

**MMC Norilsk Nickel released consolidated interim  
financial statements for the six months ended 30 June 2004  
in compliance with International Financial Reporting Standards (IFRS)**

MMC Norilsk Nickel (“Group”) issued consolidated interim IFRS financial statements for the six months ended 30 June 2004. The financial statements have been reviewed in accordance with International Standard on Review Engagements 2400 by Deloitte & Touche, who have issued a review report without any qualifications.

The measurement currency of the major portion of the Group’s operations situated in the Russian Federation, which reflects the economic substance of the underlying events and transactions of the Group’s operations, is the Russian Rouble (“RUR”).

The Group’s presentation currency used in the preparation of the consolidated interim financial statements is the United States of America Dollar (“USD” or “US Dollar”). Using the US Dollar as presentation currency is common practice for global mining companies and is a more acceptable currency for international users of the consolidated interim financial statements of the Group.

The Group’s consolidated interim financial statements for the six months ended 30 June 2004 include financial results of both OJSC «Lenzoloto» and OJSC “Matrosov Mine”, from the date of acquisition, being 6 April 2004.

Only the balance sheet of Stillwater Mining Company (“Stillwater”) has been incorporated into the consolidated financial position as at 30 June 2003, based on the fact that controlling stake in Stillwater was acquired by the Group on 23 June 2003. The income statement and cash flow statement of Stillwater for that period were not consolidated into corresponding income statement and cash flow statement of the Group in the first six months of 2003.

## Consolidated income statements

(US Dollars million)

	Notes	Reviewed six months ended 30 June 2004	Reviewed six months ended 30 June 2003	Change %	Audited year ended 31 December 2003
<b>Metal sales revenue</b>	1	<b>3 286</b>	<b>2 292</b>	<b>43%</b>	<b>5 196</b>
Cost of metal sales	2	1 568	1 405		2 870
<b>Gross profit on metal sales</b>		<b>1 718</b>	<b>887</b>	<b>94%</b>	<b>2 326</b>
<i>Gross margin</i>		<i>52%</i>	<i>39%</i>		<i>45%</i>
Selling, general and administrative expenses	3	401	335		750
Other net operating expenses		124	36		60
<b>Operating profit</b>		<b>1 193</b>	<b>516</b>	<b>131%</b>	<b>1 516</b>
Net (gains)/losses on derivative transactions		(16)	1		44
Interest expense		29	21		40
Net loss/(income) from investments		157	(32)		(37)
Other non-operating expenses	4	48	58		131
<b>Profit before taxation</b>		<b>975</b>	<b>468</b>	<b>108%</b>	<b>1 338</b>
Taxation		293	189		493
<b>Net profit after taxation</b>		<b>682</b>	<b>279</b>		<b>845</b>
Minority interest		(16)	(22)		(16)
<b>Net profit for the period</b>		<b>698</b>	<b>301</b>		<b>861</b>
<b>RECONCILIATION BETWEEN NET PROFIT FOR THE PERIOD AND HEADLINE EARNINGS</b>					
<b>Net profit for the period</b>		<b>698</b>	<b>301</b>		<b>861</b>
Adjusted for:					
Change in fair value of investments and other financial assets	5	191	5		24
<b>Headline earnings for the period</b>	6	<b>889</b>	<b>306</b>	<b>191%</b>	<b>885</b>
<i>Headline earnings as a percentage of metal sales revenue</i>		<i>27%</i>	<i>13%</i>		<i>17%</i>
<b>Number of ordinary shares</b>		<b>210 642 516</b>	<b>210 642 516</b>		<b>210 642 516</b>
<b>Basic and fully diluted earnings per share (US cents)</b>					
- Attributable		<b>331.4</b>	<b>142.9</b>	<b>132%</b>	<b>408.7</b>
- Headline		<b>422.0</b>	<b>145.3</b>	<b>190%</b>	<b>420.1</b>

Notes:

1. In the first six months of 2004, the Group's metal sales revenues increased by 43% against the first six months of 2003 and totalled USD 3,286 million. The main reasons for revenue growth were the growth of the average realized prices of refined metals sold and the consolidation of the financial results of Stillwater Mining Company for the first six months of 2004.

### Sales of metals in physical volumes

(in '000 tons or as noted)

Metals	Six months ended 30 June 2004	Six months ended 30 June 2003	Year ended 31 December 2003
Nickel	121	161	308
Copper	191	194	467
Gold ('000 ounces)	528*	481	966

*Note: This table does not include the sales of Stillwater Mining Company and own platinum group metals ("PGM") sales*

*\* Includes data for Q2 2004 for OJSC "Lenzoloto" and OJSC "Matrosov Mine"*

### 2. Cost of metal sales

(US Dollars million)

	Reviewed six months ended 30 June 2004	Reviewed six months ended 30 June 2003	Change %	Audited year ended 31 December 2003
Cash operating costs (see table below)	1 240	1 133	9%	2 277
Amortization and depreciation of operating assets	239	211		422
Decrease in metal inventories	89	61		171
<b>Total cost of metal sales</b>	<b>1 568</b>	<b>1 405</b>	<b>12%</b>	<b>2 870</b>

In the first six months of 2004, total cost of metal sales, measured in US Dollars, increased by 12% against the first half of 2003 and amounted to USD 1,568 million, while cash operating costs increased by 9% to USD 1,240 million in the first six months of 2004 from USD 1,133 million in the first six months of 2003. Consolidated cash operating costs in the first half of 2004, measured in Roubles, have not changed compared to the same period of 2003 and the stated 9% increase reflects the strengthening of Rouble against the US Dollar for the period (average USD/RUR rate for the first half of 2004 was equal to 28.78, for the first half of 2003 – 31.27).

