



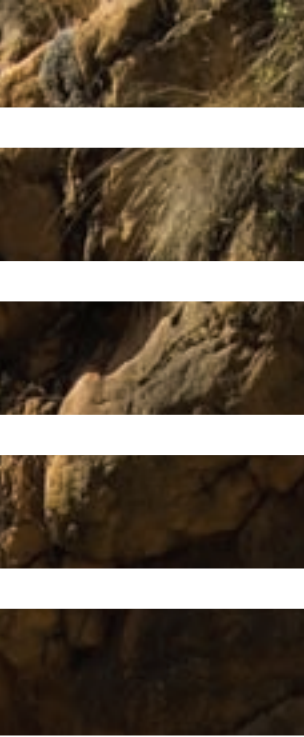
Results

- Internal regulations changes in order to improve interaction between various business units
- Research and development unit reorganization completed
- Implementation of relevant plans by all business units

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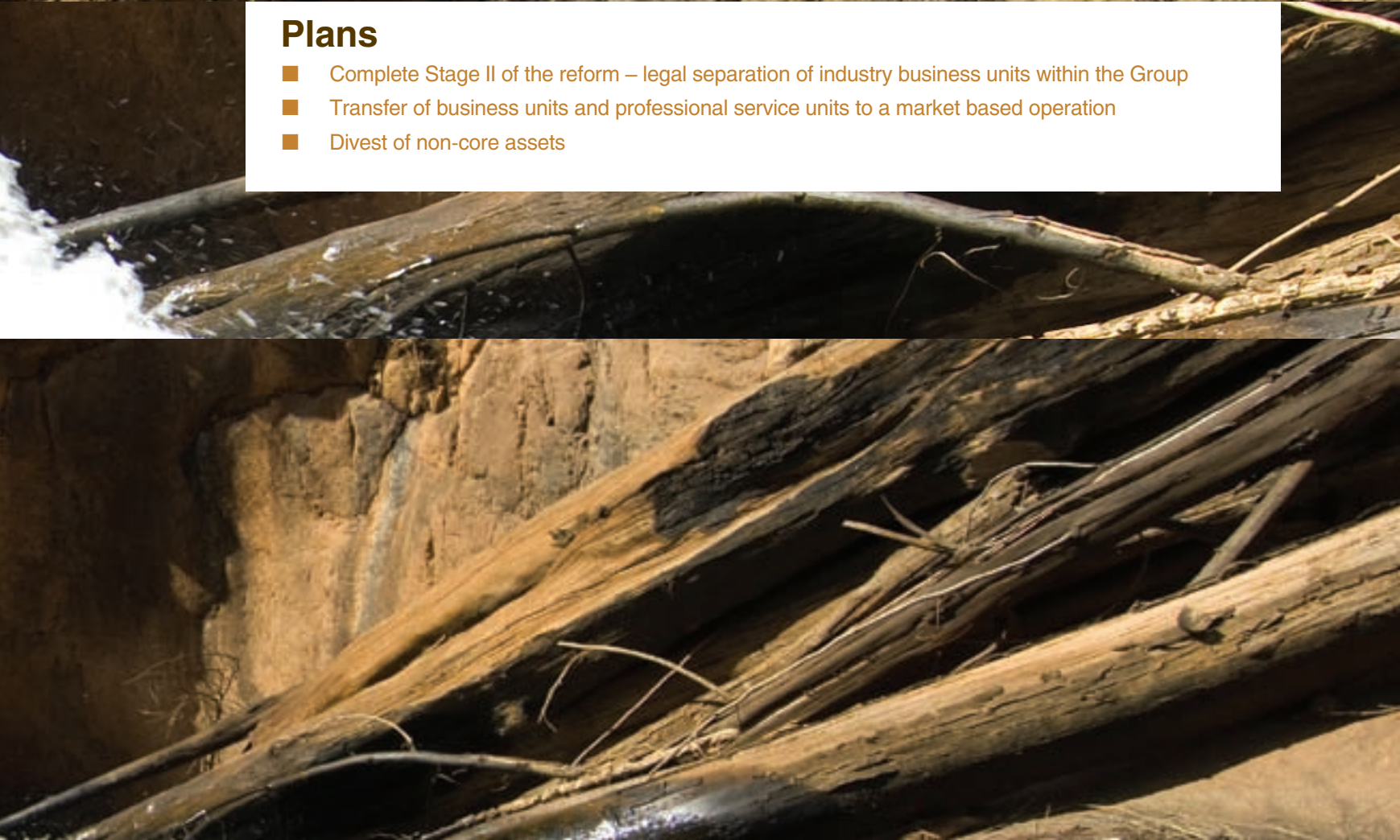
CHAPTER

