



2006 results
and the main tasks
for 2007

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2006 results and the main tasks for 2007



Results of 2006

Main tasks for 2007

1. Effective use of unique mineral resources and stability of operating costs

The Board of Directors of the Company adopted the Production Development Strategy aimed at mineral and resource base development, optimal utilization of production facilities and operational efficiency improvement of the existing assets of the Group.

The following ore production facilities were constructed and commissioned on the Taimyr Peninsula:

- at the Oktyabrsky mine – the first launch complex of the reconstruction project at the depth of –650 meters with capacity of 1.1 million tonnes of rich ore per year; the third launch complex of the cuprous ore extraction project with capacity of 600,000 tonnes of cuprous ore per year;
- at the Komsomolsky mine – the second and the third launch complexes of the project for the development of rich and cuprous ore reserves with the effective production capacity 330,000 tonnes of cuprous ore per year; the first launch complex of disseminated ores development project with the capacity of 300,000 tonnes per year.

Implement the key projects within the Company's Production Development Strategy. Continue the construction of the following start-up facilities of the production entities on the Taimyr Peninsula:

- at the Oktyabrsky mine – to develop the cuprous ore production and replace the depleting rich ore production facilities;
- at the Taimyrsky mine – to increase the rich ore production and replace the depleting facilities;
- at the Komsomolsky mine – within the projects for opening and extraction of flank reserves of rich and cuprous ore and development of the priority segment of disseminated ores;
- at the Skalisty mine – to strip the reserves and prepare for the development of the Talnakh rich ores deposit and initiate works to open the deep sections at the Oktyabrsky deposit;
- at the Zapolyarny mine – within the project for the extension of disseminated ore mining.

Continue work to modernize the skip winding facilities at the Komsomolsky mine in order to improve the mine hoisting capacity.



Results of 2006

The Group continued the construction of the Severny-Gluboky underground mine on the Kola Peninsula with the annual production facility of 6 million tonnes of disseminated ore. In 2006 and 2007, the effective annual capacity of the mine is 1 million tonnes of ore (the first launch complex). According to the mine project and construction schedule the second launch complex with the capacity of 2.5 million tonnes of ore is to be commissioned in 2008.

The Group initiated the following projects to upgrade the concentration facilities on the Taimyr Peninsula:

- testing of more sophisticated concentration technologies for rich and cuprous ores is under way;
- the project for Norilsk Concentrator modernization was developed providing for the extension of ore processing capacity up to 8.2 million tonnes and of stored pyrrhotite concentrate processing up to 1.5 million tonnes annually.

Pre-project work at the Nadezhda Metallurgical Plant was done for the flash smelter capacity expansion project.

The following works continued under the metallurgical production modernization program on the Kola Peninsula:

- pilot-plant testing of the copper and nickel concentrate briquetting technology was successfully completed;
- the technology testing of copper and nickel concentrate smelting in the two zones Vanukov furnace was completed. The initial data for designing an industrial furnace were prepared on the basis of the test results.

Upon removal of the secrecy status from the data on the PGM production and reserves, the data was supplemented with the information on the PGM reserves on the Taimyr Peninsula.

The first icebreaking cargo carrier was put into operation for the purposes of cargo transportation via the North Sea Route. The tests performed indicated that the actual technical features of the ship exceeded its projected specifications.

The construction of the Pelyatka gas condensate deposit continued to satisfy the long-term needs of the Norilsk industrial district.

The consolidation of power generation assets on the Taimyr Peninsula was completed, 100% shares of OJSC Taimyrenergo were purchased from RAO UES of Russia.

Main tasks for 2007

Commission the following production facilities:

- for rich ore production at the Taimyrsky mines – for 1.4 million tonnes (including replacement of the decommissioned capacity of 900,000 tonnes) and at the Skalisty mine – 200,000 tonnes;
- for cuprous and disseminated ore production at the Komsomolsky mine – 500,000 tonnes.

Refurbish the technological line of Nadezhda Metallurgical Plant and reconstruct flash smelter No. 2 in 2008 to ensure the line's nickel concentrate processing capacity increase from 1.0 million to 1.2 million tonnes annually.

Design the reconstructed metallurgical complex at the Kola Peninsula based on the construction of the two zones Vanukov furnace at the refining site in Monchegorsk city.

Develop a prospective technology of rich and cuprous ores concentration, prepare technological specifications for the modernization for the Talnakh Concentrator providing for a capacity increase up to 10.5 million tonnes of ore per annum.

Maintain a stable level of production costs.

Implement a program for the sulphur dioxide utilization to reduce emissions and to ensure compliance with limits set by the regional environmental authorities.

Conduct an independent audit of mineral and resource base including all ore reserves on the Taimyr and Kola Peninsulas.

Continue the program to construct four ice breaking cargo carriers that will form the base of the Group's new transport and logistics system.

Continue development of the Pelyatka gas condensate field, design the pipelines for the gas transportation from the deposit to Norilsk city.

Purchase 49% of OJSC Norilsk Taimyr Energy Company from RAO UES of Russia.

Results of 2006

2. Growth in prospecting exploration and development of world class mineral deposits, and strategic acquisitions

A joint venture agreement with Rio Tinto was signed and operations of geological prospecting and development of prospective deposits started in the southern areas of the Siberian and the Far Eastern Federal Districts of the Russian Federation.

An alliance agreement was signed with BHP Billiton for geological exploration in western Siberia and the northwestern regions of Russia.

The Group acquired OM Group's Nickel Business which ensures:

- annual nickel output growth by 35,000 – 40,000 tonnes;
- access to the best practice operational skills and new technologies;
- expansion of the existing product line to include nickel salts and briquettes.

Main tasks for 2007

Rehabilitation of mineral resources for the purposes of the Group's perspective development in the following areas of its productive deposits:

- increase of copper and nickel ore reserves and resources on the Taimyr Peninsula (Maslovskoye occurrence, Chernogorskoye deposit) and the Kola Peninsula (Vuruchuaivench ore occurrence, Allarechenck site, etc.);
- allot new targets for prospect appraisal on the Taimyr and Kola Peninsulas.

Create and prepare for the development of the mineral and resource base of the core and new types of minerals, including by conducting joint geological exploration with the large international partner companies:

- conduct prospect appraisal and exploration in the Krasnoyarsk region (Kingash ore deposit, Tungus site), Chita region, Arhangelsk region (Severo-Timansk site), and Amur region, with an assessment of the reserves and resources.

Conduct operational exploration at the mining entities in order to ensure ample high-quality reserves for the current and prospective projected extraction.

3. Support of sustainable development in the regions in which the Company operates

A joined program named The Future of the North funded by the Group and the charity foundation of V. Potanin was initiated. The program aims at supporting promising students to start their carrier at the Group's entities in the Norilsk industrial district.

Capital repairs of housing facilities and reconstruction of social infrastructure in Norilsk city was performed as part of the Concept of Housing Facilities Management that was developed by the Group in cooperation with the Norilsk city administration.

The Group continued supporting residential settlements of the Far North indigenous peoples, implemented measures aimed at the preservation and restoration of cultural traditions of the Far North peoples and protection of the unique nature of the Taimyr Peninsula.

Implement significant social programs according to the plans approved by the authorities in the regions of the Company's business operations.