

Mining and Metallurgical Company Norilsk Nickel

**Consolidated financial statements
for the year ended 31 December 2013**

MINING AND METALLURGICAL COMPANY NORILSK NICKEL

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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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 2013

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 2013, 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 2013 were approved by:



V.O. Potanin
General Director



S.G. Malyshev
Deputy General Director

Moscow, Russia
04 April 2014



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Auditors' Report

To the Shareholders and Board of Directors

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 2013, 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 2013, 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.

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.

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.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2013, and its financial performance and its cash flows for 2013 in accordance with International Financial Reporting Standards.

I.V. Tokarev, Director, power of attorney dated 1 October 2013 No. 87/13

ZAO KPMG

4 April 2014

Moscow, Russian Federation



MINING AND METALLURGICAL COMPANY NORILSK NICKEL

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

US Dollars million

	Notes	Year ended 31/12/2013	Year ended 31/12/2012
Revenue			
Metal sales	7	10,407	11,362
Other sales		1,082	1,004
Total revenue		11,489	12,366
Cost of metal sales	8	(5,535)	(5,420)
Cost of other sales		(961)	(947)
Gross profit		4,993	5,999
Selling and distribution expenses	9	(426)	(578)
General and administrative expenses	10	(983)	(1,043)
Impairment of property, plant and equipment	15	(841)	(279)
Other net operating expenses	11	(267)	(235)
Operating profit		2,476	3,864
Finance costs	12	(376)	(294)
Loss from investments, net	13	(611)	(552)
Foreign exchange (loss)/gain, net		(202)	214
Excess of the Group's share in the fair value of net assets acquired over the cost of acquisition		—	8
Share of profits/(losses) of associates		43	(97)
Profit before tax		1,330	3,143
Income tax expense	14	(565)	(1,000)
Profit for the year		765	2,143
Attributable to:			
Shareholders of the parent company		774	2,170
Non-controlling interests		(9)	(27)
		765	2,143
EARNINGS PER SHARE			
Basic and diluted earnings per share attributable to shareholders of the parent company (US Dollars per share)	24	4.9	13.7

The accompanying notes on pages 11 – 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 2013

US Dollars million

	Year ended 31/12/2013	Year ended 31/12/2012
Profit for the year	765	2,143
Other comprehensive income/(loss)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		
Effect of translation of foreign operations	59	(77)
Decrease in fair value of available-for-sale investments	(111)	(595)
Realised loss/(gain) on disposal of available-for-sale investments	13	(1)
Investments' revaluation reserve reclassified from comprehensive income to the income statement	60	577
Other	—	1
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods, net	21	(95)
Items not to be reclassified to profit or loss in subsequent periods		
Effect of translation to presentation currency	(955)	601
Remeasurements of defined benefit plans	(24)	—
Other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods, net	(979)	601
Other comprehensive (loss)/income for the year, net of tax	(958)	506
Total comprehensive (loss)/income for the year, net of tax	(193)	2,649
Attributable to:		
Shareholders of the parent company	(173)	2,669
Non-controlling interests	(20)	(20)
Total comprehensive (loss)/income for the year, net of tax	(193)	2,649

The accompanying notes on pages 11 – 58 form an integral part of the consolidated financial statements

MINING AND METALLURGICAL COMPANY NORILSK NICKEL

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2013

US Dollars million

	Notes	31/12/2013	31/12/2012
ASSETS			
Non-current assets			
Property, plant and equipment	15	11,222	11,927
Intangible assets		58	74
Investments in associates	16	29	329
Other financial assets	17	738	1,587
Other taxes receivable	18	14	5
Deferred tax assets	14	26	68
Other non-current assets		202	170
		12,289	14,160
Current assets			
Inventories	19	2,955	3,197
Trade and other receivables	20	633	1,063
Advances paid and prepaid expenses	21	93	90
Other financial assets	17	26	255
Income tax receivable		61	195
Other taxes receivable	18	509	977
Cash and cash equivalents	22	1,621	1,037
		5,898	6,814
Assets classified as held for sale	23	594	—
		6,492	6,814
TOTAL ASSETS		18,781	20,974
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	24	6	8
Share premium		1,254	1,511
Treasury shares	24	—	(8,692)
Other reserves	25	(1,230)	(349)
Retained earnings		9,589	20,353
Equity attributable to shareholders of the parent company		9,619	12,831
Non-controlling interests		131	109
		9,750	12,940
Non-current liabilities			
Loans and borrowings	26	5,173	2,497
Employee benefit obligations	27	54	56
Provisions	28	716	901
Deferred tax liabilities	14	382	573
		6,325	4,027
Current liabilities			
Loans and borrowings	26	1,032	2,526
Employee benefit obligations	27	415	498
Trade and other payables	29	619	696
Provisions	28	28	41
Derivatives financial instruments		5	3
Income tax payable		1	18
Other taxes payable	18	198	225
		2,298	4,007
Liabilities associated with assets classified as held for sale	23	408	—
		2,706	4,007
TOTAL LIABILITIES		9,031	8,034
TOTAL EQUITY AND LIABILITIES		18,781	20,974

The accompanying notes on pages 11 – 58 form an integral part of the consolidated financial statements

MINING AND METALLURGICAL COMPANY NORILSK NICKEL

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013

US Dollars million

	Year ended 31/12/2013	Year ended 31/12/2012
OPERATING ACTIVITIES		
Profit before tax	1,330	3,143
Adjustments for:		
Depreciation and amortisation	881	789
Impairment of property, plant and equipment	841	279
Impairment of investments in associates	—	102
Impairment of intangible assets and goodwill	11	—
Impairment of financial assets	729	595
Loss on disposal of property, plant and equipment	18	37
Share of profits of associates	(43)	(5)
Excess of the Group's share in the fair value of net assets acquired over the cost of acquisition	—	(8)
Gain on disposal of subsidiary	(66)	—
Change in provisions	21	38
Finance costs and income from investments, net	324	251
Foreign exchange loss/(gain), net	202	(214)
Change in tax provisions	169	10
Excess of decrease in decommissioning obligations over asset's net book value	(105)	—
Other	63	11
	4,375	5,028
Movements in working capital:		
Inventories	(9)	(409)
Trade and other receivables	389	(22)
Advances paid and prepaid expenses	(16)	(13)
Other tax receivable	380	(253)
Employee benefit obligations	(67)	90
Trade and other payables	(100)	35
Other taxes payable	(23)	67
Cash generated from operations	4,929	4,523
Interest paid	(229)	(230)
Income tax paid	(585)	(859)
Net cash generated from operating activities	4,115	3,434
INVESTING ACTIVITIES		
Acquisition of subsidiary, net of cash acquired	(15)	—
Net cash inflow from disposal of subsidiary	65	—
Contribution to associate and acquisition of associate	—	(29)
Purchase of property, plant and equipment	(1,970)	(2,692)
Proceeds from disposal of property, plant and equipment	18	10
Purchase of intangible assets	(19)	(21)
Purchase of other financial assets	(155)	(81)
Purchase of other non-current assets	(47)	(31)
Loan repaid by related party	9	—
Net change in deposits placed	215	(132)
Interest received	52	19
Proceeds from sale of other financial assets	97	42
Dividends received	12	1
Net cash used in investing activities	(1,738)	(2,914)
FINANCING ACTIVITIES		
Proceeds from loans and borrowings	6,001	2,478
Repayments of loans and borrowings	(4,759)	(2,666)
Proceeds from sales of shares from treasury stock	1	—
Dividends paid by the Company	(2,989)	(960)
Dividends paid by the Group's subsidiaries to non-controlling shareholders	—	(16)
Net cash used in financing activities	(1,746)	(1,164)

The accompanying notes on pages 11 – 58 form an integral part of the consolidated financial statements

MINING AND METALLURGICAL COMPANY NORILSK NICKEL

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

US Dollars million

	<u>Year ended 31/12/2013</u>	<u>Year ended 31/12/2012</u>
Net increase/(decrease) in cash and cash equivalents	631	(644)
Cash and cash equivalents at beginning of the year	1,037	1,627
Cash and cash equivalents related to assets classified as held for sale at end of the year	(9)	—
Effects of foreign exchange differences on balances of cash and cash equivalents and translation to presentation currency	<u>(38)</u>	<u>54</u>
Cash and cash equivalents at end of the year	<u><u>1,621</u></u>	<u><u>1,037</u></u>

The accompanying notes on pages 11 – 58 form an integral part of the consolidated financial statements

