Mining and Metallurgical Company Norilsk Nickel

Consolidated financial statements
for the year ended 31 December 2012

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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 2012

The following statement, which should be read in conjunction with the auditors' responsibilities stated in the auditors' report set out on page 2, is made with a view to distinguishing the responsibilities of management and those of the auditors in relation to the consolidated financial statements of Open Joint Stock Company "Mining and Metallurgical Company Norilsk Nickel" and its subsidiaries (the "Group").

Management is responsible for the preparation of the consolidated financial statements that present fairly the consolidated financial position of the Group at 31 December 2012, 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 2012 were approved by:

V.O. Potanin
General Director

S.G. Malyshev
Deputy General Director

Moscow, Russia
12 April 2013

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Moscow, Russia 123317

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Auditors' Report

To the Board of Directors of OJSC "MMC "Norilsk Nickel"

We have audited the accompanying consolidated financial statements of OJSC "MMC "Norilsk Nickel" (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2012, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the fair presentation of these consolidated financial statements based on our audit. We conducted our audit in accordance with Russian Federal Auditing Standards and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting 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 express an opinion on the fair presentation of these consolidated financial statements.

Audited entity: Open Joint Stock Company "Mining and Metallurgical Company "Norilsk Nickel"

Registered by Administration of Taimyr Autonomous District on 4 July 1997, Registration Number of the State Registration Certificate issued at the time of joint-stock company foundation No.07.

Registered in the Unified State Register of Legal Entities on 2 September 2002 by Inter-Regional Inspection No. 2 of the Ministry of Taxes and Charges of the Russian Federation in Taimyr (Dolgan-Nenets) Autonomous District, Registration No. 1028400000298. Certificate series 84 No. 000020058

Dudinka, Krasnoyarsk Territory, Russian Federation

Independent auditor: ZAO KPMG, a company incorporated under the Laws of the Russian Federation, a part of the KPMG Europe LLP group, and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Registered by the Moscow Registration Chamber on 25 May 1992, Registration No. 011.585.

Entered in the Unified State Register of Legal Entities on 13 August 2002 by the Moscow Inter-Regional Tax Inspectorate No.39 of the Ministry for Taxes and Duties of the Russian Federation, Registration No. 1027700125628, Certificate series 77 No. 005721432.

Member of the Non-commercial Partnership "Chamber of Auditors of Russia". The Principal Registration Number of the Entry in the State Register of Auditors and Audit Organisations: No.10301000804.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2012, and its financial performance and its cash flows for 2012 in accordance with International Financial Reporting Standards.

I.V. Tokarev, Director, power of attorney dated 1 October 2010 No. 50/10

ZAO KPMG
12 April 2013
Moscow, Russian Federation

MINING AND METALLURGICAL COMPANY NORILSK NICKEL

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

US Dollars million

	Notes	Year ended 31/12/2012	Year ended 31/12/2011
CONTINUING OPERATIONS			
Revenue			
Metal sales	7	11,061	13,297
Other sales		1,004	825
Total revenue		**12,065**	**14,122**
Cost of metal sales	8	(5,162)	(4,967)
Cost of other sales		(983)	(826)
Gross profit		**5,920**	**8,329**
Selling and distribution expenses	9	(542)	(828)
General and administrative expenses	10	(1,000)	(848)
Impairment of property, plant and equipment and intangible assets		(279)	(243)
Other net operating expenses	11	(235)	(175)
Operating profit		**3,864**	**6,235**
Finance costs	12	(294)	(151)
Loss from investments, net	13	(552)	(79)
Foreign exchange gain/(loss), net		214	(334)
Excess of the Group's share in the fair value of net assets acquired over the cost of acquisition		8	8
Share of losses of associates	17	(97)	(33)
Profit before tax		**3,143**	**5,646**
Income tax expense	14	(1,000)	(1,460)
Profit for the year from continuing operations		**2,143**	**4,186**
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations	24	–	(560)
Profit for the year		**2,143**	**3,626**
Attributable to:			
Shareholders of the parent company		2,170	3,604
Non-controlling interests		(27)	22
		2,143	**3,626**
EARNINGS PER SHARE			
From continuing and discontinued operations			
Basic and diluted earnings per share attributable to shareholders of the parent company (US Dollars per share)	25	13.7	20.8
From continuing operations			
Basic and diluted earnings per share attributable to shareholders of the parent company (US Dollars per share)	25	13.7	24.1

The accompanying notes on pages 10 – 58 form an integral part of the consolidated financial statements

MINING AND METALLURGICAL COMPANY NORILSK NICKEL

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012
US Dollars million

	Year ended 31/12/2012	Year ended 31/12/2011
Profit for the year	**2,143**	**3,626**
Other comprehensive income/(loss)		
Effect of translation to presentation currency and translation of foreign operations	524	(571)
Decrease in fair value of available-for-sale investments	(595)	(390)
Realised gain on disposal of available-for-sale investments	(1)	(9)
Investments revaluation reserve reclassified from other comprehensive income to the income statement	577	(3)
Other	1	(6)
Other comprehensive income/(loss) for the year, net of tax	**506**	**(979)**
Total comprehensive income for the year, net of tax	**2,649**	**2,647**
Attributable to:		
Shareholders of the parent company	2,669	2,604
Non-controlling interests	(20)	43
	2,649	**2,647**

The accompanying notes on pages 10 – 58 form an integral part of the consolidated financial statements

MINING AND METALLURGICAL COMPANY NORILSK NICKEL

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2012
US Dollars million

	Notes	31/12/2012	31/12/2011
ASSETS			
Non-current assets			
Property, plant and equipment	15	11,927	9,585
Intangible assets	16	74	72
Investments in associates	17	329	407
Other financial assets	18	1,587	2,018
Other taxes receivable	19	5	18
Deferred tax assets	14	68	112
Other non-current assets		170	131
		14,160	**12,343**
Current assets			
Inventories	20	3,197	2,623
Trade and other receivables	21	1,063	1,032
Advances paid and prepaid expenses	22	90	71
Other financial assets	18	255	153
Income tax receivable		195	347
Other taxes receivable	19	977	716
Cash and cash equivalents	23	1,037	1,627
		6,814	**6,569**
TOTAL ASSETS		**20,974**	**18,912**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	25	8	8
Share premium		1,511	1,511
Treasury shares	25	(8,692)	(8,692)
Other reserves	26	(349)	(848)
Retained earnings		20,353	19,123
Equity attributable to shareholders of the parent company		**12,831**	**11,102**
Non-controlling interests		109	120
		12,940	**11,222**
Non-current liabilities			
Loans and borrowings	27	2,497	2,401
Employee benefit obligations	28	56	56
Provisions	29	939	752
Deferred tax liabilities	14	573	651
		4,065	**3,860**
Current liabilities			
Loans and borrowings	27	2,526	2,754
Employee benefit obligations	28	498	373
Trade and other payables	30	696	543
Provisions	29	3	3
Derivative financial instruments		3	2
Income tax payable		18	5
Other taxes payable	19	225	150
		3,969	**3,830**
TOTAL LIABILITIES		**8,034**	**7,690**
TOTAL EQUITY AND LIABILITIES		**20,974**	**18,912**

The accompanying notes on pages 10 – 58 form an integral part of the consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012
US Dollars million

	Year ended 31/12/2012	Year ended 31/12/2011
OPERATING ACTIVITIES		
Profit before tax[1]	**3,143**	**5,165**
Adjustments for:		
Depreciation and amortisation	789	762
Impairment of property, plant and equipment	279	118
Impairment of intangible assets	–	125
Impairment of investments in associate	102	–
Impairment of financial assets	595	152
Loss on remeasurement to fair value less cost to sell	–	566
Loss on disposal of property, plant and equipment	37	19
Share of post-acquisition (profits)/losses of associates	(5)	33
Excess of the Group's share in the fair value of net assets acquired over the cost of acquisition	(8)	(8)
Gain on disposal of investments	–	(10)
Change in provisions	38	29
Finance costs and income from investments, net	251	57
Foreign exchange (gain)/loss, net	(214)	348
Change in provision for tax penalties	10	(2)
Other	11	(1)
	5,028	**7,353**
Movements in working capital:		
Inventories	(409)	(508)
Trade and other receivables	(22)	120
Advances paid and prepaid expenses	(13)	25
Other tax receivable	(253)	(251)
Employee benefit obligations	90	27
Trade and other payables	35	(66)
Other taxes payable	67	22
Cash generated from operations	**4,523**	**6,722**
Interest paid	(230)	(94)
Income tax paid	(859)	(1,926)
Net cash generated from operating activities	**3,434**	**4,702**
INVESTING ACTIVITIES		
Acquisition of subsidiaries, net of cash acquired	–	(12)
Net cash outflow from disposal of subsidiary	–	(468)
Contribution to associate and acquisition of associate	(29)	(2)
Purchase of property, plant and equipment	(2,692)	(2,201)
Proceeds from disposal of property, plant and equipment	10	23
Purchase of intangible assets	(21)	(31)
Purchase of other financial assets	(81)	(711)
Purchase of other long-term assets	(31)	(50)
Net change in deposits placed	(113)	859
Proceeds from sale of other financial assets	42	715
Dividends received	1	2
Net cash used in investing activities	**(2,914)**	**(1,876)**
FINANCING ACTIVITIES		
Proceeds from borrowings	2,478	3,694
Repayments of borrowings	(2,666)	(1,351)
Buy back of issued shares	–	(8,995)
Proceeds from sales of shares from treasury stock	–	1,246
Dividends paid by the Company	(960)	(1,234)
Dividends paid by the Group's subsidiaries to non-controlling shareholders	(16)	(4)
Net cash used in financing activities	**(1,164)**	**(6,644)**

[1] Profit before tax and adjustments are presented for continuing and discontinued operations on a combined basis.

