Mining and Metallurgical Company Norilsk Nickel

Consolidated interim financial statements for the six months ended 30 June 2005

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	30 June 2005	30 June 2004	31 December 2004
EXCHANGE RATES – RUSSIAN ROUBLE			
Period-end rates			
1 US dollar	28.6721	29.0274	27.7487
1 Euro	34.5241	35.2915	37.8104
1 British pound	52.0399	53.0098	53.2886
Average rates for the period			
1 US dollar	27.9595	28.7802	28.8150
1 Euro	36.0352	35.3480	35.8185
1 British pound	52.4796	52.4112	52.7686

MINING AND METALLURGICAL COMPANY NORILSK NICKEL

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2005

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' review report set out on page 2, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the consolidated interim financial statements of Open Joint Stock Company "Mining and Metallurgical Company Norilsk Nickel" and its subsidiaries (the "Group").

Management is responsible for the preparation of consolidated interim financial statements that present fairly the financial position of the Group at 30 June 2005, the results of its operations, cash flows and changes in shareholders' equity for the six months then ended, in accordance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated interim financial statements, management is responsible for:

- selecting suitable accounting policies and applying them consistently;
- making judgements and estimates that are reasonable and prudent;
- stating whether IFRS have been followed, subject to any material departures disclosed and explained in the consolidated interim financial statements;
- preparing the consolidated interim financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

Management, within its competencies, is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Group, and which enable them to ensure that the consolidated interim financial statements of the Group comply with IFRS;
- maintaining statutory accounting records in compliance with local legislation and accounting standards in the respective jurisdictions in which the Group operates;
- taking such steps as are reasonably available to them to safeguard the assets of the Group;
- detecting and preventing fraud and other irregularities.

On behalf of Group's management the consolidated interim financial statements for the six months ended 30 June 2005 were approved on 29 September 2005 by:

M. D. Prokhorov	**D. A. Glotov**
General Director	Deputy General Director

Moscow
29 September 2005

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INDEPENDENT AUDITORS' REVIEW REPORT

To the management of Open Joint Stock Company "Mining and Metallurgical Company Norilsk Nickel"

We have reviewed the accompanying consolidated interim financial statements for the six months ended 30 June 2005 of Open Joint Stock Company "Mining and Metallurgical Company Norilsk Nickel" and its subsidiaries (the "Group"), set out on pages 3-60. Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with International Financial Reporting Standards. Our responsibility is to issue a report on these consolidated interim financial statements based on our review.

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated interim financial statements consists of making inquiries, primarily of Group's personnel responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. 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 interim financial statements do not present fairly, in all material respects, the financial position of the Group at 30 June 2005, and the results of its operations, its cash flows and changes in shareholders' equity for the six months then ended, in accordance with International Financial Reporting Standards.

Deloitte & Touche

Deloitte & Touche
Moscow, Russia
29 September 2005

CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2005
US Dollars million

	Notes	Reviewed six months ended 30 June 2005	Reviewed six months ended 30 June 2004	Audited year ended 31 December 2004
Metal sales revenues	4	**3,442**	**3,286**	**7,033**
Cost of metal sales	5	1,501	1,568	3,179
Gross profit on metal sales		**1,941**	**1,718**	**3,854**
Selling, general and administrative expenses	11	410	401	866
Other net operating expenses	12	94	124	153
Operating profit		**1,437**	**1,193**	**2,835**
Impairment of goodwill on acquisition	40	-	-	115
Interest expense	13	46	29	72
Net income from investments	14	(37)	(34)	(7)
Net gains on derivative transactions	15	-	(16)	(6)
Other non-operating expenses	16	46	48	108
Profit before taxation		**1,382**	**1,166**	**2,553**
Taxation	17	408	293	696
Profit for the period		**974**	**873**	**1,857**
Attributable to:				
Shareholders of the parent company		979	889	1,878
Minority interest	18	(5)	(16)	(21)
		974	**873**	**1,857**

EARNINGS PER SHARE

The calculation of basic and fully diluted earnings per share is based on:			
Profit for the period attributable to shareholders of the parent company	979	889	1,878
Weighted average number of ordinary shares in issue during the period	204,146,491	210,642,516	210,642,516
Basic and fully diluted earnings per share (US cents)	**479.6**	**422.0**	**891.6**

CONSOLIDATED BALANCE SHEET
AT 30 JUNE 2005
US Dollars million

	Notes	Reviewed 30 June 2005	Reviewed 30 June 2004	Audited 31 December 2004
ASSETS				
Non-current assets		**9,783**	**9,155**	**9,665**
Property, plant and equipment	20	6,407	6,241	6,644
Capital construction-in-progress	21	1,310	1,264	1,208
Goodwill	40	-	107	-
Investments in associates	22	153	118	162
Investments in securities and other financial assets	23	1,653	1,195	1,407
Other non-current assets	24	219	187	169
Inventories	25	41	43	75
Current assets		**3,339**	**3,545**	**3,967**
Investments in securities and other financial assets	23	19	138	30
Other current assets	24	656	586	694
Inventories	25	1,397	1,517	1,442
Trade and other receivables	26	409	437	455
Cash and cash equivalents	27	858	867	1,346
Total assets		**13,122**	**12,700**	**13,632**
SHAREHOLDERS' EQUITY AND LIABILITIES				
Share capital and reserves		**10,259**	**9,357**	**10,643**
Share capital	28	9	9	10
Share premium	29	37	748	782
Investments revaluation reserve		(131)	(199)	(56)
Accumulated profits		10,005	8,453	9,541
Equity attributable to the shareholders of the parent company		**9,920**	**9,011**	**10,277**
Minority interest	18	**339**	**346**	**366**
Non-current liabilities		**1,541**	**1,078**	**1,606**
Long-term borrowings	30	622	146	657
Deferred tax liabilities	31	707	792	740
Employee benefit obligations	32	50	70	50
Environmental obligations	33	152	63	155
Taxes payable	36	10	7	4
Current liabilities		**1,322**	**2,265**	**1,383**
Current portion of long-term borrowings	30	162	37	323
Current portion of employee benefit obligations	32	171	192	186
Short-term borrowings	34	134	1,148	208
Derivative financial instruments		7	4	5
Trade and other payables	35	374	440	373
Taxes payable	36	275	318	257
Dividends payable	37	199	2	10
Bank overdrafts	38	-	124	21
Total shareholders' equity and liabilities		**13,122**	**12,700**	**13,632**

CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2005
US Dollars million

	Notes	Reviewed six months ended 30 June 2005	Reviewed six months ended 30 June 2004	Audited year ended 31 December 2004
Operating activities				
Cash flows from operations	39	1,787	1,664	3,498
Interest paid		(45)	(24)	(58)
Taxation paid		(422)	(413)	(936)
Net cash inflow from operating activities		**1,320**	**1,227**	**2,504**
Investing activities				
Acquisition of subsidiaries, net of cash acquired, and increase of ownership in subsidiaries	40	(51)	(233)	(289)
Proceeds from disposal of subsidiaries, net of cash disposed of	41	1	6	25
Purchase of property, plant and equipment		(383)	(359)	(618)
Proceeds from sale of property, plant and equipment		13	22	57
Purchase of securities and other financial assets		(348)	(1,329)	(1,440)
Proceeds from sale of securities and other financial assets		28	107	237
Net cash outflow from investing activities		**(740)**	**(1,786)**	**(2,028)**
Financing activities				
Proceeds from short-term borrowings		700	1,328	1,998
Repayments of short-term borrowings		(766)	(421)	(2,034)
Proceeds from long-term borrowings		10	-	872
Repayments of long-term borrowings		(189)	(86)	(197)
Re-acquisition of shares	29	(763)	-	-
Dividends paid	37	(5)	(313)	(618)
Net cash (outflow)/inflow from financing activities		**(1,013)**	**508**	**21**
Effect of translation to presentation currency for the period		(34)	13	47
Net (decrease)/increase in cash and cash equivalents		**(467)**	**(38)**	**544**
Net cash and cash equivalents at beginning of the period		**1,325**	**781**	**781**
Net cash and cash equivalents at end of the period	27	**858**	**743**	**1,325**

MINING AND METALLURGICAL COMPANY NORILSK NICKEL

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2005
US Dollars million

	Notes	Share capital	Share premium	Investments revaluation reserve	Accumulated profits	Equity attributable to shareholders of the parent company	Minority interest	Total
Balance at 31 December 2003 – audited		**9**	**737**	**-**	**7,457**	**8,203**	**344**	**8,547**
Effect of change in accounting policy		-	-	(50)	50	**-**	-	**-**
As restated		**9**	**737**	**(50)**	**7,507**	**8,203**	**344**	**8,547**
Net profit for the period		-	-	-	889	**889**	(16)	**873**
Decrease in fair value of available-for-sale investments		-	-	(191)	-	**(191)**	-	**(191)**
Released on disposal of available-for-sale investments		-	-	32	(32)	**-**	-	**-**
Minority interest in newly acquired subsidiaries	18	-	-	-	-	**-**	28	**28**
Net decrease in minority interest due to change of investments in subsidiaries	18	-	-	-	-	**-**	(16)	**(16)**
Translation of foreign operations		-	-	-	(5)	**(5)**	-	**(5)**
Effect of translation to presentation currency for the period		-	11	10	94	**115**	6	**121**
Balance at 30 June 2004 – reviewed		**9**	**748**	**(199)**	**8,453**	**9,011**	**346**	**9,357**
Net profit for the remaining six months of the year		-	-	-	989	**989**	(5)	**984**
Dividends paid	19	-	-	-	(308)	**(308)**	-	**(308)**
Increase in fair value of available-for-sale investments		-	-	145	-	**145**	-	**145**
Released on disposal of available-for-sale investments		-	-	10	(10)	**-**	-	**-**
Minority interest in newly acquired subsidiaries	18	-	-	-	-	**-**	20	**20**
Translation of foreign operations		-	-	-	(13)	**(13)**	-	**(13)**
Effect of translation to presentation currency for the period		1	34	(12)	430	**453**	5	**458**
Balance at 31 December 2004 – audited		**10**	**782**	**(56)**	**9,541**	**10,277**	**366**	**10,643**
Net profit for the period		-	-	-	979	**979**	(5)	**974**
Dividends paid		-	-	-	(194)	**(194)**	-	**(194)**
Re-acquisition of issued shares	29	-	(763)	-	-	**(763)**	-	**(763)**
Decrease in fair value of available-for-sale investments		-	-	(62)	-	**(62)**	-	**(62)**
Deferred tax arising on revaluation of available-for-sale investments		-	-	(17)	-	**(17)**	-	**(17)**
Net decrease in minority interest due to change of shareholding structure in subsidiaries	18	-	-	-	8	**8**	(18)	**(10)**
Re-issuance of ordinary shares from treasury shares	29	-	11	-	-	**11**	-	**11**
Translation of foreign operations		-	-	-	10	**10**	-	**10**
Effect of translation to presentation currency for the period		(1)	7	4	(339)	**(329)**	(4)	**(333)**
Balance at 30 June 2005 – reviewed		**9**	**37**	**(131)**	**10,005**	**9,920**	**339**	**10,259**

1. GENERAL

Organisation

Open Joint Stock Company "Mining and Metallurgical Company Norilsk Nickel" (the "Company" or "MMC Norilsk Nickel") was incorporated in the Russian Federation on 4 July 1997. The principal activities of the Company and its subsidiaries (the "Group") are the extraction and refining of base and precious metals and their sale in the commodities market. Further details regarding the nature of the business and structure of the Group are presented in note 48.

Basis of presentation

The consolidated interim financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS"). International Financial Reporting Standards include standards and interpretations approved by the International Accounting Standards Board ("IASB"), including International Accounting Standards ("IAS") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The entities of the Group maintain their accounting records in accordance with the laws, accounting and reporting regulations of the jurisdictions in which they are incorporated and registered. Accounting principles and financial reporting procedures in these jurisdictions may differ substantially from those generally accepted under IFRS. Accordingly, such financial statements have been adjusted to ensure that the consolidated interim financial statements are presented in accordance with IFRS.

The consolidated interim financial statements of the Group are prepared on the historical cost basis, except for:

- fair value of subsidiaries acquired, in accordance with IFRS 3 "Business Combinations", which is more fully described in note 2 (a);
- mark-to-market valuation of by-products, in accordance with IAS 2 "Inventories", which is more fully described in note 2 (h); and
- mark-to-market valuation of financial instruments, in accordance with IAS 39 "Financial Instruments: Recognition and Measurement", which is more fully described in note 2 (i).

Adoption of new and revised International Financial Reporting Standards

In the current reporting period the Group has adopted all the new and revised standards and interpretations issued by IASB and IFRIC that are relevant to its operations and effective for accounting periods beginning on 1 January 2005.

In addition, the Group has elected to adopt IAS 39 "Financial Instruments: Recognition and Measurement" (including amendments issued in March 2004) in advance. The new accounting policy is described in note 2 (i). In accordance with the requirements of the standard, the opening balance of equity attributable to shareholders of the parent company as of 1 January 2004 and all the other comparative amounts were adjusted as if this standard had always been in use.