Management
structure



Plans

- Complete Stage II of the reform – legal separation of industry business units within the Group
- Transfer of business units and professional service units to a market based operation
- Divest of non-core assets



Stillwater Mining Company, USA



Management structure



At today's stage of development, a highly organized management system characterized by adaptivity, flexibility, and productivity is essential for sustainable operation of the Group.

In 2005, MMC Norilsk Nickel management began to reform the Company's management structure. The reform has been aimed at the following:

- improving efficiency of operations;
- establishing a Company's management structure appropriate for a multi-geographically distributed organization;
- optimizing the management structures according to an industry-based segregation of areas of responsibility; achieving transparency and economic rationality in management structures;
- delegating responsibility to the regions, assigning respective authorities to the managers of business units and divisional managers in the regions;
- reducing management staff and non-productive costs.

The reform will be implemented in three key stages:

- I. Organizational separation of business units and auxiliary units within the Group;
- II. Legal separation of business units within the Group;
- III. Market operation of business units and auxiliary units, provi-



sion of services to the Group's entities on a tender basis.

During the reporting year the Group continued with stage II of the reform. The Group's activities were aimed at changing internal regulations to improve interaction between various business units.

Accomplishments of the year included:

- establishment of principles of economic management of the Group as a multi-geographically distributed entity;
- definition of mechanisms and principles of price and tariff regulation, cost recovery, investment management, financial management, manufacturing order management, resource consumption and other parameters;
- development and approval of the Company's uniform budgetary process as the main instrument of economic management of Norilsk Nickel;
- determination of the procedure of interaction between business units in the process of product and service flows relating to the principal production activities;
- establishment of the key principles of interaction and cooperation between MMC Norilsk Nickel and its foreign assets;
- standardization of interaction between the Corporate Center and the business units (including auxiliary units) during project management activity;



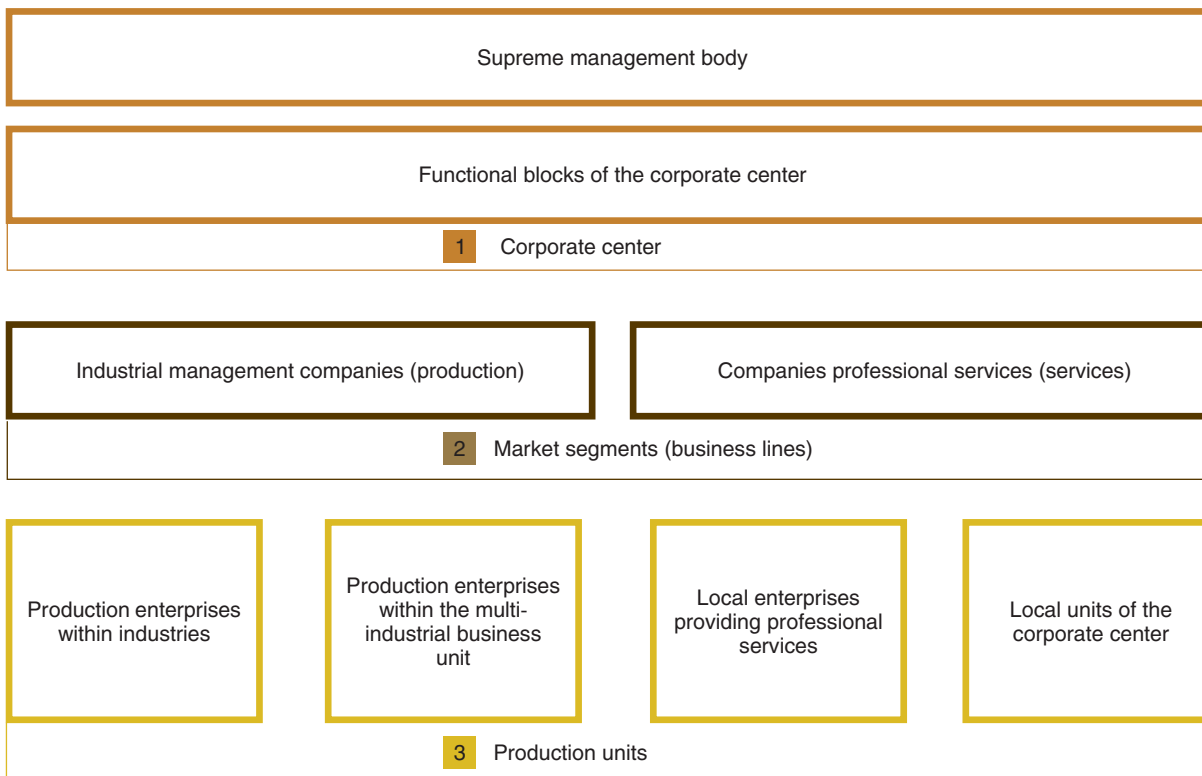
- determination of procedures for making decisions and subsequent interaction with respect to outsourcing of certain types of services;
- determination of the criteria for the Group's charity activities;
- determination and standardization of requirements for professional knowledge and skills of Company managers and staff.

