Mining and Metallurgical Company Norilsk Nickel

Consolidated financial statements for the year ended 31 December 2007

INDEX

MINING AND METALLURGICAL COMPANY NORILSK NICKEL

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' report set out on pages 2 - 3, is made with a view to distinguishing the respective 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") as issued by the International Accounting Standards Board.

Management is responsible for the preparation of consolidated financial statements that present fairly the consolidated financial position of the Group at 31 December 2007, 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 2007 were approved on 6 June 2008 by:

D. S. Morozov
General Director

O. V. Lobanov
Deputy General Director

Moscow, Russia
6 June 2008

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INDEPENDENT AUDITORS' REPORT

To shareholders of Open Joint Stock Company "Mining and Metallurgical Company Norilsk Nickel":

We have audited the accompanying consolidated financial statements of Open Joint Stock Company "Mining and Metallurgical Company Norilsk Nickel" and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at 31 December 2007, and the consolidated statements of income, cash flows and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of accompanying 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 the consolidated financial statements that are free from material misstatement, 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 ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from 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 auditors' 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 auditors consider internal control relevant to the Group'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 Group's internal control. An audit also includes evaluating the appropriateness of accounting policies 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 audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2007, and the results of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche

Moscow, Russia
6 June 2008

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007
US Dollars million

	Notes	2007	2006
Revenue			
Metal sales	7	15,909	11,550
Other sales	8	1,210	373
Total revenue		**17,119**	**11,923**
Cost of metal sales	9	(4,719)	(3,158)
Cost of other sales	15	(1,163)	(345)
Gross profit		**11,237**	**8,420**
Selling and distribution expenses	16	(730)	(536)
General and administrative expenses	17	(894)	(554)
Impairment of goodwill	24	(1,079)	–
Change in fair value of derivative financial liabilities held for trading	40	72	–
Other net operating expenses	18	(1,175)	(267)
Operating profit		**7,431**	**7,063**
Finance costs	19	(307)	(79)
Income/(loss) from investments	20	223	(199)
Foreign exchange gain, net	21	146	25
Excess of the Group's share in the fair value of net assets acquired over the cost of acquisition	5	166	–
Share of profits/(losses) of associates	26	76	(33)
Profit before tax		**7,735**	**6,777**
Income tax	22	(2,459)	(1,805)
Profit for the year from continuing operations		**5,276**	**4,972**
Profit for the year from discontinued operation	48	–	993
Profit for the year		**5,276**	**5,965**
Attributable to:			
Shareholders of the parent company		5,327	5,989
Minority interest		(51)	(24)
		5,276	**5,965**
EARNINGS PER SHARE			
Weighted average number of ordinary shares in issue during the year	34	182,362,986	188,767,177
Basic and diluted earnings per share from continuing and discontinued operations attributable to shareholders of the parent company (US Dollars)		29.2	31.7
Basic and diluted earnings per share from continuing operations attributable to shareholders of the parent company (US Dollars)		29.2	26.5

MINING AND METALLURGICAL COMPANY NORILSK NICKEL

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2007
US Dollars million

	Notes	2007	2006
ASSETS			
Non-current assets			
Property, plant and equipment	23	14,981	8,075
Goodwill	24	3,360	25
Intangible assets	25	849	107
Investments in associates	26	879	208
Other financial assets	27	2,982	2,615
Other taxes receivable	28	38	44
Deferred tax assets	22	89	–
Pension plans assets	37	8	–
		23,186	**11,074**
Current assets			
Inventories	29	2,108	1,471
Trade and other receivables	30	949	697
Advances paid and prepaid expenses	31	183	153
Other financial assets	27	4,473	104
Income tax receivable		144	27
Other taxes receivable	28	585	575
Cash and cash equivalents	32	4,008	2,178
		12,450	**5,205**
Assets classified as held for sale	33	60	–
		12,510	**5,205**
TOTAL ASSETS		**35,696**	**16,279**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	34	8	8
Share premium		1,390	611
Treasury shares	34	–	(999)
Other reserves	35	3,765	2,562
Retained earnings		14,340	10,635
Equity attributable to shareholders of the parent company		**19,503**	**12,817**
Minority interest		2,318	319
		21,821	**13,136**
Non-current liabilities			
Long-term borrowings	36	4,103	632
Employee benefit obligations	37	11	57
Environmental obligations	38	583	322
Derivative financial liabilities	40	3	–
Deferred tax liabilities	22	2,741	881
		7,441	**1,892**
Current liabilities			
Short-term borrowings	36	3,973	158
Current portion of employee benefit obligations	37	378	259
Trade and other payables	39	586	370
Advances received		41	51
Income tax payable		422	244
Other taxes payable	28	197	149
Derivative financial liabilities	40	24	15
Dividends payable		804	5
		6,425	**1,251**
Liabilities associated with assets classified as held for sale	33	9	–
		6,434	**1,251**
TOTAL EQUITY AND LIABILITIES		**35,696**	**16,279**

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007
US Dollars million

	2007	2006
Operating activities		
Profit for the year	**5,276**	**5,965**
Adjustments for:		
Income tax	2,459	1,817
Amortisation and depreciation	937	586
Finance costs	307	88
Impairment of property, plant and equipment	800	87
Loss on disposal of property, plant and equipment	25	21
Impairment of other financial assets	39	83
Impairment of goodwill	1,079	–
Share of post-acquisition profits and impairment of investments in associates	(4)	33
Loss/(gain) on disposal of subsidiaries	18	(6)
Excess of the Group's share in the fair value of net assets acquired over the cost of acquisition	(238)	–
Change in fair value of derivative financial liabilities held for trading	(72)	–
Interest income	(247)	(79)
Foreign exchange gain, net	(146)	(25)
Gain on disposal of available-for-sale investments	–	(733)
Gain on disposal of associates	(6)	(117)
Dividend income	(25)	(6)
Other	(9)	(5)
Operating profit before working capital changes	**10,193**	**7,709**
Increase in inventories	(166)	(73)
Decrease/(increase) in trade and other receivables	209	(265)
Decrease/(increase) in advances paid and prepaid expenses	51	(64)
Decrease in other taxes receivable	61	49
Increase in employee benefit obligations	6	15
(Decrease)/increase in trade and other payables	(133)	120
Increase/(decrease) in advances received	11	(38)
Increase/(decrease) in other taxes payable	36	(17)
Cash flows from operations	**10,268**	**7,436**
Interest paid	(256)	(63)
Income tax paid	(2,672)	(1,726)
Net cash generated from operating activities	**7,340**	**5,647**
Investing activities		
Acquisition of subsidiaries, net of cash acquired, and increase of ownership in subsidiaries	(5,824)	(269)
Purchase of property, plant and equipment	(1,140)	(743)
Purchase of intangible assets	(46)	(27)
Proceeds from sale of property, plant and equipment	88	46
Acquisition and establishment of associates	(3,326)	(151)
Proceeds from disposal of associates	7	156
Purchase of other financial assets	(3,575)	(865)
Proceeds from sale of other financial assets	1,032	2,225
Dividends received	25	6
Net cash (used in)/generated from investing activities	**(12,759)**	**378**
Financing activities		
Proceeds from borrowings	10,183	573
Repayments of borrowings	(3,915)	(1,066)
Proceeds from increase in share capital of a special purpose entity	–	28
Acquisition of special purpose entities	(70)	–
Buy back of issued shares	–	(999)
Proceeds from issuance of ordinary shares from treasury stock, net of direct expenses and attributable income tax	1,855	–
Cash distributed to shareholders on disposal of Polyus Group	–	(2,366)
Dividends paid by the Company	(849)	(1,079)
Dividends paid by the Group's subsidiaries to minority shareholders	(27)	–
Net cash generated from/(used in) financing activities	**7,177**	**(4,909)**
Net increase in cash and cash equivalents	**1,758**	**1,116**
Cash and cash equivalents at beginning of the year	**2,178**	**922**
Effect of translation to presentation currency	80	140
Cash and cash equivalents of disposal group	(8)	–
Cash and cash equivalents at end of the year	**4,008**	**2,178**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2007
US Dollars million

	Notes	Equity attributable to shareholders of the parent company							
		Share capital	Share premium	Treasury shares	Other reserves	Retained earnings	Total	Minority interest	Total
Balance at 31 December 2005		**9**	**695**	**(1,457)**	**1,438**	**10,378**	**11,063**	**334**	**11,397**
Increase in fair value of available-for-sale investments		–	–	–	920	–	**920**	–	**920**
Loss on cash flow hedge		–	–	–	(15)	–	**(15)**	(7)	**(22)**
Translation of foreign operations		–	–	–	(55)	–	**(55)**	–	**(55)**
Effect of translation to presentation currency		–	–	–	1,012	–	**1,012**	32	**1,044**
Net income recognised directly in equity		**9**	**695**	**(1,457)**	**3,300**	**10,378**	**12,925**	**359**	**13,284**
Profit for the year		–	–	–	–	5,989	**5,989**	(24)	**5,965**
Realised gain on disposal of available-for-sale investments		–	–	–	(620)	7	**(613)**	–	**(613)**
Total recognised income and expense		**9**	**695**	**(1,457)**	**2,680**	**16,374**	**18,301**	**335**	**18,636**
Dividends	41	–	–	–	–	(772)	**(772)**	–	**(772)**
Buy back of issued shares		–	–	(999)	–	–	**(999)**	–	**(999)**
Cancellation of treasury shares		(1)	(86)	1,457	(15)	(1,355)	**–**	–	**–**
Issuance of ordinary shares from treasury stock		–	2	–	–	–	**2**	(2)	**–**
Contribution to share capital of a special purpose entity		–	–	–	–	(17)	**(17)**	17	**–**
Net assets distributed to shareholders on disposal of Polyus Group	48	–	–	–	(103)	(3,595)	**(3,698)**	(31)	**(3,729)**
Balance at 31 December 2006		**8**	**611**	**(999)**	**2,562**	**10,635**	**12,817**	**319**	**13,136**
Increase in fair value of available-for-sale investments		–	–	–	465	–	**465**	–	**465**
Effect of change in classification of available-for-sale investments to investments in associates due to increase of ownership		–	–	–	(183)	–	**(183)**	–	**(183)**
Loss on cash flow hedge		–	–	–	(16)	–	**(16)**	4	**(12)**
Translation of foreign operations		–	–	–	(206)	–	**(206)**	–	**(206)**
Effect of translation to presentation currency		–	–	–	1,201	–	**1,201**	79	**1,280**
Net income recognised directly in equity		**8**	**611**	**(999)**	**3,823**	**10,635**	**14,078**	**402**	**14,480**
Profit for the year		–	–	–	–	5,327	**5,327**	(51)	**5,276**
Impairment of available-for-sale investments		–	–	–	24	–	**24**	–	**24**
Other reserves disposed of on disposal of subsidiaries		–	–	–	(5)	5	**–**	–	**–**
Total recognised income and expense		**8**	**611**	**(999)**	**3,842**	**15,967**	**19,429**	**351**	**19,780**
Dividends	41	–	–	–	–	(1,634)	**(1,634)**	–	**(1,634)**
Issuance of ordinary shares from treasury stock, net of direct expenses and attributable income tax		–	779	999	(77)	77	**1,778**	–	**1,778**
Acquisition of special purpose entities		–	–	–	–	(70)	**(70)**	–	**(70)**
Net decrease in minority interest due to increase of Group's share in subsidiaries	5	–	–	–	–	–	**–**	(1,112)	**(1,112)**
Minority interest in subsidiaries acquired during the year	5	–	–	–	–	–	**–**	3,079	**3,079**
Balance at 31 December 2007		**8**	**1,390**	**–**	**3,765**	**14,340**	**19,503**	**2,318**	**21,821**

1. GENERAL

Organisation

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" or "Norilsk Nickel 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 50.

Major production facilities of the Group are located in Taimyr and Kola Peninsulas of the Russian Federation, Australia, Botswana, Finland, South Africa and the United States of America. The registered office of the Company is located at 22, Voznesensky pereulok, Moscow, Russian Federation.

Shareholding structure of the Group as at 31 December 2007 and 2006 was the following:

	31 December 2007		31 December 2006	
Shareholders	**Number of shares**	**% held**	**Number of shares**	**% held**
CJSC "ING Bank (Eurasia)" (nominee)	82,644,397	43.75%	80,209,132	44.21%
OJSC AKB "Rosbank" (nominee)	31,999,525	16.94%	46,386,181	25.57%
CJSC "Depository Clearing Company"	26,612,447	14.09%	12,547,555	6.92%
OJSC "VTB Bank" (nominee)	16,152,948	8.55%	–	–
Non-for-Profit Partnership "National Depository Centre"	13,843,424	7.33%	10,713,585	5.91%
Dimosenco Holdings Co. Limited	–	–	6,920,313	3.81%
Pharanco Holdings Co. Limited	–	–	6,920,313	3.81%
Other, less than 5%	17,664,122	9.34%	17,720,834	9.77%
Total	**188,916,863**	**100.00%**	**181,417,913**	**100.00%**

Statement of compliance

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

Basis of preparation

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.

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*; 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 current year, the Group has adopted all new and revised International Financial Reporting Standards and interpretations issued by International Financial Reporting Interpretation Committee ("IFRIC") that are mandatory for adoption in the annual periods beginning on or after 1 January 2007. Adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group but gave rise to additional disclosures in the consolidated financial statements as follows:

IAS 1 *Presentation of Financial Statements (amendment)*

This amendment required the Group to provide new disclosures to enable users of the consolidated financial statements to evaluate the Group's principal policies and procedures for managing capital (refer to note 46).

IFRS 7 *Financial Instruments: Disclosures*

This standard introduced new disclosures that enable users of the consolidated financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. Appropriate disclosures are presented through out the consolidated financial statements.

