

Metals in Our Lives

Annual Review of MMC
Norilsk Nickel for 2010



NORILSK NICKEL

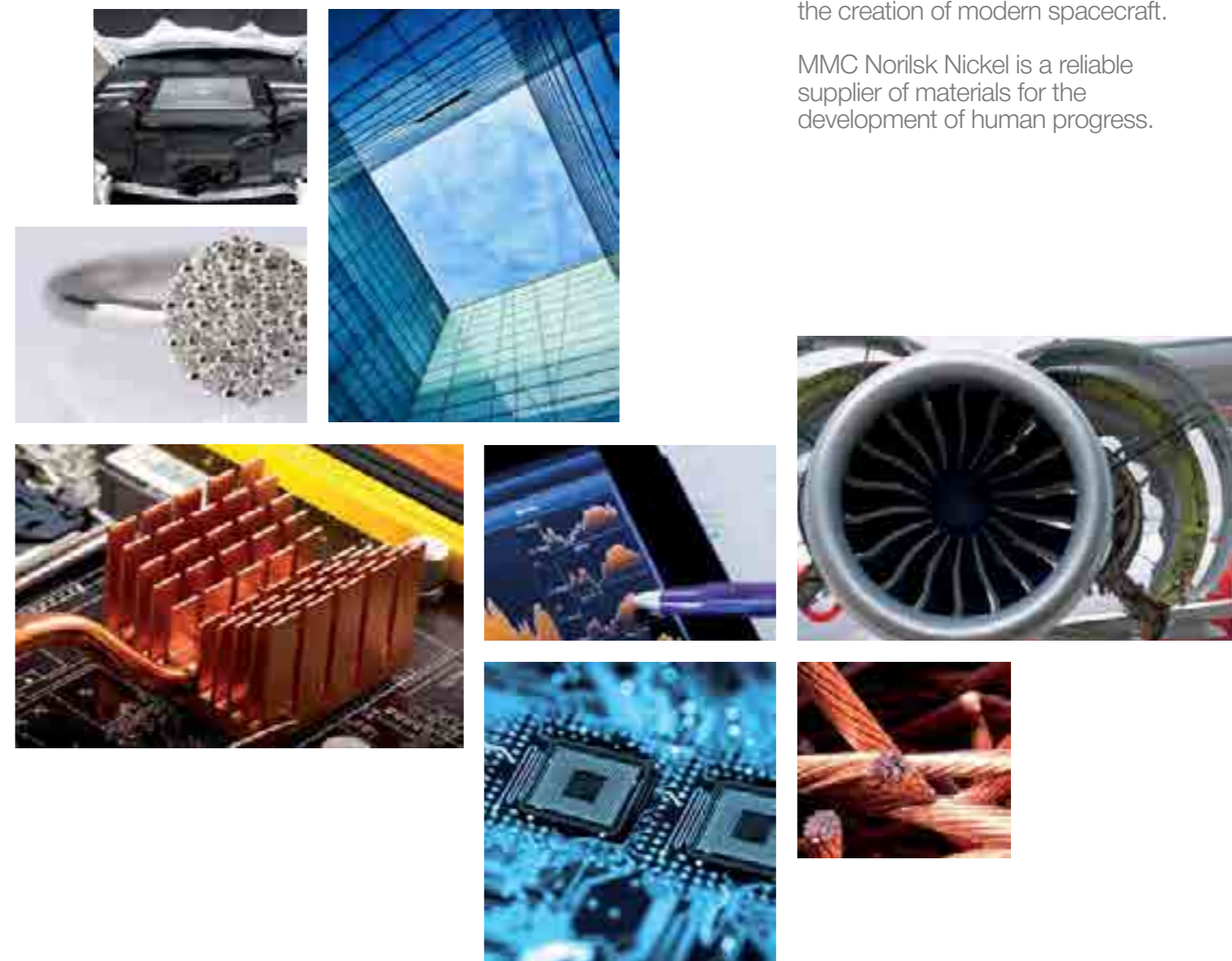
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Metals in our Lives

Modern civilization as we know it could not exist without the large-scale use of metals. Metal products have accompanied humankind throughout its evolution as a stimulus to scientific and technological progress. Base and precious metals are used in all areas of human activities, from the use of microscopic cards in cellphones to the creation of modern spacecraft.

MMC Norilsk Nickel is a reliable supplier of materials for the development of human progress.



Disclaimer

This Annual Review has been prepared based on the information available to the Open Joint Stock Company Mining and Metallurgical 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 Review 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, and there is a risk that the assumptions, expectations, intentions and other projection statements may never come to life. In the light of the above risks, uncertainties and assumptions, the Company notifies 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 Review.

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, 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 obligations 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.

Norilsk Nickel is the leader of the Russian mining and metals industry, 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 by-products, such as cobalt, rhodium, silver, gold, iridium, ruthenium, selenium, tellurium and sulfur.

The Group's core operations include prospecting, exploration, extraction, refining and metallurgical processing of minerals, as well as production, marketing and sale of base and precious metals.

The sales geography covers more than 20 countries' production, including the European Union (EU), China, the United States of America (USA), Japan, India, South Korea and Taiwan.

Our mission

Our mission is to strengthen our leadership position in the global mining and metals industry and our role as a reliable producer and supplier of base and precious metals.

Our strategy

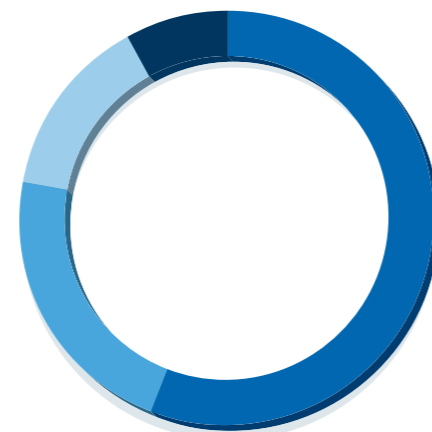
Our strategy is to create long-term shareholder value founded in the effective usage of unique mineral resources, stability of operating costs, realization of growth potential through prospecting, exploration and development of world-class mineral deposits, promotion of stable development of the markets for MMC Norilsk Nickel products and promotion of stable development in the regions in which Group entities operate.

The sales geography covers more than 20 countries, including:

- EU
- China
- USA
- Japan
- India
- South Korea
- Taiwan

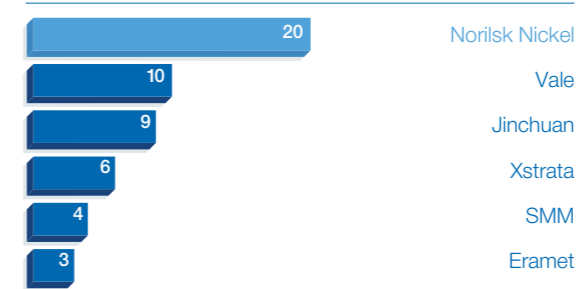
Revenue breakdown by region, 2010

- Europe, 56%
- North America, 22%
- Asia, 14%
- Russia, 8%



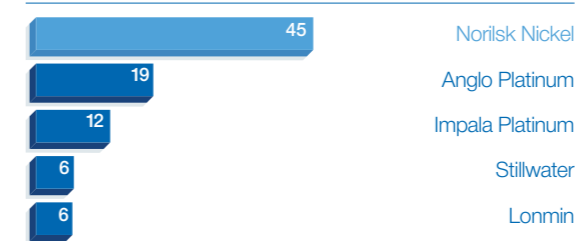
The Company's Position on Key Markets

Nickel-producing companies, (%)

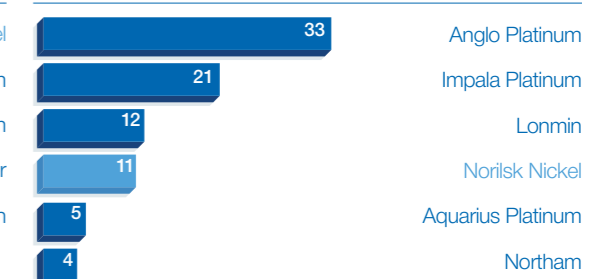


90%
of nickel produced in Russia

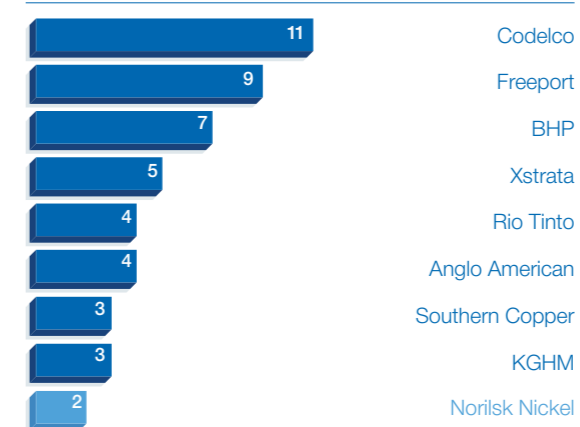
Palladium-producing companies, (%)



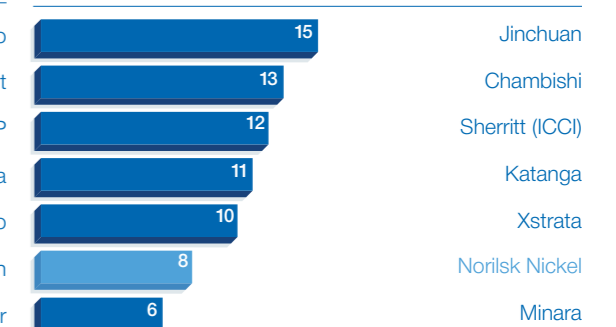
Platinum-producing companies, (%)



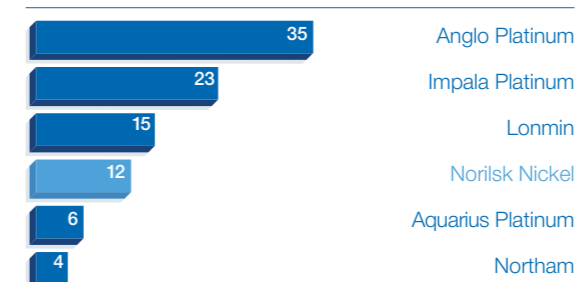
Copper-producing companies, (%)



Cobalt-producing companies, (%)



Rhodium-producing companies, (%)



The Group's share

1%
of Russia's GDP

3%
of Russia's exports

2%
of Russia's industrial production

7.4%
of non-ferrous industrial production

Corporate Overview

The Group's production units are based across three continents in five countries: Russia, Australia, Botswana, Finland and South Africa.

The Company's main assets

Mining and processing Polar Division
Mining, concentration and smelting of ore containing nickel, copper, palladium, platinum, cobalt and gold

Kola MMC
Mining, concentration and smelting of nickel-containing nickel ore

Tati Nickel
Mining, concentration of nickel-containing nickel ore

Nkomati Nickel
Mining, concentration of nickel-containing nickel ore

Cawse, Black Swan and Lake Jonston (C/BS/LJ)
Mining, concentration of nickel-containing nickel ore

Global sales network
Pittsburgh
London
Zug
Beijing
Shanghai
Hong Kong

R&D centers
Gipronickel Institute



Conventional symbols	
Headquarters	ⓘ
Mines	▲
R&D centers	ⓐ
Smelting plants	Ⓜ
Distribution center	Ⓛ

Notes:
* Excluding PGM reserves (resources) of International assets.
** Excluding copper reserves (resources) of the Bystrinskoye Deposit.

Note:
* Due to rounding, totals may differ from the sums of components. In some cases, individual figures may differ slightly from earlier published values.

Mineral reserves and resources

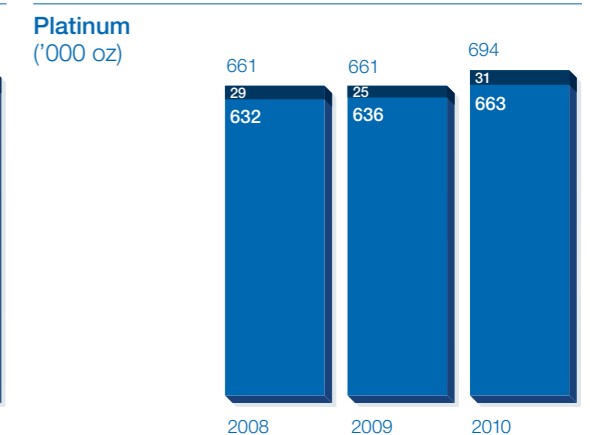
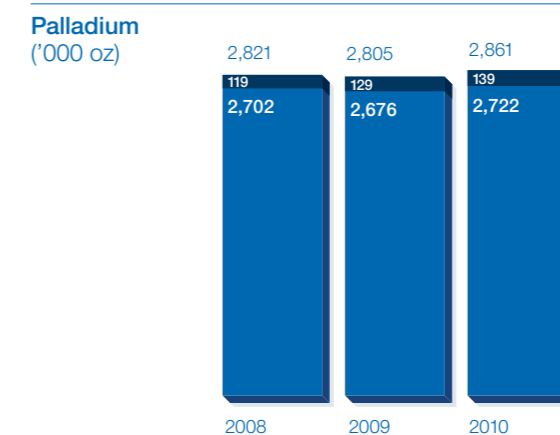
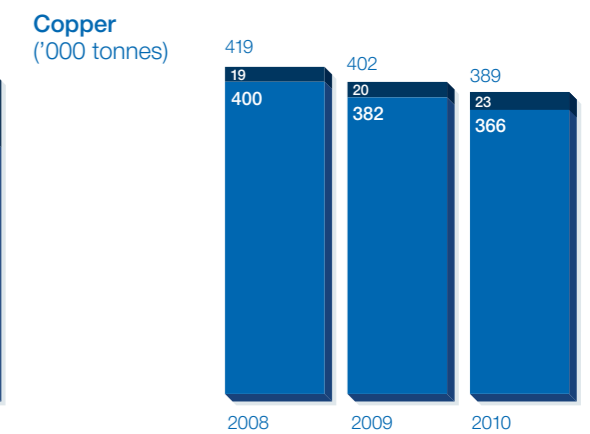
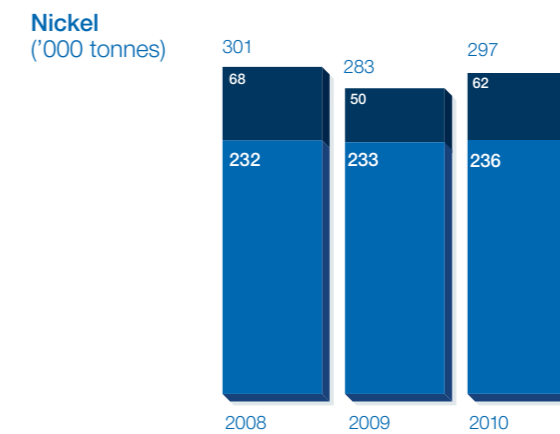
Ore (tonnes)
782,603,000
Proven and probable

2,422,355,000
Measured and indicated

Nickel (tonnes)	Copper** (tonnes)	Palladium* (oz)	Platinum* (oz)
6,609,550 Proven and probable	8,874,200 Proven and probable	61,176,000 Proven and probable	16,171,000 Proven and probable
12,615,500 Measured and indicated	16,903,500 Measured and indicated	135,459,000 Measured and indicated	38,667,000 Measured and indicated

Metal production by Group entities*

■ Russia
■ Norilsk Nickel International



Corporate Financial and Operational Indicators

A unique raw material mineral base enables the Company to retain its competitive advantage in the industry and provides stability of production and long-term forecasts.

To strengthen the Company's position as the leading global mining and metallurgical entity, the top priority objectives are to optimize international operations and focus on the development of key production assets.

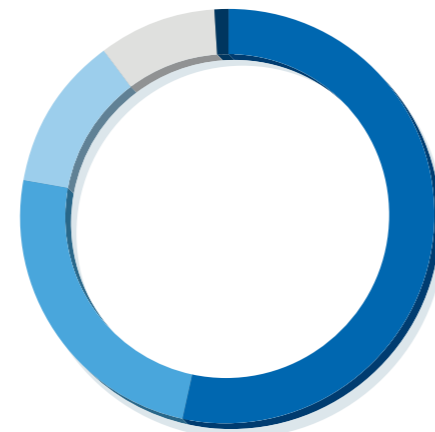
The Management of MMC Norilsk Nickel works constantly to optimize business processes, improve operational indicators, reduce costs, and enhance efficiency at all levels in order to create additional value for Norilsk's shareholders.

Highly skilled employees, R&D divisions, and state of the art equipment enable the Company to introduce new innovations to optimize production processes and reduce production costs. MMC Norilsk Nickel firmly maintains its position as the world's lowest-cost producer of nickel.

A stable financial position enables the Group to fully meet its obligations in a timely manner. In 2010, revenue from metal sales increased by 50% and was USD 12.1 billion, while total revenue was USD 12.8 billion. Adjusted EBITDA increased by 72% from USD 4.2 to 7.2 billion. Net profit grew to reach USD 3.1 billion. Based on the 2010 fiscal year results, dividends were distributed at 180 rubles per share, with the total distributed dividends reaching ca. USD 1.2 billion. As of the end of the year, total debt was USD 2.8 billion, while cash assets and cash equivalents were USD 5.4 billion. The Group's capital investments totaled USD 1.2 billion in 2010.

Revenue breakdown by metal, 2010

- Nickel, 53%
- Copper, 24%
- Palladium, 12%
- Platinum, 9%
- Other, 1%

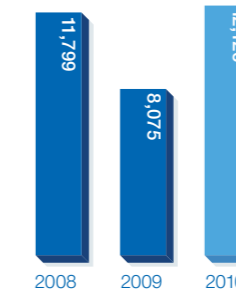


Revenue from metal sales in 2010 (USD million)

USD 12,126 mn
+50%

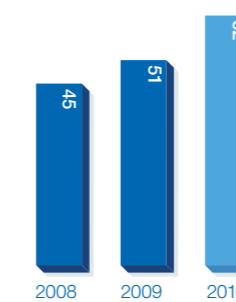
Revenue from metal sales (USD million)

USD 12,126
+50%



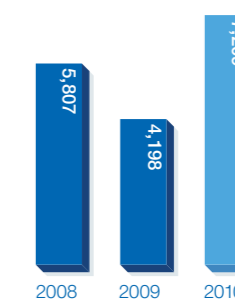
Gross profit/revenue (%)

62%



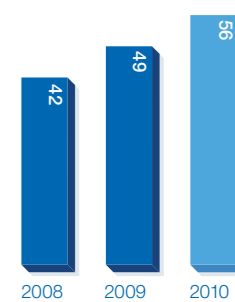
EBITDA (USD million)

USD 7,209
+72%



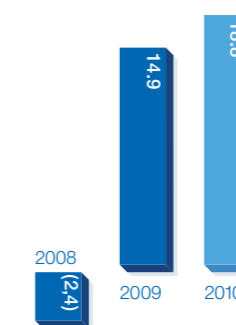
EBITDA margin (%)

56%



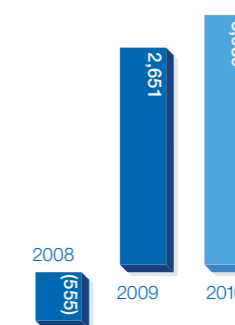
Profit per share (USD million)

USD 18.8



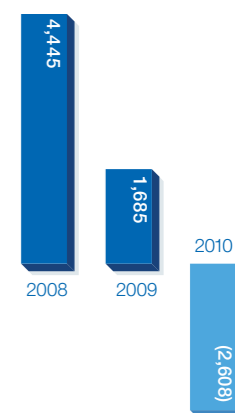
Net profit (USD million)

USD 3,089
+17%



Net debt (USD million)

USD (2,608)





Dear Shareholders,

Last year, after the global crisis that hit all metallurgical companies worldwide, the Company, for the first time in a long while focused on development without any aggressive mergers or takeovers, investing in infrastructure and production in a careful and balanced manner. Adopting a conservative budget, Norilsk Nickel created a strong reserve that made it possible to react effectively to both the fluctuations in world metal prices and strengthening of the ruble. Last year, it was of primary importance to switch systematically from crisis survival tactics to the development strategy; and throughout the year we focused closely on elaborating the Strategy for Production and Technical Development for the Period Ending 2025. For the first time, the draft Strategy thoroughly focuses on the issues of product and geographic diversification, outlines a comprehensive integration of the existing external assets into the Norilsk Nickel Group, and places special emphasis upon environmental issues.

Top priority activities for Norilsk Nickel Group

Measures aimed at maintaining the production levels in Russia have been and remain among MMC Norilsk Nickel's top priorities. These measures include construction and putting into operation of raw materials facilities, which will replace the retired mining facilities for high-grade and cuprous ores.

Increasing production capacity

Last year, Norilsk Nickel put into operation new production facilities. At the Taimyr Mine, facilities with a capacity of 300 thousand tonnes of ore a year were put into operation. At the Severny-Glubokiy Underground Mine, the third startup complex was put into service and reached the design capacity of 6 million tonnes of ore a year. This work continues. At present, the Company is constructing new facilities at the Oktyabrsky, Taimyr, Komsomolsky mines. Specifically, as early as 2011 we expect capacity to increase by 1.3 million tonnes of cuprous ore a year at the Oktyabrsky Mine.

Process improvement

Simultaneously, the Company has been working to improve its metallurgical treatment process. To replenish the mineral resources base, the Company continues its geological exploration, primarily on the Norilsk and Kola sites near the operating facilities.

Commitment to environmental protection

Environmental activities are an important part of our Modernization Program. At present, MMC Norilsk Nickel conducts environmental activities in close cooperation with government agencies, social organizations, and scientific institutions. Norilsk Nickel and the Federal Service for the Oversight of Natural Resources entered into a cooperation agreement, held joint public consultations in Norilsk, and agreed upon an action plan to implement the agreement. Over several years, the most significant problem in the Norilsk Industrial Region has been the issue of sulfur disposal, so the Company management thoroughly analyzed the global experience and announced an international tender. Kola MMC entered the final phase of the construction of a briquetting workshop. The briquetting technology will make it possible to reduce sulfur emitted into the atmosphere many times over.

Social development

For us, no less important than environmental activities is the creation of normal working and living conditions for our employees. In 2010, the Company continued the implementation of its social programs and fully performed all of its social obligations to its employees and operational areas. Norilsk Nickel proved itself to be a unique entity implementing the most substantial social program in the Russian Federation; the Company management makes considerable investment in human resources, social stability and well being in its areas of operation. Wages and salaries paid by the Norilsk Nickel entities are the highest in the industry.

Of the utmost importance for both the Company as a whole and the Norilsk Industrial Region are the agreements between the Russian Ministry of Regional Development, the Krasnoyarsk Territory, and MMC Norilsk Nickel, entered into with the participation of Russian Prime Minister Vladimir Putin. These agreements provide for the modernization of housing and social facilities, construction by the Company of two kindergartens, a swimming-pool, and a sport and recreation center in the Norilsk Industrial Region. In addition, the agreements are aimed at solving issues related to migration to favorable climatic areas. During his visit the Russian Prime Minister noted that the Company had come through the financial crisis period unscathed and demonstrates successful financial and economic performance.

Tax policy

The Company's areas of operation depend upon the replenishment of local budgets with taxes, including those paid by Norilsk Nickel. We are a truly Russian company registered in Russia, our property, including the Arctic fleet, is registered in Russia, and we pay our taxes fully and in a timely manner. Norilsk Nickel shares continue to show positive dynamics: they are liquid and asset-backed.

"In addition, the Company's financial performance in 2010 makes it possible to be optimistic about the future."

Letter from the General Director

Increase in capitalization

In the reporting year, the MMC Norilsk Nickel management initiated long-term market capitalization enhancement program. The program provides a package of measures aimed at managing the Company capital, including capital repayment, determines approaches to non-core asset management, and correlates the issues of financing the Company's operating activities with the current strategic objectives. The results of Management's efforts in this area became tangible as early as 2011—the value of the Company shares grew faster than the market, volatility reduced, and the traditional discount in relation to global peers disappeared.

Financial and operational indicators

In addition, the Company's financial performance in 2010 makes it possible to be optimistic about the future - revenue from metal sales increased by 50% owing to an increase in product sales and a favorable situation in the global metal markets. In connection to this, expenses incurred by Russian entities which are the Group's key production facilities increased by only 5% in dollar terms. Owing to the Company's income growing faster than expenses, EBITDA margin increased by 56%. This high operating income margin is indicative of strong fundamental characteristics of the Group's business, on the one hand, and the management's well-coordinated and rhythmical work aimed at retaining and developing the Company's competitive edge. Strong operational and financial indicators enabled Management and the Board of Directors to propose for the approval of shareholders a dividend of 180 RUB per share for 2010.

I would like to emphasize that Management will not stop at what has been accomplished but rather will continue working hard for the benefit of all of shareholders, employees, partners, residents in areas of operation, and the Company!"



Sincerely yours,
Vladimir Strzhalkovskiy

"... Management will not stop at what has been accomplished but rather will continue working hard for the benefit of all of shareholders, employees, partners, residents in areas of operation, and the Company!"

"Strong operational and financial indicators enabled Management and the Board of Directors to propose for the approval of shareholders a dividend of 180 RUB per share for 2010."

Corporate Plans for 2011

The corporate plans for 2011 are as follows:

Mining and metallurgical business unit

To continue the construction of startup facilities of the Polar Division and Kola MMC's extractive entities.

To put Polar Division's production facilities into operation.

To complete installation and construction work and put facilities into operation in order to replenish and maintain the production capacity of the anhydrite-producing Angidrit Mine at 1,500 thousand tonnes a year.

To complete installation and construction work and put into operation the facilities of Impoverishing Furnace No. 4 and start disassembling the facilities of Impoverishing Furnace No. 2 aimed at rehabilitating the impoverishing furnaces, which will increase the capacity of the nickel concentrate processing line from 2,000 to 2,400 thousand tonnes a year in the future.

To implement a project aimed at providing the Talnakh Enrichment Plant with additional production facilities in order to process increasing ore production. In 2011, design and exploration work and the purchase of disintegrating equipment are planned.

To continue the implementation of the environmental program aimed at reducing sulfur-dioxide emissions and sulfur disposal at the Polar Division.

To complete work and put into operation the project for modernization of facilities designed to reduce sulfur dioxide emissions in Zapolyarny by switching to roasting-free technology for concentrate briquetting.

To ensure the reliable supply of electricity for the industrial facilities of the Company entities and for the residential sector of the Norilsk industrial region

To continue implementing projects for the exploitation and infrastructural development of the Pelyatkinskoye gas condensate deposit and the construction of gas and condensate pipelines from the deposit to Dudinka.

To continue implementing projects for the rehabilitation of power generation facilities; to start implementing projects for the replacement of the retiring generating equipment of CHPP 2 (Talnakh) and the Ust-Khantaiskaya HPP (Snezhnogorsk) in order to ensure secure electricity supply and stable operation of the electric energy system.

To continue implementing projects for the creation of a unified automatic emergency control system making it possible to ensure secure electricity supply and stable operations ahead of the planned increase in electricity consumption from a series of hydraulic power plants. This is in order to implement environmental measures that form part of the Company's obligations to reduce pollutant emissions within established deadlines; and implement a project for the rehabilitation of electric grid facilities in order to fully use electricity from the Kureyskaya and Ust-Khantaiskaya HPPs.

Optimization of the transportation and logistic system and enhancement of transportation independence of the Company

To finish Phase 1 of the investment project for the construction of a corporate transshipping terminal in Murmansk. Construction of the corporate terminal in the Northwestern Administrative District of the Russian Federation will make it possible to ensure economic security for the Company in terms of transportation of its products.

To complete the construction and put into operation an Arctic category tanker, with the aim of exporting gas condensate and supplying oil products to the Norilsk Industrial Region throughout the year.

To start the construction of a container-carrying icebreaker. The implementation of this project will mean the Company will no longer require the services of third-party freight carrier and will optimize cargo traffic of the Company. The icebreaker is scheduled to be put into operation in 2013.

To realize growth potential by prospecting for mineral deposits and the exploration and development of these

To recover the mineral resources base for the future development of MMC Norilsk Nickel in areas with producing deposits.

To continue implementing the project for the development of complex deposits in the Zabaikalsk Territory (Bystrinskoye copper, gold, silver and iron deposit and Bugdainskoye molybdenum deposit). Plans for 2011 include: the design of the Bystrinsky and Bugdainsky mining and processing plants, continue designing approach railroads and motor roads for the deposits, provide temporary electricity supply for the facilities of the designed plants. In addition, plans for 2011 include financing the Company's obligations in terms of construction of the Naryn-1 – Gazimursky Plant, as specified in the Investment Project Certificate.

Performance of corporate social obligations

To continue the renovation of the Zapolyarye Sanatorium (Sochi) in order to enhance the quality of services provided by the Sanatorium, increase room capacity, and Sanatorium maintenance costs. The renovation of the Sanatorium will enable Company employees to be provided with (accommodation, meals, therapy, leisure, etc.) services meeting international standards.

To continue the implementation of the program for motivating skilled personnel toward working in the Norilsk Industrial Region and the Kola Peninsula by creating conditions for them to buy "continental" residential space.

To build a 700-guest health center for families with children in Arkhipo-Osipovka Village in the Gelendzhik area, Krasnodar Territory. This center will make it possible for families with children to receive modern comprehensive health and leisure services meeting state-of-the-art international requirements.

Nickel is a silvery-white plastic ductile metal. It is very hard and tough, and magnetic. Nickel is characterized by its high melting temperature and corrosion resistance. It is stable in the air, water, in alkalis, and some acids.

The main nickel ore deposits are in Canada, Russia, Cuba, South Africa, New Caledonia, and Australia.

The main global nickel producers are Canada, Russia, Japan, Australia, China, New Caledonia, and Norway.

The main global nickel consumers are China, the EU, and the USA.



Applications of nickel
Stainless steel
Alloys
Coatings
Castings

Nickel production by
Group entities in 2010

297
thousand tonnes

20%
of all global
nickel production

At present, nickel-containing materials are used for construction, water supply systems, and kitchen appliances, in the electricity and chemical industries, in the transportation sector, in electric engineering, and in medical equipment.

More than 60% of nickel produced worldwide is used in the production of stainless steels. In addition, a considerable part of nickel is used in superalloys to give materials strength, corrosion resistance, and special physical and magnetic properties.

Nickel in stainless steels
Combination of resistance to corrosion and a wide range of mechanical characteristics ranging from cryogenic to high temperatures, and the ease of production.

The use of stainless steels for hygienic equipment in food, pharmaceutical, and beverage industries. This equipment can be treated easily with aggressive chemical agents and ensure food sterility.

Nickel meets exclusive requirements for molding properties.

Good welding characteristics and a wide range of thicknesses.

A wide variety of shapes, sizes, and types of surface finish; low magnetic conductivity required in electronic devices and medical implants.

Long-life performance and of high scrap value.



Metals in
our Lives
—
Copper

Copper is a golden-pink plastic metal. Copper has high thermal and electric conductivity and comes in second only to silver in terms of electrical conductivity.

The world's largest producers of refined copper are Chile, China, Japan, the USA and Russia.

The largest consumers of copper are China, the USA, Japan and the EU.



Applications of copper
Construction
Electronic engineering
Machine building
Transportation
Consumer goods

Copper production by
Group entities in 2010

389
thousand tonnes

2%
of all global
copper production

Copper is widely used in the production of seamless pipes designed for the transportation of liquids and gases. It is used in internal water-supply, heating, and gas-supply systems, and in conditioning systems and refrigerating units, owing to its high mechanical strength and suitability for mechanical processing.

Copper and gold alloys are often used in the manufacturing of jewelry to improve resistance to deformation and abrasion in products, as pure gold is a very soft metal characterized by mechanical instability.

Copper is widely used in architecture. Roofs and façades made of thin copper sheet last 100–150 years.

Copper in industry

Copper is widely used in industry owing to its high thermal conductivity, electroconductivity, malleability, good castability, and chemical stability. Ca. 40% of copper is used in the production of different electric conductors and cables. Copper conductors are used in the coils of energy-efficient electric actuators and power transformers. Copper is also used in different heat-conducting devices and heat-exchanging units.

Different alloys of copper with other substances are extensively used in the machine-building industry and electrical engineering. The most important alloys are brasses (composition metal), alloys of copper with nickel, and bronzes.



Palladium is a precious metal of the platinum group. Palladium's density is similar to that of silver. It is lighter than platinum.

The main palladium reserves are concentrated in Russia, South Africa and the USA.

The world's largest palladium producers are Russia, South Africa, the USA and Canada.

The largest consumers of palladium are the USA, Canada, China, the EU and Japan.



Applications of palladium
Autocatalysts
Electrical engineering
Jewelry industry
Stomatology
Chemical industry

Palladium production by
Group entities in 2010

2,861
thousand ounces

45%
of global
palladium production

Palladium is often used as a catalytic agent. It is also commonly used for deep purification and reversible accumulation of hydrogen. Owing to its high abrasive resistance, palladium is used in electronic engineering to produce sulfide-resistant coatings and contact units.

More than 60% of palladium is used to produce automotive catalyzers. In addition, the electrical industry is an important palladium consumer. In recent years, there has been a growing demand for palladium in the jewelry industry.

Palladium in fuel production

A fuel cell is a device that generates electricity through the electrochemical oxidation, usually of fuel with high hydrogen content.

Fuel cells are installed in many countries where their high electric efficiency, low emissions, and cogeneration of electricity and heat are cost-effective.

Many leading car manufacturers plan to introduce fuel cell vehicles commercially from 2015.

The consequences of this demand on PGMs are significant: many of the unique properties of fuel cells are determined by the parameters of catalytic reactions using platinum-group metals and with the growth of the world market for fuel cells they will become an important component of industrial demand for these metals.



Metals in
our Lives
—
Platinum

Platinum is one of the heaviest and rarest metals on Earth. It is a soft and plastic metal. Platinum is highly resistant to oxidation and corrosion at high temperatures.

The main platinum reserves are concentrated in South Africa, Russia, and the USA.

The world's largest platinum producers are South Africa, Russia, the USA, Canada, and Zimbabwe.

The largest consumers of platinum are the USA, the EU, Japan, and China.



Applications of platinum

Catalytic agents
Jewelry industry
Chemical industry
Glass industry
Electrical engineering
Crude refining

Platinum production by the Group entities in 2010

694
thousand ounces

11%

of all global
platinum production

More than half of all platinum produced worldwide is used for the production of automotive catalyzers for exhaust gases. The second largest platinum consumer is the electrical industry, where platinum is used for producing highly reliable contact elements and parts operating in aggressive media: electric heaters, processing units, reactors, etc. Platinum is extensively used in the production of catalytic devices. Traditionally, the glass industry is one of the largest consumers of platinum. In addition, platinum is used in the jewelry industry to produce individual items of jewelry, often competing with gold and silver in popularity.

Platinum in glass production

The use of platinum in the glass industry makes it possible to increase the durability and service life of equipment, raise production profitability, reduce overall energy needs, and ensure the high quality of final products.

Platinum components play a key role in the production of glass for active matrix panels in the thin-film transistor liquid crystal displays used in most television and computer screens. A new and growing application of glass is in the production of photovoltaic panels. The fast growing popularity of these devices creates a considerable new demand for platinum.

The glass industry is an example of sustainable use of platinum: in addition to a high degree of recuperation of this metal owing to enclosed-type recycling, platinum provides advantages such as the continuous service of production components and reduction in operating expenses.



Management Structure

"The work is aimed at optimizing and raising the efficiency of business processes which is an important objective for MMC Norilsk Nickel. This ensures the flexibility and adaptability of the Company amid the persistent instability in the world economy."

Andrey Klishas,
President

The Company's activities have focused on the improvement of its management system and an increase in its efficiency, based on the implementation of the following principles:

01

Optimization of management structure based on the sectoral distribution of areas of responsibility, achievement of transparency and accountability,

02

Decentralized responsibility, delegation of appropriate authority to the heads of divisions;

03

Improved efficiency of the Company's operations.

A critical factor for maintaining the Company's key competitive advantages and creating possibilities for further expansion is the highly organized and advanced management system in place. This allows the Company to respond to the constantly changing external environment in a timely and appropriate manner.

Management Structure

In 2010, further work was carried out to enhance internal corporate documents and to define the Company's approach to non-core assets. Specifically, in December 2010, the majority stake in Stillwater Mining Company was sold as part of the comprehensive review program of the Group's international assets following a resolution from the Board of Directors. The sale of the stake in Stillwater Mining Company is in line with the objectives of MMC Norilsk Nickel to optimize international operations and its focus on developing key production assets to ultimately strengthen the Company's position as a leading global mining and metals company.

During 2010, MMC Norilsk Nickel's management submitted a proposal to the Company's Board of Directors envisaging a share swap of the Company's stake in OGK-3 for shares in INTER RAO UES. The stake in INTER RAO UES is deemed to be attractive for investors, having a strong upside potential. The share swap transaction (35 shares in INTER RAO UES for 1 share in OGK-3) was approved by the Board of Directors on December 28, 2010.

In the reporting year, the management of MMC Norilsk Nickel initiated a long-term market capitalization enhancement program, which encompasses a set of capital measures on management, including share capital return, general principles for the management of non-core assets and the consolidation of operational funding needs with established strategic goals. The result of management's work on this topic became evident as early as 2011: the Company's share price has outperformed the market, volatility has subsided, and the traditional discount to global peers has been eliminated.

Vladimir Strzhalkovsky,
General Director –
Chairman of the Management Board

Management Structure

Mining and Metallurgical Business Unit

The main goal of the Group's Mining and Metallurgical business unit is to ensure a stable output at minimal cost and to comply with the approved production plans. Key objectives for achieving this goal are the development of mineral reserves, and optimization of the Group's production capacities.

The Mining and Metallurgical business unit include mining, concentration and metallurgical assets located in Russia in the Taimyr and Kola Peninsulas, in Australia, Botswana, Finland and the Republic of South Africa.

Russia
Polar Division

The Polar Division is located in Russia in the Taimyr Peninsula, above the Arctic Circle on the 69th parallel north. The Taimyr Peninsula is linked to other regions of the country via the Yenisei River, the Northern Sea Route as well as by air.

Four mining units in the Polar Division, composed of six underground mines and an open pit, extract sulfide copper and nickel ores from Oktyabrsky, Talnakh and Norilsk-1 Deposits. The ores mined contain nickel, copper, palladium, platinum, cobalt, gold and other useful components.

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 Oktyabrsky Deposits, to produce nickel, copper and pyrrhotite concentrates. The Norilsk Enrichment Plant processes the entire volume of disseminated ores and cuprous ores from the Talnakh and Oktyabrsky Deposits, as well as stockpiled pyrrhotite concentrate to produce nickel and copper concentrates.

The metallurgical facilities of the Polar Division include the Nadezhda Metallurgical Plant, as well as Nickel and Copper Plants.

The Nadezhda Metallurgical Plant processes all the nickel and pyrrhotite concentrates produced by the Talnakh Enrichment Plant, some of the nickel concentrate from the Norilsk Enrichment Plant (ca. 20%), some of pyrrhotite concentrate stockpiled at the Kayerkan coal pits and all copper concentrate from the high-grade matte separation area of the Nickel Plant Roasting Shop in order to produce high-grade matte, copper anodes and elemental sulfur.

The Nickel Plant processes the largest part of nickel concentrate produced by the Norilsk Enrichment Plant (ca. 80%), all enriched stockpiled pyrrhotite concentrate and some high-grade matte from the Nadezhda Metallurgical Plant in order to produce commercial nickel and cobalt products.

The Copper Plant processes the entire volume of copper concentrates produced by the Norilsk and Talnakh Enrichment Plants and copper anodes from the Nadezhda Metallurgical Plant to produce commercial copper, elemental sulfur and sulfuric acid products. The Metallurgical Shop, which is a division of the Copper Plant, recycles sludge from the copper electrolysis and the nickel electrolysis shops to produce precious metals concentrate, metallic silver, selenium and tellurium.

The precious metals produced by Polar Division are refined under tolling agreements by the Krasnoyarsk Precious Metals Plant.

Kola MMC

Kola MMC is the largest industrial producer in the Murmansk region and is fully integrated into the transport infrastructure of the North Western Federal District of Russia.

Kola MMC develops Zhdanovsky, Zapolyarny, Kotselvaara and Semiletka Deposits. Two of the Kola MMC mines extract disseminated sulfide ores containing nickel, copper and other useful components.

The extracted ore is processed at the Enrichment Plant, producing collective copper and nickel concentrate. The Enrichment Plant produces copper and nickel concentrate that is further transferred to the Roasting Section of the Smelting Shop for further processing.

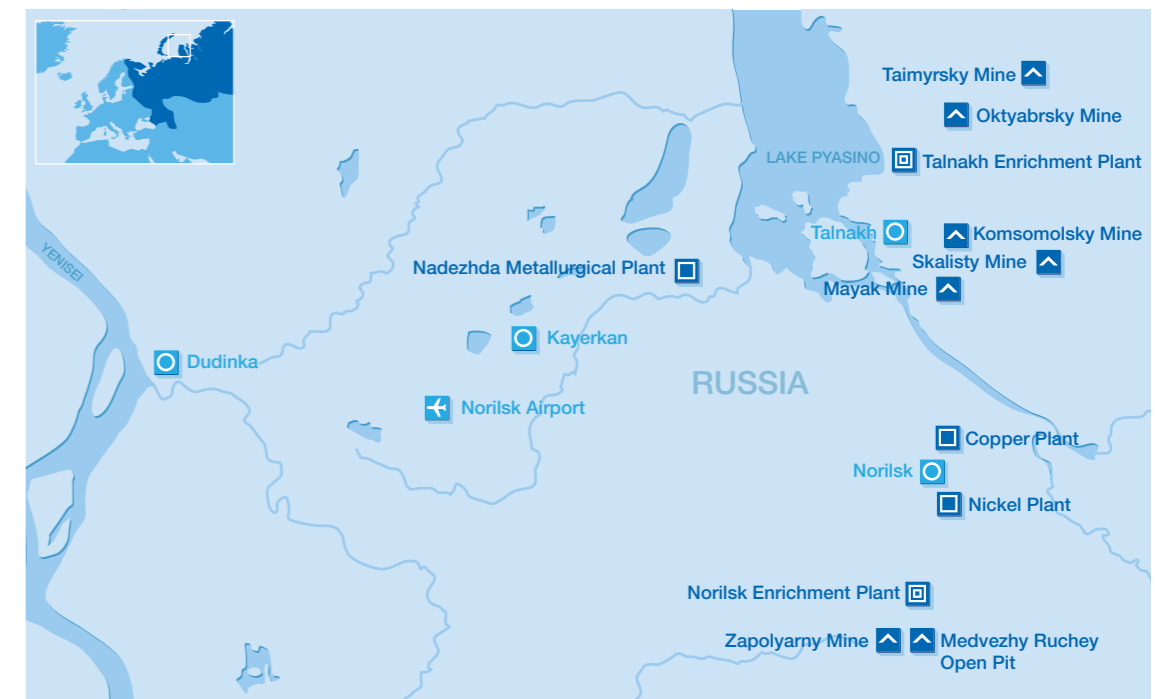
Kola MMC's refining capacities at Monchegorsk process both Kola Peninsula high-grade matte as well as matte received from the Polar Division. The key products are nickel and copper cathodes, carbonyl nickel, cobalt concentrate, precious metal concentrates and sulfuric acid.

The Company refines precious metal concentrates from the Kola Peninsula under a tolling agreement at the Krasnoyarsk Precious Metals Plant.

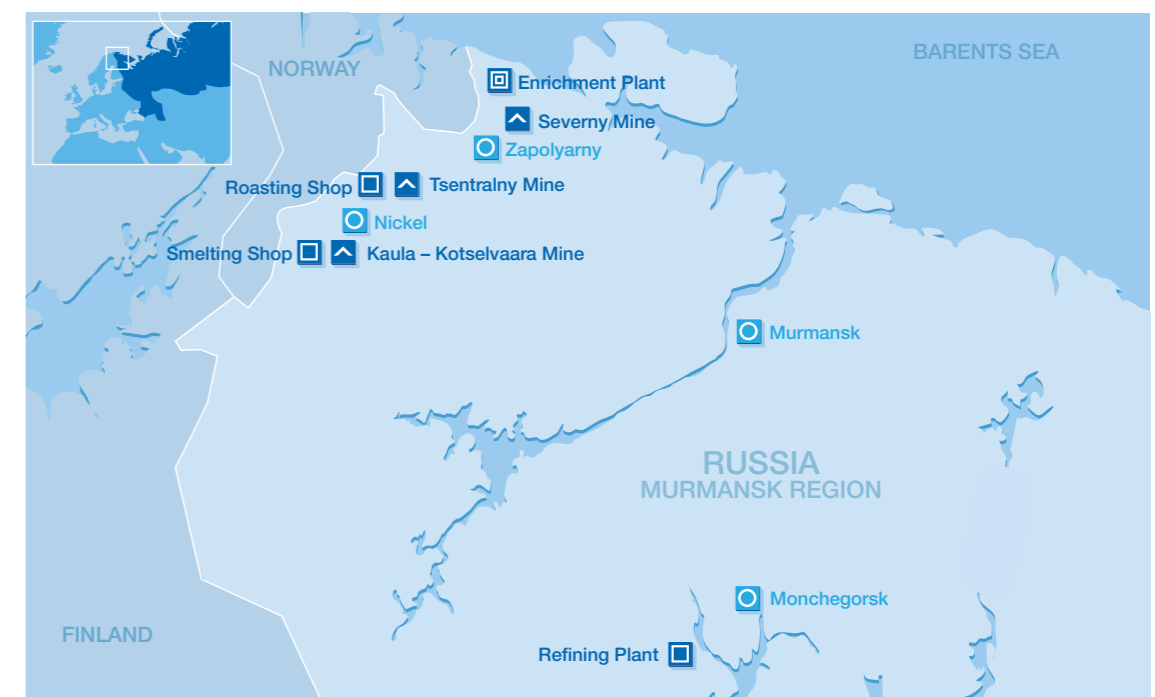
The top priority for the Group's Mining and Metallurgical business unit is stable production at the lowest cost in accordance with approved production plans.

Symbol legends	
Populated areas	
Mines	
Smelting plants	
Enrichment plants	

The key operating assets of the Polar Division



The key operating assets of Kola MMC



Management Structure

Mining and Metallurgical Business Unit

Australia
Black Swan

The mining operation is located 53 km north east from Kalgoorlie in Western Australia.

It includes the Silver Swan underground nickel mine which mines a small ore body with high nickel grade, and the Black Swan open pit mine which mines disseminated sulfide ores with a lower nickel grade.

The mining operation also contains an enrichment plant and auxiliary infrastructure, which includes a warehouse, a waste clump and a retention pond. In late 2008 – early 2009, Black Swan operations were suspended due to unfavorable economic conditions. Currently, a feasibility study researching production renewal at Black Swan is being prepared.

Cawse

Norilsk Nickel Cawse, a lateritic nickel project, is located 50 km from Kalgoorlie in Western Australia and includes an open pit mine and ore leaching facility.

The company uses traditional production and concentration technologies combined with a high pressure acid leaching technology (HPAL technology).

In 2008, Cawse operations were suspended due to unfavorable economic conditions.

In 2010, the Gipronickel Institute explored options for adapting Cawse's facilities to use a new hydrometallurgical technology. The plant was expected to be reoriented towards the processing of sulfide feedstock from the Group's other Australian divisions. As a result, the Group plans to produce a rich semi-product, namely nickel hydroxide with a nickel content of ca. 50%, which allows the removal of smelting and directly refining the semi-product. The use of this technology is expected to contribute to the optimization of the Australian enterprises' whole production chain: a reduction of refined metal production costs and significant savings due to logistics.

Lake Johnston

Lake Johnston is located 540 km from Perth in Western Australia. The operation includes an underground mine and an enrichment plant which processes mined ore using the traditional sulfide flotation technique. The capacity of the enrichment plant is 1.5 million tonnes of ore per year.

In 2009, Lake Johnston operations were suspended due to unfavorable economic conditions. In 2010, restoration work was performed at both the mine and the enrichment plant.

During 2011, the Group plans to renew nickel concentrate production at Lake Johnston. The expected output in 2011 will exceed 4.5 thousand tonnes of nickel in concentrate.

Waterloo

The Waterloo Nickel Mine is located 35 km south of Leinster in Western Australia and 5 km north of the Thunderbox site.

In 2008, Waterloo operations were suspended due to unfavorable economic conditions.

