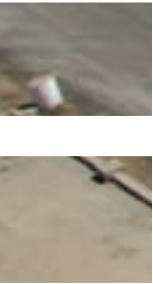




Results

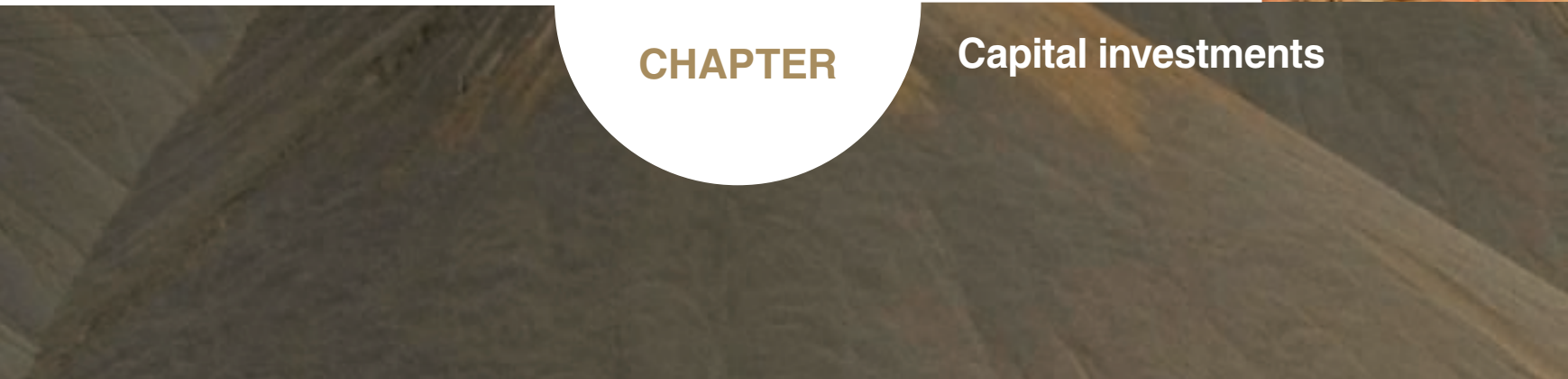
- Group's capital investment amounted to USD 1.3 billion
- The approved annual budget was performed
- Increased volume of investment into construction of industrial facilities in Russia, Botswana and the Republic of South Africa



