The Norilsk Nickel Group

Combined financial statements

as at and for the year ended 31 December 2000
(unaudited)

Contents

	Note	2000 '000 RUR	1999 '000 RUR	2000 '000 USD*	1999 '000 USD*
Revenue	4	**152 988 925**	**94 142 118**	**5 432 845**	**3 343 115**
Cost of sales		(67 918 784)	(37 771 837)	(2 411 889)	(1 341 329)
Exploration expenses		(725 104)	(373 258)	(25 749)	(13 255)
Gross profit		**84 345 037**	**55 997 023**	**2 995 207**	**1 988 531**
Sales, general and administrative expenses		(9 653 430)	(10 478 847)	(342 806)	(372 118)
Taxes, other than on income	5	(644 456)	(5 778 335)	(22 886)	(205 197)
Other operating expenses	6	(6 938 223)	(3 767 377)	(246 386)	(133 785)
Profit from operations		**67 108 928**	**35 972 464**	**2 383 129**	**1 277 431**
Net financing gains/(costs)	7	(1 200 856)	3 441 173	(42 644)	122 201
Other expenses	8	(9 924 445)	(9 205 063)	(352 431)	(326 884)
Profit before tax		**55 983 627**	**30 208 574**	**1 988 054**	**1 072 748**
Income tax expense	10	(15 914 675)	(12 967 408)	(565 152)	(460 490)
Profit after tax		**40 068 952**	**17 241 166**	**1 422 902**	**612 258**
Minority interest in profit		20 497	7 741	728	275
Net profit for the year		**40 089 449**	**17 248 907**	**1 423 630**	**612 533**
Basic combined earnings per share	11	**RUR 232.14**	**RUR 105.56**	**USD 8.24**	**USD 3.75**
Diluted combined earnings per share	11	**RUR 187.79**	**RUR 91.26**	**USD 6.67**	**USD 3.24**

General director   Chief accountant

The combined income statement is to be read in conjunction with the notes to, and forming part of, the combined financial statements set out on pages 9 to 43.

* *The USD equivalent figures are provided for information purposes only and do not form part of the combined financial statements - refer Note 2 (h).*

	Note	2000 '000 RUR	1999 '000 RUR	2000 '000 USD*	1999 '000 USD*
ASSETS					
Non-current assets					
Property, plant and equipment	12	81 317 770	70 225 416	2 887 705	2 493 800
Intangible assets	13	5 370 089	12 996	190 698	460
Investments in associates	14	128 807	626 647	4 574	22 253
Other investments	15	9 809 003	3 226 206	348 331	114 567
Deferred tax	16	3 589 658	560 305	127 474	19 897
		100 215 327	**74 651 570**	**3 558 782**	**2 650 977**
Current assets					
Other current assets	17	6 568 977	4 986 234	233 273	177 068
Inventories	18	34 306 888	25 709 081	1 218 284	912 965
Trade and other receivables	19	35 809 888	22 310 133	1 271 658	792 263
Other investments	15	331 186	3 672 399	11 761	130 412
Cash and cash equivalents	20	16 886 241	8 817 605	599 653	313 125
		93 903 180	**65 495 452**	**3 334 629**	**2 325 833**
Total assets		**194 118 507**	**140 147 022**	**6 893 411**	**4 976 810**

The combined balance sheet is to be read in conjunction with the notes to, and forming part of, the combined financial statements set out on pages 9 to 43.

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	Note	2000 '000 RUR	1999 '000 RUR	2000 '000 USD*	1999 '000 USD*
EQUITY AND LIABILITIES					
Equity					
Issued capital	21	1 027 846	1 027 846	36 500	36 500
Treasury shares		(396 928)	-	(14 095)	-
Realisation reserve	21	8 624 527	-	306 268	-
Additional paid-in capital		7 220 826	7 220 826	256 421	256 421
Retained earnings		108 595 459	68 854 581	3 856 371	2 445 120
		125 071 730	**77 103 253**	**4 441 465**	**2 738 041**
Minority interests		**58 097**	**408 019**	**2 063**	**14 489**
Non-current liabilities					
Loans and borrowings	22	4 906 426	7 949 947	174 234	282 313
Deferred tax	16	3 529 852	1 222 789	125 350	43 423
Taxes payable	24	360 703	-	12 809	-
Employee benefits	25	1 622 255	1 134 609	57 608	40 291
		10 419 236	**10 307 345**	**370 001**	**366 027**
Current liabilities					
Loans and borrowings	22	24 310 593	8 606 603	863 303	305 632
Trade and other payables	23	20 215 308	19 451 351	717 873	690 744
Taxes payable	24	10 963 575	17 880 686	389 332	634 968
Employee benefits	25	1 548 642	5 041 654	54 994	179 036
Deferred government grants		1 531 326	1 348 111	54 380	47 873
		58 569 444	**52 328 405**	**2 079 882**	**1 858 253**
Total equity and liabilities		**194 118 507**	**140 147 022**	**6 893 411**	**4 976 810**

General director   Chief accountant

The combined balance sheet is to be read in conjunction with the notes to, and forming part of, the combined financial statements set out on pages 9 to 43.

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	2000 '000 RUR	1999 '000 RUR	2000 '000 USD*	1999 '000 USD*
OPERATING ACTIVITIES				
Profit before tax	**55 983 627**	**30 208 574**	**1 988 054**	**1 072 748**
Adjustments for:				
Depreciation and amortisation	3 438 008	3 244 174	122 088	115 205
Loss on sales of property, plant and equipment	1 240 322	171 179	44 046	6 079
Loss from associates	472 863	368 211	16 792	13 076
Loss from other investments	116 662	114 654	4 143	4 071
Employee benefits	(3 005 366)	2 005 042	(106 725)	71 202
Change in provision for decommissioned facilities	2 330 400	40 423	82 756	1 435
Change in deferred government grants	183 215	(272 936)	6 507	(9 692)
Interest expense	2 180 584	3 233 634	77 435	114 831
Gain on net monetary position	(2 349 717)	(7 140 992)	(83 441)	(253 587)
Operating profit before working capital changes	**60 590 598**	**31 971 963**	**2 151 655**	**1 135 368**
Decrease in inventories	5 679 912	367 104	201 701	13 036
Increase in trade and other receivables	(10 524 192)	(11 916 630)	(373 728)	(423 176)
Increase/(decrease) in trade and other payables	(13 015 171)	1 229 999	(462 186)	43 679
Decrease in current investments	3 341 213	755 136	118 651	26 816
Increase in other current assets	(1 582 742)	(1 432 285)	(56 205)	(50 862)
Increase/(decrease) in taxes payable	(111 006)	7 505 708	(3 943)	266 538
Cash flows generated from operations before income taxes and interest paid	**44 378 612**	**28 480 995**	**1 575 945**	**1 011 399**
Interest paid	(1 891 265)	(3 366 551)	(67 161)	(119 551)
Income taxes paid	(23 443 069)	(9 213 848)	(832 494)	(327 196)
Cash flows generated from operating activities	**19 044 278**	**15 900 596**	**676 290**	**564 652**

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	2000 '000 RUR	1999 '000 RUR	2000 '000 USD*	1999 '000 USD*
INVESTING ACTIVITIES				
Proceeds from sale of property, plant and equipment	309 565	807 533	10 993	28 677
Purchase of property, plant and equipment	(17 971 205)	(4 725 577)	(638 183)	(167 812)
Proceeds from disposals of intangible assets	5 433	-	193	-
Purchase of non-current investments	(8 006 474)	(1 934 383)	(284 321)	(68 693)
Proceeds from sales of non-current investments	598 577	935 590	21 256	33 224
Increase in cash due to acquisitions of subsidiaries	1 017 784	-	36 143	-
Cash flows used in investing activities	**(24 046 320)**	**(4 916 837)**	**(853 919)**	**(174 604)**
FINANCING ACTIVITIES				
Decrease of non-current tax payable	-	(4 240 312)	-	(150 580)
Proceeds from current borrowings	21 305 035	14 131 702	756 571	501 837
Repayment of borrowings	(6 743 181)	(13 290 427)	(239 460)	(471 961)
Dividends paid	(348 571)	-	(12 379)	-
Cash flows provided by/(used in) financing activities	**14 213 283**	**(3 399 037)**	**504 732**	**(120 704)**
Impact of cash revaluation	**(1 142 605)**	**(506 742)**	**(40 575)**	**(17 995)**
Net increase in cash and cash equivalents	**8 068 636**	**7 077 980**	**286 528**	**251 349**
Cash and cash equivalents at beginning of year	8 817 605	1 739 625	313 125	61 776
Cash and cash equivalents at end of year	**16 886 241**	**8 817 605**	**599 653**	**313 125**