IFRIC *Interpretations*

The following interpretations issued by IFRIC were effective for the current period: IFRIC 7 *Applying the Restatement Approach under IAS 29*; IFRIC 8 *Scope of IFRS 2*; IFRIC 9 *Reassessment of Embedded Derivatives*; and IFRIC 10 *Interim Financial Reporting and Impairment*. The adoption of these interpretations has not led to any changes in the Group's accounting policies or disclosures provided in the consolidated financial statements.

Standards and interpretations in issue but not yet adopted

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 (amendment)*	1 January 2009
IAS 23 *Borrowing Costs (amendment)*	1 January 2009
IAS 27 *Consolidated and Separate Financial Statements (amendment due to revision of IFRS 3)*	1 July 2009
IAS 28 *Investments in Associates (amendments due to revision of IFRS 3)*	1 July 2009
IAS 31 *Investments in Joint Ventures (amendments due to revision of IFRS 3)*	1 July 2009
IAS 32 *Financial Instruments: Presentation (amendment)*	1 January 2009
IAS 36 *Impairment of Assets (amendment)*	1 January 2009
IAS 38 *Intangible Assets (amendment)*	1 January 2009
IAS 39 *Financial Instruments: Recognition and Measurement (amendment)*	1 January 2009
IAS 40 *Investment Property (amendment)*	1 January 2009
IAS 41 *Agriculture (amendment)*	1 January 2009
IFRS 2 *Share-based Payment (amendment)*	1 January 2009
IFRS 3 *Business Combinations (revised on applying the acquisition method)*	1 July 2009
IFRS 8 *Operating Segments*	1 January 2009
IFRIC 11 *IFRS 2: Group and Treasury Share Transactions*	1 March 2007
IFRIC 12 *Service Concession Arrangements*	1 January 2008
IFRIC 13 *Customer Loyalty Programmes*	1 July 2008
IFRIC 14 *IAS 19: The Limit on a Benefit Asset, Minimum Funding Requirements and their Interaction*	1 January 2008

The 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.

2. 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 the 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 the benefits of the SPE, or is exposed to risks associated with the activities of the SPE. SPEs are consolidated in the same manner as subsidiaries.

Accounting for acquisitions

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, including mineral rights, 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 as an adjustment directly in equity.

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.

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
LionOre Mining International Limited and its subsidiaries	Australian Dollar and Botswana Pula
Norilsk Nickel Cawse Proprietary Limited	Australian Dollar

The presentation currency of the consolidated financial statements of the Group is US Dollar. 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 balance sheet presented;
- all income and expenses in each income statement are translated at the average exchange rates for the periods presented;
- all resulting exchange differences are recognised as a separate component in equity; 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.

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

	2007	2006
Russian Rouble/US Dollar		
31 December	24.55	26.33
Average for the year	25.58	27.19
Botswana Pula/US Dollar		
31 December	6.14	n/a
Average for the year	6.11	n/a
Australian Dollar/US Dollar		
31 December	1.14	n/a
Average for the year	1.19	n/a

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 the transactions. At each balance sheet date monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at the balance sheet 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.

Property, plant and equipment

Mineral rights, mineral resources and ore reserves

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.

Mining assets

Mining assets are recorded at cost less accumulated amortisation and impairment losses. Mining assets include the cost of acquiring and developing mining properties, pre-production expenditure, mine infrastructure, mining and exploration licenses and the 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 straight-line basis over the lesser of their economic useful lives or the life of mine, varying from 2 to 49 years.

Mine development costs

Mine development costs are capitalised and transferred to mining property, plant and equipment 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 the capacity of a mine.

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

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 the construction periods 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 and licenses, long-term favourable contracts 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
• long-term favourable contracts	7 years
• software	2 – 10 years

Impairment of tangible and intangible assets, excluding goodwill

At each balance sheet 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.

The 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 reverses, 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 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 total amount of sales.

Production costs include on-mine and concentrating costs, smelting costs, treatment and refining costs, other cash costs and amortisation and depreciation of operating assets.

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-process is valued at net cost of production based on the percentage of completion method.

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 that 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 balance sheet 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 equity 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 the 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.

Dividends on available-for-sale equity instruments are recognised in the consolidated income statement when the Group’s right to receive the dividends is established.

Investments in unlisted shares that do not have a quoted market price in an active market and whose fair value cannot be reliably measured 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 balance sheet 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 unlisted shares classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For certain categories of financial asset, 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 carrying amount of the allowance are recognised in the consolidated income statement.

With the exception of available-for-sale 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 equity and there is objective evidence that investment is impaired, the cumulative loss that had been recognised directly in equity is removed from equity 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 equity.

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 re-measured 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 equity. The ineffective portion of cash flow hedges is recognised in the consolidated income statement. Amounts deferred in equity 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 equity are transferred from equity 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 equity at that time remains in equity 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 equity is recognised immediately in the consolidated income statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, cash deposits and highly liquid investments with 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.

Employee benefits

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

Defined contribution plans

The Group contributes to the following major defined contribution plans:

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

The only obligation of the Group with respect to these and other defined contribution plans is to make the 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 a number of 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.

The Group's liability recognised in the consolidated balance sheet in respect of defined benefit plans represent the present value of the defined benefit obligation at the balance sheet date less the fair value of the plans assets, together with 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 the 10% of the higher of defined benefit obligation and the fair value of plans assets are 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 are already vested, and otherwise amortised on the straight-line basis over the average period until the benefit becomes vested.

Where the estimation results in a benefit to the Group asset recognised is limited to the net total of any unrecognised actuarial losses and past service costs and present value of any future refunds from the plan or reductions in the future contribution to the plans.

Income tax

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 equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination.

In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the 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 balance sheet date.

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated balance sheet and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. 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 the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, 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 balance sheet 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 and the Group intends to settle its current tax assets and liabilities on a net basis.

Government grants

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

Revenue recognition

Metal sales revenue

Revenue from metal sales is recognised when the 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 the 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 such that the price is not settled until a predetermined future date based on the market price at that time. Revenue on these sales 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.

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 balance sheet 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.

Interest on borrowings

Interest on borrowings relating to major qualifying capital projects under construction is capitalised during the construction period in which they are incurred. Once a qualifying capital project has been fully commissioned, the associated interest is recorded in the consolidated income statement as and when incurred.

Interest relating to operating activities is expensed when incurred.

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.

Dividends

Dividends payable and related taxation thereon are recognised in the period in which they have been declared and become legally payable.

Accumulated profits legally distributable are based on the amounts available for distribution in accordance with the applicable legislation and as reflected in the statutory financial statements of the individual entities of the Group. These amounts may differ significantly from the amounts calculated on the basis of IFRS.

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 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 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 to the consolidated income statement and included in cost of production.

Ongoing rehabilitation costs are expensed when incurred.

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.

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 the balance sheet 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.

Assets and liabilities of a disposal group are presented in the balance sheet separately from other assets and liabilities. Comparative information related to discontinued operations is not amended in the consolidated balance sheet for the prior period.

Segmental information

The Group’s primary segment reporting format is business segments. A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. The Group’s primary business segments are:

- mining and metallurgy;
- energy and utilities;
- transport and logistics; and
- other.

The business segment “other” mainly includes entities engaged in research activities, maintenance and repair services and other.

The Group's secondary segment reporting format is geographic segments which are based on the geographic location of the Group's operations. The Group mainly operates in:

- Russian Federation;
- North America;
- Australia;
- Africa;
- Europe; and
- Asia.

3. 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 of assets;
- impairment of goodwill;
- allowances for doubtful debts, obsolete and slow-moving raw materials and spare parts;
- environmental obligations;
- defined benefit plans; and
- tax matters.

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 life of 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 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. 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 calculations related to mining and non-mining business units of the Group is presented in note 24.

Allowances

The Group creates allowances for doubtful debts to account for estimated losses resulting from the inability of customers to make the required payments. As at 31 December 2007, the allowance for doubtful debts amounted to USD 52 million (2006: USD 71 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. As at 31 December 2007, the allowance for obsolete and slow-moving items amounted to USD 25 million (2006: USD 30 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 balance sheet 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.

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 balance sheet 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.

US Dollars million

4. RECLASSIFICATIONS

Certain comparative information, presented in the consolidated financial statements for the year ended 31 December 2006, 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 presentation of certain types of income and expenses, and assets and liabilities on the face of the consolidated income statement and consolidated balance sheet.

The effect of the reclassifications is summarised below:

	After reclassifications	Before reclassifications	Difference
CONSOLIDATED INCOME STATEMENT			
Other sales	373	–	373
Cost of other sales	(345)	–	(345)
Selling and distribution expenses	(536)	–	(536)
General and administrative expenses	(554)	–	(554)
Selling, general and administrative expenses	–	(1,090)	1,090
Other net operating expenses	(267)	(278)	11
Loss from investments	(199)	(226)	27
Finance costs	(79)	(21)	(58)
Foreign exchange gain, net	25	–	25
Share of losses of associates	(33)	–	(33)
			–
CONSOLIDATED BALANCE SHEET			
Non-current assets			
Property, plant and equipment	8,075	8,134	(59)
Goodwill	25	–	25
Intangible assets	107	73	34
Other taxes receivable	44	–	44
Other non-current assets	–	44	(44)
			–
Current assets			
Trade and other receivables	697	745	(48)
Advances paid and prepaid expenses	153	–	153
Income tax receivable	27	–	27
Other taxes receivable	575	–	575
Other current assets	–	707	(707)
			–
Current liabilities			
Trade and other payables	370	421	(51)
Advances received	51	–	51
Income tax payable	244	–	244
Other taxes payable	149	393	(244)
			–
Capital and reserves			
Other reserves	2,562	–	2,562
Investments revaluation reserve	–	997	(997)
Hedging reserve	–	(15)	15
Translation reserve	–	1,580	(1,580)
			–

US Dollars million

5. BUSINESS COMBINATIONS

Acquisition of controlling interest in subsidiaries

Subsidiaries acquired	Principal activity	Date of acquisition	Ownership	Cost of acquisition
2007				
OMG Harjavalta Nickel Oy and OMG Cawse Proprietary Limited	Mining and metallurgy	1 March 2007	100.0%	356
LionOre Mining International Limited	Mining and metallurgy	28 June 2007	90.7%	5,252
OJSC “Third Generation Company of the Wholesale Electricity Market”	Electricity production and distribution	7 August 2007	54.1%	612
LLC “Geokomp”	Drilling services	28 August 2007	100.0%	1
LLC “Pervaya Milya”	Telecommunication	16 November 2007	75.0%	2
LLC “Direktsiya Proekta Metally Zabaikalya”	Construction	27 December 2007	100.0%	–
				6,223
2006				
LLC “Nortrans”	Transportation	15 June 2006	100.0%	1
LLC “Astron”	Telecommunication	21 July 2006	71.0%	1
LLC “Astron-S”	Telecommunication	21 July 2006	71.0%	1
OJSC “Taimyrenergo”	Rental of equipment	31 July 2006	100.0%	271
LLC “Zapolyarnyi Torgovyi Alians”	Retail	1 December 2006	100.0%	–
				274

Acquisitions in 2007

OMG Harjavalta Nickel Oy and OMG Cawse Proprietary Limited

On 1 March 2007, the Group acquired 100% of the ordinary shares of OMG Harjavalta Nickel Oy (“OMG Harjavalta”), a company engaged in nickel refining operations in Finland, and OMG Cawse Proprietary Limited (“OMG Cawse”), a company engaged in nickel mining and processing operations in Australia, for a total consideration of USD 356 million.

At the date of acquisition the fair value of identifiable assets and liabilities of OMG Harjavalta and OMG Cawse were as follows:

	Fair value
ASSETS	
Property, plant and equipment	235
Intangible assets	1
Inventories	230
Trade and other receivables	194
Advances paid and prepaid expenses	51
Other financial assets	40
Cash and cash equivalents	7
	758
LIABILITIES	
Employee benefit obligations	5
Environmental obligations	4
Deferred tax liabilities	63
Trade and other payables	128
Income tax payable	36
Other taxes payable	9
	245
Group’s share of net assets acquired	**513**
Less: Excess of the Group’s share in the fair value of net assets acquired over the cost of acquisition	(157)

	Fair value
Total cost of acquisition	**356**
Consideration per agreement	(348)
Direct transaction costs	(8)
Net cash outflow arising on acquisition	
Consideration and direct transaction costs paid in cash	(356)
Cash and cash equivalents acquired	7
Net cash outflow on acquisition	**(349)**

At the date of acquisition, OMG Harjavalta and OMG Cawse did not prepare financial statements in accordance with IFRS. Thus it was not practicable to determine the carrying amounts of the acquired assets and liabilities in accordance with IFRS immediately before the acquisition, and this information is not presented in the Group's consolidated financial statements.

OMG Harjavalta and OMG Cawse contributed USD 924 million of revenue and USD 221 million of profit before tax from the date of acquisition to 31 December 2007.

LionOre Mining International Limited

On 28 June 2007, the Group acquired 90.7% of the voting shares of LionOre Mining International Limited ("LionOre"), an international nickel producer with operations in Australia and Botswana, for a cash consideration of USD 5,252 million.

At the date of acquisition the fair value of identifiable assets and liabilities of LionOre were as follows:

	Fair value
ASSETS	
Property, plant and equipment	4,490
Intangible assets	706
Investments in associates	580
Deferred tax asset	167
Inventories	178
Trade and other receivables	252
Advances paid and prepaid expenses	3
Other financial assets	38
Cash and cash equivalents	438
	6,852
LIABILITIES	
Borrowings	833
Employee benefit obligations	10
Environmental obligations	91
Derivative financial liabilities	80
Deferred tax liabilities	1,512
Trade and other payables	144
Income tax payable	61
	2,731
Net assets at the date of acquisition	**4,121**
Less: Net assets attributable to minority shareholders	(870)
Add: Decrease in minority interest due to increase of interest in the subsidiary	239
Group's share of net assets acquired	**3,490**
Add: Goodwill arising on acquisition	2,001
Less: Revaluation surplus representing change in fair value of MPI net assets from the date of initial acquisition by the Group of 20% interest in MPI (refer to note 26) to the date when control was obtained	(43)
Less: Pre-acquisition investment in MPI (refer to note 26)	(196)

	Fair value
Total cost of acquisition	**5,252**
Consideration per public offer	(5,230)
Direct transaction costs	(22)
Net cash outflow arising on acquisition	
Consideration and direct transaction costs paid in cash	(5,252)
Cash and cash equivalents acquired	438
Net cash outflow on acquisition	**(4,814)**

At the date of acquisition, LionOre did not prepare financial statements in accordance with IFRS. Thus it was not practicable to determine the carrying amounts of the acquired assets and liabilities in accordance with IFRS immediately before the acquisition, and this information was not presented in the Group's consolidated financial statements.

