Mining and Metallurgical Company Norilsk Nickel

Consolidated interim financial statements for the six months ended 30 June 2008 (unaudited)

MINING AND METALLURGICAL COMPANY NORILSK NICKEL

CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2008 (UNAUDITED)

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MINING AND METALLURGICAL COMPANY NORILSK NICKEL

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

The following statement, which should be read in conjunction with the independent auditors' responsibilities as stated in the independent auditors' report on review of interim financial statements set out on page 2, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the consolidated interim financial statements of Open Joint Stock Company "Mining and Metallurgical Company Norilsk Nickel" and its subsidiaries (the "Group").

Management is responsible for the preparation of consolidated interim financial statements that present fairly the consolidated financial position of the Group at 30 June 2008, the results of its operations, cash flows and changes in equity for the six months then ended, in accordance with International Financial Reporting Standards ("IFRS").

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

- selecting suitable accounting policies and applying them consistently;
- making judgments and estimates that are reasonable and prudent;
- stating whether IFRS have been followed, subject to any material departures disclosed and explained in the consolidated interim financial statements; and
- preparing the consolidated interim financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

Management, within its competencies, is also responsible for:

- designing, implementing and maintaining an effective system of internal controls throughout the Group;
- maintaining statutory accounting records in compliance with local legislation and accounting standards in the respective jurisdictions in which the Group operates;
- taking steps to safeguard the assets of the Group; and
- detecting and preventing fraud and other irregularities.

The consolidated interim financial statements for the six months ended 30 June 2008 were approved on 30 September 2008 by:

V.I. Strzhalkovsky
General Director

O. V. Lobanov
Deputy General Director

Moscow, Russia
30 September 2008

Deloitte.

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INDEPENDENT AUDITORS’ REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

To the Shareholders and Board of Directors of Open Joint Stock Company “Mining and Metallurgical Company Norilsk Nickel”:

We have reviewed the accompanying consolidated interim balance sheet of Open Joint Stock Company “Mining and Metallurgical Company Norilsk Nickel” and its subsidiaries (the “Group”) as of 30 June 2008 and the related consolidated interim statements of income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with International Financial Reporting Standards. Our responsibility is to express a conclusion on these consolidated interim financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements do not present fairly, in all material respects, the financial position of the Group as of 30 June 2008, and of its financial performance and its cash flows for the six-month period then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche

Moscow, Russia
30 September 2008

CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2008 (UNAUDITED)
US Dollars million

	Notes	Six months ended 30 June 2008	Six months ended 30 June 2007*	Year ended 31 December 2007
Revenue				
Metal sales	7	7,210	7,645	15,909
Other sales	8	1,101	241	1,210
Total revenue		**8,311**	**7,886**	**17,119**
Cost of metal sales	9	(2,677)	(1,831)	(4,719)
Cost of other sales	15	(1,063)	(215)	(1,163)
Gross profit		**4,571**	**5,840**	**11,237**
Selling and distribution expenses	16	(320)	(331)	(730)
General and administrative expenses	17	(492)	(340)	(894)
Impairment of goodwill	24	–	–	(1,079)
Change in fair value of derivative financial liabilities held for trading	41	3	–	72
Other net operating expenses	18	(407)	(165)	(1,175)
Operating profit		**3,355**	**5,004**	**7,431**
Finance costs	19	(224)	(53)	(307)
Income from investments	20	414	68	223
Foreign exchange gain, net	21	96	1	146
Excess of the Group's share in the fair value of net assets acquired over the cost of acquisition	5	–	166	166
Share of profits of associates	26	28	77	76
Profit before income tax		**3,669**	**5,263**	**7,735**
Income tax	22	(987)	(1,248)	(2,459)
Profit for the period		**2,682**	**4,015**	**5,276**
Attributable to:				
Shareholders of the parent company		2,689	3,999	5,327
Minority interest		(7)	16	(51)
		2,682	**4,015**	**5,276**
EARNINGS PER SHARE				
Weighted average number of ordinary shares in issue during the period	34	188,916,863	181,417,913	182,362,986
Basic and diluted earnings per share attributable to shareholders of the parent company (US Dollars)		14.2	22.0	29.2

* The amounts shown here do not correspond to the consolidated interim financial statements for the six months ended 30 June 2007 and reflect adjustments made in connection with the completion of initial accounting (refer to note 5) and certain reclassifications (refer to note 4).

CONSOLIDATED BALANCE SHEET
AT 30 JUNE 2008 (UNAUDITED)
US Dollars million

	Notes	30 June 2008	30 June 2007*	31 December 2007
ASSETS				
Non-current assets				
Property, plant and equipment	23	16,002	12,815	14,981
Goodwill	24	3,477	2,026	3,360
Intangible assets	25	927	813	849
Investments in associates	26	783	4,439	879
Other financial assets	27	3,208	2,539	2,982
Other taxes receivable	28	43	50	38
Deferred tax assets	22	55	67	89
Pension plans assets	37	6	37	8
		24,501	**22,786**	**23,186**
Current assets				
Inventories	29	2,294	2,314	2,108
Trade and other receivables	30	964	1,042	949
Advances paid and prepaid expenses	31	241	202	183
Other financial assets	27	2,714	390	4,473
Income tax receivable		195	35	144
Other taxes receivable	28	649	642	585
Cash and cash equivalents	32	4,938	7,573	4,008
		11,995	**12,198**	**12,450**
Assets classified as held for sale	33	–	–	60
		11,995	**12,198**	**12,510**
TOTAL ASSETS		**36,496**	**34,984**	**35,696**
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	34	8	8	8
Share premium		1,390	611	1,390
Treasury shares	34	–	(999)	–
Other reserves	35	4,065	3,151	3,765
Retained earnings		16,139	13,747	14,340
Equity attributable to shareholders of the parent company		**21,602**	**16,518**	**19,503**
Minority interest		2,174	964	2,318
		23,776	**17,482**	**21,821**
Non-current liabilities				
Long-term borrowings	36	5,572	4,119	4,103
Employee benefit obligations	37	10	11	11
Share appreciation rights	38	16	–	–
Environmental obligations	39	636	434	583
Derivative financial liabilities	41	5	32	3
Deferred tax liabilities	22	2,729	2,443	2,741
		8,968	**7,039**	**7,441**
Current liabilities				
Short-term borrowings	36	1,332	2,924	3,973
Current portion of employee benefit obligations	37	346	275	378
Current portion of share appreciation rights	38	12	–	–
Trade and other payables	40	759	5,888	586
Advances received		66	58	41
Income tax payable		81	246	422
Other taxes payable	28	241	160	197
Derivative financial liabilities	41	7	64	24
Dividends payable		908	848	804
		3,752	**10,463**	**6,425**
Liabilities associated with assets classified as held for sale	33	–	–	9
		3,752	**10,463**	**6,434**
TOTAL EQUITY AND LIABILITIES		**36,496**	**34,984**	**35,696**

* The amounts shown here do not correspond to the consolidated interim financial statements for the six months ended 30 June 2007 and reflect adjustments made in connection with the completion of initial accounting (refer to note 5) and certain reclassifications (refer to note 4).

CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2008 (UNAUDITED)
US Dollars million

	Six months ended 30 June 2008	**Six months ended 30 June 2007***	**Year ended 31 December 2007**
Operating activities			
Profit for the period	**2,682**	**4,015**	**5,276**
Adjustments for:			
Income tax	987	1,248	2,459
Depreciation and amortisation	653	301	937
Finance costs	224	53	307
Impairment of property, plant and equipment	169	12	800
Loss on disposal of property, plant and equipment	11	13	25
Impairment of other financial assets	14	5	39
Impairment of goodwill	—	—	1,079
Share of post-acquisition profits and impairment of investments in associates	(28)	(5)	(4)
Loss on disposal of subsidiaries	3	18	18
Change in provision for onerous contracts	150	—	—
Excess of the Group's share in the fair value of net assets acquired over the cost of acquisition	—	(238)	(238)
Change in fair value of derivative financial liabilities held for trading	(3)	—	(72)
Interest income	(296)	(62)	(247)
Foreign exchange gain, net	(96)	(1)	(146)
Realised loss on derivatives held for trading	13	—	—
Gain on disposal of available-for-sale investments	(144)	—	—
Gain on disposal of associates	—	(6)	(6)
Dividend income	(6)	(8)	(25)
Other	(3)	10	(9)
Operating profit before working capital changes	**4,330**	**5,355**	**10,193**
Increase in inventories	(128)	(400)	(166)
Decrease in trade and other receivables	29	70	209
(Increase)/decrease in advances paid and prepaid expenses	(49)	8	51
(Increase)/decrease in other taxes receivable	(41)	(60)	61
(Decrease)/increase in employee benefit obligations, pension plan assets and share appreciation rights	(29)	(92)	6
Decrease in trade and other payables	(6)	(37)	(133)
Increase/(decrease) in advances received	22	(36)	11
Increase/(decrease) in other taxes payable	29	(1)	36
Cash flows from operations	**4,157**	**4,807**	**10,268**
Interest paid	(200)	(34)	(256)
Income tax paid	(1,400)	(1,380)	(2,672)
Net cash generated from operating activities	**2,557**	**3,393**	**7,340**
Investing activities			
Acquisition of subsidiaries, net of cash acquired, and increase of ownership in subsidiaries	(335)	89	(5,824)
Proceeds from disposal of subsidiaries	47	—	—
Purchase of property, plant and equipment	(1,207)	(290)	(1,140)
Purchase of intangible assets	(20)	(15)	(46)
Proceeds from disposal of property, plant and equipment	17	69	88
Acquisition and advances paid for acquisition of associates	(51)	(3,298)	(3,326)
Proceeds from disposal of associates	—	7	7
Purchase of other financial assets	(2,409)	(231)	(3,575)
Proceeds from sale of other financial assets	4,263	159	1,032
Dividends received	—	—	25
Net cash generated from/(used in) investing activities	**305**	**(3,510)**	**(12,759)**

* The amounts shown here do not correspond to the consolidated interim financial statements for the six months ended 30 June 2007 and reflect adjustments made in connection with the completion of initial accounting (refer to note 5) and certain reclassifications (refer to note 4).

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2008 (UNAUDITED)
US Dollars million

	Six months ended 30 June 2008	Six months ended 30 June 2007*	Year ended 31 December 2007
Financing activities			
Proceeds from borrowings	2,543	7,354	10,183
Repayments of borrowings	(3,699)	(1,901)	(3,915)
Acquisition of special purpose entities	–	(50)	(70)
Proceeds from issuance of ordinary shares from treasury stock, net of direct expenses and attributable income tax	–	–	1,855
Dividends paid by the Company	(803)	(1)	(849)
Dividends paid by the Group's subsidiaries to minority shareholders	–	–	(27)
Net cash (used in)/generated from financing activities	**(1,959)**	**5,402**	**7,177**
Net increase in cash and cash equivalents	**903**	**5,285**	**1,758**
Cash and cash equivalents at beginning of the period	**4,008**	**2,178**	**2,178**
Effect of translation to presentation currency	27	110	80
Cash and cash equivalents of disposal group	–	–	(8)
Cash and cash equivalents at end of the period	**4,938**	**7,573**	**4,008**

* The amounts shown here do not correspond to the consolidated interim financial statements for the six months ended 30 June 2007 and reflect adjustments made in connection with the completion of initial accounting (refer to note 5) and certain reclassifications (refer to note 4)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2008 (UNAUDITED)
US Dollars million

		Equity attributable to shareholders of the parent company							
	Notes	**Share capital**	**Share premium**	**Treasury shares**	**Other reserves**	**Retained earnings**	**Total**	**Minority interest**	**Total**
Balance at 31 December 2006		**8**	**611**	**(999)**	**2,562**	**10,635**	**12,817**	**319**	**13,136**
Increase in fair value of available-for-sale investments		—	—	—	539	—	**539**	—	**539**
Loss on cash flow hedge		—	—	—	(14)	—	**(14)**	—	**(14)**
Translation of foreign operations		—	—	—	(9)	—	**(9)**	—	**(9)**
Effect of translation to presentation currency		—	—	—	275	—	**275**	7	**282**
Net income recognised directly in equity		—	—	—	**791**	—	**791**	**7**	**798**
Profit for the period		—	—	—	—	3,792	**3,792**	16	**3,808**
Other reserves disposed of on disposal of subsidiaries		—	—	—	(5)	5	**—**	—	**—**
Total recognised income and expense		—	—	—	**786**	**3,797**	**4,583**	**23**	**4,606**
Dividends	42	—	—	—	—	(842)	**(842)**	—	**(842)**
Acquisition of special purpose entities		—	—	—	—	(50)	**(50)**	—	**(50)**
Decrease in minority interest due to increase of Group's share in subsidiaries	5	—	—	—	—	—	**—**	(10)	**(10)**
Minority interest in subsidiaries acquired during the period	5	—	—	—	—	—	**—**	623	**623**
Balance at 30 June 2007 (as previously reported)		**8**	**611**	**(999)**	**3,348**	**13,540**	**16,508**	**955**	**17,463**
Adjustments to provisional values		—	—	—	(197)	207	**10**	9	**19**
Balance at 30 June 2007 (as restated)*		**8**	**611**	**(999)**	**3,151**	**13,747**	**16,518**	**964**	**17,482**
Decrease in fair value of available-for-sale investments		—	—	—	(54)	—	**(54)**	—	**(54)**
Effect of change in classification of available-for-sale investments to investments in associates due to increase of ownership		—	—	—	(4)	—	**(4)**	—	**(4)**
Loss on cash flow hedge		—	—	—	(2)	—	**(2)**	4	**2**
Translation of foreign operations		—	—	—	(189)	—	**(189)**	—	**(189)**
Effect of translation to presentation currency		—	—	—	916	—	**916**	71	**987**
Net income recognised directly in equity		—	—	—	**667**	—	**667**	**75**	**742**
Profit for the period		—	—	—	—	1,328	**1,328**	(67)	**1,261**
Impairment of available-for-sale investments		—	—	—	24	—	**24**	—	**24**
Total recognised income and expense		—	—	—	**691**	**1,328**	**2,019**	**8**	**2,027**
Dividends	42	—	—	—	—	(792)	**(792)**	—	**(792)**
Issuance of ordinary shares from treasury stock, net of direct expenses and attributable income tax		—	779	999	(77)	77	**1,778**	—	**1,778**
Acquisition of special purpose entities		—	—	—	—	(20)	**(20)**	—	**(20)**
Decrease in minority interest due to increase of Group's share in subsidiaries	5	—	—	—	—	—	**—**	(1,102)	**(1,102)**
Minority interest in subsidiaries acquired during the period	5	—	—	—	—	—	**—**	2,448	**2,448**
Balance at 31 December 2007		**8**	**1,390**	**—**	**3,765**	**14,340**	**19,503**	**2,318**	**21,821**

* The amounts shown here do not correspond to the consolidated interim financial statements for the six months ended 30 June 2007 and reflect adjustments made in connection with the completion of initial accounting (refer to note 5) and certain reclassifications (refer to note 4)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2008 (UNAUDITED)
US Dollars million

		Equity attributable to shareholders of the parent company							
	Notes	Share capital	Share premium	Treasury shares	Other reserves	Retained earnings	Total	Minority interest	Total
Balance at 31 December 2007		**8**	**1,390**	**–**	**3,765**	**14,340**	**19,503**	**2,318**	**21,821**
Decrease in fair value of available-for-sale investments		–	–	–	(229)	–	**(229)**	–	**(229)**
Gain on cash flow hedge		–	–	–	3	–	**3**	–	**3**
Translation of foreign operations		–	–	–	(311)	–	**(311)**	–	**(311)**
Effect of translation to presentation currency		–	–	–	947	–	**947**	104	**1,051**
Net income recognised directly in equity		**–**	**–**	**–**	**410**	**–**	**410**	**104**	**514**
Profit for the period		–	–	–	–	2,689	**2,689**	(7)	**2,682**
Realised gain on disposal of available-for-sale investments		–	–	–	(122)	3	**(119)**	–	**(119)**
Realised gain on disposal of cash flow hedge		–	–	–	2	–	**2**	2	**4**
Other reserves disposed of on disposal of subsidiaries		–	–	–	(9)	9	**–**	–	**–**
Total recognised income and expense		**–**	**–**	**–**	**281**	**2,701**	**2,982**	**99**	**3,081**
Dividends	42	–	–	–	–	(902)	**(902)**	(5)	**(907)**
Issuance of convertible notes	36	–	–	–	19	–	**19**	17	**36**
Decrease in minority interest due to increase of Group's share in subsidiaries	5	–	–	–	–	–	**–**	(255)	**(255)**
Balance at 30 June 2008		**8**	**1,390**	**–**	**4,065**	**16,139**	**21,602**	**2,174**	**23,776**

1. GENERAL

Organisation

Open Joint Stock Company "Mining and Metallurgical Company Norilsk Nickel" (the "Company" or "MMC Norilsk Nickel") was incorporated in the Russian Federation on 4 July 1997. The principal activities of the Company and its subsidiaries (the "Group" or "Norilsk Nickel Group") are exploration, extraction, refining and sale of base and precious metals. Further details regarding the nature of the business and structure of the Group are presented in note 50.

Major production facilities of the Group are located in Taimyr and Kola Peninsulas of the Russian Federation, Australia, Botswana, Finland, South Africa and the United States of America. The registered office of the Company is located at 22 Voznesensky pereulok, Moscow, Russian Federation.

Shareholding structure of the Group as at 30 June 2008 and 31 December 2007 was the following:

	30 June 2008		31 December 2007	
Shareholders	**Number of shares**	**% held**	**Number of shares**	**% held**
CJSC "ING Bank (Eurasia)" (nominee)	93,558,152	49.52%	82,644,397	43.75%
OJSC AKB "Rosbank" (nominee)	—	—	31,999,525	16.94%
LLC "Deutsche bank" (nominee)	30,605,138	16.20%	—	—
CJSC "Depository Clearing Company"	11,216,759	5.94%	26,612,447	14.09%
OJSC "VTB Bank" (nominee)	16,152,948	8.55%	16,152,948	8.55%
Other, less than 5%	37,383,866	19.79%	31,507,546	16.67%
Total	**188,916,863**	**100.00%**	**188,916,863**	**100.00%**

Statement of compliance

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

Basis of preparation

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

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

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

Standards and interpretations effective in the current year

The impact of adoption of new or revised standards and interpretations issued by IASB and IFRIC in the preparation of the consolidated financial statements in future periods is currently being assessed by management.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in preparation of the consolidated interim financial statements are consistent with those followed in the preparation of the Group's consolidated annual financial statements for the year ended 31 December 2007.

Basis of consolidation

Subsidiaries

The consolidated interim financial statements incorporate financial statements of the Company and its subsidiaries, from the date that control effectively commenced until the date that control effectively ceased. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Minority interest in the net assets (excluding goodwill) of consolidated subsidiaries is identified separately from the Group's equity therein. Minority interest includes interest at the date of the original business combination and minority's share of changes in net assets since the date of the combination. Losses applicable to minority in excess of minority's interest in the subsidiary's net assets are allocated against the interest of the Group except to the extent that a minority has a binding obligation and is able to make an additional investment to cover the losses.

