Mining and Metallurgical Company Norilsk Nickel

Interim condensed consolidated financial statements (unaudited)

for the six months ended 30 June 2014

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 2014

The following statement, which should be read in conjunction with the auditors' responsibilities stated in the auditors' report on the review of interim condensed consolidated financial statements set out on page 2, is made with a view to distinguishing the respective responsibilities of management and those of the 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 in all material aspects consolidated financial position of the Group as at 30 June 2014 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 2014 were approved by:

V.O. Potanin General Director	**S.G. Malyshev** Deputy General Director

Moscow, Russia
28 August 2014

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Auditors' Report on Review of Interim Condensed Consolidated Financial Information

To the Shareholders and Board of Directors

OJSC "Mining and Metallurgical Company Norilsk Nickel"

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 2014, and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the interim condensed consolidated financial information (the "interim condensed consolidated financial information"). Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim condensed consolidated financial information 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 information as at 30 June 2014 and for the six-month period then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

I.V. Tokarev

Director (power of attorney dated 1 October 2013 No. 87/13)

ZAO KPMG

28 August 2014

Moscow, Russian Federation

ЗАКРЫТОЕ АКЦИОНЕРНОЕ ОБЩЕСТВО г.р. №011585
КПМГ
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МОСКВА

MINING AND METALLURGICAL COMPANY NORILSK NICKEL

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2014

US Dollars million

	Notes	For the six months ended 30 June 2014	For the six months ended 30 June 2013
Revenue			
Metal sales	7	5,202	5,149
Other sales		506	537
Total revenue		**5,708**	**5,686**
Cost of metal sales	8	(2,519)	(2,703)
Cost of other sales		(465)	(510)
Gross profit		**2,724**	**2,473**
Selling and distribution expenses	9	(202)	(189)
General and administrative expenses	10	(393)	(402)
Impairment of property, plant and equipment		(22)	(65)
Other net operating expenses		(78)	(22)
Operating profit		**2,029**	**1,795**
Finance costs	11	(94)	(171)
Impairment of available for sale investments including impairment losses reclassified from other comprehensive income		(49)	(571)
Income from investments, net		31	27
Foreign exchange loss, net		(107)	(225)
Share of profits of associates		22	34
Gain from disposal of assets classified as held for sale	15	47	–
Profit before tax		**1,879**	**889**
Income tax expense		(423)	(344)
Profit for the period		**1,456**	**545**
Attributable to:			
Shareholders of the parent company		1,452	554
Non-controlling interests		4	(9)
		1,456	**545**
EARNINGS PER SHARE			
Basic and diluted earnings per share attributable to shareholders of the parent company (US Dollars per share)		9.2	3.5

The accompanying notes on pages 10 – 25 form an integral part of the interim condensed consolidated financial statements

MINING AND METALLURGICAL COMPANY NORILSK NICKEL

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2014

US Dollars million

	For the six months ended 30 June 2014	For the six months ended 30 June 2013
Profit for the period	**1,456**	**545**
Other comprehensive income/(loss)		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Decrease in fair value of available-for-sale investments	–	(95)
Investments revaluation reserve reclassified from other comprehensive income to the income statement	–	41
Realised (gain)/loss on disposal of available-for-sale investments	(1)	13
Effect of translation of foreign operations	3	107
Other comprehensive income to be reclassified to profit or loss in subsequent periods, net	**2**	**66**
Items not to be reclassified to profit or loss in subsequent periods:		
Effect of translation to presentation currency	(244)	(981)
Remeasurements of defined benefit plans	5	–
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods, net	**(239)**	**(981)**
Other comprehensive loss for the period, net of tax	**(237)**	**(915)**
Total comprehensive income/(loss) for the period, net of tax	**1,219**	**(370)**
Attributable to:		
Shareholders of the parent company	1,219	(350)
Non-controlling interests	–	(20)
Total comprehensive income/(loss) for the period, net of tax	**1,219**	**(370)**

The accompanying notes on pages 10 – 25 form an integral part of the interim condensed consolidated financial statements

