan. Key customers include steel producers in Russia, China and Kazakhstan.

2020 highlights

- +6.7% concentrate sold (8,354kt – compared to 7,828kt in 2019).
- +0.2% pellets sold (5,097kt – compared to 5,088kt in 2019).
- +7.0% saleable concentrate production (8,366kt – compared to 7,816kt in 2019) increase driven by demand.
- -11.7% pellet production (4,748kt – compared to 5,379kt in 2019) due to higher stocks at the start of the year and pandemic driven changes in customer mix.
- +95.7% increase in sales of iron ore to customers in China (4.5mt – compared to 2.3mt in 2019) to offset pandemic-driven declines in deliveries to clients in Russia and Kazakhstan.
- Restart of commercial production of iron ore at Pedra de Ferro mine in Brazil.

Market context in 2020

- After a start at around US\$90 per tonne, iron ore prices saw an astonishing 2020 and almost doubled towards the year-end.
- Supply cuts in South America and South Africa on the back of the fight against COVID-19, coupled with a prompt post-COVID-19 recovery in China over Q2-Q3 2020, pushed iron ore prices above US\$120 per tonne over the summer.
- Moreover, China's economic stimulus had a prolonged effect on construction activity and industrial production. The country's 2020 crude steel output exceeded 1 billion tonnes, while 5.2% year-on-year growth significantly surpassed initial market forecasts of ~1-2% year-on-year growth.
- Stronger-than-expected steel production in China, persisting operational issues in South Brazil and reduced production plans for 2021 sent iron ore prices above US\$170 per tonne towards the end of 2020, for the first time since 2011.
- Overall, iron ore prices averaged US\$109 per tonne during the year, 17% above 2019 prices.

Key Facts		2020	2019	% change
Third-party Sales Volumes				
Iron ore concentrate	'000t	8,354	7,828	6.7%
Iron ore pellets	'000t	5,097	5,088	0.2%
Production				
Iron ore mined	'000t	30,864	31,520	(2.1)%
Iron ore primary concentrate	'000t	13,701	13,767	(0.5)%
Iron ore concentrate	'000t	8,366	7,816	7.0%
Iron ore pellets	'000t	4,748	5,379	(11.7)%

Results

In millions of US\$	2020	2019	% change
Revenue	1,252	1,077	16.2%
Underlying EBITDA	433	391	10.7%

Performance in 2020

The Iron Ore Division contributed US\$433 million or 21.4% to the Group's Underlying EBITDA (2019: US\$391 million or 25.4%). The Group hedged a large proportion of its exposure to iron ore prices in 2020. Higher 2020 revenue on the back of higher prices was to large extent offset by US\$164 million realized results on our iron ore hedges (2019: US\$36 million). The loss is booked in operating expenses.

Higher prices were driven by a combination of supply cuts in South America due to COVID-19-related measures and the swift post-COVID-19 recovery of steel production in China.

Sales volumes of iron ore pellets exceeded production volumes due to changes in customer mix driven by the pandemic and de-stocking of inventories at the start of the year.

Capital expenditure

Iron ore divisions' capital expenditure in 2020 achieved US\$99 million (2019: US\$139 million), this reflects optimisation measures to increase Group liquidity during COVID-19 pandemic.

Investments were focused on maintaining existing production levels at our iron ore assets in Kazakhstan. In 2020, the results of modelling the Kachar open pit were obtained and the resource base was evaluated according to the JORC. The reconstruction of the Kachar open pit will increase the production capacity to 26 million tonnes of ore per year (an increase of 50% compared to 2020).

In 2020, BAMIN achieved many significant milestones including the successful extension of the Port Installation License (LI) for a further 6 years and at the end of the year, the launch of small-scale operations with sales to domestic customers and the potential to export. Additional development marked the announcement of FIOL railway concession for H1 2021. Over the course of the year, BAMIN continued to discuss the project and its components with potential investors to unlock value for ERG, potential partners and the whole region.

Planning for 2021 and beyond

While prices are likely to correct downwards over 2021 as overall seaborne supply is expected to increase against 2020, multiple upside risks, including higher-than-expected steel output in China and further delays in recovery of Brazilian supply, may keep iron ore prices elevated for longer.

SSGPO, which represents all of ERG's iron ore assets in Kazakhstan, is planning to progress a number of major projects to improve its cost position and ensure further growth of production volumes and long-term sustainable development. The projects in the most mature stage include:

- Accelerated development of the Kachar open pit, which is expected to become one of SSGPO's key sources of iron ore. In combination with a major programme of mining fleet renovation and upgrade, this project will make a major contribution to the reduction of SSGPO operating costs and sustaining capital expenses.
- Execution of a sophisticated multi pit optimisation programme for all the other SSGPO mines, covering optimisation of the mining plans and blending strategy.
- Assessment of renovation options for SSGPO ore concentrating and pellet production plants. The corresponding programme will contribute to the reduction of sustaining CAPEX, while securing stable production volumes and product quality.

In addition, SSGPO will continue to evaluate a pipeline of further development opportunities, including those focused on improving concentrate and pellet quality, potential entry into new product segments, improvement of mining equipment utilisation and related costs, reduction of internal rail transportation costs and further extension of Industry 4.0 technologies usage across the value chain. SSGPO will also be making further investments aimed at the continued improvement of HSE aspects.

Alumina and Aluminium Division

Our Division is the only producer of alumina and aluminium in Kazakhstan. We sell alumina to third-party aluminium producers and use it to produce our own aluminium.

The majority of the aluminium produced was sold to customers in Europe and the CIS.

2020 highlights

- -0.7% Alumina production (1,383kt – compared to 1,393kt in 2019) at Aluminium of Kazakhstan. These lower volumes were due to an increase of work in progress stock levels at Pavlodar Aluminum Plant (PAP) required to enhance the production process.
- +0.8% Aluminium production (265kt – compared to 263kt in 2019) at Kazakhstan Aluminium Smelter. This reflected a range of continuous technological improvements (including increased amperage during electro winning) to safely take the smelter beyond its original designed capacity.
- The electric filters No.1 and No.2 of the sintering furnace No.1 were put into trial operation at Aluminium of Kazakhstan, which are expected to reduce the amount of dust emissions into the atmosphere.

Market context in 2020

- 2020 became a challenging year for the global aluminium market; our estimates suggest a 2.7 million tonnes surplus – the second largest annual surplus since the global financial crisis.
- The LME aluminium price plunged below US\$1,500 per tonne in the first half of 2020 after the introduction of strict lockdowns around the world, which led to suspensions of transportation plants and construction facilities. This led to a 2.8% year-on-year drop in global aluminium consumption.
- However, the LME price soared above US\$2,000 per tonne in the second half of 2020 as robust demand in China, where the pandemic was quickly brought under control, consumed domestic stocks and made the country a net aluminium importer for the first time since 2009.
- 2020 also accelerated the global drive towards decarbonisation. This development benefits the aluminium consumption outlook through expansion of electricity grids, production of frames for solar panels, and a transition towards electric vehicles (which are more aluminium intensive than traditional vehicles with internal combustion engines) and eco-friendly aluminium packaging.
- Alumina prices also fell to the lowest level since 2016 in the first half of 2020, on the back of the collapse of aluminium prices and input costs.
- Nevertheless, while aluminium prices rallied in the second half of 2020, the Australian FOB alumina price remained largely stagnant, trading in a narrow range of US\$265-305 per tonne, although with a tilt to the upside thanks to the improving demand from China, rising aluminium prices and input costs as well as production disruptions in China and at the Alunorte refinery in Brazil.

Key Facts		2020	2019	% change
Third-party Sales Volumes				
Alumina	'000t	836	875	(4.5)%
Aluminium	'000t	258	279	(7.5)%
Production				
Bauxite mined	'000t	4,058	4,118	(1.5)%
Alumina produced	'000t	1,383	1,393	(0.7)%
Aluminium produced	'000t	265	263	0.8%

Results

In millions of US\$		2020	2019	% change
Revenue		756	846	(10.6)%
Underlying EBITDA		248	250	(0.8)%

Performance in 2020

The Division contributed US\$248 million or 12.3% to the Group's Underlying EBITDA (2019: US\$250 million or 16.3%).

The decrease in revenue by US\$90 million (2019: US\$846 million) was driven by lower prices as well as lower sales volumes for aluminum & alumina.

Lower prices were booked in the first half of the year reflecting oversupply and demand cuts caused by the pandemic. Price declines were reversed in the second half of the year with positive momentum continuing as the year ended, however, average prices for the year were lower than in 2019.

Alumina sales volumes were affected by lower production of finished product due to an increase of the work in progress levels in the production circuit. Shipments were also affected by challenges at the end of the year caused by pandemic related logistical bottlenecks.

Aluminum production remained strong and another milestone of 265kt (2019: 263kt) of saleable aluminum has been achieved by Kazakhstan Aluminum Smelter. The sales volumes were 258kt or 7.5% lower (2019: 279kt), partly reflecting the timing difference caused by the change in delivery terms in 2019 and as a result lower stocks at the start of 2020.

Lower revenue was fully offset by lower operating costs on the back of cost optimization initiatives and deferral of non-critical spend.

Capital expenditure

Alumina divisions' capital expenditure in 2020 achieved US\$90 million (2019: US\$89).

In 2020, Aluminium of Kazakhstan commissioned a group of open pits No.9 at the Ayatsky site and the open pit No.17 at the Krasnogorsky site, which will ensure the development of up to 1 mtpa and 300 ktpa, respectively.

In addition, the Division invested in the development of open pits VAM-4 and KBR-4 to ensure the development of 11.5 million tonnes and 24 million tonnes of alumina, respectively.

In 2020, the project "Reconstruction of TPP ash dump at PAP" was put into operation, which increased the capacity of the dump for storing TPP's ash and slag waste.

The electric filters No.1 and No.2 of the sintering furnace No.1 were put into trial operation, which will reduce dust emissions into the atmosphere.

Planning for 2021 and beyond

While our forecast assumes the price of aluminium will continue rising throughout 2021, supported by the global economic recovery, we expect a temporary downward correction in the first half of 2021 as Chinese supply will outpace demand, leading to inventory build-ups and China's return to a net exporter status.

We expect the Australian FOB alumina price in 2021 to stay at a discount to China's domestic index in order to drive exports. Overall, we anticipate alumina prices to remain under pressure during the year as production ramps up and global market returns to an oversupply in 2021.

Aluminium of Kazakhstan will implement several projects to ensure a stable and sustainable development:

- With respect to mining, Aluminium of Kazakhstan is planning to develop the new VAM-2 mine, which will ensure a stable flow of bauxite ore until 2024.
- In terms of beneficiation, Aluminium of Kazakhstan is planning to complete the research of beneficiation methods, which include kaolinite washing and iron sands removal.
- With respect to metallurgy, Aluminium of Kazakhstan will continue its efforts to remove its bottleneck at the red mud washing and filtration unit.
- With respect to the environment, Aluminium of Kazakhstan will continue to realise its ecological strategy, considerably decreasing rates of pollution at its sintering unit and power plant.

Other Non-ferrous Division

Our Other Non-ferrous Division is primarily focused on the DRC, where we mine and produce copper cathode/sulphide concentrate and cobalt hydroxide.

We also own the Chambishi copper and cobalt refinery in Zambia that is currently placed on care and maintenance. In addition, we have a number of exploration and development assets – primarily in the DRC, Mozambique, South Africa, Mali and Zimbabwe.

2020 highlights

- Continuing the ramp-up of Metalkol. Year-on-year production increase: +28kt of copper cathode (+54%) and +9.9kt (+146%) cobalt contained in hydroxide.
- The construction of Phase 2 of our Metalkol RTR project in the DRC completed.
- +24.6% copper contained in concentrate produced at Frontier mine (103.3kt – compared to 82.9kt in 2019).

Market context in 2020

- 2020 proved to be a hugely volatile year for the copper market, with prices moving in a range of almost US\$3,500 per tonne – more than three times the volatility of 2019. Overall, copper gained 26.0% through the course of 2020, reaching price levels not seen since 2013.
- The year started well for copper, supported by thawing trade relations between the US and China, which pushed prices towards 2019 highs by mid-January.
- However, the price strength was cut short by the spread of the COVID-19 in China, which quickly escalated to a global pandemic. By late March, copper had fallen to a 3.5-year low of US\$4,618 per tonne.
- However, the downward price trajectory was swiftly reversed by a swathe of mine disruptions, record-breaking economic stimulus packages and China's rapid economic recovery. By early July, prices had recovered to pre-COVID-19 levels and continued to rally thereafter, buoyed by speculative demand from the stimulus-driven green energy boom. At the end of 2020, the drivers of price increase were the election of Biden administration, focused on fighting climate change and progress in the development of vaccines against COVID-19, which brought copper to the US\$8,000 per tonne mark.
- Cobalt, meanwhile, remained range-bound on the LME between US\$28,000 per tonne and US\$34,750 per tonne, ending 2020 at 1.5% lower than it started, with the average 2020 price down 6.0% year-on-year from US\$33,314 per tonne in 2019 to US\$31,419 per tonne in 2020.
- After benefitting from an initial price rally in January and early February, increased uncertainty around the COVID-19 outbreak led to a sharp drop in demand and prices. This price decline continued until late July, despite numerous mine shutdowns.
- Cobalt performed better in the second half of the year, supported by a combination of green stimulus packages in China, Europe and other parts of the world. Electric vehicle subsidies, in particular, were increased and extended in all principal markets, leading to robust sales of more than 3.2 million full electric and plug-in hybrid vehicles in 2020, compared to 2.3 million units in 2019.
- Furthermore, the Chinese government committed to strategic cobalt metal purchases in September and December, providing additional impetus to the positive price trend.

Key Facts		2020	2019	% change
Third-party Sales Volumes				
Copper metal	'000t	81.1	61.2	32.5%
Copper concentrate (Frontier)	'000t	104.4	81.1	28.7%
Cobalt metal	'000t	1.2	0.5	140.0%
Cobalt hydroxide	'000t	17.0	0.9	1788.9%

Key Facts (continued)		2020	2019	% change
Production				
Saleable copper metal	'000t	80.3	58.6	37.0%
Saleable copper concentrate (Frontier)	'000t	103.3	82.9	24.6%
Cobalt metal	'000t	0.1	1.5	(93.3)%
Saleable cobalt hydroxide	'000t	16.5	6.7	146.3%

Results

In millions of US\$		2020	2019	% change
Revenue		1,494	778	92.0%
Underlying EBITDA		584	(64)	(1012.5)%

Performance in 2020

The Division contributed US\$584 million or 28.9% to the Group's Underlying EBITDA (2019: -US\$64 million). Revenue in 2020 increased to US\$1,494 million (2019: US\$778 million) driven by higher output of Metalkol and Frontier, as well as copper prices rallying in the second half of 2020. Metalkol increased production during 2020 to 80.3kt of copper cathode (2019: 58.6kt) and saleable hydroxide 16.5kt (2019: 6.7kt) as part of the operations ramp-up. Phase 2 of construction of the plant was completed in Q2 2020.

2019 Saleable copper metal production figures include 6.5kt of the residual volumes produced at Boss and Chambishi prior to putting Boss in care and maintenance and halting of copper circuit at Chambishi.

Frontier has posted strong results and achieved the production 103.3kt of copper contained in concentrate (2019: 82.9kt). Cobalt metal production was completed in Q1 2020 and Chambishi was put in care and maintenance. Operating costs have increased only marginally, reflecting the productivity improvements in Metalkol. Thus, most of the revenue uplift has flowed through to EBITDA, making 2020 a very positive year for Other Non-ferrous division.

Capital expenditure

Other non-ferrous divisions' capital expenditure in 2020 achieved US\$69 million (2019: US\$194), this reflects optimisation measures to increase Group liquidity during COVID-19 pandemic.

In 2020, the Group continued to invest in the extension of Frontier Mine's life of mine. This includes the Cut 3 project, which is focused on stripping up to 29 million cubic metres of overburden – in order to push back the pit boundaries and expose more than 45mt of economically recoverable ore. The project will extend the mine's life by up to four years, supporting an average production of 80ktpa of copper contained in concentrate between 2020 and 2024. Furthermore, it will potentially lay the ground for a subsequent Cut 4 project.

Planning for 2021 and beyond

The key focus for the Other Non-ferrous division is to complete the full commissioning of Metalkol project to full capacity, which will dramatically improve the divisional financial performance, and make ERG one of the market leaders in the prospective cobalt market. We also work on the cobalt traceability solution to ensure that final customers receive ethically mined cobalt, which can be traced back to Metalkol operations. The Group continues to evaluate the investment decision to extend the life of mine for the Frontier operations by implementing Cut 4 project.

In parallel, we continue to look for the new opportunities and potential technological improvements to restart Boss and Chambishi assets, and develop some of the other mining licenses the Group currently possesses.

Energy Division

The Energy Division is one of the largest electricity generators in Kazakhstan, producing 14% of electricity in the country in 2020. It sells the majority of the electricity it produces (approximately 87%) to our other entities and the rest to third parties. The Division is also a major coal and semi-coke producer. The coal is used by the Division to generate electricity and is sold both to our other entities and to third parties. Our Shubarkol Komir Original brand of coal is recognised as one of the best in the region, due to its low ash, high calorie characteristics.

2020 highlights

- 11.5 million cubic meters of stripping using the conveyor belt process at Vostochny pit.
- +5.0% coal production (28,871kt – compared to 27,503kt in 2019).
- +2.3% electricity production (14,793 GWh – compared to 14,460 GWh in 2019).

Market context in 2020

- 2020 turned out to be another challenging year for thermal coal due to lower economic activity and a drop in electricity generation amid the pandemic restrictions. For example, coal burn in the six largest European coal-consuming countries (Germany, France, the UK, Spain, Poland and the Netherlands) is estimated to have plunged by 33% year-on-year in 2020.
- The average European CIF ARA benchmark price declined by 16% year-on-year to US\$51 per tonne.
- The FOB Newcastle Australian benchmark (6,000kcal) on the Asian market also dropped by 23% year-on-year to US\$60 per tonne.
- The International Energy Agency expects global thermal coal trade to fall 10% year-on-year in 2020 to 983 million tonnes. Thermal coal imports are anticipated to decline by 9% year-on-year (the largest drop of 31 million tonnes seen in India), while exports are estimated to drop by 10% (mostly on account of lower volumes from Indonesia, Colombia, the US and Australia).
- China was one of the few markets, which demonstrated higher coal demand in 2020 due to the quick post-pandemic economic recovery: the country's thermal power generation increased by 1.2% year-on-year in 2020, while overall Chinese coal imports were up 1.5% year-on-year. Similarly, Turkish coal-fired generation reached an all-time high last year rising by 3% year-on-year resulting in higher thermal coal imports.

