NIZHNEKAMSKNEFTEKHIM GROUP

International Financial Reporting Standards Consolidated Financial Statements and Independent Auditor's Report

31 December 2016

Contents

Independent Auditor's Report

To the Shareholders and Board of Directors of PAO Nizhnekamskneftekhim:

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of PAO Nizhnekamskneftekhim and its subsidiaries (together - the "Group") as at 31 December 2016, as well as its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of comprehensive income for the year ended 31 December 2016;
- the consolidated statement of financial position as at 31 December 2016;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

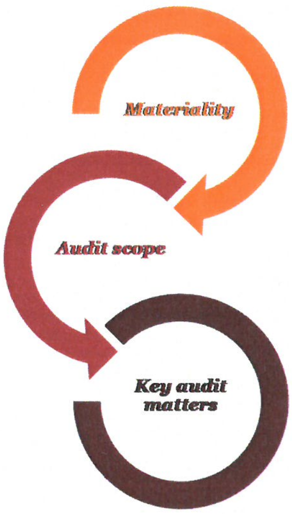
Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), which together with the ethical requirements of the Auditor's Professional Ethics Code and Auditor's Independence Rules are relevant to our audit of the consolidated financial statements in the Russian Federation. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

AO PricewaterhouseCoopers Audit
White Square Office Center 10 Butyrsky Val Moscow, Russia, 125047
T: +7 (495) 967-6000, F:+7 (495) 967-6001, www.pwc.ru

Our audit approach

Overview



- Overall group materiality: 1,558 million Russian roubles ("RUB"), which represents 5% of profit before tax.

- We conducted audit work at PAO Nizhnekamskneftekhim, located in the city of Nizhnekamsk in the Russian Federation.
- The group engagement team performed selected audit procedures on subsidiaries situated in the Republic of Tatarstan in the Russian Federation, as well as on a subsidiary located in Finland.
- Our audit scope addressed 99% of the Group's revenues and more than 98% of the Group's total assets.

Key audit matter:

- Revenue recognition

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence economic decisions taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole, as set out in the table below. Together with qualitative considerations, these helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures, and to evaluate the effect of misstatements, if any, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	RUB 1,558 million
How we determined it	5% of profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the Group's performance is most commonly measured by users, and it is a generally accepted benchmark. We chose 5% because it is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition The Group executes a large volume of revenue transactions with multiple counterparties from different countries and on different terms of transfer of ownership and risks. The Group recognises revenues from sales of goods based on the quantity of goods dispatched and the agreed prices. Although revenue recognition involves only limited judgement, due to the size and volume of transactions it is an audit area which requires significant time and resources and is therefore considered to be a key audit matter. *See notes 5 and 8 of the consolidated financial statements for the management's disclosures of the related accounting policies, judgements and estimates for further information.*	We performed the wide range of audit procedures in the audit of revenue containing, but not limited by: • assessment of the consistency of the revenue recognition policy application; • understanding of controls and evaluation of their effectiveness in the revenue; • substantive detailed procedures, including circularisation procedures and sample testing. We incorporated an element of unpredictability by selecting transactions not otherwise tested due to their materiality and by testing operations with new customers. No exceptions or significant deficiencies were noted from our testing and performed procedures.

Other information

Management is responsible for the other information. The other information comprises the annual report of PAO Nizhnekamskneftekhim for 2016, but does not include the consolidated financial statements or our auditor's report thereon, which we obtained prior to the date of this auditor's report, or the Issuer's Report for the first quarter of 2017, which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information, and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal controls 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The certified auditor responsible for the audit resulting in this independent auditor's report is Denis Petrovich Derevyankin.

AO PricewaterhouseCoopers Audit

5 April 2017
Moscow, Russian Federation

D.P. Derevyankin, certified auditor (licence no. 01-001581), AO PricewaterhouseCoopers Audit

Audited entity: PAO Nizhnekamskneftekhim

State registration certificate № 399/к-4(53), issued by State Registration Bureau of Republic Tatarstan on 3 July 2001

Certificate of inclusion in the Unified State Register of Legal Entities issued on 5 November 2002 under registration №1021602502316

423574, Russian Federation, Republic of Tatarstan, Nizhnekamsk

Independent auditor: AO PricewaterhouseCoopers Audit

State registration certificate № 008.890, issued by the Moscow Registration Chamber on 28 February 1992

Certificate of inclusion in the Unified State Register of Legal Entities issued on 22 August 2002 under registration № 1027700148431

Member of the Russian Union of auditors (Association, Self-regulated organisation of auditors)

ORNZ 11603050547 in the register of auditors and audit organisations

(in millions of Russian Roubles unless otherwise stated)

Consolidated Statement of Comprehensive Income

	Note	2016	2015
Revenue	**8**	158,798	155,768
Cost of sales	**9**	(108,846)	(108,190)
Gross profit		**49,952**	**47,578**
Selling, general and administrative expenses	**10**	(17,051)	(13,561)
Other operating expenses, net	**11**	(1,976)	(863)
Operating profit		**30,925**	**33,154**
Interest income		1,298	926
Interest expense		(149)	(247)
Foreign exchange (loss)/gain, net		(856)	1,060
Share of (loss)/income of associates	**15**	(64)	103
Profit before income tax		**31,154**	**34,996**
Income tax expense	**12**	(6,821)	(7,449)
Profit		**24,333**	**27,547**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Change in fair value of investments available for sale	**16**	297	(69)
Reclassification of revaluation on disposal of a financial asset	**16**	133	-
Exchange differences on translation of foreign subdivisions to presentation currency		(256)	216
Income tax attributable to items that may be reclassified to profit or loss	**12**	(86)	13
Total items that may be reclassified subsequently to profit or loss		**88**	**160**
Items that will not be reclassified to profit or loss			
Remeasurement of post-employment benefit obligations	**28**	(70)	(93)
Total items that will not be reclassified to profit or loss		**(70)**	**(93)**
Total comprehensive income		**24,351**	**27,614**
Profit attributable to:			
Shareholders of the parent company		24,262	27,505
Non-controlling interest		71	42
Profit		**24,333**	**27,547**
Total comprehensive income attributable to:			
Shareholders of the parent company		24,392	27,475
Non-controlling interest		(41)	139
Total comprehensive income		**24,351**	**27,614**
Earnings per share (in Russian Roubles), basic and diluted	**24**	**13.26**	**15.03**

The accompanying notes 1-40 are an integral part of these consolidated financial statements.

(in millions of Russian Roubles unless otherwise stated)

Consolidated Statement of Financial Position

	Note	31 December 2016	31 December 2015
ASSETS			
Non-current assets			
Property, plant and equipment	13	72,474	64,808
Intangible assets	14	351	503
Investments in associates	15	542	639
Financial assets	16	1,888	1,728
Deferred income tax assets	12	677	553
Goodwill	17	83	83
Other non-current assets	18	801	479
Total non-current assets		**76,816**	**68,793**
Current assets			
Inventories	19	19,529	17,250
Trade and other receivables	20	6,636	6,046
Income tax prepayments		368	24
Other prepaid and recoverable taxes	21	7,696	4,613
Other financial assets	16	40	970
Advances paid	22	14,044	1,514
Cash and cash equivalents	23	7,108	12,384
Total current assets		**55,421**	**42,801**
Total assets		**132,237**	**111,594**
EQUITY AND LIABILITIES			
Equity and reserves			
Share capital	24	6,332	6,332
Revaluation reserve for financial assets		58	(286)
Currency translation reserve		211	355
Retained earnings		102,031	86,030
Total equity attributable to shareholders of the parent company		**108,632**	**92,431**
Non-controlling interest		629	985
Total equity		**109,261**	**93,416**
Non-current liabilities			
Non-current loans and borrowings	25	49	143
Deferred income tax liabilities	12	3,044	2,528
Other non-current liabilities	27	989	1,007
Total non-current liabilities		**4,082**	**3,678**
Current liabilities			
Current loans and borrowings	26	967	2,282
Trade and other payables	30	6,642	6,810
Advances received and accrued liabilities	31	8,119	3,990
Income tax payable		2	189
Other taxes payable	32	3,047	1,209
Dividends payable		117	20
Total current liabilities		**18,894**	**14,500**
Total liabilities		**22,976**	**18,178**
Total equity and liabilities		**132,237**	**111,594**

ПАО «НИЖНЕКАМСКНЕФТЕХИМ» ИНН 1651000010

A.Sh. Bikmurzin
General Director
5 April 2017

I.R. Yakhin
Chief Accountant

The accompanying notes 1-40 are an integral part of these consolidated financial statements.

(in millions of Russian Roubles unless otherwise stated)

Consolidated Statement of Cash Flows

	Note	2016	2015
OPERATING ACTIVITIES			
Profit before income tax		**31,154**	**34,996**
Adjustments for:			
Depreciation charge	**9, 10**	4,977	4,256
Interest income, net		(1,149)	(679)
Income from investments, net	**11, 15**	(39)	(317)
Loss on disposal of property, plant and equipment	**11**	606	421
Foreign exchange loss/(gain), net		255	(424)
Change in allowance for doubtful debts	**11, 20, 22**	25	(29)
Change in provision for inventory impairment	**19**	(2)	2
Effect of discounting loans issued		79	-
Operating profit before working capital changes		**35,906**	**38,226**
Increase in inventories	**19**	(2,090)	(2,563)
(Increase)/decrease in trade and other receivables	**18, 20**	(601)	188
Increase in prepaid and recoverable taxes, other than prepaid income tax	**21**	(3,083)	(2,010)
Increase in other assets	**18, 22**	(12,929)	(451)
Increase in trade and other payables and other liabilities	**27, 30, 31**	472	829
Increase/(decrease) in advances received and accruals	**31**	3,674	(351)
Increase in taxes payable other than income tax	**32**	1,837	241
Working capital changes		**(12,720)**	**(4,117)**
Interest paid		(56)	(120)
Income taxes paid		(7,047)	(7,098)
Net cash from operating activities		**16,083**	**26,891**
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(13,369)	(14,748)
Proceeds from sale of property, plant and equipment		19	52
Purchase of deposits (securities) and other financial assets		(410)	(1,198)
Purchase of other non-current assets		(102)	(246)
Proceeds from sale of other financial assets		1,178	373
Interest income received		1,297	924
Interest capitalised		(155)	(229)
Dividends received from associates	**15**	33	43
Net cash used in investing activities		**(11,509)**	**(15,029)**
FINANCING ACTIVITIES			
Proceeds from non-current loans and borrowings		4,060	100
Proceeds from current loans and borrowings		1,725	1,105
Repayment of non-current loans and borrowings		(5,774)	(3,144)
Repayment of current loans and borrowings		(1,331)	(2,799)
Repayment of finance lease payables		(102)	(76)
Dividends paid		(7,981)	(2,782)
Proceeds from government grants		-	136
Net cash used in financing activities		**(9,403)**	**(7,460)**
(Decrease)/increase in cash and cash equivalents		**(4,829)**	**4,402**
Cash and cash equivalents at the beginning of the year		12,384	7,193
Effect of exchange rate changes on cash held in foreign currencies		(447)	789
Cash and cash equivalents at the end of the year		**7,108**	**12,384**

The accompanying notes 1-40 are an integral part of these consolidated financial statements.

(in millions of Russian Roubles unless otherwise stated)

Consolidated Statement of Changes in Equity

	Share capital	Revaluation reserve for financial assets	Currency translation reserve	Retained earnings	Equity attributable to shareholders of the parent company	Non-controlling interest	Total equity
Balance at 1 January 2015	**6,332**	**(230)**	**236**	**61,400**	**67,738**	**846**	**68,584**
Profit	-	-	-	27,505	27,505	42	27 547
Other comprehensive income less deferred tax	-	(56)	119	(93)	(30)	97	67
Total comprehensive income	-	**(56)**	**119**	**27,412**	**27,475**	**139**	**27 614**
Dividends declared	-	-	-	(2,782)	**(2,782)**	-	**(2 782)**
Balance at 31 December 2015	**6,332**	**(286)**	**355**	**86,030**	**92,431**	**985**	**93 416**
Profit	-	-	-	24,262	24,262	71	24,333
Other comprehensive income less deferred tax	-	344	(144)	(70)	130	(112)	18
Total comprehensive income	**-**	**344**	**(144)**	**24,192**	**24,392**	**(41)**	**24,351**
Dividends declared	-	-	-	(7,943)	(7,943)	(135)	(8,078)
Decrease of non-controlling interest due to increase of Group’s share in subsidiaries	-	-	-	(248)	**(248)**	(180)	**(428)**
Balance at 31 December 2016	**6,332**	**58**	**211**	**102,031**	**108,632**	**629**	**109,261**

The accompanying notes 1-40 are an integral part of these consolidated financial statements.

