Mining and Metallurgical Company Norilsk Nickel

Interim condensed consolidated financial statements (unaudited)

for the six months ended 30 June 2010

MINING AND METALLURGICAL COMPANY NORILSK NICKEL

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MINING AND METALLURGICAL COMPANY NORILSK NICKEL

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated on the independent auditors' report 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 interim condensed consolidated financial statements of Open Joint Stock Company "Mining and Metallurgical Company Norilsk Nickel" and its subsidiaries (the "Group").

Management is responsible for the preparation of interim condensed consolidated financial statements that present fairly the consolidated financial position of the Group as at 30 June 2010 and consolidated statements of income, comprehensive income, cash flows and changes in equity for the six months then ended, in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34").

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

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

Management, within its competencies, is also responsible for:

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

The interim condensed consolidated financial statements for the six months ended 30 June 2010 were approved by:

V.I. Strzhalkovsky
General Director

D.R. Kostoev
Deputy General Director

Moscow, Russia
07 October 2010

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Independent Auditors' Report

To the Board of Directors of OJSC "Mining and Metallurgical Company Norilsk Nickel"

Report on the Interim Condensed Consolidated Financial Statements

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of OJSC "Mining and Metallurgical Company Norilsk Nickel" (the "Company") and its subsidiaries (the "Group") as at 30 June 2010, and the related interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six month period then ended and a summary of selected explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on these interim condensed consolidated 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 interim condensed consolidated financial information 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 interim condensed consolidated financial statements as at 30 June 2010 and for the six month period then ended are not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

ZAO KPMG

ZAO KPMG
7 October 2010

ZAO KPMG, a company incorporated under the Laws of the Russian Federation, a subsidiary of KPMG Europe LLP, and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2010

US Dollars million

	Notes	For the six months ended 30 June 2010	For the six months ended 30 June 2009
Revenue			
Metal sales	7.1	5,852	3,289
Other sales	7.2	985	789
Total revenue		**6,837**	**4,078**
Cost of metal sales	8.1	(2,424)	(2,004)
Cost of other sales	8.2	(968)	(737)
Gross profit		**3,445**	**1,337**
Selling and distribution expenses	9	(125)	(55)
General and administrative expenses	10	(338)	(273)
Other net operating expenses	11	(29)	(46)
Operating profit		**2,953**	**963**
Finance costs		(52)	(98)
Income from investments, net		102	66
Foreign exchange loss, net		(74)	(304)
Excess of the Group's share in the fair value of net assets acquired over the cost of acquisition		–	4
Share of profits/(losses) of associates		19	(15)
Profit before tax		**2,948**	**616**
Income tax expense			
Current income tax expense		(633)	(185)
Deferred tax benefit		30	8
Total income tax expense		**(603)**	**(177)**
Profit for the period		**2,345**	**439**
Attributable to:			
Shareholders of the parent company		2,333	419
Non-controlling interests		12	20
		2,345	**439**
EARNINGS PER SHARE			
Weighted average number of ordinary shares in issue during the period	17	175,113,679	174,362,861
Basic and diluted earnings per share attributable to shareholders of the parent company (US Dollars per share)		13.3	2.4

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2010

US Dollars million

	For the six months ended 30 June 2010	For the six months ended 30 June 2009
Profit for the period	**2,345**	**439**
Other comprehensive income/(loss)		
Effect of translation to presentation currency and translation of foreign operations	(513)	(466)
Increase in fair value of available-for-sale investments and gain on cash flow hedge	46	271
Realised gain on disposal of available-for-sale investments and cash flow hedge	(32)	(6)
Other comprehensive loss for the period, net of tax	**(499)**	**(201)**
Total comprehensive income for the period, net of tax	**1,846**	**238**
Attributable to:		
Shareholders of the parent company	1,859	283
Non-controlling interests	(13)	(45)
	1,846	**238**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2010

