Mining and Metallurgical Company Norilsk Nickel

Interim condensed consolidated financial statements (unaudited)

for the six months ended 30 June 2011

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 2011

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated on the independent auditors' review 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 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 interim condensed consolidated financial position of the Group as at 30 June 2011 and interim condensed 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 2011 were approved by:

V.I. Strzhalkovsky
General Director

D.R. Kostoev
Deputy General Director

Moscow, Russia
07 November 2011

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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 Information

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 2011, 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 (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 2011 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*.

ZAO KPMG

ZAO KPMG
07 November 2011

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.

MINING AND METALLURGICAL COMPANY NORILSK NICKEL

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2011
US Dollars million

	Notes	For the six months ended 30 June 2011	For the six months ended 30 June 2010
CONTINUING OPERATIONS			
Revenue			
Metal sales	6	6,956	5,604
Other sales		379	300
Total revenue		**7,335**	**5,904**
Cost of metal sales	7	(2,715)	(2,224)
Cost of other sales		(403)	(297)
Gross profit		**4,217**	**3,383**
Selling and distribution expenses	8	(385)	(125)
General and administrative expenses	9	(368)	(302)
Other net operating expenses	10	(80)	(51)
Operating profit		**3,384**	**2,905**
Finance costs		(62)	(52)
Income from investments, net		37	78
Foreign exchange loss, net		(227)	(9)
Share of (losses)/profits of associates		(3)	22
Profit before tax		**3,129**	**2,944**
Income tax expense			
Current income tax expense		(730)	(635)
Deferred tax (expense)/benefit		(21)	20
Total income tax expense		**(751)**	**(615)**
Profit for the period from continuing operations		**2,378**	**2,329**
DISCONTINUED OPERATIONS			
(Loss)/profit for the period from discontinued operations	14	(560)	16
Profit for the period		**1,818**	**2,345**
Attributable to:			
Shareholders of the parent company		1,795	2,333
Non-controlling interests		23	12
		1,818	**2,345**
EARNINGS PER SHARE			
From continuing and discontinued operations			
Basic and diluted earnings per share attributable to shareholders of the parent company (US Dollars per share)	15	10.1	13.3
From continuing operations			
Basic and diluted earnings per share attributable to shareholders of the parent company (US Dollars per share)	15	13.4	13.3

The accompanying notes on pages 9 – 21 form an integral part of the interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2011

US Dollars million

	For the six months ended 30 June 2011	For the six months ended 30 June 2010
Profit for the period	**1,818**	**2,345**
Other comprehensive income/(loss)		
Effect of translation to presentation currency and translation of foreign operations	1,243	(513)
(Decrease)/increase in fair value of available-for-sale investments	(174)	46
Realised gain on disposal of available-for-sale investments	–	(32)
Investments revaluation reserve reclassified from equity to loss on disposal of subsidiary	(3)	–
Other	(4)	–
Other comprehensive income/(loss) for the period, net of tax	**1,062**	**(499)**
Total comprehensive income for the period, net of tax	**2,880**	**1,846**
Attributable to:		
Shareholders of the parent company	2,818	1,859
Non-controlling interests	62	(13)
Total comprehensive income for the period, net of tax	**2,880**	**1,846**

The accompanying notes on pages 9 – 21 form an integral part of the interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011

