OJSC MMC NORILSK NICKEL PRESENTS AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011, PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Moscow, 6th June 2012 – OJSC MMC Norilsk Nickel ("MMC Norilsk Nickel", the "Company" or the "Group"), the largest nickel and palladium producer in the world, hereby presents audited financial results for the year ended 31 December 2011, prepared in accordance with International Financial Reporting Standards ("IFRS").

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

(US dollars, millions)

	Notes	2011	2010	Change y-on-y, %
CONTINUING OPERATIONS				
Revenue	1			
Nickel		6,715	6,459	4
Copper		3,258	2,941	11
Palladium		1,985	1,479	34
Platinum		1,145	1,086	5
Gold		194	161	20
Metal sales		**13,297**	**12,126**	**10**
Other sales		**825**	**649**	**27**
Total revenue		**14,122**	**12,775**	**11**
Cost of metal sales	2	(4,967)	(4,223)	18
Cost of other sales	2	(826)	(660)	25
Gross profit		**8,329**	**7,892**	**6**
Gross profit margin, %		*59%*	*62%*	
Selling and distribution expenses	3	(828)	(343)	141
General and administrative expenses	4	(848)	(755)	12
Impairment of property, plant and equipment and intangible assets	5	(243)	(15)	1,520
Other net operating expenses	6	(175)	(227)	(23)
Operating profit		**6,235**	**6,552**	**(5)**
Finance costs	7	(151)	(138)	9
(Loss)/income from investments, net	8	(79)	351	(123)
Foreign exchange loss, net		(334)	(22)	1418
Excess of Group's share in the fair value of net assets acquired over the cost of acquisition		8	4	100
Share of (loss)/profits from associates		(33)	35	(194)
Profit before tax		**5,646**	**6,782**	**(17)**
Income tax expense	9	(1,460)	(1,548)	(6)
Profit for the year from continuing operations		**4,186**	**5,234**	**(20)**
Loss for the year from discontinued operations(1)		(560)	(2,145)	(74)
Profit for the year	10	**3,626**	**3,089**	**17**
Attributable to:				
Shareholders of the parent company		3,604	3,298	9
Non-controlling interest		22	(209)	111
		3,626	**3,089**	**17**
Profit margin, %		*26%*	*24%*	

(1) In accordance with IFRS, the loss for the year from discontinued operations in the amount of USD 560 million was presented separately from the profit from continued operations in the amount of USD 4,186 million.

	2011	2010
EARNINGS PER SHARE		
Weighted-average number of ordinary shares in issue during the year	**173,166,532**	**175,468,881**
Basic and diluted earnings per share from continuing and discontinued operations attributable to shareholders of the parent company (US dollars per share)	**20.8**	**18.8**
Basic and diluted earnings per share from continuing operations attributable to shareholders of the parent company (US dollars per share)	**24.1**	**29.8**

1 SALES REVENUE

Sales revenue in 2011 increased by 11% as compared to 2010, and amounted to USD 14,122 million.

1.1. Revenue from metal sales

Revenue from metal sales increased by 10% as compared to 2010 and amounted to USD 13,297 million. The key reason for this growth was an increase in market prices for precious and base metals (the detailed information is presented in the table below) produced by the Group.

Growth in average annual metal prices led to increase in sales prices for metals produced by the Group in 2011, which caused growth of revenue from base metals by USD 573 million (or 6%) and from precious metals by USD 598 million (or 22%).

Metal sales, physical volumes, by place of production[1]

Metal	2011	2010	Change y-on-y, %
Finished products			
Russia			
Nickel (thousand tonnes)	234	240	(3)
Copper (thousand tonnes)	358	367	(2)
Palladium (thousand troy ounces)	2,665	2,731	(2)
Platinum (thousand troy ounces)	655	664	(1)
Finland			
Nickel (thousand tonnes)	50	45	11
Total finished products			
Nickel (thousand tonnes)	284	285	-
Copper (thousand tonnes)	358	367	(2)
Palladium (thousand troy ounces)	2,665	2,731	(2)
Platinum (thousand troy ounces)	655	664	(1)
Semi-products			
Botswana			
Nickel (thousand tonnes)	7	10	(30)
Copper (thousand tonnes)	6	10	(40)
Palladium (thousand troy ounces)	31	75	(59)
Platinum (thousand troy ounces)	6	14	(57)
Finland			
Copper[2] (thousand tonnes)	5	11	(55)