Key Facts		2020	2019*	% change
Third-party Sales Volumes				
Coal Eurasian Energy Corporation JSC	'000t	4,973	4,195	18.5%
Coal Shubarkol Komir JSC	'000t	10,118	9,843	2.8%
Semi-coke	'000t	25.2	26.7	(5.6)%
Electricity	GWh	1,838	1,892	(2.9)%
Consumption				
Coal consumed in the production of electricity	'000t	8,333	8,299	0.4%
Electricity produced and consumed for own use	GWh	1,053	1,046	0.7%
Production				
Coal Eurasian Energy Corporation JSC	'000t	17,407	16,172	7.6%
Coal Shubarkol Komir JSC	'000t	11,464	11,331	1.2%
Semi-coke	'000t	212.5	209.2	1.6%
Electricity	GWh	14,793	14,460	2.3%

* Restated to reflect prior year correction, due to change in methodology of calculation.

Results

In millions of US\$	2020	2019	% change
Revenue	510	588	(13.3)%
Underlying EBITDA	172	251	(31.5)%

Performance in 2020

The Energy division contributed US\$172 million or 8.5% of Group EBITDA (2019: US\$251 million). Revenue decreased by US\$78 million from US\$588 million in 2019 to US\$510 million in 2020 reflecting significantly lower prices on thermal coal caused by pandemic restrictions and lower post pandemic economic recovery in Europe, Australia and Asian markets. The negative price impact was partly compensated by higher coal output in order to fulfil the increase in orders from new clients.

Capital expenditure

Energy divisions' capital expenditure in 2020 achieved US\$99 million (2019: US\$118), this reflects optimisation measures to increase Group liquidity during COVID-19 pandemic.

Power Unit No.5, which has been operating since 1973, was reconstructed and put into operation in 2020. In Q1 2020, Power Unit No.5 reached its design capacity. During 2020, work continued on making a decision on the partial reconstruction of Power Units No.7 or No.8 to provide the generating capacities required for our existing production needs, as well as new projects for the Group's development.

In 2020, the designing of a new plant to produce special coke with a capacity of 400ktpa started in order to meet the internal needs of the Group and third party sales from 2024.

Planning for 2021 and beyond

We plan to:

- Balance intragroup electricity consumption and production via maintaining and rehabilitating existing power units at the Aksu Power Plant, Group's CHPPs and building own renewable capacities. Group completed wind measurement study at two sites and now started design of 150 MW wind park which will replace part of Group's obligations of buying renewable energy from other Kazakhstan renewable energy producers;
- Further increase conveyor belt capacity at Vostochny pit to reduce costs of stripping transportation.
- Pursue increased semi-coke production with improved quality at Shubarkol Komir to decrease reductant costs for Group ferroalloys production and increase sales to external clients.
- Develop Shubarkol packed coal project in both Kazakhstan and Europe markets.
- Further improve operational efficiency of key mining equipment at both Vostochny pit and Shubarkol Komir; and
- Optimise our portfolio, including through investments that will help the Group support and benefit from the transition towards a global 'Green Economy': Limit the projected life of coal based power generating assets; Research optimal ways of transitioning to net-zero economy and taking expected cross-border carbon regulations into account when taking investment decisions.

Logistics Division

Our Logistics Division provides transportation and logistics services to the Group's principal operating divisions in Kazakhstan, as well as to third parties.

2020 highlights

- The growth in shipment volumes of iron ore to China by 95.7% from 2.3mt in 2019 to 4.5mt in 2020.
- Sharp decline of railway cars (gondolas) rent rates by approximately 50% compared to 2019 due to gondola oversupply in the market

Key Facts		2020	2019	% change
Transportation				
Total tonnage transported by rail	'000t	53,076	53,836	(1.4)%
Sales Volumes				
Third party freight forwarding	'000t	12,371	14,625	(15.4)%

Results

In millions of US\$	2020	2019	% change
Revenue	121	146	(17.1)%
Underlying EBITDA	44	61	(27.9)%

Performance in 2020

The Logistics Division contributed US\$44 million or 2.2% to the Group's Underlying EBITDA (2019: US\$61 million). Revenue decreased by US\$25 million to US\$121 million (2019: US\$146 million) driven by lower rent rates for railway cars across the CIS, due to oversupply of gondolas in the market and market decline driven by pandemic. EBITDA decreased by US\$17 million or 27.9% as a result.

While our total tonnage remained largely unchanged, our third party freight forwarding volumes were 15.4% lower than in 2019 as we switched capacity to the Group's Iron Ore shipments to China.

Capital expenditure

During 2020, US\$8.4 million CAPEX was spent to improve the competitive transportation services for other Group divisions. The expenditure included leasing open wagons and repairing equipment.

Planning for 2021 and beyond

The priority of the Division is to provide our other entities with transportation and logistics services. The Division expects a potential increase in the required number of railway cars due to growing shipment volumes to China and intends to provide additional required quantity from outsourcing.

Financial review

Key 2020 highlights

- +9.9% revenue (US\$5,356 million – compared to US\$4,872 million in 2019).
- -34.2% capex (US\$572 million – compared to US\$869 million in 2019).
- B- (Stable) and B2 (Negative) credit ratings from Standard & Poor's and Moody's respectively (compared to B-/B (Negative) and B2 (Stable) in 2019).

COVID-19 has spread internationally, contributing to a sharp decline in global financial markets and a significant decrease in global economic activity.

The Group established a crisis management office, which developed a comprehensive set of measures to mitigate risks linked to COVID-19, whilst optimising the Group's liquidity and financial performance. Our anti-crisis plan with a key focus on personnel protection, sales support, supply chain optimization, production stability, project management, liquidity management was aimed at minimising the negative impact on the Group's operations and financial position.

Volatility in foreign exchange markets resulted in the recognition of a US\$287 million net foreign exchange loss in the consolidated income statement and a US\$399 million currency translation difference expense in the consolidated comprehensive income statement for 2020.

Group performance

Underlying EBITDA and cost of sales

Underlying EBITDA increased by 31.5% to US\$2,023 million (2019: US\$1,538 million). This was driven by 9.9% increase in Group revenue to US\$5,356 million (2019: US\$4,872 million), driven primarily by higher output at our Other Non-ferrous division, namely Metalkol RTR and Frontier operations, and higher iron ore prices (although these iron ore price gains were offset by hedging losses). The gains were partly offset by weaker market prices for ferroalloys on the back of oversupply coupled with lower demand, and for thermal coal driven by lower industrial global use of coal for electricity generation.

Net realised losses from the Group's hedging programme were US\$142 million higher (2020: US\$152 million, 2019: US\$10 million). Most of this increase, or US\$128 million, is attributed to our iron ore hedges (2020: US\$164 million, 2019: US\$36 million). The realised losses on hedges are booked in operating expenses.

Excluding the effect of the hedging program, operating expenses were US\$141 million lower due to tenge exchange rate devaluation, business optimisation activities, deferrals of non-critical spend due to pandemic and lower prices on consumables. Our 2020 EBITDA increased by US\$485 million, or 31.5%, to US\$2,023 million (2019: US\$1,538 million).

Capital expenditure

In 2020, our payments for capital expenditure were US\$572 million (2019: US\$869 million). Lower spend reflects the decision to postpone non-critical projects to future periods as part of the programme of measures to shore up Group liquidity over the pandemic and partly due to the completion of the Metalkol RTR Phase 1 project construction in 2019.

The focus of the investment programme was on sustaining capital investments to maintain our production volumes and reduce future costs at our existing assets.

Key examples included:

- Development of ShDNK-2 mine at Donskoy GOK;
- Further enrichment of slime tailings and production of sellable concentrate at Donskoy GOK;
- Projects to improve the productivity of workshop No. 4 of Aktobe Ferroalloys Plant;
- Reconstruction of Kachar open pit at SSGPO;
- Development of open pits No.9 at Ayatskiy deposit, No.17 Krasnogorskiy site, VAM-4, KBR-4 site at Aluminium of Kazakhstan.

Dividends

No dividend was declared in 2020.

Cash flow

Net cash generated from operating activities

We generated US\$905 million in net cash from our operating activities (2019: US\$561 million). This 61.3% increase was driven by (amongst other factors):

- Higher EBITDA on the back of Metalkol RTR ramp-up and increase of production at Frontier;
- Ability to keep the costs at the same level through optimisation, cost deferrals and favorable impact of tenge depreciation on the cost base;
- Agreements to postpone to 2021 the interest payments on selected facilities as part of programme of measures to shore up liquidity following the COVID-19 outbreak.

Net cash used for investing activities

We used a net total of US\$573 million in cash for investing activities (2019: US\$833 million) – most of which was focused on capital expenditure (page 32). In 2020, we focused capital expenditure on the completion of a number of in-progress projects and sustaining capital investments to maintain our production capacity. The reduction in investment activity was due to the completion of Metalkol RTR Phase 1 and postponement of several non-critical projects to subsequent periods as a measure to improve liquidity during a turbulent year.

Net cash generated from for financing activities

In 2020, net cash outflow from financing activities was US\$136 million, compared to a net cash inflow of US\$12 million in 2019. The amount drawn from credit facilities totalled US\$320 million. Proceeds from new borrowings were used to support our operations in Ferroalloys division and Aluminium division.

The net repayments of the borrowings totalled US\$113 million (2019: net proceeds of US\$71 million). The group incurred fees of US\$12 million (2019: US\$20 million) for arrangement of new facilities and restructuring of existing facilities with VTB Bank (PJSC) and Sberbank of Russia.

In addition, the Group incurred outflows related to:

- Buyout of non-controlling interests in EEC of US\$8 million;
- Dividends to non-controlling interests US\$3 million (2019: US\$6 million).

Tax

The Group's income tax expense for 2020 was US\$268 million (2019: US\$213 million), with an effective tax rate of 75.3% (2019: 75.3%). The Group's effective tax rate is higher than income tax rate of 20% applicable in the Republic of Kazakhstan, where the majority of the Group's operations are located. This largely reflected the negative impact of tax losses in Africa and Europe for which no deferred tax is recognised.

Key events in 2020

Debt modification

In March 2020, we reached an agreement with VTB Bank (PJSC) to defer certain interest payments. In accordance with the new terms, interest under one of the tranches is accrued during 2020 and paid only in Q1 2021.

In June 2020, the Group signed amendments to the existing credit facility agreements with Sberbank of Russia to modify principal repayment schedules by deferring payments due in 2020 and 2021 to later periods within the existing maturity.

In December 2020, we signed an amended and restated agreement with VTB Bank (PJSC). Based on new terms, our interest rate for all tranches was reduced and final maturity of loans was extended until 2030.

Our debt maturity profile has significantly improved as a result of these recent amendments, with debt that had been due to mature in 2023 now payable over a longer period with a final maturity date of 2030. These arrangements extend our maturity profile increasing our available liquidity by approximately US\$2.8 billion as at the end of 2023, supporting our medium-term business plans.

Amended and restated agreements to reduce interest rates were also signed with Sberbank of Russia in December 2020. This measure, together with the interest rate decrease under the VTB credit facility, allowed us to reduce our weighted average cost of debt by more than 0.8% per annum.

These initiatives improved our short-term liquidity and created additional liquidity reserves to fund business operations going forward.

New financing

During the year, the Group drew down an additional US\$15 million within the existing credit facilities that was used to reimburse certain expenses.

In June 2020, we signed an amendment to the existing loan agreement with VTB Bank (PJSC) to receive an additional tranche of up to US\$350 million and to improve certain commercial terms. As at 31 December 2020, US\$100 million had been utilised and US\$250 million was still available to be drawn.

Also in June 2020, the Group signed an amendment to the existing prepayment facility agreement with VTB Commodities Trading DAC, an affiliate of VTB Bank (PJSC), for additional tranches in the amount of up to US\$250 million. As at 31 December 2020, US\$110 million was utilised and up to US\$100 million was still available for utilisation. These undrawn funds will additionally support Group's liquidity and the implementation of important investment projects in case of urgent need.

Credit rating

In 2020, the Group maintained its B2 rating from Moody's, albeit with its outlook shifting from 'Stable' to 'Negative'. A future upgrade will depend on a sustainable improvement in various financial metrics, including a reduction in debt levels. Standard & Poor's affirmed ERG to B- but improved the outlook to 'stable'. This is supported by favourable commodity prices and the launch of ERG's Metalkol RTR cobalt and copper project.

Tax environment

The Group is strongly committed to complying with all applicable laws, rules and regulations. The Group adheres to the Group Tax Policy and Tax Code of Conduct adopted in 2018 and 2019, respectively.

Risk management

Our risk management framework defines the oversight responsibilities of the Board of Managers and the Executive Committee. Our Risk and Compliance Management Committee, as well as our Risk Management, Internal Control and Internal Audit teams support them in this role. Our risk management system is designed to help ERG identify, assess and manage risks affecting our business sustainability – as well as our most material Sustainable Development issues – in accordance with our approved levels of risk appetite. Our Group Risk Management Policy conforms with the International Standard for Risk Management (ISO 31000). Recommended ISO 31010 techniques are applied for assessing risk in a wide range of situations.

Our ongoing efforts to identify and manage risks are critical for the successful achievement of our objectives. Our key risks are regularly reviewed by our Risk and Compliance Management Committee, Executive Committee and Board of Managers to ensure visibility of our overall risk exposure and to support the prioritization of our mitigation actions.

The risk management function helps to implement these actions in a timely manner, thus ensuring the proactive mitigation of our key risks in accordance with approved levels of risk appetite.

In 2020, we advanced our management of risk through:

- Implementation of counterparties credit risk management process;
- Pilot implementation of new CP-ISMS 'Risk Management' module Initiation of a project to implement risk-based repair planning using SAP software;
- Unification of internal control systems relating to the preparation of financial statements at regional level;
- Development of a framework for project risks insurance;
- Initiation of an automated health and safety hazard identification (HAZID) management project in Kazakhstan. This will create a 'live' database of hazards, risks and associated mitigation actions, and assign relevant personal responsibilities and resources needed to manage these risks; and
- Further development of our capital project risk analysis approach and tools (including technological, engineering, budgeting aspects, etc.) and implementation of a new Project Risk module within our Integrated Project Management System portal.

As the COVID-19 outbreak unfolded in 2020, the Group established a crisis management office, which developed a comprehensive set of measures to mitigate risks linked to COVID-19, whilst optimising Group liquidity and financial performance.

Our risk management framework helps us identify and understand potential threats to our business sustainability.

In 2020, we advanced our risk management practice through a range of new measures, including the application of new methodologies and information systems.

ERG's principal risks are set out in the table below. Please note that there may be additional unidentified risks and other risks currently not considered material, which could have an impact on our business performance and financial results.

Principal risks and key mitigation actions relevant to sustainable development

Risk area and description	Selected mitigation actions
Political risks There are varying degrees of political stability in our host countries. We conduct our business in complex environments, which are characterised by ever-changing political dynamics.	• Monitoring and analysis of political and macroeconomic trends in our regions of operation.
Regulatory and legal risks There are a number of factors that could affect our regulatory context. This includes the introduction of new (or changes to existing) laws and regulations by our host governments.	• Monitoring of potential legislative and regulatory changes; • Representation of our interests through professional bodies / associations; and • Monitoring of compliance with our license and permit obligations.
Price risks A substantial decline in – or volatility around – commodity prices could materially affect our business, including our financial results and our liquidity.	• Maintenance of long-term sales contracts that link commodity prices to benchmarks; • Hedging of commodity prices; and • Development of alternative sales channels.
Production and operational risks Challenging operational environments have the potential to result in business interruption, damage to physical property, unplanned downtime, asset shutdown, uncertainty in geological formations and mineralisation, serious safety incidents and environmental harm.	• Risk-based reliability planning and maintenance; • Maintenance of a resilient power supply system / long-term contracts with reliable suppliers; • Control of input materials including the introduction of a raw material control system; • Implementation of business continuity management processes; • Infill drilling and ore body modelling; and • Maintenance of property damage / business interruption insurance.
Supply chain and logistics risks The Group's large supply chain exposes it to risks relating to contractual non-compliance by suppliers, including non-delivery, changes in prices for purchased goods, shortage of transportation for goods.	• Creation and maintenance of supplementary stocks of critical inventories (including PPE); • Quality / specification / completeness controls related to the supply of goods and services; • Long-term contracts and category strategies for key goods / services (including formula pricing); and • Maintenance of own fleet of railway wagons.
Capital project execution risks A failure to deliver major capital projects within planned timeframes, budgets and quality criteria could negatively affect long-term profitability and reputation (including our ability to attract future financing).	• Systematic, transparent and stage-gated project implementation process; • Enhanced project due diligence, including independent project reviews; • Contingency planning based on schedule and budget risk analysis; and • Monitoring / control of project deadlines, budgets, ramp-up etc.
Financial risks Our ability to carry out necessary operational and investment activities could potentially be undermined by credit risks, liquidity risks, foreign	• Maintenance of strong relationships with existing lenders, the expansion of our credit lines, as well as improvements to our debt

exchange risks and interest rate risks as well as risks relating to inability of the Group to access commercially viable external financing that could undermine our ability to carry out necessary operating and investment activities. Furthermore, any deterioration to the cash flow and profitability that could adversely affect ability to meet our financial obligations, including debt repayments.	portfolio, funding opportunities and conditions; • Regular updating of our cash flow plan and control of the Group's liquidity level; • Compliance with our covenants; • Monitoring of Group open FX position; • Monitoring of tax legislation compliance; and • Credit control implementation (incl. setting credit limits and alignment control).
Personnel management risks The fact we operate in remote locations poses risks in terms of our ability to attract personnel with the skills and experience we need, as well as the outflow of qualified personnel.	• Maintenance of competitive remuneration packages; • Training and development to maintain the skills pipeline; • Implementation of an effective incentivisation and retention system; and • Implementation of social support programs for personnel.
Social risks Our business activities may negatively affect nearby communities. Therefore, there is a risk that this could affect our social license to operate. In addition, we provide social benefits to Group employees (many of whom are from our local communities) as part of our broader human resources management approach.	• Application of community social investment including through regional Memoranda of Understanding with regional governments, aimed at promoting socio-economic development in our mining towns in Kazakhstan; • Application of the Participatory Rural Appraisal programme and Clean Cobalt Framework in the DRC; and • Monitoring of social attitudes within our host regions – and community grievance mechanisms.
Health, safety and security risks The nature and location of our operations mean they have, in absence of appropriate controls, the potential to affect the physical well-being and health of our employees, contractors and community members. Health risks came to the fore in 2020, with the unfolding of the COVID-19 outbreak.	• Implementation of ISO 45001-certified and / or aligned occupational health and safety management systems; • Zero Harm approach towards critical health and safety risks; • Safety management system audits; • Integration of safety targets into Managers' KPIs; • Implementation of risk assessment using the HAZID method; • Enhancement of transportation safety through application of satellite monitoring and transport analytics; and • A dedicated programme to address the risks posed by COVID-19 to our workforce, whilst maintaining operational continuity (including PPE, social distancing, changed working patterns, screening, testing and other related approaches).

