



MMC Norilsk Nickel
Annual Report 2013

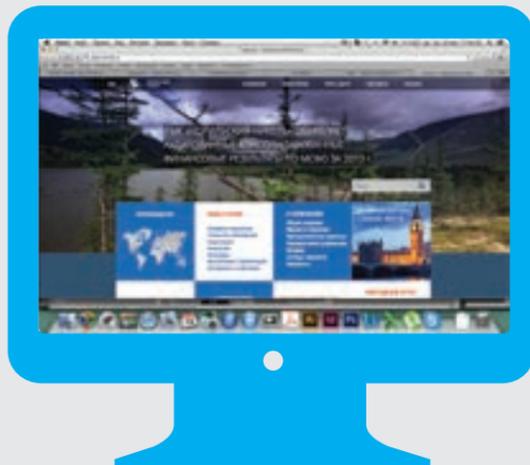
Rethinking our strategic priorities



NORILSK NICKEL

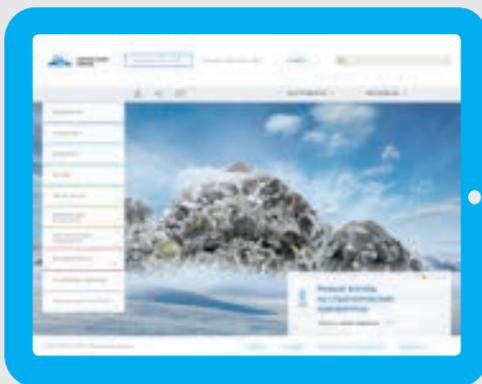


Corporate website



More information for shareholders and investors as well as regular updates on the Company can be found at the corporate website:
<http://www.nornik.ru>

Online Report



The interactive annual report includes tools for interactive analysis of key performance indicators, video footages, interviews and additional materials.

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Appendices 1-3 are available on QR coder



Chairman's letter



DEAR SHAREHOLDERS,

It is an honour for me to deliver my first annual report letter as Chairman of the Board of Norilsk Nickel. In 2013, our Company continued to face challenges, both those associated with an uneven and uncertain global economic recovery, such as sluggish demand for our products, as well as the rapidly changing landscape of the global metals and mining industry.

Throughout the year, Norilsk Nickel demonstrated an exceptional resilience to these headwinds and delivered a solid set of financial and operating, results confirming the strength of its global leadership and reinforcing its reputation as an asset capable of delivering a strong through-the-cycle performance. Even in an environment of abnormally low nickel prices, our Company continues to be the most profitable and financially stable miner in Russia.

At Norilsk Nickel, we fully understand the importance of staying current with industry developments and responding quickly to changes in the market and to any issues that arise. That is why 2013 was a year of deep transformation for the Company as we took the first steps to take Norilsk Nickel to a new level and put it on the best footing for the future.

To start, we assembled a team of top-notch executives to bring market-leading competences to Norilsk. I strongly believe that this new management team has the right combination of energy and accountability that will drive Norilsk Nickel to be one of the most competitive and valuable companies in Russia.

Secondly, we streamlined our corporate structure in order to align it with best international practices. The new structure will strengthen governance within the Company, enhance our cross-functional competencies and nurture a culture of efficiency and responsibility throughout the Company.

And finally, in September the Board of Directors approved our new corporate strategy, which will serve as the cornerstone for the Company's development as we move ahead. It is important to note that the strategy has been scrutinised by all the anchor shareholders of Norilsk Nickel and represents a truly collaborative perspective on how the business will be run in the coming years. The key deliverables of this new strategy are to focus Norilsk Nickel on its core competitive advantages and make Return on Capital the key metric for measuring business performance going forward.

We believe that this strategy, backed by crisp business decisions, will propel our business model forward as we address the ongoing challenges of a changing global environment.

I would also like to highlight that Health, Safety and the Environment remain our first priorities and will always do so. We strive daily to make progress in this regard and ensure Norilsk is increasingly both a safer place to work and a better city in which to live.

After serving a year as Chairman, I can affirm that we adhere strictly to the highest principles of corporate governance and citizenship, and that we will continue to raise the bar going forward.

Looking ahead, we expect global macro uncertainty to persist in 2014, although there are some early signs of economic recovery in the US and Europe, which are the most important markets for Norilsk Nickel. We believe that our new strategy, fully backed by our shareholders, combined with our best-in-class ore body will create sustainable value for our shareholders.

In conclusion I would like to thank our CEO and all employees for their hard work, and our clients, partners and shareholders for their ongoing support. I hope all our stakeholders will continue to place their trust in Norilsk Nickel. Our key focus is to create longterm value and generate attractive yields for our shareholders and with the solid foundations established in 2013, we are well placed to achieve this.

GARETH PENNY
MMC NORILSK NICKEL
CHAIRMAN OF THE BOARD OF DIRECTORS

Chief executive officer's statement

Nonetheless, thanks to the measures taken to enhance our operational efficiency and a more disciplined approach to investments, we were able to completely fulfil our annual production programme and achieve strong financial results.



DEAR SHAREHOLDERS,

While 2013 was a challenging year for the markets, Norilsk Nickel once again proved its ability to adapt and deliver results. The global economic environment in 2013 was characterised by a high degree of volatility. The anticipated slow-down of growth in China, the phasing out of the US economic stimulation programme, and an economic recession in Europe had a decidedly negative impact on the metal markets, which could not help but affect our financial results.

Nonetheless, thanks to the measures taken to enhance our operational efficiency and a more disciplined approach to investments, we were able to completely fulfil our annual production programme and achieve strong financial results.

Although the Company's revenue decreased due to negative developments in the nickel and copper markets, we still generated significant revenues of USD 11.5 billion. In addition, we remain one of the most profitable metals and mining corporations in the world: our EBITDA margin at the end of the year was 37%, representing one of the best results in the industry. With efficient management of our working capital, we were able to increase our net cash flow, thus securing stable payment of dividends without impacting either our ability to invest or our debt load.

SHAREHOLDER AGREEMENT IS THE CORNERSTONE OF A STABLE BUSINESS

The past year has proved that our major shareholders are committed to their agreement which is an important and long-term measure. There are no longer any doubts in the investment community about its viability. The shareholder agreement has cleared the way to building a rational and transparent system of company management, making it possible to take decisions reflecting the interests of all shareholders. The Board of Directors has established constructive operations, and the independent director Gareth Penny, elected as Board Chairman, has significantly contributed to the process. Thanks to his efforts, the Board of Directors is considering priority strategic issues that rely on the efficient performance of its committees.

In pursuance of the shareholder agreement, the Company cancelled all of its treasury shares, amounting to about 17% of the authorised capital. Our current shareholder structure is now completely transparent, with over 30% of the Company's shares in free float.

We will continue to progress our management strategy and further improve our corporate governance standards.

NORILSK NICKEL STRATEGY IS THE MAIN DRIVER OF SHAREHOLDER VALUE CREATION

Our strategic objective is to build a company that is aware of and able to develop its competitive advantages, leading to the best results in the industry regardless of the economic climate. This is why our

primary strategy is to dramatically increase the quality of our capital and investment process management, so that return on investment becomes the key indicator of our business success.

Firstly, we are shifting our focus from international diversification to Russian production assets. Our Company's success rests on the unique resource base of the Norilsk industrial region. Therefore, the majority of our investments will be allocated for the development of our Polar Division that fully meets our "Tier-1 asset" criteria.

Our investments are primarily concentrated on the promoting efficiency in the existing production operations through reconfiguration of our enrichment and metallurgical facilities. The flagship project in this area is the ongoing modernisation of the Talnakh Enrichment Plant. This will not only increase its production capacity, but also result in a higher quality of metal concentrate.

Another key element of our production footprint optimisation is the decision to close down the obsolete Nickel Plant, which was built in the 1930s and no longer meets modern environmental standards. This will not only increase the production efficiency of our business but importantly, will also contribute to a dramatic environmental improvement in the city of Norilsk.

At the same time, the Nadezhda Metallurgical Plant will be upgraded in order to process the entire volume of nickel concentrate produced by the Company.

Mining plays a critical role in our strategy and the new Skalisty mine, which will achieve its full production capacity in 2020, will be the primary source of rich ores for our processing operations.

A second focus is on investigating the geological potential of Taimyr, which we believe is enormous and which has been insufficiently studied. We plan to double our investments in geologic exploration, creating an efficient, independent business.

A third key area is health, safety and the environment, which remain indisputable priorities. We always consider issues related to industrial safety and environmental protection alongside production development.

We are intensifying our focus on achieving a level of zero harm in the workplace, through leadership engagement at every level, developing our business processes and by further strengthening our major risk hazard assessments. Our priority is a zero occupational mortality rate.

In 2013, Norilsk Nickel's expenditure on its environmental projects totalled approximately RUB 18 billion. We are actively investing and will continue to do so on the large scale that we believe is required for the implementation of measures aimed at reducing our environmental impact. The Company's investment programme for the next five years will total USD 10 billion.

CORPORATE SOCIAL RESPONSIBILITY

A unique approach to social policy is reflected in Norilsk Nickel's new strategy, which was designed to foster both social and economic development. This approach will considerably advance our position as an industry leader in social responsibility.

Norilsk Nickel's new strategy formalises the Company's shift from conventional one-time donations and corporate assistance to an ongoing social investment philosophy. We strive to stimulate the development of initiatives and share new knowledge with participants, rather than solely providing financial aid.

During the past year, Norilsk Nickel has maintained all its social programmes and complied with all conditions of the Collective Bargaining Agreement. While implementing the new strategy, the Company also analysed its social security system, and we are now working on improving our social policy.

Norilsk Nickel enterprises are located in the Arctic zones, which are known for their adverse climatic conditions. Supporting local social initiatives, stimulating people to engage and cooperate, and thereby increase social capital has therefore become our main priority. The Company's charitable programmes make a practical contribution to the development of the regions in which we operate, and have helped improve living standards, develop civil society institutions, and revived traditional activities and values. We have also supported educational, healthcare, cultural, and sports institutions.

We believe that investment in human capital will open up new opportunities and production horizons for our business.

NORILSK NICKEL: AT THE CENTRE OF ARCTIC DEVELOPMENT

The Norilsk Nickel development strategy is closely linked with the promotion of Russia's interests in the Arctic region. The Company is actively cooperating with state authorities on the assignment of a priority development territory status to Taimyr, which will allow us to launch a new stage in the development of this region and make it one of the Russian Arctic development support centres.

I am confident that well-coordinated management focused on delivering our new strategy combined with supportive shareholders working constructively through the Board of Directors will allow us to continue successfully implementing our strategic plans.

VLADIMIR POTANIN
CHIEF EXECUTIVE OFFICER
MMC NORILSK NICKEL

NEW STRATEGY NEW OPPORTUNITIES

NORILSK NICKEL TO DELIVER SUSTAINABLY HIGH RETURN ON CAPITAL BY OWNING AND EFFICIENTLY OPERATING TIER I METALS AND MINING ASSETS LOCATED IN REGIONS WITH HIGH GEOLOGICAL POTENTIAL, WHERE THE COMPANY CAN BUILD ON ITS COMPETITIVE EDGE

REDIRECTION OF THE MANAGEMENT SYSTEM TO "RETURN ON CAPITAL", CORPORATE CULTURE – TO "RESPONSIBILITY FOR CAPITAL"



- Building a return on capital-centred organisation (ROIC)
- Building an organisation with a "responsibility for capital" culture, implementing investment project ranking and appraising methods (EBITDA at risk)
- Creating an investment committee and subcommittee system

PAGE 8

FOCUS ON TIER I ASSETS



- > USD 1bn revenue
- High margins > 40% EBITDA margin
- Long reserve life > 20 years
- By 2015-2016, the Company's portfolio will only contain Tier I assets
- Investment focus on the Polar Division – the Company's key asset

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COST-EFFECTIVE INCREASE IN COMMERCIAL OUTPUT ON THE PD RESOURCE BASE



- Implementation of Company's flagship projects: Oktyabrsky, Taimyrsky, Komsomolsky, and Skalisty mines, on time and on budget
- Modernisation and value chain debottlenecking, implementation of Talnakh Enrichment Plant project

PAGE 12

BUSINESS MODEL OPTIMISATION ON THE 'FIRST MARKETABLE PRODUCT' PRINCIPLE



- Assessment of global environment with regard to possibility to sell semi-products
- Efficient increase in production and flexible selection of products for sale depending on the market situation

PAGE 16

INCREASED FOCUS OF EXISTING PORTFOLIO ON COPPER AND PGMs



- Development of new projects with high PGM grades and intensification of ore mining utilising existing infrastructure
- Increase in recovery ratios, reduction of losses in the current process flows

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DEVELOPMENT OF EXPLORATION AS AN EFFICIENT BUSINESS



- Capture full potential of Taimyr – an insufficiently explored region
- Double exploration budget subject to improvement of licensing regulations

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SUSTAINABLE DEVELOPMENT AND SOCIAL RESPONSIBILITY



- Focus on health and safety
- More detailed information is available in Annual Corporate Social Responsibility Report

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ORGANISATION DEVELOPMENT PRIORITIES



- Promoting transparency, red tape reduction, and competition of ideas and projects
- Building an adaptive organisation and attracting the best managerial resources, enabling the company to leverage market opportunities
- Developing organisational competences for building successful partnerships



MMC Norilsk Nickel's new strategy and the Management's comments featured in the online report

Management system to be refocused on «return on capital» approach, and corporate culture to be refocused on «responsibility for capital» approach

PREREQUISITES

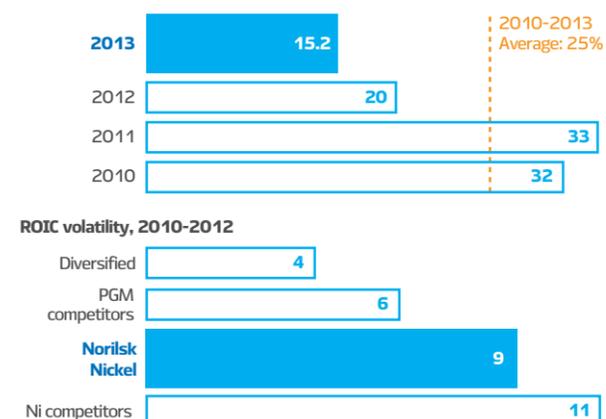
In the context of the new strategy, return on invested capital is the key metric for implementation success.

Our business performance management is based upon the analysis of each and every asset as an element of the value chain in terms of return on capital. This became possible due to the new standards of segmental management reporting.

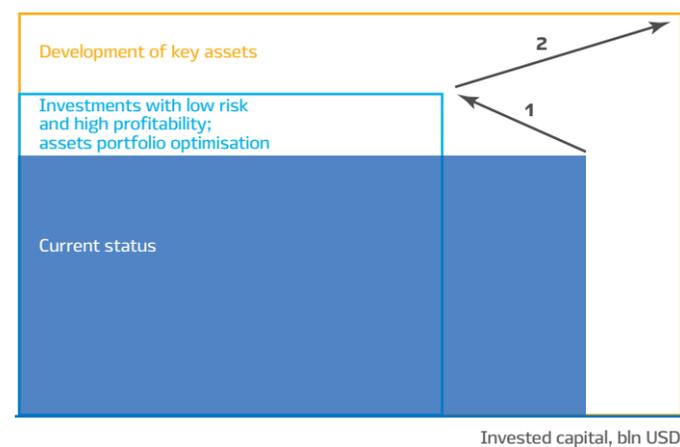
Creating a «responsibility for capital» culture and building an effective investment management system, where investment projects can compete for the Company's capital, became one of the priorities of our organisational development.



ROIC ANALYSIS FOR PREVIOUS YEARS

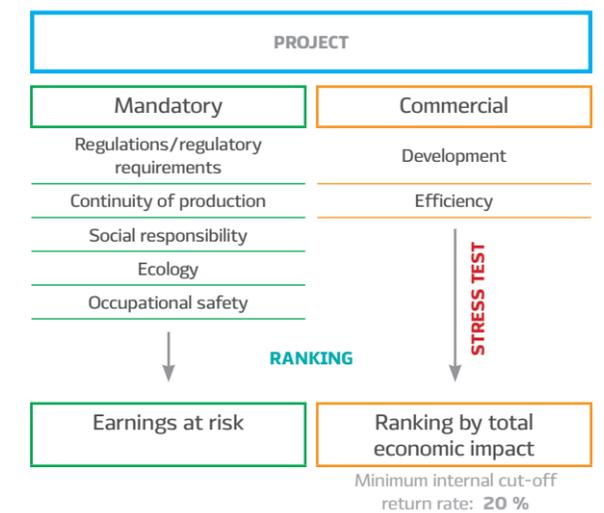


ROIC INCREASE STRATEGY

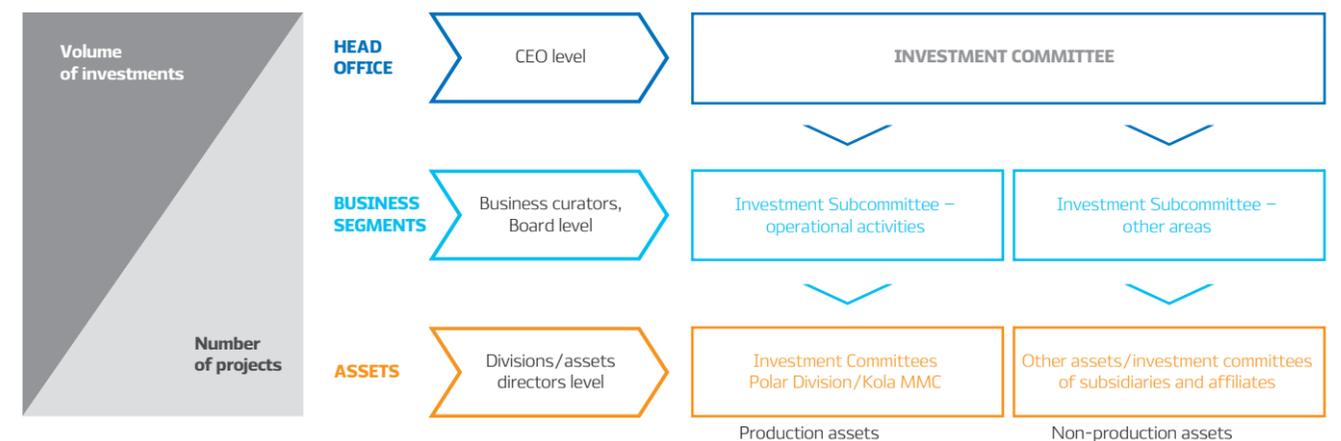


IMPLEMENTATION

- Build a uniform ROIC-based KPI system
- Introduce EBITDA@risk concept for all stay-in-business capex projects.
- Complete top 25 investment projects for existing assets on budget and on time.
- Introduce investment committee system for all investment decisions.
- Frontload design and technological audit for big new projects – Skalisty, Talnakh Enrichment Plant, etc.



INVESTMENT GOVERNANCE SYSTEM



Prioritising Tier 1 assets

PREREQUISITES

The Company's strategy is based on ensuring sustainably high profitability throughout the macroeconomic cycle of asset development. Prioritising Tier 1 assets priority means adding economic value through the concentration of financial, administrative and human resources and maximum loading of the existing infrastructure, combined with a deep knowledge of the geology of the region where the asset is located, as well as economy of scale.

PERFORMANCE TARGETS

In 2015-2016, all Company field assets must comply with the Tier 1 assets determination criteria.

>USD 1 bln

Revenue

>40%

EBITDA Margin

>20 years

Long Reserve Life

IMPLEMENTATION

We have implemented a portfolio approach to business management through the continued optimisation of our asset footprint, in order to bring it in line with our strategic priorities – Tier 1 asset criteria – and the divestment of assets with neither added value nor serious growth prospects.

POLAR DIVISION

Accelerated development means increasing the amount of investment.

KOLA MMC

Programme developed to increase asset competitiveness.

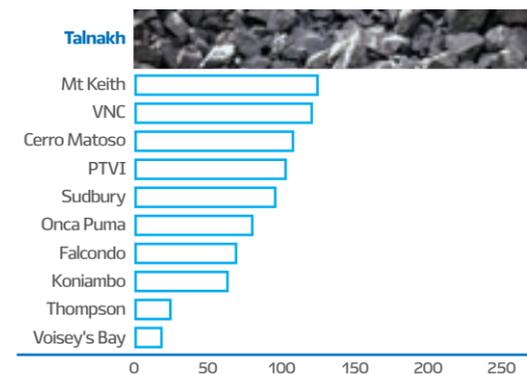
INTERNATIONAL ASSETS*

Existing assets

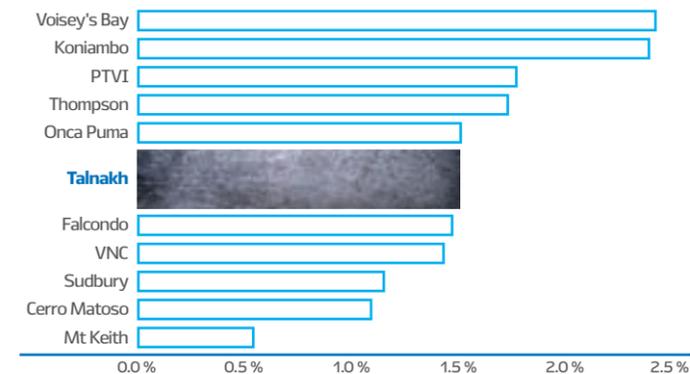
* Tati Nickel, Nikomati Nickel, Lake Johnston, Cawse, Black Swan, Waterloo

Unique polymetallic resource base of the Polar Division

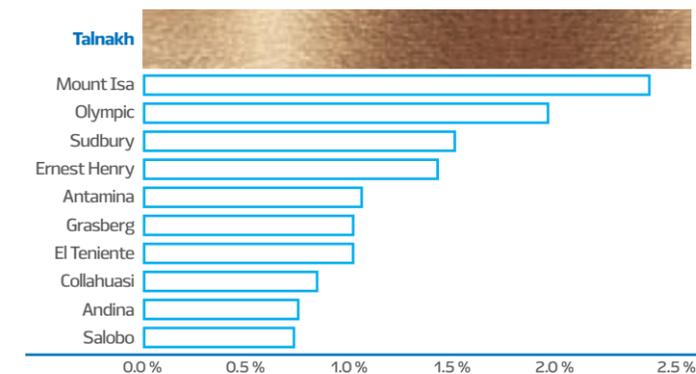
PROVEN AND PROBABLE ORE RESERVES, mln tonnes



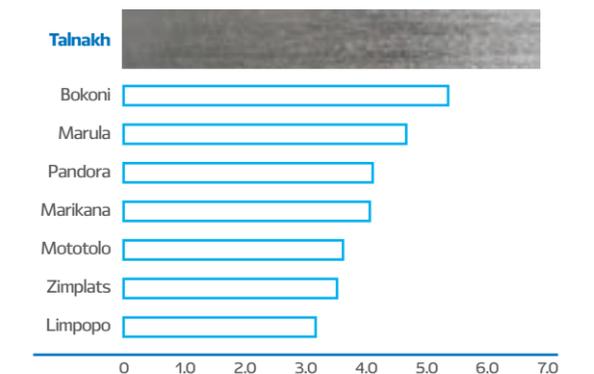
NI CONTENT, %



CU CONTENT, %



PGMS CONTENT, g per tonne



Profit-making increase of saleable products output using the Polar Division resource base

BACKGROUND

The Polar Division is our Tier 1 world-class asset.

The Company produces most metals on the basis of rich copper and nickel sulphide Taimyr ores, which allows us to maintain high profitability in the production process.

The unique polymetallic resource base of the Polar Division, together with low production costs and insufficient Taimyr data, places this asset above all other Tier 1 assets.

This means that the key investment priority of the Company is to develop the Polar Division; thereby fully unlocking its mining potential.



TARGETS

Utilisation of the existing infrastructure, as well as delivery of proven and probable ore output growth, at a price of

>USD 600/t

Search for possibilities to increase production and unlock measured and indicated reserves, with a value of

>USD 300/t

IMPLEMENTATION

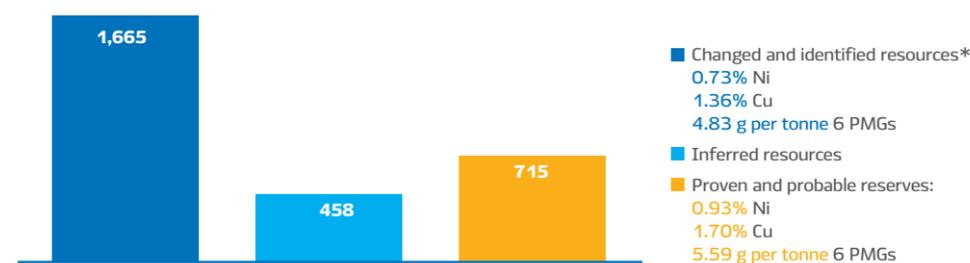
Top-priority implementation of our flagship development projects: the Taimyrsky, Komsomolsky and Oktyabrsky mines; construction of a new Skalisty shaft at the Komsomolsky mine; updating the Talnakh enrichment plant. Refocusing investment resources to accelerate the implementation of projects in the Polar Division.

Redirecting investment resources to speed up the implementation of Polar Division projects.

Developing the mineral resources of the Polar Division.

Improving operational performance indicators, including updating and increasing the productivity of existing facilities.

RESERVES AND RESOURCES OF THE POLAR DIVISION, mln tonnes



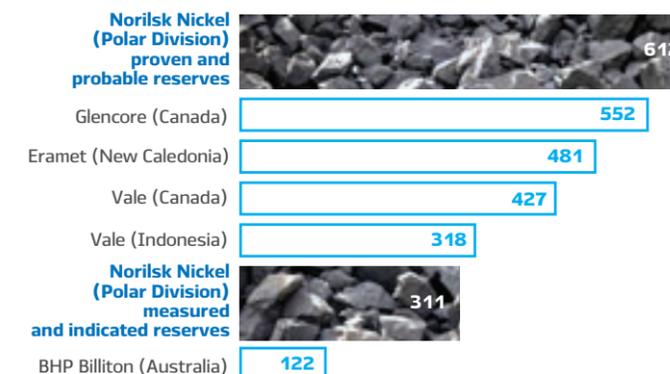
■ Changed and identified resources*
0.73% Ni
1.36% Cu
4.83 g per tonne 6 PMGs

■ Inferred resources

■ Proven and probable reserves:
0.93% Ni
1.70% Cu
5.59 g per tonne 6 PMGs

* Content of base metals in the ore

VALUE OF 1 TONNE OF ORE, USD per tonne



Priority flagship projects



SKALISTAYA SHAFT AT THE KOMSOMOLSKY MINE

Commissioning “rich” and cuprous ore reserves at the Talnakh and Oktyabrsky fields.

A comprehensive investment project aimed at developing the Skalisty mine in full will make it possible to produce up to 2.4 million tonnes of additional ore per year. The available reserves will allow us to produce rich and cupreous ores for over 30 years.

PROJECT DETAILS

- Investments from 2014 to 2024 – USD 1.9 billion
- New jobs – 1,000
- Capacity – 2.4 million tonnes of ore per year

AVERAGE CONTENT OF METALS

- Ni – 2.8 %
- Cu – 3.3 %
- Pt – 1.7 g per tonne
- Pd – 7.8 g per tonne

TALNAKH ENRICHMENT PLANT

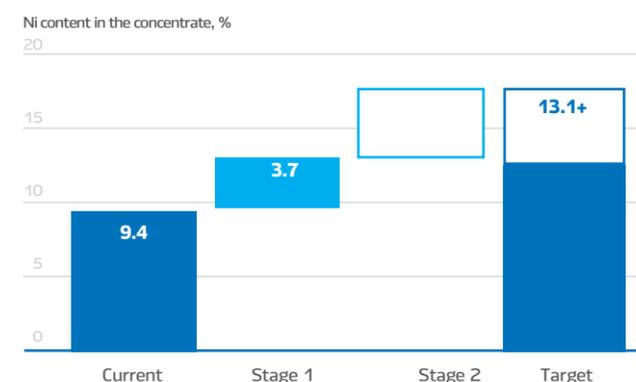
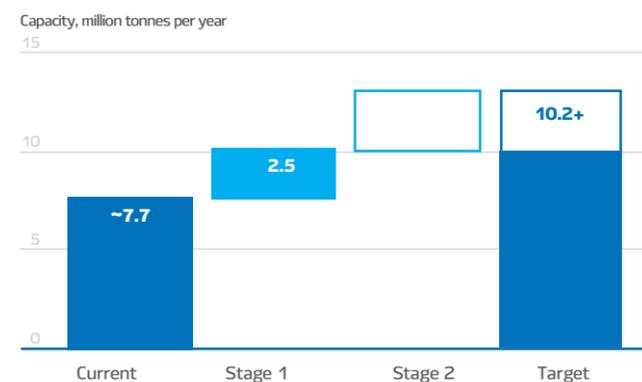
We are aiming to increasing the Talnakh Enrichment Plant's rich and copper refining volumes up to 10Mtpa (on aggregate) while simultaneously improving ore enrichment KPIs.

The implementation of this project is a key strategic priority for the Company, enabling us to debottleneck the Polar Division production process and implement efficient long-term mining projects.

PROJECT DETAILS

- Implementation of mining projects ahead of schedule
- Increased production of nickel and copper
- Lower processing costs, higher efficiency and economy of scale
- Reduced melting costs due to increased metal content in the concentrate
- Reducing the amount of sulfur used for melting by 20-25%

UPDATING THE TALNAKH ENRICHMENT PLANT



Existing Mines Development Projects



TAIMYRSKY MINE

The Taimyrsky Mine extracts rich copper-nickel ores from the Oktyabrsky field. These projects are aimed at replenishing mineral resources and increasing rich ore production.

PROJECT CHARACTERISTICS

- Project aimed at resource base expansion
- Ore reserves: 63.5 mln tonnes
- Mine life: 25 years
- Total CAPEX: USD 650 mln (2014–2022)

AVERAGE METAL CONTENT

- Ni – 1.8%
- Cu – 2.4%
- Pt – 0.9 g per tonne
- Pd – 4.0 g per tonne

KOMSOMOLSKY

The mine operates and construction is continuing on the basis of copper-nickel sulphide ore reserves of the Talnakh ore cluster. At Komsomolsky we extract rich, copper and disseminated ores.

OKTYABRSKY

The Oktyabrsky mine extracts rich and copper ores from the Oktyabrsky field. It started running at full capacity in 1987 and soon became the largest enterprise in the region. The site mines rich, copper and disseminated ores. Our new projects are aimed at replacing mineral resources and increasing copper and disseminated ore production.

OKTYABRSKY MINE	TAIMYRSKY MINE	KOMSOMOLSKY MINE
7 PROJECTS	4 PROJECTS	3 PROJECTS
aimed at increasing the life of the mine by more than 5 years	4 projects aimed at increasing the life of the mine by almost 5 years	aimed at increasing the life of the mine by 4 years
Mine life		
25 MILLION TONNES, including 12 million tonnes of rich ore	16 MILLION TONNES OF RICH ORE	23 MILLION TONNES OF RICH ORE
CAPEX (2013–2015)		
USD 1.0 BLN	USD 0.7 BLN	USD 0.8 BLN
Current status		
Under construction	Under construction	Under construction

Optimisation of the business model with the possibility of semi-product sales



BACKGROUND

The Company continues studying global practice relating to semi-product sales. The largest international non-ferrous metal producers do not take vertical integration for granted and sell semi-products depending on the global environment.

The new production configuration and new investment projects will be considered with the possibility of semi-product sales. In future, the Company will explore the possibility of maximising the mining and enrichment capacity, including under the metallurgy restriction conditions. Decisions will therefore be based on the alternatives analysis.

IMPLEMENTATION

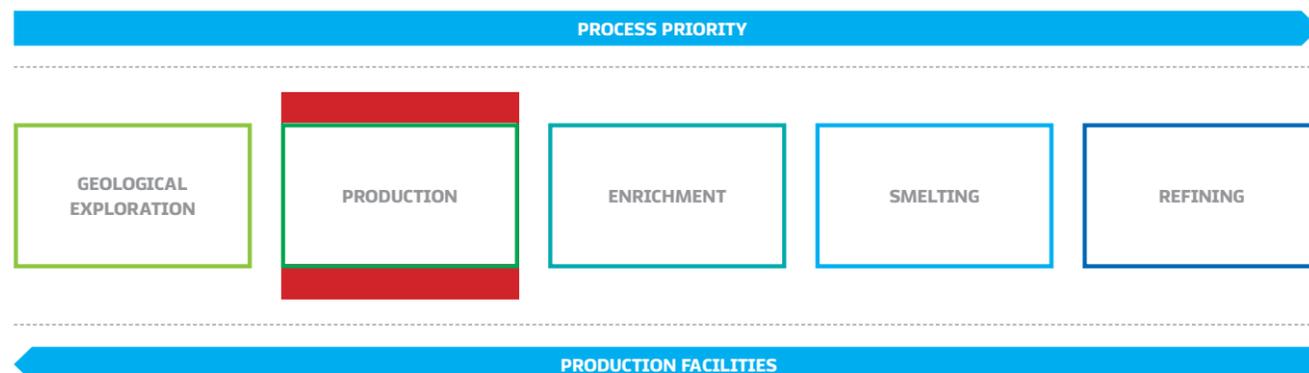
Unlocking the geological potential of Taimyr.

Increase mining production by leveraging existing growth.

Priority investment in best-in-class ore enrichment and mining growth regardless of metallurgical capacity.

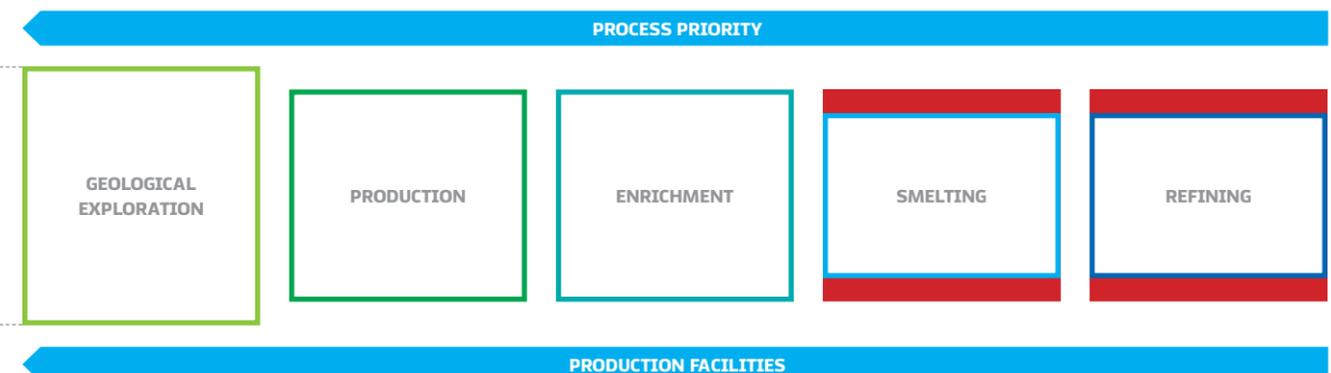
Assessment of global environment with regard to opportunities to sell semi-products.

CURRENT APPROACH: THE VOLUME OF METALLURGICAL FACILITIES LIMITS THE VOLUME OF PRODUCTION AND ENRICHMENT



■ Value losses

NEW APPROACH



■ First saleable products

Enhancing the role of copper and PGMs in our existing portfolio



MARKET BACKGROUND

PGM is a promising product, because it has very limited substitutability and limited possibilities for primary supply growth.

The main factor affecting PGM demand is the growth of the automotive industry market.

Palladium – in the medium term, its price is forecast to be as high as platinum as a result of its technical capacity substitution in catalysts.

Copper – a stable and balanced market.

IMPLEMENTATION

Based on recent PGM market development as well as on demand growth prospects, the Company would be focused on opportunities that reinforce its position as a reliable long-term PGM supplier on the global market.

Based on market conditions, the Company plans to increase PGM and Cu production due to the growth in ore mining; growth in recovery ratios, and a reduction of losses in existing process flows.

CURRENT APPROACH

INCREASING ORE OUTPUT

Development of new projects with a high content of copper and PGMs

Increase in metallurgical production losses

INCREASE IN METALS YIELD

Reduction of enrichment losses

Decrease in metallurgical production losses

DECREASE IN SEMI-PRODUCT RESERVES

Production facility modernisation

Changing production configuration

Development of exploration as a profitable business plan

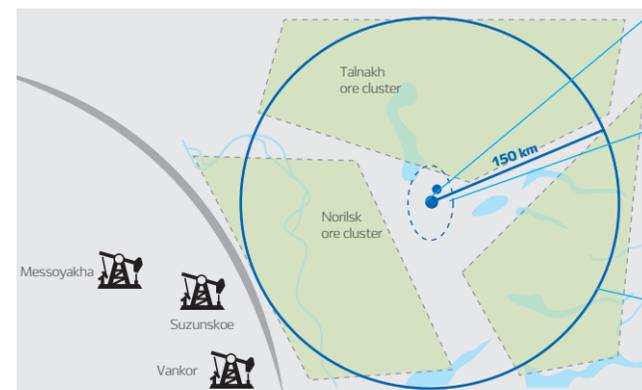
BACKGROUND

Despite the fact that Taimyr is already among the leading global nickel, copper and PGM production centres, it is still insufficiently explored in geological terms.

According to MMC Norilsk Nickel experts, almost 75% of the Taimyr region area is "poorly" explored, with the mineral resource potential many times greater than the proven reserves.

The introduction of greenfield oil and gas projects near the Norilsk industrial district suggests the power infrastructure passes close by the regions of potential production. This may serve as rationale for the implementation of projects that seemed impossible even 10-15 years ago.

ALIGNMENT WITH OIL AND GAS CLUSTER INFRASTRUCTURE DEVELOPMENT



Group of oil and gas fields
 Poorly explored areas (<25%)

TARGETS

Stage 1 – additional exploration; full utilisation of the existing licences

Stage 2 – increase in the number of exploration and production licences
 We intend to increase the Company's resource and reserve base subject to the improvement of licensing regulations, by extending our resource exploration and development geography by up to 150 kilometres.

- 1935-1960**
DISCOVERY AND COMMENCEMENT OF PRODUCTION NEAR NORILSK
- 1935 – start of construction of the Norilsk Mining and Smelting Works
 - 1942 – commissioning of the Norilsk Nickel Plant
- 1960-2013**
DISCOVERY OF THE TALNAKH ORE CLUSTER (25 KM FROM NORILSK)
- 1965 – beginning of mining rich Talnakh ores at the Mayak mine
 - 1980s – full production potential of the Talnakh ore cluster reached
- 2013+**
UNLOCKING TAIMYR'S FULL POTENTIAL
- Expanding the geography of exploration and resources development by up to 150 km
 - Two-fold increase in geological exploration investments
 - Investment in the development of new fields and infrastructure



IMPLEMENTATION

The Company is engaged in a constructive dialogue with the Government to improve the legislative framework in the field of licensing, which will make it possible to implement the Company's plans aimed at enhancing investments in geological exploration two-fold.

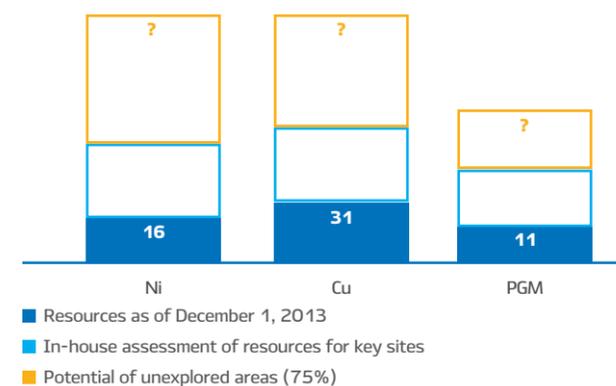
The Company has a competitive resources replacement cost, excluding merger and acquisition projects indicating that further geological exploration would be a profitable business venture.

With dozens of years of experience at Taimyr and a skilled human resources team, the Company anticipates excellent exploration efficiency.

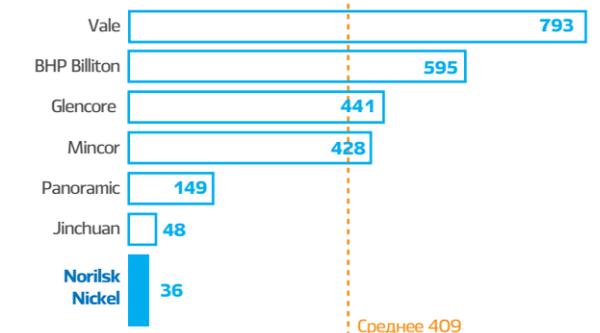
UNLOCKING TAIMYR'S COMPLETE POTENTIAL

- Expanding the geography of exploration and resources development by up to 150 km.
- Doubling investment in geological exploration.
- The investment in development of new fields and infrastructure

ASSESSMENT OF THE RESOURCE POTENTIAL, mln tonnes



RESOURCE REPLACEMENT COSTS, USD/t



Sustainable development and social responsibility

PRIORITISING HEALTH AND SAFETY

Protection of life is our key priority – our target is to have zero fatalities.

Zero tolerance of any unsafe acts.

Maintain Lost Time Injury Frequency Rate (LTIFR) in line with global industry average standards



PRIORITISING ENVIRONMENTAL PROTECTION

Our goal is to achieve full compliance with the requirements of the legislation of the Russian Federation related to environmental protection and emission standards.

To do this, we will:

- Introduce new technologies for the smelting and refining of nickel and copper
- Introduce new SO₂ capture technologies at the Polar Division's metallurgical facilities
- Amalgamate smelting and refining facilities and gradually decommission outdated equipment

This plan is aimed at a significant reduction in SO₂ emissions at the Polar Division and Kola MMC.





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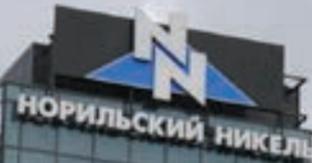
Norilsk Nickel on the world map32



Group profile

Norilsk Nickel Group is the leading Russian metals and mining Company, the world's largest producer of nickel and palladium, and one of the world's leading producers of platinum and copper. It also produces various other metals, such as cobalt, rhodium, silver, gold, iridium, ruthenium, selenium, tellurium and sulphur.

The Company's mission is to provide natural resources to enable sustainable development and progress by achieving the corporate goal of value creation in a balanced and safe environment for the Company's employees, partners, and areas of operation.



THE COMPANY'S CORE OPERATIONS ARE

- the prospecting, exploration, mining, extraction
- processing of minerals, as well as the production, marketing and sales of non-ferrous and precious metals

THE COMPANY'S COMPETITIVE ADVANTAGES:

- own mineral resource base with high metal grades and long life of reserves;
- the world's lowest nickel production cost;
- captive power and transport infrastructure;
- high quality of products;
- investment grade ratings from major rating agencies BBB- (Standard & Poor), Baa2 (Moody's),



IN RUSSIA, the Group's main production divisions are:

- Norilsk Nickel Polar Division
- Kola Mining and Metallurgical Company

IN AUSTRALIA, Norilsk Nickel's operations include:

- Norilsk Nickel Cawse (mining and leaching of laterite nickel ore)
- Black Swan, Lake Johnston, Waterloo (nickel mining)
- Honeymoon Well (sulphide nickel ore project)

IN BOTSWANA, Norilsk Nickel owns 85% of shares in Tati Nickel Mining Company, a producer of sulphide nickel.

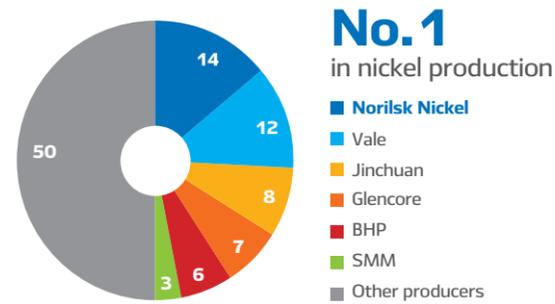
IN FINLAND, Norilsk Nickel Harjavalta, a subsidiary of the Group, operates country's the only nickel refining plant.

IN SOUTH AFRICA, Norilsk Nickel owns a 50% stake in the Nkomati mine - a joint venture with African Rainbow Minerals.

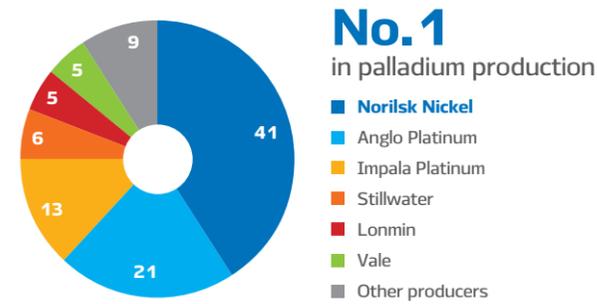
Company highlights

The Company's Position in Key Markets

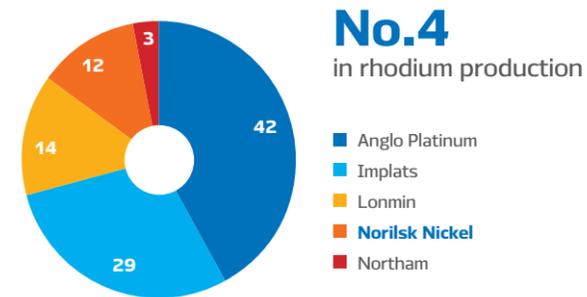
NICKEL PRODUCERS, %



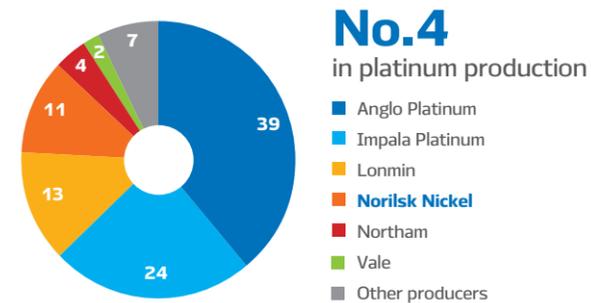
PALLADIUM PRODUCERS, %



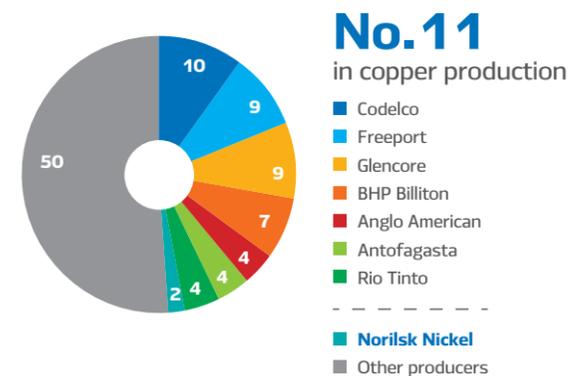
RHODIUM PRODUCERS, %



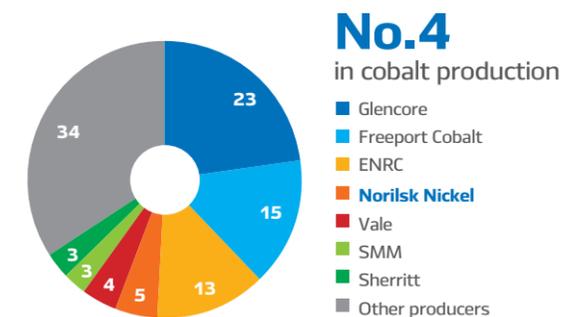
PLATINUM PRODUCERS, %



COPPER PRODUCERS, %



COBALT PRODUCERS, %



Operating Highlights

MINERAL RESERVES

Ore

1.0 billion tonnes

Proved and probable reserves¹

2.8 billion tonnes

Measured and indicated resources

Ni

8.1 million tonnes

Proved and probable reserves

18.5 million tonnes

Measured and indicated resources

Cu

12.8 million tonnes

Proved and probable reserves

24.6 million tonnes

Measured and indicated resources

Pd²

97.2 million ounces

Proved and probable reserves

193.8 million ounces

Measured and indicated resources

Pt²

26.0 million ounces

Proved and probable reserves

54.4 million ounces

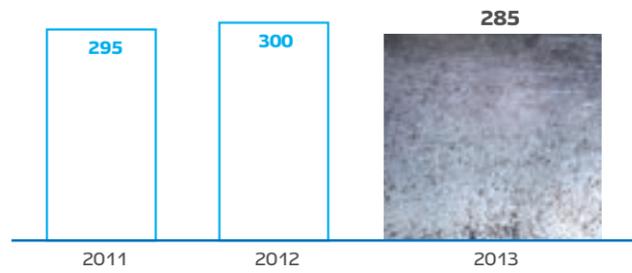
Measured and indicated resources

Notes:
1 Proved and probable reserves are included in the mineral resources
2 Excluding platinum group metals (PGM) reserves (resources) of foreign assets

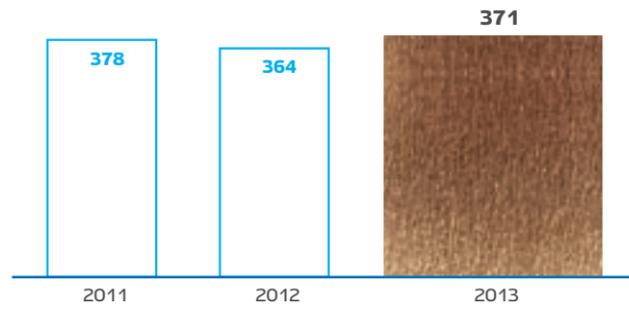


Metal Production

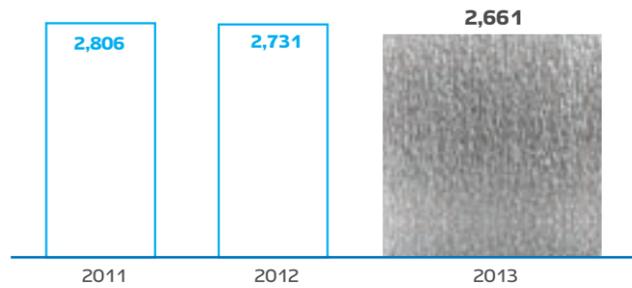
NICKEL, thousand tonnes



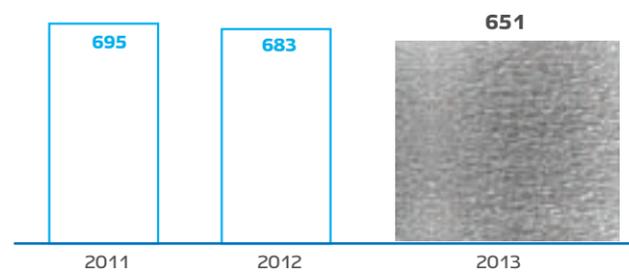
COPPER, thousand tonnes



PALLADIUM, thousand ounces



PLATINUM, thousand ounces

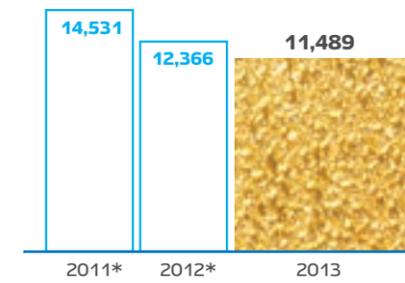


Interactive analysis of key indicators of the Company

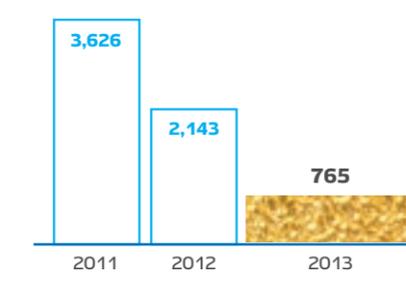


Financial Highlights

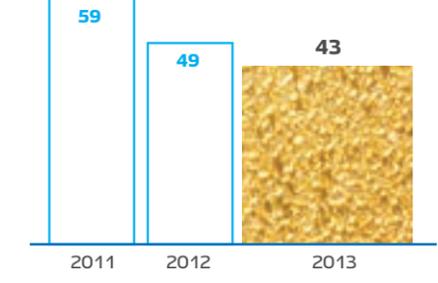
REVENUE, USD million



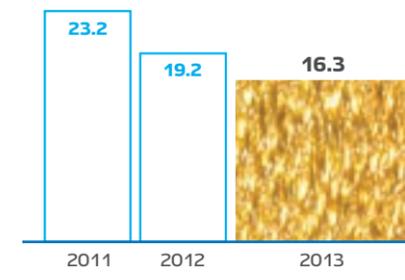
NET PROFIT, USD million



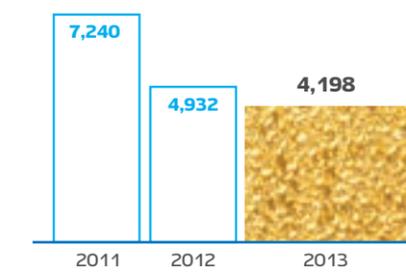
GROSS PROFIT MARGIN, %



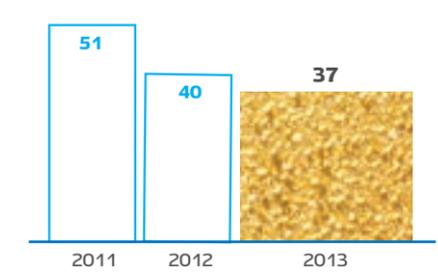
EARNINGS PER SHARE**, USD



EBITDA, USD million

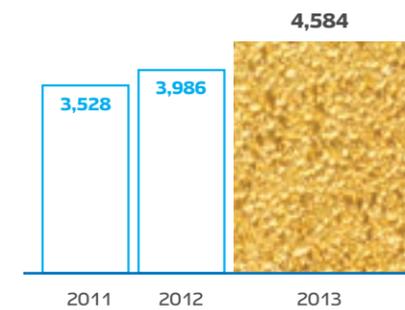


EBITDA MARGIN, %

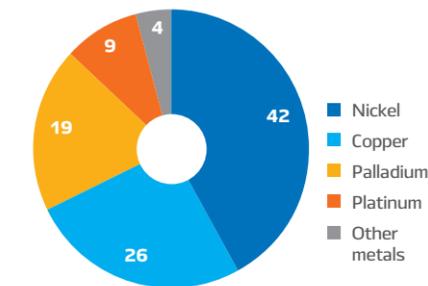


* Revenue was adjusted as result of amended accounting policy (see page 211)
** Net profit adjusted for impairment

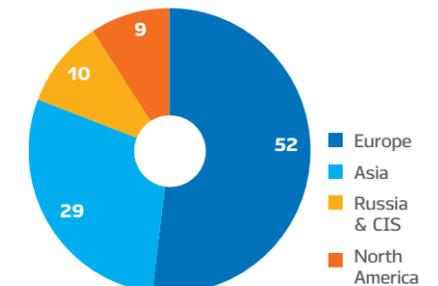
NET DEBT, USD million



REVENUE SPLIT BY METALS, %



REVENUE SPLIT BY MARKETS, %

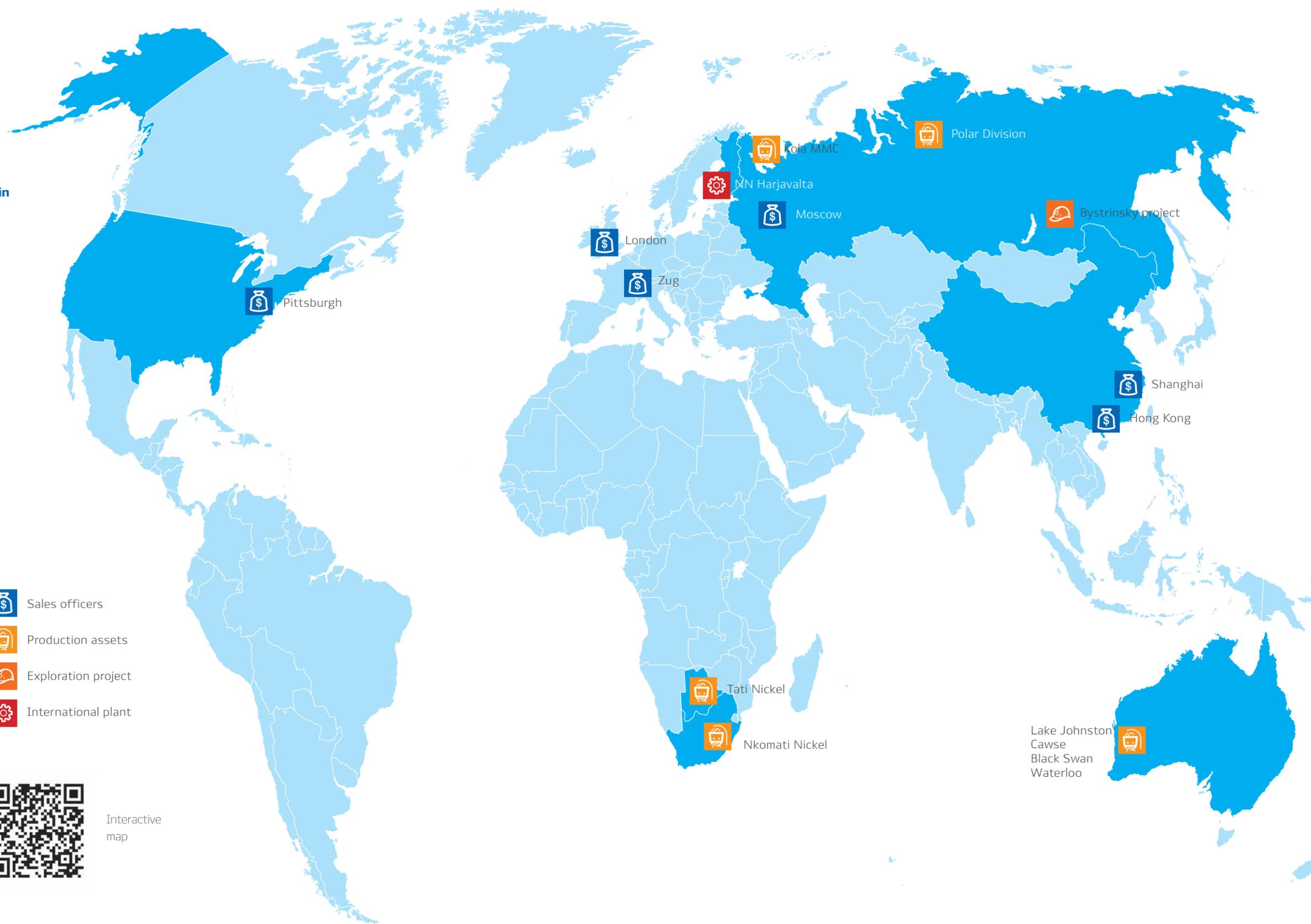




Norilsk Nickel on the world map

The Group's production units are located in five countries on three continents: Russia, Finland, Australia, Botswana and South Africa. The Company's key production units are located in Russia – the Polar Division and Kola MMC.

Norilsk Nickel has its own global network of representatives and sales offices in Russia, Great Britain, China, the USA and Switzerland.



-  Sales offices
-  Production assets
-  Exploration project
-  International plant



Interactive map





Company History

Copper-nickel deposits in the Taimyr Peninsula were detected as early as the 18th century. However, it was not until the 1920s that surveys of these deposits were undertaken.



Geologists leaving for Norilsk. Dudinka, 1930

HISTORY OF NORILSK DEPOSITS

Copper-nickel deposits in the Taimyr Peninsula were detected as early as the 18th century. However, it was not until the 1920s that surveys of these deposits were undertaken, when a mining party headed by NN Urvantsev in 1923 explored the norilsk stones near Lake Pyasino and mined first ore.

In 1935, the decision was made to build Norilsk Combine, which laid the foundation for one of the world's largest metals and mining companies. The first nickel high-grade matte was delivered in 1938. In the first half of the 1940s, the production of nickel, copper, cobalt and platinum group metals commenced. In 1953, Norilsk was granted town status, and the share of nickel, copper, cobalt, and platinum group metals produced by the Nickel Combine amounted to 35%, 12%, 30% and 90% respectively of the total Soviet Union output.

In 1965, the year of Norilsk's 30th anniversary, the world's largest sulphide copper-nickel ore deposit, Oktyabrskoye, was discovered. In 1966-1976, the construction of mines and an enrichment plant, followed by the construction of Talnakh town, started near the Oktyabrskoye deposit.

HISTORY OF THE COPPER-NICKEL INDUSTRY IN THE KOLA PENINSULA

Two plants producing copper-nickel products are located on the Kola Peninsula: the Severonickel plant, founded in 1939 and located in Monchegorsk city, Murmansk region, and the Pechenganickel Plant, built in 1945 and located in the northwest of the Peninsula, at the industrial sites of Zapolyarny town and Nickel settlement.

KEY DATES IN THE COMPANY'S MODERN HISTORY:

1981 – Nadezhda Metallurgical Plant, the largest metal plant of Norilsk Nickel and the city of Norilsk, was commissioned.

1989 – The State Concern for the Production of Non-Ferrous and Precious Metals Norilsk Nickel was established, combining a number of enterprises, including the Norilsk Combine and Pechenganickel and Severonickel plants.

1994 – The State Concern for the Production of Non-Ferrous and Precious Metals Norilsk Nickel was reorganised by a decree of the President of the Russian Federation into the Russian Joint Stock Company (RAO) for Production of Non-Ferrous and Precious Metals Norilsk Nickel.

1997 – As a result of the reorganisation of RAO, the OJSC Norilsk Mining Company was established.



Removal of copper cathodes. Norilsk, 1956



Copper production. Norilsk, 1970

2001 – Norilsk Mining Company was renamed Metals and Mining Company Norilsk Nickel and the owners of 96.9% of RAO Norilsk Nickel shares exchanged their shares for Norilsk Nickel shares. Since 2001, Norilsk Nickel shares have been listed on the RTS (Russian Trading System) Stock Exchange and the MICEX (Moscow Exchange from 2011). In June 2001, a programme issuing Level 1 American Depositary Receipts (ADRs) for Norilsk Nickel shares was initiated.

2006 – Norilsk Nickel split off its gold-mining assets. After the Company's reorganisation, OJSC Polyus Gold was established, which received 100% of CJSC Polyus shares, consolidating all of Norilsk Nickel's gold-mining assets.

2007 – As a result of the acquisition of LionOre Mining International Ltd and the nickel business of OM Group, the Company acquired assets which are now part of Norilsk Nickel International: Tati Nickel in Botswana (85%), Nkomati in South Africa (50%), Norilsk Nickel Harjavalta in Finland, and several assets in Australia: Black Swan, Lake Johnston, Waterloo, Honeymoon Well, and Cawse.

2009 – Norilsk Nickel completed construction of its proprietary sea fleet, comprised of five ice-breaking capacity cargo ships, which, for the first time in the history of Arctic shipping, were assigned the seventh ice breaking grade.

2010 – Norilsk Nickel sold its shares in Stillwater Mining Company, the largest producer of platinum group metals in the USA, which had been acquired in 2003.

2011 – 82.7% of shares in OJSC OGC-3 were exchanged for 13.6% of OJSC INTER RAO UES shares.

2012 – Vladimir Potanin, President of Interros, was elected the new CEO of Norilsk Nickel.



Key Events of 2013

JANUARY

Norilsk Nickel Board of Directors approved the new Management Board.

The Extraordinary General Meeting of Company Shareholders approved the cancellation of all treasury shares.

Norilsk Nickel was one of the first companies to sign an Environmental Declaration for the Murmansk region. The Company's priorities in this area include the step-by-step reduction of environmental impact, the rational use of mineral resources, the implementation of advanced technologies, and compliance with the requirements of applicable laws and international agreements.

The Bystrinsky mining and enrichment project was approved by the Glavgosexpertiza (Russian Main State Expert Review Board). This investment in the development of the mineral resource base of the Zabaikalsk region was carried out as part of a public-private partnership between Norilsk Nickel and Investfond of Russia, which is co-financing the construction of a railway to the deposit.

FEBRUARY

The MMC Norilsk Nickel Board of Directors approved the Company's budget for 2013. This budget allowed the Group to maintain its current social programmes and to continue the implementation of the relocation and infrastructure development measures jointly undertaken with federal and regional authorities.

Norilsk Nickel placed Russian rouble bonds in the amount of RUR 35 bn with a maturity of three years. The coupon rate was established at 7.9% per annum. The placement was arranged by AKB Rosbank, Sberbank CIB and VTB Capital.

MARCH



The Extraordinary General Meeting of Shareholders held on March 11, 2013, elected a new Board of Directors. Gareth Penny, Independent Director, was appointed Chairman of the Board of Directors.

Norilsk Nickel won The Top Russian Enterprises: Dynamics, Efficiency, Responsibility 2012 in the special category For Family, Maternity and Childhood Support Programmes. The winners were announced at a conference as a part of Russian Business Week organised by the Russian Union of Industrialists and Entrepreneurs.

APRIL

The Company's Board of Directors made the decision to optimise to management team of Norilsk Nickel and approved the new Management Board. The new management structure was designed to adopt advanced project practices in investment management, the reduction of management layers, the enhancement of cross-functional interaction and increased responsibility for financial performance.

Norilsk Nickel completed the first stage of cancellation of the Company's treasury shares. In April, 18,470,925 ordinary shares (9.69% of the share capital), with a par value of RUR1 per share were cancelled. As of April 2, 2013, the Company's issued share capital was reduced to 172,156,822 ordinary shares with a par value of RUR1 per share.



Sberbank of Russia and Norilsk Nickel entered into a strategic cooperation agreement. The agreement was signed by German Gref, CEO and Chairman of the Executive Board, Sberbank of Russia, and Vladimir Potanin, CEO of Norilsk Nickel. The agreement envisages a full-scale expansion of the cooperation between Sberbank and Norilsk Nickel, including the provision of a comprehensive range of banking services to Norilsk Nickel by Sberbank.

Kola MMC added a two-stage cobalt purification process to its core operations. Implementation of the Cobalt Production Project will result in the establishment of the only facility in Russia capable of producing a high-quality electrolytic cobalt able to compete in the global market.



Norilsk Nickel's reconstruction and technical upgrade project for the Polar Division's Talnakh enrichment plant received state expertise approval. Implementation of the project will enable the Company to increase the volume of processed rich and cuprous ores from 7.5 million tonnes to 10 million tonnes per annum. The project includes the installation of a new enrichment technology, resulting in increased levels of extraction of valuable ore components into concentrates and reduced sulphur emissions by removing more sulphur into dump tailings. Implementation of the project will therefore also contribute to resolving the region's environmental issues. The company is currently developing project documentation and performing preparatory works.

Norilsk Nickel successfully placed five-year Eurobonds for USD750 million with an annual coupon rate of 4.375%. Barclays, Citigroup and Société Générale acted as book runners of the Eurobonds issue.

This year, for the first time ever, a Company representative was elected as the Chair of the Security Committee of the International Platinum Group Metals Association. The committee members discuss and share opinions on industry security issues and strategise recommendations, procedures and standards for sectoral enterprises to combat theft, cross-border transshipment and the processing of embezzled PGM-bearing material.

As part of the G8 counter-terrorism strategy, MMC Norilsk Nickel proposed a practical initiative designed to combat the illicit trafficking of PGM-bearing material as a way of financing organised crime and terrorism. The initiative, which would be operated as a public-private partnership, is aimed at dramatically reducing and eventually eliminating the demand for precious metal-containing materials. The Company's efforts were supported by the Russian Ministry of Foreign Affairs, in cooperation with foreign partners from South Africa, the United States, and Western Europe, and led to the United Nations Economic and Security Council adopting a resolution on "Combating transnational organised crime and its possible links to illicit trafficking in precious metals." In accordance with its provisions, the United Nations Interregional Crime and Justice Research Institute (UNICRI) will conduct specialised research into this problem and propose ways of addressing it.

MAY

Norilsk Nickel won the Excellent Foreign Surface Finishing Suppliers award at the tenth Chinese international exhibition SF EXPO CHINA 2013.

JUNE

On June 6, 2013, the Annual General Meeting of Shareholders approved the Company's annual report and financial statements for 2012; approved the reduction of its share capital to RUB 158,245,476, and voted for the distribution of dividends for 2012 in the amount of RUB 400.83 per ordinary share.

The Company signed an agreement with 18 international banks on an unsecured syndicated credit facility totalling USD 2.3 billion for a period of 5 years, with USD 1.7 billion of the facility immediately drawn down before the term expiry and the remaining portion of the commitment remaining as a reserve intended to maintain liquidity.

Sale of non-core assets launched: shares of the Interregional Distribution Grid Company of Siberia (IDGC of Siberia, JSC) have been sold.



The No. 2 smelting furnace was restarted at the Polar Division after major repairs. The refractory masonry of the Nickel Plant - the shell bottom and the walls of the furnace - were completed. The furnace framework metal structures were replaced; with major repairs of the feed system, electrodes and gas exhaust ducts also taking place. The reopening of the No. 2 smelting furnace will enable the treatment of approximately 1,500 tonnes of furnace charge per day, which will ensure the production of an additional 40-50 tonnes of high-grade matte per day. The furnace systems are equipped with controls and automation units, creating added safety features. The existing unit was expected to breach its designed capacity in August. The total investment in the renovation of ore-smelting furnace No. 2 was just under RUB1.9 bn.

JULY

The Company launched one of its most important environmental projects – the disposal of nickel-refining salt effluents in the Murmansk region. The project will make it possible to neutralise the negative impact of nickel production on the ecosystem of water bodies adjacent to the industrial area of Kola MMC in Monchegorsk.

Sergey Dyachenko joined Norilsk Nickel's management team as Deputy General Director and Chief Operating Officer. Mr Dyachenko has substantial mining industry experience. Before joining Norilsk Nickel, he held senior executive positions at Kazakhmys, De Beers and Rio Tinto, where he was in charge of production development.