MINING AND METALLURGICAL COMPANY NORILSK NICKEL

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

US Dollars million

	Notes	Equity attributable to shareholders of the parent company					Total	Non-controlling interests	Total
		Share Capital	Share premium	Treasury shares	Other reserves	Retained earnings			
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	25	—	—	—	517	—	517	7	524
Decrease in fair value of available-for-sale investments	25	—	—	—	(595)	—	(595)	—	(595)
Realised loss on disposal of available-for-sale investments	25	—	—	—	(1)	—	(1)	—	(1)
Investments revaluation reserve reclassified from comprehensive income 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		—	—	—	—	(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 11 – 58 form an integral part of the consolidated financial statements

MINING AND METALLURGICAL COMPANY NORILSK NICKEL

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

US Dollars million

	Notes	Equity attributable to shareholders of the parent company					Total	Non-controlling interests	Total
		Share Capital	Share premium	Treasury shares	Other reserves	Retained earnings			
Balance at 1 January 2013		8	1,511	(8,692)	(349)	20,353	12,831	109	12,940
Profit for the year		—	—	—	—	774	774	(9)	765
Other comprehensive income/(loss):									
Effect of translation to presentation currency and translation of foreign operations	25	—	—	—	(885)	—	(885)	(11)	(896)
Decrease in fair value of available-for-sale investments	25	—	—	—	(111)	—	(111)	—	(111)
Realised gain on disposal of available-for-sale investments	25	—	—	—	13	—	13	—	13
Investments revaluation reserve reclassified from comprehensive income to the consolidated income statement	13	—	—	—	102	(42)	60	—	60
Remeasurements of defined benefit plans		—	—	—	—	(24)	(24)	—	(24)
Total comprehensive loss for the year		—	—	—	(881)	708	(173)	(20)	(193)
Cancellation of ordinary shares from treasury stock		(2)	(257)	8,689	—	(8,430)	—	—	—
Sale of shares from treasury stock		—	—	3	—	(1)	2	—	2
Non-controlling interests in subsidiary acquired during the period		—	—	—	—	—	—	43	43
Decrease in non-controlling interest due to increase in ownership of subsidiary		—	—	—	—	1	1	(1)	—
Dividends	30	—	—	—	—	(3,042)	(3,042)	—	(3,042)
Balance at 31 December 2013		6	1,254	—	(1,230)	9,589	9,619	131	9,750

The accompanying notes on pages 11 – 58 form an integral part of the consolidated financial statements

MINING AND METALLURGICAL COMPANY NORILSK NICKEL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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 37.

Major production facilities of the Group are located in Taimyr and Kola Peninsulas of the Russian Federation and in Finland. 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 2013 and 2012 was as follows:

Shareholders	31/12/2013		31/12/2012	
	Number of outstanding shares	% held	Number of outstanding shares*	% held
CJSC “ING Bank (Eurasia)” (nominee)	—	—	58,624,683	37.05
Non-banking credit company CJSC “National Settlement Depository” (nominee)	150,415,767	95.05	89,389,915	56.49
Other, individually less than 5%	7,829,709	4.95	10,220,864	6.46
Total	158,245,476	100.00	158,235,462	100.00

* Number of outstanding shares excludes all treasury shares.

BASIS OF PREPARATION

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 measurement

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*.

MINING AND METALLURGICAL COMPANY NORILSK NICKEL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

2. CHANGES IN ACCOUNTING POLICIES

Reclassification

Metal sales

Management reassessed classification of rhodium, silver and cobalt metals. Previously revenue from these metals was treated as revenue from by-products and was recognised as a reduction in cost of metal sales. After reclassification this revenue is recognised as sales of joint products within metal sales.

Sales as restated due to changes in classification

Year ended 31/12/2012	Total	Nickel	Copper	Palladium	Platinum	Other joint metals
Europe	6,267	2,763	1,772	793	586	353
Asia	2,773	1,675	227	543	305	23
North America	1,290	568	87	379	127	129
Russian Federation and CIS	1,028	213	785	7	10	13
Other	4	4	—	—	—	—
	11,362	5,223	2,871	1,722	1,028	518

As previously reported

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 and CIS	1,015	213	785	7	10	—
Other	4	4	—	—	—	—
	11,061	5,223	2,871	1,722	1,028	217

General and administrative expenses

Management reassessed classification of labour expenses previously presented within cost of metal sales. After reclassification they are recognised within general and administrative expenses.

	As previously reported	Changes in classification	As restated
General and administrative expenses for the year ended 31 December 2012	1,000	43	1,043

Cost of metal sales

Cost of metal sales for the year ended 31 December 2012	As previously reported	Changes in classification	As restated
Cash operating costs			
Labour	1,550	(43)	1,507
Consumables and spares	1,247	—	1,247
Expenses on acquisition of raw materials and semi-products	918	—	918
Outsourced third party services	651	—	651
Utilities	216	—	216
Tax directly attributable to cost of goods sold	193	—	193
Transportation expenses	156	—	156
Sundry costs	109	—	109
Less: sales of by-products	(323)	301	(22)
Total cash operating costs	4,717	258	4,975
Depreciation and amortisation	712	—	712
Increase in metal inventories	(267)	—	(267)
Total	5,162	258	5,420

MINING AND METALLURGICAL COMPANY NORILSK NICKEL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Export custom duties

Management reassessed classification of export custom duties previously presented within cost of other sales. After reclassification they are recognised within selling and distribution expenses.

	<u>As previously reported</u>	<u>Changes in classification</u>	<u>As restated</u>
Cost of other sales for the year ended 31 December 2012	983	(36)	947

	<u>As previously reported</u>	<u>Changes in classification</u>	<u>As restated</u>
Selling and distribution expenses for the year ended 31 December 2012	542	36	578

Certain other items presented in the consolidated financial statements were also reclassified to conform with current year presentation.

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 2013.

Adoption of new and revised standards and interpretations

IAS 1 Presentation of Financial Statements (amended) (“IAS 1”)

As a result of amendments to IAS 1, presentation of consolidated statement of comprehensive income has changed. Due to new requirements all items are grouped in those that will be reclassified subsequently to the consolidated income statement when specific conditions are met and those that will not be reclassified subsequently to the consolidated income statement.

IAS 19 Employee Benefits (amended) (“IAS 19”)

As a result of amendments to IAS 19, the Group has changed its accounting policy. All actuarial gains and losses are now recognised immediately in comprehensive income when they occur. Previously actuarial gains and losses were recognised as income or expense in profit or loss when the cumulative unrecognised actuarial gains or losses for the plan exceeded 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 was recognised over the expected average remaining working lives of the employees participating in the plan.

The impact of adoption of amendments in IAS 19 on the consolidated financial statements was assessed by management of the Group as immaterial.

IFRS 11 Joint Arrangements (“IFRS 11”)

The Group has applied IFRS 11 to joint arrangements. Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures. The Group recognises joint ventures using equity method. The Group recognises its assets, its liabilities, its revenue from the sale of its share of the output of the joint operation, its share of the revenue from the sale of the output by the joint operation and its expenses in relation to the Group interest in a joint operation.

The impact of adoption of IFRS 11 on the consolidated financial statements was assessed by management of the Group as immaterial.

MINING AND METALLURGICAL COMPANY NORILSK NICKEL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Other standards and interpretations

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

- IAS 16 *Property, Plant and Equipment (amended)*;
- IAS 27 *Separate Financial Statements (amended)*;
- IAS 28 *Investments in Associates and Joint ventures (amended)*;
- IAS 32 *Financial Instruments: Presentation (amended)*;
- IAS 34 *Interim Financial Reporting (amended)*;
- IAS 36 *Impairment of Assets (amended)*;
- IFRS 1 *First-time adoption of IFRS (amended)*;
- IFRS 7 *Financial Instruments: Disclosures (amended)*;
- IFRS 10 *Consolidated Financial Statements*;
- IFRS 12 *Disclosures of Interests in Other Entities*;
- IFRS 13 *Fair Value Measurement*;
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*.