In July-August 2007, the Group acquired an additional 9.3% interest in LionOre for a cash consideration of USD 543 million through a number of transactions with minority shareholders, increasing its ownership in this company to 100%. As a result of this transaction, the Group recognised a decrease in net assets attributable to minority shareholders of USD 334 million, and a goodwill of USD 209 million.

In July-August 2007, the holders of LionOre convertible notes exercised their right to convert notes into 23.5 million common shares. All these shares were acquired by the Group for a cash consideration of USD 613 million. In the consolidated financial statements for the year ended 31 December 2007 acquisition of additional shares was accounted for as a settlement of borrowings acquired on the initial acquisition of controlling interest in LionOre.

In August 2007, in accordance with the terms of stock option and share compensation plan LionOre issued additional 1.7 million shares and granted them to key employees and directors. In August 2007, the Group acquired all those shares for a cash consideration of USD 45 million. In the consolidated financial statements for the year ended 31 December 2007 acquisition of additional shares was accounted for as a settlement of stock option liabilities acquired on the initial acquisition of controlling interest in LionOre.

LionOre contributed USD 407 million of revenue and USD 907 million of loss before tax from the date of acquisition to 31 December 2007.

Goodwill that arose on acquisition of LionOre was primarily attributable to the expected business synergy.

OJSC "Third Generation Company of the Wholesale Electricity Market"

During July-August 2007, the Group acquired an additional 7.2% interest in OJSC "Third Generation Company of the Wholesale Electricity Market" ("OGK-3"), a company engaged in generation and sale of electricity and heat energy in Central, North-West, Siberia and Urals regions of the Russian Federation, for a cash consideration of USD 612 million, increasing its ownership in the company to 54.1%. Prior to this transaction, investment in OGK-3 was classified as investment in associate (refer to note 26).

At the date of acquisition the fair value of identifiable assets and liabilities of OGK-3 were as follows:

	Fair value
ASSETS	
Property, plant and equipment	2,111
Intangible assets	2
Inventories	86
Trade and other receivables	121
Advances paid and prepaid expenses	24
Other financial assets	1,684
Cash and cash equivalents	1,424
	5,452

LIABILITIES	
Borrowings	141
Employee benefit obligations	21
Deferred tax liabilities	376
Trade and other payables	83
Advances received	6
Income tax payable	7
Other taxes payable	7
	641
Net assets at the date of acquisition	**4,811**
Less: Net assets attributable to minority shareholders	(2,209)
Group's share of net assets acquired	**2,602**
Add: Goodwill arising on acquisition	1,646
Less: Pre-acquisition investment in OGK-3 (refer to note 26)	(3,636)
Total cost of acquisition	**612**
Consideration per public offer	(611)
Direct transaction costs	(1)
Net cash outflow arising on acquisition	
Consideration and direct transaction costs paid in cash	(612)
Cash and cash equivalents acquired	1,424
Net cash inflow on acquisition	**812**

Acquisition of controlling interest in OGK-3 was achieved in stages. Cost of acquisition and fair value of OGK-3's identifiable assets, liabilities and contingent liabilities and goodwill that arose at each stage are presented in the table below:

Date of transaction	Ownership	Fair value of net assets	Cost of acquisition	Goodwill
26 December 2006	14.60%	1,545	400	174
23 March 2007	0.26%	1,571	21	17
26 March 2007	32.04%	4,682	3,119	1,157
7 August 2007	7.20%	4,812	612	266
Effect of translation to presentation currency	n/a	n/a	84	32
Total	**54.10%**	**n/a**	**4,236**	**1,646**

At the date of acquisition of controlling interest by the Group, OGK-3 did not prepare financial statements in accordance with IFRS. Thus it was not practicable to determine the carrying amounts of the acquired assets, liabilities and contingent liabilities in accordance with IFRS immediately before the acquisition, and this information was not presented in these consolidated financial statements.

In August-September 2007, the Group acquired an additional 8,676 million shares of OGK-3 for a cash consideration of USD 929 million, increasing its ownership to 65.2%. As a result of this transaction, the Group recognised a decrease in net assets attributable to minority interest in the amount of USD 529 million and increase in goodwill in the amount of USD 400 million.

OGK-3 contributed USD 626 million of revenue and USD 68 million of profit before tax from the date of acquisition of controlling interest to 31 December 2007.

The goodwill that arose on the acquisition related to the premium paid for control over OGK-3.

OJSC "Norilsko-Taimyrskaya Energeticheskaya Kompaniya"

On 7 May 2007, the Group acquired an additional 49% interest in OJSC "Norilsko-Taimyrskaya Energeticheskaya Kompaniya" ("NTEK") for a cash consideration of USD 1 million, increasing its ownership in the company to 100%. The carrying value of NTEK net assets at the date of increase of ownership was USD 20 million. As a result of this transaction, the Group recognised a decrease in net assets attributable to minority interest of USD 10 million. Excess of the Group's share in fair value of net assets acquired over consideration paid in the amount of USD 9 million was recognised in the consolidated income statement.

Acquisitions in 2006

OJSC "Taimyrenergo"

On 31 July 2006, the Group acquired 100% of the ordinary shares of OJSC "Taimyrenergo" ("Taimyrenergo"), a company engaged in generation and distribution of electricity in the Norilsk production area, for a cash consideration of USD 271 million.

At the date of acquisition the fair value of identifiable assets and liabilities of Taimyrenergo were as follows:

	Fair value
ASSETS	
Property, plant and equipment	313
Inventories	2
Trade and other receivables	10
Cash and cash equivalents	4
	329
LIABILITIES	
Borrowings	5
Deferred tax liabilities	57
Trade and other payables	6
	68
Group's share of net assets acquired	**261**
Add: Goodwill arising on acquisition	10
Total cost of acquisition	**271**
Consideration per contract	(271)
Net cash outflow arising on acquisition	
Cash consideration	(271)
Cash and cash equivalents acquired	4
Net cash outflow on acquisition	**(267)**

At the date of acquisition Taimyrenergo did not prepare financial statements in accordance with IFRS. Thus it was not practicable to determine the carrying amounts of the acquired assets, liabilities and contingent liabilities in accordance with IFRS immediately before the acquisition, and this information was not presented in these consolidated financial statements.

Taimyrenergo contributed less than USD 1 million of revenue and USD 6 million of loss before tax from the date of acquisition to 31 December 2006.

The goodwill that arose on the acquisition was attributable to the expected synergy, control over cost escalation, independence from a monopoly utility supplier and access to a unique hydro-generating facilities located in Taimyr Peninsula.

US Dollars million

6. SEGMENTAL INFORMATION

Business segments – primary reporting format

2007	Mining and metallurgy	Energy and utilities	Transport and logistics	Other	Eliminations	Total
Third party transactions	15,959	789	298	73	–	**17,119**
Intra-segment transactions	5	348	269	574	(1,196)	–
Total revenue	**15,964**	**1,137**	**567**	**647**	**(1,196)**	**17,119**
Operating profit/(loss)	8,285	(736)	(17)	(101)	–	**7,431**
Share of profits of associates	43	33	–	–	–	**76**
Profit/(loss) before income tax	8,470	(610)	(23)	(102)	–	**7,735**
Income tax expense						**(2,459)**
Profit for the year						**5,276**
Assets and liabilities						
Investments in associates	575	304	–	–	–	**879**
Segment assets	22,907	10,145	1,092	440	–	**34,584**
Intra-segment assets and eliminations	1,753	27	9	118	(1,907)	–
Total segment assets	**25,235**	**10,476**	**1,101**	**558**	**(1,907)**	**35,463**
Segment liabilities	10,341	161	93	117	–	**10,712**
Intra-segment liabilities and eliminations	143	158	1,448	158	(1,907)	–
Total segment liabilities	**10,484**	**319**	**1,541**	**275**	**(1,907)**	**10,712**
Other segment information						
Capital expenditures	774	84	21	330	–	**1,209**
Amortisation and depreciation	768	129	22	36	–	**955**
Impairment of goodwill	325	754	–	–	–	**1,079**
Other non-cash expenses	779	–	28	27	–	**834**

2006	Mining and metallurgy	Energy and utilities	Transport and logistics	Other	Eliminations	Total
Third party transactions	11,561	101	207	54	–	**11,923**
Intra-segment transactions	–	278	197	79	(554)	–
Total revenue	**11,561**	**379**	**404**	**133**	**(554)**	**11,923**
Operating profit/(loss)	7,131	21	(26)	(63)	–	**7,063**
Share of losses of associates	–	(33)	–	–	–	**(33)**
Profit/(loss) before income tax	6,783	94	(42)	(58)	–	**6,777**
Income tax expense						**(1,805)**
Profit for the year						**4,972**
Assets and liabilities						
Investments in associates	–	207	–	1	–	**208**
Segment assets	11,406	3,095	1,097	446	–	**16,044**
Intra-segment assets and eliminations	1,505	22	7	104	(1,638)	–
Total segment assets	**12,911**	**3,324**	**1,104**	**551**	**(1,638)**	**16,252**
Segment liabilities	1,757	72	67	122	–	**2,018**
Intra-segment liabilities and eliminations	128	468	850	192	(1,638)	–
Total segment liabilities	**1,885**	**540**	**917**	**314**	**(1,638)**	**2,018**
Other segment information						
Capital expenditures	636	44	51	65	–	**796**
Amortisation and depreciation	521	44	10	15	–	**590**
Other non-cash expenses	199	14	13	11	–	**237**

US Dollars million

Geographical segments – secondary reporting format

	Segment assets		Segment liabilities		Capital expenditures	
	2007	2006	2007	2006	2007	2006
Russian Federation	24,330	14,891	8,605	2,332	914	728
Australia	4,487	–	455	–	68	–
Africa	3,783	–	158	–	192	–
Europe	3,572	3,007	2,299	1,600	11	40
North America	945	754	851	487	24	28
Asia	56	94	54	93	–	–
	37,173	**18,746**	**12,422**	**4,512**	**1,209**	**796**
Eliminations	(1,710)	(2,494)	(1,710)	(2,494)	–	–
Total	**35,463**	**16,252**	**10,712**	**2,018**	**1,209**	**796**

Other segmental information

The financial information relating to discontinued operations is presented in note 48. Metal sales from continuing operations by geographical location of the Group's customers are presented in the note 7. Other sales of the Group were made primarily on the territory of the Russian Federation.

7. METAL SALES

2007	**Total**	**Nickel**	**Copper**	**Palladium**	**Platinum**	**Gold**
By origin						
Russian Federation	**14,054**	8,956	2,894	1,093	1,004	107
Europe	**820**	777	30	13	–	–
United States of America	**509**	20	3	215	264	7
Australia	**387**	353	1	–	–	33
Africa	**139**	110	20	4	4	1
	15,909	**10,216**	**2,948**	**1,325**	**1,272**	**148**
By destination						
Europe	**9,968**	6,956	2,209	463	327	13
Asia	**2,248**	1,736	3	256	253	–
North America	**2,237**	1,079	20	552	527	59
Russian Federation	**1,327**	351	714	54	165	43
Australia	**108**	74	1	–	–	33
South America	**13**	13	–	–	–	–
Africa	**8**	7	1	–	–	–
	15,909	**10,216**	**2,948**	**1,325**	**1,272**	**148**
2006						
By origin						
Russian Federation	**11,026**	6,212	2,838	1,033	850	93
United States of America	**524**	16	3	232	266	7
	11,550	**6,228**	**2,841**	**1,265**	**1,116**	**100**
By destination						
Europe	**6,846**	3,939	2,016	341	506	44
Asia	**1,903**	1,497	–	309	97	–
North America	**1,820**	690	84	613	412	21
Russian Federation	**981**	102	741	2	101	35
	11,550	**6,228**	**2,841**	**1,265**	**1,116**	**100**

US Dollars million

	2007	2006

8. OTHER SALES

	2007	2006
Energy and utilities	789	101
Transport and logistics	298	207
Other	123	65
Total	**1,210**	**373**

9. COST OF METAL SALES

	2007	2006
Cash operating costs		
On-mine and concentrating costs (refer to note 10)	2,031	1,454
Smelting costs (refer to note 11)	1,143	915
Treatment and refining costs (refer to note 12)	1,168	453
Other costs (refer to note 13)	594	388
Sales of by-products	(1,119)	(672)
Total cash operating costs	**3,817**	**2,538**
Amortisation and depreciation of operating assets (refer to note 14)	824	568
Decrease in metal inventories	78	52
Total	**4,719**	**3,158**

10. ON-MINE AND CONCENTRATING COSTS

	2007	2006
Labour	962	648
Consumables and spares	564	464
Repair and maintenance	135	109
Utilities	70	31
Transportation	59	35
Rent expenses	51	17
Insurance	48	51
Outsourced mining services	45	23
Tailing pile maintenance and relocation	38	35
Sundry on-mine and concentrating costs	59	41
Total (refer to note 9)	**2,031**	**1,454**

11. SMELTING COSTS

	2007	2006
Labour	348	245
Platinum group scrap metals purchased	310	268
Consumables and spares	271	223
Insurance	69	70
Repairs and maintenance	53	45
Utilities	30	28
External tolling	26	—
Transportation	18	13
Rent expenses	7	7
Sundry smelting costs	11	16
Total (refer to note 9)	**1,143**	**915**