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'000 RUR	Share capital Ordinary shares	Share capital Preferred shares	Treasury shares	Additional paid-in capital	Realisation reserve	Retained earnings	Total
31 December 1998	**856 536**	**171 310**	**-**	**7 220 826**	**-**	**51 605 674**	**59 854 346**
Net profit for the year						17 248 907	17 248 907
Preferred shares converted to ordinary shares	64 230	(64 230)					
31 December 1999	**920 766**	**107 080**	**-**	**7 220 826**	**-**	**68 854 581**	**77 103 253**
Net profit for the year						40 089 449	40 089 449
Own shares acquired through business combination			(396 928)				(396 928)
Acquisition reserve accrual					8 624 527		8 624 527
Dividends declared						(348 571)	(348 571)
Preferred shares converted to ordinary shares	39 972	(39 972)					-
31 December 2000	**960 738**	**67 108**	**(396 928)**	**7 220 826**	**8 624 527**	**108 595 459**	**125 071 730**

'000 USD*	Share capital Ordinary shares	Share capital Preferred shares	Treasury shares	Additional paid-in capital	Realisation reserve	Retained earnings	Total
31 December 1998	**30 417**	**6 083**	**-**	**256 421**	**-**	**1 832 587**	**2 125 508**
Net profit for the year						612 533	612 533
Preferred shares converted to ordinary shares	2 281	(2 281)					
31 December 1999	**32 698**	**3 802**	**-**	**256 421**	**-**	**2 445 120**	**2 738 041**
Net profit for the year						1 423 630	1 423 630
Own shares acquired through business combination			(14 095)				(14 095)
Acquisition reserve accrual					306 268		306 268
Dividends declared						(12 379)	(12 379)
Preferred shares converted to ordinary shares	1 419	(1 419)					-
31 December 2000	**34 117**	**2 383**	**(14 095)**	**256 421**	**306 268**	**3 856 371**	**4 441 465**

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1. Operations and reorganization

(a) Operations

The Norilsk Nickel Group (the "Group") reflected in these financial statements present the operations and assets of the companies listed in Note 29 combined as if they formed a single group. The basis of preparation is explained in Note 2 (a).

The principal activities of the Group are the exploration for and extraction, processing and sale of nickel, copper, cobalt, platinum group metals and other non-ferrous and precious metals, primarily in, and around, the Norilsk industrial region, Nickel, Monchegorsk and Zapolyarny cities in the Kola Peninsula. The Group is the only major industrial operator in certain of its locations and, as such, provides the livelihood for cities with an aggregate population of approximately 500 000 people.

The majority of the Group's production is exported. During 2000, the Group formed an international marketing and trading network for its base metals production based on the acquisition of OOO "Interros-Prom" and subsidiaries, including Norimet Limited. The Group is required to sell its precious metals via GUPVO "Almazyuvelirexport", a Russian Federation government owned exclusive distributor of precious metals.

In addition, during 2000 the Group began a reorganization which was completed in September 2001. As a result of this reorganization the center of the Group's market capitalization has been transferred from RAO "Norilsk Nickel" ("NN") to OAO "GMK "Norilsk Nickel" (until 21 February OAO "Norilskay Gornaya Kompaniya", "NGK"), the principal operating company. The procedure of listing the shares of OAO "GMK "Norilsk Nickel" ("GMK") on the stock exchanges where NN shares were traded was completed on 30 May 2001. A detailed description of the reorganization process is presented in Note 31.

(b) Reorganization

Prior to 1 January 2000, NGK was a wholly owned subsidiary of NN and the shares of NN were listed on the Russian Trading System and Moscow Interbank Currency Exchange.

In early 2000, the Group commenced a reorganization of its operations and legal structure. The reorganization was completed on 28 September 2001. The steps taken to complete the reorganization are set out in Note 31.

As a result of the reorganization a more efficient financial and corporate structure for the Group and its operations has been created by:

- acquiring a wholly owned marketing and trading network for its base metals' production through its acquisition of OOO "Interros-Prom" and subsidiaries, including Norimet Limited; and
- making NN a wholly owned subsidiary of GMK and transferring the center of the Group's market capitalization from NN to GMK, its principal operating company.

Upon completion of the reorganization the former shareholders of NN hold one share in the listed GMK for each share they held in NN.

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2. Basis of preparation

(a) Combined financial statements

As described in Note 1 (b), the effect of the reorganization upon its completion in 2001 was that the shareholders of NN swapped their shares in NN for shares in GMK, making NN a wholly owned subsidiary of GMK. GMK then replaced NN as the entity listed on those stock exchanges on which the Group's shares are traded. The reorganization process is described in Notes 1 (b) and 31. Although GMK had previously been a subsidiary of NN, as of 31 December 2000, the reorganization of the Group's legal structure was in progress and despite crossholdings between the two companies, no parent/subsidiary relationship existed as at that date.

Taking into consideration the continuity of ownership of NN and GMK throughout the reorganization process, management consider that the presentation of combined financial statements throughout the reorganization is appropriate. The treatment of equity in these combined financial statements is more fully described in Note 21.

Accordingly these combined financial statements have been prepared to give shareholders a view of the economic entity in which they have an interest.

(b) Statement of compliance

The combined financial statements have been prepared in accordance with International Accounting Standards ("IAS"), as adopted by the International Accounting Standards Board ("IASB") and interpretations issued by the Standard Interpretations Committee of the IASB.

(c) Elimination of intra-group balances and transactions

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the combined financial statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the associates. Unrealised gains and losses resulting from transactions with associates are eliminated against the investment in the associate.

(d) The Group

(i) Subsidiaries

Subsidiaries are those enterprises controlled by the Group. Control is deemed to exist when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the combined financial statements from the date on which control effectively commences until the date on which control effectively ceases. A list of subsidiaries is set out in Note 29.

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(ii) Associates

Associates are those enterprises in which the Group has significant influence over the financial and operating policies, but not control. The combined financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date on which significant influence effectively commences until the date on which significant influence effectively ceases. A list of associated companies is set out in Note 14.

(e) Russian business environment

The environment for business in the Russian Federation has changed rapidly over the last decade from a system where central planning and direction dominated to one in which market forces operate. As a result of the speed and continuation of this complex change, the legal and regulatory framework in place in more long standing market economies for the protection and regulation of companies and investors is still developing.

The Russian Federation has experienced political change and macro-economic instability.

These factors have affected and may continue to affect the activities of enterprises doing business in Russia, where operating involves risks which do not typically exist in more long established market economies.

The accompanying combined financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. Among other things, this includes assessment of collectability of accounts receivable and provisions for taxes. The impact on the Group of the current and future business environments may differ from management's assessment and such differences may be significant.

(f) Accounting records

The Group maintains its accounting records in accordance with the legislative requirements of the Russian Federation. The combined financial statements have been prepared from those accounting records and adjusted as necessary to comply, in all material respects, with the requirements of IAS.

(g) Historical cost basis

The combined financial statements are prepared on the historical cost basis except for the restatement of non-monetary assets and liabilities to take account of the effects of inflation as described in the accounting policies set out in Note 3 (c).

(h) Reporting currency

The reporting currency of the Group for the purposes of the combined financial statements is the Russian rouble, the national currency of the Russian Federation.

For the purpose of presenting additional information, all items in the combined financial statements have been translated into US dollars at the closing rate of exchange ruling at the balance sheet date of 1 US dollar = 28.16 roubles.

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Had the US dollar been used as the reporting currency of the Group, the translation into US dollars would have been made in accordance with the provisions of IAS 21 *The Effects of Changes in Foreign Exchange Rates*. Due to a divergence in the movement in the rouble exchange rate and Russian general price indices, the information presented in the combined financial statements may differ from the information which would be presented had the US dollar been used as the reporting currency.

(i) Going concern

The combined financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities in the normal course of business. The recoverability of the Group's assets, as well as the future operations of the Group may be significantly affected by the current and future economic situation in Russia (see Note 2 (e)). The combined financial statements do not include adjustments that would be necessary should the Group be unable to continue as a going concern.

3. Significant accounting policies

The following significant accounting policies have been applied consistently in the preparation of the combined financial statements.

(a) Foreign currency transactions

Transactions in currencies other than the Russian rouble are translated to roubles at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in currencies other than the Russian rouble at the balance sheet date are translated to roubles at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities denominated in currencies other than the Russian rouble, which are stated at historical cost, are translated to roubles at the exchange rate ruling at the date of the transaction.

Foreign exchange differences arising on translation are recognised in the income statement.

