Mining and Metallurgical Company Norilsk Nickel

Consolidated financial statements for the year ended 31 December 2014

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 2014

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 Open 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 2014 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 judgments 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 2014 were approved by:

V.O. Potanin
General Director

S.G. Malyshev
Deputy General Director

Moscow, Russia
31 March 2015

JSC "KPMG"
10 Presnenskaya Naberezhnaya
Moscow, Russia 123317

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Auditors' Report

To the Shareholders and Board of Directors

OJSC "MMC "Norilsk Nickel"

We have audited the accompanying consolidated financial statements of OJSC "MMC "Norilsk Nickel" (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2014, 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 2014, 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: Open 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 2014, and its financial performance and its cash flows for 2014 in accordance with International Financial Reporting Standards.

Tokarev I.V.,

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

JSC "KPMG"

31 March 2015

Moscow, Russian Federation

MINING AND METALLURGICAL COMPANY NORILSK NICKEL

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014
Russian Roubles million

	Notes	Year ended 31/12/2014	Year ended 31/12/2013
Revenue			
Metal sales	7	418,617	331,734
Other sales		37,396	34,442
Total revenue		**456,013**	**366,176**
Cost of metal sales	8	(184,611)	(176,592)
Cost of other sales		(33,389)	(30,616)
Gross profit		**238,013**	**158,968**
Selling and distribution expenses	9	(12,868)	(14,170)
General and administrative expenses	10	(31,208)	(30,705)
Impairment of property, plant and equipment	15	(5,007)	(27,530)
Other net operating expenses	11	(6,591)	(8,535)
Operating profit		**182,339**	**78,028**
Finance costs	12	(6,891)	(11,984)
Impairment of available for sale investments including impairment losses reclassified from other comprehensive income	16	(9,346)	(23,197)
Gain from disposal of subsidiaries and assets classified as held for sale	21	8,297	2,092
Income from investments, net	13	3,635	1,636
Foreign exchange loss, net		(61,221)	(6,431)
Share of profits of associates		1,940	1,370
Profit before tax		**118,753**	**41,514**
Income tax expense	14	(25,353)	(17,968)
Profit for the year		**93,400**	**23,546**
Attributable to:			
Shareholders of the parent company		93,506	23,838
Non-controlling interests		(106)	(292)
		93,400	**23,546**
EARNINGS PER SHARE			
Basic and diluted earnings per share attributable to shareholders of the parent company (Russian Roubles per share)	22	590.9	150.6

The accompanying notes on pages 11 – 55 form an integral part of the consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

Russian Roubles million

	Year ended 31/12/2014	Year ended 31/12/2013
Profit for the year	**93,400**	**23,546**
Other comprehensive income/(loss)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		
Increase/(decrease) in fair value of available-for-sale investments	15	(3,545)
Investment revaluation reserve reclassified from other comprehensive income to profit and loss	–	1,966
Realised (gain)/ loss on disposal of available-for-sale investments	(24)	404
Reclassification of foreign currency translation reserve on disposed assets classified as held for sale to profit or loss	4,425	–
Effect of translation of foreign operations	13,240	1,557
Other	(11)	(15)
Other comprehensive income to be reclassified to profit or loss in subsequent periods, net	**17,645**	**367**
Items not to be reclassified to profit or loss in subsequent periods		
Remeasurements of defined benefit plans	1,338	(762)
Other comprehensive gain/(loss) not to be reclassified to profit or loss in subsequent periods, net	**1,338**	**(762)**
Other comprehensive gain/(loss) for the year, net of tax	**18,983**	**(395)**
Total comprehensive gain for the year, net of tax	**112,383**	**23,151**
Attributable to:		
Shareholders of the parent company	112,519	23,443
Non-controlling interests	(136)	(292)
Total comprehensive gain for the year, net of tax	**112,383**	**23,151**

The accompanying notes on pages 11 – 55 form an integral part of the consolidated financial statements

MINING AND METALLURGICAL COMPANY NORILSK NICKEL

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2014
Russian Roubles million

	Notes	31/12/2014	31/12/2013
ASSETS			
Non-current assets			
Property, plant and equipment	15	394,423	367,301
Intangible assets		2,443	1,926
Investments in associates		983	946
Other financial assets	16	11,469	24,160
Other taxes receivable	17	354	442
Deferred tax assets	14	3,005	866
Other non-current assets		7,331	6,655
		420,008	**402,296**
Current assets			
Inventories	18	97,092	96,733
Trade and other receivables	19	15,463	20,712
Advances paid and prepaid expenses		3,545	3,058
Other financial assets	16	4,870	838
Income tax receivable		7,145	1,992
Other taxes receivable	17	9,988	16,655
Cash and cash equivalents	20	157,147	53,048
		295,250	**193,036**
Assets classified as held for sale	21	24,517	19,414
		319,767	**212,450**
TOTAL ASSETS		**739,775**	**614,746**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	22	197	197
Share premium		39,464	39,464
Translation reserve		12,901	(4,775)
Investment revaluation reserve		43	44
Retained earnings		215,614	279,917
Equity attributable to shareholders of the parent company		**268,219**	**314,847**
Non-controlling interests		1,422	4,283
		269,641	**319,130**
Non-current liabilities			
Loans and borrowings	23	319,462	169,313
Employee benefit obligations	24	349	1,756
Provisions	25	15,428	23,431
Deferred tax liabilities	14	12,136	12,508
		347,375	**207,008**
Current liabilities			
Loans and borrowings	23	36,677	33,785
Employee benefit obligations	24	14,201	13,597
Trade and other payables	26	51,334	20,252
Provisions	25	8,777	923
Derivative financial instruments		199	151
Income tax payable		1,306	58
Other taxes payable	17	5,577	6,487
		118,071	**75,253**
Liabilities associated with assets classified as held for sale	21	4,688	13,355
		122,759	**88,608**
TOTAL LIABILITIES		**470,134**	**295,616**
TOTAL EQUITY AND LIABILITIES		**739,775**	**614,746**

The accompanying notes on pages 11 – 55 form an integral part of the consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014
Russian Roubles million

	Notes	Year ended 31/12/2014	Year ended 31/12/2013
OPERATING ACTIVITIES			
Profit before tax		**118,753**	**41,514**
Adjustments for:			
Depreciation and amortisation		30,885	28,059
Impairment of property, plant and equipment		5,007	27,530
Impairment of intangible assets		–	355
Impairment of financial assets		9,346	23,228
Loss on disposal of property, plant and equipment		1,091	579
Share of profits of associates		(1,940)	(1,370)
Gain from disposal of subsidiaries and assets classified as held for sale		(8,297)	(2,092)
Change in provisions and allowances		2,148	690
Finance costs and income from investments, net		3,256	10,348
Foreign exchange loss, net		61,221	6,431
Change in tax provisions		557	5,507
Excess of decrease in decommissioning obligations over net book value of assets		(457)	(3,430)
Other		164	2,041
		221,734	**139,390**
Movements in working capital:			
Inventories		3,622	(205)
Trade and other receivables		9,124	13,892
Advances paid and prepaid expenses		(263)	(493)
Other taxes receivable		6,218	13,052
Employee benefit obligations		(598)	(2,140)
Trade and other payables		22,466	(1,432)
Provisions for social commitments		(796)	(1,347)
Other taxes payable		1,458	(487)
Cash generated from operations		**262,965**	**160,230**
Income tax paid		(31,689)	(18,641)
Net cash generated from operating activities		**231,276**	**141,589**
INVESTING ACTIVITIES			
Acquisition of subsidiary, net of cash acquired		–	(455)
Net cash from disposal of subsidiaries		–	2,095
Purchase of property, plant and equipment		(49,079)	(62,749)
Proceeds from disposal of property, plant and equipment		780	630
Proceeds from disposal of assets classified as held for sale		914	–
Purchase of intangible assets		(803)	(607)
Purchase of other financial assets		(93)	(5,099)
Purchase of other non-current assets		(1,611)	(1,497)
Loan repaid by related party		–	273
Net change in deposits placed		(4,057)	6,839
Interest received		3,398	1,658
Proceeds from sale of other financial assets		3,494	3,112
Dividends received		134	381
Net cash used in investing activities		**(46,923)**	**(55,419)**
FINANCING ACTIVITIES			
Proceeds from loans and borrowings		85,103	188,846
Repayments of loans and borrowings		(51,744)	(150,870)
Dividends paid	27	(159,914)	(98,354)
Interest paid		(9,958)	(7,297)
Buy-out of non-controlling interest		(470)	–
Proceeds from sales of shares from treasury stock		–	47
Net cash used in financing activities		**(136,983)**	**(67,628)**