The accompanying notes on pages 10 – 58 form an integral part of the consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)
US Dollars million

	Year ended 31/12/2012	Year ended 31/12/2011
Net decrease in cash and cash equivalents	**(644)**	**(3,818)**
Cash and cash equivalents at beginning of the year	**1,627**	**5,405**
Cash and cash equivalents of disposal group at beginning of the year	–	106
Effects of foreign exchange differences on balances of cash and cash equivalents and translation to presentation currency	54	(66)
Cash and cash equivalents at end of the year	**1,037**	**1,627**

The accompanying notes on pages 10 – 58 form an integral part of the consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012
US Dollars million

	Notes	Equity attributable to shareholders of the parent company								
		Share Capital	Share premium	Treasury shares	Other reserves	Retained earnings	Reserves of disposal group classified as held for sale	Total	Non-controlling interests	Total
Balance at 1 January 2011		**8**	**1,511**	**(1,237)**	**279**	**17,744**	**(929)**	**17,376**	**598**	**17,974**
Profit for the year		–	–	–	–	3,604	–	**3,604**	22	**3,626**
Other comprehensive income/(loss):										
Effect of translation to presentation currency and translation of foreign operations	26	–	–	–	(723)	–	131	**(592)**	21	**(571)**
Decrease in fair value of available-for-sale investments	26	–	–	–	(390)	–	–	**(390)**	–	**(390)**
Realised gain on disposal of available-for-sale investments	26	–	–	–	(8)	(1)	–	**(9)**	–	**(9)**
Investments revaluation reserve reclassified from equity to loss on disposal of subsidiary		–	–	–	–	–	(3)	**(3)**	–	**(3)**
Reclassification adjustments relating to translation reserve of subsidiary disposed of		–	–	–	–	(801)	801	–	–	–
Other	26	–	–	–	(6)	–	–	**(6)**	–	**(6)**
Total comprehensive income for the year		–	–	–	**(1,127)**	**2,802**	**929**	**2,604**	**43**	**2,647**
Sales of ordinary shares from treasury stock	25	–	–	1,540	–	(294)	–	**1,246**	–	**1,246**
Decrease in non-controlling interests due to disposal of subsidiary		–	–	–	–	–	–	–	(503)	**(503)**
Buy back of issued shares	25	–	–	(8,995)	–	–	–	**(8,995)**	–	**(8,995)**
Decrease in non-controlling interests due to increase of ownership in subsidiaries		–	–	–	–	–	–	–	(7)	**(7)**
Increase in non-controlling interests due to additional contributions into share capital of subsidiary		–	–	–	–	–	–	–	5	**5**
Dividends	31	–	–	–	–	(1,129)	–	**(1,129)**	(16)	**(1,145)**
Balance at 31 December 2011		**8**	**1,511**	**(8,692)**	**(848)**	**19,123**	**–**	**11,102**	**120**	**11,222**

The accompanying notes on pages 10 – 58 form an integral part of the consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)
US Dollars million

		Equity attributable to shareholders of the parent company							
	Notes	**Share capital**	**Share premium**	**Treasury shares**	**Other reserves**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total**
Balance at 1 January 2012		**8**	**1,511**	**(8,692)**	**(848)**	**19,123**	**11,102**	**120**	**11,222**
Profit for the year		–	–	–	–	2,170	**2,170**	(27)	**2,143**
Other comprehensive income/(loss):									
Effect of translation to presentation currency and translation of foreign operations	26	–	–	–	517	–	**517**	7	**524**
Decrease in fair value of available-for-sale investments	26	–	–	–	(595)	–	**(595)**	–	**(595)**
Realised gain on disposal of available-for-sale investments		–	–	–	(1)	–	**(1)**	–	**(1)**
Reclassification of cumulative impairment loss on available-for-sale investments to the consolidated income statement	13	–	–	–	577	–	**577**	–	**577**
Other		–	–	–	1	–	**1**	–	**1**
Total comprehensive income for the year		**–**	**–**	**–**	**499**	**2,170**	**2,669**	**(20)**	**2,649**
Increase in non-controlling interest due to additional contributions into share capital of subsidiary		–	–	–	–	1	**1**	9	**10**
Dividends	31	–	–	–	–	(941)	**(941)**	–	**(941)**
Balance at 31 December 2012		**8**	**1,511**	**(8,692)**	**(349)**	**20,353**	**12,831**	**109**	**12,940**

The accompanying notes on pages 10 – 58 form an integral part of the consolidated financial statements

1. GENERAL INFORMATION

Organisation and principal business activities

Open Joint Stock Company “Mining and Metallurgical Company Norilsk Nickel” (the “Company” or “MMC Norilsk Nickel”) was incorporated in the Russian Federation on 4 July 1997. The principal activities of the Company and its subsidiaries (the “Group”) are exploration, extraction, refining of ore and nonmetallic minerals and sale of base and precious metals produced from ore. Further details regarding the nature of the business and structure of the Group are presented in note 38.

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

Shareholding structure of the Company at 31 December 2012 and 2011 was as follows:

	31/12/2012		31/12/2011	
Shareholders	**Number of outstanding shares***	**% held**	**Number of outstanding shares***	**% held**
CJSC “ING Bank (Eurasia)” (nominee)	58,624,683	37.05	57,755,064	36.50
OJSC “Sberbank of Russia” (nominee)	–	–	47,656,938	30.12
CJSC “Depository Clearing Company” (nominee)	–	–	24,376,032	15.40
Non-banking credit company CJSC “National Settlement Depository” (nominee)	89,389,915	56.49	16,813,571	10.63
Other, individually less than 5%	10,220,864	6.46	11,633,857	7.35
Total	**158,235,462**	**100.00**	**158,235,462**	**100.00**

* Number of outstanding shares excludes all treasury shares.

2. BASIS OF PRESENTATION

Statement of compliance

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

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

The Group issues a separate set of IFRS consolidated financial statements to comply with the requirements of Russian Federal Law No 208-FZ On consolidated financial statements (“208-FZ”) which was adopted on 27 July 2010.

Basis of presentation

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

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

Standards and interpretations effective in the current year

In the preparation of these consolidated financial statements the Group has adopted all new and revised International Financial Reporting Standards and Interpretations issued by International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for adoption in annual periods beginning on 1 January 2012.

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

- IAS 12 *Income taxes*;
- IFRS 1 *First-time Adoption of International Financial Reporting Standards*;
- IFRS 7 *Financial Instruments: Disclosures.*

Standards and interpretations in issue but not yet effective

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

Standards and Interpretations	Effective for annual periods beginning on or after
IAS 1 *Presentation of Financial Statements(amended)*	1 July 2012
IAS 16 *Property, Plant and Equipment(amended)*	1 January 2013
IAS 19 *Employee Benefits (amended)*	1 January 2013
IAS 27 *Separate Financial Statements (amended)*	1 January 2013
IAS 28 *Investments in Associates and Joint ventures (amended)*	1 January 2013
IAS 32 *Financial Instruments: Presentation (amended)*	1 January 2013
IAS 34 *Interim Financial Reporting (amended)*	1 January 2013
IFRS 1 *First-time Adoption of International Financial Reporting Standards (amended)*	1 January 2013
IFRS 7 *Financial Instruments: Disclosures (amended)*	1 January 2013
IFRS 9 *Financial Instruments*	1 January 2015
IFRS 10 *Consolidated Financial Statements*	1 January 2013
IFRS 11 *Joint Arrangements*	1 January 2013
IFRS 12 *Disclosure of Interests in Other Entities*	1 January 2013
IFRS 13 *Fair Value Measurement*	1 January 2013
IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*	1 January 2013

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

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

Subsidiaries

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

Non-controlling interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group’s equity therein. Non-controlling interests include interests at the date of the original business combination and non-controlling share of changes in net assets since the date of the combination. Total comprehensive income must be attributed to the interest of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

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

Changes in the Group's ownership interest in a subsidiary that do not result in the Group losing control are accounted for within the equity.

When the Group loses control of a subsidiary it derecognises the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognised in the consolidated income statement. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost.

Associates

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

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

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

Profits and losses resulting from transactions with associates are eliminated to the extent of the Group’s interest in the relevant associates. When significant influence over an associate is lost, any investment retained in the former associate is stated at fair value, with any consequential gain or loss recognised in the consolidated income statement.

Special purpose entities

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

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group at the date of acquisition in exchange for control of the acquiree.

Where an investment in a subsidiary or an associate is made, any excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the fair value of the identifiable assets acquired and the liabilities assumed at the acquisition date 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.

If, after reassessment, the net amounts of the identifiable assets acquired and liabilities assumed at the acquisition date exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised in the consolidated income statement immediately as a bargain purchase gain.

Acquisition-related costs are generally recognised in the consolidated income statement as incurred.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and the resulting gain or loss, is recognised in the consolidated income statement. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to the consolidated income statement where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (a maximum of twelve months from the date of acquisition), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Assets held for sale

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

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

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

Discontinued operations

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

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

Functional and presentation currency

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

The Russian Rouble ("RUB") 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
Norilsk Nickel Harjavalta Oy	US Dollar
MPI Nickel Limited	Australian Dollar
Norilsk Nickel Cawse Proprietary Limited	Australian Dollar
Tati Nickel Mining Company Proprietary Limited	Botswana Pula
Norilsk Nickel Africa Proprietary Limited	South African Rand

The presentation currency of the consolidated financial statements of the Group is US Dollar ("USD"). Using USD as a presentation currency is common practice for global mining companies. In addition, USD is a more relevant presentation currency for international users of the consolidated financial statements of the Group. The Group also issues consolidated financial statements to comply with 208-FZ, which use Russian Rouble as the presentation currency (refer to note 2).

The translation into presentation currency is made as follows:

- all assets and liabilities, both monetary and non-monetary, are translated at closing exchange rates at the dates of each statement of financial position presented;
- income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case exchange rates at the date of transactions are used;
- all equity items are translated at the historical exchange rates;
- all resulting exchange differences are recognised as a separate component in other comprehensive income; and
- in the consolidated statement of cash flows, cash balances at beginning and end of each period presented are translated at exchange rates at the respective dates. All cash flows are translated at the average exchange rates for the periods presented. Resulting exchange differences are presented as effect of translation to presentation currency.