AUGUST

Norilsk Nickel completed the cancellation of the remaining 13.9 million treasury shares, representing 8.08% of the Company's authorised capital. Having cancelled all treasury shares, as of August 13, 2013, the Company's share capital was reduced to 158,245,476 ordinary shares, with a par value of RUR1 per share.

Norilsk Nickel announced the launch of an open social projects contest, Our Future – Our Responsibility, with a total prize pool of RUR25 million. The contest aims to support the initiatives of non-profit organisations to create and develop a favourable social environment and to improve living standards in the Norilsk and Taimyr Dolgano-Nenets municipal district.



Two new kindergartens funded by Norilsk Nickel were commissioned. The Umka and Norilchonok, preschool establishments can accommodate 300 children – 12 groups with 25 youngsters each. This ensures that all children born in Norilsk in 2009-2010 will have a place in a municipal kindergarten.

SEPTEMBER



The Board of Directors approved the key principles of the Company's new strategy, which include the expansion of profitable mining operations based on the existing infrastructure of the Polar Division, accelerated upgrades to the Company's enrichment facilities and optimisation of the metallurgical assets' footprint. Building exploration as a globally competitive business is another important objective.

OCTOBER

Norilsk Nickel unveiled the details of its new strategy at Investor events held in London and New York. The Company intends to focus on capturing the full potential of its Tier 1 assets at its unique resource bases in Russia. Capital management discipline and a high level of return on investment became the Company's key metrics.

Norilsk Nickel reported its second successful certification of Corporate Integrated Quality Control and Environmental Management System (QEMS) in compliance with ISO 9001:2008 and ISO 14001:2004. The compliance audit was conducted by an independent certification authority, Bureau Veritas Certification Rus, at the sites of the Company's Head Office in Moscow, the Polar Division in Norilsk, the Polar Transportation Branch in Dudinka and the Murmansk Transportation Branch in Murmansk.

Transparency International (TI), an international anti-corruption organisation, listed Norilsk Nickel as one of the most transparent companies in Russia.



At Oktyabrsky mine, the Company completed the construction of the South ore bypass of skip shaft No. 1, from -700 m to -850 m level. The cost of construction exceeded RUB 300 million. The shaft will now be fully equipped with tracks for feeding the run of mine ore to the dosing chambers for further delivery of ore to the surface. Unlike the previously installed vertical ore bypasses, the new construction is designed at an angle and fixed by iron tubings along its length, which will significantly increase its service life.

Standard & Poor's, an international rating agency, revised its outlook for Norilsk Nickel from "negative" to "stable". The agency also affirmed the "BBB-" long-term corporate credit rating and the "ruAA+" Russian national rating. The revision of the outlook to "stable" and the affirmation of S&P's ratings reflect the strong recent track record of the new management team, as well as acknowledgment of the Company's new strategy and financial policy.

Norilsk Nickel successfully placed a seven-year Eurobond issue for USD 1bn, with an annual coupon rate of 5.55%. The placement was arranged by Bank of America Merrill Lynch, Barclays, Citigroup, Société Générale and Sberbank CIB.

The programme supporting the IT initiatives of the Company's divisions for the period 2013-2018 has been approved.

NOVEMBER

The Kola MMC enrichment plant finished its remodelling of the electric drives and controlling systems for two large volume ball mills. These units will guarantee more than 40% of the enrichment plant output and process 3.3 million tonnes of ore annually. This investment project's cost exceeded RUB 500 million and represents one of the stages of a large-scale enrichment plant modernisation program. The site recently saw the implementation of numerous programmes and activities aimed at improving both the quality and financial performance of the enrichment plant.

Norilsk Nickel ranked in the Top 10 List of 2012 Corporate Philanthropy Leaders. Corporate Philanthropy Leaders is an annual joint study, conducted by the Forum of Donors (a non-commercial partnership of grant issuers), the *Vedomosti* newspaper and the PricewaterhouseCoopers auditing and consulting network.

A round table devoted to the presentation of Norilsk Nickel's new strategy was held in Krasnoyarsk. Members of the Government and Legislature of the Krasnoyarsk territory, representatives of public authorities, experts and journalists took part in the event. Krasnoyarsk Territory and Norilsk Industrial District represent the centre around which the company's business strategy revolves. The strategy is primarily aimed at developing the Polar Division and unveiling the unique potential of the Taimyr region, with its underexplored resources.

DECEMBER

Norilsk Nickel was nominated for a Manager Association People Investor 2013 Award for the Our Home/Your Home project. Developed and implemented by Norilsk Nickel, the programme got high praise from the Manager Association People Investor 2013 panel, in the category of People Investor Companies.

The Extraordinary Meeting of Shareholders of Norilsk Nickel, held on December 20, 2013, approved the distribution of interim dividends for nine months of 2013, in the amount of RUB 220.7 per share.

The Company won Best 2013 Corporate Bonds IPO at the XI Russian Bond Congress, which was held under the auspices of the Cbonds congress in St. Petersburg.

The Company's Board of Directors has approved the budget for 2014.





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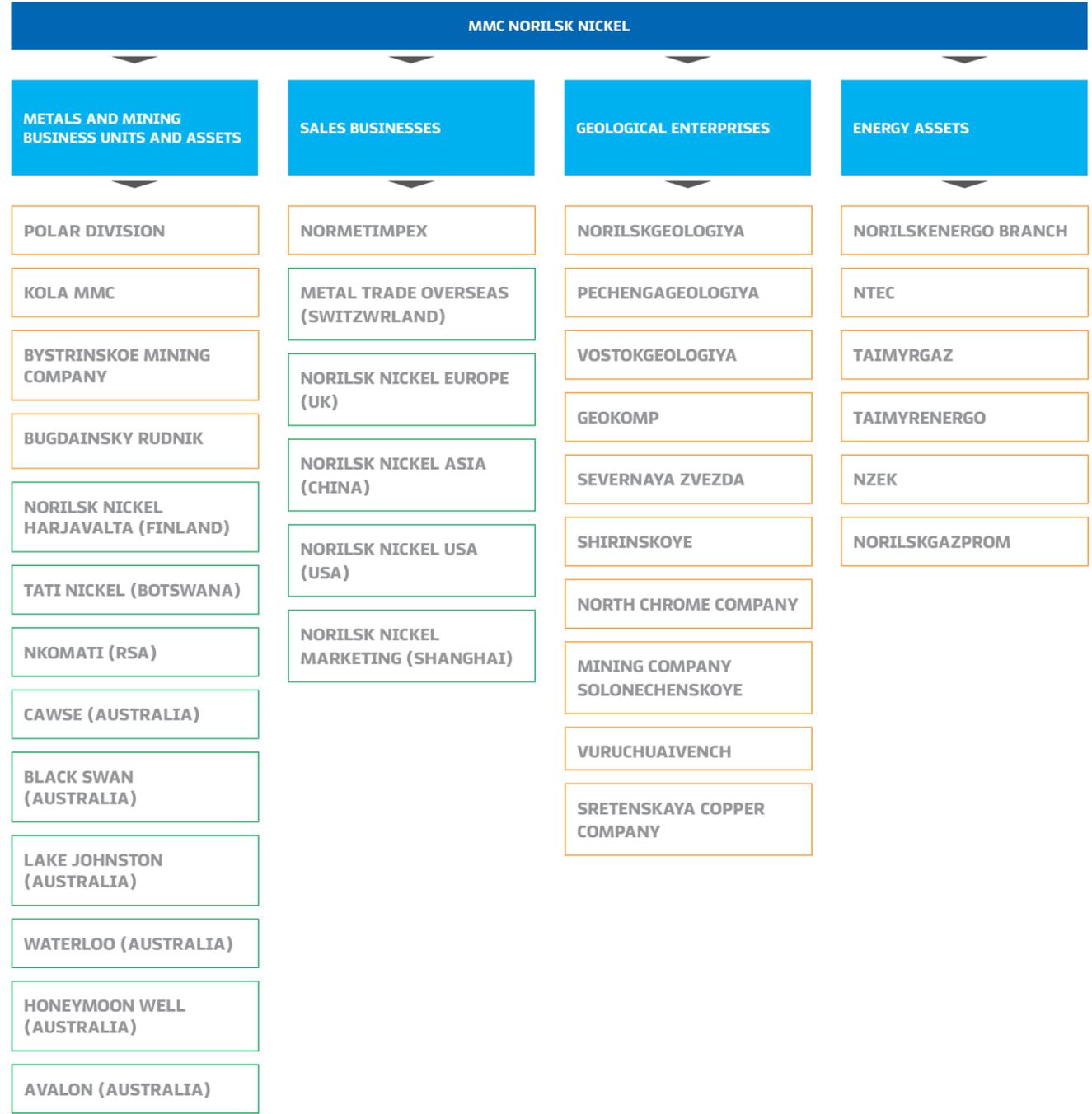
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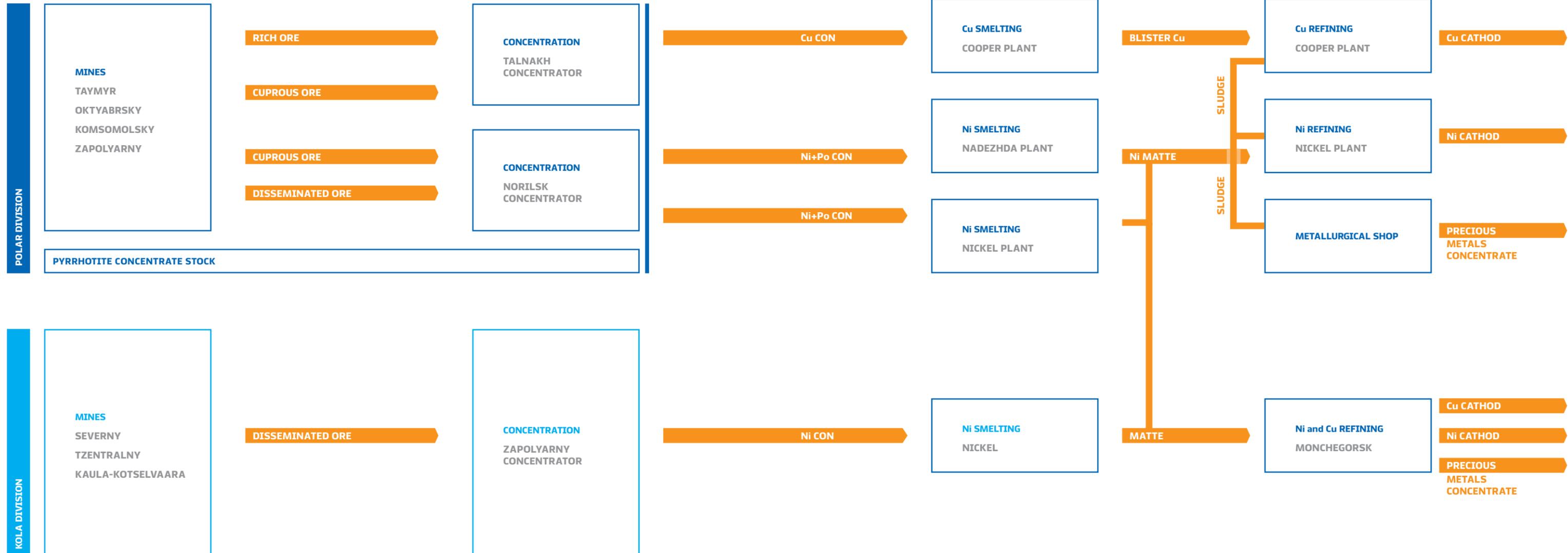
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Key assets



Russian assets
 International assets

Production assets in Russia



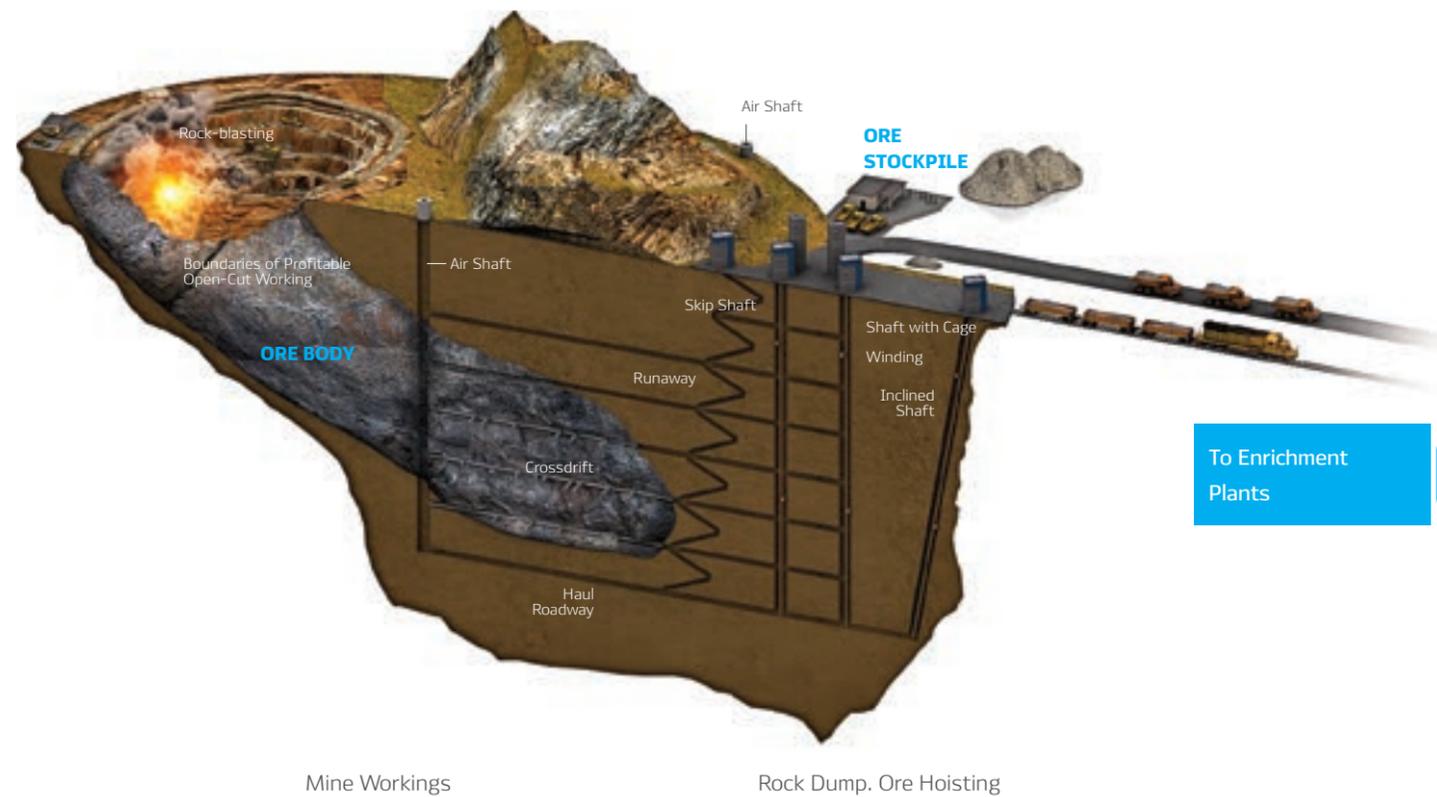
Source: Norilsk Nickel

Production chain

SCHEME OF MINING

OPEN PIT

UNDERGROUND MINE



To Enrichment Plants

PENETRATION

Creates access from the surface to the deposit through mine workings which are used for the transportation of mined ore and people to and from the surface, during development.

DEVELOPMENT WORKINGS

The deposit is divided into separate sections: mining levels, blocks, sublevels, stoops, etc.

ACTUAL MINING

Includes three major production operations:

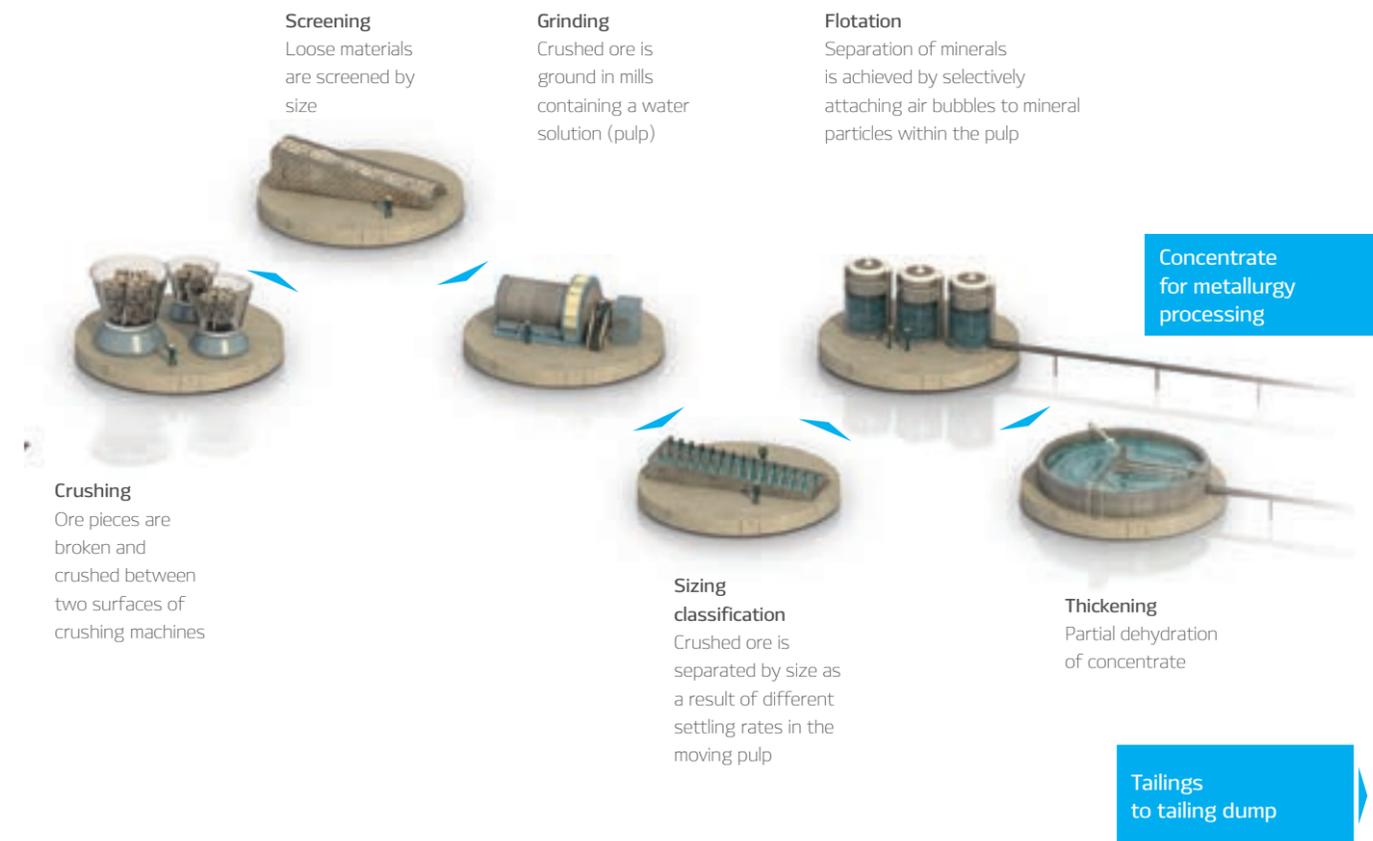
- ore crushing – separation of ore from the rock;
- delivery of crushed ore from the mine face to the haulage horizon;
- maintenance of the excavated area.

REMOVAL OF ROCK MASS

Open-pit mining: the excavator loads crushed rock and ore onto dump trucks. Rock is transported to the waste dumps, while ore is delivered to the enrichment plant.

Underground mining: ore is removed by load-haul dumpers and delivered to the surface by conveyor, railway and motor vehicles, as well as skip-winding machines.

ENRICHMENT DIAGRAM



Crushing
Ore pieces are broken and crushed between two surfaces of crushing machines

Screening
Loose materials are screened by size

Grinding
Crushed ore is ground in mills containing a water solution (pulp)

Flotation
Separation of minerals is achieved by selectively attaching air bubbles to mineral particles within the pulp

Sizing classification
Crushed ore is separated by size as a result of different settling rates in the moving pulp

Thickening
Partial dehydration of concentrate

Concentrate for metallurgy processing

Tailings to tailing dump



Interactive production chain

DIAGRAM OF NICKEL PRODUCTION

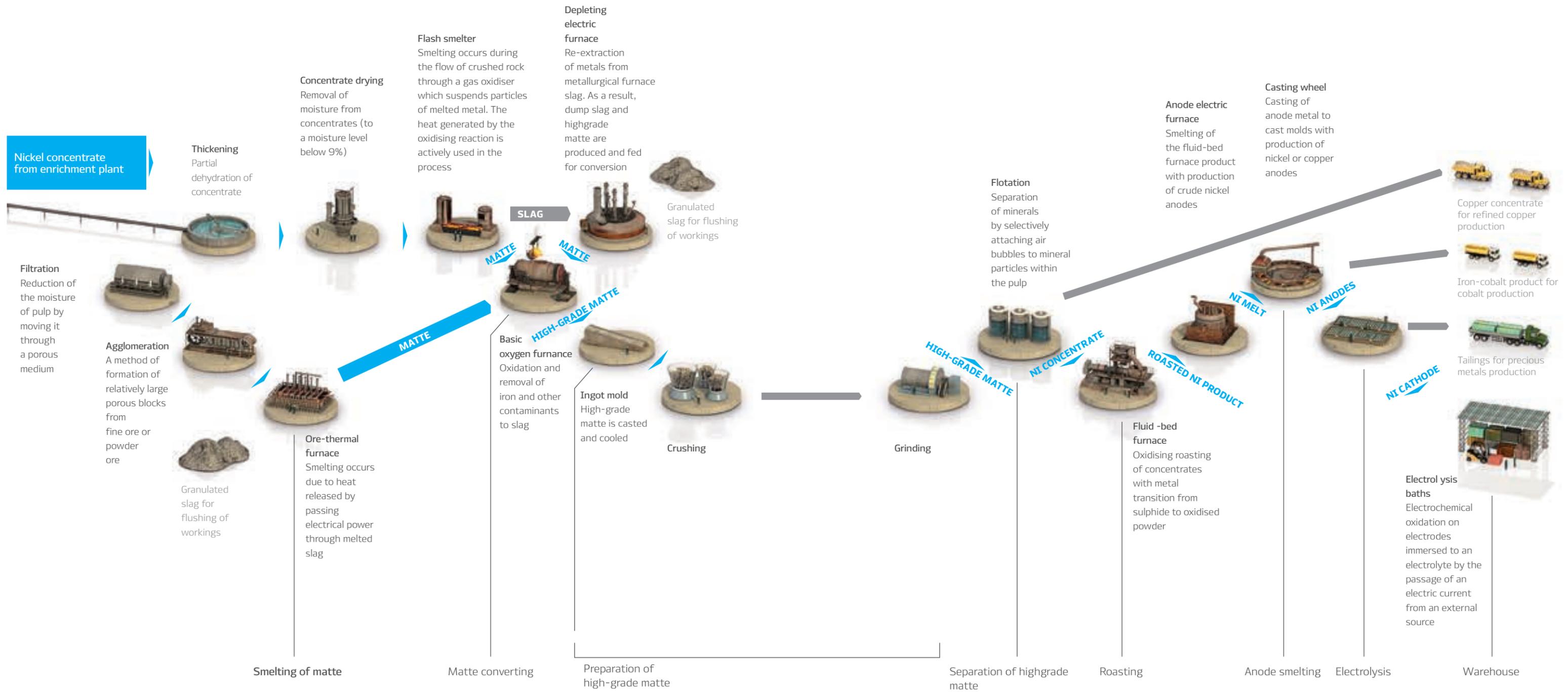
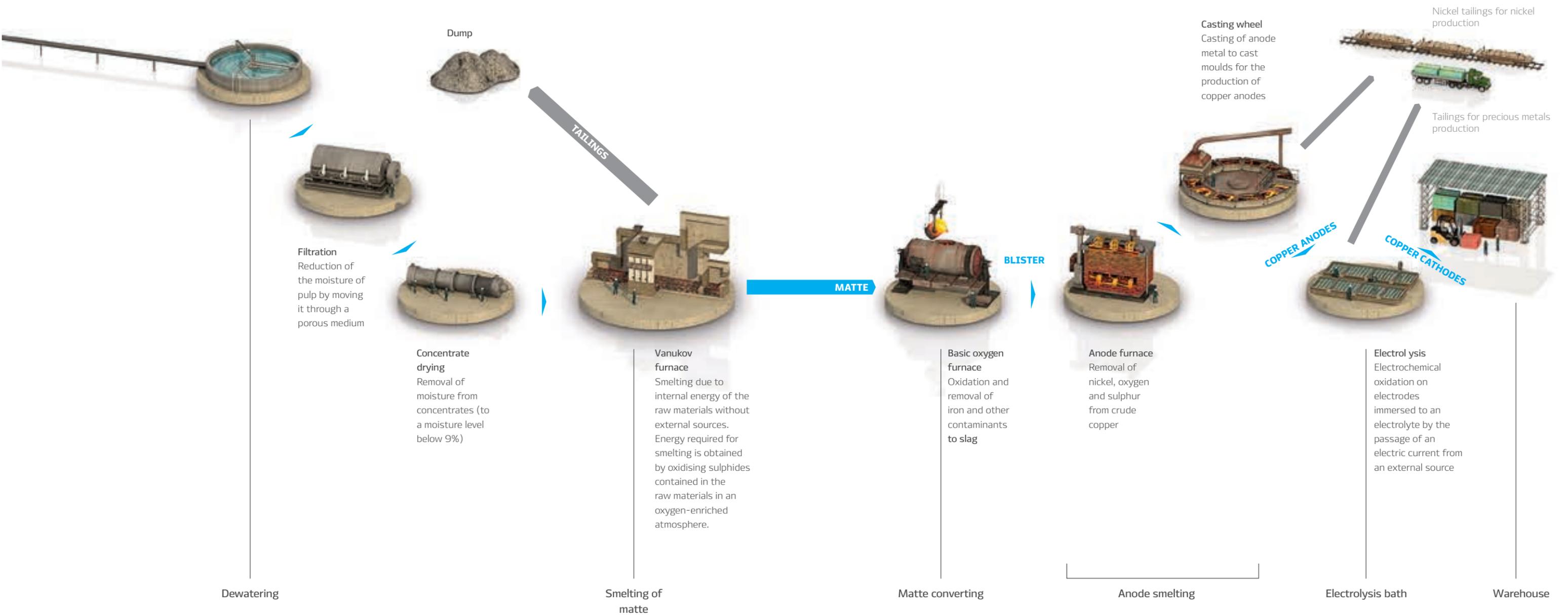


DIAGRAM OF COPPER PRODUCTION



PRODUCTION ASSETS OF THE COMPANY: RUSSIA

Polar Division

The Polar Division is the Group's main production unit, operating a full metal production cycle from mining to the shipment of finished products to customers. The Company's largest deposits are located here. The Polar Division mines about 17 million tonnes of ore every year.



PRODUCTION ASSETS OF THE POLAR DIVISION

Deposit/mine	Type of mine	Ores ⁽¹⁾
Oktyabrskoye deposit		
Oktyabrsky Mine	Underground mine	Rich, cuprous and disseminated ores
Taimyrsky Mine	Underground mine	Rich ores
Talnakh Deposit		
Komsomolsky mine ⁽³⁾ , incl. Komsomolsky shaft ^(2, 3)	Underground mine	Sulphide copper and nickel ores Cuprous and disseminated ores
Mayak shaft ⁽³⁾	Underground mine	Rich and disseminated ores
Skalistsy shaft ⁽³⁾	Underground mine	Rich ores
Norilsk-1 deposit		
Zapolyarny mine ⁽⁴⁾ , incl. Zapolyarny mine quarry ⁽⁴⁾	Open pit mine	Disseminated ores
Zapolyarny mine shaft ⁽⁴⁾	Underground mine	Disseminated ores

ENRICHMENT CAPACITIES

- Talnakh enrichment plant
- Norilsk enrichment plant

METALLURGICAL CAPACITIES

- Nadezhda Metallurgical Plant
- Nickel Plant
- Copper Plant
- Smelting Shop (part of the Copper Plant)

POLAR DIVISION PRODUCTS

- Primary nickel (cathodes and granulated)
- Cathodes
- Cobalt metal
- Cobalt oxide
- Precious metal concentrates
- Commercial sulphur

Notes:

- (1) Rich ores have a higher content of non-ferrous and precious metals; cuprous ores have a higher content of copper compared to nickel; disseminated ores have a lower content of all metals.
- (2) Komsomolsky shaft operates the Talnakh deposit and the eastern section of the Oktyabrsky deposit.
- (3) In 2010, Talnakh Deposit Management was reorganised as Komsomolsky Mine, comprising three shafts: Komsomolsky, Skalistsy, and Mayak.
- (4) In 2010, Norilsk-1 Deposit Management was reorganised as Zapolyarny mine. Medvezhy Ruchey Mine was integrated to become part of the Zapolyarny mine, as the Zapolyarny quarry mine.

The Polar Division of Norilsk Nickel is located in the Taimyr Peninsula, in the north of the Krasnoyarsk region, above the Arctic Circle (69th parallel north). The Division is linked to other parts of Russia via the Yenisei River and the Northern Sea Route, as well as by air.

The Talnakh and Oktyabrsky deposits are developed by the Taimyrsky, Oktyabrsky and Komsomolsky mines (Komsomolsky, Skalistsy and Mayak shaft). During the mining process, layer and chamber systems of development with backfilling are used. The Norilsk-1 deposit is developed by the Zapolyarny mine, using open and underground mining. The underground development uses the system of a floor forced collapse of mined rock with one-stage excavation.

The ores are enriched at the Talnakh and Norilsk enrichment plants. The Talnakh Enrichment Plant processes rich and cuprous ores mined at the Talnakh and Oktyabrskoye deposits to produce nickel, copper and pyrrhotite concentrates. The main technological processes are crushing, breaking, flotation and thickening.

The Norilsk Enrichment Plant processes the entire volume of disseminated and cuprous ores from the Talnakh and Oktyabrskoye deposits to produce nickel and copper concentrates. The main technological operations are crushing, breaking, gravitational and flotation enrichment and thickening.

Thickened concentrates from the Talnakh and Norilsk enrichment plants are transferred by hydrotransport to the metallurgical facilities for further processing.

The smelting capacities of the Polar Division include the Nadezhda Metallurgical Plant, Nickel Plant and Copper Plant

Nadezhda Metallurgical Plant processes the entire output of nickel and pyrrhotite concentrate from the Talnakh the Enrichment Plant, part of the pyrrhotite concentrate pre-stored at Kayerkan Coal Pits, along with SPC (stored pyrrhotite concentrate) and all copper concentrate from the high-grade matte separation area in the calcination shop of the Nickel Plant, to produce high-grade matte, copper anodes, and elementary sulphur. Pyrrhotite concentrate from the Talnakh Enrichment Plant is leached in the hydro-smelting shop that produces steam-cured sulphide concentrate (SCSC). Concentrate from the Talnakh Enrichment Plant, KCP and SCSC follow to the flash smelting furnaces, and then the resulting matte is converted into high-grade matte.

The Nickel Plant processes all nickel concentrate from the Norilsk the Enrichment Plant, part of the pyrrhotite concentrate pre-stored at Kayerkan Coal Pits and the high-grade matte from the Nadezhda Metallurgical Plant, and also produces commercial nickel and cobalt.

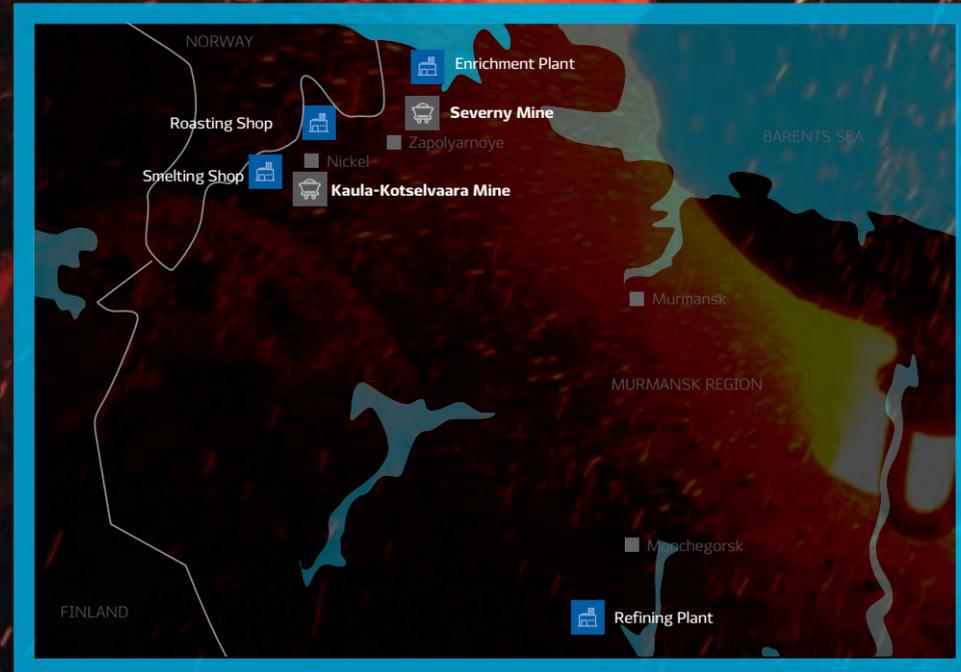
The Copper Plant processes all copper concentrate from the Norilsk Enrichment Plant, the Talnakh Enrichment Plant and the copper anodes of the Nadezhda Metallurgical Plant to produce commercial copper, elementary sulphur and sulphuric acid. The Smelting Shop, a subdivision within the Copper Plant, recycles sludge after copper electrolysis and nickel electrolysis, and produces concentrates of precious metals, silver metal, selenium, and tellurium.

Precious metals from the Polar Division are refined by a tolling contractor – the Krasnoyarsk Non-Ferrous Metals Plant, named after Gulidov Krasnoyarsk.

PRODUCTION ASSETS OF THE COMPANY: RUSSIA

Kola MMC

Kola MMC is the Company's second largest operation. Kola MMC is located in the Kola Peninsula in the Murmansk region and is fully integrated into the transport infrastructure of the Northwestern Federal District of Russia.



PRODUCTION ASSETS OF KOLA MMC

Deposit/mine	Type of mine	Ores
Zhdanovskoye deposit		Sulphide copper and nickel ores
Severny Mine, open pit mine section ⁽²⁾	Open pit mine	Disseminated ores
Severny Mine, underground mine section ^(1,2)	Underground mine	Disseminated ores
Zapolyarnoye deposit		Sulphide copper and nickel ores
Severny Mine, underground mine section ^(1,2)	Underground mine	Disseminated ores
Kotselvaara and Semiletka deposits		Sulphide copper and nickel ores
Kaula-Kotselvaara ⁽³⁾	Underground mine	Disseminated ores

ENRICHMENT CAPACITIES

Enrichment plant

METALLURGICAL CAPACITIES:

Smelting Shop

Refining Plant

Metallurgical Shop

Nickel Electrolysis Shop

KOLA MMC PRODUCTS

Primary nickel (cathode)

Copper cathode

Carbonyl nickel

Electrolytic cobalt

Cobalt concentrate

Precious metal concentrates

Sulphuric acid

Kola MMC develops the deposits of Zhdanovskoye, Zapolyarnoye, Kotselvaara and Semiletka. Two mines of Kola MMC, Severny and Kaula-Kotselvaara, produce sulphide disseminated ores that contain nickel, copper and other valuable components.

The extracted ore is processed at the Enrichment Plant, which produces collective copper and nickel concentrate, which undergoes briquetting, pelletising and roasting. Concentrates from Nkomati are also briquetted. Cakes and roasted pellets are transferred to the Smelting Shop for further processing. The smelting shop also processes Boliden and Fortaleza matte and Norilsk Nickel Harjavalta's (NNH's) copper cake, and produces high-grade matte.

The refining facilities of Kola MMC in Monchegorsk process high-grade matte from the smelting shop, the high-grade matte from the Polar Division, and copper cake from the NNH. Its main products are electrolytic nickel and copper, carbonyl nickel, electrolytic cobalt, cobalt concentrate, concentrates of precious metals, and sulphuric acid.

Precious metals produced by Kola MMC are refined under the tolling contract signed with the Krasnoyarsk Non-Ferrous Metals Plant.

Notes:
 (1) In 2005, Severny-Glubokoye mine merged with Severny mine.
 (2) In 2010, the Centralny quarry merged with Severny mine as an open pit mine section. Underground operations in Severny-Glubokoye and Severny mines are now part of an integrated Severny mine as an underground mine section.
 (3) In December 2013, Kaula-Kotselvaara mine merged with Severny mine to be part of the mine as a shaft.

INTERNATIONAL ASSETS: FINLAND

Norilsk Nickel Harjavalta Oy



Norilsk Nickel Harjavalta Oy became part of the Group following the acquisition of the OM Group nickel business on March 1, 2007. Norilsk Nickel Harjavalta is the only nickel-refining plant in Finland.

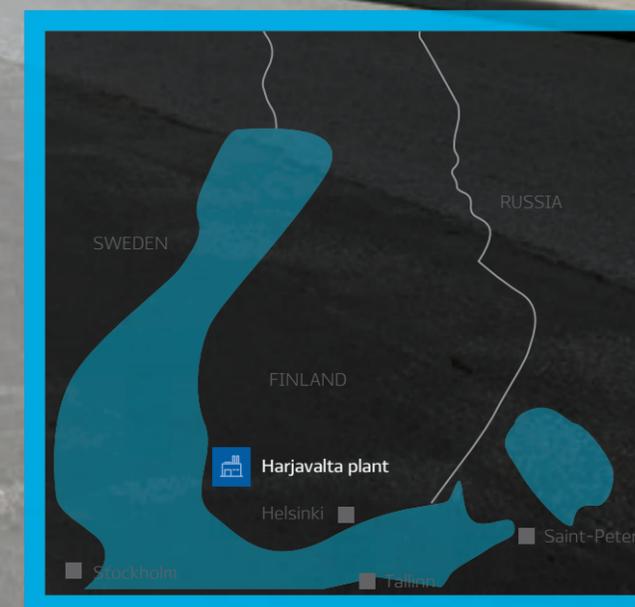
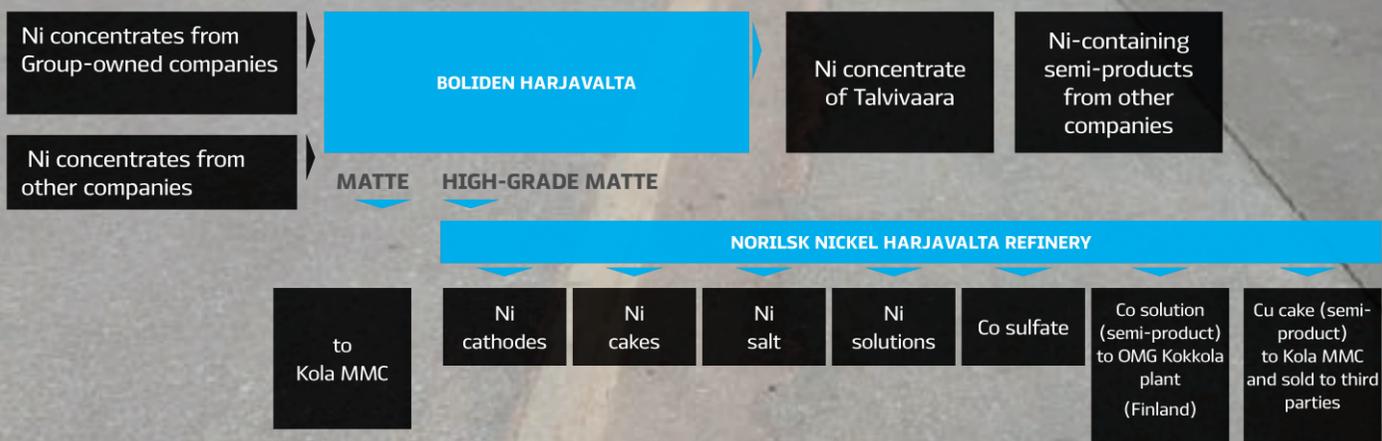
The plant started production in 1959, expanded its capacity in 1995, and in 2002 commissioned its chemical plant.

Harjavalta Plant processes raw material from the Australian and African operations of the Group, and nickel-containing semi-products from third-party suppliers. Concentrates undergo preliminary processing under a tolling agreement with the Boliden Harjavalta smelting plant, located within the Suurteollisuuspuisto industrial park, combined with Norilsk Nickel Harjavalta in Finland. Other semi-products with high nickel content are delivered directly to Norilsk Nickel Harjavalta.

Norilsk Nickel Harjavalta's nickel refining capacity amounts to 66,000 tonnes per year. The applied technology of sulphuric acid leaching of nickel products makes it possible to achieve a metal recovery rate exceeding 98%, and is one of the best refining technologies globally.

The Norilsk Nickel Harjavalta plant makes commercial products, including nickel cathode, cakes and salts, and also semi-products, such as copper cake containing platinum group metals and cobalt solution for further processing by third parties. In 2013, the plant launched a new commercial line to produce cobalt sulphate.

PRODUCTION FLOW CHART OF THE NORILSK NICKEL HARJAVALTA OY PLANT





INTERNATIONAL ASSETS:

AUSTRALIA

Norilsk Nickel's Australian assets became part of the Group as a result of the acquisition of Lion Ore Mining International Ltd and the nickel business of OM Group in 2007. In 2009, Australian operations were suspended due to unfavourable economic conditions. In 2011, ore mining and nickel concentrate production resumed at Lake Johnston.

Currently, all Australian-based mines of the Group are under conservation. In April 2013, ore mining and enrichment at Lake Johnston were suspended, and the operation was put on care and maintenance.

In January 2014, the Company signed an agreement to sell its gold mining assets (the projects of Thunderbox, Bannockburn, Warrida Well and Waterloo) to Saracen Metals Pty Ltd.

CAWSE

Location
– 50 km from Kalgoorlie, Western Australia

Production facilities:
– Open pit mine;
– Ore leaching facility using traditional production and concentration technologies combined with a high-pressure acid leaching technology (HPAL technology)

WATERLOO

Location
– 35 km south of Leinster, Western Australia, and 5 km north of the Thunderbox site.

Production facilities:
– Waterloo Mine

AVALON

Location
– 35 km from Kalgoorlie, Western Australia

Production facilities:
– Open pit mine;
– Ore leaching facility using traditional production and concentration technologies combined with a high-pressure acid leaching technology (HPAL technology, extraction, electrolysis).

LAKE JOHNSTON

Location
– 540 km from Perth, Western Australia

Production facilities:
– Maggie Hays underground mine;
– Emily Ann underground mine;
– Enrichment plant.

Production technology:
Mined ore is fed to an enrichment plant, which processes it using traditional sulphide flotation technology. The capacity of the enrichment plant is 1.5 million tonnes of ore per year.

BLACK SWAN

Location
– 53 km northeast of Kalgoorlie, Western Australia

Production facilities:
– Silver Swan underground mine;
– Black Swan open pit mine;
– Enrichment plant.



INTERNATIONAL ASSETS:

Africa

The Group's operations in Africa include the Tati Nickel Mining Company (TNMC) in Botswana and the Nkomati Nickel Mine in South Africa. The assets became part of the Group as a result of the acquisition of Lion Ore Mining International Ltd in 2007.

TATI NICKEL MINING COMPANY, BOTSWANA

MMC Norilsk Nickel owns 85% of Tati Nickel, with the remaining 15% stake controlled by the Government of Botswana.

Location

– 35 km east of Francistown, Botswana

Production facilities:

- Phoenix open pit mine;
- Selkirk underground mine;
- Enrichment plant.

Production technology:

Ore extracted in the Phoenix mine is fed to the enrichment plant, with a processing capacity of up to 12 million tonnes of ore per year using the DMS (dense medium separation) process and up to 5 million tonnes of ore per year using the traditional flotation technique. Concentrates are processed on a tolling agreement basis by the BCL smelter. The resulting high-grade matte is delivered to the Group's refineries in Russia and Finland, and also sold to third-party customers. In 2002, operations were temporarily shut down at the Selkirk mine due to the depletion of copper and nickel ores available for underground mining. At present, a feasibility study into developing the deposit by an open pit mining (DFS) is being carried out.

NKOMATI NICKEL MINE, SOUTH AFRICA

Nkomati is an unincorporated joint venture between the Group and African Rainbow Minerals, in which the Group owns a 50% stake. Nkomati is the only nickel producer in South Africa. In addition to nickel, its concentrate contains copper, cobalt, chromium and platinum group metals (PGMs).

Location

– 300 km east of Johannesburg, in the South African province of Mpumalanga.

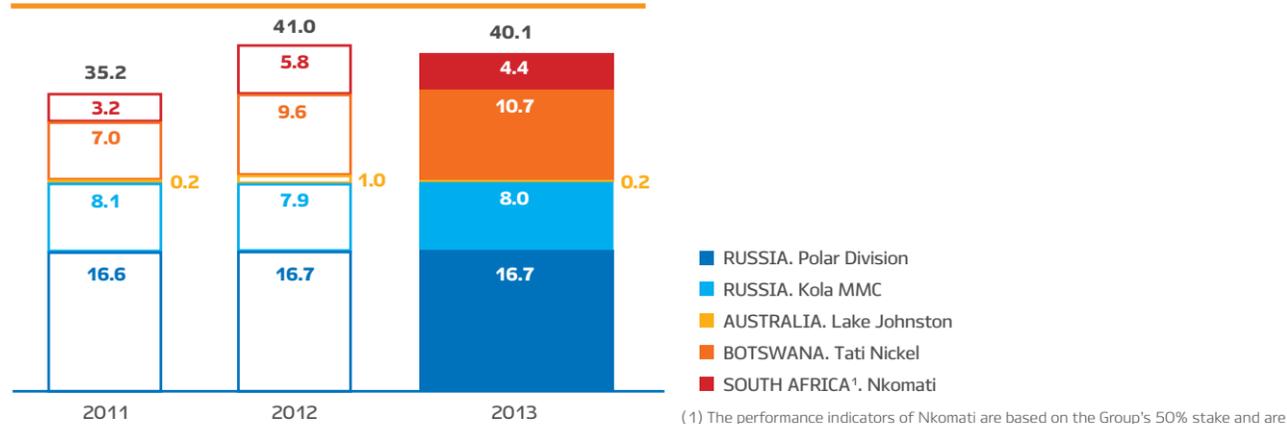
Production facilities:

- Open pit and underground mines;
- Enrichment plant to process MMZ ores, with installed capacity of 375,000 tonnes of ore monthly (up to 410,000 tonnes of ore monthly maximum);
- Enrichment plant to process PCMZ ores, with installed capacity of 250,000 tonnes tons of ore monthly (up to 300,000 tonnes of ore monthly maximum).

Production technology:

The Nkomati deposit holds a sizeable mineral reserves base. It contains disseminated copper and nickel sulphide ores and consists of several ore bodies. The main mineralisation zone (MMZ) constitutes a continuous sulphide ore body with relatively high nickel content. The deposit also includes a peridotite chromite mineralisation zone (PCMZ), which has a lower metal content in comparison to the major mineralisation zone, but features relatively high chromium content. The extracted ores are processed by the enrichment plants using sulphide flotation technology. Once produced, the concentrates are transferred to the Norilsk Nickel Harjavalta facility for further processing.

Production: mining, enrichment, smelting

GROUP ORE OUTPUT⁽¹⁾, mln tonnes

(1) The performance indicators of Nkomati are based on the Group's 50% stake and are recorded in the statements as the associate's performance results.

GROUP AVERAGE METAL GRADES

Asset	Nickel, %			Copper, %			PGMs, g/t		
	2013	2012	2011	2013	2012	2011	2013	2012	2011
RUSSIA									
Polar Division	1.32	1.30	1.37	2.13	2.13	2.18	7.13	7.38	7.10
Kola MMC	0.67	0.67	0.67	0.28	0.29	0.28	0.09	0.09	0.09
AUSTRALIA									
Lake Johnston	1.38	1.25	1.54	-	-	-	-	-	-
BOTSWANA									
Tati Nickel	0.15	0.19	0.18	0.11	0.15	0.17	-	-	-
SOUTH AFRICA									
Nkomati	0.37	0.34	0.30	0.13	0.13	0.11	0.82	1.0	0.67

ENRICHMENT RECOVERY RATIOS, %

Asset	Nickel			Copper			PGM		
	2013	2012	2011	2013	2012	2011	2013	2012	2011
RUSSIA									
Polar Division	82.0	82.5	82.1	96.0	96.2	95.7	81.6	80.6	82.0
Kola MMC	72.5	71.8	71.5	74.9	74.4	72.6	-	-	-
AUSTRALIA									
Lake Johnston	75.7	71.8	67.0	-	-	-	-	-	-
BOTSWANA									
Tati Nickel	65.6	58.6	54.1	72.0	58.4	55.5	-	-	-
SOUTH AFRICA									
Nkomati	77.8	69.8	62.3	90.8	80.5	81.2	-	-	50.1

SMELTING RECOVERY RATIOS, %

Asset	Nickel			Copper			PGM		
	2013	2012	2011	2013	2012	2011	2013	2012	2011
RUSSIA									
Polar Division	91.5	91.8	92.9	93.6	93.7	94.2	93.0	93.2	92.4
Kola MMC	95.8	96.0	96.0	95.5	95.4	95.6	95.2	96.8	96.3
FINLAND									
Harjavalta	96.4	98.3	96.4	96.4	94.8	91.3	97.0	96.9	93.9

GROUP SALEABLE METAL PRODUCTION¹

	2013	2012	2011
RUSSIA			
Nickel, tonnes	231,798	233,632	237,228
Copper, tonnes	359,102	352,466	363,460
Palladium, 000 oz	2,580	2,628	2,704
Platinum, 000 oz	628	660	671
AUSTRALIA²			
Nickel, tonnes	2,826	8,975	-
BOTSWANA³			
Nickel, tonnes	6,415	12,215	9,346
Copper, tonnes	5,412	10,292	8,803
Palladium, 000 oz	43	84	68
Platinum, 000 oz	7	14	12
FINLAND			
Nickel, tonnes	44,252	45,518	48,524
Copper ⁴ , tonnes	6,549	1,006	5,681
Palladium, 000 oz ⁴	39	21	34
Platinum, 000 oz ⁴	16	9	12

GROUP TOTAL, EXCLUDING SOUTH AFRICA

Nickel, tonnes	285,292	300,340	295,098
Copper, tonnes	371,063	363,763	377,944
Palladium, 000 oz	2,662	2,731	2,806
Platinum, 000 oz	651	683	695

	2013	2012	2011
SOUTH AFRICA (50%)⁵			
Nickel, tonnes	-	-	-
Copper, tonnes	-	-	-
Palladium, 000 oz	-	-	-
Platinum, 000 oz	-	-	-
GROUP TOTAL⁶			
Nickel, tonnes	285,292	300,340	295,098
Copper, tonnes	371,063	363,763	377,944
Palladium, 000 oz	2,662	2,731	2,806
Platinum, 000 oz	651	683	695

Notes:

- All information is based on a 100% ownership of subsidiaries.
- In the second quarter of 2013, Lake Johnston operations were mothballed.
- The 2013 figure of saleable product (concentrate for third parties) excludes concentrate available for processing within the Group.
- Specified saleable products (metals in copper cake) sent to third parties, excluding copper cake to be recycled by Kola MMC.
- In 2013, all concentrate from Nkomati was processed within the Group.
- The aggregate figures in "Total" lines may differ due to the rounded values of the items. Some figures may differ slightly from values published earlier.

Russia

POLAR DIVISION

ORE MINING

In 2013, the aggregate ore output from the mining entities of the Polar Division Mines was 16.7 million tonnes, a year-on-year increase of 0.4%.

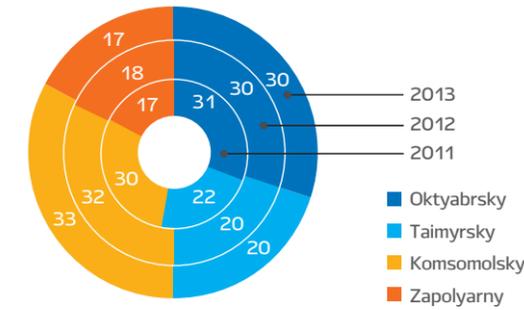
Changes in ore in 2013 against 2012 comprise the following:

- An increase in the production of rich ore by 13.2 thousand tonnes, or by 0.2%. Taimyrsky mine increased its production of rich ore by 55.3 thousand tonnes, and Skalisty mine by 19.9 thousand tonnes, following the upgrade of the southern mining lift complex in the mine's skip bore. The production of rich ore in Oktyabrsky mine dropped by 61.3 thousand tonnes;
- An increase in the production of cuprous ore by 425.1 thousand tonnes, or by 8.5%, thanks to the higher production of cuprous ore from Oktyabrsky mine and Komsomolsky mine;
- A decrease in the production of disseminated ores by 376.0 thousand tonnes or by 7.3%, due to lower production of disseminated ores in Oktyabrsky mine and the open pit of Zapolyarny mine. The drop of aggregate volume of disseminated ores was in part made up by the growing mining of disseminated ores in Komsomolsky mine.

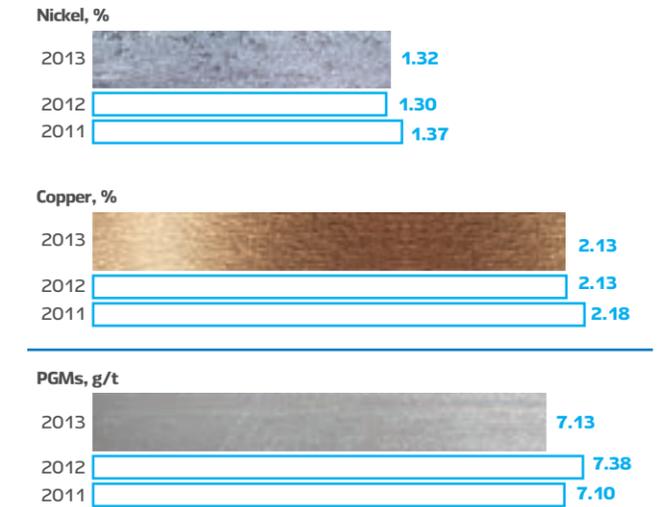
MINING ASSETS OF POLAR DIVISION

Deposit/Mine	Type of mine	Ores
Oktyabrskoye deposit		
Oktyabrsky mine	Underground mine	Rich, cuprous and disseminated ores
Taimyrsky mine	Underground mine	Rich ores
Talnakh and Oktyabrskoye deposits		
Komsomolsky shaft	Underground mine	Cuprous and disseminated ores
Mayak shaft	Underground mine	Rich and disseminated ores
Skalisty shaft	Underground mine	Rich ores
Noriisk-1 deposit		
quarry of Zapolyarny mine	Open pit mine	Disseminated ores
shaft of Zapolyarny mine	Underground mine	Disseminated ores

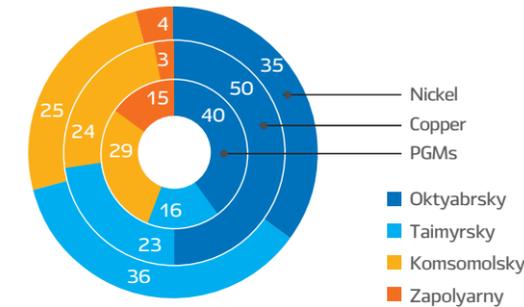
ORE MINING BY THE POLAR DIVISION, %



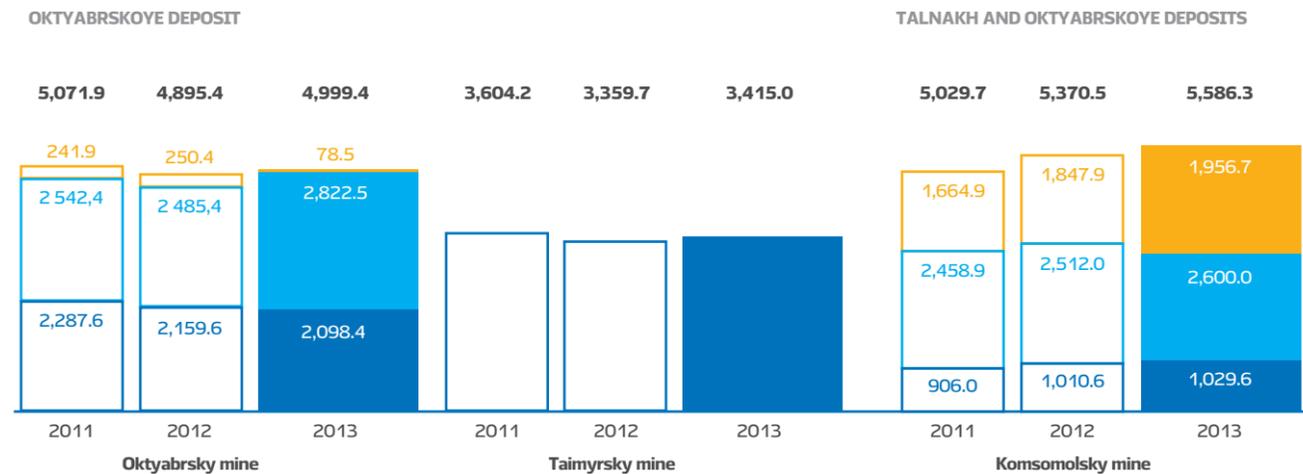
AVERAGE METAL ORE GRADES, POLAR DIVISION



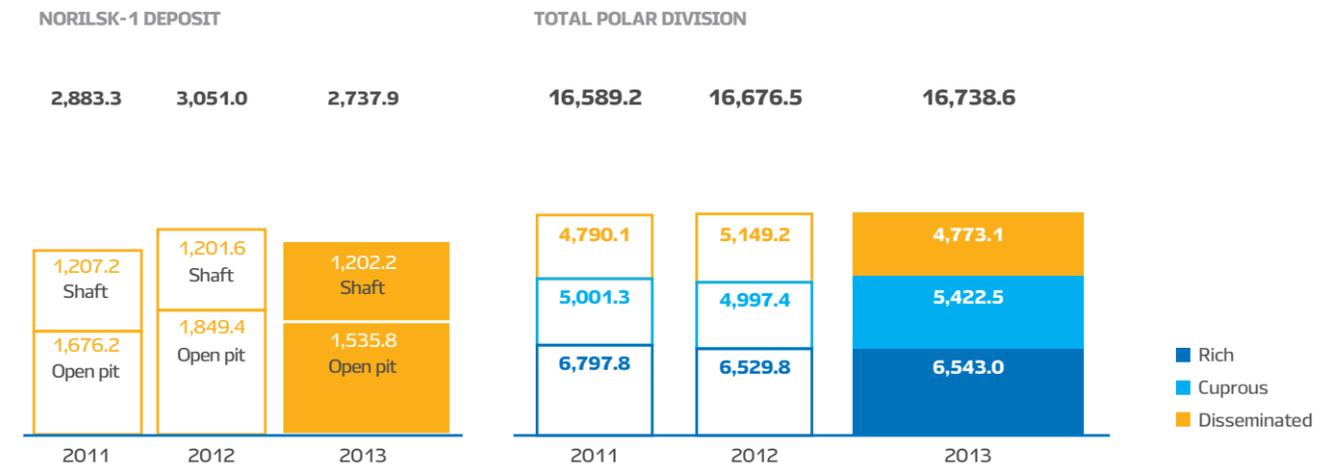
METAL CONTENT IN ORE OF THE MINES OF THE POLAR DIVISION IN 2013, %



ORE MINING AND CONTENT OF METALS IN ORE IN THE MINES OF THE POLAR DIVISION, thousand tonnes



ORE MINING AND CONTENT OF METALS IN ORE IN THE MINES OF THE POLAR DIVISION, thousand tonnes (continued)



ENRICHMENT

In 2013, the Norilsk and Talnakh enrichment plants of the Polar Division processed 16.6 million tonnes of all types of extracted raw ores (rich, cuprous and disseminated).

In 2013, as the Norilsk enrichment plant processed ore mixtures of all types, the rate of its copper extraction and copper concentrate production rose by 0.4%. The quality of nickel concentrate in terms of its nickel content also exceeded the 2012 level by 0.2%.

The Talnakh enrichment plant in 2013 processed 272.2 thousand tonnes more sulphide ores than in 2012.

SMELTING

In 2013, the Company's smelting enterprises continued to improve their technological processes. The Nickel Plant in the Polar Division completed major repairs of its furnace in June 2013.

Production of copper in 2013 was above 2012.

METAL RECOVERY, %

Polar Division	2013	2012	2011
METAL RECOVERY RATIOS IN			
Nickel	82.0	82.5	82.1
Copper	96.0	96.2	95.7
METAL RECOVERY RATIOS IN SMELTING			
Nickel	91.5	91.8	92.9
Copper	93.6	93.7	94.2

KOLA MMC

ORE MINING

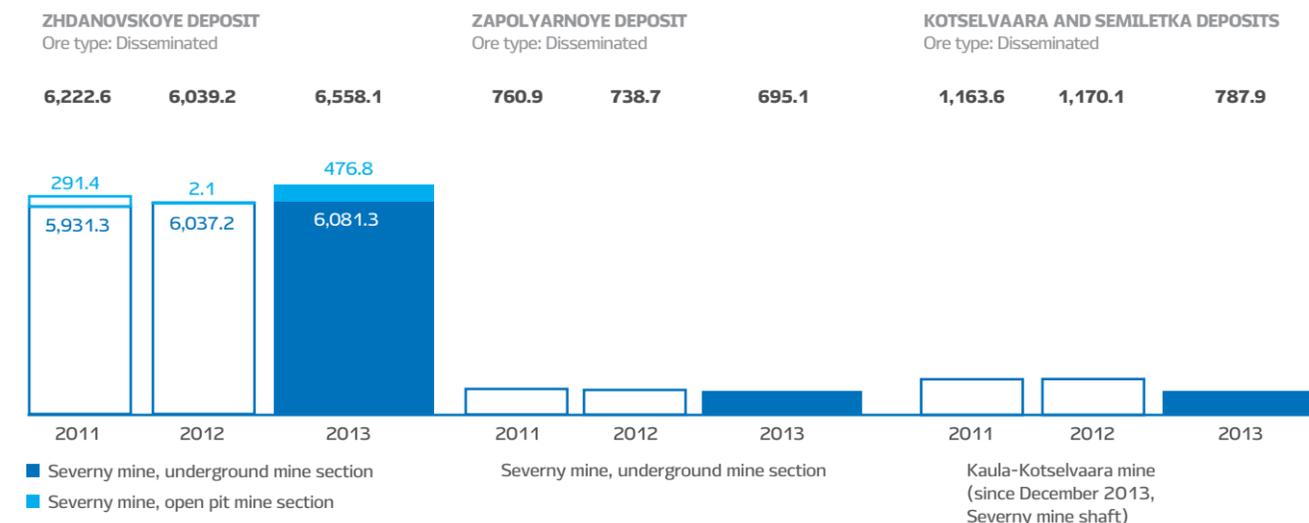
Total volume of ore mined by Kola MMC in 2013 was 8.0 million tons, a year-on-year increase of 1.2%.

An increase of ore mining volumes was due to cost optimisation carried out at Kola MMC. Such activities provided for decreased production at the Kaula-Kotselvaara mine by 382 thousand tonnes compared to 2012. During the reporting period, 8.1 million tonnes of ore was transported to the Enrichment Plant and the smelting shop. This increase was due to the shipment of 48 thousand tonnes of previously mined and warehoused ore. In addition, Severny mine increased its mining output of ore by 220 thousand tonnes.

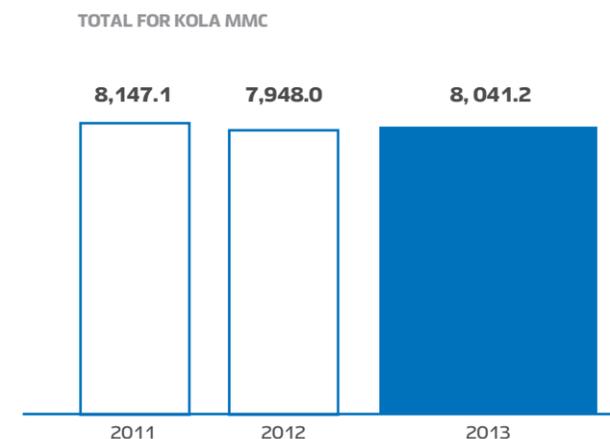
MINING ASSETS OF KOLA MMC

Deposit/Mine/Pit	Type of mine	Ores
Zhdanovskoye deposit		
Severny mine, open pit mine section	Open pit mine	Disseminated ores
Severny mine, underground mine section	Underground mine	Disseminated ores
Zapolyarnoye deposit		
Severny mine, underground mine section	Underground mine	Disseminated ores
Kotselvaara and Semiletka deposits		
Kaula-Kotselvaara mine (since December 2013, Severny mine shaft)	Underground mine	Disseminated ores

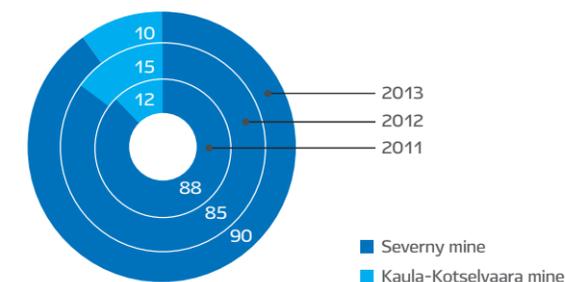
ORE MINING AND METAL CONTENT IN ORES FROM THE MINES OF KOLA MMC, thousand tonnes



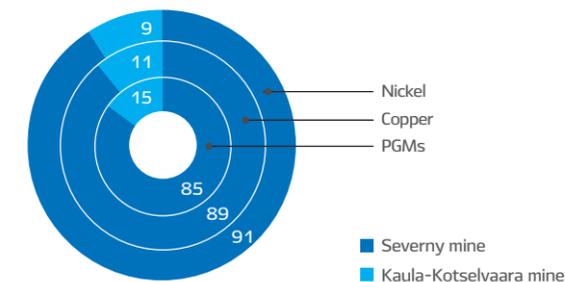
ORE MINING AND METAL CONTENT IN ORES FROM THE MINES OF KOLA MMC, thousand tonnes (continue)



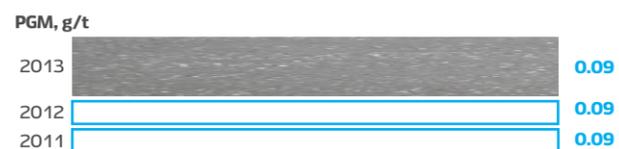
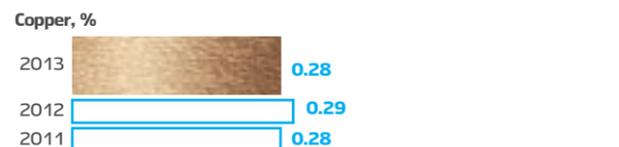
ORE MINING BY KOLA MMC, %



METAL CONTENT IN THE MINES OF KOLA MMC IN 2013, %



AVERAGE METAL CONTENT IN ORES FROM KOLA MMC



METAL RATIOS, %

Kola MMC	2013	2012	2011
ENRICHMENT CYCLE (FROM ORES TO CONCENTRATE)			
Nickel	72.5	71.8	71.5
Copper	74.9	74.4	72.6
REFINING			
Nickel	97.7	97.7	97.7
Copper	97.3	97.3	97.4

ENRICHMENT

In 2013, the amount of ore processed at Kola MMC enrichment plant increased by 16,000 tonnes year-to-year. In 2013, the total concentrate output increased by 1.9 thousand tonnes as compared to 2012, and nickel and copper extraction recovery rates exceeded those of the previous year by 0.68% and 0.48% respectively. Consequently, nickel content in the concentrate rose by 7.1 tonnes year-to-year.

SMELTING

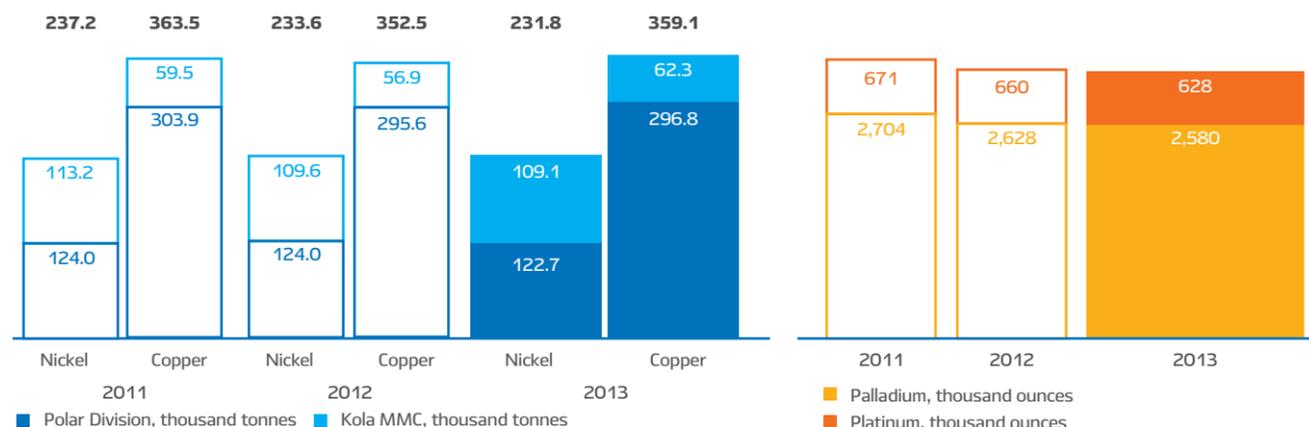
In 2013, the Company's smelting enterprises continued to improve the organisation of the technological processes.

Nickel output from Kola MMC in 2013 was processing flat year-on-year.

