

Notes to the consolidated financial statements for the year ended 31 December 2017

US Dollars million

1. General information

Organisation and principal business activities

Public Joint-Stock Company "Mining and Metallurgical Company Norilsk Nickel" (the "Company" or "MMC Norilsk Nickel") was incorporated in the Russian Federation on 4 July 1997. The principal activities of the Company and its subsidiaries (the "Group") are exploration, extraction, refining of ore and nonmetallic minerals and sale of base and precious metals produced from ore. Further details regarding the nature of the business and structure of the Group are presented in note 33.

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

BASIS OF PREPARATION

Statement of compliance

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

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

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

Basis of measurement

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

- mark-to-market valuation of by-products, in accordance with IAS 2 Inventories;
- mark-to-market valuation of certain classes of financial instruments, in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

2. Changes in accounting policies

Reclassification

Information for the year ended 31 December 2016 was recasted in accordance with requirement of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations since the criteria for classification of Nkomati as assets held for sale were no longer met as at 31 December 2017 (refer to note 20).

At 31 December 2017 management reassessed classification of some expenses of cost of metal sales and selling and distribution expenses in order to better align cost of sales structure with management accounts and reporting (refer to notes 7 and 9). Information for the year ended 31 December 2016 has been reclassified to conform with the current period presentation.

Standards and interpretations effective in the current year

In the preparation of these consolidated financial statements the Group has adopted all new and revised International Financial Reporting Standards and Interpretations issued by International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for adoption in annual periods beginning on 1 January 2017.

Adoption of amendments to the existing Standards detailed below did not have significant impact on the accounting policies, financial position or performance of the Group:

- IFRS 12 Disclosure of Interests in Other Entities (amended);
- IAS 7 Statement of Cash Flows (amended);
- IAS 12 Income Taxes (amended).

Standards and interpretations in issue but not yet effective

At the date of authorisation of these consolidated financial statements, the following Standards and Interpretations or amendments to them were in issue but not yet effective and not early adopted:

| Standards and Interpretations | Effective for annual periods beginning on or after |
|---|--|
| IFRS 1 First-time Adoption of International Financial Reporting Standards (amended) | 1 January 2018 |
| IFRS 2 Share-based Payment (amended) | 1 January 2018 |
| IFRS 4 Insurance Contracts (amended) | 1 January 2018 |
| IFRS 9 Financial Instruments (amended) | 1 January 2018 |
| IFRS 15 Revenue from Contracts with Customers | 1 January 2018 |
| IAS 28 Investments in Associates and Joint Ventures (amended) | 1 January 2018 |
| IAS 40 Investment Property (amended) | 1 January 2018 |
| IFRIC 22 Foreign Currency Transactions and Advance Consideration | 1 January 2018 |
| IFRS 16 Leases | 1 January 2019 |
| IFRIC 23 Uncertainty over Income Tax Treatments | 1 January 2019 |
| IFRS 17 Insurance Contracts | 1 January 2021 |

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

IFRS 9 Financial Instruments (effective for annual periods beginning on or after 1 January 2018, early adoption is permitted) replaces IAS 39 Financial Instruments: Recognition and Measurement and introduces new classification and measurement, 'expected losses' impairment model for financial assets and new rules for hedge accounting. The standard will not materially affect the consolidated financial statements of the Group.

IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018, early adoption is permitted) establishes a comprehensive framework for accounting of revenue from customers. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and certain interpretations. The standard introduces 5-step model for revenue from contracts with customers. According to IFRS 15, revenue is measured in the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. Based on the performed assessment, the new standard is not expected to affect significantly the Group's consolidated financial statements.

3. Significant accounting policies

Basis of consolidation

Subsidiaries

The consolidated financial statements incorporate financial statements of the Company and its subsidiaries, from the date that control effectively commenced until the date that control effectively ceased. Control is achieved where the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

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

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

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

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

Joint arrangements

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

Business combinations

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

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

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

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

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

Assets classified as held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered primarily through a sale transaction rather than through continuing use. This condition is ordinarily regarded as met when sale is highly probable within one year from the date of classification and the asset or disposal group is available for immediate sale in its present condition and management has committed to the sale.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Assets held for sale and related liabilities are presented in the consolidated statement of financial position separately from other assets and liabilities. Comparative information related to assets held for sale is not amended in the consolidated statement of financial position for the prior period.

If criteria of classification as held for sale are no longer met, the Group ceases to classify non-current assets and disposal groups as held for sale. Such non-current assets and disposal groups is measured at the lower of its carrying amount before the classification as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the non-current assets and disposal groups not been classified as held for sale, and its recoverable amount at the date of the subsequent decision not to sell. Financial statements for the periods since classification as held for sale shall be amended accordingly if the disposal group or non-current asset that ceases to be classified as held for sale is a subsidiary, joint operation, joint venture, associate, or a portion of an interest in a joint venture or an associate.

Functional and presentation currency

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

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

The presentation currency of the consolidated financial statements of the Group is US Dollar ("USD"). Using USD as a presentation currency is common practice for global mining companies. In addition, USD is a more relevant presentation currency for international users of the consolidated financial statements of the Group. The Group also issues consolidated financial statements to comply with 208-FZ, which use the Russian Rouble as the presentation currency (refer to note 1).

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

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

Foreign currency transactions

Transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the exchange rates prevailing at the date of transactions. All monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at each reporting date. Non-monetary items carried at historical cost are translated at the exchange rates prevailing at the date of transactions. Non-monetary items carried at fair value are translated at the exchange rate prevailing at the date on which the most recent fair value was determined. Exchange differences arising from changes in exchange rates are recognised in the consolidated income statement.

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

| | At 31 December 2017 | At 31 December 2016 |
|--|---------------------|---------------------|
| Russian Rouble/US Dollar | | |
| 31 December | 57.60 | 60.66 |
| Average for the year ended 31 December | 58.35 | 67.03 |
| South African Rand/US Dollar | | |
| 31 December | 12.36 | 13.78 |
| Average for the year ended 31 December | 13.30 | 14.68 |
| Australian Dollar/US Dollar | | |
| 31 December | 1.28 | 1.39 |
| Average for the period ended | 1.30 | 1.34 |
| Hong Kong Dollar/US Dollar | | |
| 31 December | 7.81 | 7.75 |
| Average for the year ended 31 December | 7.79 | 7.76 |

Revenue recognition**Metal sales revenue**

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

Revenue from contracts that are entered into and continue to meet the Group's expected sale requirements designated for that purpose at their inception, and are expected to be settled by physical delivery, are recognised in the consolidated financial statements as and when they are delivered.

Certain contracts are provisionally priced so that price is not settled until a predetermined future date based on the market price at that time. Revenue from these transactions is initially recognised at the current market price. Provisionally priced metal sales are marked-to-market at each reporting date using the forward price for the period equivalent to that outlined in the contract. This mark-to-market adjustment is recorded in revenue.

Other revenue

Revenue from sale of goods, other than metals, is recognised when significant risks and rewards of ownership are transferred to the buyer in accordance with the shipping terms specified in the sales agreements.

Revenue from service contracts is recognised when the services are rendered and the outcome can be reliably measured.

Dividends and interest income

Dividends from investments are recognised when the Group's right to receive payment has been established. Interest income is accrued based on effective interest method.

Leases

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

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

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

Finance costs

Finance costs mostly comprise interest expense on borrowings and unwinding of discount on decommissioning obligations.

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

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

Government grants

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

Employee benefits

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

Defined contribution plans

The Group contributes to the following major defined contribution plans:

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

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

Income tax expense

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

Current tax

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

Deferred tax

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

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

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

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

Property, plant and equipment and mine development costs**Mining assets**

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

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

Mine development costs include interest capitalised during the construction period, when financed by borrowings.

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

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

Depreciation of mining assets is charged from the date on which a new mine reaches commercial production quantities and is included in the cost of production. Carrying value of mining assets is depreciated on a straight-line basis over the lesser of their remaining economic useful lives or remaining life of mine that they relate to, calculated on the basis of the amount of commercial ore reserves. When determining the life of mine, assumptions valid at the time of estimation may change in case new information becomes available. Useful lives are in average varying from 2 to 45 years.

Non-mining assets

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

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

Depreciation is calculated over the following economic useful lives:

- buildings, structures and utilities 5–50 years
- machinery, equipment and transport 3–30 years
- other non-mining assets 2–20 years

Capital construction-in-progress

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

- advances given for purchases of property, plant and equipment and materials acquired for construction of buildings, processing plant, infrastructure, machinery and equipment;
- irrevocable letters of credit opened for future fixed assets deliveries and secured with deposits placed in banks;
- finance charges capitalised during construction period where such costs are financed by borrowings.

