PAO KOKS

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

For the year ended 31 December 2017

Contents

Independent Auditor's Report

To the Shareholders and Board of Directors of PAO Koks:

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of PAO Koks and its subsidiaries (together – the "Group") as at 31 December 2017, and 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 financial position as at 31 December 2017;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of 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) together with the ethical requirements of the Auditor's Professional Ethics Code and Auditor's Independence Rules that 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.

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Our audit approach

Overview

- Overall group materiality: Russian Roubles ("RUB") 427 million, which represents 2,5% of adjusted Earnings Before Interest, Taxes, Depreciation and Amortisation ("adjusted EBITDA").

Refer to Note 6 in the consolidated financial statements.

- The Group has offices and operations in a number of countries. We conducted audit work covering three significant reporting units, which are located in Russia.
- The group audit team visited the following Group locations: Kemerovo and Tula (Russia).

- Compliance with debt covenants

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 among other matters 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 whether 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 the economic decisions of users 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. These, together with qualitative considerations, 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 consolidated financial statements as a whole.

Overall group materiality	RUB 427 million
How we determined it	2,5% of adjusted EBITDA

Rationale for the materiality benchmark applied	We chose to apply adjusted EBITDA as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. We chose 2.5% which is within the range of acceptable quantitative materiality thresholds.

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
Compliance with debt covenants *Refer to Note 34 to the consolidated financial statements* As of December 31, 2017, the Group carried long-term borrowings and long-term bonds in amount of RUB 48,140 million. The relevant loan arrangements contain financial and non-financial covenant terms that the Group must comply with. Breach of certain debt covenants would entitle the Group's lenders to demand early repayment. If one lender exercises its right to demand early repayment, it could trigger cross-default clauses with certain other lenders. The variety of covenant terms attached to the Group's debt portfolio increases risk of potential non-compliance with existing covenant terms. We focused on the Group's potential non-compliance with debt covenants due to materiality of potential reclassification of long-term borrowings to short-term debt. Also, early repayment of long-term borrowings may cause liquidity problems for the Group.	We reviewed the Group's debt covenants compliance process and confirmed that management proactively monitors the execution of contract terms and is able to receive a consent from respective lenders to waive its right for early demand of loans repayment before the potential breach occurs. We verified completeness of the covenant terms attached to the Group's debt portfolio by examining loan agreements, bond prospectus, communicating with banks and reviewing confirmation letters obtained directly from the banks for all related debt balances. We recalculated financial covenants and obtained evidence to support the compliance with non-financial covenants by referencing to the results of our other audit procedures and information obtained from finance credit department personnel. As a result of our procedures we have noted no instances of non-compliance with the debt covenant terms, which may give rights to the banks to request early repayment of the Group debts at the reporting date.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to be able to give an opinion on the consolidated financial statements as a whole, taking into account the geographic and management structure of the Group, the accounting processes and controls and the industry in which the Group operates.

Considering our ultimate responsibility for the opinion on the Group's consolidated financial statements we are responsible for the direction, supervision and performance of the group audit. In establishing the scope of our audit work, we have determined the nature and extent of the audit procedures to be performed at the reporting units to ensure sufficient evidence has been obtained to support our opinion on the consolidated financial statements as a whole.

In establishing our overall approach to the Group audit, we considered the significance of the Group components to the consolidated financial statements, our assessment of risk within each component, the overall coverage across the Group achieved by our procedures, as well as the risk associated with insignificant components not brought into the full scope of our audit.

Our approach to determining the scope of the Group audit is a process whereby reporting units are deemed to be within the scope for audit testing based on significant contribution, the presence of a significant risk, or to add elements of unpredictability.

Based on the above we determined the nature and extent of work to be performed both at the reporting units and at the consolidated level.

Based on this process, we identified subsidiaries of the Group, located in Tula and Kemerovo (Russia) that required full scope audit procedures. Together, these reporting units accounted for 90% of the Group revenue. The group audit team performed all audit procedures.

Other information

Management is responsible for the other information. The other information comprises the information included in the 2nd quarter 2018 Quarterly Issuer's Report (but does not include the consolidated financial statements and our auditor's report thereon), 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 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 when it becomes available 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.

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 control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 control 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 Vladimir Konoplin.

AO PricewaterhouseCoopers Audit

11 April 2018

Moscow, Russian Federation

V.V. Konoplin, certified auditor (licence no. 01-000491), AO PricewaterhouseCoopers Audit

Audited entity: PAO Koks

State registration certificate № 3130 KE 401 362, issued by Administration of Kemerovo on 30 July 1993

Certificate of inclusion in the Unified State Register of Legal Entities issued on 9 August 2002 under registration №1024200680877

№6, 1-ya Stakhanovskaya street, Kemerovo, Russian Federation, 650021

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 Self-regulated organization of auditors «Russian Union of auditors» (Association)

ORNZ 11603050547 in the register of auditors and audit organizations

(in millions of RR unless stated otherwise)

	Note	31 December 2017	31 December 2016
ASSETS			
Non-current assets:			
Property, plant and equipment	7	55,786	48,190
Goodwill	9	4,497	4,497
Intangible assets	8	4,659	4,766
Deferred income tax asset	30	1,604	2,551
Non-current loans issued and long-term interest receivable	13	10,394	8,772
Other non-current assets	11	199	324
Total non-current assets		**77,139**	**69,100**
Current assets:			
Inventories	12	6,828	5,208
Trade and other receivables	14	6,220	3,114
VAT recoverable		3,612	2,944
Advances issued	14	366	794
Current loans issued and interest receivable		533	37
Cash and cash equivalents	15	8,978	4,534
Total current assets		**26,537**	**16,631**
Total assets		**103,676**	**85,731**
EQUITY			
Share capital	16	213	213
Treasury shares	16	(11)	(6,033)
Retained earnings	17	25,619	21,167
Revaluation reserve		476	519
Currency translation reserve		(150)	(110)
Equity attributable to the Company's equity holders		**26,147**	**15,756**
Non-controlling interest		**711**	**727**
Total equity		**26,858**	**16,483**
LIABILITIES			
Non-current liabilities:			
Provision for restoration liability	18	56	109
Deferred income tax liability	30	1,682	2,131
Long-term borrowings	19	20,251	16,457
Long-term bonds	19	27,889	10,669
Long-term lease obligation		106	77
Other long-term payable		1	38
Total non-current liabilities		**49,985**	**29,481**
Current liabilities:			
Trade and other payables	20	14,627	14,578
Current income tax payable		131	112
Other taxes payable	21	1,291	1,224
Provision for restoration liability	18	15	51
Short-term borrowings and current portion of long-term borrowings	19	6,631	22,467
Short-term bonds	19	4,087	1,309
Short-term lease obligation		51	26
Total current liabilities		**26,833**	**39,767**
Total liabilities		**76,818**	**69,248**
Total liabilities and equity		**103,676**	**85,731**

V.P. Morozov

First Vice President

Management Company Industrial Metallurgical Holding

L.V. Arincheva

Chief Accountant

Management Company Industrial Metallurgical Holding

11 April 2018

(in millions of RR unless stated otherwise)

	Note	2017	2016
Revenue	22	85,360	64,521
Cost of sales	23	(57,375)	(44,382)
Gross profit		**27,985**	**20,139**
Distribution costs	25	(7,121)	(5,502)
General and administrative expenses	26	(6,079)	(4,509)
Impairment of property, plant and equipment	7	-	(33)
Taxes other than income tax	24	(858)	(622)
Other operating expenses, net	27	(374)	(90)
Operating profit		**13,553**	**9,383**
Finance income	28	2,370	7,821
Finance expenses	29	(6,037)	(5,381)
Profit before income tax		**9,886**	**11,823**
Income tax expense	30	(2,287)	(2,612)
Profit for the year		**7,599**	**9,211**
Profit/(loss) is attributable to:			
Shareholders of the parent Company		7,677	9,120
Non-controlling interest		(78)	91
Profit for the year		**7,599**	**9,211**
Other comprehensive loss:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising during the year, net		(33)	(375)
Income tax relating to components of other comprehensive loss		(7)	(18)
		(40)	**(393)**
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of post-employment benefit obligations		(52)	-
Income tax relating to components of other comprehensive loss		10	-
		(42)	**-**
Total other comprehensive loss for the year		**(82)**	**(393)**
Total comprehensive income for the year		**7,517**	**8,818**
Total comprehensive income/(loss) attributable to:			
Shareholders of the parent company		7,595	8,727
Non-controlling interest		(78)	91
Total comprehensive income for the year		**7,517**	**8,818**
Earnings per ordinary share for profit attributable to the shareholders of the Company, basic and diluted (in RR per share)	**36**	**25.15**	**30.04**

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

(in millions of RR unless stated otherwise)

	Note	2017	2016
Cash flows from operating activities			
Profit before income tax		9,886	11,823
Adjustments for:			
Depreciation of property, plant and equipment	23, 26	3,407	2,210
Amortisation of intangible assets	23	121	275
Impairment of property, plant and equipment	7	-	33
Interest income	28	(1,021)	(1,055)
Interest expense	29	5,944	5,257
Accrual of vacation reserve		156	41
(Reverse)/Accrual of obsolete stock provision	27	(4)	5
Accrual of bad debt provision	27	30	48
Exchange gain, net	27, 28, 29	(1,269)	(6,766)
Inventories surplus		(249)	(62)
Dividend income		(51)	(22)
Other effects		(326)	45
Operating cash flows before working capital changes		**16,624**	**11,832**
Changes in working capital			
Increase in trade and other receivables		(402)	(1,812)
Increase in inventories		(1,288)	(889)
(Decrease)/Increase in trade and other payables		(681)	2,196
Increase in taxes other than income tax payable		71	267
Cash from operating activities		**14,324**	**11,594**
Income tax paid		(1,823)	(302)
Net cash from operating activities		**12,501**	**11,292**
Cash flows from investing activities			
Purchase of property, plant and equipment		(9,069)	(5,467)
Payment of capitalized interest		(1,096)	(1,202)
Proceeds from sale of property, plant and equipment		20	18
Proceeds from acquisition of assets		-	1
Loans issued		(1,339)	(122)
Repayment of loans issued		116	13
Interest received		137	68
Dividend received		51	22
Acquisition of intangible assets and other non-current assets		(14)	(4)
Net cash used in investing activities		**(11,194)**	**(6,673)**
Cash flows from financing activities			
Proceeds from borrowings and bonds	19	68,485	47,266
Repayment of borrowings and bonds	19	(60,542)	(46,417)
Interest paid on borrowings and bonds		(4,875)	(4,652)
Purchase of treasury shares	16	(11)	(105)
Purchase of non-controlling interest in subsidiaries		-	(1)
Net cash from/(used in) financing activities		**3,057**	**(3,909)**
Net increase in cash and cash equivalents		**4,364**	**710**
Effects of exchange rate changes on cash and cash equivalents		80	(11)
Net cash and cash equivalents at the beginning of the year, including		**4,534**	**3,835**
Cash and cash equivalents		4,534	4,125
Bank overdraft		-	(290)
Net cash and cash equivalents at the end of the year, including		**8,978**	**4,534**
Cash and cash equivalents		8,978	4,534

(in millions of RR unless stated otherwise)

	Note	Share capital	Treasury shares	Currency translation reserve	Revaluation reserve	Retained earnings	Total attributable to equity holders of the Company	Non-controlling interest	Total equity
Balance at 31 December 2015		**213**	**(5,928)**	**283**	**565**	**11,949**	**7,082**	**689**	**7,771**
Profit for the year		-	-	-	-	9,120	**9,120**	91	**9,211**
Other comprehensive loss for the year		-	-	(393)	-	-	**(393)**	-	**(393)**
Total comprehensive (loss)/income for the year		**-**	**-**	**(393)**	**-**	**9,120**	**8,727**	**91**	**8,818**
Purchase of non-controlling interest in subsidiaries, net		-	-	-	-	52	**52**	(53)	**(1)**
Revaluation reserve written-off to retained earnings		-	-	-	(46)	46	**-**	-	**-**
Purchase of treasury shares	16	-	(105)	-	-	-	**(105)**	-	**(105)**
		-	(105)	-	(46)	98	**(53)**	(53)	**(106)**
Balance at 31 December 2016		**213**	**(6,033)**	**(110)**	**519**	**21,167**	**15,756**	**727**	**16,483**
Profit/(Loss) for the year		-	-	-	-	7,677	**7,677**	(78)	**7,599**
Remeasurements of post-employment benefit obligations		-	-	-	-	(42)	**(42)**	-	**(42)**
Other comprehensive loss for the year		-	-	(40)	-	-	**(40)**	-	**(40)**
Total comprehensive (loss)/income for the year		**-**	**-**	**(40)**	**-**	**7,635**	**7,595**	**(78)**	**7,517**
Sale/Purchase of non-controlling interest in subsidiaries		-	-	-	-	(21)	**(21)**	62	**41**
Revaluation reserve written-off to retained earnings		-	-	-	(43)	43	**-**	-	**-**
Sale of treasury shares	16	-	6,033	-	-	(3,205)	**2,828**	-	**2,828**
Purchase of treasury shares	16	-	(11)	-	-	-	**(11)**	-	**(11)**
		-	6,022	-	(43)	(3,183)	**2,796**	62	**2,858**
Balance at 31 December 2017		**213**	**(11)**	**(150)**	**476**	**25,619**	**26,147**	**711**	**26,858**

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

(in millions of RR unless stated otherwise)

1. General information about PAO Koks and its subsidiaries

PAO Koks (the "Company") was initially established in 1924 as Kemerovski Koksokhimicheski Kombinat, a state-owned enterprise. It was incorporated as an open joint stock company (abbreviated in Russian as OAO) on 30 July 1993 as part of Russia's privatisation programme. The legal form was changed from open joint-stock company to public joint-stock company on 23 June 2016 in accordance with the current legislation of the Russian Federation. The Company's registered office is located at 6, 1st Stakhanovskaya Street, Kemerovo, Kemerovo Region, Russian Federation, 650021.

