

**12. CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2009**

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' report set out on page 159, is made with a view to distinguishing the responsibilities of management and those of the independent auditors in relation to the 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 the consolidated financial statements that present fairly the consolidated financial position of the Group at 31 December 2009, the results of its operations, cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards ("IFRS").

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

- selecting suitable accounting policies and applying them consistently;
- making judgments and estimates that are reasonable and prudent;
- stating whether IFRS have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- preparing the 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 consolidated financial statements for the year ended 31 December 2009 were approved by:



V.I. STRZHALKOVSKY
General Director



D.R. KOSTOEV
Deputy General Director

Moscow, Russia
27 May 2010

INDEPENDENT AUDITORS' REPORT
To the Board of Directors of OJSC "Mining and Metallurgical
Company Norilsk Nickel"

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Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of OJSC "Mining and Metallurgical Company Norilsk Nickel" (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2009, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

ZAO KPMG
27 May 2010

ZAO KPMG, a company incorporated under the Laws of the Russian Federation and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

Consolidated Income Statement for the Year Ended 31 December 2009
US Dollars million

	Notes	Year ended 31/12/2009	Year ended 31/12/2008
Revenue			
Metal sales	8	8,441	11,799
Other sales	9	1,714	2,181
Total revenue		10,155	13,980
Cost of sales			
Cost of metal sales	10	(3,984)	(5,504)
Cost of other sales	11	(1,668)	(2,122)
Gross profit		4,503	6,354
Selling and distribution expenses	12	(104)	(524)
General and administrative expenses	13	(702)	(1,071)
Reversal of impairment/(impairment) of non-financial assets	14	175	(4,728)
Other net operating expenses	15	(96)	(230)
Operating profit/(loss)		3,776	(199)
Finance costs	16	(186)	(397)
Income from investments, net	17	94	274
Foreign exchange loss, net		(163)	(397)
Excess of the Group's share in the fair value of net assets acquired over the cost of acquisition	6	4	718
Share of losses of associates	22	(38)	(272)
Profit/(loss) before tax		3,487	(273)
Income tax expense	18	(836)	(282)
Profit/(loss) for the year		2,651	(555)
Attributable to:			
Shareholders of the parent company		2,600	(449)
Minority interest		51	(106)
		2,651	(555)
EARNINGS/(LOSS) PER SHARE			
Weighted average number of ordinary shares in issue during the year	30	174,350,551	186,106,151
Basic and diluted earnings/(loss) per share attributable to shareholders of the parent company (US Dollars per share)		14.9	(2.4)

The accompanying notes on pages 166–216 form an integral part of the consolidated financial statements.

Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2009
US Dollars million

	Year ended 31/12/2009	Year ended 31/12/2008
Profit/(loss) for the year	2,651	(555)
Effect of translation to presentation currency and translation of foreign operations	(13)	(3,628)
Available-for-sale investments		
Increase/(decrease) in fair value of available-for-sale investments	439	(1,500)
Realised gain on disposal of available-for-sale investments	(6)	(102)
Impairment of available-for-sale investments	–	232
	433	(1,370)
Other	5	10
Other comprehensive income/(loss) for the year, net of tax	425	(4,988)
Total comprehensive income/(loss) for the year, net of tax	3,076	(5,543)
Attributable to:		
Shareholders of the parent company	3,051	(5,274)
Minority interest	25	(269)
	3,076	(5,543)

The accompanying notes on pages 166–216 form an integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows for the Year Ended 31 December 2009
US Dollars million

	Notes	31/12/2009	31/12/2008
ASSETS			
Non-current assets			
Property, plant and equipment	19	11,017	10,737
Goodwill	20	1,200	1,235
Intangible assets	21	204	209
Investments in associates	22	880	889
Other financial assets	23	918	523
Other taxes receivable	24	75	79
Deferred tax assets	18	58	30
		14,352	13,702
Current assets			
Inventories	25	1,990	1,959
Trade and other receivables	26	978	569
Advances paid and prepaid expenses	27	89	118
Other financial assets	23	1,098	1,316
Income tax receivable		147	566
Other taxes receivable	24	442	521
Cash and cash equivalents	28	3,632	1,995
		8,376	7,044
Assets classified as held for sale	29	32	13
		8,408	7,057
TOTAL ASSETS		22,760	20,759
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	30	8	8
Share premium		1,390	1,390
Treasury shares	30	(2,719)	(2,615)
Other reserves	31	(604)	(1,052)
Retained earnings		15,600	13,000
Equity attributable to shareholders of the parent company		13,675	10,731
Minority interest		1,080	1,054
		14,755	11,785
Non-current liabilities			
Loans and borrowings	32	2,345	5,568
Obligations under finance leases	33	33	41
Employee benefit obligations	34	42	16
Environmental obligations	35	593	564
Deferred tax liabilities	18	880	659
		3,893	6,848
Current liabilities			
Loans and borrowings	32	2,972	872
Obligations under finance leases	33	14	13
Employee benefit obligations	34	375	393
Trade and other payables	36	530	655
Income tax payable		21	22
Other taxes payable	24	200	171
		4,112	2,126
TOTAL LIABILITIES		8,005	8,974
TOTAL EQUITY AND LIABILITIES		22,760	20,759

The accompanying notes on pages 166–216 form an integral part of the consolidated financial statements.

Consolidated Income Statement for the Year Ended 31 December 2009
US Dollars million

	Year ended 31/12/2009	Year ended 31/12/2008
OPERATING ACTIVITIES		
Profit/(loss) before tax	3,487	(273)
Adjustments for:		
Depreciation and amortisation	817	1,303
(Reversal of impairment)/impairment of non-financial assets	(175)	4,728
Loss on disposal of property, plant and equipment	9	26
Share of post-acquisition losses and impairment of investments in associates	38	272
Excess of the Group's share in the fair value of net assets acquired over the cost of acquisition	(4)	(718)
Change in provision for onerous contracts	(2)	51
Finance costs and income from investments, net	92	123
Foreign exchange loss, net	163	397
Other	9	(54)
	4,434	5,855
Movements in working capital:		
Inventories	(107)	(236)
Trade and other receivables	(480)	620
Advances paid and prepaid expenses	32	42
Other tax receivables	69	(89)
Employee benefit obligations	24	104
Trade and other payables	(119)	(77)
Other taxes payable	45	6
Cash generated from operations	3,898	6,225
Interest paid	(140)	(346)
Income tax paid	(357)	(2,337)
Net cash generated from operating activities	3,401	3,542
INVESTING ACTIVITIES		
Acquisition of subsidiaries, net of cash acquired, and increase of ownership in subsidiaries	(2)	(371)
Proceeds from disposal of subsidiaries	–	47
Acquisition of and contribution to associate	(88)	(674)
Proceeds from disposal of associates	26	8
Purchase of property, plant and equipment	(1,061)	(2,360)
Proceeds from disposal of property, plant and equipment	38	88
Proceeds from disposal of intangible assets	14	–
Purchase of intangible assets	(30)	(63)
Purchase of other financial assets	(327)	(340)
Net change in deposits placed	809	2,201
Proceeds from sale of other financial assets	108	1,922
Dividends received	42	1
Net cash (used in)/generated from investing activities	(471)	459

The accompanying notes on pages 166–216 form an integral part of the consolidated financial statements.

Consolidated Income Statement for the Year Ended 31 December 2009 (continuation)
US Dollars million

	Year ended 31/12/2009	Year ended 31/12/2009
FINANCING ACTIVITIES		
Proceeds from borrowings	113	3,723
Repayments of borrowings	(1,193)	(5,240)
Buy back of issued shares	(26)	(2,615)
Income tax paid on transfer of treasury shares from the Company to its subsidiaries	(78)	–
Dividends paid by the Company	–	(1,670)
Dividends paid by the Group's subsidiaries to minority shareholders	–	(2)
Net cash used in financing activities	(1,184)	(5,804)
Net increase/(decrease) in cash and cash equivalents	1,746	(1,803)
Cash and cash equivalents at beginning of the year	1,995	4,008
Effects of foreign exchange differences on balances of cash and cash equivalents and translation to presentation currency	(109)	(210)
Cash and cash equivalents at end of the year	3,632	1,995

The accompanying notes on pages 166–216 form an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2009
US Dollars million

Equity attributable to shareholders of the parent company									
	Notes	Share capital	Share premium	Treasury shares	Other reserves	Retained earnings	Total	Minority interest	Total
Balance at 31 December 2007		8	1,390	–	3,765	14,340	19,503	2,318	21,821
Loss for the year		–	–	–	–	(449)	(449)	(106)	(555)
Other comprehensive (loss)/income		–	–	–	(4,836)	11	(4,825)	(163)	(4,988)
Total comprehensive loss		–	–	–	(4,836)	(438)	(5,274)	(269)	(5,543)
Dividends	37	–	–	–	–	(902)	(902)	(5)	(907)
Buy back of issued shares	30	–	–	(2,615)	–	–	(2,615)	–	(2,615)
Issuance of convertible notes	32	–	–	–	19	–	19	17	36
Decrease in minority interest due to increase of ownership in subsidiaries	6	–	–	–	–	–	–	(1,007)	(1,007)
Balance at 31 December 2008		8	1,390	(2,615)	(1,052)	13,000	10,731	1,054	11,785
Profit for the year		–	–	–	–	2,600	2,600	51	2,651
Other comprehensive income/(loss)		–	–	–	451	–	451	(26)	425
Total comprehensive income		–	–	–	451	2,600	3,051	25	3,076
Buy back of issued shares	30	–	–	(26)	–	–	(26)	–	(26)
Income tax paid on transfer of treasury shares from Company to its subsidiaries	30	–	–	(78)	–	–	(78)	–	(78)
Conversion of notes	32	–	–	–	(3)	–	(3)	(2)	(5)
Increase in minority interest due to decrease of ownership in subsidiaries	38	–	–	–	–	–	–	8	8
Decrease in minority interest due to increase of ownership in subsidiaries		–	–	–	–	–	–	(5)	(5)
Balance at 31 December 2009		8	1,390	(2,719)	(604)	15,600	13,675	1,080	14,755

The accompanying notes on pages 166–216 form an integral part of the consolidated financial statements.

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. Further details regarding the nature of the business and structure of the Group are presented in note 45.

Major production facilities of the Group are located in Taimyr and Kola Peninsulas of the Russian Federation, Australia, Botswana, Finland, South African Republic and 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.

Shareholding structure of the Company at 31 December 2009 and 2008 was as follows:

Shareholders	31/12/2009		31/12/2008	
	Number of outstanding shares	% held	Number of outstanding shares	% held
CJSC "ING Bank (Eurasia)" (nominee)	60,685,647	34.81%	55,918,435	32.03%
State corporation "Vnesheconombank" (nominee)	47,656,938	27.34%	47,656,938	27.30%
Non-for-Profit Partnership "National Depository Centre" (nominee)	26,200,024	15.03%	32,557,422	18.65%
OJSC "VTB Bank" (nominee)	15,729,610	9.02%	15,729,610	9.01%
Other, individually less than 5%	24,066,224	13.80%	22,730,893	13.01%
Total	174,338,443	100.00%	174,593,298	100.00%

2. BASIS OF PRESENTATION

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The entities of the Group maintain their accounting records in accordance with the laws, accounting and reporting regulations of the jurisdictions in which they are incorporated and registered. Accounting principles in certain jurisdictions may differ substantially from those generally accepted under IFRS. Financial statements of such entities have been adjusted to ensure that the consolidated financial statements are presented in accordance with IFRS.

Basis of presentation

The consolidated financial statements of the Group are prepared on the historical cost basis, except for:

- mark-to-market valuation of by-products, in accordance with IAS 2 Inventories;
- fair value valuation of liabilities for cash-settled share appreciation rights, in accordance with IFRS 2 Share Based Payments; and
- mark-to-market valuation of certain classes of financial instruments, in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

Standards and interpretations effective in the current year

In the preparation of these consolidated financial statements the Group has adopted all new and revised 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 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. The Group has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments. Additional information and disclosure about fair value are presented in note 43. Liquidity risk disclosure is 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 has resulted in identification and reclassification of certain operating segments from the Mining and Metallurgy reporting segment into Other segments based on the application of the quantitative and qualitative thresholds imposed by the Standard. Since such operating segments determined in accordance with IFRS 8 Operating Segments are different from the business segments previously reported under IAS 14 Segment Reporting, the com-

parative financial information has been restated to reflect consistent presentation of the segments. Additional information and disclosure about each operating segment is presented in note 7.

As at 1 January 2009 the Group determined and presents operating segments based on the information internally provided to the General Director, the chief operating decision maker of the Group.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, for which operating results are reviewed regularly by the General Director to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the General Director include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

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 consolidated financial statements is amended, accordingly.

Standards and interpretations in issue but not yet effective

At the date of authorisation of these consolidated financial statements, the following Standards and Interpretations were in issue but not yet effective:

Standards and Interpretations	Effective for annual periods beginning on or after
IAS 1 Presentation of Financial Statements (amended)	1 January 2010
IAS 7 Statement of Cash Flows (amended)	1 January 2010
IAS 17 Leases (amended)	1 January 2010
IAS 24 Related Parties: Disclosures (amended)	1 January 2011
IAS 27 Consolidated and Separate Financial Statements (revised due to revision of IFRS 3)	1 July 2009
IAS 28 Investments in Associates (revised due to revision of IFRS 3)	1 July 2009
IAS 31 Investments in Joint Ventures (revised due to revision of IFRS 3)	1 July 2009
IAS 32 Financial Instruments: Presentation (amended)	1 February 2010
IAS 36 Impairment of Assets (amended)	1 January 2010
IAS 38 Intangible Assets (amended)	1 July 2009
IAS 39 Financial Instruments: Recognition and Measurement (amended)	30 June 2009
IFRS 1 First-time Adoption of International Financial Reporting Standards (amended)	1 July 2009
IFRS 2 Share-based Payment (amended)	1 July 2009
IFRS 3 Business Combinations (revised on applying the acquisition method)	1 July 2009
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (amended)	1 July 2009
IFRS 8 Operating Segments (amended)	1 January 2010
IFRS 9 Financial Instruments	1 January 2013
IFRIC 14 IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (amended)	1 January 2011
IFRIC 17 Distribution of Non-cash Assets to Owners	1 July 2009
IFRIC 18 Transfers of Assets from Customers	1 July 2009
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

Management of the Group anticipates that all of the above standards and interpretations will be adopted in the Group's consolidated financial statements for the respective periods. The impact of adoption of those standards and interpretations on the consolidated financial statements of future periods is currently being assessed by management.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

Subsidiaries

The consolidated financial statements incorporate financial statements of the Company and its subsidiaries, from the date that control effectively commenced until the date that control effectively ceased. Control is achieved where the Company has power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Minority interest in the net assets (excluding goodwill) of consolidated subsidiaries is identified separately from the Group's equity therein. Minority interest includes interest at the date of the original business combination and minority's share of changes in net assets since the date of the combination. Losses applicable to minority in excess of minority's interest in the subsidiary's net assets are allocated against the interest of the Group except to the extent that a minority has a binding obligation and is able to make an additional investment to cover the losses.