US Dollars million

	2007	2006

12. TREATMENT AND REFINING COSTS

	2007	2006
Purchase of nickel concentrate	478	–
Labour	240	167
Consumables and spares	164	146
Tolling fees	147	77
Utilities	56	18
Repairs and maintenance	32	14
Insurance	20	17
Transportation	14	5
Rent expenses	3	3
Sundry treatment and refining costs	14	6
Total (refer to note 9)	**1,168**	**453**

13. OTHER COSTS

	2007	2006
Transportation	179	143
Tax on mining and pollution levies	150	127
Cost of refined metals purchased from third parties	128	28
Exploration expenses	113	49
Other	24	41
Total (refer to note 9)	**594**	**388**

14. AMORTISATION AND DEPRECIATION OF OPERATING ASSETS

	2007	2006
Mining and concentrating	606	338
Smelting	147	165
Treatment and refining	57	51
Other	14	14
Total (refer to note 9)	**824**	**568**

15. COST OF OTHER SALES

	2007	2006
Consumables and spares	504	150
Labour	226	100
Utilities	195	11
Amortisation and depreciation	81	11
Repair and maintenance	58	19
Taxes	29	3
Transportation	24	13
Rent expenses	14	16
Other	32	22
Total	**1,163**	**345**

16. SELLING AND DISTRIBUTION EXPENSES

	2007	2006
Export customs duties	644	484
Transportation expenses	31	13
Labour	24	14
Commission paid	16	12
Insurance	6	5
Other	9	8
Total	**730**	**536**

US Dollars million

17. GENERAL AND ADMINISTRATIVE EXPENSES

	2007	2006
Labour	435	226
Advertising	102	70
Taxes other than mining and income taxes and pollution levies	90	82
Consulting and other professional services	48	29
Depreciation	32	19
Legal and audit services	23	21
Transportation expenses	21	17
External research costs	18	20
Repairs and maintenance	18	12
Insurance	12	5
Other	95	53
Total	**894**	**554**

18. OTHER NET OPERATING EXPENSES

	2007	2006
Impairment of property, plant and equipment (refer to note 23)	800	87
Donations and maintenance of social sphere facilities	158	146
Change in provision for value added tax recoverable	149	9
Change in provision for tax penalties	29	19
Loss on disposal of property, plant and equipment	25	21
Loss/(gain) on disposal of investments in subsidiaries	18	(6)
Change in allowance for doubtful debts	(8)	5
Other	4	(14)
Total	**1,175**	**267**

19. FINANCE COSTS

	2007	2006
Interest expense on borrowings	284	60
Unwinding of discount on decommissioning obligations (refer to note 38)	23	19
Total	**307**	**79**

20. INCOME/(LOSS) FROM INVESTMENTS

	2007	2006
Income/(loss) from available-for-sale investments		
Interest income on available-for-sale investments	7	–
Dividend income on available-for-sale investments	5	6
Loss on disposal of shares of Gold Fields Limited	–	(317)
Impairment of available-for-sale investments	(24)	–
Income/(loss) from held-to-maturity investments		
Interest income on promissory notes receivable	9	–
Income/(loss) from loans given and long-term accounts receivable		
Interest income on bank deposits	222	72
Interest income on loans given and long-term accounts receivable	9	2
Impairment of loans given	(18)	(83)
Income on disposal of investments in associates	6	117
Other	7	4
Total	**223**	**(199)**

US Dollars million

	2007	2006

21. FOREIGN EXCHANGE GAIN, NET

	2007	2006
Foreign currency exchange gain on financing activities, net	324	58
Foreign currency exchange loss on investing activities, net	(82)	–
Foreign currency exchange loss on operating activities, net	(96)	(33)
Total	**146**	**25**

22. INCOME TAX

	2007	2006
Current tax expense	2,622	1,893
Deferred tax benefit	(163)	(88)
Total	**2,459**	**1,805**

A reconciliation of statutory income tax, calculated at the rate effective in the Russian Federation, the location of the Head office and major production assets of the Group, to the amount of actual income tax expense recorded in the consolidated income statement is as follows:

	2007	2006
Profit before tax from continuing operations	**7,735**	**6,777**
Profit before tax from discontinued operation (refer to note 48)	–	1,005
Profit before tax from continuing and discontinued operations	**7,735**	**7,782**
Income tax at statutory rate of 24%	1,856	1,868
Effect of different tax rates of subsidiaries operating in other jurisdictions	14	(291)
Tax effect of permanent differences	259	164
Tax effect of goodwill impairment	259	–
Tax effect of change in provisions for tax penalties and recoverable amount of value added tax	43	7
Deferred tax asset not recognised on impairment of financial assets	4	29
Taxable losses of subsidiaries not carried forward	–	2
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	24	38
Income tax at effective rate of 32% (2006: 23%)	**2,459**	**1,817**
Less: Income tax attributable to discontinued operation (refer to note 48)	–	(12)
Income tax expense attributable to continuing operations	**2,459**	**1,805**

The corporate income tax rates in other countries where the Group has a taxable presence vary from 0% to 39%.

Deferred income tax

	2007	2006
Balance at beginning of the year	**881**	**543**
Benefit recognised during the year	(163)	(88)
Revaluation of available-for-sale investments	149	304
Effect of change in classification of available for sale investments to investments in associates due to increase of ownership	(73)	–
Acquisition of subsidiaries (refer to note 5)	1,784	57
Disposal of subsidiaries (refer to note 42)	(14)	–
Hedging reserve	(7)	–
Effect of translation to presentation currency	95	65
Balance at end of the year	**2,652**	**881**

US Dollars million

	2007	2006
The tax effects of temporary differences that give rise to deferred taxation are presented below:		
Property, plant and equipment	2,220	662
Intangible assets	141	(10)
Accrued operating expenses	(111)	(41)
Valuation of receivables	(9)	(2)
Unrealised profit on intra-group transactions	(43)	(86)
Inventory valuation	11	59
Valuation of investments	437	307
Income tax loss carried forward	(99)	(89)
Provision for tax losses and tax offsets recognised as deferred tax assets	137	100
Other	(32)	(19)
Total	**2,652**	**881**

Certain deferred tax assets and liabilities have been offset in accordance with the Group's accounting policy. The analysis of the deferred tax balances (after offset) as they are recorded in the consolidated balance sheet is presented below:

	2007	2006
Deferred tax liabilities	2,741	881
Deferred tax assets	(89)	–
Net deferred tax liabilities	**2,652**	**881**

The unutilised tax losses of the North American operations at 31 December 2007, which were available for offset against future taxable income earned in the United States of America, in the amount of USD 339 million (2006: USD 297 million), have not been recognised as a deferred tax asset.

At 31 December 2007, the Group did not recognise a deferred tax liability in respect of taxable temporary differences associated with investments in subsidiaries of USD 1,317 million (2006: USD 2,531 million), because management believed that it was in a position to control the timing of reversal of such differences and has no intention to reverse them in the foreseeable future.

US Dollars million

23. PROPERTY, PLANT AND EQUIPMENT

		Non-mining assets				
	Mining assets	**Buildings, structures and utilities**	**Machinery, equipment and transport**	**Other**	**Capital construction-in-progress**	**Total**
Cost						
Balance at 31 December 2005	**3,639**	**2,582**	**1,866**	**147**	**751**	**8,985**
Additions	240	–	–	–	529	**769**
Transfers	–	199	248	7	(454)	**–**
Decommissioning asset raised (refer to note 38)	12	(3)	–	–	–	**9**
Acquired on acquisition of subsidiaries (refer to note 5)	–	200	107	–	8	**315**
Disposals	(27)	(22)	(61)	(2)	(2)	**(114)**
Effect of translation to presentation currency	311	250	183	9	72	**825**
Balance at 31 December 2006	**4,175**	**3,206**	**2,343**	**161**	**904**	**10,789**
Additions	530	–	–	–	633	**1,163**
Transfers	–	91	352	35	(478)	**–**
Decommissioning asset raised (refer to note 38)	83	6	–	–	–	**89**
Acquired on acquisition of subsidiaries (refer to note 5)	4,221	853	1,494	53	215	**6,836**
Disposed of on disposal of subsidiaries (refer to note 42)	–	(81)	(2)	–	(1)	**(84)**
Disposals	(49)	(32)	(106)	(6)	(34)	**(227)**
Reclassified as held for sale (refer to note 33)	–	(14)	(50)	–	(5)	**(69)**
Effect of translation to presentation currency	426	236	211	5	57	**935**
Balance at 31 December 2007	**9,386**	**4,265**	**4,242**	**248**	**1,291**	**19,432**
Accumulated amortisation, depreciation and impairment						
Balance at 31 December 2005	**(680)**	**(562)**	**(565)**	**(26)**	**(81)**	**(1,914)**
Charge for the year	(196)	(182)	(178)	(9)	–	**(565)**
Eliminated on disposals	14	5	27	2	–	**48**
Impairment loss (refer to note 18)	(2)	(85)	(7)	–	7	**(87)**
Effect of translation to presentation currency	(69)	(59)	(60)	(1)	(7)	**(196)**
Balance at 31 December 2006	**(933)**	**(883)**	**(783)**	**(34)**	**(81)**	**(2,714)**
Charge for the year	(394)	(201)	(299)	(24)	–	**(918)**
Disposed of on disposal of subsidiaries (refer to note 42)	–	10	1	–	–	**11**
Eliminated on disposals	33	14	39	2	26	**114**
Impairment loss (refer to note 18)	(765)	(10)	(17)	–	(8)	**(800)**
Reclassified as held for sale (refer to note 33)	–	4	30	–	–	**34**
Effect of translation to presentation currency	(63)	(44)	(57)	(2)	(12)	**(178)**
Balance at 31 December 2007	**(2,122)**	**(1,110)**	**(1,086)**	**(58)**	**(75)**	**(4,451)**
Carrying value						
31 December 2006	**3,242**	**2,323**	**1,560**	**127**	**823**	**8,075**
31 December 2007	**7,264**	**3,155**	**3,156**	**190**	**1,216**	**14,981**

Annual test for impairment

As at 31 December 2007, the Group conducted annual impairment review of property, plant and equipment.

LLC "Norilsk-Telecom"

On 2 November 2007, management of the Group made a decision to dispose of LLC "Norilsk-Telecom" ("Norilsk-Telecom") and its subsidiaries. Accordingly, in the accompanying consolidated financial statements associated assets and liabilities of Norilsk-Telecom were presented as held for sale (refer to note 33). The difference between the carrying value of Norilsk-Telecom's net assets as at 31 December 2007 and the expected proceeds from disposal in the amount of USD 15 million was recognised as an impairment of property, plant and equipment.

Tati Nickel, a subsidiary of LionOre

Subsequent to acquisition of LionOre, an extensive feasibility review of the Activox Refinery Project at Tati Nickel, a subsidiary of LionOre, was conducted by management of the Group and an independent third party. The review highlighted a substantial project cost escalation from the feasibility study conducted by the previous owners. The major contributing factors to the substantial cost escalation were:

- an increase in construction and equipment cost worldwide, and
- project management cost worldwide.

In addition, short-term energy capacity constraints being experienced in Southern Africa have been assessed as a risk that would have adversely affected the commissioning time to production and the overall economic of the Activox Refinery Project.

Based on these facts and circumstances management of the Group made a decision to postpone the project indefinitely. As a result, as at 31 December 2007 mineral rights presented within mining assets and goodwill recognised on acquisition of LionOre were impaired in the amounts of USD 765 million and USD 325 million, respectively (refer to note 24).

Others

Additional impairment loss recognised in respect of property, plant and equipment in the amount of USD 20 million was attributable to the greater than anticipated wear and tear and certain frozen construction projects.

The impairment loss was recorded within other operating expenses in the consolidated income statement.

US Dollars million

24. GOODWILL

	2007	2006
Cost		
Balance at beginning of the year	**25**	**14**
Acquired on acquisition of subsidiaries (refer to note 5)	4,256	10
Effect of translation to presentation currency	158	1
Balance at end of the year	**4,439**	**25**
Accumulated impairment losses		
Balance at beginning of the year	**–**	**–**
Impairment loss	(1,079)	–
Balance at end of the year	**(1,079)**	**–**
Carrying value		
31 December 2006	**25**	**14**
31 December 2007	**3,360**	**25**

Allocation of goodwill to separate cash-generating units

The carrying amount of goodwill, prior to recognition of impairment loss, was allocated to the following segments and smallest individual cash-generating units within respective segments:

	2007	2006
Mining and metallurgy segment		
LionOre – Botswana operations	1,691	–
LionOre – Australia operations	596	–
Total allocated to mining and metallurgy segment	**2,287**	**–**
Energy and utilities segment		
OGK-3	2,125	–
Taimyrenergo	11	10
Total allocated to energy and utilities segment	**2,136**	**10**
Total allocated to transport and logistics segment	**16**	**15**
Total	**4,439**	**25**

Annual test for impairment

OGK-3

Recoverable amount of goodwill attributable to OGK-3 was determined based on the market value of OGK-3 shares as at 31 December 2007 less cost to sell. As a result of the test, an impairment loss of USD 754 million was recognised.

US Dollars million

LionOre

For the purpose of impairment loss assessment management of the Group measured value-in-use of LionOre Group and its subsidiaries based on cash flows expected to be generated by cash-generating units, being the individual mines, smelting and refining operations.

Cash flows were projected up to the expected closure date of mining and metallurgy operations and were based on the assumptions presented below.

The long-term commodity price forecasts for nickel, copper and other by-products, for purposes of performing the value-in-use calculations, is management's estimates based on their experience of the specific commodities markets as at the date of the impairment test, that are within the range of external market forecasts and is slightly higher than the calculated market average prevailing at the time, varying in accordance with the year in which the sale is expected to occur.