Environmental and climate change risks The nature of our activities and processes mean they have, in the absence of appropriate controls, the potential to harm the environment. Furthermore, our substantial greenhouse gas emissions mean we face direct and indirect risks in relation to future regulatory attempts to limit organisations' emissions.	• Implementation of ISO 14001-certified and / or aligned environmental management systems; • Implementation of ISO 50001-certified energy management systems in Kazakhstan; • Implementation of renewable energy projects; and • Implementation of ESG framework.
Compliance risks The Group has a presence and does business in locations that are considered to pose higher levels of legal compliance risk in terms of bribery and corruption, sanctions, human rights, personal data protection, anti-money laundering and counter-financing of terrorism.	• Monitoring of adherence to Group compliance policies; • Extensive training and awareness programme; • Regular counterparty and supply chain due diligence; • Application of a Sanctions Compliance Programme; • Compliance with the EU General Data Protection Regulation (GDPR) and other applicable laws, including: - data protection impact assessment for high risk processes; and - maintenance of a whistle-blower system, including an anonymous and confidential 24-hour, independently operated Group Hotline.
IT and information security risks In the context of our digitalisation and the enhancement of our Information Technology (IT) landscape, we recognise that this exposes us to potential risks including but not limited to loss of access to IT infrastructure; disruption in business processes; internal and / or external fraud; data leakage and data breaches; non-compliance with information security regulations; and other related risks.	• Building of a robust cyber resilience framework for our IT and Industrial Control Systems; • Prompt responses to IT failures and cyber security incidents; • Implementation of continuity plans for critical IT processes; and • Monitoring of software license compliance.

Consolidated management report

The Managers present their report and the audited Consolidated financial statements for the year ended 31 December 2020.

Principal activities

The Group is a leading diversified natural resources group with integrated mining, processing, energy, logistical, and marketing operations. Production assets are located in the Republic of Kazakhstan, Zambia, Brazil and the DRC. The Group has six operating Divisions: Ferroalloys, Iron Ore, Alumina and Aluminium, Energy, Logistics, and Other Non-ferrous.

Corporate review

The Corporate review has been prepared to provide the Company's shareholder and other interested parties with a fair review of the business of the Group and a description of the principal risks and uncertainties facing it. In accordance with Article 68 of the Luxembourg Accounting Law dated 19 December 2002 (as amended), information required to be disclosed in this regard has been presented in the report as follows:

- CEO Report on pages 7 to 9;
- Corporate review on pages 10 to 18 which includes information on financial and operational performance, key initiatives and events in 2020 and 2025 Strategy;
- Divisional review on pages 19 to 31;
- Financial review on pages 32 to 34;
- Risk management on pages 35 to 38, 51 to 52 and 87 to 92.

All of the above form part of the management report required by the accounting legislation of the Grand Duchy of Luxembourg.

Managers

The Managers who held office during the financial year ended 31 December 2020 and up to the date of signing the Consolidated financial statements are those listed below:

Manager	Occupation	Domicile	Date of appointment	Date of resignation
Mr Bakyt Sultanov	Class A Manager	Kazakhstan	17/06/2013	-
Mr Alexander Machkevitch	Class B Manager	Israel	17/06/2013	-
Mr Alijan Ibragimov	Class B Manager	Switzerland	17/06/2013	03/02/2021
Mr Patokh Chodiev	Class B Manager	Switzerland	17/06/2013	-
Mr Beibut Atamkulov	Class A Manager	Kazakhstan	20/06/2013	-
Mr Shukhrat Ibragimov	Class B Manager	Switzerland	03/03/2021	-

Mr. Alijan Ibragimov passed away on 3 February 2021.

The following individuals were served as delegates to the daily management of the Company:

Delegate	Position	Date of appointment
Mr Benedikt Sobotka	Chief Executive Officer	15/01/2014
Mr Satzhan Temirgaliyev	Chief Financial Officer	02/04/2018
Mr Dmitry Melnikov	Chief Legal Officer	01/01/2017

The Company is contractually bound by a sole signature of any of the Managers or the joint signatures of two delegates to the daily management.

Managers' indirect interests in ordinary shares:

Manager	Number of ordinary shares	
	31 December 2020	31 December 2019
Mr Alexander Machkevitch	16,059	16,059
Mr Alijan Ibragimov	16,051	16,051
Mr Patokh Chodiev	14,390	14,390

Events after the balance sheet date

Details of events after the balance sheet date, including COVID-19, have been disclosed in notes 30 and 1 to the Consolidated financial statements.

Financial instruments

Details of the Group's financial risk management, objectives and policies, together with details of financial instruments are described in note 25 to the Consolidated financial statements.

Research and development activities

The Group has a research and development center, which reviews scientific and technological developments to improve existing mining and metallurgical processes as well as discover innovative technologies and approaches to be implemented at our entities.

The Group incurred costs amounting to US\$7.5 million (2019: US\$9.3 million) during the year in relation to research and development activities.

Management responsibility statement

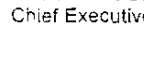
We confirm to the best of our knowledge that the Consolidated financial statements which have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole, and that the Consolidated management report presents a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The Consolidated financial statements on pages 46 to 99 were approved by the Board of Managers on 30 April 2021 and signed on its behalf by:

Mr Alexander Machkevitch
Chairman



Mr Benedikt Sobotka
Chief Executive Officer



Financial instruments

Details of the Group's financial risk management, objectives and policies, together with details of financial instruments are described in note 25 to the Consolidated financial statements.

Research and development activities

The Group has a research and development center, which reviews scientific and technological developments to improve existing mining and metallurgical processes as well as discover innovative technologies and approaches to be implemented at our entities.

The Group incurred costs amounting to US\$7.5 million (2019: US\$9.3 million) during the year in relation to research and development activities.

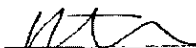
Management responsibility statement

We confirm to the best of our knowledge that the Consolidated financial statements which have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole, and that the Consolidated management report presents a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The Consolidated financial statements on pages 46 to 99 were approved by the Board of Managers on 30 April 2021 and signed on its behalf by:

Mr Alexander Machkevitch
Chairman

Mr Benedikt Sobotka
Chief Executive Officer





Audit report

To the Shareholders of
Eurasian Resources Group S.à r.l.

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of Eurasian Resources Group S.à r.l. (the "Company") and its subsidiaries (the "Group") as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated income statement for the year then ended;
- the consolidated comprehensive income statement for the year then ended;
- the consolidated balance sheet as at 31 December 2020;
- the consolidated cash flow statement for the year then ended;
- the consolidated changes in equity statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the consolidated financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements. We have fulfilled our other ethical responsibilities under those ethical requirements.

*PricewaterhouseCoopers, Société coopérative, 2 rue Gerhard Mercator, B.P. 1413, L-1014 Luxembourg
T : +352 494848 1, F : +352 494848 2900, www.pwc.lu*

*Cabinet de révision agréé. Expert-comptable (autorisation gouvernementale n°10028256)
R.C.S. Luxembourg B 65 477 - TVA LU25482518*



Other information

The Board of Managers is responsible for the other information. The other information comprises the information stated in the annual report including the consolidated management report but does not include the consolidated financial statements and our audit report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Managers and those charged with governance for the consolidated financial statements

The Board of Managers is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Board of Managers 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, the Board of Managers 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 the Board of Managers 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.

Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the consolidated financial statements

The objectives of our audit 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 audit 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 the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF 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 the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, 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 the Board of Managers;
- conclude on the appropriateness of the Board of Managers' 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 audit 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 audit 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 and 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.

Report on other legal and regulatory requirements

The consolidated management report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 30 April 2021

Electronically signed by
Andrei Chizhov

A handwritten signature in black ink, appearing to be "A. Chizhov".

Andrei Chizhov

Consolidated income statement

US\$ million	note	Years ended 31 December	
		2020	2019
Revenue	3	5,356	4,872
Cost of sales	5	(3,111)	(2,995)
Gross profit		2,245	1,877
Distribution costs	6	(215)	(174)
General and administrative expenses	7	(651)	(800)
Exploration costs		(10)	(28)
Impairments		(9)	(7)
Other operating expense	8	(775)	(330)
Other operating income	8	295	230
Operating profit		880	768
Finance income	10	355	126
Finance cost	11	(879)	(611)
Profit before income tax		356	283
Income tax expense	12	(268)	(213)
Profit for the year		88	70
Profit/(loss) attributable to:			
Owners of the Company		100	132
Non-controlling interests		(12)	(62)

Consolidated comprehensive income statement

US\$ million	Years ended 31 December	
	2020	2019
Profit for the year	88	70
Other comprehensive (expense)/income, net of income taxes:		
Items that may be subsequently or are reclassified to profit or loss:		
Currency translation differences	(397)	(18)
Cash flow hedges	(4)	14
Cash flow hedges – reclassification to profit	(20)	(25)
Items that will not be subsequently reclassified to profit or loss:		
Remeasurement of employee benefit obligations	2	(1)
Comprehensive (expense)/income for the year	(331)	40
Comprehensive (expense)/income attributable to:		
Owners of the Company	(324)	95
Non-controlling interests	(7)	(55)

Consolidated balance sheet

	2021	2020
Assets		
Non-current assets		
Property, plant and equipment	10	10,248
Intangible assets	14	1,017
Other financial assets		116
Deferred tax asset		58
Other		126
Total		11,555
Current assets		
Inventories	15	971
Trade and other receivables	16	942
Cash and cash equivalents	17	668
Total		2,581
Total assets		14,136
Equity		
Capital reserve	18	3,188
Reserves		11,088
Attributable to owners of the Company		14,276
Non-controlling interests		110
Total equity		14,386
Liabilities		
Non-current liabilities		
Borrowings	20	7,714
Deferred tax liability	21	1,214
Asset retirement obligations	22	92
Employee benefit obligations	23	28
Other	24	79
Total		9,127
Current liabilities		
Borrowings	25	669
Trade and other payables	26	1,182
Other taxes payable		148
Income tax payable		50
Total		2,049
Total liabilities		11,176
Total equity and liabilities		14,386

These Consolidated financial statements were approved by the Board of Managers on 30 Apr. 2021 and were signed on its behalf by

Mr. Alexander Machkevitch
Chairman

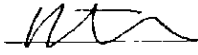
Mr. Benedikt Sobotka
Chief Executive Officer

Consolidated balance sheet

		31 December	
US\$ million	note	2020	2019
Assets			
Non-current assets			
Property, plant and equipment	13	10,048	10,923
Intangible assets	14	137	148
Other financial assets		116	72
Deferred tax asset	12	58	28
Other		109	128
Total		10,468	11,299
Current assets			
Inventories	15	972	977
Trade and other receivables	16	942	750
Cash and cash equivalents	17	665	472
Total		2,579	2,199
Total assets		13,047	13,498
Equity			
Capital reserve	19	3,159	3,159
Reserves		(1,398)	(1,085)
Attributable to owners of the Company		1,761	2,074
Non-controlling interests		110	139
Total equity		1,871	2,213
Liabilities			
Non-current liabilities			
Borrowings	20	7,714	8,058
Deferred tax liability	12	1,214	1,294
Asset retirement obligations	21	92	95
Employee benefit obligations	22	28	37
Other	23	79	243
Total		9,127	9,727
Current liabilities			
Borrowings	20	669	584
Trade and other payables	24	1,182	870
Other taxes payable		148	81
Income tax payable		50	23
Total		2,049	1,558
Total liabilities		11,176	11,285
Total equity and liabilities		13,047	13,498

These Consolidated financial statements were approved by the Board of Managers on 30 April 2021, and were signed on its behalf by

Mr. Alexander Machkevitch
Chairman


Mr. Benedikt Sobotka
Chief Executive Officer

Consolidated cash flow statement

US\$ million	note	Years ended 31 December	
		2020	2019
Cash generated from operating activities	18	1,574	1,319
Interest and other similar expenses paid		(444)	(505)
Income tax paid		(241)	(295)
Income tax refund		9	28
Interest received		7	14
Net cash generated from operating activities		905	561
Cash flow from investing activities			
Purchase of property, plant and equipment		(560)	(858)
Acquisition of subsidiaries		(17)	(2)
Purchase of intangible assets		(12)	(11)
Proceeds from disposal of subsidiaries		8	23
Proceeds from disposal of property, plant and equipment		7	9
Proceeds from repayment of loans and deposits		1	6
Net cash used for investing activities		(573)	(833)
Cash flow from financing activities			
Borrowings – proceeds		346	1,298
Borrowings – repayments		(459)	(1,227)
Payment of arrangement fees		(12)	(20)
Acquisitions of non-controlling interests	29	(8)	(33)
Dividends paid to non-controlling interests		(3)	(6)
Net cash (used for)/generated from financing activities		(136)	12
Net change in cash and cash equivalents		196	(260)
Cash and cash equivalents at the beginning of the year		472	734
Foreign exchange loss on cash and cash equivalents		(3)	(2)
Cash and cash equivalents at the end of the year	17	665	472

Purchases of property, plant and equipment include US\$28 million of capitalised borrowing costs (2019: US\$79 million).

Consolidated changes in equity statement

Attributable to owners of the Company									
US\$ million	Share capital	Capital reserve	Retained earnings	Translation reserve	Hedge reserve	Other reserve	Total	Non-controlling interests	Total equity
Balance at 1 January 2019	–	3,159	5,999	(7,212)	15	9	1,970	216	2,186
Profit/(loss) for the year	–	–	132	–	–	–	132	(62)	70
Other comprehensive (expense)/income	–	–	–	(25)	(8)	(4)	(37)	7	(30)
Comprehensive income/(expense)	–	–	132	(25)	(8)	(4)	95	(55)	40
Dividends	–	–	–	–	–	–	–	(2)	(2)
Other changes in non-controlling interests	–	–	9	–	–	–	9	(20)	(11)
Balance at 31 December 2019	–	3,159	6,140	(7,237)	7	5	2,074	139	2,213
Profit/(loss) for the year	–	–	100	–	–	–	100	(12)	88
Other comprehensive (expense)/income	–	–	–	(402)	(17)	(5)	(424)	5	(419)
Comprehensive income/(expense)	–	–	100	(402)	(17)	(5)	(324)	(7)	(331)
Dividends	–	–	–	–	–	–	–	(3)	(3)
Other changes in non-controlling interests ¹	–	–	11	–	–	–	11	(19)	(8)
Balance at 31 December 2020	–	3,159	6,251	(7,639)	(10)	–	1,761	110	1,871

¹ The Group acquired 1.588% of Eurasian Energy Corporation JSC for cash consideration of US\$8 million resulting in 100% ordinary shares ownership.

1. Principal accounting policies

General

Eurasian Resources Group S.à r.l. (the 'Company') was incorporated on 13 May 2013 and is organised under the laws of the Grand Duchy of Luxembourg as a private limited liability company for an unlimited period. The Company's registered address and domicile is 9, rue Sainte Zithe, L-2763 Luxembourg, the Grand Duchy of Luxembourg. The Consolidated financial statements as at and for the year ended 31 December 2020 comprise the Company and its subsidiaries (the 'Group').

The Company, together with its subsidiaries, is a leading diversified natural resources group with integrated mining, processing, energy, logistical and marketing operations. Production assets are located in the Republic of Kazakhstan, Zambia and the Democratic Republic of the Congo ('DRC'). The Group has six operating divisions: Ferroalloys, Iron Ore, Alumina and Aluminium, Energy, Logistics and Other Non-ferrous.

Basis of preparation

The Consolidated financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU').

The Consolidated financial statements have been prepared under the historical cost convention as modified for the revaluation of certain assets and liabilities as further explained in the respective accounting policies.

The preparation of the Consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates and judgments in applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Consolidated financial statements are disclosed in note 2.

During 2019, the Group has resolved certain complex taxation and commercial issues in its business in the Democratic Republic of Congo by engaging specialist consultants. The Group sought to verify that they complied with all applicable laws, including all applicable regulatory legislation. Additionally, the M&A transaction to acquire a 51% interest in Evelyne Investissement SAU entered into by the Group in November 2018 was subject to adverse media reporting during 2020.

During the course of 2020 the Group launched an independent internal investigation led by a leading global law firm supported by specialist forensic experts and reporting directly to the Group's Audit Committee to cover both matters. The internal investigation is complete and closed with key areas of risk addressed and no adverse findings having been discovered insofar as it relates to any potential wrongdoing by the Group or its employees.

Going concern basis

COVID-19 pandemic

In March 2020, the World Health Organisation declared a global pandemic related to COVID-19. Despite various COVID-19 related challenges, the Group's assets have continued to operate. The Group has made efforts to safeguard the health of our employees, while continuing to operate safely and responsibly maintain employment and economic activity, and has incurred COVID-19 safety and social costs of US\$39 million at 31 December 2020.

The Group has not experienced significant disruption to supply chains and product shipments since the onset of the COVID-19 pandemic and the Group is working to manage the logistical challenges presented by the closure of trade borders, using alternative routes where feasible.

1. Principal accounting policies (continued)

In addition, significant number of steps were taken to keep Group's liquidity at satisfactory level, including but not limited to deferrals of non-critical spend, revision of capital investment programmes, renegotiation of consumables prices, and arrangement of additional facilities with banks.

Whilst 2021 may be a year of uncertainty as the world continues to grapple with and recover from the COVID-19 pandemic, the Group is confident that the Group can successfully continue developing as a socially responsible, resilient and efficient business with the support of our partners and employees.

Liquidity forecast

The Board of Managers has reviewed the liquidity available for the period until 30 June 2022. Throughout the period under review the Group generates sufficient cash flow to maintain a position above minimum working capital requirements.

The Group continuously monitors its financial position to ensure adequate liquidity headroom is in place to support its business needs and to ensure compliance with loan covenants or to obtain waivers where appropriate. As of 31 December 2020, the Group complied with applicable covenants.

The Group is actively pursuing significant mitigating actions in its business plan to manage liquidity and the covenant position during the period under review. These actions, inter alia, include:

- renegotiation with the Group's main providers of finance to give rise to an additional liquidity before 30 June 2022 of up to US\$290 million;
- cost reduction and restructuring within the business which will generate annual savings of approximately US\$83 million;
- enhanced management of working capital to generate further liquidity but also enhance flexibility regarding the deployment of cash resources (for example, by management of expenditure within the period under review).

These actions will further support the Group's liquidity and the plan of management is to generate a sufficient liquidity 'buffer' to provide further headroom should market conditions further worsen.

The Group maintained its B2 rating from Moody's in March 2020, with a shift in outlook from stable to negative to reflect the low commodity prices and growing risks of recession at the onset of the COVID-19 outbreak. Nonetheless, in December 2020, Standard & Poor's affirmed the Group to B- but improved the outlook from negative to stable thanks to favourable commodity prices and the launch of the Group's Metalkol RTR cobalt and copper project.

