Mining and Metallurgical Company Norilsk Nickel

Interim condensed consolidated financial statements (unaudited)

for the six months ended 30 June 2009

MINING AND METALLURGICAL COMPANY NORILSK NICKEL

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2009

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated on the independent auditor's 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 consolidated financial position of the Group as at 30 June 2009 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 2009 were approved on 19 October 2009 by:

V.I. Strzhalkovsky
General Director

D.R. Kostoev
Deputy General Director

Moscow, Russia
19 October 2009

ZAO Deloitte & Touche CIS
Business Center "Mokhovaya"
4/7 Vozdvizhenka St., Bldg. 2
Moscow, 125009
Russia

Tel: +7 (495) 787 0600
Fax: +7 (495) 787 0601
www.deloitte.ru

REPORT ON THE REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Open Joint Stock Company "Mining and Metallurgical Company Norilsk Nickel" and its subsidiaries (the "Group"), which comprise the interim condensed consolidated statement of financial position as at 30 June 2009 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flow statement for the six months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by Independent Auditor of the Entity*. A review of interim 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 opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte & Touche

Moscow, Russia
19 October 2009

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2009

US Dollars million

	Notes	For the six months ended 30 June 2009	For the six months ended 30 June 2008
Revenue			
Metal sales	7.1	3,289	7,210
Other sales	7.2	789	1,101
Total revenue		**4,078**	**8,311**
Cost of metal sales	8.1	(2,004)	(2,677)
Cost of other sales	8.2	(737)	(1,063)
Gross profit		**1,337**	**4,571**
Selling and distribution expenses	9	(55)	(320)
General and administrative expenses	10	(273)	(492)
Impairment of non-financial assets		(10)	(169)
Loss on derivatives classified as held for trading		(7)	(10)
Other net operating expenses	11	(29)	(225)
Operating profit		**963**	**3,355**
Finance costs		(98)	(224)
Income from investments, net		66	414
Foreign exchange (loss)/gain, net		(304)	96
Excess of the Group's share in the fair value of net assets acquired over the cost of acquisition		4	–
Share of (losses)/profits of associates		(15)	28
Profit before tax		**616**	**3,669**
Income tax expense			
Current income tax expense		(185)	(1,008)
Deferred tax benefit		8	21
Total income tax expense		**(177)**	**(987)**
Profit for the period		**439**	**2,682**
Attributable to:			
Shareholders of the parent company		419	2,689
Minority interest		20	(7)
		439	**2,682**
EARNINGS PER SHARE			
Weighted average number of ordinary shares in issue during the period	16	174,362,861	188,916,863
Basic and diluted earnings per share attributable to shareholders of the parent company (US Dollars per share)		2.4	14.2

MINING AND METALLURGICAL COMPANY NORILSK NICKEL

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2009

US Dollars million

	For the six months ended 30 June 2009	For the six months ended 30 June 2008
Profit for the period	**439**	**2,682**
Other comprehensive (loss)/income		
Effect of translation to presentation currency and translation of foreign operations	(466)	740
Increase/(decrease) in fair value of available-for-sale investments and gain on cash flow hedge	271	(226)
Realised gain on disposal of available-for-sale investments and cash flow hedge	(6)	(115)
Other comprehensive (loss)/income for the period, net of tax	**(201)**	**399**
Total comprehensive income for the period, net of tax	**238**	**3,081**
Attributable to:		
Shareholders of the parent company	283	2,982
Minority interest	(45)	99
	238	**3,081**