US Dollars million

	Notes	30 June 2010	31 December 2009
ASSETS			
Non-current assets			
Property, plant and equipment	13	10,918	11,017
Goodwill		1,163	1,200
Intangible assets		193	204
Investments in associates	14	876	880
Other financial assets	15	1,075	918
Other taxes receivable		106	75
Deferred tax assets		77	58
		14,408	**14,352**
Current assets			
Inventories		2,197	1,990
Trade and other receivables		1,111	978
Advances paid and prepaid expenses		123	89
Other financial assets	15	2,031	1,098
Income tax receivable		95	147
Other taxes receivable		427	442
Cash and cash equivalents	16	2,284	3,632
		8,268	**8,376**
Assets classified as held for sale	12	21	32
		8,289	**8,408**
TOTAL ASSETS		**22,697**	**22,760**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	17	8	8
Share premium		1,413	1,390
Treasury shares	17	(2,733)	(2,719)
Other reserves	18	(1,078)	(604)
Retained earnings		16,750	15,600
Equity attributable to shareholders of the parent company		**14,360**	**13,675**
Non-controlling interests		1,067	1,080
		15,427	**14,755**
Non-current liabilities			
Loans and borrowings	19	1,514	2,345
Obligations under finance leases		22	33
Employee benefit obligations		34	42
Environmental obligations		591	593
Deferred tax liabilities		859	880
		3,020	**3,893**
Current liabilities			
Loans and borrowings	19	1,768	2,972
Dividends payable	17	1,183	7
Obligations under finance leases		14	14
Employee benefit obligations		328	375
Trade and other payables		559	523
Income tax payable		184	21
Other taxes payable		214	200
		4,250	**4,112**
TOTAL LIABILITIES		**7,270**	**8,005**
TOTAL EQUITY AND LIABILITIES		**22,697**	**22,760**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2010

US Dollars million

	For the six months ended 30 June 2010	For the six months ended 30 June 2009
OPERATING ACTIVITIES		
Profit before tax	**2,948**	**616**
Adjustments for:		
Depreciation and impairment of property, plant and equipment	400	408
Amortisation and impairment of intangible assets	19	26
Impairment of assets classified as held for sale	11	6
Share of post-acquisition (profit)/losses and impairment of investments in associates	(19)	15
Gain on disposal of available-for-sale investments	(43)	(4)
Change in provision for onerous contracts	(23)	(5)
Finance costs	52	98
Interest income	(74)	(59)
Foreign exchange loss, net	74	304
Other	1	2
	3,346	**1,407**
Movements in working capital:		
Inventories	(289)	(7)
Trade and other receivables	(147)	(193)
Advances paid and prepaid expenses	(82)	(44)
Other tax receivables	(62)	(41)
Employee benefit obligations	(46)	(65)
Trade and other payables	138	43
Other taxes payable	26	6
Cash generated from operations	**2,884**	**1,106**
Interest paid	(24)	(76)
Income tax paid	(415)	(98)
Net cash generated from operating activities	**2,445**	**932**
INVESTING ACTIVITIES		
Proceeds from disposal of subsidiaries	–	1
Acquisition and advances paid for acquisition of associates	(5)	(42)
Proceeds from disposal of associates	–	26
Purchase of property, plant and equipment	(705)	(470)
Proceeds from disposal of property, plant and equipment	16	16
Purchase of intangible assets	(14)	(6)
Purchase of other financial assets	(495)	(21)
Net change in deposits placed	(948)	360
Proceeds from sale of other financial assets	349	83
Net cash used in investing activities	**(1,802)**	**(53)**
FINANCING ACTIVITIES		
Proceeds from borrowings	145	45
Repayments of borrowings	(2,092)	(373)
Buy back of issued shares	–	(26)
Income tax paid on transfer of treasury shares from the Company to its subsidiaries	(102)	(74)
Proceeds from re-issuance of ordinary shares from treasury stock	111	–
Dividends paid by the Group's subsidiaries to non-controlling shareholders	(3)	–
Net cash used in financing activities	**(1,941)**	**(428)**
Net (decrease)/increase in cash and cash equivalents	**(1,298)**	**451**
Cash and cash equivalents at beginning of the period	**3,632**	**1,995**
Effect of foreign exchange differences on balances of cash and cash equivalents and translation to presentation currency	(50)	(123)
Cash and cash equivalents at end of the period	**2,284**	**2,323**

