

# **Mining and Metallurgical Company Norilsk Nickel**

**Interim condensed consolidated  
financial statements (unaudited)  
for the six months ended 30 June 2017**

# MINING AND METALLURGICAL COMPANY NORILSK NICKEL

## INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2017

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## MINING AND METALLURGICAL COMPANY NORILSK NICKEL

### STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

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The following statement, which should be read in conjunction with the auditors' responsibilities stated in the auditors' report on the review of the interim condensed consolidated financial statements set out on pages 2-3, is made with a view to distinguishing the respective responsibilities of management and those of the auditors in relation to the interim condensed consolidated financial statements of Public Joint Stock Company "Mining and Metallurgical Company Norilsk Nickel" and its subsidiaries (the "Group").

Management is responsible for the preparation of interim condensed consolidated financial statements that present fairly in all material aspects the consolidated financial position of the Group as at 30 June 2017 and consolidated statements of income, comprehensive income, cash flows and changes in equity for the six months then ended, in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34").

In preparing the interim condensed consolidated financial statements, management is responsible for:

- selecting suitable accounting principles and applying them consistently;
- making judgements and estimates that are reasonable and prudent;
- stating whether International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the interim condensed consolidated financial statements; and
- preparing the interim condensed consolidated financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

Management, within its competencies, is also responsible for:

- designing, implementing and maintaining an effective system of internal controls throughout the Group;
- maintaining statutory accounting records in compliance with local legislation and accounting standards in the respective jurisdictions in which the Group operates;
- taking steps to safeguard the assets of the Group; and
- detecting and preventing fraud and other irregularities.

The interim condensed consolidated financial statements for the six months ended 30 June 2017 were approved by:


**President**



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**V.O. Potanin**

**Senior Vice President –  
Chief Financial Officer**



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**S.G. Malyshev**

Moscow, Russia  
15 August 2017



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## **Independent Auditors' Report on Review of Interim Condensed Consolidated Financial Statements**

To the Shareholders and Board of Directors

PJSC "Mining and Metallurgical Company Norilsk Nickel"

### ***Introduction***

We have reviewed the accompanying interim condensed consolidated statement of financial position of PJSC "Mining and Metallurgical Company Norilsk Nickel" (the "Company") and its subsidiaries (the "Group") as at 30 June 2017, and the related interim condensed consolidated income statement, interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the interim condensed consolidated financial statements (the "interim condensed consolidated financial statements"). Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

### ***Scope of Review***

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Audited entity: Public Joint-Stock Company "Mining and Metallurgical Company Norilsk Nickel"

Registration No. in the Unified State Register of Legal Entities  
1028400000298.

Dudinka, Krasnoyarsk region, Russia

Independent auditor: JSC "KPMG", a company incorporated under the Laws of the Russian Federation, a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Registration No. in the Unified State Register of Legal Entities  
1027700125625

Member of the Self-regulated organization of auditors "Russian Union of auditors" (Association). The Principal Registration Number of the Entry in the Register of Auditors and Audit Organisations: No 11603053203



**PJSC "Mining Metallurgical Company Norilsk Nickel"**

*Independent Auditors' Report on Review of Interim Condensed Consolidated Financial Statements*

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**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements as at 30 June 2017 and for the six-month period then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.



Kim A.A.

Director

JSC "KPMG"

Moscow, Russia

15 August 2017

## MINING AND METALLURGICAL COMPANY NORILSK NICKEL

### INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2017

*Russian Roubles million*

	Notes	For the six months ended 30 June 2017	For the six months ended 30 June 2016
<b>Revenue</b>			
Metal sales	6	227,357	247,473
Other sales		20,348	19,382
<b>Total revenue</b>		<b>247,705</b>	<b>266,855</b>
Cost of metal sales	7	(110,272)	(114,894)
Cost of other sales		(17,843)	(17,633)
<b>Gross profit</b>		<b>119,590</b>	<b>134,328</b>
General and administrative expenses	8	(20,462)	(18,496)
Selling and distribution expenses	9	(1,647)	(5,079)
(Impairment)/reversal of impairment of non-financial assets		(1,422)	87
Other net operating expenses	10	(12,488)	(5,808)
<b>Operating profit</b>		<b>83,571</b>	<b>105,032</b>
Foreign exchange gain, net		2,061	22,246
Finance costs	11	(15,369)	(15,823)
Gain from disposal of subsidiaries and assets classified as held for sale	16	892	435
Income from investments, net		1,962	3,501
Share of profits/(losses) of associates		12	(186)
<b>Profit before tax</b>		<b>73,129</b>	<b>115,205</b>
Income tax expense		(17,988)	(26,291)
<b>Profit for the period</b>		<b>55,141</b>	<b>88,914</b>
Attributable to:			
Shareholders of the parent company		55,414	89,277
Non-controlling interests		(273)	(363)
		<b>55,141</b>	<b>88,914</b>
<b>EARNINGS PER SHARE</b>			
Basic and diluted earnings per share attributable to shareholders of the parent company (Russian Roubles per share)		350.2	568.7

*The accompanying notes on pages 10 - 23 form an integral part of the interim condensed consolidated financial statements*