US Dollars million

	Notes	30 June 2011	31 December 2010
ASSETS			
Non-current assets			
Property, plant and equipment	11	10,383	9,153
Goodwill		23	21
Intangible assets		208	195
Investments in associates		508	515
Other financial assets	12	2,499	881
Other taxes receivable		23	12
Deferred tax assets		77	86
Other non-current assets		110	72
		13,831	**10,935**
Current assets			
Inventories		2,763	2,246
Trade and other receivables		1,191	1,175
Advances paid and prepaid expenses		127	96
Other financial assets	12	1,034	637
Income tax receivable		234	90
Other taxes receivable		650	509
Cash and cash equivalents	13	3,172	5,405
		9,171	**10,158**
Assets classified as held for sale		–	2,816
		9,171	**12,974**
TOTAL ASSETS		**23,002**	**23,909**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	15	8	8
Share premium		1,511	1,511
Treasury shares	15	(3,522)	(1,237)
Other reserves	16	1,174	279
Retained earnings		17,315	17,744
Reserves of disposal group classified as held for sale		–	(929)
Equity attributable to shareholders of the parent company		**16,486**	**17,376**
Non-controlling interests		135	598
		16,621	**17,974**
Non-current liabilities			
Loans and borrowings	17	774	1,561
Obligations under finance leases		20	14
Employee benefit obligations		35	48
Provisions		965	886
Deferred tax liabilities		731	729
		2,525	**3,238**
Current liabilities			
Loans and borrowings	17	1,568	1,236
Dividends payable		1,151	3
Obligations under finance leases		7	20
Employee benefit obligations		354	367
Trade and other payables		566	596
Provisions		6	8
Income tax payable		11	120
Other taxes payable		193	135
		3,856	**2,485**
Liabilities directly associated with assets classified as held for sale		–	212
		3,856	**2,697**
TOTAL LIABILITIES		**6,381**	**5,935**
TOTAL EQUITY AND LIABILITIES		**23,002**	**23,909**

The accompanying notes on pages 9 – 21 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 2011
US Dollars million

	For the six months ended 30 June 2011	For the six months ended 30 June 2010
OPERATING ACTIVITIES		
Profit before tax	**2,648**	**2,948**
Adjustments for[1]:		
Depreciation, amortization and reversal of impairment	356	419
Loss on disposal of subsidiary	566	–
Share of post-acquisition losses/(profit)	3	(19)
Gain on disposal of available-for-sale investments	–	(43)
Finance costs and income from investments, net	4	(22)
Foreign exchange loss, net	241	74
Other	(16)	(11)
	3,802	**3,346**
Movements in working capital:		
Inventories	(359)	(289)
Trade and other receivables	(324)	(147)
Advances paid and prepaid expenses	(19)	(82)
Other tax receivable	(126)	(62)
Employee benefit obligations	(63)	(46)
Trade and other payables	(57)	138
Other taxes payable	51	26
Cash generated from operations	**2,905**	**2,884**
Interest paid	(68)	(24)
Income tax paid	(1,059)	(415)
Net cash generated from operating activities	**1,778**	**2,445**
INVESTING ACTIVITIES		
Net cash outflow from disposal of subsidiary	(468)	–
Acquisition of associate	(2)	(5)
Purchase of property, plant and equipment	(1,046)	(705)
Proceeds from disposal of property, plant and equipment	14	16
Purchase of intangible assets	(5)	(14)
Purchase of other financial assets	(469)	(495)
Net change in deposits placed	585	(948)
Proceeds from sale of other financial assets	169	349
Net cash used in investing activities	**(1,222)**	**(1,802)**
FINANCING ACTIVITIES		
Proceeds from borrowings	379	145
Repayments of borrowings	(902)	(2,092)
Buy back of issued shares	(3,825)	–
Income tax paid on transfer of treasury shares from the Company to its subsidiaries	–	(102)
Proceeds from sales of shares from treasury stock	1,246	111
Dividends paid by the Group's subsidiaries to non-controlling shareholders	–	(3)
Net cash used in financing activities	**(3,102)**	**(1,941)**
Net decrease in cash and cash equivalents	**(2,546)**	**(1,298)**
Cash and cash equivalents at beginning of the period	**5,405**	**3,632**
Cash and cash equivalents of disposal group at beginning of the period	106	–
Effects of foreign exchange differences on balances of cash and cash equivalents and translation to presentation currency	207	(50)
Cash and cash equivalents at end of the period	**3,172**	**2,284**

[1] Adjustments are presented for continuing and discontinued operations on a combined basis.