MINING AND METALLURGICAL COMPANY NORILSK NICKEL

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2009
US Dollars million

	Notes	30 June 2009	31 December 2008
ASSETS			
Non-current assets			
Property, plant and equipment	13	10,286	10,737
Goodwill		1,160	1,235
Intangible assets		205	209
Investments in associates		820	889
Other financial assets	14	795	523
Other taxes receivable		221	79
Deferred tax assets		50	30
		13,537	**13,702**
Current assets			
Inventories		1,846	1,959
Trade and other receivables		833	569
Advances paid and prepaid expenses		135	118
Other financial assets	14	992	1,316
Income tax receivable		429	566
Other taxes receivable		388	521
Cash and cash equivalents	15	2,323	1,995
		6,946	**7,044**
Assets classified as held for sale	12	45	13
		6,991	**7,057**
TOTAL ASSETS		**20,528**	**20,759**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	16	8	8
Share premium		1,390	1,390
Treasury shares	16	(2,715)	(2,615)
Other reserves	17	(1,188)	(1,052)
Retained earnings		13,419	13,000
Equity attributable to shareholders of the parent company		**10,914**	**10,731**
Minority interest		1,009	1,054
		11,923	**11,785**
Non-current liabilities			
Loans and borrowings	18	3,209	5,568
Obligations under finance leases		38	41
Employee benefit obligations		18	16
Environmental obligations		583	564
Deferred tax liabilities		697	659
		4,545	**6,848**
Current liabilities			
Loans and borrowings	18	2,914	872
Obligations under finance leases		15	13
Employee benefit obligations		296	393
Trade and other payables		571	601
Advances received		27	39
Income tax payable		11	22
Other taxes payable		164	171
Derivative financial instruments		62	15
		4,060	**2,126**
TOTAL LIABILITIES		**8,605**	**8,974**
TOTAL EQUITY AND LIABILITIES		**20,528**	**20,759**

MINING AND METALLURGICAL COMPANY NORILSK NICKEL

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2009

US Dollars million

	For the six months ended 30 June 2009	For the six months ended 30 June 2008
OPERATING ACTIVITIES		
Profit before tax	**616**	**3,669**
Adjustments for:		
Depreciation and impairment of property, plant and equipment	408	804
Loss on disposal of property, plant and equipment	5	11
Amortisation and impairment of intangible assets	26	18
Impairment of assets classified as held for sale	6	–
Excess of the Group’s share in the fair value of net assets acquired over the cost of acquisition	(4)	–
Share of post-acquisition losses/(profit) and impairment of investments in associates	15	(28)
Gain on disposal of available-for-sale investments	(4)	(144)
Gain on disposal of associates	(2)	–
Impairment of other financial assets	(2)	14
Change in provision for onerous contracts	(5)	150
Loss on derivatives classified as held for trading	7	10
Finance costs	98	224
Interest income	(59)	(296)
Foreign exchange loss/(gain), net	304	(96)
Dividend income	–	(6)
Other	(2)	–
	1,407	**4,330**
Movements in working capital:		
Inventories	(7)	(128)
Trade and other receivables	(193)	29
Advances paid and prepaid expenses	(44)	(49)
Other tax receivables	(41)	(41)
Employee benefit obligations	(65)	(29)
Trade and other payables	51	(6)
Advances received	(8)	22
Other taxes payable	6	29
Cash generated from operations	**1,106**	**4,157**
Interest paid	(76)	(200)
Income tax paid	(98)	(1,400)
Net cash generated from operating activities	**932**	**2,557**
INVESTING ACTIVITIES		
Acquisition of subsidiaries, net of cash acquired and increase of ownership in subsidiaries	–	(335)
Proceeds from disposal of subsidiaries	1	47
Acquisition and advances paid for acquisition of associates	(42)	(51)
Proceeds from disposal of associates	26	–
Purchase of property, plant and equipment	(470)	(1,207)
Proceeds from disposal of property, plant and equipment	16	17
Purchase of intangible assets	(6)	(20)
Purchase of other financial assets	(21)	(81)
Net change in deposits placed	360	1,495
Proceeds from sale of other financial assets	83	440
Net cash (used in)/generated from investing activities	**(53)**	**305**
FINANCING ACTIVITIES		
Proceeds from borrowings	45	2,543
Repayments of borrowings	(373)	(3,699)
Buy back of issued shares, including income tax paid on transfer of treasury shares from Company to its subsidiaries in the amount of USD 74 million	(100)	–
Dividends paid by the Company	–	(803)
Net cash used in financing activities	**(428)**	**(1,959)**
Net increase in cash and cash equivalents	**451**	**903**
Cash and cash equivalents at beginning of the period	**1,995**	**4,008**
Effect of translation to presentation currency	(123)	27
Cash and cash equivalents at end of the period	**2,323**	**4,938**