MINING AND METALLURGICAL COMPANY NORILSK NICKEL

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2010

US Dollars million

	Attributable to shareholders of the parent company						Non-controlling interests	Total
	Share capital	Share premium	Treasury shares	Other reserves	Retained earnings	Total		
Balance at 1 January 2009	**8**	**1,390**	**(2,615)**	**(1,052)**	**13,000**	**10,731**	**1,054**	**11,785**
Profit for the period	–	–	–	–	419	**419**	20	**439**
Other comprehensive loss (refer to note 18)	–	–	–	(136)	–	**(136)**	(65)	**(201)**
Total comprehensive (loss)/income	**–**	**–**	**–**	**(136)**	**419**	**283**	**(45)**	**238**
Buy back of issued shares (refer to note 17)	–	–	(26)	–	–	**(26)**	–	**(26)**
Income tax paid on transfer of treasury shares from Company to its subsidiaries (refer to note 17)	–	–	(74)	–	–	**(74)**	–	**(74)**
Increase of non-controlling interests due to decrease of ownership in subsidiaries without change of control	–	–	–	–	–	**–**	2	**2**
Decrease of non-controlling interests due to increase of ownership in subsidiaries without change of control	–	–	–	–	–	**–**	(2)	**(2)**
Balance at 30 June 2009	**8**	**1,390**	**(2,715)**	**(1,188)**	**13,419**	**10,914**	**1,009**	**11,923**
Balance at 1 January 2010	**8**	**1,390**	**(2,719)**	**(604)**	**15,600**	**13,675**	**1,080**	**14,755**
Dividends (refer to note 17)	–	–	–	–	(1,183)	**(1,183)**	–	**(1,183)**
Profit for the period	–	–	–	–	2,333	**2,333**	12	**2,345**
Other comprehensive loss (refer to note 18)	–	–	–	(474)	–	**(474)**	(25)	**(499)**
Total comprehensive (loss)/income	**–**	**–**	**–**	**(474)**	**2,333**	**1,859**	**(13)**	**1,846**
Sales of ordinary shares from treasury stock (refer to note 17)	–	23	88	–	–	**111**	–	**111**
Income tax paid on transfer of treasury shares from Company to its subsidiaries (refer to note 17)	–	–	(102)	–	–	**(102)**	–	**(102)**
Balance at 30 June 2010	**8**	**1,413**	**(2,733)**	**(1,078)**	**16,750**	**14,360**	**1,067**	**15,427**

US Dollars million

1. GENERAL INFORMATION

Organisation and principal business activities

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

Major production facilities of the Group are located in Taimyr and Kola Peninsulas of the Russian Federation, Australia, Botswana, Finland, South African Republic and in the United States of America. The registered office of the Company is located in Russian Federation, Krasnoyarsk region, Dudinka, postal address: 2, Gvardeyskaya square, Norilsk, Russian Federation.

Foreign currency exchange rates

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

	30 June 2010	30 June 2009	31 December 2009
Russian Rouble/US Dollar			
Period-end rates	31.20	31.29	30.24
Average for the period ended	30.07	33.07	31.72
Botswana Pula/US Dollar			
Period-end rates	6.93	6.71	6.58
Average for the period ended	6.76	7.41	6.99
Australia Dollar/US Dollar			
Period-end rates	1.17	1.24	1.12
Average for the period ended	1.12	1.40	1.26

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2010 have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34").

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2009, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2009, except for:

Adoption of new and revised standards and interpretations

In the preparation of these interim condensed consolidated financial statements the Group has adopted all new International Financial Reporting Standards and Interpretations issued by International Financial Reporting Committee ("IFRIC") that are mandatory for adoption in annual periods beginnings on or after 1 January 2010.

The principal changes arising from adoption of these Standards and Interpretations are as follows:

IFRS 3 *Business Combinations* (revised and effective 1 July 2009)

The revised Standard introduces significant changes in the accounting for business combinations occurring after 1 January 2010, the date when the Group adopted the revised Standard.

The principal changes due to adoption of the revised Standard and their impacts on the interim condensed consolidated financial statements were presented as follows:

- to allow a choice on a transaction-by-transaction basis for the measurement of non-controlling interests (previously referred to as *Minority Interests*);
- to change the recognition and subsequent accounting requirements for contingent consideration. Whereas, under the previous version of the Standard, contingent consideration was recognised at the acquisition date only if it met probability and reliability measurements criteria, under the revised Standard the consideration for the acquisition always includes the fair value of any contingent consideration. Once the fair value of the contingent consideration at the acquisition date has been determined, subsequent adjustments are made against goodwill only to the extent that they reflect fair value at the acquisition date, and they occur within *Measurement Period* (a maximum of twelve months from the acquisition date). Under previous version of the Standard, adjustments to contingent consideration were always made against goodwill;
- where the business combination in effect settles a pre-existing relationships between the Group and the acquiree, to require the recognition of a settlement gain or loss, measured at fair value on non-contractual relationships; and
- to require that acquisition related costs be accounted for separately from the business combination, generally leading to those costs being expensed when incurred, whereas previously they were accounted for as part of the cost of the business combination.

The Group has amended its accounting policy for business combinations to comply with requirements of revised Standard. Adoption of the revised Standard had no effect on the financial position nor the performance of the Group due to absence of business combinations during the interim period. The revised Standard is expected to affect the accounting for business combinations in future periods, but the impact will only be determined once details of future business combination transactions is known.