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

Associates

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

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

The results of associates are equity accounted for based on their most recent financial statements. Losses of associates are recorded in the consolidated interim financial statements until the investment in such associates is written down to nil value. Thereafter losses are only accounted for to the extent that the Group is committed to provide financial support to such associates.

Profits and losses resulting from transactions with associates are eliminated to the extent of the Group's interest in the relevant associates.

Special purpose entities

Special purpose entities ("SPEs") are those undertakings that are created to satisfy specific business needs of the Group and the Group has the right to the majority of the benefits of the SPE, or is exposed to risks associated with the activities of the SPE. SPEs are consolidated in the same manner as subsidiaries.

Accounting for acquisitions

Where an investment in a subsidiary or an associate is made, any excess of the purchase consideration over the fair value of the identifiable assets, including mineral rights, liabilities and contingent liabilities at the date of acquisition is recognised as goodwill. Goodwill in respect of subsidiaries is disclosed separately and goodwill relating to associates is included in the carrying value of the investment in associates.

Goodwill is reviewed for impairment at least annually. If impairment has occurred, it is recognised in the consolidated income statement during the period in which the circumstances are identified and is not subsequently reversed.

Where an investment in a subsidiary or an associate is made, any excess of the Group's share in the fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost is recognised in the consolidated income statement immediately.

Where an acquisition is achieved in stages, goodwill is calculated separately for each exchange transaction, based on the cost of each exchange transaction, and the appropriate share of the acquirer's net assets based on net fair values at the time of each exchange transaction. When control is achieved, the acquired net assets are stated at net fair value at the date of acquisition and any adjustment to fair values related to previously held interests is a revaluation, which is accounted for as an adjustment directly in the consolidated statement of changes in equity.

On acquisition of additional shares of subsidiaries from minority shareholders, any excess of consideration paid over the acquired interest in the carrying value of net assets at the date of increase in ownership is recognised as a goodwill; and any excess of the Group's share in the carrying value of subsidiary net assets over cost of acquisition is recognised in the consolidated income statement.

Impairment of goodwill

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the business combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated as follows: first to reduce the carrying amount of any goodwill allocated to this unit, and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Functional and presentation currency

The individual financial statements of each Group entity are presented in its functional currency.

The Russian Rouble ("RUR") is the functional currency of the Company and all its foreign subsidiaries, except for the following subsidiaries operating with a significant degree of autonomy:

Subsidiary	Functional currency
Stillwater Mining Company	US Dollar
Norilsk Nickel Harjavalta Oy	US Dollar
Norilsk Nickel Finland Oy	US Dollar
MPI Nickel Limited	Australian Dollar
Norilsk Nickel Cawse Proprietary Limited	Australian Dollar
Tati Nickel Mining Company Proprietary Limited	Botswana Pula

The presentation currency of the consolidated interim financial statements of the Group is US Dollar ("USD"). Using USD as a presentation currency is common practice for global mining companies. In addition, USD is a more relevant presentation currency for international users of the consolidated interim financial statements of the Group.

The translation into presentation currency is made as follows:

- all assets and liabilities, both monetary and non-monetary, are translated at closing exchange rates at the dates of each balance sheet presented;
- all income and expenses in each income statement are translated at the average exchange rates for the periods presented;
- all resulting exchange differences are recognised as a separate component in equity; and
- in the consolidated statement of cash flows, cash balances at beginning and end of each period presented are translated at exchange rates at the respective dates. All cash flows are translated at the average exchange rates for the periods presented. Resulting exchange differences are presented as effect of translation to presentation currency.

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

	30 June 2008	30 June 2007	31 December 2007
Russian Rouble/US Dollar			
Period-end rates	23.46	25.82	24.55
Average for the period	23.94	26.08	25.58
Botswana Pula/US Dollar			
Period-end rates	6.56	6.20	6.14
Average for the period	6.42	6.19	6.11
Australian Dollar/US Dollar			
Period-end rates	1.04	1.18	1.14
Average for the period	1.08	1.24	1.19

Foreign currency transactions

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

Property, plant and equipment

Mineral rights, mineral resources and ore reserves

Mineral rights, mineral resources and ore reserves are recorded as mining assets when acquired as part of a business combination and are then amortised over the life of mine, which is based on estimated proven and probable ore reserves. Estimated proven and probable ore reserves reflect the economically recoverable quantities which can be legally recovered in the future from known mineral deposits and are determined by independent professional appraisers.

Mining assets

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

Amortisation of mining assets is charged from the date on which a new mine reaches commercial production quantities and is included in the cost of production. Mining assets are amortised on straight-line basis over the lesser of their economic useful lives or the life of mine, varying from 2 to 49 years.

Mine development costs

Mine development costs are capitalised and transferred to mining property, plant and equipment when a new mine reaches commercial production quantities.

Capitalised mine development costs comprise expenditures directly related to:

- acquiring mining and exploration licenses;
- developing new mining operations;
- defining further mineralisation in existing ore bodies; and
- expanding the capacity of a mine.

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

Non-mining assets

Non-mining assets include metallurgical processing plants, buildings, infrastructure, machinery and equipment and other non-mining assets. Non-mining assets are stated at cost less accumulated depreciation and impairment losses. Plant and equipment that process extracted ore and located near mining operations are amortised on a straight-line basis over the lesser of their economic useful lives or the life of mine. Other non-mining assets are amortised on a straight-line basis over their economic useful lives.

Depreciation is calculated over the following economic useful lives:

• plant, buildings and infrastructure	10 – 50 years
• machinery and equipment	4 – 11 years
• other non-mining assets	5 – 10 years

Capital construction-in-progress

Capital construction-in-progress comprises costs directly related to construction of buildings, processing plant, infrastructure, machinery and equipment. Cost also includes finance charges capitalised during the construction periods where such costs are financed by borrowings. Depreciation of these assets commences when the assets are put into production.

Intangible assets, excluding goodwill

Intangible assets are recorded at cost less accumulated amortisation and impairment losses. Intangible assets mainly include patents and licenses, long-term favourable contracts and software. Amortisation is charged on a straight-line basis over the following economic useful lives of these assets:

• Activox technology patent	indefinite useful life
• patents and licenses, except for Activox technology	2 – 10 years
• long-term favourable contracts	7 years
• software	2 – 10 years

Impairment of tangible and intangible assets, excluding goodwill

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

The recoverable amount is the higher of fair value less cost to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, for which the estimates of the future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the consolidated income statement immediately.

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

Research and exploration expenditure

Research and exploration expenditure, including geophysical, topographical, geological and similar types of expenditure, is expensed in the period in which it is incurred, unless it is deemed that such expenditure will lead to an economically viable capital project. In this case the expenditure is capitalised and amortised over the life of mine, when a mine reaches commercial production quantities.

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

Inventories

Refined metals

Joint products, i.e. nickel, copper, palladium, platinum and gold, are measured at the lower of net cost of production or net realisable value. The net cost of production of joint products is determined as total production cost less net revenue from sales of by-products and valuation of by-product inventories on hand, allocated to each joint product in the ratio of their contribution to relative sales value, divided by the saleable mine output of each joint product.

Production costs include on-mine and concentrating costs, smelting costs, treatment and refining costs, other cash costs and amortisation and depreciation of operating assets.

By-products, i.e. cobalt, ruthenium, rhodium, iridium, silver and other minor metals, are measured at net realisable value, through a mark-to-market valuation.

Work-in-process

Work-in-process is valued at net cost of production based on the percentage of completion method.

Stores and materials

Stores and materials consist of consumable stores and are valued at the weighted average cost less allowance for obsolete and slow-moving items.

Financial assets

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

Financial assets are classified into the following specified categories:

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

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

Effective interest method

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

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

Financial assets as at fair value through profit or loss

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

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

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

Held-to-maturity investments

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

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

Available-for-sale financial assets

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

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

Dividends on available-for-sale equity instruments are recognised in the consolidated income statement when the Group’s right to receive the dividends is established.

Investments in unlisted shares that do not have a quoted market price in an active market and whose fair value can not be reliably measured are recorded at management's estimate of fair value.

Loans and receivables

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

Impairment of financial assets

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

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

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments as well as observable changes in economic conditions that correlate with defaults on receivables.

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

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

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

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

Derecognition of financial assets

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

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Compound financial instruments

The component parts of compound financial instruments issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.
The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured.

Financial liabilities

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and subsequently measured at amortised cost using the effective interest method.

Effective interest method

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

Derecognition of financial liabilities

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

Derivative financial instruments

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

Derivative financial instruments are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates. The resulting gain or loss is recognised in the consolidated income statement immediately unless the derivative is designated as a cash flow hedge.

The effective portion of changes in the fair value of derivative financial instruments that are designated as cash flow hedges is recognised directly in equity. The ineffective portion of cash flow hedges is recognised in the consolidated income statement. Amounts deferred in equity are recycled in the consolidated income statement in the periods when the hedged item is recognised in the consolidated income statement. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in the consolidated income statement.

Cash and cash equivalents

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

Employee benefits

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

Defined contribution plans

The Group contributes to the following major defined contribution plans:

- Pension Fund of the Russian Federation;
- Corporate pension option program;
- Shared accumulated pension plan; and
- Stillwater Mining Company savings plan.

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

Defined benefit plans

The Group operates a number of funded defined benefit plans for its employees. At management's discretion and within the established annual budgets, the Group admits employees, who have met certain criteria, into one of the following retirement benefit plans:

- *Lifelong professional pension plan,* whereby a retired employee receives a monthly allowance equal to 200% of the Russian Federation state pension for the rest of his/her life; or
- *Joint corporate pension plan*, whereby a retired employee receives a monthly allowance equal to 1/150th of the total Starting and Counter capital for the rest of his/her life. Starting capital is determined on an individual basis taking into account seniority, salary level, etc. Counter capital consists of a contribution funded by the Group amounted to 3% of salaries paid to an employee during the period of participation in the plan.

The Group's liability recognised in the consolidated balance sheet in respect of defined benefit plans represent the present value of the defined benefit obligation at the balance sheet date less the fair value of the plans assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated using the projected unit credit method.

Actuarial gains and losses are recognised as income or expense when the cumulative unrecognised actuarial gains or losses for each individual plan exceed 10% of the higher of defined benefit obligation and the fair value of plans assets. The excess of cumulative actuarial gains or losses over the 10% of the higher of defined benefit obligation and the fair value of plans assets are recognised over the expected average remaining working lives of the employees participating in the plans.

Past service cost is recognised immediately in the consolidated income statement to the extent that the benefits are already vested, and otherwise amortised on the straight-line basis over the average period until the benefit becomes vested.

Where the estimation results in a benefit to the Group asset recognised is limited to the net total of any unrecognised actuarial losses and past service costs and present value of any future refunds from the plan or reductions in the future contribution to the plans.

Share appreciation rights

The cost of cash settled share appreciation rights is measured initially at fair value at the grant date using the Monte Carlo valuation model and accured as expense. The fair value of the cash settled share plan is determined taking into account any market and non-market based vesting conditions attached to the awards. The liability is subsequently remeasured at each reporting date and at settlement date to reflect amount of anticipated or current awards expected to be vested by management. Any changes in the fair value of the liability are recognised in the consolidated income statement.

Income tax

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

Income tax is recognised as an expense or income in the consolidated income statement, except when it relates to items recognised directly in equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination.

In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost of the business combination.

Current tax

Current tax is based on taxable profit for the year. Taxable profit differs from profit for the year as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

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

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Government grants

Government grants related to assets are deducted from the cost of these assets in arriving at their carrying value.

Revenue recognition

Metal sales revenue

Revenue from metal sales is recognised when the risks and rewards of ownership are transferred to the buyer and represents invoiced value of all joint products shipped to customers, net of value-added tax. Revenues from the sale of by-products are netted-off against production costs.

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

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

Other revenue

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

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

The Group provides the following principal types of services:

- supply of electricity and heat energy; and
- transportation services.

Provisions

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

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

Interest on borrowings

Interest on borrowings relating to major qualifying capital projects under construction is capitalised during the construction period in which they are incurred. Once a qualifying capital project has been fully commissioned, the associated interest is recorded in the consolidated income statement as and when incurred.

Interest relating to operating activities is expensed when incurred.

Leases

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

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

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated income statement on a straight-line basis over the lease term.

Dividends

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

Accumulated profits legally distributable are based on the amounts available for distribution in accordance with the applicable legislation and as reflected in the statutory financial statements of the individual entities of the Group. These amounts may differ significantly from the amounts calculated on the basis of IFRS.

Environmental obligations

Environmental obligations include decommissioning and land restoration costs.

Future decommissioning costs, discounted to net present value, are capitalised and the corresponding decommissioning obligations raised as soon as the constructive obligation to incur such costs arises and the future decommissioning cost can be reliably estimated. Decommissioning assets are depleted over the life of mine. The unwinding of the decommissioning obligations is included in the consolidated income statement as finance costs. Decommissioning obligations are periodically reviewed in light of current laws and regulations, and adjustments made as necessary.

Provision for land restoration, representing the cost of restoring land damage after the commencement of commercial production, is estimated at net present value of the expenditures expected to settle the obligation. Change in provision and unwinding of discount on land restoration are recognised to the consolidated income statement and included in cost of production.

Ongoing rehabilitation costs are expensed when incurred.

Assets held for sale

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

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

Discontinued operations

Discontinued operations are disclosed when a component of the Group either has been disposed of during the reporting period, or is classified as held for sale at the balance sheet date. This condition is regarded as met only when the disposal is highly probable within one year from the date of classification.

Comparative information related to the discontinued operations is amended in the consolidated income statement for the prior period.

Assets and liabilities of a disposal group are presented in the balance sheet separately from other assets and liabilities. Comparative information related to discontinued operations is not amended in the consolidated balance sheet for the prior period.

Segmental information

The Group's primary segment reporting format is business segments. A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. The Group's primary business segments are:

- mining and metallurgy;
- energy and utilities;
- transport and logistics; and
- other.

The business segment "other" mainly includes entities engaged in research activities, maintenance and repair services and other.

The Group's secondary segment reporting format is geographical segments which are based on the geographical location of the Group's operations. The Group mainly operates in:

- Russian Federation;
- North America;
- Australia;
- Africa;
- Europe; and
- Asia.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTY

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

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

- useful economic lives of property, plant and equipment;
- impairment of assets, excluding goodwill;
- impairment of goodwill;
- allowances for doubtful debts, obsolete and slow-moving raw materials and spare parts;
- environmental obligations;
- defined benefit plans;
- share appreciation rights;
- income taxes; and
- contingencies.

Useful economic lives of property, plant and equipment

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

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

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

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

Impairment of assets, excluding goodwill

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

Impairment of goodwill

Assessment whether goodwill is impaired requires an estimation of value-in-use of the cash-generating unit to which goodwill is allocated. The value-in-use calculations require management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount to calculate present value. Details of impairment loss calculations related to mining and non-mining business units of the Group is presented in note 24.

Allowances

The Group creates allowances for doubtful debts to account for estimated losses resulting from the inability of customers to make the required payments. As at 30 June 2008, the allowance for doubtful debts amounted to USD 55 million (30 June 2007: USD 65 million; 31 December 2007: USD 52 million).

When evaluating the adequacy of an allowance for doubtful debts, management bases its estimate on current overall economic conditions, ageing of the accounts receivable balances, historical write-off experience, customer creditworthiness and changes in payment terms. Changes in the economy, industry or specific customer conditions may require adjustments to the allowance for doubtful debts recorded in the consolidated financial statements.

The Group also creates an allowance for obsolete and slow-moving raw materials and spare parts. As at 30 June 2008, the allowance for obsolete and slow-moving items amounted to USD 26 million (30 June 2007: USD 28 million; 31 December 2007: USD 25 million). In addition, certain finished goods of the Group are carried at net realisable value. Estimates of net realisable value of inventories are based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly relating to events occurring subsequent to the balance sheet date to the extent that such events confirm conditions existing at the end of the period.

Environmental obligations

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

Defined benefit plans

The most significant assumptions used in estimation of defined benefit plans are the expected rate of return on plan assets, the discount rate, future salary increases, state pensions growth rate and mortality assumptions.

The overall expected rate of return on pension plans assets is calculated based on the expected long-term investment returns for each category of assets.

The present value of the benefits is determined by discounting the estimated future cash outflows using interest rates of high-quality government bonds that have terms to maturity approximating to the terms of the related pension obligations.

Estimation of future salary levels takes into account projected levels of inflation and seniority of personnel.

Share appreciation rights

The most significant assumptions used in estimation of share appreciation rights cost are expected volatility of the Company's shares and HSBC index, risk-free interest rate and expected volume of nickel production by Norilsk Nickel International facilities.

Expected volatility is based on the histotical volatily of Norilsk Nickel's shares returns under United Kingdom and Russia listings and HSBC Index returns.

The risk free rates used in the valuation model are taken in accordance of US Treasury bonds yield curve as at the valuation date.

Expected volume of nickel production is based on 2008-2010 business plan estimations and management expectations of meeting targed volumes in the business plan.

Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain.

The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilised. The estimation of that probability includes judgments based on the expected performance. Various factors are considered to assess the probability of the future utilisation of deferred tax assets, including past operating results, operational plans, expiration of tax losses carried forward, and tax planning strategies. If actual results differ from these estimates or if these estimates must be adjusted in future periods, the financial position, results of operations and cash flows may be negatively affected.

Contingencies

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

US Dollars million

4. RECLASSIFICATIONS

Certain comparative information, presented in the consolidated interim financial statements for the six months ended 30 June 2007, has been reclassified. Reclassifications were based upon management's decision to enhance disclosure of the Group's financial position and results of operations through separate presentation of certain types of income and expenses, and assets and liabilities on the face of the consolidated income statement and consolidated balance sheet.

The effect of the reclassifications is summarised below:

	After reclassifications	Before reclassifications	Difference
Six months ended 30 June 2007			
CONSOLIDATED INCOME STATEMENT			
Selling and distribution expenses	(340)	–	(340)
General and administrative expenses	(331)	–	(331)
Selling, general and administrative expenses	–	(671)	671
Other net operating expenses	(165)	(156)	(9)
Income from investments	68	81	(13)
Other sales	241	–	241
Cost of other sales	(215)	–	(215)
Finance costs	(53)	(48)	(5)
Foreign exchange gain, net	1	–	1
			–
At 30 June 2007			
CONSOLIDATED BALANCE SHEET			
Non-current assets			
Property, plant and equipment	12,815	12,867	(52)
Intangible assets	813	761	52
			–
Current assets			
Trade and other receivables	1,042	1,244	(202)
Advances paid and prepaid expenses	202	–	202
Income tax receivable	35	–	35
Other taxes receivable	642	677	(35)
			–
Current liabilities			
Trade and other payables	5,821	5,879	(58)
Advances received	58	–	58
Income tax payable	246	–	246
Other taxes payable	160	406	(246)
			–

US Dollars million

5. BUSINESS COMBINATIONS

Acquisition of controlling interest in subsidiaries

Subsidiaries acquired	Principal activity	Date of acquisition	% Ownership	Cost of acquisition
Six months ended 30 June 2007				
OMG Harjavalta Nickel Oy and OMG Cawse Proprietary Limited	Mining and metallurgy	1 March 2007	100.0	356
LionOre Mining International Limited	Mining and metallurgy	28 June 2007	90.7	5,252
				5,608
Six months ended 31 December 2007				
OJSC “Third Generation Company of the Wholesale Electricity Market”	Electricity production and distribution	7 August 2007	54.1	612
LLC “Geokomp”	Drilling services	28 August 2007	100.0	1
LLC “Pervaya Milya”	Telecommunication	16 November 2007	75.0	2
LLC “Direktsiya Proekta Metally Zabaikalya”	Construction	27 December 2007	100.0	–
				615

Acquisitions during six months ended 30 June 2008

OJSC “Arkhangelsk Sea Commercial Port”

On 19 March 2008, the Group acquired an additional 19.7% interest in OJSC “Arkhangelsk Sea Commercial Port” (“ASCP”) for a cash consideration of USD 3 million, increasing its ownership in the company to 72.8%. The carrying value of the ASCP net assets at the date of increase of ownership was USD 11 million. As a result of this transaction, the Group recognised a decrease in net assets attributable to minority interest of USD 3 million.