## MINING AND METALLURGICAL COMPANY NORILSK NICKEL

### INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2017

*Russian Roubles million*

	For the six months ended 30 June 2017	For the six months ended 30 June 2016
<b>Profit for the period</b>	<b>55,141</b>	<b>88,914</b>
<b>Other comprehensive loss</b>		
<b>Items to be reclassified to profit or loss in subsequent periods:</b>		
Effect of translation of foreign operations	(518)	(3,696)
<b>Other comprehensive loss to be reclassified to profit or loss in subsequent periods, net</b>	<b>(518)</b>	<b>(3,696)</b>
<b>Other comprehensive loss for the period, net of tax</b>	<b>(518)</b>	<b>(3,696)</b>
<b>Total comprehensive income for the period, net of tax</b>	<b>54,623</b>	<b>85,218</b>
Attributable to:		
Shareholders of the parent company	54,896	85,581
Non-controlling interests	(273)	(363)
	<b>54,623</b>	<b>85,218</b>

*The accompanying notes on pages 10 - 23 form an integral part of the interim condensed consolidated financial statements*

# MINING AND METALLURGICAL COMPANY NORILSK NICKEL

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED) AT 30 JUNE 2017

Russian Roubles million

	Notes	At 30 June 2017	At 31 December 2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	577,920	546,326
Intangible assets		6,077	5,679
Investment property		–	5,634
Other financial assets	13	10,533	11,368
Other taxes receivable		87	107
Deferred tax assets		3,331	3,384
Other non-current assets	14	58,744	61,448
		<b>656,692</b>	<b>633,946</b>
<b>Current assets</b>			
Inventories	14	128,430	114,945
Trade and other receivables		11,875	10,327
Advances paid and prepaid expenses		5,224	4,124
Other financial assets	13	2,979	478
Income tax receivable		8,114	4,976
Other taxes receivable		15,693	16,741
Cash and cash equivalents	15	155,409	200,213
		<b>327,724</b>	<b>351,804</b>
Assets classified as held for sale	16	12,833	12,515
		<b>340,557</b>	<b>364,319</b>
<b>TOTAL ASSETS</b>		<b>997,249</b>	<b>998,265</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	17	197	197
Share premium		39,464	39,464
Translation reserve		15,041	15,559
Retained earnings		155,857	176,703
<b>Equity attributable to shareholders of the parent company</b>		<b>210,559</b>	<b>231,923</b>
Non-controlling interests	18	5,187	4,578
		<b>215,746</b>	<b>236,501</b>
<b>Non-current liabilities</b>			
Loans and borrowings	19	407,848	441,243
Provisions		30,131	26,365
Trade and other long-term payables		34,004	31,706
Deferred tax liabilities		20,616	18,273
Other long-term liabilities		6,941	3,048
		<b>499,540</b>	<b>520,635</b>
<b>Current liabilities</b>			
Loans and borrowings	19	78,351	34,993
Trade and other payables		90,838	97,615
Dividends payable	17	71,017	70,620
Employee benefit obligations		21,907	18,122
Provisions		10,627	11,092
Income tax payable		86	152
Other taxes payable		9,056	8,439
		<b>281,882</b>	<b>241,033</b>
Liabilities associated with assets classified as held for sale	16	81	96
		<b>281,963</b>	<b>241,129</b>
<b>TOTAL LIABILITIES</b>		<b>781,503</b>	<b>761,764</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>997,249</b>	<b>998,265</b>

The accompanying notes on pages 10 - 23 form an integral part of the interim condensed consolidated financial statements



# MINING AND METALLURGICAL COMPANY NORILSK NICKEL

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2017

*Russian Roubles million*

	For the six months ended 30 June 2017	For the six months ended 30 June 2016
<b>OPERATING ACTIVITIES</b>		
<b>Profit before tax</b>	<b>73,129</b>	<b>115,205</b>
Adjustments for:		
Depreciation and amortisation	17,792	18,077
Impairment/(reversal of impairment) of non-financial assets	1,422	(87)
Share of (profits)/losses of associates	(12)	186
Gain from disposal of subsidiaries and assets classified as held for sale	(892)	(435)
Change in provisions and allowances	2,775	1,714
Finance costs and income from investments, net	13,407	12,705
Foreign exchange gain, net	(2,061)	(22,246)
Other	485	236
	<b>106,045</b>	<b>125,355</b>
Movements in working capital:		
Inventories	(6,340)	(1,729)
Trade and other receivables	(1,923)	(1,093)
Advances paid and prepaid expenses	(1,147)	(3,129)
Other taxes receivable	1,130	4,249
Employee benefit obligations	1,412	2,934
Trade and other payables	(12,177)	2,897
Provisions	(1,752)	(646)
Other taxes payable	1,235	2,503
<b>Cash generated from operations</b>	<b>86,483</b>	<b>131,341</b>
Income tax paid	(18,523)	(21,598)
<b>Net cash generated from operating activities</b>	<b>67,960</b>	<b>109,743</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(39,517)	(48,355)
Purchase of other financial assets	(19)	(9,744)
Purchase of intangible assets	(801)	(918)
Purchase of other non-current assets	(4,703)	(1,432)
Loans issued	(533)	(798)
Proceeds from repayment of loans issued	2,246	–
Net change in deposits placed	(2,885)	(3,517)
Proceeds from sale of other financial assets	274	–
Proceeds from disposal of property, plant and equipment	1,169	10
Proceeds from disposal of subsidiaries and assets classified as held for sale	4,923	483
Interest received	1,721	1,928
<b>Net cash used in investing activities</b>	<b>(38,125)</b>	<b>(62,343)</b>

