OJSC MMC NORILSK NICKEL PRESENTS UNAUDITED CONSOLIDATED FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010, PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Moscow, 22 July 2011 – OJSC MMC Norilsk Nickel ("MMC Norilsk Nickel" or the "Company") and its subsidiaries (the "Group") hereby presents unaudited financial results for the year ended 31 December 2010, prepared in accordance with International Financial Reporting Standards ("IFRS").

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

(US dollars, millions)

	Notes	2010	2009	Change y-on-y, %
CONTINUING OPERATIONS				
Revenue				
Nickel		6,459	4,206	*54*
Copper		2,941	2,190	*34*
Palladium		1,479	751	*97*
Platinum		1,086	794	*37*
Gold		161	134	*20*
Metal sales	1	**12,126**	**8,075**	***50***
Other sales		**649**	**467**	***39***
Total revenue		**12,775**	**8,542**	***50***
Cost of metal sales	2	(4,223)	(3,666)	*15*
Cost of other sales		(660)	(511)	*29*
Gross profit		**7,892**	**4,365**	***81***
Gross profit margin, %		*62%*	*51%*	
Selling and distribution expenses	3	(343)	(104)	*230*
General and administrative expenses	4	(755)	(636)	*19*
Reversal of impairment/(impairment) of non-financial assets		(15)	30	*(150)*
Other net operating expenses	5	(227)	(90)	*152*
Operating profit		**6,552**	**3,565**	***84***
Finance costs	6	(138)	(174)	*(21)*
Income from investments, net	7	351	50	*602*
Foreign exchange loss, net		(22)	(141)	*(84)*
Excess of Group's share in the fair value of net assets acquired over the cost of acquisition		4	4	-
Share of profits from associates		35	2	*1 650*
Profit before tax		**6,782**	**3,306**	***105***
Income tax expense	8	(1,548)	(802)	*93*
Profit for the year from continuing operations		**5,234**	**2,504**	***109***
(Loss)/gain for the year from discontinued operations(1)		(2,145)	147	*(1,559)*
Profit for the year	9	**3,089**	**2,651**	***17***
Attributable to:				
Shareholders of the parent company		3,298	2,600	*27*
Non-controlling interest		(209)	51	*(510)*
		3,089	**2,651**	***17***
Profit margin, %		*24%*	*31%*	

Note:

(1) In accordance with IFRS, the loss for the year from discontinued operations in the amount of USD 2,145 million was presented separately from the profit from continued operations in the amount of USD 5,234 million.

	2010	2009
EARNINGS PER SHARE		
Weighted-average number of ordinary shares in issue during the year	**175,468,881**	**174,350,551**
Basic and diluted earnings per share from continuing and discontinued operations attributable to shareholders of the parent company (US dollars per share)	**18.8**	**14.9**
Basic and diluted earnings per share from continuing operations attributable to shareholders of the parent company (US dollars per share)	**29.8**	**14.2**

The activities of OJSC "OGK-3" and Stillwater Mining Company were classified as discontinued operations in these consolidated financial statements of the Group. In accordance with IFRS, the loss for the year from discontinued operations in the amount of USD 2,145 million was presented separately from the profit from continued operations in the amount of USD 5,234 million

1 SALES REVENUE

Sales revenue in 2010 increased by 50% as compared to 2009, and amounted to USD 12,775 million.

1.1. Revenue from metal sales

Revenue from metal sales increased by 50% as compared to 2009 and amounted to USD 12,126 million. The key reason for this growth was an increase in market prices for precious and base metals produced by the Group, as well as an increase in metal volumes sold, with the exception of copper (detailed information is presented in the tables below).

A favourable situation on the metals market in 2010 led to an increase in sales prices and therefore revenues from base metals by USD 3,004 million (or 47%) and from precious metals by USD 1,047 million (or 62%).

Metal sales from continuing operations, physical volumes, by place of production[1,2, 5]

Metal	2010	2009	Change y–on- y, %
Finished products			
Russia			
Nickel (thousand tonnes)	240	236	2
Copper (thousand tonnes)	367	400	(8)
Palladium (thousand troy ounces)	2,731	2,684	2
Platinum (thousand troy ounces)	664	637	4
Finland			
Nickel (thousand tonnes)	45	29	55
Total finished products			
Nickel (thousand tonnes)	285	265	8
Copper (thousand tonnes)	367	400	(8)
Palladium (thousand troy ounces)	2,731	2,684	2
Platinum (thousand troy ounces)	664	637	4
Semi-products			
Australia			
Nickel (thousand tonnes)	-	4	(100)
Botswana			
Nickel (thousand tonnes)	10	14	(29)

