

EBITDA

In 2017, EBITDA increased by 2% (or USD 96 million) to USD 3,995 million with the EBITDA margin amounting to 44% (down from 47% in 2016). Increase in metal prices was almost offset by lower sales volume in 2017 owing to accumulation of stock in 2017 and release of temporary metal stock in 2016 as well as increased cash costs on the back of the Russian rouble appreciation against US Dollar and one-off increase in social expenses.

USD million	2017	2016	Change, %
Operating profit	3,123	3,281	(5%)
Depreciation and amortisation	645	557	16%
Impairment of non-financial assets	227	61	4x
EBITDA	3,995	3,899	2%
EBITDA margin	44%	47%	(3 p.p.)

Net Profit

Before Non-Cash Write-Offs and Foreign Exchange Differences

USD million	2017	2016	Change, %
Net profit	2,123	2,531	(16%)
Impairment of non-financial assets	227	214	6%
Foreign exchange gain	(159)	(491)	(68%)
(Gain)/loss from disposal of subsidiaries and assets classified as held for sale	(20)	4	n.a.
Net profit before non-cash write-offs and foreign exchange differences	2,171	2,258	(4%)

Statement of Cash Flows

USD million	2017	2016	Change, %
Cash generated from operations before changes in working capital and income tax	4,103	3,958	4%
Movements in working capital	(1,670)	83	n.a.
Income tax paid	(670)	(530)	26%
Net cash generated from operating activities	1,763	3,511	(50%)
Capital expenditure	(2,002)	(1,714)	17%
Other investing activities	66	(206)	(132%)
Net cash used in investing activities	(1,936)	(1,920)	1%
Net cash used in financing activities	(2,237)	(2,399)	(7%)
Effects of foreign exchange differences on balances of cash and cash equivalents	(63)	35	n.a.
Net decrease in cash and cash equivalents	(2,473)	(773)	3x

In 2017, net cash generated from operating activities decreased by 50% y-o-y to USD 1.8 billion primarily driven by the increase in working capital in 2017 following the optimisation of trade financing terms, partial payment of payables due to Rostec and increase of metal stock.

Reconciliation of the net working capital changes between the balance sheet and cash flow statement is presented below.

Change of the net working capital

USD million	2017	2016
Change of the net working capital in the balance sheet	(1,694)	575
Foreign exchange differences	115	38
Change in income tax payable	(7)	(161)
Other changes, including reserves	(84)	(369) ¹
Change of working capital per cash flow	(1,670)	83

Capital investments breakdown by projects

USD million	2017	2016	Change, %
Polar Division, including:	860	884	(3%)
Skalisty mine	216	153	41%
Taymirsky mine	93	68	37%
Komsomolsky mine	18	40	(55%)
Oktyabrsky mine	69	59	17%
Talnakh Concentrator	89	253	(65%)
Reconstruction/modernisation of production facilities related to closing of Nickel plant	11	24	(54%)
Kola MMC	228	89	156%
Chita (Bystrinsky) project	449	269	67%
Other production projects	391	421	(7%)
Other non-production assets	12	4	3x
Intangible assets	62	47	32%
Total	2,002	1,714	17%

In 2017, CAPEX increased by 17% to USD 2.0 billion. The growth was mainly due to the completion of construction and start of hot commissioning of Bystrinsky mining and concentration complex

(Bystrinsky project) in Zabaykalsky region, as well as to the ramp-up of projects related to the modernisation of nickel refining facilities at Kola MMC in line with the Company's reconfiguration program.

Debt and Liquidity Management

USD million	As of 31 December 2017	As of 31 December 2016	Change, USD million	Change, %
Long-term	8,236	7,276	960	13%
Short-term	817	579	238	41%
Total debt	9,053	7,855	1,198	15%
Cash and cash equivalents	852	3,325	(2,473)	(74%)
Net debt	8,201	4,530	3,671	81%
Net debt /12M EBITDA	2.1x	1.2x	0.9x	–
Net debt /12M EBITDA for dividend payments	1.88x	n.a.	n.a.	–

¹ Includes one-off effect of copper concentrate purchase from Rostec.