The global spread of COVID-19 towards the end of Q1 2020 pushed commodity prices downward reflecting reduced demand, the impact of lockdowns, closures and other measures enacted by the governments to fight the pandemic. The trend continued into Q2 2020, however, then reversed following the swift recovery of economic activity and government stimulus packages. Prices returned largely to pre-pandemic levels, with iron ore and copper reaching multi-year highs prompted by increased demand in China and exacerbated by mine closures and supply cuts.

The Group appreciates the dependence of liquidity on commodity prices in our key markets and ability to raise additional funding when required. To ensure adequate liquidity is available to meet contractual obligations, the Group ensures continuing focus on operational efficiency, working capital improvements, and allocation and spending of capital expenditures budget.

1. Principal accounting policies (continued)

The Managers therefore consider that the Group can access adequate resources to continue its business operations for the foreseeable future and that the preparation of these Consolidated financial statements under the going concern basis is appropriate.

New standards

The Consolidated financial statements have been drawn up on the basis of accounting policies consistent with those applied in the Consolidated financial statements for the year ended 31 December 2019. Adoption of amendments to standards effective from 1 January 2020 did not have a significant impact on the Group. Amendments to standards effective from 1 January 2021 have no significant impact on the Group. The Group has not early adopted any standard, interpretation or amendment that has been issued, but is not yet effective. The Group is evaluating potential impact arising from new standards, amendments to standards, interpretations and improvements.

Basis of consolidation

The Consolidated financial statements of the Group include the consolidation of the financial statements of the Company and its subsidiaries drawn up to 31 December 2020.

Subsidiaries are those entities, over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are consolidated from the date on which control is transferred to the Company (acquisition date) and are deconsolidated from the date that control ceases. The financial statements of subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies, and intercompany transactions, balances and unrealised gains and losses on transactions between subsidiaries are eliminated.

Non-controlling interest is a portion of net results and of the equity in a subsidiary not attributable, directly or indirectly, to the Company. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Functional and presentation currency

All amounts in the Consolidated financial statements are presented in millions of US dollars, unless otherwise stated.

The functional currency for major entities in the Group is determined as the currency of the primary economic environment in which the entities operate. The following additional factors are considered in determining the functional currency of a foreign operation:

- whether the activities of the foreign operation are carried out as an extension of the reporting entity, rather than being carried out with a significant degree of autonomy;
- whether transactions with the reporting entity are a high or a low proportion of the foreign operation's activities;
- whether cash flows from the activities of the foreign operation directly affect the cash flows of the reporting entity and are readily available for remittance to it;
- whether cash flows from the activities of the foreign operation are sufficient to service existing and normally expected debt obligations without funds being made available by the reporting entity.

1. Principal accounting policies (continued)

The functional currency of the operating entities in the Republic of Kazakhstan is the Kazakhstani tenge (KZT). For the Sales and Marketing entities and significant African operations, the functional currency is the US dollar (US\$). The functional currency of the Company is the US\$. The exchange rates for significant operating entities are set out below.

	31 December		Average	
	2020	2019	2020	2019
Kazakhstani tenge (KZT)	420.91	382.59	412.95	382.75
Brazilian real (BRL)	5.20	4.03	5.16	4.12
South African rand (ZAR)	14.69	13.99	14.90	14.42
Congolese franc (CDF)	1,950.97	1,705.62	1,852.12	1,670.53

Foreign currency translation

Transactions in currencies other than the functional currency are translated to the functional currency at the rate of exchange ruling at the date of the transaction, unless hedge accounting applies in which case the contract rate is used. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. Exchange gains and losses on settlement of foreign currency transactions and the translation of monetary assets and liabilities are taken to the Consolidated income statement, except when recognised in other comprehensive income, depending on whether intra group monetary assets and liabilities are regarded as a part of a net investment in a foreign operation where a settlement is neither planned nor likely to occur in a foreseeable future. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

All intra Group monetary assets and liabilities within Kazakhstani operations have been concluded not to form the part of an investment in a foreign operation. Accordingly, all the related foreign exchange gains and losses have been recognised in the Consolidated income statement.

Translation from functional to presentation currency

The results and financial position of all Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the date of the Consolidated balance sheet;
- income and expenses for each income statement are translated at average monthly exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);
- all resulting exchange differences are recognised as a separate component of equity; and
- goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate at the date of the Consolidated balance sheet.

Revenue recognition

A significant portion of production is sold under contracts of sale of goods. Revenue from contracts with customers is recognised when control of the goods (generally, upon delivery) or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

1. Principal accounting policies (continued)

Revenues are shown net of VAT and discounts. Certain of the commodities delivered to customers are provisionally priced at the date revenue is recognised. The prices are generally finalised within 3 months. Such adjustments to revenue are dealt with under IFRS 9 'Financial Instruments' rather than IFRS 15 'Revenue from Contracts with Customers' and therefore the IFRS 15 'Revenue from Contracts with Customers' rules on variable consideration do not apply. Such adjustments therefore represent revenue from sources other than contracts with customers.

Employee benefits

Defined benefit plans

The Group provides long-term employee benefits to employees before, on and after retirement, in accordance with labour union agreements in Kazakhstan and the DRC. The agreements typically provide for one-off retirement payments, financial aid for employees' disability, significant anniversaries and funeral aid. The entitlement to some benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. Such benefits are valued consistent with an unfunded defined benefit plan in accordance with IAS 19 'Employee Benefits'.

The future benefits that employees have earned in return for their service in the current and prior periods is discounted to determine the present value. Since Kazakhstan and the DRC do not have an extensive market of high quality corporate bonds, the market yields on government bonds with a maturity closest to average duration of actuarial liabilities are used as a basis for discount rates. The calculation is performed annually internally or by a qualified, independent actuary depending on the complexity of computations.

The expected costs of the benefits associated with one-off retirement payments are accrued over the period of employment using the same accounting methodology as used for defined benefit post-employment plans. This means that the difference between the fair value of the plan assets (if any) and the present value of the defined benefit obligations is recognised as an asset or liability on the Consolidated balance sheet. Actuarial gains and losses related to remeasurement of defined benefit pension plan obligations shall be recorded within other comprehensive income. Remeasurement of other long-term employee benefits are recognised in profit and loss.

For this purpose, actuarial gains and losses comprise both the effects of changes in actuarial assumptions and experience adjustments arising because of differences between the previous actuarial assumptions and what has actually occurred.

Other movements in the net surplus or deficit are recognised in the Consolidated income statement, including current service cost, any past service cost and the effect of any curtailments or settlements. Benefit costs are split between (i) the cost of benefits accrued in the current period (service cost) and benefit changes (past-service cost, settlements and curtailments); and (ii) finance expense or income. This analysis is presented in the Consolidated income statement or in the notes to the Consolidated financial statements.

Defined contribution plans

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. Contributions to defined contribution plans are recognised in the Consolidated income statement as an employee benefit expense in the period in which they are due.

1. Principal accounting policies (continued)

Payroll expense and related contributions

Wages, salaries and social insurance funds, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by the employees of the Group.

On behalf of its employees, the Group pays those statutory pension and post-employment benefit amounts prescribed by the legal requirements of the countries in which it operates. These payments are expensed as incurred unless capitalised.

Finance income and cost

Finance income comprises interest income on funds invested, gain on modification of borrowings and *unwinding of loss on origination of loans*. Finance costs comprise interest expense on borrowings, expenses from the unwinding of discount on asset retirement obligations, expenses from the unwinding of discount on financial instruments, expenses from the unwinding of discount on employee benefits obligations, amortisation of arrangement fees on credit facilities, accelerated unwinding of debt issue costs/discount.

Finance income and costs include foreign exchange gains and losses that relate mainly to loans receivable, borrowings, and term deposits (more than three months).

Interest income and expenses are recognised on a time proportion basis, using the effective interest method. All interest and other costs incurred in connection with borrowings are expensed as incurred as part of finance costs unless incurred on borrowings to finance the acquisition of a qualifying asset.

Borrowing costs to finance the acquisition of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. All borrowings are classified between specific borrowings and general borrowings for the purpose of capitalisation. Borrowing costs which relate to borrowings made specifically to fund the acquisition of a specific qualifying asset are fully capitalised during the period when this specific qualifying asset is being constructed. Borrowings which do not qualify as specific are defined as general borrowings.

For general borrowings which are not excluded from the general borrowings pool the capitalisation rate is used to determine the amount of borrowing costs eligible for capitalisation.

Income tax

The income tax expense for the period comprises current and deferred tax. Current tax expense is the amount of tax estimated to be payable or recoverable in respect of the taxable income or loss for a period, as well as adjustments to estimates in respect of previous periods. It is calculated on the basis of the tax laws and rates enacted or substantively enacted at the balance sheet date.

Deferred tax represents the amount of income taxes payable or recoverable in future periods in respect of temporary differences, unused tax losses and unused tax credits. The deferred tax is recognised in respect of temporary differences between the tax bases of assets and liabilities and their carrying amounts in the Consolidated financial statements, subject to the exceptions below.

Deferred tax is not accounted for if it arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

1. Principal accounting policies (continued)

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, carry forward of unused tax credits and unused tax losses can be utilised.

Deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised.

Deferred tax is provided on temporary differences associated with investments in subsidiaries, interests in joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets and liabilities are offset only if there is a legally enforceable right to offset the recognised amounts and the deferred tax assets and liabilities are intended to be settled either simultaneously or on a net basis.

Exploration and evaluation

Exploration for and evaluation of mineral resources include the search for mineral resources after the Group company has obtained legal rights to explore in a specific area, as well as the determination of the technical feasibility and commercial viability of extracting mineral resources. Exploration and evaluation expenditures related to an area of interest are written off as incurred until management concludes that it is probable that future costs will be recovered through successful development and exploitation of the area of interest, or alternatively through its sale, from which point they are carried forward as an asset in the Consolidated balance sheet and are included within the assets under construction component of property, plant and equipment at cost less impairment charges.

Capitalised costs include costs directly related to exploration and evaluation activities in the relevant area of interest. General and administrative costs are allocated to an exploration or evaluation asset only to the extent that those costs can be related directly to operational activities in the relevant area of interest. All capitalised exploration and evaluation expenditure is assessed for impairment if facts and circumstances indicate that impairment may exist.

For the purpose of assessing impairment, the exploration and evaluation assets subject to testing are grouped with relevant existing cash-generating units of operating mines that are located in the same geographical region. Where the assets are not associated with a specific cash-generating unit, the recoverable amount is assessed for the specific exploration area. Any impairment loss is recognised as an expense in accordance with the policy on impairment of non-financial assets.

Identifiable exploration and evaluation assets acquired as part of a business combination are recognised as assets at their fair value at the date of acquisition.

1. Principal accounting policies (continued)

Property, plant and equipment

Property, plant and equipment is carried at cost less accumulated depreciation and any accumulated impairment loss.

Cost includes the original purchase price of the asset, costs attributable to bringing the asset to its working condition for its intended use and estimated future cost of closure and restoration of the asset.

Depreciation is recorded over the useful life of the asset, or over the expected remaining life of the mine if shorter, as follows:

- buildings (including mining premises): 10 to 60 years on a straight-line basis;
- mining assets (including mineral rights): on a units of production basis;
- plant and equipment: 5 to 30 years on a straight-line basis;
- motor vehicles: 5 to 30 years on a straight-line basis; and
- land: not depreciated.

The residual value of an asset is nil if the Group expects to use the asset until the end of its physical life. Estimates of residual values and useful lives are reassessed annually, and any change in estimate is taken into account in the determination of future depreciation charges.

The individual significant parts of an item of property, plant and equipment (components), whose useful lives are different from the useful life of the asset as a whole, are depreciated individually, applying depreciation rates reflecting their anticipated useful lives. The cost of replacing major parts or components of property, plant and equipment items is capitalised and the replaced part is retired.

Subsequent costs are included in an asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to the Consolidated income statement in the period in which they are incurred.

Specialised spare parts and servicing equipment with a significant initial value and a useful life of more than one year are recognised as items of property, plant and equipment. Other spare parts and servicing-related equipment are recognised as inventories and accounted for in the Consolidated income statement on utilisation.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the assets disposed of and are recognised in the Consolidated income statement.

Property, plant and equipment is tested for impairment if facts and circumstances indicate that impairment may exist, in accordance with the impairment policy below.

i) Mining assets

Once a project has been established as commercially viable, capitalised expenditures are transferred from 'exploration and evaluation' to 'mining assets'. In addition, mining assets include mineral rights, expenditure incurred to establish or expand production capacity, costs to conduct mining construction and mining capital works, as well as costs arising from mining preparation works during the development or mine reconstruction phase.

1. Principal accounting policies (continued)

Development expenditure incurred by or on behalf of the Group is accumulated separately for each area of interest in which economically recoverable resources have been identified.

Such expenditure comprises costs directly attributable to the construction of a mine and the related infrastructure, including the cost of materials, direct labour and an appropriate proportion of production overheads.

When further development expenditure is incurred in respect of a mining asset after the commencement of production, such expenditure is carried forward as part of the mining asset when it is probable that additional future economic benefits associated with the expenditure will flow to the Group. Otherwise such expenditure is recognised as a cost of production.

Once a project has been fully commissioned, depreciation is charged using the units of production method, based on proved and probable reserves, with separate calculations being made for each area of interest. The units of production basis results in a depreciation charge proportional to the depletion of proved and probable reserves.

Mining assets are included within the category 'buildings and mining assets' of property, plant and equipment.

ii) Assets under construction

Assets under construction are capitalised as a separate component of property, plant and equipment. Self-constructed assets include the cost of materials, direct labour and an appropriate proportion of allocated overheads.

On completion, the cost of construction is transferred to the appropriate asset category. Assets under construction are not depreciated. Depreciation commences on the date when the assets are available for intended use.

iii) Stripping costs

Stripping costs comprise the removal of overburden and other waste products from mines. Stripping costs incurred in the development of mines and open pits before the production commences are capitalised as part of the cost of constructing the mines and open pits, and depreciated using the unit of production method over the lives of the mines or open pits.

Stripping costs incurred during the production phase of operations are treated as a production cost that forms part of the cost of inventory.

Impairment

The carrying amounts of property, plant and equipment and all other non-financial assets are reviewed for impairment if facts and circumstances indicate that impairment may exist. An intangible asset that has an indefinite useful life, such as goodwill, is tested for impairment annually and whenever there is an indication that the asset may be impaired.

The Group tests an asset or cash-generating unit ('CGU') for impairment by comparing its recoverable amount with its carrying amount. When an impairment review is undertaken, the recoverable amount is assessed by reference to the higher of 'value in use' and 'fair value less costs of disposal'.

A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

1. Principal accounting policies (continued)

Value in use is the net present value of expected future cash flows of the relevant CGU in its current condition. Value in use is determined by applying assumptions specific to the Group's continued use of the asset or CGU and does not take into account future developments.

The estimates used for impairment reviews to determine value in use are based on detailed mine plans and operating budgets.

Future cash flows are based on management's best estimates of:

- quantities of the reserves and mineral resources for which there is a high degree of confidence of economic extraction;
- future production levels;
- future commodity prices; and
- future cash costs of production, capital expenditure related to construction in progress and development projects that are not yet completed, close down, restoration and environmental clean up.

Fair value less costs of disposal is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date less incremental costs directly attributable to the disposal of an asset or cash-generating unit, excluding finance costs and income tax expense. Where there is no binding sale agreement or active market, fair value less costs of disposal is based on the best information available to reflect the amount that the Group could receive for the CGU in an arm's length transaction.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the Consolidated income statement so as to reduce the carrying amount in the Consolidated balance sheet to its recoverable amount. For assets excluding goodwill, a previously recognised impairment loss is reversed if the recoverable amount increases as a result of a reversal of the conditions that originally resulted in the impairment.

This reversal is recognised in the Consolidated income statement and is limited to the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised in prior years. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Business combinations and goodwill

The acquisition method of accounting is used to account for business combinations. The Group elects on a transaction-by-transaction basis to measure non-controlling interests at the value of their proportion of identifiable assets and liabilities or at full fair value. The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets, liabilities and contingent liabilities acquired, represents goodwill.

'Bargain purchase gain' which is the excess of the net identifiable amounts of the assets acquired and liabilities assumed over the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest, is recognised immediately in the Consolidated income statement.

The consideration transferred in a business combination is measured at fair value of the assets transferred, the liabilities incurred to the former owners of an acquiree and the equity interests issued by the Group, with contingent consideration recognised at fair value as part of that consideration transferred. The obligation to pay contingent consideration is classified as either liability or equity on the basis of the terms and conditions of the contingent consideration.

1. Principal accounting policies (continued)

In a business combination achieved in stages, previously held equity interest in the acquiree is remeasured at its acquisition date fair value and the resulting gain or loss, if any, is recognised in the Consolidated income statement.

Goodwill acquired through business combinations has been allocated to those CGUs or groups of CGUs that are expected to benefit from the business combination. These CGUs or groups of CGUs represent the lowest level within the Group at which goodwill is monitored for internal management purposes and these CGUs or groups of CGUs are not larger than the Group's operating divisions, which are its product groups.

Goodwill is tested for impairment annually in accordance with the impairment policy described above. Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. Subsequently, goodwill is measured at cost less accumulated impairment losses.

Intangible assets

Intangible assets, which are acquired by the Group and have finite useful lives, are stated at cost less accumulated amortisation and impairment losses. Intangible assets acquired in a business combination are capitalised at fair value when the fair value can be measured reliably on initial recognition. Intangible assets are tested for impairment if facts and circumstances indicate that impairment may exist, in accordance with the impairment policy described above.

Intangible assets are amortised using the straight-line method over their useful lives not exceeding 5 years.

Financial assets

Classification

The Group classifies its financial assets into the following measurement categories: financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, and financial assets at amortised cost. The classification depends on the Group's business model for managing financial assets and the contractual terms of the cash flows. Management determines the classification of its financial assets at initial recognition.

Non-derivative financial assets

The Group classifies its non-derivative financial assets as at amortised cost only if both of the following criteria are met: (a) the asset is held within a business model with the objective of collecting the contractual cash flows; and (b) the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Financial assets at amortised cost include loans receivable, trade receivables (other than provisionally priced trade receivables), and other financial assets that are held with the objective of collecting contractual cash flows. After initial measurement at fair value, the financial assets are measured at amortised cost using the effective interest rate ('EIR') method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

The EIR amortisation is included in finance income in the Consolidated income statement. The losses arising from impairment are recognised in profit or loss.

1. Principal accounting policies (continued)

Derivative financial assets

Derivative instruments (including instruments with embedded derivatives such as provisionally priced receivables) are measured at fair value through profit or loss, and are held for trading or designated as cash flow hedges relating to highly probable forecast transactions.

The effective portion of a change in fair value of a derivative contract designated as a cash flow hedge is recognised in other comprehensive income until the hedged transaction occurs; any ineffective portion is recognised in the Consolidated income statement.

The amount in accumulated other comprehensive income is reclassified to income when the hedged transaction is recognised in the Consolidated income statement. Cost of hedging deferred in a separate reserve in equity is transferred to the Consolidated income statement only when the hedged transactions occurs.