The principal activities of PAO Koks and its subsidiaries (jointly referred to as the "Group") include coal mining and the production of coke and coal concentrate, iron-ore concentrate, and pig iron, as well as the production of metal powder (high-purity chrome products). The Group's manufacturing facilities are primarily based in the city of Kemerovo, Kemerovo Region, and the city of Tula, Tula Region, in the Russian Federation. Its products are sold in Russia as well as in other countries.

As at 31 December 2017 94.12% of the Company's total issued shares were ultimately owned by the following members of the Zubitskiy family: Evgeny B. Zubitskiy, Andrey B. Zubitskiy and Galina Z. Zubitskaya (as at 31 December 2016 85.9% of the Company's total issued shares were ultimately owned by the following members of the Zubitskiy family: Evgeny B. Zubitskiy, Andrey B. Zubitskiy and Galina Z. Zubitskaya).

The Group's main subsidiaries are:

Name	Country of incorporation	Type of activity	Note	Percentage of voting shares held by the Group 31 December 2017	31 December 2016
PAO Mill Berezovskaya	Russia	Production of coal concentrate		97.4 %	97.4 %
OOO Uchastok Koksoviy	Russia	Coal mining		100.0%	100.0%
ZAO Sibirskie Resursy	Russia	Coal mining		100.0%	100.0%
OOO Butovskaya mine	Russia	Coal mining		100.0%	100.0%
OOO Tikhova mine	Russia	Coal mining		100.0%	100.0%
PAO Tulachermet	Russia	Pig-iron production		95.1%	95.1%
AO Kombinat KMAruda	Russia	Mining and concentration of iron-ore		100.0%	100.0%
AO Polema	Russia	Production of chrome		100.0%	100.0%
AO Krontif-Centre	Russia	Production of cast-iron ware		100.0%	100.0%
PTW Ltd.	China	Sales activities		100.0%	100.0%
OOO Consultinvest 2000	Russia	Lease of property		100.0%	100.0%
OOO Management Company Industrial Metallurgical Holding	Russia	Management services		100.0%	100.0%
OOO BKF Gorizont	Russia	Transactions with securities		100.0%	100.0%
OOO Koks-Mining	Russia	Management services for coal mines		100.0%	100.0%
Koks Finance DAC	Ireland	Structured entity	(1.1)	-	-
PKR Ltd	Korea	Sales activities		100.0%	100.0%
IMH Finance DAC	Ireland	Issue of euro-commercial papers	(1.2)	100.0%	100.0%
Polema (Qingdao) Import&Export Co., LTD	China	Sales activities	(1.3)	100.0%	-

1.1. In April 2011, Koks Finance Limited was incorporated in Dublin, Ireland. The main activity of Koks Finance Limited is an issue of loan participation notes for the sole purpose of financing a loan to the Company (note 19). The legal form was changed from Limited Liability Company to Designated Activity Company on 15 September 2016 in accordance with the current legislation of Ireland. The Group has the current ability to direct the relevant activities of this subsidiary through contractual arrangements. Activities of Koks Finance DAC is funded by the Group. Koks Finance DAC is consolidated in the Group's financial statements.

1.2. In April 2016, the Group finalized the establishment of IMH Finance DAC (Dublin, Ireland). The main activity of IMH Finance DAC is an issue of euro-commercial papers for the sole purpose of financing a loan to the Company (see note 19). In May 2017 the Group repaid USD 14,560,000 12% Discount Notes and interest accrued in full.

1.3. In November 2017, the Group finalized the establishment of Polema (Qingdao) Import & Export Co., Ltd (China) by investing USD 100 000 (RR 1,5 million paid in) in the share capital of this company.

Since April 2017 management services for coal-mining and coal-processing subsidiaries of the Group are carried out by OOO Management Company Industrial Metallurgical Holding.

As at 31 December 2017 and 31 December 2016, the percentage of the Group's ownership interest in its subsidiaries was equal to the percentage of its voting interest, with the exception of PAO Tulachermet, the percentage of the Group's ownership in which was 93.87% at 31 December 2017 and 94.35% at 31 December 2016.

2. Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) under the historical cost convention, as modified by the measurement of financial instruments including available-for-sale financial assets and derivative financial instruments based on fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

Each Group company incorporated in Russia maintains its own accounting records and prepares financial statements in accordance with Russian Accounting Standards (RAS). The consolidated financial statements have been prepared using RAS records and reports that have been adjusted and reclassified to ensure accurate presentation in compliance with IFRS.

Each Group company incorporated outside of Russia maintains its own accounting records and prepares financial statements in accordance with the local generally accepted accounting principles (GAAP) in its home jurisdiction. The financial statements of companies outside of Russia have been adjusted and reclassified to ensure accurate presentation and compliance with IFRS.

As at 31 December 2017, the official Central Bank of the Russian Federation (CBRF) exchange rates for transactions denominated in foreign currencies were RR 57.6002 / USD 1 (as at 31 December 2016: RR 60.6569 / USD 1) and RR 68.8668/ EUR 1 (as at 31 December 2016: RR 63.8111 / EUR 1).

3. Summary of significant accounting policies

3.1 Consolidated financial statements

(a) Subsidiaries

Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct the relevant activities of the investees that significantly affect their returns, (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. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date that such control ceases.

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 initially at their fair values at the acquisition date.

The Group applies IFRS 10 and IFRS 3. In accordance with these standards, acquisition-related costs are to be expensed as incurred. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the proportionate share of the non-controlling interest in the acquiree's net assets. Any excess of the consideration transferred above the amount of any non-controlling interest in the acquiree and the fair value as of the acquisition date of any previously held equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. Any excess of the acquiree's interest in the fair value of the identifiable net assets acquired above the consideration transferred is recognised immediately in the consolidated statement of profit and loss.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

(b) Purchases and sales of non-controlling interests

The Group applies the economic entity model to account for transactions with owners of non-controlling interest in transactions that do not result in a loss of control. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity. The Group recognises the difference between sales consideration and the carrying amount of non-controlling interest sold as a capital transaction in the statement of changes in equity.

3. Summary of significant accounting policies (continued)

(c) Joint arrangements

Under IFRS 11, "Joint Arrangements", investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Company has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the Group's joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

3.2 Foreign currency transactions

(a) Functional and presentation currency

The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. The Company's functional currency and the Group's presentation currency is the national currency of the Russian Federation, the Russian rouble (RR).

(b) Transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated into each entity's functional currency at the official exchange rate of the Central Bank of the relevant jurisdiction at the respective reporting dates. Foreign exchange gains and losses resulting from transaction settlements, and from the translation of monetary assets and liabilities into each entity's functional currency at the Central Bank's official year-end exchange rates, are recognised in the consolidated statement of profit and loss. Translation at year-end exchange rates does not apply to non-monetary items, including equity investments.

(c) Foreign operations

The assets, liabilities and financial results of those Group companies (none of which operates in a hyperinflationary economy) the functional currency of which differs from the Group's presentation currency are translated into the presentation currency in the following way:

- assets and liabilities are translated into the Group's presentation currency using the exchange rate as at the reporting date;
- income and expenses are translated to the Group's presentation currency using the average exchange rate for the reporting period; and
- exchange differences calculated as a result of the translations described in points (i) and (ii) above are recognised initially in other comprehensive income and subsequently recognised in profit or loss upon disposal of the net investment.

Goodwill related to acquisitions of foreign operations is translated into Russian roubles at the closing exchange rate, with a corresponding adjustment in other comprehensive income.

3.3 Property, plant and equipment

Property, plant and equipment items are recorded at cost, less accumulated depreciation and impairment, if any. Cost includes expenditures that are directly attributable to an item's acquisition. Subsequent costs, including overhaul expenses, are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Group and the value of the item can be measured reliably. All other repairs and maintenance are charged to profit and loss during the financial period in which they are incurred.

Mining assets consist of mine development and construction costs, which represent expenditures incurred in developing access to mineral reserves and preparations for commercial production, including sinking shafts and underground drifts, roads, infrastructure, etc. Mining assets are included within Buildings, Installations, Plant and Equipment.

(in millions of RR unless stated otherwise)

3 Summary of significant accounting policies (continued)

At each reporting date, management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in the consolidated statement of profit and loss. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals of property, plant and equipment are determined by comparing proceeds against the carrying amount and are recognised in the consolidated statement of profit and loss.

Depreciation. Land and construction in progress are not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method (except for mining assets) to allocate their depreciable amounts (cost less residual values) over their estimated useful lives:

	Useful lives in years
Buildings	20-80
Installations	8-60
Plant and equipment	2-30
Transport vehicles	2-20
Other	2-25

Depletion of mining assets is calculated using the units-of-production method based upon mineral reserves.

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Group expects to use the asset until the end of its physical life. Assets' residual values and useful lives are reviewed, and adjusted if needed, at each reporting date.

3.4 Goodwill

Goodwill represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously held equity interest in the acquiree over the fair value of the identifiable net assets acquired. Goodwill on acquisitions of subsidiaries is presented separately in the consolidated statement of financial position. Goodwill on acquisitions of associates is included in investment in associates. Goodwill is carried at cost less accumulated impairment losses, if any.

The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or group of units represent the lowest level at which the Group monitors goodwill and are not larger than an operating segment. Gains or losses on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the operation disposed of, generally measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit that is retained.

3.5 Intangible assets

All of the Group's intangible assets have definite useful lives and primarily include production licences. Acquired licences are capitalised on the basis of the costs incurred to acquire them.

All groups of intangible assets with definite useful lives are amortised using the straight-line method over their remaining useful lives (see notes 8 and 32). If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs to sell.

3.6 Investments

The Group has the following categories of investments: a) loans and receivables, b) available-for-sale financial assets.. The classification depends on the purpose for which the financial assets were acquired and the nature of the assets. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

3 Summary of significant accounting policies (continued)

(a) Loans and accounts receivable

Loans and accounts receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group grants cash, goods or services to the borrower with no intention of selling the resulting accounts receivable. They are included in current assets unless their repayment period exceeds 12 months from the reporting date, in which case they are recorded as non-current assets.

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months from the reporting date.

Purchases and sales of available-for-sale assets are initially measured at fair value and recognised at the settlement date, which is the date that the investment is delivered to the customer. The cost of purchases includes transaction costs. Available-for-sale assets are carried at fair value. Unrealised gains and losses arising from changes in the fair value of these assets are recognised in other comprehensive income in the period in which they arise. Gains and losses from the disposal of available-for-sale investments are included in the consolidated statement of profit and loss in the period in which they arise.

Available-for-sale assets mainly include securities that are not quoted or traded on any exchange market. The fair value of these investments is determined using the discounted cash flow method. Management makes assumptions based on an analysis of the market situation at each reporting date to determine the fair value.

3.7 Inventories

Inventories are recorded at the lower of cost and net realisable value. The cost of inventory is assigned using the weighted average basis. The cost of finished goods and work in progress includes raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity), but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

3.8 Trade and other receivables

Trade and other receivables are carried at amortised cost using the effective interest method. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect amounts due according to the original terms. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate corresponding to the initial financing conditions. The movements in the amount of the provision are recognised in the consolidated statement of profit and loss.

3.9 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 whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the 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.

3.10 Value added tax

Value added tax (VAT) related to sales is payable to the Russian federal tax authorities at the earlier of two dates: the date of dispatch (transfer) of goods (services, work, property rights), or the date of collection of receivables from customers for the future supply of goods (work, services, property rights). VAT included in the cost of purchased goods (work, services, property rights) generally can be reclaimed by offsetting it against VAT on sales once the goods (work, services, property rights) have been accounted for, except for VAT on export sales, which is reclaimable once export transactions have been confirmed.

Where provision has been made for impairment of receivables, an impairment loss is recorded for the gross amount of the debtor, including VAT.