Depreciation of these assets commences when the assets are put into production.

Research and exploration expenditure

Research and exploration expenditure, including geophysical, topographical, geological and similar types of expenditure, is capitalised, if it is deemed that such expenditure will lead to an economically viable capital project, and begins to be amortised over the life of mine, when commercial viability of the project is proved. Otherwise it is expensed in the period in which it is incurred.

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

Intangible assets, excluding goodwill

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

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

Impairment of tangible and intangible assets, excluding goodwill

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

Recoverable amount is the higher of fair value less cost to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the consolidated income statement immediately.

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

Inventories**Refined metals**

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

Work-in-process

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

Materials and supplies

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

Financial assets

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

Financial assets are classified into the following specified categories:

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

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

Effective interest method

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

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

Financial assets at fair value through profit or loss

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

A financial asset is classified as held for trading if:

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

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

Loans and receivables

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

Available-for-sale financial assets

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

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

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

Impairment of financial assets

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

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

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

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

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

With the exception of available-for-sale debt and equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the consolidated income statement to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

When a decline in fair value of an available-for-sale investment has been recognised in other comprehensive income and there is objective evidence that investment is impaired, the cumulative loss that had been recognised in other comprehensive income is reclassified from other comprehensive income and recognised in the consolidated income statement even though the investment has not been derecognised. Impairment losses previously recognised through consolidated income statement are not reversed. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

Derecognition of financial assets

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

Financial liabilities

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

Effective interest method

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

Derecognition of financial liabilities

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

Cash and cash equivalents

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

Provisions

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

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

Decommissioning obligations

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

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

4. Critical accounting judgements and key sources of estimation uncertainty

Preparation of the consolidated financial statements in accordance with IFRS requires the Group's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. The determination of estimates requires judgements which are based on historical experience, current and expected economic conditions, and all other available information. Actual results could differ from these estimates.

The most significant areas requiring the use of management estimates and assumptions relate to:

- useful economic lives of property, plant and equipment;
- impairment of assets, including fair value of assets held for sale;
- provisions;
- decommissioning obligations;
- income taxes; and
- contingencies.

Useful economic lives of property, plant and equipment

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

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

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

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

Impairment of assets

The Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets are impaired or indication of reversal of impairment. In making the assessment for impairment, assets that do not generate independent cash flows are allocated to an appropriate cash-generating unit. Management necessarily applies its judgement in allocating assets that do not generate independent cash flows to appropriate cash-generating units, and also in estimating the timing and value of the underlying cash flows within the value-in-use calculation. Subsequent changes to the cash-generating unit allocation or to the timing of cash flows could impact the carrying value of the respective assets.

Provisions

The Group creates provision for doubtful debts to account for estimated losses resulting from the inability of customers to make the required payments. When evaluating the adequacy of a provision for doubtful debts, management bases its estimate on current overall economic conditions, ageing of the accounts receivable balances, historical write-off experience, customer creditworthiness and changes in payment terms. Changes in the economy, industry or specific customer conditions may require adjustments to the provision for doubtful debts recorded in the consolidated financial statements.

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

The Group creates a provision for social commitments. The provision represents present value of the best estimate of the future outflow of economic benefits to settle these obligations.

Decommissioning obligations

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

Income taxes

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

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

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

Contingencies

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

5. Segmental information

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

Management has determined the following operating segments:

- "GMK Group" segment, which includes mining and metallurgy operations, transport services, energy, repair and maintenance services located at Taimyr Peninsula;
- "KGMK Group" segment, which includes mining and metallurgy operations, energy, exploration activities located at Kola Peninsula;
- "NN Harjavalta" segment, which includes refinery operations located in Finland;
- "Other metallurgical" segment, which includes operations of Bystrinskoye project, other metallurgy operations and exploration activities located in Russia and abroad;
- "Other non-metallurgical" segment, which includes metal and other trading, supply chain management, transport services, energy and utility, research and other activities located in Russia and abroad.

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

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

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

Amounts are measured on the same basis as those in the consolidated financial statements. Information for the year ended 31 December 2016 has been presented to conform with the current period presentation.

The following tables present revenue, measure of segment profit or loss (EBITDA) and other segmental information from continuing operations regarding the Group's reportable segments for the year ended 31 December 2017 and 31 December 2016, respectively.

| For the year ended 31 December 2017 | GMK Group | KGMK Group | NN Harjavalta | Other metallurgical | Other non-metallurgical | Eliminations | Total |
|---|--------------|------------|---------------|---------------------|-------------------------|----------------|--------------|
| Revenue from external customers | 7,064 | 357 | 840 | 34 | 851 | – | 9,146 |
| Inter-segment revenue | 607 | 531 | – | 107 | 415 | (1,660) | – |
| Total revenue | 7,671 | 888 | 840 | 141 | 1,266 | (1,660) | 9,146 |
| Segment EBITDA | 4,701 | 169 | 84 | (53) | 114 | (377) | 4,638 |
| Unallocated | | | | | | | (643) |
| Consolidated EBITDA | | | | | | | 3,995 |
| Depreciation and amortisation | | | | | | | (645) |
| Impairment of non-financial assets | | | | | | | (227) |
| Finance costs | | | | | | | (535) |
| Foreign exchange gain, net | | | | | | | 159 |
| Other income and expenses, net | | | | | | | 97 |
| Profit before tax | | | | | | | 2,844 |
| Other segmental information | | | | | | | |
| Purchase of property, plant and equipment and intangible assets | 1,225 | 228 | 16 | 469 | 64 | – | 2,002 |
| Depreciation and amortisation | 508 | 63 | 25 | 73 | 23 | (47) | 645 |
| Impairment of non-financial assets | 101 | 3 | – | 122 | 1 | – | 227 |

| For the year ended 31 December 2016 | GMK Group | KGMK Group | NN Harjavalta | Other metallurgical | Other non-metallurgical | Eliminations | Total |
|---|--------------|------------|---------------|---------------------|-------------------------|----------------|--------------|
| Revenue from external customers | 5,981 | 465 | 727 | 7 | 1,079 | – | 8,259 |
| Inter-segment revenue | 213 | 199 | – | 77 | 620 | (1,109) | – |
| Total revenue | 6,194 | 664 | 727 | 84 | 1,699 | (1,109) | 8,259 |
| Segment EBITDA | 3,883 | 117 | 45 | (11) | 119 | 112 | 4,265 |
| Unallocated | | | | | | | (366) |
| Consolidated EBITDA | | | | | | | 3,899 |
| Depreciation and amortisation | | | | | | | (557) |
| Impairment of non-financial assets | | | | | | | (61) |
| Finance costs | | | | | | | (453) |
| Foreign exchange gain, net | | | | | | | 491 |
| Other income and expenses, net | | | | | | | (43) |
| Profit before tax | | | | | | | 3,276 |
| Other segmental information | | | | | | | |
| Purchase of property, plant and equipment and intangible assets | 1,284 | 93 | 16 | 288 | 33 | – | 1,714 |
| Depreciation and amortisation | 435 | 41 | 28 | – | 23 | 30 | 557 |
| Impairment of non-financial assets | 50 | 2 | – | – | 9 | – | 61 |

The following tables present assets and liabilities of the Group's reportable segments at 31 December 2017 and 31 December 2016, respectively.

| At 31 December 2017 | GMK Group | KGMK Group | NN Harjavalta | Other metallurgical | Other non-metallurgical | Eliminations | Total |
|----------------------------------|---------------|--------------|---------------|---------------------|-------------------------|----------------|---------------|
| Inter-segment assets | 346 | 207 | 172 | 11 | 54 | (790) | – |
| Segment assets | 11,424 | 963 | 384 | 1,500 | 1,584 | (425) | 15,430 |
| Total segment assets | 11,770 | 1,170 | 556 | 1,511 | 1,638 | (1,215) | 15,430 |
| Unallocated | | | | | | | 1,205 |
| Total assets | | | | | | | 16,635 |
| Inter-segment liabilities | 89 | 135 | 124 | 43 | 399 | (790) | – |
| Segment liabilities | 2,228 | 157 | 73 | 121 | 171 | – | 2,750 |
| Total segment liabilities | 2,317 | 292 | 197 | 164 | 570 | (790) | 2,750 |
| Unallocated | | | | | | | 9,227 |
| Total liabilities | | | | | | | 11,977 |

| At 31 December 2016 | GMK Group | KGMK Group | NN Harjavalta | Other metallurgical | Other non-metallurgical | Eliminations | Total |
|----------------------------------|---------------|------------|---------------|---------------------|-------------------------|--------------|---------------|
| Inter-segment assets | 296 | 79 | 160 | 35 | 49 | (619) | – |
| Segment assets | 9,922 | 768 | 383 | 868 | 793 | (111) | 12,623 |
| Total segment assets | 10,218 | 847 | 543 | 903 | 842 | (730) | 12,623 |
| Unallocated | | | | | | | 3,900 |
| Total assets | | | | | | | 16,523 |
| Inter-segment liabilities | 113 | 87 | 77 | 27 | 315 | (619) | – |
| Segment liabilities | 2,241 | 113 | 102 | 266 | 862 | – | 3,584 |
| Total segment liabilities | 2,354 | 200 | 179 | 293 | 1,177 | (619) | 3,584 |
| Unallocated | | | | | | | 9,043 |
| Total liabilities | | | | | | | 12,627 |

The Group's non-current assets are primarily located in the Russian Federation and Finland.