Metal	2011	2010	Change y-on-y, %
Total semi-products			
Nickel (thousand tonnes)	7	10	(30)
Copper (thousand tonnes)	11	21	(48)
Palladium (thousand troy ounces)	31	75	(59)
Platinum (thousand troy ounces)	6	14	(57)
TOTAL GROUP, excluding Nkomati Nickel Mine (South Africa)			
Nickel (thousand tonnes)	**291**	**295**	**(1)**
Copper (thousand tonnes)	**369**	**388**	**(5)**
Palladium (thousand ounces)	**2,696**	**2,806**	**(4)**
Platinum (thousand ounces)	**661**	**678**	**(3)**
Nkomati Nickel Mine (3) (South Africa)			
Nickel (thousand tonnes)	5	1	400
Copper (thousand tonnes)	2	1	100
Palladium (thousand troy ounces)	19	7	171
Platinum (thousand troy ounces)	6	2	200
TOTAL GROUP, including Nkomati Nickel Mine (South Africa)			
Nickel (thousand tonnes)	**296**	**296**	**-**
Copper (thousand tonnes)	**371**	**389**	**(5)**
Palladium (thousand troy ounces)	**2,715**	**2,813**	**(3)**
Platinum (thousand troy ounces)	**667**	**680**	**(2)**

Notes:

(1) All information is presented on the basis of 100% ownership of subsidiaries.

(2) Copper cake is a semi-product with an average copper content of 38–40%.

(3) The operating results of Nkomati Nickel Mine (South Africa) are shown based on the Group’s 50% ownership, and are presented in the financial statements as operating results of associate.

Average selling price of metals of Russian entities, own production

Metal	2011	2010	Change y-on-y, %
Nickel (in USD per tonne)	23,060	21,997	5
Copper (in USD per tonne)	8,871	7,589	17
Palladium (in USD per troy ounce)	735	527	39
Platinum (in USD per troy ounce)	1,724	1,603	8

Nickel

In 2011, nickel sales accounted for 51% of revenue from metal sales of the Group. Nickel sales increased by 4%, from USD 6,459 million in 2010 to USD 6,715 million in 2011. This was driven by the average nickel sales price increase by 5%, which compensated the minor decrease in nickel sales volumes. Average sales price of nickel produced by the Russian entities from own ore amounted to USD 23,060 per tonne (USD 21,997 per tonne in 2010).

In 2011, the volume of sales of refined nickel produced by the Group remained mostly the same as in 2010 and amounted to 284 thousand tonnes as compared to 285 thousand tonnes in 2010. The decrease in sales volumes of nickel produced on the Taimyr and Kola peninsulas by 6 thousand tonnes was compensated by the growth of 5 thousand tonnes in sales volumes of nickel produced by the Norilsk Nickel Harjavalta refinery as a result of product mix optimisation.

Copper

Revenue from copper sales accounted for 25% of total metal sales and grew in 2011 by 11% to USD 3,258 million as compared to USD 2,941 million in 2010. The key reason for the sales increase was growth in average sales prices by 17% from USD 7,589 per tonne in 2010 to USD 8,871 per tonne in 2011.

The physical volume of sales of copper produced in Russia decreased in 2011 by 2% (or 9 thousand tonnes) to 358 thousand tonnes as compared to 367 thousand tonnes in 2010. The fall in sales volume in 2011 is due to the scheduled decrease in copper production at the Russian divisions and a slight growth of metal stock. The decline in sales volumes was compensated by the growth in sales prices.

The physical volume of sales to third parties of copper in semi-products produced by Norilsk Nickel Harjavalta in 2011 amounted to 5 thousand tonnes as compared to 11 thousand tonnes in 2010 due to shift from third party sales to intra-group suppliers. In 2011, overall production and sales volume of copper in semi-products produced by Norilsk Nickel Harjavalta surpassed 2010 results.

The physical volume of sales of copper in semi-products, produced by Norilsk Nickel International (excluding Norilsk Nickel Harjavalta and Nkomati joint venture) amounted to 6 thousand tonnes.

Palladium

Revenue from palladium sales made up 15% of revenue from metal sales of the Group in 2011. The Group’s revenues from palladium sales increased by 34% from USD 1,479 million in 2010 to USD 1,985 million in 2011.