Foreign currency transactions

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

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

	2012	2011
Russian Rouble/US Dollar		
31 December	30.37	32.20
Average for the year ended 31 December	31.09	29.39
Botswana Pula/US Dollar		
31 December	7.89	7.62
Average for the year ended 31 December	7.73	6.93
Australian Dollar/US Dollar		
31 December	0.96	0.98
Average for the year ended 31 December	0.97	0.97
South African Rand/US Dollar		
31 December	8.49	8.15
Average for the year ended 31 December	8.21	7.25

Revenue recognition

Metal sales revenue

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

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

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

Other revenue

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

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

Dividends and interest income

Dividends from investments are recognised when the Group's right to receive payment has been established. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Leases

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

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

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

Finance costs

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

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

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

Government grants

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

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

Employee benefits

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

Defined contribution plans

The Group contributes to the following major defined contribution plans:

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

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

Defined benefit plan

At management's discretion and within the established annual budgets, the Group admits employees, who have met certain criteria, into the *Lifelong professional pension plan*, which is retirement benefit plan. Under this plan a retired employee receives a monthly allowance equal to RUB 15,000 (USD 494) for the rest of his/her life.

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

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

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

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

Share appreciation rights

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

Income tax expense

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

Income tax is recognised as an expense or income in the consolidated income statement, except when it relates to items recognised directly in other comprehensive income, in which case the tax is also recognised directly in other comprehensive income. Where current or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Current tax

Current tax is based on taxable profit for the year. Taxable profit differs from profit for the year as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax

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

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

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

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

Property, plant and equipment

Mining assets

Mine development costs are capitalised and comprise expenditures directly related to:

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

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

Mine development costs are transferred to mining assets when a new mine reaches commercial production quantities.

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

Amortisation of mining assets is charged from the date on which a new mine reaches commercial production quantities and is included in the cost of production. Mining assets are amortised on a straight-line basis over the lesser of their economic useful lives or the life of mine, varying from 2 to 34 years.

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

Non-mining assets

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

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

Depreciation is calculated over the following economic useful lives:

• plant, buildings and infrastructure	10 – 50 years
• machinery and equipment	4 – 20 years
• other non-mining assets	1 – 30 years

Capital construction-in-progress

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

Intangible assets, excluding goodwill

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

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

• patents, licenses and software	2 – 10 years

Impairment of tangible and intangible assets, excluding goodwill

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

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

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

Research and exploration expenditure

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

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

Inventories

Refined metals

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

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

Work-in-process

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

Stores and materials

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

Financial assets

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

Financial assets are classified into the following specified categories:

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

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

Effective interest method

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

Income is recognised on an effective interest basis for debt securities other 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 statement of financial position date.

Available-for-sale financial assets

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

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

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

Loans and receivables

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

Impairment of financial assets

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

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

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

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

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

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

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

Derecognition of financial assets

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

Financial liabilities

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

Effective interest method

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

Derecognition of financial liabilities

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

Derivative financial instruments

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

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

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

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

Compound financial instruments

The component parts of compound financial instruments issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the market interest rate for a similar non-convertible instrument. This amount is recorded on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured.

Cash and cash equivalents

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

Provisions

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

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

Environmental obligations

Environmental obligations include decommissioning and land restoration costs.

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTY

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

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

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

Useful economic lives of property, plant and equipment

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

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

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

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

Impairment and reversal of impairment of assets, excluding goodwill

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

Allowances

The Group creates allowance for doubtful debts to account for estimated losses resulting from the inability of customers to make the required payments. At 31 December 2012, the allowance for doubtful debts amounted to USD 72 million (2011: USD 61 million). When evaluating the adequacy of an allowance for doubtful debts, management bases its estimate on current overall economic conditions, ageing of the accounts receivable balances, historical write-off experience, customer creditworthiness and changes in payment terms. Changes in the economy, industry or specific customer conditions may require adjustments to the allowance for doubtful debts recorded in the consolidated financial statements.

The Group also creates an allowance for obsolete and slow-moving raw materials and spare parts. At 31 December 2012, the allowance for obsolete and slow-moving items amounted to USD 33 million (2011: USD 47 million). In addition, certain finished goods of the Group are carried at net realisable value. Estimates of net realisable value of inventories are based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly relating to events occurring subsequent to the statement of financial position date to the extent that such events confirm conditions existing at the end of the period.

Environmental obligations

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

Defined benefit plan

The most significant assumptions used in estimation of defined benefit plan are the expected rate of return on plan assets, the discount rate, 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.

Share appreciation rights

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

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

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

Income taxes

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

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

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

Contingencies

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

US Dollars million

5. BUSINESS COMBINATION

On 15 May 2012, the Group acquired additional 25% interest in CJSC "Nordavia – Regional Airlines" ("Nordavia"), for a cash consideration of USD 2 million, increasing its effective ownership in this company to 72.9%. Prior to this transaction, investment in Nordavia was classified as investment in associate. At the date of acquisition the fair value of identifiable assets and liabilities of Nordavia was not material.

The remeasurement to fair value of the Group's interest in Nordavia held before the acquisition of controlling interest resulted in a gain of USD 20 million. This gain was recognised within income from investments.

Had this business combination been effected at 1 January 2012, the Group's revenue and net profit for the period would not have been significantly different.

6. SEGMENTAL INFORMATION

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

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

Other operations, which do not qualify as separate reportable segments based on quantitative thresholds for the years ended 31 December 2012 and 2011, include energy and utility, transport and logistic services, research activities, repair and maintenance services.

The following tables present revenue, operating profit/(loss) and profit/(loss) for the year and other segmental information from continuing operations regarding the Group's reportable segments for the years ended 31 December 2012 and 2011, respectively.

Year ended 31/12/2012	**Mining and Metallurgy**	**Other**	**Eliminations**	**Total**
Revenue from external customers	11,075	990	–	**12,065**
Inter-segment revenue	336	2,296	(2,632)	–
Total revenue	**11,411**	**3,286**	**(2,632)**	**12,065**
Operating profit/(loss)	3,929	(65)	–	**3,864**
Share of (losses)/profits of associates	(99)	2	–	**(97)**
Profit/(loss) before income tax	3,205	(62)	–	**3,143**
Income tax expense	(973)	(27)	–	**(1,000)**
Profit/(loss) for the year	**2,232**	**(89)**	–	**2,143**
Other segmental information				
Capital expenditures	2,305	511	–	**2,816**
Depreciation and amortisation	597	214	–	**811**
Impairment/(reversal of impairment) of property, plant and equipment	280	(1)	–	**279**
Other non-cash expenses	669	30	–	**699**

US Dollars million

6. SEGMENTAL INFORMATION (CONTINUED)

Year ended 31/12/2011	**Mining and Metallurgy**	**Other**	**Eliminations**	**Total**
Revenue from external customers	13,303	819	–	**14,122**
Inter-segment revenue	275	2,019	(2,294)	**–**
Total revenue (continuing operations)	**13,578**	**2,838**	**(2,294)**	**14,122**
Operating profit/(loss)	6,315	(80)	–	**6,235**
Share of losses of associates	(30)	(3)	–	**(33)**
Profit/(loss) before income tax	5,745	(99)	–	**5,646**
Income tax expense	(1,433)	(27)	–	**(1,460)**
Profit/(loss) for the year (continuing operations)	**4,312**	**(126)**	**–**	**4,186**
Other segmental information				
Capital expenditures	1,607	523	–	**2,130**
Depreciation and amortisation	592	194	–	**786**
Impairment of property, plant and equipment and intangible assets	243	–	–	**243**
Other non-cash expenses	209	54	–	**263**

The following tables present assets and liabilities of the Group's reportable segments at 31 December 2012 and 31 December 2011, respectively.

Year ended 31/12/2012	**Mining and Metallurgy**	**Other**	**Eliminations**	**Total**
Investments in associates	257	72	–	**329**
Segment assets	16,662	3,983	–	**20,645**
Inter-segment assets and eliminations	1,920	836	(2,756)	**–**
Total segment assets	**18,839**	**4,891**	**(2,756)**	**20,974**
Segment liabilities	7,512	522	–	**8,034**
Inter-segment liabilities and eliminations	836	1,920	(2,756)	**–**
Total segment liabilities	**8,348**	**2,442**	**(2,756)**	**8,034**

Year ended 31/12/2011	**Mining and Metallurgy**	**Other**	**Eliminations**	**Total**
Investments in associates	347	60	–	**407**
Segment assets	15,110	3,395	–	**18,505**
Inter-segment assets and eliminations	1,572	653	(2,225)	**–**
Total segment assets	**17,029**	**4,108**	**(2,225)**	**18,912**
Segment liabilities	7,308	382	–	**7,690**
Inter-segment liabilities and eliminations	653	1,572	(2,225)	**–**
Total segment liabilities	**7,961**	**1,954**	**(2,225)**	**7,690**

US Dollars million

6. SEGMENTAL INFORMATION (CONTINUED)

The Group's information about its non-current assets (excluding those relating to operations, classified as disposal group and discontinued operations, and excluding financial and deferred tax assets) by geographical locations is detailed below.

	31/12/2012	31/12/2011
Russian Federation	11,620	8,929
Africa	263	494
Australia	349	511
Europe	273	279
Total	**12,505**	**10,213**

7. METAL SALES

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

Year ended 31/12/2012	**Total**	**Nickel**	**Copper**	**Palladium**	**Platinum**	**Gold**
Europe	**6,066**	2,763	1,772	793	586	152
Asia	**2,750**	1,675	227	543	305	–
North America	**1,226**	568	87	379	127	65
Russian Federation	**1,015**	213	785	7	10	–
Other	**4**	4	–	–	–	–
	11,061	**5,223**	**2,871**	**1,722**	**1,028**	**217**
Year ended 31/12/2011						
Europe	**7,263**	3,523	1,978	990	624	148
Asia	**3,021**	2,015	198	538	270	–
North America	**1,709**	899	60	456	248	46
Russian Federation	**1,300**	274	1,022	1	3	–
Other	**4**	4	–	–	–	–
	13,297	**6,715**	**3,258**	**1,985**	**1,145**	**194**

8. COST OF METAL SALES

	Year ended 31/12/2012	Year ended 31/12/2011
Cash operating costs		
Labour	1,488	1,464
Consumables and spares	1,309	1,157
Expenses on acquisition of raw materials and semi-products	918	1,195
Outsourced third party services	651	558
Utilities	216	236
Tax directly attributable to cost of goods sold	193	172
Transportation expenses	156	149
Sundry costs	109	115
Less: sales of by-products	(323)	(425)
Total cash operating costs	**4,717**	**4,621**
Amortisation and depreciation	712	698
Increase in metal inventories	(267)	(352)
Total	**5,162**	**4,967**

