

**MMC NORILSK NICKEL PRESENTS
THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2008 AND FOR THE YEAR THEN ENDED
PREPARED IN ACCORDANCE WITH INTERNATIONAL
FINANCIAL REPORTING STANDARDS**

Moscow, 25 May 2009 – Open Joint Stock Company (“OJSC”) Mining and Metallurgical Company Norilsk Nickel (“MMC Norilsk Nickel”, or the “Company”) and its subsidiaries (the “Group”) issued consolidated financial statements (the “financial statements”) as at 31 December 2008 and for the year then ended in compliance with International Financial Reporting Standards (“IFRS”). The financial statements have been audited in accordance with International Standards on Auditing by Deloitte and Touche, and they have issued an unqualified audit opinion.

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

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

The presentation currency of these consolidated financial statements is the United States of America Dollar (“USD”). Using USD as a presentation currency is common practice for global mining companies. In addition, USD is a more relevant presentation currency for international users of the consolidated financial statements of the Group.

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008**

US Dollars million

	Notes	Year ended 31 December 2008	Year ended 31 December 2007	% change y-o-y ⁽¹⁾
Revenue	1			
Nickel		6,081	10,216	(40)
Copper		2,893	2,948	(2)
Palladium		1,282	1,325	(3)
Platinum		1,420	1,272	12
Gold		123	148	(17)
Metal sales	1.1	11,799	15,909	(26)
Other sales	1.2	2,181	1,210	80
Total revenue		13,980	17,119	(18)
Cost of metal sales	2.1	(5,504)	(4,719)	17
Cost of other sales	2.2	(2,122)	(1,163)	82
Gross profit		6,354	11,237	(43)
<i>Gross profit margin, %</i>		45	66	
Selling and distribution expenses	3	(524)	(730)	(28)
General and administrative expenses	4	(1,071)	(894)	20
Impairment of non-financial assets	5	(4,728)	(1,879)	152
Income on derivatives classified as held for trading		44	78	(44)
Other net operating expenses	6	(274)	(375)	(27)
Operating (loss)/profit		(199)	7,437	(103)
Finance costs	7	(397)	(307)	29
Income from investments, net	8	274	217	26
Foreign exchange (loss)/gain, net		(397)	146	(372)
Excess of interest in the Group's share in the fair value of net assets acquired over the cost of acquisition		718	166	333
Share of (losses)/profits of associates	9	(272)	76	(458)
(Loss)/profit before income tax		(273)	7,735	(104)
Income tax expense	10	(282)	(2,459)	(89)
(Loss)/profit for the year	11	(555)	5,276	(111)
Attributable to:				
Shareholders of the parent company		(449)	5,327	
Minority interest		(106)	(51)	
		(555)	5,276	
<i>Profit margin, %</i>		(4)	31	
Weighted average number of ordinary shares in issue during the year		186,106,151	182,362,986	
Basic and diluted (loss)/earnings per share attributable to shareholders of the parent company (US Dollars)		(2.4)	29.2	

Note:

(1) Year-on-year (y-o-y) comparison.

1. REVENUE

Year-on-year the total revenue which consists from metal and other sales decreased by 3,139 (or 18%) from USD 17,119 million in 2007 to USD 13,980 million in 2008.

1.1 METAL SALES

In 2008, revenue from metal sales totaled USD 11,799 million, which represented a 26% decrease as compared to 2007. The main factor of it is substantial decrease of sales prices for nickel (details see table below). In addition slight decrease of physical volumes of metals sold contributed to the fall in revenue of the Group.

Generally unfavorable situation in base metal prices (nickel and copper) led to the decrease of base metal sales by USD 4,190 million (or 32%). At the same time generally favorable, at least in the first half of the year, situation in the prices for PGM enabled the Group to realise a revenue increase for all PGM metals by USD 80 million (or 3%).

Physical volumes of metal sales ⁽¹⁾

	Year ended 31 December 2008	Year ended 31 December 2007	% change y-o-y
MMC Norilsk Nickel			
Nickel ('000 tonnes)	229	234	(2)
Copper ('000 tonnes)	382	404	(5)
Palladium ('000 ounces)	2,856	3,125	(9)
Platinum ('000 ounces)	634	772	(18)
Gold ('000 ounces)	131	153	(14)
Stillwater Mining Company			
Palladium ('000 ounces)	567	571	(1)
Platinum ('000 ounces)	246	239	3
Gold ('000 ounces)	9	11	(18)
Norilsk Nickel International			
Nickel ('000 tonnes)	58	54	7
Copper ('000 tonnes)	15	15	—
TOTAL GROUP			
Nickel ('000 tonnes)	287	288	—
Copper ('000 tonnes)	397	419	(5)
Palladium ('000 ounces)	3,423	3,696	(7)
Platinum ('000 ounces)	880	1,011	(13)
Gold ('000 ounces)	140	164	(15)

Adjusted ⁽¹⁾ average selling prices of metals

MMC Norilsk Nickel			
Nickel (US Dollars per tonne)	21,517	37,210	(42)
Copper (US Dollars per tonne)	7,052	7,163	(2)
Palladium (US Dollars per ounce)	357	350	2
Platinum (US Dollars per ounce)	1,615	1,301	24
Gold (US Dollars per ounce)	873	701	25
Stillwater Mining Company			
Palladium (US Dollars per ounce)	407	376	8
Platinum (US Dollars per ounce)	1,572	1,099	43
Gold (US Dollars per ounce)	877	699	25
Norilsk Nickel International			
Nickel (US Dollars per tonne)	19,308	22,915	(16)
Copper (US Dollars per tonne)	3,624	3,400	7

Notes:

(1) Excluding the sales of metal purchased from third parties.