MINING AND METALLURGICAL COMPANY NORILSK NICKEL

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2009

US Dollars million

	Attributable to shareholders of the parent company							
	Share capital	**Share premium**	**Treasury shares**	**Other reserves**	**Retained earnings**	**Total**	**Minority interest**	**Total**
Balance at 1 January 2008	**8**	**1,390**	**–**	**3,765**	**14,340**	**19,503**	**2,318**	**21,821**
Profit for the period	–	–	–	–	2,689	**2,689**	(7)	**2,682**
Other comprehensive income	–	–	–	281	12	**293**	106	**399**
Total comprehensive income	**–**	**–**	**–**	**281**	**2,701**	**2,982**	**99**	**3,081**
Dividends	–	–	–	–	(902)	**(902)**	(5)	**(907)**
Issuance of convertible notes	–	–	–	19	–	**19**	17	**36**
Decrease in minority interest due to increase of ownership in subsidiaries	–	–	–	–	–	**–**	(255)	**(255)**
Balance at 30 June 2008	**8**	**1,390**	**–**	**4,065**	**16,139**	**21,602**	**2,174**	**23,776**
Balance at 1 January 2009	**8**	**1,390**	**(2,615)**	**(1,052)**	**13,000**	**10,731**	**1,054**	**11,785**
Profit for the period	–	–	–	–	419	**419**	20	**439**
Other comprehensive loss	–	–	–	(136)	–	**(136)**	(65)	**(201)**
Total comprehensive (loss)/income	**–**	**–**	**–**	**(136)**	**419**	**283**	**(45)**	**238**
Buy back of issued shares (refer to note 16)	–	–	(26)	–	–	**(26)**	–	**(26)**
Income tax paid on transfer of treasury shares from Company to its subsidiaries (refer to note 16)	–	–	(74)	–	–	**(74)**	–	**(74)**
Increase in minority interest due to decrease of ownership in subsidiaries	–	–	–	–	–	**–**	2	**2**
Decrease in minority interest due to increase of ownership in subsidiaries	–	–	–	–	–	**–**	(2)	**(2)**
Balance at 30 June 2009	**8**	**1,390**	**(2,715)**	**(1,188)**	**13,419**	**10,914**	**1,009**	**11,923**

US Dollars million

1. GENERAL INFORMATION

Organisation and principal business activities

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

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

Foreign currency exchange rates

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

	30 June 2009	30 June 2008	31 December 2008
Russian Rouble/US Dollar			
Period-end rates	31.29	23.46	29.38
Average for the period ended	33.07	23.94	24.86
Botswana Pula/US Dollar			
Period-end rates	6.71	6.56	7.52
Average for the period ended	7.41	6.42	6.82
Australia Dollar/US Dollar			
Period-end rates	1.24	1.04	1.44
Average for the period ended	1.40	1.08	1.20

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2009 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 2008, 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 2008, except for:

Adoption of new and revised standards and interpretations

In the preparation of these interim condensed consolidated financial statements the Group has adopted all new International Financial Reporting Standards and Interpretations issued by International Financial Reporting Committee ("IFRIC") that are mandatory for adoption in annual periods beginnings on or after 1 January 2009.

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

IFRS 7 *Financial Instruments: Disclosures* (revised and effective 1 January 2009)

This amended Standard requires additional disclosure about fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instrument. In addition, a reconciliation between the beginning and ending balance for Level 3 fair value measurements is now required, as well significant transfers between Level 1 and Level 2 fair value measurements. The amendments also clarify the requirements for liquidity risk disclosures. Since the majority of Group's financial assets are allocated to Level 1 and there were no significant transfers between classes during six months ended 30 June 2009, management decided not to present such information in these interim condensed consolidated financial statements. Liquidity risk disclosures are not significantly impacted by these amendments.

IFRS 8 *Operating Segments* (effective 1 January 2009)

This Standard requires disclosure of financial information about Group's operating segments based on management reporting system and replaces the requirements to determine primary (business) and secondary (geographical) reporting segments of the Group. Adoption of this Standard did not have any effect of the financial position or performance of the Group since operating segments determined in accordance with IFRS 8 *Operating Segments* are the same as the business segments previously reported under IAS 14 *Segment Reporting*. Additional information and disclosure about each operating segment is presented in note 6.

IAS 1 *Presentation of Financial Statements* (revised and effective 1 January 2009)

This revised Standard separates owner and non-owner changes in statement of changes in equity. Based on revised Standard the statement of changes in equity includes only details of transactions with owner, with non-owner changes in equity presented as a single line item. In addition, the Standard introduces the statement of comprehensive income and other terminology changes. All information presented in these interim condensed consolidated financial statements is amended, accordingly.