The key operating assets in Australia



Symbol legends
Populated areas
Mines
Smelting plants
Enrichment plants

Botswana
Tati Nickel

Tati Nickel includes the Phoenix open pit nickel Mine and the Selkirk underground nickel Mine, which is currently being prepared for open pit mining, and an enrichment plant with a processing capacity of up to 12 million tonnes of ore per year using the DMS and traditional flotation technique.

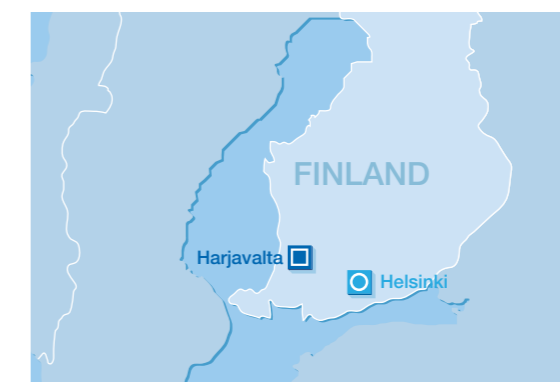
The Phoenix mine is located 35 km east of Francistown (the second largest city in Botswana, located in the north-east part of the country). This open pit mine is built on a sulfide deposit of copper and nickel ores. The Phoenix open pit mining operations started in 1995 and include an enrichment plant which processes mined ores using the traditional flotation technique.

The Selkirk mine is located 15 km from the Phoenix mine. In 2002, due to the depletion of copper and nickel ores accessible for underground mining, activities were adjourned at Selkirk for the site to undergo maintenance. As the Selkirk Deposit also contains disseminated ore reserves, a feasibility study is being prepared for the open pit mining of these reserves and test operations are being carried out.

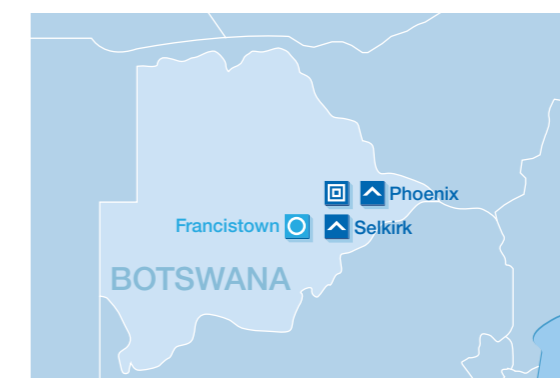
The key operating assets in South Africa



The key operating assets in Finland



The key operating assets in Botswana



The Tati Nickel concentrates are processed on a tolling basis by the BCL smelter located 200 km away from Phoenix. 2010 saw a one-off supply of concentrate delivered for processing at the Boliden Harjavalta plant in Finland. The BCL's high grade matte produced from the Tati concentrates is delivered to customers for further processing into refined metal.

South Africa
Nkomati

Nkomati is a joint venture between the Group and African Rainbow Minerals, in which the Group owns a 50% stake. Nkomati is located 300 km east of Johannesburg, in the South African province of Mpumalanga.

Nkomati is the only primary nickel producer in South Africa. It also mines other by-product metals such as copper, PGMs and chromium.

The extracted ore is processed at the in-house enrichment plant, the restoration and expansion of which were completed in 2010. To improve operational performance, chrome is extracted from nickel flotation tailings to obtain chrome concentrate. The concentrates are then delivered for further processing to Norilsk Nickel Harjavalta.

Finland
Norilsk Nickel Harjavalta

Norilsk Nickel Harjavalta is the only nickel refining plant in Finland.

The Harjavalta plant processes nickel concentrates from the Group's other operations as well as nickel-containing intermediates from third parties. Concentrates are pre-processed at the Boliden Harjavalta smelter of Boliden AB, located in the same Suurteollisuuspuisto industrial park as Norilsk Nickel Harjavalta. High grade matte and other semi-products with high nickel grade are then delivered directly to the Norilsk Nickel Harjavalta refinery.

The Norilsk Nickel Harjavalta refinery has the capacity of 60 thousand tonnes per year of nickel products. It employs a technique of sulfuric acid leaching of nickel products. This consistently results in nickel recovery rates above 98%, being an advanced practice for the mining industry.

The Norilsk Nickel Harjavalta refinery produces refined nickel, including nickel cathodes, briquettes and salts, as well as semi-products, including copper cake containing PGMs, and cobalt solution which are further processed by third parties.

Management Structure

Other Business Units

Sales business unit

The primary goal of the sales business unit is to maximize profits from the Group's product sales, ensuring the appropriate positioning of Norilsk Nickel on the commodity markets and positively influencing these markets.

Sales are among the Company's crucial businesses within which a considerable portion of equity value is created, including:

- the value emanating from the direct channel with buyers and other market participants;
- the Company's goodwill and reputation as a participant in the global metal markets and as a reliable product supplier;
- the value of unique opportunities from obtaining full and updated information directly from buyers;
- the value of uniquely developed management technologies and specially trained personnel, etc.

The sales business unit includes the following entities:

CJSC Normetimpex (Russia)

is involved in the sale of the Company's products in the Russian Federation and the export of base metals to Metal Trade Overseas, Switzerland;

Metal Trade Overseas (Switzerland)

is involved in the sale of the Company's products in Europe through its own sales distribution network, including sales companies operating in specific regional markets;

Norilsk Nickel Europe Ltd. (UK)

is involved in the sale of metal products in Europe;

Norilsk Nickel Asia Ltd. (China)

is involved in the sale of metal products in Asia;

Norilsk Nickel Marketing (Shanghai) Co Ltd., China

is involved in the sale of metal products in the Chinese domestic market;

Norilsk Nickel USA Inc., USA

is involved in the sale of metal products in the USA.

Geology business unit

The key objective of the geology business unit is to accomplish all geological objectives related to the operation, maintenance, replacement and development of the mineral resources base of the Group.

The geology business unit conducts the following types of activity:

- the discovery, prospecting, identification, licensing and appraisal of the Group's mineral prospects;
- all types of wildcat, exploratory and technological drilling;
- the regeneration of depleted mineral resources for the prospective development of integrated mining and of metallurgical facilities in regions where deposits have been fully exploited;
- the provision of reliable data on explored reserves and resources in operating mines.

The geology business unit includes the following entities:

Norilskgeologiya LLC

conducts geological surveys and exploration for nickel, copper, PGMs and non-ore process feedstock in the Taimyr Peninsula and adjacent areas for the purpose of replacing the mineral reserves of the Company's Polar Division;

Pechengageologiya LLC

conducts geological surveys and the exploration for nickel, copper, PGMs and gold in the Kola Peninsula and adjacent areas, for the purpose of replacing the mineral reserves of Kola Mining & Metallurgical Company;

Vostokgeologiya LLC

conducts geological surveys and the exploration for copper, gold and molybdenum in the Southeastern Siberia and in the Far East, for the purpose of creating new mineral reserve bases for the Company;

Geokomp LLC

conducts geological surveys and the exploration for nickel and copper porphyry in the south of Central Siberia and the Taimyr Peninsula;

Intergeoproject LLC

controls subsidiaries among license holders and geological service providers;

GRK Bystrinskoe LLC

holds licenses for the Bystrinsky, Kultuminsky, Lugokansky and Solonechensky Deposits in the southeast of the Zabaikalsk Territory;

Bugdainsky Rudnik LLC

holds licenses for the Bugdainsky Deposit.

Energy business unit

The energy business unit secures energy supplies for the Group, the Norilsk industrial and Taimyr (Dolgano-Nenets) municipal districts, and the residential sector.

Due to the absence of alternative energy suppliers in the region, the Group's energy business unit provides a complete cycle of energy supply services in the Norilsk industrial district.

The Group's energy business unit includes the following entities:

Norilskenergo

a division of the Company operating three thermal power plants (TPP-1, TPP-2, TPP-3) in the Taimyr Peninsula. Norilskenergo power plants operate on gas which they receive from OJSC Taimyrgaz and OJSC Norilskgazprom;

OJSC Taimyrenergo

operates two hydropower plants (Ust-Khantaiskaya HPP and Kureiskaya HPP);

OJSC NTEC

generates, transmits and supplies thermal and electric power to consumers at assets leased from OJSC Taimyrenergo and OJSC Norilskenergo;

OJSC Taimyrgaz

holds a license for development of the Pelyatka gas condensate field;

OJSC Norilskgazprom

holds licenses for development of the Severo-Soleninskoye and Yuzhno-Soleninskoye gas condensate fields as well as the Messoyakhskoye gas field. It operates its own well stock in addition to the Taimyrgaz well stock;

NZEK

manages the operation of residential assets in the Norilsk industrial district.



01



02



03

The unique geography of production units, relative to the principal supply and production support bases and the target markets for finished products, affect the special significance of transportation infrastructure and freight logistics within the Group.

01. Dudinka Sea Port, Russia
02. The Company uses its own containers to carry cargoes
03. Loading of the Company's products onto the vessel for further transportation

Management Structure

Other Business Units

Transportation and logistics business unit

The transportation and logistics business unit is responsible for all of the Company's cargoes by sea, river, rail, road and air, the operational management of the Company's fleet, performing handling operations in sea and river trans-shipment ports, providing airport services and passenger air transportation using domestic and international airlines.

The primary objective of the Company's transportation and logistics business unit is to carry out all of the Company's cargoes in its agreed volumes and within the agreed time limits in the most cost efficient manner.

The Company's transportation and logistics business unit includes the following entities:

Polar transportation Branch

accepts and handles sea and river cargoes, performs handling operations, provides forwarding services, trucking, customs cargo storage and organizes customs clearance of cargoes in Norilsk;

Murmansk Transportation Branch

provides forwarding services of the Company's and third-party cargoes;

Krasnoyarsk Branch

provides forwarding services of the Company's and third-party cargoes supplied via the Yenisei River;

Arkhangelsk Branch

provides forwarding services, by sea, to Dudinka for the Company's cargoes and cargoes from third-parties;

OJSC Arkhangelsk Commercial Sea Port

accepts and handles sea and river cargoes, performs handling operations, provides forwarding services and carries cargoes;

OJSC Yenisei River Shipping Company

accepts and handles sea and river cargoes, performs handling operations, provides forwarding services and carries cargoes;

OJSC Krasnoyarsk Sea Port

accepts and handles sea and river cargoes, performs handling operations, provides forwarding services and carries cargoes;

OJSC Lesosibirsk Port

accepts and handles sea and river cargoes, performs handling operations, provides forwarding services and carries cargoes;

Norilsk Airport LLC

provides airport services;

OJSC Taimyr Airlines

provides trucking, regular and international flights;

Norilsk Nickel Logistics B.V.

organizes the international transportation of the Group's cargo and provides associated forwarding services.

In the reporting period, the freight turnover of transportation and logistics units was ca. 2.8 million tonnes, of which more than 1.3 million tonnes are transported via the Northern Sea Route, and ca. 1.5 million tonnes via the Yenisei River.

The Company owns a unique Arctic transportation fleet, consisting of five reinforced ice class vessels (ARC 7 in the PMPC classification). The vessels' technical capabilities allow them to navigate through Arctic ice up to 1.5 meters thick without ice breakers. The operating load carrying capacity of each vessel exceeds 15 thousand tonnes, and their container capacity is 571 TEU.

The Company's fleet ensures a year-round regular service between sea ports such as Dudinka, Murmansk, Arkhangelsk, Rotterdam and Hamburg.

In 2010, the Company's own ships made 54 voyages and carried 1,090 thousand tonnes of cargo, including 12 direct voyages to European ports and one voyage to Southeast Asia.

In September 2010, the Monchegorsk Arctic container, carrying metal products for export intended for customers in Southeast Asia, made the Company's first voyage in the eastern part of the Northern Sea Route without ice breakers support along the following path: Murmansk – Dudinka – Busan, South Korea – Shanghai, China. This is the shortest path for transporting the Company's products from production facilities to customers in Southeast Asia. It takes approximately 20 days from Dudinka to Shanghai compared to 65 days along the traditional route through trans-shipment ports in Europe and the Suez Canal.

In 2010, the Monchegorsk reinforced ice class diesel-electric ship, made the Company's first voyage in the eastern part of the Northern Sea Route along the following path: Murmansk – Dudinka – Busan, South Korea – Shanghai, China, without ice breakers. This is the shortest path for transporting the Company's products from production facilities to customers in Southeast Asia.



01

01. A helicopter owned by Taimyr Airlines intended to carry the Company's employees in the Taimyr Peninsula
02. A vessel owned by the Company

In 2010, the Company commissioned the construction of a reinforced ice class (ARC 7) Arctic tanker, with a load carrying capacity of 15 thousand tonnes. The tanker will deliver lubricants to the Norilsk industrial district and transport the gas condensate, produced in the Pelyatkinskoye field, to their target markets. The new tanker will be built using state-of-the-art technologies in accordance with the current international and national requirements for environmental protection. The completion of construction and the commissioning of the Company's vessel are scheduled for the end of 2011. The total investment into the project's implementation will be ca. EUR 100 million.

In 2010, the Company continued the project for the construction of its own trans-shipment terminal in Murmansk. Phase one of the project is expected to be finalized in 2011. Total investments will be ca. USD 35 million. The projected production capacity of the terminal upon completion of phase one is 750 thousand tonnes of cargo per year. Upon implementation of phase one of construction, all the Company's cargoes going through Murmansk will be processed at the in-house terminal.

In 2010, a rail transport unit was established on the base of Murmansk Transportation Branch to secure carriage of the Company's cargoes in containers by rail, namely the delivery of nickel matte to Severonickel, Kola MMC, and the collection of final products. The purchase of a mainline electric locomotive, a diesel locomotive and 95 fitting platforms is planned in the future.



02

The Group's reliable and state-of-the-art transportation infrastructure ensures the delivery of freight, despite its challenges, and is the basis of the Group entities' stable work and sustainable development, a precondition of confidence on the part of domestic and international customers and partners.

Group's annual freight turnover

2.8 mn tonnes

including carriage along the North Sea Route

1.3 mn tonnes

including carriage along the Yenisei River

1.5 mn tonnes

Management Structure

Other Business Units

Research business unit

The research business unit's main objective is the development and improvement of the Strategy for Production and Technical Development of the Company for the period up until 2025, specifying the key areas for long-term production development and aiming to maintain the Company's leadership, improve production performance, ensure environmental safety of production, increase the geographical diversification of production and the global operational optimization of the Group's entities by maximizing capacity utilization using the Company's own raw materials.

The research business unit includes the following entities:

Gipronickel Institute LLC (St Petersburg), that unites research and the scientific assets of the Company;

Gipronickel Institute (St Petersburg);

Norilskprojekt Institute (Norilsk);

Center for Engineering Production Support (Norilsk);

Design and Research Center (Monchegorsk).

In 2010, the research business unit performed numerous kinds of work, namely: developing process models and preliminary projects for the uncovering and mining of the Black Swan Deposit, exploring the possibility of preliminary concentration of the ores processed by Lake Johnston and Tati Nickel using the resonance method and raising the performance of ore production and processing in the renewed operation of Lake Johnston and Honeymoon Well and the commissioning of the Cawse hydrometallurgical plant.

Support business unit

The main goals of the support business unit are to:

- provide the core production and other business units of the Group with its products, works and services;
- purchase and sell material and technical resources for the Group, to collect, process and sell ferrous and non-ferrous scrap;
- carry out general construction, mining and development, road heading, drilling and blasting and special operations; to provide comprehensive services with regard to running repairs and overhauls of the Polar Division's basic production assets;
- provide the Group's employees with healthy, nutritious meals and arrange distribution of food products in the Norilsk industrial district.

The support business unit includes the following entities:

Norilsk Support Complex LLC;

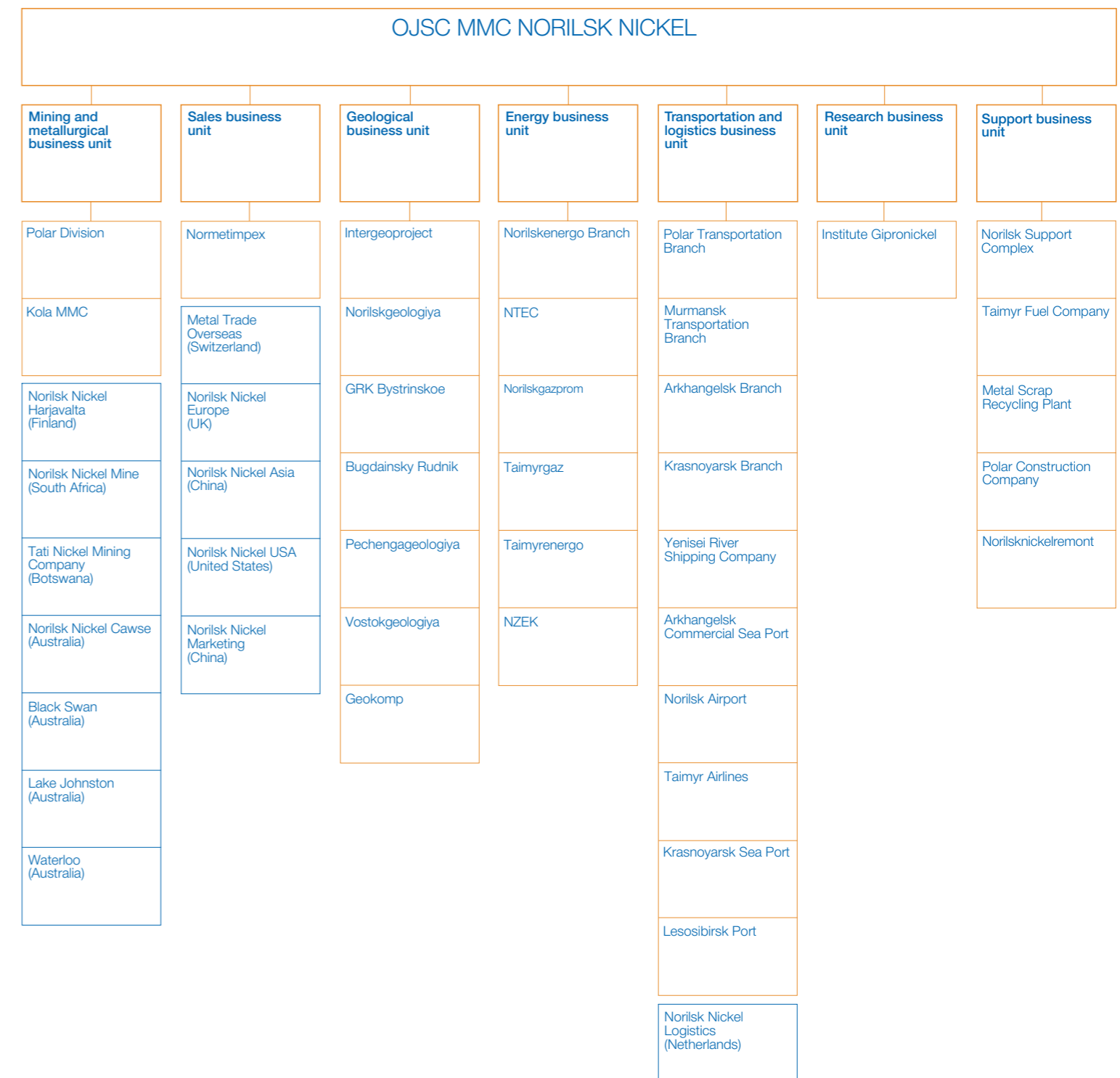
CJSC Taimyr Fuel Company supplies oil products both for the needs of the Group as well as for third parties;

Metal Scrap Recycling Plant LLC carries out the collection, processing and sale of ferrous and base metal scrap generated at the Group's enterprises as a result of dismantling;

Polar Construction Company LLC carries out general construction, mining and development, road heading, drilling and blasting and special operations; provides comprehensive services in regard to running repairs and overhauls of the Polar Division's basic production assets;

Norilsknickelremont LLC maintains and repairs the Group's primary assets.

The Group's research business unit activities aim to improve production performance, ensure environmental safety of production, increase the geographical diversification of production and the global operational optimization of the Group's entities by maximizing capacity utilization using the Company's own raw materials.



Research is underway to explore the possibility of preliminary enrichment of the ores processed at Lake Johnston, Australia, and Tati Nickel, South Africa, using the resonance method.



Risk Management System

"An integrated risk assessment and management system allows the Management to be effective in an environment of uncertainty, to minimize risks and to use opportunities increasing the Company's potential. As the leader in metallurgy, the Company pays special attention to technical and production risks and any risks of environmental pollution."

Alexey Kargachev,
Director of the Internal Controls Department

The key objectives of the Risk Management System are:

01

To increase the probability of achieving performance targets;

02

To contribute to sustainable development;

03

To increase the efficiency of resource allocation;

04

To enhance the Company's investment potential and shareholder value.

The Company's operations entail a number of risks which, under certain circumstances, could significantly affect financial and operating performance. To mitigate the negative impacts, the Company has implemented a Risk Management System.

Risk Management System

Risk management is conducted in accordance with the Corporate Risk Management Concept. Risk management constitutes a systematic identification, evaluation and management of risks in all business areas.

Risk identification

The Company's exposure to risk results from both internal and external factors.

The Company regularly collects and analyzes information describing external and internal factors which could negatively affect the achievement of the Company's goals. This process includes analyzing financial and management accounts, statistical data, material and information flowcharts, checklists, business meeting materials, and other information.

The Company maintains risk registers, where key data about identified risks are accumulated, including:

- unfavorable events or trends;
- 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 unfavorable event;
- proposals for the remediation of possible consequences of unfavorable events.

Risk assessment

The Company seeks to evaluate every identified risk and to assess the implications for its business objectives during the period under review. The quantitative indicators of risk assessment include:

- probability of adverse events occurring;
- scale of consequences from a risk materializing.

The degree of damage and the likelihood of an adverse event occurring are measured on a five-point scale.

Risk prioritization

In accordance with the Corporate Risk Management Concept, the Company has established acceptable risk levels. Depending on certain parameters and the presence and relevance of any non-financial factors, risks are categorized as critical, significant or moderate.

Risk aggregation and systematization

Modern risk assessment methods and techniques are used to gauge the possible impact of unfavorable 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 modeling).

Risk regulation

Depending on the extent to which risk may be mitigated, the Company uses a variety of risk regulation methods to reduce, eliminate, transfer or accept risks.

The system for regulating such risks is controlled centrally.

Risk management is an integral part of the Company's Corporate Governance System. Subdivisions and employees actively participate in the process of identifying and evaluating risk, continuously widening the scope of research for potential threats and hazards, with Management decisions based on the information provided.

The Corporate Risk Management System is designed to detect a wide range of potential risks:

- regulatory risks;
- natural and industrial risks (technical/production and environmental);
- financial risks;
- personnel risks (labor safety, social and labor relations);
- social risks;
- risks related to international assets;
- merger and acquisition risks.

Hierarchy of managerial responsibilities

No.	Risk relevance	Acceptable risk level set by	Actions for risk control decided by
01.	Critical	Company Management	Company Management
02.	Significant	Company Management	Sector units, subdivisions/ production facilities management
03.	Moderate	Management of sector units and subdivisions	Production facilities management

Types of action to regulate risks

Reduction of probability of risk and potential damage

- technical measures
- organizational measures
- diversification
- reorganization of business processes

Avoidance of risks

- sales of assets
- rejection of deals

Transfer of risks

- insurance
- hedging
- joint ventures or strategic partnerships
- outsourcing

Acceptance of risks

- limitation
- financial reserves

The most significant types of risks that can affect the Company's business are described below:

01.Regulatory risks

Norilsk Nickel's operations are regulated by numerous laws, standards and guidelines, in areas which include:

- processing of raw materials and output of finished goods;
- environmental protection;
- foreign economic activities;
- tax regulations;
- labor relations.

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. To avoid any adverse impact on the stability of its business and its ability to fulfill 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.

02.Environmental risks

Environmental agencies supervise and regulate the Company's production operations in full accordance with applicable laws and regulations. Recognizing the scale and complexity of the environmental issues, the Company's Management considers environmental protection to be an integral part of its business and strives to ensure compliance with all laws and that resources are used in a sustainable manner.

The main goals of the Company's Environmental Policy are:

- to reduce pollutant emissions entering the atmosphere;
- to reduce pollutant effluents discharged into bodies of water;
- to create waste disposal sites to alleviate the industrial burden on the environment.

The Company is currently implementing a major environmental program, aimed at reducing the impact of its production on the environment.

To fulfill its environmental obligations, the Company developed and implemented an Environmental Management System (EMS), certifying it in 2005. In addition, the Company arranges annual EMS audits on the Company's compliance with ISO 14001:2004. The Company's principal branches, subsidiaries, and affiliates all have the environmental permits, licenses and approvals for compliance.

Recognizing the scope and complexity of the environmental challenges faced by the Company, the Company's Management views environmental protection activity as an integral part of its business and ensures compliance with the requirements of environmental protection laws and sustainable use of natural resources.



01



02

01.Norilsk, Russia
02.Putorana Plateau, Russia

03. Technical and production risks

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.

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, mining and processing of ore, providing energy to production facilities and city infrastructure, and transporting finished products to customers.

The Company's key production facilities are located in the Far North. The Company uses state-of-the-art machinery and takes all necessary action to minimize the effects of unfavorable natural and climatic phenomena.



The region's adverse weather conditions (extremely low temperatures, "black" snowstorms, reduced navigation depth of the Yenisei river) can have a major impact on the Company's operations. The Company uses the latest technology and takes the necessary measures to overcome these problems.

Equipment, buildings, and structures are exposed to industrial risks. These include:

Mining and metallurgical business unit:

- flooding at mines or quarries;
- accidents and incidents involving mining and transport equipment;
- dealing with flammable gases and toxic substances;
- accidents and incidents at certain stages of ore-processing.

Energy business unit:

- accidents involving pipelines and gas transportation systems;
- accidents involving electricity grids;
- accidents at heating stations.

Transport business unit:

- reduction in navigable river depths;
- damage to river terminals;
- breakdown of infrastructure at Norilsk airport;
- accidents and incidents involving river and marine vessels, tugboats, and cranes.

Oil depots in the Norilsk industrial district and Dudinka:

- damage to buildings;
- equipment failure;
- decommissioning of equipment.

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.

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 Dudinka and Norilsk industrial district's oil depots. The registers define the various categories of risk relevant to each location.

The Company has developed, and is implementing, a program of organizational and technical actions aimed at reducing the most serious of technical and production risks. In addition, in order to mitigate the negative effects, a comprehensive insurance scheme has been set up to cover production-related risks.

All facilities have developed industrial safety declarations for hazardous production sites.

The Company continues to improve the procedures for quantitative risk assessment and exercise control of risk reduction measures.

04. Financial risks

The Company's financial risks comprise market (price, currency and interest rate), credit and liquidity risks. Financial risk management is centralized and based on the internal regulations and methodologies approved by the Company's Management.

Efforts continue to streamline quantitative risk assessment procedures and risk reduction measures.

The Company's revenues are largely influenced by market prices for metals at the world's leading commodity exchanges, which move in accordance with market conditions. The bulk of Norilsk Nickel's revenues are in US Dollars, while the main expenses of the Company are paid in Rubles. For example, in 2010, the positive effect on the Company's revenue from growing metal prices was partly offset by the strengthening of the RUB against the USD during the reporting period.

Interest rate risk involves the risk that a potential change in the cost of debt servicing can affect the Company's financial performance. The major part of the Group's loans and borrowings have floating interest rates, in particular those linked to LIBOR (London Interbank Offering Rate). The changes in LIBOR in 2010 allowed the Group to keep debt-servicing expenses low.

Credit risk is defined as the possibility that a counterparty may not meet its obligations to the Company on time, leading to financial losses. The Company minimizes its credit risk by spreading it across a large number of counterparties and setting credit limits based on the analysis of counterparties' financial standing. To analyze the counterparties' solvency, the Company's uses the latest methods.

Liquidity risk is defined as the possibility that the Company may not be able to settle all of its liabilities as they fall. The Company's Corporate Treasury ensures the centralized 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 analysis of forthcoming payment data for a period of up to one month. To manage liquidity, the Company has a reserve of liquid funds and has 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.

The Company conducts regular risk monitoring so it can take measures to minimize any negative effects in a timely manner.

05. Health and safety risks

To mitigate health and safety risks, the Company takes action in accordance with its Industrial Health and Safety Policy, namely:

- increasing the level of occupational safety of production facilities, improving working conditions, specifically for the implementation of new equipment and technologies;
- performing preventive work in accordance with the existing Health and Safety Management System, working to improve this system;
- certifying workplace working conditions, working to assess production risks in the workplaces;
- regularly training, briefing and evaluating employees performance on health and safety matters, conducting corporate workshops;
- involving the enterprises' personnel in health management, specifically engaging duly authorized health teams in preventive work;
- 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.



06.Regulation of social and labor relations

The Company's social and labor relations are regulated in strict compliance with social and employment laws, as amended, collective bargaining, and development and passage of local regulations. The Company is currently implementing a package of social programs granting additional benefits to employees vis-a-vis those defined by current law, namely: personnel training programs, programs on safeguarding and improving the working conditions and health, and corporate pension schemes. These measures underline the Company's social responsibility and demonstrate that employees' interests are taken into account to create a comfortable working environment and prevent any social tension.

Changes in the social and pension laws may have an adverse effect on the Company's social commitments. To minimize the risks in the context of social and labor relations and to make allowance for the Company's interests, the management team monitors changes in the social and pension laws and participates in the working groups and panels of the federal and regional legislative bodies to discuss improvements to the existing laws.

07.Social relations and risks

The Company's success depends greatly on the input of employees engaged in the production process.

A shortage of qualified personnel at the mining and metallurgical, power supply and transport units could have a major effect on the quality, timeframe and cost of production programs.

The Company has devised a range of initiatives to resolve staffing and social issues and to attract and retain qualified employees. To maintain a stable social situation at the Group's entities and improve the qualitative make up of personnel, in 2010 the Company focused on implementing social programs aimed at attracting qualified personnel, raising the level of compensation, improving working conditions for employees and increasing corporate retirement benefits.

08.Risks related to international assets

The Group's assets in Australia are subject to certain risks, including currency fluctuations and changes in contaminant emission quotas and license agreement rates. These factors may change the cost of extracting raw materials, production, geological exploration and mining operations. Any changes in legislation or in the political, social or economic situation are beyond the Group's control and may affect its business adversely.

The Company meets the obligations specified in the license agreements for geological survey, mining, and production engineering in Australia. The Government of Western Australia is discussing a possible increase in the cost of the license agreements for environmental protection, which can negatively affect the Group's business, proceeds, and financial arrangements.

In 2010, the Company started preparatory work for the step-by-step re-launch of suspended production assets in Australia.

The Company's operations in Africa are subject to currency fluctuations and possible political instability. These factors may change the cost of, or result in, the impairment or loss of mineral concessions or other rights to conduct exploration or mining work. Political instability in the region along with the prevalence of HIV could also affect the political, social, and economic situation in Botswana and South Africa.

Operations may be affected by government restrictions, price controls, export controls, income taxes, property expropriation, and environmental and mine safety legislation. Africa's status as a developing continent may make it more difficult for the Company to obtain exploration, development, and production financing required for its projects there. The consequences of each of the above risks could have an adverse effect on the Group's business, revenues, financial conditions, operational results, and, as a consequence, the ADR price.

The mining industry in South Africa is extensively regulated through legislation and policies issued by the government administrative bodies, including directives on health and safety, exploration and mining, and the effect of mining on the environment. Various permits and licenses are required to mine legally. South African law includes currency control regulations restricting the export of capital from the Common Monetary Area, which includes South Africa.

The Broad-Based Socio-Economic Empowerment Charter of the South African Mining Industry (the Mining Charter) took effect on May 1, 2004. The Mining Charter 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.

On May 1, 2004, the South African Minerals and Petroleum Resources Development Act came into effect, placing all mineral resources under the custodianship of the government. Together with African Rainbow Minerals, Nkomati's joint-venture partner in South Africa, the Group is required to comply with the above act regarding the conversion of the existing mining rights of Nkomati operations to mining rights under the new regime. In the Group's opinion, the risk that new rights to the deposit will not be granted is minimal. However, a refusal by the South African Government to grant new rights could have an adverse effect on the Group's business.

In September 2010, the South African Government introduced a moratorium on the issue of new licenses for mineral extraction, which may also have a negative impact on business development in the country.

To carry out its operations, the Group uses third parties:

- the Group's processing facilities depend on the availability of raw materials, some of which are supplied by third parties that the Group does not control. If there is a shortage of these raw materials, the Group's processing facilities may not be able to run at full capacity. For example, before being bought by the Company, the Harjavalta Nickel Refinery in Finland experienced raw material shortages and, therefore, did not operate at full capacity;
- all of the concentrate from Tati Nickel is processed at the smelter owned by Botswana Company Limited, where the production operation has been disrupted for varying lengths of time due to equipment failure;
- the Group's production operations depend on the supplies of raw materials and spare parts by third parties.

Issues with reduced third-party supplies of raw materials, spare parts, or other products, or with any third-party smelting facilities unavailable for any reason could have an adverse effect on the Group's business, revenues, financial conditions, operational results, and, as a consequence, the ADR price.

09.Merger and acquisition risks

As part of the strategy envisaged at creation and development of an international and geographically diversified business, the Company may make strategic acquisitions of prospective mining and metallurgical companies.

The success of such deals depends on how efficiently the assets acquired can be integrated into the Company's management and production processes and whether the research, technological and production synergies can be exploited.

Mineral Resources, Ore Reserves and Geological Exploration

"A unique base of integrated copper and nickel ore resources ensures that the Company has stable long-term forecasts and a significant competitive advantage in the industry. With a view to replenishing the retired reserve of the operating deposits, to expanding and diversifying its mineral resource base, the Company's geologists are actively working on geological exploration in the Taimyr and Kola Peninsulas, the Zabaikalsk region and other promising regions."

Oleg Simonov,
Director of the Department for Geological Exploration

Proven and
probable domestic
nickel reserves

5.8
mn
tonnes

Proven and
probable foreign
nickel reserves

790
thousand
tonnes

Data for Norilsk Nickel's mineral resources and ore reserves as of December 31, 2010 are based on the results of the analysis and operating conversion of data on ore and metal balance reserves of Russian operations, accounted as per categories of the Russian classification system (5-gr Report), into Joint Ore Reserves Committee (JORC) Code categories.

Mineral Resources, Ore Reserves and Geological Exploration — Russia

As of the beginning of 2011, the proven and probable reserves of the Taimyr (Polar Division) and Kola (Kola MMC) Peninsulas amount to over 535 million tonnes and contain more than 5.8 million tonnes of nickel, over 8.5 million tonnes of copper, and ca. 2.5 thousand tonnes (over 81 million ounces) of platinum group metals (PGMs). Furthermore, measured and indicated mineral resources on the Taimyr and Kola Peninsulas aggregate ca. 1,600 million tonnes of ore, and contain over 9 million tonnes of nickel, ca. 16 million tonnes of copper, and over 5.6 thousand tonnes (ca. 182 million ounces) of platinum group metals.

In the reporting year, the economic reserves and mineral ore resources of all deposits constituting the mineral resource base of MMC Norilsk Nickel in the Taimyr and Kola Peninsulas changed as a result of their extraction and associated losses, operational exploration, reclassification of resources as reserves on the sites of newly commissioned production facilities and recalculation of reserves according to the newly approved industrial conditions (Zhdanovsky Deposit of Kola MMC).

Measured and indicated mineral
resources in the Taimyr and Kola
Peninsulas

Ore

1,600 mn tonnes

Nickel

9 mn tonnes

Copper

16 mn tonnes

PGM

182 mn ounces

The calculations were conducted in accordance with the principles of the JORC Code of the Australasian Institute of Mining and Metallurgy, using terms and rules, developed in the course of regular reserves' audit, performed at the Group's Russian deposits by Micon International Co Ltd.

Mineral Resources, Ore Reserves and Geological Exploration

Polar Division, Russia

Polar Division Deposits Taimyr Peninsula

The Polar Division is mining the reserves of three nickel-copper-sulfide ore deposits in accordance with the licenses granted, i.e. Talnakh and Oktyabrsky, which form the Talnakh ore field as well as Norilsk-1.

The Talnakh Deposit is 25-30 km from Norilsk, is being developed by the Mayak, Komsomolsky, and Skalisty mines and was united in 2010 into a single mine named "Komsomolsky".

The Oktyabrsky Deposit is developed by the Oktyabrsky, Komsomolsky and Taimyrsky mines. Rich, cupreous and disseminated ores are extracted from these mines.

The Norilsk-1 Deposit is located 30 km south of the Talnakh Deposit, being mined by Medvezhi Ruchei pit and by the underground mining method at the Zapolyarny mine.

In 2010, the aggregate extracted and lost balance-sheet ore reserves of the Taimyr Peninsula were: 286 thousand tonnes of nickel and 483 thousand tonnes of copper.

In 2010, the Company performed operational exploration on the operating mines and geological exploration on the flanks and deep horizons of the Talnakh ore field within the areal limits of the mining allotment, developed by the Oktyabrsky Mine.

The operational exploration of copper and nickel ores performed in 2010 within the areal limits of the operating deposits (Oktyabrsky, Talnakh, Norilsk-1) and geological exploration in the western flank of the Oktyabrsky Deposit within the areal limits of the mining allotment, showed that the ore reserves grew by 7.7 million tonnes, the average nickel content is 1.26%; copper, 4.29%; platinum group metals, 10.84 g/MT. Therefore, geological exploration offset a considerable portion of depleted reserves.

In general, the Company's deposits on the Taimyr Peninsula (Norilsk-1, Talnakh and Oktyabrsky) offer vast potential and should help to sustain reserves at the required level through exploration efforts at both the current operations and the unexploited deposits. The reserves of rich and cuprous ore from current mines will be replaced mainly with inferred resources on the flanks until rich-ore fields and disseminated-ore horizons are brought online. The prospects for the development of mining shall be attributed to still untapped rich ore deposits, as well as disseminated and cuprous ore horizons, which shall be successively and actively involved in development. Approved projects for preparation of new deposits and horizons of the Talnakh ore field and Norilsk-1 Deposit should support a reliable Company's mineral resources base in the future.

Geological exploration in the Taimyr Peninsula

Geological exploration in the Taimyr Peninsula is aimed at replacing platinum-nickel-copper ore and other mineral reserves of the Polar Division to provide continuous working of the mining-and-metallurgical integrated complex of the Company in the Norilsk industrial district. The work is performed on six exploration targets: Maslovsky site, Western flank of Oktyabrsky Deposit, Kureya-Gorbiachinsk, Verkhne-Turumakitsky areas.

In 2010, positive results have been obtained at two sites, namely the Maslovsky site and the Western flank of Oktyabrsky Deposit. A more detailed description is given below. As for the other sites, exploration works remain in progress.

Taimyr Peninsula

Proven and probable mineral reserves

Nickel

4.7mn tonnes

Copper

8 mn tonnes

Palladium

61 mn ounces

Platinum

16 mn ounces

Maslovsky Deposit

The deposit is located within Norilsk industrial district, 8-10 km south from "Medvezhi Ruchei" Open Pit of Norilsk-1 Deposit.

The geological exploration carried out between 2006 and 2009 showed that the disseminated ore reserves of the Maslovsky Deposit were recorded in the government registers by the Government Reserve Commission of the Federal Subsurface Management Agency of the Russian Federation (Minutes of GRC of FSMA No. 2028, dated September 30, 2009). The calculated disseminated ore reserves give ground to categorize the Maslovsky Deposit as one of the largest platinum, copper and nickel deposits. 2010 saw the first evidence of discovery of the Maslovsky Mineral Deposit.

The disseminated ore reserves of the Maslovsky Deposit include the statistically appraised and recorded reserves of 15.4 million tonnes of rich stringer-porphyry ores. In the reporting period, the deposit continued the appraisal phase of work aimed at discovering and delineating the bodies of stringer-porphyry ores: 11 wells totaling 9,170 linear meters were drilled. Rich stringer-porphyry ores with a capacity of 1.3 to 7.2 meters were penetrated. The appraisal of stringer-porphyry ores will continue in 2011. To that end, 16,350 linear m of wells will be drilled.

Flanks and deep horizons of the Talnakh ore field

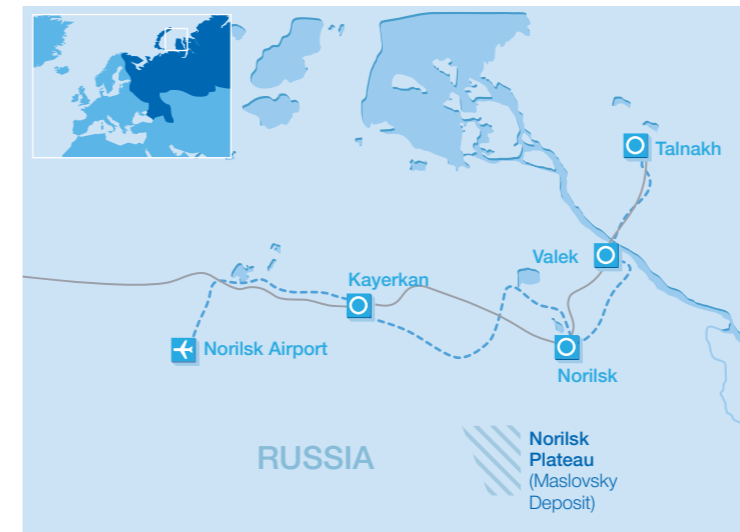
In 2009 and 2010, exploratory wells were drilled to search for rich and cuprous ores within the Talnakh ore field beyond the areal limits of the Oktyabrsky Deposit recorded reserves. In 2010, thirty wells totaling 15,000 linear meters were drilled on site. Upon completion of operations, the reserves of the western flank of the Oktyabrsky Mine were calculated. The discovered reserves were recorded on the government balance sheet; categories C₁+C₂ are as follows: 714 thousand tonnes of rich ores (36 thousand tonnes of nickel, 39 thousand tonnes of copper, 8 tonnes of platinum group metals); 2,948 thousand tonnes of cuprous ores (24 thousand tonnes of nickel, 160 thousand tonnes of copper, 33 tonnes of PGMs); 1,542 thousand tonnes of the disseminated ores of categories B+C₁+C₂ (5 thousand tonnes of nickel; 16 thousand tonnes of copper, 4 tonnes of platinum group metals).

The identified reserves do not cover fully the resource potential within the mining allotment cluster of the deposit. The prospecting operations of 2010 revealed the signs of developed rich and cuprous ores in the northern and southern flanks of the Oktyabrsky Mine mining allotment. In 2011, ca. 10,000 linear meters of exploratory wells will be drilled to assess the prospects of these sites. Moreover, in 2011, the Company intends to obtain a license for geological exploration beyond the mining allotment of the Talnakh ore field.

Balance Sheet mineral reserve of the Maslovsky Deposit

	Mineral reserve (Categories C ₁ +C ₂)	Metal content in Ore
Ore (million tonnes)	215	
Palladium ('000 oz)	32,257	4.56 g/MT
Platinum ('000 oz)	12,477	1.78 g/MT
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/MT

Maslovsky Deposit



Symbol legends

Populated areas	
Motor roads	
Railroads	
Prospects	

Mineral Resources, Ore Reserves and Geological Exploration

Kola MMC,
Russia

Kola MMC Deposits Kola Peninsula

Currently, the following deposits of the Pechenga ore field are in operation: Zhdanovsky and Zapolyarny (Severny mine), Kotselvaara-Kammikivi and Semiletka (Kotselvaara underground mine).

The principal development at the mineral resource base of the Kola Peninsula is additional exploration of the deep horizons of the operating Zhdanovsky Deposit, its recalculation according to new industrial conditions and further development of the Severny-Gluboky mine Deposit.

The ore reserve changes in the operating deposits of Kola MMC in 2010 resulted from the extraction and operational losses, 66.9 thousand tonnes of nickel and 28.2 thousand tonnes of copper balance-sheet reserves were depleted.

In late 2010, the economic reserves and mineral resources of Kola MMC's deposits changed drastically as a result of recalculation of the ore reserves of the Zhdanovsky, Tundroy and Bystrinskoye Deposits under the new industrial conditions enacted by the Government Reserve Commission of the Federal Subsurface Management Agency of the Russian Federation since January 1, 2011, with a cut-off grade of 0.4%. Test production adjusted loss and depletion indicators.

Upon recalculation, the ore reserves of the depleted part of the Zhdanovsky Deposit (above -440 m horizon) significantly increased and the resources of deeper-seated ores decreased. The latter were partly (more than 200 million tonnes with the nickel content of 0.35%) recorded off the balance sheet as required by the approved conditions.

The Tundroy and Bystrinskoye Deposits were removed from the category of reserve deposits since they will be developed under a single project of the Severny-Gluboky Mine.

As a result of all changes, the aggregate proven and probable ore reserves of Kola MMC's deposits are 184.7 million tonnes and contain more than 1 million tonnes of nickel and ca. 500 thousand tonnes of copper.

Indicated and measured mineral copper and nickel resources in the Kola Peninsula

	Mineral reserves
Ore (mn tonnes)	217
Nickel (mn tonnes)	1.4
Copper ('000 tonnes)	700

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

The indicated and measured mineral copper and nickel resources in the Kola Peninsula exceed 200 million tonnes of ore, more than 1.4 million tonnes of nickel and ca. 700 thousand tonnes of copper.

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

Geological exploration in the Kola Peninsula

In 2010, the Company continued exploration works on Kola Peninsula to extend its mineral resources base in this region. Geological exploration is conducted on five sites: Yugo-Vostochnaya Gremyakha and Vuruchuaivench Deposits, Allarechenskaya, Solenoozerskaya and Yuzhno-Kovdorskaya areas.

The exploratory wells in the Allarechensky area penetrated rocks containing sulfide copper and nickel ores. The capacity and quality of the penetrated ores make the Allarechensky area a top-priority asset.

With respect to the Vuruchuaivench Deposit, the PGM ore deposit discovery was recorded. Detailed characteristics of the deposit are given below. On the remaining sites, prospecting is still underway.

Vuruchuaivench Deposit

The Vuruchuaivench PGM, copper and nickel deposit is located in the center of the Kola Peninsula and Murmansk region, 10 kilometers outside of Monchegorsk and five kilometers from the site of the Severonickel plant, affiliate of Kola MMC.

The investment feasibility study is planned for 2011. A request was submitted to the Federal Subsurface Management Agency of the Russian Federation for a license for the exploration and production of PGM ores upon discovery of the deposit.

Mineral Resources, Ore Reserves and Geological Exploration

Geological Exploration in other Russian regions

Symbol legends	
Populated areas	
Mines	
Motor roads	
Railroads	
Prospects	
Blocks:	
1.Sretensky	1 ----
2.Kultuminsky	2 ----
3.Lugokansky	3 ----

Zabaikalsk region

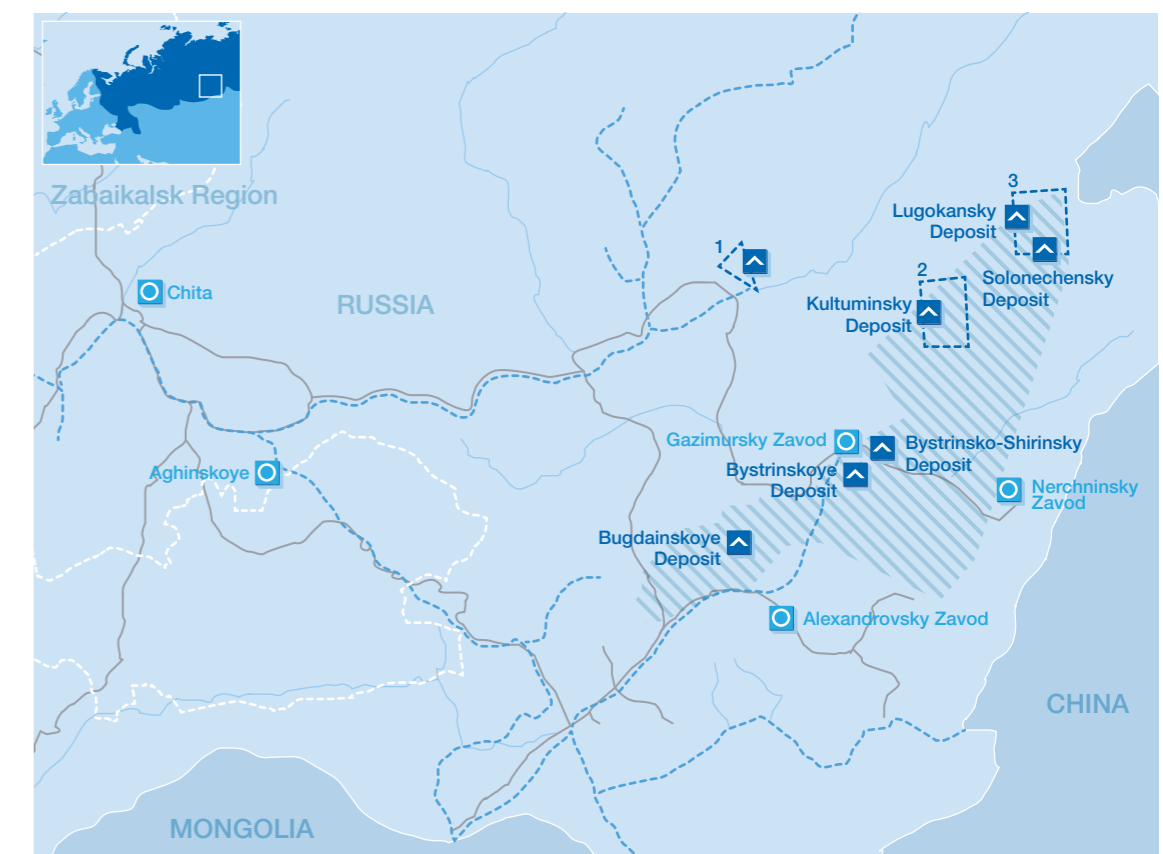
Since 2007 geological exploration on five subsoil plots in Zabaikalsk region has been conducted under the public-private investment project "Development of transport infrastructure to develop mineral resources of the south-eastern part of Chita region".