6. Metal sales

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

| | Total | Nickel | Copper | Palladium | Platinum | Semi-products | Other metals |
|--|--------------|--------------|--------------|--------------|------------|---------------|--------------|
| For the year ended 31 December 2017 | | | | | | | |
| Europe | 4,753 | 1,067 | 2,098 | 736 | 441 | 85 | 326 |
| Asia | 1,939 | 709 | 6 | 762 | 97 | 331 | 34 |
| North and South America | 1,166 | 313 | – | 807 | – | – | 46 |
| Russian Federation and CIS | 557 | 215 | 177 | 41 | 85 | 8 | 31 |
| | 8,415 | 2,304 | 2,281 | 2,346 | 623 | 424 | 437 |
| For the year ended 31 December 2016 | | | | | | | |
| Europe | 4,394 | 1,143 | 1,544 | 821 | 420 | 123 | 343 |
| Asia | 1,723 | 1,104 | 1 | 478 | 26 | 92 | 22 |
| North and South America | 737 | 222 | – | 488 | – | 1 | 26 |
| Russian Federation and CIS | 792 | 156 | 294 | 101 | 208 | – | 33 |
| | 7,646 | 2,625 | 1,839 | 1,888 | 654 | 216 | 424 |

7. Cost of metal sales

| | For the year ended 31 December 2017 | For the year ended 31 December 2016 |
|---|-------------------------------------|-------------------------------------|
| Cash operating costs | | |
| Labour | 1,377 | 1,145 |
| Materials and supplies | 703 | 520 |
| Purchases of metals for resale | 530 | 184 |
| Purchases of raw materials and semi-products | 297 | 292 |
| Mineral extraction tax and other levies | 221 | 122 |
| Third party services | 204 | 170 |
| Electricity and heat energy | 132 | 101 |
| Production costs related to the joint operation | 93 | 79 |
| Fuel | 81 | 60 |
| Transportation expenses | 64 | 71 |
| Sundry costs | 150 | 143 |
| Total cash operating costs | 3,852 | 2,887 |
| Depreciation and amortisation | 630 | 456 |
| (Increase)/decrease in metal inventories | (514) | 290 |
| Total | 3,968 | 3,633 |

8. General and administrative expenses

| | For the year ended 31 December 2017 | For the year ended 31 December 2016 |
|--|-------------------------------------|-------------------------------------|
| Staff costs | 478 | 376 |
| Taxes other than mineral extraction tax and income tax | 79 | 58 |
| Third party services | 72 | 55 |
| Depreciation and amortisation | 32 | 20 |
| Rent expenses | 25 | 19 |
| Transportation expenses | 8 | 6 |
| Other | 65 | 47 |
| Total | 759 | 581 |

9. Selling and distribution expenses

| | For the year ended 31 December 2017 | For the year ended 31 December 2016 |
|-------------------------|-------------------------------------|-------------------------------------|
| Transportation expenses | 38 | 23 |
| Marketing expenses | 14 | 7 |
| Staff costs | 13 | 13 |
| Export duties | 1 | 61 |
| Other | 9 | 7 |
| Total | 75 | 111 |

10. Other net operating expenses

| | For the year ended 31 December 2017 | For the year ended 31 December 2016 |
|--|-------------------------------------|-------------------------------------|
| Social expenses | 303 | 111 |
| Change in allowance for doubtful debts | 19 | 14 |
| Change in allowance for obsolete and slow-moving inventory | 11 | (2) |
| Change in provision for reconfiguration of production facilities | (4) | (33) |
| Other | 33 | (6) |
| Total | 362 | 84 |

11. Finance costs

| | For the year ended 31 December 2017 | For the year ended 31 December 2016 |
|---|-------------------------------------|-------------------------------------|
| Interest expense on borrowings net of amounts capitalised | 386 | 403 |
| Unwinding of discount on provisions and payables | 133 | 46 |
| Other | 16 | 4 |
| Total | 535 | 453 |

12. Income from investments, net

| | For the year ended 31 December 2017 | For the year ended 31 December 2016 |
|--|-------------------------------------|-------------------------------------|
| Interest income on bank deposits | 39 | 78 |
| Realised gain on disposal of investments | 1 | 4 |
| Other | 37 | 32 |
| Total | 77 | 114 |

13. Income tax expense

| | For the year ended 31 December 2017 | For the year ended 31 December 2016 |
|----------------------------|-------------------------------------|-------------------------------------|
| Current income tax expense | 686 | 686 |
| Deferred tax expense | 35 | 59 |
| Total | 721 | 745 |

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

| | For the year ended 31 December 2017 | For the year ended 31 December 2016 |
|--|-------------------------------------|-------------------------------------|
| Profit before tax | 2,844 | 3,276 |
| Income tax at statutory rate of 20% | 569 | 655 |
| Allowance for deferred tax assets | 38 | 18 |
| Non-deductible impairment of financial and non-financial assets | 7 | 41 |
| Non-deductible social expenses | 73 | 31 |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | 8 | (27) |
| Tax effect of other permanent differences | 26 | 27 |
| Total | 721 | 745 |

The corporate income tax rates in other countries where the Group has a taxable presence vary from 0% to 39%.

Deferred tax balances

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

| | At 31 December 2015 | Recognised in income statement | Disposed on disposal of subsidiaries | Effect of translation to presentation currency | At 31 December 2016 |
|--|---------------------|--------------------------------|--------------------------------------|--|---------------------|
| Property, plant and equipment | 251 | 58 | – | 41 | 350 |
| Inventories | 91 | (6) | – | 17 | 102 |
| Trade and other receivables | (6) | (2) | – | (4) | (12) |
| Decommissioning obligations | (62) | (4) | – | (13) | (79) |
| Loans and borrowings, trade and other payables | (16) | (9) | – | (8) | (33) |
| Other assets | (10) | (2) | – | 2 | (10) |
| Other liabilities | 4 | – | – | 2 | 6 |
| Tax loss carried forward | (53) | 24 | – | (12) | (41) |
| Net deferred tax liabilities | 199 | 59 | – | 25 | 283 |

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

| | At 31 December 2017 | At 31 December 2016 |
|-------------------------------------|---------------------|---------------------|
| Deferred tax liability | 407 | 355 |
| Deferred tax asset | (77) | (72) |
| Net deferred tax liabilities | 330 | 283 |

Unrecognised deferred tax assets

Deferred tax assets have not been recognised as follows:

| | At 31 December 2017 | At 31 December 2016 |
|----------------------------------|---------------------|---------------------|
| Deductible temporary differences | 104 | 90 |
| Tax loss carry-forwards | 219 | 214 |
| Total | 323 | 304 |

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

At 31 December 2017 deferred tax asset in amount of USD 175 million related to tax loss arising on disposal of OJSC “Third Generation Company of the Wholesale Electricity Market” (“OGK-3 (at 31 December 2016: USD 166 million) was not recognised as it was incurred by the Company prior to setting up of the tax consolidation group. This deferred tax asset can be utilised only if the Company exits the tax consolidation group without expiry.

Unrecognised deferred tax assets in the amount of USD 44 million related to other tax losses will not expire and can be utilised according to specific rules stated by art. 283 of the Tax code of the Russian Federation (31 December 2016: USD 48 million).

At 31 December 2017, the Group did not recognise a deferred tax liability in respect of taxable temporary differences of USD 1,459 million (31 December 2016: USD 1,104 million) associated with investments in subsidiaries, because management believes that it is in a position to control the timing of reversal of such differences and does not expect its reversal in foreseeable future.