Gains and losses on derivative contracts not qualifying or not designated as hedges are recognised in the Consolidated income statement.

Derecognition

The Group derecognises financial assets when: (i) the assets are redeemed or the rights to cash flows from the assets have otherwise expired; (ii) the Group has transferred the rights to the cash flows from the financial assets and transferred substantially all the risks and rewards of ownership of the assets; or (iii) the Group has neither transferred nor retained substantially all risks and rewards of ownership but has not retained control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Impairment

The Group assesses the expected credit losses associated with its financial assets carried at amortised cost. The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation. This judgement is based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventory is determined on a weighted average basis.

Cost includes all costs incurred in the normal course of business in bringing each product to its present location and condition. Cost for raw materials, consumable stores and other inventories is purchase price or extraction cost. Cost for work in progress and finished goods is the cost of production, including the appropriate proportion of depreciation and overheads based on normal operating capacity, but excluding borrowing costs. Net realisable value is based on estimated selling price in the ordinary course of business less any further costs expected to be incurred to completion and disposal.

Trade and other receivables

Trade and other receivables (other than provisionally priced receivables which are carried at fair value through profit or loss) are recognised initially at fair value and subsequently carried at amortised cost using the effective interest method less provision for impairment.

1. Principal accounting policies (continued)

The Group applies the simplified approach to providing for expected credit losses, which permits the use of the lifetime expected loss provision for all trade receivables. In calculating the expected credit loss rates for trade receivables, the Group considers historical loss rates for each category of counterparties, and adjusts for forward looking macroeconomic data. The accounts receivables have been divided in aging buckets and based on a historical analysis on defaults and recovery rates, a percentage for expected credit losses has been determined. The movement in the provision for impairment from the previous reporting period is recognised in the Consolidated income statement.

Subsequent recoveries of the amounts previously written off are credited against general and administrative expenses in the Consolidated income statement.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with maturities of three months or less. Balances restricted from being exchanged or used to settle a liability for at least 12 months after the balance sheet date are included in other financial non-current assets, while balances restricted for more than three months but less than 12 months after the balance sheet date are included in trade and other receivables. Restricted balances are excluded from cash and cash equivalents in the Consolidated cash flow statement.

Financial liabilities

Classification

The Group classifies its financial liabilities into the following measurement categories: financial liabilities at fair value through profit or loss and other financial liabilities measured at amortised cost. Management determines the classification of its financial liabilities at initial recognition.

Non-derivative financial liabilities

The Group measures non-derivative financial liabilities at amortised cost. The non-derivative financial liabilities (including borrowings) are initially recorded at fair value less any directly attributable transaction costs. Borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement.

Any difference between the proceeds net of transaction costs and the redemption value is recognised in the Consolidated income statement over the period of the borrowings using the effective interest method.

Where a loan is obtained at interest rates different from market rates, the loan is remeasured at origination to its fair value, which is calculated as future interest payments and principal repayments discounted at market interest rates for similar loans. The difference between the fair value of the loan at origination and its cost (fair value of the contribution to the borrower, net of transaction costs) represents an origination gain or loss. The origination gain or loss is recorded in the Consolidated income statement within finance income/cost unless it qualifies for recognition as an asset, liability or a charge to equity in accordance with the substance of the arrangement. Subsequently, the carrying amount of the borrowing is adjusted for amortisation of the origination gain or loss and the amortisation is recorded as finance income/cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

1. Principal accounting policies (continued)

Derivative financial liabilities

Derivative instruments are measured at fair value through profit or loss, and are held for trading or designated as cash flow hedges relating to highly probable forecast transactions.

Derivatives embedded within contracts that are not already required to be recognised at fair value, and that are not closely related to the host contract in terms of economic characteristics and risks, are separated from their host contract and recognised at fair value; associated gains and losses are recognised in the Consolidated income statement.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

Where there has been an exchange between an existing borrower and lender of debt instruments with substantially different terms, or there has been a substantial modification of the terms of an existing financial liability, this transaction is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. A gain or loss from extinguishment of the original financial liability is recognised in the Consolidated income statement. When an existing financial liability is replaced by another one from the same lender on not substantially different terms, or the terms of an existing liability are not substantially modified, such an exchange or modification is not treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Consolidated income statement.

Trade and other payables

Trade and other payables are accrued when the counterparty performs its obligations under the contract and are carried at amortised cost using the effective interest method.

Provisions for liabilities and charges

Provisions for liabilities and charges are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a part of finance cost.

Asset retirement obligations and other environmental provisions

An obligation to incur asset retirement costs occurs when environmental disturbance is caused by exploration, evaluation, development or ongoing production. Costs are estimated on the basis of a formal closure plan and are subject to a regular review. The estimates are based on Management's interpretation of compliance with current environmental legislation in the country of operation.

Asset retirement costs arising from the installation of a plant and other site preparation work, discounted to their net present value, are provided when the obligation to incur such costs arises and are capitalised into the cost of the related asset. These costs are charged to the Consolidated income statement through depreciation of the asset and unwinding of the discount on the provision.

1. Principal accounting policies (continued)

Depreciation is included in operating costs while the unwinding of the discount is included as a finance cost.

Changes in the measurement of a liability relating to the decommissioning or site rehabilitation of a plant and other site preparation work are added to, or deducted from, the cost of the related asset.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax from the proceeds.

Dividends are recognised as a liability and deducted from equity at the balance sheet date only if they have been approved before or on the balance sheet date. Dividends are disclosed when they have been proposed before the balance sheet date or when declared after the balance sheet date, but before the Consolidated financial statements are authorised for issue.

2. Critical accounting estimates and judgements in applying principal accounting policies

The Group makes judgements in the process of applying accounting policies. The Group also makes estimates and assumptions concerning the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates may differ from the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year and areas of judgements that have a significant effect on the amounts recognised in the Consolidated financial statements are discussed below.

Ore reserve estimates

Ore reserve estimates are calculated based on Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves of December 2012 (the 'JORC code') which requires the use of reasonable assumptions, including:

- future production estimates, including proved and probable reserves, resource estimates and committed expansions;
- expected future commodity prices based on current market prices, forward prices and the Group's assessment of the long-term average prices; and
- future cash costs of production, capital expenditure and rehabilitation obligations.

The Group's ore reserves are based on its best estimate of product that can be economically and legally extracted from the relevant mining properties. Estimates are developed after taking into account a range of factors including quantities, ore grades, production techniques and recovery rates, forecast commodity prices and production costs. Estimates are normally supported by drilling samples and geological studies by independent mining engineering consultants. Significant judgement is required to generate an estimate based on the geological data available.

Ore reserve estimates may change from period to period. This may impact the Group's financial results. Changes in these estimates may impact depreciation charges, impairment charges on individual assets and CGUs, and asset retirement obligation provisions.

2. Critical accounting estimates and judgements in applying principal accounting policies (continued)

Life of mines

Contracts for subsurface use expire between 2022 and 2050. The Group expects that the subsurface use contracts will be extended at nominal cost until the end of the lives of the related mines. Any changes in these assumptions may impact depreciation charges, impairment charges on individual assets and CGUs and asset retirement obligations, as these items have been measured using the assumption that the subsurface use contracts will be extended until the end of the mine life.

Going concern

Note 1 provides details of going concern assessment for the Group.

Asset retirement obligations

Provision is made for asset retirement obligations when the related environmental disturbance takes place. Decommissioning and rehabilitation expenditure is largely expected to take place at the end of the respective mine lives.

Provisions are measured using the net present value of the expected costs as outlined in notes 1 and 21 to the Consolidated financial statements.

The provision represents Management's best estimate of the costs that will be incurred based on legislative and regulatory requirements. Significant judgement is required as many of these costs will not crystallise until the end of the life of the mine.

Estimates are reviewed annually and based on Management's interpretation of compliance with current environmental legislation in the country of operation. Significant changes in environmental legislation, restoration techniques and estimates of contamination will result in changes to provisions from period to period.

The long-term inflation rates currently applied in the calculations are disclosed in note 21 being the estimates of the rate of inflation over the mine lives (2019: 2.1% - 5.4%). The discount rates currently applied in the calculation are disclosed in note 21 being the estimates of the risk-free, pre-tax interest rates for long-term government securities.

Impairment of assets

The Group considers, at least annually, the recoverability of all assets if there have been any indications of impairment.

Non-current assets

Note 1 outlines the Group's policy for impairment of long-term non-financial assets and goodwill. Significant judgement is used to determine the present value of cash flows used (including the estimated quantum and timing) in the Group's impairment models. Judgement is also employed in the assessment of the value of an asset or a group of assets prior to the receipt of a confirmed offer as well as for the estimation of future cash flows required to determine value in use.

The Group is currently capital constrained which limits its ability to develop its assets in the most effective manner and maximise their value. As a result, where impairment indicators have been identified, 2020 impairment reviews have been performed on the basis of fair value less costs of disposal taking into account of how a less capital constrained market participant would develop the assets held by the Group.

2. Critical accounting estimates and judgements in applying principal accounting policies (continued)

The valuations have been carried out using a combination of techniques (classified as level 3 under the fair value hierarchy).

The cash flow projections utilised in impairment models were based on the Group's long-term strategic plans. The long-term US inflation rate has been used as the assumed growth rate, which was applied for the years where no direct input was available. The price assumptions were based on internal management five year forecasts for commodity prices, which were then benchmarked with external sources of information to ensure that they were within the range of available analyst forecasts, as well as on forecasts by independent experts.

Key assumptions which formed the basis of forecasting future cash flows in the impairment models are:

- commodity prices, which are based on internal forecasts by the management of the Group's sales and marketing business as well as on forecasts by independent experts. The main sources for inputs into internal forecasts are Bloomberg, CRU, Wood Mackenzie, Platts and Metal Bulletin. These internal forecasts are comparable to the forecasts of industry market researchers;
- long-term costs are set in line with current operational performance, as adjusted for future inflation rates in countries of operation and, where applicable, the expected movements in key input costs;
- successful extraction, processing and sale of the reserves and resources in accordance with the quantities described in the report on Ore Reserves and Mineral Resources and companies' long-term mine plans;
- compliance with regulations in the area of licencing to ensure maintenance and retention of tenure and permits. The legal system and dispute resolution mechanisms in some countries may be uncertain so that we may be unable to enforce our understanding of our title, permits or other rights. Changes to the laws or their more stringent enforcement or restrictive interpretation could cause additional expenditure to be incurred or impose suspensions of licenses;
- a long-term US inflation rate average of 2.0% (2019: 1.9%) per annum and a long-term Kazakhstani inflation rate average of 5.9% (2019: 4.8%), in line with external forecasts;
- in determining the discount rate to be applied to the future cash flows, the Group used the post-tax Weighted Average Cost of Capital ('WACC'), adjusted for the country risk premium for each CGU accordingly. The rates used were in the range of 9.25% - 11.75% (2019: 8.00% - 12.00%); and
- KZT/US\$ long-term exchange rate used is KZT448/US\$ (2019: KZT390.00/US\$).

The impairment test for Eurasian Energy Corporation Power CGU was particularly sensitive to changes in electricity tariff. The Ministry of Energy of the Republic of Kazakhstan enacted new marginal tariffs for electricity in June 2020. For the purpose of the impairment test, the Group adjusted applicable regulatory electricity tariff to reflect strategic nature of the Group for the Republic of Kazakhstan. Whilst Management remains confident in the assumptions used in the recoverable amount computation, application of enacted electricity tariff without relevant adjustment to reflect strategic nature of the Group for the Republic of Kazakhstan would have resulted in an impairment equaling the carrying amount.

As a result of the annual impairment testing, Management do not believe that the carrying value of long-term non-financial assets was impaired at 31 December 2020.

2. Critical accounting estimates and judgements in applying principal accounting policies (continued)

Contingent liabilities

The Group exercises judgement in measuring and recognising the exposure to contingent liabilities related to pending litigation or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities (refer to note 27). Judgement is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the financial settlement. Because of the inherent uncertainty in this evaluation process, actual losses may be different from the originally estimated provision.

Taxation

The Group is subject to the taxation requirements in the jurisdictions in which the Group operates. Significant judgement is required in determining the position for income taxes across these jurisdictions owing to the complexity of tax laws, frequent changes in tax laws and regulations, and the manner of their implementation. Judgement must also be exercised whilst interpreting the interaction between different taxes and interaction between tax rules of different jurisdictions.

Tax provisions are recognised in accordance with tax laws enacted or substantively enacted by the tax authorities in the jurisdictions in which the Group operates, and in accordance with requirements of the applicable accounting standards.

Note 12 contains information on current period tax charges, prior period adjustments, current and deferred tax assets and liabilities including, where appropriate, provisions against uncertain tax positions.

Functional currency

Management exercised judgment in determining the functional currency of the Company (the ultimate holding company) and intermediate holding companies of the Group. The selection of the functional currency has an effect for the recognition or non-recognition of foreign exchange gains and losses on external and intra-group borrowings.

Based on the analysis performed, Management concluded that the US dollar ('US\$') is the functional currency of the Company and the intermediate holding companies of the Group. The Group developed an accounting policy for the determination of the functional currency of the ultimate holding company based on the company's own operations.

The Company does not perform operational activities, thus the analysis of the primary indicators is not applicable.

The analysis of the secondary indicators supported the conclusion that the US\$ is the functional currency of the Company as its share capital, intra-group liabilities, and investments are denominated predominantly in US\$ and the external financing provided to its non-autonomous operations is denominated predominantly in US\$. The functional currency of the intermediate holding companies of the Group was assessed based on the fact that none of them are autonomous, therefore Management has concluded that their functional currency is the same as the functional currency of the ultimate parent company, the US\$.

Long-term incentive plan

In 2017 the Company entered into a remuneration plan with some key management personnel.

2. Critical accounting estimates and judgements in applying principal accounting policies (continued)

As part of this remuneration plan, the Company granted long-term incentives that are conditional to some vesting conditions including the occurrence of a liquidity event (including the sale or partial sale of the Group), the payment of dividends above a limit or the achievement of other financial targets by the Group. These incentives had to be achieved before the end of 2019 with an option to extend until the end of 2021 (this extension took place on 27 November 2019, with a new agreed due date for the end of 2022 and an option to extend to the end of 2024).

If these incentives were to crystallise then amounts payable by the Company under these schemes may represent a material amount for the Company and the Group and will depend upon the amount of any proceeds arising from a sale or partial sale or other liquidity event. Determination of the liability depends on several assumptions, such as (i) the probability of occurrence of a triggering event and (ii) estimation of the payout. Management best estimation at 31 December 2020 is that none of the triggering events will occur within the time frames, as defined in the employment agreements, and therefore no liability or expense has been recognised in the annual accounts for this plan.

3. Divisional information

Management has determined the operating divisions based on the reports reviewed and used by the Board of Managers to make strategic decisions.

The divisional Underlying EBITDA (refer to note 28) includes items directly attributable to the operating division, as well as those that can be allocated on a reasonable basis.

The Group is organised on the basis of six (2019: six) operating divisions:

- Ferroalloys – comprises extraction and sale of chrome ore, as well as production and sale of ferrochrome and other ferroalloys;
- Iron Ore – comprises extraction of iron ore, production and sale of iron ore concentrate and pellets, and exploration and development of assets in Brazil;
- Alumina and Aluminium – comprises extraction of bauxite, as well as production and sale of alumina and aluminium;
- Other Non-ferrous – comprises extraction of cobalt and copper, production and sale of copper and cobalt products, and exploration and development of assets in Africa;
- Energy – comprises extraction and sale of coal, as well as production and sale of semi-coke and electricity; and
- Logistics – comprises provision of logistical services to Eurasian based Group operations as well as freight forwarding to third parties.

Internal charges between divisions have been reflected in the performance of each operating division. The Group has a number of activities that exist principally to support the metals operations, including power generation, coal mining and transportation. Inter-division transfers or transactions are performed under a cost-plus pricing structure. The revenue generated from third parties is measured in a manner consistent with that in the Consolidated income statement. The identified operating and reportable divisions of the Group are the same as those that applied to the Group's Annual Report and Accounts for the year ended 31 December 2019.

The disclosure of divisional information is not required by IFRS and is presented to provide readers of the Consolidated financial statements with additional information.

3. Divisional information (continued)

Year ended 31 December 2020 US\$ million	Ferroalloys Division	Iron Ore Division	Alumina and Aluminium Division	Other Non- ferrous Division	Energy Division	Logistics Division	Corporate	Intra Group Eliminations	Total
Revenue	1,617	1,241	720	1,494	253	31	-	-	5,356
Inter-division revenue	6	11	36	-	257	90	-	(400)	-
Divisional revenue	1,623	1,252	756	1,494	510	121	-	(400)	5,356
Divisional operating profit/(loss)	495	116	189	225	69	31	(245)	-	880
Finance income									355
Finance cost									(879)
Profit before income tax									356
Income tax expense									(268)
Profit for the year									88
Depreciation and amortisation	(153)	(114)	(61)	(294)	(97)	(13)	(14)	-	(746)
Unrealised loss on derivatives	-	(205)	-	(34)	-	-	-	-	(239)
Professional fees and other exceptional litigation costs	(5)	-	-	-	-	-	(81)	-	(86)
Costs related to COVID-19	(8)	(7)	(4)	(2)	(4)	-	(13)	-	(38)
Net operating foreign exchange (loss)/gain	(1)	15	7	(18)	(2)	-	(17)	-	(16)
Impairments	-	(3)	(1)	(5)	-	-	-	-	(9)
Restructuring costs	-	-	-	(6)	-	-	-	-	(6)
Loss from disposal of subsidiary	-	(2)	-	-	-	-	-	-	(2)
Other	-	(1)	-	-	-	-	-	-	(1)
Underlying EBITDA (note 28)	662	433	248	584	172	44	(120)	-	2,023
Average number of employees	19,764	17,402	13,428	3,473	8,113	804	3,614	-	66,598

Year ended 31 December 2019 US\$ million	Ferroalloys Division	Iron Ore Division	Alumina and Aluminium Division	Other Non- ferrous Division	Energy Division	Logistics Division	Corporate	Intra Group Eliminations	Total
Revenue	1,837	1,066	822	778	323	46	-	-	4,872
Inter-division revenue	10	11	24	-	265	100	-	(410)	-
Divisional revenue	1,847	1,077	846	778	588	146	-	(410)	4,872
Divisional operating profit/(loss)	567	266	189	(280)	126	47	(147)	-	768
Finance income									126
Finance cost									(611)
Profit before income tax									283
Income tax expense									(213)
Profit for the year									70
Depreciation and amortisation	(151)	(119)	(56)	(153)	(95)	(14)	(10)	-	(598)
Professional fees and other exceptional litigation costs	(4)	-	-	-	-	-	(56)	-	(60)
Restructuring costs	-	-	-	(45)	-	-	-	-	(45)
Net operating foreign exchange loss	(7)	(2)	(4)	(8)	(1)	-	(1)	-	(23)
Unrealised loss on derivatives	-	(5)	-	(3)	-	-	-	-	(8)
Impairments	-	1	(1)	(7)	-	-	-	-	(7)
Other	-	-	-	-	(29)	-	-	-	(29)
Underlying EBITDA (note 28)	729	391	250	(64)	251	61	(80)	-	1,538
Average number of employees	19,902	18,008	13,621	4,642	8,424	862	2,771	-	68,230

Revenue consists of sales of goods recognised at a point in time – 98% (2019: 97%). Revenue includes US\$134 million revenue from sources other than from contracts with customers (2019: US\$121 million charge).