3 Summary of significant accounting policies (continued)

3.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term, highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortised cost using the effective interest method. Restricted balances are excluded from cash and cash equivalents for the purposes of the consolidated statement of cash flows and consolidated statement of financial position. Balances restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date are included in other non-current assets.

3.12 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

3.13 Dividends

Dividends are recognised as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the consolidated financial statements are authorised for issue.

3.14 Borrowings

Borrowings are carried at amortised cost using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the costs of those assets.

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.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Repayment of interest expenses for the period is recognised in cash flows from financing activities.

3.15 Finance lease liabilities

Where the Group is a lessee in a lease which transferred substantially all the risks and rewards incidental to ownership to the Group, the assets leased are capitalised in property, plant and equipment at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of future finance charges, are included in borrowings. The interest cost is charged to profit or loss over the lease period using the effective interest method. The assets acquired under finance leases are depreciated over their useful life or the shorter lease term, if the Group is not reasonably certain that it will obtain ownership by the end of the lease term.

3.16 Derivative financial instruments

Derivative financial instruments include currency and interest rate swaps, currency options. Initially and subsequently derivative financial instruments are measured at fair value. They are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are recognised in profit or loss in the period in which they are incurred.

3.17 Income tax

Income taxes have been provided for in the consolidated financial statements in accordance with legislation enacted or substantively enacted by the reporting date. The income tax charge comprises current tax and deferred tax and is recognised in the consolidated statement of profit and loss unless it relates to transactions that are recognised, in the same or in a different period, in other comprehensive income or directly in equity.

3 Summary of significant accounting policies (continued)

Current tax is the amount that is expected to be paid to or recovered from the tax authorities on taxable profits or losses for the current and prior periods. Taxes other than income taxes are recorded within operating expenses.

Deferred income tax is accrued using the balance sheet liability method for tax loss carry forwards and for temporary differences arising between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the 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. Deferred tax assets and liabilities are netted only within the individual companies of the Group.

Deferred income tax is provided on post-acquisition retained earnings of subsidiaries, except where the Group controls the subsidiary's dividend policy and it is probable that the difference will not reverse through dividends or otherwise in the foreseeable future.

Recognition of deferred tax assets. A net deferred tax asset represents income taxes recoverable through future deductions from taxable profits and is recorded in the consolidated statement of financial position. 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.

In determining future taxable profits and the amount of tax benefits that are probable in the future, management makes judgements and applies estimates based on taxable profits of the previous three years and expectations of future income that are believed to be reasonable under the circumstances.

3.18 Employee benefits

Wages, salaries, contributions to state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits (such as health services and kindergarten services) are accrued in the year in which the associated services are rendered by the employees of the Group.

3.19 Provisions for liabilities and charges

Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued 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. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. Provisions are reassessed annually and changes in provisions resulting from the passage of time are reflected in the consolidated statement of profit and loss each year within interest expense. Other changes in provisions related to a change in the expected repayment plan, in the estimated amount of the obligation or in the discount rates, are treated as a change in an accounting estimate in the period of the change and, with the exception of provision for restoration liabilities, reflected in the consolidated statement of profit and loss.

Provisions for restoration liability are recognised when the Group has a present legal or constructive obligation to dismantle, remove and restore items of property, plant and equipment. The amount of the provision is the present value of the estimated expenditures expected to be required to settle the liability, determined using pre-tax risk free discount rates adjusted for risks specific to the liability. Changes in the provision resulting from the passage of time are recognised as interest expense. Changes in the provision, which is reassessed at each reporting date, related to a change in the expected pattern of settlement of the liability, or in the estimated amount of the provision or in the discount rates, are treated as a change in an accounting estimate in the period of change. Such changes are reflected as adjustments to the carrying value of property, plant and equipment and the corresponding liability.

3.20 Uncertain tax positions

Uncertain tax positions of the Group are reassessed by management at every reporting date. Liabilities are recorded for income tax positions that are deemed by management to be unlikely to be sustained if challenged by the tax authorities, based on its interpretation of tax laws that have been enacted or substantively enacted at the reporting date. 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.

3 Summary of significant accounting policies (continued)

3.21 Revenue recognition

Revenue from the sale of goods (primarily coke products, pig iron, chrome and powder metallurgy products) is measured at the fair value of the consideration received or to be received, net of value-added tax, custom duties, rebates and discounts. Amounts billed to customers for shipping and handling costs are included in revenue where the Group is responsible for carriage, insurance and freight. All shipping and handling costs incurred by the Group are recognised as distribution costs. A significant portion of products is sold under one-year contracts with prices determined for each shipment. Revenues are recognised on individual sales when pervasive evidence exists that all of the following criteria are met:

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

These conditions are generally satisfied when title passes to the customer. The terms of title transfer are determined by individual contracts.

3.22 Share capital and reserves

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is presented as a share premium in equity.

Treasury shares

Own shares reacquired by the Company or its subsidiaries (treasury shares) are deducted from equity in the amount of the consideration paid until further cancellation or reissue. Where such shares are subsequently reissued or resold, the consideration received is recognised directly in equity. Any gain or loss arising from these transactions is recognised in the consolidated statement of changes in equity.

Revaluation reserve

Prior to adoption of IFRS 3(R), revaluation of assets held by associates, where control was subsequently obtained and fair value adjustments were performed as of the date of obtaining control, was recorded in the revaluation reserve. During the period of control, the Group transfers the revaluation reserve directly to retained earnings in proportion to the depreciation of property, plant and equipment of the subsidiary.

Currency translation reserve

The currency translation reserve was created following the consolidation of entities, whose functional currency is not the Russian rouble.

3.23 Segment reporting

An operating segment is a component of the Group that:

(a) engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with any of the Group's other components); (b) whose operating results are regularly reviewed by the Group's chief operating decision-maker to make decisions about resources to be allocated to the segment and assess its performance; and (c) for which discrete financial information is available.

4. Adoption of new or revised standards and interpretations

The following amended standards became effective from 1 January 2017 or later but did not have a material impact on the Group.

- Disclosure Initiative – Amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017). The new disclosures are included in Note 19.
- Recognition of Deferred Tax Assets for Unrealised Losses – Amendment to IAS 12 (issued on 19 January 2016 and effective for annual periods beginning on or after 1 January 2017).
- Amendments to IFRS 12 included in Annual Improvements to IFRSs 2014-2016 Cycle (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2017).

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2018 or later, 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.

Based on an analysis of the Group's financial assets and financial liabilities as at 31 December 2017 and on the basis of the facts and circumstances that exist at that date, the management of the Group is not expecting a significant impact on its consolidated financial statements from the adoption of the new standard on 1 January 2018.

No significant changes are expected for financial liabilities, other than changes in the fair value of financial liabilities designated at FVTPL that are attributable to changes in the instrument's credit risk, which will be presented in other comprehensive income.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

4 Adoption of new or revised standards and interpretations (continued)

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.

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.

IFRS 16, Leases (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019). The Group is currently assessing the impact of the new standard on its consolidated financial statements.

IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021). The Group is currently assessing the impact of the new standard on its consolidated financial statements.

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

IFRIC 23 "Uncertainty over Income Tax Treatments" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019. The Group is currently assessing the impact of the interpretation on its consolidated financial statements.

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).
- 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).
- 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).
- Annual Improvements to IFRSs 2014-2016 cycle – Amendments to IFRS 1 an IAS 28 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).
- Prepayment Features with Negative Compensation – Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019.
- Annual Improvements to IFRSs 2015-2017 cycle - Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019).

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

5. Critical accounting estimates and judgements in applying accounting policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial period. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that could cause a significant adjustment to the carrying amount of assets and liabilities within the next financial period include the following:

5.1 Going concern

As at 31 December 2017, the Group's current liabilities exceeded current assets by RR 296 million (as at 31 December 2016 – 23,136 million). The Group had undrawn borrowing facilities in the amount of RR 20,531 million (see note 19) as at 31 December 2017 (out of which RR 17,104 million are long-term facilities). Also, the Group has registered rouble bonds worth RR 12,000 million.

Accordingly, management believes that a going concern basis for the preparation of these consolidated financial statements is appropriate.

5.2 Estimated useful lives of property, plant, equipment and licences

The Group applies a range of useful lives to buildings, installations, plant and equipment, transport vehicles and other assets classified as property, plant and equipment. Significant judgement is required in estimating the useful lives of such assets. When determining economic life, assumptions that were valid at the time of estimation, may change when new information becomes available. Factors that could affect estimation include:

- changes in environmental and other legislation applicable to the Group's operations;
- development of new technologies and equipment; and
- changes in the terms of licences.

If management's estimates of useful lives were to decrease by 10%, profit before income tax for the year ended 31 December 2017 would decrease by RR 375 million (2016: profit before income tax would decrease by RR 243 million). An increase in useful lives by 10% would result in an increase of profit before income tax for the year ended 31 December 2017 by RR 307 million (2016: increase of profit before income tax by RR 199 million).

The Group applies defined useful lives to intangible assets, which primarily include production licences. Significant judgement is required in estimating the useful lives of such assets. When determining economic life, assumptions that were valid at the time of estimation, may change when new information becomes available. Factors that could affect estimation include:

- changes in environmental and other legislation applicable to the Group's operations;
- development of new technologies and equipment;
- changes in the terms of licences:
- plans and abilities of the Group to renew existing production licences.

5.3 Estimated fair value of financial liability

In 2015-2017, OOO Tulachermet-Stal, an entity under common control of the Group's owners, obtained bank loans under credit facilities. PAO Tulachermet together with OOO Stal and DILON Cooperatief U.A. (both companies are under common control of the Group's owners) entered into a number of agreements in connection with OOO Tulachermet-Stal's obligations under this loan facility agreement. As a result, under these agreements, these entities have committed jointly and severally to finance OOO Tulachermet-Stal project funding shortfall, if any, in the amount of up to the outstanding debt under the loan facility.

Based on the Group's management estimates the fair value of financial obligations under these agreements is not significant as of 31 December 2017. Management based this judgement on an assessment of probability of compliance of OOO Tulachermet-Stal with all conditions established by the loan facility agreement (note 32).

(in millions of RR unless stated otherwise)

5. Critical accounting estimates and judgements in applying accounting policies (continued)

5.4 Recognition of deferred tax assets

The net deferred tax asset represents income taxes, recoverable through future deductions from taxable profits. 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.

In determining future taxable profits and the amount of tax benefits that are probable in the future, management makes judgements and applies estimates based on taxable profits of the previous three years and expectations of future income that are believed to be reasonable under the circumstances.

5.5 Estimated impairment of goodwill

The Group tests goodwill for impairment on an annual basis. The recoverable amount of cash generating units, defined as the higher of fair value less costs to sell and value in use. These calculations require the use of estimates (see Note 9).

6. Segment information

The Group operates as a vertically integrated business. The chief executive officer of OOO Management Company Industrial Metallurgical Holding is considered to be the chief operating decision-maker (CODM). The CODM is responsible for decision-making, estimating results and distributing resources, relying on internal financial information prepared using IFRS principles.

The Group's management has determined the following operating segments based on nature of production:

- Coal – coal mining;
- Coke – coke production;
- Ore & Pig Iron – production of iron ore concentrate, pig iron, crushed pig iron and cast iron ware;
- Polema – production of powder metallurgy articles (chrome articles);
- Unallocated – include subsidiaries: OOO Management Company Industrial Metallurgical Holding, OOO Consultinvest 2000, OOO BKF Gorizont and acquisition of asset « OOO Gorny otdykh» (Note 10).

Inter-segment sales are generally composed of:

- Sales of coal to the Coke segment;
- Sales of coke to the Ore & Pig Iron segment;
- Management services rendered to the Coal, Coke, Ore & Pig Iron and Polema segments.

Segment revenue and segment results include transfers between operating segments. Analyses of revenue generated from external sales by products and services are included in note 22.

The Group's management assesses the performance of operating segments based on revenue, adjusted EBITDA, assets and liabilities.