IAS 27 *Consolidated and Separate Financial Statements* (revised and effective 1 July 2009)

The revised Standard has resulted in changes in the Group's accounting policies regarding change (increase or decrease) in the Group's ownership in its subsidiaries, without loss of control. In prior years, in the absence of specific requirements in IFRSs, increases of ownership in existing subsidiaries of the Group were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. The impact of decreases of ownership in existing subsidiaries of the Group that did not involve loss of control (being the difference between consideration received and the carrying amount of the share in net assets disposed of) was recognised in profit or loss. Under revised Standard, all changes in ownership (increases and decreased without loss of control) are dealt with in equity, with no impact on goodwill or profit or loss. The revision of IAS 27 also affects the accounting for non-controlling interest in the Group's subsidiaries. Under the revised Standard total comprehensive income is attributable to the owners of the Company and to non-controlling interests even if this results in non-controlling interests having a deficit balance.

When control over a subsidiary is lost as a result of a transaction, event or other circumstances, the revised Standard requires that the Group derecognises all assets, liabilities and non-controlling interests at their carrying value. Any retained interest in the former subsidiary is recognised at its fair value at the date that control is lost. A gain or loss on loss of control is recognised in profit or loss as the difference between the proceeds, if any.

Adoption of the revised Standard has also resulted in recognition as at 30 June 2010 of accumulated deficit of USD 2 million within non-controlling interests, which would not be recognised under the previous version of the Standard.

IAS 28 *Investments in Associates* (revised and effective 1 July 2009)

The principle adopted in the revised Standard that a change in accounting basis is recognised as a disposal and re-acquisition at fair value is extended by consequential amendments to IAS 27 *Consolidated and Separate Financial Statements* such that, on the loss of significant influence, the investor measures at fair value any investment retained in the former associate.

Adoption of the revised Standard had no effect on the financial position nor the performance of the Group.

US Dollars million

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF UNCERTAINTY ESTIMATION

The critical accounting judgments, estimates and assumptions made by management of the Group and applied in these interim condensed consolidated financial statements for the six months ended 30 June 2010 are consistent with those applied in the preparation of annual consolidated financial statements of the Group for the year ended 31 December 2009.

5. RECLASSIFICATIONS

Certain comparative information, presented in the Group's interim condensed consolidated financial statements for the six months ended 30 June 2009 and for the year ended 31 December 2009, 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 or combined presentation of certain types of income and expenses, and liabilities on the face of the interim condensed consolidated income statement and interim condensed consolidated statement of financial position.

	After reclassifications	Before reclassifications	Difference
INCOME STATEMENT			
Impairment of non-financial assets	–	(10)	10
Loss on derivatives classified as held for trading	–	(7)	7
Other net operating expenses	(46)	(29)	(17)
			–
STATEMENT OF FINANCIAL POSITION			
Trade and other payables	523	530	(7)
Dividends payable	7	–	7
			–

US Dollars million

6. SEGMENTAL INFORMATION

Operating segments are identifies on the basis of internal reports on components of the Group that are reviewed by the General Director on a regular basis. Management has determined the following reportable segments:

- *Mining and metallurgy*, which includes mining and metallurgical operations located in the Russian Federation and abroad. The segmental information provided below is presented without results of the Stillwater Mining Company operations.
- *Energy and utilities,* which included results of OGK-3 and other energy and utilities operations located in the Russian Federation. The Group's *Energy and utility* segment is subject to seasonal fluctuations as a result of weather conditions with corresponding effect on production of electricity and heat energy. During period from April to October of each year typically results in lower generation of electricity and heat energy, revenues and results for this segment.

  For the twelve months ended 30 June 2010, the Group *Energy and utility* segment had segment revenue of USD 1,956 million (twelve months ended 30 June 2009: USD 1,879 million) and reportable segment profit for the twelve months ended 30 June 2010 of USD 45 million (twelve months ended 30 June 2009: USD 196 million).

Other operations, which do not qualify as separate reportable segments based on quantitative thresholds for the six months ended 30 June 2010 and 2009, include transport and logistic services, research activities and repair and maintenance services and results of the Stillwater Mining Company operations.

The following tables present revenue, operating profit/(loss) and profit/(loss) for the period regarding the Group's operating segments for the six months ended 30 June 2010 and 2009, respectively.

