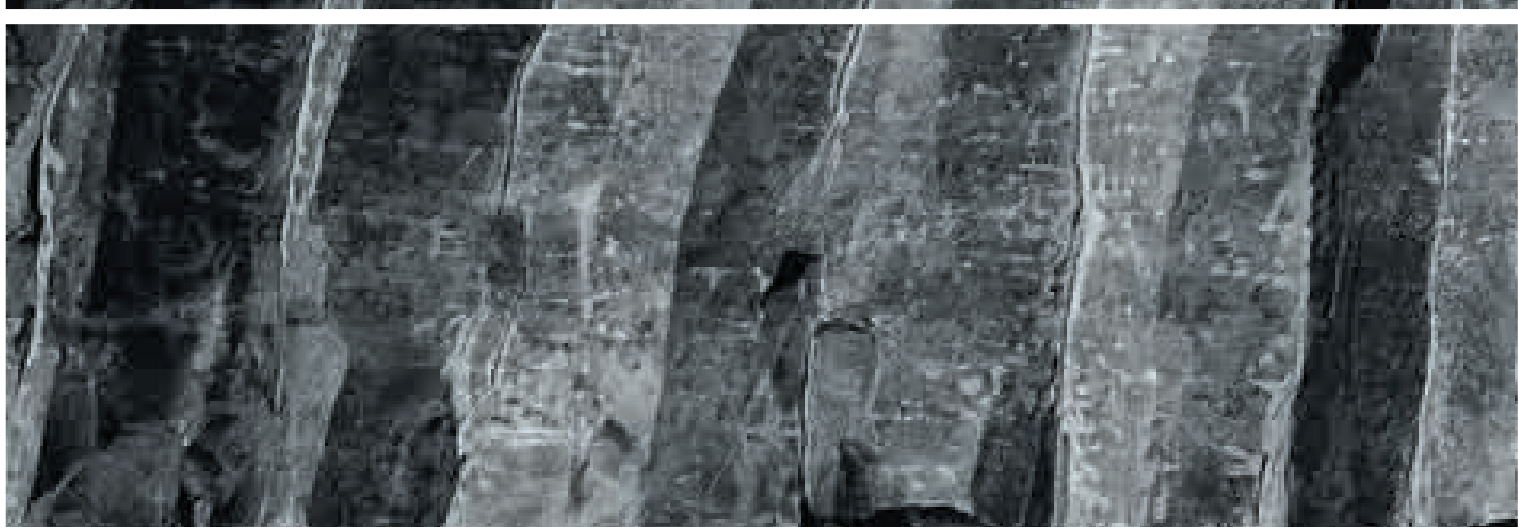
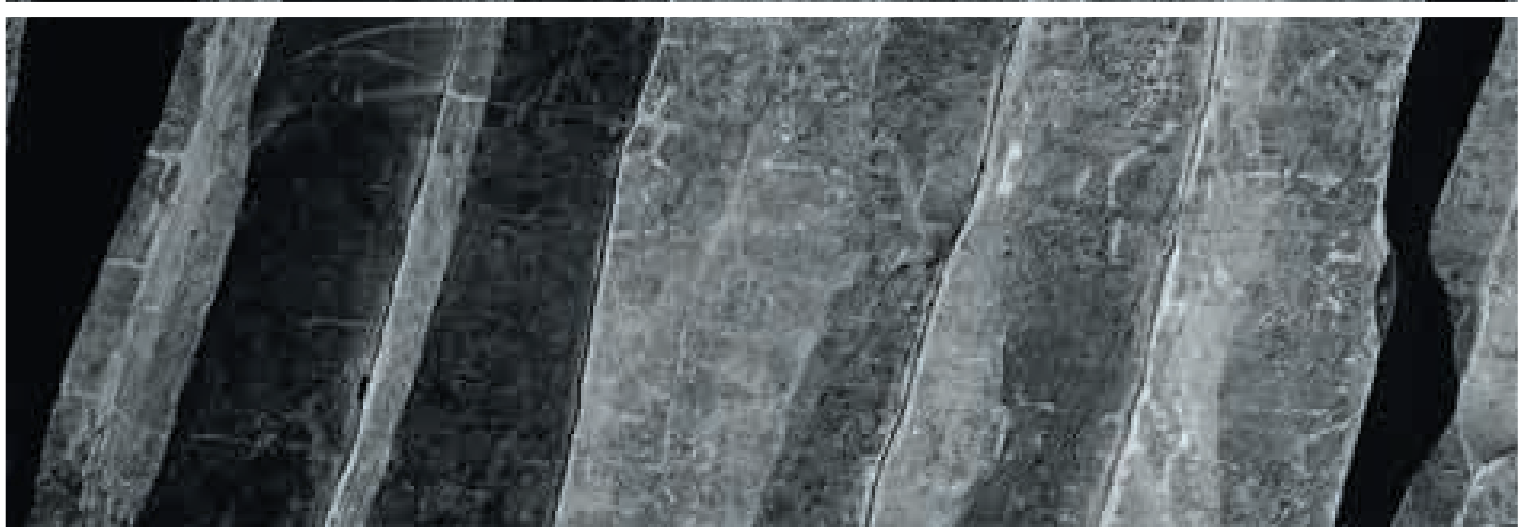




