

OPEN JOINT-STOCK COMPANY
MINING AND METALLURGICAL COMPANY
NORILSK NICKEL

EXPLANATORY NOTE
to the Accounting Statements of
Open Joint-Stock Company
"Mining and Metallurgical Company "Norilsk Nickel"
for 2005

Moscow

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1. Information about the organization.

1.1. Legal status of the organization.

Open Joint-Stock Company "Mining and Metallurgical Company "Norilsk Nickel " (JSC MMC Norilsk Nickel) – hereinafter also ‘the Company’ – is an open joint-stock company.

Until the corporate name was changed by decision of the special shareholders meeting held on 21.02.2001, the company's name had been as follows: Open Joint-Stock Company "Norilsk Mining Company".

Date of state registration: **04.07.1997**

Date of entering in the Uniform State Register of Legal Persons of the record on a legal person registered prior to 1st July 2002: 02.09.2002.

License number of state registration: 1028400000298

Organization which accomplished state registration was named: *Regional inspection of the Ministry of Taxation of the Russian Federation No. 2 in Taimyr (Dolgano-Nenets) Autonomous District.*

Company juridical address: *Russian Federation, Taimyr (Dolgano-Nenets) Autonomous District, Dudinka.*

Company postal address: *663310, Russian Federation, Krasnoyarsk Territory, Norilsk, Gvardeyskaya square, 2.*

In 2005, the average number of the Company employees, including employees of all branches and solitary organization departments, was amounted to 53,462 people. For reference, in 2004, the average number of the Company employees was amounted to 59,978 people.

1.2 Information on subsidiaries and representatives availability.

In accordance with the Articles, in 2005, the company possessed the following subsidiaries:

Name: ***Polar Division of JSC MMC Norilsk Nickel***

Whereabouts: *663310, Krasnoyarsk Territory, Norilsk, Gvardeyskaya square, 2*

Opening date: **2.07.1998**

Name: ***Multi-activity enterprise "Zapolyarie" – subsidiary of JSC MMC Norilsk Nickel (MAE "Zapolyarie" of JSC MMC Norilsk Nickel)***

Whereabouts: *354073, Krasnodar Territory, Sochi, Pirogova ul., 10*

Opening date: **29.12.2000**

Decision about liquidation of MAE "Zapolyarie" of JSC MMC Norilsk Nickel was taken on the meeting of Company's committee of directors on 29.12.2005 (Protocol NoMMC/28-accept.).

Name: ***Health Center "White Lake" - - subsidiary of JSC MMC Norilsk Nickel (HC "White Lake" JSC MMC Norilsk Nickel)***

Whereabouts: *140765, Moscow Region, Shatura District*

Opening date: **31.01.2001**

As of 31.12.2001, the subsidiary had been liquidated. Decision about the liquidation was taken on the meeting of JSC MMC Norilsk Nickel's committee of directors on 15.03.2004 (Protocol NoMMC/7-accept.).

As of the date of preparation of the submission of accounts, the relevant alteration are being prepared in the constituent documents.

Name: ***Krasnoyarsk office - subsidiary of JSC MMC Norilsk Nickel (Krasnoyarsk office of JSC MMC Norilsk Nickel)***

Whereabouts: 660059, Krasnoyarsk Territory, Krasnoyarsk, Kommunalnaya ul., 2

Opening date: **13.12.2001**

Name: ***Murmansk transport subsidiary of JSC MMC Norilsk Nickel (Murmansk office of JSC MMC Norilsk Nickel)***

Whereabouts: 183024, Murmansk, Portoviy proezd, 29

Opening date: **13.12.2001**

In accordance with the decision of the meeting of Company's committee of directors on 11.08.2005 (Protocol NoMMC/21-accept.), the previous name 'Murmansk office – subsidiary of JSC MMC Norilsk Nickel' has been changed into 'Murmansk transport subsidiary of JSC MMC Norilsk Nickel'. The alterations were registered in the Company's Articles on 13.10.2005.

Name: ***Arkhangelsk office – subsidiary of JSC MMC Norilsk Nickel (Arkhangelsk office of JSC MMC Norilsk Nickel)***

Whereabouts: 163026, Arkhangelsk, Kosmonavta Komarova ul., 12

Opening date: **13.12.2001**

Name: ***Kolsk subsidiary of JSC MMC Norilsk Nickel***

Whereabouts: 184280, Murmansk Region, Monchegorsk-7

Opening date: **2.07.1998**

By 31.12.2003 Kolsk subsidiary JSC MMC Norilsk Nickel and Krasnoyarsk representatives JSC MMC Norilsk Nickel were not allotted assets and were not accomplishing any financial and economic activity.

Name: ***Krasnoyarsk representatives of JSC MMC Norilsk Nickel (Krasnoyarsk representatives of JSC MMC Norilsk Nickel)***

Whereabouts: 660021, Krasnoyarsk Territory, Krasnoyarsk, Kopylova ul., 2a.

Opening date: **24.12.2003**

Name: ***NorilrskEnergo – subsidiary of JSC MMC Norilsk Nickel***

Whereabouts: 663310, Krasnoyarsk Territory, Norilsk, Vetrinov ul., 19.

Opening date: **02.11.2004**

Besides above-mentioned subsidiaries, the Company has a ***solitary organization department with stationary working places in Moscow*** on the following address: Moscow, Voznesenskiy per., 22.

Accounting statement of JSC MMC Norilsk Nickel for 2005 was compiled with an allowance for numbers of Polar Division of JSC MMC Norilsk Nickel, MAE "Zapolyarie" JSC MMC Norilsk Nickel, subsidiary NorilrskEnergo subsidiary of JSC MMC Norilsk Nickel, Krasnoyarsk office of JSC MMC Norilsk Nickel, Murmansk transport subsidiary of JSC MMC Norilsk Nickel, Arkhangelsk office of JSC MMC Norilsk Nickel, Krasnoyarsk representatives of JSC MMC Norilsk Nickel, Moscow solitary organization department.

1.3 Information of the major shareholders.

1.3.1 Information of the total number of shareholders.

Total number of people registered in shareholders register of JSC MMC Norilsk Nickel, as of 31.12.2005, is: **60,327**; including nominee holders - **15**.

1.3.2 Information of shareholders who possess no less than 5% of JSC MMC Norilsk Nickel equities.

Name: ***DIMOSENCO HOLDINGS CO. LIMITED***

Whereabouts: ***Kato Pervolia, 33 Lythrodontas, Nicosia, Cyprus.***

Company's equities, possessed by this organization: ***11.28%***.

Name: ***PHARANCO HOLDINGS CO. LIMITED***

Whereabouts: ***Dionysou, 3A Strovolos, P.C. 2060 Nicosia, Cyprus.***

Company's equities, possessed by this organization: ***11.28%***.

Name: ***Open Joint-Stock Company "Mining and Metallurgical Company "Norilsk Nickel " (JSC MMC Norilsk Nickel)***

Whereabouts: ***Russian Federation, Taimyr (Dolgano-Nenets) Autonomous District, Dudinka.***

TIN: ***8401005730.***

Company's equities, possessed by this organization: ***5.83%***.

As of the date of preparation of the accounts, the Company has paid off the shares on the Company's balance, 12,478,074 shares in total, as well as 10,799,433 shares redeemed from the shareholders of JSC MMC Norilsk Nickel due to the reorganization of the Company, in accordance with the decision of the extraordinary meeting of the shareholders of JSC MMC on 17 February 2006 about the decrease of the authorized capital by means of pay-off of the shares purchased and redeemed by the Company.

On 17 March 2006, the Interdistrict Inspection of the Federal Tax Service No2 of Krasnoyarsk Territory, Taimyr (Dolgano-Nenets) and Evenki Autonomous Districts registered the alterations in the Articles of JSC MMC Norilsk Nickel connected with the decrease in the authorized capital.

Name: ***Closed Joint-Stock Company "ING Bank Eurasia" (nominee holder)***

Whereabouts: ***Russian Federation, Moscow, Krasnoproletarskaya ul., 36.***

Company's equities, possessed by this organization: ***38.58%***

Name: ***Joint-Stock Bank "RosBank" (Open Joint-Stock Company) (nominee holder)***

Whereabouts: ***Moscow, Mashi Poryvaevoy ul., 11.***

Company's equities, possessed by this organization: ***6.02%***

1.4 Information of the management structure

Superior operating controller of the Company is the General Shareholders' meeting. Committee of directors is the controller of the Company which accomplishes general management of Company's activity, excluding matters which are considered by the Articles to exceptional jurisdiction of the Shareholders meeting. Management of day-to-day activity of the Company is accomplished by the General Director (individual executive power) and by the Managing committee (collective executive power).

Functions of both General Director and Managing committee differentiated by the Company's Articles.

Composition of the Committee of directors and Managing committee:

Information about positions of the members of the Committee of directors and Managing committee over the past five years is noted in the Accounting Statement of JSC MMC Norilsk Nickel – presented as the security issuer in the 4th quarter of 2005 – published at the Company's official web site: [ttp://www.nornik.ru](http://www.nornik.ru).

Members of the Committee of Directors of the Company:

1. *Bugrov Andrey;*
2. *Guy de Selliers;*
3. *Dolgikh Vladimir;*
4. *Klishas Andrey;*
5. *Morgan Ralf;*
6. *Prokhorov Mikhail;*
7. *Salnikova Ekaterina;*
8. *Ugolnikov Kirill;*
9. *Heinz S. Schimmelbusch.*

Members of the Managing Committee of the Company:

1. *Prokhorov Mikhail;*
2. *Komarov Igor;*
3. *Kotlyar Yuri;*
4. *Morgan Ralf;*
5. *Morozov Denis;*
6. *Jokves I. Rozenberg;*
7. *Sprogis Viktor;*
8. *Finsky Maksim;*
9. *Cheskis Dmitry.*

General Director: Prokhorov Mikhail.

Monitoring of economic activity of the Company is conducted by the Inspection committee. An Inspection committee with the headcount of five is elected annually by the General Shareholders meeting.

The composition of Inspection committee in 2005:

Information about positions of the members of the Inspection Committee over the past five years is noted in the Quarterly Accounting Statement of the security issuer in the 4th quarter of 2005, published at the Company's official web site: [ttp://www.nornik.ru](http://www.nornik.ru).

1. *Basova Yulia;*
2. *Meshcheryakov Vadim;*
3. *Morozov Nikolay;*
4. *Rompel Olga;*
5. *Firsik Olesya.*

1.5 Information of the main activity status.

In 2005, JSC MMC Norilsk Nickel implemented the main and other kinds of activity stipulated by the Articles.

In conformity with the Accounting policy for 2005, approved by the Order of General Director of JSC MMC Norilsk Nickel of 30.12.2004 No. ГМК/188-п., main kinds of activity are:

- geological survey;
- minerals production;
- ore concentration of non-ferrous metals;
- production and realization of non-ferrous, precious and rare-earth metals.

-
Among other kinds of activity there could be marked: output of products (goods), work execution, render of services, which are not related to the main kinds of activity. Products, work and services of other kinds of activity were consumed inside the Company and sold to other parties.

The main kinds of activity are performed by structural subdivisions of the Polar Division of the Company, other kinds – by both the Polar Division and other subsidiaries and the solitary organization department of the company.

2 *Main regulations of accounting policy.*

Accounting of the Company in the reporting year was kept in accordance with Russian Legislation, Accounting Policy of the Company, affirmed by the order of General Director of JSC MMC Norilsk Nickel of 30.12.2004 No. ГМК/188-p.

2.1 Main regulations of accounting policy in 2005.

Stated below is the information about the main accounting methods in the Company in 2005.

2.1.1 Accounting of fictitious assets.

Fictitious assets are the assets that correspond to the requirements of the Provision on accounting "Accounting of fictitious assets" (ACCOUNTING REGULATIONS 14/01), approved by the Order of the Ministry of Finance (MF) of 16.10.2000 No.91n.

Fictitious assets acquired for payment are accounted for on the basis of their original cost within the total of the actual expenses arisen from their purchase and bringing them to user acceptance condition, excluding the value added tax and other refundable taxes (save for the cases foreseen by the legislation).

Fictitious assets received under the contracts which envisaged discharge of obligations by non-cash assets, are to be estimated for display in the accounting based on assets value, transferred or needed to be transferred by the Company. Value of the transferred or needed to be transferred assets estimated at the market cost.

Fictitious assets received by the Company under a contract of donation (free of charge) and discovered as the result of the inventory conducted, are to be estimated for display in the accounting based on the market cost, as of the date of including them in the accounts (inventory date).

In accounting documents (Form No.1 "Accounting Balance") fictitious assets are shown on the basis of the original cost reduced by the sum of accumulated depreciation.

Depreciation of objects of fictitious assets should be calculated by linear method, based on set time of profitable use.

The time of profitable use of fictitious assets should be determined on the basis of:

- ✓ expiry term of the patent, certificate and other restrictions of the duration of the use of intellectual property objects, in accordance with the legislation of the Russian Federation;
- ✓ anticipated duration of the use of such an object, within which the Company can receive benefits (revenues).

Depreciation charges on fictitious assets should be showed in accounting by appropriate sum accumulation on the segregated account "Depreciation of fictitious assets".

2.1.2 Accounting of fixed assets.

Fixed assets are the assets that correspond to the requirements of the Provision on accounting "Accounting of fixed assets" (ACCOUNTING REGULATIONS 6/01), approved by the Order of the Ministry of Finance of 30.03.2001 No.26n.

Real estate objects in actual use, on which investments are completed and appropriate acceptance documents are executed, should be included in the composition of fixed assets from the moment of the documents hand-over for state registration.

Fixed assets acquired for payment or created by own means are accounted for on the basis of their original cost within the total of the actual expenses arisen from their purchase and creation, excluding the value added tax and other refundable taxes (save for the cases foreseen by the legislation).

Fixed assets received under the contracts which envisage discharge of obligations by non-cash assets, are to be estimated for display in the accounting based on assets value, transferred or needed to be transferred by the Company. Value of the transferred or needed to be transferred assets estimated at the market cost.

Fixed assets discovered as the result of the inventory conducted are to be estimated for display in the accounting based on the market cost, as of the inventory date.

The Company's spendings on the recovery (capital repairs, reconstruction, modernization) of the fixed assets objects increase the original costs after the completion of the recovery process, provided that the recovery has resulted in improvement (increase) of the basic functional characteristics (time of profitable use, specifications, etc.) of the fixed assets objects.

In Accounting Statement (Form No.1) fixed assets are shown on the basis of the original cost reduced by the sum of accumulated depreciation.

Fixed assets objects depreciation should be calculated by linear method, based on set time of profitable use.

In order to define the time of profitable use, fixed assets objects should be classified in depreciation groups. The classification of fixed assets, being included in depreciation groups, is defined by the Government of RF.

For those categories of fixed assets which are not noted in the classification of fixed assets, the time of profitable use should be set independently, in accordance with the specifications and manufacturers' recommendations, or, should those be unavailable, a presumable term should be defined on the basis of the anticipated time of profitable use.