US Dollars million

9. SELLING AND DISTRIBUTION EXPENSES

	Year ended 31/12/2012	Year ended 31/12/2011
Export customs duties	479	779
Transportation expenses	33	25
Labour	17	17
Other	13	7
Total	**542**	**828**

10. GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended 31/12/2012	Year ended 31/12/2011
Labour	584	467
Third party services	146	135
Taxes other than those directly attributable to cost of goods sold and income taxes	108	88
Amortisation and depreciation	33	29
Transportation expenses	18	19
Other	111	110
Total	**1,000**	**848**

11. OTHER NET OPERATING EXPENSES

	Year ended 31/12/2012	Year ended 31/12/2011
Social expenses	184	186
Change in allowance for doubtful debts	12	36
Change in provision for value added tax recoverable	10	(3)
Other	29	(44)
Total	**235**	**175**

12. FINANCE COSTS

	Year ended 31/12/2012	Year ended 31/12/2011
Interest expense on borrowings	236	96
Unwinding of discount on environmental obligations	52	46
Net periodic benefit expenses	5	7
Interest on obligations under finance leases	1	2
Total	**294**	**151**

13. LOSS FROM INVESTMENTS, NET

	Year ended 31/12/2012	Year ended 31/12/2011
Gain on remeasurement to fair value of the Group's existing interest in associate	20	–
Interest income on bank deposits	18	42
Interest income on held-to-maturity investments	2	9
Realised gain on disposal of investments	–	10
Impairment of loans issued	(18)	(152)
Impairment of available-for-sale investments including impairment losses reclassified from other comprehensive income	(577)	–
Other	3	12
Total	**(552)**	**(79)**

US Dollars million

14. INCOME TAX EXPENSE

	Year ended 31/12/2012	Year ended 31/12/2011
Current income tax		
Current income tax charge on profit for the year	1,059	1,446
Adjustments in respect of current income tax of previous years	(20)	–
Total current income tax expense	**1,039**	**1,446**
Deferred income tax		
Reversal of temporary differences	(124)	(8)
Change in provision for deferred tax assets	85	19
Recycled from equity to income	–	3
Total deferred tax (benefit)/expense	**(39)**	**14**
Total	**1,000**	**1,460**

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

	Year ended 31/12/2012	Year ended 31/12/2011
Profit before tax from continuing operations	**3,143**	**5,646**
Loss before tax from discontinued operations (refer to note 24)	–	(481)
Profit before tax from continuing and discontinued operations	**3,143**	**5,165**
Income tax at statutory rate of 20%	629	1,033
Tax effect of permanent differences	172	288
Unrecognized deferred tax asset on taxable losses	–	113
Previously unrecognised income tax expense attributable to disposal of subsidiary	–	68
Tax effect of impairment of investments in associates	1	–
Deferred tax assets not recognised on impairment of financial assets	115	–
Change in provision for deferred tax assets	85	19
Effect of different tax rates of subsidiaries operating in other jurisdictions	18	12
Effect of change in income tax rate in Botswana	–	6
Adjustments in respect of current income tax of previous years	(20)	–
Total	**1,000**	**1,539**
Income tax expense attributable to discontinued operations (refer to note 24)	–	(79)
Income tax expense attributable to continuing operations	**1,000**	**1,460**

The corporate income tax rates in other countries where the Group has a taxable presence vary from 0% to 40%.

US Dollars million

14. INCOME TAX EXPENSE (CONTINUED)

Deferred tax balances

	31/12/2011	Recognised in income statement	Recognised in other comprehensive income	Recycled from equity to income	Effect of translation to presentation currency	31/12/2012
Property, plant and equipment	**576**	(84)	–	–	8	**500**
Intangible assets	**(5)**	–	–	–	–	**(5)**
Investment in associates and other financial assets	**(30)**	4	–	–	(2)	**(28)**
Trade and other receivables	**(9)**	(3)	–	–	(1)	**(13)**
Inventories	**113**	35	–	–	5	**153**
Unrealised profit on intra-group transactions	**(14)**	(27)	–	–	1	**(40)**
Other assets	**(34)**	1	–	–	(2)	**(35)**
Loans and borrowings	**12**	(3)	–	–	1	**10**
Employee benefit obligations	**(48)**	5	–	–	(3)	**(46)**
Environmental obligations	**(88)**	(12)	–	–	(3)	**(103)**
Trade and other payables	**18**	(10)	–	–	–	**8**
Income tax loss carried forward	**(55)**	(30)	–	–	(2)	**(87)**
Provision for deferred tax assets	**103**	85	–	–	3	**191**
Total	**539**	**(39)**	**–**	**–**	**5**	**505**

	31/12/2010	Recognised in income statement	Recognised in other comprehensive income	Recycled from equity to income	Effect of translation to presentation currency	31/12/2011
Property, plant and equipment	**660**	(62)	–	–	(22)	**576**
Intangible assets	**(5)**	–	–	–	–	**(5)**
Investment in associates and other financial assets	**52**	–	(84)	(3)	5	**(30)**
Trade and other receivables	**(9)**	(1)	–	–	1	**(9)**
Inventories	**73**	50	–	–	(10)	**113**
Unrealised profit on intra-group transactions	**(32)**	21	–	–	(3)	**(14)**
Other assets	**(29)**	(7)	–	–	2	**(34)**
Loans and borrowings	**4**	9	–	–	(1)	**12**
Employee benefit obligations	**(45)**	(7)	–	–	4	**(48)**
Environmental obligations	**(87)**	(1)	–	–	–	**(88)**
Trade and other payables	**19**	(1)	–	–	–	**18**
Income tax loss carried forward	**(48)**	(9)	–	–	2	**(55)**
Provision for deferred tax assets	**90**	19	–	–	(6)	**103**
Total	**643**	**11**	**(84)**	**(3)**	**(28)**	**539**

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

	31/12/2012	31/12/2011
Deferred tax liability	573	651
Deferred tax asset	(68)	(112)
Net deferred tax liabilities	**505**	**539**

US Dollars million

14. INCOME TAX EXPENSE (CONTINUED)

Unrecognised deferred tax assets

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

	31/12/2012	31/12/2011
Deductible temporary differences	174	75
Tax loss carry-forwards	599	518
Total	**773**	**593**

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

At 31 December 2012 and 2011 unrecognised tax loss carry-forwards primarily related to disposal of OJSC "Third Generation Company of the Wholesale Electricity Market" ("OGK-3") (refer to note 24).

Tax losses expire in the following years:

	31/12/2012	31/12/2011
Without expiry	184	181
2012	13	1
2013	12	2
2014	11	–
2015	6	–
2016	3	1
2017	3	2
2018	5	2
2019	3	6
2020	3	4
2021	331	319
2022	25	–
Total	**599**	**518**

At 31 December 2012, the Group did not recognise a deferred tax liability in respect of taxable temporary differences of USD 5,530 million (2011: USD 5,114 million) associated with investments in subsidiaries, because management believes that it is in a position to control the timing of reversal of such differences and has no intention to reverse them in the foreseeable future.

US Dollars million

15. PROPERTY, PLANT AND EQUIPMENT

	Mining assets and mine development cost	Non-mining assets: Buildings, structures and utilities	Non-mining assets: Machinery, equipment and transport	Non-mining assets: Other	Non-mining assets: Capital construc-tion-in-progress	Total
Cost						
Balance at 1 January 2011	**10,088**	**3,120**	**3,937**	**274**	**1,129**	**18,548**
Additions	994	—	—	—	1,094	**2,088**
Reclassifications	257	(39)	(116)	—	(102)	**—**
Transfers	—	106	534	12	(652)	**—**
Decrease in decommissioning asset	(105)	(28)	—	—	—	**(133)**
Acquired on acquisition of subsidiaries	11	—	—	—	—	**11**
Disposals	(39)	(20)	(49)	(4)	(9)	**(121)**
Effect of translation to presentation currency	(398)	(164)	(242)	(14)	(98)	**(916)**
Balance at 31 December 2011	**10,808**	**2,975**	**4,064**	**268**	**1,362**	**19,477**
Additions	1,208	—	—	—	1,536	**2,744**
Reclassifications	3	8	—	—	(11)	**—**
Transfers	—	254	548	72	(874)	**—**
Increase in decommissioning asset	114	3	—	—	—	**117**
Acquired on acquisition of subsidiaries	—	4	22	—	28	**54**
Disposals	(98)	(12)	(64)	(39)	(13)	**(226)**
Effect of translation to presentation currency	437	172	219	11	95	**934**
Balance at 31 December 2012	**12,472**	**3,404**	**4,789**	**312**	**2,123**	**23,100**
Accumulated depreciation and impairment						
Balance at 1 January 2011	**(6,082)**	**(1,245)**	**(1,796)**	**(167)**	**(105)**	**(9,395)**
Charge for the year	(301)	(137)	(314)	(13)	—	**(765)**
Reclassifications	(77)	14	70	—	(7)	**—**
Eliminated on disposals	27	9	39	2	1	**78**
Impairment loss	(99)	5	(21)	(1)	(2)	**(118)**
Effect of translation to presentation currency	123	75	96	5	9	**308**
Balance at 31 December 2011	**(6,409)**	**(1,279)**	**(1,926)**	**(174)**	**(104)**	**(9,892)**
Charge for the year	(330)	(109)	(336)	(14)	—	**(789)**
Reclassifications	19	(3)	—	(1)	(15)	**—**
Eliminated on disposals	52	9	45	16	8	**130**
Impairment loss	(53)	(37)	(145)	(23)	(21)	**(279)**
Effect of translation to presentation currency	(163)	(76)	(92)	(10)	(2)	**(343)**
Balance at 31 December 2012	**(6,884)**	**(1,495)**	**(2,454)**	**(206)**	**(134)**	**(11,173)**
Carrying value						
31 December 2011	**4,399**	**1,696**	**2,138**	**94**	**1,258**	**9,585**
31 December 2012	**5,588**	**1,909**	**2,335**	**106**	**1,989**	**11,927**

US Dollars million

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

In 2012, the Group has assessed external and internal indicators in order to determine whether property, plant and equipment are impaired, or previously recognized impairment may no longer exist or may have decreased. Based on the assessment management has determined that estimated life of the mining operations in Australia and Botswana have decreased due to reduced metal content in the mined ore, which is expected to result in placing the respective operations on care and maintenance in 2013. As a result, the Group recognised an impairment loss of USD 151 million and USD 110 million in respect of property, plant and equipment of its cash-generating units in Australia and Botswana, respectively (2011: Botswana USD 106 million). There were no external or internal indicators of potential reversal of previously recognized impairment identified. Additionally, an impairment loss in the amount of USD 18 million (2011: USD 12 million) was recognised in respect of specific individual assets.