The accompanying notes on pages 11 – 55 form an integral part of the consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

Russian Roubles million

	Year ended 31/12/2014	Year ended 31/12/2013
Net increase in cash and cash equivalents	**47,370**	**18,542**
Cash and cash equivalents at beginning of the year	**53,048**	**31,487**
Cash and cash equivalents of disposal group at beginning of the period	286	–
Less: cash and cash equivalents of disposal group at end of the period	(259)	(286)
Effects of foreign exchange differences on balances of cash and cash equivalents	56,702	3,305
Cash and cash equivalents at end of the year	**157,147**	**53,048**

The accompanying notes on pages 11 – 55 form an integral part of the consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014
Russian Roubles million

	Notes	Equity attributable to shareholders of the parent company								
		Share Capital	Share premium	Treasury shares	Investment revaluation reserve	Translation reserve	Retained earnings	Total	Non-controlling interests	Total
Balance at 1 January 2013		**239**	**47,538**	**(257,996)**	**1,205**	**(6,303)**	**605,027**	**389,710**	**3,310**	**393,020**
Profit for the year		–	–	–	–	–	23,838	**23,838**	(292)	**23,546**
Other comprehensive income/(loss)		–	–	–	(1,161)	1,528	(762)	**(395)**	–	**(395)**
Total comprehensive income for the year		–	–	–	**(1,161)**	**1,528**	**23,076**	**23,443**	**(292)**	**23,151**
Cancellation of ordinary shares from treasury stock		(42)	(8,074)	257,917	–	–	(249,801)	–	–	–
Sale of shares from treasury stock		–	–	79	–	–	(32)	**47**	–	**47**
Non-controlling interests in subsidiary acquired during the period		–	–	–	–	–	–	–	1,290	**1,290**
Decrease in non-controlling interest due to increase in ownership of subsidiary		–	–	–	–	–	25	**25**	(25)	–
Dividends	27	–	–	–	–	–	(98,378)	**(98,378)**	–	**(98,378)**
Balance at 31 December 2013		**197**	**39,464**	–	**44**	**(4,775)**	**279,917**	**314,847**	**4,283**	**319,130**

The accompanying notes on pages 11 – 55 form an integral part of the consolidated financial statements

MINING AND METALLURGICAL COMPANY NORILSK NICKEL

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)
Russian Roubles million

		Equity attributable to shareholders of the parent company								
	Notes	Share Capital	Share premium	Treasury shares	Investment revaluation reserve	Translation reserve	Retained earnings	Total	Non-controlling interests	Total
Balance at 1 January 2014		**197**	**39,464**	**–**	**44**	**(4,775)**	**279,917**	**314,847**	**4,283**	**319,130**
Profit for the year		–	–	–	–	–	93,506	**93,506**	(106)	**93,400**
Other comprehensive income/(loss)		–	–	–	(1)	17,676	1,338	19,013	(30)	18,983
Total comprehensive income/(loss) for the year		**–**	**–**	**–**	**(1)**	**17,676**	**94,844**	**112,519**	**(136)**	**112,383**
Decrease in non-controlling interest due to increase in ownership of subsidiary	34	–	–	–	–	–	811	**811**	(3,045)	**(2,234)**
Increase in non-controlling interests due to cancellation of dividends in subsidiary		–	–	–	–	–	–	–	320	**320**
Dividends	27	–	–	–	–	–	(159,958)	**(159,958)**	–	**(159,958)**
Balance at 31 December 2014		**197**	**39,464**	**–**	**43**	**12,901**	**215,614**	**268,219**	**1,422**	**269,641**

The accompanying notes on pages 11 – 55 form an integral part of the consolidated financial statements

Russian Roubles million

1. GENERAL INFORMATION

Organisation and principal business activities

Open 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.

Shareholding structure of the Company at 31 December 2014 and 2013 was as follows:

	31/12/2014		31/12/2013	
Shareholders	**Number of outstanding shares**	**% held**	**Number of outstanding shares**	**% held**
Non-banking credit company CJSC “National Settlement Depository” (nominee)	150,854,614	95.33	150,415,767	95.05
Other, individually less than 5%	7,390,862	4.67	7,829,709	4.95
Total	**158,245,476**	**100.00**	**158,245,476**	**100.00**

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 consolidated financial statements of the Group comply with Russian Federal Law No 208 On consolidated financial statements (Law “208-FZ”) which was adopted on 27 July 2010. Law 208-FZ provides the legal basis for certain entities for mandatory preparation of financial statements in accordance with IFRS as issued by the IASB and subsequently endorsed for use in the Russian Federation. As at 31 December 2014, all currently effective standards and interpretations issued by the IASB have been endorsed for use in Russia. The Group issues a separate set of consolidated financial statements prepared in accordance with IFRS requirements with US dollar as presentation currency.

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

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.*

Russian Roubles million

2. CHANGES IN ACCOUNTING POLICIES

Reclassification

Costs of sales

Management reassessed classification of certain cash operating expenses included in cost of metal sales in order to better align cost elements with management accounts and reporting (refer to note 8).

Marketing expenses

Management reassessed classification of marketing expenses in amount of RUB 616 million previously presented within general and administrative expenses. After reclassification they are presented within selling and distribution expenses.

	As previously reported	Changes in classification	As restated
Selling and distribution expenses for the year ended 31 December 2013	**13,554**	**616**	**14,170**
General and administrative expenses for the year ended 31 December 2013	**31,321**	**(616)**	**30,705**

Interest paid

Management reassessed presentation of interest paid in consolidated statement of cash flow previously presented in operating activities. After reclassification interest paid is presented within financing activities.

	As previously reported	Changes in classification	As restated
Net cash generated from operating activities for the year ended 31 December 2013	**134,292**	**7,297**	**141,589**
Net cash used in financing activities for the year ended 31 December 2013	**(60,331)**	**(7,297)**	**(67,628)**

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

Russian Roubles 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 2014.

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:

- IAS 27 *Separate Financial Statements (amended);*
- IAS 32 *Financial Instruments: Presentation (amended);*
- IAS 36 *Impairment of Assets (amended);*
- IAS 39 *Financial Instruments: Recognition and Measurement (amended);*
- IFRS 10 *Consolidated Financial Statements (amended);*
- IFRS 12 *Disclosures of Interests in Other Entities (amended);*
- IFRIC 21 *Levies.*

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 1 First –time Adoption of International Financial Reporting Standards (amended)	1 July 2014, 1 January 2016
IFRS 2 Share-based Payment (amended)	1 July 2014
IFRS 3 Business Combinations (amended)	1 July 2014
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (amended)	1 January 2016
IFRS 7 *Financial Instruments: Disclosures* (amended)	1 January 2015, 1 January 2016
IFRS 8 Operating Segments (amended)	1 July 2014
IFRS 9 *Financial Instruments* (amended)	1 July 2014, 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 13 Fair Value Measurement (amended)	1 July 2014
IFRS 14 Regulatory Deferral Accounts	1 January 2016
IFRS 15 Revenue from Contracts with Customers	1 January 2017
IAS 1 Presentation of Financial Statements (amended)	1 January 2016
IAS 16 Property, Plant and Equipment (amended)	1 July 2014, 1 January 2016
IAS 19 Employee Benefits(amended)	1 July 2014, 1 January 2016
IAS 24 Related Party Disclosures (amended)	1 July 2014
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 37 Provisions, Contingent Liabilities and Contingent Assets (amended)	1 July 2014
IAS 38 Intangible Assets (amended)	1 July 2014, 1 January 2016
IAS 39 Financial Instruments: Recognition and Measurement (amended)	1 July 2014
IAS 40 Investment Property (amended)	1 July 2014
IAS 41 Agriculture (amended)	1 January 2016

Management of the Group anticipates 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	Botswana Pula
Norilsk Nickel Africa Proprietary Limited	South African Rand

Russian Roubles million

The presentation currency of the consolidated financial statements of the Group is the Russian Rouble to comply with Law 208-FZ. The Group also issues consolidated financial statements with US Dollar (USD) as the presentation currency.

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 were transated using the prevailing exchange rates at the dates of transactions;
- resulting exchange differences are presented as effect of translation to presentation currency.