Six months ended 30 June 2010	Mining and metallurgy	Energy and utilities	Other	Eliminations	Total
Revenue from external customers	5,615	761	461	–	**6,837**
Inter-segment revenue	2	229	485	(716)	–
Total revenue	**5,617**	**990**	**946**	**(716)**	**6,837**
Operating profit	2,903	46	4	–	**2,953**
Share of profits of associates	19	–	–	–	**19**
Profit/(loss) before income tax	2,919	(3)	32	–	**2,948**
Income tax (expense)/benefit	(611)	14	(6)	–	**(603)**
Profit for the period	**2,308**	**11**	**26**	**–**	**2,345**

Six months ended 30 June 2009	Mining and metallurgy	Energy and utilities	Other	Eliminations	Total
Revenue from external customers	3,146	619	313	–	**4,078**
Inter-segment revenue	2	210	448	(660)	–
Total revenue	**3,148**	**829**	**761**	**(660)**	**4,078**
Operating profit/(loss)	1,000	66	(103)	–	**963**
Share of losses of associates	(6)	(9)	–	–	**(15)**
Profit/(loss) before income tax	635	104	(123)	–	**616**
Income tax expense	(168)	(8)	(1)	–	**(177)**
Profit/(loss) for the period	**467**	**96**	**(124)**	**–**	**439**

US Dollars million

6. SEGMENTAL INFORMATION (CONTINUED)

The following tables present assets and liabilities of the Group operating segments at 30 June 2010 and 31 December 2009, respectively.

30 June 2010	**Mining and metallurgy**	**Energy and utilities**	**Other**	**Eliminations**	**Total**
Investments in associates	372	504	–	–	**876**
Segment assets	12,394	6,050	3,377	–	**21,821**
Inter-segment assets and elimination	3,187	256	390	(3,833)	–
Total segment assets	**15,953**	**6,810**	**3,767**	**(3,833)**	**22,697**
Segment liabilities	6,232	449	589	–	**7,270**
Inter-segment liabilities and elimination	593	100	3,140	(3,833)	–
Total segment liabilities	**6,825**	**549**	**3,729**	**(3,833)**	**7,270**

31 December 2009	**Mining and metallurgy**	**Energy and utilities**	**Other**	**Eliminations**	**Total**
Investments in associates	360	520	–	–	**880**
Segment assets	12,652	6,269	2,959	–	**21,880**
Inter-segment assets and elimination	1,230	210	189	(1,629)	–
Total segment assets	**14,242**	**6,999**	**3,148**	**(1,629)**	**22,760**
Segment liabilities	7,147	487	371	–	**8,005**
Inter-segment liabilities and elimination	387	53	1,189	(1,629)	–
Total segment liabilities	**7,534**	**540**	**1,560**	**(1,629)**	**8,005**

7. REVENUE

7.1. METAL SALES

	For the six months ended 30 June 2010	**For the six months ended 30 June 2009**
Nickel	3,058	1,647
Copper	1,262	793
Palladium	774	373
Platinum	676	415
Gold	82	61
Total	**5,852**	**3,289**

7.2. OTHER SALES

	For the six months ended 30 June 2010	**For the six months ended 30 June 2009**
Energy and utilities	761	619
Other	224	170
Total	**985**	**789**

US Dollars million

8. COST OF SALES

8.1. COST OF METAL SALES

	For the six months ended 30 June 2010	For the six months ended 30 June 2009
Cash operating costs		
Labour	656	569
Expenses on acquisition of refined metal, PGM scrap and other semi-products	630	280
Consumables and spares	551	483
Outsourced third party services	312	254
Tax on mining and pollution levies	101	74
Utilities	100	83
Transportation	69	77
Sundry costs	131	47
Less: sales of by-products	(232)	(154)
Total cash operating costs	**2,318**	**1,713**
Amortisation and depreciation	333	344
Increase in metal inventories	(227)	(53)
Total	**2,424**	**2,004**

8.2. COST OF OTHER SALES

	For the six months ended 30 June 2010	For the six months ended 30 June 2009
Consumables and spares	431	293
Labour	176	163
Utilities	161	126
Amortisation and depreciation	74	69
Outsourced third party services	58	43
Taxes other than income tax	35	18
Transportation	28	16
Other	5	9
Total	**968**	**737**

9. SELLING AND DISTRIBUTION EXPENSES

	For the six months ended 30 June 2010	For the six months ended 30 June 2009
Export custom duties	99	24
Transportation	15	13
Labour	6	8
Other	5	10
Total	**125**	**55**

US Dollars million

10. GENERAL AND ADMINISTRATIVE EXPENSES

	For the six months ended 30 June 2010	For the six months ended 30 June 2009
Labour	159	119
Third party services	67	39
Taxes other than mining and income taxes and pollution levies	49	45
Amortisation and depreciation	12	17
Transportation	8	8
Other	43	45
Total	**338**	**273**

11. OTHER NET OPERATING EXPENSES

	For the six months ended 30 June 2010	For the six months ended 30 June 2009
Social expenses	44	27
Change in provision for reimbursable value added tax	5	(6)
Change in allowance for doubtful debts	3	14
Impairment of non-financial assets	1	10
Change in provision for onerous contracts	(23)	(5)
Other	(1)	6
Total	**29**	**46**

12. ASSETS CLASSIFIED AS HELD FOR SALE

On 28 May 2009, the Board of directors of OJSC “Third Generation Company of the Wholesale Electricity Market” (“OGK-3”), a subsidiary of the Group, made a decision to sell a 35% stake in Plug Power Incorporated (“Plug Power”). At 30 June 2010, the Group's investment in Plug Power in the amount of USD 20 million (31 December 2009: USD 31 million) was classified as an asset held for sale and presented separately in the interim condensed consolidated statement of financial position.