Nickel

The revenue from nickel sales contributed 51% to total metal sale revenue and decreased by 40% in 2008 to USD 6,081 million compare to USD 10,216 million, mainly due to a significant decrease in the adjusted average selling price of nickel by 42% – from USD 37,210 per tonne in 2007 to USD 21,517 per tonne in 2008. During 2008 the physical volume of nickel sales (excluding sales of metal purchased from third parties) produced in the Russian Federation decreased by 2% (or 5 thousand tonnes) to 229 thousand tonnes as compared to 234 thousand in 2007, which was partially compensated by 7% (or 4 thousand tonnes) increase of physical volume of nickel sales produced by Norilsk Nickel International.

In addition, the revenue from nickel sales by Stillwater Mining Company amounted to USD 9 million in 2008 compared to USD 20 million in 2007 and revenue from nickel sales purchased from third parties amounted to USD 25 million compared to USD 251 million in 2007.

Copper

The revenue from copper sales amounted to 25% of metal sales revenues and decreased by 2% in 2008 to USD 2,893 million compare to USD 2,948 million mainly due to decrease in physical volume of copper sales (excluding sales of metal purchased from third parties) produced in the Russian Federation by 5% (or 22 thousand tonnes) to 382 thousand tonnes as compared to 404 thousand in 2007 and decrease of the adjusted average selling price of copper by 2% – from USD 7,163 per tonne in 2007 to USD 7,052 per tonne in 2008. The decrease was partially compensated by copper sales purchased from third parties in the amount of USD 141 million.

In addition, sales of copper by Norilsk Nickel International amounted to USD 55 million in 2008 compared to USD 51 million in 2007 and revenue from copper sales by Stillwater Mining Company amounted to USD 3 million in 2008 and it didn't change compared to 2007.

Palladium

Palladium sales contributed 11% of metal sales of the Group and decreased by 3% from USD 1,325 million in 2007 to USD 1,282 million in 2008.

Palladium sales produced by the Group in the Russian Federation decreased by 7% from USD 1,093 million in 2007 to USD 1,020 million in 2008. In physical terms, sales of palladium produced by the Group in Russia amounted to 2,856 thousand ounces in 2008, which is 9% lower compared to the sales for 2007 which amounted to 3,125 thousand ounces. The decrease of physical volume of was partially compensated by increase of adjusted average selling price by 2% from USD 350 per ounce in 2007 to USD 357 per ounce in 2008.

Palladium sales by Stillwater Mining Company increased by 7% from USD 215 million in 2007 to USD 231 million in 2008. Physical volumes of palladium sales produced by Stillwater Mining Company amounted to 567 thousand ounces in 2008 compared to 571 thousand ounces in 2007. Slight decrease in physical volume of sales was offset by 8% growth in the adjusted average sales price.

In addition, revenue from palladium sales produced by Norilsk Nickel International amounted to USD 10 million in 2008 compared to USD 4 million in 2007 and revenue from palladium sales purchased from third parties amounted to USD 21 million in 2008 compared to USD 12 million in 2007.

Platinum

Platinum sales contributed 12% of metal sales of the Group in 2008. Platinum sales increased by 12% from USD 1,272 million in 2007 to USD 1,420 million in 2008.

Sales of platinum produced by the Group in the Russian Federation increased by 2% from USD 1,004 million in 2007 to USD 1,024 million in 2008. The increase is explained mainly by the significant increase of the sales price by 24% from USD 1,301 per ounce in 2007 to USD 1,615 per ounce in 2008. Growth of selling price was offset by decrease in the physical sales volume by 18% (or 138 thousand ounces) from 772 thousand ounces in 2007 to 634 thousand ounces in 2008.

Platinum sales by Stillwater Mining Company increased by 47% from USD 264 million in 2007 to USD 387 million in 2008. The increase in revenue is explained by a 43% growth in the adjusted average sales price, mainly in first half of the year and increase by 3% in physical volumes of sales to 246 thousand ounces in 2008 compared to 239 thousand ounces in 2007.

In addition, revenue from platinum sales produced by Norilsk Nickel International amounted to USD 9 million in 2008 compared to USD 5 million in 2007.

Gold

Gold sales decreased by 17% from USD 148 million in 2007 to USD 123 million in 2008. The decrease is explained mainly by the abandonment of the gold operations in Australia in 2008, which led to the decrease in gold revenue by USD 33 million (gold sales by Norilsk Nickel International amounted to USD 1 million in 2008 compared to USD 34 million in 2007). In physical terms, sales of gold produced by the Group in Russia amounted to 131 thousand ounces and by Stillwater Mining Company to 9 thousand ounces or 140 thousand ounces in total as compared to 164 thousand ounces of gold in 2007. The adjusted average sales price in 2008 increased by 25% from USD 701 and 699 (for Russian part of the Group and Stillwater Mining Company, respectively) to USD 873 and 877, accordingly.

