

# **Mining and Metallurgical Company Norilsk Nickel**

**Interim condensed consolidated  
financial statements (unaudited)**

**for the six months ended  
30 June 2015**

# MINING AND METALLURGICAL COMPANY NORILSK NICKEL

## INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

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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 2015

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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 interim condensed consolidated financial statements set out on page 2, 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 2015 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 judgments 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 2015 were approved by:

  
\_\_\_\_\_  
**V.O. Potanin**  
President

  
\_\_\_\_\_  
**S.G. Malyshev**  
Vice President

Moscow, Russia  
31 August 2015



**JSC "KPMG"**  
10 Presnenskaya Naberezhnaya  
Moscow, Russia 123317

Telephone +7 (495) 937 4477  
Fax +7 (495) 937 4400/99  
Internet www.kpmg.ru

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

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 2015, and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the interim condensed consolidated financial information (the "interim condensed consolidated financial information"). Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim condensed consolidated financial information 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 information 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.

Entity: Public Joint Stock Company "Mining and Metallurgical Company Norilsk Nickel"

Registered by Administration of Taimyr Autonomous District on 4 July 1997, Registration Number of the State Registration Certificate issued at the time of joint-stock company foundation No.07.

Registered in the Unified State Register of Legal Entities on 2 September 2002 by Inter-Regional Inspection No. 2 of the Ministry of Taxes and Charges of the Russian Federation in Taimyr (Dolgan-Nenets) Autonomous District, Registration No. 1028400000298. Certificate series 84 No. 000020058.

Dudinka, Krasnoyarsk Region, Russian Federation.

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.

Registered by the Moscow Registration Chamber on 25 May 1992, Registration No. 011.585.

Entered in the Unified State Register of Legal Entities on 13 August 2002 by the Moscow Inter-Regional Tax Inspectorate No.39 of the Ministry for Taxes and Duties of the Russian Federation, Registration No. 1027700125628, Certificate series 77 No. 005721432.

Member of the Non-commercial Partnership "Chamber of Auditors of Russia". The Principal Registration Number of the Entry in the State Register of Auditors and Audit Organisations: No.10301000804.

*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial information as at 30 June 2015 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*.



Tokarev I.V.

Director, (power of attorney dated 16 March 2015 No. 25/15)

JSC "KPMG"

31 August 2015

Moscow, Russian Federation

# MINING AND METALLURGICAL COMPANY NORILSK NICKEL

## INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2015

US Dollars million

	Notes	For the six months ended 30 June 2015	For the six months ended 30 June 2014
<b>Revenue</b>			
Metal sales	6	4,591	5,202
Other sales		316	506
<b>Total revenue</b>		<b>4,907</b>	<b>5,708</b>
Cost of metal sales	7	(1,765)	(2,519)
Cost of other sales		(317)	(465)
<b>Gross profit</b>		<b>2,825</b>	<b>2,724</b>
Selling and distribution expenses	8	(42)	(202)
General and administrative expenses	9	(262)	(393)
Impairment of property, plant and equipment		(2)	(22)
Other net operating expenses		(93)	(78)
<b>Operating profit</b>		<b>2,426</b>	<b>2,029</b>
Finance costs	10	(128)	(94)
Impairment of financial assets		–	(49)
(Loss)/gain from disposal of subsidiaries and assets classified as held for sale	15	(306)	47
Income from investments, net		99	31
Foreign exchange loss, net		(122)	(107)
Share of profits of associates		10	22
<b>Profit before tax</b>		<b>1,979</b>	<b>1,879</b>
Income tax expense		(486)	(423)
<b>Profit for the period</b>		<b>1,493</b>	<b>1,456</b>
Attributable to:			
Shareholders of the parent company		1,498	1,452
Non-controlling interests		(5)	4
		<b>1,493</b>	<b>1,456</b>
<b>EARNINGS PER SHARE</b>			
Basic and diluted earnings per share attributable to shareholders of the parent company (US Dollars per share)		9.5	9.2

The accompanying notes on pages 11 – 25 form an integral part of the interim condensed consolidated financial statements

# MINING AND METALLURGICAL COMPANY NORILSK NICKEL

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2015

US Dollars million

	For the six months ended 30 June 2015	For the six months ended 30 June 2014
<b>Profit for the period</b>	<b>1,493</b>	<b>1,456</b>
<b>Other comprehensive income/(loss)</b>		
<b>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</b>		
Increase in fair value of available-for-sale investments	99	–
Realised gain on disposal of available-for-sale investments	(6)	(1)
Reclassification of foreign currency translation reserve on disposed assets classified as held for sale to profit or loss	326	–
Effect of translation of foreign operations	(2)	3
<b>Other comprehensive income to be reclassified to profit or loss in subsequent periods, net</b>	<b>417</b>	<b>2</b>
<b>Items not to be reclassified to profit or loss in subsequent periods:</b>		
Effect of translation to presentation currency	227	(244)
Remeasurements of defined benefit plans	–	5
<b>Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods, net</b>	<b>227</b>	<b>(239)</b>
<b>Other comprehensive income/(loss) for the period, net of tax</b>	<b>644</b>	<b>(237)</b>
<b>Total comprehensive income for the period, net of tax</b>	<b>2,137</b>	<b>1,219</b>
Attributable to:		
Shareholders of the parent company	2,142	1,219
Non-controlling interests	(5)	–
<b>Total comprehensive income for the period, net of tax</b>	<b>2,137</b>	<b>1,219</b>

