

**MMC NORILSK NICKEL PRESENTS  
THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2007  
PREPARED IN ACCORDANCE WITH INTERNATIONAL  
FINANCIAL REPORTING STANDARDS**

Moscow, 5 October 2007 – Open Joint Stock Company (“OJSC”) Mining and Metallurgical Company Norilsk Nickel (“MMC Norilsk Nickel”, or the “Company”) and its subsidiaries (the “Group”) issued consolidated interim financial statements (the “financial statements”) for the six months ended 30 June 2007 in compliance with International Financial Reporting Standards (“IFRS”). The financial statements have been reviewed in accordance with International Standard on Review Engagements 2410 by Deloitte & Touche, who have issued a review report without any qualifications.

The individual financial statements of each subsidiary are presented in its own functional currency. It was determined that the Russian Rouble (“RUR”) is the functional currency of the Company and all foreign subsidiaries of the Group, except for Stillwater Mining Company, LionOre Mining International Limited, Norilsk Nickel Harjavalta Oy, Norilsk Nickel Finland Oy, Norilsk Nickel Cawse Proprietary Limited and MPI Nickel Proprietary Limited. Those companies use the functional currencies of the economies in which they operate - US Dollar, Australian Dollar, Botswana Pula and South African Rand.

The presentation currency of the consolidated interim financial statements is the United States of America Dollar (“USD”). 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 interim financial statements of the Group.

On 24 September 2007, the Board of Directors of MMC Norilsk Nickel adopted a resolution to convene an Extraordinary General Meeting of shareholders on 14 December 2007 to approve the Company’s reorganization plan involving the spin-off of its non-core energy assets into a separate company, shares of which will be distributed between MMC Norilsk Nickel shareholders on a proportional basis. The strategic energy assets engaged in power supply to the Group’s production facilities in the Taimyr Peninsula will not be subject to spin-off.

The project time schedule and final list of the energy assets to be spun-off will be determined in November 2007.

Those shareholders that abstain from voting or vote against the reorganization will be entitled to present their ordinary shares to MMC Norilsk Nickel for redemption. The redemption price has been established by the Board of Directors of MMC Norilsk Nickel at RUR 5,300 per share.

A separate classification of the energy assets to be disposed will be presented in the Group’s consolidated financial statements for the year ending 31 December 2007.

**Reflection of the inclusion of OMG Harjavalta Nickel Oy, OMG Cawse Proprietary Limited and 20% share of MPI Nickel Proprietary Limited results in MMC Norilsk Nickel consolidated interim financial statements**

On 1 March 2007, the Group acquired 100% of the voting shares of OMG Harjavalta Nickel Oy (“OMG Harjavalta”), a company engaged in nickel refining operations in Harjavalta, Finland, and OMG Cawse Proprietary Limited (“OMG Cawse”), a company engaged in nickel mining and processing operations in Western Australia, for a consideration of USD 408 million.

OMG Harjavalta and OMG Cawse jointly contributed USD 475 million of revenue and USD 180 million of profit before income tax from the date of acquisition to 30 June 2007.

In the preparation of consolidated interim financial statements at 30 June 2007 and for the period then ended, the excess purchase price paid over the Group's share of net assets of OMG Harjavalta and OMG Cawse was provisionally accounted for as:

- mineral rights and resources in the amount of USD 13 million; and
- attributable deferred tax liabilities in the amount of USD 4 million;

As part of the business combination the Group entered into five-year supply agreement with OM Group (former controlling owner of OMG Harjavalta and OMG Cawse).

At 1 March 2007, the value attributable to these contracts was provisionally determined at USD 96 million.

On 1 March 2007, as part of the acquisition of nickel business of OM Group Incorporated the Group acquired 20% of share capital of MPI Nickel Proprietary Limited. On 28 June 2007, an additional 80% of share capital of MPI Nickel Proprietary Limited held by LionOre Mining International Limited (“LionOre”) was acquired by the Group through the acquisition of LionOre.

**Reflection of the inclusion of the LionOre Mining International Limited results in MMC Norilsk Nickel financial statements**

On 28 June 2007, the Group acquired 90.7% of the voting shares of LionOre, an international nickel concentrates producer with operations in Australia, Botswana and South Africa and a gold mine Thunderbox in Australia, for a cash consideration of USD 5,233 million.

The business combination was accounted for as if it had taken place on 30 June 2007. The contribution of LionOre and its subsidiaries to the consolidated revenue and profit before income tax for the six months ended 30 June 2007 is USD nil million.

In the preparation of consolidated interim financial statements at 30 June 2007 and for the period then ended, the excess purchase price paid over the Group's share of net assets of LionOre was provisionally accounted for as:

- mineral rights and resources in the amount of USD 6,464 million; and
- attributable deferred tax liabilities in the amount of USD 1,464 million.

## **Reflection of the Polus Group results in MMC Norilsk Nickel consolidated interim financial statements**

In accordance with IFRS the Polus Group financial results are presented in MMC Norilsk Nickel consolidated interim financial statements for the first half of 2006 and for the year of 2006 in the following way:

- ***Consolidated income statement***

The financial results of operations of Polus Group for the period from 1 January 2006 to 17 March 2006 (date of completion of the spin-off transaction) are not consolidated, and are shown separately as profit for the period from discontinued operation.

- ***Consolidated balance sheet***

The consolidated balance sheet of the Group as at 31 December 2006 is presented excluding Polus Group.

- ***Consolidated statement of cash flows***

The consolidated cash flow statement of the Group is presented inclusive of the Polus Group data for the period from 1 January 2006 to 17 March 2006 (date of completion of the spin-off transaction).