1.2 OTHER SALES

Revenue from non-mining operations increased by USD 971 million (or 80%) and amounted to USD 2,181 million in 2008 compared to USD 1,210 million in 2007 mainly due to full inclusion of 2008 results instead of partial incorporation of OGK-3 results starting from 7 August 2007 in prior year.

In 2008 revenue generated by OGK-3 was USD 1,546 million compared to USD 626 million in 2007. In addition, revenue from transport and logistics and other sales increased mainly due to increase of transportation services provided by OJCS “Yenisey River Shipping Company” and growth of mining and geological services provided to third parties.

Other sales

US dollars million

	Year ended 31 December 2008	Year ended 31 December 2007	% change y-o-y
Energy and utilities	1,694	789	115
Transport and logistics	315	298	6
Other	172	123	40
Total	2,181	1,210	80

2. COST OF SALES

2.1 COST OF METAL SALES

Cost of metal sales increased by 17% from USD 4,719 million in 2007 to USD 5,504 million in 2008.

Cash operating costs

Cash operating costs increased by 16% and amounted to USD 4,410 million in 2008 against USD 3,817 million in 2007.

The cash operating costs structure changed slightly in 2008 compared to 2007 mainly due to the acquisition of Norilsk Nickel International operation in 2007 financial year and its full consolidation in 2008, for the details see the schedule of cash operating costs, presented below.

The breakdown of cash operating costs by major operating segments of the Group in 2008 is as follows:

- Russian operations of the Group – 68%;
- Norilsk Nickel International – 20%;
- Stillwater Mining Company – 12%.

The key reasons for the growth of total cash operating costs of USD 598 million (or 12%) in 2008, before revenue from sales of by-products, compared to 2007 included:

- absolute increase of cash operating costs by USD 385 million;
- consolidation of cash operating costs of Norilsk Nickel International subsidiaries for whole 2008 instead of presentation of only Harjavalta Nickel Oy and Cawse (ex-OMG nickel business) results starting from 1 March 2007 in 2007 and other Norilsk Nickel International subsidiaries' results for the second half of 2007 financial year – USD 117 million; and
- effect of translation to presentation currency by USD 96 million.

Cost of metal sales for the year

US Dollars million

	Year ended 31 December 2008							Year ended 31 December 2007							Group % change y-o-y	Russia % change y-o-y		
	Group	% from total	Russia	% from total	NNI	% from total	SWC	% from total	Group	% from total	Russia	% from total	NNI	% from total			SWC	% from total
Total cash operating costs (see table below)	4,410	80	2,995	84	874	66	541	95	3,817	82	2,543	82	790	77	484	95	16	12
Depreciation of operating assets	1,069	20	585	16	457	34	27	5	824	18	563	18	236	23	25	5	30	4
Total production costs	5,479	100	3,580	100	1,331	100	568	100	4,641	100	3,106	100	1,026	100	509	100	18	10
Decrease/(increase) in metal inventories	25		(49)		16		58		78		9		88		(19)		(68)	(644)
Cost of metal sales	5,504		3,531		1,347		626		4,719		3,115		1,114		490		17	9

Cash operating costs for the year

US Dollars million

	Year ended 31 December 2008							Year ended 31 December 2007							Group % change y-o-y	Russia % change y-o-y		
	Group	% from total	Russia	% from total	NNI	% from total	SWC	% from total	Group	% from total	Russia	% from total	NNI	% from total			SWC	% from total
Labour	1,638	30	1,414	38	111	10	113	15	1,552	31	1,317	40	119	12	116	18	6	7
Consumables and spares	1,272	23	1,128	30	95	9	49	6	999	20	899	26	51	5	49	8	27	25
PGM scrap purchased	416	8	—	—	—	—	416	54	310	6	—	—	—	—	310	48	34	N/A
Purchase of nickel concentrate	332	6	27	1	305	28	—	—	482	10	—	—	482	50	—	—	(31)	N/A
Transportation	276	5	196	5	72	7	8	1	270	5	237	7	26	3	7	1	2	(17)
Repairs and maintenance	235	4	135	4	34	3	66	9	220	4	123	4	36	4	61	9	7	10
Outsourced mining	225	4	—	—	205	19	20	3	45	1	—	—	25	3	20	3	400	N/A
Tax on mining and pollution levies	191	3	162	4	—	—	29	4	150	3	122	4	—	—	28	4	27	33
Utilities	185	3	77	2	80	7	28	4	156	3	57	2	77	8	22	3	19	35
Cost of refined metals purchased from third parties	176	3	176	5	—	—	—	—	127	3	127	4	—	—	—	—	39	39
PGM toll refining costs	122	2	63	2	54	5	5	1	147	3	77	2	65	7	5	1	(17)	(18)
Insurance	109	2	103	3	1	—	5	1	137	3	130	4	2	—	5	1	(20)	(21)
Exploration expenses	101	2	58	2	43	4	—	—	113	2	103	3	10	1	—	—	(11)	(44)
Other costs	256	5	152	4	85	8	19	2	228	6	128	4	75	7	25	4	12	19
Total cash operating costs	5,534	100	3,691	100	1,085	100	758	100	4,936	100	3,320	100	968	100	648	100	12	11
Revenue from the sale of by-products	(1,124)		(696)		(211)		(217)		(1,119)		(777)		(178)		(164)		—	9
Total cash operating costs	4,410		2,995		874		541		3,817		2,543		790		484		16	12