9

CHAPTER

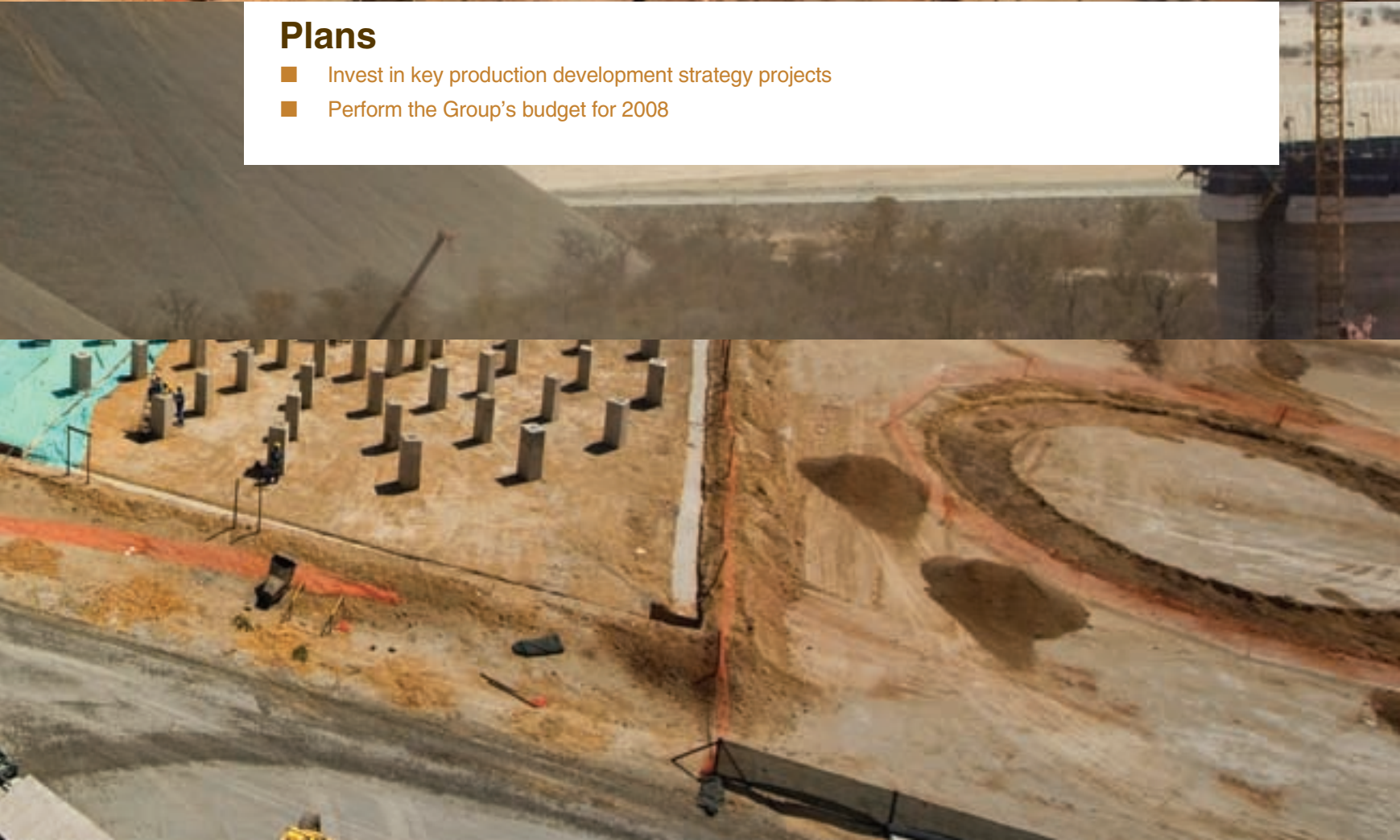
Capital investments





Plans

- Invest in key production development strategy projects
- Perform the Group's budget for 2008



Tati Nickel, Botswana



Capital investments



Structure of the Group's capital investments (US Dollars million)

Group's capital investments ⁽¹⁾	2007	2006	2005
Russia	766	776	584
Australia	96	–	–
Botswana	291	–	–
Finland	13	–	–
USA	88	98	92
South Africa	34	–	–
Total Group	1,288	874	676

Note:

(1) Australian, Botswanan, and South African assets were included in the Group in 2007.

Russia

Structure of capital investments⁽¹⁾ in the Russian Federation (US Dollars million)

Purpose	2007	2006	2005
Production assets			
Mining of ore	288	214	149
Concentration	29	34	42
Metallurgy	48	36	116
Auxiliary facilities	159	149	126
Total production assets	524	433	433
Non-production assets	32	80	26
Equipment not budgeted by construction projects and for the replacement of obsolete equipment	210	263	125
Total in Russian Federation	766	776	584

Note:

(1) The structure of capital investment does not include prepaid expenses, including: exploration, research and development, automated control systems; long-term financial investments, and acquisition of foreign nickel assets.

In 2007, the priority directions of Norilsk Nickel investment policy as set out by the Corporate Production Development Program were as follows:

- construction of mining and reserve development facilities for the purpose of stripping and developing new ore deposits, increasing ore mining output and replacing decommissioned facilities:
 - continuation of the construction of the Skalisty mine and preparation for the mining of the deep ores;
 - modernization of the skip winding facilities in the Komsomolsky mine;
 - continuation of the construction of the Severny Gluboky mine.
- upgrade and technical re-equipment of capacities to enhance efficiency of concentration and metallurgical operations:
 - carrying out research related to the development of a new concentration technology and development of a business case for the modernization of the Talnakh Concentrator;
 - improvement of oxygen supply to metallurgical plants.
- undertaking of environment protection activities including implementation of new pollution reducing and natural environment improving technologies.

Capital investment of the Group companies in 2007 amounted to USD 766 million. Most investments, or USD 524 million, were used to fi-

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finance the construction of production assets in the Russian Federation.