	Coal	Coke	Ore & Pig Iron	Polema	Unallocated	Total
Year ended 31 December 2017						
Inter-segment revenue	5,885	20,980	254	2	2,281	**29,402**
External revenue	10,422	24,169	48,355	1,905	509	**85,360**
Segment revenue, total	**16,307**	**45,149**	**48,609**	**1,907**	**2,790**	**114,762**
Adjusted EBITDA	**7,758**	**7,122**	**2,171**	**171**	**(154)**	**17,068**
Year ended 31 December 2016						
Inter-segment revenue	4,405	13,332	164	4	1,495	**19,400**
External revenue	9,893	16,849	35,754	2,025	-	**64,521**
Segment revenue, total	**14,298**	**30,181**	**35,918**	**2,029**	**1,495**	**83,921**
Adjusted EBITDA	**4,257**	**4,319**	**2,716**	**385**	**100**	**11,777**

(in millions of RR unless stated otherwise)

6 Segment information (continued)

The reconciliation between profit/(loss) before income tax and Group adjusted EBITDA:

	Coal	Coke	Ore & Pig Iron	Polema	Unallocated	Total
Year ended 31 December 2017						
Profit/(Loss) before income tax	**4,721**	**4,306**	**1,044**	**156**	**(341)**	**9,886**
Amortisation and depreciation	1,992	338	1,069	52	77	**3,528**
Interest income	(17)	(64)	(908)	(24)	(8)	**(1,021)**
Inter-segment interest income	-	(1,505)	(760)	(23)	(6)	**(2,294)**
Interest expense	70	4,426	1,415	11	22	**5,944**
Inter-segment interest expense	1,358	258	577	-	101	**2,294**
Foreign exchange (gain)/loss, net	(366)	(637)	(266)	(1)	1	**(1,269)**
Total adjusted EBITDA	**7,758**	**7,122**	**2,171**	**171**	**(154)**	**17,068**

	Coal	Coke	Ore & Pig Iron	Polema	Unallocated	Total
Year ended 31 December 2016						
Profit/(Loss) before income tax	**3,362**	**5,061**	**3,202**	**294**	**(96)**	**11,823**
Amortisation and depreciation	862	302	1,250	48	23	**2,485**
Interest income	(5)	(42)	(991)	(7)	(10)	**(1,055)**
Inter-segment interest income	-	(677)	(983)	(23)	-	**(1,683)**
Interest expense	785	2,752	1,700	5	15	**5,257**
Inter-segment interest expense	954	526	34	-	169	**1,683**
Impairment of property, plant and equipment	33	-	-	-	-	**33**
Foreign exchange (gain)/loss, net	(1,734)	(3,603)	(1,496)	68	(1)	**(6,766)**
Total adjusted EBITDA	**4,257**	**4,319**	**2,716**	**385**	**100**	**11,777**

Adjusted EBITDA analysed by the CODM is defined as profit/(loss) before income tax adjusted for interest income and interest expense, depreciation, amortisation and impairment, any extraordinary gains and losses, and foreign exchange gains and losses.

Segment assets and liabilities

Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, trade and other receivables, advances issued, loans issued, VAT recoverable, and cash and cash equivalents.

Segment liabilities include accounts payable arising during operating activities, borrowings and interest payable.

Capital expenditures comprise additions to property, plant and equipment, and intangible assets.

Segment assets and liabilities as at 31 December 2017 and 2016, and capital expenditures for the years ended 31 December 2017 and 2016 are presented below:

	Coal	Coke	Ore & Pig Iron	Polema	Unallocated	Total
At 31 December 2017						
Segment assets	29,243	32,963	56,679	2,362	4,636	**125,883**
Segment liabilities	24,812	39,370	35,016	572	2,296	**102,066**
Capital expenditures for the year ended 31 December 2017	6,459	389	3,731	243	971	**11,793**
At 31 December 2016						
Segment assets	25,813	22,748	49,695	1,851	3,408	**103,515**
Segment liabilities	25,138	32,968	29,516	209	2,740	**90,571**
Capital expenditures for the year ended 31 December 2016	4,641	528	1,960	99	2,260	**9,488**

(in millions of RR unless stated otherwise)

6 Segment information (continued)

The reconciliation between the assets of operational segments and total assets in the consolidated statement of financial position is presented below:

	At 31 December 2017	At 31 December 2016
Segment assets	**125,883**	**103,515**
Items not included in segment assets		
Goodwill	4,497	4,497
Deferred income tax asset	1,604	2,551
Other non-current assets	115	118
Elimination of inter-segment balances	(28,423)	(24,950)
Total assets	**103,676**	**85,731**

The reconciliation between the liabilities of operational segments and total liabilities in the consolidated statement of financial position is presented below:

	At 31 December 2017	At 31 December 2016
Segment liabilities	**102,066**	**90,571**
Items not included in segment liabilities		
Provision for restoration liability	71	160
Deferred income tax liability	1,682	2,131
Taxes payable	1,422	1,336
Elimination of inter-segment balances	(28,423)	(24,950)
Total liabilities	**76,818**	**69,248**

The reconciliation between the capital expenditures of operational segments and total additions of property, plant and equipment as described in note 7 is presented below:

	Year ended 31 December 2017	Year ended 31 December 2016
Segment capital expenditures	**11,793**	**9,488**
Additions of intangible assets (note 8)	14	4
Additions of property, plant and equipment (note 7)	11,779	9,484

Information about geographical areas

A revenue analysis of external Russian and foreign customers based on a given customer's geographical location is provided in note 22.

The following table presents revenues from external customers:

	Year ended 31 December 2017	Year ended 31 December 2016
Total sales:	**85,360**	**64,521**
Russia	30,857	24,237
Switzerland	41,592	29,482
Ukraine	4,080	5,189
Singapore	2,949	1,276
Czech Republic	2,758	-
Belarus	740	384
Poland	634	206
England	369	331
Korea	281	142
Germany	239	176
Taiwan	233	253
Latvia	183	5
China	144	36
Japan	99	338
Denmark	-	2,270
Other	202	196

Revenue from the largest customer of the Group's Coke and Ore & Pig Iron segments, which is a related party, represented RR 40,477 million of the Group's total revenues in 2017 (2016: RR 29,352 million).

The Group's non-current assets (different from financial instruments and deferred income tax asset) located in the Russian Federation.

(in millions of RR unless stated otherwise)

7. Property, plant and equipment

	Land	Buildings	Installations	Plant and equipment	Transport vehicles	Construction in progress	Other	Total
Cost at 31 December 2016	**741**	**6,929**	**16,872**	**16,291**	**2,085**	**23,744**	**209**	**66,871**
Additions	222	254	1,758	3,308	413	5,736	88	**11,779**
Transfers	-	503	10,156	476	-	(11,136)	1	**-**
Disposals	-	(83)	(402)	(131)	(53)	(136)	(7)	**(812)**
Cost at 31 December 2017	**963**	**7,603**	**28,384**	**19,944**	**2,445**	**18,208**	**291**	**77,838**
Accumulated depreciation and impairment at 31 December 2016	**-**	**(1,779)**	**(6,338)**	**(8,908)**	**(1,471)**	**(34)**	**(151)**	**(18,681)**
Depreciation charges	-	(266)	(1,853)	(1,640)	(173)	-	(22)	**(3,954)**
Accumulated depreciation and impairment related to disposals	-	53	363	119	42	-	6	**583**
Impairment	-	-	3	-	-	(4)	1	**-**
Accumulated depreciation and impairment at 31 December 2017	**-**	**(1,992)**	**(7,825)**	**(10,429)**	**(1,602)**	**(38)**	**(166)**	**(22,052)**
Net book value at 31 December 2016	**741**	**5,150**	**10,534**	**7,383**	**614**	**23,710**	**58**	**48,190**
Net book value at 31 December 2017	**963**	**5,611**	**20,559**	**9,515**	**843**	**18,170**	**125**	**55,786**

	Land	Buildings	Installations	Plant and equipment	Transport vehicles	Construction in progress	Other	Total
Cost at 31 December 2015	**736**	**6,353**	**17,548**	**14,721**	**1,891**	**17,739**	**196**	**59,184**
Additions	5	189	159	1,076	220	7,819	16	**9,484**
Transfers	-	423	684	633	-	(1,742)	2	**-**
Disposals	-	(36)	(1,519)	(139)	(26)	(72)	(5)	**(1,797)**
Cost at 31 December 2016	**741**	**6,929**	**16,872**	**16,291**	**2,085**	**23,744**	**209**	**66,871**
Accumulated depreciation and impairment at 31 December 2015	**-**	**(1,522)**	**(7,019)**	**(7,612)**	**(1,324)**	**(1)**	**(139)**	**(17,617)**
Depreciation charges	-	(277)	(828)	(1,431)	(169)	-	(18)	**(2,723)**
Accumulated depreciation and impairment related to disposals	-	20	1,509	135	22	-	6	**1,692**
Impairment	-	-	-	-	-	(33)	-	**(33)**
Accumulated depreciation and impairment at 31 December 2016	**-**	**(1,779)**	**(6,338)**	**(8,908)**	**(1,471)**	**(34)**	**(151)**	**(18,681)**
Net book value at 31 December 2015	**736**	**4,831**	**10,529**	**7,109**	**567**	**17,738**	**57**	**41,567**
Net book value at 31 December 2016	**741**	**5,150**	**10,534**	**7,383**	**614**	**23,710**	**58**	**48,190**

In June 2017, as part of the investment program, the Group completed construction and performed industrial launch of S.D. Tikhova mine and the second stage of the Butovskaya mine, which will perform production activities at the Nikitinsky-2 section of the Nikitinsky coal field and the Butovsky-Zapadny and Chesnokovsky sections of the Kemerovo coal field, respectively. As a result of the launch, buildings and installations in amount of RR 10,438 million, plant and equipment in amount of RR 1,408 million, transport vehicles in amount of RR 17 million were put into operation.

(in millions of RR unless stated otherwise)

7 Property, plant and equipment (continued)

As at 31 December 2017 the construction in progress includes AO Kombinat KMAruda balances related to the new iron ore mine construction in the amount of RR 5,604 million.

During the year ended 31 December 2017, a depreciation expense of RR 3,162 million (2016: RR 2,023 million) was included in the cost of products sold, a depreciation expense of RR 245 million (2016: RR 187 million) was included in general and administrative expenses, and a depreciation expense of RR 547 million (2016: RR 513 million) was capitalised.

As at 31 December 2017 the Group did not recognise an impairment loss on property, plant and equipment. As at 31 December 2016 the Group recognised an impairment loss on certain facilities on which construction has been halted in the amount of RR 33 million, which, in accordance with recent management plans, will not be used in the Group's production activities.

Additions of property, plant and equipment during the year ended 31 December 2017 include capitalised borrowing cost of RR 1,096 million, including foreign exchange losses from financing activities in the amount of RR 56 million (2016: RR 1,202 million, no foreign exchange losses from financing activities were capitalised in 2016). The capitalisation rate used to determine the amount of capitalised interest was 10.40% (2016: 10.72%).

8. Intangible assets

Movements of intangible assets are provided below:

	Year ended 31 December 2017	Year ended 31 December 2016
Cost as at the beginning of the year	7,606	7,602
Accumulated amortisation and impairment	(2,840)	(2,565)
Net book value as at the beginning of the year	**4,766**	**5,037**
Additions	14	4
Amortisation charge	(121)	(275)
Net book value at the end of the year	**4,659**	**4,766**
Cost as at the end of the year	7,620	7,606
Accumulated amortisation and impairment	(2,961)	(2,840)

Information on the carrying amount of each significant individual intangible asset is provided below:

	Carrying amount	
	At 31 December 2017	At 31 December 2016
Licence to produce ferruginous quartzite from the Korobkovsky mine	2,382	2,467
Coal mining licence for the Nikitinsky-2 coal basin (OOO Tikhova mine)	2,006	2,041
Licence for coal mining at the Koksoviy basin (Glubokiy)	88	88
Other	183	170
Total	**4,659**	**4,766**

9. Goodwill

There were no movement of goodwill arising on acquisition of subsidiaries during 2017 as provided below:

	Year ended 31 December 2017	Year ended 31 December 2016
Gross book value	**6,222**	**6,222**
Accumulated impairment	(1,725)	(1,725)
Net book value	**4,497**	**4,497**

Testing goodwill for impairment

Goodwill is allocated to the following CGUs, which represent the lowest level within the Group at which goodwill is monitored by management and which are not larger than a segment:

	At 31 December 2017	At 31 December 2016
AO Kombinat KMAruda	2,223	2,223
PAO Tulachermet	1,248	1,248
AO Polema	980	980
AO Krontif-Centre	46	46
Total net book value of goodwill	**4,497**	**4,497**

(in millions of RR unless stated otherwise)

9 Goodwill (continued)

The recoverable amount of each CGU was determined based on value-in-use calculations. These calculations use cash flow projections based on a budget for 2018 and financial forecasts for CGU, approved by management, covering periods from ten to eleven years through 2027-2028 inclusive. Cash flows beyond the related forecast period are extrapolated using the estimated growth rates stated below. The growth rates do not exceed the long-term average growth rate for the sector of the economy in which the relevant CGU operates.

Assumptions used in the value-in-use calculations include:

	31 December 2017	31 December 2016
Long-term growth rate	4% p.a.	4% p.a.
Post-tax discount rate for AO Kombinat KMAruda	14.7% p.a.	14.7% p.a.
Post-tax discount rate for PAO Tulachermet	14.7% p.a.	14.7% p.a.
Post-tax discount rate for AO Polema	14.7% p.a.	14.7% p.a.

Management determined a cash operating return based on past performance and its market expectations. The long-term growth rates used are consistent with forecasts in industry reports.

The value-in-use amount calculated as of 31 December 2017 (as well as of 31 December 2016) based on the above assumptions for all CGUs exceeds the book value of assets (including allocated goodwill). Consequently, management concluded there is no impairment for goodwill in 2017 and 2016.