Note 1. General Information

OAO Nizhnekamskneftekhim has changed the name of its legal form to comply with the Russian Civil Code amendments enacted from 1 September 2014 and to become the Public Joint-Stock Company Nizhnekamskneftekhim (the abbreviated firm name is PAO Nizhnekamskneftekhim, hereinafter, the "Company"). The decision on inclusion of the new name in the Company's Charter was taken by the Company's Extraordinary General Shareholders' Meeting on 29 October 2014. The Company's Charter with the new name therein was registered with the authorised government bodies of the Russian Federation on 13 November 2014.

The Company was incorporated as a result of privatisation of the Production Association (PO) Nizhnekamskneftekhim on 18 August 1993 pursuant to approval by the State Property Management Committee of the Republic of Tatarstan, a republic within the Russian Federation. All assets and liabilities previously operated by the former PO Nizhnekamskneftekhim were distributed between entities, including the Company, in accordance with the privatisation law of the Republic of Tatarstan.

PAO Nizhnekamsneftekhim's registered address is: 423574, Nizhnekamsk, the Republic of Tatarstan, Russian Federation. The Company and its subsidiaries (collectively, the "Group") are principally engaged in the production and sale of petrochemicals within the Republic of Tatarstan. The Group employed an average of 21,268 and 21,559 employees during the years ended 31 December 2016 and 2015, respectively.

Note 2. Operating Environment of the Group

Russian Federation. The Russian Federation displays certain characteristics of an emerging market. Its economy

is particularly sensitive to oil and gas prices. The tax, currency and customs frameworks continue to develop and are subject to varying interpretations. Low oil prices, continuing political tension in the region, as well as international sanctions against Russian companies and individuals had a negative impact on the Russian economy in 2016. The above resulted in the economic downturn in Russia, which is characterised by declining gross domestic product. The financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads. Russia's credit rating maintained as below the investment grade. This operating environment has a significant impact on the Group’s operations and financial position. Management is taking necessary measures to ensure sustainability of the Group’s operations. However, the future effects of the current economic situation are difficult to predict and management’s current expectations and estimates could differ from actual results.

Exchange rates of major foreign currencies as at 31 December 2016 were RUB 60.6569 = USD 1.00 (RUB 72.8827 as at 31 December 2015), RUB 63.8111 = EUR 1.00 (RUB 79.6972 as at 31 December 2015).

Note 3. Adoption of New or Revised Standards and Interpretations

The following new standards and interpretations became effective for the Group from 1 January 2016 but did not have any material impact on the Group’s consolidated financial statements.

Disclosure Initiative Amendments to IAS 1 (issued in December 2014 and effective for annual periods beginning on or after 1 January 2016). The Standard was amended to clarify the concept of materiality and explain that an entity need not provide a specific disclosure required by an IFRS, if the information resulting from that disclosure is not material, even if the IFRS contains a list of specific requirements or describes them as minimum requirements. The Standard also provides new guidance on subtotals in financial statements, in particular, such subtotals (a) should be comprised of line items made up of amounts recognised and measured in accordance with IFRS; (b) be presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable; (c) be consistent from period to period; and (d) not be displayed with more prominence than the subtotals and totals required by IFRS standards.

- IFRS 14, Regulatory Deferral Accounts (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016).
- Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 (issued on 6 May 2014 and effective for the periods beginning on or after 1 January 2016).
- Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IAS 16 and IAS 38 (issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016).
- Agriculture: Bearer plants – Amendments to IAS 16 and IAS 41 (issued on 30 June 2014 and effective for annual periods beginning 1 January 2016).
- Equity Method in Separate Financial Statements - Amendments to IAS 27 (issued on 12 August 2014 and effective for annual periods beginning 1 January 2016).

Note 3. Adoption of New or Revised Standards and Interpretations (Continued)

- Annual Improvements to IFRSs 2012 - 2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016).
- Investment Entities: Applying the Consolidation Exception Amendment to IFRS 10, IFRS 12 and IAS 28 (issued in December 2014 and effective for annual periods on or after 1 January 2016).

Note 4. New Accounting Pronouncements

Certain new standards and interpretations have been published that are mandatory for the annual periods beginning on or after 1 January 2017 and which the Group has not early adopted:

IFRS 9 "Financial Instruments" (amended in July 2014 and effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The Group believes that the new standard will not have any impact on its consolidated financial statements with regard to classification of financial assets and financial liabilities and the hedge accounting requirements; with regard to recognition of impairment losses the impact on the consolidated financial statements will be insignificant.

IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.

The Group is currently assessing the impact of the new standard on its consolidated financial statements.

Note 4. New Accounting Pronouncements (Continued)

Amendments to IFRS 15, Revenue from Contracts with Customers (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018). The amendments do not change the underlying principles of the Standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; how to determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard.

The Group is currently assessing the impact of the amendments on its consolidated financial statements.

IFRS 16, Leases (issued on January 2016 and effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group is currently assessing the impact of the new standard on its consolidated financial statements.

Disclosure Initiative - Amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017). The amended IAS 7 will require disclosure of a reconciliation of movements in liabilities arising from financing activities.

The application of this amendment in the consolidated financial statements will result in insignificant increase in the scope of disclosures.

The following other new pronouncements are not expected to have any material impact on the Group when adopted:

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).
- Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12 (issued on 19 January 2016 and effective for annual periods beginning on or after 1 January 2017).
- Amendments to IFRS 2, Share-based Payment (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018).
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – Amendments to IFRS 4 (issued on 12 September 2016 and effective, depending on the approach, for annual periods beginning on or after 1 January 2018 for entities that choose to apply temporary exemption option, or when the entity first applies IFRS 9 for entities that choose to apply the overlay approach).
- Annual Improvements to IFRSs 2014-2016 cycle (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2017 for amendments to IFRS 12, and on or after 1 January 2018 for amendments to IFRS 1 and IAS 28).
- IFRIC 22 - Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).
- Transfers of Investment Property - Amendments to IAS 40 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Group’s consolidated financial statements.

Note 5. Summary of Significant Accounting Policies

Statement of compliance with IFRSs

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

Basis of preparation

The Group operates in accordance with Russian laws and statutory requirements regulating accounting and reporting procedures. The Russian accounting and reporting procedures may significantly differ from those set forth by IFRS. Accordingly, financial statements of individual entities of the Group have been adjusted to ensure that the consolidated financial statements are presented in accordance with IFRS.

The consolidated financial statements of the Group are prepared under the historical cost convention, as modified by:

- recognition of assets, liabilities and contingent liabilities of acquired subsidiaries based on fair value, in accordance with IFRS 3 “Business Combinations”;
- financial instruments measured at fair value in accordance with IAS 39 "Financial Instruments: Recognition and Measurement".

Principles of consolidation

Subsidiaries

Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power over an investee, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of the investor’s returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have a practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than the majority of the voting power in an investee. If this is the case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. The rights to protect the other investors’ interests, such as those that relate to fundamental changes of the investee’s activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date on which control ceases.

Intercompany transactions, balances and unrealised gains on transactions between the Group companies are eliminated. Unrealised losses are also eliminated, unless the cost cannot be recovered.

When preparing the consolidated financial statements, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in compliance with those applied by the Group.

Non-controlling interest is the part of net results and equity of a subsidiary attributable to the interest which is not owned by the Company either directly or indirectly. Non-controlling interest forms a separate component of the Group’s equity.

Business combinations

The acquisition method of accounting is used to account for the acquisition of subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The Group measures non-controlling interest on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree.

Goodwill is measured by deducting fair value of the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt are deducted from its carrying amount and all other transaction costs associated with the acquisition are expensed.

Note 5. Summary of Significant Accounting Policies (Continued)

Goodwill is carried at cost less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination.

Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

If acquired at bargain price, when the fair value of net assets exceeds the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date, any excess ("negative goodwill") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed and reviews appropriateness of their measurement.

Purchases and sales of non-controlling interests

Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as change in retained earnings directly in the consolidated statement of changes in equity. The Group recognises the difference between sales consideration and carrying amount of non-controlling interest sold as change in retained earnings in the consolidated statement of changes in equity.

Associates

Associates are entities over which the Group has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. Dividends received from associates reduce the carrying value of the investment in associates.

Other post-acquisition changes in the Group's share of net assets of an associate are recognised as follows: (i) the Group's share of profits or losses of associates is recorded in the profit or loss for the year in a separate line in the consolidated statement of comprehensive income, (ii) the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately in the consolidated statement of comprehensive income.

Losses of associates are initially recognised in the consolidated financial statements as long as investments in associates are not written down to nil. Then losses are recorded in the consolidated financial statements to the extent the Group has assumed obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Disposals of subsidiaries or associates

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity, are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are recycled to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

Revenue and income recognition

Revenue is recognised at the fair value of the consideration received or receivable net of VAT, export duties and discounts.

Note 5. Summary of Significant Accounting Policies (Continued)

Revenue from sales of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer all significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income is recognised on a time-proportion basis using the effective interest method.

Finance lease

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. The assets held under finance leases are capitalised in property, plant and equipment at the commencement of the lease at the lower of the fair value or present value of future minimum lease payments at the inception of the lease, with the finance lease liability being recognised. Leased assets are depreciated over their useful lives or over the term of the lease, if shorter. If there is reasonable certainty that the lessee will obtain ownership at the end of the lease term, the period of depreciation is useful life of the asset.

Finance lease payments are calculated using the effective interest rate method and allocated between the finance charges, which are included in finance costs, and capital repayment, which reduces the related finance lease obligation to the lessor so as to achieve a constant rate on the finance balance outstanding. The corresponding lease obligations, net of future finance charges, depending on maturity, are included in other long-term liabilities or trade and other payables.

Operating lease

Leases where the lessor retains substantially all the risks and rewards incidental to ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the profit or loss on a straight-line basis over the lease term.

Foreign currency translations

Foreign exchange differences

The stand-alone financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency).

The functional currency of all Group entities is the Russian rouble (“RUB”). The Russian rouble has also been selected as the presentation currency for the Group’s consolidated financial statements.

Transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the exchange rates of the Central Bank of the Russian Federation (“CBRF”) effective at the date of the transactions.

Exchange differences arising from foreign currency transactions and translation of monetary assets and liabilities into each entity’s functional currency at year-end official exchange rates of the CBRF are recognised in the consolidated statement of comprehensive income separately from other income or expenses.

Foreign exchange differences of foreign entities

At each reporting date, the assets and liabilities (both monetary and non-monetary) of the Group entities whose functional currency is not the Russian Rouble are translated into Russian Roubles at the exchange rate effective as at each balance sheet date. All items included in equity, other than profit or loss, are translated at historical exchange rates. The financial results of these entities are translated into Russian Roubles at average exchange rates of each reporting period.

All resulting exchange differences are treated as a separate component of equity and recognised as cumulative exchange difference reserve for exchange difference in the consolidated statement of changes in equity and movements in the reserves are reflected in the consolidated statement of comprehensive income in other comprehensive income. When control over a foreign entity is lost, the previously recognised exchange differences on translation to a different presentation currency are reclassified from other comprehensive income to profit or loss for the year as part of the gain or loss on disposal. On partial disposal of a foreign entity without loss of control, the related portion of accumulated currency translation differences is reclassified to non-controlling interest within equity.

Note 5. Summary of Significant Accounting Policies (Continued)

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to get ready for use or sale (a qualifying asset) are added to the cost of this asset, until such time as the asset is substantially ready for its intended use or sale.

The commencement date for capitalisation is when (a) the Group incurs expenditures for the qualifying asset; (b) it incurs borrowing costs; and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale.

Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

The Group capitalises borrowing costs that could have been avoided if it had not incurred any expenses for acquisition, construction or production of a qualifying asset. Borrowing costs capitalised are calculated at the Group's average funding cost (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred on the specific borrowings less any investment income on the temporary investment of these borrowings are capitalised.

Interest Income

The line "Interest income" of the consolidated statement of comprehensive income is intended for recognising interest income on financial assets carried at amortised cost, such as loans issued and deposits using the effective interest rate.

Interest expense

The line "Interest expense" of the consolidated statement of comprehensive income is intended for recognising interest expense on financial liabilities carried at amortised cost, such as loans and borrowings received using the effective interest rate less capitalised borrowing costs.