As at 31 December 2012 mining assets and mine development cost included USD 2,908 million of mining assets under development (31 December 2011: USD 2,144 million).

16. INTANGIBLE ASSETS

	Patents and licences	Software	Other	Total
Cost				
Balance at 1 January 2011	**858**	**96**	**10**	**964**
Additions	2	28	1	**31**
Disposals	(2)	(12)	–	**(14)**
Effect of translation to presentation currency	(2)	(7)	(1)	**(10)**
Balance at 31 December 2011	**856**	**105**	**10**	**971**
Additions	2	20	–	**22**
Disposals	(2)	(13)	(1)	**(16)**
Effect of translation to presentation currency	1	7	–	**8**
Balance at 31 December 2012	**857**	**119**	**9**	**985**
Accumulated amortisation and impairment				
Balance at 1 January 2011	**(729)**	**(39)**	**(1)**	**(769)**
Charge for the year	(1)	(19)	(1)	**(21)**
Eliminated on disposals	1	9	–	**10**
Impairment loss	(125)	–	–	**(125)**
Effect of translation to presentation currency	1	5	–	**6**
Balance at 31 December 2011	**(853)**	**(44)**	**(2)**	**(899)**
Charge for the year	(2)	(20)	–	**(22)**
Eliminated on disposals	2	12	1	**15**
Effect of translation to presentation currency	–	(5)	–	**(5)**
Balance at 31 December 2012	**(853)**	**(57)**	**(1)**	**(911)**
Carrying value				
31 December 2011	**3**	**61**	**8**	**72**
31 December 2012	**4**	**62**	**8**	**74**

Included in patents and licenses is the right to use a unique refining technology registered under the trade mark Activox. At 31 December 2011, management reviewed the current value of Activox for impairment and recognized an impairment loss in the amount of USD 125 million to impair this right in full, as management does not expect to utilize this asset in the foreseeable future.

US Dollars million

17. INVESTMENTS IN ASSOCIATES

	31/12/2012	31/12/2011
Balance at beginning of the year	**407**	**515**
Acquired during the year	13	2
Contribution into associate	16	–
Share of post-acquisition profits/(losses)	5	(33)
Reclassified (to)/from available-for-sale investments due to increase of ownership	(2)	7
Reclassified from other financial assets due to increase of ownership	1	–
Dividends received	–	(1)
Impairment loss	(102)	–
Effect of translation to presentation currency	(9)	(83)
Balance at end of the year	**329**	**407**

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

	31/12/2012	31/12/2011
Total assets	1,028	1,429
Total liabilities	461	628
Net assets	**567**	**801**
Group's share of net assets of associates	**329**	**407**

	Year ended 31/12/2012	Year ended 31/12/2011
Total revenue	702	796
Total losses for the year	(8)	(127)
Group's share of profit/(losses) of associates	**5**	**(33)**

Movements during the year ended 31 December 2012

Norilskgazprom. On 2 November 2012, the Group acquired 830 thousand ordinary shares of OJSC "Norilskgazprom" ("Norilskgazprom") for a cash consideration of USD 13 million. After completion of this transaction, the Group's share in this company increased to 40.5%.

Nkomati Nickel Mine. During the year ended 31 December 2012, the Group made contributions into equity of Nkomati Nickel Mine, the Group's associate, in the amount of USD 16 million (2011: USD nil million) (refer to note 32).

As a result of changes in estimation of the economically recoverable reserves and resources useful life of the mine was reduced and an impairment loss in the amount of USD 97 million was recognized. The recoverable amount has been estimated using future projected cash flows for the remainder of the relevant deposit's useful life of 20 years, discounted at a post-tax real rate of 9.3%.

Movements during the year ended 31 December 2011

RUSIA Petroleum. On 18 March 2011, investments in RUSIA Petroleum, an associate of the Group, were disposed on disposal of OGK-3.

US Dollars million

18. OTHER FINANCIAL ASSETS

	31/12/2012	31/12/2011
Non-current		
Available-for-sale investments in securities	1,389	1,890
Available-for-sale investments in convertible notes	80	77
Loans issued and other receivable	88	24
Promissory notes held to maturity	23	22
Bank deposits	7	5
Total non-current	**1,587**	**2,018**
Current		
Bank deposits	254	110
Promissory notes and bonds held to maturity	–	38
Loans issued and other receivables	1	4
Derivative financial instruments	–	1
Total current	**255**	**153**

Available-for-sale investments in securities

Non-current available-for-sale investments in securities are primarily comprised of shares traded on the Russian stock exchanges (MICEX/RTS).

As at 31 December 2012, management determined that a significant and prolonged decline in share prices for quoted investments, recognised within available-for-sale investments in securities, indicated an impairment loss. As a result of decline in prices, cumulative loss of USD 577 million that was previously recognised in other comprehensive income, has been reclassified into the consolidated income statement (refer to Notes 13 and 26).

Bank deposits

At 31 December 2012, bank deposits in the amount of USD 244 million represented additional Group's collateral under the credit agreements (2011: USD nil).

Interest rate on long-term RUB-denominated deposits held in banks was 5.1% (2011: 6.1%) per annum.

Interest rates on short-term RUB-denominated deposits held in banks varied from 5.1% to 8.2% (2011: 3.3% to 8.7%) per annum.

19. OTHER TAXES

	31/12/2012	31/12/2011
Taxes receivable		
Value added tax recoverable	885	616
Customs duties	68	110
Other taxes	36	16
	989	**742**
Less: Allowance for value added tax recoverable	(7)	(8)
Total	**982**	**734**
Less: Non-current portion	(5)	(18)
Current taxes receivable	**977**	**716**
Taxes payable		
Value added tax	127	83
Insurance contributions to non-budget funds	38	13
Property tax	28	22
Tax on mining	13	10
Provision for tax fines and penalties	–	2
Other	19	20
Total	**225**	**150**

US Dollars million

20. INVENTORIES

	31/12/2012	31/12/2011
Refined metals at net production cost	592	509
Semi-products at net production cost	58	18
By-products at net realisable value	31	41
Work-in-process		
at net production cost	1,302	1,089
at net realisable value	68	42
Total metal inventories	**2,051**	**1,699**
Stores and materials at cost	1,179	971
Less: Allowance for obsolete and slow-moving items	(33)	(47)
Net stores and materials	**1,146**	**924**
Total inventories	**3,197**	**2,623**

21. TRADE AND OTHER RECEIVABLES

	31/12/2012	31/12/2011
Trade receivables from metal sales	769	909
Other receivables	366	184
	1,135	**1,093**
Less: Allowance for doubtful debts	(72)	(61)
Total	**1,063**	**1,032**

In 2012 and 2011, the average credit period on metal sales varied from 0 to 30 days. Trade receivables are generally non-interest bearing. The Group has fully provided for all trade receivables which were due in excess of 365 days based on historical experience that such receivables are generally not recoverable. Trade receivables that are past due for less than 180 days are generally not provided for.

As of 31 December 2012 and 2011, there were no material trade accounts receivable which were overdue or individually determined to be impaired.

The average credit period on sales of other products and services for the year ended 31 December 2012 was 24 days (2011: 25 days). No interest was charged on these receivables. The Group has provided fully for all other receivables overdue for over 365 days based on historical experience that such receivables are generally not recoverable. Provision in respect of other receivables that were less than 365 days old is determined based on past default experience.

Included in the Group's other receivables at 31 December 2012, were debtors with a carrying value of USD 76 million (2011: USD 54 million) that were past due but not impaired. Management of the Group believes that these amounts are recoverable in full.

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

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

	31/12/2012	31/12/2011
Less than 180 days	54	46
180-365 days	22	8
	76	**54**

US Dollars million

21. TRADE AND OTHER RECEIVABLES (CONTINUED)

Movement in the allowance for doubtful debts was as follows:

	31/12/2012	31/12/2011
Balance at beginning of the year	**61**	**40**
Change in allowance	12	37
Accounts receivable written-off	(3)	(12)
Disposed on disposal of subsidiaries	(1)	–
Effect of translation to presentation currency	3	(4)
Balance at end of the year	**72**	**61**

Included in allowance for doubtful debts is a specific allowance against other receivables of USD 34 million (2011: USD 39 million) from entities placed into bankruptcy. The allowance represents the difference between the carrying amount of these receivables and the present value of the expected proceeds on liquidation. The Group did not hold collateral in respect of these balances.

22. ADVANCES PAID AND PREPAID EXPENSES

	31/12/2012	31/12/2011
Advances paid	65	47
Prepaid insurance	25	24
Total	**90**	**71**

At 31 December 2012, advances paid were presented net of impairment of USD 5 million (2011: USD 2 million). During the year ended 31 December 2012, USD 2 million of impairment loss (2011: USD 1 million of reversal of impairment loss) was recognised.

23. CASH AND CASH EQUIVALENTS

		31/12/2012	31/12/2011
Current accounts	- foreign currencies	545	679
	- RUB	199	148
Bank deposits	- foreign currencies	75	365
	- RUB	205	164
Restricted cash and cash equivalents		11	270
Other cash and cash equivalents		2	1
Total		**1,037**	**1,627**

24. DISCONTINUED OPERATIONS AND DISPOSAL OF SUBSIDIARIES

On 18 March 2011, MMC Norilsk Nickel exchanged 82.7% stake in OGK-3 into 13.6% stake in OJSC “INTER RAO UES” and ceased to consolidate OGK-3 from this date. After the exchange of the Group’s interest in OGK-3 for shares of OJSC “INTER RAO UES” the Group’s ownership in OGK-3 reduced to nil and the Group’s ownership in OJSC “INTER RAO UES” increased to 14.2%. The loss from OGK-3’s activities and its disposal amounted to USD 566 million during 2011 up to the date of the exchange transaction.

