

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 2007

***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 (hereinafter referred to as JSC MMC Norilsk Nickel or the Company) was established in the accordance with the laws of the Russian Federation as a result of reorganization through a spin-off from Norilsk Nickel Mining and Metallurgical Combine named after A. P. Zavenyagin (Open Joint Stock Company) and registered in the Russian Federation on July 4, 1997. Until the corporate name was changed by the decision of the extraordinary General shareholders meeting held on February 21, 2001, the Company's name had been as follows: Open Joint Stock Company Norilsk Mining Company.

State registration of the Company was performed by Interdistrict Inspectorate of the Ministry of Taxation of the Russian Federation No. 2 for Taimyr (Dolgano-Nenets) Autonomous District; Certificate of state registration No. 1028400000298.

Company's legal address: *Russian Federation, Krasnoyarsk Territory, Dudinka.*

Company's postal address: *663310, Russian Federation, Krasnoyarsk Territory, Norilsk, Gvardeyskaya st., 2.*

JSC MMC Norilsk Nickel operates under the laws of the Russian Federation and the Articles of Association of the Company (version No. 5 approved by the General Meeting of Shareholders of JSC MMC Norilsk Nickel of June 28, 2007).

The complete text of the amended Charter of JSC MMC Norilsk Nickel and internal documents governing the activities of the management bodies of the Company is published on the official website of the Company at: [http://www.nornik.ru/en/investor/shareholder/int\\_document/](http://www.nornik.ru/en/investor/shareholder/int_document/)

In 2007, the average headcount of the Company, including employees of all subsidiaries and stand-alone subdivisions, was 27,538 people. The average headcount of the Company in 2006 was 44,371 people.

In accordance with the approved information memorandum "On Reorganization of the Management System of JSC MMC Norilsk Nickel" in 2007 measures were taken to transfer employees of the liquidated functions of the Polar division of the Company to newly established subsidiaries, which caused reduction of the Company's average headcount for 2007.

## **1.2 Information on the subsidiaries and representative offices.**

In 2007, JSC MMC Norilsk Nickel had the following subsidiaries and stand-alone subdivisions as specified in its Charter:

### **Arkhangelsk office – subsidiary of JSC MMC Norilsk Nickel**

Location: 163026, Arkhangelsk, Kosmonavta Komarova st., 12

Opening date: December 13, 2001

### **Polar Division of JSC MMC Norilsk Nickel.**

Location: 663310, Krasnoyarsk Territory, Norilsk, Gvardeyskaya square, 2.

Opening date: July 2, 1998

### **Polar Transport Subsidiary of JSC MMC Norilsk Nickel.**

Location: 647000, Krasnoyarsk Territory, Dudinka, Sovetskaya st., 43.

Opening date: February 7, 2007

Resolution on the establishment of Polar Transport Subsidiary was adopted by the Board of Directors on October 19, 2006 (Minutes No. GMK /26-пп-сд). Amendments to the Articles of Association of the Company related to the establishment of Polar Transport Subsidiary were registered on February 7, 2007.

### **Krasnoyarsk office - subsidiary of JSC MMC Norilsk Nickel.**

Location: 660059, Krasnoyarsk Territory, Krasnoyarsk, Kommunalnaya st., 2a

Opening date: December 13, 2001

**Murmansk transport subsidiary of JSC MMC Norilsk Nickel.**

Location: 183024, Murmansk, Portoviy proezd, 29

Opening date: December 13, 2001

**NorilskEnergo – subsidiary of JSC MMC Norilsk Nickel.**

Location: 663310 Russian Federation, Krasnoyarsk Territory, Norilsk, Veteranov st., 19.

Opening date: November 2, 2004

**Krasnoyarsk representative office of JSC MMC Norilsk Nickel.**

Location: 660021, Russian Federation, Красноярский край, Krasnoyarsk, Kopylova st., 2a.

Opening date: December 24, 2003.

The Company has a stand-alone subdivision **with permanent working places in Moscow** located at the following address: Moscow, Voznesensky per., 22.

The accounting statements of JSC MMC Norilsk Nickel for 2007 included the performance indicators of Arkhangelsk office, Polar Division, Polar Transport Subsidiary, Krasnoyarsk office, Murmansk transport subsidiary, NorilskEnergo, Krasnoyarsk representative office and Moscow stand-alone subdivision.

**1.3 Information on the shareholders.**

As of December 31, 2007, a total of 55,090 persons were registered in the shareholder register of JSC MMC Norilsk Nickel, including 16 nominee shareholders.

Information on the shareholders owning at least 5% of ordinary shares in the Company (according to the register of shareholders of JSC MMC Norilsk Nickel, the Company's registrar is JSC National Registration Company) is provided below:

<i>Shareholders</i>	<i>As of January 1, 2007</i>		<i>As of December 31, 2007.</i>	
	<i>Number of shares</i>	<i>Percentage</i>	<i>Number of shares</i>	<i>Percentage</i>
<i>JSC ING Bank (Eurasia) (nominee shareholder)</i>	80,209,132	42.08%	82,644,397	43.35%
<i>JSC JSB RosBank (nominee shareholder)</i>	46,386,181	24.33%	31,999,525	16.79%
<i>JSC Depository Clearing Company (nominee shareholder)</i>	12,547,555	6.58%	26,612,447	13.96%
<i>Noncommercial partnership National Depository Centre (nominee shareholder)</i>	10,713,585	5.62%	-	0%
<i>JSC VTB Bank (nominee shareholder)</i>	-	0%	16,152,948	8.47%
<i>Others, less than 5%</i>	40,771,294	21.39%	33,218,430	17.43%
<b><i>TOTAL</i></b>	<b>190,627,747</b>	<b>100.00%</b>	<b>190,627,747</b>	<b>100.00%</b>

Data in the table row "Others, less than 5 percent" as of January 1, 2007 include 7,498,950 shares purchased by JSC MMC Norilsk Nickel pursuant to the resolution of the Board of Directors dated October 5, 2006.

Pursuant to resolutions of the Board of Directors of the Company No. GMK/18-пр-сд dated May 23, 2007 and No. GMK/33-пр-сд dated November 2, 2007, in November 2007, the Company executed a transaction related to the sale of 7,498,950 uncertificated registered ordinary shares in JSC MMC Norilsk Nickel repurchased pursuant to the resolution of the Board of Directors of JSC MMC Norilsk Nickel dated October 5, 2006.

**1.4 Information on the management structure.**

The supreme management body of the Company is the General Meeting of Shareholders. The Board of Directors performs general management of the Company's operations, with the exception of matters classified by the Federal Law "On Joint Stock Companies" and the Articles of Association as falling under the jurisdiction of the General Meeting of Shareholders. Daily operations of the Company are managed by the General Director (sole executive body) and the Management Committee (collegial executive body).

The authority of the General Meeting of Shareholders, Board of Directors and Management Committee are defined by the Articles of Association of the Company.

**Composition of the Board of Directors and Management Board of JSC MMC Norilsk Nickel:**

Members of the Board of Directors of the Company<sup>(1)</sup>:

<i><b>Full Name</b></i>
Andrei Evgenievich Bugrov
Guy de Selliers
Vladimir Ivanovich Dolgikh
Andrei Alexandrovich Klishas
Ralf Tavakolian Morgan
Denis Stanislavovich Morozov
Yekaterina Mikhailovna Salnikova
Kirill Lvovich Ugolnikov
Heinz C. Schimmelbusch

***Members of the Management Board<sup>(2)</sup>:***

<i><b>Full Name</b></i>
Igor Anatolievich Komarov
Yury Alexeevich Kotlyar
Ralf Tavakolian Morgan
Denis Stanislavovich Morozov
Zhokves Iosifovich Rozenberg
Viktor Yevgenievich Sprogis
Viktor Petrovich Tomenko
Maxim Valerievich Finsky

Notes:

- (1) *This composition of the Board of Directors was approved by the resolution of the Annual General Meeting of Shareholders of JSC MMC Norilsk Nickel dated June 28, 2007. Mr. D. S. Morozov was elected to the Board of Directors, thus replacing M. D. Prohorov. Other members of the Board of Directors were re-elected for another term.*
- (2) *The composition of the Management Committee was approved by the Board of Directors of the Company on April 2, 2007. Pursuant to the resolution of the Board of Directors dated December 6, 2007 O. V. Lobanov was elected to the Management Committee on January 9, 2008, thus replacing I. A. Komarov.*

Information about the positions held by members of the Board of Directors and members of the Management Committee of JSC MMC Norilsk Nickel in the past five years is publicly available from the official website of the Company at: <http://www.nornik.ru/> in the quarterly report of JSC MMC Norilsk Nickel, a securities issuer, for quarter 4 of 2007.

**General Director of JSC MMC Norilsk Nickel**

On March 16, 2007, the Board of Directors of JSC MMC Norilsk Nickel adopted a resolution on terminating the authority of Mikhail Dmitrievich Prokhorov, Director General of the Company, on April 2, 2007 and electing Denis Stanislavovich Morozov to the position of Director General of the Company as from April 3, 2007 (minutes No. GMK/6-пп-сд dated March 16, 2007).

Denis Stanislavovich Morozov has been Director General of the Company since April 3, 2007.

### **Revision Commission of JSC MMC Norilsk Nickel.**

Monitoring of financial and economic operations of the Company is conducted by the Internal Audit Commission. An Internal Audit Commission with the headcount of five is elected annually by the General Shareholders meeting.

Its work is regulated by the Internal Audit Commission regulations approved by the General Shareholder's meeting.

The members of the Internal Audit Commission shall not be the members of the Board of Directors at the same time and hold other positions in the other controllers of the Company.

The Internal Audit Commission shall carry out the revisions in respect of the operations of the Company for the year, and at any other time at the discretion of the Internal Audit Commission, resolution of the meeting, the Board of Directors or upon the request of the shareholders holding in total 10 (ten) and more percent of the Company's voting shares.

#### **Composition of the Revision Commission<sup>(3)</sup>.**

<b><i>Full Name</i></b>
<i>Marina Valerievna Vdovina</i>
<i>Vadim Yurievich Meshcheryakov</i>
<i>Nikolai Vladimirovich Morozov</i>
<i>Olga Yurievna Rompel</i>
<i>Olesya Vladimirovna Firsik</i>

- (3) *This composition of the Internal Audit Commission was approved by the resolution of the Extraordinary General Meeting of Shareholders of October 12, 2007. Prior to October 12, 2007, Yu. V. Basova was a member of the Internal Audit Commission instead of M. V. Vdovina.*

### **1.5 Information on core operations.**

The principal business goal of JSC MMC Norilsk Nickel is profit making. To achieve its main business goal, in 2007, JSC MMC Norilsk Nickel performed the activities defined by the Articles of Association.

The core operations of JSC MMC Norilsk Nickel as specified in its Accounting Policy for 2007 are as follows:

- geological exploration;
- mineral production;
- ore concentration of non-ferrous metals;
- production and sale of non-ferrous, precious and rare-earth metals.

Other operations include the manufacturing of products, performance of work, provision of services which are not related to core operations.

## **2 Principal provisions of the accounting policy.**

The accounting records of the Company in the accounting year were maintained in accordance with the laws of the Russian Federation, the Accounting Policy of the Company approved by order of General Director of JSC MMC Norilsk Nickel No. GMK/169-п dated December 30, 2004 as amended pursuant to orders of General Director of JSC MMC Norilsk Nickel No. GMK/54-a-p dated July 20, 2006 and No. GMK/123-p dated December 29, 2006 and No. GMK/51-p dated April 26, 2007.

### **2.1 Principal provisions of the accounting policy in 2007.**

#### **2.1.1 Intangible Assets.**

Intangible assets acquired for payment are recognized at their original value to the extent of actual expenses in connection with their purchase and bringing them to user acceptance condition, with the exception of value added tax and other refundable taxes (except as provided for by law).

The depreciation of intangible assets is calculated using the straight-line method based on their useful life.

The useful life of intangible assets is determined based on the:

- ✓ period of validity of the patent, certificate and other restrictions in respect of the duration of intellectual property use in accordance with the laws of the Russian Federation;
- ✓ expected useful life of such asset during which the Company can receive economic benefits (income).

In item 110 "Intangible Assets" of the Balance Sheet (Form No. 1), intangible assets are recognized at their original value minus accumulated depreciation.

### 2.1.2 **Fixed Asset Accounting.**

Fixed assets acquired for payment or created by own means are recognized at their original value to the extent of actual expenses in connection with their purchase and creation, with the exception of value added tax and other refundable taxes (except as provided for by law). Fixed assets received by the Company free of charge and discovered as a result of the inventory conducted are valued for recognition in the accounting records at their market value (as of the inventory date).

Real property in actual use capital investments in which have been completed and appropriate acceptance documents have been executed are included in fixed assets as from the submission of documents for state registration.

The depreciation of fixed assets is calculated using the straight-line method based on their established useful life.

For the purposes of determining useful life, fixed assets are united in depreciation groups. The classification of the fixed assets included in depreciation groups is defined by the Government of Russian Federation.

Useful life of the categories of fixed assets not specified in the classification of fixed assets is established independently in accordance with the specifications and manufacturers' recommendations, or, in the absence thereof, the assumed useful life is adjusted for the expected useful life.

The useful life of acquired fixed assets which have already been in use is calculated as their useful life minus the number of years (months) of the asset use by its previous owners.

Depreciation is not accumulated for the following fixed assets:

- real property capital investments in which have been completed, but the appropriate primary acceptance documents (fixed asset acceptance certificates) have not been executed;
- fixed assets used for the implementation of laws of the Russian Federation on mobilization training and mobilization which have been suspended and are not used for product manufacturing, performance of work or provision of services, for the managerial purposes of the entity or for granting temporary use for a fee (temporary possession and use);
- fixed assets whose consumer properties remain unchanged over time (land plot; land use facilities; assets classified as belonging to музейным предметам and museum collections, etc).

The accumulation of depreciation is suspended:

- if fixed assets are transferred for suspension for more than three months;
- during the restoration of an asset whose duration exceeds 12 months.

In item 120 "Fixed Assets" of the Balance Sheet (Form No. 1), fixed assets are recognized at their original value minus accumulated depreciation.

### 2.1.3 **Accounting for Research, Development and Engineering expenses.**

Research, development and engineering expenses are reported in account 08 "Investments in Non-Current Assets" and recognized in line 130 "Construction-in-Progress" of Form No. 1 "Balance Sheet".

Expenses in connection with completed research, development and technological operations to the extent of actual expenses:

- are written down from the account of investments in non-current assets to the intangible asset account debit side and recognized in line 150 "Other Non-Current Assets" of Form No. 1 "Balance Sheet" if the conditions for the recognition of research, development and engineering expenses established by paragraph 7 of IAS17/02 are fulfilled;



- are recognized as other expenses in the event of non-fulfillment of the conditions established by paragraph 7 of IAS 17/02.

Expenses in connection with each completed research, development and technological operation are written down using the straight-line method based on the expected useful life of the obtained results of the above-mentioned operations during which the Company may receive economic benefits (income), yet not more than 2 years.

Useful life with respect to research, development and technological operations is established on the date of their recognition. If it is not possible to determine the expected useful life on the date of recognition, such useful life is equal to two years.

Expenses in connection with research, development and technological operations which fail to produce positive result are recognized as other expenses in the reporting period in which the absence of positive result becomes obvious.

#### 2.1.4 **Accounting for Financial Investments.**

Financial investments include:

- government-owned and municipal securities,
- securities of other entities, including debt securities specifying the date and redemption value (bonds, promissory notes);
- contributions to the authorized (share) capitals of other entities, contributions made by the partner under a simple partnership agreement;
- loans extended to other entities,
- deposits with lending institutions,
- accounts receivable purchased based on the assignment of the right to claim.

Financial investments are recognized in accounting records at their original value. The original value of financial investments purchased for a fee is the actual costs incurred by the entity in connection with their purchase, with the exception of value added tax and other refundable taxes (excepts as provided for by the laws of the Russian Federation on taxes and dues).

In the event of reorganization of a company whose shares are owned by the Company through a spin-off of a new company, the shares in this new company received by the Company in their allocation among the shareholders of the company being reorganized are deemed as received free of charge.

The value of non-cash loans extended to other entities is determined for their recognition in accounting records at the cost of transferred assets provided for by the agreement.

The original value of financial investments at which they are recognized in accounting records may change in the event of subsequent evaluation.

Financial investments whose current market value can be determined in accordance with the established procedure are recognized in accounting records as of the end of the reporting year at their current market value through the adjustment of their value on the previous balance sheet date. The above-mentioned adjustment is performed on an annual basis. The difference between the evaluation of financial investments at their current market value on the balance sheet date and the previous evaluation of financial investments is recorded as other income or expense.

Financial investments whose current market value can not be determined are recognized in accounting records and accounting statements on the balance sheet date at their original value net of the established reserve against the depreciation of financial investments.

In the event of sustainable devaluation of financial investments (5% or more), the Company forms a reserve against the depreciation of financial investments.

Sustainable devaluation of financial investments is characterized by the simultaneous presence of the following conditions:

- the book value as of the balance sheet date and the previous balance sheet date is considerably lower than their estimated value;
- during the reporting year, the estimated value of financial investments showed considerable exclusively downward trend;

- as of the balance sheet date, there is no evidence of a possible future significant increase in the estimated value of these financial investments.

Reserve against the depreciation of financial investments is formed based on the difference between the book value and estimated value of such financial investments. The estimated value of financial investments in the form of shares (stakes in the authorized capital) in entities whose current market value can not be determined is the sum of net assets of entities. Deductions to the reserve against the depreciation of financial investments are recognized as other expense.

Method for the evaluation of financial investments in the event of their retirement:

- at the original value of their purchase (obtainment) for financial investments in the form of non-issue-grade securities, loans extended to other entities and deposits with lending institutions, accounts receivable purchased based on the assignment of the right to claim, contributions made by the Company under a simple partnership agreement,
- FIFO with respect to financial investments in the form of non-issue-grade securities whose current market value can not be determined,
- financial investments whose current market value can be determined are valued in their retirement at the value determined based on their most recent evaluation.

### 2.1.5 **Inventory Accounting.**

For accounting purposes, inventories mean the following assets:

- used as raw materials and other materials for the manufacturing of products for sale (performance of work, provision of services);
- intended for sale;
- used for the administrative needs of the Company;
- produced by the Company, finished and approved by the engineering control function, transmitted to the warehouse of finished products or shipped to the buyer, released for internal needs.

The products made by the Company are divided into main products, by-products and other products.

**Main products** are finished products resulting from the core operations of the Company, whose sales revenue is more than 5% of the gross revenue of the Company: *nickel, copper, platinum, palladium*.

**By-products** are finished products resulting from the core operations of the Company, whose sales revenue is less than 5% of the gross revenue of the Company: *gold, cobalt, silver, rhodium, iridium, osmium, ruthenium, selenium, tellurium*.

**Other products** are finished products resulting from other operations of the Company: *anhydride, coal, crushed rock, cement, sulphuric acid, copper rods, platinum solution, palladium solution and other finished goods*.

Inventories, including equipment which requires and does not require installation, are purchased in a centralized manner, recognized in accounting records at their book value equal to their purchase (obtainment) cost adjusted for the ordering cost (OC) standard.

The OC standard is calculated as the ratio of ordering costs incurred by the Company in connection with the delivery of purchased inventories to the procurement and warehousing subdivisions of the Company to the value of purchased inventories.

Deviations in the value of inventories are calculated at the end of each month as the difference between the book value and actual costs in connection with their purchase and ensuring their usefulness. Deviations are recognized by the group (type) of tangible assets.

Deviations in the value of inventories are depreciated in proportion to their book value based on the ratio of the remaining deviation at the beginning of the month and current monthly deviations to the inventory balance at the beginning of the month and the inventories received during the month at their book value. Deviations in the value of inventories are written down to the debit side of accounts to which the book value of inventories was written down.

Precious metal items, food products, general medicines, purchased semi-finished products delivered to processing enterprises are recorded in inventory accounts at their actual purchase cost.

In the event of delivery and other retirement of inventories (with the exception of finished products), such inventories are valued at their book value. Book value is the average rolling production cost or average production cost calculated for each identifying number of inventories within the group of tangible assets by warehouse group.

The main and other finished products being manufactured are recorded at their book value; at the end of each month, the deviation between the book value of manufactured products and the actual costs in connection with their production is formed. The book value of main products means planned full production cost. Deviations in the value of main finished products are recorded by identifying number. The book value of other products means planned production cost. Deviations in the value of other products are recorded in total.