The accompanying notes on pages 11 – 25 form an integral part of the interim condensed consolidated financial statements

# MINING AND METALLURGICAL COMPANY NORILSK NICKEL

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

US Dollars million

	Notes	30 June 2015	31 December 2014
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	7,587	7,011
Intangible assets		44	43
Investment property	12	115	–
Investments in associates		17	17
Other financial assets	13	277	204
Other taxes receivable		–	6
Deferred tax assets		39	53
Other non-current assets		142	130
		<b>8,221</b>	<b>7,464</b>
<b>Current assets</b>			
Inventories		1,773	1,726
Trade and other receivables		181	275
Advances paid and prepaid expenses		83	63
Other financial assets	13	1	87
Income tax receivable		86	127
Other taxes receivable		182	178
Cash and cash equivalents	14	2,814	2,793
		<b>5,120</b>	<b>5,249</b>
Assets classified as held for sale	15	305	436
		<b>5,425</b>	<b>5,685</b>
<b>TOTAL ASSETS</b>		<b>13,646</b>	<b>13,149</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	16	6	6
Share premium		1,254	1,254
Treasury shares	16	(2)	–
Translation reserve		(4,234)	(4,785)
Investment revaluation reserve		91	(2)
Retained earnings		7,710	8,295
<b>Equity attributable to shareholders of the parent company</b>		<b>4,825</b>	<b>4,768</b>
Non-controlling interests		31	25
		<b>4,856</b>	<b>4,793</b>
<b>Non-current liabilities</b>			
Loans and borrowings	17	5,151	5,678
Employee benefit obligations		9	6
Provisions		399	274
Deferred tax liabilities		216	216
		<b>5,775</b>	<b>6,174</b>
<b>Current liabilities</b>			
Loans and borrowings	17	1,227	652
Employee benefit obligations		272	252
Trade and other payables		1,173	912
Provisions		159	156
Derivative financial instruments		7	5
Income tax payable		16	23
Other taxes payable		129	99
		<b>2,983</b>	<b>2,099</b>
Liabilities associated with assets classified as held for sale	15	32	83
		<b>3,015</b>	<b>2,182</b>
<b>TOTAL LIABILITIES</b>		<b>8,790</b>	<b>8,356</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>13,646</b>	<b>13,149</b>

The accompanying notes on pages 11 – 25 form an integral part of the interim condensed consolidated financial statements



**MINING AND METALLURGICAL COMPANY NORILSK NICKEL**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED 30 JUNE 2015**

*US Dollars million*

	<b>For the six months ended 30 June 2015</b>	<b>For the six months ended 30 June 2014</b>
<b>OPERATING ACTIVITIES</b>		
<b>Profit before tax</b>	<b>1,979</b>	<b>1,879</b>
Adjustments for:		
Depreciation and amortisation	280	445
Impairment of property, plant and equipment	2	22
Loss on disposal of property, plant and equipment	11	18
Share of profits of associates	(10)	(22)
Loss/(gain) from disposal of assets classified as held for sale	306	(47)
Impairment of financial assets	–	49
Finance costs and income from investments, net	29	63
Foreign exchange loss, net	122	107
Other	39	32
	<b>2,758</b>	<b>2,546</b>
Movements in working capital:		
Inventories	(30)	(91)
Trade and other receivables	98	9
Advances paid and prepaid expenses	2	(23)
Other taxes receivable	(2)	138
Employee benefit obligations	1	(9)
Trade and other payables	152	486
Provisions	–	(30)
Other taxes payable	20	7
<b>Cash generated from operations</b>	<b>2,999</b>	<b>3,033</b>
Income tax paid	(439)	(210)
<b>Net cash generated from operating activities</b>	<b>2,560</b>	<b>2,823</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(563)	(479)
Purchase of intangible assets	(6)	(12)
Purchase of other non-current assets	(15)	(17)
Purchase of other financial assets	–	(7)
Net change in deposits placed	80	(62)
Interest received	65	27
Proceeds from sale of other financial assets	44	62
Proceeds from disposal of property, plant and equipment	–	17
Proceeds from disposal of assets classified as held for sale	–	19
Dividends received	14	–
<b>Net cash used in investing activities</b>	<b>(381)</b>	<b>(452)</b>

*The accompanying notes on pages 11 – 25 form an integral part of the interim condensed consolidated financial statements*

**MINING AND METALLURGICAL COMPANY NORILSK NICKEL**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED 30 JUNE 2015 (CONTINUED)**