OJSC “Third Generation Company of the Wholesale Electricity Market”

During the period from 15 January 2008 to 14 February 2008, OJSC “Third Generation Company of the Wholesale Electricity Market”, a subsidiary of the Group, acquired 2,010 million ordinary shares for a cash consideration of USD 332 million, increasing Group’s ownership in the company to 68.0%. As a result of these transactions, the Group recognised a decrease in net assets attributable to minority interest of USD 252 million and an increase in goodwill in the amount of USD 80 million.

Acquisitions during six months ended 30 June 2007

OMG Harjavalta Nickel Oy and OMG Cawse Proprietary Limited

On 1 March 2007, the Group acquired 100% of the ordinary shares of OMG Harjavalta Nickel Oy (“OMG Harjavalta”), a company engaged in nickel refining operations in Finland, and OMG Cawse Proprietary Limited (“OMG Cawse”), a company engaged in nickel mining and processing operations in Australia, for a total consideration of USD 356 million.

At 30 June 2007 the acquisition of OMG Harjavalta and OMG Cawse was accounted for based on provisional values. As at the date of issue of financial statements for the six months ended 30 June 2007 the Group had not completed valuation of acquired assets in accordance with IFRS 3 *Business combinations*. During the second half of 2007 the Group finalised its initial accounting for the acquisition of OMG Harjavalta and OMG Cawse. As a result, the Group recognised adjustments to provisional values of consideration paid, assets, liabilities, contingent liabilities of the acquiree and the resulting excess of the Group’s share in the fair value of net assets acquired over the cost of acquisition.

US Dollars million

	Provisional values at the date of acquisition	Fair values at the date of acquisition	Adjustments to provisional values
ASSETS			
Property, plant and equipment	122	235	113
Intangible assets	–	1	1
Inventories	202	230	28
Trade and other receivables	173	194	21
Advances paid and prepaid expenses	52	51	(1)
Other financial assets	60	40	(20)
Cash and cash equivalents	7	7	–
	616	**758**	**142**
LIABILITIES			
Employee benefit obligations	5	5	–
Environmental obligations	4	4	–
Deferred tax liabilities	21	63	42
Trade and other payables	124	128	4
Income tax payable	44	36	(8)
Other taxes payable	10	9	(1)
	208	**245**	**37**
Group's share of net assets acquired	**408**	**513**	**105**
Less: Excess of the Group's share in the fair value of net assets acquired over the cost of acquisition	–	(157)	(157)
Total cost of acquisition	**408**	**356**	**(52)**
Consideration per agreement	(371)	(348)	23
Satisfied by supply agreements	(36)	–	36
Direct transaction costs	(1)	(8)	(7)
Net cash outflow arising on acquisition:			
Consideration and direct transaction costs paid in cash	(372)	(356)	16
Cash and cash equivalents acquired	7	7	–
Net cash outflow on acquisition	**(365)**	**(349)**	**16**

At the date of acquisition, OMG Harjavalta and OMG Cawse did not prepare financial statements in accordance with IFRS. Thus it was not practicable to determine the carrying amounts of the acquired assets and liabilities in accordance with IFRS immediately after the acquisition, and this information was not presented in the Group's consolidated interim financial statements.

OMG Harjavalta and OMG Cawse contributed USD 475 million of revenue (31 December 2007: USD 924 million), USD 151 million of profit before tax (31 December 2007: USD 221 million) and USD 121 million of profit (31 December 2007: USD 175 million) from the date of acquisition to 30 June 2007.

LionOre Mining International Limited

On 28 June 2007, the Group acquired 90.7% of the voting shares of LionOre Mining International Limited ("LionOre"), an international nickel producer with operations in Australia and Botswana, for a cash consideration of USD 5,252 million, which was paid in cash in July 2007.

At 30 June 2007, the acquisition of LionOre was accounted for based on provisional values. As at the date of issuance of the financial statements for six months ended 30 June 2007, the Group had not completed the valuation of acquired assets in accordance with IFRS 3 *Business combinations*. During the second half of 2007 the Group finalised its initial accounting of the acquisition of LionOre. As a result, the Group recognised adjustments to provisional values of consideration paid, assets, liabilities, contingent liabilities of the acquiree and goodwill.

US Dollars million

	Provisional values at the date of acquisition	Fair values at the date of acquisition	Adjustments to provisional values
ASSETS			
Property, plant and equipment	7,380	4,490	(2,890)
Intangible assets	6	706	700
Investment in associates	59	580	521
Deferred tax asset	–	42	42
Inventories	117	178	61
Trade and other receivables	253	252	(1)
Advances paid and prepaid expenses	5	3	(2)
Other financial assets	37	38	1
Cash and cash equivalents	438	438	–
	8,295	**6,727**	**(1,568)**
LIABILITIES			
Borrowings	237	833	596
Employee benefit obligations	10	10	–
Environmental obligations	94	91	(3)
Derivative financial liabilities	80	80	–
Deferred tax liabilities	1,642	1,387	(255)
Trade and other payables	112	144	32
Income tax payable	67	61	(6)
	2,242	**2,606**	**364**
Net assets at the date of acquisition	**6,053**	**4,121**	**(1,932)**
Less: Net assets attributable to minority shareholders	(658)	(870)	(212)
Add: Decrease in minority interest due to increase of interest in the subsidiary	35	239	204
Group's share of net assets acquired	**5,430**	**3,490**	**(1,940)**
Add: Goodwill arising on acquisition	–	2,001	2,001
Less: Revaluation surplus representing change in fair value of MPI net assets from the date of initial acquisition by the Group of 20% interest in MPI (refer to note 26) to the date when control was obtained	–	(43)	(43)
Less: Pre-acquisition investment in MPI (refer to note 26)	(197)	(196)	1
Total cost of acquisition	**5,233**	**5,252**	**19**
Deferred cash consideration	(5,230)	(5,230)	–
Deferred costs associated with acquisition	(3)	(22)	(19)
Net cash inflow arising on acquisition			
Cash and cash equivalents acquired	438	438	–
Net cash inflow on acquisition	**438**	**438**	**–**

At the date of acquisition, LionOre did not prepare financial statements in accordance with IFRS. Thus it was not practicable to determine the carrying amounts of the acquired assets and liabilities in accordance with IFRS immediately after the acquisition, and this information is not presented in the Group's consolidated interim financial statements.

In July-August 2007, the Group acquired an additional 9.3% interest in LionOre for a cash consideration of USD 543 million through a number of transactions with minority shareholders, increasing its ownership in this company to 100%. As a result of this transaction, the Group recognised a decrease in net assets attributable to minority shareholders of USD 334 million and goodwill of USD 209 million.

In July-August 2007, the holders of the LionOre convertible notes exercised their right to convert notes into 23.5 million common shares. All these shares were acquired by the Group for a cash consideration of USD 613 million (refer to note 36). In the consolidated financial statements for the year ended 31 December 2007 acquisition of additional shares was accounted for as a settlement of borrowings acquired on the initial acquisition of controlling interest in LionOre.

US Dollars million

In August 2007, in accordance with the terms of stock option and share compensation plan, LionOre issued an additional 1.7 million shares and granted them to key employees and directors. In August 2007, the Group acquired all those shares for a cash consideration of USD 45 million. In the consolidated financial statements for the year ended 31 December 2007 the acquisition of additional shares was accounted for as a settlement of payables to other creditors recognised on the initial acquisition of controlling interest in LionOre.

LionOre contributed USD nil million of revenue (31 December 2007: USD 407 million), USD nil million of loss before tax (31 December 2007: USD 907 million) and nil million of loss from the date of acquisition to 30 June 2007 (31 December 2007: USD 877 million).

Goodwill arising on acquisition of LionOre is primarily attributable to expected business synergies.

OJSC "Norilsko-Taimyrskaya Energeticheskaya Kompaniya"

On 7 May 2007, the Group acquired an additional 49% interest in OJSC "Norilsko-Taimyrskaya Energeticheskaya Kompaniya" ("NTEK") for a cash consideration of USD 1 million, increasing its ownership in the company to 100%. The carrying value of NTEK net assets at the date of the increase in ownership was USD 20 million. As a result of this transaction, the Group recognised a decrease in net assets attributable to minority interest of USD 10 million. Excess of the Group's share in fair value of net assets acquired over consideration paid in the amount of USD 9 million was recognised in the consolidated income statement.

Acquisitions during six months ended 31 December 2007

OJSC "OGK-3"

During July-August 2007, the Group acquired an additional 7.2% interest in OJSC "OGK-3", a company engaged in generation and sale of electricity and heat energy in Central, North-West, Siberia and Urals regions of the Russian Federation, for a cash consideration of USD 612 million, increasing its ownership in the company to 54.1%. Prior to this transaction, investment in OGK-3 was classified as investment in associate (refer to note 26).

At the date of acquisition the fair value of identifiable assets and liabilities of OGK-3 were as follows:

	Fair value
ASSETS	
Property, plant and equipment	2,111
Intangible assets	2
Inventories	86
Trade and other receivables	121
Advances paid and prepaid expenses	24
Other financial assets	1,684
Cash and cash equivalents	1,424
	5,452
LIABILITIES	
Borrowings	141
Employee benefit obligations	21
Deferred tax liabilities	376
Trade and other payables	83
Advances received	6
Income tax payable	7
Other taxes payable	7
	641

US Dollars million

	Fair value
Net assets at the date of acquisition	**4,811**
Less: Net assets attributable to minority shareholders	(2,209)
Group's share of net assets acquired	**2,602**
Add: Goodwill arising on acquisition	1,646
Less: Pre-acquisition investment in OGK-3 (refer to note 26)	(3,636)
Total cost of acquisition	**612**
Consideration per public offer	(611)
Direct transaction costs	(1)
Net cash outflow arising on acquisition	
Consideration and direct transaction costs paid in cash	(612)
Cash and cash equivalents acquired	1,424
Net cash inflow on acquisition	**812**

The acquisition of controlling interest in OGK-3 was achieved in stages. Cost of acquisition and fair value of OGK-3's identifiable assets, liabilities, contingent liabilities and goodwill that arose at each stage are presented in the table below:

Date of transaction	% ownership	Fair value of net assets	Cost of acquisition	Goodwill
26 December 2006	14.60	1,545	400	174
23 March 2007	0.26	1,571	21	17
26 March 2007	32.04	4,682	3,119	1,157
7 August 2007	7.20	4,812	612	266
Effect of translation to presentation currency	n/a	n/a	84	32
Total	**54.10**	**n/a**	**4,236**	**1,646**

At the date of acquisition of controlling interest by the Group, OGK-3 did not prepare financial statements in accordance with IFRS. Thus, it was not practicable to determine the carrying amounts of the acquired assets, liabilities and contingent liabilities in accordance with IFRS immediately after the acquisition, and this information is not presented in these consolidated interim financial statements.

In August-September 2007, the Group acquired an additional 8,676 million shares of OGK-3 for a cash consideration of USD 929 million, increasing its ownership to 65.2%. As a result of this transaction, the Group recognised a decrease in net assets attributable to minority interest in the amount of USD 529 million and increase in goodwill in the amount of USD 400 million.

OGK-3 contributed USD 626 million of revenue, USD 68 million of profit before tax and USD 49 million of profit for the period from the date of acquisition of controlling interest to 31 December 2007.

The goodwill that arose on the acquisition related to the premium paid for control over OGK-3.

US Dollars million

6. SEGMENTAL INFORMATION

Business segments – primary reporting format

Six months ended 30 June 2008	Mining and metallurgy	Energy and utilities	Transport and logistics	Other	Eliminations	Total
Third party transactions	7,257	857	151	46	–	**8,311**
Intra-segment transactions	4	252	154	350	(760)	–
Total revenue	**7,261**	**1,109**	**305**	**396**	**(760)**	**8,311**
Operating profit/(loss)	3,382	76	(22)	(81)	–	**3,355**
Share of profits/(losses) of associates	39	(11)	–	–	–	**28**
Profit/(loss) before income tax	3,591	185	(27)	(80)	–	**3,669**
Income tax expense						**(987)**
Profit for the period						**2,682**
Assets and liabilities						
Investments in associates	493	290	–	–	–	**783**
Segment assets	23,484	10,274	1,197	508	–	**35,463**
Intra-segment assets and eliminations	2,265	38	9	178	(2,490)	–
Total segment assets	**26,242**	**10,602**	**1,206**	**686**	**(2,490)**	**36,246**
Segment liabilities	9,499	146	128	137	–	**9,910**
Intra-segment liabilities and eliminations	211	214	1,879	186	(2,490)	–
Total segment liabilities	**9,710**	**360**	**2,007**	**323**	**(2,490)**	**9,910**
Other segment information						
Capital expenditures	1,009	131	11	62	–	**1,213**
Amortisation and depreciation	530	108	5	18	–	**661**
Other non-cash expenses	210	13	25	1	–	**249**
Six months ended 30 June 2007						
Third party transactions	7,657	69	126	34	–	**7,886**
Intra-segment transactions	1	197	87	350	(635)	–
Total revenue	**7,658**	**266**	**213**	**384**	**(635)**	**7,886**
Operating profit/(loss)	5,043	36	(54)	(21)	–	**5,004**
Share of profits of associates	33	44	–	–	–	**77**
Profit/(loss) before income tax	5,306	34	(56)	(21)	–	**5,263**
Income tax expense						**(1,248)**
Profit for the period						**4,015**
Assets and liabilities						
Investments in associates	580	3,859	–	–	–	**4,439**
Segment assets	27,973	917	1,128	425	–	**30,443**
Intra-segment assets and eliminations	1,481	15	10	105	(1,611)	–
Total segment assets	**30,034**	**4,791**	**1,138**	**530**	**(1,611)**	**34,882**
Segment liabilities	14,542	57	102	112	–	**14,813**
Intra-segment liabilities and eliminations	121	222	1,030	238	(1,611)	–
Total segment liabilities	**14,663**	**279**	**1,132**	**350**	**(1,611)**	**14,813**
Other segment information						
Capital expenditures	269	29	10	33	–	**341**
Amortisation and depreciation	255	20	7	15	–	**297**
Other non-cash (income)/expenses	(173)	14	61	4	–	**(94)**

US Dollars million

Year ended 31 December 2007	**Mining and metallurgy**	**Energy and utilities**	**Transport and logistics**	**Other**	**Eliminations**	**Total**
Third party transactions	15,959	789	298	73	—	**17,119**
Intra-segment transactions	5	348	269	574	(1,196)	—
Total revenue	**15,964**	**1,137**	**567**	**647**	**(1,196)**	**17,119**
Operating profit/(loss)	8,285	(736)	(17)	(101)	—	**7,431**
Share of profits of associates	43	33	—	—	—	**76**
Profit/(loss) before income tax	8,470	(610)	(23)	(102)	—	**7,735**
Income tax expense						**(2,459)**
Profit for the year						**5,276**
Assets and liabilities						
Investments in associates	575	304	—	—	—	**879**
Segment assets	22,907	10,145	1,092	440	—	**34,584**
Intra-segment assets and eliminations	1,753	27	9	118	(1,907)	—
Total segment assets	**25,235**	**10,476**	**1,101**	**558**	**(1,907)**	**35,463**
Segment liabilities	10,341	161	93	117	—	**10,712**
Intra-segment liabilities and eliminations	143	158	1,448	158	(1,907)	—
Total segment liabilities	**10,484**	**319**	**1,541**	**275**	**(1,907)**	**10,712**
Other segment information						
Capital expenditures	774	84	21	330	—	**1,209**
Amortisation and depreciation	768	129	22	36	—	**955**
Impairment of goodwill	325	754	—	—	—	**1,079**
Other non-cash expenses	779	—	28	27	—	**834**

Geographical segments – secondary reporting format

	30 June 2008			**30 June 2007**			**31 December 2007**		
	Segment assets	**Segment liabilities**	**Capital expen-ditures**	**Segment assets**	**Segment liabilities**	**Capital expen-ditures**	**Segment assets**	**Segment liabilities**	**Capital expen-ditures**
Russian Federation	26,761	8,835	975	16,082	8,840	328	24,330	8,605	914
Australia	4,728	520	—	4,433	348	1	4,487	455	68
Africa	3,099	249	205	4,817	290	—	3,783	158	192
Europe	1,980	1,246	22	9,675	5,983	4	3,572	2,299	11
North America	1,026	410	11	973	452	8	945	851	24
Asia	52	50	—	55	53	—	56	54	—
	37,646	**11,310**	**1,213**	**36,035**	**15,966**	**341**	**37,173**	**12,422**	**1,209**
Eliminations	(1,400)	(1,400)	—	(1,153)	(1,153)	—	(1,710)	(1,710)	—
Total	**36,246**	**9,910**	**1,213**	**34,882**	**14,813**	**341**	**35,463**	**10,712**	**1,209**

Other segmental information

Metal sales by geographical location of the Group's customers are presented in note 7. Other sales of the Group were made primarily on the territory of the Russian Federation.

Intra-segment sales of electricity, heat energy and telecommunication services were made at the prices established by the Federal Utility Committee and Federal Tariff Service, government regulators responsible for establishing and monitoring the prices on the utility and telecommunication markets in the Russian Federation, respectively.

US Dollars million

Intra-segment sales of construction, transportation, repair and other services were made at the prices calculated as budgeted cost of services plus margin varying from 1% to 25%.

Intra-segment loans were given at the rates varying from 6.4% to 6.5% for RUR-denominated loans and 4.6% for USD-denominated loans.