*The accompanying notes on pages 10 - 23 form an integral part of the interim condensed consolidated financial statements*

## MINING AND METALLURGICAL COMPANY NORILSK NICKEL

### INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2017 (CONTINUED)

*Russian Roubles million*

	<b>For the six months ended 30 June 2017</b>	<b>For the six months ended 30 June 2016</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from loans and borrowings	94,662	50,846
Repayments of loans and borrowings	(77,691)	(73,204)
Financial lease payments	(279)	(192)
Dividends paid	(70,273)	(50,544)
Interest paid	(17,929)	(19,816)
Proceeds from sale of a non-controlling interest in a subsidiary	1,203	–
Advances received for sale of treasury shares	–	5,226
<b>Net cash used in financing activities</b>	<b>(70,307)</b>	<b>(87,684)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(40,472)</b>	<b>(40,284)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>200,213</b>	<b>295,480</b>
Cash and cash equivalents related to assets classified as held for sale at the beginning of the period	1,204	2,625
Less: cash and cash equivalents related to assets classified as held for sale at the end of the period	(970)	(2,731)
Effects of foreign exchange differences on balances of cash and cash equivalents	(4,566)	(35,731)
<b>Cash and cash equivalents at the end of the period</b>	<b>155,409</b>	<b>219,359</b>

*The accompanying notes on pages 10 - 23 form an integral part of the interim condensed consolidated financial statements*

## MINING AND METALLURGICAL COMPANY NORILSK NICKEL

### INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2017

*Russian Roubles million*

	Notes	Equity attributable to shareholders of the parent company					Total	Non-controlling interests	
		Share capital	Share premium	Treasury shares	Translation reserve	Retained earnings		Total	Total
<b>Balance at 1 January 2016</b>		<b>197</b>	<b>39,464</b>	<b>(12,012)</b>	<b>19,991</b>	<b>115,620</b>	<b>163,260</b>	<b>1,625</b>	<b>164,885</b>
Profit/(loss) for the period		–	–	–	–	89,277	<b>89,277</b>	(363)	<b>88,914</b>
Other comprehensive loss		–	–	–	(3,696)	–	<b>(3,696)</b>	–	<b>(3,696)</b>
<b>Total comprehensive income/(loss) for the period</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>(3,696)</b>	<b>89,277</b>	<b>85,581</b>	<b>(363)</b>	<b>85,218</b>
Dividends	17	–	–	–	–	(36,168)	<b>(36,168)</b>	–	<b>(36,168)</b>
Non-controlling interest on disposal of assets classified as held for sale		–	–	–	–	–	–	10	<b>10</b>
Decrease in non-controlling interest due to increase in ownership of a subsidiary		–	–	–	–	148	<b>148</b>	(148)	–
<b>Balance at 30 June 2016</b>		<b>197</b>	<b>39,464</b>	<b>(12,012)</b>	<b>16,295</b>	<b>168,877</b>	<b>212,821</b>	<b>1,124</b>	<b>213,945</b>
<b>Balance at 1 January 2017</b>		<b>197</b>	<b>39,464</b>	–	<b>15,559</b>	<b>176,703</b>	<b>231,923</b>	<b>4,578</b>	<b>236,501</b>
Profit/(loss) for the period		–	–	–	–	55,414	<b>55,414</b>	(273)	<b>55,141</b>
Other comprehensive loss		–	–	–	(518)	–	<b>(518)</b>	–	<b>(518)</b>
<b>Total comprehensive income/(loss) for the period</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>(518)</b>	<b>55,414</b>	<b>54,896</b>	<b>(273)</b>	<b>54,623</b>
Dividends	17	–	–	–	–	(70,593)	<b>(70,593)</b>	(79)	<b>(70,672)</b>
Increase in non-controlling interest due to decrease in ownership of a subsidiary	18	–	–	–	–	242	<b>242</b>	961	<b>1,203</b>
Other effects related to transactions with non-controlling interest owners		–	–	–	–	(5,909)	<b>(5,909)</b>	–	<b>(5,909)</b>
<b>Balance at 30 June 2017</b>		<b>197</b>	<b>39,464</b>	<b>–</b>	<b>15,041</b>	<b>155,857</b>	<b>210,559</b>	<b>5,187</b>	<b>215,746</b>

*The accompanying notes on pages 10 - 23 form an integral part of the interim condensed consolidated financial statements*

# MINING AND METALLURGICAL COMPANY NORILSK NICKEL

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2017

*Russian Roubles million*

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### 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.