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:

- IFRS 1 *First-time Adoption of International Financial Reporting Standards;*
- IFRS 2 *Share-based Payments;*
- IAS 16 *Property, Plant and Equipment;*
- IAS 19 *Employee Benefits;*
- IAS 20 *Accounting for Government Grants and Disclosures of Government Assistance;*
- IAS 23 *Borrowing Costs;*
- IAS 27 *Consolidated and Separate Financial Statements;*
- IAS 28 *Investments in Associates;*
- IAS 29 *Financial Reporting in Hyperinflationary Economies;*
- IAS 31 *Interest in Joint Ventures;*
- IAS 32 *Financial Instruments: Presentation;*
- IAS 34 *Interim Financial Reporting;*
- IAS 36 *Impairment of Assets;*
- IAS 38 *Intangible Assets;*
- IAS 39 *Financial Instruments: Recognition and Measurement;*
- IAS 40 *Investment Property;*
- IAS 41 *Agriculture;*
- IFRIC 15 *Agreements for the Construction of Real Estate; and*
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation.*

US Dollars million

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF UNCERTAINTY ESTIMATION

The critical accounting judgments, estimates and assumptions made by management of the Group and applied in these interim condensed consolidated financial statements for the six months ended 30 June 2009 are consistent with those applied in the preparation of annual consolidated financial statements of the Group for the year ended 31 December 2008, except for assessment of effective income tax rate used in determination of income tax expense in these interim condensed consolidated financial statements.

Effective income tax rate

Income tax in the interim condensed consolidated financial statements for the six months ended 30 June 2009 is calculated based on the best estimate of income tax rate that would be applicable to the Group's expected annual earnings. The estimated effective income tax rate used for the six months ended 30 June 2009 is 28.7% (for the six months ended 30 June 2008: 26.9%).

5. RECLASSIFICATIONS

Certain comparative information, presented in the Group's interim condensed consolidated financial statements for the six months ended 30 June 2008 and for the year ended 31 December 2008, has been reclassified. Reclassifications were based upon management's decision to enhance disclosure of the Group's financial position and results of operations through separate or combined presentation of certain types of income and expenses, and assets and liabilities on the face of the interim condensed consolidated income statement and interim condensed consolidated statement of financial position.

	After reclassifications	Before reclassifications	Difference
INCOME STATEMENT			
Impairment of non-financial assets	(169)	–	(169)
Loss on derivatives classified as held for trading	(10)	3	(13)
Other net operating expenses	(225)	(407)	182
			–
STATEMENT OF FINANCIAL POSITION			
Non-current assets			
Investments in associates	889	951	(62)
Total non-current assets			**(62)**
Current assets			
Income tax receivables	566	568	(2)
Total current assets			**(2)**
Non-current liabilities			
Employee benefit obligations	16	11	5
Share appreciation rights	–	5	(5)
Deferred tax liabilities	659	723	(64)
Total non-current liabilities			**(64)**
Current liabilities			
Employee benefit obligations	393	386	7
Share appreciation rights	–	7	(7)
Trade and other payables	601	596	5
Dividends payable	–	5	(5)
Total current liabilities			–

US Dollars million

6. SEGMENTAL INFORMATION

At 30 June 2009, upon adoption of IFRS 8 *Operating segments* the Group's reportable operating segments determined under new standard are the same as the business segments previously reported under IAS 14 *Segment Reporting*. The Group's operating segments are as follows:

- Mining and Metallurgy;
- Energy and Utilities; and
- Other.

The segment *Other* mainly includes entities engaged in research activities, maintenance and repair services. Results of operations of OJSC "Enisey River Shipping Company", OJSC "Arkhangelsk Sea Commercial Port", LLC "Alykel", CJSC "Taimyrskaya Toplivnaya Kompanya" and Transportation Divisions of MMC Norilsk Nickel, which previously were presented as *Transportation and Logistics* business segment, were combined for the presentation of segmental information under new standard with *Other* operations due to their insignificance.

The comparative information for the six months ended 30 June 2008 and for the year ended 31 December 2008 was restated for these changes in these interim condensed consolidated financial statements.

The following tables present revenue, operating profit/(loss) and profit/(loss) for the period and other segmental information regarding the Group's operating segments for the six months ended 30 June 2009 and 2008, respectively.