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Review of operating performance



+ Mining

Ore was mined in the Taimyr and Kola Peninsulas in 2006 in accordance with the mining plans developed in the Production Development Strategy.

Taimyr Peninsula

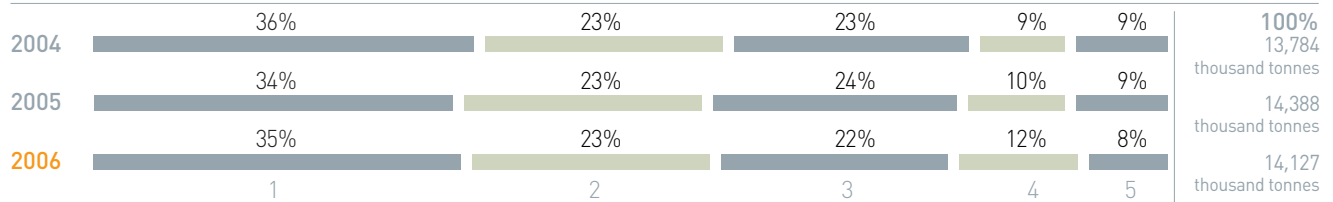
In 2006, the total volume of ore mined in the Taimyr Peninsula was 14,127 thousand tonnes. The composition of the ore extraction in 2006 has changed from the previous year:

- decrease in rich ore mining by 180 thousand tonnes or 2.4% (due to the decommissioning of facilities);
- decrease in cuprous ore mining by 220 thousand tonnes or 6% (due to the launched reconstruction of skip-hoisting installations at the cuprous ore extraction facilities in the Komsomolsky mine);
- increase in disseminated ore mining by 139 thousand tonnes or 4.2%.

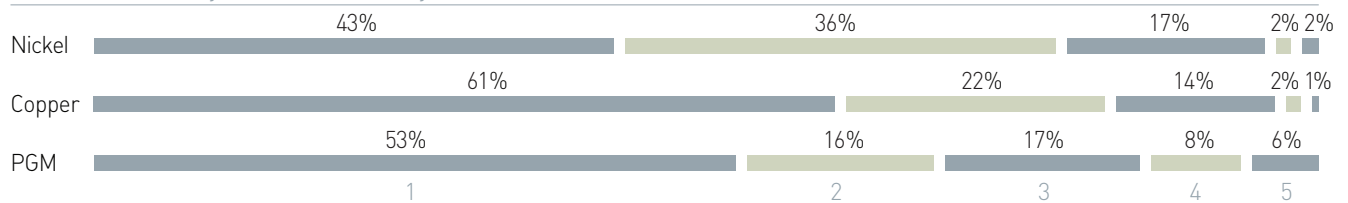


The Oktyabrsky mine is the most productive mine in the Taimyr Peninsula; it accounted for 35% of the total mining output in 2006 and contributed 43% of nickel extraction, 61% of copper extraction and 53% of PGM extraction.