In addition, the following changes in the Company's organizational structure took place in 2007:

- the Organizational development department has been established;
- the Support business unit directorate has been liquidated;
- the Research and engineering business unit has been established;
- the Corporate property business unit has been established.

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Group's target structure



Management structure

Management structure⁽¹⁾

←	Corporate center		
→	Mining and metallurgical business unit	Polar Division (Russia) Kola MMC (Russia) Black Swan (Australia) Cawse (Australia) Honeymoon Well (Australia)	Lake Johnston (Australia) Waterloo (Australia) Tati Nickel (Botswana) Norilsk Nickel Harjavalta (Finland) Nkomati (the Republic of South Africa)
→	Sales business unit	CJSC Normetimpex (Russia) Metal Trade Overseas (Switzerland) Norilsk Nickel Europe Ltd. (UK) Norilsk Nickel Asia Ltd. (China) Norilsk Nickel USA Inc. (USA)	
→	Geology business unit	OOO Norilskgeologiya OOO Pechengageologiya OOO Vostokgeologiya OOO Geokomp OOO RioNor-Geologorazvedka	OOO Intergeoproject OOO Kingashskaya GRK OOO GRK Gremyakha OOO GRK Bystrinskoe OOO Bugdainsky Rudnik
→	Energy business unit	Norilskenergo branch OJSC Taimyrenergo OJSC NTEC ⁽²⁾ OJSC Taimyrgaz OJSC Norilskgazprom	
→	Transportation and logistics business unit	Polar transportation branch Murmansk transportation branch Krasnoyarsk branch Arkhangelsk branch OJSC Arkhangelsk Commercial Sea Port	OJSC Yenisei River Shipping Company CJSC Alykel OJSC Taimyr Airline OOO Taimyr Investment Company OOO Norilsk-TAVS
→	Support business unit	OOO Norilsk Support Complex Creative and Production Association of Culture Institutions OJSC Torginvest	
→	Research and engineering business unit	OOO Institute Gipronickel OOO NIC NEP ⁽³⁾	
→	Procurement business unit	CJSC Taimyr Fuel Company OJSC Norilsk Trade and Production Association OOO Metal Scrap Recycling Plant OOO Polar Trade Alliance	
→	Construction business unit	OOO Polar Construction Company	
→	Maintenance business unit	OOO Norilsknickelremont	

Notes:

(1) Information on the Company's management structure reflects only the most material data

(2) OJSC Norilsk-Taimyr Energy Company

(3) OOO National Innovative Company New Energy Projects

Nkomati, the Republic of South Africa





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Mining and metallurgical business unit

The main goal of the Mining and metallurgical business unit is to have stable output at minimum cost and in compliance with production plans approved by the Corporate Center and the Sales business unit. Developing the mineral resource base and increasing ore extraction are elements which are key to achieving this, as well as optimization of the use of the Group's production capacities.