Metal	2010	2009	Change y–on- y, %
Copper (thousand tonnes)	10	10	-
Palladium (thousand troy ounces)	75	46	63
Platinum (thousand troy ounces)	14	7	100
Finland			
Copper[3] (thousand tonnes)	11	5	120
Total semi-products			
Nickel (thousand tonnes)	10	18	(44)
Copper (thousand tonnes)	21	15	40
Palladium (thousand troy ounces)	75	46	63
Platinum (thousand troy ounces)	14	7	100
TOTAL GROUP, excluding Nkomati Nickel Mine (South Africa)			
Nickel (thousand tonnes)	**295**	**283**	**4**
Copper (thousand tonnes)	**388**	**415**	**(7)**
Palladium (thousand ounces)	**2,806**	**2,730**	**3**
Platinum (thousand ounces)	**678**	**644**	**5**
Nkomati Nickel Mine [4] (South Africa)			
Nickel (thousand tonnes)	1	2	(50)
Copper (thousand tonnes)	1	1	-
Palladium (thousand troy ounces)	7	5	40
Platinum (thousand troy ounces)	2	2	-
TOTAL GROUP, including Nkomati Nickel Mine (South Africa)			
Nickel (thousand tonnes)	**296**	**285**	**4**
Copper (thousand tonnes)	**389**	**416**	**(6)**
Palladium (thousand troy ounces)	**2 813**	**2 735**	**3**
Platinum (thousand troy ounces)	**680**	**646**	**5**

Notes:

(1) All information is presented for 12 months and on the basis of 100% ownership of subsidiaries.

(2) Sales of metal purchased from third parties were excluded.

(3) Copper cake is a semi-product with an average copper content of 38–40%.

(4) The operating results of Nkomati Nickel Mine (South Africa) are shown based on the Group's 50% ownership, and are presented in the financial statements as operating results of associate.

(5) Information on the volumes of sales of metals produced by the Group is presented in a new format to provide more accurate presentation of information on sales of finished products and semi-products.

Average selling price[1] of metals of Russian entities own production

Metal	2010	2009	Change y-o-y, %
Nickel *(in USD per tonne)*	21,997	14,853	48
Copper *(in USD per tonne)*	7,589	5,258	44
Palladium *(in USD per troy ounce)*	527	267	97
Platinum *(in USD per troy ounce)*	1,603	1,205	33

Notes:

(1) Excluding sales of metals purchased from third parties.

Annual average market metal prices[1]

Metal	2010	2009
Nickel *(in USD per tonne)*	21 809	14 700
Copper *(in USD per tonne)*	7 539	5 164
Palladium *(in USD per troy ounce)*	526	263
Platinum *(in USD per troy ounce)*	1 610	1 205

Notes:

(1) Source: LME, LPPM

Nickel

In 2010, nickel sales accounted for 53% of revenue from metal sales of the Group. Nickel sales increased by 54%, from USD 4,206 million in 2009 to USD 6,459 million in 2010. This was driven by the average nickel price increase by over 40%.

In 2010, the volume of sales of nickel produced on the Taimyr and Kola peninsulas increased by 2% (or by 4 thousand tonnes) to 240 thousand tonnes, as compared to 236 thousand tonnes in 2009. The volume of sales of nickel produced by the Norilsk Nickel Harjavalta (Finland) refinery in 2010 grew significantly to 45 thousand tonnes, as compared to 29 thousand tonnes in 2009, as a result of improved supply of nickel raw materials to the facility, and the cessation of processing of third-party materials under tolling arrangements.

At the same time, the volume of sales of nickel in semi-products produced by Norilsk Nickel International (excluding Norilsk Nickel Harjavalta Oy, Finland and Nkomati joint venture) fell by 8 thousand tonnes, of which 4 thousand tonnes are explained by a decrease in production in Botswana and 4 thousand tonnes – by closure of production facilities in Australia.

Copper

Revenue from copper sales accounted for 24% of total metal sales and grew in 2010 by 34% to USD 2,941 million, as compared to USD 2,190 million in 2009. The key reason for the sales increase was growth in average market prices for copper by 44% from USD 5,258 per tonne in 2009 to USD 7,589 per tonne in 2010.

