The Norilsk Nickel Group

Review Report

Consolidated Financial Statements
Year Ended 31 December 2001

(Unaudited)

THE NORILSK NICKEL GROUP

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REVIEW REPORT

To the Board of Directors of Norilsk Nickel Group:

We have reviewed the accompanying consolidated balance sheet of Norilsk Nickel Group ("the Group"), a Group which comprises the companies listed in Note 31 to the accompanying consolidated financial statements, at 31 December 2001, and the related consolidated statements of income, cash flows and changes in equity for the year then ended. These financial statements are the responsibility of the Group's management. Our responsibility is to issue a report on these financial statements based on our review.

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

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not give a true and fair view in accordance with International Accounting Standards.

Without qualifying our opinion we draw attention to Notes 2 and 33 to the consolidated financial statements, which provide information regarding the reorganization of the legal structure of the Group, which was in progress as of 31 December 2001.

Deloitte + Touche

September 16, 2002

THE NORILSK NICKEL GROUP

CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2001

	Notes	2001 '000 RUR	2000 (restated) '000 RUR	2001 '000 USD*	2000 (restated) '000 USD*
Revenues	5	131,951,627	181,777,137	4,377,957	6,031,093
Cost of sales		(74,008,745)	(83,166,324)	(2,455,499)	(2,759,333)
Exploration expenditure		(465,103)	(861,548)	(15,431)	(28,585)
Gross profit		57,477,779	97,749,265	1,907,027	3,243,175
Sales, general and administrative expenses		(14,715,577)	(14,790,249)	(488,241)	(490,717)
Other operating expenses	6	(3,860,511)	(8,243,800)	(128,086)	(273,517)
Profit from operations		38,901,691	74,715,216	1,290,700	2,478,941
Net financing gains (losses)	7	22,808,264	(1,352,593)	756,744	(44,878)
Loss from associates		(150,797)	(561,843)	(5,003)	(18,641)
Net investment losses	8	(2,133,811)	(138,618)	(70,797)	(4,599)
Other expenses	9	(9,234,752)	(5,050,648)	(306,395)	(167,574)
Profit before tax		50,190,595	67,611,514	1,665,249	2,243,249
Income tax expense	11	(13,076,659)	(18,940,493)	(433,864)	(628,417)
Profit after tax		37,113,936	48,671,021	1,231,385	1,614,832
Minority interest	2, 33 (v)	(283,527)	24,354	(9,407)	808
Net profit for the year		36,830,409	48,695,375	1,221,978	1,615,640

	Notes	2001 RUR	2000 (restated) RUR	2001 USD*	2000 (restated) USD *
Basic consolidated earnings per share	12	183.21	281.97	6.08	9.35
Diluted consolidated earnings per share	12	174.85	231.18	5.80	7.67

General Director

Deputy General Director

16 September 2002

The consolidated income statement is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 8 to 36.

The review report is presented on page 1.

Prior year corresponding information is based on combined financial statements, refer note 2.

* *The USD equivalent figures are provided for information purposes.*

CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
CONSOLIDATED BALANCE SHEET
31 DECEMBER 2001

	Notes	2001 '000 RUR	2000 (restated) '000 RUR	2001 '000 USD*	2000 (restated) '000 USD*
ASSETS					
NON-CURRENT ASSETS:					
Property, plant and equipment	13	102,632,830	96,619,487	3,405,203	3,205,690
Goodwill	14	6,042,039	6,371,605	200,466	211,400
Investments in associates	15	567,884	153,045	18,842	5,078
Other investments	16	1,652,212	11,654,781	54,818	386,688
Deferred tax assets	17	-	5,147,616	-	170,790
		110,894,965	**119,946,534**	**3,679,329**	**3,979,646**
CURRENT ASSETS:					
Inventories	18	48,854,272	40,762,479	1,620,914	1,352,438
Trade and other receivables	19	27,011,316	36,135,560	896,194	1,198,923
Other current assets	20	10,706,961	7,814,057	355,241	259,259
Other investments	16	9,207,793	393,506	305,501	13,056
Cash and cash equivalents	21	10,685,873	12,935,756	354,541	429,189
		106,466,215	**98,041,358**	**3,532,391**	**3,252,865**
TOTAL ASSETS		**217,361,180**	**217,987,892**	**7,211,720**	**7,232,511**

The consolidated balance sheet is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 8 to 36.

The review report is presented on page 1.

Prior year corresponding information is based on combined financial statements, refer note 2.

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THE NORILSK NICKEL GROUP

CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
CONSOLIDATED BALANCE SHEET
31 DECEMBER 2001 (CONTINUED)

	Notes	2001 '000 RUR	2000 (restated) '000 RUR	2001 '000 USD*	2000 (restated) '000 USD*
EQUITY AND LIABILITIES					
Equity					
Share capital	22	235,548	1,221,258	7,815	40,519
Additional paid-in capital		18,860,772	8,579,582	625,772	284,658
Treasury shares		(8,559)	(471,619)	(283)	(15,648)
Realization reserve	22	-	10,247,420	-	339,994
Retained earnings		127,203,610	131,049,707	4,220,425	4,348,032
		146,291,371	150,626,348	4,853,729	4,997,555
Minority interest	2, 33 (v)	682,095	69,029	22,631	2,290
Non-current liabilities					
Loans and borrowings	23	21,458,403	8,763,722	711,958	290,767
Deferred tax liabilities	17	2,885,126	5,357,845	95,724	177,765
Taxes payable	24	264,795	428,578	8,786	14,220
		24,608,324	14,550,145	816,468	482,752
Current liabilities					
Loans and borrowings	23	16,110,008	19,252,732	534,506	638,777
Trade and other payables	26	14,643,811	17,176,905	485,860	569,903
Taxes payable	24	9,411,930	9,215,485	312,273	305,755
Employee benefits	25	5,613,641	7,097,248	186,253	235,479
		45,779,390	52,742,370	1,518,892	1,749,914
Total equity and liabilities		217,361,180	217,987,892	7,211,720	7,232,511

General Director

Deputy General Director

16 September 2002

The consolidated balance sheet is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 8 to 36.

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THE NORILSK NICKEL GROUP

CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2001

	Notes	2001 '000 RUR	2000 '000 RUR	2001 '000 USD*	2000 '000 USD*
OPERATING ACTIVITIES:					
Cash generated by operations	28	26,670,601	52,735,876	884,891	1,749,697
Interest paid		(3,152,651)	(2,247,149)	(104,601)	(74,557)
Income taxes paid		(10,401,765)	(27,854,396)	(345,115)	(924,167)
Net cash from operating activities		13,116,185	22,634,331	435,175	750,973
INVESTING ACTIVITIES:					
Proceeds on disposal of property, plant and equipment		1,103,071	367,816	36,599	12,204
Purchase of property, plant and equipment		(13,296,225)	(21,352,880)	(441,148)	(708,457)
Purchase of non-current investments		(1,425,079)	(9,513,067)	(47,283)	(315,629)
Proceeds from sale of non-current investments		1,267,402	711,212	42,050	23,597
Increase in cash due to acquisition of subsidiaries		-	1,209,302	-	40,123
Net cash used in investing activities		(12,350,831)	(28,577,617)	(409,782)	(948,162)
FINANCING ACTIVITIES:					
Repayments under lease obligations		(380,552)	(549,756)	(12,626)	(18,240)
Proceeds from borrowings		28,654,181	17,544,523	950,702	582,100
Repayment of borrowings		(26,956,526)	(7,462,302)	(894,377)	(247,588)
Registration costs		(41,223)	-	(1,367)	-
Decrease in bank overdraft		(2,217,869)	-	(73,585)	-
Dividends paid		(277,187)	(414,162)	(7,537)	(13,741)
Net cash from (used in) financing activities		(1,219,176)	9,118,303	(38,790)	302,531
Inflation effect on cash		(1,796,061)	(716,091)	(61,251)	(23,758)
Net increase (decrease) in cash and cash equivalents		(2,249,883)	2,458,926	(74,648)	81,584
Cash and cash equivalents at beginning of year		12,935,756	10,476,830	429,189	347,605
Cash and cash equivalents at end of year	21	10,685,873	12,935,756	354,541	429,189

General Director

Deputy General Director

16 September 2002

The consolidated cash flow statement is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 8 to 36.

The review report is presented on page 1.

Prior year corresponding information is based on combined financial statements, refer note 2.