The time of profitable use of acquired objects of fixed assets that have already been in use is determined taking into consideration the time of profitable use decreased by the number of years (months) of the service life of the objects with its previous owners.

Fixed assets objects depreciation, valued no more than 10,000 rubles, are to be charged at the rate of 100% as far as they will be transferred for exploitation.

2.1.3 Accounting of financial investments and operations with securities.

Financial investments, excluding those on which the current market value could be determined in established order, should be showed in accounting on the basis of their original cost, which is the actual expenses of their acquisition, excluding VAT and other refundable taxes (save for the cases foreseen by the legislation).

In case of stable substantial decline in the costs of financial investments (5% or more) on which the current market value is not determined, the Company forms a reserve to compensate the devaluation of the financial investments.

Stable decrease in the costs of financial investments is characterized by the simultaneous presence of conditions foreseen by par. 37 of the Provision on Accounting "Accounting of financial investments" (ACCOUNTING REGULATIONS 19/02) approved by the Order of the Ministry of Finance of 10.12.2021 No.126n.

While creating the reserve, the cost of financial investments should be shown in accounting decreased by the sum of the reserve creation. The total sum of the reserve being created and restored should be assigned to operational expenses and revenues.

Financial investments on which the current market value could be determined in established order, should be showed in accounting on the end of financial year at the current market value. The difference between the estimates of such financial investments on the current reporting date and the previous reporting date should be assigned to operational expenses and revenues.

Not accounted for as financial investments are the bills of exchange given to the company by the bill emitting organization for the settlements for goods and products sold, works accomplished, services rendered.

At their retirement, financial investments should be estimated depending on which of the following groups they belong:

- Financial investments in the form of non-emissive securities, deposits in chartered (depository) capitals of other organizations (excluding shares of joint-stock companies), accounts receivable acquired on the basis of concession of incorporeal right, Company deposits under the contract of joint adventure are to be evaluated of its retirement on original cost of its acquisition (realization).
- Financial investments in the form of emissive securities on which the current market value could not be determined, should be estimated at their retirement by the FIFO method.
- Financial investments on which the current market value could be determined in established order, should be estimated at their retirement on the basis of the cost determined on the basis of the latest estimate.
- Financial investments in the form of loans granted to other organizations and deposits in credit agencies should be estimated at their retirement on the basis of their original cost.

2.1.4 Accounting of inventories.

For the accounting purposes, as inventories the following assets are understood:

- used as raw materials and other materials for the output of products for sale (accomplishment of work, rendering of services);
- meant for sale;
- used for the administrative needs of the Company;
- produced by the Company, finished and approved by the technical control service, transmitted to the warehouse of finished products or shipped to the buyer, released for own needs.

The products produced by the Company is divided into main products, sideline products and other products.

Main products are considered the finished products of the main kinds of the Company's activity, sales proceeds of which is more than 5% of the gross revenue of the Company: *nickel, copper, platinum, palladium*.

Sideline products are considered the finished products of the main kinds of the Company's activity, sales proceeds of which is less than 5% of the gross revenue of the Company: *gold, cobalt, silver, rhodium, iridium, osmium, ruthenium, selenium, tellurium*.

Other products are considered the finished products of the other kinds of the Company's activity: *anhydride, coal, crushed rock, cement, sulphuric acid, copper rods, platinum solution, palladium solution, and other finished goods*.

In the inventories accounts, the accounting costs of tangible property is reflected:

- On inventories acquired on the sufficient payment, accounting cost will be equal to the cost, paid (stand over) to the supplier (seller) taking in account standards of transport-storage expenses.
- On main products produced of the Company-extracted raw materials, accounting cost will be equal to the full planned cost of manufacture, approved in the set order for the purpose of accounting. On main products produced of the raw materials purchased from processing facilities, accounting cost will be equal to the full actual cost of manufacture, approved in the set order for the purpose of accounting.
- On sideline products, accounting cost will be equal to the planned cost of its possible selling price, decreased by the sum of planned profit and planned sum of business expenses, approved in the set order for the purpose of accounting.
- On other products, accounting cost will be equal to the planned cost of manufacture, approved in the set order for the purpose of accounting.
- On inventories included as investments in the authorized capital, accounting cost will be equal to the cost agreed upon by the founders, taking into account the standard transport-storage expenses.
- On inventories received under a contract of donation (free of charge), left after the retirement of fixed assets and other property, or discovered as the result of the inventory conducted, accounting cost will be equal to the market value, taking into account the standard transport-storage expenses.
- On inventories left after the retirement of fixed assets and other property, or discovered as the result of the inventory conducted, accounting cost will be equal to the market value, taking into account the standard transport-storage expenses.
- On inventories received under contracts foreseeing discharge of obligations with non-monetary means, accounting cost will be equal to the value of assets transferred or due to be transferred, taking into account the standard transport-storage expenses.
- On used materials, which are due to be reused, accounting cost will be equal to the planned accounting price, approved in the set order for the purpose of accounting.

In case of absence of any actual transport-storage expenses for transmission of inventories to storing subdivisions of the Company, their standard will be equal to zero.

2.1.5 Accounting of profits.

Incomes form main kinds of activity of the Company are: revenues from the products sales and inpayments connected with accomplishment of works and rendering of services.

Revenues are recognized in accounting on the condition of the fulfillment of the criteria set in par. 12, par. 13 of the Provision of Accounting "Incomes of an Organization" (ACCOUNTING REGULATIONS 9/99), approved by the Order of the Ministry of Finance of 06.05.1999 No.32N with the consequent alterations.

Revenues from the accomplishment of works which foresee step-by-step acceptance of works accomplished and containing conditions of the customer's acceptance of the risks of the consequences of destruction or damage of the results of the works accomplished (construction works) – are recognized after full completion of separate stages of the works foreseen by the contract, with the execution of relevant documents.

Revenues connected with the leasing contracts for payment and in temporary usage as well as the profits from the financial investments are to be admitted as other income and accounted in operational income.

Revenues from financial investments are admitted as 'other revenues' and accounted in operational income.

Income of ruble equivalent (on Central Bank RF rate) from the sale of foreign currency is not admitted as the profit of the Company.

Size of income and/or accounts receivable under the contracts, stipulated the discharge of duties (payment) by non-money funds, is to be assigned by the transferred or needed to be transferred to the Company production (goods) cost. Production (goods) cost transferred or needed to be transferred to the Company should be determined based cost of, which the Company usually uses to evaluate the cost of similar goods (valuables).

2.1.6 Accounting of expenses.

Expenses in main kinds of the Company's activity are classified into:

- Industrial expenses (expenses connected with the production of products);
- Commercial expenses (expenses connected with the sales of products);
- General household expenses (expenses on the administrative needs and other general household expenses, not connected directly with the process of production).

Commercial expenses are the following:

- direct commercial expenses:
 - directly connected with ready production distribution (expenses on commission fees, packing, marking, certification, transportation, insurance, customs and storage on the territories of the third parties) - in case under the contract all those costs are to be beard by the seller;
 - directly connected with transportation of ready products from the Company's warehouses;
- indirect commercial expenses – other direct commercial expenses which it is impossible to connect directly with the sale of an actual batch of ready products (advertising expenses etc.).

General household expenses are the following:

- administrative expenses,
- expenses on the obligatory storage of precious and metals in State Depository of RF and their transportation there,

- tax on minerals mining, subsoil usage tax, and other expenses of similar nature.

General household expenses should be written off monthly in full sum to the results of financial and economic activity of the reporting period.

Retirement of assets in accordance with par. 3 of Accounting Regulations 10/99 and retirement of foreign currency within its sale are not admitted as expenses.

Company's expenses connected with extension of the assets, rights appeared from patents for inventions, industrial samples and other kinds of intellectual property, as well as expenses from taking a part in chartered capitals of other organizations under the leasing contract for payment and in temporary usage are to be admitted as operational expenses.

2.1.7 Accounting of research, development and technological works.

If, as a result of scientific research, development, technological works an object of intellectual property has been created in the form of exclusive right for scientific and technical developments and technologies, the said object is accounted as a fictitious asset.

If, as a result of scientific research, development, technological works an object has been created in material form, and the said object is designed for industrial and administrative use in the Company, the said object is accounted as a fixed asset.

Expenses on scientific research, development, technological works, which have not yielded a positive result, should be admitted as non-selling expenses in the accounting period when the non-yielding of a positive result became known.

Discharging of expenses on each accomplished scientific research, development, technological work should be executed by the linear method, on the basis of anticipated term of the use of the results of the said works, within which the Company can collect revenues, but no longer than 3 years.

The time of profitable use for research, development, technological works should be determined at the moment of their recognition. In, at the moment of recognition, it is not possible to determine the anticipated term of the use, such term should be determined as 3 years.

The expenses of the reporting period which ensure collection of revenues during several accounting periods, should be reflected as deferrals and included in current expenses of the period when they took place.

The period of deferrals should be determined on the basis of the time within which collection of revenues is anticipated. On deferrals, on which it is impossible to determine the period, such period should be determined 10 years.

2.1.8 Accounting of credits and loans.

The Company accomplishes transfer of long-term debts under received credits and loans into short-term debts at the moment when under terms of credit (loans) contract before repayment of the main debts sum remains 365 days.

Interest on credit and loans, interests, discount which should be paid, interest from placed bonds, as well as main expenses on other loans and crediting obligations, are to be admitted as

operational income in those reporting periods, when the Company's liabilities emerge according to the conditions of borrowing and crediting instruments.

Under drawn bills and under distributed bonds, interests (discount) which should be paid preliminarily accounted on the expenses account of future periods and is to be put by equal shares on operational expenses each month.

Additional expenses made by the Company in connection with receiving of borrowing and credits. Issuance and placement of borrowing liabilities are to be admitted as operational income in those reporting periods, when they were made.

2.2 The basic changes of accounting policy in 2006.

2006 will see a change in the procedure of evaluation of intermediates.

In 2005, the cost of intermediates during internal transferring and the cost of remains of intermediates were evaluated on the basis of planned-accounting prices.

Starting from 2006, the cost of remains of intermediates of own produce during internal transferring, transmission into production and other retirements, as well as cost of remains of intermediates, will be evaluated on the basis of average cost.

3. *The accounting statements.*

The accounting statements of the Company is generated according to rules of book keeping and the reporting working in the Russian Federation, in particular the Law 'On Accounting' of 21.11.1996 No. 129-FZ, the Provision on the execution of accounting and accounting statements in the Russian Federation, authorized by Order of MF of the Russian Federation of 29.07.1998 No.34n, an other statutory acts incorporated in the system of the regulation of accounting and accounting statements in the Russian Federation.

Forms of the accounting statements of the Society: Accounting balance (form No. 1), the Report on profits and losses (form No. 2), and appendixes to them (forms Nos. 3, 4, 5) - are generated on the basis of specimens of the forms submitted in the appendix to the Order of the Ministry of Finance of Russia from 22.07.2003 No. 67n "About forms of the accounting statements of the organizations", and are authorized by the order of the Chief Accountant of the Company of 07.07.2005 No. ГМК/220/ГБ 14-р.

According to par. 10 of Accounting Regulations 4/99 " the Accounting statements of the organization ", authorized Order MF of the Russian Federation from 06.07.1999 No. 43n, in the accounting statements are submitted indicators for 2 years – accounting and previous accounting years, thus the data for the last year are resulted in a comparable kind.

3.1 Disclosing the data under separate articles of accounting balance (the Form No. 1).

3.1.1 Initial cost, movement of fictitious assets and the sums of the amortization charged.

The information on initial cost, movement (purchase, leaving) of *fictitious assets* and the sums of the amortization charged on them is submitted in section " Fictitious Assets " forms No. 5 " the Appendix to accounting balance ".

3.1.2 Initial cost, the sum of the charged amortization and movement of the fixed assets

The information on initial cost, the sum of the charged amortization and movement of the **fixed assets** in line 120 is submitted in the section "Fixed Assets " of form No. 5 "Appendix to the accounting balance ".

The change (increase) of demand balance in the 'Total' of line 120 is due a number of measures taken by the Company on 2005 to increase investments in the objects of fixed assets, namely:

No.	Parameter	In 2005, thousand rubles
	Total intake: (line 120 "Fixed Assets " of form No. 5), including	9 660 792
1	own investment in the objects, finished by construction	4 968 009
2.	purchase of machines, equipment, means of transport and other fixed assets, including buy-out of leasehold fixed assets	4 273 955
3.	fixed assets included in accounting on the expiration of leasing contracts in accordance with the terms of the contracts	389 383
4	Other intake of fixed assets	29 445

Retirement of fixed assets of the sum of 1 835 651 thousand rubles (line 120, column 5 of form No. 5 "Appendix to the accounting balance ") has been made due to withdrawal of objects of fixed assets from use and handing them over to other legal persons, including free of charge.

Indicators in line **160 "Objects of fixed assets received in lease – Total "** of section " Fictitious Assets " form No. **5 " the Appendix to accounting balance "** include:

- costs of the leased objects of fixed assets, reflected in line **910 "Leased fixed assets"** form No. 1 "Accounting balance " on the sum of 13,057,172 thousand rubles, at the end of the year 11,592,900 thousand rubles. These fixed assets are not accounted in the Company's balance, in accordance with the terms of the contracts;
- costs of objects of fixed assets received under contracts of financial lease, reflected in line **120 "Fixed assets"** of form No. 1 "Accounting balance", in accordance with the terms of the financial lease contracts, 2,808 thousand rubles at the beginning of the year, at the end of the year – no demand balance.

Indicators in lines **150-170** of section "Fixed Assets " of form No. 5 "Appendix to the accounting balance are reflected on the basis on the original cost, without taking into account the depreciation sums calculated.

Depreciation sums calculated on the said object have amounted for:

- in line **150 "Objects of fixed assets given in lease – Total "** at the beginning of the year 113,327 thousand rubles, at the end of the year 1,635,319 thousand rubles.
- in line **160 "Objects of fixed assets received in lease – Total "** only in the part of objects of fixed assets reflected in line 120 " Fixed assets" form No. 1 "Accounting balance", at the beginning of the year 2,808 thousand rubles, at the end of the year – no demand balance.

In he line 180 of form No. **5 " the Appendix to accounting balance "** "*Changing of the cost of objects of fixed assets due to additional construction, additional equipping, reconstruction, partial liquidation*" by the beginning of the year reflected is the cost of those fixed assets which in 2005 underwent additional construction, additional equipping, reconstruction or partial liquidation, at the end of the year in this line the original cost of the same fixed assets is reflected,

though after the completion of the additional construction, additional equipping, reconstruction or partial liquidation.

3.1.3 Indicators "Construction in progress"

Indicators in line **130 "Construction in progress"** include:

- expenses directly connected with capital construction, reconstruction and modernization of objects of fixed assets ;
- expenses connected with the purchase of equipment which does not need installation. Separated objects of fixed assets and fictitious assets;
- expenses on non-completed research, developmental and technological works.