The physical volume of sales of copper produced in Russia fell in 2010 by 8% (or 33 thousand tonnes) to 367 thousand tonnes, as compared to 400 thousand tonnes in 2009. The fall in sales volume in 2010 is due to the decrease in copper production at Russian facilities. Additionally, sales in 2009 included metals produced in prior years and sold from the inventory stock. The decrease in physical sales volume was compensated for by an increase in sales prices.

The physical sales volume of copper in semi-products, produced by Norilsk Nickel Harjavalta in 2010 increased more than two-fold and amounted 11 thousand tonnes, as compared to 5 thousand tonnes in 2009.

The physical volume of sales of copper in semi-products, produced by Norilsk Nickel International did not change as compared to 2009 and amounted 10 thousand tonnes.

Palladium

Revenue from palladium sales made up 12% of revenue from metal sales of the Group in 2010. Group revenues from palladium sales increased by 97% - from USD 751 million in 2009 to USD 1,479 million in 2010.

Sales of palladium physically produced by the Group in Russia in 2010 was 2,731 thousand troy ounces, which was 2% higher than production volume in 2009 – 2,684 thousand troy ounces. Additionally, average sales price of palladium almost doubled, from USD 267 per troy ounce in 2009 to USD 527 per troy ounce in 2010.

Sales from palladium produced by non-Russian facilities of the Group in 2010 was USD 39 million, increasing by USD 5 million. In light of a change in the composition of raw materials being refined, sales revenues decreased by USD 6 million at the Norilsk Nickel Harjavalta (Finland) facility, which was fully offset by an increase in sales revenue of USD 11 million at Norilsk Nickel International (Botswana).

Platinum

In 2010 revenue from platinum sales accounted for 9% of revenue from metal sales of the Group. Platinum sales grew 37%, from USD 794 million in 2009 to USD 1,086 million in 2010.

Growth in platinum sales produced by the Group in Russia is explained by the increase in its average price by 33%, from USD 1,205 per troy ounce in 2009 to USD 1,603 per troy ounce in 2010. Growth in sales volume was 4%, from 637 thousand troy ounces in 2009 to 664 thousand troy ounce in 2010.

Platinum sales revenue produced by Norilsk Nickel International was USD 22 million in 2010, down from USD 27 million in 2009. A fall in sales revenue of USD 7 million was due to the change in composition of raw materials processed by Norilsk Nickel Harjavalta (Finland), which was partly compensated by growth in sales of USD 2 million at Norilsk Nickel International (Botswana).

Gold

Revenue from gold sales accounted for 1% of metal sales of the Group in 2010, and increased by 20%, from USD 134 million in 2009 to USD 161 million in 2010.

Growth in revenue from sales of gold produced by the Group in Russia relates primarily to its average market price increasing by 25%, from USD 980 per troy ounce in 2009 to USD 1,226 per troy ounce in 2010. An insignificant fall of physical sales volume from 130 thousand troy ounces in 2009 to 126 thousand troy ounces in 2010 was fully offset by the increase in gold prices.

Revenue from sales of gold, produced by facilities of Norilsk Nickel International in 2010 remained virtually unchanged as compared to the previous year, totalling USD 6 million.

1.2. Other sales

In 2010, other sales increased by USD 182 million (or by 39%) and amounted to USD 649 million, as compared to USD 467 million in 2009.

Other sales

(US dollars, millions)

	2010	2009	*Change, %*
Energy and utilities	201	159	*26*
Transport	281	203	*38*
Other	167	105	*59*
Total	**649**	**467**	**39**

The growth in revenues from energy sales was driven by increasing sales of natural gas condensate in 2010, an increase in prices of fuel sold, and growth in utility prices.

The increase in revenues from transport services was driven by an increase in the volume of passenger air transportation carried out.

The increase in other revenues was driven by the growth in volume of research and development services rendered to external customers, in addition to an increase in retail sales at the Norilsk industrial district.

2 COST OF SALES

2.1. Cost of metal sales

Cost of metals sold increased by 15%, from USD 3,666 million in 2009 to USD 4,223 in 2010. The main factors which contributed to the growth were the effect of translation to presentation currency, inflation and growth in volume of production.

Cash operating costs

Cash operating costs of the Group grew by 24% (or by USD 778 million) and amounted to USD 3,992 million in 2010, as compared to USD 3,214 million in 2009. The main factors which contributed to the growth were inflation, growth in volume of production and effect of translation to presentation currency.