The accompanying notes on pages 9 – 21 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 2011
US Dollars million

	Notes	Equity attributable to shareholders of the parent company								
		Share capital	Share premium	Treasury shares	Other reserves	Retained earnings	Reserves of disposal group classified as held for sale	Total	Non-controlling interests	Total
Balance at 1 January 2010		**8**	**1,390**	**(2,719)**	**(604)**	**15,600**	**–**	**13,675**	**1,080**	**14,755**
Profit for the period		–	–	–	–	2,333	–	**2,333**	12	**2,345**
Other comprehensive income/(loss):										
Effect of translation to presentation currency and translation of foreign operations	16	–	–	–	(488)	–	–	**(488)**	(25)	**(513)**
Increase in fair value of available-for-sale investments	16	–	–	–	46	–	–	**46**	–	**46**
Realised gain on disposal of available-for-sale investments	16	–	–	–	(32)	–	–	**(32)**	–	**(32)**
Total comprehensive (loss)/income		**–**	**–**	**–**	**(474)**	**2,333**	**–**	**1,859**	**(13)**	**1,846**
Sales of ordinary shares from treasury stock		–	23	88	–	–	–	**111**	–	**111**
Income tax paid on transfer of treasury shares from Company to its subsidiaries		–	–	(102)	–	–	–	**(102)**	–	**(102)**
Dividends		–	–	–	–	(1,183)	–	**(1,183)**	–	**(1,183)**
Balance at 30 June 2010		**8**	**1,413**	**(2,733)**	**(1,078)**	**16,750**	**–**	**14,360**	**1,067**	**15,427**

The accompanying notes on pages 9 – 21 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 2011

US Dollars million

		Equity attributable to shareholders of the parent company								
	Notes	**Share capital**	**Share premium**	**Treasury shares**	**Other reserves**	**Retained earnings**	**Reserves of disposal group classified as held for sale**	**Total**	**Non-controlling interests**	**Total**
Balance at 1 January 2011		**8**	**1,511**	**(1,237)**	**279**	**17,744**	**(929)**	**17,376**	**598**	**17,974**
Profit for the period		–	–	–	–	1,795	–	**1,795**	23	**1,818**
Other comprehensive income/(loss):										
Effect of translation to presentation currency and translation of foreign operations	16	–	–	–	1,073	–	131	**1,204**	39	**1,243**
Decrease in fair value of available-for-sale investments	16	–	–	–	(174)	–	–	**(174)**	–	**(174)**
Investments revaluation reserve reclassified from equity to loss on disposal of subsidiary		–	–	–	–	–	(3)	**(3)**	–	**(3)**
Reclassification adjustments relating to translation reserve of subsidiary disposed of		–	–	–	–	(801)	801	–	–	–
Other	16	–	–	–	(4)	–	–	**(4)**	–	**(4)**
Total comprehensive (loss)/income		–	–		**895**	**994**	**929**	**2,818**	**62**	**2,880**
Sales of ordinary shares from treasury stock	15	–	–	1,540	–	(294)	–	**1,246**	–	**1,246**
Decrease in non-controlling interests due to increase of ownership in subsidiaries		–	–	–	–	–	–	–	(7)	**(7)**
Buy back of issued shares	15	–	–	(3,825)	–	–	–	**(3,825)**	–	**(3,825)**
Decrease in non-controlling interests due to disposal of subsidiary		–	–	–	–	–	–	–	(503)	**(503)**
Dividends		–	–	–	–	(1,129)	–	**(1,129)**	(15)	**(1,144)**
Balance at 30 June 2011		**8**	**1,511**	**(3,522)**	**1,174**	**17,315**	–	**16,486**	**135**	**16,621**

The accompanying notes on pages 9 – 21 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 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 and South African Republic. 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 2011	**30 June 2010**	**31 December 2010**
Russian Rouble/US Dollar			
Period-end rates	28.08	31.20	30.48
Average for the period ended	28.62	30.07	30.37
Botswana Pula/US Dollar			
Period-end rates	6.59	6.93	6.34
Average for the period ended	6.70	6.76	6.67
Australia Dollar/US Dollar			
Period-end rates	0.94	1.17	0.98
Average for the period ended	0.97	1.12	1.09

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2011 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 2010, 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 2010, 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 beginning on 1 January 2011.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The principal change arising from adoption of the Standards is as follows:

IAS 34 *Interim Financial Statements* (effective 1 January 2011)

The amendment requires additional disclosures for fair values and changes in classification of financial assets, as well as changes to contingent assets and liabilities in interim condensed financial statements. Additional information about fair values is presented in note 12.