14. Property, plant and equipment

| | Mining assets and mine development cost | Non-mining assets | | | | Total |
|--|---|-------------------------------------|------------------------------------|-------------|----------------------------------|----------------|
| | | Buildings, structures and utilities | Machinery, equipment and transport | Other | Capital construction-in-progress | |
| Cost | | | | | | |
| Balance at 1 January 2016 | 5,101 | 2,002 | 2,319 | 106 | 1,308 | 10,836 |
| Additions | 1,232 | – | – | – | 674 | 1,906 |
| Transfers | – | 450 | 363 | 59 | (872) | – |
| Change in decommissioning provision | (18) | 5 | – | – | – | (13) |
| Disposals | (59) | (11) | (100) | (7) | (31) | (208) |
| Other | (49) | 7 | (37) | 26 | 53 | – |
| Effect of translation to presentation currency | 1,107 | 402 | 431 | 31 | 255 | 2,226 |
| Balance at 31 December 2016 | 7,314 | 2,855 | 2,976 | 215 | 1,387 | 14,747 |
| Additions | 1,429 | – | – | – | 840 | 2,269 |
| Transfers | – | 247 | 477 | 84 | (808) | – |
| Change in decommissioning provision | (7) | (13) | – | – | – | (20) |
| Disposals | (124) | (150) | (90) | (23) | (12) | (399) |
| Other | (40) | 42 | (6) | 2 | 2 | – |
| Effect of translation to presentation currency | 422 | 153 | 150 | 11 | 75 | 811 |
| Balance at 31 December 2017 | 8,994 | 3,134 | 3,507 | 289 | 1,484 | 17,408 |
| Accumulated depreciation and impairment | | | | | | |
| Balance at 1 January 2016 | (1,588) | (1,040) | (1,277) | (46) | (244) | (4,195) |
| Charge for the year | (213) | (97) | (201) | (14) | – | (525) |
| Disposals | 47 | 7 | 90 | 3 | 19 | 166 |
| Impairment loss | (7) | (70) | (2) | – | 18 | (61) |
| Other | (11) | 2 | 14 | (5) | – | – |
| Effect of translation to presentation currency | (318) | (215) | (242) | (10) | (41) | (826) |

| | Mining assets and mine development cost | Non-mining assets | | | | Total |
|--|---|-------------------------------------|------------------------------------|-------------|----------------------------------|----------------|
| | | Buildings, structures and utilities | Machinery, equipment and transport | Other | Capital construction-in-progress | |
| Balance at 31 December 2016 | | | | | | |
| | (2,090) | (1,413) | (1,618) | (72) | (248) | (5,441) |
| Charge for the year | (347) | (97) | (264) | (24) | – | (732) |
| Disposals | 107 | 56 | 79 | 5 | 4 | 251 |
| Impairment loss | (154) | (87) | (7) | – | 21 | (227) |
| Other | 4 | (18) | 16 | (1) | (1) | – |
| Effect of translation to presentation currency | (120) | (78) | (82) | (4) | (15) | (299) |
| Balance at 31 December 2017 | | | | | | |
| | (2,600) | (1,637) | (1,876) | (96) | (239) | (6,448) |
| Carrying value | | | | | | |
| At 31 December 2016 | 5,224 | 1,442 | 1,358 | 143 | 1,139 | 9,306 |
| At 31 December 2017 | 6,394 | 1,497 | 1,631 | 193 | 1,245 | 10,960 |

At 31 December 2017 capital construction-in-progress included USD 225 million of irrevocable letters of credit opened for fixed assets purchases (31 December 2016: USD 87 million), representing security deposits placed in banks. For the year ended 31 December 2017 purchases of property, plant and equipment in the consolidated statement of cash flows include USD 210 million related to these irrevocable letters of credit (for the year ended 31 December 2016: USD 78 million).

Capitalised borrowing costs for the year ended 31 December 2017 amounted to USD 263 million (for the year ended 31 December 2016: USD 202 million). Capitalisation rate used to determine the amount of borrowing costs equals to 6.28% per annum (31 December 2016: 6.59%). At 31 December 2017 mining assets and mine development cost included USD 3,728 million of mining assets under development (31 December 2016: USD 2,994 million).

At 31 December 2017 non-mining assets included USD 55 million of investment property (31 December 2016: USD 136 million).

Impairment

At 31 December 2017 the Group reclassified Nkomati Nickel Mine from assets classified as held for sale and tested the assets for impairment. The value in use of USD 49 million was determined by the Group using a discounted cash flow model approach. The most significant estimates and assumptions used in determination of value in use are as follows:

- Future cash flows were projected based on budgeted amounts, taking into account actual results for the previous years. Forecasts were assessed up to 2027. Measurements were performed based on discounted cash flows expected to be generated by production assets.
- Management estimates metal concentrates market prices based on adjusted commodity price forecast for metals. Commodities price forecast was based on consensus forecast.
- Production forecasts were primarily based on internal production reports available at the date of impairment test and management's assumptions regarding future production levels.
- Inflation forecasts were sourced from Economist Intelligence Unit report. Inflation used was projected within 2–5%. Forecast for exchange rates was made based on expected ZAR and USD inflation indices.
- A pre-tax nominal ZAR discount rate of 21.6% was estimated by the reference to the weighted average cost of capital for the Group and reflects management's estimates of the risks specific to production units.

As a result, impairment loss in the amount of USD 129 million was recognised in impairment of non-financial assets in the consolidated income statement for the year ended 31 December 2017.

During the year ended 31 December 2015 the Group revised its intention on the further use of the gas extraction assets. As a result, these assets were assessed as a separate cash generating unit. The Group recognised impairment loss related to the gas extraction assets in the amount of USD 50 million in impairment of non-financial assets in the consolidated income statement for the year ended 31 December 2016.

At 31 December 2017 indicators of additional impairment of gas production assets have been identified. The most significant estimates and assumptions used in determination of value in use are as follows:

- Future cash flows were projected based on budgeted amounts, taking into account actual results for the previous years. Forecasts were assessed up to 2030. Measurements were performed based on discounted cash flows expected to be generated by gas production assets.
- Management estimates prices for natural gas and gas concentrate based on commodities price forecasts. Commodities price forecast was based on consensus forecast.
- Production forecasts were primarily based on internal production reports available at the date of impairment test and management's assumptions regarding future production levels.
- The amounts and timing of capital investments were based on management's forecast.
- Inflation indices and foreign currency rate forecasts were sourced from Economist Intelligence Unit report. Inflation used was projected within 4–7%. Forecast for exchange rates was made based on expected RUR and USD inflation indices.
- A pre-tax nominal RUR discount rate of 15.8% was estimated by the reference to the weighted average cost of capital for the Group and reflects management's estimates of the risks specific to production units.

As a result, gas extraction assets were fully impaired. Impairment loss in the amount of USD 43 million was recognised in impairment of non-financial assets in the consolidated income statement for the year ended 31 December 2017.

During the year ended 31 December 2017 additional impairment losses in the amount of USD 55 million were recognised in respect of specific individual assets, primarily mining assets (for the year ended 31 December 2016: USD 11 million in respect of specific individual assets, primarily non-mining assets).

15. Other financial assets

| | At 31 December 2017 | At 31 December 2016 |
|------------------------------------|---------------------|---------------------|
| Non-current | | |
| Loans issued and other receivables | 190 | 176 |
| Bank deposits | 2 | 10 |
| Available-for-sale investments | – | 4 |
| Total non-current | 192 | 190 |
| Current | | |
| Loans issued and other receivables | 1 | 6 |
| Bank deposits | 94 | – |
| Derivative financial instruments | 4 | 2 |
| Total current | 99 | 8 |

Available-for-sale investments in securities

During the year ended 31 December 2016, the Group fully impaired an interest in a related party which owns various real estate properties. Impairment loss was recognised in the consolidated income statement for the year ended 31 December 2016.

Bank deposits

Interest rate on long-term RUB-denominated deposits held in banks was 5.10% (31 December 2016: 5.10%) per annum.

Interest rate on long-term EUR-denominated deposits held in banks was 0.30% (31 December 2016: no EUR-denominated deposits held in banks) per annum.

Interest rate on current ZAR-denominated deposits held in banks was in the range from 6.68% to 7.42% (31 December 2016: from 6.80% to 7.45%) per annum.

16. Other taxes

| | At 31 December 2017 | At 31 December 2016 |
|---|---------------------|---------------------|
| Taxes receivable | | |
| Value added tax recoverable | 258 | 244 |
| Other taxes | 40 | 35 |
| | 298 | 279 |
| Less: Allowance for value added tax recoverable | (1) | – |
| Total | 297 | 279 |
| Less: Non-current portion of other taxes receivable | (1) | (2) |
| Other taxes receivable | 296 | 277 |
| Taxes payable | | |
| Value added tax | 66 | 70 |
| Social security contributions | 26 | 27 |
| Property tax | 22 | 18 |
| Mineral extraction tax | 17 | 11 |
| Other | 16 | 13 |
| Other taxes payable | 147 | 139 |

17. Inventories

| | At 31 December 2017 | At 31 December 2016 |
|--|---------------------|---------------------|
| Refined metals | 655 | 310 |
| Work-in-process and semi-products | 1,333 | 901 |
| Less: Allowance for work-in-process | (4) | – |
| Total metal inventories | 1,984 | 1,211 |
| Materials and supplies | 739 | 728 |
| Less: Allowance for obsolete and slow-moving items | (34) | (27) |
| Materials and supplies, net | 705 | 701 |
| Inventories | 2,689 | 1,912 |

At 31 December 2017 part of metal semi-products stock in the amount of USD 453 million (31 December 2016: USD 830 million) was presented in other non-current assets according to Group's production plans.