4. Transactions and balances with related parties

Transactions incurred in the ordinary course of business with related parties in the years ended 31 December 2020 and 31 December 2019 were as follows:

US\$ million	Sales	Purchases	Net finance income
Class B Managers			
2020	1	(89)	6
2019		(96)	7
Other			
2020	–	(1)	–
2019	–	(4)	–

'Class B Managers' category is made of Class B Managers and all entities under their control. Purchases in 'Class B Managers' category include reimbursement of business travel costs to represent the Group and defence of reputation costs.

Outstanding balances with related parties at 31 December 2020 and 31 December 2019 were as follows:

US\$ million	Other financial assets	Trade and other receivables	Borrowings	Trade and other payables	Cash and cash equivalents
Class B Managers					
2020	27	5	(4)	(20)	391
2019	32	8	–	(69)	266
Other					
2020	–	–	(5)	(46)	–
2019	–	–	(11)	(49)	–

Tables above exclude transactions and balances with the DRC and the Republic of Kazakhstan Government. The details of transactions with the government bodies are presented below.

Class B Managers and all entities under their control are related parties of the Group as a result of Class B Managers' indirect interests in the ordinary shares of the Company. Class B Managers of the Company are Mr. Alexander Machkevitch, Mr. Alijan Ibragimov, and Mr. Patokh Chodiev.

Transactions and balances with Government

The Government of the Republic of Kazakhstan and related entities are related parties of the Group as a result of the Government's 40% shareholding in the Company. The Group has a number of transactions with the Government of the Republic of Kazakhstan and related entities, including but not limited to:

- social investment and donations amounted to US\$20 million in 2020 (2019: US\$98 million);
- services received in relation to transportation of electricity and energy and in relation to supply and transportation of fuel and oil-associated gas, national railway services and a variety of other services that amounted to US\$234 million in 2020 (2019: US\$202 million);
- taxation and similar payments (including royalties and mineral extraction taxes) in accordance with the tax legislation of the Republic of Kazakhstan; and
- loan agreements with the Development Bank of Kazakhstan (refer to note 20).

4. Transactions and balances with related parties (continued)

The DRC Government and related entities are related parties of the Group as a result of the Government's shareholding in the Group's certain subsidiaries. La Générale des Carrières et des Mines ('Gécamines'), the representative entity of the DRC Government, holds 25% interest in Swanmines SAS and 49% interest in Boss Mining SAS. The DRC Government holds 5% interest in both Frontier SA and Metalkol SA. The Group has a number of transactions with the DRC Government and related entities, including but not limited to services received in relation to supply of electricity, taxation and similar payments (including royalties) in accordance with the tax legislation of the DRC.

Acquisition

In March 2018, the Group acquired 93.9% interest in 3-Energoortalyk JSC from a vendor for cash consideration of US\$41 million. Subject to certain conditions, contingent consideration of US\$60 million could become payable during a four year period. During 2020, contingent consideration of approximately US\$59 million was paid to the vendor, US\$46 million was presented within cash flow from operating activities, and US\$13 million was presented within cash flow from investing activities.

The vendor is a related party of the Group as a result of Class B Managers being the controlling related party through indirect interests in that vendor. This acquisition strengthens the Group's integrated business model through securing a reliable and cost effective supply of electrical power, and enhances the Group's position as a low cost producer.

Key management compensation

Key management are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

Compensation for key management personnel (excluding the Managers of the Company) is set out in the table below:

US\$ million	Years ended 31 December	
	2020	2019
Salary and other short-term benefits	54	49
Long-term benefits	25	15
Total	79	64

Balances outstanding with key management arising from key management compensation and representing accrued but unpaid bonuses and amounts accrued under other long-term benefits were US\$67 million as at 31 December 2020 (2019: US\$80 million). US\$51 million amount was paid in respect of other long-term benefits for the year ended 31 December 2020 (2019: US\$10 million).

Board of Managers compensation

Compensation payable to the Managers of the Company is for services performed for the Group. No compensation was paid or payable to the Managers for the year ended 31 December 2020 (2019: US\$nil million).

Long-term incentive plan

For the year ended 31 December 2020 the amount of US\$nil was paid under the long-term incentive remuneration plan with certain key management personnel (2019: US\$ nil million).

5. Cost of sales

US\$ million	Years ended 31 December	
	2020	2019
Materials and components used	(943)	(1,052)
Depreciation and amortisation	(694)	(549)
Staff costs	(511)	(508)
Mineral extraction tax, royalties and other taxes	(263)	(200)
Mining services	(216)	(233)
Power and energy	(169)	(162)
Repairs and maintenance	(123)	(126)
Insurance	(42)	(42)
Transportation costs	(25)	(27)
Restructuring costs	(4)	(34)
Changes in inventories	(3)	62
Other	(118)	(124)
Total cost of sales	(3,111)	(2,995)

6. Distribution costs

US\$ million	Years ended 31 December	
	2020	2019
Transportation costs	(122)	(97)
Taxes and duties	(42)	(32)
Agency and commission fees	(21)	(19)
Other	(30)	(26)
Total distribution costs	(215)	(174)

7. General and administrative expenses

US\$ million	Years ended 31 December	
	2020	2019
Staff costs	(301)	(330)
Professional and other services	(138)	(188)
Sponsorship and donations	(56)	(114)
Depreciation and amortisation	(37)	(33)
Business travel	(26)	(39)
Taxes and duties	(20)	(12)
Restructuring costs	(3)	(10)
Allowance for receivables	2	28
Other	(72)	(102)
Total general and administrative expenses	(651)	(800)

Contributions to a number of different non-recurring individual social development infrastructure projects at the national level in Kazakhstan amounted to US\$41 million (2019: US\$88 million), and primarily related to healthcare, education, cultural and recreation projects.

8. Net other operating expense

US\$ million	Years ended 31 December	
	2020	2019
Foreign exchange gain	189	74
Realised gain on derivatives	27	71
Unrealised gain on derivatives	4	—
Other	75	85
Total other operating income	295	230
Unrealised loss on derivatives	(243)	(8)
Foreign exchange loss	(205)	(97)
Realised loss on derivatives	(179)	(81)
Depreciation and amortisation	(13)	(15)
Other	(135)	(129)
Total other operating expense	(775)	(330)
Total net other operating expense	(480)	(100)

Loss on derivatives resulted from increased commodity market prices (refer to note 25).

9. Employee benefit expense

US\$ million	Years ended 31 December	
	2020	2019
Wages and salaries	(770)	(835)
Compulsory social security costs	(55)	(55)
Income/(expense) related to employee benefit plans	2	(2)
Contributions to defined contribution plans	(3)	(2)
Total employee benefit expense	(826)	(894)

10. Finance income

US\$ million	Years ended 31 December	
	2020	2019
Gain on modification of borrowings	313	17
Foreign exchange gain	11	63
Interest income	7	14
Other	24	32
Total finance income	355	126

Gain on modification of borrowings resulted from revision of certain credit facility agreements (refer to note 20).

11. Finance cost

US\$ million	Years ended 31 December	
	2020	2019
Interest expense on borrowings	(577)	(537)
Foreign exchange losses	(283)	(15)
Unwinding of discount on financial instruments	(22)	(39)
Amortisation of arrangement fees on credit facilities	(9)	(6)
Unwinding of discount on asset retirement obligations	(8)	(9)
Accelerated unwinding of debt issue costs	(3)	(6)
Unwinding of discount on employee benefits obligations	(2)	(2)
Loss on borrowings	–	(72)
Other	(3)	(4)
	(907)	(690)
Less: amounts capitalised on qualifying assets	28	79
Total finance cost	(879)	(611)

Loss on borrowings resulted from revision of estimated future cash payments.

12. Income tax

US\$ million	Years ended 31 December	
	2020	2019
Current income tax expense	(290)	(306)
Deferred income tax credit	22	93
Total income tax expense	(268)	(213)

Statutory income tax rate is 20% in the Republic of Kazakhstan, where the majority of the Group's operations are located.

US\$ million	Years ended 31 December	
	2020	2019
Profit before income tax	356	283
Notional tax charge at 20%	(71)	(57)
Effect of tax rates in other jurisdictions	(28)	38
Net unrecognised tax losses	(125)	(142)
Non-deductible expenses	(22)	(40)
Prior period charges	(14)	(19)
Withholding tax	(12)	(15)
Other	4	22
Income tax expense	(268)	(213)

12. Income tax (continued)

US\$ million	Mineral rights	Accelerated capital allowances	Tax losses	Other	Total
At 1 January 2019	(1,163)	(281)	34	45	(1,365)
Additions on business combination	–	–	–	(2)	(2)
Credited to profit	9	10	59	15	93
Credited to other comprehensive expense	–	–	–	4	4
Exchange differences	7	–	(1)	(2)	4
At 31 December 2019	(1,147)	(271)	92	60	(1,266)
Credited/(charged) to profit	21	16	(30)	15	22
Credited to other comprehensive expense	–	–	–	6	6
Exchange differences	63	29	(2)	(8)	82
At 31 December 2020	(1,063)	(226)	60	73	(1,156)
Deferred tax asset					28
Deferred tax liability					(1,294)
At 31 December 2019					(1,266)
Deferred tax asset					58
Deferred tax liability					(1,214)
At 31 December 2020					(1,156)

US\$58 million deferred tax asset (2019: US\$28 million) has been recognised on a basis of future taxable profit forecasts.

Taxable temporary differences associated with investments in subsidiaries, for which deferred tax liability was not recognised amounted US\$1,158 million (2019: US\$1,362 million).

US\$ million	31 December	
	2020	2019
Unused tax losses - expiry within 10 years	520	473
Unused tax losses - no expiry	902	857
Deductible temporary differences	193	143
Total unrecognised deferred tax asset	1,615	1,473

13. Property, plant and equipment

US\$ million	Land	Buildings and mining assets	Mineral rights	Plant and equipment	Vehicles	Assets under construction	Total
Cost							
At 1 January 2019	42	2,118	4,803	2,650	786	2,402	12,801
Additions	–	74	10	131	49	886	1,150
Additions on business combination	1	3	–	8	–	–	12
Change in asset retirement costs (note 21)	–	(6)	–	7	–	–	1
Transfers	–	71	–	181	46	(298)	–
Net transfers from current assets	–	2	–	–	3	37	42
Disposals	–	(38)	–	(44)	(26)	(10)	(118)
Exchange differences	–	6	(18)	9	2	(3)	(4)
At 1 January 2020	43	2,230	4,795	2,942	860	3,014	13,884
Additions	1	17	–	55	28	427	528
Additions on business combination	–	3	–	1	–	–	4
Change in asset retirement costs (note 21)	–	(1)	–	–	–	–	(1)
Transfers	–	177	–	1,591	31	(1,799)	–
Net transfers from/(to) current assets	–	–	–	4	(2)	13	15
Disposals	(1)	(9)	–	(35)	(21)	(17)	(83)
Exchange differences	(5)	(141)	(264)	(208)	(75)	(150)	(843)
At 31 December 2020	38	2,276	4,531	4,350	821	1,488	13,504
Accumulated depreciation and impairment							
At 1 January 2019	–	(858)	(301)	(991)	(271)	(45)	(2,466)
Disposals	–	37	–	42	24	3	106
Depreciation charge	–	(146)	(56)	(286)	(98)	–	(586)
Transfers	–	(6)	–	6	–	–	–
Impairment charge	–	–	(6)	–	–	(1)	(7)
Exchange differences	–	(3)	(1)	(3)	(1)	–	(8)
At 1 January 2020	–	(976)	(364)	(1,232)	(346)	(43)	(2,961)
Disposals	–	5	–	32	20	12	69
Depreciation charge	–	(150)	(70)	(440)	(82)	–	(742)
Transfers	–	(23)	–	(2)	1	24	–
Impairment charge	–	(1)	–	(3)	–	(5)	(9)
Exchange differences	–	45	18	93	28	3	187
At 31 December 2020	–	(1,100)	(416)	(1,552)	(379)	(9)	(3,456)
Carrying value							
At 31 December 2019	43	1,254	4,431	1,710	514	2,971	10,923
At 31 December 2020	38	1,176	4,115	2,798	442	1,479	10,048

13. Property, plant and equipment (continued)

Additions to assets under construction included US\$28 million of capitalised borrowing costs (2019: US\$79 million). The average capitalisation rate was 6% (2019: 6%). Carrying value of right of use assets was US\$161 million at 31 December 2020 (2019: US\$175 million).

Significant transfer to plant and equipment resulted from completion of Metalkol RTR Project Phase 1.

During the year impairment of US\$149 million related to an operating production facility within Other Non-ferrous division was recognised as a result of temporary adverse change of commodity prices and country risk factors. This impairment was subsequently reversed due to improvement of both factors.

Capital expenditure commitments at 31 December 2020 amounted US\$223 million (2019: US\$174 million).

14. Intangible assets

US\$ million	Internally generated	Goodwill	Other	Total
At 1 January 2019	38	83	22	143
Additions on business combination	–	2	10	12
Additions	–	–	14	14
Amortisation	(13)	–	(9)	(22)
Exchange differences	–	1	–	1
At 31 December 2019	25	86	37	148
Additions	16	–	6	22
Amortisation	(13)	–	(7)	(20)
Exchange differences	(2)	(7)	(4)	(13)
At 31 December 2020	26	79	32	137

Goodwill of US\$37 million, US\$28 million, and US\$12 million is attributed to iron ore, ferroalloys, and alumina and aluminium divisions, respectively (2019: US\$41 million, US\$30 million, and US\$13 million, respectively).

15. Inventories

US\$ million	31 December	
	2020	2019
Consumable stores	339	300
Finished goods	218	273
Work-in-progress	194	160
Raw materials	181	200
Other	147	170
Less write-down for obsolete and slow-moving inventory	(107)	(126)
Total inventories	972	977

Inventory reversal of US\$6 million (2019: write-down of US\$17 million) is recognised within cost of sales, and inventory write-down of US\$5 million (2019: US\$2 million) is recognised within other operating expense.

16. Trade and other receivables

US\$ million	31 December	
	2020	2019
Trade receivables	300	200
Trade receivables provisionally priced	193	156
Other receivables	33	34
Deferred consideration	–	7
Other	21	34
Loss allowance	(15)	(15)
Total financial assets	532	416
Other taxes	268	228
Advances to suppliers	86	51
Prepaid expenses	48	29
Income tax receivable	13	28
Impairment	(5)	(2)
Total non-financial assets	410	334
Total trade and other receivables	942	750

Loss allowance of trade and other receivables at amortised cost:

US\$ million	31 December					
	2020			2019		
	Gross	Loss allowance	Net	Gross	Loss allowance	Net
Current and not past due	268	(3)	265	171	-	171
Within 3 months overdue	65	(5)	60	68	(9)	59
3 to 6 months overdue	3	-	3	5	-	5
6 to 12 months overdue	6	-	6	4	-	4
Over 12 months overdue	8	(3)	5	9	(3)	6
Individually impaired	4	(4)	-	3	(3)	-
Total trade and other receivables at amortised cost	354	(15)	339	260	(15)	245

Movements of loss allowance for trade and other receivables at amortised cost:

US\$ million	2020	2019
At 1 January	15	9
Charged	11	10
Amounts determined as uncollectable reversed/(written off)	1	(3)
Unused amounts reversed	(10)	(1)
Exchange differences	(2)	-
At 31 December	15	15

17. Cash and cash equivalents

US\$ million	31 December	
	2020	2019
Cash at bank and on hand	579	191
Short-term deposits	86	281
Total cash and cash equivalents	665	472
Bank overdrafts	(2)	(23)
Net cash and cash equivalents	663	449

18. Cash generated from operating activities

US\$ million	note	Years ended 31 December	
		2020	2019
Cash flow from operating activities			
Profit before income tax		356	283
Adjustments for:			
Depreciation and amortisation		746	598
Impairments		9	7
Allowance for receivables		(2)	(28)
Write-down of inventories		(1)	19
Net finance cost	10, 11	524	485
Net operating foreign exchange loss		15	23
Other		5	2
		1,652	1,389
Changes in inventories		(55)	(158)
Changes in trade and other receivables		(264)	25
Changes in trade and other payables		176	104
Changes in asset retirement obligations		(3)	(16)
Changes in employee benefit obligations		(2)	(4)
Changes in other taxes payable		70	(21)
Cash generated from operating activities		1,574	1,319

19. Capital and dividend

	Par value of each share	Number (issued and fully paid)	Ordinary shares US\$'000
At 31 December 2020	\$1	77,500	78
At 31 December 2019	\$1	77,500	78

Capital reserve is a capital contribution by the shareholders of the Company.

Fully paid ordinary shares carry one vote per share and carry the right to dividends as declared from time to time. No dividend was declared (2019: US\$nil million).

20. Borrowings

US\$ million	31 December	
	2020	2019
Non-current		
Bank borrowings	7,132	7,394
Lease	117	160
Term borrowings	12	11
Total third party	7,261	7,565
Bank borrowings	436	478
Lease	17	15
Total related party	453	493
Total non-current	7,714	8,058
Current		
Bank borrowings	491	399
Lease	50	44
Bank overdrafts	2	23
Total third party	543	466
Bank borrowings	123	114
Lease	3	4
Total related party	126	118
Total current	669	584
Total	8,383	8,642

20. Borrowings (continued)

				31 December	
US\$ million	currency	maturity	interest rate	2020	2019
Non-current					
Bank borrowings	US\$	2025	5.60% - 6.50%	3,469	3,633
Bank borrowings	US\$	2028-2030	5.10%	3,120	3,275
Bank borrowings	EUR	2024	5.80%	355	391
Bank borrowings	US\$	2022	6.00%	95	95
Bank borrowings	US\$	2026	6.75%	93	—
Lease	KZT	2022-2028	2.00% - 10.00%	84	120
Lease	US\$	2024	7.50%	33	40
Term borrowings	US\$	n/a	n/a	12	11
Total third party				7,261	7,565
Bank borrowings	US\$	2026	6.30% - 6.72%	312	324
Bank borrowings	US\$	2025	4.00%	124	154
Lease	KZT	2022-2067	n/a	17	15
Total related party				453	493
Total non-current				7,714	8,058
Current					
Bank borrowings	US\$	2025	5.60% - 6.50%	254	271
Bank borrowings	US\$	2028-2030	5.10%	151	58
Bank borrowings	EUR	2024	5.80%	75	69
Lease	KZT	2021-2028	2.00% - 10.00%	41	36
Bank borrowings	US\$	2026	6.75%	10	—
Lease	US\$	2024	7.50%	8	8
Bank overdrafts	US\$	2021	9.00%	2	23
Bank borrowings	US\$	2022	6.00%	1	1
Lease	KZT	2021 - 2024	n/a	1	—
Total third party				543	466
Bank borrowings	US\$	2021	6.50%	70	70
Bank borrowings	US\$	2025	4.00%	33	34
Bank borrowings	US\$	2026	6.30% - 6.72%	20	10
Lease	KZT	2021-2067	n/a	3	4
Total related party				126	118
Total current				669	584
Total				8,383	8,642

20. Borrowings (continued)

During the year, the Group signed amendments to the existing credit facility agreement with VTB Bank (PJSC) to receive additional loans in the aggregate amount of up to US\$350 million, extend the final maturity date by 7 years, reduce the interest rate by 0.85%-1.20% per annum, and improve certain other commercial terms, including financial covenants. As at 31 December 2020, US\$100 million was drawn down from this facility, and assigned from VTB Bank (PJSC) to CQUR Bank LLC, another lender under the credit facility agreement.