No.	Indicator	Amount by 01.01.2005 thousand rubles	Amount by 31.12.2005 thousand rubles
	Total in line 130, including:	18 031 390	21 658 571
1	Construction of objects of fixed assets	13 002 180	15 839 035
2	Equipment to be installed	1 648 615	1 198 042
3	Purchase of separate objects of fixed assets	1 597 294	1 315 842
4	Payments in advance for capital construction	909 288	2 243 229
5	Expenses on non-completed research, developmental and technological works	871 697	1 061 603
6	Purchase of fictitious assets	2 316	816
7	Others	-	4

Information on expenses on non-completed research, developmental and technological works is submitted in item 3.1.5 hereof.

3.1.4 Long-term financial investments.

The information on long-term investments (line 140, lines 141-146 of the accounting balance – taking into account the reserve under depreciation of financial investments):

The name of the organization	By 01.01.2005		By 31.12.2005	
	The sum of the contribution, one thousand rubles.	Share of the authorized capital, %	The sum of the contribution, one thousand rubles.	Share of the authorized capital, %
Investments into affiliated societies, total, including:	82 528 939	-	126 919 815	-
Russian AO ""Norilsk nickel"	48 465 263	96.93%	48 465 263	96.93%
JSC " Pole "	21 698 307	100.00%	58 316 814	100.00%
NORIMET Ltd	9 689 931	91.30%	9 689 931	91.30%
Public Company " Torginvest"	714 331	92.16%	714 331	92.16%
Public Company " Norilsk - Telecom "	600 000	100.00%	600 000	100.00%

AO " Yenisei river shipping company "	514 630	43.92%	514 630	43.92%
AO "NTPO"	510 338	99.998%	510 338	99.998%
AO "AMTP"	209 052	53.05%	209 052	53.05%
Public Company "NORMETIMPEX"	100 000	100.00%	100 000	100.00%
Public Company " Norilsk metals "	17 100	100%	-	-
Norilsk Nickel Holding SA	5 596	100.00%	5 596	100.00%
JSC "Kolskaya MMC"	4 085	100.00%	4 085	100.00%
JSC "Alykel"	100	100.00%	100	100.00%
JSC " Taimyrskaja toplivnaja kompanija"	100	100.00%	100	100.00%
Public Company " Taimyrskaja neftjanaja kompanija"	51	51.00%	51	51.00%
AO "Institut GiproNickel "	45	100.00%	45	100.00%
Public Company "Management Comopany 'Polar Capitol'"	10	100.00%	10	100.00%
AO "TtaymyrGaz"	-	-	7 206 980	72.25%
Public Company "Terminal"	-	-	581 866	100.00%
AO "NTEK"	-	-	510	51.00%
Public Company "National Innovation Company NEP"	-	-	74	74.00%
Public Company "Gornaya Lizingovaya Kompanija"	-	-	23	100.00%
Minastro Investment Limited	-	-	16	56.60%
Reserve under depreciation of financial investments into affiliated societies, total, including:	(163 948)	-	(518 572)	-
OAO "NTPO"	(163 797)	-	-	-
JSC "Alykel"	(100)	-	(100)	-
Public Company " Taimyrskaja neftjanaja kompanija"	(51)	-	(51)	-
JSC " Taimyrskaja toplivnaja kompanija"	-	-	(100)	-
Public Company "Terminal"	-	-	(518 321)	-
Investments into dependent societies, total, including:	38 455 757	-	6 173 975	-
Gold Fields Limited	34 099 756	20.05%	-	-
AO "Krasnoyarskenergo"	2 056 435	25.47%	2 059 353	25.70%
AO " Taimyrgaz "	1 170 015	47.62%	-	-
AO " Norilskgazprom "	1 034 316	29.39%	1 034 316	29.39%
Public Company "Heath Center 'Zapoliarye'"	94 720	31.46%	223 581	36.10%
JSC "SHC "Fitness Center "Excellent"	515	33.33%	515	33.33%
AO "Krasnoyarskaya Generatsiya"	-	-	2 822 625	25.47%
AO "KrasnoyarskEnergoSbyt"	-	-	33 585	25.47%

Reserve under depreciation of financial investments into dependent societies, total , including:	(141)	-	-	-
JSC "SHC "Fitness Center "Excellent"	(141)	-	-	-
Investments into other organizations total , including:	4 699 498	-	17 877 105	-
The Russian AO "United Power Systems" Russia	3 178 033	1.01%	17 585 880	3.52%
AO "KolEnergo"	1 230 223	14.83%	-	-
AO "Samara Bearing Plant"	291 225	11.15%	291 225	5.55%
Public Company "Gornaya Lizingovaya Companija"	17	19.90%	-	-
The loans given to the organizations for the term of more than 12 months, total , including:	263 765	-	1 307 545	-
Public Company "RB Leasing"	263 765	-	230 218	-
AO " Norilskgazprom "	-	-	1 074 315	-
JSC "Agency "Perspective"	-	-	3 012	-
Other long-term investments total , including:	2 410	-	120 841	-
Bill to Public Company "Korund" with time to run more than 12 months	2 410	-	2 410	-
Deposit for the period of more than 12 months, total	-	-	118 431	-

Change (increase) of the indicator of long-term financial investments into other organizations (lines 141, 142, 143) in 2005, as compared with 2004, by **24,932,218** thousand rubles is due to:

- Increase in share in the authorized capitals of the following organizations (**15,373,237** thousand rubles in total):
 - The Russian AO "United Power Systems" Russia -9,207,405 thousand rubles, due to share increase from 1.01 % to 3.52 % in the authorized capital ;
 - AO " Taimyrgaz " – 6,036,965 thousand rubles; due to share increase from 47.62 % to 72.25% in the authorized capital;
 - Public Company "Gornaya Lizingovaya Companija" - 6 thousand rubles, due to share increase from 19.9 % to 100 % in the authorized capital;
 - Public Company "Heath Center 'Zapoliarye'" – 128,861 thousand rubles due to share increase from 31.46 % to 36.10 % in the authorized capital.
- Purchase of 126 excess floated non-documentary registered equities of JSC "Pole", at the sum of **36,618,507** thousand rubles.
- Purchase by the Company, in the reporting year, of shares of the following organizations, at the total sum of **582,466 thousand rubles**, including:
 - MINASTRO INVESTMENT LIMITED - 16 thousand rubles, which constitutes 56.6% of the authorized capital;
 - Public Company "Terminal" - 581,866 thousand rubles, which constitutes 100% of the authorized capital;
 - AO "NTEK" - 510 thousand rubles, which constitutes 51% of the authorized capital;
 - Public Company "National Innovation Company NEP" - 74 thousand rubles, which constitutes 74% of the authorized capital.

4. Sales of stock (shares in the authorized capital) of the following organizations (**34,116,856** thousand rubles in total), including:
- Gold Filds Limited – 34,099,756 thousand rubles, which constitutes 20.05% of the authorized capital;
 - Public Company " Norilsk metals " – 17,100 thousand rubles, which constitutes 100% of the authorized capital.

5. Increase in the reported year of financial investments of the Company by the assessed value of shares of AO "Krasnoyarskaya Generatsiya" and shares of AO "KrasnoyarskEnergoSbyt", by the total sum of **2,856,210 thousand rubles** received due to the reorganization of AO "Krasnoyarskenergo".

The assessed value of shares of the above-mentioned companies was accepted as the share in net wealth of the companies in the introductory balance on the date of their state registration.

6. Transfer of financial investments into the shares of AO "KolEnergo" in the amount of **1,230,223 thousand rubles** into the short-term financial investments, due to the Company's Committee of directors' decision to terminate participation in AO "KolEnergo".

7. The reappraisal of long-term investments in securities with the market quotation of **5,203,360 thousand rubles**.

According to Accounting Regulations 19/02, cost of shares and global deposit receipt of Russian AO " EES of Russia " and AO "Krasnoyarskenergo" quoted on a securities market, is reflected on 31.12.2005 at the current market cost according to the official data of the Moscow interbank currency stock exchange, London Stock Exchange and the biggest information system in economics and finance Yahoo.

Thus the positive value of a difference between an estimation of financial investments in the shares of the specified organizations at the current market cost on 31.12.2005 and the previous estimation of financial investments in the sum of 5,262,778 thousand rubles is attributed to operational revenues, while the negative value of a difference of 59 418 thousand rubles – to operational expenses of the Company in 2005.

8. Increase in the reserve under depreciation of financial investments created in 2005, by **354,483 thousand rubles**, as compared with the reserve created at the closing of 2004.

As the confirmation indicator of the depreciation of the said financial investments it is accepted to consider stable and substantial decrease during the reporting year of the net wealth of the organization, provided that the net wealth during the entire reporting period is lower than the cost of the authorized capital.

The reserve under depreciation of financial investment was created for financial investments in the amount equal to the difference between the accounting cost and calculated cost of the said financial investments. As the calculated cost of financial investments in the form of stock (shares in authorized capital) of organizations for which the current market value can not be determined, the amount of net wealth of the organizations by 31.12.2005 is accepted. Should the amount of net profit equal a negative value, the calculated cost of financial investments in the form of stock is admitted as zero.

Reflected in line **146 "other financial investments"** are the investments in the bills of outside organizations with the time to run over 12 months and bank deposits for the term over 12 months.

The information on presence *long-term financial investments* is deciphered in section " Financial Investments " of form No. 5 " the Appendix to accounting balance ".

3.1.5 Expenses on research, developmental and technological works

The information *on expenses on research, developmental and technological works* is given in section "**Charges on research, developmental and technological works**" of form No. 5 " the Appendix to accounting balance "

In conformity with requirements of Position on book keeping " the Account of expenses on research and development and TP " (Accounting Regulations 17/02), the Ministry of Finance of Russia authorized by the Order from 19.11.2002 No. 115n, and in view of the changes brought in the Plan of accounts of book keeping, expenses on the unfinished *researches, development and TP* are reflected on a line **130** " Uncompleted construction " in the sum:

on 01.01.2005 - 871 697 thousand rubles;

on 31.12.2005 - 1 061 603 thousand rubles;

The information on the change of the amount of expenses on the *unfinished researches and development and TP*, reflected in line **130** " Uncompleted construction " in 2005:

No.	Indicator	In 2005, thousand rubles
	demand balance on 01.01.2005 (line 320 of form No. 5 " the Appendix to accounting balance ")	871 697
1	expenses charged on unfinished researches and development and TP in the reporting year	302 881
2	assigned to non-selling expenses on researches and development works without positive results	(48 239)
3	transferred into finished researches and development and TP, which results are to be used in the Company's activity.	(22 317)
4	other write-off of the amount of unfinished researches and development and TP, including transfer to the accounts of deferrals.	(42 419)
	demand balance on 31.12.2005 (line 320 of form No. 5 " the Appendix to accounting balance ")	1 061 603

charges on the finished researches and development and TP, which results are used in production (works, services) and for administrative needs of the Company, - on line **150** "Other non-circulating assets" in the sum:

on 01.01.2005 – 99 086 thousand rubles;

on 31.12.2005 – 67 747 thousand rubles.

The information on the change of the amount of expenses on the *finished researches and development and TP*, reflected in line **150** " Other non-circulating assets " in 2005:

No. п/п	Title	In 2005, thousand rubles
	demand balance on 01.01.2005 (line 310 of form No. 5)	99 086
1	expenses recognized on finished researches and development and TP in the reporting year	22 317
2	restored the researches and development and TP which are recognized promising, previously assigned to non-selling as expenses on researches and development works without positive results	9 427
3	accounted as expenses on main activities of the Company, the sums on the finished researches and development and TP in current use	(11 177)

4	accounted as non-selling as expenses on researches and development works without positive results	(36 014)
5	other charge-off of the amount of finished researches and development and TP, including transfer to the accounts of deferrals	(15 892)
	demand balance on 31.12.2005 (line 310 of form No. 5)	67 747

3.1.6 Indicators of raw materials and other materials and other similar valuables.

The information on the presence and change of leavings and materials and other similar valuables is presented as follows:

No.	Category	Amount on 01.01.2005, thousand rubles .	Specific value %	Amount on 31.12.2005, thousand rubles.	Specific value %
	Total in line 211, including	20 035 730	100%	17 315 958	100%
1	Material purchased	13 203 599	65.90%	10 986 575	63.45%
2	Fuel	2 259 899	11.28%	844 616	4.88%
3	Self-produced materials	1 165 973	5.82%	856 242	4.94%
4	Excess inventories	871 270	4.35%	1 233 365	7.12%
5	Others, including the cost of non-invoiced deliveries and amounts of deviations of actual costs of inventories from their accounting costs	2 534 989	12.65%	3 395 160	19.61%

Line 4 shows the cost of excess inventories meant for disposal.

By the date of submitting of accounting an independent appraiser evaluates the cost of the excess inventories, and they are prepared for disposal planned for the second quarter of 2006.

The decrease in the specific value of the 'fuel' indicator is due to the liquidation of a fuel collecting and storage subdivision, which led to the disposal of them to a third party.

3.1.7 Ready products indicators

The information on the presence and change of leavings of ready products and goods for resale, reflected in line **214 "Ready products"**.

No.	Category	Amount on 01.01.2005, thousand rubles	Amount on 31.12.2005, thousand rubles
	Total in line 214, including	5 154 509	4 185 483
1	Main products, total	2 995 131	2 124 069
2	Sideline products, total	558 147	1 225 254
3	Products of other kinds of activity, total	490 490	574 540
4	Goods for resale	1 110 741	261 620

The definitions of main, sideline products and products of other kinds of activity is given in item 2.1.4 hereof.

3.1.8 Deferrals indicators.

The information on the presence and change of leavings, reflected in line **216 " Deferrals"**.

No.	Category	Amount on 01.01.2005, thousand rubles	Amount on 31.12.2005, thousand rubles
	Total in line 216, including	3 498 515	2 915 534
1	Expenses on insurance	1 762 043	521 790
2	Software products	335 386	475 234
3	Expenses on vacation payments	332 625	344 968
4	Leasing payments	154 680	36 460
5	Licenses for certain kinds of activity	92 077	100 243
6	Other expenses	821 704	1 436 839

3.1.9 Accounts receivable.

The information on presence on the beginning and the end of fiscal year of separate kinds of **accounts receivable** is submitted in section " Accounts receivable and payable " of form 5 " the Appendix to accounting balance ".

Accounts receivable of affiliated and dependent organizations is accounted for in the total accounts receivable. The operations with the affiliated and dependent organizations is separately presented in section "Information on Affiliated Persons".

In structure of debtor debts in line 241 " Buyers and customers " and line 246 " Other debtors " are registered the sums hopeless to collecting accounts receivable revealed by results of inventory in the accounting period in size – on 29,022 thousand rubles which is subject to write-off in between the accounting date and the date of submitting of the accountings (30 March 2006).

In structure of debtor debts in line 246 reflected are the leavings:

- on the interest-free loan granted to FSUE "VGTRK" in the sum of 23 782 thousand rubles, previously reflected in the structure of long-term financial investments in line 140 of accounting balance;
- on the interest-free loan granted to the Public Company "Hlebozavod" in the sum of 149 200 thousand rubles, previously reflected in the structure of short-term financial investments in line 250 of accounting balance;

The loans have been re-classified from financial investments into accounts receivable due to the non-fulfillment of the conditions of recognition of financial investments in accounting, stated by Accounting Regulations 19/02 (Order of MF of RF of 10.12.2002 No.126N) (the ability to bring revenue to the organization).