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

#### Foreign currency exchange rates

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

	<u>At 30 June 2017</u>	<u>At 30 June 2016</u>	<u>At 31 December 2016</u>
<b>Russian Rouble/US Dollar</b>			
Period-end rates	59.09	64.26	60.66
Average for the reporting period ended	57.99	70.26	67.03
<b>Russian Rouble/South African Rand</b>			
Period-end rates	4.56	4.34	4.45
Average for the reporting period ended	4.39	4.55	4.56
<b>Russian Rouble/Australian Dollar</b>			
Period-end rates	45.31	47.62	43.81
Average for the reporting period ended	43.70	51.55	49.84
<b>Russian Rouble/Hong Kong Dollar</b>			
Period-end rates	7.57	8.28	7.82
Average for the reporting period ended	7.46	9.04	8.64

# MINING AND METALLURGICAL COMPANY NORILSK NICKEL

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2017

*Russian Roubles million*

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### 2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2017 have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”).

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2016, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

The interim condensed consolidated financial statements of the Group comply with Russian Federal Law No. 208 *On consolidated financial statements* (“208-FZ”) which was adopted on 27 July 2010. 208-FZ provides the legal basis for certain entities for mandatory preparation of financial statements in accordance with IFRS as issued by the IASB and subsequently endorsed for use in the Russian Federation. As at 30 June 2017, all currently effective standards and interpretations issued by the IASB have been endorsed for use in Russia. The Group issues a separate set of interim condensed consolidated financial statements prepared in accordance with IFRS requirements with US dollar as presentation currency.

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 substantially 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.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of these interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group’s annual consolidated financial statements as at and for the year ended 31 December 2016.

#### **Adoption of new and revised standards and interpretations**

Adoption of amendments to the following Standards did not have material 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)*.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

### 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The critical accounting judgments, estimates and assumptions made by management of the Group and applied in these interim condensed consolidated financial statements for the six months ended 30 June 2017 are consistent with those applied in the preparation of annual consolidated financial statements of the Group for the year ended 31 December 2016.

# MINING AND METALLURGICAL COMPANY NORILSK NICKEL

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2017

Russian Roubles million

### 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”, together with assets classified as held for sale and liabilities associated with assets classified as held for sale.

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 interim condensed consolidated financial statements. Information for the six months ended 30 June 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 six months ended 30 June 2017 and 30 June 2016, respectively.

For the six months ended	GMK	KGMK	NN	Other	Other	Elimi-	Total
30 June 2017	Group	Group	Harjavalta	metallur- gical	non-metallur- gical	nations	
Revenue from external customers	177,188	12,128	21,246	309	36,834	–	247,705
Inter-segment revenue	13,773	10,367	15	23	12,748	(36,926)	–
<b>Total revenue</b>	<b>190,961</b>	<b>22,495</b>	<b>21,261</b>	<b>332</b>	<b>49,582</b>	<b>(36,926)</b>	<b>247,705</b>
Segment EBITDA	113,936	3,043	2,586	(722)	2,986	2,098	123,927
Unallocated							(21,142)
<b>Consolidated EBITDA</b>							<b>102,785</b>
Depreciation and amortisation							(17,792)
Impairment of non-financial assets							(1,422)
Finance costs							(15,369)
Foreign exchange gain, net							2,061
Other income and expenses, net							2,866
<b>Profit before tax</b>							<b>73,129</b>
<b>Other segmental information</b>							
Purchase of property, plant and equipment and intangible assets	26,168	3,890	192	8,249	1,819	–	40,318
Depreciation and amortisation	13,623	1,801	713	4	745	906	17,792
Impairment of non-financial assets	1,422	–	–	–	–	–	1,422

# MINING AND METALLURGICAL COMPANY NORILSK NICKEL

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2017

Russian Roubles million

### 5. SEGMENTAL INFORMATION (CONTINUED)

For the six months ended	GMK	KGMK	NN	Other	Other	Elimi-	Total
30 June 2016	Group	Group	Harjavalta	metallur- gical	non-metal- lurgical	nations	
Revenue from external customers	197,705	15,135	19,893	198	33,924	–	266,855
Inter-segment revenue	1,719	4,687	–	2	19,411	(25,819)	–
<b>Total revenue</b>	<b>199,424</b>	<b>19,822</b>	<b>19,893</b>	<b>200</b>	<b>53,335</b>	<b>(25,819)</b>	<b>266,855</b>
Segment EBITDA	124,433	3,956	662	(522)	701	5,156	134,386
Unallocated							(11,364)
<b>Consolidated EBITDA</b>							<b>123,022</b>
Depreciation and amortisation							(18,077)
Reversal of impairment of non-financial assets							87
Finance costs							(15,823)
Foreign exchange gain, net							22,246
Other income and expenses, net							3,750
<b>Profit before tax</b>							<b>115,205</b>
<b>Other segmental information</b>							
Purchase of property, plant and equipment and intangible assets	34,708	2,653	210	11,133	569	–	49,273
Depreciation and amortisation	14,109	1,020	730	6	1,107	1,105	18,077
Reversal of impairment of non-financial assets	(67)	(26)	–	6	–	–	(87)

The following tables present assets and liabilities of the Group's reportable segments at 30 June 2017 and 31 December 2016, respectively.