Reclassifications

Certain comparative information, presented in the consolidated financial statements for the prior reporting periods, has been reclassified in order to achieve comparability with the presentation used in the consolidated interim financial statements for the six months ended 30 June 2005.

2. SIGNIFICANT ACCOUNTING POLICIES

The Group's accounting policies, which are consistent in all material respects with those applied in the prior reporting periods, are set out below:

(a) Basis of consolidation

Subsidiaries

The consolidated interim financial statements incorporate the financial statements of the parent company and its subsidiaries, from the date that control effectively commenced until the date that control effectively ceased.

Control is presumed to exist when the parent company:

- owns, directly or indirectly through subsidiaries, more than 50% of the voting equity of an enterprise; or
- owns, directly or indirectly through subsidiaries, less than 50% of the voting equity of an enterprise, but has the ability to:
  - govern the financial and operating policies of the enterprise under a charter or an agreement;
  - appoint or remove the majority of the members of the board of directors, or the equivalent governing body; or
  - cast the majority of votes at meetings of the board of directors or equivalent governing body.

Subsidiaries that meet the definition of control are not consolidated by the Group if control is intended to be temporary because the subsidiary is acquired and held exclusively with a view to its subsequent disposal in the near future. Such subsidiaries are accounted for as investments (refer to 2 (i)).

The assets and liabilities of all subsidiaries are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion share of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent company.

The financial statements of subsidiaries are prepared for the same reporting period as those of the parent company; where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used by them into line with those of the Group.

All intra-group balances, transactions, and any unrealised profits or losses arising from intra-group transactions, are eliminated on consolidation.

Associates

An associate is an entity over which the Group exercises significant influence, but not control, through participation in financing and operating policy decisions, in which it normally owns between 20% and 50% of the voting equity. Associates are equity accounted from the date significant influence commenced until the date that significant influence effectively ceased.

The results of associates are equity accounted based on their most recent financial statements. Any losses of associates are recorded in the consolidated financial statements until the investment in such associates is written down to a nil value. Thereafter losses are only accounted for insofar as the Group is committed to providing financial support to such associates.

The carrying value of investments in associates represents the cost of each investment, including goodwill, the share of post-acquisition retained earnings and any other movements in reserves. The carrying value of investments in associates is reviewed on a regular basis and if any impairment in value has occurred, it is written down in the period in which these circumstances are identified.

Unrealised gains and losses resulting from transactions with associates are eliminated to the extent of the Group's interest in these associates.

Accounting for acquisitions

Where an investment in a subsidiary or an associate is made, any excess of the purchase consideration over the fair value of the identifiable assets, liabilities and contingent liabilities at the date of acquisition is recognised as goodwill.

Goodwill relating to subsidiaries is disclosed as an asset and goodwill relating to associates is included within the carrying value of the investment in associates.

Goodwill is reviewed for impairment at least annually and if an impairment has occurred, it is recognised in the income statement during the period in which the circumstances are identified and is not subsequently reversed.

On disposal of a subsidiary or an associate the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Where an investment in a subsidiary or an associate is made, any excess of the Group's share in the fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost is recognised in the income statement immediately.

(b) Functional and presentation currency

The functional currency of the company, which reflects the economic substance of the underlying events and transactions of its operations, is the Russian Rouble ("RUR").

The presentation currency of the consolidated financial statements is the United States of America Dollar ("USD" or "US Dollar"). Using USD as a presentation currency is common practice for global mining companies. In addition, USD is a more relevant presentation currency for international users of the consolidated financial statements of the Group.

The translation from RUR (functional currency of the Company) into USD (presentation currency of the Group) is made as follows:

- all assets and liabilities, both monetary and non-monetary, and all items included in shareholders' equity, other than net profit for the reporting period, are translated at closing exchange rates at the dates of each balance sheet presented;
- all income and expenses in each income statement are translated at the average exchange rates for the periods presented;
- all resulting exchange differences are included in shareholders' equity.

The RUR is not a freely convertible currency outside the Russian Federation and, accordingly, any translation of RUR denominated assets and liabilities into USD for the purpose of these consolidated interim financial statements does not imply that Group could or will in the future realise or settle in USD the translated values of these assets and liabilities.

(c) Foreign currencies

The individual financial statements of each Group entity are presented in its functional currency. In determining the functional currency of a foreign operation the following factors are considered:

- whether the activities of the foreign operation are carried out as an extension of the reporting entity, rather than being carried out with a significant degree of autonomy;
- whether transactions with the reporting entity are a high or a low proportion of the foreign operation's activities;
- whether cash flows from the activities of the foreign operation directly affect the cash flows of the reporting entity;
- whether cash flows from the activities of the foreign operation are sufficient to service existing and normally expected debt obligations without funds being made available by the reporting entity.

It was determined that RUR is the functional currency of all foreign subsidiaries of the Group, except for Stillwater Mining Company. Stillwater Mining Company due to significant degree of autonomy has the functional currency of economy in which it operates, US Dollar.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the exchange rates prevailing on the dates of the transactions. At each balance sheet date monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at the balance sheet date. Non-monetary items carried at historical cost are translated at the exchange rate prevailing on the date of transaction. Non-monetary items carried at fair value are translated at the exchange rate prevailing on the date on which the most recent fair value was determined. Exchange differences arising from changes in exchange rates are recognised in the income statement.

For the purpose of consolidated financial statements, the assets and liabilities of a foreign operation with functional currency different from functional currency of the reporting entity are translated at the exchange rates prevailing on the balance sheet dates. Income statement items are translated at the average exchange rates for the period. Exchange differences arising on translation are included in accumulated profits in the statement of changes in shareholders' equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and are translated at the closing rate.

(d) Property, plant and equipment

Mining assets

Mining assets are recorded at cost less accumulated amortisation. Mining assets include the cost of acquiring and developing mining properties, pre-production expenditure, mine infrastructure, mineral rights and exploration licenses and the present value of future decommissioning costs.

Mineral rights, mineral resources and ore reserves

Mineral rights, mineral resources and ore reserves are recorded as assets when acquired as part of a business combination and are then amortised on a straight-line basis when physically mined, using the life of mine method, based on estimated proven and probable ore reserves.

Estimated proven and probable ore reserves reflect the economically recoverable quantities which can be legally recovered in the future from known mineral deposits.

Mine development costs

Mine development costs are recorded as capital construction-in-progress and transferred to mining property, plant and equipment when a new mine reaches commercial production quantities.

Capitalised mine development costs include expenditures incurred in:

- acquiring mineral rights and exploration licenses;
- developing new mining operations;
- defining further mineralization in existing ore bodies;
- expanding the capacity of a mine.

Mine development costs include interest capitalised during the construction period, when financed by borrowings, and the present value of future decommissioning costs.

Mine development costs are amortised on a straight-line basis using the life of mine method, based on estimated proven and probable ore reserves, over a period of 7 to 30 years.

Mine infrastructure

Processing plant and equipment are recorded at cost and amortised on a straight-line basis over the lesser of their economic useful lives or the life of mine method, based on estimated proven and probable ore reserves, varying from 5 to 30 years.

Depreciation

Depreciation of mining assets is charged from the date at which a new mine reaches commercial production quantities and is included in the cost of production.

The Group regularly assesses the remaining life of its mines for the purpose of depreciation calculations, and considers, amongst other things, the following:

- the volume of remaining recoverable ore reserves or the remaining mining lease period;
- potential changes in technology, demand and product substitution.

Because of the uncertainty of these estimates the Group uses a straight-line basis of depreciation.

Non-mining assets

Non-mining assets are stated at cost less accumulated depreciation. Depreciation is provided on a straight-line basis over the economic useful lives of these assets at the following annual rates:

- Buildings, plant and equipment 2% to 10%;
- Motor vehicles 9% to 25%;
- Office equipment 10% to 20%.

Leased assets

Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets subject to finance leases are capitalised as property, plant and equipment at the lower of fair value or present value of future minimum lease payments at the date of acquisition, with the related lease obligation recognised at the same value. Capitalised leased assets are depreciated over the lesser of:

- their estimated useful lives, or
- the term of the lease.

Finance lease payments are allocated using the effective interest rate method, between:

- the lease finance cost, which is included in interest paid;
- the capital repayment, which reduces the related lease obligation to the lessor.

(e) Capital construction-in-progress

Capital construction-in-progress comprises costs directly related to mine development, construction of buildings, infrastructure, processing plant, machinery and equipment. Cost also includes finance charges capitalised during the development and construction periods where such costs are financed by borrowings. Amortisation or depreciation of these assets commences when the assets are put into production. Capital construction-in-progress is reviewed regularly to determine whether its carrying value is fairly stated.

(f) Impairment

An impairment review of assets is carried out when impairment indicators exist in relation to a cash generating unit, by comparing the carrying amount of the assets to their respective recoverable amount. An impairment loss is recognised when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. All impairment losses are recognised in the income statement.

The recoverable amount of mining and processing assets is the higher of fair value less cost to sell and value in use, unless the fair value less cost to sell is not possible to determine or if either of these amounts exceeds the assets carrying amount. The recoverable amount of mining assets whose fair value less cost to sell cannot be determined reliably is estimated on the basis of the present values of net future cash flows.

Changes in the present value of these future cash flows occur mostly from:

- fluctuating long-term metal prices;
- revised estimates of the grade or extent of the ore reserve;
- changes in future expected operating costs.

The recoverable amount of the Group’s investments is their fair value. For investments carried at fair value decline in fair value is recognized in profit or loss if there is objective evidence that investments are impaired.

The recoverable amount of other assets is higher of fair value less cost to sell and value in use, i.e. 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 is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

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

Impairment losses are only reversed to the extent that the assets carrying amount does not exceed the original carrying amount that would have been determined, net of amortisation or depreciation, had no impairment loss been recognised.

(g) Research and exploration expenditure

Research and exploration (including geophysical, topographical, geological and similar types of expenditure) is expensed in the period in which it is incurred, unless it is deemed that such expenditure will lead to an economically viable capital project. In this case the expenditure is capitalised and amortised over the life of mine, when a mine reaches commercial production quantities.

Research and exploration expenditure written-off before development and construction starts is not subsequently capitalised, even if a commercial discovery subsequently occurs.

(h) Inventories

Refined metals

Joint products, i.e. nickel, copper, palladium, platinum and gold, are measured at the lower of net cost of production on the weighted average basis, or net realisable value. The net cost of production per unit of a joint product is determined by dividing total production cost, less net revenue from sales of by-products and valuation of by-product inventories on hand, allocated in the ratio of the contribution of these joint products to total relative sales value, by the saleable mine output of a joint product.

Production costs include on-mine and concentrating costs, smelting costs, treatment and refining costs, other cash costs and amortisation and depreciation of operating assets.

By-products, i.e. cobalt, ruthenium, rhodium, iridium, silver and other minor metals, are measured at net realisable value, through a mark-to-market valuation.

Work-in-process

Work-in-process is valued at the net unit cost of production based on the percentage of completion method.

Stores and materials

Stores and materials consist of consumable stores and are valued at the weighted average cost less a provision for obsolete items.

(i) Financial instruments

Financial instruments recognised on the Group's balance sheet include investments, loans receivable, trade and other receivables, cash and cash equivalents, borrowings, trade and other payables and derivative financial instruments. Financial instruments are initially measured at cost, including transaction costs, when the Group has become a party to the contractual arrangement of the instrument. The subsequent measurement of financial instruments is dealt with below.

A financial instrument or a portion of a financial instrument is derecognised, when the Group loses its contractual rights or extinguishes the obligation associated with such an instrument. On derecognition of a financial asset, the difference between the proceeds received or receivable and the carrying amount of the asset is included in the income statement. On derecognition of a financial liability the difference between the carrying amount of the liability extinguished or transferred to another party and the amount paid is included in the income statement.

Investments

Investments, other than investments in subsidiaries and associates, are initially measured at fair value on a trade date basis, including directly attributable transaction costs.

Investments are classified into the following categories:

- held-to-maturity;
- at fair value through profit and loss;
- available-for-sale.

Investments with fixed or determinable payments and fixed maturity, which the Group has the positive intention and ability to hold to maturity, other than loans and receivables, are classified as held-to-maturity investments. Held-to-maturity investments are carried at amortised cost using the effective interest rate method less any allowance for impairment. Amortisation of discount or premium on the acquisition of a held-to-maturity investment is recognised in interest income over the term of the investment. Held-to-maturity investments are included in non-current assets, unless they mature within twelve months of the balance sheet date.

Investments at fair value through profit and loss include investments held for trading and investments designated upon initial recognition as at fair value through profit and loss.

All other investments, other than loans and receivables, are classified as available-for-sale.

Investments at fair value through profit and loss and investments available-for-sale are subsequently measured at fair value by reference to their quoted market price at the balance sheet date, without any deduction for transaction costs that may be incurred on sale or other disposal. Gain or loss arising from a change in the fair value of investments at fair value through profit and loss are recognised in the income statement for the period. Gain or loss arising from a change in fair value of investments available-for-sale is recognised directly in equity through the statement of changes in shareholders' equity, until such investments are derecognised, at which time cumulative gain or loss previously recognised in equity shall be recognised in the income statement.

When a decline in fair value of an available-for-sale investment has been recognised directly in equity and there is objective evidence that investment is impaired, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in the income statement even though the investment has not been derecognised.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recorded at management's estimate of fair value.

