Mining and Metallurgical Company Norilsk Nickel

Consolidated financial statements for the year ended 31 December 2015

INDEX

MINING AND METALLURGICAL COMPANY NORILSK NICKEL

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

The following statement, which should be read in conjunction with the auditors' responsibilities stated in the auditors' report 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 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 the consolidated financial statements that present fairly in all material aspects the consolidated financial position of the Group at 31 December 2015 and consolidated statements of income, comprehensive income, cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards ("IFRS").

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

- selecting suitable accounting policies and applying them consistently;
- making judgements and estimates that are reasonable and prudent;
- stating whether IFRS have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- preparing the 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 consolidated financial statements for the year ended 31 December 2015 were approved by:

V.O. Potanin
President

S.G. Malyshev
Vice President

Moscow, Russia
15 March 2016

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10 Presnenskaya Naberezhnaya
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Auditors' Report

To the Shareholders and Board of Directors

PJSC "Mining and Metallurgical Company Norilsk Nickel"

We have audited the accompanying consolidated financial statements of PJSC "Mining and Metallurgical Company Norilsk Nickel" (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for 2015, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the fair presentation of these consolidated financial statements based on our audit. We conducted our audit in accordance with Russian Federal Auditing Standards and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to express an opinion on the fair presentation of these consolidated financial statements.

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.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2015, and its financial performance and its cash flows for 2015 in accordance with International Financial Reporting Standards.

I.V. Tokarev

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

JSC "KPMG"

15 March 2016

Moscow, Russian Federation

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015
US Dollars million

	Notes	Year ended 31/12/2015	Year ended 31/12/2014
Revenue			
Metal sales	6	7,883	10,896
Other sales		659	973
Total revenue		**8,542**	**11,869**
Cost of metal sales	7	(3,179)	(4,805)
Cost of other sales		(592)	(869)
Gross profit		**4,771**	**6,195**
General and administrative expenses	9	(554)	(812)
Selling and distribution expenses	8	(139)	(335)
Impairment of property, plant and equipment	14	(284)	(130)
Other net operating expenses	10	(288)	(172)
Operating profit		**3,506**	**4,746**
Foreign exchange loss, net		(865)	(1,594)
Finance costs	11	(326)	(179)
Loss from disposal of subsidiaries and assets classified as held for sale	21	(302)	(213)
Income from investments, net	12	215	94
Share of profits of associates		16	50
Impairment of available for sale investments including impairment losses reclassified from other comprehensive income		–	(244)
Profit before tax		**2,244**	**2,660**
Income tax expense	13	(528)	(660)
Profit for the year		**1,716**	**2,000**
Attributable to:			
Shareholders of the parent company		1,734	2,003
Non-controlling interests		(18)	(3)
		1,716	**2,000**
EARNINGS PER SHARE			
Basic and diluted earnings per share attributable to shareholders of the parent company (US Dollars per share)	22	11.0	12.7

The accompanying notes on pages 11 – 52 form an integral part of the consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015
US Dollars million

	Year ended 31/12/2015	Year ended 31/12/2014
Profit for the year	**1,716**	**2,000**
Other comprehensive income/(loss)		
Items to be reclassified to profit or loss in subsequent periods:		
Increase in fair value of available-for-sale investments	74	1
Realised gain on disposal of available-for-sale investments	(73)	(1)
Reclassification of foreign currency translation reserve on disposed assets classified as held for sale to profit or loss	326	544
Effect of translation of foreign operations	(26)	26
Other comprehensive income to be reclassified to profit or loss in subsequent periods, net	**301**	**570**
Items not to be reclassified to profit or loss in subsequent periods:		
Effect of translation to presentation currency	(868)	(4,182)
Remeasurements of defined benefit plans	-	35
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods, net	**(868)**	**(4,147)**
Other comprehensive loss for the year	**(567)**	**(3,577)**
Total comprehensive income/(loss) for the year, net of tax	**1,149**	**(1,577)**
Attributable to:		
Shareholders of the parent company	1,173	(1,516)
Non-controlling interests	(24)	(61)
Total comprehensive income/(loss) for the year, net of tax	**1,149**	**(1,577)**

The accompanying notes on pages 11 – 52 form an integral part of the consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2015

US Dollars million

ASSETS	**Notes**	**31/12/2015**	**31/12/2014**
Non-current assets			
Property, plant and equipment	14	6,392	7,011
Intangible assets		50	43
Investment property	15	83	-
Investments in associates		-	17
Other financial assets	16	62	204
Other taxes receivable	17	-	6
Deferred tax assets	13	42	53
Other non-current assets		117	130
		6,746	**7,464**
Current assets			
Inventories	18	1,698	1,726
Trade and other receivables	19	167	275
Advances paid and prepaid expenses		55	63
Other financial assets	16	1	87
Income tax receivable		234	127
Other taxes receivable	17	199	178
Cash and cash equivalents	20	4,054	2,793
		6,408	**5,249**
Assets classified as held for sale	21	217	436
		6,625	**5,685**
TOTAL ASSETS		**13,371**	**13,149**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	22	6	6
Share premium		1,254	1,254
Treasury shares	22	(196)	-
Translation reserve		(5,348)	(4,787)
Retained earnings		6,523	8,295
Equity attributable to shareholders of the parent company		**2,239**	**4,768**
Non-controlling interests		22	25
		2,261	**4,793**
Non-current liabilities			
Loans and borrowings	23	7,142	5,678
Provisions	25	357	274
Deferred tax liabilities	13	205	216
Other long-term liabilities		30	6
		7,734	**6,174**
Current liabilities			
Loans and borrowings	23	1,124	652
Trade and other payables	26	1,008	908
Dividends payable	27	698	4
Employee benefit obligations	24	215	252
Provisions	25	205	156
Derivative financial instruments		2	5
Income tax payable		5	23
Other taxes payable	17	95	99
		3,352	**2,099**
Liabilities associated with assets classified as held for sale	21	24	83
		3,376	**2,182**
TOTAL LIABILITIES		**11,110**	**8,356**
TOTAL EQUITY AND LIABILITIES		**13,371**	**13,149**

The accompanying notes on pages 11 – 52 form an integral part of the consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

US Dollars million

	Year ended 31/12/2015	Year ended 31/12/2014
OPERATING ACTIVITIES		
Profit before tax	**2,244**	**2,660**
Adjustments for:		
Depreciation and amortisation	506	805
Impairment of property, plant and equipment	284	130
Impairment of available for sale investments	—	244
Loss on disposal of property, plant and equipment	20	28
Share of profits of associates	(16)	(50)
Loss from disposal of assets classified as held for sale	302	213
Change in provisions and allowances	120	69
Finance costs and income from investments, net	137	85
Foreign exchange loss, net	865	1,594
Other	27	(8)
	4,489	**5,770**
Movements in working capital:		
Inventories	(340)	94
Trade and other receivables	74	237
Advances paid and prepaid expenses	(2)	(7)
Other taxes receivable	(62)	162
Employee benefit obligations	42	(16)
Trade and other payables	152	515
Provisions	(4)	(21)
Other taxes payable	28	38
Cash generated from operations	**4,377**	**6,772**
Income tax paid	(672)	(825)
Net cash generated from operating activities	**3,705**	**5,947**
INVESTING ACTIVITIES		
Proceeds from sale of associate	10	—
Purchase of property, plant and equipment	(1,626)	(1,277)
Purchase of other financial assets	—	(9)
Purchase of intangible assets	(28)	(21)
Purchase of other non-current assets	(31)	(35)
Loans issued	(27)	—
Net change in deposits placed	91	(106)
Proceeds from sale of other financial assets	204	91
Proceeds from disposal of property, plant and equipment	1	20
Proceeds from disposal of assets classified as held for sale	—	24
Interest received	101	88
Dividends received	5	3
Net cash used in investing activities	**(1,300)**	**(1,222)**

The accompanying notes on pages 11 – 52 form an integral part of the consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)
US Dollars million

