

Company Registration No. 4614811 (England and Wales)

NORILSK NICKEL EUROPE LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005



NORILSK NICKEL EUROPE LIMITED

COMPANY INFORMATION

Directors	A Berlin D Gaddes
Secretary	Clyde Secretaries Limited
Company number	4614811
Registered office	51 Eastcheap London EC3M 1JP
Auditors	Saffery Champness Lion House Red Lion Street London WC1R 4GB
Solicitors	Clyde & Co 51 Eastcheap London EC3M 1JP

NORILSK NICKEL EUROPE LIMITED

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NORILSK NICKEL EUROPE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2005

The directors present their report and financial statements for the year ended 31 December 2005.

Principal activities and review of the business

The principal activity is the provision of sales and market related services to other group companies.

Results and dividends

The results for the year are set out on page 4.

Directors

The following directors have held office since 1 January 2005:

A Berlin	
S Vasiliev	(Resigned 18 October 2005)
D Gaddes	(Appointed 14 March 2005)
A Perov	(Resigned 3 November 2005)

Directors' interests

There are no directors' interests requiring disclosure under the Companies Act 1985.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Saffery Champness be reappointed as auditors of the company will be put to the Annual General Meeting.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board


D Gaddes

Director

3 October 2006

NORILSK NICKEL EUROPE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NORILSK NICKEL EUROPE LIMITED

We have audited the financial statements of Norilsk Nickel Europe Limited on pages 4 to 11 for the year ended 31 December 2005. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of the directors and auditors

As described in the statement of directors' responsibilities on page 1, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

NORILSK NICKEL EUROPE LIMITED

**INDEPENDENT AUDITORS' REPORT (continued)
TO THE MEMBERS OF NORILSK NICKEL EUROPE LIMITED**

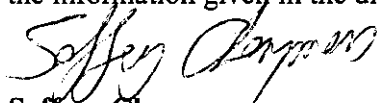
Opinion

In our opinion:

the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended; and

have been properly prepared in accordance with the Companies Act 1985; and

the information given in the directors' report is consistent with the financial statements.



Saffery Champness

3 October 2006

Chartered Accountants
Registered Auditors

Lion House
Red Lion Street
London
WC1R 4GB

NORILSK NICKEL EUROPE LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2005**

	Notes	2005 £	2004 £
Turnover	2	3,544,243	3,266,616
Cost of sales		(1,041,109)	(803,026)
Gross profit		2,503,134	2,463,590
Administrative expenses		(2,018,988)	(1,601,446)
Other operating income		104,681	(11,202)
Operating profit	3	588,827	850,942
Other interest receivable and similar income		40,608	61,795
Interest payable and similar charges	4	(54,095)	(108,705)
Profit on ordinary activities before taxation		575,340	804,032
Tax on profit on ordinary activities	5	(213,376)	(299,961)
Profit on ordinary activities after taxation	11	361,964	504,071

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

The notes on pages 6 to 11 form part of these financial statements.

NORILSK NICKEL EUROPE LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2005

	Notes	2005 £	£	2004 £	£
Fixed assets					
Tangible assets	6		28,686		45,102
Current assets					
Debtors	7	660,310		1,503,050	
Cash at bank and in hand		1,208,315		4,735,266	
		<u>1,868,625</u>		<u>6,238,316</u>	
Creditors: amounts falling due within one year	8	<u>(1,221,748)</u>		<u>(5,969,819)</u>	
Net current assets			<u>646,877</u>		<u>268,497</u>
Total assets less current liabilities			<u>675,563</u>		<u>313,599</u>
Capital and reserves					
Called up share capital	10		1		1
Profit and loss account	11		<u>675,562</u>		<u>313,598</u>
Shareholders' funds - equity interests	12		<u>675,563</u>		<u>313,599</u>

The notes on pages 6 to 11 form part of these financial statements.

The financial statements were approved by the board on 3 October 2006

D Gaddes
Director

NORILSK NICKEL EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Fixtures, fittings & equipment	33%
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1.4 Pensions

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable

1.5 Deferred taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between taxable profits and results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

1.6 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the end of the quarter for the transaction date. All differences are taken to profit and loss account.