Government grants

Government grants used to purchase or build assets are credited to income over the periods and in the proportions in which depreciation on those assets is charged. Grant balances at the end of the reporting period are recorded in line "Other non-current liabilities" or "Trade and other payables" in the consolidated statement of financial position subject to the estimated period of writing them off to income.

Employee benefits

Short-term benefits to employees in respect of services rendered during a reporting period are recognised as an expense in that reporting period.

Pension and other post-employment benefits

The Group makes mandatory insurance contributions to the State Pension Fund. In the Russian Federation, contributions to the Russian Federation State Pension Fund, are calculated by applying a regressive rate to the annual gross remuneration of each employee, where the regressive rate is determined based on the current legislation.

Moreover, some entities of the Group have signed agreements with non-government pension funds on additional pension schemes for which the Group has recognised the construction obligation.

Under a collective agreement between the Group's company and its employees, the Group has a number of long-term benefit liabilities: jubilee benefits, lump sum benefit on retirement and regular fixed payments to non-working pensioners.

Liabilities on lump-sum benefit on retirement and fixed payments to non-working pensioners are treated by the Group as post-employment benefit liabilities. The Group classifies these obligations as defined benefit plans. There are no assets on these plans. The Group shall use the Projected Unit Credit Method to determine the discounted value of its defined benefit obligations and the related current service cost, and where applicable, past service cost. When evaluating its defined benefit liability, the Group recognises the past service cost as current expenses.

Jubilee benefits are classified and recorded by the Group as other long-term benefits.

Note 5. Summary of Significant Accounting Policies (Continued)

When calculating post-employment and other long-term benefits, the Group uses such assumptions as expected salary growth, staff turnover, average life expectancy and discount rate equivalent to interest rates on top-quality government bonds with a currency and maturity similar to that of the defined benefit plan.

Gains and losses from revaluation on pension plans are fully recognised in the consolidated statement of comprehensive income within other comprehensive income. Expenses/income from revaluation related to other long-term benefits are recognised in the consolidated statement of comprehensive income as a component of cost and selling, general and administrative expenses within labour expenses.

Income taxes

Income taxes have been provided for in consolidated financial statements in accordance with Russian legislation effective at the reporting date. The income tax charge/(credit) comprises current tax and deferred tax and is recognised in profit or loss for the year except if it relates to transactions that are recognised in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxes other than on income are recorded within operating costs.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill, and subsequently for goodwill which is not deductible for tax purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at reporting date which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised (enacted or substantively enacted at reporting date). Deferred tax assets and liabilities are offset if there is a legal right for the offset of the current tax assets and liabilities, and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its tax assets and liabilities on a net basis.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

When deciding on the necessity to recognise a deferred tax on temporary differences related to taxes accrued on dividends from subsidiaries out of subsidiaries' retained earnings, the Group takes into consideration income tax rate which applies to such dividends under the effective legislation and existence of control over ability to reverse those temporary differences.

Uncertain tax positions

The Group's uncertain tax positions are reassessed by management at each balance sheet date. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the reporting date and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the reporting date.

Property, plant and equipment

All property, plant and equipment are stated at cost, except for assets acquired prior to 1 January 2003 which have been adjusted for the impact of changes in the general purchasing power in accordance with IAS 29 "Financial Reporting in Hyperinflationary Economies", less accumulated depreciation.

Items acquired after 1 January 2003 are recorded at cost less accumulated depreciation and impairment provision if any, in the consolidated financial statements. Costs of minor repairs and maintenance are expensed when incurred. Costs of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part is retired.

Depreciation is computed under the straight-line method over the estimated useful lives of the assets, which are:

Buildings, facilities and transmission devices	20 – 100 years
Plant and machinery	5 – 30 years
Motor vehicles and other assets	2 – 30 years

Note 5. Summary of Significant Accounting Policies (Continued)

For the purpose of disclosure land owned by the Group is included in “Land, buildings, facilities and transmission devices”. Land is not depreciated.

Gain or loss arising on the disposal of property, plant and equipment item is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of comprehensive income in line “Other operating expenses, net”.

Construction in progress

Construction in progress comprises costs directly related to construction of property, plant and equipment. Depreciation of these assets commences when the assets are ready for use.

Intangible assets

Intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses.

The Group’s intangible assets, other than goodwill, have definite useful lives and are amortised on a straight-line basis over their expected useful lives.

Software	1 - 10 years
Patents	1 - 20 years
Licenses	1 - 17 years

Costs incurred on the development, implementation and enhancement of software, are capitalised and amortised over its expected useful life. Software costs relating to the existing software operation are recognised as an expense in the period in which they occur.

Inventories

Inventories are recorded at the lower of cost and net realisable value. When inventory is released to production or disposed of otherwise it is valued on the moving average amount. Cost of finished goods and semi-finished products comprises raw material, direct labour, other direct costs and those variable costs but excludes borrowing costs and other costs directly not related to production.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

Work in progress is valued at the net unit cost of production allocated to the estimated stage of completion.

Inventories are recorded in the consolidated statement of financial position within current assets (line “Inventories”) if they are consumed in the next reporting period or non-current assets (line “Other non-current assets”) if they are consumed not earlier than after 12 months.

Value-added tax

Output value added tax (“VAT”) related to sales is payable to the tax authorities on an accrual basis based upon invoices issued to customers. Input VAT on goods and services is offset against output VAT subject to certain limitations.

Advances issued for capital expenditures are recognised within non-current assets (line “Property, plant and equipment”) less VAT in the consolidated statement of financial position. VAT on advances issued for capital expenditures is recognised in the consolidated statement of financial position depending on maturity: to be settled beyond 12 months - within non-current assets (line “Other non-current assets”); to be settled within 12 months - within current assets (line “Advances paid”).

VAT on advances issued that was recovered from the budget is recognised in the consolidated statement of financial position in line “Other taxes payable” and “Other non-current liabilities” depending on the expected dates when the assets and/or services are actually received.

VAT paid on advances received is recognised in the consolidated statement of financial position in line “Other prepaid and recoverable taxes”.

Excise tax

The amount of excise tax deductible or recoverable from the budget is recorded within the line “Other prepaid and recoverable taxes” in the consolidated statement of financial position.

Note 5. Summary of Significant Accounting Policies (Continued)

In accordance with IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*, the excess of excise tax deductions over excise accruals due to application of an index prescribed by the Russian law is recorded by the Group as government assistance in the consolidated financial statements. This excess in the amount established by law, is recognised in the consolidated statement of comprehensive income as decrease in expenses for raw and materials in line "Cost of sales", if all required conditions are met.

Advances paid

In the consolidated financial statements prepayments are carried at cost less provision for impairment. Prepayments are classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayments relate to an asset which will itself be classified as non-current upon initial recognition.

If there is an indication that the assets (for example, goods) or services relating to the prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year in line "Other operating expenses, net".

Impairment of assets except for goodwill and financial assets

The Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of 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.

The 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.

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. Impairment losses are recognised in profit and loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit and loss.

Financial assets

Depending on their classification financial instruments are carried at fair value or amortised cost as described below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

The quoted market price used to value financial assets is the current bid price; the quoted market price for financial liabilities is the current asking price.

Financial assets and liabilities that are not traded in an active market are measured at the fair value using market approach. Estimation of the fair value is based on confirmed publicly available information about market multipliers for net assets of similar companies.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available.

Note 5. Summary of Significant Accounting Policies (Continued)

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus or minus any accrued interest, and for financial assets – less any impairment loss incurred (directly or through the valuation allowance account). Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the consolidated statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest in each reporting period (effective interest rate) on the carrying amount of the financial instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument.

Financial assets of the Group are classified into the following specified categories:

- available-for-sale financial assets;
- loans and receivables.

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

Initial recognition of financial instruments. Trading investments, derivatives and other financial instruments at fair value through profit or loss are initially recorded at fair value. All other financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is the best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention (“regular way” purchases and sales) are recorded at trade date, which is the date on which the Group commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial assets at fair value recognised through other comprehensive income (available-for-sale financial assets)

Available-for-sale financial assets mainly include listed and unlisted shares.

The securities held by the Group that are traded in an active market are measured at fair value.

Investments in unlisted shares that do not have a quoted market price in an active market are recorded at fair value using equity method.

Gains and losses arising from changes in fair value of these investments are recognised in other comprehensive income, the cumulative amount is recognised in the consolidated statement of financial position within equity in line “Revaluation reserve for financial assets” with the exception of losses from impairment of differences, which are recognised directly within profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income is included in profit and loss.

Dividends on available-for-sale equity instruments are recognised in profit and loss when the Group's right to receive the dividends is established.

Loans and receivables

Loans issued, trade 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 initially recognised at fair value and subsequently carried at cost amortised at the effective interest rate (except for short-term accounts receivable for which interest is insignificant) net of impairment provision.

Losses on initial recognition of loans granted to employees at rates below the market ones, are recorded in the consolidated statements of comprehensive income as personnel costs within cost of sales, selling, general and administrative expenses or other operating expenses depending on staff categories.

Note 5. Summary of Significant Accounting Policies (Continued)

On the initial recognition of accounts receivable profit/losses resulting from difference between cost and fair value are recognised in the consolidated statement of comprehensive income in line “Other operating expenses, net”.

Interest income is accounted for by applying the effective interest rate and recognised in the consolidated statement of comprehensive income in line “Interest income”.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. An impairment loss is recognised 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 generated by the asset decreased.

For financial assets classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company'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.

Changes in allowance for doubtful receivables are recognised in the consolidated statement of comprehensive income in line “Other operating expenses, net”.

For financial assets carried at amortised cost, impairment losses are recognised through making a provision in the amount to make assets carrying amount reach the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

With the exception of available-for-sale financial assets, 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 profit or loss. The carrying amount of the financial assets at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent reversal of the amounts previously written off is credited to profit for the year. When a decline in fair value of an available-for-sale equity investment has been recognised in other comprehensive income and there is objective evidence that investment is impaired, the cumulative loss that had been recognised as a component of other comprehensive income in equity is transferred to profit and loss even though the investment has not been disposed of. Impairment losses previously recognised through profit and loss are not reversed through profit and loss. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income.

Derecognition of financial assets

The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank deposits and other highly liquid investments with original maturities of three months or less, which are readily convertible to known amounts of cash and exposed to an insignificant risk of changes in value.

Cash equivalents are carried at amortised cost using the effective interest method.

Note 5. Summary of Significant Accounting Policies (Continued)

Recognition of placement and repayment of deposits

Cash placed on deposits with a maturity of more than three months and received upon their closing is recognised in the consolidated statement of cash flows on a gross basis (not applying a net basis approach).

Share capital

Ordinary shares and preference shares are recognised in the consolidated statement of financial position in line “Share capital” within equity.

Dividends

Dividends payable and related taxation thereon are recognised in the period in which they have been declared and become legally payable under the Russian law.

Accumulated profits legally distributable are based on the amounts available for distribution in accordance with the Russian legislation and as reflected in the statutory financial statements of the individual entities of the Group. These amounts may differ significantly from the amounts calculated on the basis of IFRS. Dividends declared after the reporting period but before the consolidated financial statements are authorised for issue are disclosed in Note “Events after the reporting date”.

Financial liabilities

Other financial liabilities, including loans and borrowings, are initially measured at fair value, net of transaction costs. Subsequently, the financial liabilities are carried at amortised cost using effective interest method.

Derecognition of financial liabilities

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

Offsetting

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (1) must not be contingent on a future event and (2) must be legally enforceable in all of the following circumstances: (a) in the normal course of business, (b) in the event of default and (c) in the event of insolvency or bankruptcy.

Provisions for liabilities and charges

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recorded as provision is the best estimate of payments required to settle obligations at the reporting date accounting for obligation related risks and uncertainty. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows.

Note 6. Critical Accounting Estimates and Judgements

Due to uncertainties in business operations only estimates instead of accurate amounts can be determined for certain line items of consolidated financial statements. An estimate requires that the Group management apply judgements, which are based on the most recent reliable information available. Estimates may affect the reported amounts of assets and liabilities at the reporting date, income and expenses for the reporting period, as well as disclosure of contingent assets and liabilities.

Note 6. Critical Accounting Estimates and Judgements (Continued)

Estimates are based on subjective factors and depend on experience, current and expected economic conditions and other information available to the Group management. Judgements that have the most significant effect on amounts reported in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year are disclosed below. Actual results may differ from those estimates.