The key reasons for the growth in cash operating costs (after deduction of sales revenues of by-product metals) of USD 778 million in 2010 in comparison to 2009 were:

- USD 499 million (or 15%) relates to expenses on acquisition of refined metal, PGM scrap and other semi-products,
- USD 230 million (or 7%) relates to expenditures not including expenses on acquisition of refined metal, PGM scrap and other semi-products;
- USD 126 million (or 4%) relates to effect of translation to presentation currency;
- a decrease of USD 77 million (or 2%) due to growth in sales of by-product metals.

Absolute growth of cash operating costs in the amount of USD 729 million (or 23%), before the effect of sales of by-product metals and the effect of translation to presentation currency, is broken down as follows:

Russian enterprises – growth of USD 180 million (or 5%);

Finland – growth of USD 582 million (or 118%);
including:

- *Expenses on acquisition of refined metal, PGM scrap and other semi-products – growth of 148%*
- *Other cash operating costs – growth of 44%*

Norilsk Nickel International – decrease of USD 33 million (or 13%).

The structure of cash operating costs in 2010 changed as compared to 2009. These changes are primarily related to a more than two-fold increase in the expenses on acquisition of refined metal, PGM scrap and other semi-products.

Cost of metal sales
(US dollars, millions)

	For the year ended 31 December 2010						For the year ended 31 December 2009						
	Group	***as % of total***	**Russian* enterprises and NNH**	*as % of total*	**NNI**	*as % of total*	**Group**	***as % of total***	**Russian* enterprises and NNH**	*as % of total*	**NNI**	*as % of total*	***Group*** *Change y–on-y %,*
Total cash operating costs (see table below)	3,992	***87***	3,771	*87*	221	*92*	3,214	***84***	2,972	*85*	242	*77*	***24***
Depreciation of operating assets	584	***13***	564	13	20	8	605	***16***	531	*15*	74	*23*	***(3)***
Total production costs	**4,576**	***100***	**4,335**	*100*	**241**	*100*	**3,819**	***100***	**3,503**	*100*	**316**	*100*	***20***
(Increase)/decrease in metal inventories	(353)		(339)		(14)		(153)		(215)		62		***131***
Cost of metal sales	**4,223**		**3,996**		**227**		**3,666**		**3,288**		**378**		***15***

Cash operating costs
(US dollars, millions)

	For the year ended 31 December 2010						For the year ended 31 December 2009						
	Group	***as % of total***	**Russian enterprises* and NNH**	*as % of total*	**NNI**	*as % of total*	**Group**	***as % of total***	**Russian enterprises* and NNH**	*as % of total*	**NNI**	*as % of total*	***Group*** *Change y–on-y %,*
Labour	**1,220**	*27*	1,187	*28*	33	*15*	**1,124**	*31*	1,075	*32*	49	*20*	***9***
Consumables and spare parts	**1,059**	*24*	1,040	*25*	19	*8*	**1,013**	*28*	979	*29*	34	*14*	***5***
Expenses on acquisition of refined metal, PGM scrap and other semi-products	**888**	*20*	888	*21*	-	-	**389**	*11*	389	*12*	-	-	***128***
Outsourced third party services	**610**	*14*	462	*11*	148	*66*	**520**	*15*	382	*12*	138	*55*	***17***
Utilities	**182**	*4*	172	*4*	10	*4*	**137**	*4*	129	*4*	8	*3*	***33***
Transportation	**171**	*4*	169	*4*	2	*1*	**161**	*5*	152	*5*	9	*4*	***6***
Tax on mining and pollution levies	**169**	4	160	4	9	4	**143**	4	134	4	9	4	18
Other costs	**118**	*3*	114	*3*	4	*2*	**75**	*2*	72	*2*	3	*1*	***57***
Total cash operating costs	**4,417**	**100**	**4,192**	**100**	**225**	**100**	**3,562**	**100**	**3,312**	**100**	**250**	**100**	**24**
Revenue from sale of by-product metals	**(425)**		(421)		(4)		**(348)**		(340)		(8)		22
Total cash operating costs	**3,992**		**3,771**		**221**		**3,214**		**2,972**		**242**		**24**

** excluding intercompany turnovers*

Labour

Labour costs are a significant component in total cash operating costs with a fairly stable share of total operating costs. In 2010, the share of labour costs within cash operating costs decreased to 28%, from 32% in 2009.
In 2010, labour costs amounted to USD 1,220 million and increased by USD 96 million (or 8%) as compared to 2009.

The main reasons for the change were:
- mothballing of production facilities in Australia – a reduction of USD 10 million (or 1%);
- an increase in labour costs of USD 58 million (or 5%) at the Russian entities;
- an increase due to the effect of translation to presentation currency, of USD 48 million (or 5%).