**CONSOLIDATED INCOME STATEMENT**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2007**  
*(US Dollars million)*

	Notes	Six months ended 30 June 2007	Six months ended 30 June 2006	% change p-o-p <sup>(1)</sup>	Year ended 31 December 2006
<b>Revenue from metal sales</b>					
Nickel		5,254	2,026	159	6,228
Copper		1,174	1,095	7	2,841
Palladium		660	559	18	1,265
Platinum		512	474	8	1,116
Gold		45	37	22	100
<b>Revenue from metal sales</b>	1	<b>7,645</b>	<b>4,191</b>	<b>82</b>	<b>11,550</b>
Cost of metal sales	2	(1,805)	(1,375)	31	(3,158)
<b>Gross profit on metal sales</b>		<b>5,840</b>	<b>2,816</b>	<b>107</b>	<b>8,392</b>
<i>Gross profit margin, %</i>		76%	67%		73%
Selling, general and administrative expenses	3	(668)	(472)	42	(1,090)
Other net operating expenses	4	(148)	(133)	11	(272)
<b>Operating profit</b>		<b>5,024</b>	<b>2,211</b>	<b>127</b>	<b>7,030</b>
Net finance (cost)/benefit	5	(52)	2		(21)
Net income/(loss) from investments	6	68	(368)		(199)
Share of profit/(loss) of associates	7	34	6		(33)
<b>Profit before income tax</b>		<b>5,074</b>	<b>1,851</b>	<b>174</b>	<b>6,777</b>
Income tax	8	(1,266)	(477)		(1,805)
<b>Profit for the period from continuing operations</b>		<b>3,808</b>	<b>1,374</b>	<b>177</b>	<b>4,972</b>
Profit for the period from discontinued operation		-	993		993
<b>Profit for the period</b>	9	<b>3,808</b>	<b>2,367</b>	<b>61</b>	<b>5,965</b>
Attributable to:					
Shareholders of the parent company		3,792	2,370		5,989
Minority interests		16	(3)		(24)
		<b>3,808</b>	<b>2,367</b>		<b>5,965</b>
<i>Profit margin, %</i>		50%	56%		52%
Weighted average number of ordinary shares in issue during the period		181,417,913	188,750,738		188,767,177
Basic and diluted earnings per share from continuing and discontinued operations attributable to shareholders of the parent company (US Dollars)		20.9	12.6		31.7
Basic and diluted earnings per share from continuing operations attributable to shareholders of the parent company (US Dollars)		20.9	7.3		26.5

Note:

(1) Period-on-period (p-o-p) comparison.

## 1. METAL SALES

In 1H2007, revenue from metal sales totaled USD 7,645 million, which represented an 82% increase as compared to 1H2006. There are two major factors for the revenue growth in 1H2007. The first and main factor which contributed 75% of the growth was the overall increase of sales prices for the metals produced by the Group. The second factor that accounted for about 7% of the growth (or 11,000 tonnes nickel and 2,000 tonnes of copper) was the acquisition on 1 March 2007, of Harjavalta Nickel Oy and Cawse Proprietary Limited (ex-OM Group nickel business subsidiaries).

The favorable situation in the metals market, expansion of the production and sales geography and the focus on end customers enabled the Group to realise a revenue increase for all metals of USD 3,454 million, of which USD 3,307 million (96%) was for base metals, and USD 147 million (4%) for platinum group metals (“PGMs”) and gold.

### Adjusted <sup>(1)</sup> average selling prices of metals (excluding Polus Group) for the period

<b>Metal</b>	<b>Six months ended 30 June 2007</b>	<b>Six months ended 30 June 2006</b>	<b>% change p-o-p</b>	<b>Year ended 31 December 2006</b>
<b>MMC Norilsk Nickel</b>				
Nickel (US Dollars per tonne) <sup>(1)</sup>	44,708	17,330	158	24,081
Copper (US Dollars per tonne)	6,770	5,848	16	6,689
Palladium (US Dollars per ounce)	356	326	9	321
Platinum (US Dollars per ounce)	1,214	1,083	12	1,133
Gold (US Dollars per ounce)	666	583	14	608
<b>Stillwater Mining Company</b>				
Palladium (US Dollars per ounce)	374	265	41	350
Platinum (US Dollars per ounce)	1,048	1,048	—	993
Gold (US Dollars per ounce)	661	—	N/A	603
<b>Harjavalta Nickel Oy <sup>(2)</sup></b>				
Nickel (US Dollars per tonne)	47,340	—	N/A	—
Copper (US Dollars per tonne)	6,850	—	N/A	—

### Physical volumes of metal sales (excluding Polus Group) for the period

<b>Metal</b>	<b>Six months ended 30 June 2007</b>	<b>Six months ended 30 June 2006</b>	<b>% change p-o-p</b>	<b>Year ended 31 December 2006</b>
<b>MMC Norilsk Nickel</b>				
Nickel ('000 tonnes) <sup>(1)</sup>	103	117	(12)	257
Copper ('000 tonnes)	172	187	(8)	424
Palladium ('000 ounces)	1,545	1,446	7	3,220
Platinum ('000 ounces)	314	336	(7)	750
Gold ('000 ounces)	62	63	(2)	153
<b>Stillwater Mining Company</b>				
Palladium ('000 ounces)	294 <sup>(3)</sup>	332 <sup>(3)</sup>	(11)	662 <sup>(3)</sup>
Platinum ('000 ounces)	125	105	19	268
Gold ('000 ounces)	6	—	N/A	11
<b>Harjavalta Nickel Oy <sup>(2)</sup></b>				
Nickel ('000 tonnes)	11	—	N/A	—
Copper ('000 tonnes)	2	—	N/A	—

Notes:

(1) Excluding the sales of metal purchased from third parties.

(2) Information presented for the period from 1 March 2007 (date of acquisition) to 30 June 2007.

(3) Including nil, 63 and 63 thousand troy ounces of palladium in 1H2007, 1H2006 and 2006 correspondingly, received from MMC Norilsk Nickel in 2003 as part of the purchase consideration paid for the acquired shares of Stillwater Mining Company.

## ***Nickel***

The revenue from nickel sales increased by 159% and reached USD 5,254 million in 1H2007 as compared to USD 2,026 million in 1H2006 due to a significant growth in the adjusted average selling price of nickel by 158% – from USD 17,330 per tonne in 1H2006 to USD 44,708 per tonne in 1H2007. During 1H2007 the physical volume of nickel sales (excluding sales of metal purchased from third parties) decreased by 3% (or 3,000 tonnes) to 114,000 tonnes as compared to 117,000 in 1H2006, of which 10% (or 11,000 tonnes) was generated by the acquisition of the ex-OM Group nickel subsidiaries.