Labour

Labour remained the most significant item of cash operating costs. Share of labour expenses in the general structure of operating costs decreased from 31% in 2007 to 30% in 2008. In 2008, labour costs increased by USD 86 million (or 6%) to USD 1,638 million.

Such increase was mainly due to:

- a general increase of labour expenses by USD 48 million mainly relate to the Russian operations of the Group due to increase of labour expenses in second and third quarters of 2007; and
- the effect of translation to presentation currency of USD 38 million.

Consumables and spares

Consumables and spares costs in 2008 increased by USD 273 million (or 27%) to USD 1,272 million.

Such increase was mainly due to:

- a general increase in prices caused by inflation of USD 203 million;
- full consolidation of Norilsk Nickel International subsidiaries in 2008 with the aggregated effect of USD 44 million; and
- the effect of translation to presentation currency of USD 26 million.

PGM scrap purchased

In 2008, purchase of PGM scrap increased by USD 106 million (or 34%) to USD 416 million due to the increase of market prices in the first half of 2008 financial year with a corresponding increase in purchase prices and an increase in the physical volume purchased by Stillwater Mining Company to effectively load the existing production capacities and increase PGM production.

Purchase of nickel concentrate

Purchase of nickel concentrate in 2008 significantly decreased by USD 150 million (or 31%) to USD 332 million.

Such decrease was mainly due to:

- significant decrease in nickel and accordingly of nickel concentrate prices in 2008 compare to 2007 by 59%; and
- full consolidation of MPI Nickel Proprietary Limited results in 2008 and second half of 2007 financial years which was an associate of the Group in first half of 2007 and major supplier of nickel concentrate (USD 162 million in first half of 2007).

The decrease of purchase of nickel concentrate was partially offset by usage of external suppliers in order to feed in refining facilities of Harjavalta Nickel Oy, Finland due to placing on indefinite care and maintenance in second half of 2008 certain Australian mining operations of Norilsk Nickel International (e.g. Cawse Proprietary Limited).

Transportation

The transportation costs increased by USD 6 million (or 2%) to USD 276 million in 2008.

Such increase was mainly due to consolidation of Norilsk Nickel International operations for the whole year by USD 46 million which was compensated by the decrease of transportation costs of USD 41 million related to Russian operations of the Group due to expanding of transport fleet of the Group during 2008 year and decrease of metal volume delivered.

Repairs and maintenance

In 2008, repairs and maintenance costs increased by USD 15 million (or 7%) to USD 235 million was mainly due to the effect of inflation.

Outsourced mining services

Outsourced mining services in 2008 increased by USD 180 million (or 400%) to USD 225 million, which relates to consolidation of Norilsk Nickel International operations only.

Tax on mining and pollution levies

Tax on mining and pollution levies increased by USD 41 million (or 27%) to USD 191 million in 2008, which is mainly caused by an increase in the taxable base of the Group's Russian operations due to the increase in production cost and the effect of translation to presentation currency in the amount of USD 4 million.

Utilities

In 2008, expenses on utilities increased by USD 29 million (or 19%) to USD 185 million. Without the effect of consolidation of Norilsk Nickel International operations which contributed an additional USD 3 million the main reason for the increase was the significant increase of utility tariffs in Russia and USA. Share of expenses on utilities remained stable in 2008 comparing to 2007 and amounted to 3% of cash operating costs.

Cost of refined metals purchased from third parties

In 2008, the cost of refined metal purchased from third parties increased by USD 49 million (or 39%) to USD 176 million. This was mainly due to significant increase of physical quantity of copper acquired by the Group, which was partially compensated by decrease of nickel purchased.

PGM toll refining costs

PGM toll refining costs in 2008 decreased by USD 25 million (or 17%) to USD 122 million. The main reason for this is the decrease of PGM produced by the Group in 2008 comparing to 2007, which is explained by the fall in metal grades in ore mined.

Insurance

Insurance expenses in 2008 decreased by USD 28 million (or 20%) to USD 109 million, which is mainly caused by the cessation of certain insurance agreements which were either not renewed or renegotiated at discount rates compare to the previously used.

Exploration expenses

The exploration expenses in 2008 were USD 101 million, which is USD 12 million (or 11%) less than in 2007. There was significant decrease volume of exploration expenses on the territory of the Russian Federation by USD 45 million (or 44%), which was partially compensated by the full consolidation of Norilsk Nickel International results which contributed an additional USD 33 million.