18. Trade and other receivables

| | At 31 December 2017 | At 31 December 2016 |
|---|---------------------|---------------------|
| Trade receivables from metal sales | 251 | 95 |
| Other receivables | 168 | 159 |
| | 419 | 254 |
| Less: Allowance for doubtful debts | (92) | (81) |
| Trade and other receivables, net | 327 | 173 |

In 2017 and 2016, the average credit period on metal sales varied from 0 to 30 days. Trade receivables are generally non-interest bearing.

At 31 December 2017 and 2016, there were no material trade accounts receivable which were overdue or individually determined to be impaired.

The average credit period on sales of other products and services for the year ended 31 December 2017 was 33 days (2016: 32 days). No interest was charged on these receivables.

Included in the Group's other receivables at 31 December 2017 were debtors with a carrying value of USD 34 million (31 December 2016: USD 45 million) that were past due but not impaired. Management of the Group believes that these amounts are recoverable in full.

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

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

| | At 31 December 2017 | At 31 December 2016 |
|--------------------|---------------------|---------------------|
| Less than 180 days | 25 | 41 |
| 180–365 days | 9 | 4 |
| | 34 | 45 |

Movement in the allowance for doubtful debts was as follows:

| | At 31 December 2017 | At 31 December 2016 |
|--|---------------------|---------------------|
| Balance at beginning of the year | 81 | 54 |
| Change in allowance | 16 | 14 |
| Accounts receivable written-off | (9) | (2) |
| Effect of translation to presentation currency | 4 | 15 |
| Balance at end of the year | 92 | 81 |

19. Cash and cash equivalents

| | At 31 December 2017 | At 31 December 2016 |
|--------------------------------------|---------------------|---------------------|
| Current accounts | | |
| • foreign currencies | 358 | 389 |
| • RUB | 76 | 58 |
| Bank deposits | | |
| • foreign currencies | 412 | 1,739 |
| • RUB | – | 1,119 |
| Restricted cash and cash equivalents | 2 | 8 |
| Other cash and cash equivalents | 4 | 12 |
| Total | 852 | 3,325 |

20. Assets classified as held for sale and disposal of subsidiaries

On 17 October 2014, the Group entered into binding agreements to sell its assets in South Africa, comprising its 50% participation interest in Nkomati Nickel Mine ("Nkomati") and its 85% stake in Tati Nickel Mining Company (together "African assets") to BCL Investments ("BCL"). The total consideration for the assets amounted to USD 337 million subject to certain adjustments under agreement. Under the terms of the agreements, the buyer assumed all attributable decommissioning rehabilitation obligations related to the assets. On 2 April 2015, the Group sold its 85% stake in Tati Nickel Mining Company.

Finalisation of sale of Nkomati was subject to completion of conditions precedent, which was achieved in September 2016. However, BCL failed to meet its obligations according to the agreement and was put into a voluntary liquidation. The Group has filed legal claims against BCL in Botswana and LCIA to enforce sale of Nkomati.

Management believes that the criteria for held for sale are no longer met for Nkomati as at 31 December 2017. At 31 December 2017 Nkomati is presented as a joint operation and the Group recognises its share in assets, liabilities, income and expenses of Nkomati. Financial statements for the periods since classification of Nkomati as held for sale have been amended accordingly. After reclassification Nkomati assets were tested for impairment (refer to note 14).

Information for the year ended 31 December 2016 has been reclassified to conform with the current period presentation:

| Adjustments to the consolidated statement of financial position | At 31 December 2016 | | |
|---|------------------------|------------------|--------------|
| | As previously reported | Reclassification | Reclassified |
| Property, plant and equipment | 9,099 | 207 | 9,306 |
| Other non-current financial assets | 187 | 3 | 190 |
| Deferred tax assets | 56 | 16 | 72 |
| Inventories | 1,895 | 17 | 1,912 |
| Trade and other receivables | 170 | 3 | 173 |
| Advances paid and prepaid expenses | 65 | 1 | 66 |
| Other taxes receivable | 276 | 1 | 277 |
| Cash and cash equivalents | 3,301 | 24 | 3,325 |
| Assets classified as held for sale | 206 | (206) | – |
| | | 66 | |
| Non-current loans and borrowings | 7,274 | 2 | 7,276 |
| Non-current provisions | 435 | 6 | 441 |
| Deferred tax liabilities | 303 | 52 | 355 |
| Current loans and borrowings | 578 | 1 | 579 |
| Trade and other payables | 1,609 | 4 | 1,613 |
| Employee benefit obligations | 299 | 2 | 301 |
| Other taxes payable | 138 | 1 | 139 |
| Liabilities associated with assets classified as held for sale | 2 | (2) | – |
| | | 66 | |

| Adjustments to the consolidated income statement | For the year ended 31 December 2016 | | |
|--|-------------------------------------|------------------|--------------|
| | As previously reported | Reclassification | Reclassified |
| Foreign exchange gain, net | 485 | 6 | 491 |
| Share of profits of associates | 6 | (6) | – |
| | | – | |

| Adjustments to the consolidated statement of cash flows | For the year ended 31 December 2016 | | |
|---|-------------------------------------|------------------|--------------|
| | As previously reported | Reclassification | Reclassified |

OPERATING ACTIVITIES

Adjustments to profit before tax for:

| | | | |
|--------------------------------|-------|----------|-------|
| Foreign exchange gain, net | (485) | (6) | (491) |
| Share of profits of associates | (6) | 6 | – |
| | | – | |

Movements in working capital:

| | | | |
|--------------------------|-----|-----------|-----|
| Trade and other payables | 816 | 19 | 835 |
| | | 19 | |

INVESTING ACTIVITIES

| | | | |
|---|---------|-------------|---------|
| Purchase of property, plant and equipment | (1,648) | (19) | (1,667) |
| | | (19) | |

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

On 29 November 2016, the Group sold its 74.8% share in OJSC “Arkhangelsk Sea Commercial Port”, a subsidiary of the Group located in the Russian Federation, for a consideration of USD 7 million. The carrying value of net assets at the date of disposal amounted to USD 8 million. Loss on disposal in the amount of USD 1 million was recognised in the consolidated income statement.

On 15 April 2016, the Group sold its aircompany assets comprising 96.8% share in CJSC “Nordavia – Regional Airlines” (“Nordavia”), a subsidiary of the Group located in the Russian Federation and related to Nordavia aircrafts and infrastructure, for a consideration of USD 10 million. The carrying value of net assets at the date of disposal amounted to USD 14 million. Loss on disposal in the amount of USD 4 million was recognised in the consolidated income statement.

21. Share capital

Authorised and issued ordinary shares

| | 2017 | 2016 |
|--|--------------------|--------------------|
| At 1 January | 158,245,476 | 156,995,401 |
| Sale of own shares from treasury stock | – | 1,250,075 |
| At 31 December | 158,245,476 | 158,245,476 |

During the year ended 31 December 2016, the Group sold 1,250,075 treasury shares for a cash consideration in the amount of USD 158 million.

Earnings per share

| | For the year ended 31 December 2017 | For the year ended 31 December 2016 |
|---|-------------------------------------|-------------------------------------|
| Basic earnings per share (US Dollars per share): | 13.5 | 16.1 |

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

| | For the year ended 31 December 2017 | For the year ended 31 December 2016 |
|---|-------------------------------------|-------------------------------------|
| Profit for the year attributable to shareholders of the parent company | 2,129 | 2,536 |
| Weighted average number of shares on issue | 158,245,476 | 156,995,401 |
| Effect of sale of own shares from treasury stock | – | 54,648 |
| Weighted average number of issued common shares outstanding | 158,245,476 | 157,050,049 |

As at 31 December 2017 and 31 December 2016, the Group had no securities, which would have a dilutive effect on earnings per share of ordinary stock.

22. Non-controlling interest

In July 2016 the Group sold a 10.67% share in Bystrinskoye project for USD 80 million to a Chinese investor Highland Fund. In May 2017 the Group sold a 2.66% share in Bystrinskoye project for USD 21 million to Highland Fund. In October 2017 the Group sold a 36.66% share in Bystrinskoye project for USD 275 million to a related party.