	GMK	KGMK	NN	Other	Other	Elimi-	Total
At 30 June 2017	Group	Group	Harjavalta	metallur- gical	non-metal- lurgical	nations	
Inter-segment assets	30,250	5,930	8,707	81	3,263	(48,231)	–
Segment assets	633,719	54,084	20,557	63,975	45,239	(6,212)	811,362
<b>Total segment assets</b>	<b>663,969</b>	<b>60,014</b>	<b>29,264</b>	<b>64,056</b>	<b>48,502</b>	<b>(54,443)</b>	<b>811,362</b>
Unallocated							185,887
<b>Total assets</b>							<b>997,249</b>
Inter-segment liabilities	7,044	8,882	3,295	4,351	24,560	(48,132)	–
Segment liabilities	144,208	7,193	5,423	5,869	52,191	–	214,884
<b>Total segment liabilities</b>	<b>151,252</b>	<b>16,075</b>	<b>8,718</b>	<b>10,220</b>	<b>76,751</b>	<b>(48,132)</b>	<b>214,884</b>
Unallocated							566,619
<b>Total liabilities</b>							<b>781,503</b>
At 31 December 2016	GMK	KGMK	NN	Other	Other	Elimi-	Total
	Group	Group	Harjavalta	metallur- gical	non-metal- lurgical	nations	
Inter-segment assets	17,859	4,806	9,708	888	2,983	(36,244)	–
Segment assets	602,015	46,601	23,770	48,629	47,689	(6,979)	761,725
<b>Total segment assets</b>	<b>619,874</b>	<b>51,407</b>	<b>33,478</b>	<b>49,517</b>	<b>50,672</b>	<b>(43,223)</b>	<b>761,725</b>
Unallocated							236,540
<b>Total assets</b>							<b>998,265</b>
Inter-segment liabilities	6,751	5,299	4,676	1,631	17,887	(36,244)	–
Segment liabilities	135,762	6,833	6,186	12,134	52,570	–	213,485
<b>Total segment liabilities</b>	<b>142,513</b>	<b>12,132</b>	<b>10,862</b>	<b>13,765</b>	<b>70,457</b>	<b>(36,244)</b>	<b>213,485</b>
Unallocated							548,279
<b>Total liabilities</b>							<b>761,764</b>

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

## MINING AND METALLURGICAL COMPANY NORILSK NICKEL

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Russian Roubles million

#### 6. METAL SALES

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

For the six months ended 30 June 2017	Total	Nickel	Copper	Palladium	Platinum	Semi-products	Other metals
Europe	126,326	29,883	54,262	20,485	10,588	2,872	8,236
Asia	52,178	18,047	–	22,316	4,250	6,772	793
North and South America	33,565	8,201	–	24,146	–	–	1,218
Russian Federation and CIS	15,288	5,518	4,904	1,362	2,768	–	736
	<b>227,357</b>	<b>61,649</b>	<b>59,166</b>	<b>68,309</b>	<b>17,606</b>	<b>9,644</b>	<b>10,983</b>

For the six months ended 30 June 2016	Total	Nickel	Copper	Palladium	Platinum	Semi-products	Other metals
Europe	141,300	41,919	53,235	23,010	9,119	3,332	10,685
Asia	55,447	38,412	70	13,138	242	2,830	755
North America	17,275	5,698	–	10,796	–	–	781
Russian Federation and CIS	33,451	4,306	7,647	6,875	14,108	–	515
	<b>247,473</b>	<b>90,335</b>	<b>60,952</b>	<b>53,819</b>	<b>23,469</b>	<b>6,162</b>	<b>12,736</b>

#### 7. COST OF METAL SALES

	For the six months ended 30 June 2017	For the six months ended 30 June 2016
<b>Cash operating costs</b>		
Labour	39,802	37,657
Purchases of metals for resale, raw materials and semi-products	18,858	20,601
Materials and supplies	16,228	14,084
Mineral extraction tax and other levies	6,134	4,656
Third party services	4,888	5,019
Electricity and heat energy	3,703	3,334
Fuel	2,770	1,732
Transportation expenses	1,694	2,150
Sundry costs	4,279	4,686
<b>Total cash operating costs</b>	<b>98,356</b>	<b>93,919</b>
Depreciation and amortisation	15,977	14,964
(Increase)/decrease in metal inventories	(4,061)	6,011
<b>Total</b>	<b>110,272</b>	<b>114,894</b>



## MINING AND METALLURGICAL COMPANY NORILSK NICKEL

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2017

*Russian Roubles million*

#### 8. GENERAL AND ADMINISTRATIVE EXPENSES

	<b>For the six months ended 30 June 2017</b>	<b>For the six months ended 30 June 2016</b>
Staff costs	13,602	12,335
Taxes other than mineral extraction tax and income tax	2,267	1,796
Third party services	1,272	1,439
Depreciation and amortisation	862	663
Rent expenses	737	672
Transportation expenses	193	197
Other	1,529	1,394
<b>Total</b>	<b>20,462</b>	<b>18,496</b>

#### 9. SELLING AND DISTRIBUTION EXPENSES

	<b>For the six months ended 30 June 2017</b>	<b>For the six months ended 30 June 2016</b>
Transportation expenses	883	817
Staff costs	289	382
Marketing expenses	272	159
Export duties	15	3,521
Other	188	200
<b>Total</b>	<b>1,647</b>	<b>5,079</b>