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CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2001

'000 RUR	Ordinary shares	Preferred shares	Treasury shares	Additional paid-in capital	Realization reserve	Retained earnings	Total
Balance at 1 January 2000 as previously reported	**1,094,028**	**127,230**	**-**	**8,579,582**	**-**	**81,811,076**	**91,611,916**
Prior period adjustment (Note 3)	-	-	-	-	-	957,416	957,416
Balance at 1 January 2000 as restated (Note 3)	**1,094,028**	**127,230**	**-**	**8,579,582**	**-**	**82,768,492**	**92,569,332**
Net profit for the year as restated (Note 3)	-	-	-	-	-	48,695,375	48,695,375
Own shares acquired through reorganization	-	-	(471,619)	-	-	-	(471,619)
Acquisition reserve created	-	-	-	-	10,247,420	-	10,247,420
Dividends declared	-	-	-	-	-	(414,160)	(414,160)
Preferred shares converted to ordinary shares	47,494	(47,494)	-	-	-	-	-
Balance at 1 January 2001 as restated (Note 3)	**1,141,522**	**79,736**	**(471,619)**	**8,579,582**	**10,247,420**	**131,049,707**	**150,626,348**
Prior period adjustment re adoption of IAS 39 (Note 3)	-	-	-	-	-	(40,427,226)	(40,427,226)
	1,141,522	**79,736**	**(471,619)**	**8,579,582**	**10,247,420**	**90,622,481**	**110,199,122**
Replacement of Parent Company as result of reorganization	(905,974)	(79,736)	463,060	10,322,413	(9,799,763)	-	-
Registration costs	-	-	-	(41,223)	-	-	(41,223)
Minority remaining in subsidiary after reorganization	-	-	-	-	(447,657)	-	(447,657)
Net profit for the year	-	-	-	-	-	36,830,409	36,830,409
Dividends declared	-	-	-	-	-	(249,280)	(249,280)
Balance at 31 December 2001	**235,548**	**-**	**(8,559)**	**18,860,772**	**-**	**127,203,610**	**146,291,371**

General Director

Deputy General Director

16 September 2002

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 8 to 36.

The review report is presented on page 1.

Prior year corresponding information is based on combined financial statements, refer note 2.

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CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2001 (CONTINUED)

'000 USD*	Ordinary shares	Preferred shares	Treasury shares	Additional paid-in capital	Realization reserve	Retained earnings	Total
Balance at 1 January 2000 As previously reported	36,298	4,221	-	284,658	-	2,714,369	3,039,546
Prior period adjustment (Note 3)	-	-	-	-	-	31,765	31,765
Balance at 1 January 2000 As restated (Note 3)	36,298	4,221	-	284,658	-	2,746,134	3,071,311
Net profit for the year as restated (Note 3)	-	-	-	-	-	1,615,640	1,615,640
Own shares acquired through reorganization	-	-	(15,648)	-	-	-	(15,648)
Acquisition reserve created	-	-	-	-	339,994	-	339,994
Dividends declared	-	-	-	-	-	(13,742)	(13,742)
Preferred shares converted to ordinary shares	1,576	(1,576)	-	-	-	-	-
Balance at 1 January 2001 As restated (Note 3)	37,874	2,645	(15,648)	284,658	339,994	4,348,032	4,997,555
Prior period adjustment re adoption of IAS 39 (Note 3)	-	-	-	-	-	(1,341,315)	(1,341,315)
	37,874	2,645	(15,648)	284,658	339,994	3,006,717	3,656,240
Replacement of Parent Company as result of reorganization	(30,059)	(2,645)	15,365	342,480	(325,141)	-	-
Registration costs	-	-	-	(1,366)	-	-	(1,366)
Minority remaining in subsidiary after reorganization	-	-	-	-	(14,853)	-	(14,853)
Net profit for the year	-	-	-	-	-	1,221,978	1,221,978
Dividends declared	-	-	-	-	-	(8,270)	(8,270)
Balance at 31 December 2001	7,815	-	(283)	625,772	-	4,220,425	4,853,729

General Director

Deputy General Director

16 September 2002

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 8 to 36.

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1. OPERATIONS AND REORGANIZATION

(a) Operations - The principal activities of the Norilsk Nickel Group (the "Group") are the exploration for and extraction, processing and sale of platinum group metals, nickel, copper, cobalt, and other non-ferrous and precious metals, primarily in, and around, the Norilsk industrial region and the 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 a 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 added an international marketing and trading network to its base metal production through the acquisition of OOO "Interros-Prom" and its subsidiaries, including Norimet Limited. The Group is required to sell its platinum group and other precious metals via GUPVO "Almazjuvelirexport", a Russian Federation government owned exclusive distributor of precious metals. Refer to Note 34 (v).

The Group's principal business activities are within the Russian Federation. Laws and regulations affecting businesses operating in the Russian Federation are subject to rapid changes and the Group's assets and operations could be at risk due to negative changes in the political and business environment.

(b) Reorganization - Prior to 1 January 2000, RAO "Norilsk Nickel" ("NN") was the Group's parent company and had its shares listed on the Russian Trading System ("RTS") and Moscow Interbank Currency Exchange ("MICEX"). NN's principal operating subsidiary at that time was OAO "MMC "Norilsk Nickel" ("MMC"), formerly OAO "Norilskaya Gornaya Kompaniya" ("NGK").

In early 2000, the Group commenced a reorganization of its operations and legal structure. The steps taken to complete the reorganization are set out in Note 33.

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

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

The reorganization has been finalized in 2002.

2. BASIS OF PRESENTATION

The consolidated 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.

As mentioned in Note 1 (b), the Group embarked in 2000 upon a complex reorganization the objective of which was to replace NN with MMC as the entity listed on the RTS and MICEX. The reorganization is described more fully in Note 33. As part of this reorganization, shareholders in NN were given the option to swap their shares in NN for shares in MMC. On 17 July 2002 the option to

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swap lapsed. At this date shareholders holding 3,263,368 ordinary shares in NN and representing 1.73 % of NN's issued share capital had not exercised their right to swap.

When the financial statements for the year ended 31 December 2000 were prepared the reorganization had not been completed and its outcome was not fully known. Although MMC had previously been a subsidiary of NN, as of 31 December 2000, 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 MMC throughout the reorganization process, management considered that the presentation of combined financial statements for the year ended 31 December 2000 was appropriate and would best present to shareholders the financial position of the economic entity in which they had an interest.

With the lapse of the swap option as of 17 July 2002 the reorganization is complete. Accordingly management believe it is appropriate for consolidated financial statements of MMC to be presented for the year ended 31 December 2001. In preparing these financial statements those shareholders of NN who did not exercise the swap option have been recorded as minority interests in the consolidated financial statements.

Given the complexity of the reorganization process management believe it is impractical to re-state the corresponding figures for the combined financial statements for 2000 as if MMC were the holding company for the Group.

3. ADJUSTMENTS TO OPENING BALANCE OF RETAINED EARNINGS AND PRIOR YEAR FINANCIAL STATEMENTS

(a) Adoption of new international accounting standard - In the current year, the Group has adopted International Accounting Standard 39 (revised 2000) "Financial Instruments: Recognition and Measurement" (IAS 39). Revisions to a number of other IAS also took effect in 2001. Those revisions concerned matters of detailed application, which have no significant effect on amounts reported for the current or prior accounting periods.

IAS 39 has introduced a comprehensive framework for accounting for all financial instruments. The Group's detailed accounting policies in respect of such instruments are set out in note 4 (m) below. The principal effect of the adoption of IAS 39 has been that derivative financial instruments have been brought on-balance sheet. The effects of bringing the derivative financial instruments on-balance sheet at fair value have been recognized with effect from 1 January 2001 and result in a decrease of retained earnings at that date of '000 RUR 40,427,226 ('000 USD 1,341,315). These changes in policy have resulted in an increase in profits reported in 2001 of '000 RUR 27,651,089 ('000 USD 917,422) after adjusting for gain on monetary position and interest expense. Refer note 23 (iii).

(b) Prior year adjustments - During 2001 the Group identified the following errors to the financial statements for the year ended 31 December 2000.

(i) The accrual for unutilized vacation allowance was understated by '000 RUR 3,285,614 ('000 USD 109,012) (net of deferred tax effect).

(ii) Resource tax credits received from the Government were incorrectly recognized on a receipt basis instead of being matched against the related costs they were intended to compensate for, resulting in an overstatement of tax credit '000 RUR 1,225,721 ('000 USD 40,666) (net of deferred tax effect).

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(iii) Taxes payable, in part that relates to Pension Fund penalties payable, were overstated by '000 RUR 2,715,473 ('000 USD 90,095) (net of deferred tax effect).

(iv) Defined contribution pension plan was incorrectly recognized as a defined benefit pension plan, resulting in overstatement of liability of '000 RUR 1,364,053 ('000 USD 45,257)

The financial statements for 2000 have been restated to correct these errors, as follows.