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

Inflation expectations and foreign currency trends were in general consistent with the external sources of information and presented is as follows:

Inflation expectations, %	
Botswana	4.00 – 8.10
Australia	3.50 – 4.40
Expected exchange rates	
Botswana Pula/US Dollar	6.17 – 10.34
Australian Dollar/US Dollar	1.14 – 1.28

Discount rates reflect management's assessment of the risks specific to each production unit and are supported by reviews conducted by external valuation specialists. These rates are based on the weighted average cost of capital specific to each cash-generating unit and presented is as follows:

Discount rates, %	
Botswana	10.40
Australia	6.87

Goodwill impairment test for LionOre was undertaken at 31 December 2007 based on appropriate results and assumptions used in valuation of identifiable assets, liabilities and contingent liabilities of LionOre and it's subsidiaries performed as at 28 June 2007 by independent qualified appraiser. Due to facts and circumstances described in details in note 23, an impairment loss of USD 325 million was recognised by the Group in respect of goodwill attributable to Tati Nickel, a subsidiary of LionOre.

US Dollars million

25. INTANGIBLE ASSETS

	Patent and licences	Long-term favourable contracts	Software	Other	Total
Cost					
Balance at 31 December 2005	**6**	**103**	**25**	**8**	**142**
Additions	1	–	19	7	**27**
Disposals	–	–	(1)	–	**(1)**
Effect of translation to presentation currency	–	–	3	1	**4**
Balance at 31 December 2006	**7**	**103**	**46**	**16**	**172**
Acquired on acquisition of subsidiaries (refer to note 5)	706	–	2	1	**709**
Additions	2	–	21	23	**46**
Reclassified as held for sale	–	–	(2)	–	**(2)**
Disposals	–	–	(2)	(1)	**(3)**
Effect of translation to presentation currency	22	–	4	3	**29**
Balance at 31 December 2007	**737**	**103**	**69**	**42**	**951**
Accumulated amortisation and impairment					
Balance at 31 December 2005	**(2)**	**(30)**	**(3)**	**(4)**	**(39)**
Charge for the year	(4)	(14)	(6)	(1)	**(25)**
Effect of translation to presentation currency	–	–	–	(1)	**(1)**
Balance at 31 December 2006	**(6)**	**(44)**	**(9)**	**(6)**	**(65)**
Charge for the year	(2)	(14)	(13)	(8)	**(37)**
Eliminated on disposals	–	–	2	–	**2**
Effect of translation to presentation currency	–	–	(1)	(1)	**(2)**
Balance at 31 December 2007	**(8)**	**(58)**	**(21)**	**(15)**	**(102)**
Carrying value					
31 December 2006	**1**	**59**	**37**	**10**	**107**
31 December 2007	**729**	**45**	**48**	**27**	**849**

Included in patent and licenses acquired in 2007 is the right to use a unique refining technology registered under the trade mark Activox, owned by LionOre. Fair value of the right was determined by an independent professional appraiser and comprised USD 706 million. The right has an indefinite useful life and is not amortised.

Intangible assets included long-term favourable sales contracts that are amortised over their terms of 7 years.

US Dollars million

	2007	2006

26. INVESTMENTS IN ASSOCIATES

	2007	2006
Balance at beginning of the year	**208**	**95**
Acquired during the year	3,298	151
Established during the year	28	—
Acquired on acquisition of subsidiaries (refer to note 5)	580	—
Disposed of during the year	(1)	(39)
Reclassified from investments available-for-sale due to increase of ownership	427	—
Reclassified to investments available-for-sale due to decrease of ownership	(3)	(35)
Reclassified to investment in subsidiaries due to increase of ownership	(3,832)	—
Share of post-acquisition profits	5	3
Excess of the Group's share in the fair value of associates' identifiable assets, liabilities and contingent liabilities over the cost of acquisition	72	—
Dividends received	(20)	—
Impairment	(1)	(36)
Reclassified from assets held for sale	—	56
Effect of translation to presentation currency	118	13
Balance at end of the year	**879**	**208**

Details of the Group's associates were as follows:

Name of associate		Market value	Carrying value of investment	Total assets	Total liabilities	Sales	Profit/ (loss)
2007							
Nkomati Nickel Mine	(i)	n/a	575	1,190	40	58	(11)
Smart Hydrogen Incorporated	(ii)	n/a	111	222	—	—	—
OJSC "TGK-14"	(iii)	74	58	279	73	193	(6)
OJSC "Krasnoyarskenergo"	(iv)	170	40	215	60	269	31
OJSC "Norilskgazprom"		n/a	33	148	39	135	6
OJSC "KTK"	(v)	n/a	28	57	—	—	—
OJSC "Kolenergo"		30	17	94	29	104	4
Other		n/a	17	66	3	353	(3)
			879	**2,271**	**244**	**1,112**	**21**
2006							
Smart Hydrogen Incorporated	(ii)	n/a	112	224	—	—	(76)
OJSC "Krasnoyarskenergo"	(iv)	164	30	143	31	225	6
OJSC "Norilskgazprom"		n/a	30	140	36	122	16
OJSC "Kolenergo"		51	15	85	27	100	—
Other		n/a	21	226	106	972	(20)
			208	**818**	**200**	**1,419**	**(74)**

(i) ***Nkomati Nickel Mine.*** On 28 June 2007, as a part of acquisition of LionOre Mining International Limited (refer to note 5), the Group acquired 50% of share capital of Nkomati Nickel Mine, a South African mining company.

(ii) ***Smart Hydrogen Incorporated.*** The Company is a joint venture formed in April 2006 by the Group and Interros Holding Company, a related party. The Group owns 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 31 December 2007 and 2006 management reviewed the carrying value of the Group's investment in Smart Hydrogen Incorporated for impairment. As a result, impairment loss in the amount of USD 1 million (2006: USD 36 million) was recognised.

(iii) ***TGK-14.*** On 30 January 2007, the Group acquired 215,412 million ordinary shares, or 27.8% of the issued share capital of OJSC “Territorial Generation Company № 14” (“TGK-14”) for cash consideration of USD 44 million. As a result of this transaction, the Group recognised in the consolidated income statement the excess of the Group’s share the fair value of TGK-14 intangible assets, liabilities and contingent liabilities over the cost of the investment in the amount of USD 12 million.

In August 2007, TGK-14 increased its share capital through the issuance of additional ordinary shares; as a result, the Group’s share in this company decreased to 27.7%.

(iv) ***Krasnoyarskenergo.*** In October 2005 and March 2006, as a result of the reorganisation of OJSC “Krasnoyarskenergo” the Group became a shareholder in OJSC “Krasnoyarskaya Generatsiya” and OJSC “Krasnoyarskiye Magistralniye Seti”. In November 2006, the Group sold its share in OJSC “Krasnoyarskaya Generatsiya” for a cash consideration of USD 156 million (refer to note 43).

(v) ***KTK.*** OJSC “KTK” is a joint venture established in December 2007 for the purpose of generating steam and hot water. The Group contributed USD 28 million into share capital and became the owner of 50% interest in this entity.

Other significant movements during the years ended 31 December 2007 and 2006

(vi) ***TGK-1.*** In November 2006, as a part of the reorganisation of RAO “UES of Russia” the Group’s investments in OJSC “Kolskaya Generiruyuschaya Kompania” and OJSC “Apatitskaya TEC” were exchanged for 208,928 million shares of OJSC “Territorial Generation Company № 1” (“TGK-1”).

In May 2007, the Group’s investment in OJSC “Murmanskaya TEC” was exchanged for 6,743 million shares of TGK-1. At 31 December 2007 and 2006 investment in TGK-1 was classified as investment in listed securities available-for-sale (refer to note 27).

(vii) ***MPI.*** On 1 March 2007, as a part of acquisition of nickel business of OM Group Incorporated, the Group acquired 20% of share capital of MPI Nickel Proprietary Limited for a cash consideration of USD 135 million.

As a result of this transaction, the Group recognised in the consolidated income statement the excess of the Group’s share in the fair value of MPI Nickel Proprietary Limited identifiable assets, liabilities and contingent liabilities over cost of the investment in the amount of USD 60 million.

On 28 June 2007, an additional 80% of share capital of MPI Nickel Proprietary Limited was acquired by the Group through acquisition of LionOre (refer to note 5).

(viii) ***OGK-3.*** On 26 March 2007, the Group acquired 17,836 million ordinary shares of OJSC “Third Generation Company of the Wholesale Electricity Market” (“OGK-3”) (refer to note 5) for a cash consideration of USD 3,119 million. After completion of this transaction the Group became the owner of 46.9% of OGK-3.

During July-August 2007, the Group acquired an additional 7.2% of interest in OGK-3 for a cash consideration of USD 612 million, increasing its ownership to 54.1% (refer to note 5). After completion of this transaction investment in OGK-3 was consolidated as investment in subsidiary.

US Dollars million

27. OTHER FINANCIAL ASSETS

	2007	2006
Non-current		
Available-for-sale investments, at fair value		
Listed securities	2,418	2,326
Unlisted securities	5	5
Held-to-maturity investments, at amortised cost		
Promissory notes receivable	12	3
Loans and receivables, at amortised cost		
Bank deposits	521	268
Loans given	19	5
Accounts receivable	7	8
Total non-current	**2,982**	**2,615**
Current		
Available-for-sale investments, at fair value		
Listed securities	117	35
Promissory notes receivable	618	–
Held-to-maturity investments, at amortised cost		
Promissory notes receivable	775	2
Loans and receivables, at amortised cost		
Bank deposits	2,832	–
Loans given	131	45
Financial assets, at fair value through profit or loss (FVTPL)		
Assets held under trust agreement	–	22
Total current	**4,473**	**104**

Listed and unlisted securities available-for-sale consisted of shares of the following companies:

	2007	2006
RAO “UES of Russia”	1,883	1,580
OJSC “TGK-1” (refer to note 26)	281	79
OJSC “OGK-5”	107	–
OJSC “Polyus Gold”	89	95
Talvivaara Mining Company Limited	73	–
U.S. federal agency notes	25	22
Breakaway Resources Limited	23	–
Canadian Royalties Incorporated	21	–
OJSC “TGK-5”	18	–
OJSC “TGK-2”	2	–
OJSC “Samara Bearing Plant”	1	5
OJSC “OGK-3”	–	572
Other	17	13
Total	**2,540**	**2,366**

In September 2007, OJSC “Fifth Generation Company of the Wholesale Electricity Market” (“OGK-5”) and OJSC “Territorial Generation Company № 5” (“TGK-5”) were spun-off from RAO “UES of Russia” (“RAO UES”) as a part of its reorganisation. In accordance with the restructuring plan all shareholders of RAO UES received ordinary shares of OGK-5 and TGK-5 in portion to their shareholding in RAO UES. As a result of the spin-off, the Group received 607 million ordinary shares of OGK-5 and 20,043 million ordinary shares of TGK-5.

US Dollars million

Interest rates on long-term deposits held in banks vary from 6.1% to 6.3% (2006: 6.1% to 7.4%) per annum.

Interest rates on short-term deposits held in banks vary from 7.0% to 8.6% per annum.

Long-term loans given included a loan to a related party (refer to note 43) amounted to USD 70 million and bearing interest at LIBOR + 0.75% per annum. The loan is secured by 67% of the shares of Edgar Eclipse Incorporated, a company holding a 99% interest in a property development business. As at 31 December 2007, it was not practicable to determine the fair value of this collateral. As a result, it has been fully impaired.

At 31 December 2007, short-term loans given included loans to several exploration companies, related parties to the Group, in the amount of USD 53 million (2006: USD 11 million) at interest rates varying from 6.4% to 6.5% per annum. During 2007 the Group renegotiated the terms of these loans. Under the new terms the loans are due in 2008. Management of the Group believes that the loans will be repaid in full during 2008, thus no impairment loss was recognised as at 31 December 2007.

At 31 December 2007, current listed securities available-for-sale mostly comprised an investment in OJSC “Polyus Gold” of USD 89 million. On 9 September 2007, the Board of Directors approved a decision to sell its investments in OJSC “Polyus Gold”, and it was reclassified from non-current to current investments within listed securities available-for-sale.

Promissory notes receivable included notes issued by OJSC “Rosbank” in the amount of USD 774 million due on 8 May 2008. The effective interest rate attributable to these promissory notes is 8.5% per annum. Management held these promissory notes to maturity.

In addition, the Group held notes receivable issued by OJSC “Sberbank” in the amount of USD 618 million, due on 14 November 2009. The effective interest rate attributable to these promissory notes is 8.8% per annum. Management of the Group has an intention to settle these promissory notes in 2008, accordingly, they were presented as available-for-sale financial assets.

28. TAXES

	2007	2006
Taxes receivable		
Value added tax recoverable	585	592
Customs duties	65	55
Other taxes	8	10
	658	**657**
Less: Allowance for value added tax recoverable	(35)	(38)
Total	**623**	**619**
Less: Non-current portion	(38)	(44)
Current taxes receivable	**585**	**575**
Taxes payable		
Provision for tax fines and penalties	76	52
Property tax	31	25
Value added tax	28	29
Tax on mining	17	16
Unified social tax	15	12
Other	30	15
Total	**197**	**149**

US Dollars million

	2007	2006

29. INVENTORIES

	2007	2006
Refined metals		
Joint products at net production cost	502	361
By-products at net realisable value	190	135
Work-in-process at net production cost	456	273
Total metal inventories	**1,148**	**769**
Stores and materials at cost	985	732
Less: Allowance for obsolete and slow-moving items	(25)	(30)
Net stores and materials	**960**	**702**
Total inventories	**2,108**	**1,471**

30. TRADE AND OTHER RECEIVABLES

	2007	2006
Trade receivables for metal sales	713	573
Other receivables	288	195
	1,001	**768**
Less: Allowance for doubtful debts	(52)	(71)
Total	**949**	**697**

In 2007 the average credit period on metal sales was 0 - 30 days (2006: 0 - 30 days). Trade receivables are generally non-interest bearing. The Group has fully provided for all receivables which were due in excess of 180 days based on the 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 (Botswana) are set out in the related ore and concentrate purchase agreements, which stipulates that payments are due within 150 days for base metals, and varies from 240 to 300 days for precious metals. However for certain agreements, 70% of payments for nickel and 90% payments for other metals are receivable within 60 days.