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 16 <i>Property, Plant and Equipment (amended)</i>	1 July 2014
IAS 19 <i>Employee Benefits (amended)</i>	1 July 2014
IAS 24 <i>Related Party Disclosures (amended)</i>	1 July 2014
IAS 27 <i>Separate Financial Statements (amended)</i>	1 January 2014
IAS 32 <i>Financial Instruments: Presentation (amended)</i>	1 January 2014
IAS 36 <i>Impairment of Assets (amended)</i>	1 January 2014
IAS 38 <i>Intangible Assets (amended)</i>	1 July 2014
IAS 39 <i>Financial Instruments: Recognition and Measurement (amended)</i>	1 January 2014
IAS 40 <i>Investment Property (amended)</i>	1 July 2014
IFRS 1 <i>First-time adoption of IFRS (amended)</i>	1 July 2014
IFRS 2 <i>Share-based Payment (amended)</i>	1 July 2014
IFRS 3 <i>Business Combination (amended)</i>	1 July 2014
IFRS 7 <i>Financial Instruments: Disclosures (amended)</i>	1 January 2015
IFRS 8 <i>Operating Segments (amended)</i>	1 July 2014
IFRS 9 <i>Financial Instruments</i>	—
IFRS 10 <i>Consolidated Financial Statements (amended)</i>	1 January 2014
IFRS 12 <i>Disclosure of Interests in Other Entities (amended)</i>	1 January 2014
IFRS 13 <i>Fair Value Measurement (amended)</i>	1 July 2014
IFRS 14 <i>Regulatory Deferral Accounts</i>	1 January 2016
IFRIC 21 <i>Levies</i>	1 January 2014

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 is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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 or joint 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.

Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. A joint arrangement is either a joint operation or a joint venture.

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Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The Group recognises in relation to its interest in a joint operation: its assets, including its share of any assets held jointly, its liabilities, including its share of any liabilities incurred jointly, its revenue from the sale of its share of the output of the joint operation, its share of the revenue from the sale of the output by the joint operation and its expenses, including its share of any expenses incurred jointly.

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 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 classified as 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.

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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 consolidated 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:

<u>Subsidiary</u>	<u>Functional currency</u>
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 1).

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.

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

	<u>2013</u>	<u>2012</u>
<i>Russian Rouble/US Dollar</i>		
31 December	32.73	30.37
Average for the year ended 31 December	31.85	31.09
<i>Botswana Pula/US Dollar</i>		
31 December	8.88	7.89
Average for the year ended 31 December	8.50	7.73
<i>Australian Dollar/US Dollar</i>		
31 December	1.13	0.96
Average for the year ended 31 December	1.03	0.97
<i>South African Rand/US Dollar</i>		
31 December	10.50	8.49
Average for the year ended 31 December	9.62	8.21

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.

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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 471) for the rest of his/her life.

The liability recognised in the consolidated statement of financial position in respect of defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in comprehensive income when they occur.

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Past service costs are recognised immediately in the consolidated income statement.

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.

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 comprehensive income, in which case the tax is also recognised directly in 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 at the reporting 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.

MINING AND METALLURGICAL COMPANY NORILSK NICKEL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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 licenses 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 44 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, it also includes amounts of irrecoverable letters of credit opened for fixed assets supply deposited in banks at the end of the period. 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.

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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.

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 of patents, licenses and software is charged on a straight-line basis over 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 or cash-generating unit. 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.

Inventories

Refined metals

Joint products, i.e. nickel, copper, cobalt, gold, palladium, platinum, rhodium and silver 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. ruthenium, iridium 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.

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Stores and materials

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

Financial assets

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

Financial assets are classified into the following specified categories:

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

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

Effective interest method

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

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

Financial assets at fair value through profit or loss

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

A financial asset is classified as held for trading if:

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

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

Held-to-maturity investments

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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 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.

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When a decline in fair value of an available-for-sale investment has been recognised directly in comprehensive income and there is objective evidence that investment is impaired, the cumulative loss that had been recognised directly in comprehensive income is removed from 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 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 comprehensive income. The ineffective portion of cash flow hedges is recognised in the consolidated income statement. Amounts deferred in 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 comprehensive income are transferred from 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 comprehensive income at that time remains in 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 comprehensive income is recognised immediately in the consolidated income statement.

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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 on land restoration is 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 of assets;
- allowances;
- environmental obligations;
- 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 are reviewed by management periodically. The review is based on the current condition of the assets and the estimated period during which they will continue to bring economic benefit to the Group.

Impairment of assets

The Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets are impaired. In making the assessment for impairment, assets that do not generate independent cash flows are allocated to an appropriate cash-generating unit. Management necessarily applies its judgment in allocating assets that do not generate independent cash flows to appropriate cash-generating units, and also in estimating the timing and value of the underlying cash flows within the value-in-use calculation. Subsequent changes to the cash-generating unit allocation or to the timing of cash flows could impact the carrying value of the respective assets.

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 2013, the allowance for doubtful debts amounted to USD 118 million (31 December 2012: USD 72 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.

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The Group also creates an allowance for obsolete and slow-moving raw materials and spare parts. At 31 December 2013, the allowance for obsolete and slow-moving items amounted to USD 33 million (31 December 2012: USD 33 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.

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.

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US Dollars million

5. BUSINESS COMBINATION

Acquisitions during year ended 31 December 2013

OJSC “Norilskgazprom”

On 1 March 2013, the Group acquired an additional 15.7% interest in OJSC “Norilskgazprom” (“Norilskgazprom”), a gas extraction 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.

Aggregated net assets of Norilskgazprom at the date of acquisition were as follows:

	<u>Fair value</u>
Property, plant and equipment (refer to note 15)	107
Inventories	27
Trade and other receivables	32
Advances paid and prepaid expenses	3
Other taxes receivable	5
Cash and cash equivalents	4
Loans and borrowings	(38)
Employee benefit obligations	(19)
Trade and other payables	(18)
Other current tax liabilities	(6)
Net assets at the date of acquisition	<u>97</u>

Net cash outflow on acquisition of subsidiary:

Cash consideration	19
Less: Cash and cash equivalents acquired	(4)
Net cash outflow on acquisition	<u>15</u>

There was no goodwill recognised from acquisition of Norilskgazprom:

Total consideration transferred	19
Plus: non-controlling interests, based on their proportionate interest in the recognised amounts of the assets and liabilities of Norilskgazprom	43
Plus: fair value of previously held interest	39
Less: fair value of identifiable net assets acquired	(97)
Excess of the cost of acquisition over the Group’s share in the fair value of net assets acquired	4
Impairment of goodwill	(4)
	<u>—</u>

Acquisition of Norilskgazprom has had no significant impact on the Group’s revenue and profit before tax from the date of acquisition till 31 December 2013. Had this business combination been effected at 1 January 2013, the Group’s revenue and net profit for the period ended 31 December 2013 would not have been significantly different.

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US Dollars million

5. BUSINESS COMBINATION (CONTINUED)

Acquisitions during year ended 31 December 2012

CJSC “Nordavia – Regional Airlines”

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 regularly reviewed by the General Director.

The Group is currently updating and changing its management accounting system. The new system for management accounting and reporting will provide more detailed financial information about profitability of particular industrial production units and it is expected that it will be finally implemented during 2014. Together with change in management accounting system new structure of operating segments is being introduced.

Management has determined the following operating segments:

- “*GMK Group*” segment, which includes mining and metallurgy operations, transport and logistic services, energy, repair and maintenance services located at Taimyr Peninsula and corporate activities;
- “*KGMK Group*” segment, which includes mining and metallurgy operations, transport and logistic services, energy, repair and maintenance services located at Kola Peninsula;
- “*Other industrial*” segment, which includes refinery and distribution operations, research activities located in Russia and abroad;
- “*Other non-industrial*” segment, which includes energy and utility, transport and logistic services, repair and maintenance services located in Russia and abroad.

The operating segments’ amounts in the disclosure are stated before intersegment eliminations, excluding:

- balances of intercompany loans and borrowings and interest;
- accrual of intercompany interest on loans and borrowings;
- accrual of intercompany dividends;
- intercompany metal sales.

Amounts are measured on the same basis as those in the consolidated financial statements.

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US Dollars million

6. SEGMENTAL INFORMATION (CONTINUED)

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 2013 and 2012, respectively.