*US Dollars million*

	<b>For the six months ended 30 June 2015</b>	<b>For the six months ended 30 June 2014</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from loans and borrowings	400	928
Repayments of loans and borrowings	(332)	(1,038)
Dividends paid	(2,126)	(1,112)
Interest paid	(143)	(129)
Purchase of treasury shares	(2)	–
Buy-out of non-controlling interest	(31)	–
<b>Net cash used in financing activities</b>	<b>(2,234)</b>	<b>(1,351)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(55)</b>	<b>1,020</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>2,793</b>	<b>1,621</b>
Cash and cash equivalents related to assets classified as held for sale at the beginning of the period	5	9
Less: cash and cash equivalents related to assets classified as held for sale at the end of the period	55	28
Effects of foreign exchange differences on balances of cash and cash equivalents	126	3
<b>Cash and cash equivalents at end of the period</b>	<b>2,814</b>	<b>2,625</b>

*The accompanying notes on pages 11 – 25 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 FOR THE SIX MONTHS ENDED 30 JUNE 2015

*US Dollars million*

	Notes	Equity attributable to shareholders of the parent company						Non-controlling interests	Total	
		Share Capital	Share premium	Treasury shares	Investment revaluation reserve	Translation reserve	Retained earnings			
<b>Balance at 1 January 2014</b>		<b>6</b>	<b>1,254</b>	–	–	<b>(1,230)</b>	<b>9,589</b>	<b>9,619</b>	<b>131</b>	<b>9,750</b>
Profit for the period		–	–	–	–	–	1,452	<b>1,452</b>	4	<b>1,456</b>
Other comprehensive income/(loss)		–	–	–	(4)	(237)	8	<b>(233)</b>	(4)	<b>(237)</b>
<b>Total comprehensive income/(loss) for the period</b>		–	–	–	<b>(4)</b>	<b>(237)</b>	<b>1,460</b>	<b>1,219</b>	–	<b>1,219</b>
Dividends	16	–	–	–	–	–	(1,127)	<b>(1,127)</b>	–	<b>(1,127)</b>
<b>Balance at 30 June 2014</b>		<b>6</b>	<b>1,254</b>	–	<b>(4)</b>	<b>(1,467)</b>	<b>9,922</b>	<b>9,711</b>	<b>131</b>	<b>9,842</b>

*The accompanying notes on pages 11 – 25 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 FOR THE SIX MONTHS ENDED 30 JUNE 2015 (CONTINUED)

US Dollars million

	Notes	Equity attributable to shareholders of the parent company						Non-controlling interests	Total	
		Share Capital	Share premium	Treasury shares	Investment revaluation reserve	Translation reserve	Retained earnings			
<b>Balance at 1 January 2015</b>		<b>6</b>	<b>1,254</b>	–	(2)	(4,785)	<b>8,295</b>	<b>4,768</b>	<b>25</b>	<b>4,793</b>
Profit for the period		–	–	–	–	–	1,498	<b>1,498</b>	(5)	<b>1,493</b>
Other comprehensive income		–	–	–	93	551	–	<b>644</b>	–	<b>644</b>
<b>Total comprehensive income/(loss) for the period</b>		–	–	–	<b>93</b>	<b>551</b>	<b>1,498</b>	<b>2,142</b>	(5)	<b>2,137</b>
Dividends	16	–	–	–	–	–	(2,083)	<b>(2,083)</b>	–	<b>(2,083)</b>
Non-controlling interest on disposal of assets classified as held for sale		–	–	–	–	–	–	–	11	<b>11</b>
Buy back of issued shares	16	–	–	(2)	–	–	–	<b>(2)</b>	–	<b>(2)</b>
<b>Balance at 30 June 2015</b>		<b>6</b>	<b>1,254</b>	<b>(2)</b>	<b>91</b>	<b>(4,234)</b>	<b>7,710</b>	<b>4,825</b>	<b>31</b>	<b>4,856</b>

The accompanying notes on pages 11 – 25 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 FOR THE SIX MONTHS ENDED 30 JUNE 2015

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.

Major production facilities of the Group are located in Taimyr and Kola Peninsulas of the Russian Federation, and in Finland. The registered office’s location is Russian Federation, Krasnoyarsk region, Dudinka, postal address: 2, Gvardeyskaya square, Norilsk, Russian Federation.

#### Foreign currency exchange rates

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

	<u>30 June 2015</u>	<u>30 June 2014</u>	<u>31 December 2014</u>
<b>Russian Rouble/US Dollar</b>			
Period-end rates	55.52	33.63	56.26
Average for the period ended	57.40	34.98	38.42
<b>South African Rand/US Dollar</b>			
Period-end rates	12.30	10.59	11.61
Average for the period ended	11.92	10.69	10.84

### 2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2015 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 2014, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

The Group issues a separate set of IFRS interim condensed consolidated financial statements to comply with the requirements of Russian Federal Law No 208-FZ On consolidated financial statements (“208-FZ”) which was adopted on 27 July 2010.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted 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 2014.

# MINING AND METALLURGICAL COMPANY NORILSK NICKEL

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

*US Dollars million*

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### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **Reclassifications**

##### *Costs of sales*

At 31 December 2014 management reassessed classification of certain cash operating expenses included in cost of metal sales in order to better align cost elements with management accounts and reporting (refer to note 7). Information for the six months ended 30 June 2014 has been presented to conform with the current period presentation.