	Year ended 31/12/2015	Year ended 31/12/2014
FINANCING ACTIVITIES		
Proceeds from loans and borrowings	3,192	1,916
Repayments of loans and borrowings	(727)	(1,343)
Financial lease payments	(1)	—
Dividends paid	(2,859)	(3,281)
Interest paid	(376)	(259)
Buy-out of non-controlling interest	(31)	(12)
Acquisition of own shares from shareholders	(196)	—
Net cash used in financing activities	**(998)**	**(2,979)**
Net increase in cash and cash equivalents	**1,407**	**1,746**
Cash and cash equivalents at beginning of the period	**2,793**	**1,621**
Cash and cash equivalents of disposal group at beginning of the period	5	9
Less: cash and cash equivalents of disposal group at end of the period	(38)	(5)
Effects of foreign exchange differences on balances of cash and cash equivalents	(113)	(578)
Cash and cash equivalents at end of the period	**4,054**	**2,793**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015
US Dollars million

		Equity attributable to shareholders of the parent company							
	Notes	Share Capital	Share premium	Treasury shares	Translation reserve	Retained earnings	Total	Non-controlling interests	Total
Balance at 1 January 2014		**6**	**1,254**	**–**	**(1,230)**	**9,589**	**9,619**	**131**	**9,750**
Profit for the year		–	–	–	–	2,003	**2,003**	(3)	**2,000**
Other comprehensive income/(loss)		–	–	–	(3,557)	38	**(3,519)**	(58)	**(3,577)**
Total comprehensive income/(loss) for the year		**–**	**–**	**–**	**(3,557)**	**2,041**	**(1,516)**	(61)	**(1,577)**
Decrease in non-controlling interest due to increase in ownership of subsidiary		**–**	**–**	**–**	**–**	**14**	**14**	(54)	**(40)**
Increase in non-controlling interests due to cancellation of dividends in subsidiary		**–**	**–**	**–**	**–**	**–**	**–**	9	**9**
Dividends	27	–	–	–	–	(3,349)	**(3,349)**	–	**(3,349)**
Balance at 31 December 2014		**6**	**1,254**	**–**	**(4,787)**	**8,295**	**4,768**	**25**	**4,793**

The accompanying notes on pages 11 – 52 form an integral part of the consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)
US Dollars million

		Equity attributable to shareholders of the parent company							
	Notes	Share Capital	Share premium	Treasury shares	Translation reserve	Retained earnings	Total	Non-controlling interests	Total
Balance at 1 January 2015		**6**	**1,254**	**–**	**(4,787)**	**8,295**	**4,768**	**25**	**4,793**
Profit for the year		–	–	–	–	1,734	1,734	(18)	1,716
Other comprehensive loss		–	–	–	(561)	–	(561)	(6)	(567)
Total comprehensive income/(loss) for the year		**–**	**–**	**–**	**(561)**	**1,734**	**1,173**	**(24)**	**1,149**
Non-controlling interest on disposal of assets classified as held for sale		–	–	–	–	–	–	12	12
Decrease in non-controlling interest due to increase in ownership of subsidiary		–	–	–	–	(9)	(9)	9	–
Acquisition of own shares from shareholders	22	–	–	(196)	–	–	(196)	–	(196)
Dividends	27	–	–	–	–	(3,497)	(3,497)	–	(3,497)
Balance at 31 December 2015		**6**	**1,254**	**(196)**	**(5,348)**	**6,523**	**2,239**	**22**	**2,261**

The accompanying notes on pages 11 – 52 form an integral part of the consolidated financial statements

1. GENERAL INFORMATION

Organisation and principal business activities

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

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

BASIS OF PREPARATION

Statement of compliance

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

The entities of the Group maintain their accounting records in accordance with the laws, accounting and reporting regulations of the jurisdictions in which they are incorporated and registered. Accounting principles in certain jurisdictions may differ 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.

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

Basis of measurement

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

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

2. CHANGES IN ACCOUNTING POLICIES

Reclassification

At 31 December 2015 management presented semi-products sales separately within metal sales in order to better align metal revenue structure with management accounts and reporting (refer to note 6). Information for the year ended 31 December 2014 has been reclassified to conform with the current period presentation.

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

US Dollars million

Standards and interpretations effective in the current year

In the preparation of these consolidated financial statements the Group has adopted all new and revised International Financial Reporting Standards and Interpretations issued by International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for adoption in annual periods beginning on 1 January 2015.

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

- IFRS 2 *Share-based Payment (amended);*
- IFRS 3 *Business Combinations (amended);*
- IFRS 7 *Financial Instruments: Disclosures (amended);*
- IFRS 8 *Operating Segments (amended);*
- IFRS 9 *Financial Instruments (amended);*
- IFRS 13 *Fair Value Measurement (amended);*
- IAS 16 *Property, Plant and Equipment (amended);*
- IAS 19 *Employee Benefits(amended);*
- IAS 24 *Related Party Disclosures (amended);*
- IAS 38 *Intangible Assets (amended);*
- IAS 40 *Investment Property (amended).*

Standards and interpretations in issue but not yet effective

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

Standards and Interpretations	**Effective for annual periods beginning on or after**
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (amended)	1 January 2016
IFRS 7 Financial Instruments: Disclosures (amended)	1 January 2016
IFRS 9 Financial Instruments (amended)	1 January 2018
IFRS 10 Consolidated Financial Statements (amended)	1 January 2016
IFRS 11 Joint Arrangements (amended)	1 January 2016
IFRS 12 Disclosure of Interests in Other Entities (amended)	1 January 2016
IFRS 14 Regulatory Deferral Accounts	1 January 2016
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16 Leases	1 January 2019
IAS 1 Presentation of Financial Statements (amended)	1 January 2016
IAS 7 Statement of Cash Flows (amended)	1 January 2017
IAS 12 Income Taxes (amended)	1 January 2017
IAS 16 Property, Plant and Equipment (amended)	1 January 2016
IAS 19 Employee Benefits(amended)	1 January 2016
IAS 27 Separate Financial Statements (amended)	1 January 2016
IAS 28 Investments in Associates and Joint Ventures (amended)	1 January 2016
IAS 34 Interim Financial Reporting (amended)	1 January 2016
IAS 38 Intangible Assets (amended)	1 January 2016
IAS 41 Agriculture (amended)	1 January 2016

Management of the Group expects that all of the above standards and interpretations will be adopted in the Group's consolidated financial statements for the respective periods. The impact of adoption of those standards and interpretations on the consolidated financial statements of future periods is currently being assessed by management.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

Subsidiaries

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

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

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

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

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

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

Associates

An associate is an entity over which the Group exercises significant influence, but not control or joint control, through participation in financing and operating policy decisions, in which it normally owns between 20% and 50% of the voting equity. Associates are equity accounted for from the date significant influence commenced until the date that significant influence effectively ceased.

Investments in associates are carried at cost, including goodwill, as adjusted for the Group's share of post-acquisition changes in associate's retained earnings and other movements in reserves. The carrying value of investments in associates is reviewed on a regular basis and if any impairment in value has occurred, it is written down in the period in which these circumstances are identified. The results of associates are equity accounted for based on their most recent financial statements.

Losses of associates are recorded in the consolidated financial statements until the investment in such associates is written down to nil value. Thereafter losses are only accounted for to the extent that the Group is committed to provide financial support to such associates.

Profits and losses resulting from transactions with associates are eliminated to the extent of the Group's interest in the relevant associates. When significant influence over an associate is lost, any investment retained in the former associate is stated at fair value, with any consequential gain or loss recognised in the consolidated income statement.

Business combinations

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

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

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

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

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and the resulting gain or loss, is recognised in the consolidated income statement. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in comprehensive income are reclassified to the consolidated income statement where such treatment would be appropriate if that interest were disposed of.