Physical volume of sales of palladium produced by Russian entities in 2011 was 2,665 thousand troy ounces, which was 2% lower than in 2010 – 2,731 thousand troy ounces. Decrease in sales volumes was compensated by the growth of sales price by 39% from USD 527 per troy ounce in 2010 to USD 735 per troy ounce in 2011.

Platinum

In 2011 revenue from platinum sales accounted for 9% of revenue from metal sales of the Group. Platinum sales grew by 5%, from USD 1,086 million in 2010 to USD 1,145 million in 2011.

Growth in sales of platinum produced by the Group in Russia is related to the increase in its average price by 8%, from USD 1,603 per troy ounce in 2010 to USD 1,724 per troy ounce in 2011.

Gold

Revenue from gold sales accounted for 1% of metal sales of the Group in 2011. The revenue increased by 20%, from USD 161 million in 2010 to USD 194 million in 2011.

1.2. Other sales

In 2011, other sales increased by USD 176 million (or by 27%) and amounted to USD 825 million as compared to USD 649 million in 2010.

Key reasons for the growth of other sales:

- absolute increase in revenues from other sales – USD 154 million;
- effect of translation to the presentation currency – USD 22 million.

Other sales

(US dollars, millions)

	2011	**2010**	***Change, %***
Energy and utilities	259	201	*29*
Transport	388	281	*38*
Other	178	167	*7*
Total	**825**	**649**	**27**

The growth in revenues from other sales in 2011 was driven by the increases of energy tariffs and growth in volumes of transport services provided by the Group, mainly through the Taymir airline (growth of USD 75 million).

2 COST OF SALES

2.1. Cost of metal sales

Cost of metals sold in 2011 increased by 18%, from USD 4,223 million in 2010 to USD 4,967 million in 2011.

Cash operating costs

Cash operating costs of the Group increased by 16% and amounted to USD 4,621 million in 2011 as compared to USD 3,992 million in 2010.

The composition of cash operating costs in 2011 has changed as compared to 2010. These changes primarily related to the growth in costs incurred on acquisition of metal and scrap, and decrease in expenses for outsourced third party services.

The share of cash operating costs among key production units in 2011 was as follows:

- Russian divisions and Finland - 95%,
- Norilsk Nickel International - 5%.

Key factors of the growth in cash operating costs before deduction of sales revenues of by-product metals by USD 629 million in 2011 were:

- absolute growth in cash operating costs by USD 507 million (or 13%), of which
  - USD 307 million (or 8%) – growth in expenses on acquisition of metals,
  - USD 88 million (or 2%) – growth in labour costs due to the increase of social tax rate from 26% in 2010 to 34% in 2011,
  - USD 112 million (or 3%) – growth in other expenses,
- USD 122 million (or 3%) – growth due to the effect of translation to presentation currency.

Cost of metal sales
(US dollars, millions)

	For the year ended 31 December 2011						For the year ended 31 December 2010						
	Group	*as % of total*	Russian* enterprises and NNH	*as % of total*	NNI	*as % of total*	Group	*as % of total*	Russian* enterprises and NNH	*as % of total*	NNI	*as % of total*	*Group Change y–on-y %,*
Total cash operating costs (see table below)	4,621	***87***	4,393	*87*	228	*78*	3,992	***87***	3,771	*87*	221	*92*	***16***
Amortisation and depreciation	698	***13***	632	*13*	66	*22*	584	***13***	564	*13*	20	*8*	***20***
Total production costs	**5,319**	***100***	**5,025**	*100*	**294**	*100*	**4,576**	***100***	**4,335**	*100*	**241**	*100*	***16***
Increase in metal inventories	(352)		(326)		(26)		(353)		(339)		(14)		***(0)***
Cost of metal sales	**4,967**		**4,699**		**268**		**4,223**		**3,996**		**227**		***18***

Cash operating costs
(US dollars, millions)