Chita Project

Alongside field development and construction of mining-and-processing integrated works, the investment project includes railroad infrastructure development for the comprehensive development of mineral potential of Zabaikalsk region.

The implementation of this project should result in a development of a major ore mining complex in the Zabaikalsk region on the base of the Bystrinskoye gold-iron-copper deposit and the Bugdainskoye molybdenum deposit. The resolution of the Government of the Russian Federation No. 1872-r of October 25, 2010, excluded the Kultuminsky, Lugokansky and Solonechensky Deposits from the Chita investment project due to the impossibility of their effective development.

Map of South-Eastern part of Zabaikalsk region



Mineral Resources, Ore Reserves and Geological Exploration

Geological Exploration in other Russian regions

Bugdainskoye Deposit

The Bugdainskoye molybdenum deposit is located in the Alexandrov-Zavodsky district of the Zabaikalsk region.

In 2006-2007, geological exploration was conducted at the deposit to prepare it for commercial development.

In December 2007, the State Reserves Committee confirmed the resources of the deposit as B+C₁+C₂ categories.

Reserves of the Bugdainskoye Deposit of categories B+C₁+C₂

	Mineral reserves
Molybdenum ('000 tonnes)	600
Gold ('000 oz)	354
Silver ('000 oz)	6,237
Lead ('000 tonnes)	41

In 2010, front-end engineering was performed to design an enrichment plant at the base of the Bugdainskoye Deposit. In 2011, the Company started design operations for the creation of an enrichment plant.



01



02

Mining:
01. Drilling boreholes using a self-propelled rig
02. Execution of coal-face work

Bystrinskoye Deposit

The Bystrinskoye Deposit is located in the Gazimur-Zavodsky district of the Zabaikalsk region. The nearest inhabited areas are the Novoshirokinskoye settlement, 14 kilometers to the northeast, and Gazimursky Zavod, the district center, 25 kilometers to the northwest.

Reserves of the Bystrinskoye Deposit of categories B+C₁+C₂

	Mineral reserves
Ore (mn tonnes)	292
Copper ('000 tonnes)	2,073
Gold ('000 oz)	7,588
Silver ('000 oz)	34,080
Iron ores ('000 tonnes)	68

In 2010, front-end engineering was finalized for designing an enrichment plant at the base of the Bystrinskoye Deposit. In 2011, the Company started design operations for the creation of an enrichment plant.

Bystrinsko-Shirinsky Deposit

The Bystrinsko-Shirinsky gold ore deposit is located in the Gazimur-Zavodsky district of the Zabaikalsk region, 24 kilometers to the southeast of Gazimursky Zavod. The property line of the Bystrinsko-Shirinsky license area directly borders a portion of the Bystrinskoye Deposit subsurface, which is being developed by the Company as part of the Chita project.

A follow-up exploration in its central area, flank and deep exploration works were performed between 2007 and 2009 with the aim of determining the reserve potential of the Bystrinsko-Shirinsky Deposit.

In 2009, the Company prepared a feasibility study of the provisional exploratory standards and a report calculating gold reserves which in 2010 underwent government assessment by the Chita Branch of the Government Reserve Commission of the Federal Subsurface Management Agency of the Russian Federation. Currently, the Company is exploring the options for the optimal use of this asset.

Reserves of the Bystrinsko-Shirinsky Deposit of category C₂

	Mineral reserves
Ore ('000 tonnes)	5,286.9
Gold ('000 oz) content: 2.3 g/MT	367.4

Sretensky area

The Sretensky Area is located in the Sretensky District of the Zabaikalsk region near the town of Sretensk, a district center.

As a result of geological exploration between 2006 and 2008, several prospects were discovered within the areas. Appraisal work within the Zergunsky gold ore prospect is planned in 2011.

Bystrinskoye Deposit

Copper reserves

2.1 mn tonnes

Bugdainskoye Deposit

Molybdenum reserves

600 thousand tonnes

Mineral Resources, Ore Reserves and Geological Exploration

Russia



01



02

Ore and mineral reserves of the Taimyr and Kola peninsulas as of December 31, 2010

	Ore volume (‘000 tonnes)	Ni (%)	Cu (%)	Pd (g/MT)	Pt (g/MT)	Au (g/MT)	Metal grade
							6PGM (g/MT)
Taimyr Peninsula							
Proven ore reserves							
Talnakh ore field:							
– Rich	51,707	2.75	3.41	5.90	1.33	0.16	7.67
– Cuprous	35,418	1.05	4.22	10.00	2.38	0.71	12.51
– Disseminated	36,266	0.46	0.81	3.62	1.35	0.23	5.19
Total Talnakh Ore Field — combined ore types	123,391	1.59	2.88	6.41	1.64	0.34	8.33
Norilsk-1 Deposit (disseminated ore)	34,138	0.34	0.47	4.00	1.64	0.17	5.94
Probable ore reserves							
Talnakh ore field:							
– Rich	80,594	2.55	2.70	4.87	0.90	0.14	6.31
– Cuprous	50,973	0.78	3.53	7.50	1.93	0.56	9.64
– Disseminated	39,100	0.39	0.63	2.54	0.79	0.16	3.55
Total Talnakh Ore Field — combined ore types	170,667	1.53	2.47	5.12	1.18	0.27	6.67
Norilsk-1 Deposit (disseminated ore)	22,309	0.28	0.36	4.28	1.75	0.20	6.37
Total proven and probable ore reserves	350,505	1.35	2.29	5.41	1.42	0.28	7.16
Measured and indicated mineral resources							
Talnakh ore field:							
– Rich	20,470	4.23	5.83	12.95	2.54	0.51	15.90
– Cuprous	1,101	0.82	2.45	6.77	2.01	0.45	9.01
– Disseminated	1,325,766	0.52	1.04	2.88	0.83	0.19	3.89
Total Talnakh Ore Field — combined ore types	1,347,337	0.57	1.12	3.04	0.86	0.19	4.07
Norilsk-1 Deposit (disseminated ore)	25,525	0.33	0.45	4.21	1.66	0.15	6.26
Total measured and indicated mineral resources	1,372,862	0.57	1.10	3.06	0.87	0.19	4.11
Total inferred mineral resources	465,014	0.90	1.85	4.40	1.12	0.26	5.75
Kola Peninsula (disseminated ore)							
Proven ore reserves (operating mines)							
	99,655	0.56	0.24	0.03	0.02	0.01	0.05
Probable ore reserves (operating mines)							
	85,004	0.61	0.30	0.03	0.02	0.01	0.06
Total proven and probable ore reserves	184,659	0.58	0.27	0.03	0.02	0.01	0.05
Measured and indicated mineral resources:							
– Operating mines	160,728	0.64	0.3	0.04	0.02	0.01	0.05
– Undeveloped deposits	56,008	0.73	0.37	0.08	0.06	0.04	0.16
Total measured and indicated mineral resources	216,736	0.66	0.32	0.05	0.03	0.02	0.08
Total inferred mineral resources	144,945	0.63	0.31	0.04	0.02	0.01	0.06

01/02. Taimyr Peninsula, Russia

	Ni (‘000 tonnes)	Cu (‘000 tonnes)	Pd (‘000 oz)	Pt (‘000 oz)	Au (‘000 oz)	Metal volume
						6PGM (‘000 oz)
	1,421	1,763	9,802	2,211	270	12,746
	371	1,493	11,393	2,715	810	14,249
	167	293	4,221	1,576	265	6,046
	1,959	3,549	25,416	6,502	1,345	33,041
	115	162	4,395	1,804	191	6,524
	2,059	2,173	12,626	2,326	357	16,364
	400	1,800	12,291	3,160	921	15,793
	151	248	3,195	997	202	4,457
	2,610	4,221	28,112	6,483	1,480	36,614
	63	81	3,072	1,257	142	4,569
	4,747	8,013	60,995	16,046	3,158	80,748
	866	1,194	8,524	1,673	336	10,469
	9	27	239	71	16	319
	6,872	13,829	122,911	35,364	7,976	165,671
	7,747	15,050	131,674	37,108	8,328	176,459
	85	115	3,452	1,359	126	5,132
	7,832	15,165	135,126	38,467	8,454	181,591
	4,167	8,584	65,818	16,741	3,937	86,027
	555	239	95	69	23	173
	518	259	86	56	24	154
	1,073	498	181	125	47	327
	1,028	484	182	89	41	276
	411	210	151	111	74	296
	1,439	694	333	199	116	572
	915	451	173	102	51	292

Notes:

- 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) developed by the Australasian Joint Ore Reserves Committee (JORC), created by the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Minerals Council of Australia.
- The reserves are based on the current detailed mine production plan for 2007-20 and the base-case conceptual mine plan covering the life of a mine. The life of a mine is based on economically mineable ore in the A, B and C Russian categories at 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 PGMs are platinum, palladium, rhodium, ruthenium, osmium and iridium. Hereafter in the annual report, troy ounces are used as a weight measure for PGM.
- Proven and probable ore reserves are not included in mineral resources.
- Ore losses applied ranged from 1.6 % to 23% and dilution from 6% to 20%. Mining dilution was assumed to have a nil grade.



01

Australia Lake Johnston

Lake Johnston is a mining facility, consisting of the nickel-sulfide ore deposits Emily Ann and Maggie Hayes. The main production is conducted in Maggie Hayes underground mine. As of the end of 2009 the proven and probable ore reserves amounted to 2.8 million tonnes, nickel — over 37 thousand tonnes with the nickel grade of 1.35%. In February 2009 the Group's management suspended production at the deposit for indefinite period of time due to adverse economic conditions. In late 2010, based on the renewed deposit model and economic calculations the Company's Management elected to commission an integrated mining facility.

Black Swan

The Black Swan mining facility consists of two nickel-sulfide ore deposits: the Silver Swan rich ore deposit, developed as an underground project, and the open-pit Black Swan disseminated ore deposit. The total resources of the Black Swan facility amount to 66.8 thousand tonnes of nickel in ore. In 2009, the Group's Management decided to suspend production at Black Swan and Silver Swan for an indefinite period of time due to adverse economic conditions. In 2010, the geological and technical characteristics of ore were studied with the purpose of creating an optimal technology for processing ordinary and talc carbonate types of disseminated ores. The renewed geological models of deposits with reappraised reserves were created. Work is planned for 2011 with the aim of selecting the optimal option for ore production and processing, considering the program of geological exploration for expanding the mineral resource base of Black Swan.

Cawse

The Cawse project is based on a laterite nickel ore deposit, which is developed by small open pits. The measured and indicated mineral resources total over 390 thousand tonnes of nickel in ore with an average grade of 0.72%. In 2009, the Group's Management suspended production at Cawse indefinitely.

Waterloo

The Waterloo project includes Waterloo and Amovac nickel-sulfide ore deposits. The Indicated resources of nickel in the deposits amount ca. 5 thousand tonnes with average grade of 1.76%. In 2010, no production was conducted on the Waterloo project.

Honeymoon Well

The Honeymoon Well project includes the Hannibals, Harrier, Corella and Harakka nickel-sulfide ore deposits and the Wedgetail solid and vein ore deposit. The total mineral resources of the Honeymoon Well project belonging to the category of measured and indicated resources contain over 1.1 million tonnes of nickel with an average content of 0.67%.

Geological Exploration

In 2010, the extent of geological exploration in Australia was minimal to comply with the requirements of the Government of Western Australia regarding expenditures on maintenance of licensed areas. The main expenditures were: Lake Johnston — geophysical and geochemical surveys; North Eastern gold ore areas — drilling, mapping and assessment of mineral resources; Honeymoon Well — drilling and geophysical work, as well as various geological exploration works at Cawse.

In 2011, the Company plans to develop the program of geological exploration for all prospects in Australia.



02

- 01. Black Swan Deposit, Australia
- 02. Extraction operations in the Phoenix Deposit, Tati Nickel, Botswana
- 03. Ore reduction at Nkomati, South Africa

Botswana Selkirk (Tati Nickel)

The Selkirk Deposit is part of the Tati ore district, being a nickel-copper-sulfide ore deposit with average nickel grade of 0.23% and copper 0.27%. The measured and indicated mineral resources total 124 million tonnes of ore and contain 285 thousand tonnes of nickel. Gold and PGM deposits are also present. The project is under preparation for open pit mining. The data on the mineral resources base is given in accordance with the results of audit, conducted by Micon in 2008.

Phoenix (Tati Nickel)

The Phoenix Deposit is also part of Tati ore district, being a disseminated nickel-copper-sulfide ore deposit with the average nickel content of 0.21%; copper, 0.18%. Open pit mining operations are performed in the deposit. In 2010, the ore reserves condition changed as a result of geological exploration, recalculation based on the optimized conditions, mineral extraction and extraction losses.

Geological Exploration

In 2010, no geological exploration was carried out in Botswana. In the 2010 reporting year, new territories were licensed to the entity. They are of greatest interest and are located directly between the Phoenix and Selkirk Deposits, namely: the Tekwane prospect (a 3-year license for geological exploration was obtained), and in the northwest of the Phoenix Deposit, namely: the Pinagare prospect (a 3-year license for geological exploration was obtained)

In 2011, integrated geological prospecting operations under new licenses are planned as is the drilling of geological exploratory wells in the northern flank of the Phoenix Deposit.



03

South Africa Nkomati

The Nkomati Deposit is a major existing deposit of disseminated nickel-copper-sulfide ore and belongs to Bushveld complex. The probable ore reserves as of the end of 2010 total 134 million tonnes. The average nickel grade is 0.36%. The ore contains also copper (0.13%), cobalt (0.02%), chrome, and platinum group metals. The measured and indicated mineral resources at this deposit amount ca. 274 million tonnes with nickel grade of 0.35%. The deposit is currently mined both as an open-pit and underground project. In 2010, the reserve change occurred as a result of mining and mining losses, and based on the results of geological exploration. The deposit mineral base was calculated on a day-to-day basis by Nkomati geological service.

Geological Exploration

In 2010, geological exploration in South Africa was carried out under the Doomhoek prospecting project within the integrated flight line anomaly located 2.5 km northeast of the Nkomati Deposit. The surface geophysical operations performed adjusted the morphology and spatial parameters of the integrated anomaly. 1,615 linear meters of exploratory wells were drilled within the anomaly boundaries. In 2011, three extra exploratory wells are expected to be drilled.

In 2011, integrated geological prospecting operations under new licenses are planned as is the drilling of geological exploratory wells in the northern flank of the Phoenix Deposit.

Mineral Resources, Ore Reserves and Geological Exploration

International Assets

Ore and mineral reserves of Norilsk Nickel International as of December 31, 2010							
	Ore Tonnage	Metal Grade			Contained Metal		
	('000 tonnes)	Ni (%)	Cu (%)	4PGM (g/MT)	Ni ('000 tonnes)	Cu ('000 tonnes)	4PGM ('000 oz)
Australia							
Lake Johnston							
Proven and probable ore reserves	2,768	1.35	-	-	37.5	-	-
Measured and indicated mineral resources and ore reserves	5,628	1.71	-	-	96.0	-	-
Inferred mineral resources and ore reserves	2,814	1.77	-	-	49.7	-	-
Black Swan							
Proven and probable ore reserves	3,535	0.68	-	-	23.95	-	-
Measured and indicated mineral resources and ore reserves	4,965	0.89	-	-	44.4	-	-
Inferred mineral resources and ore reserve	1,761	1.27	-	-	22.4	-	-
Waterloo							
Proven and probable ore reserves	11	2.37	-	-	0.3	-	-
Indicated reserves	286	1.76	-	-	5.1	-	-
Inferred mineral resources and ore reserves	386	2.09	-	-	8.1	-	-
Honeymoon Well							
Measured and indicated mineral resources and ore reserves	173,230	0.67	-	-	1,163.5	-	-
Inferred mineral resources and ore reserves	15,790	0.75	-	-	118.4	-	-
Cawse							
Proven ore reserves (warehoused)	3,757	0.65	-	-	24.4	-	-
Measured and indicated mineral resources and ore reserves	55,518	0.72	-	-	397.9	-	-
Inferred mineral resources and ore reserves	117,210	0.68	-	-	799.9	-	-
Jericho							
Inferred mineral resources and ore reserves	34,500	0.4	-	-	207	-	-
Botswana							
Selkirk							
Measured and indicated mineral resources and ore reserves	124,000	0.23	0.27	0.57	285	335	2,272
Inferred mineral resources and ore reserves	11,300	0.27	0.3	0.56	30.2	34.3	203
Phoenix							
Probable ore reserves	103,489	0.21	0.18	-	222.2	184.1	-
Measured and indicated mineral resources and ore reserves	195,300	0.20	0.18	-	394.6	353.5	-
Inferred mineral resources and ore reserves	7,500	0.23	0.2	-	17.3	15.0	-
South Africa							
Nkomati							
Proven and probable ore reserves	133,879	0.36	0.13	0.88	481.2	179.1	3,829
Measured and indicated mineral reserves (resources)	273,830	0.35	0.13	0.87	958	356	7,659

Notes:

- Summary data on reserves and resources forwarded for an annual report by authorized departments of Norilsk Nickel Africa and Norilsk Nickel Australia.
- The Group controls 100% of MPI Nickel, which in turn owns 100% of Silver Swan, Black Swan and Honeymoon Well Deposits.
- Some differences may occur due to rounding.
- Mineral resources include ore reserves.
- Indicated mineral resources in tonnes of metal are estimated within the earth, without consideration of waste rock dilution during extraction, or recovery factors during preparation.
- 4 PGM comprise platinum, palladium, rhodium, and gold.

Mineral Resources, Ore Reserves and Geological Exploration

Definition of Mineral Resources and Ore Reserves as per the JORC Code

Mineral resource

- is a concentration or an occurrence of material of intrinsic economic interest, in or on the earth's crust in such form, quality and quantity that there are reasonable prospects for its eventual extraction for industrial use.

The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral Resources are subdivided in order of increasing geological confidence into Inferred, Indicated and Measured categories.

Inferred mineral resource

- is that part of a Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and has an assumed, but not verified, geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes, which is limited or of uncertain quality and reliability.

In geological terms, this mainly corresponds to the C₂ category of the Russian classification system.

Indicated mineral resource

- is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.

In geological terms, this mainly corresponds to the C₁ category of the Russian classification system.

Measured mineral resource

- is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and/or grade continuity.

In geological terms, this mainly corresponds to the A+B categories of the Russian classification system.

Ore reserve

- is the economically mineable part of a Measured or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Ore Reserves are subdivided in order of increasing confidence into Probable Ore Reserves and Proven Ore Reserves.

Probable ore reserve

- is the economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.

In geological terms, this mainly corresponds to the C₁ category of the Russian classification system.

Proven ore reserve

- is the economically mineable part of a Measured Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.

In geological terms, this mainly corresponds to the A+B categories of the Russian classification system.

Mineral Resources, Ore Reserves and Geological Exploration

Hydrocarbon Reserves

MMC Norilsk Nickel currently extracts hydrocarbons (natural gas and gas condensate) at the Pelyatka Deposit, owned by a subsidiary of the Company — Taimyrgaz. In addition, OJSC Norilskgazprom, an associate of the Group, extracts the hydrocarbons on three other deposits:

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

The gas produced is sold to Norilskenergo, a branch of Norilsk Nickel, as a raw material for heat and power generation and for the Company's production needs.

The Pelyatka Deposit is the largest of all gas condensate deposits that Norilsk Nickel is currently developing. The construction and expansion of deposit facilities is currently underway, which includes construction of more than 200 complex technological facilities throughout the production chain, from gas and gas condensate extraction to its preparation for shipment to customers.

In 2010, 44 production facilities were commissioned in the Pelyatka gas condensate field. Currently, Taimyrgaz has 18 operating wells, 3 test wells and 6 idle wells in the Pelyatka gas condensate field.

Natural gas output was 1,723 million m³; gas condensate, 86 thousand tonnes: an increase of 23% and 30% compared with 2009 respectively.

In 2011, the planned output from the Pelyatka gas condensate deposit is as follows: 1,865 million m³ of natural gas (an increase of 8% against 2010), 94 thousand tonnes of gas condensate (an increase of 9% against 2010).

Group's natural gas output in 2010

1.7 bn m³
+23%

Group's gas condensate output in 2010

86
thousand
tonnes
+30%

Gas and condensate reserves of the Pelyatka Deposit as of December 31, 2010

	Gas (bn m ³)	Gas condensate ('000 tonnes)
Reserves (A+B+C ₁)	242	9,609

Gas and gas condensate production by Taimyrgaz

	2010	2009	2008
Natural gas (mn m ³)	1,723	1,402	1,146
Gas condensate ('000 tonnes)	86	66	49

Botswana

Tati Nickel is a unique project of the Group, under which the program for ore processing with one of the world's lowest metal content is being implemented.



01. Drilling and blasting operations in the Phoenix Deposit open pit, Tati Nickel, Botswana
02. Phoenix Deposit Enrichment Plant, Tati Nickel, Botswana

Review of Operating Performance

"Year after year, the Company has demonstrated stable levels of metal output in accordance with the approved plans. In future, due to the implementation of the long-term Production and Technical Development Strategy, Norilsk Nickel plans to significantly increase the volume of key metal production, diversify the product line and strengthen its position in new regions, both in Russia and abroad. It should all happen in the context of the large-scale integrated upgrading of the Company's production facilities, unprecedented in Russia by the amount of investment as well as the nature of activities."

Yury Filippov,
Acting First Deputy General Director

Group's nickel
output in 2010

+5.1%
year-on-year

Group's palladium
output in 2010

+2.7%
year-on-year

MMC Norilsk Nickel is the world's lowest-cost producer of nickel. Owning a unique resource base, the Company strengthens this competitive advantage primarily by reducing costs and optimizing production and management processes at all levels.

Review of Operating Performance

Group ore output¹ ('000 tonnes)

	2010	2009	2008
Russia	24,454	23,190	23,183
Polar Division	16,118	15,298	15,034
Kola MMC	8,336	7,892	8,149
Australia	-	509	5,168
Black Swan	-	315	2,846
Cawse	-	-	678
Lake Johnston	-	192	1,391
Waterloo	-	-	253
Botswana			
Tati Nickel	8,380	10,709	9,629
Group Total (net of South Africa)	32,834	34,408	37,980
South Africa²			
Nkomati	2,529	988	645
Group Total	35,363	35,396	38,625

Notes:

(1) All figures are based on a 100% ownership of subsidiaries. Data excludes the performance indicators of Stillwater Mining Company, which was a subsidiary of the Group until December 2010.

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

Group average metal content in ore

	Nickel (%)			Copper (%)			PGM (g/MT)		
	2010	2009	2008	2010	2009	2008	2010	2009	2008
Russia									
Polar Division	1.41	1.52	1.56	2.31	2.55	2.66	7.51	8.06	8.43
Kola MMC	0.67	0.65	0.59	0.29	0.27	0.25	0.08	0.09	0.10
Australia									
Black Swan	-	0.64	0.84	-	-	-	-	-	-
Cawse	-	-	0.69	-	-	-	-	-	-
Lake Johnston	-	1.69	1.53	-	-	-	-	-	-
Waterloo	-	-	2.63	-	-	-	-	-	-
Botswana									
Tati Nickel	0.23	0.25	0.29	0.23	0.24	0.21	-	-	-
South Africa									
Nkomati	0.39	0.51	0.63	0.17	0.23	0.26	0.80	0.41	0.71

Group's ore output in 2010

35.4 mn tonnes

Metal in recovery concentration

	Nickel (%)			Copper (%)			PGM (g/MT)		
	2010	2009	2008	2010	2009	2008	2010	2009	2008
Russia									
Polar Division	82.4	82.7	83.7	95.8	96.0	96.4	-	-	-
Kola MMC	73.1	72.5	69.6	73.8	74.1	77.0	-	-	-
Australia									
Black Swan	-	67.8	73.6	-	-	-	-	-	-
Cawse	-	-	78.3	-	-	-	-	-	-
Lake Johnston	-	70.9	72.8	-	-	-	-	-	-
Botswana									
Tati Nickel	62.4	88.6	85.1	61.9	88.9	87.5	-	-	-
South Africa									
Nkomati	66.3	68.0	69.0	82.7	73.0	79.0	47.2	42.0	42.0

Metal in recovery metallurgy

	Nickel (%)			Copper (%)			PGM ² (g/MT)		
	2010	2009	2008	2010	2009	2008	2010	2009	2008
Russia									
Polar Division	93.2	92.9	92.8	94.5	94.4	94.6	93.8	94.0	94.1
Kola MMC	97.7	97.6	97.5	97.2	96.6	97.0	96.9	97.4	97.1
Finland									
Harjavalta ¹	96.0	96.0	96.6	91.0	96.8	93.3	85.6	85.1	85.4

Notes:

(1) Volumes include the indicators of extraction in smelting.

(2) PGM extraction for the Polar Division is based on finished products (PGM concentrates, nickel matte); for Kola MMC it is based on saleable PGM products (concentrates, copper slime, copper selenide).

Nickel

297
thousand tonnes
+5.1%

output growth was due to the Group's domestic assets and a higher capacity utilization rate of Norilsk Nickel Harjavalta, a nickel refining plant.

Group saleable metal production¹

(in tonnes or as otherwise specified)

	2010	2009	2008
Russia			
Nickel	235,518	232,813	232,302
Copper	365,698	382,443	400,344
Palladium, '000 oz	2,722	2,676	2,702
Platinum, '000 oz	663	636	632
Australia			
Nickel ²	-	1,223	15,528
Botswana^{2,3}			
Nickel	11,163	17,401	20,769
Copper	11,050	13,352	13,297
Palladium, '000 oz	84	100	95
Platinum, '000 oz	14	17	19
Finland			
Nickel ⁴	49,159	28,452	29,344
Copper	11,279	4,983	4,230
Palladium, '000 oz	48	18	11
Platinum, '000 oz	15	5	5
Group Total, excluding South Africa			
Nickel	295,840	279,889	297,943
Copper	388,027	400,778	417,871
Palladium, '000 oz	2,854	2,794	2,808
Platinum, '000 oz	692	658	656
South Africa (50%) to third parties^{2,5}			
Nickel	1,489	3,005	2,642
Copper	845	1,436	1,347
Palladium, '000 oz	7	11	13
Platinum, '000 oz	2	3	5
Group Total⁶			
Nickel	297,329	282,894	300,585
Copper	388,872	402,214	419,218
Palladium, '000 oz	2,861	2,805	2,821
Platinum, '000 oz	694	661	661

Notes:

(1) All figures are based on a 100% ownership of subsidiaries. Data exclude the performance indicators of Stillwater Mining Company, which was a subsidiary of the Group until December 2010.

(2) Metal content in concentrate.

(3) Excluding 3,014 tonnes of nickel in concentrate, 3,053 tonnes of copper in concentrate, 23 thousand ounces of palladium in concentrate and 4 thousand ounces of platinum in concentrate, delivered to Norilsk Nickel Harjavalta in 2010 for processing.

(4) The output of refined nickel from Norilsk Nickel Harjavalta.

(5) Excluding 3,546 tonnes of nickel in concentrate, 1,957 tonnes of copper in concentrate, 14 thousand of troy ounces of palladium in concentrate and 4 thousand of troy ounces of platinum in concentrate, delivered to Norilsk Nickel Harjavalta in 2010 for processing.

(6) The aggregate figures, "Total", are often rounded numbers, hence, in certain cases, individual figures may differ slightly from earlier published values.

Palladium

2.8 mn ounces
+2.7%

output growth was due to an increase in the disseminated ore processing volumes, the depletion of materials-in-progress and a higher capacity utilization rate of Norilsk Nickel Harjavalta, a nickel refining plant.

Polar Division Ore extraction

In 2010, the aggregate ore output from the mining entities of the Polar Division was 16.1 million tonnes, an increase of 5.4% year-on-year.

Changes in ore production volumes against the previous year are connected with:

- a decrease in rich ore output by 46.4 thousand tonnes (or 0.7%) as a result of reduction in rich ore output from the Oktyabrsky Mine. This was partly offset by the growth of output from the Taimyrsky Mine along with the Komsomolsky and Skalisty shafts;
- a decrease in the cupreous ore output by 502.1 thousand tonnes (or 9.6%), caused by the aggregate ore output from the Komsomolsky shaft in 2010 being divided into two grades of saleable ores - cupreous and disseminated. In 2010, the Komsomolsky shaft's production of cupreous ore was reduced by 718.9 thousand tonnes, partly offset by the growth of cupreous ore output from the Oktyabrsky Mine;
- an increase in the disseminated ore output by 1.4 million tonnes (or 44.8%), caused by the aggregate ore output from the Komsomolsky shaft in 2010 being divided into two grades of ore - cupreous and disseminated. In 2010, the Komsomolsky shaft's production of disseminated ore increased by 784.2 thousand tonnes year-on-year. The growth of disseminated ore output also derived from an increase in the disseminated ore output from the Oktyabrsky and Zapolyarny mines and the Mayak shaft.

The reporting year saw further construction of the Company's mining infrastructure assets as part of the Company's implementation of its Production and Technical Development Strategy. In 2010, ore production facilities were built and commissioned under the following projects:

- in the Taimyrsky Mine – at start-up facility II in order to penetrate and develop part of the Bolshoy Gorst¹ pool;
- in the Oktyabrsky Mine – the cupreous ore production capacity was increased at start-up facility I;
- in the Taimyrsky Mine – start-up facility I saw the integrated rehabilitation of the downcast shaft and the upgrade of engineering equipment.

With regard to stowing, 2010 saw:

- completion of the construction and installation of infrastructure for start-up facility I as part of a project designed to use rock refuse tails of the Talnakh Enrichment Plant for the Talnakh's mine stowing;
- launch for pilot operation of a unit for preparing stowing mixture with an output of more than 750 thousand m³/year at the surface stowing facility of the Komsomolsky shaft.

Note:

(1) Ore shoot section deposited 70-100 meters above the base reserves; the rated capacity of the section ready for production is 600-800 thousand tonnes of rich ore per year.

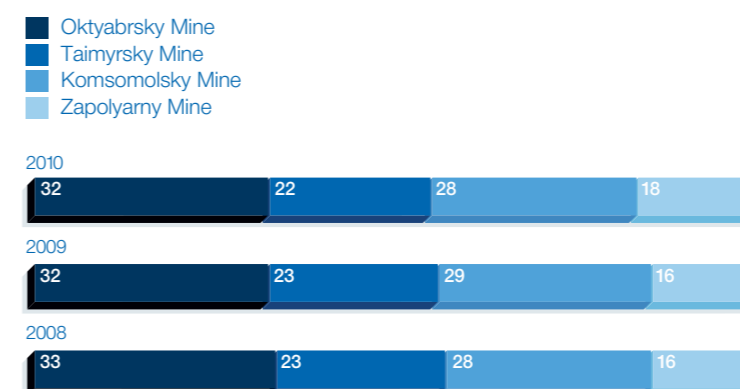
Production assets of the Polar Division

Deposit/Mine	Type of mine	Ores
Oktyabrsky Deposit		sulfide copper and nickel
Oktyabrsky Mine	underground mine	rich, cupreous and disseminated ores
Taimyrsky Mine	underground mine	rich ores
Talnakh and Oktyabrsky Deposits		sulfide copper and nickel ores
Komsomolsky Shaft	underground mine	rich, cupreous and disseminated ores
Mayak Shaft	underground mine	disseminated ores
Skalisty Shaft	underground mine	rich ores
Norilsk-1 Deposit		sulfide copper and nickel ores
Medvezhy Ruchey Open Pit Mine	open pit mine	disseminated ores
Zapolyarny Mine	underground mine	disseminated ores

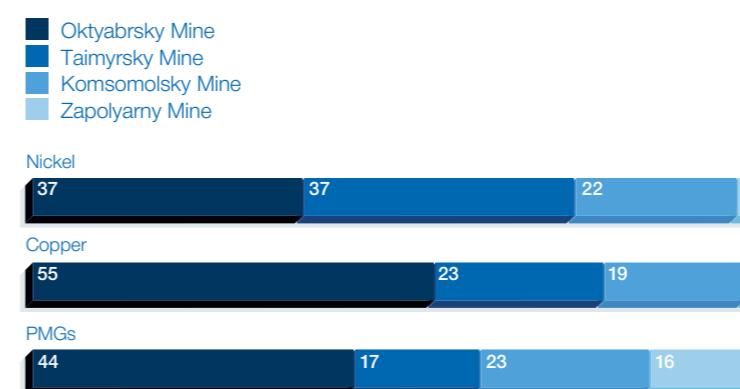
Ore output from the Polar Division ('000 tonnes)

Type of Ore	2010	2009	2008
Rich ore	6,957	7,004	7,135
Cupreous ore	4,734	5,236	4,855
Disseminated ore	4,427	3,058	3,043
Total³	16,118	15,298	15,033

Breakdown of ore production from the Polar Division's mines¹ (%)



Breakdown of metal production from the Polar Division's mines² in 2010 (%)



Note:

(1)(2) In 2010, the Polar Division's production facilities underwent corporate reorganization, during which the Komsomolsky, Skalisty and Mayak shafts became part of the Komsomolsky Mine; the Zapolyarny Underground Mine and the Medvezhy Ruchey open pit mine parts of the Zapolyarny Mine.

(3) The aggregate figures, "Total", are often rounded numbers, hence, in certain cases, individual figures may differ slightly from earlier published values.

2010 also witnessed further feasibility studies, design and construction in other strategic areas at the Polar Division's mining entities, which included:

Taimyrsky Mine:

- construction of permanent mine openings ensuring the replenishment of the retired rich ore production capacity at depths of 1,300 and 1,400 m;
- rehabilitation of start-up facilities for the penetration and development of part of the Bolshoy Gorst pool to replenish the retired rich ore production capacity;
- rehabilitation of the downcast shaft;
- upgrade of the skip shaft elevating facility equipment in order to increase the production capacity of the elevation of extracted ore;
- upgrade of the fan installation.

Oktyabrsky Mine:

- work related to the penetration, treatment and mining of cupreous ores designed to develop cupreous ore production capacity, and expand the cupreous ore production capacity;
- work related to the penetration, treatment and mining of rich and disseminated ore pools;
- mining of rich ores in the protective pillar of the transportation shaft without partial extraction of the shaft.

Skalisty Shaft:

- development of the rich ore production capacity;
- work related to the penetration, treatment and mining of the rich and cupreous ores of Talnakh Deposit's C-2 pools and Oktyabrsky Deposit's C-5, C-5I, C-6, C-6I pools. Penetration into the deep pools of rich ores was carried out using VS-10 and SKS-1 vertical well bores to replenish the retired rich ore production capacity.

Komsomolsky Shaft:

- construction of permanent mine openings, which ensures the replenishment of disseminated ore production capacity together with the penetration and extraction of flank reserves of rich and cupreous ore.

Mayak Shaft:

- work related to the penetration, treatment and mining of the Talnakh Deposit ore reserves.

Zapolyarny Mine:

- work related to the expansion of disseminated ore production in the Norilsk-1 Deposit, ensuring the replenishment of disseminated ore production capacity.

Enrichment

In 2010, the Polar Division's two enrichment plants' existing production facilities ensured the processing of 15.8 million tonnes per year of all types of extracted raw ores (rich, cupreous and disseminated) along with 1.5 million tonnes per year of stockpiled pyrrhotite concentrate.

Norilsk enrichment plant

In 2010, the volume of processed raw materials was 17.6% higher year-on-year, due to the processing volume of stockpiled pyrrhotite concentrate growing by 37.3%.

The 2010 output of extracted non-ferrous metals, compared with 2009 output, was as follows:

- 1.0% increase of nickel extraction from raw material recovery rates, deriving mainly from higher nickel content in stockpiled pyrrhotite concentrate;
- copper extraction from raw material recovery rates in 2010 remained the same as in 2009.

In 2010, the Norilsk Enrichment Plant finalized the construction and commissioning of a number of facilities in the second joint impounding field of the Norilsk and Talnakh Enrichment Plant, under a common project for the expansion of the Lebyazhye tailings storage facility.

Enrichment facilities of the
Polar Division per year

15.8 mn tonnes



02

- 01. Slag pouring into electric furnace, Smelting Shop 2, Nadezhda Metallurgical Plant
- 02. Flowing of nickel anodes, Roasting Shop, Nickel Plant
- 03. Unloading of copper anodes from the accumulator bath upon cooling, Smelting Shop, Copper Plant

Talnakh enrichment plant

In 2010, the volume of processed raw ores equaled that of 2009. The extraction of non-ferrous metal recovery rates in 2010 decreased slightly year-on-year, mainly due to changes in the structure of processed raw materials.

In 2010, the Company adopted a decision to renew a project designed to restore and re-equip the Talnakh Enrichment Plant, suspended in 2008. The primary project goal is to restore the enrichment plant and increase its production capacity for all ores to 16 million tonnes per year. The reporting year witnessed industrial testing aimed at selecting a potential ore concentration technology.

Metallurgy

In 2010, the Company's metallurgical enterprises continued to improve the organization of the engineering processes and the maintenance of primary engineering equipment, namely:

- restoring the oxygen plants of the Nadezhda Metallurgical Plant in order to replenish the retired facilities producing air separation products;
- completing the preparatory phase of a project to restore the Nadezhda Metallurgical Plant's tailings storage facility and to increase usable storage capacity to 40 million m³. The project resulted from the need to ensure uninterrupted function of the hydrometallurgical processes at the Nadezhda Metallurgical Plant and the safe operation of the tailings storage facility;
- initiating the design of a new enrichment plant for processing the Copper Plant's current and stockpiled slag waste;
- continuing the implementation of a project that increases the hydrometallurgical production capacity of the Nadezhda Metallurgical Plant.



03

The primary goals of the project increasing the capacity of the hydrometallurgical business of the Nadezhda Metallurgical Plant are:

- to ensure the process of the entire volume of raw nickel received from the Polar Division's enrichment of ore, and involving no more than 2.4 million tonnes per year of by-products. This is in conjunction with the shutdown of the Nickel Plant's Sintering and Smelting Shops;
- to reduce sulfur dioxide concentration in the Norilsk residential area by moving hydrometallurgical production further away from the town;
- to decrease the percentage of sulfur-dioxide-poor tail gases in the Polar Division's total emissions;
- to renew the Polar Division's production assets in connection with the decommissioning of worn-out fixed assets and abandonment of the Nickel Plant's Sintering and Smelting Shops' outdated technology.

In 2010, Government Authority approved documentation for the project at the Nadezhda Metallurgical Plant, which is aimed at increasing the capacity of hydrometallurgical production. This project is scheduled for completion by 2015.

Furthermore, during the reporting year, whilst replacing the existing electric furnace 4, the Nadezhda Metallurgical Plant carried out material and technical configuration of a higher-capacity furnace, equipped with a gas treatment system manufactured by Tenova Pyromet (Pty) Ltd, South Africa. The furnace replacement is scheduled to be completed by the end of 2011.

01



In 2010, the Nickel Plant produced its five-millionth tonne of cathode nickel.

Kola MMC

Ore extraction

During the reporting period, the aggregate ore output from the mining enterprises of Kola MMC was 8.3 million tonnes, a year-on-year increase of 443.6 thousand tonnes (or 5.6%).

The increase in ore output was caused by the growth of production volumes in the underground section of the Severny Mine, which was partly offset by the drop in ore output in the open pit section as a result of additional reserve development.

2010 saw further construction of Kola MMC's mining facilities, namely:

- the commissioning of a number of ore production facilities, which enabled the Severny-Glubokoy Mine to be up and running at its full capacity of 6 million tonnes of ore per year by the end of 2010;
- the Severny-Glubokoy Mine initiated the construction of facilities to mine ores in -440 m horizon, which is expected to ensure the replenishment of the retired mine production capacity and will allow the mine to continue operating at its full capacity in the long run.

In 2010, a decision was adopted to upgrade control systems and to replace the electric drives of winders one and two of the Severny Mine cage winding. Front end engineering design also began.

In connection with the approval of permanent exploration conditions for the calculation of reserves of the subsurface portions of the Zhdanovsky, Tundrovyy and Bystrinsky Ore Deposits (reserve deposits), work was initiated to recalculate and approve reserves for the cutoff nickel grade of 0.4% (temporary operational conditions for the cutoff nickel content of 0.5% applied until December 31, 2010). Upon their approval by the Government Reserve Commission, with a view to maintaining the achieved level of nickel output, the existing project for the penetration and mining of ores down to -440 m horizon will be adjusted and ore production capacity will be increased to 7.5 million tonnes per year, reflecting the results of test mining of a part of the deposit and including the reserves of the Southern section. These operations will ensure more complete ore and metal extraction from the subsurface and improvement of the production technology.

Production assets of Kola MMC

Deposit/Mine	Type of mine	Type of extracted ores
Zhdanovsky Deposit Severny Mine, Southern Open Pit Mine section Western and Central Southern Open Pit Mine sections	open pit mine underground mine	sulfide copper and nickel ores disseminated ores disseminated ores
Zapolyarny Deposit Severny Mine, Northern Open Pit Mine section	underground mine	sulfide copper and nickel ores disseminated ores
Kotseivaara and Semiletka Deposits Kotseivaara Mine	underground mine	sulfide copper and nickel ores disseminated ores

Enrichment

The Kola MMC enrichment plant ensures the processing of the entire volume of extracted ores. In 2010, the volume of processed ore was 4.6% higher than in 2009.

In 2010, the extraction levels of the enrichment plant changed as follows:

- nickel extraction recovery rate was 0.58% higher year-on-year;
- copper extraction recovery rate was 0.29% lower year-on-year.

An increase in nickel extraction recovery rate in 2010 was caused by the increased content of nickel in processed ore, the stabilization of engineering processes and by reasonable chemical consumption.

A decline in copper extraction recovery rate in 2010 resulted from the increased share in the shaft of ores from the Central Ore Body, characterized by thin-plate, micrometer-sized interpenetrations of ore minerals and silicates, leading to high losses of copper during final tailings and the removal of thickeners.

To improve the enrichment plant's technological indicators, phase one of the enrichment plant's Crushing Section rehabilitation was carried out, including the replacement of existing equipment with Metso Minerals'. Once the equipment of one of the three crushing cascades is complete, it is planned to cut production costs and to raise the efficiency of Metal Recovery converted into concentrate.

In 2010, the Company made a decision to implement, and later commence the front end engineering design to upgrade electric drives and control system of the enrichment plant's large-volume mills.

Work was performed in 2010 to fine-tune the advanced technology used for the concentration of Pechenga copper and nickel ores and to continue the development of technical regulations used to implement efficient technology at Kola MMC's enrichment plant.

In addition, 2010 witnessed completion of the building design phase for a new water-receiving and disposal system for the enrichment plant's tailings storage facility.

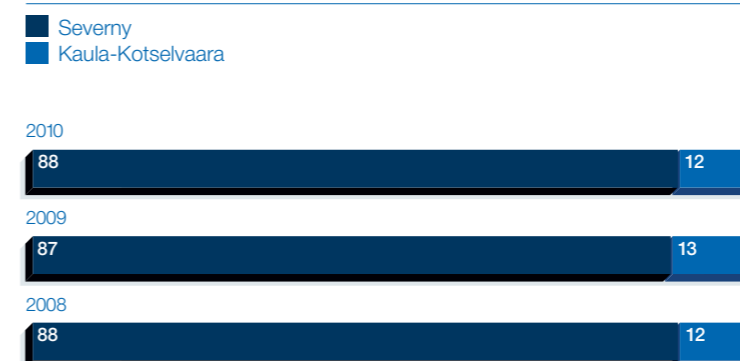
Metallurgy

In 2010, as part of phase one of the Program to Upgrade the Metallurgical Production of Pechenganickel, all basic construction and assembly operations were performed as part of the innovative project for the Rehabilitation of the Float Concentrate Roasting Shop of the Enrichment Plant for the Production of Reinforced Briquettes. The project is aimed at replacing the existing pelletizing-roasting technology, associated with high emissions of unutilized sulfur dioxide gases, with roasting-free technology of concentrate briquetting. The fourth quarter of 2010 saw the start of the front end engineering design for phase two of the Program for Upgrading Metallurgical Production, which is expected to result in the reduction of sulfur dioxide emissions from the smelting facilities of the Nickel village.

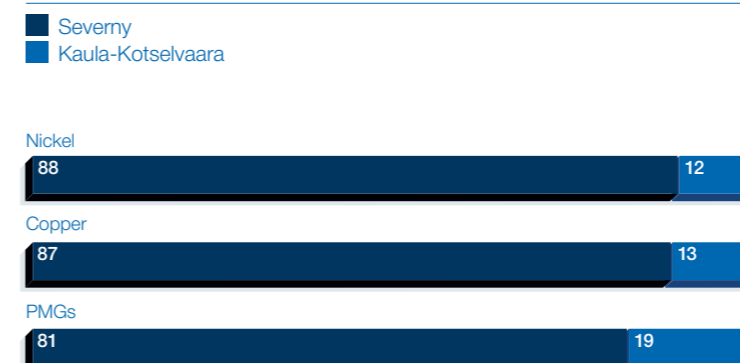
In the reporting year, the documentation for the project to restore the Nickel Electrolysis Shop was updated to reflect its annual capacity increase of up to 120 thousand tonnes of electrolytic nickel. The project is in the early stage of transition from the Severonickel's refining business to the promising technology of chloride solvent extraction from a nickel matte/concentrate. In addition, 2010 saw the preparation of project documentation, and later the start on development of working documentation for the environmental project utilizing salt waste from nickel refining.

During the year, Gipronickel Institute prepared project documentation and started to develop working documentation on a project to produce electrolytic cobalt at the Monchegorsk facility.

Breakdown of ore production from Kola MMC's mines (%)



Breakdown of metal production from Kola MMC's mines in 2010 (%)



Domestic metal output

In 2010, domestic metal output grew by 1.1 % year-on-year to 235.5 thousand tonnes. Domestic copper output in 2010 decreased by 4.4% versus 2009, due to the expected reduction in metal content in the extracted ores due to a limited concentration capacity. The aggregate platinum and palladium output increased by 2.2% in comparison to 2009, mainly due to a 1.6-fold growth in the volume of disseminated ore processing and a 1.5-fold depletion of materials-in-progress, primarily stockpiled pyrrhotite concentrate.

Metal output of Russian divisions

Nickel

236
thousand tonnes

Copper

366
thousand tonnes

Palladium

more than
2,720
thousand ounces

Platinum

more than
660
thousand ounces

Metal output from the Polar Division and Kola MMC (in tonnes or as otherwise specified)

	2010	2009	2008
Polar Division			
Nickel	124,200	124,250	122,000
Copper	309,320	323,705	338,511
Kola MMC			
Nickel, including:			
– from its own raw materials	39,002	36,770	38,306
– from the raw materials of the Polar Division	72,316	71,793	71,996
Copper, including:			
– from its own raw materials	17,321	18,023	18,777
– from the raw materials of the Polar Division	39,057	40,715	43,056
Group Total in Russia			
Nickel	235,518	232,813	232,302
Copper	365,698	382,443	400,344
Palladium ('000 oz)	2,722	2,676	2,702
Platinum ('000 oz)	663	636	632

Australia

In 2008 and 2009, the Group's Australian entities were suspended.

In 2010, the Company initiated the preparatory work for a phase-by-phase re-launch of suspended production assets in Australia.