Six months ended 30 June 2009	**Mining and Metallurgy**	**Energy and Utilities**	**Other**	**Eliminations**	**Total**
Revenue from external customers	3,316	619	143	–	**4,078**
Inter-segment revenue	2	210	448	(660)	–
Total revenue	**3,318**	**829**	**591**	**(660)**	**4,078**
Operating profit/(loss)	1,008	66	(111)	–	**963**
Share of losses of associates	(6)	(9)	–	–	**(15)**
Profit/(loss) before income tax	636	104	(124)	–	**616**
Income tax expense	(168)	(8)	(1)	–	**(177)**
Profit/(loss) for the period	**468**	**96**	**(125)**	**–**	**439**
Other segmental information					
Capital expenditures	385	50	40	–	**475**
Depreciation and amortisation	309	87	39	–	**435**
Impairment of non-financial assets	(4)	–	14	–	**10**

Six months ended 30 June 2008	**Mining and Metallurgy**	**Energy and Utilities**	**Other**	**Eliminations**	**Total**
Revenue from external customers	7,257	857	197	–	**8,311**
Inter-segment revenue	4	252	475	(731)	–
Total revenue	**7,261**	**1,109**	**672**	**(731)**	**8,311**
Operating profit/(loss)	3,382	76	(103)	–	**3,355**
Share of profits/(losses) of associates	39	(11)	–	–	**28**
Profit/(loss) before income tax	3,591	185	(107)	–	**3,669**
Income tax expense	(918)	(34)	(35)	–	**(987)**
Profit/(loss) for the period	**2,673**	**151**	**(142)**	**–**	**2,682**
Other segmental information					
Capital expenditures	1,010	130	74	–	**1,214**
Depreciation and amortisation	527	108	23	–	**658**
Impairment of non-financial assets	155	–	14	–	**169**

US Dollars million

6. SEGMENTAL INFORMATION (CONTINUED)

The following tables present assets and liabilities of the Group operating segments at 30 June 2009 and 31 December 2008, respectively.

30 June 2009	Mining and Metallurgy	Energy and Utilities	Other	Eliminations	Total
Investments in associates	293	527	–	–	**820**
Segment assets	11,731	5,903	2,074	–	**19,708**
Inter-segment assets and elimination	2,649	206	1,223	(4,078)	–
Total segment assets	**14,673**	**6,636**	**3,297**	**(4,078)**	**20,528**
Segment liabilities	7,958	405	242	–	**8,605**
Inter-segment liabilities and elimination	1,404	21	2,653	(4,078)	–
Total segment liabilities	**9,362**	**426**	**2,895**	**(4,078)**	**8,605**
31 December 2008					
Investments in associates	211	678	–	–	**889**
Segment assets	11,606	6,213	2,051	–	**19,870**
Inter-segment assets and elimination	2,544	69	204	(2,817)	–
Total segment assets	**14,361**	**6,960**	**2,255**	**(2,817)**	**20,759**
Segment liabilities	8,296	460	218	–	**8,974**
Inter-segment liabilities and elimination	270	138	2,409	(2,817)	–
Total segment liabilities	**8,566**	**598**	**2,627**	**(2,817)**	**8,974**

Other segmental information

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

Intra-segment sales of construction, transportation, repair and other services were made at prices equivalent to budgeted cost of services, generally determined based on Russian accounting standards, plus a margin varying from 1% to 25%.

Intra-segment loans were given at rates varying from 6.4% to 10.4% for RUR-denominated loans and from 4.6% to 7.2% for USD-denominated loans.

7. REVENUE

7.1. METAL SALES

	For the six months ended 30 June 2009	For the six months ended 30 June 2008
Nickel	1,647	3,922
Copper	793	1,588
Platinum	415	837
Palladium	373	796
Gold	61	67
Total	**3,289**	**7,210**

US Dollars million

7. REVENUE (CONTINUED)

7.2. OTHER SALES

	For the six months ended 30 June 2009	For the six months ended 30 June 2008
Energy and utilities	619	857
Other	170	244
Total	**789**	**1,101**

8. COST OF SALES

8.1. COST OF METAL SALES

	For the six months ended 30 June 2009	For the six months ended 30 June 2008
Cash operating costs		
Labour	569	919
Consumables and spares	483	600
Expenses on acquisition of refined metal, PGM scrap and other semi-products	280	623
Outsourced third party services	254	511
Utilities	83	100
Transportation	77	120
Tax on mining and pollution levies	74	105
Sundry costs	47	53
Less: sales of by-products	(154)	(774)
	1,713	**2,257**
Amortisation and depreciation	344	542
Increase in metal inventories	(53)	(122)
Total	**2,004**	**2,677**