US Dollars million

13. PROPERTY, PLANT AND EQUIPMENT

	Mining assets	Non-mining assets	Capital construction-in-progress	Total
Cost				
At 31 December 2009 − as previously reported	**9,449**	**8,830**	**1,451**	**19,730**
Reclassifications	−	13	(13)	−
1 January 2010 − after reclassifications	**9,449**	**8,843**	**1,438**	**19,730**
Additions	309	−	365	**674**
Transfers	−	144	(144)	−
Disposals	(19)	(32)	(3)	**(54)**
Effect of translation to presentation currency	(413)	(306)	(65)	**(784)**
At 30 June 2010	**9,326**	**8,649**	**1,591**	**19,566**
Accumulated depreciation and impairment				
At 31 December 2009 − as previously reported	**(5,494)**	**(3,114)**	**(105)**	**(8,713)**
Reclassifications	36	(49)	13	−
1 January 2010 − after reclassifications	**(5,458)**	**(3,163)**	**(92)**	**(8,713)**
Charge for the period	(147)	(261)	−	**(408)**
Eliminated on disposals	13	22	1	**36**
Effect of translation to presentation currency	290	132	15	**437**
At 30 June 2010	**(5,302)**	**(3,270)**	**(76)**	**(8,648)**
Carrying value				
At 1 January 2010	**3,991**	**5,680**	**1,346**	**11,017**
At 30 June 2010	**4,024**	**5,379**	**1,515**	**10,918**

14. INVESTMENTS IN ASSOCIATES

RUSIA Petroleum

In 2008 OGK-3, a subsidiary of the Group, acquired 25% (minus one share) of RUSIA Petroleum, which holds a licence for Kovyktinskoe gas condensate field, one of the most strategically important gas fields in Russia with estimated gas resources in excess of 2 trillion cubic metres. The carrying value of the investment as at 30 June 2010 is USD 446 million.

In 2010, TNK-BP, the majority shareholder of RUSIA Petroleum, demanded an immediate repayment of loans which it provided to RUSIA Petroleum, amounting to USD 379 million. Subsequently, the general director of RUSIA Petroleum filed for its bankruptcy due to inability to meet this demand. According to a court decision, a monitoring procedure was introduced at RUSIA Petroleum in June 2010 in accordance with the Russian law on bankruptcy, and this procedure is currently underway. Further decisions as to the course of the bankruptcy process are expected to be taken in October 2010 at a general creditors' meeting.

Based on future creditors' and court's decisions, the bankruptcy process may proceed from the current monitoring stage to the receivership stage, being the final stage of the bankruptcy process. Should the bankruptcy process proceed to the receivership stage, management believes that the Group may recover its investment in RUSIA Petroleum through the receivership's disposal of the assets of RUSIA Petroleum, including the relevant production licences, as such conduct of receivership is anticipated by the law and is expected to be in the best interests of both RUSIA Petroleum and its creditors.

Management will closely monitor the developments around the initiated bankruptcy and will seek alternative courses of action should the receivership not proceed in a fair manner based on market terms.

US Dollars million

14. INVESTMENTS IN ASSOCIATES (CONTINUED)

Realisation of the Group's investment depends on the outcome of the bankruptcy process, which is currently at an early stage of development, and the resolution of a number of uncertainties. Impairment losses, if any, may be sustained by the Group as and if the bankruptcy process develops further, and the Group may not be able to recover the full value of its investment. No adjustment to the carrying value of the investment has been recorded in these interim condensed consolidated financial statements. Management will continue to revisit these estimates as further information is received indicating the likely course of realisation of the Group's investment in RUSIA Petroleum.