In the event of sale and other retirement, finished products are valued at the average book value. Deviation related to depreciated finished products is calculated in proportion to their value.

#### 2.1.6 **Construction-in-Progress Accounting.**

For accounting purposes, construction-in-progress means:

- products manufactured by functions performing core and other operations which have not gone through all stages (phases, modifications) included in the engineering process and located at engineering facilities and on industrial sites of functions as of the balance sheet date (hereinafter "CIP");
- ore, technological materials, products (including metal-containing return and reverse scrap) manufactured by functions performing core operations and received from external counterparties as returned under contracts for the processing of give and take raw materials ready for reprocessing to the next stage included in the engineering process (hereinafter "in-house semi-finished products");
- expenses in connection with non-completed operations under contracts for the processing of the metal-containing give and take raw materials owned by the contractor (external counterparty), expenses in connection with non-completed operations related to prospecting, exploration and additional field exploration;
- expenses incurred by functions performing other operations in connection with non-completed work (services) with long production cycle (more than one reporting period), ordered production of other products until the recognition of the relevant income or until the acceptance of the results of work performed (services provided), as well as order or its part by the other function of the Company.

Expenses recorded in the accounts of the reporting month by core business cost center are allocated among CIP at facilities and manufactured commercial semi-finished products and finished products based on their degree of readiness and the quantity of valued components (metals) contained therein.

The value of in-house semi-finished products during inner transfer, release to production or other retirement, as well as the value of semi-finished product stocks is determined based on the average value calculated for each identifying number.

#### 2.1.7 **Geological Exploration Accounting.**

Geological exploration (GE) is operations performed under issued licenses (permissions) for the purpose of:

- forecasting and identification of promising local areas and zones in terms of discovery of mineral deposits;
- transfer of inventories into higher categories and their increase due to underexplored field zones;
- expansion of the raw materials base of the Company with discovered in-place reserves;
- expansion of the raw materials base of the Company through preliminary and detailed exploration;

For accounting purposes, GE is divided into:

- exploration;
- additional field exploration;
- operational exploration.

Geological exploration expenses are recorded in account 20 "Core Production". The production cost of GE for accounting purposes is formed in account 20 "Core Production" and includes direct and indirect expenses net of capitalized costs and planned costs associated with the spacing and delivery of produced ore to ore chute determined

based on the planned book price of mining for the mine where operations are performed using the reduction factor. Production cost of exploration and additional exploration for reporting purposes is formed on an accrual basis from the beginning until the completion of operations (stage of operations).

Expenses in connection with completed and positive exploration operations (stages of operations) are recognized as deferred expenses based on the reporting production cost. Expenses in connection with these exploration operations (stages of operations) are written down from the deferred expense account using the straight-line method during 12 months beginning in the month following the month in which the certificate of acceptance of the report on the results of operations by the Federal (Territorial) Geological Fund is obtained. Written off exploration expenses are recognized as expenses associated with ordinary activities and recorded in general expenses and administrative in account "General and Administrative Expenses".

Additional exploration expenses (in connection with completed and positive exploration operations (stages of operations)) are recognized as expenses associated with ordinary activities of the reporting period and recorded in general and administrative expenses in account "General and Administrative Expenses" at their reporting production cost.

Expenses in connection with exploration and additional field exploration which is non-productive or suspended as unpromising are recognized as other expenses in the reporting period in which the certificate of acceptance of the report on the results of operations (stage of operations) by the Federal (Territorial) Geological Fund is obtained.

Operational exploration expenses are recognized as expenses of the reporting period and recorded in ore production expenses on a monthly basis.

#### 2.1.8 **Expense Accounting.**

Expenses in connection with the ordinary activities of the Company are classified into:

- operating expenses (expenses in connection with product making);
- selling expenses (expenses in connection with product sale);
- general and administrative expenses (expenses associated with administrative needs and other general expenses not directly related to the production process).

The industrial expenses include the expenses forming the production cost of the goods (works, services) in respect of the main kinds of the Company's operations.

Operating expenses in connection with ordinary activities are recorded based on the organizational and technological characteristics of the Company's functions by cost center (CC). The cost center of the Company (branch, function of a branch) is a part of organizational and/or technological structure which is an object of cost and/or production (work, service) cost planning and control.

Expenses in connection with the production of products resulting from ordinary activities are recorded

- using the stage area method for the production of products from combined raw material sequentially passing several individual stages of treatment;
- using the process method for the technological cycle undivided for accounting purposes.

Selling expenses include:

- direct selling expenses:
  - directly connected with the sale of finished products (expenses associated with commission fees, packing, marking, certification, transportation, insurance, customs and storage in the warehouses of third parties) if these expenses are incurred by the seller upon contract terms;
  - directly connected with transportation of finished products from the Company's warehouses;

Direct selling expenses are recognized as expenses of the reporting period as from the recognition of income from the sale of a specific batch of finished products. Other selling expenses are recognized as expenses of the reporting period and written off to account 90 "Sales" on a monthly basis.

- indirect selling expenses, i.e. other selling expenses which can not be connected with the sale of a specific batch of finished products (advertising expenses, etc).

General and administrative expenses include:

- administrative expenses,
- expenses in connection with the mandatory storage of precious metals in the State Repository for Precious Metals of the Russian Federation and expenses in connection with the transportation of precious metals to the State Repository for Precious Metals of the Russian Federation,
- mineral extraction tax, subsoil use tax,
- other expenses of similar nature.

General and administrative expenses are written off to account 90 "Sales" on a monthly basis.

The retirement of assets and the retirement of foreign currency as a result of its sale are not recognized as expense.

Expenses incurred by the Company in connection with granting temporary possession and use of their assets, rights arising from patents for inventions, industrial samples and other kinds of intellectual property, as well as participation in the authorized capitals of other organizations are recognized as other expenses.

Expenses incurred in the reporting period which result in economic benefits (income) during several reporting periods are recognized as deferred expenses and included in current expenses during the period to which they refer.

The period to which deferred expenses refer is determined based on the period during which economic benefits (income) are expected to be received. If it is not possible to determine the period to which deferred expenses refer, such period is 10 years.

#### **2.1.9 Income Accounting.**

Income from the ordinary activities of the Company includes revenue from the sale of products and proceeds from the performance of work and provision of services.

Revenue from the sale of finished products and other assets of the Company under contracts with respect to which title transfers on the date of payment is recorded at the moment of shipment unless the terms and conditions of the above-mentioned contract ensure the differentiation of sold assets for the purpose of safeguarding them until the date of payment.

Income connected with granting the Company's assets for temporary possession and use for a fee under a lease contract is recognized as other income.

Income from financial investments is recognized as other proceeds and recorded in other income.

The proceeds of ruble equivalent (at the exchange rate of the Central Bank of the Russian Federation) from the sale of foreign currency are not recognized as income.

Income received in the reporting period and meeting the criteria for their recognition, yet related to future reporting periods is recorded for accounting purposes in deferred income. Furthermore, deferred income includes the future proceeds of debt with respect to short payments discovered in previous periods, the difference between the amount collectable from defaulting parties and the book value of missing valuables.

#### **2.1.10 Accounting for Loans and Advances.**

The Company moves long-term loans and advances payable into the category of short-term payables 365 days prior to the repayment of the principal amount of debt under the contract terms.

Interest on loans and advances, interests, discount on bills payable, interest on placed bonds and principal costs in connection with other loan and advance-related obligations are recognized as other expense in the reporting periods in which the Company's liabilities emerge upon the conditions for the obtainment of loans and borrowings.

Interest (discount) payable under drawn bills and distributed bonds is recorded in the deferred expense account in advance and recognized as other expense in equal amounts on a monthly basis.

### 2.1.11 **Accounting for Assets and Liabilities Denominated in Foreign Currency.**

For the preparation of accounting statements, the value of assets and liabilities denominated in foreign currency (currency notes in the cash desk of the entity, cash on bank accounts, money and payment documents, securities (with the exception of shares, funds involved in settlements, including borrowers' liabilities with corporate entities and individuals) are recalculated into rubles on the balance sheet date.

The value is recalculated at the official exchange rate of this foreign currency to ruble established by the Central Bank of the Russian Federation on the balance sheet date. If any other exchange rate is established by law or agreed upon by and between the parties for the recalculation of the value of an asset or liability denominated in foreign currency which is payable in rubles, recalculation is performed at such exchange rate.

As of December 31, 2007, the Company recalculated its assets and liabilities denominated in the following foreign currencies at the official exchange rate established by the Central Bank of the Russian Federation:

- 24.5462 Russian rubles per US dollar (USD);
- 35.9332 Russian rubles per euro (EUR),
- 49.0114 Russian rubles per Great Britain pound (GBP),
- 21.7879 Russian rubles per Swiss franc (CHF).

In 2007, the value of assets and liabilities denominated in foreign currency but payable in rubles in accordance with the executed agreements (contracts) was recalculated as of the date of execution of the operation and as of the balance sheet date at the official exchange rate of this foreign currency to ruble established by the Central Bank of the Russian Federation or at such other rate as established by law or agreed upon by and between the parties (fixed in the contract). Exchange rate differences from the recalculation of assets and liabilities denominated in foreign currency but payable in rubles were recorded in other income or other expense.

Prior to January 1, 2007, assets and liabilities denominated in foreign currency but payable in rubles were recalculated on the date of execution of the operation. The above-mentioned differences were deemed to be sum differences and adjusted sales revenue on the date of sale.

## 2.2 **Basic Changes in the Accounting Policy in 2008.**

### **Basic changes in the procedure for accounting for assets and liabilities denominated in foreign currency.**

The received (issued) advance payment, downpayment, prepayment whose value is expressed in foreign currency shall be recorded in rubles at the exchange rate of the Central Bank of the Russian Federation on the date of recalculation into rubles of the received (issued) advance payment, downpayment, prepayment. The amounts of received (issued) advance payment, downpayment, prepayment shall not be recalculated in the future as of the balance sheet date.

The shares whose value is expressed in foreign currency shall be recorded in rubles at the exchange rate of the Central Bank of the Russian Federation on the date of execution of the operation in foreign currency as a result of which the shares are recorded for accounting purposes; such shares shall not be recalculated in the future as of the balance sheet date.

### **Basic changes in the section "Intangible Asset Accounting":**

The list of intangible assets has been revised. As from 2008, an intangible asset shall be positive goodwill arising in connection with the purchase of an enterprise as property group (in whole or in part). The value of positive goodwill shall be depreciated during 20 years. Negative goodwill shall not be recognized as intangible asset and shall be wholly recognized as other expense at the date of purchase.

The procedure for accumulating depreciation on intangible assets has been revised. Intangible assets with an indefinite useful life shall not be depreciated. The useful life of intangible assets shall be revised as of the beginning of each reporting year if useful life changes by 12 months or more. Adjustments related to the recalculation of the amounts of accumulated depreciation as a result of useful life revision shall be recorded in retained earnings as change in estimated values.

### **Basic changes in the section "Accounting for Financial Investments":**

Long-term financial investments shall be moved into the category of short-term financial investments 365 days before the end of the expected use of financial investment by the Company or if the Company wants long-term financial investments to retire as from the date of adoption of the relevant decision.

The value of financial investments whose current market value can be determined is adjusted on a quarterly basis.

### **Basic changes in the section "Post-Balance-Sheet Events and Contingencies":**

Beginning in the annual accounting statements for 2008, the amount of reserve established in connection with the contingent liabilities existing as of the balance sheet date shall be discounted if the purchasing power of the currency of the Russian Federation is forecast to change by 10 or higher.

## **3 Accounting Statements.**

The accounting statements of the Company for 2007 are formed in accordance with Law "On Accounting" No. 129-FZ, dated November 21, 1996, the Regulations for the Maintenance of Accounting Records and Reporting in the Russian Federation approved by Decree of the Ministry of Finance of the Russian Federation No. 34n, dated July 29, 1998, and other legislative instruments incorporated in the system governing accounting and reporting in the Russian Federation.

The forms of accounting statements of the Company for 2007 were developed and approved by the Company based on the forms provided in the appendix to Decree of the Ministry of Finance of the Russian Federation No. 67n "On the Forms of Accounting Statements of Organizations", dated July 22, 2003.

The following groups of the Balance Sheet items also show assets in transit between the functions of the Company: "Investments in Non-Current Assets", "Equipment for Installation", "Inventories".

In accordance with paragraph 10 of the Accounting Regulations "Accounting Statements of the Organization" (AR 4/99) approved by Decree of the Ministry of Finance of the Russian Federation No. 43n, dated July 6, 1999, the accounting statements include indicators for two years: the reporting year and the year preceding the reporting year; data for the previous year are compared.

### **3.1 Disclosure of Data Related to Individual Items of the Balance Sheet (Form No. 1).**

#### **3.1.1 Original Value, Amount of Depreciation and Movement of Intangible Assets.**

Information concerning the original value, movement (acquisition, retirement) of *intangible assets* (hereinafter also "IA") and the amount of depreciation accumulated on such assets is provided in the "Intangible Assets" section of Form No. 5 "Appendix to the Balance Sheet".

Intellectual property in line 012 of Form No. 5 shows the value of intellectual property created as a result of research in the form of rights to the database of "Corporate Regulatory Framework for the Maintenance of Equipment" recorded for accounting purposes as an intangible asset in 2007 to the extent of actual costs of 109,664 thousand rubles.

JSC MMC Norilsk Nickel has properly executed documents confirming the existence of the database right, which allow restricting third-party access to the expected economic benefits from the use of the above-mentioned intangible asset.

#### **3.1.2 Original Value, Amount of Depreciation and Movement of Fixed Assets.**

Information concerning the original value, the amount of accumulated depreciation and the movement of fixed assets in line 120 "Fixed Assets" is provided in the "Fixed Assets" section of Form No. 5 "Appendix to the Balance Sheet".

An increase in the original value of fixed assets in line 120 of Form No. 5 "Appendix to the Balance Sheet" as of December 31, 2007 by 4,971,058 thousand rubles compared to similar data as of December 31, 2006 is due to a number of measures implemented by the Company in 2007 to increase investments in fixed assets. In particular, in the reporting year the Company purchased a land plot for 100 thousand rubles.

No	Original Value	Buildings, structures	Machinery, equipment	Vehicles	Other fixed assets	Real estate	Total
1	<b>Balance as of January 1, 2007, rubles in thousands*</b>	50,249,000	35,295,101	4,579,659	1,354,122	-	91,477,882
2	Total intake (line 120, column 4, form No. 5 "Appendix to the Balance Sheet"), including	2,698,196	5,100,667	207,503	188,359	100	8,194,825
3	Putting into operation from capital construction in progress	2,624,062	2,248,265	-	11,909	-	4,884,236
4	Purchase of fixed assets, including leased fixed assets	60,879	2,845,736	207,503	176,072	100	3,290,290
5	Fixed assets included in accounting upon expiration of lease contracts in accordance with contract terms	5,176	3,326	-	33	-	8,535
6	Other intake	8,079	3,340	-	345	-	11,764
7	Total retirement (line 120, column 4, form No. 5 "Appendix to the Balance Sheet")	(813,091)	(2,212,209)	(55,727)	(142,740)	-	(3,233,767)
8	<b>Balance as of December 31, 2007, rubles in thousands</b>	52,134,105	38,183,559	4,731,435	1,399,741	100	96,448,940

\*Year-on-year change of data in the groups of fixed assets is due to data adjustment as a result of reclassification of fixed assets among groups within the Company.

Fixed assets totaling 3,223,767 thousand rubles retired as a result of sale of fixed assets to other corporate entities and the decommissioning of fixed assets. During 2007, the Polar Division continued measures to eliminate the activities of certain functions, including the sale of fixed assets to newly established companies.

Indicators in lines **150 to 155 and 170** of the "Fixed Assets" section of Form No. 5 "Appendix to the Balance Sheet" are recorded **at their original value net of accumulated depreciation**.

For reference: the amounts of depreciation accumulated on the assets specified *in line 150 "Total fixed assets leased out" were as follows:*

- as of beginning of year: 2,070,196 thousand rubles; as of end of year: 3,222,501 thousand rubles.

Indicators in line **160 "Total Fixed Assets Taken on Lease"** of the "Fixed Assets" section of Form No. 5 "Appendix to the Balance Sheet" include the value of leased fixed assets recorded in line **910 "Leased Fixed Assets"** of Form No. 1 "Balance Sheet" valued as specified in lease contracts:

- as of beginning of year: 8,189,477 thousand rubles,
- as of end of year: 10,362,537 thousand rubles.

The value of the fixed assets which in 2007 underwent additional construction, additional equipping, rehabilitation or partial liquidation is recorded in line 180 of Form No. 5 "Appendix to the Balance Sheet" **"Change in the Value of Fixed Assets as a Result of Additional Construction, Additional Equipping, Rehabilitation, Partial Liquidation"** as of beginning of the year; as of end of the year, this line shows the original value of the same fixed assets, yet after the above-mentioned activities related to additional construction, additional equipping, rehabilitation or partial liquidation.

### 3.1.3 **"Construction-in-Progress" Indicators.**

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

- actual costs directly connected with capital construction, rehabilitation and upgrading of fixed assets;
- costs in connection with the purchase of equipment which does not require installation, individual fixed assets and intangible assets;



- expenses in connection with non-completed research, development and engineering operations (R&D).

No.	Indicator	As of January 1, 2007		As of December 31, 2007	
		Amount, rubles in thousands	Percentage (%)	Amount, rubles in thousands	Percentage (%)
1	<b>Total for line 130 of Form No. 1</b>	23,581,401	100.00%	28,439,402	100.00%
2	Fixed asset construction	19,072,548	80.88%	22,850,353	80.35%
3	Equipment to be installed	1,732,752	7.35%	3,122,872	10.98%
4	Purchase of individual fixed assets	1,545,547	6.55%	1,154,134	4.06%
5	Expenses in connection with non-completed R&D	1,104,385	4.68%	1,126,781	3.96%
6	Other	126,169	0.54%	185,262	0.65%

As of December 31, 2007, non-completed capital investments also include expenses totaling 2,275,032 thousand rubles in connection with the construction of real property in respect of which capital investments have been completed and the procedure for the execution of documents necessary for the state registration of real property is being performed in accordance with the requirements of the applicable laws of the Russian Federation.

Upon submission of documents for state registration, the above-mentioned assets will be moved to the fixed assets of the Company.

Non-completed capital investments are recorded in the balance sheet based on the actual costs incurred by the Company net of advance payments made with respect to capital construction.

Advance payments made by the Company with respect to capital construction are recorded in the balance sheet as accounts receivable in accordance with paragraph 3 of Accounting Regulations 10/99:

- payable in more than 12 months: as of beginning of the year: 3,414,136 thousand rubles,  
as of end of the year: 2,210,940 thousand rubles
- payable in less than 12 months: as of beginning of the year: 394,923 thousand rubles,  
as of end of the year: 3,677,327 thousand rubles

Information on expenses in connection with non-completed research, development and engineering operations is provided in section 3.1.5 hereof.

### 3.1.4 **Long-term Financial Investments.**

In accordance with the provisions of the Accounting Policy of the Company financial investments whose current market value can be determined in accordance with the established procedure are recorded in accounting statements at the end of the reporting year at their current market value through the adjustment of their value as of the previous balance sheet date. Securities were revalued as of December , in accordance with the official data from Moscow Interbank Currency Exchange at the market price per share on the balance sheet date. Due to the unavailability of data from Moscow Interbank Currency Exchange concerning the market price of shares the information from Russian Trading System Stock Exchange was used.

The difference between the value of financial investments in the shares in the above-mentioned entities at their current market value as of December 31, 2007 and the previous evaluation of financial investments is the amount recorded in the Profit and Loss Statement of the Company in the form of:

- positive difference of 8,680,839 thousand rubles recorded in other income;
- negative difference of 20,484,394 thousand rubles recorded in other expenses.

The tables below provide information on long-term financial investments (line 140, lines 141 to 146 of the Balance Sheet, including reserve against the depreciation of financial investments).

Consolidated data concerning *long-term and short-term financial investments* are also decoded in the "Financial Investments" section of Form No. 5 "Appendix to the Balance Sheet". Data from the "Financial Investments" section of Form No. 5 include reserve against the depreciation of financial investments. Line 510 "Total Contributions to the Authorized (Share) Capitals of Other Entities" of Form No. 5 "Appendix to the Balance Sheet" includes the Company's financial investments in the form of shares and stakes in authorized capitals. Line 520 "Securities of Other Entities" of Form No. 5 "Appendix to the Balance Sheet" includes the Company's financial investments in the promissory notes and bonds of other entities.