Certain other items presented in the interim condensed consolidated financial statements were also reclassified to conform with current period presentation.

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

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

- IFRS 7 *Financial Instruments: Disclosures (amended)*;
- IFRS 9 *Financial Instruments (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 JUDGMENTS 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 2015 are consistent with those applied in the preparation of annual consolidated financial statements of the Group for the year ended 31 December 2014.

# MINING AND METALLURGICAL COMPANY NORILSK NICKEL

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

US Dollars 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;
- “Group KGMK” 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 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 included in unallocated line. Assets classified as held for sale and liabilities associated with assets classified as held for sale are also included in unallocated line.

The amounts in respect of operating 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 metal sales and unrealised profit on metal inventory balance.

Amounts are measured on the same basis as those in the interim condensed consolidated financial statements.

The following tables present revenue, measure of segment profit or loss (EBITDA) and other segment information for the six months ended 30 June 2015 and 2014, respectively. Information for the six months ended 30 June 2014 has been presented to conform with the current period presentation.

	GMK Group	Group KGMK	NN Harja- valta	Other metallur- gical	Other non- metallur- gical	Elimi- nations	Total
<b>Six months ended 30 June 2015</b>							
Revenue from external customers	3,770	332	432	14	359	–	<b>4,907</b>
Inter-segment revenue	30	78	–	13	277	(398)	–
<b>Total revenue</b>	<b>3,800</b>	<b>410</b>	<b>432</b>	<b>27</b>	<b>636</b>	<b>(398)</b>	<b>4,907</b>
Segment EBITDA	2,714	156	36	(12)	(22)	–	<b>2,872</b>
Unallocated							(164)
<b>Consolidated EBITDA</b>							<b>2,708</b>
Depreciation and amortisation							(280)
Impairment of property, plant and equipment							(2)
Finance costs							(128)
Foreign exchange loss, net							(122)
Other income and expenses							(197)
<b>Profit before tax</b>							<b>1,979</b>
<b>Other segmental information</b>							
Purchase of property, plant and equipment and intangible assets	455	79	4	40	7	(16)	<b>569</b>
Depreciation and amortisation of segment assets	236	23	10	–	11	–	<b>280</b>
Impairment of property, plant and equipment	(7)	(1)	–	10	–	–	<b>2</b>

# MINING AND METALLURGICAL COMPANY NORILSK NICKEL

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

US Dollars million

### 5. SEGMENTAL INFORMATION (CONTINUED)

	<b>GMK Group</b>	<b>Group KGMK</b>	<b>NN Harja- valta</b>	<b>Other metallur- gical</b>	<b>Other non- metallur- gical</b>	<b>Elimi- nations</b>	<b>Total</b>
<b>Six months ended 30 June 2014</b>							
Revenue from external customers	4,191	427	386	36	668	–	<b>5,708</b>
Inter-segment revenue	40	113	–	2	523	(678)	–
<b>Total revenue</b>	<b>4,231</b>	<b>540</b>	<b>386</b>	<b>38</b>	<b>1,191</b>	<b>(678)</b>	<b>5,708</b>
Segment EBITDA	2,501	146	11	(35)	44	–	<b>2,667</b>
Unallocated							(171)
<b>Consolidated EBITDA</b>							<b>2,496</b>
Depreciation and amortisation							(445)
Impairment of property, plant and equipment							(22)
Finance costs							(94)
Foreign exchange loss, net							(107)
Other income and expenses							51
<b>Profit before tax</b>							<b>1,879</b>
<b>Other segmental information</b>							
Purchase of property, plant and equipment and intangible assets	379	48	2	46	16	–	<b>491</b>
Depreciation and amortisation of segment assets	368	45	10	7	15	–	<b>445</b>
Impairment of property, plant and equipment	32	(11)	–	–	1	–	<b>22</b>

The following tables present assets and liabilities of the Group's operating segments at 30 June 2015 and 31 December 2014, respectively.

	<b>GMK Group</b>	<b>Group KGMK</b>	<b>NN Harja- valta</b>	<b>Other metallur- gical</b>	<b>Other non- metallurgical</b>	<b>Elimi- nations</b>	<b>Total</b>
<b>30 June 2015</b>							
Inter-segment assets	221	78	203	11	63	(576)	–
Segment assets	8,114	578	362	277	914	–	<b>10,245</b>
<b>Total segment assets</b>	<b>8,335</b>	<b>656</b>	<b>565</b>	<b>288</b>	<b>977</b>	<b>(576)</b>	<b>10,245</b>
Unallocated							3,401
<b>Total group assets</b>							<b>13,646</b>
Inter-segment liabilities	104	23	11	2	436	(576)	–
Segment liabilities	1,161	77	73	157	855	–	<b>2,323</b>
<b>Total segment liabilities</b>	<b>1,265</b>	<b>100</b>	<b>84</b>	<b>159</b>	<b>1,291</b>	<b>(576)</b>	<b>2,323</b>
Unallocated							6,467
<b>Total group liabilities</b>							<b>8,790</b>