7. METAL SALES

	Total	Nickel	Copper	Palladium	Platinum	Gold
Six months ended 30 June 2008						
By origin						
Russian Federation	**5,859**	2,964	1,532	661	640	62
Europe	**518**	503	15	—	—	—
United States of America	**325**	6	2	124	188	5
Africa	**267**	210	37	11	9	—
Australia	**241**	239	2	—	—	—
	7,210	**3,922**	**1,588**	**796**	**837**	**67**
By destination						
Europe	**3,637**	2,398	892	157	187	3
North America	**1,444**	547	32	453	376	36
Asia	**1,201**	744	138	164	155	—
Russian Federation	**729**	37	523	22	119	28
Australia	**190**	188	2	—	—	—
Africa	**5**	4	1	—	—	—
South America	**4**	4	—	—	—	—
	7,210	**3,922**	**1,588**	**796**	**837**	**67**
Six months ended 30 June 2007						
By origin						
Russian Federation	**6,853**	4,732	1,162	537	381	41
Europe	**478**	454	11	13	—	—
United States of America	**257**	11	1	110	131	4
Australia	**57**	57	—	—	—	—
	7,645	**5,254**	**1,174**	**660**	**512**	**45**
By destination						
Europe	**4,922**	3,601	882	239	189	11
Asia	**1,194**	981	—	121	92	—
North America	**972**	510	1	280	167	14
Russian Federation	**508**	113	291	20	64	20
Australia	**43**	43	—	—	—	—
South America	**6**	6	—	—	—	—
	7,645	**5,254**	**1,174**	**660**	**512**	**45**
Year ended 31 December 2007						
By origin						
Russian Federation	**14,054**	8,956	2,894	1,093	1,004	107
Europe	**820**	777	30	13	—	—
United States of America	**509**	20	3	215	264	7
Australia	**387**	353	1	—	—	33
Africa	**139**	110	20	4	4	1
	15,909	**10,216**	**2,948**	**1,325**	**1,272**	**148**
By destination						
Europe	**9,968**	6,956	2,209	463	327	13
Asia	**2,248**	1,736	3	256	253	—
North America	**2,237**	1,079	20	552	527	59
Russian Federation	**1,327**	351	714	54	165	43
Australia	**108**	74	1	—	—	33
South America	**13**	13	—	—	—	—
Africa	**8**	7	1	—	—	—
	15,909	**10,216**	**2,948**	**1,325**	**1,272**	**148**

US Dollars million

	Six months ended 30 June 2008	Six months ended 30 June 2007	Year ended 31 December 2007

8. OTHER SALES

Energy and utilities	857	69	789
Transport and logistics	151	126	298
Other	93	46	123
Total	**1,101**	**241**	**1,210**

9. COST OF METAL SALES

Cash operating costs			
On-mine and concentrating costs (refer to note 10)	1,230	805	2,031
Smelting costs (refer to note 11)	691	524	1,143
Treatment and refining costs (refer to note 12)	661	585	1,168
Other costs (refer to note 13)	449	337	594
Sales of by-products	(774)	(390)	(1,119)
Total cash operating costs	**2,257**	**1,861**	**3,817**
Amortisation and depreciation of operating assets (refer to note 14)	542	280	824
(Increase)/decrease in metal inventories	(122)	(310)	78
Total	**2,677**	**1,831**	**4,719**

10. ON-MINE AND CONCENTRATING COSTS

Labour	591	386	962
Consumables and spares	345	257	564
Repair and maintenance	68	50	135
Utilities	45	22	70
Outsourced mining services	44	10	45
Transportation	39	12	59
Rent expenses	36	9	51
Tailing pile maintenance and relocation	23	14	38
Insurance	22	23	48
Sundry on-mine and concentrating costs	17	22	59
Total (refer to note 9)	**1,230**	**805**	**2,031**

11. SMELTING COSTS

Platinum group scrap metals purchased	244	161	310
Labour	196	152	348
Consumables and spares	155	117	271
Insurance	27	35	69
Repairs and maintenance	21	23	53
Utilities	19	14	30
External tolling	13	9	26
Transportation	8	5	18
Rent expenses	3	3	7
Sundry smelting costs	5	5	11
Total (refer to note 9)	**691**	**524**	**1,143**

US Dollars million

	Six months ended 30 June 2008	Six months ended 30 June 2007	Year ended 31 December 2007

12. TREATMENT AND REFINING COSTS

Purchase of nickel concentrate	198	304	478
Tolling fees	150	44	147
Labour	132	104	240
Consumables and spares	100	79	164
Utilities	36	21	56
Repairs and maintenance	20	13	32
Insurance	8	9	20
Transportation	5	2	14
Rent expenses	1	1	3
Sundry treatment and refining costs	11	8	14
Total (refer to note 9)	**661**	**585**	**1,168**

13. OTHER COSTS

Cost of refined metals purchased from third parties	181	98	128
Tax on mining and pollution levies	105	78	150
Exploration expenses	75	82	113
Transportation	68	72	179
Other	20	7	24
Total (refer to note 9)	**449**	**337**	**594**

14. AMORTISATION AND DEPRECIATION OF OPERATING ASSETS

Mining and concentrating	433	176	606
Smelting	75	71	147
Treatment and refining	28	26	57
Other	6	7	14
Total (refer to note 9)	**542**	**280**	**824**

15. COST OF OTHER SALES

Consumables and spares	456	99	504
Labour	199	62	226
Utilities	183	21	195
Amortisation and depreciation	97	8	81
Repair and maintenance	37	–	58
Taxes	27	6	29
Transportation	24	13	24
Outsourced third party services	14	–	1
Rent expenses	10	1	14
Insurance	2	1	4
Other	14	4	27
Total	**1,063**	**215**	**1,163**

US Dollars million

	Six months ended 30 June 2008	Six months ended 30 June 2007	Year ended 31 December 2007

16. SELLING AND DISTRIBUTION EXPENSES

	Six months ended 30 June 2008	Six months ended 30 June 2007	Year ended 31 December 2007
Export customs duties	262	290	644
Labour	20	11	24
Transportation expenses	19	13	31
Commission paid	10	10	16
Insurance	4	2	6
Other	5	5	9
Total	**320**	**331**	**730**

17. GENERAL AND ADMINISTRATIVE EXPENSES

	Six months ended 30 June 2008	Six months ended 30 June 2007	Year ended 31 December 2007
Labour	239	150	435
Taxes other than mining and income taxes and pollution levies	52	42	90
Advertising	45	44	102
Consulting and other professional services	25	18	48
Legal and audit services	15	7	23
Depreciation	14	13	32
Transportation expenses	12	8	21
External research costs	11	12	18
Repairs and maintenance	10	7	18
Insurance	9	3	12
Other	60	36	95
Total	**492**	**340**	**894**

18. OTHER NET OPERATING EXPENSES

	Six months ended 30 June 2008	Six months ended 30 June 2007	Year ended 31 December 2007
Impairment of property, plant and equipment (refer to note 23)	169	12	800
Change in provision for onerous contracts	150	—	—
Donations and maintenance of social sphere facilities	38	103	158
Realised loss on derivatives held for trading	13	—	—
Change in allowance for doubtful debts	11	18	(8)
Change in provision for tax penalties	11	(4)	29
Loss on disposal of property, plant and equipment	11	13	25
Loss on disposal of investments in subsidiaries	3	18	18
Change in provision for value added tax recoverable	1	5	149
Other	—	—	4
Total	**407**	**165**	**1,175**

US Dollars million

	Six months ended 30 June 2008	Six months ended 30 June 2007	Year ended 31 December 2007

19. FINANCE COSTS

Interest expense on borrowings	202	43	280
Unwinding of discount on decommissioning obligations (refer to note 39)	18	10	23
Interest on obligations under finance leases	3	–	3
Interest on convertible notes	1	–	1
Total	**224**	**53**	**307**

20. INCOME FROM INVESTMENTS

Income/(loss) from available-for-sale investments			
Interest income on available-for-sale investments	15	–	7
Dividend income on available-for-sale investments	–	4	5
Realised gain on disposal of available-for sale investments	144	–	–
Impairment of available-for-sale investments	–	–	(24)
Income/(loss) from held-to-maturity investments			
Interest income on promissory notes receivable	6	–	9
Impairment of promissory notes	(5)	–	–
Income/(loss) from loans given and long-term accounts receivable			
Interest income on bank deposits	268	58	222
Interest income on loans given and long-term accounts receivable	3	4	9
Impairment of loans given	(21)	(5)	(18)
Income on disposal of investments in associates	–	6	6
Other	4	1	7
Total	**414**	**68**	**223**

21. FOREIGN EXCHANGE GAIN, NET

Foreign currency exchange gain on financing activities, net	352	1	324
Foreign currency exchange loss on investing activities, net	(45)	31	(82)
Foreign currency exchange loss on operating activities, net	(211)	(31)	(96)
Total	**96**	**1**	**146**

22. INCOME TAX

Current tax expense	1,008	1,255	2,622
Deferred tax benefit	(21)	(7)	(163)
Total	**987**	**1,248**	**2,459**

US Dollars million

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

	Six months ended 30 June 2008	Six months ended 30 June 2007	Year ended 31 December 2007
Profit before tax	**3,669**	**5,263**	**7,735**
Income tax at statutory rate of 24%	881	1,263	1,856
Effect of different tax rates of subsidiaries operating in other jurisdictions	35	(52)	14
Tax effect of permanent differences	53	39	342
Tax effect of goodwill impairment	–	–	259
Tax effect on excess of the Group's share in the fair value of net assets acquired over the cost of acquisition	–	(40)	(40)
Deferred tax asset not recognised on impairment of financial assets	6	1	4
Utilisation of previously unrecognised deferred tax asset	–	(6)	–
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	12	43	24
Income tax at effective rate of 27% (30 June 2007: 24%; 31 December 2007: 32%)	**987**	**1,248**	**2,459**

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

Deferred income tax

	30 June 2008	30 June 2007	31 December 2007
Balance at beginning of the period	**2,652**	**881**	**881**
Benefit recognised during the period	(21)	(7)	(163)
Revaluation of available-for-sale investments	(70)	171	149
Recycled from equity on disposal of investments clissified as available-for-fale	(19)	–	–
Effect of change in classification of available-for-sale investments to investments in associates due to increase of ownership	–	(71)	(73)
Acquisition of subsidiaries (refer to note 5)	–	1,408	1,784
Disposal of subsidiaries (refer to note 43)	–	(14)	(14)
Change in hedging reserve	–	(5)	(7)
Reclassified to assets classified as held for sale	–	–	3
Effect of translation to presentation currency	132	13	92
Balance at end of the period	**2,674**	**2,376**	**2,652**

US Dollars million

	30 June 2008	30 June 2007	31 December 2007
The tax effects of temporary differences that give rise to deferred taxation are presented below:			
Property, plant and equipment	2,086	1,760	2,138
Intangible assets	238	213	223
Accrued operating expenses	(91)	(67)	(111)
Valuation of receivables	10	(3)	(9)
Unrealised profit on intra-group transactions	(23)	(75)	(43)
Inventory valuation	19	57	11
Valuation of investments	450	499	437
Income tax loss carried forward	(154)	(115)	(99)
Provision for tax losses, tax offsets and other deferred tax assets	176	145	137
Other	(37)	(38)	(32)
Total	**2,674**	**2,376**	**2,652**
Certain deferred tax assets and liabilities have been offset in accordance with the Group's accounting policy. The analysis of the deferred tax balances (after offset) as they are recorded in the consolidated balance sheet is presented below:			
Deferred tax liabilities	2,729	2,443	2,741
Deferred tax assets	(55)	(67)	(89)
Net deferred tax liabilities	**2,674**	**2,376**	**2,652**

The unutilised tax losses of the North American operations at 30 June 2008, which are available for offset against future taxable income earned in the United States of America, amounted to USD 337 million (30 June 2007: USD 304 million; 31 December 2007: USD 339 million), have not been recognised as a deferred tax asset.

In April 2008, OGK-3, a subsidiary of the Group, approved new dividend policy. Starting from this date and thereafter OGK-3 will have to distribute through dividends at least 25% of net income determined by reference to the Company's financial statements prepared in accordance with IFRS. The policy is applicable to the annual periods starting from 1 January 2008, and thus in determination of the deferred tax liabilities associated with earnings of the Group's subsidiaries to be distributed as at 30 June 2008, the management of the Group accrued additional deferred tax liabilities of USD 2 million, taking into account OGK-3's earnings available for dividends distribution and 9% withholding tax rate applicable for the dividends distribution between entities registered on the territory of the Russian Federation.

For other subsidiaries, the Group did not recognise a deffered tax liability in respect of taxable temporary differences associated with investments in subsidiaries of USD 2,192 million (30 June 2007: USD 3,593 million; 31 December 2007: USD 1,317 million) are not recognised, because management believed that it was in a position to control the timing of reversal of such differences and has no intention to reverse them in the foreseeable future.

US Dollars million

23. PROPERTY, PLANT AND EQUIPMENT

		Non-mining assets				
	Mining assets	**Buildings, structures and utilities**	**Machinery, equipment and transport**	**Other**	**Capital construction-in-progress**	**Total**
Cost						
Balance at 31 December 2006	**4,175**	**3,206**	**2,343**	**161**	**904**	**10,789**
Additions	145	—	—	—	181	**326**
Transfers from capital construction-in-progress	—	28	86	4	(118)	—
Acquired on acquisition of subsidiaries (refer to note 5)	4,221	84	363	49	8	**4,725**
Disposed of on disposal of subsidiaries (refer to note 43)	—	(81)	(2)	—	(1)	**(84)**
Disposals	(18)	(17)	(74)	(6)	(5)	**(120)**
Effect of translation to presentation currency	87	59	49	1	—	**196**
Balance at 30 June 2007	**8,610**	**3,279**	**2,765**	**209**	**969**	**15,832**
Additions	385	—	—	—	452	**837**
Transfers from capital construction-in-progress	—	63	266	31	(360)	—
Acquired on acquisition of subsidiaries (refer to note 5)	—	769	1,131	4	207	**2,111**
Decommissioning asset raised (refer to note 39)	83	6	—	—	—	**89**
Reclassified as held for sale (refer to note 33)	—	(14)	(50)	—	(5)	**(69)**
Disposals	(31)	(15)	(32)	—	(29)	**(107)**
Effect of translation to presentation currency	339	177	162	4	57	**739**
Balance at 31 December 2007	**9,386**	**4,265**	**4,242**	**248**	**1,291**	**19,432**
Additions	432	—	—	—	761	**1,193**
Transfers from capital construction-in-progress	—	29	157	4	(190)	—
Decommissioning asset raised (refer to note 39)	4	—	—	—	—	**4**
Disposed of on disposal of subsidiaries (refer to note 43)	—	—	(8)	—	—	**(8)**
Disposals	(25)	(11)	(19)	(1)	(10)	**(66)**
Effect of translation to presentation currency	359	200	207	1	62	**829**
Balance at 30 June 2008	**10,156**	**4,483**	**4,579**	**252**	**1,914**	**21,384**
Accumulated amortisation, depreciation and impairment						
Balance at 31 December 2006	**(933)**	**(883)**	**(783)**	**(34)**	**(81)**	**(2,714)**
Charge for the period	(106)	(79)	(96)	(5)	—	**(286)**
Disposed of on disposal of subsidiaries (refer to note 43)	—	10	1	—	—	**11**
Eliminated on disposals	11	4	22	1	—	**38**
Impairment loss (refer to note 18)	—	—	—	—	(12)	**(12)**
Effect of translation to presentation currency	(19)	(18)	(16)	—	(1)	**(54)**
Balance at 30 June 2007	**(1,047)**	**(966)**	**(872)**	**(38)**	**(94)**	**(3,017)**
Charge for the period	(288)	(122)	(203)	(19)	—	**(632)**
Eliminated on disposals	22	10	17	1	26	**76**
Impairment loss (refer to note 18)	(765)	(10)	(17)	—	4	**(788)**
Reclassified as held for sale (refer to note 33)	—	4	30	—	—	**34**
Effect of translation to presentation currency	(44)	(26)	(41)	(2)	(11)	**(124)**
Balance at 31 December 2007	**(2,122)**	**(1,110)**	**(1,086)**	**(58)**	**(75)**	**(4,451)**
Charge for the period	(293)	(118)	(219)	(12)	—	**(642)**
Disposed of on disposal of subsidiaries (refer to note 43)	—	—	3	—	—	**3**
Eliminated on disposals	15	5	12	—	6	**38**
Impairment loss (refer to note 18)	(7)	—	—	—	(162)	**(169)**
Effect of translation to presentation currency	(50)	(53)	(52)	(2)	(4)	**(161)**
Balance at 30 June 2008	**(2,456)**	**(1,276)**	**(1,342)**	**(72)**	**(235)**	**(5,382)**
Carrying value						
30 June 2008	**7,700**	**3,207**	**3,236**	**180**	**1,679**	**16,002**
30 June 2007	**7,563**	**2,313**	**1,893**	**171**	**875**	**12,815**
31 December 2007	**7,264**	**3,155**	**3,156**	**190**	**1,216**	**14,981**

Impairment

LLC "Norilsk-Telecom"

On 2 November 2007, management of the Group made a decision to dispose of LLC "Norilsk-Telecom" ("Norilsk-Telecom") and its subsidiaries. Accordingly, in the consolidated financial statements for the year ended 31 December 2007 associated assets and liabilities of Norilsk-Telecom were presented as held for sale (refer to note 33). The difference between the carrying value of Norilsk-Telecom's net assets as at 31 December 2007 and the expected proceeds from disposal in the amount of USD 15 million was recognised as an impairment of property, plant and equipment.

Tati Nickel, a subsidiary of LionOre

Subsequent to acquisition of LionOre, an extensive feasibility review of the Activox Refinery Project at Tati Nickel, a subsidiary of LionOre, was conducted by management of the Group and an independent third party. The review highlighted a substantial project cost escalation from the feasibility study conducted by the previous owners. The major contributing factors to the substantial cost escalation were:

- an increase in construction and equipment cost worldwide; and
- project management cost worldwide.

In addition, short-term energy capacity constraints being experienced in Southern Africa have been assessed as a risk that would have adversely affected the commissioning time to production and the overall economic of the Activox Refinery Project.

Based on these facts and circumstances management of the Group made a decision to postpone the project indefinitely. As a result, as at 31 December 2007 mineral rights presented within mining assets and goodwill recognised on acquisition of LionOre were impaired in the amounts of USD 765 million and USD 325 million, respectively (refer to note 24).

As at 30 June 2008 management again reviewed estimates of impairment of tangible and intangible assets following the postponement of Activox Refinery Project. As a result, as at 30 June 2008, construction-in-progress in the amount of USD 155 million was impaired and provision for probable cash outflows associated with costs of obligations under certain onerous contracts was recognised in the amount of USD 150 million (refer to note 40).

Others

Additional impairment loss recognised in respect of property, plant and equipment as at 30 June 2008 in the amount of USD 14 million (30 June 2007: USD 12 million; 31 December 2007: USD 20 million) was attributable to the greater than anticipated wear and tear and certain suspended construction projects.

The impairment loss was recorded within other operating expenses in the consolidated income statement.

US Dollars million

24. GOODWILL

	30 June 2008	30 June 2007	31 December 2007
Cost			
Balance at beginning of the period	**4,439**	**25**	**25**
Acquired on acquisition of subsidiaries (refer to note 5)	80	2,001	4,256
Effect of translation to presentation currency	67	–	158
Balance at end of the period	**4,586**	**2,026**	**4,439**
Accumulated impairment losses			
Balance at beginning of the period	**(1,079)**	**–**	**–**
Impairment loss	–	–	(1,079)
Effect of translation to presentation currency	(30)	–	–
Balance at end of the period	**(1,109)**	**–**	**(1,079)**
Carrying value			
Balance at beginning of the period	**3,360**	**25**	**25**
Balance at end of the period	**3,477**	**2,026**	**3,360**

Allocation of goodwill to separate cash-generating units

The carrying amount of goodwill, prior to recognition of impairment loss, was allocated to the following segments and smallest individual cash-generating units within respective segments:

	30 June 2008	30 June 2007	31 December 2007
Mining and metallurgy segment			
LionOre – Botswana operations	1,601	1,481	1,691
LionOre – Australia operations	651	520	596
Total allocated to mining and metallurgy segment	**2,252**	**2,001**	**2,287**
Energy and utilities segment			
OGK-3	2,307	–	2,125
Taimyrenergo	11	10	11
Total allocated to energy and utilities segment	**2,318**	**10**	**2,136**
Total allocated to transport and logistics segment	**16**	**15**	**16**
Total	**4,586**	**2,026**	**4,439**

Impairment

OGK-3

Recoverable amount of goodwill attributable to OGK-3 was determined based on the market value of OGK-3 shares as at 31 December 2007 less cost to sell. As a result of the test, an impairment loss of USD 754 million was recognised.