MINING AND METALLURGICAL COMPANY NORILSK NICKEL

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

US Dollars million

	Notes	30 June 2014	31 December 2013
ASSETS			
Non-current assets			
Property, plant and equipment	12	11,134	11,222
Intangible assets		58	58
Investments in associates		29	29
Other financial assets	13	616	738
Other taxes receivable		16	14
Deferred tax assets		52	26
Other non-current assets		215	202
		12,120	**12,289**
Current assets			
Inventories		3,017	2,955
Trade and other receivables		610	633
Advances paid and prepaid expenses		114	93
Other financial assets	13	90	26
Income tax receivable		10	61
Other taxes receivable		333	509
Cash and cash equivalents	14	2,625	1,621
		6,799	**5,898**
Assets classified as held for sale	15	596	594
		7,395	**6,492**
TOTAL ASSETS		**19,515**	**18,781**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	16	6	6
Share premium		1,254	1,254
Other reserves	17	(1,471)	(1,230)
Retained earnings		9,922	9,589
Equity attributable to shareholders of the parent company		**9,711**	**9,619**
Non-controlling interests		131	131
		9,842	**9,750**
Non-current liabilities			
Loans and borrowings	18	5,647	5,173
Employee benefit obligations		36	54
Provisions		815	716
Deferred tax liabilities		360	382
		6,858	**6,325**
Current liabilities			
Loans and borrowings	18	439	1,032
Employee benefit obligations		402	415
Trade and other payables		1,124	619
Provisions		27	28
Derivative financial instruments		6	5
Income tax payable		223	1
Other taxes payable		181	198
		2,402	**2,298**
Liabilities associated with assets classified as held for sale	15	413	408
		2,815	**2,706**
TOTAL LIABILITIES		**9,673**	**9,031**
TOTAL EQUITY AND LIABILITIES		**19,515**	**18,781**

The accompanying notes on pages 10 – 25 form an integral part of the interim condensed consolidated financial statements

MINING AND METALLURGICAL COMPANY NORILSK NICKEL

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2014
US Dollars million

	For the six months ended 30 June 2014	For the six months ended 30 June 2013
OPERATING ACTIVITIES		
Profit before tax	**1,879**	**889**
Adjustments for:		
Depreciation and amortization	445	442
Impairment of property, plant and equipment	22	65
Share of profit of associates	(22)	(34)
Finance costs and income from investments, net	63	144
Impairment of available for sale investments including impairment losses reclassified from other comprehensive income	49	571
Gain from disposal of assets classified as held for sale	(47)	–
Foreign exchange loss, net	107	225
Other non-cash	50	(69)
	2,546	**2,233**
Movements in working capital:		
Inventories	(91)	(167)
Trade and other receivables	9	9
Advances paid and prepaid expenses	(23)	(43)
Other tax receivable	138	156
Employee benefit obligations	(9)	(101)
Trade and other payables	486	(30)
Provision for social commitments	(30)	(27)
Other taxes payable	7	14
Cash generated from operations	**3,033**	**2,044**
Income tax paid	(210)	(353)
Net cash generated from operating activities	**2,823**	**1,691**
INVESTING ACTIVITIES		
Acquisition of subsidiary, net of cash acquired	–	(15)
Purchase of property, plant and equipment	(479)	(874)
Proceeds from disposal of property, plant and equipment	17	15
Proceeds from disposal of assets classified as held for sale	19	–
Purchase of intangible assets	(12)	(10)
Purchase of other financial assets	(7)	(151)
Purchase of other non-current assets	(17)	(18)
Net change in deposits placed	(62)	99
Interest received	27	27
Proceeds from sale of other financial assets	62	85
Net cash used in investing activities	**(452)**	**(842)**
FINANCING ACTIVITIES		
Proceeds from loans and borrowings	928	4,464
Repayments of loans and borrowings	(1,038)	(2,496)
Dividends paid by the Group	(1,112)	(1,914)
Interest paid	(129)	(76)
Proceeds from sales of shares from treasury stock	–	2
Net cash used in financing activities	**(1,351)**	**(20)**
Net increase in cash and cash equivalents	**1,020**	**829**
Cash and cash equivalents at beginning of the period	**1,621**	**1,037**
Cash and cash equivalents of disposal group at beginning of the period	9	–
Less: cash and cash equivalents of disposal group at end of the period	28	–
Effects of foreign exchange differences on balances of cash and cash equivalents	3	(57)
Cash and cash equivalents at end of the period	**2,625**	**1,809**

The accompanying notes on pages 10 – 25 form an integral part of the interim condensed consolidated financial statements

MINING AND METALLURGICAL COMPANY NORILSK NICKEL

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2014

US Dollars million

		Equity attributable to shareholders of the parent company							
	Notes	**Share capital**	**Share premium**	**Treasury shares**	**Other reserves**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total**
Balance at 1 January 2013		**8**	**1,511**	**(8,692)**	**(349)**	**20,353**	**12,831**	**109**	**12,940**
Profit for the period		–	–	–	–	554	**554**	(9)	**545**
Other comprehensive income/(loss):									
Effect of translation to presentation currency and translation of foreign operations	17	–	–	–	(863)	–	**(863)**	(11)	**(874)**
Decrease in fair value of available-for-sale investments	17	–	–	–	(95)	–	**(95)**	–	**(95)**
Realised loss on disposal of available-for-sale investments	17	–	–	–	13	–	**13**	–	**13**
Investments revaluation reserve reclassified from other comprehensive income to the income statement	17	–	–	–	85	(44)	**41**	–	**41**
Total comprehensive income/(loss)		**–**	**–**	**–**	**(860)**	**510**	**(350)**	**(20)**	**(370)**
Cancellation of ordinary shares from treasury stock		(2)	(257)	8,689	–	(8,430)	–	–	–
Sale of shares from treasury stock		–	–	3	–	(1)	**2**	–	**2**
Non-controlling interests in subsidiary acquired during the period	5	–	–	–	–	–	–	43	**43**
Decrease in non-controlling interests due to increase in ownership of subsidiary		–	–	–	–	1	**1**	(1)	–
Dividends	16	–	–	–	–	(1,982)	**(1,982)**	–	**(1,982)**
Balance at 30 June 2013		**6**	**1,254**	**–**	**(1,209)**	**10,451**	**10,502**	**131**	**10,633**