All intra-group balances, transactions and any unrealised profits or losses arising from intra-group transactions are eliminated in full on consolidation.

Associates

An associate is an entity over which the Group exercises significant influence, but not control, through participation in financing and operating policy decisions, in which it normally owns between 20% and 50% of the voting equity. Associates are equity accounted for from the date significant influence commenced until the date that significant influence effectively ceased.

Investments in associates are carried at cost, including goodwill, as adjusted for the Group's share of post-acquisition changes in associate's retained earnings and other movements in reserves. The carrying value of investments in associates is reviewed on a regular basis and if any impairment in value has occurred, it is written down in the period in which these circumstances are identified. The results of associates are equity accounted for based on their most recent financial statements.

Losses of associates are recorded in the consolidated financial statements until the investment in such associates is written down to nil value. Thereafter losses are only accounted for to the extent that the Group is committed to provide financial support to such associates.

Profits and losses resulting from transactions with associates are eliminated to the extent of the Group's interest in the relevant associates.

Special purpose entities

Special purpose entities ("SPEs") are those undertakings that are created to satisfy specific business needs of the Group and the Group has the right to the majority of benefits of SPE, or is exposed to risks associated with the activities of SPE. SPEs are consolidated in the same manner as subsidiaries.

Accounting for acquisition

Where an investment in a subsidiary or an associate is made, any excess of the purchase consideration over the fair value of the identifiable assets, liabilities and contingent liabilities at the date of acquisition is recognised as goodwill. Goodwill in respect of subsidiaries is disclosed separately and goodwill relating to associates is included in the carrying value of the investment in associates. Goodwill is reviewed for impairment at least annually. If impairment has occurred, it is recognised in the consolidated income statement during the period in which the circumstances are identified and is not subsequently reversed.

Where an investment in a subsidiary or an associate is made, any excess of the Group's share in the fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost is recognised in the consolidated income statement immediately.

Where an acquisition is achieved in stages, goodwill is calculated separately for each exchange transaction, based on the cost of each exchange transaction, and the appropriate share of the acquirer's net assets based on net fair values at the time of each exchange transaction. When control is achieved, the acquired net assets are stated at net fair value at the date of acquisition and any adjustment to fair values related to previously held interests is a revaluation, which is accounted for in other comprehensive income.

On acquisition of additional shares of subsidiaries from minority shareholders, any excess of consideration paid over the acquired interest in the carrying value of net assets at the date of increase in ownership is recognised as a goodwill; and any excess of the Group's share in the carrying value of subsidiary net assets over cost of acquisition is recognised in the consolidated income statement.

Impairment of goodwill

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the business combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated as follows: first to reduce the carrying amount of any goodwill allocated to this unit, and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when sale is highly probable within one year from the date of classification and the asset or disposal group is available for immediate sale in its present condition and management has committed to the sale.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Assets held for sale and related liabilities are presented in the statement of financial position separately from other assets and liabilities. Comparative information related to assets held for sale is not amended in the consolidated statement of financial position for the prior period.

Discontinued operations

Discontinued operations are disclosed when a component of the Group either has been disposed of during the reporting period, or is classified as held for sale at reporting date. This condition is regarded as met only when the disposal is highly probable within one year from the date of classification.

Comparative information related to the discontinued operations is amended in the consolidated income statement for the prior period.

Functional and presentation currency

The individual financial statements of each Group entity are presented in its functional currency.

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 the consolidated financial statements of the Group is US 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.

The translation into presentation currency is made as follows:

- all assets and liabilities, both monetary and non-monetary, are translated at closing exchange rates at the dates of each statement of financial position presented;
- income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case exchange rates at the date of transactions are used;
- all equity items are translated at the historical exchange rates;

- all resulting exchange differences are recognised as a separate component in other comprehensive income; and
- in the consolidated statement of cash flows, cash balances at beginning and end of each period presented are translated at exchange rates at the respective dates. All cash flows are translated at the average exchange rates for the periods presented. Resulting exchange differences are presented as effect of translation to presentation currency.

Foreign currency transactions

Transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the exchange rates prevailing at the date of transactions. All monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at each reporting date. Non-monetary items carried at historical cost are translated at the exchange rate prevailing at the date of transaction. Non-monetary items carried at fair value are translated at the exchange rate prevailing at the date on which the most recent fair value was determined. Exchange differences arising from changes in exchange rates are recognised in the consolidated income statement.

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

	2009	2008
Russian Rouble/US Dollar		
31 December	30.24	29.38
Average for the year ended 31 December	31.72	24.86
Botswana Pula/US Dollar		
31 December	6.58	7.52
Average for the year ended 31 December	6.99	6.82
Australian Dollar/US Dollar		
31 December	1.12	1.44
Average for the year ended 31 December	1.26	1.20

Revenue recognition

Metal sales revenue

Revenue from metal sales is recognised when the significant risks and rewards of ownership are transferred to the buyer and represents invoiced value of all joint products shipped to customers, net of value added tax. Revenues from sale of by-products are netted-off against production costs.

Revenue from contracts that are entered into and continue to meet the Group's expected sale requirements designated for that purpose at their inception, and are expected to be settled by physical delivery, are recognised in the consolidated financial statements as and when they are delivered.

Sales of certain metals are provisionally priced so that price is not settled until a pre-determined future date based on the market price at that time. Revenue from these transactions is initially recognised at the current market price. Provisionally priced metal sales are marked to market at each reporting date using the forward price for the period equivalent to that outlined in the contract. This mark to market adjustment is recorded in revenue.

Other revenue

Revenue from sale of goods, other than metals, is recognised when significant risks and rewards of ownership are transferred to the buyer in accordance with the shipping terms specified in the sales agreements.

Revenue from service contracts are recognised when the services are rendered and the outcome can be reliably measured.

The Group provides the following principal types of services:

- supply of electricity and heat energy; and
- transportation services.

Dividends and interest income

Dividends from investments are recognised when the Group's right to receive payment has been established.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Leases

Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets subject to finance leases are capitalised as property, plant and equipment at the lower of fair value or present value of future minimum lease payments at the date of acquisition, with the related lease obligation recognised at the same value. Assets held under finance leases are depreciated over their estimated economic useful lives or over the term of the lease, if shorter. If there is reasonable certainty that the lessee will obtain ownership at the end of the lease term, the period of expected use is useful life of the asset.

Finance lease payments are allocated using the effective interest rate method, between the lease finance cost, which is included in finance costs, and the capital repayment, which reduces the related lease obligation to the lessor.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated income statement on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are

consumed. Contingent rentals arising under operating leases are expensed in the period in which they are incurred.

Finance costs

Finance costs mostly comprise interest expense on borrowings and unwinding of discount on decommissioning obligations.

Finance costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time when the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all conditions and requirements attaching to the grant will be met.

Government grants related to assets are deducted from the cost of these assets in arriving at their carrying value.

Employee benefits

Remuneration to employees in respect of services rendered during a reporting period is recognised as an expense in that period.

Defined contribution plans

The Group contributes to the following major defined contribution plans:

- Pension Fund of the Russian Federation;
- Corporate pension option program;
- Shared accumulated pension plan; and
- Stillwater Mining Company savings plan.

The only obligation of the Group with respect to these and other defined contribution plans is to make specified contributions in the period in which they arise. These contributions are recognised in the consolidated income statement when employees have rendered services entitling them to the contribution.

Defined benefit plans

The Group operates two major funded defined benefit plans for its employees. At management's discretion and within the established annual budgets, the Group admits employees, who have met certain criteria, into one of the following retirement benefit plans:

- **Lifelong professional pension plan**, whereby a retired employee receives a monthly allowance equal to 200% of the Russian Federation state pension for the rest of his/her life; or

- **Joint corporate pension plan**, whereby a retired employee receives a monthly allowance equal to 1/150th of the total Starting and Counter capital for the rest of his/her life. Starting capital is determined on an individual basis taking into account seniority, salary level, etc. Counter capital consists of a contribution funded by the Group amounted to 3% of salaries paid to an employee during the period of participation in the plan. During 2009 this plan was discontinued.

The Group's liability recognised in the consolidated statement of financial position in respect of defined benefit plans represent present value of the defined benefit obligation at the statement of financial position date less fair value of the plans assets and adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated using the projected unit credit method.

Actuarial gains and losses are recognised as income or expense when the cumulative unrecognised actuarial gains or losses for each individual plan exceed 10% of the higher of defined benefit obligation and the fair value of plans assets. The excess of cumulative actuarial gains or losses over 10% of the higher of defined benefit obligation and fair value of plans assets is recognised over the expected average remaining working lives of the employees participating in the plans.

Past service cost is recognised immediately in the consolidated income statement to the extent that the benefits have been vested; the remaining portion is amortised on the straight-line basis over the period until the benefit becomes vested.

Plan assets are not available to the creditors of the Group, nor can they be distributed at the Group's discretion. Fair value of plan assets is generally based on market price information and in case of quoted financial securities from publicly available sources of financial information. The amount of plan assets recognised in the consolidated financial statements is restricted to the sum of any past service costs not yet recognised and the present value of any economic benefits available to the Group in the form of refund from the plan or reductions in the future contributions to the plan.

Share appreciation rights

The cost of cash-settled share appreciation rights is measured initially at fair value at the grant date using the Monte Carlo valuation model and accrued as expense. The fair value of these rights is determined taking into account any market and non-market based vesting conditions attached to the awards. The liability is subsequently remeasured at each reporting date and at settlement date to reflect the amount of anticipated or current awards expected to be vested by management. Any changes in the fair value of the liability are recognised in the consolidated income statement.

Income tax expense

Income tax expense represents the sum of the tax currently payable and deferred tax.

Income tax is recognised as an expense or income in the consolidated income statement, except when it relates to items recognised directly in other comprehensive income, in which case the tax is also recognised directly in other comprehensive income, or where they arise from the initial accounting for a business combination.

In case of a business combination, tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost of the business combination.

Current tax

Current tax is based on taxable profit for the year. Taxable profit differs from profit for the year as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in computation of taxable profit. Deferred tax liabilities are recognised for all taxable temporary differences, and deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if temporary difference arises from goodwill or from initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable profit nor accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, joint ventures and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority.

Property, plant and equipment

Mining assets

Mine development costs are capitalised and classified as capital construction-in-progress. Mine development costs are transferred to mining assets when a new mine reaches commercial production quantities.

Capitalised mine development costs comprise expenditures directly related to:

- acquiring mining and exploration licenses;
- developing new mining operations;
- defining further mineralisation in existing ore bodies; and
- expanding capacity of a mine.

Mine development costs include interest capitalised during the construction period, when financed by borrowings.

Mining assets are recorded at cost less accumulated amortisation and impairment losses. Mining assets include cost of acquiring and developing mining properties, pre-production expenditure, mine infrastructure, mining and exploration licences and present value of future decommissioning costs.

Amortisation of mining assets is charged from the date on which a new mine reaches commercial production quantities and is included in the cost of production. Mining assets are amortised on a straight-line basis over the lesser of their economic useful lives or the life of mine, varying from 2 to 49 years.

Mineral rights, mineral resources and ore reserves are recorded as assets when acquired as part of a business combination and are then amortised over the life of mine, which is based on estimated proven and probable ore reserves. Estimated proven and probable ore reserves reflect the economically recoverable quantities which can be legally recovered in the future from known mineral deposits and are determined by independent professional appraisers.

Non-mining assets

Non-mining assets include metallurgical processing plants, buildings, infrastructure, machinery and equipment and other non-mining assets. Non-mining assets are stated at cost less accumulated depreciation and impairment losses.

Plant and equipment that process extracted ore are located near mining operations and amortised on a straight-line basis over the lesser of their economic useful lives or the life of mine. Other non-mining assets are amortised on a straight-line basis over their economic useful lives.

Depreciation is calculated over the following economic useful lives:

- | | |
|---------------------------------------|-------------|
| • plant, buildings and infrastructure | 10–50 years |
| • machinery and equipment | 4–11 years |
| • other non-mining assets | 5–10 years |

Capital construction-in-progress

Capital construction-in-progress comprises costs directly related to construction of buildings, processing plant, infrastructure, machinery and equipment. Cost also includes finance charges capitalised during construction period where such costs are financed by borrowings. Depreciation of these assets commences when the assets are put into production.

Intangible assets, excluding goodwill

Intangible assets are recorded at cost less accumulated amortisation and impairment losses. Intangible assets mainly include patents, licences and software.

Amortisation is charged on a straight-line basis over the following economic useful lives of these assets:

- | | |
|---|------------------------|
| • Activox technology patent | indefinite useful life |
| • patents and licenses, except for Activox technology | 2–10 years |
| • software | 2–10 years |

Impairment of tangible and intangible assets, excluding goodwill

At each statement of financial position date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less cost to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, for which the estimates of the future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the consolidated income statement immediately.

Where an impairment loss subsequently reversed, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the original carrying amount that would have been determined had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the consolidated income statement immediately.

Research and exploration expenditure

Research and exploration expenditure, including geophysical, topographical, geological and similar types of expenditure, is expensed in the period in which it is incurred, unless it is deemed that such expenditure will lead to an economically viable capital project. In this case the expenditure is capitalised and begins to be amortised over the life of mine, when a mine reaches commercial production quantities.

Research and exploration expenditure written-off before development and construction starts is not subsequently capitalised, even if a commercial discovery subsequently occurs.

Inventories

Refined metals

Joint products, i.e. nickel, copper, palladium, platinum and gold, are measured at the lower of net cost of production or net realisable value. The net cost of production of joint products is determined as total production cost less net revenue from sales of by-products and valuation of by-product inventories on hand, allocated to each joint product in the ratio of their contribution to relative sales value, divided by the saleable mine output of each joint product.

By-products, i.e. cobalt, ruthenium, rhodium, iridium, silver and other minor metals, are measured at net realisable value, through a mark-to-market valuation.

Work-in-process

Work-in-progress includes all costs incurred in the normal course of business including direct material and direct labour costs and an allocation of production overheads, depreciation and amortisation and other costs, based on normal production capacity, incurred in bringing each product to its present condition. Specific condition of each item of work-in-progress is determined with reference to its stage of processing.

Stores and materials

Stores and materials consist of consumable stores and are valued at the weighted average cost less allowance for obsolete and slow-moving items.

Financial assets

Financial assets are recognised when the Group has become a party to the contractual arrangement of the instrument and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories:

- financial assets at fair value through profit or loss;
- held-to-maturity investments;
- available-for-sale financial assets; and
- loans and receivables.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt securities other than those financial assets designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss where the financial asset is either held for trading or it is designated as at fair value through profit or loss.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in the consolidated income statement. The net gain or loss recognised in the consolidated income statement incorporates any dividend or interest earned on the financial asset.

Held-to-maturity investments

Promissory notes and debentures with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity other than loans and receivables are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less any allowance for impairment.

Amortisation of discount or premium on the acquisition of a held-to-maturity investment is recognised in interest income over the term of the investment. Held-to-maturity investments are included in non-current assets, unless they mature within twelve months of the statement of financial position date.

Available-for-sale financial assets

Available-for-sale financial assets mainly include investments in listed and unlisted shares.