(b) Convertibility of the rouble

The Russian rouble is not a freely convertible currency outside the Russian Federation and, accordingly, any translation of Russian rouble amounts to US dollars should not be construed as a representation that Russian rouble amounts have been, could be, or will be in the future, convertible into US dollars at the exchange rate shown, or at any other exchange rate.

(c) Inflation accounting

The accounting records of Group companies' operations in the Russian Federation are maintained in roubles and the Group prepares its statutory financial statements and reports in that currency to its shareholders in accordance with the laws of the Russian Federation.

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The economy of the Russian Federation is considered to be a hyperinflationary economy. In order to comply with IAS 29 *Financial Reporting in Hyperinflationary Economies* the financial statements, including comparatives, have been restated to account for changes in the general purchasing power of the rouble. The restatement is based on the consumer price index at the balance sheet date. The indices are derived from the inflation rates, which are issued by the State Statistical Committee of the Russian Federation ("Goskomstat"). The indices used were as follows:

	Indices
31 December 1991	100
31 December 1992	2 642
31 December 1993	25 023
31 December 1994	78 470
31 December 1995	182 046
31 December 1996	221 597
31 December 1997	245 949
31 December 1998	501 689
31 December 1999	685 864
31 December 2000	823 917

The indices have been applied to the historical costs of transactions and balances as follows:

- All comparative figures as at and for the year ended 31 December 1999 have been restated by applying the change in the index to 31 December 2000;

- Income statement transactions have been restated by applying the change in the index from the approximate date of the transactions to 31 December 2000;

- Gains and losses arising from the monetary assets or liabilities positions have been included in the income statement; and

- Non-monetary assets, liabilities and equity have been restated by applying the change in the index from the date of the transaction, or if applicable from the date of their most recent revaluation, to 31 December 2000.

(d) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at acquisition cost, or at the cost of construction, less accumulated depreciation and impairment losses (refer Note 3(j)). The cost of self-constructed assets includes the cost of material, direct labour and an appropriate portion of production overheads.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

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(ii) Leased assets

Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Plant and equipment acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses (refer Note 3 (j).

Operating leases, under which the Group does not assume substantially all the risks and rewards of ownership, are expensed.

(iii) Provision for decommissioned facilities

The Group creates a provision for decommissioned facilities for items of property, plant and equipment withdrawn from production due to the condition of the assets or current operational requirements. Such items of property, plant and equipment are included into the provision at their net book value and depreciation is not charged.

Items of property, plant and equipment are released from the provision when they re-commence being used in production, and depreciation is charged from that time.

(iv) Subsequent expenditure

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, is capitalised with the carrying amount of the component being written off. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised in the income statement as an expense as incurred.

(v) Depreciation

Production assets with an expected useful life exceeding the remaining life of the relevant ore deposit are depreciated on a unit-of-production basis over the estimated remaining reserves. Production assets with an expected useful life less than the remaining useful life of the relevant ore deposit are depreciated on the basis of the expected useful life using the straight-line method. The expected useful lives are as follows:

Buildings, mine and other structures	20-40 years
Plant and machinery	8-12 years
Instruments and tools	8-12 years

(e) Intangible assets

(i) Goodwill

Goodwill arising on acquisition calculated as an excess of the cost of the acquisition over the Group's interest in the fair value of the identifiable assets and liabilities acquired as at the date of the exchange transaction is recognised as an asset.

After taking account of any impairment, goodwill is amortized on a straight-line basis over its useful life but not exceeding twenty years. Goodwill is carried at cost less any accumulated impairment losses and accumulated amortisation.

(ii) Other intangibles

Intangible assets relate to licenses for various types of production activities, rights to intellectual property, and software licenses and are stated at cost less accumulated amortisation and impairment losses (refer Note 3 (j)).

Intangible assets are amortised over their expected useful life using the straight-line method. These useful lives are generally less than 10 years.

(f) Investments

(i) Other non-current investments

Non-current investments in related parties and other companies comprise participation in various companies over which the Group does not exercise significant influence. The investments are carried at cost less any amounts written off to recognise other than temporary declines in the value of the investment. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to income.

(ii) Other current investments

Other current investments are comprised of promissory notes and deposits for imports. The investments are carried at market value. Both realised and unrealised gains and losses are recognised in the income statement.

(g) Inventories

Inventories are stated at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is determined on a weighted-average basis and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of finished products and semi-processed metal, cost includes an appropriate share of overheads based on normal operating capacity.

The Group provides for specific obsolete and damaged inventories.

(h) Trade and other receivables

Trade and other receivables are recorded at cost less provisions for doubtful debts.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and cash deposits.

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(j) Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. All impairment losses are recognised in the income statement.

(i) Calculation of recoverable amount

The recoverable amount of the Group's investments is their fair value.

The recoverable amount of other assets is the amount, which the Group expects to recover from the future use of an asset, including its residual value on disposal.

(ii) Reversals of impairment

An impairment loss in respect of an investment or receivable is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(k) Share capital

(i) Preferred share capital

Preferred share capital that is non-redeemable and upon which dividends are discretionary is classified as equity.

(ii) Dividends

Dividends are recognised as a liability in the period in which they become legally payable.

(l) Interest-bearing loans and borrowings

Interest-bearing loans and borrowings are recognised initially at cost, net of any transaction costs incurred.

(m) Employee benefits

(i) Provision for annual leave

The provision for annual leave consists of the actual amount of unpaid vacations (determined by multiplying the number of months of unused vacation time by the average monthly wage), associated social payments and also expected expenses for travel to the vacation site within the Russian Federation.

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(ii) Provision for other employee benefits

The Group is committed to reimburse employees for all expenses incurred in case of injuries at work. These amounts are expensed when they are paid.

The Group is also committed to reimburse the retired employees of the Group companies located in Norilsk industrial region for expenses of travel to the place of residence and to pay a monthly allowance equal to the amount of six times the state pension benefit payment for two years upon their retirement.

The Group also has an obligation to contribute to the Russian Federation state pension fund. The amount of the contribution is provided for as the employees render services to the Group.

(n) Deferred government grants

Deferred government grants for the year are comprised of mineral tax credit and environmental subsidies received from the government. The deferred income is reduced when the expenditure is incurred.

(o) Taxation

Income tax on the profit or loss for the year comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and includes any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which unused tax losses and tax credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(p) Revenue

(i) Sales of products

Revenue from the sale of products is recognised in the income statement at the time when all the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Profits and losses resulting from operations on futures markets are included in revenue or costs of sales depending on whether an overall profit or loss is made.

(ii) Interest income

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset. Profits and losses from operations on futures markets are included in revenue or cost of sales depending on whether an overall profit or loss is made.

(iii) Dividend income

Dividend income is recognised in the income statement on the date that the dividend is declared.

(q) Expenses

(i) Operating lease payments

Payments made under operating leases are recognised in the income statement in a period they are due in accordance with lease terms. Lease incentives received are recognised in the income statement as an integral part of the total lease payments made.

(ii) Net financing gains/(costs)

Net financing gains/costs comprise interest payable on borrowings, interest receivable on funds invested, dividend income, gains and losses from investments in associates, gain or loss on net monetary positions and foreign exchange gains and losses that are recognised in the income statement, and gain or loss resulting from changes in the Group structure.

All interest and other costs incurred in connection with borrowings are expensed as incurred as part of net financing costs. The interest expense component of finance lease payments is recognised in the income statement using the effective interest rate method.

(r) Segmental information

All production activities of the Group are located within the Northern Regions of the Russian Federation and its only operating segment is the exploration, extraction, processing and sale of nickel, copper, cobalt, platinum group metals and other non-ferrous and precious metals.

(s) Treasury shares

Treasury shares are recorded as a deduction from equity at cost.

(t) Derivative financial instruments

Derivatives include forward sale/purchase contracts, options, futures, and other contingent or exchange traded instruments. Derivatives are valued at fair value and the resultant gains and losses are recognized immediately in the income statement with unrealized gains and losses reported on a gross basis as other assets or other liabilities as appropriate. Any necessary provisions for credit losses related to derivative financial statements have been recorded in the income statement.