	'000 RUR	'000 USD*
Accrual of unutilized vacation allowance		
Increase in Cost of sales	(3,945,188)	(130,895)
Increase in Sales, general and administrative expenses	(1,198,211)	(39,754)
Increase in Net Financing gains (losses)	449,665	14,919
Decrease in Income tax expense	1,408,120	46,719
Adjustment to retained earnings as of 31 December 2000	**(3,285,614)**	**(109,011)**
Incorrect accounting for resource tax credit		
Decrease in Other expenses	1,005,509	33,361
Decrease in Net financing gains (losses)	(205,422)	(6,816)
Increase in Income tax expense	(275,470)	(9,140)
Total charge to 2000 income statement	**524,617**	**17,405**
Adjustment to retained earnings as at 31 December 1999	**701,104**	**23,261**
Adjustment to retained earnings as of 31 December 2000	**1,225,721**	**40,666**
Taxes payable		
Changes in Other expenses	4,250,883	141,037
Decrease in Net financing gains (losses)	(371,636)	(12,330)
Increase in income tax expense	(1,163,774)	(38,612)
Adjustment to retained earnings as of 31 December 2000	**2,715,473**	**90,095**
Pension benefits		
Decrease in Cost of sales	1,478,052	49,039
Decrease in Sales, General and administrative expenses	128,526	4,264
Decrease in Net financing gains (losses)	(498,837)	(16,550)
Total charge to 2000 income statement	**1,107,741**	**36,753**
Adjustment to retained earnings as at 31 December 1999	**256,312**	**8,504**
Adjustment to retained earnings as of 31 December 2000	**1,364,053**	**45,257**
Total net adjustment to retained earnings as of 31 December 2000	**2,019,633**	**67,007**
Total net adjustment to retained earnings as of 31 December 1999	**957,416**	**31,765**
Net profit for the year 2000 as previously reported	47,633,158	1,580,398
Net adjustments to profit	1,062,217	35,242
Net profit for the year 2000 as restated	**48,695,375**	**1,615,640**

4. SIGNIFICANT ACCOUNTING POLICIES

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

(a) The Group

(i) Subsidiaries - A subsidiary is an 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

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are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. A list of significant subsidiaries is set out in Note 31.

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognized.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by other companies of the Group.

Intra-group balances and transactions, and any unrealized gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements

(ii) Associates - An associate is an enterprise over which the Group is in a position to exercise significant influence through participation in the financial and operating policy decisions of investee. The consolidated financial statements include the Group's share of the total recognized profits 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 significant associated companies is set out in Note 15.

Unrealized gains and losses resulting from transactions with associates are eliminated against the investment in the associate. The carrying amount of such investments is reduced to recognize any impairment in the value of individual investments.

(b) Accounting records - The Companies included in Group maintain their accounting records in accordance with the laws of their country of incorporation. These financial statements have been prepared from the local statutory accounting records and have been adjusted to conform to International Accounting Standards ("IAS") in all material respects.

(c) Historical cost basis - The consolidated financial statements have been prepared on the historical cost basis except for the restatement of non-monetary assets and liabilities and the income statement to take account of the effects of inflation as further described in Note 4 (g).

(d) Presentation currency - The measurement currency of the consolidated financial statements is the Russian rouble ("RUR") as adjusted for hyperinflation. For information purposes the Company has chosen to also present its financial statements in US dollars ("USD"). Translation from Russian roubles in US dollars was made at the closing rate existing at 31 December 2001. The relevant exchange rate as quoted by Central Bank of Russian Federation was USD 1 = RUR 30.14.

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 consolidated financial statements may differ from the information which would be presented had the US dollar been used as the reporting currency.

The Russian rouble is not a freely convertible currency outside the Russian Federation and, accordingly, any conversion 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, converted into US dollars at the exchange rate shown, or at any other exchange rate.

(e) Reclassification - Certain prior year amounts have been reclassified to conform to the current year presentation.

(f) Foreign currency transactions - Transactions in currencies other than the Russian rouble are recorded in roubles at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to roubles at the foreign exchange rate ruling at that date. Gains or losses on exchange are recognized in the income statement. 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.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period.

Gains and losses on exchange arising on translation are recognized in the income statement.

(g) Inflation accounting - The principal operations of the Group are based in the Russian Federation where the accounting records are maintained in roubles. 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, 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 inflation rates used were as follows:

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
31 December 2001	978 955

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 2000 have been restated by applying the change in the index to 31 December 2001;
- Income statement transactions have been restated by applying the change in the index from the approximate date of the transactions to 31 December 2001;
- Gains and losses arising from the monetary assets or liabilities positions have been included in the income statement; and
- Non-monetary assets and liabilities 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 2001.

* *The USD equivalent figures are provided for information purposes.*

(h) 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 4 (k)). The cost of self-constructed assets includes the cost of material, direct labor 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.

(ii) Leased assets - Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases and recognized as assets of the Group at their fair value at the date of acquisition. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Finance costs which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligation for each accounting period.

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

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

(iv) Mine development expenses - When production commences cumulative development costs are transferred to buildings, mine and other structures or plant and machinery as appropriate and are amortized as set out below.

Major development expenditures at operating mines that are expected to benefit future production are capitalized and amortized on as set out below. Minor renewals and repairs are expensed.

(v) Depreciation and amortization - Production assets with an expected useful life exceeding the remaining life of the relevant ore deposit are amortized 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

Occasionally and for operational reasons assets are withdrawn from production and decommissioned. In these circumstances the net book value at the time of decommissioning is reviewed and provision made as appropriate.

(vi) Exploration costs - Exploration costs are recognized as an expense in the period in which they are incurred.

(vii) Construction in progress - Construction in progress comprises costs directly related to construction of buildings, mine and other structures and plant and machinery including an appropriate allocation of directly attributable variable and fixed overheads that are incurred in construction. Depreciation of these assets commences when the assets are put into production. Construction in progress is reviewed regularly to determine whether its carrying value is fairly stated and whether an appropriate provision should be made.

* *The USD equivalent figures are provided for information purposes.*

(i) Goodwill - Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is recognized as an asset and amortized on a systematic basis following an assessment of the foreseeable life of the asset, subject to a maximum of 20 years.

Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of unamortized goodwill is included in the determination of the profit or loss on disposal.

(j) Inventories - Inventories are stated at the lower of cost or net realizable value. The cost of inventories is determined on a weighted-average basis and comprises direct materials, and where applicable direct labor costs and those overheads that have been incurred in bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Cost of work-in-progress is determined using a standard costing basis.

The Group provides for specific obsolete and damaged inventories.

(k) Impairment - The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication those assets have suffered an impairment loss. If any such indication exists, the assets' recoverable amounts are estimated in order to determine the extent of the impairment loss, if any.

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

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.

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 recognized.

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 amortization, if no impairment loss had been recognized.

(l) Dividends - Dividends are recognized as a liability in the period in which they become legally payable.

(m) Financial Instruments - Financial assets and financial liabilities are recognized on the Group's balance sheet when the Group has become a party to the contractual provisions of the instrument.

(i) Trade and other receivables - Trade and other receivables are recorded at cost less provision for doubtful debts.

(ii) Cash and cash equivalents - Cash and cash equivalents comprise cash balances and cash deposits

with maturities of three months or less, that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

(iii) Investments - Investments are recognized on a trade date basis and are initially measured at cost.

At subsequent reporting date, debt securities that the Group has the expressed intention and ability to hold to maturity are measured at amortized cost, less any impairment loss recognized to reflect irrecoverable amounts. The annual amortization of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognized in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as either held for trading or available-for-sale, and are measured at subsequent reporting dates at fair value, based on quoted market prices at the balance sheet date. Unrealized gains and losses are included in net profit or loss for the period.

(iv) Equity instruments - Equity instruments are recorded at the proceeds received, net of direct issue cost.

(v) Interest-bearing loans and borrowings - Interest-bearing loans and borrowings are recognized initially at cost, net of any transaction costs incurred. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

(vi) Derivative financial instruments - When the Group enters into contracts that are considered to be financial instruments containing embedded derivatives these are initially recorded at cost which approximates the fair value of the consideration given with subsequent remeasurement to fair value. The results of the valuation of derivatives are reported in net assets (aggregate of positive market values) or liabilities (aggregate of negative market values), respectively. Both positive and negative valuation results are recognized in the profit and loss account for the year in which they arise.

Before the adoption of IAS 39, the Group's derivatives were recorded at cost with no remeasurement to fair value. Upon adoption and where remeasurement has resulted in an adjustment to the previous carrying amount this has been shown as a charge to the opening balance of retained earnings. (See also Note 23 (iii)).

(n) 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 paid.

The Group reimburses retired employees of Group Companies located in Norilsk industrial region for expenses of travel to the place of residence and pays a monthly allowance equal to the amount of six times the state pension benefit payment for two years subsequent to their retirement. These pensions are granted at the discretion of the Group's management and within established yearly budgets. The liability is recognized at the date when pension is granted.

The Group pays unified social tax on behalf of its current employees. The contribution is made as the employees render service to the Group.

* *The USD equivalent figures are provided for information purposes.*

(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 substantively 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 realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(p) Site restoration costs - No provision is made for any costs associated with the restoration of mining and plant sites upon cessation of operations. Management is unable to determine when a liability, if any, will arise in this regard. As and when these costs can be quantified with any certainty, provision will be made accordingly.