Year ended 31/12/2013	GMK Group	KGMK Group	Other industrial	Other non-industrial	Eliminations	Total
Revenue from external customers	8,440	767	1,424	858	—	11,489
Inter-segment revenue	72	252	39	486	(849)	—
Total revenue	8,512	1,019	1,463	1,344	(849)	11,489
Operating profit/(loss)	3,668	(225)	(828)	(139)	—	2,476
Share of (losses)/profits of associates	(3)	2	44	—	—	43
Profit/(loss) before interest, foreign exchange (loss)/gain and tax	3,020	(224)	(801)	(139)	—	1,856
Income tax expense	(665)	30	70	—	—	(565)
Segmental profit/(loss) for the year	2,355	(194)	(731)	(139)	—	1,291
Unallocated items						
Interest income						52
Interest expenses						(376)
Foreign exchange loss, net						(202)
Profit for the year						765

Other segmental information

Year ended 31/12/2013	GMK Group	KGMK Group	Other industrial	Other non-industrial	Total
Additions of property, plant and equipment	1,705	116	165	10	1,996
Additions of intangible assets	16	1	2	2	21
Depreciation and amortisation	707	93	55	26	881
Impairment of property, plant and equipment	47	307	427	60	841
Impairment of financial assets	709	—	19	—	728
Other non-cash expenses/(gains)	6	(6)	157	20	177

Year ended 31/12/2012	GMK Group	KGMK Group	Other industrial	Other non-industrial	Eliminations	Total
Revenue from external customers	9,126	1,000	1,461	779	—	12,366
Inter-segment revenue	88	253	31	352	(724)	—
Total revenue	9,214	1,253	1,492	1,131	(724)	12,366
Operating profit/(loss)	4,164	205	(423)	(82)	—	3,864
Share of profits/(losses) of associates	—	1	(98)	—	—	(97)
Profit/(loss) before interest, foreign exchange (loss)/gain and tax	3,586	206	(536)	(56)	—	3,200
Income tax expense	(935)	(56)	7	(16)	—	(1,000)
Segmental profit/(loss) for the year	2,651	150	(529)	(72)	—	2,200
Unallocated items						
Interest income						23
Interest expense						(294)
Foreign exchange gain, net						214
Profit for the year						2,143

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US Dollars million

6. SEGMENTAL INFORMATION (CONTINUED)

Other segmental information

Year ended 31/12/2012	GMK Group	KGMK Group	Other industrial	Other non-industrial	Total
Additions of property, plant and equipment	2,292	172	219	61	2,744
Additions of intangible assets	15	1	2	3	21
Depreciation and amortisation	566	92	99	31	788
Impairment of property, plant and equipment	15	3	261	—	279
Impairment of financial assets	574	—	19	2	595
Other non-cash expenses	60	14	28	15	117

The following tables present assets and liabilities of the Group's operating segments at 31 December 2013 and 31 December 2012, respectively.

Year ended 31/12/2013	GMK Group	KGMK Group	Other industrial	Other non-industrial	Eliminations	Total
Investments in associates	—	29	—	—	—	29
Segment assets	14,759	846	1,932	621	—	18,158
Inter-segment assets and eliminations	66	111	23	59	(259)	—
Total segment assets	14,825	986	1,955	680	(259)	18,187
Assets classified as held for sale as at 31 December 2013 (refer to note 23)	174	—	334	86	—	594
Total assets	14,999	986	2,289	766	(259)	18,781
Segment liabilities	8,017	59	483	64	—	8,623
Inter-segment liabilities and eliminations	118	40	39	62	(259)	—
Total segment liabilities	8,135	99	522	126	(259)	8,623
Liabilities associated with assets classified as held for sale as at 31 December 2013 (refer to note 23)	—	—	365	43	—	408
Total liabilities	8,135	99	887	169	(259)	9,031
Year ended 31/12/2012	GMK Group	KGMK Group	Other industrial	Other non-industrial	Eliminations	Total
Investments in associates	—	29	257	43	—	329
Segment assets	15,898	1,309	2,628	810	—	20,645
Inter-segment assets and eliminations	75	50	39	24	(188)	—
Total segment assets	15,973	1,388	2,924	877	(188)	20,974
Segment liabilities	6,155	194	1,536	149	—	8,034
Inter-segment liabilities and eliminations	63	49	19	57	(188)	—
Total segment liabilities	6,218	243	1,555	206	(188)	8,034

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

	31/12/2013	31/12/2012
Russian Federation	11,269	11,620
Africa	13	263
Australia	—	349
Europe	243	273
Total	11,525	12,505

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US Dollars million

7. METAL SALES

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

Year ended 31/12/2013	Total	Nickel	Copper	Palladium	Platinum	Other joint metals
Europe	5,431	2,098	1,694	821	552	266
Asia	2,975	1,620	266	740	301	48
North America	972	408	31	355	91	87
Russian Federation and CIS	1,029	229	730	19	12	39
	10,407	4,355	2,721	1,935	956	440

Year ended 31/12/2012	Total	Nickel	Copper	Palladium	Platinum	Other joint metals
Europe	6,267	2,763	1,772	793	586	353
Asia	2,773	1,675	227	543	305	23
North America	1,290	568	87	379	127	129
Russian Federation and CIS	1,028	213	785	7	10	13
Other	4	4	—	—	—	—
	11,362	5,223	2,871	1,722	1,028	518

8. COST OF METAL SALES

	Year ended 31/12/2013	Year ended 31/12/2012
Cash operating costs		
Labour	1,607	1,507
Consumables and spares	1,081	1,247
Expenses on acquisition of raw materials and semi-products	716	918
Outsourced third party services	539	651
Tax directly attributable to cost of goods sold	274	193
Utilities	214	216
Transportation expenses	156	156
Sundry costs	117	109
Less: sales of by-products	(9)	(22)
Total cash operating costs	4,695	4,975
Depreciation and amortisation	804	712
Decrease/(increase) in metal inventories	36	(267)
Total	5,535	5,420

9. SELLING AND DISTRIBUTION EXPENSES

	Year ended 31/12/2013	Year ended 31/12/2012
Export customs duties	374	515
Transportation expenses	26	33
Labour	20	17
Other	6	13
Total	426	578

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US Dollars million

10. GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended 31/12/2013	Year ended 31/12/2012
Labour	572	627
Third party services	141	146
Taxes other than those directly attributable to cost of goods sold and income tax	110	108
Depreciation and amortisation	36	33
Transportation expenses	17	18
Other	107	111
Total	983	1,043

11. OTHER NET OPERATING EXPENSES

	Year ended 31/12/2013	Year ended 31/12/2012
Tax provision (refer to note 33)	154	—
Social expenses	112	184
Change in allowance for doubtful debts	66	12
Change in provision for value added tax recoverable	15	10
Impairment of intangible assets and goodwill	11	—
Excess of decrease in decommissioning obligations over assets net book value	(105)	—
Other	14	29
Total	267	235

12. FINANCE COSTS

	Year ended 31/12/2013	Year ended 31/12/2012
Interest expense on borrowings	311	236
Unwinding of discount on provisions	64	52
Other	1	6
Total	376	294

13. LOSS FROM INVESTMENTS, NET

	Year ended 31/12/2013	Year ended 31/12/2012
Gain on disposal of subsidiary (refer to note 23)	66	—
Interest income on bank deposits	43	18
Interest income on held-to-maturity investments	7	2
Gain on remeasurement to fair value of the Group's existing interest in associate	—	20
Impairment of loans issued	(1)	(18)
Realised loss on disposal of investments	(2)	—
Impairment of available-for-sale investments including impairment loss reclassified from comprehensive income	(728)	(577)
Other	4	3
Total	(611)	(552)

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US Dollars million

14. INCOME TAX EXPENSE

	Year ended 31/12/2013	Year ended 31/12/2012
Current income tax		
Current income tax charge on profit for the year	707	1,059
Adjustments in respect of current income tax of previous years	(13)	(20)
Total current income tax expense	694	1,039
Deferred income tax		
Reversal of temporary differences	(42)	(124)
Change in provision for deferred tax assets	(91)	85
Recycled from equity to income statement	4	—
Total deferred tax benefit	(129)	(39)
Total	565	1,000

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 31/12/2013	Year ended 31/12/2012
Profit before tax	1,330	3,143
Income tax at statutory rate of 20%	266	629
Tax effect of permanent differences	226	257
Tax effect of impairment of investments in associates	—	1
Deferred tax assets not recognised on impairment of financial assets	142	115
Effect of different tax rates of subsidiaries operating in other jurisdictions	(49)	18
Effect of change in income tax rate in Finland	(7)	—
Adjustments in respect of current income tax of previous years	(13)	(20)
Total	565	1,000