LionOre

Goodwill impairment test for LionOre was undertaken at 31 December 2007 based on appropriate results and assumptions used in valuation of identifiable assets, liabilities and contingent liabilities of LionOre and its subsidiaries performed as at 28 June 2007 by independent qualified appraiser.

For the purpose of impairment loss assessment management of the Group measured value-in-use of LionOre Group and its subsidiaries based on cash flows expected to be generated by cash-generating units, being the individual mines, smelting and refining operations.

Cash flows were projected up to the expected closure date of mining and metallurgy operations and were based on the assumptions presented below.

The long-term commodity price forecasts for nickel, copper and other by-products, for purposes of performing the value-in-use calculations, is management's best estimates based on their experience of the specific commodities markets as at the date of the impairment test, that are within the range of external market forecasts and are slightly higher than the calculated market average prevailing at the time, varying in accordance with the year in which the sale is expected to occur.

Economically recoverable reserves and resources were primarily based on external mining engineers reports available on the date of impairment test or nearest date when appropriate evaluation work was undertaken.

Inflation expectations and foreign currency trends were in general consistent with external sources of information and are presented below:

Inflation expectations, %	
Botswana	4.00 – 8.10
Australia	3.50 – 4.40
Expected exchange rates	
Botswana Pula/US Dollar	6.17 – 10.34
Australian Dollar/US Dollar	1.14 – 1.28

Discount rates reflect management's assessment of the risks specific to each production unit and are supported by reviews conducted by external valuation specialists. These rates are based on the weighted average cost of capital specific to each cash-generating unit and are presented below:

Discount rates, %	
Botswana	10.40
Australia	6.87

Due to facts and circumstances described in detail in note 23, an impairment loss of USD 325 million was recognised by the Group in respect of goodwill attributable to Tati Nickel, a subsidiary of LionOre as at 31 December 2007.

US Dollars million

25. INTANGIBLE ASSETS

	Patents and licences	Long-term favourable contracts	Software	Other	Total
Cost					
Balance at 31 December 2006	**7**	**103**	**46**	**16**	**172**
Acquired on acquisition of subsidiaries (refer to note 5)	706	–	–	1	**707**
Additions	1	–	6	8	**15**
Effect of translation to presentation currency	1	–	1	1	**3**
Balance at 30 June 2007	**715**	**103**	**53**	**26**	**897**
Acquired on acquisition of subsidiaries (refer to note 5)	–	–	2	–	**2**
Additions	1	–	15	15	**31**
Reclassified as held for sale	–	–	(2)	–	**(2)**
Disposals	–	–	(2)	(1)	**(3)**
Effect of translation to presentation currency	21	–	3	2	**26**
Balance at 31 December 2007	**737**	**103**	**69**	**42**	**951**
Additions	2	–	13	5	**20**
Disposals	–	–	(2)	(3)	**(5)**
Effect of translation to presentation currency	69	–	8	1	**78**
Balance at 30 June 2008	**808**	**103**	**88**	**45**	**1,044**
Accumulated amortisation and impairment					
Balance at 31 December 2006	**(6)**	**(44)**	**(9)**	**(6)**	**(65)**
Charge for the period	(1)	(7)	(6)	(3)	**(17)**
Effect of translation to presentation currency	–	–	(1)	(1)	**(2)**
Balance at 30 June 2007	**(7)**	**(51)**	**(16)**	**(10)**	**(84)**
Charge for the period	(1)	(7)	(7)	(5)	**(20)**
Eliminated on disposals	–	–	2	–	**2**
Balance at 31 December 2007	**(8)**	**(58)**	**(21)**	**(15)**	**(102)**
Charge for the period	(1)	(7)	(6)	(4)	**(18)**
Eliminated on disposals	–	–	2	2	**4**
Effect of translation to presentation currency	–	–	(1)	–	**(1)**
Balance at 30 June 2008	**(9)**	**(65)**	**(26)**	**(17)**	**(117)**
Carrying value					
30 June 2008	**799**	**38**	**62**	**28**	**927**
30 June 2007	**708**	**52**	**37**	**16**	**813**
31 December 2007	**729**	**45**	**48**	**27**	**849**

Included in patents and licenses acquired in 2007 is the right of use to a unique refining technology registered under the trade mark Activox, owned by LionOre. Fair value of the right was determined by an independent professional appraiser and comprised USD 706 million. The right has an indefinite useful life and is not amortised.

Intangible assets include long-term favourable sales contracts that are amortised over their terms of 7 years.

US Dollars million

26. INVESTMENTS IN ASSOCIATES

	30 June 2008	30 June 2007	31 December 2007
Balance at beginning of the period	**879**	**208**	**208**
Acquired during the period	—	3,298	3,298
Established during the period	—	—	28
Acquired on acquisition of subsidiaries (refer to note 5)	—	580	580
Disposed off during the period	—	(1)	(1)
Reclassified from investments available-for-sale due to increase of ownership	—	427	427
Reclassified to investments available-for-sale due to decrease of ownership	(52)	(3)	(3)
Reclassified to investments in subsidiaries due to increase of ownership	—	(196)	(3,832)
Share of post-acquisition profits	28	5	5
Excess of the Group's share in the fair value of associates' identifiable assets, liabilities and contingent liabilities over the cost of acquisition	—	72	72
Dividends received	(6)	(4)	(20)
Impairment	—	—	(1)
Effect of translation to presentation currency	(66)	53	118
Balance at end of the period	**783**	**4,439**	**879**

Details of the Group's associates were as follows:

Name of associate		Market value	Carrying value of investment	Total assets	Total liabilities	Sales	Profit/ (loss)
Six months ended 30 June 2008							
Nkomati Nickel Mine	(iii)	n/a	533	1,108	41	149	78
Smart Hydrogen Incorporated		n/a	110	220	—	—	(2)
OJSC "TGK-14"	(iv)	63	56	321	121	119	(15)
OJSC "Norilskgazprom"		n/a	36	152	31	90	10
OJSC "KTK"	(viii)	n/a	31	62	—	—	2
Other		n/a	17	73	5	201	(36)
			783	**1,936**	**198**	**559**	**37**
Six months ended 30 June 2007							
OJSC "OGK-3"	(vii)	3,806	3,595	7,995	327	579	30
Nkomati Nickel Mine	(iii)	n/a	580	1,283	8	—	—
Smart Hydrogen Incorporated		n/a	112	222	—	—	—
OJSC "TGK-14"	(iv)	87	56	268	68	99	1
OJSC "Norilskgazprom"		n/a	34	140	26	74	12
OJSC "Krasnoyarskenergo"	(i)	161	33	172	48	120	6
OJSC "Kolenergo"	(ii)	44	14	104	48	53	(1)
Other		n/a	15	58	1	167	(4)
			4,439	**10,242**	**526**	**1,092**	**44**
Year ended 31 December 2007							
Nkomati Nickel Mine	(iii)	n/a	575	1,190	40	58	(11)
Smart Hydrogen Incorporated		n/a	111	222	—	—	—
OJSC "TGK-14"	(iv)	74	58	279	73	193	(6)
OJSC "Krasnoyarskenergo"	(i)	170	40	215	60	269	31
OJSC "Norilskgazprom"		n/a	33	148	39	135	6
OJSC "KTK"	(viii)	n/a	28	57	—	—	—
OJSC "Kolenergo"	(ii)	30	17	94	29	104	4
Other		n/a	17	66	3	353	(3)
			879	**2,271**	**244**	**1,112**	**21**

Movements during six months ended 30 June 2008

(i) ***Krasnoyarskenergo.*** On 31 March 2008, as part of reorganization of RAO "UES of Russia", the Group's investment in OJSC "Krasnoyarskenergo" was exchanged for 7,344 million shares of OJSC "MRSK Sibiri". At 30 June 2008 investment in OJSC "MRSK Sibiri" was classified as an available-for-sale security (refer to note 27).

(ii) ***Kolenergo.*** On 1 April 2008, as part of reorganization of RAO "UES of Russia", the Group's investment in OJSC "Kolenergo" was exchanged for 2,453 million shares of OJSC "MRSK Severo-Zapada". At 30 June 2008 investment in OJSC "MRSK Severo-Zapada" was classified as an available-for-sale security (refer to note 27).

Movements during six months ended 30 June 2007

(iii) ***Nkomati Nickel Mine.*** On 28 June 2007, as a part of acquisition of LionOre Mining International Limited (refer to note 5), the Group acquired 50% of share capital of Nkomati Nickel Mine, a South African mining company.

(iv) ***TGK-14.*** On 30 January 2007, the Group acquired 215,412 million ordinary shares, or 27.8% of the issued share capital of OJSC "Territorial Generation Company № 14" ("TGK-14") for cash consideration of USD 44 million. As a result of this transaction, the Group recognised in the consolidated income statement the excess of the Group's share the fair value of TGK-14 identifiable assets, liabilities and contingent liabilities over the cost of the investment in the amount of USD 12 million. In August 2007, TGK-14 increased its share capital through the issuance of additional ordinary shares; as a result, the Group's share in this company decreased to 27.7%.

(v) ***TGK-1.*** In May 2007, as part of reorganization of RAO "UES of Russia", the Group's investment in OJSC "Murmanskaya TEC" was exchanged for 6,743 million shares of TGK-1. At 30 June 2008, 31 December 2007 and 30 June 2007 investment in TGK-1 was classified as investment in listed securities available-for-sale (refer to note 27).

(vi) ***MPI.*** On 1 March 2007, as a part of acquisition of nickel business of OM Group Incorporated, the Group acquired 20% of share capital of MPI Nickel Proprietary Limited for a cash consideration of USD 135 million. As a result of this transaction, the Group recognised in the consolidated income statement the excess of the Group's share in the fair value of MPI Nickel Proprietary Limited identifiable assets, liabilities and contingent liabilities over cost of the investment in the amount of USD 60 million.

On 28 June 2007, an additional 80% of share capital of MPI Nickel Proprietary Limited was acquired by the Group through acquisition of LionOre (refer to note 5).

(vii) ***OGK-3.*** On 26 March 2007, the Group acquired 17,836 million ordinary shares of OJSC "Third Generation Company of the Wholesale Electricity Market" ("OGK-3") for a cash consideration of USD 3,119 million. After completion of this transaction the Group became the owner of 46.9% of OGK-3.

During July-August 2007, the Group acquired an additional 7.2% of interest in OGK-3 for a cash consideration of USD 612 million, increasing its ownership to 54.1% (refer to note 5). After completion of this transaction investment in OGK-3 was consolidated as investment in subsidiary.

Movements during last six months ended 31 December 2007

(viii) ***KTK.*** OJSC "KTK" is a joint venture established in December 2007 for the purpose of generating steam and hot water. The Group contributed share capital of USD 28 million for a 50% interest in this entity.

US Dollars million

27. OTHER FINANCIAL ASSETS

	30 June 2008	30 June 2007	31 December 2007
Non-current			
Available-for-sale investments, at fair value			
Listed securities	2,177	2,451	2,418
Unlisted securities	2	5	5
Held-to-maturity investments, at amortised cost			
Promissory notes receivable	7	1	12
Loans, deposits and receivables, at amortised cost			
Long-term deposits	915	47	521
Long-term loans advanced	18	21	19
Long-term accounts receivable	38	14	7
Advance for acquisition of share of associate	51	—	—
Total non-current	**3,208**	**2,539**	**2,982**
Current			
Available-for-sale investments, at fair value			
Quoted securities	3	40	117
Promissory notes receivable	661	—	618
Held-to-maturity investments, at amortised cost			
Promissory notes receivable	1,071	—	775
Loans and deposits, at amortised cost			
Short-term deposits	896	287	2,832
Short-term loans advanced	83	31	131
Financial assets, at fair value through profit or loss			
Securities held for trading	—	32	—
Total current	**2,714**	**390**	**4,473**

Listed and unlisted securities available-for-sale consisted of shares of the following companies:

RAO UES of Russia	1,573	1,962	1,883
OJSC TGK-1	294	320	281
OJSC MRSK Sibiri	132	—	—
Talvivaara Mining Company Limited	90	55	73
OJSC MRSK Severo-Zapada	26	—	—
Breakaway Resources Limited	16	26	23
Canadian Royalties Incorporated	15	—	21
OJSC TGK-5	15	—	18
OJSC TGK-2	2	—	2
OJSC OGK-5	—	—	107
OJSC Polyus Gold	—	79	89
U.S. Federal Agency Notes	—	36	25
Samara Bearing Plant	—	5	1
Other	19	13	17
Total	**2,182**	**2,496**	**2,540**

In September 2007, OJSC “Fifth Generation Company of the Wholesale Electricity Market” (“OGK-5”) and OJSC “Territorial Generation Company № 5” (“TGK-5”) were spun-off from RAO “UES of Russia” (“RAO UES”) as a part of its reorganisation. In accordance with the restructuring plan all shareholders of RAO UES received ordinary shares of OGK-5 and TGK-5 in proportion to their shareholding in RAO UES. As a result of the spin-off, the Group received 607 million ordinary shares of OGK-5 and 20,043 million ordinary shares of TGK-5.

On 8 February 2008, the Group sold its entire shareholding of 607 million ordinary shares in OGK-5. Net proceeds from the sale amounted to USD 109 million.

Interest rates on short-term deposits held in banks vary from 7.3% to 9.7% per annum (30 June 2007: 6.9 % to 8.5%; 31 December 2007: 7.0% to 8.6%).

Interest rates on long-term deposits held in banks vary from 6.1% to 6.3% per annum (30 June 2007: 6.1% to 7.4%; 31 December 2007: 6.1% to 6.3%).

Long-term loans given include a loan to a related party (refer to note 44) amounting to USD 70 million and bearing interest at LIBOR + 0.75% per annum. The loan is secured by 67% of the shares of Edgar Eclipse Incorporated, a company holding a 99% interest in a property development business. As at 30 June 2008, it was not practicable to determine the fair value of this collateral. As a result, it has been fully impaired.

At 31 December 2007, short-term loans given included loans to several exploration companies, related parties to the Group, in the amount of USD 53 million (30 June 2007: USD nil million) at interest rates varying from 6.4% to 6.5% per annum. During 2007 the Group renegotiated the terms of these loans. Under the new terms the loans were due in 2008 and no impairment loss was recognised as at 31 December 2007. The loans in amount of USD 48 million were repaid during six months ended 30 June 2008.

At 31 December 2007, current listed securities available-for-sale comprised primarily of an investment in OJSC “Polyus Gold” of USD 89 million. On 9 September 2007, the Board of Directors approved a decision to sell its investments in OJSC “Polyus Gold”, and it was reclassified from non-current to current investments within listed securities available-for-sale. On 1 April 2008, the Group sold its stake in OJSC “Polyus Gold” for a cash consideration of USD 99 million.

At 31 December 2007 promissory notes receivable included notes issued by OJSC “Rosbank” in the amount of USD 774 million due on 8 May 2008. The effective interest rate attributable to these promissory notes was 8.5% per annum. These notes were redeemed at the maturity date.

During six months ended 30 June 2008 the Group acquired notes issued by OJSC “Rosbank” in the amount of USD 1,070 million with due dates from August to November 2008. The effective interest rate attributable to these promissory notes varies from 8.5% to 9.5% per annum.

In addition, the Group held notes receivable issued by OJSC “Sberbank” in the amount of USD 661 million, due on 14 November 2009. The effective interest rate attributable to these promissory notes is 8.8% per annum. Management of the Group intends to settle these promissory notes by the end of 2008 and accordingly, they are presented as available-for-sale financial assets.

Advance for shares of associate constituting 160,601 million ordinary shares of OJSC “TGK-14”, an associate of the Group. The shares were aquired in July 2008.

US Dollars million

	30 June 2008	30 June 2007	31 December 2007

28. TAXES

	30 June 2008	30 June 2007	31 December 2007
Taxes receivable			
Value added tax recoverable	652	648	585
Customs duties	57	70	65
Other taxes	9	4	8
	718	722	658
Less: allowance for value added tax recoverable	(26)	(30)	(35)
Total	**692**	**692**	**623**
Less: non-current portion	(43)	(50)	(38)
Current taxes receivable	**649**	**642**	**585**
Taxes payable			
Provision for tax fines and penalties	86	48	76
Value added tax	43	32	28
Unified social tax	34	22	15
Property tax	31	25	31
Tax on mining	18	14	17
Other	29	19	30
Total	**241**	**160**	**197**

29. INVENTORIES

	30 June 2008	30 June 2007	31 December 2007
Refined metals			
Joint products at net production cost	526	576	502
By-products at net realisable value	236	273	190
Work-in-process at net production cost	543	632	456
Total metal inventories	**1,305**	**1,481**	**1,148**
Stores and materials at cost	1,015	861	985
Less: allowance for obsolete and slow-moving items	(26)	(28)	(25)
Net stores and materials	**989**	**833**	**960**
Total inventories	**2,294**	**2,314**	**2,108**

30. TRADE AND OTHER RECEIVABLES

	30 June 2008	30 June 2007	31 December 2007
Trade receivables for metal sales	673	814	713
Other receivables	346	293	288
	1,019	**1,107**	**1,001**
Less: allowance for doubtful debts	(55)	(65)	(52)
Total	**964**	**1,042**	**949**

During six months ended 30 June 2008 the average credit period on metal sales was 0-30 days (30 June 2007: 0-30 days; 31 December 2007: 0-30 days). Trade receivables are generally non-interest bearing. The Group has fully provided for all receivables which were due in excess of 180 days based on the historical experience that such receivables are generally not recoverable. Trade receivables that are past due for less than 180 days are generally not provided for. The payment terms for Tati (Botswana) are set out in the related ore and concentrate sales agreements, which stipulates that payments are due within 150 days for base metals, and varies from 240 to 300 days for precious metals. However for certain agreements, 70% of payments for nickel and 90% payments for other metals are receivable within 60 days.

US Dollars million

The average credit period on sales of electricity and other products and services for the six months ended 30 June 2008 was 12 days (30 June 2007: 25 days; 31 December 2007: 25 days). No interest was charged on these receivables. The Group has provided fully for all other receivables over 365 days based on the historical experience that other receivables that are past due beyond 365 days are generally not recoverable.

Provision in respect of receivables that were less then 365 days old was determined based on the past default experience.

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

Included in the Group's other receivables at 30 June 2008 were debtors with a carrying value of USD 92 million (30 June 2007: USD 77 million; 31 December 2007: USD 76 million) that were past due but not impaired. Management of the Group believes that these amounts are recoverable in full.