## ***Copper***

Revenue from copper sales increased by 7% from USD 1,095 million in 1H2006 to USD 1,174 million in 1H2007. In 1H2007, a decrease in physical copper sales by 7% (or 13,000 tonnes) to 174,000 tonnes as compared to 187,000 tonnes in 1H2006 was offset by an increase in the average selling price by 16% from USD 5,848 per tonne in 1H2006 to USD 6,770 in 1H2007.

## ***Palladium***

Palladium sales increased by 18% from USD 559 million in 1H2006 to USD 660 million in 1H2007.

Palladium sales excluding sales of Stillwater Mining increased by 17% from USD 471 million in 1H2006 to USD 550 million in 1H2007. In physical terms, sales of palladium produced by the Group in Russia amounted to 1,545,000 ounces in 1H2007, which is 7% higher compared to the sales for 1H2006 which amounted to 1,446,000 ounces. This increase in physical sales was supported by the growth of the average sales price.

Palladium sales by Stillwater Mining Company increased by 25% from USD 88 million in 1H2006 to USD 110 million in 1H2007. The increase in revenue is explained by a 41% growth in the average sales price which was partially offset by 11% decrease in physical volumes of sales, which was due to the sales in previous periods of metal received by the company from the Group as part of the purchase price consideration paid for the acquisition of Stillwater Mining Company shares, and an increase in the sales of palladium received from processing scrap. In 1H2007, Stillwater Mining Company sold 294,000 ounces of palladium as compared to 332,000 ounces in 1H2006, including 63,000 ounces received from the Group in 2003.

## ***Platinum***

Platinum sales increased by 8% from USD 474 million in 1H2006 to USD 512 million in 1H2007.

Sales of platinum produced by the Group in Russia increased by 5% from USD 364 million in 1H2006 to USD 381 million in 1H2007. The increase is explained mainly by the growth of the sales price by 12% from USD 1,083 per ounce in 1H2006 to USD 1,214 per ounce in 1H2007. There was a slight decline in the physical sales volume by 7% (or 22,000 ounces) from 336,000 ounces in 1H2006 to 314,000 ounces in 1H2007.

Platinum sales by Stillwater Mining Company increased by 19% from USD 110 million in 1H2006 to USD 131 million in 1H2007. The main growth factor is the increase of sales in physical terms by 19% (or 20,000 ounces) from 105,000 ounces in 1H2006 to 125,000 ounces in 1H2007, which relates primarily to the growth of sales of platinum received from processing secondary material.

## ***Gold (excluding Polus Group)***

Gold sales increased by 22% from USD 37 million in 1H2006 to USD 45 million in 1H2007. The increase is explained mainly by an increase in sales prices of 14% from USD 583 per ounce in 1H2006 to USD 666 per ounce in 1H2007. In physical terms, sales of gold produced by the Group in Russia amounted to 62,000 ounces and by Stillwater Mining Company to 6,000 ounces or 68,000 ounces in total as compared to 63,000 ounces of gold in 1H2006.

## 2. COST OF METAL SALES

### Cost of metal sales (excluding Polus Group) for the period (US Dollars million)

	Six months ended 30 June 2007				Six months ended 30 June 2006				Group excluding ex-OMG nickel business % change p-o-p
	Group	% from total	Group excluding ex-OMG nickel business	Harjavalta Nickel Oy & Cawse	Group	% from total	Group excluding ex-OMG nickel business	% change p-o-p	
Total cash operating costs (see table below)	1,861	87	1,504	357	1,259	82	1,259	48	19
Amortisation and depreciation of operating assets	273	13	268	5	270	18	270	1	(1)
<b>Total production costs</b>	<b>2,134</b>	<b>100</b>	<b>1,772</b>	<b>362</b>	<b>1,529</b>	<b>100</b>	<b>1,529</b>	<b>40</b>	<b>16</b>
Increase in metal inventories	(329)		(275)	(54)	(154)		(154)	114	79
<b>Cost of metal sales</b>	<b>1,805</b>	<b>100</b>	<b>1,497</b>	<b>308</b>	<b>1,375</b>	<b>100</b>	<b>1,375</b>	<b>31</b>	<b>9</b>

Cost of metal sales increased by 31% from USD 1,375 million in 1H2006 to USD 1,805 million in 1H2007.

#### *Cash operating costs*

Cash operating costs increased by 48% and amounted to USD 1,861 million in 1H2007 against USD 1,259 million in 1H2006.

The cash operating cost structure changed slightly in 1H2007 compared to 1H2006 mainly due to the effect of the acquisitions of Harjavalta Nickel Oy and Cawse Proprietary Limited (ex-OM Group nickel business subsidiaries), for the details see the schedule of cash operating costs, presented below.

The key reasons for the growth of total cash operating costs of USD 726 million in 1H2007, before revenue from sales of by-products, compared to 1H2006 included:

- consolidation of cash operating costs of Harjavalta Nickel Oy and Cawse (ex-OMG nickel business) – USD 375 million;
- absolute increase of cash operating costs by USD 278 million; and
- effect of translation to presentation currency by USD 73 million.

**Cash operating costs (excluding Polus Group) for the period**  
(US Dollars million)

	Six months ended 30 June 2007				Six months ended 30 June 2006				Group excluding ex-OMG nickel business % change p-o-p
	Group	% from total	Group excluding ex-OMG nickel business	Harjavalta Nickel Oy & Cawse	Group	% from total	Group excluding ex-OMG nickel business	Group excluding ex-OMG nickel business % change p-o-p	
Labour	636	28	628	8	512	33	512	24	23
Consumables and spares	453	20	438	15	418	27	418	8	5
Purchase of nickel concentrate	303	13	-	303	-	-	-	N/A	N/A
PGM scrap purchased	160	7	160	-	114	7	114	40	40
Cost of refined metals purchased from third parties	98	4	98	-	28	2	28	250	250
Transportation	92	4	91	1	78	5	78	18	17
Repairs and maintenance	89	4	79	10	70	5	70	27	13
Exploration expenses	82	4	82	-	18	1	18	356	356
Tax on mining and pollution levies	78	3	78	-	62	4	62	26	26
Insurance	67	3	67	-	62	4	62	8	8
Utilities	58	3	38	20	39	3	39	49	(3)
PGM toll refining costs	44	2	44	-	40	3	40	10	10
Other costs	96	5	78	18	89	6	89	8	(12)
<b>Total cash operating costs</b>	<b>2,256</b>	<b>100</b>	<b>1,881</b>	<b>375</b>	<b>1,530</b>	<b>100</b>	<b>1,530</b>	<b>47</b>	<b>23</b>
Revenue from the sale of by-products	(395)		(377)	(18)	(271)		(271)	46	39
<b>Total cash operating costs</b>	<b>1,861</b>		<b>1,504</b>	<b>357</b>	<b>1,259</b>		<b>1,259</b>	<b>48</b>	<b>19</b>