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

Assets classified as held for sale

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

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

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

Functional and presentation currency

The individual financial statements of each Group entity are presented in its functional currency.
The Russian Rouble ("RUB") is the functional currency of the Company, all of its subsidiaries located in the Russian Federation and all foreign subsidiaries of the Group, except for the following subsidiaries operating with a significant degree of autonomy:

Subsidiary	Functional currency
Norilsk Nickel Harjavalta Oy	US Dollar
MPI Nickel Limited	Australian Dollar
Norilsk Nickel Cawse Proprietary Limited	Australian Dollar
Tati Nickel Mining Company Proprietary Limited (sold in April 2015)	Botswana Pula
Norilsk Nickel Africa Proprietary Limited	South African Rand

US Dollars million

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

The translation into presentation currency is made as follows:

- all assets and liabilities, both monetary and non-monetary, are translated at closing exchange rates at the dates of each statement of financial position presented;
- income and expense items are translated at the average exchange rates for the period;
- all equity items are translated at the historical exchange rates;
- all resulting exchange differences are recognised as a separate component in other comprehensive income; and
- in the consolidated statement of cash flows, cash balances at beginning and end of each period presented are translated at exchange rates at the respective dates. All cash flows are translated at the average exchange rates for the periods presented, with the exception of borrowings, dividends and advances received, gains and losses from disposal of subsidiaries, which are transated using the prevailing exchange rates at the dates of transactions;
- resulting exchange differences are presented in the consolidated statement of cashflows as effects of foreign exchange differences on balances of cash and cash equivalents.

Foreign currency transactions

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

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

	31/12/2015	31/12/2014
Russian Rouble/US Dollar		
31 December	72.88	56.26
Average for the year ended 31 December	60.96	38.42
Botswana Pula/US Dollar		
31 December	11.36	9.68
Average for the year ended 31 December	10.26	9.04
Australian Dollar/US Dollar		
31 December	1.37	1.23
Average for the year ended 31 December	1.33	1.11
South African Rand/US Dollar		
31 December	15.55	11.61
Average for the year ended 31 December	12.69	10.84
Hong Kong dollar/US Dollar		
31 December	7.75	7.75
Average for the year ended 31 December	7.75	7.75

Revenue recognition

Metal sales revenue

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

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

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

Other revenue

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

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

Dividends and interest income

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

Leases

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

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

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

Finance costs

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

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

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

Government grants

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

Employee benefits

Remuneration to employees in respect of services rendered during a reporting period is recognised as an expense in that period.

Defined contribution plans

The Group contributes to the following major defined contribution plans:

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

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

Share appreciation rights

At 31 December 2014 the Group terminated its share appreciation rights programme and settled substantially all of the outstanding obligations.

Income tax expense

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

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

Current tax

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

Deferred tax

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

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

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

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

Property, plant and equipment and mining development costs

Mining assets

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

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

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

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

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

Depreciation of mining assets is charged from the date on which a new mine reaches commercial production quantities and is included in the cost of production. Mining assets are depreciated on a straight-line basis over the lesser of their economic useful lives or the life of mine, varying from 2 to 45 years.

Non-mining assets

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

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

Depreciation is calculated over the following economic useful lives:

• plant, buildings and infrastructure	5 – 50 years
• machinery and equipment	3 – 30 years
• other non-mining assets	2 – 20 years

Capital construction-in-progress

Capital construction-in-progress comprises costs directly related to construction of buildings, processing plant, infrastructure, machinery and equipment, it also includes amounts of irrevocable letters of credit opened for future fixed assets deliveries and secured with deposits placed in banks. Cost also includes finance charges capitalised during construction period where such costs are financed by borrowings. Depreciation of these assets commences when the assets are put into production.

Research and exploration expenditure

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

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

Investment property

Investment property recognised at historical cost less accumulated depreciation. Investment property is depreciated on a straignt-line basis.

Intangible assets, excluding goodwill

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

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

Impairment of tangible and intangible assets, excluding goodwill

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

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

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

Inventories

Refined metals

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

Work-in-process

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

Materials and supplies

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

Financial assets

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

Financial assets are classified into the following specified categories:

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

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

Effective interest method

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

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

Financial assets at fair value through profit or loss

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

A financial asset is classified as held for trading if:

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

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

Loans and receivables

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

Available-for-sale financial assets

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

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

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

Impairment of financial assets

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

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

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

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

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

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

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

Derecognition of financial assets

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

Financial liabilities

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

Effective interest method

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

Derecognition of financial liabilities

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

Derivative financial instruments

The Group primarily uses derivative financial instruments to manage its exposure to the risk of changes in metal prices.

Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates. The resulting gain or loss is recognised in the consolidated income statement immediately.

The Group does not apply hedge accounting.

Cash and cash equivalents

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

Provisions

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

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

Decommissioning obligations

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTY

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

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

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

Useful economic lives of property, plant and equipment

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

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

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

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

Impairment of assets

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

Allowances

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

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

Decommissioning obligations

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

Income taxes

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

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

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

Contingencies

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

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 consolidated financial statements.

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 years ended 31 December 2015 and 2014, respectively.

Year ended 31/12/2015	**GMK Group**	**Group KGMK**	**NN Harja-valta**	**Other metallur-gical**	**Other non-metallur-gical**	**Elimi-nations**	**Total**
Revenue from external customers	6,532	615	757	17	621	–	**8,542**
Inter-segment revenue	58	158	–	13	561	(790)	–
Total revenue	**6,590**	**773**	**757**	**30**	**1,182**	**(790)**	**8,542**
Segment EBITDA	4,429	257	72	(12)	(64)	–	**4,682**
Unallocated							(386)
Consolidated EBITDA							**4,296**
Depreciation and amortisation							(506)
Impairment of property, plant and equipment							(284)
Finance costs							(326)
Foreign exchange loss, net							(865)
Other income and expenses							(71)
Profit before tax							**2,244**
Other segmental information							
Purchase of property, plant and equipment and intangible assets	1,353	146	24	100	31	–	**1,654**
Depreciation and amortisation of segment assets	418	37	42	1	8	–	**506**
Impairment of property, plant and equipment	272	–	–	11	1	–	**284**

US Dollars million

5. SEGMENTAL INFORMATION (CONTINUED)

Year ended 31/12/2014	GMK Group	Group KGMK	NN Harja-valta	Other metallur-gical	Other non-metallur-gical	Elimi-nations	Total
Revenue from external customers	8,853	873	986	75	1,082	–	**11,869**
Inter-segment revenue	84	227	–	79	915	(1,305)	**–**
Total revenue	**8,937**	**1,100**	**986**	**154**	**1,997**	**(1,305)**	**11,869**
Segment EBITDA	5,625	346	70	(61)	78	–	**6,058**
Unallocated							(377)
Consolidated EBITDA							**5,681**
Depreciation and amortisation							(805)
Impairment of property, plant and equipment							(130)
Finance costs							(179)
Foreign exchange loss, net							(1,594)
Other income and expenses							(313)
Profit before tax							**2,660**
Other segmental information							
Purchase of property, plant and equipment and intangible assets	1,026	123	7	103	39	–	**1,298**
Depreciation and amortisation of segment assets	680	71	20	5	29	–	**805**
Impairment of property, plant and equipment	140	(17)	–	2	5	–	**130**

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

Year ended 31/12/2015	GMK Group	Group KGMK	NN Harja-valta	Other metallur-gical	Other non-metallurgical	Elimi-nations	Total
Inter-segment assets	344	90	128	23	137	(722)	–
Segment assets	6,949	510	346	317	814	–	**8,936**
Total segment assets	**7,293**	**600**	**474**	**340**	**951**	**(722)**	**8,936**
Unallocated							4,435
Total group assets							**13,371**
Inter-segment liabilities	178	17	1	4	522	(722)	–
Segment liabilities	1,020	78	69	157	740	–	**2,064**
Total segment liabilities	**1,198**	**95**	**70**	**161**	**1,262**	**(722)**	**2,064**
Unallocated							9,046
Total group liabilities							**11,110**

US Dollars million

5. SEGMENTAL INFORMATION (CONTINUED)

Year ended 31/12/2014	**GMK Group**	**Group KGMK**	**NN Harja-valta**	**Other metallur-gical**	**Other non-metallurgical**	**Elimi-nations**	**Total**
Inter-segment assets	147	83	171	3	77	(481)	–
Segment assets	7,536	530	527	235	820	–	**9,648**
Total segment assets	**7,683**	**613**	**698**	**238**	**897**	**(481)**	**9,648**
Unallocated							3,501
Total group assets							**13,149**
Inter-segment liabilities	89	16	**41**	**10**	**325**	(481)	–
Segment liabilities	1,010	77	110	156	603	–	**1,956**
Total segment liabilities	**1,099**	**93**	**151**	**166**	**928**	**(481)**	**1,956**
Unallocated							6,400
Total group liabilities							**8,356**