Other cash costs

In 2008, other cash costs increased by USD 28 million (or 12%) to USD 256 million, which is relate to full consolidation of Norilsk Nickel International operations and some increase of such expenses at other Group's operations due to inflation.

Revenue from the sale of by-products

Sales of by-products in 2008 was USD 1,124 million did not change significantly compared to the 2007 results (USD 1,119 million).

Total amount of revenue from the sale of by-products of the Group relates to:

- Russian operations of the Group – USD 696 million (or 62%);
- Stillwater Mining Company – USD 217 million (or 19%); and
- Norilsk Nickel International – USD 211 million (or 19%).

Depreciation of operating assets

In 2008, depreciation of operating assets increased by USD 245 million (or 30%) to USD 1,069 million. Such increase was mainly due to additional depreciation charge of USD 221 million due to full consolidation of Norilsk Nickel International results in 2008 and significant amount of capital expenditures done by the Group in 2008 financial year that increase overall base for depreciation charge.

Decrease in metal inventories

In 2008 metal inventories of the Group decreased by USD 25 million. The main reasons for the decrease in the balance of metal inventories in 2008 were as follows:

- significant decrease in selling price for all metals in second half of the year which led to write-off of inventories to net realisable value as well as decrease of physical volume of metal stock at Stillwater Mining Company amounted to USD 74 million; and
- the overall increase of production costs in the Taymyr and Kola Peninsulas which led to the general increase of cost per unit and accordingly to increase amount of inventories as well as growth of physical volumes of base metals stocks in Russia led to increase of metal inventories for USD 49 million.

2.2 COST OF OTHER SALES

US Dollars million

	Year ended 31 December 2008	Year ended 31 December 2007	% change y-o-y
Consumables and spares	900	504	79
Labour	404	226	79
Utilities	383	195	96
Amortisation and depreciation	180	81	122
Repair and maintenance	88	58	52
Transportation	61	24	154
Taxes	51	29	76
Outsourced third party services	25	1	2,400
Rent expenses	18	14	29
Insurance	4	4	—
Other	8	27	(70)
Total	2,122	1,163	82

The costs of other sales increased by USD 959 million (or 82%). The increase is mainly due to consolidation of OGK-3 results starting from 7 August 2007, the date when the Group obtained a control over OGK-3.

Cost of other sales related to OGK-3 amounted to USD 1,479 million compared to USD 617 million in 2007.

3. SELLING AND DISTRIBUTION EXPENSES

US Dollars million

	Year ended 31 December 2008	Year ended 31 December 2007	% change y-o-y
Export customs duties	427	644	(34)
Transportation expenses	42	31	35
Labour	25	24	4
Commission paid	15	16	(6)
Insurance	8	6	33
Other	7	9	(22)
Total	524	730	(28)

In 2008 selling and distribution expenses decreased by USD 206 million (or 28%) to USD 524 million as compared to USD 730 million in 2007. The decrease was mainly due to significant decrease of custom duties expenses which are completely in line with the dynamics of export revenue generated by the Russian subsidiaries of the Group, which basically form the basis for calculation of custom duties.

Some increase in other lines of selling expenses is due to consolidation of Norilsk Nickel International results in 2008 amounted to USD 12 million.

4. GENERAL AND ADMINISTRATIVE EXPENSES

US Dollars million

	Year ended 31 December 2008	Year ended 31 December 2007	% change y-o-y
Labour	574	435	32
Taxes other than mining and income taxes and pollution levies	115	90	28
Consulting and other professional services	64	48	33
Advertising	57	102	(44)
Legal and audit services	33	23	43
Depreciation	29	32	(9)
Transportation expenses	21	21	—
External research costs	19	18	6
Repairs and maintenance	19	18	6
Insurance	16	12	33
Other	124	95	31
Total	1,071	894	20

In 2008 general and administrative expenses increased by USD 177 million (or 20%) to USD 1,071 million in 2008 as compared to USD 894 million in 2007.

The increase of general and administrative expenses was mainly due to:

- increase of general and administrative expenses by USD 81 million mainly related to the Russian operations of the Group;
- increase of general and administrative expenses by USD 67 million due to consolidation of OGGK-3 and Norilsk Nickel International; and
- effect of translation to presentation currency of USD 22 million.

5. IMPAIRMENT OF NON-FINANCIAL ASSETS

US Dollars million

	Year ended 31 December 2008	Year ended 31 December 2007	% change y-o-y
Impairment of property, plant and equipment, including:			
Norilsk Nickel International	2,481	765	224
OGK-3	157	—	N/A
Other	28	35	(20)
Impairment of goodwill, including:			
Norilsk Nickel International	1,571	325	383
OGK-3	—	754	(100)
Impairment of intangible assets, including:			
Refining technology registered under trade mark Activox	490	—	N/A
Other	1	—	N/A
Total	4,728	1,879	152

Impairment of non-financial assets amounted to USD 4,728 million in 2008 as compared to USD 1,879 million in 2007.

Such increase was mainly due to:

- impairment of property, plant and equipment at Norilsk Nickel International and OGK-3 in the amounts of USD 2,481 and 157 million, respectively;
- impairment of goodwill recognised at Norilsk Nickel International in the amount of USD 1,571 million; and
- impairment of refining technology registered under trade mark Activox in the amount of USD 490 million.