**Labour**

Labour remained the most significant item of cash operating costs, decreasing its share of the general structure of operating costs from 33% in 1H2006 to 28% in 1H2007. In 1H2007, labour costs increased by USD 124 million (or 24%) to USD 636 million. The increase is caused by the effect of translation to presentation currency by USD 30 million, consolidation of the results of Harjavalta Nickel Oy and Cawse Proprietary Limited (ex-OM Group nickel business subsidiaries) by USD 8 million and an increase in the salary level by USD 86 million.

**Consumables and spares**

Consumables and spares costs in 1H2007 increased by USD 35 million (or 8%) up to USD 453 million. The increase is mainly caused by the effect of translation to presentation currency by USD 24 million, consolidation of the results of Harjavalta Nickel Oy and Cawse Proprietary Limited (ex-OM Group nickel business subsidiaries) by USD 15 million.

**Purchase of nickel concentrate**

This item represents the purchases of nickel concentrate from MPI Nickel Proprietary Limited, an associate of the Group during 1H2007, and other producers, and also includes related transportation expenses. The full amount of expenses relates to the consolidation of the results of Harjavalta Nickel Oy (ex-OM Group nickel business subsidiary).

**PGM scrap purchased**

In 1H2007, purchase of PGM scrap increased by USD 46 million (or 40%) to USD 160 million due to the increase of market prices with a corresponding increase in purchase prices and an increase in the physical volume purchased by Stillwater Mining Company to effectively utilise the existing production capacities and increase PGM production.

### ***Cost of refined metals purchased from third parties***

In 1H2007, the cost of refined metal purchased from third parties increased by USD 70 million (or 250%) to USD 98 million due to an increase of market price for nickel with a corresponding increase of physical volume of nickel acquired.

### ***Transportation***

The transportation costs increased by USD 14 million (or 18%) up to USD 92 million in 1H2007. The increase is caused by the effect of translation to presentation currency of USD 5 million and remaining portion to the increase in transportation tariffs. In addition, there was an increase in cargo insurance, which generally is in line with the growth for metal sales.

### ***Repairs and maintenance***

In 1H2007, repairs and maintenance costs increased by USD 19 million (or 27%) up to USD 89 million due to the effect of translation to presentation currency of USD 4 million, consolidation of results of business combination of Harjavalta Nickel Oy and Cawse Proprietary Limited (ex-OM Group nickel business subsidiaries) by USD 10 million and the remaining portion is due to inflation.

### ***Exploration expenses***

The increase in exploration expenditures in 1H2007 of USD 64 million (or 356%) to USD 82 million as compared with 1H2006 is caused by significant growth of exploration work performed by the Group aimed at expanding its mineral resource base.

### ***Tax on mining and pollution levies***

Tax on mining and pollution levies increased by USD 16 million (or 26%) up to USD 78 million in 1H2007, which is mainly caused by an increase in the taxable base for mining tax purposes due to the increase in production cost and the effect of translation to presentation currency.

### ***Insurance***

Insurance expenses in 1H2007 increased by USD 5 million (or 8%) up to USD 67 million, which is mainly caused by the effect of translation to presentation currency.

### ***Utilities***

In 1H2007, expenses on utilities increased by USD 19 million (or 49%) to USD 58 million. Without the effect of consolidation of Harjavalta Nickel Oy and Cawse Proprietary Limited (ex-OM Group nickel business subsidiaries) which contributed an additional USD 20 million the main reason for the decrease was the effect of the acquisition of a 100% in OJSC "Taimyrenergo" after which the utility services were replaced with the respective increase of depreciation charges.

### ***PGM toll refining costs***

PGM toll refining costs in 1H2007 increased by USD 4 million (or 10%) up to USD 44 million, which is mainly caused by the effect of translation to presentation currency.

### ***Other cash costs***

In 1H2007, other cash costs increased by USD 7 million (or 8%) to USD 96 million, which is practically in line with the effect of translation to presentation currency of USD 5 million and the consolidation of Harjavalta Nickel Oy and Cawse Proprietary Limited (ex-OM Group nickel business subsidiaries) by USD 18 million.

### ***Revenue from the sale of by-products***

Sales of by-products in 1H2007 increased by USD 124 million (or 46%) and totalled USD 395 million mainly is due to an increase of selling prices for by-products.

### ***Amortisation and depreciation of operating assets***

In 1H2007, amortisation and depreciation of operating assets increased by USD 3 million (or 1%) to USD 273 million, which is practically in line with results achieved in 1H2006.

### ***Increase in metal inventories***

The main reasons for the increase in the balance of metal inventories in 1H2007 were as follows:

- decrease of PGM and by-product sales from Taimyr and Kola Peninsula in 1H2007 due to renewal of PGM license resulted in the increase in by-product inventories by USD 168 million; and
- increase in operating expenses at Taimyr and Kola Peninsulas resulted generally in the increase of unit cost of production, which, in turn, led to the increase in the value of inventories by USD 108 million;
- the consolidation of the results of Harjavalta Nickel Oy and Cawse Proprietary Limited (ex-OM Group nickel business subsidiaries) resulted in the increase of metal inventory by USD 53 million, mainly due to significant growth of nickel and nickel concentrate selling prices.