At 31 December 2017 and 31 December 2016 aggregate financial information relating to the subsidiary that has material non-controlling interest, before any intra-group eliminations, is presented below:

| | At 31 December 2017 | At 31 December 2016 |
|---|---------------------|---------------------|
| Non-current assets | 1,281 | 741 |
| Current assets | 117 | 114 |
| Non-current liabilities | (593) | (174) |
| Current liabilities | (156) | (105) |
| Net assets | 649 | 576 |
| Net assets attributable to non-controlling interest | 325 | 61 |

| | For the year ended 31 December 2017 | For the year ended 31 December 2016 |
|---|-------------------------------------|-------------------------------------|
| Loss for the year | (32) | (5) |
| Other comprehensive income/(loss) for the year | 31 | 82 |
| Total comprehensive loss for the year | (1) | 77 |
| Loss attributable to non-controlling interest | (6) | (1) |
| Other comprehensive income attributable to non-controlling interest | 5 | 9 |

| | For the year ended 31 December 2017 | For the year ended 31 December 2016 |
|---|-------------------------------------|-------------------------------------|
| Cash flows used in operating activities | (42) | (63) |
| Cash flows used in investing activities | (422) | (163) |
| Cash flows from financing activities | 459 | 239 |
| Net (decrease)/increase in cash and cash equivalents | (7) | 13 |

23. Loans and borrowings

| | Currency | Fixed or floating interest rate | Average nominal rate during the year ended 31 December 2017, % | Maturity | At 31 December 2017 | At 31 December 2016 |
|--|----------|---------------------------------|--|-----------|---------------------|---------------------|
| Unsecured loans | USD | floating | 3.38% | 2017–2023 | 2,898 | 2,707 |
| | RUB | fixed | 11.90% | 2021 | 1,042 | 1,990 |
| Secured loans | EUR | floating | 0.85% | 2019–2028 | 4 | – |
| | USD | floating | 6.72% | 2019–2024 | 582 | 165 |
| Total loans | RUB | fixed | 8.38% | 2017–2022 | 34 | – |
| | USD | fixed | 5.05% | 2018–2023 | 4,206 | 2,715 |
| Corporate bonds | RUB | fixed | 11.60% | 2026 | 259 | 247 |
| | EUR | fixed | 7.10% | 2026 | 23 | 24 |
| Finance leasing | USD | fixed | 4.20% | 2019 | 4 | 7 |
| | ZAR | floating | 12.19% | 2017–2019 | 1 | – |
| | | | | | 28 | 31 |
| Total | | | | | 9,053 | 7,855 |
| Less: current portion due within twelve months and presented as short-term loans and borrowings | | | | | (817) | (579) |
| Long-term loans and borrowings | | | | | 8,236 | 7,276 |

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

Changes in loans and borrowings, including interest, for the year ended 31 December 2017 consist of changes from financing cash flows in the amount of USD 441 million, effect of changes in foreign exchange rates of USD 103 million and other non-cash changes of USD 667 million (for the year ended 31 December 2016: changes from financing cash flows in the amount of USD (1,401) million, effect of changes in foreign exchange rates of USD 346 million and other non-cash changes of USD 697 million).

At 31 December 2017 loans were secured by property, plant and equipment with a carrying amount of USD 15 million (31 December 2016: USD 752 million). At 31 December 2017 and 31 December 2016 100% shares of the Group's subsidiary LLC "GRK "Bystrinskoye" were under pledge.

24. Employee benefit obligations

| | At 31 December 2017 | At 31 December 2016 |
|-------------------------------|---------------------|---------------------|
| Accrual for annual leave | 203 | 179 |
| Wages and salaries | 168 | 148 |
| Other | 22 | 22 |
| Total obligations | 393 | 349 |
| Less: non-current obligations | (16) | (48) |
| Current obligations | 377 | 301 |

Defined contribution plans

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

| | For the year ended 31 December 2017 | For the year ended 31 December 2016 |
|--|-------------------------------------|-------------------------------------|
| Pension Fund of the Russian Federation | 311 | 273 |
| Mutual accumulated pension plan | 8 | 7 |
| Other | 5 | 5 |
| Total | 324 | 285 |

25. Provisions

| | At 31 December 2017 | At 31 December 2016 |
|-------------------------------------|---------------------|---------------------|
| Current provisions | | |
| Tax provision | 134 | 124 |
| Provision for social commitments | 28 | 19 |
| Decommissioning obligations | 26 | – |
| Other provisions | 1 | 40 |
| Total current provisions | 189 | 183 |
| Non-current provisions | | |
| Decommissioning obligations | 396 | 397 |
| Provision for social commitments | 68 | 43 |
| Other long-term provisions | – | 1 |
| Total non-current provisions | 464 | 441 |
| Total | 653 | 624 |

| | Decommissioning | Social commitments | Tax | Other | Total |
|--|-----------------|--------------------|------------|-----------|------------|
| Balance at 1 January 2016 | 314 | 50 | 127 | 77 | 568 |
| Provision accrued | – | 12 | 3 | 4 | 19 |
| Settlements during the year | – | (16) | (5) | (30) | (51) |
| Change in estimates | (13) | (1) | – | (27) | (41) |
| Unwinding of discount | 32 | 6 | – | 5 | 43 |
| Effect of translation to presentation currency | 64 | 11 | (1) | 12 | 86 |
| Balance at 31 December 2016 | 397 | 62 | 124 | 41 | 624 |
| Provision accrued | 6 | 42 | 2 | 2 | 52 |
| Settlements during the year | – | (21) | (2) | (41) | (64) |
| Change in estimate | (38) | 4 | – | – | (34) |
| Unwinding of discount | 35 | 6 | – | – | 41 |
| Effect of translation to presentation currency | 22 | 3 | 10 | (1) | 34 |
| Balance at 31 December 2017 | 422 | 96 | 134 | 1 | 653 |

Decommissioning obligations

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

| | At 31 December 2017 | At 31 December 2016 |
|--|---------------------|---------------------|
| Discount rates Russian entities | 6.9%9.1% | 8.5%8.6% |
| Discount rates non-Russian entities | 3%5% | 3%5% |
| Expected closure date of mines | up to 2071 | up to 2059 |
| Expected inflation over the period from 2018 to 2037 | 3.0%4.9% | 3.1%4.7% |
| Expected inflation over the period from 2038 onwards | 2.9% | 2.9% |

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

| | At 31 December 2017 | At 31 December 2016 |
|--------------------------------------|---------------------|---------------------|
| Due from second to fifth year | 202 | 265 |
| Due from sixth to tenth year | 23 | 44 |
| Due from eleventh to fifteenth year | 39 | 10 |
| Due from sixteenth to twentieth year | 77 | 26 |
| Due thereafter | 55 | 52 |
| Total | 396 | 397 |

In 2015 the Group approved a programme for reconfiguration of production facilities located in the Taimyr Peninsula. The programme started in 2016 and also included activities related to closure of the Nickel plant. In 2016 changes in the provision estimates for the reconfiguration of production facilities were recognised in Other net operating expenses in the consolidated income statement.

Social commitments

In 2010 the Group entered into several multilateral agreements with the Government of the Russian Federation, the Krasnoyarsk and the Trans-Baikal Regional Governments for construction of pre-schools and other items of social infrastructure in Norilsk, Dudinka and Chita, and resettlement of families currently residing in these cities to other Russian regions with more favorable living conditions during 2015–2020. The provision represents present value of the best estimate of the future outflow of economic benefits to settle these obligations.

26. Trade and other payables

| | At 31 December 2017 | At 31 December 2016 |
|---|---------------------|---------------------|
| Financial liabilities | | |
| Trade payables | 426 | 602 |
| Payables for acquisition of property, plant and equipment | 186 | 146 |
| Other creditors | 140 | 147 |
| Total financial liabilities | 752 | 895 |
| Non-financial liabilities | | |
| Advances received | 31 | 718 |
| Total non-financial liabilities | 31 | 718 |
| Total | 783 | 1,613 |

The maturity profile of the Group's financial liabilities was as follows:

| | At 31 December 2017 | At 31 December 2016 |
|---------------------------------|---------------------|---------------------|
| Due within one month | 194 | 189 |
| Due from one to three months | 244 | 209 |
| Due from three to twelve months | 314 | 497 |
| Total | 752 | 895 |

27. Dividends

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

On 9 June 2017, the Annual General shareholders' meeting declared dividends for the year ended 31 December 2016 in the amount of RUB 446.10 (USD 7.83) per share with the total amount of USD 1,239 million. The dividends were paid to the shareholders in July 2017 in the amount of USD 1,189 million recognised in the consolidated statement of cash flows, using prevailing RUB/USD rates on the payment dates.