Listed shares held by the Group that are traded in an active market are stated at their market value. Gains and losses arising from changes in fair value are recognised directly in other comprehensive income in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in the consolidated income statement. Where an investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investment revaluation reserve is included in the consolidated income statement for the period.

Investments in unlisted shares that do not have a quoted market price in an active market are recorded at management's estimate of fair value.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each statement of financial position date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments as well as observable changes in economic conditions that correlate with defaults on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance for impairment. When a trade receivable is considered uncollectible, it is written off against the allowance. Subsequent recoveries of amounts previously written off are credited against the allowance. Changes in the allowance are recognised in the consolidated income statement.

With the exception of available-for-sale debt and equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the consolidated income statement to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

When a decline in fair value of an available-for-sale investment has been recognised directly in other comprehensive income and there is objective evidence that investment is impaired, the cumulative loss that had been recognised directly in other comprehensive income is removed from other comprehensive income and recognised in the consolidated income statement even though the investment has not been derecognised. Impairment losses previously recognised through consolidated income statement are not reversed. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and subsequently measured at amortised cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Derivative financial instruments

The Group uses derivative financial instruments to manage its exposure to the risk of changes in metal prices.

Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates. The resulting gain or loss is recognised in the consolidated income statement immediately unless the derivative is designated as a cash flow hedge.

The effective portion of changes in the fair value of derivative financial instruments that are designated as cash flow hedges is recognised directly in other comprehensive income. The ineffective portion of cash flow hedges is recognised in the consolidated income statement. Amounts deferred in other comprehensive income are recycled in the consolidated income statement in the periods when the hedged item is recognised in the consolidated income statement. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in other comprehensive income are transferred from other comprehensive income and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in other comprehensive income at that time remains in other comprehensive income and is recognised when the forecast transaction is ultimately recognised in the consolidated income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in other comprehensive income is recognised immediately in the consolidated income statement.

Compound financial instruments

The component parts of compound financial instruments issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the market interest rate for a similar non-convertible instrument. This amount is recorded on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the

liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, cash deposits and highly liquid investments with original maturities of three months or less, which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Provisions

Provisions are recognised when the Group has a legal or constructive obligations as a result of a past event for which it is probable that an outflow of economic benefits will be required to settle the obligations, and the amount of the obligations can be reliably estimated.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Environmental obligations

Environmental obligations include decommissioning and land restoration costs.

Future decommissioning costs, discounted to net present value, are capitalised and the corresponding decommissioning obligations are raised as soon as the constructive obligation to incur such costs arises and the future decommissioning cost can be reliably estimated. Decommissioning assets are depleted over the life of mine. The unwinding of the decommissioning obligations is included in the consolidated income statement as finance costs. Decommissioning obligations are periodically reviewed in light of current laws and regulations, and adjustments are made as necessary.

Provision for land restoration, representing the cost of restoring land damage after the commencement of commercial production, is estimated at net present value of the expenditures expected to settle the obligation. Change in provision and unwinding of discount on land restoration are recognised in the consolidated income statement and included in the cost of production.

Ongoing rehabilitation costs are expensed when incurred.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTY

Preparation of the consolidated financial statements in accordance with IFRS requires the Group's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. The determination of estimates requires judgments which are based on historical experience, current and expected economic conditions, and all other available information. Actual results could differ from those estimates.

The most significant areas requiring the use of management estimates and assumptions relate to:

- useful economic lives of property, plant and equipment;
- impairment and reversal of impairment of assets, excluding goodwill;
- impairment of goodwill;
- allowances;
- environmental obligations;
- defined benefit plans;
- share appreciation rights;
- income taxes; and
- contingencies.

Useful economic lives of property, plant and equipment

The Group's mining assets, classified within property, plant and equipment, are amortised on a straight-line basis over the lesser of their economic useful lives or the life of mine. When determining the life of a mine, assumptions that were valid at the time of estimation, may change when new information becomes available.

The factors that could affect the estimation of the life of mine include the following:

- changes in proven and probable ore reserves;
- the grade of mineral reserves varying significantly from time to time;
- differences between actual commodity prices and commodity price assumptions used in the estimation and classification of ore reserves;
- unforeseen operational issues at mine sites; and
- changes in capital, operating, mining, processing and reclamation costs, discount rates and foreign exchange rates could possibly adversely affect the economic viability of ore reserves.

Any of these changes could affect prospective amortisation of mining assets and their carrying value. Useful economic lives of non-mining property, plant and equipment is reviewed by management periodically. The review is based on the current condition of the assets and the estimated period during which they will continue to bring economic benefit to the Group.

Impairment and reversal of impairment of assets, excluding goodwill

The Group reviews the carrying amounts of its tangible and intangible assets excluding goodwill to determine whether there is any indication that those assets are impaired or whether there is any indicator that an impairment loss recognised in previous periods may no longer exist or may have decreased. In making the assessment for impairment, assets that do not generate independent cash flows are allocated to an appropriate cash-generating unit. Management necessarily applies its judgment in allocating assets that do not generate independent cash flows to appropriate cash-generating units, and also in estimating the timing and value of the underlying cash flows within the value-in-use calculation. Subsequent changes to the cash-generating unit allocation or to the timing of cash flows could impact the carrying value of the respective assets.

Impairment of goodwill

Assessment whether goodwill is impaired requires an estimation of value-in-use of the cash-generating unit to which goodwill is allocated. The value-in-use calculations require management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount to calculate present value. Details of impairment loss calculation related to mining and non-mining business units of the Group are presented in note 14.

Allowances

The Group creates allowance for doubtful debts to account for estimated losses resulting from the inability of customers to make the required payments. At 31 December 2009, the allowance for doubtful debts amounted to USD 57 million (2008: USD 35 million). When evaluating the adequacy of an allowance for doubtful debts, management bases its estimate on current overall economic conditions, ageing of the accounts receivable balances, historical write-off experience, customer creditworthiness and changes in payment terms. Changes in the economy, industry or specific customer conditions may require adjustments to the allowance for doubtful debts recorded in the consolidated financial statements.

The Group also creates an allowance for obsolete and slow-moving raw materials and spare parts.

At 31 December 2009, the allowance for obsolete and slow-moving items amounted to USD 54 million (2008: USD 38 million). In addition, certain finished goods of the Group are carried at net realisable value. Estimates of net realisable value of inventories are based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly relating to events occurring subsequent to the statement of financial position date to the extent that such events confirm conditions existing at the end of the period.

Environmental obligations

The Group's mining and exploration activities are subject to various environmental laws and regulations. The Group estimates environmental obligations based on management's understanding of the current legal requirements in the various jurisdictions in which it operates, terms of the license agreements and internally generated engineering estimates. Provision is made, based on net present values, for decommissioning and land restoration costs as soon as the obligation arises. Actual costs incurred in future periods could differ materially from the amounts provided. Additionally, future changes to environmental laws and regulations, life of mine estimates and discount rates could affect the carrying amount of this provision.

Defined benefit plans

The most significant assumptions used in estimation of defined benefit plans are the expected rate of return on plan assets, the discount rate, future salary increases, state pensions growth rate and mortality assumptions.

The overall expected rate of return on pension plans assets is calculated based on the expected long-term investment returns for each category of assets.

The present value of the benefits is determined by discounting the estimated future cash outflows using interest rates of high-quality government bonds that have terms to maturity approximating to the terms of the related pension obligations.

Estimation of future salary levels takes into account projected levels of inflation and seniority of personnel.

Share appreciation rights

The most significant assumptions used in estimation of the cost of share appreciation rights are expected prices of the Company's share and risk-free interest rate.

Expected volatility is based on the historical volatility of return on the Company's share.

The risk-free rates used in the valuation model are in line with the US Treasury bonds yield curve at the valuation date.

Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially

recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets are reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilised. The estimation of that probability includes judgments based on the expected performance.

Various factors are considered to assess the probability of the future utilisation of deferred tax assets, including past operating results, operational plans, expiration of tax losses carried forward, and tax planning strategies. If actual results differ from these estimates or if these estimates must be adjusted in future periods, the financial position, results of operations and cash flows may be negatively affected.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

5. RECLASSIFICATIONS

Certain comparative information, presented in the Group's consolidated financial statements for 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 consolidated income statement and consolidated statement of financial position.

The effect of the reclassifications is summarised below:

	After reclassifications	Before reclassifications	Difference
CONSOLIDATED INCOME STATEMENT			
Income on derivatives classified as held for trading	–	44	(44)
Other net operating expenses	(230)	(274)	44
			–
CONSOLIDATED 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	655	596	59
Derivative financial instruments	–	15	(15)
Advances received	–	39	(39)
Dividends payable	–	5	(5)
Total current liabilities			–

6. INCREASE OF OWNERSHIP IN SUBSIDIARIES

OJSC “Arkhangelsk Sea Commercial Port”

On 19 March 2008, the Group acquired an additional 19.7% interest in OJSC “Arkhangelsk Sea Commercial Port” (“ASCP”), a subsidiary of the Group, for a cash consideration of USD 3 million, increasing its ownership in ASCP to 72.8%. The carrying value of ASCP net assets at the date of increase of ownership was USD 11 million. As a result of this transaction, the Group recognised a decrease in net assets attributable to minority interest of USD 3 million.

OJSC “OGK-3”

During the period from 15 January to 14 February 2008, OJSC “OGK-3” (“OGK-3”), a subsidiary of the Group, acquired 2,010 million of its own shares for a cash consideration of USD 332 million. As a result of this transaction, the effective ownership of the Group in OGK-3 increased to 68.0%. The carrying value of the OGK-3 net assets at the dates of increase of ownership varied from USD 4,704 million to USD 5,092 million. As a result of this transaction, the Group recognised a decrease in net assets attributable to minority interest of USD 252 million and an increase in goodwill in the amount of USD 80 million.

On 1 July 2008, as a part of reorganisation of RAO "United Electricity System of the Russian Federation" ("RAO "UES"), the Group received as predecessor owner of investments in RAO "UES" an additional 6,692 million shares of OGK-3. As a result of completion of RAO "UES" restructuring, the Group's effective ownership in OGK-3 increased to 82.7%. The carrying value of OGK-3 net assets at the date of increase of ownership amounted to USD 5,013 million. Accordingly, the Group recognised decrease in net assets attributable to minority interest in the amount of USD 735 million. Excess of the Group's share in the carrying value of net assets attributable to minority interest and appropriate allocated cost of investment in shares of OGK-3 in the amount of USD 718 million was recognised in the consolidated income statement.

OJSC "RAO Norilsk Nickel"

On 11 July 2008, the Group filed a mandatory minority shareholders squeeze out offer of USD 17 million for 1.1% interest in OJSC "RAO Norilsk Nickel" ("RAO NN"), a 98.9% subsidiary of the Group.

On 10 October 2008, the Group acquired 1.1% interest in RAO NN for a cash consideration of USD 17 million. The carrying value of RAO NN net assets at the date of mandatory squeeze out offer was USD 1,545 million. As a result of this transaction, the Group recognised a decrease in net assets attributable to minority interest of USD 17 million.

7. 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.

Management has determined the following reportable segments:

- Mining and metallurgy, which includes mining and metallurgy operations located in Russia and abroad, except for Stillwater Mining Company operations;
- Energy and utilities. Includes OGK 3 and other energy and utilities operations located in Russia.

Other operations, which do not qualify as separate reportable segments based on quantitative thresholds for 2009 or 2008, include transport and logistics services, research activities, repair and maintenance services and Stillwater Mining Company operations.

The comparative information for the year ended 31 December 2008 was restated for these changes in these consolidated financial statements.

The following tables present revenue, operating profit/(loss) and profit/(loss) for the year and other segmental information regarding the Group's reportable segments for the years ended 31 December 2009 and 2008, respectively.

Year ended 31/12/2009	Mining and Metallurgy	Energy and Utilities	Other	Eliminations	Total
Revenue from external customers	8,095	1,363	697	–	10,155
Inter-segment revenue	3	432	839	(1,274)	–
Total revenue	8,098	1,795	1,536	(1,274)	10,155
Operating profit/(loss)	3,632	206	(62)	–	3,776
Share of losses of associates	(4)	(34)	–	–	(38)
Profit/(loss) before income tax	3,423	167	(103)	–	3,487
Income tax expense	(792)	(37)	(7)	–	(836)
Profit/(loss) for the year	2,631	130	(110)	–	2,651
Other segmental information					
Capital expenditures	716	342	64	–	1,122
Depreciation and amortisation	521	193	114	–	828
Impairment/(reversal of impairment) of non-financial assets	(35)	(145)	5	–	(175)
Other non-cash expenses	99	19	10	–	128

Year ended 31/12/2008	Mining and Metallurgy	Energy and Utilities	Other	Eliminations	Total
Revenue from external customers	11,247	1,694	1,039	–	13,980
Inter-segment revenue	5	465	1,036	(1,506)	–
Total revenue	11,252	2,159	2,075	(1,506)	13,980
Operating profit/(loss)	137	(127)	(209)	–	(199)
Share of losses of associates	(145)	(127)	–	–	(272)
Profit/(loss) before income tax	(273)	227	(227)	–	(273)
Income tax expense	(256)	24	(50)	–	(282)
Profit/(loss) for the year	(529)	251	(277)	–	(555)
Other segmental information					
Capital expenditures	1,287	413	826	–	2,526
Depreciation and amortisation	970	233	108	–	1,311
Impairment/(reversal of impairment) of non-financial assets	4,542	163	23	–	4,728
Other non-cash expenses	345	264	63	–	672

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

31/12/2009	Mining and Metallurgy	Energy and Utilities	Other	Eliminations	Total
Investments in associates	360	520	–	–	880
Segment assets	12,652	6,269	2,959	–	21,880
Inter-segment assets and eliminations	1,230	210	189	(1,629)	–
Total segment assets	14,242	6,999	3,148	(1,629)	22,760
Segment liabilities	7,147	487	371	–	8,005
Inter-segment liabilities and eliminations	387	53	1,189	(1,629)	–
Total segment liabilities	7,534	540	1,560	(1,629)	8,005
31/12/2008					
Investments in associates	211	678	–	–	889
Segment assets	10,839	6,213	2,818	–	19,870
Inter-segment assets and eliminations	2,624	69	204	(2,897)	–
Total segment assets	13,674	6,960	3,022	(2,897)	20,759
Segment liabilities	8,108	460	406	–	8,974
Inter-segment liabilities and eliminations	270	138	2,489	(2,897)	–
Total segment liabilities	8,378	598	2,895	(2,897)	8,974

The Group's information about its non-current assets (excluding financial and deferred tax assets) by geographical locations is detailed below.

	31/12/2009	31/12/2008
Russian Federation	11,371	11,440
Africa	715	544
Australia	545	437
North America	452	472
Europe	293	256
Total	13,376	13,149

8. METAL SALES

The Group's metal sales from external customers are detailed below (based on customer's locations).