4. Revenue

Revenue for the year ended 31 December 2000 was as follows:

'000 RUR	Nickel	Copper	Cobalt	Precious metals	Other	Total
Export sales	46 442 324	19 805 226	2 305 547	67 610 176	171 292	136 334 565
Domestic sales	5 763 260	2 522 853	228 011	2 264 103	5 876 133	16 654 360
Total	**52 205 584**	**22 328 079**	**2 533 558**	**69 874 279**	**6 047 425**	**152 988 925**

'000 USD*	Nickel	Copper	Cobalt	Precious metals	Other	Total
Export sales	1 649 230	703 311	81 873	2 400 930	6 082	4 841 426
Domestic sales	204 661	89 590	8 097	80 401	208 670	591 419
Total	**1 853 891**	**792 901**	**89 970**	**2 481 331**	**214 752**	**5 432 845**

Revenue for the year ended 31 December 1999 was as follows:

'000 RUR	Nickel	Copper	Cobalt	Precious metals	Other	Total
Export sales	35 895 933	19 203 207	2 621 449	30 998 558	352 167	89 071 314
Domestic sales	1 905 607	371 108	177 245	23 699	2 593 145	5 070 804
Total	**37 801 540**	**19 574 315**	**2 798 694**	**31 022 257**	**2 945 312**	**94 142 118**

'000 USD*	Nickel	Copper	Cobalt	Precious metals	Other	Total
Export sales	1 274 714	681 932	93 091	1 100 801	12 506	3 163 044
Domestic sales	67 671	13 179	6 294	842	92 085	180 071
Total	**1 342 385**	**695 111**	**99 385**	**1 101 643**	**104 591**	**3 343 115**

* *The USD equivalent figures are provided for information purposes only and do not form part of the combined financial statements - refer Note 2 (h).*

5. Taxes, other than on earnings

	2000 '000 RUR	1999 '000 RUR	2000 '000 USD*	1999 '000 USD*
Taxes	(1 894 196)	(2 840 480)	(67 265)	(100 870)
Tax fines and penalties	1 249 740	(2 937 855)	44 379	(104 327)
Total	**(644 456)**	**(5 778 335)**	**(22 886)**	**(205 197)**

Tax fines and penalties in 2000 include a reversal of charges related to previous periods based on a court decision in favour of the Group.

6. Other operating expenses

	2000 '000 RUR	1999 '000 RUR	2000 '000 USD*	1999 '000 USD*
Penalties under contracts	(314 929)	(2 120 097)	(11 184)	(75 287)
Bad debt expense	(3 358 103)	(732 070)	(119 250)	(25 997)
Changes in provision for decommissioned facilities	(2 330 400)	(40 380)	(82 756)	(1 434)
Loss on disposal of property, plant and equipment	(1 240 322)	(130 799)	(44 046)	(4 645)
Other	305 531	(744 031)	10 850	(26 422)
Total	**(6 938 223)**	**(3 767 377)**	**(246 386)**	**(133 785)**

7. Net financing gains/(costs)

	2000 '000 RUR	1999 '000 RUR	2000 '000 USD*	1999 '000 USD*
Interest expense (except for interest under finance lease contracts)	(1 766 094)	(4 064 525)	(62 716)	(144 336)
Interest expense under finance lease contracts	(414 490)	(22 589)	(14 719)	(802)
Interest received	682 784	853 480	24 247	30 308
Change in provision for impairment of long term investments	107 357	52	3 812	2
Loss from associated companies	(472 863)	(368 211)	(16 792)	(13 076)
Loss from other investment activities	(224 019)	(114 706)	(7 955)	(4 073)
Gain on net monetary position	1 689 076	8 747 238	59 981	310 626
Foreign exchange loss	(802 607)	(1 589 566)	(28 502)	(56 448)
Total	**(1 200 856)**	**3 441 173**	**(42 644)**	**122 201**

* *The USD equivalent figures are provided for information purposes only and do not form part of the combined financial statements - refer Note 2 (h).*

8. Other income/(expense)

	2000 '000 RUR	1999 '000 RUR	2000 '000 USD*	1999 '000 USD*
Maintenance of social facilities	(5 961 698)	(3 730 821)	(211 708)	(132 487)
Charitable donations	(4 349 658)	(4 057 646)	(154 462)	(144 093)
Other	386 911	(1 416 596)	13 739	(50 304)
Total	**(9 924 445)**	**(9 205 063)**	**(352 431)**	**(326 884)**

9. Wages and salaries

	2000 '000 RUR	1999 '000 RUR	2000 '000 USD*	1999 '000 USD*
Production staff	(15 984 944)	(9 601 396)	(567 647)	(340 959)
Administrative staff	(1 596 505)	(1 227 923)	(56 694)	(43 605)
Total	**(17 581 449)**	**(10 829 319)**	**(624 341)**	**(384 564)**

The total number of employees as at 31 December 2000 was 96 013 (1999: 102 715).

10. Income tax expense

	2000 '000 RUR	1999 '000 RUR	2000 '000 USD*	1999 '000 USD*
Current tax expense				
Current year	(16 525 959)	(10 875 431)	(586 860)	(386 201)
Deferred tax expense				
Effect of change in tax rates	(126 929)	(485)	(4 507)	(17)
Origination and reversal of temporary differences	738 213	(2 091 492)	26 215	(74 272)
Total deferred tax expense	611 284	(2 091 977)	21 708	(74 289)
Total income tax expense	**(15 914 675)**	**(12 967 408)**	**(565 152)**	**(460 490)**

Reconciliation of effective tax rate:

The Group's applicable tax rate is the corporate income tax rate of 30% for the year ended 31 December 2000. For the year ended 31 December 1999, the applicable tax rate was 35% for the three-month period ended 31 March 1999, and 30% for the nine-month period ended 31 December 1999.

* *The USD equivalent figures are provided for information purposes only and do not form part of the combined financial statements - refer Note 2 (h).*

	2000 '000 RUR	1999 '000 RUR	2000 '000 USD*	1999 '000 USD*
Profit before tax	**55 983 627**	**30 208 574**	**1 988 054**	**1 072 748**
Notional income tax using applicable rate	(16 795 088)	(9 440 179)	(596 416)	(335 234)
Effect of change in tax rates	(126 929)	(204 213)	(4 507)	(7 252)
Impact of specific tax rates	127 433	12 448	4 525	442
Under provided in prior years	(1 200 467)	(837 561)	(42 630)	(29 743)
Expenses non deductible for income tax purposes	(6 386 010)	(6 078 515)	(226 777)	(215 856)
Permanent differences	60 720	(10 795)	2 156	(383)
Inflation adjustment	(3 875 755)	(383 781)	(137 633)	(13 628)
Income tax concessions and other non-taxable income	12 281 421	3 975 188	436 130	141 164
Total income tax expense	**(15 914 675)**	**(12 967 408)**	**(565 152)**	**(460 490)**

11. Combined earnings per share

Basic combined earnings per share

The calculation of basic combined earnings per share is based on the net profit attributable to ordinary shareholders of RUR 40 066 169 000 (1999: RUR 17 248 907 000) and a weighted average number of ordinary shares outstanding during the year of 172 597 773 (1999: 163 401 505), calculated as follows:

Net profit attributable to ordinary shareholders

	2000 '000 RUR	1999 '000 RUR	2000 '000 USD*	1999 '000 USD*
Net profit for the year	40 089 449	17 248 907	1 423 630	612 533
Dividends on preferred shares	(23 280)	-	(827)	-
Net profit attributable to ordinary shareholders	**40 066 169**	**17 248 907**	**1 422 803**	**612 533**

Weighted average number of ordinary shares

	2000 No. of shares	1999 No. of shares
Ordinary shares at beginning of the year	169 303 116	157 499 894
Effect of conversion of preferred shares	3 294 657	5 901 611
Weighted average number of ordinary shares	**172 597 773**	**163 401 505**

* *The USD equivalent figures are provided for information purposes only and do not form part of the combined financial statements - refer Note 2 (h).*

Diluted combined earnings per share

The calculation of diluted combined earnings per share in 2000 is based on net profit for the year of RUR 40 089 449 000 (1999: 17 248 907 000) and a weighted average number of ordinary shares (diluted) outstanding during 2000 of 213 481 133 shares (1999: 188 999 874) calculated as follows:

Weighted average number of ordinary shares (diluted)

	2000 No. of shares	1999 No. of shares
Weighted average number of ordinary shares	172 597 773	163 401 505
Effect of conversion of preferred shares	16 402 101	25 598 369
Effect of reorganization	24 481 259	-
Weighted average number of ordinary shares (diluted)	**213 481 133**	**188 999 874**

The weighted average number of ordinary shares (diluted) is equal to the total listed shares on completion of the reorganization (refer Note 21) and reflects full conversion of the preferred shares into ordinary shares during the reorganization.

Diluted combined earnings per share for the year ended 31 December 2000 is therefore more reflective of the combined earnings per share attributable to all shareholders once the reorganization process is complete.