In the first six months of 2004 amortization and depreciation of operating assets increased by USD 28 million to USD 239 million as a result of:

- Change in estimates of useful life of mining assets, mostly mining equipment, based on MICON International's audit of mineral reserves of MMC Norilsk Nickel,
- Change in the average USD rate, and
- The consolidation of new companies' production assets.

In the first six months of 2004, metal inventories declined by USD 89 million as compared with USD 61 million in the first six months of 2003 due to a reduction of work-in-progress, represented mainly by high grade matte and copper scrap.

### Cash operating costs

(US Dollars million)

	Reviewed six months ended 30 June 2004			Reviewed six months ended 30 June 2003			Change %	
	Including Stillwater and other	Stillwater	Other	Excluding Stillwater and other	Including other	Other		Excluding other
Labor	397	(44)	(20)	333	375	(53)	322	3%
Consumables and spares	271	(18)	30	283	379	(52)	327	(13%)
Cost of refined metals purchased	152			152	106		106	43%
Tax on mining	75	(5)	(2)	68	31		31	119%
Transportation of metals	37			37	54		54	(31%)
Scrap metals purchased	79	(32)		47	36		36	31%
Other costs	229	(44)	(9)	176	152		152	16%
<b>Total cash operating costs</b>	<b>1 240</b>	<b>(143)</b>	<b>(1)</b>	<b>1 096</b>	<b>1 133</b>	<b>(105)</b>	<b>1 028</b>	<b>7%</b>

Note: "Other" includes relevant data of OJSC "Lenzoloto" and OJSC "Matrosov Mine" as well as income statement charge in respect of pension plans and change in inventory provision.

In the first six months of 2004, the total labour cost, included in cost of metal sales, not taking into account the consolidation of financial results of Stillwater, OJSC "Lenzoloto" and OJSC "Matrosov Mine", amounted to USD 333 million and remained practically unchanged against the first six months of 2003. A slight increase of 3% on net basis, happened due to a change in the average USD rate in the first six months of 2004. In Rouble terms labour cost declined in the first half of 2004 when compared to the same period of 2003.

In the first six months of 2004, consumables and spares cost declined by 13% when compared to the first six months of 2003 and amounted to USD 283 million. During the first six months of 2004 a part of illiquid spares was reclassified into capital construction-in-progress, which resulted in a corresponding decrease in the provision for obsolescence. After the reclassification an impairment provision for these spares was created, which was reflected in other operating expenses.

Tax on mining increased by USD 37 million to USD 68 million in the first six months of 2004 as a result of the increase in the production costs of ore extraction, as well as the new tax introduction for environment pollution caused by the operations on the Taimyr and Kola Peninsulas.

In the first six months of 2004, transportation cost declined by USD 17 million to USD 37 million mainly due to decrease in volume of metals shipped in given period compared to the first six months of 2003.

Other costs in the first six months of 2004 increased by 16% against the first six months of 2003 and amounted to USD 176 million.

The overall breakdown of cash operating costs on a net basis practically did not change in the first six months of 2004 when compared to the first six months of 2003. Two key cost items – labor and consumables and spares – contribute more than 50% of total cash operating costs (respectively 30% and 26% in the first six months of 2004).

3. In the first six months of 2004, the Group's selling, general and administrative expenses increased by USD 66 million to USD 401 million when compared to the first six months of 2003.

This increase mainly came from:

- The consolidation of Stillwater's financial results for the first six months of 2004,
- Increase in export customs duties due to the higher monetary value of metal sales based on increased prices, as well as
- An increase in labour cost due to increase in the number of employees in the distribution network.

Also during the first six months of 2004 Group funded a research project of Russian Academy of Science for hydrogen energy in an amount of USD 16 million.

4. Other non-operating expenses declined by USD 10 million to USD 48 million in the first six months of 2004 compared to the first six months of 2003 due to the decrease in social costs.
5. Movement in market price of Gold Fields' shares from the date of the acquisition to the reporting date resulted in negative change in fair value of the investment, which does not represent real cash flow and does not affect headline earnings for the period. As at 18 November 2004 this position reversed to positive.
6. Headline earnings for the first six months of 2004 amounted to USD 889 million – approximately a three-fold growth against the first six months of 2003.