15. OTHER FINANCIAL ASSETS

	30 June 2010	31 December 2009
Non-current		
Available-for-sale investments in securities	972	820
Loans issued and other receivable	48	66
Promissory notes receivable	20	23
Bank deposits	13	9
Other	22	–
Total non-current	**1,075**	**918**
Current		
Bank deposits	1,638	765
Available-for-sale investments in securities	148	35
Loans issued and other receivable	119	13
Promissory notes receivable	116	285
Held to maturity investments	10	–
Total current	**2,031**	**1,098**

16. CASH AND CASH EQUIVALENTS

		30 June 2010	31 December 2009
Current accounts	- foreign currencies	743	1,377
	- RUR	714	401
Bank deposits	- foreign currencies	562	1,783
	- RUR	197	31
Restricted cash		52	38
Other cash and cash equivalents		16	2
Total		**2,284**	**3,632**

17. SHARE CAPITAL

Authorised, issued and fully paid share capital

	Number of shares	Outstanding balance
Ordinary shares at par value of RUR 1 each	190,627,747	8
Total	**190,627,747**	**8**

US Dollars million

17. SHARE CAPITAL (CONTINUED)

Treasury shares

	Number of shares	Outstanding balance
At 31 December 2009	**16,289,304**	**2,719**
4 January 2010: sale of shares from treasury stock	(788,302)	(88)
May 2010: income tax paid on transfer of treasury shares from Company to its subsidiaries	–	102
At 30 June 2010	**15,501,002**	**2,733**

On 4 January 2010, 788,302 of the Company's shares were sold from treasury stock at USD 140 per share for a total consideration of USD 111 million.

Earnings per share

Earnings per share were calculated by dividing net profit attributable to shareholders of the Company for the six months ended 30 June 2010 and 2009 by weighted average number of ordinary shares in issue during the respective periods. During the six months ended 30 June 2010, the weighted average number of ordinary shares in issue was 175,113,679 shares (for the six months ended 30 June 2009: 174,362,861 shares).

Dividends declared and paid

On 28 June 2010, the Company declared dividends in respect of the year ended 31 December 2009 in the amount of RUR 210 (USD 6.76) per share. The total amount payable was USD 1,183 million, net of USD 105 million due to Group subsidiaries. The dividends were paid to shareholders during August 2010.

US Dollars million

18. OTHER RESERVES

	Option premium on convertible notes	Investments revaluation reserve	Hedging reserve	Revaluation surplus	Translation reserve	Total
Balance at 1 January 2009	**19**	**(16)**	**(23)**	**43**	**(1,075)**	**(1,052)**
Increase in fair value of available-for-sale investments and gain on cash flow hedge	–	267	4	–	–	**271**
Effect of translation to presentation currency and translation of foreign operations	–	–	–	–	(401)	**(401)**
Realised gain on disposal of available-for-sale investments	–	(6)	–	–	–	**(6)**
Total comprehensive income/(loss)	**–**	**261**	**4**	**–**	**(401)**	**(136)**
Balance at 30 June 2009	**19**	**245**	**(19)**	**43**	**(1,476)**	**(1,188)**
Balance at 1 January 2010	**16**	**417**	**(18)**	**43**	**(1,062)**	**(604)**
Increase in fair value of available-for-sale investments	–	46	–	–	–	**46**
Effect of translation to presentation currency and translation of foreign operations	–	–	–	–	(488)	**(488)**
Realised gain on disposal of available-for-sale investments	–	(32)	–	–	–	**(32)**
Total comprehensive income/(loss)	**–**	**14**	**–**	**–**	**(488)**	**(474)**
Balance at 30 June 2010	**16**	**431**	**(18)**	**43**	**(1,550)**	**(1,078)**

US Dollars million

19. LOANS AND BORROWINGS

		30 June 2010	31 December 2009
Long-term borrowings			
Syndicated bank loans	(i)	1,393	2,244
Corporate bonds and notes	(ii)	99	99
Other loans and borrowings	(iii)	22	2
Total long-term borrowings		**1,514**	**2,345**
Short-term borrowings and short-term portion of long-term debt			
Syndicated bank loans	(i)	1,581	2,893
Other loans and borrowings	(iii)	187	79
Total short-term borrowings and short-term portion of long-term debt		**1,768**	**2,972**

(i) ***Syndicated bank loans*** – USD-denominated bank loans with maturity dates varying from June 2011 to January 2019. All loans were arranged at floating rates varying from LIBOR + 0.43% to LIBOR + 1.00%.

(ii) ***Corporate bonds and notes*** – USD-denominated and due in July 2020 and March 2028. All bonds and notes are fixed rates varying from 6.40% to 8.57%.

(iii) ***Other loans and borrowings*** – major part of other loans and borrowings are USD-denominated with maturity varying from July 2010 to April 2012. Other loans and borrowings are arranged at floating rates varying from LIBOR + 3.0% to LIBOR + 4.0% and fixed rates varying from 1.30% to 8.77%.