Year ended 31/12/2009	Total	Nickel	Copper	Palladium	Platinum	Gold
Europe	4,475	2,212	1,654	306	264	39
Asia	1,923	1,271	134	196	322	–
North America	1,474	585	74	408	303	104
Russian Federation	513	88	330	2	93	–
Other	56	56	–	–	–	–
	8,441	4,212	2,192	912	982	143
Year ended 31/12/2008						
Europe	5,989	3,821	1,602	254	302	10
Asia	1,999	1,224	231	287	257	–
North America	2,204	784	22	703	635	60
Russian Federation	1,444	94	1,033	38	226	53
Other	163	158	5	–	–	–
	11,799	6,081	2,893	1,282	1,420	123

9. OTHER SALES

	Year ended 31/12/2009	Year ended 31/12/2008
Energy and utilities	1,363	1,694
Other	351	487
Total	1,714	2,181

Other sales of the Group were made primarily on the territory of the Russian Federation.

10. COST OF METAL SALES

	Year ended 31/12/2009	Year ended 31/12/2008
Cash operating costs		
Labour	1,222	1,638
Consumables and spares	1,050	1,272
Outsourced third party services	579	932
Expenses on acquisition of refined metal, PGM scrap and other semi-products	473	924
Tax on mining and pollution levies	167	191
Transportation	164	276
Utilities	158	185
Sundry costs	84	116
Less: sales of by-products	(377)	(1,124)
	3,520	4,410
Amortisation and depreciation	638	1,069
(Increase)/decrease in metal inventories	(174)	25
Total	3,984	5,504

11. COST OF OTHER SALES

	Year ended 31/12/2009	Year ended 31/12/2008
Consumables and spares	971	1,252
Labour	327	404
Amortisation and depreciation	136	180
Outsourced third party services	99	135
Taxes other than income tax	45	51
Transportation	40	61
Utilities	30	31
Other	20	8
Total	1,668	2,122

12. SELLING AND DISTRIBUTION EXPENSES

	Year ended 31/12/2009	Year ended 31/12/2008
Export customs duties	51	427
Transportation expenses	22	42
Labour	14	25
Other	17	30
Total	104	524

13. GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended 31/12/2009	Year ended 31/12/2008
Labour	365	574
Taxes other than mining and income taxes and pollution levies	95	115
Third party services	90	255
Amortisation and depreciation	37	29
Transportation expenses	16	21
Other	99	77
Total	702	1,071

14. (REVERSAL OF IMPAIRMENT)/IMPAIRMENT OF NON-FINANCIAL ASSETS

	Year ended 1/12/2009	Year ended 31/12/2008
(Reversal of impairment)/impairment of property, plant and equipment (refer to note 19)	(175)	2,666
Impairment of goodwill (refer to note 20)	–	1,571
Impairment of intangible assets (refer to note 21)	–	491
Total	(175)	4,728

Impairment test at 31 December 2009

At 31 December 2009, the Group conducted annual impairment review of property, plant and equipment, goodwill and intangible assets.

OGK-3

Cash flows were projected up to 2020 (based on the expected remaining weighted average useful life of property, plant and equipment) with a growth rate of 3.5% for terminal value calculation based on the assumptions, described below.

Prices for electricity. Management of the Group prepared a forecast of regulated tariffs and non-regulated (market) prices for electricity. Forecast of regulated tariffs was made using the 2010 prices approved by the Federal Tariff Service ("FTS") and Regional Energy Committees ("REC"). Expected increase of market prices for electricity was based on the principle of fixed margin using fuel price forecasts.

Regulated capacity payments set for 2010 were assumed to increase at the rate equal to the inflation level as measured by the consumer price index (CPI) for the entire forecast period.

Free-market capacity price growth was assumed in line with general inflation as measured by CPI and the base price calculated in accordance with methodology developed by Market Administrator.

Electricity volumes on unregulated market changes were assumed based on electricity demand change in particular region and forecast of capacity commis-

sioning and decommissioning (committed and started as at the date of the impairment test).

Natural gas, coal and fuel oil price forecasts assumed to grow in-line with the rates forecasted by the "Agency of electricity balances forecasts".

Discount rate reflects management's assessment of the risks specific to the utility business in the Russian Federation. Pre-tax rate varied from 14.4% to 14.7%. If the discount rate was 1 percent point higher or lower with all other variables held constant neither additional impairment reversal nor loss would have been recognised.

Management reversed previously recognised impairment loss of USD 145 million in respect of property, plant and equipment attributable to OGK-3 at 31 December 2009.

Other

With respect to other cash generating units, no factors have been identified as at 31 December 2009 which indicated existence of impairment losses, or that previously recognised impairment may no longer exist or may have decreased.

Additionally, a reversal of impairment of USD 30 million was recognised during 2009, which relates to individual assets in various entities of the Group.

Impairment test at 31 December 2008

At 31 December 2008, the Group conducted annual impairment review of property, plant and equipment, goodwill and intangible assets.

OGK-3

For the purpose of impairment test management of the Group measured value-in-use of OGK-3 assets based on the discounted cash flows expected to be generated by the individual cash-generating units, which are individual power generating facilities.

Cash flows were projected up to 2028 (based on the expected remaining weighted average useful life of property, plant and equipment) based on the following assumptions.

Prices for electricity. Management of the Group prepared a forecast of regulated tariffs and non-regulated (market) prices for electricity. Forecast of regulated tariffs was made using the 2009 prices approved by the Federal Tariff Service ("FTS") adjusted for inflation. Expected increase of market prices for electricity was based on the principle of fixed margin using fuel price forecasts. Heat tariff price forecast was based upon the announced government policy on indexation utilities tariff.

Proportion of regulated and market sales varied from 25% (during 2009) to 95% (from 2011 and later) and was in line with the proportion of competitive and regulated energy markets in accordance with the government Decree No. 205. Output forecasts were based on historical level of annual load factor.

Natural gas price forecast assumed equal margins for domestic and export sales of natural gas in accordance with the decisions of the FTS. The long-term price forecasts for natural gas covered 7 years, were based on the management's experience of the natural gas market and were within the range of external market forecasts. Thereafter management's estimates of tariffs increases were in line with expected inflation.

Inflation indices were consistent with external sources of information and varied from 4% to 11% per annum.

Discount rate reflects management's assessment of the risks specific to the utility business in the Russian Federation. Pre-tax rate varied from 17.7% to 19.8%.

Management of the Group identified that value-in-use of several individual power generating facilities is lower than the carrying value of their property, plant and equipment. Accordingly, an impairment loss of USD 157 million was recognised by the Group in respect of property, plant and equipment attributable to OGK-3 at 31 December 2008.

No impairment was recognised with regard to goodwill which was not allocated to any individual power generating facilities.

Norilsk Nickel International

Value-in-use of Norilsk Nickel International ("NNI") assets consisted of the production assets of Harjavalta Nickel Oy, Cawse Proprietary Limited and LionOre Mining International Limited, was measured based on discounted cash flows expected to be generated by separate cash-generating units, being individual mines, smelting and refining operations. Cash flows were projected up to expected closure dates of mining and metallurgy operations and were based on the following assumptions.

Commodity price forecasts for nickel, copper and other metals were based on management's experience of the specific commodities markets and were within the range of external market forecasts.

Economically recoverable reserves and resources were primarily based on external mining engineers' reports available at the date of impairment test or nearest date when appropriate evaluation work was undertaken.

Inflation indices and foreign currency trends were in general consistent with external sources of information.

Inflation, %

Botswana	4.99–10.50
Australia	2.45–3.42

Exchange rates

Botswana Pula/US Dollar	7.75–7.90
Australian Dollar/US Dollar	1.53–1.54

Discount rates reflect management's assessment of the risks specific to each production unit. These rates were based on the weighted average cost of capital specific to each cash-generating unit.

Discount rates, %

Botswana	10.50
Australia	9.50

As a result of the impairment test at 31 December 2008 property, plant and equipment and goodwill of Norilsk Nickel International were impaired in the amount of USD 2,481 million and USD 1,571 million, respectively (refer to note 19 and 20).

At 31 December 2008, included in intangible assets was the right to use a unique refining technology registered under the trade mark Activox with carrying value of USD 84 million, after recognition of impairment loss of USD 490 million (refer to note 21).

15. OTHER NET OPERATING EXPENSES

	Year ended 31/12/2009	Year ended 31/12/2008
Donations and maintenance of social sphere facilities	66	108
Change in allowance for doubtful debts	26	42
Change in provision for value added tax recoverable	3	83
Change in provision for onerous contracts	(2)	51
Other	3	(54)
Total	96	230

16. FINANCE COSTS

	Year ended 31/12/2009	Year ended 31/12/2008
Interest expense on borrowings	139	355
Unwinding of discount on environmental obligations (refer to note 35)	39	33
Interest on obligations under finance leases	8	9
Total	186	397

17. INCOME FROM INVESTMENTS, NET

	Year ended 31/12/2009	Year ended 31/12/2008
Income/(loss) from available-for-sale investments		
Realised gain on disposal of available-for-sale investments	4	118
Interest income on available-for-sale investments	–	46
Impairment of available-for-sale investments	–	(269)
Income/(loss) from loans given and long-term accounts receivable		
Income/(loss) from loans given and long-term accounts receivable	94	450
Reversal of impairment/(impairment) of loans advanced	7	(91)
Other	7	20
Impairment of assets classified as held for sale (refer to note 29)	(18)	–
Total	94	274

18. INCOME TAX EXPENSE

	Year ended 31/12/2009	Year ended 31/12/2008
Current income tax		
Current income tax charge on profit for the year	790	1,428
Adjustments in respect of current income tax of previous years	(46)	(5)
Total current income tax expense	744	1,423
Deferred income tax		
Recognition/(reversal) of temporary differences	28	(1,084)
Effect of changes of tax rates and laws	–	(139)
Change in provision for deferred tax assets	63	68
Recycled from equity to income	1	14
Total deferred tax expense/(benefit)	92	(1,141)
Total	836	282

A reconciliation of statutory income tax, calculated at the rate effective in the Russian Federation, the location of major production assets of the Group, to the amount

of actual income tax expense recorded in the consolidated income statement is as follows:

	Year ended 31/12/2009	Year ended 31/12/2008
Profit/(loss) before tax	3,487	(273)
Income tax at statutory rate of 20% (2008: 24%)	697	(66)
Impact of change in income tax rate in the Russian Federation	–	(139)
Tax effect of permanent differences	106	115
Tax effect of impairment of goodwill	–	278
Tax effect of impairment of investments in associates	4	75
Tax effect of excess of interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition	(1)	(172)
Deferred tax asset not recognised on impairment of financial assets	3	91
Unrecognised deferred tax asset on taxable losses of subsidiaries	43	31
Change in provision for deferred tax assets	63	68
Effect of different tax rates of subsidiaries operating in other jurisdictions	(30)	(1)
Tax effect of change in provisions for tax penalties and recoverable amount of value added tax	(3)	7
Adjustments in respect of current income tax of previous years	(46)	(5)
Total	836	282

During the year ended 31 December 2008, as a result of a change in income tax rate in the Russian Federation from 24% to 20% that become effective from 1 January 2009, deferred tax balances of the Company and all of the Group's subsidiaries operating on the territory of the Russian Federation were remeasured.

The corporate income tax rates in other countries where the Group has a taxable presence vary from 0% to 42%.

Deferred tax balances

	31/12/2008	Recognised in income statement	Recognised in other comprehensive income	Effect of translation to presentation currency	31/12/2009
Property, plant and equipment	769	60	–	18	847
Intangible assets	24	(28)	–	–	(4)
Investment in associates and other financial assets	(56)	18	92	5	59
Trade and other receivables	(34)	23	–	1	(10)
Inventories	24	27	–	(1)	50
Unrealised profit on intra-group transactions	(2)	(34)	–	(1)	(37)
Other assets	(76)	53	–	(5)	(28)
Loans and borrowings	3	–	–	–	3
Employee benefit obligations	(31)	(10)	–	1	(40)
Environmental obligations	(58)	(12)	–	(7)	(77)
Trade and other payables	(9)	28	–	3	22
Income tax loss carried forward	(31)	(24)	–	(2)	(57)
Provision for deferred tax assets	106	(9)	–	(3)	94
Total	629	92	92	9	822

	31/12/2007	Recognised in income statement	Recognised in other compre- hensive income	Acquired	Reclassified	Effect of translation to pres- entation currency	31/12/2008
Property, plant and equipment	2,039	(1,072)	–	4	–	(202)	769
Intangible assets	223	(5)	–	–	–	(194)	24
Investment in associates and other financial assets	536	(109)	(411)	–	(64)	(8)	(56)
Trade and other receivables	(9)	(16)	–	–	–	(9)	(34)
Inventories	11	15	–	–	–	(2)	24
Unrealised profit on intra-group transactions	(43)	41	–	–	–	–	(2)
Other assets	(32)	(48)	–	–	–	4	(76)
Loans and borrowings	7	(3)	–	–	–	(1)	3
Employee benefit obligations	(62)	25	–	–	–	6	(31)
Environmental obligations	(66)	(6)	–	–	–	14	(58)
Trade and other payables	10	(16)	(3)	–	–	–	(9)
Income tax loss carried forward	(19)	(16)	–	–	–	4	(31)
Provision for deferred tax assets	57	69	–	–	–	(20)	106
Total	2,652	(1,141)	(414)	4	(64)	(408)	629

Certain deferred tax assets and liabilities have been offset to the extent they relate to taxes levied in the same jurisdiction and on the Group's entities which can pay taxes on a consolidated basis. Deferred tax balances (after set-off) presented in the consolidated statement of financial position were as follows:

	31/12/2009	31/12/2008
Deferred tax liabilities	880	659
Deferred tax assets	(58)	(30)
Net deferred tax liabilities	822	629

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	31/12/2009	31/12/2008
Deductible temporary differences	72	93
Tax loss carried forward	524	369
Total	596	462

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

Tax losses expire in the following years:

	31/12/2009	31/12/2008
Without expiry	143	–
2009	–	2
2010	8	8
2011	33	33
2012	25	25
2013	3	3
2014	9	9
2015	32	33
2016	39	39
2017	25	23
2018	54	53
2019	24	16
2020	47	47
2021	18	17
2022	41	40
2023	23	21
Total	524	369

At 31 December 2009, the Group did not recognise a deferred tax liability in respect of taxable temporary differences of USD 107 million (2008: USD 294 million) associated with investments in subsidiaries, because management believes that it is in a position to control the timing of reversal of such differences and has no intention to reverse them in the foreseeable future.