6. OTHER NET OPERATING EXPENSES

US Dollars million

	Year ended 31 December 2008	Year ended 31 December 2007	% change y-o-y
Donations and maintenance of social sphere facilities	108	158	(32)
Change in provision for value added tax recoverable	83	149	(44)
Change in provision for onerous contracts	51	—	N/A
Change in allowance for doubtful debts	42	(8)	(625)
Loss on disposal of property, plant and equipment	26	25	4
Loss on disposal of investments in subsidiaries	3	18	(83)
Change in provision for tax penalties	(52)	29	(279)
Other	13	4	225
Total	274	375	(27)

In 2008 other net operating expenses decreased by USD 101 million (or 27%) to USD 274 million as compared to USD 375 million in 2007.

The main reasons for the decrease were:

- significant reduction of donation expenses by USD 50 million (or 32%) to USD 108 million in 2008 as compared to USD 158 million in 2007; and
- decrease in the amount of accrued provisions by USD 46 million due to:
 - decrease in provision for tax penalties by USD 81 million and value added tax by USD 66 million; and
 - increase in provision for onerous contracts of USD 51 million associated with on-going reassessment of impairment provision of Botswana and Australian operations and increase in allowance for doubtful debts in the amount of USD 50 million.

7. FINANCE COSTS

US Dollars million

	Year ended 31 December 2008	Year ended 31 December 2007	% change y-o-y
Interest expense on borrowings	352	280	26
Unwinding of discount on environmental obligations	33	23	43
Interest on obligations under finance leases	9	3	200
Interest on convertible notes	3	1	200
Total	397	307	29

In 2008 finance costs increased by USD 90 million to USD 397 million as compared to USD 307 million in 2007. The increase of finance costs was mainly due to new borrowings made by the Group in June and second half of 2007, proceeds of which were used to acquire LionOre and OGK-3.

8. NET INCOME FROM INVESTMENTS

In 2008 net income from investments increased by USD 57 million (or 26%) to USD 274 million as compared to USD 217 million in 2007.

The main reasons for the increase were:

- increase of interest income on bank deposits by USD 228 million to USD 450 million;
- increase of interest income on securities available-for-sale by USD 39 million to USD 46 million; and
- realised gain of disposal of available-for-sale investments in OGK-5 and Polyus Gold shares of USD 118 million.

Increase of income from investments was offset by change in impairment of available-for-sale investments and loans advanced in the amount of USD 318 million.

9. SHARE OF (LOSSES)/PROFITS OF ASSOCIATES

In 2008 share of losses of associates amounted USD 272 million compared to USD 76 million of profits in 2007. The main reason for the decrease was significant impairment provisions recognised by the Group in 2008.

The most significant amount of impairment provision was allocated between associates as follows:

- Nkomati Nickel Mine – USD 174 million;
- TGK-14 – USD 53 million; and
- Plug Power – USD 52 million.

10. INCOME TAX EXPENSE

US Dollars million

	Year ended 31 December 2008	Year ended 31 December 2007	% change y-o-y
Current tax expense	1,423	2,622	(46)
Deferred tax benefit	(1,141)	(163)	600
Total	282	2,459	(89)

In 2008 income tax expense decreased by 89% to USD 282 million from USD 2,459 million in 2007. This decrease was mainly due to the pre-tax loss of the Group in the amount USD 273 million in 2008 compared to USD 7,735 million of pre-tax profit in 2007.

11. (LOSS)/PROFIT FOR THE YEAR

Financial result of the Group decreased from USD 5,276 million of profit in 2007 to USD 555 million of loss in 2008 as a result of decreased gross profit by 43% due to the lower prices for metals sold and impairment of non-financial assets in the amount of USD 4,728 million.

In 2008 adjusted EBITDA decreased from USD 10,253 million to USD 5,807 million (or by 43%). Adjusted EBITDA margin was 42% in 2008 versus 60% in 2007.