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 rate prevailing at the date of transaction. 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 December 2014	31 December 2013
Russian Rouble/US Dollar		
31 December	56.26	32.73
Average for the year ended 31 December	38.42	31.85
Russian Rouble/ Botswana Pula		
31 December	5.81	3.69
Average for the year ended 31 December	4.23	3.74
Russian Rouble/ Australian Dollar		
31 December	45.91	28.96
Average for the year ended 31 December	34.50	30.79
Russian Rouble/ South African Rand		
31 December	4.84	3.12
Average for the year ended 31 December	3.53	3.31
Russian Rouble / Hong Kong dollar		
31 December	7.26	–
Average for the year ended 31 December	4.95	–

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 joint 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.

Sales of certain metals 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 on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Leases

In 2014 the Group does not have significant finance leases.

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 a consolidated group of taxpayers.

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 licenses;
- 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, mining and exploration licenses and present value of future decommissioning costs.

Amortisation 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 amortised on a straight-line basis over the lesser of their economic useful lives or the life of mine, varying from 2 to 44 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.

Plant and equipment that process extracted ore are located near mining operations and amortised on a straight-line basis over the lesser of their economic useful lives or the life of mine. Other non-mining assets are amortised on a straight-line basis over their economic useful lives.

Depreciation is calculated over the following economic useful lives:

• plant, buildings and infrastructure	10 – 50 years
• machinery and equipment	4 – 20 years
• other non-mining assets	1 – 30 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 a mine reaches commercial production quantities. Otherwise it is expensed in the period in which it is incurred.

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

Intangible assets, excluding goodwill

Intangible assets are recorded at cost less accumulated amortisation and impairment losses. Intangible assets mainly include patents, licences and software.

Amortisation of patents, licenses and software is charged on a straight-line basis over 2 – 10 years.

Impairment of tangible and intangible assets, excluding goodwill

At each reporting date, the Group reviews the carrying amounts 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 possible 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

In 2014 the Group revised classification of main- and by-products in order to align with the management accounting and reporting.

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 in the ratio of their contribution to relative sales value, divided by the saleable mine output of each joint product. 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 procentage 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.

Held-to-maturity investments

Promissory notes and debentures with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity other than loans and receivables are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less any allowance for impairment.

Amortisation of discount or premium on the acquisition of a held-to-maturity investment is recognised in interest income over the term of the investment. Held-to-maturity investments are included in non-current assets, unless they mature within twelve months of the statement of financial position date.

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 classfied 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 impairment. 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, 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 judgments 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 judgment 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 judgment 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 judgments 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 judgment and estimates of the outcome of future events.

Russian Roubles million

5. BUSINESS COMBINATION

Acquisitions during year ended 31 December 2013

OJSC "Norilskgazprom"

On 1 March 2013, the Group acquired an additional 15.7% interest in OJSC "Norilskgazprom" ("Norilskgazprom"), a gas extraction enterprise, for a cash consideration of RUB 576 million, increasing its ownership in this company to 56.2%. Prior to this transaction, investment in Norilskgazprom was classified as an investment in associate.

Aggregated net assets of Norilskgazprom at the date of acquisition were as follows:

	Fair value
Property, plant and equipment (refer to note 15)	3,291
Inventories	829
Trade and other receivables	991
Advances paid and prepaid expenses	103
Other taxes receivable	141
Cash and cash equivalents	121
Loans and borrowings	(1,174)
Employee benefit obligations	(585)
Trade and other payables	(545)
Other current tax liabilities	(229)
Net assets at the date of acquisition	**2,943**

Net cash outflow on acquisition of subsidiary:

Cash consideration	576
Less: Cash and cash equivalents acquired	(121)
Net cash outflow on acquisition	**455**

There was no goodwill recognised from acquisition of Norilskgazprom:

Total consideration transferred	576
Plus: non-controlling interests, based on their proportionate interest in the recognised amounts of the assets and liabilities of Norilskgazprom	1,290
Plus: fair value of previously held interest	1,191
Less: fair value of identifiable net assets acquired	(2,943)
Excess of the cost of acquisition over the Group's share in the fair value of net assets acquired	**114**
Impairment of goodwill	(114)
	–

Acquisition of Norilskgazprom has had no significant impact on the Group's revenue and profit before tax from the date of acquisition till 31 December 2013. Had this business combination been effected at 1 January 2013, the Group's revenue and net profit for the period ended 31 December 2013 would not have been significantly different.

Russian Roubles million

6. 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;
- *"Norilsk Nickel 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.

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 2014 and 2013, respectively. Information for 2013 year has been presented to conform with the current year presentation.

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	340,083	33,562	37,898	2,890	41,580	–	**456,013**
Inter-segment revenue	3,239	8,737	11	3,046	35,156	(50,189)	–
Total revenue	**343,322**	**42,299**	**37,909**	**5,936**	**76,736**	**(50,189)**	**456,013**
Segment EBITDA	216,204	13,282	2,699	(2,352)	2,841	–	**232,674**
Unallocated							(14,143)
Consolidated EBITDA							**218,231**
Depreciation and amortisation							(30,885)
Impairment of property, plant and equipment							(5,007)
Finance costs							(6,891)
Foreign exchange loss, net							(61,221)
Other income and expenses							4,526
Profit before tax							**118,753**
Other segmental information							
Purchase of property, plant and equipment and intangible assets	39,441	4,715	282	3,959	1,485	–	**49,882**
Depreciation and amortisation of segment assets	26,077	2,718	781	183	1,126	–	**30,885**
Impairment of property, plant and equipment	5,406	(648)	–	66	183	–	**5,007**

Russian Roubles million

6. SEGMENTAL INFORMATION (CONTINUED)

Year ended 31/12/2013	GMK Group	Group KGMK	NN Harja-valta	Other metallur-gical	Other non-metallur-gical	Elimi-nations	Total
Revenue from external customers	263,182	23,489	31,986	4,626	42,893	–	**366,176**
Inter-segment revenue	2,187	8,500	–	2,410	26,669	(39,766)	–
Total revenue	**265,369**	**31,989**	**31,986**	**7,036**	**69,562**	**(39,766)**	**366,176**
Segment EBITDA	148,208	4,495	1,396	(8,432)	1,302	–	**146,969**
Unallocated							(13,352)
Consolidated EBITDA							**133,617**
Depreciation and amortisation							(28,059)
Impairment of property, plant and equipment							(27,530)
Finance costs							(11,984)
Foreign exchange loss, net							(6,431)
Other income and expenses							(18,099)
Profit before tax							**41,514**
Other segmental information							
Purchase of property, plant and equipment and intangible assets	53,380	3,778	254	3,617	2,327	–	**63,356**
Depreciation and amortisation	22,172	2,971	593	3	2,320	–	**28,059**
Impairment of property, plant and equipment	192	10,064	–	14,826	2,448	–	**27,530**

The following tables present assets and liabilities of the Group's operating segments at 31 December 2014 and 31 December 2013, respectively.

Year ended 31/12/2014	Group GMK	Group KGMK	NN Harja-valta	Other metallu - rgical	Other non-metallur-gical	Elimi-nations	Total
Inter-segment assets	8,221	4,676	9,612	196	4,358	(27,063)	–
Segment assets	423,979	29,809	30,226	13,218	62,445	(16,906)	**542,771**
Total segment assets	**432,200**	**34,485**	**39,838**	**13,414**	**66,803**	**(43,969)**	**542, 771**
Unallocated							197,004
Total group assets							**739,775**
Inter-segment liabilities	5,025	914	2,296	547	18,281	(27,063)	–
Segment liabilities	56,841	4,347	6,197	8,759	33,910	–	**110,054**
Total segment liabilities	**61,866**	**5,261**	**8,493**	**9,306**	**52,191**	**(27,063)**	**110,054**
Unallocated							360,080
Total group liabilities							**470,134**

Russian Roubles million

6. SEGMENTAL INFORMATION (CONTINUED)

Year ended 31/12/2013	Group GMK	Group KGMK	NN Harja-valta	Other metallu - rgical	Other non-metallur-gical	Elimi-nations	Total
Inter-segment assets	22,738	6,623	4,949	5,225	3,380	(42,915)	–
Segment assets	423,437	26,487	16,597	11,649	40,708	(3,609)	**515,269**
Total segment assets	**446,175**	**33,110**	**21,546**	**16,874**	**44,088**	**(46,524)**	**515,269**
Unallocated							99,477
Total group assets							**614,746**
Inter-segment liabilities	8,148	1,354	1,440	204	31,769	(42,915)	–
Segment liabilities	55,226	1,933	3,204	7,910	11,137	–	**79,410**
Total segment liabilities	**63,374**	**3,287**	**4,644**	**8,114**	**42,906**	**(42,915)**	**79,410**
Unallocated							216,206
Total group liabilities							**295,616**