Mining of ore

In 2007, the Group invested a total of USD 288 million in the development of the mining operations, USD 74 million more than in 2006. Most of the investment was used to finance the construction, re-construction and upgrade of the Taimyr Peninsula mining facilities (USD 224 million).

Taimyr Peninsula

USD 69 million was allocated to finance the implementation of the Skalisty mine capacity maintenance/enhancement projects, of which:

- USD 66 million was allocated to finance the decommissioned capacity replacement maintenance/enhancement and rich and cuprous ores mining projects. The construction of the second start-up facility with an annual capacity of 250,000 tonnes was completed in 2007;
- USD 3 million was spent on the implementation of the project on stripping, preparation and mining of rich and cuprous ores in the Talnakh deposit and deep ores of the Oktyabrsky deposit. In 2007, as part of the project, an agreement for the construction of VS-10 ventilation shaft facilities at the Skalisty mine was concluded with Thyssen Schachtbau GmbH.

and -1,400 m) and the replacement of decommissioned capacities. Construction of the first start-up facility with an annual capacity of 1 million tonnes of ore and the second start-up facility with an annual capacity of 400,000 tonnes of ore was completed in 2007;

- USD 8 million was spent to finance the project providing for the stripping and mining of part of the X-1(O) Bolshoy Gorst deposit, which, when implemented, would enable replacement of the decommissioned solid sulfide ores mining facilities for the amount of 800,000 tonnes per year. In 2007, the preparation work for the launch of the first start-up facility with a capacity of up to 300,000 tonnes of ore per year took place. The project is scheduled for completion in 2012;
- USD 8 million was spent to improve the mine's stowing facility and increase its capacity through installation of current frequency converters to ensure the smooth start-up of mills and the reduction of downtime;
- USD 2 million were spent on the implementation of the Taimyrsky mine facility project with the aim of technical re-equipment and replacement of obsolete electromechanical equipment at

USD 32 million was allocated to finance the implementation of the Komsomolsky mine capacity maintenance/enhancement projects, of which:

- USD 13 million was spent on implementation of the disseminated ore production enhancement project. The first stage of the project with a capacity of 300,000 tonnes of ore per year was commissioned in 2007;
- USD 12 million was spent on the comprehensive technical re-equipment of the skip shaft winding facilities;
- USD 7 million was spent on the implementation of a project to extract the flank reserves of the rich and cuprous ores.

The Group spent USD 30 million to finance the implementation of the Oktyabrsky mine capacity maintenance/enhancement projects, of which:

- USD 20 million was spent on expanding the cuprous ore production capacities up to 3 million tonnes of ore per year. It is expected that the designed capacity will be reached in 2013;
- USD 7 million was spent to replace the facilities for stripping, preparation and development of cuprous ores of 1.5 million tonnes of ore per year. The third start-up facility with a capacity of 600,000 tonnes of ore per year was commissioned in 2007;
- USD 3 million was invested in the reconstruction of the existing facilities of the -650 m horizon used for the purposes of mining the solid sulfide (rich) ores in the western flank of the deposit. The first start-up facility with a capacity of 1.1 million tonnes of ore per year was commissioned in 2007. The project is expected to be completed in 2014.

In 2007, the Group invested a total of USD 288 million in the development of the mining operations

USD 56 million was allocated to finance the implementation of Taimyrsky mine capacity maintenance/enhancement projects, of which:

- USD 38 million was allocated for the implementation of projects on stripping new horizons (-1,300 m

the winding facilities and its fail-safe, high-performance and accident-free operation as well as enhancement of the winding facility's capacity of up to 4.4 million tonnes of ore per year.

Capital investments

USD 23 million was spent on launching new capacities at the Anhydride mine in order to achieve planned volumes of anhydride production, of which USD 21 million was spent on the work at the second start-up facility, which is expected to be commissioned in 2008.

In 2007, Norilsk Nickel invested USD 14 million to increase the production of disseminated ore by Zapolyarny mine at the Norilsk-1 deposit, and in the construction work at the mine's first start-up facility, planned to be commissioned in 2008.