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

6. METAL SALES

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

Year ended 31/12/2015	**Total**	**Nickel**	**Copper**	**Palladium**	**Platinum**	**Semi-products**	**Other metals**
Europe	**4,698**	1,453	1,448	1,182	327	72	216
Asia	**2,110**	1,153	249	384	180	109	35
North America	**613**	232	22	209	76	12	62
Russian Federation and CIS	**462**	172	197	32	48	-	13
	7,883	**3,010**	**1,916**	**1,807**	**631**	**193**	**326**
Year ended 31/12/2014							
Europe	**5,469**	2,025	1,623	1,206	371	49	195
Asia	**3,508**	1,963	400	703	310	97	35
North America	**957**	402	13	292	127	75	48
Russian Federation and CIS	**962**	246	432	20	61	-	203
	10,896	**4,636**	**2,468**	**2,221**	**869**	**221**	**481**

US Dollars million

7. COST OF METAL SALES

	Year ended 31/12/2015	Year ended 31/12/2014
Cash operating costs		
Labour	1,131	1,536
Purchases of metals for resale and semi-products	718	829
Materials and supplies	450	537
Third party services	186	403
Electricity and heat energy	131	191
Mineral extraction tax and other levies	117	194
Transportation expenses	75	87
Fuel	66	128
Sundry costs	137	162
Total cash operating costs	**3,011**	**4,067**
Depreciation and amortisation	476	698
(Increase)/decrease in metal inventories	(308)	40
Total	**3,179**	**4,805**

8. SELLING AND DISTRIBUTION EXPENSES

	Year ended 31/12/2015	Year ended 31/12/2014
Export duties	88	225
Labour	19	23
Marketing expenses	15	66
Transportation expenses	8	15
Other	9	6
Total	**139**	**335**

9. GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended 31/12/2015	Year ended 31/12/2014
Labour	352	465
Third party services	55	111
Taxes other than mineral extraction tax and income tax	54	98
Depreciation and amortisation	19	27
Rent	19	10
Transportation expenses	4	16
Other	51	85
Total	**554**	**812**

US Dollars million

10. OTHER NET OPERATING EXPENSES

	Year ended 31/12/2015	Year ended 31/12/2014
Expenses on reconfiguration of production facilities	116	–
Social expenses	114	71
Change in allowance for slow-moving and obsolete inventory	5	23
Change in allowance for value added tax recoverable	4	14
Change in allowance for doubtful debts	(3)	42
Excess of decrease in decommissioning obligations over assets net book value	–	(12)
Other	52	34
Total	**288**	**172**

11. FINANCE COSTS

	Year ended 31/12/2015	Year ended 31/12/2014
Interest expense on borrowings net of amounts capitalised	281	135
Unwinding of discount on provisions	44	43
Other	1	1
Total	**326**	**179**

12. INCOME FROM INVESTMENTS, NET

	Year ended 31/12/2015	Year ended 31/12/2014
Interest income on bank deposits	107	83
Realised gain on disposal of investments	75	3
Other	33	8
Total	**215**	**94**

US Dollars million

13. INCOME TAX EXPENSE

	Year ended 31/12/2015	Year ended 31/12/2014
Current income tax expense	506	722
Deferred tax expense/(benefit)	22	(62)
Total income tax expense	**528**	**660**

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

	Year ended 31/12/2015	Year ended 31/12/2014
Profit before tax	**2,244**	**2,660**
Income tax at statutory rate of 20%	449	532
Allowance for deferred tax assets	71	48
Non-deductible impairment of financial assets	-	48
Utilisation of previously unrecognised deferred tax asset	(96)	-
Non-taxable gain from disposal of financial assets	(14)	(22)
Non-deductible loss from disposal of assets held for sale	59	43
Effect of different tax rates of subsidiaries operating in other jurisdictions	37	(40)
Tax effect of other permanent differences	22	51
Total	**528**	**660**

The corporate income tax rates in other countries where the Group has a taxable presence vary from 0% to 40%.

Deferred tax balances

	31/12/2014	Recognised in income statement	Recognised in other compre-hensive income	Classified as held for sale	Effect of translation to presentation currency	31/12/2015
Property, plant and equipment	**228**	24	-	-	(51)	**201**
Inventories	**39**	73	-	-	(20)	**92**
Trade and other receivables	**(9)**	(1)	-	-	2	**(8)**
Decommissioning obligations	**(56)**	(20)	-	-	15	**(61)**
Loans and borrowings, trade and other payables	**(5)**	(16)	-	-	5	**(16)**
Other assets	**(15)**	(1)	-	-	7	**(9)**
Other liabilities	**-**	10	-	-	(5)	**5**
Tax loss carried forward	**(19)**	(47)	-	10	15	**(41)**
Net deferred tax liability	**163**	**22**	**-**	**10**	**(32)**	**163**

US Dollars million

13. INCOME TAX EXPENSE (CONTINUED)

	31/12/2013	Recognised in income statement	Recognised in other compre-hensive income	Reclassified from other comrehensive income to profit and loss	Effect of translation to presentation currency	31/12/2014
Property, plant and equipment	**383**	(62)	-	-	(93)	**228**
Inventories	**140**	(41)	-	-	(60)	**39**
Trade and other receivables	**(21)**	5	-	-	7	**(9)**
Decommissioning obligations	**(67)**	7	-	-	4	**(56)**
Loans and borrowings, trade and other payables	**(37)**	18	(7)	-	21	**(5)**
Other assets	**(37)**	10	-	2	10	**(15)**
Other liabilities	-	-	-	-	-	-
Tax loss carried forward	**(5)**	(1)	-	-	(13)	**(19)**
Net deferred tax liability	**356**	**(64)**	**(7)**	**2**	**(124)**	**163**

Certain deferred tax assets and liabilities have been offset to the extent they relate to taxes levied in the same jurisdiction and on the Group's entities which can pay taxes on a consolidated basis. Deferred tax balances (after offset) presented in the consolidated statement of financial position were as follows:

	31/12/2015	31/12/2014
Deferred tax liability	205	216
Deferred tax asset	(42)	(53)
Net deferred tax liabilities	**163**	**163**

Unrecognised deferred tax assets

Deferred tax assets have not been recognised as follows:

	31/12/2015	31/12/2014
Deductible temporary differences	78	193
Tax loss carry-forwards	187	222
Total	**265**	**415**

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

At 31 December 2015 deferred tax asset in amount of USD 138 million related to tax loss arising on disposal of OJSC "Third Generation Company of the Wholesale Electricity Market" ("OGK-3 (31 December 2014: USD 179 million) was not recognised as it was incurred by the Company prior to setting up of the tax consolidation group. This deferred tax asset can be utilized only if the Company exits the tax consolidation group within nine years after the exit (2014: within nine years after the exit). Unrecognised deferred tax assets in the amount of USD 49 million related to other tax losses will expire in ten years (31 December 2014: USD 43 million – ten years).

During the year ended 31 December 2015 previously unrecognised deferred tax assets arising on an impairment of available-for-sale investments in securities in amount of USD 96 million was utilised, following changes in tax legislation.

At 31 December 2015, the Group did not recognise a deferred tax liability in respect of taxable temporary differences of USD 1,191 million (31 December 2014: USD 1,581 million) associated with investments in subsidiaries, because management believes that it is in a position to control the timing of reversal of such differences.