The accompanying notes on pages 10 – 25 form an integral part of the interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2014 (CONTINUE)

US Dollars million

	Notes	Equity attributable to shareholders of the parent company						
		Share capital	**Share premium**	**Other reserves**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total**
Balance at 1 January 2014		**6**	**1,254**	**(1,230)**	**9,589**	**9,619**	**131**	**9,750**
Profit for the period		–	–	–	1,452	**1,452**	4	**1,456**
Other comprehensive income/(loss):								
Effect of translation to presentation currency and translation of foreign operations	17	–	–	(237)	–	**(237)**	(4)	**(241)**
Realised gain on disposal of available-for-sale investments	17	–	–	(1)	–	**(1)**	–	**(1)**
Investments revaluation reserve reclassified from other comprehensive income to the income statement	17	–	–	(3)	3	**–**	–	**–**
Remeasurements of defined benefit plans		–	–	–	5	**5**	–	**5**
Total comprehensive income/(loss)		–	–	**(241)**	**1,460**	**1,219**	–	**1,219**
Dividends	16	–	–	–	(1,127)	**(1,127)**	–	**(1,127)**
Balance at 30 June 2014		**6**	**1,254**	**(1,471)**	**9,922**	**9,711**	**131**	**9,842**

The accompanying notes on pages 10 – 25 form an integral part of the interim condensed consolidated financial statements

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 of ore and nonmetallic minerals and sale of base and precious metals produced from ore.

Major production facilities of the Group are located in Taimyr and Kola Peninsulas of the Russian Federation, and in Finland. 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 2014	30 June 2013	31 December 2013
Russian Rouble/US Dollar			
Period-end rates	33.63	32.71	32.73
Average for the period ended	34.98	31.02	31.85
Botswana Pula/US Dollar			
Period-end rates	8.93	8.77	8.88
Average for the period ended	8.86	8.31	8.50
Australia Dollar/US Dollar			
Period-end rates	1.06	1.09	1.13
Average for the period ended	1.09	0.99	1.03
South African Rand/US Dollar			
Period-end rates	10.59	9.89	10.50
Average for the period ended	10.69	9.19	9.62

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2014 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 2013, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The Group issues a separate set of IFRS interim condensed consolidated financial statements to comply with the requirements of Russian Federal Law No 208-FZ On consolidated financial statements ("208-FZ") which was adopted on 27 July 2010.

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 as at and for the year ended 31 December 2013.

US Dollars million

Reclassifications

Management reassessed classification of rhodium, silver and cobalt metals. Previously revenue from these metals in amount USD 121 million was treated as revenue from by-products and was recognised as a reduction in cost of metal sales. After reclassification this revenue is recognised as sales of joint products within metal sales.

Management reassessed classification of labor expenses in amount USD 21 million previously presented within cost of metal sales. After reclassification they are recognised within general and administrative expenses.

	As previously reported	Changes in classification	As restated
Sales for the six months ended 30 June 2013	**5,028**	**121**	**5,149**
General and administrative expenses for the period ended 30 June 2013	**381**	**21**	**402**
Cost of metal sales for the period ended 30 June 2013	**2,603**	**100**	**2,703**

Management reassessed classification of export custom duties previously presented within cost of other sales. After reclassification they are recognised within selling and distribution expenses.

	As previously reported	Changes in classification	As restated
Cost of other sales for the period ended 30 June 2013	**530**	**(20)**	**510**
Selling and distribution expenses for the period ended 30 June 2013	**169**	**20**	**189**

Management reassessed presentation of interest paid in interim condensed consolidated statement of cash flow previously presented in operating activities. After reclassification interest paid is presented within financing activities.

	As previously reported	Changes in classification	As restated
Net cash generated from operating activities for the period ended 30 June 2013	**1,615**	**76**	**1,691**
Net cash generated from/(used in) financing activities for the period ended 30 June 2013	**56**	**(76)**	**(20)**

Certain other items presented in the interim condensed consolidated financial statements were also reclassified to conform with current period presentation.

Adoption of new and revised standards and interpretations

Adoption of amendments to the following Standards and Interpretations detailed below did not have material impact on the accounting policies, financial position or performance of the Group:

- IAS 27 *Separate Financial Statements (amended);*
- IAS 32 *Financial Instruments: Presentation (amended);*
- IAS 36 *Impairment of assets (amended);*
- IAS 39 *Financial Instruments: Recognition and measurement (amended);*
- IFRS 10 *Consolidated Financial Statements (amended);*
- IFRS 12 *Disclosures of Interests in Other Entities (amended);*
- IFRIC 21 *Levies*

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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 2014 are consistent with those applied in the preparation of annual consolidated financial statements of the Group for the year ended 31 December 2013.