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

7. METAL SALES

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

Year ended 31/12/2014	Total	Nickel	Copper	Palladium	Platinum	Other metals
Europe	**210,155**	77,807	63,113	46,970	14,690	7,575
Asia	**134,747**	75,418	16,824	28,237	12,704	1,564
North America	**36,760**	16,943	892	12,075	4,901	1,949
Russian Federation and CIS	**36,955**	9,436	16,594	776	2,333	7,816
	418,617	**179,604**	**97,423**	**88,058**	**34,628**	**18,904**

Year ended 31/12/2013	Total	Nickel	Copper	Palladium	Platinum	Other metals
Europe	**173,021**	66,775	53,956	26,151	17,593	8,546
Asia	**94,898**	51,603	8,471	23,553	9,575	1,696
North America	**30,999**	12,983	993	11,314	2,903	2,806
Russian Federation and CIS	**32,816**	7,291	23,255	598	389	1,283
	331,734	**138,652**	**86,675**	**61,616**	**30,460**	**14,331**

Russian Roubles million

8. COST OF METAL SALES

	Year ended 31/12/2014	Year ended 31/12/2013
Cash operating costs		
Labour	60,466	58,268
Raw materials and semi-products for processing	20,640	22,710
Materials and supplies	28,641	22,102
Third party services	16,769	17,740
Electricity and heat energy	7,597	7,039
Mineral extraction tax and other levies	7,473	8,218
Fuel	4,925	6,340
Transportation expenses	3,339	3,726
Metal purchased for resale	3,222	831
Sundry costs	3,199	4,490
Total cash operating costs	**156,271**	**151,464**
Depreciation and amortisation	26,811	24,014
Decrease in metal inventories	1,529	1,114
Total	**184,611**	**176,592**

9. SELLING AND DISTRIBUTION EXPENSES

	Year ended 31/12/2014	Year ended 31/12/2013
Export duties	8,601	11,915
Marketing expenses	2,546	616
Transportation expenses	593	828
Labour	900	627
Other	228	184
Total	**12,868**	**14,170**

10. GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended 31/12/2014	Year ended 31/12/2013
Labour	17,832	18,222
Third party services	4,274	3,866
Taxes other than mineral extraction tax and income tax	3,784	3,503
Depreciation and amortisation	1,022	1,151
Transportation expenses	630	540
Other	3,666	3,423
Total	**31,208**	**30,705**

11. OTHER NET OPERATING EXPENSES

	Year ended 31/12/2014	Year ended 31/12/2013
Social expenses	2,726	3,554
Change in allowance for doubtful debts	1,598	2,092
Change in allowance for slow-moving and obsolete inventory	871	–
Change in allowance for value added tax recoverable	557	482
Tax provision (refer to note 25)	–	5,025
Impairment of intangible assets	–	355
Excess of decrease in decommissioning obligations over assets net book value	(457)	(3,430)
Other	1,296	457
Total	**6,591**	**8,535**

Russian Roubles million

12. FINANCE COSTS

	Year ended 31/12/2014	Year ended 31/12/2013
Interest expense on borrowings net of amounts capitalised	5,196	9,911
Unwinding of discount on provisions	1,641	2,025
Other	54	48
Total	**6,891**	**11,984**

13. INCOME FROM INVESTMENTS, NET

	Year ended 31/12/2014	Year ended 31/12/2013
Interest income on bank deposits	3,186	1,361
Interest income on held-to-maturity investments	196	229
Realised gain/(loss) on disposal of investments	134	(77)
Other	119	123
Total	**3,635**	**1,636**

14. INCOME TAX EXPENSE

	Year ended 31/12/2014	Year ended 31/12/2013
Current income tax expense	27,739	22,092
Deferred tax benefit	(2,386)	(4,124)
Total income tax expense	**25,353**	**17,968**

A reconciliation of statutory income tax, calculated at the rate effective 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 31/12/2014	Year ended 31/12/2013
Profit before tax	**118,753**	**41,514**
Income tax at statutory rate of 20%	23,751	8,303
Allowance for deferred tax assets	1,858	–
Non-deductible impairment of financial assets	1,862	4,523
Non-deductible gain from disposal of assets held for sale	(1,657)	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	(1,523)	(1,788)
Tax effect of other permanent differences	1,062	6,930
Total	**25,353**	**17,968**

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

Russian Roubles million

14. INCOME TAX EXPENSE (CONTINUED)

Deferred tax balances

	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	**12,202**	(2,948)	–	–	2,579	**11,833**
Intangible assets	**(196)**	451	–	–	40	**295**
Investments in associates and other financial assets	**(1,047)**	953	–	128	18	**52**
Trade and other receivables	**(687)**	179	–	–	(6)	**(514)**
Inventories	**4,582**	(1,609)	–	–	(604)	**2,369**
Other assets	**(982)**	(34)	–	–	(275)	**(1,291)**
Loans and borrowings	**393**	98	–	–	(37)	**454**
Employee benefit obligations	**(1,637)**	2	(268)	–	231	**(1,672)**
Decommissioning obligations	**(2,201)**	254	–	–	(1,235)	**(3,182)**
Trade and other payables	**33**	590	–	–	216	**839**
Tax loss carried forward	**(1,342)**	(337)	–	–	(877)	**(2,556)**
Provision for deferred tax assets	**2,524**	(113)	–	–	93	**2,504**
Net deferred tax liability	**11,642**	**(2,514)**	**(268)**	**128**	**143**	**9,131**

	31/12/2012	Recognised in income statement	Recognised in other compre-hensive income	Reclassified from other comrehensive income to profit and loss	Classified as held for sale	Effect of translation to presentation currency	31/12/2013
Property, plant and equipment	**16,290**	(2,676)	–	–	(1,967)	555	**12,202**
Intangible assets	**(152)**	(32)	–	–	–	(12)	**(196)**
Investments in associates and other financial assets	**(850)**	(191)	–	128	–	(134)	**(1,047)**
Trade and other receivables	**(395)**	(287)	–	–	–	(5)	**(687)**
Inventories	**3,432**	1,114	–	–	–	36	**4,582**
Other assets	**(1,063)**	255	–	–	–	(174)	**(982)**
Loans and borrowings	**304**	96	–	–	–	(7)	**393**
Employee benefit obligations	**(1,397)**	(255)	152	–	–	(137)	**(1,637)**
Decommissioning obligations	**(4,232)**	(255)	–	–	1,967	319	**(2,201)**
Trade and other payables	**243**	96	–	–	(28)	(278)	**33**
Tax loss carried forward	**(2,642)**	796	–	–	563	(59)	**(1,342)**
Provision for deferred tax assets	**5,801**	(2,913)	–	–	(727)	363	**2,524**
Net deferred tax liability	**15,339**	**(4,252)**	**152**	**128**	**(192)**	**467**	**11,642**

Russian Roubles million

14. INCOME TAX EXPENSE (CONTINUED)

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:

	31/12/2014	31/12/2013
Deferred tax liability	12,136	12,508
Deferred tax asset	(3,005)	(866)
Net deferred tax liabilities	**9,131**	**11,642**

Unrecognised deferred tax assets

Deferred tax assets have not been recognised as follows:

	31/12/2014	31/12/2013
Deductible temporary differences	10,858	9,850
Tax loss carry-forwards	12,490	11,308
Total	**23,348**	**21,158**

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 2014 unrecognised deferred tax asset in amount of RUB 10,053 million related to tax loss arising on disposal of OJSC "Third Generation Company of the Wholesale Electricity Market" ("OGK-3") has the expiry of eight years (31 December 2013: RUB 10,053 million – nine years). Unrecognised deferred tax assets in amount of RUB 2,437 million related to other tax losses will expire in ten years (31 December 2013: RUB 1,255 million – ten years).

At 31 December 2014, the Group did not recognise a deferred tax liability in respect of taxable temporary differences of RUB 88,971 million (31 December 2013: RUB 111,005 million) associated with investments in subsidiaries, because management believes that it is in a position to control the timing of reversal of such differences and has no intention to reverse them in the foreseeable future.