* *The USD equivalent figures are provided for information purposes only and do not form part of the combined financial statements - refer Note 2 (h).*

12. Property, plant and equipment

'000 RUR	Buildings, mine and other structures	Plant and machinery	Instruments and tools	Construction in progress	Other	Total
Cost/revalued amount						
At 31 December 1999	75 844 190	21 722 019	793 194	18 936 557	156 802	117 452 762
Additions	1 417 404	5 266 248	64 762	11 474 636	1 695	18 224 745
Transfers	842 888	506 214	16 170	(1 365 304)	32	-
Disposals	(1 429 717)	(3 291 316)	(74 465)	(78 152)	(29 209)	(4 902 859)
At 31 December 2000	**76 674 765**	**24 203 165**	**799 661**	**28 967 737**	**129 320**	**130 774 648**
Depreciation						
At 31 December 1999	(29 722 316)	(13 189 710)	(393 012)	-	(7 414)	(43 312 452)
Depreciation charge for the year	(1 968 686)	(1 226 487)	(56 046)	-	(1 874)	(3 253 093)
Disposals during the year	622 965	2 676 746	49 499	-	4 751	3 353 961
At 31 December 2000	**(31 068 037)**	**(11 739 451)**	**(399 559)**	**-**	**(4 537)**	**(43 211 584)**
Provision for decommissioned facilities						
At 31 December 1999	(1 229 500)	(104 623)	(18 670)	(2 562 101)	-	(3 914 894)
Movements in the provision	(1 656 966)	(493 009)	(6 737)	(169 768)	(3 920)	(2 330 400)
At 31 December 2000	**(2 886 466)**	**(597 632)**	**(25 407)**	**(2 731 869)**	**(3 920)**	**(6 245 294)**
Net book value						
At 31 December 2000	**42 720 262**	**11 866 082**	**374 695**	**26 235 868**	**120 863**	**81 317 770**
At 31 December 1999	**44 892 374**	**8 427 686**	**381 512**	**16 374 456**	**149 388**	**70 225 416**

* *The USD equivalent figures are provided for information purposes only and do not form part of the combined financial statements - refer note 2 (h).*

'000 USD*	Buildings, mine and other structures	Plant and machinery	Instruments and tools	Construction in progress	Other	Total
Cost/revalued amount						
At 31 December 1999	2 693 331	771 379	28 167	672 463	5 567	4 170 907
Additions	50 334	187 012	2 300	407 480	60	647 186
Transfers	29 932	17 976	574	(48 484)	2	-
Disposals	(50 771)	(116 879)	(2 644)	(2 775)	(1 038)	(174 107)
At 31 December 2000	**2 722 826**	**859 488**	**28 397**	**1 028 684**	**4 591**	**4 643 986**
Depreciation						
At 31 December 1999	(1 055 480)	(468 385)	(13 956)	-	(263)	(1 538 084)
Depreciation charge for the year	(69 911)	(43 554)	(1 990)	-	(67)	(115 522)
Disposals during the year	22 122	95 055	1 758	-	169	119 104
At 31 December 2000	**(1 103 269)**	**(416 884)**	**(14 188)**	**-**	**(161)**	**(1 534 502)**
Provision for decommissioned facilities						
At 31 December 1999	(43 661)	(3 715)	(663)	(90 984)	-	(139 023)
Movements in the provision	(58 841)	(17 508)	(239)	(6 029)	(139)	(82 756)
At 31 December 2000	**(102 502)**	**(21 223)**	**(902)**	**(97 013)**	**(139)**	**(221 779)**
Net book value						
At 31 December 2000	**1 517 055**	**421 381**	**13 307**	**931 671**	**4 291**	**2 887 705**
At 31 December 1999	**1 594 190**	**299 279**	**13 548**	**581 479**	**5 304**	**2 493 800**

* *The USD equivalent figures are provided for information purposes only and do not form part of the combined financial statements - refer note 2 (h).*

Leased plant and machinery

The Group leased production equipment under a number of finance lease agreements. At the end of each of the leases the Group has the option to purchase the equipment at a beneficial price. The carrying amount of leased plant and machinery was RUR 948 686 000 (USD 33 689 000) and RUR 828 016 000 (USD 29 404 000) as at 31 December 2000 and 1999 respectively. The leased equipment secures the lease obligations (see Note 22).

13. Intangible assets

	2000 '000 RUR	1999 '000 RUR	2000 '000 USD*	1999 '000 USD*
Goodwill	5 547 443	-	196 997	-
Accumulated amortisation	(184 915)	-	(6 566)	-
Goodwill at net book value	5 362 528	-	190 431	-
Other intangible assets at cost	22 452	23 441	797	832
Accumulated amortisation	(14 891)	(10 445)	(530)	(372)
Other intangible assets at net book value	7 561	12 996	267	460
Total	**5 370 089**	**12 996**	**190 698**	**460**

14. Investments in associates

The Group has the following investments in associates:

	2000 Ownership	1999 Ownership
Norgem SA	51%	-
AO Norilskgasprom	29%	29%
ZAO Metallurgtrans	21.87%	-

Norgem SA, Brussels (B) was incorporated on 4 August 2000 with a share capital of USD 56 930. The Group exercises no control over the management and the activity of this company and as such it has not been consolidated.

* *The USD equivalent figures are provided for information purposes only and do not form part of the combined financial statements - refer note 2 (h).*

15. Other investments

	2000 '000 RUR	1999 '000 RUR	2000 '000 USD*	1999 '000 USD*
Non-current investments				
Equity securities held for investment purposes	8 457 163	2 464 894	300 325	87 532
Long-term bank deposits	563 200	-	20 000	-
Other non-current investments	788 640	761 312	28 006	27 035
	9 809 003	**3 226 206**	**348 331**	**114 567**
Current investments				
Promissory notes	66 857	3 274 127	2 374	116 269
Other	264 329	398 272	9 387	14 143
	331 186	**3 672 399**	**11 761**	**130 412**
Total	**10 140 189**	**6 898 605**	**360 092**	**244 979**

16. Deferred tax assets and liabilities

(i) Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following items:

	Assets		Liabilities	
'000 RUR	2000	1999	2000	1999
Property, plant and equipment	1 417 085	-	(3 957 503)	(1 354 426)
Intangible assets	5 099	-	(1 296)	(1 069)
Investments	4 233	43 060	(788 837)	(315 567)
Inventories	7 388 363	15 420	(25 350)	(73 450)
Receivables	205 831	876 354	(5 122 001)	(614 239)
Other current assets	46 646	-	-	-
Interest-bearing loans and borrowings	100 729	25 756	-	-
Payables	786 807	735 677	-	-
Set off tax	(6 365 135)	(1 135 962)	6 365 135	1 135 962
Deferred asset/(liability)	**3 589 658**	**560 305**	**(3 529 852)**	**(1 222 789)**
Deferred tax gain			**722 290**	

* *The USD equivalent figures are provided for information purposes only and do not form part of the combined financial statements - refer note 2 (h).*

	Assets		Liabilities	
'000 USD*	2000	1999	2000	1999
Property, plant and equipment	50 323	-	(140 536)	(48 098)
Intangible assets	181	-	(46)	(38)
Investments	150	1 529	(28 014)	(11 206)
Inventories	262 371	548	(900)	(2 609)
Receivables	7 309	31 121	(181 889)	(21 812)
Other current assets	1 656	-	-	-
Interest-bearing loans and borrowings	3 578	914	-	-
Payables	27 941	26 125	-	-
Set off tax	(226 035)	(40 340)	226 035	40 340
Deferred asset/(liability)	**127 474**	**19 897**	**(125 350)**	**(43 423)**
Deferred tax gain			**25 650**	

(ii) Movement in temporary differences during the year

'000 RUR	31 December 1999	Recognised in income	Monetary position	31 December 2000
Property, plant and equipment	(1 354 426)	(1 412 937)	226 945	(2 540 418)
Intangible assets	(1 069)	4 692	180	3 803
Investments	(272 507)	(557 758)	45 661	(784 604)
Inventories	(58 033)	7 411 322	9 724	7 363 013
Receivables	262 118	(5 134 368)	(43 920)	(4 916 170)
Other current assets	-	46 646	-	46 646
Interest-bearing loans and borrowings	25 756	79 289	(4 316)	100 729
Payables	735 677	174 398	(123 268)	786 807
Total	**(662 484)**	**611 284**	**111 006**	**59 806**

'000 USD*	31 December 1999	Recognised in income	Monetary position	31 December 2000
Property, plant and equipment	(48 098)	(50 175)	8 060	(90 213)
Intangible assets	(38)	167	6	135
Investments	(9 677)	(19 807)	1 621	(27 863)
Inventories	(2 061)	263 186	345	261 470
Receivables	9 308	(182 328)	(1 560)	(174 580)
Other current assets	-	1 656	-	1 656
Interest-bearing loans and borrowings	915	2 816	(153)	3 578
Payables	26 125	6 193	(4 377)	27 941
Total	**(23 526)**	**21 708**	**3 942**	**2 124**