Trade and other receivables

Trade and other receivables originated are measured at initial recognition at fair value and are subsequently measured at amortised cost using effective interest method. Appropriate provisions for estimated irrecoverable amounts, calculated as the difference between the carrying amount of receivables and the present value of estimated future cash flows discounted at effective interest rate computed at initial recognition, are recognised in the income statement when there is the objective evidence that certain receivables are impaired.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, cash deposits and highly liquid investments 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.

Borrowings

Loans and borrowings are initially measured at proceeds received, net of direct transaction costs. Subsequently loans and borrowing are measured at amortised cost, which is calculated by taking into account any discount or premium on settlement. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accruals 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.

Trade and other payables

Trade and other payables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

Commodity derivatives

The Group engages in activities using derivatives related to metal prices; these activities are not formally designated as hedges, and, as such, are accounted for as financial instruments held-for-trading.

Derivatives are initially measured at cost including associated transaction costs. Subsequently, these instruments are remeasured to their fair value.

Commodity derivative contracts are marked-to-market at financial reporting intervals, and any changes in their fair values are included in gains/losses on derivative financial instruments.

Gains and losses arising on all contracts not spanning a reporting interval or being closed out within a reporting period are recognised and included in gains/losses on derivative financial instruments at such time as the contract expires.

Interest rate derivatives

The Group, from time to time, enters into interest rate swap agreements to hedge its cash flow activities and assesses the effectiveness of these hedging activities at reporting intervals. To the extent that the hedge is effective, the gain or loss on the interest rate swap is recognised directly in equity, in other comprehensive income. Subsequently, that amount is included in the income statement in the period during which the hedged items affects the net profit or loss for the period. Should the hedge be deemed to be ineffective, the profit or loss is recognised in the income statement.

(j) Assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable within one year from the date of classification and the asset or disposal group is available for immediate sale in its present condition.

Non-current assets and disposal groups classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

(k) Borrowing costs

Borrowing costs relating to major qualifying capital projects under construction are capitalised during the construction period in which they are incurred. Once a qualifying capital project has been fully commissioned, the associated borrowing costs are expensed in the income statement as and when incurred.

Foreign exchange differences from foreign currency borrowings used to fund major qualifying capital projects are expensed as incurred, except for cases where such foreign exchange differences result from severe currency devaluation against which no hedge is possible, or to the extent that the differences represent borrowing costs. Hedging costs on such borrowings relating directly to qualifying mine development or construction are capitalised.

Borrowing costs relating to operating activities are expensed in the income statement as and when incurred.

(l) Provisions

Provisions are recognised when the Group has legal or constructive obligations, as a result of a past event for which it is probable that an outflow of economic benefits will be required to settle the obligations, and the amount of the obligations can be reliably estimated.

(m) Employee benefit obligations

Remuneration to employees in respect of services rendered during a reporting period is recognised as an expense in that reporting period.

Defined contribution plans

The Group contributes to the following defined contribution plans:

- Pension fund of the Russian Federation;
- Stillwater Mining Company savings plan.

The only obligation of the Group with respect to these defined contribution plans is to make the specified contributions in the period in which they arise. These contributions are expensed as incurred.

Defined benefit plans

The Group operates a number of unfunded defined benefit plans for its employees. At management's discretion and within established annual budgets, the Group admits employees, who have met certain criteria, into one of the following retirement benefit plans:

- *Six pensions plan,* whereby a retired employee receives a monthly allowance equal to 600% of the Russian Federation state pension for the immediate two years subsequent to retirement; or
- *Lifelong professional pension plan,* whereby a retired employee receives a monthly allowance equal to 200% of the Russian Federation state pension for the rest of his/her life; or
- *Joint corporate pension plan,* whereby a retired employee receives a monthly allowance equal to 1/150th of total Starting and Counter capital for the rest of his/her life. Starting capital represents the basic amount of RUR 21,000, as adjusted by certain factors to take into account seniority, salary level, etc. The Counter capital consists of a contribution to be funded by the Group of 3% of salaries paid to an employee during the period of participation in the plan.

In addition, the Group operates the *Mother's rights program*, whereby a discharged mother with a child between the ages of three and seven receives a monthly benefit equal to her average salary, but limited to 150% of minimum basic salary.

For defined benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with an actuarial valuation being carried out at each balance sheet date. Actuarial gains and losses that exceed 10 per cent of the present value of the Group's defined benefit obligation are amortised over the expected average remaining lives of the participating employees. Past service cost is recognized immediately in the income statement to the extent that the benefits are already vested, and otherwise amortised on the straight-line basis over the average period until the benefit becomes vested.

The Group's obligation in respect of these defined benefit plans relating to post employment benefits is recognised in the balance sheet and represents the present value of the defined benefit obligations as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs.

The principal assumptions used in valuing these benefits relate to:

- discount rates used in determining the present value of post employment benefits;
- projected salary and pension increases;
- pre-retirement increases to capital accounts;
- life expectancy of members (or period of the benefit as defined).

(n) Treasury shares

Treasury shares at par value are recorded as a deduction from share capital. Premiums or discounts on acquisition of treasury shares are included in share premium or other categories of equity attributable to the shareholders of the parent company.

(o) Taxation

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

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

Deferred taxation is accounted for using the balance sheet liability method in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used in the computation of taxable income.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable income will be available against which deductible temporary differences can be utilised. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its tax assets and liabilities on a net basis.

Deferred taxation is calculated at rates that are expected to apply to the period when the asset is realised or the liability is settled. It is charged or credited to the income statement, except when it relates to items credited or charged directly to equity, in which case deferred taxation is also dealt with in equity.

(p) Revenue recognition

Revenue consists of the sale of joint product metals, and is recognised when the risks and rewards of ownership are transferred to the buyer. Metal sales revenue represents the net invoiced value for all joint product metals supplied to customers, excluding sales and value-added taxes. Revenues from the sale of by-products are netted-off against production costs.

(q) Commodity sales contracts

Revenue from contracts that are entered into and continue to meet the Group's expected sale requirements designated for that purpose at their inception, and are expected to be settled by physical delivery, are recognised in the financial statements as and when they are delivered.

(r) Operating lease payments

Payments made under operating leases are recognised in the income statement in the period in which they are due in accordance with lease terms. Lease of assets under which all the risks and benefits of ownership are retained by the lessor are classified as operating leases.

(s) Dividends declared

Dividends and related taxation thereon are recognised as a liability in the period in which they have been declared and become legally payable.

Accumulated profits legally distributable are based on the amounts available for distribution in accordance with the applicable legislation and as reflected in the statutory financial statements of the individual entities of the Group. These amounts may differ significantly from the amounts calculated on the basis of IFRS.

(t) Segmental information

The Group predominantly operates in a single business segment, being mining, refining and marketing of base and precious metals. Reportable segments are based on the geographic location of the Group's operations, which are the Russian Federation, United States of America and Europe.

(u) Government grants

Government grants related to assets are deducted from the cost of the asset in arriving at the carrying amount of the asset. Such grants are effectively recognised as income over the life of the depreciated asset through a reduced depreciation charge.

(v) Decommissioning costs

Future decommissioning costs, discounted to net present value, are capitalised and corresponding decommissioning obligations raised as soon as the constructive obligation to incur such costs arises and the future decommission cost can be reliably estimated. Decommissioning assets are amortised on a straight-line basis over the life of mine. The unwinding of the decommissioning obligation is included in the income statement. Decommissioning obligations are periodically reviewed in light of current laws and regulations, and adjustments made as necessary.

(w) Ongoing rehabilitation

Expenditure on ongoing rehabilitation costs is accounted for when incurred.

US Dollars million

3. SEGMENTAL INFORMATION

Financial information relating to the Group's consolidated segments is as follows:

Six months ended 30 June 2005 – reviewed	**Corporate and other**	**Taimyr Peninsula**	**Kola Peninsula**	**Severo-Eniseysk and Bodaybo**	**Subtotal Russian Federation**	**North America**	**Europe**	**Total**
Metal sales revenue	**-**	**2,696**	**339**	**169**	**3,204**	**219**	**19**	**3,442**
Third party transactions	-	232	50	169	**451**	219	2,772	**3,442**
Intra-segment transactions	-	2,464	289	-	**2,753**	-	(2,753)	**-**
Operating (loss)/profit	(110)	1,290	136	35	**1,351**	(8)	94	**1,437**
Interest income	15	1	2	-	**18**	2	1	**21**
Interest expense	15	6	-	1	**22**	6	18	**46**
Income from associates	6	-	-	-	**6**	-	-	**6**
(Loss)/profit before taxation	(167)	1,286	131	48	**1,298**	(8)	92	**1,382**
Significant non-cash items								
Amortisation and depreciation	6	220	35	33	**294**	3	7	**304**
Other non-cash expenses	(6)	45	(5)	4	**38**	-	-	**38**
Capital expenditures	**37**	**271**	**22**	**48**	**378**	**6**	**3**	**387**
Carrying amount of assets/liabilities								
Property, plant and equipment, including construction-in-progress	212	5,708	625	653	**7,198**	473	46	**7,717**
Investments in associates	131	-	22	-	**153**	-	-	**153**
Net operating assets	170	768	109	163	**1,210**	218	589	**2,017**
Total assets	1,514	7,253	892	1,988	**11,647**	763	712	**13,122**
Total liabilities	518	1,239	169	179	**2,105**	237	521	**2,863**
Average number of employees	**9,505**	**58,300**	**16,878**	**9,480**	**94,163**	**1,581**	**200**	**95,944**

US Dollars million

Six months ended 30 June 2004 – reviewed	**Corporate and other**	**Taimyr Peninsula**	**Kola Peninsula**	**Severo-Eniseysk and Bodaybo[1]**	**Subtotal Russian Federation**	**North America**	**Europe**	**Total**
Metal sales revenue	**-**	**2,645**	**232**	**187**	**3,064**	**185**	**37**	**3,286**
Third party transactions	-	348	71	187	**606**	185	2,495	**3,286**
Intra-segment transactions	-	2,297	161	-	**2,458**	-	(2,458)	**-**
Operating (loss)/profit	(97)	1,022	90	79	**1,094**	27	72	**1,193**
Interest income	12	5	-	-	**17**	1	1	**19**
Interest expense	15	3	1	2	**21**	7	1	**29**
Gain on financial derivatives	-	-	-	-	**-**	3	13	**16**
Income from associates	4	-	-	-	**4**	-	-	**4**
(Loss)/profit before taxation	(122)	1,018	88	75	**1,059**	24	83	**1,166**
Significant non-cash items								
Amortisation and depreciation	4	226	31	24	**285**	2	-	**287**
Other non-cash expenses	10	77	31	6	**124**	-	183	**307**
Capital expenditures	**21**	**249**	**27**	**24**	**321**	**10**	**31**	**362**
Carrying amount of assets/liabilities								
Property, plant and equipment, including construction-in-progress	205	5,607	641	639	**7,092**	476	44	**7,612**
Investments in associates	118	-	-	-	**118**	-	-	**118**
Net operating assets	(261)	987	66	13	**805**	220	255	**1,280**
Total assets	1,339	7,372	846	788	**10,345**	766	1,589	**12,700**
Total liabilities	1,172	1,271	197	278	**2,918**	216	209	**3,343**
Average number of employees	**10,599**	**64,063**	**17,118**	**9,606**	**101,386**	**1,560**	**178**	**103,124**

[1] OJSC "Lenzoloto" and OJSC "Matrosov Mine", gold producers, were acquired with effect from 6 April 2004. Results have been included from the dates of acquisition.

US Dollars million

Year ended 31 December 2004 – audited	Corporate and other	Taimyr Peninsula	Kola Peninsula	Severo-Eniseysk and Bodaybo[1]	Subtotal Russian Federation	North America	Europe	Total
Metal sales revenue	**-**	**5,610**	**472**	**442**	**6,524**	**447**	**62**	**7,033**
Third party transactions	-	1,140	116	442	**1,698**	447	4,888	**7,033**
Intra-segment transactions	-	4,470	356	-	**4,826**	-	(4,826)	**-**
Operating (loss)/profit	(172)	2,470	184	170	**2,652**	25	158	**2,835**
Interest income	27	4	-	2	**33**	2	2	**37**
Interest expense	31	6	1	5	**43**	18	11	**72**
Gain on financial derivatives	-	-	-	-	**-**	-	6	**6**
Loss/(income) from associates	33	-	(1)	-	**32**	-	-	**32**
(Loss)/profit before taxation	(354)	2,513	180	56	**2,395**	9	149	**2,553**
Significant non-cash items								
Amortisation and depreciation	7	414	65	52	**538**	16	3	**557**
Impairment of goodwill on acquisition	-	-	-	115	**115**	-	-	**115**
Other non-cash expenses	84	153	20	1	**258**	3	-	**261**
Capital expenditures	**32**	**430**	**57**	**46**	**565**	**21**	**49**	**635**
Carrying amount of assets/liabilities								
Property, plant and equipment, including construction-in-progress	189	5,863	660	616	**7,328**	475	49	**7,852**
Investments in associates	130	-	23	9	**162**	-	-	**162**
Net operating assets	651	1,075	121	96	**1,943**	153	488	**2,584**
Total assets	2,919	7,626	892	782	**12,219**	775	638	**13,632**
Total liabilities	591	1,266	158	174	**2,189**	239	561	**2,989**
Average number of employees	**9,180**	**63,045**	**17,086**	**9,703**	**99,014**	**1,575**	**197**	**100,786**

[1] OJSC “Lenzoloto” and OJSC “Matrosov Mine”, gold producers, were acquired with effect from 6 April 2004. Results have been included from the dates of acquisition.