The Group plans to renew nickel concentrate production at Lake Johnston in mid-2011. The expected output of nickel in concentrate in 2011 will exceed 4.5 thousand tonnes. The planned capacity of the enterprise is up to 10 thousand tonnes nickel in concentrate per year.

Botswana

In 2010, the aggregate output of extracted ore in the Phoenix Mine was 8.4 million tonnes. The average content of nickel in ore was 0.23%; the average copper content was 0.23%.

During 2010, the Phoenix Mine upgraded the GeoMos automated system for deformation monitoring as well as broadening its coverage area. The reporting year witnessed the start of elements of the Geobrug Rock Fall protection system being installed in the open pit mines to raise the level of mining safety.

In 2010, production performance was mainly affected by changes in the mineral composition of ore. The year-end volume of produced concentrate was 272.8 thousand tonnes; the average nickel content was 5.20% (14,177 tonnes of nickel in concentrate), a minor decrease compared with the previous years.

Deviation between the content of nickel, copper and impurities in the extracted material and the resource model data, necessitated modifying the parameters of the complex production concentration process.

In 2010, the Group's employees conducted a number of laboratory and industrial tests using mining waste depressants in flotation aimed at improving concentrate quality and raising the levels of Metal Recovery in the final product. Currently, the given recommendations are being applied consistently in order to streamline the process of concentration.

As part of industrial testing, since the second half of 2010, the warehoused by-product of previous years (magnetic separation tailings with the average nickel content of 0.22%) has been supplied to the initial concentration process stages.

As of the year-end, the enrichment plant's DMS processed 9.8 million tonnes of material; the flotation process stage processing 4.5 million tonnes of material.

2011 will see further work to stabilize the enrichment plant's operation and optimize the concentration model.

Grinding and classification section
of Lake Johnston, Australia



Botswana

Concentrate output in 2010

272.8
thousand tonnes

Finland**Raw material supplies**

In 2010, the utilization rate capacity of Norilsk Nickel Harjavalta, a nickel refining plant, grew from 66% to 74% year-on-year mainly due to an increase in the supplies of in-house concentrates from Tati Nickel and Nkomati and the raw materials of Talvivaara.

Metal production

Norilsk Nickel Harjavalta produced 49.2 thousand tonnes of saleable nickel in 2010.

In 2010, Norilsk Nickel Harjavalta successfully registered its products in accordance with REACH regulations, establishing a new system of substance circulation in the EU. Product registration is a precondition for its sale in the European market.

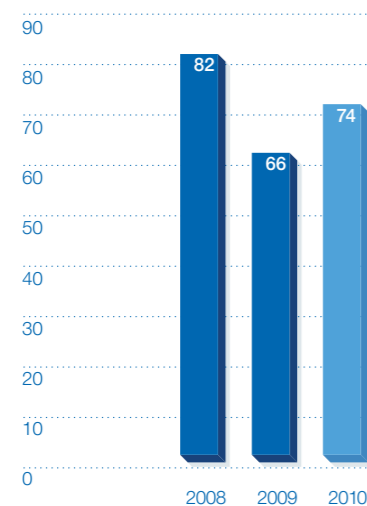
2010 witnessed further strategic cooperation between Norilsk Nickel Harjavalta, a nickel refining plant, and the Smelting Shop of Harjavalta Boliden, which smelts concentrates for Norilsk Nickel Harjavalta under a tolling agreement. In the reporting year, a new 5-year agreement was put in place.

Norilsk Nickel Harjavalta worked to improve the plant's performance in 2010 and integrate it with the Russian entities of the Group. Specifically, for copper cake processing purposes, Kola MMC implemented a model for the extraction of nickel matte solvent without using the matte of electric furnaces. It built a warehouse with the cake packaging line and a line for packaging the matte of Boliden's furnaces.

To expand the copper leach residue filter station and to sweep water-soluble nickel, the new Larox filter press is being installed.

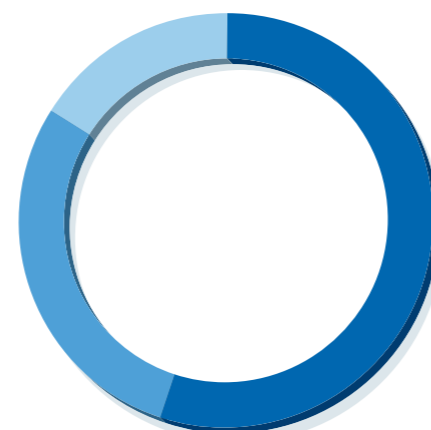
In 2011, it is planned to continue replacing equipment, upgrading the copper and iron treatment process stage and to build a nitrogen feed line to process the autoclave nickel powder with a view of improving the process stage reliability and safety and reducing hydrogen consumption.

Utilization rate capacity of the nickel facilities of Norilsk Nickel Harjavalta (%)



Breakdown of nickel production of Norilsk Nickel Harjavalta

■ Briquettes, 55%
■ Cathodes, 29%
■ Powder, salts, solutions, 16%



Enrichment Plant, Nkomati, South Africa

South Africa

Nkomati is a joint venture of the Group and African Rainbow Minerals, in which the Group owns a 50% share. In its financial statements, the company classifies Nkomati as an affiliate.

Extraction and concentration

Sulfide ore output in 2010 was 2.5 million tonnes; the average nickel content was 0.39%. Relative reduction of nickel content in ore resulted from the extraction of poorer ore and its involvement in a separate processing cycle. Moreover, ca. 0.6 million tonnes of oxidized lead ore, deposited above nickel-containing rocks, were extracted. Lead ore is an important by-product, the sales of which give significant cash flow to Nkomati.

2010 saw the mining of open pit 2, production in which is scheduled for completion in 2011. In the second half of 2010, Nkomati initiated stripping work in open pit 3 and by the end of the year penetrated the basic ore body.

The enrichment plants processed 2.2 million tonnes of ore. In the reporting year, the enrichment plant with a capacity of 375 thousand tonnes of ore per month, commissioned in October 2009, reached its design capacity (processing ore from the basic mineralization zone with the average 0.43% of nickel in ore) and is approaching the design extraction levels.

In 2010, the enrichment plant with a capacity of 100 thousand tonnes of ore per month was shut down for restoration and expansion. Once repair work was completed, the enrichment plant was launched with an increased capacity of up to 250 thousand tonnes per month, with respect to ore with low nickel content of 0.23%. To improve the enrichment plant's performance, chrome is expected to be extracted from nickel floatation tails to receive chrome concentrate. The enrichment plant is intended to be up and running at full capacity during 2011.

Metal production from Norilsk Nickel Harjavalta (in tonnes)

	2010	2009	2008
Nickel from own production, including:	49,159	28,452	29,344
Intra-group supplies			
Australia:	3,183	10,879	16,224
– Black Swan	3,183	7,100	14,815
– Cawse	-	-	1,409
– Western Areas, Lake Johnston	-	3,779	-
Intra-group supplies			
Africa:	8,456	1,200	-
– Tati Nickel	2,686	1,200	-
– Nkomati (50%)	5,770	-	-
Third-party purchases	40,521	16,374	13,120
Nickel under tolling contracts	-	12,348	21,768
Copper	11,020	5,011	4,230

Capital Investments

"The future of Norilsk Nickel depends on upgrading, which, in turn, requires investment. Long-term strategy includes a large-scale investment program. By 2025 in Russia alone, the Company will invest ca. USD 38 billion in the upgrade and construction of facilities, as well as new projects in the areas of geological exploration, transport and power engineering. These projects should contribute to the growth of production volume, a decrease in production costs and the creation of new possibilities for the Company's further business growth."

Roman Mashkarin,
Director of the Department
for Investment Policy

Capital
investments
in 2010

USD 1 bn

Capital investments
of the Group's Russian
entities in 2010

USD 932 mn

In 2010, the Group's entities continued investing in the construction of mineral resource base, upgrading enrichment and metallurgical process stages, environmental and social projects.

Capital Investments

Breakdown of capital investments of the Group's entities (USD million)

Capital Investments of the Group ¹	2010	2009	2008
Russia ²	932	909	1,476
Australia ³	10	4	105
Botswana ⁴	16	29	330
Finland	6	59	60
Group Total, excluding South Africa	964	1,001	1,971
South Africa	79	84	74
Group Total	1,043	1,085	2,045

Notes:

(1) Data exclude the performance indicators of Stillwater Mining Company, which had been a subsidiary of the Group until December 2010.

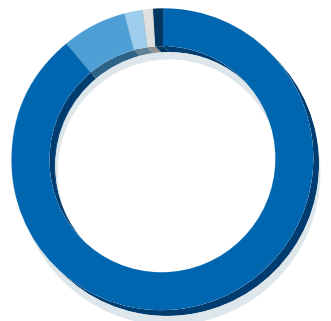
(2) Data are based on management reporting and exclude OGG-3 capital investment.

(3) IFRS data are adjusted for the amount of expenses associated with equipment dismantling and site restoration upon completion of operations.

(4) IFRS data are adjusted for the price of operating lease contracts classified as financial leases in accordance with IFRS.

Breakdown of the Group's capital investments by region in 2010

Russia, 90%
South Africa, 7%
Botswana, 2%
Finland, 1%
Australia, 1%



In 2010, the aggregate amount of capital investments of the Group's entities exceeded USD 1 billion. The amount of capital investments of the Group's Russian entities during the reporting period was USD 932 million, most of which (USD 602 million) was invested in the construction of industrial facilities.

Breakdown of capital investments of the Group's entities in Russia^{1,2}
(USD million)

Purpose of capital investments ³	2010	2009	2008
Industrial facilities			
Mineral resource base	405	288	376
Concentration	14	32	27
Metallurgy	58	59	158
Power engineering	75	94	101
Auxiliary facilities	49	129	465
Total industrial facilities	602	602	1,127
Non-industrial facilities	179	19	15
Equipment not included in the construction expense budgets	151	289	334
Total	932	909	1,476

Notes:

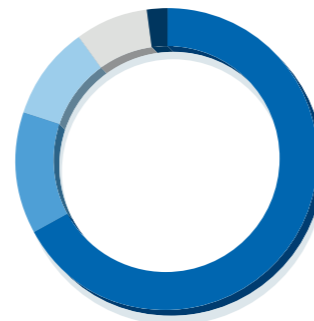
(1) Capital investments exclude expenses in connection with geological exploration, R&D and FS, Automated Management System expenses (IT projects), and long-term financial investment.

(2) Data exclude OGG-3 capital investment.

(3) For 2010, the following exchange rate is used: USD 1 = RUB 30.37;
2009 - USD 1 = RUB 31.72; 2008 - USD 1 = RUB 24.81

Breakdown of the Group's capital investments in domestic industrial facilities in 2010

- Mineral resource base, 67%
- Power engineering, 13%
- Metallurgy, 10%
- Auxiliary facilities, 8%
- Concentration, 2%



The highest priorities for the Company's investment activities in 2010 were as follows:

- further construction of 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, replenishing retired facilities, and using new mining technologies:
 - in the Oktyabrsky Mine – developing cupreous ore production and replenishing the retired facilities for rich ore production;
 - in the Taimyrsky Mine – replenishing retired facilities and increasing rich ore output;
 - in the Komsomolsky Mine – as part of the projects aimed at penetrating and extracting flank reserves of rich and cupreous ore and for engaging the mining of the top-priority section of disseminated ores;
 - in the Skalisty Mine – penetrating reserves and preparing for the mining of rich ore pools at the Talnakh Deposit;
 - in the Severny-Glubokoy Mine – penetrating and extracting disseminated ores at the Zhdanovsky Deposit.
- the upgrade and re-equipment of the Polar Division and Kola MMC's facilities related to the process of ore concentration and metallurgy process stages:
 - further implementation of a project aimed at increasing the pyrometallurgical production capacity of the Nadezhda Metallurgical Plant;
 - further rehabilitation of the Nickel Electrolysis Shop in Monchegorsk, Murmansk Region, for the purpose of increasing cathode nickel production capacity to 120 thousand tonnes per year, reducing operating expenses, construction-in-progress and metal losses.
- the implementation of environmental activities, including the introduction of new technologies aimed at cutting emissions and improving environmental conditions:
 - further implementation of the production upgrade project, aimed at reducing sulfur dioxide air emissions in the town of Zapolyarny, Murmansk Region, through the transition to roasting-free, concentrate briquetting technology.

In 2010, the amount of capital investments by the Group's entities in Russia amounted to USD 932 million, the main portion of which (USD 602 million) was invested in the construction of industrial facilities.



A key project for the Group in the Kola Peninsula is the construction of the Briquetting Shop, which significantly reduces sulfur dioxide and dust emissions at the Zapolyarny site.

Ore extraction

In 2010, USD 405 million was invested in mining development. Most funds were used for the construction, rehabilitation and upgrade of the Polar Division's mining facilities (USD 374 million).

Polar Division

2010 saw further capital work related to the principal ore base facilities.

USD 194 million was invested in projects carried out at the Skalistsy Mine, of which:

- USD 124 million was used for implementing a project to replenish the retired rich and cupreous ore production facilities;
- USD 70 million was invested in the project for penetrating, preparing and mining rich and cupreous ores.

USD 44 million was allocated by the Company for the implementation of projects in the Oktyabrsky Mine, of which:

- USD 30 million was used to increase cupreous ore production capacity to 3 million tonnes per year;
- USD 8 million was invested in replenishing retired facilities and maintaining the aggregate capacity of the Oktyabrsky Mine at 5 million tonnes of ore per year. The capacity of the designed section will be 400 thousand tonnes of rich and disseminated ore per year;
- approximately USD 6 million was used for carrying out other projects.

USD 40 million was allocated for project implementation in the Taimyrsky Mine, of which:

- USD 25 million was invested for penetration of new horizons (-1,300 meters and -1,400 meters) and for the replenishment of retired facilities;
- USD 6 million was used for implementation of the Taimyrsky Mine integrated project aimed at re-equipping and replacing worn-out electromechanical equipment in the pit elevator, installing a underground mining communication system, and increasing the elevator and ventilation system capacity;
- USD 6 million was invested in a project aimed at replenishing retired rich C₂ ore facilities. The project goal is to maintain the section's design capacity at 1.5 million tonnes of ore per year;
- USD 3 million was used for implementation of other projects.

USD 31 million was allocated to carry out a project using the final tailings of the Talnakh Enrichment Plant for stowing the excavated area of the Komsomolsky Mine. The project goal is to increase the capacity of the Komsomolsky Mine stowing facilities, to reduce the volume of stored enriched tailings and to switch the stowing facilities, step by step, to a new highly-automated technology making stowing mixtures.

USD 20 million was invested in a project replenishing

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

USD 19 million was invested in project implementation at the Komsomolsky Mine.

Ca. USD 26 million was used for executing other investment projects.

Kola MMC

In 2010, USD 30 million was invested in developing the ore base of Kola MMC.

A key investment project of Kola MMC is the construction of the Severny-Glubokiy Underground Mine for the purpose of replenishing retired facilities at the Tsentralny Mine and ensuring the optimal utilization rate of the processing facilities of Kola MMC.

Chita project

In 2010, the Company allocated more than USD 10 million for carrying out design and exploration aimed at the development of complex deposits at the Zabaikalsk Territory (Bystrinsky copper, gold, silver and iron deposit, Bugdainsky molybdenum deposit), specifically to prepare initial data to design the Bystrinsky and Bugdainsky mining and processing works, along with the mining infrastructure and processing works and to organize power supply for the construction period.



01



02

Enrichment

Polar Division and Kola MMC

In 2010, the amount of investment for the development of Polar Division and Kola MMC's enrichment businesses totaled USD 14 million. Specifically, USD 13 million was used to continue the project solving the problem of warehousing the concentrated tailings from the Polar Division, in order to maintain production volumes and to meet the requirements of environmental protection laws.

Metallurgy

Polar Division

In 2010, the capital investments of MMC Norilsk Nickel in developing the metallurgical business of the Polar Division amounted to USD 12 million.

Kola MMC

In 2010, the capital investments in the metallurgical business of Kola MMC totalled USD 47 million, of which USD 43 million was spent on the rehabilitation of the Float Concentrate Roasting Shop, used for the production of reinforced briquettes. The implementation of this project will reduce sulfur dioxide and dust emissions at the Zapolyarny site.

Investment in energy and auxiliary facilities

The investment in energy and auxiliary facilities was USD 124 million. Most investments were targeted toward supplying electricity and heat, as well as providing water supplies and disposal services to the Polar Division, Kola MMC and the population of the Norilsk industrial area, together with designing the infrastructure facilities for implementing the Chita project.

The total investment made by the fuel and energy enterprises was USD 75 million, of which:

- USD 36 million was used for building new gas pipelines and the condensate pipeline along the "Pelyatkinskoye Field – Dudinka" route. The project will guarantee gas transportation from the Pelyatkinskoye gas condensate field, mitigating the risk of accidents, increasing the capacity of existing gas transportation system and creating the necessary gas transportation reserve;
- USD 28 million was invested in further implementation of exploratory well drilling projects and the Pelyatkinskoye gas condensate field development. Since 2003, the Pelyatkinskoye field has been in test operation. Commercial operation of the field will ensure adequate gas output to ensure an uninterrupted energy supply to the industrial facilities of the Group's entities together with the residential sector of the Norilsk industrial area;
- approximately USD 11 million was used for implementing other projects.

USD 23 million was allocated for developing the transportation logistics enterprises.

USD 12 million was invested in the implementation of other projects in a variety of sectors to ensure the functioning of the Company's units.

Non-industrial construction

USD 179 million was used for building non-industrial facilities with a view to improving the infrastructure and the work and holiday conditions of the Company's employees. Specifically, USD 136 million was allocated for the implementation of a social program "Our Home", which allows responsible, self-motivated and qualified Company's employees to purchase continental housing on beneficial terms.

Equipment not included in construction expense budgets and replacing worn-out equipment

In 2010, USD 151 million was invested in equipment not included in the construction expense budgets and for the replacement of worn-out equipment. Specifically, USD 95 million was used to purchase equipment for the Polar Division and Kola MMC.

Capital investments in the development of the raw mineral base and domestic mine construction

USD 405 mn



01

Botswana

In 2010, the amount of capital investments of Tati Nickel totaled USD 16 million.

The principal investment projects included modification of the tailings transportation route of the DMS enrichment plant, stripping work and the creation of auxiliary facilities.

In 2010, USD 13.5 million was spent on the mineral ore base development, of which USD 13 million was used for preparatory and stripping work in the Phoenix open pit.

Approximately USD 2 million was invested in the enrichment business, which included a project to modify the tailings transportation route of the DMS enrichment plant (including a conveyor for the transportation of coarse fraction ore, construction of the DMS enrichment plant tailing pile, and building a structure for moving materials to the tailings storage facility).

In 2010, less than USD 1 million was invested in auxiliary facilities, mainly for the development of information technology.



02



03

01. Ore crushing facility, Nkomati, South Africa
 02. Nkomati Deposit, South Africa
 03. Open pit extraction operations in the Phoenix Deposit, Tati Nickel, Botswana
 04. Grinding and classification section of Lake Johnston, Australia

South Africa

Capital investments

USD 79 mn

including

USD 38 mn

spent on developing the fixed assets of the enrichment business

South Africa

In 2010, the capital investments made by the Nkomati joint venture amounted to USD 79 million, based on the Group's share of 50%.

The principal investment projects were as follows:

- construction completion of the enrichment plant used to process nickel ore from the basic mineralization zone;
- increasing capacity of the enrichment plant processing nickel-and-chrome-containing ore.

Capital costs associated with mining were USD 36 million. Most funds were used for stripping work as part of the development of an open pit in the basic mineralization zone.

USD 38 million was spent on developing the fixed assets of the enrichment business, of which, USD 29 million was spent on upgrading the enrichment plant processing nickel-and-chrome-containing ore and increasing its capacity from 100 thousand tonnes of ore per month to 250 thousand tonnes. The enrichment plant was commissioned in November 2010 and is scheduled to be up and running at full capacity in 2011.

USD 5 million was invested in auxiliary facilities: developing general infrastructure and replacing worn-out equipment with new equipment.

Finland

The capital investments made by subsidiary Norilsk Nickel Harjavalta in 2010 amounted to USD 6 million and were used for the development of the metallurgical business.

The curtailing of investing activities in 2010, when compared with 2009, was associated with the completion of the construction project of a metallurgical production line capable of processing different types of new raw materials.

Investments in non-industrial facilities were less than USD 1 million. These funds were allocated for implementation of a new information system.

Australia

In 2010, the Company's capital investments in Australia amounted to USD 10 million and used to purchase a power plant and to launch Lake Johnston. The Group's Australian unit intends to use the power plant for supplying electricity to the production facilities of the Group-owned Cawse enrichment plant.



04

Review of Sales Performance and Market Developments

"Norilsk Nickel sells 100% of its products at above average prices available on global trading floors, including the London Metal Exchange, the London Platinum and Palladium Market, etc. The Company is active in promising markets in Asia, strengthens its position in Europe and America, and contributes to the development of the domestic market.

Unique in its simplicity, transparency, and efficiency, the Company's sales policy has successfully passed the test of the crisis. This system is aimed at selling metals to industrial customers and providing high quality services. The Company is one of the most reliable and stable suppliers. It strives to position itself as the most responsible market participant working towards the long-term interests of the industry as a whole, by enhancing, among other things, transparency and stability in markets where it holds the leading position."

Viktor Sprogis,
Deputy General Director for Sales and Distribution

Nickel	Palladium
296 thousand tonnes	2,813 thousand ounces
+3.9% year-on-year	+2.9% year-on-year

The Company achieved its sales targets in the reporting year. All of the metal products produced in 2010 were sold at prices at or above annual average world market prices.

Review of Sales Performance and Market Developments

Sales of metals produced by the Group^{1,2,4}

Finished products	2010	2009	2008
Russian entities			
Nickel ('000 tonnes)	240	236	229
Copper ('000 tonnes)	367	400	382
Palladium ('000 oz)	2,731	2,684	2,856
Platinum ('000 oz)	664	637	634
Finland			
Nickel ('000 tonnes)	45	29	29
Total finished products			
Nickel ('000 tonnes)	285	265	258
Copper ('000 tonnes)	367	400	382
Palladium ('000 oz)	2,731	2,684	2,856
Platinum ('000 oz)	664	637	634
Semi-products			
Australia			
Nickel ('000 tonnes)	-	4	14
Botswana			
Nickel ('000 tonnes)	10	14	15
Copper ('000 tonnes)	10	10	11
Palladium ('000 oz)	75	46	44
Platinum ('000 oz)	14	7	7
Finland			
Copper ('000 tonnes)	11	5	4
Total semi-products			
Nickel ('000 tonnes)	10	18	29
Copper ('000 tonnes)	21	15	15
Palladium ('000 oz)	75	46	44
Platinum ('000 oz)	14	7	7
Group total, excluding South Africa and USA			
Nickel ('000 tonnes)	295	283	287
Copper ('000 tonnes)	388	415	397
Palladium ('000 oz)	2,806	2,730	2,900
Platinum ('000 oz)	678	644	641
South Africa³			
Nickel ('000 tonnes)	1	2	2
Copper ('000 tonnes)	1	1	1
Palladium ('000 oz)	7	5	6
Platinum ('000 oz)	2	2	2
Group total, including South Africa and excluding USA			
Nickel ('000 tonnes)	296	285	289
Copper ('000 tonnes)	389	416	398
Palladium ('000 oz)	2,813	2,735	2,906
Platinum ('000 oz)	680	646	643

Notes:

(1) All the information is based on the 100% ownership of subsidiaries and affiliates.

(2) Net sales of metals purchased from third parties.

(3) The performance of Nkomati, South Africa, is based on the Group's 50% stake and is recorded in the Company's reporting as an associate.

(4) Data on the sales volumes of metals produced by the Group are presented in a new format for the purpose of more accurate representation of the information concerning the sales volumes of products in the form of ready metals and semi-products.

Review of Sales Performance and Market Developments

Average selling prices¹ of metals produced by Russian enterprises in 2010

Metal	2010	2009	Change (%)
Nickel (USD per tonne)	21,997	14,853	48
Copper (USD per tonne)	7,589	5,258	44
Palladium (USD per oz)	527	267	97
Platinum (USD per oz)	1,603	1,205	33

Note:

(1) Net of sales of refined metals purchased from third parties.

The Company achieved its sales targets in the reporting year. All metal products manufactured in 2010 were sold at prices at or above average annual market prices.

Since the Company is interested in maximizing long-term over short-term income, MMC Norilsk Nickel makes efforts to develop sustainable demand for the Company's products in global markets, specifically by ensuring the stability of products' supply and preventing activity aimed at creating artificial market deficit.

The Company also works hard to protect and develop markets for its strategic products such as nickel and palladium. To that end, the Company actively participates in international industry associations, including the Nickel Institute and the International Platinum Group Metals Association.

For more than 10 years, the Company has developed its proprietary distribution system based on direct relations with buyers, the majority of them being industrial customers. In 2010, the largest share of strategic products (nickel and palladium) was sold directly to industrial customers. A total of ca. 500 companies were solely primary product customers.

The geography of metal supplies covers ca. three dozen countries. Structural changes in global metal consumption are reflected by the gradual shift in the geographical breakdown of sales to Asia. In the reporting period, the Company ranked the first in terms of volumes of refined nickel supplies to China and India. MMC Norilsk Nickel also secured positions in new regional markets such as Indonesia and Thailand.

In 2010 the Company continued the diversification of metal sales to customers in various industries, while expanding its presence in high-premium market segments. The relative share of nickel sales increased for special alloys, special steels and electroplating industries. This lessens the Company's dependence on stainless steel producers, a sector with the highest risks of nickel cathode substitution by cheaper forms of nickel.

The Company pays great attention to strengthening its image as the most reliable supplier in the eyes of buyers, considering this to be an essential condition for the successful accomplishment of long-term sales objectives. MMC Norilsk Nickel remains one of the few companies in the industry which has never failed to fulfill its obligations, including in force majeure situations. In 2010, based on direct customer surveying, the Company retained a high level of customer satisfaction in terms of product quality and level of service. Moreover, the level of survey penetration increased to over 90% of the client base in terms of sales volumes.

MMC Norilsk Nickel's key competitive sales and marketing strengths are as follows:

- developed channel of direct relations with end consumers;
- presence of opportunities to receive complete and up to date market information directly from market participants;
- developed proprietary sales network;
- ability to provide buyers with a full range of logistical and financial services;
- reputation as the most reliable product supplier in the market.

MMC Norilsk Nickel remains one of the few companies in the industry which has never failed to fulfill its obligations, including in force majeure situations.

Review of Sales Performance and Market Developments

In 2010 the recovery of industrial production continued. Recovery began in the second half of 2009, following the acute phase of the world economic crisis. Due to government stimulus from leading countries, global industrial output reached pre-crisis levels. Another trend that contributed considerably to metal price growth was record high inflow of investments in commodities.

Group's global metal sales by region (%)

■ Nickel
■ Copper
■ Palladium
■ Platinum



Note:

The totals may vary from the sums of parts due to rounding.

At the same time, the markets for physical metals of MMC Norilsk Nickel witnessed extreme volatility and uncertainty regarding purchases of metals by principal metal consumers. This primarily related to base metal markets, representing significant share in revenue from the Company's metal sales. Underlying reasons for this were customer uncertainty regarding demand outlook and recovery growth rates. As a result, the Company's order book experienced several-fold growth of short-term contracts, as compared to the pre-crisis period. This situation required additional efforts from the Company's sales units to fully meet sales objectives. Despite this, the goal of selling the entire volume of the Company's products at higher-than-market prices was successfully accomplished.

Review of Sales Performance and Market Developments

Nickel

The price of nickel rose in 2010. In addition to the recovery of industrial metal consumption, the price growth was spurred by the investment demand. The average annual nickel price increased by almost 50% year-on-year to USD 21,809 per tonne. During the year it varied between USD 17,035 and USD 27,600 per tonne.

Price growth in 2010 stimulated the increase of output of primary nickel, causing significant growth of production by marginal cost producers.

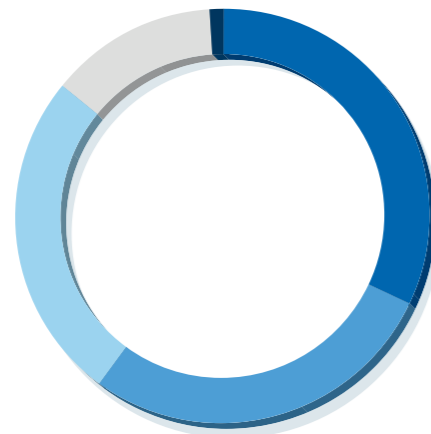
In particular, there was considerable growth in nickel pig iron production (more than 50% year-on-year). Nevertheless, the global nickel output only grew by 150 thousand tonnes (7%) year-on-year due to a prolonged labor strike at the Vale Inco operations and technical problems at the Australian operations at BHP Billiton.

During 2010, industrial nickel consumption recorded only minor quarterly changes. Recovery in stainless steel production took place in almost all regions. China demonstrated the highest consumption growth rates, whereas the total global consumption grew by ca. 15% year-on-year.

The gap between industrial nickel consumption and production was largely offset by deliveries of stockpiled nickel by market participants both from LME warehouses and non-transparent reserves (including the investment stockpiles accumulated in 2009 in China).

Nickel consumption by regions in 2010

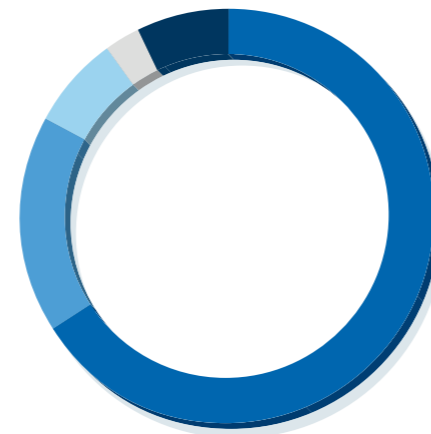
- China, 32%
- Europe and Africa, 28%
- Asia, 26%
- America, 13%
- Russia, 1%



Source: Brook Hunt nickel service analytics agency, January 2011

Nickel consumption by major industries in 2010

- Stainless steel, 66%
- Alloy, 17%
- Coating, 7%
- Casting, 3%
- Other, 7%



Source: Brook Hunt nickel service analytics agency, January 2011

Global nickel consumption growth in 2010

+15%

Therefore in 2010 the nickel market condition was more favorable for producers compared to the previous year. However, the Company's goal of selling the entire volume of metals produced at prices no lower than the average market price was considerably complicated by the sharp growth of supply of cheap forms of nickel, including nickel pig iron offered in the market at a bigger discount as compared to the market price of cathode nickel, as well as by the coverage of nickel market deficit through deliveries of accumulated stockpiles from previous years. However, this goal was successfully achieved by the Company, thanks to the established system of strategic relations with principal product consumers.

Average annual nickel price (USD per tonne)

2010	2009	2008	2007	2006	2005
21,809	14,700	21,027	37,181	24,287	14,733

Source: London Metal Exchange

Nickel price evolution in 2010 (USD per tonne)



Source: London Metal Exchange

Copper

In the first half of 2010, the copper price varied between USD 6,000 and 8,000 per tonne, yet in the second half of the year the price began to grow steadily and reached USD 9,700 per tonne in late December. The average annual price increased by 46% year-on-year to USD 7,539 per tonne.

In the reporting year, the global copper market was again supported by high demand in China. Demand for physical metal by customers in developed countries continued to recover although it did not reach the pre-crisis level. In addition, one of the key drivers for growth in the copper price was investment demand.

In 2010, global refined copper output was ca. 19.1 million tonnes, whereas production growth accelerated to 3.9% versus 0.1% in 2009. A shortfall in copper output in North America by 5% and Latin America by 2% was offset by growth in China by 11%, Western Europe by 4% and Africa by 21%.

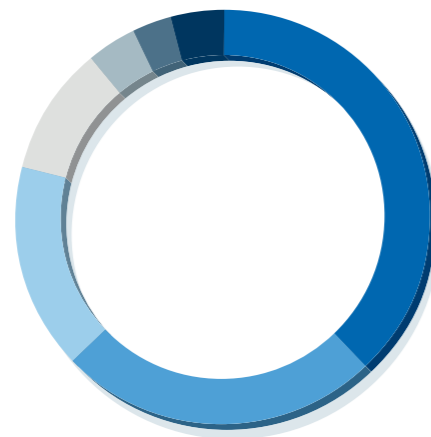
High copper prices led to increased scrap collection and recycling volumes, resulting in the growth of secondary copper supply by 0.5 million tonnes (22%) when recalculated to refined copper.

In 2010, the global copper consumption totaled ca. 19.3 million tonnes. In the reporting year, the consumption growth rate was 10.4% as compared to contraction of 2.7% in 2009.

In Western Europe, the Company's principal region of copper sales, consumption increased by ca. 12%. Similar growth rates were recorded in other leading markets, including the USA and Japan (6 and 20%, respectively). Copper consumption growth rates in China also remained high (13%). The increase in consumption was related to the recovery of industrial output, especially in the energy and automotive industries. The industrial growth was also recorded in Russia, leading to increase in copper consumption by 9%.

Copper consumption by regions in 2010

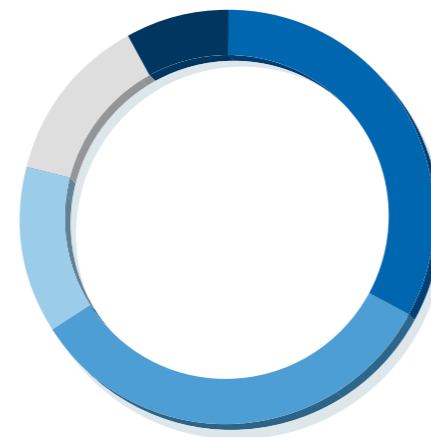
- China, 38%
- Other Asia, 25%
- Western Europe, 16%
- North America, 10%
- Latin America, 4%
- Other, 4%
- Russia, 3%



Source: Brook Hunt analytics agency, 2011

Copper consumption by major industries in 2010

- Construction, 33%
- Electronics, 33%
- Mechanical engineering, 13%
- Transport, 13%
- Consumer goods, 8%



Source: Brook Hunt analytics agency, 2011

In general in 2010, consequences of the global economic crisis in the copper market were overcome for the most part: global consumption exceeded the 2007/2008 level and the copper price hit new records.

Additional demand in 2010 was due to China's procurement of copper, for the purpose of creating additional investment and stockpiling for industrial use, which based on expert estimates exceeded 1.2 million tonnes, whereas growth of state reserves ceased.

Average annual copper price
(USD per tonne)

2010	2009	2008	2007	2006	2005
7,539	5,164	6,952	7,126	6,731	3,684

Source: London Metal Exchange

Copper price evolution in 2010
(USD per tonne)



Source: London Metal Exchange

Platinum Group Metals (PGMs) Palladium

During 2010, the palladium price grew from USD 421 to USD 797 per ounce, while the average annual price increased by 100% year-on-year to USD 526 per ounce. The price growth was spurred by strong economic recovery and increased investment activity.

As of the end of 2010, the palladium market was in deficit of ca. 0.5 million ounces.

In 2010, global palladium output increased by 560 thousand ounces (8%). While primary palladium production grew by 290 thousand ounces (5%), the volume of palladium scrap collection rose as a result of palladium price growth. The output of recycled palladium increased by 270 thousand ounces (23%).

According to leading experts, despite the fact that in 2010 the level of supplies from Russian state stockpile remained the same as in previous years, 2011 will be the last year of significant supplies from state reserves.

In 2010 the industrial palladium consumption rose by 1.1 million ounces (15%). The most important factors that contributed to the growth was increased demand from the automotive industry by 1.2 million ounces (30%), the electronics industry by 200 thousand ounces (18%) partially offset by the decline in consumption by the jewelry industry by 300 thousand ounces (27%).

The average annual palladium price increased by 100% year-on-year to USD 526 per ounce.

The increase in industrial consumption, a result of easing of the global economic outlook, was accompanied by the growth of investment demand for physical palladium. The range of investment tools broadened: during the year five new ETCs specialising in palladium investments were registered. During 2010, the holdings of physical palladium by ETC-funds increased by 1,033 thousand ounces.

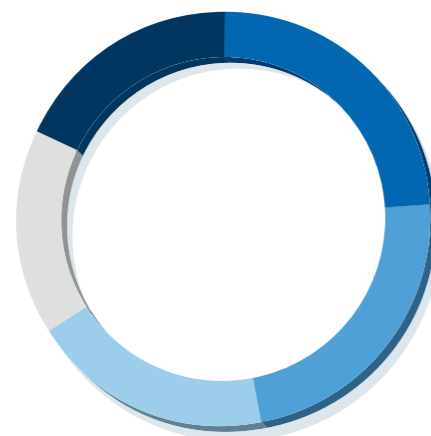
Average annual palladium price
(USD per ounce)

2010	2009	2008	2007	2006	2005
526	263	352	354	320	201

Source: London Platinum & Palladium Market

Palladium consumption by regions in 2010

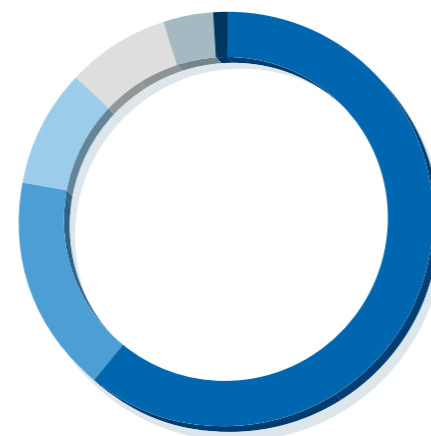
- North America, 24%
- Europe, 23%
- Japan, 19%
- Other, 18%
- China, 16%



Source: GFMS Platinum & Palladium Survey, 2011

Palladium consumption by key industries in 2010

- Autocatalysts, 61%
- Electrical appliances, 17%
- Jewellery industry, 9%
- Dentistry, 8%
- Chemical industry, 4%
- Other, 1%



Source: GFMS Platinum & Palladium Survey, 2011

Palladium price evolution in 2010
(USD per ounce)



Source: London Platinum & Palladium Market

Platinum Group Metals (PGMs)
Platinum

In 2010, the platinum price grew from USD 1,500 to USD 1,755 per ounce, while the average annual platinum price increased by 34% year-on-year to USD 1,610 per ounce. The key reasons for price growth are strong global economic recovery and substantial increases in investment activity.

As of the end of 2010, the platinum market was in surplus of 0.4 million ounces.

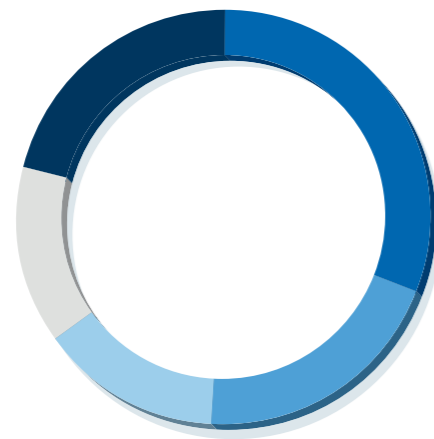
In 2010, the total platinum output increased by 400 thousand ounces (5%). Primary platinum production grew by 140 thousand ounces (2%), mostly due to higher output in South Africa. The volume of platinum scrap collection also increased due to platinum price growth. Output of recycled platinum increased by 258 thousand ounces (21%).

Global economic recovery had a significant impact on platinum demand. Industrial platinum consumption increased by 540 thousand ounces (8%). The most important factor which contributed to the growth of industrial consumption of platinum was the increase of demand from the automotive industry by 450 thousand ounces (17%). Substantial growth was also recorded in the glass industry – increase by 310 thousand ounces (320%), and in the chemical industry – increase by 150 thousand ounces (50%).

However, there was a significant decline in platinum consumption in the jewelry industry by 400 thousand ounces (17%), mostly due to contraction of sales in China by 420 thousand ounces (26%).

Platinum consumption by regions in 2010

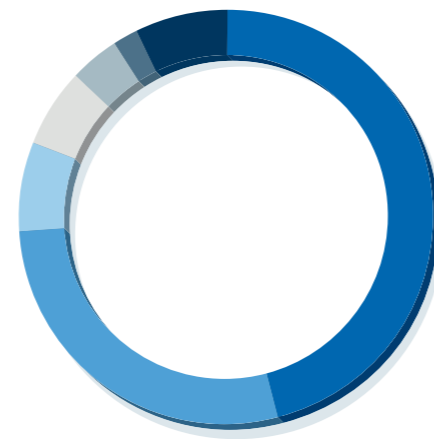
- Europe, 31%
- China, 20%
- Japan, 14%
- North America, 14%
- Other, 21%



Source: GFMS Platinum & Palladium Survey, 2011

Platinum consumption by major industries in 2010

- Autocatalysts, 46%
- Jewellery industry, 28%
- Chemical industry, 7%
- Glass industry, 6%
- Electrical appliances, 4%
- Oil refining, 2%
- Other, 7%



Source: GFMS Platinum & Palladium Survey, 2011

During 2010, holdings of physical platinum by ETC-funds increased by 550 thousand ounces. The number of funds investing in platinum increased from 2 to 7.

Average annual platinum price
(USD per oz)

2010	2009	2008	2007	2006	2005
1,610	1,205	1,578	1,303	1,142	897

Source: London Platinum & Palladium Market

Platinum price evolution in 2010
(USD per oz)



Source: London Platinum & Palladium Market

Review of Financial Performance

"In 2010, MMC Norilsk Nickel once again demonstrated strong financial performance despite volatility in metal markets and ongoing concerns in the world economy. The Company's financial position has been strengthening which enables us to look ahead with certainty and puts us in a privileged position for the implementation of our large-scale production development program. MMC Norilsk Nickel remains one of the largest taxpayers among domestic industrial enterprises. By meeting its tax and social obligations in a full and timely manner, it contributes to the social-economic development of regions in which the Company operates."

Dmitry Kostoev,
Deputy General Director, CFO

Revenue from metal sales

USD 12.1 bn

+50%

year-on-year

EBITDA

USD 7.2 bn

EBITDA margin

56%

Hereafter is presented the analysis of the consolidated financial statements of MMC Norilsk Nickel for the year ended 31 December, 2010, prepared in accordance with International Financial Reporting Standards (IFRS). ZAO KPMG performed an audit of the consolidated IFRS financial statements in accordance with International Standards on Auditing.

The presentation currency of the consolidated financial statements of the Group is USD. The use of USD as the presentation currency is a common practice for global mining companies.

Review of Financial Performance

Consolidated Income Statement

Consolidated income statement for the year ended 31 December 2010

(USD million)

	Notes	2010	2009	Change y-on-y, (%)
Continuing operations				
Revenue				
Nickel		6,459	4,206	54
Copper		2,941	2,190	34
Palladium		1,479	751	97
Platinum		1,086	794	37
Gold		161	134	20
Metal sales	1	12,126	8,075	50
Other sales		649	467	39
Total revenue		12,775	8,542	50
Cost of metal sales	2	(4,223)	(3,666)	15
Cost of other sales		(660)	(511)	29
Gross profit		7,892	4,365	81
Gross profit margin, %		62%	51%	-
Selling and distribution expenses	3	(343)	(104)	230
General and administrative expenses	4	(755)	(636)	19
Reversal of impairment/(impairment) of non-financial assets		(15)	30	(150)
Other net operating expenses	5	(227)	(90)	152
Operating profit		6,552	3,565	84
Finance costs	6	(138)	(174)	(21)
Income from investments, net	7	351	50	602
Foreign exchange loss, net		(22)	(141)	(84)
Excess of Group's share in the fair value of net assets acquired over the cost of acquisition		4	4	-
Share of profits from associates		35	2	1,650
Profit before tax		6,782	3,306	105
Income tax expense	8	(1,548)	(802)	93
Profit for the year from continuing operations		5,234	2,504	109
(Loss)/gain for the year from discontinued operations ¹		(2,145)	147	(1,559)
Profit for the year	9	3,089	2,651	17
Attributable to:				
- Shareholders of the parent company		3,298	2,600	27
- Non-controlling interest		(209)	51	(510)
		3,089	2,651	17
Profit margin, %		24%	31%	-
Earnings per share				
Weighted-average number of ordinary shares in issue during the year		175,468,881	174,350,551	-
Basic and diluted earnings per share from continuing and discontinued operations attributable to shareholders of the parent company (USD per share)		18.8	14.9	-
Basic and diluted earnings per share from continuing operations attributable to shareholders of the parent company (USD per share)		29.8	14.2	-

Note:

(1) In accordance with IFRS, the loss for the year from discontinued operations to the amount of USD 2,145 million was presented separately from the profit from continued operations to the amount of USD 5,234 million.

Review of Financial Performance

The activities of OGK-3 and Stillwater Mining Company were classified as discontinued operations in these consolidated financial statements for the Group. In accordance with IFRS, the loss for the year from discontinued operations of the amount of USD 2,145 million was presented separately from the profit from continued operations of the amount of USD 5,234 million.

1 Sales revenue

Sales revenue in 2010 increased by 50% as compared to 2009, and amounted to USD 12,775 million.

1.1 Revenue from metal sales

Revenue from metal sales increased by 50% as compared to 2009 and amounted to USD 12,126

million. The key reason for this growth was an increase in market prices for precious and base metals produced by the Group, as well as an increase in metal volumes sold, with the exception of copper (detailed information is presented in the tables below).

A favourable situation in the metals market in 2010 led to an increase in sales prices and subsequently revenues from base metals increased by USD 3,004 million (or 47%) and from precious metals by USD 1,047 million (or 62%).

Metal sales from continuing operations, physical volumes, by place of production^{1,2, 5}

Metal	2010	2009	Change y-on-y, (%)
Finished products			
Russia			
Nickel ('000 tonnes)	240	236	2
Copper ('000 tonnes)	367	400	(8)
Palladium ('000 troy oz)	2,731	2,684	2
Platinum ('000 troy oz)	664	637	4
Finland			
Nickel ('000 tonnes)	45	29	55
Total finished products			
Nickel ('000 tonnes)	285	265	8
Copper ('000 tonnes)	367	400	(8)
Palladium ('000 troy oz)	2,731	2,684	2
Platinum ('000 troy oz)	664	637	4
Semi-products			
Australia			
Nickel ('000 tonnes)	-	4	(100)
Botswana			
Nickel ('000 tonnes)	10	14	(29)
Copper ('000 tonnes)	10	10	-
Palladium ('000 troy oz)	75	46	63
Platinum ('000 troy oz)	14	7	100
Finland			
Copper ³ ('000 tonnes)	11	5	120
Total semi-products			
Nickel ('000 tonnes)	10	18	(44)
Copper ('000 tonnes)	21	15	40
Palladium ('000 troy oz)	75	46	63
Platinum ('000 troy oz)	14	7	100
Total Group, excluding Nkomati Nickel Mine (South Africa)			
Nickel ('000 tonnes)	295	283	4
Copper ('000 tonnes)	388	415	(7)
Palladium ('000 tonnes oz)	2,806	2,730	3
Platinum ('000 oz)	678	644	5
Nkomati Nickel Mine (South Africa)⁴			
Nickel ('000 tonnes)	1	2	(50)
Copper ('000 tonnes)	1	1	-
Palladium ('000 troy oz)	7	5	40
Platinum ('000 troy oz)	2	2	-
Total group, including Nkomati Nickel Mine (South Africa)			
Nickel ('000 tonnes)	296	285	4
Copper ('000 tonnes)	389	416	(6)
Palladium ('000 troy oz)	2,813	2,735	3
Platinum ('000 troy oz)	680	646	5

Notes:

- (1) All information is presented for 12 months and on the basis of 100% ownership of subsidiaries.
- (2) Sales of metal purchased from third parties were excluded.
- (3) Copper cake is a semi-product with an average copper content of 38–40%.
- (4) The operating results of Nkomati Nickel Mine (South Africa) are shown based on the Group's 50% ownership, and are presented in the financial statements as operating results of associate.
- (5) Information on the volumes of sales of metals produced by the Group is presented in a new format to provide more accurate presentation of information on sales of finished products and semi-products.

Average selling price¹ of metals produced by Russian entities

Metal	2010	2009	Change y-on-y, (%)
Nickel (USD per tonne)	21,997	14,853	48
Copper (USD per tonne)	7,589	5,258	44
Palladium (USD per troy oz)	527	267	97
Platinum (USD per troy oz)	1,603	1,205	33

Annual average market metal prices²

Metal	2010	2009
Nickel (USD per tonne)	21,809	14,700
Copper (USD per tonne)	7,539	5,164
Palladium (USD per troy oz)	526	263
Platinum (USD per troy oz)	1,610	1,205

Notes:

- (1) Excluding sales of metals purchased from third parties.
- (2) Source: LME, LPPM

Nickel

In 2010, nickel sales accounted for 53% of revenue from metal sales of the Group. Nickel sales increased by 54%, from USD 4,206 million in 2009 to USD 6,459 million in 2010. This was driven by an increase in the average nickel price of over 40%.