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

- IAS 1 *Presentation of Financial Statements (amended)*;
- IAS 24 *Related Party: Disclosures* (*revised*);
- IAS 27 *Consolidated and Separate Financial Statements* (*amended*);
- IAS 32 *Financial Instruments: Presentation* (*amended*);
- IFRS 1 *First-time Adoption of International Financial Reporting Standards (amended)*
- IFRS 3 *Business Combinations* (*amended*);
- IFRS 7 *Financial Instruments: Disclosures* (*amended*);
- IFRIC 13 *Customer Loyalty Programmes* (*amended*);
- IFRIC 14 IAS 19: *Limit on a Defined Benefit Assets, Minimum Funding Requirements and Their Interaction* (*amended*)*; and*
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*.

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 2011 are consistent with those applied in the preparation of annual consolidated financial statements of the Group for the year ended 31 December 2010.

5. SEGMENTAL INFORMATION

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

Operations of OJSC "Third Generation Company of the Wholesale Electricity Market" ("OGK-3") and Stillwater Mining Company ("SWC") were discontinued during the year ended 31 December 2010. The segmental information reported below does not include any amounts for these discontinued operations, which are described in more detail in note 14. After operations of OGK-3 were discontinued, the energy and utility segment was removed and amounts remaining in this segment were reclassified to other operations.

The comparative information for the six months ended 30 June 2010 was reclassified to reflect these changes.

Management has identified "*Mining and metallurgy*" segment, which includes mining and metallurgy operations located in Russia and abroad, as the only reportable segment.

Other operations, which do not qualify as separate reportable segments based on quantitative thresholds for the six months ended 30 June 2011 and 2010, include energy and utility, transport and logistic services, research activities, repair and maintenance services.

US Dollars million

5. SEGMENTAL INFORMATION (CONTINUED)

The following tables present revenue, operating profit/(loss) and profit/(loss) for the period from continuing operations regarding the Group's operating segments for the six months ended 30 June 2011 and 2010, respectively.

Six months ended 30 June 2011	Mining and metallurgy	Other	Eliminations	Total
Revenue from external customers	6,973	362	–	**7,335**
Inter-segment revenue	3	789	(792)	–
Total revenue (continuing operations)	**6,976**	**1,151**	**(792)**	**7,335**
Operating profit/(loss)	3,468	(84)	–	**3,384**
Share of (losses)/profits of associates	(5)	2	–	**(3)**
Profit/(loss) before income tax	3,200	(71)	–	**3,129**
Income tax expense	(731)	(20)	–	**(751)**
Profit/(loss) for the period (continuing operations)	**2,469**	**(91)**	**–**	**2,378**

Six months ended 30 June 2010	Mining and metallurgy	Other	Eliminations	Total
Revenue from external customers	5,615	289	–	**5,904**
Inter-segment revenue	2	714	(716)	–
Total revenue (continuing operations)	**5,617**	**1,003**	**(716)**	**5,904**
Operating profit	2,903	2	–	**2,905**
Share of profits of associates	19	3	–	**22**
Profit before income tax	2,919	25	–	**2,944**
Income tax expense	(611)	(4)	–	**(615)**
Profit for the period (continuing operations)	**2,308**	**21**	**–**	**2,329**

The following tables present assets and liabilities of the Group operating segments at 30 June 2011 and 31 December 2010, respectively.