**Information concerning investments in subsidiaries (line 141 of the Balance Sheet, including reserve against the depreciation of financial investments):**

Entity	As of January 1, 2007				As of December 31, 2007			
	Amount of financial investment, rubles in thousands	Amount of depreciation reserve	Amount of financial investment including reserve	Stake in the authorized capital, %	Amount of financial investment, rubles in thousands	Amount of depreciation reserve	Amount of financial investment including reserve	Stake in the authorized capital, %
Total investments in subsidiaries (line 141), including	69,471,873	(682,286)	68,789,587		188,048,768	(877,392)	187,171,376	
ОАО ОГК-3	-	-	-		113,392,646	-	113,392,646	65.15%
ООО Ferrosplav	-	-	-		12	(12)	-	100.00%
ООО Norilskpromtransport	-	-	-		12	-	12	100.00%
ООО Intergeoproekt	-	-	-		2,061,035	-	2,061,035	99.99976%
ООО GRK Titan	12	-	12	100.00%	12	(12)	-	100.00%
ООО Karelnikel	12	-	12	100.00%	12	(12)	-	100.00%
ООО Norilsknickelremont	14	-	14	100.00%	300,314	-	300,314	100.00%
ООО Kingashskaya GRK	12	-	12	100.00%	12	(12)	-	100.00%
ООО Zapolyarye Building Company	413,620	-	413,620	100.00%	585,720	(91,047)	494,673	100.00%
ООО RioNor-Geologorazvedka	20,768	-	20,768	51.00%	44,962	(44,962)	-	51.00%
ОАО NTEK	510	(510)	-	51.00%	27,492	(27,492)	-	100.00%
ООО NEP National Innovation Company	74	-	74	74.00%	1,733,118	-	1,733,118	74.00%
ООО Terminal	677,866	(677,866)	-	100.00%	677,866	(677,866)	-	100.00%
ООО Mining Leasing Company	23	(23)	-	100.00%	23	(23)	-	100.00%
ОАО Taimyrgaz	7,206,980	-	7,206,980	72.25%	7,206,980	-	7,206,980	72.25%
ООО Zapolyarnaya Stolitsa Management Company	74,560	(3,636)	70,924	100.00%	74,560	(35,855)	38,705	100.00%
ООО Norilsk-Telekom	600,000	-	600,000	100.00%	1,319,721	-	1,319,721	100.00%
ОАО Torginvest	714,331	-	714,331	99.997%	714,331	-	714,331	99.99748%
ООО TNK	51	(51)	-	51.00%	-	-	-	0%
ОАО NTPO	510,338	-	510,338	99.998%	510,338	-	510,338	99.998%
ЗАО NORMETIMPEX	100,000	-	100,000	100.00%	100,000	-	100,000	100.00%
ОАО Norilsk Nickel Russian Joint-Stock Company	48,465,263	-	48,465,263	96.93%	48,465,263	-	48,465,263	96.93%
ЗАО Taimyr Fuel Company	100	(100)	-	100.00%	100	-	100	100.00%
ОАО Kola MMC	4,085	-	4,085	100.00%	4,085	-	4,085	100.00%
ОАО Yeniseiskoye Rechnoye Parokhodstvo	514,630	-	514,630	43.92%	514,630	-	514,630	43.92%
ООО Gipronickel Institute	45	-	45	100.00%	146,945	-	146,945	100.00%
ОАО АМТП	209,052	-	209,052	53.05%	209,052	-	209,052	53.05%
ЗАО Alykel	100	(100)	-	100.00%	100	(100)	-	100.00%
Minastro investment	16	-	16	56.60%	16	-	16	56.60%

limited								
Norimet ltd	9,689,931	-	9,689,931	91.30%	9,689,931	-	9,689,931	91.30%
Norilsk Nickel (Cyprus) Ltd	263,884	-	263,884	100.00%	263,884	-	263,884	100.00%
Norilsk Nickel Holding SA	5,596	-	5,596	100.00%	5,596	-	5,596	100.00%

A year-on-year increase in **long-term investments in subsidiaries** in line 141 of Form No. 1 "Balance Sheet" as of December 31, 2007 by **118,381,789** thousand rubles is caused by the following factors:

1. acquisition of shares in (stakes in the authorized capital of) profit-making organizations by the Company in the reporting year and additional contributions to the authorized capitals of other Limited Liability Companies totaling 123,629,360 thousand rubles, including:
  - OAO Third Generation Company of the Wholesale Electricity Market (OAO OGK-3): acquisition in the reporting period of registered ordinary shares totaling 120,922,019 thousand rubles (an increase in the stake in the authorized capital from 13.92% to 65.15 %);
  - OOO Zapolyarye Building Company: 172,100 thousand ruble contribution to the authorized capital;
  - OOO Norilsknickelremont: 300,300 thousand ruble contribution to the authorized capital;
  - OOO Gipronickel Institute: 146,900 thousand ruble contribution to the authorized capital;
  - OAO NTEK: additional acquisition of uncertificated registered ordinary shares in OAO NTEK amounting to 26,982 thousand rubles;
  - OOO Ferrosplay: establishment of a new wholly-owned subsidiary with a 12 thousand ruble stake;
  - OOO Norilskpromtransport: establishment of a new wholly-owned subsidiary with a 12 thousand ruble stake;
  - OOO Intergeoproekt: acquisition of a stake in the authorized capital totaling 2,061,035 thousand rubles (99.99976% of the authorized capital).
2. transfer of the ordinary shares in OAO OGK-3 totaling 12,120,979 thousand rubles purchased in 2006 from line 143 "Investments in Other Entities" to line 141 "Investments in Subsidiaries" due to an increase in the stake held by the Company in OAO OGK-3 (to 65.15 % of the authorized capital).
3. revaluation of the ordinary shares in OAO OGK-3 listed in the market as of December 31, 2007. As a result of revaluation of ordinary shares the value of financial investments in OAO OGK-3 reduced by 19,650,352 thousand rubles.
4. Increase in the value of financial investments in the Subsidiary Limited Liability Companies in the form of contributions to the property of the Company totaling 2,476,959 thousand rubles

An increase in 2007 in the value of financial investments by the amount of contributions made to the property of Limited Liability Companies (OOO) by JSC MMC Norilsk Nickel as their Participant is due to changes in the methods for the recognition of such operations in accounting records and statements.

Before 2007, contributions to the property of Limited Liability Companies were treated as donated property and its value was recognized as other expense, which was confirmed by the position of the Ministry of Finance of the Russian Federation on this matter.

In the reporting year 2007, given the court and arbitrage practices on this matter and for the purpose of giving the users of statements the idea of the actual use of cash, contributions to the property of Limited Liability Companies are recognized in accounting records as financial investments. As of December 31, 2007, financial investments include all contributions to the property of Limited Liability Companies made by the Company, including those made in previous periods:

Entity (OOO)	Period of property contribution	Amount of contribution, rubles in thousands
OOO Norilsk-Telekom	2004	407,241
	2005	312,480
	Total	<b>719,721</b>

OOO NEP National Innovation Company	2005	531,723
	2006	364,851
	2007	836,470
	Total	<b>1,733,044</b>
OOO RioNorGeologorazvedka	2007	<b>24,194</b>
<b>Total</b>		<b>2,476,959</b>

The Company recognized the contributions to the property of Limited Liability Companies made in previous periods as financial investments corresponding to retained earnings totaling 1,616,295 thousand rubles.

- Increase in the amount of reserve against the depreciation of financial investments based on the testing of the Company's financial investment depreciation amounting to 195,106 thousand rubles.
- Retirement of a 51 thousand ruble stake in the authorized capital of OOO Mining Leasing Company as a result of liquidation of the company.

***Information concerning investments in affiliates (line 142 of the Balance Sheet, including reserve against the depreciation of financial investments):***

Entity	As of January 1, 2007				As of December 31, 2007			
	Amount of financial investment, rubles in thousands	Amount of depreciation reserve	Amount of financial investment including reserve	Stake in the authorized capital, %	Amount of financial investment, rubles in thousands	Amount of depreciation reserve	Amount of financial investment including reserve	Stake in the authorized capital, %
Total investments in affiliates (line 142), including	6,256,141	-	6,256,141		9,061,151	-	9,061,151	
OAo Kolenergo	-	-	-		704,591	-	704,591	24.87%
OAo Kola Peninsula Transmission Grids	-	-	-		258,895	-	258,895	24.83%
OAo Kolenergosbyt	-	-	-		162,189	-	162,189	24.83%
OAo TGK-14	-	-	-		1,809,466	-	1,809,466	27.69%
OAo Tyvaenergo-Kholding	167,185	-	167,185	25.47%	167,185	-	167,185	25.47%
OAo Krasnoyarsk Transmission Grids	430,645	-	430,645	25.47%	430,645	-	430,645	25.47%
OAo Krasnoyarskenergosbyt	33,585	-	33,585	25.47%	-	-	-	0%
OOO Zapolyarye Holiday Hotel	265,988	-	265,988	36.10%	328,322	-	328,322	28.88%
OAo Norilskgazprom	1,034,316	-	1,034,316	29.39%	1,034,316	-	1,034,316	29.39%
OAo Krasnoyarskenergo	4,324,422	-	4,324,422	25.70%	4,165,542	-	4,165,542	25.70%

A year-on-year increase in **long-term investments in affiliates** (line 142 of Form No. 1 "Balance Sheet") as of December 31, 2007 by **2,805,010** thousand rubles is caused by the following factors:

- transfer of investments in the following entities totaling 1,499,634 thousand rubles from short-term financial investments into long-term financial investments:
  - OAo Kolenergosbyt: 94,348 thousand rubles (24.83% of the authorized capital), including 80,852 thousand rubles in 47,559,803 ordinary shares additionally purchased in July 2007;
  - OAo Kolenergo: 1,146,391 thousand rubles (24.87 % of the authorized capital), including 505,656 thousand rubles in 47,559,803 ordinary shares additionally purchased in July 2007;

- OAO Kola Peninsula Transmission Grids: (24.83 % of the authorized capital) 258,895 thousand rubles, including 92 991 thousand rubles in 47,559,803 ordinary shares additionally purchased in July 2007.

2. Acquisition by the Company in the reporting year of registered ordinary shares in OAO TKG-14 (OAO TKG-14) amounting to 1,155,539 thousand rubles (27.69% of the authorized capital).
3. Additional contribution of 62,334 thousand rubles to the authorized capital of OOO Zapolyarye Holiday Hotel. The stake held by JSC MMC Norilsk Nickel in the authorized capital of OOO Zapolyarye Holiday Hotel reduced from 36.1% to 28.88 % as a result of expansion of the authorized capital of OOO Zapolyarye Holiday Hotel.
4. Retirement (sale) of ordinary and preference shares in OAO Krasnoyarskenergosbyt (25.47% of the authorized capital) amounting to 33,585 thousand rubles
5. revaluation of financial investments whose market quote as of December 31, 2007 totals 121,088 thousand rubles  
As a result of revaluation, the value of financial investments in the shares in OAO Krasnoyarskenergo reduced by 158,880 thousand rubles; the value of financial investments in the shares in OAO Kolenergo decreased by 441,800 thousand rubles; the value of financial investments in the shares in OAO TKG-14 increased by 653,927 thousand rubles; the value of financial investments in OAO Kolenergosbyt increased by 67,841 thousand rubles.

**Information concerning investments in other entities (line 143 of the Balance Sheet, including reserve against the depreciation of financial investments):**

Entity	As of January 1, 2007				As of December 31, 2007			
	Amount of financial investment, rubles in thousands	Amount of depreciation reserve	Amount of financial investment inclusive reserves	owners hip interest, %	Amount of financial investment, rubles in thousands	Amount of depreciation reserve	Amount of financial investment inclusive reserves	owners hip interest, %
Total investments in other entities (line 143), including	54,137,388	-	54,137,388		56,482,096	-	56,482,096	
OAO OGG-3	11,421,379	-	11,421,379	13.92%	-	-	-	-
OAO TKG-5	-	-	-	-	440,939	-	440,939	1.63%
OAO OGG-5	-	-	-	-	2,622,418	-	2,622,418	1.72%
OAO TKG-1	1,029,381	-	1,029,381	4.23%	6,901,470	-	6,901,470	7.37%
RAO UES of Russia	41,395,403	-	41,395,403	3.52%	46,226,044	-	46,226,044	3.52%
OAO Samara Bearing Plant	291,225	-	291,225	5.55%	291,225	-	291,225	5.55%

A year-on-year increase in **long-term investments in entities other than subsidiaries and affiliates** (line 143 of Form No. 1) as of December 31, 2007 by **2,344,708** thousand rubles is caused by the following factors:

1. transfer from short-term financial investments to long-term financial investments of 200,000,000 previously purchased shares in OAO OGG-3 valued at 699,600 thousand rubles managed by the trustee as of December 1, 2007.

2. transfer of the previously purchased shares in OAO OGK-3 amounting to 12,120,979 thousand rubles from line 143 "Investments in Other Entities" to line 141 "Investments in Subsidiaries" in connection with an increase in the stake held by the Company in OAO OGK-3.
3. Acquisition by the Company in the reporting year of the shares in (stakes in the authorized capital of) the following entities totaling 6,423,969 thousand rubles, namely:
  - ordinary shares in OAO OGK-5 in connection with the reorganization of RAO UES of Russia (1.72% of the authorized capital) amounting to 2,342,507 thousand rubles
  - ordinary shares in OAO TGK-5 in connection with the reorganization of RAO UES of Russia (1.63% of the authorized capital) amounting to 609,297 thousand rubles
  - ordinary shares in OAO TGK-1 (an increase in the stake in the authorized capital from 4.23% to 7.37%) amounting to 3,472,165 thousand rubles
4. revaluation of financial investments whose market quote as of December 31, 2007 totals 7,342,118 thousand rubles  
 As a result of revaluation, the value of financial investments in the shares in OAO OGK-5 increased by 279,911 thousand rubles; the value of financial investments in the shares in OAO TGK-1 increased by 2,399,924 thousand rubles; the value of financial investments in the shares in OAO TGK-5 decreased by 168,358 thousand rubles; the value of financial investments in RAO UES of Russia increased by 4,830,641 thousand rubles.

***Information concerning loans extended to entities for more than 12 months and other long-term financial investments.***

Entity	As of January 1, 2007	As of December 31, 2007
	Amount of financial investment, rubles in thousands	Amount of financial investment, rubles in thousands
Total loans extended to entities for at least 12 months (line 144)	1,995,662	155,713,608
Norilsk Nickel (Cyprus) Ltd	-	153,904,674
Portelia Limited	-	153,904,674
ZAO Perspektiva Agency	1,843,177	1,718,234
OOO RB Leasing	2,585	-
Other long-term financial investments (total for line 146), including	149,900	90,700
Bills receivable falling due in more than 12 months	6,478,871	27,590,236
Total deposits for more than 12 months, including	2,410	15,000,000
OJSC JSCB ROSBANK (Norilsk branch)	6,476,461	12,590,236
East-Siberian Bank of the Central Bank of the Russian Federation, Krasnoyarsk	150,302	317,136
Tver Branch No. 7982 of Savings Bank of the Russian Federation/ USD	4,490,000	-
Northwestern Bank of Savings Bank of the Russian Federation/ USD	-	12,273,100
ZAO Perspektiva Agency	1,836,159	-

A year-on-year increase in line 144 "Loans Extended to Entities for More than 12 Months and Other Long-Term Financial Investments" by **153,717,946 thousand rubles** and line 146 "Other Financial Investments" by **21,111,365 thousand rubles** as of December 31, 2007 is caused by the following factors:

1. Extension on June 29, 2007 of a USD 6,270,000,000 foreign currency loan to Norilsk Nickel (Cyprus) Limited for 2 years. As of end of the reporting year, the ruble equivalent of the debt owed by Norilsk Nickel (Cyprus) Limited is 153,904,674 thousand rubles as valued at the exchange rate of the Central Bank of the Russian Federation as of December 31, 2007.
2. Acquisition of 15,000,000 thousand ruble promissory notes of Savings Bank of the Russian Federation repayable on demand, yet not earlier than November 14, 2009.
3. Placement of USD deposits with Russian banks for more than 12 months.

### 3.1.5 **Research, Development and Engineering Expenses and Charges.**

Information *concerning expenses in connection with research, development and engineering operations* (hereinafter referred to as "R&D and EO") is provided in the section "*Research, Development and Engineering Expenses*" of Form No. 5 "Appendix to the Balance Sheet".

Information concerning changes in the amount of expenses in connection with *R&D and EO in progress* recorded in line 130 "*Construction-in-Progress*" in 2007 and 2006:

No.	R&D and EO in progress	2006, rubles in thousand	2007, rubles in thousand
1	Balance as of beginning of period	1,061,603	1,104,385
2	Expenses charged in connection with R&D and EO in progress in the reporting year	92,462	245,446
3	Recognized as other expenses in connection with unsuccessful R&D and EO	(17,695)	(29,900)
4	Classified as completed R&D and EO whose results will be used in the Company's activities	(25,784)	(73,151)
5	Other retirement	(6,201)	(119,999)
6	Balance as of end of period	1,104,385	1,126,781

Line 5 of the Table above "Other Retirement" shows a 109,664 thousand ruble value of the intellectual property created as a result of research and development in the form of the right of JSC MMC Norilsk Nickel to the database of "Corporate Regulatory Framework for the Maintenance of Equipment" recorded for accounting purposes as IA in 2007.

Information concerning changes in the amount of expenses in connection with *completed R&D and EO* recorded in line 150 "Other non-Current Assets" in 2007:

No.	Completed R&D and EO	2006, rubles in thousand	2007, rubles in thousand
1	Balance as of beginning of period	67,747	80,309
2	Expenses recognized in connection with completed R&D and EO in the reporting year	26,597	73,151
3	Recognized as expenses in connection with the ordinary activities of the Company and an increase in the value of fixed assets (completed R&D and EO in use)	(13,645)	(15,013)
4	Recognized as other expenses in connection with R&D and EO with respect to which it was decided to stop their use	-	(5,976)
5	Other retirement of completed R&D and EO	(390)	(32,631)
6	Balance as of end of period	80,309	99,840

Line 5 of the Table above "Other Retirement" shows the cost of operations moved as of December 31, 2007 to R&D in progress and recorded in line 130 "Construction-in-Progress" with respect to which the final decision on the feasibility of their further use has not been adopted.

### 3.1.6 **Indicators Related to Raw Materials, Materials and Other Similar Assets.**

Information concerning the presence and change in the stocks of raw materials, materials and other similar valuables in the reporting period is provided as follows:

No.	Indicator	As of January 1, 2007	As of December 31, 2007
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		Amount, rubles in thousand	Percentage, %	Amount, rubles in thousand	Percentage, %
<b>1</b>	<b>Total for line 211 "Raw Materials, Materials and Other Similar Assets", including</b>	14,631,636	100.00%	15,562,925	100.00%
2	Purchased materials (balance sheet account 10)	9,136,323	62.44%	9,544,608	61.33%
3	Fuel (balance sheet account 10)	904,268	6.18%	168,448	1.08%
4	Self-produced materials (balance sheet account 10)	913,583	6.24%	572,581	3.68%
5	Excess inventories (balance sheet account 10)	405,827	2.77%	142,310	0.91%
6	Other entered inventories (balance sheet account 10)	323,076	2.21%	473,363	3.04%
7	Uninvoiced supplies (actual costs in connection with the purchase of inventories after the transfer of title before the recognition of inventories) (balance sheet account 15)	2,599,843	17.77%	4,498,547	28.91%
8	Deviations of the actual cost of inventories from their book value (balance sheet account 16)	348,716	2.39%	163,068	1.05%

Line 5 of the Table above shows the cost of excess inventories for future sale. A decrease in excess inventories is caused by their sale as part of activities aimed at reducing excess inventories.

The percentage of purchased materials did not change considerably in 2007 compared with the previous year. The percentage of fuel in 2007 decreased due to its sale to third-party entities.

### 3.1.7 Indicators Related to Finished Products.

Information concerning the presence and change of finished products and goods for resale recorded in line **214 "Finished products"**.

No.	Indicator	As of January 1, 2007		As of December 31, 2007	
		Amount, rubles in thousand	Percentage, %	Amount, rubles in thousand	Percentage, %
<b>1</b>	<b>Total finished products and goods for resale (line 214), including</b>	3,430,107	100.00%	4,289,718	100.00%
2	Total main products	2,274,286	66.30%	2,570,962	59.93%
3	Total by-products	520,997	15.19%	687,911	16.04%
4	Total products resulting from other operations	589,735	17.19%	628,253	14.65%
5	Goods for resale	45,089	1.32%	402,592	9.38%

The definitions of main, by-products and products resulting from other operations are given in section 2.1.5 hereof.