In 2010, the volume of nickel sales produced on the Taimyr and Kola peninsulas increased by 2% (or by 4 thousand tonnes) to 240 thousand tonnes, as compared to 236 thousand tonnes in 2009. The volume of nickel sales produced by the Norilsk Nickel Harjavalta (Finland) refinery in 2010 grew significantly to 45 thousand tonnes, as compared to 29 thousand tonnes in 2009, as a result of improved nickel raw material supplies to the facility and the cessation of processing third-party materials under tolling arrangements.

At the same time, the volume of nickel sales in semi-products produced by Norilsk Nickel International (excluding Norilsk Nickel Harjavalta Oy, Finland and Nkomati joint venture) fell by 8 thousand tonnes, of which 4 thousand tonnes are explained by a decrease in production in Botswana and 4 thousand tonnes by the closure of production facilities in Australia.

Copper

Revenue from copper sales accounted for 24% of total metal sales and grew in 2010 by 34% to USD 2,941 million, as compared to USD 2,190 million in 2009. The key reason for the sales increase was attributed to the 44% growth in average market prices for copper, from USD 5,258 per tonne in 2009 to USD 7,589 per tonne in 2010.

The physical volume of sales of copper produced in Russia fell by 8% in 2010 (or 33 thousand tonnes) to 367 thousand tonnes, as compared to 400 thousand

tonnes in 2009. The fall in the 2010 sales volume is due to the decrease in copper production at Russian facilities. Additionally, sales in 2009 included metals produced in prior years and sold from inventory stock. The decrease in physical sales volume was compensated by an increase in sales prices.

The physical sales volume of copper in semi-products, produced by Norilsk Nickel Harjavalta in 2010 increased more than two-fold and amounted 11 thousand tonnes, as compared to 5 thousand tonnes in 2009.

The physical volume of sales of copper in semi-products, produced by Norilsk Nickel International did not change as compared to 2009 and totaled 10 thousand tonnes.

Palladium

Revenue from palladium sales made up 12% of revenue from metal sales of the Group in 2010. Group revenues from palladium sales increased by 97% – from USD 751 million in 2009 to USD 1,479 million in 2010.

Sales of palladium physically produced in 2010 by the Group in Russia were 2,731 thousand troy ounces, which was 2% higher than production volume in 2009 – 2,684 thousand troy ounces. Additionally, the average sales price of palladium almost doubled, from USD 267 per troy ounce in 2009 to USD 527 per troy ounce in 2010.

In 2010, palladium sales produced by the Group's non-Russian facilities were USD 39 million, increasing by USD 5 million from 2009. Simultaneously, in this reporting year there was a USD 6 million decrease in sales at the Norilsk Nickel Harjavalta (Finland) facility due to a change in the composition of refined raw materials. This decrease was offset by an increase in sales revenue of USD 11 million at Norilsk Nickel International (Botswana).

Review of Financial Performance

Platinum

In 2010 revenue from platinum sales accounted for 9% of revenue for metal sales of the Group. Platinum sales grew 37%, from USD 794 million in 2009 to USD 1,086 million in 2010.

Growth in platinum sales produced by the Group in Russia is explained by the increase in the average price by 33%, from USD 1,205 per troy ounce in 2009 to USD 1,603 per troy ounce in 2010. Growth in sales volume was 4%, from 637 thousand troy ounces in 2009 to 664 thousand troy ounce in 2010.

Platinum sales revenue produced by Norilsk Nickel International was USD 22 million in 2010, down from USD 27 million in 2009. A fall in sales revenue of USD 7 million was due to the change in composition of raw materials processed by Norilsk Nickel Harjavalta (Finland); this was partly compensated by a growth in sales of USD 2 million at Norilsk Nickel International (Botswana).

Gold

Revenue from gold sales accounted for 1% of the Group's metal sales in 2010. It increased by 20%, from USD 134 million in 2009 to USD 161 million in 2010.

Growth in revenue from sales of gold produced by the Group in Russia relates primarily to its average market price increasing by 25%, from USD 980 per troy ounce in 2009 to USD 1,226 per troy ounce in 2010. An increase in gold prices offset a minor fall in physical sales volumes from 130 thousand troy ounces in 2009 to 126 thousand troy ounces in 2010.

Revenue from gold sales in 2010 produced by the facilities of Norilsk Nickel International totaled to USD 6 million. These remained virtually unchanged as compared to the previous year.

1.2 Other sales

In 2010, other sales increased by USD 182 million (or by 39%) and amounted to USD 649 million, as compared to USD 467 million in 2009.

The growth in revenue from energy sales was driven by increasing sales of natural gas condensate in 2010, an increase in prices of fuel sold, and growth in utility prices.

The increase in revenue from transport services was driven by an increase in the volume of passenger air transportation carried out.

The increase in other revenue was driven by the growth in volume of research and development services rendered to external customers, in addition to an increase in retail sales at the Norilsk industrial district.

Other sales (USD million)

	2010	2009	Change, (%)
Energy and utilities	201	159	26
Transport	281	203	38
Other	167	105	59
Total	649	467	39

2 Cost of sales

2.1 Cost of metal sales

Cost of metals sold increased by 15%, from USD 3,666 million in 2009 to USD 4,223 in 2010. The main factors which contributed to the growth were due to the conversion to presentation currency, inflation and growth in the volume of production.

Cash operating costs

The Group's cash operating costs grew by 24% (or by USD 778 million) and amounted to USD 3,992 million in 2010, as compared to USD 3,214 million in 2009. The main factors which contributed to this growth were inflation, growth in the volume of production and the effect of conversion to presentation currency.

The key reasons for the growth in cash operating costs (after deduction of sales revenues of by-product metals) of USD 778 million in 2010 in comparison to 2009 were:

- USD 499 million (or 15%) relates to expenses for the acquisition of refined metal, PGM scrap and other semi-products;
- USD 230 million (or 7%) relates to expenditures, not including expenses on acquisitions of refined metal, PGM scrap and other semi-products;
- USD 126 million (or 4%) relates to the effect of conversion to presentation currency;
- A decrease of USD 77 million (or 2%) due to growth in the sales of by-product metals.

Absolute growth of cash operating costs to the amount of USD 729 million (or 23%), before the effect of sales of by-product metals and the effect of conversion to presentation currency, is broken down as follows:

- Russian enterprises – growth of USD 180 million (or 5%);
- Finland – growth of USD 582 million (or 118%), including:
 - Expenses for the acquisition of refined metal, PGM scrap and other semi-products – growth of 148%;
 - Other cash operating costs – growth of 44%;
- Norilsk Nickel International – decrease of USD 33 million (or 13%).

The structure of cash operating costs in 2010 changed as compared to 2009. These changes are primarily related to a more than two-fold increase in the expenses to acquire refined metal, PGM scrap and other semi-products.

Labor

Labor costs are a significant component of total cash operating costs, with a fairly stable share. In 2010, the amount of labor costs within cash operating costs decreased to 28%, from 32% in 2009.

In 2010, labor costs amounted to USD 1,220 million and increased by USD 96 million (or 8%) as compared to 2009.

The main reasons for the change were:

- the mothballing of production facilities in Australia – a reduction of USD 10 million (or 1%);
- an increase in labor costs of USD 58 million (or 5%) at the Russian entities;
- an increase due to the effect of translation to presentation currency, of USD 48 million (or 5%).

Consumables and spares

Expenditures on consumables and spares amounted to USD 1,059 million in 2010 and grew by USD 46 million (or 5%) as compared to 2009.

The main reasons for the increase were:

- the effect of conversion to presentation currency, of USD 43 million (or 4%);
- an expenditure increase on consumables and spares at the Russian facilities of USD 18 million (or 2%), primarily driven by the growth in prices which was almost fully offset by a decrease in similar expenditure at Norilsk Nickel International of USD 15 million.

Expenses on acquisition of refined metal, PGM scrap and other semi-products

Expenses on acquisition of refined metal, PGM scrap and other semi-products in 2010 increased by USD 499 million (or 128%) and amounted to USD 888 million.

The key reasons for the change in expenditures were:

- an increase in the physical volume of purchases of nickel concentrate and semi-products processed in Finland of USD 225 million (or 58%);
- an increase of USD 299 million (or 77%) in the weighted average price of nickel in concentrates and semi-products processed in Finland, both due to an increase in market prices and the purchase of richer nickel semi-products;
- a decrease in purchases of metals from third parties of USD 25 million (or 7%).

Third party services

In 2010, expenditures on services from third parties increased by USD 90 million (or 17%) and amounted to USD 610 million.

The main reasons for the increase were:

- due to the effect of conversion to presentation currency, of USD 20 million (or 4%);
- an increase in overall expenditure of USD 70 million (or 13%), including:
 - USD 37 million (or 7%) – expenditure on the refining of raw materials, driven by an increase in volume of nickel concentrates refined in Finland, platinum-containing concentrates in Russia, and an increase in cost of refining across all facilities of the Group;
 - USD 19 million (or 4%) – expenditure for geological survey works at Russian entities to the amount of USD 17 million and at Norilsk Nickel International entities to the amount of USD 2 million;
 - USD 14 million (or 2%) – expenditure on extraction and transportation of raw materials from tailing storages at the Polar division.

Review of Financial Performance

	For the year ended 31 December 2010						For the year ended 31 December 2009						Group change y-on-y (%)
	Group	as % of total	Russian* enterprises and NNH	as % of total	NNI	as % of total	Group	as % of total	Russian* enterprises and NNH	as % of total	NNI	as % of total	
Cost of metal sales (USD million)													
Total cash operating costs (see table below)	3,992	87	3,771	87	221	92	3,214	84	2,972	85	242	77	24
Depreciation of operating assets	584	13	564	13	20	8	605	16	531	15	74	23	(3)
Total production costs (Increase)/decrease in metal inventories	4,576	100	4,335	100	241	100	3,819	100	3,503	100	316	100	20
	(353)	-	(339)	-	(14)	-	(153)	-	(215)	-	62	-	131
Cost of metal sales	4,223	-	3,996	-	227	-	3,666	-	3,288	-	378	-	15

Cash operating costs (USD million)

	For the year ended 31 December 2010						For the year ended 31 December 2009						Group change y-on-y (%)
	Group	as % of total	Russian* enterprises and NNH	as % of total	NNI	as % of total	Group	as % of total	Russian* enterprises and NNH	as % of total	NNI	as % of total	
Labor	1,220	27	1,187	28	33	15	1,124	31	1,075	32	49	20	9
Consumables and spare parts	1,059	24	1,040	25	19	8	1,013	28	979	29	34	14	5
Expenses on acquisition of refined metal, PGM scrap and other semi-products	888	20	888	21	-	-	389	11	389	12	-	-	128
Outsourced third party services	610	14	462	11	148	66	520	15	382	12	138	55	17
Utilities	182	4	172	4	10	4	137	4	129	4	8	3	33
Transportation	171	4	169	4	2	1	161	5	152	5	9	4	6
Tax on mining and pollution levies	169	4	160	4	9	4	143	4	134	4	9	4	18
Other costs	118	3	114	3	4	2	75	2	72	2	3	1	57
Total cash operating costs	4,417	100	4,192	100	225	100	3,562	100	3,312	100	250	100	24
Revenue from sale of by-product metals	(425)		(421)		(4)		(348)		(340)		(8)		22
Total cash operating costs	3,992		3,771		221		3,214		2,972		242		24

Notes:
* excluding intercompany turnovers

Utilities

Utility expenditure in 2010 increased by USD 45 million (or 33%) and amounted to USD 182 million.

The main factors driving the increase were growth in volume of refining carried out at Russian and Finnish facilities and the inflationary growth of prices of all energy sources.

Transportation costs

Transportation costs increased by USD 10 million (or 6%) and totaled USD 171 million.

Key reasons for the change in these costs were:

- a decrease in transportation expenditures of USD 7 million at Norilsk Nickel International entities as a result of mothballing of Australian production facilities;
- an increase in transport expenditures in Russia and Finland of USD 12 million, related primarily to the increase in volume of nickel concentrates and semi-finished products purchased for the nickel refinery in Finland;
- an increase due to the effect of conversion to presentation currency of USD 5 million.

Tax on mining and pollution levies

The Group's taxation on mining and pollution levies increased by USD 26 million, to USD 169 million (or 18%). The main reasons for the increase were the increase in expenditure at the Russian facilities due to a higher tax base and higher pollution levies, in addition to the effect of conversion of these costs to presentation currency.

Other costs

In 2010, other expenditure increased by USD 43 million (or 57%) and amounted to USD 118 million.

The overall increase includes:

- USD 4 million (or 5%) - an increase due to the effect of conversion to presentation currency;
- USD 39 million (or 52%) - growth of other costs, primarily at the Russian entities, attributable to costs relating to security following certain restructuring, as well as due to the growth in costs of communication and social security charges.

Revenue from sale of by-product metals

Revenue from sales of by-product metals in 2010 increased by USD 77 million as compared to 2009 and amounted to USD 425 million. Key growth in revenue is attributable to the entities in Russia and Finland due to an increase in market prices of all by-product metals and in volumes sold of certain metal by-products.

Depreciation of operating assets

The depreciation charge in 2010 decreased by USD 21 million (or by 3%).

The main reasons for the increase were:

- an increase in the depreciation charge of USD 11 million (or by 2%) at the entities in Russia and Finland, as a result of new assets being brought into use;
- a decrease in the depreciation charge of USD 54 million (or by 9%) at Norilsk Nickel International entities in relation to mothballing of the Australian production facilities;
- an increase due to the effect of conversion to presentation currency of USD 22 million (or by 4%).

Increase in metal inventories

The cost of metal inventories held by the Group in 2010 increased by USD 353 million.

The main reasons for the increase were:

- USD 339 million - an increase in costs of inventories at the entities in Russia and Finland, primarily a result of an improvement of the valuation methodology in Russia and a change in the composition of inventories, as well as price effects in Finland;
- USD 14 million - an increase in cost of inventories in Norilsk Nickel International entities, relating to higher closing balances of the produced concentrate and an increase in prices.

2.2 Cost of other sales

Cost of other sales increased by USD 149 million in 2010 (or by 29%) and amounted to USD 660 million.

The primary reason for this was an increase in air transportation services. In 2010, the margins of other sales increased due to faster growth in sales (up by 39%) than the growth in costs of sales (up by 29%).

Cost of other sales (USD million)

	2010	2009	Change y-on-y, (%)
Energy and utilities	177	136	30
Transport	226	145	56
Other	257	230	12
Total	660	511	29

Review of Financial
Performance**Selling and distribution expenses**
(USD million)

	2010	2009	Change y-on-y, (%)
Export customs duties	283	51	455
Transportation expenses	32	22	45
Labor	14	14	-
Other	14	17	(18)
Total	343	104	230

General and administrative expenses
(USD million)

	2010	2009	Change y-on-y, (%)
Labor	419	330	27
Third party services	99	77	29
Taxes other than mining and income taxes and pollution levies	98	94	4
Amortization and depreciation	23	35	(34)
Transportation expenses	15	16	(6)
Other	101	84	20
Total	755	636	19

Other operating expenses
(USD million)

	2010	2009	Change y-on-y, (%)
Social expenses	299	62	382
Change in provisions for value added tax recoverable	14	-	100
Change in allowance for doubtful debts	4	19	(79)
Change in other provisions	(31)	(2)	1,450
Gain on disposal of investment in subsidiary	(49)	2	-
Other	(10)	9	-
Total	227	90	152

Finance costs
(USD million)

	2010	2009	Change y-on-y, (%)
Interest expense on borrowings	87	128	(32)
Unwinding of discount on environmental obligations	36	38	(5)
Interest expense on employee benefits obligations	8	-	100
Interest on obligations under financial lease	7	8	(13)
Total	138	174	(21)

Income tax
(USD million)

	2010	2009	Change y-on-y, (%)
Current income tax expense	1,515	722	110
Deferred tax expenses	33	80	(59)
Total	1,548	802	93

Review of Financial Performance

3 Selling and distribution expenses

Selling and distribution expenses increased in 2010 by USD 239 million to USD 343 million, as compared to USD 104 million in 2009.

The main reason for the increase in expenses was the significant growth in export customs duties, in connection with the implementation of Russian export duties on nonferrous metals in 2010 (export customs duties on nickel and copper were suspended in Russia in January 2009 due to the worldwide economic crisis).

The increase in transportation expenses was caused primarily by the growth in expenses of Norilsk Nickel International by USD 5 million and of entities in Russia and Finland by USD 5 million, caused by an increase of nickel volumes sold by the Norilsk Nickel Harjavalta refinery.

4 General and administrative expenses

General and administrative expenses increased by USD 119 million in 2010, to USD 755 million as compared to USD 636 million in 2009.

The main reasons for the change in expenses were:

- absolute growth of expenses, before the effect of conversion to presentation currency amounting to USD 91 million:
 - Russian entities and Finland, an increase of USD 89 million;
 - Norilsk Nickel International, an increase of USD 2 million;
- an increase of USD 28 million was due to the effect of conversion to presentation currency for the Russian and Finnish entities.

The main reasons for the increase in expenses by USD 89 million for the Russian and Finnish entities were:

- an increase in labor expenses of USD 74 million, primarily due to payments made at Management's discretion and to contractual payments to retired members of management and the board of directors;
- an increase of other expenses by USD 15 million.

5 Other NET operating expenses

Other net operating expenses grew by USD 137 million (or 152%) in 2010, and amounted to USD 227 million as compared to USD 90 million in 2009.

The main reason for the increase in expenses was the accrual for social commitments under certain agreements with the Government of the Russian Federation which amounted to USD 209 million.

6 Finance costs

Finance costs decreased by USD 36 million in 2010 to USD 138 million, as compared to USD 174 million in 2009. The reduction in these costs was mainly due to a partial repayment of loans received. In 2010, the amount of borrowings decreased by USD 2,520 million.

7 Income from investments, NET

Income from investments increased by USD 301 million (or 602%) in 2010, and amounted to USD 351 million as compared to USD 50 million in 2009.

The main reasons for the growth in income were:

- an increase of profit to USD 258 million from the disposal of investments (including the USD 212 million gain on the sale of shares of OJSC RusHydro);
- an increase of interest income from bank deposits by USD 17 million to USD 59 million;
- a USD 23 million increase of interest income from investments held to maturity.

Reversal of impairment losses on financial investments decreased by USD 2 million and amounted to USD 5 million in 2010.

8 Income tax

In 2010 current income tax expense increased by USD 793 million (or 110%), to USD 1,515 million, as compared to USD 722 million in 2009. Total income tax expense, including deferred taxes, increased by USD 746 million (or 93%) to USD 1,548 million.

The effective income tax rate on profit from continued operations amounted to 22.8% in 2010, as compared to 24.3% in 2009.

The main reasons for the growth in income tax were:

- a USD 678 million increase in the income tax charge caused by profit before tax increasing by 105%;
- an increase in the profit tax rate in Botswana, which has resulted in an additional income tax charge of USD 37 million;
- due to the effect of conversion to presentation currency, and to other factors, increasing the sum by USD 31 million.

9 Profit for the year

Profit from continuing operations in 2010 increased by USD 2,730 million and amounted to USD 5,234 million, compared to USD 2,504 million for 2009. The growth of metal sales primarily increased profit.

Loss before tax from discontinued operations in 2010 amounted to USD 2,151 million (with an after tax amount of USD 2,145 million) compared to profit of USD 181 million (with an after tax amount of USD 147 million) in 2009. This was caused by the decision to dispose of the Group's stake in OGK-3 and by the sale of the stake in Stillwater Mining Company.

The main reasons for the loss were (amounts given before tax):

- an impairment loss of USD 2,284 million due to the revaluation of investments in OGK-3 by fair value less costs to sell;
- a USD 428 million loss from the operating activities of discontinued operations, primarily resulting from the USD 460 million impairment of OGK-3's investments in associates;
- the loss was partially compensated by the gain from the disposal of Stillwater Mining Company, compensating the loss by USD 548 million.

Profit for 2010 increased by USD 438 million (or 17%) and amounted to USD 3,089 million, compared to USD 2,651 million for 2009.

10 Adjusted EBITDA

Adjusted EBITDA increased in 2010 from USD 4,198 million to USD 7,209 million (or by 72%). As a percentage of revenue, adjusted EBITDA was 56% in 2010, as compared to 49% in 2009.

Adjusted EBITDA

(USD million)

	2010	2009	Change y-on-y, (%)
Operating profit	6,552	3,565	84
Depreciation and amortisation	673	665	1
Impairment of non-financial assets	15	(30)	-
Change in provisions for onerous contracts	(31)	(2)	1,450
Adjusted EBITDA	7,209	4,198	72
Adjusted EBITDA, % of gross revenue	56%	49%	-

**Extracts from the consolidated statement of financial position
as at 31 December 2010 and as at 31 December 2009**
(USD million)

	31 December 2010	% of total	31 December 2009	% of total	Change y-on-y, (%)
ASSETS					
Non-current assets					
Property, plant and equipment	9,153	38	11,017	48	(17)
Other financial assets	881	4	918	4	(4)
	10,935	46	14,352	63	(24)
Current assets					
Inventories	2,246	9	1,990	9	13
Trade and other receivables	1,175	5	978	4	20
Other financial assets	637	3	1,098	5	(42)
Cash and cash equivalents	5,405	23	3,632	16	49
Other current assets	695	2	678	3	3
	10,158	42	8,376	37	21
Assets classified as held for sale	2,816	12	32	-	8,700
	12,974	54	8,408	37	54
Total Assets	23,909	100	22,760	100	5
EQUITY AND LIABILITIES					
Capital and reserves	17,974	75	14,755	65	22
Non-current liabilities					
Loans and borrowings	1,561	7	2,345	10	(33)
Other non-current liabilities	1,677	7	1,548	7	
	3,238	14	3,893	17	(17)
Current liabilities					
Loans and borrowings	1,236	5	2,972	13	(58)
Trade and other payables	599	3	486	2	23
Other current liabilities	650	3	654	3	
	2,485	10	4,112	18	(40)
Liabilities directly associated with the assets classified as held for sale	212	1	-	-	-
	2,697	11	4,112	18	(34)
Total Equity and Liabilities	23,909	100	22,760	100	5

**Total assets, non-current assets, capital,
and reserves**

Total assets grew by 5% in 2010 and at 31 December 2010 amounted to USD 23,909 million. At the end of the reporting period, non-current assets amounted to USD 9,153 million, compared to USD 11,017 million at 31 December 2009. Non-current assets decreased by 17% due to the disposals of OGC-3 and Stillwater Mining Company. Capital and reserves increased by 22% to USD 17,974 million in the reporting period (including non-controlling interest of USD 598 million) as compared to USD 14,755 million at 31 December 2009 (including non-controlling interest of USD 1,080 million). The growth in capital and reserves was primarily caused by an increase in profit for the period and from the disposal of treasury shares during 2010.

Other financial assets

Current and non-current other financial assets amounted to USD 1,518 million as at 31 December 2010, compared to USD 2,016 million as at 31 December 2009. Decrease in other financial assets by USD 498 million (or by 25%) was primarily caused as a result of:

- a reduction in deposits to the amount of USD 399 million;
- a reduction in promissory notes to the amount of USD 149 million;
- reclassification of Stillwater Mining Company's convertible notes to the amount of USD 93 million, as a result of the disposal of the Group's share in Stillwater Mining Company;
- reduction in investment in securities available for sale by USD 26 million. The key driver for the reduction was the disposal of OJSC RusHydro shares, which was partially offset by other acquisitions in this category.

Inventories

Inventories of finished goods, work in process inventory, and raw materials increased by 13% in the reporting period, and totaled USD 2,246 million. The total increase of USD 256 million was primarily driven by:

- an increase to the amount of USD 282 million as a result of the increase in metal products inventories;
- a reduction of USD 26 million due to the reduction in other material inventories.

In 2010 the Company reviewed the methodology applied in determining the condition of work in process. Based on the review, the Company developed a new estimate which is a more reliable and representative approximation of the processing stage of work in process. The effect of this change has resulted in an increase in the value of work in process to the amount of USD 143 million as at 31 December 2010.

Cash and cash equivalents

Cash and cash equivalents amounted to USD 5,405 million at 31 December 2010, as compared to USD 3,632 at 31 December 2009. Cash increased by USD 1,773 million (or by 49%) primarily due to the disposal of the shareholding in Stillwater Mining Company, the sale of other financial assets and treasury shares, as well as due to the higher operating profit as a result of a favorable situation on the metals market.

Current and non-current borrowings

Borrowings decreased by USD 2,520 million, amounting to USD 2,797 million at 31 December 2010, as compared to USD 5,317 million at 31 December 2009. Non-current borrowings make up 56% of all debt, and current borrowings make up 44%.

Net cash generated from operating activities

The primary source of the Group's cash flows is operating activities. As a result of significant growth of metal sales in 2010, net operating cash flow increased by USD 2,113 million (62%) and amounted to USD 5,514 million, as compared to USD 3,401 million in 2009.

Net cash used in investing activities

Net cash outflow from investing activities was USD 1,443 million in 2010, primarily resulting from purchases of tangible and intangible non-current assets.

Net cash used in financing activities

In 2010, net cash expenditure on financing activities amounted to USD 2,034 million, primarily relating to regular repayments of borrowings, and to the payment of a dividend in relation to 2009.

Cash and cash equivalents at the end of the year

Cash and cash equivalents as at 31 December 2010 amounted to USD 5,405 million, compared to USD 3,632 million as at 31 December 2009.

**Extracts from the consolidated statement of cash flows
for the year ended 31 December 2010 and 31 December 2009**
(USD million)

	For the year ended 31 December 2010	For the year ended 31 December 2009
Net cash generated from operating activities	5,514	3,401
Net cash (used in) from investing activities	(1,443)	(468)
Net cash used in financing activities	(2,034)	(1,187)
Net increase in cash and cash equivalents	2,037	1,746
Cash and cash equivalents at beginning of the year	3,632	1,995
Effect of foreign exchange differences on balances of cash and cash equivalents and conversion to presentation currency	(264)	(109)
Cash and cash equivalents at end of the year	5,405	3,632

Commitment to Environmental Protection

"Environmental protection has been one of the Company's principal areas of activity since its establishment. The highest priorities when implementing our environmental protection policy are step-by-step reduction of air emissions of pollutants, primarily sulfur dioxide, reduction of wastewater discharges and the construction of waste disposal sites for mitigating man-made environmental burden. The Company seeks to comply with the requirements of environmental protection laws, to use natural resources reasonably and to improve its environmental protection activities on an ongoing basis. In the mid-term, the Company will cut down air pollutant emissions several-fold."

Igor Pisarev,
Director of the Department for Health,
Safety and Environment

Group's environmental
protection expenses

USD 512mn

+27%
year-on-year

In 2010, the Company's entities continued to implement a comprehensive full-scale integrated environmental protection program aimed at modernizing production facilities and gradually replacing outdated capacity. The principal outcomes of this program's implementation will be the reduction of air pollutant emissions and more reasonable use of water resources.

Commitment to Environmental Protection

Group costs on environmental protection (USD million)

	2010	2009	2008
Russia, including:	506	398	539
– current costs	403	334	429
– capital investments	103	64	110
Australia	2	2	3
Botswana	0.2	0.2	0.2
Finland	3	5	3
Group Total, excluding South Africa	511	405	545
South Africa	1	0.3	0.4
Group Total	512	406	546

The Management of MMC 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 minimizing the environmental impact of its production units are as follows:

- compliance with the requirements of the applicable laws and international agreements, ISO 14001:2004 international standards, industrial and corporate regulatory requirements governing the activities of MMC Norilsk Nickel in the field of environmental protection;
- step-by-step reduction of emissions, pollutant discharges, the expansion of areas and volumes of industrial waste utilization;
- sound use of natural resources;
- implementation of advanced technologies;
- planning of operating activities with due consideration of the need for complying with the established standards of negative environmental impact.

As well as the above-listed areas of environmental protection activities, the Company pays attention to the issues of energy efficiency improvement and retention of biodiversity in the territories in which it operates.

Commitment to Environmental Protection

Russia

In Russia, current environmental protection costs increased by 27% in the reporting year compared with 2009 and totaled USD 506 million, of which the Polar Division's costs constituted USD 440 million and Kola MMC's costs constituted USD 66 million.

Development of the Environmental Management System

In 2010, the Environmental Management System continued to function within the framework of the Corporate Integrated Quality and Environmental Management System (CIMS) of the Company. This supported the coordination of environmental protection and quality management with the work in other activities including production management, finance, health and general safety. This approach creates the right conditions for improving the Company's performance, both in environmental and general terms.

The Environmental Management System has brought a whole 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 customer assurance that the supplier's Environmental Management System is of paramount importance;
- obtained additional recognition at international level and in global markets;
- improved the attractiveness of the Company to investors.

A key project for easing the environmental burden in the Company's Polar Division has been the project implementing state-of-the-art technologies for sulfur dioxide utilization. The technology will allow at least 95% of sulfur dioxide from the waste gases of metallurgical businesses to be utilized.

Commitment to environmental protection

Total domestic costs

USD 506 mn

Year-on-year

+27%

Costs of the Polar Division

USD 440 mn

Costs of Kola MMC

USD 66 mn

Further to the extension in 2008 of the certificate of compliance of the Corporate Integrated Quality and Environmental Management System with the ISO 9001:2000 and ISO 14001:2004 international standards requirements, in November 2010 the auditors of the Bureau Veritas Certification (BVC), an international certification authority, conducted a second supervisory audit of CIMS.

The audit was performed at the Company's headquarters in Moscow, the Polar Division in Norilsk production facilities and the Polar Transportation Branch in Dudinka. The supervisory audit confirmed compliance of the Company's CIMS with the requirements of the ISO 9001:2008 and 14001:2004 international standards. Upon completion, the BVC auditors highlighted the Company's general strengths and gave recommendations for possible activities for improvement.

Since February 2009, the Environmental Management System of Kola MMC has functioned within the Integrated Management System of Kola MMC, including the Quality Management System, the Environmental Management System and the Health and Safety Management System. 2010 saw the certified audit of the Integrated Management System, upon which it was recommended that the certification of the Integrated Management System of Kola MMC for the ISO 14001, ISO 9001 and OHSAS 18001 international standards be extended for the certification period of 2010 to 2013.

Throughout 2010, the Company performed internal audits using the CIMS framework in accordance with the Program for Auditing the CIMS of OJSC MMC Norilsk Nickel in 2009 and 2010. These audits were carried out in accordance with ISO 9001:2008 and ISO 14001:2004 international standard requirements whilst the Company's internally trained and specially qualified personnel was involved in the internal audits. During 2010, teams in the Company's Headquarters, Polar Division and Polar Transportation Branch performed 38 internal audits. The Company shaped and updated the corporate and internal auditors register. In addition, the Company implemented a common system for reporting the environmental protection activities of the Group's entities by means of which the achievement of environmental objectives was monitored.

In 2011, the Corporate Integrated Quality and Environmental Management System will be applied to the functions and process at the Company's Murmansk Transportation Branch.



01



02

Polar Division

In 2010, the Company continued its efforts to reduce air pollutant emissions at its Polar Division.

The reporting year saw design and research aimed at implementing activities for step-by-step achievement of the maximum permissible emission standards for the Polar Division. In addition, it saw detailed technical and economic calculations carried out for the purpose of selecting and justifying an optimal option for utilizing the sulfur-containing gases from the Polar Division.

2010 witnessed the finalization of the working documentation for the rehabilitation of Electrical Furnace 4 accompanied by the replacement of gas treatment equipment at the Nadezhda Metallurgical Plant. This was all part of implementing an integrated project moving the Polar Division's pyrometallurgical business further away from the residential area of Norilsk and processing the entire nickel-containing raw materials using more advanced technology.

November 2010 saw the commissioning of a new chimney stack for the rebuilt Roasting Shop in the Nickel Plant, which ensures the reduction of emissions into the residential area of Norilsk.

Projects which aim to substantiate the design dimensions of protection zones have been developed throughout 2010, including a health risk assessment for the population, for 18 principal functions of the Polar Division. Positive conclusions were obtained for all protection zone projects reviewed by leading organizations from the Federal Service for the Oversight of Consumer Protection and Welfare of the Russian Federation. A Resolution of the Chief State Sanitary Doctor of the Russian Federation No.166, dated December 23, 2010, (registered by the Ministry of Justice of the Russian Federation under No. 19635 on January 31, 2011) specified the final dimensions of protection zones for two industrial waste discharge facilities at the Polar Division. Work is planned to establish the final dimensions of protection zones for the remaining facilities.

**Reduction of metal emissions from
the metallurgical plant sources**

Nickel oxide

17.9 tonnes
-5.3%

Copper oxide

43.1 tonnes
-12.0%

Cobalt oxide

5.3 tonnes
-20.3%

In 2010, the Company continued taking action to control pollutant emissions in adverse weather conditions. For example, during the reporting period, action was taken at the metallurgical plants 142 times in adverse weather conditions, of which 60% occurred at the Copper Plant, 32% at the Nickel Plant, and 8%, at the Nadezhda Metallurgical Plant.

The aggregate pollutant emissions from the Polar Division in 2010 were reduced by 34,730 tonnes year-on-year (1.8%), mainly due to the reduction of sulfur dioxide emissions from the Copper Plant sources. In 2010, the Copper Plant processed raw materials with low sulfur content and increased the output of sulfur-containing products originating from waste gases. In the reporting year, a total of 103.8 thousand tonnes of sulfur from waste gases were utilized; an increase of 8.2 thousand tonnes (8.7%) year-on-year. Carbon dioxide and nitrogen oxide emissions in the reporting period were cut by 87.1 tonnes (1.3%) and 73.5 tonnes (4.3%) year-on-year respectively. This decline was due to the transition to advanced processes of natural gas combustion in the atomizing enrichment driers and the sand drier drums of Smelting Shop 1 at the Nadezhda Metallurgical Plant. The reduction of metal emissions from metallurgical plant sources, namely: nickel oxide by 17.9 tonnes (5.3%); copper oxide by 43.1 tonnes (12.0%) and cobalt oxide by 5.3 tonnes (20.3%), derives from a decrease in metal content in the processed feedstock and the improvement of aspiration system performance.

The reduction in selenium dioxide emissions from the metallurgical shop of the Copper Plant by 0.149 tonnes (20.1%) in 2010 was achieved through reducing the operating hours of Roasting Kiln 2 and from work to rehabilitate and upgrade the electrical filter of the first gas treatment group.

The considerable reduction of nickel sulfate releases, by 0.84 tonnes (45.1%), from the electrolysis bath surface at the Electrolysis Shop at the Nickel Plant was achieved by the transition to more effective surface active agents.

In 2010, the Polar Division continued work to optimize water management and implement a set of activities for achieving maximum permissible discharges.

During the reporting period, wastewater was discharged through 64 wastewater outlets, of which, 45 discharged water within permissible standards. The remaining outlets discharged water in accordance with the established limits. At each discharge, activities were performed as per the Plan of Reduction of Pollutant Discharges into the Environment (Water Bodies) with the Wastewater of MMC Norilsk Nickel in the Norilsk Municipality and the Taimyr (Dolgano-Nenetsk) Municipal District.

01.Taimyr Peninsula, Russia



01

The aggregate pollutant emissions from the Polar Division in 2010 were cut by 34,730 tonnes year-on-year.

The pollutant mass discharged into bodies of surface water and those containing the wastewaters of the Polar Division enterprises was reduced in 2010 by 2 thousand tonnes.

In 2010, in accordance with the Plan of Reduction of Pollutant Discharges into the Environment (water bodies), the Polar Division implemented activities for designing and building treatment facilities, namely:

- commencing work to build a waste cleaning facility at the Komsomolsky mine industrial sites;
- continuing work to rehabilitate the chimney-type cooling towers at the Copper Plant;
- completing construction and installation work as part of the construction project for a chimney-type cooling tower and circulating pumping station on the site of the Ventilation Stone shaft 1 at the Skalisty shaft;
- performing start-up operations for primary engineering equipment as part of the Talnakh Enrichment Plant lift station and sewage network construction project, improving the territory upon completion of construction;
- continuing construction of mine water treatment facilities at the Zapolyarny and Angidrit mines along with surface water drainage facilities of the Medvezhy Ruchey open pit mine;
- finalizing construction of the principal sewage pipeline from the Sewage lift station at the Taimyrsky Mine to Sewage lift station 2 at the Oktyabrsky Mine. Construction of the reserve pipeline began;
- liquidating one wastewater discharge outlet;
- beginning to build local treatment facilities at the explosive substance base;
- assembling 32 water metering stations, including 10 fluid flow meters at water inflow and disposal sources in the water cooling and recycling system of enrichment plants, and uploading information to the database;
- adjusting the water desalter of the Norilsk combined Heat and Power Plant 2;
- replacing surface cooling with a smelter at the Nadezhda Metallurgical Plant;
- completing construction of treatment facilities on the Zub-Gora site;
- continuing other design and survey projects along with the development of design and estimate documentation.

2010 saw further implementation of an integrated project for expanding the Lebyazhye tailings storage facility and building the second field for joint tailings storage of the Talnakh and Norilsk Enrichment Plants, all for the purpose of ensuring environmentally safe warehousing and storage of enrichment waste (at least 11 million tonnes per year). 7.6 million tonnes of enrichment tailings and 0.8 million tonnes of smelter slags were used to build the dam; in addition, 8.1 million tonnes of enrichment tailings were sited in an environmentally clean manner.

Under the project aimed at using the Talnakh Enrichment Plant's final tailings, start-up facility I was prepared for industrial testing to lay the worked-out area of the Talnakh mines, which will utilize some 250 thousand m³ per year of enrichment waste to lay the worked-out area of the mines.

The environmental protection activities of the Polar Division units' waste management are aimed at complying with waste disposal limits. In 2010, the Polar Division enterprises generated 35,484 thousand tonnes of waste, of which 19,871 thousand tonnes were disposed of at the in-house waste disposal facilities. 15,623 thousand tonnes of waste were used at the Polar Division enterprises. Specifically, the stripping soils were used for spalling and backfilling; the hard rock for laying the excavated area of the mines; the concentration tailings of the Production Association of enrichment plants for building the Lebyazhye tailings storage facility dam; the smelter slags of the Copper Plant Varyukov furnaces, for building the Lebyazhye tailings storage facility dam; the smelter slags from the Nadezhda Metallurgical Plant for laying the worked-out area of the mines and road dressing; and the smelter slags from the Nickel Plant for laying the excavated area of the mines, road dressing, railroad slope. The Polar Division enterprises fully neutralized 79.3 tonnes of waste, including the entire generated volume of excavated electrolyte (9.5 tonnes). 38.2 tonnes of excavated quicksilver-bearing lamps and thermometers were put forward for neutralization. Almost the entire volume of excavated motor lubricants generated (737.3 tonnes) were delivered for regeneration.

Commitment to Environmental Protection

Russia

Environmental impact trends from the Group's operations in the Russian Federation

Indicator	2010	2009	2008
Air pollutant emissions, including:	2,088	2,113	2,116
– sulfur dioxide ('000 tonnes)	2,023	2,054	2,052
– solid substances ('000 tonnes)	22	21	21
Wastewater disposal (mn m ³)	159	165	163
Water intake (mn m ³)	339	347	350
In-house waste utilization and neutralization (mn tonnes)	20	20	25
Waste disposal (mn tonnes)	26	22	23

Kola MMC

In 2010, Kola MMC performed the following activities aimed at mitigating its environmental impact:

- continuing the rehabilitation of the Float Concentrator Roasting Shop for the production of reinforced briquettes on the Zapolyarny site, namely: developing a project approved by the State Expert Evaluation Department of the Russian Federation, executing contracts for the supply of primary engineering equipment, and continuing construction of the briquetting shop units;
- securing approval of the redrafted standards of maximum permissible air pollutant emissions for the Nickel and Zapolyarny sites;
- starting development of the projects substantiating the designed dimensions of protection zones for the three principal industrial sites of Kola MMC.

Air pollutant emissions from the Kola MMC sources in 2010 did not exceed the existing limits of maximum permissible and temporary emissions.

In 2010, the volume of utilized sulfur from waste gases in sulfuric acid production increased by 2,190 tonnes (3.4%) year-on-year. The reporting period saw the reduction of Kola MMC's emissions of dust-containing non-ferrous metals. The Zapolyarny industrial site reduced nickel emissions by 20 tonnes; copper by 5.4 tonnes; cobalt by 0.5 tonnes. On the Nickel industrial site, nickel emissions were cut by 4.3 tonnes and copper by 1.7 tonnes. The reduction of emissions derived from the engineering process improvement in the pelletizing and roasting sections and at the Smelting Shop.

For the purposes of restoring the natural environment in areas in which Kola MMC operates, in 2010 work was performed to reclaim and finish 1 hectare of land damaged by industrial emissions (at the Zapolyarny industrial site). Furthermore, the condition of finished plots was reviewed by an expedition from Moscow State University. Test areas were also laid. This is long-term work (the agreement term is 2010 to 2013) aimed at identifying the evolution and comparing the condition of "working" plots with test areas and subsequently giving recommendations for the future.

The volume of water intake from bodies of surface water belonging to Kola MMC in 2010 went down by 2.1% as a result of:

- reduced water intake from Lake Sopchiavr, Monchegorsk, due to production optimization activities, which caused lower water consumption by the Refining Shop and the Nickel Electrolysis Shop;
- reduced feeding of the recycling water supply systems due to loss reduction and lower water intake from Lake Seliakka-larvi, Zapolyarny. This is connected with reduced volumes of industrial water consumption by the Severny Mine owing to an increase in volumes of the recycled water supply.

In 2010, Kola MMC lowered water consumption by 15.1% from municipal systems of domestic water supply as a consequence of commercial water metering models and optimizing water supply models aimed at loss reduction on the Zapolyarny and Nickel sites.

2010 saw a 35.6% decrease in the volume of domestic water consumption. This reduction resulted from the implementation of commercial domestic water metering models, lower domestic water consumption for the production needs of the Zapolyarny site units and considerable reduction of hot water consumption for domestic needs by the Nickel site units due to the activities optimizing hot water supply to the domestic shop compartments.

The 14% increase in the discharge of polluted undertreated wastewater and the increase of pollutant discharge by 3.8 thousand tonnes year-on-year were associated with a considerable increase in the volume of water pumped by the Severny Mine and with the resulting increase in mine water discharge from core pools into the Khauki-Lampi-Yoki river.

In 2010, waste generation grew due to increased generation of stripping soils caused by the geological situation and by the Severny-Gluboky Mine construction as well as the generation of enrichment plant tailings and smelter slags, all resulting from year-on-year production growth.

Kola MMC

Volume of sulfur utilization in sulfuric acid production year-on-year

+2,190 tonnes

Generated waste was partly used at the in-house enterprise. Stripping soils were used for laying the excavated area of the open pit mines; enrichment plant tailings, for creating hydraulic-fill dams; smelter slags, as filling material in the liquidation of the tailings storage facility of Enrichment Plant 2.

In the reporting period, specialized third-party entities received earlier accumulated waste either for its further use or to be neutralized.

Rendering assistance to national parks to maintain biodiversity

The Polar Division renders regular financial aid to the Norilsk Fish Rearing and Incubation Station. The primary goal of the station is breeding viable young fish of valuable species (Char, Whitefish, Gwyniad) and their subsequent release into the Norilo-Pyasinsky water system, including the Pyasina River basin, lake Pyasino and its feeders, which belong to the bodies of water used for commercial fishery purposes and are among the principal habitats of northern fisheries, including Arctic fish species (Arctic Char, Whitefish, Nelma, Taimen, etc).

In 2010, under the Agreement for Artificial Rehabilitation of Aquatic Bioresources for Damage Compensation Purposes, 71 thousand young Arctic Chars were released into the Keta Irbe River of the Norilo-Pyasinsky lake and river system.

Federal State Institution Taimyrsky State Natural Biosphere Reserve (Taimyrsky Reserve) and Federal State Institution Putoransky State Natural Reserve are included, on a permanent basis, in the Polar Division's program rendering corporate assistance to the Taimyr (Dolgano-Nenetskiy) Municipal District.

In 2010, as part of the implementation of activities rendering corporate assistance, the following inventories were purchased:

- to equip the Taimyrsky Reserve inventory base: a boat engine, two gasoline-powered generators, a gasoline-powered saw, acetylene welding outfit, a kit and spare parts for the repair of plumbing and heating systems, a multi-functional device, spare parts and consumables for office appliances;
- for the Putoransky Reserve: clerical aids and household appliances, office furniture, lubricants, assistance was rendered in transportation financing for the delivery of corporate assistance cargos.

Furthermore, office appliances and furniture were purchased for the Putoransky Reserve, the transportation expenses of Non-profit Organization of Non-profit Partnership Working Group for the Geese and Swans of Eastern Europe and Northern Asia were paid for the delivery of cargo and for the participants in the environmental expedition "Birds of the Putorana Plateau: 21st Century Survival Strategy" exploring the lesser white-fronted goose.

In 2011, it is planned to continue work aimed at the incubation and subsequent release of young fish of valuable species into water bodies.

Kola MMC also maintained cooperation with the national parks located in the Murmansk region.

Every year since 2006, under the agreement with Kola MMC, the Pasvik Reserve employees have performed research and development for the assessment of the natural environment in the operational area of the Pechenganickel integrated works. Since 1998, the Lapland Reserve employees have conducted research and development to monitor the condition of the natural environment in the territory adjacent to the Severonickel integrated works, including Monchegorsk and its surroundings, which include the Lapland Natural Biosphere Reserve. Furthermore, since 2002, Kola MMC has entered into agreements with the Lapland Reserve for the development of methods to restore destroyed natural complexes in an area of long-standing impact of man-induced air emissions from the Severonickel integrated works and to monitor the Monchegorsky District (land adjacent to the Monchegorsk industrial site) and the Lapland Reserve. The data obtained during scientific research formed the basis for subsequent work for mined-land reclamation, sanitary and fire-protection forest land improvement, performed on a contractual basis.

The strategic activities of Kola MMC to mitigate effects on biodiversity include the reduction of sulfur dioxide and dust emissions through the transition to state-of-the-art technology of cold briquetting from the pelletizing and roasting technology on the Zapolyarny industrial site by the end of 2011.

Australia

The total expenses of Norilsk Nickel Australia associated with environmental protection in 2010 amounted to USD 2.1 million. The funds were used to ensure compliance with legislative norms maintaining the proper condition of leased land.

Botswana

Since 2007, the entity has used the Health and Safety Management System, as part of the SHEQ Corporate Integrated Management System. In September 2010, the entity was successfully re-certified for compliance with the ISO 14001:2004 international standard requirements.

Finland

Norilsk Nickel Harjavalta holds all the necessary environmental permits and is certified as applying the integrated Environmental Management System so as to be compatible with the ISO 9001, ISO 14001 and OHSAS 18001 standards. All actual emissions and discharges from Norilsk Nickel Harjavalta in 2010 conformed to these permits.

In 2010, waste volumes totaled 31.5 thousand tonnes versus 15.4 thousand tonnes in 2009. However, the volume of waste utilized in the reporting year was 30.9 thousand tonnes, in contrast with 14.4 thousand tonnes in 2009.

The expenses of Norilsk Nickel Harjavalta connected with environmental protection in 2010 totaled USD 2.7 million.

South Africa

Nkomati takes the following actions in order to minimize the effects of the entity's operations on the environment:

- uses water resources in the mine area sustainably and reduces possible harmful effects on bodies of water;
- decreases the impact of dust emissions;
- details activities for waste recycling and reduction and for the treatment of reclaimed waste;
- defines actions for energy conservation and for the reduction of carbon dioxide emissions into the atmosphere;
- arranges activities for the rehabilitation of land surrounding the mine;
- implements programs for the maintenance of biodiversity in order to preserve the existing flora and fauna.

In the Murmansk Region, using its own resources, Kola MMC reclaimed and finished 100 hectares of land.