US Dollars million

5. BUSINESS COMBINATION

Acquisitions during six months ended 30 June 2013

OJSC "Norilskgazprom"

On 1 March 2013, the Group acquired an additional 15.7% interest in OJSC "Norilskgazprom" ("Norilskgazprom"), a gas producing enterprise, for a cash consideration of USD 19 million, increasing its ownership in this company to 56.2%. Prior to this transaction, investment in Norilskgazprom was classified as an investment in associate.

Aggregate net assets of Norilskgazprom at the date of acquisition were as follows:

	Fair value
Property, plant and equipment	107
Inventories	27
Trade and other receivables	32
Advances paid and prepaid expenses	3
Other taxes receivable	5
Cash and cash equivalents	4
Loans and borrowings	(38)
Employee benefit obligations	(19)
Trade and other payables	(18)
Other current liabilities	(6)
Net assets at the date of acquisition	**97**

Net cash outflow on acquisition of subsidiary:

Cash consideration	19
Less: Cash and cash equivalents acquired	(4)
Net cash outflow on acquisition	**15**

There was no goodwill recognised from acquisition of Norilskgazprom:

Total consideration transferred	19
Plus: non-controlling interests, based on their proportionate interest in the recognised amounts of the assets and liabilities of Norilskgazprom	43
Plus: fair value of previously held interest	39
Less: fair value of identifiable net assets acquired	(97)
Excess of the cost of acquisition over the Group's share in the fair value of net assets acquired	**4**
Impairment of goodwill	(4)
	–

Acquisition of Norilskgazprom has had no significant impact on the Group's revenue and profit before tax from the date of acquisition till 30 June 2013. Had this business combination been effected at 1 January 2013, the Group's revenue and net profit for the period ended 30 June 2013 would not have been significantly different.

US Dollars million

6. SEGMENTAL INFORMATION

Operating segments are identified on the basis of internal reports on components of the Group that are regularly reviewed by the General Director.

Management has determined the following operating segments:

- *"GMK Group"* segment, which includes mining and metallurgy operations, transport and logistic services, energy, repair and maintenance services located at Taimyr Peninsula and corporate activities;
- *"KGMK Group"* segment, which includes mining and metallurgy operations, transport and logistic services, energy, repair and maintenance services located at Kola Peninsula;
- *"Other industrial"* segment, which includes refinery and distribution operations, geological, research activities located in Russia and abroad;
- *"Other non-industrial"* segment, which includes energy and utility, transport and logistic services, repair and maintenance services located in Russia and abroad.

The reportable segments' amounts in the disclosure are stated before intersegment eliminations, excluding:

- balances of intercompany loans and borrowings and interest;
- accrual of intercompany interest on loans and borrowings;
- accrual of intercompany dividends;
- intercompany metal sales.

Amounts are measured on the same basis as those in the consolidated financial statements.

The following tables present revenue, operating profit/(loss) and profit/(loss) for the period from continuing operations regarding the Group's reportable segments for the six months ended 30 June 2014 and 2013, respectively.

Six months ended 30 June 2014	**GMK Group**	**KGMK Group**	**Other industrial**	**Other non-industrial**	**Eliminations**	**Total**
Revenue from external customers	4,315	453	551	389	–	**5,708**
Inter-segment revenue	33	113	17	142	(305)	–
Total revenue	**4,348**	**566**	**568**	**531**	**(305)**	**5,708**
Operating profit/(loss)	2,084	137	(149)	(43)	–	**2,029**
Share of profits of associates	–	1	21	–	–	**22**
Profit/(loss) before interest, foreign exchange gain/(loss) and tax	2,037	138	(79)	(43)	–	**2,053**
Income tax expense	(380)	(31)	(17)	5	–	**(423)**
Segmental profit/(loss) for the period	**1,657**	**107**	**(96)**	**(38)**	–	**1,630**
Unallocated items						
Interest income						27
Interest expenses						(94)
Foreign exchange loss, net						(107)
Profit for the period						**1,456**

US Dollars million

6. SEGMENTAL INFORMATION (CONTINUED)

Six months ended 30 June 2013	GMK Group	KGMK Group	Other industrial	Other non-industrial	Eliminations	Total
Revenue from external customers	4,160	420	697	409	–	**5,686**
Inter-segment revenue	55	115	15	162	(347)	–
Total revenue	**4,215**	**535**	**712**	**571**	**(347)**	**5,686**
Operating profit/(loss)	1,958	47	(126)	(84)	–	**1,795**
Share of profits of associates	2	1	31	–	–	**34**
Profit/(loss) before interest, foreign exchange gain/(loss) and tax	1,408	49	(114)	(85)	–	**1,258**
Income tax expense	(315)	(28)	(6)	5	–	**(344)**
Segmental profit/(loss) for the period	**1,093**	**21**	**(120)**	**(80)**	–	**914**
Unallocated items						
Interest income						27
Interest expenses						(171)
Foreign exchange loss, net						(225)
Profit for the period						**545**

The following tables present assets and liabilities of the Group reportable segments at 30 June 2014 and 31 December 2013, respectively.