Kola MMC's cathode copper output increased, owing to increased tolling processing of the copper cake produced by Norilsk Nickel Harjavalta.

The platinum group metals output in 2013 was below the 2012 figure, due to lower PGM content in the ore.

METAL PRODUCTION VOLUMES IN RUSSIA



International assets

FINLAND. NORILSK NICKEL HARJAVALTA

SUPPLY OF RAW MATERIALS

In 2013, the Company sourced nickel concentrate from Nkomati (South Africa), nickel concentrate from Mirabela (Brazil), nickel concentrate from Titania (Norway), nickel sulphide concentrate from Talvivaara (Finland), high-grate matte from Fortaleza (Brazil) and BHP (Australia). The aggregate volume of concentrate processed by Boliden Harjavalta Smelter amounted to 250,000 tonnes. Concentrates in 2013 were processed under a tolling agreement with Boliden Harjavalta Smelter.

CAPACITY UTILISATION RATES AT BOLIDEN HARJAVALTA SMELTER AND NORILSK NICKEL HARJAVALTA OY

	2013	2012	2011
Concentrates and pyrite smelting, 000 tonnes	255	248	255
Refining capacities utilisation rate, %	69.7	69.4	73.5

EXTRACTION RATES, %

	Nickel			Copper		
	2013	2012	2011	2013	2012	2011
Boliden Harjavalta Smelter	96.4	98.3	96.4	96.4	94.8	91.3
Norilsk Nickel Harjavalta Oy	97.5	96.9	94.5	99.3	99.5	98.2

	Platinum			Palladium		
	2013	2012	2011	2013	2012	2011
Norilsk Nickel Harjavalta Oy	99.3	99.6	96.0	99.3	99.6	96.5

METAL OUTPUT BY NORILSK NICKEL HARJAVALTA, TONNES

In 2013, Norilsk Nickel Harjavalta produced 44.2 thousand tonnes of saleable nickel, including 16.2 thousand tonnes of cathodes, 23.3 thousand tonnes of briquettes, 0.3 thousand tonnes of nickel powder, 4.3 thousand tonnes of nickel salts, and 0.1 thousand tonnes of nickel solution. The Company produced 14.8 thousand tonnes of copper cake, of which 10.3 thousand tonnes were sent to Kola MMC for processing, and 6.5 thousand tonnes were sold to third parties.

In the second half of 2013, the Company adopted an improved leaching technology that ensures better separation of Ni, Cu and PGMs throughout the leaching cycle.

METAL OUTPUT BY NORILSK NICKEL HARJAVALTA OY

	2013	2012	2011
Saleable nickel, tonnes	44,251	45,518	48,524
Copper cake, tonnes	14,830	11,439	12,887
PGMs in copper cake, kg	4,145	2,770	3,119

AUSTRALIA, LAKE JOHNSTON

Lake Johnston was the only Group mine in Australia operating in 2013. In the second quarter of 2013, the mine was placed under conservation as part of a programme designed to curb production costs in order to adapt to an unfavourable situation in the nickel market.

Ore production in 2013 amounted to 229.8 thousand tonnes, with average nickel content being 1.38%. During this period, the enterprise produced 2.8 thousand tonnes of nickel concentrate.

BOTSWANA, TATI NICKEL MINING COMPANY

In 2013, the aggregate volume of ore extracted by Tati Nickel amounted to 11,669,000 tonnes, with an average nickel content of 0.15%.

Since the end of 2013, nickel concentrate output has amounted to 8.1 thousand tonnes, or 34% less than in the previous year. This drop was mainly caused by lower nickel content in the ore.

SOUTH AFRICA, NKOMATI NICKEL MINE

In 2013, aggregate ore output from Nkomati amounted to 4,383,000 tonnes (the Group's share of 50%), with an average nickel content of 0.37%. The Group's share in total nickel concentrate output was 11.918 thousand tonnes, which is a 24% increase on the previous year.

These higher outputs were achieved thanks to a higher metal content in the ore, as well as successful optimisation of the production parameters of the enrichment facilities.

Mineral resources

RUSSIA

In 2013, the economic reserves and mineral ore resources of all deposits of Norilsk Nickel in the Taimyr (Polar Division) and Kola (Kola MMC) Peninsulas changed as a result of their extraction, mining losses, operational exploration and the reclassification of resources as reserves on the sites of newly commissioned production facilities. In addition, changes as a result of the recalculation and adjustment of commercial reserves for a group of Kola MMC deposits were taken into consideration.

As of 2013, the proved and probable ore reserves of deposits in the Taimyr and Kola Peninsulas amounted to approximately 873 million tonnes and contain 7.6 million tonnes of nickel, 12.6 million tonnes of copper and 4 thousand tonnes (128.9 million ounces) of platinum group metals. The measured and indicated resources of mineral

deposits in the Taimyr and Kola Peninsulas amount to approximately 2,028 million tonnes and contain 14.6 million tonnes of nickel, 23.8 million tonnes of copper and 8.1 thousand tonnes (259.7 million ounces) of platinum group metals.

Information on the ore reserves and mineral resources at the Company's disposal as of December 31, 2013 is based on the results of the analysis and prompt conversion of data on the state of balance ore and metal reserves of Russian divisions, calculated according to the Russian classification (5-gr Form Report) of the JORC Code categories. The calculations are performed in accordance with the requirements of the new version of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code), falling into the category of binding ones starting from December 1, 2013, and the Russian Code for the Public Reporting of Exploration Results, Mineral Resources and Mineral Reserves (NAEN Code), and subject to the conditions and rules elaborated in the course of reserves auditing performed by Micon International Co Limited at the fields of the Polar Division of the Company in 2013.

MINERALS RESOURCES AND ORE RESERVES OF TAIMYR AND KOLA PENINSULAS AS OF DECEMBER 31, 2013

Region, deposit, ore type	Ore tonnage 000t	Metal Content					
		Ni, %	Cu, %	Pd, g/t	Pt, g/t	Au, g/t	6 PGM, g/t
TAIMYR PENINSULA							
Proved ore reserves							
Talnakh ore field	349,219	0.76	1.62	3.89	1.05	0.22	5.14
Incl. rich ore	43,565	2.57	3.18	5.07	0.96	0.11	6.36
Incl. cuprous ore	33,283	1.02	4.09	9.59	2.28	0.57	12.00
Incl. disseminated ore	272,371	0.44	1.06	3.01	0.92	0.20	4.11
Norilsk-1 deposit (disseminated ore)	26,993	0.34	0.48	3.98	1.62	0.18	5.92
Probable ore reserves							
Talnakh ore field							
Incl. rich ore	96,878	2.80	3.20	6.62	1.36	0.22	8.48
Incl. cuprous ore	48,944	0.77	3.50	7.60	1.97	0.63	9.79
Incl. disseminated ore	171,154	0.46	0.88	2.59	0.74	0.18	3.54
Total Talnakh ore field	316,976	1.22	1.99	4.60	1.12	0.26	6.01
Norilsk-1 deposit (disseminated ore)	22,282	0.28	0.36	4.19	1.71	0.19	6.22
Total proved and probable ore reserves	715,470	0.93	1.70	4.22	1.13	0.24	5.59
Measured and indicated mineral resources							
Talnakh ore field	1,586,167	0.75	1.40	3.56	0.97	0.22	4.74
Incl. rich ore	121,721	3.21	3.76	7.22	1.45	0.22	9.19
Incl. cuprous ore	69,469	1.07	4.56	10.26	2.56	0.74	13.03
Incl. disseminated ore	1,394,977	0.52	1.04	2.91	0.85	0.19	3.94
Norilsk-1 deposit (disseminated ore)	78,928	0.35	0.48	4.54	1.83	0.19	6.75
Total measured and indicated mineral resources	1,665,095	0.73	1.36	3.61	1.01	0.21	4.83
Total inferred mineral resources	458,258	0.89	1.84	4.39	1.12	0.26	5.76
KOLA PENINSULA (DISSEMINATED ORE)							
Proved ore reserves	74,536	0.56	0.24	0.03	0.02	0.01	0.05
Probable ore reserves	82,702	0.62	0.32	0.03	0.02	0.01	0.06
Total proved and probable ore reserves	157,238	0.59	0.28	0.03	0.02	0.01	0.06
Total measured and indicated mineral resources	362,625	0.68	0.33	0.05	0.03	0.02	0.08
Total inferred mineral resources	144,880	0.63	0.31	0.04	0.03	0.01	0.07

POLAR DIVISION DEPOSITS (TAIMYR PENINSULA)

The Polar Division of Norilsk Nickel develops the reserves of three nickel-copper-sulphide ore deposits in accordance with the relevant licences: Talnakh and Oktyabrskoye, which form the Talnakh ore field, and Norilsk-1 deposit, included in the Norilsk ore field.

The Talnakh deposit is located 25-30 km north of the city of Norilsk and is operated by the Mayak, Komsomolsky, and Skalistsy shafts, which merged in 2010 to become one mine named Komsomolsky, producing rich, cuprous, and disseminated ore.

The Oktyabrsky field is operated by the Oktyabrsky and Taimyrsky mines, as well as the Komsomolsky shaft of the Komsomolsky mine. These mining enterprises produce rich, cuprous, and disseminated ores.

The Norilsk-1 deposit is located near the city of Norilsk and is operated by the Zapolyarny mine, which consists of an open pit and an underground mine.

Metal Volume						
Ni, 000 t	Cu, 000 t	Pd, 000 oz	Pt, 000 oz	Au, 000 oz	6 PGM, 000 oz	
2,645	5,641	43,729	11,824	2,524	57,752	
1,121	1,386	7,096	1,339	153	8,901	
338	1,360	10,260	2,444	612	12,838	
1,186	2,895	26,373	8,041	1,759	36,013	
91	130	3,454	1,409	153	5,137	
2,710	3,101	20,631	4,240	695	26,402	
378	1,712	11,955	3,107	990	15,401	
783	1,498	14,249	4,090	994	19,460	
3,871	6,311	46,835	11,437	2,679	61,263	
63	81	3,001	1,223	133	4,458	
6,670	12,163	97,019	25,893	5,489	128,610	
11,841	22,190	181,756	49,386	10,983	241,560	
3,903	4,572	28,251	5,685	865	35,971	
740	3,171	22,921	5,726	1,652	29,139	
7,198	14,447	130,584	37,975	8,466	176,450	
277	379	11,530	4,652	485	17,139	
12,118	22,569	193,286	54,038	11,468	258,699	
4,078	8,433	64,617	16,445	3,876	84,649	
416	176	68	52	21	124	
515	263	90	66	32	167	
931	439	158	118	53	291	
2,475	1,184	539	359	193	962	
914	450	182	119	59	316	

In 2013, the aggregate ore were reserves reduced by: 271 thousand tonnes of nickel and 461 thousand tonnes of copper.

The operational exploration of copper and nickel ores within the limits of the operating deposits (Oktyabrskoye, Talnakh, Norilsk-1) in 2013 led to the ore reserves increasing by more than 2.8 million tonnes, with an average nickel content of 1.44%, copper content of 3.83% and platinum group metals content of 19.13 g/t. Consequently, the results of this geological exploration offset some reserves depletion. A growth in reserves was recorded primarily due to the follow-up resource exploration of rich ores in the Taimyrsky mine and rich, cuprous and disseminated ores in the Oktyabrsky mine.

Based on the results of an audit conducted in 2013, the proved and probable reserves of the Polar Division totalled more than 715 million tonnes, containing 6.7 million tonnes of nickel, 12.2 million tonnes of copper, and more than 4 thousand tonnes (128.6 million ounces) of platinum group metals.

The measured and indicated mineral resources of the Polar Division totalled more than 1,665 million tonnes, containing about 12.1 million tonnes of nickel, 22.6 million tonnes of copper, and more than 8 thousand tonnes (258.7 million ounces) of platinum group metals.

The Company's deposits on the Taimyr Peninsula (Norilsk-1, Talnakh and Oktyabrsky) offer vast geological potential and should help to maintain reserves at the required level with exploration efforts matching current operations. The reserves of rich and cuprous ore from current mines will be replaced mainly with inferred resources on the flanks of developed deposits. The prospects for the development of mining will be attributed to as yet-untapped rich ore deposits, as well as disseminated and cuprous ore horizons, which will be successively and actively incorporated into development. Approved projects for the preparation of new deposits and horizons in the Talnakh ore field, as well as positive results of geological exploration, should support the a sustainable mineral resources base for the Company for the foreseeable future.

Note:

- The mineral resources and ore reserves of the deposits of the Taimyr and Kola peninsulas were classified according to the Australasian Code for Reporting of Mineral Resources and Ore Reserves (JORC code), created by the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Minerals Council of Australia, subject to the terminology recommended by the Russian Code for Public Reporting of Exploration Results, Mineral Resources, Mineral Reserves (NAEN Code).
- The reserves and resources data is based on the balance-sheet reserves of A, B, C1 and C2 categories (according to the terminology of the State Committee for Mineral Reserves) as of the end of a given calendar year.
- Subtotal and total figures may differ to the sum of individual numbers due to rounding. Certain values may in some instances vary slightly from previously published values.
- The six platinum group metals (PGMs) are platinum, palladium, rhodium, ruthenium, osmium and iridium. Hereafter in the annual report, troy ounces are used as a weight measure for PGMs and gold.
- Proved and probable ore reserves are included in mineral resources
- Ore losses applied ranged from 1.6 % to 26% and dilution from 6% to 31.9%

KOLA MMC DEPOSITS (KOLA PENINSULA)

The following deposits of the Pechenga ore field are currently being developed by the Severny mine: Zhdanovskoye, Zapolyarnoye, Kotselvaara-Kammikivi and Semiletka (Kaula-Kotselvaara underground mine). In addition, the Severny mine develops the Sputnik, Bystrinskoye, Tundrovoye and Verkhneye deposits.

In 2013, the development mining parameters and the volume of commercial reserves of Zhdanovskoye, Kotselvaara-Kammikivi and Semiletka deposits were adjusted, as part of the new reserve development project documentation.

According to the results of the operational exploration of the Zhdanovskoye and Zapolyarnoye deposits conducted in 2013, copper-nickel ore reserves amounting to over 6.3 million tonnes, with an average nickel content of 0.94% and an average copper content of 0.38% were reclassified as higher categories.

In 2013, the aggregate extracted and lost balance-sheet ore reserves of Kola MMC were 60 thousand tonnes of nickel and 24.6 thousand tonnes of copper.

The aggregate proved and probable ore reserves of Kola MMC's deposits are over 157 million tonnes, containing more than 0.9 million tonnes of nickel and over 0.4 million tonnes of copper.

The measured and indicated mineral nickel and copper resources of the Kola Peninsula amount to 363 million tonnes, containing about 2.5 million tonnes of nickel and 1.2 million tonnes of copper.

The volume of the available mineral resource base will allow Kola MMC to maintain its current metal output level for the foreseeable future.

INTERNATIONAL ASSETS**TATI NICKEL, BOTSWANA**

- The Selkirk and Phoenix nickel-copper sulphide ore deposits are part of the Tati ore district.

The Selkirk deposit's measured and indicated mineral resources total 124 million tonnes of ore, with an average nickel grade of 0.23% and an average copper grade of 0.27%.

In 2013, the Phoenix ore reserves and resources changed as a result of a mining and resource recalculation. As of the year end, the amount of the proved and probable resources was equal to 27.1 million tonnes of ore, with an average nickel grade of 0.19% and an average copper grade of 0.13%. The measured and indicated resources amounted to 115.2 million tonnes of ore, with an average nickel grade of 0.21% and an average copper grade of 0.17%.

NKOMATI NICKEL MINE, SOUTH AFRICA

- The Nkomati disseminated nickel-copper sulphide ore deposits are part of the Bushveld complex.

At the end of 2013, the proved and probable reserves amounted to 113.5 million tonnes of ore, with nickel amounting to 363.1 thousand tonnes (0.32%), copper amounting to 147.5 thousand tonnes (0.13%), and PGMs to 3.1 million ounces (0.84 g/t). The reserves changed as a result of mining and recalculation carried out by the Nkomati geological service.

AUSTRALIA. LAKE JOHNSTON

- Emily Ann (abandoned) and Maggie Hays nickel sulphide ore deposits.

At the end of 2013, the ore reserves amounted to 0.7 million tonnes, with an average nickel grade of 1.26%. The ore resource amounted to 7.3 million tonnes, with an average nickel grade of 1.71%. In the beginning of 2013, the mine and the factory were shut down.

BLACK SWAN

- Silver Swan rich ore deposit.
- Black Swan disseminated ore deposit.

The remaining resources of the Black Swan mine amount to 5.9 million tonnes of ore with an average nickel grade of 0.72%. Currently, Extraction at the deposit is currently suspended.

The prospects of the mine may be associated with the exploration of the Silver Swan deposit deep horizons and the expansion of the Black Swan resource base into the development of talc carbonate types of disseminated ores.

CAWSE

The Cawse project is based on a laterite nickel ore deposit. The measured and indicated mineral resources amount to 59.3 million tonnes of ore, with an average nickel grade of 0.71%.

WATERLOO

- Waterloo and Amovac nickel-sulphide ore deposits (abandoned).

The measured and indicated resources of nickel in the deposits amount to 681 thousand tonnes of ore, with an average nickel grade of 1.52%. There are no prospects to expand the resources base and there are no plans to restart production.

AVALON

- Laterite nickel-cobalt ore deposits.

The remaining resources of the Avalon site amount to 88 million tonnes of ore, with an average nickel grade of 0.86%.

HONEYMOON WELL

- Hannibals, Harrier, Corella and Harakka disseminated sulphide-nickel ore deposits.
- Wedgetail solid and vein ore deposit.

The total measured and indicated mineral resources of the Honeymoon Well project contain 173 million tonnes of ore, with an average nickel grade of 0.67%.

INTERNATIONAL ASSETS: MINERAL RESERVES AS OF DECEMBER 31, 2013

	Ore 000't	Metal Content			Metal Volume		
		Ni, %	Cu, %	4PGM, g/t	Ni, 000 t	Cu, 000 t	4PMG, 000 oz
SULPHIDE NICKEL							
Botswana							
Selkirk							
Measured and indicated mineral resources	124,000	0.23	0.27	0.57	285	335	2,272
Inferred mineral resources	11,300	0.27	0.3	0.56	30.20	34.30	203
Phoenix							
Proved and probable	27,061	0.19	0.13	-	52.20	36.20	-
Measured and indicated mineral resources	115,200	0.21	0.17	-	238.60	200.20	-
Inferred mineral resources	10,756	0.18	0.14	-	18.90	15.10	-
SOUTH AFRICA							
Nkomati							
Proved and probable ore reserves	113,480	0.32	0.13	0.84	363.10	147.55	3,065
Measured and indicated mineral resources	241,350	0.35	0.14	0.87	844.70	337.90	6,752
Australia							
Lake Johnston							
Proved and probable ore reserves	719	1.26	-	-	9.13	-	-
Measured and indicated mineral resources	5,655	1.71	-	-	97.90	-	-
Inferred mineral resources	1,666	1.71	-	-	28.50	-	-
Black Swan							
Proved and probable ore reserves	3,535	0.68	-	-	23.95	-	-
Measured and indicated mineral resources	6,017	0.81	-	-	48.70	-	-
Inferred mineral resources	1,807	1.26	-	-	22.70	-	-
Waterloo							
Proved and probable ore reserves	11	2.37	-	-	0.30	-	-
Measured and indicated mineral resources	681	1.52	-	-	10.40	-	-
Inferred mineral resources	388	2.09	-	-	8.10	-	-
Honeymoon Well							
Measured and indicated mineral resources	173,300	0.68	-	-	1 180.50	-	-
Inferred mineral resources	11,900	0.68	-	-	80.92	-	-
LATERITIC NICKEL							
Cawse							
Proved (stockpiled) ore reserves	3,757	0.65	-	-	24.40	-	-
Measured and indicated mineral resources	59,275	0.71	-	-	422.30	-	-
Inferred mineral resources	117,210	0.68	-	-	797	-	-
Avalon							
Measured and indicated mineral resources	88,000	0.86	-	-	756.80	-	-
Inferred mineral resources	81,800	0.79	-	-	646.20	-	-
Honeymoon Well							
Inferred mineral resources	339,000	0.81	-	-	2,745.90	-	-

Geological exploration

Russia

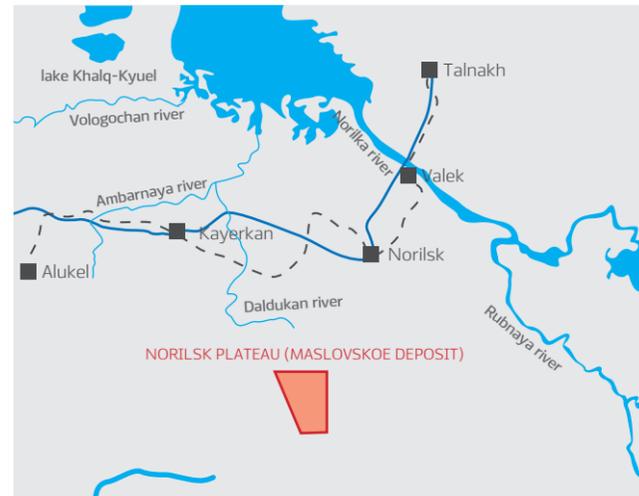
TAIMYR PENINSULA

Geological exploration in the Taimyr Peninsula is aimed at replacing the platinum-nickel-copper ore and other mineral reserves of the Polar Division in order to ensure stable operation of the Company's mining and metallurgical facilities in the Norilsk industrial region.

Exploration targets the following areas: the Maslovskoe deposit, the deep horizons and flanks of the Oktyabrskoye and Talnakh deposits, and the northern flank of the Norilsk-1 deposit. In the northwest of the Taimyr Peninsula, prospecting and appraisal of coking coal was conducted in the Syradasaiskaya area, while prospecting and appraisal of industrial limestone was carried out in the Verkhne-Tomulakhskaya area.

Geological exploration conducted in the Kureysko-Gorbiachinskaya and Verkhne-Turumakitskaya areas failed to find mineral ores on an industrial scale.

MASLOVSKOYE DEPOSIT



MASLOVSKOYE DEPOSIT

The deposit is located within the Norilsk industrial region, 12 km south of the Medvezhy Ruchey open pit. This is the basis for the development of the Norilsk-1 deposit.

Geological exploration carried out between 2006 and 2009 in the disseminated ore reserves of the Maslovskoye deposit was booked by the Government Reserve Commission of the Federal Subsurface Management Agency of the Russian Federation (Rosnedra). Estimated disseminated ore reserves validate the Maslovskoye deposit as one of the world's largest platinum-copper-nickel deposits. In 2010, the Company obtained a certificate confirming the discovery of the Maslovskoye mineral deposit. A request for a licence for the use of subsurface resources for the purpose of exploration and production of platinum, copper and nickel ores was submitted to the Government Reserve Commission of the Federal Subsurface Management Agency of the Russian Federation upon discovery of the Maslovskoye mineral deposit.

The Maslovskoye mineral deposit revealed the presence of rich vein-disseminated ores. In 2013, an assessment of vein-disseminated ore bodies was conducted in the area.

BALANCE SHEET OF MINERAL RESERVES IN THE MASLOVSKOYE DEPOSIT

	Mineral reserves of categories C1 +C2	Metal content in ore
Ore (million tonnes)	215	
Palladium (000 ounces)	32,262	4.56 g/tonne
Platinum (000 ounces)	12,479	1.78 g/tonne
Nickel (000 tonnes)	728	0.33 %
Copper (000 tonnes)	1,122	0.51 %
Cobalt (000 tonnes)	34	0.016 %
Gold (000 oz.)	1,304	0.19 g/tonne

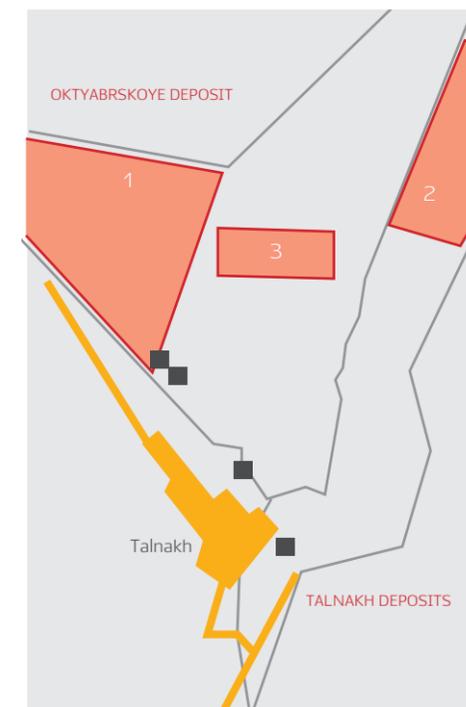
- Populated Area
- Prospects
- - Railroads

FLANKS AND DEEP HORIZONS OF THE TALNAKH ORE FIELD

Since 2009, geological exploration was focused on the search of rich and cuprous ores within the mining allotments of the Talnakh and Oktyabrskoye deposits. In 2010, the reserves of the western flank of the Oktyabrsky mine were calculated. The reserves discovered and booked with the government as categories C1+C2 were: 6,204 thousand tonnes of sulphide copper-nickel ores, comprised of 65 thousand tonnes of nickel, 215 thousand tonnes of copper, and 1,447 thousand ounces of platinum group metals.

Geological exploration is underway on the northern flanks of the Taimyr mine, the eastern flanks of the Skalisty, the field of the Mayak shaft, and the south flank of the Talnakh deposit. New exploration wells opened up fresh bodies of sulphide copper-nickel ores. On the southwest flank of the Medvezhy Ruchey open pit, based on current geological exploration, the anticipated balance reserves will amount to 30-40 million tonnes of ore available for open pit.

TALNAKH ORE FIELD



SYRADASAISKAYA AREA

The Syradasaiskaya area lies in the Dixon District of the Taimyr Peninsula (Krasnoyarsk Krai), 110 km southeast of the town of Dixon. This is the most explored part of the Taimyr Coalfield, and it is estimated to contain 186 billion tonnes of coal, including 75 billion tonnes of coking coal.

Between 2008-2013, a survey discovered 27 coal layers, between 0.2 and 17.62 m thick and 7-10 km long. Deposits of category P1+P2 coals are estimated at 5.05 billion tonnes, including 3.7 billion tonnes of category P1 that allows for open-cut development. More than 90% are coking coals.

SEARCH AND EVALUATION OF LIMESTONE IN THE VERKHNE-TOMULAKHSKAYA AREA

The Verkhne-Tomulakhskaya area is located in Taimyr municipal district, adjacent to the northern borders of the town of Talnakh. The area's centre is 10 km away from the industrial sites of the Oktyabrsky and Taimyr mines.

The area has been surveyed and reported. The estimated increase in limestone reserves is around 70 million tonnes.



KOLA PENINSULA

In 2013, the Company continued exploration on the Kola Peninsula to extend the platinum-copper-nickel-sulphide ore resource base of Kola MMC. The work was carried out at four sites: the Allarechenskaya, Solenoozerskaya and Yuzhno-Kovdorskaya areas and the Monchegorsk ore district (Vuruchuaivench deposit).

ALLARECHENSKAYA AREA

In 2010-2013, geological-geophysical land and drilling operations were carried out for the purpose of confirming complex anomalies that were discovered following an aeromagnetic survey and land geochemical and geophysical operations conducted between 2007 and 2009. For the first time, the exploratory wells penetrated several differentiated and undifferentiated intrusive rocks containing copper and nickel ores of the Pechenga type, with a commercial nickel content.

The Company's plans for 2014 include finalising and reporting on its exploration and evaluation in Allarechenskaya.



VURUCHUAIVENCH DEPOSIT

The Vuruchuaivench platinum group metal deposit is located in the centre of the Kola Peninsula and Murmansk region, 10 km outside Monchegorsk and 5 km from the site of the Severonikel plant owned by Kola MMC.

Geological exploration which started in 2004 uncovered a platinum group metal deposit in 2008. A request was submitted for a licence for exploration and production upon discovery of the deposit.

In 2013, the Company completed a feasibility study on provisional exploratory standards and a report on the calculation of reserves for all deposit sites, with the purpose of expanding the base and its precious metals reserves. The materials passed a geological expert review in the Government Reserve Commission of the Federal Subsurface Management Agency of the Russian Federation (Rosnedra).

BALANCE SHEET OF MINERAL RESERVES OF THE VURUCHUAIVENCH DEPOSIT

Mineral reserves of categories C1 +C2	
Ore (million tonnes)	83.6
Nickel (000 tonnes)	248.2
Copper (000 tonnes)	164.9
Cobalt (000 tonnes)	10.9
Platinum (000 ounces)	569
Palladium (000 ounces)	2,781
Gold (000 ounces)	144

SOLENOOZERSKAYA AND YUZHNO-KOVDORSKAYA AREAS

Geological exploration concluded. No industrial mineral ore deposits were found.

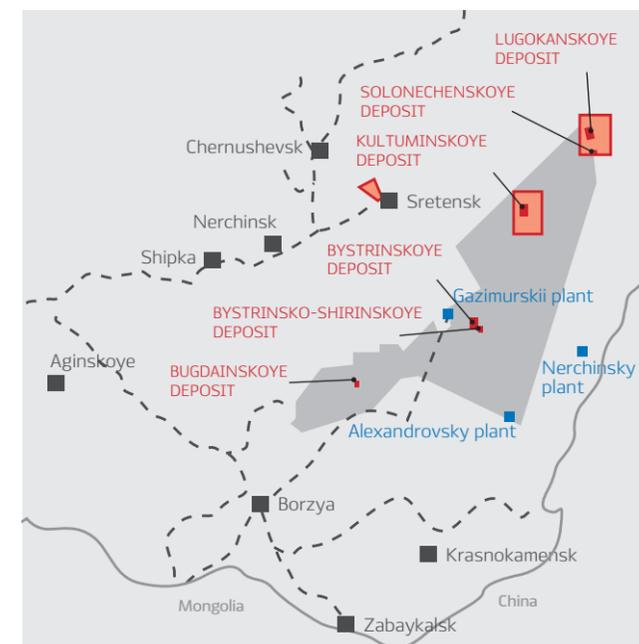
Other regions in Russia

CHITA PROJECT (ZABAİKALYE KRAI)

Since 2007, geological exploration has been conducted at five sites in the Zabaikalsk region, as part of a public-private investment partnership, "Construction of transport infrastructure for the development of mineral resource base of the southeastern part of Zabaikalye Krai".

Alongside mine development and the construction of mining and processing works, the investment project includes the construction of railroad infrastructure in order to support the comprehensive development of the mineral resource potential in the Zabaikalye Krai. The implementation of this project should result in the development of a major mining complex in the Zabaikalye Krai on the base of the Bystrinskoye copper-iron-gold deposit and the Bugdainskoye molybdenum deposit. The resolution of the Government of the Russian Federation No. 1872-r of October 25, 2010 excluded the Kultuminskoye, Lugokanskoye and Solonechenskoye deposits from the Chita investment project, as their development was not economically viable in the current climate.

GENERAL MAP OF ZABAİKALYE SOUTHEAST



BYSTRINSKOYE DEPOSIT

The Bystrinskoye deposit is located in the Gazimur-Zavodsky district of the Zabaikalye Krai. The nearest inhabited areas are the Novoshirokinskoye settlement, 14 km to the northeast, and Gazimursky Zavod, the district centre, 25 km to the northwest.

RESERVES OF BYSTRINSKOYE DEPOSIT BY CATEGORIES B+C1+C2

	Mineral reserves
Ore (million tonnes)	292
Copper (000 tonnes)	2,073
Gold (000 ounces)	7,596
Silver (000 ounces)	34,083
Magnetite iron ore (million tonnes)	67

In 2010, front-end engineering was finalised for the design of a mining and processing works on the base of the Bystrinskoye deposit.

In 2011, the Company started the construction of access railways and roads for its future mining and processing works.

In 2012, a geological engineering survey was completed for the facilities of the Bystrinsky mining and processing works and project documentation was developed for the construction of the Bystrinsky mining and processing works. That same year, roads leading to the transportation hub of the mining and processing works (Bystrinskaya station) were constructed. In 2013, construction began on the mining and processing works.

In 2013, to expand the reserves, geological exploration and appraisal of copper-iron-gold deposits was carried out on the flanks and deep horizons of the deposits. Drilling confirmed the extension of commercial mineralisation on both the flanks and deep horizons of the identified sites. The estimated increase in metal reserves is as follows: copper – 1.3 million tonnes; gold – 4 million ounces; silver – 20.5 million ounces; iron – 27.5 million tonnes.

BUGDAINSKOYE DEPOSIT

The Bugdainskoye molybdenum deposit is located in the Alexandrov-Zavodsky district of Zabaikalye Krai. In 2006-2007, geological exploration was conducted at the deposit to prepare for commercial development. In December 2007, the State Reserves Committee confirmed the resources of the deposit as B+C1+C2 categories.

RESERVES OF BUGDAINSKOYE DEPOSIT BY CATEGORIES B+C1+C2

	Mineral reserves
Ore (million tonnes)	812
Molybdenum (000 tonnes)	600
Gold (000 ounces)	360
Silver (000 ounces)	6,221
Lead (000 tonnes)	41

In 2010-2012, a geological engineering survey was carried out to establish the access routes to the facilities of the Bugdainsky mining and processing works. Laboratory and technological studies were also conducted for the design of the mining and processing works.

In 2012, the Company started construction of the access routes to the Bugdainsky mining and processing works. Design work for the site is ongoing.

Development of the deposit began in 2013.

BYSTRINSKO-SHIRINSKOYE GOLD DEPOSIT

The Bystrinsko-Shirinskoye gold deposit is located in the Gazimur-Zavodsky district of the Zabaikalye Krai, 24 kilometres southeast of Gazimur Zavod. The Bystrinsko-Shirinsky licence area borders with the Bystrinskoye deposit, now being developed by the Company as part of the Chita Investment project.

A follow-up exploration in the central, flanks and deep areas was carried out between 2007 and 2009, with the aim of determining the reserve potential of the Bystrinsko-Shirinskoye deposit.

In 2009, the Company prepared a feasibility study of provisional exploratory standards and a report calculating gold reserves, which in 2010 passed the state expert examination.

In 2011, the Company started geological exploration for the appraisal of the deposit flanks and the technological study of ores for the purpose of preparing a feasibility study of the provisional exploratory standards. This work continued in 2012-2013. As a result, the boundaries of the deposits were extended. In the western flank, copper porphyrymineralisation was discovered, in addition to ore mineralisation. An assessment has been conducted on the P1 category resources, and field data quality control works are underway in order to substantiate the assigning of the C2 category. According to preliminary data, increase in the reserves amounted to 1,929 thousand ounces of gold, 262 thousand tonnes of copper and 3,022 thousand ounces of silver.

RESERVES OF BYSTRINSKO-SHIRINSKOYE FIELD BY CATEGORY C2

	Mineral reserves
Ore (million tonnes)	2.4
Gold (content 2.6 g/tonne) 000 ounces	196
Silver (000 ounces)	84

SRETEANSKAYA AREA

The Sretenskaya area is located in the Sretensky district of the Zabaikalye Krai near the town of Sretensk, a district centre.

Geological exploration in 2006-2008 discovered several prospects in the area. In 2011, appraisal work was conducted within the Zergunsky gold ore prospect that revealed an ore deposit within the site. The Company prepared a feasibility study of provisional exploratory standards and a report calculating gold reserves, which passed the state expert examination in 2012.

A certificate confirming the discovery of the deposit was received in 2012, and in 2013, a licence was issued authorising the prospecting and production of gold and associated components.

RESERVES OF ZERGUNSKOYE FIELD BY CATEGORY C2

	Mineral reserves
Ore (million tonnes)	3.8
Gold (content 2.3 g/tonne) 000 ounces	283
Silver (000 ounces)	136

LUGOKANSKAYA AREA

The Lugokanskaya area is located in the southeast part of the Zabaikalye Krai, 200 kilometres northeast of Gazimursky Zavod.

Geological exploration conducted in 2006 - 2008 discovered several prospects in the area and estimated the resources of copper, gold and iron in categories P1 and P2.

LUGOKAN ORE OCCURRENCE

In 2013, assessment continued in the Lugokan gold-copper occurrence, as part of efforts to develop provisional prospecting conditions and to prove the reserves of gold, copper and silver by the Rosnedra Federal Office. The estimated reserves of the Lugokan Ore Occurrence are: copper – 302,000 tonnes, gold – 1,929 thousand ounces and silver 19,293 thousand ounces.

SEREBRYANOYE DEPOSIT

Between 2011-2013, geological prospecting assessed the most promising Serebryanoye field for gold and silver. In 2013, the feasibility study of provisional prospecting conditions and the report on estimated reserves of gold and silver passed the government panel.

CHEREN-ZARECHNOYE ORE OCCURRENCE

In 2012, an occurrence of gold ore was discovered and localised on the southwest flank of the Serebryanoye field in the Cheren-Zarechnoye area. In 2013, specialists estimated the scale of ore available. The reserves of category C2 gold and silver were measured and added to the government registry.

Total reserves found in the Serebryanoye field, including the Cheren-Zarechnoye area, amount to 1,312 thousand ounces of gold and 19,183 thousand ounces of silver.

KULTUMINSKAYA AREA

The Kultuminskaya area is located in the southeastern part of the Zabaikalye region, 100 km northeast of Gazimursky Zavod.

In 2006 - 2008, extensive geological exploration appraised the Kultuminskoye gold-iron-copper deposit. A feasibility study of provisional exploratory standards with a calculation of the reserves at the deposit was prepared. In 2009, the reserves were validated by the Rosnedra. In 2010, a certificate confirming the discovery of the deposit was obtained. A request was submitted for a licence to use subsoil resources for the purpose of exploration and production of gold-iron-copper ores upon discovery of the deposit.

RESERVES OF KULTUMINSKOYE FIELD BY CATEGORIES C1+C2

	Mineral deposits
Ore (million tonnes)	181
Copper (thousand tonnes)	587
Gold (thousand ounces)	3,894
Silver (thousand ounces)	30,468
Magnetite iron (thousand tonnes)	33

Norilsk Nickel International

NORILSK NICKEL AFRICA

BOTSWANA

Prospecting during 2012-2013 was conducted within 8 licensed sites with total areas of 259 square kilometres adjacent to the Phoenix and Selkirk deposits. Seven geological mining exploration licences were issued to Tati Nickel, while on a site owned by Mokgweetsi Mining, work was carried out jointly by both companies.

Prospecting work included an airborne geophysical survey (using magnetic and electromagnetic methods), geological mapping and a geochemical survey of the secondary dissemination aureoles. As a result of an aerial land survey of the licensed territories, 14 anomalous sites with a prospect of a copper-nickel-sulphide ore body were discovered. An additional geophysical land survey and accompanying geochemical work revealed a large, complex anomaly with the prospect of a blind nickel sulphide ore body on the Sekuke site.

SOUTH AFRICA

In 2012-2013, a geological survey in South Africa addressed the Doornhoek exploration project at the northwest end of the Uitkomst intrusion that comprises the Nkomati deposit. One 1,202 m deep well was drilled, the lower level of which opened up disseminated copper-nickel ores with a nickel grade up to 0.6%.



NORILSK NICKEL AUSTRALIA

The production assets include 213 territories licensed for the prospecting, exploration and production of nickel and ore. The assets are managed by the Company's Australian office, NN Australia, located in Perth.

LAKE JOHNSTON

In 2012-2013, geological exploration was conducted in the key areas of Taylor Rock, Johnny Turk, Emily Ann Up-Dip, and the flanks of the Maggie Hays mines. Drilling in all areas discovered sulphide mineralisation with a commercial content of nickel.

ALBION DOWNS

Operations on the Albion Downs licensed site have been carried out by a joint venture with BHP Billiton-Nickel West. Two potential deposits of nickel sulphide ores, West Jordan and Jericho, have been discovered on the site.

The West Jordan resource potential is estimated at 100 million tonnes of ore, with an average nickel grade of 0.59%, and 590 thousand tonnes of nickel. The Jericho resource potential amounts to 34.5 million tonnes of ore, with an average nickel grade of 0.6%, and 207 thousand tonnes of nickel.

The Albion Downs area lies south of the Honeymoon Well licensed sites and is a possible additional resource base for future mining and metallurgical works.



Sales and distribution

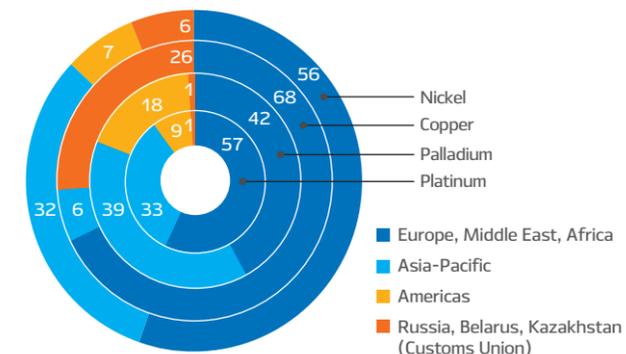
The Company is committed to the long-term and sustainable development of its core markets. Therefore, the Company's strategy is to maintain a reliable and transparent distribution system, direct relationships with customers and avoid any actions that might cause an artificial market deficit. In 2013, the Company's share of direct sales to end users remained at a high level.

The Company is committed to further strengthening its reputation as the most reliable supplier, considering this to be an essential requirement to achieve its long-term sales objectives. Norilsk Nickel remains one of the only companies in the industry that has never failed to deliver its contracts, even in force majeure situations. In 2013, there were no customer complaints regarding supply disruption to the Company shipment, with the aggregate volume of shipments amounting to 14,000.

AVERAGE SELLING PRICES OF METALS PRODUCED BY RUSSIAN ENTERPRISES FROM THEIR OWN RAW MATERIALS IN 2013

Metal	2013	2012	Change (%)
Nickel (USD per tonne)	15,156	17,719	(14%)
Copper (USD per tonne)	7,397	8,016	(8%)
Palladium (USD per ounce)	725	643	13%
Platinum (USD per ounce)	1,481	1,549	(4%)

METALS SALES BY REGION IN 2013, % Volume of Sales



SALES OF METALS PRODUCED BY THE GROUP

Metal	2013	2012	2011
FINISHED PRODUCTS			
Russian entities			
Nickel (000 tonnes)	232	234	234
Copper (000 tonnes)	358	352	358
Palladium (000 ounces)	2,579	2,629	2,665
Platinum (000 ounces)	629	652	655

Finland			
Nickel (000 tonnes)	45	46	50
Palladium (000 ounces)	42	20	-
Platinum (000 ounces)	18	8	-

TOTAL FINISHED PRODUCTS			
Nickel (000 tonnes)	277	280	284
Copper (000 tonnes)	358	352	358
Palladium (000 ounces)	2,579	2,629	2,665
Platinum (000 ounces)	629	652	655

SEMI-PRODUCTS

Australia			
Nickel (000 tonnes)	2	6	-

Botswana			
Nickel (000 tonnes)	7	7	7
Copper (000 tonnes)	5	5	6
Palladium (000 ounces)	24	27	31
Platinum (000 ounces)	4	5	6

Finland			
Copper (000 tonnes)	7	1	5

TOTAL SEMI-PRODUCTS			
Nickel (000 tonnes)	9	13	7
Copper (000 tonnes)	12	6	11
Palladium (000 ounces)	24	27	31
Platinum (000 ounces)	4	5	6

GROUP TOTAL, EXCLUDING SOUTH AFRICA

Nickel (000 tonnes)	286	293	291
Copper (000 tonnes)	370	358	369
Palladium (000 ounces)	2,645	2,676	2,696
Platinum (000 ounces)	651	665	661

SOUTH AFRICA

Nickel (000 tonnes)	11	9	5
Copper (000 tonnes)	5	4	2
Palladium (000 ounces)	33	25	19
Platinum (000 ounces)	12	9	6

GROUP TOTAL, INCLUDING SOUTH AFRICA

Nickel (000 tonnes)	297	302	296
Copper (000 tonnes)	375	362	371
Palladium (000 ounces)	2,678	2,701	2,715
Platinum (000 ounces)	663	674	667

Transportation and logistics

KEY TRANSPORTATION AND LOGISTICS FIGURES IN 2013

Corporate sea fleet:

6 heavy-duty ice-breaking capacity cargo ships

Corporate railroad rolling stock:

118 units

Corporate river fleet:

514 cargo ships
(239 self-propelled and 275 towed)

Air fleet:

45 aircraft



Norilsk Nickel owns a unique Arctic transport fleet, consisting of five container vessels of the Norilsk Nickel type and a Yenisei heavy-duty ice-breaking capacity class tanker (ARC 7 in the PMPC classification). The technical capabilities of the Company's sea fleet allow navigation through Arctic ice up to 1.5 metres thick without the assistance of icebreakers.

In 2013, total water freight turnover in the Port of Dudinka (Polar Transportation Branch) was 3.1 million tonnes, including 1.0 million tonnes of cargo transported via the Northern Sea Route, and more than 2.1 million tonnes - over the Yenisei River.

The Company's dry cargo fleet provides year-round regular service between the sea ports of Dudinka, Murmansk, Arkhangelsk, Rotterdam and Hamburg. In 2013, the Company's own ships made 58 voyages and carried 1.1 million tonnes of cargo, including 11 direct voyages to bring exported metal products to European ports.

The Yenisei tanker ensures a year-round regular supply of oil products to the Norilsk industrial district and the transportation of exported gas condensate from the developed Pelyatkinskoye field to European ports. In 2013, the Yenisei tanker undertook 6 coastal cruises from Murmansk to Dudinka (with 77,000 tonnes of petroleum products transported); 10 voyages from Dudinka, including seven voyages to European ports (88,000 tonnes of gas condensate) and three voyages to Murmansk (38.5 tonnes of gas condensate). The tanker also sailed between European ports on another four occasions. During the reporting period, the Yenisei carried 203.5 thousand tonnes of cargo for the Company's subsidiaries and affiliates (gas condensate and petroleum products), and 58.3 thousand tonnes of third-party cargos.



DEVELOPMENT OF TRANSPORTATION AND LOGISTICS INFRASTRUCTURE

In 2013, the Company continued construction of its own transshipment terminal in Murmansk. The project capex amounted to USD 11 million, including funds to purchase a traction engine that will move cargoes within the terminal premises. The current project phase allowed for the start partial transshipment of the Company's cargos at the terminal from early 2014. The terminal's construction is scheduled for completion at the end of 2014. In 2013, the terminal processed approximately 73,000 tonnes of cargo from 14 transiting sea ships.

At Dudinka Seaport, used by our Polar Transport Branch, the reconstruction of four tankers able to process over 50% of the Yenisei's cargo was completed.

As part of the programme to retrofit the gantry cranes in the Polar Transport Branch in 2013, two new gantry cranes were delivered with a lifting capacity of 64 tonnes that will operate on the port's river berths. Under the programme 14 old gantry cranes are scheduled for replacement with six new ones, plus one mobile crane that is able to lift 42 tonnes. In 2013, the Polar Transport Branch received four such gantry cranes, while the fifth gantry crane and a mobile crane are expected to arrive in 2014. The programme is due for completion once a sixth gantry crane is delivered.

In 2013, the Company commissioned 800 new containers, specially designed to transport the high-grade matte produced by the Polar Division and sent for processing to the Kola MMC. The commissioning of the containers marked the end of the 2010-2013 programme to renovate the storage area for containers, with all special containers needed for metallurgical products now available.

The Arkhangelsk Transport Branch upgraded its two gantry cranes to a lifting capacity of 40 tonnes. These were moved from the Polar Transport Branch, and are now used to tranship the Company's cargo in Arkhangelsk Commercial Seaport.

In 2013, the facility for special port equipment at Arkhangelsk Commercial Seaport was expanded. The port purchased a heavy forklift with a lifting capacity of 32 tonnes, a reach stacker with a lifting capacity of 45 tonnes, and five new port tractors. Arkhangelsk Commercial Seaport handles the transshipment of most of the cargo for the logistic supplies of the Company's units in the Norilsk Industrial District, and its commodity metal products for the domestic market.

OJSC "Enisey River Shipping Company" continued to upgrade its the river fleet, having commissioned the construction of several 3,000-tonne barges. A fifth barge was built, and construction began on a sixth. The barges will be used to carry sand needed for smelting production in the Polar Division.

In 2013, the automation of processes continued with an aim to organise the Company's shipments and the management of transportation logistics infrastructure, based on advanced IT solutions.

The Krasnoyarsk Transport Branch of Norilsk Nickel began a pilot operation of an automation system for commodity transportation logistics, using Oracle Transportation Management as the platform. The system is expected to improve the planning and management efficiency of shipments, better organise the document flow, and enable the operative and managerial reporting required for the economic analysis of shipping operations and executive decision-making. The system will be integrated to completely automated inventory and resource supply a management system.

The Company's transition to Oracle TM at the functional and administrative level is scheduled for the first quarter of 2014.

In 2014, the Company's transport infrastructure is scheduled for further improvement to continue to ensure the timely and safe shipments of all scheduled cargo, including finished products, semi-products, shop floor logistical cargo and consumer supplies.

The aircraft fleet of Norilsk Nickel Group in 2013 included 45 aircraft, of which 18 were helicopters (operated by Norilsk Branch of Taimyr Airlines), and 27 airplanes (operated by Nordavia Regional Airlines and Nordstar, the Moscow Branch of Taimyr Airlines).

In 2013, our air carriers moved 2.1 million passengers and 11.8 thousand tonnes of cargo, or 102% and 91% respectively, compared to 2012:

S/no	Item	Unit	Value
I. Production programme performance of NF Taimyr Airlines			
1	Passengers carried	persons	55,270
2	Cargo and mail moved	tonnes	2,359
3	Number of aircraft used	units	18
II. Production programme performance of MF Taimyr Airlines			
1	Passengers carried	persons	1,243,360
2	Cargo and mail moved	tonnes	6,448
3	Number of aircraft used	units	16
III. Production programme performance of Nordavia Regional Airlines			
1	Passengers carried	persons	765,361
2	Cargo and mail moved	tonnes	2,998
3	Number of aircraft used	units	11

In addition, the Norilsk Branch of Taimyr Airlines used 7,196 helicopter flying hours for:

- Norilsk Nickel Group production activities (personnel transport, moving production equipment and life support supplies, airborne monitoring of production facilities, and other services);
- Search and rescue; helicopter and crew standby 24/7, and a lifeguard service within a 320-km radius, encompassing Norilsk airport as a hub for local flights of trunk line aircraft, including airplane service to Norilsk as required by civil aviation regulations;
- Passenger service on local air routes (about 6.4% of total hours)

The Norilsk Branch of Taimyr Airlines is the only company able to respond to emergency situations in all production and social activity spheres in the Norilsk Industrial District.

Review of fuel and energy

KEY COMPANY FUEL AND ENERGY INDICATORS IN 2013

Output of natural gas:

3,931 million m³

Output of gas condensate:

121,000 tonnes

Number of hydrocarbon deposit fields:

4

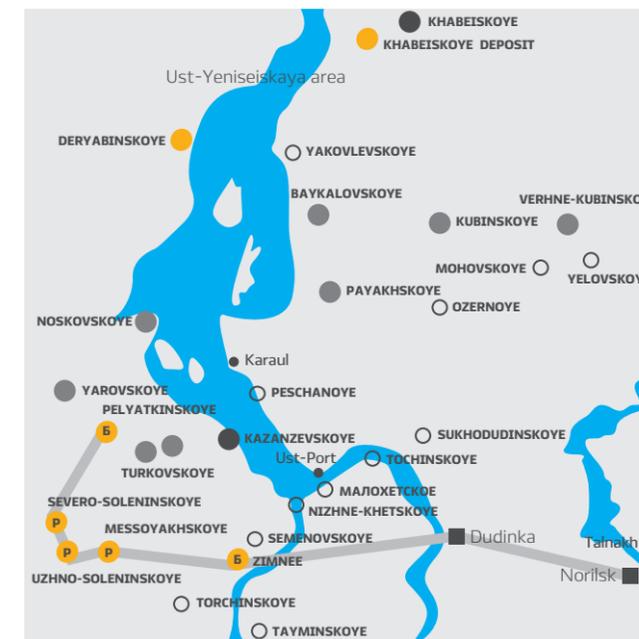
Norilsk Nickel extracts hydrocarbons (natural gas and condensate) at the following fields:

- Pelyatkinskoye;
- Severo-Soleninskoye gas condensate field;
- Yuzhno-Soleninskoye gas condensate field;
- Messoyakhskoye gas field.

The Pelyatkinskoye field, the largest of all gas condensate fields that Norilsk Nickel is currently developing, is operated by the Company's subsidiary OJSC Taimyrgaz and covers the needs of the Norilsk industrial district.

Industrial District. The neighbouring fields – Messoyakhskoye gas field, Yuzhno-Soleninskoye and Severo-Soleninskoye gas condensate fields, developed by the Group's affiliate Norilskgazprom – are in the declining stages of gas production, and their reserves are more than 50% depleted.

The gas is sold to Norilsk Nickel and the Norilsk-Taimyr Energy Company as a fuel to generate thermal and electric power, and for production assets. The main centres of operation are in Taimyr Dolgano-Nenets Municipal District (Krasnoyarsk region), Yamalo-Nenets Autonomous District (Tyumen region), and the Municipality of Norilsk (Krasnoyarsk region).



PELYATKINSKOYE GAS FIELD

The Concept for the Development of Gas Complex Facilities in the Norilsk Industrial District envisages the expansion of the Pelyatkinskoye gas condensate deposit field. In 2013, the Company commissioned four gas production wells on Cluster Site 5 of the Pelyatkinskoye GCF. Construction and installation by contractors have continued in order to stabilise gas supplies in the Norilsk Industrial District by raising the output capacity of the Pelyatkinskoye GCF. For example, SpetsTruboprovodStroy, as a contractor acting for Taimyrgaz, built 15 km of looping pipe in the Pelyatkinskoye GCF Gas Pipeline Section, to Severo-Soleninskoye GCF. This was connected to the operating gas line, and since December 2013, gas has been transported via the new pipeline.

Surveing works also continued in 2013. Development of the Pelyatkinskoye gas condensate field was carried out and in line with a technical project approved in 2012.

OUTPUT OF NATURAL GAS AND GAS CONDENSATE BY TAIMYRGAZ

	2013	2012	2011
Natural gas, million m ³	2,330	1,678	1,687
Gas condensate, thousand tonnes	118	90	84

In 2013, the system of collecting and treating natural gas and hydrocarbon condensate in the Yuzhno-Soleninskoye and Severo-Soleninskoye deposit fields underwent comprehensive scrutiny. As a part of research and development works, the outcome of a gas condensate survey was carried out on the wells, with gas samples taken and examined for separation, decontamination and stabilised condensate. The primary causes of lower condensate extraction rates, and consequently lower condensate production from the deposit pools, were determined, and as a result:

1. Estimates were prepared for condensate output by adding layers to the injection pressure.
2. Recommendations were issued on changing the integrated oil and gas treatment unit flow charts, specifically in relation to the use of booster compressor stations to enable the operation of gas condensate wells in optimum modes and ensure the wells do not get jacked.

3. Scientific support (follow-up) was provided to implement development projects in Severo-Soleninskoye, the Yuzhno-Soleninskoye gas condensate fields, and the Messoyakhskoye gas deposit field.
4. Development of the deposit fields was monitored using hydrodynamic, geophysical, and field-production methods in order to explore the potential for operation wells.

OUTPUT OF NATURAL GAS AND GAS CONDENSATE BY NORILSK-GAZPROM

	2013	2012	2011
Natural gas, million m ³	1,601	1,648	1,808
Gas condensate, thousand tonnes	3	4	3

In addition to Taimyrgaz and Norilskgazprom, the Company's fuel and energy complex include the following subsidiaries:

- **NTEK** – engaged in production, transmission, and supply to end-users of electric and thermal energy, with assets leased from Norilskenergo and Taimyrenergo;
- **Norilskenergo**, a branch of Norilsk Nickel, and the owner of fixed assets of TPP-1, TPP-2, TPP-3, and all power grids;
- **OJSC Taimyrenergo** – the owner of two hydroelectric plants, Ust-Hantay and Kurey;
- **NZEK** – the operator of residential properties of the Norilsk Industrial District.

The generation and sales of electric power by NTEK accounts for about 1% of total generation in the Russia's United Energy Grid and regional grids in Russia, while its share in production and sales of heat to Russian systems of central heat supplies is also around 1%.

The following are the key events of 2013:

- Stable power supplies were ensured Norilsk Nickel Group, as well as other consumers and citizens of the Norilsk Industrial District, while demand for electric power from Norilsk Nickel Group increased. In addition, there were abnormally low inflows to the water reservoirs of NTEK hydro-power plants in 2013, so that the thermal power station had to increase power generation by 37.4% compared to 2012;
- Permits were obtained to operate the hydraulic assets at thermal power station-2, Ust-Hantay and Kurey hydro-electric power station, replacing the permits which expired in 2013;
- Inspection control confirmed the quality compliance certificate for electric power sold by NTEK to the general public;
- Preparations were made prior to the 2013-2014 heating season to adapt to the abnormally low inflows to the water reservoirs of Ust-Hantay and Kurey hydroelectric power station and low levels in the hydroelectric power station reservoirs and the river Norilskaya, including building a dyke across the Norilskaya;
- Investment projects were launched to renovate NTEK's main generation equipment, and to cover the power needs of Norilsk Nickel. A project is now underway to replace the equipment at Ust-Hantay hydroelectric power station.

Consumption of energy in 2013

Resource	Unit	Quantity	Cost, thousand roubles, less VAT
ELECTRIC POWER	'000 kWh/hour	9,728,784	10,449,125
THERMAL POWER	GCal	8,064,023	6,462,988
DIESEL FUEL	tonnes	81,509	2,512,907
NATURAL GAS	'000 m ³	3,831,108	8,100,692
COAL	tonnes	165,332	287,226
MOTOR FUEL	tonnes	1,239	37,939
FUEL OIL	tonnes	248,878	2,753,022
AVIATION FUEL*	tonnes	138,876	4,197,114

* Consumption of aviation fuel includes figures for Nordavia and the Moscow Branch of Taimyr Airlines.

Research and development

In 2013, the Company carried out research and development in accordance with Norilsk Nickel Plan of Research and Development Work and Feasibility Studies of the Company for 2013 and the Plan of Provision of Scientific and Technical Services to the Operating Production Units of Norilsk Nickel for 2013. The most notable achievements were as follows:

CORPORATE DEVELOPMENT STRATEGY

- A technical and economic assessment for the optimal configuration of enrichment facilities at the Polar Division until 2030 has been completed;
- A technical and economic assessment for the development of clinker production facilities at the Polar Division of Norilsk Nickel has been carried out;
- Technical and economic estimates for the reconstruction of Kola MMC copper production facilities have been carried out;
- An optimal scenario for the development refining facilities has been selected;
- A study for optimal technical solutions for the Company's development strategy until 2025 has been carried out.

MINING

- Process regulations were prepared to develop deposits of cuprous, disseminated and rich ores around the safety block in BC-3 bore;
- Process regulations were prepared to develop cuprous and disseminated ores in the southern section of the Mayak shaft;
- Process regulations were prepared to develop cuprous and disseminated ores in the northeastern section of the Mayak shaft at Komsomolsky mine;
- Process regulations were prepared to develop flank deposits of Severnaya-1 in the Skalisty shaft of Komsomolsky mine.

ENRICHMENT

- Research was carried out into heap leaching of low-grade oxide, sulphide, and copper-nickel ores and industrial waste;
- Research was carried out into the processing of oxidised nickel ores by nitrate leaching;
- Process regulation and source data for the feasibility study of efficiency of the treatment processing for off-balance ore in Kola MMC using the heap leaching method was prepared;
- Testing was carried out on the Kelsi depositing machine as platinum family metal was extracted from rejects after enriched stock of disseminated ore;
- Caking technology to treat copper-nickel ore concentrate was deployed.

SMELTING

- Research was carried out into the deep depletion of copper-nickel-bearing sludge from autogenous smelting with restoring sulphating gas mix, using metallurgical sulphurous gases;
- Research was carried out into copper-nickel product refining from iron using sulphide extraction of sulphur dioxide with metallurgical gases;
- The depositing process for hydrate concentrate of non-ferrous metals from sulphate nickel solutions continuously using magnesium-bearing agent was tested;
- Technology was developed for matte leaching for the electric extraction of non-ferrous metals to yield rich concentrate of precious metals;
- Joint leaching technology was developed for matte and copper concentrate in the matte separation area;
- Joint leaching technology was developed for matte and magnetic fraction in the matte separation area.

ENVIRONMENTAL PROTECTION

- Research was carried out into the hyper-accumulative effect of heavy metals from contaminated soils by northern vegetation;
- Technology was developed to utilise sodium sulphate generated by the future technology of hydrometallurgical processing of matte at the Nadezhda metallurgical plant;
- Methods and procedures were developed to purify industrial drains in the wet gas purification site and the copper electrolysis shop of the copper plant, to be recycled in the circulation water system;
- An inventory of atmospheric emissions for transportation units and related infrastructure in the Polar Division of Norilsk Nickel was carried out, and the quota limits for transportation units and related infrastructure in the Polar Division were developed/adjusted;
- Recommendations were developed on the reconstruction and operation of gas flue systems in the degrading furnaces of the Nadezhda metallurgical plant;
- The impact on industrial emissions from Kola MMC (Zapolyarny and Nickel locations) on the health of the general public was assessed.

Capital Investments

CAPITAL INVESTMENT STRUCTURE IN THE GROUP'S ENTITIES*

USD million

	2013	2012
Russia	1,977	2,676
Australia	2	5
Botswana	2	4
Finland	8	21
TOTAL GROUP, excluding South Africa	1,989	2,706
South Africa Finland	0	7
TOTAL GROUP	1,989	2,713

Notes:
(1) The assets in Australia, Botswana, Finland, and a 50% share in Nkomati (South Africa) were acquired by the Group in 2007.

The Company's top priorities for investment activity in 2013 were as follows

Further construction of facilities at the mineral resource base of the Polar Division and Kola MMC's producing entities for the purpose of penetrating and mining new ore sections of mine fields, increasing ore output, replacing retired facilities, and using new mining technologies:

- At the Oktyabrsky Mine – developing cuprous ore production and replacing the retired facilities for rich ore production;
- At the Taimyrsky Mine – replacing retired facilities and increasing rich ore output;
- At the Komsomolsky shaft – projects aimed at penetrating and extracting flank reserves of rich and cuprous ore and engaging the mining of the top-priority section of disseminated ores;
- At the Skalisty Mine – penetrating reserves and preparing for the mining of rich ore pools at the Talnakh field;
- At the Mayak Mine – projects aimed at penetrating, preparing and mining the rich and disseminated ores of the Talnakh field within the Mayak Mine;
- At the Severny-Gluboky Mine – penetrating and extracting disseminated ores at the Zhdanovskoye field.

The upgrade and refitting of the Polar Division and Kola MMC's facilities related to the process of ore concentration and metallurgy process stages:

- Continued implementation of a project aimed at increasing the pyrometallurgical production capacity of the Nadezhda Metallurgical Plant;
- Continued implementation of a project aimed at increasing the production capacities of the Talnakh Enrichment Plant for the purpose of processing the increasing ore output;
- Continued implementation of the project aimed at constructing an electrolytic cobalt production facility in Monchegorsk;
- Continued upgrade of the Nickel Electrolysis Shop in Monchegorsk in order to increase cathode nickel production capacity to 120,000 tonnes per year and reduce operating expenses, work-in-progress, and metal losses.

Implementation of environmental activities, including the introduction of new technologies aimed at cutting emissions and improving environmental conditions:

- Continued implementation of projects aimed at cutting air emissions in the Polar Division;
- Continued implementation of the production upgrade project, aimed at reducing sulphur dioxide emissions in the town of Zapolyarny through the transition to roasting-free, concentrate briquetting technology;
- Continued implementation of our plans to utilise salt drainage during the nickel refining process in Monchegorsk in order to meet environmental requirements.

In 2013, the Group invested USD 1,977 million in its Russian operations.

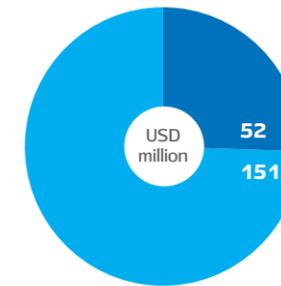
MINING*

In 2013, USD 580 million was invested in mining development. The majority of these funds were used for the construction, rehabilitation, and upgrade of the Polar Division's mining facilities (USD 493 million).

POLAR DIVISION

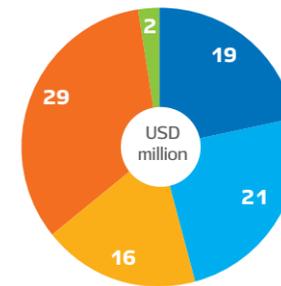
2013 saw further capital work related to the Polar Division's principal ore base facilities.

USD 203 million was invested in projects carried out at the Skalisty Mine, of which:



- USD 52 million was invested in a project for penetrating, preparing, and mining rich and cuprous ores;
- USD 151 million was used for implementing projects to replace the retired rich and cuprous ore production facilities.

USD 87 million was allocated for project implementation at the Taimyrsky Mine, of which:

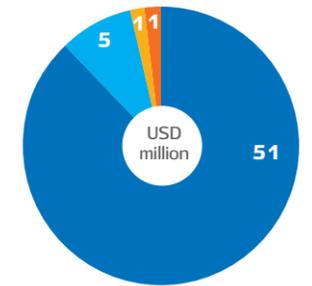


- USD 19 million was invested for the penetration of new horizons (-1,300 metres and -1,400 metres) and for the replenishment of retired facilities;
- USD 21 million was invested in a project to replace retired rich C-2 ore facilities. The project goal is to maintain the section's designed capacity at 1.5 million tonnes of ore per year;
- USD 16 million was invested in a project to replace retired rich C-3 and C-4 ore facilities. The project goal is to maintain the

sections' designed capacity at 0.8 million tonnes of ore per year;

- USD 29 million was used for the implementation of the Taimyrsky Mine integrated project aimed at refitting and replacing worn out electromechanical equipment in the pit elevator, installing an underground mining communication system and increasing the elevator and ventilation system capacity;
- Approximately USD 2 million was allocated for penetrating and mining a section of the Large Horst X-1(0) deposit to replace the Taimyrsky Mine's retired rich ore facilities and provide a capacity of 0.8 million tonnes of ore per year.

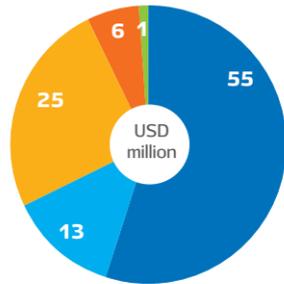
USD 58 million was invested in project implementation at the Komsomolsky Mine, of which:



- USD 51 million was used to increase the aggregate production capacity of the Komsomolsky Mine to 4 million tonnes of ore per year by penetrating, preparing, and mining cuprous ores in the flank sections of the Talnakh and Oktyabrsky fields and disseminated ore deposits;
- USD 5 million was invested in a project to penetrate, prepare and mine the joint occurrence of rich and cuprous C-2 ores at the Oktyabrskoye field of the mine and maintain the designed capacity at 0.5 million tonnes of rich ore per year;
- Approximately USD 1 million was allocated for making high voltage electrical equipment RPP-6 compliant with the requirements of the regulatory authorities;
- Approximately USD 1 million was invested in the implementation of other projects.

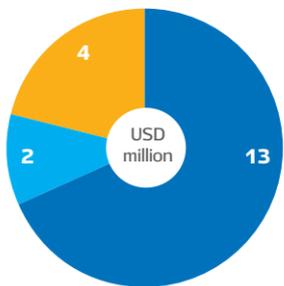
* According to management accounting reports.

USD 100 million was allocated by the Company for the implementation of projects at the Oktyabrsky Mine, of which:



- **USD 55 million** was used to increase cuprous ore production capacity to 3 million tonnes per year;
- **USD 13 million** was invested in replacing retired rich X-1(o) ore facilities on the west flank;
- **USD 25 million** was invested in engaging the mining of the top-priority section of disseminated ores and replacing the Oktyabrsky Mine's retired rich ore production facilities;
- **USD 6 million** was invested in replacing retired rich and disseminated ore production facilities and maintaining the aggregate capacity of the Oktyabrsky Mine.
- **USD 1 million** was invested in other Oktyabrsky Mine projects

USD 19 million was allocated by the Company for the implementation of projects at the Mayak Mine, of which:



- **USD 13 million** was allocated for penetrating re-engaged rich ore deposits of the 2nd Southern Lens of the Talnakh field, with commissioned capacity of 0.1 million tonnes of ore per year;
- **USD 2 million** was invested in preparation and combined mining of cuprous and disseminated ores of the northeastern section of the Talnakh field within the limits of the Mayak Mine to produce 1 million tonnes of ore per year;
- **USD 4 million** was invested in the construction of the cooling tower and the turbo-compressor facility.

USD 5 million was invested in a project aimed at replacing

retired facilities and maintaining the anhydrite production capacity of the Angidrit Mine at 1.5 million tonnes per year.

USD 15 million was used to increase the disseminated ore production at the Norilsk-1 field of the Zapolyarny Mine from 1.2 to 2 million tonnes of ore per year.

USD 12 million was invested in a project aimed at mining both a new field and a melt-water area of the Kalargonskoye field to maintain the production capacity of the Kayerkan Mine's limestone shaft at 875,000 tonnes per year.

USD 1 million was invested in other projects of Polar Division.

KOLA MMC

In 2013, USD 15 million was invested in developing the ore base of Kola MMC, of which more than USD 13 million was allocated for a key investment project to construct the Severny-Gluboky underground mine; replacing retired facilities at the Tsentralny Mine and ensuring the optimal utilisation rate of the Kola MMC processing facilities.

Less than USD 2 million was invested in the implementation of other projects at the Kola MMC ore base.