Income taxes

The Group's income tax liability, for the most part, is an estimate due to the complexity of the Russian legislative framework. There are transactions and calculations for which the ultimate tax determination is uncertain due to continuous changes in the regulatory environment. Where appropriate, the Group recognises additional potential tax liabilities that may result from tax audits. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the income tax and income tax provisions in the period in which such determination is made.

Provision for environmental obligations

The Group's activities are subject to various laws and regulations governing the protection of the environment. The Group pays fees for the negative impact on the environment and the right to discharge pollutants or other waste, within legal norms, and recognises such payments within current period expenses. Management believes these fees cover all environmental obligations; therefore, the Group has no provision for environmental obligations (Note 38).

Useful lives of property, plant and equipment

Management regularly review the appropriateness of asset useful lives exercising professional judgement as to the estimated period during which they will continue to bring economic benefit to the Group. The effect of any changes in estimate is accounted for on a prospective basis.

Impairment of assets

Management of the Group regularly test tangible and intangible assets of the Group for any indication of impairment. Management apply their judgement in estimating the timing and value of cash flows within the recoverable value calculation for the assets. Key assumptions in management’s analysis relate to determining the discounting rate, sales volume and prices, and raw materials prices.

Fair value assessment of investments in securities

Management of the Group determined fair value of its investments in securities by reference to their market quotes at the reporting date. The fair value of investments in securities, for which there are no market quotes, was calculated using the equity method. For investments in bank securities an adjustment was made for an average market banking multiplier that reflects the market data on comparable banks. Management of the Group considered it necessary to apply the banking multiplier to assess investments in bank securities due to increasing risks in the securities market (Note 16).

Provision for impairment of accounts receivable

A provision for impairment of accounts receivable is established when there is objective evidence that the Group will not be able to collect all amounts according to the original terms. In determining the recoverability of accounts receivable, the Group considers any change in the credit quality of the debtors from the date the market loan was initially granted up to the reporting date.

When evaluating the adequacy of a provision for impairment of accounts receivable, management base their estimates on the current overall economic conditions, the ageing of accounts receivable balances, the history of non-payments, and changes in payment terms (if any).

Assessment of post-employment benefit obligations. Management of the Group has determined that certain lump sum payments to employees on retirement and fixed benefits paid to non-working retirees constitute a constructive post-employment benefit obligation of the Group. Consequently, a provision in respect of post-employment benefits has been created and recognized in the consolidated statement of financial position. Management of the Group continue to review such programs and continue to assess whether they give rise to an obligation (Note 28).

(in millions of Russian Roubles unless otherwise stated)

Note 7. Changes in Comparative Information

During the year, the Group has made reclassification within the consolidated statement of comprehensive income. The Group believes that such a change provides reliable and more relevant information. In accordance with IAS 8 “Accounting policies, changes in accounting estimates and errors”, the change has been made retrospectively and comparatives have been restated accordingly. Management considered materiality of the adjustments made and concluded that it is sufficient to present them in this note.

Excess of excise taxes deductions over excise taxes accruals which was previously recognised in line “Excess of excise taxes deductions over excise accruals” in Note “Other operating expenses, net” to the consolidated statement of comprehensive income has been reclassified to line” Raw materials and consumables” in Note “Cost of sales” to the consolidated statement of comprehensive income. The Company’s management believes that such classification more accurately reflects the economic substance of these transactions because the Company started making such payments on a regular basis.

Income/(expenses) from release/accrual of provision for inventory which was previously recognised in line “Other income, net” in Note “Other operating expenses, net” to the consolidated statement of comprehensive income have been reclassified to line” Raw materials and consumables” in Note ”Cost of sales” to the consolidated statement of comprehensive income as the Company’s management believes that such classification more accurately reflects the economic substance of these transactions.

The effect of reclassifications for presentation purposes of the consolidated statement of comprehensive income was as follows:

	As originally presented for 2015	Reclassification	As presented for 2015 upon reclassification
Cost of sales	(114,572)	6,382	(108,190)
Gross profit	41,196	6,382	47,578
Other operating expenses, net	5,519	(6,382)	(863)

Changes in the consolidated statement of comprehensive income did not have any impact on the consolidated financial statements.

The effect of the reclassifications of Note 9 “Cost of sales” and Note 11 “Other operating expenses, net” from the presentation perspective was as follows:

	As originally presented for 2015	Reclassification	As presented for 2015 upon reclassification
Cost of sales			
- raw materials and consumables	(79,392)	6,382	(73,010)
Other operating expenses, net			
- Excess of excise taxes deductions over excise accruals	6,384	(6,384)	-
-Other (expenses)/income, net	139	2	141

Note 8. Revenue

The following table summarises the Group's revenue by types*:*

	2016	2015
Product sales	155,184	151,989
Services provision, work performance	3,481	3,586
Other	133	193
Total	**158,798**	**155,768**

The following table summarises the Group's product sales by destination:

	2016	2015
Sales within the Russian Federation	78,620	76,035
Export sales (revenue amounts to more than 10% of the total revenue):		
Europe	42,520	40,637
Asia	20,688	20,915
Other	13,356	14,402
Total	**155,184**	**151,989**

(in millions of Russian Roubles unless otherwise stated)

Note 8. Revenue (Continued)

The following table presents the analysis of revenues by major customers for which sales amount to above RUB 1,000 million each:

	2016	2015
Major 30 customers (2015: 26 customers)	112,715	105,747
Other	46,083	50,021
Total	**158,798**	**155,768**

Note 9. Cost of Sales

	2016	2015
Raw materials and consumables	70,880	73,010
Energy and heating	19,883	18,987
Personnel costs	10,930	10,330
Depreciation	4,299	3,868
Repairs and maintenance	1,591	1,628
Purchased services	650	765
Rent expenses	475	459
Other expenses	170	385
Change in inventories of finished goods, goods despatched and work in progress	(32)	(1,242)
Total	**108,846**	**108,190**

Note 10. Selling, General and Administrative Expenses

	2016	2015
Transportation expenses	5,482	4,842
Personnel costs	4,574	3,944
Advertising and other services	1,629	171
Taxes other than on income	1,347	1,235
Materials	983	905
Depreciation	678	388
Repairs and maintenance	520	354
Insurance	448	436
Energy and heating	174	170
Rent expenses	165	149
Other expenses	1,051	967
Total	**17,051**	**13,561**

Note 11. Other Operating Eexpenses, Net

	2016	2015
Maintenance of social infrastructure and charity	(1,123)	(826)
Loss on disposal of property, plant and equipment	(606)	(421)
(Expenses)/income from investments	(62)	214
(Increase)/release of allowance for doubtful debts	(25)	29
Other (expenses)/income, net	(160)	141
Total	**(1,976)**	**(863)**

Note 12. Income Tax Expense

Income tax expense includes the following components:

	2016	2015
Current income tax	6,514	6,962
Deferred income tax payable	306	487
Income tax for the previous periods payable	1	-
Total	**6,821**	**7,449**

(in millions of Russian Roubles unless otherwise stated)

Note 12. Income Tax Expense (Continued)

The current income tax rate applied to the major part of the Group's profit for 2016 and 2015 is 20%. ZAO Polymatiz operates in a free-trade zone "Alabuga" and the income tax rate applied to this company is 15.5%. The reconciliation of theoretical income tax charge with the actual tax expense in consolidated statement of comprehensive income is presented below.

	2016	2015
Profit before income tax	**31,154**	**34,996**
Theoretical income tax charge	6,197	6,961
Tax effect of income and expenses which are not assessable for taxation purposes	623	488
Income tax for the previous periods	1	-
Income tax expense	**6,821**	**7,449**

	31 December 2016	31 December 2015
Deferred income tax assets	(677)	(553)
Deferred income tax liabilities	3,044	2,528
Net deferred income tax liabilities	**2,367**	**1,975**

(in millions of Russian Roubles unless otherwise stated)

Note 12. Income Tax Expense (continued)

Temporary differences between the Russian statutory tax regulations and the amounts recorded in these consolidated financial statements give rise to the following deferred tax liabilities. The tax effect of the movements in these temporary differences is detailed below and is recorded at the rate of 20% at 31 December 2016 and 31 December 2015 (for ZAO Polymatiz – 15.5%).

	31 December 2016	Charged/ (Credited) to profit or loss	Charged to other comprehensive income	31 December 2015	Charged/ (Credited) to profit or loss	Credited to other comprehensive income	31 December 2014
Property, plant and equipment	2 ,053	364	-	1,689	265	-	1,424
Financial assets	168	46	86	36	(2)	(14)	52
Trade and other receivables	(8)	16	-	(24)	120	-	(144)
Tax losses carried forward	(101)	(3)	-	(98)	(2)	-	(96)
Inventory	381	62	-	319	77	-	242
Other, net	(126)	(179)	-	53	29	-	24
Deferred income tax liabilities, net	**2,367**	**306**	**86**	**1,975**	**487**	**(14)**	**1,502**

Intercompany dividends received from the majority of subsidiaries of the Group are taxable at a 0% rate in accordance with applicable tax legislation. Therefore, the Group does not recognise deferred tax liabilities on retained earnings of such subsidiaries, which could be distributed to the Company in the future.

(in millions of Russian Roubles unless otherwise stated)

Note 13. Property, Plant and Equipment

	Land, buildings, facilities and transmission devices	Machinery and equipment	Motor vehicles and other assets	Construction in progress	Total
Carrying amount at 1 January 2015	**58,104**	**57,628**	**6,413**	**11,166**	**133,311**
Additions	397	2,248	3,882	8,615	15,142
Transfers from assets under construction	2,315	2,169	-	(4,484)	-
Effect of reclassification to inventory	-	-	-	(51)	(51)
Disposals	(414)	(508)	(58)	(239)	(1,219)
Cost balance at 31 December 2015	**60,402**	**61,537**	**10,237**	**15,007**	**147,183**
Accumulated depreciation and impairment at 1 January 2015	**(32,213)**	**(43,436)**	**(2,991)**	**(174)**	**(78,814)**
Accrued for the period	(1,182)	(2,629)	(284)	-	(4,095)
Written-off on disposal	148	343	43	-	534
Accumulated depreciation and impairment at 31 December 2015	**(33,247)**	**(45,722)**	**(3,232)**	**(174)**	**(82,375)**
Carrying amount at 31 December 2015	**27,155**	**15,815**	**7,005**	**14,833**	**64,808**
Cost balance at 1 January 2016	**60,402**	**61,537**	**10,237**	**15,007**	**147,183**
Additions	2	117	2	13,403	13,524
Transfers from assets under construction	1,779	4,821	192	(6,792)	-
Effect of reclassification to inventory	-	-	-	(187)	(187)
Disposals	(114)	(595)	(1,916)	(91)	(2,716)
Cost balance at 31 December 2016	**62,069**	**65,880**	**8,515**	**21,340**	**157,804**
Accumulated depreciation and impairment at 1 January 2016	**(33,247)**	**(45,722)**	**(3,232)**	**(174)**	**(82,375)**
Accrued for the period	(1,263)	(3,208)	(327)	-	(4,798)
Written-off on disposal	450	410	983	-	1 ,843
Accumulated depreciation and impairment at 31 December 2016	**(34,060)**	**(48,520)**	**(2,576)**	**(174)**	**(85,330)**
Carrying amount at 31 December 2016	**28,009**	**17,360**	**5,939**	**21,166**	**72,474**

At 31 December 2016, property, plant and equipment included assets with a carrying amount of RUB 224 million (at 31 December 2015: RUB 121 million) held under a number of finance lease agreements. At the end of the lease term the Group automatically takes the ownership of the assets. The Group's obligations under finance leases are secured by the lessors' title to the leased assets.

At 31 December 2016, the carrying amount of land included in “Land, buildings, facilities and transmission devices” is RUB 571 million (at 31 December 2015: RUB 569 million).

Included in the original cost of property, plant and equipment are fully depreciated assets which are still in service in the amount of RUB 43,620 million (at 31 December 2015: RUB 41,002 million).

Included in additions for the year ended 31 December 2016 is capitalised interest of RUB 155 million (2015: RUB 229 million). The average capitalisation rate for borrowing costs for 2016 was 6.21% (2015: 9.97%).

The Group's property, plant and equipment with a carrying value of RUB 1,118 million (at 31 December 2015: RUB 1,168 million) have been pledged as security for non-current and current loans and borrowings.