30 June 2014	GMK Group	KGMK Group	Other industrial	Other non-industrial	Eliminations	Total
Investments in associates	–	29	–	–	–	**29**
Segment assets	15,289	931	2,122	548	–	**18,890**
Inter-segment assets and eliminations	53	80	13	24	(170)	–
Total segment assets	**15,342**	**1,040**	**2,135**	**572**	**(170)**	**18,919**
Assets classified as held for sale as at 30 June 2014 (refer to note 15)	167	–	318	111	–	**596**
Total assets	**15,509**	**1,040**	**2,453**	**683**	**(170)**	**19,515**
Segment liabilities	8,536	177	466	81	–	**9,260**
Inter-segment liabilities and eliminations	108	26	5	31	(170)	–
Total segment liabilities	**8,644**	**203**	**471**	**112**	**(170)**	**9,260**
Liabilities associated with assets classified as held for sale as at 30 June 2014 (refer to note 15)	–	–	325	88	–	**413**
Total liabilities	**8,644**	**203**	**796**	**200**	**(170)**	**9,673**

US Dollars million

6. SEGMENTAL INFORMATION (CONTINUED)

31 December 2013	**GMK Group**	**KGMK Group**	**Other industrial**	**Other non-industrial**	**Eliminations**	**Total**
Investments in associates	–	29	–	–	–	**29**
Segment assets	14,759	846	1,932	621	–	**18,158**
Inter-segment assets and eliminations	66	111	23	59	(259)	**–**
Total segment assets	**14,825**	**986**	**1,955**	**680**	**(259)**	**18,187**
Assets classified as held for sale as at 31 December 2013 (refer to note 15)	174	–	334	86	–	**594**
Total assets	**14,999**	**986**	**2,289**	**766**	**(259)**	**18,781**
Segment liabilities	8,017	59	483	64	–	**8,623**
Inter-segment liabilities and eliminations	118	40	39	62	(259)	**–**
Total segment liabilities	**8,135**	**99**	**522**	**126**	**(259)**	**8,623**
Liabilities associated with assets classified as held for sale as at 31 December 2013 (refer to note 15)	–	–	365	43	–	**408**
Total liabilities	**8,135**	**99**	**887**	**169**	**(259)**	**9,031**

7. METAL SALES

	For the six months ended 30 June 2014	**For the six months ended 30 June 2013**
Nickel	2,145	2,222
Copper	1,220	1,266
Palladium	1,124	954
Platinum	469	489
Other joint metals	244	218
Total	**5,202**	**5,149**

8. COST OF METAL SALES

	For the six months ended 30 June 2014	**For the six months ended 30 June 2013**
Cash operating costs		
Labour	729	810
Expenses on acquisition of raw materials and semi-products	509	407
Consumables and spares	422	553
Outsourced third party services	225	297
Taxes directly attributable to cost of goods sold	124	144
Utilities	108	110
Transportation expenses	63	77
Sundry costs	51	41
Less: sales of by-products	(5)	(8)
Total cash operating costs	**2,226**	**2,431**
Amortisation and depreciation	409	394
Increase in metal inventories	(116)	(122)
Total	**2,519**	**2,703**

US Dollars million

9. SELLING AND DISTRIBUTION EXPENSES

	For the six months ended 30 June 2014	For the six months ended 30 June 2013
Export custom duties	146	164
Transportation expenses	12	13
Labour	9	10
Other	35	2
Total	**202**	**189**

10. GENERAL AND ADMINISTRATIVE EXPENSES

	For the six months ended 30 June 2014	For the six months ended 30 June 2013
Labour	221	217
Third party services	50	48
Taxes other than those directly attributable to cost of goods sold and income taxes	49	57
Amortisation and depreciation	15	22
Transportation expenses	9	8
Other	49	50
Total	**393**	**402**

11. FINANCE COSTS

	For the six months ended 30 June 2014	For the six months ended 30 June 2013
Interest expense on borrowings	71	135
Unwinding of discount on provisions	21	32
Other	2	4
Total	**94**	**171**