(q) Resource tax credits - Government of Russian Federation reimburses part of the exploration costs and ecological charges as deduction from resource taxes payable. These credits are recognized as income over the periods necessary to match them with the related costs which they are intended to compensate. See also note 34 (ii)

(r) Revenue

(i) Sales of products - Revenue from the sale of products is recognized 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 recognized if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(ii) Interest income - Interest income is recognized in the income statement on accrual basis, taking into account the effective yield on the asset.

(iii) Dividend income - Dividend income is recognized in the income statement on the date that the dividend is declared.

(s) Expenses

(i) Operating lease payments - Payments made under operating leases are recognized in the income statement in the period they are due in accordance with lease terms. Lease incentives received are recognized in the income statement as an integral part of the total lease payments made.

(ii) Net financing gains (losses) - Net financing gains (losses) comprise interest payable on borrowings and finance leases, interest receivable on funds invested, gain or loss on net monetary positions and foreign exchange gains and losses that are recognized in the income statement.

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 recognized in the income statement using the effective interest rate method.

(t) Segmental information - As all production activities of the Group are located within the Northern Regions of the Russian Federation no segmental information for operating results, assets or liabilities is presented, as there is one integrated operation. Segmental information relating to sales, revenues is provided in Note 5.

* *The USD equivalent figures are provided for information purposes.*

(u) Treasury shares - Treasury shares are recorded as a deduction from equity at cost, corrected in accordance with IAS 29.

5. REVENUES

	2001 '000 RUR Export sales	Domestic sales	Total	2000 '000 RUR Export sales	Domestic sales	Total
Nickel	39,803,705	1,781,537	41,585,242	55,181,463	6,847,743	62,029,206
Copper	17,452,766	1,569,985	19,022,751	23,532,012	2,997,583	26,529,595
Cobalt	2,188,393	171,399	2,359,792	2,739,386	270,916	3,010,302
Precious metals	59,957,809	1,306,163	61,263,972	80,332,509	2,690,143	83,022,652
Other	646,093	7,073,777	7,719,870	203,525	6,981,857	7,185,382
Total	**120,048,766**	**11,902,861**	**131,951,627**	**161,988,895**	**19,788,242**	**181,777,137**

	2001 '000 USD Export sales	Domestic sales	Total	2000 '000 USD Export sales	Domestic sales	Total
Nickel	1,320,627	59,109	1,379,736	1,830,838	227,198	2,058,036
Copper	579,057	52,090	631,147	780,757	99,455	880,212
Cobalt	72,608	5,687	78,295	90,889	8,989	99,878
Precious metals	1,989,310	43,337	2,032,647	2,665,312	89,255	2,754,567
Other	21,436	234,696	256,132	6,753	231,647	238,400
Total	**3,983,038**	**394,919**	**4,377,957**	**5,374,549**	**656,544**	**6,031,093**

6. OTHER OPERATING EXPENSES

	2001 '000 RUR	2000 '000 RUR	2001 '000 USD*	2000 '000 USD*
Bad debt expense	(1,378,671)	(3,990,004)	(45,742)	(132,383)
Provision for construction in progress and decommissioned facilities	(805,106)	(1,069,386)	(26,713)	(35,480)
Impairment loss	(670,967)	(1,699,530)	(22,262)	(56,388)
Loss on disposal of property, plant and equipment	(1,096,914)	(1,473,716)	(36,394)	(48,896)
Other	91,147	(11,164)	3,025	(370)
Total	**(3,860,511)**	**(8,243,800)**	**(128,086)**	**(273,517)**

* *The USD equivalent figures are provided for information purposes.*

7. NET FINANCING GAINS (LOSSES)

	2001 '000 RUR	2000 (restated) '000 RUR	2001 '000 USD*	2000 (restated) '000 USD*
Changes in fair value of derivatives	22,706,898	-	753,380	-
Interest expense (except for interest under finance lease contracts)	(2,521,950)	(2,098,424)	(83,674)	(69,622)
Interest expense under finance lease contracts	(114,401)	(492,485)	(3,796)	(16,340)
Interest received	621,552	811,265	20,622	26,917
Gain on net monetary position	2,930,905	1,380,687	97,243	45,806
Foreign exchange loss	(814,740)	(953,636)	(27,031)	(31,639)
Total	**22,808,264**	**(1,352,593)**	**756,744**	**(44,878)**

8. NET INVESTMENT LOSSES

	2001 '000 RUR	2000 (restated) '000 RUR	2001 '000 USD*	2000 (restated) '000 USD*
Losses on non current investments	(3,371,753)	(138,618)	(111,870)	(4,599)
Gains from trading securities	1,237,942	-	41,073	-
Total	**(2,133,811)**	**(138,618)**	**(70,797)**	**(4,599)**

9. OTHER EXPENSES

	2001 '000 RUR	2000 (restated) '000 RUR	2001 '000 USD*	2000 (restated) '000 USD*
Maintenance of social facilities	(6,642,579)	(7,083,522)	(220,391)	(235,021)
Charitable donations	(2,788,752)	(5,168,141)	(92,527)	(171,471)
Offset of mineral resource tax credits	1,207,180	1,737,338	40,052	57,642
Tax penalties	(1,050,430)	5,735,789	(34,852)	190,304
Other	39,829	(272,112)	1,323	(9,028)
Total	**(9,234,752)**	**(5,050,648)**	**(306,395)**	**(167,574)**

10. WAGES AND SALARIES

	2001 '000 RUR	2000 '000 RUR	2001 '000 USD*	2000 '000 USD*
Production staff	(21,529,465)	(18,992,861)	(714,315)	(630,155)
Administrative staff	(2,109,190)	(1,896,922)	(69,980)	(62,937)
Total	**(23,638,655)**	**(20,889,783)**	**(784,295)**	**(693,092)**

The average number of employees for year 2001 was 89 399.

* *The USD equivalent figures are provided for information purposes.*

11. INCOME TAX EXPENSE

	2001 '000 RUR	2000 (restated) '000 RUR	2001 '000 USD*	2000 (restated) '000 USD*
Current tax expense				
Current year	**(10,401,762)**	**(19,635,680)**	**(345,115)**	**(651,483)**
Deferred tax expense				
Current year	(3,546,283)	846,001	(117,660)	28,070
Effect of changes in domestic tax rates	871,386	(150,814)	28,911	(5,004)
Total deferred tax expense	**(2,674,897)**	**695,187**	**(88,749)**	**23,066**
Total income tax expense	**(13,076,659)**	**(18,940,493)**	**(433,864)**	**(628,417)**

The tax rates applied to assessable income for the year ended 31 December 2001 and 2000 was 30 %. With effect from 1 January 2002 the tax rate changed to 24 %.

The charge for the year can be reconciled to the profit per income statement as follows.

	2001 '000 RUR	2000 (restated) '000 RUR	2001 '000 USD*	2000 (restated) '000 USD*
Profit before tax	**50,190,595**	**67,611,514**	**1,665,249**	**2,243,249**
Notional income tax at 30 %	(15,057,179)	(20,283,454)	(499,575)	(672,975)
Effect of changes in tax rate	871,386	(150,814)	28,911	(5,004)
Impact of specific tax rates	67,775	151,411	2,248	5,023
Tax effect of permanent differences	(6,765,768)	(9,919,394)	(224,476)	(329,109)
Income tax concessions	7,807,127	11,261,758	259,028	373,648
Total income tax expense	**(13,076,659)**	**(18,940,493)**	**(433,864)**	**(628,417)**

12. CONSOLIDATED EARNINGS PER SHARE

Basic consolidated earnings per share - The calculation of basic consolidated earnings per share is based on the net profit attributable to ordinary shareholders and a weighted average number of MMC's ordinary shares outstanding during the year and ordinary shares of NN which were swapped for MMC shares during the year, calculated as follows.

Net profit attributable to ordinary shareholders

	2001 '000 RUR	2000 (restated) '000 RUR	2001 '000 USD*	2000 (restated) '000 USD*
Net profit for the year	36,830,409	48,695,375	1,221,978	1,615,640
Dividends on preferred shares	(23,143)	(27,661)	(768)	(918)
Net profit attributable to ordinary shareholders	**36,807,266**	**48,667,714**	**1,221,210**	**1,614,722**

* *The USD equivalent figures are provided for information purposes.*

Weighted average number of ordinary shares

	2001 No. of shares	2000 No. of shares
Ordinary shares at beginning of the year	195,753,792	169,303,116
Effect of conversion of preferred shares	5,143,520	3,294,657
Weighted average number of ordinary shares	**200,897,312**	**172,597,773**

Diluted consolidated earnings per share - The calculation of diluted consolidated earnings per share in 2001 is based on net profit for the year of '000 RUR 36,830,409 (2000 (restated): '000 RUR 48,695,375) and a weighted average number of ordinary shares (diluted) outstanding during 2001 calculated as follows:

Weighted average number of ordinary shares (diluted)

	2001 No. of shares	2000 No. of shares
Weighted average number of ordinary shares	200,897,312	172,597,773
Effect of conversion of preferred shares	7,200,927	16,402,101
Effect of reorganization	2,544,277	21,642,642
Weighted average number of ordinary shares (diluted)	**210,642,516**	**210,642,516**