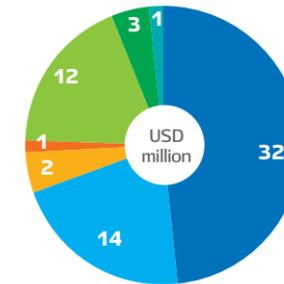
CHITA PROJECT

The Company allocated approximately USD 163 million to implement the Chita project, aimed at developing polymetallic deposits from the Zabaikalsk region.

ENRICHMENT*

POLAR DIVISION AND KOLA MMC

In 2013, the amount of investment for the development of the Polar Division and Kola MMC's enrichment businesses totalled **USD 65 million**, including:



- **USD 32 million** allocated for the implementation of a project to expand the Talnakh Enrichment Plant production capacities for processing the increasing ore output;
- **More than USD 14 million** used to replace worn out pumping plants to ensure the efficient pumping of Talnakh Enrichment Plant end products;
- **More than USD 2 million** invested in further implementation of a project to warehouse concentrated tailings from the Polar Division to maintain production volumes and meet the requirements of environmental protection laws;
- **Approximately USD 1 million** invested in the implementation of other Polar Division ore enrichment projects;
- **USD 12 million** allocated for the remodelling of electric drives and controlling systems of large volume ball mills in order to reduce equipment shutdown risks at the Kola MMC Enrichment Plant;
- **USD 3 million** allocated for the replacement of domestic intermediate and finishing crushers with state-of-the-art Metso Minerals crushing and screening equipment in order to improve nickel, copper, and cobalt extraction from the concentrate produced by the Kola MMC Enrichment Plant;
- **Less than USD 1 million** invested in the implementation of other Kola MMC ore enrichment projects.

METALLURGY*

POLAR DIVISION

In 2013, the capital investments of Norilsk Nickel in developing the metallurgical business of the Polar Division totalled **USD 83 million** including:



- **USD 5 million** allocated for the restoration of the Nadezhda Metallurgical Plant to increase the pyrometallurgical production capacity of the plant;
- **USD 15 million** allocated for the stage 2 construction of the tailings storage facility at the Nadezhda Metallurgical Plant to expand the usable capacity to 40 million m3 (the current storage capacity amounts to 26.5 million m3), ensure additional capacity to store tailings from the hydrometallurgical processing of pyrrhotine concentrate, and ensure uninterrupted operation of these process stages and the safe operation of the tailings storage facility;
- **More than USD 36 million** allocated for the development of technical solutions and design documentation to obtain elemental sulphur from the waste gases of the Vanukov furnaces and the waste gases of the basic oxygen furnaces of the Copper Plant, as well as to reduce sulphur dioxide emissions to the level established by the regulatory documents;
- **USD 18 million** allocated for the development of technical solutions and design documentation to obtain elemental sulphur from the waste gases of the flash smelters at the Nadezhda Metallurgical Plant (in the Polar Division) and to reduce sulphur dioxide emissions to the level established by the regulatory documents;
- **USD 7 million** allocated for the implementation of capital construction projects at the Copper Plant, including:
 - **USD 3 million** allocated to develop technical solutions and design documentation for the construction of independent production facilities at the Copper Plant to process the Plant's waste and current slags;
 - **USD 2 million** allocated for the reconstruction of the Plant's oxygen supply system;
 - **USD 2 million** allocated for the implementation of other Copper Plant projects.

* According to management accounting reports.

■ Approximately USD 2 million was allocated for the implementation of other metallurgy-related projects of the Polar Division.

KOLA MMC

In 2013, the capital investments in the metallurgical business of Kola MMC amounted to **USD 25 million**, of which:

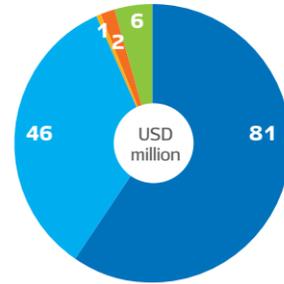


- **USD 13 million** was invested in implementation of a project aimed at organising electrolytic cobalt production, with output of 3 thousand tonnes per year;
- **USD 4 million** was allocated for rehabilitation of the nickel electrolysis shop in Monchegorsk in order to increase cathode nickel production to 120 thousand tonnes per year. Implementation of the project made it possible to reduce operating expenses, work-in-progress, and metal losses;
- **USD 5 million** was allocated for the replacement of FMR-10 flotation machines with new models from WEMCO in order to reduce production expenses and to improve nickel high-grade matte separation performance indicators;
- **Approximately USD 2 million** was allocated for utilisation of salt drainage during the nickel refining process, resulting in finished products (to be used by the enterprise or for sale);
- **Less than USD 1 million** was allocated for rehabilitation of the Float Concentrate Roasting Shop, used for the production of reinforced briquettes. The implementation of this project will make it possible to decrease the sulphur dioxide and dust emissions at the site, which is located in the town of Zapolyarny.

INVESTMENT IN ENERGY FACILITIES*

Investment in energy facilities totalled USD 137 million. Most investments were targeted towards supplying electricity and heat, as well as providing water supplies and waste disposal services to the Polar Division, Kola MMC and the population of the Norilsk industrial area.

The total investment made by the fuel and energy enterprises involved in industrial construction was approximately **USD 136 million**, of which:



- **USD 81 million** was used for further implementation of projects aimed at the drilling of producing wells and the Pelyatkinskoye gas condensate field development. The commissioning of the Pelyatkinskoye gas condensate field will guarantee natural gas output sufficient for uninterrupted energy supply of the production facilities of the Group enterprises and the population of the Norilsk industrial area;
- **USD 46 million** was allocated for the implementation of a project designed to increase the throughput capacity of the Pelyatkinskoye GCF (gas condensate field) – Severo-Soleninskoye field pipeline facility;
- **More than USD 1 million** was allocated for the implementation of other OJSC Taimyrgaz projects;
- **USD 2 million** was allocated for the implementation of other OJSC Norilskgazprom projects;
- **USD 6 million** was allocated for updating and maintaining fixed assets, to guarantee secure production and electric and heat power production reserve in the Norilsk industrial area.

In addition, less than USD 1 million was allocated for the implementation of a Kola MMC project designed to secure the power supply (first security category) of the existing RP-7 1 electric loads as a result of the replacement of switchgear.

* According to management accounting reports.

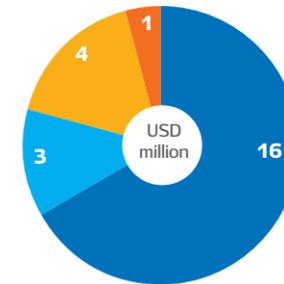


INVESTMENT IN AUXILIARY FACILITIES*

The investment in auxiliary facilities for 2013 was USD 91 million. Most of these investments were geared towards the design and construction of railways and roads in the Zabaikalsk region within the Chita project, as well as the implementation of projects to form fixed assets, maintain and upgrade the enterprises of the Sales, Commerce and Logistics Unit. Additional Company projects were also supported.

USD 36 million was allocated for the construction of infrastructure facilities to develop polymetallic deposits in the Zabaikalsk region under the Chita project.

USD 24 million was allocated for the development of the Sales, Commerce and Logistics Unit, of which:



- **Approximately USD 16 million** was used for the creation of the Company's own base port in the northwest region of Russia to provide economic security for the Company in the cargo transportation sector;
- **Approximately USD 3 million** was used for the construction and update of the Alykel airport infrastructure facilities to ensure flight safety and compliance with the applicable regulatory requirements;
- **more than USD 4 million** was allocated for the refitting of Yenisei River Shipping Company;
- **Approximately USD 1 million** was used to maintain and update other facilities within the Sales, Commerce and Logistics Unit.

More than USD 6 million was allocated to construct local water treatment plants and ensure production safety at Polar Division entities.

USD 9 million was allocated for the implementation of projects of the Polar Division and Kola MMC to develop automated management systems.

* According to management accounting reports.

USD 14 million was allocated for the development of design and estimate documentation to implement projects in future periods.

EQUIPMENT NOT INCLUDED IN THE EXPENSE BUDGETS AND CAPITALISED REPAIRS*

In 2013, USD 703 million was invested in equipment not included in construction expense budgets and capitalised repairs, of which:

POLAR DIVISION

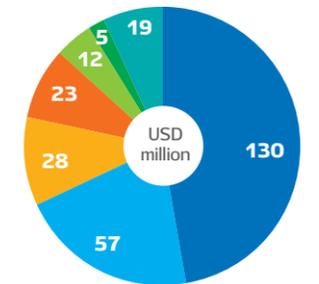
USD 383 million was invested by the Polar Division in equipment not included in construction expense budgets (including capitalised repairs totalling USD 92 million).

KOLA MMC

USD 47 million was invested by Kola MMC in equipment not included in construction expense budgets (including capitalised repairs totalling USD 12 million).

USD 272 million was used to acquire equipment required for the maintenance of the current operations of the Group's subsidiaries and affiliates, including:

- **USD 130 million** (including capitalised repairs to the amount of USD 58 million) – Fuel and Energy Sector Complex;
- **USD 57 million** – Sales, Commerce and Logistics Unit
- **USD 28 million** – LLC Polar Construction Company;
- **USD 23 million** – Exploration RECS (Russian entities of corporate structure) of Norilsk Nickel;
- **USD 12 million** – LLC Norilsknickelremont;
- **USD 5 million** – LLC Norilsk Support Complex;
- **USD 19 million** – Gipronickel Institute and entities supervised by Norilsk Head Office and the Polar Division.



NON-INDUSTRIAL CONSTRUCTION***USD 55 million**

was allocated for building non-industrial facilities that will improve infrastructure as well as the working and recreation conditions of the Company's employees, of which:



- **USD 24 million** was allocated for the creation in Norilsk of a regional multi-purpose family complex, including fitness, leisure and entertainment, and commercial facilities;
- **More than USD 2 million** was allocated for the construction of non-industrial facilities in the town of Zapolyarny;
- **Approximately USD 2 million** was allocated for improving the quality of the services provided by the Zapolyarye health centre (Sochi);
- **USD 14 million** was allocated for conversion of the Company's office buildings;
- **More than USD 2 million** was allocated for the implementation of a programme aimed at improving the social and living conditions of employees of MMC Norilsk Nickel;
- **Approximately USD 11 million** was allocated for the implementation of other projects, including the construction of non-industrial facilities for the Company's divisions.

OTHER INVESTMENTS (R&D, GEOLOGICAL EXPLORATION, AUTOMATION)***USD 40 million**

was invested in geological exploration aimed at regeneration of the mineral and raw material base for future development of Norilsk Nickel MMC in both developed fields and in the Zabaykalsk Region. Geological exploration was mainly carried out at facilities located near the Company's existing production capacities.

USD 5 million was allocated for the development of automated management systems for the Polar Division and Kola MMC enterprises.

USD 4 million was invested in the implementation of research, technological works and feasibility studies undertaken as part of a development strategy for the mining and metallurgical production facilities of the Company, its subsidiaries, and affiliates.

NORILSK NICKEL INTERNATIONAL***AUSTRALIA**

In 2013, the capital investments of Norilsk Nickel Australia amounted to USD 2.8 million. The principal investment projects in 2013 included reconstruction of the tailing dump wall at Lake Johnston (USD 1.8 million) and the front-end engineering design of the Honeymoon Well deposit development (the cost of this project totalled USD 0.5 million).

TNMC

In 2013, capital investment of Tati Nickel in Botswana totalled USD 2.1 million. The principal investment projects included research activities (economic assessment of the Selkirk project and production optimisation), geological exploration (ground geophysics), crusher overhaul, and conveyer system extension at the DMS tailing dump.

NKOMATI NICKEL MINE

In 2013, the investments made by the Nkomati joint venture totalled USD 13.6 million, based on the Group's share of 50%. Investment funds were spent mainly on stripping operations (USD 10.7 million) and production activity support.

NORILSK NICKEL HARJAVALTA OY

The capital investments made by Norilsk Nickel Harjavalta Oy in 2013 totalled USD 8.2 million. The fall in investment was associated with weakness in the global market of non-ferrous metals. The allocated funds were used to optimise production costs and maintain fixed assets.

In addition, 2013 saw the completion of the Company's corporate project "Arranging production of cobalt sulphate with an output of up to 1,500 thousand tonnes per year".

* According to management accounting reports.

* According to management accounting reports.



MMC Norilsk Nickel
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Corporate and social responsibility



Human resources 100



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Additional information about corporate social responsibility are presented in the CSR

Human resources

Norilsk Nickel Group's employees are its most critical asset, and the main driver of its successful development. The Company's human resources strategy is focused on the creation of a competitive, highly professional, reliable and stable workforce.

Similarly, the priority of our social policy is to maintain stability across the entire Group, its subsidiaries, and the areas in which they operate. The successful implementation of this social policy is an essential condition for the Company's sustainable long-term development.

In 2013 the Group's staff comprised 83,000 employees in Russia and 2,000 employees in international operations. The majority of employees in the Group's Russian entities (71% of the employees in Russia) work in the Norilsk and Taimyr (Dolgano-Nenets) municipal districts. 18% of employees in the Russian entities work in the Kola Peninsula and the Northwest Federal District.

One of the priorities of the Company's human resources policy is the implementation of the personnel performance management system, which was launched in 2013 in order to enhance employee performance in line with the Company's corporate strategy. The employee performance management system includes performance evaluation (based on KPIs) and a 360-degree, feedback-based competency assessment. In 2014, this project will cover all top managers at Norilsk Nickel's major production sites.

In addition, work has been undertaken in each of the main HR areas, with the search for, recruitment and training of skilled employees achieving key production objectives:

- A number of corporate programmes aiming to attract the sufficient number of young employees were executed. In 2013, 900 employees took part in The Working Shift, The Professional Start and The Trainee;
- The Company offers a corporate scholarship to higher professional education students. The Company partners with more than 25 leading educational institutions in six federal

districts of the Russian Federation, and also provides practical training opportunities in professions of strategic importance to the Company at Norilsk Nickel plants;

- Various advanced communication technologies were used for recruitment: the Jobs and Career section of the corporate website www.hr.nornik.ru; a free hotline for hiring-related matters; third-party recruiting websites, regional employment centres, and recruitment agencies. The Company also provides information about its vacancies to prospective recruits through the mass media and participates in various recruitment activities. In the reporting year, in order to meet staffing requirements, more than 10,000 people were selected and hired by Norilsk Nickel;
- In 2013, more than 48,000 Norilsk Nickel employees underwent retraining, of whom, over 15,000 were under the age of 30. Over 29,000 workers were trained in corporate training centres;
- In 2013, the total number of reserve employees intended for management positions totalled more than 1,700. More than 700 underwent training to develop their management skills, thereby broadening the number of employees able to fill lower, middle, and senior management vacancies;

BREAKDOWN OF THE GROUP'S INCENTIVE PACKAGE IN RUSSIA IN 2013

In addition to salary, the Company's incentive package includes a social package.

For employees and their family members based at the Company's operations in the northern regions, the major part of their social package includes compensation for annual travel and luggage expenses to and from the place of vacation that the Company has covered since 2012 (before 2012, the Company covered travel expenses once every two years). In 2013, MMC Norilsk Nickel's expenditure for these purposes totalled more than USD 94 million, or 3.7 % of the total incentive package.

The Company's expenditure on incentive packages in 2013 amounted to over USD 195 million, or USD 2.35 thousand per employee annually.

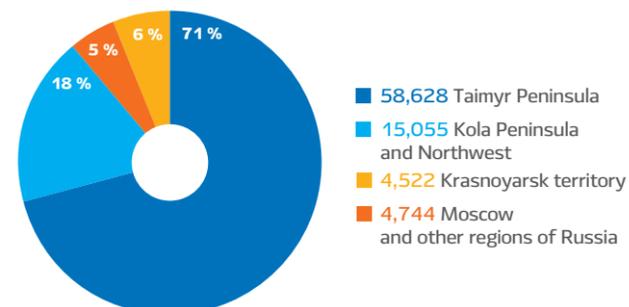
MORAL INCENTIVES

In 2013, more than 5,000 employees of the Group were awarded for outstanding production achievements and long-standing commitment. These include: 37 people honoured with government awards; 416 people recognised by various ministries and state agencies; 1,128 people who received awards from regional and municipal authorities; 151 employees given corporate awards by the Company; and more than 3,300 who received awards from various subsidiaries of the Group.

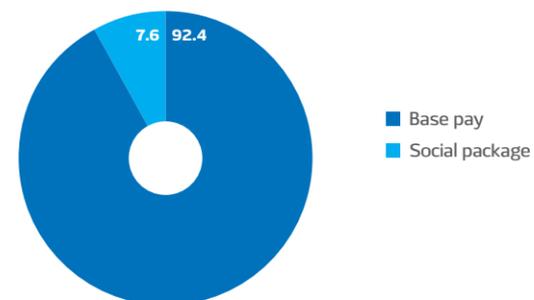
THE GROUP'S AVERAGE NUMBER OF EMPLOYEES

	2011	2012	2013
Russia	78,866	81,973	83,005
USA	9	9	10
Europe	303	315	297
Asia	17	17	13
Australia	84	106	73
South Africa	877	862	842
Botswana	915	798	756
Burundi	5	-	-
Indonesia		2	2
	81,076	84,082	84,998

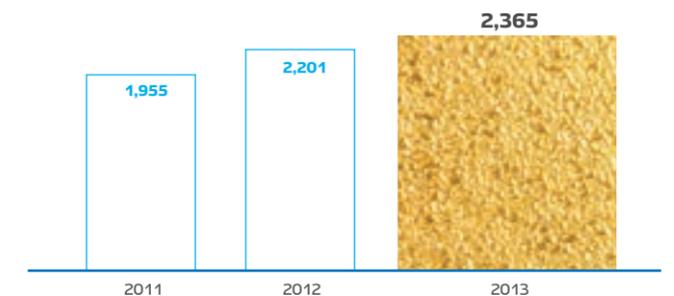
THE GROUP'S EMPLOYEES IN RUSSIA IN 2013



BREAKDOWN OF THE GROUP'S INCENTIVE PACKAGE IN RUSSIA IN 2013, %



AVERAGE MONTHLY PAY OF THE GROUP IN RUSSIA, USD





Social investments

In 2013, the social and employment relations of Norilsk Nickel employees in Russia were regulated on the basis of social partnerships with trade unions and social labour councils.

By the end of 2013, 8% of all employees of the Norilsk Nickel Group, 19% of employees of Kola MMC and its affiliates and subsidiaries, 55% of employees of OJSC Yenisey River Shipping Company, 54% of employees of OJSC Arkhangelsk Sea Commercial Port, 46% of employees of Krasnoyarsk River Port, 38% of employees of Zapolyarye Health Centre, 32% of employees of Krasnoyarsk Shipyards, 52% of employees of Lesosibirsky Port and 28% of employees of CJSC Nordavia Regional Airlines ("Nordavia") were trade union members.



SOCIAL PARTNERSHIP

Trade union organisations representing the Company's employees are located in Norilsk, Taimyr Dolgano-Nenets Municipal District, Murmansk Oblast, and the city of Sochi. Together, these form the Trade Union of MMC Norilsk Nickel Employees, with a membership of over 7,000.

All major entities of the Group have active social and labour councils. Since 2006, the Group-level Social and Labour Council has united approximately 60,000 employees in Norilsk and the Taimyr Dolgano-Nenets Municipal District of Krasnoyarsk Krai. The Social and Labour Council of Kola MMC, comprised of selected representatives from the divisional social and labour council, represents a 81% of employees.

The Company's social and labour relations are regulated by collegiate bodies, including collective agreement committees, the Committee on Labour Disputes, and commissions/committees on social benefits, social security and health and safety.

Social and labour relations at the Norilsk Nickel Russian operations are governed in accordance with Russian federal law and by collective agreements and local regulations. During the reporting year:

- OJSC Yenisey River Shipping Company and InformKolaServis prepared and accepted their new collective agreements;
- Kolabyt, Pechengastroy, Norilskgazprom, Taimyr Airlines, OJSC Arkhangelsk Sea Commercial Port, JSC Norilsk Trade Production Association, and Nordavia extended their respective collective agreements;
- Nordavia prepared and agreed on a draft collective agreement for 2014-2016;
- The Collective Agreement Commission of Kola Mining and Metallurgy passed 17 resolutions to amend and modify its collective agreement for 2012-2015;
- The Collective Agreement Commission of Norilsk Nickel passed 10 resolutions to amend and modify the collective agreement of OJSC MMC Norilsk Nickel for 2012-2015, and considered more than 100 requests from employees and subsidiaries;
- The Trade Union of Norilsk Nickel Employees has moved into Company-provided offices in Moscow, complete with furniture, equipment and telecommunications.



In 2013, the IX Annual Corporate Forum, attended by the management and employees of the Norilsk Nickel Group, was held as a “working meeting”, where executives from key production units reported their operating results and social achievements and employee representatives also gave presentations.

In April 2013, the Company held:

- A Nordavia Employee Conference, at which it was decided to form a Social and Labour Council (SLC) and a Commission on Labour Disputes, and vest the SLC and the United Representative Body of primary trade union organisations with the authority to form the commissions on behalf of the Nordavia employees and negotiate the new 2014-2016 Collective Agreement with the employer;
- A Taimyr Airlines Employee Conference, at which it was decided to extend the collective agreement for another year, and to approve the number and composition of the Collective Agreement Commission, the Commission on Labour Disputes, the Health and Safety Commission, and the Commission for Social Issues.

In May 2013, the Kolabyt Employee Conference declared activities under the 2010-2013 collective agreement to be satisfactory, and extended the collective agreement for another three years. The Conference approved the number and composition of the Collective Agreement Commission and the Commission on Labour Disputes for 2013-2016.

In July 2013, the first united Social and Labour Councils Conference of Kola MMC subdivisions, subsidiaries and affiliates took place. The decision was made to set up a Coordination Commission to organise routine activities and prepare joint action plans for the social and labour councils of Kola MMC subdivisions, subsidiaries and affiliates.

SOCIAL PROGRAMMES

In 2013, the Company continued implementing the corporate social programmes Our Home and My Home.

The Our Home programme was launched in 2010 and covers the employees of the Company’s Polar Division and Polar Transportation Branch, and Kola MMC. The My Home programme, launched in 2011, was designed for the employees of 13 corporate entities operating in Norilsk, Taimyr Dolgano-Nenets Municipal District, and the Murmansk region.

Both programmes aim to address the issue of a key personnel shortage and should help to retain core employees of Norilsk Nickel in the Far North.

The aim is to interest the most qualified, enthusiastic, responsible and efficient staff in long-term employment in the north.

Both programmes – which offer subsidised housing to employees – help attract highly skilled and experienced labour to the Far North.

The Company purchases residential property in Russian regions with favourable living conditions and makes it available to programme participants under the following co-financing terms: Norilsk Nickel pays up to half the cost of the apartment, while the employee pays the remaining part over a certain employment period (5-10 years). The ownership of an apartment is registered under the employee’s name upon programme completion. However, the employee can use the apartment from the start of the programme. The price of the apartment is fixed for the duration the programme.

In 2013, the aggregate programmes budget increased by USD 44 million, to USD 262 million as of the year-end. Some of these funds were allocated for the purchase of readily available residential property and some were invested in the construction of new property.

In total, 1,740 turnkey apartments have been purchased since the programme’s inception, including 541 apartments in 2013.

As part of the programme, apartments are purchased in the Moscow and Krasnodar regions of Russia.

In 2013, employees were allocated 1,402 apartments. Of these, 935 were employees of the Company’s branch units, 239 were employees of Kola MMC and 231 were employees of other Group entities.

Since this initiative is having a positive effect and there is high employee demand, a decision was taken to extend both programmes. The Company’s obligation to purchase up to 550 apartments for its employees are recorded in the Company’s new collective agreement for the period from 2012 to 2015.

EMPLOYEE HEALTHCARE PROGRAMMES

For many years, the Group has run special healthcare programmes and provided access to health resort treatment for its employees and their family members. The challenging weather conditions of the Far North and the work conditions at the Company’s enterprises require special healthcare for employees, so these programmes represent one of the Company’s top social policy priorities.

One of the Group’s largest health resorts is the Zapolyarye Health Resort in Krasnodar Krai, which hosted more than 16,000 people in 2013 with a total budget of USD 25 million.

International destinations remain a key part of the programme. In 2013, 6,500 of the Group’s employees and their family

members went to Bulgarian resorts, which were financed by the Company at a total cost of USD 10 million.

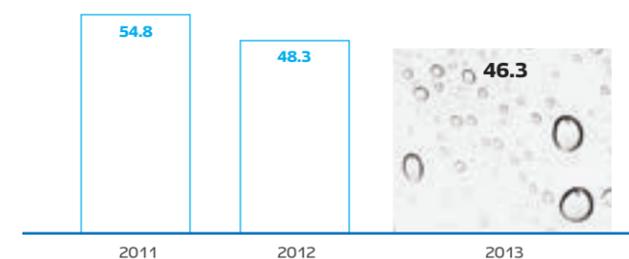
In 2013, about 500 individuals spent their holidays and improved their health at the Rossiya Sanatorium in Altai Krai. The total budget for this was USD 722,000.

In 2013, employees from the Kola Peninsula were able to use the services of the Kolsky Healthcare Centre, which welcomed 1,500 people, at a total budget of USD 3 million.

The target of the children’s health care programme is to maintain and improve the health of employees’ children, to prevent childhood diseases and to provide conditions for children’s holidays and leisure activities in the summer period.

The Company also organises free transfers for employees’ children travelling to health and resort centres. In 2013, 1,100 children went to the Vita Centre in Anapa, on the Black Sea. 160 young athletes and 160 adolescents also went to a sports and recreation camp in Loutraki, Greece. All of our recreation camps have modern infrastructure and ideal conditions for children to enjoy proper and comfortable holidays. More than 1,600 children joined the programme in 2013, with total Company spending of approximately USD 5 million.

TOTAL FINANCING OF OUR HEALTH AND RECREATION PROGRAMMES FOR EMPLOYEES IN 2011-2013, in USD millions



USD 25 million

was spent on providing employees with health care services at the Zapolyarye health resort in Sochi



SOCIAL PROGRAMMES FOR THE PROVISION OF ADDITIONAL BENEFITS AND GUARANTEES

Young specialists and skilled employees from other Russian regions and the Commonwealth of Independent States with professions and qualifications that are scarce on the local market are attracted to the Group's operations located in the Norilsk industrial district through a permanent recruitment system designed to meet the Company's demand for highly skilled personnel.

In 2013, more than 1,100 employees joined the programme Providing Assistance to Newly Hired Employees Through Living Arrangements at the new location in Norilsk and Taimyr Dolgano-Nenets Municipal Districts. Under the programme, the Company provides accommodation and reimburses relocation expenses to eligible employees. In 2013, USD 4 million was allocated for this purpose.

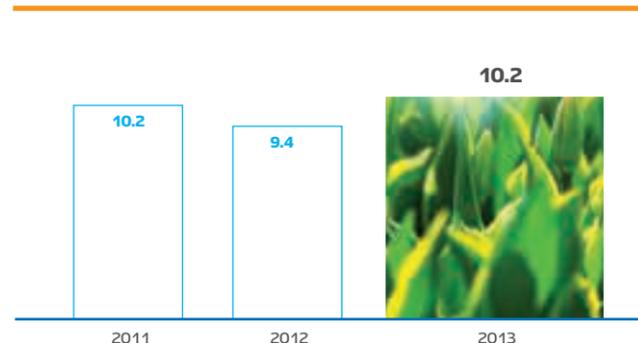
MASS SPORTS PROGRAMMES

The system of corporate mass sports events encourages employees and their families to regularly practice fitness and sporting activities, promoting both their athletic potential and corporate unity. The main goal of the programme is to promote a healthy lifestyle among employees.

In 2013, the Company hosted the following corporate events in the Norilsk Industrial District: the Health Marathon, the Norilsk Nickel Ski Track, the Metallurgy Day Corporate Run, a corporate mini football tournament, and the Norilsk Nickel Mini Football Grand Prix.



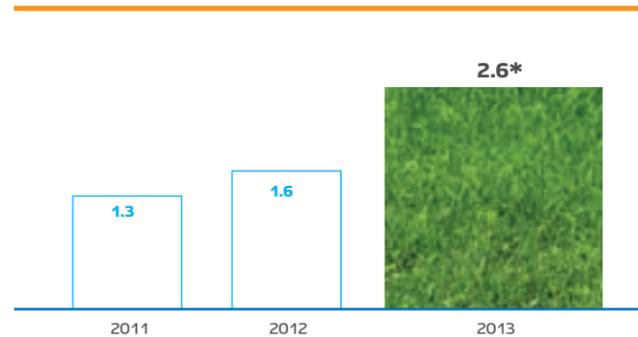
TOTAL FINANCING FOR SOCIAL PROGRAMMES TO PROVIDE EXTRA BENEFITS AND GUARANTEES IN 2011-2013, USD millions



In these events, employees from the Norilsk Industrial District competed against employees from Kola MMC, OJSC Yenisey River Shipping Company, and the OJSC Arkhangelsk Sea Commercial Port, in contests such as "Dad, Mum and Me are a Sporty Family!" Corporate tournaments and swimming, basketball and volleyball events for employees were held in Sochi and Monchegorsk.

In addition to a comprehensive sports programme, the Company runs other events and festivities which also are open to the general public in the Norilsk Industrial District.

TOTAL FINANCING OF CORPORATE SPORTS IN 2011-2013, USD millions



* In 2013, the calculation methodology was changed.



CHARITY PROGRAMMES AND THE DEVELOPMENT OF SOCIAL INFRASTRUCTURE

For the first time in the Norilsk and Taimyr Dolgano-Nenets District, the Company hosted a social project contest, "Our Future - Our Responsibility". This pilot project was an effort to build a charitable culture and promote social partnership, enabling our transition from a direct sponsor of aid to one with a competitive distribution of resources.

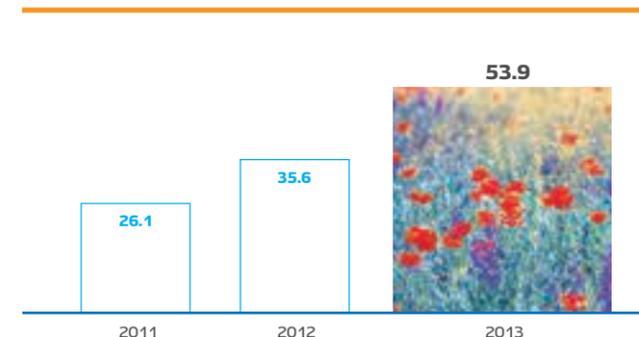
Contest training workshops on social planning were held for prospective participants, and projects and assessment workshops were organised for experts. The budget for the contest was USD 785,000.

The cooperation between hosts, partners and participants of social projects helped to increase the number of competent and professionally developed projects addressing social problems in the region. The competitive selection of projects seeking financing created equal opportunities for all potential parties, with the winners being those who proposed timely and prospective solutions to in resolve regional social problems, as well as original and innovative ways of organising public leisure activities.

The contest accepted 186 bids and declared 62 projects as winners, each receiving USD 6,000-31,000 funding.

The Company provides social aid to its retired employees, spending approximately USD 600,000 annually on its veteran retirees who are permanent residents in the city of Norilsk and Taimyr Dolgano-Nenets Municipal District. Each retiree received USD 110 on the Company day. In 2013, the programme covered 4,900 individuals.

TOTAL FINANCING OF CHARITY PROGRAMMES AND DEVELOPMENT OF PUBLIC INFRASTRUCTURE IN 2011-2013, USD millions



USD 785,000

The total grant pool of the "Our Future – Our Responsibility" social projects contest.





5,800 retirees living outside the city of Norilsk and the Taimyr-Dolgano-Nenets Municipal District received financial support from the Company's material aid fund in 2013, in addition to their retirement pensions.

The Company supports professional education schools on a three-year long programmes. In 2013, the Company spent more than USD 1 million on this initiative.

For many years, the Company has funded major ad hoc projects to build and repair social facilities in its regions of operation. In 2013, the construction of two schools for 300 children was completed in the city of Norilsk, while the construction of a sports and health centre in the city of Dudinka was continued, under the 2010 agreement "Interaction and Cooperation between RF Ministry for Regional Development, Krasnoyarsk Krai, the Municipality of Norilsk, and MMC Norilsk Nickel, as regards upgrade and development of assets of the public infrastructure, civil engineering, and housing in the city of Norilsk", which runs until 2020.

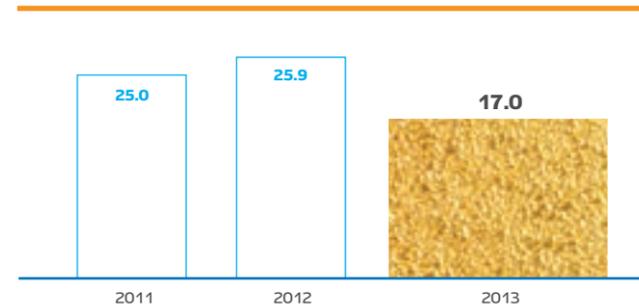
PENSION PROGRAMMES

As a socially responsible employer, Norilsk Nickel's employment packages offer employees the opportunity to accumulate pension savings in advance, by joining pension plans. The Company also takes care of its retirees.

The Company's pension plans cater for employees of all ages and occupations. The most popular programmes in 2013 were the Cumulative Share Pension and the Complementary Corporate Pension.

The Cumulative Share Pension plan is backed by Nasledie NPF (previously known as Norilsk Nickel NPF)*. Under this plan, the Company and the employee make equal contributions to the employee's account opened with Nasledie NPF.

FINANCING OF THE CUMULATIVE SHARE PENSION PLAN, USD million



*In October 2013, the Group withdrew from the management of retirement assets



The Complementary Corporate Pension plan creates incentives for pre-retirement age employees with a high level of achievement and a long-term employment record with the Company.

Cumulative Share Pension (2013)		Complementary Corporate Pension (2013)	
Total financing, USD millions	Individual participants	Total financing, USD millions	Individual participants
17.0	22,279	15.1	884

Most of the Company's pension plans continued to be serviced by Nasledie NPF, where the following changes occurred in 2013:

- The management team of the fund was replaced;
- NPF Norilsk Nickel was renamed Nasledie NPF.

As the pension fund is an important component of our social security package, the Company has made no changes to pension plans held by the Group employees, as envisaged in the collective agreement.

Today, the pension fund operates in 70 regions countrywide. A key priority for the coming year will be to expand the client base and improve its stability.

RELOCATION PROGRAMME



In 2013, the Company continued to offer a long-term ad hoc programme aiming to relocate the residents of the cities of Norilsk and Dudinka (Krasnoyarsk Krai) to areas with more favourable climate conditions within the Russian Federation.

The programme assists with the relocation of 1,126 families per year (11,265 over a 10-year period) - specifically, those living in Norilsk and Dudinka who are eligible to relocate under state programmes and who are registered with the municipal authorities. The Company participates in the programme as a charity provider. The total amount contributed by the Company is USD 272 million. Since the inception of the programme, the Company has contributed USD 89 million to the Krasnoyarsk region, including more than USD 26 million in 2013. In 2011-2013, 2,779 families purchased apartments and moved to the mainland, including 2,327 families from Norilsk and 452 families from Dudinka.

In 2013, within the quota allocated by the Krasnoyarsk Krai Ministry of Construction and Architecture, 1,290 certificates were issued to purchase housing. Programme participants will continue to buy housing within the 2013 limit until July 2014.





Health and Safety

The Group is involved in various operations: mining, enrichment and metallurgical activities, power engineering, rail and auto transport, and other auxiliary activities, which may involve the use of various hazardous substances (toxic, explosive, oxidising, etc.). The Company recognises its responsibility to safeguard the health and safety and lives of its employees. Based on this principle, since 2008, the Company has had an approved Health and Safety Policy in force.

The Company's Health and Safety Policy established the main principle that employees' lives and health and safety are the priority over operations results. The Company has also declared its commitment to the creation of healthy and safe working conditions for all employees, through the introduction of state-of-the-art equipment and technologies in its production facilities and processes, as well as by motivating employees to follow safety procedures in the workplace.



THE COMPANY HAS IDENTIFIED THE FOLLOWING HEALTH AND SAFETY POLICY OBJECTIVES:

- To improve the health and safety at its production facilities;
- To improve working conditions, specifically through adherence to workplace standards and risk assessment processes;
- To provide its employees with state-of-the-art, certified personal protective equipment and work clothes;
- To carry out disease prevention, treatment, sanitary and hygienic activities to mitigate the risk of the impact of harmful and hazardous production factors;
- To improve the health and safety training system for personnel and to hold corporate workshops;
- To improve its health and safety management systems, based on global best practices, adjusted for local operating conditions.

HEALTH AND SAFETY MANAGEMENT SYSTEM

The implementation of the corporate Health and Safety Management System is coordinated and supported by the Department for Health, Safety and Environment.

In 2009, Norilsk Nickel established a Committee for Workplace Injury Prevention was established, aimed at reducing the Company's workplace injury rate. The Committee examines materials based on the results of monitoring and analysis of the causes and circumstances of accidents and introduces initiatives aimed at reducing the workplace injury rate.

The health and safety monitoring and prevention system is based on the corporate standard STO KISM 120-206-2012 Monitoring and Preventive Work in the Health and Safety Area of Norilsk Nickel.

The control and prevention system includes:

- Multi-level controls of health and safety conditions;
- Integrated checks of health and safety conditions, providing on the basis helping to develop initiatives that eliminate health and safety breaches;
- Special-purpose checks of the health and safety environment;
- Supervision of possible unsafe actions by the employees (behaviour audit);
- Use of penalty cards for noncompliance with health and safety requirements;
- Audit of the Health and Safety Management System;
- Follow-up of the decisions taken by the Company's Committee for Workplace Injury Prevention.

In 2013, the Group's general workplace injury rate increased by 3% year-on-year. In 2013, there were 106 accidents, versus 103 in 2012. In 2013, 12 fatal accidents and 22 serious injuries occurred at the Group's sites.

Having completed an analysis of the circumstances and causes of the accidents that occurred in the Norilsk Nickel facilities at the beginning of 2013, the Company's management signed a contract in September 2013 to conduct third-party audit and assessment (diagnostics) of safety culture as part of the corporate safety and health management system, in order to set forth a strategy and adopt an action plan for the promotion of safety culture and to improve the behaviour risk control system. The contract is expected to be completed in the first quarter of 2014.

The Russian operations of Norilsk Nickel have developed key safety rules and instructions which have to be implemented before the commencement of any work, in order to ensure safety in the course of work. The Company has had all relevant personnel familiarised with these rules and instructions.

More details on Norilk's health- and safety-related activities are available in the Company's Report on Corporate Social Responsibility for 2013.

DIAGRAM OF THE OCCUPATIONAL INJURY RATE FREQUENCY FOR THE GROUP'S ENTITIES FOR THE PERIOD FROM 2009 TO 2013*



* Occupational injury rate is the number of accidents reported per 1,000 people working for the enterprise

INDUSTRIAL INJURY STATISTICS OF THE COMPANY FOR THE PERIOD FROM 2009 TO 2013

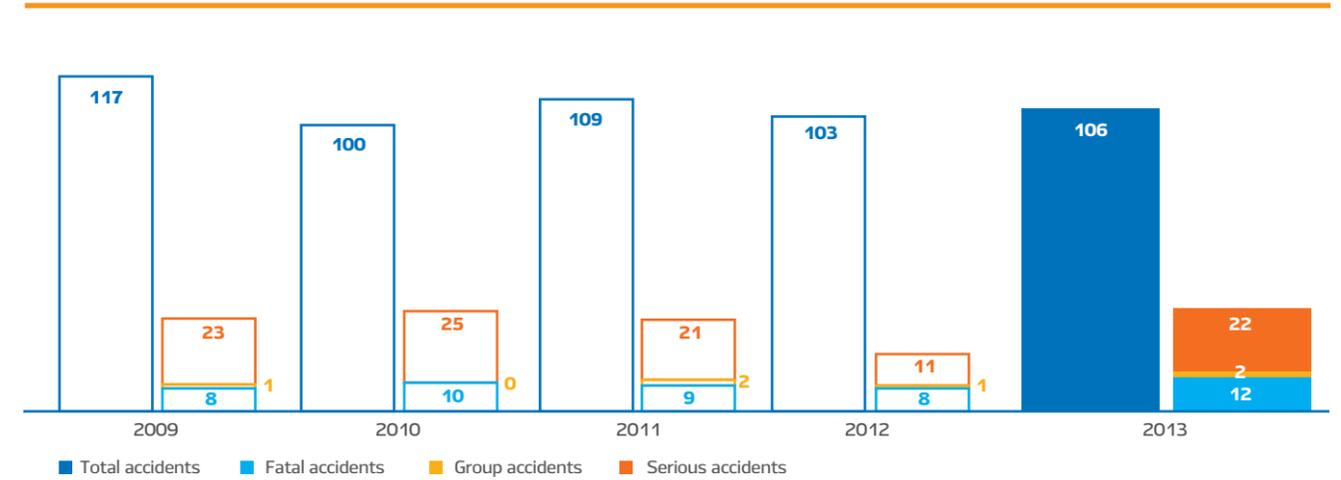


DIAGRAM OF THE OCCUPATIONAL INJURY RATE FREQUENCY FOR THE GROUP'S ENTITIES FOR THE PERIOD FROM 2009 TO 2013 COMPARED TO OTHER RUSSIAN-BASED BUSINESSES





Environmental protection



The Management of Norilsk Nickel considers safe environmental production and the protection of the environment as a top priority. The principal areas of the Group's activity aimed at minimising the environmental impact of its production units are as follows:

- Compliance with the requirements of applicable laws and international agreements, including ISO 14001:2004 international standard and industrial and corporate regulatory requirements governing the activities of Norilsk Nickel in the field of environmental protection;
- Step-by-step reduction of emissions and pollutant discharges and expansion of areas and volumes of industrial waste utilisation;
- Sound use of natural resources;
- Implementation of advanced technologies;
- Planning of operating activities with due consideration for the requirement to comply with the standards of negative environmental impact.

In addition to the environmental protection activities listed above, the Company also pays attention to the issues of energy efficiency improvement and biodiversity preservation in the territories in which it operates.

KEY RESULTS OF ENVIRONMENTAL MANAGEMENT SYSTEM IMPLEMENTATION IN 2013

Since 2005, Norilsk Nickel has successfully implemented the Environmental Management System (EMS) the areas of production, project management, storage, delivery including sea transport, and sales of finished products (nickel, copper, cobalt, precious metals, sulphur, selenium, and tellurium)".

In 2013, the EMS continued functioning within the framework of the MMC Norilsk Nickel's Integrated Quality and Environmental Management System (CIMS). This supports the coordination of environmental protection and quality management with work in other activities including production management, finance, health and general safety. This approach creates the optimal conditions for improving the Company's performance, both in environmental and general terms.

The implementation of the Environmental Management System has brought about a range of positive effects on the Group's entities:

- Financing of environmental protection activities has become a top priority;

- Environmental protection education levels for the Company's employees have been raised;
- The Company's public image has improved;
- Competitiveness in domestic and international markets has increased;
- The Company's compliance with international standards of environmental protection has been demonstrated to customers and other stakeholders, resulting in stronger confidence on the part of those customers for whom the use of an Environmental Management System by the supplier is of paramount importance;
- Additional recognition at international level and in global markets was obtained;
- Attractiveness of the Company to investors was enhanced.

Throughout 2013, the Company performed internal audits using the Corporate Integrated Management System framework.

13 internal audits of the EMS were performed in the Company's headquarters in accordance with the Corporate Integrated Management System Audit Programme 2013.

41 internal audits were performed in the Polar Division, Polar Transportation Branch and Murmansk Transportation Branch of the Company. According to the international standards and internal documents of the Company, specially trained qualified personnel were involved in the conduct of the internal audits.

The Company has a unified environmental reporting system for the Group's entities to monitor achievement of environmental objectives.

In accordance with the ISO 14001 international standard requirements, in order to confirm compliance of the Company's EMS with the requirements of the standard, auditors of Bureau Veritas Certification (BVC), an international certification agency, conduct supervisory audits on an annual basis. The supervisory audit confirmed compliance of the Company's EMS with ISO 14001 requirements (Certificate No RU228136QE-U dated December 08, 2011). Based on the audit results, the BVC specialists provided recommendations on potential areas for improvement and highlighted the general advantages of the Company's EMS.

Russia

POLAR DIVISION

ENVIRONMENTAL PERFORMANCE OF THE POLAR DIVISION

Indicator	2013	2012	2011
Air pollutant emissions, total ('000 tonnes)	1,912	1,938	1,946
including			
sulphur dioxide ('000 tonnes)	1,881	1,908	1,912
solids ('000 tonnes)	10	9	11
Water discharges (million m3)	33	39	39
Pollutant discharges ('000 tonnes)	77	72	48
In-house waste utilisation and neutralisation (million tonnes)	13	16	13
Waste disposal (million tonnes)	13	16	20

The aggregate harmful substance (pollutant) emissions from the Polar Division in 2013 were reduced by 26,457 tonnes (1.4%) year-on-year, mainly due to the reduction of sulphur dioxide emissions by 26,948 tonnes (1.4%).

Sulphur dioxide emissions decreased partly due to a 3.8% increase the extraction of sulphur from middlings at the Nadezhda Metallurgical Plant.

Solid substances emissions increased by 1,091 tonnes (up 12.3%) year-on-year, primarily due to the increased nonorganic dust emissions from the Nickel Plant as a result of increased sinter production (+2.6%), as well as increased nickel

ENVIRONMENTAL EXPENSES, USD million



concentrate processing in fluid-bed furnaces 1 and 3, increased production of reagent nickel powder and anode production in the roasting shop, and a 9.3% increase in cobalt hydroxide processing at the recovery smelting stages in the compressor cooling shop.

In 2013, the Company continued to implement air emission reduction measures in order to eventually achieve compliance with the maximum allowable emission levels established for the Polar Division.

A cement copper pelletisation unit was installed at the Copper Plant's smelting shop, allowing the Company to utilise furnace AP-2 off-gases in order to produce pellets and reduce metal-containing dust emissions.

The reporting year saw further work related to the renovation of elementary sulphur processing facilities at the Copper and Nadezhda Metallurgical Plants. (For more detail, please see the Sulphur Project section).

In 2013, the Rospotrebnadzor (Federal Supervision Agency for Customer Protection and Human Welfare) Administration for Krasnoyarsk Territory gave a favourable sanitary and epidemiological assessment of justifications for the designed dimensions of sanitary protection zones of the Talnakh enrichment plant and the Copper Plant's tailing dump. An accredited organisation issued a favourable sanitary and epidemiological opinion on justifications for the designed dimensions of sanitary protection zones of the Oktyabrsky mine.

With the determination of the final dimensions of the sanitary protection zones for the Company's facilities, expert reports from an accredited organisation and the Rospotrebnadzor (Federal Service on Surveillance for Consumer Rights Protection and Human Well-being) Administration for Krasnoyarsk Krai gave a favourable assessment on justifications for the designed dimensions of the sanitary protection zones of the Komsomolsky mine (Komsomolsky, Skalisty and Mayak mines). In order to inform people about the Polar Division's environmental activity, the Severny Gorod media centre continued to issue an ecological bulletin, which provides information on the air quality in Norilsk and implemented environmental measures. The population continued to obtain forecast data on the impact of the Polar Division's metallurgical plants on the atmosphere in real-time mode through a free automatic telephone answering system – 007.

In 2013, the Company took measures aimed at regulating pollutant emissions in environment.

In 2013, as part of the Norilsk Nickel Plan to Reduce Pollutant Discharges into Wastewater Environment (Water Bodies) in the Norilsk and Taimyr Dolgano-Nenets Municipal Districts, further measures were taken to design and construct treatment facilities.

In the reporting year, the following measures were taken to protect water:

- Further implementation of measures to design and construct local water treatment plants;
- Further implementation of measures for the construction of the cooling tower at the Zapolyarny mine;
- Further implementation of measures for excessive discharge treatment at the tailings dump of the Nadezhda Metallurgical Plant;
- Further design and survey work on wastewater treatment at the cement production;
- Liquidation of 4 wastewater outlets.

The environmental activity of Polar Division business units in the area of waste management is focused on the use of waste in its own production and compliance with established waste disposal limits.

In 2013, the entities of the Polar Division produced 26 million tonnes of waste and utilised 13 million tonnes of waste in their own production.

The bulk mining waste (stripping soils, hard rock, concentration tailings of enrichment plants) and smelter slags, skimming and dust are used as a component of filling mixes for laying the excavated area of the mines, for building and reinforcing dams of tailings storage facilities, and for road dressing.

In the reporting year, 13 million tonnes of waste were disposed of using the Company's own facilities, down 3 million tonnes year-on-year (a 17.6% decrease) compared to 2012.

In 2013, in order to improve the arrangement of waste disposal sites, measures were taken to renovate the Nadezhda Metallurgical Plant's tailing dump.

The Company is considering a Copper Plant slag processing project aimed at reducing the quantity of Copper Plant smelting slags to 2.0 million tonnes per year, with their involvement in production in order to re-extract metals.

In 2013, remedial work was carried out on the green areas adjacent to the Lebyazhye tailing dump in order to plant a sustainable vegetation cover of perennial herbs and trees.

In 2013, as part of the implementation of the Citywide Programme on Greenery Planting and Restoration of the City Landscapes and Adjacent Territories of Norilsk City Municipal District, measures were taken jointly with the Administration of Norilsk to clean and improve external territories and territories adjacent to highways, to protect water bodies and water protection zones, and to develop tourist camps.

In the summer of 2013, the open ecological campaign Posevnaya was organised for the second time by the Severny Gorod media centre with the participation and support of the Polar Division and the Norilsk Administration. Scientific support was provided by experts from the Research Institute of Agriculture of the Far North and naturalists from the Young Technician Centre. In 2013, the Posevnaya campaign marked the anniversary of Norilsk and the Year of Environmental Protection in Russia. During The Campaign encouraged citizens to create a new lawn or interplant the grass on existing lawns.

In September 2013, the 4th International Ecological Conference on Environmental Protection and Industrial Activities in the North was held jointly with the Federal Supervision Service for Nature Management.

In accordance with tradition, conference participants visited the Polar Division facilities, where they learned about the ecological aspects of the facilities' environmental activities and observed the progress of environmental measures. The conference participants took part in the Urban Greenery Planting campaign

and contributed to the improvement of the Norilsk and planted a tree with their own hands.

This year's conference, like the previous ones, gathered representatives from legislative and executive authorities, representatives of the Russian Academy of Sciences and Russian Union of Industrialists and Entrepreneurs, and representatives of scientific institutions and enterprises from different cities of the Russian Federation, as well as specialists from Finland and Canada.

The conference considered and discussed the following questions:

- State regulation in the area of environmental protection and use of natural resources;
- Large manufacturing outfits' experience of running business under environmental constraints;
- Environmental improvement at the site;
- Landscaping and urban landscape restoration in Norilsk City Municipal District;
- The applicable environmental legislation practice and challenges;
- State-of-the-art metallurgical technologies and environmental aspects.

According to Decree No. 1157 of August 10, 2012 of the President of the Russian Federation, 2013 was declared the Year of Environmental Protection.

On June 5, 2013, the Polar Division supported the initiative of the Russian Ministry of Natural Resources and joined the all-Russian campaign "Zero Negative Environmental Impact". Despite the continuous production process at the main metallurgical and mining facilities, the Company found opportunities to reduce emissions during the campaign. For example, operations at a number of Polar Division workshops and production entities were suspended.

HELPING NATIONAL RESERVES TO PRESERVE BIODIVERSITY

In 2012-2013, organisational changes took place in the management of Taymyr natural protected areas. In accordance



with Decree No. 237 dated August 13, 2012 by the Minister of Natural Resources and Ecology of the Russian Federation, the FGBU (Federal State Budget Institution), the Taymyrsky State Natural Biosphere Reserve, FGBU Putoransky State Natural Reserve and FGBU Great Arctic State Natural Reserve were reorganised with a merger, to form the FGBU Joint Direction of Taymyr Reserves.

As part of its 2013 Charity Programme, the Polar Division granted approximately USD 7,000 to the FSBI Joint Direction of Taymyr Reserves for the acquisition of construction materials to repair an outpost at Lake Sobachye, and more than USD 9,000 for acquisition of the necessary equipment.

The FSBI Joint Direction of Taymyr Reserves with its project Reduce Poaching in Large Norilsk Lakes by Creating an Environment for Amateur Fishing in the Upstream Part of the Pyasina Basin won the Company's first open contest of social projects, Our Future – Our Responsibility in the Towards Nature category with a grant amount exceeding USD 31,000.

KOLA MMC

ENVIRONMENTAL PERFORMANCE OF THE KOLA MMC

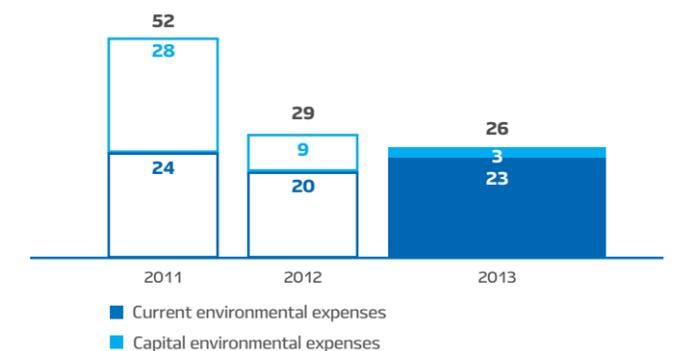
Indicator	2013	2012	2011
Air pollutant emissions, total ('000 tonnes)	165	149	147
Including	165	149	147
Sulphur dioxide ('000 tonnes)	152	136	134
Solids ('000 tonnes)	10	10	10
Water discharges (million m ³)	24.5	26.3	27.4
Pollutant discharge ('000 tonnes)	62	77	71
In-house waste utilisation and neutralisation (million tonnes)	6.4	5.0	3.0
Waste disposal (million tonnes)	7.7	6.9	6.2

Kola MMC's emissions at the Monchegorsk site have already been maintained below the established maximum allowable emission levels for 10 years, while at the Zapolyarny and Nickel sites, they have been below the temporary approved emission levels established by governmental authorities for the period of the concentrate roasting shop and smelting shop modernisation.

The total year-on-year 11.4% increase in the sulphur dioxide emissions in 2013 was due to a decrease in sulphuric acid output in connection with the ongoing repair of gas duct MTs-SKO RTs at the Monchegorsk site and oil burning emissions related to commissioning operations in the briquetting area at the Zapolyarny site.

An increase in nitrogen oxide emissions by 3.1% year-on-year was due to the additional volume of oil burning, related to commissioning operations in the briquetting area at the Zapolyarny site.

ENVIRONMENTAL EXPENSES, USD million





After the briquetting technology is implemented, sulphur dioxide emissions caused by Zapolyarny site's activities are expected to decrease considerably.

Since 1998, in addition to construction of the briquetting area, Kola MMC has implemented a variety of projects at the Zapolyarny and Nickel Plant sites, facilitating the reduction of sulphur dioxide emissions from 188,000 tonnes in 1998 to 115,000 tonnes in 2013. This necessitated an intensive engineering search to be conducted and significant costs to be incurred.

In 2013, Kola MMC undertook further measures to reduce pollutant discharges into the wastewater environment (water bodies).

The aggregate pollutant discharges to the wastewater environment from Kola MMC's sites in 2013 decreased by 20.2% year-on-year, mainly due to the reduced reagent use for production at the Monchegorsk site.

A 2.4% increase in the discharge of poorly treated wastewater is primarily due to the increased inflow of the Severny mine at the Zapolyarny site. At the Monchegorsk site, discharge volumes remained at the 2012 level.

In 2013, as part of the Kola MMC Plan to Reduce Pollutant Discharges into Wastewater Environment (Water Bodies), further measures were taken:

- Cleaning of the salt drainage from nickel refining on the Monchegorsk site;
- Cleaning of the Severny-Gluboky mine water discharge.

Kola MMC carries out its production activities with regard to waste treatment in accordance with the approvals obtained within the established maximum allowable emission levels.

In 2013, 14 million tonnes of waste were generated at Kola MMC's sites, 6 million tonnes of which were used in the company's own production, 137 thousand tonnes were

In 2013, Kola MMC took further measures in the smelting shop at the Nickel Plant aimed at ensuring compliance with the maximum allowable emission levels, including:

- Collection and discharge through smoke stack No. 3 of fugitive (intrashop) converter gases;
- Restoration of the current electric furnace charging facilities (abatement of low emissions at the electric furnace);
- Collection and discharge through smoke stack No. 2 of fugitive (intrashop) gases from electric furnaces

As part of these measures, detailed engineering documentation was produced relating to the collection and disposal of gases from the melting facilities of electric furnace and the converter stages of the smelting shop. Technical solutions were developed relating to the evacuation of process and aspiration gases, and action deadlines were determined. A reconstruction of smoke stack No. 2 dust collector was performed; with aspiration hoods installed on three convertors.

At the Zapolyarny site, construction of a concentrate briquetting area was completed to replace the concentrate roasting shop. Equipment adjustment and briquetting technology validation are currently in progress, to be followed by briquette melting in ore-thermal furnaces of the Nickel Plant's smelting shop.



neutralised and 8 million tonnes disposed of at the company's own waste disposal sites.

In 2013, Kola MMC carried out the following activities aimed at mitigating its environmental impact:

- Cleaning of the process retention pond at the Monchegorsk site;
- Start-up operations in the briquetting shop at the Zapolyarny site;
- The enrichment plant increased the utilisation of recycled water in the production process and continued to use tailings for building alluvial dams;
- Technical solutions for treatment of the Severny mine waters were developed.

In 2013, the following measures for the restoration of the natural environment in the operational area of Kola MMC were taken:

- A USD 22,000 mined-land reclamation project for 5 ha of the Monchegorsk district subject to aerogenic pollution;
- Delivery of 7,800 tonnes of organic fertiliser to the territory planned for further reclamation to the amount USD 78,000;
- More than USD 31,000 worth of trees delivered and planted in the Pechenegsky District by LLC Svetoch

HELPING NATIONAL RESERVES TO PRESERVE BIODIVERSITY



Since 2006, Pasvik Reserve employees have carried out R&D study "Assessment of the natural environment in the Pechenganickel integrated works operational area, including the town of Zapolyarny and Nickel settlement and their surroundings and the Pasvik Reserve territory, and development of a long-term monitoring programme". In 2013, the Pasvik Reserve carried out contractual work to the amount of USD 263,000.

In 2013, Kola MMC provided the Pasvik Reserve with USD 330,000 in funding to help construct a visitor centre.

Since 2002, Kola MMC has had an agreement in place with the Lapland Reserve to develop methods to restore natural complexes in an area which has been damaged by long-term air emissions from the Severonickel integrated works, and to monitor the Monchegorsk District (the land adjacent to the Monchegorsk industrial site) and the Lapland Reserve. The data obtained during the scientific research formed the basis for subsequent work on mined-land reclamation, sanitary and fire-protection forest land improvement, carried out on a contractual basis. In 2013, the Lapland Reserve carried out contractual work worth USD 110,000.

In 2013, Kola MMC provided the Lapland Reserve with USD 55,000 in funding to help construct a visitor centre.

International assets

All international facilities of the Group are subject to both national environmental regulations and Norilsk Nickel Group corporate standards. Environmental programmes are an essential part of routine operations in every business unit. All international operations have their facilities certified, with their compliance confirmed regularly under ISO 14001. The companies prepare and execute their own activities to minimise the environmental impact of their operations.

Most of the environmental load on the Company's international production assets (except those in Finland) is related to terraforming and the use of water resources. Post-operation (after a mine or quarry is exhausted), the reclamation of natural landscapes and water bodies is a key aspect of our environmental protection policy.

ENVIRONMENTAL IMPACT OF NORILSK NICKEL INTERNATIONAL*

Indicator	2013	2012	2011
NN AUSTRALIA			
Total water consumption (m ³ in millions)	0.69	1.03	1.29
Waste generation (tonnes)	341	498	0,21
Waste disposal (tonnes)	341	498	0,21
TATI NICKEL			
Total water consumption (m ³ in millions)	2.9	3.2	2.5
Waste generation (tonnes)	298	279	326
Waste disposal (tonnes)	298	279	326
NKOMATI			
Total water consumption (m ³ in millions)	0.132	1.12	0.83
Waste generation (tonnes)	174	228	163
Waste disposal (tonnes)	174	228	163
NN HARJAVALTA			
Total water consumption (m ³ in millions)	11.5	9.9	10.5
Waste generation (tonnes)	22.0	9.9	15.1
Waste disposal (tonnes)	21.3	9.4	14.5

*Waste data does not include rubble and rejects.

FINLAND

Norilsk Nickel Harjavalta holds all required environmental permits, and uses a certified comprehensive management system compliant with ISO 9001, ISO 14001 and OHSAS 18001. The primary environmental management issues of NNH include the emissions of ammonia and nickel, and water discharge containing sulphates and ammonium ion. All actual discharge and waste volumes by Norilsk Nickel Harjavalta in 2013 remained within the quotas.

AUSTRALIA

The Group's Australian divisions pay particular attention to compliance with fundamental principles in employee healthcare, labour safety, and environmental protection. In addition to the Company's corporate environmental policy, all activities are aligned with the environment management system adopted by the Group's Australian entities, as well as with Australian national and regional regulations. The environmental management system is reviewed every year.

In 2013, a plan was developed to close down the Black Swan mine and all related operations. The plan was submitted as required by the Government of Western Australia to the Department of Mines and Petroleum. A revised version of the plan is to be presented by January 2016. Plans to close down the mines of Avalon, Cawse and Lake Johnston are also being developed, to be presented by mid-2014.

BOTSWANA

On a quarterly basis, the Company conducts internal audits of the management system that controls its environmental aspects to ensure compliance with the applicable international standards. Compliance with environmental protection management plans was monitored throughout the year. A plan to close down the existing mine was developed in 2012.

SOUTH AFRICA

Nkomati has deployed and is maintaining an environmental protection and management program that was certified to ISO 14001. In 2013, Nkomati received a water use licence that has been a prerequisite and a key compliance issue for the Company.

REDUCING SULPHUR DIOXIDE EMISSIONS

Norilsk Nickel's most significant environmental challenge is the sulphur dioxide emissions by Polar Division metallurgical plants. This is a comprehensive issue and requires a packaged solution applied at each stage of enrichment and metallurgical production. The technical surveys conducted in 2010-2011 confirmed that the most cost-effective way to reduce sulphur for Norilsk dioxide emissions is to produce elementary sulphur.

PROJECT GOAL:

■ Technical and design solutions to preparation and implementation of sulphur from the waste gases originating from the Vanukov furnaces; from the converters of the Copper Plant and from the flash smelters of the Nadezhda Metallurgical Plant in the Polar Division.

PROJECT OBJECTIVE:

■ To utilise sulphur in a form appropriate for transportation and/or long-term storage without the occurrence of secondary environmental risks.

PROJECT IMPLEMENTATION:

■ Projects aims at the installation of the sulphur utilisation facilities at the Copper and Nadezhda Metallurgical Plants, with a total capacity of up to 950,000 tonnes of elemental sulphur per year produced from sulphur from waste gases. Targets to extract are: 95% of sulphur from waste gases, and extracted total sulphur dioxide emissions by more than four times.

The opportunity to organise long-term storage of sulphur granulation and the shipment to consumers (primarily the manufacturers of sulphuric acid and mineral fertiliser) make it possible to respond quickly to market conditions. Every business decision will be taken on the basis of the current sulphur price and on transportation and long-term storage costs.

In 2011, the Company held an international tender to develop and deploy a technology for sulphur dioxide utilisation at the Copper and Nadezhda Metallurgical Plants. The contract was awarded to Techint Compagnia Tecnica Internazionale S.p.A, based in Milan, Italy.

In 2013, the following steps were accomplished:

- 1) Pilot tests of processes were completed. Techint invited MMC Norilsk Nickel experts to participate in the testing of the technology of sulphur extraction from high-concentration sulphur dioxide held by Techint's contractor LGI (France) at the Paramo plant in Pardubice, Czech Republic. The unit was specially upgraded to fit project purposes, where the process parameters, preset at the design stage, were successfully tested and adjusted.
- 2) Sulphur dioxide concentration technology testing (with initial concentrations from 0.1% to 40% vol.) was held in 2012 at the MATRIC R&D Centre in Charleston, USA, and tests were carried out on a technology to restore concentrated sulphur dioxide with natural gas at the laboratories of Alberta Sulphur Research Ltd. in Canada, as part of a package of laboratory and pilot tests. As a result of these tests, the efficiency of key assemblies in the designed objects with parameters prescribed in the requirements specification was finally confirmed.

The preparation of project documentation continued in 2013, with Techint having submitted four batches of interim documentation. The Company actively engaged with the contractor; taking part in regional meetings and hosting extensive joint consultations of project groups in both Norilsk and Moscow.



MMC Norilsk Nickel
Annual Report 2013

Review of the metals market



Nickel market 126



Palladium market 138



Copper market 134



Platinum market 144



Nickel market

KEY TRENDS IN THE NICKEL MARKET

In 2013 the production of primary nickel increased more than consumption, owing to:

- Sharp increase of nickel pig iron (NPI) production in China, driven by the expansion of more efficient technologies (RKEF) with production costs as low as USD 12,500-13,500 /t.
- Ramp up of production at new nickel projects launched in 2011-2012.
- No large-scale closures of loss-making mines owing to the anticipation that a ban on nickel ore exports from Indonesia would be introduced, despite the low nickel price and a considerable market surplus.

Production growth outpacing consumption led to increase of market surplus –

up to 165 thousand tonnes, which resulted in the accumulation of a sizeable metal inventory at the London Metals Exchange and in China.

Due to a gradually increasing nickel surplus, nickel prices decreased throughout 2013, reaching a four-year-low of

USD 13,160 /t, in July, down 14% year-on-year.



¹ RKEF – rotary kiln electric furnace – electric rotary furnace with raw materials pre-drying.



NICKEL CONSUMPTION

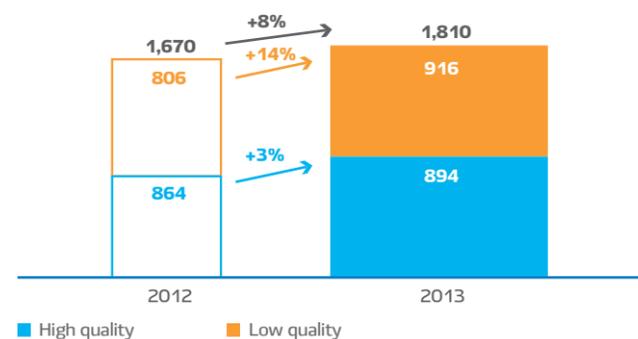
In 2013, the total consumption of primary nickel increased by 140 thousand tonnes, (+8%) year-on-year.

The growth in primary nickel consumption has largely been driven by an increased use of low-quality nickel, mostly NPI. Larger output low-quality nickel not only met higher demand from the steel industry; but also continued the substitution of high-quality material in this sector, driving it out to other segments or to a build-up of inventories. This is why, despite a considerable growth in global consumption of primary nickel in general, the

consumption of high-quality nickel products increased at a much slower rate.

Stainless steel and specialty steel remain the largest consumer of primary nickel (72% of total in 2013). As an additive, nickel improves the mechanical properties of steel and makes it less corrosive and more resistant to aggressive environments. The metal is also widely used to make alloys, plating, chemicals and electric batteries.

PRIMARY NICKEL CONSUMPTION IN 2012-2013, thousand tonnes



- 1 Low-quality nickel (ferronickel, nickel pig iron and nickel oxide). China mass-produces the specific variety of low-quality nickel known as crude ferronickel (also known as nickel pig iron or NPI). This is ferronickel with a lower nickel content and more admixtures (primarily iron). Due to its environmental impact and high energy costs, nearly all of the output is produced and used in China (with the only exception being a small-scale producer of NPI in Indonesia).
- 2 High-quality nickel (includes cathodes, cakes, chemical compounds, powdered and carbonyl nickel).

CONSUMPTION OF PRIMARY NICKEL IN STAINLESS STEEL

Stainless steel is produced in various grades, which ultimately determine the consumption of primary nickel. The classification of stainless steels depends on the crystal matrix structure in the alloy – austenite, martensite or ferrite.

Austenitic stainless steel is the most common type of stainless steel (more than 70% of global production). This steel contains a high percentage of chromium, and enough nickel and manganese to form the “austenitic” structure, as the latter two make steel moldable, plastic, resistant to corrosion, and non-magnetic.

According to international classification, this group of grades includes the 300 series of stainless steel, which has a nickel content from 8% to 12-16% and even higher in some grades.

Austenitic grades also include the 200 series, with lower nickel content (2% on average in China and India, and 4-6% in other countries) thanks to the alloying of manganese. China and India account for more than 90% of total production of 200 series steel.

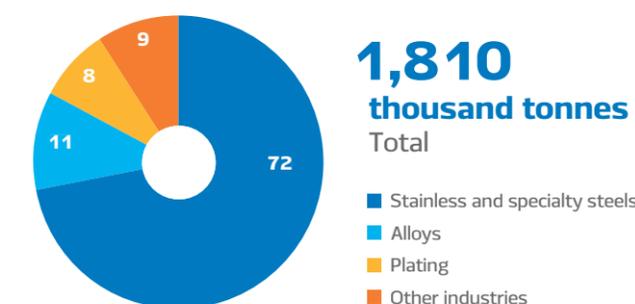
Series 200 is not a substitute for the grades with high nickel content, as it is prone to surface corrosion (pitting), and not resistant to heat or aggressive factors in the environment. Thanks to lower production costs, however, it is often used in non-critical products such as household appliances.