The Group also signed an amendment to the existing prepayment facility agreement with VTB Commodities Trading DAC, Dublin, Zug Branch and other affiliates of VTB Bank (PJSC), for additional tranches in the aggregate amount of up to US\$250 million with an interest rate within the existing range in the Group's debt portfolio, and repayable in full in six years. As at 31 December 2020, US\$110 million of the facility was drawn down.

The Group signed amendments to the existing credit facility agreements with Sberbank of Russia which modify principal repayment schedules by deferring certain payments to later periods within the existing maturity, reduce interest rates by 0.65% per annum, and improve certain other commercial terms, including financial covenants.

In 2019, the Group signed amendments to the existing credit facility agreements with the aim to receive additional tranches and to improve certain commercial terms. US\$941 million was drawn down. US\$488 million outstanding balance of promissory notes and related costs, US\$153 million under the copper sales and pre-financing agreement, and US\$50 million under the offtake and prepayment agreement were repaid. US\$1,288 million of existing debt was assigned from VTB Bank (PJSC) and its subsidiary to CQUR Bank LLC and US\$1,700 million of existing debt was assigned from VTB Bank (PJSC) to RCB Bank Limited.

US\$ million	Carrying values		Fair values	
	2020	2019	2020	2019
Bank borrowings	8,182	8,385	8,401	8,431
Term borrowings	12	11	12	11
Bank overdrafts	2	23	2	23
Total	8,196	8,419	8,415	8,465

US\$ million	2020	2019
At 1 January	(8,642)	(8,356)
Cash movements	594	519
Fair value movements	1	3
Other non-cash movements	(306)	(813)
Exchange (losses)/gains	(30)	5
At 31 December	(8,383)	(8,642)

Other non-cash movements include primarily interest expense and gain on modification.

The Group's credit facility agreements include a number of financial and non-financial covenants. The Group complied with applicable covenants at 31 December 2020 and 31 December 2019.

At 31 December 2020, the Group had US\$300 million of undrawn committed facilities (2019: US\$84 million) and US\$50 million of undrawn uncommitted facilities (2019: US\$nil million).

21. Asset retirement obligations

The Group has a legal obligation to complete landfill site restoration during mining operations and decommission its mining property after closure. The timing of decommissioning activity is subject to reassessment at the same time as the revision of the Group's proved and probable reserves.

US\$ million	31 December	
	2020	2019
Current provision for asset retirement obligations	4	5
Non-current provision for asset retirement obligations	92	95
Total provision for asset retirement obligations	96	100

Movements in asset retirement obligations are as follows:

US\$ million	Asset decommissioning costs	Site restoration and re-vegetation	Total
At 1 January 2019	35	72	107
Capitalisation	4	(3)	1
Production costs	(8)	(3)	(11)
Unwinding of discount	4	5	9
Utilisation	—	(6)	(6)
At 1 January 2020	35	65	100
Capitalisation	(1)	3	2
Production costs	(2)	(3)	(5)
Unwinding of discount	3	5	8
Utilisation	(1)	(1)	(2)
Exchange differences	(1)	(6)	(7)
At 31 December 2020	33	63	96

In accordance with its subsurface use contracts, the Group makes annual obligatory contributions to a deposit fund for the closure costs which will take effect upon exhaustion of the mineral deposits at the end of the respective mine lives.

The amount of the provision for asset retirement obligations is determined using the nominal prices effective at the reporting date and applying the forecasted rate of inflation for the expected period of the life of the mines. Uncertainties in estimating these costs include potential changes in regulatory requirements, decommissioning and reclamation alternatives, and the level of discount and inflation rates.

Principal assumptions made in the calculations of asset retirement obligations are presented below:

	31 December			
	2020		2019	
	Kazakhstani entities	African entities	Kazakhstani entities	African entities
Discount rate	6.0% - 11.0%	8.0% - 13.0%	8.7% - 10.4%	8.0% - 15.0%
Inflation rate	5.3% - 6.8%	1.2% - 5.0%	4.8% - 5.4%	2.1% - 5.0%

22. Employee benefit obligations

Defined benefit obligations relate to lump sum payments upon retirement and other payments to pensioners. Movements in the present value of defined benefit obligations are as follows:

US\$ million	2020	2019
Present value at 1 January	22	29
Interest cost	1	1
Benefits paid	(2)	(8)
Current service cost	(1)	1
Past service cost	3	1
Actuarial losses arising from changes in demographic assumptions	–	1
Actuarial gain arising from changes in financial assumptions	(2)	–
Reclassifications	(4)	(3)
Exchange differences	(1)	–
Present value at 31 December	16	22

The weighted average maturity of defined benefit obligations is 24 years (2019: 25 years).

Other actuarial employee benefit obligations relate to non-pensioners and include lump sum payments for anniversaries, injuries and other financial aid. Movements in the present value of other actuarial employee benefit obligations are as follows:

US\$ million	2020	2019
Present value at 1 January	15	14
Interest cost	1	1
Past service cost	1	–
Benefits paid	–	(1)
Actuarial (gain)/loss	(2)	1
Reclassification	(2)	–
Exchange differences	(1)	–
Present value at 31 December	12	15

The current service cost, past service cost and actuarial gains for the year ended 31 December 2020 are recognised in cost of sales and general and administrative expenses in the amount of US\$nil million (2019: US\$2 million) and US\$3 million (2019: US\$nil million), respectively, refer to note 9.

Principal actuarial assumptions used at the balance sheet date are as follows:

	31 December			
	2020		2019	
	Defined benefit obligations	Other actuarial employee benefit obligations	Defined benefit obligations	Other actuarial employee benefit obligations
Discount rate	9.4%	10.0%	8.2%	8.3%
Future salary increase	5.8%	6.2%	6.7%	7.8%
Average labour turnover rate of production personnel	7.0%	7.8%	6.5%	6.9%
Average labour turnover rate of administrative personnel	6.0%	6.3%	7.6%	9.1%

22. Employee benefit obligations (continued)

Assumptions regarding future mortality are based upon advice in accordance with published statistics and experience.

The future average life expectancy in years of a pensioner retiring at age 65, is as follows:

		31 December			
		2020		2019	
		Defined benefit obligations	Other actuarial employee benefit obligations	Defined benefit obligations	Other actuarial employee benefit obligations
On the balance sheet date	Male	15	12	13	13
	Female	16	16	14	17
20 years after the balance sheet date	Male	14	11	13	13
	Female	15	14	15	16

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

		31 December 2020		
		Impact on defined benefit obligation		
	Change in assumptions	Increase in assumptions	Decrease in assumptions	
Discount rate	3.0%	Decrease by 17.33%	Increase by 22.49%	
Salary growth rate/minimum calculation index	3.0%	Increase by 22.55%	Decrease by 17.81%	
Average labour turnover	3.0%	Decrease by 17.05%	Increase by 22.03%	

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the Consolidated balance sheet.

23. Other non-current liabilities

In 2018, Metalkol SA (the 'Employer') and China Nonferrous Metal Industry's Foreign Engineering and Construction Co. Ltd and NFC Development (DRC) Company Limited S.a r.l. (together, the 'Contractor') entered into and the Contractor commenced the works under an engineering, procurement and construction contract for the construction of phase 2 of Metalkol RTR Project to increase the copper and cobalt production of RTR project (RTR Phase 2 EPC).

Up to 31 December 2020, the value of the works conducted under the RTR Phase 2 EPC by the Contractor is estimated to amount US\$159 million (2019: US\$147 million), of which US\$119 million is recognised within trade and other payables (2019: US\$nil million), and US\$40 million is recognised within other non-current liabilities (2019: US\$147 million). Subject to the RTR Phase 2 EPC, such amount is to be paid to the Contractor by the Employer under a deferred cash payment mechanism that is subject to and payable after completion of relevant construction works.

23. Other non-current liabilities (continued)

The cash advance payment made by the Employer to the Contractor under the RTR Phase 2 EPC contract amounts US\$47 million. Estimated liability incurred by the Employer toward the Contractor after set-off with the cash advance payment made to the Contractor amounts US\$112 million liability at 31 December 2020 (2019: US\$100 million liability).

24. Trade and other payables

US\$ million	31 December	
	2020	2019
Trade payables	492	519
Derivatives	291	8
Other	60	62
Total financial liabilities	843	589
Accruals relating to employee entitlements	165	170
Advances received from customers	33	21
Asset retirement obligations	4	5
Other	137	85
Total non-financial liabilities	339	281
Total trade and other payables	1,182	870

25. Financial and capital risks management

The Group's activities expose it to a variety of financial risks. Responsibility for management of these risks is allocated between the treasury (foreign exchange risk, credit risk, capital risk, liquidity risk), corporate finance (interest rate risk) and Sales and Operations planning (commodity price risk) teams, depending on the process ownership and skills required to manage the risk effectively.

Credit risk

Credit risk of the majority of Group sales is covered by letters of credit or cash prepayments against documents. The credit terms are subject to internal policy to ensure credit limits are within the policy. In 2020 counterparty Credit Risk Management Policy (on managing credit risk arising from granting trade credit to the customers of the Group) was developed and implemented, that sets goals, principles and rules of establishing management process for credit risk arising from granting trade credit by the Group to the customers of Group's products/services. For all key Group buyers credit limits were defined in order to ensure Group credit risk exposure is aligned with approved risk appetite level.

The Group's policy is to invest surplus funds with relationship banks and highly rated banks and highly rated liquidity funds. When placing investments and deposits the Group assigns individual counterparty exposure limits based on published credit ratings or an internal credit assessment. Monitoring of these counterparties is carried out on a regular basis to ensure all credit exposures are quantified, and when required, appropriate actions are taken to reduce risk. In some areas where the Group operates it is necessary to deal with counterparties that do not necessarily meet the credit requirements of the Group. These cases are managed in accordance with the Group's Financing and Treasury policy, including setting of individual credit limits.

The Group placed cash and deposits to financial institutions with credit ratings ranging from A+ to BBB- and from BB+ and lower/unrated in the amount of US\$28 million (2019: US\$73 million) and US\$637 million at 31 December 2020 (2019: US\$399 million), respectively.

25. Financial and capital risks management (continued)

The Group has established relationships with a number of international and domestic banks in the areas, where the Group operates.

US\$ million	note	31 December	
		2020	2019
Cash and cash equivalents	17	665	472
Trade and other receivables	16	532	416
Other financial assets		116	72
Total maximum credit risk exposure		1,313	960

The maximum uncollateralised exposure to credit risk for cash and cash equivalents, trade and other receivables and other financial assets by geographic region is as follows:

US\$ million	31 December 2020			
	Cash and cash equivalents	Trade and other receivables	Other financial assets	Total
Eurasia	520	175	54	749
Europe and Middle East	65	83	47	195
Africa	72	57	11	140
Asia Pacific	1	204	–	205
Rest of the World	7	13	4	24
Total	665	532	116	1,313

US\$ million	31 December 2019			
	Cash and cash equivalents	Trade and other receivables	Other financial assets	Total
Eurasia	357	191	58	606
Europe and Middle East	91	33	–	124
Africa	17	50	14	81
Asia Pacific	2	133	–	135
Rest of the World	5	9	–	14
Total	472	416	72	960

Top 10 customers as a proportion of the outstanding balance of trade receivables amounted 81% (2019: 79%).

Liquidity risk

The Group's principal sources of liquidity are cash generated from operations and corporate credit lines. Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Fluctuations in commodity prices and overall economic uncertainty may have an adverse impact on forecasted cash flows as well as the ability to access capital at reasonable pricing. The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. This is achieved by close monitoring of the Group's key financial resilience indicators and producing regular cash forecasts as well as securing adequate cash reserves or bank facilities for meeting future liabilities. Liquidity risk is currently identified at all levels (regional and Group) and measured through various term forecast and stress scenario forecasts. The Group's going concern status is discussed in note 1.

25. Financial and capital risks management (continued)

The following tables summarise the Group's financial assets and liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows, translated at balance sheet date exchange rates.

Non-derivative financial assets and liabilities

31 December 2020									
US\$ million	note	Carrying value	Contractual cash flows	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	After 5 years
Borrowings	20	(8,383)	(11,282)	(1,185)	(1,281)	(1,051)	(1,295)	(2,861)	(3,609)
Trade and other payables	24	(552)	(552)	(552)	—	—	—	—	—
Other non-current liabilities		(64)	(61)	(35)	(18)	(3)	(1)	(1)	(3)
Cash and cash equivalents	17	665	665	665	—	—	—	—	—
Trade and other receivables	16	532	532	532	—	—	—	—	—
Other financial assets		9	10	—	3	2	1	1	3
Net position		(7,793)	(10,688)	(575)	(1,296)	(1,052)	(1,295)	(2,861)	(3,609)

31 December 2019									
US\$ million	note	Carrying value	Contractual cash flows	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	After 5 years
Borrowings	20	(8,642)	(11,005)	(1,134)	(1,057)	(1,314)	(3,810)	(1,092)	(2,598)
Trade and other payables	24	(581)	(581)	(581)	—	—	—	—	—
Other non-current liabilities		(212)	(224)	—	(154)	(65)	(1)	—	(4)
Cash and cash equivalents	17	472	472	472	—	—	—	—	—
Trade and other receivables	16	401	401	401	—	—	—	—	—
Other financial assets		15	19	—	3	4	1	2	9
Net position		(8,547)	(10,918)	(842)	(1,208)	(1,375)	(3,810)	(1,090)	(2,593)

Derivative financial assets and liabilities

31 December 2020						31 December 2019				
In millions of US\$	Carrying value	Contractual cash flows	Less than 1 year	1-2 years	2-3 years	Carrying value	Contractual cash flows	Less than 1 year	1-2 years	2-3 years
Commodity derivatives	(302)	—	—	—	—	8	—	—	—	—
Outflow	—	(302)	(290)	(11)	(1)	—	(6)	(5)	—	(1)
Inflow	—	—	—	—	—	—	15	13	2	—
Net position	(302)	(302)	(290)	(11)	(1)	8	9	8	2	(1)

Foreign exchange risk

The majority of the Group's production costs are denominated in Kazakhstani tenge (KZT) and US dollars (US\$) while the majority of sales are denominated in US\$. The Group is therefore exposed to the risk that movements in exchange rates will affect both its operating profit and cash flows.

The Group's foreign currency exposure arises from:

- highly probable forecast transactions (sales/purchases) denominated in foreign currencies; and
- monetary items (mainly intercompany receivables, payables and borrowings) denominated in foreign currencies.

25. Financial and capital risks management (continued)

Foreign exchange exposures are regularly reported and reviewed for any mitigating action that may be required.

The table below summarises the foreign currency exposure on the net monetary position of each Group entity against its respective functional currency, expressed in the Group's presentation currency.

US\$ million	KZT	US\$	RUB	EUR	GBP	ZAR	Other
31 December 2020							
Kazakhstani entities (KZT)	n/a	(1,033)	(60)	(195)	–	–	3
Marketing and holding entities (US\$)	–	n/a	(22)	(270)	124	4	132
Marketing Russian entities (RUB)	–	5	n/a	–	–	–	–
UK management entities (GBP)	–	(47)	–	–	n/a	–	–
African entities (primarily US\$) ¹	–	(540)	–	8	(66)	(11)	31
Brazilian entities (BRL)	–	(387)	–	–	–	–	–
Net monetary (liability)/asset position	–	(2,002)	(82)	(457)	58	(7)	166
31 December 2019							
Kazakhstani entities (KZT)	n/a	(1,556)	(86)	(254)	–	–	1
Marketing and holding entities (US\$)	–	n/a	(16)	(236)	62	4	(1)
Marketing Russian entities (RUB)	–	6	n/a	–	–	–	–
UK management entities (GBP)	–	(9)	–	–	n/a	–	–
African entities (primarily US\$) ¹	–	(433)	–	6	(47)	(8)	31
Brazilian entities (BRL)	–	(371)	–	–	–	–	–
Net monetary (liability)/asset position	–	(2,363)	(102)	(484)	15	(4)	31

¹ US\$ balances for African entities represent US\$ balances in non-US\$ functional currency entities.

Intercompany balances are included to fully reflect the Group's exposure to foreign currency risk. The principal exchange rates are presented in note 1.

As at 31 December 2020, based on the net monetary position as set out in the previous table, the sensitivity to a reasonable possible change in the US dollar exchange rate of the Group's profit before tax is as follows: if the US dollar had strengthened/weakened by 20% against Kazakhstani tenge with all other variables held constant, the recalculated profit before tax for the year would have been US\$258 million higher and US\$172 million lower (2019: US\$389 million higher and US\$259 million lower based on 20%), mainly as a result of foreign exchange gains/losses on translation of US dollar/Kazakhstani tenge denominated cash and cash equivalents, trade receivables and loans receivable, and foreign exchange losses/gains on translation of US dollar/Kazakhstani tenge denominated trade payables and borrowings.

The Group does not consider the sensitivity to a reasonable possible change in the US dollar exchange rate (15%) against RUB and (5%) against EUR, GBP, ZAR, BRL and other currencies to be significant.

Interest rate risk

For interest rate risk the Group measures and monitors the risk using sensitivity analysis. The Group has financial assets and liabilities which are exposed to changes in market interest rates. These assets and liabilities are exposed to fair value interest rate risk or cash flow interest rate risk depending on whether they are subject to fixed or floating rates of interest.

25. Financial and capital risks management (continued)

The Group's policy is to maintain a balance between fixed and floating interest rates on long-term borrowings to prevent the debt portfolio being over exposed to interest rate movements. However, during 2020 the interest rate on the long-term debt portfolio was predominately fixed to provide certainty of interest costs.