Management believes that a reasonable change in the pre-tax discount rate and long-term growth rate in 2017 and 2016 would not impair goodwill.

10. Acquisition of assets

In June 2016, the Group contributed to the charter capital of OOO Gorny otdykh in the amount of 90 thousand roubles. As a result of the transaction the Group got a share in the charter capital of OOO Gorny otdykh in the amount of 90 percent.

In October 2016 the Group bought 10% in the charter capital of OOO Gorny otdykh for 10 thousand roubles, thus increased its share in the charter capital of OOO Gorny otdykh to 100 percent.

The main asset of OOO Gorny otdykh is the hotel complex. Currently, the hotel complex is under reconstruction and modernization, operation activities are not conducted. Obligations and liabilities of OOO Gorny otdykh are represented by payables to suppliers and contractors.

The Group's management considers the transaction as an acquisition of assets and liabilities, rather than as a business combination in accordance with the definitions in IFRS 3 "Business combinations".

The Group's management plans to use the hotel complex as a corporate recreation asset for the Group's employees and other corporate purposes. Also, the Group's management considers the possibility of providing part of the services of the hotel complex to the third parties. Thus, the Group's management does not consider the acquired assets as a cash generated unit in accordance with the definition in IAS 36 "Impairment of asset" and includes the value of the assets acquired to the carrying value of the Group's existing cash generated units for the purposes of assessing impairment indicators of the Group assets.

At 31 December 2017 the Group recognised construction in progress amounted to RR 2,693 million, other assets in the amount of RR 211 million and liabilities in the amount of RR 25 million. Outstanding loans issued by the Group to OOO Gorny otdykh, in the amount of RR 1,002 million, and interest receivables in the amount of RR 74 million was eliminated in the Group financial statements as intragroup transactions.

11. Other non-current assets

	At 31 December 2017	At 31 December 2016
Other long-term accounts receivable	83	162
Other long-term accounts receivable from related parties	-	44
Other financial assets	71	76
Total financial assets	**154**	**282**
Other	45	42
Total non-financial assets	**45**	**42**
Total other non-current assets	**199**	**324**

(in millions of RR unless stated otherwise)

12. Inventories

	At 31 December 2017	At 31 December 2016
Raw materials, materials and supplies held for production purposes	4,763	3,292
Work in progress	546	511
Finished goods	1,519	1,405
Total inventories	**6,828**	**5,208**

Materials and supplies held for production purposes are recorded at net realisable value, net of provision for impairment, which amounted to RR 42 million as at 31 December 2017 (31 December 2016: RR 46 million).

13. Non-current loans issued and long-term interest receivable

	At 31 December 2017	Interest rate	At 31 December 2016	Interest rate
Loans issued to related parties and denominated in Russian roubles, including interest accrued (note 31)	10,342	10.5%-12.5%	8,465	11.25-12.5%
Loans issued and denominated in Russian roubles, including interest accrued	52	10.0%	-	
Loans issued to related parties and denominated in euros, including interest accrued (note 31)	-		307	2.2%
Total non-current loans issued	**10,394**		**8,772**	

14. Trade and other receivables and advances issued

	At 31 December 2017	At 31 December 2016
Trade receivables (net of impairment amounting to RR 6 million as at 31 December 2017; RR 2 million as at 31 December 2016)	1,526	2,485
Trade receivables from related parties	1,067	383
Taxes receivable	148	35
Other accounts receivable (net of impairment amounting to RR 150 million as at 31 December 2017; RR 136 million as at 31 December 2016)	430	202
Other accounts receivable from related parties	3,049	9
Total trade and other receivables	**6,220**	**3,114**
Advances issued	369	835
Less impairment	(3)	(41)
Total advances issued	**366**	**794**

15. Cash and cash equivalents

	At 31 December 2017	At 31 December 2016
RR bank deposits	4,655	867
Bank balances denominated in foreign currencies	2,234	1,024
Bank deposits in foreign currencies	1,681	-
RR-denominated cash in hand and bank balances	408	2,643
Total cash and cash equivalents	**8,978**	**4,534**

All bank balances and bank deposits are neither past due nor impaired. The analysis of the credit quality of bank balances is as follows*:

	At 31 December 2017	At 31 December 2016
A to AAA rated	57	43
B to BBB rated	8,920	4,473
Total**	**8,977**	**4,516**

* Based on the credit ratings of independent rating agency Fitch Ratings and Moody’s as at 15 January 2018 and 15 January 2017.

** The rest of the statement of financial position item ‘cash and cash equivalents’ is cash on hand.

(in millions of RR unless stated otherwise)

16. Share capital

As of 31 December 2017 and 2016, the Company's share capital (authorised, issued and paid in) totalled RR 213 million. The share capital consisted of 330,046,400 ordinary shares with a par value of RR 0.10 per share as of 31 December 2017 and 31 December 2016. As of 31 December 2017 and 31 December 2016, the share capital included a hyperinflationary adjustment totalling RR 180 million, which was calculated in accordance with the requirements of IAS 29, "Financial Reporting in Hyperinflationary Economies", and relates to reporting periods prior to 1 January 2003.

In June 2010, a subsidiary of the Group acquired 26,000,278 of the Company's shares from its shareholders for RR 5,928 million. In July 2016, a subsidiary of the Group acquired 1,012,075 of the Company's shares for RR 105 million.

In February 2017 the Company acquired 135,400 of its shares for RR 11 million. These shares are classified as treasury shares and were deducted from equity at cost.

In November 2017 Evgeny B. Zubitskiy purchased 27,012,353 of the Company's shares from the subsidiary of the Group for RR 2,828 million. The loss from this transaction in the amount of RR 3,205 million is included in the Consolidated Statement of Changes in Equity. As of 31 December 2017 other accounts receivable related to this transaction equal to RR 2,828 million (see note 31).

17. Retained earnings

The Company's Russian statutory financial statements serve as the basis for its profit distribution and other appropriations. Under Russian law, the basis of distribution is defined as a company's profit. The net profit recognised in the Company's published Russian statutory financial statements for the year ended 31 December 2017 was RR 7,859 million (2016: net profit – RR 3,360 million), and the accumulated profit after dividends as at 31 December 2017 was equal to RR 13,250 million (31 December 2016: RR 5,391 million). However, the relevant legislation and other statutes and regulations governing profit distribution are open to legal interpretation and, thus, management believes that at present it would not be appropriate to disclose the amount for distributable reserves in these consolidated financial statements.

During 2017 year and 2016 year no dividends were declared.

18. Provision for restoration liability

The table below summarises movements in the provision for restoration liability:

	Year ended 31 December 2017	Year ended 31 December 2016
Balance at the beginning of the year	**160**	**147**
Additions to property, plant and equipment	42	-
Changes in estimates adjusted against property, plant and equipment	(47)	-
Unwinding of the present value discount	6	17
Decrease in provision for restoration liability due to change of estimates	(90)	(4)
Balance at the end of the year	**71**	**160**
Less current part of the provision	(15)	(51)
Long-term part of the provision for restoration liability as at the end of the year	**56**	**109**

A provision for restoration liability in the amount of RR 71 million as of 31 December 2017 (RR 160 million as of 31 December 2016) was recorded for the net present value of the estimated future obligation to restore land around the Vakhrusheva, Vladimirskaya, Butovskaya and Tikhova coal mines (2016: the Vakhrusheva, Vladimirskaya and Butovskaya coal mines).

Management has estimated the restoration liability through 2050 based on their interpretation of the licence agreements and environmental legislation, and in accordance with IAS 37, "Provisions, Contingent Liabilities And Contingent Assets". The discount rate used to calculate the net present value of the restoration liability was 9.5% at 31 December 2017 (11.5% at 31 December 2016), which is an risk free rate adjusted for the Group at the reporting dates. The related asset of RR 107 million as of 31 December 2017 (31 December 2016: RR 61 million) was recorded as installations within property, plant and equipment at the net book value.

(in millions of RR unless stated otherwise)

19. Borrowings and bonds

Short-term borrowings and current portion of long-term borrowings

Loans and borrowings by type may be analysed as follows:

	At 31 December 2017	Interest rate	At 31 December 2016	Interest rate
RR-denominated bank loans, fixed	4,221	8.6-11.5%	8,477	5.5-14.5%
RR-denominated bank loans, variable	654	5.5%	5,992	13.00%
Other RR-denominated borrowings, fixed	4	10.0-13.5%	5	13.0-13.5%
USD-denominated bank loans, fixed	1,752	7.6-9.15%	7,718	6.5-9.5%
Other USD-denominated borrowings, fixed	-		275	9%
Total short-term borrowings and current portion of long-term borrowings	**6,631**		**22,467**	

Long-term borrowings

	At 31 December 2017	Interest rate	At 31 December 2016	Interest rate
RR-denominated bank loans, fixed	14,326	8.6-11.5%	5,345	13.65-14.5%
RR-denominated bank loans, variable	-		914	13.0 %
Other RR-denominated borrowings, fixed	270	5.0%	215	13.0%
USD-denominated bank loans, fixed	5,655	5.65-9.15%	9,983	7.5-9.5%
Total long-term borrowings	**20,251**		**16,457**	

As at 31 December 2017 the loans totaling RR 10,735 million were collaterised by property, plant and equipment in the carrying value of RR 2,475 million, part of these loans in the amount of RR 8,944 million was also collaterised by 100 percent of shares in LLC "Shakhta im. S.D.Tikhova" and LLC "Shakhta Butovskaya". (At 31 December 2016: the loans totaling RR 18,481 million were collaterised by property, plant and equipment with the carrying value of RR 2,638 million and 100 percent of shares in LLC "Shakhta im. S.D.Tikhova" and LLC "Shakhta Butovskaya").

As of 31 December 2016 loan in amount of RR 6,906 million received from AO Gazprombank was collaterised by 10% of PAO Koks shares. In May 2017 PAO Koks shares, collaterised under this loan, have been released from pledge as a result of full repayment of those loans from AO Gazprombank.

Borrowings of the Group are due for repayment as follows:

	At 31 December 2017	At 31 December 2016
Borrowings to be repaid – within one year	6,631	22,467
- between one and five years	18,998	14,950
- after five years	1,253	1,507
Total borrowings	**26,882**	**38,924**

As at 31 December 2017, the Group had undrawn borrowing facilities in the amount of RR 20,531 million, including long-term facilities in the amount of RR 17,104 (as at 31 December 2016: RR 10,567 million, including a long-term facility of RR 6,602 million).

Movements in borrowings are analysed as follows:

	Year ended 31 December 2017	Year ended 31 December 2016
Short-term borrowings:		
Balance at the beginning of the year	**22,467**	**21,997**
Borrowings received	17,621	27,005
Borrowings repaid	(36,947)	(34,392)
Reclassification of borrowings	3,888	9,393
Bank overdrafts received	8,438	13,039
Bank overdrafts repaid	(8,438)	(13,329)
Effect of changes in exchange rates	(398)	(1,246)
Balance at the end of the year	**6,631**	**22,467**
Long-term borrowings:		
Balance at the beginning of the year	**16,457**	**12,923**
Borrowings received	22,318	17,553
Borrowings received resulting from acquisition of assets	-	215
Borrowings repaid	(14,209)	(2,834)
Effect of changes in exchange rates	(431)	(2,007)
Other non-cash effects	4	-
Reclassification of borrowings	(3,888)	(9,393)
Balance at the end of the year	**20,251**	**16,457**

19 Borrowings and bonds (continued)

Eurobonds

On 23 June 2011, the Group issued 350,000,000 eurobonds for a total amount of USD 350 million at a coupon rate of 7.75% through its structured entity, Koks Finance Ltd. The coupons were payable semi-annually.

On 2 July 2015 the Group entered into an exchanged offer (the "Exchange Offer") whereby the holders of the Existing Notes were given the opportunity to offer to exchange any or all of the Existing Notes for (i) loan participating notes to be issued by the Group (the "New Notes"); and (ii) the cash amount. As a result of the Exchange Offer, USD 150,845,000 7.75% loan participation notes due 2016, part of which were owned by the Group as the result of several transactions on sale and repurchase of eurobonds completed by the Group in 2011-2014, were cancelled, and new USD 136,496,000 10.75% loan participation notes due 2018 were issued. As part of this exchange, the bonds were partially repaid in the amount of USD 14,349,000. The Group owned USD 32,452,000 of new notes.

In March 2016 the Group entered into another exchange (the «Exchange Offer») whereby the holders of the Existing Notes were given the opportunity to offer to exchange any or all of the Existing Notes for (i) loan participating notes to be issued by the Group (the «New Notes»); and (ii) the cash amount. As a result of the Exchange Offer, USD 64,849,000 7.75% loan participation notes due 2016 were cancelled and new USD 64,849,000 10.75% loan participation notes due 2018 were issued.

On 23 June 2016 the Group repaid the five-year eurobond issue in the amount of USD 134,306,000 in full.