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

On 10 June 2016, the Annual General shareholders' meeting declared dividends for the year ended 31 December 2015 in the amount of RUB 230.14 (USD 3.61) per share with the total amount of USD 571 million (including USD 4 million in respect of Treasury shares). The dividends were paid to the shareholders in July 2016 in the amount of USD 567 million recognised in the consolidated statement of cash flows, using prevailing RUB/USD rates on the payment dates.

On 19 December 2015, the Extraordinary General shareholders' meeting declared interim dividends in respect of the 9 months ended 30 September 2015 in the amount of RUB 321.95 (USD 4.51) per share with the total amount of USD 714 million (including USD 6 million in respect of Treasury shares). The dividends were paid to the shareholders in January 2016 in the amount of USD 665 million recognised in the consolidated statement of cash flows, using prevailing RUB/USD rates on the payment dates.

28. Related parties transactions and outstanding balances

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

| Transactions with related parties | Sale of goods and services and participating shares | | Purchase of assets and services and other operating expenses | |
|--|---|-------------------------------------|--|-------------------------------------|
| | For the year ended 31 December 2017 | For the year ended 31 December 2016 | For the year ended 1 December 2017 | For the year ended 31 December 2016 |
| Entities under ownership and control of the Group's major shareholders | 279 | 13 | 115 | 177 |
| Joint operation of the Group | 1 | 2 | 107 | 169 |
| Total | 280 | 15 | 222 | 346 |

| Outstanding balances with related parties | Accounts receivable | | Accounts payable, loans and borrowings received | |
|--|---------------------|---------------------|---|---------------------|
| | At 31 December 2017 | At 31 December 2016 | At 31 December 2017 | At 31 December 2016 |
| Entities under ownership and control of the Group's major shareholders | – | – | 2 | 2 |
| Joint operation of the Group | – | 1 | 9 | 20 |
| Total | – | 1 | 11 | 22 |

Terms and conditions of transactions with related parties

Sales to and purchases from related parties of electricity, heat energy and natural gas supply were made at prices established by the Federal Tariff Service, government regulator responsible for establishing and monitoring prices on the utility and telecommunication markets in the Russian Federation.

Compensation of key management personnel

Key management personnel of the Group consists of members of the Management Board and the Board of Directors. For the year ended 31 December 2017 remuneration of key management personnel of the Group included salary and performance bonuses amounted to USD 103 million (for the year ended 31 December 2016: USD 62 million).

29. Commitments

Capital commitments

At 31 December 2017, contractual capital commitments amounted to USD 801 million (31 December 2016: USD 1,138 million).

Operating leases

The land plots in the Russian Federation where the Group's production facilities are located are owned by the state. The Group leases land through operating lease agreements, which expire in various years through 2066. According to the terms of lease agreements the rent rate is revised annually subject to the decision of the relevant local authorities. The Group entities have a renewal option at the end of the lease period and an option to buy land at any time, at a price established by the local authorities.

Future minimum lease payments due under non-cancellable operating lease agreements for land and buildings were as follows:

| | At 31 December 2017 | At 31 December 2016 |
|------------------------|---------------------|---------------------|
| Due within one year | 36 | 29 |
| From one to five years | 103 | 78 |
| Thereafter | 138 | 109 |
| Total | 277 | 216 |

At 31 December 2017, ten aircraft lease agreements (31 December 2016: ten) were in effect. The lease agreements have an average life of seven (31 December 2016: five) years with a renewal option at the end of the term and place no restrictions upon lessees by entering into these agreements.

Future minimum lease payments due under non-cancellable operating lease agreements for aircrafts were as follows:

| | At 31 December 2017 | At 31 December 2016 |
|------------------------|---------------------|---------------------|
| Due within one year | 38 | 43 |
| From one to five years | 97 | 70 |
| Thereafter | 18 | – |
| Total | 153 | 113 |

Social commitments

The Group contributes to mandatory and voluntary social programs and maintains social assets in the locations where it has its main operating facilities. The Group's social assets as well as local social programs benefit the community at large and are not normally restricted to the Group's employees. The Group's commitments are funded from its own cash resources.

30. Contingencies

Litigation

At 31 December 2017 the Group is involved in other legal disputes in the ordinary course of its operations, with the probability of their unfavorable resolution being assessed as possible. At 31 December 2017, total claims under unresolved litigation amounted to approximately USD 25 million (31 December 2016: USD 25 million).

Taxation contingencies in the Russian Federation

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

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

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

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

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

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

Environmental matters

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

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

Russian Federation risk

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

31. Financial risk management

Capital risk management

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

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

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

The Company maintains BBB- investment grade ratings, assigned by rating agencies Fitch and S&P's. On 29 January 2018 Moody's rating agency raised the Company's rating from Ba1 to the investment grade level Baa3 and changed the outlook from stable to positive.

Financial risk factors and risk management structure

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

Risk management is carried out by financial risk management. The Group has adopted and documented policies covering specific areas, such as market risk management system, credit risk management system, liquidity risk management system and use of derivative financial instruments.

Interest rate risk

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

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

| | 2% LIBOR increase impact | |
|------|-------------------------------------|-------------------------------------|
| | For the year ended 31 December 2017 | For the year ended 31 December 2016 |
| Loss | 70 | 57 |

Management believes that the Group's exposure to interest rate risk fluctuations does not require additional hedging activities.

Currency risk

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

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

The carrying amounts of monetary assets and liabilities denominated in foreign currencies other than functional currencies of the individual Group entities at 31 December 2017 and 31 December 2016 were as follows:

| | At 31 December 2017 | | | At 31 December 2016 | | |
|-----------------------------|---------------------|------------|------------------|---------------------|--------------|------------------|
| | USD | HKD | Other currencies | USD | HKD | Other currencies |
| Cash and cash equivalents | 609 | 100 | 49 | 1,053 | 1,014 | 57 |
| Trade and other receivables | 384 | - | 8 | 163 | - | 7 |
| Other assets | 141 | - | 312 | 140 | - | 101 |
| Total assets | 1,134 | 100 | 369 | 1,356 | 1,014 | 165 |
| Trade and other payables | 290 | - | 94 | 263 | - | 74 |
| Loans and borrowings | 7,684 | - | 5 | 5,584 | - | - |
| Other liabilities | 36 | - | 23 | 15 | - | 24 |
| Total liabilities | 8,010 | - | 122 | 5,862 | - | 98 |

Currency risk is monitored on a monthly basis utilising sensitivity analysis to assess if a risk for a potential loss is at an acceptable level. The Group calculates the financial impact of exchange rate fluctuations on USD-denominated monetary assets and liabilities in respect of the Group entities where functional currency is the Russian Rouble. The following table presents the decrease of the Group's profit and equity before tax due to a 20% weakening of the Russian Rouble against USD.

| | US Dollar 20% strengthening | |
|------|-------------------------------------|-------------------------------------|
| | For the year ended 31 December 2017 | For the year ended 31 December 2016 |
| Loss | 1,375 | 901 |

Given that the Group's exposure to currency risk for the monetary assets and liabilities is offset by the revenue denominated in USD, management believes that the Group's exposure to currency risk is acceptable. The Group does not apply hedge instruments.

Credit risk

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

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

The balances of ten major counterparties are presented below. The banks have a minimum of BB+ credit rating.

| | Outstanding balance | |
|--|---------------------|---------------------|
| | At 31 December 2017 | At 31 December 2016 |
| Cash and cash equivalents and bank deposits | | |
| Bank A | 224 | 1,014 |
| Bank B | 143 | 653 |
| Bank C | 125 | 521 |
| Bank D | 102 | 381 |
| Bank E | 80 | 226 |
| Total | 674 | 2,795 |

| | Outstanding balance | |
|--------------------------|---------------------|---------------------|
| | At 31 December 2017 | At 31 December 2016 |
| Trade receivables | | |
| Company A | 66 | 11 |
| Company B | 41 | 9 |
| Company C | 23 | 7 |
| Company D | 18 | 7 |
| Company E | 16 | 6 |
| Total | 164 | 40 |

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

| | For the year ended 31 December 2017 | | | For the year ended 31 December 2016 | | |
|---------------------------|-------------------------------------|----------------------|------------|-------------------------------------|----------------------|------------|
| | Number of customers | Turnover USD million | % | Number of customers | Turnover USD million | % |
| Largest customer | 1 | 1,319 | 14 | 1 | 973 | 12 |
| Next 9 largest customers | 9 | 2,936 | 32 | 9 | 2,587 | 31 |
| Total | 10 | 4,255 | 46 | 10 | 3,560 | 43 |
| Next 10 largest customers | 10 | 1,494 | 16 | 10 | 1,154 | 14 |
| Total | 20 | 5,749 | 62 | 20 | 4,714 | 57 |
| Remaining customers | | 3,397 | 38 | | 3,545 | 43 |
| Total | | 9,146 | 100 | | 8,259 | 100 |

Management of the Group believes that with the exception of the bank balances indicated above there is no significant concentration of credit risk.