Consumables and spares

Expenditures on consumables and spares amounted to USD 1,059 million in 2010 and grew by USD 46 million (or 5%) as compared to 2009.

The main reasons for the increase were:
- an increase due to the effect of translation to presentation currency, of USD 43 million (or 4%);
- increase in consumables and spares expenditure at the Russian facilities by USD 18 million (or 2%), primarily driven by the growth in prices which was almost fully offset by a decrease in similar expenditure at Norilsk Nickel International of USD 15 million.

Expenses on acquisition of refined metal, PGM scrap and other semi-products

Expenses on acquisition of refined metal, PGM scrap and other semi-products in 2010 increased by USD 499 million (or 128%) and amounted to USD 888 million.

The key reasons for the change in expenditures were:
- an increase in physical volume of purchases of nickel concentrate and semi-products processed in Finland of USD 225 million (or 58%)
- an increase in weighted average price of nickel in concentrates and semi-products processed in Finland, both due to increase in market prices and due to purchase of richer nickel semi-products, by USD 299 million (or 77%);
- a decrease in purchases of metals from third parties of USD 25 million (or 7%).

Third party services

In 2010, expenditures on services from third parties increased by USD 90 million (or 17%) and amounted to USD 610 million.

The main reasons for the increase were:
- an increase due to the effect of translation to presentation currency, of USD 20 million (or 4%)
- an increase in overall expenditure by USD 70 million (or 13%), including:
  - USD 37 million (or 7%) – expenditure on refining of raw materials, driven by an increase in volume of nickel concentrates refined in Finland, platinum-containing concentrates in Russia, and an increase in cost of refining across all facilities of the Group;
  - USD 19 million (or 4%) – expenditure for geological survey works at the Russian entities in the amount of USD 17 million and at Norilsk Nickel International entities in the amount of USD 2 million;
  - USD 14 million (or 2%) – expenditures on extraction and transportation of raw materials from tailing storages at the Polar division.

Utilities

Utility expenditures in 2010 increased by USD 45 million (or 33%) and amounted to USD 182 million.

The main factors driving the increase were growth in volume of refining carried out at Russian facilities and in Finland and inflationary growth of prices of all energy sources.

Transportation costs

Transportation costs increased by USD 10 million (or 6%) and totaled USD 171 million.

Key reasons for the change in these costs were:

- a decrease in transportation expenditures of USD 7 million at Norilsk Nickel International entities as a result of mothballing of Australian production facilities;
- an increase in transport expenditures in Russia and Finland of USD 12 million, related primarily to the increase in volume of nickel concentrates and semi-finished products purchased for the nickel refinery in Finland;
- an increase due to the effect of translation to presentation currency of USD 5 million.

Tax on mining and pollution levies

Taxation on mining and pollution levies increased by USD 26 million in the Group, to USD 169 million (or 18%). The main reasons for the increase were the growth in expenditures at the Russian facilities resulting from higher tax base and higher pollution levies, in addition to the effect of translation of these costs to presentation currency.

Other costs

In 2010, other expenditures increased by USD 43 million (or 57%) and amounted to USD 118 million.

The overall increase includes:

- USD 4 million (or 5%) – an increase due to the effect of translation to presentation currency;
- USD 39 million (or 52%) – growth of other costs, primarily at the Russian entities attributable to costs relating to security following certain restructuring, as well as due to growth in costs of communication, and social security charges.

Revenue from sale of by-product metals

Revenue from sales of by-product metals in 2010 increased by USD 77 million as compared to 2009 and amounted to USD 425 million, with key growth in revenue attributable to the entities in Russia and Finland due to an increase in market prices of all by-product metals and an increase in volumes sold of certain by-products.

Depreciation of operating assets

The depreciation charge in 2010 decreased by USD 21 million (or by 3%).

The main reasons for the increase were:

- an increase in depreciation charge of USD 11 million (or by 2%) at the entities in Russia and Finland, as a result of new assets being brought into use;
- a decrease in depreciation charge of USD 54 million (or by 9%) at Norilsk Nickel International entities in relation to mothballing of the Australian production facilities;
- an increase due to the effect of translation to presentation currency of USD 22 million (or by 4%).

Increase in metal inventories

The cost of metal inventories held by the Group in 2010 increased by USD 353 million.