# MINING AND METALLURGICAL COMPANY NORILSK NICKEL

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

US Dollars million

### 5. SEGMENTAL INFORMATION (CONTINUED)

	GMK Group	Group KGMK	NN Harja- valta	Other metallur- gical	Other non- metallurgical	Elimi- nations	Total
<b>31 December 2014</b>							
Inter-segment assets	147	83	171	3	77	(481)	–
Segment assets	7,536	530	527	235	820	–	9,648
<b>Total segment assets</b>	<b>7,683</b>	<b>613</b>	<b>698</b>	<b>238</b>	<b>897</b>	<b>(481)</b>	<b>9,648</b>
Unallocated							3,501
<b>Total group assets</b>							<b>13,149</b>
Inter-segment liabilities	89	16	41	10	325	(481)	–
Segment liabilities	1,010	77	110	156	603	–	1,956
<b>Total segment liabilities</b>	<b>1,099</b>	<b>93</b>	<b>151</b>	<b>166</b>	<b>928</b>	<b>(481)</b>	<b>1,956</b>
Unallocated							6,400
<b>Total group liabilities</b>							<b>8,356</b>

### 6. METAL SALES

	For the six months ended 30 June 2015	For the six months ended 30 June 2014
Nickel	1,834	2,145
Copper	1,093	1,220
Palladium	1,063	1,124
Platinum	389	469
Other metals	212	244
<b>Total</b>	<b>4,591</b>	<b>5,202</b>

### 7. COST OF METAL SALES

	For the six months ended 30 June 2015	For the six months ended 30 June 2014
<b>Cash operating costs</b>		
Labour	584	839
Purchases of metals for resale, raw materials and semi-products	289	509
Materials and supplies	181	285
Third party services	119	185
Electricity and heat energy	75	107
Mineral extraction tax and other levies	59	110
Transportation expenses	39	48
Fuel	35	59
Sundry costs	59	84
<b>Total cash operating costs</b>	<b>1,440</b>	<b>2,226</b>
Depreciation and amortisation	242	409
Decrease/(increase) in metal inventories	83	(116)
<b>Total</b>	<b>1,765</b>	<b>2,519</b>

# MINING AND METALLURGICAL COMPANY NORILSK NICKEL

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

US Dollars million

### 8. SELLING AND DISTRIBUTION EXPENSES

	For the six months ended 30 June 2015	For the six months ended 30 June 2014
Export duties	16	146
Marketing expenses	12	33
Labour	5	9
Transportation expenses	2	12
Other	7	2
<b>Total</b>	<b>42</b>	<b>202</b>

### 9. GENERAL AND ADMINISTRATIVE EXPENSES

	For the six months ended 30 June 2015	For the six months ended 30 June 2014
Labour	168	221
Taxes other than mineral extraction tax and income tax	27	49
Third party services	25	50
Rent expenses	10	5
Depreciation and amortisation	9	15
Transportation expenses	3	9
Other	20	44
<b>Total</b>	<b>262</b>	<b>393</b>

### 10. FINANCE COSTS

	For the six months ended 30 June 2015	For the six months ended 30 June 2014
Interest expense on borrowings net of amounts capitalised	109	71
Unwinding of discount on provisions	19	21
Other	–	2
<b>Total</b>	<b>128</b>	<b>94</b>

# MINING AND METALLURGICAL COMPANY NORILSK NICKEL

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

US Dollars million

### 11. 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 1 January 2015</b>	<b>5,042</b>	<b>5,077</b>	<b>1,276</b>	<b>11,395</b>
Additions	381	–	306	687
Transfers	–	76	(76)	–
Change in decommissioning obligations	38	36	–	74
Reclassified between groups	17	(7)	(6)	4
Reclassified from assets held for sale	–	9	15	24
Reclassified to investment property	–	(14)	–	(14)
Disposals	(84)	(56)	(15)	(155)
Effect of translation to presentation currency	89	69	17	175
<b>Balance at 30 June 2015</b>	<b>5,483</b>	<b>5,190</b>	<b>1,517</b>	<b>12,190</b>
<b>Accumulated depreciation and impairment</b>				
<b>Balance at 1 January 2015</b>	<b>(1,742)</b>	<b>(2,505)</b>	<b>(137)</b>	<b>(4,384)</b>
Charge for the period	(90)	(197)	–	(287)
Reclassified between groups	(6)	6	(4)	(4)
Reclassified from assets held for sale	–	10	(15)	(5)
Disposals	83	52	13	148
Impairment loss	3	–	(5)	(2)
Effect of translation to presentation currency	(13)	(60)	4	(69)
<b>Balance at 30 June 2015</b>	<b>(1,765)</b>	<b>(2,694)</b>	<b>(144)</b>	<b>(4,603)</b>
<b>Carrying value</b>				
<b>At 1 January 2015</b>	<b>3,300</b>	<b>2,572</b>	<b>1,139</b>	<b>7,011</b>
<b>At 30 June 2015</b>	<b>3,718</b>	<b>2,496</b>	<b>1,373</b>	<b>7,587</b>

At 30 June 2015 capital construction-in-progress included USD 37 million of irrevocable letters of credit opened for fixed assets purchases (31 December 2014: USD 60 million), representing security deposits placed in banks at the end of the period.