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

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US Dollars million

14. INCOME TAX EXPENSE (CONTINUED)

Deferred tax balances

	31/12/2012	Recognised in income statement	Recognised in compre- hensive income	Recycled from equity to income	Classified as held for sale	Effect of translation to presentation currency	31/12/2013
Property, plant and equipment	536	(84)	—	—	(62)	(17)	373
Intangible assets	(5)	(1)	—	—	—	—	(6)
Investment in associates and other financial assets	(28)	(6)	—	4	—	(2)	(32)
Trade and other receivables	(13)	(9)	—	—	—	1	(21)
Inventories	153	21	—	—	—	(9)	165
Unrealised profit on intra-group transactions	(40)	14	—	—	—	1	(25)
Other assets	(35)	8	—	—	—	(3)	(30)
Loans and borrowings	10	3	—	—	—	(1)	12
Employee benefit obligations	(46)	(8)	5	—	—	(1)	(50)
Environmental obligations	(139)	(8)	—	—	62	18	(67)
Trade and other payables	8	3	—	—	(1)	(9)	1
Tax loss carried forward	(87)	25	—	—	17	4	(41)
Provision for deferred tax assets	191	(91)	—	—	(22)	(1)	77
Total	505	(133)	5	4	(6)	(19)	356

	31/12/2011	Recognised in income statement	Recognised in compre- hensive income	Recycled from equity to income	Effect of translation to presentation currency	31/12/2012
Property, plant and equipment	612	(84)	—	—	8	536
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	(124)	(12)	—	—	(3)	(139)
Trade and other payables	18	(10)	—	—	—	8
Tax loss carried forward	(55)	(30)	—	—	(2)	(87)
Provision for deferred tax assets	103	85	—	—	3	191
Total	539	(39)	—	—	5	505

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US Dollars million

14. INCOME TAX EXPENSE (CONTINUED)

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:

	<u>31/12/2013</u>	<u>31/12/2012</u>
Deferred tax liability	382	573
Deferred tax asset	(26)	(68)
Net deferred tax liabilities	<u>356</u>	<u>505</u>

Unrecognised deferred tax assets

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

	<u>31/12/2013</u>	<u>31/12/2012</u>
Deductible temporary differences	301	174
Tax loss carry-forwards	345	599
Total	<u>646</u>	<u>773</u>

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 2013 unrecognised deferred tax asset in amount of USD 304 million related to tax loss arising on disposal of OJSC "Third Generation Company of the Wholesale Electricity Market" ("OGK-3") has the expiry of nine years (31 December 2012: USD 331 million – ten years). Unrecognised deferred tax assets in amount of USD 41 million related to other tax losses will be expired in ten years (31 December 2012: USD 64 million – ten years).

At 31 December 2013, the Group did not recognise a deferred tax liability in respect of taxable temporary differences of USD 3,392 million (31 December 2012: USD 5,530 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.

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US Dollars million

15. PROPERTY, PLANT AND EQUIPMENT

	Mining assets and mine development cost	Non-mining assets			Capital construc- tion-in- progress	Total
		Buildings, structures and utilities	Machinery, equipment and transport	Other		
Cost						
Balance at 1 January 2012	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
Additions	1,141	—	—	—	855	1,996
Transfers	—	336	466	56	(858)	—
Increase in decommissioning asset	29	145	—	—	—	174
Reclassified to assets held for sale (refer to note 23)	(2,974)	(264)	(490)	(196)	(53)	(3,977)
Acquired on acquisition of subsidiaries (refer to note 5)	—	59	7	—	41	107
Disposals	(89)	(13)	(69)	(4)	(13)	(188)
Effect of translation to presentation currency	(1,039)	(222)	(240)	12	8	(1,481)
Balance at 31 December 2013	9,540	3,445	4,463	180	2,103	19,731
Accumulated depreciation and impairment						
Balance at 1 January 2012	(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)
Charge for the year	(331)	(141)	(407)	(14)	—	(893)
Reclassified to assets held for sale (refer to note 23)	2,917	107	473	129	52	3,678
Eliminated on disposals	76	8	57	3	5	149
Impairment loss	(687)	(57)	(14)	—	(83)	(841)
Effect of translation to presentation currency	519	91	87	(20)	(106)	571
Balance at 31 December 2013	(4,390)	(1,487)	(2,258)	(108)	(266)	(8,509)
Carrying value						
31 December 2012	5,588	1,909	2,335	106	1,989	11,927
31 December 2013	5,150	1,958	2,205	72	1,837	11,222

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US Dollars million

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

At 31 December 2013 capital construction-in-progress included USD 304 million of irrevocable letters of credit opened for fixed assets purchases (31 December 2012: USD nil), representing security deposits placed in banks at the end of the year. Purchase of property, plant and equipment in the consolidated statement of cashflows includes USD 313 million related to these irrevocable letters of credit (31 December 2012: USD nil).

At 31 December 2013 mining assets and mine development cost included USD 2,964 million of mining assets under development (31 December 2012: USD 2,908 million).

Impairment

In 2013 the Group has assessed indicators for impairment of OJSC “Kolskaya Mining and Metallurgical Company” production assets. The recoverable amount of each cash generating unit within this subsidiary (“producer of metal semi-products” and “metal refining”) was determined based on value in use calculations. As a result impairment in amount of USD 307 million related to the “producer of metal semi-products” cash generating unit was recognised within impairment of property, plant and equipment in consolidated income statement. The most significant estimates and assumptions used in determination of value in use are discussed below:

- Future cash flows were projected based on budgeted amounts, taking into account actual results for the previous years. Forecasts were assessed up to 2025. Measurements were performed based on discounted cash flows expected to be generated by separate cash-generating units.
- Management used commodities price forecasts for joint metals and adjusted prices for joint metals as forecast of semi-products market prices. Both forecasts were assessed based on management’s knowledge and expertise in specific commodities and semi-products markets and within external markets forecasts.
- Production information was primarily based on internal production reports available at the date of impairment test and management’s assumptions regarding future production levels.
- Inflation indices and foreign currency trends in general consistent with external sources of information. Inflation used was projected within 3-11%, exchange rates USD/RUR were within 33.42-43.21.
- A pre-tax nominal discount rate of 19% was calculated based on weighted average cost of capital and reflects management’s estimates of the risks specific to production units. Terminal growth rate for period after 2025 was determined as 3.6%.

Additional impairment losses in the amount of USD 86 million (31 December 2012: USD 18 million) were recognised in respect of specific individual assets.

In 2012, the Group had assessed external and internal indicators in order to determine whether property, plant and equipment were impaired, or previously recognised impairment may no longer exist or may had decreased. Based on the assessment management had determined that estimated life of the mining operations in Australia and Africa had decreased due to reduced metal content in the mined ore, which was expected to result in placing the respective operations on care and maintenance. 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 Africa, respectively.

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US Dollars million

16. INVESTMENTS IN ASSOCIATES

	<u>31/12/2013</u>	<u>31/12/2012</u>
Balance at beginning of the year	329	407
Acquired during the year	—	13
Contribution into associate	—	16
Share of profits	43	5
Reclassified to subsidiary due to increase of ownership (refer to note 5)	(39)	(2)
Reclassified to assets held for sale (refer to note 23)	(237)	—
Reclassified from other financial assets due to increase of ownership	—	1
Dividends received	(10)	—
Impairment loss	—	(102)
Effect of translation to presentation currency	(57)	(9)
Balance at end of the year	29	329

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

	<u>31/12/2013</u>	<u>31/12/2012</u>
Non-current assets	25	728
Current assets	44	300
Non-current liabilities	—	(171)
Current liabilities	(8)	(290)
Net assets	61	567
Group's share of net assets of associates	29	329

	<u>Year ended 31/12/2013</u>	<u>Year ended 31/12/2012</u>
Total revenue	564	702
Profits/(losses) and total comprehensive income/(losses) for the year	85	(8)
Group's share of profits and total comprehensive income of associates	43	5

Movements during the year ended 31 December 2013

Nkomati Nickel Mine. As a result of decision to dispose of Nkomati Nickel Mine it was presented as assets held for sale (refer to note 23).

Norilskgazprom. Control over Norilskgazprom was acquired during the year ended 31 December 2013 (refer to note 5).

Movements during the year ended 31 December 2012

Norilskgazprom. On 2 November 2012, the Group acquired 830 thousand ordinary shares of 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. 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 recognised. 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%.

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US Dollars million

17. OTHER FINANCIAL ASSETS

	<u>31/12/2013</u>	<u>31/12/2012</u>
Non-current		
Available-for-sale investments in securities	667	1,389
Available-for-sale investments in convertible notes	—	80
Loans issued and other receivable	44	88
Promissory notes held to maturity	19	23
Bank deposits	8	7
Total non-current	<u>738</u>	<u>1,587</u>
Current		
Bank deposits	24	254
Loans issued and other receivables	2	1
Total current	<u>26</u>	<u>255</u>

Available-for-sale investments in securities and convertible notes

Non-current available-for-sale investments in securities are primarily comprised of shares traded on the OJSC “Moscow Exchange MICEX-RTS” amounting to USD 515 million (31 December 2012: USD 1,389 million) and measured within Level 1 of fair value hierarchy and unquoted equity instruments in amount of USD 152 million (31 December 2012: USD nil) and measured within Level 3 of fair value hierarchy.