#### 10. OTHER NET OPERATING EXPENSES

	<b>For the six months ended 30 June 2017</b>	<b>For the six months ended 30 June 2016</b>
Social expenses	11,370	3,952
Change in allowances	1,078	1,099
Other	40	757
<b>Total</b>	<b>12,488</b>	<b>5,808</b>

#### 11. FINANCE COSTS

	<b>For the six months ended 30 June 2017</b>	<b>For the six months ended 30 June 2016</b>
Interest expense on borrowings net of amounts capitalised	11,279	14,166
Unwinding of discount on provisions and payables	4,090	1,657
<b>Total</b>	<b>15,369</b>	<b>15,823</b>

## MINING AND METALLURGICAL COMPANY NORILSK NICKEL

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2017

Russian Roubles million

#### 12. PROPERTY, PLANT AND EQUIPMENT

	Mining assets and mine development cost	Non-mining assets	Non-mining capital construction-in- progress	Total
<b>Cost</b>				
<b>Balance at 31 December 2016</b>	<b>427,090</b>	<b>357,830</b>	<b>84,207</b>	<b>869,127</b>
Additions	33,956	–	18,591	52,547
Transfers	–	19,764	(19,764)	–
Change in decommissioning provision	2,395	(842)	–	1,553
Disposals	(2,726)	(5,109)	(313)	(8,148)
Other	(1,280)	1,222	58	–
Effect of translation to presentation currency	217	(619)	(6)	(408)
<b>Balance at 30 June 2017</b>	<b>459,652</b>	<b>372,246</b>	<b>82,773</b>	<b>914,671</b>
<b>Accumulated depreciation and impairment</b>				
<b>Balance at 31 December 2016</b>	<b>(122,073)</b>	<b>(185,697)</b>	<b>(15,031)</b>	<b>(322,801)</b>
Charge for the period	(7,914)	(10,764)	–	(18,678)
Transfers	–	(2,654)	2,654	–
Disposals	2,368	3,672	161	6,201
Impairment loss	(43)	(1,379)	–	(1,422)
Other	32	(35)	(120)	(123)
Effect of translation to presentation currency	(174)	247	(1)	72
<b>Balance at 30 June 2017</b>	<b>(127,804)</b>	<b>(196,610)</b>	<b>(12,337)</b>	<b>(336,751)</b>
<b>Carrying value</b>				
<b>At 31 December 2016</b>	<b>305,017</b>	<b>172,133</b>	<b>69,176</b>	<b>546,326</b>
<b>At 30 June 2017</b>	<b>331,848</b>	<b>175,636</b>	<b>70,436</b>	<b>577,920</b>

At 30 June 2017 capital construction-in-progress included RUB 2,977 million of irrevocable letters of credit opened for fixed assets purchases (31 December 2016: RUB 5,282 million), representing security deposits placed in banks at the end of the period.

Capitalised borrowing costs for the six months ended 30 June 2017 amounted to RUB 7,684 million (for the six months ended 30 June 2016: RUB 6,224 million). Capitalisation rate used to determine the amount of borrowing costs equals to 6.65% per annum (30 June 2016: 6.51%).

At 30 June 2017 mining assets and mine development cost included RUB 204,569 million of mining assets under development (31 December 2016: RUB 181,586 million).

## MINING AND METALLURGICAL COMPANY NORILSK NICKEL

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Russian Roubles million

#### 13. OTHER FINANCIAL ASSETS

	<u>At 30 June 2017</u>	<u>At 31 December 2016</u>
<b>Non-current</b>		
Loans issued and other receivables	9,564	10,525
Bank deposits	969	591
Available-for-sale investments	–	252
<b>Total non-current</b>	<b><u>10,533</u></b>	<b><u>11,368</u></b>
<b>Current</b>		
Bank deposits	2,690	–
Loans issued and other receivables	191	357
Derivative financial instruments	98	121
<b>Total current</b>	<b><u>2,979</u></b>	<b><u>478</u></b>

#### Available-for-sale investments in securities

During the period from 1 July to 31 December 2016, the Group fully impaired an interest in a related party which owns various real estate properties.

#### Bank deposits

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

#### 14. INVENTORIES

	<u>At 30 June 2017</u>	<u>At 31 December 2016</u>
Refined metals	20,755	18,790
Work-in-process and semi-products	61,492	54,226
<b>Total metal inventories</b>	<b><u>82,247</u></b>	<b><u>73,016</u></b>
Materials and supplies	47,957	43,533
Less: Allowance for obsolete and slow-moving items	(1,774)	(1,604)
<b>Materials and supplies, net</b>	<b><u>46,183</u></b>	<b><u>41,929</u></b>
<b>Inventories</b>	<b><u>128,430</u></b>	<b><u>114,945</u></b>

At 30 June 2017 part of metal semi-products stock in the amount of RUB 43,701 million (31 December 2016: RUB 50,360 million) was presented in other non-current assets according to Group's production plans.