US Dollars million

14. PROPERTY, PLANT AND EQUIPMENT

	Mining	Non-mining assets				
	assets and mine developme nt cost	**Buildings, structures and utilities**	**Machinery, equipment and transport**	**Other**	**Capital construc- tion- in- progress**	**Total**
Cost						
Balance at 1 January 2014	**9,540**	**3,445**	**4,463**	**180**	**2,103**	**19,731**
Additions	860	-	-	—	738	**1,598**
Reclassified between groups	(3)	1	33	(30)	(1)	-
Transfers	-	229	296	10	(535)	-
Change in decommissioning provision	(65)	72	-	—	-	**7**
Reclassified to assets held for sale	(1,732)	(11)	(105)	(119)	(144)	**(2,111)**
Disposals	(52)	(13)	(53)	(4)	(30)	**(152)**
Effect of translation to presentation currency	(3,506)	(1,501)	(1,784)	(32)	(855)	**(7,678)**
Balance at 31 December 2014	**5,042**	**2,222**	**2,850**	**5**	**1,276**	**11,395**
Additions	1,032	-	-	—	832	**1,864**
Reclassified between groups	39	(2)	(101)	89	(25)	-
Transfers	-	165	234	10	(409)	-
Change in decommissioning provision	63	25	-	—	-	**88**
Reclassified from/(to) assets held for sale	104	(3)	(2)	30	9	**138**
Reclassified to investment property	-	(8)	(2)	(2)	-	**(12)**
Disposals	(106)	(10)	(73)	(2)	(17)	**(208)**
Effect of translation to presentation currency	(1,299)	(506)	(587)	(28)	(358)	**(2,778)**
Balance at 31 December 2015	**4,875**	**1,883**	**2,319**	**102**	**1,308**	**10,487**
Accumulated depreciation and impairment						
Balance at 1 January 2014	**(4,390)**	**(1,487)**	**(2,258)**	**(108)**	**(266)**	**(8,509)**
Charge for the year	(277)	(184)	(338)	(12)	-	**(811)**
Reclassified between groups	1	(10)	29	(20)	-	-
Reclassified to assets held for sale	1,731	11	105	119	141	**2,107**
Disposals	41	13	42	—	4	**100**
Impairment loss	(43)	7	-	—	(94)	**(130)**
Effect of translation to presentation currency	1,195	673	893	20	78	**2,859**
Balance at 31 December 2014	**(1,742)**	**(977)**	**(1,527)**	**(1)**	**(137)**	**(4,384)**
Charge for the year	(180)	(150)	(222)	(8)	-	**(560)**
Reclassified between groups	(32)	(5)	86	(49)	-	-
Reclassified (from)/to assets held for sale	(83)	2	5	—	(12)	**(88)**
Disposals	98	7	67	2	14	**188**
Impairment loss	(7)	(124)	(8)	—	(145)	**(284)**
Effect of translation to presentation currency	428	235	322	12	36	**1,033**
Balance at 31 December 2015	**(1,518)**	**(1,012)**	**(1,277)**	**(44)**	**(244)**	**(4,095)**
Carrying value						
31 December 2014	**3,300**	**1,245**	**1,323**	**4**	**1,139**	**7,011**
31 December 2015	**3,357**	**871**	**1,042**	**58**	**1,064**	**6,392**

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

At 31 December 2015 capital construction-in-progress included USD 107 million of irrevocable letters of credit opened for fixed assets purchases (31 December 2014: USD 60 million), representing security deposits placed in banks. For the year ended 31 December 2015 purchases of property, plant and equipment in the consolidated statement of cashflows includes USD 103 million related to these irrevocable letters of credit (for the year ended 31 December 2014: nil).

Capitalized borrowing costs for the year ended 31 December 2015 amounted to USD 153 million (for the year ended 31 December 2014: USD 145 million). Capitalization rate used to determine the amount of borrowing costs equals to 5.14% per annum (2014: 3.98%).

At 31 December 2015 mining assets and mine development cost included USD 2,026 million of mining assets under development (31 December 2014: USD 2,033 million).

Impairment

During the year ended 31 December 2015 the Group revised its intention on the further use of the gas extraction assets. As a result, these assets were assessed as a separate cash generating unit. At 31 December 2015 the Group identified indicators of the impairment of gas production assets and determined their recoverable amount based on the value-in-use estimate. As a result, impairment loss in the amount of USD 266 million was recognized in Impairment of property, plant and equipment in the consolidated income statement. The most significant estimates and assumptions used in determination of value in use are as follows:

- Future cash flows were projected based on budgeted amounts, taking into account actual results for the previous years. Forecasts were assessed up to 2100. Measurements were performed based on discounted cash flows expected to be generated by gas–producting assets.
- Management estimates prices for natural gas and gas-concentrate based on commodities price forecasts. Commodities price forecast was based on consensus forecast.
- Production forecasts were primarily based on internal production reports available at the date of impairment test and management's assumptions regarding future production levels.
- The amounts and timing of capital investments were based on management's forecast.
- Inflation indices and foreign currency rate forecasts were sourced from Economist Intelligence Unit report. Inflation used was projected within 4-7%. Forecast for exchange rates was made based on expected RUR and USD inflation indices.
- A pre-tax nominal RUR discount rate of 17.4% was estimated by the reference to the weighted average cost of capital for the Group and reflects management's estimates of the risks specific to production units.

During the year ended 31 December 2015 additional impairment losses in the amount of USD 18 million (for the year ended 31 December 2014: USD 130 million) were recognised in respect of specific individual assets, primarily construction-in-progress and related equipment for installation.

At 31 December 2015 no indicators of a reversal of previously recognised impairment losses have been identified.

15. INVESTMENT PROPERTY

During the year ended 31 December 2015 management of the Group reclassified certain assets located in the Russian Federation (primarily, office property) in the amount of USD 83 million previously presented within assets classified as held for sale and held for use to the investment property based on their intended use. Investment property is recognised in the consolidated statement of financial position at historical cost less accumulated depreciation. Carrying value of investment property approximates its fair value.

US Dollars million

16. OTHER FINANCIAL ASSETS

	31/12/2015	31/12/2014
Non-current		
Loans issued and other receivables	57	31
Bank deposits	5	7
Available-for-sale investments in securities	-	166
Total non-current	**62**	**204**
Current		
Loans issued and other receivables	1	2
Bank deposits	-	85
Total current	**1**	**87**

Available-for-sale investments in securities

During the year ended 31 December 2015 the Group sold its 12.35% stake in PJSC Inter RAO UES for the total consideration in the amount of USD 204 million. Gain on disposal in the amount of USD 75 million was recognised in the consolidated income statement.

During the year ended 31 December 2014 as a result of continuing decline in prices, impairment loss on available-for-sale investments of USD 123 million was recognised in the consolidated income statement.

During the year ended 31 December 2014, investments in companies which own various real estate properties were fully impaired based on the available DCF models and management assessment of their recoverability. Impairment loss in amount of USD 121 million was recognised in the consolidated income statement.

Bank deposits

Interest rate on long-term RUB-denominated deposits held in banks was 5.1% (31 December 2014: 5.1%) per annum.

US Dollars million

17. OTHER TAXES

	31/12/2015	31/12/2014
Taxes receivable		
Value added tax recoverable	186	154
Export duties	-	11
Other taxes	14	20
	200	**185**
Less: Allowance for value added tax recoverable	(1)	(1)
Total	**199**	**184**
Less: Non-current portion of other taxes receivable	-	(6)
Other taxes receivable	**199**	**178**
Taxes payable		
Value added tax	45	40
Social security contributions	23	23
Property tax	10	14
Mineral extraction tax	7	8
Other	10	14
Other taxes payable	**95**	**99**

18. INVENTORIES

	31/12/2015	31/12/2014
Refined metals	541	389
Semi-products	58	-
Work-in-process	605	787
Total metal inventories	**1,204**	**1,176**
Materials and supplies	520	592
Less: Allowance for obsolete and slow-moving items	(26)	(42)
Net materials and supplies	**494**	**550**
Inventories	**1,698**	**1,726**

19. TRADE AND OTHER RECEIVABLES

	31/12/2015	31/12/2014
Trade receivables from metal sales	86	213
Other receivables	135	154
	221	**367**
Less: Allowance for doubtful debts	(54)	(92)
Trade and other receivables, net	**167**	**275**

In 2015 and 2014, the average credit period on metal sales varied from 0 to 30 days. Trade receivables are generally non-interest bearing.

At 31 December 2015 and 2014, there were no material trade accounts receivable which were overdue or individually determined to be impaired.

US Dollars million

19. TRADE AND OTHER RECEIVABLES (CONTINUED)

The average credit period on sales of other products and services for the year ended 31 December 2015 was 27 days (2014: 24 days). No interest was charged on these receivables.