The average credit period on sales of electricity and other products and services for the year ended 31 December 2007 was 25 days (2006: 25 days). No interest was charged on these receivables. The Group has provided fully for all other receivables over 365 days based on the historical experience that other receivables that are past due beyond 365 days are generally not recoverable.

Provision in respect of receivables that were less then 365 days old was determined based on the past default experience.

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

Included in the Group's other receivables at 31 December 2007 were debtors with a carrying value of USD 76 million (2006: USD 57 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:

	2007	2006
Less then 180 days	36	30
180-365 days	35	27
More than 365 days	5	–
	76	**57**

US Dollars million

	2007	2006
Movement in the allowance for doubtful debts was as follows:		
Balance at beginning of the year	**71**	**56**
Change in allowance	(9)	21
Account receivables written-off	(16)	(13)
Effect of translation to presentation currency	6	7
Balance at end of the year	**52**	**71**

Included in allowance for doubtful debts is a specific allowance against other receivables of USD 16 million (2006: USD 13 million) from entities placed into a 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.

31. ADVANCES PAID AND PREPAID EXPENSES

	2007	2006
Advances paid	151	56
Prepaid insurance	32	97
Total	**183**	**153**

At 31 December 2007, advances paid were presented net of impairment of USD 7 million (2006: USD 6 million). During the year ended 31 December 2007, an impairment loss of USD 1 million (2006: USD 2 million) was recognised.

32. CASH AND CASH EQUIVALENTS

		2007	2006
Current accounts	- RUR	320	185
	- foreign currencies	384	263
Bank deposits	- RUR	209	15
	- foreign currencies	3,087	1,618
Restricted cash		6	5
Other cash and cash equivalents		2	92
Total		**4,008**	**2,178**

33. ASSETS CLASSIFIED AS HELD FOR SALE

On 2 November 2007, management of the Group made a decision to dispose of LLC “Norilsk-Telecom” and its subsidiaries (“Norilsk-Telecom”). The principal activity of Norilsk-Telecom was providing telecommunication services in the Krasnoyarsk region.

Assets and liabilities attributable to Norilsk-Telecom were classified as a disposal group held for sale and presented separately in the consolidated balance sheet. The Group’s share in Norilsk-Telecom was sold in May 2008 for a cash consideration of USD 51 million (refer to note 49). The difference between the carrying value of assets and liabilities and the expected proceeds from disposal of USD 15 million was recognised as impairment loss of property, plant and equipment.

US Dollars million

The major classes of assets and liabilities classified as held for sale as at 31 December 2007 were as follows:

	2007
Property, plant and equipment (refer to note 23)	35
Trade and other receivables	11
Cash and cash equivalents	8
Inventory	2
Other assets	4
Total assets held for sale	**60**
Trade and other payables	4
Employee benefit obligations	2
Other liabilities	3
Total liabilities associated with assets held for sale	**9**
Net assets held for sale	**51**

34. SHARE CAPITAL

	2007	2006
Authorised, issued and fully paid share capital		
31 December 2007: 190,627,747 ordinary shares at par value of RUR 1 each	8	–
31 December 2006: 190,627,747 ordinary shares at par value of RUR 1 each	–	8
Total	**8**	**8**
Treasury shares		
31 December 2007: 1,710,884 ordinary shares	–	–
31 December 2006: 9,209,834 ordinary shares	–	(999)
Total	**–**	**(999)**
Number of ordinary shares in issue at end of the year	188,916,863	181,417,913
Weighted average number of ordinary shares in issue during the year	182,362,986	188,767,177

On 27 March 2006, 23,278,137 treasury shares were cancelled by the Company.

On 28 December 2006, 7,498,950 ordinary shares were bought back from shareholders at RUR 3,510 per share for a total consideration of USD 999 million.

On 16 November 2007, 7,498,950 of the Company's shares were reissued from treasury stock at USD 285 per share for a total consideration of USD 2,137 million. Direct expenses in the amount of USD 10 million and income tax associated with reissuance in the amount of USD 272 million were deducted from proceeds.

US Dollars million

35. OTHER RESERVES

	Investments revaluation reserve	Hedging reserve	Revaluation surplus	Translation reserve	Total
Balance at 31 December 2005	**690**	**—**	**—**	**748**	**1,438**
Increase in fair value of available-for-sale investments	920	—	—	—	**920**
Loss on cash flow hedge	—	(15)	—	—	**(15)**
Translation of foreign operations	—	—	—	(55)	**(55)**
Effect of translation to presentation currency	—	—	—	1,012	**1,012**
Net income recognised directly in equity	**1,610**	**(15)**	**—**	**1,705**	**3,300**
Realised gain on disposal of available-for-sale investments	(613)	—	—	(7)	**(620)**
Total recognised income and expense	**997**	**(15)**	**—**	**1,698**	**2,680**
Cancellation of treasury shares	—	—	—	(15)	**(15)**
Net assets distributed to shareholders on disposal of Polyus Group	—	—	—	(103)	**(103)**
Balance at 31 December 2006	**997**	**(15)**	**—**	**1,580**	**2,562**
Increase in fair value of available-for-sale investments	465	—	—	—	**465**
Effect of change in classification of available-for-sale investments to investments in associates due to increase of ownership	(222)	—	43	(4)	**(183)**
Loss on cash flow hedge	—	(16)	—	—	**(16)**
Translation of foreign operations	—	—	—	(206)	**(206)**
Effect of translation to presentation currency	—	—	—	1,201	**1,201**
Net income recognised directly in equity	**1,240**	**(31)**	**43**	**2,571**	**3,823**
Impairment of available-for-sale investments	24	—	—	—	**24**
Other reserves disposed of on disposal of subsidiaries	—	—	—	(5)	**(5)**
Total recognised income and expense	**1,264**	**(31)**	**43**	**2,566**	**3,842**
Issuance of ordinary shares from treasury stock, net of direct expenses and attributable income tax	—	—	—	(77)	**(77)**
Balance at 31 December 2007	**1,264**	**(31)**	**43**	**2,489**	**3,765**

US Dollars million

36. BORROWINGS

			2007		2006	
		Currency	**Rate,%**	**Outstanding balance**	**Rate, %**	**Outstanding balance**
Bank loans						
Societe Generale, syndicated loan	(i)	USD	LIBOR+ 0.53-0.63	3,473	–	–
BNP Paribas	(ii)	USD	LIBOR+ 0.30-0.40	2,497	–	–
Sberbank	(iii)	RUR	8.75	612	–	–
Societe Generale	(iv)	USD	LIBOR+0.43	200	–	–
Toronto Dominion	(v)	USD	LIBOR+2.5	95	LIBOR+3.25	96
ANZ Syndicate	(vi)	AUD	BBSY+ 0.61-1.01	66	–	–
Gazprombank	(vii)	USD	–	–	5.95	120
West LB Vostok	(viii)	USD	–	–	5.80	25
Other		vary	vary	25	vary	21
Promissory notes	(ix)	RUR	5.50	580	–	–
Guaranteed notes	(x)	USD	7.125	499	7.125	499
Exempt Facility Reversal Bonds Series 2000	(xi)	USD	8.57	29	8.57	29
Total				**8,076**		**790**
Less: current portion due within twelve months and presented under short-term borrowings				**(3,973)**		**(158)**
Long-term borrowings				**4,103**		**632**

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

	2007	2006
Due within one month	8	153
Due from one to three months	598	–
Due from three to twelve months	3,367	5
Total short-term borrowings	**3,973**	**158**
Due in the second year	827	4
Due in the third year	2,247	502
Due in the fourth year	665	93
Due in the fifth year	333	–
Due thereafter	31	33
Total long-term borrowings	**4,103**	**632**
Total	**8,076**	**790**

(i) ***Societe Generale –*** The USD 3,500 million syndicated loan consists of two credit lines for USD 2,000 million and USD 1,500 million. The credit line in the amount of USD 2,000 million was arranged for five years at floating rate of LIBOR + 0.53% per annum (effective rate 5.39%) up to 29 June 2010 and LIBOR + 0.63% per annum (effective rate 5.49%) thereafter and secured by assignment of rights for proceeds from nickel and copper 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 instalments with the final instalment due on 29 June 2012. The unsecured credit line in the amount of USD 1,500 million was arranged for three years at floating rate of LIBOR + 0.60% per annum (effective rate 5.46%), and is due in full in June 2010. 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 credit ratings, and restrictions on pledging and disposal of certain assets.

(ii) ***BNP Paribas –*** The USD 2,500 million unsecured loan consists of two credit lines for USD 1,000 million and USD 1,500 million. A credit line in the amount of USD 1,000 was arranged at floating rate of LIBOR + 0.30% per annum (effective rate 5.16%), and is due in full in June 2008. The credit line in the amount of USD 1,500 million was arranged at floating rate of LIBOR + 0.40% per annum (effective rates 5.26% and 5.64% for different tranches), and is due in full in June 2008. Interest is payable on a monthly basis.

(iii) ***Sberbank –*** The USD 612 million unsecured loan, with a fixed rate of 8.75% per annum, is due in full in November 2008. Interest is payable on a monthly basis.

(iv) ***Societe Generale –*** The USD 200 million unsecured loan, with a floating rate of LIBOR + 0.43% per annum (effective rate 5.36%), is due in full in March 2008. Interest is payable on a monthly basis.

(v) ***Toronto Dominion –*** The USD 250 million credit facility arranged by Stillwater Mining Company, a subsidiary of the Group, at floating rate of LIBOR + 2.50% per annum (effective rate 7.38%). The loan is to be repaid in equal semi-annual instalments with the final instalment due on 30 July 2010. Substantially all the property and assets of Stillwater Mining Company were pledged as security for this credit facility. The loan agreement requires that 50% of the company's annual excess cash flow and any proceeds from asset sales and the issuance of debt or equity securities, subject to specified exceptions, be offered to repay this loan.

(vi) ***ANZ Syndicate –*** The USD 118 million credit facility arranged by LionOre Mining International Limited, a subsidiary of the Group, that is secured by shares of subsidiaries of LionOre Group located in Australia. The loan is to be repaid in equal monthly instalments starting from March 2007, with the final instalment repayable in December 2008. The interest rate varies from the Bill Rate of the Reserve Bank of Australia ("BBSY") + 0.61% (effective rate 8.18%) to BBSY + 1.01% (effective rate 8.58%) per annum.

(vii) ***Gazprombank –*** The USD 120 million unsecured loan, with a fixed rate of 5.95%, was fully repaid in January 2007.

(viii) ***West LB Vostok –*** The USD 25 million unsecured loan, with a fixed rate of 5.80%, was fully repaid in January 2007.

(ix) ***Promissory notes –*** Promissory notes were issued by OJSC "MMC Norilsk Nickel" in September 2007 with an effective interest rate of 5.50%, and which mature during February – April 2008. The par value of promissory notes amounted to USD 566 million.

(x) ***Guaranteed notes –*** On 30 September 2004, Norilsk Nickel Luxemburg S.A., a wholly owned special purpose subsidiary of the Group, issued USD 500 million 7.125% notes. The notes were issued at par value with an interest payable semi-annually in arrears on 30 March and 30 September, and the principal due on 30 September 2009. The notes are unconditionally and irrevocably guaranteed by OJSC "MMC Norilsk Nickel".

(xi) ***Exempt Facility Reversal Bonds Series 2000 –*** The USD 29 million of bonds 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.

US Dollars million

37. EMPLOYEE BENEFIT OBLIGATIONS

The most recent actuarial valuations of plans assets and the present value of the defined benefit obligation were carried out at 31 December 2007.