Ore extraction by mine in the Taimyr Peninsula



Metal extracted by mine in the Taimyr Peninsula in 2006



1/Oktyabrsky 2/Taimyrsky 3/Talnakh mining department 4/Medvezhy Ruchey 5/Zapolyarny

In 2006, in line with the Production Development Strategy, the following ore mining facilities were put into operation:

- at the Oktyabrsky mine – the first launch complex of the project for reconstruction of horizon –650 meters with a planned capacity of 1,100 thousand tonnes of rich ore (replacement of the decommissioned facilities); the third launch complex of the project for mining of 600 thousand tonnes of cuprous ore (as a result of which the cuprous ore mining capacity at the Oktyabrsky mine reached 1,800 thousand tonnes per year);
- at the Komsomolsky mine – the second and third launch complexes of the project for developing rich and cuprous ore flank reserves with the total production capacity of 330 thousand tonnes of cuprous ore; the first launch complex to extract disseminated ores with a capacity of 300 thousand tonnes.

In addition to that, feasibility studies, development and modernization work continued at the Oktyabrsky, Taimyrsky, Komsomolsky, Mayak, Skalisty, and Zapolyarny mines in 2006.

The following key projects are expected to be implemented in 2007:

- continuing construction of mining facilities;
- at the Oktyabrsky mine – development of cuprous ore mining and replacement of the decommissioned rich ore mining facilities;
- at the Taimyrsky mine – increasing rich ore mining at the lower levels and replacement of the decommissioned facilities by commissioning of the Bolshoy Gorst⁽¹⁾ reserves;
- at the Komsomolsky mine – stripping and extraction of flank reserves of rich and cuprous ore and development of the priority area of disseminated ores;
- at the Skalisty mine – stripping of reserves and preparing for the development of the Talnakh rich ores deposit, initiating work to strip the deep ores of the Oktyabrsky deposit;
- at the Zapolyarny mine – expansion of disseminated ore mining.
- continuing modernization of the skip-hoist facilities at the Komsomolsky mine in order to improve mine hoisting productivity;
- commissioning mining capacity equal to:
- 1,400 thousand tonnes of rich ore at the Taimyrsky mine (including replacement of

the decommissioned capacity of 900 thousand tonnes) and 200 thousand tonnes of rich ore at the Skalisty mine;

- 500 thousand tonnes of cuprous and disseminated ore at the Komsomolsky mine.

Kola Peninsula

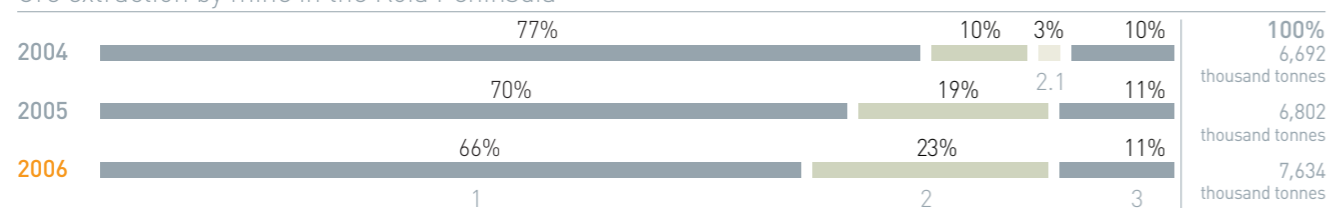
In 2006, the total volume of ore mined by the Kola Peninsula was 7,634 thousand tonnes which is 12.2% higher than the figure for the previous year. The construction of the underground Severny-Gluboky mine (the installation of the first launch complex) with the production capacity of 6 million tonnes of disseminated ore was in progress in 2006. According to the mine project and construction schedule, the second launch complex with the capacity of 2.5 million tonnes is to be commissioned in 2008.

In 2006, the installation of the first launch complex of the Severny-Gluboky mine allowed to offset the reduction of ore mining volume at the Tsentralny open-pit mine, which resulted from the scheduled reduction in production due to reserves depletion, and to slightly increase the metal content in ore (nickel – from 0.69% in 2005 up to 0.70% in 2006, copper – from 0.32% up to 0.33%, respectively).

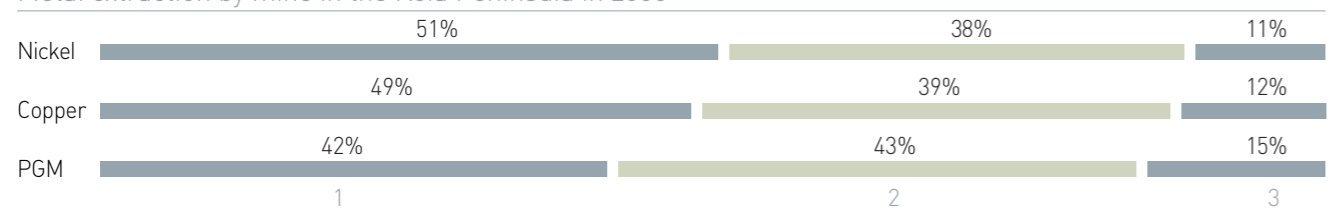
Note:

(1) Part of the ore body overlying main reserves by 70-100 meters with the estimated capacity of 600-800 thousand tonnes of rich ore per year.