Included in the Group's other receivables at 31 December 2015, were debtors with a carrying value of USD 45 million (31 December 2014: USD 23 million) that were past due but not impaired. Management of the Group believes that these amounts are recoverable in full.

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

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

	31/12/2015	31/12/2014
Less than 180 days	34	20
180-365 days	11	3
	45	**23**

Movement in the allowance for doubtful debts was as follows:

	Year ended 31/12/2015	Year ended 31/12/2015
Balance at beginning of the year	**92**	**118**
Change in allowance	(3)	42
Accounts receivable written-off	(16)	(6)
Disposed on disposal of subsidiaries	-	(1)
Effect of translation to presentation currency	(19)	(61)
Balance at end of the year	**54**	**92**

20. CASH AND CASH EQUIVALENTS

		31/12/2015	31/12/2014
Current accounts			
	- foreign currencies	525	782
	- RUB	43	111
Bank deposits			
	- foreign currencies	2,598	1,747
	- RUB	879	152
Other cash and cash equivalents		9	1
Total		**4,054**	**2,793**

US Dollars million

21. ASSETS CLASSIFIED AS HELD FOR SALE AND DISPOSAL OF SUBSIDIARIES

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

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

During the year ended 31 December 2014, management of the Group made a decision to dispose of Tati Nickel Mining Company, a subsidiary of the Group, located in Botswana.

During the year ended 31 December 2015, management of the Group made a decision to dispose of OJSC "Arkhangelsk Sea Commercial Port", a subsidiary of the Group located in the Russian Federation.

During the year ended 31 December 2015, management of the Group made a decision to reclassify certain other non-core assets located in the Russian Federation from assets classified as held for sale to investment property (refer to note 15) or to the assets classified as held for use. Reclassification does not have significant effect on current and previous period operations of the Group.

Management of the Group is actively searching for buyers for all of the assets classified as held for sale and/or is waiting for necessary regulatory approvals, 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.

All of the above assets classified as held for sale 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 31 December 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.

At 31 December 2015 and 31 December 2014 major classes of assets and liabilities related to assets classified as held for sale are presented below:

	31/12/2015	31/12/2014
Property, plant and equipment	7	168
Investments in associates	154	207
Intangible assets	-	1
Deferred tax assets	10	-
Inventories	-	27
Trade and other receivables	3	18
Other financial assets	1	10
Cash and cash equivalents	42	5
Total assets	**217**	**436**
Decommissioning obligations	-	(24)
Deferred tax liabilities	(1)	(2)
Employee benefit obligations	(1)	(8)
Loans and borrowings	(21)	-
Trade and other payables	(1)	(49)
Total liabilities	**(24)**	**(83)**
Net assets	**193**	**353**

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

Disposal of Tati Nickel Mining Company during the year ended 31 December 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 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.

Disposal of assets located in Western Australia during the year ended 31 December 2014

On 7 May 2014, the Group sold goldfields 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 decommissioning obligations at the date of disposal was negative in the amount of USD 28 million. Gain on disposal in the amount of USD 47 million was recognised in the consolidated income statement.

On 4 July 2014 the Group announced that it entered into binding agreements to sell its nickel assets Black Swan and Silver Swan in Western Australia held by MPI Nickel Pty Ltd and Black Swan Nickel Pty Ltd, subsidiaries of the Group. On 27 March 2015 the Group completed the transaction. The Group recognised disposal of assets in the consolidated financial statements for the year ended 31 December 2014. Gain on disposal in the amount of USD 48 million primarily due to write down of decommissioning obligations was recognised in the consolidated income statement.

On 12 November 2014, the Group sold Lake Johnston Nickel Project (“LJNP”) in Western Australia held by Lake Johnston Pty Ltd and Lake Johnston Operations Pty Ltd, subsidiaries of the Group. Gain on disposal in the amount of USD 81 million primarily due to write down of decommissioning obligations was recognised in the consolidated income statement.

On 17 December 2014, the Group sold nickel assets Avalon and Cawse (“A&C”) in Western Australia held by Norilsk Nickel Avalon Pty Ltd and Norilsk Nickel Cawse Pty Ltd, subsidiaries of the Group. Gain on disposal in the amount of USD 158 million primarily due to write down of decommissioning obligations was recognised in the consolidated income statement.

Financial result from the disposal of the Australian assets includes negative impact due to a write down of the foreign currency translation reserve representing cumulative exchange differences between the presentation currency – the US dollar, and the Australian dollar.

US Dollars million

22. SHARE CAPITAL

Authorised and issued ordinary shares

	2015	2014
At 1 January	158,245,476	158,245,476
Acquisition of own shares from shareholders	(1,250,075)	-
At 31 December	**156,995,401**	**158,245,476**

During the period from 1 July to 31 December 2015 the Group acquired 1,250,075 ordinary shares for a cash consideration of USD 196 million.

Earnings per share

	Year ended 31/12/2015	Year ended 31/12/2014
Basic earnings per share (US Dollars per share):	11.0	12.7

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

	Year ended 31/12/2015	Year ended 31/12/2014
Profit for the year attributable to shareholders of the parent company	1,734	2,003

	Year ended 31/12/2015	Year ended 31/12/2014
Weighted average number of shares on issue	158,245,476	158,245,476
Less: weighted average number of treasure shares	(489,575)	-
Weighted average number of outstandign shares	**157,755,901**	**158,245,476**

As at 31 December 2015 and 31 December 2014, the Group had no securities, which would have a dilutive effect on earnings per share of ordinary stock.

US Dollars million

23. LOANS AND BORROWINGS

	Currency	Fixed or floating interest rate	Average nominal rate in 2015, %	Maturity	31/12/2015	31/12/2014
Unsecured loans	USD	floating	**2.79%**	**2016-2025**	3,404	3,253
	RUB	fixed	**12.65%**	**2019-2021**	1,655	708
	Other	floating	**9.30%**	**2015**	–	29
					5,059	**3,990**
Corporate Bonds	USD	fixed	**5.23%**	**2018-2022**	2,717	1,719
	RUB	fixed	**7.90%**	**2016**	480	621
					3,197	**2,340**
Finance leasing	USD	fixed	**7.82%**	**2019**	10	–
Total					**8,266**	**6,330**
Less: current portion due within twelve months and presented as short-term borrowings					(1,124)	(652)
Long-term loans and borrowings					**7,142**	**5,678**

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.

24. EMPLOYEE BENEFIT OBLIGATIONS

	31/12/2015	31/12/2014
Accrual for annual leave	136	150
Wages and salaries	96	94
Defined benefit obligations	-	5
Share appreciation rights	-	2
Other	5	7
Total obligations	**237**	**258**
Less: non-current obligations	**(22)**	**(6)**
Current obligations	**215**	**252**

Defined contribution plans

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

	Year ended 31/12/2015	Year ended 31/12/2014
Pension Fund of the Russian Federation	287	376
Mutual accumulated pension plan	8	12
Other	6	7
Total	**301**	**395**

US Dollars million

25. PROVISIONS

	31/12/2015	31/12/2014
Current provisions		
Tax provision	127	140
Provision for social commitments	12	14
Decommissioning obligations	-	1
Other provisions	66	1
Total current provisions	**205**	**156**
Non-current provisions		
Decommissioning obligations	308	227
Provision for social commitments	38	47
Other long-term provisions	11	-
Total non-current provisions	**357**	**274**
Total	**562**	**430**

	Decommis-sioning	Social commitments	Tax	Other	Total
Balance at 1 January 2014	**443**	**144**	**154**	**3**	**744**
Provision accrued	101	-	-	-	**101**
Settlements during the year	-	(22)	-	(2)	**(24)**
Liabilities directly associated with assets classified as held for sale	(24)	-	-	-	**(24)**
Change in estimates	(106)	(14)	-	-	**(120)**
Unwinding of discount	36	7	-	-	**43**
Effect of translation to presentation currency	(222)	(54)	(14)	-	**(290)**
Balance at 31 December 2014	**228**	**61**	**140**	**1**	**430**
Provision accrued	-	3	4	95	**102**
Settlements during the year	-	(13)	(3)	-	**(16)**
Change in estimate	122	11	-	(1)	**132**
Unwinding of discount	35	6	-	3	**44**
Effect of translation to presentation currency	(77)	(18)	(14)	(21)	**(130)**
Balance at 31 December 2015	**308**	**50**	**127**	**77**	**562**