30 June 2011	Mining and metallurgy	Other	Eliminations	Total
Investments in associates	440	68	–	**508**
Segment assets	19,085	3,409	–	**22,494**
Inter-segment assets and eliminations	1,703	577	(2,280)	–
Total segment assets	**21,228**	**4,054**	**(2,280)**	**23,002**
Segment liabilities	5,932	449	–	**6,381**
Inter-segment liabilities and eliminations	577	1,703	(2,280)	–
Total segment liabilities	**6,509**	**2,152**	**(2,280)**	**6,381**

US Dollars million

5. SEGMENTAL INFORMATION (CONTINUED)

31 December 2010	Mining and metallurgy	Other	Eliminations	Total
Investments in associates	456	59	–	**515**
Segment assets	17,454	3,124	–	**20,578**
Inter-segment assets and eliminations	1,487	94	(1,581)	–
Total segment assets	**19,397**	**3,277**	**(1,581)**	**21,093**
Assets relating to OGK-3 (classified as disposal group as at 31 December 2010)	–	2,816	–	**2,816**
Total assets	**19,397**	**6,093**	**(1,581)**	**23,909**
Segment liabilities	5,352	371	–	**5,723**
Inter-segment liabilities and eliminations	94	1,487	(1,581)	–
Total segment liabilities	**5,446**	**1,858**	**(1,581)**	**5,723**
Liabilities relating to OGK-3 (classified as disposal group as at 31 December 2010)	–	212	–	**212**
Total liabilities	**5,446**	**2,070**	**(1,581)**	**5,935**

6. METAL SALES

	For the six months ended 30 June 2011	For the six months ended 30 June 2010
Nickel	3,654	3,052
Copper	1,526	1,261
Palladium	1,078	667
Platinum	606	547
Gold	92	77
Total	**6,956**	**5,604**

7. COST OF METAL SALES

	For the six months ended 30 June 2011	For the six months ended 30 June 2010
Cash operating costs		
Labour	729	594
Expenses on acquisition of refined metal, PGM scrap and other semi-products	896	630
Consumables and spares	579	528
Outsourced third party services	272	273
Utilities	118	87
Taxes directly attributable to cost of goods sold	99	86
Transportation expenses	87	67
Sundry costs	46	57
Less: sales of by-products	(230)	(211)
Total cash operating costs	**2,596**	**2,111**
Amortisation and depreciation	330	316
Increase in metal inventories	(211)	(203)
Total	**2,715**	**2,224**

US Dollars million

8. SELLING AND DISTRIBUTION EXPENSES

	For the six months ended 30 June 2011	For the six months ended 30 June 2010
Export custom duties	357	99
Transportation expenses	13	15
Labour	9	6
Other	6	5
Total	**385**	**125**

9. GENERAL AND ADMINISTRATIVE EXPENSES

	For the six months ended 30 June 2011	For the six months ended 30 June 2010
Labour	194	140
Third party services	67	60
Taxes other than those directly attributable to cost of goods sold and income taxes	45	49
Amortisation and depreciation	12	11
Transportation expenses	8	7
Other	42	35
Total	**368**	**302**

10. OTHER NET OPERATING EXPENSES

	For the six months ended 30 June 2011	For the six months ended 30 June 2010
Social expenses	103	42
Change in allowance for doubtful debts	27	8
Change in provision for reimbursable value added tax	(1)	8
Change in other provisions	–	(23)
Other	(49)	16
Total	**80**	**51**