* *The USD equivalent figures are provided for information purposes.*

13. PROPERTY, PLANT AND EQUIPMENT

'000 RUR	Buildings, mine and other structures	Plant and machinery	Instruments and tools	Construc-tion in progress	Other	Total
Cost / revalued amount						
At 31 December 2000	**89,491,276**	**28,676,926**	**950,135**	**34,418,650**	**153,654**	**153,690,641**
Additions	4,645,262	1,774,793	141,136	7,524,092	3,487	14,088,770
Transfers	2,000,000	4,759,076	152	(6,759,253)	25	-
Impairment	(670,967)	-	-	-	-	(670,967)
Disposals	(2,389,758)	(796,739)	(83,411)	(42,943)	(29,392)	(3,342,243)
At 31 December 2001	**93,075,813**	**34,414,056**	**1,008,012**	**35,140,546**	**127,774**	**163,766,201**
Depreciation						
At 31 December 2000	**(36,914,168)**	**(13,948,485)**	**(474,745)**	**-**	**(5,390)**	**(51,342,788)**
Depreciation charge for the year	(2,232,521)	(2,032,744)	(131,575)	-	(2,529)	(4,399,369)
Disposals during the year	509,028	571,798	60,852	-	580	1,142,258
At 31 December 2001	**(38,637,661)**	**(15,409,431)**	**(545,468)**	**-**	**(7,339)**	**(54,599,899)**
Provision for construction in progress and decommissioned facilities						
At 31 December 2000	**(1,818,095)**	**(629,496)**	**(30,188)**	**(3,245,930)**	**(4,657)**	**(5,728,366)**
Changes in provision	555,708	190,603	26,867	(1,582,941)	4,657	(805,106)
At 31 December 2001	**(1,262,387)**	**(438,893)**	**(3,321)**	**(4,828,871)**	**-**	**(6,533,472)**
Net book value						
At 31 December 2001	53,175,765	18,565,732	459,223	30,311,675	120,435	102,632,830
At 31 December 2000	50,759,013	14,098,945	445,202	31,172,720	143,607	96,619,487

* *The USD equivalent figures are provided for information purposes.*

'000 USD*	Buildings, mine and other structures	Plant and machinery	Instruments and tools	Construc-tion in progress	Other	Total
Cost / revalued amount						
At 31 December 2000	**2,969,186**	**951,457**	**31,524**	**1,141,959**	**5,098**	**5,099,224**
Additions	154,123	58,885	4,683	249,638	116	467,445
Transfers	66,357	157,899	5	(224,262)	1	-
Impairment	(22,262)	-	-	-	-	(22,262)
Disposals	(79,289)	(26,435)	(2,767)	(1,425)	(975)	(110,891)
At 31 December 2001.	**3,088,115**	**1,141,806**	**33,445**	**1,165,910**	**4,240**	**5,433,516**
Depreciation						
At 31 December 2000	**(1,224,757)**	**(462,790)**	**(15,751)**	**-**	**(179)**	**(1,703,477)**
Depreciation charge for the period	(74,072)	(67,443)	(4,365)	-	(84)	(145,964)
Disposals during the year	16,889	18,971	2,019	-	19	37,898
At 31 December 2001	**(1,281,940)**	**(511,262)**	**(18,097)**	**-**	**(244)**	**(1,811,543)**
Provision for construction in progress and decommissioned facilities						
At 31 December 2000	**(60,321)**	**(20,885)**	**(1,002)**	**(107,695)**	**(154)**	**(190,057)**
Changes in provision	18,437	6,323	892	(52,519)	154	(26,713)
At 31 December 2001	**(41,884)**	**(14,562)**	**(110)**	**(160,214)**	**-**	**(216,770)**
Net book value						
At 31 December 2001	**1,764,291**	**615,982**	**15,238**	**1,005,696**	**3,996**	**3,405,203**
At 31 December 2000	**1,684,108**	**467,782**	**14,771**	**1,034,264**	**4,765**	**3,205,690**

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 '000 RUR 892,507 ('000 USD 29,612) and '000 RUR 1,127,202 ('000 USD 37,399) as at 31 December of 2001 and 2000 respectively. The leased equipment secures lease obligations (see Note 23).

The Group has pledged plant and machinery having a carrying amount of approximately '000 RUR 360,158 ('000 USD 11,950) to secure banking facilities granted to the Group.

14. GOODWILL

	2001 '000 RUR	2001 '000 USD*
At cost at end of year	6,591,316	218,690
Accumulated depreciation		
At beginning of year	(219,711)	(7,290)
Charge for the year	(329,566)	(10,934)
At end of year	(549,277)	(18,224)
Net book value at end of year	**6,042,039**	**200,466**
Net book value at beginning of year	**6,371,605**	**211,400**

Goodwill is attributable to the acquisition of OOO "Interrosprom" and is amortized over its useful life of 20 years. Amortization is included in Selling, general and administrative expenses.

* *The USD equivalent figures are provided for information purposes.*

15. INVESTMENTS IN ASSOCIATES

The Group has the following investments in significant associates:

Name of associate	Principal activity	2001 Ownership	2000 Ownership
Norgem SA	Cobalt trading	51 %	51 %
AO Norilskgazprom	Gas exploration	19 %	29 %
OAO "Eniseyskoye rechnoye parokhodstvo"	River shipping operations	30 %	-
OOO "Arkhangelskiy Morskoy port"	Sea port	35 %	-

The financial statements of Norgem SA are not consolidated in the Group financial statements as the Group exercises no control over the management or operations of this entity.

16. OTHER INVESTMENTS

	2001 '000 RUR	2000 '000 RUR	2001 '000 USD*	2000 '000 USD*
Non-current				
Equity securities available-for-sale	1,652,212	10,048,563	54,818	333,396
Long-term bank deposits	-	669,178	-	22,202
Other non-current investments	-	937,040	-	31,090
	1,652,212	**11,654,781**	**54,818**	**386,688**
Current				
Securities available-for-sale	5,513,000	-	182,913	-
Securities held for trading	217,044	79,438	7,201	2,636
Loans advanced	525,262	254,271	17,427	8,436
Bank deposits (roubles)	243,693	-	8,085	-
Bank deposits (foreign currency)	2,578,624	-	85,555	-
Others	130,170	59,797	4,320	1,984
	9,207,793	**393,506**	**305,501**	**13,056**
Total	**10,860,005**	**12,048,287**	**360,319**	**399,744**

17. DEFERRED TAX ASSETS AND LIABILITIES

Movement in deferred tax assets and liabilities during the year

'000 RUR	31 December 2000 (restated)	Recognized in tax expense	31 December 2001
Property, plant and equipment	(3,407,433)	(1,494,264)	(4,901,697)
Investments	(932,244)	1,354,264	422,020
Inventories	8,748,525	(4,434,658)	4,313,867
Receivables	(5,841,254)	1,701,423	(4,139,831)
Other current assets	59,941	(13,519)	46,422
Interest-bearing loans and borrowings	119,683	(38,866)	80,817
Payables	1,042,553	250,723	1,293,276
Total	**(210,229)**	**(2,674,897)**	**(2,885,126)**

* *The USD equivalent figures are provided for information purposes.*

'000 USD*	31 December 2000 (restated)	Recognized in tax expense	31 December 2001
Property, plant and equipment	(113,054)	(49,578)	(162,632)
Investments	(30,930)	44,932	14,002
Inventories	290,263	(147,134)	143,129
Receivables	(193,804)	56,450	(137,354)
Other current assets	1,989	(448)	1,541
Interest-bearing loans and borrowings	3,971	(1,290)	2,681
Payables	34,590	8,319	42,909
Total	**(6,975)**	**(88,749)**	**(95,724)**

At 31 December 2001, the aggregate amount of temporary difference associated with undistributed earnings of subsidiaries and associates for which deferred tax liabilities have not been recognized was ‘000 RUR 2,719,606 (‘000 USD 90,232). No liability has been recognized in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

During the preparation of the financial statements an error was identified in the calculation of the provision for annual leave, tax payable and the accounting for resource tax credits (Refer to Note 3 (b)). Net effect on deferred tax assets and liabilities after correction of these errors is ‘000 RUR 281,290 (‘000 USD 9,333). Consequently an adjustment has been made to the opening balance of deferred tax assets and liabilities.

18. INVENTORIES

	2001 '000 RUR	2000 ‘000 RUR	2001 ‘000 USD*	2000 ‘000 USD*
Consumables and materials	27,003,421	21,291,389	895,933	706,416
Provision for obsolescence	(1,701,602)	(1,025,011)	(56,456)	(34,008)
Total	**25,301,819**	**20,266,378**	**839,477**	**672,408**
Extracted ore	1,094,368	1,557,862	36,310	51,688
Semi processed metal	8,060,384	6,640,126	267,432	220,309
Refined metal	14,397,701	12,298,113	477,695	408,033
Total	**48,854,272**	**40,762,479**	**1,620,914**	**1,352,438**

Inventories with a carrying amount of ‘000 RUR 5,670,856 (‘000 USD 188,150) have been pledged as security for certain of the Group’s bank borrowings.