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

	30 June 2008	30 June 2007	31 December 2007
Less than 180 days	73	46	36
180-365 days	16	26	35
More than 365 days	3	5	5
	92	**77**	**76**

Movement in the allowance for doubtful debts was as follows:

Balance at beginning of the period	**52**	**71**	**71**
Change in allowance	17	(2)	(9)
Account receivables written-off	(2)	(8)	(16)
Reclassified to long-term accounts receivable	(13)	–	–
Effect of translation to presentation currency	1	4	6
Balance at end of the period	**55**	**65**	**52**

Included in allowance for doubtful debts is a specific allowance against other receivables of USD 2 million (30 June 2007: USD 8 million; 31 December 2007: USD 16 million) from entities placed into bankruptcy. The allowance represents the difference between the carrying amount of these receivables and the present value of the expected proceeds on liquidation. The Group did not hold a collateral in respect of these balances.

31. ADVANCES PAID AND PREPAID EXPENSES

Advances paid	170	161	151
Prepaid insurance	71	41	32
Total	**241**	**202**	**183**

US Dollars million

32. CASH AND CASH EQUIVALENTS

		30 June 2008	30 June 2007	31 December 2007
Bank deposits	- foreign currencies	3,070	864	3,087
	- RUR	968	21	209
Current accounts	- foreign currencies	570	6,397	384
	- RUR	298	222	320
Restricted cash		27	6	6
Other cash and cash equivalents		5	63	2
Total		**4,938**	**7,573**	**4,008**

33. ASSETS CLASSIFIED AS HELD FOR SALE

On 2 November 2007, management of the Group decided to dispose of LLC “Norilsk-Telecom” and its subsidiaries (“Norilsk-Telecom”). The principal activity of Norilsk-Telecom was providing telecommunication services in the Krasnoyarsk kray.

At 31 December 2007 assets and liabilities attributable to Norilsk-Telecom were classified as a disposal group held for sale and presented separately in the consolidated balance sheet. The difference between the carrying value of assets and liabilities and the expected proceeds from disposal of USD 15 million was recognised as impairment loss of property, plant and equipment as at 31 December 2007. The Group’s share in Norilsk-Telecom was sold in May 2008 for a cash consideration of USD 53 million (refer to note 43).

The major classes of assets and liabilities classified as held for sale as at 31 December 2007 were as follows:

	31 December 2007
Property, plant and equipment (refer to note 23)	35
Trade and other receivables	11
Cash and cash equivalents	8
Inventories	2
Other assets	4
Total assets held for sale	**60**
Trade and other payables	4
Employee benefit obligations	2
Other liabilities	3
Total liabilities associated with assets held for sale	**9**
Net assets held for sale	**51**

US Dollars million

34. SHARE CAPITAL

	30 June 2008	30 June 2007	31 December 2007
Authorised, issued and fully paid share capital			
190,627,747 ordinary shares at par value of RUR 1 each	8	8	8
Total	**8**	**8**	**8**
Treasury shares			
30 June 2008: 1,710,884 ordinary shares	–	–	–
30 June 2007: 9,209,834 ordinary shares	–	(999)	–
31 December 2007: 1,710,884 ordinary shares	–	–	–
Total	**–**	**(999)**	**–**
Number of ordinary shares in issue at end of the period	188,916,863	181,417,913	188,916,863
Weighted average number of ordinary shares in issue during the period	188,916,863	181,417,913	182,362,986

On 16 November 2007, 7,498,950 of the Company's shares were reissued from treasury stock at USD 285 per share for a total consideration of USD 2,137 million. Direct expenses in the amount of USD 10 million and income tax associated with reissuance in the amount of USD 272 million were deducted from proceeds.

US Dollars million

35. OTHER RESERVES

	Option premium on convertible notes	Investments revaluation reserve	Hedging reserve	Revaluation surplus	Translation reserve	Total
Balance at 31 December 2006	–	**997**	**(15)**	–	**1,580**	**2,562**
Increase in fair value of available-for-sale investments	–	539	–	–	–	**539**
Loss on cash flow hedge	–	–	(14)	–	–	**(14)**
Translation of foreign operations	–	–	–	–	(9)	**(9)**
Effect of translation to presentation currency	–	–	–	–	275	**275**
Net income recognised directly in equity	–	**539**	**(14)**	–	**266**	**791**
Other reserves disposed of on disposal of subsidiaries	–	–	–	–	(5)	**(5)**
Total recognised income and expense	–	**539**	**(14)**	–	**261**	**786**
Balance at 30 June 2007 (as previously reported)	–	**1,536**	**(29)**	–	**1,841**	**3,348**
Adjustments to provisional values	–	(242)	–	43	2	**(197)**
Balance at 30 June 2007 (as restated)	–	**1,294**	**(29)**	**43**	**1,843**	**3,151**
Decrease in fair value of available-for-sale investments	–	(54)	–	–	–	**(54)**
Effect of change in classification of available-for-sale investments to investments in associates due to increase of ownership	–	–	–	–	(4)	**(4)**
Loss on cash flow hedge	–	–	(2)	–	–	**(2)**
Translation of foreign operations	–	–	–	–	(189)	**(189)**
Effect of translation to presentation currency	–	–	–	–	916	**916**
Net income recognised directly in equity	–	**(54)**	**(2)**	–	**723**	**667**
Impairment of available-for-sale investments	–	24	–	–	–	**24**
Total recognised income and expense	–	**(30)**	**(2)**	–	**723**	**691**
Issuance of ordinary shares from treasury stock, net of direct expenses and attributable income tax	–	–	–	–	(77)	**(77)**
Balance at 31 December 2007	–	**1,264**	**(31)**	**43**	**2,489**	**3,765**
Decrease in fair value of available-for-sale investments	–	(229)	–	–	–	**(229)**
Gain on cash flow hedge	–	–	3	–	–	**3**
Translation of foreign operations	–	–	–	–	(311)	**(311)**
Effect of translation to presentation currency	–	–	–	–	947	**947**
Net income recognised directly in equity	–	**(229)**	**3**	–	**636**	**410**
Realised gain on disposal of available-for-sale investments	–	(119)	–	–	(3)	**(122)**
Realised gain on disposal of cash flow hedge	–	–	2	–	–	**2**
Other reserves disposed of on disposal of subsidiaries	–	–	–	–	(9)	**(9)**
Total recognised income and expense	–	**(348)**	**5**	–	**624**	**281**
Issuance of convertible notes	19	–	–	–	–	**19**
Balance at 30 June 2008	**19**	**916**	**(26)**	**43**	**3,113**	**4,065**

US Dollars million

36. BORROWINGS

		Currency	Rate,%	30 June 2008	30 June 2007	31 December 2007
Bank loans						
Societe Generale, syndicated loan	(i)	USD	LIBOR + 0.53-0.60	3,478	3,467	3,473
Calyon, syndicated loan	(ii)	USD	LIBOR + 0.85-1.00	1,482	–	–
Sberbank	(iii)	RUR	8.75	640	–	612
Societe Generale, syndicated loan	(iv)	USD	LIBOR + 0.43	450	–	200
Societe Generale, syndicated loan	(v)	USD	LIBOR + 0.75	160	–	–
Bank of Moscow	(vi)	RUR	10.05	45	–	–
ANZ Syndicate	(vii)	AUD	BBSY + 0.61-1.01	24	105	66
Toronto Dominion	(viii)	USD	LIBOR + 2.50	–	96	95
BNP Paribas	(ix)	USD	LIBOR + 0.30-0.40	–	2,100	2,497
Other		vary	vary	18	39	25
Promissory notes	(x)	RUR	5.50	–	–	580
Guaranteed notes	(xi)	USD	7.125	500	499	499
Exempt Facility Reversal Bonds Series 2000	(xii)	USD	8.57	29	29	29
Bank overdrafts		USD	6.13-6.15	–	28	–
Convertible notes LionOre	(xiii)	USD	n/a	–	680	–
Convertible notes Stillwater Mining Company	(xiv)	USD	2.38	78	–	–
Total				**6,904**	**7,043**	**8,076**
Less: current portion due within twelve months and presented under short-term borrowings				**(1,332)**	**(2,924)**	**(3,973)**
Long-term borrowings				**5,572**	**4,119**	**4,103**

The maturity profile of the Group's borrowings is as follows:

	30 June 2008	30 June 2007	31 December 2007
Due within one month	618	124	8
Due from one to three months	46	698	598
Due from three to twelve months	668	2,102	3,367
Total short-term borrowings	**1,332**	**2,924**	**3,973**
Due in the second year	3,135	24	827
Due in the third year	1,662	2,648	2,247
Due in the fourth year	666	753	665
Due in the fifth year	–	661	333
Due thereafter	109	33	31
Total long-term borrowings	**5,572**	**4,119**	**4,103**
Total	**6,904**	**7,043**	**8,076**

(i) ***Societe Generale*** – A USD 3,500 million syndicated loan consisting of two credit lines for USD 2,000 million and USD 1,500 million is arranged by Societe Generale and BNP Paribas. The credit line in the amount of USD 2,000 million is arranged for five years at floating rate of LIBOR + 0.53% (effective rate 3.01%) per annum up to 29 June 2010 and LIBOR + 0.60% (effective rate 3.08%) per annum thereafter and secured by assignment of rights for proceeds from nickel and copper supply agreements of Metal Trade Overseas S.A. and Norilsk Nickel Europe Limited, subsidiaries of the Group. The secured credit line in the amount of USD 2,000 million is to be repaid in equal quarterly instalments with the final instalment due on 29 June 2012. The credit line in the amount of USD 1,500 million is unsecured and arranged for three years, and is due in full in June 2010. Interest is payable on a monthly basis and the interest rate can vary on the base of credit rating of the Company.

The Group is obliged to comply with a number of restrictive financial and other covenants, including maintaining certain financial ratios and restrictions on pledging and disposal of certain assets.

(ii) ***Calyon*** – A USD 1,500 million syndicated loan arranged by Calyon, the Bank of Tokyo-Mitsubishi UFJ Limited, Bayerische Hypo- und Vereinsbank AG, ING Wholesale Banking, Societe Generale, Sumitomo Mitsui Finance Dublin Limited, The Royal Bank of Scotland Plc and WestLB AG consists of three credit lines of USD 750 million secured long-term loan, a USD 550 million secured revolving credit facility and a USD 200 million unsecured revolving facility. The credit lines in the amount of USD 750 million and USD 550 million are arranged for three years at floating rate of LIBOR + 0.85% (effective rate 3.33%) per annum and secured by assignment of rights for proceeds from metal supply agreements of Metal Trade Overseas S.A. and Norilsk Nickel Europe Limited, subsidiaries of the Group. The credit line in the amount of USD 200 million is arranged for three years at floating rate of LIBOR + 1% (effective rate 3.48%) per annum. These credit lines are to be repaid in six equal quarterly instalments after eighteen months grace period with the final instalment due on 26 June 2011. Interest is payable on a monthly basis for revolving credit facilities of USD 550 million and USD 200 million and on a quarterly basis for sequred long-term loan of USD 750 million.

The Group is obliged to comply with a number of restrictive financial and other covenants, including maintaining certain financial ratios and restrictions on pledging and disposal of certain assets.

(iii) ***Sberbank*** – A USD 640 million unsecured loan, with a fixed rate of 8.75% per annum, is due in full in November 2008. Interest is payable on a monthly basis.

(iv) ***Societe Generale*** – A USD 450 million syndicated unsecured revolving credit facility arranged by Societe Generale, Barclays Capital and ING Wholesale Banking , with a floating rate of LIBOR + 0.43% (effective rate 2.91%) per annum, due in full in July 2008. Interest is payable on a monthly basis.

The Group is obliged to comply with a number of restrictive financial and other covenants, including maintaining certain financial ratios and restrictions on pledging and disposal of certain assets.

(v) ***Societe Generale*** – A USD 400 million syndicated secured revolving credit facility arranged by Societe Generale, with outstanding principal of USD 160 million and a floating rate of LIBOR + 0.75% (effective rate 3.23%) per annum, due in full in July 2008. The credit facility is secured by assignment of rights for proceeds from metal supply agreements of Metal Trade Overseas S.A. and Norilsk Nickel Europe Limited, subsidiaries of the Group. Interest is payable on a monthly basis.

The Group is obliged to comply with a number of restrictive financial and other covenants, including maintaining certain financial ratios and restrictions on pledging and disposal of certain assets.

(vi) ***Bank of Moscow*** – A USD 45 million loan with a fixed rate 10.05% per annum, due in full in September 2008 and is secured by 2,137 million shares of OGK-3, a subsidiary of the Group.

(vii) ***ANZ Syndicate*** – A USD 118 million credit facility arranged by LionOre Mining International Limited, a subsidiary of the Group, with outstanding principle of USD 24 million, that is secured by shares of subsidiaries of LionOre Group located in Australia. The loan is to be repaid in equal monthly instalments starting from March 2007, with the final instalment repayable in December 2008. The interest rate varies from the Bill Rate of the Reserve Bank of Australia ("BBSY") + 0.61% (effective rate 8.81%) to BBSY + 1.01% (effective rate 9.21%) per annum.

(viii) ***Toronto Dominion*** – A USD 250 million credit facility arranged by Stillwater Mining Company, a subsidiary of the Group, at floating rate of LIBOR + 2.50% (effective rate 7.38%) per annum. The loan was repaid on 12 March 2008.

US Dollars million

(ix) ***BNP Paribas*** – A USD 2,500 million unsecured loan arranged by BNP Paribas and Societe Generale consists of two credit lines of USD 1,000 million and USD 1,500 million. A credit line in the amount of USD 1,000 million was arranged at floating rate of LIBOR + 0.30% (effective rate 5.16%) per annum and was fully repaid in June 2008. A credit line in the amount of USD 1,500 million was arranged at floating rate of LIBOR + 0.40% (effective rates 5.26% and 5.64% for different tranches) per annum, and was also repaid in June 2008.

(x) ***Promissory notes*** – Promissory notes were issued by OJSC "MMC Norilsk Nickel" in September 2007 with an effective interest rate 5.50% per annum. The promissory notes were redeemed in full in the period from February to April 2008.

(xi) ***Guaranteed notes*** – On 30 September 2004, Norilsk Nickel Luxemburg S.A., a wholly owned subsidiary of the Group, issued USD 500 million 7.125% notes. The notes were issued at par value with an interest payable semi-annually in arrears on 30 March and 30 September, and the principal due on 30 September 2009. The notes are unconditionally and irrevocably guaranteed by OJSC "MMC Norilsk Nickel".

(xii) ***Exempt Facility Reversal Bonds Series 2000*** – A USD 29 million of bonds issued by Stillwater Mining Company, a subsidiary of the Group, on 6 July 2002, with an effective interest rate of 8.57% and due in full on 1 July 2020. Interest is payable semi-annually.

(xiii) ***Convertible Notes LionOre*** – A USD 613 million liability for acquisition of approximately 23.5 million of shares of LionOre upon conversion of notes under the Group's mandatory offer together with USD 67 million cash incentive payable to noteholders for complete conversion of the notes to shares of LionOre. These amounts were paid in full in July-August 2007 (refer to note 5).

(xiv) ***Convertible Notes Stillwater Mining Company*** – On 12 March 2008, Stillwater Mining Company, a subsidiary of the Group, issued 181,500 convertible notes, at an issue price of USD 1,000 per note, out of which 80,000 notes were acquired by the Group. The conversion price is at a premium of 32% to the share price of the ordinary shares at the date the convertible notes were issued.

Conversion may occur at any time between 12 March 2008 and 15 March 2028. If the notes are not converted, they can be redeemed during the period from 22 March 2013 to 15 March 2028 but not later than 15 March 2028 at USD 1,000 per note. Interest of 1.875% per annum is payable semi-annually in arrears on 15 March and 15 September until the settlement date.

The net proceeds received from the issue of the notes have been split between the liability element and an equity component, representing the residual attributable to the option to convert the liability into equity of the Group, as follows:

Proceeds of issue (net of debt issuance costs)	97
Liability component at date of issue	(78)
Equity component	**19**

The equity component of USD 19 million has been credited to equity.

The interest charged for the period is calculated by applying an effective interest rate of 2.38%. The liability component is measured at amortised cost.

The option premium on convertible notes represents equity component (conversion rights) on 101,500 (net of 80,000 held by the Group) 1.875% convertible notes issued during the period.

US Dollars million

37. EMPLOYEE BENEFIT OBLIGATIONS

The most recent actuarial valuations of plans assets and the present value of the defined benefit obligation were carried out at 31 December 2007.

	30 June 2008	30 June 2007	31 December 2007
Defined benefit pension plans assets	6	37	8
Total assets	**6**	**37**	**8**
Accrual for annual leave	184	159	164
Wages and salaries	152	89	206
Defined contribution obligations	9	14	11
Defined benefit obligations	8	1	6
Other	3	23	2
Total obligations	**356**	**286**	**389**
Less: current portion due within twelve months and presented under current liabilities	(346)	(275)	(378)
Long-term employee benefit obligations	**10**	**11**	**11**

Defined benefit plans

	30 June 2008	30 June 2007	31 December 2007
Present value of defined benefit obligations	288	127	240
Fair value of plans assets	(186)	(120)	(148)
Present value of unfunded obligations	**102**	**7**	**92**
Plan assets above limits	17	—	19
Unrecognised past service cost	(2)	—	(1)
Unrecognised actuarial losses	(115)	(43)	(112)
	2	**(36)**	**(2)**

Amounts recognised in the consolidated income statement were as follows:

	Six months ended 30 June 2008	Six months ended 30 June 2008	Year ended 31 December 2007
Current service costs	1	1	2
Expected return on plans assets	(6)	(3)	(8)
Additional cost arising from new plan members	—	—	15
Net actuarial losses recognised during the year	3	3	22
Plan assets above limits recognised during the year	17	—	19
Gain arising from curtailment	—	—	(5)
Interest expense	8	4	10
Total	**23**	**5**	**55**

US Dollars million

Movements in the present value of the defined benefit obligations were as follows:

	Lifelong professional pension plan	Joint corporate pension plan	Other
Balance at 31 December 2006	**81**	**38**	**–**
Current service cost	–	1	–
Interest cost	4	–	–
Actuarial loss/(gain)	1	(1)	–
Effect of translation to presentation currency	2	1	–
Balance at 30 June 2007	**88**	**39**	**–**
Acquired on acquisition of subsidiaries	–	–	16
Benefits paid	(6)	(4)	–
Current service cost	–	15	1
Interest cost	2	3	1
Actuarial loss/(gain)	91	(6)	2
Gain on curtailment	–	–	(9)
Effect of translation to presentation currency	4	3	–
Balance at 31 December 2007	**179**	**50**	**11**
Benefits paid	(5)	(1)	–
Current service cost	–	1	–
Interest cost	6	2	–
Actuarial loss	18	14	–
Effect of translation to presentation currency	10	2	1
Balance at 30 June 2008	**208**	**68**	**12**

Movements in the fair value of plans assets were as follows:

	Lifelong professional pension plan	Joint corporate pension plan
Balance at 31 December 2006	**–**	**11**
Contributions from the employer	65	44
Expected return on plans assets	2	1
Benefits paid	(3)	–
Balance at 30 June 2007	**64**	**56**
Contributions from the employer	5	20
Expected return on plans assets	2	3
Actuarial gain	–	(2)
Benefits paid	(3)	(4)
Effect of translation to presentation currency	4	3
Balance at 31 December 2007	**72**	**76**
Contributions from the employer	19	11
Expected return on plans assets	3	3
Benefits paid	(4)	(1)
Effect of translation to presentation currency	4	3
Balance at 30 June 2008	**94**	**92**

The Group’s pension plans are managed by a non-state Pension Fund “Norilsk Nickel”. Contributions from the Group to this Fund for the six months ended 30 June 2008 amounted to USD 62 million (30 June 2007: USD 126 million; 31 December 2007: USD 201 million).