	For the year ended 31 December 2011						For the year ended 31 December 2010						
	Group	*as % of total*	Russian enterprises* and NNH	*as % of total*	NNI	*as % of total*	Group	*as % of total*	Russian enterprises* and NNH	*as % of total*	NNI	*as % of total*	*Group Change y–on-y %,*
Labour	**1,464**	*29*	1,429	*30*	35	*15*	**1,220**	*27*	1,187	*28*	33	*15*	***20***
Expenses on acquisition of refined metal, PGM scrap and other semi-products	**1,195**	*24*	1,195	*25*	-	-	**888**	*20*	888	*21*	-	-	***35***
Consumables and spare parts	**1,157**	*23*	1,142	*23*	15	*7*	**1,059**	*24*	1,040	*25*	19	*8*	***9***
Outsourced third party services	**558**	*11*	416	*9*	142	*62*	**610**	*14*	462	*11*	148	*66*	***(9)***
Utilities	**236**	*5*	224	*5*	12	*5*	**182**	*4*	172	*4*	10	*4*	***30***
Transportation	**149**	*3*	146	*3*	3	*1*	**171**	*4*	169	*4*	2	*1*	***(13)***
Tax directly attributable to cost of goods sold	**172**	*3*	167	*3*	5	*2*	**169**	*4*	160	*4*	9	*4*	***2***
Sundry costs	**115**	*2*	96	*2*	19	*8*	**118**	*3*	114	*3*	4	*2*	***(3)***
Total cash operating costs	**5,046**	**100**	**4,815**	**100**	**231**	**100**	**4,417**	**100**	**4,192**	**100**	**225**	**100**	***14***
Revenue from sale of by-product metals	**(425)**		(422)		(3)		**(425)**		(421)		(4)		-
Total cash operating costs	**4,621**		**4,393**		**228**		**3,992**		**3,771**		**221**		***16***

** excluding intercompany turnovers*

Labour

Labour costs are a significant component in total cash operating costs with a fairly stable share of total operating costs. In 2011, the share of labour costs within cash operating costs slightly increased to 29% from 28% in 2010.

In 2011, labour costs amounted to USD 1,464 million and increased by USD 244 million (or 20%) as compared to 2010.

The main drivers of growth were:

- absolute growth in labour costs by USD 203 million (or by 17%), including:
  - USD 115 million (or by 10%) – increase in average income of employees of the Russian entities of the Group and growth of the employee headcount due to the substitution of third-party services providers with in-house workforce, as well as due to the growth in mining and processing volumes,
  - USD 88 million (or by 7%) - growth in social tax rate in the Russian Federation from 26% in 2010 to 34% in 2011, which resulted in the growth in the effective tax rate on salaries from 17% to 23%, respectively,
- an increase due to the effect of translation to presentation currency of USD 41 million (or 3%).

Expenses on acquisition of refined metal, PGM scrap and other semi-products

Expenses on acquisition of metals and scrap in 2011 increased by USD 307 million (or 35%) and amounted to USD 1,195 million.

The growth in costs is mostly due to the increase in physical volume of purchases of raw materials from third parties for further processing at facilities of the Group in order to improve efficiency of capacity utilization of smelting and refining plants.

Consumables and spares

Expenditures on consumables and spares amounted to USD 1,157 million in 2011 and increased by USD 98 million (or by 9%) as compared to 2010.

The main reasons for the increase were:

- inflationary increase in consumables and spares expenditure by USD 68 million (or by 6%),
- increase due to the effect of translation to presentation currency of USD 36 million (or by 3%).

Third party services

In 2011, expenditures on services from third parties decreased by USD 52 million (or by 9%) and amounted to USD 558 million.

Main reason for decrease in expenses from third parties was absolute decrease in expenses by USD 74 million (or by 12%) which was partially offset by an increase due to the effect of translation to presentation currency of USD 22 million (or 4%).

Utilities

Utility expenditures in 2011 increased by USD 54 million (or by 30%) and amounted to USD 236 million.

The key reasons for the increase of utility costs were:

- absolute increase in expenses by USD 47 million (or by 26%) driven mostly by growth in energy tariffs at the Russian divisions (increase by USD 34 million) and by growth in production volumes in Finland (increase by USD 11 million);
- increase due to the effect of translation to presentation currency of USD 7 million (or by 4%).

Tax directly attributable to cost of goods sold

Taxation on mining and pollution levies increased by USD 3 million (or by 2%) up to USD 172 million. The main reason for the increase was the effect of translation of these costs to the presentation currency.

Transportation costs

In 2011, transportation costs decreased by USD 22 million (or by 13%) and amounted to USD 149 million.