The main reasons for the increase were:

- USD 339 million – increase in costs of inventories at the entities in Russia and Finland, being primarily a result of an improvement to the valuation methodology in Russia and a change in the composition of inventories, as well as price effects in Finland;
- USD 14 million – increase in cost of inventories in Norilsk Nickel International entities, relating to higher closing balances of the produced concentrate and an increase in prices.

2.2. Cost of other sales

Other cost of sales increased by USD 149 million in 2010 (or by 29%) and amounted to USD 660 million.

The primary reason for this was an increase in air transportation services. In 2010, the margins of other sales increased due to faster growth in sales (up by 39%) than the growth in costs of sales (up by 29%).

Cost of other sales

(US dollars, millions)

	2010	**2009**	***Change y-on-y, %***
Energy and utilities	177	136	*30*
Transport	226	145	*56*
Other	257	230	*12*
Total	**660**	**511**	**29**

3 SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses increased in 2010 by USD 239 million to USD 343 million, as compared to USD 104 million in 2009.

Selling and distribution expenses
(US dollars, millions)

	2010	**2009**	***Change y-on-y, %***
Export customs duties	283	51	*455*
Transportation expenses	32	22	*45*
Labour	14	14	-
Other	14	17	*(18)*
Total	**343**	**104**	***230***

The main reason for the increase in expenses was a significant growth in export customs duties, in connection with the imposition of Russian export duties on nonferrous metals in 2010 (export customs duties on nickel and copper were suspended in Russia in January 2009 due to the worldwide economic crisis).

The increase in transportation expenses was caused primarily by the growth of expenses in Norilsk Nickel International by USD 5 million and of entities in Russia and in Finland by USD 5 million, caused by an increase of nickel volumes sold by the Norilsk Nickel Harjavalta refinery.

4 GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses increased by USD 119 million in 2010, to USD 755 million as compared to USD 636 million in 2009.

General and administrative expenses
(US dollars, millions)

	2010	**2009**	***Change y-on-y, %***
Labour	419	330	*27*
Third party services	99	77	*29*
Taxes other than mining and income taxes and pollution levies	98	94	*4*
Amortization and depreciation	23	35	*(34)*
Transportation expenses	15	16	*(6)*
Other	101	84	*20*
Total	**755**	**636**	***19***

The main reasons for the change in expenses were:

- absolute growth of expenses, before the effect of translation to presentation currency in the amount of USD 91 million:
  - Russian entities and Finland, an increase of USD 89 million;
  - Norilsk Nickel International, an increase of USD 2 million.
- an increase due to the effect of translation to presentation currency for the Russian entities and Finland of USD 28 million.

The main reasons for the increase in expenses by USD 89 million for the Russian entities and Finland were:

- an increase in labour expenses of USD 74 million, primarily due to payments made at management's discretion, and due to contractual payments to retired members of management and the board of directors;
- an increase of other expenses by USD 15 million.

5 OTHER NET OPERATING EXPENSES

Other net operating expenses grew by USD 137 million (or 152%) in 2010, and amounted to USD 227 million as compared to USD 90 million in 2009.

The main reason for the increase in expenses was the accrual for social commitments under certain agreements with the Government of the Russian Federation in the amount of USD 209 million.

Other operating expenses
(US dollars, millions)

	2010	2009	Change y-on-y , %
Social expenses	299	62	*382*
Change in provisions for value added tax recoverable	14	–	*100*
Change in allowance for doubtful debts	4	19	*(79)*
Change in other provisions	(31)	(2)	*1 450*
Gain on disposal of investment in subsidiary	(49)	2	*н.п.*
Other	(10)	9	*н.п.*
Total	**227**	**90**	***152***

6 FINANCE COSTS

Finance costs decreased by USD 36 million in 2010 to USD 138 million, as compared to USD 174 million in 2009. The reduction in these costs was mainly due to a partial repayment of loans received. In 2010, the amount of borrowings decreased by USD 2,520 million.

Finance costs
(US dollars, millions)

	2010	2009	Change y–on-y, %
Interest expense on borrowings	87	128	*(32)*
Unwinding of discount on environmental obligations	36	38	*(5)*
Interest expense on employee benefits obligations	8	–	*100*
Interest on obligations under financial lease	7	8	*(13)*
Total	**138**	**174**	***(21)***

7 INCOME FROM INVESTMENTS, NET

Income from investments increased by USD 301 million (or 602%) in 2010, and amounted to USD 351 million as compared to USD 50 million in 2009.

The main reasons for the growth in income were:

- increase of profit from disposal of investments to USD 258 million (including gain on sale of shares of OJSC RusHydro of USD 212 million);
- increase of interest income on bank deposits by USD 17 million to USD 59 million;
- increase of interest income on investments held to maturity by USD 23 million.