CHANGE IN PRIMARY NICKEL CONSUMPTION IN INDUSTRIES IN 2012-2013

Industry	2013/2012
Production of stainless and specialty steels	+130 thousand tonnes (+11%)
Production of alloys	+3 thousand tonnes (+1%)
Plating	+5 thousand tonnes (+4%)
Other consumers	+2 thousand tonnes (+1%)
TOTAL	+140 THOUSAND TONNES (+8.5%)

Source: Company data

PRIMARY NICKEL CONSUMPTION BY INDUSTRY IN 2013, %



In Focus

BAN ON EXPORTS OF UNPROCESSED NICKEL ORE FROM INDONESIA

In 2013, the most widely discussed and anticipated topic on the nickel market was the upcoming ban on the export of nickel ore from Indonesia. Since the introduction of this ban was expected, most high-cost production facilities were kept running, despite generating losses amid low nickel prices, while the output of NPI in China soared to a record high, driving further driving a market surplus.

BACKGROUND

In 2009, a law was signed in Indonesia banning the export of unprocessed ore starting from 2014. Concerns over ore depletion were the main reason for the Indonesian government to propose the restriction of ore export.

In February 2012, the Indonesian Ministry of Energy and Natural Resources issued Directive No. 7, “Raising Added Value of Ore Products through Processing of Ore Material” that prohibited the holders of “mining permits” from exporting unprocessed material from May 6, 2012, unless they submitted to the Indonesian government project documentation on the proposed construction of processing facilities in Indonesia.

On May 7, 2012, a moratorium on the export of unprocessed ore was announced, pending a further decision by the government. Options discussed included the permitted export of ore subject to extra export duties of 20-50%, depending on the type of ore. Eventually, the government decided to raise export duties from 5% to 20%. Most major nickel producers consequently obtained export quotas, and resumed their export shipments of ore. From August to December 2013, export duties were temporarily suspended.

BAN ON EXPORTS OF UNPROCESSED NICKEL ORE

On January 11, 2014, Indonesian President Susilo Bambang Yudhoyono signed a decree that banned exports of unprocessed ore from Indonesia starting from January 12, 2014.

After the decree was signed, the provisions of the law signed in 2009 that allowed only exports of products of metallurgical processing from 2014 became somewhat less stringent, but the change did not apply to nickel ore. From January 12, 2014, exports of the material with less than 4% nickel content were banned completely. The ban covers exports of all ore types mined in Indonesia. However, semi-product (nickel oxide), produced by PT Vale, has been permitted for export.

POSSIBLE CONSEQUENCES OF EXPORT BAN ON UNPROCESSED NICKEL ORE FROM INDONESIA

If the full ban remains in place, the global nickel market is expected to undergo significant structural changes.

Ore imported from the Philippines and New Caledonia cannot fully make up for the lost volumes of Indonesian ore for Chinese production, because the former ores are of lower quality, and are subject to additional restrictions on mining volumes.

The nickel ore reserves currently accumulated in China will be sufficient to maintain existing levels of crude ferronickel production for no more than six months. Meanwhile, the launch of new enterprises and the development of nickel production as part of the projects already launched outside China will only partially compensate for the anticipated decline in crude ferronickel output.

As a result, it is expected that by the end of 2014, we will witness a balanced state. If the above-mentioned ban persists, the forecast for 2015 is that the global nickel market will see consumption exceeding production. At the same time, the significant metal reserves available on the stock exchange and in China limit the possibility of a substantial increase in the price of nickel in the medium term.



Steels of the austenitic-ferritic class (duplex) feature a high content of chromium (18-25%) and molybdenum (1-4%), and a lower content of nickel (1-7%). These steel grades are mainly used in manufacturing, construction, and in products exposed to seawater.

Ferritic grades of stainless steel (series 400) contain practically no nickel (0-0.5%), and with their properties, resemble low-carbon steel with a high resistance to corrosion – although they are mechanically inferior to austenitic stainless steel. They are mainly used in automotive exhaust systems, frames for cargo containers, water heaters, washing machines, kitchenware and cutlery, and components of architectural interiors.

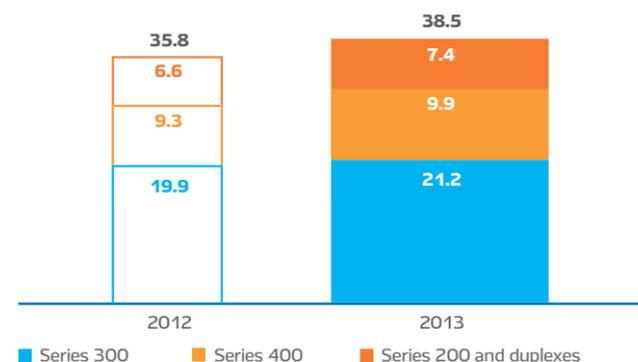
Unlike austenitic grades with plastic properties, ferritic grades are relatively brittle and can become magnetised, which is undesirable for some products.

Martensite steel (certain grades of series 400) has higher carbon content – up to 1.2% – and lower chromium content. Nitrogen is also added to strengthen the steel. These steels are the least common, and are used to make turbine blades, cutlery and razorblades.

The global output of stainless steel in 2013 increased by 8% year-on-year, to a historical record of 38.5 million tonnes, while the breakdown of stainless steel output in 2013 did not change much from 2012, except for higher growth rates of series 200, mainly in China.

In 2013, importantly, the consumption of primary nickel in the sector grew faster (+11% or 130 thousand tonnes) than the output of stainless steel of series 300 (+7%), the main driver of nickel consumption. This was mainly due to China substituting nickel scrap with NPI.

PRODUCTION OF STAINLESS STEEL BY SERIES IN 2012-2013, million tonnes



Source: Company data

Nearly all types of nickel products are used in stainless steel (except for specific forms such as powder and chemical compounds of nickel). Since the quality of nickel product makes little difference for the quality of stainless steel, steelmakers prefer to use cheaper nickel materials, turning to high-quality nickel only as a last resort option. The consumption of high-quality nickel has therefore been transferred from stainless steel production to other applications.

For a stainless steel producer, the cost of a nickel unit made of scrap is often lower than primary nickel. Nickel scrap in 2013 traded at a major discount to the London Metal Exchange nickel price – as much as 20% during the year – and the material was in great demand by stainless steel makers.

However, at present (when the nickel price is low), in terms of stainless steel production costs, ferronickel competes successfully with scrap (particularly NPI, thanks to the higher iron content). Traditionally, when buying ferronickel, the consumer would only pay for the nickel contained in the material (sales contracts for standard ferronickel are typically linked to the LME price) and would get the iron for free. Therefore, with one tonne of nickel (assuming a typical 20% nickel grade) one gets 4 tonnes of iron for free, which compared to using high quality nickel, implies a saving of USD 1,400-1,500 /t (with steel price of USD 350-360 /t).

CONSUMPTION OF PRIMARY NICKEL IN ALLOYS AND SUPER-ALLOYS

The aerospace industry is the main driver of demand for alloys and super-alloys, which are used in aircraft engines. Since orders for new civil aircrafts are growing, nickel consumption in the sector should increase in the coming several years.

Nickel alloys are also used in the petrochemical industry and in automotive manufacturing as substitutes for austenitic grades of stainless steel. For example, there has recently been an increase in the use of alloys in turbine heaters and fuel systems.

The consumption of primary nickel in alloys increased by 1% or by 3,000 tonnes in 2013.

¹ Nickel-containing scrap (nickel-containing stainless steel scrap, or scrap of alloy steel and foundry scrap, or scrap of nickel-based alloys).



CONSUMPTION OF PRIMARY NICKEL IN PLATING

Nickel is widely used in decorative and protective plating that can be from 1 to 100 micrometers thick (nickel-plating).

Nickel plating is very resistant to corrosion, fairly hard, and also aesthetically beautiful.

Nickel plating is used in various applications:

- **In decorations** Nickel plating has a mirror-like shine and almost never gets dull when exposed to the air and to the elements, thanks to its high corrosion resistance. Nickel is used to coat decorative parts, railings, tools and equipment.
- **Corrosion protection.** Nickel plating can prevent the corrosion of electric terminals or mechanisms exposed to humidity.
- **As an alternative to chromium plating.** In some cases, nickel plating can replace chromium where there are technological difficulties with applying chromium on products of complex shapes. With the correct choice of coating and application, there is virtually no difference between nickel and chromium-coated products.

The consumption of primary nickel in galvanic plating in 2013 increased by 4%, or by 5,000 tonnes, driven mainly by Asian consumers. In recent years, China has been the leading consumer of nickel in galvanic coatings. Since 2012, the sector has also been growing in other Asian countries to which Chinese businesses are now outsourcing their production to optimise their production costs.

CONSUMPTION OF PRIMARY NICKEL IN OTHER SECTORS

Consumption of primary nickel in other sectors (such as electric battery making, chemical industry, and molding) rose by 1% or by 2,000 tonnes. Battery making has shown moderate growth. Since they contain carcinogenic materials, nickel-cadmium batteries are only used in critical products and are no longer part of the mass consumer market. Further development of nickel-hydride batteries is only possible in automotive manufacturing (hybrid vehicles), but they are facing strong competition from lithium batteries.

PRIMARY NICKEL CONSUMPTION BY REGION

China is the leading nickel consumer, with a growing share of global nickel consumption. In 2013, China accounted for more than half of global consumption (51%).

In 2013, as in 2012, the global consumption of nickel increased solely due to Chinese demand, driven by its stainless steel industry, destined predominantly for domestic consumption. In Europe, nickel consumption dropped materially following the closure of the Outokumpu plants in Germany and a decrease in the overall output of stainless steel, while Asia and the Americas saw a moderate increase in.

NICKEL PRODUCTION

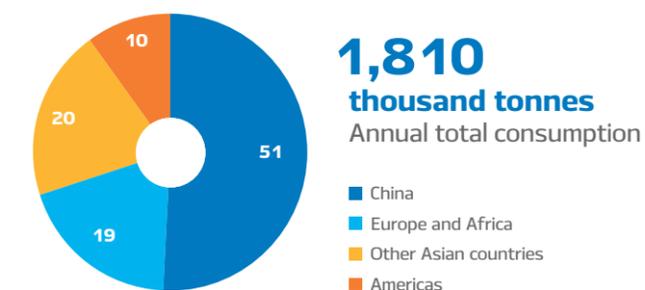
In 2013, of primary nickel production increased by more than 10%, or by 180 thousand tonnes year-on-year.

All primary nickel output can be divided into two groups:

- **High-quality nickel** (cathodes, cakes, carbonyl nickel, chemical compounds of nickel), produced from both sulphide and laterite ore. The largest producers of high-quality nickel in 2013 were Norilsk Nickel, Vale, Jinchuan, Glencore, and BHP Billiton.
- **Low-quality nickel** (ferronickel, NPI, and nickel oxide), produced only from laterite ore. The main producers of low-quality nickel in 2013 were NPI producers in China, BHP Billiton, Eramet, Pamco, and Anglo American.

In 2013, the output of high-quality nickel increased by 60 thousand tonnes (+6%), mainly due to increased production at the Madagascar-based Ambatovy – owned by Sherritt and launched in 2012 – and a slight increase by Jinchuan of China and by the Australian subsidiaries of both BHP Billiton and Glencore.

PRIMARY NICKEL CONSUMPTION BY REGION IN 2013, %



Source: Company data



In contract, the output of low-quality nickel increased significantly in 2013, by 120 thousand tonnes (+15%). The highest growth rates in 2013 were registered in NPI 150 thousand tonnes (up to 490 thousand tonnes, or 25% of global primary nickel supply), while the output of standard ferronickel grew by 10 thousand tonnes.

Overall, in 2013, more than 30% of global primary nickel production was loss-making (see fig.). At the same time, there were no wide-spread shutdowns of high-cost production as the market was awaiting for the introduction of the export ban on nickel ore in Indonesia. Ultimately, there were only 20 thousand tonnes of high cost capacity shut down in 2013:

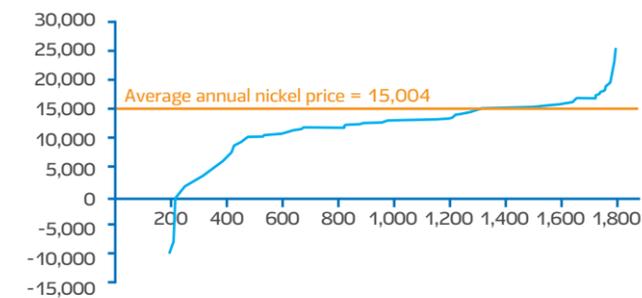
- Production at two facilities which were shut down in 2012 (Yuzhuralnickel in Russia and Cuba-based Nicaro) was not resumed.
- At the end of 2013, Glencore Falcondo project in the Dominican Republic was production, and supplies of nickel semi-product from Fortaleza (Brazil) and Lake Johnston (Australia) was idled.

In addition, the Loma De Niquel operation in Venezuela, which was shut down in 2012 as a result of nationalisation, did not resume operation in 2013, and there were also some technical problems experienced in nickel production elsewhere: the Dalian plant in China (Vale) was shut down for repairs after an emergency and the Onca-Puma facility in Brazil (Vale) remained suspended for almost a year after its furnaces were put out for capital repairs. In 2013, these companies reduced nickel production by 20 thousand tonnes year-on-year.

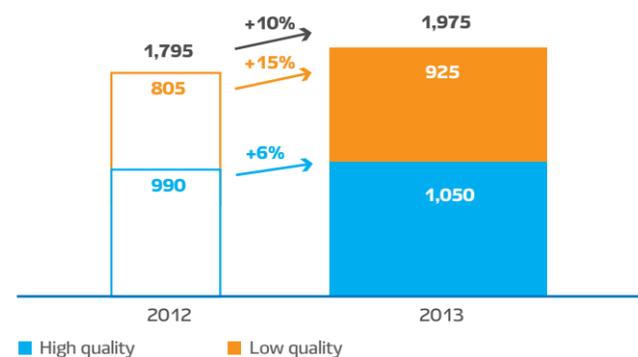
NICKEL MARKET BALANCE

In 2013, the consumption of primary nickel in 2013 increased at a slower rate than production. This translated into a considerable market surplus, mainly of high-quality metal. The surplus was accumulated at the London Metals Exchange warehouses (122 thousand tonnes), and in opaque reserves, mainly in China.

CASH OPERATING COST OF NICKEL PRODUCTION IN 2013 (C1)

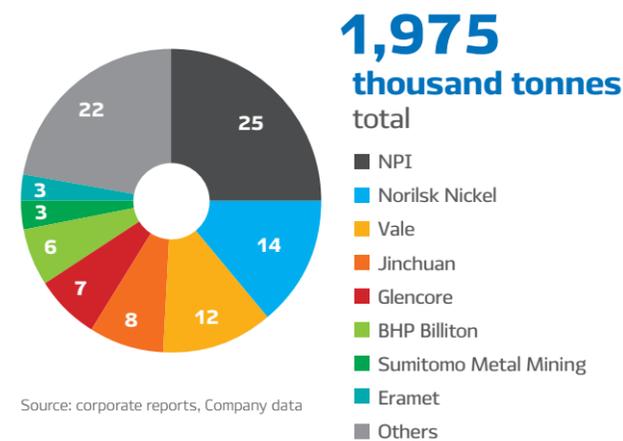


PRIMARY NICKEL PRODUCTION IN 2012-2013, thousand tonnes



Source: Wood Mackenzie

PRIMARY NICKEL OUTPUT IN 2013, BY COMPANY, %



Source: corporate reports, Company data



In the first quarter of 2013, the growth of nickel prices was largely driven by technical adjustments on the LME exchange. From March until July, due to a gradually increasing of nickel surplus, prices fell markedly and reaching historical low for the past four years - USD 13,160 /t in July. More than 40% of nickel producers globally were making losses.

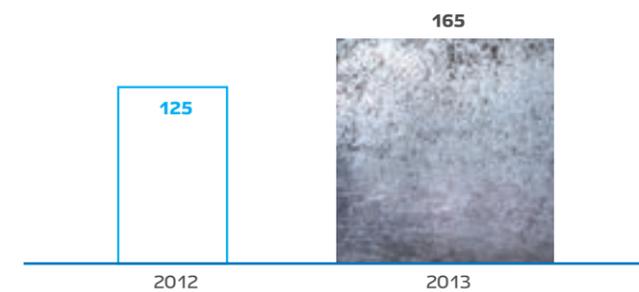
Having reached its trough in July, nickel price was bound in the range of USD 13,300-14,800 /t; capped by a growing surplus and supported by large amount of loss-making capacity.

As a result, the average annual price of nickel in 2013 dropped by 14% compared to the 2012 figure.

NICKEL PRICE IN 2013, USD/t

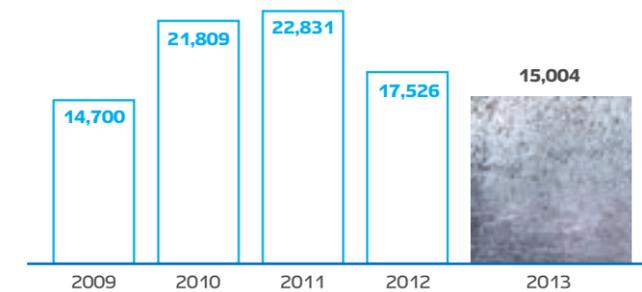


NICKEL SUPPLY AND DEMAND BALANCE, (surplus) thousand tonnes



Source: Company data

AVERAGE ANNUAL NICKEL PRICES FOR THE LAST 5 YEARS, USD/t



Source: LME (cash settlement quotation)



Copper market



KEY TRENDS IN THE COPPER MARKET

In 2013, the growth in output of refined copper was ahead of consumption growth, so that the global copper market maintained a marginal surplus, although smaller than in 2012. Copper surplus was mainly accumulated in off-exchange inventories, both in and out of China, at major traders' warehouses. Total exchange inventories were down year-on-year in 2013.

The price of copper in the first half of 2013 took a tumble as the market was expecting an increase of surplus. During the second half of the year, prices fluctuated in the range of USD 6,800-7,400 /t, with the 2013 average of USD 7,322 /t, down 8% year-on-year.

COPPER CONSUMPTION

Copper possesses high electrical and thermal conductivity, plasticity and resistance to corrosion. This is why it is widely used in nearly every manufacturing sector. More than 70% of copper is used in electric conductors, including various types of cables and wires. The largest consumers of copper are electrical and electronic manufacturers (35%), the construction industry (30%), machine building and transport firms (25%), and manufacturers of consumer goods (10%).

In 2013, the global consumption of refined copper increased by 6% or 1.1 million tonnes year-on-year, to 20.7 million tonnes – mainly due to higher consumption by industry.

The major driver of copper consumption in 2013 was China, where the annual growth rate accelerated to 11% in 2013 from 5% growth in 2012, while its share in global consumption increased from 42% to 44%, respectively, in contrast to the declining copper consumption in developed economies. For example, Europe, the main market for the Company's cathode copper, reduced copper consumption by 1% year-on-year. Russian copper consumption in 2013 was up 5% year-on-year, in contrast to a decline in 2012.

CHANGES IN REFINED COPPER CONSUMPTION BY INDUSTRY IN 2012-2013

	2013
Type of rods	+0.8 million tonnes (+6%)
Type of alloys	+0.07 million tonnes (+3%)
Type of pipes	+0.08 million tonnes (+3%)
Type of rolled metal	+0.07 million tonnes (+3%)
Type of billets	+0.05 million tonnes (+2%)
Other sectors	+0.04 million tonnes (+2%)
TOTAL	+1.1 MILLION TONNES (+6%)

Source: Company data

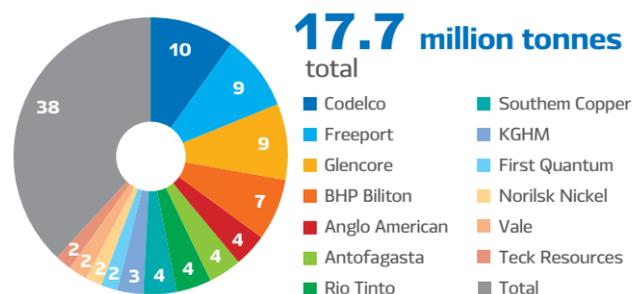


COPPER PRODUCTION

In 2013, the global output of refined copper increased by 4% or by 0.8 million tonnes year-on-year, to 20.9 million tonnes.

China continued to drive the global growth of refined copper output, with the country's output increasing by 12% in 2013, accounting for 31% of global output, up from 29% in 2012. Only a quarter of Chinese copper production feeds from domestic mines, with three-quarters of copper feed being imported in the form of concentrate or scrap.

COPPER PRODUCTION FROM ORE IN 2013 BY COMPANY, %



Source: Company data

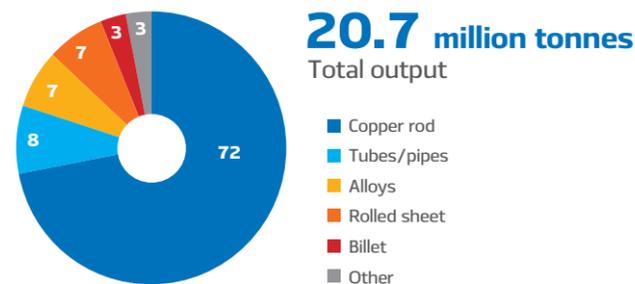
Elsewhere, considerable growth in the output of refined copper last year was registered in Africa (29%), while the US reported only minor growth (about 1%). Production dropped by 3% in Japan, by 4% in the Europe, and about 6% in Chile.

Recently launched projects (Oyu Tolgoi in Mongolia, Ministro Hales in Chile) and production growth at existing mines (Escondida and Collahuasi in Chile, Grasberg in Indonesia, Frontier in the Democratic Republic of the Congo) offset copper grades dilution in mature mines and production short-falls caused by technical issuers resulting in 6% year-on-year increase, of the global mined copper output to 17.7 million tonnes in 2013.

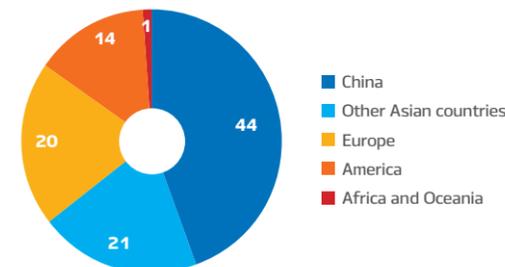
The production of refined copper from scrap in 2013 fell by 5%, to 3.2 million tonnes.

The fastest growth in production (more than 30% year-on-year) was registered in the Democratic Republic of Congo, where Glencore heavily invested in its mines, and in Mongolia, where copper concentrate became available from the new Oyu Tolgoi mine, managed by Rio Tinto. The growth of production in Chile, the world's largest producer of copper, rose by 6%. Output increased by 24% in Indonesia, by 10% in the USA, by 6% in China and Peru, and 4% in Australia, whereas Mexico registered a slight decline.

REFINED COPPER CONSUMPTION BY REGION IN 2013, %

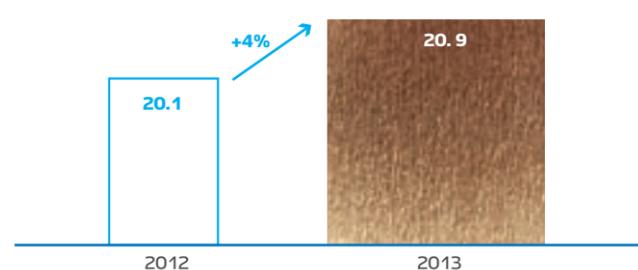


REFINED COPPER CONSUMPTION BY REGION IN 2013, %

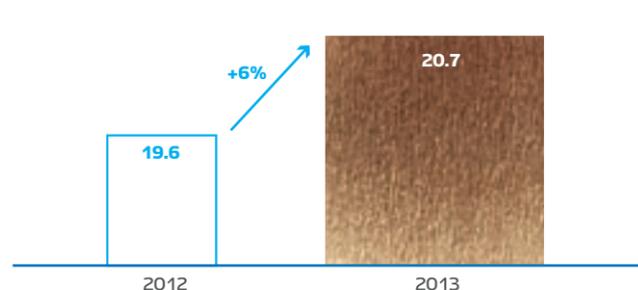


Source: Company data

REFINED COPPER PRODUCTION IN 2012-2013, million tonnes



REFINED COPPER CONSUMPTION IN 2012-2013, million tonnes

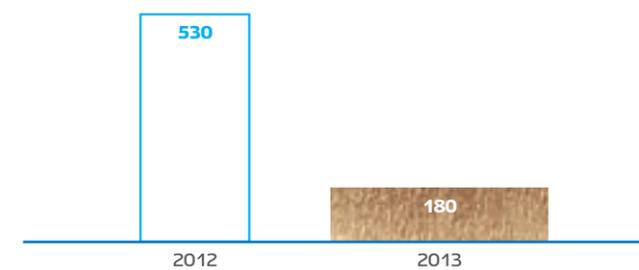


The global supply of copper concentrates is somewhat threatened by the Indonesian government's decision, which aims to provide incentives to set up copper plants locally to gradually increase export duties for copper concentrate from current 25% to 35% in 2015 and then up to 60% from the second half of 2016. Freeport McMoRan and Newmont Mining, mining copper in Indonesia, have declared their intention to curb production unless the government reconsiders its plans as new copper plants cannot be launched so quickly.

In 2013, Indonesia produced 0.5 million tonnes of copper in concentrate, 3% of global output. The country's only copper smelting plant, can process only half of that volume.

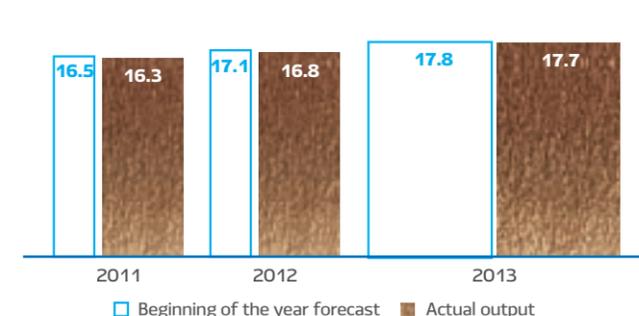
Notably, actual growth in copper production over the past three years has been consistently behind expectations. This has been mainly due to delays in the commissioning of new projects due to costs overruns, engineering and occasionally political issues, as well as production at major mining facilities such as Grasberg (Indonesia) and Bingham Canyon (US). As a result, the market surplus in 2013 was lower than originally estimated.

REFINED COPPER SUPPLY AND DEMAND BALANCE IN 2012-2013, (surplus) thousand tonnes



Source: Company data

ESTIMATED AND ACTUAL OUTPUT OF COPPER IN 2011-2013, million tonnes



Source: forecast by analyst groups, Company data

COPPER MARKET BALANCE

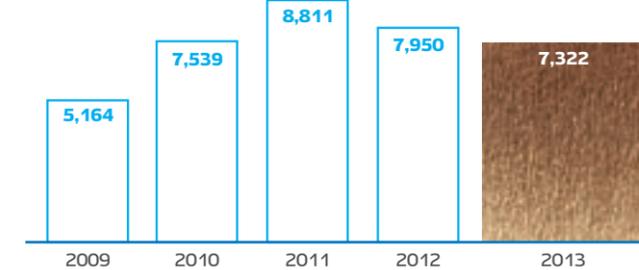
In 2013, the production of refined copper exceeded consumption, so the market retained a slight surplus (of about 180 thousand tonnes or less than 1% of the market), whereas the surplus shrank to just one-third of the 2012 level.

This minor surplus of copper was mainly accumulated in off-exchange inventories, both in and outside of China, in major traders' warehouses. Total exchange inventories dropped by 14% during the year, to 507 thousand tonnes.

While in 2012 demand for refined copper from Chinese investors was up strongly, illustrated by a 20% increase of copper import to China and tripling of Chinese off-exchange inventories, in 2013 a part of this accumulated metal was consumed in production. Off-exchange inventories of copper in China halved in 2013, while imports of refined copper fell by 7% year-on-year.

The price of copper in the first half of 2013 was down as the market was preparing for an increase in surplus, while in the second half of the year, prices levelled out in the range of USD 6,800-7,400 /t, with the annual average of USD 7,322 /t down 8% year-on-year.

AVERAGE ANNUAL PRICE OF COPPER FOR THE LAST 5 YEARS, USD/t



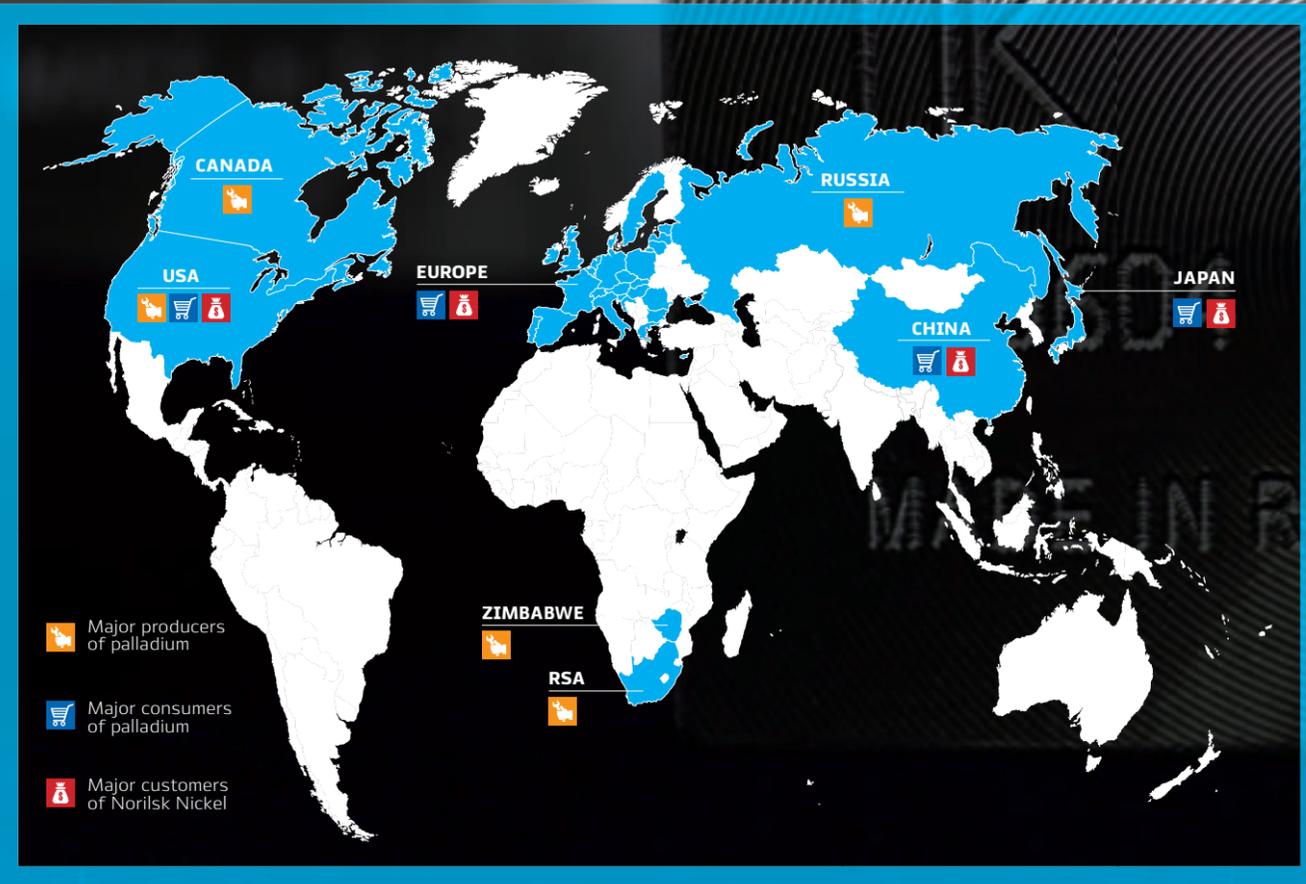
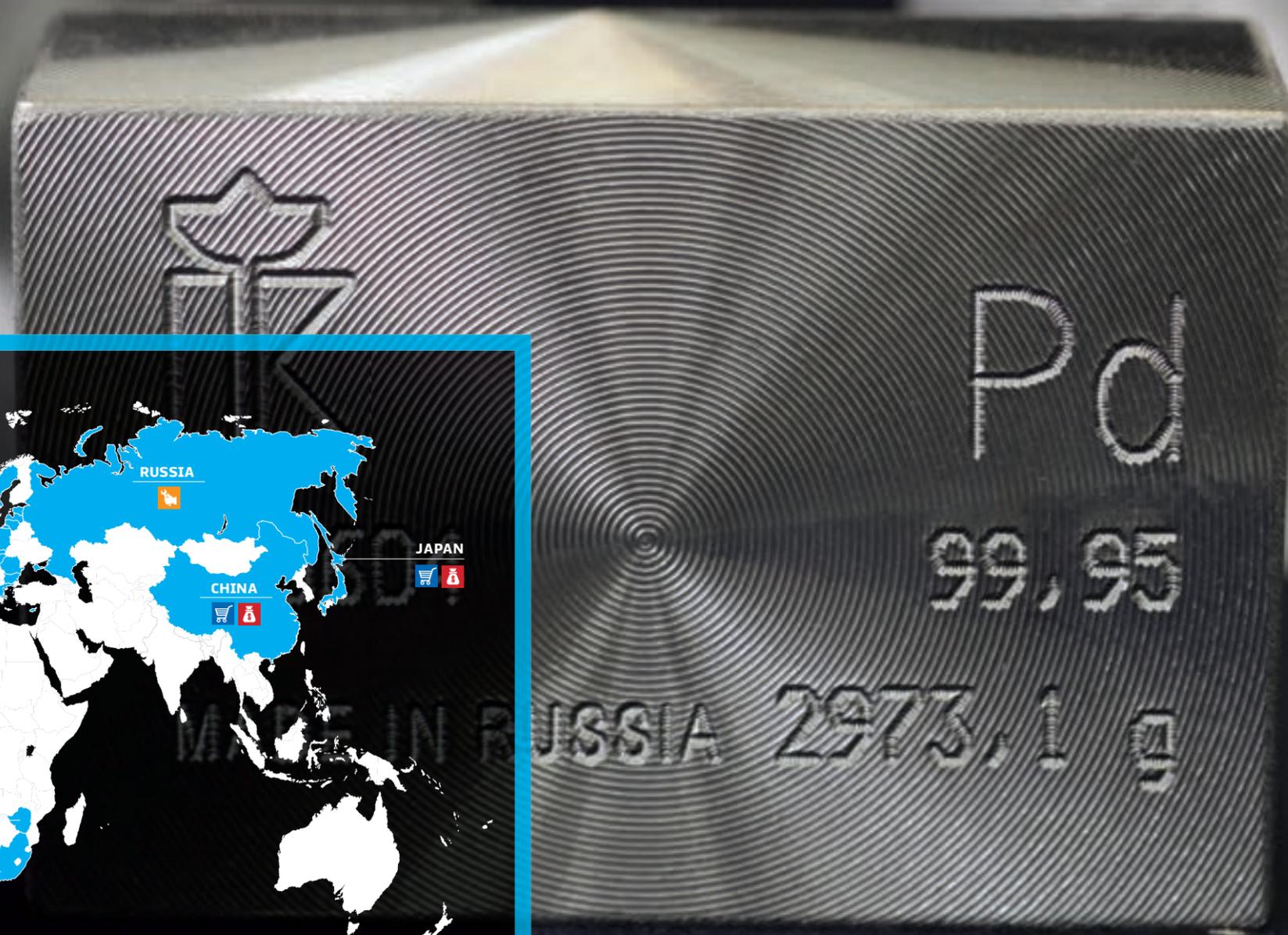
Source: LME (settlement)

COPPER PRICE DYNAMICS IN 2013, USD/t





Palladium market



KEY TRENDS IN THE PALLADIUM MARKET

In 2013, the shortage in the palladium market increased

to 10% of global demand from 5%

in 2012 after supplies from Russia reduced while palladium consumption increased, mainly in the automotive sector, despite a growth in recycled volumes. The market deficit was covered by off-the-ground metal inventories. Most palladium inventories are held by private investors and offered for leasing, that was lapping palladium price despite the structural deficit.



PALLADIUM DEMAND

Industrial consumption of palladium in 2013 increased by 5 tonnes (+2%) year-on-year, reaching 292 tonnes. Meanwhile, the consumption of primary palladium fell by 2 tonnes (-1%) due to increased consumption of recycled metal. Production in 2013 was 7 tonnes up year-on-year.

About 70% of all palladium is used in the automotive industry. There, palladium is used to detoxify exhaust fumes in catalytic converters, which must be fitted to new cars by law in many countries. Due to its unique properties, palladium does not have good substitutes, except for platinum which is more expensive.

In terms of other sectors, electronics manufacturers use palladium in ceramic capacitors, organic LEDs, connectors – all widely used in industrial and consumer electronics, including popular consumer goods such as laptops, tablet computers, and smart phones. A mobile telephone can contain up to 9 mg of palladium and a laptop as much as 80 mg. In 2013, the total consumption of primary palladium in electronics dropped by 3% as scrap recycling increased, while the content of palladium in ceramic capacitors decreased slightly as components diminished in size.

Palladium is widely used in healthcare due to its strength and resistance to oxidation, both in the air and inside the living body. Palladium is also biocompatible, meaning that it shares properties with living tissue. Among other applications, palladium is used in dentures, dental spans and fillings. Metal is mainly used in healthcare in Japan, where Kinpala alloys of palladium, gold and silver are integrated into the government health insurance programme, and in North America where dental hygiene is an important part of daily life. The sector's demand for primary palladium in 2013 registered no significant change.

In jewellery, palladium is traditionally used as the blanching component in white gold alloys. The production of high palladium-content jewellery has also been on the rise in recent years. In 2013, the sector reduced its physical consumption of primary metal by 2 tonnes or by 8%, due in part to a growing metal scrap collection in China. However, in monetary terms – a more objective way to measure the demand for consumer goods – the annual consumption of palladium in the sector rose by 4%, to 430 million USD.

The chemical industry requires process catalysts with palladium for a wide range of products. In most cases, palladium-based catalysts are the only option available, because other materials cannot ensure the required selective properties or the performance of accelerated reactions.

The growth in the consumption of primary palladium in chemical catalysts in 2013 was 1 tonne or 8% year-on-year. It was used mainly in China and other developing countries in new plants producing vinyl acetate monomer – one of the most important monomers in industrial organic synthesis. Polymers and copolymers based on vinyl acetate offer good adhesive, optical, electric insulation, fibre-forming and other properties, so they are widely used in consumer goods, engineering, construction, and medicine. The growing consumption of palladium is also related to the increased production of pure terephthalic acid for polyesters used in disposable containers and food packaging.

More than 85% of palladium is consumed in North America, Europe, China and Japan. In 2013, the majority of consumption growth came from China and North America, while Japan reduced its consumption, and other regions remained at 2012 levels.

Apart from its industrial uses, palladium is also a popular financial investment. In 2013, investments in coins and bars of palladium remained at the previous year's level of 2 tonnes. The net inflow of investments in physical palladium exchange traded funds (ETFs) was around one tonne. In 2013, South Africa's ABSA launched a very successful platinum fund, which accumulated investments for the equivalent worth of 28 tonnes of the metal in just seven months. In October 2013, ABSA announced that it had obtained a regulatory permit to start a palladium fund, which is launched in March 2014.

292 tonnes

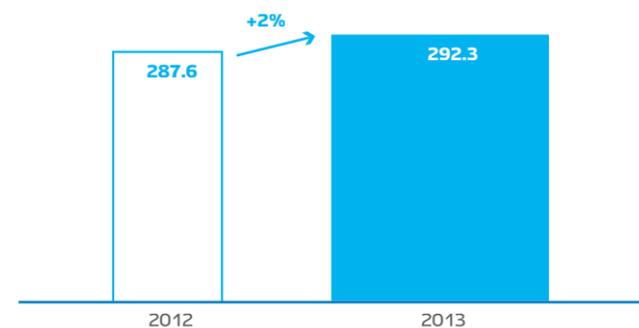
Industrial consumption of palladium in 2013

CHANGE OF PALLADIUM CONSUMPTION BY INDUSTRIES IN 2012-2013

Sector	2013/2012
Automotive Industry	+7.0 tonnes (+4%)
Catalyst	+1.0 tonnes (+8%)
Jewellery	-1.8 tonnes (-8%)
Electronics	-1.5 tonnes (-3%)
Medical	-0.1 tonnes (-1%)
Other Industries	+0.1 tonnes (+2%)
TOTAL	+4.7 TONNES (+2%)

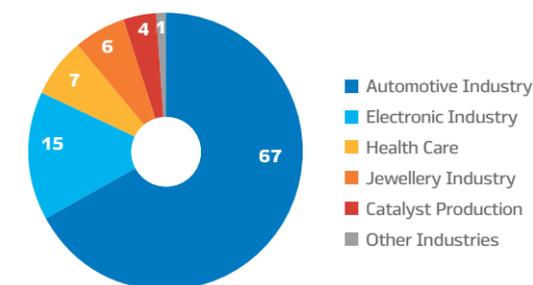
Source: Company data

CONSUMPTION OF PALLADIUM IN 2012-2013, tonnes



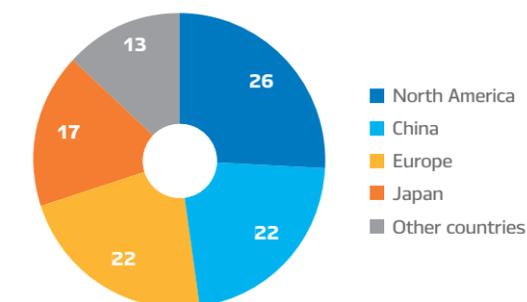
Source: Company data

PALLADIUM CONSUMPTION BY INDUSTRIES IN 2013, %



Source: Company data

CONSUMPTION OF PALLADIUM BY REGION IN 2013, %



Source: Company data

PALLADIUM SUPPLY

In 2013, the output of primary palladium increased by a mere one tonne year-on-year. The most considerable growth was registered in the Vale-owned Sudbury mine in Canada, and also in Zimbabwe, after Zimplats expanded its production facilities. In 2012, South Africa experienced a major production drop of 8 tonnes as a result of a massive union strike. In 2013, output remained low following the closure of Anglo Platinum's unprofitable mines, with 5,000 of the workforce getting laid off, and a major strike in Northam Platinum. Russia and other countries registered a slight production decrease of one tonne year-on-year.

The primary sources of recycled palladium are automotive exhaust gas catalysts and jewellery scrap. In 2013, the growth in recycled output amounted to 7 tonnes.

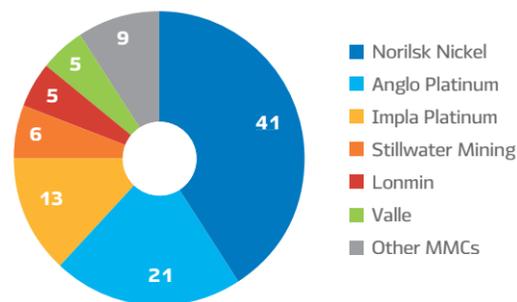
Sources of palladium supply from accumulated inventories are traders, financial companies, government funds, and surplus reserves of consumers.

In recent years, the supply of palladium from inventories was available mainly from the Russian government stockpile. The sales of palladium by the Russian government were the main driver of market surplus for many years. In 2013, supplies from the Russian stockpiles dropped to a low level and are expected to run out from 2014 onwards. Given this palladium market should return to market-driven supply and demand pricing.

203 tonnes

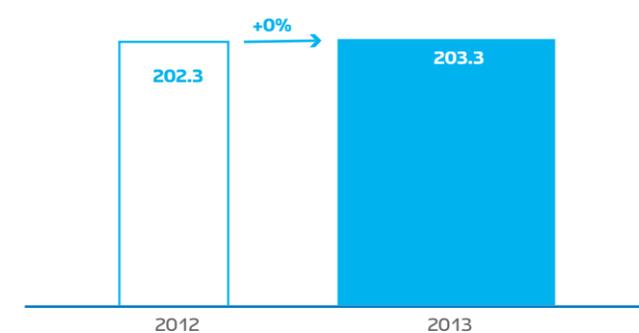
Primary Palladium Production in 2013

PRIMARY PALLADIUM PRODUCTION IN 2013, %



Source: corporate reports, Company data

PRIMARY PALLADIUM PRODUCTION IN 2012-2013, tonnes



Source: Company data

PALLADIUM MARKET BALANCE

Excess demand of primary palladium over supply increased from 15 tonnes in 2012 to 29 tonnes in 2013. This was driven by reduced supplies from the Russian stockpiles, the low output of primary metal after the 2012 drop, and the growing consumption while a net investment inflow in palladium ETFs was maintained, all of which more than offset recycled output growth. The palladium shortage was compensated by supplies from traders and financial companies that had purchased the metal during previous price troughs.

In 2013, the palladium price was trading in a range. Keeping in mind the structural deficit, the trend was not fundamentally justified, but rather, caused by investor behaviour, following reports that the Federal Reserve System was abandoning its quantitative easing policy, which drove investments out of the commodities and drove down gold.

PALLADIUM SUPPLY AND DEMAND BALANCE, (deficit) tonnes



Source: Company data

29 tonnes

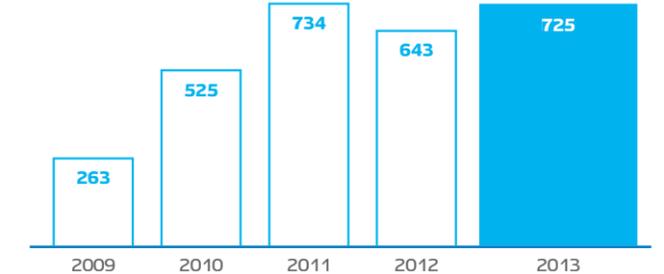
was the excess of primary metal demand over supply in 2013

PALLADIUM PRICE DYNAMICS IN 2013, USD/oz



Source: LPPM (night fixing)

AVERAGE ANNUAL PRICES OF PALLADIUM FOR THE LAST 5 YEARS, USD/oz



Source: LPPM (night fixing)



Platinum market

KEY TRENDS IN THE PLATINUM MARKET

In 2013, the production of platinum outpaced its consumption, however owing to increase in investments demand the market developed a deficit. Deficit was partially off-set by the supplies from traders and financial companies that had purchased the metal during the previous price troughs.

PLATINUM DEMAND

Industrial consumption of platinum in 2013 increased by 6 tonnes (+3% year-on-year) to 220 tonnes. The consumption of primary platinum increased by 2 tonnes (+1% year-on-year) to 175 tonnes, driven by an increased demand for recycled metal. In 2013, recycled output was 4 tonnes greater than in 2012.

The automotive industry is the largest consumer of platinum. About 80% of platinum used in this industry is used in exhaust gas catalysts for diesel vehicles. In 2013, the industry reduced its consumption of platinum by one tonne (-1% year-on-year). Owing to the reduced global output of diesel vehicles, down to 17 million units - mainly as a result of lower this is volume of cars production in Europe and the ongoing substitution of platinum with palladium.

Jewellery, the second largest consumer, increased platinum consumption by 5 tonnes (+7% year-on-year) in 2013, mainly due to higher demand from China since the metal price decreased. In monetary terms, the annual consumption of platinum rose by 2% to reach 3.6 billion USD.

The chemical and petrochemical sectors use platinum as a catalyst in refining processes and in a wide range of pharmaceutical products, perfumes, cosmetics and polymers. In 2013, the consumption of primary platinum in industrial catalysts increased by 3 tonnes (+5% year-on-year) when new paraxylene facilities were commissioned – an intermediate product for plastics, polyesters and films. Consumption growth was also supported by an increased output of nitric acid and silicon.





The glass industry uses platinum in fibreglass and optic glass, which is used in TV sets, tablet computers and smart phones. Demand for primary metal in this industry remained stable in 2013.

The consumption of primary platinum in electronics decreased by 0.8 tonnes (-13% year-on-year) in 2013, due an ongoing decline in the production of hard drives (as they continued to be replaced with flash memory disks).

About 80% of the world's platinum consumption is concentrated in Europe, China, North America and Japan. In 2013, platinum consumption grew mainly in China, while consumption in Europe and Japan decreased.

Platinum is also used in financial investments. Physical investments can vary from coins and bars weighing as little as 1/10 troy ounce to investments in through exchange traded funds that accumulate large amounts of metal in the form of bars.

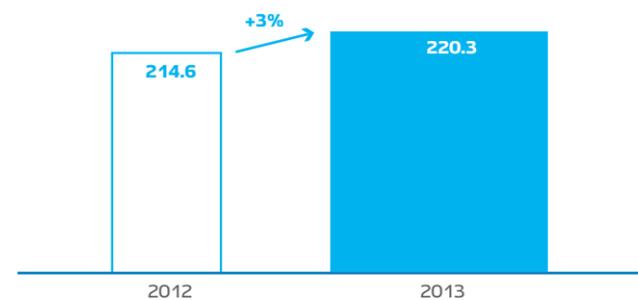
Investor demand for platinum in 2013 increased by 17 tonnes year-on-year, to 35 tonnes. Substantial growth was precipitated entirely by a new fund launched in South Africa last April. Other funds showed a neutral dynamic. Investment in platinum coins and bars fell by 3 tonnes year-on-year.

CHANGE IN CONSUMPTION OF PLATINUM BY INDUSTRIES IN 2012-2013, %

Industry	2013/2012
Automotive Industry	-1.3 tonnes (-1%)
Jewellery Industry	+4.7 tonnes (+7%)
Catalyst Production	+2.5 tonnes (+13%)
Glass Production	+0.2 tonnes (+2%)
Electronic Industry	-0.8 tonnes (-13%)
Other Industries	+0.4 tonnes (+3%)
TOTAL	+5.7 TONNES (+3%)

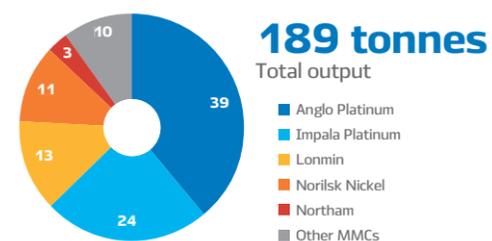
Source: Company data

CONSUMPTION OF PLATINUM IN 2012-2013, tonnes



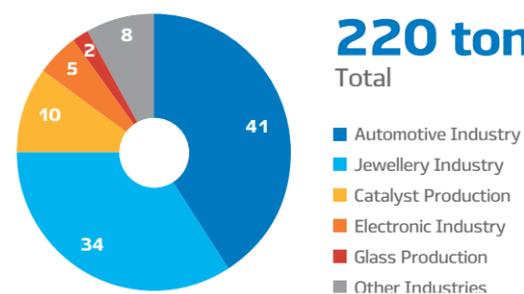
Source: Company data

PRIMARY PLATINUM OUTPUT IN 2013, %



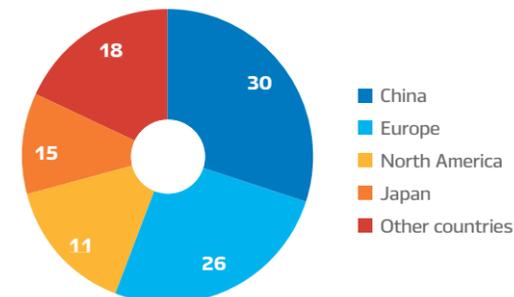
Source: corporate reports, Company data

CONSUMPTION OF PLATINUM IN 2013, %



Source: Company data

CONSUMPTION OF PLATINUM BY REGION IN 2013, %



Source: Company data

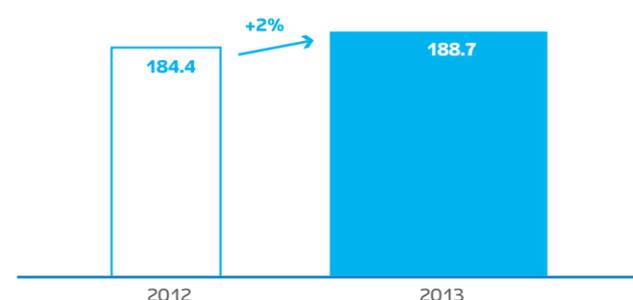


PLATINUM SUPPLY

In 2013, the global production of primary platinum increased by 4 tonnes (+2% year-on-year) after a significant drop in 2012. South Africa saw a partial recovery of 3 tonnes, even after the closure of unprofitable Anglo Platinum mines and downtime caused by a strike at Northam Platinum. In Zimbabwe, production grew by 2 tonnes, with Zimplats ramping up its production facilities as planned. Platinum output is down in Russia and other PGM-producing countries.

The primary sources of recycled platinum are used exhaust gas catalysts and jewellery scrap. In 2013, recycling grew by 4 tonnes year-on-year.

PRIMARY PLATINUM SUPPLY IN 2012-2013, tonnes



Source: Company data

PLATINUM PRICE IN 2013, USD/oz



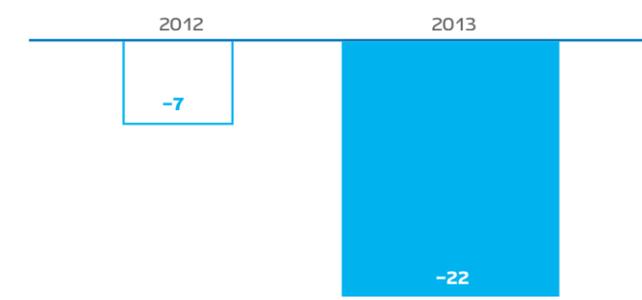
Source: LPPM (night fixing)

PLATINUM MARKET BALANCE

In 2013, the output of primary and recycled platinum grew faster than their consumption. However, a sharp increase in investor demand for platinum boosted the market deficit from 7 tonnes in 2012 to 22 tonnes in 2013. The deficit was covered by supplies from traders and financial companies that had purchased the metal during the previous price troughs.

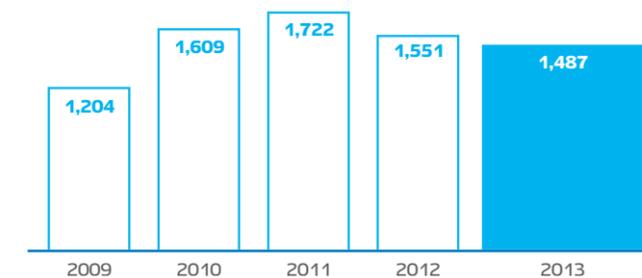
In spite of the market deficit, the average platinum price at the London market in 2013 fell by 4% year-on-year to USD 1,487/oz. Bearing in mind that South African producers were loss-making, such price levels was fundamentally below the fair price. The decrease in the price of platinum to 2013 was caused by macroeconomic factors, a major reduction in gold prices and optimistic expectations that strikes would not affect South African output on a large scale, although on January 23, 2014, the strikes simultaneously hit the facilities of Anglo Platinum, Impala Platinum and Lonmin.

PLATINUM SUPPLY AND DEMAND BALANCE, (deficit) tonnes



Source: Company data

AVERAGE ANNUAL PRICE OF PLATINUM FOR THE LAST 5 YEARS, USD/oz



Source: LPPM (night fixing)



MMC Norilsk Nickel
Annual Report 2013

Review of financial performance (MD&A)

2013 KEY FACTS

- Revenue reached USD 11.5 bn
- EBITDA made USD 4.2 bn, while EBITDA margin was consolidated at 37%
- Net cash generated from operating activities totalled USD 4.1 bn
- Free cash flow grew almost five-fold, to USD 2.4 bn
- Net debt/EBITDA ratio remained conservative at 1.1x



Consolidated income statement for the year ended 31 december 2013

USD million	2013	2012	Change, %
REVENUE			
Nickel	4,355	5,223	(17)
Copper	2,721	2,871	(5)
Palladium	1,935	1,722	12
Platinum	956	1,028	(7)
Other joint metals	440	518	(15)
Revenue from metal sales	10,407	11,362	(8)
Revenue from other sales	1,082	1,004	8
TOTAL REVENUE	11,489	12,366	(7)
Cost of metal sales	(5,535)	(5,420)	2
Cost of other sales	(961)	(947)	1
Gross profit	4,993	5,999	(17)
Gross Profit/Revenue	43%	49%	
Selling and distribution expenses	(426)	(578)	(26)
General and administrative expenses	(983)	(1,043)	(6)
Impairment of property, plant and equipment	(841)	(279)	201
Other net operating expenses	(267)	(235)	14
Operating profit	2,476	3,864	(36)
Finance costs	(376)	(294)	28
Loss from investments, net	(611)	(552)	11
Foreign exchange loss/gain, net	(202)	214	(194)
Excess of the Group's share in the fair value of net assets acquired over the cost of acquisition	-	8	(100)
Share of profits/(losses) of associates	43	(97)	(144)
Profit before tax	1,330	3,143	(58)
Income tax expense	(565)	(1,000)	(44)
Profit for the year	765	2,143	(64)
Attributable to:			
Shareholders of the parent company	774	2,170	(64)
Non-controlling interests	(9)	(27)	(67)
	765	2,143	(64)
Net income/Revenue	6%	17%	
EARNINGS PER SHARE			
Weighted average number of shares	158,242,211	158,235,462	
Basic and diluted earnings per share attributable to shareholders of the parent company (US dollars per share)	4.9	13.7	

Financial highlights

REVENUE

Metal sales revenue in 2013 decreased 8% y-o-y to USD 10.4 billion, due to lower prices for base and precious metals (except for palladium) coupled with slightly lower nickel and PGM sales volumes.

METAL SALES, PHYSICAL VOLUMES, BY ORIGIN OF PRODUCTION^{1), 2)}

Total Group, excluding South Africa ³⁾	FY2013	FY2012	Change y-o-y
Nickel (thousand tonnes)	286	293	(2.4%)
Copper (thousand tonnes)	370	358	3.4%
Palladium (thousand ounces)	2,645	2,676	(1.2%)
Platinum (thousand ounces)	651	665	(2.1%)

FINISHED PRODUCTS

	FY2013	FY2012	Change y-o-y
RUSSIAN ENTITIES			
Nickel (thousand tonnes)	232	234	(0.9%)
Copper (thousand tonnes)	358	352	1.7%
Palladium (thousand ounces)	2,579	2,629	(1.9%)
Platinum (thousand ounces)	629	652	(3.5%)
FINLAND			
Nickel (thousand tonnes)	45	46	(2.2%)

SEMI-FINISHED PRODUCTS

	FY2013	FY2012	Change y-o-y
AUSTRALIA			
Nickel (thousand tonnes)	2	6	(66.6%)
BOTSWANA			
Nickel (thousand tonnes)	7	7	0.0%
Copper (thousand tonnes)	5	5	0.0%
FINLAND			
Copper cake (thousand tonnes) ⁴⁾	7	1	600%

AVERAGE REALISED PRICE OF METALS PRODUCED IN RUSSIA, NORILSK NICKEL OWN PRODUCTION

Metal	FY2013	FY2012	Change y-o-y
Nickel (in USD per tonne)	15,156	17,719	(14.5%)
Copper (in USD per tonne)	7,397	8,015	(7.7%)
Palladium (in USD per troy ounce)	725	643	12.8%
Platinum (in USD per troy ounce)	1,481	1,549	(4.4%)

- 1) All information is presented on the basis of 100% ownership of subsidiaries
- 2) Sales of metals purchased from third parties are excluded
- 3) The operating results of Nkomati Nickel Mine (South Africa) are shown in the financial statements based on the Group's 50% ownership and are presented as operating results of associates
- 4) Copper cake is a semi-product with average copper content of 38-40%

NICKEL

In 2013, nickel revenue decreased 17% y-o-y to USD 4.4 billion due to a 15% decrease in the average realised price to USD 15,156 per tonne and a 2% decline in physical sales volume to 287 thousand tonnes. Nickel remained the largest contributor to the Company's revenue, but its share in metal sales declined from 46% in 2012 to 42% in 2013.

The sales volume of nickel produced by Norilsk Nickel in Russia decreased by just 1% y-o-y to 232 thousand tonnes, in line with the production volumes reported in January 2014.

The sales volume of nickel produced at Harjavalta was down 1 thousand tonnes y-o-y to 45 thousand tonnes.

The sales volume of the semi-finished nickel products of Norilsk Nickel International (excluding Norilsk Nickel Harjavalta and Nkomati Nickel Mine) decreased by 4 thousand tonnes, due to the mothballing of the Group's operations in Australia.

COPPER

Copper revenue declined 5% y-o-y to USD 2.7 billion following an 8% decline in average realised price y-o-y, which was only partly offset by higher sales volumes, up 3% y-o-y to 370 thousand tonnes. Overall, copper revenue accounted for 26% of the Company's total revenue from metal sales in 2013.



The physical volume of copper sales produced by Norilsk Nickel in Russia increased by almost 2%, to 358 thousand tonnes. The growth in sales was driven by higher copper production volumes thanks to an increased share of cuprous ore in the ore mined by the Polar Division.

Sales of semi-finished copper products produced by Norilsk Nickel Harjavalta increased to 7 thousand tonnes in 2013 on the back of an agreement with Boliden to sell copper cake, which was signed in the first quarter of 2013. Sales of copper concentrate produced by Tati remained unchanged y-o-y at 5 thousand tonnes.

PALLADIUM

Palladium revenues reached USD 1.9 billion, up 12% y-o-y due to a corresponding increase in the average realised price. This was marginally negatively offset by a 1% decrease in palladium physical sales volumes due to lower PGM output by the Polar Division. The share of palladium in Group total metals revenue increased to 19% in 2013 from 15% in 2012.

PLATINUM

In 2013, platinum revenue was down 7% y-o-y to USD 956 million (or 9% of total metals revenue), due to a 4% decrease in production volumes in Russia (driven by lower PGM grades in processed ore) and a 4% reduction of the metal average realised price.

OTHER SALES

USD million	FY2013	FY2012	Change y-o-y
Energy and utilities	125	133	(6.0%)
Transport	611	588	3.9%
Other	346	283	22.3%
TOTAL	1,082	1,004	7.8%

In 2013, other sales increased almost 8% y-o-y, to USD 1.1 billion.

A modest decline in energy and utilities sales was a result of Russian rouble devaluation against the US dollar (the effect of translation to presentation currency). Transport revenue increased by USD 23 million thanks to growth in our aviation services. Other revenue climbed 22% y-o-y due to increased sales of oil products and higher retail revenues.

COST OF METAL SALES

In 2013, the total cost of metal sales increased 2% y-o-y to USD 5.5 billion, driven mostly by a substantial change in metal inventories (with a combined impact of USD 303 million), while cash operating costs (before by-product credits) decreased 6% y-o-y to USD 4.7 billion as a result of cost control measures implemented by Norilsk Nickel management.

The main reasons for the decline in the cash operating costs were a USD 202 million reduction in expenses on the acquisition of raw materials, semi-finished products and scrap and a USD 112 million reduction in the cost of outsourced services. Another positive factor was the effect of the depreciation of the Russian rouble against the US dollar of USD 105 million.

- 95% – Russia and Finland
- 5% – Norilsk Nickel International

USD million	FY2013	FY2012	Change y-o-y
CASH OPERATING COSTS			
Labour	1,607	1,507	6.6%
Consumables and spares	1,081	1,247	(13.3%)
Expenses on acquisition of raw materials and semi-products	716	918	(22.0%)
Outsourced third-party services	539	651	(17.2%)
Taxes directly attributable to cost of goods sold	274	193	42.0%
Utilities	214	216	(0.9%)
Transportation expenses	156	156	0.0%
Sundry costs	117	109	7.3%
Cash operating costs (before by-product credits)	4,704	4,997	(5.9%)
Less: sale of by-products	(9)	(22)	(59.1%)
Cash operating costs	4,695	4,975	(5.6%)
Amortisation and depreciation	804	712	12.9%
Decrease/(increase) in metal inventories	36	(267)	-
TOTAL COST OF METAL SALES	5,535	5,420	2.1%

LABOUR COSTS

Labour costs grew almost 7% y-o-y to USD 1.6 billion due to the following factors:

- USD 91 million salary increases in line with Russian inflation;
- USD 46 million cost increase as a result of the consolidation of Norilskgazprom.

However, this RUB-denominated labour cost growth was partly offset by the Russian rouble depreciation against the US dollar, with an effect of USD 37 million.

In 2013, labour costs were the largest cash cost item, accounting for 34% of total cash costs.

CONSUMABLES AND SPARES

Consumables and spare parts cash costs were down 13% y-o-y to USD 1.1 billion due to the following factors:

- USD 121 million savings in Russia and Finland as a result of the consolidation of Norilskgazprom (which resulted in the elimination of the cost of natural gas supplied by Norilskgazprom from the Group's consumables cost), improved procurement procedures and a 15% decline in fuel oil price;
- USD 14 million reduction of consumables and spares cost at Norilsk Nickel International following the conservation of the Lake Johnston operations in Australia;
- USD 31 million surplus resulting from the Russian rouble depreciation against the US dollar.

EXPENSES ON THE ACQUISITION OF RAW MATERIALS AND SEMI-FINISHED PRODUCTS

The cash cost of the acquisition of raw materials, semi-finished products and scrap decreased by USD 202 million (or 22% y-o-y) to USD 716 million due to the following factors:

- USD 116 million cost reduction thanks to a lower volume of metal purchased from third parties (mostly for processing at Harjavalta);
- USD 86 million savings due to the lower prices of purchased metals and raw materials.

OUTSOURCED THIRD PARTY-SERVICES

In 2013, the cash cost of services purchased from third parties decreased by USD 112 million (or by 17%) to USD 539 million due to the following:

- USD 67 million savings in Russia and Finland, driven mainly by the renegotiation of certain contracts relating to insurance, repairs and other services;
- USD 22 million cost decrease at Norilsk Nickel International as a result of the mothballing of Lake Johnston mine in Australia;
- USD 23 million impact from the depreciation of the Russian rouble against the US dollar.

TAXES DIRECTLY ATTRIBUTABLE TO THE COST OF GOODS SOLD

Tax directly attributable to the cost of goods sold increased by 42% y-o-y to USD 274 million as a result of the following factors:

- New methodology for calculating mineral extraction tax introduced by the Government at the beginning of 2013 and retrospective additional tax charges for 2010-2012;
- Norilskgazprom consolidation;
- Increased natural gas production by Taimyrgaz.

UTILITIES

Utility costs in 2013 were down 1% y-o-y to USD 214 million. The cash cost of utilities in Russia were up 2% y-o-y, driven by higher electricity tariffs for Kola MMC. This increase was fully offset by the decline of utilities costs at Harjavalta owing to lower production volumes and in Australia resulting from the Lake Johnston mine being put on care and maintenance.

TRANSPORTATION EXPENSES

Transportation costs remained unchanged in 2013 at USD 156 million.

SALE OF BY-PRODUCTS

The revenue from by-product sales decreased 59% y-o-y to USD 9 million, driven by a decline in the average realised prices of metals.

In 2013, management reassessed the classification of rhodium, silver and cobalt. The recognition of sales revenue from these metals has changed from the credit against consolidated production costs to the sale of other metals recognised within the metal sales revenue line.

AMORTISATION AND DEPRECIATION

The depreciation and amortisation charges in 2013 increased by USD 92 million y-o-y (or 13%) to USD 804 million, predominantly because of higher charges in Russia as new production assets were launched and Norilskgazprom was consolidated.

CHANGE OF METAL INVENTORIES

Metal inventories in 2013 decreased by USD 36 million compared to a USD 267 million increase in 2012. This decrease was mainly caused by reduced inventories at Harjavalta and Tati Nickel as a result of the working capital reduction programme and lower metal prices.

USD million	FY2013	FY2012	Change y-o-y
Energy and utilities	137	132	3.8%
Transport	545	489	11.5%
Other	279	326	(14.4%)
TOTAL	961	947	1.5%

The cost of other sales in 2013 increased by 2% y-o-y to USD 96.1 million as a result of higher volumes of services provided by non-industrial assets. The gross profit margin of other sales rose to 11% in 2013 from 6% in 2012.

SELLING AND DISTRIBUTION EXPENSES

USD million	FY2013	FY2012	Change y-o-y
Export customs duties	374	515	(27.4%)
Transportation expenses	26	33	(21.2%)
Labour	20	17	17.6%
Other	6	13	(53.8%)
TOTAL	426	578	(26.3%)

Selling and distribution expenses declined by 26% y-o-y to USD 426 million, primarily due to a USD 141 million decrease in export custom duties, resulting from a reduction in export sales revenues (down 9% y-o-y) and a reduction in nickel export tariffs by the Russian Government.

Transportation expenses decreased 2.1% y-o-y to USD 26 million as a result of the lower sales of nickel concentrate by Australian assets after the suspension of Lake Johnston operations.

GENERAL AND ADMINISTRATIVE EXPENSES

USD million	FY2013	FY2012	Change y-o-y
Labour	572	627	(8.8%)
Third party services	141	146	(3.4%)
Taxes other than those directly attributable to the cost of goods sold and income taxes	110	108	1.9%
Amortisation and depreciation	36	33	9.0%
Transportation expenses	17	18	(5.6%)
Other	107	111	(3.6%)
TOTAL	983	1,043	(5.8%)

In 2013, general and administrative expenses decreased 6% y-o-y to USD 983 million. The main reason for this G&A cost decline was lower labour expenditures, as a USD 100 million retirement benefit to our former CEO inflated the 2012 cost base. G&A expenses in 2013 also included some one-off items:

- USD 31 million in redundancy payments to members of the Management Board and other employees;
- USD 13 million cost increase owing to the restructuring of the head office; and
- USD 9 million of additional expenses from the consolidation of Norilskgazprom.

FINANCE COSTS

USD million	FY2013	FY2012	Change y-o-y
Interest expense on borrowings	311	236	31.8%
Unwinding of discount on provisions	64	52	23.1%
Other	1	6	(83.3%)
TOTAL	376	294	27.9%

Finance costs in 2013 were up 28% to USD 376 million because of the optimisation of the Company's capital structure and new borrowings on prevailing market terms aimed at the diversification of our debt portfolio.

IMPAIRMENT OF FINANCIAL AND NON-FINANCIAL ASSETS

Following the adoption of a new corporate strategy in October 2013, the company carried out a stringent review of the profitability of all business lines and geographical segments. To reflect this, the company has disclosed new segmental reporting by geographies in these financial statements.