### 3.1.8 Indicators Related to Deferred Expenses.

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

No.	Indicator	As of 01.01.2006	As of 31.12.2006
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		Amount, thousand rubles	Position. %	Amount, thousand rubles	Position. %
-	<b>Total for line 216, including:</b>	<b>4,956,226</b>	100.00%	<b>3,804,782</b>	100.00%
1	Insurance expenses	2,136,364	43.10%	497,386	13.07%
2	Software solutions	785,915	15.86%	1,029,702	27.06%
3	Expenses in connection with vacation payments	224,865	4.54%	263,726	6.93%
4	Lease payments	3,202	0.06%	8,873	0.23%
5	Licenses for certain activities	32,199	0.65%	65,612	1.72%
6	Project products	571,907	11.54%	478,066	12.56%
7	Negative discount of notes	-	-	158,790	4.17%
8	Other expenses	1,201,774	24.25%	1,302,627	34.26%

### 3.1.9 **Value Added Tax.**

Line 220 of Form No. 1 "Value Added Tax on Purchased Assets" as of December 31, 2007 includes, but is not limited to, the amounts of value added tax on capital assets and tangible assets related to the performance of capital construction and installation operations amounting to 2,430,327 thousand rubles, which include the amounts of VAT refundable from the budget during the submission of document packages in accordance with the procedures established by laws of the Russian Federation.

### 3.1.10 **Accounts Receivable.**

Information about the presence as of beginning and end of the reporting period of certain types of *accounts receivable* is provided in the section "Accounts Receivable and Payable" of Form 5 "Appendix to the Balance Sheet".

The accounts receivable of subsidiaries and affiliates are recorded in total accounts receivable. Operations with subsidiaries and affiliates are provided in section 3.9 hereof "Information on Affiliates".

Accounts receivable as of December 31, 2007 include 26,019 thousand ruble bad debts discovered during the inventory which are to be recognized as other expenses, including the following balance sheet items:

- 235 "Other Receivables": 7,240 thousand rubles
- 241 "Buyers and Customers": 4,942 thousand rubles
- 246 "Other Receivables": 1,383 thousand rubles

Information on the composition of short-term accounts receivable in line 246 "Other Receivables":

Item	Amount as of January 1, 2007, rubles in thousands	Percentage, %	Amount as of December 31, 2007, rubles in thousands	Percentage, %
<b>Line 246 total, including</b>	<b>10,117,275</b>	<b>100.00%</b>	<b>13,959,041</b>	<b>100.00%</b>
Current budget settlements (*)	6,974,249	68.93%	6,778,016	48.56%
Costs in connection with the acquisition of financial investments	-	-	3,571,035	25.58%
Interest on extended loans and deposits	586,216	5.80%	1,048,201	7.51%
Other receivables	2,556,810	25.27%	2,561,789	18.35%

(\*) settlements with respect to which document packages are formed in accordance with the applicable laws of the Russian Federation.

### 3.1.11 **Short-term Financial Investments.**

Information on *short-term financial investments* (line 250, line 251, line 252 of the Balance Sheet).

Item	Amount as of January 1, 2007, rubles in thousands	Percentage, %	Amount as of December 31, 2007, rubles in thousands	Percentage, %
<b>Line 250 total, including</b>	<b>42,821,813</b>	<b>100.00%</b>	<b>87,228,655</b>	<b>100.00%</b>
<b>Loans granted to organizations for less than 12 months (line 251)</b>	<b>8,019,382</b>	<b>18.73%</b>	<b>10,503,794</b>	<b>12.04%</b>
ZAO Taimyr Fuel Company	3,072,000		2,470,000	
OAo NTEK	400,000		1,485,000	
OOO GRK Bystrinskoe	1,289,218		1,411,370	
OOO Kingash Mining Company	151,830		1,212,977	
OOO Renons	995,000		-	
NP PKhK CSCA	340,800		793,892	
NP PBK CSCA	561,268		-	
OOO Bugdainsky Rudnik	-		493,000	
OOO Golev Mining Company	198,310		476,050	
ZAO Orekitkan Mining Company	50,100		373,820	
OAo Norilskgazprom	466,500		368,500	
OOO Sretenskaya Copper Company	-		357,900	
OAo Taimyrgaz	240,000		-	
OOO Shirinskoye	-		133,830	
OOO Chernogorskaya GRK	-		131,500	
OOO Amurmed	-		102,674	
Other short-term loans	254,356		693,281	
<b>Total other short-term financial investments (line 252), including</b>	<b>34,802,431</b>	<b>81.27%</b>	<b>76,724,861</b>	<b>87.96%</b>
<b>notes receivable within less than 12 months</b>	8,500		10,910	
<b>deposits for less than 12 months</b>	32,387,253		75,101,170	
<b>shares for sale within 12 months, including</b>	1,824,277		1,602,334	
OAo Gazprom	154,331		652,709	
OAo Kolenergo	640,735		-	
OAo Kola Peninsula Transmission Grids	165,904		-	
OAo Kolenergosbyt	13,496		-	
OAo OGK-3	699,600		-	
OAo Murmanskaya CHPP	150,211		-	
OAo Rostelecom	-		949,625	
<b>Total bonds, including</b>	582,401		10,447	
OAo CB Centre-Invest	37,011		-	
OOO Home Credit and Finance Bank	49,900		532	
OAo VBD PP	51,610		-	
OAo CB Solidarnost	50,027		-	
OAo OGK-5	40,617		-	
Administration of the Nizhni Novgorod Region	24,485		-	
OAo MDM-Bank	50,027		-	
Administration of the Lipetsk Region	32,272		-	
OOO Kriogen Finance	200,108		-	
Administration of the Kirov Region	30,273		-	
OAo HydroOGK MC	16,071		-	
CB Renaissance Capital	-		9,915	

An increase in short-term financial investments by **44,406,842 thousand rubles** is mainly caused by the following factors:

1. increase in line 251 "Loans Extended to Entities for Less than 12 Months" by 2,484,412 thousand rubles
2. increase in line 252 "Other Financial Investments" by 41,922,430 thousand rubles, namely:

- increase in the amount of deposits placed with lending institutions for less than 12 months by 42,713,917 thousand rubles as a result of operations executed in 2007 with respect to the placement and recovery of cash under deposit agreements;
- decrease in the value of short-term financial investments in securities (shares and bonds) by 793,897 thousand rubles as a result of the following operations:
  - purchase in July 2007 of 47,559,803 ordinary shares in OAO Kolenergo amounting to 505,656 thousand rubles followed by the transfer of investments in OAO Kolenergo totaling 1,146,391 thousand rubles from short-term financial investments into long-term financial investments;
  - purchase in July 2007 of 47,559,803 ordinary shares in OAO Kolenergosbyt amounting to 80,852 thousand rubles followed by the transfer of investments in OAO Kolenergosbyt totaling 94,348 thousand rubles from short-term financial investments into long-term financial investments;
  - purchase in July 2007 of 47,559,803 ordinary shares in OAO Kola Peninsula Transmission Grids amounting to 92,991 thousand rubles followed by the transfer of investments in OAO Kola Peninsula Transmission Grids totaling 258,895 thousand rubles from short-term financial investments into long-term financial investments;
  - retirement of ordinary shares in OAO Murmanskaya CHPP (14.83% of the authorized capital) totaling 150,211 thousand rubles;
  - transfer from short-term financial investments to long-term financial investments of 200,000,000 previously purchased shares in OAO OGK-3 valued at 699,600 thousand rubles managed by the trustee as of December 1, 2007;
  - changed value of securities (shares and bonds in the currency of the Russian Federation) as a result of purchase and sale operations performed by the trustee of OOO UK Rosbank totaling 876,049 thousand rubles: the revaluation of shares in OAO Gazprom and OAO Rostelecom at their market value as of December 31, 2007 was 383,593 thousand rubles.

### 3.1.12 Indicators Related to Authorized, Incremental and Reserve Capital.

#### *Amount and structure of the Company's capital:*

No.	Indicator	As of January 1, 2007		As of December 31, 2007	
		Amount	Structure, %	Amount	Structure, %
1	Amount of authorized capital, rubles in thousands	190,628	0,07%	190,628	0,04%
2	Value of treasury shares, rubles in thousands	(26,321,315)	(9,80%)	-	-
3	Amount of operating surplus, rubles in thousands	28,594	0,01%	28,594	0,01%
4	Amount of incremental capital, rubles in thousands	48,188,179	17,94%	48,187,669	11,33%
5	Amount of retained earnings, rubles in thousands	246,507,503	91,78%	,376,606,942	88,62%
6	including retained earnings of the reporting period, rubles in thousands	-	-	170,236,510	-
7	<b>Total capital, rubles in thousands</b>	<b>268,593,589</b>	<b>100,00%</b>	<b>425,013,833</b>	<b>100,00%</b>
<b>For reference</b>					
8	Value of treasury shares as a percentage of outstanding shares (authorized capital), %	3.93%	-	-	-

The authorized capital of JSC MMC Norilsk Nickel amounts to 190,627,747 rubles as specified in the constitutive documents of JSC MMC Norilsk Nickel.

The authorized capital consists of 190,627,747 ordinary shares with a par value of 1 ruble per share. Preference shares are not provided for by the Articles of Association of the Company.

Since October 2001, American Depositary Receipts (ARDs) to the shares in JSC MMC Norilsk Nickel have been traded in foreign over-the-counter stock markets.

***Details of change in the amount of authorized capital (in five recent years):***

<b>Date</b>	<b>Authorized capital, rubles</b>	<b>Grounds</b>
February 15, 2001**	122,471,917	Resolution of the Extraordinary General Meeting of Shareholders of JSC Norilsk Mining Company "On Expansion of the Authorized Capital Through the Placement of Additional Registered Ordinary Shares in the Company", dated September 21, 2000 (Minutes No. 2)
September 28, 2001**	252,667,409	Resolution of the Extraordinary General Meeting of Shareholders of JSC MMC Norilsk Nickel "On Expansion of the Authorized Capital Through the Placement of Additional Registered Ordinary Shares in the Company", dated February 21, 2001 (Minutes No. 1)
June 28, 2002	213,905,884	Resolution of the Extraordinary General Meeting of Shareholders of JSC MMC Norilsk Nickel "On Reduction of the Authorized Capital of JSC MMC Norilsk Nickel Through the Partial Purchase of Shares Placed by the Company for the Purposes of Reducing the Total Number of Shares", dated March 21, 2002 (Minutes No. 1)
February 17, 2006	190,627,747	Resolution of the Extraordinary General Meeting of Shareholders of JSC MMC Norilsk Nickel "On Reduction of the Authorized Capital of JSC MMC Norilsk Nickel Through the Redemption of Shares Purchased and Repurchased by the Company", dated February 17, 2006

\*\* - date of registration of the Securities Issue Report

***Details of sale of treasury shares.***

The meeting of the Board of Directors of October 5, 2006 adopted a resolution on the repurchase of up to 7,500,000 outstanding treasury shares at the purchasing price of up to 3,510 rubles per share.

As of January 1, 2007, line 411 "Treasury Shares" of the Balance Sheet shows actual costs in connection with the purchase of 7,498,950 treasury shares totaling 26,321,315 thousand rubles.

The indicator recorded in line 411 "Treasury Shares" reduces the data from section 3 "Capital and Reserves" of the Balance Sheet (Decree of the Ministry of Finance of the Russian Federation No.67n, dated July 22, 2003).

In November 2007, pursuant to resolutions of the Board of Directors of the Company No. GMK/18-pr-sd, dated May 23, 2007, and No. GMK/33-pr-sd, dated November 2, 2007, the Company executed a transaction related to the sale of 7,498,950 uncertificated registered ordinary shares in JSC MMC Norilsk Nickel recorded on the balance sheet of the Company as of January 1, 2007.

Income from the sale of treasury shares amounting to 52,299,498 thousand rubles is recorded as other income in Form No. 2 "Profit and Loss Statement". Expenses in connection with the acquisition by the Company of treasury shares amounting to 26,321,315 thousand rubles previously recorded in line 411 of the Balance Sheet are recorded as other expenses in Form No. 2 "Profit and Loss Statement".

Information concerning change of the authorized, reserve and incremental capital is also provided in Form No. 3 "Statement of Changes in Capital" for 2007.

**3.1.13 Undistributed Profit.**

Information concerning changes in line 470 "Undistributed Profit (Uncovered Loss)".

As of December 31, 2006 the undistributed profit of the Company was 246,513,561 thousand rubles.

***Details of recalculation of funds involved in the settlements denominated in foreign currency and payable in rubles.***

As from January 1, 2007 Decrees of the Ministry of Finance of the Russian Federation No. 155n, dated November 27, 2006, and No. 156n, dated November 27, 2006, excluded from accounting the concept of sum differences arising from payment in rubles under agreements executed in foreign currency (conventional units). Decree of the Ministry of Finance of the Russian Federation No. 154n, dated November 27, 2006, approved the accounting regulations for "Accounting for Assets and Liabilities Whose Value is Expressed in Foreign Currency" (AR 3/2006).

As of January 1, 2007 the value (expressed in foreign currency) of funds involved in the settlements (including borrowing liabilities) with corporate entities and individuals which payable in rubles (as provided for under agreements) was recalculated into rubles irrespective of their execution date in accordance with these regulations. Assets and liabilities expressed in foreign currency were recalculated into rubles at the official exchange rate of this foreign currency to ruble established by the Central Bank of the Russian Federation as of January 1, 2007 or at such other rate as established by law or agreed upon by and between the parties (specified in the agreement).

The amounts of increase or decrease in the value of the above-mentioned funds involved in settlements resulting from recalculation were recognized as the undistributed profit of 6,058 thousand rubles in accordance with the requirements of the above-mentioned regulations, namely:

- 6,287 thousand ruble decrease in the undistributed profit;
- 229 thousand ruble increase in the undistributed profit.

Based on the recalculation made, line 470 "Undistributed Profit (Uncovered Loss)" of Form No. 1 "Balance Sheet" was amended as of beginning of year.

Accordingly, undistributed profit as of January 1, 2007 was 246,507,503 thousand rubles.

### ***Details of dividends accrued by the Company in 2007***

Pursuant to the resolution of the General Meeting of Shareholders of JSC MMC Norilsk Nickel, dated June 28, 2007, the Company's dividends on the registered ordinary shares in JSC MMC Norilsk Nickel approved for 2006 amount to 176 rubles per ordinary share.

The amount of declared dividends corresponds to the accounting policy of the Company in accordance with which the Company uses 20-25% of its net profit recalculated in accordance with IFRS as dividends on shares in JSC MMC Norilsk Nickel.

With due consideration of the previously paid interim dividends on the registered ordinary shares in JSC MMC Norilsk Nickel for 9 months of 2006 amounting to 56 rubles per share, the final payment of dividends made in cash was 120 rubles per ordinary share.

Pursuant to the resolution of the Extraordinary General Meeting of Shareholders of JSC MMC Norilsk Nickel, dated December 21, 2007, the Company adopted a resolution on approving the Company's interim dividends for 9 months of 2007 equal to 108 rubles per ordinary share.

Dividends accrued on the Company's shares in 2007 totaled 41,753,366 thousand rubles, including 21,975,456 thousand rubles for the Company's performance in 2006 and 19,777,910 thousand rubles for 9 months of 2007.

### ***Other adjustments.***

The Company recorded the value of contributions to the property of Limited-Liability Companies made in previous periods in long-term financial investments. The above-mentioned adjustment caused undistributed profit to increase by 1,616,295 thousand rubles (see paragraph 3.1.4 hereof).

The Company's net profit for its financial and economic performance in 2007 was 170,236,510 thousand rubles.

Accordingly, the amount of undistributed profit of the Company as of December 31, 2007 to be approved and allocated at the General Meeting of Shareholders is 376,606,942 thousand rubles.

### **3.1.14 Presence and Movement of Long-Term and Short-Term Loans, Advances and Accounts Payable.**

Information concerning the presence and movement of *long-term and short-term loans and advances* and certain types of *accounts payable* is provided in section "Accounts Receivable and Payable" of Form 5 "Appendix to the Balance Sheet".

Information concerning *loans and advances* recorded in lines 510 and 610 *Loans and Advances*:"

No.	Currency	Maturity	Interest rate (%)	Amount as of December 31, 2007, rubles in thousands		
				Principal amount/note price, rubles in thousands	Amount of interest/discount, rubles in thousands	Total, rubles in thousands

<b>1. Bank credits repayable more than 12 months after the balance sheet date</b>						
1.1	USD	June 29, 2012	5.33375%/5.38%	49,092,400	29,346	49,121,746
1.2	USD	June 29, 2010	5.40875%/5.455%	36,819,300	22,317	36,841,617
<b>2. Loans repayable more than 12 months after the balance sheet date</b>						
2.1	USD	September 30, 2009	7.254%	12,231,371	224,281	12,455,652
2.2	RUR	Before 2009	-	25	-	25
<b>3. Bank credits repayable within 12 months from the balance sheet date</b>						
3.1	USD	June 29, 2008	5.20875%/5.255%/5.355%	27,000,820	15,991	27,016,811
3.2	USD	June 29, 2008	5.10875%/5.155%/5.255%	24,546,200	14,265	24,560,465
3.3	USD	June 29, 2008	5.065%/5.6425%/5.7425%	9,818,480	33,938	9,852,418
3.4	USD	March 25, 2008	5.20813%/5.35688%	4,909,240	8,036	4,917,276
3.5	RUR	November 12, 2008	8.75%	15,000,000	39,555	15,039,555
<b>4. Loans repayable within 12 months from the balance sheet date</b>						
4.1	RUR	2008	6.400%	49,442,700	2,073,832	51,516,532
4.2	RUR	2008	-	2,145	-	2,680
<b>Own notes payable</b>						
4.3	RUR	On demand	Non-interest-bearing promissory notes	14,000,000	388,634	14,388,634

An increase in the liabilities of the Company related to the raising of loans and advances is caused by the raising of funds to finance investment projects related to long-term financial investments, specifically for the purposes of financing the purchase of all outstanding ordinary shares in LionOre Mining International Ltd control of which Norilsk Nickel Group acquired in the reporting year.

**- line 627 "Notes Payable" debt amount**

Promissory notes payable transferred as payment for the purchased goods, performed work, provided services repayable within 12 months from the balance sheet date amount to 15,704,963 thousand rubles. Treasury shares recorded in line 627 "Notes Payable" of Form No. 1 as of January 1, 2007 were repaid by the Company in April 2007.

The accounts receivable of subsidiaries and affiliates are recorded in total accounts receivable. Operations with subsidiaries and affiliates are provided in section 3.9 hereof "Information on Affiliates".

Accounts payable as of December 31, 2007 include depreciable accounts payable of 1,428 thousand rubles whose limitation period has expired which were identified during the inventory-taking between the balance sheet date and the date on which the statements were signed (March 30, 2007), including 1,345 thousand rubles in the following Balance Sheet lines:

- 621 "Suppliers and Contractors": 864,984 thousand rubles
- 625 "Other Payables" 404,306 thousand rubles
- 626 "Advance Payments Received" 160,55 thousand rubles

**3.1.15 Deferred Tax Liabilities.**

Information on line 515 "Deferred Tax Liabilities".

Line 515 "Deferred Tax Liabilities" of Form No. 1 "Balance Sheet" shows the balanced amount of deferred tax asset and deferred tax liability.

1,007,084 thousand ruble increase as of December 31, 2007 compared with January 1, 2007 is caused by the following factors:

- recognition of the balanced amount of deferred tax liability (DTL) and deferred tax asset (DTA) for 2007 totaling 1,040,953 thousand rubles. DTL and DTA amounts for 2007 are specified in lines 141 and 142 of Form No. 2 for 2007;
- recognition of the balanced DTL and DTA amount for previous tax periods totaling 33,869 thousand rubles upon adjustment of the 2005 profit tax due to the filing in 2007 of the amended 2005 profit tax return with tax authorities.

### 3.1.16 **Debts to Participants with Respect to Income Payment.**

Line **630 "Debts to Participants with Respect to Income Payment"** shows debts to the shareholders of the Company with respect to 19,910,159 thousand ruble yield on shares, namely:

- interim dividends payable for 9 months of 2007 amount to 19,777,910 thousand rubles charged pursuant to the resolution of the Extraordinary General Meeting of Shareholders of JSC MMC Norilsk Nickel, dated December 21, 2007.