3.1.10 Short-term financial investments.

Organization	On 01.01.2005	On 31.12.2005
--------------	---------------	---------------

	Sum of financial investments, thousand rubles	Share in authorized capital , %	Sum of financial investments, thousand rubles	Share in authorized capital , %
Total (line 250), including:	15 784 444	-	15 918 932	-
Loans granted to organizations for less than 12 months (line 251):	24 727	-	4 102 189	-
Public Company "SERI И & K"	21 042	-	-	-
JSC "Taymyrskaya Toplivnaya Companija"	-	-	3 522 013	-
Public Company "GRK "Bystrinskoye"	-	-	378 593	-
other investments less than 5%	3 685	-	201 583	-
Other short-term financial investments (line 252) total, including:	15 759 717	-	11 816 743	-
Bills with time to run less than 12 months:	1 767 049	-	31 831	-
AO "R&M"	670 527	-	-	-
Public Company "Renons"	480 000	-	-	-
AO " Norilskgazprom "	300 000	-	-	-
JSC "Taymyrskaya Toplivnaya Companija"	180 000	-	-	-
Public Company "Norilskaya Torgovaya Companija"	23 331	-	23 331	-
other investments less than 5%	113 191	-	8 500	-
deposits for less than 12 months:	13 992 668	-	9 344 958	-
shares to be sold within 12 months, including :	-	-	2 005 756	
AO "Kolskaya GK"	-	-	898 434	14.83%
AO "KolEnergo"	-	-	826 164	14.85%
AO "Murmanskaya HS"	-	-	150 211	14.83%
AO "Apatitskaya HS"	-	-	130 947	14.83%
Bonds in rubles (AM)	-	-	434 198	

The change (increase) of short-term financial investments by the amount of **134,488 thousand rubles** is due to:

1. increase of the indicator in line 251 "*Loans granted to organizations for less than 12 months*" by **4,077,462 thousand rubles**.
2. decrease of the indicator in line 252 "*Other short-term financial investments* " by **3,942,974 thousand rubles** , including:
 - decrease in investments in bills with the time to run less than 12 months by **1,735,218) thousand rubles**;
 - decrease in the amount of deposits for the term less than 12 months by **4,647,710 thousand rubles**;
 - purchase of bonds nominated in Russian rubles which are in asset management (see item 3.5.1 hereof) by **434,198 thousand rubles**, taking into account the revaluation on the basis on the current market value at the end of the accounting year, total of **10,673 thousand rubles**. At that, the positive value of the difference between the evaluation on the basis on the current market value on 31.12.2005 and the previous evaluation of financial investments in the sum of **10,967 thousand**

rubles is accounted in the structure of operational incomes, while the negative value of the difference on the sum of **294 thousand rubles** – in the sum of operational expenses of the Company in 2005.

- Increase, in the accounting year, of the financial investments of the Company by the value of the estimated cost of shares of AO "Kolskaya GK", shares of AO "Murmanskaya HS" and shares of AO "Apatitskaya HS", in the total sum of **1,179,592 thousand rubles**, received on the results of reorganization of AO "KolEnergo" due to the decision of an extraordinary General Shareholders meeting of AO "KolEnergo".

The assessed value of shares of the above-mentioned companies was accepted as the share in net wealth of the companies in the introductory balance on the date of their state registration.

- Transfer of financial investments into the shares of AO "KolEnergo" in the amount of **1,230,223 thousand rubles** into the short-term financial investments, due to the Company's Committee of directors' decision to terminate participation in AO "KolEnergo".
- The reappraisal of investments in the shares of AO "KolEnergo", in accordance with the official data of the Moscow Interbank Currency Exchange, in the sum of **404,059 thousand rubles**. The said sum is accounted in the sum of operational expenses of the Company in 2005.

3.1.11 Changes in the authorized, additional and reserve capital.

As of the accounting date 31.12.2005, in line **411 "Own stock redeemed from shareholders"** reflected are actual expenses in the amount of 40,997,171 thousand rubles for the purchase of 23,278,137 own shares bought out from shareholders:

- 10 799 433 registered equities with the nominal value 1 ruble each, redeemed by the Company due to the decision to re-organize the Company (the decision of extraordinary General Shareholders meeting of JSC MMS Norilsk Nickel of 30.09.2005).
- 12 478 704 registered equities with the nominal value 1 ruble each, purchased by the Company due to the decision of the Committee of directors of 02.12.2004.

In accordance with the Order of MF of RF of 22.07.2003 No.67n, the indicator of own bought-out stock (line 411) decreases the figures in the "Capital and Reserves" (section III) of the accounting balance.

The extraordinary General Shareholders meeting of JSC MMS Norilsk Nickel of 17 February 2006 made the decision to decrease the authorized capital of JSC MMS Norilsk Nickel by 23,278,137 rubles by means pay-off of the purchased and redeemed own of registered equities of the Company.

On 17 March 2006, the Interdistrict Inspection of the Federal Tax Service No2 of Krasnoyarsk Territory, Taimyr (Dolgano-Nenets) and Evenki Autonomous Districts registered the alterations in the Articles of JSC MMC Norilsk Nickel connected with the decrease in the authorized capital.

The general information on ***changes in the authorized, additional and reserve capital*** is submitted in the form No. 3 "the Report on changes of the capital".

3.1.12 Unappropriated balance.

The information on changes on a line **470 "Unappropriated balance (the uncovered loss)"**

The amount of unappropriated balance on 01.01.2005 constitutes 170,475,422 thousand rubles.

According to the decision of Annual general meeting of shareholders 30.06.2005 about payment of dividends under shares of the Society on results of activity for 2004 from the unappropriated balance of the last years dividends have been paid to shareholders of the Society in the sum of 5 639 961 thousand rubles.

According to the decision of Extraordinary general meeting of shareholders 30.12.2005 about payment of dividends under shares of the Society by results of work for 9 months 2005 from the not unappropriated balance of the last years dividends have been paid to shareholders of the Society in the total sum of 8,661,369 thousand rubles.

Thus, the total sum of the dividends paid in 2005 under shares of the Society have made 14,301,330 thousand rubles.

Under the results of financial and economic activity of the Company, the sum of net profit for 2005 made 58,159,465 thousand rubles.

As a result, the sum of the unappropriated balance on 31.12.2005 has made 214,333,557 thousand rubles.

3.1.13 Presence and movement of long-term and short-term credits and loans and accounts payable.

The information on presence and movement *of long-term and short-term credits and loans* and separate kinds *of accounts payable* is submitted in section "Accounts receivable and payable" of form 5 "Appendix to accounting balance".

Information on *loans and credits*, reflected *in lines 510 u 610 "Loans and credits"*:

No.	Currency	Time to run	Interest rate (%)	Amount on 31.12.2005, thousand rubles		
				Amount of main debt, thousand rubles	Interest amount, thousand rubles	Total, thousand rubles
1. Bank credits to be paid off within more than 12 months after the accounting date						
	-	-	-	-	-	-
2. Loans to be paid off within more than 12 months after the accounting date						
2.1	USD	30.09.2009	7.254	14 342 320	262 988	14 605 308
-	RUR	till 2009	-	4 672	-	4 672
3. Bank credits to be paid off within 12 months after the accounting date						
3.1	RUR	17.02.2006	5.5	500 000	829	500 829
3.2	USD	26.05.2006	5.2711	8 490 837	42 270	8 533 107
4. Loans to be paid off within 12 months after the accounting date						
4.1	RUR	2006	-	26 177	-	26 177

As of 31.12.2005, the total sum liabilities under the bills issued by the Company constitutes 63 468 209 thousand rubles, including:

in line 627 "bills to payment" the sum liabilities under the bills issued to pay for the goods purchased, works accomplished, services rendered, with the time to run within 12 months after the accounting date constitutes, on 31.12.2005, 17 171 392 thousand rubles;

in line 612 "loans to be paid off within 12 months after the accounting date" the sum liabilities under promissory notes issued for loans with the time to run 'upon presentation' constitutes, on 31.12.2005, 46 296 817 thousand rubles, including:

total amount of bills – 44 338 738 thousand rubles

interest amount - 1 958 079 thousand rubles

Accounts payable of affiliated and dependent organizations is accounted in the total accounts payable. The operations with the affiliated and dependent organizations is separately presented in section "Information on Affiliated Persons".

In structure of accounts payable registered is the sum of accounts payable with expired term of limitation of action, revealed by results of inventory in the accounting period in amount of 12 159 thousand rubles which is subject to write-off in between the accounting date and the date of submitting of the accountings (30 March 2006).

3.1.14 Postponed tax obligations.

Information in line **515 "Postponed tax obligations"**.

According to Accounting Regulations 18/02, authorized by the Order of the Ministry of Finance of the Russian Federation from 19.11.2002 No. 114n, the sum of the postponed tax obligations for 31.12.2005 is reflected in accounting balance on page 515 "Postponed tax obligations " at a rate of 4 233 998 thousand rubles.

The indicator is the balancing of accounts of postponed tax obligations and tax assets as of 31.12.2005.

The change (increase) of the indicator in 2005 by 590 719 thousand rubles is due to:

- charging of balancing of accounts of postponed tax obligations and tax assets for 2005 in the sum of 127 697 thousand rubles;
- writing-off of a postponed tax asset in the sum of 372 216 thousand rubles to the accounting of profits and losses due to the retirement of the object of the asset;
- charging of balancing of accounts of postponed tax obligations and tax assets under re-calculation for previous periods due to the submitting of the corrected tax statement for 2003 on profit tax, in the sum 90 806 thousand rubles .

3.1.15 Debts to participants (founders) on payment of incomes.

In line 630 "Debts to participants (founders) on payment of incomes" is reflected debts to shareholders of the Society on payment of incomes under actions(shares) in the sum of 8 719 950 thousand rubles, including the dividends charged on results of work of a society for 9 months 2005 in the sum of 8 661 369 thousand rubles.

3.1.16 Deferrals indicators.

The information on changes and leavings, reflected in line **640 "Deferrals"**

Name	Sum on 01.01.2005, thousand rubles.	Sum on 31.12.2005, thousand rubles
Total (line 640), including:	421 706	4 569 016
Shares received as the result of reorganization of AO "KrasnoyarskEnergo" and AO "KolEnergo", total, including:		4 035 802
AO "Krasnoyarskaya Generatsiya"	-	2 822 625
AO "Kolskaya GK"	-	898 434
AO "Murmanskaya HS"	-	150 211
AO "Apatitskaya HS"	-	130 947
AO " KrasnoyarskEnergoSbyt "	-	33 585

Interest charged on loans granted	18 709	277 591
Set-of of payments for reproduction of material & raw material scope, directed to the purchase of material resources	134 009	91 763
Other income amounts	268 988	163 860

Increase of the indicator in line 640, basically, is due to the reflection in the structure of deferrals of value of the shares of the newly created companies, by means of split-off from AO "KrasnoyarskEnergo" and AO "KolEnergo", in the total sum of 4 035 802 thousand rubles. The cost of the said shares is reflected in the structure of long-term financial investments in line 142 of accounting balance, and in the structure of short-term financial investments in line 252 of accounting balance.

Since, in accordance with the existing legislation, the Company received the shares of the companies without payments and without changing of its rights with regards to the reorganized companies, the shares have been taken into accounting as received free of charge, with reflection in the structure of deferrals.

In case of disposal organization other retirement of securities, their value will be accounted in the structure of operational incomes of the Company.

3.1.17 Changes in parameters of accounting balance in the column "By the beginning of one year" as compared to parameters of the column "At the end of year" in 31.12.2004.

Parameters of accounting balance *in the column " By the beginning of one year "* are harmonized with provisions of the Registration policy of the Company for 2005, authorized by the order of the General Director from 30.12.2004 No. MMC/188-n), and are comparable to parameters of the column " On the end of year " of the Company on 31.12.2004.

N o.	Line No. in balance	Data on 01.01.2005, thousand rubles	Data on 31.12.2004, thousand rubles	Changes, thousand rubles	Reasons of changes
1	122	58 808 715	60 551 444	(1 742 729)	Exclusion from the set of indicators on line 122 of means of transport, industrial and household inventory and other kinds of fixed assets
2	144	263 765	337 547	(73 782)	Exclusion from the structure of long-term financial investments of interest-free loans
3	235	178 126	128 126	50 000	Reflection in the structure of long-term accounts receivable of interest-free loans granted for more than 12 months
4	246	10 320 531	10 145 748	174 783	Reflection in the structure of short-term accounts receivable of interest-free loans, payment on which is anticipated to occur within 12 months
5	251	24 727	175 728	(151 001)	Exclusion from the structure of short-term financial investments of interest-free loans

3.2 Disclosure of Individual Items from Statement of Incomes and Losses (Form No. 2).

3.2.1 Revenues from sales of goods, products, works, services.

In compliance with par. 23 of the Accounting Rules 4/99 "Accounting statements of organization", approved by the Order of Finance Ministry of Russia dated 06.07.1999 г. No. 43n, line 010 of the income and loss statement reflects **revenues from sales** minus VAT and customs-export duties and similar mandatory payments.

Indicator name	2005, thousand rubles	2004, thousand rubles	Increase (decrease), thousand rubles
Revenues from sales of goods, products, works, services, reflected in line 010 of the income and loss statement – Total	171 137 508	163 376 131	7 761 377
Revenues from sales of metals and metal products for export (total),	152 288 582	140 699 051	11 589 531
Including:			
· Main products			
<i>nonferrous metals</i>	98 990 987	86 359 755	12 631 232
<i>precious metals</i>	27 630 524	30 686 769	(3 056 245)
· Sideline products	8 518 053	8 218 153	299 900
· Other products	12 584 365	10 680 970	1 903 395
· Goods	4 524 927	4 669 498	(144 571)
· Scrap metal	39 726	83 906	(44 180)
Revenues from domestic market sales of metals metal products in domestic market, total	13 439 916	15 036 301	(1 596 385)
Including:			
· Main products			
<i>nonferrous metals</i>	5 758 428	8 932 696	(3 174 268)
<i>precious metals</i>	1 830 847	95 537	1 735 310
· Sideline products	622 342	1 245 139	(622 797)
· Other products	3 770 329	3 068 169	702 160
· Goods	1 438 778	1 678 107	(239 329)
· Scrap metal	19 192	16 653	2 539
Revenues from domestic market sales of goods, products, works, services	5 409 010	7 640 779	(2 231 769)

Increasing of revenues from the sales of goods, products, works, services in 2005 in comparison to 2004 occurred in the result of the increased revenues from the export sales of nonferrous and other metal products outside Russian Federation (export) due to increase in the volume of sales, and good sales opportunities on world markets.