Were the estimated remaining useful lives of assets to differ by 10% from Group management’s estimates, the impact on depreciation charges for the year ended 31 December 2016 would be an increase by RUB 533 million or decrease by RUB 455 million (2015: increase by RUB 455 million, decrease by RUB 372 million).

(in millions of Russian Roubles unless otherwise stated)

Note 14. Intangible Assets

	Patents and licenses	Software	Other	Total
Carrying amount at 1 January 2015	**466**	**57**	**10**	**533**
Cost balance at 1 January 2015	**549**	**94**	**272**	**915**
Additions	27	114	105	246
Disposals	(1)	-	(115)	(116)
Cost balance at 31 December 2015	**575**	**208**	**262**	**1,045**
Accumulated amortisation at 1 January 2015	**(83)**	**(37)**	**(262)**	**(382)**
Accrued for the period	(87)	(74)	-	(161)
Written-off on disposal	1	-	-	1
Accumulated amortisation at 31 December 2015	**(169)**	**(111)**	**(262)**	**(542)**
Carrying amount at 1 January 2016	**406**	**97**	**-**	**503**
Cost balance at 1 January 2016	**575**	**208**	**262**	**1,045**
Additions	17	70	15	102
Disposals	(79)	-	(15)	(94)
Cost balance at 31 December 2016	**513**	**278**	**262**	**1,053**
Accumulated amortisation at 1 January 2016	**(169)**	**(111)**	**(262)**	**(542)**
Accrued for the period	(79)	(100)	-	(179)
Written-off on disposal	19	-	-	19
Accumulated amortisation at 31 December 2016	**(229)**	**(211)**	**(262)**	**(702)**
Carrying amount at 31 December 2016	**284**	**67**	**-**	**351**

Note 15. Investments in Associates

The Group has investments in the following associates that are accounted for under the equity method:

		Carrying amount		Ownership, %	
Associate	**Activities of an associate**	**31 December 2016**	**31 December 2015**	**31 December 2016**	**31 December 2015**
OOO Elastokam*	Production of polyurethane	352	459	50.00%	50.00%
OOO Gazenergoneftekhim	Production and sales of petrochemicals	143	136	49.00%	49.00%
PAO Yamal-Povolzhye	Transportation of gas and derivative products via pipelines	47	44	33.40%	33.40%
OOO Tatneft-NKNK-Oil	Production of synthetic oils	-	-	26.00%	26.00%
Total		**542**	**639**		

**As under the incorporation documents the Group does not exercise control of OOO Elastokam, this investment is recognised within investments in associates.*

The carrying value of the Group's investments in its associate OOO Tatneft-NKNK-Oil is nil. The unrecognised share of loss of this associate is RUB 44 million for 2016 (2015: RUB 30 million). Cumulatively, the unrecognised share of losses of this associate is RUB 508 million (2015: RUB 464 million).

In the table below changes of the Group's investments in associates are presented:

	2016	2015
Balance at the beginning of the year	**639**	**635**
Dividends received from associates	(33)	(43)
Acquisition of the additional shares	-	40
Sales of stock of shares	-	(96)
Share of Group in associates' (loss)/profit	(64)	103
Balance at the end of the year	**542**	**639**

(in millions of Russian Roubles unless otherwise stated)

Note 15. Investments in Associates (Continued)

Place of business and country of incorporation of all associates is the Russian Federation.

Summaries of the Group's share of associates' revenue, profit/(loss) for the year, assets and liabilities for 2016 and 2015 are as follows:

	31 December 2016	31 December 2015
Total assets	1,867	2,301
Total liabilities	(731)	(1,095)
Net assets	**1,136**	**1,206**
The Group's share in net assets	**542**	**639**

	2016	2015
Revenue	3,825	4,375
(Loss)/profit for the period	(125)	204
The Group's share in (loss)/profit for the year	**(64)**	**103**

Note 16. Financial Assets

	Level of fair value hierarchy	31 December 2016	31 December 2015
Non-current			
Financial assets at fair value			
Equity securities	3	1,421	1,344
Financial assets carried at amortised cost			
Loans issued	2	467	384
Total		**1,888**	**1,728**
Current			
Financial assets carried at amortised cost			
Deposits (more than 3 months)	2	40	-
Promissory notes receivable	2	-	290
Loans issued	2	-	680
Total		**40**	**970**

At 31 December 2016, the loans issued which are carried at amortised cost, are presented net of impairment provision for the loan issued to an associate in the amount of RUB 409 million (at 31 December 2015: RUB 407 million). At 31 December 2016, provision for investments in equity securities amounted to RUB 17 million (at 31 December 2015: RUB 17 million).

Non-current equity securities consisted of shares of the following companies:

	% of ownership				
	31 December 2016	31 December 2015	Level of fair value hierarchy	31 December 2016	31 December 2015
PAO AK Bars Bank	1.84%	1.84%	3	792	507
OAO Tatneftekhiminvest-holding	6.98%	6.98%	3	502	491
PAO AKB Spurt	5.05%	5.05%	3	87	87
PAO Tatfondbank	-	1.18%	3	-	132
PAO IntekhBank	-	6.25%	3	-	88
Other	-	-	3	40	39
Total	**-**	**-**	**-**	**1,421**	**1,344**

(in millions of Russian Roubles unless otherwise stated)

Note 16. Financial Assets (Continued)

The table below discloses sensitivity of financial assets' fair value calculation for changing one or more of the alternative assumptions (market multipliers for net assets of comparable companies):

	Fair value	Valuation technique	Changes	Sensitivity of fair value measurements
31 December 2016	880			± 73
31 December 2015	814	market multipliers for banks	±0.05	± 56
31 December 2016	1,421	net assets of analysed		± 142
31 December 2015	1,344	companies	±10%	± 134

The movements in the carrying value of financial assets measured at fair value are as follows:

	2016	2015
Carrying amount at the beginning of the year	**1,344**	**1,411**
Revaluation reported in other comprehensive income	297	(69)
Reclassification of financial assets revaluation on disposal	133	-
Revaluation reported in profit or loss	-	2
Disposals	(353)	-
Carrying amount at the end of the year	**1,421**	**1,344**

There were no changes in valuation technique for recurring fair value measurements during the year ended 31 December 2016.

Note 17. Goodwill

	2016	2015
Carrying amount at the beginning of the year	**83**	**83**
Carrying amount at the end of the year	**83**	**83**

Goodwill impairment test

The recoverable amount was determined based on value-in-use calculations. The calculations used actual results of operations for 2016 and business plan figures for 2017-2021 (in 2015: actual results of operations for 2015 and business plan figures for 2016-2020).

The growth rates do not exceed long-term average growth rates projected for the business sector in which the CGU operates.

At 31 December 2016, the Group tested goodwill for potential impairment. The calculations used actual results of operations for 2016 and business plan figures for 2017-2021 (in 2015: actual results of operations for 2015 and business plan figures for 2016-2020).

Below is information about the key assumptions used to determine the recoverable amount for goodwill impairment test for the years ended 31 December 2016 and 31 December 2015:

Key assumptions	**2016**	**2015**
Sales growth rate	2.0%	2.0%
Pre-tax discount rate	13.3%	12.8%

The pre-tax discount rate assumption was primarily based on inflation rates with account for the Russian Central Bank's refinancing rate and risks specific to investment projects. The weighted average growth rates used in the 2016 calculations are consistent with the mid-term inflation rates.

Management believes that potential reasonable changes in the above assumptions would not result in any goodwill impairment.

(in millions of Russian Roubles unless otherwise stated)

Note 18. Other Non-Current Assets

	31 December 2016	31 December 2015
Catalysts	724	399
Long-term accounts receivable	11	25
Other non-current assets	66	55
Total	**801**	**479**

Note 19. Inventories

	31 December 2016	31 December 2015
Inventory and supplies	12, 162	9,917
Work in progress	3,033	3,020
Finished products	2,445	2,880
Goods dispatched	1,898	1,444
Provision for impairment of inventories, materials and finished goods	(9)	(11)
Total	**19,529**	**17,250**

At 31 December 2016, inventories amounting to RUB 488 million have been pledged as a security for bank credits and loans received by the Group (at 31 December 2015: RUB 280 million). Major part of such loans and borrowings are represented by loans and borrowings received by a trading company of the Group to finance its ordinary activities.

Movements in the provision for impairment of inventories, materials and finished goods recognised in the consolidated statement of comprehensive income within profit or loss are presented as follows:

	2016	2015
Balance at the beginning of the year	**11**	**9**
Writing off to net realisable value	6	9
Release of amounts written-off in prior period	(8)	(7)
Balance at the end of the year	**9**	**11**

Note 20. Trade and Other Receivables

	31 December 2016	31 December 2015
Trade receivables	6,730	6,026
Other receivables	283	377
Provision for doubtful debt	(377)	(357)
Total	**6,636**	**6,046**

Management believes that fair value of receivables does not differ significantly from their carrying amounts.

The Group generally creates a provision for accounts receivable past due for over 6 months unless it has collateral or counter liabilities, because past experience is such that receivables past due for over 6 months are generally not recovered. Accounts receivable past due for 3 months to 6 months are provided for based on estimated unrecoverable amounts, determined by reference to past default experience and are regularly reassessed based on the facts and circumstances existing as of each reporting date.

To minimise credit risk, the Group has established credit risk policies. When entering into new contracts the Group companies follow internal guidelines that include consideration and review by the relevant Group departments of the terms and conditions of the draft contracts. The review is generally held by departments responsible for financial, commercial, legal matters and economic security.

Major entities of the Group have implemented and use the rating score system to assess their customers: the information is partially obtained from independent rating agencies and, if such information is not available, some rating methodologies are designed by the companies themselves.

Included in the trade and other receivables at 31 December 2016 were receivables, which were past due but not impaired, and which management still considers recoverable. The Group does not hold any collateral as security.

(in millions of Russian Roubles unless otherwise stated)

Note 20. Trade and Other Receivables (Continued)

The ageing analysis of past due but not impaired trade and other receivables is as follows:

	31 December 2016	31 December 2015
Less than three months	117	136
From three months to one year	60	88
Total	**177**	**224**

Movements in impairment provision for trade and other receivables are shown below:

	2016	2015
Balance at the beginning of the year	**357**	**414**
Increase in impairment provision	62	65
Amounts written off as uncollectible	(7)	-
Increase upon merger	2	-
Release of impairment loss	(37)	(122)
Balance at the end of the year	**377**	**357**

In determining the recoverability of trade and other receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large. The Group's management believes that the impairment provision for accounts receivable recorded in the consolidated financial statements is sufficient to cover the Group's credit risk (Note 39).

Note 21. Other Prepaid and Recoverable Taxes

	31 December 2016	31 December 2015
Value added tax recoverable	6,408	3,509
Excise tax recoverable	1,287	1,103
Other taxes prepaid	1	1
Total	**7,696**	**4,613**

Note 22. Advances Paid

	31 December 2016	31 December 2015
Advances to suppliers	14,076	1,548
Provision for doubtful debts	(32)	(34)
Total	**14,044**	**1,514**

During the year ended 31 December 2016, profit from the release of impairment provision amounting to RUB 2 million (2015: impairment loss of RUB 28 million) was recognised.

Note 23. Cash and Cash Equivalents

	31 December 2016	31 December 2015
Current accounts		
- in RUB	5,979	2,340
- in foreign currency	1,122	1,466
Deposits		
- in RUB	5	8,577
Other cash and cash equivalents	2	1
Total	**7,108**	**12,384**

Note 24. Shareholders' Equity and Earnings per Share

At 31 December 2016, the Company had authorised, issued and paid up voting ordinary share capital of 1,611,256,000 ordinary registered shares (at 31 December 2015: 1,611,256,000 ordinary registered shares) and 218,983,750 preferred registered shares (at 31 December 2015: 218,983,750 preferred registered shares) at the nominal value of 1 Russian Rouble per share.

(in millions of Russian Roubles unless otherwise stated)

Note 24. Shareholders' Equity and Earnings per Share (Continued)

At 31 December 2016, the Company has placed authorised share capital comprised of 27,400,000,000 declared ordinary registered shares (at 31 December 2015: 27,400,000,000 shares) and 218,983,750 declared preferred registered shares (at 31 December 2015: 218,983,750 shares) at the nominal value of 1 Russian Rouble per share.

The Company has its Third share listing on the PAO MICEX stock exchange.

The Group is controlled by OAO TAIF through OOO Telecom-Management. The main shareholder, who owned 5% plus in the Company as of 31 December 2016, is OOO Telecom- Management.