**Consolidated balance sheet**  
(US Dollars million)

	Notes	Reviewed as at 30 June 2004	Reviewed as at 30 June 2003	Audited as at 31 December 2003
<b>ASSETS</b>				
<b>Non-current assets</b>		<b>8 968</b>	<b>7 261</b>	<b>7 578</b>
Property, plant and equipment		6 348	5 806	6 068
Capital construction-in-progress		1 264	1 181	1 150
Investments in associates		118	95	108
Other non-current assets	7	1 238	179	252
<b>Current assets</b>		<b>3 732</b>	<b>3 328</b>	<b>3 675</b>
Inventories		1 517	1 620	1 492
Trade accounts and other receivables		437	355	426
Other current assets		773	633	668
Investments in securities and other financial assets		138	149	135
Cash and cash equivalents		867	571	954
<b>Total assets</b>		<b>12 700</b>	<b>10 589</b>	<b>11 253</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Share capital and reserves</b>		<b>9 357</b>	<b>8 050</b>	<b>8 547</b>
<b>Non-current liabilities</b>		<b>1 078</b>	<b>1 069</b>	<b>1 080</b>
Long-term borrowings		146	228	169
Deferred tax liabilities		792	751	775
Other non-current liabilities		140	90	136
<b>Current liabilities</b>		<b>2 265</b>	<b>1 470</b>	<b>1 626</b>
Current portion of long-term borrowings		37	95	143
Short-term borrowings	7	1 148	113	122
Trade accounts and other payables		440	363	368
Other current liabilities		516	645	820
Bank overdrafts		124	254	173
<b>Total equity and liabilities</b>		<b>12 700</b>	<b>10 589</b>	<b>11 253</b>

7. Substantial increase in other non-current assets as at 30 June 2004 compared to other balance sheets dates is linked to acquisition of a 20% equity stake in Gold Fields Ltd at the end of the first quarter 2004.

To complete the transaction Citigroup Global Markets Limited underwrote and arranged for the Group the six months senior unsecured financing until 30 September 2004 amounting to US\$800 million. As at 30 June 2004 the financing is reflected in current liabilities / short-term borrowings section.

## Consolidated cash flow statements

(US Dollars million)

	Notes	Reviewed six months ended 30 June 2004	Reviewed six months ended 30 June 2003	Audited year ended 31 December 2003
Net cash inflow from operating activities	8	1 227	617	1 653
Net cash outflow from investing activities	9	(1 786)	(211)	(616)
<b>Cash before financing</b>		<b>(559)</b>	<b>406</b>	<b>1 037</b>
Net cash inflow/ (outflow) from financing activities	10	508	(306)	(486)
Effect of translation to presentation currency		13	12	25
<b>Net (decrease)/increase in cash and cash equivalents</b>	11	<b>(38)</b>	<b>112</b>	<b>576</b>
Net cash and cash equivalents at the beginning of the period		781	205	205
<b>Net cash and cash equivalents at end of the period</b>	11	<b>743</b>	<b>317</b>	<b>781</b>

8. In the first six months of 2004, operating cash flow grew to USD 1,227 million as a result of a significant growth in metal sales.
9. In the first six months of 2004, net cash outflow from investing activities amounted to USD 1,786 million, including acquisition of shares in following gold mining companies: Gold Fields Ltd, OJSC “Lenzoloto” and OJSC “Matrosov Mine”, as well as capital investments of USD 359 million in property, plant and equipment.
10. Net cash inflow from financing activities amounted to USD 508 million in the first six months of 2004 as a result of the restructuring of the debt portfolio and payment of interim dividends for the nine months ended 30 September 2003.
11. Therefore, by the end of the first six months of 2004, net cash and cash equivalents declined by USD 38 million to USD 743 million.

## Volume of metals produced by the Group

(in 000 tons or as noted)

	Six months ended 30 June 2004	Six months ended 30 June 2003	Year ended 31 December 2003
<b>Taimyr Peninsula</b>			
Electrolytic nickel	65	71	132
Electrolytic copper	177	172	345
Gold (000 ounces)	59	61	122
<b>Kola Peninsula</b>			
Nickel			
From own ores	18	18	35
Tolling	39	35	72
Total nickel	57	53	107
Electrolytic copper			
From own ores	8	7	15
Tolling	37	46	91
Total electrolytic copper	45	53	106
Gold (000 ounces)	6	8	14
<b>Polyus</b>			
Gold (000 ounces)	405	421	832
<b>Lenzoloto*</b>			
Gold (000 ounces)	69	-	-
<b>Matrosov Mine*</b>			
Gold (000 ounces)	7	-	-
<b>Total Group production volumes</b>			
<b>Total nickel</b>	<b>122</b>	<b>124</b>	<b>239</b>
<b>Total copper</b>	<b>222</b>	<b>225</b>	<b>451</b>
<b>Total gold (000 ounces)</b>	<b>546</b>	<b>490</b>	<b>968</b>

*Note: This table does not include the production of Stillwater Mining Company and own PGM production*

*\* Includes data for Q2 2004*

The IFRS consolidated interim financial statements of MMC Norilsk Nickel for the first six months of 2004 are available on the Company's web site ([www.nornik.ru](http://www.nornik.ru)) under Shareholders/Financial Documents.

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