US Dollars million

The major categories of pension plans assets and the expected rate of return at the balance sheet dates for each category were as follows:

	Expected return		
	30 June 2008	**30 June 2007**	**31 December 2007**
Equity instruments	9.8%	46.7%	9.8%
Bonds	6.6%	7.9%	6.6%
Deposits	6.6%	8.7%	6.6%
Other	0.0%	4.9%	–
Weighted average expected return	**7.4%**	**10.4%**	**7.4%**

	Fair value of pension plans assets		
	30 June 2008	**30 June 2007**	**31 December 2007**
Equity instruments	29	31	37
Bonds	107	82	76
Deposits	20	1	35
Other	30	6	–
Total pension plan assets	**186**	**120**	**148**

The following table is a summary of the present value of defined benefit obligations and fair value of the pension plans assets for 30 June 2008 and 2007 and previous four annual periods:

	30 June 2008	**30 June 2007**	**31 December 2007**	**31 December 2006**	**31 December 2005**	**31 December 2004**
Defined benefit obligations	288	127	240	119	104	70
Plans assets	(186)	(120)	(148)	(11)	–	–
Deficit	**102**	**7**	**92**	**108**	**104**	**70**

Key assumptions used in estimation of defined benefit obligations were as follows:

	30 June 2008	**30 June 2007**	**31 December 2007**
Discount rate	6.6%	7.0%	6.6%
Expected rate of return on plans assets	7.4%	10.4%	7.4%
Pre-retirement increases to capital accounts	6.6%	4.5%	6.6%
Future salary increases	6.6%	6.7%	6.6%
Future pension increases	9.2%	5.2%	9.2%
Average life expectancy of members from the date of retirement	17 years	17 years	17 years

US Dollars million

Defined contribution plans

Amounts recognised in the consolidated income statement in respect of defined contribution plans were the following:

	30 June 2008	30 June 2007	31 December 2007
Pension Fund of the Russian Federation	96	87	199
Corporate pension option program	–	–	56
Stillwater Mining Company savings plan	3	2	5
Shared accumulated pension plan	30	–	1
Other	6	–	13
Total	**135**	**89**	**274**

38. SHARE APPRECIATION RIGHTS

OJSC "MMC Norilsk Nickel" long term key management personnel compensation plan

On 7 April 2008, the Group granted Share Appreciation Rights ("SARs") to key management personnel of the Russian entites of the Group that entitle them to a cash payment. The amount of the cash payment to eligible employees is determined based on a number of vested phantom shares, the increase in the share price of the Company and the achievement of targeted excess of total shareholders return growth over total shareholders return growth of the companies comprising HSBC Index, between grant date and vesting dates. The expected future dividends were incorporated in the option fair value determination by adding them back to estimated weighted average price of the company at the corresponding point of time. The program is divided into 3 stages and is effective until 6 April 2011.

Norilsk Nickel International long term employee incentive plan, 2008-2010

On 1 January 2008, the Group granted SARs to key management personnel of the foreign entities of the Group that entitle the key management employees to a cash payment. The amount of the cash payment to eligible employees is determined based on number of vested phantom shares, volume-weighted Company's share price for the calendar quarter preceding vesting date and achievement of targeted volumes of salable nickel production, between grant date and vesting dates. In calculation of fair value of share appreciation rights for each of the vesting year, the present value of dividends assumed to be paid before the movement of vesting is subtracted from the value of the stock as at valuation date, which is a start value of the future share price development.The program is divided into 3 annual stages and is effective till 31 December 2010.

The compensation cost related to SARs and the corresponding liability, are set out in the table below:

	MMC NN incentive plan	NN International incentive plan
Expense arising from SARs granted for the period	24	4
Balance at end of the period	**24**	**4**

US Dollars million

The significant assumptions used in the valuation model regarding amount of liabilities for cash-settled arrangements were as follows:

	MMC NN incentive plan	NN International incentive plan
Expected volatility of the Company share on MICEX	36.0%	36.0%
Expected volatility of the Company share on LSE	43.0%	n/a
Expected volatility of HSBC Index	24.0%	n/a
Risk-free interest rate	2.2% - 2.6%	2.0% - 2.6%
Dividend yield on HSBC Index	2.3% - 2.5%	n/a
Expected salable nickel production volumes for 2008 year, tonnes	n/a	78,148
Expected salable nickel production volumes for 2009 year, tonnes	n/a	95,066
Expected salable nickel production volumes for 2010 year, tonnes	n/a	120,616

39. ENVIRONMENTAL OBLIGATIONS

	30 June 2008	30 June 2007	31 December 2007
Decommissioning obligations	621	429	557
Provision for land restoration	15	5	26
Total	**636**	**434**	**583**
Balance at beginning of the period	**583**	**322**	**322**
New obligations raised (refer to note 23)	1	–	3
Change in estimate (refer to note 23)	3	–	86
Acquired on acquisition of subsidiaries (refer to note 5)	–	95	95
Unwinding of discount on decommissioning obligations (refer to note 19)	18	10	23
Charge to the income statement	–	–	30
Effect of translation to presentation currency	31	7	24
Balance at end of the period	**636**	**434**	**583**

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

	30 June 2008	30 June 2007	31 December 2007
Discount rates	6.0% - 7.7%	5.8% - 7.7%	6.0% - 7.7%
Future expected increase of expenses	25.0%	25.0%	25.0%
Expected closure date of mines	2010 - 2057	2007 - 2064	2009 - 2056

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

	30 June 2008	30 June 2007	31 December 2007
Due from second to fifth year	155	112	148
Due from sixth to tenth year	91	45	72
Due from eleventh to fifteenth year	57	55	53
Due from sixteenth to twentieth year	177	86	156
Due thereafter	156	136	154
	636	**434**	**583**

US Dollars million

40. TRADE AND OTHER PAYABLES

	30 June 2008	30 June 2007	31 December 2007
Financial liabilities			
Trade payables	366	283	352
Deferred consideration for acquisition of LionOre Group	—	5,252	—
Insurance payable	35	17	22
Payables for property, plant and equipment	38	38	44
Other creditors	170	298	168
Total financial liabilities	**609**	**5,888**	**586**
Non-financial liabilities			
Provision for onerous contracts	150	—	—
Total non-financial liabilities	**150**	**—**	**—**
Total	**759**	**5,888**	**586**

The maturity profile of the Group's trade and other payables was as follows:

	30 June 2008	30 June 2007	31 December 2007
Due within one month	293	5,685	406
Due from one to three months	272	113	45
Due from three to twelve months	44	90	135
Total	**609**	**5,888**	**586**

Provision for onerous contracts represents management's best estimate of probable cash outflows associated with costs of obligations under certain construction-in-progress contracts (refer to note 23).

The timing of future cash outflows in settling these obligations is uncertain and may occur beyond the next twelve months.

41. DERIVATIVE FINANCIAL LIABILITIES

	30 June 2008	30 June 2007	31 December 2007
Cash flow hedges			
Nickel future contracts	5	—	10
Platinum future contracts	—	16	6
Total cash flow hedges	**5**	**16**	**16**
At fair value through profit and loss			
Derivatives held for trading	7	80	11
Total at fair value through profit and loss	**7**	**80**	**11**
Less: current portion due within twelve months and presented under current liabilities	**(7)**	**(64)**	**(24)**
Long-term derivative financial liabilities	**5**	**32**	**3**

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

	30 June 2008	30 June 2007	31 December 2007
Cash flow hedges			
Due within one month	2	11	2
Due from one to three months	1	3	7
Due from three to twelve months	2	2	7
Total	**5**	**16**	**16**

US Dollars million

	30 June 2008	30 June 2007	31 December 2007
At fair value through profit and loss			
Due within three months	–	8	2
Due from three to twelve months	2	40	6
Due from one to five years	5	32	3
Total	**7**	**80**	**11**

Derivative financial liabilities designated as at fair value through profit and loss were as follows:

	30 June 2008	30 June 2007	31 December 2007
Derivatives held for trading at fair value	7	80	11
	7	**80**	**11**
Change in fair value recognised during the year attributable to changes in market risk factors	3	–	72
Cumulative changes in fair value attributable to changes in market risk factors	**3**	**–**	**72**

Derivatives held for trading represent nickel and copper forward contracts entered into by Norilsk Nickel Africa after the approval of the Activox Project in August 2006 and valued as at 30 June 2008 at the fair value of total portfolio of forward contracts. The portfolio consisted of contracts with expiry dates between July 2007 and 31 December 2009 for nickel and 31 December 2008 for copper and is revalued on a monthly basis by reference to relevant nickel and copper forward prices.

42. DIVIDENDS

	30 June 2008	30 June 2007	31 December 2007
On 30 June 2008, the Company declared a final dividend in respect of the year ended 31 December 2007 in the amount of RUR 112 (USD 4.77) per share. The dividend was paid to shareholders on 29 August 2008. The amount is net of USD 8 million paid to Group subsidiaries.	902	–	–
On 21 December 2007, the Company declared an interim dividend in respect of the year ended 31 December 2007 in the amount of RUR 108 (USD 4.36) per share. The dividend was paid to shareholders on 7 February 2008. The amount is net of USD 7 million paid to Group subsidiaries.	–	–	792
On 28 June 2007, the Company declared a final dividend in respect of the year ended 31 December 2006 in the amount of RUR 120 (USD 4.64) per share. The dividend was paid to shareholders on 16 August 2007. The amount is net of USD 8 million paid to Group subsidiaries.	–	842	842
Total	**902**	**842**	**1,634**

US Dollars million

On 26 June 2008, the shareholders of OJSC “OGK-3”, a subsidiary of the Group, approved dividends in amount of USD 14 million, USD 5 million of which are payable to the minority shareholders. Dividends were not paid as of 30 June 2008.

43. DISPOSAL OF SUBSIDIARIES

On 5 May 2008, the Group sold its interest in LLC “Norilsk-Telecom”, a 100% subsidiary of the Group, for a cash consideration of USD 53 million. The carrying value of Norilsk Telecom net assets at the date of disposal amounted to USD 55 million.

On 24 March 2008, the Group sold its interest in Nor-Med Limited, a 75% subsidiary of the Group, for a cash consideration of USD 2 million. The carrying value of Nor-Med Limited net assets at the date of disposal amounted to USD 3 million.

On 25 May 2007, the Group sold its interest in Vimon Investments Limited BVI, a company which owned the entire share capital of CJSC “Kraus-M”, a subsidiary of the Group, to a related party for a cash consideration of less than USD 1 million (refer to note 44). Under the terms of the sale agreement, intragroup debt of Vimon Investments Limited amounting to USD 41 million was assigned to the buyer. The carrying value of Vimon Investments Limited net assets at the date of disposal amounted to USD 18 million.

Net assets of the subsidiaries disposed of were as follows:

	30 June 2008	30 June 2007	31 December 2007
Property, plant and equipment	45	73	73
Intangible assets	1	–	–
Trade and other receivables	22	3	3
Inventories	3	–	–
Other taxes receivable	1	4	4
Cash and cash equivalents	8	–	–
Employee benefit obligations	(2)	–	–
Deferred tax liabilities	(3)	(14)	(14)
Borrowings	(6)	(48)	(48)
Trade and other payables	(11)	–	–
Group’s share of assets disposed of	**58**	**18**	**18**
Loss on disposal	(3)	(18)	(18)
Proceeds from disposal of subsidiary	**55**	–	–
Less: Cash and cash equivalents disposed of	(8)	–	–
Net cash inflow from disposal of subsidiaries	**47**	–	–

44. RELATED PARTIES

Related parties are considered to include shareholders, affiliates and entities under common ownership and control with the Group and members of key management personnel. The Company and its subsidiaries, in the ordinary course of their business, enter into various sale, purchase and service transactions with related parties.

Transactions with related parties

	Sale of goods	Purchase of goods	Purchase of services	Purchase of investments
Six months ended 30 June 2008				
Company	–	6	14	4
Subsidiaries of the Group	11	43	27	–
Total	**11**	**49**	**41**	**4**

US Dollars million

	Sale of goods	Purchase of goods	Purchase of services	Purchase of investments
Six months ended 30 June 2007				
Company	46	–	2	1
Subsidiaries of the Group	10	205	25	–
Total	**56**	**205**	**27**	**1**
Year ended 31 December 2007				
Company	121	11	44	72
Subsidiaries of the Group	94	242	60	–
Total	**215**	**253**	**104**	**72**

Interest income received by the Group from related parties amounted to USD 14 million for the six months ended 30 June 2008 (30 June 2007: USD 7 million; 31 December 2007: USD 26 million).

In May 2007, the Group sold its investment in a subsidiary to a related party for a cash consideration of less than USD 1 million (refer to note 43).

Outstanding balances with related parties

	Loans and borrowings	Investments and cash	Trade receivables	Trade payables
30 June 2008				
Company	–	60	2	6
Subsidiaries of the Group	–	–	2	7
Total	**–**	**60**	**4**	**13**
30 June 2007				
Company	–	65	53	–
Subsidiaries of the Group	14	175	18	17
Total	**14**	**240**	**71**	**17**
31 December 2007				
Company	–	477	22	29
Subsidiaries of the Group	8	1,031	10	8
Total	**8**	**1,508**	**32**	**37**

All balances are unsecured and expected to be settled in cash. At 30 June 2008 impairment provision for a loan provided to a related party amounted to USD 70 million (30 June 2007: USD 70 million; 31 December 2007: USD 70 million).

Compensation of key management personnel

Remuneration of key management personnel of the Group were as follows:

	Six months ended 30 June 2008	Six months ended 30 June 2007	Year ended 31 December 2007
Share appreciation rights	10	–	–
Salary and performance bonuses	8	14	40
Social security taxes	1	1	1
Total	**19**	**15**	**41**

US Dollars million

45. COMMITMENTS

Operating leases

The land in the Russian Federation on which the Group's production facilities are located is owned by the state. The Group leases land through operating lease agreements, which expire in various years through 2054. According to the terms of lease agreements rent fees are revised annually by reference to an order issued by the respective local authorities. The Group entities have a renewal option at the end of lease period and an option to buy land at any time, at price established by the local authorities.

Future minimum lease payments due under non-cancellable operating lease agreements at 30 June 2008 were as follows:

Due within one year	21
From one to five years	59
Thereafter	28
Total	**108**

Intergovernmental agreement with Kingdom of Norway

In 2001 the governments of the Russian Federation and Kingdom of Norway signed an intergovernmental agreement in respect of provision of technical assistance in the reconstruction of metallurgical facilities of Pechenganickel Combine, a branch of OJSC "Kolskaya Mining and Metallurgical Company".

At 30 June 2008 total investment in the reconstruction of metallurgical facilities was agreed to be USD 164 million and financed as follows:

Grants from Kingdom of Norway	31
Loan from Nordic Investment Bank	30
Contribution by the Group	103
Total	**164**

At 30 June 2008 total investment in reconstruction of metallurgical facilities of Pechenganickel Combine amounted to USD 18 million.

Long-term contract with Talvivaara

Norilsk Nickel Harjavalta Oy, a subsidiary of the Group, has entered into a ten-year agreement with Talvivaaran Kaivososakeyhtiö Oy ("Talvivaara") to purchase the total output of intermediate product containing nickel and cobalt at future prevailing market prices. During this period the Group is obliged to purchase at least 300,000 tons of nickel.

Long-term contracts with OM Group

In 2007, the Group entered into a five-year supply agreement with OM Group Incorporated to supply up to 2,500 metric tonnes (mt) per year of cobalt metal, up to 2,500 mt per year of cobalt contained in cobalt hydroxide concentrate and up to 1,500 mt per year of cobalt contained in cobalt sulphate solution, along with various nickel and copper based raw materials produced by Norilsk Nickel Harjavalta Oy.

Social commitments

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

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

46. CONTINGENCIES

Onerous contracts

In addition to the provision for onerous contracts recognised as at 30 June 2008 (refer to notes 23 and 40) management estimate of additional future cash flows for costs related to certain construction-in-progress contracts amounts to USD 44 million.

Litigation

At 30 June 2008 unresolved tax litigation amounted to approximately USD 50 million (30 June 2007: USD 73 million; 31 December 2007: USD 55 million). Management believes that the risk of an unfavourable outcome of the litigation is possible.

In 2007 Federal Service for Supervision of Natural Resource Usage of the Russian Federation ("Federal Service") required the Group to compensate for the damage of water resources in the amount of USD 300 million. In 2008 Federal Service has filed a lawsuit against the Group in the amount of USD 185 million. Management of the Group estimates the risk of satisfying claims related to compensation for environmental damage as possible.

In addition, the Group had a number of claims and litigation relating to sales and purchases of goods and services from suppliers. Management believes that none of these claims, individually or in aggregate, will have a material adverse impact on the Group.

Taxation contingencies in the Russian Federation

The taxation system in the Russian Federation is at the development stage, and is characterised by numerous taxes, frequent changes and inconsistent enforcement at federal, regional and local levels.

The government of the Russian Federation has commenced a revision of the Russian tax system and passed certain laws implementing tax reform. The new laws reduce the number of taxes and overall tax burden on businesses and simplify tax litigation. However, these new tax laws continue to rely heavily on the interpretation of local tax officials and fail to address many existing problems. Many issues associated with practical implication of new legislation are unclear and complicate the Group's tax planning and related business decisions.

In terms of Russian tax legislation, authorities have a period of up to three years to re-open tax declarations for further inspection. Changes in the tax system that may be applied retrospectively by authorities could affect the Group's previously submitted and assessed tax declarations.

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

With regards to matters where practice concerning payment of taxes is unclear, management estimate possible tax exposure at 30 June 2008 to be USD 243 million (30 June 2007: USD 148 million; 31 December 2007: USD 146 million).

Environmental matters

The Group is subject to extensive federal, state and local environmental controls and regulations in the countries in which it operates. The Group's operations involve the discharge of materials and contaminants into the environment and the disturbance of land that could potentially impact on flora and fauna, and give rise to other environmental concerns.

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

The Group is obliged in terms of various laws, mining licenses and 'use of mineral rights' agreements to decommission mine facilities on cessation of its mining operations and to restore and rehabilitate the environment. Management of the Group regularly reassesses environmental obligations related to its operations. Estimates are based on management's understanding of current legal requirements and the terms of license agreements. Should the requirements of applicable environmental legislation change or be clarified, the Group may incur additional environmental obligations.

Russian Federation risk

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

47. FINANCIAL RISK MANAGEMENT

Capital risk management

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

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

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

The Group is subject to external capital requirements imposed by banks on certain loans, such as gearing ratio of not higher than 75%. During six months ended 30 June 2008 the Group complied with all the external capital requirements.