8.2. COST OF OTHER SALES

	For the six months ended 30 June 2009	For the six months ended 30 June 2008
Consumables and spares	293	456
Labour	163	199
Utilities	126	183
Amortisation and depreciation	69	97
Outsourced third party services	43	63
Taxes other than income tax	18	27
Transportation	16	24
Other	9	14
Total	**737**	**1,063**

US Dollars million

9. SELLING AND DISTRIBUTION EXPENSES

	For the six months ended 30 June 2009	For the six months ended 30 June 2008
Export custom duties	24	262
Transportation	13	19
Labour	8	20
Other	10	19
Total	**55**	**320**

The Government of the Russian Federation has changed customs tariffs on certain metal exports. The new tariffs are effective from 29 January 2009. As a result, the following export custom tariffs are applicable to certain of the Group's products:

- 2009 – nil (2008: 5%) of the relevant custom value for unalloyed nickel;
- 2009 – nil (2008: 10%) of the relevant custom value for copper cathode and cathode sections; and
- 2009 – 10% (2008: 10%) of the relevant custom value for refined copper and untreated copper alloy.

10. GENERAL AND ADMINISTRATIVE EXPENSES

	For the six months ended 30 June 2009	For the six months ended 30 June 2008
Labour	119	239
Taxes other than mining and income taxes and pollution levies	45	52
Third party services	39	115
Amortisation and depreciation	17	14
Transportation	8	12
Other	45	60
Total	**273**	**492**

11. OTHER NET OPERATING EXPENSES

	For the six months ended 30 June 2009	For the six months ended 30 June 2008
Donations and maintenance of social sphere	27	38
Change in allowance for doubtful debts	14	11
Loss on disposal of property, plant and equipment	5	11
Change in provision for tax penalties	–	11
Change in provision for onerous contracts	(5)	150
Change in provision for reimbursable value added tax	(6)	1
Other	(6)	3
Total	**29**	**225**

12. ASSETS CLASSIFIED AS HELD FOR SALE

On 28 May 2009, the Board of directors of OJSC "Third Generation Company of the Wholesale Electricity Market" ("OGK-3"), a subsidiary of the Group, made a decision to sell a 35% stake in Plug Power Incorporated ("Plug Power").

US Dollars million

12. ASSETS CLASSIFIED AS HELD FOR SALE (CONTINUED)

At 30 June 2009, the Group's investment in Plug Power in the amount of USD 38 million was classified as an asset held for sale and presented separately in the interim condensed consolidated statement of financial position. The cumulative translation reserve of USD 10 million attributable to Plug Power is recognised as part of other comprehensive income of the Group.

At 30 June 2009, construction-in-progress in the amount of USD 7 million (31 December 2008: USD 13 million) attributable to Activox Refinery Project was classified as assets held for sale and presented separately in the interim condensed consolidated statement of financial position.

13. PROPERTY, PLANT AND EQUIPMENT

	Mining assets	**Non-mining assets**	**Capital construction-in-progress**	**Total**
Cost				
At 31 December 2008	**8,428**	**8,126**	**1,517**	**18,071**
Additions	167	–	302	**469**
Transfers	–	360	(360)	**–**
Disposals	(15)	(50)	(2)	**(67)**
Effect of translation to presentation currency	325	(381)	(63)	**(119)**
At 30 June 2009	**8,905**	**8,055**	**1,394**	**18,354**
Accumulated depreciation and impairment				
At 31 December 2008 as previously reported	**(4,516)**	**(2,713)**	**(105)**	**(7,334)**
Reclassifications	86	(90)	4	**–**
At 1 January 2009 after reclassifications	**(4,430)**	**(2,803)**	**(101)**	**(7,334)**
Charge for the period	(143)	(266)	–	**(409)**
Eliminated on disposals	11	35	1	**47**
Impairment	4	–	(8)	**(4)**
Effect of translation to presentation currency	(440)	69	3	**(368)**
At 30 June 2009	**(4,998)**	**(2,965)**	**(105)**	**(8,068)**
Carrying value				
At 31 December 2008	**3,912**	**5,413**	**1,412**	**10,737**
At 30 June 2009	**3,907**	**5,090**	**1,289**	**10,286**