### **Total production cost per unit of metal produced for the period**

<b>Metal</b>	<b>Six months ended 30 June 2007</b>	<b>Six months ended 30 June 2006</b>	<b>% change p-o-p</b>	<b>Year ended 31 December 2006</b>	<b>Year ended 31 December 2005</b>
<b>Taimyr Peninsula</b>					
Nickel (US Dollars per tonne)	5,218	4,753	10	4,477	4,637
Copper (US Dollars per tonne)	1,328	1,170	14	1,265	1,020
Palladium (US Dollars per ounces)	82	90	(9)	92	85
Platinum (US Dollars per ounces)	320	384	(17)	350	364
Gold (US Dollars per ounces)	171	191	(10)	183	181
<b>Kola Peninsula</b>					
Nickel (US Dollars per tonne)	6,371	5,488	16	5,701	5,177
Copper (US Dollars per tonne)	1,516	2,374	(36)	1,659	2,940
Palladium (US Dollars per ounces)	108	97	11	116	88
Platinum (US Dollars per ounces)	387	409	(5)	439	374
Gold (US Dollars per ounces)	204	212	(4)	227	185
<b>Stillwater Mining Company</b>					
Palladium (US Dollars per ounces)	345	301	15	308	268
Platinum (US Dollars per ounces)	994	889	12	918	853
<b>Harjavalta Nickel Oy</b>					
Nickel (US Dollars per tonne)	40,874	—	N/A	—	—

In 1H2007, the cost of nickel production (per tonne) in the Taimyr Peninsula increased by 10% to USD 5,218 per tonne, and in the Kola Peninsula the cost of nickel production increased by 16% to USD 6,371 per tonne.

In 1H2007, the cost of copper production (per tonne) in the Taimyr Peninsula increased by 14% to USD 1,328 per tonne, and in the Kola Peninsula the cost of copper production decreased by 36% to USD 1,516 per tonne.

The main reason for the increase in both nickel and copper production cost in the Taimyr Peninsula was the reallocation of production costs between base metals (nickel and copper) and PGM's, based on the relative sales value of these joint products, to increase the proportionate share of production cost of base metals (nickel and copper) as a result of the higher prices (158% for nickel and 16% for copper) as compared to prices for PGMs (9% for palladium and 12% for platinum) in 1H2007.

The increase in the cost of nickel production (per tonne) and decrease in the cost of copper production (per tonne) in the Kola Peninsula is due to the reallocation of costs between nickel and copper, based on the relative sales values of the based metals, to increase the share of production cost of nickel as a result of copper production decline in 1H2007 by 8% mainly as a result of the actual abandonment of the purchased of copper scrap for processing, and the higher nickel price (158%) as compared to copper (16%) in 1H2007.

In 1H2007, the cost of palladium production in the Taimyr Peninsula decreased by 9% to USD 82 per ounce, and increased by 11% to USD 108 per ounce in the Kola Peninsula. The changes in the cost of palladium production in the Peninsulas were due to:

- a general increase in the overall production costs;
- moderate increase of average selling price by 9% compared to the growth demonstrated by base metals and other PGMs; and
- a large allocation of production cost in the Kola Peninsula to palladium is due to the abandonment of the purchase and processing of copper scrap.

In 1H2007, the cost of platinum production in the Taimyr Peninsula decreased by 17% to USD 320 per ounce, and decreased by 5% to USD 387 per ounce in the Kola Peninsula. The decrease in the cost of platinum production in the Peninsulas was due to:

- a general increase in the overall production costs;
- a large allocation of production cost to nickel is due to the higher nickel prices; and
- an allocation of production cost in the Kola Peninsula to palladium is due to the abandonment of the purchase and processing of copper scrap.

In 1H2007, the cost of gold production in the Taimyr Peninsula decreased by 10% to USD 171 per ounce, and by 4% to USD 204 per ounce in the Kola Peninsula. Ignoring the effect of translation to the presentation currency, the product unit cost decreased more substantially, which was explained by the reallocation of production costs between base metals (nickel and copper) and PGMs. The increase in prices for nickel and copper significantly outperformed the prices realised for the PGMs (including gold) sold by the Group. The less sharp decrease of the cost of gold production in the Kola Peninsula is explained by the abandonment of the purchase and processing of copper scrap.

### 3. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

In 1H2007, selling, general and administrative expenses increased by USD 196 million (or 42%) to USD 668 million as compared to USD 472 million in 1H2006. The increase due to the effect of translation to presentation currency amounted to USD 27 million.

#### **Selling, general and administrative expenses (excluding Polus Group) for the period** (US Dollars million)

	Six months ended 30 June 2007	% of total	Six months ended 30 June 2006	% of total	% change p-o-p
Export custom duties	289	43	182	39	59
Salaries	161	24	113	24	42
Advertising	44	7	33	7	33
Taxes other than mining and income taxes and pollution levies	43	6	41	9	5
Other expenses	131	20	103	21	27
<b>Total</b>	<b>668</b>	<b>100</b>	<b>472</b>	<b>100</b>	<b>42</b>

### *Export custom duties*

Export custom duties increased by USD 107 million (or 59%) to USD 289 million in 1H2007, which is completely in line with the dynamics of growth of export revenue, which basically form the basis for calculation of custom payments.

### *Salaries*

Labour costs increased by USD 48 million (or 42%) to USD 161 million. The main reasons for the growth was the consolidation of Harjavalta Nickel Oy and Cawse Proprietary Limited (ex-OM Group nickel business subsidiaries) and salary increase.

### *Other expenses*

Other types of expenses such as advertising, taxes, legal, auditing, insurance and other increased practically in line with inflation.

## **4. OTHER NET OPERATING EXPENSES**

During 1H2007 other net operating expenses increased by USD 15 million to USD 148 million as compared to USD 133 million in 1H2006. The main reason for the growth was the substantial change of donations and expenses associated with maintenance of social sphere facilities in the regions of the Group's operations.