	2007	2006
Defined benefit pension plans assets	8	–
Total assets	**8**	**–**
Wages and salaries	206	92
Accrual for annual leave	164	143
Defined contribution obligations	11	–
Defined benefit obligations	6	63
Other	2	18
Total obligations	**389**	**316**
Less: current portion due within twelve months and presented under current liabilities	**(378)**	**(259)**
Long-term employee benefit obligations	**11**	**57**

Defined benefit plans

	2007	2006
Present value of defined benefit obligations	240	119
Fair value of plans assets	(148)	(11)
Present value of unfunded obligations	**92**	**108**
Plan assets above limits	19	–
Unrecognised past service cost	(1)	–
Unrecognised actuarial losses	(112)	(45)
	(2)	**63**

Amounts recognised in the consolidated income statement were as follows:

	2007	2006
Current service costs	2	2
Expected return on plans assets	(8)	–
Additional cost arising from new plan members	15	4
Net actuarial losses recognised during the year	22	2
Plan assets above limits recognised during the year	19	–
Gain arising from curtailment	(5)	–
Interest expense	10	7
Total	**55**	**15**

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 2005	**66**	**35**	**–**
Benefits paid	(7)	(1)	–
Current service cost	2	4	–
Interest cost	5	2	–
Actuarial loss/(gain)	11	(5)	–
Effect of translation to presentation currency	4	3	–
Balance at 31 December 2006	**81**	**38**	**–**
Acquired on acquisition of subsidiaries	–	–	16
Benefits paid	(6)	(4)	–
Current service cost	–	16	1
Interest cost	6	3	1
Actuarial loss/(gain)	92	(7)	(2)
Gain on curtailment	–	–	(5)
Effect of translation to presentation currency	6	4	–
Balance at 31 December 2007	**179**	**50**	**11**

US Dollars million

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

	Lifelong professional pension plan	Joint corporate pension plan
Balance at 31 December 2005	–	–
Contributions from the employer	–	11
Balance at 31 December 2006	–	**11**
Contributions from the employer	70	64
Expected return on plans assets	4	4
Actuarial gain	–	(2)
Benefits paid	(6)	(4)
Effect of translation to presentation currency	4	3
Balance at 31 December 2007	**72**	**76**

Starting from 2006, the Group's pension plans are managed by a non-state Pension Fund "Norilsk Nickel". Contributions from the Group to this Fund for the year ended 31 December 2007 amounted to USD 201 million (2006: USD 11 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	
	2007	2006	2007	2006
Equity instruments	9.8%	46.7%	37	3
Bonds	6.6%	7.9%	76	6
Promissory notes	–	6.4%	–	1
Deposits	6.6%	8.7%	35	–
Other	–	4.9%	–	1
Weighted average expected return	**7.4%**	**10.4%**	**148**	**11**

The following table is a summary of the present value of defined benefit obligations and fair value of the pension plans assets for the current year and previous four annual periods:

	2007	2006	2005	2004	2003
Defined benefit obligations	240	119	104	70	44
Plans assets	(148)	(11)	–	–	–
Deficit	**92**	**108**	**104**	**70**	**44**

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

	2007	2006
Discount rate	6.6%	7.0%
Expected rate of return on plans assets	7.4%	10.4%
Pre-retirement increases to capital accounts	6.6%	4.5%
Future salary increases	6.6%	6.7%
Future pension increases	9.2%	5.2%
Average life expectancy of members from the date of retirement	17 years	17 years

US Dollars million

	2007	2006

Defined contribution plans

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

	2007	2006
Pension Fund of the Russian Federation	199	181
Corporate pension option program	56	–
Stillwater Mining Company savings plan	5	5
Other	14	–
Total	**274**	**186**

38. ENVIRONMENTAL OBLIGATIONS

	2007	2006
Decommissioning obligations	557	318
Provision for land restoration	26	4
Total	**583**	**322**

	2007	2006
Balance at beginning of the year	**322**	**269**
New obligations raised (refer to note 23)	3	4
Change in estimate (refer to note 23)	86	5
Acquired on acquisition of subsidiaries (refer to note 5)	95	–
Unwinding of discount on decommissioning obligations (refer to note 19)	23	19
Charge to the income statement	30	1
Effect of translation to presentation currency	24	24
Balance at end of the year	**583**	**322**

During 2007 the Group reassessed the amount 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, additional decommissioning obligations raised, which were presented as change in estimate.

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

	2007	2006
Discount rates	6.0% – 7.7%	6.6% – 7.7%
Future expected increase of expenses	25.0%	25.0%
Expected closure date of mines	2009 – 2056	2007 – 2063

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

	2007	2006
Due from second to fifth year	148	41
Due from sixth to tenth year	72	10
Due from eleventh to fifteenth year	53	64
Due from sixteenth to twentieth year	156	83
Due thereafter	154	124
	583	**322**

US Dollars million

39. TRADE AND OTHER PAYABLES

	2007	2006
Trade payables	352	191
Insurance payable	22	107
Payables for property, plant and equipment	44	21
Other creditors	168	51
Total	**586**	**370**

The maturity profile of the Group's trade and other payables was as follows:

	2007	2006
Due within one month	406	212
Due from one to three months	45	68
Due from three to twelve months	135	90
Total	**586**	**370**

40. DERIVATIVE FINANCIAL LIABILITIES

	2007	2006
Cash flow hedges		
Nickel future contracts	10	–
Platinum future contracts	6	15
Total cash flow hedges	**16**	**15**
At fair value through profit and loss		
Derivatives held for trading	11	–
Total at fair value through profit and loss	**11**	**–**
Less: current portion due within twelve months and presented under current liabilities	**(24)**	**(15)**
Long-term derivative financial liabilities	**3**	**–**

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

	2007	2006
Cash flow hedges		
Due within one month	2	2
Due from one to three months	7	3
Due from three to twelve months	7	10
Total	**16**	**15**
At fair value through profit and loss		
Due from one to three months	2	–
Due from three to twelve months	6	–
Due from one to five years	3	–
Total	**11**	**–**

US Dollars million

	2007	2006
Derivative financial liabilities designated as at fair value through profit and loss		
Derivatives held for trading at fair value	11	–
	11	**–**
Change in fair value recognised during the year attributable to changes in market risk factors	72	–
Cumulative changes in fair value attributable to changes in market risk factors	**72**	**–**

Derivatives held for trading represented nickel and copper forward contracts that were entered into by Norilsk Nickel Africa after the approval of the Activox Project in August 2006, valued as at 31 December 2007 at the fair value of total portfolio of forward contracts.The portfolio consisted of contracts with expiry dates between July 2007 and 31 December 2009 for nickel and 31 December 2008 for copper and is revalued on a monthly basis by reference to relevant nickel and copper forward prices.

41. DIVIDENDS

	2007	2006
On 21 December 2007, the Company declared an interim dividend in respect of the year ended 31 December 2007 in the amount of RUR 108 (USD 4.36) per share. The dividend was paid to shareholders on 7 February 2008. The amount is net of USD 7 million due to Group subsidiaries.	792	–
On 28 June 2007, the Company declared a final dividend in respect of the year ended 31 December 2006 in the amount of RUR 120 (USD 4.64) per share. The dividend was paid to shareholders on 16 August 2007. The amount is net of USD 8 million paid to Group subsidiaries.	842	–
On 24 November 2006, the Company declared an interim dividend in respect of the year ended 31 December 2006 in the amount of RUR 56 (USD 2.11) per share. The dividend was paid to shareholders on 29 December 2006. The amount is net of USD 4 million paid to Group subsidiaries.	–	399
On 29 June 2006, the Company declared a final dividend in respect of the year ended 31 December 2005 in the amount of RUR 53 (USD 1.98) per share. The dividend was paid to shareholders on 15 August 2006. The amount is net of USD 4 million paid to Group subsidiaries.	–	373
Total	**1,634**	**772**

US Dollars million

42. DISPOSAL OF SUBSIDIARIES

On 25 May 2007, the Group sold its interest in Vimon Investments Limited BVI, the company which owned the entire share capital of CJSC "Kraus-M" a subsidiary, to a related party for a cash consideration of less than USD 1 million (refer to note 43). Under the terms of the sale agreement, intra-group debt of Vimon Investments Limited amounting to USD 41 million was assigned to the buyer. The carrying value of Vimon Investments Limited net assets at the date of disposal amounted to USD 18 million.

In January 2006, 51.0% Group's interest in LLC "KHK "CSKA" was disposed of for a cash consideration of USD 1 million.

Net assets of the subsidiaries disposed of were as follows:

	2007	2006
Property, plant and equipment (refer to note 23)	73	–
Other taxes receivable	4	–
Trade and other receivables	3	–
Deferred tax liabilities (refer to note 22)	(14)	–
Borrowings	(48)	–
Trade and other payables	–	(5)
Group's share of assets disposed of	**18**	**(5)**
(Loss)/gain on disposal	(18)	6
Net cash inflow from disposal of subsidiaries	**–**	**1**

43. RELATED PARTIES

Related parties are considered to include shareholders, affiliates and entities under common ownership and control with the Group and members of 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 with related parties

	Sale of goods	Purchase of goods	Purchase of services	Loans given
Year ended 31 December 2007				
Company	121	11	44	72
Subsidiaries of the Group	94	242	60	–
Total	**215**	**253**	**104**	**72**
Year ended 31 December 2006				
Company	54	12	71	70
Subsidiaries of the Group	51	154	69	–
Total	**105**	**166**	**140**	**70**

Interest income received by the Group from related parties amounted to USD 26 million for the year ended 31 December 2007 (2006: USD 13 million).

In May 2007, the Group sold its investment in a subsidiary to a related party for a cash consideration of less than USD 1 million (refer to note 42).

During the year ended 31 December 2006, the Group sold property, plant and equipment to related parties for a total cash consideration of USD 19 million.

In November 2006, the Group sold its investment in OJSC "Krasnoyarskaya generatsiya" to related parties for a cash consideration of USD 156 million (refer to note 26).

US Dollars million

Outstanding balances with related parties

	Loans and borrowings	Investments and cash	Accounts receivable	Accounts payable
31 December 2007				
Company	–	477	22	29
Subsidiaries of the Group	8	1,031	10	8
Total	**8**	**1,508**	**32**	**37**
31 December 2006				
Company	–	463	8	63
Subsidiaries of the Group	6	212	4	20
Total	**6**	**675**	**12**	**83**

All balances are unsecured and expected to be settled in cash. At 31 December 2007 impairment provision for a loan provided to a related party amounted to USD 70 million (2006: USD 70 million).

Compensation of key management personnel

Remuneration of key management personnel of the Group for the year ended 31 December 2007 comprised salary and bonuses in the amount of USD 41 million (2006: USD 13 million), including unified social tax in the amount of USD 1 million (2006: USD 1 million).

44. COMMITMENTS

Capital commitments

The Management Board has approved the following capital expenditure budget for the year ending 31 December 2008:

Maintenance of property, plant and equipment	1,151
Expansion of property, plant and equipment	2,839
Total	**3,990**

2008 budgeted capital expenditure allocated between:

Contracted	933
Not contracted	3,057
Total	**3,990**

Contracted capital commitments beyond 2008 amount to USD 426 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 2054. According to the terms of lease agreements rent fees are revised annually by reference to an order issued by the respective 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 price established by the local authorities.

US Dollars million

Future minimum lease payments due under non-cancellable operating lease agreements at 31 December 2007 were as follows:

Due within one year	15
From one to five years	25
After five years	17
Total	**57**

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”.

At 31 December 2007 total investment in the reconstruction of metallurgical facilities was agreed to be USD 164 million, financed as follows:

Grants from Kingdom of Norway	31
Loan from Nordic Investment Bank	30
Contribution by the Group	103
Total	**164**

At 31 December 2007 total investment in reconstruction of metallurgical facilities of Pechenganickel Combine amounted to USD 18 million.

Long-term contract with Talvivaara

OMG Harjavalta, subsidiary of the Group, has entered into a ten-year agreement with Talvivaaran Kaivososakeyhtiö Oy (“Talvivaara”) to purchase total output of intermediate product containing nickel and cobalt at future prevailing market prices. During this period the Group is obliged to purchase at least 300,000 tons of nickel.

Long-term contracts with OM Group

In 2007, the Group entered into a five-year supply agreement with OM Group Incorporated to supply up to 2,500 metric tons (mt) per year of cobalt metal, up to 2,500 mt per year of cobalt contained in cobalt hydroxide concentrate and up to 1,500 mt per year of cobalt contained in cobalt sulphate solution, along with various nickel and copper based raw materials produced by Harjavalta Nickel Oy.

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.

45. CONTINGENCIES

Litigation

At 31 December 2007 unresolved tax litigation amounted to approximately USD 55 million (2006: USD 95 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 287 million. In 2008 Federal Service has filed a lawsuit against the Group in the amount of USD 177 million. Management of the Group estimates the risk of satisfying claims related to compensation of the environmental damage as possible.

In addition, the Group had a number of claims and litigation relating to sales and purchases of goods and services from suppliers. 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 taxation system in the Russian Federation is at the development stage, and is characterised by numerous taxes, frequent changes and inconsistent enforcement at federal, regional and local levels.

The government of the Russian Federation has commenced a revision of the Russian tax system and passed certain laws implementing tax reform. The new laws reduce the number of taxes and overall tax burden on businesses and simplify tax litigation. However, these new tax laws continue to rely heavily on the interpretation of local tax officials and fail to address many existing problems. Many issues associated with practical implication of new legislation are unclear and complicate the Group's tax planning and related business decisions.

In terms of Russian tax legislation, authorities have a period of up to three years to re-open tax declarations for further inspection. Changes in the tax system that may be applied retrospectively by authorities could affect the Group's previously submitted and assessed tax declarations.

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 that could be significant.

With regards to matters where practice concerning payment of taxes is unclear, management estimate possible tax exposure at 31 December 2007 to be USD 146 million (2006: USD 204 million).

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 the discharge of materials and contaminants into the environment and the disturbance of land that could potentially impact on flora and fauna, and give rise to other environmental concerns.

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.

The Group is obliged in terms of various laws, mining licenses and 'use of mineral rights' agreements to decommission mine facilities on cessation of its mining operations and to restore and rehabilitate the environment. Management of the Group regularly reassesses environmental obligations related to its operations. Estimates are based on management's understanding of current legal requirements and the terms of license agreements. Should the requirements of applicable environmental legislation change or be clarified, the Group may incur additional environmental obligations.

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.

46. 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 higher than 75%. During 2007 the Group complied with all the 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, currency and equity instruments price 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 a part of treasury function. The Group has adopted and documented policies covering specific areas, such as market risk, credit risk, liquidity risk 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.

US Dollars million

During 2007 and 2006 the Group's borrowings at floating rates were denominated in US dollars. At 31 December 2007, the Group also had a credit facility denominated in Australian Dollars with interest rate varying from Bill Rate of Bank of Australia ("BBSY").

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 1%.

The table below details the Group's sensitivity to a 1% change in those borrowings subject to a floating rate. The sensitivity analysis is prepared assuming that the amount liabilities at floating rates outstanding at the balance sheet date was outstanding for the whole year.

	LIBOR-impact		**BBSY-impact**	
	2007	**2006**	**2007**	**2006**
Loss or gain	62	1	1	–

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 the management of the Group as immaterial.

Weakening of USD against other functional currencies of the Group's subsidiaries is partially offset by increase in commodity prices for metals produced by the Group, which are generally priced on world markets in US dollars.