Pursuant to the adopted resolution the Company will pay dividends within 60 days from the date of adoption of the appropriate decision by the shareholders.

Dividends are paid to different categories of shareholders by the entity recording the rights to issue-grade securities of JSC MMC Norilsk Nickel (Registrar of the Company) under the Agreement for the Provision of Services Related to the Payment of Dividends to the Shareholders of JSC MMC Norilsk Nickel between the Registrar and JSC MMC Norilsk Nickel for the respective period.

- 132,249 thousand ruble debt related to the payment of dividends for previous reporting periods.

This indicator is the sum of dividends returned to the paying agent of the Company due to the shareholders' failure to receive mail transfers for various reasons.

### 3.1.17 **Indicators Related to Deferred Income.**

Information concerning line **640 "Deferred Income"**

Description	Amount as of January 1, 2007, rubles in thousands	Percentage, %	Amount as of December 31, 2007, rubles in thousands	Percentage, %
<b>Line 640 total, including</b>	<b>1,798,821</b>	<b>100.00%</b>	<b>890,080</b>	<b>100.00%</b>
Total shares received as a result of reorganization, including:	961,026	53.42%	777,230	87.32%
OAO Krasnoyarsk Transmission Grids	430,645	-	430,645	-
OAO Tyvaenergo-Kholding	167,185	-	167,185	-
OAO Kola Peninsula Transmission Grids	165,904	-	165,904	-
OAO Kolenergosbyt	13,496	-	13,496	-
OAO Murmanskaya CHPP	150,211	-	-	-
OAO Krasnoyarskenergosbyt	33,585	-	-	-
Interest on extended loans	441,714	24.56%	-	0.00%
Interest on deposited cash balances	221,205	12.30%	-	0.00%
Other income	174,876	9.72%	112,850	12.68%

In accordance with the provisions of the Accounting Policy of the Company, when an entity whose shares are owned by the Company is reorganized through a spin-off of a new entity, the shares in this new entity received by the Company in the allocation among the shareholders of the entity being reorganized are recognized as donated.

As of December 31, 2007 deferred income includes the value of shares in the Companies established as a result of reorganization of OAO Kolenergo and OAO Krasnoyarskenergo through a spin-off and totals 777,230 thousand rubles.

In the event of reorganization and other retirement of shares in the Companies received as a result of reorganization, their value is recorded as other income of the Company.

2007 saw the retirement of ordinary shares in OAO Murmanskaya CHPP (14.83%) amounting to 150,211 thousand rubles replaced with the shares in OAO TGK-1 and the retirement of ordinary and preference shares in OAO Krasnoyarskenergosbyt (25.47% of the authorized capital) amounting to 33,585 thousand rubles due to the sale of shares. Accordingly, other income includes the value of retired shares amounting to 183,796 thousand rubles.

### 3.1.18 **Other Current Assets.**



Other current assets	Amount as of January 1, 2007, rubles in thousands	Amount as of December 31, 2007, rubles in thousands
1	3	4
Total, including (line 270 of Form No. 1)	204,944	176,165
Short payments and losses resulting from the spoilage of assets	204,944	176,165

In quarter 1 of 2008, short payments of 5,445 thousand rubles will be written off the balance sheet, since they cannot be collected.

### 3.1.19 **Changes in the Indicators Provided in the Balance Sheet (Form No. 1) and Appendix to the Balance Sheet (Form. No. 5).**

Change of the indicators contained in the Balance Sheet and Appendix to the Balance Sheet (Form No. 5) in column "As of Beginning of Reporting Year" compared with the indicators provided in column "As of Beginning of Reporting Period" is mainly caused by the amendment of accounting laws (AR 3/2006).

Information concerning *change of data from the Balance Sheet*.

No.	Number of the Balance Sheet entry	Amount as of January 1, 2007, rubles in thousands	Amount as of December 31, 2006, rubles in thousands	Changes, rubles in thousands	Reasons for Change
1	122	59,661,312	59,661,211	101	Data adjustment resulting from the reclassification of fixed assets among groups within the Company
2	240	41,371,072	41,376,828	(5,756)	Data change caused by the recalculation at the exchange rate as of January 1, 2007 of debts under agreements executed in foreign currency settlements with respect to which are made in Russian rubles (in accordance with AR 3/2006)
3	241	29,307,969	29,308,025	(56)	
4	245	1,940,828	1,947,517	(6,689)	
5	246	10,117,275	10,116,286	989	
6	290	137,060,544	137,066,300	(5,756)	
7	300	362,581,452	362,587,208	(5,756)	
8	470	246,507,503	246,513,561	(6,058)	
9	490	268,593,589	268,599,647	(6,058)	
10	620	34,113,163	34,112,861	302	
11	621	7,183,660	7,183,382	278	
12	625	3,230,091	3,230,067	24	
13	690	75,338,896	75,338,594	302	
14	700	362,581,452	362,587,208	(5,756)	

Information concerning *change of data from the Appendix to the Balance Sheet* (Form No. 5).

No.	Number of Form No. 5 entry	Data as of January 1, 2007, rubles in thousands	Data as of December 31, 2006, rubles in thousands	Changes, rubles in thousands	Reasons for Change
1	060	50,249,000	50,248,797	203	Data adjustment resulting from the reclassification of fixed assets among groups within the Company
2	070	35,295,101	35,294,501	600	
3	080	4,579,659	4,579,900	(241)	
4	090	1,276,417	1,276,329	88	
5	100	77,705	78,355	(650)	
6	141	9,597,700	9,597,649	51	

7	142	16,285,089	16,284,438	651	
8	143	759,135	759,186	(51)	
9	144	654,517	654,518	(1)	
10	145	24,803	25,453	(650)	
11	150	13,213,524	13,131,175	82,349	
12	151	9,307,115	9,226,021	81,094	Data is provided in the statements in accordance with actual accounting data.
13	153	3,792,099	3,790,844	1,255	
14	610	41,371,072	41,376,828	(5,756)	Data change caused by the recalculation as of January 1, 2007 of debts under agreements executed in foreign currency settlements with respect to which are made in Russian rubles (in accordance with AR 3/2006)
15	611	29,307,969	29,308,025	(56)	
16	612	1,940,828	1,947,517	(6,689)	
17	613	10,122,275	10,121,286	989	
18	630	45,167,941	45,173,697	(5,756)	
19	640	73,012,099	73,011,797	302	
20	641	7,183,660	7,183,382	278	
21	646	19,917,424	19,917,400	24	
22	660	86,375,130	86,374,828	302	

### 3.2 Disclosure of Individual Items from Profit and Loss statement (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 No. 43n, line 010 of the profit and loss statement reflects *revenues from sales of goods, products, works, services* minus VAT and customs-export duties and similar mandatory payments.

Indicator	2007, thousand rubles	2006, thousand rubles	Increase (decrease), thousand rubles
<b>Revenues from sales of goods, products, works, services, reflected in line 010 of the Profit and loss statement – Total</b>	<b>319 485 891</b>	<b>262 600 253</b>	<b>56 885 638</b>
<b>Revenues from sales of metals and metal products for export (total)</b>	<b>288 364 165</b>	<b>239 961 281</b>	<b>48 402 884</b>
Including:			
· Main products			
- nonferrous metals	205 621 494	160 394 915	45 226 579
- precious metals	30 341 067	35 431 268	(5 090 201)
· By-products	17 563 866	16 162 520	1 401 346
· Other products	28 602 463	26 638 183	1 964 280
· Goods	6 022 897	1 229 169	4 793 728
· Scrap metal	212 378	105 226	107 152
<b>Revenues from domestic market sales of metals and metal products, total</b>	<b>25 550 416</b>	<b>19 839 006</b>	<b>5 711 410</b>
Including:			
· Main products			
- nonferrous metals	9 684 922	8 814 005	870 917
- precious metals	5 092 785	2 577 154	2 515 631
· By-products	2 310 883	1 157 316	1 153 567
· Other products	7 796 767	7 213 244	583 523
· Goods	547 347	1 414	545 933
· Scrap metal	117 712	75 873	41 839
<b>Revenues from domestic market sales of other goods, products, works, services</b>	<b>5 571 310</b>	<b>2 799 966</b>	<b>2 771 344</b>

The main factors influencing to the changes in the accounting year of the revenues from sales of goods (works, services) of MMC Norilsk Nickel were an increase of the world prices on metals and changes of the RUB to USD exchange rate.

### 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 Balance sheet (Form No. 5), in 'Expenses on main kinds of activity (by the elements of expenses)' section at the amount of 83 377 033 thousand rubles in the grouping by the elements of expenses.

The data in the said section

include:

- commercial and administrative expenses of (14 602 840) thousand rubles in total;
- expenses, not connected with the sales of goods, works, services in the accounting period, (975 000) thousand rubles in total.

The said data do not include:

- the cost of purchased goods sold at the amount of 6 650 634 thousand rubles in total

Taking into account the following corrections from:

- the change of the leavings of non-completed production at the amount of (536 269) thousand rubles;
- the deferrals in the part of expenses, earlier recognized in the correspondence with expense accounts at the amount of (89 114) thousand rubles;
- the change of the leavings of materials of own produce in the warehouse and unrealized products in the warehouse at the amount of (205 969) thousand rubles;
- the commercial and administrative expenses of (14 602 840) thousand rubles in total;
- the amount of expenses, not connected with the realized products and rendering of works and services in the accounting period at the sum of (975 000) thousand rubles;
- the cost of the purchased goods sold at the amount of 6 650 634 thousand rubles

the expenses connected with the manufacture (purchase) and sales of own products (goods) and rendering of works and services constitute 73 618 475 thousand rubles.

This amount is reflected in line **020** «*Prime cost of goods, products, services sold*» in the Profit and Loss Statement (Form №2).

### 3.2.3 Composition of commercial expenses

Indicator	2007		2006	
	Amount, thousand rubles	Share, %	Amount, thousand rubles	Share, %
<b>Total commercial expenses</b>	<b>4 910 995</b>	100.00%	<b>3 955 339</b>	100.00%
including:	-		-	
1. Expenses on the Company advertising	2 269 840	46.22%	1 928 355	48.75%
2. Remuneration paid to middlemen	464 242	9.45%	521 199	13.18%
3. Expenses on handling operations	600 062	12.22%	381 813	9.65%
4. Expenses for transportation	1 242 428	25.30%	809 395	20.46%
5. Expenses connected with customs clearance of goods	100 211	2.04%	107 464	2.72%
6. Expenses on cargo insurance	181 336	3.69%	149 054	3.77%
7. Other	52 876	1.08%	58 059	1.47%

### 3.2.4 Composition of administrative expenses

Indicator	2007		2006	
	Amount, thousand rubles	Share, %	Amount, thousand rubles	Share, %
<b>Total administrative expenses</b>	<b>9 691 845</b>	100.00%	<b>7 210 623</b>	100.00%
including:				
1. Expenses on organization management	5 293 573	54.62%	3 489 789	48.40%
2. Taxes, duties and deductions	2 212 250	22.83%	1 856 975	25.75%
3. General household expenses	2 186 022	22.55%	1 863 859	25.85%

### 3.2.5 Composition of receivable and payable interests

Indicator	2007		2006	
	Amount, thousand rubles	Share, %	Amount, thousand rubles	Share, %
<b>Total receivable interests</b>	<b>11 091 923</b>	100.00%	<b>1 322 290</b>	100.00%
including:				
1. Interests on deposits	1 948 764	17.57%	630 878	47.71%
2. Interests on loans	8 775 435	79.12%	397 473	30.06%
3. Interests under the reminders on accounts of credit agencies	303 059	2.73%	258 898	19.58%
4. Other, including state securities, bonds, bills	64 665	0.58%	35 041	2.65%

The increase in the sum of the interests, receivable in 2007 as compared with 2006 occurred due to the increase of financial investments in a form of granted loans and deposits in the accounting year.

Indicator	2007		2006	
	Amount, thousand rubles	Share, %	Amount, thousand rubles	Share, %
<b>Total payable interests</b>	<b>8 393 043</b>	100.00%	<b>4 241 079</b>	100.00%
including:				
1. Interests on bills	5 021	0.06%	2 479 982	58.48%
2. Interests on credits	5 211 989	62.10%	196 909	4.64%
3. Interests on loans	3 162 522	37.68%	1 550 696	36.56%
4. Interests on bonds	13 511	0.16%	13 492	0.32%

The increase in the sum of the interests payable on the borrowed funds in 2007 as compared with 2006 occurred due to the increase of the borrowed funds for financing of the investment projects, related to the Company's long-term financial investments.

### 3.2.6 Composition of other revenues and expenses

In the accounting statements, all other 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 2007.

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

Indicator	2007		2006	
	Amount, thousand rubles	Share, %	Amount, thousand rubles	Share, %

<b>Total other operation revenues, including:</b>	<b>100 357 961</b>	<b>100.00%</b>	<b>48 196 751</b>	<b>100.00%</b>
Revenues from sale and other retirement of fixed assets, intangible assets, inventories and other assets different from money	70 214 127	69.96%	10 345 882	21.46%
Positive difference between assessment of financial investments at the current market cost as on the report date, and the previous assessment of financial investments	8 680 839	8.65%	27 683 130	57.44%
Positive exchange rate difference in foreign currency operations	16 113 377	16.06%	3 606 774	7.48%
Revenues connected with a lease (temporary ownership and use) of assets of the Company	1 724 231	1.72%	1 319 142	2.74%
Revenues of past periods revealed in the accounting period	1 756 951	1.75%	735 798	1.53%
Other revenues, not mentioned above	1 868 436	1.86%	4 506 025	9.35%
<b>Total other operation expense, including:</b>	<b>100 618 460</b>	<b>100.00%</b>	<b>67 922 512</b>	<b>100.00%</b>
Expenses connected with sale and other retirement of fixed assets, intangible assets, securities, inventories and other assets different from money	41 467 886	41.21%	50 183 636	73.88%
Negative difference between assessment of financial investments at the current market cost as on the report date, and the previous assessment of financial investments	20 484 394	20.36%	189 503	0.28%
Negative exchange rate difference in foreign currency operations	18 013 468	17.90%	4 576 015	6.74%
Expenses connected with a lease (temporary ownership and use) of assets	1 714 424	1.70%	1 669 429	2.46%
Expenses of past periods revealed in the accounting period	3 830 794	3.81%	2 263 815	3.33%
Some taxes and charges (property tax, police tax, premises cleaning tax and other)	1 404 184	1.40%	1 365 358	2.01%
Social and compensatory payments and expenses	6 459 564	6.42%	2 640 715	3.89%
Charity expenses	1 706 695	1.70%	614 276	0.90%
Other expenses, not mentioned above	5 537 051	5.50%	4 419 765	6.51%

The tabulated data for 2007 under the lines «Other revenues, not mentioned above» and «Other expenses, not mentioned above» include the extraordinary revenues (expenses), arisen as a result of extraordinary circumstances of the economic activities, at the total amount of 1 722 thousand rubles and (50) thousand rubles correspondingly.

From the data under the line «Positive exchange rate difference in foreign currency operations» for 2007:

- the exchange rate differences, arising as a result of recalculation of the assets and liabilities cost in foreign currency, payable in foreign currency, amount to 16 077 838 thousand rubles
- the exchange rate differences, arising as a result of recalculation of the assets and liabilities cost in foreign currency, payable in rubles, amount to 35 539 thousand rubles

Accordingly, from the data under the line «Negative exchange rate difference in foreign currency operations » for 2007:

- the exchange rate differences, arising as a result of recalculation of the assets and liabilities cost in foreign currency, payable in foreign currency, amount to 17 966 918 thousand rubles
- the exchange rate differences, arising as a result of recalculation of the assets and liabilities cost in foreign currency, payable in rubles, amount to 46 550 thousand rubles

The increase of the indicator of other revenues in 2007 as compared with 2006 occurred due to the following factors:

- increase of the revenues from the sale of fixed assets, intangible assets, inventories and other assets different from money, as compared to the similar indicator for 2006, and also from the sale of the owned shares, purchased from the shareholders in the sum of 52 299 480 thousand rubles;
- increase of the positive exchange rate difference, arising from reappraisal of the assets and liabilities in foreign currency including the increase due to the increment in the funds, borrowed in a form of bank credits in foreign currency.

The increase of the indicator of other revenues in 2007 as compared with 2006 also occurred due to the following factors:

- increase of the indicator of the negative difference between assessment of financial investments at the current market cost as of the accounting date and the previous assessment of financial investments due to the decline of the market prices on the quoted securities as of the date 31.12.2007 resulted from the trends at the world stock markets;
- increase of the negative rate differences, arising as a result of recalculation of the assets and liabilities cost in foreign currency, also due to the increase of the loans in foreign currency, provided by the Company.

### 3.2.7 **Constant and temporary differences and deferred tax assets and liabilities**

In accordance with the requirements of Accounting Regulations 18/02 (Order of MF of Russia of 19.11.2002 No. 114n), the conditional expense on the profit tax in 2007 constitutes 56 139 600 thousand rubles.

The conditional expense on the profit tax equals the value defined as the product of accounting profit of the accounting period, reflected in line 140 of Form No. 2 of the "Profit and Loss statement", and the profit tax rate applicable in 2007.

According to the article 284 of the Tax Code of the Russian Federation the profit tax rate applicable in 2007 equals to 24%, excluding the rates set for the taxation base determined according to the individual operations including on the state and municipal securities interest income – 15%.

Amount of the Company's income in a form of the municipal securities interest in 2007 (including from accounting income, line 140) was 7 917 thousand rubles. Taking into consideration 15% tax rate, the conditional expense in respect of such operations accordingly equals to 1 188 thousand rubles.

The conditional expense calculated on the basis of accounting income excluding income in a form of the municipal securities interest and 24% tax rate, amounted to 56 138 412 thousand rubles.

The Company realizes separate accounting of constant and temporary differences in forming accounting and taxation base, arising in the stage of a separate business transaction by the types of the assets and liabilities, upon the assessment of which the differences appeared.

The table, specified below, shows the amounts of constant and temporary differences, arisen during 2007, and the amount of constant and deferred tax assets and liabilities charged in 2007:

No.	Name of difference	Amount, thousand rubles	Name	Amount (thousand rubles)
1	Constant positive difference charged in 2007 at 24% rate.	43 756 961	Constant tax liability	10 501 671
2	Constant negative difference charged in 2007 at 24% rate.	(14 214 209)	Constant tax asset	(3 411 410)
3	Temporary positive difference charged in 2007 at 24% rate.	843 199	Deferred tax asset	202 368

4	Temporary positive difference discharged in 2007 at 15% rate.	(1 480)	Deferred tax asset	(222)
5	Temporary negative difference charged in 2007 at 24% rate.	(5 179 579)	Deferred tax liability	(1 243 099)

Line 200 of Form No. 2 "Profit and Loss statement" reflects the balance of accounts amount of the constant tax liability and asset of 7 090 261 thousand rubles.

Amount of the deferred tax asset charged for 2007, taking into account the discharge, is 202 146 thousand rubles and reflected in line No. 141 of form No. 2 "Profit and Loss statement".

Amount of the deferred tax liability charged for 2007 is (1 243 099) thousand rubles and reflected in line No. 142 of form No. 2 "Profit and Loss statement".

The amount of tax profit charged in 2007 reflected in line 150 of Form No. 2 "Profit and Loss statement" and in tax return equals to 62 188 907 thousand rubles, including income tax in a form of interests in respect of municipal securities of 966 thousand rubles.

In the reporting period the amount of the deferred tax asset and deferred tax liability was not written off to the accounts of incomes and losses.

### 3.2.8 Other similar obligatory payments

Expansion of line 160 "Other similar obligatory payments":

No.	Indicator	2007		2006	
		Amount, thousand rubles	Share, %	Amount, thousand rubles	Share, %
<b>1</b>	<b>Total.</b>	<b>451 597</b>	<b>100.00%</b>	<b>232 574</b>	<b>100.00%</b>
	including:				
2	Profit tax under re-calculation for previous tax periods	181 755	40.25%	224 880	96.69%
3	Other taxes, penalties, fines to state budget and off-budget foundations	269 842	59.75%	7 694	3.31%

A significant increase in 2007 of the data under the line 3 of the table is associated with the following charges in the accounting period:

- charge of penalty on the VAT at the amount of 68 734 thousand rubles is connected with wrongful acts of the Interregional Inspectorate of the Federal Taxation Service for the largest taxpayers №5 at the penalty charge and the independent offsetting of the tax overpayment sum for the penalty in March 2007 (Decision as of 20.03.2007 № 225). The Arbitration Court has delivered judgement on the case № A40-30787/07-76-124 on the invalidity of such an offsetting. The reversal of the offsetting in the accounting and financial statements should be executed after the Interregional Inspectorate of the Federal Taxation Service for the largest taxpayers №5 delivers its decision on the reversal of the offsetting. As of the date of signing of the financial statements, the application of OJSC MMC Norilsk Nickel dated 22.02.2008 on the return of the VAT at the amount of 68 734 thousand rubles on the current account has not been executed;
- charge and payment of the penalties and fines in accordance with the act of the field tax revision (Decision № 56-15-07/02 as of 08.10.2007).
- charge and payment of the penalties under other taxes on additionally submitted tax returns.