### **Other operating expenses (excluding Polus Group) for the period** *(US Dollars million)*

	Six months ended 30 June 2007	Six months ended 30 June 2006	% change <i>p-o-p</i>	Year ended 31 December 2006
Donations	73	32	128	68
Maintenance of social sphere facilities	30	15	100	78
Foreign exchange loss, net	18	18	-	33
Change in allowance for doubtful debts	18	50	(64)	5
Loss on disposal of property, plant and equipment	14	17	(18)	21
Impairment of property, plant and equipment	12	(2)	(700)	87
Change in allowance for value added tax recoverable	5	13	(62)	9
Change in provision for tax penalties	(4)	8	(150)	19
Excess of acquirer's interest in the fair value of net assets acquired	(9)	-	N/A	-
Operating profit from non-mining entities	(27)	(12)	125	(28)
Other	18	(6)	(400)	(20)
<b>Total other operating expenses, net</b>	<b>148</b>	<b>133</b>	<b>11</b>	<b>272</b>

## **5. NET FINANCE COSTS/(BENEFIT)**

During 1H2007 net finance costs increased by USD 54 million to USD 52 million as compared to USD 2 million finance benefit in 1H2006. The main reason for the increase was the effect of currency exchange differences during 1H2007 as compared to 1H2006, and as a result, change of the effect from the revaluation of borrowings denominated in US Dollars. In addition, interest expenses on loans and borrowings also increased by USD 9 million to USD 43 million as compared to USD 34 million in 1H2006, as a result of the increase of the averaged borrowed amount for the period, which were used for the acquisition of the shares of OJSC "OGK-3" and other business combinations.

**Net finance cost/(benefit) (excluding Polus Group) for the period**  
(US Dollars million)

	Six months ended 30 June 2007	Six months ended 30 June 2006	% change p-o-p	Year ended 31 December 2006
Interest expense on borrowings	43	34	26	60
Unwinding of discount on decommissioning obligations	10	9	11	19
Interest expense on pension obligations	4	4	-	7
Foreign currency exchange gain from revaluation of borrowings, net	(5)	(49)	(90)	(65)
<b>Total finance cost/(benefit), net</b>	<b>52</b>	<b>(2)</b>		<b>21</b>

**6. NET INCOME/(LOSS) FROM INVESTMENTS**

During 1H2007 the net result from investment activities increased by USD 436 million to USD 68 million income as compared to loss from investing activities of USD 368 million in 1H2006.

The main reasons for the increase were as follows:

- non-recurring losses of USD 317 million realised by MMC Norilsk Nickel on the disposal of the investment in Gold Fields Limited in 1H2006; and
- increase of interest income on bank deposits to USD 62 million in 1H2007 compared to the interest income of USD 22 million in 1H2006, as a result of increase of the deposited amounts for the period.

**7. SHARE OF PROFIT/(LOSS) OF ASSOCIATES**

During 1H2007 share of profit of associates increased by USD 28 million to USD 34 million profits as compared to USD 6 million in 1H2006.

The main reasons for the increase were as follows:

- contribution of OJSC "OGK-3" from 1 April of 2007 (date of obtaining significant influence over the investee) in the amount of USD 17 million; and
- contribution of MPI Nickel Proprietary Limited from 1 March of 2007 (date of obtaining significant influence over investee) in the amount of USD 12 million.

**8. INCOME TAX**

**Income tax for the period**  
(US Dollars million)

	Six months ended 30 June 2007	Six months ended 30 June 2006	% change p-o-p	Year ended 31 December 2006
Current tax expense	1,266	602	110	1,893
Deferred tax benefit	-	(125)	N/A	(88)
<b>Total</b>	<b>1,266</b>	<b>477</b>	<b>165</b>	<b>1,805</b>

During 1H2007, the income tax provision increased by 165% to USD 1,266 million from USD 477 million in 1H2006. This increase was mainly due to the growth of pre-tax income of the Group, the main reason for which was the growth of the revenue from metal sales.

In 1H2007, the effective tax rate was 25% (1H2006: 27%) and did not change significantly from 1H2006.

## **9. PROFIT FOR THE PERIOD**

Profit for the period increased from USD 2,367 million in 1H2006 to USD 3,808 million in 1H2007 as a result of the higher prices for metals sold, consolidating the results of Harjavalta Nickel Oy and Cawse Proprietary Limited (ex-OM Group nickel business subsidiaries) and the release of the effect of discontinued operation due to spin-off of Polyus Gold assets in 1H2006.

**CONSOLIDATED BALANCE SHEET**  
**AT 30 JUNE 2007**  
*(US Dollars million)*

	Notes	30 June 2007	% of total	31 December 2006	% of total	% change
<b>ASSETS</b>						
<b>Non-current assets</b>						
Property, plant and equipment	10	15,644		8,134		92
Goodwill		26		25		4
Intangible assets		60		48		25
Investments in associates	11	4,209		208		1,924
Investments in securities and other financial assets	12	2,539		2,615		(3)
Taxes receivable		50		44		14
Deferred tax assets		26		-		N/A
Pension plan assets	13	37		-		N/A
		<b>22,591</b>	<b>65</b>	<b>11,074</b>	<b>68</b>	<b>104</b>
<b>Current assets</b>						
Inventories	14	2,235		1,471		52
Trade and other receivables	15	1,249		850		47
Investments in securities and other financial assets	12	390		104		275
Taxes receivable		679		602		13
Cash and cash equivalents	16	7,573		2,178		248
		<b>12,126</b>	<b>35</b>	<b>5,205</b>	<b>32</b>	<b>133</b>
<b>TOTAL ASSETS</b>		<b>34,717</b>	<b>100</b>	<b>16,279</b>	<b>100</b>	<b>113</b>
<b>EQUITY AND LIABILITIES</b>						
<b>Capital and reserves</b>	17	<b>17,463</b>	<b>51</b>	<b>13,136</b>	<b>81</b>	<b>33</b>
<b>Non-current liabilities</b>						
Long-term borrowings	18	4,119		632		552
Employee benefit obligations	13	11		57		(81)
Environmental obligations	19	412		322		28
Derivative financial liabilities	20	82		-		N/A
Liabilities associated with acquisition of business from OM Group	21	74		-		N/A
Deferred tax liabilities	22	2,739		881		211
		<b>7,437</b>	<b>21</b>	<b>1,892</b>	<b>12</b>	<b>294</b>
<b>Current liabilities</b>						
Short-term borrowings	18	2,368		158		1,399
Current portion of employee benefit obligations	13	275		259		6
Current portion of environmental obligations	19	26		-		N/A
Trade and other payables		5,847		421		1,289
Taxes payable		412		393		5
Derivative financial liabilities	20	13		15		(13)
Dividends payable		856		5		17,020
Liabilities associated with acquisition of business from OM Group	21	20		-		N/A
		<b>9,817</b>	<b>28</b>	<b>1,251</b>	<b>7</b>	<b>685</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>34,717</b>	<b>100</b>	<b>16,279</b>	<b>100</b>	<b>113</b>

The balance sheet total as at 30 June 2007 was USD 34,717 million and increased over the first six months of 2007 by USD 18,438 million (or 113%), of which USD 261 million (or 2%) is due to the effect of translation to presentation currency.