**CONSOLIDATED BALANCE SHEET
AS OF 31 DECEMBER 2008**

US Dollars million

	Notes	31 December 2008	% of total	31 December 2007	% of total	% change
ASSETS						
Non-current assets						
Property, plant and equipment	12	10,737		14,981		(28)
Goodwill	13	1,235		3,360		(63)
Intangible assets	14	209		849		(75)
Investments in associates	15	951		879		8
Other financial assets	16	523		2,982		(82)
Other taxes receivable		79		38		108
Deferred tax assets		30		89		(66)
Pension plans assets		—		8		(100)
		13,764	66	23,186	65	(41)
Current assets						
Inventories	17	1,959		2,108		(7)
Trade and other receivables		569		949		(40)
Advances paid and prepaid expenses		118		183		(36)
Other financial assets	16	1,316		4,473		(71)
Income tax receivable		568		144		294
Other taxes receivable		521		585		(11)
Cash and cash equivalents	18	1,995		4,008		(50)
		7,046		12,450		(43)
Assets classified as held for sale		13		60		(78)
		7,059	34	12,510	35	(44)
TOTAL ASSETS		20,823	100	35,696	100	(42)
EQUITY AND LIABILITIES						
Capital and reserves						
	19	11,785	57	21,821	61	(46)
Non-current liabilities						
Long-term borrowings	20	5,568		4,101		36
Obligations under financial leases		41		2		1,950
Employee benefit obligations		11		11		—
Share appreciation rights		5		—		N/A
Environmental obligations		564		583		(3)
Derivative financial instruments		—		3		(100)
Deferred tax liabilities	21	723		2,741		(74)
		6,912	33	7,441	21	(7)
Current liabilities						
Short-term borrowings	20	872		3,971		(78)
Obligations under financial leases		13		2		550
Current portion of employee benefit obligations		386		378		2
Share appreciation rights		7		—		N/A
Trade and other payables		596		586		2
Advances received		39		41		(5)
Income tax payable		22		422		(95)
Other taxes payable		171		197		(13)
Derivative financial instruments		15		24		(38)
Dividends payable		5		804		(99)
		2,126		6,425		(67)
Liabilities associated with assets classified as held for sale		—		9		(100)
		2,126	10	6,434	18	(67)
TOTAL EQUITY AND LIABILITIES		20,823	100	35,696	100	(42)

The balance sheet total as at 31 December 2008 was USD 20,823 million and decreased for 2008 by USD 14,873 million (or 42%). The reasons of main changes in balance sheet lines are presented below.

12. PROPERTY, PLANT AND EQUIPMENT

At 31 December 2008, property, plant and equipment amounted to USD 10,737 million as compared to USD 14,981 million as at 31 December 2007.

The decrease of property, plant and equipment by USD 4,244 million (or 28%) was due to:

- impairment provision for property, plant and equipment in the amount of USD 2,666 million, including Norilsk Nickel International – USD 2,481 million, OGK-3 – USD 157 million and other – USD 28 million;
- depreciation charge for the year of USD 1,273 million; and
- the effect of translation to the presentation currency by USD 2,711 million.

The decrease was partially offset by an increase of capital construction-in-progress of USD 2,463 million.

13. GOODWILL

At 31 December 2008, goodwill amounted to USD 1,235 million compared to USD 3,360 million as at 31 December 2007.

The decrease of goodwill by USD 2,125 million (or 63%) was mainly due to:

- impairment of goodwill in the amount of USD 1,571 million; and
- effect of translation to presentation currency of USD 634 million.

The decrease was partially offset by additional goodwill undertaken together with increase of ownership in OGK-3 and Arkhangelsk Sea Commercial Port in the amount of USD 80 million.

14. INTANGIBLE ASSETS

At 31 December 2008, intangible assets amounted to USD 209 million compared to USD 849 million as at 31 December 2007. The decrease of intangible assets by USD 640 million was mainly due to impairment loss on refining technology registered under the trade mark Activox in the amount of USD 490 million, effect of translation to presentation currency of USD 173 million and depreciation charge for the year of USD 38 million. The decrease was partially compensated by additions of intangible assets in the amount of USD 63 million.

15. INVESTMENTS IN ASSOCIATES

At 31 December 2008, investments in associates amounted to USD 951 million compared to USD 879 million as at 31 December 2007.

The increase of investments in associates by USD 72 million (or 8%) was mainly due to acquisitions during 2008 year, namely:

- acquisitions of 25% of shares of RUSIA Petroleum for a cash consideration of USD 576 million;
- acquisition of 35% of Plug Power shares from Smart Hydrogen, a joint venture of the Group, for a cash consideration of USD 33 million; and
- additional contribution to share capital of TKG-14 and Nkomati Nickel Mine in the amounts of USD 51 million and USD 14 million, respectively.

The increase was partially offset by following reasons:

- impairment loss in the amount of USD 283 million;
- reclassification of USD 69 million of investments in OJSC “Krasnoyarskenergo” and OJSC “Kolenergo” to investments available-for-sale in the course of restructuring process of RAO “UES”; and
- USD 250 million of effect of translation to presentation currency.

16. OTHER FINANCIAL ASSETS

At 31 December 2008, the current and non-current other financial assets amounted to USD 1,839 million compared to USD 7,455 million as at 31 December 2007.

The decrease by USD 5,616 million is mainly due to:

- decrease of short- and long-term deposits by USD 1,965 million to USD 1,388 million;
- settlement of promissory notes in the amount of USD 1,404 million; and
- remaining portion mainly consists of the change in the market value of available-for-sale securities in the amount of USD 2,013 million and disposal of Group’s investments in OGK-5 and Polyus Gold in the amount of USD 196 million.

17. INVENTORIES

At 31 December 2008, inventories of finished goods, work-in-process and stores and materials amounted to USD 1,959 million as compared to USD 2,108 million as at 31 December 2007. The decrease of balance is primarily due to significant decrease in selling price for all metals in second half of the year which led to write-off of inventories to net realisable value.

18. CASH AND CASH EQUIVALENTS

At 31 December 2008, cash and cash equivalents amounted to USD 1,995 million compared to USD 4,008 million as at 31 December 2007.

The change in balances of cash and cash equivalents is mainly due to:

- decrease of bank deposits by USD 2,871 million; and
- increase in current accounts denominated in foreign currencies amounting to USD 867 million.