## MINING AND METALLURGICAL COMPANY NORILSK NICKEL

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2017

Russian Roubles million

#### 15. CASH AND CASH EQUIVALENTS

	<u>At 30 June 2017</u>	<u>At 31 December 2016</u>
Current accounts		
- foreign currencies	37,294	22,560
- RUB	2,951	3,505
Bank deposits		
- foreign currencies	44,430	105,463
- RUB	70,129	67,849
Other cash and cash equivalents	605	836
<b>Total</b>	<b><u>155,409</u></b>	<b><u>200,213</u></b>

#### 16. 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 amounts to RUB 18,960 million (USD 337 million) subject to certain adjustments under agreement. Under the terms of the agreements, the buyer will assume 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. Notwithstanding these circumstances management actively pursues its interests under the agreement and believes that Nkomati should be classified as held for sale as at 30 June 2017.

All assets classified as held for sale have been measured at the lower of their fair values less costs to sell and their carrying values. At 30 June 2017 and 31 December 2016 aggregate net assets included:

	<u>At 30 June 2017</u>	<u>At 31 December 2016</u>
Property, plant and equipment	–	8
Investments in associates	11,377	10,747
Deferred tax assets	483	553
Other financial assets	3	3
Cash and cash equivalents	970	1,204
<b>Total assets</b>	<b><u>12,833</u></b>	<b><u>12,515</u></b>
Employee benefit obligations	(61)	(40)
Loans and borrowings	–	(18)
Trade and other payables	(20)	(38)
<b>Total liabilities</b>	<b><u>(81)</u></b>	<b><u>(96)</u></b>
<b>Net assets</b>	<b><u>12,752</u></b>	<b><u>12,419</u></b>

On 6 April 2017, the Group sold its interest in a subsidiary which owns real estate for a consideration of RUB 6,349 million, of which RUB 5,646 million was received during the six months ended 30 June 2017 and the remaining amount of RUB 703 million is included in Trade and other receivables as at 30 June 2017. Proceeds from disposal of the subsidiary in the amount of RUB 4,631 million were recognised in the interim condensed consolidated statement of cash flows for the six months ended 30 June 2017, net of disposed cash and cash equivalents of RUB 917 million and transaction costs of RUB 98 million. Gain on disposal in the amount of RUB 954 million was recognised in the interim condensed consolidated income statement for the six months ended 30 June 2017.

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Russian Roubles million

#### 16. ASSETS CLASSIFIED AS HELD FOR SALE AND DISPOSAL OF SUBSIDIARIES (CONTINUED)

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 RUB 640 million. The carrying value of net assets at the date of disposal amounted to RUB 864 million. Loss on disposal in the amount of RUB 224 million was recognised in the interim condensed consolidated income statement for the six months ended 30 June 2016.

#### 17. SHARE CAPITAL

##### Authorised and issued ordinary shares

	<u>2017</u>	<u>2016</u>
At 1 January and 30 June	158,245,476	158,245,476

At 30 June 2017 the Group’s number of authorised and issued ordinary shares was 158,245,476. At 30 June 2016 the Group’s number of treasury and issued shares outstanding was 1,250,075 and 156,995,401 accordingly. During the period from 1 July to 31 December 2016, the Group sold 1,250,075 treasury shares for a cash consideration in the amount of RUB 9,855 million.

##### Weighted average number of issued shares outstanding

Weighted average number of shares used in the calculation of basic and diluted earnings per share for the six months ended 30 June 2017 was 158,245,476 shares (for the six months ended 30 June 2016: 156,995,401 shares).

##### Dividends declared and paid

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 per share with the total amount of RUB 70,593 million. The dividends were paid to the shareholders in July 2017 in the amount of RUB 70,593 million.

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 per share with the total amount of RUB 70,301 million. The dividends were paid to the shareholders in January 2017 in the amount of RUB 70,273 million recognised in the interim condensed consolidated cash flow statement.

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 per share with the total amount of RUB 36,419 million (including RUB 251 million in respect of Treasury shares). The dividends were paid to the shareholders in July 2016 in the amount of RUB 36,168 million.

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 per share with the total amount of RUB 50,947 million (including RUB 402 million in respect of Treasury shares). The dividends were paid to the shareholders in January 2016 in the amount of RUB 50,544 million recognised in the interim condensed consolidated cash flow statement.

#### 18. NON-CONTROLLING INTEREST

In July 2016 the Group sold a 10.67% share in Bystrinskoye project for RUB 5,049 million (USD 80 million) to a Chinese investor Highland Fund. In May 2017 the Group sold a 2.66% share in Bystrinskoye project for RUB 1,203 million (USD 21 million) to Highland Fund.

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Russian Roubles million

#### 19. LOANS AND BORROWINGS

	Currency	Fixed or floating interest rate	Average nominal rate during the six months ended 30 June 2017, %	Maturity	At 30 June 2017	At 31 December 2016
Unsecured loans	USD	floating	3.28%	2017-2025	143,530	164,018
	RUB	fixed	12.65%	2021	59,817	120,678
	EUR	floating	0.85%	2019-2028	158	–
Secured loans	USD	floating	7.54%	2024	17,185	9,980
	RUB	fixed	9.75%	2021-2022	247	–
<b>Total loans</b>					<b>220,937</b>	<b>294,676</b>
Corporate bonds	USD	fixed	5.05%	2018-2023	248,507	164,701
	RUB	fixed	11.60%	2026	14,986	14,985
					<b>263,493</b>	<b>179,686</b>
Finance leasing	EUR	fixed	7.10%	2026	1,412	1,431
	USD	fixed	4.20%	2019	357	443
					<b>1,769</b>	<b>1,874</b>
<b>Total</b>					<b>486,199</b>	<b>476,236</b>
Less: current portion due within twelve months and presented as short-term loans and borrowings					(78,351)	(34,993)
<b>Long-term loans and borrowings</b>					<b>407,848</b>	<b>441,243</b>

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.