14. OTHER FINANCIAL ASSETS

	30 June 2009	**31 December 2008**
Non-current		
Available-for-sale investments in securities	591	312
Bank deposits	111	115
Loans issued and other receivables	70	73
Held to maturity investments	23	23
Total non-current	**795**	**523**
Current		
Bank deposits	969	1,273
Available-for-sale investments in securities	22	19
Loans issued and other receivables	1	24
Total current	**992**	**1,316**

US Dollars million

15. CASH AND CASH EQUIVALENTS

		30 June 2009	31 December 2008
Current accounts	- foreign currencies	1,930	1,251
	- RUR	186	281
Bank deposits	- RUR	88	12
	- foreign currencies	58	413
Restricted cash		38	36
Other cash and cash equivalents		23	2
Total		**2,323**	**1,995**

16. SHARE CAPITAL

Authorised, issued and fully paid share capital

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

Treasury shares

	Number of shares	Outstanding balance
At 31 December 2008	**16,034,449**	**2,615**
January 2009: acquisition of shares	254,855	26
May 2009: income tax paid on transfer of treasury shares from Company to its subsidiaries	–	74
At 30 June 2009	**16,289,304**	**2,715**

Earnings per share

Earnings per share were calculated by dividing net profit attributable to shareholders of the Company for the six months ended 30 June 2009 and 2008 by weighted average number of ordinary shares in issue during the respective periods. During the six months ended 30 June 2009, the weighted average number of ordinary shares in issue was 174,362,861 shares (for the six months ended 30 June 2008: 188,916,863 shares).

Dividends declared and paid

On 30 June 2008, the Company declared final dividends in respect of the year ended 31 December 2007 in the amount of RUR 112 (USD 4.77) per share. The total amount payable was USD 902 million, net of USD 8 million due to Group subsidiaries. The dividends were paid to shareholders on 29 August 2008.

No dividends were declared for the six months ended 30 June 2009.

US Dollars million

17. OTHER RESERVES

	Option premium on convertible notes	Investments revaluation reserve	Hedging reserve	Revaluation surplus	Translation reserve	Total
Balance at 1 January 2008	**–**	**1,264**	**(31)**	**43**	**2,489**	**3,765**
Decrease in fair value of available-for-sale investments and gain on cash flow hedge	–	(229)	3	–	–	**(226)**
Effect of translation to presentation currency and translation of foreign operations	–	–	–	–	636	**636**
Realised gain on disposal of available-for-sale investments and cash flow hedge	–	(119)	2	–	(3)	**(120)**
Other reserves disposed of on disposal of subsidiaries	–	–	–	–	(9)	**(9)**
Total comprehensive (loss)/income	**–**	**(348)**	**5**	**–**	**624**	**281**
Issuance of convertible notes	19	–	–	–	–	**19**
Balance at 30 June 2008	**19**	**916**	**(26)**	**43**	**3,113**	**4,065**
Balance at 1 January 2009	**19**	**(16)**	**(23)**	**43**	**(1,075)**	**(1,052)**
Increase in fair value of available-for-sale investments and gain on cash flow hedge	–	267	4	–	–	**271**
Effect of translation to presentation currency and translation of foreign operations	–	–	–	–	(401)	**(401)**
Realised gain on disposal of available-for-sale investments	–	(6)	–	–	–	**(6)**
Total comprehensive income/(loss)	**–**	**261**	**4**	**–**	**(401)**	**(136)**
Balance at 30 June 2009	**19**	**245**	**(19)**	**43**	**(1,476)**	**(1,188)**

US Dollars million

18. LOANS AND BORROWINGS

		30 June 2009	31 December 2008
Long-term borrowings			
Syndicated bank loans	(i)	2,779	5,096
Other loans and borrowings	(ii)	316	363
Corporate bonds and notes	(iii)	114	109
Total long-term borrowings		**3,209**	**5,568**
Short-term borrowings and short-term portion of long-term debt			
Syndicated bank loans	(i)	2,355	329
Corporate bonds and notes	(iii)	492	500
Other loans and borrowings	(ii)	67	43
Total short-term borrowings and short-term portion of long-term debt		**2,914**	**872**

(i) ***Syndicated bank loans*** – USD-denominated bank loans with maturity dates varying from June 2010 to June 2012. All loans were arranged at floating rates varying from LIBOR + 0.43% to LIBOR + 1.00%.