Decommissioning obligations

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

	31/12/2015	31/12/2014
Discount rates Russian entities	9.3% – 10.4%	9.9% – 15.3%
Discount rates non-Russian entities	3% – 8%	3% – 9%
Expected closure date of mines	up to 2056	up to 2059
Expected inflation over the period from 2016 to 2019	4.6% – 8.7%	4.9% – 9.2%
Expected inflation over the period from 2020 onwards	5.30%	4.80%

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

	31/12/2015	31/12/2014
Due from second to fifth year	170	152
Due from sixth to tenth year	49	28
Due from eleventh to fifteenth year	16	10
Due from sixteenth to twentieth year	5	7
Due thereafter	68	31
Total	**308**	**228**

US Dollars million

25. PROVISIONS (CONTINUED)

In 2015 the Group approved a programme for reconfiguration of production facilities located in the Taimyr Peninsula. The programme starts in 2016 and also includes activites related to closure and liquidation of the Nickel plant which in the the past were partially provided for within the Decommisioning obligations. The revised provision was calculated based on the best estimate of the amount and timing of future expenditures included in the detailed liquidation programme, and accounted for accordingly. Furher, additional expenses on reconfiguration of production facilities were recognised within Other net operating expenses.

Social commitments

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

26. TRADE AND OTHER PAYABLES

	31/12/2015	31/12/2014
Financial liabilities		
Trade payables	173	245
Payables for acquisition of property, plant and equipment	93	109
Other creditors	138	108
Total financial liabilities	**404**	**462**
Non-financial liabilities		
Advances received	604	446
Total non-financial liabilities	**604**	**446**
Total	**1,008**	**908**

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

	31/12/2015	31/12/2014
Due within one month	175	242
Due from one to three months	198	146
Due from three to twelve months	31	74
Total	**404**	**462**

27. DIVIDENDS

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

On 14 September 2015, the Extraordinary General shareholder’s meeting declared interim dividends in respect of the 6 months ended 30 June 2015 in the amount of RUB 305.07 (USD 4.49) per share with the total amount of USD 710 million, including USD 4 million in respect of Treasury shares. The dividends were paid to the shareholders from September to December 2015 in the amount of USD 731 million, recognised in the consolidated cash flow statement using prevailing RUB/USD rates on the payment dates.

On 19 December 2015, the Extraordinary General shareholder’s meeting declared interim dividends in respect of the 9 months ended 30 September 2015 in the amount of RUB 321.95 (USD 4.51) per share with the total amount of USD 714 million, including USD 6 million in respect of Treasury shares.

US Dollars million

27. DIVIDENDS (CONTINUED)

The dividends in respect of 9 months ended 30 September 2015 were paid to the shareholders in January 2016 in the amount of USD 665 million using prevailing RUB/USD rates on the payment dates.

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 the total amount of USD 1,127 million. The dividends were paid to the shareholders in June and July 2014 in the amount of USD 1,146 million recognised in the consolidated cash flow statement using prevailing RUB/USD rates on the payment dates.

On 11 December 2014, the Extraordinary General shareholder's meeting declared interim dividends in respect of the 9 months ended 30 September 2014 in the amount of RUB 762.34 (USD 14.05) per share with the total amount of USD 2,222 million. The dividends were paid to the shareholders in December 2014 in the amount of USD 2,135 million recognised in the consolidated cash flow statement using prevailing RUB/USD rates on the payment dates.

28. RELATED PARTIES TRANSACTIONS AND OUTSTANDING BALANCES

Related parties include shareholders, associates and entities under common 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 this note. Details of transactions between the Group and other related parties are disclosed below.

	Sale of goods and services		Purchase of goods and services	
Transactions with related parties	**Year ended 31/12/2015**	**Year ended 31/12/2014**	**Year ended 31/12/2015**	**Year ended 31/12/2014**
Entities under common ownership and control of the Group's major shareholders	-	2	19	22
Associates of the Group	6	1	242	398
Total	**6**	**3**	**261**	**420**

	Accounts receivable, investments and cash		Accounts payable, loans and borrowings received	
Outstanding balances with related parties	**31/12/2015**	**31/12/2014**	**31/12/2015**	**31/12/2014**
Entities under common ownership and control of the Group's major shareholders	-	2	-	1
Associates of the Group	2	3	25	54
Total	**2**	**5**	**25**	**55**

Terms and conditions of transactions with related parties

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

Compensation of key management personnel

Key management personnel of the Group consists of members of the Management Board and the Board of Directors. For the year ended 31 December 2015 remuneration of key management personnel of the Group included salary and performance bonuses amounted to USD 61 million (for the year ended 31 December 2014: USD 37 million).

US Dollars million

29. COMMITMENTS

Capital commitments

At 31 December 2015, contractual capital commitments amounted to USD 798 million (31 December 2014: USD 1,058 million).

Operating leases

The land in the Russian Federation on which the Group's production facilities are located is owned by the state. The Group leases land through operating lease agreements, which expire in various years through 2064. According to the terms of lease agreements rent fees are revised annually by reference to an order issued by 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.

During the year ended 31 December 2014 the Group entered into a long-term operating lease agreement for its headquarters building.

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

	31/12/2015	31/12/2014
Due within one year	31	25
From one to five years	128	110
Thereafter	79	84
Total	**238**	**219**

At 31 December 2015, the Group entered into nine aircraft lease agreements. The respective lease agreements have an average life of eight-years with renewal option at the end of the term. There are no restrictions placed upon the lessee by entering into these agreements. At 31 December 2014, nine aircraft lease agreements belonged to entities classified as held for sale.

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

	31/12/2015	31/12/2014
Due within one year	37	34
From one to five years	89	66
Thereafter	-	2
Total	**126**	**102**

Social commitments

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

The Group's commitments are funded from its own cash resources.

30. CONTINGENCIES

Litigation

At 31 December 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 31 December 2015, total claims under unresolved litigation amounted to approximately USD 53 million (31 December 2014: USD 51 million).

30. CONTINGENCIES (CONTINUED)

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.

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 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.

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. The consolidated financial statements reflect management’s assessment of the impact of the Russian business environment on the financial results and the financial position of the Group.

US Dollars million

31. FINANCIAL RISK MANAGEMENT

Capital risk management

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

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

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

As at 15 March 2016 the Company maintains BBB- investment grade ratings, assigned by rating agencies S&P's and Fitch, despite S&P's downgrade of Russian sovereign rating below the investment grade level to BB+ on 26 January 2015. The Company's rating from Moody's is restrained by Russia's country ceiling at Ba1 level.

Financial risk factors and risk management structure

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

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

Interest rate risk

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

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

	2% LIBOR increase impact	
	Year ended 31/12/2015	**Year ended 31/12/2014**
Loss	68	66

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

US Dollars million

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

Currency risk

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

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

The carrying amounts of monetary assets and liabilities denominated in foreign currencies other than functional currencies of the individual Group entities at 31 December 2015 and 2014 were as follows:

	31/12/2015			**31/12/2014**		
	USD	**HKD**	**Other currencies**	**USD**	**HKD**	**Other currencies**
Cash and cash equivalents	2,068	1,009	32	1,406	1,008	80
Trade and other receivables	88	-	8	168	-	6
Other assets	95	-	115	-	-	136
Total assets	**2,251**	**1,009**	**155**	**1,574**	**1,008**	**222**
Trade and other payables	200	-	82	257	-	94
Loans and borrowings	6,121	-	-	4,997	-	-
Other liabilities	11	-	5	39	-	-
Total liabilities	**6,332**	**-**	**87**	**5,293**	**-**	**94**

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

	US Dollar 20% impact	
	Year ended 31/12/2015	**Year ended 31/12/2014**
Loss	816	744

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

Credit risk

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

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

	Outstanding balance	
Cash and cash equivalents	**31/12/2015**	**31/12/2014**
Bank A	1,009	1,003
Bank B	948	525
Bank C	632	343
Bank D	369	246
Bank E	312	214
	3,270	**2,331**
Trade receivables		
Company A	17	37
Company B	10	16
Company C	8	14
Company D	6	13
Company E	5	12
	46	**92**

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

	Year ended 31/12/2015			Year ended 31/12/2014		
	Number of customers	**Turnover USD million**	**%**	**Number of customers**	**Turnover USD million**	**%**
Largest customer	1	1,025	12	1	1,051	9
Next 9 largest customers	9	3,382	39	9	4,111	35
Total	**10**	**4,407**	**51**	**10**	**5,162**	**44**
Next 10 largest customers	10	1,091	13	10	1,573	13
Total	**20**	**5,498**	**64**	**20**	**6,735**	**57**
Remaining customers		3,044	36		5,134	43
Total		**8,542**	**100**		**11,869**	**100**

Management of the Group believes that except as indicated above in respect of bank balances there is no significant concentration of credit risk.