US Dollars million

11. PROPERTY, PLANT AND EQUIPMENT

	Mining assets	Non-mining assets	Capital construction-in-progress	Total
Cost				
Balance at 1 January 2011	**10,088**	**7,331**	**1,129**	**18,548**
Additions	339	–	560	**899**
Transfers	–	233	(233)	**–**
Disposals	(6)	(31)	(5)	**(42)**
Effect of translation to presentation currency	568	555	101	**1,224**
Balance at 30 June 2011	**10,989**	**8,088**	**1,552**	**20,629**
Accumulated depreciation and impairment				
Balance at 1 January 2011	**(6,082)**	**(3,208)**	**(105)**	**(9,395)**
Charge for the period	(134)	(232)	–	**(366)**
Eliminated on disposals	6	19	–	**25**
Reversal of impairment/(impairment loss)	7	1	(5)	**3**
Effect of translation to presentation currency	(254)	(255)	(4)	**(513)**
Balance at 30 June 2011	**(6,457)**	**(3,675)**	**(114)**	**(10,246)**
Carrying value				
At 1 January 2011	**4,006**	**4,123**	**1,024**	**9,153**
At 30 June 2011	**4,532**	**4,413**	**1,438**	**10,383**

12. OTHER FINANCIAL ASSETS

	30 June 2011	31 December 2010
Non-current		
Available-for-sale investments in securities	2,435	794
Loans issued and other receivables	29	54
Promissory notes receivable	24	23
Bank deposits	10	8
Derivative financial instruments	1	2
Total non-current	**2,499**	**881**
Current		
Bank deposits	397	366
Promissory notes receivable and bonds	443	136
Available-for-sale investment in convertible notes	98	93
Loans issued and other receivables	64	35
Derivative financial instruments	32	7
Total current	**1,034**	**637**

During the six months ended 30 June 2011 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 the fair value hierarchy used in measuring the fair value of financial instruments.

Non-current available-for-sale investments in securities are primarily comprised of shares traded on the Russian stock exchanges, and include shares of OJSC “INTER RAO UES” received by the Group in 2011 (refer to note 14).

US Dollars million

13. CASH AND CASH EQUIVALENTS

		30 June 2011	31 December 2010
Current accounts	- foreign currencies	2,022	3,322
	- RUB	367	584
Bank deposits	- foreign currencies	261	661
	- RUB	120	7
Restricted cash and cash equivalents		399	830
Other cash and cash equivalents		3	1
Total		**3,172**	**5,405**

14. DISCONTINUED OPERATIONS AND DISPOSAL OF SUBSIDIARY

Disposal of Stillwater Mining Company

On 13 December 2010, Norimet Ltd., a subsidiary of the Group, sold its interest in SWC, a subsidiary of the Group, in the secondary public offering for a cash consideration of USD 881 million, net of underwriting and other professional fees directly associated with the transaction.

Disposal of OGK-3

On 28 December 2010, the Board of Directors of MMC Norilsk Nickel made a decision to exchange 82.7% stake in OGK-3, a subsidiary of the Group, for shares of OJSC "INTER RAO UES" at the swap ratio of 35 shares of OJSC "INTER RAO UES" per 1 share of OGK-3. At 31 December 2010 the assets and liabilities of OGK-3 were classified as held for sale and presented separately in the consolidated financial statements for the year ended 31 December 2010.

On 18 March 2011, MMC Norilsk Nickel exchanged its OGK-3 shares into 13.6% stake in OJSC "INTER RAO UES" and ceased to consolidate OGK-3 from this date.

The combined results of operations and net cash flows of OGK-3 and SWC are set out below:

	For the six months ended 30 June 2011	For the six months ended 30 June 2010
Metal sales	–	248
Other sales	423	685
Cost of metal sales	–	(200)
Cost of other sales	(345)	(671)
Selling, general and administrative expenses	(12)	(36)
Other net operating expenses	2	22
Income from investments, net	31	24
Foreign exchange loss, net	(14)	(65)
Share of post-acquisition losses of investments in associates	–	(3)
	85	**4**
Income tax (expense)/ benefit	(11)	12
	74	**16**
Loss on disposal of OGK-3	(566)	–
Income tax expense attributable to disposal of subsidiary	(68)	–
(Loss)/profit for the period from discontinued operations	**(560)**	**16**
Attributable to:		
Shareholders of the parent company	(572)	–
Non-controlling interests	12	16
	(560)	**16**
Net cash (used in)/generated from operating activities	(50)	157
Net cash generated from/(used in) investing activities	402	(1,732)
Net cash used in financing activities	–	(3)
Total	**352**	**(1,578)**

US Dollars million

14. DISCONTINUED OPERATIONS AND DISPOSAL OF SUBSIDIARY (CONTINUED)

After exchange of the Group's interest in OGK-3 for shares of OJSC "INTER RAO UES" the Group's ownership in OGK-3 reduced to nil.