In 2005 the Company conducted settlements with one organization, under contracts foreseeing discharge of obligations with non-money means. The total sum of revenues under those contracts amounted to 0.84% of the total amount of sales of goods, products, works, services reflected in line 010 "Revenue (net) from the sales of goods, products, works, services minus VAT and customs-export duties and similar mandatory payments) of Form No.2.

The amount of revenue under contracts foreseeing discharge of obligations (payment) with non-money means, is determined by the cost of products (goods) received or due to be received by the Company. The cost of products (goods) received or due to be received by the Company is determined on the basis of the price with which the Company, in similar circumstances, usually determines the cost of similar goods (valuables).

3.2.2 Expenses on main kinds of activity.

The data characterizing the expenses connected with the manufacture and sales of own products and with rendering of works and services (expenses on main kinds of activity) are specified in the Appendix to Accounting Balance (Form No5), in 'Expenses on main kinds of activity' section, in the grouping by the elements of expenses. The data in the said section include:

- Commercial and administrative expenses of 10 795 895 thousand rubles in total;
- expenses connected with the accomplishment of capital construction by economic methods, as well as the expenses not connected with the sales of goods, products, works, services in the accounting period, 6 073 901 thousand rubles in total.

The said data do not include the cost of purchased goods sold in the amount of 5 930 355 thousand rubles. Taking into account the correction from the change of the leavings of non-completed production (line 765 of Form No.5), deferrals in the part of expenses, earlier recognized in the correspondence with expense accounts, as well as the change of the leavings of materials of own produce in the warehouse and unrealized products in the warehouse, the amount of expenses connected with the **realized** products and rendering of works and services in the accounting period constitutes 56 755 046 thousand rubles.

Taking into account the cost of purchased goods sold in the amount of 5 930 355 thousand rubles, the expenses connected with the manufacture (purchase) and sales of own products (goods) and rendering of works and services constitute 62 685 401 thousand rubles.

This amount is reflected in line **020** "*prime cost of goods, products, services sold*" of Form No.2.

3.2.3 Composition of commercial expenses.

Information on the composition of **commercial expenses**:

Name of indicator	2005, thousand rubles	2004, thousand rubles
Total commercial expenses	2 326 709	2 640 266
Including:		
1. Expenses on the Company advertising	1 126 547	1 191 312
2. Remuneration paid to middlemen	368 214	452 112
3. Expenses on handling operations	334 896	307 035
4. Expenses for transportation and insurance	208 700	266 147
5. Expenses connected with customs clearance of goods	93 931	204 283
6. Expenses on cargo insurance	111 359	144 595
Others	83 062	74 782

3.2.4 Composition of administrative expenses.

Information on the composition of administrative expenses:

Name of indicator	2005, thousand rubles	2004, thousand rubles
Total administrative expenses	8 469 186	10 333 680
Including:		
1. Expenses on organization management	4 824 758	5 756 412
2. Taxes, duties and deductions	1 653 434	2 586 803
3. General household expenses	1 990 994	1 990 465

Decrease in administrative expenses in 2005 in comparison to 2004 occurred due to the decrease of payments for polluting the environment (in the part of maximum permissible discharge) due to changes in the basic regulations of payments starting in 2005 based on the relevant Resolution of the Government of RF and taking into account the payments corrections of the sums of accomplished nature-conservative measures.

3.2.5 Composition of receivable interests.

Information on the composition of *receivable interests*:

Name of indicator	2005, thousand rubles	2004, thousand rubles
Total receivable interests	885 011	1 122 334
Including:		
1 Interests under deposits	478 603	381 982
2. Interests receivable in accordance with contracts receivable for provision of cash assets for use	26 817	313 338
3. Interests under the reminders on accounts of credit agencies	261 272	217 107
4. Interests under bonds (AM)	15 816	-
4. Others	102 503	209 907

3.2.6 Composition of payable interests.

Information of the composition of *payable interests*:

Name of indicator	2005, thousand rubles	2004, thousand rubles
Total payable interests	5 856 975	3 448 726
Including:		
1. Interests under bills	4 293 938	2 477 705
2. Interests under credits	525 776	713 259
3. Interests under loans	1 023 415	257 762
4. Interests under bonds (AM)	13 846	-

3.2.7 Composition of other operation revenues and expenses.

In the accounting statements, all operation expenses and revenues due to operations similar by nature, associated with them, are represented in the form of spreadsheet, excluding operations

with purchase/sales of foreign currency in accordance with the Accounting Policy of the Company in 2005.

Information of the composition of *other operation revenues and expenses*:

Name of indicator	2005		2004	
	Amount, thousand rubles	Share, %	Amount, thousand rubles	Share, %
Total other operation revenues, Including:	67 917 443	100%	9 041 474	100%
Revenues from sale and other retirement of assets and securities	61 815 460	91.02%	8 454 448	93.51%
Positive difference between assessment of financial investments at the current market cost as on the report date, and the previous assessment of financial investments	5 273 744	7.76%	-	-
Recovery of reserve for financial investment depreciation	163 938	0.24%	-	-
Others	664 301	0.98 %	587 026	6.49%
Total other operation expenses, Including:	72 852 802	100%	13 484 562	100%
Expenses due to sale of assets and securities	69 514 740	95.42%	8 601 252	63.79%
negative difference between assessment of financial investments at the current market cost as of the report date, and the previous assessment of financial investments	463 771	0.64%	2 414 480	17.91%
taxes (property tax, establishment tax, additional payments against the profit tax, etc.)	1 322 371	1.81%	1 353 432	10.04%
expenses associated with payment for services provided by credit organizations	215 402	0.30%	495 064	3.67%
negative discount on bills	-	-	409 818	3.04%
deduction to reserve for financial investment depreciation	518 421	0.71%	104 903	0.77%
Others	818 097	1.12%	105 613	0.78%

The increase in the indicators of other operational incomes and expenses in 2205 as compared against 2004 is due to:

- representation of securities retirement operations in 2005 in the form of spreadsheet: operational incomes reflect the cash assets received from the retirement of securities, while operational expenses reflect the cash expenses connected with the purchase of retired securities (book value);
- reflection of positive difference between assessment of financial investments (long-term and short-term) at the current market cost as of 31.12.2005, and the

previous assessment of financial investments as of 31.12.2004, in the amount of 5 273 745 thousand rubles.

- decrease by 1 951 709 thousand rubles of the value of negative difference between assessment of financial investments (long-term and short-term) at the current market cost as of 31.12.2005, which constituted 463 771 thousand rubles, and the previous assessment of financial investments as of 31.12.2004 r.;
- representation of the value of the reserve for financial investment depreciation in the form of spreadsheet, on which the market costs is not determined: the amount of recovered reserve in operational incomes constituted 163 938 thousand rubles, while the amount of deducted reserve reflected in the operational expenses constituted 518 421 thousand rubles.

3.2.8 Composition of non-sales revenues and expenses.

Information on the composition of *non-sales revenues and expenses*:

Name of indicator	2005		2004	
	Amount, thousand rubles	Share, %	Amount, thousand rubles	Share, %
Total non-sales revenues	8 775 055	100%	9 232 883	100%
including:				
Profit of past years revealed in reporting period	4 315 081	49.17%	4 842 074	52.44%
Positive course differences under operations in foreign currency	4 227 538	48.18%	3 764 313	40.77%
Budgetary funds given for financing of expenses incurred in previous report periods	2 183	0.03%	324 859	3.52%
Others	230 253	2.62%	301 637	3.27%
Total non-sales expenses	15 914 784	100%	13 807 070	100%
Including:				
Losses of past years revealed in reporting year	5 872 636	36.90%	2 979 259	21.58%
Negative course differences under operations in foreign currency	3 999 995	25.13%	4 726 547	34.23%
Social and compensating deductions and programs	2 835 273	17.82%	3 128 162	22.66%
cost of free asset granting and expenses due to such granting	1 263 179	7.94%	542 355	3.93%
Charity expenses	465 269	2.93%	774 974	5.61%
Costs of keeping of non-industrial facilities	250 090	1.57%	240 788	1.74%
cost of free works completion and services providing	19 777	0.12%	15 901	0.12%
Others	1 208 565	7.59%	1 399 084	10.13%

Line "Profit of past years revealed in reporting year" in 2005 reflects the amounts of VAT of past years which are to be changed (decreased) under the results of the integrated field tax research completed in 2005.

Line "Budgetary funds given for financing of expenses incurred in previous report periods" reflects the sums of compensating payments received in 2005 from state budgets of various levels and meant, in accordance with established procedure, to cover the expenses the Company incurred in the previous reporting years. The information on the nature of the compensating payments is given in par. 3.9 hereof. The decrease of the parameter in this line as compared against its value in 2004, is due to the liquidation of the structural subdivision of the Polar Division that carried out carriage of passengers. The compensation of the said expenses from the budget of the city of Norilsk constituted most of the sum of the budgetary means received in 2004.

The increase of the non-sales expenses in 2005 is due to the reflection in line "Losses of past years revealed in reporting period" of the amount of VAT of the past years which is due to be changed (charged) under the results of the integrated field tax research completed in 2005.

3.2.9 Composition of extraordinary incomes and expenses.

Information on the composition of extraordinary incomes and expenses.

Line 135 "Extraordinary incomes and expenses" of the Statement of Incomes and Losses reflects the sums received from insurance companies as reparation of damages in the occurrence of insured accidents, in the framework of fulfillment of obligations under contracts of mandatory insurance of civil liability of the owners of transport facilities, in the amount of 332 thousand rubles.

Line 136 "Extraordinary incomes and expenses" of the Statement of Incomes and Losses reflects the extraordinary expenses in the amount of 5 044 thousand rubles occurred as the result of a fire at a structural subdivisions of the Polar Division.

The fact of occurrence of an extraordinary accident is confirmed by a Report on Fire executed by the State Fire Fighting Service.

3.2.10 Constant and temporary differences and postponed tax assets and obligations.

In accordance with the requirements of Accounting Regulations 1818/02 (Order of MF of Russia of 19.11.2002 No. 114n), the conditional expense on the profit tax in 2005 constitutes 19 400 418 thousand rubles.

The conditional expense on the profit tax equals the value defined as the product of accounting profit of the reporting period, reflected in line 140 of Form No. 2 of the "Statement of Incomes and Losses", and the profit tax rate applicable in 2005.

The profit tax rate applicable in 2005 did not change as compared against 2004 and equals 24%. The constant and temporary differences were formed in the reporting year 2005, on the principle of charging at the stage of reflection of incomes and losses in accounting and tax accounting.

The table provided below shows the amounts of constant and temporary differences occurred in the course of 2005, and the amount of constant and postponed tax assets and obligations charged in 2005:

No.	Name of difference	Amount,	Name	Amount
-----	--------------------	---------	------	--------

		thousand rubles	of asset/obligation	(thousand rubles)
1.	Constant positive difference in 2005	49 542 534	Constant tax obligation	11 890 208
2.	Constant negative difference in 2005	41 642 131	Constant tax asset	9 994 111
3.	Temporary positive difference in 2005	3 127 313	Postponed tax asset	750 555
4.	Temporary negative difference in 2005	3 659 382	Postponed tax obligation	878 252

The amount of the conditional expense on the profit tax for the purpose of determination of the current tax profit (current tax loss) is increased by the amount of the constant tax obligation and postponed tax asset, and decreased by the amount of the postponed tax obligation.

Line 200 of Form No. 2 "Statement of Incomes and Losses" reflects the balance of accounts amount of the constant tax obligation and asset of 1 896 097 thousand rubles.

The amount of tax profit charged in 2005 reflected in line 150 of Form No. 2 "Statement of Incomes and Losses" equals 21 168 818 thousand rubles.

In the reporting period the sum of postponed tax asset of 372 216 thousand rubles was written off to the accounts of incomes and losses, due to the retirement of the object of the asset.

3.2.11 Other similar obligatory payments.

Expansion of line **160 "Other similar obligatory payments"**:

Name of indicator	2005		2004	
	Amount, thousand rubles	Share, %	Amount, thousand rubles	Share, %
Total, Including:	1 379 095	100 %	40 787	100 %
Profit tax under re-calculation for previous tax periods	291 792	21.16%	979	2.40 %
Other taxes, penalties, fines to state budget and off-budget foundations	715 087	51.85%	39 808	97.60 %
Postponed tax assets, written of to account 99 "Incomes and Losses"	372 216	26.99%	-	-

3.2.12 Changes of indicators in column "For the same period of the previous year" as compared with the indicators of the column "For reporting period" of the "Statement of Incomes and Losses" for 2004.

No changes.

3.3 Profit per share.

Net (retained) profit of the previous reporting year made 58 159 465 thousand rubles, net (retained) profit for the similar period of the past year made 51 143 620 thousand rubles. The sheer growth of net (retained) profit in 2005 constituted 7 015 845 thousand rubles .

The main factor that resulted in alteration of the financial result of the Company's operation in 2005, was the increase in volumes of metal products sales outside Russia (export) due to the growth of prices on main and other products and increase in volumes of sales of main and other products.

Calculation of weighted average number of common shares:

Date	Operation description	Number of allotted shares of extra issue	Number of shares paid off	Nominal shares in circulation
2004r.				
01.01.2004		-	-	213 905 884
31.12.2004		-	-	213 905 884
	Weighted average number of common shares in circulation			213 905 884
2005				
01.01.2005		-	-	213 905 884
01.02.2005	Redemption of own floated shares due to the decision of Directors committee on 02.12.2004	-	11 264 584	202 641 300
01.03.2005	-"	-	1 214 120	201 427 180
01.12.2005	Redemption of own shares due to the decision on reorganization made by the General shareholders meeting on 30.09.2005	-	10 796 524	190 630 656
31.12.2005	-"	-	2 909	190 627 747
	Weighted average number of common shares in circulation			201 668 538

Base profit per share:

	2005	2004
Net profit of reporting year, thousand rubles	58 159 465	51 143 620
Dividends against preference shares, thousand rubles	-	-
Base profit, thousand rubles	58 159 465	51 143 620
Weighted average number of common shares in circulation, including shares of the last (5th) issue	201 668 538	213 905 884
Base profit per share, thousand rubles	0.2884	0.2391

3.4 Information on the indicators of the account on the movement of cash assets and Appendix to the accounting balance.

3.4.1 Expansion of individual indicators the movement of cash assets (Form No. 4).

The data on the demand balance on 31.12.2005 in the account on the movement of cash assets, line 430 in column 3, differs from the amount of cash assets in the accounting balance, line 260 in column 4, by the amount of monetary instruments in the cash office of 11 905 thousand rubles.

The amount of demand balance on 31.12.2005 includes the amount of demand balance en route in the amount of 77 thousand rubles.

The account on the movement of cash assets does not include on the movement of cash assets under transfer to deposit accounts and from deposit accounts to settlement accounts. The amount of difference between the flows of cash assets under operations of transfer from settlement accounts to deposit accounts and operations of return from deposit accounts to settlement accounts in the reporting period is reflected in the lines of other incomes and expenses (lines 140,190, col.3).

The value of influence of change in the foreign currency exchange rate to ruble in line 440 is admitted equal to the difference between the indicator of demand balance at the beginning of the reporting year in line 110 of column 3, and the indicator of demand balance at the end of the previous year line 430 of column 4.