The balance sheet structure has changed dramatically compared to the balance sheet as at 31 December 2006 mainly due to the latest acquisitions and consolidation of Harjavalta Nickel Oy and Cawse Proprietary Limited (ex-OM Group nickel business subsidiaries) and LionOre Group and the increase of ownership in OJSC "OGK-3":

- the share of non-current assets decreased from 68% to 65%;

- the liquidity of current assets increased (the share of monetary assets in the overall current assets increased from 42% to 62%);
- the share of capital and reserves decreased to 51% as compared to 81% as at 31 December 2006;
- the share of non-current liabilities increased from 12% to 21%; and
- the share of current liabilities increased from 7% to 28%.

The share of other balance sheet items changed insignificantly.

## 10. PROPERTY, PLANT AND EQUIPMENT

As at 30 June 2007, property, plant and equipment amounted to USD 15,644 million as compared to USD 8,134 million as at 31 December 2006. The increase of property, plant and equipment by USD 7,510 million was due to an increase of capital construction-in-progress of mining, metallurgical and energy facilities, additions of property, plant and equipment of USD 122 million as a result of the acquisition and consolidation of Harjavalta Nickel Oy and Cawse Proprietary Limited (ex-OM Group nickel business subsidiaries) and LionOre Group of USD 7,380 million and the effect of translation to the presentation currency by USD 142 million. The remaining portion relates to the depreciation charge that is in line with year end results and the disposal of property plant and equipment.

## 11. INVESTMENTS IN ASSOCIATES

As at 30 June 2007, investments in associates amounted to USD 4,209 million as compared to USD 208 million as at 31 December 2006. The increase of investments in associates by USD 4,001 million was mainly due to the increase of Group's ownership interest in OJSC "OGK-3" from 14.6% as at 31 December 2006 to 46.9% as at 30 June 2007 as well as acquisition of a 50% joint-venture share in Nkomati Nickel Mine through the acquisition of control over the LionOre Group.

The Group's share in profit/(loss) of associates were as follows:

### Share of profit/(loss) of individual investments in associates for the period

(US Dollars million)

	Six months ended 30 June 2007	Six months ended 30 June 2006	Year ended 31 December 2006
OJSC "OGK-3"	17	-	-
MPI Nickel Proprietary Limited	12	-	-
Smart Hydrogen Inc.	-	(2)	(38)
Others	5	8	5
<b>Total</b>	<b>34</b>	<b>6</b>	<b>(33)</b>

## 12. INVESTMENTS IN SECURITIES AND OTHER FINANCIAL ASSETS

As at 30 June 2007, the current and non-current investments in securities and other financial assets amounted to USD 2,929 million compared to USD 2,719 million as at 31 December 2006. The increase by USD 155 million resulted primarily from the change of classification of investments in OJSC "OGK-3" (from available-for-sale to investments in associates) due to increase of ownership from 14.6% as at 31 December 2006 to 46.9% as at 30 June 2007, acquisition of investments through the acquisitions and consolidation of Harjavalta Nickel Oy and Cawse Proprietary Limited (ex-OM Group nickel business subsidiaries) and LionOre Group. The remaining portion reflects results of the valuation, which corresponds to the change in the market value of the respective assets.

### **13. PENSION PLAN ASSETS AND EMPLOYEE BENEFIT OBLIGATIONS**

Starting from the second half of 2006 financial year all the Group's pension plans are managed by a non-state Pension Fund "Norilsk Nickel". Contribution from the Group to this Fund during the period ended 30 June 2007 amounted to USD 109 million (31 December 2006: USD 11 million). Unearned portion in the amount of USD 37 million of these contributions were presented as pension plans assets and remaining portion was settled off against employee benefit obligations.

### **14. INVENTORIES**

As at 30 June 2007, inventories of finished goods, work-in-process and stores and materials amounted to USD 2,235 million as compared to USD 1,471 million as at 31 December 2006. The increase is due to:

- the consolidation of the inventory balances of Harjavalta Nickel Oy and Cawse Proprietary Limited (ex-OM Group nickel business subsidiaries) and LionOre Group in the amount of USD 319 million;
- the growth of by-product balances by USD 138 million, primarily due to growth of the value of by-products stock;
- the growth of base metal stock (nickel and copper) by USD 219 million due to seasonality; and
- the effect of translation to presentation currency by USD 88 million.

### **15. TRADE AND OTHER RECEIVABLES**

As at 30 June 2007, trade and other receivables amounted to USD 1,249 million as compared to USD 850 million as at 31 December 2006. The increase is mainly due to the acquisition and consolidation of accounts receivables balances of Harjavalta Nickel Oy and Cawse Proprietary Limited (ex-OM Group nickel business subsidiaries) and LionOre Group in the amount of USD 483 million.

### **16. CASH AND CASH EQUIVALENTS**

As at 30 June 2007, cash and cash equivalents amounted to USD 7,573 million as compared to USD 2,178 million as at 31 December 2006. The increase in balances of cash and cash equivalents is mainly due to the July settlement of account payables for the acquisition of 90.7% of LionOre shares in the amount of USD 5,233 million.

### **17. CAPITAL AND RESERVES**

As at 30 June 2007, capital and reserves amounted to USD 17,463 million (including minority interest of USD 955 million) as compared to USD 13,136 million (including minority interest of USD 319 million) as at 31 December 2006.

Key factors that affected capital and reserves were:

- profit for the period in the amount of USD 3,808 million;
- dividends declared by the Group during the six month period of 2007 amounted to USD 842 million;
- change in minority interest in the amount of USD 623 million due to the acquisition of LionOre;
- increase of the fair value reserve for investments available-for-sale in the amount of USD 539 million; and
- increase of the accumulated exchange rate differences provision in the amount of USD 261 million.