* *The USD equivalent figures are provided for information purposes.*

19. TRADE AND OTHER RECEIVABLES

	2001 '000 RUR	2000 '000 RUR	2001 '000 USD*	2000 '000 USD*
Trade accounts receivable	14,688,273	19,462,443	487,335	645,735
Advances to suppliers	6,404,950	9,097,605	212,507	301,844
Promissory notes	1,173,458	1,711,404	38,934	56,782
Other receivables	10,946,358	12,110,742	363,182	401,816
Total	33,213,039	42,382,194	1,101,958	1,406,177
Provision for doubtful accounts	(6,201,723)	(6,246,634)	(205,764)	(207,254)
Total	**27,011,316**	**36,135,560**	**896,194**	**1,198,923**

20. OTHER CURRENT ASSETS

	2001 '000 RUR	2000 '000 RUR	2001 '000 USD*	2000 '000 USD*
VAT recoverable	9,240,861	6,862,512	306,598	227,688
Other	1,466,100	951,545	48,643	31,571
Total	**10,706,961**	**7,814,057**	**355,241**	**259,259**

21. CASH AND CASH EQUIVALENTS

	2001 '000 RUR	2000 '000 RUR	2001 '000 USD*	2000 '000 USD*
Current accounts (RUR)	2,266,411	4,252,547	75,195	141,093
Current accounts (foreign currency)	1,752,478	1,652,220	58,145	54,818
Bank deposits (RUR)	1,902,000	4,159,633	63,106	138,011
Bank deposits (foreign currency)	518,787	2,686,416	17,213	89,131
Letters of credit	1,754,608	-	58,215	-
Cash in hand	216,184	184,940	7,173	6,136
Cash at brokers current account (foreign currency)	890,975	-	29,561	-
Restricted cash (refer note 32 (v))	1,315,557	-	43,649	-
Other cash equivalents	68,873	-	2,284	-
Total	**10,685,873**	**12,935,756**	**354,541**	**429,189**

* *The USD equivalent figures are provided for information purposes.*

22. EQUITY

(i) Share capital - During 2000 the Group embarked upon a complex reorganization the objective of which was to replace NN with MMC as the entity listed on the Russian Trading System and Moscow Interbank Currency Exchange.

As of 17 July 2002 the reorganization is complete and MMC is now the entity listed on the Russian Trading System and Moscow Interbank Currency Exchange and is the Group's holding company.

	2001	**2000**
Authorized share capital of MMC comprising ordinary shares of 1 RUR each.	260,170,645	170,645
Issued and fully paid ordinary shares at the beginning of the year	170,645	100,000
Additional issue of shares (refer note 33 (ii))	-	70,645
Additional issue of shares (refer note 33 (iii))	122,301,272	-
Additional issue of shares (refer note 33 (iv))	130,195,492	-
Issued and fully paid ordinary shares at the end of the year	252,667,409	170,645
Shares cancelled on completion of reorganization (refer note 33 (v))	(38,761,525)	-
Issued and fully paid ordinary shares at completion of reorganization	213,905,884	-

(ii) Dividends - NN declared dividends on 21 May 2001 totaling '000 RUR 325,080 (non-indexed for inflation) in respect of the year ended 31 December 2000, from which '000 RUR 79,289 (non-indexed for inflation) was paid to MMC. Dividends per share comprise RUR 1.72 per ordinary and preferred shares.

(iii) Realization reserve - As the consideration for the OOO "Interros-Prom" Group, additional MMC shares were issued (refer Note 33). The fair value of the consideration was calculated in accordance with IAS 22 "Business Combinations". As at 31 December 2000, a parcel of 24,481,259 MMC shares remained to be issued under the reorganization process. A realization reserve was created to reflect the impact of this future issue as at 31 December 2000. During 2001 these shares were issued and the realization reserve reversed and recorded as additional paid-in-capital.

23. LOANS AND BORROWINGS

	2001 '000 RUR	**2000 '000 RUR**	**2001 '000 USD***	**2000 '000 USD***
Non-current				
Loan from Ministry of Finance	20,497,310	7,721,173	680,070	256,177
Promissory notes	247,593	813,196	8,215	26,981
Finance lease liability	195,737	69,727	6,494	2,313
Other borrowings	517,763	159,626	17,179	5,296
	21,458,403	**8,763,722**	**711,958**	**290,767**
Current				
Bank overdraft	3,818,285	6,567,838	126,685	217,911
Promissory notes	-	151,172	-	5,016
Finance lease liability	141,001	302,396	4,678	10,033
Other borrowings	12,150,722	12,231,326	403,143	405,817
	16,110,008	**19,252,732**	**534,506**	**638,777**
Total	**37,568,411**	**28,016,454**	**1,246,464**	**929,544**

* *The USD equivalent figures are provided for information purposes.*

(i) Terms and debt repayment schedule - The borrowings are repayable as follows:

	'000 RUR	'000 USD*
On demand or within one year	16,110,008	534,506
In the second year	627,495	20,819
In the third to fifth year	20,670,594	685,819
After five years	160,314	5,320
	37,568,411	**1,246,464**
Less amount due within 12 months (shown under current liabilities)	(16,110,008)	(534,506)
Amount due for settlement after 12 months	**21,458,403**	**711,958**

Certain inventories and property, plant and equipment are provided as security for loans from Government organizations and banks to the outstanding value of the loans. The total amount of secured loans equals '000 RUR 5,771,988 ('000 USD 191,506) at 31 December 2001. The Group's obligation under finance leases are secured by the lessor's charge over the leased assets.

(ii) Analysis of borrowings by currency

'000 RUR	**Borrowings stated at fair value**	**Borrowings denominated in roubles**	**Borrowings denominated in foreign currency**	**Total**
Non-current				
Loan from Ministry of Finance	20,497,310	-	-	20,497,310
Promissory notes	-	247,593	-	247,593
Financial lease liability	-	144,640	51,097	195,737
Other borrowings	-	517,763	-	517,763
	20,497,310	**909,996**	**51,097**	**21,458,403**
Current				
Bank overdraft	-	-	3,818,285	3,818,285
Finance lease liability	-	59,231	81,770	141,001
Other borrowings	-	4,534,481	7,616,241	12,150,722
	-	**4,593,712**	**11,516,296**	**16,110,008**
Total	**20,497,310**	**5,503,708**	**11,567,393**	**37,568,411**

'000 USD	**Borrowings stated at fair value**	**Borrowings denominated in roubles**	**Borrowings denominated in foreign currency**	**Total**
Non-current				
Loan from Ministry of Finance	680,070	-	-	680,070
Promissory notes	-	8,215	-	8,215
Financial lease liability	-	4,799	1,695	6,494
Other borrowings	-	17,179	-	17,179
	680,070	**30,193**	**1,695**	**711,958**
Current				
Bank overdraft	-	-	126,685	126,685
Finance lease liability	-	1,965	2,713	4,678
Other borrowings	-	150,448	252,695	403,143
	-	**152,413**	**382,093**	**534,506**
Total	**680,070**	**182,606**	**383,788**	**1,246,464**

(iii) Loan from Ministry of Finance - Consequent to the adoption of IAS 39 the company has remeasured to fair value its loan with the Ministry of Finance. The adjustment, to fair value of the loan, of '000 RUR 40,427,226 ('000 USD 1,341,315) upon adoption of IAS 39 on 1 January 2001 has been recorded as an adjustment to the opening balance of retained earnings. Refer to Note 3 (a).

* *The USD equivalent figures are provided for information purposes.*

	'000 RUR	'000 USD*
Balance at 31 December 2000 (as previously reported)	**7,721,173**	**256,177**
Adjustment to remeasure opening balance to fair value upon adoption of IAS 39	40,427,226	1,341,315
Balance at 1 January 2001 (as restated)	**48,148,399**	**1,597,492**
Movement on loan for year:		
Changes in fair value	(22,706,898)	(753,380)
Interest expense	826,799	27,431
Gain on net monetary position	(5,770,990)	(191,473)
Balance at 31 December 2001	**20,497,310**	**680,070**

The loan has been repaid in full subsequent to December 31, 2001 (See Note 34).