US Dollars million

24. DISCONTINUED OPERATIONS AND DISPOSAL OF SUBSIDIARIES (CONTINUED)

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

	Year ended 31/12/2011
Other sales	423
Cost of other sales	(345)
Selling, general and administrative expenses	(12)
Other net operating expenses	2
Income from investments, net	31
Foreign exchange loss, net	(14)
	85
Income tax expense	(11)
	74
Loss on remeasurement to fair value less cost to sell	(566)
Income tax expense attributable to disposal of subsidiary	(68)
Loss for the year from discontinued operations	**(560)**
Attributable to:	
Shareholders of the parent company	(572)
Non-controlling interests	12
	(560)
Net cash used in operating activities	(50)
Net cash generated from investing activities	402
Total	**352**

At the date of the disposal aggregated net assets of OGK-3 and loss on disposal were as follows:

	2011
Property, plant and equipment	1,320
Intangible assets	2
Inventories	92
Trade and other receivables	276
Other financial assets	875
Cash and cash equivalents	468
Assets classified as held for sale	28
Employee benefit obligations	(35)
Trade and other payables	(98)
Other taxes payable	(100)
Net assets disposed of	**2,828**
Non-controlling interests	(503)
Investments revaluation reserve reclassified from equity to loss on disposal of subsidiary	(3)
	2,322
Fair value of shares received	1,756
Loss on remeasurement to fair value less cost to sell	**(566)**
Tax thereon	(68)
Loss on disposal after tax	**(634)**
Net cash outflow from disposal of subsidiaries	(468)

US Dollars million

25. SHARE CAPITAL

Authorised, issued and fully paid share capital

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

Treasury shares

	Number of shares	Outstanding balance
At 1 January 2011	**7,018,025**	**1,237**
February – March 2011: sales of shares from treasury stock	(6,881,662)	(1,540)
January – April 2011: buy-back of shares	13,067,656	3,293
April – August 2011: buy-back of shares	4,529,947	1,214
October – December 2011: buy-back of shares	14,658,319	4,488
At 31 December 2011 and 31 December 2012	**32,392,285**	**8,692**

During the period from February through to March 2011, a written call option issued by the Group in 2010 was exercised in full and 68,816,616 ADRs (6,881,662 treasury shares) were sold for a total consideration of USD 1,246 million.

As a result of an announced voluntary buy-back of the Company's issued shares, Corbiere Holdings Limited (“Corbiere”), a subsidiary of the Group, acquired 13,067,656 of the Company's shares by 4 April 2011, including those in the form of ADRs, for a cash consideration of USD 3,293 million.

During the period from 5 April through to 10 August 2011, Corbiere also acquired 4,529,947 of the Company's shares including those in the form of ADRs, for a cash consideration of USD 1,214 million, including professional fees directly associated with this transaction.

On 27 September 2011, Norilsk Nickel Investments Ltd. ("NN Investments"), a subsidiary of the Group, announced a voluntary buy-back of the Company's issued shares. By 31 December 2011, NN Investments acquired 14,658,319 of the Company's shares, including those in the form of ADRs, for a cash consideration of USD 4,488 million, including professional fees directly associated with these transactions.

At 31 December 2012, the Group’s collateral under certain of its credit agreements comprised 9,677,004 treasury shares (31 December 2011: 14,137,081).

US Dollars million

25. SHARE CAPITAL (CONTINUED)

Earnings per share

	Year ended 31/12/2012	Year ended 31/12/2011
Basic earnings per share (US Dollars per share):		
From continuing operations	13.7	24.1
From discontinued operations	–	(3.3)
Total basic earnings per share (US Dollars per share)	**13.7**	**20.8**

	Year ended 31/12/2012	Year ended 31/12/2011
Diluted earnings per share (US Dollars per share):		
From continuing operations	13.7	24.1
From discontinued operations	–	(3.3)
Total diluted earnings per share (US Dollars per share)	**13.7**	**20.8**

The earnings and weighted average number of shares used in the calculation of basic and diluted earnings per share are as follows:

	Year ended 31/12/2012	Year ended 31/12/2011
Earnings for the year attributable to shareholders of the parent company	2,170	3,604
Less: Loss for the year attributable to shareholders of the parent company from discontinued operations	–	572
Earnings for the year attributable to shareholders of the parent company from continuing operations	**2,170**	**4,176**

	Year ended 31/12/2012	Year ended 31/12/2011
Weighted average number of shares		
Shares on issue at 1 January	190,627,747	190,627,747
Less: treasury shares at 1 January	(32,392,285)	(7,018,025)
Outstanding shares at 1 January	158,235,462	183,609,722
Effect on sales of shares from treasury stock February-March 2011	–	5,968,111
Effect on buy back of shares in January-April 2011	–	(12,002,004)
Effect on buy back of shares in April-August 2011	–	(2,463,367)
Effect on buy back of shares in October-December 2011	–	(1,945,930)
Weighted average number of shares used in the calculation of basic earnings per share for the year ended 31 December	**158,235,462**	**173,166,532**
Effect of dilution resulting from call option	–	203,793
Weighted average number of shares used in the calculation of diluted earnings per share for the year ended 31 December	**158,235,462**	**173,370,325**

US Dollars million

26. OTHER RESERVES

	Investments revaluation reserve	Hedging reserve	Revaluation surplus	Translation reserve	Total
Balance at 1 January 2011	**415**	**(14)**	**43**	**(165)**	**279**
Loss on cash flow hedge	–	(6)	–	–	**(6)**
Decrease in fair value of available-for-sale investments	(390)	–	–	–	**(390)**
Realized gain on disposal of available-for-sale investments	(9)	–	–	1	**(8)**
Effect of translation to presentation currency and translation of foreign operations	–	–	–	(723)	**(723)**
Total comprehensive loss	**(399)**	**(6)**	**–**	**(722)**	**(1,127)**
Balance at 31 December 2011	**16**	**(20)**	**43**	**(887)**	**(848)**
Decrease in fair value of available-for-sale investments	(595)	–	–	–	**(595)**
Reclassification of cumulative impairment loss on available-for-sale investments to the consolidated income statement	577	–	–	–	**577**
Realised gain on disposal of available-for-sale investments	(1)	–	–	–	**(1)**
Effect of translation to presentation currency and translation of foreign operations	–	–	–	517	**517**
Other	–	1	–	–	**1**
Total comprehensive loss	**(19)**	**1**	**–**	**517**	**499**
Balance at 31 December 2012	**(3)**	**(19)**	**43**	**(370)**	**(349)**

US Dollars million

27. LOANS AND BORROWINGS

	Currency	Fixed or floating interest rate	Average nominal rate in 2012, %	Maturity	31/12/2012	31/12/2011
Loans secured by revenue	USD	fixed	3.19%	2016	1,463	–
Loans secured by revenue	USD	floating	2.17%	2012 – 2016	–	1,781
Loans secured by treasury shares	USD	floating	2.81%	2013	797	1,087
Secured loans					**2,260**	**2,868**
	USD	floating	2.57%	2013 – 2019	1,605	1,204
	USD	fixed	4.19%	2013	620	300
	RUB	fixed	8.50%	2013 – 2015	1	280
	Other	floating	8.71%	2013	39	26
Unsecured loans					**2,265**	**1,810**
Corporate Bonds	RUB	fixed	7.00%	2013	493	463
Finance lease	USD	fixed	12.00%	2013	5	14
Total					**5,023**	**5,155**
Less: current portion due within twelve months and presented as short-term borrowings					**(2,526)**	**(2,754)**
Long-term loans and borrowings					**2,497**	**2,401**

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

28. EMPLOYEE BENEFIT OBLIGATIONS

	31/12/2012	31/12/2011
Accrual for annual leave	266	220
Wages and salaries	212	136
Share appreciation rights	49	52
Defined benefit obligations	20	14
Other	7	7
Total obligations	**554**	**429**
Less: non-current obligations	**(56)**	**(56)**
Current obligations	**498**	**373**

Defined benefit plans

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

	31/12/2012	31/12/2011
Present value of defined benefit obligations	104	107
Fair value of plans assets	(44)	(50)
Present value of unfunded obligations	**60**	**57**
Unrecognised actuarial losses	(40)	(43)
	20	**14**

US Dollars million

28. EMPLOYEE BENEFIT OBLIGATIONS (CONTINUED)

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

	Year ended 31/12/2012	Year ended 31/12/2011
Expected return on plans assets	(5)	(5)
Net actuarial loss recognised during the year	2	3
Interest expense	9	10
Total	**6**	**8**
Actual loss/(gain) on plan assets	2	(5)

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

	31/12/2012	31/12/2011
Balance at beginning of the year	**50**	**54**
Contributions from the employer	1	1
Expected return on plan assets	5	5
Actuarial gain	(7)	–
Benefits paid	(7)	(8)
Effect of translation into presentation currency	2	(2)
Balance at end of the year	**44**	**50**

Movements in the present value of the defined benefit obligations under lifelong professional pension plan were as follows:

	31/12/2012	31/12/2011
Balance at beginning of the year	**107**	**122**
Benefits paid	(7)	(8)
Interest expense	9	10
Actuarial gain	(11)	(13)
Effect of translation to presentation currency	6	(4)
Balance at end of the year	**104**	**107**

Starting from 2006, all of the Group's pension plans are managed by a non-state Pension Fund "Norilsk Nickel". Contributions from the Group to this Fund during the year ended 31 December 2012 amounted to USD 33 million (2011: USD 29 million).

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

	Expected return		Fair value of pension plans assets	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
Equity instruments	10.2%	11.4%	30	39
Fixed income instruments	7.2%	8.4%	14	11
Weighted average expected return	**9.2%**	**10.7%**	**44**	**50**

US Dollars million

28. EMPLOYEE BENEFIT OBLIGATIONS (CONTINUED)

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

	31/12/2012	31/12/2011	31/12/2010	31/12/2009	31/12/2008
Defined benefit obligations	104	107	122	155	224
Plans assets	(44)	(50)	(54)	(55)	(118)
Deficit	**60**	**57**	**68**	**100**	**106**
Experience adjustments on plans assets	(7)	–	3	–	(41)
Experience adjustments on plans liabilities	(7)	(17)	(1)	18	(41)

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

	Year ended 31/12/2012	Year ended 31/12/2011
Discount rate	7.2%	8.4%
Expected rate of return on plans assets	9.2%	10.7%
Pre-retirement increases to capital accounts	–	–
Future salary increases	–	–
Future pension increases	7.1%	6.9%
Average life expectancy of members from the date of retirement	16 years	16 years

Defined contribution plans

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

	Year ended 31/12/2012	Year ended 31/12/2011
Pension Fund of the Russian Federation	384	299
Shared accumulated pension program	25	21
Other	11	5
Total	**420**	**325**

Share appreciation rights

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

On 26 February 2009, the Group granted share appreciation rights ("SAR 1") to key personnel of the Company that entitle them to a cash payment. The amount of the cash payment to eligible employees is determined based on number of vested phantom shares and volume-weighted Company's share price for the calendar quarter preceding vesting date. The program is divided into 5 stages and is effective until 30 November 2016.