19. CAPITAL AND RESERVES

At 31 December 2008, capital and reserves amounted to USD 11,785 million (including minority interest of USD 1,054 million) as compared to USD 21,821 million (including minority interest of USD 2,318 million) as at 31 December 2007.

Key factors that affected capital and reserves were as follows:

- loss for the year in the amount of USD 555 million, including attributable to shareholders of the parent company in the amount of USD 449 million;
- dividends declared by the Company and OGK-3 during 2008 amounted to USD 902 million and USD 5 million, accordingly;
- decrease in minority interest in the amount of USD 1,007 million due to the acquisition of minority interest of OGK-3, AMTP and RAO NN;
- buy-back of issued shares in the amount of USD 2,615 million;
- decrease of the revaluation reserve for investments available-for-sale in the amount of USD 1,500 million; and

- net decrease of the effect of translation to presentation currency and translation of foreign operations of USD 3,628 million.

20. LONG- AND SHORT-TERM BORROWINGS

At 31 December 2008, loans and borrowings of the Group decreased by USD 1,632 million to USD 6,440 million against USD 8,072 million as at 31 December 2007.

The decrease was mainly due to repayments of BNP Paribas and Sberbank loans in the amount of USD 2,497 million and USD 612 million, respectively and settlement of promissory notes in the amount of USD 580 million. At the same time the Group obtained syndicated loan at Calyon amounting to USD 1,489 million and Deutsche Zentral-Genossenschaftsbank in the amount of USD 338 million.

Total amount of loans and borrowings as at 31 December 2008 consist of:

- long-term loans and borrowings in the amount of USD 5,568 million (or 86%); and
- short-term loans and borrowings in the amount of USD 872 million (or 14%).

Long-term loans and borrowings are mainly due to from 2010 to 2012 years.

21. DEFERRED TAX LIABILITIES

At 31 December 2008, deferred tax liabilities amounted to USD 723 million in 2008 compared to USD 2,741 million in 2007.

The decrease of deferred tax liabilities by USD 2,018 million (or 74%) was mainly due to:

- benefits recognised during the year in the amount of USD 1,002 million;
- revaluation of available-for-sale investments in the amount of USD 398 million;
- impact of change in income tax rate in Russian Federation in the amount of USD 139 million; and
- effect of translation to presentation currency in the amount of USD 410 million.

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

US Dollars million

	Note	Year ended 31 December 2008	Year ended 31 December 2007	% change y-o-y
Net cash generated from operating activities	22	3,542	7,334	(52)
Net cash generated from/(used in) investing activities	23	459	(12,753)	(104)
Net cash (used in)/generated from financing activities	24	(5,804)	7,177	(181)
Net (decrease)/increase in cash and cash equivalents	25	(1,803)	1,758	(203)
Cash and cash equivalents at beginning of the year		4,008	2,178	
Effect of translation to presentation currency		(210)	80	
Cash and cash equivalents of disposal group		—	(8)	
Cash and cash equivalents at end of the year		1,995	4,008	

22. NET CASH GENERATED FROM OPERATING ACTIVITIES

The main source of cash for the Group is net cash flows from operating activities. Due to the significant decrease of revenue from metal sales in 2008 net cash generated by operations decreased by USD 3,792 million and amounted to USD 3,542 million as compared to USD 7,334 million in 2007.

23. CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES

Net cash inflow from investing activities in 2008 amounted to USD 459 million compare of cash outflow in 2007 amounted to USD 12,753 million.

The main components of the inflow include:

- net decrease of deposits placed in the amount of USD 2,201 million;
- proceeds from disposal of promissory notes in the amount of USD 1,185 million;
- proceeds from disposal of investments in Norilsk Telecom and other subsidiaries of the Group in the amount of USD 47 million;
- proceeds from disposal of OGK-5 and Polyus Gold shares in the amount of USD 208 million;
- proceeds from loans repaid to the Group in the amount of USD 180 million; and
- proceeds from sale of property, plant and equipment in the amount of USD 88 million.

The cash outflow as a result of investing activities comprised the following key components:

- purchase of shares and increase of ownership in subsidiaries and associates for USD 1,045 million; and
- acquisition of property, plant and equipment and intangible assets for USD 2,423 million; and
- loans given in the amount of USD 234 million.

24. NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES

In 2008, net cash used in financing activities amounted to USD 5,804 million.

The cash outflow comprised net cash used in repayments of loans and borrowings in the amount of USD 1,517 million, buy back of issued shares in the amount of USD 2,615 and payment of Group's dividends in the amount of USD 1,670 million.

25. NET DECREASE IN CASH AND CASH EQUIVALENTS

Net cash and cash equivalents decreased in 2008 by USD 2,013 million, including effect of translation to presentation currency in the amount of USD 210 million to USD 1,995 million compare to USD 4,008 million in 2007.

The full version of the consolidated financial statements of MMC Norilsk Nickel for the year ended 31 December 2008 prepared in accordance with IFRS is available on the Company's web-site (www.nornik.ru/en) under the section Investor Relations/Reports/Financial Statements.