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

| | At 31 December 2017 | At 31 December 2016 |
|------------------------------------|---------------------|---------------------|
| Cash and cash equivalents | 852 | 3,325 |
| Loans, trade and other receivables | 518 | 355 |
| Irrevocable letters of credit | 248 | 101 |
| Bank deposits | 96 | 10 |

Liquidity risk

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

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

The following table contains the maturity profile of the Group's borrowings (maturity profiles for other liabilities are presented in note 26) based on contractual undiscounted payments, including interest:

| At 31 December 2017 | Total | Due within one month | Due from one to three months | Due from three to twelve months | Due in the second year | Due in the third year | Due in the fourth year | Due in the fifth year | Due thereafter |
|--|---------------|----------------------|------------------------------|---------------------------------|------------------------|-----------------------|------------------------|-----------------------|----------------|
| Fixed rate bank loans and borrowings | | | | | | | | | |
| Principal | 5,586 | 1 | 1 | 766 | 6 | 988 | 1,049 | 1,506 | 1,269 |
| Interest | 1,189 | – | 36 | 239 | 258 | 257 | 188 | 106 | 105 |
| | 6,775 | 1 | 37 | 1,005 | 264 | 1,245 | 1,237 | 1,612 | 1,374 |
| Floating rate bank loans and borrowings | | | | | | | | | |
| Principal | 3,510 | 9 | – | 29 | 236 | 996 | 1,028 | 808 | 405 |
| Interest | 246 | 5 | 8 | 51 | 65 | 52 | 33 | 20 | 10 |
| | 3,756 | 14 | 8 | 80 | 302 | 1,048 | 1,061 | 828 | 415 |
| Total | 10,531 | 15 | 45 | 1,085 | 566 | 2,293 | 2,298 | 2,440 | 1,789 |
| At 31 December 2016 | Total | Due within one month | Due from one to three months | Due from three to twelve months | Due in the second year | Due in the third year | Due in the fourth year | Due in the fifth year | Due thereafter |
| Fixed rate bank loans and borrowings | | | | | | | | | |
| Principal | 4,996 | – | – | 5 | 741 | 668 | 1,348 | 976 | 1,258 |
| Interest | 1,882 | – | 76 | 357 | 417 | 394 | 306 | 137 | 195 |
| | 6,878 | – | 76 | 362 | 1,158 | 1,062 | 1,654 | 1,113 | 1,453 |
| Floating rate bank loans and borrowings | | | | | | | | | |
| Principal | 2,902 | 11 | 134 | 431 | 445 | 556 | 222 | 609 | 494 |
| Interest | 419 | 4 | 18 | 71 | 83 | 73 | 63 | 43 | 64 |
| | 3,321 | 15 | 152 | 502 | 528 | 629 | 285 | 652 | 558 |
| Total | 10,199 | 15 | 228 | 864 | 1,686 | 1,691 | 1,939 | 1,765 | 2,011 |

At 31 December 2017 the Group had available financing facilities for the management of its day to day liquidity requirements of USD 3,554 million (31 December 2016: USD 2,622 million).

32. Fair value of financial instruments

Management believes that the carrying value of financial instruments such as cash and cash equivalents (refer to note 19), short-term accounts receivable and payable approximates to their fair value.

Certain financial instruments such as other financial assets and finance leases obligations, were excluded from fair value analysis either due to their insignificance or due to the fact that assets were acquired or liabilities were assumed close to the reporting dates and management believes that their carrying value either approximates to their fair value or may not significantly differ from each other.

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
 - Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly or indirectly; and
 - Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.
- The information presented below is about loans and borrowings, trade and other long-term payables, whose carrying values differ from their fair values.

| | At 31 December 2017 | | At 31 December 2016 | |
|------------------------------------|---------------------|--------------------|---------------------|--------------------|
| | Carrying value | Fair value Level 1 | Carrying value | Fair value Level 1 |
| Fixed rate corporate bonds | 4,465 | 4,685 | 2,962 | 3,171 |
| Total | 4,465 | 4,685 | 2,962 | 3,171 |
| | Carrying value | Fair value Level 2 | Carrying value | Fair value Level 2 |
| Loans and borrowings, including: | | | | |
| Floating rate loans and borrowings | 3,484 | 3,439 | 2,872 | 2,734 |
| Fixed rate loans and borrowings | 1,076 | 1,055 | 1,990 | 2,121 |
| Total | 4,560 | 4,494 | 4,862 | 4,855 |
| | Carrying value | Fair value Level 2 | Carrying value | Fair value Level 2 |
| Trade and other long-term payables | 402 | 440 | 523 | 523 |
| Total | 402 | 440 | 523 | 523 |

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

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

33. Investments in significant subsidiaries and associates

| Subsidiaries by business segments | Country | Nature of business | Effective % held | |
|--|--------------------|---|---------------------|---------------------|
| | | | At 31 December 2017 | At 31 December 2016 |
| Group GMK | | | | |
| JSC "Norilsky Kombinat" | Russian Federation | Rental of equipment | 100 | 100 |
| JSC "Taimyrgaz" | Russian Federation | Gas extraction | 100 | 100 |
| JSC "Norilskgazprom" | Russian Federation | Gas extraction | 100 | 100 |
| JSC "Taimyrenergo" | Russian Federation | Rental of equipment | 100 | 100 |
| JSC "NTEK" | Russian Federation | Electricity production and distribution | 100 | 100 |
| LLC "ZSC" | Russian Federation | Construction | 100 | 100 |
| LLC "Norilsknickelremont" | Russian Federation | Repairs | 100 | 100 |
| LLC "Norilskgeologiya" | Russian Federation | Geological works | 100 | 100 |
| LLC "Norilskiy obespechivaushiy complex" | Russian Federation | Production of spare parts | 100 | 100 |
| Group KGMK | | | | |
| JSC "Kolskaya GMK" | Russian Federation | Mining and Metallurgy | 100 | 100 |
| LLC "Pechengastroy" | Russian Federation | Repairs | 100 | 100 |
| Norilsk Nickel Harjavalta | | | | |
| Norilsk Nickel Harjavalta OY | Finland | Metallurgy | 100 | 100 |
| Other metallurgical | | | | |
| LLC "GRK "Bystrinskoye" | Russian Federation | Mining | 50.01 | 89.33 |

| Subsidiaries by business segments | Country | Nature of business | Effective % held | |
|-------------------------------------|--------------------|---------------------------|---------------------|---------------------|
| | | | At 31 December 2017 | At 31 December 2016 |
| Other non-metallurgical | | | | |
| Metal Trade Overseas A.G. | Switzerland | Distribution | 100 | 100 |
| LLC "Institut Gypronickel" | Russian Federation | Research | 100 | 100 |
| JSC "TTK" | Russian Federation | Supplier of fuel | 100 | 100 |
| JSC "Enisey River Shipping Company" | Russian Federation | River shipping operations | 100 | 100 |
| LLC "Aeroport Norilsk" | Russian Federation | Airport | 100 | 100 |
| JSC "AK "NordStar" | Russian Federation | Aircompany | 100 | 100 |

| Joint operations by business segments | Country | Nature of business | Effective % held | |
|---------------------------------------|--------------------------|--------------------|---------------------|---------------------|
| | | | At 31 December 2017 | At 31 December 2016 |
| Other metallurgical | | | | |
| Nkomati Nickel Mine | Republic of South Africa | Mining | 50 | 50 |

34. Events subsequent to the reporting date

In January 2018 the Company borrowed the second tranche in the amount of USD 1,100 million under the USD 2,500 million syndicated loan, signed in December 2017 with the syndicate of international financial institutions. The existing facility has been fully drawn down.

In January 2018 the Company made an early repayment of USD 120 million under the bilateral credit facility with JSC "Nordea Bank" with the total credit limit of USD 220 million.

In February 2018 the Group signed metal sales agreement with Societe Generale under terms of USD 300 million prepayment.

During January and February 2018 the Company signed two confirmed credit lines with PJSC VTB Bank and JSC Gasprombank in the amount of RUB 30 billion and RUB 20 billion accordingly and an unconfirmed credit line facility with JSC Gasprombank in the amount of RUB 20 billion. At the publication date there was no draw-down under these facilities.