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

On 7 April 2008, the Group granted share appreciation rights ("SAR 2") to key management personnel of the Russian entities of the Group that entitle them to a cash payment. The program was effective until 6 April 2011.

US Dollars million

28. EMPLOYEE BENEFIT OBLIGATIONS (CONTINUED)

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

	SAR 1	SAR 2
Balance at 1 January 2011	**53**	**2**
Expense arising from SARs granted for the year	48	–
Effect of changes in fair value of SARs	1	–
Effect of change in terms of the program	6	–
Forfeited during the year	(1)	–
Exercised during the year	(55)	(2)
Balance at 31 December 2011	**52**	**–**
Expense arising from SARs granted for the year	48	–
Effect of changes in fair value of SARs	4	–
Effect of change in terms of the program	5	–
Forfeited during the year	(1)	–
Exercised during the year	(59)	–
Balance at 31 December 2012	**49**	**–**

29. PROVISIONS

	31/12/2012	31/12/2011
Current provisions		
Other provisions	3	3
Total current provisions	**3**	**3**
Non-current provisions		
Decommissioning obligations	732	544
Provision for social commitments	185	189
Provision for land restoration	22	19
Total non-current provisions	**939**	**752**
Total	**942**	**755**

	Decommis-sioning obligations	Provision for land restoration	Provision for social commitments	Other provisions	Total
Balance at 1 January 2011	**662**	**15**	**209**	**8**	**894**
New obligations raised	1	–	12	–	**13**
Settlements during the year	–	–	(31)	(3)	**(34)**
Change in estimate	(134)	(2)	9	(2)	**(129)**
Unwinding of discount	44	2	8	–	**54**
Effect of translation to presentation currency	(29)	4	(18)	–	**(43)**
Balance at 31 December 2011	**544**	**19**	**189**	**3**	**755**
New obligations raised	–	–	–	–	**–**
Settlements during the year	–	–	(49)	–	**(49)**
Change in estimate	117	3	29	–	**149**
Unwinding of discount	50	2	10	–	**62**
Effect of translation to presentation currency	21	(2)	6	–	**25**
Balance at 31 December 2012	**732**	**22**	**185**	**3**	**942**

Environmental obligations

During 2012 and 2011 years, the Group reassessed the estimate of decommissioning obligations for its operations in the Russian Federation due to changes in inflation, discount rates and expected mines closure dates. As a result, decommissioning obligations were recalculated and results were presented as change in estimate.

US Dollars million

29. PROVISIONS (CONTINUED)

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

	31/12/2012	31/12/2011
Discount rates Russian entites	6.4% – 7.2%	6.2% – 8.9%
Discount rates non-Russian entities	3.3% – 10.0%	3.3% – 10.0%
Expected closure date of mines	up to 2045	up to 2045
Expected inflation over the period from 2012 to 2015	5.2% – 5.9%	5.0% – 5.9%
Expected inflation over the period from 2016 onwards	4.8%	4.7%

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

	31/12/2012	31/12/2011
Due from second to fifth year	300	271
Due from sixth to tenth year	120	87
Due from eleventh to fifteenth year	206	129
Due from sixteenth to twentieth year	112	65
Due thereafter	16	11
Total	**754**	**563**

Social commitments

In 2010 the Group entered into several multilateral agreements with the Government of the Russian Federation, the Krasnoyarsk Regional Government and the Norilsk Municipal Authorities for construction of pre-schools and other items of social infrastructure in Norilsk and Dudinka, and resettlement of families currently residing in these cities to other Russian regions with more favourable living conditions during 2012–2020. The provision represents present value of the best estimate of the future outflow of economic benefits to settle these obligations.

30. TRADE AND OTHER PAYABLES

	31/12/2012	31/12/2011
Financial liabilities		
Trade payables	449	346
Payables for acquisition of property, plant and equipment	81	48
Other creditors	118	91
Total financial liabilities	**648**	**485**
Non-financial liabilities		
Advances received	48	58
Total non-financial liabilities	**48**	**58**
Total	**696**	**543**

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

	31/12/2012	31/12/2011
Due within one month	352	297
Due from one to three months	233	126
Due from three to twelve months	63	62
Total	**648**	**485**

US Dollars million

31. DIVIDENDS

On 29 June 2012, the Company declared a final dividend in respect of the year ended 31 December 2011 of RUB 196 (USD 5.95) per share and the total amount of USD 941 million, which were recognised in the consolidated financial statements net of USD 193 million due to the Group's subsidiaries. The dividends were paid to the shareholders in August 2012.

32. RELATED PARTIES TRANSACTIONS AND OUTSTANDING BALANCES

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

	Sale of goods and services		Purchase of goods and services	
Transactions with related parties	**Year ended 31/12/2012**	**Year ended 31/12/2011**	**Year ended 31/12/2012**	**Year ended 31/12/2011**
Entities under common ownership and control of the Group's major shareholders	7	6	14	51
Associates of the Group	124	32	490	362
Total	**131**	**38**	**504**	**413**

During 2012, the Group made contributions into equity of Nkomati Nickel Mine, an associate of the Group, in the amount of USD 16 million (2011: USD nil million) according to the terms of the partnership agreement between the participants (refer to note 17).

During 2012, the Group acquired 11.1% of Norilskgazprom, an associate of the Group, for a cash consideration of USD 13 million. After completion of this transaction, the Group's share in this company increased to 40.5%.

At December 31, 2012 the Group provided RUB-denominated loans to an associate of the Group in the total amount of USD 51 million at interest rate of 9.5% per annum with maturity in 2016.

	Accounts receivable, investments and cash		Accounts payable, loans and borrowings received	
Outstanding balances with related parties	**31/12/2012**	**31/12/2011**	**31/12/2012**	**31/12/2011**
Entities under common ownership and control of the Group's major shareholders	2	6	–	1
Associates of the Group	68	14	22	42
Total	**70**	**20**	**22**	**43**

Terms and conditions of transactions with related parties

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

Compensation of key management personnel

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

	Year ended 31/12/2012	**Year ended 31/12/2011**
Salary and performance bonuses	47	64
Termination benefits	102	–
Total	**149**	**64**

US Dollars million

33. COMMITMENTS

Capital commitments

At 31 December 2012, contractual capital commitments amounted to USD 1,955 million (2011: USD 1,564 million).

Operating leases

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

At 31 December 2012, the Group entered into fifteen aircraft lease agreements (2011: twelve). The respective lease agreements have an average life of six-years with renewal option at the end of the term. There are no restrictions placed upon the lessee by entering into these agreements.

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

	31/12/2012	31/12/2011
Due within one year	61	55
From one to five years	166	175
Thereafter	66	79
Total	**293**	**309**

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.

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

34. CONTINGENCIES

Litigation

The Group had a number of claims and litigations relating to sales and purchases of goods and services. At 31 December 2012, total claims under unresolved litigation amounted to approximately USD 156 million (2011: USD 3 million). Management believes that the risk of an unfavorable outcome of the litigation is possible.

Taxation contingencies in the Russian Federation

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

34. CONTINGENCIES (CONTINUED)

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

Potential tax exposures

The Group operates in different jurisdictions and its operations are subject to different tax regimes. Tax legislation in some jurisdictions is unclear, lacks established assessment practice, or may be subject to varying interpretations. There is a number of tax matters which are currently being enquired by relevant tax authorities. Management estimates that in case of adverse resolution of uncertainties in relation to such tax matters, the Group’s obligations as at 31 December 2012 may amount to USD 83 million (2011: USD 83 million). No provision has been recorded in these consolidated financial statements in relation to such exposures.

Environmental matters

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

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

Russian Federation risk

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

35. 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 not exceeding 75%. During 2012 the Group complied with external capital requirements.

US Dollars million

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors and risk management structure

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

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

Interest rate risk

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

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

	LIBOR-impact	
	Year ended 31/12/2012	Year ended 31/12/2011
Loss	49	74

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

Currency risk

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

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

The carrying amounts of monetary assets and liabilities denominated in foreign currencies other than functional currencies of the individual Group entities at 31 December 2012 and 2011 were as follows:

	Assets		Liabilities	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
USD	1,717	2,188	4,622	4,501
EURO	37	65	95	53
Other currencies	9	33	31	28
Total	**1,763**	**2,286**	**4,748**	**4,582**

US Dollars million

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

Currency risk is monitored on a monthly basis utilising sensitivity analysis to assess if a risk for a potential loss is at an acceptable level. The Group calculates the financial impact of exchange rate fluctuations on USD-denominated monetary assets and liabilities in respect of the Group entities with functional currencies other than USD.

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

	US Dollar – impact	
	31/12/2012	31/12/2011
USD/RUB	592	481
USD/BWP	(10)	(18)
USD/AUD	(1)	(1)

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

Market risk on available-for-sale investments

The Group is exposed to the market risk in respect of its quoted investments, amounting to USD 1,469 million as at 31 December 2012 (31 December 2011: USD 1,967 million). Any further decline in fair value of those investments, for which impairment losses have been recognised, will be recorded in the income statement.

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 and other publically available information.

The balances of ten major counterparties are presented below. The banks have a minimum BBB credit rating.