## 18. LONG AND SHORT TERM BORROWINGS

As at 30 June 2007, loans and borrowings of the Group increased by USD 5,697 million (or 721%) against USD 790 million as at 31 December 2006. The major part of loans and borrowings was arranged in the form of syndicated loan by Societe Generale (Paris) for the purposes of the acquisitions of LionOre Group.

## 19. ENVIRONMENTAL OBLIGATIONS

As at 30 June 2007, environmental obligations amounted to USD 438 million as compared to USD 322 million as at 31 December 2006. The increase in balance of environmental obligations is mainly due to the acquisition of Harjavalta Nickel Oy and Cawse Proprietary Limited (ex-OM Group nickel business subsidiaries) and LionOre Group.

## 20. DERIVATIVE FINANCIAL LIABILITIES

As at 30 June 2007, derivative financial liabilities amounted to USD 95 million as compared to USD 15 million as at 31 December 2006. The increase in balance of derivative financial liabilities is mainly due to the effect of the acquisition and consolidation of Harjavalta Nickel Oy and Cawse Proprietary Limited (ex-OM Group nickel business subsidiaries) and the LionOre Group.

## 21. LIABILITIES ASSOCIATED WITH ACQUISITION OF BUSINESS FROM OM GROUP

As part of the business combination the Group entered into five-year supply agreement with the OM Group Incorporated (ex-controlling owner of Harjavalta Nickel Oy and Cawse Proprietary Limited).

The value of liabilities under these contracts, at 1 March 2007, was provisionally determined to be USD 94 million.

## 22. DEFERRED TAX LIABILITIES

As at 30 June 2007, the deferred tax liabilities amounted to USD 2,739 million as compared to USD 881 million as at 31 December 2006. The increase in the balance of deferred tax liabilities is mainly due to the effect of the acquisition and consolidation of Harjavalta Nickel Oy and Cawse Proprietary Limited (ex-OM Group nickel business subsidiaries) and LionOre Group.

### CONSOLIDATED CASH FLOWS STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2007 (US Dollars million)

	Notes	Six months ended 30 June 2007	Six months ended 30 June 2006	% change p-o-p	Year ended 31 December 2006
Net cash generated from operating activities	23	3,399	1,791	90	5,647
Net cash (used in)/generated from investing activities	24	(3,517)	1,548	(327)	378
Net cash generated from/(used in) financing activities	25	5,398	(3,259)	(266)	(4,909)
<b>Net increase in cash and cash equivalents</b>	26	<b>5,280</b>	<b>80</b>	<b>6,500</b>	<b>1,116</b>
Net cash and cash equivalents at beginning of the period		2,178	922		922
Effect of translation to presentation currency		115	59		140
<b>Net cash and cash equivalents at end of the period</b>		<b>7,573</b>	<b>1,061</b>		<b>2,178</b>

### **23. NET CASH GENERATED FROM OPERATING ACTIVITIES**

The main source of cash for the Group is net cash flows from operating activities. Due to the significant increase of revenue from metal sales in 1H2007 net cash generated by operations increased nearly twice and amounted to USD 3,399 million as compared to USD 1,791 million in 1H2006.

During 1H2007 a considerable growth in operating cash flows enabled Norilsk Nickel to expand the business through the acquisition and consolidation of Harjavalta Nickel Oy and Cawse Proprietary Limited (ex-OM Group nickel business subsidiaries) and LionOre Group and increase its ownership in OJSC "OGK-3" from 14.6% as at 31 December 2006 to 46.9% as at 30 June 2007. As at 30 June 2007, total amount of cash spent on these acquisitions amounted to USD 3,215 million.

### **24. CASH USED IN INVESTING ACTIVITIES**

Net cash outflow from investing activities in 1H2007 amounted to USD 3,517 million.

The main components of the inflow include the sale of the financial investment and proceeds from the sale of property, plant and equipment in the amount of USD 159 million and USD 68 million, respectively.

The cash outflow as a result of investing activities comprised the following key components:

- purchase of shares in subsidiaries and associates for USD 3,215 million; and
- acquisition of property, plant and equipment and intangible assets for USD 306 million.

### **25. NET CASH GENERATED FROM FINANCING ACTIVITIES**

In 1H2007, net cash generated from financing activities amounted to USD 5,398 million. The cash inflow comprised from the proceeds from loans and borrowings in the amount of USD 7,350 million. The cash inflow for financing activities was partially offset by repayment of cash for loans and borrowings in the amount of USD 1,901 million.

### **26. NET INCREASE IN CASH AND CASH EQUIVALENTS**

Net cash and cash equivalents increased in 1H2007 by USD 5,280 million to USD 7,573 million. The Group used cash to settle an outstanding obligation for the acquisition of LionOre in the amount of USD 5,233 million, increase of ownership in OJSC "OGK-3" and payment of dividends. The Group plans to further invest into extension and maintenance of production assets.

*The full version of the consolidated interim financial statements of MMC Norilsk Nickel for the six months ended 30 June 2007 prepared in accordance with IFRS is available on the Company's web-site ([www.nornik.ru/en](http://www.nornik.ru/en)) under the section Investor Relations/Reports/Financial Statements.*

## **CONFERENCE CALL**

MMC Norilsk Nickel will hold a telephone conference call related to the publication of the Group's IFRS consolidated interim financial statements for the six months ended 30 June 2007. The telephone conference call will be held at 5 p.m. Moscow time (2 p.m. London, 9 a.m. New York) on 5 October 2007.

Telephone numbers for access to the telephone conference call:

+1 800 260 0712 (USA),  
+1 612 288 0318 (other countries).  
Access code: 889646

The conference call record will be available within one week, from 8.30 p.m. Moscow time (5.30 p.m. London, 12.30 p.m. New York) on 5 October 2007 at the following numbers:

+1 800 475 6701 (USA),  
+1 320 365 3844 (other countries).  
Access code: 889646

For more information, please contact:

Dmitry Usanov  
Director for Investor Relations Department  
Telephone: +7 495 755 6733  
E-mail: [usanovda@nornik.ru](mailto:usanovda@nornik.ru)