Capitalized borrowing costs for the six months ended 30 June 2015 amounted to USD 69 million (for the six months ended 30 June 2014 amounted to USD 66 million). Capitalisation rate used to determine the amount of borrowing costs equals to 5.08% per annum (30 June 2014: 4.04%).

At 30 June 2015 mining assets and mine development cost included USD 2,347 million of mining assets under development (31 December 2014: USD 2,033 million).

### 12. INVESTMENT PROPERTY

Management reassessed classification of certain assets located in the Russian Federation (primarily, office property) in the amount of USD 115 million previously presented within assets classified as held for sale and held for use (31 December 2014: USD nil million). After reclassification they are recognised within investment property in the interim condensed consolidated statement of financial position.

# MINING AND METALLURGICAL COMPANY NORILSK NICKEL

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

US Dollars million

### 13. OTHER FINANCIAL ASSETS

	<u>30 June 2015</u>	<u>31 December 2014</u>
<b>Non-current</b>		
Available-for-sale investments in securities	233	166
Loans issued and other receivables	37	31
Bank deposits	<u>7</u>	<u>7</u>
<b>Total non-current</b>	<b><u>277</u></b>	<b><u>204</u></b>
<b>Current</b>		
Bank deposits	–	85
Loans issued and other receivables	–	2
Derivative financial instruments	<u>1</u>	<u>–</u>
<b>Total current</b>	<b><u>1</u></b>	<b><u>87</u></b>

Non-current available-for-sale investments in securities primarily consist of shares traded on the OJSC “Moscow Exchange MICEX-RTS” amounting to USD 233 million (31 December 2014: USD 166 million) and measured within Level 1 of fair value hierarchy.

As a result of increase in prices during six months ended 30 June 2015, gain on revaluation of available-for-sale investments of USD 99 million was recognised in other comprehensive income (during six months ended 30 June 2014: impairment loss in amount of USD 49 million was recognised in the interim condensed income statement).

### 14. CASH AND CASH EQUIVALENTS

	<u>30 June 2015</u>	<u>31 December 2014</u>
Current accounts		
- foreign currencies	941	782
- RUB	135	111
Bank deposits		
- foreign currencies	1,622	1,747
- RUB	112	152
Other cash and cash equivalents	<u>4</u>	<u>1</u>
<b>Total</b>	<b><u>2,814</u></b>	<b><u>2,793</u></b>

### 15. ASSETS CLASSIFIED AS HELD FOR SALE AND DISPOSAL OF SUBSIDIARIES

In December 2013, the Group made a decision to dispose the following assets:

- Nkomati Nickel Mine a South Africa mining company, an associate of the Group.
- Assets located in Western Australia.
- Certain other non-core assets located in the Russian Federation.

## MINING AND METALLURGICAL COMPANY NORILSK NICKEL

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

US Dollars million

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

During 2014, the Group made a decision to dispose of Tati Nickel Mining Company, a subsidiary of the Group, located in Botswana.

All of the above assets have been measured at the lower of their fair values less costs to sell and their carrying values. The Group has assessed fair value of assets classified as held for sale at 30 June 2015 and 31 December 2014 based on price offers available. Assets classified as held for sale have been included in Level 2 of fair value hierarchy.

Management of the Group concluded that the sale of assets in Western Australia and South Africa and disposal of other assets referred to above does not constitute discontinued operations.

Management of the Group is actively searching for buyers for all of the assets classified as held for sale and expects that disposals will be completed during the next twelve months. Disposal of these assets is consistent with the Group's long-term strategy.

During six months ended 30 June 2015, the management of the Group made a decision to reclassify certain assets located in the Russian Federation to investment property (refer to note 12) or to the assets classified as held for use. Reclassification does not have significant effect on current and previous period operations of the Group.

At 30 June 2015 and 31 December 2014 aggregate net assets were stated at fair value less costs to sell and included:

	<u>30 June 2015</u>	<u>31 December 2014</u>
Property, plant and equipment	42	168
Investments in associates	198	207
Intangible assets	–	1
Deferred tax assets	6	–
Inventories	–	27
Trade and other receivables	4	18
Other financial assets	–	10
Cash and cash equivalents	55	5
Provisions	–	(22)
Deferred tax liabilities	–	(2)
Employee benefit obligations	(3)	(8)
Loans and borrowings	(27)	(2)
Trade and other payables	(2)	(49)
<b>Net assets</b>	<b><u>273</u></b>	<b><u>353</u></b>

#### Disposal of Tati Nickel Mining Company during six months ended 30 June 2015

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 (“TNMC”) (together “African assets”). The total expected consideration for the assets amounts to USD 337 million. Under the terms of the agreements, the buyers will assume all attributable decommissioning rehabilitation obligations related to the assets.