Ore extraction by mine in the Kola Peninsula



Metal extraction by mine in the Kola Peninsula in 2006



1/Tsentralny 2/Severny-Gluboky 2.1/Severny 3/Kaula-Kotseivaara

Note: In 2005, the Severny mine was merged with the Severny-Gluboky mine.

Ore mined and the metal content of ore mined at the Group's mines (excluding Stillwater Mining Company) ('000 tonnes or as noted)

	Type of ore	2006	2005	2004
Taimyr Peninsula				
Oktyabrsky deposit				
Oktyabrsky mine	Rich	3,321	3,684	3,855
	Cuprous	1,575	1,214	1,055
	Disseminated	21	26	26
	Total	4,917	4,924	4,936
Taimyrsky mine	Rich	3,281	3,263	3,165
Talnakh deposit				
Talnakh mining department	Rich	657	492	312
	Cuprous	1,875	2,456	2,420
	Disseminated	508	502	505
	Total	3,040	3,450	3,237
Norilsk-1 deposit				
Medvezhy Ruchey mine	Disseminated	1,743	1,528	1,240
Zapolyarny mine	Disseminated	1,146	1,223	1,206
Total Taimyr Peninsula				
	Rich	7,259	7,439	7,332
	Cuprous	3,450	3,670	3,475
	Disseminated	3,418	3,279	2,977
	Total	14,127	14,388	13,784

Average metal content in ore

	2006	2005	2004
(% or as noted)			
Nickel	1.70	1.70	1.74
Copper	2.90	2.97	3.03
PGM (g/tonne)	9.59	9.43	–

Kola Peninsula

	2006	2005	2004
Zhdanovskoe deposit			
Tsentralny mine	Disseminated	5,058	4,774
Zapolyarnoe deposit			
Severny-Gluboky mine	Disseminated	1,753	1,302
Severny ⁽¹⁾	Disseminated	–	194
Kotseivaara and Semiletka deposits			
Kaula-Kotseivaara mine	Disseminated	823	726
Total Kola Peninsula			
		7,634	6,802
Average metal content in ore (%)			
Nickel	0.70	0.69	0.67
Copper	0.33	0.32	0.29

Note:

(1) In 2005, the Severny mine was merged with the Severny-Gluboky mine.

Concentration

Taimyr Peninsula

The existing production facilities of the two concentrators in the Taimyr Peninsula ensure the processing of all types of ore (rich, cuprous and disseminated ore) at the level of 14 million tonnes per year, and industrial feed (previously stored pyrrhotite concentrate) up to 900 thousand tonnes per year.

In 2006, the Group increased the recovery of base metals in the concentration process. The nickel recovery to collective concentrate in the concentration process in 2006 was 84.8%, which is 0.5% higher than in 2005. Copper recovery to collective concentrate in the concentration process in 2006 was 96.8%, which is 0.1% higher than in 2005.

Nickel recovery to nickel concentrate reached 73.3%, which is higher than in 2005 by 2.2%. Copper recovery to copper concentrate in 2006 increased by 1.1% as compared to the previous year and was at the level of 74.4%.



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Norilsk Concentrator

In addition to a slight decrease in ore processing (by 1.3% in 2006 as compared to 2005), there was an increase in processing of the stored pyrrhotite concentrate (by 2.2%).

In 2006, the quantitative indicators of the concentration process increased when compared to 2005:

- nickel recovery to collective concentrate from ore in 2006 was 75.3%, which is 1.3% higher than in 2005;
- copper recovery to collective concentrate from ore in 2006 was 92.2%, which is 0.7% higher than in 2005;
- nickel recovery to nickel concentrate increased from 65.7% in 2005 to 68.4% in 2006;
- copper recovery to copper concentrate increased from 66.6% in 2005 to 69.3% in 2006.