19. PROPERTY, PLANT AND EQUIPMENT

	Mining assets	Non-mining assets			Capital construction-in-progress	Total
		Buildings, structures and utilities	Machinery, equipment and transport	Other		
Cost						
Balance at 31 December 2007	9,386	4,265	4,242	248	1,291	19,432
Additions	828	–	–	–	1,635	2,463
Transfers	–	155	844	37	(1,036)	–
Decommissioning asset raised (refer to note 35)	50	1	–	–	–	51
Acquired on acquisition of subsidiaries (refer to note 6)	–	24	–	–	–	24
Disposed of on disposal of subsidiaries (refer to note 38)	–	–	(8)	–	–	(8)
Disposals	(80)	(37)	(49)	(3)	(35)	(204)
Reclassified as held for sale (refer to note 29)	–	–	–	–	(41)	(41)
Effect of translation to presentation currency	(1,756)	(705)	(836)	(52)	(297)	(3,646)
Balance at 31 December 2008	8,428	3,703	4,193	230	1,517	18,071
Additions	332	–	–	–	757	1,089
Transfers	–	144	593	61	(798)	–
(Decrease)/increase in decommissioning asset (refer to note 35)	(44)	2	–	–	–	(42)
Disposals	(39)	(40)	(39)	(3)	(8)	(129)
Effect of translation to presentation currency	772	(87)	37	36	(17)	741
Balance at 31 December 2009	9,449	3,722	4,784	324	1,451	19,730
Accumulated depreciation and impairment						
Balance at 31 December 2007	(2,122)	(1,110)	(1,086)	(58)	(75)	(4,451)
Charge for the year	(572)	(230)	(439)	(32)	–	(1,273)
Disposed of on disposal of subsidiaries (refer to note 38)	–	–	3	–	–	3
Eliminated on disposals	25	20	29	2	14	90
Impairment loss (refer to note 14)	(2,265)	(81)	(198)	(41)	(81)	(2,666)
Reclassified as held for sale (refer to note 29)	–	–	–	–	28	28
Effect of translation to presentation currency	418	215	272	21	9	935
Balance at 31 December 2008	(4,516)	(1,186)	(1,419)	(108)	(105)	(7,334)
Charge for the year	(288)	(167)	(310)	(16)	–	(781)
Eliminated on disposals	28	28	23	2	1	82
Reversal of impairment loss (refer to note 14)	14	62	89	–	10	175
Effect of translation to presentation currency	(732)	19	(105)	(26)	(11)	(855)
Balance at 31 December 2009	(5,494)	(1,244)	(1,722)	(148)	(105)	(8,713)
Carrying value						
31 December 2008	3,912	2,517	2,774	122	1,412	10,737
31 December 2009	3,955	2,478	3,062	176	1,346	11,017

20. GOODWILL

	31/12/2009	31/12/2008
Cost		
Balance at beginning of the year	3,695	4,439
Acquired on acquisition of subsidiaries (refer to note 6)	–	80
Effect of translation to presentation currency	(53)	(824)
Balance at end of the year	3,642	3,695
Accumulated impairment		
Balance at beginning of the year	(2,460)	(1,079)
Impairment loss (refer to note 14)	–	(1,571)
Effect of translation to presentation currency	18	190
Balance at end of the year	(2,442)	(2,460)
Carrying value		
Balance at beginning of the year	1,235	3,360
Balance at end of the year	1,200	1,235

Allocation of goodwill to separate cash-generating units

After recognition of annual impairment losses the carrying value of goodwill is allocated to the following segments and smallest individual cash-generating units within respective segments:

	31/12/2009	31/12/2008
Energy and utilities segment		
OGK-3	1,178	1,213
Taimyrenergo	9	9
Total allocated to energy and utilities segment	1,187	1,222
Total allocated to other segment	13	13
Total	1,200	1,235

At 31 December 2009 and 2008 management reviewed carrying value of goodwill for impairment. As a result, no indicators of impairment loss were identified as at 31 December 2009 (2008: USD 1,571 million) (refer to note 14).

21. INTANGIBLE ASSETS

	Patents and licences	Software	Other	Total
Cost				
Balance at 31 December 2007	737	69	145	951
Additions	5	35	23	63
Disposals	–	(2)	(10)	(12)
Effect of translation to presentation currency	(157)	(17)	(9)	(183)
Balance at 31 December 2008	585	85	149	819
Additions	1	23	9	33
Disposals	–	(7)	(18)	(25)
Effect of translation to presentation currency	169	(1)	(4)	164
Balance at 31 December 2009	755	100	136	991
Accumulated amortisation and impairment				
Balance at 31 December 2007	(8)	(21)	(73)	(102)
Charge for the year	(3)	(13)	(22)	(38)
Impairment loss (refer to note 14)	(490)	(1)	–	(491)
Eliminated on disposals	–	2	9	11
Effect of translation to presentation currency	3	6	1	10
Balance at 31 December 2008	(498)	(27)	(85)	(610)
Charge for the year	(1)	(19)	(27)	(47)
Eliminated on disposals	–	3	9	12
Effect of translation to presentation currency	(143)	–	1	(142)
Balance at 31 December 2009	(642)	(43)	(102)	(787)
Carrying value				
31 December 2008	87	58	64	209
31 December 2009	113	57	34	204

Included in patents and licenses acquired in 2007 is the right to use a unique refining technology registered under the trade mark Activox. Fair value of the right was determined by an independent professional appraiser on 28 June 2007, the date of the acquisition of LionOre business, which owned this technology, and amounted to USD 706 million. Activox is regarded as having an indefinite useful life because, based on an analysis of all the relevant factors, there is no foreseeable limit to the

period during which this asset is expected to generate net cash flows. This right is not amortised and reviewed for impairment annually. At 31 December 2009 no impairment loss was recognised (2008: USD 480 million) (refer to note 14) and carrying value of the right at 31 December 2009 amounted to USD 109 million (2008: USD 84 million).

22. INVESTMENTS IN ASSOCIATES

	31/12/2009	31/12/2008
Balance at beginning of the year	889	879
Acquired during the year	–	660
Disposed of during the year	(24)	–
Contribution into associate	88	14
Share of post-acquisition (losses)/profits	(20)	11
Reclassified to investments available-for-sale due to decrease of ownership	–	(69)
Dividends received	(42)	(11)
Reclassified to assets held for sale (refer to note 29)	(39)	–
Impairment loss	(18)	(283)
Reclassified (refer to note 5)	–	(62)
Effect of translation to presentation currency	46	(250)
Balance at end of the year	880	889

The following is a summary of the financial information of associates:

	31/12/2009	31/12/2008
Total assets	3,709	3,782
Total liabilities	978	865
Net assets	2,731	2,917
Group's share of net assets of associates	880	889

	Year ended 31/12/2009	Year ended 31/12/2008
Total revenue	450	484
Total (loss)/profit for the year	(79)	30
Group's share of (losses)/profits of associates	(20)	11

Movements during the year ended 31 December 2009

TGK-14. On 4 May 2009, the Group sold its share in OJSC "Territorial Generation Company No. 14" (TGK-14) for a cash consideration of USD 26 million.

Smart Hydrogen Incorporated. In July 2009 Smart Hydrogen Incorporated was liquidated and all its assets were distributed to the shareholders. As a result of liquidation the Group received cash dividends in the amount of USD 42 million.

Plug Power Incorporated. At 31 December 2009, the Group's investment in Plug Power in the amount of USD 39 million was classified as an asset held for sale and presented separately in the consolidated statement of financial position.

Nkomati Nickel Mine. During January-September 2009, the Group made contributions into equity of Nkomati Nickel Mine in the amount of USD 88 million according to the terms of the partnership agreement between the joint venture parties.

RUSIA Petroleum. At 31 December 2009 management reviewed the carrying value of the Group's investment in RUSIA Petroleum for impairment. As a result, impairment loss in the amount of USD 22 million was recognised.

Movements during the year ended 31 December 2008

RUSIA Petroleum. On 20 October 2008, OGK-3, a subsidiary of the Group, acquired 25% of RUSIA Petroleum for a cash consideration of USD 576 million.

At 31 December 2008 management reviewed the carrying value of the Group's investment in RUSIA Petroleum for impairment. As a result, no impairment loss was identified.

Nkomati Nickel Mine. During October-December 2008, the Group made contributions into equity of Nkomati Nickel Mine in the amount of USD 14 million according to the terms of the partnership agreement between the joint venture parties.

At 31 December 2008 management reviewed the carrying value of the Group's investment in Nkomati Nickel Mine for impairment. As a result, an impairment loss in the amount of USD 174 million was recognised.

Smart Hydrogen Incorporated and Plug Power Incorporated. Smart Hydrogen Incorporated is a joint venture formed in April 2006 by the Group and Interros Holding Company, a related party. In 2008 the Group owned 50% of the joint venture. In June 2006, through this entity the principal investors acquired a 35% stake in Plug Power Incorporated, a US designer of environmentally clean and reliable energy products. At 20 December 2008, Smart Hydrogen Incorporated disposed of its 35% ownership in Plug Power Incorporated to OGK-3, a subsidiary of the Group, for a cash consideration of USD 33 million (refer to note 39).

At 31 December 2008 management reviewed the carrying value of the Group's investment in Smart Hydrogen Incorporated. No impairment loss was identified.

At 31 December 2008 management reviewed the carrying value of the Group's investment in Plug Power Incorporated for impairment. As a result, impairment loss in the amount of USD 51 million was recognised.

TGK-14. On 11 July 2008, the Group acquired 160,602 million additionally issued ordinary shares of TGK-14 for a cash consideration of USD 51 million. After completion of this transaction the Group's ownership in TGK-14 did not change.

As a part of reorganisation of RAO "UES", the Group obtained 228 million ordinary shares of TGK-14 during July-October 2008. As a result of these transactions, the Group became the owner of 0.07% shares of TGK-14.

At 31 December 2008 management reviewed the carrying value of the Group's investment in TGK-14 for impairment. As a result, impairment loss in the amount of USD 53 million was recognised.

23. OTHER FINANCIAL ASSETS

	31/12/2009	31/12/2008
Non-current		
Available-for-sale investments in securities	820	312
Loans issued and other receivable	66	73
Promissory notes receivable	23	23
Bank deposits	9	115
Total non-current	918	523
Current		
Bank deposits	765	1,273
Promissory notes receivable	285	–
Available-for-sale investments in securities	35	19
Loans issued and other receivable	13	24
Total current	1,098	1,316

Available-for-sale investments in securities

At 31 December 2009 and 2008 the Group held shares of various entities, primarily traded on the Russian stock exchanges.

On 5 May 2009, the Group sold its entire shareholding of 449 million ordinary shares in OJSC "TGK-1" for USD 41 million.

Bank deposits

At 31 December 2009, bank deposits in the amount of USD 774 million (2008: USD 1,273 million) included notice deposits of USD 343 million (2008: USD 525 million). The Group may withdraw cash from these deposits after bank notification. Notification period generally varies from 1 to 3 days (2008: from 6 to 30 days). These deposits have original maturities exceeding three months.

Interest rate on long-term RUR-denominated deposits held in banks was 6.1% (2008: 6.1% for RUR-denominated and from 6.1% to 6.3% for USD-denominated deposits) per annum. Interest rates on short-term deposits held in banks varied from 10.1% to 10.5% for RUR-denominated and from 2.8% to 7.8% USD-denominated deposits (2008: 9.0% to 10.5% for RUR-denominated, 9.0%–9.3% for USD-denominated, 9.3% for EUR-denominated deposits) per annum.

Promissory notes receivable

Current promissory notes receivable comprise RUR-denominated notes of OJSC "AKB "Svyazbank" amounted to USD 285 million and due within the period from 14 June 2010 till 17 June 2010. Effective interest rate attributable for the OJSC "AKB "Svyazbank" promissory notes is 8.5%. Management has intention to hold these promissory notes to maturity.

Loans given

On 30 July 2008, the Group provided a RUR-denominated loan to OJSC "Norilsk-gazprom", an associate of the Group, in the amount of USD 39 million at interest rate of 6.5% per annum and with a maturity date at 30 July 2009. At 31 December 2008 the carrying value of the loan amounted to USD 21 million. The loan was fully repaid on 30 July 2009.

On 1 October 2008, the Group provided a long-term USD-denominated loan to Mirabella Mineracao Do Brasil Ltda., in the amount of USD 50 million at a floating interest rate of LIBOR + 3.5% per annum (effective rate 4.96%). The loan is to be repaid in equal monthly instalments from 30 September 2010 to 31 December 2012.

24. OTHER TAXES

	31/12/2009	31/12/2008
Taxes receivable		
Value added tax recoverable	489	566
Customs duties	46	67
Other taxes	5	6
	540	639
Less: Allowance for value added tax recoverable	(23)	(39)
Total	517	600
Less: Non-current portion	(75)	(79)
Current taxes receivable	442	521
Taxes payable		
Value added tax	88	64
Property tax	32	29
Tax on mining	18	14
Unified social tax	17	13
Provision for tax fines and penalties	4	17
Other	41	34
Total	200	171

25. INVENTORIES

	31/12/2009	31/12/2008
Refined metals		
at net production cost	444	432
at net realisable value	–	27
By-products at net realisable value	60	91
Work-in-process		
at net production cost	663	396
at net realisable value	5	64
Total metal inventories	1,172	1,010
Stores and materials at cost	872	987
Less: Allowance for obsolete and slow-moving items	(54)	(38)
Net stores and materials	818	949
Total inventories	1,990	1,959

The cost of inventories recognised as an expense includes USD 64 million (2008: USD 211 million) in respect of write-downs of inventory to the net realisable value, and has been reduced by USD 94 million (2008: USD 47 million) of the reversal of such write-downs. Previous write-downs have been reversed as a result of increased sales prices in commodity markets.

In 2009 the Company has reviewed the methodology applied in determining the condition of work in process. Based on the review the Company has developed a new estimate which is a more reliable and representative approximation of the stage of processing of work in process. The effect of this change has resulted in an increase of the value of work in process in the amount of USD 85 million as at 31 December 2009 and the corresponding decrease in the cost of metal sales for the year ended 2009.

26. TRADE AND OTHER RECEIVABLES

	31/12/2009	31/12/2008
Trade receivables for metal sales	740	313
Other receivables	295	291
	1,035	604
Less: Allowance for doubtful debts	(57)	(35)
Total	978	569

In 2009 and 2008 the average credit period on metal sales varied from 0 to 30 days. Trade receivables are generally non-interest bearing. The Group has fully provided for all trade receivables which were due in excess of 180 days based on historical

experience that such receivables are generally not recoverable. Trade receivables that are past due for less than 180 days are generally not provided for.

The payment terms for Tati Nickel Mining Company Pty Limited (Botswana) are set out in the related ore and concentrate purchase agreements, which stipulate that payments are due within 150 days for base metals, and varies from 240 to 300 days for precious metals. However for certain agreements, provisional amounts of 70% for nickel and 90% for other metals are receivable within 60 days.

As of 31 December 2009 there were no material trade accounts receivable which were overdue or individually determined to be impaired.

The average credit period on sales of electricity and other products and services for the year ended 31 December 2009 was 18 days (2008: 16 days). No interest was charged on these receivables.

The Group has provided fully for all other receivables over 365 days based on historical experience that such receivables are generally not recoverable. Provision in respect of receivables that were less than 365 days old is determined based on past default experience.

The Group did not hold any collateral for accounts receivable balances.

Included in the Group's other receivables at 31 December 2009 were debtors with a carrying value of USD 87 million (2008: USD 66 million) that were past due but not impaired. Management of the Group believes that these amounts are recoverable in full.