The Group's significant interest bearing assets and liabilities are as follows:

US\$ million	31 December 2020		31 December 2019	
	Fixed rate	Floating rate	Fixed rate	Floating rate
Cash and cash equivalents	85	1	283	3
Trade and other receivables	56	1	5	–
Other financial assets	24	–	37	1
Borrowings	(8,350)	–	(8,612)	–
Net position	(8,185)	2	(8,287)	4
Effect of 1% increase in interest rates on profit before income tax	n/a	–	n/a	–

All other financial assets and liabilities are non-interest bearing.

All the Group's interest-bearing assets and liabilities are fixed-rate and measured at amortised cost, so not sensitive to interest rate movements.

The impact on equity is the same as the impact on income. This analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

Commodity price risk

The results of our sensitivity analysis to commodity price risk are mainly impacted by our use of swap instruments to manage the risk of these commodity prices. Where hedge accounting is adopted this sensitivity is reported below as an impact in the income statement or otherwise in equity.

To mitigate commodity price risk, the Group proactively manages price fluctuations for commodities, including monitoring changes in macroeconomic factors, price indices, benchmarks.

The Group's commodity derivatives and trade receivables provisionally priced are exposed to the risk of fluctuations in prevailing market commodity prices.

Sensitivity on open commodity derivative contracts at 31 December 2020

A ten percent increase in aluminum market prices would decrease profit before tax by US\$nil million (2019: US\$nil million), and would decrease equity by US\$30 million (2019: US\$13 million decrease), and a ten percent decrease in prices would increase profit before tax by US\$nil million (2019: US\$nil million) and would increase equity by US\$26 million (2019: US\$17 million increase).

A ten percent increase in iron ore market prices would decrease profit before tax by US\$80 million (2019: US\$10 million) and a ten percent decrease in prices would increase profit before tax by US\$80 million (2019: US\$10 million), with no additional impact on equity.

A ten percent increase in copper market prices would decrease profit before tax by US\$39 million and a ten percent decrease in prices would increase profit before tax by US\$43 million, with no additional impact on equity.

25. Financial and capital risks management (continued)

Sensitivity on trade receivables provisionally priced at 31 December 2020

A ten percent increase in ferroalloys market prices would increase profit before tax by US\$34 million (2019: US\$27 million) and a ten percent decrease in prices would decrease profit before tax by US\$34 million (2019: US\$27 million), with no additional impact on equity.

This analysis assumes that all other variables remain constant.

Capital risk management

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

In order to achieve this overall objective, the Group's capital management, among other things, aims to ensure compliance with financial covenants attached to its interest-bearing borrowings that form part of its capital structure (refer to 'Going concern basis' in note 1).

The key financial ratios monitored for covenant compliance are:

- net debt to EBITDA;
- EBITDA to finance charges;
- net debt to equity.

The Group considers the following balances as a part of its capital management:

US\$ million	note	31 December	
		2020	2019
Borrowings	20	8,383	8,642
Capital reserve		3,159	3,159
Reserves		(1,398)	(1,085)
Total capital		10,144	10,716

The Group manages its capital structure in light of changes in economic conditions and compliance with financial covenants. In order to maintain or adjust the capital structure, the Group may adjust the amount of returned capital to shareholders, issue new shares or sell assets to manage its debt level. The Group currently has credit ratings of B2 with a negative outlook with Moody's (2019: B2 with a stable outlook) and B-/B with a stable outlook with Standard & Poor's (2019: B-/B with a negative outlook).

Fair value of financial instruments

Fair values of derivatives, embedded derivatives, and provisionally priced trade receivables are level 2 measurements derived from standard option pricing models, discounted cash flows models using quoted prices, such as forward commodity prices and US dollar swap curves, based on observable market activity.

Fair values of financial instruments carried at amortised cost are derived from expected cash flows discounted at prevailing interest rates for new instruments with similar credit risks and maturities. Fair value of borrowings excluding leases is level 2 measurement and amounts US\$8,427 million (2019: US\$8,465 million). Fair values of other financial assets and liabilities carried at amortised cost approximate their carrying values.

26. Auditor's remuneration

The Group obtained services from the Company's external auditor as detailed below:

US\$ million	Years ended 31 December	
	2020	2019
Fees payable to the Company's auditor for the audit of the Company and Consolidated financial statements	2.0	2.0
Audit of the Company's subsidiaries	4.0	4.0
Other assurance services	1.0	1.0
Total	7.0	7.0

27. Contingencies

Regulatory matters

Between 2011 and 2013, ENRC was engaged in an internal investigation into certain matters, including allegations concerning its African and Kazakhstan businesses. Throughout that period, ENRC voluntarily provided the Serious Fraud Office ('SFO') with a considerable volume of information resulting from this investigation. In late April 2013, the SFO decided to open a formal investigation into ENRC. The SFO has confirmed that it is 'not at present actively investigating' the Company's operations in Kazakhstan. ENRC has provided a further substantial volume of documentation to the SFO, both voluntarily and in response to formal statutory requests. To date, the SFO has not indicated to ENRC the precise scope of their investigation. However, the SFO has commenced formal interviews with individual suspects. ENRC is not privy to the SFO's intended timeline for the investigation and has no visibility on whether the investigation will be resolved before the end of 2021. ENRC is represented by specialist external counsel.

Tax audits and assessments

As at 31 December 2020, the Group had uncertainties in respect of the application and interpretation of the tax laws. The Group believes that additional tax assessment by tax authorities in relation to these contingent exposures is not probable. Therefore, no material provisions were recorded in these Consolidated financial statements.

The Group is routinely subject to tax audits by the Kazakhstan and African tax authorities. The outcome of these audits and assessments is uncertain. However, the Group believes that the final outcome of any audit pending assessment is not likely to have any material impact on these Consolidated financial statements.

28. Reconciliation of non-GAAP measure

Underlying EBITDA

US\$ million	note	Years ended 31 December	
		2020	2019
Profit for the year		88	70
Adjustments for:			
Finance cost	11	879	611
Depreciation and amortisation		746	598
Income tax expense	12	268	213
Unrealised loss on derivatives	8	239	8
Professional fees and other exceptional litigation costs		86	60
Costs related to COVID-19		38	–
Net operating foreign exchange loss	8	16	23
Impairments		9	7
Restructuring costs		6	45
Loss from disposal of subsidiary		2	–
Finance income	10	(355)	(126)
Other		1	29
Underlying EBITDA		2,023	1,538

29. Non-controlling interests and principal subsidiaries

The Group comprises a large number of companies and it is not practical to include all of them in a list in these Consolidated financial statements. Therefore, the Group discloses only those companies that have a more significant impact on the profit or assets of the Group. A full list of companies is filed along with these Consolidated financial statements to Registre de Commerce et des Sociétés in Luxembourg.

31 December 2020						
Subsidiary	Principal activity	Country of incorporation	Proportion of equity interest held by the Parent Company (%)	Effective proportion of ordinary shares/ equity interest held by the Group (%)	Effective proportion of ordinary shares/ equity interest held by non-controlling interests (%)	Proportion of preference shares held by the Group (%)
SSGPO JSC	Mining and processing	Kazakhstan	-	100.00	-	81.56
Shubarkol Komir JSC	Mining and processing	Kazakhstan	-	100.00	-	46.39
TNC Kazchrome JSC	Mining and processing	Kazakhstan	-	99.99	0.01	92.85
Aluminium of Kazakhstan JSC	Mining and processing	Kazakhstan	-	98.29	1.71	-
Frontier SA	Mining and processing	DRC	-	95.00	5.00	-
Boss Mining SAS	Mining and processing	DRC	-	51.00	49.00	-
Comide SARL	Mining	DRC	-	100.00	-	-
Kazakhstan Aluminium Smelter JSC	Metals Processing	Kazakhstan	-	100.00	-	-
Chambishi Metals PLC	Metals Processing	Zambia	-	90.00	10.00	-
Eurasian Energy Corporation JSC	Power Generation	Kazakhstan	-	100.00	-	-
Bahia Mineração S/A	Mineral Exploration	Brazil	-	100.00	-	-
Mineração Minas Bahia SA	Mineral Exploration	Brazil	-	100.00	-	-
ENRC Mozambique Limitada	Mineral Exploration	Mozambique	-	100.00	-	-
ERG Manganese (Pty) Limited	Mineral Exploration	South Africa	-	74.00	26.00	-
Metalkol SA	Mineral Exploration	DRC	-	95.00	5.00	-
Total Mining (Pvt) Limited	Mineral Exploration	Zimbabwe	-	60.00	40.00	-
Société D'Exploitation Des Gisements De Kalukundi ('Swanmines') SAS	Mineral Exploration	DRC	-	75.00	25.00	-
Congo Cobalt Corporation SARL	Mining Contracting Services	DRC	-	100.00	-	-
TransCom LLP	Transportation	Kazakhstan	-	100.00	-	-
Sabot Management Limited	Transportation	Seychelles	-	100.00	-	-
ERG Sales AG	Sales & Marketing	Switzerland	-	100.00	-	-
ERG Sales Africa AG	Sales & Marketing	Switzerland	-	100.00	-	-
ERG Commercial Center LLP	Sales & Marketing	Kazakhstan	100.00	-	-	-
ERG Sales LLC	Sales & Marketing	Russian Federation	-	100.00	-	-
Africo Resources Limited	Holding Company	Canada	-	100.00	-	-
Bahia Minerals BV	Holding Company	Netherlands	-	100.00	-	-
Camrose Resources Limited	Holding Company	British Virgin Islands	-	100.00	-	-
Enya Holding BV	Holding Company	Netherlands	-	100.00	-	-
ENRC NV	Holding Company	Netherlands	-	100.00	-	-
ENRC Africa BV	Holding Company	Netherlands	-	100.00	-	-
ENRC Limited	Holding Company	United Kingdom	-	100.00	-	-
ENRC Management (UK) Limited	Group Managing Company	United Kingdom	-	100.00	-	-
Corporate Fund ERG Komek	Charitable Foundation	Kazakhstan	-	100.00	-	-
ENRC Finance Limited	Treasury & Holding Company	United Kingdom	-	100.00	-	-
Eurasian Group LLP	Group Managing Company	Kazakhstan	100.00	-	-	-
ERG BV	Holding Company	Netherlands	100.00	-	-	-

29. Non-controlling interests and principal subsidiaries (continued)

Proportion of equity held by non-controlling interests (%)

Subsidiary	Country of incorporation	31 December	
		2020	2019
Frontier SA	DRC	5.00	5.00
Boss Mining SAS	DRC	49.00	49.00
Metalkol SA	DRC	5.00	5.00
Swanmines SAS	DRC	25.00	25.00
Aluminium of Kazakhstan JSC	Kazakhstan	1.71	1.71
TNC Kazchrome JSC	Kazakhstan	0.65	0.65
SSGPO JSC	Kazakhstan	1.84	1.84
Eurasian Energy Corporation JSC	Kazakhstan	–	1.59
Shubarkol Komir JSC	Kazakhstan	1.76	2.70
Chambishi Metals PLC	Zambia	10.00	10.00
Total Mining (Pvt) Limited	Zimbabwe	40.00	40.00

Accumulated balances of material non-controlling interests in net assets/(liabilities)

US\$ million	31 December	
	2020	2019
Frontier SA	7	5
Boss Mining SAS	(1)	(1)
Metalkol SA	48	51
Swanmines SAS	5	6
Aluminium of Kazakhstan JSC	1	2
TNC Kazchrome JSC	20	21
SSGPO JSC	65	60
Eurasian Energy Corporation JSC	–	19
Shubarkol Komir JSC	21	22
Chambishi Metals PLC	(27)	(24)
Total Mining (Pvt) Limited	(36)	(45)

Profit/(loss) allocated to material non-controlling interests

US\$ million	Years ended 31 December	
	2020	2019
Frontier SA	5	(3)
Boss Mining SAS	(20)	(58)
Metalkol SA	(2)	(4)
TNC Kazchrome JSC	2	2
SSGPO JSC	5	4
Shubarkol Komir JSC	1	2
Chambishi Metals PLC	(2)	(4)
Total Mining (Pvt) Limited	–	(1)

29. Non-controlling interests and principal subsidiaries (continued)

Information below is before intercompany eliminations.

Summarised balance sheet

	31 December 2020						
US\$ million	Current assets	Current liabilities	Net current assets/ (liabilities)	Non-current assets	Non-current liabilities	Net non-current assets/ (liabilities)	Net assets/ (liabilities)
Frontier SA	269	(121)	148	541	(406)	135	283
Boss Mining SAS	61	(10)	51	120	(219)	(99)	(48)
Metalkol SA	355	(240)	115	3,755	(2,782)	973	1,088
Swanmines SAS	2	(2)	–	93	(85)	8	8
Aluminium of Kazakhstan JSC	446	(301)	145	370	(267)	103	248
TNC Kazchrome JSC	678	(367)	311	2,884	(2,145)	739	1,050
SSGPO JSC	772	(695)	77	1,132	(620)	512	589
Eurasian Energy Corporation JSC	69	(84)	(15)	697	(482)	215	200
Shubarkol Komir JSC	384	(57)	327	396	(334)	62	389
Chambishi Metals PLC	30	(21)	9	6	(291)	(285)	(276)
Total Mining (Pvt) Limited	1	–	1	60	(18)	42	43

	31 December 2019						
US\$ million	Current assets	Current liabilities	Net current assets/ (liabilities)	Non-current assets	Non-current liabilities	Net non-current assets/ (liabilities)	Net assets/ (liabilities)
Frontier SA	119	(114)	5	623	(406)	217	222
Boss Mining SAS	66	(18)	48	138	(191)	(53)	(5)
Metalkol SA	188	(150)	38	3,855	(2,761)	1,094	1,132
Swanmines SAS	1	–	1	94	(85)	9	10
Aluminium of Kazakhstan JSC	489	(318)	171	376	(292)	84	255
TNC Kazchrome JSC	637	(310)	327	2,819	(2,192)	627	954
SSGPO JSC	499	(203)	296	1,298	(934)	364	660
Eurasian Energy Corporation JSC	76	(122)	(46)	767	(475)	292	246
Shubarkol Komir JSC	380	(81)	299	442	(351)	91	390
Chambishi Metals PLC	49	(27)	22	10	(285)	(275)	(253)
Total Mining (Pvt) Limited	1	–	1	60	(18)	42	43

29. Non-controlling interests and principal subsidiaries (continued)

Summarised income statement

Year ended 31 December 2020							
US\$ million	Revenue	Profit/(loss) before income tax	Income tax (expense)/ credit	Profit/(loss)	Other comprehensive (expense)/ income	Comprehensive income/ (expense)	Comprehensive income/ (expense) allocated to non-controlling interests
Frontier SA	551	147	(53)	94	—	94	5
Boss Mining SAS	—	(41)	—	(41)	—	(41)	(20)
Metalkol SA	786	(41)	(4)	(45)	—	(45)	(2)
Swanmines SAS	—	(2)	—	(2)	—	(2)	—
Aluminium of Kazakhstan JSC	377	20	(4)	16	(23)	(7)	—
TNC Kazchrome JSC	1,611	274	(96)	178	(102)	76	2
SSGPO JSC	1,091	347	(75)	272	(63)	209	5
Eurasian Energy Corporation JSC	265	(28)	5	(23)	(24)	(47)	—
Shubarkol Komir JSC	177	48	(10)	38	(36)	2	1
Chambishi Metals PLC	13	(22)	—	(22)	—	(22)	(2)
Total Mining (Pvt) Limited	—	(1)	—	(1)	—	(1)	—

Year ended 31 December 2019							
US\$ million	Revenue	(Loss)/ profit before income tax	Income tax credit/ (expense)	(Loss)/profit	Other comprehensive income/ (expense)	Comprehensive (expense)/ income	Comprehensive (expense)/ income allocated to non-controlling interests
Frontier SA	356	(88)	34	(54)	—	(54)	(3)
Boss Mining SAS	30	(118)	—	(118)	—	(118)	(58)
Metalkol SA	308	(112)	25	(87)	—	(87)	(4)
Aluminium of Kazakhstan JSC	418	20	(9)	11	—	11	—
TNC Kazchrome JSC	1,834	443	(100)	343	2	345	2
SSGPO JSC	955	296	(57)	239	2	241	4
Eurasian Energy Corporation JSC	263	31	(9)	22	(1)	21	—
Shubarkol Komir JSC	254	109	(25)	84	2	86	2
Chambishi Metals PLC	55	(31)	(11)	(42)	—	(42)	(4)
Total Mining (Pvt) Limited	—	(1)	—	(1)	—	(1)	(1)

29. Non-controlling interests and principal subsidiaries (continued)

Summarised cash flows

US\$ million	Year ended 31 December 2020				Year ended 31 December 2019			
	Operating	Investing	Financing	Net increase/ (decrease) in cash and cash equivalents	Operating	Investing	Financing	Net increase/ (decrease) in cash and cash equivalents
Frontier SA	119	(2)	(44)	73	37	(90)	60	7
Boss Mining SAS	(18)	–	24	6	(164)	(1)	160	(5)
Metalkol SA	227	(116)	(81)	30	(55)	(85)	165	25
Swanmines SAS	–	–	–	–	(2)	–	2	–
Aluminium of Kazakhstan JSC	88	(35)	(17)	36	45	(30)	(25)	(10)
TNC Kazchrome JSC	440	(329)	(70)	41	525	(323)	(247)	(45)
SSGPO JSC	378	(311)	(59)	8	184	(246)	57	(5)
Eurasian Energy Corporation JSC	75	(64)	(14)	(3)	65	(110)	34	(11)
Shubarkol Komir JSC	59	(42)	(13)	4	115	42	(157)	–
Chambishi Metals PLC	(3)	(1)	4	–	(18)	(1)	–	(19)
Todal Mining (Pvt) Limited	(4)	–	4	–	(2)	–	2	–

30. Events after the balance sheet date

For technical reasons the Group was late in making a payment to a borrower's designated account with Sberbank of Russia that was due in December 2020, which resulted in breach of requirements of a facility agreement with Sberbank of Russia. Consent letters have been received from the creditor within the applicable grace period, and the delayed payment was made in March 2021, within the extended payment period. The breach did not result in any delay in satisfaction of the Group's payment obligations to Sberbank of Russia under existing facilities.

On 2 January 2021 new environmental code of the Republic of Kazakhstan was signed into law. Certain operational entities signed complex ecological permit ahead of formal schedule, which provides an exemption from environmental charges for the period from 2022 to 2030, subject to the fulfillment of the program for the implementation of best available technologies. Impact of the new environmental code on the Group's operations is subject to further analysis.

ERG's wholly-owned Brazilian subsidiary BAMIN has won the auction to complete and operate the first 537 km stretch of the East-West Integration Ferrovia de Integração Oeste-Leste ('FIOL') railway. The FIOL railway will serve as a high capacity and low-cost link between ERG's Pedra de Ferro mine in Caetite and its Porto Sul port in Ilhéus, Bahia state.