(ii) ***Other loans and borrowings*** – major part of other loans and borrowings are USD-denominated with maturity varying from December 2013 to January 2019. Other loans and borrowings are arranged at floating rates varying from LIBOR + 0.60% to LIBOR + 2.75%.

(iii) ***Corporate bonds and notes*** – USD-denominated and due in September 2009, July 2020 and March 2028. All bonds and notes are fixed rates varying from 6.40% to 8.57%.

19. RELATED PARTIES TRANSACTIONS AND OUTSTANDING BALANCES

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

Transactions with related parties

	Sale of goods and services		Purchase of goods and services	
	For the six months ended 30 June 2009	For the six months ended 30 June 2008	For the six months ended 30 June 2009	For the six months ended 30 June 2008
Entities under common ownership and control of the Group's major shareholders	11	–	37	25
Associates of the Group	2	8	56	41
Total	**13**	**8**	**93**	**66**

During the six months ended 30 June 2009, the Group provided loans to associates in the amount of USD nil (for the six months ended 30 June 2008: USD 4 million).

Interest income received by the Group from entities under common ownership and control of the Group's major shareholders amounted to USD nil and from associates of the Group amounted to USD 1 million for the six months ended 30 June 2009 (for the six months ended 30 June 2008: USD 12 million and USD 2 million, respectively).

US Dollars million

19. RELATED PARTIES TRANSACTIONS AND OUTSTANDING BALANCES (CONTINUED)

Outstanding balances with related parties

	Accounts receivable, investments and cash		Accounts payable, loans and borrowings received	
	30 June 2009	31 December 2008	30 June 2009	31 December 2008
Entities under common ownership and control of the Group's major shareholders	15	23	5	9
Associates of the Group	45	22	10	21
Total	**60**	**45**	**15**	**30**

At 30 June 2009, the Group recognised impairment provision for loans provided to related parties of the Group in the amount of USD 140 million (31 December 2008: USD 140 million) and for accounts receivable from related parties of the Group in the amount of USD 5 million (31 December 2008: USD 4 million).
All outstanding balances are expected to be settled in cash.

Terms and conditions of transactions with related parties

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

Sales of construction, transportation, repair and other services were made at prices calculated at budgeted cost of services, generally determined based on Russian accounting standards, plus a margin varying from 1% to 25%.

Loans were provided to related parties at rates varying from 6.5% to 10.4% for RUR-denominated loans (31 December 2008: 6.5%) and from 5.6% to 6.1% for USD-denominated loans (31 December 2008: from 5.6% to 6.1%).

20. COMMITMENTS AND CONTINGENCIES

Capital commitments

At 30 June 2009, contracted capital commitments amounted to USD 780 million.

Operating lease

The land in the Russian Federation on which the Group's production facilities are located is owned by the state. The Group leases land through operating lease agreements, which expire in various years through 2033. According to the terms of lease agreements rent fees are revised annually by reference to an order issued by the relevant local authorities. The Group entities have a renewal option at the end of lease period and an option to buy land at any time, at a price established by the local authorities.

During the six months ended 30 June 2009, the Group entered into three aircraft lease agreements.
The respective lease agreements have an average life of six-years with renewal option at the end of the term. There are no restrictions placed upon the lessee by entering into these agreements.

Future minimum lease payments due under non-cancelable operating lease agreements at 30 June 2009 were as follows:

Due within one year	26
From one to five years	72
Thereafter	42
Total	**140**

20. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Litigation

At 30 June 2009, unresolved tax litigations amounted to approximately USD 38 million. Management believes that the risk of an unfavorable outcome of the litigation is possible.

In 2007 Federal Service for Supervision of Natural Resource Usage of the Russian Federation (“Federal Service”) required the Group to compensate for damage of water resources in the amount of USD 225 million. In 2008 Federal Service has filed a lawsuit against the Group in the amount of USD 139 million. Management believes that the risk of an unfavorable outcome of the litigation is possible.

Taxation contingencies in the Russian Federation

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

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

With regards to matters where practice concerning payment of taxes is unclear, management estimate possible tax exposure at 30 June 2009 to be USD 178 million (31 December 2008: USD 234 million).

21. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

Guaranteed notes

During July and August 2009 guaranteed notes in the amount of USD 11 million were bought back by the Group for a cash consideration of USD 11 million. On 30 September 2009, principal of USD 481 million and a coupon of USD 18 million were paid to the guaranteed notes holders.