On 2 April 2015, the Group sold its 85% stake in TNMC located in Botswana. The carrying value of the Group's share in net assets including decommissioning obligations at the date of disposal was negative in the amount of USD 20 million. Financial result from the disposal includes the negative impact due to write down of the historical amount of the foreign currency translation reserve representing cumulative exchange differences between the presentation currency – the US dollar and the Botswana Pula.

# MINING AND METALLURGICAL COMPANY NORILSK NICKEL

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

US Dollars million

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

#### Disposal of North Eastern Goldfields Operations during six months ended 30 June 2014

On 7 May 2014, the Group sold gold assets in Western Australia held by North Eastern Goldfields Operations (“NEGO”), a subsidiary of the Group, for a cash consideration of USD 19 million (AUD 20 million). The carrying value of assets including environmental obligations at the date of disposal was negative in the amount of USD 28 million. For the six months ended 30 June 2014 gain on disposal in the amount of USD 47 million was recognised in interim condensed consolidated income statement.

Additional contingent consideration in the amount not exceeding USD 16 million may be received by the Group subject to the disposed assets performance if they are put into operation.

### 16. SHARE CAPITAL

#### Authorised, issued and fully paid share capital

Ordinary shares at par value of RUB 1 each

	Number of shares	Outstanding balance
At 30 June 2015 and 31 December 2014	158,245,476	6

#### Treasury shares

	Number of shares	Outstanding balance
At 1 January 2015	—	—
June 2015: buy-back of treasury shares	10,443	2
At 30 June 2015	<u>10,443</u>	<u>2</u>

As a result of an announced voluntary buy-back of the Company’s issued shares, on 30 June 2015 the Company, through its subsidiary acquired 10,443 of its own ordinary shares for USD 2 million, which did not have any significant impact on the weighted average number of shares in issue. Subsequent to the issue date, the Group acquire own shares for USD 158 million (refer to note 21).

#### Weighted average number of shares in issue

Weighted average number of shares used in the calculation of basic and diluted earnings per share for the six months ended 30 June 2015 was 158,245,418 shares (for the six months ended 30 June 2014: 158,245,476).

#### Dividends declared and paid

On 13 May 2015 the Annual General shareholder’s meeting declared dividends for the year ended 31 December 2014 in the amount of RUB 670.04 (USD 13.2) per share with total amount of USD 2,083 million. The dividends were paid to the shareholders in May and June 2015 in amount of USD 2,126 million recognised in the interim condensed cash flow statement using prevailing RUB/USD rates on the payment dates.

Dividends payable at 30 June 2015 amounted to USD 6 million.

On 6 June 2014, the Annual General shareholder’s meeting declared final dividends for the year ended 31 December 2013 in the amount of RUB 248.48 (USD 7.1) per share with total amount of USD 1,127 million. During six months ended 30 June 2014 the Company paid dividends in amount of USD 1,112 million recognised in the interim condensed cash flow statement using prevailing RUB/USD rates on the payment dates.

Dividends payable at 30 June 2014 amounted to USD 43 million.

# MINING AND METALLURGICAL COMPANY NORILSK NICKEL

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

US Dollars million

### 17. LOANS AND BORROWINGS

	Currency	Fixed or floating interest rate	Average nominal rate during six months ended 30 June 2015, %	Maturity	30 June 2015	31 December 2014
Unsecured loans	USD	floating	2.42%	2015 – 2020	3 312	3 253
	RUB	fixed	12.80%	2019	717	708
	Other	floating	9.30%	2015	–	29
					<b>4 029</b>	<b>3 990</b>
Corporate Bonds	USD	fixed	5.05%	2018 – 2020	1 719	1 719
	RUB	fixed	7.90%	2016	630	621
					<b>2 349</b>	<b>2 340</b>
<b>Total</b>					<b>6 378</b>	<b>6 330</b>
Less: current portion due within twelve months and presented as short-term borrowings					(1 227)	(652)
<b>Long-term loans and borrowings</b>					<b>5 151</b>	<b>5 678</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.

### 18. RELATED PARTIES TRANSACTIONS AND OUTSTANDING BALANCES

Related parties are considered to include shareholders, associates and entities under ownership and control of the Group's major shareholders and key management personnel. 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 these interim condensed consolidated financial statements. Details of transactions between the Group and other related parties are disclosed below.

Transactions with related parties	Sale of goods and services		Purchase of goods and services	
	For the six months ended 30 June 2015	For the six months ended 30 June 2014	For the six months ended 30 June 2015	For the six months ended 30 June 2014
Entities under ownership and control of the Group's major shareholders	1	1	9	14
Associates of the Group	1	1	163	246
<b>Total</b>	<b>2</b>	<b>2</b>	<b>172</b>	<b>260</b>

# MINING AND METALLURGICAL COMPANY NORILSK NICKEL

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

US Dollars million

### 18. RELATED PARTIES TRANSACTIONS AND OUTSTANDING BALANCES (CONTINUED)

Outstanding balances with related parties	Accounts receivable, investments and cash		Accounts payable, loans and borrowings received	
	30 June 2015	31 December 2014	30 June 2015	31 December 2014
Entities under ownership and control of the Group's major shareholders	2	2	1	1
Associates of the Group	3	3	53	54
<b>Total</b>	<b>5</b>	<b>5</b>	<b>54</b>	<b>55</b>

#### 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.

### 19. COMMITMENTS AND CONTINGENCIES

#### Capital commitments

At 30 June 2015, contractual capital commitments amounted to USD 1,261 million (31 December 2014: USD 1,058 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 2060. According to the terms of lease agreements the rent is revised annually subject to the decision of the relevant local authorities. The Group entities have a renewal option at the end of lease period and an option to buy land at any time, at a price established by the local authorities.