Russian Roubles million

15. PROPERTY, PLANT AND EQUIPMENT

		Non-mining assets				
	Mining assets and mine development cost	**Buildings, structures and utilities**	**Machinery, equipment and transport**	**Other**	**Capital construc-tion-in-progress**	**Total**
Cost						
Balance at 1 January 2013	**378, 794**	**103,390**	**145,460**	**9,482**	**64,472**	**701,598**
Additions	36,339	—	—	—	27,198	**63,537**
Transfers	—	10,703	14,838	1,772	(27,313)	—
Change in decommissioning provision	958	4,727	—	—	—	**5,685**
Reclassified to assets held for sale (refer to note 21)	(97,346)	(8,641)	(16,039)	(6,403)	(1,731)	**(130,160)**
Acquired on acquisition of subsidiaries (refer to note 5)	—	1,811	220	4	1,256	**3,291**
Disposals	(2,848)	(403)	(2,189)	(133)	(427)	**(6,000)**
Effect of translation to presentation currency	(3,624)	1,162	3,776	1,178	5, 365	**7,857**
Balance at 31 December 2013	**312,273**	**112,749**	**146,066**	**5,900**	**68,820**	**645,808**
Additions	33,043	—	—	—	28,344	**61,387**
Reclassifications	(96)	26	1,268	(1,144)	(54)	—
Transfers	—	8,782	11,359	388	(20,529)	—
Change in decommissioning provision	(3,630)	1,708	—	—	—	**(1,922)**
Reclassified to assets held for sale (refer to note 21)	(97,436)	(635)	(5,907)	(6,684)	(8,111)	**(118,773)**
Disposals	(1,984)	(509)	(2,044)	(161)	(1,168)	**(5,866)**
Effect of translation to presentation currency	41,924	2,875	9,733	1,941	4,121	**60,594**
Balance at 31 December 2014	**284,094**	**124,996**	**160,475**	**240**	**71,423**	**641,228**
Accumulated depreciation and impairment						
Balance at 1 January 2013	**(209,067)**	**(45,414)**	**(74,507)**	**(6,258)**	**(4,082)**	**(339,328)**
Charge for the year	(10,543)	(4,484)	(12,969)	(449)	—	**(28,445)**
Reclassifications	(2)	6	(13)	9	—	—
Reclassified to assets held for sale (refer to note 21)	95,472	3,503	15,482	4,206	1,708	**120,371**
Disposals	2,420	251	1,819	111	156	**4,757**
Impairment loss	(22,482)	(1,874)	(463)	(10)	(2,701)	**(27,530)**
Effect of translation to presentation currency	550	(685)	(3,286)	(1,141)	(3,770)	**(8,332)**
Balance at 31 December 2013	**(143,652)**	**(48,697)**	**(73,937)**	**(3,532)**	**(8,689)**	**(278,507)**
Charge for the year	(10,635)	(7,080)	(12,998)	(462)	—	**(31,175)**
Reclassifications	34	(377)	1,114	(771)	—	—
Reclassified to assets held for sale	97,383	635	5,907	6,684	7,950	**118,559**
Disposals	1,593	446	1,647	—	155	**3,841**
Impairment loss	(1,653)	273	(10)	(1)	(3,616)	**(5,007)**
Effect of translation to presentation currency	(40,412)	(936)	(8,084)	(1,963)	(3,121)	**(54,516)**
Balance at 31 December 2014	**(97,342)**	**(55,736)**	**(86,361)**	**(45)**	**(7,321)**	**(246,805)**
Carrying value						
31 December 2013	**168,621**	**64,052**	**72,129**	**2, 368**	**60,131**	**367,301**
31 December 2014	**186,752**	**69,260**	**74,114**	**195**	**64,102**	**394,423**

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

At 31 December 2014 capital construction-in-progress included RUB 3,386 million of irrevocable letters of credit opened for fixed assets purchases (31 December 2013: RUB 9,964 million), representing security deposits placed in banks. Purchase of property, plant and equipment in the consolidated statement of cashflows includes RUB nil million related to these irrevocable letters of credit (31 December 2013: RUB 9,964 million).

Capitalized borrowing costs for the year ended 31 December 2014 amounted to RUB 5,553 million. Capitalization rate used to determine the amount of borrowing costs equals to 3.98% per annum.

At 31 December 2014 mining assets and mine development cost included RUB 114,361 million of mining assets under development (31 December 2013: RUB 97,040 million).

Impairment

During the year ended 31 December 2014 impairment losses in the amount of RUB 5,007 million (during year ended 31 December 2013: RUB 2,796 million) were recognised in respect of specific individual assets, primarily construction-in-progress and related equipment for instalation.

In 2013 the Group has assessed indicators for impairment of OJSC "Kolskaya Mining and Metallurgical Company" production assets. The recoverable amount of each cash generating unit within this subsidiary ("producer of metal semi-products" and "metal refining") was determined based on value in use calculations. As a result impairment in amount of RUB 10,064 million related to the "producer of metal semi-products" cash generating unit was recognised within impairment of property, plant and equipment in the consolidated income statement.

At 31 December 2014 no indicators of a reversal of previously recognised impairment losses have been identified.

Russian Roubles million

16. OTHER FINANCIAL ASSETS

	31/12/2014	31/12/2013
Non-current		
Available-for-sale investments in securities	9,324	21,834
Loans issued and other receivable	1,726	1,434
Promissory notes held to maturity	22	611
Bank deposits	397	281
Total non-current	**11,469**	**24,160**
Current		
Bank deposits	4,727	781
Loans issued and other receivables	138	51
Derivative financial instruments	5	6
Total current	**4,870**	**838**

Available-for-sale investments in securities

Non-current available-for-sale investments in securities are primarily comprised of shares traded on the OJSC "Moscow Exchange MICEX-RTS" amounting to RUB 9,322 million (31 December 2013: RUB 16,854 million) and measured within Level 1 of fair value hierarchy and unquoted equity instruments in amount of RUB 2 million (31 December 2013: RUB 4,980 million), measured within Level 3 of fair value hierarchy.

During year ended 31 December 2014 as a result of continuing decline in prices, impairment loss on available-for-sale investments of RUB 4,711 million was recognised in the consolidated income statement (during year ended 31 December 2013: RUB 23,197 million).

During the year ended 31 December 2013, the Group purchased from a related party 20% shares of a company which owns various real estate properties. Additionally, during the year ended 31 December 2013, a loan previously issued to another related party was converted into 42% shares of another company which also owns various real estate properties. Management believes that it does not exercise significant influence over these companies, and therefore these investments were classified as available-for-sale investments. At 31 December 2013, these investments were stated at historical cost (less impairment loss) in amount of RUB 4,635 million, and measured within Level 3 of fair value hierarchy.

During the year ended 31 December 2014, these investments were fully impaired based on the available DCF models and management assessment of their recoverability. Impairment loss in amount of RUB 4,635 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 2013: 5.1%) per annum.

At 31 December 2014 interest rates on short-term RUB-denominated deposits held in banks varied from 3.5% to 19.35% (31 December 2013: 5.1% to 6.9%) per annum.

At 31 December 2014 interest rates on short-term EUR-denominated deposits held in banks varied from 0.27% to 1.07% per annum. At 31 December 2013 the Group did not have EUR-denominated deposits held in banks.

Russian Roubles million

17. OTHER TAXES

	31/12/2014	31/12/2013
Taxes receivable		
Value added tax recoverable	8,643	15,017
Export duties	625	1,135
Other taxes	1,119	1,015
	10,387	**17,167**
Less: Allowance for value added tax recoverable	(45)	(70)
Total	**10,342**	**17,097**
Less: Non-current portion of other taxes receivable	(354)	(442)
Current taxes receivable	**9,988**	**16,655**
Taxes payable		
Value added tax	2,241	2,806
Social security contributions	814	820
Property tax	1,275	1,235
Mineral extraction tax	463	878
Other	784	748
Current taxes payable	**5,577**	**6,487**

18. INVENTORIES

	31/12/2014	31/12/2013
Refined metals	21,908	18,414
Semi-products	–	323
Work-in-process	44,286	43,402
Total metal inventories	**66,194**	**62,139**
Materials and supplies	33,284	35,665
Less: Allowance for obsolete and slow-moving items	(2,386)	(1,071)
Net materials and supplies	**30,898**	**34,594**
Total inventories	**97,092**	**96,733**

19. TRADE AND OTHER RECEIVABLES

	31/12/2014	31/12/2013
Trade receivables from metal sales	12,006	16,904
Other receivables	8,656	7,665
	20,662	**24,569**
Less: Allowance for doubtful debts	(5,199)	(3,857)
Total	**15,463**	**20,712**

In 2014 and 2013, the average credit period on metal sales varied from 0 to 30 days. Trade receivables are generally non-interest bearing.