Key reasons for the change in these costs were:

- decrease in transportation expenditure by USD 28 million (or by 16%) as a result of more efficient use of own transportation resources as well as due to decrease in sales volumes of nickel and copper;
- increase due to the effect of translation to presentation currency of USD 6 million (or by 3%).

Other costs

In 2011, other costs decreased by USD 3 million (or by 3%) and amounted to USD 115 million. The decrease is explained by the efficient cost management at the Russian entities of the Group.

Revenue from sale of by-product metals

Revenue from sales of by-product metals in 2011 amounted to USD 425 million and remained the same as in 2010. The revenue structure remained almost unchanged.

Amortisation and depreciation

The depreciation charge in 2011 increased by USD 114 million (or by 20%) and amounted to USD 698 million.

The main reasons for the increase were:

- increase in depreciation charge of USD 48 million (or by 8%) at Russian entities and in Finland, as a result of new assets put into use;
- increase in depreciation charge of USD 45 million (or by 8%) at Norilsk Nickel International entities;
- increase due to the effect of translation to presentation currency of USD 21 million (or by 3%).

Increase in metal inventories

The cost of metal inventories held by the Group in 2011 increased by USD 352 million.

The main reasons for the increase were:

- USD 326 million – increase in costs of inventories at the Russian entities and in Finland;
- USD 26 million – increase in costs of inventories at Norilsk Nickel International entities, mostly related to the restart of Lake Johnston operations in Australia and resulting accumulation of work in process inventory balance.

2.2. Cost of other sales

Cost of other sales

(US dollars, millions)

	2011	2010	*Change y-on-y, %*
Energy and utilities	240	177	*36*
Transport	344	226	*52*
Other	242	257	*(6)*
Total	**826**	**660**	**25**

Other cost of sales increased by USD 166 million in 2011 (or by 25%) and amounted to USD 826 million, including absolute increase of USD 144 million and increase due to the effect of translation to the presentation currency of USD 22 million.

3 SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses increased in 2011 by USD 485 million (or by 141%) to USD 828 million as compared to USD 343 million in 2010.

Selling and distribution expenses
(US dollars, millions)

	2011	2010	*Change y-on-y, %*
Export customs duties	779	283	*175*
Transportation expenses	25	32	*(22)*
Labour	17	14	*21*
Other	7	14	*(50)*
Total	**828**	**343**	***141***

The main reason for the increase in selling and distribution expenses was a significant growth in export customs duties as a result of the growth of export customs duty rates on nickel and copper. The growth of export custom duty expenses amounted to USD 496 million (or 175%).

4 GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses increased by USD 93 million (or by 12%) in 2011 to USD 848 million as compared to USD 755 million in 2010.

General and administrative expenses
(US dollars, millions)

	2011	2010	*Change y-on-y, %*
Labour	467	419	*11*
Third party services	135	99	*36*
Taxes other than those directly attributable to cost of goods sold and income taxes	88	98	*(10)*
Amortization and depreciation	29	23	*26*
Transportation expenses	19	15	*27*
Other	110	101	*9*
Total	**848**	**755**	***12***

The main reasons for changes in general and administrative expenses was increase in labour expenses, primarily due to growth in effective tax rate of the social tax and growth of average income of employees and the effect of translation to presentation currency.

5 IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Loss from impairment of property, plant and equipment and intangible assets in 2011 amounted to USD 243 million as compared to USD 15 million in 2010.

Key components of the impairment loss in 2011 were:

- impairment of property, plant and equipment in Botswana in the amount of USD 106 million as a result of the reduced estimated life of the mining operations in Botswana due to revised assessment of economically recoverable reserves and resources;
- impairment of intangible asset in the amount of USD 125 million due impossibility of utilising the Activox technology asset in the foreseeable future;
- impairment loss in the amount of USD 12 million was recognised in respect of specific individual assets.

6 OTHER NET OPERATING EXPENSES

Other net operating expenses decreased by USD 52 million (or by 23%) in 2011, and amounted to USD 175 million as compared to USD 227 million in 2010.

The main reason for the decrease in other operating expenses in 2011 was a change in social expenses, caused by a one-off accrual of provision for social commitment under the agreements executed with the government in 2010.