The following dividends were declared and paid by the Company:

	2016	2015
Dividends declared during the year for 2014, RUB million, including:		
- ordinary shares	-	2,449
- preferred shares	-	333
Dividends declared during the year for 2015, RUB million, including:		
- ordinary shares	6,993	-
- preferred shares	950	-
Dividends per share declared during the year for 2014, RUB, including:		
- per ordinary share	-	1.52
- per preferred share	-	1.52
Dividends per share declared during the year for 2015, RUB, including:		
- per ordinary share	4.34	-
- per preferred share	4.34	-

Earnings per share

	2016	2015
Profit attributable to the shareholders of the parent company, RUB million	24,262	27,505
Weighted average number of participating shares	1,830,239,750	1,830,239,750
Earnings per participating share (net and diluted earnings per share) (Russian Roubles per share)	**13.26**	**15.03**

The Golden Share

The Government of the Republic of Tatarstan has a special right (the right of Golden Share) to veto certain decisions which can be vetoed in accordance with the legislation and the Charter of PAO Nizhnekamskneftekhim. These decisions relate to the following: amendments and addenda to the Company's charter or adoption of a new edition; reorganisation of the Company; liquidation of the Company, creation of the liquidation commission and approval of the interim and final liquidation balance sheets; changes in share capital; entering into significant transactions and transactions with related parties in accordance with the Law of the Russian Federation "On Joint Stock Companies".

Rights attributable to preferred shares

Preferred shareholders have the right to participate with voting rights in General Shareholders' Meetings at which issues relating to the amendment of their rights or to the Company's liquidation or reorganisation are discussed.

Preferred shareholders have the right to receive annual dividends of at least RUB 0.06 per share, and this amount can be accumulated for a period of up to three years and paid when funds are available to do so and authorised by the Company's Board of Directors. Since the dividend on each preferred share cannot be less than that on each ordinary share, for the purposes of the earnings per share calculation preferred shares are considered to be participating shares.

In the event that no decision is taken in the General Shareholders' Meeting regarding payment of dividends on preferred shares, or if a decision is made to pay less than the minimum amount shown above, preferred shareholders acquire voting rights equivalent to those of the holders of ordinary shares until such time as the minimum dividends are paid.

(in millions of Russian Roubles unless otherwise stated)

Note 24. Shareholders' Equity and Earnings per Share (Continued)

On liquidation, preferred shareholders have the right to receive a distribution of the nominal amount of their shares, after the settlement of all external liabilities in accordance with the relevant legislation, before any amounts are paid to ordinary shareholders.

The statutory accounting reports of the Company are the basis for profit distribution and other appropriations. The Russian legislation identifies net income as the basis for distribution. For 2016, the net statutory profit of the Company as reported in the published statutory reporting forms was RUB 25,052 million (2015: RUB 26,483 million). However, this legislation and other statutory laws and regulations dealing with the distribution rights are open to legal interpretation.

Note 25. Non-current Loans and Borrowings

	31 December 2016	31 December 2015
Loans and borrowings with fixed interest rate:		
Loans and borrowings in RUB	195	1,185
Loans and borrowings with floating interest rate:		
Loans and borrowings in Euro	-	698
Less: current portion repayable within one year and recognised within current loans and borrowings (Note 26)	(146)	(1,740)
Total	**49**	**143**

The contractual undiscounted maturity profile calculated using interest rates in effect at 31 December was as follows:

	31 December 2016	31 December 2015
One to five years	52	160
Total	**52**	**160**

To calculate undiscounted future cash flows of loans and borrowings with floating interest rate the EURIBOR rate is used as of the reporting date.

The fair value of non-current loans and borrowings is determined as follows:

- The fair value of instruments with a floating interest rate is normally equal to their carrying value.
- The estimated fair value of fixed interest rate instruments is based on the discounted cash flow method using effective interest rates for new instruments with similar credit risk and remaining maturity.

The fair value of long-term loans and borrowings issued at a fixed rate with the carrying value of RUB 49 million (2015: RUB 143 million) determined based on the above methodology by applying the rate of 9.25% (2015: 11.36%) amounts to RUB 49 million (2015: RUB 151 million).

Note 26. Current Loans and Borrowings

	31 December 2016	31 December 2015
Loans and borrowings with fixed interest rate:		
Loans and borrowings in US Dollars	167	117
Loans and borrowings in Euro	96	125
Loans and borrowings in RUB	70	34
Loans and borrowings with floating interest rate:		
Loans and borrowings in US Dollars	145	-
Loans and borrowings in Euro	343	266
Current portion of non-current loans and borrowings repayable within one year (Note 25)	146	1,740
Total	**967**	**2,282**

(in millions of Russian Roubles unless otherwise stated)

Note 26. Current Loans and Borrowings

The contractual undiscounted maturity profile calculated using interest rates in effect at 31 December was as follows:

	31 December 2016	31 December 2015
Within three months	323	770
From three months to one year	671	1,639
Total	**994**	**2,409**

To calculate future cash flows of loans and borrowings with floating interest rate the EURIBOR, LIBOR rates as of the reporting date are used.

The fair value of current loans and borrowings within one-year maturity approximates their carrying amount.

The Group has undrawn committed credit facilities in the amount of RUB 25,045 million at 31 December 2016 (at 31 December 2015: RUB 10,869 million).

Note 27. Other Non-current Liabilities

	31 December 2016	31 December 2015
Post-employment benefit obligations (Note 28)	924	919
Non-current finance lease liabilities (Note 29).	39	14
Other non-current liabilities on benefits to employees (Note 28)	22	23
Government grants (deferred income)	-	34
Long-term payables	-	14
Other	4	3
Total	**989**	**1,007**

Note 28. Non-current Liabilities on Benefits to Employees

The Group's pension and other post-employment obligations and actuarial assumptions used in their determination are described below.

The amount recognised in the consolidated financial statements is as follows:

Post-employment benefit obligations	**2016**	**2015**
Obligations at the beginning of the year	**919**	**808**
Expenses charged to profit or loss, including:		
Current service cost	33	94
Interest expense	76	91
Benefits paid	(174)	(167)
Loss charged to other comprehensive income, including:		
Actuarial losses resulting from changes in financial assumptions	70	93
Obligations at the end of the year	**924**	**919**

Changes in demographic assumptions did not have a significant impact on actuarial losses.

Other long-term liabilities on benefits to employees	**2016**	**2015**
Obligations at the beginning of the year	**23**	**26**
Current service cost	6	5
Interest expense	2	3
Benefits paid	(8)	(9)
Actuarial income	(1)	(2)
Obligations at the end of the year	**22**	**23**

Key actuarial assumptions are as follows:	**2016**	**2015**
Discount rate	8.46%	9.55%
Tariff/salary growth rates	5.72%	6.28%
Average staff turnover	5.25%	4.88%

(in millions of Russian Roubles unless otherwise stated)

Note 28. Non-current Liabilities on Benefits to Employees (Continued)

Due to the existing post-employment benefit obligations, the Group is exposed to various risks. The most significant risks are described below:

1. Interest rate risk. Lower yield of state bonds will result in higher long-term employee benefit obligations.

2. Inflation risk. As a part of the Group's post-employment benefit obligations is adjusted based on the consumer price index, the pension plan is exposed to the inflation risk. Higher inflation rate will result in higher post-employment benefit obligations.

Sensitivity analysis of the post-employment benefit obligation by significant actuarial assumptions is set out in the table below. The table includes estimated increase in the post-employment benefit obligation with a 1% change in the actuarial assumption, in absolute terms, and other assumptions unchanged.

	2016	**2015**
Discount rate – 1% lower	44	40
Tariff/salary growth rate - 1% higher	43	41

Next year, the Group plans to settle its post-employment benefit obligations of RUB 219 million.

The average term of the post-retirement benefit obligation is 8 to 10 years.

In 2016, the Group made contributions to the Russian Federation State Pension Plan of RUB 2,489 million (2015: RUB 2,377 million). These contributions are included in personnel costs within cost of sales and selling, general and administrative expenses.

Note 29. Finance Lease Liabilities

Minimum finance lease payments:

	31 December 2016	**31 December 2015**
Within one year	70	35
One to five years	41	14
Total future finance lease payments	**111**	**49**
Less future finance charges	(6)	(3)
Present value of finance lease liabilities	**105**	**46**
Less amounts payable within 12 months	(66)	(32)
Non-current finance lease liabilities	**39**	**14**

Note 30. Trade and Other Payables

	31 December 2016	**31 December 2015**
Trade payables	6,381	6,560
Other payables	195	218
Current finance lease payments (Note 29)	66	32
Total	**6,642**	**6,810**

No interest is charged on the outstanding trade and other payables balance. The Group has financial risk management policies in place to ensure that payables are paid within the appropriate timeframe.

The table below summarises the maturity profile of the Group's trade and other payables based on contractual undiscounted payments:

	31 December 2016	**31 December 2015**
Within three months	6,581	6,757
Due from three months to one year	61	53
Total	**6,642**	**6,810**

(in millions of Russian Roubles unless otherwise stated)

Note 31. Advances Received and Accrued Liabilities

	31 December 2016	31 December 2015
Advances received	6,120	2,149
Provisions for short-term employee benefits	1,438	983
Short-term employee benefit obligations	561	858
Total	**8,119**	**3,990**

Note 32. Other Taxes Payable

	31 December 2016	31 December 2015
Value-added tax	2,314	394
SIC	283	387
Property tax	200	181
Land tax	114	73
Other taxes	136	174
Total	**3,047**	**1,209**

Note 33. Related Party Transactions

Parties are generally considered to be related if they are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions and also key management personnel according to IAS 24 "Related Party Disclosures". In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. Related party transactions were performed on an arm's length basis.

Below is information about balances to be settled and transactions with related parties during the year. “Other related parties” mainly include companies under common control:

	Revenue	Purchase of materials and services	Purchases of property, plant and equipment	Other expenses/ (income)	Changes in provision for doubtful debts and loans issued
2016					
PAO Nizhnekamskneftekhim					
- shareholders	-	41	-	-	-
- associates	524	25	-	2	(13)
- other related parties	6,684	44,506	177	(7)	-
Subsidiaries					
- shareholders	-	-	-	-	-
- associates	-	-	-	-	-
- other related parties	445	125	-	(2)	-
Total	**7,653**	**44,697**	**177**	**(7)**	**(13)**
2015					
PAO Nizhnekamskneftekhim					
- shareholders	-	41	71	-	-
- associates	472	103	-	(17)	(4)
- other related parties	6,869	40,734	71	(133)	-
Subsidiaries					
- shareholders	-	-	-	-	-
- associates	-	-	-	-	-
- other related parties	369	144	-	-	-
Total	**7,710**	**41,022**	**142**	**(150)**	**(4)**

(in millions of Russian Roubles unless otherwise stated)

Note 33. Related Party Transactions (Continued)

	Loans issued	Trade and other receivables, advances paid	Provision for doubtful debt and loans issued	Trade and other payables, advances received
31 December 2016				
PAO Nizhnekamskneftekhim				
- shareholders	-	-	-	4
- associates	409	270	(598)	29
- other related parties	-	11,789	-	3,007
Subsidiaries				
- shareholders	-	-	-	-
- associates	-	-	-	-
- other related parties	-	28	-	2
Total	**409**	**12,087**	**(598)**	**3,042**
31 December 2015				
PAO Nizhnekamskneftekhim				
- shareholders	-	-	-	4
- associates	407	229	(585)	20
- other related parties	-	131	-	1 436
Subsidiaries				
- shareholders	-	-	-	-
- associates	-	-	-	-
- other related parties	-	12	-	1
Total	**407**	**372**	**(585)**	**1,461**

At 31 December 2016 and 31 December 2015, the Group has outstanding commitments on purchase or supply of goods or services to the companies under common control which determine the volumes of purchases and supplies in subsequent periods. As the prices are not fixed in the above agreements but linked to international quotations, these commitments are not subject to monetary estimation.

Transactions with Russian government entities and state-controlled companies

The Republic of Tatarstan has a significant impact on operations of the Group. While performing its activities the Group carries out operations with other entities which are under significant influence of or are controlled by the Republic of Tatarstan or the Russian Federation. These entities include industrial, financial and credit organisations and different governmental agencies. To a significant extent related party operations are carried at arm's length or at regulated tariffs.