Reversal of impairment losses on financial investments decreased by USD 2 million and amounted to USD 5 million in 2010.

8 INCOME TAX

In 2010 current income tax expense increased by USD 793 million (or 110%), to USD 1,515 million, as compared to USD 722 million in 2009. Total income tax expense including deferred taxes, increased by USD 746 million (or 93%) to USD 1,548 million.

Income tax
(US dollars, millions)

	2010	**2009**	***Change y-on-y, %***
Current income tax expense	1,515	722	*110*
Deferred tax expenses	33	80	*(59)*
Total	**1,548**	**802**	***93***

The effective income tax rate on profit from continued operations amounted to 22.8% in 2010, as compared to 24.3% in 2009.

The main reasons for the growth in income tax were:

- an increase in the income tax charge by USD 678 million due to the increase in profit before tax by 105%;
- an increase in the profit tax rate in Botswana which has resulted in additional income tax charge of USD 37 million;
- an increase due to the effect of translation to presentation currency and due to other factors by USD 31 million.

9 PROFIT FOR THE YEAR

Profit from continuing operations for 2010 increased by USD 2,730 million and amounted to USD 5,234 million, as compared to USD 2,504 million for 2009. Profit increased primarily due to the growth of metal sales.

Loss before tax from discontinued operations in 2010 amounted USD 2,151 million (after tax amount of USD 2,145 million) as compared to profit of USD 181 million (after tax amount of USD 147 million) in 2009 and was caused by a decision to dispose of the Group's stake in OJSC OGK-3 and sale of the stake in Stillwater Mining Company.

The main reasons for the loss were (amounts given before tax):

- impairment loss of USD 2,284 million from revaluation of investments in OJSC OGK-3 to fair value less cost to sell;
- loss from operating activities of the discontinued operations of USD 428 million, resulting primarily from impairment of USD 460 million of OJSC OGK-3's investments in associates.
- the loss was partially compensated by the gain from disposal of Stillwater Mining Company in the amount of USD 548 million.

Profit for 2010 increased by USD 438 million (or 17%) and amounted to USD 3,089 million, as compared to USD 2,651 million for 2009.

10 ADJUSTED EBITDA

(US dollars, millions)

	2010	**2009**	*Change y-on-y, %*
Operating profit	**6,552**	**3 565**	*84*
Depreciation and amortisation	673	665	*1*
Impairment of non-financial assets	15	(30)	*н.п.*
Change in provisions for onerous contracts	(31)	(2)	*1,450*
ADJUSTED EBITDA	**7,209**	**4,198**	*72*
ADJUSTED EBITDA, % of gross revenue	**56%**	**49%**	

Adjusted EBITDA increased in 2010 from USD 4,198 million to USD 7,209 million (or by 72%). As a percentage of revenue, adjusted EBITDA was 56% in 2010, as compared to 49% in 2009.

EXTRACTS FROM THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010 AND AS AT 31 DECEMBER 2009

(US dollars, millions)

	31 December 2010	% of total	31 December 2009	% of total	change y-on-y , %
ASSETS					
Non-current assets					
Property, plant and equipment	9,153	38	11,017	48	(17)
Other financial assets	881	4	918	4	(4)
	10,935	**46**	**14,352**	**63**	(24)
Current assets					
Inventories	2,246	9	1,990	9	13
Trade and other receivables	1,175	5	978	4	20
Other financial assets	637	3	1,098	5	(42)
Cash and cash equivalents	5,405	23	3,632	16	49
Other current assets	695	2	678	3	3
	10,158	**42**	**8,376**	**37**	21
Assets classified as held for sale	2,816	12	32	-	8,700
	12,974	**54**	**8,408**	**37**	54
TOTAL ASSETS	**23,909**	**100**	**22,760**	**100**	5
EQUITY AND LIABILITIES					
Capital and reserves	**17,974**	**75**	**14,755**	**65**	**22**
Non-current liabilities					
Loans and borrowings	1,561	7	2,345	10	(33)
Other non-current liabilities	1,677	7	1,548	7	
	3,238	**14**	**3,893**	**17**	**(17)**
Current liabilities	**2,485**	**10**	**4,112**	**18**	**(40)**
Loans and borrowings	1,236	5	2,972	13	(58)
Trade and other payables	599	3	486	2	23
Other current liabilities	650	3	654	3	
	2,485	**10**	**4,112**	**18**	**(40)**
Liabilities directly associated with the assets classified as held for sale	**212**	**1**	**-**	**-**	**-**
	2,697	**11**	**4,112**	**18**	**(34)**
TOTAL EQUITY AND LIABILITIES	**23,909**	**100**	**22,760**	**100**	**5**