The quality of nickel and copper concentrates improved as compared to 2005:

- nickel grade of nickel concentrate increased from 4.00% in 2005 to 4.03% in 2006;
- copper grade of copper concentrate increased from 24.2% in 2005 to 25.9% in 2006.

Talnakh Concentrator

In 2006, ore processing declined by 1.9%, as compared to 2005. Base metal recovery was as follows:

- nickel recovery to collective concentrate increased by 0.2% as compared to 2005 and was 87.7%;
- nickel recovery to nickel concentrate reached 74.8% in 2006, which is higher than in 2005 by 1.3%;
- copper recovery to collective concentrate was 98.7% in 2006, which is 0.1% lower than in 2005.
- copper recovery to copper concentrate reached 76.4% in 2006, which is 0.1% higher than in 2005.

The quality of nickel and copper concentrates in 2006 is slightly lower than the level of concentrates in 2005: the nickel grade of nickel concentrate is 0.1% lower; the copper grade of copper concentrate is 0.7% lower.

During 2006, the Talnakh Concentrator continued to improve the selective-collective-selective concentration process, which allowed to:

- increase nickel recovery to nickel concentrate due to the transfer of nickel from pyrrhotite concentrate to nickel concentrate;
- improve pyrrhotite concentrate by adding a pyrrhotite product with low nickel content;
- reduce metal losses in concentration tailings.

The selective-collective-selective concentration process development makes it possible to further use the tailings as backfill in the developed mining areas.

In line with the implementation of the Production Development Strategy, an improved concentration technology is tested in 2006-2007. It is aimed at increasing concentrates nickel grade and decrease the sulfur content in nickel concentrates to be smelted.

Based on the research results, a technological project for Talnakh Concentrator modernization will be prepared in 2007 in order to increase capacity up to 10.5 million tonnes of ore per annum.

The project for Norilsk Concentrator modernization is under development providing for the expansion of ore processing capacity up to 8.2 million tonnes and of stored pyrrhotite concentrate processing up to 1.5 million tonnes annually.

Kola Peninsula

The Concentrator in the Kola Peninsula processes the entire volume of mined ore. In 2006, the volume of ore processed increased by 3.5% compared to 2005.

In 2006, the Concentrator improved its base metal recovery:

- nickel recovery to collective concentrate in 2006 was 73.3%, which is 0.7% higher than in 2005;
- copper recovery to collective concentrate in 2006 was 77.9%, which is 0.4% higher than in 2005;
- provided additionally, to concentrate 2,342 tonnes of nickel, 1,526 tonnes of copper in 2006.

The increase of base metal recovery to concentrate was due to the reconstruction of the crushing cycle with installation of new ball mills and hydro-cyclones, reconstruction of the third floatation section with installation of new floatation machines, and the implementation of an automated system for technological process management.

To stabilize the technological process at the Concentrator and improve nickel recovery to concentrate, in 2005, the Kola Peninsula, jointly with Gipronickel Institute, developed an Action Plan. Its implementation will continue in 2007.

In 2006, tests of technology for increasing concentrate's nickel grade were undertaken at the Concentrator in the Kola Peninsula, in line with the Production Development Strategy. This technology is intended to reduce the content of magnesium oxide from 12% to 5% without reducing the metal recovery, thus decreasing smelting costs. In 2007, tests of this technology will continue.

Metallurgy

In 2006, the Group's metallurgical plants continued to improve the technological processes and the key technological equipment.

Taimyr Peninsula

In the metallurgical process at the Taimyr Peninsula, nickel recovery increased by 0.2% in 2006, copper recovery decreased by 0.2% from 2005 due to the reduction of the work-in-process with a high level of completion (copper anodes).

In 2006, the Nadezhda Metallurgical Plant was prepared for modernization in order to further extend its processing capacity. In particular, a contract for project development and delivery of equipment for reconstruction of the flash smelter No. 2 was signed. This reconstruction and modernization of the waste heat boiler is expected to be completed in 2008 to ensure an increase in the nickel concentrate processing capacity of the technological line from 1.0 million to 1.2 million tonnes per annum and allow for the transfer of nickel concentrate smelting to the Nadezhda Metallurgical Plant, thus enabling the closure of the smelting shops of the Nickel Plant.

Kola Peninsula

In 2006, the Kola Peninsula continued to undertake actions to reduce loss and increase recoveries of base metal in refining. As a result, nickel recovery to final products increased by 0.1%, for copper – by 0.2% as compared to 2005.