US Dollars million

12. PROPERTY, PLANT AND EQUIPMENT

	Mining assets and mine development cost	Non-mining assets	Non-mining capital construction-in-progress	Total
Cost				
Balance at 1 January 2014	**9,540**	**8,088**	**2,103**	**19,731**
Additions	347	–	232	**579**
Transfers	–	251	(251)	–
Change in decommissioning obligations	–	105	–	**105**
Disposals	(37)	(28)	(11)	**(76)**
Effect of translation to presentation currency	(193)	(193)	(52)	**(438)**
Balance at 30 June 2014	**9,657**	**8,223**	**2,021**	**19,901**
Accumulated depreciation and impairment				
Balance at 1 January 2014	**(4,390)**	**(3,853)**	**(266)**	**(8,509)**
Charge for the period	(147)	(300)	–	**(447)**
Disposals	30	23	5	**58**
Impairment loss	(28)	5	1	**(22)**
Effect of translation to presentation currency	65	84	4	**153**
Balance at 30 June 2014	**(4,470)**	**(4,041)**	**(256)**	**(8,767)**
Carrying value				
At 1 January 2014	**5,150**	**4,235**	**1,837**	**11,222**
At 30 June 2014	**5,187**	**4,182**	**1,765**	**11,134**

At 30 June 2014 capital construction-in-progress included USD 201 million of irrevocable letters of credit opened for fixed assets purchases (31 December 2013: USD 304 million), representing security deposits placed in banks at the end of the period.

Capitalized borrowing costs for the six months ended 30 June 2014 amounted to USD 66 million. Capitalisation rate used to determine the amount of borrowing costs equals to 4.04% per annum.

At 30 June 2014 mining assets and mine development cost included USD 3,097 million of mining assets under development (31 December 2013: USD 2,964 million).

Impairment losses and reversal of previously recognised impairment in the amount of USD 28 million and USD 6 million respectively were recognised in respect of specific individual assets.

13. OTHER FINANCIAL ASSETS

	30 June 2014	31 December 2013
Non-current		
Available-for-sale investments in securities	542	667
Loans issued and other receivables	50	44
Promissory notes held to maturity	14	19
Bank deposits	10	8
Total non-current	**616**	**738**
Current		
Bank deposits	88	24
Loans issued and other receivables	–	2
Derivative financial instruments	2	–
Total current	**90**	**26**

US Dollars million

13. OTHER FINANCIAL ASSETS (CONTINUED)

Non-current available-for-sale investments in securities are primarily comprised of shares traded on the OJSC "Moscow Exchange MICEX-RTS" amounting to USD 393 million (31 December 2013: USD 515 million) and measured within Level 1 of fair value hierarchy and unquoted equity instruments in amount of USD 149 million (31 December 2013: USD 152 million) and measured within Level 3 of fair value hierarchy.

As a result of continuing decline in prices during six months ended 30 June 2014, impairment loss on available-for-sale investments of USD 49 million was recognised in the interim condensed consolidated income statement (during six months ended 30 June 2013: USD 571 million).

14. CASH AND CASH EQUIVALENTS

		30 June 2014	31 December 2013
Current accounts			
	- RUB	138	184
	- foreign currencies	549	390
Bank deposits			
	- RUB	25	–
	- foreign currencies	1,911	1,045
Other cash and cash equivalents		2	2
Total		**2,625**	**1,621**

15. ASSETS CLASSIFIED AS HELD FOR SALE AND DISPOSAL OF SUBSIDIARIES

In December 2013, the Group made a decision to dispose the following assets:

- Nkomati Nickel Mine, a South Africa mining company, an associate of the Group.
- OJSC "Aviakompania "Taimyr" ("Taimyr"), a subsidiary of the Group located in the Russian Federation.
- CJSC "Nordavia – Regional Airlines", a subsidiary of the Group located in the Russian Federation.
- Assets located in the Russian Federation and Australia.

All of the above assets have been measured at the lower of their fair values less costs to sell and their carrying values. The Group has assessed fair value of assets classified as held for sale based on price offers available.

Management of the Group is actively searching for buyers for all of the assets classified as held for sale and expects that disposals will be completed during the next twelve months. Disposal of these assets is consistent with the Group's long-term strategy. Assets classified as held for sale have been included in Level 2 of fair value hierarchy.

US Dollars million

15. ASSETS CLASSIFIED AS HELD FOR SALE AND DISPOSAL OF SUBSIDIARIES (CONTINUED)

At 30 June 2014 and 31 December 2013 aggregate net assets were stated at fair value less costs to sell and included:

	30 June 2014	31 December 2013
Property, plant and equipment	269	299
Investments in associates	240	237
Intangible assets	1	1
Deferred tax assets	3	–
Inventories	16	20
Trade and other receivables	20	11
Other financial assets	19	17
Cash and cash equivalents	28	9
Environmental obligations	(325)	(365)
Deferred tax liabilities	–	(6)
Employee benefit obligations	(6)	(5)
Trade and other payables	(82)	(32)
Net assets	**183**	**186**

Disposal of goldfields assets in Western Australia

On 7 May 2014, the Group sold goldfields assets of North Eastern Goldfields Operations (“NEGO”) in Western Australia for a cash consideration of USD 19 million (AUD 20 million). Additional contingent consideration in the amount not exceeding USD 16 million may be received by the Group subject to the disposed assets performance if they are put into operation. This contingent consideration was not included in gain from disposal of assets classified as held for sale in the interim condensed consolidated income statement.