US Dollars million

4. METAL SALES REVENUES

	Total	Nickel	Copper	Palladium	Platinum	Gold
Six months ended 30 June 2005 – reviewed						
By origin						
Russian Federation						
Taimyr Peninsula	**2,696**	1,542	580	275	282	17
Kola Peninsula	**339**	281	47	5	3	3
Severo-Eniseysk and Bodaybo	**169**	-	-	-	-	169
United States of America						
Montana	**219**	-	-	127	92	-
Europe	**19**	19	-	-	-	-
	3,442	**1,842**	**627**	**407**	**377**	**189**
By destination						
Europe	**2,045**	1,253	452	117	174	49
Russian Federation	**405**	77	175	-	14	139
Asia	**455**	335	-	76	43	1
North America	**537**	177	-	214	146	-
	3,442	**1,842**	**627**	**407**	**377**	**189**
Six months ended 30 June 2004 – reviewed						
By origin						
Russian Federation						
Taimyr Peninsula	**2,645**	1,506	492	373	253	21
Kola Peninsula	**232**	203	21	-	5	3
Severo-Eniseysk and Bodaybo [1]	**187**	-	-	-	-	187
United States of America						
Montana	**185**	-	-	117	68	-
Europe	**37**	-	-	8	29	-
	3,286	**1,709**	**513**	**498**	**355**	**211**
By destination						
Europe	**1,879**	1,253	355	122	149	-
Russian Federation	**490**	118	158	-	3	211
Asia	**381**	195	-	132	54	-
North America	**536**	143	-	244	149	-
	3,286	**1,709**	**513**	**498**	**355**	**211**

[1] OJSC “Lenzoloto” and OJSC “Matrosov Mine”, gold producers, were acquired with effect from 6 April 2004. Results have been included from the dates of acquisition.

US Dollars million

	Total	Nickel	Copper	Palladium	Platinum	Gold
Year ended 31 December 2004 – audited						
By origin						
Russian Federation						
Taimyr Peninsula	**5,610**	3,152	1,220	686	505	47
Kola Peninsula	**472**	412	45	1	10	4
Severo-Eniseysk and Bodaybo[1]	**442**	-	-	-	-	442
United States of America						
Montana	**447**	-	-	280	167	-
Europe	**62**	-	-	38	24	-
	7,033	**3,564**	**1,265**	**1,005**	**706**	**493**
By destination						
Europe	**4,100**	2,646	906	266	273	9
Russian Federation	**1,065**	215	356	1	10	483
Asia	**750**	429	-	210	110	1
North America	**1,118**	274	3	528	313	-
	7,033	**3,564**	**1,265**	**1,005**	**706**	**493**

[1]OJSC "Lenzoloto" and OJSC "Matrosov Mine", gold producers, were acquired with effect from 6 April 2004. Results have been included from the dates of acquisition.

5. COST OF METAL SALES

	Reviewed six months ended 30 June 2005	Reviewed six months ended 30 June 2004	Audited year ended 31 December 2004
Cash operating costs	1,262	1,240	2,475
On-mine and concentrating costs (refer to note 6)	575	517	1,069
Smelting costs (refer to note 7)	312	293	600
Treatment and refining costs (refer to note 8)	168	160	328
Other costs (refer to note 9)	207	270	478
Amortisation and depreciation of operating assets (refer to note 10)	248	239	466
(Increase)/decrease in metal inventories	(9)	89	238
Total	**1,501**	**1,568**	**3,179**

US Dollars million

	Reviewed six months ended 30 June 2005	Reviewed six months ended 30 June 2004	Audited year ended 31 December 2004

6. ON-MINE AND CONCENTRATING COSTS

Labour	258	238	487
Consumables and spares	178	148	326
Repairs and maintenance	42	40	80
Insurance	28	33	55
Utilities	24	18	44
Tailing pile maintenance and relocation	10	7	17
Sundry on-mine and concentrating costs	35	33	60
Total (refer to note 5)	**575**	**517**	**1,069**

7. SMELTING COSTS

Labour	94	92	181
Consumables and spares	79	74	135
Non-ferrous scrap metals purchased	49	47	98
Platinum group scrap metals purchased	37	32	77
Insurance	21	15	40
Utilities	17	15	31
Repairs and maintenance	11	12	29
Sundry smelting costs	4	6	9
Total (refer to note 5)	**312**	**293**	**600**

8. TREATMENT AND REFINING COSTS

Labour	61	67	122
Consumables and spares	51	49	96
Platinum group metals toll refining cost	32	21	57
Utilities	9	8	17
Insurance	6	5	15
Repairs and maintenance	5	5	12
Sundry treatment and refining costs	4	5	9
Total (refer to note 5)	**168**	**160**	**328**

9. OTHER COSTS

Cost of refined metals purchased from third parties	63	152	211
Mining and pollution taxes	76	75	141
Transportation of metals	50	37	97
Other	18	6	29
Total (refer to note 5)	**207**	**270**	**478**

US Dollars million

	Reviewed six months ended 30 June 2005	Reviewed six months ended 30 June 2004	Audited year ended 31 December 2004
10. AMORTISATION AND DEPRECIATION OF OPERATING ASSETS			
Mining and concentrating	156	146	288
Smelting	72	64	137
Treatment and refining	20	29	41
Total (refer to note 5)	**248**	**239**	**466**
11. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES			
Export customs duties	135	127	291
Salaries	111	88	201
Taxes other than mining, pollution and income taxes	36	41	77
Advertising	14	22	49
Research and development	18	23	40
Transportation expenses	20	20	35
Consulting services	15	16	35
Legal and audit services	12	10	24
Commission paid	5	6	14
Repairs and maintenance	4	6	12
Bank charges	4	3	12
Amortisation and depreciation	8	4	11
Insurance	5	4	9
Other	23	31	56
Total	**410**	**401**	**866**
12. OTHER NET OPERATING EXPENSES			
Loss on disposal of property, plant and equipment	20	55	140
Provision for other non-current assets	8	-	72
Provision for impairment of assets (refer to notes 20 and 21)	(7)	43	19
Foreign exchange loss/(gain)	14	(4)	12
Doubtful debts (recovered)/expensed	(9)	21	5
Increase/(decrease) in provision for tax penalties	72	8	(56)
Net operating (profit)/loss from non-mining entities	(4)	6	(37)
Other net operating gains	-	(5)	(2)
Total	**94**	**124**	**153**

US Dollars million

	Reviewed six months ended 30 June 2005	Reviewed six months ended 30 June 2004	Audited year ended 31 December 2004

13. INTEREST EXPENSE

Interest expense on borrowings	44	27	68
Unwinding of discount on decommissioning obligations (refer to note 33)	2	2	4
Total	**46**	**29**	**72**

14. NET INCOME FROM INVESTMENTS

(Income)/loss from associates (refer to note 22)	(6)	(4)	32
(Profit)/loss on disposal of investments and other financial assets	(3)	(8)	7
Dividends received	(11)	(3)	(9)
Interest income	(21)	(19)	(37)
Change in fair value of investments and other financial assets	4	-	-
Total	**(37)**	**(34)**	**(7)**

15. NET GAINS ON DERIVATIVE TRANSACTIONS

Realised gains	-	(20)	(6)
Unrealised loss	-	4	-
Total	**-**	**(16)**	**(6)**

16. OTHER NON-OPERATING EXPENSES

Maintenance of social sphere facilities	25	21	53
Donations	20	21	52
Other	1	6	3
Total	**46**	**48**	**108**

17. TAXATION

Current taxation	450	349	818
Deferred taxation (refer to note 31)	(42)	(56)	(122)
Total	**408**	**293**	**696**

US Dollars million

	Reviewed six months ended 30 June 2005	**Reviewed six months ended 30 June 2004**	**Audited year ended 31 December 2004**
The corporate income tax rates in countries where the Group has a taxable presence are as follows:			
Russian Federation	24%	24%	24%
Belgium	34%	34%	34%
Switzerland	12%	12%	12%
United Kingdom	30%	30%	30%
United States of America	39%	39%	39%
China	17.5%	17.5%	17.5%

A reconciliation of theoretical income tax, calculated at the rate effective in the Russian Federation, the primary location of the Group's production entities, to the amount of actual income tax expense recorded in the income statement is as follows:

Profit before taxation	**1,382**	**1,166**	**2,553**
Theoretical income tax at 24%	332	280	613
Impact of specific tax rates	13	(8)	(15)
Tax effect of goodwill impairment	-	-	27
Tax effect of permanent differences	64	36	127
Change in valuation allowance	1	(7)	(55)
Previous year adjustment	(2)	(8)	(1)
Total income tax expense	**408**	**293**	**696**

US Dollars million

18. MINORITY INTEREST

	Reviewed 30 June 2005	Reviewed 30 June 2004	Audited 31 December 2004
Balance at beginning of the period	**366**	**344**	**344**
Minority interest in net loss from subsidiaries	(5)	(16)	(21)
Minority interest in newly acquired subsidiaries (refer to note 40)	-	28	48
Net decrease in minority interest due to change of shareholding structure in subsidiaries (refer to comments below)	(8)	-	-
Decrease in minority interest due to increase of investments in subsidiaries (refer to note 40)	(11)	(18)	(18)
Increase in minority interest due to decrease of investments in subsidiaries	1	2	2
Effect of translation to presentation currency for the period	(4)	6	11
Balance at end of the period	**339**	**346**	**366**

In March-April 2005 certain subsidiaries of OJSC "Lenzoloto", a 57.0% subsidiary of the Group, were sold to LLC "Lenskaya Zolotorudnaya Company", a 100.0% subsidiary of the Group. This transaction resulted in decrease in minority interest and increase in equity attributable to the shareholders of the parent company in the amount of USD 15 million.

During April-May 2005 OJSC "Matrosov Mine", a subsidiary of the Group, issued additional ordinary shares that were acquired by the Group. Prior to this transaction all losses of the company applicable to minority interest were allocated against the interest of shareholders of the parent company. As a result of the transaction minority interest in the increased net assets of OJSC "Matrosov Mine" in the amount of USD 7 million was recognised.

Included in minority interest is the interest of shareholders of OJSC "RAO Norilsk Nickel", who elected not to swap their shares for shares in OJSC "MMC "Norilsk Nickel" (refer to notes 29 and 47). The minority interest of these shareholders in the Group's total minority interest at 30 June 2005 amounted to USD 18 million (30 June 2004: USD 28 million; 31 December 2004: USD 29 million).

19. DIVIDENDS

On 30 June 2005 the Company declared dividends in respect of the year ended 31 December 2004 in the amount RUR 28 (USD 0.98) per share. The dividends of USD 194 million, net of USD 3 million paid to other Group companies, was paid to shareholders on 31 August 2005.

On 26 November 2004 the Company declared an interim dividend of RUR 41.4 (USD 1.46) per share in respect of the year ended 31 December 2004. The dividend of USD 308 million, net of USD 5 million paid to other Group companies, was paid to shareholders on 30 December 2004.