Other operating expenses
(US dollars, millions)

	2011	**2010**	***Change y-on-y , %***
Social expenses	186	299	*(38)*
Change in provisions for value added tax receivable	(3)	14	*(121)*
Change in allowance for doubtful debts	36	4	*800*
Change in other provisions	-	(31)	*(100)*
Gain on disposal of investment in subsidiary	-	(49)	*(100)*
Other	(44)	(10)	*340*
Total	**175**	**227**	***(23)***

7 FINANCE COSTS

Finance costs increased by USD 13 million in 2011 up to USD 151 million as compared to USD 138 million in 2010. The growth of finance costs was mainly due to increased borrowings and growth of unwinding of discount on environmental obligations.

Finance costs
(US dollars, millions)

	2011	**2010**	***Change y–on-y, %***
Interest expense on borrowings	96	87	*10*
Unwinding of discount on environmental obligations	46	36	*28*
Interest expense on employee benefits obligations	7	8	*(13)*
Interest on obligations under financial lease	2	7	*(71)*
Total	**151**	**138**	***9***

8 (LOSS)/PROFIT FROM INVESTMENTS, NET

Loss from investments in 2011 amounted to USD 79 million as compared to the profit of USD 351 million in 2010.

The main reasons for the loss from investments were:

- changes related to reduced disposal of investments in 2011 as compared to 2010 in the amount of USD 460 million;
- changes in interest income of USD 17 million due to reduction in average deposits balance held during the year;
- recognition of reserve for the loans provided to associates of the Group in the amount of USD 152 million.

9 INCOME TAX

In 2011 current income tax expense decreased by USD 69 million (or by 5%) to USD 1,446 million as compared to USD 1,515 million in 2010. Total income tax expense including deferred taxes decreased by USD 88 million (or by 6%) to USD 1,460 million.

Income tax
(US dollars, millions)

	2011	**2010**	***Change y-on-y, %***
Current income tax expense	1,446	1,515	*(5)*
Deferred tax expenses	14	33	*(58)*
Total	**1,460**	**1,548**	***(6)***

10 LOSS FROM DISCONTINUED OPERATIONS

In 2011, loss from discontinued operations in the amount of USD 560 million is attributable to deconsolidation of OGK-3, related to its disposal.

11 ADJUSTED EBITDA

(US dollars, millions)

	2011	**2010**	*Change y-on-y, %*
Operating profit	**6,235**	**6,552**	*(5)*
Depreciation and amortisation	761	673	*13*
Impairment of non-financial assets	243	15	*1,520*
Change in provisions for onerous contracts	-	(31)	*(100)*
ADJUSTED EBITDA	**7,239**	**7,209**	-

In 2011, adjusted EBITDA amounted to USD 7,239 million which is higher than adjusted EBITDA of 2010.

THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011 AND AS AT 31 DECEMBER 2010

(US dollars, millions)

	Note	31 December 2011	% of total	31 December 2010	% of total	Change y-on-y , %
ASSETS						
Non-current assets						
Property, plant and equipment	12	9,585	51	9,153	39	5
Goodwill		20	-	21	-	(5)
Intangible assets		72	-	195	1	(63)
Investments in associates		407	2	515	2	(21)
Other financial assets	13	2,018	10	881	4	129
Other taxes receivable		18	-	12	-	50
Deferred tax assets		112	1	86	-	30
Other non-current assets		111	1	72	-	54
		12,343	**65**	**10,935**	**46**	**13**
Current assets						
Inventories	14	2,623	14	2,246	9	17
Trade and other receivables		1,032	5	1,175	5	(12)
Advances paid and prepaid expenses		71	-	96	-	(26)
Other financial assets	13	153	1	637	3	(76)
Income tax and other taxes receivable		1,063	6	599	2	327
Cash and cash equivalents	15	1,627	9	5,405	23	(70)
Assets classified as held for sale		-	-	2,816	12	-
		6,569	**35**	**12,974**	**54**	**(49)**
TOTAL ASSETS		**18,912**	**100**	**23,909**	**100**	**(21)**
EQUITY AND LIABILITIES						
Capital and reserves	**16**	**11,222**	**59**	**17,974**	**75**	**(38)**
Non-current liabilities						
Loans and borrowings	17	2,400	13	1,561	7	54
Obligations under finance leases	17	1	-	14	-	(93)
Employee benefit obligations		56	-	48	-	17
Provisions	18	752	4	886	4	(15)
Deferred tax liabilities		651	3	729	3	(11)
		3,860	**20**	**3,238**	**14**	**19**
Current liabilities						
Loans and borrowings	17	2,741	15	1,236	5	122
Obligations under finance leases	17	13	-	20	-	(35)
Employee benefit obligations		373	2	367	1	2
Trade and other payables		543	3	599	2	(9)
Provisions	18	3	-	8	-	(63)
Derivative financial instruments		2	-	-	-	-
Income tax and other taxes payable	19	5	-	120	1	(96)
Other taxes payable	19	150	1	135	1	11
		3,830	**21**	**2,485**	**10**	**54**
Liabilities directly associated with the assets classified as held for sale		-	-	212	1	(100)
		3,830	**21**	**2,697**	**11**	**42**
TOTAL LIABILITIES		**7,690**	**41**	**5,935**	**25**	**30**
TOTAL EQUITY AND LIABILITIES		**18,912**	**100**	**23,909**	**100**	**(21)**