Expansion of *line 140 "Other incomes"*.

No.	Name	Amount in 2005, thousand rubles	Amount in 2004, thousand rubles
1	Total in line 140, including:	16 148 817	7 643 943
2	Compensation of VAT from state budget	5 837 743	4 053 623
3	Amount of excess of the flows of cash assets under operations of return from deposit accounts to settlement accounts in the reporting period as compared against transfer from settlement accounts to deposit accounts	5 011 721	-
4	Earnings of cash assets under contracts of interests and agent agreements	4 840 034	2 460 665
5	Return of cash assets to the settlement account on various grounds, including the return of advance payments for non-shipped goods and tangible property, return of accounted money. etc.	453 621	566 547
6	Positive result of the ruble equivalent under foreign currency purchase and sale operations, foreign currency conversion, transfer of foreign currency from one account to another.	-	457 166
7	Other incomes	5 698	105 942

Expansion of *line 190 "Other expenses"*.

No.	Name	Amount in 2005, thousand rubles	Amount in 2004, thousand rubles
-----	------	------------------------------------	------------------------------------

1	Total in line 190, including:	19 132 358	19 560 686
2	Cash assets transferred under customs payments	9 508 193	8 052 325
3	Cash assets transferred under contracts of interests and agent agreements	4 848 815	2 480 431
4	Amount of excess of the flows of cash assets under operations of return from settlement accounts to deposit accounts in the reporting period as compared against transfer from deposit accounts to settlement accounts	-	5 552 240
5	Negative result of the ruble equivalent under foreign currency purchase and sale operations, foreign currency conversion, transfer of foreign currency from one account to another.	2 086 105	-
6	Transfers of cash assets for charity, social payments, financial support, membership fees, etc.	1 470 117	2 372 022
7	Transfers and payments of sums deducted from salaries on various grounds (alimonies, trade-union dues, residence rent, etc.)	1 190 499	1 061 505
8	Other expenses	28 629	42 163

Expansion of *line 260 "Other earnings from investment activity"*.

No.	Name	Amount in 2005, thousand rubles	Amount in 2004, thousand rubles
1	Total in line 260, including:	2 178 114	5 879 087
2	Earnings of cash assets from payment of bills of third parties purchased as financial investments	2 178 114	5 879 087

Expansion of *line 330 "Other charges from investment activity"*.

No.	Name	Amount in 2005, thousand rubles	Amount in 2004, thousand rubles
1	Total in line 260, including:	1 218 560	260 288
2	Charges of cash assets as holding in companies' property	865 403	-
3	Charges of cash assets for geological survey	185 448	143 881
4	Charges of cash assets for research, developmental and technological works	164 634	104 639
6	Other charges	3 075	11 768

Expansion of *line 370 "Other earnings from financial activity"*.

No.	Name	Amount in 2005, thousand rubles	Amount in 2004, thousand rubles
1	Total in line 370, including:	290 170	-
2	Return of cash assets under operations of currency transactions reservation	290 170	-

Expansion of *line 400 "Other charges from financial activity "*.

No.	Name	Amount in 2005, thousand rubles	Amount in 2004, thousand rubles
1	Total in line 400, including:	41 457 226	220 126
2	Redemption of own shares	40 968 503	-
3	Charges of cash assets under operations of currency transactions reservation	488 723	220 126

The difference between the data on the amount of shares redeemed from shareholders, reflected in the Accounting Balance, line 411 of column 4, and those in the account of movement of cash assets, line 400 of column 3, is the amount of tax payments the transfer (charging) of which to the State budget is reflected in the account of movement of cash assets, line 180 of column 3.

3.4.2 Changes of data in the account of the movement of cash assets.

Information on *changes of data in the account of the movement of cash assets* (Form No. 4).

The changes of data in the account on the movement of cash assets are due to the Company's change of the form of the account on the movement of cash assets in 2005, namely the exclusion of the lines with the indicators 'advance payments from buyers and customers' and 'for advance payments', introduction of the new line 'for settlements under customs duties', and re-naming of line 320 'Share holding in construction' into 'Capital construction'.

No.	Line No. of Form No. 4	Form No. 4 of 2005	Form No. 4 of 2004	Changes, thousand rubles	Explanation of the change
		Column "In the same period of previous year", thousand rubles	Column "In reporting period ", thousand rubles		
1	120	159 148 494	155 934 864	3 213 630	Reflection in lines 120 and 130 of amounts of advance payments from buyers and customer in day-to-day operation
2	130	7 979 758	7 423 999	555 759	
3	150	(60 285 644)	(63 791 928)	3 506 284	Reflection in line 150 of amounts of advance payments granted in day-to-day operation (3 525 912 thousand rubles) and transfer to line 190 of customs duties in amount of 7 032 196 thousand rubles
7	180	(30 725 338)	(31 745 467)	1 020 129	Transfer to line 190 of settlements under customs duties

	190	(19 560 686)	(11 013 629)	(8 547 057)	Reflection in line 190 of settlements under customs duties in amount of 8 052 325 thousand rubles amounts of advance payments granted in day-to-day operation in amount of 494 732 thousand rubles
9	320	(2 874 741)	-	(2 874 741)	Reflection in line 320 of cash assets charged for capital construction and amounts of advance payments under investment activity
10	330	(260 288)	(2 489 650)	2 229 362	
11	340	(57 337 363)	(56 691 984)	(645 379)	

3.4.3 Changes of data in "Appendix to accounting balance" (form No. 5).

Information on *changes of data in "Appendix to accounting balance"* (form No. 5).

No	Line No. of Form No. 5	Data on 01.01.200 5. thousand rubles	Data on 31.12.200 4. thousand rubles	Changes, thousand rubles	Reason of change
	060	47 849 021	47 849 202	181	Data correction based on the results of technical services' check of the correctness of appropriation of groups of fixed assets
2	070	27 600 023	27 596 531	3 492	
3	090	1 781 051	1 789 371	(8 320)	
4	100	1 143 153	1 138 326	4 827	
5	142, 143	11 562 825	11 562 937	(112)	
6	144	498 009	497 897	112	Data correction due to adjustment of information of objects of leased fixed assets
7	150	790 170	776 182	13 988	
8	151	595 628	591 698	3 930	
9	152	10 421	1 613	8 808	
10	153	183 196	181 946	1 250	Data correction on expenses for natural resources development
11	410	1 282 781	1 285 244	(2 463)	
12	430	1 282 781	1 285 244	(2 463)	Exclusion of interest-free loans from composition of long-term financial investments
13	525 (3)	263 765	337 547	(73 782)	
14	540 (3)	125 786 280	125 860 062	(73 782)	Exclusion of interest-free loans from composition of short-term financial investments
15	525 (5)	24 727	175 728	(151 001)	
16	540 (3)	15 784 444	15 935 445	(151 001)	Reflection of interest-free loans, payments for which are anticipated within 12 months, in composition short-term accounts receivable
17	610	32 371 932	32 197 149	174 783	
18	613	10 325 531	10 150 748	174 783	

19	623	178 126	128 126	50 000	Reflection of interest-free loans, payments with time to run more than 12 months, in composition long-term accounts receivable
19	653	-	3 643 279	(3 643 279)	Exclusion of amount of postponed tax liabilities from the composition of indicators in line 653
21	710	31 012 006	18 432 917	12 579 089	Increase in of tangible expenses by the amount of expenses on industrial works and services performed by third parties
22	750	11 371 526	23 950 615	(12 579 089)	

3.5 Information by segments.

Information on geographical segments by physical location of assets.

While selecting the information on geographical segments, taken into consideration were the similarity of activity and risks inherent to the Company's activity in particular geographical regions.

Based on the organizational structure and system of internal accounting of the Company, the information on geographical segments was selected by physical location of assets.

In the Company's activity the following segments are singled out:

- Moscow – location of assets of the solitary organization department of Moscow and activity connected with asset management;
- Norilsk, Krasnoyarsk Territory – location of the assets of Polar Division and "NorilskEnerg" subsidiary;
- others – location of assets of the subsidiaries of the Company: Murmansk transport subsidiary, Arkhangelsk office, Krasnoyarsk office, Krasnoyarsk representatives and Multi-activity enterprise "Zapolyarie".

No.	Item	Moscow (solitary organization department, asset management) thousand rubles	Norilsk, Krasnoyarsk Territory (Polar Division, NorilskEnerg) , thousand rubles	Other segments, thousand rubles	unappropriat ed revenues, expenses, assets and liabilities, thousand rubles	Company's total, excluding operations among segments, thousand rubles
1	Total amount of revenue	7 302	171 067 595	62 611	-	171 137 508
2	Prime cost	-	(62 551 296)	(134 105)	-	(62 685 401)
3	Gross profit	7 302	108 516 299	(71 494)	-	108 452 107
4	Commercial expenses	(1 120 210)	(1 206 499)	-	-	(2 326 709)
5	Administrative expenses	(2 166 193)	(6 244 792)	(58 201)	-	(8 469 186)
6	Sales profit (loss)	(3 279 101)	101 065 008	(129 695)	-	97 656 212
7	Revenues from participation in other organizations	-	-	-	230 627	230 627
8	Interest receivable	15 816	-	-	869 195	885 011
9	Interest payable	(13 846)	-	-	(5 843 129)	(5 856 975)
10	Other operational incomes	2 272 826	1 228 329	75 338	64 340 950	67 917 443

11	Other operational expenses	(3 790 048)	(1 524 380)	(74 356)	(67 464 018)	(72 852 802)
12	Non-sales revenues	2 590 024	6 183 139	1 892	-	8 775 055
13	Non-sales expenses	(4 910 373)	(10 959 490)	(44 921)	-	(15 914 784)
14	Financial result (net profit)	(7 114 702)	95 992 606	(171 742)	(30 546 697)	58 159 465
15	Total balance amount of assets	160 137 662	160 629 405	2 460 678	168 003 689	336 626 830
16	<i>including with other segments</i>	<i>154 604 604</i>	-	-	-	-
17	Total amount of investments in fixed assets and fictitious assets	335 367	85 848 071	150 753	-	86 334 191
18	Total amount of amortized deduction on fixed assets and fictitious assets	170 357	22 850 879	18 093	-	23 039 329
19	Capital construction in progress	1 052 752	18 344 070	2 261 749	-	21 658 571
20	Total amount of liabilities	471 317	160 525 856	2 460 628	101 243 188	110 096 385
21	<i>including:</i> with outside contractors	471 317	8 354 393	27 487	101 243 188	110 096 385
22	<i>with other segments</i>	-	<i>152 171 463</i>	<i>2 433 141</i>	-	-
23	Account payable	471 317	160 525 856	2 460 628	18 322 330	27 175 527
24	<i>including:</i> with outside contractors	471 317	8 354 393	27 487	18 322 330	27 175 527
25	<i>with other segments</i>	-	<i>152 171 463</i>	<i>2 433 141</i>	-	-

Revenues (expenses) of the segments are formed as a result of operations with buyers. Incomes (expenses) of the segments do not include the following indicators:

- revenues from participation in other organizations;
- interest receivable (interest payable), excluding interest receivable (interest payable) connected with activity of assets management (AM) the source of revenue to which is operation with securities;
- revenues (expenses) from sales of securities, excluding revenues (expenses) connected with activity of AM;
- extraordinary revenues (expenses);
- profit tax or other similar payments.

Administrative, commercial, other operational revenues (expenses) and other non-sales revenues (expenses) are not distributed (appropriated) among segments.

The composition of the segments' assets does not include financial investments, save for financial investments in securities connected with AM.

The liabilities of the segments do not include the liabilities under credits and loans, liabilities to the State budget under the profit tax, liabilities to shareholders under dividend payments and liabilities under own shares redeemed from shareholders.

Information on operational segments.

No .	Item	Export, thousand rubles	Domestic market, thousand rubles	Total, thousand rubles
1.	Revenues from sales of metals and metal products (total) Including:	152 288 582	13 439 916	165 728 498

1.1	nonferrous metals	98 990 987	5 758 428	104 749 415
1.2	precious metals	27 630 524	1 830 847	29 461 371
1.3	other metal products (sideline products, goods, metal scrap and others)	25 667 071	5 850 641	31 517 712
2.	Revenues from sales of other products, goods	-	33 79 622	3 379 622
3.	Revenues from sales of works, services	-	2 029 388	2029 388
4	Total revenue	152 288 582	18 848 926	171 137 508

Major marketing outlets of the production of JSC MMS Norilsk Nickel :

- ✓ nickel – European countries, Japan, USA, China;
- ✓ refined copper – Russia, European countries, USA, China;
- ✓ platinum metals – European countries, USA, Japan.

3.5.1 Information on asset management.

In 2005, the Company signed an asset management agreement under which a confidential manager conducted the management of the Company's assets in the interests of the Company. Accounting of the operations occurring in the course of fulfillment of the asset management agreement was performed in accordance with the "Directive on reflection of operations connected with fulfillment of the property management agreement in accounting" affirmed by Order of MF of Russia of 28.11.2001 No. 97n.

This accounting includes all data, submitted by the confidential manager, on assets, liabilities, revenues, expenses, and other indicators.

Information on accounting indicators in the part of fulfillment of the asset management agreement.

Assets and liabilities connected with the fulfillment of the asset management agreement, in the accounting balance of the Company, as of 31.12.2005:

Line No.	Line title	According to accounting balance of the founder of the management on 31.12.2005, thousand rubles	According to separate accounting balance of the confidential manager on 31.12.2005, thousand rubles	Total according to accounting balance of the Company on 31.12.2005 (excluding operations among segments, thousand rubles
240	Short-term accounts receivable	35 996 680	-	35 580 680
	including:	35 580 680	-	35 580 680
	with outside contractors			
	with other segments	416 000	-	-
250	Short-term financial investments	15 484 734	434 198	15 918 932
260	Cash assets	1 666 444	4 938	1 671 382
300	Total assets	336 603 694	439 136	336 626 830

	including: with other segments	416 000	-	-
470	retained earnings	214 310 838	22 719	214 333 557
620	Account payable	27 175 110	416 417	27 175 527
	including: with outside contractors	27 175 110	417	27 175 527
	with other segments	-	416 000	-
700	Total liabilities	336 603 694	439 136	336 626 830
	including: with other segments	-	416 000	-

Revenues, expenses and net profit of the Company connected with the asset management agreement, in the 'Accounting of profits and losses' of the Company in 2005.