US Dollars million

20. PROPERTY, PLANT AND EQUIPMENT

	Buildings, structures, utilities and mineral rights	Machinery, equipment and transport	Other	Total
Cost				
Balance at 31 December 2003 – audited	**4,572**	**2,314**	**95**	**6,981**
Acquired on acquisition of subsidiaries (refer to note 40)	171	51	-	**222**
Disposed on disposal of subsidiaries (refer to note 41)	-	-	(8)	**(8)**
Transfers from capital construction-in-progress (refer to note 21)	64	118	17	**199**
Disposals	(17)	(34)	(2)	**(53)**
Impairment (refer to note 12)	(6)	-	-	**(6)**
Effect of translation to presentation currency for the period	61	32	2	**95**
Balance at 30 June 2004 – reviewed	**4,845**	**2,481**	**104**	**7,430**
Acquired on acquisition of subsidiaries (refer to note 40)	10	28	1	**39**
Disposed on disposal of subsidiaries (refer to note 41)	(21)	(1)	-	**(22)**
Transfers from capital construction-in-progress (refer to note 21)	179	161	41	**381**
Decommissioning asset raised (refer to note 33)	82	-	-	**82**
Disposals	(44)	(148)	(2)	**(194)**
Impairment (refer to note 12)	6	-	-	**6**
Effect of translation to presentation currency for the period	201	137	8	**346**
Balance at 31 December 2004 – audited	**5,258**	**2,658**	**152**	**8,068**
Acquired on acquisition of subsidiaries (refer to note 40)	63	-	-	**63**
Disposed on disposal of subsidiaries (refer to note 41)	(5)	(10)	-	**(15)**
Transfers from capital construction-in-progress (refer to note 21)	29	229	5	**263**
Disposals	(22)	(41)	(1)	**(64)**
Effect of translation to presentation currency for the period	(162)	(90)	(5)	**(257)**
Balance at 30 June 2005 – reviewed	**5,161**	**2,746**	**151**	**8,058**

US Dollars million

	Buildings, structures, utilities and mineral rights	Machinery, equipment and transport	Other	Total
Accumulated amortisation and depreciation				
Balance at 31 December 2003 – audited	**(463)**	**(441)**	**(9)**	**(913)**
Amortisation and depreciation charge for the period	(151)	(133)	(3)	**(287)**
Eliminated on disposals	3	17	1	**21**
Effect of translation to presentation currency for the period	(5)	(5)	-	**(10)**
Balance at 30 June 2004 – reviewed	**(616)**	**(562)**	**(11)**	**(1,189)**
Amortisation and depreciation charge for the period	(144)	(119)	(7)	**(270)**
Disposed on disposal of subsidiaries (refer to note 41)	2	-	-	**2**
Eliminated on disposals	5	88	1	**94**
Effect of translation to presentation currency for the period	(33)	(27)	(1)	**(61)**
Balance at 31 December 2004 – audited	**(786)**	**(620)**	**(18)**	**(1,424)**
Amortisation and depreciation charge for the period	(168)	(130)	(6)	**(304)**
Disposed on disposal of subsidiaries (refer to note 41)	-	2	-	**2**
Eliminated on disposals	6	23	-	**29**
Effect of translation to presentation currency for the period	25	21	-	**46**
Balance at 30 June 2005 – reviewed	**(923)**	**(704)**	**(24)**	**(1,651)**
Net book value				
30 June 2005 – reviewed	**4,238**	**2,042**	**127**	**6,407**
30 June 2004 – reviewed	**4,229**	**1,919**	**93**	**6,241**
31 December 2004 – audited	**4,472**	**2,038**	**134**	**6,644**

Included in property, plant and equipment are non-mining assets with carrying value of USD 322 million (30 June 2004: USD 349 million; 31 December 2004: USD 318 million).

US Dollars million

21. CAPITAL CONSTRUCTION-IN-PROGRESS

	Reviewed 30 June 2005	Reviewed 30 June 2004	Audited 31 December 2004
Balance at beginning of the period	**1,208**	**1,150**	**1,150**
Additions	387	362	635
Acquired on acquisition of subsidiaries (refer to note 40)	3	17	19
Disposed on disposal of subsidiaries (refer to note 41)	(1)	-	-
Transfers to property, plant and equipment (refer to note 20)	(263)	(199)	(580)
Disposals	(5)	(46)	(65)
Impairment (refer to note 12)	7	(37)	(19)
Effect of translation to presentation currency for the period	(26)	17	68
Balance at end of the period	**1,310**	**1,264**	**1,208**

Assets under construction in the amount of USD 8 million (30 June 2004: USD 3 million; 31 December 2004: USD 8 million) were financed through a grant from the Government of Norway (refer to note 43). The grant has been deducted from the cost of the qualifying assets resulting in a zero carrying value.

Included in capital construction-in-progress are non-mining assets under construction with a carrying value of USD 263 million (30 June 2004: USD 109 million; 31 December 2004: USD 252 million).

22. INVESTMENTS IN ASSOCIATES

	Reviewed 30 June 2005	Reviewed 30 June 2004	Audited 31 December 2004
Balance at beginning of the period	**162**	**108**	**108**
Acquired during the period	-	5	56
Change in classification due to increase in shareholding	(9)	-	22
Share of post-acquisition profits (refer to note 14)	6	4	4
Dividends received	(2)	(1)	(1)
Impairment (refer to note 14)	-	-	(36)
Effect of translation to presentation currency for the period	(4)	2	9
Balance at end of the period	**153**	**118**	**162**

US Dollars million

All Group's associates are incorporated in the Russian Federation. Details of the Group's associates are as follows:

Name of associate	Principal activity	Controlling interest	Reviewed 30 June 2005	Reviewed 30 June 2004	Audited 31 December 2004
OJSC "Krasnoyarskenergo"	Electricity utilities	25.5%	73	67	72
OJSC "Kolenergo"	Electricity utilities	24.8%	57	-	59
OJSC "Norilskgazprom"	Gas extraction	29.4%	23	51	22
OJSC "Pervenets"	Gold mining	100.0%	-	-	9
LLC "Kvartsevye tekhnologii"	Quartz mining	38.3%	-	-	-
CJSC "Metallurgtrans"	Consulting	21.9%	-	-	-
			153	**118**	**162**

At 31 December 2004 OJSC "Lenzoloto", a 57.0% subsidiary of the Group, held a 26.0% investment in OJSC "Pervenets". Resulted from the acquisition by the Group of additional 74.0% interest on 10 February 2005, financial results of OJSC "Pervenets" were fully consolidated and the investment was eliminated from investments in associates.

During 2004 the Group increased its shareholding in OJSC "Kolenergo" from 10.0% to 24.8%. This resulted in the company being classified as an associate.

23. INVESTMENTS IN SECURITIES AND OTHER FINANCIAL ASSETS

	Reviewed 30 June 2005	Reviewed 30 June 2004	Audited 31 December 2004
Non-current			
Equity securities available-for-sale	1,570	1,161	1,345
Promissory notes receivable	41	3	40
Long-term accounts receivable	32	17	5
Other	10	14	17
Total non-current	**1,653**	**1,195**	**1,407**
Current			
Promissory notes receivable	-	51	14
Auction rate securities	-	-	13
Bank deposits	-	83	-
Securities held-to-maturity	14	-	-
Other	5	4	3
Total current	**19**	**138**	**30**

US Dollars million

	Reviewed 30 June 2005	Reviewed 30 June 2004	Audited 31 December 2004
24. OTHER NON-CURRENT AND CURRENT ASSETS			
Non-current			
Value added tax recoverable	233	182	202
Other	47	10	24
	280	192	226
Less: Provision	(61)	(5)	(57)
Total non-current	**219**	**187**	**169**
Current			
Value added tax recoverable	435	402	459
Prepaid income tax	76	54	92
Prepaid insurance	48	62	81
Prepaid custom duties	38	26	25
Prepaid other taxes	21	18	19
Other	38	24	18
Total current	**656**	**586**	**694**

25. INVENTORIES

	Reviewed 30 June 2005	Reviewed 30 June 2004	Audited 31 December 2004
Non-current			
Refined metals			
Joint products at net production cost	41	43	75
Total non-current metal inventories	**41**	**43**	**75**

As of 30 June 2005, refined metal inventory includes approximately 282,500 ounces of palladium subject to a sales contract entered into by Stillwater Mining Company in August 2004. This contract requires approximately 56,500 ounces of palladium to be delivered on a yearly basis until January 2010. Non-current refined metal inventory represents the carrying cost of those palladium ounces to be delivered after 30 June 2006 (refer to note 30).

US Dollars million

	Reviewed 30 June 2005	Reviewed 30 June 2004	Audited 31 December 2004
Current			
Refined metals			
Joint products at net production cost	454	536	430
By-products at net realisable value	94	65	65
Work-in-process, at net production cost	251	333	285
Total current metal inventories	**799**	**934**	**780**
Stores and materials at cost	638	663	709
Less: Provision for obsolescence	(40)	(80)	(47)
Net stores and materials	**598**	**583**	**662**
Total current inventories	**1,397**	**1,517**	**1,442**

Certain refined metals are pledged as security:

Joint products			
Long-term borrowings (refer to note 30)	13	65	22
Bank overdraft facilities (refer to note 38)	113	81	100
By-products			
Bank overdraft facilities (refer to note 38)	-	29	13
Total	**126**	**175**	**135**

26. TRADE AND OTHER RECEIVABLES

Trade accounts receivable	250	346	367
Advances to suppliers	68	93	59
Promissory notes receivable	2	16	2
Other receivables	169	114	140
	489	569	568
Less: Provision for doubtful debts	(80)	(132)	(113)
Total	**409**	**437**	**455**

Certain trade receivables from metal sales are pledged as security against:

Bank overdraft facilities (refer to note 38)	43	28	28
Total	**43**	**28**	**28**

US Dollars million

		Reviewed 30 June 2005	Reviewed 30 June 2004	Audited 31 December 2004

27. CASH AND CASH EQUIVALENTS

		Reviewed 30 June 2005	Reviewed 30 June 2004	Audited 31 December 2004
Restricted cash		14	3	12
Current accounts	- RUR	107	52	108
	- foreign currency	64	443	524
Bank deposits	- RUR	-	80	3
	- foreign currency	483	171	591
Cash on broker current account	- foreign currency	1	46	4
Cash in hand		11	11	8
Other cash and cash equivalents		178	61	96
Total cash and cash equivalents		**858**	**867**	**1,346**
Less: Bank overdrafts (refer to note 38)		-	(124)	(21)
Net cash and cash equivalents		**858**	**743**	**1,325**

Other cash equivalents are mainly represented by highly liquid investments purchased with an original maturity date of three months or less.

28. SHARE CAPITAL

	Reviewed 30 June 2005	Reviewed 30 June 2004	Audited 31 December 2004
Authorised, issued and fully paid			
213,905,884 ordinary shares at par value of RUR 1 each	9	9	10
Treasury shares			
30 June 2005: 14,514,053 ordinary shares 30 June 2004: 3,263,368 ordinary shares 31 December 2004: 3,263,368 ordinary shares	-	-	-
Effect of translation to presentation currency for the period	-	-	-
Total	**9**	**9**	**10**

Treasury shares at par value are shown as a deduction from issued share capital.

US Dollars million

29. SHARE PREMIUM

	Reviewed 30 June 2005	Reviewed 30 June 2004	Audited 31 December 2004
Balance at beginning of the period	**782**	**737**	**737**
Re-acquisition of 12,478,704 ordinary shares	(763)	-	-
Re-issuance of 1,228,019 ordinary shares from treasury shares (refer to note 40)	11	-	-
Effect of translation to presentation currency for the period	7	11	45
Balance at end of the period	**37**	**748**	**782**

On 2 December 2004 the Board of Directors of the Company approved a decision to re-acquire up to 12,500,000 ordinary shares from shareholders for RUR 1,680 per share. The transaction was completed in the first quarter of 2005, resulted in re-acquisition of 12,478,704 shares for total consideration of USD 763 million, including USD 1 million of direct expenses incurred.

In October 2004, the Board of Directors of the Company approved a third stage of swapping shares of OJSC “RAO “Norilsk Nickel” for shares in OJSC “MMC “Norilsk Nickel” for those shareholders who had not participated in the share swaps in 2001-2002. As of 30 June 2005 1,228,019 shares had been swapped.

US Dollars million

30. LONG-TERM BORROWINGS

	Reviewed 30 June 2005	Reviewed 30 June 2004	Audited 31 December 2004
7.125% Guaranteed notes due 2009, net of direct expenses on issuance	498	-	498
On 30 September 2004 Norilsk Nickel Luxemburg S.A., a wholly owned special purpose subsidiary of the Group, issued USD 500 million 7.125% notes. The notes were issued at par value with interest payable semi-annually in arrears on 30 March and 30 September, and mature on 30 September 2009. The notes are unconditionally and irrevocably guaranteed by MMC Norilsk Nickel.			
Syndicated loan arranged by Citibank N.A., ING Bank N.V. and Societe Generale	121	-	299
A USD-denominated loan at LIBOR + 1.85% per annum for the period from the date of receipt, 3 August 2004, until 14 September 2004 and at LIBOR + 1.4% for the period from 15 September 2004 until date of repayment. The date of repayment is 28 December 2005. The loan is secured by export sales proceeds of the Group.			
Syndicated loan arranged by Toronto Dominion	124	128	132
At 30 June 2005 Stillwater Mining Company, a subsidiary of the Group had USD 124 million outstanding at LIBOR + 3.25% per annum (30 June 2004: USD 128 million at LIBOR (but not less than 2.5%) + 4.75% per annum or an alternative base rate + 3.75%; 31 December 2004: USD 132 million at LIBOR + 3.25% per annum) under a USD 250 million credit facility. Repayment commenced in 2004, with the final instalment due on 30 July 2010. Substantially all the property and assets of Stillwater Mining Company are pledged as security for the credit facility. The loan agreement requires that 50% of the company's annual excess cash flow, any proceeds from asset sales and the issuance of debt or equity securities, subject to specified exceptions, be offered to repay this loan. Also the loan agreement requires that 25% of the net proceeds on disposal of 282,500 ounces of palladium, received by Stillwater Mining Company as part settlement of the acquisition of Stillwater Mining Company by the Group be offered to repay this loan. Effectively the loan is secured by 70,600 ounces of palladium with a carrying value of USD 13 million (refer to note 25).			