The carrying value of assets including environmental obligations at the date of disposal was negative in the amount of USD 28 million. Gain on disposal in the amount of USD 47 million was recognised in interim condensed consolidated income statement. Disposed assets were classified as assets held for sale at 31 December 2013.

Disposal of Western Australia assets

In May and July 2014 the Group announced that through its Australian subsidiaries Norilsk Nickel Avalon Pty Ltd, Norilsk Nickel Cawse Pty Ltd, MPI Nickel Pty Ltd and Black Swan Nickel Pty Ltd, it has entered into binding agreements to sell its non-operating nickel assets in Western Australia. As a result of these transactions the Group expects to realize gain, primarily through a release of previously recognized environmental and asset retirement provisions. Under the terms of the agreements, the buyers will assume all environmental rehabilitation obligations related to the assets. The transactions completion is subject to regulatory approvals and is expected in the second half of 2014.

Management of the Group concluded that the sale of NEGO as well as the planned disposal of other assets referred to above do not constitute discontinued operations.

US Dollars million

16. SHARE CAPITAL

Authorised, issued and fully paid share capital

Ordinary shares at par value of RUB 1 each	Number of shares	Share capital
At 30 June 2014 and 31 December 2013	**158,245,476**	**6**

Weighted average number of shares in issue

Weighted average number of shares used in the calculation of basic and diluted earnings per share for the six months ended 30 June 2014 was 158,245,476 shares (for the six months ended 30 June 2013: 158,238,892).

Dividends declared and paid

On 6 June 2014 the Company declared dividends for the year ended 31 December 2013 in the amount of RUB 248.48 (USD 7.1) per share and USD 1,127 million in total, which were recognised in the interim condensed consolidated statement of changes in equity. During six months ended 30 June 2014 the Company paid dividends in amount of USD 1,112 million. Dividends payable at 30 June 2014 amounted to USD 43 million.

On 6 June 2013 the Company declared dividends for the year ended 31 December 2012 in the amount of RUB 401 (USD 13) per share and USD 1,982 million in total. The dividends were paid to the shareholders in June 2013.

17. OTHER RESERVES

	Investments revaluation reserve	Translation reserve	Total
Balance at 1 January 2013	**(3)**	**(346)**	**(349)**
Decrease in fair value of available-for-sale investments	(95)	–	**(95)**
Investments revaluation reserve reclassified from other comprehensive income to the income statement	85	–	**85**
Realised loss on disposal of available-for-sale investments	13	–	**13**
Effect of translation to presentation currency and translation of foreign operations	–	(863)	**(863)**
Total comprehensive income/(loss)	**3**	**(863)**	**(860)**
Balance at 30 June 2013	**–**	**(1,209)**	**(1,209)**
Balance at 1 January 2014	**1**	**(1,231)**	**(1,230)**
Investments revaluation reserve reclassified from other comprehensive income to the income statement	(3)	–	**(3)**
Realised gain on disposal of available-for-sale investments	(1)	–	**(1)**
Effect of translation to presentation currency and translation of foreign operations	–	(237)	**(237)**
Total comprehensive loss	**(4)**	**(237)**	**(241)**
Balance at 30 June 2014	**(3)**	**(1,468)**	**(1,471)**

US Dollars million

18. LOANS AND BORROWINGS

	Currency	Fixed or floating interest rate	Average nominal rate during the six months ended 30 June 2014, %	Maturity	30 June 2014	31 December 2013
Unsecured loans	USD	floating	2.12%	2014-2019	3,274	2,946
	USD	fixed	1.14%	2014	–	420
	Other	floating	9.14%	2016	32	32
					3,306	**3,398**
Corporate Bonds	RUB	fixed	7.90%	2016	1,039	1,067
	USD	fixed	5.05%	2018-2020	1,741	1,740
					2,780	**2,807**
Total					**6,086**	**6,205**
Less: current portion due within twelve months and presented as short-term loans and borrowings					**(439)**	**(1,032)**
Long-term loans and borrowings					**5,647**	**5,173**

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.

19. RELATED PARTIES TRANSACTIONS AND OUTSTANDING BALANCES

Related parties are considered to include shareholders, associates and entities under 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.

	Sale of goods and services		Purchase of goods and services	
Transactions with related parties	**For the six months ended 30 June 2014**	**For the six months ended 30 June 2013**	**For the six months ended 30 June 2014**	**For the six months ended 30 June 2013**
Entities under ownership and control of the Group's major shareholders	1	3	14	11
Associates of the Group	1	39	246	243
Total	**2**	**42**	**260**	**254**

	Accounts receivable, investments and cash		Accounts payable, loans and borrowings received	
Outstanding balances with related parties	**30 June 2014**	**31 December 2013**	**30 June 2014**	**31 December 2013**
Entities under ownership and control of the Group's major shareholders	1	2	1	1
Associates of the Group	6	7	129	26
Total	**7**	**9**	**130**	**27**

US Dollars million

19. RELATED PARTIES TRANSACTIONS AND OUTSTANDING BALANCES (CONTINUED)

During six months ended 30 June 2013, the Group purchased from a related party 20% shares of a company which owns various real estate properties. Additionally, during six months ended 30 June 2013 a loan previously issued to another related party, which subsequently had been fully impaired, was converted into 42% shares of another company which also owns various real estate properties. Management believes that it does not exercise significant influence over these companies, and therefore these investments have been classified as available-for-sale investments. At 30 June 2014 these investments were stated at historical cost (less impairment loss) in amount of USD 138 million (31 December 2013: USD 142 million), and have been measured within Level 3 of fair value hierarchy.