Environmental impact of Group entities in Botswana

Indicator	2010	2009	2008
Total water consumption (m ³ in millions)	2.4	2.3	2.2
Waste generation (tonnes)	443	513	515
Waste utilization (tonnes)	443	513	515

Environmental impact of Group entities in Finland

Indicator	2010	2009	2008
Industrial wastewater ('000 m ³)	692	375	650
Share of pollutants in industrial wastewater (in tonnes):			
- nickel	0.9	0.8	2.8
- sulfate	16.094	5.897	17.724
- ammonia nitrogen	58	19	57
Total water consumption (mn m ³)	11.2	10.4	12.9
Total air pollutant emissions (tonnes):			
- nickel	2.6	1.9	1.8
- ammonia	126	193	389
Waste generation ('000 tonnes)	31.5	15.4	16.3
Waste utilization '000 tonnes)	30.9	14.4	15.7

Environmental impact of Group entities in South Africa

Indicator	2010	2009	2008
Total water consumption ('000 m ³) ²	0.95	0.8	0.5
Waste generation (tonnes) ¹	474	236	-
Waste utilization (tonnes)	474	236	-

Notes:

(1) Waste generation data includes information on the total volume of tailings, hazardous waste (crude oil, batteries) and non-hazardous waste as well as the volume of extracted gangue processed by the waste treatment facility.

(2) Water consumption data reflects the volumes of source water; the figures for 2007 also include the volumes of loose water.

Norilsk Nickel Harjavalta

Waste utilization in 2010

30.9
thousand
tonnes

versus 14.4 thousand
tonnes in 2009

Human Resources and Social Policy

"Social responsibility is an inherent business characteristic of the Company, which conducts its production operations amid the challenging conditions of the Far North. The crisis years have clearly demonstrated that people are the Company's most important asset. Therefore, Norilsk Nickel seriously invests in the development of social programs for its employees and inhabitants of regions in which it operates, and is directly involved in the economic processes of its single-industry towns."

Vyacheslav Poltavtsev
Deputy General Director and Head of the Segment for Interaction with Governmental and Social Policy Authorities.

Total headcount of the Group

82.7
thousand people

including the employees of foreign entities

Personnel headcount in the Russian Federation

80.4
thousand people

Most employees work in Norilsk, the Taimyr Municipal District and the Kola Peninsula

The highest priorities in the social policies of MMC Norilsk Nickel are to maintain social stability in the teams of the Group's entities and the areas in which they operate. Successful implementation of the social policy is an essential condition for the Company's stable long-term development.

Human Resources and Social Policy

In 2010, the Company continued implementing social and pension programs and granting additional benefits secured by the collective agreement with employees. In addition, new projects were launched.

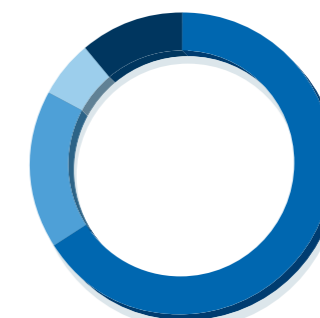
The average headcount of the Group's entities in 2010 was 82.7 thousand people, including 2.3 thousand employees of foreign entities. In the reporting year, the Group's headcount decreased by 1.2 thousand people, primarily due to the sale of Stillwater Mining Company, which had been a subsidiary of the Group until December 2010. Most employees of the Group's Russian entities (66% of domestic headcount) work in Norilsk and the Taimyrsky (Dolgano-Nenetsk) Municipal District. The Kola Peninsula and the Northwestern Federal District employ 17% of personnel of the Group's entities located in the Russian Federation. The professional breakdown of the personnel of the Group's Russian entities covers more than 600 diverse professions.

Changes in the Group's average headcount

	2010	2009	2008
Russian Federation	80,417	80,082	84,040
USA	9	1,323	1,373
Europe	315	302	312
Asia	17	15	-
Australia	24	268	652
South Africa	842	817	409
Botswana	1,094	1,114	1,183
Burundi	6	-	-
Total	82,724	83,921	87,969

Breakdown of the employees of the Group's Russian entities in 2010

- Taimyr Peninsula, 66%
- Kola Peninsula and Northwest, 17%
- Moscow and other regions of Russia, 11%
- Krasnoyarsk territory, 6%



Personnel recruitment and development

In 2010, 9.7 thousand¹ employees were selected and recruited by the Group's Russian entities to meet their personnel needs.

Corporate programs include searching for, selecting and recruiting personnel, taking into account current and future personnel needs and requirements, paying particular attention to specific needs of production, as well as the labor market.

As in previous years, great attention was paid to the recruitment and adaptation of young workers and professionals. In 2010, the Group's entities recruited more than 4.9 thousand young employees under the age of 30. More than 1.9 thousand people, including the graduates and students of 13 specialized Russian institutions of higher education, were engaged in the permanent corporate programs². In order to identify and maintain the most promising young employees in the units of the Group's 2010 entities, Norilsk hosted the Norilsk Summer Academy business game. 260 summer interns participated in the game. During one and a half months, they developed and implemented projects of social significance for the Company and the city. 17 people won the business game.

In 2010, as part of developing our relationship with Russia's leading higher education institutions MMC Norilsk Nickel and the Siberian Federal University (SFU) entered into a strategic partnership agreement. Furthermore, a select group of 11 Norilsk school graduates were awarded highly sought after places at SFU to study the mining courses required by the Group's entities. Apart from SFU, the St Petersburg State Mining University (named after G. V. Plekhanov) and the Moscow Institute of Steel and Alloys offer ad-hoc student training programs at the Company's request.

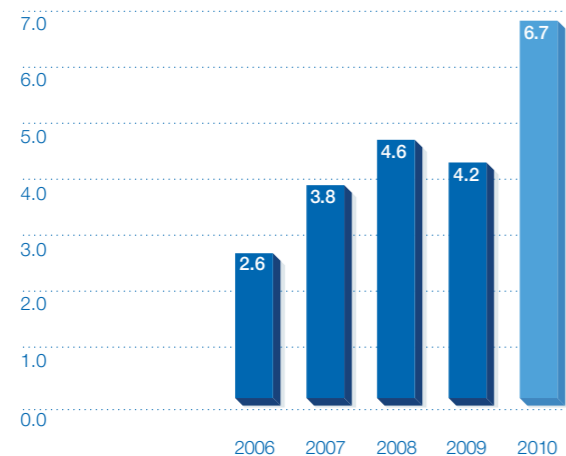
Additional professional training courses were taken by more than 31.9 thousand employees (over 40% of average headcount) of the Group's entities located in the Russian Federation, of which more than 19.8 thousand people are workers.

To improve the efficiency of training and development of employees of the Group's entities located in the Monchegorsk and Pechengsky District of the Murmansk Region, the training center "Kola Peninsula Personnel Development Center" opened in February 2010 and trained around 2 thousand people in the reporting year.

In order to meet the line manager needs of the Group's entities, activities were performed to form and update the succession pool of initial, medium and upper managers. In the reporting year, over 430 people were members of the succession pool.

Further work was performed to implement projects covering various categories of employees. These were aimed at maintaining and developing personnel, retaining a favorable psychological climate in personnel teams and raising the efficiency of internal communications.

Company's costs in connection with the personnel recruitment, training and adaptation programs
(USD million)



Future investments

Recruited in Russia in 2010

4.9 thousand people

aged under 30

Notes:

- (1) Data concerning the Group's Russian entities employing more than 500 people
- (2) Programs are being implemented by the Group's entities located in the Norilsk Municipality, the Taimyrsky (Dolgano-Nenets) Municipal District and the Kola Peninsula.

Social partnership

Social and employment issues are regulated by the Company, Kola MMC and a number of other subsidiaries and affiliates under collective agreements. In 2010, all obligations of the social partnership parties documented in collective agreements were performed.

Collective Agreement Commissions are permanent bodies for social partnership of the Company, its subsidiaries and affiliates. In 2010, the Collective Agreement Commission of MMC Norilsk Nickel took 16 decisions regarding social, employment and corporate issues and more than 50 decisions concerning the individual requests of employees. In 2010, the Collective Agreement Commission of Kola MMC agreed to 11 decisions making more than 40 amendments and supplements to the Collective Agreement.

The Company's fundamental tool for strengthening social partnership principles is corporate communication. Its functional goal is to ensure effective information exchanges between management and employees, and to maintain a positive climate in employee relations.

In April 2010 there was a regional corporate forum of the Group's entities located in Norilsk. This reviewed the development of social and employee relations of the Company's entities and set objectives for the following year. The annual conference of Kola MMC's personnel was also hosted in 2010. During the conference, the Collective Agreement performance in 2009 was reviewed.

The Company's branches, subsidiaries and affiliates in Norilsk have an effective common system of Human Resource offices for production, social and employment issues, composed of the central personnel desk and 20 individual human resource desks for employees.

In 2010, the Human Resources department accepted and considered more than 27 thousand employee applications. The main topics of request included the implementation of social programs, primarily the programs of health resort treatment, pension plans and technical issues related to pension accounting. In 2010, 750 meetings, attended by more than 21.5 thousand employees, were prepared and held.



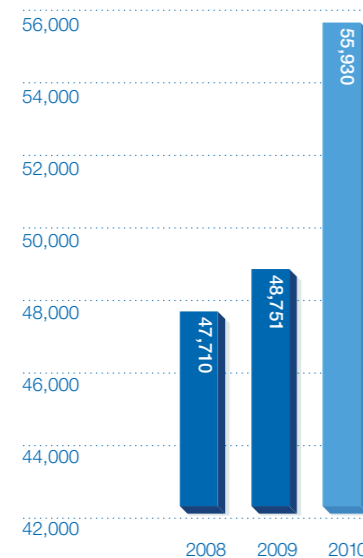


Personnel incentives

In 2010, the average monthly pay of the Group's employees in Russia grew by 14.7% year-on-year to RUB 55.9 thousand (USD 1.8 thousand), 2.7 times higher than the average Russian pay and 2.3 times higher than the average pay in Russian metallurgy. In 2010, the average pay for Polar Division employees was RUB 63.3 thousand (USD 2.1 thousand), an increase of almost 10% year-on-year.

To encourage efficient work and motivate key employees for long-term employment with the Company, in addition to the benefits applying to all employees, the Company offers its employees achieving excellent results an additional social package in the form of extra leave allowances for travel, preferential lending, joint corporate pension, etc.

Average monthly pay of the Group's employees in Russia (RUB)

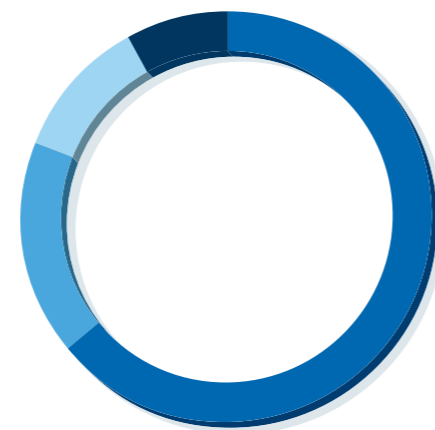


Moral incentives

In 2010, more than 5.5 thousand employees of the Group's entities were awarded for outstanding production achievements and commitment. These include: 32 people honored with national awards; 454 people recognized by various ministries and organisations; 775 people bestowed awards from regional and municipal authorities; 120 people given corporate awards from the Company; and more than 4 thousand people who received awards from the Group's entities. In addition, in connection with celebrating the 75th anniversary of the Norilsk Mining and Metallurgical Integrated Works, the Company's team was bestowed with the Certificate of Merit by the Government of the Russian Federation. The Certificates were awarded at celebratory ceremonies.

Breakdown of the Group's incentive package in Russia in 2010

- Base pay, 64%
- Current bonus, 17%
- Performance-based bonus, 11%
- Social package, 8%



In 2010, additional professional training courses were taken by more than 31.9 thousand employees (40% of the average headcount) of the Group's Russian entities, of which over 19.8 thousand people are physical laborers.

Pension programs

The existing system of corporate pension plans comprises of several pension programs. These include programs built on the principle of participation between the employees and the employer in shaping the future of the occupational pension.

The Company's occupational pension plans mainly cover the employees of the entities located on the Company's principal production facilities sites, i.e. the entities situated in the Norilsk Industrial District and the Kola Peninsula.

As the task of attracting and keeping personnel has become important, the Company's entities generated a request for long-term pension plans. The corporate pension is included in the standard social package of the entities.

In order to incentivize its key employees and motivate them to stay with the Company for a long time, in addition to the benefits applying to all employees, the Company offers an additional social package for the "core" employees. Since 2002, this has included, a joint corporate pension accumulated by the employee throughout his/her employment with the Company.

A concept of the plan is that until an employee joins the plan, the Company contributes "initial capital". This amount is linked to the employee's labor input. As of the end of 2010, more than 1.9 thousand people participated in the plan, 902 people held the status of corporate pensioners, 249 of them in 2010.

Amid the development of the Russian pension service market and as the Company gained in-house experience in implementing the plans providing payments to its retired employees in 2006 and 2007, in collaboration with Non-Governmental Pension Fund Norilsk Nickel (NPF Norilsk Nickel), the Company developed and implemented two plans, including joint participation of the Company and its employees in the occupational pension formation, namely: the Corporate Retirement Option Plan and the Accumulated Shared Pension.

The Corporate Retirement Option Plan covers approximately 90% of the Company entities' headcount. Under the program, as an incentive for employees, pension contributions were credited to individual pension funds using capital from NPF Norilsk Nickel.

Occupational pension under the Accumulated Shared Pension Program, which is co-generated by the Company and the employee for his/her employment term, is also becoming a component of the social package. The program is available to each employee irrespective of his/her age and number of years spent with the Company, and is widely supported by the Company's employees. As of the reporting period end, its participants included more than 22.5 thousand employees of the enterprises located in the Norilsk Industrial District, and more than 3.5 thousand employees of Kola MMC and the Group's entities located in the Kola Peninsula. Currently, 1.1 thousand people have the status of corporate retirees; 723 of them obtained this status in 2010.

The basis for the successful development of occupational pension plans within the Company is based on the performance of retirement obligations, including those assumed earlier under collective agreements with respect to employees participating in pension plans. Despite the financial restrictions during the most recent economic crisis, the Company continued to transfer funds for payment of corporate pensions to its former employees, and making pension contributions in favor of its employees under the existing supplementary pension plans.

When the Company celebrated its anniversary in 2010, more than 2,000 employees of Group entities were incentivized by the supplementary retirement bonus from the Company.

An important step in the development of the corporate pension scheme occurred in May 2010, when the Company's Management Board took on the decision to improve pension plans and to ensure that new plans kept fundamental principles such as voluntary participation, affordability and joint participation of employees. The Company will be able to give increased pension contributions to all members, thus recruiting young qualified employees and workers and encouraging employees to have a successful career within the Company for a long time.

Human Resources and Social Policy

Health and safety

The Group is composed of entities involved in various activities: mining, concentration and metallurgical businesses, power engineering enterprises, rail and auto transport and some other auxiliary units.

The Company's entities operate numerous hazardous production facilities. The processes involve various hazardous substances (toxic, explosive, oxidizing agents, etc).

The Company, as the world's leading producer of nickel and palladium, seeks to become a leader in health and safety.

Since 2008, the Company has had an approved Health and Safety Policy in place, specifying the following primary goals:

- to create healthy and safe working conditions;
- to ensure that the Company's employees are motivated to follow safety procedures in the workplace.

To achieve the Health and Safety Policy goals, the Company carries out the following objectives:

- raises the health and safety level at its production facilities and in process management, improves working conditions, specifically with due account for the results of workplace certification and the production of risk assessment;
- provides its employees with state-of-the-art, certified personal protective equipment, overalls, performs disease prevention, treatment, sanitary and hygienic activities to mitigate the risk of the impact of harmful and hazardous production factors;
- improves the system of health and safety training for personnel, holds corporate workshops;
- based on best practice international standards, it aims to improve its health and safety management system, with due consideration to global practices adjusted for the peculiarities and operating conditions of its enterprises.

In 2010, the general workplace injury rate of the Group's Russian entities decreased by almost 8% year-on-year. For example, 2010 saw 107 accidents versus 116 in 2009. In 2010, group accidents were prevented. In the reporting year, the Company's workplace injury rate decreased by 20%.



The Company seriously focuses on improving its health and safety training system for personnel. 25,312 employees of the Group passed pre-evaluation, training and evaluation.

Fostering territorial development

An important element of the Company's social policy is to maintain social stability in regions where business is conducted in cooperation with local authorities.

In August 2010, quadripartite agreements were entered into by and between the Ministry of Regional Development of the Russian Federation, the Krasnoyarsk Territory, the Norilsk Municipality and OJSC MMC Norilsk Nickel. This involved Russian Prime Minister Vladimir Putin, to solve the critical issues of northern areas of the Krasnoyarsk Territory, namely: to relocate disabled and retired citizens to areas with favorable climate conditions, to upgrade social infrastructure as well as housing assets. Under the agreements, in 2010, long-term regional target programs were developed:

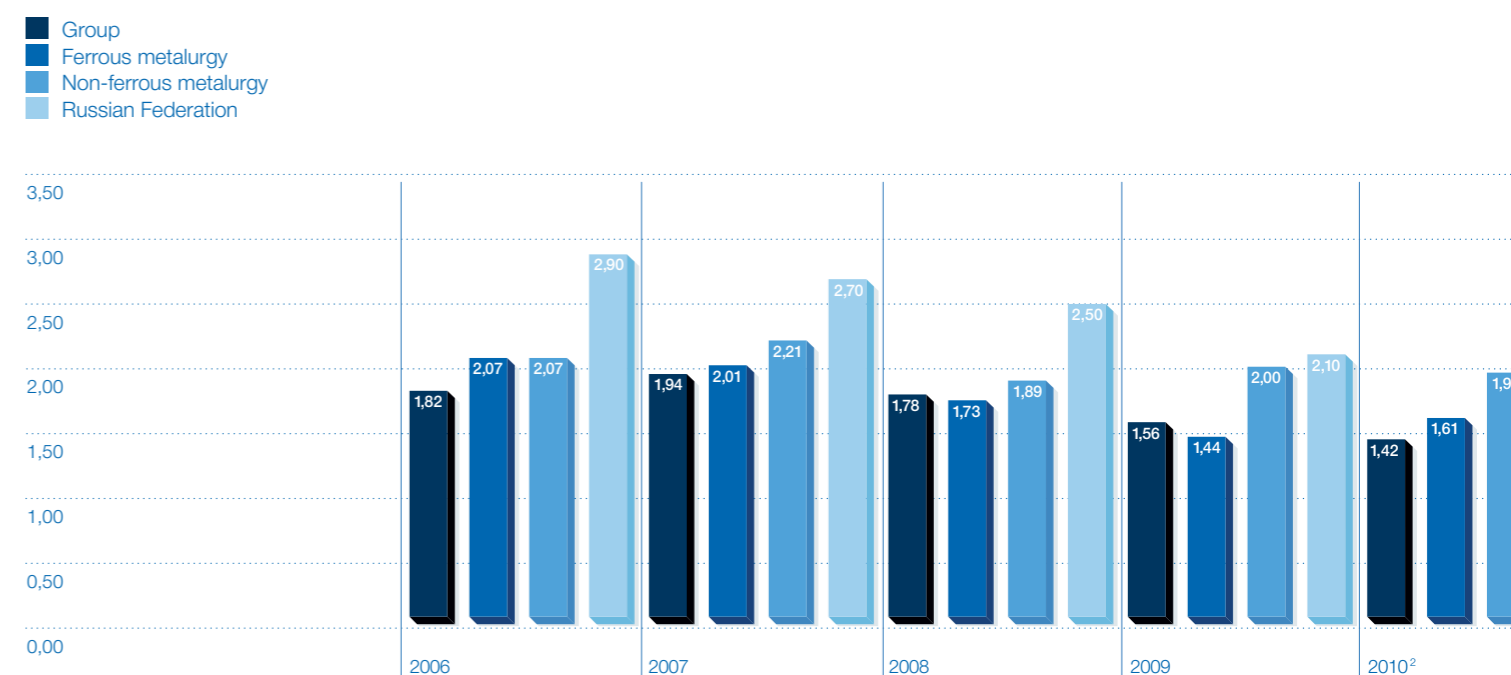
- "Relocation of Citizens Residing in the Urban District of Norilsk and the Urban Settlement of Dudinka of the Krasnoyarsk Territory to Areas with Favorable Weather Conditions in the Russian Federation for 2011 to 2020." Over 10 years, it plans to relocate a total of over 11 thousand northern families to southern areas of the Territory and other regions of Russia;
- Development of social infrastructure, turnaround maintenance of public utility infrastructure and the housing assets of the Norilsk Municipality and Taimyrsky (Dolgano-Nenetsky) Municipal District for 2011 to 2020." The Company's participation includes the construction of a sport and recreation complex in the town of Dudinka, the construction of two infant schools, a swimming pool and renovation of the Zapolyarnik Stadium in Norilsk. In addition, a considerable portion of the Company's funds will be used to upgrade a part of the public utility infrastructure and renovate the buildings of Norilsk and Dudinka.

As part of celebrating the 75th anniversary of the Norilsk integrated works, the 50th anniversary of the Talnakh Deposit and the 45th anniversary of Talnakh, a number of municipal socio-cultural projects, covering diverse areas of culture and arts, were financed.

The Company supports its former employees residing both within and beyond the Murmansk region and the Norilsk Industrial District.

Notes:
 (1) Workplace injury rate is the number of accidents reported in the accounting records per 1,000 people working for the enterprise (entity).
 (2) In 2010, the official data detailing workplace injury rate in the Russian Federation and ferrous and non-ferrous metallurgical enterprises are unavailable.

Changes in the workplace injury rate¹ at the Group's entities from 2006 to 2010 compared with the entities of the Russian Federation



Personnel healthcare programs

Personnel healthcare programs are among the top priorities of the Company's social policy. Life under the challenging weather conditions of the Far North and the specifics of work for the Company's enterprises require special healthcare for employees. For many years, the Company and its subsidiaries have implemented special healthcare programs and resort treatment for its employees and their family members.

One of the highest-priority resort locations for employees of the Group's entities and their family members is the Zapolyarye Health Center in the Krasnodar Territory. In 2010, more than 20 thousand people stayed at the health center (the total budget was RUB 1.1 billion) versus 17 thousand people in 2009.

In recent years, the health center has adopted a set of measures to improve its quality of service: renovating rooms, building and commissioning three open-air swimming pools and a multi-functional children's entertainment park, a restaurant, a bar, introduced a buffet system, conducts animation programs, improves health service quality on an ongoing basis, is in the process of installing a new summer 800-seat cinema, sports and recreation center, is building a state-of-the-art spa center and starting to renovate the lower "sea" zone of the health center.

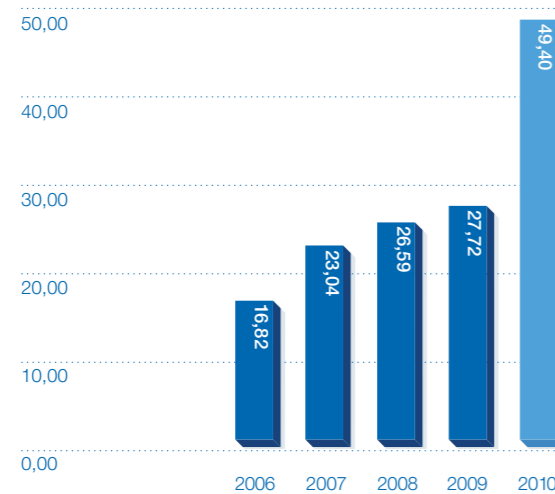
The in-house air carrier, Taimyr Airlines, positively affected pricing policies in the Norilsk air transportation market in 2010 and maintained a stable price level in the region. In 2010, for the employees' convenience, the airlines presence was broadened by opening regular direct flights to St Petersburg and regular flights between Norilsk and Sochi, launched in January 2010, have used various subsidy methods for reimbursing employees and their family members for the price of roundtrip tickets to the holiday destination.

The Company continued implementing the program of foreign corporate tourism. In 2010, more than 3.6 thousand employees of the Group's entities and their families holidayed through the program for a total of Ca. RUB 170 million.

The goal of the children's health improvement program is to maintain and improve the health of employees' children, to prevent childhood diseases, to create an environment for adequate child holidays and activities in the summer period. In 2010, for the children of the Company's employees, holidays were organized at the Vita Children's Health Improvement Institution located on the Black Sea Coast in the city of Anapa, and the sports and health improvement camp in the Tula Region in the town of Aleksin. An important social factor was the Company's management decision to offer free transport to children's summer camps for the employees' children. More than 1.3 thousand children used this program, with the amount spent totalling approximately RUB 132 million.

1.3 thousand people holidayed and improved their health in 2010 at the extradepartmental health improvement facilities located in the Altai Territory (the Belokurikha Resort, Russia, Rodnik) and the Caucasian Mineral Waters. The budget for this rest segment was RUB 55 million. The duration of rest vouchers was increased from 18 to 21 days.

Financing of health resort treatment and rest programs for employees
(USD million)



Development of corporate sports

In order to encourage a healthy and active lifestyle for the employees and their family members, the Group's entities hold mass sporting events.

As part of these events, the Company promotes regular physical exercise to employees, holds annual mass sporting events in the areas where the Company operates and organizes corporate sports festivals and competitions. Mass corporate sporting events raise the popularity of these sports.

Sports festivals and competitions such as the Norilsk Nickel Ski Race in Norilsk, Dudinka-Alykel-Norilsk field-and-track race conducted on the Metallurgist's Day in the Norilsk Industrial District, family races called "Dad, Mom and I Are a Sporty Family!" in Sochi, mini football team tournaments in Norilsk and basketball and volleyball matches in Monchegorsk, are very popular among the Company's employees, and the people living in areas in which the Company operates. In 2010, more than 25 thousand employees participated in corporate sporting events.

Achievements of company personnel and social policies

The Company's personnel and social policy is built on the principles of corporate social responsibility and was highly recognized by the domestic and international governmental and non-governmental organizations.

In 2010, MMC Norilsk Nickel won "The Best Russian HR Department 2010" in the 6th All-Russia Competition. The Company's Personnel Management Department won the category "For Successful Development and Implementation of Effective HR Policy during the Phase of Implementation of New Governmental Programs of Innovative Development of the Russian Economy."

The Company was ranked 4th in the annual ranking of the Social Responsibility of Russian Companies for 2010, organized by the Trud newspaper, the Agency for Political and Economic Communications and the Russian Crisis Management Forum.

MMC Norilsk Nickel won 2nd prize in the category of "The Best Corporate Social Responsibility Report" at the 13th Annual Report Awards of the RTS Stock Exchange.

In 2010, MMC Norilsk Nickel won "The Best Russian HR Department 2010" in the 6th All-Russia Competition.



In 2010, the Bobrov Log Fun Park, a part of the Norilsk Nickel Group, was declared "The Best Mountain Ski Resort in Siberia". In 2011, it won the "The Most Sporty Resort" category. During 2010 and 2011, the Fun Park hosted championships and competitions at all levels. For all-Russia competitions held this season, the park was awarded letters of gratitude from the Freestyle Federation of Russia, the Federation of Ski Mountaineering and Snowboard of Russia, the Ministry of Sports, Tourism and Youth Policy of the Krasnoyarsk Territory.

Note:
Detailed information about the social policy of MMC Norilsk Nickel is contained in the Company's Corporate Social Responsibility Report for 2010.

Share Capital and Stock Markets

"In 2010, the share price performance of MMC Norilsk Nickel was one of the best among global mining and metals leaders. The Company's Management created additional shareholder value, among other factors, through hard and efficient work. This ensured market capitalization growth. In particular, last year Management elaborated and approved the long-term market capitalization enhancement program. Going forward, the Company's Management intends to continue diligent work in the interests of all shareholders and the Company itself."

Alexey Ivanov,
Director, Investor Relations

Dividend payment for 2009
paid in 2010

USD 1.3 bn

or

USD 6.76*

per share

Dividend yield

4.2%

The Company's strong core competitive advantages in business and solid financial standing provide MMC Norilsk Nickel with opportunities to return substantial amounts of capital to shareholders.

*RUB 210/share, converted at the official exchange rate of the Central Bank of the Russian Federation as of May 27, 2010 – the date of announcement of the Board dividend recommendation.

Share Capital and Stock Markets

Shares

Share tickers		
Trading platform	Bloomberg ticker	Reuters ticker
MICEX - Moscow, Russia	GMKN RM	GMKN.MM
RTS - Moscow, Russia	GMKN RU	GMKN.RTS

International share identification codes

Description	Code
ISIN	RU0007288411
SEDOL	7131431

Price and Trading volume of Norilsk Nickel shares

Trading statistics on MICEX (in RUB)

	Minimum	Maximum	At the end of period	Volume of shares traded
2006	2,152,65	4,131,79	3,963,62	217,551,025
2007	3,718,30	7,633,39	6,466,63	493,477,589
2008	1,171,15	7,348,55	1,967,07	828,270,462
2009	1,228,38	4,308,46	4,239,78	561,094,007
2010	4,361,64	7,205,78	7,169,42	530,321,373
Quarter I	4,405,69	5,431,41	5,431,41	83,716,318
Quarter II	4,527,22	5,809,76	4,527,22	130,256,287
Quarter III	4,361,64	5,307,07	5,197,26	140,292,857
Quarter IV	5,249,99	7,205,78	7,169,42	176,055,911

Shares

As at December 31, 2010, Norilsk Nickel had an issued share capital of 190,627,747 ordinary shares with a par value of RUB 1 per share.

In Russia, the shares of Norilsk Nickel are traded on the MICEX and in the RTS under a single state registration number: 1-01-40155-F assigned on December 12, 2006.

Share Capital and Stock Markets

American Depositary Receipts

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.PK

International ADR identification codes

Description	Code
ISIN	US46626D1081
CUSIP	46626D108
SEDOL	B114RK6

Price and trading volume of Norilsk Nickel ADRs

ADR price on the IOB section of the London Stock Exchange (in USD)

	Minimum	Maximum	At the end of period	Volume of ADRs traded
2006	71.70	165.00	158.00	106,040,650
2007	142.50	333.00	270.75	167,808,002
2008 ¹	4.85	31.30	6.36	2,262,926,758
2009	3.51	14.93	14.35	1,375,153,490
2010	14.00	24.28	23.67	1,611,054,233
Quarter I	14.60	18.41	18.41	311,026,272
Quarter II	14.52	20.00	14.52	430,591,730
Quarter III	14.00	17.26	17.05	383,735,302
Quarter IV	17.21	24.28	23.67	485,700,929

Note:

(1) Since February 19, 2008, the conversion ratio for the Company's ADRs changed from one American Depositary Share (ADS) per one outstanding ordinary share to ten ADSs per one outstanding ordinary share.

American depositary 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 Depositary Receipts (ADRs) for Norilsk Nickel shares was initiated. Custodial services for ADR transactions are rendered by the depository of CJSC ING BANK (EURASIA).

As of December 31, 2010, the total number of ADRs issued in exchange for shares of Norilsk Nickel amounted to 762,430,580 ADRs or approximately 40% 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 U.S. 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.

Share Capital and Stock Markets

Stock Market Indices

Stock market indices

The Company's market capitalization is used to calculate the key stock exchange indices, both of Russian and leading international institutions and brokers.

Weight of the Company in key stock exchange indices

Index	Weight (%)
MICEX	9.9
FTSE Russia IOB of LSE	7.84
CSFB Russia	6.3
MSCI Russia	7.14
MICEX Metals & Mining	16.19
MICEX LARGE CAP	12.93

Source: Bloomberg on 31.12.10

Dynamics of stock exchange trading volume (%)



Source: Bloomberg on 31.12.10

Share Capital and Stock Markets

Stock Market Indices

Performance of Norilsk Nickel shares on the RTS in 2010 (USD)



Source: Bloomberg

Performance of Norilsk Nickel shares on MICEX and key industrial indices (in USD for Norilsk Nickel shares; indices rebased to Norilsk Nickel share price)



Source: Bloomberg

Share Capital and Stock Markets

Share Capital Structure

Total number of shareholders of MMC Norilsk Nickel registered with the register as of December 31, 2010: 51,123.

Total number of nominal holders of the Company's shares: 16

As of May 21, 2010 (date to draw up a list of persons entitled to take part in the Annual General Meeting of Shareholders of the Company) the list of shareholders holding at least 5% of the authorized capital of the Company consisted of:

- The Bank of New York International Nominees 30.73%
- UC RUSAL Investment Management 25%
- Bonico Holdings Co. Limited 15.03%
- Montebella Holdings Limited 7.4%

As of September 10, 2010 (date to draw up a list of persons entitled to participate in the extraordinary General Meeting of Shareholders of the Company) the list of shareholders holding at least 5% of the authorized capital of the Company consisted of:

- The Bank of New York International Nominees 39.68%
- UC RUSAL Investment Management 25%
- Bonico Holdings Co. Limited 13.72%
- Montebella Holdings Limited 7.4%

Shareholders of MMC Norilsk Nickel holding at least 5% of the authorized capital as of December 31, 2010

Company name	Number of shares	Share of the authorised capital, (%)
Nominal holders		
ING BANK (Eurasia)	80,400,827	42.18
NRD	24,739,227	12.98
DKK	17,426,294	9.14
Sberbank of Russia	23,828,469	12.5
Shareholders		
UC RUSAL Investment Management	23,828,469	12.5

Shareholder rights

In accordance with provisions of Article 31 of Federal Law on Joint Stock Companies No. 208-FZ dated December 26, 1995 (hereafter "Federal Law"), all ordinary shares of the Company grant equal rights to their holders.

In accordance with the Russian legislation and the Company's Charter, shareholders of Norilsk Nickel have the right to:

- participate in the General Meeting and vote on all issues falling under its remit;
- receive dividends;
- receive part of the property upon the liquidation of the Company;
- freely dispose of their shares;
- exercise the pre-emptive right to purchase additional shares and securities convertible into shares placed by open subscription, in a quantity proportional to the number of shares of the respective category held by them;
- receive information on the Company's activities in accordance with the Federal Law and other regulations of the Russian Federation, as well as the Company's Charter;
- read the agenda of the General Meeting before it is held;
- exercise other rights as provided by Federal Law and other regulations of the Russian Federation, the Company's Charter and decisions of the General Meeting taken within the remit of its authority.

Shareholders included in the list of persons eligible to participate in the General Meeting of Shareholders and holding at least 1% of votes may have access to the list in accordance with Clause 4 of Article 51 of the Russian Federal Law.

In accordance with Clause 6.3 of the Company's Charter, a shareholder (shareholders) owning a total of at least 2% of voting shares of the Company may add issues to the agenda of the Annual and Extraordinary General Meetings of Shareholders and nominate candidates to the Company's Board of Directors, the collective executive body, the Revision Commission and the Accounting Commission, the number of which may not exceed the number of members in the respective body, as well as a candidate to act as the Company's sole executive body.

A shareholder holding at least 10% of the Company's voting shares may demand the convening of an Extraordinary General Meeting of Shareholders.

Holders of voting shares may demand that the Company buy out all or part of their shares in the following cases:

- the Company's reorganization or entering into a major transaction subject to approval by the General Meeting of Shareholders in accordance with Clause 3 of Article 79 of the Russian Federal Law, in the event that they voted against the decision to reorganize or approve the said transaction or did not participate in the voting on these issues;
- amendments to the Company's Charter or approval of the new version of the Company's Charter that limit their rights in cases where they voted against the decision or did not participate in the voting.

In accordance with Clause 5 of Article 32 of the Federal Law, a person who intends to acquire more than 30% of the total number of the Company's ordinary voting shares, including the shares held by such person and its affiliates, has the right to send the Company a public offer addressed to holders of Company shares offering to buy out their shares in the Company.

Share Capital and Stock Markets

General meeting of shareholders

The Company is required by its Charter to notify the shareholders at least 30 days in advance of any General Meeting and, in relation to an Extraordinary General Meeting of Shareholders to elect the Board of Directors (and certain other matters), the Law on Joint Stock Companies requires at least 70-days notice. Holders of the shares receive notice directly from the Company and have the opportunity to exercise their voting rights by either mailing the voting bulletin or attending the General Meeting (in person or by proxy).

ADR holders will not receive notice directly from the Company. Rather, in accordance with the Deposit Agreement, the Company will provide notice to the Depository. The Depository has undertaken, in its turn, as soon as it is feasible, provided there are no Russian legal prohibitions, to distribute to ADR holders notice of such General Meeting, copies of voting materials (if and when received by the Depository from the Company) and a statement as to the manner in which the instructions may be presented by ADR holders. To exercise their voting rights, ADR holders should provide relevant instructions to the Depository. Because of the involvement of the Depository, the process for exercising voting for ADR holders may be subject to delay. The Company cannot assure ADR holders that they will receive voting materials in time to enable them to return voting instructions to the Depository in a timely manner. ADRs, for which the Depository does not receive timely voting instructions, will not be considered for voting purposes.

Voting at the General Meeting of Shareholders is based on the principle of "one share – one vote", unless otherwise provided for by the Federal Law. The members of the Company's Board of Directors are elected by a cumulative vote, with the number of votes held by each shareholder multiplied by the number of persons to be elected to the Board of Directors.

At the Annual General Meeting held on June 21, 2011, the shareholders approved the payout of dividends for 2010 of the amount of RUB 180 per share in accordance with the existing dividend policy of the Company. Therefore, the total amount of paid dividends for 2010 shall amount to USD 1.2 billion or more than 35% of the Group's net profit under IFRS.

Dividends distribution

According to the Norilsk Nickel Dividend Policy, approved by the Board of Directors in 2002, the Company strives to distribute up to 20%-25% of net profit for the year, calculated in accordance with IFRS, in the form of dividends.

At the Annual General Meeting held on June 21, 2011, the shareholders approved the payout of dividends for 2010 of the amount of RUB 180 per share in accordance with the existing dividend policy of the Company. Therefore, the total amount of paid dividends for 2010 shall amount to USD 1.2 billion or more than 35% of the Group's net profit under IFRS.

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 via postal and/or bank transfer. The method of dividend payment to a particular shareholder is indicated in the registered person questionnaire to be completed and signed by each shareholder that has an account in the Company's shareholder register. The shareholders may submit the registered person questionnaire to the offices of the Company's registrar, CJSC National Registry Company, which is located at the addresses specified in the Contact Information section of this report.

If a shareholder opts to receive dividends via bank transfer, the registered-person questionnaire should specify the full details of a bank account opened at any bank in the Russian Federation. The Company announces its dividends in RUB.

In accordance with Article 42 of the Federal Law, the timing of dividend distribution is established by the Charter or a resolution of the General Meeting of Shareholders on the distribution of dividends. In the event that the Charter does not specify the timing for dividend distribution, such timing 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 decides on distribution of respective dividends.

Share Capital and Stock Markets

Description of the taxation procedure for income received by legal entities and individuals on securities in accordance with legislation of the Russian Federation

Income received on the securities of the Issuer may be received by corporate entities and individuals in the form of:

- income from the sale of the Issuer's securities;
- dividend on the Issuer's securities;
- interest on the Issuer's securities. The income generated by the Issuer's securities is taxed in accordance with the applicable laws of the Russian Federation on taxes and dues:
 - taxation of individual income in accordance with Chapter 23 "Individual Income Tax" of the Tax Code of the Russian Federation (hereinafter, the "Russian TC");
 - taxation of corporate profit in accordance with Chapter 25 "Corporate Profit Tax" of the Russian TC.

1 Taxation of income from the sale of the issuer's securities

1.1 Taxation of individual income from the sale of the issuer's securities

The specifics of tax base determination, the calculation and payment of the tax on income from the operations involving securities are specified in Article 214-1 of Chapter 23 "Individual Income Tax" of the Russian TC.

In accordance with the Russian TC 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.

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, the performance and terminations of obligations related to such transactions.

The financial result is determined for each individual operation and each group of operations, namely: operations involving the securities traded in the organized securities market; the securities not traded in the organized securities market; the financial instruments of term transactions traded in the organized securities market; the financial instruments of term transactions not traded in the organized securities market.

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 established tax rate for the above-mentioned income of individuals that are tax residents of the Russian Federation is 13% (Article 224 of the Russian TC).

The established tax rate for the above-mentioned income of individuals that are not tax residents of the Russian Federation is 30% (Article 224 of the Russian TC).

1.2 Taxation of corporate income from the sale of securities

The peculiarities of determination of the tax base for operations involving securities are specified in Article 280 of Chapter 25 "Corporate Profit Tax" of the Russian TC.

The taxpayer's income from operations related to the sale or other disposal of securities (including redemption) is determined based on the sale price or other disposal of a security and the amount of accumulated interest (coupon) yield paid by the payer to the taxpayer and the amount of accumulated interest (coupon) yield paid to the taxpayer by the issuer (bill drawer).

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.

The tax base for operations involving securities is determined by the taxpayer in accordance with the procedure specified in the Russian TC.

The established tax rate for corporate profit tax is 20% (Article 284 of the Russian TC) except as 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) are taxable at the source of income payment (Article 309 of the Russian TC).

In determining the tax base for the above-mentioned 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 the above 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 above-mentioned expenses are recognized as expenses for tax purposes, this income is taxable at 20% (Articles 310 and 284 of the Russian TC).

2 Taxation of income received as dividends from securities**2.1 Taxation of income received in the form of dividend on securities by individuals**

The specifics of tax payment on individual income from equity participation are specified in Article 214 of the Russian TC.

If the source of the taxpayer's income in the form of dividends is a Russian entity, the above-mentioned entity is recognized as a tax agent and determines the amount of tax for each particular taxpayer. This is in respect of each payment of the above-mentioned income at the rate provided for by the Russian TC, adjusted for the specifics provided for by Article 275 of the Russian TC.

The established tax rate for income from participation in the business of entities received in the form of dividend by individuals that are tax residents of the Russian Federation is 9% (Article 224 of the Russian TC).

The established tax rate for income from participation in the business of entities received in the form of dividend by individuals that are not tax residents of the Russian Federation is 15% (Article 224 of the Russian TC).

2.2 Taxation of income received in the form of dividend on securities by corporate entities

The peculiarities of determination of tax base for income from equity participation in other entities are specified in Article 275 of the Russian TC.

If the Russian entity which is a tax agent pays dividend to a foreign entity and/or individual not resident in the Russian Federation, the tax base of the taxpayer receiving dividend on each of these payments is determined as the sum of payable dividend and is subject to the rate of 15% specified in the Tax Code (Article 224 and Article 284 of the Russian TC).

If the Russian entity which is a tax agent pays dividend to a Russian entity and/or individual which is a tax resident of the Russian Federation, the tax base is adjusted for the peculiarities specified in the Tax Code of the Russian Federation (paragraph 2 of Article 275 of the Russian TC).

Dividend income is taxable at the following 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 holding at least 50% of the equity of the entity distributing dividends, or depository recipients entitling it to dividends equal to at least 50% of the total dividends distributed by the entity for at least 365 days and also provided that the share in the equity of the entity distributing dividends or depository receipts entitling to dividends was acquired for an amount exceeding RUB 500 million (on January 1, 2011, the requirement for exceeding RUB 500 million was excluded);
- 9% for income received in the form of dividend from Russian and foreign 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 dividend from Russian entities by foreign entities.

3 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 to be withheld by the tax agent which is a Russian entity and transferred to the budget with respect to income in the form of dividend payable to shareholders that are tax residents of the Russian Federation.

The amount of tax to be withheld from the income of the taxpayer receiving dividend is assessed by the tax agent using the following formula:

$$N = K \times S_n \times (d - D),$$

where:

- N** N is the tax amount to be withheld;
- K** is the ratio of the dividend amount to be allocated in favor of the taxpayer receiving dividend to the total dividend amount to be withheld by the tax agent;
- S_n** is the relevant tax rate specified in the Russian TC;
- d** is the total dividend amount to be allocated by the tax agent in favor of all recipients;
- D** is the total dividend amount received by the tax agent in the present reporting (tax) period and the previous reporting (tax) period (with the exception of the dividend specified in subparagraph 1 of paragraph 3 of Article 284 of the Russian TC) as of dividend allocation in favor of taxpayers receiving dividend provided that these dividend amounts were ignored earlier in calculating the tax base determined in respect of income received by the tax agent 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.

4 Taxation of interest income from the issuer's securities received by corporate entities and individuals

Paragraph 3 of Article 43 of the Russian TC recognizes as interest any earlier declared (established) income, including discount income, from any type of debt obligation (irrespective of its documentation method).

4.1 Taxation of income received by corporate entities in the form of interest on the issuer's securities

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.

The income of corporate entities that are Russian entities or foreign entities conducting their business through a permanent office in the form of bond interest are taxable in accordance with the procedure specified in Chapter 25 of the Russian TC at the tax rate of 20% as specified in paragraph 1 of Article 284 of TC. The tax amount is determined by the taxpayer on its own as of the end of each reporting (tax) period.

In conformity with subparagraph 3 of paragraph 1 of Article 309 of the Russian TC, interest income from bonds received by a foreign entity and not connected with its entrepreneurial activities in the Russian Federation belongs to the foreign entity's income from sources in the Russian Federation and is taxable at the source of income payment at 20%. The issuer paying interest income is recognized as a tax agent and is obliged to transfer the relevant tax amount to the budget.

4.2 Taxation of income received by individuals in the form of interest on the issuer's securities

The interest received by the Issuer, a Russian entity, is classified under subparagraph 1 of paragraph 1 of Article 208 of the Russian TC as income from sources in the Russian Federation. Since the above-mentioned type of income is not indicated in Article 217 of the Russian TC, interest on the Issuer's bonds is not exempt from the individual income tax.

The established tax rate for the above-mentioned income of individuals that are tax residents of the Russian Federation is 13% (Article 224 of the Russian TC).

The established tax rate for the above-mentioned income of individuals that are not tax residents of the Russian Federation is 30% (Article 224 of the Russian TC).

5 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) provided that the foreign entity submits documentary evidence in accordance with the procedure specified in the Russian TC.

Corporate Governance Report

"As one of the largest market participants, Norilsk Nickel operates in accordance with global corporate governance standards and Russian laws. The Company's top priority is to observe the principles of business transparency and openness, and observe the interests of the Company and its shareholders."

Elena Bezdenezhnykh,
Director of the Legal Department

Openness to dialog and transparency in management and production processes are among Norilsk Nickel's Management's top objectives.

The Norilsk Nickel Board of Directors has positively appraised Management's work in 2010.

Corporate Governance Report

Board of Directors

As of December 31, 2010, the MMC Norilsk Nickel Board of Directors members elected on June 28, 2010, at the General Meeting of Shareholders were as follows:

Boris Bakal
Andrei Bugrov
Oleg Deripaska
Marianna Zakharova
Andrei Klishas
Dmitri Kostoyev
Bradford Mills
Oleg Pivovarchuk
Maksim Sokov
Vladislav Soloviev
Vladimir Strzhalkovsky
Vasily Titov
John Holden

The Chairman of the Board of Directors of the Company was Vasily Titov.

Since 2002, the Company has followed the recommendations of the Code of Corporate Governance of the Russian Federal Commission for the Securities Market and Federal Financial Markets Service (FCSM/ FFMS). In accordance with the recommendations of the FCSM/ FFMS, the Company continues to prepare a report in compliance with the Code.

On June 30, 2009, the Annual General Meeting of Shareholders passed a resolution approving changes to the Company's Charter, these allow the Company to be run more efficiently, ensure transparent decision-making, and impose more stringent eligibility criteria for independent directors.



Vasily Nikolayevich Titov



Boris Vasilyevich Bakal



Andrei Yevgenyevich Bugrov



Oleg Vladimirovich Deripaska



Marianna Aleksandrovna
Zakharova



Andrei Aleksandrovich Klishas



Dmitri Ruslanovich Kostoyev



Bradford Alan Mills



Oleg Modestovich Pivovarchuk



Maksim Mikhailovich Sokov



Vladislav Aleksandrovich
Soloviev



Vladimir Igorevich Strzhalkovsky



John Gerard Holden

Vasily Nikolayevich Titov

Member of the Board of Directors from June 2009 to March 2011, Chairman of the Board of Directors from June 2010 to March 2011.

Born on December 30, 1960.

Education: higher education; 1983: Graduated from A.A. Zhdanov Leningrad State University with a degree in World History; qualification: Historian; 2002: Graduated from the Finance Academy under the Government of the Russian Federation with a degree in Finance and Lending, qualification: Economist.

2001 – present:

Member of the Executive Committee of the Board of Trustees of the State Academic Bolshoi Theater.

2002 – present:

Member of the Board of Directors of CJSC Interfax China.

2003 – present:

Member of the International Board of Trustees of the Koktebel Republican Environmental, Historical, and Cultural Conservation area known as “M. A. Voloshin’s Kimmeria”.

2004 to 2007:

Member of the Board and Senior Vice-President of OJSC VTB Bank.

2005 – present:

Chairman of the Board of the Bolshoi Theater Fund and member of the Board of Trustees of the State Russian Museum Development Fund “Russian Museum Friends” and of the Moscow School of Economics at Lomonosov Moscow State University, Chairman of the Fund of the Bolshoi Theater.