Total assets as at 31 December 2011 amounted to USD 18,912 million and decreased by USD 4,997 million (or by 21%) in 2011.

Key reasons for changes in total assets were:

- buy back of Company's shares which has resulted in the change of total assets in the amount of USD 8,995 million;
- net profit for the year in the amount of USD 3,626 million;
- increase in loans and borrowings by USD 2,344 million, offset by other changes in assets and liabilities.

12 PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2011 property, plant and equipment amounted to USD 9,585 million as compared to USD 9,153 million as at 31 December 2010. In the reporting period the value of PPE increased by USD 432 million (or by 5%).

Key reason for the increase in value of PPE:

- capital expenditure in the amount of USD 2,088 million.

Key reasons for the decrease in value of PPE:

- depreciation charge for 2011 – USD 765 million,
- change in the main estimates and assumptions made by the Group in relation to the capitalized obligations on assets retirement in the amount of USD 133 million,
- impairment loss – USD 118 million,
- disposal of non-current assets – USD 43 million,
- effect from the translation to the presentation currency – USD 608 million.

13 OTHER FINANCIAL ASSETS (CURRENT AND NON-CURRENT)

Current and non-current other financial assets amounted to USD 2,171 million as at 31 December 2011 as compared to USD 1,518 million as at 31 December 2010. The increase in other financial assets by USD 653 million (or by 43%) was primarily due to:

- changes as a result of share swap of the Group's stake in OGK-3 for shares of Inter RAO UES and changes in share price of Inter RAO UES +USD 1,471 million;
- changes in the value of other available for sale securities in the amount of -USD 375 million;
- changes in bank deposits in the amount of -USD 259 million;
- changes in value of promissory notes and bonds in the amount of -USD 99 million;
- changes in loans issued and other receivables in the amount of -USD 61 million,
- changes in investments in convertible bonds available for sale in the amount of -USD 16 million.

14 INVENTORIES

As at 31 December 2011 inventory balance of finished goods, work in process, and raw materials amounted to USD 2,623 million as compared to USD 2,246 million as at 31 December 2010.

The total increase by USD 377 million (or 17%) was driven by:

- increase in the amount of USD 352 million as a result of absolute increase in stock of metal products and metal containing semi-products;
- increase in the amount of USD 145 million due to the absolute growth of other inventories;
- decrease by USD 120 million due to the effect of translation to the presentation currency.

15 CASH AND CASH EQUIVALENTS

Cash and cash equivalents amounted to USD 1,627 million as at 31 December 2011 as compared to USD 5,405 million as at 31 December 2010. The key reason for changes in cash and cash equivalents were share buyback programs performed by the Group during 2011.

16 CAPITAL AND RESERVES

Capital and reserves amounted to USD 11,222 million (including non-controlling interest in the amount of USD 120 million) as at 31 December 2011 as compared to USD 17,974 million (including non-controlling interest in the amount of USD 598 million) as at 31 December 2010.

Capital and reserves decreased by USD 6,752 million (or by 38%).

The key factors behind the change are:

- growth due to net profit received in the reporting period +USD 3,626 million;
- changes due to buybacks of the Company's shares in the amount of -USD 8,995 million;
- changes as a result of decline in fair value of available for sale investments in the amount of -USD 390 million;
- changes due to changes in non-controlling interest as a result of disposal of a subsidiary (OGK-3) and increased share of the Group in other subsidiaries –USD 510 million;
- changes due to the effect of translation to presentation currency and translation of international operations in the amount of -USD 571 million;
- changes due to other factors in the amount of -USD 13 million.