As a result of the segmental review, the company has identified a USD 307 million impairment at Kola MMC's upstream operations. As required by IAS, the write-off reflects the 'as is' fair value of Kola assets as of 31 December 2013 – in other words, it does not account for any possible future cost savings and operational improvements. Being highly dependent on nickel price and the Russian rouble exchange rate, Kola's current low profitability levels may improve in 2014 if commodity market and FX rate trends are not reversed.

Kola's downstream refining operations and Polar Division operations are profitable and should benefit from the same positive commodity market and FX trends.

In total, the loss from impairment of non-financial assets amounted to USD 841 million and comprised the following charges:

- USD 448 million impairment related to assets classified as held for sale;
- USD 307 million of Kola MMC upstream operations impairment;
- USD 86 million impairment related to other assets.

The impairment of available-for-sale investments amounted to USD 728 million and comprised the following charges:

- A revaluation of Inter RAO shares held by the Group by USD 65.1 million;
- Market-to-market valuation of shares of FSK UES, Roissiyские Seti, Talvivaara and other financial investments by USD 77 million.

The aforementioned losses were partly offset by:

- USD 66 million gain on the disposal of a subsidiary;
- USD 50 million of interest income from bank deposits and held-to-maturity investments;
- USD 5.1 million of other financial gains.

INCOME TAX

In 2013, current income tax expense amounted to USD 565 million compared to USD 1 billion in 2012, as a result of a lower pre-tax profit for the period. The effective tax rate increased to 42% in 2013 from 32% in 2012, as a result of the recognition of certain non-deductible expenses such as the impairment of Inter RAO shares.

EBITDA RECONCILIATION

USD million	FY2013	FY2012	Change y-o-y
Operating profit	2,476	3,864	(35.9%)
Depreciation and amortisation	881	789	11.8%
Impairment of non-financial assets	841	279	201.4%
EBITDA	4,198	4,932	(14.9%)
EBITDA margin	37%	40%	(3 p.p.)

**CASH FLOWS**

USD million	FY2013	FY2012
Net cash generated from operating activities	4,115	3,434
Net cash used in investing activities	(1,738)	(2,914)
Net cash generated (used) in financing activities	(1,746)	(1,164)
Net increase (decrease) in cash and cash equivalents	631	(644)
Cash and cash equivalents at beginning of the period	1,037	1,627
Cash and cash equivalents of disposal group at end of the year	(9)	-
Effect of foreign exchange differences on balances of cash and cash equivalents and translation to presentation currency	(38)	54
Cash and cash equivalents at end of the period	1,621	1,037

Net cash generated from operating activities amounted to USD 4.1 billion, increasing 20% y-o-y despite a significant decline in operating profit, as the Company released a substantial amount of working capital. As of December 31, 2013, net working capital amounted to USD 3 billion, compared to USD 4 billion as of December 31, 2012. The Company's management will continue its efforts to reduce working capital further and confirms its focus on cash generation.

Net cash used in investing activities fell 40% y-o-y to USD 1.7 billion, with capital expenditures amounting to USD 2 billion. Most of the capital expenditure reduction came as a result of the improved capital discipline and new investment governance system. As part of the ongoing strategy review, the Company is putting efficient capital allocation at the forefront of the management team's agenda, by prioritising investment projects based on IRR and introducing a standard projects review procedure by the investment committee personally chaired by the CEO.

Net cash used in financing activities amounted to USD 1.75 billion, comprising the following:

- Inflow from borrowings in the amount of USD 6 billion;
- Repayment of loans and borrowings in the amount of USD 4.8 billion;
- Payment of dividends for 2012 and interim dividends for 9 months of 2013 in the amount of USD 3 billion

Cash and cash equivalents amounted to USD 1.6 billion as of December 31, 2013.

DEBT MANAGEMENT AND LIQUIDITY

USD million	as of December 31, 2013	as of December 31, 2012	Change y-o-y
Long-term	5,173	2,497	107.2%
Short-term	1,032	2,526	(59.1%)
Total debt	6,205	5,023	23.5%
Net debt	4,584	3,986	15.0%
Net debt/LTM EBITDA	1.1x	0.8x	-

In 2013 Norilsk Nickel issued the following debt securities:

- February – RUB 35 billion bond with a 3-year maturity
- April – USD 750 million Eurobond with a 5-year maturity
- June – unsecured syndicated loan of USD 2.325 billion with a 5-year maturity
- October – USD 1 billion Eurobond with 7-year maturity

These borrowings extended the Company's average debt maturity profile in line with its new financing strategy, aimed at improving its capital structure through the optimisation of its debt portfolio, diversification of funding sources, and the extension of maturities while controlling funding costs.

By December 31, 2013, the Company's short-term debt had decreased by almost USD 1.5 billion y-o-y to USD 1.0 billion, while long-term debt had increased by USD 2.7 billion to USD 5.2 billion. As a result, as of December 31, 2013, the share of short-term debt was reduced to 17% from 50% a year ago, debt portfolio became

fully unsecured and the average debt maturity more than doubled, while the weighted average cost of debt was reduced from 3.3% to 2.95% in 2013.

Net debt as of December 31, 2013 amounted to USD 4.6 billion, while the Company's net debt/ EBITDA ratio was at a comfortable 1.1x level.

Norilsk Nickel confirms its commitment to retain investment grade credit ratings from Moody's and S&P.



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General meeting of shareholders

According to the federal Law On Joint-Stock Companies and the Charter of MMC Norilsk Nickel, the Company's supreme management body is the General Meeting of Shareholders.

The Annual General Meeting of Shareholders shall be held on an annual basis, not earlier than two months before and not later than six months after the end of the financial year. General Meetings, other than Annual General Meetings of Shareholders, are defined as Extraordinary General Meetings of Shareholders and shall be held following a decision of the Board of Directors at their discretion or at the request of the Audit Commission, the Company's auditor, or shareholder(s) owning at least 10% of the Company's voting shares at the date of the request.

Shareholder(s) jointly owning at least 2% of the Company's voting shares may add issues to the agenda of the Annual General Meeting, and nominate eligible candidates to the Company's Board and the Audit Commission, in a number not

greater than that of the respective body. Such proposals shall be submitted to the Company within 90 days after the end of the financial year.

The procedure of Meetings of Shareholders is determined by the Company's Regulations on the General Meeting of Shareholders.

Notice of a General Meeting of Shareholders shall be published in the Rossiyskaya Gazeta newspaper and in the Taimyr newspaper not later than 30 days prior to the date of the General Meeting. If a General Meeting is held by vote in absentia, notice of the meeting shall be given in the above publications at least 30 days prior to the deadline for the collection of ballots.

Shareholders shall receive a notice of a General Meeting from the Company, and they can exercise their voting rights by sending a ballot via mail, or held in person (in person or by proxy with a power of attorney). American Depositary Receipt (ADR) holders do not receive a notice of a General Meeting directly from the Company. According to the Depository Agreement, the Company shall notify the Depository who in turn in the shortest possible time, and provided it is not prohibited by Russian law, shall notify the ADR holders about the General Meeting, and enclose voting materials and a document describing the procedure of proxy voting for ADR holders. To exercise their voting rights, ADR holders shall instruct the Depository accordingly.

A General Meeting of Shareholders shall be considered properly constituted (to have a quorum) if the shareholders who own

in aggregate more than 50% of the votes granted by the outstanding voting shares of the Company are present at the meeting.

Voting at the General Meeting of Shareholders is carried out in accordance with the principle "one share – one vote", unless otherwise provided for by federal law. Members of the Company's Board of Directors are elected through cumulative voting, i.e. when the number of votes held by each shareholder is multiplied by the number of persons to be elected to the Board of Directors.

THE COMPETENCE OF THE GENERAL MEETING OF SHAREHOLDERS

The competences of the General Meeting include:

- Reorganisation and liquidation of the Company;
- Election of members of the Board of Directors, Audit Commission, and early termination of their authority;
- Share split and consolidation, determining the number, par value, category (type) of authorised shares and rights conferred by those shares;
- Increase (decrease) of the Company's authorised capital;
- Approval of the selection of the independent auditor of the Company;
- Making changes and amendments to the Company's Charter and approval of internal documents regulating the activities of the Company's management bodies;
- Approval of annual reports, annual financial statements, including statements of profit and loss of the Company, and distribution of profit, including payment (declaration) of dividends;
- Making decisions on the approval of major transactions and non-arm's length transactions in cases where this is provided for by the federal Law On Joint Stock Companies;
- Decisions to request delisting of the Company's shares and/or issued securities convertible to its shares;
- Other questions stipulated by the federal Law On Joint Stock Companies.

GENERAL MEETINGS CONDUCTED IN 2013

Annual General Meeting of MMC Norilsk Nickel for the 2012 the results was held on June 6, 2013 in Moscow (Minutes No. 3 of June 7, 2013), and attended by shareholders jointly holding 80.09% of the Company's outstanding voting shares.

The Annual General Meeting approved the Company's annual report, its annual accounting statements, IFRS-compliant consolidated financial reports for 2012, distribution of profits after 2012; the Meeting declared dividends, elected members of the Board of Directors and the Audit Commission, determined remunerations and compensation of costs incurred by independent members of the Board of Directors, approved auditors for the Company's Russian business accounting reports and IFRS-compliant consolidated financial statements, approved a number of non-arm's length transactions, decided to decrease the Company's authorised capital, and approved a new version of the Company's Charter.

In addition to the Annual General Meeting, in 2013 the Company convened three extraordinary General Meetings on January 29, March 11, and December 20, 2013.

The General Meeting held on January 29, 2013 was by absentee vote (Minutes No. 1 of 30.01.2013). It was attended by shareholders jointly holding 90.85% of the Company's issued voting shares. The General Meeting decided to diminish the Company's authorised capital and to make changes to the Company's Charter.

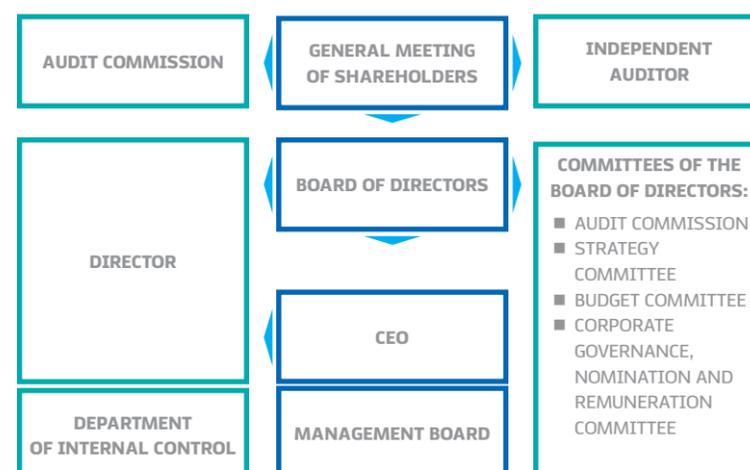
The Meeting on March 11, 2013 was attended physically by the shareholders (Minutes No. 2 of March 13, 2013). The Meeting was held in Moscow, and was attended by shareholders jointly holding 70.7% of the Company's outstanding voting shares, and decided to terminate the powers of, and re-elect, the Company's Board of Directors.

The General Meeting on December 20, 2013 was held by absentee voting (Minutes No. 4 of December 23, 2013). It was attended by shareholders jointly holding 80.91% of the Company's outstanding voting shares. The General Meeting decided to pay/declare dividends after nine months of FY 2013, and to authorise non-arm's length transactions that the Company may enter in future in the ordinary course of its business.

Optimising managerial processes and maintaining high standards of corporate governance has always been a top priority for MMC Norilsk Nickel. Since 2002, the Company's activities have been compliant with the Corporate Conduct Code* ("the Code") recommended by the Federal Securities Market Committee (FKCB) to entities incorporated in the Russian Federation.

* According to the methodological recommendations issued by the FCSM (Federal Commission for the Securities Market), the Company continues its code compliance reporting – please see Appendix 1 to this Annual Report.

CORPORATE GOVERNANCE AND CONTROL STRUCTURE





Board of Directors and its committees

BOARD OF DIRECTORS

The Board of Directors is the management body responsible for the general management of the Company's activities, with the exception of issues which fall within the competence of the General Meeting of Shareholders, as provided by federal law and the Company's Charter.

Meetings of the Board of Directors (in person or in absentia) shall be held as necessary, but at least once every six weeks. Meetings shall be convened by the Chairman of the Board of Directors at his discretion or at the request of a member of the Board of Directors, Audit Commission, auditor, Management Board, General Director, or shareholders holding at least 10% of the Company's ordinary shares. Such a request shall be made in writing and contain a description of the reasons for convening the meeting.

The procedure for convening and holding the meetings of the Board of Directors is determined by the Company's internal document, Regulations on the Board of Directors.

Members of the Board of Directors shall be elected at the Annual or Extraordinary General Meeting of Shareholders according to the procedure provided for by Federal Law for the period until the next Annual Meeting. The Board consists of 13 directors.

A meeting of the Board of Directors shall qualify (have a quorum) if at least one-half of the elected members of the Board are present. Decisions shall be made by the Board of Directors by a majority vote of the members of the Board of Directors who participate in the meeting. According to the Charter, certain issues have a bigger quorum and increased number of votes required for a decision to be adopted.

COMPETENCES OF THE BOARD OF DIRECTORS

The Board of Directors' scope of competences includes:

- Determining the priority directions for the Company's operations, working out and enforcing the Company's

concepts and development strategies, approving and making changes to corporate plans and budgets;

- Making proposals for the consideration of the shareholders' meeting on making amendments to the Company's Charter, on the Company's reorganisation, and increasing/decreasing of the Company's authorised capital;
- Recommendations on the dividends per share and the related payment procedure, and approval of, and making amendments to, the Company's dividends policy;
- Other questions stipulated by the federal Law On Joint Stock Companies.

COMPOSITION OF THE BOARD OF DIRECTORS

In the reporting year, the composition of the Board of Directors changed twice: following the results of the Extraordinary General Meeting of Shareholders held on March 11, 2013 (EGMS 2013), and following the results of the Annual General Meeting of Shareholders held on June 6, 2013 (AGMS 2013).

INDEPENDENT DIRECTORS

In accordance with global corporate governance practices and the recommendations of the FCSM/FFMS Code of Corporate Governance, independent directors have been elected to the Board of Directors of MMC Norilsk Nickel since 2002. The Company uses the most conservative criteria possible to determine the independence of the members of its Board of Directors.

BOARD OF DIRECTORS

Before EGMS in 2013	After EGMS in 2013	After AGMS in 2013
A.E. Bougrov - Chairman	G. Penny* - Chairman	G. Penny* - Chairman
E.N. Banda*	E.N. Banda*	R. Edwards*
S.V. Barbashev	S.V. Barbashev	S.V. Barbashev
A.S. Voloshin*	A.V. Bashkirov	A.V. Bashkirov
O.V. Deripaska	S.B. Bratukhin*	S.B. Bratukhin*
C. Dauphine*	A.E. Bougrov	A.E. Bougrov
M.A. Zakharova	M.A. Zakharova	M.A. Zakharova
L.G. Zelkova	V.A. Matviyenko	V.A. Matviyenko
B.A. Mills*	S.S. Mishakov	S.S. Mishakov
S.S. Mishakov	G. Prinsloo*	G. Prinsloo*
G. Prinsloo*	M.M. Sokov	M.M. Sokov
M.M. Sokov	V.A. Soloviev	V.A. Soloviev
V.I. Strzhalkovsky	S.V. Chemezov*	S.V. Chemezov*

* Independent Director.

THE BOARD OF DIRECTORS' ACTIVITY IN 2013

In 2013, 62 meetings of the Company's Board of Directors were held:

- 13 meetings held in person;
- 51 meetings held in absentia.

The Board of Directors held six meetings in person and 21 meetings in absentia before the Annual General Meeting of Shareholders on June 6, 2013.

The Board of Directors held seven meetings in person and 30 meetings in absentia after the Annual General Meeting of Shareholders and before December 31, 2013.

PARTICIPATION OF DIRECTORS IN BOARD MEETINGS IN 2013

Director	Number of meetings attended in person	Number of meetings attended in absentia
A.E. Bougrov	13	51
S.V. Barbashev	13	51
E.N. Banda (2)	5	11
A.V. Bashkirov (3)	10	43
S.B. Bratukhin (3)	10	43
A.S. Voloshin (4)	3	8
C. Dauphine (4)	3	8
O.V. Deripaska (4)	3	0
M.A. Zakharova	13	51
L.G. Zelkova (4)	3	8
V.A. Matviyenko (3)	10	43
B.A. Mills (4)	2	8
S.S. Mishakov	13	51
G. Penny (3)	10	43
G. Prinsloo	13	51
V.I. Strzhalkovsky (4)	2	7
M.M. Sokov	13	50
V.A. Soloviev (3)	10	43
S.V. Chemezov (3)	9	43
R. Edwards (1)	7	30

Note:

- (1) Elected to the Board of Directors at the Annual General Meeting of Shareholders on June 6, 2013.
- (2) Not on the Board of Directors elected at the Annual General Meeting of Shareholders on June 6, 2013.
- (3) Elected to the Board of Directors at the Annual General Meeting of Shareholders on March 11, 2013.
- (4) Not on the Board of Directors elected at the Annual General Meeting of Shareholders on March 11, 2013.



Board of Directors as of December 31, 2013



Gareth Peter Herbert Penny

Board Chairman since March 2013

Born in 1962

Education: Diocesan College (Bishop); Eton College (Cape Town); Oxford, Rhodes Scholar, Master of Arts in Philosophy, Politics and Economics

2006–2010: CEO of De Beers Group
2007–present: Non-Executive Director, Julius Bar Holding Ltd.
2011–2012: CEO of AMG Mining
2012–present: Executive Chairman, New World Resources Plc.

Share participation in the Company's authorised capital: 0%
 Number of the Company's common shares held: 0%



Andrei Bougrov

Member of the Board of Directors since 2002 Board; Chairman from June 2011 to March 2013

Born in 1952

Education: Moscow State Institute for International Relations (MGIMO), PhD in Economics.

2002–2011: Member of the Board of Directors, OJSC MMC Norilsk Nickel
2002–present: Member of the Board of the Non-Government Public Association Foreign and Defence Policy Council
2002–2009: Member of the Board of Directors, OJSC AKB ROSBANK
2004–2010: Managing Director of CJSC Interros Holding Company
2006–present: Member of the Management Board of the Russian Union of Industrialists and Entrepreneurs
2006–2010: Member of the Management Board of Altpoint Capital Partners LLC
2007–2011: Chairman of the Management Board of the Bureau of Economic Analysis Fund

2007–2009: Member of the Board of Managers of the Centre for Sustainable Economic Development
2008–2010: Member of the Board of Directors of CJSC Interros Holding Company
2008–2011: Chairman of the Board of Directors of LLC Prof-Media Management
2010–2013: Deputy General Director, member of the Management Board of CJSC Interros Holding Company
2011–2013: Chairman of the Board of Directors at OJSC MMC Norilsk Nickel
2013–present: Vice-President of INTERROS Holding Company CJSC, Member of the Board of Directors of RusHydro Company
2013 – Vice-President Russian Union of Industrialists and Entrepreneurs
2013–present: Deputy Chairman of the Board of Directors, member of Management Board, Deputy CEO for interaction with the government and investment community in OJSC MMC Norilsk Nickel

Share participation in the Company's authorised capital: 0%
 Number of the Company's common shares held: 0%



Sergei Barbashev

Member of the Board of Directors since March 2011

Born in 1962

Education: Moscow Higher School of Militia of the Ministry of Internal Affairs of the USSR, Law

2008–present: CEO, Chairman of the Management Board of CJSC Interros Holding Company
2008–present: Council Member, Vladimir Potanin Charity Foundation
2011–present: Chairman of the Board of Directors, LLC Rosa Khutor Ski Resort Development Company

Share participation in the Company's authorised capital: 0.000088%
 Number of the Company's common shares held: 0.000088%



Aleksei Bashkirov

Member of the Board of Directors since March 2013; Chairman of the Budget Committee since March 2013

Born in 1977

Education: MGIMO, Specialist in International Economic Relations

2009–present: Executive Director, Director of Investment Department, Deputy CEO for CJSC Investments, Interros Holding Company
2009–2013: Member of the Board of Directors, LLC Rosa Khutor Ski Resort Development Company
2009–2014: Member of the Board of Directors LLC Prof-Media Management
2010–2011: Member of the Board of Directors, OJSC Third Generating Co. of Electric Power Wholesale Market
2010–2011: Member of the Board of Directors, JSC OPIN (Open Investment)

2010–2012: Member of the Board of Directors, CJSC Stavropolskiy Broiler
2010–2012: Member of the Board of Directors, CJSC Agros Agroindustrial Complex
2011–present: Member of Management Board, CJSC Interros Holding Company
2011–2012: Member of the Board of Directors, CJSC ProfEstate
2012–2013: Member of the Board of Directors CJSC SP Holding, Member of the Board of Directors, CJSC Cinema Park

Share participation in the Company's authorised capital: 0%
 Number of the Company's common shares held: 0%



Sergei Bratukhin

Member of the Board of Directors since March 2013; Chairman, Corporate Governance, Nomination and Remuneration Committee since March 2013

Born in 1971

Education: Mendeleyev Russian University of Chemical Technology, Engineering; Financial Academy under RF Government, Banking and Insurance; Warwick Business School, Business Management

2008–2009: Strategic Investment Director, Branch of Renaissance Partners LLC
2009–2011: Strategic Investment Director, Branch of Renaissance Partners LLC
2011–present: President, Invest AG (CIS Investment Advisers LLC)

Share participation in the Company's authorised capital: 0%
 Number of the Company's common shares held: 0%



Marianna Zakharova

Member of the Board of Directors since June 2010; Chairman, Board Corporate Governance, Nomination and Remuneration Committee from June 2011 to March 2013

Born in 1976

Education: People's Friendship University of Russia (RUDN), Master of Law

2004–present: Director, Legal Department, Deputy CEO for Legal Issues, CJSC Interros HC
2008–2010: Member of the Board of Directors, CJSC Interros Holding Company
2009–2010: Member of the Board of Directors, OJSC AKB ROSBANK
2010–present: Member of the Board of Directors, CJSC Prof-Estate
2010–present: Member of the Management Board, CJSC Interros HC

Share participation in the Company's authorised capital: 0%
 Number of the Company's common shares held: 0%



Valeriy Matviyenko

Member of the Board of Directors since March 2013

Born in 1955

Education: Siberia Institute of Metallurgy, Metallurgical Engineer (Ferrous Metallurgy)

2008–2010: First Deputy CEO, OJSC MMC Norilsk Nickel
2010–present: Director for aluminous business, CJSC RUSAL Global Management BV

Share participation in the Company's authorised capital: 0%
 Number of the Company's common shares held: 0%



Stalbek Mishakov

Member of the Board of Directors since 2012

Born in 1970

Education: Moscow State Institute for International Relations RF Ministry of Foreign Affairs, International Law; University of Notre Dame, MS; RF Ministry of Foreign Affairs Diplomacy Academy, PhD in Economics

2007–2009: CEO of Altius Development LLC
2009: CEO of OJSC Aremeks
2010–present: Adviser to CEO, CJSC RUSAL Global Management BV
2013–present: Deputy CEO, LLC EN+ Management
2013–present: Member of the Board of Directors, United Company RUSAL Plc

Share participation in the Company's authorised capital: 0%
 Number of the Company's common shares held: 0%



Prinsloo Cornelis Johannes Gerhardus

Member of the Board of Directors since 2012 Chairman, Audit Committee, since March 2013

Born in 1965

Education: University of Pretoria, South Africa

2005–2008 – Partner, Head of Monitor Group CIS
2008–2012: Partner, Director, Bain & Company Russia LLC
2012–present: Director, Natural Resource Partnership

Share participation in the Company's authorised capital: 0%
 Number of the Company's common shares held: 0%



Maksim Sokov

Member of the Board of Directors since December 2008 Chairman of Strategy Committee since March 2013

Born in 1979

Education: Russian State Tax Academy under the Russian Ministry of Taxes, Law; New York University, Master of Law

2008–2010: Director of Investment Management, CJSC RUSAL Global Management BV
2008–2013: CEO LLC OK RUSAL (Investment Management)
2009–2011: Member of the Board of Directors, OJSC Third Generating Co. of Electric Power Wholesale Market
2010–2011: Director of Strategy and Corporate development, CJSC RUSAL Global Management BV

2011–2012: Director of Strategy, CJSC RUSAL Global Management BV
2012–present: Member of the Board of Directors, UC RUSAL Plc
2012–2013: Director of Strategic Investment Management, CJSC RUSAL Global Management BV
2013–present: Adviser on Strategic Investment Management, CJSC RUSAL Global Management BV
2013–present: CEO, LLC EH+ Management
2013–present: First Deputy CEO, member of the Board of Directors, EN+ Group Limited
2013–present: Member of the Board of Directors, Eurosis Energo Plc

Share participation in the Company's authorised capital: 0%
 Number of the Company's common shares held: 0%



Vladislav Soloviev

Member of the Board of Directors from 2009 to 2011, then since March 2013

Born in 1973

Education: Graduate School of Management at State Academy of Management; Stankin Moscow State University of Technology, MBA.

2008–2010: CEO, LLC EN+ Management
2010–present: First Deputy Director, Branch of CJSC RUSAL Global Management BV

Share participation in the Company's authorised capital: 0%
Number of the Company's common shares held: 0%



Sergei Chemezov

Member of the Board of Directors since March 2013

Born in 1952

Education: Irkutsk Institute of Economics; Doctor of Economics, Professor, Full Member of Military Science Academy

2002–present: Board Chairman, OJSC Oboronprom United Industrial Corp.
2006–2013: Board Chairman, OJSC Avtovaz
2006–present: Board Chairman, OJSC VSMPO-AVISMA Corp.
2006–present: Member of the Board of Directors, OJSC United Aircraft Building Corp.
2007–present: Chairman, National NGO Union of Russian Machine Builders; President of National Industrial Employers Union of the Union of Russian Machine Builders
2007–present: Member of the Board of Directors, OJSC United Aircraft Building Corp.
2007–2009 – Professor, Chair of Military Command, Chiefs of Staff Military Academy (VAGSh) of the RF Armed Forces
2007–present: Member of the Supervisory Council, Rostec Government Corporation for Assistance to Development, Manufacturing and Exports of High-Tech Products
2007–present: CEO, Rostec Government Corporation for Assistance to Development, Manufacturing and Exports of High-Tech Products
2008–present: Board Chairman, OJSC Kamaz
2008–present: Manager, Russian Councillors, JV Russia-Mongolia Mongolrosvetmet LLC and Erdenet Enterprises
2009–present: Chair, Management in Military Engineering Cooperation and High Technologies MGIMO (U), RF Ministry of Foreign Affairs.
2009–present: Board Chairman, CJSC AKB Novikombank

2010 – 2012: Board Chairman, RT-Energoeffektivnost LLC
2010 – 2012: Board Chairman, RT-Biotekhprom LLC
2011–present: Board Chairman, OJSC Rosoboronexport
2011–present: Member of the Board of Directors, OJSC Aeroflot – Russian Airlines
2011–present: Member of the Board of Directors, OJSC AKB International Financial Club
2012–present: Board Chairman, LLC National Distribution and Settlement Systems (NDSS)
2013–present: Deputy Chairman Board, OJSC Neftyanaya Kompaniya Rosneft
2013–present: Member of the Board of Directors, Alliance Rostec Auto B.V. (Netherlands 36,36)
2013–present: Deputy Chairman of the Board, OJSC Avtovaz

Share participation in the Company's authorised capital: 0%
Number of the Company's common shares held: 0%



Robert Edwards

Member of the Board of Directors since 2013

Born in 1966

Education: Camborne Mining School, Mining Engineering

2002–2011: Head of Office for Analysis in Metallurgy and Mining, Renaissance Capital Ltd
2012: Chairman, Office for Analysis in Metallurgy and Mining, Renaissance Capital Ltd
2013–present: CEO, Highcross Resources Ltd
2013–present: Senior Advisor, Royal Bank of Canada (Europe) Capital Markets
2014–present: Non-executive director, GB Minerals Ltd

Share participation in the Company's authorised capital: 0%
Number of the Company's common shares held: 0%

BOARD OF DIRECTORS' COMMITTEES

The following Board Committees continued to operate in 2013:

- Audit Committee;
- Strategy Committee;
- Budget Committee;
- Corporate Governance, Nomination and Remuneration Committee.

AUDIT COMMITTEE

The Audit Committee consists of four directors and assists the Board of Directors in conjunction with external auditors in reviewing financial reporting and evaluating internal control systems.

MEMBERS OF THE AUDIT COMMITTEE

Before EGMS in 2013:	After EGMS in 2013:	After AGMS in 2013:
Enos Ned Banda* – Chairman of the Committee	Gerhardus Prinsloo* – Chairman of the Committee	Gerhardus Prinsloo* – Chairman of the Committee
Andrei Bougrov	Andrei Bougrov	Marianna Zakharova
Bradford Mills*	Maksim Sokov	Maksim Sokov
Gerhardus Prinsloo*	Enos Ned Banda*	Robert Edwards*

* Independent Director

STRATEGY COMMITTEE

The Strategy Committee consists of four directors. The Strategy Committee was created for the purpose of assisting the Board of Directors with the preliminary review of strategic goals, developing priority areas for business and evaluating long-term efficiency. In addition, it assists in developing recommendations for the Board on adjusting the existing strategic development of the Company based on the requirement to increase the efficiency of the Company's business, taking into account trends in the commodity and capital markets and the performance of the Company and its competitors.

STRATEGY COMMITTEE MEMBERS

Before EGMS in 2013:	After EGMS in 2013:	After AGMS in 2013:
Bradford Mills* – Chairman of the Committee	Maksim Sokov – Chairman of the Committee	Maksim Sokov – Chairman of the Committee
Maksim Sokov	Aleksei Bashkirov	Gerhardus Prinsloo*
Andrei Bougrov	Gareth Peter Penny*	Aleksei Bashkirov
Enos Ned Banda*	Enos Ned Banda*	Gareth Peter Penny*

* Independent Director

**BUDGET COMMITTEE**

The Budget Committee consists of five members of the Board of Directors. The Budget Committee was created for the purpose of assisting the Board of Directors with the preliminary review of matters and the development of recommendations to define policies relating to finance, budgeting, and business planning.

BUDGET COMMITTEE MEMBERS

Before EGMS in 2013:	After EGMS in 2013:	After AGMS in 2013:
Claude Dauphine* - Chairman of the Committee	Aleksei Bashkirov - Chairman of the Committee	Aleksei Bashkirov - Chairman of the Committee
Sergei Barbashev	Vladislav Soloviev	Vladislav Soloviev
Bradford Mills*	Sergei Barbashev	Sergei Barbashev
Enos Ned Banda*	Sergei Bratukhin*	Sergei Bratukhin*
Gerhardus Prinsloo*	Andrei Bougrov	Marianna Zakharova

* Independent Director

CORPORATE GOVERNANCE, NOMINATION AND REMUNERATION COMMITTEE

The Corporate Governance, Nomination and Remuneration Committee is comprised of three members of the Board of Directors. The Corporate Governance, Nomination and Remuneration Committee assists the Board of Directors with the preliminary review of matters related to corporate governance within the Company and other matters within the scope of the competence of the Board of Directors, which influence the corporate interests of the Company and the rights of its shareholders, including Company share transactions, as well as preparing recommendations for the Board of Directors for making decisions on such matters.

CORPORATE GOVERNANCE, NOMINATION AND REMUNERATION COMMITTEE MEMBERS

Before EGMS in 2013:	After EGMS in 2013:	After AGMS in 2013:
Marianna Zakharova - Chairman of the Committee	Sergei Bratukhin* - Chairman of the Committee	Sergei Bratukhin* - Chairman of the Committee
Larisa Zelkova	Stalbek Mishakov	Marianna Zakharova
Gerhardus Prinsloo*	Marianna Zakharova	Stalbek Mishakov

* Independent Director

Executive bodies: CEO and Management Board

The CEO (sole executive body) and the Management Board (collective executive body) are responsible for the Company's day-to-day activities.

The rights and responsibilities of the CEO and members of the Management Board with regard to the day-to-day activities of the Company are determined by federal law, other regulations of the Russian Federation, the Company's Charter, internal documents of the Company and contracts defining their rights and responsibilities as concluded by the Company with each of them.

The CEO and members of the Management Board are elected for an indefinite period. The Board of Directors is authorised to terminate the authority of and cancel the contract with the CEO or any member of the Management Board.

CHIEF EXECUTIVE OFFICER

The CEO acts as the Chairman of the Management Board.

The CEO acts on behalf of the Company without power of attorney, including, inter alia, the following functions: representing the Company's interests, entering into transactions in the name of the Company, approving staff schedules, issuing orders and instructions that are binding on all employees of the Company.

COMPETENCES OF THE CEO ALSO INCLUDE THE FOLLOWING ISSUES:

- Decisions for the Company to participate, acquire or dispose of holdings, in other corporate entities (unless prohibited by the federal Law On Joint Stock Companies and the Company's Charter);
- Approving internal documents of the Company regulating production, technology, financial, accounting, business, human resources, social, health, safety and document control issues;
- Making decisions on any other matters relating to the day-to-day operations of the Company, which are not included in the Company's Charter as within the scope of responsibility of the General Meeting of Shareholders, the Board of Directors or the Management Board.

MANAGEMENT BOARD

The Management Board runs the Company within its scope of responsibility as defined by the Company's Charter and ensures that all decisions of the General Meetings of Shareholders and the Board of Directors are implemented.

COMPETENCES OF THE MANAGEMENT BOARD:

- Preliminary consideration of materials prepared for the meetings of the Board of Directors regarding such issues as determination of priorities for the Company's operations, concepts and strategies for the Company's development and methods of their implementation, approval of the Company's plans and budgets, as well as approval of any changes to the plans and budgets of the Company;
- Preparation of proposals for amending the Company Charter and submitting them to the Board;
- Preparation of proposals for transactions that require approval by the General Meeting of Shareholders or the Board of Directors;
- Analysis and assessment of the results of the Company's business operations;
- Development of proposals for the use of the Company's reserve fund;
- Other questions stipulated by the Company's Charter.



MANAGEMENT BOARD'S ACTIVITY IN 2013

In 2013, 45 meetings of the Company's Management Board were held:

ATTENDANCE AT MANAGEMENT BOARD MEETINGS HELD IN 2013

	Number of meetings
VO Potanin	45
DR Kostoyev. (2)	8
EI Muravyov (2)	12
VN Poltavtsev (2)	13
SV Selyandin (4)	21
ES Bezdenezhnykh	45
SL Batekhin (1)	45
LG Zelkova (1)	44
NM Plastinina (1)	43
AA Ryumin (1)	43
EK Yakovlev. (1) (5)	24
SG Malyshev (3)	31
PS Fedorov (3)	29
OE Aznauryan (3)	31
AE Bougrov (3)	31
SN Dyachenko (6)	21

(1) Member of the Company's Management Board since January 23, 2013.

(2) Resigned on April 25, 2013.

(3) Member of the Company's Management Board since April 26, 2013.

(4) Resigned on July 21, 2013.

(5) Resigned on July 22, 2013.

(6) Member of the Company's Management Board since July 23, 2013..

As of January 1, 2013, the Company's Management Board had the following members: CEO VO Potanin (Chairman of the

Management Board); ES Bezdenezhnykh, DR Kostoyev, EI Muravyov, VN Poltavtsev, and SV Selyandin.

On January 22, 2013, the Board of Directors of MMC Norilsk Nickel (Minutes No. MMC/3 of January 22, 2013) re-elected the Company's Management Board to be formed of: CEO VO Potanin (Chairman of the Management Board); SL Batekhin, ES Bezdenezhnykh, LG Zelkova, DR Kostoyev, EI Muravyov, NM Plastinina, VN Poltavtsev, SV Selyandin, AA Ryumin, and EK Yakovlev.

On April 25, 2013, the Board of OJSC MMC Norilsk Nickel (Minutes No. MMC/22- of April 25, 2013) terminated the powers of DR Kostoyev, EI Muravyov and VN Poltavtsev, and after April 26, 2013, the new composition of the Company's Management Board was determined to be formed of: CEO VO Potanin (Chairman of the Management Board), OE Aznauryan, SL Batekhin, ES Bezdenezhnykh, AE Bougrov, LG Zelkova, SG Malyshev, NM Plastinina, AA Ryumin, SV Selyandin, PS Fedorov and EK Yakovlev.

On July 22, 2013, the Board of Directors of OJSC MMC Norilsk Nickel (Minutes No. MMC/36 of July 22, 2013) terminated the powers of EK Yakovlev, and on July 23, 2013, the new composition of the Company's Management Board was determined to be formed of: CEO VO Potanin (Chairman of the Management Board), OE Aznauryan, SL Batekhin, ES Bezdenezhnykh, AE Bougrov, LG Zelkova, SG Malyshev, NM Plastinina, AA Ryumin, PS Fedorov and SN Dyachenko.

Management Board members as of 31 December 2013



Vladimir Potanin

CEO, Chairman of the Management Board since December 2012

Born in 1961

Education: Moscow State Institute for International Relations (MGIMO), International Economics

1995–present: Member of the Presidium of the International Foundation for the Unity of Orthodox Christian Nations

2000–present: Member of the Management Board Bureau of the Russian Union of Industrialists and Entrepreneurs" (RSPP)

2000–present: Member of Management Board, LLC Russian Union of Industrialists and Entrepreneurs (RSPP)

2001–present: Member of the Board of Trustees of the Solomon R. Guggenheim Foundation (New York)

2002–2011: Member of the Board of Trustees, Hermitage-Guggenheim Charity Foundation

2003–present: Chairman of the Board of Trustees of the State Hermitage Museum

2004–present: Chairman of the National Council on Corporate Governance (NCCG), as well as Member of the Board of Trustees of the Centre for Problem Analysis and State Management Projecting

2005–present: Member of the Board of Trustees of non-profit charitable organization the Russian Olympians Foundation

2006–present: V – vice- Chairman of the Board of Trustees of MGIMO, Member of the Research Advisory Board for the General Prosecutor's Office of the Russian Federation, as well as Member of the Board of Trustees of the School of Management, St. Petersburg University, and Member of the Management Board, Russian National Union of Employers/Russian Union of Industrialists and Entrepreneurs (RNUE/RSPP)

2007–2012 – Member of Presidium, RF President's Council for Promotion of Athletics and Sports, High-Achievement Sports, Preparation and Conduct of the 2014 XXII Winter Olympics and XI Paralympics in Sochi

2007–present: Member of the Board of Trustees, St. Petersburg State University; Member of the Supervisory Board, Sochi 2014 Steering Committee

2008 – Board Chairman, OJSC MMC Norilsk Nickel
2008–2012: Member, Council for Competitive Ability and Entrepreneurship under the RF Government

2008–present: Council member, Potanin Charity Foundation

2009–present: Chairman of the Supervisory Board, Russian International Olympic University

2010–present: Member of the Board of Trustees, Russian Geographical Society

2011–present: Member of the Board of Trustees, Special Foundation of Target Capital Management for the Development of State Hermitage Museum

2012–present: CEO of OJSC MMC Norilsk Nickel, Chairman of the Management Board

2013–present: Member of the Board of Directors at OJSC Inter RAO UES

Share participation in the Company's authorised capital: 0.103%

Number of the Company's common shares held: 0.103%

Between December 5 and December 12, 2013, CEO VO Potanin purchased 162,652 of the Company's ordinary registered non-documentary shares by signing a sale contract at CJSC MICEX Stock Market.



Sergei Dyachenko

Member of Management Board since July 2013

Born in 1962

Education: Plekhanov Leningrad Mining Institute, Mining Engineering; University of Pretoria (South Africa), MSc.

2006–2009: Chief Specialist for Mining, Mining Group General Manager, De Beers

2009–2010: CEO, De Beers Russia

2010 – General Manager, Group for Mining and Development of Mining Business, De Beers Global Services (DBGS)

2010–2013: General Operations Director, Kazakhmys Group of Companies

2013: Member of Management Board, Deputy CEO, Manager of Operations Unit, OJSC MMC Norilsk Nickel

February 2014–present: First Deputy CEO, Manager of Operations Division, OJSC MMC Norilsk Nickel

Share participation in the Company's authorised capital: 0%
Number of the Company's common shares held: 0%



Pavel Fedorov

Member of Management Board since April 2013

Born in 1974

Education: Novosibirsk State University, University of Washington

2007–2010: Managing Director, Senior Adviser, Morgan Stanley (Moscow)

2010–2012: First Vice-President,

OJSC Neftyanaya Kompaniya Rosneft
2012–2013: Deputy Minister for Oil and Gas Complex, Ministry of Energy of the Russian Federation

2013–2014: Member of Management Board, Deputy CEO for Strategy and Business Development, OJSC MMC Norilsk Nickel

February 2014–present: First Deputy CEO, Executive Directors, OJSC MMC Norilsk Nickel

Share participation in the Company's authorised capital: 0%
Number of the Company's common shares held: 0%



Onik Aznauryan

Member of Management Board since April 2013

Born in 1970

Education: Yerevan State Polytechnic University, Automated Control Systems; Pittsburgh University (USA), MBA

2006 – 2011: CEO, LITER Managing Co.

2009 – 2012: Deputy CEO, OJSC ROSGOSSTRAKH, also member of the Management Board and Head of President's Office, ROSGOSSTRAKH LLC

2011 – 2012: CEO, Severniy Port OJSC

2012: CEO, Energostroyinvest Holding OJSC

2013 – Member of the Board of Directors of OJSC Norilskgazprom

2013–present: Chairman of the Board of Directors, Norilskgazprom OJSC

2013–present: Member of Management Board, Deputy CEO for Management of Non-Industrial Assets and Power Generation, OJSC MMC Norilsk Nickel

Share participation in the Company's authorised capital: 0%
Number of the Company's common shares held: 0%



Elena Bezdenezhnykh

Member of Management Board since August 2012

Born in 1973

Education: Krasnoyarsk State University, Law

2007–2009: Director, Zaveniagin Norilsk Mining and Metallurgical Plant OJSC

2008–2010: Member of the Board of Directors, Arena-Norilsk Sports and Entertainment Facilities LLC, Norilskpromtransport LLC, Norilsk Commercial and Production Union LLC, Third Generating Company of Electric Wholesale Market OJSC, Zavod po Pererabotke Metalloloma LLC, Chairman of the Board of Directors at Norilsk Support Complex LLC, Norilsknikelremont LLC, Zapoliarnaya Stroitel'naya Kompaniya LLC, and Torginvest OJSC
2008–2012: Director, Law Department, OJSC MMC Norilsk Nickel

2009: Member of the Board of Directors of Intergeneration LLC

2009–2010: Chairman of the Board of Directors of Intergeneration LLC

2009–2012: Member of the Board of Directors OJSC RAO Norilsk Nickel

2011–2013: Board Director Sport Project Management Company LLC

2012–2013: Council Chairman, NCO Non-Government Pension Fund for Norilsk Nickel

2012–2013: Chairman of the Board of Directors of OJSC RAO Norilsk Nickel

2012–present: Member of the Management Board, Deputy CEO – Head of the Unit for Corporate, Property and Legal Matters of OJSC MMC Norilsk Nickel

Share participation in the Company's authorised capital: 0.001%
Number of the Company's common shares held: 0.001%



Sergei Batekhin

Member of Management Board since January 2013

Born in 1965

Education: Red Banner Military Institute of the USSR Ministry of Defence, Military Politics and Foreign Languages; Plekhanov Russian Economic Academy – Financing the Credit, MIRBIS Moscow Higher School of Business, MBA

2005–2010: Deputy CEO, CJSC Interros Holding Company

2009: Member of the Board of Directors, Third Generating Company of Electric Wholesale Market OJSC

2009–present: Member of the Board of Directors, Continental Ice Hockey League

2009–2011: Board Chairman, LLC Rosa Khutor Ski Resort Development Company

2012–present: Board Chairman, Interport Managing Co. LLC

2013–present: Board Chairman, Yenisey River Lines Co. OJSC

2013–present: Member of Management Board, Deputy CEO, Head of Unit for Sales, Commerce and Logistics, OJSC MMC Norilsk Nickel

Share participation in the Company's authorised capital: 0%
Number of the Company's common shares held: 0%



Andrei Bougrov

Member of the Board of Directors since 2002; Board Chairman from June 2011 to March 2013

Born in 1952

Education: Moscow State Institute for International Relations (MGIMO), PhD in Economics.

2002–2011: Member of the Board of Directors, OJSC MMC Norilsk Nickel

2002–present: Member of the Board of the Non-Government Public Association Foreign and Defence Policy Council

2002–2009: Member of the Board of Directors, OJSC AKB ROSBANK

2004 – 2010: Managing Director of CJSC Interros Holding Company

2006–present: Member of the Management Board of the Russian Union of Industrialists and Entrepreneurs

2006–2010: Member of the Management Board of Altpoint Capital Partners LLC

2007–2011: Chairman of the Management Board of the Bureau of Economic Analysis Fund

2007–2009: Member of the Board of Managers of the Centre for Sustainable Economic Development

2008–2010: Member of the Board of Directors of CJSC Interros Holding Company

2008–2011: Chairman of the Board of Directors of LLC Prof-Media Management

2010–2013: Deputy General Director, member of the Management Board of CJSC Interros Holding Company

2011–2013: Chairman of the Board of Directors at OJSC MMC Norilsk Nickel

2013–present: Vice-President of INTERROS Holding Company CJSC, Member of the Board of Directors of RusHydro Company

2013 – Vice-President Russian Union of Industrialists and Entrepreneurs

2013–present: Deputy Chairman of the Board of Directors, member of Management Board, Deputy CEO for interaction with the government and investment community in OJSC MMC Norilsk Nickel

Share participation in the Company's authorised capital: 0%
Number of the Company's common shares held: 0%



Larisa Zelkova

Member of Management Board since January 2013

Born in 1969

Education: Lomonosov Moscow State University, Journalism

1998–2013: Deputy CEO, Director of the Department for Development of Public Relations, CJSC Interros Holding Company

1999–present: Vladimir Potanin Charity Foundation

2002–2011: Council Member, Donors Forum

2005–2010: Member of the Board of Directors, Prof-Media Management LLC

2007–present: Chairman of the Management Board of Specialised Fund of Management of Specific Capital for MGIMO development

2008–2010: Member of the Board of Directors, CJSC Interros Holding Company

2008, 2010–2013: Member of the Management Board, CJSC Interros Holding Company

2010–present: Member, Public Chamber of the

Russian Federation

2011–present: Chairperson of the Management Board, Hermitage Museum Specific Capital Fund

2011–2013: Chairman of the Board of Directors of Prof-Media Management LLC

2011–present: Member of the Board of Directors, LLC Rosa Khutor Ski Resort Development Company

2011–2013: Member of the Board of Directors, OJSC MMC Norilsk Nickel

2013–present: Member of the Board of Directors, Prof-Media Management LLC

2013–present: Member of the Management Board, Deputy CEO for Social Policy and Public Relations, OJSC MMC Norilsk Nickel

Share participation in the Company's authorised capital: 0%
Number of the Company's common shares held: 0%



Sergei Malyshev

Member of Management Board since April 2013

Born in 1969

Education: Financial Academy under RF Government, financing and credit; IPPK Russian Public Service Academy of the RF President, Federal and Municipal Government; MGTA (Moscow Academy of Humanities and Technology), Mechanical Engineering

1998–2009: Deputy CEO for Economy and Financing, LUKOIL-Neftekhim CJSC

2009–2013: Deputy CEO for Economy and Financing, First Deputy CEO, Energostroyinvest-Holding OJSC

2013–present: Member of the Management Board, Deputy CEO, Manager of Business and Financing Unit, OJSC MMC Norilsk Nickel

Share participation in the Company's authorised capital: 0%
Number of the Company's common shares held: 0%



Nina Plastinina

Member of Management Board since January 2013

Born in 1961

Education: Moscow Institute of Chemical Machine Building (MIHM), Mechanical Engineering; Bauman Moscow Institute of Technology, Economics and Production Organisation

2008–2013: Director, Financial Department, CJSC Interros Holding Company

2009–2010: Member of the Board of Directors, Prof-Media Finance LLC

2009–2011: Member of the Board of Directors, LLC Rosa Khutor Ski Resort Development Company and CJSC Agros Agroindustrial Complex

2010–2011: Member of the Board of Directors, Stavropol Broiler CJSC

2013–present: Member of Management Board, Director of the Internal Control Department, OJSC MMC Norilsk Nickel

Share participation in the Company's authorised capital: 0%
Number of the Company's common shares held: 0%



Aleksandr Ryumin

Member of Management Board since January 2013

Born in 1956

Education: Kirov Urals Polytechnic Institute, Metallurgical Engineering

2008–2012: Director, Department for Operation Management of Production, OJSC MMC Norilsk Nickel

2012–present: Director, Arctic Branch, OJSC MMC Norilsk Nickel

2013–present: Member of Management Board, OJSC MMC Norilsk Nickel.

Share participation in the Company's authorised capital: 0.003%
Number of the Company's common shares held: 0.003%

REMUNERATION OF THE COMPANY'S EXECUTIVE BODIES

The amount of remuneration for the members of the Board of Directors based on the annual results is determined in accordance with the decision of the Annual General Meeting of Shareholders and includes base salary for membership of the Board of Directors and bonuses for participation in and chairmanship of the Board of Directors' Committees.

According to the Charter of MMC Norilsk Nickel, the Company's Board of Directors is responsible for determining the amount of remuneration and allowances paid to the members of the Management Board. The amount of remuneration to the CEO is determined by the labour agreement, which is approved by the Board of Directors.

The total amount of remuneration, including salaries, bonuses, commission fees, benefits and (or) reimbursement of expenses, as well as other remuneration paid to the Company's executive bodies for 2013, was RUB 4,104,938 thousand

Internal control system and risk management

- Organising work and carrying out internal controls in such a way as to combat money laundering and the financing of terrorism;
- Ensuring accurate and reliable information about the Company's metal-containing products at each stage of production and circulation.

For the purpose of evaluating the quality of the internal control system, the department performs the following actions to control compliance with the internal control procedures established in the Company:

- Organises and controls the primary areas of the financial and economic activities of the Company, including those made with the assistance of officers in other departments;
- Keeps records of violations identified in the course of the internal control activities;
- Analyses the results of the Company's internal audits, and controls the development and implementation of action plans on elimination of violations identified during audits;
- Prepares proposals for improving the internal control procedures;
- Coordinates activities of control and supervision functions in branches and subsidiaries, engaging their specialists in joint audits and expert examination.

The Department interacts with third-party auditors to improve the internal control system.

In 2013, the Company established a Financial Control Service whose main function, similar to that of the Internal Control Department, is to perform business and financing audits in the Company and its subsidiaries.

While performing their functions, the Internal Control Department and Financial Control Service prepare, on a regular basis, reports, recommendations and other documents which are sent to the Audit Committee of the Board of Directors and CEO of the Company.

A successful internal control system builds investors' confidence in the Company and its management.

RISK MANAGEMENT

The Company's operations entail a number of risks which, under certain circumstances, could significantly affect its financial and operating performance. To mitigate any negative impacts, the Company has implemented a risk management system, which is an integral part of the Company's corporate governance system.

INTERNAL CONTROL SYSTEM

The internal control system at MMC Norilsk Nickel is an entirety of organisational structure, methodology and procedures approved by the Company's Board of Directors, executive and control bodies, officers and employees as reasonable means to ensure the achievement of the following corporate goals:

- Efficiency and effectiveness of the business;
- Reliability and objectivity of all Company reports;
- Compliance with the requirements of Russian federal law and the Company's internal regulations.

In order to comply with the listing terms of the united Russian Stock Exchange (MICEX) the Company has established an Internal Control Department — a subdivision that monitors compliance with internal control procedures.

The role of the Internal Control Department and the regulations of internal control over the financial and economic activities of MMC Norilsk Nickel is to state the goals, directions, and procedures of Internal Control, specifically:

- Ensuring that exhaustive and accurate information is generated to describe the activities and assets of the Company's subdivisions and its subsidiaries, ensuring accurate financial accounting, integrity and the target use of assets in the Company and its subsidiaries; compliance with standards and quotas of material and funds, compliance with limits for the use of materials and cash; prevention of material and financial losses; interception of misuse and fraud; motivation of employees and management of the Company's divisions and subsidiaries in respect of efficient management of financial assets and properties they are accountable for;
- Supervising the rational and complex use of mineral resources of the Company's divisions and subsidiaries; setting controls to minimise production losses and production costs in operations;
- Ensuring operation of the internal control and corporate risk management system within the Company and its subsidiaries;



GOALS OF RISK MANAGEMENT:

- To improve the reliability of the planned achievements of the Company's goals;
- To facilitate sustainable development;
- To increase the efficiency of resource allocation;
- To increase the investment attractiveness and shareholder value of the Company.

Risk management is conducted in accordance with the corporate risk management concept and internal documents and constitutes a systematic identification, evaluation and management of risks in all business areas.

1. RISK IDENTIFICATION

The Company regularly collects and analyses information describing external and internal factors which could negatively affect the achievement of the Company's goals. The Company maintains risk registers, where key data about identified risks are accumulated, including:

- Unfavourable events or trends description;
- Possible causes and conditions that could lead to the emergence of hazardous situations;
- Potential implications for the Company's business and goals;
- Links with other events or trends;
- The Company's business units and officers who are responsible for the causes and/or consequences of an unfavourable event;
- Proposals for the remediation of possible consequences of unfavourable events.

2. RISK ASSESSMENT

The Company assesses each identified risk on the basis of two indicators:

- Probability of the adverse event occurring;
- Scale of consequences from a risk materialising.

Each indicator is measured on a five-point scale.

3. RISK PRIORITISATION

The Company has established acceptable risk levels. Depending on certain parameters, and the presence and relevance of any non-financial factors, risks are categorised as critical, significant or moderate.

HIERARCHY OF MANAGERIAL DECISION-MAKING

No.	Risk relevance	Acceptable risk level set by	Actions for risk control selected by
1.	Critical	Company management	Company management
2.	Significant	Company management	Management of sector units and units of subdivisions/ production facilities management
3.	Moderate	Management of sector units and units of subdivisions	Production facilities management

4. RISK AGGREGATION AND SYSTEMATISATION

Modern risk assessment methods and techniques are used to gauge the possible impact of unfavourable events on the Company's financial and operating results and business objectives, as well as the aggregate exposure of cash flows to risks (qualitative, quantitative and mathematical modelling).

5. RISK REGULATION

Depending on the possible extent of risk parameter mitigation and related costs, the Company uses a variety of risk regulation methods to reduce, eliminate, transfer or accept risks. Systematic monitoring of risk regulation activities implementation is controlled centrally.

TYPES OF ACTION TO REGULATE RISKS

REDUCTION OF PROBABILITY OF RISK AND POTENTIAL DAMAGE

- Technical measures
- Organisational measures
- Diversification
- Reorganisation of business processes

TRANSFER OF RISKS

- Insurance
- Hedging
- Joint ventures or strategic partnerships
- Outsourcing

AVOIDANCE OF RISKS

- Sales of assets
- Rejection of deals

ACCEPTANCE OF RISKS

- Limitation
- Financial reserves

TABLE OF RISKS

Risk type	Description	Action to minimise risk
Regulatory risks	The Company's operations are regulated by numerous laws, standards and guidelines, in the following areas: <ul style="list-style-type: none"> ■ Processing of raw materials and output of finished goods; ■ Environmental protection; ■ Foreign economic activities; ■ Tax regulations; ■ Labour relations. <p>As its facilities are internationally spread, the Company must ensure it complies with all applicable standards and requirements of the countries in which it operates. New regulations can significantly affect the Company's operations.</p>	To avoid any adverse impact on the stability of its business and its ability to fulfil obligations to stakeholders, the Company constantly monitors the legislation relating to its operations. This enables it to react to change and promptly adjust its operating practices.
NATURAL AND TECHNOGENIC RISKS		
Environmental risks	Environmental agencies supervise and regulate the Company's production operations in full accordance with the applicable laws and regulations. Recognising the scale and complexity of the environmental issues the Company faces, the Company's management considers environmental protection to be an integral part of our business and strives to ensure compliance with all laws and to use resources in a sustainable manner. <p>Change in the environmental requirements to the Company's operations can influence the efficiency of our environmental management.</p>	Since 2005, the Company has conducted annual environmental management system audits in compliance with ISO 14001:2004. Possible changes in the environmental requirements are considered by the Company's branches, subsidiaries and affiliates in their operations and assessed during environmental audits. The results of the analysis of changes in the legal requirements are regularly updated and recorded in the electronic database.



Risk type	Description	Action to minimise risk
Technical and production risks	<p>The foundation for the Company's strength and sustainable development lies in its production operations, the stability and efficiency of which affect the achievement of the Company's primary goals.</p> <p>The Company's key production sites are located in the Far North of Russia. Due to the natural and climatic conditions prevailing in the region, complex technical issues are encountered when conducting geological exploration, during the mining and processing of ore, providing energy to production facilities and city infrastructure and transporting finished products to customers.</p> <p>Equipment, buildings, and structures are exposed to industrial risks. The most hazardous factors include:</p> <p>Mining and metallurgical business units</p> <ul style="list-style-type: none"> ■ Flooding at mines/quarries; ■ Accidents and incidents involving mining and transport equipment; ■ Dealing with flammable gases and toxic substances; ■ Accidents and incidents at certain stages of oreprocessing. <p>Energy business units:</p> <ul style="list-style-type: none"> ■ Accidents involving pipelines and gas transportation systems; ■ Accidents involving electricity grids; ■ Accidents at heating stations. <p>Transport business unit:</p> <ul style="list-style-type: none"> ■ Accidents and incidents involving river and marine vessels, tugboats, and cranes. ■ Reduction in navigable river depths; ■ Damage to river terminals; ■ Breakdown of infrastructure at Norilsk airport; <p>Oil depots in the Norilsk industrial district and Dudinka:</p> <ul style="list-style-type: none"> ■ Damage to buildings; ■ Equipment failure; ■ Failure of buildings used in process operations. 	<p>The Company uses modern equipment and takes the necessary measures to overcome problems related to adverse weather conditions of the Far North (extremely low temperatures, "black" snowstorms, reduced navigation depth of the Yenisei River), which under certain conditions can have a major impact on the Company's operations.</p> <p>To reduce adverse effects at production facilities, the Company regularly evaluates the risk of unplanned disruptions and develops measures to prevent and limit the potential consequences of such accidents and incidents.</p> <p>Registers for technical and production risks have been created for the Polar Division's production units, the Kola Peninsula production site, the fuel and energy business units, the transport business units, and Norilsk industrial district's oil depots and the various categories of risk have been defined.</p> <p>The Company has developed, and is implementing, a programme of organisational and technical actions aimed at reducing the most serious of technical and production risks.</p> <p>In addition, a comprehensive insurance scheme has been set up to cover production-related risks.</p> <p>The Company has developed and is continuously improving internal standard and technical regulations which govern operations (including maintenance), which often contain more strenuous equipment maintenance and repair requirements than the regulations of the Russian Federation.</p> <p>All facilities have developed industrial safety declarations for hazardous production sites.</p>



Risk type	Description	Action to minimise risk
FINANCIAL RISKS		
Market risks		
Price risk	Risk of loss caused by adverse price index change and falling market value of products, works, services, and other assets, including those purchased by the Company.	In 2013, a partial mutual offset of market risks was observed. A decline in nickel prices in certain periods of 2013 was offset by weakening of the RUB.
Currency risk	Risk of loss caused by adverse changes of currency exchange rates.	MMC Norilsk Nickel collects most revenues in US dollars, while most corporate costs are incurred in the Russian roubles. To hedge its currency positions, the Company buys/sells derivative financial instruments.
Interest rate risk	Risk of possible loss caused by adverse changes of interest rates in loans market.	The majority of the Group's loans and borrowings have floating interest rates, in particular those linked to LIBOR (London Interbank Offering Rate). The level of LIBOR in 2013 allowed the Group to keep debt-servicing expenses.
Credit risk		
	Risk of loss related to a counterparty's failure to perform its obligations under contracts or transactions in good time.	The Company minimises its credit risk by spreading it across a large number of counterparties and setting credit limits based on the analysis of counterparties' financial standing and non-financial factors. To analyse the counterparties' solvency and risk of default, the Company uses the latest methods.
Liquidity risk		
	Liquidity risk means that the Company is unable to pay when its obligations reach maturity.	The Company's Treasury ensures the centralised management of liquidity throughout the Group. Liquidity is managed by using detailed budgeting procedures, maintaining daily payment positions with a horizon of up to one month, and conducting monthly cash planning to ensure the budget is met for a period of up to 12 months.
		The Company uses a cash flow management system, which enables the collection and detailed analysis of forthcoming payment data for a period of up to one month. To manage liquidity, the Company forms a reserve of liquid funds and has at its disposal confirmed credit lines with numerous banks. These would be sufficient to compensate for potential revenue fluctuations based on the given price, currency, and interest rate risks.



Risk type	Description	Action to minimise risk
HEALTH AND SAFETY RISKS		
Risks of industrial injuries	<p>The specific nature of the work undertaken at the Company's facilities requires comprehensive employee health and safety training, including compliance with health and safety rules.</p> <p>Employees' failure to comply with the Company's health and safety rules at production subdivisions of the Company may lead to health and life risks, temporary suspension of business and property damage.</p>	<p>To mitigate health and safety risks, the Company takes action in accordance with its Industrial Health and Safety Policy, namely:</p> <ul style="list-style-type: none"> ■ Improving working conditions, specifically by way of implementation of new equipment and technologies; increasing the level of occupational safety of production facilities; providing employees with modern and certified personal protective equipment, special clothing, performing therapeutic and sanitary activities to mitigate the risk of impact of hazardous and dangerous production factors; ■ Regularly training, briefing and evaluating employees' performance in health and safety matters, conducting corporate workshops. <p>To minimise production injury rates, the Company is implementing a Roadmap in Healthcare and Industrial Safety, which will address the following objectives in 2014:</p> <ol style="list-style-type: none"> 1. Promoting leadership and commitment among managerial staff 2. Adopting corporate standards: <ul style="list-style-type: none"> ■ Safety behaviour audits; ■ Power source insulation; ■ Risk assessment; ■ Vehicle-pedestrian interaction; ■ High-hazard operations; ■ Accidents investigation 3. Deploying the Second Party Audit system 4. Implementing a communication plan in healthcare and safety
Suspended/recalled licences	<p>The specific nature of the Company's operations involve the operation of flammable, explosive and chemically aggressive production facilities of hazard class I, II and III. In addition, some of the Company's units are engaged in activities that use industrial explosives.</p> <p>The risk of suspended or recalled licence for such activities can be caused by violation (gross violation) of licence terms and conditions.</p>	<p>To mitigate this risk, the Company makes all necessary efforts that ensure compliance with licence terms and conditions at the sites where the Company's production subdivisions operate.</p>



Risk type	Description	Action to minimise risk
Employee risks	<p>Today, with continuing shortages of human resources nationwide due to a difficult demographic situation, when demand for production workers is high, while the skills and training of college graduates are inadequate and do not fit production needs, the Company has to consider risks related to the attraction and loyalty of skilled human resources as a top priority.</p> <p>Recruitment-related risks are aggravated by factors that lower the attractiveness of employment in a product subdivision: hard and dangerous working conditions, the environmental situation and severe weather conditions in the territories where the Company's key production sites are located.</p>	<p>To reduce the risk, it was decided to work out a new HR strategy considering the key directions of production development as stated in the Company's strategy, modern trends in HR relations, and an updated staff value system.</p> <p>The Company's business units preserve the system of social programmes designed to attract and retain skilled personnel.</p> <p>The current corporate programmes provide employees with the opportunity to purchase apartments on the "mainland" during their employment period, through a corporate loan system with favourable terms, and adaptation programmes for personnel hired from mainland areas also help to secure employees, while also meeting the Company's need for skilled specialists.</p> <p>Providing employees with training, health and safety benefits, improved working conditions, and corporate pension schemes in addition to those provided for by law also helps to strike a reasonable balance between the interests of the Company and those of its employees. Respecting the activity of the employees' representative bodies makes it possible for the Company to establish direct communication between the employer and employees, which allows any employee issues to be resolved quickly.</p>
RISKS RELATED TO THE GROUP'S INTERNATIONAL ASSETS		
General inherent risks of international assets		
Risk of lower global prices of metals	<p>A risk remains that global prices of nickel and other metals may fall, as a consequence of global economic volatility.</p> <p>Sensitivity of the Group's international assets through performance indicators to changes in prices of nickel is typically higher than those based in Russia, so this shall be considered a major risk.</p>	<p>To minimise impacts of this risk, the Group uses efforts to control and minimise costs, increase the efficiency of its primary operations, and uses tools to hedge sale prices.</p>
Risk related to invalidation of geological models of the developed deposits	<p>Risk related to any invalidation of geological models of the developed deposits may have a negative effect on the ability to meet production plans, lead to a general increase in production costs and a decrease in performance of international assets.</p>	<p>In order to mitigate the negative effects of this risk, the Group regularly takes a set of measures to update 3D deposit models and adjust the mining operations plans. In order to preserve extraction values in light of changing geological, ore and processing characteristics, the Company carries out forward geological mapping and uses automatic and semi-automatic chemical processing methods at its plants.</p>



Risk type	Description	Action to minimise risk
Risk related to an uncontrolled increase in production expenses for electrical power, fuel, payment of licence agreements, taxes, etc.	Risk of uncontrolled growth in certain production costs: electric power, fuel, licence fees, taxes, etc. This risk is related to the possible actions of monopoly suppliers of services at the Company's operating entities and the actions of local regulators, which could result in an increase in market prices for materials, chemicals and power resources used in core operations. The negative effects of this risk are prevented through increasing general efficiency at the Company's core operations and decreasing the general unit costs and non-production costs.	In order to minimise possible uncontrolled growth in production costs, the Group has initiated the development and adoption of programmes of increasing the efficiency and decreasing the production cost at its international nickel assets, commissioned by the management of its production entities.
Risk related to an uncontrolled increase in employee costs	Risks related to an uncontrolled increase in employee costs could, on one hand, be caused by the increasing transparency in the labour market regarding salaries by industry and employee categories, and, on the other hand, by trade union activity and their significant influence on salary rate dynamics. Salary levels in the Group's operating regions abroad usually grow annually. However, salary increases are not always associated with proportional returns in the form of increased labour efficiency.	The negative effects of this risk are prevented by decreasing general unit costs by increasing labour efficiency and improving internal and external communications.



Risk type	Description	Action to minimise risk
Risks by continent		
Australia	The Group's assets in Australia are subject to certain risks, including currency fluctuations, increase in the cost of contractors' services and changes in licence agreement rates. These factors may drive the cost of both geological exploration and asset conservation.	The Group meets in full all obligations assumed under its licence agreements related to geological survey, mandatory mining fees and duties, annual reports to government agencies, and due conservation of existing assets. These efforts considerably minimise the risks of possible government sanctions against the Group, which holds a significant number of licences.
Africa	<p>The Group's operations in South Africa and Botswana are subject to currency fluctuations and possible political instability, while political instability in the region, along with rampant HIV statistics, may impact the political, social and economic situation in both countries.</p> <p>A series of strikes in the Southern African region since 2012 has created extra risks for mining businesses that operate there.</p> <p>The Group's operations in Africa are exposed to the risk of unscheduled shutdowns at some production sites, as well as lower outputs and performance, caused by a shortage of skilled employees at an operational level.</p> <p>The Broad-Based Socio-Economic Empowerment Charter of the South African Mining Industry (the Mining Charter) took effect on May 1, 2004. It seeks to transform equity participation in the country's mining industry. In particular, the Mining Charter states that every mining company in South Africa ensures that historically disadvantaged South Africans own 15% of assets within five years of May 1 2004, and 26% within ten years. The Group's failure to comply with the Mining Charter's requirements could have negative consequences, including the risk of not being granted new exploration and mining rights.</p>	<p>Full compliance with local and international law as regards safety and healthcare, environmental legislation and regulations on geological survey, mining and processing.</p> <p>The Company initiated and ensured successful operation of medical programmes to check and minimise HIV/AIDS statistics among Company employees and their family members.</p> <p>The Company is engaged in constructive exchange with the unions, promoting understanding among local employees. Dialogue with regulatory agencies in South Africa and Botswana is ongoing.</p> <p>The Company organises study programmes and encourages the purchase of real estate by its employees in order to retain staff in the region of operation.</p>



MMC Norilsk Nickel
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Shares

As of December 31, 2013, MMC Norilsk Nickel had an issued share capital of 158,245,476 ordinary shares, with par value of RUR 1 per share.

In Russia, the shares of MMC Norilsk Nickel are traded on the Moscow Exchange under a single state registration number, 1-01-40155-F, assigned on December 12, 2006.

SHARE TICKERS

Trading platform	Bloomberg ticker	Reuters ticker
Moscow Exchange (GMKN)	GMKN RM GMKN RX GMKN RN	GMKN.MM GMKN.RTS

INTERNATIONAL SHARE IDENTIFICATION CODES

Description	Code
ISIN	RU0007288411
SEDOL 1	B5B1TX2 RU

PRICE AND TRADING VOLUME OF MMC NORILSK NICKEL SHARES MICEX SHARE PRICE, RUB

	Minimum	Maximum	At the end of period	Volume of shares traded (Pcs.)
2009	1,228	4,308	4,240	561,094,007
2010	4,362	7,206	7,169	530,321,373
2011	4,047	8,417	4,943	154,291,682
2012	4,610	5,939	5,606	89,275,016
2013	4,106	6,089	5,400	76,120,053
Quarter 1	5,046	6,089	5,246	17,597,758
Quarter 2	4,389	5,318	4,747	17,685,062
Quarter 3	4,106	4,849	4,670	18,827,671
Quarter 4	4,742	5,420	5,400	22,009,562

Source: Bloomberg

American depository receipts

In June 2001, the Company signed a depository agreement with The Bank of New York Mellon, under which the issue of Level 1 American Depository Receipts (ADRs) for Norilsk Nickel shares was initiated. Custodial services for ADR transactions are rendered by the depository of JSC VTB Bank.