	Outstanding balance	
	31/12/2012	31/12/2011
Bank A	447	339
Bank B	170	297
Bank C	122	267
Bank D	121	123
Bank E	70	120
Total	**930**	**1,146**
Company A	229	300
Company B	75	56
Company C	58	44
Company D	44	37
Company E	39	29
Total	**445**	**466**

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

	Year ended 31/12/2012			Year ended 31/12/2011		
	Number of customers	Turnover, USD million	%	Number of customers	Turnover, USD million	%
Largest customer	1	1,016	8	1	1,352	10
Next 9 largest customers	9	3,608	30	9	4,238	30
Total	**10**	**4,624**	**38**	**10**	**5,590**	**40**
Next 10 largest customers	10	1,527	13	10	1,752	12
Total	**20**	**6,151**	**51**	**20**	**7,342**	**52**
Remaining customers		5,914	49		6,780	48
Total		**12,065**	**100**		**14,122**	**100**

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

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

	31/12/2012	31/12/2011
Cash and cash equivalents	1,037	1,627
Loans, trade and other receivables	1,175	1,120
Bank deposits	261	115

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, committed and uncommitted 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 and quarterly budgeting procedures.

Presented below is the maturity profile of the Group's borrowings (maturity profiles for other liabilities presented in note 30) based on contractual undiscounted payments, including interest:

31/12/2012	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									
Principal	**2,577**	199	417	767	417	422	355	–	–
Interest	**141**	22	12	51	32	19	5	–	–
	2,718	**221**	**429**	**818**	**449**	**441**	**360**	–	–
Floating rate bank loans and borrowings									
Principal	**2,441**	9	–	1,129	681	506	37	37	42
Interest	**101**	11	8	35	37	8	1	1	–
	2,542	**20**	**8**	**1,164**	**718**	**514**	**38**	**38**	**42**
Total	**5,260**	**241**	**437**	**1,982**	**1,167**	**955**	**398**	**38**	**42**

US Dollars million

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

31/12/2011	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									
Principal	**1,043**	–	300	16	530	66	66	65	–
Interest	**147**	6	10	44	48	30	7	2	–
	1,190	**6**	**310**	**60**	**578**	**96**	**73**	**67**	**–**
Floating rate bank loans									
Principal	**4,098**	9	617	1,799	312	450	451	382	78
Interest	**213**	10	20	75	47	33	21	6	1
	4,311	**19**	**637**	**1,874**	**359**	**483**	**472**	**388**	**79**
Total	**5,501**	**25**	**947**	**1,934**	**937**	**579**	**545**	**455**	**79**

At 31 December 2012 and 2011, the Group had the following financing facilities for the management of its day to day liquidity requirements:

	31/12/2012	31/12/2011
Committed credit lines	3,905	2,645
Uncommitted credit lines	2,441	1,770
Bank overdraft facilities	212	443
Total borrowing facilities	**6,558**	**4,858**
Less: Outstanding letters of credit	(531)	(235)
Less: Bank guarantees received	(77)	(37)
Less: Obtained bank loans related to the above facilities	(3,745)	(3,626)
Net facilities available at the end of the year	**2,205**	**960**

36. FAIR VALUE OF FINANCIAL INSTRUMENTS

Management believes that the carrying value of financial instruments such as cash (refer to note 23), short-term accounts receivables (refer to note 21) and payables (refer to note 30), short-term loans given (refer to note 18), long-term available-for-sale investments (refer to note 18) values of which were mainly determined with reference to quoted market prices, approximate their fair value.

Certain financial instruments such as long-term accounts receivable, long-term promissory notes receivable and finance leases obligations were excluded from fair value analysis either due to their insignificance or due to the fact that assets were acquired or liabilities assumed close to the reporting dates and management believes that their carrying value either approximates their fair value or may not significantly differ from each other.

At 31 December 2012, the fair value of short-term promissory notes receivable and bonds calculated based on the present value of future cash flows, discounted at the best management estimation of market rates, does not significantly differ from carrying value of these notes.

At 31 December 2012, the estimated fair value of convertible notes receivable (refer to note 18) was USD 80 million (2011: USD 77 million). The Group used external inputs such as quoted prices for similar assets in active markets to determine the fair value of these convertible notes.

US Dollars million

36. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

	31/12/2012		31/12/2011	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Loans and borrowings, including:				
Variable-rate loans and borrowings	2,441	2,424	4,098	4,092
Fixed-rate loans and borrowings	2,084	2,088	580	579
Corporate bonds	493	492	463	462
Total	**5,018**	**5,004**	**5,141**	**5,133**

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

- the fair value of corporate bonds was determined based on market quotations existing at the reporting dates;
- the fair value of variable-rate and fixed rate loans and borrowings at 31 December 2012, was calculated based on the present value of future cash flows (principal and interest), discounted at the best management estimation of market rates, taking into consideration currency of the loan, expected maturity and risks attributable to the individual borrower exists at the reporting date. The discount rates ranged from 3.29% to 4.70% for USD-denominated loans and borrowings (2011: from 1.29% to 4.75%).

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

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

	31/12/2012			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Available-for-sale investments in securities	1,389	–	–	**1,389**
Available-for-sale investment in convertible notes	–	80	–	**80**
Derivative financial instruments	–	–	–	**–**
Total	**1,389**	**80**	**–**	**1,469**
Financial liabilities				
Derivative financial instruments	–	3	–	**3**
Total	**–**	**3**	**–**	**3**

	31/12/2011			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Available-for-sale investments in securities	1,890	–	–	**1,890**
Available-for-sale investment in convertible notes	–	77	–	**77**
Derivative financial instruments	–	1	–	**1**
Total	**1,890**	**78**	**–**	**1,968**
Financial liabilities				
Derivative financial instruments	–	2	–	**2**
Total	**–**	**2**	**–**	**2**

37. EVENTS SUBSEQUENT TO THE REPORTING DATE

Decrease of share capital

Based on the decision of the extraordinary general shareholders' meeting, held on 29 January 2013, the Company's share capital has been reduced by 18,470,925 ordinary shares.

Loans and borrowings

In February 2013 the Company issued bonds of series BO-01 and BO-02 of USD 327 million each and BO-04 of USD 490 million denominated in Russian Roubles and maturing in 2016 with coupon rate 7.9% per annum.

Acquisition of subsidiary

On 1 March 2013, the Group acquired an additional 15.7% interest in Norilskgazprom, a gas producing enterprise, for a cash consideration of USD 19 million, increasing its ownership in this company to 56.2%. Prior to this transaction, investment in Norilskgazprom was classified as an investment in associate.

Fair value of Norilskgazprom's assets and liabilities at the date of acquisition has not yet been determined and the initial accounting for this business combination is not complete at the time when these financial statements are authorised.

US Dollars million

38. INVESTMENTS IN SIGNIFICANT SUBSIDIARIES AND ASSOCIATES

Subsidiaries by business segments	Country	Nature of business	Effective % held 31/12/2012	Effective % held 31/12/2011
Mining and metallurgy				
OJSC "RAO "Norilsk Nickel"	Russian Federation	Investment holding	100.0	100.0
CJSC "Normetimpex"	Russian Federation	Distribution	100.0	100.0
OJSC "Kolskaya Mining and Metallurgical Company"	Russian Federation	Mining	100.0	100.0
LLC "Institut Gypronickel"	Russian Federation	Science	100.0	100.0
OJSC "Norilsky Kombinat"	Russian Federation	Rental of equipment	100.0	100.0
OJSC "Kombinat "Severonickel"	Russian Federation	Rental of equipment	100.0	100.0
OJSC "Mining and Metallurgical Plant "Pechenganickel"	Russian Federation	Rental of equipment	100.0	100.0
LLC "Norilskgeologiya"	Russian Federation	Geological works	100.0	100.0
LLC "GRK "Bystrinskoye"	Russian Federation	Mining	100.0	100.0
Norilsk Nickel (Asia) Limited	China	Distribution	100.0	100.0
Norimet Limited	Great Britain	Investment holding	100.0	100.0
Norilsk Nickel Europe Limited	Great Britain	Distribution	100.0	100.0
Norilsk Nickel Finance Luxembourg S.A.	Luxembourg	Financing	100.0	100.0
Norilsk Nickel Holding S.A.	Switzerland	Investment holding	100.0	100.0
Metal Trade Overseas S.A.	Switzerland	Distribution	100.0	100.0
Norilsk Nickel USA	United States of America	Distribution	100.0	100.0
Norilsk Nickel (Cyprus) Limited	Cyprus	Investment holding	100.0	100.0
Norilsk Nickel Harjavalta Oy	Finland	Metallurgy	100.0	100.0
Norilsk Nickel Cawse Pty Limited	Australia	Mining	100.0	100.0
MPI Nickel Limited	Australia	Mining	100.0	100.0
Norilsk Nickel Australia Pty Limited	Australia	Mining	100.0	100.0
Norilsk Process Technology Pty Limited	Australia	Science	100.0	100.0
Tati Nickel Mining Company Pty Limited	Botswana	Mining	85.0	85.0
Norilsk Nickel Africa Pty Limited	Republic of South Africa	Mining	100.0	100.0
Other				
OJSC "Taimyrgaz"	Russian Federation	Gas extraction	99.7	99.3
OJSC "Norilsko-Taimyrskaya Energeticheskaya Kompaniya"	Russian Federation	Electricity production and distribution	100.0	100.0
OJSC "Taimyrenergo"	Russian Federation	Rental of equipment	100.0	100.0
OJSC "Enisey River Shipping Company"	Russian Federation	River shipping operations	54.0	54.0
OJSC "Arkhangelsk Sea Commercial Port"	Russian Federation	Sea port	74.8	74.8
LLC "Aeroport Norilsk"	Russian Federation	Airport	100.0	100.0
CJSC "Taimyrskaya Toplivnaya Kompaniya"	Russian Federation	Supplier of fuel	100.0	100.0
LLC "Norilsknickelremont"	Russian Federation	Repairs	100.0	100.0
LLC "UK "Zapolyarnaya stolitsa"	Russian Federation	Subcontractor in construction	100.0	100.0
LLC "Zapoliarnaya stroitelnaya companiya"	Russian Federation	Construction	100.0	100.0
OJSC "Aviakompania "Taimyr"	Russian Federation	Transport	88.1	88.1
LLC "Norilskyi obespechivaushyi complex"	Russian Federation	Production of spare parts	100.0	100.0

Associates by business segments	Country	Nature of business	Effective % held 31/12/2012	Effective % held 31/12/2011
Mining and metallurgy				
Nkomati Nickel Mine	Republic of South Africa	Mining	50.0	50.0
Other				
OJSC "Norilskgazprom"	Russian Federation	Gas extraction	40.5	29.4
OJSC "KTK"	Russian Federation	Steam and hot water production	50.0	50.0