Line No.	Line title	According to accounting of profits and losses of the founder of the management in 2005, thousand rubles	According to separate accounting of profits and losses of the confidential manager in 2005, thousand rubles	Total according to accounting of profits and losses of the Company in 2005 (excluding operations among segments, thousand rubles)
060	Interests receivable	869 195	15 816	885 011
	including: coupon revenues under bonds receivable	-	15 816	15 816
070	Interests payable	(5 843 129)	(13 846)	(5 856 975)
	including: coupon revenues under bonds payable	-	(13 846)	(13 846)
090	Other operational revenues	65 836 391	2 081 052	67 917 443
	including: revenues from sales of securities	58 914 234	2 070 085	60 984 319
	positive amount of revaluation of securities on the basis of current market value on the accounting date	5 262 777	10 967	5 273 744
100	Other operational expenses	(70 792 500)	(2 060 302)	(72 852 802)
	including: expenses from sales of securities	(66 482 120)	(2 056 516)	(68 538 636)
	expenses connected with the service of securities	(37 534)	(2 957)	(40 491)

	negative amount of revaluation of securities on the basis of current market value on the accounting date	(463 477)	(294)	(463 771)
	expenses connected with payments for services of credit agencies	(215 399)	(3)	(215 402)
	Other non-sale expenses	(15 914 252)	(532)	(15 914 784)
130	Including: amount of VAT that can not be rebated	(77 019)	(532)	(77 551)
190	Net profit	58 136 746	22 719	58 159 465

3.6 Information on main events after reporting date.

During the period from the reporting date, 31.12.2005, and the date of submission (signing), 30.03.2006, of accounting for 2005, the following events took place:

1. The extraordinary General Shareholders meeting of JSC MMS Norilsk Nickel of 17 February 2006 made the decision to decrease the authorized capital of JSC MMS Norilsk Nickel by 23,278,137 rubles by means pay-off of the purchased and redeemed shares of the Company:
 - 12 478 704 registered equities with the nominal value 1 ruble each, purchased by the Company due to the decision of the Committee of directors of 02.12.2004.
 - 10 799 433 registered equities with the nominal value 1 ruble each, redeemed by the Company due to the decision to re-organize the Company (the decision of extraordinary General Shareholders meeting of JSC MMS Norilsk Nickel of 30.09.2005).
2. On 17 March 2006, the Interdistrict Inspection of the Federal Tax Service No2 of Krasnoyarsk Territory, Taimyr (Dolgano-Nenets) and Evenki Autonomous Districts registered the alterations in the Articles of JSC MMC Norilsk Nickel connected with the decrease in the authorized capital. (par. 1 above)
3. In accordance with the decision of the extraordinary General Shareholders meeting of JSC MMS Norilsk Nickel of 30 December 2005 on dividend payment on the basis of the Company's results in 9 months of 2005, by 28 February 2006 cash assets were transferred to the payment agent of the Company – Public Company 'Nonbank Credit Organization 'National Settlement Company'" – reduced by the amount of tax to be charged from the revenues of the dividends recipient and to be transferred to the State budget by the Company as a fiscal agent.
4. On 17 March 2006, the Interdistrict Inspection of the Federal Tax Service No2 of Krasnoyarsk Territory, Taimyr (Dolgano-Nenets) and Evenki Autonomous Districts registered the AO "Pole Gold" created by splitting-off from JSC MMS Norilsk Nickel, in accordance with the decision of the extraordinary General Shareholders meeting of JSC MMS Norilsk Nickel of 30 September 2005 on re-organization of the Company.
5. On 24 March 2006 the Company terminated its participation in JSC " Pole " by means of hand-over of long-term financial investments into shares of AO "Pole Gold" in the amount of 58 316 814 thousand rubles, which constitutes 100% of authorized capital of the organization, in accordance with the separating balance of the Company approved on 30.09.2005.

6. On 18 January 2006 the Company terminated its participation in JSC "SHC Fitness center 'Excellent'" in accordance with the decision of the Committee of directors of 21.10.2005 by means of sale of 500 registered equities, which constitutes 33,33% of authorized capital of the JSC "SHC Fitness center 'Excellent'", at the price of 515 thousand rubles for the entire holding of stock.
7. As a result of reorganization of AO "KolEnergo", due to the decision of the General Shareholders meeting of AO "KolEnergo", the Company received, as a result of distribution among the participants of the reorganized company, the following financial investments:
 - AO "KolEnergoSbyt": 13 496 thousand rubles, which constitutes 14.83% of authorized capital of the organization;
 - AO "Kolskiye MC": 165 904 thousand rubles, which constitutes 14.83% of authorized capital of the organization;
8. As a result of reorganization of AO "KrasnoyarskEnergo", due to the decision of the General Shareholders meeting of AO "KrasnoyarskEnergo", the Company received, as a result of distribution among the participants of the reorganized company the financial investments in the amount of 430 645 thousand rubles, which constitutes 25.47% of authorized capital of the organization.

3.7 Information of conditioning factors of economic operations.

Submitted below is the information of conditioning factors of economic operations connected with the unfinished, as of the accounting date, court trials under civil-law and administrative-law claims, in which the Company is the plaintiff. The odds of recovery of cash assets in favor of the Company is high and very high.

Information on claims which do not substantially influence the financial results of the Company's activity is aggregated as 'other civil-law and administrative-law claims'.

Respondent / privy	Claim subject	Claim amount, K rub.	Expected term to collect the amount against the claim	Note (uncertainty assessment)
Civil-law claims				
Roads & Transport Administration TAD	Debt collection	2 934	Second half of 2006	Case is in procedure in arbitration of 1 st instance
Dikson Central District Hospital	Debt collection	2 253	Second half of 2006	Case is in procedure in arbitration of 1 st instance
Foundation for Support and Development of Culture, Sports and Youth Politics	Debt collection	1 527	Second half of 2006	Case is in procedure in arbitration of 1 st instance
JSC "Metallurgicheskaya Companija	Debt collection	1 524	Third quarter of 2006	Decision of the arbitrage of first instance has allowed

'Promyshlennye Materialy' "				the claim. Term of appeal has not expired.
Beketov A. A., Zozulya V. L.	Civil claim in a criminal procedure	1 374	Second half of 2006	Case is in procedure in arbitration of 1 st instance
Korshunov A.A., Kainak V. P., Zakruzhnykh S. V., Bykovsky A.V.	Civil claim in a criminal procedure	1 245	Second half of 2006	Case is in procedure in arbitration of 1 st instance
Public Company 'Predpriyatiye'	Debt collection	1 002	First half of 2006	Decision of the arbitrage of first instance has allowed the claim. Term of appeal has not expired.
Shakirov. F. Sh.	Payment of damages	951	Second half of 2006	Case is in procedure in arbitration of 1 st instance
Dikson Central District Hospital	Debt collection	902	Second half of 2006	Case is in procedure in arbitration of 1 st instance
other civil-law and claims		6 161		
Administrative-law claims				
Federal Tax Service of the Russian Federation No 2 of TAD, Federal Tax administration of Krasnoyarsk Territory of the Russian Federation	Nullification of decision of the tax authorities to disallow compensation of VAT to the Company	124 134	Unavailable	Decision of the arbitrage of first instance of 08.11.2005 has allowed the claim: decision of the tax authority is partially, for 51 thousand rubles nullified, nullification for 124 083 thousand rubles is declined. Term of appeal has not expired.
Interdistrict Inspection of the Federal Tax Service No2 of Krasnoyarsk Territory, Taimyr (Dolgano-Nenets) and Evenki Autonomous Districts	Nullification of decision of the tax authorities to disallow compensation of VAT to the Company	62 174	Unavailable	Decision of the arbitrage of first instance of 18.11.2005 has allowed the claim: decision of the tax authority is partially, for 7 408 thousand rubles nullified, nullification for 54 766 thousand rubles is declined. Term of appeal has not expired.
Federal Tax Service of the Russian Federation No 2 of TAD, Federal Tax administration of Krasnoyarsk Territory of the	Nullification of decision of the tax authorities to disallow compensation of VAT to the Company	36 982	Unavailable	Decision of the arbitrage of first instance of 28.10.2005 has allowed the claim: decision of the tax authority is partially, for 16 thousand rubles

Russian Federation				nullified, nullification for 36 966 thousand rubles is declined. Term of appeal has not expired.
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Submitted below is the information of conditioning factors of economic operations connected with the unfinished, as of the accounting date, court trials under civil-law and administrative-law claims, in which the Company is the respondent. The odds of occurrence of the events noted is high and very high.

Plaintiff / applicant	Claim subject	Claim amount, K rub.	Expected term to collect the amount against the claim	Note (uncertainty assessment)
AO "Murmansk Sea Navigation"	Recovery of VAT charged on the amount of rendered services of ice-breaker pilotage	\$31 723.24	First half of 2006	Decision of the arbitrage of first instance of 14.12.2005 has fully allowed the claim. Appealing of the decision is supposed.
Public Company 'Proizvodstvenno-Stroitel'naya Firma RemStroy'	Collection of liability for works performed under building contractor contracts	4 901	Second half of 2006	Case is in procedure in arbitration of 1 st instance
other civil-law claims		592		

As of the end of the accounting period, the total amount of liabilities and payments given by the Company is reflected in line 960 of the Accounting Balance and constitutes 39 648 287 thousand rubles, including:

amount of liabilities under contracts of guarantee	20 612 049 thousand rubles;
uncovered letters of credit	1 766 738 thousand rubles
hypothecation value of property and rights	17 269 500 thousand rubles

The substantial increase in amount of liabilities and payments given as of 31.12.2005, as compared against with the figures of 01.01.2005, is due to:

- closing by the Company in 2005 of a mortgage contract for the cash assets on the accounts which JSC MMS Norilsk Nickel established in the commercial bank JSC "Bank Societe General Orient", in the amount of US \$600 million (or 17 269 500 thousand rubles in ruble equivalent by the exchange rate on 31.12.2005), as guarantee of discharge of obligations under the credit contract with the Syndicate of Banks. Term of discharge of the obligation - 29.11.2008 (taking into account the possibility of prolongation of the contract).
- reflection in 2005 of the liability given under a contract of guarantee with Deutsche Trustee Company Limited, closed on 30.09.2004 r., in the amount of US \$500 million (or 14 391 250 thousand rubles in ruble equivalent by the exchange rate on 31.12.2005). Term of discharge of the obligation - 30.09.2009.

3.8 Data about Affiliates.

Information on operations with affiliated persons during the reporting year:

Item	Name of affiliated person	Volume of operations executed, thousand rubles
1	Loan-making (with interest added for the accounting year) – total, including:	55 062 852
	AO "Norilsk Kombinat"	31 652 147
	JSC "Pole"	12 760 841
	AO "Kolskaya GMK"	3 760 542
	AO "Taimyrgaz"	3 508 227
	NORILSK NICKEL FINANCE LUXEMBOURG S.A.	1 023 413
	AO "R&M"	624 547
	PC "Taimyrinvest"	368 448
	AO "Kombinat Severonickel"	334 358
	PC "Norilsk-Telecom"	306 093
	PC "National Innovation Company "NEP"	201 368
	PC "Renons"	162 732
	AO "Torginvest"	112 648
	JSC "Kraus-M"	83 898
	PC "HC "Zapoliarje"	50 439
	AO "Institute Hypronickel"	43 277
	PC "Media platform"	38 780
	AO "MMC "Pechenganickel"	31 094
2	Loan-granting (with interest added for the accounting year) – total	6 749 647
	including:	
	AO "Taimyrskaja Toplivnaja Companija"	4 432 013
	AO "Norilskgasprom"	1 074 315
	JSC "Alykel"	957 940
	OA "Airway Company "Taimyr"	131 972
	PC "Renons"	111 358
	PC "Management Company "Polar Capitol"	12 912
	AO "NTEK"	11 889
	JSC "HSC "FC "Excellent"	9 068
	PC "Media Company "Severnij Gorod"	7 366
	PC "Media platform"	814
3	Investments in authorized capital, total	46 223 015
	including:	
	JSC "Pole"	36 618 507
	AO "Taimyrgaz"	6 036 965
	AO "Krasnojarskaja Generatsia"	2 822 625
	PC "Terminal"	581 866
	PC "HC "Zapoliarje"	128 861
	AO "Krasnoyarskenergosbyt"	33 585
	AO "NTEK"	510
	PC "National Innovation Company "NEP"	74
	Minastro Investment Limited	16
	PC "Gornaja lisingovaja companija"	6
4	Financial investments (bill) - total	532 287
	including:	
	AO "Yenisey River Navigation"	449 174
	AO "R&M"	41 211
	AO "Taimyrskaja Toplivnaja Companija"	16 254

	PC "Renons"	14 564
	OAo "Airway Company "Taimyr"	8 788
	PC "BC "Telesfera"	1 604
	PC "Media Company "Severnij Gorod"	692
5	Purchase of works, services: total	6 813 532
	including:	
	AO "Kolskaya GMK"	4 406 938
	AO "Yenisey River Navigation"	540 714
	AO "RAO Norilsk Nickel"	390 625
	PC "Norilsk-Telecom"	315 965
	JSC "Kraus-M"	238 216
	PC "HC "Zapolarje"	216 603
	AO "Norilsk-Taimyr Power Company"	135 980
	OAo "Arkhangelsk sea trading port"	98 016
	AO "Institute Hypronickel"	83 328
	AO "Taimyr Oil Company"	58 142
	PC "Nornick"	57 298
	JSC "Football Club "Moskva"	57 203
	JSC "Professional basketball club "CSCA"	51 879
	AO "Norilskgasprom"	38 954
	JSC "Normetimpex"	24 406
	PC "Management Company "Polar Capitol"	23 314
	AO "Norilsk Kombinat"	19 436
	AO "Norilsk Trade Company"	16 010
	PC "Intergeoproekt"	13 931
	PC "BC "Telesfera"	12 030
	PC "Media Company "Severnij Gorod"	7 203
	JSC "Alykel"	3 301
	PC "Kolabyt"	2 175
	PC "Media platform"	1 011
	PC "Business center "Excellent"	701
	OAo "Airway Company "Taimyr"	153
6	Purchase of fixed assets and other assets: total	335 824
	including:	
	AO "Norilsk Kombinat"	335 824
7	Purchase of products, goods: total	6 090 775
	Including:	
	AO "Kolskaya GMK"	2 059 245
	AO "Norilsk-Taimyr Power Company"	1 749 250
	AO "Taimyrskaja Toplivnaja Companija"	1 309 591
	AO "Norilsk trading and industrial union"	591 203
	AO "Taimyrgaz"	343 400
	AO "Norilsk Kombinat"	32 266
	AO "Norilskgasprom"	5 655
	Others	165
8	Sales of works, services: total	1 061 097
	including:	
	AO "Norilsk Kombinat"	510 298
	AO "Taimyrgas"	270 356
	AO "Norilsk-Taimyr Power Company"	123 240
	AO "Taimyrskaja Toplivnaja Companija"	47 284

	PC "Management Company "Polar Capitol"	41 257
	AO "Norilskgasprom"	25 375
	PC "Norilsk-Telecom"	24 865
	Others	18 422
9	Sales of fixed assets and other assets: total	54 512
	including:	
	PC "HC "Zapolarje"	25 219
	AO "Taimyrgaz"	18 593
	AO "Taimyrskaja Toplivnaja Companija"	9 264
	Others	1 436
10	Sales of products, goods: total	1 311 797
	including:	
	AO "Taimyrskaja Toplivnaja Companija"	1 017 518
	JSC "Alykel"	214 194
	AO "Norilsk-Taimyr Power Company"	30 946
	PC "Norilsk-Telecom"	14 887
	AO "Norilskgasprom"	13 340
	AO "Torginvest"	7 693
	AO "Yenisey River Navigation"	5 204
	OAo "Airway Company "Taimyr"	3 196
	AO "Norilsk trading and industrial union"	2 380
	Others	2 439
11	Sales of shares: total	26 516 806
	including:	
	JSC "Pole"	26 516 806
12	Revenues from payment of bills: total	2 270 852
	including:	
	AO "Matrosoy Mine"	711 721
	PC "Renons"	494 564
	AO "Yenisey River Navigation"	452 542
	AO "Norilskgasprom"	300 000
	AO "Taimyrskaja Toplivnaja Companija"	196 254
	OAo "Airway Company "Taimyr"	92 937
	PC "BC "Telesfera"	15 949
	PC "Media Company "Severnij Gorod"	6 885
13	Property rent: total	636 734
	including:	
	AO "Norilsk Kombinat"	460 033
	PC "Gornaja lisingovaja companija"	136 881
	PC "HC "Zapolarje"	28 720
	AO "Torginvest"	9 135
	PC "Norilsk-Telecom"	1 836
	AO "Yenisey River Navigation"	129
14	Property lending: total	54 302
	including:	
	AO "Taimyrskaja Toplivnaja Companija"	20 781
	JSC "Alykel"	18 438
	PC "HC "Zapolarje"	7 754
	JSC "Normetimpex"	3 200
	AO "RAO Norilsk Nickel"	2 305
	Others	1 824

15	Deposits in property: total	865 403
	including:	
	PC "National Innovation Company "NEP"	531 723
	PC "Norilsk-Telecom"	312 480
	AO "Taimyr Oil Company"	21 200
16	Revenues from participation in authorized capital	4 834
	including:	
	AO "Yenisey River Navigation"	4 678
	AO "Norilskgasprom"	156

Nature of relationship - control.