The key objectives of the Sales business unit generating maximum revenue from sales of the Group's products

The Mining and metallurgical business unit comprises mining, concentration and metallurgical entities located in the Russian Federation on the Taimyr and Kola Peninsulas, Australia, Botswana, Finland and the Republic of South Africa.

For more details please see Description of key operating assets, Review of operating performance, and State-of-the-art technologies and innovations Chapters of this annual report.

Sales business unit

The key objectives of the Sales business unit include:

- generating maximum revenue from sales of the Group's products;
- appropriately positioning Norilsk Nickel on the commodities markets; and
- making a positive influence on the fundamental factors of these markets.

The Sales business unit consists of the following entities with their respective areas of activity:

- CJSC Normetimpex (Russia) is involved in the sale of the Group's products in the Russian Federation and exporting of base metals to Metal Trade Overseas (Switzerland). PGMs produced by the Group in Russia are exported through Almazyuvelirexport;
- Metal Trade Overseas (Switzerland) is involved in the sale of the Group's products in Europe

through its own sales distribution network, including sales companies operating in specific regional markets;

- Norilsk Nickel Europe Limited (UK) is involved in the sales of metal products in Europe;
- Norilsk Nickel Asia Limited (China) is involved in the sales of metal products in Asia;
- Norilsk Nickel USA Inc. (USA) is involved in the sales of metal products in the USA.

Geology business unit

Geology business unit conducts the following types of activities:

- discovery, acquisition and preparation of maps of mineral resource deposits;
- all types of technological drilling;
- replacement of developed mineral resources through exploitation undertaken by the Mining and metallurgical business unit in the regions of the currently operated deposits;
- provision of reliable data on the explored reserves in the operating mines.

The Geology business unit includes the following entities and their respective areas of activity:

- OOO Norilskgeologia conducts geological surveys and exploration for nickel, copper, and PGMs in the center of Siberia, including the territories in the vicinity of the city of Norilsk;
- OOO Pechengageologia conducts geological surveys and exploration for nickel and gold on the Kola Peninsula;
- OOO Vostokgeologia conducts geological surveys and exploration for copper, gold and molybdenum in the south-east of Siberia and the Far East;
- OOO Geokomp conducts geological surveys and exploration for nickel and copper porphyry in the south of Central Siberia;
- OOO RioNor-Geologorazvedka is a joint venture with Rio Tinto, which conducts analysis of potential projects in the southern areas of Siberia and the Far Eastern Federal Districts of the Russian Federation, as well as, acquisition of licenses;
- OOO Intergeoproject provides advisory services to the Group both in Russia and abroad on determining the prospects of minerals, acquisition and analysis of the collected geological information;
- OOO Kingashskaya GRK holds four licenses for geological exploration and production of platinum-copper-nickel ores in Krasnoyarsk Krai;
- OOO GRK Gremyakha holds license for Gremyakha Vyrmes deposit in the Murmansk region;
- OOO GRK Bystrinskoye holds licenses for Bystrinskoye, Kuluminskoye, Lugokanskoye and Solonechenskoye deposits in the south-east of the Zabaikalsky Krai;

Management structure

- OOO Bugdainsky Rudnik holds licenses for Bugdainskoye deposit.

For details see the Geological exploration Chapter of the annual report.

Energy business unit

The Energy business unit ensures secure energy supplies for the Group's enterprises and residential areas of the Norilsk and Taimyr (Dolgano-Nenets) municipal districts, and management of other energy assets of the Group.

Due to the absence of alternative energy supplies in the region, the Group's Energy business unit provides a complete cycle of energy supply services to the Norilsk Industrial District.

The Energy business unit includes the following entities and their areas of activity:

- Norilskenergo branch operates three thermal power plants (TPP-1, TPP-2, TPP-3) in the Taimyr Peninsula and supplies electricity to the mining operations of the Group in the Taimyr Peninsula. Norilskenergo power plants operate on gas they receive from OJSC Taimyrgaz and OJSC Norilskgazprom;
- OJSC Taimyrenergo operates two hydropower plants (Ust-Khantaiskaya HPP and Kureiskaya HPP);
- OJSC NTEC⁽¹⁾ produces and supplies thermal and electric power to consumers on the basis of assets leased from OJSC Taimyrenergo and OJSC Norilskenergo;
- OJSC Taimyrgaz holds a license for the development of the Pelyatka gas condensate deposit;

- OJSC Norilskgazprom has licenses for the development of the Severo-Soleninskoye and Yuzhno-Soleninskoye gas condensate deposits and the Mes-soyakhskoye gas deposit.