Ageing of other receivables past due but not impaired was as follows:

	31/12/2009	31/12/2008
Less than 180 days	59	55
180–365 days	28	11
	87	66

Movement in the allowance for doubtful debts was as follows:

	31/12/2009	31/12/2008
Balance at beginning of the year	35	52
Change in allowance	30	51
Accounts receivable written-off	(7)	(48)
Reclassified to long-term accounts receivable	–	(13)
Effect of translation to presentation currency	(1)	(7)
Balance at end of the year	57	35

28. CASH AND CASH EQUIVALENTS

	31/12/2009	31/12/2008
Current accounts		
- foreign currencies	1,377	1,251
- RUR	401	281
Bank deposits		
- foreign currencies	1,783	413
- RUR	31	12
Restricted cash	38	36
Other cash and cash equivalents	2	2
Total	3,632	1,995

Restricted cash consists of cash equivalents that were held as collateral for outstanding letters of credit.

29. ASSETS CLASSIFIED AS HELD FOR SALE

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

At 31 December 2009, the Group's investment in Plug Power in the amount of USD 31 million was classified as an asset held for sale and presented separately in the consolidated statement of financial position. The difference between carrying value of investment in Plug Power and expected proceeds from sale of USD 8 million was recognised as impairment of assets held for sale (refer to note 17). The cumulative translation reserve of USD 10 million attributable to Plug Power is recognised as part of other comprehensive income of the Group.

Included in allowance for doubtful debts is a specific allowance against other receivables of USD 32 million (2008: USD 21 million) from entities placed into bankruptcy. The allowance represents the difference between the carrying amount of these receivables and the present value of the expected proceeds on liquidation. The Group did not hold collateral in respect of these balances.

27. ADVANCES PAID AND PREPAID EXPENSES

	31/12/2009	31/12/2008
Advances paid	56	91
Prepaid insurance	33	27
Total	89	118

At 31 December 2009, advances paid were presented net of impairment of USD 3 million (2008: USD 7 million). During the year ended 31 December 2009, a reversal of impairment loss of USD 5 million (2008: impairment loss of USD 4 million) was recognised.

At 31 December 2009, construction-in-progress in the amount of USD 1 million (31 December 2008: USD 13 million) attributable to Activox Refinery Project was classified as assets held for sale and presented separately in the consolidated statement of financial position. The difference between carrying value of construction-in-progress attributable to Activox Refinery and expected proceeds from sale was recognized as impairment of assets held for sale of USD 10 million (31 December 2008: USD nil) (refer to note 17).

30. 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 2007	1,710,884	–
September 2008: acquisition of shares	6,613,286	889
October–December 2008: acquisition of shares	7,710,279	1,726
At 31 December 2008	16,034,449	2,615
January 2009: acquisition of shares	254,855	26
May, December 2009: income tax paid on transfer of treasury shares from the Company to its subsidiaries	–	78
At 31 December 2009	16,289,304	2,719

In September 2008, three subsidiaries of the Group — OJSC “Norilsky Kombinat”, OJSC “Kolskaya Mining and Metallurgical Company” and OGK-3 transferred cash in the amount of USD 1,016 million under trust management agreements to OJSC AKB “Rosbank” and CJSC “Investment company “Troika-Dialog”.

At 31 December 2008, USD 889 million of this amount, including direct expenses associated with acquisitions, was used to acquire 6,613,286 shares of the Company. Accordingly, in the consolidated financial statements for the year ended 31 December 2008, these shares were presented as treasury stock.

On 22 August 2008, the Group announced a voluntary buy-back of up to 7,947,000 of its issued ordinary shares. At 31 December 2008, the Company acquired 7,710,279 of its own shares for a cash consideration of USD 1,726 million.

In January 2009, the Company and OGK-3, a subsidiary of the Group, acquired 254,855 ordinary shares for a cash consideration of USD 26 million.

Earnings per share

Earnings per share were calculated by dividing net profit attributable to shareholders of the Company for the years ended 31 December 2009 and 2008 by weighted average number of ordinary shares in issue during the respective years. During the year ended 31 December 2009, the weighted average number of ordinary shares in issue was 174,350,551 shares (for the year ended 31 December 2008: 186,106,151 shares).

	2009	2008
Shares on issue at 1 January	190,627,747	190,627,747
Less: treasury shares at 1 January	(16,034,449)	(1,710,884)
Outstanding shares at 1 January	174,593,298	188,916,863
Effect of acquisition of shares in September 2008	–	(1,940,436)
Effect of acquisition of shares in October–December 2008	–	(870,276)
Effect of acquisition of shares in January 2009	(242,747)	–
Weighted average number of shares for the year ended 31 December	174,350,551	186,106,151

31. OTHER RESERVES

	Option premium on convertible notes	Investments revaluation reserve	Hedging reserve	Revaluation surplus	Translation reserve	Total
Balance at 31 December 2007	–	1,264	(31)	43	2,489	3,765
Decrease in fair value of available-for-sale investments	–	(1,410)	–	–	(89)	(1,499)
Gain on cash flow hedge	–	–	6	–	–	6
Realised loss on disposal of cash flow hedge	–	–	2	–	–	2
Realised gain on disposal of available-for-sale investments	–	(102)	–	–	(2)	(104)
Impairment of available-for-sale investments	–	232	–	–	–	232
Other reserves disposed of on disposal of subsidiaries	–	–	–	–	(9)	(9)
Effect of translation to presentation currency and translation of foreign operations	–	–	–	–	(3,464)	(3,464)
Total comprehensive (loss)/income	–	(1,280)	8	–	(3,564)	(4,836)
Issuance of convertible notes	19	–	–	–	–	19
Balance at 31 December 2008	19	(16)	(23)	43	(1,075)	(1,052)
Increase in fair value of available-for-sale investments	–	439	–	–	–	439
Gain on cash flow hedge	–	–	5	–	–	5
Realised gain on disposal of available-for-sale investments	–	(6)	–	–	–	(6)
Effect of translation to presentation currency and translation of foreign operations	–	–	–	–	13	13
Total comprehensive income	–	433	5	–	13	451
Conversion of notes	(3)	–	–	–	–	(3)
Balance at 31 December 2009	16	417	(18)	43	(1,062)	(604)

32. LOANS AND BORROWINGS

		Currency	31/12/2009		31/12/2008	
			Rate, %	Outstanding balance	Rate, %	Outstanding balance
Bank loans, including:						
Syndicated loan 1	(i)	USD	LIBOR+0.53-0.60	3,161	LIBOR+0.53-0.60	3,486
Syndicated loan 2	(ii)	USD	LIBOR+ 0.85-1.00	1,196	LIBOR+ 0.85-1.00	1,489
Syndicated loan 3	(iii)	USD	LIBOR+0.43	450	LIBOR+0.43	450
Syndicated loan 4	(iv)	USD	LIBOR+0.60	330	LIBOR+0.60	338
Secured loan	(v)	USD	LIBOR+ 4.00	50	–	–
Unsecured loan	(vi)	USD	–	–	LIBOR+0.45	50
Other		varies	varies	31	varies	18
Convertible notes Stillwater Mining Company	(vii)	USD	6.40	70	6.40	80
Exempt Facility Reversal Bonds Series 2000	(viii)	USD	8.57	29	8.57	29
Guaranteed notes	(ix)	USD	–	–	7.125	500
Total				5,317		6,440
Less: current portion due within twelve months and presented as short-term borrowings				(2,972)		(872)
Long-term borrowings				2,345		5,568

The maturity profile of the Group's borrowings was as follows:

Due within one month	16	13
Due from one to three months	343	–
Due from three to twelve months	2,613	859
Total short-term borrowings	2,972	872
Due in the second year	1,200	3,190
Due in the third year	819	1,219
Due in the fourth year	36	838
Due in the fifth year	38	34
Due thereafter	252	287
Total long-term borrowings	2,345	5,568
Total	5,317	6,440

(i) **Syndicated loan 1** — A USD 3,500 million syndicated loan, which includes two credit lines for USD 2,000 million and USD 1,500 million. The credit line in the amount of USD 2,000 million is arranged for five years at floating rate of LIBOR + 0.53% (effective rate 0.88%, comparative 1.00%) per annum up to 29 June 2010 and LIBOR + 0.63% (effective rate 0.98%, comparative 1.10%) per annum thereafter and secured by assignment of rights for proceeds from metal supply agreements of Metal Trade Overseas S.A. and Norilsk Nickel Europe Limited, subsidiaries of the Group. The secured credit line in the amount of USD 2,000 million is to be repaid in equal quarterly installments after a twenty four month grace period with the final installment due on 29 June 2012. The credit line in the amount of USD 1,500 million is unsecured and arranged for three years at floating rate of LIBOR + 0.60% per annum (effective rate 0.95%, comparative 1.07%), and is due in full in June 2010. Interest is payable on a monthly basis at the rate varying based on the credit rating of the Company.

During 2009 the Company repaid USD 333 million of USD 2,000 million credit line which was in accordance with the payment schedule.

The Group is obliged to comply with a number of restrictive financial and other covenants, including maintaining certain financial ratios and restrictions on pledging and disposal of certain assets.

(ii) **Syndicated loan 2** — A USD 1,500 million syndicated loan includes three credit lines of USD 750 million secured long-term loan, a USD 550 million secured revolving credit facility and a USD 200 million unsecured revolving facility. The credit lines of USD 750 million and USD 550 million were arranged for three years at floating rate of LIBOR + 0.85% (effective rates 3.75% and 1.2%, comparative 1.32%) per annum and secured by assignment of rights for proceeds from metal supply agreements of Metal Trade Overseas S.A. and Norilsk Nickel Europe Limited, subsidiaries of the Group. The credit line in the amount of USD 200 million was arranged for three years at floating rate of LIBOR + 1% (effective rate 1.35%, comparative 1.47%) per annum. These credit lines are to be repaid in six equal quarterly installments after an eighteen month grace period with the final installment due on 24 June 2011. Interest is payable on a monthly basis for the revolving credit facilities of USD 550 million and USD 200 million and on a quarterly basis for secured long-term loan of USD 750 million.

During 2009 the Group made an early repayment of USD 300 million within this loan.

The Group is obliged to comply with a number of restrictive financial and other covenants, including maintaining certain financial ratios and restrictions on pledging and disposal of certain assets.

(iii) **Syndicated loan 3** — A USD 450 million syndicated unsecured revolving credit facility with a floating rate of LIBOR + 0.43% (effective rate 0.81%, comparative 0.90%) per annum, is due in full on 12 March 2012. Interest is payable on a monthly basis.

The Group is obliged to comply with a number of restrictive financial and other covenants, including maintaining certain financial ratios and restrictions on pledging and disposal of certain assets.

(iv) **Syndicated loan 4** — A USD 376 million term credit facility consisting of four tranches.

The Group obtained a ten-year loan of USD 355 million under this credit facility, at floating rate of LIBOR + 0.60% (effective rate from 1.87% to 2.06%, comparative from 1.43% to 2.49%) per annum. On 23 January and 24 February 2009, the Group obtained the rest USD 21 million within this credit facility. All tranches are to be repaid in twenty equal semi-annual installments with the final installments due on 31 July 2018, 13 November 2018, 11 December 2018 and 28 January 2019. Interest is payable semi-annually.

The Group is obliged to comply with a number of restrictive financial and other covenants, including maintaining certain financial ratios and restrictions on pledging and disposal of certain assets.

(v) **Secured loan** — A USD 50 million loan, net off deposit placed to secure the loan, at a floating rate of LIBOR + 4.00% per annum. The loan is secured by shares of OGK-3, a subsidiary of the Group, and is due in full on 15 September 2010. Interest is payable quarterly.

(vi) **Unsecured loan** — A USD 50 million unsecured loan at a floating rate of LIBOR + 0.45% per annum (effective rate 1.91%). The loan was repaid in full on 26 June 2009.

(vii) **Convertible Notes Stillwater Mining Company** — On 12 March 2008, Stillwater Mining Company ("SWC") issued 181,500 convertible notes, at USD 1,000 per note, out of which 80,000 notes were acquired by the Group.

Conversion may occur at any time between 12 March 2008 and 15 March 2028. Each USD 1,000 principal amount of notes is initially convertible into approximately 42.5351 shares of the Company's common stock. The conversion rate is subject to certain adjustments, but will not be adjusted for accrued interest or any unpaid interest. The conversion rate initially represents a conversion price of USD 23.51 per share. Holders of the notes may require the Company to repurchase all or a portion of their notes on March 15, 2013, March 15, 2018 and March 15, 2023, or upon the occurrence of certain events including a change in control. If the notes are not converted, they can be redeemed during the period from 22 March 2013 to 15 March 2028 but not later than 15 March 2028 at USD 1,000 per note. Interest of 1.875% per annum is payable semi-annually in arrears on 15 March and 15 September until the settlement date.

The net proceeds received from the issue of the notes have been split between the liability element and an equity component, representing the residual attributable to the option to convert the liability into equity of the Group, as follows:

Proceeds from issue (net of debt issuance costs)	97
Liability component at date of issue	(78)
Equity component	19

The interest charged for the period is calculated by applying an effective interest rate of 6.4%. The liability component is measured at amortised cost.

The option premium on convertible notes of USD 16 million (2008: USD 19 million) represents equity component (conversion rights) on 86,500 (2008: 101,500) (net of 80,000 held by the Group) 1.875% convertible notes issued during the year 2008.

In October 2009, SWC undertook the exchange of USD 15 million face amount of the convertible notes for 1.84 million shares of the SWC's common stock. None of SWC convertible notes held by the Group were involved in the exchange transaction.

(viii) **Exempt Facility Reversal Bonds Series 2000** — A USD 29 million bond issued by Stillwater Mining Company, a subsidiary of the Group, on 6 July 2002, with an effective interest rate of 8.57% and due in full on 1 July 2020. Interest is payable semi-annually.

(ix) **Guaranteed notes** — On 30 September 2004, Norilsk Nickel Luxemburg S.A., a wholly owned subsidiary of the Group, issued USD 500 million 7.125% notes. The notes were issued at par with an interest payable semi-annually in arrears on 30 March and 30 September, and the principal due on 30 September 2009.

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

33. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	31/12/2009	31/12/2008	31/12/2009	31/12/2008
Due within one year	20	20	14	13
Due in the second year	24	17	20	11
Due in the third year	14	22	13	18
Due in the fourth year	–	13	–	12
	58	72	47	54
Less: Future finance charges	(11)	(18)	n/a	n/a
Present value of lease obligations	47	54	47	54
Less: Amount due for settlement within one year and shown under current liabilities			(14)	(13)
Amount due for settlement after one year			33	41

The Group leases production equipment and transport under a number of finance lease agreements.

The average lease term is 3 years (2008: 3 years). For the year ended 31 December 2009 the weighted average effective interest rate was 16% (2008: 16%). Majority of the leases are on a fixed repayment basis and denominated in Botswana Pula. The Group's obligations under finance leases are secured by the lessors' title to the leased assets.