As of December 31, 2013, the total number of ADRs issued in exchange for shares of Norilsk Nickel amounted to 673,539,860 ADRs, or approximately 42.6% of the Company's issued share capital.

The ADRs are traded over the counter (OTC) in the United States and on the electronic International Order Book section of the London Stock Exchange.

The Company discloses information and makes it available to all ADR holders in English, pursuant to Rule 12g3-2(b) of the US Securities Exchange Act of 1934.

As a result of a split of the Company's ADRs, effective since February 19, 2008, the ratio of the ordinary shares of the Company to ADR has been 1:10.

ADR TICKERS

Trading platform	Bloomberg ticker	Reuters ticker
IOB, London Stock Exchange – London, UK	MNOD LI	NKELYq.L
OTC Market – New York, United States	NILSY US	NILSY US
Frankfurt Stock Exchange – Frankfurt, Germany	NNIA GR	NKELY.F

Source: Bloomberg

INTERNATIONAL ADR IDENTIFICATION CODES

Description	Code
ISIN	US46626D1081
CUSIP	46626D108
SEDOL 1	7152443 DE

PRICE AND TRADING VOLUME OF NORILSK NICKEL ADRS

	Minimum	Maximum	At the end of period	Volume of ADRs traded (Pcs.)
2010	140	243	237	1,611,054,233
2011	147	283	153	2,027,267,723
2012	144	205	184	1,168,251,876
2013	124	203	166	1,022,238,584
Quarter 1	163	203	169	268,055,338
Quarter 2	134	172	144	252,237,251
Quarter 3	144	152	144	259,121,747
Quarter 4	146	167	166	233,617,738

Stock market indices

MAJOR SHAREHOLDERS OF MMC NORILSK NICKEL (as of December 31, 2013)

Company name	Share of authorised capital (%)
Interros International Investments Limited ¹	30.27
United Company Rusal Plc ¹	27.82
Crispian Investments Limited	5.87
OJSC Holding Company Metalloinvest ^{1,2}	4.99

Notes:

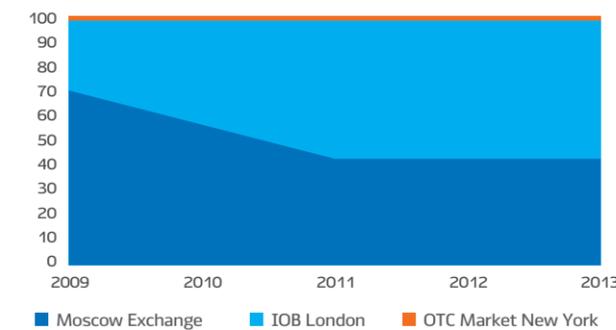
¹ Indirect control exercised through controlled entities

² According to financial statements of OJSC Holding Company Metalloinvest for 2013.

Registered as of December 31, 2013 32 legal entities (including 3 nominal holders) and 44,463 individuals are registered with the register as of December 31, 2013.

In Russia, MMC Norilsk Nickel shares are traded on the MICEX Stock Exchange.

DYNAMICS OF STOCK EXCHANGE TRADING VOLUME (COMPANY SHARES AND ADRS), %



Source: Bloomberg

PERFORMANCE OF MMC NORILSK NICKEL SHARES ON THE MOSCOW EXCHANGE AND KEY STOCK EXCHANGE INDICES (USD for MMC Norilsk Nickel shares; indices adjusted to MMC Norilsk Nickel share price)



Source: Bloomberg

Dividends

According to the Norilsk Nickel Dividend Policy, approved by the Board of Directors in 2002, the Company aims to distribute at least 25% of net profit for the year, calculated in accordance with IFRS, in the form of dividends.

The decision to distribute dividends on the Company's shares is taken by the General Meeting of Shareholders, based on the recommendation of the Board of Directors. The Company pays dividends in cash.

In accordance with Article 42 of the federal Law On Joint-Stock Companies (the "Federal Law"), the timing of dividend distribution should not exceed 60 days from the decision on dividend distribution. The list of persons entitled to dividends is compiled as of the date of preparation of the list of persons eligible to participate in the General Meeting of Shareholders, which determines the distribution of respective dividends.

According to the amendments to Article 42 of the Federal Law that became effective on January 1, 2014, the date of determination of persons eligible to receive dividends according to the decision on dividend distribution (declaration) cannot be established any sooner than 10 days after such a decision on dividend distribution (declaration) and no later than 20 days after such a decision.

The timing of dividend distribution to a nominal holder or a trustee who is a professional participant of the securities market, who is registered on the shareholders' register, should not exceed 10 working days, while distribution to other shareholders registered with the shareholders' register should take place not later than within 25 days from the date of determination of persons eligible to receive dividends.

Dividends payable to individuals whose share rights are registered with the Company's shareholders' register should be paid via postal transfer or bank transfer to their bank accounts. The method of dividend payment should be indicated by the shareholder or his/her proxy (acting on the basis of a duly executed power of attorney) when completing the Registered Person Questionnaire. In case of any question concerning the method of dividend payment, please contact the Headquarters of CJSC Computershare Registrar, whose address is specified in the Contact Information section of this report.

Dividends payable to other persons whose share rights are registered with the Company's shareholders' register should be paid by bank transfer to their bank accounts.



Dividends on shares payable to persons eligible to receive dividends, whose share rights are registered with a nominal shareholder, should be paid in cash via the nominal shareholder who provides such persons with respective services under an agreement.

Dividends payable on shares when the respective share rights are certified by the securities of a foreign issuer should be paid to the person in whose name an account of depository receipts programmes was opened.

If a person received no declared dividends, they may claim such dividends ("unclaimed dividends") within three years of a decision on their distribution.

Taking into account the interim dividends paid for the nine months of 2013 in the amount of RUB 220.7 per ordinary share, the Board of Directors recommended the General Meeting of Shareholders scheduled for 6 June 2014 to authorise the payment of dividends from 2013 profits in the amount of RUB 248.48 per ordinary share in the Company. The total amount of dividends for 2013 was established at RUB 74.246 million (or RUB 469.18 per ordinary share) as a sum of 50% earnings before interest, tax, depreciation and amortisation (EBITDA) and proceeds from the sale of non-core assets calculated based on the IFRS consolidated financial statements of MMC Norilsk Nickel for 2013.

DIVIDENDS PER SHARE PAYMENT SCHEDULE

2011	RUR 196
2012	RUR 401
Nine months of 2013	RUR 220.7

DIVIDEND DISTRIBUTION REPORT FOR 2012- 2013

YEAR: 2012

Period: Full year.

Management body of the Company that has adopted a decision on the (declared) distribution of dividends on the Company's shares: Annual General Meeting of Shareholders.

Date of the meeting of the Company's management body, at which a decision to distribute (declare) dividends was taken: June 6, 2013.

Date of preparation of a list of persons eligible to receive dividends for the specified period: April 30, 2013.

Date of the minutes: June 7, 2013.

Minutes number: 3.

Share category (type): Ordinary shares.

Amount of distributed (declared) dividends on shares of the specified category (type) per share, RUR: 400.83.

Aggregate amount of declared (accrued) dividends on all shares of the specified category (type), RUR: 63,429,534,145.08.

Total amount of dividends distributed on all the issuer's shares of the same category (type), RUR: 63,411,150,448.92.

Timing for dividend distribution: Within 60 days from the date of a decision on dividend distribution.

Form and other terms of dividend distribution on the Company's shares: Monetary funds

Dividends declared by the Company on its shares were not distributed in full.

Reasons for non-distribution of declared dividends:

Dividends were paid to each person included on the list of persons eligible to receive dividends, except for: persons whose data were not submitted to nominee shareholders; persons who did not confirm the powers of their authorised representatives, and persons who failed to correctly identify the necessary details for dividend transfer.

YEAR: 2013.

Period: 9 months.

Management body of the Company which has adopted a decision on the (declared) distribution of dividends on the Company's shares: Extraordinary General Meeting of Shareholders.

Date of the meeting of the Company's management body, at which a decision to distribute (declare) dividends was taken: December 20, 2013.

Date of preparation of a list of persons eligible to receive dividends for the specified period: November 1, 2013.

Date of the minutes: December 23, 2013.

Minutes number: w/o number.

Share category (type): Ordinary shares.

Amount of distributed (declared) dividends on shares of the specified category (type) per share, RUR: 220.7.

Aggregate amount of declared (accrued) dividends on all shares of the specified category (type), RUR: 34,924,776,553.20.

Total amount of dividends distributed on all the issuer's shares of the same category (type), RUR: 34,907,387,299.64.

Timing for dividend distribution: Within 60 days from the date of a decision on dividend distribution.

Form and other terms of dividend distribution on the Company's shares: Monetary funds.

Dividends declared by the Company on its shares were not distributed in full.

Reasons for non-distribution of declared dividends:

Dividends were paid to each person included on the list of persons eligible to receive dividends, except for: persons whose data were not submitted to nominee shareholders; persons who did not confirm the powers of their authorised representatives, and persons who failed to correctly identify the necessary details for dividend transfer.

Taxation of securities income under Russian federal law*

TAXATION OF INCOME FROM THE SALE OF SECURITIES

INDIVIDUAL TAXPAYERS

Taxation of individual income from securities operations considers the specifics described in the Russian Federal Tax Code (Russian TC).

In accordance with the Russian TC, income from operations involving securities is income from the sale (redemption) of securities, gained in the tax period and determined according to the procedure indicated in the Russian TC.

Expenses associated with the operations involving securities and expenses associated with the operations involving the financial instruments of term transactions are the documented expenses actually paid by the taxpayer in connection with the purchase, sale, storage and redemption of securities, the execution of operations involving the financial instruments of term transactions and the performance and terminations of obligations related to such transactions.

The financial result of the operations involving securities and the operations involving the financial instruments of term transactions is determined as income from operations net of the relevant expenses. The financial result is determined for each individual operation and each group of operations: operations involving the securities traded in the organised securities market; the securities not traded in the organised securities market; the financial instruments of term transactions traded in the organised securities market; the financial instruments of term transactions not traded in the organised securities market.

A negative financial result for the tax period for certain operations involving securities and financial instruments of term transactions reduces the financial result for a group of the relevant operations calculated for the tax period with consideration of peculiarities indicated in the Russian TC.

A negative financial result for each group of operations is regarded as a loss. Losses are calculated according to the procedure indicated in the Russian TC.

The tax base for operations involving securities and for operations involving the financial instruments of term transactions is the positive financial result for a group of the relevant operations calculated for the tax period.

The tax base is determined for each group of operations.

The tax agent (as recognised as such under the Russian TC) calculates, withholds and transfers the tax withheld from the taxpayer according to the procedure indicated in the Russian TC (art. 226 of the Russian TC).

Where it is impossible to withhold the calculated tax amount in part or in full, the tax agent informs the tax authorities accordingly, within the time limits indicated in the Russian TC.

Tax Rate:

13% for individuals who are residents of the Russian Federation for tax purposes (Article 224 of the Russian TC).

30% for individuals who are not residents of the Russian Federation for tax purposes (Article 224 of the Russian TC).

CORPORATE TAXPAYERS

The peculiarities of the determination of the tax base for operations involving securities are specified in Article 280 of the Russian TC.

The Russian TC prescribes a special accounting procedure for securities sale transactions.

The taxpayer's income from operations related to the sale or other disposal of securities (including redemption) is determined based on the price of sale or other disposal of a security and the amount of accumulated interest (coupon) yield paid by the payer to the taxpayer, as well as the amount of accumulated interest (coupon) yield paid to the taxpayer by the issuer (bill drawer). The taxpayer's income from operations related to the sale or other disposal of securities does not include the amount of interest (coupon) yield included in previous tax assessments.

Expenses in connection with the sale (or other disposal) of securities, including mutual fund units, are determined based on the security purchasing price (including purchasing expenses), selling costs, the amount of discounts from the calculated price of units, the amount of accumulated interest (coupon) yield paid by the taxpayer to the security seller. Expenses do not include the amount of accumulated interest (coupon) yield included in previous tax assessments.

* In accordance with the amendments to the applicable laws of the Russian Federation effective from January 01, 2014.



The tax base for operations involving securities is determined by the taxpayer separately in accordance with the procedure specified in the Russian TC. Taxpayers (except for professional participants of the securities market acting as dealers) determine the tax base for operations involving securities traded in the organised securities market, apart from the tax base for operations involving securities not traded in the organised securities market.

Upon the sale (or other disposal) of securities, the taxpayer shall independently select one of the following methods to allocate the costs associated with the sales (or other disposal) of the securities in accordance with the taxation policy in place:

- 1) As per the cost of the first historical acquisitions (FIFO);
- 2) As per the unit cost.

Taxpayers who incurred a loss (losses) from operations involving securities in the previous tax period or tax periods may decrease the tax base for operations involving securities for the reporting (tax) period (carry over the specified losses to the future period) in accordance with the procedure and on terms specified in the Russian TC.

The established tax rate for corporate profit tax is 20% (Article 284 of the Russian TC) unless otherwise expressly stated in the Russian TC.

Foreign entities not conducting their business through a permanent office in the Russian Federation and receiving income from sources in the Russian Federation, such as income from the sale of shares (stakes) in Russian entities – more than 50% of whose assets consist of immovable property located in the Russian Federation, and the financial instruments derived from such shares (stakes) (except for shares regarded as traded in the organised securities market in accordance with Paragraph 3 of Article 280 of the Russian TC) – are taxable at the source of income payment (Article 309 of the Russian TC). In the above case, the person recognised as the tax agent under the Russian TC shall calculate, withhold and transfer to the budget the tax withheld on the specified income type (Articles 309 and 310 of the Russian TC).

In determining the tax base for the aforementioned income, expenses may be deducted from the amount of this income as provided for by the Tax Code of the Russian Federation (Article 309 of the Russian TC). In this case, the difference between the income from the sale of shares and the expenses incurred by a foreign entity are taxable at 20% (Articles 310 and 284 of the Russian TC).

Unless the aforementioned expenses are recognised as expenses for tax purposes, this income is taxable at 20% (Articles 310 and 284 of the Russian TC).

TAXATION OF INCOME RECEIVED AS DIVIDENDS ON SECURITIES

INDIVIDUAL TAXPAYERS

The specifics of tax payment on individual income from equity participation are specified in Article 214 of the Russian TC.

The entity recognised as a tax agent under the Russian TC in paying income in the form of dividends on shares of a Russian entity determines the amount of tax for each particular taxpayer; this is in respect of each payment of the aforementioned income at the rate provided for by the Russian TC, adjusted for the specifics provided for by Article 275 of the Russian TC.

Tax rate:

- 9%** for income from participation in the business of entities received in the form of dividends by individuals that are tax residents of the Russian Federation (Article 224 of the Russian TC).
- 15%** for income from participation in the business of entities received in the form of dividends by individuals that are not tax residents of the Russian Federation (Article 224 of the Russian TC).
- 30%** for income in the form of dividends on securities recorded in the deposit account of a foreign-based nominal holder, or the deposit account of a foreign-based authorised holder, and/or on a deposit programme account, if the tax agent has received no information about the recipients of income (ultimate beneficiaries) (Article 224 of the Russian TC).

CORPORATE TAXPAYERS

The peculiarities of the determination of the tax base for income from equity participation in other entities are specified in Article 275 of the Russian TC.

If the entity recognised as a tax agent under the Russian TC pays dividends to a foreign entity, the tax base of the taxpayer receiving dividends on each of these payments is determined as the sum of payable dividends (Paragraph 6 of Article 275 of the Russian TC).

If the entity recognised as a tax agent under the Russian TC pays dividends to a Russian entity, the tax base is adjusted for the peculiarities specified in the Tax Code of the Russian Federation (Paragraph 5 of Article 275 of the Russian TC).

Tax rates (Article 284 of the Russian TC):

- 0%** – on dividend income received by Russian entities, provided that at the date of the decision on dividend distribution the recipient has been continuously within not less than 365 calendar days holding at least 50% of the equity (stake) of the charter (joint-stock) capital (fund) of the entity distributing dividends or depositary receipts entitling it to dividends equal to at least 50% of the total dividends distributed by the entity. This provision is applied with consideration of the peculiarities specified in the Russian TC;
- 9%** – for income received in the form of dividends from Russian entities by Russian entities in the event of non-compliance with the criteria specified in the Russian TC for taxation at 0%;
- 15%** – for income received in the form of dividends from Russian entities by foreign entities;
- 30%** – for income received in the form of dividends paid on securities recorded in the deposit account of a foreign-based nominal holder, or the deposit account of a foreign-based authorised holder, and/or on a deposit programme account, if the tax agent has received no information about the recipients of income (ultimate beneficiaries), as required by the Russian TC to apply one of the above rates.

PECULIARITIES OF THE DIVIDEND INCOME TAXATION SPECIFIED IN THE TAX CODE OF THE RUSSIAN FEDERATION

The tax Code specifies a special procedure for calculating the tax amount which the entity recognised as the tax agent under the Russian TC should withhold and transfer to the budget with respect to income in the form of dividend payable on shares issued by a Russian entity to income receiving shareholders that are tax residents of the Russian Federation.

The amount of tax to be withheld from the income of the taxpayer receiving dividends is assessed by the tax agent using the following formula:

$$N = K \times S_n \times (D_1 - D_2),$$

where:

- N** is the tax amount to be withheld;
- K** is the ratio of the dividend amount to be allocated in favour of the taxpayer receiving dividends to the total dividend amount to be allocated by the Russian entity;
- S_n** is the relevant tax rate specified in the Russian TC;
- D₁** is the total dividend amount to be allocated by the Russian entity in favour of all recipients;
- D₂** is the total dividend amount received by the Russian entity in the present reporting (tax) period and the previous reporting (tax) period (with the exception of the dividends specified in subparagraph 1 of paragraph 3 of Article 284 of the Russian TC) as of dividend allocation in favour of taxpayers receiving dividends, provided that these dividend amounts were ignored earlier in calculating the tax base determined in respect of income received by the Russian entity in the form of dividend.

If the N value is negative, the tax payment obligation is not assumed and a budget refund does not apply.

Where a dividend is paid to foreign corporate entities and/or individuals who are not tax residents of the Russian Federation, the tax base for the taxpayers receiving income is determined by the entity recognised as the tax agent under the Russian TC for each payment as the amount of distributed dividend with the use of a **15% tax rate**.



Tax on income in the form of dividends paid on shares issued by a Russian-based organisation, and registered on the deposit account of a foreign-based nominal holder, or the deposit account of a foreign-based authorised holder, and/or on a deposit programme account, must be calculated and withheld by the depositary acting as the tax agent based on information disclosed to the depositary acting as the tax agent, about recipients of income (ultimate beneficiaries). Failing to furnish such information, the depositary acting as the tax agent must tax such income applying a higher **tax rate of 30%**.

The higher rate can apply to the following types of income paid on securities issued by Russian-based organisations:

- Dividend on stock with issued depository receipts (where holding rights are registered on deposit accounts of depository programmes);
- Dividend on stock with rights registered on the deposit accounts of a foreign nominal holder, and on the deposit accounts of a foreign authorised holder.

Information about recipients of income (ultimate beneficiaries) required under the Russian TC is disclosed to the depositary acting as the tax agent, by the foreign nominal holder, foreign authorised holder or by the person for whom the depositary opened a depository programme account through the procedure described in the Russian TC.

If income in the form of dividend is paid on property in trust management, the originator(s) of the trust management (beneficiary) is recognised as the recipient of this income, if the trust manager receives respective income in the form of dividends not on behalf of a unit investment trust.

The respective trust fund/company is recognised as the recipient of income paid as dividend on property placed in a trust management of a foreign investment trust (investment company) that under the individual regulations of such a fund/company qualifies as a joint investment plan.

TAX ON INCOMES PAID AS INTEREST ON SECURITIES

INDIVIDUAL TAXPAYERS

Article 43 of the Russian TC recognises as interest any earlier declared (established) income, including discount income, from any type of debt obligation irrespective of its documentation method.

Under subparagraph 1, paragraph 1, Article 208 of the Russian TC, interest received from a Russian payer qualifies as income from a source within the Russian Federation. Consequently, Article 207 contains no reference to income of this type. Interest paid on bonds have no tax exemption under the individual income tax regulations.

Information about the recipients of any income (ultimate beneficiaries) required under the Russian TC is disclosed to the depositary acting as the tax agent, by the foreign nominal holder or the foreign authorised holder through the procedure described in the Russian TC.

Tax Rate:

- 13%** for income of individuals who are tax residents of the Russian Federation (Article 224 of the Russian TC).
- 30%** for income of individuals who are not tax residents of the Russian Federation (Article 224 of the Russian TC).

Income tax paid as interest on bonds issued by a Russian-based organisation after January 1, 2012, if registered on the deposit account of a foreign-based nominal holder, or the deposit account of a foreign-based authorised holder, must be calculated and withheld by the depositary acting as the tax agent based on information disclosed to the depositary acting as the tax agent about recipients of income (ultimate beneficiaries). **If such information is not furnished, the depositary acting as the tax agent must tax such income at a higher tax rate of 30%.**

CORPORATE TAXPAYERS

Paragraph 3 of Article 43 of the Russian TC recognises as interest any earlier declared (established) income, including discount income, from any type of debt obligation (irrespective of its documentation method). Subparagraph 6 of Article 250 of the Russian TC includes income in the form of interest on securities and other debt obligations in the taxpayer's non-operating income.

Tax rate:

- 20%** for income in the form of bond interest of corporate entities that are Russian entities or foreign entities conducting their business through a permanent office (Article 284 of the Russian TC). The tax amount is determined by the taxpayer on its own as of the end of each reporting (tax) period;
- 20%** for interest income on bonds received by a foreign entity and not connected with its entrepreneurial activities in the Russian Federation. Such income is deemed to be the foreign entity's income from sources in the Russian Federation (Article 309 of the Russian TC). The issuer paying interest income (except for income on equity subject to mandatory centralised storage (regarding the issues with state registration performed or ID-number received after January 1, 2012) is recognised as the tax agent and is obliged to transfer the relevant tax amount to the state budget.

Income tax paid as interest on bonds issued by a Russian-based organisation after January 1, 2012, if registered on the deposit account of a foreign-based nominal holder, or the deposit account of a foreign-based authorised holder, it must be calculated and withheld by the depositary acting as the tax agent based on information disclosed to the depositary acting as the tax agent about the income recipients (ultimate beneficiaries). **If such information is not furnished, the depositary acting as the tax agent must tax such income at a higher tax rate of 30%.**

Information about the recipients of any income (ultimate beneficiaries) required under the Russian TC is disclosed to the depositary acting as the tax agent by the foreign nominal holder or foreign authorised holder through the procedure described in the Russian TC.

TAXATION OF SECURITIES INCOME ADJUSTED FOR THE PROVISIONS OF INTERNATIONAL TREATIES

If an international treaty with the Russian Federation containing the provisions concerning taxes and dues specifies any rules and norms other than those provided for by the Tax Code of the Russian Federation and the regulations on taxes and/or dues adopted in accordance with the Tax Code of the Russian Federation, the rules and norms of international treaties with the Russian Federation apply (Article 7 of the Russian TC).

When applying the provisions of an international treaty of the Russian Federation a foreign entity or individual shall, in accordance with the procedure specified in the Russian TC, submit documentary evidence of the fact that such foreign entity or individual has permanent residence in a state with which the Russian Federation has concluded an international treaty (agreement) regulating tax matters certified by the competent authority of the relevant foreign state.

In respect of income paid as dividend on shares of Russian entities to foreign entities acting for third parties who qualify for a lower tax rate, as compared to the standard rate established in the Russian TC or an international treaty to which the Russian Federation is a party, and if the application of such rate is subject to additional terms contained in the Russian TC or such an international treaty, the tax agent must calculate and pay the tax amount using the tax rate named in the Russian TC or an international treaty for income paid as dividend on shares of Russian entities, while no tax benefits shall apply. Tax amounts overpaid on dividend incomes for which the tax agent has not applied a tax discount are refunded through the tax authorities of the Russian Federation.



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Statement of management's responsibilities for the preparation and approval of the consolidated financial statements for the year ended 31 december 2013

The following statement, which should be read in conjunction with the auditors' responsibilities stated in the auditors' report set out on page 2, is made with a view to distinguishing the responsibilities of management and those of the auditors in relation to the consolidated financial statements of Open Joint Stock Company "Mining and Metallurgical Company Norilsk Nickel" and its subsidiaries (the "Group").

Management is responsible for the preparation of the consolidated financial statements that present fairly the consolidated financial position of the Group at 31 December 2013, the results of its operations, cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, management is responsible for:

- Selecting suitable accounting policies and applying them consistently;

- Making judgments and estimates that are reasonable and prudent;
- Stating whether IFRS have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- Preparing the consolidated financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

Management, within its competencies, is also responsible for:

- Designing, implementing and maintaining an effective system of internal controls throughout the Group;
- Maintaining statutory accounting records in compliance with local legislation and accounting standards in the respective jurisdictions in which the Group operates;
- Taking steps to safeguard the assets of the Group; and
- Detecting and preventing fraud and other irregularities.

The consolidated financial statements for the year ended 31 December 2013 were approved by:

V.O. Potanin
General Director

Moscow, Russia
4 April 2014

S.G. Malyshev
Deputy General Director



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Auditors' Report

To the Shareholders and Board of Directors

OJSC "MMC "Norilsk Nickel"

We have audited the accompanying consolidated financial statements of OJSC "MMC "Norilsk Nickel" (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2013, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for 2013, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the fair presentation of these consolidated financial statements based on our audit. We conducted our audit in accordance with Russian Federal Auditing Standards and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

Audited entity: Open Joint Stock Company "Mining and Metallurgical Company "Norilsk Nickel"

Registered by Administration of Taimyr Autonomous District on 4 July 1997, Registration Number of the State Registration Certificate issued at the time of joint-stock company foundation No.07.

Registered in the Unified State Register of Legal Entities on 2 September 2002 by Inter-Regional Inspection No. 2 of the Ministry of Taxes and Charges of the Russian Federation in Taimyr (Dolgan-Nenets) Autonomous District, Registration No. 1028400000298. Certificate series 84 No. 000020058

Dudinka, Krasnoyarsk Territory, Russian Federation

Independent auditor: ZAO KPMG, a company incorporated under the Laws of the Russian Federation, a part of the KPMG Europe LLP group, and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Registered by the Moscow Registration Chamber on 25 May 1992, Registration No. 011.585.

Entered in the Unified State Register of Legal Entities on 13 August 2002 by the Moscow Inter-Regional Tax Inspectorate No.39 of the Ministry for Taxes and Duties of the Russian Federation, Registration No. 1027700125628, Certificate series 77 No. 005721432.

Member of the Non-commercial Partnership "Chamber of Auditors of Russia". The Principal Registration Number of the Entry in the State Register of Auditors and Audit Organisations: No.10301000804.



We believe that the audit evidence we have obtained is sufficient and appropriate to express an opinion on the fair presentation of these consolidated financial statements.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2013, and its financial performance and its cash flows for 2013 in accordance with International Financial Reporting Standards.



I.V. Tokarev, Director, power of attorney dated 1 October 2013 No. 87/13

ZAO KPMG
4 April 2014
Moscow, Russian Federation



Consolidated income statement for the year ended 31 December 2013

USD million	Notes	Year ended 31/12/2013	Year ended 31/12/2012
REVENUE			
Metal sales	7	10,407	11,362
Other sales		1,082	1,004
TOTAL REVENUE		11,489	12,366
Cost of metal sales	8	(5,535)	(5,420)
Cost of other sales		(961)	(947)
GROSS PROFIT		4,993	5,999
Selling and distribution expenses	9	(426)	(578)
General and administrative expenses	10	(983)	(1,043)
Impairment of property, plant and equipment	15	(841)	(279)
Other net operating expenses	11	(267)	(235)
OPERATING PROFIT		2,476	3,864
Finance costs	12	(376)	(294)
Loss from investments, net	13	(611)	(552)
Foreign exchange (loss)/gain, net		(202)	214
Excess of the Group's share in the fair value of net assets acquired over the cost of acquisition		-	8
Share of profits/(losses) of associates		43	(97)
PROFIT BEFORE TAX		1,330	3,143
Income tax expense	14	(565)	(1,000)
PROFIT FOR THE YEAR		765	2,143
Attributable to:			
Shareholders of the parent company		774	2,170
Non-controlling interests		(9)	(27)
		765	2,143
EARNINGS PER SHARE			
Basic and diluted earnings per share attributable to shareholders of the parent company (US Dollars per share)	24	4.9	13.7



Consolidated statement of comprehensive income for the year ended 31 December 2013

USD million	Year ended 31/12/2013	Year ended 31/12/2012
PROFIT FOR THE YEAR	765	2,143
OTHER COMPREHENSIVE INCOME/(LOSS)		
OTHER COMPREHENSIVE INCOME/(LOSS) TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS		
Effect of translation of foreign operations	59	(77)
Decrease in fair value of available-for-sale investments	(111)	(595)
Realised loss/(gain) on disposal of available-for-sale investments	13	(1)
Investments' revaluation reserve reclassified from comprehensive income to the income statement	60	577
Other	-	1
OTHER COMPREHENSIVE INCOME/(LOSS) TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS, NET	21	(95)
ITEMS NOT TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS		
Effect of translation to presentation currency	(955)	601
Remeasurements of defined benefit plans	(24)	-
OTHER COMPREHENSIVE (LOSS)/INCOME NOT TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS, NET	(979)	601
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	(958)	506
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	(193)	2,649
Attributable to:		
Shareholders of the parent company	(173)	2,669
Non-controlling interests	(20)	(20)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	(193)	2,649



Consolidated statement of financial position at 31 December 2013

USD million	Notes	31/12/2013	31/12/2012
ASSETS			
Non-current assets			
Property, plant and equipment	15	11,222	11,927
Intangible assets		58	74
Investments in associates	16	29	329
Other financial assets	17	738	1,587
Other taxes receivable	18	14	5
Deferred tax assets	14	26	68
Other non-current assets		202	170
		12,289	14,160
Current assets			
Inventories	19	2,955	3,197
Trade and other receivables	20	633	1,063
Advances paid and prepaid expenses	21	93	90
Other financial assets	17	26	255
Income tax receivable		61	195
Other taxes receivable	18	509	977
Cash and cash equivalents	22	1,621	1,037
		5,898	6,814
Assets classified as held for sale	23	594	-
		6,492	6,814
TOTAL ASSETS		18,781	20,974

USD million	Notes	31/12/2013	31/12/2012
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	24	6	8
Share premium		1,254	1,511
Treasury shares	24	-	(8,692)
Other reserves	25	(1,230)	(349)
Retained earnings		9,589	20,353
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY		9,619	12,831
Non-controlling interests		131	109
		9,750	12,940
NON-CURRENT LIABILITIES			
Loans and borrowings	26	5,173	2,497
Employee benefit obligations	27	54	56
Provisions	28	716	901
Deferred tax liabilities	14	382	573
		6,325	4,027
CURRENT LIABILITIES			
Loans and borrowings	26	1,032	2,526
Employee benefit obligations	27	415	498
Trade and other payables	29	619	696
Provisions	28	28	41
Derivatives financial instruments		5	3
Income tax payable		1	18
Other taxes payable	18	198	225
		2,298	4,007
Liabilities associated with assets classified as held for sale	23	408	-
		2,706	4,007
TOTAL LIABILITIES		9,031	8,034
TOTAL EQUITY AND LIABILITIES		18,781	20,974



Consolidated statement of cash flows for the year ended 31 December 2013

USD million	Year ended 31/12/2013	Year ended 31/12/2012
OPERATING ACTIVITIES		
Profit before tax	1,330	3,143
Adjustments for:		
Depreciation and amortisation	881	789
Impairment of property, plant and equipment	841	279
Impairment of investments in associates	-	102
Impairment of intangible assets and goodwill	11	-
Impairment of financial assets	729	595
Loss on disposal of property, plant and equipment	18	37
Share of profits of associates	(43)	(5)
Excess of the Group's share in the fair value of net assets acquired over the cost of acquisition	-	(8)
Gain on disposal of subsidiary	(66)	-
Change in provisions	21	38
Finance costs and income from investments, net	324	251
Foreign exchange loss/(gain), net	202	(214)
Change in tax provisions	169	10
Excess of decrease in decommissioning obligations over asset's net book value	(105)	-
Other	63	11
	4,375	5,028
Movements in working capital:		
Inventories	(9)	(409)
Trade and other receivables	389	(22)
Advances paid and prepaid expenses	(16)	(13)
Other tax receivable	380	(253)
Employee benefit obligations	(67)	90
Trade and other payables	(100)	35
Other taxes payable	(23)	67
CASH GENERATED FROM OPERATIONS	4,929	4,523
Interest paid	(229)	(230)
Income tax paid	(585)	(859)
NET CASH GENERATED FROM OPERATING ACTIVITIES	4,115	3,434



USD million	Year ended 31/12/2013	Year ended 31/12/2012
INVESTING ACTIVITIES		
Acquisition of subsidiary, net of cash acquired	(15)	-
Net cash inflow from disposal of subsidiary	65	-
Contribution to associate and acquisition of associate	-	(29)
Purchase of property, plant and equipment	(1,970)	(2,692)
Proceeds from disposal of property, plant and equipment	18	10
Purchase of intangible assets	(19)	(21)
Purchase of other financial assets	(155)	(81)
Purchase of other non-current assets	(47)	(31)
Loan repaid by related party	9	-
Net change in deposits placed	215	(132)
Interest received	52	19
Proceeds from sale of other financial assets	97	42
Dividends received	12	1
NET CASH USED IN INVESTING ACTIVITIES	(1,738)	(2,914)
FINANCING ACTIVITIES		
Proceeds from loans and borrowings	6,001	2,478
Repayments of loans and borrowings	(4,759)	(2,666)
Proceeds from sales of shares from treasury stock	1	-
Dividends paid by the Company	(2,989)	(960)
Dividends paid by the Group's subsidiaries to non-controlling shareholders	-	(16)
NET CASH USED IN FINANCING ACTIVITIES	(1,746)	(1,164)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	631	(644)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	1,037	1,627
Cash and cash equivalents related to assets classified as held for sale at end of the year	(9)	-
Effects of foreign exchange differences on balances of cash and cash equivalents and translation to presentation currency	(38)	54
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	1,621	1,037



Consolidated statement of changes in equity for the year ended 31 December 2013

USD million	Notes	Equity attributable to shareholders of the parent company						Non-controlling interests	Total
		Share Capital	Share premium	Treasury shares	Other reserves	Retained earnings	Total		
BALANCE AT 1 JANUARY 2012		8	1,511	(8,692)	(848)	19,123	11,102	120	11,222
Profit for the year		-	-	-	-	2,170	2,170	(27)	2,143
Other comprehensive income/(loss):									
Effect of translation to presentation currency and translation of foreign operations	25	-	-	-	517	-	517	7	524
Decrease in fair value of available-for-sale investments	25	-	-	-	(595)	-	(595)	-	(595)
Realised loss on disposal of available-for-sale investments	25	-	-	-	(1)	-	(1)	-	(1)
Investments revaluation reserve reclassified from comprehensive income to the consolidated income statement	13	-	-	-	577	-	577	-	577
Other		-	-	-	1	-	1	-	1
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		-	-	-	499	2,170	2,669	(20)	2,649
Increase in non-controlling interest due to additional contributions into share capital of subsidiary		-	-	-	-	1	1	9	10
Dividends		-	-	-	-	(941)	(941)	-	(941)
BALANCE AT 31 DECEMBER 2012		8	1,511	(8,692)	(349)	20,353	12,831	109	12,940



USD million	Notes	Equity attributable to shareholders of the parent company						Non-controlling interests	Total
		Share Capital	Share premium	Treasury shares	Other reserves	Retained earnings	Total		
BALANCE AT 1 JANUARY 2013		8	1,511	(8,692)	(349)	20,353	12,831	109	12,940
Profit for the year		-	-	-	-	774	774	(9)	765
Other comprehensive income/(loss):									
Effect of translation to presentation currency and translation of foreign operations	25	-	-	-	(885)	-	(885)	(11)	(896)
Decrease in fair value of available-for-sale investments	25	-	-	-	(111)	-	(111)	-	(111)
Realised gain on disposal of available-for-sale investments	25	-	-	-	13	-	13	-	13
Investments revaluation reserve reclassified from comprehensive income to the consolidated income statement	13	-	-	-	102	(42)	60	-	60
Remeasurements of defined benefit plans		-	-	-	-	(24)	(24)	-	(24)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		-	-	-	(881)	708	(173)	(20)	(193)
Cancellation of ordinary shares from treasury stock		(2)	(257)	8,689	-	(8,430)	-	-	-
Sale of shares from treasury stock		-	-	3	-	(1)	2	-	2
Non-controlling interests in subsidiary acquired during the period		-	-	-	-	-	-	43	43
Decrease in non-controlling interest due to increase in ownership of subsidiary		-	-	-	-	1	1	(1)	1
Dividends	30	-	-	-	-	(3,042)	(3,042)	-	(3,042)
BALANCE AT 31 DECEMBER 2013		6	1,254	-	(1,230)	9,589	9,619	131	9,750



Notes to the consolidated financial statements for the year ended 31 December 2013

1. GENERAL INFORMATION

ORGANISATION AND PRINCIPAL BUSINESS ACTIVITIES

Open Joint Stock Company "Mining and Metallurgical Company Norilsk Nickel" (the "Company" or "MMC Norilsk Nickel") was incorporated in the Russian Federation on 4 July 1997. The principal activities of the Company and its subsidiaries (the "Group") are exploration, extraction, refining of ore and

nonmetallic minerals and sale of base and precious metals produced from ore. Further details regarding the nature of the business and structure of the Group are presented in note 37.

Major production facilities of the Group are located in the Taimyr and Kola Peninsulas of the Russian Federation and in Finland. The registered office of the Company is located in the Russian Federation, Krasnoyarsk region, Dudinka, postal address: 2, Gvardeyskaya square, Norilsk, Russian Federation.

SHAREHOLDING STRUCTURE OF THE COMPANY AT 31 DECEMBER 2013 AND 31 DECEMBER 2012 WAS AS FOLLOWS:

Shareholders	31/12/2013		31/12/2012	
	Number of outstanding shares	% held	Number of outstanding shares	% held
CJSC "ING Bank (Eurasia)" (nominee)	–	–	58,624,683	37.05
Non-banking credit company CJSC "National Settlement Depository" (nominee)	150,415,767	95.05	89,389,915	56.49
Other, individually less than 5%	7,829,709	4.95	10,220,864	6.46
Total	158,245,476	100.00	158,235,462	100.00

* Number of outstanding shares excludes all treasury shares.

BASIS OF PREPARATION

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The entities of the Group maintain their accounting records in accordance with the laws, accounting and reporting regulations of the jurisdictions in which they are incorporated and registered. Accounting principles in certain jurisdictions may differ substantially from those generally accepted under IFRS. Financial statements of such entities have been adjusted to ensure that the consolidated financial statements are presented in accordance with IFRS.

The Group issues a separate set of IFRS consolidated financial statements to comply with the requirements of Russian Federal Law No 208-FZ On consolidated financial statements ("208-FZ") which was adopted on 27 July 2010.

Basis of measurement

The consolidated financial statements of the Group are prepared on the historical cost basis, except for:

- Mark-to-market valuation of by-products, in accordance with IAS 2 Inventories;
- Fair value valuation of liabilities for cash-settled share appreciation rights, in accordance with IFRS 2 Share-Based Payments;
- Mark-to-market valuation of certain classes of financial instruments, in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

2. CHANGES IN ACCOUNTING POLICIES

RECLASSIFICATION

Metal sales

Management reassessed the classification of rhodium, silver and cobalt metals. Previously revenue from these metals was treated as revenue from by-products and was recognised as a reduction

in cost of metal sales. After reclassification, this revenue is recognised as sales of joint products within metal sales.

Sales as restated due to changes in classification:

Year ended 31/12/2012 USD million	Total	Nickel	Copper	Palladium	Platinum	Other joint metals
Europe	6,267	2,763	1,772	793	586	353
Asia	2,773	1,675	227	543	305	23
North America	1,290	568	87	379	127	129
Russian Federation and CIS	1,028	213	785	7	10	13
Other	4	4	–	–	–	–
	11,362	5,223	2,871	1,722	1,028	518

As previously reported:

Year ended 31/12/2012 USD million	Total	Nickel	Copper	Palladium	Platinum	Gold
Europe	6,066	2,763	1,772	793	586	152
Asia	2,750	1,675	227	543	305	–
North America	1,226	568	87	379	127	65
Russian Federation and CIS	1,015	213	785	7	10	–
Other	4	4	–	–	–	–
	11,061	5,223	2,871	1,722	1,028	217

General and administrative expenses

Management reassessed the classification of labour expenses previously presented within cost of metal sales. After reclassification they are recognised within general and administrative expenses.

USD million	As previously reported	Changes in classification	As restated	
GENERAL AND ADMINISTRATIVE EXPENSES FOR THE YEAR ENDED 31 DECEMBER 2012		1,000	43	1,043

Cost of metal sales

Cost of metal sales for the year ended 31 December 2012 USD million	As previously reported	Changes in classification	As restated
CASH OPERATING COSTS			
Labour	1,550	(43)	1,507
Consumables and spares	1,247	–	1,247
Expenses on acquisition of raw materials and semi-products	918	–	918
Outsourced third party services	651	–	651
Utilities	216	–	216
Tax directly attributable to cost of goods sold	193	–	193
Transportation expenses	156	–	156
Sundry costs	109	–	109
Less: sales of by-products	(323)	301	(22)
TOTAL CASH OPERATING COSTS	4,717	258	4,975
Depreciation and amortisation	712	–	712
Increase in metal inventories	(267)	–	(267)
TOTAL	5,162	258	5,420

Export custom duties

Management reassessed the classification of export custom duties previously presented within cost of other sales. After reclassification, they are recognised within selling and distribution expenses.

USD million	As previously reported	Changes in classification	As restated
Cost of other sales for the year ended 31 December 2012	983	(36)	947
Selling and distribution expenses for the year ended 31 December 2012	542	36	578

Certain other items presented in the consolidated financial statements were also reclassified to conform with current year presentation.



STANDARDS AND INTERPRETATIONS EFFECTIVE IN THE CURRENT YEAR

In the preparation of these consolidated financial statements the Group has adopted all new and revised International Financial Reporting Standards and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) that are mandatory for adoption in annual periods beginning on 1 January 2013.

Adoption of new and revised standards and interpretations

IAS 1 Presentation of Financial Statements (amended) (“IAS 1”)

As a result of amendments to IAS 1, presentation of consolidated statement of comprehensive income has changed. Due to new requirements all items are grouped in those that will be reclassified subsequently to the consolidated income statement when specific conditions are met and those that will not be reclassified subsequently to the consolidated income statement.

IAS 19 Employee Benefits (amended) (“IAS 19”)

As a result of amendments to IAS 19, the Group has changed its accounting policy. All actuarial gains and losses are now recognised immediately in comprehensive income when they occur. Previously, actuarial gains and losses were recognised as income or expense in profit or loss when the cumulative unrecognised actuarial gains or losses for the plan exceeded 10% of the higher of defined benefit obligation and the fair value of plan assets. The excess of cumulative actuarial gains or losses over 10% of the higher of defined benefit obligation and the fair value of plan assets was recognised over the expected average remaining working lives of the employees participating in the plan.

The impact of adoption of amendments in IAS 19 on the consolidated financial statements was assessed by management of the Group as immaterial.

IFRS 11 Joint Arrangements (“IFRS 11”)

The Group has applied IFRS 11 to joint arrangements. Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures. The Group recognises joint ventures using equity method. The Group recognises its assets, its liabilities, its revenue from the sale of its share of the output of the joint operation, its share of the revenue from the sale of the output by the joint operation and its expenses in relation to the Group interest in a joint operation.

The impact of adoption of IFRS 11 on the consolidated financial statements was assessed by management of the Group as immaterial.

Other standards and interpretations

Adoption of amendments to the following standards detailed below did not have significant impact on the accounting policies, financial position or performance of the Group:

- IAS 16 Property, Plant and Equipment (amended);
- IAS 27 Separate Financial Statements (amended);
- IAS 28 Investments in Associates and Joint ventures (amended);
- IAS 32 Financial Instruments: Presentation (amended);
- IAS 34 Interim Financial Reporting (amended);
- IAS 36 Impairment of Assets (amended);
- IFRS 1 First-time adoption of IFRS (amended);
- IFRS 7 Financial Instruments: Disclosures (amended);
- IFRS 10 Consolidated Financial Statements;
- IFRS 12 Disclosures of Interests in Other Entities;
- IFRS 13 Fair Value Measurement;
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine.

Standards and interpretations in issue but not yet effective

At the date of authorisation of these consolidated financial statements, the following standards and interpretations had been issued but were not yet effective:

Standards and interpretations	Effective for annual periods beginning on or after
IAS 16 Property, Plant and Equipment (amended)	1 July 2014
IAS 19 Employee Benefits (amended)	1 July 2014
IAS 24 Related Party Disclosures (amended)	1 July 2014
IAS 27 Separate Financial Statements (amended)	1 January 2014
IAS 32 Financial Instruments: Presentation (amended)	1 January 2014
IAS 36 Impairment of Assets (amended)	1 January 2014
IAS 38 Intangible Assets (amended)	1 July 2014
IAS 39 Financial Instruments: Recognition and Measurement (amended)	1 January 2014
IAS 40 Investment Property (amended)	1 July 2014
IFRS 1 First-time adoption of IFRS (amended)	1 July 2014
IFRS 2 Share-based Payment (amended)	1 July 2014
IFRS 3 Business Combination (amended)	1 July 2014
IFRS 7 Financial Instruments: Disclosures (amended)	1 January 2015



Standards and interpretations	Effective for annual periods beginning on or after
IFRS 8 Operating Segments (amended)	1 July 2014
IFRS 9 Financial Instruments	-
IFRS 10 Consolidated Financial Statements (amended)	1 January 2014
IFRS 12 Disclosure of Interests in Other Entities (amended)	1 January 2014
IFRS 13 Fair Value Measurement (amended)	1 July 2014
IFRS 14 Regulatory Deferral Accounts	1 January 2016
IFRIC 21 Levies	1 January 2014

Management of the Group anticipates that all of the above standards and interpretations will be adopted in the Group's consolidated financial statements for the respective periods. The impact of adoption of those standards and interpretations on the consolidated financial statements of future periods is currently being assessed by management.

3. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF CONSOLIDATION

Subsidiaries

The consolidated financial statements incorporate financial statements of the Company and its subsidiaries, from the date that control effectively commenced until the date that control effectively ceased. Control is achieved where the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Non-controlling interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests include interests at the date of the original business combination and non-controlling share of changes in net assets since the date of the combination. Total comprehensive income must be attributed to the interest of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

All intra-group balances, transactions and any unrealised profits or losses arising from intra-group transactions are eliminated in full on consolidation.

Changes in the Group's ownership interest in a subsidiary that do not result in the Group losing control are accounted for within the equity.

When the Group loses control of a subsidiary it derecognises the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognised in the consolidated income statement. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost.

Associates

An associate is an entity over which the Group exercises significant influence, but not control or joint control, through participation in financing and operating policy decisions, in which it normally owns between 20% and 50% of the voting equity. Associates are equity accounted for from the date significant influence commenced until the date that significant influence effectively ceased.

Investments in associates are carried at cost, including goodwill, as adjusted for the Group's share of post-acquisition changes in associate's retained earnings and other movements in reserves. The carrying value of investments in associates is reviewed on a regular basis and if any impairment in value has occurred, it is written down in the period in which these circumstances are identified. The results of associates are equity accounted for based on their most recent financial statements.

Losses of associates are recorded in the consolidated financial statements until the investment in such associates is written down to nil value. Thereafter losses are only accounted for to the extent that the Group is committed to provide financial support to such associates.

Profits and losses resulting from transactions with associates are eliminated to the extent of the Group's interest in the relevant associates. When significant influence over an associate is lost, any investment retained in the former associate is stated at fair value, with any consequential gain or loss recognised in the consolidated income statement.

Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists



only when decisions about the relevant activities require the unanimous consent of the parties sharing control. A joint arrangement is either a joint operation or a joint venture.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The Group recognises in relation to its interest in a joint operation: its assets, including its share of any assets held jointly, its liabilities, including its share of any liabilities incurred jointly, its revenue from the sale of its share of the output of the joint operation, its share of the revenue from the sale of the output by the joint operation and its expenses, including its share of any expenses incurred jointly.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group at the date of acquisition in exchange for control of the acquiree.

Where an investment in a subsidiary or an associate is made, any excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the fair value of the identifiable assets acquired and the liabilities assumed at the acquisition date is recognised as goodwill. Goodwill in respect of subsidiaries is disclosed separately and goodwill relating to associates is included in the carrying value of the investment in associates. Goodwill is reviewed for impairment at least annually. If impairment has occurred, it is recognised in the consolidated income statement during the period in which the circumstances are identified and is not subsequently reversed.

If, after reassessment, the net amounts of the identifiable assets acquired and liabilities assumed at the acquisition date exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised in the consolidated income statement immediately as a bargain purchase gain.

Acquisition-related costs are generally recognised in the consolidated income statement as incurred.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and the resulting gain or loss, is recognised in the consolidated income statement. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in comprehensive income are reclassified to the consolidated income statement where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (a maximum of twelve months from the date of acquisition), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

ASSETS CLASSIFIED AS HELD FOR SALE

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when sale is highly probable within one year from the date of classification and the asset or disposal group is available for immediate sale in its present condition and management has committed to the sale.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Assets held for sale and related liabilities are presented in the consolidated statement of financial position separately from other assets and liabilities. Comparative information related to assets held for sale is not amended in the consolidated statement of financial position for the prior period.

DISCONTINUED OPERATIONS

Discontinued operations are disclosed when a component of the Group either has been disposed of during the reporting period, or is classified as held for sale at reporting date. This condition is regarded as met only when the disposal is highly probable within one year from the date of classification.

Comparative information related to the discontinued operations is amended in the consolidated income statement for the prior period.

FUNCTIONAL AND PRESENTATION CURRENCY

The individual financial statements of each Group entity are presented in its functional currency. The Russian Rouble ("RUB") is the functional currency of the Company and all foreign subsidiaries of the Group, except for the following subsidiaries operating with a significant degree of autonomy:

Subsidiary	Functional currency
Norilsk Nickel Harjavalta Oy	US Dollar
MPI Nickel Limited	Australian Dollar
Norilsk Nickel Cawse Proprietary Limited	Australian Dollar
Tati Nickel Mining Company Proprietary Limited	Botswana Pula
Norilsk Nickel Africa Proprietary Limited	South African Rand

The presentation currency of the consolidated financial statements of the Group is US 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 financial statements of the Group. The Group also issues consolidated financial statements to comply with 208-FZ, which use Russian Rouble as the presentation currency (refer to note 1).

The translation into presentation currency is made as follows:

- All assets and liabilities, both monetary and non-monetary, are translated at closing exchange rates at the dates of each statement of financial position presented;
- Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case exchange rates at the date of transactions are used;
- All equity items are translated at the historical exchange rates;
- All resulting exchange differences are recognised as a separate component in other comprehensive income; and
- In the consolidated statement of cash flows, cash balances at beginning and end of each period presented are translated at exchange rates at the respective dates. All cash flows are translated at the average exchange rates for the periods

presented. Resulting exchange differences are presented as effect of translation to presentation currency.

FOREIGN CURRENCY TRANSACTIONS

Transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the exchange rates prevailing at the date of transactions. All monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at each reporting date. Non-monetary items carried at historical cost are translated at the exchange rate prevailing at the date of transaction. Non-monetary items carried at fair value are translated at the exchange rate prevailing at the date on which the most recent fair value was determined. Exchange differences arising from changes in exchange rates are recognised in the consolidated income statement.

Exchange rates used in the preparation of the consolidated financial statements were as follows:

	2013	2012
RUSSIAN ROUBLE/US DOLLAR		
31 December	32.73	30.37
Average for the year ended 31 December	31.85	31.09
BOTSWANA PULA/US DOLLAR		
31 December	8.88	7.89
Average for the year ended 31 December	8.50	7.73
AUSTRALIAN DOLLAR/US DOLLAR		
31 December	1.13	0.96
Average for the year ended 31 December	1.03	0.97
SOUTH AFRICAN RAND/US DOLLAR		
31 December	10.50	8.49
Average for the year ended 31 December	9.62	8.21

REVENUE RECOGNITION

Metal sales revenue

Revenue from metal sales is recognised when the significant risks and rewards of ownership are transferred to the buyer and represents invoiced value of all joint products shipped to customers, net of value added tax. Revenues from sale of by-products are netted-off against production costs.

Revenue from contracts that are entered into and continue to meet the Group's expected sale requirements designated for that purpose at their inception, and are expected to be settled by physical delivery, are recognised in the consolidated financial statements as and when they are delivered.



Sales of certain metals are provisionally priced so that price is not settled until a predetermined future date based on the market price at that time. Revenue from these transactions is initially recognised at the current market price. Provisionally priced metal sales are marked to market at each reporting date using the forward price for the period equivalent to that outlined in the contract. This mark to market adjustment is recorded in revenue.

Other revenue

Revenue from the sale of goods, other than metals, is recognised when significant risks and rewards of ownership are transferred to the buyer in accordance with the shipping terms specified in the sales agreements.

Revenue from service contracts is recognised when the services are rendered and the outcome can be reliably measured.

DIVIDENDS AND INTEREST INCOME

Dividends from investments are recognised when the Group's right to receive payment has been established. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

LEASES

Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets subject to finance leases are capitalised as property, plant and equipment at the lower of the fair value or present value of future minimum lease payments at the date of acquisition, with the related lease obligation recognised at the same value. Assets held under finance leases are depreciated over their estimated economic useful lives or over the term of the lease, if shorter. If there is reasonable certainty that the lessee will obtain ownership at the end of the lease term, the period of expected use is the useful life of the asset.

Finance lease payments are allocated using the effective interest rate method, between the lease finance cost, which is included in finance costs, and the capital repayment, which reduces the related lease obligation to the lessor.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated income statement on a straight-line basis

over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are expensed in the period in which they are incurred.

FINANCE COSTS

Finance costs mostly comprise interest expense on borrowings and the unwinding of discount on decommissioning obligations.

Finance costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time when the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

GOVERNMENT GRANTS

Government grants are recognised when there is reasonable assurance that the grant will be received and all conditions and requirements attaching to the grant will be met.

Government grants related to assets are deducted from the cost of these assets in arriving at their carrying value.

EMPLOYEE BENEFITS

Remuneration to employees in respect of services rendered during a reporting period is recognised as an expense in that period.

Defined contribution plans

The Group contributes to the following major defined contribution plans:

- Pension Fund of the Russian Federation;
- Corporate pension option program; and
- Shared accumulated pension plan.

The only obligation of the Group with respect to these and other defined contribution plans is to make specified contributions in the period in which they arise. These contributions are recognised in the consolidated income statement when employees have rendered services entitling them to the contribution.

Defined benefit plan

At management's discretion and within the established annual budgets, the Group admits employees who have met certain criteria into the lifelong professional pension plan, which is retirement benefit plan. Under this plan a retired employee receives a monthly allowance equal to RUB 15,000 (USD 471) for the rest of his/her life.

The liability recognised in the consolidated statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in comprehensive income when they occur.

Past service costs are recognised immediately in the consolidated income statement.

Plan assets are not available to the creditors of the Group, nor can they be distributed at the Group's discretion. Fair value of plan assets is generally based on market price information and in case of quoted financial securities from publicly available sources of financial information.

SHARE APPRECIATION RIGHTS

The cost of cash-settled share appreciation rights is measured initially at fair value at the grant date using the Monte Carlo valuation model and accrued as expense. The fair value of these rights is determined taking into account any market and non-market based vesting conditions attached to the awards. The liability is subsequently remeasured at each reporting date and at settlement date to reflect the amount of anticipated or current awards expected to be vested by management. Any changes in the fair value of the liability are recognised in the consolidated income statement.

INCOME TAX EXPENSE

Income tax expense represents the sum of the tax currently payable and deferred tax.

Income tax is recognised as an expense or income in the consolidated income statement, except when it relates to items recognised directly in comprehensive income, in which case the tax is also recognised directly in comprehensive income. Where current or deferred tax arises from the initial accounting

for a business combination, the tax effect is included in the accounting for the business combination.

Current tax

Current tax is based on taxable profit for the year. Taxable profit differs from profit for the year as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in computation of taxable profit. Deferred tax liabilities are recognised for all taxable temporary differences, and deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if temporary difference arises from goodwill or from initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable profit nor accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, joint ventures and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset when there is



a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority.

PROPERTY, PLANT AND EQUIPMENT

Mining assets

Mine development costs are capitalised and comprise expenditures directly related to:

- Acquiring mining and exploration licenses;
- Developing new mining operations;
- Defining further mineralisation in existing ore bodies; and
- Expanding capacity of a mine.

Mine development costs include interest capitalised during the construction period, when financed by borrowings.

Mine development costs are transferred to mining assets when a new mine reaches commercial production quantities.

Mining assets are recorded at cost less accumulated amortisation and impairment losses. Mining assets include the cost of acquiring and developing mining properties, pre-production expenditure, mine infrastructure, mining and exploration licences and the present value of future decommissioning costs.

Amortisation of mining assets is charged from the date on which a new mine reaches commercial production quantities and is included in the cost of production. Mining assets are amortised on a straight-line basis over the lesser of their economic useful lives or the life of mine, varying from 2 to 44 years.

Mineral rights, mineral resources and ore reserves are recorded as assets when acquired as part of a business combination and are then amortised over the life of mine, which is based on estimated proven and probable ore reserves. Estimated proven and probable ore reserves reflect the economically recoverable quantities which can be legally recovered in the future from known mineral deposits and are determined by independent professional appraisers.

Non-mining assets

Non-mining assets include metallurgical processing plants, buildings, infrastructure, machinery and equipment and other non-mining assets. Non-mining assets are stated at cost less accumulated depreciation and impairment losses.

Plant and equipment that process extracted ore are located near mining operations and amortised on a straight-line basis over the

lesser of their economic useful lives or the life of the mine. Other non-mining assets are amortised on a straight-line basis over their economic useful lives.

Depreciation is calculated over the following economic useful lives:

Plant, buildings and infrastructure	10–50 years
Machinery and equipment	4–20 years
Other non-mining assets	1–30 years

Capital construction-in-progress

Capital construction-in-progress comprises costs directly related to construction of buildings, processing plant, infrastructure, machinery and equipment. It also includes certain irrecoverable letters of credit opened for fixed assets supply deposited in banks at the end of the period. Cost also includes finance charges capitalised during construction period where such costs are financed by borrowings. Depreciation of these assets commences when the assets are put into production.

RESEARCH AND EXPLORATION EXPENDITURE

Research and exploration expenditure, including geophysical, topographical, geological and similar types of expenditure, is capitalised, if it is deemed that such expenditure will lead to an economically viable capital project, and begins to be amortised over the life of mine, when a mine reaches commercial production quantities. Otherwise it is expensed in the period in which it is incurred.

Research and exploration expenditure written off before development and construction starts is not subsequently capitalised, even if a commercial discovery subsequently occurs.

INTANGIBLE ASSETS, EXCLUDING GOODWILL

Intangible assets are recorded at cost less accumulated amortisation and impairment losses. Intangible assets mainly include patents, licences and software.

Amortisation of patents, licenses and software is charged on a straight-line basis over 2–10 years.

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS, EXCLUDING GOODWILL

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of



the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less cost to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the consolidated income statement immediately.

Where an impairment loss subsequently reversed, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the original carrying amount that would have been determined had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the consolidated income statement immediately.

INVENTORIES

Refined metals

Joint products, i.e. nickel, copper, cobalt, gold, palladium, platinum, rhodium and silver are measured at the lower of net cost of production or net realisable value. The net cost of production of joint products is determined as total production cost less net revenue from sales of by-products and valuation of by-product inventories on hand, allocated to each joint product in the ratio of their contribution to relative sales value, divided by the saleable mine output of each joint product.

By-products, i.e. ruthenium, iridium and other minor metals, are measured at net realisable value, through a mark-to-market valuation.

Work-in-progress

Work-in-progress includes all costs incurred in the normal course of business including direct material and direct labour costs and an allocation of production overheads, depreciation and amortisation and other costs, based on normal production capacity, incurred in bringing each product to its present

condition. Specific condition of each item of work-in-progress is determined with reference to its stage of processing.

Stores and materials

Stores and materials consist of consumable stores and are valued at the weighted average cost less allowance for obsolete and slow-moving items.

FINANCIAL ASSETS

Financial assets are recognised when the Group has become a party to the contractual arrangement of the instrument and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories:

- Financial assets at fair value through profit or loss;
- Held-to-maturity investments;
- Available-for-sale financial assets; and
- Loans and receivables.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt securities other than those financial assets designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss where the financial asset is either held for trading or it is designated as at fair value through profit or loss.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling in the near future; or



- It is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in the consolidated income statement. The net gain or loss recognised in the consolidated income statement incorporates any dividend or interest earned on the financial asset.

Held-to-maturity investments

Promissory notes and debentures with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity other than loans and receivables are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less any allowance for impairment.

Amortisation of discount or premium on the acquisition of a held-to-maturity investment is recognised in interest income over the term of the investment. Held-to-maturity investments are included in non-current assets, unless they mature within twelve months of the statement of financial position date.

Available-for-sale financial assets

Available-for-sale financial assets mainly include investments in listed and unlisted shares.

Listed shares held by the Group that are traded in an active market are stated at their market value. Gains and losses arising from changes in fair value are recognised directly in comprehensive income in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in the consolidated income statement. Where an investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investment revaluation reserve is included in the consolidated income statement for the period.

Investments in unlisted shares that do not have a quoted market price in an active market are recorded at management's estimate of fair value.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each statement of financial position date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments as well as observable changes in economic conditions that correlate with defaults on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance for impairment. When a trade receivable is considered uncollectible, it is written off against the allowance. Subsequent recoveries of amounts previously written off are credited against the allowance. Changes in the allowance are recognised in the consolidated income statement.

With the exception of available-for-sale debt and equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the consolidated income statement to the extent

that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

When a decline in the fair value of an available-for-sale investment has been recognised directly in comprehensive income and there is objective evidence that investment is impaired, the cumulative loss that had been recognised directly in comprehensive income is removed from comprehensive income and recognised in the consolidated income statement even though the investment has not been derecognised. Impairment losses previously recognised through consolidated income statement are not reversed. Any increase in fair value subsequent to an impairment loss is recognised directly in comprehensive income.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

FINANCIAL LIABILITIES

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs, and subsequently measured at amortised cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

DERIVATIVE FINANCIAL INSTRUMENTS

The Group may use derivative financial instruments to manage its exposure to the risk of changes in metal prices.

Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates. The resulting gain or loss is recognised in the consolidated income statement immediately unless the derivative is designated as a cash flow hedge.

The effective portion of changes in the fair value of derivative financial instruments that are designated as cash flow hedges is recognised directly in comprehensive income. The ineffective portion of cash flow hedges is recognised in the consolidated income statement. Amounts deferred in comprehensive income are recycled in the consolidated income statement in the periods when the hedged item is recognised in the consolidated income statement. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in comprehensive income are transferred from comprehensive income and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in comprehensive income at that time remains in comprehensive income and is recognised when the forecast transaction is ultimately recognised in the consolidated income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in comprehensive income is recognised immediately in the consolidated income statement.

COMPOUND FINANCIAL INSTRUMENTS

The component parts of compound financial instruments issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the market interest rate for a similar non-convertible instrument. This amount is recorded on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured.



CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances, cash deposits and highly liquid investments with original maturities of three months or less, which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

PROVISIONS

Provisions are recognised when the Group has a legal or constructive obligations as a result of a past event for which it is probable that an outflow of economic benefits will be required to settle the obligations, and the amount of the obligations can be reliably estimated.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

ENVIRONMENTAL OBLIGATIONS

Environmental obligations include decommissioning and land restoration costs.

Future decommissioning costs, discounted to net present value, are capitalised and the corresponding decommissioning obligations are raised as soon as the constructive obligation to incur such costs arises and the future decommissioning cost can be reliably estimated. Decommissioning assets are depleted over the life of the mine. The unwinding of the decommissioning obligations is included in the consolidated income statement as finance costs. Decommissioning obligations are periodically reviewed in light of current laws and regulations, and adjustments are made as necessary.

Provision for land restoration, representing the cost of restoring land damage after the commencement of commercial production, is estimated at net present value of the expenditures expected to settle the obligation. Change in provision on land restoration is recognised in the consolidated income statement and included in the cost of production. Ongoing rehabilitation costs are expensed when incurred.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTY

Preparation of the consolidated financial statements in accordance with IFRS requires the Group's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. The determination of estimates requires judgments which are based on historical experience, current and expected economic conditions, and all other available information. Actual results could differ from those estimates.

The most significant areas requiring the use of management estimates and assumptions relate to:

- Useful economic lives of property, plant and equipment;
- Impairment of assets;
- Allowances;
- Environmental obligations;
- Income taxes; and
- Contingencies.

USEFUL ECONOMIC LIVES OF PROPERTY, PLANT AND EQUIPMENT

The Group's mining assets, classified within property, plant and equipment, are amortised on a straight-line basis over the lesser of their economic useful lives or the life of the mine. When determining the life of a mine, assumptions that were valid at the time of estimation may change when new information becomes available.

The factors that could affect the estimation of the life of mine include the following:

- Changes in proven and probable ore reserves;
- The grade of mineral reserves varying significantly from time to time;
- Differences between actual commodity prices and commodity price assumptions used in the estimation and classification of ore reserves;
- Unforeseen operational issues at mine sites; and
- Changes in capital, operating, mining, processing and reclamation costs, discount rates and foreign exchange rates could possibly adversely affect the economic viability of ore reserves.

Any of these changes could affect the prospective amortisation of mining assets and their carrying value. The useful economic lives of non-mining property, plant and equipment are reviewed by management periodically. Reviews are based on the current

condition of the assets and the estimated period during which they will continue to bring economic benefit to the Group.

IMPAIRMENT OF ASSETS

The Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets are impaired. In making the assessment for impairment, assets that do not generate independent cash flows are allocated to an appropriate cash-generating unit. Management necessarily applies its judgment in allocating assets that do not generate independent cash flows to the appropriate cash-generating units, and also in estimating the timing and value of the underlying cash flows within the value-in-use calculation. Subsequent changes to the cash-generating unit allocation or to the timing of cash flows could impact the carrying value of the respective assets.

ALLOWANCES

The Group creates allowance for doubtful debts to account for estimated losses resulting from the inability of customers to make the required payments. At 31 December 2013, the allowance for doubtful debts amounted to USD 118 million (31 December 2012: USD 72 million). When evaluating the adequacy of an allowance for doubtful debts, management bases its estimate on current overall economic conditions, ageing of the accounts receivable balances, historical write-off experience, customer creditworthiness and changes in payment terms. Changes in the economy, industry or specific customer conditions may require adjustments to the allowance for doubtful debts recorded in the consolidated financial statements.

The Group also creates an allowance for obsolete and slow-moving raw materials and spare parts. At 31 December 2013, the allowance for obsolete and slow-moving items amounted to USD 33 million (31 December 2012: USD 33 million). In addition, certain finished goods of the Group are carried at net realisable value. Estimates of net realisable value of inventories are based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly relating to events occurring subsequent to the statement of financial position date to the extent that such events confirm conditions existing at the end of the period.

ENVIRONMENTAL OBLIGATIONS

The Group's mining and exploration activities are subject to various environmental laws and regulations. The Group estimates environmental obligations based on management's understanding of the current legal requirements in the

various jurisdictions in which it operates, terms of the license agreements and internally generated engineering estimates. Provision is made, based on net present values, for decommissioning and land restoration costs as soon as the obligation arises. Actual costs incurred in future periods could differ materially from the amounts provided. Additionally, future changes to environmental laws and regulations, life of mine estimates and discount rates could affect the carrying amount of this provision.

INCOME TAXES

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets are reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilised. The estimation of that probability includes judgments based on the expected performance.

Various factors are considered to assess the probability of the future utilisation of deferred tax assets, including past operating results, operational plans, expiration of tax losses carried forward, and tax planning strategies. If actual results differ from these estimates or if these estimates must be adjusted in future periods, the financial position, results of operations and cash flows may be negatively affected.

CONTINGENCIES

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.



5. BUSINESS COMBINATION

ACQUISITIONS DURING THE YEAR ENDED 31 DECEMBER 2013

OJSC "Norilskgazprom"

On 1 March 2013, the Group acquired an additional 15.7% interest in OJSC "Norilskgazprom" ("Norilskgazprom"), a gas extraction enterprise, for a cash consideration of USD 19 million, increasing its ownership in this company to 56.2%. Prior to this transaction, investment in Norilskgazprom was classified as an investment in an associate.

Aggregated net assets of Norilskgazprom at the date of acquisition were as follows:

USD million	Fair value
Property, plant and equipment (refer to note 15)	107
Inventories	27
Trade and other receivables	32
Advances paid and prepaid expenses	3
Other taxes receivable	5
Cash and cash equivalents	4
Loans and borrowings	(38)
Employee benefit obligations	(19)
Trade and other payables	(18)
Other current tax liabilities	(6)
NET ASSETS AT THE DATE OF ACQUISITION	97

Net cash outflow on acquisition of subsidiary:

USD million	
Cash consideration	19
Less: Cash and cash equivalents acquired	(4)
NET CASH OUTFLOW ON ACQUISITION	15

There was no goodwill recognised from acquisition of Norilskgazprom:

USD million	
Total consideration transferred	19
Plus: non-controlling interests, based on their proportionate interest in the recognised amounts of the assets and liabilities of Norilskgazprom	43
Plus: fair value of previously held interest	39
Less: fair value of identifiable net assets acquired	(97)
EXCESS OF THE COST OF ACQUISITION OVER THE GROUP'S SHARE IN THE FAIR VALUE OF NET ASSETS ACQUIRED	4
Impairment of goodwill	(4)
	-

Acquisition of Norilskgazprom has had no significant impact on the Group's revenue and profit before tax from the date of acquisition till 31 December 2013. Had this business combination been effected at 1 January 2013, the Group's revenue and net profit for the period ended 31 December 2013 would not have been significantly different.

