

**MMC Norilsk Nickel released consolidated interim
financial statements for the first quarter of 2004 in compliance
with International Financial Reporting Standards (IFRS)**

Moscow, September 10, 2004 – MMC Norilsk Nickel (“Company”) for the first time in its history issued interim IFRS financial statements and released financial statement for the first quarter of 2004.

The measurement currency of the consolidated interim financial statements which reflects the economic substance of the underlying events and transactions of the Company’s operations is the Russian Rouble (“RUR”).

The Company’s presentation currency is the United States of America Dollar (“USD” or “US Dollar”). The use of US Dollar as presentation currency is common practice for global mining companies.

Income statement

In the first quarter of 2004, the Company’s metal sales revenues increased by 40% against the first quarter of 2003 and totalled USD 1,583 million. The main reasons for revenue growth were the growth of the average quarterly realized prices of produced metals and the consolidation of financial results of Stillwater in the financial statements for the first quarter of 2004; in the first quarter of 2003 financial results of Stillwater were not consolidated.

Consolidated income statement (review)

(US Dollars million)

| | Q1 2004 | Q1 2003 r | Change % |
|--|-------------------|-------------------|-------------|
| Metal sales revenue | 1 583 | 1 134 | 40% |
| Cost of metal sales | (693) | (683) | |
| Gross profit on metal sales | 890 | 451 | 97% |
| | <i>Margin</i> 56% | <i>Margin</i> 40% | |
| Selling, general and administrative expenses | (191) | (152) | |
| Other net operating expenses | (78) | (87) | |
| Operating profit | 621 | 212 | 193% |
| Net gains on derivative transaction | 10 | - | |
| Interest expense | (9) | (11) | |
| Net income from investments | 35 | 15 | |
| Other non-operating expenses | (22) | (32) | |
| Profit before taxation | 635 | 184 | 245% |
| Taxation | (171) | (92) | |
| Minority interest | (4) | 17 | |
| Net profit for the period | 460 | 109 | 322% |
| | <i>Margin</i> 29% | <i>Margin</i> 10% | |

In the first quarter of 2004, total cost of metal sales increased by 1.5% and amounted to USD 693 million, while cash operating cost decreased by 2.8% to USD 557 million in the first quarter of 2004 from USD 573 million in the first quarter of 2003.

Cost of metal sales (review)

(US Dollars million)

| | Q1 2004 | Q1 2003 r | Change % |
|---|------------|------------|-------------|
| Cash operating costs | 557 | 573 | -2,8% |
| Amortisation and depreciation of operating assets | 102 | 97 | |
| Decrease in metal inventories | 34 | 13 | |
| Total Cost of metal sales | 693 | 683 | 1,5% |

Amortization and depreciation of operating assets increased by USD 5 million to USD 102 million in the first quarter of 2004 as a result of recording new production assets on the Company's balance sheet and consolidation of Stillwater's production assets.

In the first quarter of 2004, cost of sales on account "Decrease in metal inventories" increased to USD 34 million as compared with USD 13 million in the first quarter of 2003 due to reduction of construction-in-progress, represented mainly by high grade matte and copper scrap.

Cash operating cost
(US Dollars million)

| Parameter | Q1 2004 including Stillwater | Q1 2004 | | Q1 2004 without Stillwater and other | Q1 2003 including Other | Q1 2003 | | Q1 2003 without Other | Change % |
|-----------------------------------|------------------------------------|-------------|-----------|---|-------------------------------|-------------|------------|-----------------------------|----------|
| | | Stillwater | Other* | | | Other* | | | |
| Labour | 183 | (22) | (7) | 154 | 182 | (33) | 149 | 3% | |
| Consumables and spares | 124 | (9) | 22 | 137 | 171 | (36) | 135 | 1% | |
| Cost of refined metals purchased | 72 | | | 72 | 74 | | 74 | -3% | |
| Tax on mining | 35 | (3) | | 32 | 18 | | 18 | 78% | |
| Transportation of metals | 13 | | | 13 | 26 | | 26 | -50% | |
| Scrap copper metals purchased | 33 | | | 33 | 16 | | 16 | 106% | |
| Other costs | 97 | (25) | | 72 | 86 | | 86 | -16% | |
| Total Cash operating costs | 557 | (59) | 15 | 513 | 573 | (69) | 504 | 2% | |

Note: "Other" include P&L charge in respect of pension plans and change in inventory provision.

In the first quarter of 2004, the total labour costs, included in cost of metal sales, not taking into account the consolidation of Stillwater's financial results remained practically unchanged against the first quarter of 2003 and amounted to USD 154 million in the first quarter of 2004.