17 CURRENT AND NON-CURRENT LOANS AND BORROWINGS AND OBLIGATIONS UNDER FINANCE LEASE

Loans and borrowings and obligations under finance leases increased by USD 2,324 million (or by 82%) and amounted to USD 5,155 million as at 31 December 2011 as compared to USD 2,831 million as at 31 December 2010.

Total loans and borrowings comprised USD 5,141 million as at 31 December 2011 included:

- non-current – USD 2,400 million or 47%;
- current – USD 2,741 million or 53%.

18 PROVISIONS

Provisions (short and long-term) amounted to USD 755 million as at 31 December 2011 as compared to USD 894 million as at 31 December 2010. The decrease amounted to USD 139 million (or 16%) and is comprised of the following:

- decommissioning obligation – USD 118 million;
- provision for social commitments – USD 20 million;
- provision for land restoration and other provisions – USD 1 million.

19 CURRENT INCOME TAX AND OTHER TAXES PAYABLE

Profit tax and other taxes payable amounted to USD 155 million as at 31 December 2011 as compared to USD 255 million as compared to 31 December 2010. The decrease amounted to USD 100 million (or 39%) due to the following:

- changes in income tax liabilities by USD 115 million;
- increase in VAT liabilities by USD 20 million;
- changes in other tax liabilities by USD 5 million.

EXTRACTS FROM THE CONSOLIDATED STATEMENT OF CASH FLOWS*
FOR THE YEAR ENDED 31 DECEMBER 2011
(US dollars, millions)

	2011	2010
Net cash generated from operating activities	4,702	5,514
Net cash used in investing activities	(1,876)	(1,443)
Net cash used in financing activities	(6,644)	(2,034)
Net (decrease)/increase in cash and cash equivalents	**(3,818)**	**2,037**
Cash and cash equivalents at beginning of the year	5,405	3,632
Cash and cash equivalents of disposal group at beginning of the year	106	-
Effect of foreign exchange differences on balances of cash and cash equivalents and translation to presentation currency	(66)	(158)
Cash and cash equivalents of disposal group at end of the year	-	(106)
Cash and cash equivalents at end of the year	**1,627**	**5,405**

*- cash flows from continued and discontinued operations are presented on the combined basis

20 NET CASH GENERATED FROM OPERATING ACTIVITIES

Net operating cash flow decreased in 2011 by USD 812 million and amounted to USD 4,702 million as compared to USD 5,514 million in 2010. Changes are primarily caused by increases in working capital and tax payments.

21 NET CASH USED IN INVESTING ACTIVITIES

Net cash outflow from investing activities in 2011 was USD 1,876 million as compared to outflow of USD 1,443 million in 2010.

Key factors that affected inflows from investing activities:

- payback of deposits in the amount of USD 859 million;
- proceeds from sales of other financial assets in the amount of USD 715 million;
- proceeds from sales of property, plant and equipment in the amount of USD 23 million;
- dividends received in the amount of USD 2 million.

Key factors that affected outflows from investing activities:

- capital investments in construction and acquisition of property, plant and equipment and intangible assets in the amount USD 2,232 million;
- acquisition of other financial and non-current assets in the amount of USD 761 million;
- outflow of cash due to disposal of subsidiaries (OGK-3) in the amount of USD 468 million;
- acquisition of subsidiaries net of cash on their balance sheets in the amount of USD 12 million;
- acquisition and increases of share capital of associates in the amount of USD 2 million.

22 NET CASH USED IN FINANCING ACTIVITIES

In 2011, net cash expenditure on financing activities amounted to USD 6,644 million, primarily driven by the following:

- inflow from borrowings in the amount of USD 3,694 million;
- buyback of issued shares in the amount of USD 8,995 million;
- repayments of loans and borrowings in the amount of USD 1,351 million.

23 CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR

Cash and cash equivalents decreased by USD 3,778 million, including the effect from translation to the presentation currency amounted to USD 66 million, in 2011 and amounted to USD 1,627 million as compared to USD 5,405 million as at 31 December 2010.

The full version of the consolidated financial statements of the Group for 2011 prepared in accordance with IFRS is available at the website of the Group (www.nornik.ru/en) in the Investors/Financial Statements section.