Terms and conditions of transactions with related parties

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

20. COMMITMENTS AND CONTINGENCIES

Capital commitments

At 30 June 2014, contractual capital commitments amounted to USD 1,304 million (31 December 2013: USD 1,110 million).

Operating leases

The land plots in the Russian Federation where the Group's production facilities are located are owned by the state. The Group leases land through operating lease agreements, which expire in various years through 2060. According to the terms of lease agreements the rent is revised annually subject to the decision of 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.

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

	30 June 2014	31 December 2013
Due within one year	19	16
From one to five years	62	48
Thereafter	28	31
Total	**109**	**95**

At 30 June 2014, nine aircraft lease agreements (31 December 2013: ten) were in effect in entities classified as held for sale. The lease agreements have an average life of six years with a renewal option at the end of the term and place no restrictions upon lessees by entering into these agreements. Future minimum lease payments due under non-cancellable operating lease agreements were as follows:

	30 June 2014	31 December 2013
Due within one year	41	54
From one to five years	75	117
Thereafter	5	9
Total	**121**	**180**

20. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Litigation

As at 30 June 2014 the Group has unresolved legal disputes with the state authorities due to non-approval of the reduction of the negative environmental impact charge in relation to the environmental protection expenditure incurred by the Group. Management believes that the Group complied with all relevant regulations to be eligible for the reduction and that no provision for these disputes is required. Additionally, the Group is involved in other legal disputes in the ordinary course of its operations, with the probability of their unfavorable resolution being assessed as possible. As at 30 June 2014, total unresolved legal claims amounted to approximately USD 195 million (31 December 2013: USD 138 million).

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, insurance contributions to non-budget funds, 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. 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. As at 30 June 2014 there were no tax matters other than those fully provided for, where potential outcome is expected to have a material effect on the Group’s financial position.

Environmental matters

The Group is subject to extensive federal, state and local environmental controls and regulations in the countries where it operates.

Management of the Group believes that its mining and production technologies are in compliance with all current existing environmental legislation in the countries where 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 modernizes technology to meet more stringent standards.

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 system.

US Dollars million

21. FINANCIAL INSTRUMENTS

Management believes that the carrying value of financial instruments such as cash (refer to note 14), short-term accounts receivable and payable, short-term loans given (refer to note 13), long-term available-for-sale investments (refer to note 13) whose values were mainly determined with reference to quoted market prices, approximate their fair value.

Certain financial instruments such as long-term accounts receivable, long-term promissory notes receivable, finance leases obligations, fixed-rate notes and corporate bonds were excluded from fair value analysis either due to their insignificance or due to the fact that assets were acquired or liabilities assumed close to the reporting dates and management believes that their carrying value either approximates their fair value or may not significantly differ from each other.

Financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurement are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly or indirectly; and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

At 30 June 2014, the Group had derivative financial instruments amounted to USD 6 million (31 December 2013: USD 5 million) recognised within Level 2.

The Group is exposed to the market risk in respect of its quoted and unquoted investments, amounting to USD 542 million at 30 June 2014 (31 December 2013: USD 667 million) (refer to note 13). Any further decline in fair value of those investments, for which impairment losses have been recognised, will be recorded in the consolidated income statement.

Presented below is information about loans and borrowings, whose carrying values differ from their fair values.

	30 June 2014		31 December 2013	
	Carrying value	**Fair value Level 2**	**Carrying value**	**Fair value Level 2**
Loans and borrowings, including:				
Variable-rate loans and borrowings	3,306	3,194	2,978	2,890
Fixed-rate loans and borrowings	–	–	420	420
Total	**3,306**	**3,194**	**3,398**	**3,310**

The fair value of variable-rate and fixed rate loans and borrowings at 30 June 2014, was calculated based on the present value of future cash flow (principal and interest), discounted at the best management estimation of market rates, taking into consideration currency of the loan, expected maturity and risks attributable to the individual borrower exist at the reporting date. The discount rates ranged from 2.00% to 3.02% for USD-denominated loans and borrowings (2013: from 2.05% to 3.03%).

During six months ended 30 June 2014 there were no reclassifications of financial assets as a result of a change in the purpose or use of those assets and any transfers between levels of fair value hierarchy used in measuring the fair value of financial instruments.