At the date of disposal aggregated net assets of the subsidiary disposed of and loss on disposal were as follows:

	18 March 2011
Property, plant and equipment	1,320
Intangible assets	2
Other financial assets	875
Inventories	92
Trade and other receivables	276
Cash and cash equivalents	468
Assets classified as held for sale	28
Employee benefit obligations	(35)
Trade and other payables	(98)
Other taxes payable	(100)
Net assets disposed of	**2,828**
Non-controlling interests	(503)
Investments revaluation reserve reclassified from equity to loss on disposal of subsidiary	(3)
	2,322
Fair value of shares received	1,756
Loss on disposal of OGK-3	**(566)**
Net cash outflow from disposal of subsidiary	(468)

Loss on disposal of OGK-3 in the amount of USD 566 million was recognised as a part of losses for the period from discontinued operations.

15. SHARE CAPITAL

Authorised, issued and fully paid share capital

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

Treasury shares

	Number of shares	Outstanding balance
At 31 December 2010	**7,018,025**	**1,237**
February – March 2011: sales of shares from treasury stock	(6,881,662)	(1,540)
January – April 2011: buy back of shares	13,067,656	3,293
April – June 2011: buy back of shares	1,984,000	532
At 30 June 2011	**15,188,019**	**3,522**

15. SHARE CAPITAL (CONTINUED)

On 12 October 2010, the Group wrote a call option over 68,816,616 ADRs (6,881,662 treasury shares) from treasury stock and received for this contract a premium of USD 67 million, which was recognised within the share premium reserve in equity in 2010. The option had the exercise price of USD 18.1 per ADR and expiry period of 180 days. During the period from February through to March 2011, the option was exercised in full and 68,816,616 ADRs (6,881,662 treasury shares) were sold for a total consideration of USD 1,246 million.

On 29 December 2010, Corbiere Holdings Limited ("Corbiere"), a subsidiary of the Group, announced a voluntary buy-back of Company's issued shares. By 4 April 2011, after completion of its previously announced buy-back Corbiere acquired 13,067,656 of the Company's shares, including those in the form of ADRs, for a cash consideration of USD 3,293 million.

During the period from 5 April through to 30 June 2011, Corbiere also acquired 1,984,000 of the Company's shares for a cash consideration of USD 532 million.

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 2011 was 177,088,493 shares (for the six months ended 30 June 2010: 175,113,679 shares).

Dividends declared and paid

On 21 June 2011, the Company declared dividends in respect of the year ended 31 December 2010 in the amount of RUB 180 (USD 6.39) per share. As of 30 June 2011 the total amount payable was USD 1,129 million, net of USD 89 million due to Group subsidiaries.

The dividends were paid to the shareholders in August 2011.

US Dollars million

16. OTHER RESERVES

	Option premium on convertible notes	Investments revaluation reserve	Hedging reserve	Revaluation surplus	Translation reserve	Total
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)**
Balance at 1 January 2011	**–**	**415**	**(14)**	**43**	**(165)**	**279**
Decrease in fair value of available-for-sale investments	–	(174)	–	–	–	**(174)**
Effect of translation to presentation currency and translation of foreign operations	–	–	–	–	1,073	**1,073**
Other	–	–	(4)	–	–	**(4)**
Total comprehensive (loss)/income	**–**	**(174)**	**(4)**	**–**	1,073	**895**
Balance at 30 June 2011	**–**	**241**	**(18)**	**43**	**908**	**1,174**