The following transactions account for major part of the Group's transactions with these entities in 2015 and 2016:

	2016	**2015**
Revenue	7,023	6,290
Purchase of materials and services	10,387	9,375
Purchase of property, plant and equipment and other non-current assets	667	293
Other expenses, net	661	371
Interest income on bank deposits	95	622
Change in provision for doubtful debts	-	(27)

Balances on the above transactions were as follows:

	31 December 2016	**31 December 2015**
Accounts receivable	986	468
Provision for doubtful debts	(108)	(108)
Cash and cash equivalents	4	2 094
Bank deposits	-	8,577
Accounts payable	333	140
Advances received	5	8
Loans and borrowings received	244	1,194

Directors' compensation

The remuneration paid to key management personnel for the year ended 31 December 2016 in the form of salaries and other benefits amounted to RR 234 million (2015: RUB 247 million).

(in millions of Russian Roubles unless otherwise stated)

Note 34. Segment Information

Management has determined the operating segments based on the management reports, which are primarily derived from statutory records and regularly reconciled them to IFRS consolidated financial statements. The Company's General Director, who is the chief operating decision-maker, is responsible for allocating resources and assessing performance of the operating segments using the financial information. The following criteria have been used by management for determining the operating segments and assigning the Company's subsidiaries to particular segment:

- Business activities of companies;
- Product nature.

The first operating segment "Production and sales of petrochemicals" contains the results of the parent company PAO Nizhnekamskneftekhim and income from associates (Note 15). This segment derives its revenue primarily from the manufacture and sale of petrochemical products.

The second operating segment "Petrochemicals trading" includes results of OY Nizhex Scandinavia Ltd (a subsidiary of the Company). This subsidiary is primarily engaged in trading of petrochemical products. OY Nizhex Scandinavia Ltd purchases petrochemical products from the parent company and from third parties and resells the products to foreign customers.

Other principal subsidiaries (Note 35) that did not fall under the above listed operating segments are included in "All other segments".

The reportable operating segments derive their revenue primarily from the production and sale of petrochemicals and other products and services.

Management assesses the performance of operating segments based on certain measures, which are presented to the chief operating decision maker. These include internal financial information on the Group reportable operating segments presented in accordance with Russian Statutory Accounting regulations (RSA) and in accordance with IFRS as adopted by EU (for OY Nizhex Scandinavia Ltd only). This internal information comprises measures such as total revenue, gross profit, operating profit and net profit. It is reconciled where applicable to the amounts reported in the Group's consolidated financial statements prepared in accordance with International Financial Reporting Standards.

The Group's financial performance by operating segments for the year ended 31 December 2016:

	Production and sales of petrochemicals	**Petrochemicals trading**	**All other segments**	**Total**
Revenue				
External sales	148,093	7,369	3,368	158,830
Inter-segmental sales	5,320	-	5,575	10,895
Total revenue	**153,413**	**7,369**	**8,943**	**169,725**
Result				
Gross profit	36,408	379	1,045	37,832
Profit/(loss) from sales	22,274	219	(228)	22,265
Foreign exchange (loss)/gain, net	(857)	1	(1)	(857)
Interest income	1,287	30	12	1,329
Interest expense	(155)	(47)	(34)	(236)
Income tax expense	(6,397)	(41)	(76)	(6,514)
Net profit/(loss)	25,052	161	(439)	24,774
Other information				
Depreciation	**(5,098)**	**-**	**(333)**	**(5,431)**

(in millions of Russian Roubles unless otherwise stated)

Note 34. Segment Information (Continued)

The Group's financial performance by operating segments for the year ended 31 December 2015:

	Production and sales of petrochemicals	Petrochemicals trading	All other segments	Total
Revenue				
External sales	145,363	7,631	3,346	156,340
Inter-segmental sales	5,234	-	5,019	10,253
Total revenue	**150,597**	**7,631**	**8,365**	**166,593**
Result				
Gross profit	38,522	534	1,395	40,451
Sales profit	27,285	368	186	27,839
Foreign exchange gain/(loss), net	1,087	(26)	(1)	1,060
Interest income	921	-	7	928
Interest expense	(231)	(21)	(33)	(285)
Dividend income	69	-	-	69
Income tax expense	(6,844)	(49)	(70)	(6,963)
Net profit	26,483	273	210	26,966
Other information				
Depreciation	**(4,443)**	**-**	**(325)**	**(4,768)**

Reportable segment revenues for the year ended 31 December 2016 are reconciled to the Group's consolidated revenue as follows:

	Production and sales of petrochemicals	Petrochemicals trading	All other segments	Total
Revenue	**153,413**	**7,369**	**8,943**	**169,725**
Intercompany transactions	(5,320)	-	(5,575)	(10,895)
Other adjustments	(30)	(2)	-	(32)
Revenue, IFRS	**148,063**	**7,367**	**3,368**	**158,798**

Reportable segment revenues for the year ended 31 December 2015 are reconciled to the Group's consolidated revenue as follows:

	Production and sales of petrochemicals	Petrochemicals trading	All other segments	Total
Revenue	**150,597**	**7,631**	**8,365**	**166,593**
Intercompany transactions	(5,234)	-	(5,019)	(10,253)
Other adjustments	(572)	-	-	(572)
Revenue, IFRS	**144,791**	**7,631**	**3,346**	**155,768**

Reportable segment capital expenditure for the period ended 31 December 2016 is reconciled to the Group's consolidated capital expenditure as follows:

	Production and sales of petrochemicals	Petrochemicals trading	All other segments	Total
Capital expenditure, segments	**18,099**	**-**	**56**	**18,155**
Reclassification of advances paid for assets under construction	3,151	-	(5)	3,146
Interest capitalised	155	-	-	155
Other adjustments	(68)	-	(48)	(116)
Capital expenditure, IFRS	**21,337**	**-**	**3**	**21,340**

Other adjustments are related to timing differences in the dates of recognition of certain assets in RSA and IFRS (Notes 13).

(in millions of Russian Roubles unless otherwise stated)

Note 34. Segment Information (Continued)

Reportable segment capital expenditure for the year ended 31 December 2015 is reconciled to the Group's consolidated capital expenditure as follows:

	Production and sales of petrochemicals	Petrochemicals trading	All other segments	Total
Capital expenditure, segments	**12,283**	**-**	**103**	**12,386**
Reclassification of advances paid for assets under construction	3,263	-	12	3,275
Interest capitalised	229	-	-	229
Other adjustments	(832)	-	(51)	(883)
Capital expenditure, IFRS	**14,943**	**-**	**64**	**15,007**

Reportable segment operating profit for the year ended 31 December 2016 is reconciled to the Group's consolidated operating profit as follows:

	Production and sales of petrochemicals	Petrochemicals trading	All other segments	Total
Profit/(loss) from sales	**22,274**	**219**	**(228)**	**22,265**
Difference in RSA and IFRS excise tax recoverability disclosure	10,671	-	-	10,671
Reclassification of other income/ (expenses)	(975)	(31)	(970)	(1,976)
Differences in IFRS and RSA depreciation	370	-	84	454
Differences in RSA and IFRS provisions	(22)	-	3	(19)
Other adjustments	(809)	8	331	(470)
Operating profit/(loss), IFRS	**31,509**	**196**	**(780)**	**30,925**

Reportable segment operating profit for the year ended 31 December 2015 is reconciled to the Group's consolidated operating profit as follows:

	Production and sales of petrochemicals	Petrochemicals trading	All other segments	Total
Sales profit	**27,285**	**368**	**186**	**27,839**
Difference in RSA and IFRS excise tax recoverability disclosure	6,384	-	-	6,384
Reclassification of other income/ (expenses)	(389)	(9)	(465)	(863)
Differences in IFRS and RSA depreciation	486	-	26	512
Differences in RSA and IFRS provisions	36	-	(11)	25
Other adjustments	(985)	(4)	246	(743)
Operating profit/(loss), IFRS	**32,817**	**355**	**(18)**	**33,154**

Reclassification of other income and expenses represents reconciliation between expenses reported as "Other expenses" in RSA financial statements and IFRS consolidated operating profit.

Reportable segment net profit for the year ended 31 December 2016 is reconciled to the Group's consolidated net profit as follows:

	Production and sales of petrochemicals	Petrochemicals trading	All other segments	Total
Net profit/(loss)	**25,052**	**161**	**(439)**	**24,774**
Reversal of RSA deferred tax	317	-	(89)	228
Differences in RSA and IFRS depreciation	370	-	84	454
Differences in RSA and IFRS provisions	(22)	-	3	(19)
Other adjustments	(535)	(83)	(557)	(1,175)
Net profit, IFRS	**25,182**	**78**	**(998)**	**24,262**

(in millions of Russian Roubles unless otherwise stated)

Note 34. Segment Information (Continued)

Reportable segment net profit for the year ended 31 December 2015 is reconciled to the Group's consolidated net profit as follows:

	Production and sales of petrochemicals	Petrochemicals trading	All other segments	Total
Net profit	**26,483**	**273**	**210**	**26,966**
Reversal of RSA deferred tax	315	-	6	321
Differences in RSA and IFRS depreciation	486	-	26	512
Differences in RSA and IFRS provisions	36	-	(11)	25
Other adjustments	56	(13)	(362)	(319)
Net profit, IFRS	**27,376**	**260**	**(131)**	**27,505**

Note 35. Principal Subsidiaries

		Percentage of voting interest held	
Subsidiary	**Business activity**	**31 December 2016**	**31 December 2015**
OOO Trest TSNKHRS	General equipment repairs and construction	100.0%	100.0%
OOO RMZ-NKNK	Repairs and maintenance	100.0%	100.0%
OOO Neftekhimagroprom	Agricultural	100.0%	100.0%
OOO Nizhnekamskneftekhim–Service	Wholesale and retail trade	100.0%	100.0%
OOO UOP Neftekhim	Food supplies and catering	100.0%	100.0%
ZAO Polymatiz	Production of non-woven textile materials	100.0%	100.0%
OOO UETP-NKNK	Transportation of gas and derivative products via pipeline	100.0%	100.0%
OOO Upravleniye Avtomobilnogo Transporta - NKNK (OOO UAT-NKNK)	Road freight transport activity	100.0%	100.0%
OOO Neftekhimik Hockey Club	Other sports activities	100.0%	92.0%
OOO Kataliz-Prom	Petrochemicals production	100%	50.1%
AO SOV-NKNK	Water purification	67.3%	51.9%
OY Nizhex Scandinavia Ltd	Petrochemicals trading	56.3%	56.3%
OOO Transport Express	Transport services	-	100.0%

In April 2016, under share exchange agreement the Company's share in its subsidiaries AO SOV-NKNK and OOO Neftekhimik Hockey Club has been increased due to transfer of banks' shares (Note 16).

Under implementation of the concept on developing the unified transportation company within the Group for centralizing the regulatory and logistical function and optimizing transportation expenses, the sole participant made the decision on restructuring OOO UAT-NKNK in the form of OOO Transport Express merger in June 2016. A relevant entry was made in the Unified State Register of Legal Entities on 18 October 2016.

Increase in the effective ownership share of PAO Nizhnekamskneftekhim in the share capital of OOO Kataliz-Prom in November 2016 is explained by the second participant's withdrawal from OOO Kataliz-Prom by repurchasing the share by the subsidiary itself.

All the consolidated subsidiaries included in the consolidated financial statements of the Group are incorporated in the Russian Federation, except for Oy Nizhex Scandinavia Ltd ("Nizhex"), which is incorporated in Finland.

Note 36. Fair Value of Financial Instruments

Fair value is the amount at which a financial instrument can be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation.

The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. Management has used all available market information in estimating the fair value of financial instruments.

(in millions of Russian Roubles unless otherwise stated)

Note 36. Fair Value of Financial Instruments (Continued)

Fair value measurements are analysed by level in the fair value hierarchy as follows: level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and level three measurements are valuations not based on observable market data (that is, unobservable inputs). If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement.

Recurring fair value measurements are those that the accounting standards require or permit in the consolidated statement of financial position at the end of each reporting period. The Group does not use non-recurring fair value measurements.

Financial instruments carried at fair value. Securities available for sale and held for sale are recorded in the consolidated statement of financial position at their fair value and included in level 3 of the fair value hierarchy (Note 16).

Financial assets recognised at amortised cost. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The carrying amount of trade receivables and loans issued approximates their fair values and belongs to level 2 of the fair value hierarchy, and impaired receivables belong to level 3 of the fair value hierarchy (Notes 16 and 20).

Liabilities carried at amortised cost. The carrying amount of trade payables approximates their fair values and belongs to level 2 of fair value hierarchy (Note 30). The fair value of loans and borrowings received is included in level 2 of fair value hierarchy (Notes 25 and 26).