* *The USD equivalent figures are provided for information purposes only and do not form part of the combined financial statements - refer note 2 (h).*

17. Other current assets

	2000 '000 RUR	1999 '000 RUR	2000 '000 USD*	1999 '000 USD*
VAT recoverable	5 775 690	3 805 484	205 102	135 138
Other	793 287	1 180 750	28 171	41 930
Total	**6 568 977**	**4 986 234**	**233 273**	**177 068**

18. Inventories

	2000 '000 RUR	1999 '000 RUR	2000 '000 USD*	1999 '000 USD*
Consumables and materials	17 919 452	8 475 211	636 344	300 966
Provision for obsolescence	(862 679)	(29 899)	(30 634)	(1 061)
Total	**17 056 773**	**8 445 312**	**605 710**	**299 905**
Extracted ore	1 311 142	1 181 993	46 560	41 974
Semi processed metal	5 588 523	5 228 045	198 456	185 655
Finished products	10 350 450	10 853 731	367 558	385 431
Total	**34 306 888**	**25 709 081**	**1 218 284**	**912 965**

19. Trade and other accounts receivable

	2000 '000 RUR	1999 '000 RUR	2000 '000 USD*	1999 '000 USD*
Accounts receivable – trade	14 034 635	12 067 619	498 389	428 538
Advances to suppliers	12 786 060	9 014 851	454 050	320 130
Other receivables	11 084 926	4 775 788	393 641	169 595
Provision for doubtful accounts	(2 095 733)	(3 548 125)	(74 422)	(126 000)
Total	**35 809 888**	**22 310 133**	**1 271 658**	**792 263**

* *The USD equivalent figures are provided for information purposes only and do not form part of the combined financial statements - refer note 2 (h).*

20. Cash and cash equivalents

	2000 '000 RUR	1999 '000 RUR	2000 '000 USD*	1999 '000 USD*
Current accounts (RUR)	3 579 067	1 098 328	127 098	39 003
Current accounts (foreign currency)	1 390 556	2 696 065	49 380	95 740
Bank deposits (RUR)	9 500 000	1 451 524	337 358	51 546
Bank deposits (foreign currency)	2 260 966	3 243 465	80 290	115 180
Cash in hand	155 652	328 223	5 527	11 656
Total	**16 886 241**	**8 817 605**	**599 653**	**313 125**

21. Equity

(i) Share capital

As described in Note 1 (b), the corporate structure of the Group was in the process of reorganization as of 31 December 2000. The effect of the reorganization is that GMK (formerly NGK) officially replaced NN as the parent company of the Group in September 2001, and that GMK is listed on the stock exchanges.

As described in Note 2, management have prepared the combined financial statements on the basis of continuity of ownership of NN and GMK throughout the reorganization process. The number of listed shares in the Group as of 31 December 1999 and the number of listed shares in the Group on completion of the reorganization are:

	Ordinary shares	Preferred shares	Total listed shares in Norilsk Nickel Group
NN shares as at 31 December 1999	169 303 116	19 696 758	188 999 874
Conversion into ordinary shares during 2000	7 352 711	(7 352 311)	-
NN shares as at 31 December 2000	176 655 827	12 344 447	188 999 874
Conversion of preferred shares in the course of the reorganization	12 344 447	(12 344 447)	-
Increase in listed shares of the Group as a result of the acquisition of OOO "Interros-Prom"	24 481 259	-	24 481 259
Total listed shares on completion of reorganization	**213 481 133**	**-**	**213 481 133**

* *The USD equivalent figures are provided for information purposes only and do not form part of the combined financial statements - refer note 2 (h).*

Upon completion of the reorganization, the number of shares issued by the Group comprised:

	Number of shares
Total shares in GMK on issue as of at the moment the reorganization was completed	258 050 303
GMK shares held by NN to be cancelled as part of the reorganization	(44 569 170)
Total listed share on completion of reorganization	**213 481 133**

The GMK shares held by NN are to be cancelled as part of the reorganization process. Refer Note 31.

(ii) Dividends

In the year to 31 December 2000, NN declared dividends on 26 July 2000 totalling 51 030 000 non-indexed roubles in respect of the year ended 31 December 1999. Additionally, interim dividends totalling 283 500 000 non-indexed roubles for the year ended 31 December 2000 were declared on 23 July 2000. NGK declared dividends totalling 393 565 000 non-indexed roubles in respect of the year ended 31 December 1999 on 20 July 2000.

(iii) Realisation reserve

As the consideration for the OOO “Interros-Prom” group, additional GMK shares were issued (refer Note 29). The final value of the consideration is dependent on the completion of the Group’s reorganization process, as described in Note 31, and has been calculated in accordance with IAS 22 *“Business combinations”*. As at 31 December 2000 a parcel of 24 481 259 NN shares were yet to be issued under the reorganization process. A realisation reserve has therefore been created to reflect the impact of this future issue as at 31 December 2000.

22. Loans and borrowings

	2000 '000 RUR	1999 '000 RUR	2000 '000 USD*	1999 '000 USD*
Non-current				
Loan from the Ministry of Finance	4 028 986	6 388 852	143 075	226 877
Promissory notes	684 409	1 390 869	24 304	49 392
Finance lease liability	58 684	23 113	2 084	820
Other borrowings	134 347	147 113	4 771	5 224
	4 906 426	**7 949 947**	**174 234**	**282 313**
Current				
Loan from the Ministry of Finance	2 107 802	-	74 851	-
Promissory notes	127 231	3 252 209	4 518	115 490
Loans from related parties	9 144 167	2 325 130	324 722	82 569
Finance lease liability	254 505	62 467	9 038	2 218
Other borrowings	12 676 888	2 966 797	450 174	105 355
	24 310 593	**8 606 603**	**863 303**	**305 632**
Total	**29 217 019**	**16 556 550**	**1 037 537**	**587 945**

(i) Non-current loans from third parties

	2000 '000 RUR	1999 '000 RUR	Currency of the loan	Interest Rate
Secured loans				
Loans from banks	62 185	104 162	RUR	3-15%
Unsecured loans				
Loan from the Ministry of Finance	4 028 986	6 388 852	USD	3%
Loans from banks	72 162	42 951	RUR	3-15%
	4 101 148	6 431 803		
Total	**4 163 333**	**6 535 965**		

* *The USD equivalent figures are provided for information purposes only and do not form part of the combined financial statements - refer note 2 (h).*

(ii) Current loans from third parties

	2000 '000 RUR	1999 '000 RUR	Currency of the loan	Interest rate
Secured loans				
Other government loans	65 082	187 519	RUR	3-15%
Loans from banks	3 834 578	-	RUR	15%-25%
Loans from banks	-	1 599 162	RUR	25-60%
Loans from banks	8 453 980	594 635	USD	3-15%
	12 353 640	2 381 316		
Unsecured loans				
Loan from the Ministry of Finance	2 107 802	-	USD	3%
Loans from banks	-	34 092	RUR	5-15%
Loans from banks	323 248	585 481	USD	5-15%
	2 431 050	585 481		
Total	**14 784 690**	**2 966 797**		

Total current foreign currency loans from third parties amount to USD 311 691 335 as at 31 December 2000 (1999: USD 35 333 000).

(iii) Current loans from related parties

	2000 '000 RUR	1999 '000 RUR	Currency of the loan	Interest rate
Secured loans				
Loans from banks	7 590 000	272 691	RUR	3-15%
Loans from banks	-	829 600	USD	3-15%
	7 590 000	1 102 291		
Unsecured loans				
Loans from banks	1 154 167	550 625	USD	5-15%
Loans from banks	400 000	672 214	RUR	25%-60%
	1 554 167	1 222 839		
Total	**9 144 167**	**2 325 130**		

Total current foreign currency loans from related parties amount to USD 40 986 000 as at 31 December 2000 (1999: USD 42 600 000).

* *The USD equivalent figures are provided for information purposes only and do not form part of the combined financial statements - refer note 2 (h).*

(iv) Terms and debt repayment schedule

'000 RUR	Total	Within 1 year	Within 2 years	Within 5 years	Over 5 years
Secured loans					
Other government loans	65 082	65 082	-	-	-
Loans from banks	19 940 743	19 878 558	-	62 185	-
	20 005 825	19 943 640	-	62 185	-
Unsecured loans					
Loan from the Ministry of Finance	6 136 788	2 107 802	4 028 986	-	-
Loans from banks	1 949 577	1 877 415	47 194	24 968	-
	8 086 365	3 985 217	4 076 180	24 968	-
Promissory notes (unsecured)					
Promissory notes	811 640	127 231	239 542	240 814	204 053
Total	**28 903 830**	**24 056 088**	**4 315 722**	**327 967**	**204 053**

'000 USD*	Total	Within 1 year	Within 2 years	Within 5 years	Over 5 years
Secured loans					
Other government loans	2 311	2 311	-	-	-
Loans from banks	708 123	705 915	-	2 208	-
	710 434	708 226	-	2 208	-
Unsecured loans					
Loan from the Ministry of Finance	217 926	74 851	143 075	-	-
Loans from banks	69 233	66 670	1 676	887	-
	287 159	141 521	144 751	887	-
Promissory notes (unsecured)					
Promissory notes	28 822	4 518	8 506	8 552	7 246
Total	**1 026 415**	**854 265**	**153 257**	**11 647**	**7 246**

Certain inventories and property, plant and equipment are provided as security for loans from government organisations and banks to the outstanding value of the loans.