### 3.2.9 Changes of indicators in Profit and Loss statement.

No.	Page No., Form No. 2	Form No.2 for 2007, column "For the same period of the previous year", thousand rubles	Form No.2 for 2006, column "For accounting period", thousand rubles	Changes, thousand rubles	Information on the changes

1	240 column 5	3 606 774	3 591 720	15 054	The data, referring to the exchange rate differences for 2006, are specified herewith in accordance with the same data for 2007, namely: positive and negative sum differences, charged for 2006, are included accordingly in the sums of positive and negative exchange rate changes, charged for 2006
2	240 column 6	(4 576 015)	(4 559 571)	(16 444)	

### 3.3 Profit per share.

Net (retained) profit of the previous reporting year made 170 236 510 thousand rubles, net (retained) profit for the same period of the past year made 121 174 531 thousand rubles. The sheer growth of net (retained) profit in 2007 constituted 49 061 979 thousand rubles.

The main factor that resulted in alteration of the financial result of the Company's operation in 2007 as compared with the previous accounting period, was the increase in volumes of metals and metal products sales due to the growth of prices on sold metal products.

The increase in the sums of the interests, due to the Company under the contractual conditions resulted from the growth of financial investments in a form of granted loans and deposits, has also had a substantial effect on the financial activity of the Company in 2007.

#### *Calculation of weighted average number of common shares:*

Date	Operation description	Number of allotted shares	Number of shares paid off	Common shares in circulation
<b>2006</b>				
01.01.2006				190 627 747
01.12.2006	Purchase of owned allotted shares according to the decision of the Board of Directors dated 05.10.2006		7 498 210	183 129 537
31.12.2006	-«-		740	183 128 797
	Weighted average number of common shares in circulation			<b>190 002 896</b>
<b>2007</b>				
01.01.2007				183 128 797
01.12.2007	Sale of the purchased owned shares on 16.11.2007 in accordance with the decision of the Board of Directors dated 23.05.2007 (Protocol № ГМК/18-пр-сд) and decision of the Board of Directors dated 02.11.2007 (Protocol № ГМК/33-пр-сд)	7 498 950		190 627 747
	Weighted average number of common shares in circulation			<b>183 753 710</b>

<b>Base profit per share:</b>	<b>2007</b>	<b>2006</b>
Net profit of accounting year, thousand rubles	170 236 510	121 174 531
Dividends against preference shares, thousand rubles	-	-
Base profit, thousand rubles	170 236 510	121 174 531
Weighted average number of common shares in circulation, including shares of the last (5th) issue	183 753 710	190 002 896
Base profit per share, thousand rubles	0.9264	0.6378

### 3.4 Expansion of individual indicators of the movement of cash assets account (Form No. 4).



The data on the demand balance on 31.12.2007 in the account on the movement of cash assets, line 430 in column 3, differs from the amount of cash assets in the balance sheet, line 260 in column 4, by the amount of monetary instruments in the cash office of 4 620 thousand rubles.

Expansion of *line 140 "Other incomes"*.

No.	Indicator	2007		2006	
		Amount, thousand rubles	Share, %	Amount, thousand rubles	Share, %
1	<b>Total in line 140, including:</b>	<b>17 465 500</b>	100.00%	<b>20 451 308</b>	100.00%
2	Receipt of cash under contracts of interests and agent agreements	7 802 679	44.67%	8 684 635	42.46%
3	Compensation of VAT	810 488	4.64%	6 203 133	30.33%
4	Positive result for exchange rate equivalent in respect of the currency exchange operations, currency conversion, transfer of currency from one account to another	8 065 558	46.18%	5 088 233	24.88%
5	Return of cash assets to the current account on various grounds, including the return of advance payments for non-shipped goods and tangible property, return of accounted money. etc.	763 721	4.37%	469 745	2.30%
6	Other operation revenues	23 054	0.14%	5 562	0.03%

Expansion of *line 190 "Other expenses"*.

No.	Indicator	2007		2006	
		Amount, thousand rubles	Share, %	Amount, thousand rubles	Share, %
1	<b>Total in line 190, including:</b>	<b>32 103 455</b>	100.00%	<b>35 427 956</b>	100.00%
2	Cash assets transferred under export duties and customs payments	16 759 695	52.21%	13 822 267	39.02%
3	Cash assets transferred under reorganization of the Company in a form of separation of ZAO Polyus Zoloto	-	-	10 000 000	28.23%
4	Cash assets transferred under contracts of interests and agent agreements	7 329 607	22.83%	8 320 062	23.48%
5	Transfers of cash assets for charity, social payments, financial support, membership fees, etc.	6 927 062	21.58%	1 787 717	5.05%
6	Transfers and payments of sums deducted from salaries on various grounds (alimonies, trade-union dues, residence rent, etc.)	1 033 830	3.21%	1 433 149	4.05%
7	Other expenses	53 261	0.17%	64 761	0.17%

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

No.	Indicator	2007		2006	
		Amount, thousand rubles	Share, %	Amount, thousand rubles	Share, %
1	<b>Total in line 260, including:</b>	-	0.00%	<b>23 330</b>	100.00%
2	Earnings of cash assets from payment of bills of third parties purchased as financial investments.	-	0.00%	23 330	100.00%

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

No.	Indicator	2007		2006	
		Amount, thousand rubles	Share, %	Amount, thousand rubles	Share, %
1	<b>Total in line 330, including:</b>	<b>48 975 696</b>	100.00%	<b>31 000 968</b>	100.00%
2	Exceed amount for the accounting period of the cash flow from return of cash from current accounts to deposit accounts as compared to transfer of cash from deposit accounts to current accounts	47 346 368	96.67%	<b>30 247 022</b>	97.57%
3	Other charges	1 629 328	3.33%	753 946	2.43%

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

No.	Indicator	2007		2006	
		Amount, thousand rubles	Share, %	Amount, thousand rubles	Share, %
1	<b>Total in line 370, including:</b>	<b>52 436 701</b>	100.00%	<b>655 823</b>	100.00%
2	Sale of owned purchased shares *	52 436 701	100.00%	-	0.00%
3	Return of cash assets under operations of currency transactions reservation	-	0.00%	655 823	100.00%

(\*) The sum of the cash assets in foreign currency from the sale of owned shares is reflected in the account on the movement of cash assets at the exchange rate as of 31.12.2007 (in accordance with the Order of Finance Ministry of Russia dated 22.07.2003 No. 67n); in the Profit and Loss statement at the exchange rate as of the date of operation (in the amount of 52 299 480 thousand rubles).

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

No.	Indicator	2007 год		2006 год	
		Amount, thousand rubles	Share, %	Amount, thousand rubles	Share, %
1	<b>Total in line 400, including:</b>	-	0.00%	<b>26 558 458</b>	100.00%
2	Purchase of owned shares	-	0.00%	26 321 315	99.11%
3	Return of cash assets under operations of currency transactions reservation	-	0.00%	237 143	0.89%

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

No changes

### 3.5 Information by segments

*Information on geographical segments by physical location of assets*

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

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, "NorilskEnergo" subsidiary, Polar transport division;
- others – location of assets of the Company subsidiaries: Murmansk transport subsidiary, Arkhangelsk office – a subsidiary, Krasnoyarsk office – a subsidiary and Krasnoyarsk representative office.

No.	Item	Moscow (solitary organization department, asset management) thousand rubles	Norilsk, Krasnoyarsk Territory (Polar Division, NorilskEnergo), Polar transport division, thousand rubles	Other segments, thousand rubles	Unappropriated revenues, expenses, assets and liabilities, thousand rubles	Company's total, excluding operations among segments, thousand rubles
1	2	3	4	5	7	8
1	Total amount of revenue	294 228	318 924 948	266 715	-	319 485 891
2	Prime cost	(286 393)	(73 182 905)	(149 177)	-	(73 618 475)
3	Gross profit	7 835	245 742 043	117 538	-	245 867 416
4	Commercial expenses	(2 266 944)	(2 644 051)	-	-	(4 910 995)
5	Administrative expenses	(4 158 558)	(5 474 373)	(58 914)	-	(9 691 845)
6	Sales profit (loss)	(6 417 667)	237 623 619	58 624	-	231 264 576
7	Revenues from participation	215 010	-	-	-	215 010
8	Interest receivable	10 751 367	340 326	230	-	11 091 923
9	Interest payable	(8 393 043)	-	-	-	(8 393 043)
10	Other incomes	91 357 616	8 883 341	117 004	-	100 357 961
11	Other expenses	(79 387 432)	(19 728 935)	(98 979)	(1 403 114)	(100 618 460)
12	Financial result (net profit)	8 125 851	227 118 351	76 879	(65 084 571)	170 236 510
13	Total balance amount of assets	698 572 037	172 466 999	3 294 729	6 769 355	716 220 365
14	including with other segments	(164 882 755)	-	-	-	-
15	Finance investments	522 929 176	317 946	-	-	523 247 122
16	Accounts receivable	170 003 505	37 887 118	38 060	6 769 355	49 815 283
	including:					
17	with outside partners	5 120 750	37 887 118	38 060	6 769 355	49 815 283
18	including: with other segments	(164 882 755)	-	-	-	-
19	Total amount of capital investment in fixed assets and intangible assets	419 725	93 066 747	3 127 368	-	96 613 840
20	Total amount of amortized deduction on fixed assets and intangible assets	269 250	31 367 123	255 644	-	31 892 017
21	Capital construction in progress	1 093 165	27 199 735	146 502	-	28 439 402

22	Total amount of liabilities	246 599 652	172 361 128	3 294 729	32 943 498	290 316 252
	including:					
23	with outside partners	246 599 652	10 676 988	96 114	32 943 498	290 316 252
24	with other segments	-	161 684 140	3 198 615	-	-
25	Account payable	268 109	172 358 423	3 294 729	7 361 156	18 399 662
	including:					
26	with outside partners	268 109	10 674 283	96 114	7 361 156	18 399 662
27	with other segments	-	161 684 140	3 198 615	-	-

Original cost of intangible assets and fixed assets is reflected on line “Total amount of capital investment in intangible assets and fixed assets”.

All long term and current liabilities of the Company form Total amount of liabilities: the sum of Form No.1 articles “Balance Sheet”: 510 “Credits and loans (long-term)”, 515 “Deferred tax liabilities”, 520 “Other long-term liabilities”, 610 “Credits and loans (current)”, 620 “Accounts payable”, 630 “Debts to participants (founders) on payment of income”.

Credits and loans liabilities, revenues (expenses) from sales of securities, revenues from participation in other organizations, interests paid are reckoned among the activity of Moscow segment.

Following expenses are carried to retained between segments:

- the profit tax and other similar payments, the property tax.

Following obligations are carried to retained between segments:

- current accounts with the budget under the profit tax, the property tax, the VAT;
- liabilities to shareholders on dividend payments.

### ***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:	288,364,165	25,550,416	313,914,581
1.1.	nonferrous metals	205,621,494	9,684,922	215,306,416
1.2.	precious metals	30,341,067	5,092,785	35,433,852
1.3.	other metal products (by-products, goods, metal scrap and other)	52,401,604	10,772,709	63,174,313
2	Revenues from sales of other products, goods	-	3,267,631	3,267,631
3	Revenues from sales of works, services	-	2,303,679	2,303,679
4	Total revenue	288,364,65	31,121,726	319,485,891

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

- ✓ nickel – European Community countries, Japan, USA, China, Taiwan, Korea;
- ✓ refined copper – China, USA, Japan, Germany;
- ✓ platinum metals – European Community countries, USA, Japan, China.

### **3.6 Information on Asset Management**

In 2007 the following trust management companies managed the assets of the Company in favour of the Company.

- MC Rosbank LLC (license No. 077-07117-001000 dated 14.11.2003 for the right of securities management),

- Deutsche Bank LLC (license No. 177-09679-001000 dated 14.11.2006 for the right of securities management,
- DVS Investment LLC (license No. 177-09362-001000 dated 29.08.2006 for the right of securities management,
- Norilsk Trading Company LLC (contract TM No. 192-2605/-6 dated 11.10.2006).

Accounting of the operations occurring in the course of fulfillment of the asset management contract 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 of the Company includes all data, submitted by the trust manager, on assets, liabilities, revenues, expenses, and other indicators, connected with the fulfillment of agreements on asset management.

***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 31.12.2007:

Line No.	Line title	According to accounting balance of the founder of the management on 31.12.2007, thousand rubles	According to separate accounting balance of the confidential manager on 31.12.2007, thousand rubles	Total according to accounting balance of the Company on 31.12.2007, thousand rubles
120	Fixed assets	64,519,509	51,937	64,571,446
210	Reserves	41,474,018	461	41,474,479
240	Short-term accounts receivable	47,249,374	2,017	46,064,111
	including:			
	with outside contractors	46,062,094	2,017	46,064,111
	with other segments	1,187,280	-	-
250	Short-term financial investments	85,615,874	1,612,781	87,228,655
260	Cash assets	3,425,903	1,811	3,427,714
300	<b>Total assets</b>	<b>715,738,638</b>	<b>1,669,007</b>	<b>716,220,365</b>
	including:			
	with other segments	1,187,280	-	-
470	Retained earnings	376,126,876	480,066	376,606,942
620	Accounts payable	18,398,001	1,188,941	18,399,662
	including:			
	with outside contractors	18,398,001	1,661	18,399,662
	with other segments	-	1,187,280	-
700	<b>Total liabilities</b>	<b>715,738,638</b>	<b>1,669,007</b>	<b>716,220,365</b>
	including:			
	with other segments	-	1,187,280	-

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 2007.

Line No.	Line title	According to accounting balance of the founder of the management on 31.12.2007, thousand rubles	According to separate accounting of consolidated profits and losses of the confidential managers in 2007, thousand rubles	Total according to accounting of profits and losses of the Company in 2007, thousand rubles.
010	Revenues from sales of goods, products, works, services	319,483,565	2,326	319,485,891
020	Cost of goods products, works, services sold	(73,613,801)	(4,674)	(73,618,475)

050	Sales profit	231,266,924	(2,348)	231,264,576
060	Interests receivable	11,027,258	64,665	11,091,923
	including:			
	coupon revenues under bonds receivable	-	64,655	64,655
70	Interests payable	(8,379,532)	(13,511)	(8,393,043)
	including:			
	coupon revenues under bonds payable	-	(13,511)	(13,511)
90	Other revenues	91,241,661	9,116,300	100,357,961
	including::			
	revenues from sales of securities	58,359,916	8,731,849	67,091,765
	positive amount of revaluation of securities on the basis of current market value on the accounting date	8,297,133	383,706	8,680,839
100	Other expenses	(91,881,686)	(8,736,774)	(100,618,460)
	including:			
	expenses from sales of securities	(29,242,249)	(8,716,290)	(37,958,539)
	expenses connected with the service of securities	(33,603)	(16,328)	(49,931)
	negative amount of revaluation of securities on the basis of current market value on the accounting date	(20,484,281)	(113)	(20,484,394)
190	Net profit	169,808,178	428,332	170,236,510

### 3.7 Information on main events after accounting date

During the period from the accounting date, 31.12.2007, and the date of signing, 31.03.2008, of accounting statements for 2007, the following important events took place:

#### Sale of not profile power assets

Taking into consideration that the proposal of MMC Norilsk Nickel on allocation of not strategic power assets into a separate company has not received approval of qualified majority of shareholders on extraordinary General meeting on December 14, 2007, the Board of Directors at their meeting on February 4, 2008 made a decision on expediency of alienation of the given assets entrusted Management to execute all necessary for this actions. Asset sale is supposed to be carried out within 2008.

#### Dividend payout on results of work for 9 months 2007

According to the voting results of JSC MMC Norilsk Nickel extraordinary General meeting of shareholders on December 21, 2007 the decision was made to approve intermediate dividends at a rate of 108 rubles on one equity.

As of February 19, 2008 dividends are paid to all persons included in the List of persons, dividends having the right of reception (date of drawing up of the List – 13.11.2007), except for persons, the data about which have not been presented by nominee holders, the persons who have not confirmed authorities of their representatives, and also persons who have incorrectly indicated requisites for transfer of dividends.

The total sum of the paid dividends as of February 19, 2008 has made 19,703,331,756 rubles.

#### Additional listing of depository receipts

On February 4, 2008 Board of Directors has considered and approved Management proposals on reception of additional listing depository receipts at the London stock exchange within 2008.

### ***Extraordinary General meeting of shareholders on April 8, 2008***

After reception of a request about the convocation of an extraordinary General meeting of shareholders from the shareholder possessing more than of 10 % of placed voting shares of JSC MMC Norilsk Nickel, the Board of Directors has made a decision on convocation of an extraordinary General meeting of shareholders of JSC MMC Norilsk Nickel in the internal form on April 8, 2008 with the following agenda:

1. About carrying in amendments to the Charter of JSC MMC Norilsk Nickel;
2. About the advance termination of authorities of JSC MMC Norilsk Nickel the Board of Directors members;
3. About election of the Board of Directors members of JSC MMC Norilsk Nickel.

### ***Financial investments***

On March 1, 2008 an extraordinary General meeting of shareholders of dependent Open Joint-Stock Company TGC (Territory generation company) -14 of JSC MMC Norilsk Nickel, made the decision to increase the authorized capital of Open Joint-Stock Company TGC -14 by accommodation of additional shares.

On January 31, 2008 an extraordinary General meeting of shareholders of dependent Open Joint-Stock Company “TyvaEnergo-Holding” of JSC MMC Norilsk Nickel made the decision to reorganize JSC “TyvaEnergo-Holding” in the form of joining JSC “MRSK Siberia”.

The decision on the termination of JSC MMC Norilsk Nickel participation in JSC “OGC-5” by sale of of 607,181,796 ordinary nominal paperless shares belonging to JSC MMC Norilsk Nickel is made.

### ***Purchase / alienation of property by JSC MMC Norilsk Nickel***

Within 1.1.2008 – 31.03.2008 following operations are made:

By sale and purchase agreement JSC MMC Norilsk Nickel sold in favour of OJSC “Norilsk supporting complex” movable property for the sum of 27,637 thousand rubles.

By sale and purchase agreement JSC MMC Norilsk Nickel sold in favour of JSC “Zapolarnaya Construction Company” 3 objects of immovable property for the sum of 119,300 thousand rubles.

### ***Attraction of credits and loans***

On January 22, 2008 in the network of earlier concluded agreement for granting an unsecured renewable credit line of credit for the sum of 450 million US dollars with group of the western financial institutions (organizers of the loan banks Barclays Capital, ING Bank N.V. and Societe Generale have acted). JSC MMC Norilsk Nickel has carried out the attraction of credit in the sum of 250 million US dollars. Interests are calculated under the rate Libor+0.425 of %.

On January 22, 2008 JSC MMC Norilsk Nickel has carried out credit attraction in the sum of 400 million US dollars in the network of earlier concluded agreement on credit line with group of the western financial institutions (as the authorized leading organizer banc Societe Generale acts). Interests are calculated under the rate Libor+0.425%.

### ***Court proceedings, production on which is excited within the period from 01.01.2008 till 31.03.2008***

The applicant – JSC MMC Norilsk Nickel, the case is tried in Arbitration Court of Moscow.

<b>Respondent / interested party</b>	<b>Subject of the claim</b>	<b>Claim amount, thousand rubles</b>	<b>Expected term of money recovery under claim</b>	<b>Notes (uncertainty assessment)</b>

Administration and legal claims				
Interregional Inspectorate of the Federal Taxation Service for the largest taxpayers No.5	About annulment of the decision from 08.10.2007 No. 56-15-262/2006, accepted by results of exit tax check for 2004 according to which in opinion of the Company, it is wrongfully made an additional charge of TNRP (Tax on Natural Resources Production) and tax sanctions	106,596	First half-year of 2008	The probability of the event approach is evaluated as average. The challenged sum is paid by the Company on demand of Taxing Authority. An essence of trial is the decision of a question on legitimacy or illegality of an additional charge of TPMR and tax sanctions. At positive for the Company decision the sum should be returned.