TOTAL ASSETS, NON-CURRENT ASSETS, CAPITAL, AND RESERVES

Total assets grew by 5% in 2010 and at 31 December 2010 amounted to USD 23,909 million. At the end of the reporting period, non-current assets amounted to USD 9,153 million as compared to USD 11,017 million at 31 December 2009. Non-current assets decreased by 17% due to the disposals of OJSC “OGK-3” and Stillwater Mining Company. Capital and reserves increased by 22% to USD 17,974 million in the reporting period (including non-controlling interest of USD 598 million) as compared to USD 14,755 million at 31 December 2009 (including non-controlling interest of USD 1,080 million). The growth in capital and reserves was primarily caused by an increase in profit for the period and from disposal of treasury shares during 2010.

OTHER FINANCIAL ASSETS

Current and non-current other financial assets amounted to USD 1,518 million as at 31 December 2010, as compared to USD 2,016 million as at 31 December 2009. Decrease in other financial assets by USD 498 million (or by 25%) was caused primarily as a result of:

- reduction in deposits in the amount of USD 399 million;
- reduction in promissory notes in the amount of USD 149 million;
- reclassification of Stillwater Mining Company convertible notes in the amount of USD 93 million as a result of the disposal of the Group’s share in Stillwater Mining Company;
- reduction in the available for sale investments in the amount of USD 26 million. The key driver of the reduction was the disposal of OJSC “RusHydro” shares, which was partially offset by other acquisitions in this category.

INVENTORIES

Inventories of finished goods, work in process inventory, and raw materials increased by 13% in the reporting period, and comprised USD 2,246 million. The total increase of USD 256 million was primarily driven by:

- increase in the amount of USD 282 million as a result increase in inventories of metal products;
- reduction of USD 26 million due to a reduction in other material inventories.

In 2010 the Company reviewed the methodology applied in determining the condition of work in process. Based on the review, the Company developed a new estimate which is a more reliable and representative approximation of the stage of processing of work in process. The effect of this change has resulted in an increase of the value of work in process in the amount of USD 143 million as at 31 December 2010.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents amounted to USD 5,405 million at 31 December 2010, as compared to USD 3,632 at 31 December 2009. Cash increased by USD 1,773 million (or by 49%) primarily due to the disposal of shareholding in Stillwater Mining Company, sale of other financial assets and treasury shares, as well as due to higher operating profit as a result of favourable situation on the metals market.

CURRENT AND NON-CURRENT BORROWINGS

Borrowings decreased by USD 2,520 million amounted to USD 2,797 million at 31 December 2010, as compared to USD 5,317 million at 31 December 2009. Non-current borrowings comprise 56% of all debt, and current borrowings comprise 44%.

EXTRACTS FROM THE CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2010 AND 31 DECEMBER 2009
(US dollars, millions)

	For the year ended 31 December 2010	For the year ended 31 December 2009
Net cash generated from operating activities	5,514	3,401
Net cash (used in) from investing activities	(1,443)	(468)
Net cash used in financing activities	(2,034)	(1,187)
Net increase in cash and cash equivalents	**2,037**	**1,746**
Cash and cash equivalents at beginning of the year	3 632	1,995
Effect of foreign exchange differences on balances of cash and cash equivalents and translation to presentation currency	(264)	(109)
Cash and cash equivalents at end of the year	**5,405**	**3,632**

NET CASH GENERATED FROM OPERATING ACTIVITIES

The primary source of the Group's cash flows is operating activities. As a result of significant growth of metal sales in 2010, net operating cash flow increased by USD 2,113 million (62%) and amounted to USD 5,514 million, as compared to USD 3,401 million in 2009.

NET CASH USED IN INVESTING ACTIVITIES

Net cash outflow from investing activities in was USD 1,443 million in 2010, primarily resulting from purchases of tangible and intangible non-current assets.

NET CASH USED IN FINANCING ACTIVITIES

In 2010, net cash expenditure on financing activities amounted to USD 2,034 million, primarily relating to regular repayments of borrowings, and to payment of a dividend in relation to 2009.

CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR

Cash and cash equivalents as at 31 December 2010 amounted to USD 5,405 million, as compared to USD 3,632 million as at 31 December 2009.