Kola Peninsula

In 2007, Norilsk Nickel spent USD 64 million on the development of Kola Peninsula's ore base:

- USD 62 million was invested into the construction of the Severny-Gluboky underground mine, to replace the decommissioned facilities of the Tsentralny mine and ensure optimum load on processing facilities in the Kola Peninsula. The second start-up facility with a capacity of 2.5 million tonnes of ore per year was commissioned in 2007. Design capacity is expected to be reached in 2012;
- USD 1 million was spent to finance the stripping and mining of ore reserves on -620m and -740m horizons of the Severny mine;
- USD 1 million was invested in capital mining work at the Kaula-Kotselvaara mine. The project is scheduled for completion in 2009.

Concentration Taimyr Peninsula

In 2007, investment in the concentration facilities in the Taimyr Peninsula amounted to USD 29 million. The principal investments were made to proceed with the reconstruction of

the Norilsk and Talnakh Concentrators in order to expand the capacities of processing increased volumes of disseminated and cuprous ores and to optimize the concentration tailings storage method.

As part of the project on the reconstruction and technical re-equipment of the Talnakh Concentrator in 2007, Norilsk Nickel proceeded with research work to develop improved technology of Talnakh copper and nickel ore processing.

Kola Peninsula

Approximately USD 1 million was spent to increase the production efficiency of the Concentrator. Gipronickel Institute developed an optimized technological process for the concentration of disseminated copper and nickel ores mined in the Kola Peninsula. In 2007, the construction

In 2007, the Group proceeded with the delivery of a complex project on closing down the agglomeration and smelting shops of the Nickel Plant

and installation work was completed and the first stage of the project was commissioned. The new technological scheme will make it possible to increase the nickel content in the concentrate without reducing the yield and improving technical and economic performance of smelting processes.

Metallurgy Taimyr Peninsula

In 2007, Norilsk Nickel's investment in metallurgic production development of the Taimyr Peninsula amounted to USD 42 million.

USD 27 million was spent on the completion of the Copper Plant capital construction projects, including:

- USD 11 million on the reconstruction of the automation/ energy supply system at the No. 3 Vanukov furnace;
- USD 6 million on the construction and assembly work and equipment installation, as well as development of design and estimate documentation as part of the reconstruction project of the second technological line for elementary sulfur production based on a technology that does not cause excessive heat;
- USD 5 million for the reconstruction of the gas supply system;
- USD 3 million on the reconstruction of charging transporters from the sulfur shop to the smelting shop;

- USD 2 million on the reconstruction of the No. 1 and No. 2 chimney-type cooling towers with the aim of improving the environmental situation in the Norilsk Industrial District.

In 2007, the Company proceeded with the delivery of a complex project on closing down the agglomeration and smelting shops of the Nickel Plant, enhancing pyrometallurgical facilities of the Nadezhda Metallurgical Plant to enable processing of all nickel ore, aimed, amongst other things, at the

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waste reduction and improvement of the environment in the Norilsk Industrial District.

USD 14 million was spent on the Nadezhda Metallurgical Plant's projects for reconstruction of oxygen stations involving the installation of air separation equipment with an hourly capacity of 22,000-40,000 m³ per hour.

USD 1 million was spent on starting the Nickel Plant smoke-stack reconstruction project requiring its long-term decommissioning.

Kola Peninsula

In 2007, the capital investments in the Kola Peninsula's metallurgical facilities amounted to USD 6 million of which USD 5 million were spent on the implementation of the stage-by-stage replacement of reinforced concrete tanks with polymer concrete ones in the nickel electrolysis shop. The project implementation will result in a significant reduction in tank repair costs, reduce nickel losses and decrease power consumption and supplies. The project was launched in 2005 and is expected to be completed in 2009.

The Company allocated approximately USD 1 million for the research work regarding the installation of technological equipment to enable the production of hardened briquettes at the roasting shop. The project implementation will lead to the reduction of sulfur dioxide emissions at the Zapolyarny site.

Investment in auxiliary facilities

Investments in auxiliary facilities amounted to USD 159 million. A major portion of the investments went into electric and thermal power supplies, operation of water and waste water system in the Taimyr Peninsula operations and population of the No-

rilsk Industrial District and improvement of the production processes and strengthening of the Group's security.

Total investments of the Energy business unit operations amounted to USD 60 million.