ACQUISITIONS DURING YEAR ENDED 31 DECEMBER 2012

CJSC "Nordavia – Regional Airlines"

On 15 May 2012, the Group acquired additional 25% interest in CJSC "Nordavia – Regional Airlines" ("Nordavia"), for a cash consideration of USD 2 million, increasing its effective ownership in this company to 72.9%. Prior to this transaction, investment in Nordavia was classified as investment in associate. At the date of acquisition the fair value of identifiable assets and liabilities of Nordavia was not material.

The remeasurement to fair value of the Group's interest in Nordavia held before the acquisition of controlling interest resulted in a gain of USD 20 million. This gain was recognised within income from investments. Had this business combination been effected at 1 January 2012, the Group's revenue and net profit for the period would not have been significantly different.

6. SEGMENTAL INFORMATION

Operating segments are identified on the basis of internal reports on components of the Group that are regularly reviewed by the General Director.

The Group is currently updating and changing its management accounting system. The new system for management accounting and reporting will provide more detailed financial information

about profitability of particular industrial production units and it is expected that it will be finally implemented during 2014. Together with change in management accounting system new structure of operating segments is being introduced.

Management has determined the following operating segments:

- "GMK Group" segment, which includes mining and metallurgy operations, transport and logistic services, energy, repair and maintenance services located at Taimyr Peninsula and corporate activities;
- "KGMK Group" segment, which includes mining and metallurgy operations, transport and logistic services, energy, repair and maintenance services located at Kola Peninsula;
- "Other industrial" segment, which includes refinery and distribution operations, research activities located in Russia and abroad;

- "Other non-industrial" segment, which includes energy and utility, transport and logistic services, repair and maintenance services located in Russia and abroad.

The operating segments' amounts in the disclosure are stated before intersegment eliminations, excluding:

- Balances of intercompany loans and borrowings and interest;
- Accrual of intercompany interest on loans and borrowings;
- Accrual of intercompany dividends;
- Intercompany metal sales.

Amounts are measured on the same basis as those in the consolidated financial statements.

The following tables present revenue, operating profit/(loss) and profit/(loss) for the year and other segmental information from continuing operations regarding the Group's reportable segments for the years ended 31 December 2013 and 2012, respectively.

Year ended 31/12/2013 USD million	GMK Group	KGMK Group	Other industrial	Other non-industrial	Eliminations	Total
Revenue from external customers	8,440	767	1,424	858	-	11,489
Inter-segment revenue	72	252	39	486	(849)	-
TOTAL REVENUE	8,512	1,019	1,463	1,344	(849)	11,489
Operating profit/(loss)	3,668	(225)	(828)	(139)	-	2,476
Share of (losses)/profits of associates	(3)	2	44	-	-	43
Profit/(loss) before interest, foreign exchange (loss)/gain and tax	3,020	(224)	(801)	(139)	-	1,856
Income tax expense	(665)	30	70	-	-	(565)
SEGMENTAL PROFIT/(LOSS) FOR THE YEAR	2,355	(194)	(731)	(139)	-	1,291
UNALLOCATED ITEMS						
Interest income						52
Interest expenses						(376)
Foreign exchange loss, net						(202)
PROFIT FOR THE YEAR						765

Other segmental information

Year ended 31/12/2013 USD million	GMK Group	KGMK Group	Other industrial	Other non-industrial	Total
Additions of property, plant and equipment	1,705	116	165	10	1,996
Additions of intangible assets	16	1	2	2	21
Depreciation and amortisation	707	93	55	26	881
Impairment of property, plant and equipment	47	307	427	60	841
Impairment of financial assets	709	-	19	-	728
Other non-cash expenses/(gains)	6	(6)	157	20	177



Year ended 31/12/2012 USD million	GMK Group	KGМК Group	Other industrial	Other non-industrial	Eliminations	Total
Revenue from external customers	9,126	1,000	1,461	779	-	12,366
Inter-segment revenue	88	253	31	352	(724)	-
TOTAL REVENUE	9,214	1,253	1,492	1,131	(724)	12,366
Operating profit/(loss)	4,164	205	(423)	(82)	-	3,864
Share of profits/(losses) of associates	-	1	(98)	-	-	(97)
Profit/(loss) before interest, foreign exchange (loss)/gain and tax	3,586	206	(536)	(56)	-	3,200
Income tax expense	(935)	(56)	7	(16)	-	(1,000)
SEGMENTAL PROFIT/(LOSS) FOR THE YEAR	2,651	150	(529)	(72)	-	2,200
UNALLOCATED ITEMS						
Interest income						23
Interest expenses						(294)
Foreign exchange gain, net						214
PROFIT FOR THE YEAR						2,143

Other segmental information

Year ended 31/12/2012 USD million	GMK Group	KGМК Group	Other industrial	Other non-industrial	Total
Additions of property, plant and equipment	2,292	172	219	61	2,744
Additions of intangible assets	15	1	2	3	21
Depreciation and amortisation	566	92	99	31	788
Impairment of property, plant and equipment	15	3	261	-	279
Impairment of financial assets	574	-	19	2	595
Other non-cash expenses	60	14	28	15	117

The following tables present assets and liabilities of the Group's operating segments at 31 December 2013 and 31 December 2012, respectively.

Year ended 31/12/2013 USD million	GMK Group	KGМК Group	Other industrial	Other non-industrial	Eliminations	Total
Investments in associates	-	29	-	-	-	29
Segment assets	14,759	846	1,932	621	-	18,158
Inter-segment assets and eliminations	66	111	23	59	(259)	-
TOTAL SEGMENT ASSETS	14,825	986	1,955	680	(259)	18,187
Assets classified as held for sale as at 31 December 2013 (refer to note 23)	174	-	334	86	-	594
TOTAL ASSETS	14,999	986	2,289	766	(259)	18,781
Segment liabilities	8,017	59	483	64	-	8,623
Inter-segment liabilities and eliminations	118	40	39	62	(259)	-
TOTAL SEGMENT LIABILITIES	8,135	99	522	126	(259)	8,623
Liabilities associated with assets classified as held for sale as at 31 December 2013 (refer to note 23)	-	-	365	43	-	408
TOTAL LIABILITIES	8,135	99	887	169	(259)	9,031



31/12/2012 USD million	GMK Group	KGМК Group	Other industrial	Other non-industrial	Eliminations	Total
Investments in associates	-	29	257	43	-	329
Segment assets	15,898	1,309	2,628	810	-	20,645
Inter-segment assets and eliminations	75	50	39	24	(188)	-
TOTAL SEGMENT ASSETS	15,973	1,388	2,924	877	(188)	20,974
Segment liabilities	6,155	194	1,536	149	-	8,034
Inter-segment liabilities and eliminations	63	49	19	57	(188)	-
TOTAL SEGMENT LIABILITIES	6,218	243	1,555	206	(188)	8,034

The Group's information about its non-current assets (excluding assets, classified as held for sale, and financial and deferred tax assets) by geographical locations is detailed below.

USD million	31/12/2013	31/12/2012
Russian Federation	11,269	11,620
Africa	13	263
Australia	-	349
Europe	243	273
TOTAL	11,525	12,505

7. METAL SALES

The Group's metal sales to external customers are detailed below (based on external customers' locations):

Year ended 31/12/2013 USD million	Total	Nickel	Copper	Palladium	Platinum	Other joint metals
Europe	5,431	2,098	1,694	821	552	266
Asia	2,975	1,620	266	740	301	48
North America	972	408	31	355	91	87
Russian Federation and CIS	1,029	229	730	19	12	39
	10,407	4,355	2,721	1,935	956	440
Year ended 31/12/2012 USD million	Total	Nickel	Copper	Palladium	Platinum	Other joint metals
Europe	6,267	2,763	1,772	793	586	353
Asia	2,773	1,675	227	543	305	23
North America	1,290	568	87	379	127	129
Russian Federation and CIS	1,028	213	785	7	10	13
Other	4	4	-	-	-	-
	11,362	5,223	2,871	1,722	1,028	518

8. COST OF METAL SALES

USD million	Year ended 31/12/2013	Year ended 31/12/2012
CASH OPERATING COSTS		
Labour	1,607	1,507
Consumables and spares	1,081	1,247
Expenses on acquisition of raw materials and semi-products	716	918
Outsourced third party services	539	651
Tax directly attributable to cost of goods sold	274	193
Utilities	214	216
Transportation expenses	156	156
Sundry costs	117	109
Less: sales of by-products	(9)	(22)
TOTAL CASH OPERATING COSTS	4,695	4,975
Depreciation and amortisation	804	712
Decrease/(increase) in metal inventories	36	(267)
TOTAL	5,535	5,420

9. SELLING AND DISTRIBUTION EXPENSES

USD million	Year ended 31/12/2013	Year ended 31/12/2012
Export customs duties	374	515
Transportation expenses	26	33
Labour	20	17
Other	6	13
TOTAL	426	578



10. GENERAL AND ADMINISTRATIVE EXPENSES

USD million	Year ended 31/12/2013	Year ended 31/12/2012
Labour	572	627
Third party services	141	146
Taxes other than those directly attributable to cost of goods sold and income tax	110	108
Depreciation and amortisation	36	33
Transportation expenses	17	18
Other	107	111
TOTAL	983	1,043

11. OTHER NET OPERATING EXPENSES

USD million	Year ended 31/12/2013	Year ended 31/12/2012
Tax provision (refer to note 33)	154	-
Social expenses	112	184
Change in allowance for doubtful debts	66	12
Change in provision for value added tax recoverable	15	10
Impairment of intangible assets and goodwill	11	-
Excess of decrease in decommissioning obligations over assets net book value	(105)	-
Other	14	29
TOTAL	267	235

12. FINANCE COSTS

USD million	Year ended 31/12/2013	Year ended 31/12/2012
Interest expense on borrowings	311	236
Unwinding of discount on provisions	64	52
Other	1	6
TOTAL	376	294

13. LOSS FROM INVESTMENTS, NET

USD million	Year ended 31/12/2013	Year ended 31/12/2012
Gain on disposal of subsidiary (refer to note 23)	66	-
Interest income on bank deposits	43	18
Interest income on held-to-maturity investments	7	2
Gain on remeasurement to fair value of the Group's existing interest in associate	-	20
Impairment of loans issued	(1)	(18)
Realised loss on disposal of investments	(2)	-
Impairment of available-for-sale investments including impairment loss reclassified from comprehensive income	(728)	(577)
Other	4	3
TOTAL	(611)	(552)

14. INCOME TAX EXPENSE

USD million	Year ended 31/12/2013	Year ended 31/12/2012
CURRENT INCOME TAX		
Current income tax charge on profit for the year	707	1,059
Adjustments in respect of current income tax of previous years	(13)	(20)
TOTAL CURRENT INCOME TAX EXPENSE	694	1,039
DEFERRED INCOME TAX		
Reversal of temporary differences	(42)	(124)
Change in provision for deferred tax assets	(91)	85
Recycled from equity to income statement	4	-
TOTAL DEFERRED TAX BENEFIT	(129)	(39)
TOTAL	565	1,000

A reconciliation of statutory income tax, calculated at the rate effective in the Russian Federation, the location of major production assets of the Group, to the amount of actual income tax expense recorded in the consolidated income statement is as follows:

USD million	Year ended 31/12/2013	Year ended 31/12/2012
PROFIT BEFORE TAX	1,330	3,143
Income tax at statutory rate of 20%	266	629
Tax effect of permanent differences	226	257
Tax effect of impairment of investments in associates	-	1
Deferred tax assets not recognised on impairment of financial assets	142	115
Effect of different tax rates of subsidiaries operating in other jurisdictions	(49)	18
Effect of change in income tax rate in Finland	(7)	-
Adjustments in respect of current income tax of previous years	(13)	(20)
TOTAL	565	1,000

The corporate income tax rates in other countries where the Group has a taxable presence vary from 0% to 40%.

DEFERRED TAX BALANCES

USD million	31/12/2012	Recognised in income statement	Recognised in comprehensive income	Recycled from equity to income	Classified as held for sale	Effect of translation to presentation currency	31/12/2013
Property, plant and equipment	536	(84)	-	-	(62)	(17)	373
Intangible assets	(5)	(1)	-	-	-	-	(6)
Investment in associates and other financial assets	(28)	(6)	-	4	-	(2)	(32)
Trade and other receivables	(13)	(9)	-	-	-	1	(21)
Inventories	153	21	-	-	-	(9)	165
Unrealised profit on intra-group transactions	(40)	14	-	-	-	1	(25)
Other assets	(35)	8	-	-	-	(3)	(30)
Loans and borrowings	10	3	-	-	-	(1)	12
Employee benefit obligations	(46)	(8)	5	-	-	(1)	(50)
Environmental obligations	(139)	(8)	-	-	62	18	(67)
Trade and other payables	8	3	-	-	(1)	(9)	1
Tax loss carried forward	(87)	25	-	-	17	4	(41)
Provision for deferred tax assets	191	(91)	-	-	(22)	(1)	77
TOTAL	505	(133)	5	4	(6)	(19)	356



USD million	31/12/2011	Recognised in income statement	Recognised in comprehensive income	Recycled from equity to income	Effect of translation to presentation currency	31/12/2012
Property, plant and equipment	612	(84)	-	-	8	536
Intangible assets	(5)	-	-	-	-	(5)
Investment in associates and other financial assets	(30)	4	-	-	(2)	(28)
Trade and other receivables	(9)	(3)	-	-	(1)	(13)
Inventories	113	35	-	-	5	153
Unrealised profit on intra-group transactions	(14)	(27)	-	-	1	(40)
Other assets	(34)	1	-	-	(2)	(35)
Loans and borrowings	12	(3)	-	-	1	10
Employee benefit obligations	(48)	5	-	-	(3)	(46)
Environmental obligations	(124)	(12)	-	-	(3)	(139)
Trade and other payables	18	(10)	-	-	-	8
Tax loss carried forward	(55)	(30)	-	-	(2)	(87)
Provision for deferred tax assets	103	85	-	-	3	191
TOTAL	539	(39)	-	-	5	505

Certain deferred tax assets and liabilities have been offset to the extent they relate to taxes levied in the same jurisdiction and on the Group's entities which can pay taxes on a consolidated basis. Deferred tax balances (after set-off) presented in the consolidated statement of financial position were as follows:

USD million	31/12/2013	31/12/2012
Deferred tax liability	382	573
Deferred tax asset	(26)	(68)
NET DEFERRED TAX LIABILITIES	356	505

UNRECOGNISED DEFERRED TAX ASSETS

Deferred tax assets have not been recognised in respect of the following items:

USD million	31/12/2013	31/12/2012
Deductible temporary differences	301	174
Tax loss carry-forwards	345	599
TOTAL	646	773

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

At 31 December 2013 unrecognised deferred tax asset in amount of USD 304 million related to tax loss arising on disposal of OJSC "Third Generation Company of the Wholesale Electricity Market" ("OGK-3") has the expiry of nine years (31 December 2012: USD 331 million – ten years). Unrecognised deferred tax assets in amount of USD 41 million related to other tax losses will be expired in ten years (31 December 2012: USD 64 million – ten years).

At 31 December 2013, the Group did not recognise a deferred tax liability in respect of taxable temporary differences of USD 3,392 million (31 December 2012: USD 5,530 million) associated with investments in subsidiaries, because management believes that it is in a position to control the timing of reversal of such differences and has no intention to reverse them in the foreseeable future.

15. PROPERTY, PLANT AND EQUIPMENT

USD million	Non-mining assets					Total
	Mining assets and mine development cost	Buildings, structures and utilities	Machinery, equipment and transport	Other	Capital construction-in-progress	
COST						
BALANCE AT 1 JANUARY 2012	10,808	2,975	4,064	268	1,362	19,477
Additions	1,208	-	-	-	1,536	2,744
Reclassifications	3	8	-	-	(11)	-
Transfers	-	254	548	72	(874)	-
Increase in decommissioning asset	114	3	-	-	-	117
Acquired on acquisition of subsidiaries	-	4	22	-	28	54
Disposals	(98)	(12)	(64)	(39)	(13)	(226)
Effect of translation to presentation currency	437	172	219	11	95	934
BALANCE AT 31 DECEMBER 2012	12,472	3,404	4,789	312	2,123	23,100
Additions	1,141	-	-	-	855	1,996
Transfers	-	336	466	56	(858)	-
Increase in decommissioning asset	29	145	-	-	-	174
Reclassified to assets held for sale (refer to note 23)	(2,974)	(264)	(490)	(196)	(53)	(3,977)
Acquired on acquisition of subsidiaries (refer to note 5)	-	59	7	-	41	107
Disposals	(89)	(13)	(69)	(4)	(13)	(188)
Effect of translation to presentation currency	(1,039)	(222)	(240)	12	8	(1,481)
BALANCE AT 31 DECEMBER 2013	9,540	3,445	4,463	180	2,103	19,731
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
BALANCE AT 1 JANUARY 2012	(6,409)	(1,279)	(1,926)	(174)	(104)	(9,892)
Charge for the year	(330)	(109)	(336)	(14)	-	(789)
Reclassifications	19	(3)	-	(1)	(15)	-
Eliminated on disposals	52	9	45	16	8	130
Impairment loss	(53)	(37)	(145)	(23)	(21)	(279)
Effect of translation to presentation currency	(163)	(76)	(92)	(10)	(2)	(343)
BALANCE AT 31 DECEMBER 2012	(6,884)	(1,495)	(2,454)	(206)	(134)	(11,173)
Charge for the year	(331)	(141)	(407)	(14)	-	(893)
Reclassified to assets held for sale (refer to note 23)	2,917	107	473	129	52	3,678
Eliminated on disposals	76	8	57	3	5	149
Impairment loss	(687)	(57)	(14)	-	(83)	(841)
Effect of translation to presentation currency	519	91	87	(20)	(106)	571
BALANCE AT 31 DECEMBER 2013	(4,390)	(1,487)	(2,258)	(108)	(266)	(8,509)
CARRYING VALUE						
31 DECEMBER 2012	5,588	1,909	2,335	106	1,989	11,927
31 DECEMBER 2013	5,150	1,958	2,205	72	1,837	11,222



At 31 December 2013 capital construction-in-progress included USD 304 million of irrevocable letters of credit opened for fixed assets purchases (31 December 2012: USD nil), representing security deposits placed in banks at the end of the year. Purchase of property, plant and equipment in the consolidated statement of cashflows includes USD 313 million related to these irrevocable letters of credit (31 December 2012: USD nil).

At 31 December 2013 mining assets and mine development costs included USD 2,964 million of mining assets under development (31 December 2012: USD 2,908 million).

IMPAIRMENT

In 2013 the Group has assessed indicators for impairment of OJSC “Kolskaya Mining and Metallurgical Company” production assets. The recoverable amount of each cash generating unit within this subsidiary (“producer of metal semi-products” and “metal refining”) was determined based on value in use calculations. As a result impairment totalling USD 307 million related to the “producer of metal semi-products” cash generating unit was recognised within impairment of property, plant and equipment in consolidated income statement. The most significant estimates and assumptions used in the determination of value in use are discussed below:

- Future cash flows were projected based on budgeted amounts, taking into account actual results for the previous years. Forecasts were assessed up to 2025. Measurements were performed based on the discounted cash flows expected to be generated by separate cash-generating units.
- Management used commodities price forecasts for joint metals and adjusted prices for joint metals as forecast of semi-products market prices. Both forecasts were assessed based on management’s knowledge and expertise in specific commodities and semi-products markets and within external markets forecasts.
- Production information was primarily based on internal production reports available at the date of impairment test and management’s assumptions regarding future production levels.
- Inflation indices and foreign currency trends in general consistent with external sources of information. Inflation used was projected within 3-11%, exchange rates USD/RUR were within 33.42-43.21.
- A pre-tax nominal discount rate of 19% was calculated based on weighted average cost of capital and reflects management’s estimates of the risks specific to production units. Terminal growth rate for the period after 2025 was determined as 3.6%.

Additional impairment losses in the amount of USD 86 million (31 December 2012: USD 18 million) were recognised in respect of specific individual assets.

In 2012, the Group had assessed external and internal indicators in order to determine whether property, plant and equipment were impaired, or previously recognised impairment may no longer exist or may had decreased. Based on the assessment management had determined that the estimated life of the mining operations in Australia and Africa had decreased due to reduced metal content in the mined ore, which was expected to result in placing the respective operations on care and maintenance. As a result, the Group recognised an impairment loss of USD 151 million and USD 110 million in respect of property, plant and equipment of its cash-generating units in Australia and Africa, respectively.

16. INVESTMENTS IN ASSOCIATES

USD million	31/12/2013	31/12/2012
BALANCE AT BEGINNING OF THE YEAR	329	407
Acquired during the year	–	13
Contribution into associate	–	16
Share of profits	43	5
Reclassified to subsidiary due to increase of ownership (refer to note 5)	(39)	(2)
Reclassified to assets held for sale (refer to note 23)	(237)	–
Reclassified from other financial assets due to increase of ownership	–	1
Dividends received	(10)	–
Impairment loss	–	(102)
Effect of translation to presentation currency	(57)	(9)
BALANCE AT END OF THE YEAR	29	329

The following is a summary of the financial information of associates:

USD million	Year ended 31/12/2013	Year ended 31/12/2012
Non-current assets	25	728
Current assets	44	300
Non-current liabilities	–	(171)
Current liabilities	(8)	(290)
NET ASSETS	61	567
GROUP’S SHARE OF NET ASSETS OF ASSOCIATES	29	329

USD million	31/12/2013	31/12/2012
Total revenue	564	702
Profits/(losses) and total comprehensive income/(losses) for the year	85	(8)
Group’s share of profits and total comprehensive income of associates	43	5

MOVEMENTS DURING THE YEAR ENDED 31 DECEMBER 2013

Nkomati Nickel Mine. As a result of the decision to dispose of Nkomati Nickel Mine it was presented as assets held for sale (refer to note 23).

Norilskgazprom. Control over Norilskgazprom was acquired during the year ended 31 December 2013 (refer to note 5).

MOVEMENTS DURING THE YEAR ENDED 31 DECEMBER 2012

Norilskgazprom. On 2 November 2012, the Group acquired 830 thousand ordinary shares of Norilskgazprom for a cash consideration of USD 13 million. After completion of this transaction, the Group’s share in this company increased to 40.5%.

Nkomati Nickel Mine. As a result of changes in estimation of the economically recoverable reserves and resources useful life of the mine was reduced and an impairment loss in the amount of USD 97 million was recognised. The recoverable amount has been estimated using future projected cash flows for the remainder of the relevant deposit’s useful life of 20 years, discounted at a post-tax real rate of 9.3%.

17. OTHER FINANCIAL ASSETS

USD million	31/12/2013	31/12/2012
NON-CURRENT		
Available-for-sale investments in securities	667	1,389
Available-for-sale investments in convertible notes	–	80
Loans issued and other receivable	44	88
Promissory notes held to maturity	19	23
Bank deposits	8	7
TOTAL NON-CURRENT	738	1,587
CURRENT		
Bank deposits	24	254
Loans issued and other receivables	2	1
TOTAL CURRENT	26	255

AVAILABLE-FOR-SALE INVESTMENTS IN SECURITIES AND CONVERTIBLE NOTES

Non-current available-for-sale investments in securities are primarily comprised of shares traded on the OJSC “Moscow Exchange MICEX-RTS” amounting to USD 515 million (31 December 2012: USD 1,389 million) and measured within Level 1 of fair value hierarchy and unquoted equity instruments in amount of USD 152 million (31 December 2012: USD nil) and measured within Level 3 of fair value hierarchy.

At 31 December 2012, management determined that a significant and prolonged decline in share prices for quoted investments, recognised within available-for-sale investments in securities, indicated an impairment loss. As a result of a decline in prices, cumulative loss of USD 577 million that was previously recognised in comprehensive income, has been reclassified into the consolidated income statement (refer to notes 13 and 25). During the year ended 31 December 2013 as a result of continuing decline in prices, cumulative loss of USD 728 million was recognised in the consolidated income statement.

At 31 December 2013, the Group had no convertible notes receivable (31 December 2012: USD 80 million and measured within Level 2 of fair value hierarchy). The Group used external inputs such as quoted prices for similar assets in active markets to determine the fair value of these convertible notes.

BANK DEPOSITS

At 31 December 2013, the Group had no collateral under the credit agreements (31 December 2012: USD 244 million).

The interest rate on long-term RUB-denominated deposits held in banks was 5.1% (31 December 2012: 5.1%) per annum.

Interest rates on short-term RUB-denominated deposits held in banks varied from 5.1% to 6.9% (31 December 2012: 5.1% to 8.2%) per annum.



18. OTHER TAXES

USD million	31/12/2013	31/12/2012
TAXES RECEIVABLE		
Value added tax recoverable	459	885
Customs duties	35	68
Other taxes	31	36
	525	989
Less: Allowance for value added tax recoverable	(2)	(7)
TOTAL	523	982
Less: Non-current portion	(14)	(5)
CURRENT TAXES RECEIVABLE	509	977
TAXES PAYABLE		
Value added tax	86	127
Insurance contributions to non-budget funds	38	38
Property tax	25	28
Tax on mining	27	13
Other	22	19
CURRENT TAXES PAYABLE	198	225

19. INVENTORIES

USD million	31/12/2013	31/12/2012
Refined metals	563	623
Semi-products	10	58
Work-in-progress	1,326	1,370
TOTAL METAL INVENTORIES	1,899	2,051
Stores and materials	1,089	1,179
Less: Allowance for obsolete and slow-moving items	(33)	(33)
NET STORES AND MATERIALS	1,056	1,146
TOTAL INVENTORIES	2,955	3,197

20. TRADE AND OTHER RECEIVABLES

USD million	31/12/2013	31/12/2012
Trade receivables from metal sales	517	769
Other receivables	234	366
	751	1,135
Less: Allowance for doubtful debts	(118)	(72)
TOTAL	633	1,063

In 2013 and 2012, the average credit period on metal sales varied from 0 to 30 days. Trade receivables are generally non-interest bearing. The Group has fully provided for all trade receivables which were due in excess of 365 days based on historical experience that such receivables are generally not recoverable. Trade receivables that are past due for less than 180 days are generally not provided for.

At 31 December 2013 and 2012, there were no material trade accounts receivable which were overdue or individually determined to be impaired.

The average credit period on sales of other products and services for the year ended 31 December 2013 was 24 days (2012: 24 days). No interest was charged on these receivables. The Group usually provided for other receivables overdue for over 365 days based on historical experience that such receivables are generally not recoverable. Provision in respect of other receivables that were less than 365 days old is determined based on past default experience.

Included in the Group's other receivables at 31 December 2013, were debtors with a carrying value of USD 43 million (31 December 2012: USD 76 million) that were past due but not impaired. Management of the Group believes that these amounts are recoverable in full.

The Group did not hold any collateral for accounts receivable balances.

Ageing of other receivables past due but not impaired was as follows:

USD million	31/12/2013	31/12/2012
Less than 180 days	32	54
180-365 days	11	22
	43	76

Movement in the allowance for doubtful debts was as follows:

USD million	31/12/2013	31/12/2012
BALANCE AT BEGINNING OF THE YEAR	72	61
Change in allowance	66	12
Accounts receivable written-off	(14)	(3)
Acquired on acquisition of subsidiaries	2	-
Disposed on disposal of subsidiaries	(1)	(1)
Effect of translation to presentation currency	(7)	3
BALANCE AT END OF THE YEAR	118	72

Included in allowance for doubtful debts is a specific allowance against other receivables of USD 37 million (2012: USD 34 million) from entities placed into bankruptcy. The allowance represents the difference between the carrying amount of these receivables and the present value of the expected proceeds on liquidation. The Group did not hold collateral in respect of these balances.

21. ADVANCES PAID AND PREPAID EXPENSES

USD million	31/12/2013	31/12/2012
Advances paid	71	65
Prepaid insurance	22	25
TOTAL	93	90

22. CASH AND CASH EQUIVALENTS

USD million	31/12/2013	31/12/2012
Current accounts		
foreign currencies	390	545
RUB	184	199
Bank deposits		
foreign currencies	1,045	75
RUB	-	205
Restricted cash and cash equivalents	-	11
Other cash and cash equivalents	2	2
TOTAL	1,621	1,037

23. ASSETS CLASSIFIED AS HELD FOR SALE AND DISPOSAL OF SUBSIDIARY

In December 2013, the Group made a decision to dispose of the following assets:

- Nkomati Nickel Mine, a South Africa mining company – an associate of the Group.
- OJSC "Aviakompania "Taimyr" ("Taimyr"), a subsidiary of the Group located in the Russian Federation.
- CJSC "Nordavia – Regional Airlines", a subsidiary of the Group located in the Russian Federation.
- Other non-current assets located in the Russian Federation and Australia.

All of the above assets have been measured at the lower of their fair values less costs to sell and their carrying values. As a result, impairment losses in amount of USD 448 million were recognised.

The Group has assessed fair value of assets classified as held for sale at 31 December 2013 based on price offers available. The loss on remeasurement of disposal assets to fair value less cost to sell was recognised in the consolidated income statement as impairment of property, plant and equipment.

Management of the Group is actively seeking buyers for all of the assets classified as held for sale and it is expected that disposals will be completed during 2014. Disposals are consistent with the Group's long-term strategy. Assets classified as held for sale have been measured within Level 2 of fair value hierarchy.

At 31 December 2013 major classes of assets and liabilities related to assets classified as held for sale are presented below:

USD million	31/12/2013
Property, plant and equipment (refer to note 15)	299
Investments in associates (refer to note 16)	237
Intangible assets	1
Inventories	20
Trade and other receivables	11
Other financial assets	17
Cash and cash equivalents	9
Environmental obligations (refer to note 28)	(365)
Deferred tax liabilities (refer to note 14)	(6)
Employee benefit obligations	(5)
Trade and other payables	(32)
NET ASSETS	186

At 31 December 2013 amount of accumulated loss associated with assets classified as held for sale included in other comprehensive income/(loss) which should be reclassified to the consolidated income statement was equal to USD 134 million.

DISPOSAL OF LLC "ADMINISTRATOR FONDOV"

On 10 October 2013, the Group sold its interest in LLC "Administrator Fondov" ("Administrator Fondov"), a subsidiary of the Group, for a cash consideration of USD 85 million. The carrying value of Administrator Fondov net assets at the date of disposal amounted to USD 21 million. Net cash inflow from disposal was USD 65 million.

Management of the Group determined that the sale of Administrator Fondov, as well as the planned disposal of a number of assets described above, does not constitute a discontinued operation.

24. SHARE CAPITAL

AUTHORISED, ISSUED AND FULLY PAID SHARE CAPITAL

	Number of shares	Outstanding balance USD million
ORDINARY SHARES AT PAR VALUE OF RUB 1 EACH		
AT 1 JANUARY 2013	190,627,747	8
April 2013: cancellation of treasury shares	(18,470,925)	(1)
June 2013: cancellation of treasury shares	(13,911,346)	(1)
AT 31 DECEMBER 2013	158,245,476	6



TREASURY SHARES

	Number of shares	Outstanding balance USD million
AT 1 JANUARY 2013	32,392,285	8,692
April 2013: cancellation of treasury shares	(18,470,925)	(4,956)
April 2013: sales of treasury shares	(10,014)	(3)
June 2013: cancellation of treasury shares	(13,911,346)	(3,733)
AT 31 DECEMBER 2013	-	-

On 2 April 2013, the Group reduced its share capital by cancellation of 18,470,925 treasury shares.

Based on the decision of the Annual General Shareholders' Meeting, held on 6 June 2013, the Group's share capital has been reduced by 13,911,346 treasury shares. The cancellation was reflected in the Company's share register on 13 August 2013.

EARNINGS PER SHARE

	Year ended 31/12/2013	Year ended 31/12/2012
Basic earnings per share (US Dollars per share):	4.9	13.7

The earnings and weighted average number of shares used in the calculation of basic and diluted earnings per share are as follows:

USD million	Year ended 31/12/2013	Year ended 31/12/2012
EARNINGS FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY	774	2,170
	2013	2012

WEIGHTED AVERAGE NUMBER OF SHARES

Shares on issue at 1 January	190,627,747	190,627,747
Less: treasury shares at 1 January	(32,392,285)	(32,392,285)
Outstanding shares at 1 January	158,235,462	158,235,462
April 2013: effect from sales of treasury shares	6,749	-

WEIGHTED AVERAGE NUMBER OF SHARES USED IN THE CALCULATION OF BASIC AND DILUTED EARNINGS PER SHARE FOR THE YEAR ENDED 31 DECEMBER

	158,242,211	158,235,462
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25. OTHER RESERVES

USD million	Investments revaluation reserve	Hedging reserve	Revaluation surplus	Translation reserve	Total
BALANCE AT 1 JANUARY 2012	16	(20)	43	(887)	(848)
Decrease in fair value of available-for-sale investments	(595)	-	-	-	(595)
Investments revaluation reserve reclassified from comprehensive income to the consolidated income statement	577	-	-	-	577
Realised loss on disposal of available-for-sale investments	(1)	-	-	-	(1)
Effect of translation to presentation currency and translation of foreign operations	-	-	-	517	517
Other	-	1	-	-	1
TOTAL COMPREHENSIVE INCOME	(19)	1	-	517	499
BALANCE AT 31 DECEMBER 2012	(3)	(19)	43	(370)	(349)
Decrease in fair value of available-for-sale investments	(111)	-	-	-	(111)
Investments revaluation reserve reclassified from comprehensive income to the consolidated income statement	102	-	-	-	102
Realised gain on disposal of available-for-sale investments	13	-	-	-	13
Effect of translation to presentation currency and translation of foreign operations	-	-	-	(885)	(885)
TOTAL COMPREHENSIVE LOSS	4	-	-	(885)	(881)
BALANCE AT 31 DECEMBER 2013	1	(19)	43	(1,255)	(1,230)

26. LOANS AND BORROWINGS

	USD million	Currency	Fixed or floating interest rate	Average nominal rate in 2013, %	Maturity	31/12/2013 USD million	31/12/2012 USD million
Loans secured by revenue		USD	fixed	3.19%	2013	-	1,463
Loans secured by treasury shares		USD	floating	2.81%	2013	-	797
SECURED LOANS						-	2,260
					2014 - 2019	2,946	1,605
		USD	floating	2.36%	2019	2,946	1,605
		USD	fixed	1.14%	2014	420	620
		Other	floating	8.54%	2016	32	40
UNSECURED LOANS						3,398	2,265
		RUB	fixed	7.74%	2016	1,067	493
		USD	fixed	4.55%	2018 - 2020	1,740	-
CORPORATE BONDS						2,807	493
FINANCE LEASE		USD	FIXED	12.00%	2013	-	5
TOTAL						6,205	5,023
LESS: CURRENT PORTION DUE WITHIN TWELVE MONTHS AND PRESENTED AS SHORT-TERM BORROWINGS						(1,032)	(2,526)
LONG-TERM LOANS AND BORROWINGS						5,173	2,497

The Group is obliged to comply with a number of restrictive financial and other covenants, including maintaining certain financial ratios and restrictions on pledging and disposal of certain assets.

27. EMPLOYEE BENEFIT OBLIGATIONS

USD million	31/12/2013	31/12/2012
Accrual for annual leave	259	266
Wages and salaries	127	212
Share appreciation rights	28	49
Defined benefit obligations	43	20
Other	12	7
TOTAL OBLIGATIONS	469	554
LESS: NON-CURRENT OBLIGATIONS	(54)	(56)
CURRENT OBLIGATIONS	415	498

DEFINED CONTRIBUTION PLANS

Amounts recognised within continuing operations in the consolidated income statement in respect of defined contribution plans were as follows:

USD million	Year ended 31/12/2013	Year ended 31/12/2012
Pension Fund of the Russian Federation	430	384
Shared accumulated pension program	15	25
Other	7	11
TOTAL	452	420



28. PROVISIONS

USD million	31/12/2013	31/12/2012
CURRENT PROVISIONS		
Other provisions	3	3
Provision for social commitments	25	38
TOTAL CURRENT PROVISIONS	28	41
NON-CURRENT PROVISIONS		
Decommissioning obligations	424	732
Tax provisions (refer to note 33)	154	-
Provision for social commitments	119	147
Provision for land restoration	19	22
TOTAL NON-CURRENT PROVISIONS	716	901
TOTAL	744	942

USD million	Decommissioning obligations	Provision for land restoration	Provision for social commitments	Other provisions	Total
BALANCE AT 1 JANUARY 2012	544	19	189	3	755
Settlements during the year	-	-	(49)	-	(49)
Change in estimate	117	3	29	-	149
Unwinding of discount	50	2	10	-	62
Effect of translation to presentation currency	21	(2)	6	-	25
BALANCE AT 31 DECEMBER 2012	732	22	185	3	942
New obligations raised	91	-	-	-	91
Tax provision	-	-	-	154	154
Settlements during the year	-	-	(42)	-	(42)
Obligations directly associated with assets classified as held for sale (refer to note 23)	(365)	-	-	-	(365)
Acquired on acquisition of subsidiaries	8	-	-	-	8
Change in estimate	(22)	(3)	4	-	(21)
Unwinding of discount	51	2	11	-	64
Effect of translation to presentation currency	(71)	(2)	(14)	-	(87)
BALANCE AT 31 DECEMBER 2013	424	19	144	157	744

ENVIRONMENTAL OBLIGATIONS

During 2013 and 2012 years, the Group reassessed estimate of decommissioning obligations for its operations in the Russian Federation due to changes in inflation, discount rates and closure dates of mines.

During 2013, the Group completed an independent JORC-compliant audit of its ore reserves. Based on the report, the Group reassessed closure dates and expectations regarding expenses needed to fulfill decommissioning obligations for mines located in Taimyr Peninsula. The amount of decommissioning obligations was reassessed and difference was presented as a change in estimate.

Key assumptions used in estimation of environmental obligations were as follows:

	31/12/2013	31/12/2012
Discount rates Russian entities	6.1% – 8.4%	6.4% – 7.2%
Discount rates non-Russian entities	3.3% – 10.0%	3.3% – 10.0%
Expected closure date of mines	up to 2057	up to 2045
Expected inflation over the period from 2013 to 2015	5.4% – 6.5%	5.2% – 5.9%
Expected inflation over the period from 2016 onwards	4.9%	4.8%



The present value of expected cost to be incurred for settlement of environmental obligations was as follows:

USD million	31/12/2013	31/12/2012
Due from second to fifth year	205	300
Due from sixth to tenth year	30	120
Due from eleventh to fifteenth year	60	206
Due from sixteenth to twentieth year	33	112
Due thereafter	115	16
TOTAL	443	754

SOCIAL COMMITMENTS

In 2010 the Group entered into several multilateral agreements with the Government of the Russian Federation, the Krasnoyarsk Regional Government and the Norilsk Municipal Authorities for the construction of pre-schools and other items of social infrastructure in Norilsk and Dudinka, and resettlement of families currently residing in these cities to other Russian regions with more favourable living conditions during 2013–2020. The provision represents present value of the best estimate of the future outflow of economic benefits to settle these obligations.

29. TRADE AND OTHER PAYABLES

USD million	31/12/2013	31/12/2012
FINANCIAL LIABILITIES		
Trade payables	293	449
Payables for acquisition of property, plant and equipment	67	81
Other creditors	129	118
TOTAL FINANCIAL LIABILITIES	489	648
NON-FINANCIAL LIABILITIES		
Advances received	130	48
TOTAL NON-FINANCIAL LIABILITIES	130	48
TOTAL	619	696

The maturity profile of the Group's financial liabilities was as follows:

USD million	31/12/2013	31/12/2012
Due within one month	284	352
Due from one to three months	162	233
Due from three to twelve months	43	63
TOTAL	489	648

30. DIVIDENDS

On 6 June 2013, the Company declared a final dividend in respect of the year ended 31 December 2012 in amount of RUB 401 (USD 13) per share and total amount of USD 1,982 million. The dividends were paid to the shareholders in June 2013.

On 20 December 2013, the Company declared an interim dividend in respect of the 9 months ended 30 September 2013 in the amount of RUB 22.1 (USD 6.7) per share and the amount of USD 1,060 million. The dividends were paid to the shareholders in December 2013.

31. RELATED PARTIES TRANSACTIONS AND OUTSTANDING BALANCES

Related parties are considered to include shareholders, associates and entities under common ownership and control of the Group's major shareholders and key management personnel. The Company and its subsidiaries, in the ordinary course of their business, enter into various sale, purchase and service transactions with related parties. Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.



Transactions with related parties USD million	Sale of goods and services		Purchase of goods and services	
	Year ended 31/12/2013	Year ended 31/12/2012	Year ended 31/12/2013	Year ended 31/12/2012
Entities under common ownership and control of the Group's major shareholders	4	7	19	14
Associates of the Group	45	124	390	490
TOTAL	49	131	409	504

Outstanding balances with related parties USD million	Accounts receivable, investments and cash		Accounts payable, loans and borrowings received	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
Entities under common ownership and control of the Group's major shareholders	2	2	1	–
Associates of the Group	7	68	26	22
TOTAL	9	70	27	22

During the year ended 31 December 2013, the Group purchased from a related party 20% shares of a company which owns various real estate properties. Additionally, during the year ended 31 December 2013 a loan previously issued to another related party, which subsequently had been fully impaired, was converted into 42% shares of another company which also owns various real estate properties. Management believes that it does not exercise significant influence over these companies, and therefore these investments have been classified as available-for-sale investments. At 31 December 2013 these investments were stated at historical cost (less impairment loss) in the amount of USD 142 million, and presented at Level 3 of fair value hierarchy.

TERMS AND CONDITIONS OF TRANSACTIONS WITH RELATED PARTIES

Sales to and purchases from related parties of electricity, heat energy and natural gas supply were made at prices established by the Federal Tariff Service, the government regulator responsible for establishing and monitoring prices on the utility and telecommunications markets in the Russian Federation.

COMPENSATION OF KEY MANAGEMENT PERSONNEL

Remuneration of key management personnel of the Group was as follows:

USD million	Year ended 31/12/2013	Year ended 31/12/2012
Salary and performance bonuses	71	47
Termination benefits	10	102
TOTAL	81	149

32. COMMITMENTS

CAPITAL COMMITMENTS

At 31 December 2013, contractual capital commitments amounted to USD 1,110 million (31 December 2012: USD 1,955 million).

OPERATING LEASES

The land in the Russian Federation on which the Group's production facilities are located is owned by the state. The Group leases land through operating lease agreements, which expire in various years through 2060. According to the terms of lease agreements rent fees are revised annually by reference to an order issued by the relevant local authorities. The Group entities have a renewal option at the end of lease period and an option to buy land at any time, at a price established by the local authorities.

Future minimum lease payments due under non-cancellable operating lease agreements were as follows:

USD million	31/12/2013	31/12/2012
Due within one year	16	17
From one to five years	48	40
Thereafter	31	41
TOTAL	95	98



At 31 December 2013, ten aircraft lease agreements (31 December 2012: ten) belonged to entities classified as held for sale. The respective lease agreements have an average life of six-years with renewal option at the end of the term. There are no restrictions placed upon the lessee by entering into these agreements. Future minimum lease payments due under non-cancellable operating lease agreements were as follows:

USD million	31/12/2013	31/12/2012
Due within one year	54	44
From one to five years	117	126
Thereafter	9	25
TOTAL	180	195

SOCIAL COMMITMENTS

The Group contributes to mandatory and voluntary social programs and maintains social assets in the locations where it has its main operating facilities. The Group's social assets, as well as local social programmes, benefit the community at large and are not normally restricted to the Group's employees.

The Group's commitments are funded from its own cash resources.

33. CONTINGENCIES

LITIGATION

The Group had a number of claims relating to civil liabilities. At 31 December 2013, total claims under unresolved litigation amounted to approximately USD 138 million (31 December 2012: USD 156 million). Group management of the Group believes that the risk of an unfavourable outcome of the litigation is possible.

TAXATION CONTINGENCIES IN THE RUSSIAN FEDERATION

The Russian Federation currently has a number of laws related to various taxes imposed by both federal and regional governmental authorities. Applicable taxes include VAT, corporate income tax, insurance contributions to non-budget funds, together with others. Tax declarations, together with other legal compliance areas (for example, customs and currency control matters), are subject to review and investigation by a number of authorities which are enabled by law to impose severe fines, penalties and interest charges. Generally, tax declarations remain open and subject to inspection for a period of three years following the tax year.

While management of the Group believes that it has adequately provided for tax liabilities based on its interpretation of current and previous legislation, the risk remains that tax authorities in the Russian Federation could take differing positions with regard to interpretive issues. This uncertainty may expose the Group to additional taxation, fines and penalties.

POTENTIAL TAX EXPOSURES

The Group operates in different jurisdictions and its operations are subject to different tax regimes. Tax legislation in some jurisdictions is unclear, lacks established assessment practice, or may be subject to varying interpretations. There is a number of tax matters which are currently being enquired by relevant tax authorities. Management estimate that in case of adverse resolution of uncertainties in relation to such tax matters, the Group's obligations at 31 December 2013 may amount to USD 169 million (31 December 2012: USD 83 million) including a provision in amount of USD 154 million which was recognised in the consolidated financial statements in relation to such exposures (31 December 2012: USD nil).



ENVIRONMENTAL MATTERS

The Group is subject to extensive federal, state and local environmental controls and regulations in the countries in which it operates. The Group's operations involve pollutant emissions to air and water objects as well as the formation and disposal of production wastes.

Group management believes that its mining and production technologies are in compliance with all current existing environmental legislation in the countries in which it operates. However, environmental laws and regulations continue to evolve. The Group is unable to predict the timing or extent to which those laws and regulations may change. Such change, if it occurs, may require that the Group modernise technology to meet more stringent standards.

RUSSIAN FEDERATION RISK

As an emerging market, the Russian Federation does not possess a fully developed business and regulatory infrastructure, including the stable banking and judicial systems which would generally exist in a more mature market economy. The economy of the Russian Federation is characterised by a currency that is not freely convertible outside of the country, currency controls, low liquidity levels for debt and equity markets, and continuing inflation. As a result, operations in the Russian Federation involve risks that are not typically associated with those in more developed markets. The stability and success of Russian economy and the Group's business mainly depends on the effectiveness of economic measures undertaken by the government, as well as the development of legal system.

34. FINANCIAL RISK MANAGEMENT

CAPITAL RISK MANAGEMENT

The Group manages its capital structure in order to safeguard the Group's ability to continue as a going concern and to maximise the return to shareholders through the optimisation of debt and equity balance.

The capital structure of the Group consists of debt, which includes long and short-term borrowings, cash and cash equivalents and equity attributable to shareholders of the parent company, comprising issued capital, other reserves and retained earnings.

Management of the Group regularly reviews its gearing ratio, calculated as the proportion of net debt to equity, to ensure that

it is in line with the Group's investment grade, international peers and current rating level requirements.

Financial risk factors and risk management structure

In the normal course of its operations, the Group is exposed to a variety of financial risks: market risk (including interest rate and currency risk), credit risk and liquidity risk. The Group has in place risk management structure and control procedures to facilitate the measurement, evaluation and control of these exposures and related risk management activities.

Risk management is carried out by a financial risk management department, which is part of the treasury function. The Group has adopted and documented policies covering specific areas, a such as market risk management system, credit risk management system, liquidity risk management system and the use of derivative financial instruments.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely impact the financial results of the Group. The Group's interest rate risk arises from long- and short-term borrowings at floating rates.

The Group performs thorough analysis of its interest rate risk exposure regularly. Various scenarios are simulated. The table below details the Group's sensitivity to a 2 percentage point increase in those borrowings subject to a floating rate. The sensitivity analysis is prepared assuming that the amount of liabilities at floating rates outstanding at the reporting date was outstanding for the whole year.

USD million	LIBOR-impact	
	Year ended 31/12/2013	Year ended 31/12/2012
Loss	60	49

Management believes that the Group's exposure to interest rate risk fluctuations does not require additional hedging activities.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument denominated in foreign currency will fluctuate because of changes in exchange rates.

The major part of the Group's revenue and related trade accounts receivable is denominated in US dollars and therefore the Group is exposed primarily to USD currency risk. Foreign exchange



risk arising from other currencies is assessed by the Group's management as immaterial.

The carrying amounts of monetary assets and liabilities denominated in foreign currencies other than functional currencies of the individual Group entities at 31 December 2013 and 2012 were as follows:

USD million	Assets		Liabilities	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
USD	1,899	1,717	5,484	4,683
EURO	249	37	63	93
Other currencies	36	9	37	31
TOTAL	2,184	1,763	5,584	4,807

Currency risk is monitored on a monthly basis utilising sensitivity analysis to assess if a risk for a potential loss is at an acceptable level. The Group calculates the financial impact of exchange rate fluctuations on USD-denominated monetary assets and liabilities in respect of the Group entities with functional currencies other than USD.

The following table presents the increase/(decrease) of the Group's profit before tax to a 20% strengthening of the functional currencies of the Group entities against USD.

USD million	US Dollar - impact	
	31/12/2013	31/12/2012
USD/RUB	720	592
USD/BWP	(4)	(10)
USD/AUD	2	(1)

Management has assessed the Group's exposure to currency risk to be at an acceptable level and thus no exchange rate hedges are used.

Market risk on available-for-sale investments

The Group is exposed to the market risk in respect of its quoted and unquoted investments, amounting to USD 667 million at 31 December 2013 (31 December 2012: USD 1,469 million) (refer to note 17). Any further decline in fair value of those investments, for which impairment losses have been recognised, will be recorded in the consolidated income statement.

	Year ended 31/12/2013			Year ended 31/12/2012		
	Number of customers	Turnover, USD million	%	Number of customers	Turnover, USD million	%
Largest customer	1	1,018	9	1	1,016	8
Next 9 largest customers	9	3,777	33	9	3,608	30
TOTAL	10	4,795	42	10	4,624	38
Next 10 largest customers	10	1,488	13	10	1,527	12

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises from cash and cash equivalents, deposits with banks as well as credit exposures to customers, including outstanding uncollateralised trade and other receivables. The Group's exposure to credit risk is continuously monitored and controlled.

Prior to dealing with new counterparty, management assesses the credit worthiness of a potential customer or financial institution. Where the counterparty is rated by major independent credit-rating agencies, this rating is used to evaluate creditworthiness; otherwise it is evaluated using an analysis of the latest available financial statements of the counterparty and other publicly available information.

The balances of ten major counterparties are presented below. The banks have a minimum BBB- credit rating.

USD million	Outstanding balance	
	31/12/2013	31/12/2012
Bank A	337	447
Bank B	300	170
Bank C	211	122
Bank D	196	121
Bank E	185	70
TOTAL	1,229	930
Company A	223	229
Company B	36	75
Company C	24	58
Company D	18	44
Company E	17	39
TOTAL	318	445

The Group is not economically dependent on a limited number of customers because the majority of its products are highly liquid and traded on the world commodity markets. Metal and other sales to the Group's customers are presented below:



	Year ended 31/12/2013			Year ended 31/12/2012		
	Number of customers	Turnover, USD million	%	Number of customers	Turnover, USD million	%
TOTAL	20	6,283	55	20	6,151	50
Remaining customers		5,206	45		6,215	50
TOTAL		11,489	100		12,366	100

Group management believes that there is no significant concentration of credit risk.

The maximum exposure to credit risk for cash and cash equivalents, loans, irrevocable letters of credit, representing security deposits placed in banks at the end of the period, and trade and other receivables is as follows:

USD million	31/12/2013	31/12/2012
Cash and cash equivalents	1,621	1,037
Loans, trade and other receivables, promissory notes	698	1,175
Irrevocable letters of credit	355	-
Bank deposits	32	261

Liquidity risk

Liquidity risk is the risk that the Group will not be able to settle all liabilities as they fall due.

The Group has a well-developed liquidity risk management structure to exercise control over its short-, medium- and long-term funding. The Group manages liquidity risk by maintaining adequate reserves, committed and uncommitted banking facilities and reserve borrowing facilities. Management continuously monitors rolling cash flow forecasts and performs analysis of maturity profiles of financial assets and liabilities, and undertakes detailed annual and quarterly budgeting procedures.

Presented below is the maturity profile of the Group's borrowings (maturity profiles for other liabilities presented in note 29) based on contractual undiscounted payments, including interest:

31/12/2013 USD million	Total	Due within one month	Due from one to three months	Due from three to twelve months	Due in the second year	Due in the third year	Due in the fourth year	Due in the fifth year	Due thereafter
FIXED RATE BANK LOANS AND BORROWINGS									
Principal	3,239	420	-	-	-	1,069	-	750	1,000
Interest	748	-	42	131	173	131	88	72	111
	3,987	420	42	131	173	1,200	88	822	1,111
FLOATING RATE BANK LOANS AND BORROWINGS									
Principal	3,022	127	8	481	914	607	574	306	5
Interest	143	7	9	47	42	24	12	2	-
	3,165	134	17	528	956	631	586	308	5
TOTAL	7,152	554	59	659	1,129	1,831	674	1,130	1,116

31/12/2012 USD million	Total	Due within one month	Due from one to three months	Due from three to twelve months	Due in the second year	Due in the third year	Due in the fourth year	Due in the fifth year	Due thereafter
FIXED RATE BANK LOANS AND BORROWINGS									
Principal	2,614	200	420	780	428	429	357	-	-
Interest	141	22	12	51	32	19	5	-	-
	2,755	222	432	831	460	448	362	-	-
FLOATING RATE BANK LOANS AND BORROWINGS									
Principal	2,465	9	-	1,140	688	510	38	38	42
Interest	101	11	8	35	37	8	1	1	-
	2,566	20	8	1,175	725	518	39	39	42
TOTAL	5,321	242	440	2,006	1,185	966	401	39	42

At 31 December 2013 and 2012, the Group had the following financing facilities for the management of its day to day liquidity requirements:

USD million	31/12/2013	31/12/2012
Committed credit lines	2,827	3,905
Uncommitted credit lines	3,709	2,441
Bank overdraft facilities	181	212
TOTAL BORROWING FACILITIES	6,717	6,558
Less: Outstanding letters of credit	(215)	(531)
Less: Bank guarantees received	(22)	(77)
Less: Obtained bank loans related to the above facilities	(3,408)	(3,745)
NET FACILITIES AVAILABLE AT THE END OF THE YEAR	3,072	2,205



35. FAIR VALUE OF FINANCIAL INSTRUMENTS

Management believes that the carrying value of financial instruments such as cash (refer to note 22), short-term accounts receivable (refer to note 20) and payable (refer to note 29), short-term loans given (refer to note 17), long-term available-for-sale investments (refer to note 17) whose values were mainly determined with reference to quoted market prices, approximate their fair value.

Certain financial instruments such as long-term accounts receivable, long-term promissory notes receivable and finance leases obligations were excluded from fair value analysis either due to their insignificance or due to the fact that assets were acquired or liabilities assumed close to the reporting dates and management believes that their carrying value either approximates their fair value or may not significantly differ from each other.

At 31 December 2013, the fair value of long-term promissory notes receivable calculated based on the present value of future cash flows, discounted at the best management estimation of market rates, does not significantly differ from the carrying value of these notes.

Financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly or indirectly; and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

At 31 December 2013, the Group had derivative financial instruments amounted to USD 5 million (31 December 2012: USD 3 million) recognised within Level 2.

Presented below is information about loans and borrowings, whose carrying values differ from their fair values.

USD million	31/12/2013		31/12/2012	
	Carrying value	Fair value Level 1	Carrying value	Fair value Level 1
LOANS AND BORROWINGS				
Fixed-rate notes and corporate bonds	2,807	2,797	493	492
TOTAL	2,807	2,797	493	492

USD million	31/12/2013		31/12/2012	
	Carrying value	Fair value Level 2	Carrying value	Fair value Level 2
LOANS AND BORROWINGS, INCLUDING:				
Variable-rate loans and borrowings	2,978	2,890	2,442	2,424
Fixed-rate loans and borrowings	420	420	2,083	2,088
TOTAL	3,398	3,310	4,525	4,512

The fair value of financial assets and liabilities presented in table above is determined as follows:

- The fair value of corporate bonds was determined based on market quotations existing at the reporting dates;
- The fair value of variable-rate and fixed rate loans and borrowings at 31 December 2013, was calculated based on the present value of future cash flows (principal and interest), discounted at the best management estimation of market rates, taking into consideration currency of the loan, expected maturity and risks attributable to the individual borrower exists at the reporting date. The discount rates ranged from 2.05% to 3.03% for USD-denominated loans and borrowings (2012: from 3.29% to 4.70%).

36. EVENTS SUBSEQUENT TO THE REPORTING DATE

DISPOSAL OF GOLDFIELDS ASSETS

On 21 January 2014, Norilsk Nickel Australia Pty Ltd, a subsidiary of the Group, entered into a binding agreement to sell its goldfields assets in Western Australia, which are classified as assets held for sale as at 31 December 2013. Consideration payable includes upfront and deferred cash components and a royalty upon the commencement of production, with a total aggregate value of up to USD 35 million. The sale is subject to regulatory approvals and satisfaction of other customary closing conditions and is expected to close in the first half of 2014.



37. INVESTMENTS IN SIGNIFICANT SUBSIDIARIES AND ASSOCIATES

Subsidiaries by business segments	Country	Nature of business	Effective % held	
			31/12/2013	31/12/2012
GMK GROUP				
OJSC "RAO "Norilsk Nickel"	Russian Federation	Investment holding	100.0	100.0
OJSC "Norilsky Mining-Metallurgical Kombinat"	Russian Federation	Rental of equipment	100.0	100.0
OJSC "Taimyrgaz" ¹	Russian Federation	Gas extraction	99.8	99.7
OJSC "Norilskgazprom" ¹	Russian Federation	Gas extraction	56.2	40.5
OJSC "Taimyreneργο"	Russian Federation	Rental of equipment	100.0	100.0
OJSC "Norilsko-Taimyrskaya Energeticheskaya Kompaniya"	Russian Federation	Electricity production and distribution	100.0	100.0
LLC "Zapoliarnaya stroitel'naya kompaniya"	Russian Federation	Construction	100.0	100.0
LLC "Norilsknickelremont"	Russian Federation	Repairs	100.0	100.0
LLC "Norilskgeologiya"	Russian Federation	Geological works	100.0	100.0
LLC "Norilskiy obespechivaushiy complex"	Russian Federation	Production of spare parts	100.0	100.0
KGMK GROUP				
OJSC "Kolskaya Mining and Metallurgical Company"	Russian Federation	Mining and Metallurgy	100.0	100.0
LLC "Pechengastroy"	Russian Federation	Construction	100.0	100.0
OTHER INDUSTRIAL				
LLC "Institut Gypronickel"	Russian Federation	Science	100.0	100.0
LLC "GRK "Bystrinskoye"	Russian Federation	Mining	100.0	100.0
Metal Trade Overseas A.G.	Switzerland	Distribution	100.0	100.0
Norilsk Nickel Harjavalta Oy	Finland	Metallurgy	100.0	100.0
OTHER NON-INDUSTRIAL				
CJSC "Taimyrskaya Toplivnaya Kompaniya"	Russian Federation	Supplier of fuel	100.0	100.0
OJSC "Enisey River Shipping Company"	Russian Federation	River shipping operations	54.0	54.0
OJSC "Arkhangelsk Sea Commercial Port"	Russian Federation	Sea port	74.8	74.8
LLC "Aeroport Norilsk"	Russian Federation	Airport	100.0	100.0
OJSC "Aviakompania "Taimyr" ^{1,2}	Russian Federation	Aircompany	100.0	88.1

Associates by business segments	Country	Nature of business	Effective % held	
			31/12/2013	31/12/2012
OTHER INDUSTRIAL				
Nkomati Nickel Mine ²	Republic of South Africa	Mining	50.0	50.0

¹ Increase of ownership during year ended 31 December 2013

² At 31 December 2013 classified as assets held for sale

GLOSSARY

ACID LEACHING. Leaching with (solutions of) acids as treating chemicals.

AGGLOMERATE. Sintered ore produced during the process of agglomeration.

AGGLOMERATION. A means of forming relatively large porous blocks (agglomerates) from fine ore or powder ore by sintering (roasting) ore. In this process, easily fusible materials fix solid particles with each other while hardening.

ANODE. Crude metal (nickel or copper) obtained from anode smelting and fed for electrolytic refining (electrolysis), whereby it is dissolved.

CAKE. Solid residue obtained from pulp filtering resulting from the leaching of ores, concentrates or intermediate metallurgical products, as well as the purification of technological solutions.

CATHODE. Pure metal (nickel or copper) obtained as a result of electrolytic refining of anodes.

CONCENTRATE. A product resulting from ore enrichment, with a high grade of extracted mineral. The concentrate is named after the most prevalent metal (copper, nickel, etc.).

CONCENTRATION. Artificial improvement in the mineral grades in the rock for metallurgical purposes by removing a major portion of waste rock that does not contain any beneficial minerals.

CONVERSION. Autogenous pyrometallurgical process, where ferrous and other detrimental impurities are oxidised and removed as slag. The result of the conversion is blister copper (copper concentrate smelting) or high-grade matte (copper and nickel concentrate smelting).

CUPROUS ORES. Ores containing 20% to 70% sulphides. Mineralisation is as follows: nickel 0.2–2.5%, copper 1–15%, platinum group metals 5–50 g/ton.

DISSEMINATED ORES. Ores containing 5 to 30% sulphides, 0.2 to 1.5% nickel, 0.3 to 2% copper, 2 to 10 g/ton platinum group metals.

DRYING. Removal of moisture from concentrates, performed in designated drying furnaces (to a moisture level below 9%).

ELECTROLYSIS. A series of electrochemical oxidations through reactions at electrodes in contact with an electrolyte by the passage of an electric current from an external source.

FILTRATION. The process of reducing the moisture of the pulp by moving liquids or gases through a porous medium.

FLASH SMELTER. An autogenous smelter for the processing of dry concentrates. Smelting occurs during the flow of crushed rock through a gas oxidiser (air, oxygen), which suspends particles of melted metal. The heat generated by the oxidising reaction is actively used in the process.

FLOTATION. A process of concentration by selectively attaching air bubbles to mineral particles within pulp. Dry mineral particles do not attach well to the air bubbles and rise through the suspension to the top of the pulp, producing foam. Mineral particles that absorb moisture well attach themselves to the bubbles and remain in the pulp. In this way, the metals are separated.

HIGH-GRADE MATTE. A metallurgical semi-product produced as a result of matte conversion. Depending on the chemical composition, the following types of high-grade matte are distinguished: copper, nickel and copper-nickel.

LEACHING. Selective dissolution of any or a number of components of the processed solid material in organic solvents or water solutions of inorganic substances.

MATTE. Intermediate product in the form of alloy of ore sulphides and non-ferrous metals with varying chemical composition. Matte is the main product in which precious and auxiliary metals are accumulated.

METAL CONTENT. Ratio of metal mass in dry material to total dry weight of the material, as percentage or grams per tonne (g/ton).

METAL EXTRACTION. Ratio of the quantities of a component extracted from the original material to its quantity in the original material (as a percentage or fraction of an integer).

MINE. A mining location for extraction of ores.

MINERAL DEPOSIT. A mass of naturally occurring mineral material near to the surface, or deeper underground, which is suitable for economic use in terms of quantity, quality and conditions.

ORE MIXTURE. A mixture of materials in a certain proportion needed to produce the required chemical composition of ultimate product. Smelting charge can include ore, concentrates and agglomerates, return slag, trapped dust, and metals (mostly as scrap)

ORE. Natural minerals containing metals or their compounds in economically valuable amounts and forms.

OXIDE. A compound of a chemical element with oxygen.

PROBABLE ORE DEPOSITS. Part of indicated or, in some cases, explored mineral reserves, the mining of which is economically reasonable. Such deposits include diluted rocks, and suggest possible losses during production.

PROVEN ORE DEPOSITS. Part of explored mineral reserves, the mining of which is economically reasonable. Such deposits include diluted rocks, and suggest possible losses during production.

PULP. A mixture of crushed minerals with water or a water solution.

PYROMETALLURGICAL PROCESSES. Metallurgical processes performed at high temperatures. In accordance with the technological characteristics, the following types of pyrometallurgical processes are distinguished: roasting, smelting and conversion.

REFINEMENT. The process of extracting high-purity precious metals by separating and removing their impurities.

RICH ORES. High-sulphide grade (over 70%) ores. Mineralisation is as follows: nickel 2–5%, copper 2–25%, platinum group metals 5–100 g/ton.

ROASTING. A process performed upon heating and keeping various materials (ores, concentrates, etc.) to eliminate light components and change the chemical composition of such material at temperatures enabling various chemical reactions between solid components of the processed material and gases and insufficient for the melting of solid components.

SHOP AREA. A part of a metallurgical shop.

SLAG. Melted or solid substance with a varying composition that covers the liquid product in the course of metallurgical processes (obtained from melting the ore mixture, processing melted intermediate products and metal refining) and which includes waste rock, fluxing substances, fuel ash, sulphides and metal oxides, the products of interaction between the processed materials and the lining of the melting facilities.

SLUDGE. Powder product containing precious metals precipitated during electrolysis of copper and other metals.

SMELTING. A pyrometallurgical process performed at high temperatures enabling the complete melting of the processed metal.

SULPHIDES. A compound of metals and sulphur.

TAILING PIT. A complex of hydraulic structures used to receive and store mineral waste/tailings.

TAILINGS. Waste materials left over after concentration operations containing primarily waste rock with a minor amount of precious metals.

THICKENING. The separation of liquid (water) from solid particles within the dispersion systems (pulp, suspension or colloid) based on natural precipitation of solid particles under gravity in waste basins, thickeners and centrifugally in cyclones.

UNDERGROUND (SUBSURFACE) MINING. Stripping, preparatory and sloped excavation works on a natural resource.

VANUKOV FURNACE. An autogenous smelter for the processing of concentrates. Smelting is performed in a bath of liquid slag and matte, which is intensively rabbled by a mixture of air and oxygen. The heat generated by the oxidising reaction is actively used in the process.

Measurement units conversion

Length		Area		Weight	
1 km	0.6214 miles	1 m ²	10.7639 sq. feet	1 kg	2.2046 pounds
1 m	3.2808 feet	1 km ²	0.3861 sq. miles	1 metric tonne	1,000 kg
1 cm	0.3937 inch	1 hectare	2.4710 acres	1 short tonne	907.18 kg
				1 troy ounce	31.1035 grams

Length		Area		Weight	
1 mile	1.609344 km	1 sq. foot	0.09290304 m ²	1 pound	0.4535924 kg
1 foot	0.3048 m	1 sq. mile	2.589988 km ²	1 gram	0.03215075 troy ounce
1 inch	2.54 cm	1 acre	0.4046873 hectare		

Rates of exchange in 2009–2013

This Appendix contains currency exchange rates used for converting rouble-denominated expenditure amounts to US dollars.

Russian rouble/US dollar	2013	2012	2011	2010	2009
Average rate for the year ending December 31, 2013	31.85	31.09	29.39	30.37	31.72

Disclaimer

This Annual Report (hereinafter, the Annual Report) has been prepared based on the information available to the Open Joint Stock Company Metals and Mining Company Norilsk Nickel (hereinafter, MMC Norilsk Nickel or the Company) and its subsidiaries (hereinafter, Norilsk Nickel or the Group) as at the issue date.

This Annual Report includes certain forward-looking statements with respect to the Group's operations, economic indicators, financial position, results of operating and production activities, its plans, projects and expected results, as well as the trends related to commodity prices, production and consumption volumes, costs, estimated expenses, development prospects, useful lives of assets, reserve estimates and other similar factors and economic projections with respect to the industry and markets, start and completion dates of certain geological exploration and production projects, and liquidation or disposal of certain entities (including related costs).

Words such as "intends", "strives", "projects", "expects", "estimates", "plans", "considers", "assumes", "may", "should", "will", "continues" and other words with similar meanings usually indicate the forward-looking nature of the statement.

These forward-looking statements, due to their specific nature, involve inherent risks and uncertainty (both general and particular), and there is a risk that the assumptions,

expectations, intentions and other projection statements may never transpire. In the light of the above risks, uncertainties and assumptions, the Company advises that the actual results may differ significantly from the indicated, directly or indirectly, in the said forward-looking statements that are effective only at the date of this Annual Report.

The Company neither confirms nor guarantees that the results indicated in these forward-looking statements will be achieved. Norilsk Nickel accepts no responsibility for any losses that may be incurred by any individual or legal entity by their reliance on the forward-looking statements. Each particular forward-looking statement represents one of the numerous development scenarios and should not be treated as the most probable one.

In particular, other factors that may affect the starting date of construction or production, estimated expenses and volume of production, or useful lives of assets include the possibility of deriving profit from production, the effect of exchange rate changes on commodity prices of the goods produced, activities of the government authorities in the Russian Federation and other jurisdictions where the Group explores, develops or uses the assets, including changes in tax, environmental and other laws and regulations. This list of significant factors is not exhaustive. When considering forward-looking statements, the above factors should be carefully considered and taken into account – in particular, the economic, social and legal environment of the Group's activities.

Except for cases directly provided for by the applicable laws, the Company does not assume any obligations to publish updates and amendments to the forward-looking statements, based on either new information or subsequent events.

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REGISTRAR

CJSC COMPUTERSHARE REGISTRAR

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RF FSC Licence No. 10-000-1-00252, dated September 6
2002, valid indefinitely
www.computershare-reg.ru

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Monday-Thursday from 10:00 to 16:30
Friday from 10:00 to 15:00

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Friday from 10:00 to 16:00, lunch break from 13:00 to 14:00

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Feedback form is presented
in the online report