The carrying amounts of monetary assets and liabilities denominated in foreign currencies other than functional currencies of the individual Group entities as at 31 December 2007 and 2006 were as follows:

	Assets		**Liabilities**	
	2007	**2006**	**2007**	**2006**
USD	5,273	2,515	6,764	698
EURO	66	10	86	15
AUD	2	–	–	–
Other currencies	21	7	14	–
Total	**5,362**	**2,532**	**6,864**	**713**

Currency risk is monitored on a monthly basis utilising sensitivity analysis to asses if a risk for a potential loss is at an acceptable level. The Group calculates the financial impact of exchange rate fluctuations within 5% on profit for the year in respect of USD-denominated assets and liabilities. The following table presents the sensitivity of the Group's profit before tax to a 5% strengthening of the functional currencies of the Group entities against USD.

US Dollars million

	US Dollars – impact	
	2007	**2006**
USD/RUR	86	(91)
USD/BWP	(12)	–
USD/AUD	–	–

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

Equity investments price risk

The Group is also exposed to equity investments price risk arising from equity investments. Certain portion of the Group's investments is held for strategic rather than trading purposes. The sensitivity analysis below has been determined based on the exposure to equity price risks at the reporting date.

If equity prices had been 5% higher/lower:

- profit for the year ended 31 December 2007 would have been unaffected as the quoted investments are classified as available-for-sale; and
- investment revaluation reserve within equity balance would increase/decrease by USD 380 million (2006: increase/decrease by USD 354 million), as a result of changes in fair value of listed securities available-for-sale.

In 2007 the Group's sensitivity to equity investments price risk did not change significantly compared to 2006.

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	
	2007	**2006**
Bank A	3,438	659
Bank B	665	484
Bank C	642	402
Bank D	593	142
Bank E	550	119
Total	**5,888**	**1,806**

	Outstanding balance	
	2007	**2006**
Company A	10	42
Company B	37	96
Company C	40	62
Company D	41	–
Company E	5	59
Total	**133**	**259**

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:

	2007			**2006**		
	Number of customers	**Turnover, USD million**	**%**	**Number of customers**	**Turnover, USD million**	**%**
Largest customer	1	1,392	8	1	825	7
Next 9 largest customers	9	4,589	27	9	3,429	29
Total	**10**	**5,981**	**35**	**10**	**4,254**	**36**
Next 10 largest customers	10	1,986	12	10	1,940	16
Total	**20**	**7,967**	**47**	**20**	**6,194**	**52**
Remaining customers		9,152	53		5,729	48
Total		**17,119**	**100**		**11,923**	**100**

The Group has a concentration of cash and bank deposits with a related party commercial bank, that at 31 December 2007 represented 9% (2006: 22%) of total cash and bank deposit balance.

The Group believes that there is no other 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:

	2007	**2006**
Cash and cash equivalents	4,008	2,178
Loans and trade and other receivables	4,459	1,005

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

US Dollars million

Presented below is the maturity profile of the Group's borrowings (maturity profiles for other liabilities presented in notes 38 and 39) based on contractual undiscounted payments, including interest:

2007	**Total**	**Due within one month**	**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**
Fixed rate bank loans and borrowings									
Principle	**1,745**	8	376	824	504	2	–	–	31
Interest	**148**	10	19	65	29	2	2	2	19
	1,893	**18**	**395**	**889**	**533**	**4**	**2**	**2**	**50**
Floating rate bank loans									
Principle	**6,331**	–	222	2,543	323	2,245	665	333	–
Interest	**606**	29	57	183	190	113	32	2	–
	6,937	**29**	**279**	**2,726**	**513**	**2,358**	**697**	**335**	**–**
Total	**8,830**	**47**	**674**	**3,615**	**1,046**	**2,362**	**699**	**337**	**50**
2006									
Fixed rate bank loans and borrowings									
Principle	**694**	153	–	4	3	501	–	–	33
Interest	**131**	4	6	29	38	29	2	2	21
	825	**157**	**6**	**33**	**41**	**530**	**2**	**2**	**54**
Floating rate bank loans									
Principle	**96**	–	–	1	1	1	93	–	–
Interest	**29**	1	1	6	8	8	5	–	–
	125	**1**	**1**	**7**	**9**	**9**	**98**	**–**	**–**
Total	**950**	**158**	**7**	**40**	**50**	**539**	**100**	**2**	**54**

US Dollars million

At 31 December 2007 and 2006 the Group had financing facilities for the management of its day to day liquidity requirements available with the following banks:

	2007	2006
Committed credit lines		
OJSC "Sberbank"	611	–
Syndicated revolving credit facility arranged by Barclays Capital, ING Bank N.V. and Societe Generale	450	–
Syndicated revolving credit facility arranged by Societe Generale	400	400
Credit lines arranged by BNP Paribas (Suisse) S.A. and Societe Generale	6,000	–
Total committed credit lines	**7,461**	**400**
Uncommitted credit lines		
OJSC "VTB Bank"	489	100
CJSC "ING Bank (Eurasia)"	100	100
CJSC "West LB Vostok"	83	76
CJSC "BNP Pariba"	75	50
CJSC "Calyon Rusbank"	65	50
LLC "Deutsche Bank"	58	37
CJSC "Natexis Bank"	50	50
CJSC "Drezdner Bank"	50	50
OJSC "Uralsib Bank"	50	50
CJSC "Societe Generale Vostok"	40	40
CJSC "Commerzbank (Eurasia)"	40	20
CJSC "Raiffeisenbank Austria"	40	–
LLC "HSBC Bank (RR)"	40	–
OJSC "Eurofinance Mosnarbank"	38	35
CJSC "Citibank"	25	25
OJSC KB "MBRD"	20	20
CJSC "Gazprombank"	–	120
Total uncommitted credit lines	**1,263**	**823**
Bank overdraft facilities		
ING (Switzerland)	100	100
Rosbank (Russia)	102	95
BNP Paribas Suisse (Switzerland)	75	150
Credit Suisse (Switzerland)	75	75
Natexis (France)	75	75
Banque Cantonale Vaudoise (Switzerland)	50	50
Sampo (Finland)	45	–
UBS (Switzerland)	40	40
Total bank overdraft facilities	**562**	**585**
Total borrowing facilities	**9,286**	**1,808**
Less: Outstanding letters of credit	(587)	(194)
Less: Obtained bank loans related to the above facilities	(6,811)	(145)
Net facilities available	**1,888**	**1,469**

47. FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair values of certain financial instruments have been determined using available market information or other valuation methodologies that require considerable judgment in interpreting market data and developing estimates. Accordingly, the estimates applied are not necessarily indicative of the amounts that the Group could realise in a current market exchange. The use of different assumptions and estimation methodologies may have a material impact on the estimated fair values.

Where it was available, management of the Group determined fair value of unlisted shares using a valuation technique that was supported by publicly available market information. In the absence of such information available-for-sale investments, were presented at cost, net of impairment.

US Dollars million

At 31 December 2007, the estimated fair values of financial assets, including cash and cash equivalents, investments in securities, trade and other receivables, loans given and promissory notes, derivative financial liabilities and trade and other payables approximated their carrying values due to the short-term nature of these instruments. At 31 December 2007, a USD 500 million corporate bonds due in 2009 had a fair value of 105.85% or USD 529 million. The fair values of other fixed-rate debt and floating-rate debt approximate their carrying values.

48. DISCONTINUED OPERATION

On 30 September 2005, at an Extraordinary General Meeting of shareholders, the majority of shareholders of OJSC “MMC Norilsk Nickel” voted in favour of the spin-off of CJSC “Gold Mining Company Polyus” and its subsidiaries (the “Polyus Group”) into a new company OJSC “Polyus Gold” by way of a single transaction which was completed on 17 March 2006.

The major classes of assets and liabilities of Polyus Group were as follows:

	17 March 2006
Property, plant and equipment and other non-current assets	1,164
Cash and cash equivalents	2,366
Other financial assets	772
Trade and other payables	(294)
Other liabilities	(240)
Net assets	**3,768**
Less: Shares of OJSC “Polyus Gold” received by the Group	(39)
Less: Minority interest	(31)
Net assets distributed to shareholders	**3,698**

The results of operations and net cash flows of Polyus Group were as follows:

	Period from 1 January 2006 to 17 March 2006
Metal sales	132
Cost of metal sales	(71)
General and administrative expenses	(15)
Other net operating expenses	(23)
Finance costs	(2)
Income from investments	984
Profit before tax (refer to note 22)	**1,005**
Income tax (refer to note 22)	(12)
Profit for the period	**993**
Net cash used in operating activities	(56)
Net cash generated from investing activities	1,963
Net cash generated from financing activities	50
Earnings per share	
Basic and diluted earnings per share from discontinued operations (US Dollars)	5.2

49. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

Share based payment arrangements

On 29 February 2008, the Board of Directors of OJSC "MMC "Norilsk Nickel" approved a new share based compensation program for management of the Company, under which top managers are entitled to receive "phantom shares" of OJSC "MMC "Norilsk Nickel". The program is effective from April 2008 to April 2011.

Disposal of investments

Disposal of available-for-sale investments in share of OJSC "OGK-5"

On 8 February 2008, the Group sold its entire shareholding of 607,181,796 ordinary shares in OJSC "Fifth Generation Company of the Wholesale Electricity Market" ("OGK-5") at a price of USD 0.18 per share. Net proceeds from the sale amounted to USD 109 million.

Disposal of available-for-sale investments in shares of OJSC "Polyus Gold"

On 1 April 2008, Corbiere Holdings Limited, a subsidiary of the Group, sold its stake in OJSC "Polyus Gold" for a cash consideration of USD 99 million.

Disposals of investments in LLC "Norilsk-Telecom", a subsidiary of the Group

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 51 million.

US Dollars million

50. INVESTMENTS IN SIGNIFICANT SUBSIDIARIES AND ASSOCIATES

Subsidiaries by business segments	Country	Nature of business	Effective % held 2007	Effective % held 2006
Mining and metallurgy				
OJSC "RAO "Norilsk Nickel"	Russian Federation	Investment holding	98.9	98.9
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"	Russian Federation	Rental of equipment	98.8	98.8
OJSC "Kombinat "Severonickel"	Russian Federation	Rental of equipment	98.9	98.9
OJSC "Gornometallurgichesky Kombinat "Pechenganickel"	Russian Federation	Rental of equipment	98.9	98.9
LLC "Noriskgeologiya"[1]	Russian Federation	Geological works	100.0	–
LLC "GRK "Bystrinskoye"	Russian Federation	Mining	98.8	–
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
Stillwater Mining Company	United States of America	Mining	54.5	54.9
Norilsk Nickel USA	United States of America	Distribution	100.0	100.0
Norilsk Nickel (Cyprus) Limited[2]	Cyprus	Investment holding	100.0	100.0
Norilsk Nickel Harjavalta Oy[3]	Finland	Metallurgy	100.0	–
Norilsk Nickel Finland Oy[3]	Finland	Investment holding	100.0	–
Norilsk Nickel Cawse Pty Limited[3]	Australia	Mining	100.0	–
MPI Nickel Limited[3]	Australia	Mining	100.0	–
Norilsk Nickel Australia Pty Limited[3]	Australia	Mining	100.0	–
Norilsk Process Technology Pty Limited[3]	Australia	Science	100.0	–
Tati Nickel Mining Company Pty Limited[3]	Botswana	Mining	85.0	–
Norilsk Nickel Africa Pty Limited[3]	Republic of South Africa	Mining	100.0	–
Energy and utility				
OJSC "Taimyrgaz"	Russian Federation	Gas extraction	98.4	98.4
OJSC "Norilsko-Taimyrskaya Energeticheskaya Kompaniya"[4]	Russian Federation	Electricity production and distribution	100.0	51.0
OJSC "Taimyrenergo"	Russian Federation	Rental of equipment	98.8	98.8
OJSC "OGK-3"[3]	Russian Federation	Electricity production and distribution	65.2	14.6
Transport and logistics				
LLC "Terminal"	Russian Federation	Sea shipping operations	100.0	100.0
OJSC "Yenisey River Shipping Company"	Russian Federation	River shipping operations	43.9	43.9
OJSC "Arkhangelsk Sea Commercial Port"	Russian Federation	Sea shipping operations	53.1	53.1
CJSC "Alykel"	Russian Federation	Airport	100.0	100.0
CJSC "Taimyrskaya Toplivnaya Kompaniya"	Russian Federation	Supplier of fuel	100.0	100.0
Other				
LLC "Norilsknickelremont"	Russian Federation	Repairs	100.0	100.0
LLC "UK "Zapolyarnaya stolitsa"	Russian Federation	Subcontractor in construction	100.0	100.0
LLC "Norilsk Telecom"[5]	Russian Federation	Telecommunications	100.0	100.0
LLC "Zapoliarnaya stroitelnaya companiya"	Russian Federation	Construction	100.0	100.0
LLC "Norilskyi obespechivaushyi complex"	Russian Federation	Production of spare parts	98.8	98.8
CJSC "Kraus-M"[6]	Russian Federation	Property holding	–	100.0

[1] Established as part of reorganisation of OJSC "MMC Norilsk Nickel".
[2] Established in 2006.
[3] Acquired in 2007 (refer to note 5).
[4] Increase of ownership in 2007 (refer to note 5).
[5] Classified as a disposal group (refer to note 33).
[6] Disposed of in 2007 (refer to note 42).

US Dollars million

			Effective % held	
Associates by business segments	**Country**	**Nature of business**	**2007**	**2006**
Mining and metallurgy				
Nkomati Nickel Mine[1]	Republic of South Africa	Mining	50.0	–
Energy and utility				
Smart Hydrogen Inc.	British Virgin Islands	Holding company	50.0	50.0
OJSC "TGK-14"[1]	Russian Federation	Electricity production and distribution	27.7	–
OJSC "Krasnoyarskenergo"	Russian Federation	Electricity production and distribution	25.7	25.7
OJSC "Norilskgazprom"	Russian Federation	Gas extraction	29.4	29.4
OJSC "Kolenergo"	Russian Federation	Electricity production and distribution	24.9	24.9
OJSC "KTK" [2]	Russian Federation	Steam and hot water production	50.0	–

[1] Acquired in 2007 (refer to note 26).
[2] Established in 2007 (refer to note 26).