(iv) Analysis of borrowings by interest rates - The average weighted interest rates are as follows:

Non-current	
Loan from Ministry of Finance	3.00 %
Promissory notes	0.00 %
Financial lease liability	15.00 %
Other borrowings	10.01 %
Current	
Bank overdraft	LIBOR + 1.25 %
Finance lease liability	15.00 %
Bank loans in Russian roubles received from Related parties	19.00 %
Bank loans in US dollars received from Related parties	9.17 %
Bank loans in Russian roubles received from others	15.00 %
Bank loans in US dollars received from others	9.63 %

(v) Finance lease liabilities - Finance lease liabilities are payable in future as follows:

'000 RUR		2001	
	Payments	Interest	Principal
Less than one year	186,199	(45,198)	141,001
Between one and five years	217,751	(47,460)	170,291
Over five years	30,331	(4,885)	25,446
Total	**434,281**	**(97,543)**	**336,738**

'000 USD*		2001	
	Payments	Interest	Principal
Less than one year	6,178	(1,500)	4,678
Between one and five years	7,225	(1,575)	5,650
Over five years	1,006	(162)	844
Total	**14,409**	**(3,237)**	**11,172**

* *The USD equivalent figures are provided for information purposes.*

24. TAXES PAYABLE

	2001 '000 RUR	2000 '000 RUR	2001 '000 USD*	2000 '000 USD*
Current				
Taxes payable	5,594,417	5,037,498	185,614	167,137
Unified social tax	882,982	1,048,431	29,296	34,785
Mineral resource tax credits available for future offset	415,617	68,121	13,790	2,260
Fines and penalties payable	2,518,914	3,061,435	83,573	101,573
	9,411,930	**9,215,485**	**312,273**	**305,755**
Non-current				
Taxes, fines and penalties payable	264,795	428,578	8,786	14,220
Total	**9,676,725**	**9,644,063**	**321,059**	**319,975**

During the preparation of the financial statements an error was identified in the accounting for resource tax credits and overstatement of fines and penalties payable. Consequently an adjustment of '000 RUR 5,630,604 ('000 USD 186,815) has been made to the opening balance of taxes payable as at 1 January 2001. Refer to Note 3 (b).

25. EMPLOYEE BENEFITS

	2001 '000 RUR	2000 (restated) '000 RUR	2001 '000 USD*	2000 (restated) '000 USD*
Current				
Provision for annual leave	5,364,450	6,175,828	177,984	204,904
Provision for other employee benefits	249,191	921,420	8,269	30,575
Total	**5,613,641**	**7,097,248**	**186,253**	**235,479**

The total costs charged during 2001 in respect of pension contributions plan comprises '000 RUR 138,320 ('000 USD 4,589)

During the preparation of the financial statements an error was identified in accounting for pension benefit plans and an error in the calculation of the provision for annual leave in the prior year. Consequently an adjustment of '000 RUR 4,693,734 ('000 USD 155,731) has been made to the opening balance of the employee benefits as at 1 January 2001. Refer to Note 3 (b).

26. TRADE AND OTHER PAYABLES

	2001 '000 RUR	2000 '000 RUR	2001 '000 USD*	2000 '000 USD*
Trade creditors	7,900,306	7,678,223	262,120	254,751
Wages and salaries	1,162,008	1,280,684	38,553	42,491
Advances from suppliers	112,930	109,697	3,747	3,640
Interest payable	129,679	1,808,777	4,303	60,012
Dividends payable	18,269	52,148	606	1,730
Promissory notes	3,338,263	2,399,509	110,759	79,612
Other creditors	1,982,356	3,847,867	65,772	127,667
Total	**14,643,811**	**17,176,905**	**485,860**	**569,903**

* *The USD equivalent figures are provided for information purposes.*

27. 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 has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. 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.

Trade receivables presented in the balance sheet are net of allowances for doubtful debts, estimated by the Group's management based on prior experience and the current economic environment.

Financial assets are recognized at fair value, which is determined based on market prices or future realizable value

(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 23. The Group borrows mainly on a fixed 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, Euro and Pounds Sterling. The Group has no significant concentration of currency risk, and does not use currency options and forwards.

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

Futures contracts

	Amount in metric tones	Maturity
Net futures copper purchase contracts	2,000	2002
Net futures copper sell contracts	40,575	2002
Net futures nickel purchase contracts	26,928	2002
Net futures nickel sell contracts	35,616	2002

Options

	Amount in metric tones	Maturity
Short dated copper call option	50,750	2002
Short dated nickel call option	7,200	2002
Short dated nickel put option	6,300	2002

The fair value (net) of these derivatives at 31 December 2001 was '000 RUR 117,388 ('000 USD 3,895) and is included in short-term investments. Net losses from operations on futures markets are included in Cost of Sales in the amount of '000 RUR 406,000 ('000 USD 13,470).

	2001 '000 RUR	2001 '000 USD*
Fair value of derivatives held for trading	117,388	3,895
Refined metal for physical delivery (Refer note 23 (iii))	(20,497,310)	(680,070)
Total	**(20,379,992)**	**(676,175)**

** The USD equivalent figures are provided for information purposes.*

The Group's normal policy is to sell its products at prevailing market prices. Exceptions to this rule are subject to strict limits laid down by the Group's management and to rigid internal controls. The Group's exposure to commodity prices is diversified by virtue of the breadth of metals derived from its ore body and the Group does not generally believe that commodity price hedging would provide long-term benefits to its shareholders.

28. CASH GENERATED BY OPERATIONS

	2001 '000 RUR	2000 '000 RUR	2001 '000 USD*	2000 '000 USD*
Profit before tax	**50,190,595**	**67,611,514**	**1,665,249**	**2,243,249**
Adjustments for:				
Depreciation	4,399,369	3,865,233	145,964	128,242
Amortization of goodwill	329,566	219,711	10,934	7,290
Loss on disposal of property, plant and equipment	1,096,914	1,473,716	36,394	48,896
Loss from associates	150,797	561,843	5,003	18,641
Losses on non current investments	3,371,753	138,618	111,870	4,599
Provision for construction in progress and decommissioned facilities	805,106	1,069,386	26,713	35,480
Impairment loss	670,967	1,699,530	22,262	56,388
Interest expense	2,636,351	2,590,909	87,470	85,962
Changes in fair value of derivatives	(22,706,898)	-	(753,380)	-
Gain on net monetary position on financing and investing activities	(7,049,156)	(2,541,747)	(233,878)	(84,330)
Operating profit before working capital changes	**33,895,364**	**76,688,713**	**1,124,601**	**2,544,417**
Increase/(decrease) in inventories	(8,091,793)	6,748,712	(268,476)	223,912
Decrease/(increase) in trade and other receivables	9,124,244	(6,091,808)	302,729	(202,117)
Decrease in trade and other payables	(820,117)	(21,877,001)	(27,210)	(725,846)
Increase/(decrease) in trading investments	(3,125,287)	3,976,391	(103,692)	131,931
Increase in other current assets	(2,892,904)	(1,880,570)	(95,982)	(62,394)
Decrease/(increase) in employee benefits	(1,483,607)	15,142	(49,226)	502
Decrease/(increase) in taxes payable	64,701	(4,843,703)	2,147	(160,708)
Cash flows generated by operations	**26,670,601**	**52,735,876**	**884,891**	**1,749,697**

29. COMMITMENTS

(i) Capital commitments - The total capital expenditure of the Group for the year ending 31 December 2002 is estimated to be US $ 267 million, which includes the following projects:

- US $ 66.6 million for the development of the Taimyrsky (Taimyr), Skalistaya (Taimyr) and Serverny-Gluboky (Kola) mines
- US $ 7.2 million for the reconstruction of the Norilsk Enrichment Plant
- US $ 10.1 million to upgrade the flash furnace at the Nadezhda Metallurgical Plant
- US $ 21.4 million to modernize the metallurgical shops of Pechenganickel
- US $ 58.5 million for the Pelyatka natural gas field

The Group will announce its investments plans for future years during the fourth quarter of 2002

(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

* *The USD equivalent figures are provided for information purposes.*

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.

30. 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 litigation as at 31 December 2001 total '000 RUR 106,543 (2000: '000 RUR 168,501). These comprise a large number of small claims and litigation 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.

(iv) Environmental matters - The Group believes it is currently in compliance with all existing Russian Federation environmental laws and regulations. However, Russian Federation environmental laws and regulations may change in the future. The Group is unable to predict the timing or extent to which those environmental laws and regulations may change. Such change, if it occurs, may require the Group to modernize technology to meet more stringent standards.

* *The USD equivalent figures are provided for information purposes.*

31. GROUP COMPANIES

The Norilsk Nickel Group is comprised of MMC "GMK "Norilsk Nickel" and its subsidiary companies. All subsidiaries have been included in the consolidated financial statements. Below is a list of the significant subsidiaries of MMC "GMK "Norilsk Nickel".

	Country of incorporation or residence	% in charter capital 2001	% in charter capital 2000
OAO "Kolskaya Gornometallurgicheskaya Kompaniya"	Russia	100.00	100.00
RAO "Norilsk Nickel"	Russia	96.63	23.58
OAO "Taimyrgaz"	Russia	92.64	-
OAO "Norilsky Gornometallurgichesky Kombinat"	Russia	96.49	99.86
OAO "Kombinat "Severonickel"	Russia	96.63	100.00
OAO "Gornometallurgichesky Kombinat "Pechenganickel"	Russia	96.63	100.00
OAO "Tuimsky zavod Cvetnykh Metallov "	Russia	99.99	-
OAO "Olengorsky Mekhanichesky Zavod"	Russia	100.00	100.00
OAO "Institut Gipronickel"	Russia	100.00	100.00
AKB "Monchebank"	Russia	62.63	65.00
OAO "Normetimpex" (ZAO "Interrosimpex")	Russia	100.00	100.00
OOO "Norilskinvest"	Russia	100.00	100.00
Norimet Ltd.	England	100.00	100.00
Norilsk Metall Trading SA	Switzerland	100.00	100.00
Norplat Trading SA	British Virgin Islands	100.00	-

32. RELATED PARTIES

The Group had the following transactions and balances with related parties who are not members of the Group. Related parties are associates and entities related by means of common ownership.