Line "Others" reflects the information on affiliated persons the volume of a transaction with which constitutes no less than 5% of the total amount noted for the item.

The amount of accounts receivable of the Company from the affiliated persons, as of 31.12.2005 constitutes the total of 20 734 214 thousand rubles, including:

Item	Name of affiliated person	Relationship type	Liability for:	Amount of accounts receivable on 31.12.2005. thousand rubles
1	JSC "Normetimpex"	Control	Settlement with an agent for products sold	13 037 757
2	AO "Taimyrgaz"	Control	Accomplished construction works, works under a contractor contract, settlements under contracts of interests	1 851 620
3	AO "RAO Norilsk Nickel"	Control	Settlement with an agent for products sold	1 795 269
4	JSC "Alykel"	Control	Interest-free loan	1 009 171
5	AO "NTEK"	Control	For valuables sold, lease of fixed assets, settlements under a contract of cession, and other settlements	878 277
6	AO "Norilsk Kombinat"	Control	Accomplished works under contractor a contract, settlements under an agent's contract, and other settlements	740 396
7	AO "Taimyrskaja Topliva Compañia"	Control	Combustive-lubricating materials, accomplished capital repairs, rendered transportation services, and other settlements	599 417
8	PC "Management Company "Polar Capitol"	Control	Services rendered, advance payment under an agent's contract	278 334
9	AO "R&M"	Control	Settlements with a commitment for equipment supplied	169 610
10	AO "NTPO"	Control	Goods sold and services rendered	166 562
11	AO "Airway Company "Taimyr"	Control	Interest-free loan	110 024

12	Others	Control		97 777
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The amount of accounts payable of the Company to the affiliated persons, as of 31.12.2005 constitutes the total of 21 376 169 thousand rubles, including:

Item	Name of affiliated person	Relationship type	Liability for:	Amount of accounts payable on 31.12.2005. thousand rubles
1	NN METAL HOLDING SA	Control	Liability under own bills	17 171 356
2	AO "Kolskaya GMK"	Control	Services rendered in processing and storage of metal, transportation services	1 831 418
3	AO "RAO Norilsk Nickel"	Control	Settlement with an agent for products sold	624 548
4	AO "NTEK"	Control	Heat and energy supply, public utilities, water supply, valuables, settlements under contracts of interests, other settlements	529 686
5	AO "Norilsk Kombinat"	Control	Lease of fixed assets, supply of valuables, redemption of fixed assets	448 569
6	AO "Norilskgasprom"	Control	Supply and transportation of gas	288 227
7	AO "Taimyrskaja Topliva Company"	Control	Supply and storage of combustive-lubricating materials	278 560
8	AO "Taimyrgaz"	Control	Supply and transportation of gas, combustive-lubricating materials	108 201
9	Others	Control		95 605

The amount of liabilities under the loans granted by the Company to the affiliated persons (taking into account interest charged), on 31.12.2005 constitutes the total of 4 730 038 thousand rubles, including:

Item	Name of affiliated person	Relationship type	Amount of liabilities under the loans granted by 31.12.2005, thousand rubles
1	AO "Taimyrskaja Topliva Company"	Control	3 522 013
2	AO "Norilskgasprom"	Control	1 074 315
3	PC "Renons"	Control	111 358
4	PC "Management Company "Polar Capitol"	Control	12 912
5	PC "Media Company "Severnij Gorod"	Control	9 440

The amount of liabilities of the Company under the loans received from the affiliated person on 31.12.2005 constitutes the total of 60 819 325 thousand rubles., including:

Item	Name of affiliated person	Relationship type	Amount of liabilities under the loans received by 31.12.2005, thousand rubles
1	AO "Norilsk Kombinat"	Control	30 112 575

2	NORILSK NICKEL FINANCE LUXEMBOURG S.A.	Control	14 605 308
3	JSC "Pole"	Control	8 936 514
4	AO "Kolskaya GMK"	Control	4 773 016
5	AO "Taimyrgaz"	Control	1 150 775
6	AO "Kombinat Severonickel"	Control	334 358
7	PC "Norilsk-Telecom"	Control	306 093
8	PC "National Innovation Company "NEP"	Control	201 368
9	AO "Torginvest"	Control	106 977
10	AO "R&M"	Control	106 639
11	JSC "Kraus-M"	Control	62 211
12	AO "Institute Hypronickel"	Control	41 470
13	PC "Media platform"	Control	38 780
14	AO "MMC "Pechenganickel"	Control	31 094
15	PC "HC "Zapoliarje"	Control	12 147

3.9 Information on the help from the State.

In 2005 the Company did not receive help from the State in the form of subvention, bounty, State budget credits, deferment or installment of taxation, payments or other liabilities (par.4 Accounting Regulations 13/2000).

In 2005 the Company received assets from State budgets of various levels, as compensation payments in the amount of 2 183 thousand rubles, including:

- From the Federal Budget, via the Federal Agency for Industry, 150 thousand rubles was transferred, within the framework of the fulfillment of the State Contract for the financing of the expenses occurred due to the implementation of a program of promotion of mobilizing preparation.
- From the Federal Budget, via the Federal Agency for National Reserves in the Siberian Federal District, 177 thousand rubles of special purpose provision was transferred, within the framework of the financing of the expenses occurred due to the implementation of a program of promotion of mobilizing preparation, in the part of storage of valuables of the mobilizing reserve.
- From the Federal Budget, within the framework of the Federal special-purpose program "Employment" for 2005, as partial compensation of salary to under age school students participating in labor brigades employed in manufacture in the structural subdivisions of the Polar Division in the summertime, 1 737 thousand rubles was transferred.
- From the budget of the city of Norilsk, in the part of provision of the Administration of Civil Defense and Emergencies at the government of Norilsk, assets were received as compensation of expenses occurred in connection with firefighting in forest and tundra areas, in the amount of 119 thousand rubles.

The compensation payment received, submitted on financing of the consumptions, suffered by the Society in the previous accounting periods, are displayed under the article "Non-sale revenues" of form No.2 of the "Account of profits and losses", in the amount of 2 183 thousand rubles.

4 The information attendant to the accounts.

The information attendant to the accounts on the basic industrial indicators, disclosure of the results of operational and sales activity of the Company and other useful information for users concerned for economic decision-making, is disclosed in the Annual Report of the Company for

2005, which is submitted to the shareholders at the annual General Shareholders meeting and published at the Company's official web site: <http://www.nornik.ru>.

4.1 Information on reorganization.

The extraordinary General Shareholders meeting of JSC MMS Norilsk Nickel of 30 September 2005 (Protocol execution date - 10.10.2005) formed the decision of reorganization of the JSC MMS Norilsk Nickel.

The reorganization of the JSC MMS Norilsk Nickel was performed in the form of splitting-off from JSC MMS Norilsk Nickel of AO "Pole Gold", whose share were distributed among shareholders of JSC MMS Norilsk Nickel pro rata the number of shares of JSC MMS Norilsk Nickel that they had possessed on 1 January 2006.

The separating balance of JSC MMS Norilsk Nickel was formed on the basis of the data of interim accounting of JSC MMS Norilsk Nickel, as of 30.06.2005, and approved by the General Shareholders meeting of JSC MMS Norilsk Nickel of 30 September 2005.

AO "Pole Gold" receives the following assets of JSC MMS Norilsk Nickel:

- long-term financial investments in shares of Joint-Stock Company " Gold mining company " Pole " in the amount of 58 316 813 679.60 rubles ,
- cash assets in the amount of 10 000 000 000 rubles.

The financial investments are estimated on the basis of the original cost. Obligations of JSC MMS Norilsk Nickel are not transferred.

No changes in the composition of the transferred assets occurred by 31.12.2005 or by the date of submitting of accounting – 30 March 2006.

The approval of the composition and election of an executive power of the company created was conducted at the General Shareholders meeting of AO "Pole Gold" on 03.03.2006.

On 17 March 2006, the Interdistrict Inspection of the Federal Tax Service No2 of Krasnoyarsk Territory, Taymyr (Dolgano-Nenets) and Evenki Autonomous Districts registered the AO "Pole Gold" created by splitting-off from JSC MMS Norilsk Nickel, in accordance with the decision of the extraordinary General Shareholders meeting of JSC MMS Norilsk Nickel of 30 September 2005 on re-organization of the Company.

4.2 Estimation of a financial condition.

The figured below factors are the main indexes used Federal control on business about an inconsistency of firms at an estimation of a financial condition of firm pursuant to the directive of Federal Administration for Insolvencies at the State committee on asset of Russian Federation of 12 August 1994 No. 31-r.

Indexes of liquidity and financial stability services JSC MMC Norilsk Nickel for 2005.

No.	Name of index	The norm	At 01.01.2005, thousand rubles	At 31.12.2005, thousand rubles	Change, %
1	Factor of current liquidity (sum of current assets of firm come on one ruble of the near-term obligations).	Necessary >1 Optimally ≥2	1.40	1.09	(22.14%)

2	Factor of security by own current assets (fraction of own means in current assets of firm).	≥ 0.1	0.13	(0.11)	(184.62%)
3	Factor of financial independence (fraction of own means in balance)	> 0.5	0.69	0.67	(2.90%)
4	Factor of capitalization (attitude of borrowings means to own)	< 1	0.45	0.49	8.89%
6	Factor of financing (attitude of own means to borrowings)	> 1	2.23	2.06	(7.62%)
7	Factor of financial stability (ratio between own means plus long-term liabilities and the total amount of sources of finance)	Approx. 0.8	0.75	0.73	(2.67%)

The submitted data prove that practically all indicators (excluding those of financial stability and security by own current assets) reach the established (normative) values.

The main influence on the decrease of the indicator of security by own current assets came from the increase of investments in affiliated companies and other organizations.

In all, the indicators shown in the table allow to make the conclusion that the Company has a steady financial position. At that. It is necessary to note that the liquidity of the Company is substantially influenced by external factors, such as nonferrous and precious metals market conditions, ration between the ruble and dollar, superiority of rate of inflation over the rate of devaluation, which leads, basically, to fluctuation of liquidity indicators.

4.3 Settlements with the State budget.

In 2005 the sum of the tax payments, calculated by the Company, (without the registration of the VAT tax formed for the compensation from the State Budget in 2005) in the State budgets of various levels and under re-calculation for the previous years constituted 29 208 million rubles.

The total amount of charged penalties and fines for all tax payments of the Company to the budgets of different levels constituted 667 million rubles.

The pattern of the calculated tax payments of the Company calculated in 2005 (without the registration of the VAT tax) was added up as follows:

Tax	Share in the total amount of calculated payments	
	2005	2004
The profit tax	75.91%	67.37%
Tax for the incomes of the physical persons	10.70%	10.95%
Tax for a mining of mineral resources	4.73%	4.27%
Tax for asset	4.46%	4.35%
Unified social tax in the budget	3.46%	6.08%
Payment for pollution of the environment	0.38%	4.57%
Other taxes	0.37%	2.40%

The increase of the amounts of calculated tax payments in profit tax in 2005 as compared against 2004 resulted from:

- increase of the sum of the profit tax in the amount of 21 168 818 thousand rubles in connection with increase in account year of value of the profit from the sales of products, goods, works, services.
- charging in 2005 of the amounts of taxes for previous accounting periods, on the basis of the results of the integrated field tax research of JSC MMS Norilsk Nickel concerning the issues of observance of tax legislation.

By 31.12.2005 the integrated field tax research of JSC MMS Norilsk Nickel was completed. The amounts of taxes to be charged (reduced) and the penalties and fines are fully reflected in the accounts. As of 31.12.2005, the Company has no indebtedness to the State Budget.

Besides, charges were reduced for a number of taxes, including:

- Decrease in expenses for polluting the environment (in the part of maximum permissible discharge) due to changes in the basic regulations of payments starting in 2005 based on the relevant Resolution of the Government of RF and taking into account the payments corrections of the sums of accomplished nature-conservative measures.
- Decrease of the amount of uniform social tax (UST) calculated in 2005 was the result of the reduction of the , UST rates to be paid to the Federal Budget, from 28% to 20%.

The amount of VAT tax by 31.12.2005 was formed for compensation from the State Budget due to the excess of the tax deductions over the amounts of the taxes calculated for the operation recognized as tax objects.

The excess of the tax deductions over the amount of VAT payable was due to the fact that 88.9% of the revenues of the Company is constituted by earnings from the sales of products for export. In accordance with the standards of tax regulations, sale of products for export is subject to taxation with the rate of 0%. In order to receive the right for compensation under taxation with the rate of 0%, the Company submits to tax authorities the relevant set of documents substantiating the right for implementation of the rate of 0%.

In 2005 the Company conducted full and timely tax payments to State budgets of all levels. The discharge of liabilities to the State Budget under tax payments, with the registration of penalties and fines, constituted 35 094 million rubles (with the registration of the amounts of VAT paid under operations of sales of goods, works, services in the RF and amounts of conducted set-offs among taxes).

The indebtedness under taxes and dues reflected in line 624 of Accounting Balance represents the tax liabilities of the Company charged in accordance with the declarations and tax calculations for 2005, due date for the payment of which, in accordance with the existing tax regulations, will occur in 2006.

Executive Officer

I. A. Komarov

Chief Accountant

L. V. Lisitsyna

Submission date: "30 March 2006"

(seal)