US Dollars million

Financial risk factors and risk management structure

In the normal course of its operations, the Group is exposed to a variety of financial risks: market risk (including interest rate, currency and equity instruments price risk), credit risk and liquidity risk. The Group has in place risk management structure and control procedures to facilitate the measurement, evaluation and control of these exposures and related risk management activities.

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

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely impact the financial results of the Group.

The Group's interest rate risk arises from long- and short-term borrowings at floating rates. During six months ended 30 June 2008 and year ended 31 December 2007 the Group's borrowings at floating rates were denominated in US Dollars. At 30 June 2008, the Group also had a credit facility denominated in Australian Dollars with interest rate varying according to Bill Rate of Bank of Australia ("BBSY").

The Group performs thorough analysis of its interest rate risk exposure regularly. Various scenarios are simulated. Based on these scenarios, the Group is able to calculate the financial impact of an interest rate shift of 1%.

The table below details the Group's sensitivity to a 1% change in those borrowings subject to a floating rate. The sensitivity analysis is prepared assuming that the amount liabilities at floating rates outstanding at the balance sheet date were outstanding for the whole period.

	LIBOR–impact			BBSY–impact		
	Six months ended 30 June 2008	Six months ended 30 June 2007	Year ended 31 December 2007	Six months ended 30 June 2008	Six months ended 30 June 2007	Year ended 31 December 2007
Loss or gain	56	57	62	1	1	1

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

Currency risk

Currency risk is the risk that changes in exchange rates will adversely impact the financial results of the Group.

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

US Dollars million

The carrying amounts of monetary assets and liabilities denominated in foreign currencies other than functional currencies of the individual Group entities as at 30 June 2008, 30 June 2007 and 31 December 2007 were as follows:

	Assets			Liabilities		
	30 June 2008	**30 June 2007**	**31 December 2007**	**30 June 2008**	**30 June 2007**	**31 December 2007**
USD	4,645	7,757	5,273	6,184	6,231	6,764
EURO	141	69	66	29	80	86
AUD	1	–	2	–	–	–
Other currencies	17	29	21	8	17	14
Total	**4,804**	**7,855**	**5,362**	**6,221**	**6,328**	**6,864**

Currency risk is monitored on a monthly basis utilising sensitivity analysis to assess whether a risk for a potential loss is at an acceptable level. The Group calculates the financial impact of exchange rate fluctuations within 5% on profit for the year in respect of USD-denominated monetary assets and liabilities for the entities which functional currency differs from USD. The following table presents the sensitivity of the Group's profit before tax to a 5% strengthening of the functional currencies of the Group entities against USD.

	US Dollars – impact		
	Six months ended 30 June 2008	**Six months ended 30 June 2007**	**Year ended 31 December 2007**
USD/RUR	85	(57)	86
USD/BWP	(8)	(20)	(12)
USD/AUD	–	–	–

Management has assessed that the Group's exposure to currency risk is at an acceptable level and thus no exchange rate hedges are required.

Equity investments price risk

The Group is also exposed to equity investments price risk arising from equity investments. Certain portion of the Group's investments is held for strategic rather than trading purposes. The sensitivity analysis below has been determined based on the exposure to equity price risks at the reporting date.

If equity prices had been 15% higher/lower:

- profit for the six months ended 30 June 2008 would increase/decrease by USD nil million (30 June 2007: USD 5 million; 31 December 2007: USD nil million), as a result of change in fair value of securities held for trading; and
- investment revaluation reserve within equity balance would increase/decrease by USD 327 million (30 June 2007: USD 374 million; 31 December 2007: USD 380 million), as a result of change in fair value of listed securities available-for-sale.

During the six months ended 30 June 2008 the Group's sensitivity to equity investments price risk did not change significantly compared to 2007 year.

Credit risk

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

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

Credit limits for the Group as a whole are not set up.

The outstanding balances of ten major counterparties are presented below:

	30 June 2008	30 June 2007	31 December 2007
Bank A	2,766	6,166	3,438
Bank B	1,284	191	665
Bank C	425	148	642
Bank D	198	122	593
Bank E	150	111	550
Total	**4,823**	**6,738**	**5,888**
Counterparty A	63	47	10
Counterparty B	38	16	37
Counterparty C	24	–	40
Counterparty D	18	11	41
Counterparty E	14	16	5
Total	**157**	**90**	**133**

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

	Six months ended 30 June 2008			Year ended 31 December 2007		
	Number of customers	Turnover, USD million	%	Number of customers	Turnover, USD million	%
Largest customer	1	495	6	1	1,392	8
Next 9 largest customers	9	2,103	25	9	4,589	27
Total	**10**	**2,598**	**31**	**10**	**5,981**	**35**
Next 10 largest customers	10	1,030	12	10	1,986	12
Total	**20**	**3,628**	**43**	**20**	**7,967**	**47**
Remaining customers		4,683	57		9,152	53
Total		**8,311**	**100**		**17,119**	**100**

The Group had a concentration of cash and bank deposits with a related party commercial bank, that at 31 December 2007 represented 9% of total cash and bank deposit balance (30 June 2007: 3%). During the six months ended 30 June 2008 this bank ceased to be a related party of the Group.

The Group believes that there is no other significant concentration of credit risk.

US Dollars million

The maximum exposure to credit risk for cash and cash equivalents, loans and trade and other receivables is as follows:

	30 June 2008	30 June 2007	31 December 2007
Cash and cash equivalents	4,938	7,573	4,008
Loans and trade and other receivables	2,914	1,442	4,459

Liquidity risk

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

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

Presented below is the maturity profile of the Group's borrowings (maturity profiles for other liabilities presented in notes 40 and 41) based on contractual undiscounted payments, including interest:

30 June 2008	Total	Due within one month	Due from one to three months	Due from three to twelve months	Due in the second year	Due in the third year	Due in the fourth year	Due in the fifth year	Due there-after
Fixed rate bank loans and borrowings									
Principle	**1,310**	8	46	644	503	–	–	–	109
Interest	**124**	8	16	36	13	4	4	4	39
	1,434	**16**	**62**	**680**	**516**	**4**	**4**	**4**	**148**
Floating rate bank loans									
Principle	**5,594**	610	–	24	2,632	1,662	666	–	–
Interest	**359**	15	27	118	142	49	8	–	–
	5,953	**625**	**27**	**142**	**2,774**	**1,711**	**674**	**–**	**–**
Total	**7,387**	**641**	**89**	**822**	**3,290**	**1,715**	**678**	**4**	**148**
30 June 2007									
Fixed rate bank loans and borrowings									
Principle	**1,416**	124	659	1	3	501	95	1	32
Interest	**113**	4	7	29	38	11	2	2	20
	1,529	**128**	**666**	**30**	**41**	**512**	**97**	**3**	**52**
Floating rate bank loans									
Principle	**5,672**	–	24	2,161	20	2,147	660	660	–
Interest	**819**	28	57	255	214	189	61	15	–
	6,491	**28**	**81**	**2,416**	**234**	**2,336**	**721**	**675**	**–**
Total	**8,020**	**156**	**747**	**2,446**	**275**	**2,848**	**818**	**678**	**52**

US Dollars million

31 December 2007	Total	Due within one month	Due from one to three months	Due from three to twelve months	Due in the second year	Due in the third year	Due in the fourth year	Due in the fifth year	Due there-after
Fixed rate bank loans and borrowings									
Principle	**1,745**	8	376	824	504	2	–	–	31
Interest	**148**	10	19	65	29	2	2	2	19
	1,893	**18**	**395**	**889**	**533**	**4**	**2**	**2**	**50**
Floating rate bank loans									
Principle	**6,331**	–	222	2,543	323	2,245	665	333	–
Interest	**606**	29	57	183	190	113	32	2	–
	6,937	**29**	**279**	**2,726**	**513**	**2,358**	**697**	**335**	**–**
Total	**8,830**	**47**	**674**	**3,615**	**1,046**	**2,362**	**699**	**337**	**50**

At 30 June 2008, 30 June 2007 and 31 December 2007 the Group had financing facilities for the management of its day to day liquidity requirements available with the following banks:

	30 June 2008	30 June 2007	31 December 2007
Committed credit lines			
Syndicated credit facilities arranged by BNP Paribas Suisse S.A. and Societe Generale	3,500	–	6,000
Syndicated credit facility arranged by the Bank of Tokyo-Mitsubishi UFJ Limited, Bayerische Hypo-und Vereinsbank AG (a member of the UniCredit Group), Calyon, ING Wholesale Banking, Societe Generale, Sumitomo Mitsui Banking Corporation, The Royal Bank of Scotland Plc and WestLB AG	1,500	–	–
OJSC “Sberbank”	640	542	611
Syndicated revolving credit facility arranged by Barclays Capital, ING Wholesale Banking and Societe Generale	450	450	450
Syndicated revolving credit facility arranged by Societe Generale	400	400	400
Total committed credit lines	**6,490**	**1,392**	**7,461**
Uncommitted credit lines			
OJSC “VTB Bank”	551	267	489
OJSC “GPB”	200	120	–
CJSC CIB “Calyon Rusbank”	150	65	65
CJSC “BNP Pariba”	125	50	75
CJSC “ING Bank (Eurasia)”	100	100	100
CJSC “Commerzbank (Eurasia)”	100	40	40
CJSC “Raiffeisenbank Austria”	100	30	40
CJSC “WestLB Vostok”	97	90	83
LLC “Deutsche Bank”	63	54	58
CJSC “Dresdner Bank”	50	50	50
OJSC “Uralsib Bank”	50	–	50
OJSC “Bank Moskvy”	43	–	–
CJSC “Banque Societe Generale Vostok”	40	40	40
CJSC “Natexis Bank”	30	50	50
CJSC “Citibank”	25	25	25
OJSC KB “MBRD”	20	20	20
OJSC “Evrofinance Mosnarbank”	–	38	38
LLC “HSBC Bank (RR)”	–	–	40
Total uncommitted credit lines	**1,744**	**1,039**	**1,263**

US Dollars million

	30 June 2008	30 June 2007	31 December 2007
Bank overdraft facilities			
Rosbank (Russia)	107	97	102
ING (Switzerland)	100	100	100
BNP Paribas Suisse S.A. (Switzerland)	75	75	75
Credit Suisse (Switzerland)	75	75	75
Natexis (France)	75	75	75
Banque Cantonale Vaudoise (Switzerland)	50	50	50
Sampo (Finland)	49	42	45
UBS (Switzerland)	40	40	40
Total bank overdraft facilities	**571**	**554**	**562**
Total borrowing facilities	**8,805**	**2,985**	**9,286**
Less: outstanding letters of credit	(644)	(210)	(587)
Bank overdrafts received	–	(28)	–
Less: obtained bank loans related to the above facilities	(6,250)	–	(6,811)
Net facilities available	**1,911**	**2,747**	**1,888**

48. FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair values of certain financial instruments have been determined using available market information or other valuation methodologies that require considerable judgment in interpreting market data and developing estimates. Accordingly, the estimates applied are not necessarily indicative of the amounts that the Group could realise in a current market exchange. The use of different assumptions and estimation methodologies may have a material impact on the estimated fair values.

Where it was available, management of the Group determined fair value of unlisted shares using a valuation technique that was supported by publicly available market information. In the absence of such information available-for-sale investments, were presented at cost, net of impairment.

At 30 June 2008, the estimated fair values of financial assets, including cash and cash equivalents, investments in securities, trade and other receivables, loans given and promissory notes, derivative financial liabilities and trade and other payables approximated their carrying values due to the short-term nature of these instruments. At 30 June 2008, corporate bonds amounting to USD 500 million and due in 2009 had a fair value of 105.08% or USD 525 million. The fair values of other fixed-rate debt and floating-rate debt approximate their carrying values.

49. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

The reorganization of RAO UES of Russia

On 1 July 2008, the second stage of the reorganization of RAO UES of Russia was completed. As a result, the Group received shares of wholesale generating, territorial generating and federal grid companies that were under control of RAO UES of Russia, in proportion to its stake in RAO UES of Russia.

Acquistion of minority interest

On 11 July 2008, the Group filed a mandatory minority shareholder squeeze out offer of USD 17 million for a 1.1% stake in OJSC "RAO Norilsk Nickel", a 98.9% subsidiary of the Group, by minority shareholders.

Loan issued to related party

In July 2008 the Group issued a loan to related party in the amount of USD 70 million.

Buy-back of the Group's issued ordinary shares

On 22 August 2008, the Group announced a voluntary buy-back of 7,947,000 of its issued ordinary shares (about 4% of authorised share capital of the Company). Shares will be purchased in the period from 29 October 2008 to 27 November 2008 from shareholders of the Company on a pro rata basis at RUB 6,167 (USD 254) per share, which is a volume weighted average share market price for the period from 15 February 2008 to 15 August 2008.

Trust management agreements

In September 2008 three subsidiaries of the Group – OJSC "Norilsky Kombinat", OJSC "Kolskaya Mining and Metallurgical Company" and OJSC "OGK-3" – have adopted resolutions that allow them to deposit available cash resources in amount of USD 1,760 million under trust management agreements with OJSC AKB "Rosbank" and other financial organisations. In accordance with adopted resolutions of these subsidiaries the financial organisations under the trust management agreements can acquire up to 16,500,000 shares of the Company, which represent 8.7% of its share capital.

As at 30 September 2008 the subsidiaries of the Group transferred cash in the amount of USD 1,016 million under trust management agreements.

50. INVESTMENTS IN SIGNIFICANT SUBSIDIARIES AND ASSOCIATES

Subsidiaries by business segments	Country	Nature of business	Effective % held 30 June 2008	30 June 2007	31 December 2007
Mining and metallurgy					
OJSC "RAO "Norilsk Nickel"	Russian Federation	Investment holding	98.9	98.9	98.9
CJSC "NORMETIMPEX"	Russian Federation	Distribution	100.0	100.0	100.0
OJSC "Kolskaya Mining and Metallurgical Company"	Russian Federation	Mining	100.0	100.0	100.0
LLC "Institut Gypronickel"	Russian Federation	Science	100.0	100.0	100.0
OJSC "Norilsky Kombinat"	Russian Federation	Rental of equipment	98.8	98.8	98.8
OJSC "Kombinat "Severonickel"	Russian Federation	Rental of equipment	98.9	98.9	98.9
OJSC "Gornometallurgichesky Kombinat "Pechenganickel"	Russian Federation	Rental of equipment	98.9	98.9	98.9
LLC "Noriskgeologiya"[1]	Russian Federation	Geological works	100.0	99.5	100.0
LLC "GRK "Bystrinskoye"	Russian Federation	Mining	98.8	98.8	98.8
Norilsk Nickel (Asia) Limited	China	Distribution	100.0	100.0	100.0
Norimet Limited	Great Britain	Investment holding	100.0	100.0	100.0
Norilsk Nickel Europe Limited	Great Britain	Distribution	100.0	100.0	100.0
Norilsk Nickel Finance Luxembourg S.A.	Luxembourg	Financing	100.0	100.0	100.0
Norilsk Nickel Holding S.A.	Switzerland	Investment holding	100.0	100.0	100.0
Metal Trade Overseas S.A.	Switzerland	Distribution	100.0	100.0	100.0
Stillwater Mining Company	United States of America	Mining	53.5	54.1	54.5
Norilsk Nickel USA	United States of America	Distribution	100.0	100.0	100.0
Norilsk Nickel (Cyprus) Limited	Cyprus	Investment holding	100.0	100.0	100.0
Norilsk Nickel Harjavalta Oy[2]	Finland	Metallurgy	100.0	100.0	100.0
Norilsk Nickel Finland Oy[2]	Finland	Investment holding	100.0	100.0	100.0
Norilsk Nickel Cawse Pty Limited[2]	Australia	Mining	100.0	100.0	100.0
MPI Nickel Limited[2]	Australia	Mining	100.0	90.7	100.0
Norilsk Nickel Australia Pty Limited[2]	Australia	Mining	100.0	90.7	100.0
Norilsk Process Technology Pty Limited[2]	Australia	Science	100.0	90.7	100.0
Tati Nickel Mining Company Pty Limited[2]	Botswana	Mining	85.00	77.1	85.0
Norilsk Nickel Africa Pty Limited[2]	Republic of South Africa	Mining	100.0	90.7	100.0
Energy and utility					
OJSC "Taimyrgaz"	Russian Federation	Gas extraction	98.4	98.4	98.4
OJSC "Norilsko-Taimyrskaya Energeticheskaya Kompaniya"[3]	Russian Federation	Electricity production and distribution	100.0	100.0	100.0
OJSC "Taimyrenergo"	Russian Federation	Rental of equipment	98.8	98.8	98.8
OJSC "OGK-3"[2]	Russian Federation	Electricity production and distribution	68.0	46.9	65.2
Transport and logistics					
LLC "Terminal"	Russian Federation	Sea shipping operations	100.0	100.0	100.0
OJSC "Yenisey River Shipping Company"	Russian Federation	River shipping operations	43.9	43.9	43.9
OJSC "Arkhangelsk Sea Commercial Port"[4]	Russian Federation	Sea shipping operations	72.5	53.1	53.1
CJSC "Alykel"	Russian Federation	Airport	100.0	100.0	100.0
CJSC "Taimyrskaya Toplivnaya Kompaniya"	Russian Federation	Supplier of fuel	100.0	100.0	100.0
Other					
LLC "Norilsknickelremont"	Russian Federation	Repairs	100.0	100.0	100.0
LLC "UK "Zapolyarnaya stolitsa"	Russian Federation	Subcontractor in construction	100.0	100.0	100.0
LLC "Norilsk Telecom"[5]	Russian Federation	Telecommunications	–	100.0	100.0
LLC "Zapoliarnaya stroitelnaya companiya"	Russian Federation	Construction	100.0	100.0	100.0
LLC "Norilskyi obespechivaushyi complex"	Russian Federation	Production of spare parts	98.8	98.8	98.8

[1] Established as part of reorganisation of OJSC "MMC Norilsk Nickel".
[2] Established or acquired in 2007 (refer to notes 5 and 26).
[3] Increase of ownership in 2007 (refer to note 5).
[4] Increase in ownership during the six months ended 30 June 2008 (refer to note 5).
[5] Disposed of during six months ended 30 June 2008 (refer to note 43).

			Effective % held		
Associates by business segments	**Country**	**Nature of business**	**30 June 2008**	**30 June 2007**	**31 December 2007**
Mining and metallurgy					
Nkomati Nickel Mine[1]	Republic of South Africa	Mining	50.0	50.0	50.0
Energy and utility					
Smart Hydrogen Incorporated	British Virgin Islands	Holding company	50.0	50.0	50.0
OJSC "TGK-14"[1]	Russian Federation	Electricity production and distribution	27.7	27.8	27.7
OJSC "Krasnoyarskenergo"[2]	Russian Federation	Electricity production and distribution	–	25.7	25.7
OJSC "Norilskgazprom"	Russian Federation	Gas extraction	29.4	29.4	29.4
OJSC "Kolenergo"[3]	Russian Federation	Electricity production and distribution	–	24.9	24.9
OJSC "KTK"[4]	Russian Federation	Steam and hot water production	50.0	–	50.0

[1] Acquired in 2007 (refer to note 26).
[2] Reorganised to OJSC "MRSK Sibiri" (refer to note 26).
[3] Reorganised to OJSC "MRSK Severo-Zapada" (refer to note 26).
[4] Established in 2007 (refer to note 26).