(v) Loan from the Ministry of Finance

As at 31 December 2000 and 1999, the Group had a loan payable to the Ministry of Finance, amounts drawn down on which amounted to RUR 6 498 364 000 and RUR 6 388 852 000 respectively.

The terms of the loan are currently being renegotiated and are subject to restrictions imposed by the State Secrecy regulations.

* *The USD equivalent figures are provided for information purposes only and do not form part of the combined financial statements - refer note 2 (h).*

The management of the Group considers that the amounts at which the obligations to the Ministry of Finance are included in the combined financial statements are accurately stated amounts due to the Ministry of Finance as at 31 December 2000 and 1999. The amounts include accrued interest at 3% per annum non-compounded.

Pursuant to terms agreed as a result of negotiations, the Group intends to pay the principal and accrued interest in two installments of 38% and 62% on 31 December 2001 and 31 December 2002, respectively.

(vi) Finance lease liabilities

Finance lease liabilities are payable as follows:

'000 RUR		2000			1999	
	Payments	Interest	Principal	Payments	Interest	Principal
Less than one year	345 907	91 402	254 505	76 834	14 367	62 467
Between one and five years	69 497	10 813	58 684	36 634	13 521	23 113
Total	**415 404**	**102 215**	**313 189**	**113 468**	**27 888**	**85 580**

'000 USD*		2000			1999	
	Payments	Interest	Principal	Payments	Interest	Principal
Less than one year	12 284	3 246	9 038	2 728	510	2 218
Between one and five years	2 468	384	2 084	1 301	480	821
Total	**14 752**	**3 630**	**11 122**	**4 029**	**990**	**3 039**

23. Trade and other payables

	2000 '000 RUR	1999 '000 RUR	2000 '000 USD*	1999 '000 USD*
Trade creditors	13 878 863	10 648 960	492 857	378 159
Employee costs	1 077 861	1 878 694	38 276	66 715
Advances from suppliers	92 324	275 059	3 279	9 768
Interest payable	1 522 319	1 822 939	54 060	64 735
Interest payable on the loan from the Ministry of Finance	361 576	-	12 840	-
Dividends payable	43 889	5 892	1 559	209
Other creditors	3 238 476	4 819 807	115 002	171 158
Total	**20 215 308**	**19 451 351**	**717 873**	**690 744**

* *The USD equivalent figures are provided for information purposes only and do not form part of the combined financial statements - refer note 2 (h).*

24. Taxes payable

	2000 '000 RUR	1999 '000 RUR	2000 '000 USD*	1999 '000 USD*
Current				
Taxes payable	4 239 705	6 454 070	150 558	229 193
Social payments	882 390	2 767 231	31 335	98 268
Fines and penalties payable	5 841 480	8 659 385	207 439	307 507
	10 963 575	**17 880 686**	**389 332**	**634 968**
Non-current				
Taxes, fines and penalties payable	360 703	-	12 809	-
Total	**11 324 278**	**17 880 686**	**402 141**	**634 968**

25. Employee benefits

	2000 '000 RUR	1999 '000 RUR	2000 '000 USD*	1999 '000 USD*
Current				
Provision for annual leave	1 354 124	4 860 503	48 086	172 603
Provision for other employee benefits	194 518	181 151	6 908	6 433
	1 548 642	**5 041 654**	**54 994**	**179 036**
Non-current				
Provision for pension contributions	1 622 255	1 134 609	57 608	40 291
Total	**3 170 897**	**6 176 263**	**112 602**	**219 327**

26. Financial instruments

Exposure to credit, interest rate and currency risk arises in the normal course of the Group's business.

(i) Credit risk

The Group does not require collateral in respect of financial assets. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers.

The maximum exposure to credit risk is represented by the carrying amount of trade accounts receivable and financial assets.

* *The USD equivalent figures are provided for information purposes only and do not form part of the combined financial statements - refer note 2 (h).*

(ii) Interest rate risk

The Group incurs interest rate risk primarily on loans and borrowings. The interest rates and terms of repayment of loans are disclosed in Note 22. The Group borrows on both a fixed and floating interest rate basis.

(iii) Foreign currency risk

The Group incurs foreign currency risk on sales, purchases, borrowings and assets. The currencies giving rise to this risk are primarily USD, German Marks and Pounds Sterling.

(iv) Derivative financial instruments

During 2000 the Group entered into derivative financial instruments which either commits it or gives the option to sell or purchase metal on the London Metal Exchange. Outstanding derivative contracts at 31 December 2000 are as follows:

Forward contracts	**Amount in metric tonnes**	**Maturity**
Net forward nickel purchase contracts	114	2001
Net forward copper purchase contracts	3 275	2001

Options	**Amount in metric tonnes**	**Maturity**
Long dated nickel put options	3 600	2001-2002
Short dated nickel call options	4 800	2001
Long dated copper call options	58 500	2001-2002
Short dated copper call options	12 500	2001

27. Commitments

(i) Capital commitments

The budget for capital expenditure for the year ending 31 December 2001 is RUR 15 213 600 000 (for the year ended 31 December 2000 the budget for capital expenditure was RUR 15 754 166 204). In the period to 2010 the Group is planning to invest about USD 3 500 000 000 in production facilities. The Group is not contractually committed to any amounts of capital expenditure included in the budget.

(ii) Social commitments

The Group makes contributions to mandatory and voluntary social programs. The Group’s social assets, as well as local social programs, benefit the community at large and are not normally restricted to the Group’s employees. The Group has transferred certain social operations and assets to local authorities, however, management expects that the Group will continue to fund these social programs in the foreseeable future. These costs are recorded in the year they are incurred.

* *The USD equivalent figures are provided for information purposes only and do not form part of the combined financial statements - refer note 2 (h).*

28. Contingencies

(i) Insurance

The insurance industry in the Russian Federation is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its mining, processing and transportation facilities, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Group property or relating to Group operations. Management understands that until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

(ii) Litigation

Unresolved claims and litigations as at 31 December 2000 total RUR 141 814 965 (1999: RUR 76 159 418). These comprise a large number of small claims and litigations relating to sales made to domestic customers and purchases of goods and services from suppliers. Management believe that these will be resolved without significant loss to the Group.

(iii) Taxation contingencies

The taxation system in the Russian Federation is at a relatively early stage of development and is characterized by numerous taxes and frequently changing legislation, which may be applied retroactively and is often unclear, contradictory, and subject to interpretation. Often, differing interpretations exist among numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges. These facts may create tax risks in Russia substantially more significant than in other countries.

The Group has implemented tax planning and management strategies based on existing legislation. Management believes that it has adequately met and provided for tax liabilities based on its interpretation of such legislation. However, the relevant authorities may have differing interpretations and the effects could be significant.

29. Group companies

The Norilsk Nickel Group is comprised of NN, GMK and their subsidiary companies. A list of the subsidiaries of the NN and GMK included in the combined financial statements is provided below.

	% in charter capital 2000	% in charter capital 1999
OAO “Norilsky Kombinat”	99.86	99.86
OAO “Kombinat “Severonickel”	100	100
OAO “Gornometallurgichesky Kombinat “Pechenganickel”	100	100
OAO “Institut Gipronickel”	100	100
OAO “Baikal Hotel”	65.65	65.65
OAO “Olengorsky Mekhanichesky Zavod”	100	100
AKB “Monchebank”	54.95	55
ZAO “Interrosimpex”	100	100
OAO “Kolskaya Gornaya Kompaniya”	100	-
OOO “Norilskinvest (Interrosprom)”	100	-
ZAO “Renons”	100	-
OAO “NTPO”	99.99	-
OAO “Torginvest”	90.09	-

On 20 April 2000, NN acquired 100% of the voting shares of OOO “Interros-Prom”. The subsidiaries of OOO “Interros-Prom” include the assets, liabilities, and operations of its wholly owned subsidiary, Norimet Limited. The cost of acquisition comprised upon completion of the reorganization 24 481 259 shares of GMK and amounted to 8 227 599 000 indexed roubles (USD 292 173 000). The management’s estimation of the US dollar amount of consideration given for OOO “Interros-Prom” as at the date of acquisition was USD 234 000 000.