At 31 December 2014 and 2013, there were no material trade accounts receivable which were overdue or individually determined to be impaired.

Russian Roubles million

19. TRADE AND OTHER RECEIVABLES (CONTINUED)

The average credit period on sales of other products and services for the year ended 31 December 2014 was 24 days (2013: 24 days). No interest was charged on these receivables.

Included in the Group's other receivables at 31 December 2014, were debtors with a carrying value of RUB 1,288 million (31 December 2013: RUB 1,431 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:

	31/12/2014	31/12/2013
Less than 180 days	1,101	1,056
180-365 days	187	375
	1,288	**1,431**

Movement in the allowance for doubtful debts was as follows:

	31/12/2014	31/12/2013
Balance at beginning of the year	**3,857**	**2,180**
Change in allowance	1,598	2,092
Accounts receivable written-off	(218)	(428)
Acquired on acquisition of subsidiaries	–	54
Disposed on disposal of subsidiaries	(38)	(41)
Balance at end of the year	**5,199**	**3,857**

20. CASH AND CASH EQUIVALENTS

		31/12/2014	31/12/2013
Current accounts	- foreign currencies	44,003	12,762
	- RUB	6,250	6,006
Bank deposits	- foreign currencies	98,232	34,188
	- RUB	8,569	15
Restricted cash		18	14
Other cash and cash equivalents		75	63
Total		**157,147**	**53,048**

Russian Roubles million

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

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

- Nkomati Nickel Mine a South Africa mining company, an associate of the Group.
- OJSC "Aviakompania "Taimyr" ("Taimyr") and CJSC "Nordavia – Regional Airlines", the subsidiaries of the Group located in the Russian Federation.
- Assets located in Western Australia.
- Assets located in the Russian Federation.

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

All of the above assets have been measured at the lower of their fair values less costs to sell and their carrying values. The Group has assessed fair value of assets classified as held for sale at 31 December 2014 and 31 December 2013 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 as well as planned disposal of assets in Africa and other assets referred to above does not constitute discontinued operations.

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

At 31 December 2014 and 31 December 2013 major classes of assets and liabilities related to assets classified as held for sale are presented below:

	31/12/2014	31/12/2013
Property, plant and equipment (refer to note 15)	9,510	9,789
Investments in associates	11,621	7,768
Intangible assets	29	22
Inventories	1,523	659
Trade and other receivables	996	370
Other financial assets	579	520
Cash and cash equivalents	259	286
Decommissioning obligations (refer to note 25)	(1,396)	(11,957)
Deferred tax liabilities	(124)	(192)
Employee benefit obligations	(434)	(179)
Trade and other payables	(2,734)	(1,027)
Net assets	**19,829**	**6,059**

Disposal of Western Australian assets

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 RUB 664 million (AUD 20 million). The carrying value of assets including decommissioning obligations at the date of disposal was negative in the amount of RUB 980 million. Gain on disposal in the amount of RUB 1,644 million was recognised in the consolidated income statement.

Additional contingent consideration in the amount not exceeding RUB 538 million may be received by the Group subject to the disposed assets performance if they are put into operation. This contingent consideration was not included in gain from disposal of assets classified as held for sale in the consolidated income statement.

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

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 RUB 3,090 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 RUB 6,057 million primarily due to write down of decommissioning obligations 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 RUB 1,844 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 the negative impact due to a write down of the foreign currency translation reserve representing cumulative exchange differences between the functional currency of the Company – the Russian Rouble and the Australian dollar for the period from the date of acquisition of these assets in 2007.

Disposal of African assets

In October 2014 the Group entered into binding agreements to sell its assets in Africa, comprising its 50% participation interest in the Nkomati Nickel Mine and its 85% stake in Tati Nickel Mining Company (together, "African assets"). The total expected consideration for the assets amounts to RUB 18,960 million. At 31 December 2014, the Group has an accumulated currency translation loss in amount of RUB 1,334 million that will be released to the consolidated income statement on disposal of these assets. Under the terms of the agreements, the buyers will assume all attributable decommissioning rehabilitation obligations related to the assets. The transactions completion is subject to regulatory approvals and certain other conditions precedent, and is expected to occur within the next twelve months.

Disposal of LLC "Administrator Fondov"

On 10 October 2013, the Group sold its interest in LLC "Administrator Fondov" ("Administrator Fondov"), a subsidiary of the Group, for a cash consideration of RUB 2,750 million. The carrying value of Administrator Fondov net assets at the date of disposal amounted to RUB 665 million. Net cash inflow from disposal was RUB 2,095 million.

Russian Roubles million

22. SHARE CAPITAL

Authorised, issued and fully paid share capital

Ordinary shares at par value of RUB 1 each	Number of shares	Outstanding balance
At 31 December 2013 and 31 December 2014	**158,245,476**	**197**

Treasury shares

	Number of shares	Outstanding balance
At 1 January 2013	**32,392,285**	**257,996**
April 2013: cancellation of treasury shares	(18,470,925)	(147,117)
April 2013: sales of treasury shares	(10,014)	(79)
June 2013: cancellation of treasury shares	(13,911,346)	(110,800)
At 31 December 2013 and 31 December 2014	**–**	**–**

Earnings per share

	Year ended 31/12/2014	Year ended 31/12/2013
Basic earnings per share (Russian Roubles per share):	590.9	150.6

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

	Year ended 31/12/2014	Year ended 31/12/2013
Profit for the year attributable to shareholders of the parent company	93,506	23,838

	2014	2013
Weighted average number of shares		
Shares on issue at 1 January	158,245,476	190,627,747
Less: treasury shares at 1 January	–	(32,392,285)
Outstanding shares at 1 January	158,245,476	158,235,462
April 2013: effect from sales of treasury shares	–	6,749
Weighted average number of shares used in the calculation of basic and diluted earnings per share for the year ended 31 December	**158,245,476**	**158,242,211**

Russian Roubles million

23. LOANS AND BORROWINGS

	Currency	Fixed or floating interest rate	Average nominal rate in 2014, %	Maturity	31/12/2014	31/12/2013
Unsecured loans	USD	floating	2.12%	2014 – 2019	183,077	96,439
	RUB	fixed	12.80%	2019	39,822	–
	USD	fixed	1.14%	2014	–	13,746
	Other	floating	9.30%	2016	1,606	1,050
					224,505	**111,235**
Corporate Bonds	USD	fixed	5.05%	2018 – 2020	96,684	56,956
	RUB	fixed	7.90%	2016	34,950	34,907
					131,634	**91,863**
Total					**356,139**	**203,098**
Less: current portion due within twelve months and presented as short-term borrowings					**(36,677)**	**(33,785)**
Long-term loans and borrowings					**319,462**	**169,313**

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

	31/12/2014	31/12/2013
Accrual for annual leave	8,452	8,462
Wages and salaries	5,296	4,166
Defined benefit obligations	135	923
Share appreciation rights	259	1,405
Other	408	397
Total obligations	**14,550**	**15,353**
Less: non-current obligations	(349)	(1,756)
Current obligations	**14,201**	**13,597**

Defined contribution plans

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

	Year ended 31/12/2014	Year ended 31/12/2013
Pension Fund of the Russian Federation	14,436	13,696
Mutual accumulated pension plan	445	482
Other	281	213
Total	**15,162**	**14,391**

Russian Roubles million

25. PROVISIONS

	31/12/2014	31/12/2013
Current provisions		
Tax provision	7,908	–
Provision for social commitments	789	828
Decommissioning obligations	44	–
Other provisions	36	95
Total current provisions	**8,777**	**923**
Non-current provisions		
Decommissioning obligations	12,781	14,482
Provision for social commitments	2,647	3,924
Tax provision	–	5,025
Total non-current provisions	**15,428**	**23,431**
Total	**24,205**	**24,354**

	Decommis-sioning	Provision for social commitments	Tax provision	Other provisions	Total
Balance at 1 January 2013	**22,907**	**5,623**	**–**	**104**	**28,634**
Provision accrued	2,974	–	5,025	–	**7,999**
Settlements during the year	–	(1,347)	–	–	**(1,347)**
Liabilities directly associated with assets classified as held for sale (refer to note 21)	(11,957)	–	–	–	**(11,957)**
Acquired on acquisition of subsidiaries	250	–	–	–	**250**
Change in estimates	(811)	126	–	–	**(685)**
Unwinding of discount	1,675	350	–	–	**2,025**
Effect of translation to presentation currency	(556)	–	–	(9)	**(565)**
Balance at 31 December 2013	**14,482**	**4,752**	**5,025**	**95**	**24,354**
Provision accrued	3,498	–	–	–	**3,498**
Settlements during the year	–	(835)	–	(67)	**(902)**
Reclassified as held for sale (refer to note 21)	(1,366)	–	–	–	**(1,366)**
Change in estimate	(5,877)	(765)	–	–	**(6,642)**
Unwinding of discount	1,357	284	–	–	**1,641**
Effect of translation to presentation currency	731	–	2,883	8	**3,622**
Balance at 31 December 2014	**12,825**	**3,436**	**7,908**	**36**	**24,205**

Decommissioning obligations

During 2013, the Group completed an independent JORC-compliant audit of its ore reserves. Based on the report, the Group reassessed closure dates and expectations regarding expenses needed to fulfill decommissioning obligations for mines located in Taimyr Peninsula. Amount of decommisioning obligations was reassessed and difference was presented as a change in estimate.