- USD 40 million was spent on proceeding with the development of Pelyatka gas condensate deposit in the Taimyr Peninsula. Pilot industrial operation of the Pelyatka gas condensate deposit started in 2003 and will continue through 2008, when commercial operation will start. The timely launch of the Pelyatka gas condensate deposit will ensure gas production sufficient for uninterrupted power supplies to the industrial facilities of the Group's companies and residential areas of the Norilsk Industrial District;
- USD 7 million was spent on the reconstruction and maintenance of fixed assets to ensure reliable production and reserve capacity for the production of thermal power in the Norilsk Industrial District;
- USD 4 million was spent on the design of new gas and condensate pipelines along the Pelyatka deposit-Dudinka route. The project, once implemented will reduce the accidents during gas and condensate transportation, improve carrying capacity and create the reserve capacities required for gas supplies and transportation;
- USD 3 million was spent on the reconstruction of the power supply systems of the Dudinka Sea Port and Dudinka town;
- USD 2 million was used on reconstructing the power system, development of electricity networks for transmission of electric power from Kureyskaya HPP with

the aim of improving security of power supplies and ensuring stable operations of the energy system;

- USD 1 million was spent on the reconstruction of the Norilsk TPP-1, in particular, the replacement of medium pressure turbines to provide reserve capacity and make the TPP-1 operation more reliable;
- USD 1 million was spent on the development of the design documentation of the Norilsk Industrial District's energy projects;
- USD 1 million was used on project implementation at Severo-Soleninskoye, Yuzhno-Soleninskoye and Messoyakhskoye deposits to ensure uninterrupted gas supply to the Norilsk Industrial District;
- USD 1 million was spent on the development of design documentation for the construction of coal-based boiler houses at Nickel and Zapolyarny, as well as the reconstruction of switching substation No. 105 to ensure a stable power supply to the Severny-Glubokoy mine when it reaches design capacity.

USD 44 million was invested in the development of operations of the transport and logistics business unit, of which:

- USD 37 million was spent on the implementation of Alykel airport projects enabling all-year-round regular passenger and cargo transportation services with maximum safety and a state-of-the-art level of passenger comfort;
- USD 5 million on the construction and re-equipment of barges owned by the Yenisei River Shipping Company;
- USD 2 million on the maintenance and upgrade of the Transportation and Logistics business unit.

Capital investments

USD 25 million was spent on the construction of the Mining and metallurgic business unit facilities, including those ensuring production security and creation of automated management systems, of which:

- USD 14 million were spend on the implementation of the Taimyr Peninsula projects; and
- USD 11 million on the implementation of the Kola Peninsula projects.

The Company spent USD 10 million on Geology business unit projects, of which the construction of the geologic exploration camp at GRK Kingashskaya is the principal one.

USD 7 million was used for the implementation of Taimyr Peninsula projects by the Territorial Corporate Center, with the major part of the investments used for the implementation of the Company's environmental projects, including reconstruction of local purification facilities at various sites of the Norilsk Industrial District.

USD 6 million was used for the implementation of projects by the support business unit companies, including more than USD 5 million on the implementation of telecommunications projects of OOO Norilsk Telecom.

The Company spent USD 4 million on the support business unit projects, including USD 3 million on modernization of gas stations in the Norilsk Industrial District and establishment of the single system of oil product supplies to the Group's companies.

USD 3 million was used on the implementation of projects by the Construction business unit and the Research and engineering business unit.

Non-production assets

USD 32 million was spent on the construction of non-production facilities with a view to improve the infrastructure and living conditions for the Company's staff.

Equipment not budgeted by construction projects and for the replacement of obsolete equipment

In 2007, USD 210 million was invested in equipment not budgeted by construction projects and for the replacement of obsolete equipment.

USD 107 million was directed towards acquisition of equipment to meet the requirements of the mining and metallurgic business unit.

Taimyr Peninsula

USD 79 million was invested in the Taimyr Peninsula in equipment not budgeted by construction projects and for the replacement of obsolete equipment, of which:

- USD 28 million – in mining and drilling equipment;
- USD 22 million – in mechanic and technological equipment;
- USD 10 million – in lifting and transportation equipment;
- USD 8 million – in power equipment;
- USD 7 million – in automation equipment;
- USD 4 million – in auxiliary and technological equipment.