2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

NORILSK NICKEL EUROPE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2005**

3	Operating profit	2005	2004
		£	£
	Operating profit is stated after charging:		
	Depreciation of tangible assets	29,045	17,170
	Loss on disposal of tangible assets	-	402
	Loss on foreign exchange transactions	-	11,202
	Auditors' remuneration	11,950	43,245
	and after crediting:		
	Profit on foreign exchange transactions	104,681	-
		<u> </u>	<u> </u>
4	Interest payable	2005	2004
		£	£
	On amounts payable to group companies	54,095	108,705
		<u> </u>	<u> </u>

NORILSK NICKEL EUROPE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2005**

5 Taxation	2005	2004
	£	£
Domestic current year tax		
U.K. corporation tax	213,376	243,533
Current tax charge	<u>213,376</u>	<u>243,533</u>
Deferred tax		
Deferred tax charge/credit current year	-	56,428
	<u>213,376</u>	<u>299,961</u>
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	<u>575,340</u>	<u>804,032</u>
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2004: 30.00%)	<u>172,602</u>	<u>241,210</u>
Effects of:		
Non deductible expenses	36,882	42,016
Depreciation add back	8,714	5,151
Capital allowances	(4,822)	7,479
Tax losses utilised	-	(56,428)
Other tax adjustments	-	4,105
	<u>40,774</u>	<u>2,323</u>
Current tax charge	<u>213,376</u>	<u>243,533</u>

NORILSK NICKEL EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2005

6 Tangible fixed assets

	Fixtures, fittings & equipment £
Cost	
At 1 January 2005	68,395
Additions	12,629
	<hr/>
At 31 December 2005	81,024
	<hr/>
Depreciation	
At 1 January 2005	23,293
Charge for the year	29,045
	<hr/>
At 31 December 2005	52,338
	<hr/>
Net book value	
At 31 December 2005	28,686
	<hr/>
At 31 December 2004	45,102
	<hr/>

7 Debtors	2005 £	2004 £
Amounts owed by parent and fellow subsidiary undertakings	614,229	1,447,234
Other debtors	46,081	55,816
	<hr/>	<hr/>
	660,310	1,503,050
	<hr/>	<hr/>

8 Creditors: amounts falling due within one year	2005 £	2004 £
Bank loans and overdrafts	350	111
Amounts owed to parent and fellow subsidiary undertakings	729,019	5,275,477
Corporation tax	213,376	243,533
Other taxes and social security costs	28,076	57,216
Other creditors	1,304	2,349
Accruals and deferred income	249,623	391,133
	<hr/>	<hr/>
	1,221,748	5,969,819
	<hr/>	<hr/>

NORILSK NICKEL EUROPE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2005**

9 Pension costs

Defined contribution

	2005 £	2004 £
Contributions payable by the company for the year	<u>57,778</u>	<u>42,700</u>

9 Share capital

	2005 £	2004 £
Authorised		
1,000 Ordinary Shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid		
1 Ordinary Share of £1 each	<u>1</u>	<u>1</u>

11 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 January 2005	313,598
Retained profit for the year	<u>361,964</u>
Balance at 31 December 2005	<u>675,562</u>

12 Reconciliation of movements in shareholders' funds

	2005 £	2004 £
Profit for the financial year	361,964	504,071
Opening shareholders' funds	<u>313,599</u>	<u>(190,472)</u>
Closing shareholders' funds	<u>675,563</u>	<u>313,599</u>

NORILSK NICKEL EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2005

13 Directors' emoluments	2005 £	2004 £
Emoluments for qualifying services	175,865	-
Company pension contributions to money purchase schemes	6,563	-
	<u>182,428</u>	<u>-</u>

14 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	2005 Number	2004 Number
Directors	3	3
Administration	8	7
Traders	3	3
	<u>14</u>	<u>13</u>

Employment costs

	£	£
Wages and salaries	1,343,379	1,232,250
Social security costs	140,847	133,856
Other pension costs	57,778	42,700
	<u>1,542,004</u>	<u>1,408,806</u>

15 Control

The company's immediate parent company is N.N. Metal Holding SA, a company incorporated in Luxembourg. The ultimate parent company and ultimate controlling party is JSC MMC Norilsk Nickel, a company incorporated in Russia.

16 Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company.