US Dollars million

	Reviewed 30 June 2005	Reviewed 30 June 2004	Audited 31 December 2004
Exempt Facility Reversal Bonds Series 2000 issued through the State of Montana Investment Board	29	29	29
USD-denominated bonds with an effective interest rate of 8.57% issued on 6 July 2002 and maturing on 1 July 2020.			
Other long-term borrowings	12	26	22
Total	**784**	**183**	**980**
Less: Current portion repayable within one year and shown under current liabilities	(162)	(37)	(323)
Net long-term borrowings	**622**	**146**	**657**

The long-term borrowings are repayable as follows:

Due in one year	162	37	323
Due in the second year	1	3	5
Due thereafter	621	143	652
	784	**183**	**980**

31. DEFERRED TAX LIABILITIES

The movement in the Group's deferred taxation position for the period was as follows:

Net liability at beginning of the period	**740**	**775**	**775**
Recognised in the income statement for the period (refer to note 17)	(42)	(56)	(122)
Change in deferred tax liability arising on revaluation of available-for-sale investments	17	-	-
Change in deferred tax liability due to acquisition of subsidiaries (refer note 40)	17	63	44
Change in deferred tax liability due to disposal of subsidiaries (refer to note 41)	(1)	-	-
Effect of translation to presentation currency for the period	(24)	10	43
Net liability at end of the period	**707**	**792**	**740**

Deferred taxation is attributable to the temporary differences that exist between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. The tax effects of temporary differences that give rise to deferred taxation are presented below:

US Dollars million

	Reviewed 30 June 2005	Reviewed 30 June 2004	Audited 31 December 2004
Property, plant and equipment	752	787	785
Accrued operating expenses	(47)	(55)	(49)
Provision for doubtful debts	5	(20)	(10)
Unrealised profit on intra-group transactions	(58)	(60)	(42)
Inventory valuation	52	61	63
Valuation of investments	(1)	(61)	(42)
Loss carried forward raised on the disposal of investments	(74)	-	-
Other	(24)	11	(14)
Provision for deferred tax assets	102	129	49
Total	**707**	**792**	**740**

The unutilised tax losses of the North American operations as at 30 June 2005, which are available for offset against future taxable income earned in the United States of America, amounted to USD 259 million, have not been recognised as a deferred tax asset.

The Group does not recognise a deferred tax liability for taxable temporary difference associated with investments in subsidiaries of USD 1,535 million (30 June 2004: USD 1,074 million; 31 December 2004: USD 1,406 million), because it is able to control the timing of reversal of such differences and has no intention to reverse them in the foreseeable future.

32. EMPLOYEE BENEFIT OBLIGATIONS

	Reviewed 30 June 2005	Reviewed 30 June 2004	Audited 31 December 2004
Non-current			
Lifelong professional pension plan	35	35	35
Joint corporate pension plan	21	36	19
Mothers' rights plan	4	7	4
Six pensions plan	2	3	3
	62	81	61
Less: Current portion of employee benefit obligations	(12)	(11)	(11)
Total non-current	**50**	**70**	**50**
Current			
Accrual for annual leave	146	176	165
Current portion of employee benefit obligations	12	11	11
Other	13	5	10
Total current	**171**	**192**	**186**

US Dollars million

Defined benefit plans

Number of members	**Lifelong professional pension plan**	**Joint corporate pension plan**	**Mothers' rights plan**	**Six pensions plan**
At 31 December 2003 – audited	**1,252**	**1,352**	**1,112**	**718**
Additions	53	271	8	90
Retirements	(6)	-	(41)	(252)
At 30 June 2004 – reviewed	**1,299**	**1,623**	**1,079**	**556**
Additions	35	707	4	56
Retirements	(8)	(5)	(346)	(190)
At 31 December 2004 –audited	**1,326**	**2,325**	**737**	**422**
Additions	16	106	5	12
Retirements	(6)	(231)	(9)	(148)
At 30 June 2005 – reviewed	**1,336**	**2,200**	**733**	**286**

Movements in the liabilities

Balance at 31 December 2003 – audited	**31**	**29**	**9**	**4**
Cash payments	(2)	-	(3)	(3)
Charge for the period	2	1	1	-
Additional cost arising from new plan members	3	6	-	2
Effect of translation to presentation currency for the period	1	-	-	-
Balance at 30 June 2004 – reviewed	**35**	**36**	**7**	**3**
Cash payments	(2)	-	(3)	(1)
Charge for the period	-	-	-	-
Additional cost arising from new plan members	-	-	-	1
Change in estimate	-	(19)	-	-
Effect of translation to presentation currency for the period	2	2	-	-
Balance at 31 December 2004 – audited	**35**	**19**	**4**	**3**
Cash payments	(2)	-	(2)	(1)
Charge for the period	3	2	2	-
Additional cost arising from new plan members	1	1	-	-
Effect of translation to presentation currency for the period	(2)	(1)	-	-
Balance at 30 June 2005 – reviewed	**35**	**21**	**4**	**2**

US Dollars million

Amounts in respect of defined benefit plans recognised in the income statement for the period:

	Lifelong professional pension plan	Joint corporate pension plan	Mothers' rights plan	Six pensions plan
30 June 2005 – reviewed				
Charge for the period	3	2	2	-
Additional cost arising from new plan members	1	1	-	-
Total	**4**	**3**	**2**	**-**
30 June 2004 – reviewed				
Charge for the period	2	1	1	-
Additional cost arising from new plan members	3	6	-	2
Total	**5**	**7**	**1**	**2**
31 December 2004 – audited				
Charge for the period	2	1	1	1
Additional cost arising from new plan members	3	6	-	2
Change in estimate	-	(19)	-	-
Total	**5**	**(12)**	**1**	**3**

The Joint corporate pension plan was classified as a defined contribution plan in 2003. As a result of an independent actuarial valuation during 2004, the accounting classification was changed to defined benefit plan and accrued liabilities were revised mainly due to the effect of discounting. The reversal is presented as a change in estimate.

Key assumptions used:

	Reviewed 30 June 2005	Reviewed 30 June 2004	Audited 31 December 2004
Discount rate	13.0%	7.3%	13.0%
Pre-retirement increases to capital accounts	7.5%	-	7.5%
Future salary increases	6.2%	-	6.2%
Future pension increases	7.5%	-	7.5%
Average life expectancy of members from date of retirement	17 years	19 years	17 years

Defined contribution plans

	Reviewed 30 June 2005	Reviewed 30 June 2004	Audited 31 December 2004
Amounts recognised in the income statement in respect of defined contribution plans:			
Pension fund of the Russian Federation	82	96	177
Stillwater Mining Company savings plan	2	2	4
Total	**84**	**98**	**181**

Contributions to the Stillwater Mining Company savings plan are non-cash. The cash equivalent of the contribution is matched by issuing Stillwater Mining Company ordinary shares at the ruling market price on the day the contribution becomes payable.

33. ENVIRONMENTAL OBLIGATIONS

Decommissioning obligations

Balance at beginning of the period	**149**	**60**	**60**
Change in estimate (refer to note 20)	-	-	82
Unwinding of discount on decommissioning obligation during the period (refer to note 13)	2	2	4
Effect of translation to presentation currency for the period	(5)	1	3
Balance at end of the period	**146**	**63**	**149**

During 2004 the Group reassessed the estimate of decommissioning obligations for its operations in the Russian Federation due to changes in inflation rate, discount rates and the use of the results of an independent audit of ore reserves to determine the closure dates of mines. As a result, additional decommissioning obligations were accrued. The additional accrual was presented as change in estimate.

The Group's subsidiary, Stillwater Mining Company, is required to post surety bonds, letters of credit, cash or other acceptable financial instruments to guarantee performance of reclamation activities at Stillwater and East Boulder Mines. The surety amount at the East Boulder Mine was USD 11.5 million during 2004, comprised of USD 4 million of surety bonds and USD 7.5 million letter of credit. At 31 December 2004, the Stillwater Mine carried reclamation bonds totalling USD 8.9 million. The company expects that the Stillwater Mine bonding status will be reviewed by certain government agencies during 2005, and it is likely that the required bond amount will be increased.

US Dollars million

	Reviewed 30 June 2005	Reviewed 30 June 2004	Audited 31 December 2004
Provision for land rehabilitation			
Balance at beginning of the period	**6**	**-**	**-**
Charge to the income statement	-	-	6
Balance at end of the period	**6**	**-**	**6**

During 2004 the Group performed an estimate of the land rehabilitation costs for its operations in the Russian Federation. Provision, discounted to net present value, relates exclusively to mining operations.

Total environmental obligations	**152**	**63**	**155**

34. SHORT-TERM BORROWINGS

USD-denominated short-term borrowings at floating rates	100	1,094	150
USD-denominated short-term borrowings at fixed rates	15	-	42
RUR-denominated short-term borrowings	19	54	16
Total	**134**	**1,148**	**208**

The interest rates on these borrowings vary as follows:

USD-denominated short-term borrowings at floating rates	LIBOR+ 1.5%	LIBOR+ 1.5% – 13%	LIBOR+ 1.5%
USD-denominated short-term borrowings at fixed rates	4% – 10%	-	4% – 10%
RUR-denominated short-term borrowings	14% – 21%	2% – 28%	10% – 20%

US Dollars million

	Reviewed 30 June 2005	Reviewed 30 June 2004	Audited 31 December 2004

35. TRADE AND OTHER PAYABLES

	Reviewed 30 June 2005	Reviewed 30 June 2004	Audited 31 December 2004
Trade accounts payable	162	249	151
Wages and salaries	80	75	79
Advances from customers	61	31	57
Promissory notes payable	8	39	13
Interest payable	12	6	12
Other creditors	51	40	61
Total	**374**	**440**	**373**

36. TAXES PAYABLE

	Reviewed 30 June 2005	Reviewed 30 June 2004	Audited 31 December 2004
Value added tax payable	70	115	82
Provision for fines and penalties	115	68	44
Income tax	28	53	31
Property tax	20	19	21
Unified social taxes	21	21	13
Pollution tax	3	20	11
Tax on mining	9	5	10
Personal income tax	8	6	8
Other	11	18	41
Total taxes payable	**285**	**325**	**261**
Less: Current taxes payable within one year and shown under current liabilities	(275)	(318)	(257)
Total non-current taxes payable	**10**	**7**	**4**

37. DIVIDENDS PAYABLE

	Reviewed 30 June 2005	Reviewed 30 June 2004	Audited 31 December 2004
Balance at beginning of the period	**10**	**304**	**304**
Dividends declared (refer to note 19)	194	-	308
Dividends paid during the period	(5)	(313)	(618)
Effect of translation to presentation currency for the period	-	11	16
Balance at end of the period	**199**	**2**	**10**

US Dollars million

38. BANK OVERDRAFTS

	Reviewed 30 June 2005	Reviewed 30 June 2004	Audited 31 December 2004
Bank overdrafts (refer to notes 27 and 45)	**-**	**124**	**21**
Bank overdraft facilities are as follows:			
ING (Switzerland)	100	100	100
BNP Paribas Suisse (Switzerland)	75	75	75
Credit Suisse (Switzerland)	75	50	75
Banque Cantonale Vaudoise (Switzerland)	50	50	50
Rosbank (Russia)	-	-	36
Natexis (France)	10	60	10
KBC Bank (Belgium)	-	2	-
Total bank overdraft facilities (refer to note 45)	**310**	**337**	**346**
Bank overdrafts are secured by (refer to notes 25 and 26):			
Joint products	113	81	100
By-products	-	29	13
Trade accounts receivable	43	28	28
Total	**156**	**138**	**141**
Respective weighted average interest rate for bank overdrafts denominated in foreign currencies	LIBOR + 1.04%	LIBOR + 1.27%	LIBOR + 1.10%
Weighted average interest rate for bank overdrafts denominated in RUR	-	-	8%

US Dollars million

39. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH FLOWS FROM OPERATIONS

	Reviewed six months ended 30 June 2005	Reviewed six months ended 30 June 2004	Audited year ended 31 December 2004
Profit before taxation	**1,382**	**1,166**	**2,553**
Adjustments for:			
Amortisation and depreciation	300	284	540
Interest expense	46	29	72
Impairment of goodwill on acquisition	-	-	115
Change in provision for impairment of assets	(7)	43	19
Change in provision for doubtful debt	(9)	21	5
Change in provision for obsolete inventory	(5)	(36)	(71)
Change in provision for other non-current assets	8	-	72
Change in provision for tax penalties	72	8	(56)
Loss on disposal of property, plant and equipment	20	55	140
(Profit)/loss on disposal of investments and other financial assets	(3)	(8)	7
Change in fair value of investments and other financial assets	4	-	-
(Income)/loss from associates	(6)	(4)	32
Foreign exchange loss/(gain)	14	(4)	12
Unrealised loss on financial derivatives	-	4	-
Other	2	2	4
Operating profit before working capital changes	**1,818**	**1,560**	**3,444**
Decrease in inventories	26	105	208
Decrease in trade and other receivables	18	1	9
Increase/(decrease) in trade and other payables	6	(13)	(54)
Increase in other current and non-current assets	(31)	(22)	(120)
(Decrease)/increase in employee benefit obligations	(7)	10	(27)
(Decrease)/increase in taxes payable	(43)	23	38
Cash flows from operations	**1,787**	**1,664**	**3,498**

US Dollars million

40. ACQUISITION OF SUBSIDIARIES

	Reviewed six months ended 30 June 2005	**Reviewed six months ended 30 June 2004**	**Audited year ended 31 December 2004**
Net assets acquired			
Property, plant and equipment (refer to note 20)	63	222	261
Capital construction-in-progress (refer to note 21)	3	17	19
Other non-current assets	18	-	-
Inventories – refined metals	-	7	4
Inventories – other	-	23	24
Trade and other receivables	5	33	12
Cash and cash equivalents	-	3	2
Other assets	1	42	50
Loans and borrowings	(9)	(71)	(68)
Trade and other payables	(4)	(74)	(54)
Deferred taxation (refer to note 31)	(17)	(63)	(44)
Net assets at date of acquisition	**60**	**139**	**206**
Add: Decrease in minority interest due to increase of investments in subsidiaries	11	18	18
Less: Minority interest acquired (refer to note 18)	-	(28)	(48)
Groups' share of net assets acquired	**71**	**129**	**176**
Add: Goodwill on acquisition that was fully impaired (refer to comment below)	-	107	115
Less: Carrying value of investment in subsidiary before acquiring control (refer to note 22)	(9)	-	-
Total consideration	**62**	**236**	**291**
Satisfied by re-issuance of treasury shares (refer to note 29)	(11)	-	-
Satisfied by cash	(51)	(236)	(291)
Net cash outflow arising on acquisition:			
Cash consideration	(51)	(236)	(291)
Cash and cash equivalents acquired	-	3	2
Net cash outflow on acquisition of subsidiaries	**(51)**	**(233)**	**(289)**

Impairment of goodwill on acquisition

On 31 December 2004 the Group reviewed the carrying value of goodwill arising on the acquisition of OJSC "Lenzoloto" during 2004 and determined that it should be written-off.