Norilsk Nickel also owns shares in the following energy enterprises:

- OJSC RAO UES of Russia;
- OJSC OGK-3;
- OJSC TGK-1;
- OJSC TGK-14;
- OJSC TGK-5;
- OJSC MRSK of North West;
- OJSC Kola Energy Sale Company;
- OJSC Kola Transmission Lines;
- OJSC MRSK of Siberia;
- OJSC Krasnoyarsk Transmission Lines.

- transportation of the Group's cargoes by sea, river, rail, road and air;
- cargo handling in sea and river transshipment ports, storage, customs clearance and airport service; and
- passenger transportation by local airlines.

The transportation and logistics business unit includes the following entities and their respective areas of activity:

- Directorate of the transportation and logistics business unit in the Group's head office that is engaged in managing the transportation assets of the Group;
- Polar transportation branch is involved in receiving and operat-

The Transportation and logistics business unit is responsible for transportation of the Group's cargoes by sea, river, rail, road and air

Taking into account that in December 2007 the proposal to spin-off non-core energy assets did not receive the necessary number of votes at the Extraordinary General Meeting of Shareholders of MMC Norilsk Nickel, on 4 February of 2008 the Board of Directors decided that it would be practical to sell these assets and that management should take the necessary actions to carry this out.

Transportation and logistics business unit

The Transportation and logistics business unit is responsible for:

- ing sea and river vessels, loading works, transportation and forwarding services, freight transportation, bonded storage and customs clearance of cargoes in Norilsk city;
- Murmansk transportation branch is involved in rendering transportation and forwarding services to the Group and third parties;
- Krasnoyarsk branch is involved in rendering transportation and forwarding services to the Group and third parties with regard to cargoes transported via Yenisei river;
- Arkhangelsk branch is involved in rendering transportation and forwarding services to the Group and third parties with regard to coastal floating cargoes transported in the Dudinka direction;

(1) Following a buyout of 49% of OJSC NTEC in 2007 from OJSC RAO UES of Russia, MMC Norilsk Nickel owned 100% of the company at year end.

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- OJSC Arkhangelsk commercial Sea Port is engaged in receiving and operating of sea and river vessels, loading works, transportation and forwarding services and freight transportation;
- OJSC Yenisei River Shipping Company is engaged in receiving and operating river vessels, loading works, transportation and forwarding services and freight transportation;
- CJSC Alykel renders airport service;
- OJSC Taymyr Airline is involved in cargo and passenger transportation by local airlines;
- OOO Taimyr Investment Company ensures implementation of investment projects to reconstruct Alykel airport facilities;
- OOO Norilsk-TAVS acts as a flight tickets sale agent in Norilsk city.

In compliance with MMC Norilsk Nickel's optimal transportation system creation concept, implying that the Group will switch to transporting goods in the Group's own vessels, in 2007 the Group laid the keels for four ice-breaking cargo ships. The ships will be commissioned in the period from August 2008 to January 2009 in strict compliance with the timeline set in the ship building contract. From February 2009, the Group will have its own fleet of five ice breaker cargo carriers able to transport cargo along the Northern Sea Route unaccompanied by special ice breakers.

In 2007, the Group saved USD 11 million on transportation expenses, carrying some of the goods on its own cargo ice-breaker without using third party ice-breaking services.

To secure a guaranteed service to its own fleet the Group plans to switch transportation of some cargo from Murmansk Transshipment Terminal

to the Arkhangelsk Commercial Sea Port, a subsidiary of the Group.

In 2007, Norilsk Nickel switched to electronic customs declaration of exported goods at the Murmansk customs, which will optimize logistic processes and improve customs processing of cargo flows.

Support business unit

The main goal of the Support business unit is to provide the core production and other business units of the Group with its products, works and services by making them competitive compared with similar enterprises located outside the Norilsk Industrial District.