In 2006, the pilot-plant testing of copper/nickel concentrate briquetting technology was successfully completed. Completion of design stage is expected by the end of 2007, with subsequent initiation of construction of a new technological briquetting facility. This facility will allow the discontinuing of the outdated concentrate roasting and pelletizing technology in the town of Zapolyarny by 2010. Modern equipment produced by leading companies will be used in construction to improve the quality of intermediate products for smelting, increase the recovery of base metals and significantly reduce sulfur dioxide emissions.

In August 2006, the testing of the copper-nickel concentrate smelting technology in the two-zone Vanyukov furnace was completed. The results obtained were reviewed and appraised by the leading Russian metallurgists. Test results provided informational basis for designing an industrial furnace.

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In January 2007, the Group's Management Board considered the reconstruction option of the advanced metallurgical production units in the Kola Peninsula to construct a two-zone Vanyukov furnace facility. The design of the facility will start in 2007.

Metal recoveries by the Company (%)

	2006	2005	2004
Taimyr Peninsula			
Norilsk Concentrator			
Nickel concentrate			
Nickel	68.4	65.7	70.4
Copper	22.8	24.9	20.5
Copper concentrate			
Nickel	6.9	8.2	7.7
Copper	69.3	66.6	71.9
Talnakh Concentrator			
Nickel concentrate			
Nickel	74.8	73.5	73.9
Copper	20.6	20.7	21.0
Copper concentrate			
Nickel	5.2	5.1	5.0
Copper	76.4	76.3	76.4
Pyrrhotite concentrate			
Nickel	7.7	8.9	7.3
Copper	1.6	1.7	1.1
Recoveries of metal in the concentration processes			
Nickel	84.8	84.3	84.0
Copper	96.8	96.7	96.6
Recoveries of metal in the metallurgical processes (from concentrate)			
Nickel	93.1	93.0	92.9
Copper	94.8	95.0	94.7
Kola Peninsula			
Concentration and metallurgical processes (from ore to high grade matte)			
High-grade matte			
Nickel	73.5	73.3	75.5
Copper	81.4	82.1	80.7
Refining			
Nickel	97.1	97.0	97.2
Copper	96.3	96.1	96.7

Metal production

The increase in nickel recovery contributed to the growth of nickel production by the Group by 0.5% as compared to 2005.

Copper production from own feed declined by 0.5% in 2006, as compared to 2005.

PGM production increased by 0.9% in 2006, as compared to 2005, due to the increased content of PGM (by 1.7%) in ore extracted in the Taimyr Peninsula.

Volumes of metal produced by the Group (excluding Stillwater Mining Company) ('000 tonnes or as noted)

	2006	2005	2004
Taimyr Peninsula			
Nickel	122	123	127
Copper	351	361	353
Kola Peninsula			
Nickel			
From own ores	37	37	36
From other materials	85	83	80
Total nickel	122	120	116
Copper			
From own ores	18	16	16
From other materials	56	75	78
Total copper	74	91	94
Total Group			
Nickel	244	243	243
Copper	425	452	447
Palladium⁽¹⁾ ('000 ounces)	3,164	3,133	-
Platinum⁽¹⁾ ('000 ounces)	752	751	-

Note:

(1) Until 2005, the information on the volumes of PGM produced by the Group in Russia was subject to state secrecy laws. As a result of changes to the state secrecy laws made in 2005, the Group is now allowed to disclose the current information on PGM.



Metal production by Stillwater Mining Company

In 2006, in accordance with its production plan Stillwater Mining Company produced 601 thousand ounces of palladium and platinum, which is 8% higher than the metal production in 2005.

PGM production at the Stillwater mine increased by 7% and was 409 thousand ounces in 2006. PGM production at the East Boulder mine increased by 11% as compared to 2005, and totaled to 192 thousand ounces in 2006. PGM recycling increased by 68% in 2006 and totaled to 349 thousand ounces.

Metal produced by Stillwater Mining Company ('000 ounces)

	2006	2005	2004
Stillwater mine			
Palladium	314	293	311
Platinum	95	88	94
Total	409	381	405
East Boulder mine			
Palladium	149	135	128
Platinum	43	38	36
Total	192	173	164
Total Stillwater Mining Company			
Palladium	463	428	439
Platinum	138	126	130
Total	601	554	569