In 2016 the Group sold USD 32,452,000 new notes for the total consideration USD 28.9 million.

In January 2017 the Group repurchased 200,000 of 10.75% loan participation notes due 2018 for USD 198,000.

On 4 May 2017 the Group issued five-year maturity eurobonds for a total amount of USD 500 million at a coupon rate of 7.5% through its structured entity, Koks Finance DAC. The coupons are payable semi-annually. Within this issue and pursuant to the Tender Offer on 4 May 2017 the Group repaid USD 124,435,000 10.75% loan participation notes due 2018, including 200,000 of 10.75% loan participation notes owned by the Group as the result of repurchase.

In August, September, November and December 2017 the Group repurchased 11,999,000 of 7.5% loan participation notes due 2022 for USD 12,755,120.

In October and November 2017 the Group repurchased 8,500,000 of 10.75% loan participation notes due 2018 for USD 9,213,900.

As at 31 December 2017, the carrying value of the eurobonds amounted to RR 31,976 million (including the current portion of the bonds, which is equal to RR 4,087 million), net of transaction costs.

As at 31 December 2016, the carrying value of the eurobonds amounted to RR 11,138 million (including the current portion of the bonds, which is equal to RR 469 million), net of transaction costs.

Euro-commercial papers

In April 2016, the Group finalized the establishment of IMH Finance DAC (Dublin, Ireland), which was incorporated for the sole purpose of entering into a Euro-commercial Paper Programme. Under the terms of the Programme, IMH Finance DAC may issue separate series of notes with a maturity of less than one year.

On 18 May 2016 the Group completed a placement of USD 14,560,000 12% Discount Notes due 16 May 2017 as Series 1 under the Programme.

Interest shall accrue monthly based on the actual number of days elapsed and be payable together with the principal of the loan.

On 16 May 2017 the Group repaid USD 14,560,000 12% Discount Notes and interest accrued in full.

As at 31 December 2017, the carrying value of the euro-commercial papers is RR nil million (as at 31 December 2016, the carrying value of the euro-commercial papers is RR 840 million, net of transaction costs).

Debt covenants

As at 31 December 2017 and 31 December 2016, the Group met all debt covenants.

(in millions of RR unless stated otherwise)

20. Trade and other payables

	Note	At 31 December 2017	At 31 December 2016
Financial liabilities			
Trade accounts payable		5,410	5,653
Bank interest payable		45	97
Dividends payable		-	2
Other accounts payable		169	161
Total financial liabilities		**5,624**	**5,913**
Non-financial liabilities			
Wages and salaries payable		1,540	1,204
Advances received	31	7,463	7,461
Total non-financial liabilities		**9,003**	**8,665**
Total trade and other payables		**14,627**	**14,578**

21. Other taxes payable

	At 31 December 2017	At 31 December 2016
VAT	732	817
Contributions to state pension and social insurance funds	285	225
Property tax	148	82
Individual income tax	108	83
Other taxes	18	17
Total taxes other than income tax payable	**1,291**	**1,224**

The total statutory pension contributions for 2017 included in all captions of the consolidated statement of profit or loss and other comprehensive income and capitalised to property, plant and equipment amounted to RR 2,317 million (2016: RR 1,778 million), including portion in the amount of RR 100 million accrued on payment to key management (2016: RR 87 million).

22. Revenue

	Year ended 31 December 2017	Year ended 31 December 2016
Sales in Russia:		
Sales of coal and coal concentrate	10,066	9,454
Sales of coke and coking products	9,167	7,201
Sales of pig iron	5,163	3,601
Sales of cast-iron ware	1,818	1,619
Sales of powder metallurgy products	817	847
Sales of iron ore concentrate	447	-
Sales of chrome	147	136
Sales of crushed pig iron and other pig iron products	27	30
Sales of services	1,745	786
Other sales	1,460	563
Total sales in Russia	**30,857**	**24,237**
Sales to other countries:		
Sales of pig iron	38,388	28,965
Sales of coke and coking products	13,652	8,961
Sales of coal and coal concentrate	1,409	1,218
Sales of powder metallurgy products	412	321
Sales of chrome	345	563
Sales of cast-iron ware	127	107
Other sales	170	149
Total sales to other countries	**54,503**	**40,284**
Total revenue	**85,360**	**64,521**

(in millions of RR unless stated otherwise)

23. Cost of sales

	Year ended 31 December 2017	Year ended 31 December 2016
Raw materials and supplies	43,766	34,355
Wages and salaries including associated taxes	7,693	6,012
Depreciation of property, plant and equipment	3,162	2,023
Energy	1,351	1,250
Other expenses	975	608
Other services	374	215
Changes in finished goods and work in progress	(67)	(356)
Amortisation of intangible assets	121	275
Total of cost of sales	**57,375**	**44,382**

24. Taxes other than income tax

	Year ended 31 December 2017	Year ended 31 December 2016
Property tax	416	316
Mineral resources extraction tax	257	145
Land tax	139	123
Other taxes	46	38
Total taxes other than income tax	**858**	**622**

25. Distribution costs

	Year ended 31 December 2017	Year ended 31 December 2016
Transportation services	6,796	5,382
Other selling expenses	325	120
Total distribution costs	**7,121**	**5,502**

26. General and administrative expenses

	Year ended 31 December 2017	Year ended 31 December 2016
Wages and salaries including associated taxes	4,193	3,039
Other purchased services	1,287	1,134
Materials	252	104
Depreciation of property, plant and equipment	245	187
Other	102	45
Total general and administrative expenses	**6,079**	**4,509**

27. Other operating income/(expenses), net

	Year ended 31 December 2017	Year ended 31 December 2016
Dividend income	51	22
Exchange gain, net	13	124
Reversal/(Accrual) of obsolete stock provision	4	(5)
Write-off of accounts payable	-	2
Reimbursement of losses	-	(100)
(Loss)/Profit on disposal of property, plant and equipment	(27)	11
Accrual of bad debt provision	(30)	(48)
Charity payments	(272)	(111)
Other	(113)	15
Other operating expenses, net	**(374)**	**(90)**

(in millions of RR unless stated otherwise)

28. Finance income

	Year ended 31 December 2017	Year ended 31 December 2016
Interest income	1,021	1,055
Financial foreign exchange gain on borrowings and interest accrued on borrowings	886	3,249
Financial foreign exchange gain on bonds issued and interest accrued on bonds issued	438	3,517
Financial foreign exchange gain on loans issued and interest accrued on loans issued	25	-
Total finance income	**2,370**	**7,821**

29. Finance expenses

	Year ended 31 December 2017	Year ended 31 December 2016
Interest expense	5,944	5,257
Financial foreign exchange loss on deposits	93	48
Financial foreign exchange loss on loans issued and interest accrued on loans issued	-	76
Total finance expenses	**6,037**	**5,381**

30. Income tax expense

Income tax expense recorded in the consolidated statement of profit and loss comprises the following:

	Year ended 31 December 2017	Year ended 31 December 2016
Current income tax expense	1,786	1,029
Impairment of deferred tax asset	2	4
Deferred income tax expense	499	1,579
Income tax expense	**2,287**	**2,612**

The income tax rate applicable to the Group’s subsidiaries incorporated in Russia is 20% (2016: 20%). A reconciliation between the expected and the actual taxation charge is provided below.

	Year ended 31 December 2017	Year ended 31 December 2016
Profit before income tax	**9,886**	**11,823**
Theoretical tax at statutory rate	1,977	2,365
Impairment of deferred tax asset	2	4
Tax effect of items that are not tax deductible/exempt:		
Exchange differences	101	110
Other non-deductible expenses	218	137
Withholding tax	(11)	(4)
Total income tax expense	**2,287**	**2,612**

(in millions of RR unless stated otherwise)

30 Income tax expense (continued)

	As of 31 December 2016	Charged to profit or loss	Charged to other comprehensive income	As of 31 December 2017
Tax effect of taxable temporary differences				
Property, plant and equipment	2,434	554	-	2,988
Intangible assets	839	(30)	-	809
Inventories	118	(97)	-	21
Accounts receivable	2	127	-	129
Other	5	49	-	54
Deferred income tax liabilities	**3,398**	**603**	**-**	**4,001**
Less: deferred tax assets offset	(1,267)	-	-	(2,319)
Total deferred tax liabilities	**2,131**	**-**	**-**	**1,682**
Tax effect of deductible temporary differences				
Losses carried forward	(3,247)	23	-	(3,224)
Accounts payable	(115)	(34)	(10)	(159)
Inventories	(144)	72	-	(72)
Derivative financial instruments	(49)	-	-	(49)
Provision for restoration liability	(80)	49	-	(31)
Accounts receivable	(32)	22	-	(10)
Borrowings	(134)	(246)	7	(373)
Other	(17)	12	-	(5)
Deferred income tax assets	**(3,818)**	**(102)**	**(3)**	**(3,923)**
Less: deferred tax liabilities offset	1,267	-	-	2,319
Total deferred tax assets	**(2,551)**	**-**	**-**	**(1,604)**
Net deferred income tax (assets)/liabilities	**(420)**	**501**	**(3)**	**78**

	As of 31 December 2015	Charged to profit or loss	Charged to other comprehensive income	As of 31 December 2016
Tax effect of taxable temporary differences				
Property, plant and equipment	2,249	185	-	2,434
Intangible assets	894	(55)	-	839
Inventories	116	2	-	118
Accounts receivable	6	(4)	-	2
Other	9	(4)	-	5
Deferred income tax liabilities	**3,274**	**124**	**-**	**3,398**
Less: deferred tax assets offset	(1,126)	-	-	(1,267)
Total deferred tax liabilities	**2,148**	**-**	**-**	**2,131**
Tax effect of deductible temporary differences				
Losses carried forward	(4,809)	1,562	-	(3,247)
Accounts payable	(95)	(20)	-	(115)
Inventories	(47)	(97)	-	(144)
Derivative financial instruments	(49)	-	-	(49)
Provision for restoration liability	(63)	(17)	-	(80)
Accounts receivable	(141)	109	-	(32)
Borrowings	(75)	(77)	18	(134)
Other	(16)	(1)	-	(17)
Deferred income tax assets	**(5,295)**	**1,459**	**18**	**(3,818)**
Less: deferred tax liabilities offset	1,126	-	-	1,267
Total deferred tax assets	**(4,169)**	**-**	**-**	**(2,551)**
Net deferred income tax assets	**(2,021)**	**1,583**	**18**	**(420)**

As of 31 December 2017, the Group did not record deferred tax liabilities for taxable temporary differences of RR 414 million (31 December 2016: RR 415 million) related to investments in subsidiaries, as the Company is able to control the reversal of temporary differences and does not intend to realise them in the foreseeable future.

(in millions of RR unless stated otherwise)

31. Balances and transactions with related parties

Parties are generally considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial and operational decisions. In considering each possible related-party relationship, attention is directed to the substance of the relationship, not merely the legal form. Information about the parties that ultimately own and control the Company is disclosed in note 1.

Balances outstanding with related parties as at 31 December 2017:

	Companies under common control	Ultimate shareholders	Total
Non-current loans issued and long-term interest receivable	10,342	-	10,342
Trade receivables	1,067	-	1,067
Other accounts receivable	221	2,828	3,049
Advances issued	29	-	29
Current loans issued and interest receivable	503	-	503
Trade accounts payable	(66)	-	(66)
Short-term bank interest payable	(5)	-	(5)
Advances received	(6,855)	-	(6,855)
Short-term borrowings and current portion of long-term borrowings	(4)	-	(4)

Balances outstanding with related parties as at 31 December 2016:

	Companies under common control	Ultimate shareholders	Total
Non-current loans issued and long-term interest receivable	8,772	-	8,772
Other long-term accounts receivable	44	-	44
Trade receivables	383	-	383
Other accounts receivable	9	-	9
Advances issued	345	-	345
Current loans issued and interest receivable	34	-	34
Long-term borrowings	-	(215)	(215)
Long-term bank interest payable	-	(37)	(37)
Trade payables	(28)	-	(28)
Short-term bank interest payable	(4)	-	(4)
Dividends payable	-	(2)	(2)
Advances received	(7,228)	-	(7,228)
Short-term borrowings and current portion of long-term borrowings	(5)	-	(5)

Related party transactions for the year ended 31 December 2017:

	Companies under common control	Ultimate shareholders	Total
Sales in Russia:			
Sales of coal and coal concentrate	4,449	-	4,449
Sales of services	1,499	-	1,499
Other sales	1,171	-	1,171
Sales of cast-iron ware	2	-	2
Sales to other countries:			
Sales of pig iron	37,704	-	37,704
Sales of coke and coking products	2,773	-	2,773
Other income:			
Interest income	890	-	890
Dividends	51	-	51
Purchase of goods and services:			
Transportation services	(3,953)	-	(3,953)
Purchase of raw materials and supplies	(3,683)	-	(3,683)
Other operating income/(expenses), net	64	-	64
Interest expense	(1)	(21)	(22)

(in millions of RR unless stated otherwise)

31 Balances and transactions with related parties (continued)

Related party transactions for the year ended 31 December 2016:

	Companies under common control	Ultimate shareholders	Total
Sales in Russia:			
Sales of services	561	-	561
Other sales	310	-	310
Sales to other countries:			
Sales of pig iron	28,673	-	28,673
Sales of coke and coking products	679	-	679
Other income:			
Interest income	975	-	975
Dividends	22	-	22
Purchase of goods and services:			
Transportation services	(2,353)	-	(2,353)
Purchase of raw materials and supplies	(437)	-	(437)
Other operating income/(expenses), net	(85)	-	(85)
Interest expense	(1)	(27)	(28)

During the year ended 31 December 2017, the Group sold pig iron, coke and coking products to a related-party trader under common control for the amount of RR 40,477 million (year ended 31 December 2016: RR 29,352 million). As at 31 December 2017, the Group had an outstanding balance of advances received from this trader of RR 6,785 million (31 December 2016: 7,064 million).