Kola Peninsula

USD 28 million was invested in the Kola Peninsula in equipment not budgeted by construction projects and for the replacement of obsolete equipment, of which:

- USD 11 million – in mechanic and technological equipment;

- USD 5 million – in mining and drilling equipment;
- USD 5 million – in heavy and transportation equipment;
- USD 3 million – in auxiliary and technological equipment;
- USD 2 million – in power equipment;
- USD 2 million – in control and analytical equipment and automation equipment.

Investment of USD 103 million was made in the acquisition of equipment necessary to support the current operations of subsidiaries and associates of the Group, including:

- USD 33 million – by the Geology business unit;
- USD 23 million – by the Energy business unit;
- USD 18 million – by the Construction business unit;
- USD 9 million – by the Transportation and logistics business unit;
- USD 9 million – by the Corporate and territorial centers of the Group;
- USD 5 million – by the Support business unit;
- USD 3 million – by the Procurement business unit;
- USD 2 million – by Maintenance business unit;
- USD 1 million – by the Research and engineering business unit.

Australia

In 2007, capital investments in Australia amounted to USD 96 million.

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Structure of the Group capital investments in Australia in 2007 (US Dollars million)

Purpose	2007
Production assets	
Production	52
Concentration	16
Auxiliary facilities	2
Total production assets	70
Non-production assets	26
Total Norilsk Nickel in Australia	96

Production assets

In 2007, USD 52 million was invested in mining operations development, including:

- USD 18 million was invested in underground construction work at the Black Swan mine;
- USD 7 million was invested in preliminary stripping work at the Silver Swan open pit;
- USD 5 million was spent on blasting operations at the Maggie Hays mine;
- USD 4 million was spent on the construction of a new horizon at the Maggie Hays mine;
- USD 2 million was spent on mine deepening operations at the Maggie Hays mine;
- USD 2 million was spent on construction operations at the Emily Ann (Lake Johnston) mine;
- USD 2 million was spent on a drilling operation to identify resources on the territory adjacent to the Black Swan mine;
- USD 2 million was spent on geological exploration operations near the Black Swan mine;
- USD 1 million was invested into the acquisition of trucks for underground transportation work at the Black Swan mine.

Concentration

In 2007, investment in the development of concentration facilities amounted to USD 16 million. The main investment project related to reconstruction of tailing storage.

Auxiliary facilities

In 2007, investment in auxiliary facilities amounted to USD 2 million.

Non-production assets

In 2007, investment in non-production assets amounted to USD 26 million, of which:

- USD 11 million was invested in the maintenance work on the Avalon site;
- USD 5 million was spent on geological research work near Perth city;
- USD 3 million was spent on geological research by Waterloo;
- USD 2 million was spent on geological research by Lake Johnston;
- USD 1 million was spent on feasibility studies of Honeymoon Well projects.

Botswana

In 2007, capital investments in Tati Nickel amounted to USD 258 million.

Key lines of investment activities in Botswana in the reporting period were as follows:

- construction of the DMS Phase II plant;
- second stage of modernization of the Phoenix concentrator;

Production

In 2007, USD 35 million was invested in mining operations development, of which:

- USD 29 million was invested in the preparation and stripping of the Phoenix open pit;
- USD 5 million was allocated for pillar restoration and purification work at the Selkirk mine. The worked out area will continue to be stowed until the middle of 2008;
- USD 1 million was spent for the feasibility study of the development and measurement of Matsiloje limestone deposit.

Concentration

In 2007, investment in the development of concentration facilities amounted to USD 97 million, of which:

- USD 76 million was spent on the construction of the DMS Phase II plant;

Capital investments

Structure of capital investments in the territory of Botswana in 2007⁽¹⁾

(US Dollars million)

Purpose	Capital investments
Production assets	
Production	35
Concentration	97
Metallurgy	109
Auxiliary facilities	17
Total Norilsk Nickel in Botswana	258

Note:

(1) Capital investment for Tati Nickel on a 100% basis.