2006 – present:

Vice-President of the Russian Public Organization “Federation of Artistic Gymnastics” and member of the Coordination Council of the Nonprofit Partnership “CIS Financial and Banking Council”.

2007 to 2009:

Deputy to the President – Chairman of the Board of VTB Bank.

2007 – present:

Chairman of the Community Board of the Federal Security Service of Russia, member of the Board of Trustees of the Early Music Renaissance Foundation, and member of the Supervisory Board of OJSC VTB Bank (Ukraine).

2008 – present:

Member of the Executive Committee of the International Gymnastics Federation and member of the Board of the Charity Foundation for Reconstruction of the Voskresensky New Jerusalem Male Monastery, member of the Council of the Association of Regional Banks of Russia.

2009 to 2011:

Member of the Board of Directors of OJSC MMC Norilsk Nickel.

2009 – present:

First Deputy to the President – Chairman of the Board of OJSC VTB Bank, as well as Chairman of the Board of Directors of CJSC FC Dinamo-Moscow, member of the Interregional Banking Council attached to the Federation Council of the Federal Assembly of the Russian Federation, member of the Board of Directors of MRSK Holding, member Board of Trustees, representative of the Russian Federation in the Intergovernmental Foundation for Educational, Scientific, and Cultural Cooperation of the CIS.

2010 to 2011:

Chairman of the Board of Directors of OJSC MMC Norilsk Nickel.

2010 – present:

Member Board of Trustees of the Development Foundation “Friends of the Peterhof State Reserve Museum” and the Board of Trustees of the Russian Basketball Federation, Chairman of the Supervisory Board of VTB Bank (Austria) AG, member of the Supervisory Board of OJSC AKB Evrofinance Mosnarbak, Chairman of the Board of Directors of CJSC VTB Bank (Belarus), Deputy Chairman of the Advisory Council of the Asia-Pacific Economic Cooperation Forum, member of the Directorate of the Board of Trustees of the Stroganov Foundation for the Development of Arts and Design Education.

Boris Vasilyevich Bakal

Member of the Board of Directors from June 2010 to March 2011.

Born on July 10, 1958.

Education: higher education; Harvard Business School, MBA University of California, Los Angeles, qualification: Mathematics and Computer Science.

2002 to 2010:

Managing Director of Citigroup Venture Capital International.

2004 to 2007:

Member of the Board of Directors of Vexavart Holding Limited.

2005 to 2006:

Member of the Board of Directors of Amtel NV.

2005 to 2008:

Member of the Board of Directors of NLC International Corporation.

2007 to 2008:

Member of the Board of Directors of OJSC DIXY Group.

2008 to 2009:

Member of the Board of Directors of First Real Estate Holding Limited.

2010 to 2011:

Member of the Board of Directors of OJSC MMC Norilsk Nickel.

2010 – present:

Member of the Board of Directors of CJSC APK Agros, CJSC Stavropolskiy Broiler, CJSC ProfEstate, Director of the Investment Department of CJSC Interros Holding Company.

Corporate Governance Report

Board of Directors

Andrei Yevgenyevich Bugrov

Member of the Board of Directors since 2002.

Born in 1952.

Education: higher education; after graduation from the Moscow State Institute for International Relations (MGIMO), enrolled in the MGIMO Graduate School and post graduation received a PhD in Economics.

2002 to 2006:

Member of the Management Board and member of the Committee on Financial Markets and Lending Institutions of the Chamber of Commerce and Industry of the Russian Federation.

2002 to 2009:

Member of the Board of Directors of OJSC AKB Rosbank.

2002 – present:

Member of the Board of the Non-Government Public Association “Foreign and Defense Policy Council” and member of the Board of Directors of OJSC MMC Norilsk Nickel.

2003 to 2005:

Member of the Board of Directors of CJSC Russian Communal Systems.

2003 to 2006:

Chairman of the Supervisory Board of LLC Fincom Investments and Management.

2003 to 2007:

Director of AIG-INTERROS ADVISOR, LTD and AIG-INTERROS RCF, LTD and Chairman of the Board of Directors of OJSC Open Investments.

2004 to 2006:

Chairman of the Board of Directors of CJSC Prof-Media Publishing.

2004 to 2008:

Member of the Board of Directors of CJSC Interros Holding Company and of CJSC RAO UES Russia.

2004 to 2010:

Managing Director of CJSC Interros Holding Company.

2005 – present:

Member of the Board of Directors of Territorial Generation Company No. 1 and OJSC Power Machines — LMZ, ZTL, Elektrosila, and Energomashexport.

2005 to 2007:

Chairman of the Board of Directors of LLC Prof-Media Management.

2006 to 2007:

Member of the Management Board of the Bureau of Economic Analysis Fund.

2006 – present:

Member of the Management Board of the Russian Union of Industrialists and Entrepreneurs and member of the Board of Directors of Altpoint Capital Partners LLC.

2007 to 2008:

Chairman of the Board of Directors of Third Generation Company of Wholesale Electricity Market and member of the Board of Directors of LLC Prof-Media Management, Territorial Generation Company No. 1, and Advanced Metallurgical Group N.V.

2007 – present:

Chairman of the Management Board of the Bureau of Economic Analysis Fund.

2007 to 2009:

Member of the Management Board of the Autonomous Non-Profit Organization “Center for Sustainable Economic Development”.

2008:

Member of the Management Board of CJSC Interros Holding Company.

2008 – present:

Chairman of the Board of Directors of LLC Prof-Media Management.

2008 to 2010:

Member of the Board of Directors of CJSC Interros Holding Company.

2010 – present:

Deputy General Director, member of the Management Board of CJSC Interros Holding Company.

Oleg Vladimirovich Deripaska

Member of the Board of Directors since June 2010.

Born on January 2, 1968.

Education: higher education;

1993: Lomonosov Moscow State University, Faculty of Physics; **1996:** Plekhanov Russian Academy of Economics.

2003 to 2009:

Chairman of the Supervisory Council of LLC Bazovy Element.

2006 – present:

Member of the Management Board, Member of the Management Board Bureau, Vice President of the Russian Association of Employers “Russian Union of Industrialists and Entrepreneurs.”

2007 – present:

General Director, Member of the Board of Directors of UC RUSAL PLC.

2009 – present:

General Director of CJSC RUSAL Global Management B.V., General Director and Member of the Supervisory Council of LLC Bazovy Element, Member of the Board of Directors of OJSC Russian Machines and OJSC AKME Engineering.

2010:

General Director of LLC EN+Management.

2010 – present:

Member of the Board of Directors of OJSC MMC Norilsk Nickel, Irkutsk Open Joint-Stock Company Energy and Electrification, Chairman of the Board of Directors of EN+Group Limited.

Marianna Aleksandrovna Zakharova

Member of the Board of Directors since June 2010.

Born on March 31, 1976.

Education: higher education;

2000: Peoples’ Friendship University of Russia, Master of Jurisprudence, diploma magna cum laude.

2004 – present:

Director of the Legal Department, Deputy General Director for Legal Matters, CJSC Interros Holding Company.

2008:

Member of the Management Board, CJSC Interros Holding Company.

2008 to 2010:

Member of the Board of Directors, CJSC Interros Holding Company.

2009 to 2010:

Member of the Board of Directors, OJSC AKB Rosbank.

Since 2010:

Member of the Board of Directors, CJSC ProfEstate and OJSC MMC Norilsk Nickel, Member of the Management Board, CJSC Interros Holding Company.

Andrei Aleksandrovich Klishas

Member of the Board of Directors from 2001 to June 2011.

Born in 1972.

Education: higher education;

1993: Urals State University, qualification: History of Philosophy; **1998:** Peoples’ Friendship University of Russia, Bachelor of Jurisprudence.

2000: Graduated with honors and a Master of Jurisprudence degree from Peoples’ Friendship University of Russia. Doctor of Legal Sciences, Assistant Professor of Constitutional and Municipal Law in the Legal Department of the Russian Peoples Friendship University. Assistant Professor of Constitutional and Municipal Law at the Moscow University of the Ministry of Internal Affairs of Russia.

Since 2002:

Has published more than 35 scientific papers on the constitutional and municipal Law of Russia and foreign countries and questions of the constitutional justice of Russia and foreign countries.

2001 to 2008:

General Director, Chairman of the Management Board, CJSC Interros Holding Company; Chairman of the Board of Directors, OJSC RAO Norilsk Nickel and OJSC MMC Norilsk Nickel.

2002 to 2005:

Member of the Board of Directors of OJSC Power Machines – ZTL, LMZ, Elektrosila, Energomashexport.

2002 to 2008:

Member of the Board of Directors of CJSC Agro-Industrial Complex Agros.

2003 to 2006:

Member of the Supervisory Board of LLC Fincom Investments and Management.

2003 – present:

Member of the Expert Council of the Ministry of Internal Affairs of the Russian Federation and member of the Trustee Council of the Russian Lawyers Association.

2004 to 2008:

Chairman of the Board of Directors of OJSC AKB Rosbank and member of the Board of Directors of CJSC Interros Holding Company.

2005 – present:

Member of the National Council on Corporate Governance.

2006 to 2007:

Member of the Board of Directors of OJSC Polyus Zoloto and LLC Rosa Khutor.

Dmitri Ruslanovich Kostoyev

Member of the Board of Directors from June 2010 to March 2011.

Born on May 4, 1973, in Moscow.

Education: higher education;

the Financial Academy of the Government of the Russian Federation, the Law Department of Lomonosov Moscow State University and the training and re-training course for managers and specialists at the Plekhanov Russian Academy of Economics.

2003 to 2005:

Head of Department at OJSC Interros Holding Company.

2004 to 2008:

Member of the Board of Directors of CJSC Agro-Industrial Complex Agros and Open Investments.

2005 to 2006:

Member of the Board of Directors of OJSC Verkhnechonskneftegaz and CJSC Prof-Media Publishing.

2005 to 2007:

Deputy Director of the Financial Department at CJSC Interros Holding Company.

2005 to 2008:

Member of the Board of Directors of LLC Prof-Media Management.

2005 to 2009:

Member of the Board of Directors of OJSC RUSIA Petroleum.

2006 to 2008:

Member of the Board of Directors of LLC Insurance Company Soglasie.

2007 to 2008:

Managing Director for Investments and a member of the Board of Directors of CJSC Interros Holding Company.

2008:

Member of the Management Board and member of the Board of Directors and member of CJSC Interros Holding Company.

2008 – present:

Director of the Investment Policy Department of OJSC MMC Norilsk Nickel, Deputy General Director – Head of the Economics and Investment Policy Unit at OJSC MMC Norilsk Nickel, Head of the Unit for Finance, Deputy General Director – Head of the Unit for Economics and Finance of OJSC MMC Norilsk Nickel.

2009 to 2010:

Member of the Board of Directors, Chairman of the Audit Committee, and a member of the Budget Committee of Third Generation Company of Wholesale Electricity Market. Chairman of the Board of Directors, Deputy Chairman of the Board of Directors of OJSC Yenisei Inland Navigation Company, and a member of the Investment Committee of the Board of Directors of OJSC RusHydro.

2009 – present:

Member of the Management Board of OJSC MMC Norilsk Nickel.

2010 to 2011:

Member of the Board of Directors of OJSC MMC Norilsk Nickel.

Bradford Alan Mills

Member of the Board of Directors since December 2008.

Born on September 12, 1954.

Education: higher education; 1979: Stanford University (Bachelor's Degree, Master of Sciences with a degree in Geology and Economic Geology).

2004 to 2008: General Director of Lonmin Plc.
2008 – present: Member of the Board of Directors of OJSC MMC Norilsk Nickel.
2009 – present: Managing Director of Plinian Capital Plc. and sole executive body (CEO) of Mandalay Resources.

Oleg Modestovich Pivovarchuk

Member of the Board of Directors from June 2010 to March 2011.

Born on September 25, 1953.

Education: higher education; 1975: Graduated from the Moscow Institute of Steel and Alloys with a specialization as Engineer and Metallurgist (ferrous metals); 1992: Graduated from the Academy of Foreign Trade with a degree as an Economist with knowledge of a foreign language (international economic relations).

2002 to 2006: Deputy General Director for Commercial Issues of CJSC Management Company Dinamo.
2006 – present: Deputy Director for Foreign Economic Activity of OJSC Avtovaz.
2007 to 2008: Executive Director of CJSC Dinamo-Telecom.
2008 – present: First Deputy General Director, Member of the Management Board of OJSC MMC Norilsk Nickel.
2009 – present: Chairman of the Board of Directors of CJSC Taimyr Fuel Company.
2009 to 2011: Member of the Board of Directors, Chairman of the Board of Directors of Third Generation Company of Wholesale Electricity Market.
2010 to 2011: Member of the Board of Directors of OJSC MMC Norilsk Nickel.

Maksim Mikhailovich Sokov

Member of the Board of Directors since December 2008.

Born on January 1, 1979.

Education: higher education; 2000: Graduated with honors from the Russian State Tax Academy under the Russian Ministry of Taxes with a degree in Law; 2002: Earned a Master of Law degree (diploma magna cum laude) from New York University, USA.

2004 to 2007: Director of the Department for Mergers and Acquisitions, LLC Rusal Management Company.
2007 to 2008: Director of the Strategic Projects Department, CJSC Rusal Global Management B.V.
2008 to 2010: Director for Management of Investments, CJSC Rusal Global Management B.V.
2008 – present: General Director of LLC UC Rusal Investment Management, Member of the Board of Directors of OJSC MMC Norilsk Nickel.
2009 – present: Member of the Board of Directors of Third Generation Company of Wholesale Electricity Market.
2010 – present: Director for Strategy and Corporate Development of CJSC Rusal Global Management B.V.

Vladislav Aleksandrovich Soloviev

Member of the Board of Directors from December 2008 to March 2011.

Born on May 14, 1973.

Education: higher education; 1995: Graduated from the Higher School of Management of the State Academy of Management with a degree in Financial Management; 1996: Earned a degree in Process and Production Automation from the Stankin Moscow State Technology University; 2002: Graduated from the State Tax Academy of the Ministry for Taxes and Levies of the Russian Federation with a degree in Jurisprudence; 2004: Completed education at the Institute for Business Administration, School of Management, UAMS University of Antwerp, Belgium, and earned an MBA.

2003 to 2007: Deputy General Director for Finance of LLC Rusal Management Company.
2006 – present: Member of the Board of Trustees for the Non-Profit Organization "Charitable Fund Good Home."
2007: Branch Financial Director, CJSC Rusal Global Management B.V.
2007 to 2010: Director of United Company Rusal PLC.
2008 to 2010: General Director of LLC EN+Management.
From 2008: Director of EN+Group Limited.
From 2008 to 2011: Member of the Board of Directors of OJSC MMC Norilsk Nickel.
2009 – present: Member of the Board of Directors of Third Generation Company of Wholesale Electricity Market.
2010 – present: First Deputy Branch Director, member of the Management Board of CJSC Rusal Global Management B.V., Executive Director of UC Rusal Plc.

Vladimir Igorevich Strzhalkovsky

Member of the Board of Directors since December 2008, General Director – Chairman of the Management Board since August 2008.

Born on May 29, 1954, in Leningrad (Saint Petersburg).

Education: higher education; Master of Science (Economics); 1977: V.I. Lenin Leningrad Institute of Electric Engineering, major: Applied Mathematics.

2001 to 2008: Head, Deputy Head of the Intergovernmental Committees for Trade and Economic Cooperation with Indonesia, Greece, Spain, Bulgaria, the Netherlands, and Cyprus on the part the Russian Federation.
2004 to 2008: Head of the Federal Agency for Tourism.
2008 – present: General Director – Chairman of the Management Board of OJSC MMC Norilsk Nickel, Member of the Board of Directors of OJSC MMC Norilsk Nickel.

John Gerard Holden

Member of the Board of Directors from 2008 to 2009 and from June 2010 to March 2011.

Born on January 8, 1964.

Education: higher education; 1981–1984: Studied at Hons University College (London), where obtained a Bachelor of Science degree in four main subjects: Mathematics, Physics, Chemistry, and General Sciences.

1999 to 2006: Managing Director and Head of the International Mining and Metallurgy Division of Barclays Capital.
2006 to 2007: Executive Co-Chairman of Lonrho Africa Plc.
2006 to 2008: Executive Chairman of Brinkley Mining Plc.
2006 – present: Non-Executive Chairman of GCM Resources Plc.
2008 – present: Advisor at Rockbury Services Inc.
2008 to 2009: Member of the Board of Directors of OJSC MMC Norilsk Nickel.
2009 – present: Non-Executive Chairman of Veryvox Holdings Ltd.
2010 to 2011: Member of the Board of Directors of OJSC MMC Norilsk Nickel.

At the request of a shareholder owning a total of more than 10% of the outstanding voting shares in the Company, an Extraordinary General Meeting of Shareholders was held on October 21, 2010, to discuss early termination of powers of the members of the Board of Directors of the Company. No decision was reached with regard to this issue, so the Board of Directors continued working in its existing composition until March 11, 2011, when a new Board of Directors was elected.

At the request of a shareholder owning a total of more than 10% of the outstanding voting shares in the Company, an Extraordinary General Meeting of Shareholders was held on March 11, 2011, where the following Board of Directors members were elected: S. V. Barbashev, L. Bebchuk, A. Ye. Bugrov, A. S. Voloshin, O. V. Deripaska, C. Dauphin, M. A. Zakharova, L. G. Zerkova, A. A. Kliskas, B. A. Mills, A. Moshiri, M. M. Sokov, and V. I. Strzhalkovsky.

At the first meeting of the new Board of Directors, A. S. Voloshin was elected as Chairman of the Board of Directors of the Company.

At the Annual General Meeting of Shareholders of MMC Norilsk Nickel on June 21, 2011, the existing Board of Directors members were elected: S. V. Barbashev, E. N. Banda, L. E. Bebchuk, A. Ye. Bugrov, A. S. Voloshin, O. V. Deripaska, C. Dauphin, M. A. Zakharova, L. G. Zerkova, B. A. Mills, A. Moshiri, M. M. Sokov, and V. I. Strzhalkovsky.

At the first meeting of the new Board of Directors, A. Ye. Bugrov was elected as Chairman of the Board of Directors.

Corporate
Governance
Report

Management
Board of MMC
Norilsk Nickel

As of December 31, 2010, the Management Board members were as follows:

Dmitri Kostoyev
Yevgeny Muravyov
Oleg Pivovarchuk
Vyacheslav Poltavtsev
Sergei Selyandin
Viktor Sprogis
Vladimir Strzhalkovsky

At the beginning of 2010, the MMC Norilsk Nickel Management Board members were as follows:

Dmitri Kostoyev
Valery Matviyenko
Yevgeny Muravyov
Kirill Parinov
Oleg Pivovarchuk
Viktor Sprogis
Vladimir Strzhalkovsky
Viktor Tomenko

Note:

- On January 27, 2010, the Board of Directors terminated the powers of V. Tomenko;
- On April 5, 2010, the Board of Directors terminated the powers of K. Parinov;
- On August 3, 2010, the Board of Directors terminated the powers of V. Matviyenko.

The Management Board runs the Company within its capability as defined by the Company's Charter, and ensures that all the decisions of the General Meetings of Shareholders and the Board of Directors are implemented.

The Management Board is authorized to make decisions, among others, on the following matters:

- 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's Charter;
- 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 and other matters provided for by the current laws and the Company's Charter.



Vladimir Igorevich Strzhalkovsky



Dmitri Ruslanovich Kostoyev



Yevgeny Ivanovich Muravyov



Oleg Modestovich Pivovarchuk



Vyacheslav Nikolayevich Poltavtsev



Sergei Venyaminovich Selyandin



Viktor Yevgenyevich Sprogis

Corporate Governance Report

Management Board of MMC Norilsk Nickel

Vladimir Igorevich Strzhalkovsky

Member of the Board of Directors since December 2008, General Director – Chairman of the Management Board since August 2008.

Born on May 29, 1954, in Leningrad (Saint Petersburg).

Education: higher education; Master of Science (Economics); **1977:** V.I. Lenin Leningrad Institute of Electric Engineering, major: Applied Mathematics.

2001 to 2008: Head, Deputy Head of the Intergovernmental Committees for Trade and Economic Cooperation with Indonesia, Greece, Spain, Bulgaria, the Netherlands, and Cyprus on the part the Russian Federation.
2004 to 2008: Head of the Federal Agency for Tourism.
2008 – present: General Director – Chairman of the Management Board of OJSC MMC Norilsk Nickel, Member of the Board of Directors of OJSC MMC Norilsk Nickel.

Dmitri Ruslanovich Kostoyev

Deputy General Director – Member of the Management Board since February 2009.

Born on May 4, 1973, in Moscow.

Education: higher education; the Financial Academy of the Government of the Russian Federation, the Law Department of Lomonosov Moscow State University and the training and re-training course for managers and specialists at the Plekhanov Russian Academy of Economics.

2003 to 2005: Head of Department at CJSC Interros Holding Company.

2004 to 2008: Member of the Board of Directors of CJSC Agro-Industrial Complex Agros and Open Investments.

2005 to 2006: Member of the Board of Directors of OJSC Verkhnechonskneftegaz and CJSC Prof-Media Publishing.

2005 to 2007: Deputy Director of the Financial Department at CJSC Interros Holding Company.

2005 to 2008: Member of the Board of Directors of LLC Prof-Media Management.

2005 to 2009: Member of the Board of Directors of OJSC RUSIA Petroleum.

2006 to 2008: Member of the Board of Directors of LLC Insurance Company Soglasie.

2007 to 2008: Managing Director for Investments and a member of the Board of Directors of CJSC Interros Holding Company.

2008 – present: Member of the Management Board of CJSC Interros Holding Company. Director of the Investment Policy Department of OJSC MMC Norilsk Nickel, Deputy General Director – Head of the Unit for Economics and Investment Policy at OJSC MMC Norilsk Nickel, Head of the Unit for Finance, Deputy General Director – Head of the Unit for Economics and Finance of OJSC MMC Norilsk Nickel.

Yevgeny Ivanovich Muravyov

Member of the Management Board since May 2009, Director of Polar Division since January 2010.

Born on August 8, 1961.

Education: higher education; Candidate of Science (Economics), Doctor of Science (Biology); **1984:** Graduated from Tyumen Industrial Institute with a qualification of engineer-chemist-technologist; **1991:** Graduated from Kuban State University with a qualification in Economics.

2003 to 2009: Vice-Governor of the Krasnodar Territory for education, culture, health care, social protection, health resorts, and tourism; Vice-Governor of the Krasnodar Territory for economic development; First Vice-Governor of the Krasnodar Territory.

2009 to 2010: General Director of Kola MMC.

2009 – present: Member of the Board of Directors of Kola MMC, Kola Heat Supply Company; Member of the Management Board of OJSC MMC Norilsk Nickel.

2010 – present: Director of Polar Division of OJSC MMC Norilsk Nickel, Member of the Board of Directors of Zavenyagin Norilsk Mining and Metallurgical Plant and Taimyrgaz.

Oleg Modestovich Pivovarchuk

First deputy General Director – Member of the Management Board since October 2009.

Born on September 25, 1953.

Education: higher education; **1975:** Graduated from the Moscow Institute of Steel and Alloys with a specialization as Engineer and Metallurgist (ferrous metals); **1992:** Graduated from the Russian Academy of Foreign Trade with a degree as an Economist with knowledge of a foreign language (international economic relations).

2002 to 2006: Deputy General Director for Commercial Issues of CJSC Management Company Dinamo.

2006 – present: Deputy Director for Foreign Economic Activity of OJSC Avtovaz.

2007 to 2008: Executive Director of CJSC Dinamo-Telecom.

2008 – present: First Deputy General Director, Member of the Management Board of OJSC MMC Norilsk Nickel.

2009 – present: Chairman of the Board of Directors of CJSC Taimyr Fuel Company.

2009 to 2011: Member of the Board of Directors, Chairman of the Board of Directors of Third Generation Company of Wholesale Electricity Market.

2010 to 2011: Member of the Board of Directors of OJSC MMC Norilsk Nickel.

Vyacheslav Nikolayevich Poltavtsev

Deputy General Director – Member of the Management Board since April 2010.

Born on April 23, 1950.

Education: higher education; Kalinin Leningrad Polytechnical Institute.

2004 to 2008: Deputy Head of the Main Department for Housing and Social Services, Russian Presidential Property Management Department.

2008: Adviser to the Minister of Information Technologies and Communication of the Russian Federation.

2008 to 2009: Deputy Director for Communications of OJSC Siberian Coal and Energy Company.

2009 to 2010: Director of the Department for Interaction with Federal Authorities and for Labor Compensation, OJSC MMC Norilsk Nickel.

2010 – present: Deputy General Director – Head of the unit for Interaction with Federal Authorities and for Social and Compensation Policy; Deputy General Director – Head of the Unit for Interaction with Federal Authorities and for Social and Corporate Policy; Deputy General Director – Head of the Unit for Interaction with Federal Authorities and for Social Policy, Member of the Management Board, OJSC MMC Norilsk Nickel.

Sergei Venyaminovich Selyandin

Member of the Management Board since April 2010, General Director of Kola MMC since January 2010.

Born on July 19, 1955.

Education: higher education; **1978:** Graduated from the Irkutsk Polytechnical Institute with a degree in Metallurgical Production Automation.

2003 to 2009: Director of the Nadezhda Metallurgical Plant, Polar Division, OJSC MMC Norilsk Nickel.

2009 to 2010: Deputy Director – Chief Operating Officer, Polar Division, OJSC MMC Norilsk Nickel.

2010 – present: General Director of OJSC Kola MMC, Member of the Board of Directors of OJSC Kola MMC and OJSC Kola Heat Supply Company, Member of the Management Board of OJSC MMC Norilsk Nickel.

Viktor Yevgenyevich Sprogis

Deputy General Director since 2001, Member of the Management Board since 2005.

Born in 1961.

Education: higher education; **1984:** Graduated with honors from Bauman Moscow State Technical University with a degree in Automated Management Systems.

2001 to 2005: Deputy General Director for Sales, Deputy General Director – Head of the Sales Sectorial Unit of OJSC MMC Norilsk Nickel.

Since 2005: Deputy General Director for Sales and Distribution, Member of the Management Board of OJSC MMC Norilsk Nickel.

Company management bodies**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 once a year, not earlier than two months and not later than six months after the end of the financial year. General Meetings, other than Annual General Meetings of Shareholders, are Extraordinary General Meetings of Shareholders and shall be held following a decision of the Board of Directors based on their own initiative, at a 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.

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.

A General Meeting shall be considered properly constituted (to have a quorum) if the shareholders who are present in aggregate hold more than 50% of the votes conferred by the outstanding voting shares of the Company.

Shareholders owning at least 2% of the Company's voting shares may add issues to the agenda of the Annual and Extraordinary General Meetings and nominate candidates to the Company's Board of Directors and Audit Commission subject to the restrictions and within the time limits established by Federal Law.

A Meeting of Shareholders is authorized to make decisions, among others, on the following matters:

- reorganization and liquidation of the Company;
- election of members of the Board of Directors, Audit and Counting Commissions, and early termination of their authority;
- share split and consolidation, determining the number, par value, category (type) of authorized shares and rights conferred by those shares;
- increase (decrease) of the Company's authorized 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 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 approval of major transactions and non-arm's length transactions in cases where this is provided for by Federal Law;
- and making decisions on participation in financial and industrial groups and associations and other associations of business entities and other matters provided for by relevant laws and the Company's Charter.

**Ownership of MMC Norilsk Nickel shares
by members of MMC Norilsk Nickel management bodies**

Name/Position	Number of shares ¹ (pcs)	% of Authorized capital ¹ (%)
Sergei Venyaminovich Selyandin	29,061	0.0152
Total for Members of the Board of Directors and the Management Board	29,061	0.0152

Note:
(1) As of December 31, 2010.

Board of Directors

The Board of Directors is the management body responsible for the general management of the Company's operations, 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 in six weeks. Meetings shall be convened by the Chairman of the Board of Directors through his own initiative, 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 internal document of the Company, Regulations on the Board of Directors.

Members of the Board of Directors shall be elected by 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.

The Board of Directors is authorized to make decisions, among others, on the following matters:

- proposals to submit for consideration of the shareholders matters of the Company's reorganization or liquidation as well as of increasing (decreasing) the authorized capital of the Company;
- determination of the priorities in the operations of the Company and development concepts and strategies of the Company, implementation of those strategies, approval of plans and budgets of the Company, and approval of any changes to the plans and budgets of the Company;
- recommendations on the dividends paid per share and on the payment procedure, as well as approval of the dividend policy of the Company;
- the Company's participation in other entities and transactions with the shares in the authorized/ share capital or equities owned by the Company, which may result in disposal or pledge of such shares or equities, as well as any other decisions which may result in a change of the size of the Company's participation in other companies and other matters provided for by the effective laws and the Company's Charter.

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 OJSC MMC Norilsk Nickel since 2002. The Group uses the most conservative criteria to determine the independence of the members of its Board of Directors. In the reporting year, until the election of the new Board of Directors at the Annual General Meeting of Shareholders on June 30, 2009, four independent directors had sat on the Board:

- Alexander Stalychyevich Voloshin;
- Vasily Nikolayevich Titov;
- Bradford Alan Mills;
- Ardavan Moshiri.

Following the election of the new Board of Directors of the Company at the Annual General Meeting on June 28, 2010, three independent directors sat on the Board:

- Vasily Nikolayevich Titov;
- Bradford Alan Mills;
- John Gerard Holden.

In 2010, 51 meetings of the Board of Directors were held:

- 11 meetings held in person;
- 40 meetings held in absentia.

The Board of Directors had 4 meetings in person and 20 meetings in absentia before the Annual General Meeting of Shareholders on June 28, 2010.

**Attendance at Management
Board meetings held in 2010**

Directors	Number of meetings attended in person	Number of meetings in absentia
A. Ye. Bugrov	11	40
A. A. Klishas	11	40
O. V. Deripaska ¹	5	2
A. S. Voloshin ²	4	20
A. Moshiri ²	4	20
J. G. Holden ¹	7	20
B. A. Mills	11	40
V. A. Soloviev	10	37
D. R. Kostoyev ¹	7	16
M. M. Sokov	10	37
V. I. Strzhalkovsky	11	40
O. M. Pivovarchuk ¹	7	19
B. V. Bakal ¹	7	20
M. A. Zakharova ¹	7	20
V. N. Titov	11	40
D. V. Razumov ²	4	20
M. A. Goldman ²	4	20
G. R. Aliev ²	4	20

Notes:

(1) Elected to the Board of Directors at the Annual General Meeting of Shareholders on June 28, 2010.

(2) Not on the Board of Directors elected at the Annual General Meeting of Shareholders on June 28, 2010.

During 2010, the Board of Directors of MMC Norilsk Nickel reviewed various aspects of the Company's business remit, including:

- acquisition and sale of assets;
- related-party transactions;
- approval of the Company's financial reports;
- convening General Meetings of Shareholders of the Company;
- other matters.

From early 2010, the following Board of Directors committees continued their work:

- Audit Committee;
- Strategy Committee;
- Budget Committee;
- Corporate Governance, Nomination, and Remuneration Committee.

Following the election of the new Board of Directors of the Company at the Extraordinary General Meeting on March 11, 2011, five independent directors sat on the Board:

- Lucian Bebchuk;
- Aleksandr Staljevich Voloshin;
- Claude Dauphin;
- Bradford Alan Mills;
- Ardavan Moshiri.

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 the system for internal control. In early 2010, the Audit Committee continued its work and comprised the following four Board of Directors members: Vasily Titov (Independent Director) as Committee Chairman, Andrei Bugrov, Maksim Sokov, and Ardavan Moshiri (Independent Director).

Following the election of the Board of Directors at the June 28, 2010, Annual General Meeting of Shareholders, John Gerard Holden (Independent Director) was elected as Chairman of the Audit Committee at the first meeting of the Board of Directors of MMC Norilsk Nickel. In August 2010, the Board of Directors, on the motion of John Gerard Holden, Independent Director and Chairman of the Audit Committee, approved the following members of the Audit Committee: Andrei Bugrov, Maksim Sokov, and Bradford Alan Mills (Independent Director).

Following the election of a new Board of Directors at the March 11, 2011, Extraordinary General Meeting of Shareholders, Claude Dauphin (Independent Director) was elected as a new Chairman of the Audit Committee at the first meeting of the Board of Directors of MMC Norilsk Nickel.

Strategy committee

The Strategy Committee consists of four directors. The members of the Committee cannot be members of the Board of Directors of the Company who also occupy a position in the Company. The Strategy Committee was created for the purpose of assisting the Board of Directors with preliminary reviewing of strategy goals, developing priority areas for business, evaluating long-term efficiency, and developing recommendations for the Board of Directors. The purpose is to adjust the existing strategic development of the Company based on the necessity of increasing the efficiency of the Company's business by taking into account the trends in the commodity and capital markets and the performance of the Company and its competitors. Formed in 2009, the Strategy Committee continued its work in early 2010 in the following composition: Committee Chairman Bradford Alan Mills (Independent Director), Vladislav Soloviev, and Anton Cherny. On February 2, 2010, the Board of Directors (Minutes No. GMK/3-pr-sd), in accordance with sub-paragraph 9.3.38 of the Company's Charter, decided to re-elect the Strategy Committee. The new Committee members were as follows: Committee Chairman Bradford Alan Mills (Independent Director), Vladislav Soloviev, and Andrei Klishas.

Following the election of the Board of Directors at the June 28, 2010, Annual General Meeting of Shareholders, Bradford Alan Mills (Independent Director) was elected as Chairman of the Strategy Committee at the first meeting of the Board of Directors of MMC Norilsk Nickel. In August 2010, the Board of Directors, on the motion of Bradford Alan Mills, Independent Director and Chairman of the Strategy Committee, approved the following members of the Strategy Committee: Boris Bakal, Vladislav Soloviev, and John Gerard Holden (Independent Director).

Following the election of new members of the Board of Directors at the March 11, 2011, Extraordinary General Meeting of Shareholder, Bradford Alan Mills (Independent Director) was re-elected as Strategy Committee Chairman at the first meeting of the Board of Directors of MMC Norilsk Nickel.

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 through the preliminary review of matters and development of recommendations to define policies related to finance, budgeting, and business planning. Formed in 2009, the Budget Committee continued its work in early 2010, comprising the following members: Committee Chairman Vladislav Soloviev, Bradford Alan Mills (Independent Director), and Anton Cherny.

Following the election of the Board of Directors at the June 28, 2010, Annual General Meeting of Shareholders, Vladislav Soloviev was elected as Chairman of the Budget Committee at the first meeting of the Board of Directors of MMC Norilsk Nickel. In August 2010, the Board of Directors, on the motion of Budget Committee Chairman Vladislav Soloviev, approved the following members of the Budget Committee: Andrei Bugrov, Marianna Zakharova, Maksim Sokov, and John Gerard Holden (Independent Director).

Following the election of new members of the Board of Directors at the March 11, 2011, Extraordinary General Meeting of Shareholder, Andrei Bugrov was elected as Budget Committee Chairman at the first meeting of the Board of Directors of MMC Norilsk Nickel.

Corporate governance, nomination, and remuneration committee

The Corporate Governance, Nomination, and Remuneration Committee is comprised of three members of the Board of Directors. In February 2009, the Board of Directors of the Company passed a resolution to set up a Corporate Governance, Nomination, and Remuneration Committee consisting of three members of the Board of Directors: Committee Chairman Andrei Klishas, Maksim Sokov, and John Gerard Holden (Independent Director). In addition, a decision was taken to transfer to the Corporate Governance, Nomination, and Remuneration Committee the functions of the Corporate Governance Committee. It had been established for the purpose of assisting the Board of Directors with the preliminary review of matters related to corporate governance within the Company and other matters within the scope of competence of the Board of Directors, which influence the corporate interests of the Company and the rights of its shareholders, including transactions with the shares of the Company, as well as preparation of recommendations for the Board of Directors for making decisions on such matters.

The Corporate Governance, Nomination, and Remuneration Committee of the Company's Board of Directors started its work in early 2010, comprising of the following members: Committee Chairman Andrei Klishas, Bradford Alan Mills (Independent Director), Maksim Sokov, Andrei Bugrov, and Maksim Goldman.

Following the election of the Board of Directors at the June 28, 2010, Annual General Meeting of Shareholders, Andrei Klishas was elected as Chairman of the Corporate Governance, Nomination, and Remuneration Committee at the first meeting of the Board of Directors of MMC Norilsk Nickel. In August 2010, the Board of Directors, in accordance with sub-paragraph 9.3.38 of the Company's Charter, decided to re-elect the Corporate Governance, Nomination, and Remuneration Committee. The new Committee members were as follows: Committee Chairperson Marianna Zakharova, Maksim Sokov, and Bradford Mills (Independent Director).

Following the election of new members of the Board of Directors at the March 11, 2011, Extraordinary General Meeting of Shareholders, Marianna Zakharova was re-elected as chair person of the Corporate Governance, Nomination, and Remuneration Committee at the first meeting of the Board of Directors of MMC Norilsk Nickel.

Attendance at Management Board meetings held in 2010

Directors	Number of meetings attended in person	Number of meetings in absentia
V.N. Poltavtsev ³	4	39
V.I. Sprogis	4	49
V.P. Tomenko ¹	0	1
V.I. Strzhalkovsky	5	51
S.V. Selyandin ³	3	40
K.U. Parinov ²	0	9
O.M. Pivovarchuk	4	51
V.A. Matviyenko ⁴	2	29
D.R. Kostoyev	5	45
Y.E. Muravyov	4	51

Notes:

- (1) Withdrawn from the Management Board on January 27, 2010.
 (2) Withdrawn from the Management Board on April 5, 2010.
 (3) Elected to the Management Board since April 5, 2010.
 (4) Withdrawn from the Management Board on July 21, 2010.

Executive bodies

The General Director (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 General Director 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 General Director and members of the Management Board are elected for an indefinite period. The Board of Directors is authorized to terminate the authority of and cancel the contract with the General Director or any member of the Management Board.

The General Director shall act as the Chairman of the Management Board and act on behalf of the Company without any power of attorney issued to him, including 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, approving internal documents of the Company regulating production, technology, financial, accounting, business, human resources, social, health, safety, and document control issues, and also making decisions on any other matters of day-to-day operations of the Company, which are not included by the Company's Charter within the scope of responsibility of the General Meeting of Shareholders, the Board of Directors, or the Management Board.

The Management Board runs the Company within its scope of responsibility as defined by the Company's Charter, and ensures that all the decisions of the General Meetings of Shareholders and the Board of Directors are implemented.

The Management Board is authorized to make decisions, among others, on the following matters:

- 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;
- 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 and other matters provided for by the current laws and the Company's Charter.

From early 2010, the Management Board proceeded with the following eight members: V. I. Strzhalkovsky, V. A. Matviyenko, O. M. Pivovarchuk, K. Yu. Parinov, D. R. Kostoyev, Ye. I. Muravyov, V. Ye. Sprogis, and V. P. Tomenko. On January 27, 2010, the Board of Directors passed a resolution (Minutes No. GMK/2-pr-sd) to terminate the powers of Management Board member, V. P. Tomenko. On April 5, 2010, a resolution (Minutes No. GMK/12-pr-sd) was passed to terminate the powers of Management Board member K. Yu. Parinov, elect V. N. Poltavtsev and S. V. Selyandin as members of the Management Board, and elect a new Management Board comprising of the following members: V. I. Strzhalkovsky, V. A. Matviyenko, O. M. Pivovarchuk, V. N. Poltavtsev, D. R. Kostoyev, Ye. I. Muravyov, V. Ye. Sprogis, S. V. Selyandin. On August 3, 2010, the MMC Norilsk Nickel Board of Directors 2010 passed a resolution (Minutes No. GMK/29-pr-sd) to terminate the powers of Management Board member V. A. Matviyenko from July 21, 2010.

In 2010, 56 meetings of the Company's Management Board were held:

- 5 meetings in person;
- 51 meetings in absentia.

Information about payments made to the members of the Board of Directors and the Management Board in 2010.

Based on the 2010 results, the total amount of remuneration to the members of the Board of Directors was 1,410,127,000 rubles. For the period from January 1, 2010 to June 28, 2010, amounts paid to the members of the Board of Directors were determined in accordance with the Annual General Meeting of Shareholders' decision on June, 30, 2009; for the period from June 29, 2010 to December 31, 2010, in accordance with the Annual General Meeting of Shareholders' decision of June 28, 2010.

The total amount of remunerations, based on the 2010 results, to the members of the Management Board was approved by the Board of Directors of the Company amounting to 284,374,000 rubles.

Long-term remuneration program for senior management

The Company maintains a long-term (seven year) remuneration program for senior Management intended to align the interests of the shareholders and the Management in increasing long term market capitalization of MMC Norilsk Nickel.

Dividend policy

According to MMC Norilsk Nickel's dividend policy, which was approved by the Board of Directors in 2002, the Company endeavors to distribute 20% to 25% of its net profit for the year calculated according to IFRS as dividends. Information on dividends based on the results of the Company's operations in 2010 is presented in the Authorized Capital and Stock Markets Chapter of this Annual Report.

External audit

ZAO KPMG was contracted to audit the financial statements drawn up in accordance with the international financial reporting standards as of December 31, 2010, and for the 12-month period ended December 31, 2010.

LLC Rosekspertiza audited the Company's financial statements for the year 2010 drawn up in accordance with the Russian accounting standards.

Internal audit

To meet the listing requirements of Russian stock exchanges (RTS and MICEX), which are based on the requirements of the FSFM Regulation on the Activities Relating to the Organization of Trade in the Securities Market, the Company has a division ensuring compliance with internal control procedures - the Internal Control Department.

Risk management

Risk management is carried out in accordance with the Corporate Risks Management Program of MMC Norilsk Nickel approved by the Board of Directors in December 2005.

The said document regulates risk management procedures which include the following elements:

- risk classification and definitions;
- methodological approaches to risk identification and assessment;
- acceptable levels of risk (tolerance levels);
- risk control methods;
- distribution of responsibility in risk management;
- control and reporting.

The Board of Directors regularly reviews the Company's risk register and approves an Action Plan to mitigate critical risks. For more details, refer to the Risk Management System chapter.

Consolidated Financial Statements for the Year Ended 31 December 2010

Consolidated Financial Statements for the Year ended 31 December 2010

Statement of Management's responsibilities for the preparation and approval of the consolidated financial statements for the year ended 31 December 2010

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' report set out on page 2, is made with a view to distinguishing the responsibilities of management and those of the independent 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 2010, 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 2010 were approved by:



V.I. Strzhalkovsky
General Director



D.R. Kostoev
Deputy General Director

Consolidated Financial
Statements
for the Year ended
31 December 2010



ZAO KPMG
10 Presnenskaya Naberezhnaya
Moscow, Russia 123317

Telephone +7 (495) 937 4477
Fax +7 (495) 937 4400/99
Internet www.kpmg.ru

Independent Auditors' Report

To the Board of Directors of OJSC "Mining and Metallurgical Company Norilsk Nickel"

We have audited the accompanying consolidated financial statements of OJSC "Mining and Metallurgical Company Norilsk Nickel" (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, 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 these consolidated financial statements based on our audit. We conducted our audit in accordance with 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

As disclosed in Note 26, during 2010 the Group disposed of 8,482,977 treasury shares in the form of ADRs and also issued a call option for additional 6,881,661 treasury shares in the form of ADRs. We were unable to obtain sufficient appropriate documentation to satisfy ourselves in respect of the beneficial ownership of the counterparties to these transactions. As a result, we were unable to determine whether the disclosure requirements of IAS 24 Related Party Disclosures have been complied with.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

ZAO KPMG
9 August 2011

Consolidated Income Statement for the year ended 31 December 2010

US Dollars million

	Notes	Year ended 31/12/2010	Year ended 31/12/2009
CONTINUING OPERATIONS			
Revenue			
Metal sales	6	12,126	8,075
Other sales		649	467
Total revenue		12,775	8,542
Cost of metal sales	7	(4,223)	(3,666)
Cost of other sales		(660)	(511)
Gross profit		7,892	4,365
Selling and distribution expenses	8	(343)	(104)
General and administrative expenses	9	(755)	(636)
(Impairment)/reversal of impairment of property, plant and equipment		(15)	30
Other net operating expenses	10	(227)	(90)
Operating profit		6,552	3,565
Finance costs	11	(138)	(174)
Income from investments, net	12	351	50
Foreign exchange loss, net		(22)	(141)
Excess of the Group's share in the fair value of net assets acquired over the cost of acquisition		4	4
Share of profits of associates		35	2
Profit before tax		6,782	3,306
Income tax expense	13	(1,548)	(802)
Profit for the year from continuing operations		5,234	2,504
DISCONTINUED OPERATIONS			
(Loss)/gain for the year from discontinued operations	24	(2,145)	147
Profit for the year		3,089	2,651
Attributable to:			
Shareholders of the parent company		3,298	2,600
Non-controlling interests		(209)	51
		3,089	2,651
EARNINGS PER SHARE			
From continuing and discontinued operations			
Basic and diluted earnings per share attributable to shareholders of the parent company (US Dollars per share)	26	18.8	14.9
From continuing operations			
Basic and diluted earnings per share attributable to shareholders of the parent company (US Dollars per share)	26	29.8	14.2

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Consolidated Statement of Comprehensive Income for the year ended 31 December 2010

US Dollars million

	Year ended 31/12/2010	Year ended 31/12/2009
Profit for the year	3,089	2,651
Other comprehensive income/(loss)		
Effect of translation to presentation currency and translation of foreign operations	(13)	(13)
Increase in fair value of available-for-sale investments	218	439
Realised gain on disposal of available-for-sale investments	(217)	(6)
Other	4	5
Other comprehensive income for the year, net of tax	(8)	425
Total comprehensive income for the year, net of tax	3,081	3,076
Attributable to:		
Shareholders of the parent company	3,277	3,051
Non-controlling interests	(196)	25
	3,081	3,076

The accompanying notes on pages 11 – 65 form an integral part of the consolidated financial statements.

Consolidated Statement of Financial Position at 31 December 2010

US Dollars million

	Notes	31/12/2010	31/12/2009
ASSETS			
Non-current assets			
Property, plant and equipment	14	9,153	11,017
Goodwill	15	21	1,200
Intangible assets	16	195	204
Investments in associates	17	515	880
Other financial assets	18	881	918
Other taxes receivable	19	12	75
Deferred tax assets	13	86	58
Other non-current assets		72	-
		10,935	14,352
Current assets			
Inventories	20	2,246	1,990
Trade and other receivables	21	1,175	978
Advances paid and prepaid expenses	22	96	89
Other financial assets	18	637	1,098
Income tax receivable		90	147
Other taxes receivable	19	509	442
Cash and cash equivalents	23	5,405	3,632
		10,158	8,376
Assets classified as held for sale	25	2,816	32
		12,974	8,408
TOTAL ASSETS		23,909	22,760
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	26	8	8
Share premium		1,511	1,390
Treasury shares	26	(1,237)	(2,719)
Other reserves	27	279	(604)
Retained earnings		17,744	15,600
		17,376	13,675
Reserves of disposal group classified as held for sale	25	(929)	-
Equity attributable to shareholders of the parent company		17,376	13,675
Non-controlling interests		598	1,080
		17,974	14,755
Non-current liabilities			
Loans and borrowings	28	1,561	2,345
Obligations under finance leases		14	33
Employee benefit obligations	29	48	42
Provisions	30	886	593
Deferred tax liabilities	13	729	880
		3,238	3,893
Current liabilities			
Loans and borrowings	28	1,236	2,972
Obligations under finance leases		20	14
Employee benefit obligations	29	367	375
Trade and other payables	31	599	486
Provisions	30	8	44
Income tax payable		120	21
Other taxes payable	19	135	200
		2,485	4,112
Liabilities directly associated with the assets classified as held for sale	25	212	-
		2,697	4,112
TOTAL LIABILITIES		5,935	8,005
TOTAL EQUITY AND LIABILITIES		23,909	22,760

The accompanying notes on pages 11 – 65 form an integral part of the consolidated financial statements.