The maximum exposure to credit risk for cash and cash equivalents, loans, irrevocable letters of credit, representing security deposits placed in banks, and trade and other receivables is as follows:

	31/12/2015	**31/12/2014**
Cash and cash equivalents	4,054	2,793
Loans, trade and other receivables	225	308
Irrevocable letters of credit	121	71
Bank deposits	5	92

US Dollars million

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk

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

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

Presented below is the maturity profile of the Group's borrowings (maturity profiles for other liabilities presented in note 26) based on contractual undiscounted payments, including interest:

31/12/2015	Total	Due within one month	Due from one to three months	Due from three to twelve months	Due in the second year	Due in the third year	Due in the fourth year	Due in the fifth year	Due there-after
Fixed rate bank loans and borrowings									
Principal	**4,874**	-	480	3	2	742	551	1,273	1,823
Interest	**1,838**	-	69	310	362	346	325	259	167
	6,712	**-**	**549**	**313**	**364**	**1,088**	**876**	**1,532**	**1,990**
Floating rate bank loans and borrowings									
Principal	**3,430**	-	144	501	626	988	754	17	400
Interest	**366**	6	18	69	85	62	33	21	72
	3,796	**6**	**162**	**570**	**711**	**1,050**	**787**	**38**	**472**
Total	**10,508**	**6**	**711**	**883**	**1,075**	**2,138**	**1,663**	**1,570**	**2,462**

31/12/2014	Total	Due within one month	Due from one to three months	Due from three to twelve months	Due in the second year	Due in the third year	Due in the fourth year	Due in the fifth year	Due there-after
Fixed rate bank loans and borrowings									
Principal	**3,057**	-	-	-	623	-	750	711	973
Interest	**960**	-	47	180	202	178	161	138	54
	4,017	**-**	**47**	**180**	**825**	**178**	**911**	**849**	**1,027**
Floating rate bank loans and borrowings									
Principal	**3,313**	35	-	622	601	599	880	576	-
Interest	**204**	4	14	52	54	43	29	8	-
	3,517	**39**	**14**	**674**	**655**	**642**	**909**	**584**	**-**
Total	**7,534**	**39**	**61**	**854**	**1,480**	**820**	**1,820**	**1,433**	**1,027**

At 31 December 2015 the Group had available financing facilities for the management of its day to day liquidity requirements of USD 2,847 million (31 December 2014: USD 2,157 million) which reflects the initiative of the Groups's prudent financial policy through the increase of undrawn commited credit facilities as an additional source of medium term liquidity.

US Dollars million

32. FAIR VALUE OF FINANCIAL INSTRUMENTS

Management believes that the carrying value of financial instruments such as cash and cash equivalents (refer to note 20), short-term accounts receivable (refer to note 19) and payable (refer to note 26), short-term loans given (refer to note 16), long-term available-for-sale investments (refer to note 16) which values were mainly determined with reference to quoted market prices, approximates their fair value.

Certain financial instruments such as long-term accounts receivable, long-term promissory notes receivable and finance leases obligations were excluded from fair value analysis either due to their insignificance or due to the fact that assets were acquired or liabilities were assumed close to the reporting dates and management believes that their carrying value either approximates 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.

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

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

	31/12/2015		31/12/2014	
Fixed-rate corporate bonds	**Carrying value**	**Fair value Level 1**	**Carrying value**	**Fair value Level 1**
	3,197	3,210	2,340	2,152
Total	**3,197**	**3,210**	**2,340**	**2,152**
Loans and borrowings including:	**Carrying value**	**Fair value Level 2**	**Carrying value**	**Fair value Level 2**
Variable-rate loans and borrowings	3,404	3,339	3,282	3,108
Fixed-rate loans and borrowings	1,655	1,722	708	622
Total	**5,059**	**5,061**	**3,990**	**3,730**

The fair value of financial assets and 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 31 December 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 4.00% to 5.55% for USD-denominated loans and borrowings (2014: from 2.50% to 4.50%) and 11.60% (2014: 15.81%) for RUB-denominated loans.

US Dollars million

33. INVESTMENTS IN SIGNIFICANT SUBSIDIARIES AND ASSOCIATES

Subsidiaries by business segments	Country	Nature of business	Effective % held 31/12/2015	Effective % held 31/12/2014
Group GMK				
JSC “Norilsky Kombinat”	Russian Federation	Rental of equipment	100	100
OJSC “Taimyrgaz”	Russian Federation	Gas extraction	100	99.8
OJSC “Norilskgazprom”	Russian Federation	Gas extraction	100	56.2
OJSC “Taimyrenergo”	Russian Federation	Rental of equipment	100	100
JSC “Norilsko-Taimyrskaya Energeticheskaya Kompaniya”	Russian Federation	Electricity production and distribution	100	100
LLC “Zapoliarnaya stroitelnaya companiya”	Russian Federation	Construction	100	100
LLC “Norilsknickelremont”	Russian Federation	Repairs	100	100
LLC “Norilskgeologiya”	Russian Federation	Geological works	100	100
LLC “Norilskyi obespechivaushyi complex”	Russian Federation	Production of spare parts	100	100
Group KGMK				
JSC “Kolskaya Mining and Metallurgical Company”	Russian Federation	Mining and Metallurgy	100	100
JSC “Pechengastroy”	Russian Federation	Construction	100	100
Norilsk Nickel Harjavalta				
Norilsk Nickel Harjavalta OY	Finland	Metallurgy	100	100
Other metallurgical				
LLC “GRK “Bystrinskoye”	Russian Federation	Mining	100	100
Other non-metallurgical				
OJSC “RAO “Norilsk Nickel”	Russian Federation	Investment holding	100	100
Metal Trade Overseas A.G.	Switzerland	Distribution	100	100
LLC “Institut Gypronickel”	Russian Federation	Science	100	100
CJSC “Taimyrskaya Toplivnaya Kompaniya”	Russian Federation	Supplier of fuel	100	100
OJSC “Enisey River Shipping Company”	Russian Federation	River shipping operations	100	84.2
OJSC “Arkhangelsk Sea Commercial Port”[1]	Russian Federation	Sea port	74.8	74.8
LLC “Aeroport Norilsk”	Russian Federation	Airport	100	100
OJSC “Aviakompania “Taimyr”	Russian Federation	Aircompany	100	100

Associates by business segments	Country	Nature of business	Effective % held 31/12/2015	Effective % held 31/12/2014
Other metallurgical				
Nkomati Nickel Mine	Republic of South Africa	Mining	50	50

34. EVENTS SUBSEQUENT TO THE REPORTING DATE

In January 2016 the Group obtained a 5 year syndicated committed revolving credit facility with Industrial and Commercial Bank of China Limited, Bank of China Limited, Shanghai Branch, China Construction Bank Corporation, Beijing Branch as original lenders and Bank ICBC (JSC) as agent amounted to USD 730 million and obtained a 5 year loan from ING Bank in the amount of USD 100 million.

In February 2016 the Group redeemed exchage-traded bonds including payment of coupon income in the amount of USD 499 million and completed placement of 10 year non-convertible interest-bearing documentary exchange bearer bonds amounted to USD 199 million.

In December 2015 the Group has entered into binding agreements with Highland Fund to sell 13.33% share in Bystrinskoye project for USD 100 million. The sale is subject to regulatory approvals and is expected to be closed after the consolidated financial statements approval date.

[1] During the year ended 31 December 2015 classified as assets held for sale