### 3.8 Information on conditional factors of economic activities

The information submitted below is the information about conditional factors of economic activities related to the outstanding court proceedings under civil-law and administrative-law claims as of the reported date in which the Company acts as the plaintiff. The probability of recovery of the monetary funds in favour of the Company is high and very high.

The information about claims which do not substantially influence the financial results of the Company's activities is summarized as other civil-law and administrative-law claims.

Respondent / interested party	Subject of the claim	Claim amount, thousand rubles	Expected term of money recovery under claim	Notes (uncertainty assessment)
Civil-law claims				
OJSC "Energotech"	Collection of the indebtedness and interests on item 395 of Civil Code of the Russian Federation for services rendered on water removal	3,996	First half-year of 2008	As per award of Krasnoyarsk kray Arbitration Court dated 16.11.2007 the stated claims have been satisfied. Term for the appeal against the decision in arbitration court of appellate instance has not expired.
OJSC "Agrarian-building complex "Tes"	Recovery of an overpayment sum.	3,058	First half-year of 2008	As per award of Krasnodar kray Arbitration Court dated 31.01.2008 the stated claims have been satisfied. Term for the appeal against the decision in arbitration court of appellate instance has not expired.
OJSC "Agrarian-building complex "Tes"	Collection of interest debts according to item 395 CC of RF on Sales and purchase agreement of immovable property.	2,594	First half-year of 2008	As per award of Krasnoyarsk kray Arbitration Court dated 13.02.2008 the stated claims have been satisfied. Term for the appeal against the decision in arbitration court of appellate instance has not expired.
OJSC " Murmansk marine shipyard"	Vacation of occupied premises in connection with the termination of Agreement of lease of real estate and about collection of the indebtedness by Agreement of lease of real estate and interests according to	1,663	First half-year of 2008	As per award of Murmansk region Arbitration Court dated 23.11.2007 the stated claims have been satisfied. By decision dated 05.02.2008 a reclaiming note is returned to the respondent Term for the appeal against the decision in arbitration court of appellate instance has not expired.



	item 395 CC of the Russian Federation.			
Shakirov F.Sh.	Losses recovering	951	Impossible to be determined	The case is under consideration of the court of primary jurisdiction.
Other Civil law disputes		1,446		
<b>Administrative Law Claims</b>				
Interregional Inspectorate of the Federal Taxation Service for the largest taxpayers No.5	On cancellation of Decision No. 225 dated 20.03.2007 on offsetting of overpayment of VAT at a sum of 68,734,345.57 rubles on account of VAT penalty payment.	68,734	First half-year of 2008	As per award of the court of primary jurisdiction dated 19.10.2007 the stated claims have been fully satisfied. During the court proceeding it is stated the occurrence of unduly paid sum of fines which can be setoff on account of tax discharge, the fine and tax sanctions or it can be returned. The application is submitted to Taxing authority about the return of the sum.
Interregional Inspectorate of the Federal Taxation Service No. 7 on Krasnodar kray, city of Sochi.	Recognition illegal the actions which have expressed in the decision on refusal to return the sum of overpaid insurance payments on obligatory pension insurance of the specified sums.	103	First half-year of 2008	As per award of the court of primary jurisdiction dated 12.07.2007 the stated claims have been fully satisfied. Result of court proceeding is the responsibility of Taxing authority to return unduly paid sum of dues. In connection with change of Taxing authority supervising the Company during proceeding there appeared a question on Taxing authority, obliged to return the amount of judgement.

The information submitted below is the information about conditioning factors of economic activities related to the outstanding court proceedings as of the reported date in which the Company acts as the respondent. The probability of occurrence of the stated events is high and very high.

<b>Plaintiff/claimant</b>	<b>Subject of the claim</b>	<b>Claim amount, thousand rubles</b>	<b>Expected term of money recovery under claim)</b>	<b>Notes (uncertainty assessment)</b>
Fedotkin Maxim Nikolaevich	Reimbursement of the moral harm caused by a crime, stipulated by part 2 item 264 of Criminal Code of the Russian Federation.	10,000	First half-year of 2008	As per decision of Kaierkansk permanent session of Norilsk City Court dated 22.01.2008 the stated claims was satisfied partially: in the sum of 1,000,000 rubles. At present time an appeal is submitted by the respondent to Krasnoyarsk kray Court
Ostrozhnaya Evgenia Egorovna	Exaction of copyright royalties for using of inventions under patents and penalty fee for delayed payment of copyright royalty.	5,870	Impossible to be determined	By determination dated 18.12.2007 the claim is left without consideration.
Markov Yury Faustovich	Exaction of copyright royalties for using of inventions under	4,137	Impossible to be determined	The case is under consideration of the court of primary jurisdiction.

	patents in production and company's inventions and penalty fee for delayed payment of copyright royalty.			
Pogrebenko Danyil Mikhailovich	Exaction of copyright royalties for using of inventions in the production of JSC MMC Norilsk Nickel under a patent, penalty fee for delayed payment of copyright royalty and also an incentive premium.	2,453	Impossible to be determined	The case is under consideration of the court of primary jurisdiction.
Ermochenko Igor Petrovich	Exaction of copyright royalties for using of company's invention in the production of JSC MMC Norilsk Nickel and penalty fee for delayed payment of copyright.	861	Impossible to be determined	As per decision dated 09.11.2007 the claim was satisfied partially: 557,316.00 rubles of copyright royalty and a penalty fee of 180,570.00 rubles was exacted from JSC MMC Norilsk Nickel. JSC MMC Norilsk Nickel an appeal was submitted to Krasnoyarsk kray Court.
Other Civil law disputes		1,812		

As of the end of the reported year the total amount of liabilities and payments issued by the Company has been recorded in the line 960 of the bookkeeping balance sheet and makes 38,801,215 thousand rubles including:

amount of liabilities under guarantee agreements - 12,344,815 thousand rubles,  
uncovered letters of credit - 11,728,680 thousand rubles,  
hypothecation value of property and rights - 14,727,720 thousand rubles.

In structure of the obligations issued by the Company as of 01.01.2007 and 31.12.2007 on a line 960 of Form No.1 are reflected:

- 1) A unconditional and irrevocable contractual guarantee of JSC MMC Norilsk Nickel (Guarantor), granted concerning DEUTSCHE TRUSTEE COMPANY LIMITED (Trustee) with the purposes of maintenance of obligations NORILSK NICKEL FINANCE LUXEMBOURG S.A. (Issuer) on issuing of debt bonds for the sum of 500,000,000 US dollars.

*The amount of a secured liability of the issuer is 500,000,000 US dollars (12,273,100 thousand rubles at the rate on 31.12.2007);*

*the term of a secured liability is 30.09.2009;*

*method of security: the guarantee;*

*subject of the guarantee: the warranty of payment in time of all sums, payable by the Issuer, according to the Agreement for establishment of a constructive trust.*

- 2) The pledge of rights on the money resources which are being on dollar and ruble accounts of JSC MMC Norilsk Nickel (Depositor), opened in commercial Joint-stock bank "Bank Societe Generale Vostok" (Closed Joint-Stock Company) (Depositor).

*Information The amount of a secured liability: the Companies: the line of credit for the sum of 400,000,000 US dollars;*

*the amount of securing: 600,000,000 US dollars (14,727,720 thousand rubles at the rate on 31.12.2007);*

*term of a secured liability: 29.11.2008;*

*term of collateral pledging: until complete fulfillment of obligations on the line of credit by Issuer;*

The increase in the reported year of the sum of letters of unpaid credit on 6,630,926 thousand rubles in comparison with similar data on 01.01.2007 is connected with opening on 05.10.2007 of three letters of credit in OJSC “Bank VTB “for a total sum of 5,242,714 thousand rubles under the long-term contract on construction of a complex of mine “Skalisty” of Polar branch objects.

On September 26, 2007 as per decision No. 56-15-07/2 on holding of a field tax inspection dated 26.09.2007 by Interregional Inspectorate of the Federal Taxation Service of the Russian Federation for the largest taxpayers No. 5 the field tax inspection of JSC MMC Norilsk Nickel has been started inspection in relation to the issues of completeness, accuracy of calculation, deduction, payment and transfer of the following taxes and dues:

profits tax, Value Added Tax, Tax on Natural Resources Production, Unified Social Tax, excises, Individual Income Tax, insurance contributions for Mandatory Pension Insurance, destined for payment of insurance part of the labour pension, insurance contributions for Mandatory Pension Insurance, destined for payment of insurance part of accumulative part of labour pension, securities operations tax, fee for use of water, observance of the currency legislation, corporate property tax, single tax on imputed earnings, transport tax, land tax, within the period from 01.01.2005 till 31.12.2005.

Company has no information sufficient for estimation of the contingent liability in terms of money.

As of the date of the accounting reporting for 2007 the field tax inspection has not been terminated and the As of 31.12.2007 concerning the debtor of OJSC “Pekar” (Tula) was conducted a procedure of bankruptcy proceedings within the framework of matter about bankruptcy. Bankruptcy proceedings are supposed to be finished in December, 2008. The amount of indebtedness of OJSC “Pekar” to JSC MMC Norilsk Nickel on 31.12.2007 makes 219,697 thousand rubles.

### 3.9 Information about affiliates

The information about operations with affiliates in the reported year is stated in the table:

No	Affiliate's Name	Volume of performed operations in thousand rubles
1	<b>Procurement of loans (together wit the interest accrued within the reported period) – total</b>	<b>66,217,506</b>
	Including:	
	OJSC Norilsk Works	28,135,633
	OJSC Kola Mining & Metallurgical Company (Kola MMC)	26,120,856
	Norilsk Nickel (Cyprus) Ltd	7,066,010
	OJSC RAO Norilsk Nickel	2,085,100
	NORILSK NICKEL FINANCE LUXEMBURG S.A.	1,257,714
	Vostokgeologia LLC	500,351
	OJSC Torginvest	233,359
	Taimyrinvest LLC	205,489
	Norilsk-Telecom LLC	182,043
	Sanatorium Zapolarye LLC	105,174
	Pechengageologia LLC	100,473
	OJSC MMC Pechenganickel	98,507
	Kolabyt LLC	68,669
	OJSC Severonickel Works	33,313
	OJSC NTPO	20,624
	Others	4,191
2	<b>Granting of loans – total</b>	<b>277,633,613</b>
	Including:	
	Norilsk Nickel (Cyprus) Ltd	163,309,179
	OJSC Norilsk Works	104,937,180
	CJSC Taimyr Fuel Company	3,690,000
	OJSC Norilsk and Taimyr Energy Company	1,590,000
	OJSC Kingash Metal Mining Company	1,061,147
	OJSC Taimyrgas	764,000
	OJSC Norilskgasprom	540,000
	Bugdainski Mine LLC	493,000

	OJSC Yeniseisk Steamship Line	415,000
	MRC Bystrinskoye LLC	363,270
	OJSC Taimyr Airline	99,102
	Karelnickel LLC	96,351
	Renons LLC	55,000
	Ferrosplav LLC	53,030
	Metals of Zabaikalye Project Directorate LLC	20,000
	Management Company Zapolarnaya Stolitsa LLC	19,700
	Murmangold LLC	47,382
	RioNor-Geological Survey LLC	38,231
	Zapolarny Trade Alliance LLC	25,000
	MOC Gremyakha LLC	10,087
	Others	6,954
3	<b>Investments to the subscribed capital – total</b>	<b>125,526,722</b>
	Including:	
	OJSC "OGC-3"	120,922,019
	Intergeoproject LLC	2,061,035
	OJSC "TGC-14"	1,155,529
	OJSC "Kolenergo"	505,656
	Norilsknickelremont LLC	300,300
	Zapolarnaya Construction Company LLC	172,100
	Institute Gipronickel LLC	146,900
	OJSC Kola MC	92,991
	OJSC Kolenergosbyt	80,852
	Sanatorium Zapolarye LLC	62,334
	OJSC Norilsk and Taimyr Energy Company	26,982
	Others	24
4	<b>Payment of the investment in property - total</b>	<b>860,664</b>
	Including:	
	National Innovation Company "NEP" LLC	836,470
	RioNor-Geological Survey LLC	24,194
5	<b>Works, services acquisition – total</b>	<b>25,149,219</b>
	Including:	
	Norilsknickelremont LLC	8,048,971
	Zapolarnaya Construction Company LLC	7,804,159
	OJSC Kola Mining & Metallurgical Company (Kola MMC)	4,132,680
	Norilskgeologia LLC	915,061
	Norilskpromtransport LLC	779,534
	OJSC Yeniseisk steamship line	776,670
	Institute Gipronickel LLC	574,240
	Norilsk-Telecom LLC	336,667
	OJSC Krasnoyarsk steamship line	227,993
	Sanatorium Zapolarye LLC	245,276
	Scrap Recycling Plant LLC	155,898
	Norilsk Supporting Complex LLC	136,158
	OJSC AMTP	126,975
	Norilsk Commercial Company LLC	120,388
	OJSC Taimyr Fuel Company	87,098
	Pechengageologia LLC	82,755
	NORMETIMPEX LLC	68,482
	OJSC Forestsiberian port	67,473
	FK Moscow LLC	63,559
	OJSC Norilsk Works	62,775
	PSF Norilsk LLC	60,635
	PSF Norilsk-N LLC	57,735
	OJSC RAO Norilsk Nickel	41,204
	PBK CSKA LLC	39,900

	OJSC Taimyr Airline	36,630
	OJSC Norilsk and Taimyr Energy Company	36,216
	Intergeoproject LLC	24,871
	MFC Norilsk Nickel LLC	16,000
	Others	23,216
6	<b>Acquisition of fixed and other assets – total</b>	<b>59,766</b>
	Including:	
	Terminal LLC	25,258
	Norilsk-Telecom LLC	25,573
	Others	8,935
7	<b>Acquisition of products, goods – total</b>	<b>13,777,838</b>
	Including:	
	OJSC Norilsk and Taimyr Energy Company	5,295,254
	OJSC Norilskgasprom	2,721,102
	Norilsk Supporting Complex LLC	1,987,194
	OJSC Taimyr Fuel Company	1,576,880
	OJSC Taimyrgas	924,392
	OJSC Kola Mining & Metallurgical Company (Kola MMC)	534,418
	Norilsknickelremont LLC	389,855
	OJSC NTPO	317,317
	Zapolarnaya Construction Company LLC	22,203
	Others	9,223
8	<b>Sales of works, services – total</b>	<b>1,593,694</b>
	Including:	
	Zapolarnaya Construction Company LLC	597,619
	OJSC Norilsk Works	203,644
	Kingash Metal Mining Company LLC	184,781
	OJSC Norilsk and Taimyr Energy Company	109,018
	Norilsknickelremont LLC	100,844
	Norilsk Supporting Complex LLC	100,827
	Karelnickel LLC	81,290
	Taimyr Fuel Company LLC	73,114
	Norilskgeologia LLC	50,811
	OJSC Norilskgasprom	30,573
	OJSC Yeniseisk steamship line	17,330
	Institute Gipronickel LLC	13,808
	Others	30,035
9	<b>Sales of fixed and other assets – total</b>	<b>2,396,572</b>
	Including:	
	OJSC Norilsk and Taimyr Energy Company	817,411
	Norilskgeologia LLC	560,433
	Norilsk Supporting Complex LLC	381,216
	Zapolarnaya Construction Company LLC	218,786
	Institute Gipronickel LLC	135,742
	Norilskpromtransport LLC	89,527
	Norilsknickelremont LLC	79,818
	OJSC Taimyrgas	64,926
	OJSC Norilsk Works	42,542
	Others	6,171
10	<b>Sales of products, goods – total</b>	<b>3,059,894</b>
	Including:	
	Zapolarnaya Construction Company LLC	1,539,392
	Norilsk Supporting Complex LLC	976,146
	OJSC Norilsk and Taimyr Energy Company	227,454
	Norilsknickelremont LLC	179,503
	Norilskgeologia LLC	98,471
	OJSC Yeniseisk steamship line	13,769

	Norilskpromtransport LLC	10,099
	Others	15,060
11	<b>Property lease – total</b>	<b>471,490</b>
	Including:	
	OJSC Norilsk Works	404,764
	Nortrans LLC	37,715
	Renons LLC	14,086
	OJSC Torginvest	13,632
	Others	1,293
12	<b>Granting of property in lease - total</b>	<b>1,576,902</b>
	Including:	
	OJSC Norilsk and Taimyr Energy Company	1,090,397
	Norilsknickelremont LLC	145,480
	Norilskpromtransport LLC	89,432
	Norilsk Supporting Complex LLC	87,552
	Taimyr Fuel Company LLC	39,160
	Norilskgeologia LLC	37,513
	Zapolarnaya Construction Company LLC	32,839
	Norilsk-Telecom LLC	27,015
	Others	27,514
13	<b>Income from participation in an authorized capital - total</b>	<b>199,828</b>
	Including:	
	OJSC "OGC-3"	97,068
	OJSC "TGC-14"	47,000
	OJSC Norilskgasprom	28,689
	Others	27,071

Type of relationship with affiliates, shown in the table is control.

Character of relations is specified according to the definition given in Provision on book keeping "Information on affiliated persons » (RVK 11/2000), namely:

The organization or the natural person supervises the other organization when such organization or the natural person has the right:

- to dispose (directly or through the associated companies) more than fifty percent of voting shares of joint-stock company or more than fifty percent of authorized (stowage) capital of limited liability company;
- to dispose (directly or through the associated companies) more than twenty percent of voting shares of joint-stock company or more than in twenty percent of authorized (stowage) capital of limited liability company and has an opportunity to determine the decisions accepted in these companies.

In the line "Others" the information about those operations with affiliates is recorded which make less than 5 percent of the total amount under the said item (operation).