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

	31/12/2014	31/12/2013
Discount rates Russian entities	9.9% – 15.3%	6.1% – 8.4%
Discount rates non-Russian entities	3% – 9%	3.3% – 10.0%
Expected closure date of mines	up to 2059	up to 2057
Expected inflation over the period from 2015 to 2018	4.9% – 9.2%	5.4% – 6.5%
Expected inflation over the period from 2019 onwards	4.8%	4.9%

Russian Roubles million

25. PROVISIONS (CONTINUED)

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

	31/12/2014	31/12/2013
Due from second to fifth year	8,515	6,675
Due from sixth to tenth year	1,577	997
Due from eleventh to fifteenth year	571	1,975
Due from sixteenth to twentieth year	402	1,071
Due thereafter	1,760	3,764
Total	**12,825**	**14,482**

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 2014–2020. 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

	31/12/2014	31/12/2013
Financial liabilities		
Trade payables	13,814	9,248
Payables for acquisition of property, plant and equipment	6,131	2,523
Other creditors	6,289	4,215
Total financial liabilities	**26,234**	**15,986**
Non-financial liabilities		
Advances received	25,100	4,266
Total non-financial liabilities	**25,100**	**4,266**
Total	**51,334**	**20,252**

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

	31/12/2014	31/12/2013
Due within one month	13,630	9,274
Due from one to three months	8,437	5,293
Due from three to twelve months	4,167	1,419
Total	**26,234**	**15,986**

27. DIVIDENDS

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 per share, with the total amount of RUB 39,360 million. The dividends were paid to the shareholders in June and July 2014.

Russian Roubles million

27. DIVIDENDS (CONTINUED)

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 per share, with the total amount of RUB 120,598 million. The dividends were paid to the shareholders in December 2014. At 31 December 2014 dividends payable amounted to RUB 218 million (31 December 2013: RUB 494 million).

On 6 June 2013, the Annual General shareholder's meeting declared final dividends in respect of the year ended 31 December 2012 in the amount of RUB 400.83 per share, with the total amount of RUB 63,413 million. The dividends were paid to the shareholders in June 2013.

On 20 December 2013, the Extraordinary General shareholder's meeting declared interim dividends in respect of the 9 months ended 30 September 2013 in the amount of RUB 220.70 per share, with the total amount of RUB 34,965 million. The dividends were paid to the shareholders in December 2013.

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 31/12/2014**	**Year ended 31/12/2013**	**Year ended 31/12/2014**	**Year ended 31/12/2013**
Entities under common ownership and control of the Group's major shareholders	75	135	829	614
Associates of the Group	56	1,421	15,273	12,412
Total	**131**	**1,556**	**16,102**	**13,026**

	Accounts receivable, investments and cash		**Accounts payable, loans and borrowings received**	
Outstanding balances with related parties	**31/12/2014**	**31/12/2013**	**31/12/2014**	**31/12/2013**
Entities under common ownership and control of the Group's major shareholders	96	56	63	19
Associates of the Group	169	219	3,027	867
Total	**265**	**275**	**3,090**	**886**

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.

Russian Roubles million

28. RELATED PARTIES TRANSACTIONS AND OUTSTANDING BALANCES (CONTINUED)

Compensation of key management personnel

Key management personnel of the Group consists of members of the Management Board. Remuneration of key management personnel of the Group was as follows:

	Year ended 31/12/2014	Year ended 31/12/2013
Salary and performance bonuses	1,424	2,246
Termination benefits	–	308
Total	**1,424**	**2,554**

29. COMMITMENTS

Capital commitments

At 31 December 2014, contractual capital commitments amounted to RUB 59,506 million (31 December 2013: RUB 36,339 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 2060. 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 headquarter's building.

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

	31/12/2014	31/12/2013
Due within one year	1,429	532
From one to five years	6,173	1,563
Thereafter	4,733	1,012
Total	**12,335**	**3,107**

At 31 December 2014, nine aircraft lease agreements (31 December 2013: ten) belonged to entities classified as held for sale. The respective lease agreements have an average life of seven-years with renewal option at the end of the term. There are no restrictions placed upon the lessee by entering into these agreements. Future minimum lease payments due under non-cancellable operating lease agreements were as follows:

	31/12/2014	31/12/2013
Due within one year	1,941	1,753
From one to five years	3,707	3,841
Thereafter	133	305
Total	**5,781**	**5,899**

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 2014 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 2014, total claims under unresolved litigation amounted to approximately RUB 2,622 million (31 December 2013: RUB 4,526 million).

Taxation contingencies in the Russian Federation

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

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

Environmental matters

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

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

Russian Federation risk

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

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.

Russian Roubles 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 issued capital, other reserves and retained earnings.

Management of the Group regularly reviews its gearing ratio, calculated as the proportion of net debt to equity, to ensure that it is in line with the Group's investment grade, international peers and current rating level requirements.

At the end of March 2015 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. Furthermore, Moody's downgraded Russian sovereign rating to Ba1 speculative grade with 'negative' outlook on 20 February 2015. Together with Russia's sovereign rating, Russia's country ceiling was also lowered to Ba1 by Moody's. Due to the fact that the maximum level of Russian companies' ratings cannot exceed sovereign ceiling, the Company's ratings were also downgraded to Ba1 level on 25 February 2015.

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 in place risk management structure and control procedures to facilitate the measurement, evaluation and control of these exposures and related risk management activities.

Risk management is carried out by a financial risk management department, which is part of treasury function. 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 31/12/2014	**Year ended 31/12/2013**
Loss	3,729	1,977

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

Russian Roubles 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 2014 and 2013 were as follows:

	31 December 2014			31 December 2013	
	USD	HKD	Other currencies	USD	Other currencies
Cash and cash equivalents	79,077	56,696	4,512	44,693	1,683
Receivables	9,445	–	330	15,332	463
Other assets	5	–	7,634	2,117	7,163
Total assets	**88,527**	**56,696**	**12,476**	**62,142**	**9,309**
Trade and other payables	14,434	–	5,271	8,864	2,250
Loans and borrowings	281,152	–	–	168,831	1,030
Other liabilities	2,177	–	–	1,808	–
Total liabilities	**297,763**	**–**	**5,271**	**179,503**	**3,280**

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	
	31/12/2014	31/12/2013
Loss	41,856	23,565

Management has assessed the Group's exposure to currency risk to be acceptable. The Group does not apply hedge instruments.

Market risk on available-for-sale investments

The Group is exposed to the market risk in respect of its quoted and unquoted investments, amounting to RUB 9,324 million at 31 December 2014 (31 December 2013: RUB 21,834 million) (refer to note 16). Any further decline in fair value of those investments, for which impairment losses have been recognised, will be recorded in the consolidated income statement.

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)

Prior to dealing with new counterparty, management assesses the credit worthiness 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 BBB- credit rating.