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 comprehensive income, has been reclassified into the consolidated income statement (refer to notes 13 and 25). During year ended 31 December 2013 as a result of continuing decline in prices, cumulative loss of USD 728 million was recognised in the consolidated income statement.

At 31 December 2013, the Group had no convertible notes receivable (31 December 2012: USD 80 million and measured within Level 2 of fair value hierarchy). The Group used external inputs such as quoted prices for similar assets in active markets to determine the fair value of these convertible notes.

Bank deposits

At 31 December 2013, the Group had no collateral under the credit agreements (31 December 2012: USD 244 million).

Interest rate on long-term RUB-denominated deposits held in banks was 5.1% (31 December 2012: 5.1%) per annum.

Interest rates on short-term RUB-denominated deposits held in banks varied from 5.1% to 6.9% (31 December 2012: 5.1% to 8.2%) per annum.

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US Dollars million

18. OTHER TAXES

	<u>31/12/2013</u>	<u>31/12/2012</u>
Taxes receivable		
Value added tax recoverable	459	885
Customs duties	35	68
Other taxes	31	36
	<u>525</u>	<u>989</u>
Less: Allowance for value added tax recoverable	(2)	(7)
Total	<u>523</u>	<u>982</u>
Less: Non-current portion	(14)	(5)
Current taxes receivable	<u>509</u>	<u>977</u>
Taxes payable		
Value added tax	86	127
Insurance contributions to non-budget funds	38	38
Property tax	25	28
Tax on mining	27	13
Other	22	19
Current taxes payable	<u>198</u>	<u>225</u>

19. INVENTORIES

	<u>31/12/2013</u>	<u>31/12/2012</u>
Refined metals	563	623
Semi-products	10	58
Work-in-process	1,326	1,370
Total metal inventories	<u>1,899</u>	<u>2,051</u>
Stores and materials	1,089	1,179
Less: Allowance for obsolete and slow-moving items	(33)	(33)
Net stores and materials	<u>1,056</u>	<u>1,146</u>
Total inventories	<u>2,955</u>	<u>3,197</u>

20. TRADE AND OTHER RECEIVABLES

	<u>31/12/2013</u>	<u>31/12/2012</u>
Trade receivables from metal sales	517	769
Other receivables	234	366
	<u>751</u>	<u>1,135</u>
Less: Allowance for doubtful debts	(118)	(72)
Total	<u>633</u>	<u>1,063</u>

In 2013 and 2012, 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.

At 31 December 2013 and 2012, there were no material trade accounts receivable which were overdue or individually determined to be impaired.

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US Dollars million

20. TRADE AND OTHER RECEIVABLES (CONTINUED)

The average credit period on sales of other products and services for the year ended 31 December 2013 was 24 days (2012: 24 days). No interest was charged on these receivables. The Group usually provided for 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 2013, were debtors with a carrying value of USD 43 million (31 December 2012: USD 76 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:

	<u>31/12/2013</u>	<u>31/12/2012</u>
Less than 180 days	32	54
180-365 days	11	22
	<u>43</u>	<u>76</u>

Movement in the allowance for doubtful debts was as follows:

	<u>31/12/2013</u>	<u>31/12/2012</u>
Balance at beginning of the year	72	61
Change in allowance	66	12
Accounts receivable written-off	(14)	(3)
Acquired on acquisition of subsidiaries	2	—
Disposed on disposal of subsidiaries	(1)	(1)
Effect of translation to presentation currency	(7)	3
Balance at end of the year	<u>118</u>	<u>72</u>

Included in allowance for doubtful debts is a specific allowance against other receivables of USD 37 million (2012: USD 34 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.

21. ADVANCES PAID AND PREPAID EXPENSES

	<u>31/12/2013</u>	<u>31/12/2012</u>
Advances paid	71	65
Prepaid insurance	22	25
Total	<u>93</u>	<u>90</u>

22. CASH AND CASH EQUIVALENTS

		<u>31/12/2013</u>	<u>31/12/2012</u>
Current accounts	- foreign currencies	390	545
	- RUB	184	199
Bank deposits	- foreign currencies	1,045	75
	- RUB	—	205
Restricted cash and cash equivalents		—	11
Other cash and cash equivalents		2	2
Total		<u>1,621</u>	<u>1,037</u>

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23. ASSETS CLASSIFIED AS HELD FOR SALE AND DISPOSAL OF SUBSIDIARY

In December 2013, the Group made a decision to dispose of the following assets:

- Nkomati Nickel Mine a South Africa mining company, an associate of the Group.
- OJSC “Aviakompania “Taimyr” (“Taimyr”), a subsidiary of the Group located in the Russian Federation.
- CJSC “Nordavia – Regional Airlines”, a subsidiary of the Group located in the Russian Federation.
- Other non-current assets located in the Russian Federation and Australia.

All of the above assets have been measured at the lower of their fair values less costs to sell and their carrying values. As a result, impairment losses in amount of USD 448 million were recognised.

The Group has assessed fair value of assets classified as held for sale at 31 December 2013 based on price offers available. The loss on remeasurement of disposal assets to fair value less cost to sell was recognised in the consolidated income statement as impairment of property, plant and equipment.

Management of the Group is actively seeking for buyers for all of the assets classified as held for sale and it is expected that disposals will be completed during 2014. Disposals are consistent with the Group’s long-term strategy. Assets classified as held for sale have been measured within Level 2 of fair value hierarchy.

At 31 December 2013 major classes of assets and liabilities related to assets classified as held for sale are presented below:

	<u>31/12/2013</u>
Property, plant and equipment (refer to note 15)	299
Investments in associates (refer to note 16)	237
Intangible assets	1
Inventories	20
Trade and other receivables	11
Other financial assets	17
Cash and cash equivalents	9
Environmental obligations (refer to note 28)	(365)
Deferred tax liabilities (refer to note 14)	(6)
Employee benefit obligations	(5)
Trade and other payables	(32)
Net assets	<u>186</u>

At 31 December 2013 amount of accumulated loss associated with assets classified as held for sale included in other comprehensive income/(loss) which should be reclassified to the consolidated income statement was equal to USD 134 million.

Disposal of LLC “Administrator Fondov”

On 10 October 2013, the Group sold its interest in LLC “Administrator Fondov” (“Administrator Fondov”), a subsidiary of the Group, for a cash consideration of USD 85 million. The carrying value of Administrator Fondov net assets at the date of disposal amounted to USD 21 million. Net cash inflow from disposal was USD 65 million.

Management of the Group determined that the sale of Administrator Fondov, as well as the planned disposal of a number of assets described above, does not constitute a discontinued operation.

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US Dollars million

24. SHARE CAPITAL

Authorised, issued and fully paid share capital

	<u>Number of shares</u>	<u>Outstanding balance</u>
Ordinary shares at par value of RUB 1 each		
At 1 January 2013	190,627,747	8
April 2013: cancellation of treasury shares	(18,470,925)	(1)
June 2013: cancellation of treasury shares	(13,911,346)	(1)
At 31 December 2013	158,245,476	6

Treasury shares

	<u>Number of shares</u>	<u>Outstanding balance</u>
At 1 January 2013	32,392,285	8,692
April 2013: cancellation of treasury shares	(18,470,925)	(4,956)
April 2013: sales of treasury shares	(10,014)	(3)
June 2013: cancellation of treasury shares	(13,911,346)	(3,733)
At 31 December 2013	—	—

On 2 April 2013, the Group reduced its share capital by cancellation of 18,470,925 treasury shares.

Based on the decision of the Annual General Shareholders' Meeting, held on 6 June 2013, the Group's share capital has been reduced by 13,911,346 treasury shares. The cancellation was reflected in the Company's share register on 13 August 2013.