OJSC "Pervenets"

On 10 February 2005, the Group acquired additional 74.0% share in the capital of the OJSC "Pervenets" for a cash consideration of USD 25.8 million.

OJSC "Pervenets" contributed USD nil revenue and USD 0.5 million loss before taxation from the date control was attained to 30 June 2005.

US Dollars million

CJSC "Tonoda»

On 9 December 2004, LLC "Lenskaya Zolotorudnaya Company", a subsidiary of the Group acquired 100.0% of the issued share capital of CJSC "Tonoda" for a cash consideration of USD 28.4 million. CJSC "Tonoda» holds a licence to mine Chertovo Koryto deposit located in Irkutsk Region of the Russian Federation.

CJSC "Tonoda" contributed USD nil million revenue and USD nil million loss before taxation from the date of acquisition to 31 December 2004.

OJSC "Lenzoloto"

On 6 April 2004, the Group acquired 50.5% of the issued share capital of OJSC "Lenzoloto" for a cash consideration of USD 179 million. During July 2004 the Group increased its investment in OJSC "Lenzoloto" to 56.96% for a cash consideration of USD 12 million, bringing the Group's total investment in the company to USD 191 million.

OJSC "Lenzoloto" contributed USD 104 million revenue and USD 3.5 million loss before taxation from the date of acquisition to 31 December 2004.

OJSC "Matrosov Mine"

On 6 April 2004, the Group acquired 38.0% of the issued share capital of OJSC "Matrosov mine" for a cash consideration of USD 35.6 million. During May and July 2004 the Group increased its investment in OJSC "Matrosov Mine" to 57.1% for a cash consideration of USD 18.1 million, bringing the Group's total investment in the company to USD 53.7 million.

During April-May 2005, the Group acquired 100% of additional shares issued by OJSC "Matrosov Mine", bringing its total share in the company to 87.44%. On 31 May 2005 the Group further increased its investment in OJSC "Matrosov Mine" up to 88.4% for a cash consideration of USD 4 million.

	Reviewed six months ended 30 June 2005	Reviewed six months ended 30 June 2004	Audited year ended 31 December 2004
Other acquisitions			
During six months ended 30 June 2005 the following entities were acquired or the Group's holding increased for a total consideration of USD 21.2 million (30 June 2004: USD 18 million; 31 December 2004: USD 18 million):			
LLC "Terminal"	100.0%	-	-
LLC "Gornaya Leasingovaya Company"	80.1%	-	-
CJSC "Kraus-M"	-	40.0%	40.0%
These entities contributed profit before tax from their dates of acquisition to the reporting date	-	-	(0.3)

US Dollars million

41. DISPOSAL OF SUBSIDIARIES

	Reviewed six months ended 30 June 2005	Reviewed six months ended 30 June 2004	Audited year ended 31 December 2004
Net assets disposed of			
Property, plant and equipment (refer to note 20)	13	8	28
Capital construction-in-progress (refer to note 21)	1	-	-
Trade and other receivables	1	4	6
Cash and cash equivalents	-	-	2
Inventory	2	-	14
Other assets	6	9	6
Borrowings	(13)	-	-
Deferred tax liabilities (refer to note 31)	(1)	-	-
Trade and other payables	(8)	(21)	(28)
Net assets at date of disposal of	**1**	**-**	**28**
Group's share of assets disposed	**1**	**-**	**28**
Less: Profit/(loss) on disposal	-	6	(1)
Proceeds from disposal of subsidiaries	**1**	**6**	**27**
Less: Cash and cash equivalents disposed of	-	-	(2)
Net cash inflow from disposal of subsidiaries	**1**	**6**	**25**

During six months ended 30 June 2005 the following entities were disposed of or the Group's holding decreased for total proceeds of USD 1 million (30 June 2004: USD 6 million; 31 December 2004: USD 27 million):

OJSC "Nedra Bodaybo"	51.0%	-	-
LLC "Norilskye Metally"	100.0%	-	-
OJSC "Olenegorsky Mekhanichesky Zavod"	-	100.0%	100.0%
OJSC "Tuimsky zavod Cvetnykh Metallov"	-	99.9%	99.9%
OJSC "PromEstate"	-	-	99.1%
These entities contributed loss before taxation from 1 January to the dates of disposal of	1	1	1

US Dollars million

42. RELATED PARTIES

Related parties are considered to include shareholders, affiliates and entities under common ownership and control with the Group. The Company and its subsidiaries, in the ordinary course of their business, enter into various sales, purchases and service transactions with related parties. Material transactions with related parties not dealt with elsewhere in the consolidated interim financial statements were as follows:

	Sale of goods	Purchase of goods	Purchase of services	Investments in related parties	Loans and borrowings	Investments and cash	Trade receivables	Trade payables
Six months ended 30 June 2005 – reviewed								
By the Company	10	39	12	19	-	222	7	13
By subsidiaries of the Group	181	36	4	30	17	106	5	7
Total	**191**	**75**	**16**	**49**	**17**	**328**	**12**	**20**
Six months ended 30 June 2004 – reviewed								
By the Company	9	35	24	4	-	616	25	11
By subsidiaries of the Group	176	-	8	-	39	165	6	5
Total	**185**	**35**	**32**	**4**	**39**	**781**	**31**	**16**
Year ended 31 December 2004 – audited								
By the Company	19	65	26	8	-	732	6	15
By subsidiaries of the Group	397	72	7	38	9	114	4	3
Total	**416**	**137**	**33**	**46**	**9**	**846**	**10**	**18**

US Dollars million

43. COMMITMENTS

Operating leases

The land in the Russian Federation on which the Group's production facilities are located is owned by the State. The Group pays land tax based on the total area and the location of the land occupied. The amount of land tax for the six months ended 30 June 2005 was approximately USD 3 million (30 June 2004: USD 11 million; 31 December 2004: USD 22 million).

The Group leases land through operating lease contracts, which expire in various years through 2051. Future minimum lease payments due under non-cancellable operating lease contracts at 30 June 2005 are as follows:

Due in one year	3
Due in the second year	3
Due thereafter	11
Total	**17**

Intergovernmental agreement with the Government of Norway

In 2001 an intergovernmental agreement between the Governments of the Russian Federation and Norway was signed with regard to the provision of technical assistance for the reconstruction of the metallurgical production facilities of Pechenganickel Combine, a branch of OJSC "Kolskaya Mining and Metallurgical Company".

Total investment in reconstruction of production facilities is expected to be USD 103 million, financed as follows:

Grants from the Government of Norway	31
Loan from Nordic Investment Bank	30
Contribution by the Group	42
Total	**103**

At 30 June 2005 the Group received USD 8 million in grant from the Government of Norway (refer to note 21). In 2002 the Group also received loan from Nordic Investment Bank in the amount of USD 0.5 million. The received cash was invested in the reconstruction of the equipment in accordance with the terms of the Grant Facility Agreement.

Social commitments

The Group contributes to mandatory and voluntary social programs and maintains social assets in the locations where it has its main operating facilities. 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. These contributions are recorded in the period in which they are incurred.

The Group's commitments will be funded from its own cash resources and borrowings.

44. CONTINGENCIES

Insurance

The insurance industry in the Russian Federation is in the process of development, and many forms of insurance coverage common in developed markets are not yet generally available. The Group does not have full coverage for its mining, processing and transportation facilities, for business interruption, or for third party liabilities in respect of property or environmental damage arising from accidents on the Group's property or relating to the Group's operations. Presently the Group has developed a comprehensive property risk insurance program which will commence in the second half of 2005 that provides coverage for the replacement of key production equipment, buildings and structures, and for losses resulting from a temporary disruption in production. This comprehensive property insurance program will reduce the risk of adverse effect of damage or loss of certain assets upon the Group's activities and its financial position.

Litigation and taxation risks

Unresolved tax litigation and possible taxation risks at 30 June 2005 amount to approximately USD 265 million. Management believes that the probability of unfavourable outcome of litigation and taxation risks is moderate.

In addition the Group has a large number of small claims and litigation relating to sales and purchases of goods and services from suppliers. Management believes that none of these claims, individually or in aggregate, will have a material adverse impact on the Group.

Taxation contingencies in the Russian Federation

The taxation system in the Russian Federation is at a relatively early stage of development, and is characterised by numerous taxes, frequent changes and inconsistent enforcement at federal, regional and local levels.

The Government of the Russian Federation has commenced a revision of the Russian tax system and passed certain laws implementing tax reform. The new laws reduce the number of taxes and overall tax burden on businesses and simplify tax legislation. However, these new tax laws continue to rely heavily on the interpretation of local tax officials and fail to address many existing problems. Many issues associated with practical implication of new legislation are unclear and complicate the Group's tax planning and related business decisions.

In terms of Russian tax legislation, authorities have a period of up to three years to re-open tax declarations for further inspection. Changes in the tax system that may be applied retrospectively by authorities could affect the Group's previously submitted and assessed tax declarations.

While management believes that it has adequately provided for tax liabilities based on its interpretation of current and previous legislation, the risk remains that tax authorities in the Russian Federation could take differing positions with regard to interpretive issues. This uncertainty may expose the Group to additional taxation, fines and penalties that could be significant.

Environmental matters

The Group is subject to extensive federal, state and local environmental controls and regulations in the countries in which it operates. The Group's operations involve the discharge of materials and contaminants into the environment, disturbance of land that could potentially impact on flora and fauna, and give rise to other environmental concerns.

The Group's management believes that it is in compliance with all current existing environmental laws and regulations in the countries in which it operates. However, environmental laws and regulations continue to evolve. 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 that the Group modernises technology to meet more stringent standards.

The Group is obliged in terms of various laws, mining licenses and 'use of mineral rights' agreements to decommission mine facilities on cessation of its mining operations, restore and rehabilitate the environment. During 2004 the Group performed reassessment of environmental obligations for its operations in the Russian Federation. Estimation was based on the management's understanding of the current legal requirements in the Russian Federation and the term of the license agreements. Management believes that Group's environmental obligations in the Russian Federation mainly include:

- rehabilitation of land and other types of ongoing rehabilitation;
- decommissioning of mining assets and bringing mine sites into a condition that ensures the safety of population, protection of environment, buildings and facilities.

The extent and future expected costs related to environmental obligations are inherently difficult to estimate. They depend on the scale of operations, timing and further development of Russian legislation. The Group estimates its environmental obligations using the current level of mines' expansion, existing technology, current prices and projected inflation levels.

Should the requirements of applicable environmental legislation change or be clarified, the Group may incur additional environmental obligations.

Russian Federation risk

As an emerging market, the Russian Federation does not possess a fully developed business and regulatory infrastructure including stable banking and judicial systems, which would generally exist in a more mature market economy. The economy of the Russian Federation is characterised by a currency that is not freely convertible outside of the country, currency controls, low liquidity levels for debt and equity markets, and continuing inflation. As a result operations in the Russian Federation involve risks that are not typically associated with those in more developed markets.

Stability and success of the Russian economy depends on the efficacy of the Government economic policies and the continued development of legal and political systems.

45. RISK MANAGEMENT ACTIVITIES

The Group has implemented a risk management structure and has adopted a series of risk management and control procedures to facilitate the measurement, evaluation and control of these exposures and related risk management activities. In the normal course of its operations, the Group is exposed to commodity price, currency, liquidity, interest rate and credit risks.

Risk management structure

The Group's treasury function is responsible for the management of currency, liquidity, interest rate and credit risk. Within the treasury function, there is an independent risk management unit, responsible for monitoring the adherence to the Group's risk management policies.

Commodity price risk is managed by the Sales Block of the Group. An independent risk management unit exists within that function to control exposures and ensure they are in line with policies set by management of the Sales Block and senior management of the Group.

Commodity price risk

Commodity price risk is the risk that the Group's current or future earnings will be adversely impacted by changes in the market prices of the Group's joint products, i.e. nickel, copper, palladium, platinum and gold.