	31/12/2009	31/12/2008
Carrying value of leased production equipment	50	56

34. EMPLOYEE BENEFIT OBLIGATIONS

	31/12/2009	31/12/2008
Accrual for annual leave	186	174
Wages and salaries	155	193
Share appreciation rights	43	12
Defined benefit obligations	9	10
Other	24	20
Total obligations	417	409
Less: Non-current obligations	(42)	(16)
Current obligations	375	393

Defined benefit plans

Defined benefit plan liabilities/(assets) were as follows:

	31/12/2009	31/12/2008
Present value of defined benefit obligations	155	224
Fair value of plans assets	(55)	(118)
Present value of unfunded obligations	100	106
Plan assets above limits	–	4
Unrecognised past service cost	(3)	(5)
Unrecognised actuarial losses	(88)	(95)
	9	10

Net (benefit)/expense recognised in the consolidated income statement was as follows:

	Year ended 31/12/2009	Year ended 31/12/2008
Current service costs	1	2
Expected return on plans assets	(10)	(12)
Additional cost arising from new plan members	–	8
Net actuarial (gains)/losses recognised during the year	(6)	31
Plan assets above limits recognised during the year	–	4
Gain arising from curtailment	(1)	–
Interest expense	16	16
Total	–	49
Actual (gains)/losses on plan assets	(4)	41

Movements in the fair value of plans assets were as follows:

	Lifelong professional pension plan	Joint corporate pension plan
Balance at 31 December 2007	72	76
Contributions from the employer	19	14
Expected return on plans assets	6	6
Actuarial loss	(20)	(21)
Benefits paid	(9)	(1)
Effect of translation to presentation currency	(11)	(13)
Balance at 31 December 2008	57	61
Contributions from the employer	–	1
Expected return on plans assets	6	4
Loss on curtailment	–	(60)
Benefits paid	(7)	(1)
Effect of translation to presentation currency	(1)	(5)
Balance at 31 December 2009	55	–

Movements in the present value of the defined benefit obligations were as follows:

	Lifelong professional pension plan	Joint corporate pension plan	Other
Balance at 31 December 2007	179	50	11
Benefits paid	(9)	(1)	(1)
Current service cost	–	8	2
Interest cost	11	4	1
Actuarial loss	6	6	3
Effect of translation to presentation currency	(30)	(13)	(3)
Balance at 31 December 2008	157	54	13
Benefits paid	(7)	(1)	(1)
Current service cost	–	1	–
Interest cost	13	2	1
Actuarial gain	(16)	(5)	–
Gain on curtailment	–	(48)	–
Effect of translation to presentation currency	(6)	(3)	1
Balance at 31 December 2009	141	–	14

Starting from 2006, all of the Group's pension plans are managed by a non-state Pension Fund "Norilsk Nickel". Contributions from the Group to this Fund during the year ended 31 December 2009 amounted to USD 17 million (2008: USD 67 million).

The major categories of pension plans assets and the expected rate of return at the balance sheet dates for each category were as follows:

	Expected return		Fair value of pension plans assets	
	31/12/2009	31/12/2008	31/12/2009	31/12/2008
Equity instruments	–	25.2%	–	18
Bonds	8.0%	10.4%	36	75
Deposits	–	12.7%	–	25
Other	3.2%	–	19	–
Weighted average expected return	8.4%	13.1%	55	118

The following tables summarise the present value of defined benefit obligations and fair value of the pension plans assets and experience adjustments for them for the current year and previous four annual periods:

	31/12/2009	31/12/2008	31/12/2007	31/12/2006	31/12/2005
Defined benefit obligations	155	224	240	119	104
Plans assets	(55)	(118)	(148)	(11)	–
Deficit	100	106	92	108	104
Experience adjustments on plans assets	–	(41)	(1)	–	–
Experience adjustments on plans liabilities	18	(41)	(70)	(6)	–

Key assumptions used in estimation of defined benefit obligations were as follows:

	Year ended 31/12/2009	Year ended 31/12/2008
Discount rate	8.6%	9.1%
Expected rate of return on plans assets	8.4%	13.1%
Pre-retirement increases to capital accounts	8.6%	9.1%
Future salary increases	12.8%	12.9%
Future pension increases	9.7%	9.9%
Average life expectancy of members from the date of retirement	17 year	17 year

Defined contribution plans

Amounts recognised in the consolidated income statement in respect of defined contribution plans were as follows:

	Year ended 31/12/2009	Year ended 31/12/2008
Pension Fund of the Russian Federation	173	207
Shared accumulated pension program	16	34
Stillwater Mining Company savings plan	5	6
Other	6	7
Total	200	254

Share appreciation rights

OJSC "MMC "Norilsk Nickel" long-term employee incentive plan

On 26 February 2009, the Group granted share appreciation rights ("SAR 1") to key personnel of the Company that entitle them to a cash payment. The amount of the cash payment to eligible employees is determined based on number of vested phantom shares and volume-weighted Company's share price for the calendar quarter preceding vesting date. The program is divided into 5 stages and is effective until 16 October 2014.

OJSC "MMC "Norilsk Nickel" long-term key management personnel compensation plan

On 7 April 2008, the Group granted share appreciation rights ("SAR 2") to key management personnel of the Russian entities of the Group that entitle them to a cash payment. The amount of the cash payment to eligible employees is determined

based on a number of vested phantom shares, the increase in the share price of the Company and the achievement of targeted excess of total shareholders return growth over total shareholders return growth of the companies comprising HSBC Index, between grant date and vesting dates. The expected future dividends were incorporated in the option fair value determination by adding them back to estimated weighted average price of the company at the corresponding point of time. The program is divided into 3 stages and is effective until 6 April 2011.

The compensation cost related to SARs and the corresponding liability, are set out in the table below:

	SAR 1	SAR 2	NN International incentive plan
Balance at 31 December 2007	–	–	–
Expense arising from SARs granted for the year	–	24	4
Effect of changes in fair value of SARs	–	(1)	–
Forfeited during the year	–	(12)	(2)
Exercised during the year	–	–	(1)
Balance at 31 December 2008	–	11	1
Expense arising from SARs granted for the year	41	8	–
Effect of changes in fair value of SARs	–	(2)	–
Forfeited during the year	(1)	(10)	–
Exercised during the year	(1)	(3)	(1)
Balance at 31 December 2009	39	4	–

35. ENVIRONMENTAL OBLIGATIONS

	Decommissioning obligations	Provision for land restoration	Total
Balance at 31 December 2007	569	14	583
New obligations raised (refer to note 19)	35	–	35
Change in estimate (refer to note 19)	16	–	16
Unwinding of discount on decommissioning obligations (refer to note 16)	33	–	33
Charge to income statement	–	(2)	(2)
Effect of translation to presentation currency	(99)	(2)	(101)
Balance at 31 December 2008	554	10	564
New obligations raised (refer to note 19)	1	–	1
Change in estimate (refer to note 19)	(43)	–	(43)
Unwinding of discount on decommissioning obligations (refer to note 16)	38	1	39
Charge to income statement	–	(1)	(1)
Effect of translation to presentation currency	31	2	33
Balance at 31 December 2009	581	12	593

During 2009 and 2008 years, the Group reassessed the estimate of decommissioning obligations for its operations in the Russian Federation due to changes in inflation and discount rates, and the results of an independent audit of ore reserves

affecting the expected mines closure dates. As a result, decommissioning obligations were recalculated and results were presented as change in estimate.

Key assumptions used in estimation of environmental obligations were as follows:

	31/12/2009	31/12/2008
Discount rates	7.0% – 9.4%	5.0% – 12.0%
Expected closure date of mines	up to 2074	up to 2054

Present value of expected cost to be incurred for settlement of environmental obligations was as follows:

	31/12/2009	31/12/2008
Due from second to fifth year	100	209
Due from sixth to tenth year	235	19
Due from eleventh to fifteenth year	48	74
Due from sixteenth to twentieth year	137	183
Due thereafter	73	79
Total	593	564

36. TRADE AND OTHER PAYABLES

	31/12/2009	31/12/2008
Financial liabilities		
Trade payables	243	281
Payables for acquisition of property, plant and equipment	93	78
Derivative financial liabilities	15	15
Payables for treasury shares	–	47
Other creditors	108	144
Total financial liabilities	459	565
Non-financial liabilities		
Provision for onerous contracts	44	51
Advances received	27	39
Total non-financial liabilities	71	90
Total	530	655

The maturity profile of the Group's financial liabilities was as follows:

	31/12/2009	31/12/2009
Due within one month	255	323
Due from one to three months	155	168
Due from three to twelve months	49	74
Total	459	565

Movement in the provision for onerous contracts was as follows:

	31/12/2009	31/12/2008
Balance at beginning of the year	51	–
Provision recognised during the year	–	51
Settlements during the year	(20)	–
Change in estimate	(3)	–
Unwinding of discount on provision	2	–
Effect of translation to presentation currency	14	–
Balance at end of the year	44	51

37. DIVIDENDS

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

No dividends were declared for the year ended 31 December 2009.

38. DISPOSAL OF SUBSIDIARIES

On 20 February 2009, OGG-3, a subsidiary of the Group, sold 24.6 million (or 0.04%) of its treasury shares for a cash consideration of less than USD 1 million and decreased the Group's effective ownership from 82.71% to 82.67%. As a result of the

transaction the Group recognised an increase in minority interest of USD 2 million and loss in the amount of USD 2 million in the consolidated income statement.

On 5 May 2008, the Group sold its interest in LLC "Norilsk-Telecom", a 100% subsidiary of the Group, for a cash consideration of USD 53 million. The carrying value of Norilsk Telecom net assets at the date of disposal amounted to USD 55 million.

On 24 March 2008, the Group sold its interest in Nor-Med Limited, a 75% subsidiary of the Group, for a cash consideration of USD 2 million. The carrying value of Nor-Med Limited net assets at the date of disposal amounted to USD 3 million.

At the dates of disposal aggregated net assets of the subsidiaries disposed of were as follows:

	Year ended 31/12/2008
Property, plant and equipment	45
Intangible assets	1
Trade and other receivables	22
Inventories	3
Other taxes receivable	1
Cash and cash equivalents	8
Employee benefit obligations	(2)
Deferred tax liabilities	(3)
Borrowings	(6)
Trade and other payables	(11)
Group's share of assets disposed of	58
Loss on disposal	(3)
Proceeds from disposal of subsidiary	55
Less: Cash and cash equivalents disposed of	(8)
Net cash inflow from disposal of subsidiaries	47

39. RELATED PARTIES TRANSACTIONS AND OUTSTANDING BALANCES

Related parties are considered to include shareholders, associates 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 this note. Details of transactions between the Group and other related parties are disclosed below.

	Sale of goods and services		Purchase of goods and services	
	Year ended 31/12/2009	Year ended 31/12/2008	Year ended 31/12/2009	Year ended 31/12/2008
Transactions with related parties				
Entities under common ownership and control of the Group's major shareholders	16	64	80	92
Associates of the Group	11	21	117	124
Total	27	85	197	216

During 2009, the Group made contributions into equity of Nkomati Nickel Mine, associate of the Group, in the amount of USD 88 million (2008: USD 14 million) according to the terms of the partnership agreement between the joint venture parties (refer to note 22).

On 20 December 2008, OGK-3 purchased from the Smart Hydrogen Incorporated, an associate of the Group, 35% of Plug Power Incorporated for a cash consideration of USD 33 million (refer to note 22).

During the year ended 31 December 2009, the Group did not provide loans to entities under common ownership and control of the Group's major shareholders and to associates of the Group (2008: USD 78 million and USD 46 million, respectively).

Interest income received by the Group from entities under common ownership and control of the Group's major shareholders amounted to USD nil million and from associates of the Group amounted to USD 1 million for the year ended 31 December 2009 (2008: USD 12 million and USD 1 million, respectively).

	Accounts receivable, investments and cash		Accounts payable, loans and borrowings received	
	31/12/2009	31/12/2008	31/12/2009	31/12/2008
Outstanding balances with related parties				
Entities under common ownership and control of the Group's major shareholders	15	23	4	9
Associates of the Group	1	22	17	21
Total	16	45	21	30

At 31 December 2009, the Group recognised impairment provision for loans provided to the related parties of the Group in the amount of USD 145 million (2008: USD 151 million) and for accounts receivable from the related parties of the Group in the amount of USD 6 million (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 purchases 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, government regulators responsible for establishing and monitoring prices on the utility and telecommunication markets in the Russian Federation.

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

Compensation of key management personnel

Remuneration of key management personnel of the Group was as follows:

	Year ended 31/12/2009	Year ended 31/12/2008
Salary and performance bonuses	39	57
Share appreciation rights	14	4
Termination benefits	1	24
Social security taxes	1	2
Total	55	87

40. COMMITMENTS

Capital commitments

At 31 December 2009, contractual capital commitments amounted to USD 2,158 million (2008: USD 855 million).

Operating leases

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

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

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

	31/12/2009	31/12/2008
Due within one year	30	12
From one to five years	103	21
Thereafter	76	28
Total	209	61

Intergovernmental agreement with Kingdom of Norway

In 2001, the governments of the Russian Federation and Kingdom of Norway signed an intergovernmental agreement in respect of provision of technical assistance in

the reconstruction of metallurgical facilities of Pechenganickel Combine, a branch of OJSC "Kolskaya Mining and Metallurgical Company". Total investments in the reconstruction of metallurgical facilities were agreed to be USD 175 million, financed as follows:

Grants from Kingdom of Norway	42
Loan from Nordic Investment Bank	30
Contribution by the Group	103
Total	175

At 31 December 2009, total investment of the Group in reconstruction of metallurgical facilities of Pechenganickel Combine amounted to USD 65 million.

Social commitments

The Group contributes to mandatory and voluntary social programs and maintains social assets in the locations where it has its main operating facilities. The Group's social assets, as well as local social programs, benefit the community at large and are not normally restricted to the Group's employees. These contributions are recorded in the period in which they are incurred.

The Group's commitments will be funded from its own cash resources.

41. CONTINGENCIES

Litigation

At 31 December 2009, unresolved tax litigation amounted to approximately USD 39 million (2008: USD 18 million). Management believes that the risk of an unfavourable 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 the damage of water resources in the amount of USD 218 million. In 2008 Federal Service has filed a lawsuit against the Group in the amount of USD 143 million. No provision was accrued in respect of this claim.

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, UST, together with others. Tax declarations, together with other legal compliance areas (for example, customs and currency control matters), are subject to review and investigation by a number of authorities, which are enabled by law to impose severe fines, penalties and interest charges.

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

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

Potential tax exposures

The Group operates in different jurisdictions and its operations are subject to different tax regimes. Tax legislation in some jurisdictions is unclear, lacks established assessment practice, or may be subject to varying interpretations. There is a number of tax matters which are currently being enquired by relevant tax authorities. Management estimates that in case of adverse resolution of uncertainties in relation to such tax matters, the Group's obligations as at 31 December 2009 may amount to USD 269 million (2008: USD 234 million). No provision has been recorded in these 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.

Volatility in global and Russian financial markets

The Russian Federation has been experiencing political and economic change that has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in the Russian Federation involve risks that typically do not exist in other markets. In addition, the contraction in the capital and credit markets and its impact on the Russian economy have further increased the level of economic uncertainty in the environment. These consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

42. FINANCIAL RISK MANAGEMENT

Capital risk management

The Group manages its capital structure in order to safeguard the Group's ability to continue as a going concern and to maximise the return to shareholders through the optimisation of debt and equity balance.