Earnings per share

	<u>Year ended 31/12/2013</u>	<u>Year ended 31/12/2012</u>
Basic earnings per share (US Dollars per share):	4.9	13.7

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

	<u>Year ended 31/12/2013</u>	<u>Year ended 31/12/2012</u>
Earnings for the year attributable to shareholders of the parent company	774	2,170
	2013	2012
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)	(32,392,285)
Outstanding shares at 1 January	158,235,462	158,235,462
April 2013: effect from sales of treasury shares	6,749	—
Weighted average number of shares used in the calculation of basic and diluted earnings per share for the year ended 31 December	158,242,211	158,235,462

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US Dollars million

25. OTHER RESERVES

	Investments revaluation reserve	Hedging reserve	Revaluation surplus	Translation reserve	Total
Balance at 1 January 2012	16	(20)	43	(887)	(848)
Decrease in fair value of available-for-sale investments	(595)	—	—	—	(595)
Investments revaluation reserve reclassified from comprehensive income to the consolidated income statement	577	—	—	—	577
Realised loss 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 income	(19)	1	—	517	499
Balance at 31 December 2012	(3)	(19)	43	(370)	(349)
Decrease in fair value of available-for-sale investments	(111)	—	—	—	(111)
Investments revaluation reserve reclassified from comprehensive income to the consolidated income statement	102	—	—	—	102
Realised gain on disposal of available-for-sale investments	13	—	—	—	13
Effect of translation to presentation currency and translation of foreign operations	—	—	—	(885)	(885)
Total comprehensive loss	4	—	—	(885)	(881)
Balance at 31 December 2013	1	(19)	43	(1,255)	(1,230)

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US Dollars million

26. LOANS AND BORROWINGS

	Currency	Fixed or floating interest rate	Average nominal rate in 2013, %	Maturity	31/12/2013	31/12/2012
Loans secured by revenue	USD	fixed	3.19%	2013	—	1,463
Loans secured by treasury shares	USD	floating	2.81%	2013	—	797
Secured loans					—	2,260
	USD	floating	2.36%	2014 – 2019	2,946	1,605
	USD	fixed	1.14%	2014	420	620
	Other	floating	8.54%	2016	32	40
Unsecured loans					3,398	2,265
	RUB	fixed	7.74%	2016	1,067	493
	USD	fixed	4.55%	2018 – 2020	1,740	—
Corporate Bonds					2,807	493
Finance lease	USD	fixed	12.00%	2013	—	5
Total					6,205	5,023
Less: current portion due within twelve months and presented as short-term borrowings					(1,032)	(2,526)
Long-term loans and borrowings					5,173	2,497

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.

27. EMPLOYEE BENEFIT OBLIGATIONS

	31/12/2013	31/12/2012
Accrual for annual leave	259	266
Wages and salaries	127	212
Share appreciation rights	28	49
Defined benefit obligations	43	20
Other	12	7
Total obligations	469	554
Less: non-current obligations	(54)	(56)
Current obligations	415	498

Defined contribution plans

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

	Year ended 31/12/2013	Year ended 31/12/2012
Pension Fund of the Russian Federation	430	384
Shared accumulated pension program	15	25
Other	7	11
Total	452	420

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28. PROVISIONS

	31/12/2013	31/12/2012
Current provisions		
Other provisions	3	3
Provision for social commitments	25	38
Total current provisions	28	41
Non-current provisions		
Decommissioning obligations	424	732
Tax provisions (refer to note 33)	154	—
Provision for social commitments	119	147
Provision for land restoration	19	22
Total non-current provisions	716	901
Total	744	942

	Decommissioning obligations	Provision for land restoration	Provision for social commitments	Other provisions	Total
Balance at 1 January 2012	544	19	189	3	755
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
New obligations raised	91	—	—	—	91
Tax provision	—	—	—	154	154
Settlements during the year	—	—	(42)	—	(42)
Obligations directly associated with assets classified as held for sale (refer to note 23)	(365)	—	—	—	(365)
Acquired on acquisition of subsidiaries	8	—	—	—	8
Change in estimate	(22)	(3)	4	—	(21)
Unwinding of discount	51	2	11	—	64
Effect of translation to presentation currency	(71)	(2)	(14)	—	(87)
Balance at 31 December 2013	424	19	144	157	744

Environmental obligations

During 2013 and 2012 years, the Group reassessed estimate of decommissioning obligations for its operations in the Russian Federation due to changes in inflation, discount rates and closure dates of mines.

During 2013, the Group completed an independent JORC-compliant audit of its ore reserves. Based on the report, the Group reassessed closure dates and expectations regarding expenses needed to fulfill decommissioning obligations for mines located in Taimyr Peninsula. Amount of decommissioning obligations was reassessed and difference was presented as a change in estimate.

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

	31/12/2013	31/12/2012
Discount rates Russian entities	6.1% – 8.4%	6.4% – 7.2%
Discount rates non-Russian entities	3.3% – 10.0%	3.3% – 10.0%
Expected closure date of mines	up to 2057	up to 2045
Expected inflation over the period from 2013 to 2015	5.4% – 6.5%	5.2% – 5.9%
Expected inflation over the period from 2016 onwards	4.9%	4.8%

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28. PROVISIONS (CONTINUED)

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

	<u>31/12/2013</u>	<u>31/12/2012</u>
Due from second to fifth year	205	300
Due from sixth to tenth year	30	120
Due from eleventh to fifteenth year	60	206
Due from sixteenth to twentieth year	33	112
Due thereafter	115	16
Total	<u>443</u>	<u>754</u>

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 favorable living conditions during 2013–2020. The provision represents present value of the best estimate of the future outflow of economic benefits to settle these obligations.

29. TRADE AND OTHER PAYABLES

	<u>31/12/2013</u>	<u>31/12/2012</u>
Financial liabilities		
Trade payables	293	449
Payables for acquisition of property, plant and equipment	67	81
Other creditors	129	118
Total financial liabilities	<u>489</u>	<u>648</u>
Non-financial liabilities		
Advances received	130	48
Total non-financial liabilities	<u>130</u>	<u>48</u>
Total	<u>619</u>	<u>696</u>

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

	<u>31/12/2013</u>	<u>31/12/2012</u>
Due within one month	284	352
Due from one to three months	162	233
Due from three to twelve months	43	63
Total	<u>489</u>	<u>648</u>

30. DIVIDENDS

On 6 June 2013, the Company declared a final dividend in respect of the year ended 31 December 2012 in amount of RUB 401 (USD 13) per share and total amount of USD 1,982 million. The dividends were paid to the shareholders in June 2013.

On 20 December 2013, the Company declared an interim dividend in respect of the 9 months ended 30 September 2013 in amount of RUB 221 (USD 6.7) per share and the amount of USD 1,060 million. The dividends were paid to the shareholders in December 2013.

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31. RELATED PARTIES TRANSACTIONS AND OUTSTANDING BALANCES

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

	Sale of goods and services		Purchase of goods and services	
	Year ended 31/12/2013	Year ended 31/12/2012	Year ended 31/12/2013	Year ended 31/12/2012
Transactions with related parties				
Entities under common ownership and control of the Group's major shareholders	4	7	19	14
Associates of the Group	45	124	390	490
Total	49	131	409	504

	Accounts receivable, investments and cash		Accounts payable, loans and borrowings received	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
Outstanding balances with related parties				
Entities under common ownership and control of the Group's major shareholders	2	2	1	—
Associates of the Group	7	68	26	22
Total	9	70	27	22

During the year ended 31 December 2013, the Group purchased from a related party 20% shares of a company which owns various real estate properties. Additionally, during the year ended 31 December 2013 a loan previously issued to another related party, which subsequently had been fully impaired, was converted into 42% shares of another company which also owns various real estate properties. Management believes that it does not exercise significant influence over these companies, and therefore these investments have been classified as available-for-sale investments. At 31 December 2013 these investments were stated at historical cost (less impairment loss) in amount of USD 142 million, and presented at Level 3 of fair value hierarchy.

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 31/12/2013	Year ended 31/12/2012
Salary and performance bonuses	71	47
Termination benefits	10	102
Total	81	149

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US Dollars million

32. COMMITMENTS

Capital commitments

At 31 December 2013, contractual capital commitments amounted to USD 1,110 million (31 December 2012: USD 1,955 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 2060. 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.

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

	<u>31/12/2013</u>	<u>31/12/2012</u>
Due within one year	16	17
From one to five years	48	40
Thereafter	31	41
Total	<u>95</u>	<u>98</u>

At 31 December 2013, ten aircraft lease agreements (31 December 2012: ten) belonged to entities classified as held for sale. 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:

	<u>31/12/2013</u>	<u>31/12/2012</u>
Due within one year	54	44
From one to five years	117	126
Thereafter	9	25
Total	<u>180</u>	<u>195</u>

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.

33. CONTINGENCIES

Litigation

The Group had a number of claims relating to civil liabilities. At 31 December 2013, total claims under unresolved litigation amounted to approximately USD 138 million (31 December 2012: USD 156 million). Management of the Group believes that the risk of an unfavorable outcome of the litigation is possible.