#### 20. 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.

	Sale of goods and services		Purchase of assets and services and other operating expenses	
	For the six months ended 30 June 2017	For the six months ended 30 June 2016	For the six months ended 30 June 2017	For the six months ended 30 June 2016
<b>Transactions with related parties</b>				
Entities under ownership and control of the Group's major shareholders	157	398	6,300	10,702
Associates of the Group	55	56	6,138	6,363
<b>Total</b>	<b>212</b>	<b>454</b>	<b>12,438</b>	<b>17,065</b>
Outstanding balances with related parties	Accounts receivable		Accounts payable, loans and borrowings received	
	At 30 June 2017	At 31 December 2016	At 30 June 2017	At 31 December 2016
Entities under ownership and control of the Group's major shareholders	96	19	142	137
Associates of the Group	515	56	1,190	1,209
<b>Total</b>	<b>611</b>	<b>75</b>	<b>1,332</b>	<b>1,346</b>

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*Russian Roubles million*

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### 21. COMMITMENTS AND CONTINGENCIES

#### **Capital commitments**

At 30 June 2017, contractual capital commitments amounted to RUB 78,039 million (31 December 2016: RUB 69,044 million).

#### **Litigation**

At 30 June 2017 the Group is involved in legal disputes in the ordinary course of its operations, with the probability of their unfavorable resolution being assessed as possible. At 30 June 2017, total claims under unresolved litigation amounted to approximately RUB 927 million (31 December 2016: RUB 1,511 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 for adequate provisions 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.

#### **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.

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*Russian Roubles million*

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### 21. COMMITMENTS AND CONTINGENCIES (CONTINUED)

#### **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 depend on the effectiveness of economic measures undertaken by the government as well as the development of legal system.

The imposition of economic sanctions on Russian individuals and legal entities has resulted in increased economic uncertainty including more volatile equity and currency markets and a reduction in both local and foreign investment inflows. Management assesses the changes in the Russian business environment did not significantly affect the operations, financial results and the financial position of the Group.

### 22. FAIR VALUE OF FINANCIAL INSTRUMENTS

Management believes that the carrying value of financial instruments such as cash and cash equivalents (refer to note 15), short-term accounts receivable and payable, approximates to their fair value.

Certain financial instruments such as other financial assets, finance leases obligations and other long-term liabilities, 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.



## MINING AND METALLURGICAL COMPANY NORILSK NICKEL

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2017

Russian Roubles million

#### 22. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The information presented below is about loans and borrowings, trade and other long-term payables, which carrying values differ from their fair values.

	At 30 June 2017		At 31 December 2016	
	Carrying value	Fair value Level 1	Carrying value	Fair value Level 1
Fixed rate corporate bonds	263,493	275,896	179,686	192,322
<b>Total</b>	<b>263,493</b>	<b>275,896</b>	<b>179,686</b>	<b>192,322</b>
<b>Loans and borrowings, including:</b>	<b>Carrying value</b>	<b>Fair value Level 2</b>	<b>Carrying value</b>	<b>Fair value Level 2</b>
Floating rate loans and borrowings	160,873	162,129	173,998	165,811
Fixed rate loans and borrowings	60,064	67,365	120,678	128,680
<b>Total</b>	<b>220,937</b>	<b>229,494</b>	<b>294,676</b>	<b>294,491</b>
	<b>Carrying value</b>	<b>Fair value Level 2</b>	<b>Carrying value</b>	<b>Fair value Level 2</b>
Trade and other long-term payables	34,004	37,322	31,706	31,706
<b>Total</b>	<b>34,004</b>	<b>37,322</b>	<b>31,706</b>	<b>31,706</b>

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 30 June 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 30 June 2017 was calculated based on the present value of future cash flows, discounted at the best management estimation of market rates.

#### 23. EVENTS SUBSEQUENT TO THE REPORTING DATE

In July 2017 the Group signed a new long-term loan agreement with JSC “CityBank” in the amount of RUB 10 479 million (USD 175 million).

In July 2017 the Group entered into amendments to loan agreements with JSC “ING Bank (EURASIA)” in the total amount of RUB 17 897 million (USD 300 million) which provide for lower interest rates.

In July 2017 the Group’s subsidiary LLC “GRK “Bystrinskoye” and PJSC Sberbank signed amendment agreements to loan agreement with the amount of approved credit limit up to RUB 48 592 million (USD 800 million) to reduce finance costs and improve certain non-financial terms. Also a guarantee is issued on behalf of PJSC “MMC Norilsk Nickel” to secure performance of obligations of LLC “GRK “Bystrinskoye” in favour of PJSC Sberbank related to mentioned agreements.