20. RELATED PARTIES TRANSACTIONS AND OUTSTANDING BALANCES

Related parties are considered to include shareholders, affiliates and entities under common ownership and control of the Group's major shareholders and key management personnel. The Company and its subsidiaries, in the ordinary course of their business, enter into various sale, purchase and service transactions with related parties. Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in these interim condensed consolidated financial statements. Details of transactions between the Group and other related parties are disclosed below.

Transactions with related parties

	Sale of goods and services		Purchase of goods and services	
	For the six months ended 30 June 2010	For the six months ended 30 June 2009	For the six months ended 30 June 2010	For the six months ended 30 June 2009
Entities under common ownership and control of the Group's major shareholders	7	11	45	37
Associates	5	2	162	56
Total	**12**	**13**	**207**	**93**

US Dollars million

20. RELATED PARTIES TRANSACTIONS AND OUTSTANDING BALANCES (CONTINUED)

Outstanding balances with related parties

	Accounts receivable, investments and cash		Accounts payable, loans and borrowings received	
	30 June 2010	31 December 2009	30 June 2010	31 December 2009
Entities under common ownership and control of the Group's major shareholders	13	15	5	9
Associates	13	1	13	21
Total	**26**	**16**	**18**	**30**

At 30 June 2010, the Group recognised impairment provision for loans provided to related parties of the Group in the amount of USD 145 million (31 December 2009: USD 145 million) and for accounts receivable from related parties of the Group in the amount of USD 4 million (31 December 2009: USD 6 million). All outstanding balances are expected to be settled in cash.

Terms and conditions of transactions with related parties

Sales to and purchase from related parties of electricity, heat energy and natural gas supply were made at prices established by the Federal Utility Committee and Federal Tariff Service, the regulatory authorities responsible for establishing and monitoring prices on the utility and telecommunication markets in the Russian Federation.

Loans were provided to related parties at rates varying from 6.5% to 10.4% for RUR-denominated loans (31 December 2009: from 6.5% to 10.4%) and from 5.6% to 6.1% for USD-denominated loans (31 December 2009: from 5.6% to 6.1%).

21. COMMITMENTS AND CONTINGENCIES

Capital commitments

At 30 June 2010, contracted capital commitments amounted to USD 1,705 million (31 December 2009: USD 2,158 million).

Operating lease

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 2033. According to the terms of lease agreements rent fees are revised annually by reference to an order issued by the relevant local authorities. The Group entities have a renewal option at the end of lease period and an option to buy land at any time, at a price established by the local authorities.

During the year ended 31 December 2009, the Group entered into three aircraft lease agreements. The respective lease agreements have an average life of six-years with renewal option at the end of the term. There are no restrictions placed upon the lessee by entering into these agreements.

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

	30/06/2010	31/12/2009
Due within one year	28	30
From one to five years	101	103
Thereafter	66	76
Total	**195**	**209**

21. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Litigation

At 30 June 2010, unresolved tax and other litigations amounted to approximately USD 49 million (31 December 2009: USD 39 million). Management believes that the risk of an unfavorable outcome of the litigation is possible.

Taxation contingencies in the Russian Federation

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

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.

Potential tax exposures

The Group operates in different jurisdictions and its operations are subject to different tax regimes. Tax legislation in some jurisdictions is unclear, lacks established assessment practice, or may be subject to varying interpretations. There is a number of tax matters which are currently being enquired by relevant tax authorities. Management estimates that in case of adverse resolution of uncertainties in relation to such tax matters, the Group's obligations as at 30 June 2010 would have amounted to USD 239 million (31 December 2009: USD 269 million). No provision has been recorded in these interim condensed consolidated financial statements in relation to such exposures.

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 characterized 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 the 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.

22. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

Issuance of Corporate Bonds

On 3 August 2010, the Company successfully completed an offering of RUR 15 billion (at par value) of Corporate Bonds due in three years from the date of placement. The interest rate was established at 7%.

Stillwater Mining Company

In 2010 the Group has announced that the Group is considering potential strategic alternatives regarding its investment in Stillwater Mining Company ("SMC") including, without limitation, a partial or entire sale of its stake.

On 7 September 2010, SMC announced that it entered into a definitive agreement (the "Agreement") pursuant to which SMC will acquire 100% of the Marathon PGM outstanding shares. The deal to acquire Marathon PGM is a 50/50 split of cash and SMC shares, based on SMC's closing share price as at 3 September 2010. According to the terms of the Agreement, SMC will exchange 0.112 newly issued common shares of its stock and Canadian Dollar 1.775 in cash for each outstanding share of Marathon PGM. As a result of this transaction SMC will issue new 3.9 million shares, and the Group's shareholding in SMC will be diluted to 49%. The total consideration payable by SMC will amount to approximately USD 118 million.