At 30 June 2015, nine aircraft lease agreements (31 December 2014: nine) were in effect. The lease agreements have an average life of six 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 were as follows:

	30 June 2015	31 December 2014
Due within one year	65	59
From one to five years	216	176
Thereafter	94	86
<b>Total</b>	<b>375</b>	<b>321</b>



# MINING AND METALLURGICAL COMPANY NORILSK NICKEL

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

*US Dollars million*

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### 19. COMMITMENTS AND CONTINGENCIES (CONTINUED)

#### **Litigation**

At 30 June 2015 the Group has unresolved legal disputes with the state authorities due to non-approval of the reduction of the negative environmental impact charge in relation to the environmental protection expenditure incurred by the Group. Management believes that the Group complied with all relevant regulations to be eligible for the reduction and that no provision for these disputes is required. Additionally, 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 30 June 2015, total sum of respective unresolved legal claims amounted to approximately USD 65 million (31 December 2014: USD 51 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 a number of 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 it has adequately provided 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.

#### **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 its mining and production technologies are 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.

## MINING AND METALLURGICAL COMPANY NORILSK NICKEL

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

*US Dollars million*

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#### 19. COMMITMENTS AND CONTINGENCIES (CONTINUED)

The recent conflict in Ukraine and related events has increased the perceived risks of doing business in the Russian Federation. The imposition of economic sanctions on Russian individuals and legal entities has resulted in increased economic uncertainty including more volatile equity markets, a depreciation of the Russian Ruble, a reduction in both local and foreign investment inflows and a significant tightening in the availability of credit. Management assesses the recent changes in the Russian business environment did not significantly affected the operations, financial results and the financial position of the Group.

#### 20. FAIR VALUE OF FINANCIAL INSTRUMENTS

Management believes that the carrying value of financial instruments such as cash and cash equivalents (refer to note 14), short-term accounts receivable and payable, long-term available-for-sale investments (refer to note 13) whose values were mainly determined with reference to quoted market prices, approximate their fair value.

Certain financial instruments such as long-term accounts receivable, 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 assumed close to the reporting dates and management believes that their carrying value either approximates 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 measurement 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.

At 30 June 2015, the Group had derivative financial instruments amounted to USD 7 million (31 December 2014: USD 5 million) recognised within Level 2.

The Group is exposed to the market risk in respect of its quoted and unquoted investments, amounting to USD 233 million at 30 June 2015 (31 December 2014: USD 166 million) (refer to note 13).

# MINING AND METALLURGICAL COMPANY NORILSK NICKEL

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

US Dollars million

### 20 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUE)

Presented below is information about loans and borrowings, whose carrying values differ from their fair values.

	30 June 2015		31 December 2014	
	Carrying value	Fair value Level 1	Carrying value	Fair value Level 1
Fixed-rate corporate bonds	2,349	2,319	2,340	2,152
<b>Total</b>	<b>2,349</b>	<b>2,319</b>	<b>2,340</b>	<b>2,152</b>

	30 June 2015		31 December 2014	
	Carrying value	Fair value Level 2	Carrying value	Fair value Level 2
<b>Loans and borrowings, including:</b>				
Variable-rate loans and borrowings	3,312	3,110	3,282	3,108
Fixed-rate loans and borrowings	717	671	708	622
<b>Total</b>	<b>4,029</b>	<b>3,781</b>	<b>3,990</b>	<b>3,730</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 variable-rate and fixed rate loans and borrowings at 30 June 2015, 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 discount rates ranged from 2.50% to 4.50% for USD-denominated loans and borrowings (2014: from 2.50% to 4.50%) and 14.50% for RUR-denominated loans (2014: 15.81%).

During six months ended 30 June 2015 there were no reclassifications of financial assets as a result of a change in the purpose or use of those assets and any transfers between levels of fair value hierarchy used in measuring the fair value of financial instruments.

### 21 EVENTS SUBSEQUENT TO THE REPORTING DATE

#### *Borrowings*

On 30 July 2015 the Group obtained a long term loan from PJSC “Sberbank” in the amount of USD 1,081 million to be settled during 2021.

#### *Share buy-back program*

As a part of share buy-back program, from 1 July 2015 to 28 August 2015 the Group acquired 1,001,772 ordinary shares for a cash consideration of USD 158 million.

#### *Dividend's proposal*

On 3 August 2015 the Company's Board of Directors recommended an interim dividend payment in the amount of RUB 305.07 per ordinary share (USD 5.06 using USD/RUB rates on 3 August 2015) in respect of financial result for six months ended 30 June 2015.