The Group is exposed to commodity price risk as a substantial part of its metal sales revenues is derived from long-term contracts with physical off-takers for known volumes of metals, but at prices that will be determined by reference to market prices at the delivery date.

For a remaining portion of its metal sales revenues the Group manages its exposure to commodity price risk by entering into:

- derivative contracts;
- fixed price sales contracts;
- cap and floor arrangements for the sale of refined metal to physical off-takers.

Derivative contracts

The Group enters into certain commodity derivative contracts, namely sales call options and purchase put options for the purpose of fixing prices and price ranges for its products. These instruments are classified as instruments entered into with a trading intent.

Fixed price sale contracts and cap/floor arrangements with physical off-takers

	Six months ending 31 December 2005	2006	2007	2008	2009	2010
Platinum						
Volume subject to floor price ('000 oz)	124	129	115	117	116	114
Average floor price (USD/oz)	425	425	425	425	425	425
Volume subject to ceiling price ('000 oz)	25	26	23	23	23	23
Average ceiling price (USD/oz)	856	856	850	850	850	850
Palladium						
Volume subject to floor price ('000 oz)	521	542	550	448	444	437
Average floor price (USD/oz)	355	339	345	385	380	375
Volume subject to ceiling price ('000 oz)	161	157	93	112	111	109
Average ceiling price (USD/oz)	702	729	975	975	975	975

US Dollars million

Currency risk

Currency risk is the risk that the financial results of the Group will be adversely impacted by changes in exchange rates to which the Group is exposed.

The majority of the Group's revenues are denominated in USD, whereas the majority of the Group's expenditures are denominated in RUR, accordingly, operating profits may be adversely impacted by appreciation of the RUR against the USD.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to settle all liabilities as they fall due. The Group's liquidity position is carefully monitored and managed. The Group has in place a detailed budgeting and cash forecasting process to ensure that it has adequate cash available to meet its payment obligations.

The Group had facilities for the management of its day to day liquidity requirements available with the following banks:

	Reviewed 30 June 2005	Reviewed 30 June 2004	Audited 31 December 2004
Short-term borrowing facilities:			
Barclays Capital, BNP Paribas (Suisse) S.A.	400	-	400
Citibank N.A., ING Bank N.V. and Societe Generale	257	200	300
CJSC "ING Bank Eurasia"	100	50	100
OJSC "Vneshtorgbank"	100	100	100
CJSC "Commerzbank"	60	40	60
CJSC "KB Citibank"	50	30	50
CJSC "International Moscow Bank"	40	40	40
OJSC "Promstroybank"	-	35	36
OJCS "Eurofinance Mosnarbank"	35	-	36
CJSC "Gazprombank"	35	-	35
LLC "HSBC Bank (RR)"	30	30	30
CJSC "West LB Vostok"	30	-	30
IBG Nikoil	30	-	30
CJSC "Raiffeisenbank Austria"	30	-	30
OJSC "MBRD"	-	-	20
CJSC "BNP Pariba"	50	-	20
CJSC "Societe Generale Vostok"	-	-	20
CJSC "Natexis Bank"	-	15	15
LLC "Deutsche Bank"	18	-	14
Bank overdraft facilities:			
Total bank overdraft facilities (refer to note 38)	310	337	346
Total facilities	**1,575**	**877**	**1,712**

	Reviewed 30 June 2005	Reviewed 30 June 2004	Audited 31 December 2004
Less: Short-term borrowings received related to the above facilities	(222)	(279)	(480)
Bank overdrafts received (refer to note 38)	-	(124)	(21)
Outstanding letters of credit	(77)	(3)	(111)
Net facilities available	**1,276**	**471**	**1,100**

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely impact the financial results of the Group.

From time to time the Group enters into interest rate swap arrangements to manage its interest rate risk.

Credit risk

Credit risk is the risk that a counterparty may default or not meet its obligations to the Group on a timely basis, leading to financial loss to the Group. The Group minimises its exposure to this risk by ensuring that credit risk is spread across a number of counterparties.

The Group is not economically dependent on a limited number of customers for the sale of its products because of the existence of liquid commodity markets for all of its products. Metal sales to the Group's top 20 customers are presented below:

	Reviewed six months ended 30 June 2005				Audited year ended 31 December 2004			
	Number of customers	%	Turnover USD million	%	Number of customers	%	Turnover USD million	%
Largest customer	1	1	365	11	1	1	543	8
Next 9 largest customers	9	4	1,138	33	9	3	2,368	34
Total	**10**	**5**	**1,503**	**44**	**10**	**4**	**2,911**	**42**
Next 10 largest customers	10	4	479	14	10	4	914	13
Total	**20**	**9**	**1,982**	**58**	**20**	**8**	**3,825**	**55**
Remaining customers	233	91	1,460	42	243	92	3,208	45
Total	**253**	**100**	**3,442**	**100**	**263**	**100**	**7,033**	**100**

Trade receivables mainly comprise international companies, and credit is only extended to these customers after rigid credit approval procedures.

The Group has a concentration of cash and bank deposits with a related party commercial bank that represents 38% of such cash and bank deposits (refer to note 42).

The Group believes that there is no other significant concentration of credit risk.

US Dollars million

46. FAIR VALUE OF FINANCIAL INSTRUMENTS

	Reviewed 30 June 2005		Audited 31 December 2004	
	Carrying value	Fair value	Carrying value	Fair value
Investments in securities and other financial assets (refer to note 23)	1,672	1,672	1,437	1,437
Other current and non-current assets (refer to note 24)	875	875	863	863
Trade and other receivables (refer to note 26)	409	409	455	455
Cash and cash equivalents (refer to note 27)	858	858	1,346	1,346
Long-term borrowings (refer to note 30)	(784)	(779)	(980)	(971)
Short-term borrowings (refer to note 34)	(134)	(134)	(208)	(208)
Derivative financial instruments	(7)	(7)	(5)	(5)
Trade and other payables (refer to note 35)	(374)	(374)	(373)	(373)
Bank overdrafts (refer to note 38)	-	-	(21)	(21)

The following methods and assumptions were used to estimate the fair value for each class of financial instrument:

Listed investments in securities are carried at their market values, whereas unlisted investments are carried at management's valuation.

Other financial assets, trade accounts and other receivables, other current and non-current assets, cash and cash equivalents, bank overdrafts and trade accounts and other payables are recorded at their carrying values which approximate the fair values of these instruments as a result of their short-term duration.

Interest rates on long and short-term borrowings and capitalised finance leases are market related. Consequently the carrying values of these financial instruments approximate their fair values.

Derivative financial instruments are recorded at fair value estimated using ruling market prices as at the balance sheet date.

The fair values of financial instruments are estimates and do not necessarily reflect the amount of cash that would have been realised had these instruments been liquidated at the date of valuation.

47. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

Additional swap of OJSC "RAO Norilsk Nickel" shares for OJSC "MMC Norilsk Nickel" shares

In October 2004, the Board of Directors of OJSC "MMC Norilsk Nickel" approved a third stage of swapping shares of OJSC "RAO Norilsk Nickel" for shares of OJSC "MMC Norilsk Nickel" for those shareholders who had not participated in the share swaps in 2001-2002. This share swap commenced on 1 December 2004. As of 30 June 2005, 1,228,019 shares had been swapped (refer to note 29). As of 29 September 2005 additional 58,507 shares had been swapped.

Acquisition of shares in Russian gold mining companies

In September 2005, 99.2% of issued ordinary shares in OJSC "Aldanzoloto GRK", 50% of the issued ordinary shares of OJSC "South-Verkhoyansk Mining Company", and 100% of the issued ordinary shares of OJSC "Yakut Mining Company" were acquired by CJSC "Gold Mining Company Polus", a subsidiary of the Group. According to the purchase agreement total consideration is to be finalised by the end of 2005, but will not exceed USD 285 million.

In July 2005 an additional 5.6% (30 June 2005: 57.0%, refer to note 48) of issued ordinary shares of OJSC "Lenzoloto" were acquired by CJSC "Gold Mining Company Polus" for USD 3 million.

Proposed spin-off of the Group's gold mining assets

On 15 April 2005 the Board of Directors of OJSC "MMC Norilsk Nickel" approved a plan to spin-off the Group's gold mining assets into a new company by way of a single transaction. The disposal group consists of the gold mining assets of CJSC "Polus" and its subsidiaries and associates, including all liabilities directly associated with those assets. The transaction is a subject to the final approval by the Extraordinary General Meeting of Shareholders on 30 September 2005. If the spin-off is approved by the shareholders, the transaction is expected to be completed at the end of March 2006.

In accordance with the restructuring plan the shareholders of OJSC "MMC Norilsk Nickel" will receive ordinary shares in the newly created company in proportion to their existing shareholding in the Company.

Separate classification of the disposal group will be presented in the Group's consolidated annual financial statements for the year ending 31 December 2005. In the Group's consolidated interim financial statements for the six months ended 30 June 2005 the segmental information applicable to the disposal group is presented in accordance with IAS 14 "Segment Reporting" in notes 3 and 4 under the heading "Severo-Eniseysk and Bodaybo".

48. INVESTMENTS IN SIGNIFICANT SUBSIDIARIES

		Shares held '000			% held[6]		
Subsidiaries by country of incorporation	**Nature of business**	**30 June 2005**	**30 June 2004**	**31 December 2004**	**30 June 2005**	**30 June 2004**	**31 December 2004**
Russian Federation							
OJSC "RAO "Norilsk Nickel"	Market agent	187,015	185,787	185,787	98.9	98.3	98.3
OJSC "Taimyrgaz"	Gas extraction	2,000	2,000	2,000	94.7	94.4	94.4
CJSC "Polus"	Mining	-	-	-	100.0	100.0	100.0
OJSC "Matrosov Mine"[3]	Mining	233	35	44	88.4	45.3	57.1
OJSC "Lenzoloto"[3]	Mining	848	751	848	57.0	50.5	57.0
CJSC "Tonoda"[3]	Mining	9	-	9	100.0	-	100.0
OJSC "Pervenets"[1]	Mining	-	-	-	100.0	14.8	14.8
LLC "LZRK"[5]	Management company	-	-	-	100.0	-	100.0
OJSC "Yenisey River Shipping Company"	River shipping operations	181	181	181	43.9	43.9	43.9
OJSC "PromEstate"[4]	Property holding	-	6	-	-	99.1	-
CJSC "NORIMETIMPEX"	Marketing intermediary	5	5	5	100.0	100.0	100.0
OJSC "Kolskaya Mining and Metallurgical Company"	Mining	4,000	4,000	4,000	100.0	100.0	100.0
CJSC "Alykel"	Airport	-	-	-	100.0	100.0	100.0
LLC "Norilskiye Metally"[2]	Marketing intermediary	-	-	-	-	100.0	100.0
OJSC "Norilsky Kombinat"	Lessor of equipment	14,673	14,673	14,673	98.8	98.2	98.2
OJSC "Kombinat Severonickel"	Lessor of equipment	9,860	9,860	9,860	98.9	98.3	98.3
OJSC "Gornometallurgichesky Kombinat "Pechenganickel"	Lessor of equipment	1,236	1,236	1,236	98.9	98.3	98.3
CJSC "Kraus-M"	Property holding	10	10	10	100.0	100.0	100.0
LLC "Norilsk telecom"	Telecommunications	-	-	-	100.0	100.0	100.0
CJSC "TTK"	Wholesale trade	-	-	-	100.0	100.0	100.0
CJSC "GRK "Sukhoy log"	Mining	-	-	-	100.0	50.5	57.0
OJSC "Terminal"[1]	Shipping facilities	-	-	-	100.0	-	-
CJSC "Vitimenergo"	Electricity production	356	356	356	100.0	50.5	50.5

[1] Acquired in 2005 (refer to note 40)
[2] Disposed in 2005 (refer to note 41)
[3] Acquired in 2004 (refer to note 40)
[4] Disposed in 2004 (refer to note 41)
[5] Formed by the Group in 2004
[6] Effective % held through other Group subsidiaries

		Shares held '000			% held		
Subsidiaries by country of incorporation	**Nature of business**	**30 June 2005**	**30 June 2004**	**31 December 2004**	**30 June 2005**	**30 June 2004**	**31 December 2004**
Belgium							
Norgem SA	Market agent	31	31	31	51.0	51.0	51.0
China							
Norilsk Nickel (Asia) Limited [1]	Market agent	-	-	-	100.0	-	100.0
Great Britain							
Norimet Limited	Market agent	5,760	5,760	5,760	100.0	100.0	100.0
Norilsk Nickel Europe Limited	Market agent	-	-	-	100.0	100.0	100.0
Luxembourg							
Norilsk Nickel Finance Luxembourg S.A.[1]	Bond issuer	1	-	1	100.0	-	100.0
Switzerland							
Norilsk Nickel Holding SA	Investment holding	-	-	-	100.0	100.0	100.0
Metal Trade Overseas SA	Market agent	-	-	-	100.0	100.0	100.0
United States of America							
Stillwater Mining Company	Mining	49,813	49,813	49,813	54.9	55.2	55.1
Norilsk Nickel USA	Market agent	1	1	1	100.0	100.0	100.0

[1] Formed by the Group in 2004