Slovenska industrija jekla, d.d.

Slovenska industrija jekla, d.d. (SIJ) is an entity under common control with the Group. Certain members of the Group's management are also members of the Board of Directors of SIJ.

As at 31 December 2017, loan issued by the Group to SIJ totalled RR 315 million (31 December 2016: RR 292 million) was due in 2018. Interest receivable from SIJ as at 31 December 2017 totalled RR 23 million (31 December 2016: RR 15 million).

OOO Tulachermet-Stal

OOO Tulachermet-Stal is an entity under common control with the Group.

As at 31 December 2017, long-term loans issued by the Group to OOO Tulachermet-Stal maturing in 2023 totalled RR 7,782 million (31 December 2016: RR 6,778 million) (note 13). Interest receivable from OOO Tulachermet-Stal as at 31 December 2017 totalled RR 2,560 million (31 December 2016: RR 1,684 million), payable at the Group demand in accordance with arrangements. Based on management estimates the earliest period of interest repayment is 2018. The Group could only request for repayment of interest accrued if it would not preclude OOO Tulachermet-Stal to be compliant with its obligations under the bank loan arrangements.

Remuneration of key management personnel

Remuneration of key management personnel, which is included in general and administrative expenses in the consolidated statement of profit or loss and other comprehensive income, amounted to RR 977 million for the year ended 31 December 2017 (RR 818 million for the year ended 31 December 2016). All these payments are short-term employee benefits. The compensation was paid to 30 people for the year ended 31 December 2017 and 28 people for the year ended 31 December 2016.

32. Contingencies, commitments and operating risks

Operating environment of the Group

The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations.

32 Contingencies, commitments and operating risks (continued)

During 2017 the Russian economy continued to be negatively impacted by low oil prices, ongoing political tension in the region and international sanctions against certain Russian companies and individuals, all of which contributed to the country's economic recession characterised by a decline in 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 was downgraded to below 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.

Capital commitments

As at 31 December 2017 the amount of capital commitments was RR 1,661 million (at 31 December 2016: RR 1,604 million).

Financial liability

In 2015-2017, OOO Tulachermet-Stal, an entity under common control of the Group's owners, obtained bank loans under credit facilities with the outstanding balance as of 31 December 2017 in the amount of RR 20,734 million. The balance in the amount of RR 909 million roubles is payable in April and October 2018, and the rest of loan balance is payable every six months from April 2019 to April 2023 by equal installments.

PAO Tulachermet together with OOO Stal and DILON Cooperatief U.A. (both companies are under common control of the Group's owners) entered into a number of agreements in connection with OOO Tulachermet-Stal's obligations under this loan facility agreement. As a result, under these agreements, these entities have committed jointly and severally to finance OOO Tulachermet-Stal project funding shortfall, if any, in the amount of up to the outstanding debt under the loan facility.

The Group's management estimates the fair value of financial obligations under these agreements is not significant as of 31 December 2017.

Taxes

Russian tax and customs legislation, enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting such tax positions may be challenged by the tax authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax non-compliant counterparties. Fiscal periods remain open to review by the tax authorities for three calendar years preceding the year when decisions about the review were made. Under certain circumstances, reviews may cover longer periods.

Russia's transfer pricing legislation is to a large extent aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD). This legislation empowers the tax authorities to make transfer pricing adjustments and impose additional tax liabilities regarding controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm's length. Management has implemented internal controls to ensure compliance with this transfer pricing legislation.

Tax liabilities arising from transactions between companies are determined using actual transaction prices. It is possible that, as the interpretation of the transfer pricing rules evolves, such transfer prices could be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

The Group includes companies incorporated outside of Russia. The tax liabilities of the Group are determined on the assumption that these companies are not subject to Russian profits tax, because they do not have a permanent establishment in Russia. This interpretation of relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Group.

Insurance policies

At 31 December 2017 and 2016, the Group held limited insurance policies on its assets and operations, or for public liability or other insurable risks.

32 Contingencies, commitments and operating risks (continued)

Environmental matters

The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

Legal proceedings

During the 2017 year, the Group was involved in a number of court proceedings (both as a plaintiff and defendant) arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding that could have a material effect on the result of the Group's operations or its financial position, and which have not been accrued or disclosed in these consolidated financial statements.

Licences

The Group is subject to periodic reviews of its activities by government authorities with respect to compliance with the requirements of its mining licences. Management responds promptly, provides reports based on the results of such reviews and, if necessary, cooperates with the government authorities to agree on remedial actions necessary to resolve any findings resulting from such reviews. Failure to comply with the terms of a licence could result in fines, penalties or licence limitation, suspension or revocation. Management believes any issues of non-compliance, including changes in the work plan or financial measures, will be resolved by negotiations, eliminating weaknesses or corrective actions without any adverse effect on the Group's financial position, results of operations, or cash flows. The Group may renew its licences beyond the original expiration date if it meets the licence agreement terms. Accordingly, depreciation of property, plant and equipment related to the licenced areas takes into account the fact that licences will be renewed in the future.

The Group's coal fields are situated on land belonging to the Kemerovo Regional Administration, while its ferruginous quartzite fields are located in territory belonging to the Belgorod Regional Administration. Licences are issued by the Russian Ministry of Natural Resources, and the Group pays mineral resources extraction tax to explore and mine mineral resources from these fields.

Licence holder	Field	Expiry date
OOO Butovskaya mine	Butovskoe-Zapadnoe and Chesnokovskoe areas of the Kemerovo coal field (Butovskaya mine)	December 2033
OOO Uchastok Koksoviy	Koksoviy area (Vakhrusheva coal mine)	December 2020
OOO Uchastok Koksoviy	Koksoviy area (Glubokiy)	April 2034
OOO Tikhova Mine	Nikitinsky-2 coal basin	September 2025
AO Kombinat KMAruda	Licence to produce ferruginous quartzite from the Korobkovsky mine	January 2026

(in millions of RR unless stated otherwise)

33. Financial instruments at fair value

The Group's financial instruments are presented below:

	Note	31 December 2017	31 December 2016
Assets			
Non-current:			
Non-current loans issued and long-term interest receivable	13	10,394	8,772
Other non-current accounts receivable	11	83	206
Other financial assets	11	71	76
Current:			
Trade and other accounts receivable	14	6,072	3,079
Current loans issued and interest receivable		533	37
Cash and cash equivalents	15	8,978	4,534
Total carrying value		**26,131**	**16,704**
Liabilities			
Non-current:			
Long-term borrowings	19	20,251	16,457
Long-term bonds	19	27,889	10,669
Long-term lease obligation		106	77
Other long-term payable		-	38
Current:			
Trade accounts payable	20	5,410	5,653
Bank interest payable	20	45	97
Dividends payable	20	-	2
Other accounts payable	20	169	161
Short-term borrowings and current portion of long-term borrowings	19	6,631	22,467
Short-term bonds	19	4,087	1,309
Short-term lease obligation		51	26
Total carrying value		**64,639**	**56,956**

Fair value measurements are analysed by their level in the fair value hierarchy as follows:

(i) Level 1 covers measurements made at quoted prices (unadjusted) in active markets for identical assets or liabilities;

(ii) Level 2 measurements are valuation 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

(iii) Level 3 measurements are valuations not based on observable market data (that is, unobservable inputs).

Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

Financial assets carried at amortised cost

The carrying amount of cash and cash equivalents, trade and other financial receivables in the consolidated statement of financial position approximate their fair value based on level 3 measurements.

The fair value of non-current and current loans issued carried at amortised cost was determined using valuation techniques based on Level 2 measurements as expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

The fair value of loans issued is presented in the following table.

	31 December 2017		31 December 2016	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Loans issued	10,927	12,569	8,809	8,367

Liabilities carried at amortised cost

The fair value of the Group's Eurobonds as of 31 December 2017 was RR 35,391 million and was based on quoted market prices, which are Level 1 measurements.

The fair values of other long-term and short-term debt carried at amortised cost were determined using valuation techniques.

(in millions of RR unless stated otherwise)

33. Financial instruments at fair value (continued)

The estimated fair value of fixed interest rate instruments with stated maturity was estimated based on Level 2 measurements as expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

The fair values of term loans and bonds are presented in the following table.

	31 December 2017		31 December 2016	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Term loans (excluding overdrafts)	26,882	27,058	38,924	39,946
Bonds	31,976	35,391	11,978	12,483
Total borrowings	**58,858**	**62,449**	**50,902**	**52,429**

34. Financial risks

The Group's risk management is based on determining risks to which the Group is exposed in the course of ordinary operations. The Group is exposed to the following major risks: (a) credit risk, (b) market risk, and (c) liquidity risk. Management works proactively to control and manage all opportunities, threats and risks arising in connection with the Group's operational objectives.

(a) Credit risk

Financial assets of Group companies that subject to potential credit risk consist principally of trade and other receivables, loans issued, cash, cash equivalents, other non-current accounts receivable and amounted to RR 26,131 million as of 31 December 2017 (RR 16,704 million as of 31 December 2016).

The maximum exposure to credit risk is represented by the book value of the aforementioned balances net of impairment provisions and financial guarantees issued for related parties (note 32).

For securing financial assets and minimising credit risk, the Group takes the following procedures:

- interaction between the Group's structural divisions (commercial, legal, accounting, economic security divisions, etc.) is regulated to ensure that credit risks are minimised;
- sales of products are made to customers with an appropriate credit history;
- the Group mostly sells products to customers that are major market players; and
- when expanding its presence in sales markets, the Group performs stringent legal and financial reviews of potential customers.

The credit quality of neither past due nor impaired financial assets was assessed using historical data on counterparties' failure to pay and the length of the business relationship. The following categories are used by the Group:

- Group 1 – the length of the business relationship with the counterparty is over a year, and the counterparty has never defaulted on its liabilities;
- Group 2 – the length of the business relationship with the counterparty is over a year, and the counterparty has delayed payment but still fulfilled its liabilities; and
- Group 3 – the length of the business relationship with the counterparty is less than a year.

Credit risk related to neither past due nor impaired financial assets (expected to be realised in full) as at 31 December 2017:

	Group 1	Group 2	Group 3	Total
Trade and other receivables	978	1,358	3,426	5,762
Loans issued	5,169	5,635	123	10,927
Other non-current accounts receivable	69	14	-	83
Cash and cash equivalents	8,962	-	16	8,978
Other financial assets	71	-	-	71
Total	**15,249**	**7,007**	**3,565**	**25,821**

(in millions of RR unless stated otherwise)

34. Financial risks (continued)

Credit risk related to neither past due nor impaired financial assets (expected to be realised in full) as at 31 December 2016:

	Group 1	Group 2	Group 3	Total
Trade and other receivables	1,871	488	462	2,821
Loans issued	8,803	-	6	8,809
Other non-current accounts receivable	206	-	-	206
Cash and cash equivalents	4,534	-	-	4,534
Other financial assets	76	-	-	76
Total	**15,490**	**488**	**468**	**16,446**

In addition, the Group assesses the credit risk for financial assets that are overdue but not impaired (past-due financial assets for which the counterparty's payment is expected). The Group reviews past-due financial assets, and as a result an impairment provision is created, or terms and conditions of agreements with the specific counterparty are revised.

The amounts of financial assets that are overdue but not impaired as of 31 December 2017 are:

	Overdue for the period:				
	Less than 3 months	Between 3 months and 1 year	Between 1 and 3 years	More than 3 years	Total
Trade and other accounts receivable	248	35	27	-	**310**
Total	**248**	**35**	**27**	**-**	**310**

The amounts of financial assets that are overdue but not impaired as of 31 December 2016 are:

	Overdue for the period:				
	Less than 3 months	Between 3 months and 1 year	Between 1 and 3 years	More than 3 years	Total
Trade and other accounts receivable	172	27	59	-	**258**
Total	**172**	**27**	**59**	**-**	**258**

The Group creates an impairment provision for impaired financial assets (overdue and unlikely to be realised). Although the collectability of balances can be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the provisions for impairment already recorded.