Similarly, in the first quarter of 2004, consumables and spares costs almost did not change and amounted to USD 137 million. In the first quarter of 2004 a part of illiquid spares were reclassified into construction-in-progress, which resulted in decrease of impairment provision. After the reclassification we also created impairment provision for these spares, which was reflected in other operating expenses.

Tax on mining increased by USD 14 million to USD 32 million in the first quarter of 2004 as a result of the growth of ore extraction in physical terms, as well as the new tax introduction for environment pollution caused by the operations on the Taimyr and Kola Peninsulas.

Other costs in the first quarter of 2004 decreased by 16% against the first quarter of 2003 and amounted to USD 72 million.

The overall breakdown of cash operating costs practically did not change in the first quarter of 2004. Two key cost items – labour and consumables and spares – amounted to 30% and 26% of total cash operating costs, respectively (29.5% and 26% in the first quarter of 2003).

In the first quarter of 2004 compared to the first quarter of 2003, the Company's selling, general and administrative expenses increased by USD 39 million to USD 191 million. This growth came from increase in export customs duties due to the higher monetary volume of metal sales based on increased prices as well as from labour costs growth backed by increase in number of employees.

Other non-operating expenses declined by USD 10 million to USD 22 million in the first quarter of 2004 compared to the first quarter of 2003 mainly due to the decrease in social costs.

Net profit for the first quarter of 2004 amounted to USD 460 million – a more than three fold growth against the first quarter of 2003.

Balance sheet

Consolidated balance sheet

(US Dollars million)

| | Q1 2004 | 2003 | Change |
|---|---------------|---------------|------------|
| | Reviewed | Audited | % |
| ASSETS | | | |
| Non-current assets | 9 261 | 7 578 | 22% |
| Property, plant and equipment | 6 184 | 6 068 | 2% |
| Other non-current assets | 3 077 | 1 510 | 104% |
| Current assets | 4 025 | 3 675 | 10% |
| Inventories | 1 475 | 1 492 | -1% |
| Trade accounts and other receivables | 617 | 426 | 45% |
| Other current assets | 697 | 803 | -13% |
| Cash and cash equivalents | 1 236 | 954 | 30% |
| TOTAL ASSETS | 13 286 | 11 253 | 18% |
| EQUITY AND LIABILITIES | | | |
| Share capital and reserves | 9 288 | 8 547 | 9% |
| Share capital and reserves | 1 021 | 1 080 | -5% |
| Long-term borrowings | 129 | 181 | -29% |
| Other non-current liabilities | 892 | 899 | -1% |
| Current liabilities | 2 977 | 1 626 | 83% |
| Current portion of long-term borrowings | 39 | 143 | -73% |
| Short-term borrowings | 409 | 122 | 235% |
| Other current liabilities | 2 529 | 1 361 | 86% |
| TOTAL EQUITY AND LIABILITIES | 13 286 | 11 253 | 18% |

In the first quarter of 2004, property, plant and equipment increased by USD 116 million primarily due to the implementation of a capital investment program.

Acquisition of a 20% equity stake in Gold Fields Ltd at the end of the first quarter 2004 resulted in increase in the Company's other non-current assets. Also as the actual payment for the shares was made only in the second quarter of 2004, in the first quarter of 2004 we reflected our liability to pay USD 1,235 million as a consideration for shares as other current liabilities.

Cash flow statement

Consolidated cash flow statement (review)

(US Dollars million)

| | Q1 2004 | Q1 2003 |
|---|----------------|----------------|
| Net cash inflow from operating activities | 895 | 338 |
| Net cash outflow from investing activities | (378) | (95) |
| Cash flows before financing | 517 | 243 |
| Net cash outflow from financing activities | (184) | (260) |
| Effect of translation to presentation currency | 17 | 6 |
| Net increase / (decrease) in cash and cash equivalents | 350 | (11) |
| Net cash and cash equivalents at end of the period | 1 131 | 194 |

In the first quarter of 2004, operating cash flow grew to USD 895 million as a result of a significant growth of metal sales.

In the first quarter of 2004, net cash outflow from investing activities amounted to USD 378 million, including capital investments of USD 155 million in property, plant and equipment and advances on acquisition of shares of Lenzoloto and Matrosov Mine gold mining companies.

Net cash used in financing activities amounted to USD 184 million in the first quarter of 2004 as a result of the restructuring of the debt portfolio and payment of interim dividends for the nine months of 2003.

Therefore, by the end of the first quarter of 2004, net cash increased by USD 350 million to USD 1,131 million.

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

For further information please contact:

*Dmitry Usanov
Head of Investor Relations, MMC Norilsk Nickel*

+7 095 755 6733