30. Related parties

The Group had the following transactions and balances with related parties:

(i) Sales

Sales to related parties were as follows:

	2000 ‘000 RUR	1999 ‘000 RUR	2000 ‘000 USD*	1999 ‘000 USD*
Sales to related parties	**2 505 815**	**21 359**	**88 985**	**758**

* *The USD equivalent figures are provided for information purposes only and do not form part of the combined financial statements - refer note 2 (h).*

(ii) Purchases

Purchases of materials and services from related parties were as follows:

	2000 '000 RUR	1999 '000 RUR	2000 '000 USD*	1999 '000 USD*
Purchase of goods and services	1 341 418	943 669	47 636	33 511
Insurance services	626 216	-	22 238	-
Total	**1 967 634**	**943 669**	**69 874**	**33 511**

(iii) Investments

Investments in related parties were as follows:

	2000 '000 RUR	1999 '000 RUR	2000 '000 USD*	1999 '000 USD*
Long-term bank deposits	563 200	-	20 000	-
Non-current equity investments	1 436 386	3 570 028	51 008	126 777
Current investments	56 320	1 681 797	2000	59 723
Total	**2 055 906**	**5 251 825**	**73 008**	**186 500**

(iv) Receivables and advances paid

Receivables from and advances paid to related parties were as follows:

	2000 '000 RUR	1999 '000 RUR	2000 '000 USD*	1999 '000 USD*
Trade receivables	512 811	273 884	18 211	9 726
Promissory notes	109 367	-	3 884	-
Long term promissory notes receivables	213	-	8	-
Total	**622 391**	**273 884**	**22 103**	**9 726**

* *The USD equivalent figures are provided for information purposes only and do not form part of the combined financial statements - refer note 2 (h).*

(v) Cash and cash equivalents

Cash and cash equivalents with related parties were as follows:

	2000 '000 RUR	1999 '000 RUR	2000 '000 USD*	1999 '000 USD*
Total	**15 577 334**	**7 003 405**	**553 173**	**248 701**

(vi) Loans and borrowings

Loans from related parties were as follows:

	2000 '000 RUR	1999 '000 RUR	2000 '000 USD*	1999 '000 USD*
Loans from banks	9 144 167	2 325 130	324 722	82 569
Leasing finance obligations	177 745	-	6 312	-
Total	**9 321 912**	**2 325 130**	**331 034**	**82 569**

(vii) Trade and other payables

Trade and other payables to related parties were as follows:

	2000 '000 RUR	1999 '000 RUR	2000 '000 USD*	1999 '000 USD*
Total	**267 607**	**235 735**	**9 503**	**8 371**

* *The USD equivalent figures are provided for information purposes only and do not form part of the combined financial statements - refer note 2 (h).*

31. Reorganization

As stated in Note 1 (b), during the year ended 31 December 2000 the Group undertook a reorganization of its corporate structure which was in progress as of 31 December 2000. The steps involved in the reorganization were as follows:

(i) Acquisition of Norimet Limited (United Kingdom) trading company

On 20 April 2000 NN acquired control over Norimet Limited (United Kingdom) in exchange for 37.9% of NGK shares, based on a Board decision dated 11 February 2000. The acquisition of control over Norimet Limited was undertaken via the acquisition of the Russian company OOO "Interros-Prom" and its subsidiaries. OOO "Interros-Prom" was subsequently renamed OOO "Norilskinvest".

(ii) Additional issue of NGK shares in a closed subscription among NGK shareholders who also owned NN shares

On 12 July 2000 an Extraordinary General Meeting of NGK shareholders approved an additional issue of 70 645 new shares, distributed in a closed subscription. The shares were issued, placed and paid for, at the election of subscribing shareholders, with NN shares. The issue was completed on 14 August 2000 and the results of the issue were registered by the Krasnoyarsk branch of the Russian Federal Securities Commission on 15 September 2000.

70 645 newly issued shares of NGK were paid for by 53 421 488 shares of NN, and thus the proportion of the share exchange comprised 1.322 NGK shares for 1 000 NN shares. As a result of the issue, the shareholding of NN in NGK decreased to 36.4% as NN did not participate in the share issue, and NGK's shareholding in NN comprised 28.3%.

(iii) Additional issue of NGK shares with shares proportionally distributed between NGK shareholders for the purpose of reaching an exchange proportion of 1 additionally issued NGK share for 1 NN share

On 21 September 2000 an Extraordinary General Meeting of NGK shareholders approved an increase of NGK's share capital to 260 million shares by distributing 122 301 272 shares to existing NGK shareholders, proportionally to their interests. The issue was from NGK's retained earnings and the purpose of it was to prepare for the fourth stage of the reorganization - the swap of NN shares for NGK shares in proportion 1 NGK share for 1 NN share.

(iv) Share swap – additional issue of NGK shares distributed in a closed subscription between NN shareholders and paid for with NN shares. NGK renamed to GMK.

On 21 February 2001 an Extraordinary General Meeting of NGK shareholders approved the issue of an additional 135 113 137 shares with the intention of swapping them for all NN shares which were not owned by NGK (the "Swap proposal") and decided to rename NGK to GMK.

The Swap proposal was based on an exchange basis of 1 GMK share for 1 ordinary or preferred NN share.

Upon the completion of the swap of shares, the cross-holding between NN and GMK will be cancelled and GMK shares will be traded on the stock markets.

* *The USD equivalent figures are provided for information purposes only and do not form part of the combined financial statements - refer note 2 (h).*

After the finalization of the reorganization, the actual consideration given for control over Norimet Limited comprised 24.5 million newly issued GMK shares, or 11.5% of the increased GMK share capital.

The former shareholders of NN hold one share in the listed GMK for each listed share they previously held in NN on completion of the above steps.

32. Events subsequent to the balance sheet date

(i) Reorganization

21 February 2001

An Extraordinary General Meeting of the shareholders of NGK was convened on 21 February 2001 that approved an increase in NGK's authorised share capital to 258.1 million shares and approved the pro rata issue of 122.3 million new shares to existing shareholders. The shareholders also agreed to rename the Company to OAO "Mining and Metallurgical Company "Norilsk Nickel" (OAO "GMK "Norilsk Nickel").

21 August 2001

The additional issue of GMK shares paid for with NN shares was completed. As a result 96.36% of NN shares were swapped for GMK shares.

September 2001

The Federal Securities Commission registered the placement of 96.36% of the GMK shares.

(ii) Other

June 2001

The Board approved acquisition of 90.91% of ownership interest in OAO "Taimyrgas".

3 September 2001

The Group signed two agreements with Outokumpu, a Finnish metallurgical corporation for the construction of a new concentrating factory in Norilsk and an increase of the production capacity of the Talnah ore mining and processing factory.

The total construction expenditure is estimated at RUR 6 477 000 000 – 7 040 000 000 (USD 230 000 000 – 250 000 000). Approximately RUR 3 660 000 000 – 4 224 000 000 (USD 130 000 000 – 150 000 000) of this amount is attributed to the new concentrating factory, the remaining RUR 2 253 000 000 – 2 816 000 000 (USD 80 000 000 – 100 000 000) is attributed to the Talnah project.

* *The USD equivalent figures are provided for information purposes only and do not form part of the combined financial statements - refer note 2 (h).*

Review Report

To the Board of Directors
Norilsk Nickel Group

We have reviewed the accompanying combined balance sheet of the Norilsk Nickel Group (the “Group”), a Group which comprises the companies listed in Note 29 to the accompanying combined financial statements, as at 31 December 2000 and the related combined statements of income and cash flows for the year then ended. The combined financial statements, as set out on pages 3 to 43, are the responsibility of the Group's management. Our responsibility is to issue a report on these combined financial statements based on our review.

We conducted our review in accordance with the International Standard on Auditing applicable to review engagements as issued by the International Federation of Accountants. This standard requires that we perform the review to obtain moderate assurance about whether the combined financial plan and statements are free of material misstatement. A review is limited primarily to inquiries of Group personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, do not express an audit opinion.

Based on our review nothing has come to our attention that causes us to believe that the accompanying combined financial statements are not presented fairly, in all material respects, in accordance with International Accounting Standards as issued by the International Accounting Standards Board.

Without qualifying our opinion we draw attention to Notes 2, 31 and 32 to the combined financial statements which provide information regarding the reorganisation of the legal structure of the Group which was in progress as of 31 December 2000.

KPMG Limited

KPMG Limited Moscow,
Russian Federation
1 November 2001