The capital structure of the Group consists of debt, which includes long- and short-term borrowings, cash and cash equivalents and equity attributable to shareholders of the parent company, comprising issued capital, other reserves and retained earnings.

Management of the Group regularly reviews its gearing ratio, calculated as the proportion of net debt to equity to ensure that it is in line with the Group's investment grade, international peers and current rating level requirements.

The Group is subject to external capital requirements imposed by banks on certain loans, such as gearing ratio of not exceeding 75%. During 2009 the Group complied with external capital requirements.

Financial risk factors and risk management structure

In the normal course of its operations, the Group is exposed to a variety of financial risks: market risk (including interest rate and currency risk), credit risk and liquidity risk. The Group has in place risk management structure and control procedures to facilitate the measurement, evaluation and control of these exposures and related risk management activities.

Risk management is carried out by a financial risk management department, which is part of treasury function. The Group has adopted and documented policies covering specific areas, such as market risk management system, credit risk management system, liquidity risk management system and use of derivative financial instruments.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely impact the financial results of the Group. The Group's interest rate risk arises from long- and short-term borrowings at floating rates.

The Group performs thorough analysis of its interest rate risk exposure regularly. Various scenarios are simulated. Based on these scenarios, the Group is able to calculate the financial impact of an interest rate shift of 2 percentage points. The table below details the Group's sensitivity to a 2 percentage points increase in those borrowings subject to a floating rate. The sensitivity analysis is prepared assuming that the amount of liabilities at floating rates outstanding at the balance sheet date was outstanding for the whole year.

	LIBOR-impact	
	Year ended 31/12/2009	Year ended 31/12/2008
Loss	104	116

Management believes that the Group's exposure to interest rate risk fluctuations does not require additional hedging activities.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument denominated in foreign currency will fluctuate because of changes in exchange rates.

The major part of the Group's revenue and related trade accounts receivable is denominated in US dollars and therefore the Group is exposed primarily to USD currency risk. Foreign exchange risk arising from other currencies is assessed by management of the Group as immaterial.

The carrying amounts of monetary assets and liabilities denominated in foreign currencies other than functional currencies of the individual Group entities at 31 December 2009 and 2008 were as follows:

	Assets		Liabilities	
	31/12/2009	31/12/2008	31/12/2009	31/12/2008
USD	3,581	1,999	5,246	6,339
EURO	742	142	100	63
Other currencies	13	24	28	48
Total	4,336	2,165	5,374	6,450

Currency risk is monitored on a monthly basis utilising sensitivity analysis to assess if a risk for a potential loss is at an acceptable level. The Group calculates the financial impact of exchange rate fluctuations within 20% on profit for the year in respect of USD-denominated assets and liabilities.

The following table presents the increase/(decrease) of the Group's profit before tax to a 20% strengthening of the functional currencies of the Group entities against USD.

	US Dollar — impact	
	31/12/2009	31/12/2008
USD/RUR	359	879
USD/BWP	(25)	(11)
USD/AUD	—	—

Management has assessed the Group's exposure to currency risk to be at an acceptable level and thus no exchange rate hedges are used.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises from cash and cash equivalents, deposits with banks as well as credit exposures to customers, including outstanding uncollateralised trade and other receivables. The Group's exposure to credit risk is continuously monitored and controlled.

Prior to dealing with new counterparty, management assesses the credit worthiness of a potential customer or financial institution. Where the counterparty is rated by major independent credit-rating agencies, this rating is used to evaluate creditworthiness; otherwise it is evaluated using an analysis of the latest available financial statements of the counterparty.

Credit limits for the Group as a whole are not set up.

The balances of ten major counterparties are presented below:

	Outstanding balance	
	31/12/2009	31/12/2008
Bank A	1,207	1,286
Bank B	1,112	1,214
Bank C	826	180
Bank D	243	70
Bank E	163	55
Total	3,551	2,805
Company A	247	65
Company B	54	15
Company C	45	12
Company D	33	8
Company E	15	5
Total	394	105

The Group is not economically dependent on a limited number of customers because majority of its products are highly liquid and traded on the world commodity markets. Metal and other sales to the Group's customers are presented below:

	Year ended 31/12/2009			Year ended 31/12/2008		
	Number of customers	Turnover, USD million	%	Number of customers	Turnover, USD million	%
Largest customer	1	744	7	1	895	6
Next 9 largest customers	9	3,024	30	9	3,502	25
Total	10	3,768	37	10	4,397	31
Next 10 largest customers	10	1,184	12	10	1,774	13
Total	20	4,952	49	20	6,171	44
Remaining customers		5,203	51		7,809	56
Total		10,155	100		13,980	100

The Group believes that there is no significant concentration of credit risk.

The maximum exposure to credit risk for cash and cash equivalents, loans and trade and other receivables is as follows:

	31/12/2009	31/12/2008
Cash and cash equivalents	3,632	1,995
Loans, trade and other receivables	2,139	2,077

Liquidity risk

Liquidity risk is the risk that the Group will not be able to settle all liabilities as they fall due.

The Group has a well-developed liquidity risk management structure to exercise control over its short-, medium- and long-term funding. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities. Management continuously monitors rolling cash flow forecasts and per-

forms analysis of maturity profiles of financial assets and liabilities, and undertakes detailed annual budgeting procedures.

Presented below is the maturity profile of the Group's borrowings (maturity profiles for other liabilities presented in notes 33 and 36) based on contractual undiscounted payments, including interest:

		Due within one month to	Due from one to three months	Due from three to twelve months	Due in the second year	Due in the third year	Due in the fourth year	Due in the fifth year	Due there-after
31/12/2009	Total								
Fixed rate bank loans and borrowings									
Principal	110	6	–	2	–	–	–	2	100
Interest	51	1	1	2	4	4	4	4	31
	161	7	1	4	4	4	4	6	131
Floating rate bank loans									
Principal	5,207	10	343	2,611	1,200	819	36	36	152
Interest	91	6	12	37	18	6	3	3	6
	5,298	16	355	2,648	1,218	825	39	39	158
Total	5,459	23	356	2,652	1,222	829	43	45	289
31/12/2008									
Fixed rate bank loans and borrowings									
Principal	627	9	–	506	1	1	–	–	110
Interest	84	3	7	20	4	4	4	4	38
	711	12	7	526	5	5	4	4	148
Floating rate bank loans									
Principal	5,813	4	–	353	3,189	1,218	838	34	177
Interest	167	6	12	52	50	22	8	5	12
	5,980	10	12	405	3,239	1,240	846	39	189
Total	6,691	22	19	931	3,244	1,245	850	43	337

At 31 December 2009 and 2008, the Group had following financing facilities for the management of its day to day liquidity requirements:

	31/12/2009	31/12/2008
Committed credit lines	5,465	5,870
Uncommitted credit lines	1,049	1,186
Bank overdraft facilities	382	500
Total borrowing facilities	6,896	7,556
Less: Outstanding letters of credit	(221)	(530)
Less: Obtained bank loans related to the above facilities	(5,160)	(5,805)
Net facilities available at the end of the year	1,515	1,221

43. FAIR VALUE OF FINANCIAL INSTRUMENTS

Management believes that the carrying value of financial instruments such as cash (refer to note 28), short-term accounts receivables (refer to note 26) and payables (refer to note 36), short-term loans given (refer to note 23), short-term and long-term available-for-sale investments (refer to note 23), values of which were mainly determined with reference to quoted market prices, approximate their fair value.

Certain financial instruments such as held-to-maturity financial assets, long-term accounts receivable and finance leases obligations were excluded from fair value

analysis either due to their insignificance or due to the fact that assets were acquired or liabilities assumed close to the reporting dates and management believes that their carrying value either approximates their fair value or may not significantly differ from each other.

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

	31/12/2009		31/12/2008	
	Carrying value	Fair value	Carrying value	Fair value
Loans and borrowings				
Fixed-rate guaranteed and convertible notes	99	98	609	539
Variable-rate loans and borrowings	5,218	5,102	5,831	5,635
Total	5,317	5,200	6,440	6,174

The fair value of financial assets and liabilities presented in table above is determined as follows:

- the fair value of fixed rate guaranteed and convertible notes was determined based on market quotations existing at the reporting dates; and
- the fair value of variable-rate loans and borrowings at 31 December 2009, was calculated based on the present value of future cash flow (principle and interest), discounted at the best management estimation of market rates, taking into consideration currency of the loan, expected maturity and risks attributable to the individual borrower exists at the reporting date. The discount rates ranged from 2.67% to 3.51% for USD-denominated loans and borrowings (2008: from 2.15% to 3.80%).

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

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

	31/12/2009			
	Level 1	Level 2	Level 3	Total
Financial assets				
Available-for-sale financial assets	819	–	1	820
Financial liabilities				
Derivative financial instruments	–	15	–	15

44. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

MMC Norilsk Nickel and Nordic Yards sign a contract for construction of arctic tanker

On 1 March 2010 in accordance with the decision made by the Management Board, MMC Norilsk Nickel signed a contract with Nordic Yards Holding GmbH (Germany)

to build an Arctic-class tanker Arc7. The vessel is expected to be built and delivered by the end of September 2011. The investments in the project will reach EURO 100 million.

Bonds

On 25 May 2010 the Board of Directors approved placement of:

- corporate bonds for the total amount of 50,000 million roubles with the maturity up to 10 years, to be issued in two placements of 10,000 million roubles (series 01 and 02) and two placements of 15,000 million roubles (series 03 and 04), the par value is 1,000 roubles, and
- bonds for the total amount of 50,000 million roubles with the maturity up to 3 years, two placements of 10 million roubles (series BO-01 and BO-02) and two placements of 15,000 million roubles (series BO-03 and BO-04), the par value is 1,000 roubles.

Dividends

On 27 May 2010 the Board of Directors recommended dividends for 2009 in the amount of 210 roubles per share. Total amount of declared dividends amounted to 40,041 million roubles. It is subject to the approval at the annual shareholders' meeting to be held on 28 June 2010. Following the approval annual dividends payable to shareholders will be recognized in the 2010 financial statements.

45. INVESTMENTS IN SIGNIFICANT SUBSIDIARIES AND ASSOCIATES

Subsidiaries by business segments

Effective % held

	Country	Nature of business	31/12/2009	31/12/2008
Mining and Metallurgy				
OJSC "RAO "Norilsk Nickel"	Russian Federation	Investment holding	100.0	100.0
CJSC "Normetimpex"	Russian Federation	Distribution	100.0	100.0
OJSC "Kolskaya Mining and Metallurgical Company"	Russian Federation	Mining	100.0	100.0
LLC "Institut Gypronickel"	Russian Federation	Science	100.0	100.0
OJSC "Norilsky Kombinat" ¹	Russian Federation	Rental of equipment	100.0	99.9
OJSC "Kombinat "Severonickel"	Russian Federation	Rental of equipment	100.0	100.0
OJSC "Mining and Metallurgical Plant "Pechenganickel"	Russian Federation	Rental of equipment	100.0	100.0
LLC "Norilskgeologiya"	Russian Federation	Geological works	100.0	100.0
LLC "GRK "Bystrinskoye" ¹	Russian Federation	Mining	100.0	99.9
Norilsk Nickel (Asia) Limited	China	Distribution	100.0	100.0
Norimet Limited	Great Britain	Investment holding	100.0	100.0
Norilsk Nickel Europe Limited	Great Britain	Distribution	100.0	100.0
Norilsk Nickel Finance Luxembourg S.A.	Luxembourg	Financing	100.0	100.0
Norilsk Nickel Holding S.A.	Switzerland	Investment holding	100.0	100.0
Metal Trade Overseas S.A.	Switzerland	Distribution	100.0	100.0
Norilsk Nickel USA	United States of America	Distribution	100.0	100.0
Norilsk Nickel (Cyprus) Limited	Cyprus	Investment holding	100.0	100.0
Energy and Utility				
OJSC "Taimyrgaz"	Russian Federation	Gas extraction	98.7	98.7
OJSC "Norilsko-Taimyrskaya Energeticheskaya Kompaniya"	Russian Federation	Electricity production and distribution	100.0	100.0
OJSC "Taimyrenergo" ¹	Russian Federation	Rental of equipment	100.0	99.9
OJSC "OGK-3"	Russian Federation	Electricity production and distribution	82.7	82.7

Subsidiaries by business segments	Country	Nature of business	Effective % held	
			31/12/2009	31/12/2008
Other				
Stillwater Mining Company ²	United States of America	Mining	51.7	53.5
Norilsk Nickel Harjavalta Oy	Finland	Metallurgy	100.0	100.0
Norilsk Nickel Finland Oy	Finland	Investment holding	100.0	100.0
Norilsk Nickel Cawse Pty Limited	Australia	Mining	100.0	100.0
MPI Nickel Limited	Australia	Mining	100.0	100.0
Norilsk Nickel Australia Pty Limited	Australia	Mining	100.0	100.0
Norilsk Process Technology Pty Limited	Australia	Science	100.0	100.0
Tati Nickel Mining Company Pty Limited	Botswana	Mining	85.0	85.0
Norilsk Nickel Africa Pty Limited	Republic of South Africa	Mining	100.0	100.0
OJSC "Enisey River Shipping Company" ^{3,8}	Russian Federation	River shipping operations	46.9	43.9
OJSC "Arkhangelsk Sea Commercial Port" ³	Russian Federation	Sea port	74.8	72.8
LLC "Aeroport Norilsk" ⁴	Russian Federation	Airport	100.0	100.0
LLC "Taimyrskaya Toplivnaya Kompaniya"	Russian Federation	Supplier of fuel	100.0	100.0
LLC "Norilsknickelremont"	Russian Federation	Repairs	100.0	100.0
LLC "UK "Zapolyarnaya stolitsa"	Russian Federation	Subcontractor in construction	100.0	100.0
LLC "Zapoliarnaya stroitel'naya kompaniya"	Russian Federation	Construction	100.0	100.0
LLC "Noril'skiy obespechivaushiyi complex" ¹	Russian Federation	Production of spare parts	100.0	99.9
Energy and Utility				
Smart Hydrogen Inc. ⁵	British Virgin Islands	Holding company	–	50.0
Plug Power Inc. ⁶	United States of America	Designer of energy products	–	28.8
RUSIA Petroleum	Russian Federation	Gas extraction	20.7	20.7
OJSC "TGK-14" ⁷	Russian Federation	Electricity production and distribution	–	27.8
OJSC "Norilskgazprom"	Russian Federation	Gas extraction	29.4	29.4
OJSC "KTK"	Russian Federation	Steam and hot water production	50.0	50.0
Other				
Nkomati Nickel Mine	Republic of South Africa	Mining	50.0	50.0

¹ Increase of ownership in 2009 due to acquisition of shares of OJSC "Noril'skiy Kombinat".

² Decrease of ownership due to conversion of notes into common shares (refer to note 32).

³ Increase of ownership in 2009.

⁴ Changed in legal form and renamed in 2009 (former OJSC "Alykel").

⁵ Liquidated in 2009 (refer to note 22).

⁶ Reclassified to assets held for sale of in 2009 (refer to note 29).

⁷ Disposed of in 2009 (refer to note 22).

⁸ The entity is controlled by the Group and consolidated.