(i) Sales - Sales to related parties were as follows:

	2001 '000 RUR	2000 '000 RUR	2001 '000 USD*	2000 '000 USD*
Sales to related parties	**2,091,377**	**2,977,339**	**69,388**	**98,784**

(ii) Purchases - Purchases of materials and services from related parties were as follows:

	2001 '000 RUR	2000 '000 RUR	2001 '000 USD*	2000 '000 USD*
Purchase of goods and services	1,481,029	1,593,835	49,138	52,881
Insurance services	3,147,915	744,052	104,443	24,687
Total	**4,628,944**	**2,337,887**	**153,581**	**77,568**

* *The USD equivalent figures are provided for information purposes.*

(iii) Investments - Investments in related parties were as follows:

	2001 '000 RUR	2000 '000 RUR	2001 '000 USD*	2000 '000 USD*
Long-term bank deposits	-	669,178	-	22,202
Non-current equity investments	242,941	1,706,673	8,060	56,625
Current investments	2,578,624	66,918	85,554	2,220
Total	**2,821,565**	**2,442,769**	**93,614**	**81,047**

(iv) Receivables and advances to suppliers - Receivables from and advances paid to related parties were as follows:

	2001 '000 RUR	2000 '000 RUR	2001 '000 USD*	2000 '000 USD*
Trade receivables	700,534	609,308	23,242	20,216
Promissory notes	202,565	129,947	6,720	4,311
Advances to suppliers	19,281	-	639	-
Long term promissory notes receivables	85,140	253	2,824	8
Total	**1,007,520**	**739,508**	**33,425**	**24,535**

(v) Fiduciary activities - MMC maintains large non-interest bearing cash balances with related commercial banks, which in turn provide loans at preferential interest rates (1.5 % per annum) to subsidiaries of MMC. The cash balances are restricted from use for the duration of the loan agreement. For balance sheet presentation purposes the cash balances are netted off against the loans as follows:

	2001 '000 RUR	2000 '000 RUR	2001 '000 USD*	2000 '000 USD*
Cash and cash equivalents	19,669,066	7,128,000	652,590	236,496
Loans to subsidiaries	(18,353,509)	(7,128,000)	(608,941)	(236,496)
Net	**1,315,557**	**-**	**43,649**	**-**
Interest paid	181,963	6,261	6,037	207

(vi) Cash and cash equivalents - Cash and cash equivalents with related parties were as follows:

	2001 '000 RUR	2000 '000 RUR	2001 '000 USD*	2000 '000 USD*
Total	**5,825,881**	**11,380,550**	**193,293**	**377,589**

(vi) Loans and borrowings - Loans from related parties were as follows:

	2001 '000 RUR	2000 '000 RUR	2001 '000 USD*	2000 '000 USD*
Loans from banks	6,185,692	3,736,842	205,231	123,982
Leasing finance obligations	-	211,192	-	7,007
Total	**6,185,692**	**3,948,034**	**205,231**	**130,989**

Interest expense paid in respect of loans to related party equals to 000' RUR 496 125 (000' USD 16,461).

* *The USD equivalent figures are provided for information purposes.*

(vii) Trade and other payables - Trade and other payables to related parties were as follows:

	2001 '000 RUR	2000 '000 RUR	2001 '000 USD*	2000 '000 USD*
Total	**180,378**	**317,963**	**5,984**	**10,550**

33. REORGANIZATION

As stated in Note 1 (b), during 2000 the Group commenced a reorganization of its corporate structure, which is complete at 17 July 2002. The steps involved in the reorganization were as follows:

(i) On 20 April 2000 NN acquired control over Norimet Limited (United Kingdom) in exchange for 37.9% of MMC (formerly 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".

After the finalization of the reorganization, the actual consideration given for control over Norimet Limited comprised 24.5 million newly issued MMC (formerly NGK) shares.

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

On 12 July 2000 an Extraordinary General Meeting of MMC (formerly 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 MMC (formerly NGK) were paid for by 53,421,488 shares of NN, and thus the proportion of the share exchange comprised 1.322 MMC (formerly NGK) shares for 1,000 NN shares. As a result of the issue, the shareholding of NN in MMC (formerly NGK) decreased to 36.4% as NN did not participate in the share issue, and MMC's (formerly NGK's) shareholding in NN comprised 28.3%.

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

On 21 September 2000 an Extraordinary General Meeting of the shareholders of MMC (formerly NGK) approved an increase of MMC's (formerly NGK's) share capital to 260 million shares. In addition the meeting approved a distribution of 122,301,272 shares to existing MMC (formerly NGK) shareholders, proportional 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 MMC (formerly NGK) shares in proportion 1 MMC (formerly NGK) share for 1 NN share.

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

On 21 February 2001 an Extraordinary General Meeting of MMC (formerly NGK) shareholders approved the issue of an additional 135,113,137 shares for purposes of exchanging them for all NN shares which were not owned by MMC (formerly NGK) (the "Swap Proposal"). The meeting also approved the change of name of NGK to MMC.

The Swap Proposal was based on an exchange of 1 MMC share for 1 ordinary or preferred NN share

* *The USD equivalent figures are provided for information purposes.*

and was offered to shareholders of NN for a limited period of time which expired on 21 August 2001.

Of the 135,113,137 shares of MMC (formerly NGK) available for the Swap Proposal, 130,195,492 shares had been issued at the time the offer to swap expired. At 15 September 2001, the Federal Securities Commission registered the placement of MMC's shares. The remaining balance of 4,917,645 shares have not been issued and are no longer available for the Swap Proposal. After the issue the share capital of MMC (formerly NGK) comprised 252,667,409 ordinary shares.

(v) Additional share swap. Liquidation of cross-holding - As a result of the reorganization NN became a registered owner of 44,569,170 ordinary shares in MMC, which shares were recorded as treasury shares in the financial statements for the year ended 31 December 2000. On 29 March 2002 an extraordinary shareholders' meeting of MMC approved a resolution to cancel 38,761,525 of these shares with the remaining 5,807,645 shares being made available for exchange in terms of new Swap Proposal. This new Swap Proposal was offered to shareholders from 17 January to 17 July 2002. During this period shareholders of RAO Norilsk Nickel additionally exchanged 2,544,277 shares for a similar number of shares in MMC. At the end of reorganization 185,736,686 shares of RAO Norilsk Nickel have been exchanged for MMC Norilsk Nickel shares, representing 98,27 % of the charter capital. The remaining 3,263,368 not swapped are recorded as treasury shares. The shareholders in NN who had not exercised their option to swap are recorded as minority interest in these financial statements. Upon completion of reorganization the share capital of MMC (formerly NGK) is comprised of 213,905,884 ordinary shares.

34. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

(i) Dividends declared - On 30 June 2002 MMC declared dividends totaling '000 RUR 5,006,350 (RUR 23 per share) in respect of the year ended 31 December 2001. Of this amount '000 RUR 86,515 is payable to other Group Companies.

(ii) Taxation - Effective 1 January 2002 the Government abolished the mineral resource tax to which the Group was subject, replacing it with a royalty payment. Consequently mineral resource tax credits are no longer available for offset against exploration costs and certain ecological expenditures.

(iii) Repayment of loan from Ministry of Finance - In August 2002, the Norilsk Nickel Group repaid in full the loan from the Ministry of Finance (Note 23).

(iv) Loans granted to OAO "GMK "Norilsk Nickel" - In July 2002 MMC "Norilsk Nickel" obtained a $200 million loan from foreign banks with a three year maturity. The loan bears interest at LIBOR+2%. The loan is secured by a pledge over 60 000 tons of nickel and is repayable in equal installments commencing June 2003.

Under another agreement, which was signed in August 2002, a group of foreign banks is to grant OAO "MMC "Norilsk Nickel" a $75 million loan maturing in one year, which repayment period may be extended for a further year.

The loan funds are intended for financing the production and export of nonferrous metals.

v) In May 2002, Norimet Ltd, a 100% subsidiary of MMC Norilsk Nickel, and GUPVO Almaziuvelirexport signed an agreement that allows Norimet Ltd to sell directly to its customers platinum group metals produced in Russia using Almaziuvelirexport solely as an export and foreign exchange agent. Prior to signing of this agreement, Norimet Ltd acted only on behalf of MMC Norilsk Nickel with respect to the sale of non-ferrous metals outside the Russian Federation.

* *The USD equivalent figures are provided for information purposes.*