***The amount of the Company's receivables from the affiliates as of 31.12.2007***

No.	Affiliate's Name	Type of relationship	Type of Payables	Amount of Receivables as of 31.12.2007 in thousand rubles
	Total:			<b>27 095 560</b>
1	PJSC NORMETIMPEX	Control	Settlements with commission agent for the sold products	17 167 766
2	OJSC Taimyrgaz	Control	For performed building and assembly works, works under construction contracts, rendered services, sales of inventory items, settlements under commission agency agreement	3 061 849

3	Zapolarnaya Construction Company LLC	Control	For the rendered services	1 701 209
4	OJSC Norilsk and Taimyr Energy Company	Control	For sold inventory items, lease of fixed assets, settlements under assignment agreement and other settlements	1 658 011
5	PJSC Alykel	Control	Interest-free loan, for transportation services	1 169 794
6	Norilsknickelremont LLC	Control	For services, transferred inventory items, performed works	429 985
7	Norilskpromtransport LLC	Control	For property leasing, POL delivery and canning	228 625
8	Management Company Zapolarnaya Stolitsa LLC	Control	For rendered services, advances for works performance	210 668
9	Norilskgeologiya LLC	Control	Leasing services, transferred POL, other services	201 047
16	Institute Gipronickel LLC	Control	Advance payments for works and services	195 295
13	Norilsk Supporting Complex LLC	Control	For rendered services	154 344
11	PJSC Taimyr Fuel Company	Control	Advance payment for sales of POL, POL delivery and canning	141 879
16	Bystrinskoye Mining Works LLC	Control	Interest under extended loans	135 789
10	OJSC Kolsk Mining and Metallurgical Company	Control	For rendered services, settlements under commission agency agreement	118 791
15	OJSC Norilskgazprom	Control	Transferred POL, leasing and other services	116 130
12	OJSC Norilsk Works	Control	Sale of inventories, lease of fixed assets, inventory items	105 584
13	OJSC Norilsk Commercial and Industrial Company	Control	Advance payment for services	100 029
19	Other	Control		198 765

***Amount of the Company's payables to the affiliates as of 31.12.2007.***

No.	Affiliate's Name	Type of relationship	Type of Payables	Amount of Payables as of 31.12.2007 in thousand rubles
	Total:			<b>6 310 708</b>
1	OJSC Kolsk Mining and Metallurgical Company	Control	For rendered services related to metal recycling and storage, transportation services	2 497 226
2	Zapolarnaya Construction Company LLC	Control	Inventory items, capital repairs	863 752
3	Norilsknickelremont LLC	Control	Performed works, rendered services	790 511
4	OJSC Norilsk and Taimyr Energy Company	Control	Heat-power resources, inventory items	337 428
5	PJSC NORMETIMPEX	Control	Settlement with commission agent, commission fee	332 569
6	OJSC Norilskgazprom	Control	Gas supplies and transportation	305 977
7	Norilsk Supporting Complex LLC	Control	Supplies of inventory items	188 087
8	Norilskpromtransport LLC	Control	For transportation services, POL	166 223

9	OJSC Norilsk Works	Control	Lease of fixed assets, supplies of inventory items, sale of inventories	161 616
10	OJSC Taimyrgas	Control	For services, natural gas	147 884
11	PJSC Taimyr Fuel Company	Control	Supplies and storage of POL	126 952
12	Norilskgeologiya LLC	Control	For completed works, rendered services	92 502
13	Institute Gipronickel LLC	Control	For completed design and survey works	82 926
14	OJSC RAO Norilsk Nickel	Control	Settlement with commission agent	44 361
15	Norilsk Telecom LLC	Control	For services	40 380
16	Other	Control		132 314

*Amount of debts under loans granted by the Company to the affiliates as of 31.12.2007.*

No.	Affiliate's Name	Type of relationship	Amount of loans granted as of 31.12.2007 in thousand rubles
	<b>Total:</b>		161 771 501
1	Norilsk Nickel (Cyprus) Ltd	Control	153 904 674
2	PJSC Taimyr Fuel Company	Control	2 470 000
3	OJSC Norilsk and Taimyr Energy Company	Control	1 485 000
4	Bystrinskoye Mining Works LLC	Control	1 411 370
5	Kingash Metal Mining Company	Control	1 212 977
6	Bugdainskiy Mine LLC	Control	493 000
7	OJSC Norilskgasprom	Control	368 500
8	Karelnickel LLC	Control	96 351
9	Taimyr Airlines LLC	Control	85 000
10	Norilsk commercial company LLC	Control	20 260
11	ZTA LLC	Control	31 985
12	Murmangold LLC	Control	47 382
13	RioNor-Geologorazvedka LLC	Control	38 231
14	Gremiakha Mining Works LLC	Control	10 087
15	Metally Zabaikalya Project Directorate LLC	Control	20 000
16	Ferrosplav LLC	Control	53 030
17	Management Company Zapolarnaya Stolitsa LLC	Control	19 700
18	Norilskpromtransport LLC	Control	2 404
19	Titan Mining Works LLC	Control	1 550

*Amount of the Company's debts under the loans received from the affiliates as of 31.12.2007*

No.	Affiliate's Name	Type of relationship	Amount of debts under received loans as of 31.12.2007 in thousand rubles
	<b>Total:</b>		78 360 818
1	OJSC Kolsk MMC	Control	36 120 909
2	OJSC Norilsk Works	Control	25 694 696
3	NORILSK NICKEL FINANCE LUXEMBURG S.A.	Control	12 455 652
4	OJSC RAO Norilsk Nickel	Control	2 282 798
5	Vostokgeologia LLC	Control	500 351
6	OJSC Severonickel Works	Control	376 311
7	OJSC Torginvest	Control	233 007
8	Taimyr Investment Company LLC	Control	203 332
9	Sanatorium Zapolarye LLC	Control	101 666
10	Pechengageologia LLC	Control	100 473
11	OJSC Pechenganickel Mining & Metallurgical Company	Control	93 835
12	Kolabyt LLC "	Control	68 669
13	Norilsk – Telecom LLC»	Control	60 614



14	Institute Gipronickel LLC	Control	47 881
15	OJSC Norilsk Commercial and Industrial Company	Control	20 624

### 3.10 Information about cessation of activities

Pursuant to provisions of the approved information memorandum "On reorganization of the management system of Joint-Stock Mining and Metallurgical Company Norilsk Nickel (MMC Norilsk Nickel)" as well as in accordance with the order of the General Manager on the schedule of creation of affiliated and associated companies based on the structural divisions and assets of MMC Norilsk Nickel the measures related to cessation of activities of the structural divisions of the Transpolar branch and selling its property have been taken in 2007.

Data on retirement of assets within 2007 are given in terms of such terminated business activities:

Type of ceased activities	Type of sold property	Proceeds amount (without VAT) in thousand rubles	Book value in thousand rubles	Financial Result in thousand rubles
Construction activities	Fixed assets	163 008	148 555	14 443
	Inventories	4 115	4 275	(160)
Repair activities	Fixed assets	34 738	25 934	8 804
	Inventories	8 835	3 011	5 824
Activities related to manufacture of products used to procure uninterrupted operation of structural divisions	Fixed assets	140 994	114 398	26 596
	Inventories	202 040	203 875	(1 835)
Activities related to rendering services in the sphere of culture	Fixed assets	39 089	32 636	6 453
	Inventories	3 453	3 453	0
Activities related to performing experimental works and manufacture of scientific and technical products , as well as development of design and budget documentation	Fixed assets	131 775	114 298	17 477
	Inventories	3 973	3 045	928
Activities related to newspaper publishing	Fixed assets	18 925	17 452	1 473
	Inventories	8 804	8 848	(44)

Pursuant to provisions of the Labour Code and signed Agreements On Guarantees and Terms and Conditions of Redeployment of Employees of Ceased Structural Divisions the Company faced obligations to employees dismissed due to termination of some activities.

To adjust such obligations the Company on 31.12.2006 established a provision for such ceased activities amounting to RUB 397,780 in view to pay severance wage in reporting periods to follow.

In 2007 while paying up such severance wages to dismissed employees this provision amount was reduced down to RUB 397,580.

As of 31.12.2007 such provision for ceased activities was not adjusted since the Company planned no additional payments to dismissed employees for a next reporting year due to scheduled completion of such cessation measures. Such provision for ceased activities as of 31.12.2007 amounted to RUB 200,000 to cover indemnity related to severance wages paid to dismissed employees of construction divisions.

In 2007 the following activities by Transpolar Division of MMC Norilsk Nickel were qualified to be ceased:

Activities of structural divisions were qualified to be ceased for MMC Norilsk Nickel as of a date when persons whose interests were directly affected by such cessation (employees of such ceased structural divisions) were notified of such cessation.

#### **Activities of sanatorium-and-spa institutions**

Due to restructuring of Transpolar Division of MMC Norilsk Nickel and on the basis of orders by Director of Transpolar Division No.ZF/101-p of 15.05.2007 No.ZF/187-p of 20.11.07 and No.ZF/121-p of 13.07.07 Valek Recreation Complex was abolished as of 01.01.2008, Yeniseysk preventorium of Valek Recreation Complex was abolished as of 15.08.2007.

Data on abolition of the above institutions were notified to employees of such institutions before 31.12.2007.

Within the framework of the above measures on cessation of sanatorium-and-spa activities in 2007 signed agreements were entered into for selling the following property:

Type of sold property	Proceeds amount (without VAT) in thousand rubles	Book value in thousand rubles	Financial Result in thousand rubles
Fixed assets	667	569	98
Inventories	300	-	300

Within the framework of property donation agreements, property of structural divisions (amounting to RUB 3,036,000) was donated gratis.

#### **Recreational activities**

Due to restructuring of Transpolar Division of MMC Norilsk Nickel on the basis of order by Director of Transpolar Division No.ZF/157-p of 15.08.07 Portovik Sports Complex was abolished as of 01.12.2007.

Data on abolition of the above institution were notified to employees of such institution before 01.10.2007.

Within the framework of such cessation measures in 2007, the property of the above Complex amounting to RUB 41, 139,000 was donated to the Administration Office of the city of Dudinka gratis.

#### **Activities of Passenger Bus and Cargo Transport**

Due to restructuring of Transpolar Division of MMC Norilsk Nickel on the basis of orders by Director of Transpolar Division No.ZF/158-p of 15.08.07, No. ZF/96-p of 25.04.07 and due to redeployment of dismissed employees by Norilsk Industrial Transport LLC, the following units of Transpolar Division were abolished:

- as of 01.07.2007 – the mining and haulage company, production mechanization company and TsATK Motor Operating Company shall be abolished. Data on abolition of the above companies have been notified to employees involved in transportation services before 01.05.2007.
- as of 01.11.2007 a subdivision named Passenger Carriage Enterprise shall be abolished.

Data on such abolition have been notified to employees involved in transportation services before 01.09.2007.

Within the framework of such cessation measures in 2007, the property of the above Complex amounting to RUB 20,777,000 was donated to the Administration Office of the city of Dudinka gratis.

#### **Cessation measures are expected to be completed in 2008**

Property will be transferred and employees redeployed by newly incorporated companies with 100% participation of MMC Norilsk Nickel and such newly incorporated companies will perform such activities. In this way for Norilsk Nickel Group the following activities **shall not be ceased**:

- construction activities – Zapolarnaya Construction LLC has been incorporated;
- Repair activities – Norilsknickelremont LLC has been incorporated;
- Activities related to manufacturing of products for procurement of uninterrupted operation of structural divisions – Norilsk Supporting Complex LLC has been incorporated;
- Activities related to completion of experimental developments and manufacture of scientific and technical products, as well as development of design and budget documentation – conversion of Gipronickel Institute LLC;
- Activities related to newspaper publishing – Severny Gorod Media Company has been incorporated,
- Activities related to passenger and cargo transportation – Norilsk Industrial Transport Company and Nortrans-Norilsk Company have been incorporated.

Data on the value of assets and liabilities of ceased companies as of 31.12.2007, as well as data on income and expenditure, profit and loss before tax for the year of 2007 and major items of monetary funds movement in respect to activities ceased in 2007 are given below.

Item of Bookkeeping Balance Sheet	No. of the line of the bookkeeping balance sheet - form No. 1	Constructi onal activities	Repair activities	Activities related to production of goods for assurance of continuous working of structural divisions	Activities related to rendering services in the field of culture	Activities related to newspaper publishing	Activities related to performance of exploratory developments and output of R&D deliverables as well as to elaboration of design and estimate documents	Activities of passenger bus transport	Activities of sanatorium- and-spa institutions	Activities of services by sportive complexes	TOTAL under the ceased activities	For reference only, specific weight of appropriate indicator in the accounts of MMC Norilsk Nickel
1	2	3	4	5	6	7	8	9	10	11	12	13
Foxed Assets	120	171 834	599 497	762 497	-	483	4 472	406 242	6 142	-	1 951 167	3.02%
Building in Progress	130	224	1 394	-	-	167	-	-	-	-	1 785	0.00%
Inventory	210	20 229	22 622	22 329	2 004	-	50 124	16 312	560	620	134 800	0.33%
including raw and other materials	211	20 223	3 653	4 248	-	-	3 913	12 580	554	620	45 791	0.29%
Receivables	230 + 240	749 336	390 095	47 687	4 075	-	2	149 573	1 170	4 732	1 346 670	2.70%
Monetary Funds	260	-	-	-	-	-	-	-	-	-	-	-
Payables due within 12 months after the reporting date	620	951 613	1 017 711	836 720	6 079	3	50 346	571 823	7 872	5 352	3 447 519	18.74 %

Items of Profit and Loss Account	No. of the line of the profit and loss account - form No. 2	Construct ional activities	Repair activities	Activities related to production of goods for assurance of continuous working of structural divisions	Activities related to rendering services in the field of culture	Activiti es related to newspa per publishi ng	Activities related to performance of exploratory developments and output of R&D deliverables as well as to elaboration of design and estimate documents	Activities of passenger bus transport	Activities of sanatorium- and- spa institutio ns	Activities of services by sportive complexes	TOTAL under the ceased activities	For reference only, specific weight of appropriate indicator in the accounts of MMC Norilsk Nickel
1	2	3	4	5	6	7	8	9	10	11	12	123
Proceeds (net) gained from sales of goods, products, works, services (less VAT, excises and similar mandatory payments)	010	4	-	21 265	11	1 191	10 396	291 348	30 117	51 893	406 225	0.13%
Prime costs of the sold goods, products, works, services	020	(4)	-	(18 363)	(9)	(2 970)	(13 824)	(311 357)	(48 017)	(81 663)	(476 207)	( 0.65%)
Gross profit	029	-	-	2 902	2	(1 779)	(3 428)	(20 009)	(17 900)	(29 770)	(69 982)	(0.03%)
Administrative costs	040	-	-	-	-	(5 810)	(1 910)	-	-	-	(7 720)	(0.08%)
Profit (loss) gained from sales	050	-	-	2 902	2	(7 589)	(5 338)	(20 009)	(17 900)	(29 770)	(77 702)	(0.03%)
Other income	090	283 119	186 806	468 616	48 817	27 732	169 984	150 792	1 166	1 857	1 338 889	1.33%
- including sales of fixed assets to third parties		163 008	34 738	140 994	39 089	18 925	131 776	2 921	667	-	532 118	56,86%
- sales of Inventory to third parties		4 115	8 835	202 040	3 453	8 804	3 973	96 188	300	-	327 708	22,01%
Other expenses	100	(338 622)	(229 793)	(420 796)	(46 078)	(26 753)	(143 713)	(208 375)	(31 752)	(96 560)	(1 542 442)	(1.53%)
- including sales of fixed assets to third parties		(148 555)	(25 934)	(114 398)	(32 636)	(17 452)	(114 298)	(1 295)	(569)	-	(455 137)	(58.68%)
- sales of Inventory to third parties		(4 275)	(3 011)	(203 875)	(3 453)	(8 848)	(3 045)	(93 092)	-	-	(319 599)	(21.77%)
Profit (loss) before taxation	140	(55 503)	(42 987)	50 722	2 741	(6 610)	20 933	(77 592)	(48 486)	(124 473)	(281 255)	(0.12%)

Items of Cash Flow Statements	No. of the line of the cash flow state ment - form No. 4	Constru ctional activitie s	Repair activities	Activities related to production of goods for assurance of continuous working of structural divisions	Activiti es related to renderin g services in the field of culture	Activiti es related to newspa per publishi ng	Activities related to performance of exploratory developments and output of R&D deliverables as well as to elaboration of design and estimate documents	Activities of passenger bus transport	Activities of sanatorium- and-spa institutions	Activities of services by sportive complexes	TOTAL under the ceased activities	For reference only, specific weight of appropriate indicator in the accounts of MMC Norilsk Nickel
1	2	3	4	5	6	7	8	9	10	11	12	13
Cash inflow under the current activities, in total:	115	381 217	399 749	410 069	47 825	-	73 265	417 242	23 472	70 370	1 823 209	0.52%
for other products, goods, works, services and other current assets	130	363 545	378 580	404 662	47 757	-	71 765	415 844	9 150	68 738	1 760 041	13.44%
Other income	140	17 672	21 169	5 407	68	-	1 500	1 398	14 322	1 632	63 168	0.36%
Cash outflow under the current activities, in total:	145	(55 973)	(86 793)	(196 971)	(10 847)	-	(84 123)	(986 341)	(84 827)	(239 639)	1 745 514	(0.75%)
for payment for acquired goods, works, services, raw materials and other current assets	150	(3 526)	(20 246)	(48 851)	(813)	-	(5 916)	(576 284)	(19 755)	(88 109)	(763 500)	(0.86%)
for labor remuneration	160	(43 415)	(46 585)	(122 421)	(8 368)	-	(64 635)	(328 681)	(43 592)	(90 687)	(748 384)	(4.50%)
for settlements under taxes and dues	180	(1 088)	(9 865)	(16 476)	(1 219)	-	(10 171)	(48 937)	(4 876)	(20 294)	(112 926)	(0.16%)
for settlements with the national off-budget funds	185	-	-	-		-	-	-	-	(198)	(198)	(0.01%)
for issuing of imprests	186	-	-	(116)	(25)	-	(354)	(1 293)	(299)	-	(2 087)	(1 12%)
for other expenses	190	(7 944)	(10 097)	(9 107)	(422)	-	(3 047)	(31 146)	(16 305)	(40 351)	(118 419)	(0.36%)
Proceeds gained from sales of fixed and other capital assets	210	134 827	137 539	-	-	-	-	3 161	71	-	275 598	16.43%



## 4 Information associated to the financial statements

The information associated to the financial statements in relation to main production indicators, disclosure of the results of operating and distributive activities of the Company as well as other useful information for the interested users at taking economic decisions shall not be disclosed in the Explanatory Note but in the Company's Annual Report submitted to the shareholders at the annual General Meeting of Shareholders and shall be also posted in the open access on the Company's official web-site: <http://www.nornik.ru>.

### 4.1 Evaluation of financial standing

#### *Indicators of liquidity and financial stability of MMC Norilsk Nickel for 2007*

No	Indicator's Name	Standard	As of 01.01.2007, thousand rubles	As of 31.12.2007, thousand rubles	Difference, %
1	<b>Current liquidity ratio</b> (total of company's current assets per one ruble of short-term liabilities).	Needed >1 Optimal >=2	1.8121	0.9870	(45.53%)
2	<b>Working capital ratio</b> (working capital share in the company's current assets).	>= 0.1	0.2997	(0.5848)	(295.13%)
3	<b>Financial independence ratio</b> (share of equity in the balance)	> 0.5	0.7457	0.5947	(20.25%)
4	<b>Capitalization ratio</b> (ratio between borrowed assets and equity)	<1	0.3409	0.6816	99.93%
6	<b>Financing ratio</b> (ratio between equity and borrowed assets)	>1	2.9330	1.4670	(49.98%)
7	<b>Financial stability ratio</b> (ratio of equity and long-term liabilities towards the total amount of financing sources)	About 0.8	0.7972	0.7409	(7.06%)
8	<b>Product (sales) profitability</b> (ratio of sales profit towards proceeds)	-	72.09%	72.39%	0.42%

The decrease in indicators of current liquidity and working capital as of 31.12.2007 as compared to similar indicators as of 01.01.2007 is caused with considerable increase in long-term financial investments into shares of member companies of the power engineering complex due to the Company's intentions to allocate power assets. The changes in indicators of the financing and capitalization are connected with borrowing of funds for financing investment projects, inter alia, for the purposes of financing of acquisition of all issued ordinary shares of LionOre Mining International Ltd. by Norilsk Nickel Group.

### 4.2 Settlements with budget

In 2007 the amount of tax payments charged by the Company to the budgets of different levels within the reported period and under recalculations for previous periods (*without taking into account the value added tax to be reimbursed from the budget in relation to operations of products export sales in 2007*) has made 72,003.25 million rubles.

The total amount of charged penalties and fines under all tax payments of the Company to budgets of various levels has made 269.84 million rubles.

The structure of the Company's tax payments charged in the reporting 2007 year and the previous year (without the value added tax) looks as follows:

Tax Name	Specific Weight in the Total Amount of Charged Payments
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	<b>2007</b>	<b>2006</b>
Tax on profit	90.17%	86.74%
Individual income tax	3.82%	5.83%
Tax on natural resources production	2.83%	2.91%
Property tax	2.03%	2.45%
Unified Social Tax	0.97%	1.75%
Payment for negative environmental impact	0.15%	0.26%
Other taxes	0.03%	0.06%

The increase of amounts of charged tax payments under the tax on profit in 2007 in comparison with 2006 is due to the increase of the amount of the current tax on profit in the amount of 17,772,039 thousand rubles due to increase of the taxation base caused by advance in prices for sold metal products.

The amount of the value added tax (VAT) as of 31.12.2007 has formed for reimbursement from the budget for the account of excess of the amounts of tax deductions over the amounts of taxes charged on operations being the subjects of taxation.

The excess of tax deductions over the total amount of tax charged on operation considered as subjects of taxation is due to the fact that 90.26% of the Company's proceeds fall on the credits gained from export sales of metal products. In accordance with the standards of the tax legislation export sales of goods is subject to taxation at the rate of 0%. To be entitled for tax reimbursement in case of taxation at the rate of 0% the Company shall submit to the taxation authorities the set of documents confirming the possibility of applying the rate of 0%.

In 2007 the Company transferred the tax payments to the budgets of all levels in full volume and in due time. Fulfillment of liabilities towards the budgets of different levels on tax payments has made 71,744.11 million rubles taking into account penalties and fines (including the amount of VAT paid under sales of goods, works, services in the territory of the Russian Federation and amounts of tax offsetting and amounts of taxes repaid from the budget).

Debts under taxes and dues recorded on line 624 Taxes and Charges Payable of form No. 1 Balance Sheet represents the Company's current tax liabilities charged in accordance with the declarations and tax calculations for 2007 which are subject to be paid in 2008 in accordance with the current tax legislation.

**Deputy CEO**  
**OJSC MMC Norilsk Nickel**

**O.V.Lobanov**

**Chief Accountant**  
**OJSC MMC Norilsk Nickel**

**L.V. Lisitsyna**

Date submitted:  
March 31, 2008