33. CONTINGENCIES (CONTINUED)

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.

While management of the Group 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 estimate that in case of adverse resolution of uncertainties in relation to such tax matters, the Group's obligations at 31 December 2013 may amount to USD 169 million (31 December 2012: USD 83 million) including a provision in amount of USD 154 million which was recognised in the consolidated financial statements in relation to such exposures (31 December 2012: USD nil).

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.

Management of the Group 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.

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US Dollars million

34. 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.

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. 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 31/12/2013	Year ended 31/12/2012
Loss	60	49

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.

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US Dollars million

34. FINANCIAL RISK MANAGEMENT (CONTINUED)

The carrying amounts of monetary assets and liabilities denominated in foreign currencies other than functional currencies of the individual Group entities at 31 December 2013 and 2012 were as follows:

	Assets		Liabilities	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
USD	1,899	1,717	5,484	4,683
EURO	249	37	63	93
Other currencies	36	9	37	31
Total	2,184	1,763	5,584	4,807

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	
	31/12/2013	31/12/2012
USD/RUB	720	592
USD/BWP	(4)	(10)
USD/AUD	2	(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 and unquoted investments, amounting to USD 667 million at 31 December 2013 (31 December 2012: USD 1,469 million) (refer to note 17). Any further decline in fair value of those investments, for which impairment losses have been recognised, will be recorded in the consolidated 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.

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US Dollars million

34. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

	Outstanding balance	
	31/12/2013	31/12/2012
Bank A	337	447
Bank B	300	170
Bank C	211	122
Bank D	196	121
Bank E	185	70
Total	1,229	930
Company A	223	229
Company B	36	75
Company C	24	58
Company D	18	44
Company E	17	39
Total	318	445

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 31/12/2013			Year ended 31/12/2012		
	Number of customers	Turnover, USD million	%	Number of customers	Turnover, USD million	%
Largest customer	1	1,018	9	1	1,016	8
Next 9 largest customers	9	3,777	33	9	3,608	30
Total	10	4,795	42	10	4,624	38
Next 10 largest customers	10	1,488	13	10	1,527	12
Total	20	6,283	55	20	6,151	50
Remaining customers		5,206	45		6,215	50
Total		11,489	100		12,366	100

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

The maximum exposure to credit risk for cash and cash equivalents, loans, irrevocable letters of credit, representing security deposits placed in banks at the end of the period, and trade and other receivables is as follows:

	31/12/2013	31/12/2012
Cash and cash equivalents	1,621	1,037
Loans, trade and other receivables, promissory notes	698	1,175
Irrevocable letters of credit	355	—
Bank deposits	32	261

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34. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 29) based on contractual undiscounted payments, including interest:

		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
31/12/2013	Total								
Fixed rate bank loans and borrowings									
Principal	3,239	420	—	—	—	1,069	—	750	1,000
Interest	748	—	42	131	173	131	88	72	111
	3,987	420	42	131	173	1,200	88	822	1,111
Floating rate bank loans and borrowings									
Principal	3,022	127	8	481	914	607	574	306	5
Interest	143	7	9	47	42	24	12	2	—
	3,165	134	17	528	956	631	586	308	5
Total	7,152	554	59	659	1,129	1,831	674	1,130	1,116
		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
31/12/2012	Total								
Fixed rate bank loans and borrowings									
Principal	2,614	200	420	780	428	429	357	—	—
Interest	141	22	12	51	32	19	5	—	—
	2,755	222	432	831	460	448	362	—	—
Floating rate bank loans and borrowings									
Principal	2,465	9	—	1,140	688	510	38	38	42
Interest	101	11	8	35	37	8	1	1	—
	2,566	20	8	1,175	725	518	39	39	42
Total	5,321	242	440	2,006	1,185	966	401	39	42

At 31 December 2013 and 2012, the Group had the following financing facilities for the management of its day to day liquidity requirements:

	31/12/2013	31/12/2012
Committed credit lines	2,827	3,905
Uncommitted credit lines	3,709	2,441
Bank overdraft facilities	181	212
Total borrowing facilities	6,717	6,558
Less: Outstanding letters of credit	(215)	(531)
Less: Bank guarantees received	(22)	(77)
Less: Obtained bank loans related to the above facilities	(3,408)	(3,745)
Net facilities available at the end of the year	3,072	2,205

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35. FAIR VALUE OF FINANCIAL INSTRUMENTS

Management believes that the carrying value of financial instruments such as cash (refer to note 22), short-term accounts receivable (refer to note 20) and payable (refer to note 29), short-term loans given (refer to note 17), long-term available-for-sale investments (refer to note 17) whose values 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 2013, the fair value of long-term promissory notes receivable 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.

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 as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements 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.

At 31 December 2013, the Group had derivative financial instruments amounted to USD 5 million (31 December 2012: USD 3 million) recognised within Level 2.

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

	31/12/2013		31/12/2012	
	Carrying value	Fair value Level 1	Carrying value	Fair value Level 1
Fixed-rate notes and corporate bonds	2,807	2,797	493	492
Total	2,807	2,797	493	492
	31/12/2013		31/12/2012	
	Carrying value	Fair value Level 2	Carrying value	Fair value Level 2
Loans and borrowings, including:				
Variable-rate loans and borrowings	2,978	2,890	2,442	2,424
Fixed-rate loans and borrowings	420	420	2,083	2,088
Total	3,398	3,310	4,525	4,512

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 2013, 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 2.05% to 3.03% for USD-denominated loans and borrowings (2012: from 3.29% to 4.70%).

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36. EVENTS SUBSEQUENT TO THE REPORTING DATE

Disposal of goldfields assets

On 21 January 2014 Norilsk Nickel Australia Pty Ltd, a subsidiary of the Group, has entered into a binding agreement to sell its goldfields assets in Western Australia which are classified as assets held for sale as at 31 December 2013. Consideration payable includes upfront and deferred cash components and a royalty upon the commencement of production, with a total aggregate value of up to USD 35 million. The sale is subject to regulatory approvals and satisfaction of other customary closing conditions and is expected to close in the first half of 2014.

37. INVESTMENTS IN SIGNIFICANT SUBSIDIARIES AND ASSOCIATES

Subsidiaries by business segments	Country	Nature of business	Effective % held	
			31/12/2013	31/12/2012
GMK Group				
OJSC "RAO "Norilsk Nickel"	Russian Federation	Investment holding	100.0	100.0
OJSC "Norilsky Mining-Metallurgical Kombinat"	Russian Federation	Rental of equipment	100.0	100.0
OJSC "Taimyrgaz" ¹	Russian Federation	Gas extraction	99.8	99.7
OJSC "Norilskgazprom" ¹	Russian Federation	Gas extraction	56.2	40.5
OJSC "Taimyreneergo"	Russian Federation	Rental of equipment	100.0	100.0
OJSC "Norilsko-Taimyrskaya Energeticheskaya Kompaniya"	Russian Federation	Electricity production and distribution	100.0	100.0
LLC "Zapoliarnaya stroitel'naya kompaniya"	Russian Federation	Construction	100.0	100.0
LLC "Norilsknickelremont"	Russian Federation	Repairs	100.0	100.0
LLC "Norilskgeologiya"	Russian Federation	Geological works	100.0	100.0
LLC "Norilskiy obespechivaushiy complex"	Russian Federation	Production of spare parts	100.0	100.0
KGMK Group				
OJSC "Kolskaya Mining and Metallurgical Company"	Russian Federation	Mining and Metallurgy	100.0	100.0
LLC "Pechengastrof"	Russian Federation	Construction	100.0	100.0
Other industrial				
LLC "Institut Gypronickel"	Russian Federation	Science	100.0	100.0
LLC "GRK "Bystrinskoye"	Russian Federation	Mining	100.0	100.0
Metal Trade Overseas A.G.	Switzerland	Distribution	100.0	100.0
Norilsk Nickel Harjavalta Oy	Finland	Metallurgy	100.0	100.0
Other non-industrial				
CJSC "Taimyrskaya Toplivnaya Kompaniya"	Russian Federation	Supplier of fuel	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
OJSC "Aviakompaniya "Taimyr" ^{1, 2}	Russian Federation	Aircompany	100.0	88.1
Associates by business segments				
Associates by business segments	Country	Nature of business	Effective % held	
			31/12/2013	31/12/2012
Other industrial				
Nkomati Nickel Mine ²	Republic of South Africa	Mining	50.0	50.0

¹ Increase of ownership during year ended 31 December 2013

² At 31 December 2013 classified as assets held for sale