	Outstanding balance	
	31/12/2014	**31/12/2013**
Bank A	56,413	11,017
Bank B	29,561	9,835
Bank C	19,293	6,908
Bank D	13,814	6,423
Bank E	12,027	6,062
Total	**131,108**	**40,245**
Company A	2,104	7,309
Company B	926	1,183
Company C	771	784
Company D	754	596
Company E	686	560
Total	**5,241**	**10,432**

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 31/12/2014			Year ended 31/12/2013		
	Number of customers	**Turnover, RUB million**	**%**	**Number of customers**	**Turnover, RUB million**	**%**
Largest customer	1	40,392	9	1	32,431	9
Next 9 largest customers	9	157,954	35	9	120,298	33
Total	**10**	**198,346**	**44**	**10**	**152,729**	**42**
Next 10 largest customers	10	60,440	13	10	47,393	13
Total	**20**	**258,786**	**57**	**20**	**200,122**	**55**
Remaining customers		197,227	43		166,054	45
Total		**456,013**	**100**		**366,176**	**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:

	31/12/2014	**31/12/2013**
Cash and cash equivalents	157,147	53,048
Loans, trade and other receivables, promissory notes	17,349	22,808
Irrevocable letters of credit	4,021	11,619
Bank deposits	5,124	1,062

Russian Roubles 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:

31/12/2014	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	**171,965**	19	–	–	35,000	–	42,194	40,000	54,752
Interest	**54,029**	–	2,663	10,108	11,387	10,005	9,081	7,746	3,039
	225,994	**19**	**2,663**	**10,108**	**46,387**	**10,005**	**51,275**	**47,746**	**57,791**
Floating rate bank loans and borrowings									
Principal	**186,451**	1,948	–	35,008	33,904	33,674	49,524	32,393	–
Interest	**11,512**	238	797	2,928	3,059	2,414	1,631	445	–
	197,963	**2,186**	**797**	**37,936**	**36,963**	**36,088**	**51,155**	**32,838**	–
Total	**423,957**	**2,205**	**3,460**	**48,044**	**83,350**	**46,093**	**102,430**	**80,584**	**57,791**

31/12/2013	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	**106,021**	13,746	–	–	–	35,000	–	24,546	32,729
Interest	**24,470**	10	1,383	4,273	5,655	4,273	2,890	2,353	3,633
	130,491	**13,756**	**1,383**	**4,273**	**5,655**	**39,273**	**2,890**	**26,899**	**36,362**
Floating rate bank loans and borrowings									
Principal	**98,859**	4,166	262	15,738	29,919	19,821	18,790	10,010	153
Interest	**4,715**	244	296	1,536	1,371	787	406	75	–
	103,574	**4,410**	**558**	**17,274**	**31,290**	**20,608**	**19,196**	**10,085**	**153**
Total	**234,065**	**18,166**	**1,941**	**21,547**	**36,945**	**59,881**	**22,086**	**36,984**	**36,515**

At 31 December 2014 the Group had available financing facilities for the management of its day to day liquidity requirements of RUB 121,323 million (31 December 2013: RUB 91,592 million).

Russian Roubles 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) whose values were mainly determined with reference to quoted market prices, approximate 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 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 2014, the Group had derivative financial instruments amounting to RUB 199 million (31 December 2013: RUB 151 million) recognised within Level 2.

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

	31/12/2014		31/12/2013	
	Carrying value	**Fair value Level 1**	**Carrying value**	**Fair value Level 1**
Fixed-rate notes and corporate bonds	131,634	121,063	91,863	91,549
Total	**131,634**	**121,063**	**91,863**	**91,549**

	Carrying value	**Fair value Level 2**	**Carrying value**	**Fair value Level 2**
Loans and borrowings, including:				
Variable-rate loans and borrowings	184,683	174,878	97,489	94,571
Fixed-rate loans and borrowings	39,822	34,966	13,746	13,740
Total	**224,505**	**209,844**	**111,235**	**108,311**

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 2014, 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 individual borrower existing at the reporting date. The discount rates ranged from 2.50% to 4.50% for USD-denominated loans and borrowings (2013: from 2.05% to 3.03%) and 15.81% for RUR-denominated loans. At 31 December 2013 the Group did not have RUR-denominated loans and borrowings.

Russian Roubles million

33. INVESTMENTS IN SIGNIFICANT SUBSIDIARIES AND ASSOCIATES

Subsidiaries by business segments	Country	Nature of business	Effective % held 31/12/2014	Effective % held 31/12/2013
Group GMK				
OJSC "Norilsky Mining-Metallurgical Kombinat"	Russian Federation	Rental of equipment	100.0	100.0
OJSC "Taimyrgaz"	Russian Federation	Gas extraction	99.8	99.8
OJSC "Norilskgazprom"	Russian Federation	Gas extraction	56.2	56.2
OJSC "Taimyrenergo"	Russian Federation	Rental of equipment	100.0	100.0
OJSC "Norilsko-Taimyrskaya Energeticheskaya Kompaniya"	Russian Federation	Electricity production and distribution	100.0	100.0
LLC "Zapoliarnaya stroitelnaya companiya"	Russian Federation	Construction	100.0	100.0
LLC "Norilsknickelremont"	Russian Federation	Repairs	100.0	100.0
LLC "Norilskgeologiya"	Russian Federation	Geological works	100.0	100.0
LLC "Norilskyi obespechivaushyi complex"	Russian Federation	Production of spare parts	100.0	100.0
Group KGMK				
OJSC "Kolskaya Mining and Metallurgical Company"	Russian Federation	Mining and Metallurgy	100.0	100.0
LLC "Pechengastroy"	Russian Federation	Construction	100.0	100.0
Norilsk Nickel Harjavalta				
Norilsk Nickel Harjavalta OY	Finland	Metallurgy	100.0	100.0
Other metallurgical				
LLC "GRK "Bystrinskoye"	Russian Federation	Mining	100.0	100.0
Other non-metallurgical				
OJSC "RAO "Norilsk Nickel"	Russian Federation	Investment holding	100.0	100.0
Metal Trade Overseas A.G.	Switzerland	Distribution	100.0	100.0
LLC "Institut Gypronickel"	Russian Federation	Science	100.0	100.0
CJSC "Taimyrskaya Toplivnaya Kompaniya"	Russian Federation	Supplier of fuel	100.0	100.0
OJSC "Enisey River Shipping Company" [1]	Russian Federation	River shipping operations	84.2	54.0
OJSC "Arkhangelsk Sea Commercial Port"	Russian Federation	Sea port	74.8	74.8
LLC "Aeroport Norilsk"	Russian Federation	Airport	100.0	100.0
OJSC "Aviakompania "Taimyr"	Russian Federation	Aircompany	100.0	100.0

Associates by business segments	Country	Nature of business	Effective % held 31/12/2014	Effective % held 31/12/2013
Other metallurgical				
Nkomati Nickel Mine	Republic of South Africa	Mining	50.0	50.0

[1] Increase of ownership during the year ended 31 December 2014

34. EVENTS SUBSEQUENT TO THE REPORTING DATE

Increase ownership in subsidiaries

On 9 February 2015, the Group acquired an additional 11.05% interest in OJSC “Enisey River Shipping Company”, a river shipping operations company, for a cash consideration of approximately RUB 161 million, increasing its ownership in this company to 95.24%.

During the period from 25 February 2015 to 11 March 2015, under a voluntary offer to the shareholders of OJSC “Norilskgazprom”, a gas extraction subsidiary, the Group acquired an additional 39.05% interest in OJSC “Norilskgazprom” for a cash consideration of approximately RUB 1,369 million, increasing its ownership in this company to 95.25%.

Borrowings

In January 2015 the Group obtained a long term loan from UniCredit Bank Austria AG in the amount of RUB 14,059 million (USD 250 million) due in five years.

In February 2015 the Group obtained a long term loan from Nordea Bank in the amount of RUB 9,107 million (USD 150 million) due in five years. Proceeds from the borrowings were used by the Group for repayment of the current portion of the debt.

Closure of Nickel Plant

In January 2015, the Group initiated a comprehensive programme according to Agreement on cooperation for the planned shutdown of outdated nickel production in the city of Norilsk and dealing with the environmental and social challenges related to shutdown, concluded by the Ministry of economic development of the Russian Federation, the Ministry of industry and trade of the Russian Federation, the Ministry of natural resources and environment of the Russian Federation, the governments of the Krasnoyarsk region and the city of Norilsk and the Group. The closure is expected in 2016. The provision for respective social expenditure to be recognised during 2015 is not expected to exceed RUB 1,017 million.

Acquisition of mineral rights

On 18 March 2015 the Government of the Russian Federation granted to the Group the right for exploration and mining of copper-nickel ore which contains nickel, cobalt, copper, PGMs and other metals on the federal site including Maslovskoe field located in Krasnoyarsk region.