US Dollars million

17. LOANS AND BORROWINGS

		30 June 2011	31 December 2010
Long-term borrowings			
Syndicated bank loans	(i)	249	1,044
Corporate bonds	(ii)	523	487
Other loans and borrowings	(iii)	2	30
Total long-term borrowings		**774**	**1,561**
Short-term borrowings and short-term portion of long-term debt			
Syndicated bank loans	(i)	1,231	1,199
Other loans and borrowings	(iii)	337	37
Total short-term borrowings and short-term portion of long-term debt		**1,568**	**1,236**

(i) ***Syndicated bank loans –*** USD-denominated bank loans with maturity dates varying from March, 2012 to January, 2019. All loans were arranged at floating rates varying from LIBOR+0.43% to LIBOR+1%.

(ii) ***Corporate bonds –*** on 3 August 2010, the Company issued 15,000,000 corporate bonds at a par value of RUB 1,000 (USD 33) per bond, the bonds are due in full on 30 July 2013. Interest of 7% per annum is payable semi-annually.

(iii) ***Other loans and borrowings –*** major part of other loans and borrowings are USD-denominated with maturity varying from April, 2012 to June, 2012 and arranged at floating rate of LIBOR + 2.45%.

18. 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.

	Sale of goods and services		Purchase of goods and services	
Transactions with related parties	For the six months ended 30 June 2011	For the six months ended 30 June 2010	For the six months ended 30 June 2011	For the six months ended 30 June 2010
Entities under common ownership and control of the Group's major shareholders	6	7	26	45
Associates of the Group	8	5	177	162
Total	**14**	**12**	**203**	**207**

	Accounts receivable, investments and cash		Accounts payable, loans and borrowings received	
Outstanding balances with related parties	30 June 2011	31 December 2010	30 June 2011	31 December 2010
Entities under common ownership and control of the Group's major shareholders	6	12	1	3
Associates of the Group	62	2	40	68
Total	**68**	**14**	**41**	**71**

US Dollars million

18. RELATED PARTIES TRANSACTIONS AND OUTSTANDING BALANCES (CONTINUED)

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.

19. COMMITMENTS AND CONTINGENCIES

Capital commitments

At 30 June 2011, contractual capital commitments amounted to USD 1,497 million (31 December 2010: USD 775 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.

By 30 June 2011, the Group entered into eight aircraft lease agreements (31 December 2010: five). The respective lease agreements have an average life of seven-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-cancellable operating lease agreements were as follows:

	30 June 2011	**31 December 2010**
Due within one year	52	32
From one to five years	178	113
Thereafter	81	40
Total	**311**	**185**

Litigation

At 30 June 2011, unresolved tax litigations amounted to approximately USD 12 million (31 December 2010: USD 18 million). Management believes that the risk of an unfavourable outcome of the litigation is possible.

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

Taxation contingencies in the Russian Federation

The 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. Generally, tax declarations remain open and subject to inspection for a period of three years following the tax year.

19. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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 2011 may amount to USD 132 million (31 December 2010: USD 125 million). No provision has been recorded in these interim condensed consolidated financial statements in relation to such exposures.

Environmental matters

The Group is subject to extensive federal, state and local environmental controls and regulations in the countries in which it operates. The Group's operations involve pollutant emissions to air and water objects as well as formation and disposal of production wastes.

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

Russian Federation risk

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

20. EVENTS SUBSEQUENT TO THE REPORTING DATE

Share buy-back programmes

On 10 August 2011 Corbiere Holdings Limited completed open market purchase of MMC Norilsk Nickel shares, including those represented by ADRs, for the total amount of USD 1.2 billion. Corbiere Holdings Limited purchased 4,529,947 shares, including those represented by ADRs, constituting in the aggregate approximately 2.38% of the share capital of the Company.

On 28 September 2011 Norilsk Nickel Investments Ltd. announced commencement of a buy-back of up to 14,705,882 MMC Norilsk Nickel shares, including those represented by ADRs, constituting in the aggregate approximately 7.71% of the share capital of the Company, at purchase price of USD 306 per share and USD 30.6 per ADR.