From February 2009, the Group will have its own fleet of five ice breaker cargo carriers

The assets of the support business unit are grouped by service lines and their areas of activity:

- support facilities – OOO Norilsk Support Complex that includes the Mechanical, Stroykomplekt and TISMA plants;
- auxiliary activities – Creative and Production Association of Culture Institutions and OJSC Torginvest that coordinates cultural events in the Group's units and manages the Group's warehouse and trade real estate assets in the Norilsk Industrial District, respectively.

In 2007, the restructuring of the support business unit was completed and as a result, the research and development assets were transferred to the research and Engineering business unit and OOO Norilsk-Telecom was prepared for sale.

In the reporting year, the Group sold all the non-core assets of the Support business unit relating to auxiliary operations:

- Valek health and recreation resort;
- Yenisei sanatorium.

Research and engineering business unit

The main objective of the Research and engineering business unit is to provide a complete range of engineering services from blueprinting and design to project management, implementation and commissioning. The activities are conducted along the following lines:

- design and technological support during the development of production facilities at the Company's business units, primarily, the mining and metallurgical business unit;
- implementation of innovative energy product development and marketing projects (hydrogen and alternative energy, fuel cells, catalytic thermonuclear synthesis).

The Research and engineering business unit includes the following entities and their areas of activity:

- OOO Institute Gipronickel that unites research and scientific assets of the Group (Gipronickel Institute in St.-Petersburg, Norilsk-project Institute and Mining and Metallurgical Research Center in Norilsk, and Design and Research Center in Monchegorsk city);

Management structure

- OOO NIC NEP focusing on innovative energy product development projects, including those extending the areas of application for the Group's principal products.

Procurement business unit

The main lines of activity of the Procurement business unit include:

- procurement and purchase of inventories for the Group's companies;
- collection, processing and sale of ferrous and base metal scrap;
- provision of Group employees with dietary and healthy foods; and
- organization of trade in foodstuffs in the Norilsk Industrial District.

procurement control and analysis;

- CJSC Taimyr Fuel Company engaged in supplies of oil products both for the needs of the Group and for third parties;
- OJSC Norilsk Trade and Production Association organizing occupational, dietary and therapeutic meals at the Group companies located in the Norilsk Industrial District.
- OOO Metal Scrap Recycling Plant engaged in the collection, processing and sale of ferrous and base metal scrap generated at the Group' enterprises as a result of dismantling;
- OOO Polar Trade Alliance ensuring the reliable supply of foodstuff to the network of canteens in the

capital repair services for key production assets in the Polar Division.

The Construction business unit comprises OOO Polar Construction Company that includes the following structural units:

- Construction department (industrial construction);
- Norilskshakhtstroy company (construction of mining facilities);
- Central Construction Laboratory.

Maintenance business unit

The Maintenance business unit is in charge of maintenance and repairs of the Group's property, plant and equipment.

The Maintenance business unit includes OOO Norilsknickelremont established as part of the Company's management system reform in 2006 on the basis of four units in the Taimyr Peninsula:

- Norilskremont Production Association;
- Norilskshakhtservice Company;
- Norilsktransremont Production Association;
- Norilskavtomatika Multi-Industry Association.

For the first time, MMC Norilsk Nickel was included in the National Procurement Transparency Rating 2007 and awarded a certificate by the National Association of E-Commerce Participants

The Procurement business unit includes the following entities with their respective areas of activity:

- Procurement Directorate engaged in the development and implementation of procurement policy, supplies planning and optimization of inventories in stock;
- Directorate in charge of market conditions, methodology and resource balance engaged in search of inventory markets, forecasting market conditions, organizing administration of contracts for inventory supplies;
- Procurement Directorate of the Polar Division engaged in organizing prompt and comprehensive provision of the Polar Division business units with inventories,

territory of Norilsk Industrial District at minimum cost.

For the first time, MMC Norilsk Nickel was included in the National Procurement Transparency Rating 2007 and awarded a certificate by the National Association of E-Commerce Participants with the support of Federal Antimonopoly Service of Russia.

Construction business unit

The principal activities of the business unit include general construction, mine preparation, construction of underground tunnels, drilling, blasting and special operations, as well as comprehensive current and



Nkomati, the Republic of South Africa