- USD 12 million was spent on installation of additional filtration and concentration equipment at the Phoenix concentrator;
- USD 6 million was spent on expansion of energy supply capacities for industrial sites;
- USD 3 million was spent for the first phase of the Phoenix concentrator modernization.

Metallurgy

In 2007, investment in the metallurgical production facility amounted to USD 109 million and related to the

construction of the DMS plant in Botswana.

Auxiliary facilities

During 2007, investment into auxiliary facilities amounted to USD 17 million.

Finland

In 2007, Group's capital investments in Finland amounted to USD 13 million.

Metallurgy

In 2007, investment in metallurgical production development amounted to USD 12 million, of which:

- USD 3 million was spent on ventilation system modernization; and
- USD 1 million was invested in the construction of a new energy reactor.

Non-production assets

Investments in non-production assets in 2007 amounted to USD 1 million and related to the construction of a new lab and an office building.

Structure of capital investments of Norilsk Nickel Harjavalta in 2007

(US Dollars million)

Purpose	Capital investment
Production assets	
Metallurgy	12
Non-production assets	
Total Norilsk Nickel in Finland	13

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USA

In 2007, capital investments of Stillwater Mining Company amounted to USD 88 million. Reduction of actual capital investments in 2007 as compared with the forecasted values was caused by moving the launch of the construction of the second smelter in Columbus city to 2008.

Key lines of investments activities in the reporting period were mine expansion and increase in explored reserves, and infrastructure development aimed at efficiency improvement of production processes.

Production

In 2007, a total of USD 81 million was invested in the development of mining operations, USD 13 million less than in 2006. A reduction in capital investments is partially caused by the fact that the mines have reached the optimum development level.

USD 47 million was spent on the development of Stillwater Mine projects, of which:

- USD 37 million was spent on capital construction;
- USD 6 million – on acquisition of equipment;
- USD 4 million – on infrastructure development.

USD 34 million was spent on the development of East Boulder Mine projects, of which:

- USD 25 million was spent on capital construction;
- USD 5 million – on acquisition of equipment;
- USD 2 million – on construction of buildings;
- USD 1 million – on infrastructure development.

Concentration

In 2007, investment in the development of concentration facilities amounted to USD 1 million, which was invested in the concentrator at the Stillwater and East Boulder Mines.

Metallurgy

In 2007, investment in metallurgic production development amounted to USD 6 million, of which:

- USD 3 million was spent on acquisition of smelting equipment;
- USD 2 million was invested on construction and reconstruction of buildings;
- USD 1 million was spent on acquisition of refining equipment and equipment for secondary treatment of catalytic agents.

The Republic of South Africa

In 2007, capital investments in Nkomati amounted to USD 34 million.

Key lines of investment activities in the Republic of South Africa in the reporting period were the gradual switch of Nkomati from materials from the solid sulfide ore body to the material from the principal mineralization zone, and increasing chromiferous ore production at the Nkomati mine.

Production

During 2007 USD 4 million was spent on the development of mining operations in the Republic of South Africa, of which more than USD 2 million was spent on the development of the principal mineralization zone, and USD 1 million was spent on the acquisition of mining equipment.

Concentration

In 2007, USD 24 million was spent on the development of concentration facilities, of which more than USD 17 million was spent on modernization of a concentrator with a monthly capacity of 100,000 tonnes and more than USD 4 million was spent on the acquisition of equipment for a new concentrator with a monthly capacity of 375,000 tonnes.

Auxiliary facilities

In 2007, investment into auxiliary facilities amounted to USD 6 million.

Capital investment in USA⁽¹⁾

(US Dollars million)

Capital investments	2007	2006	2005
Production assets			
Production	81	94	90
Concentration	1	1	1
Metallurgy	6	3	1
Total Stillwater Mining Company	88	98	92

Note:

(1) Capital investments of Stillwater Mining Company are presented on a 100% basis.

Capital investments

Structure of capital investments in Nkomati⁽¹⁾ in 2007

(US Dollars million)

Purpose	Capital investments
Production assets	
Production	4
Concentration	24
Auxiliary facilities	6
Total Norilsk Nickel in South Africa	34

Note:

(1) Capital investment for Nkomati is presented on a 50% basis.

Tati Nickel, Botswana