The table below presents movements in the bad debt provision for the year ended 31 December 2017:

	Trade accounts receivable	Loans issued and accounts receivable on interest income	Other accounts receivable	Total
As at 31 December 2016	**2**	**-**	**136**	**138**
Charged to profit or loss	4	**-**	78	**82**
Reversed through profit or loss	**-**	**-**	(13)	**(13)**
Used	**-**	**-**	(51)	**(51)**
As at 31 December 2017	**6**	-	**150**	**156**

The table below presents movements in the bad debt provision for the year ended 31 December 2016:

	Trade accounts receivable	Loans issued and accounts receivable on interest income	Other accounts receivable	Total
As at 31 December 2015	**1**	**62**	**134**	**197**
Charged to profit or loss	2	-	86	**88**
Reversed through profit or loss	-	(28)	-	**(28)**
Used	(1)	(34)	(84)	**(119)**
As at 31 December 2016	**2**	-	**136**	**138**

Concentration of credit risk

Management monitors concentrations of credit risk by obtaining reports listing exposures to counterparties with aggregated balances in excess of 5% of the Group's net assets. As of 31 December 2017, the Group had a concentration of credit risk due to loans issued to related party in the amount of RR 10,342 million (31 December 2016: RR 8,462 million). At 31 December 2017 and 31 December 2016, there were no other significant credit risk concentration, due to the diversified structure of the Group's counterparties and the absence of significant exposure to specific customers.

34. Financial risks (continued)

At 31 December 2017, the Group's significant bank accounts are held only with major Russian banks, mainly Gazprombank, Sberbank, Absolut bank and Alfabank (2016: Gazprombank, Sberbank) thus exposing the Group to a concentration of credit risk.

(b) Market risk

Foreign currency risk

The Group has international operations and, therefore, is exposed to foreign currency risk arising due to changes in euro and US dollar exchange rates against the Russian rouble. Foreign currency risk is managed by making operating decisions depending on the current market situation.

The amounts of the Group's assets and liabilities denominated in a foreign currency other than the functional currency of the Group's companies as at 31 December 2017 are provided below:

	in thousands of USD	in thousands of EUR
Trade receivables	10,215	1,857
Cash and cash equivalents	66,398	837
Loans issued including interest receivable	-	4,898
Trade accounts payable	(1,538)	(2,346)
Interest payable	(318)	-
Eurobonds	(555,137)	-
Borrowings and loans received	(128,593)	-
Net total, in foreign currency	**(608,973)**	**5,246**

The Group's assets and liabilities denominated in USD amounted RR 35,077 million at the exchange rate as at 31 December 2017. The Group's assets and liabilities denominated in EUR amounted RR 361 million at the exchange rate as at 31 December 2017.

The analysis of the effect of foreign currency risk on the Group's revenue and profit for 2017 is given below.

The official CBRF RR / USD exchange rate at 31 December 2017 was RR 57.6002 / USD 1. A 20% decrease/increase in the RR / USD exchange rate would have resulted in an increase/decrease of net profit for the year of RR 5,612 million.

The official CBRF RR / EUR exchange rate as at 31 December 2017 was RR 68.8668 / EUR 1. A 20% decrease/increase in the RR / EUR exchange rate would have resulted in a decrease/increase of net profit for the year of RR 58 million.

The amounts of the Group's assets and liabilities denominated in a foreign currency other than the functional currency of the Group's companies as at 31 December 2016 are provided below:

	in thousands of USD	in thousands of EUR
Trade receivables	7,619	1,484
Cash and cash equivalents	14,882	1,613
Loans issued including interest receivable	-	4,799
Trade accounts payable	(586)	(639)
Interest payable	(638)	-
Eurobonds	(197,471)	-
Borrowings and loans received	(296,354)	-
Net total, in foreign currency	**(472,548)**	**7,257**

The Group's assets and liabilities denominated in USD amounted RR 28,663 million at the exchange rate as at 31 December 2016. The Group's assets and liabilities denominated in EUR amounted RR 463 million at the exchange rate as at 31 December 2016.

The analysis of the effect of foreign currency risk on the Group's revenue and profit for 2016 is given below.

The official CBRF RR / USD exchange rate at 31 December 2016 was RR 60.6569 / USD 1. A 20% decrease/increase in the RR / USD exchange rate would have resulted in an increase/decrease of net profit for the year of RR 4,586 million.

The official CBRF RR / EUR exchange rate as at 31 December 2016 was RR 63.8111 / EUR 1. A 20% decrease/increase in the RR / EUR exchange rate would have resulted in a decrease/increase of net profit for the year of RR 74 million.

34. Financial risks (continued)

Interest rate risk

The Group is exposed to interest rate risk on short-term and long-term loans issued, borrowings and bonds. Instruments issued at fixed interest rates expose the Group to fair value fluctuations due to changing interest rates.

The Group minimises interest rate risk by:

- monitoring trends in the domestic (RR) and global (USD/EUR) currency markets;
- monitoring analyst reviews and comments by leading financial institutions and major global information agencies; and
- making decisions based on analyses of the interdependence of such parameters as currency, term, amount and interest rate type.

The Group's interest expenses were not exposed to the risk of changes in variable interest rates in 2017 and 2016.

(c) Liquidity risk

In order to minimise liquidity risks, the Group maintains committed credit facilities in major domestic and international banks. The Group determines the necessary credit limit on the basis of ten-year, five-year, annual and monthly financial plans for each entity within the Group and for the Group as a whole.

The Group distinguishes between funds needed depending on what they will be used for.

Working capital needs are mainly financed through short-term credit lines and overdrafts at the minimal interest rate offered in financial markets under existing market conditions.

Investment programmes to acquire new high-cost equipment, construct new production facilities, or rebuild and upgrade existing facilities are financed through long-term credit facilities (mainly special purpose ones).

The Group has raised a number of public and syndicated borrowings in the past and intends to further pursue such endeavours depending on market conditions. The relevant loan arrangements contain financial and non-financial covenant terms that the Group must comply with. The Group management established an effective process that allows to proactively monitor the execution of contract terms and receive a consent from respective lenders to waive its right for early demand of loans repayment before the potential breach occurs, if any.

Management monitors the correspondence of repayment periods for debts with the payback period for the relevant assets at both the strategic and operational levels. The Group uses both general ratios (adjusted EBITDA, adjusted EBITDA/Revenue, Debt/adjusted EBITDA, Debt/Equity, etc.) and a number of special debt (liquidity) ratios in its decision-making.

Management allocates available cash surpluses, based on the issuance of intra-group loans approved by the general shareholders' meeting, among the Group's entities to attain optimal and balanced availability of funds for each entity. Such allocation may be used to replenish working capital in each entity without the need to raise third-party borrowings and, when necessary, to refinance more costly bank facilities and other borrowings. Intra-group loans are issued at market rates.

(in millions of RR unless stated otherwise)

34. Financial risks (continued)

The table below provides an analysis of non-discounted cash flows related to the Group's contractual obligations as at 31 December 2017:

	Payable in the period							
	Within 3 months	**3-12 months**	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**Beyond 5 years**	**Total**
Trade accounts payable	5,289	121	-	-	-	-	-	**5,410**
Other accounts payable	143	26	-	-	-	-	-	**169**
Financial lease	17	50	69	38	13	-	-	**187**
Borrowings:								
- Principal	407	6,224	3,202	9,391	5,795	637	1,253	**26,909**
-Bank interest payable as of 31 December 2017	37	8	-	-	-	-	-	**45**
*- Bank interest to be accrued in future periods**	571	1,576	1,680	1,202	396	158	109	**5,692**
Bonds:								
- Principal	-	3,940	-	-	-	28,109	-	**32,049**
-Interest accrued as of 31 December 2017	-	336	-	-	-	-	-	**336**
*- Interest to be accrued in future periods**	-	25	21	21	21	21	-	**109**
Total	**6,464**	**12,306**	**4,972**	**10,652**	**6,225**	**28,925**	**1,362**	**70,906**

** Bank interest to be accrued in future periods was estimated based on the terms and conditions of loan and borrowing agreements in effect as at the reporting date.*

Financial guarantees are disclosed in Note 32.

Liabilities due within 12 months are to be paid by cash received from operating activities and external financing received subsequent to the reporting date.

The table below provides an analysis of non-discounted cash flows related to the Group's contractual obligations as at 31 December 2016:

	Payable in the period							
	Within 3 months	**3-12 months**	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**Beyond 5 years**	**Total**
Trade accounts payable	5,431	222	-	-	-	-	-	**5,653**
Other accounts payable	131	30	-	-	-	-	-	**161**
Financial lease	9	27	37	36	16	-	-	**125**
Borrowings:								
- Principal	1,454	21,013	8,920	2,943	2,033	1,054	1,507	**38,924**
-Bank interest payable as of 31 December 2016	97	-	-	-	-	-	-	**97**
*- Bank interest to be accrued in future periods**	1,058	2,403	1,282	625	376	231	267	**6,242**
Bonds:								
- Principal	-	786	12,213	-	-	-	-	**12,999**
-Interest accrued as of 31 December 2016	-	65	-	-	-	-	-	**65**
*- Interest to be accrued in future periods**	-	1,356	1,302	-	-	-	-	**2,658**
Total	**8,180**	**25,902**	**23,754**	**3,604**	**2,425**	**1,285**	**1,774**	**66,924**

** Bank interest to be accrued in future periods was estimated based on the terms and conditions of loan and borrowing agreements in effect as at the reporting date.*

35. Capital risk management

The capital structure of the Group consists of net debt (short-term and long-term borrowings and bonds offset by cash and cash equivalents) and equity of the Group.

Every year, the Group plans and carries out investment programmes to maintain a high technical and technological level for its property, plant and equipment, avoid business interruptions, maintain high quality-of-life and health standards, preserve the environment, and introduce new production facilities that can ensure the Group's future profitability.

The Group has defined new criteria for the requirements (maximum payback period of five years, revenue rate of at least 20%, NPV and other indicators) for both suspended and new investment projects under consideration.

(in millions of RR unless stated otherwise)

36. Profit per share

The amount of basic profit per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding treasury shares.

The Company has no dilutive potential ordinary shares; therefore, the diluted profit per share equals the basic profit per share.

Profit per share is calculated as follows:

	Note	Year ended 31 December 2017	Year ended 31 December 2016
Profit for the year		7,677	9,120
Weighted average number of ordinary shares in issue (millions of shares)	16	305.28	303.61
Basic and diluted profit per ordinary share (in RR per share)		**25.15**	**30.04**

37. Non-controlling interest

The following table provides information about PAO Tulachermet, the only Group subsidiary that has a non-controlling interest that is material to the Group (information is presented before inter-company eliminations):

Carrying amount of non-controlling interest		(Loss)/Profit attributable to non-controlling interest		Revenue		(Loss)/Profit		Total comprehensive (loss)/income	
at 31 December 2017	at 31 December 2016	for the year ended 31 December 2017	for the year ended 31 December 2016	for the year ended 31 December 2017	for the year ended 31 December 2016	for the year ended 31 December 2017	for the year ended 31 December 2016	for the year ended 31 December 2017	for the year ended 31 December 2016
636	672	(93)	81	46,427	34,439	(1,513)	1,426	(1,513)	1,426

Current assets		Non-current assets		Current liabilities		Non-current liabilities	
at 31 December 2017	at 31 December 2016	at 31 December 2017	at 31 December 2016	at 31 December 2017	at 31 December 2016	at 31 December 2017	at 31 December 2016
20,531	24,312	22,657	14,812	(12,833)	(23,565)	(19,536)	(3,676)

	Year ended 31 December 2017	Year ended 31 December 2016
Net cash used in operating activities	(4,399)	(2,318)
Net cash from/(used in) investing activities	4,439	(6,338)
Net cash from financing activities	4,601	6,489
Net increase/(decrease) in cash and cash equivalents	4,641	(2,167)
Effects of exchange rate fluctuations on cash and cash equivalents	(94)	36
Cash and cash equivalents at the beginning of the year	1,581	3,712
Cash and cash equivalents at the end of the year	6,128	1,581

As of 31 December, 2017 the ownership share held by non-controlling interests was equal to 6.13% and the voting rights share held by non-controlling interests was equal to 4.93% (as of 31 December 2016: 5.65% and 4.93%, respectively).

No dividends were paid by PAO Tulachermet to non-controlling shareholders in the years ended 31 December 2017 and 31 December 2016.

Holders of the non-controlling interest in PAO Tulachermet have the right to veto any transaction with related parties with a financial effect above 2% of the book value of the entity's assets as estimated in accordance with the RAS financial statements (as of 31 December 2017 – RR 788 million, as of 31 December 2016 – RR 710 million).

38. Subsequent events

After the reporting date the Group repurchased 1,250,000 of 10.75% loan participation notes due 2018 for USD 1,336,250.