Note 37. Commitments

Investment commitments

Contractual commitments for future acquisition of property, plant and equipment amounted to RUB 10,661 million at 31 December 2016 (RUB 17,354 million as at 31 December 2015). The above contractual commitments for future acquisition of property, plant and equipment include commitments recorded within trade payables as at 31 December 2016 and 31 December 2015, respectively. Group is planning to finance its capital commitments using the Group's own funds and borrowings.

Operating lease commitments

The future minimum lease expenses under non-cancellable operating leases are as follows:

	31 December 2016	31 December 2015
Within one year	549	483
One to five years	278	268
Over five years	1,453	1,442
Total	**2,280**	**2,193**

The Group leases including the land plots through operating lease agreements with the State. The lease agreements can be renewed upon their expiration. Lease payments depend on land plots area and location. The above agreements do not result in any significant obligations for the Group apart from lease payments.

Social commitments

The Group contributes to mandatory and voluntary social programmes and maintains social sphere assets in the locations where it has its main operating facilities. The social sphere programmes financed by the Group, as well as local social programmes, bring benefits to the community at large and are not normally restricted to the Group's employees. These contributions are expensed as incurred.

Letters of Credit

The Group has unsecured uncovered letters of credit at 31 December 2016 for RUB 10 million (at 31 December 2015: RUB 564 million).

(in millions of Russian Roubles unless otherwise stated)

Note 38. Contingent Liabilities

Legal proceedings

During the year, the Group was involved in a number of court proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business.

Management believes that neither of the above claims, individually or in the aggregate, will have a material negative effect on the Group.

Tax contingencies in the Russian Federation

Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year when decisions about the review was made. Under certain circumstances reviews may cover longer periods. Management of the Group's companies has implemented internal controls including to control over pricing to comply with tax legislation. Management considers that the Group's companies has no grounds to calculate and recognise contingent tax liabilities in its financial statements.

Environmental matters

The Group is subject to extensive controls and regulations from federal, regional and local government bodies relating to environmental protection. The Group's operations involve the discharge of materials and contaminants into the environment, the disturbance of land that could potentially impact flora and fauna, and give rise to other environmental concerns.

Management believes that the Group's production technologies are in compliance with all the applicable environmental legislation in the Russian Federation and the Group does not have any significant environmental liabilities. However, environmental laws and regulations continue to evolve. The Group is unable to predict the timing or extent to which those environmental laws and regulations may change. Such change, if it occurs, may require that the Group modernise its equipment to meet more stringent standards.

Note 39. Financial Risk and Capital Management

Capital management

The Group manages its capital structure to achieve the optimum structure of equity and debt capital in order to ensure that the Group's companies will be able to continue as a going concern while maximising the return to the shareholders. On a regular basis the Group's management reviews financial indicators related to return on equity, long-term financial sustainability and financial leverage based on profit and credit portfolio information received from the Group's companies.

When necessary, the Group's companies prepare a forecast balance sheet. This practice allows for control of the fulfilment of requirements to debt and equity ratio. In particular, this procedure is a rule for those companies of the Group that are subject to capital structure requirements imposed by covenants under loan agreements.

The Group's overall strategy for managing capital remains unchanged from 2015.

The capital structure of the Group consists of borrowings, which include non-current and current loans and borrowings disclosed in Notes 25 and 26, less cash and cash equivalents disclosed in Note 23, and equity attributable to the shareholders of the parent company as disclosed in the consolidated statement of financial position.

The debt to equity ratio at the year-end was as follows:

	31 December 2016	**31 December 2015**
Borrowings	1,016	2,425
Cash and cash equivalents	(7,108)	(12,384)
Net debt	**(6,092)**	**(9,959)**
Equity	**108,632**	**92,431**
Net debt to equity ratio	**-**	**-**

(in millions of Russian Roubles unless otherwise stated)

Note 39. Financial Risk and Capital Management (Continued)

The Group's companies are in strict compliance with the capital requirements established by the legislation of the Russian Federation.

- The minimum required charter capital for a public company is RUB 100,000. The minimum required charter capital for a non-public company is RUB 10,000.
- If the value of the company's net assets remains lower than its charter capital at the end of the reporting year following the second reporting year or each consecutive reporting year, subsequent to which the company's net assets value fell below its charter capital, then the company shall, no later than six months after the end of the corresponding reporting year, be required to take one of the following decisions:
  - reduce its charter capital to the amount that would not exceed its net assets;
  - liquidate the company.

The share capital of the Group's companies is in line with the regulatory criteria established by Russian Law.

According to the concluded loan agreements the Group should be in compliance with certain terms and limitations including requirements to maintain certain financial ratios. Throughout 2015 and 2016, the Group complied with all externally imposed capital requirements. These are set out in the loan agreements of the Group's companies based on which they are required to maintain a ratio of net debt to EBITDA at a level prescribed by the agreement.

Major classes of financial instruments

The Group's principal financial liabilities comprise loans and borrowings (Notes 25, 26), finance leases (Note 29), and trade and other payables (Notes 30). The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets such as trade and other receivables (Note 18, 20), investments in securities and other financial assets (Note 16) and cash and cash equivalents (Note 23).

	31 December 2016	31 December 2015
Financial assets		
Financial assets amortised cost		
Cash and cash equivalents	7,108	12,384
Trade and other receivables	6,647	6,071
Loans issued	467	1,064
Deposits	40	-
Promissory notes receivable	-	290
Total assets at amortised cost	**14,262**	**19,809**
Financial assets at fair value		
Equity securities	1,421	1,344
Total financial assets	**15,683**	**21,153**
Financial liabilities at amortised cost		
Loans and borrowings	1,016	2,425
Trade and other payables	6,576	6,792
Dividends payable	117	20
Financial lease liabilities	105	46
Total financial liabilities	**7,814**	**9,283**

Key financial risk factors and capital management system

The Group's activities expose it to a variety of financial risks: market risk (including interest risk, currency risk), credit risk, liquidity risk and operational risk.

Monitoring and assessment of potential risks is performed by Group's companies management and at the parent company's level based on the management information regularly received from the Group's companies which contains both planned and actual data. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

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 current and non-current borrowings at floating interest rates.

(in millions of Russian Roubles unless otherwise stated)

Note 39. Financial Risk and Capital Management (Continued)

Interest rate risk management is performed by diversification of credit portfolio by lenders and interest rate types.

The table below details the Group's sensitivity to increase or decrease of the floating rate by 100 basis points, which is used when reporting interest rate risk internally to the Group's key management and represents management's assessment of the reasonably possible change in interest rates. The analysis was applied to loans and borrowings (financial liabilities) based on the assumptions that the amount of liability outstanding as at the balance sheet date was outstanding for the whole year.

	Profit/loss (after tax) and equity	
	31 December 2016	**31 December 2015**
Euribor	4	2
Libor	-	6
Total	**4**	**8**

If interest rates at 31 December 2016 had been 100 basis points (2015: 100 basis points) lower, with all other variables held constant, profit after tax for the year and equity would have been RUB 4 million (2015: RUB 8 million) higher, mainly as a result of lower interest expense on variable interest liabilities.

If interest rates had been 100 basis points (2015: 100 basis points) higher, with all other variables held constant, profit after tax for the year and equity would have been RUB 4 million (2015: RUB 8 million) lower, mainly as a result of higher interest expense on variable interest liabilities.

Currency risk

Currency risk is the risk that the financial results of the Group will be adversely impacted by changes in exchange rates to which the Group is exposed. The Group performs transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. The Group does not use any derivative financial instruments to manage its currency risk. The Group mitigates its currency risk exposure through the diversification of sales between external and domestic markets and diversified rouble and foreign currency borrowings, based on foreign exchange rate movements.

The carrying amount of financial assets and liabilities denominated in foreign currencies at the reporting date was as follows:

	31 December 2016	**31 December 2015**
Assets		
Trade and other receivables	**3,514**	**2,221**
- US Dollars	1,962	1,409
- Euro	1,552	812
Cash	**1,122**	**1,466**
- US Dollars	884	1,093
- Euro	238	373
Total assets	**4,636**	**3,687**
Liabilities		
Loans and borrowings received	**751**	**1,206**
- US Dollars	312	117
- Euro	439	1,089
Finance lease liabilities	**82**	**-**
- US Dollars	82	-
Trade and other payables	**1.329**	**1,536**
- US Dollars	648	757
- Euro	681	779
Total liabilities	**2,162**	**2,742**
Total net position	**2,474**	**945**
- US Dollars	**1,804**	**1,628**
- Euro	**670**	**(683)**

(in millions of Russian Roubles unless otherwise stated)

Note 39. Financial Risk and Capital Management (Continued)

Had the US Dollar and Euro strengthened or weakened by 20% at 31 December 2016 (at 31 December 2015: 20%) against the Russian Rouble, with all other variables held constant, profit after tax as of the year-end would have been lower/higher by the following:

	Profit/(loss)(after tax) and equity	
Changes in exchange rate:	**2016**	**2015**
US Dollar	289	260
Euro	107	(109)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

Financial assets, which potentially subject the Group to credit risk, consist principally of trade receivables, cash and cash equivalents. Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the provision for doubtful debts already recorded.

The Group is not economically dependent on a limited number of customers because of the existence of a liquid market.

The Group's management believes that the Group's exposure to credit risk is not significant.

Credit risk is managed at the Group level. For wholesale customers there is no independent rating and therefore the Group assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The following ratings have been assigned to Groups' financial assets:

Rating A – over one year history of business relations, no creditworthiness difficulties;

Rating B – over one year history of business relations, potential creditworthiness difficulties are anticipated;

Rating C – other organisations, creditworthiness difficulties are possible.

The maximum exposure to credit risk comprises the following carrying amounts:

	Rating A	Rating B
31 December 2016		
Cash and cash equivalents	7,108	-
Deposits	40	-
Trade and other receivables	6,647	-
Loans issued	467	-
Total	**14,262**	**-**
31 December 2015		
Cash and cash equivalents	12,384	-
Trade and other receivables	6,071	-
Loans issued	1,064	-
Promissory notes receivable	290	-
Total	**19,809**	**-**

The analysis of credit quality of the banks with which the Group has account balances based on the rating agencies data is presented below.

		31 December 2016		31 December 2015	
Rating	**Rating agency**	**Cash and cash equivalents**	**Deposits**	**Cash and cash equivalents**	**Deposits**
A++	Expert RA	6,989	40	-	-
A+	Expert RA	-	-	1,277	-
Aa3	Moody's	98	-	-	-
Baa1.ru	Moody's	-	-	8,670	-
AAA	Fitch Ratings	-	-	2,424	-
Other	Other	21	-	13	-
Total		**7,108**	**40**	**12,384**	**-**

Note 39. Financial Risk and Capital Management (Continued)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to settle its liabilities as they become due. Notes 25, 26, 29, and 30 analyse the Group's financial liabilities into relevant maturity groupings based on the remaining period at the consolidated statement of financial position date to the contractual maturity date. The amounts disclosed in the notes are the contractual undiscounted cash flows. The Group is managing its liquidity position. The Group has in place a detailed budgeting and cash forecasting process to help ensure that it has adequate resources available to meet its payment obligations.

Operational risk

Operational risk is the risk that the Group incurs financial losses as a result of business interruption and possible damage to the Group's property through natural disasters and technological accidents.

The Group maintains insurance cover for major production assets including insurance cover for damage related to explosion or environmental damage arising from accidents at the Group’s property or related to the Group’s operations. The Group does not have coverage for business interruption. Management believes that the existing level of insurance coverage addresses all major risks which could have a material effect on the Group’s operations and consolidated financial position.

To reduce adverse effect of the above risks, the Group enters into agreements with insurance companies only meeting certain criteria including certain requirements to reinsurance quality.

In accordance with statutory requirements the Group insures third party liability for potential claims that can result from accidents at the Group's production facilities.

Note 40. Events after the Reporting Date

During the reporting year, the Company obtained bank loans from PAO Tatfondbank totalling RUB 4 billion. The liabilities under the loan agreements were subsequently legally assigned to the third parties. In 2017, the Russian Central Bank filed two claims against the Company with the Arbitration Court to consider the assignment of these liabilities as null and void.

On 3 March 2017, the Board of Directors recommended the Annual General Meeting of PAO Nizhnekamskneftekhim Shareholders not to declare and pay any dividends on PAO Nizhnekamskneftekhim shares based on the 2016 performance results. This decision should be approved at the Annual General Shareholders' Meeting on 5 April 2017.