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Consolidated Statement of Cash Flows for the year ended 31 December 2010

US Dollars million

	Year ended 31/12/2010	Year ended 31/12/2009
OPERATING ACTIVITIES		
Profit before tax	4,631	3,487
Adjustments for ¹ :		
Depreciation and amortisation	803	817
Impairment/(reversal) of impairment of property, plant and equipment	8	(175)
Loss on remeasurement to fair value less cost to sell	2,299	18
Loss on disposal of property, plant and equipment	12	9
Share of post-acquisition losses and impairment of investments in associates	425	38
Excess of the Group's share in the fair value of net assets acquired over the cost of acquisition	(4)	(4)
Gain on disposal of investments	(258)	(4)
(Gain)/loss on disposal of subsidiaries	(597)	2
Change in provisions	178	(2)
Finance costs and income from investments, net	(43)	78
Foreign exchange loss, net	93	163
Change in provision for tax penalties	19	(9)
Other	3	16
	7,569	4,434
Movements in working capital:		
Inventories	(425)	(107)
Trade and other receivables	(155)	(480)
Advances paid and prepaid expenses	(34)	32
Other tax receivable	(25)	69
Employee benefit obligations	27	24
Trade and other payables	225	(119)
Other taxes payable	4	45
	7,186	3,898
Cash generated from operations	7,186	3,898
Interest paid	(86)	(140)
Income tax paid	(1,586)	(357)
	5,514	3,401
INVESTING ACTIVITIES		
Acquisition of subsidiaries, net of cash acquired	(5)	1
Proceeds from disposal of subsidiaries	892	-
Contribution to associate	(17)	(88)
Proceeds from disposal of associates	-	26
Purchase of property, plant and equipment	(1,728)	(1,061)
Proceeds from disposal of property, plant and equipment	33	38
Proceeds from disposal of intangible assets	2	14
Purchase of intangible assets	(24)	(30)
Purchase of other financial assets	(599)	(327)
Purchase of other long-term assets	(77)	-
Net change in deposits placed	(815)	809
Proceeds from sale of other financial assets	892	108
Dividends received	3	42
	(1,443)	(468)

(1) Adjustments are presented for continuing and discontinued operations on a combined basis.

The accompanying notes on pages 11 – 65 form an integral part of the consolidated financial statements

Consolidated Statement of Cash Flows for the year ended 31 December 2010 (continued)

US Dollars million

	Year ended 31/12/2010	Year ended 31/12/2009
FINANCING ACTIVITIES		
Proceeds from borrowings	628	113
Repayments of borrowings	(3,048)	(1,193)
Buy back of issued shares	-	(26)
Increase of ownership in subsidiaries	-	(3)
Income tax paid on transfer of treasury shares from the Company to its subsidiaries	(102)	(78)
Proceeds from sales of shares from treasury stock	1,705	-
Dividends paid by the Company	(1,208)	-
Dividends paid by the Group's subsidiaries to non-controlling shareholders	(9)	-
	(2,034)	(1,187)
Net cash used in financing activities	(2,034)	(1,187)
Net increase in cash and cash equivalents	2,037	1,746
Cash and cash equivalents at beginning of the year	3,632	1,995
Effects of foreign exchange differences on balances of cash and cash equivalents and translation to presentation currency	(158)	(109)
Cash and cash equivalents of disposal group	(106)	-
	5,405	3,632
Cash and cash equivalents at end of the year	5,405	3,632

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Consolidated Statement of Changes in Equity for the year ended 31 December 2010

US Dollars million

	Notes	Equity attributable to shareholders of the parent company							Non-controlling interests	Total
		Share capital	Share premium	Treasury shares	Other reserves	Retained earnings	Reserves of disposal group classified as held for sale	Total		
Balance at 1 January 2009		8	1,390	(2,615)	(1,052)	13,000	-	10,731	1,054	11,785
Profit for the year		-	-	-	-	2,600	-	2,600	51	2,651
Other comprehensive income/(loss):										
Effect of translation to presentation currency and translation of foreign operations	27	-	-	-	13	-	-	13	(26)	(13)
Increase in fair value of available-for-sale investments	27	-	-	-	439	-	-	439	-	439
Realised gain on disposal of available-for-sale investments	27	-	-	-	(6)	-	-	(6)	-	(6)
Other	27	-	-	-	5	-	-	5	-	5
Total comprehensive income		-	-	-	451	2,600	-	3,051	25	3,076
Buy back of issued shares	26	-	-	(26)	-	-	-	(26)	-	(26)
Income tax paid on transfer of treasury shares from Company to its subsidiaries	26	-	-	(78)	-	-	-	(78)	-	(78)
Conversion of notes		-	-	-	(3)	-	-	(3)	(2)	(5)
Increase in non-controlling interests due to decrease of ownership in subsidiaries		-	-	-	-	-	-	-	8	8
Decrease in non-controlling interests due to increase of ownership in subsidiaries		-	-	-	-	-	-	-	(5)	(5)
Balance at 31 December 2009		8	1,390	(2,719)	(604)	15,600	-	13,675	1,080	14,755

Consolidated Statement of Changes in Equity for the year ended 31 December 2010 (continued)

US Dollars million

	Notes	Equity attributable to shareholders of the parent company							Non-controlling interests	Total
		Share capital	Share premium	Treasury shares	Other reserves	Retained earnings	Reserves of disposal group classified as held for sale	Total		
Balance at 1 January 2010		8	1,390	(2,719)	(604)	15,600	-	13,675	1,080	14,755
Profit for the year		-	-	-	-	3,298	-	3,298	(209)	3,089
Other comprehensive income/(loss):										
Effect of translation to presentation currency and translation of foreign operations	27	-	-	-	(26)	-	-	(26)	13	(13)
Increase in fair value of available-for-sale investments	27	-	-	-	218	-	-	218	-	218
Realised gain on disposal of available-for-sale investments	27	-	-	-	(226)	9	-	(217)	-	(217)
Other	27	-	-	-	4	-	-	4	-	4
Total comprehensive income		-	-	-	(30)	3,307	-	3,277	(196)	3,081
Sales of shares from treasury stock	26	-	54	1,584	-	-	-	1,638	-	1,638
Income tax paid on transfer of treasury shares from Company to its subsidiaries	26	-	-	(102)	-	-	-	(102)	-	(102)
Premium on call option over treasury shares	26	-	67	-	-	-	-	67	-	67
Reserves of disposal group classified as held for sale	25	-	-	-	929	-	(929)	-	-	-
Increase of non-controlling interests due to decrease of ownership in subsidiaries		-	-	-	-	20	-	20	53	73
Changes in equity due to disposal of subsidiaries		-	-	-	(16)	-	-	(16)	(328)	(344)
Dividends	32	-	-	-	-	(1,183)	-	(1,183)	(11)	(1,194)
Balance at 31 December 2010		8	1,511	(1,237)	279	17,744	(929)	17,376	598	17,974

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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 and sale of base and precious metals. Further details regarding the nature of the business and structure of the Group are presented in note 40.

Major production facilities of the Group are located in Taimyr and Kola Peninsulas of the Russian Federation, Australia, Botswana, Finland and South African Republic. The registered office of the Company is located in Russian Federation, Krasnoyarsk region, Dudinka, postal address: 2, Gardeyskaya square, Norilsk, Russian Federation.

Shareholding structure of the Company at 31 December 2010 and 2009 was as follows:

	31/12/2010		31/12/2009	
	Number of outstanding shares	% held	Number of outstanding shares	% held
Shareholders				
CJSC "ING Bank (Eurasia)" (nominee) Non-banking credit company CJSC "National Settlement Depository" (nominee) ¹	80,400,827	43.79	60,685,647	34.81
State corporation "Vnesheconombank" (nominee)	24,739,227	13.47	26,200,024	15.03
OJSC "Sberbank of Russia" (nominee)	23,828,469	12.98	47,656,938	27.34
CJSC "Depository Clearing Company" (nominee)	23,828,469	12.98	-	-
OJSC "VTB Bank" (nominee)	17,426,294	9.49	-	-
OJSC "VTB Bank" (nominee)	-	-	15,729,610	9.02
Other, individually less than 5%	13,386,436	7.29	24,066,224	13.80
Total	183,609,722	100.00	174,338,443	100.00

2. BASIS OF PRESENTATION

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.

Basis of presentation

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; and
- mark-to-market valuation of certain classes of financial instruments, in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

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 International Financial Reporting Committee ("IFRIC") that are mandatory for adoption in annual periods beginning on 1 January 2010.

The principal changes arising from adoption of these Standards and Interpretations are as follows:

IFRS 3 Business Combinations (revised and effective 1 July 2009)

The revised Standard introduces significant changes in the accounting for business combinations occurring after 1 January 2010, the date when the Group adopted the revised Standard.

The principal changes due to adoption of revised Standard and their impacts on the consolidated financial statements were presented as follows:

- to allow a choice on a transaction-by-transaction basis for the measurement of non-controlling interests (previously referred to as Minority Interests);
- to change the recognition and subsequent accounting requirements for contingent consideration. Whereas, under the previous version of the Standard, contingent consideration was recognised at the acquisition date only if it met probability and reliability measurements criteria, under the revised Standard the consideration for the acquisition always includes the fair value of any contingent consideration. Once the fair value of the contingent consideration at the acquisition date has been determined, subsequent adjustments are made against goodwill only to the extent that they reflect fair value at the acquisition date, and they occur within Measurement Period (a maximum of twelve months from the acquisition date). Under previous version of the Standard, adjustments to contingent consideration were always made against goodwill;
- where the business combination in effect settles a pre-existing relationships between the Group and the acquiree, to require the recognition of a settlement gain or loss; and
- to require that acquisition related costs be accounted for separately from the business combination, generally leading to those costs being expensed when incurred, whereas previously they were accounted for as part of the cost of the business combination.

The Group has amended its accounting policy for business combinations to comply with requirements of the revised Standard. Adoption of the revised Standard had no material effect on the financial position nor the performance of the Group due to absence of material business combinations during the reporting period. The revised Standard is expected to affect the accounting for business combinations in future periods, but the impact will only be determined once details of future business combination transactions are known.

IAS 27 Consolidated and Separate Financial Statements (revised and effective 1 July 2009)

The revised Standard has resulted in changes in the Group's accounting policies regarding change (increase or decrease) in the Group's ownership in its subsidiaries, without loss of control. In prior years, in the absence of specific requirements in IFRSs, increases of ownership in existing subsidiaries of the Group were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. The impact of decreases of ownership in existing subsidiaries of the Group that did not involve loss of control (being the difference between consideration received and the carrying amount of the share in net assets disposed of) was recognised in profit or loss. Under revised Standard, all changes in ownership (increases and decreased without loss of control) are dealt within the equity, with no impact on goodwill or profit or loss. The revision of IAS 27 also affects the accounting for non-controlling interest in the Group's subsidiaries. Under the revised Standard total comprehensive income is attributable to the owners of the Company and to non-controlling interests even if this results in non-controlling interests having a deficit balance.

When control over a subsidiary is lost as a result of a transaction, event or other circumstances, the revised Standard requires that the Group derecognises all assets, liabilities and non-controlling interests at their carrying value. Any retained interest in the former subsidiary is recognised at its fair value at the date that control is lost. The resulting difference is recognised as gain or loss in the consolidated income statement.

(1) Changed in legal form and renamed in 2010
(former Non-For-Profit Partnership "National Depository Centre").

2. BASIS OF PRESENTATION(CONTINUED)

Adoption of the revised Standard had no effect on the financial position nor the performance of the Group.

IAS 28 Investments in Associates (revised and effective 1 July 2009)

The principle adopted in the revised Standard that a change in accounting basis is recognised as a disposal and re-acquisition at fair value is extended by consequential amendments to IAS 27 Consolidated and Separate Financial Statements such that, on the loss of significant influence, the investor measures at fair value any investment retained in the former associate.

Adoption of the revised Standard had no effect on the financial position nor the performance of the Group.

Adoption of revisions and amendments to the following Standards and Interpretations detailed below did not have any impact on the accounting policies, financial position or performance of the Group:

- IAS 1 Presentation of Financial Statements (amended);
- IAS 7 Statement of Cash Flows (amended);
- IAS 17 Leases (amended);
- IAS 31 Interests in Joint Ventures (amended);
- IAS 36 Impairment of Assets (amended);
- IAS 38 Intangible Assets (amended);
- IAS 39 Financial Instruments: Recognition and Measurement (amended);
- IFRS 1 First-time Adoption of International Financial Reporting Standards (amended);
- IFRS 2 Share-based Payment (amended);
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (amended);
- IFRS 8 Operating Segments (amended);
- IFRIC 9 Reassessment of Embedded Derivatives (amended);
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation (amended);
- IFRIC 17 Distributions of Non-cash Assets to Owners;
- IFRIC 18 Transfers of Assets from Customers.

Standards and interpretations in issue but not yet effective

At the date of authorisation of these consolidated financial statements, the following Standards and Interpretations were in issue but not yet effective:

Standards and Interpretations	Effective for annual periods beginning on or after
IAS 1 Presentation of Financial Statements (amended)	1 January 2011
IAS 12 Income Taxes (amended)	1 January 2012
IAS 24 Related Party: Disclosures (revised)	1 January 2011
IAS 27 Consolidated and Separate Financial Statements (amended)	1 July 2010
IAS 32 Financial Instruments: Presentation (amended)	1 February 2010
IAS 34 Interim Financial Reporting (amended)	1 January 2011
IFRS 1 First-time Adoption of International Financial Reporting Standards (amended)	1 July 2010
IFRS 3 Business Combinations (amended)	1 July 2010
IFRS 7 Financial Instruments: Disclosures (amended)	1 January 2011
IFRS 9 Financial Instruments	1 January 2013
IFRIC 13 Customer Loyalty Programmes (amended)	1 January 2011
IFRIC 14 IAS 19: Limit on a Defined Benefit Assets, Minimum Funding Requirements and Their Interaction (amended)	1 January 2011
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

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 has power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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, 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.

Special purpose entities

Special purpose entities ("SPEs") are those undertakings that are created to satisfy specific business needs of the Group and the Group has the right to the majority of benefits of SPE, or is exposed to risks associated with the activities of SPE. SPEs are consolidated in the same manner as subsidiaries.

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.

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3.SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 other 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.

Business combinations that took place prior to 1 January 2010 were accounted for in accordance with the previous version of IFRS 3.

Impairment of goodwill

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the business combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated as follows: first to reduce the carrying amount of any goodwill allocated to this unit, and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Assets 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 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
Norilsk Nickel Finland Oy	US Dollar
MPI Nickel Limited	Australian Dollar
Norilsk Nickel Cawse Proprietary Limited	Australian Dollar
Tati Nickel Mining Company Proprietary Limited	Botswana Pula

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 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:

	2010	2009
Russian Rouble/US Dollar		
31 December	30.48	30.24
Average for the year ended 31 December	30.37	31.72
Botswana Pula/US Dollar		
31 December	6.34	6.58
Average for the year ended 31 December	6.67	6.99
Australian Dollar/US Dollar		
31 December	0.98	1.12
Average for the year ended 31 December	1.09	1.26

3.SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 are 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 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 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 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 200% of the Russian Federation state pension for the rest of his/her life.

The Group's liability recognised in the consolidated statement of financial position in respect of defined benefit plan represents present value of the defined benefit obligation at the statement of financial position date less fair value of the plan assets and adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated using the projected unit credit method.

Actuarial gains and losses are recognised as income or expense when the cumulative unrecognised actuarial gains or losses for the plan exceed 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 fair value of plan assets is recognised over the expected average remaining working lives of the employees participating in the plan.

Past service cost is recognised immediately in the consolidated income statement to the extent that the benefits have been vested; the remaining portion is amortised on the straight-line basis over the period until the benefit becomes vested.

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. The amount of plan assets recognised in the consolidated financial statements is restricted to the sum of any past service costs not yet recognised and the present value of any economic benefits available to the Group in the form of refund from the plan or reductions in the future contributions to the plan.

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.

3.SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 other comprehensive income, in which case the tax is also recognised directly in other 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 by the statement of financial position 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 classified as capital construction-in-progress. Mine development costs are transferred to mining assets when a new mine reaches commercial production quantities.

Capitalised mine development costs 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.

Mining assets are recorded at cost less accumulated amortisation and impairment losses. Mining assets include cost of acquiring and developing mining properties, pre-production expenditure, mine infrastructure, mining and exploration licences and 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 37 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 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 – 11 years
– other non-mining assets	5 – 10 years

Capital construction-in-progress

Capital construction-in-progress comprises costs directly related to construction of buildings, processing plant, infrastructure, machinery and equipment. 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.

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 is charged on a straight-line basis over the following economic useful lives of these assets:

– Activox technology patent	indefinite useful life
– patents and licenses, except for Activox technology	2 – 10 years
– software	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.

3.SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, for which the estimates of the future cash flows have not been adjusted. 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.

Research and exploration expenditure

Research and exploration expenditure, including geophysical, topographical, geological and similar types of expenditure, is expensed in the period in which it is incurred, unless it is deemed that such expenditure will lead to an economically viable capital project. In this case the expenditure is capitalised and begins to be amortised over the life of mine, when a mine reaches commercial production quantities.

Research and exploration expenditure written-off before development and construction starts is not subsequently capitalised, even if a commercial discovery subsequently occurs.

Inventories

Refined metals

Joint products, i.e. nickel, copper, palladium, platinum and gold, 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. cobalt, ruthenium, rhodium, iridium, silver and other minor metals, are measured at net realisable value, through a mark-to-market valuation.

Work-in-process

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 other 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.

3.SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 fair value of an available-for-sale investment has been recognised directly in other comprehensive income and there is objective evidence that investment is impaired, the cumulative loss that had been recognised directly in other comprehensive income is removed from other 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 other 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 other comprehensive income. The ineffective portion of cash flow hedges is recognised in the consolidated income statement. Amounts deferred in other 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 other comprehensive income are transferred from other 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 other comprehensive income at that time remains in other 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 other 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 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 and unwinding of discount on land restoration are recognised in the consolidated income statement and included in the cost of production.

Ongoing rehabilitation costs are expensed when incurred.

Consolidated Financial Statements for the Year ended 31 December 2010

Notes to the Consolidated Financial Statements for the Year ended 31 December 2010

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 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 and reversal of impairment of assets, excluding goodwill;
- impairment of goodwill;
- allowances;
- environmental obligations;
- defined benefit plan;
- share appreciation rights;
- 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 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 prospective amortisation of mining assets and their carrying value. Useful economic lives of non-mining property, plant and equipment is reviewed by management periodically. The review is 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 and reversal of impairment of assets, excluding goodwill

The Group reviews the carrying amounts of its tangible and intangible assets excluding goodwill to determine whether there is any indication that those assets are impaired or whether there is any indicator that an impairment loss recognised in previous periods may no longer exist or may have decreased. 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 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.

Impairment of goodwill

Assessment whether goodwill is impaired requires an estimation of value-in-use of the cash-generating unit to which goodwill is allocated. The value-in-use calculations require management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount to calculate present value.

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 2010, the allowance for doubtful debts amounted to USD 40 million (2009: USD 57 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 2010, the allowance for obsolete and slow-moving items amounted to USD 34 million (2009: USD 54 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.

Defined benefit plan

The most significant assumptions used in estimation of defined benefit plan are the expected rate of return on plan assets, the discount rate, state pensions growth rate and mortality assumptions.

The overall expected rate of return on pension plans assets is calculated based on the expected long-term investment returns for each category of assets.

The present value of the benefits is determined by discounting the estimated future cash outflows using interest rates of high-quality government bonds that have terms to maturity approximating to the terms of the related pension obligations.

Share appreciation rights

The most significant assumptions used in estimation of the cost of share appreciation rights are expected prices of the Company's share and risk-free interest rate.

Expected volatility is based on the historical volatility of return on the Company's share.

The risk-free rates used in the valuation model are in line with the US Treasury bonds yield curve at the valuation date.

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4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTY (CONTINUED)

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. SEGMENTAL INFORMATION

Operating segments are identified on the basis of internal reports on components of the Group that are reviewed by the General Director on a regular basis.

Operations of OJSC "Third Generation Company of the Wholesale Electricity Market" ("OGK-3") and Stillwater Mining Company ("SWC") were discontinued during the year ended 31 December 2010. The segmental information reported below does not include any amounts for these discontinued operations, which are described in more details in note 24. Stillwater Mining Company was included in other operations. After discontinuance of OGK-3 operations revenue of other entities previously included in "Energy and utility" segment comprises 1% of combined revenue of the Group for the year ended 31 December 2010. Therefore management made a decision to remove "Energy and utility" segment and reclassify remaining amounts to other operations.

The comparative information for the year ended 31 December 2009 was reclassified to reflect these changes.

Management has determined "Mining and metallurgy" segment, which includes mining and metallurgy operations located in Russia and abroad.

Other operations, which do not qualify as separate reportable segments based on quantitative thresholds for 2010 and 2009, include energy and utility, transport and logistics services, research activities, repair and maintenance services.

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 2010 and 2009, respectively.

	Mining and Metallurgy	Other	Eliminations	Total
Year ended 31/12/2010				
Revenue from external customers	12,139	636	–	12,775
Inter-segment revenue	8	1,287	(1,295)	–
Total revenue (continuing operations)	12,147	1,923	(1,295)	12,775
Operating profit/(loss)	6,616	(64)	–	6,552
Share of profits of associates	31	4	–	35
Profit before income tax	6,639	143	–	6,782
Income tax expense	(1,510)	(38)	–	(1,548)
Profit for the year (continuing operations)	5,129	105	–	5,234
Other segmental information (continuing operations)				
Capital expenditures	996	250	–	1,246
Depreciation and amortisation	558	108	–	666
Impairment of property, plant and equipment	11	4	–	15
Other non-cash expenses	49	2	–	51
Year ended 31/12/2009				
Revenue from external customers	8,095	447	–	8,542
Inter-segment revenue	3	1,271	(1,274)	–
Total revenue (continuing operations)	8,098	1,718	(1,274)	8,542
Operating profit/(loss)	3,632	(67)	–	3,565
Share of (losses)/profits of associates	(4)	6	–	2
Profit/(loss) before income tax	3,423	(117)	–	3,306
Income tax expense	(792)	(10)	–	(802)
Profit/(loss) for the year (continuing operations)	2,631	(127)	–	2,504
Other segmental information (continuing operations)				
Capital expenditures	716	120	–	836
Depreciation and amortisation	521	159	–	680
(Reversal of impairment)/impairment of property, plant and equipment	(35)	5	–	(30)
Other non-cash expenses	99	4	–	103

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5. SEGMENTAL INFORMATION (CONTINUED)

The following tables present assets and liabilities of the Group reportable segments at 31 December 2010 and 31 December 2009, respectively.

Year ended 31/12/2010	Mining and Metallurgy	Other	Eliminations	Total
Investments in associates	456	59	–	515
Segment assets	17,454	3,124	–	20,578
Inter-segment assets and eliminations	1,487	94	(1,581)	–
Total segment assets	19,397	3,277	(1,581)	21,093
Assets relating to OGK-3 (classified as disposal group as at 31 December 2010)	–	2,816	–	2,816
Total assets	19,397	6,093	(1,581)	23,909
Segment liabilities	5,352	371	–	5,723
Inter-segment liabilities and eliminations	94	1,487	(1,581)	–
Total segment liabilities	5,446	1,858	(1,581)	5,723
Liabilities relating to OGK-3 (classified as disposal group as at 31 December 2010)	–	212	–	212
Total liabilities	5,446	2,070	(1,581)	5,935
Year ended 31/12/2009				
Investments in associates	360	56	–	416
Segment assets	12,652	3,309	–	15,961
Inter-segment assets and eliminations	1,230	399	(1,629)	–
Total segment assets	14,242	3,764	(1,629)	16,377
Assets relating to OGK-3 (classified as disposal group as at 31 December 2010) and Stillwater Mining Company (discontinued during 2010)	–	6,383	–	6,383
Total assets	14,242	10,147	(1,629)	22,760
Segment liabilities	7,147	319	–	7,466
Inter-segment liabilities and eliminations	387	1,162	(1,549)	–
Total segment liabilities	7,534	1,481	(1,549)	7,466
Liabilities relating to OGK-3 (classified as disposal group as at 31 December 2010) and Stillwater Mining Company (discontinued during 2010) Inter-segment liabilities of Stillwater Mining Company and elimination	–	539	–	539
	–	80	(80)	–
Total liabilities	7,534	2,100	(1,629)	8,005

5. SEGMENTAL INFORMATION (CONTINUED)

The Group's information about its non-current assets (excluding those relating to operations, classified as disposal group and operations discontinued during the year ended 31 December 2010, and excluding financial and deferred tax assets) by geographical locations is detailed below.

	31/12/2010	31/12/2009
Russian Federation	8,231	7,729
Africa	820	715
Australia	630	545
Europe	287	293
Total	9,968	9,282

6. METAL SALES

The Group's metal sales from external customers are detailed below (based on external customer's locations).

Year ended 31/12/2010	Total	Nickel	Copper	Palladium	Platinum	Gold
Europe	6,801	3,547	2,012	688	466	88
Asia	2,649	1,796	204	342	307	–
North America	1,663	925	66	441	158	73
Russian Federation	1,008	186	659	8	155	–
Other	5	5	–	–	–	–
	12,126	6,459	2,941	1,479	1,086	161
Year ended 31/12/2009						
Europe	4,475	2,212	1,654	306	264	39
Asia	1,923	1,271	134	196	322	–
North America	1,108	579	72	247	115	95
Russian Federation	513	88	330	2	93	–
Other	56	56	–	–	–	–
	8,075	4,206	2,190	751	794	134

7. COST OF METAL SALES

	Year ended 31/12/2010	Year ended 31/12/2009
Cash operating costs		
Labour	1,220	1,124
Consumables and spares	1,059	1,013
Expenses on acquisition of refined metal, PGM scrap and other semi-products	888	389
Outsourced third party services	610	520
Utilities	182	137
Transportation expenses	171	161
Tax on mining and pollution levies	169	143
Sundry costs	118	75
Less: sales of by-products	(425)	(348)
	3,992	3,214
Amortisation and depreciation	584	605
Increase in metal inventories	(353)	(153)
Total	4,223	3,666

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8. SELLING AND DISTRIBUTION EXPENSES

	Year ended 31/12/2010	Year ended 31/12/2009
Export customs duties	283	51
Transportation expenses	32	22
Labour	14	14
Other	14	17
Total	343	104

9. GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended 31/12/2010	Year ended 31/12/2009
Labour	419	330
Third party services	99	77
Taxes other than mining and income taxes and pollution levies	98	94
Amortisation and depreciation	23	35
Transportation expenses	15	16
Other	101	84
Total	755	636

10. OTHER NET OPERATING EXPENSES

	Year ended 31/12/2010	Year ended 31/12/2009
Social expenses	299	62
Change in provision for value added tax recoverable	14	-
Change in allowance for doubtful debts	4	19
Change in other provisions	(31)	(2)
(Gain)/loss on disposal of investments in subsidiary (refer to note 33)	(49)	2
Other	(10)	9
Total	227	90

11. FINANCE COSTS

	Year ended 31/12/2010	Year ended 31/12/2009
Interest expense on borrowings	87	128
Unwinding of discount on environmental obligations	36	38
Net periodic benefit expenses	8	-
Interest on obligations under finance leases	7	8
Total	138	174

12. INCOME FROM INVESTMENTS, NET

	Year ended 31/12/2010	Year ended 31/12/2009
Realised gain on disposal of investments	258	4
Interest income on bank deposits	59	42
Interest income on held-to-maturity investments	23	-
Reversal of impairment of loans advanced	5	7
Other	6	(3)
Total	351	50

13. INCOME TAX EXPENSE

	Year ended 31/12/2010	Year ended 31/12/2009
Current income tax		
Current income tax charge on profit for the year	1,489	746
Adjustments in respect of current income tax of previous years	26	(24)
Total current income tax expense	1,515	722
Deferred income tax		
(Reversal)/recognition of temporary differences	(18)	16
Change in provision for deferred tax assets	(3)	63
Recycled from equity to income	54	1
Total deferred tax expense	33	80
Total	1,548	802

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:

	Year ended 31/12/2010	Year ended 31/12/2009
Profit before tax from continuing operations	6,782	3,306
(Loss)/profit before tax from discontinued operations (refer to note 24)	(2,151)	181
Profit before tax from continuing and discontinued operations	4,631	3,487
Income tax at statutory rate of 20%	926	697
Tax effect of permanent differences	101	106
Tax effect of permanent difference on disposal of subsidiary	15	-
Tax effect of impairment of goodwill	234	-
Tax effect of impairment of investments in associates	91	4
Tax effect of excess of interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition	(1)	(1)
Deferred tax asset not recognised on impairment of financial assets	-	3
Unrecognised deferred tax asset on taxable losses of subsidiaries	-	43
Change in provision for deferred tax assets	(3)	63
Effect of different tax rates of subsidiaries operating in other jurisdictions	113	(30)
Effect of change in income tax rate in Botswana	37	-
Tax effect of change in provisions for tax penalties and recoverable amount of value added tax	3	(3)
Adjustments in respect of current income tax of previous years	26	(46)
Total	1,542	836
Income tax benefit/(expense) attributable to discontinued operations (refer to note 24)	6	(34)
Income tax expense attributable to continuing operations	1,548	802

The corporate income tax rates in other countries where the Group has a taxable presence vary from 0% to 39%.

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13. INCOME TAX EXPENSE (CONTINUED)

Deferred tax balances

	31/12/2009	Recognised in income statement	Recognised in other compre- hensive income	Recycled from equity to income	Reclassified as held for sale	Effect of translation to presen- tation currency	31/12/2010
Property, plant and equipment	847	(196)	-	-	(5)	14	660
Intangible assets	(4)	(1)	-	-	-	-	(5)
Investment in associates and other financial assets	59	2	45	(54)	-	-	52
Trade and other receivables	(10)	1	-	-	-	-	(9)
Inventories	50	15	-	-	1	7	73
Unrealised profit on intra-group transactions	(37)	4	-	-	-	1	(32)
Other assets	(28)	(1)	-	-	-	-	(29)
Loans and borrowings	3	1	-	-	-	-	4
Employee benefit obligations	(40)	(5)	-	-	-	-	(45)
Environmental obligations	(77)	(4)	-	-	-	(6)	(87)
Trade and other payables	22	(3)	-	-	3	(3)	19
Income tax loss carried forward	(57)	2	-	-	-	7	(48)
Provision for deferred tax assets	94	(7)	-	-	4	(1)	90
Total	822	(192)	45	(54)	3	19	643

	31/12/2008	Recognised in income statement	Recognised in other compre- hensive income	Effect of translation to presen- tation currency	31/12/2009
Property, plant and equipment	769	60	-	18	847
Intangible assets	24	(28)	-	-	(4)
Investment in associates and other financial assets	(56)	18	92	5	59
Trade and other receivables	(34)	23	-	1	(10)
Inventories	24	27	-	(1)	50
Unrealised profit on intra-group transactions	(2)	(34)	-	(1)	(37)
Other assets	(76)	53	-	(5)	(28)
Loans and borrowings	3	-	-	-	3
Employee benefit obligations	(31)	(10)	-	1	(40)
Environmental obligations	(58)	(12)	-	(7)	(77)
Trade and other payables	(9)	28	-	3	22
Income tax loss carried forward	(31)	(24)	-	(2)	(57)
Provision for deferred tax assets	106	(9)	-	(3)	94
Total	629	92	92	9	822

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:

	31/12/2010	31/12/2009
Deferred tax liabilities	729	880
Deferred tax assets	(86)	(58)
Net deferred tax liabilities	643	822

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	31/12/2010	31/12/2009
Deductible temporary differences	520	72
Tax loss carry-forwards	160	524
Total	680	596

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. Previously unrecognised tax losses primarily related to Stillwater Mining Company which was disposed of during 2010 (refer to note 24). At 31 December 2010 unrecognised deductible temporary differences primarily related to assets classified as held for sale (refer to note 25). Tax losses expire in the following years:

	31/12/2010	31/12/2009
Without expiry	140	143
2010	-	8
2011	-	33
2012	1	25
2013	2	3
2014	-	9
2015	-	32
2016	1	39
2017	3	25
2018	3	54
2019	6	24
2020	4	47
2021	-	18
2022	-	41
2023	-	23
Total	160	524

At 31 December 2010, the Group did not recognise a deferred tax liability in respect of taxable temporary differences of USD 3,054 million (2009: USD 2,083million) 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.

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14. PROPERTY, PLANT AND EQUIPMENT

	Non-mining assets					Total
	Mining assets	Buildings, structures and utilities	Machinery, equipment and transport	Other	Capital construction-in-progress	
Cost						
Balance at 1 January 2009	8,428	3,703	4,193	230	1,517	18,071
Additions	332	-	-	-	757	1,089
Transfers	-	144	593	61	(798)	-
(Decrease)/increase in decommissioning asset	(44)	2	-	-	-	(42)
Disposals	(39)	(40)	(39)	(3)	(8)	(129)
Effect of translation to presentation currency	772	(87)	37	36	(17)	741
Balance at 31 December 2009	9,449	3,722	4,784	324	1,451	19,730
Additions	792	-	-	-	975	1,767
Transfers	-	83	181	24	(288)	-
Increase in decommissioning asset	37	6	-	-	-	43
Disposals	(38)	(8)	(52)	(4)	(15)	(117)
Disposed on disposal of subsidiaries (refer to note 33)	(566)	(1)	(1)	(86)	(3)	(657)
Reclassified as held for sale (refer to note 25)	-	(664)	(1,017)	(5)	(985)	(2,671)
Effect of translation to presentation currency	414	(18)	42	21	(6)	453
Balance at 31 December 2010	10,088	3,120	3,937	274	1,129	18,548
Accumulated depreciation and impairment						
Balance at 1 January 2009	(4,516)	(1,186)	(1,419)	(108)	(105)	(7,334)
Charge for the year	(288)	(167)	(310)	(16)	-	(781)
Eliminated on disposals	28	28	23	2	1	82
Reversal of impairment loss	14	62	89	-	10	175
Effect of translation to presentation currency	(732)	19	(105)	(26)	(11)	(855)
Balance at 31 December 2009	(5,494)	(1,244)	(1,722)	(148)	(105)	(8,713)
Charge for the year	(274)	(175)	(307)	(19)	-	(775)
Eliminated on disposals	28	4	36	3	1	72
Disposed on disposal of subsidiaries (refer to note 33)	60	-	-	15	-	75
Impairment loss ¹	(16)	1	2	(1)	6	(8)
Reclassified as held for sale (refer to note 25)	-	163	248	-	-	411
Effect of translation to presentation currency	(386)	6	(53)	(17)	(7)	(457)
Balance at 31 December 2010	(6,082)	(1,245)	(1,796)	(167)	(105)	(9,395)
Carrying value						
31 December 2009	3,955	2,478	3,062	176	1,346	11,017
31 December 2010	4,006	1,875	2,141	107	1,024	9,153

(1) Impairment loss excludes loss of USD 1,113 million on remeasurement to fair value less cost to sell (refer to note 25).

At 31 December 2010 the Group has assessed external and internal indicators in order to determine whether property, plant and equipment is impaired, or previously recognised impairment may no longer exist or may have decreased. Based on the assessment management has determined that at 31 December 2010 external and internal indicators did not indicate that previously recognised impairment has reversed. Impairment loss in the amount of USD 8 million was recognised in respect of specific individual assets.

15. GOODWILL

	31/12/2010	31/12/2009
Cost		
Balance at beginning of the year	3,642	3,695
Reclassified as held for sale (refer to note 25) ¹	(1,776)	-
Effect of translation to presentation currency	(15)	(53)
Balance at end of the year	1,851	3,642
Accumulated impairment		
Balance at beginning of the year	(2,442)	(2,460)
Reclassified as held for sale (refer to note 25) ¹	607	-
Effect of translation to presentation currency	5	18
Balance at end of the year	(1,830)	(2,442)
Carrying value		
Balance at beginning of the year	1,200	1,235
Balance at end of the year	21	1,200

Allocation of goodwill to separate cash-generating units

At 31 December 2010 and 2009 the carrying value of goodwill is allocated to segment Other Operations.

At 31 December 2010 and 2009 management reviewed carrying value of goodwill for impairment. As a result, no indicators of impairment loss were identified.

(1) Goodwill reclassified as held for sale excludes loss of USD 1,169 million on remeasurement to fair value less cost to sell (refer to note 25).

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16. INTANGIBLE ASSETS

	Patents and licences	Software	Other	Total
Cost				
Balance at 1 January 2009	585	85	149	819
Additions	1	23	9	33
Disposals	-	(7)	(18)	(25)
Effect of translation to presentation currency	169	(1)	(4)	164
Balance at 31 December 2009	755	100	136	991
Additions	2	21	1	24
Disposals	(6)	(18)	(23)	(47)
Disposed on disposal of subsidiaries (refer to note 33)	-	-	(103)	(103)
Reclassified as held for sale (refer to note 25)	(1)	(5)	-	(6)
Effect of translation to presentation currency	108	(2)	(1)	105
Balance at 31 December 2010	858	96	10	964
Accumulated amortisation and impairment				
Balance at 1 January 2009	(498)	(27)	(85)	(610)
Charge for the year	(1)	(19)	(27)	(47)
Eliminated on disposals	-	3	9	12
Effect of translation to presentation currency	(143)	-	1	(142)
Balance at 31 December 2009	(642)	(43)	(102)	(787)
Charge for the year ¹	(1)	(16)	(18)	(35)
Eliminated on disposals	6	16	16	38
Disposed on disposal of subsidiaries (refer to note 33)	-	-	103	103
Reclassified as held for sale (refer to note 25)	-	4	-	4
Effect of translation to presentation currency	(92)	-	-	(92)
Balance at 31 December 2010	(729)	(39)	(1)	(769)
Carrying value				
31 December 2009	113	57	34	204
31 December 2010	129	57	9	195

Included in patents and licenses is the right to use a unique refining technology registered under the trade mark Activox. Activox is regarded as having an indefinite useful life because, based on an analysis of all the relevant factors, there is no foreseeable limit to the period during which this asset is expected to generate net cash flows. This right is not amortised but reviewed for impairment annually. At 31 December 2010 and 2009 no impairment loss was recognised and carrying value of the right at 31 December 2010 amounted to USD 125 million (2009: USD 109 million).

(1) Amortisation charge excludes loss of USD 1 million on remeasurement to fair value less cost to sell (refer to note 25).

17. INVESTMENTS IN ASSOCIATES

	31/12/2010	31/12/2009
Balance at beginning of the year	880	889
Disposed of during the year	-	(24)
Contribution into associate	17	88
Share of post-acquisition profits/(losses)	32	(20)
Dividends received	(3)	(42)
Reclassified as assets held for sale (refer to note 25)	-	(39)
Impairment loss	(457)	(18)
Effect of translation to presentation currency	46	46
Balance at end of the year	515	880

The following is a summary of the financial information of associates:

	31/12/2010	31/12/2009
Total assets	1,665	3,709
Total liabilities	592	978
Net assets	1,073	2,731
Group's share of net assets of associates	515	880
	Year ended 31/12/2010	Year ended 31/12/2009
Total revenue	580	450
Total profits/(losses) for the year	60	(79)
Group's share of profits/(losses) of associates	32	(20)

Movements during the year ended 31 December 2010

RUSIA Petroleum. In 2010, TNK-BP, the majority shareholder of RUSIA Petroleum, demanded an immediate repayment of loans which it provided to RUSIA Petroleum, amounting to USD 379 million. Subsequently, the general director of RUSIA Petroleum filed for its bankruptcy due to inability to meet this demand. According to a court decision, a monitoring procedure was introduced at RUSIA Petroleum in June 2010 in accordance with the Russian law on bankruptcy.

In October 2010, at a general creditors' meeting of RUSIA Petroleum it was decided to proceed with the bankruptcy process to the receivership stage, the final stage of the bankruptcy process which eventually led to an auction sale of RUSIA Petroleum's assets in early 2011. Management has reviewed the potential recoverable amount of its investment in RUSIA Petroleum and recognised an impairment loss in the amount of USD 457 million to impair this investment in full.

Nkomati Nickel Mine. During the year ended 31 December 2010, the Group made contributions into equity of Nkomati Nickel Mine in the amount of USD 17 million.

Movements during the year ended 31 December 2009

TGK-14. On 4 May 2009, the Group sold its share in OJSC "Territorial Generation Company No. 14" (TGK-14) for a cash consideration of USD 26 million.

Smart Hydrogen Incorporated. In July 2009 Smart Hydrogen Incorporated was liquidated and all its assets were distributed to the shareholders. As a result of liquidation the Group received cash dividends in the amount of USD 42 million.

Plug Power Incorporated. At 31 December 2009, the Group's investment in Plug Power in the amount of USD 39 million was classified as an asset held for sale and presented separately in the consolidated statement of financial position.

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17. INVESTMENTS IN ASSOCIATES (CONTINUED)

Nkomati Nickel Mine. During January-September 2009, the Group made contributions into equity of Nkomati Nickel Mine in the amount of USD 88 million according to the terms of the partnership agreement between the joint venture parties.

RUSIA Petroleum. At 31 December 2009 management reviewed the carrying value of the Group's investment in RUSIA Petroleum for impairment. As a result, impairment loss in the amount of USD 22 million was recognised.

18. OTHER FINANCIAL ASSETS

	31/12/2010	31/12/2009
Non-current		
Available-for-sale investments in securities	794	820
Loans issued and other receivable	54	66
Promissory notes receivable	23	23
Bank deposits	8	9
Derivative financial instruments	2	-
Total non-current	881	918
Current		
Bank deposits	366	765
Promissory notes receivable and bonds	136	285
Available-for-sale investment in convertible notes	93	-
Loans issued and other receivable	35	13
Derivative financial instruments	7	-
Available-for-sale investments in securities	-	35
Total current	637	1,098

Available-for-sale investments in securities

At 31 December 2010 and 2009 the Group held shares of various entities, primarily traded on the Russian stock exchanges.

RusHydro. On 12 July 2010, the Group acquired 337 million ordinary shares of OJSC "RusHydro" for a cash consideration of USD 13 million. During June-November 2010, through a number of transactions the Group sold 5,158 million ordinary shares of OJSC "RusHydro" for a cash consideration of USD 248 million, realising a gain on disposal of investments of USD 212 million, which have been previously recognized within investment revaluation reserve in equity.

Available-for-sale investment in convertible notes

At 31 December 2010, the Group held convertible notes issued by Stillwater Mining Company ("SWC") in the amount of USD 93 million. Management of the Group has no intention to hold these convertible notes to maturity or convert them into shares of SWC. The Group used external inputs such as quoted prices for similar assets in active markets to determine the fair value of those convertible notes.

Bank deposits

Interest rate on long-term RUB-denominated and USD-denominated deposits held in banks was 6.1% (2009: 6.1%) per annum.

Interest rates on short-term deposits held in banks varied from 4.5% to 10.5% (2009: 10.1% to 10.5%) for RUB-denominated and from 1% to 7.75% (2009: 2.8% to 7.8%) for USD-denominated deposits per annum.

Promissory notes receivable

At 31 December 2010, current promissory notes receivable mainly comprise RUB-denominated notes of CJSC "GLOBEXBANK" amounted to USD 104 million. The notes were settled in 2011. Effective interest rate attributable for the CJSC "GLOBEXBANK" promissory notes is 6.72%. Management has intention to hold these promissory notes to maturity.

At 31 December 2009, current promissory notes receivable included RUB-denominated notes of OJSC "AKB "Svyazbank" in the amount of USD 285 million and due within the period from 14 June 2010 till 17 June 2010. Effective interest rate attributable for the OJSC "AKB "Svyazbank" promissory notes was 8.5%. These notes were redeemed within the period from 15 June 2010 till 17 June 2010.

19. OTHER TAXES

	31/12/2010	31/12/2009
Taxes receivable		
Value added tax recoverable	456	489
Customs duties	71	46
Other taxes	6	5
	533	540
Less: Allowance for value added tax recoverable	(12)	(23)
Total	521	517
Less: Non-current portion	(12)	(75)
Current taxes receivable	509	442
Taxes payable		
Value added tax	63	88
Property tax	23	32
Tax on mining	9	18
Insurance contributions to non-budget funds	9	17
Provision for tax fines and penalties	2	4
Other	29	41
Total	135	200

20. INVENTORIES

	31/12/2010	31/12/2009
Refined metals		
at net production cost	478	444
at net realisable value	-	-
By-products at net realisable value	46	60
Work-in-process		
at net production cost	917	663
at net realisable value	13	5
Total metal inventories	1,454	1,172
Stores and materials at cost	826	872
Less: Allowance for obsolete and slow-moving items	(34)	(54)
Net stores and materials	792	818
Total inventories	2,246	1,990

The cost of inventories recognised as an expense during the year in respect of continuing operations includes USD 4 million (2009: USD 59 million) write-downs of inventory to the net realisable value, and has been reduced by USD 6 million (2009: USD 94 million) of the reversal of such write-downs. Previous write-downs have been reversed as a result of increased sales prices in commodity markets.

During the years ended 31 December 2010 and 2009 the Company reviewed the methodology applied in determining the condition of work in process. Based on the review the Company developed a new estimate which is a more reliable and representative approximation of the stage of processing of work in process. The effect of this change resulted in an increase of the value of work in process in the amount of USD 143 million as at 31 December 2010 (31 December 2009: USD 85 million) and the corresponding change was recognised in the cost of metal sales for the years then ended.

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21. TRADE AND OTHER RECEIVABLES

	31/12/2010	31/12/2009
Trade receivables for metal sales	1,035	740
Other receivables	180	295
	1,215	1,035
Less: Allowance for doubtful debts	(40)	(57)
Total	1,175	978

In 2010 and 2009 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 180 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.

As of 31 December 2010 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 2010 was 23 days (2009: 18 days). No interest was charged on these receivables. The Group has provided fully for all other receivables over 365 days based on historical experience that such receivables are generally not recoverable. Provision in respect of receivables that were less than 365 days old is determined based on past default experience.

The Group did not hold any collateral for accounts receivable balances.

Included in the Group's other receivables at 31 December 2010 were debtors with a carrying value of USD 73 million (2009: USD 87 million) that were past due but not impaired. Management of the Group believes that these amounts are recoverable in full.

Ageing of other receivables past due but not impaired was as follows:

	31/12/2010	31/12/2009
Less than 180 days	44	59
180-365 days	29	28
	73	87

Movement in the allowance for doubtful debts was as follows:

	31/12/2010	31/12/2009
Balance at beginning of the year	57	35
Change in allowance	5	30
Accounts receivable written-off	(7)	(7)
Reclassified as held for sale	(15)	-
Effect of translation to presentation currency	-	(1)
Balance at end of the year	40	57

Included in allowance for doubtful debts is a specific allowance against other receivables of USD 31 million (2009: USD 32 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.

22. ADVANCES PAID AND PREPAID EXPENSES

	31/12/2010	31/12/2009
Advances paid	56	56
Prepaid insurance	40	33
Total	96	89

At 31 December 2010, advances paid were presented net of impairment of USD 3 million (2009: USD 3 million). During the year ended 31 December 2010, no reversal of impairment loss (2009: reversal of impairment loss of USD 5 million) was recognised.

23. CASH AND CASH EQUIVALENTS

		31/12/2010	31/12/2009
Current accounts	- foreign currencies	3,322	1,377
	- RUB	584	401
Bank deposits	- foreign currencies	661	1,783
	- RUB	7	31
Restricted cash and cash equivalents		830	38
Other cash and cash equivalents		1	2
Total		5,405	3,632

Restricted cash represents the part of consideration from sale of SWC shares (refer to note 24).

24. DISCONTINUED OPERATIONS

Disposal of Stillwater Mining Company

On 13 December 2010, Norimet Ltd., a subsidiary of the Group, sold its interest in Stillwater Mining Company, a subsidiary of the Group, in the secondary public offering for a cash consideration of USD 881 million net of underwriting and other professional fees directly associated with the transaction. The carrying value of SWC net assets at the date of disposal amounted to USD 677 million. Details of the assets and liabilities disposed of, and the calculation of the gain on disposal, are disclosed in note 33.

Plan to dispose of OGK-3

On 29 December 2010, the Board of Directors of MMC Norilsk Nickel made a decision to exchange 82.7% stake in OGK-3 for shares of OJSC "INTER RAO UES" at the swap ratio of 35 shares of OJSC "INTER RAO UES" per 1 share of OGK-3. At 31 December 2010 the fair value of 82.7% stake in OGK-3 was USD 2,142 million. The difference between the carrying value of net assets of OGK-3 and fair value of Group's stake in OGK-3 in the amount of USD 2,284 million was recognised as a loss on remeasurement to fair value less cost to sell (refer to note 25).

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24. DISCONTINUED OPERATIONS (CONTINUED)

The combined results of operations and net cash flows of OGK-3 and SWC are set out below:

	Year ended 31/12/2010	Year ended 31/12/2009
Metal sales	516	366
Other sales	1,239	1,247
Cost of metal sales	(422)	(318)
Cost of other sales	(1,186)	(1,157)
Selling, general and administrative expenses	(77)	(66)
Reversal of impairment of non-financial assets	-	145
Other net operating expenses	(27)	(6)
Finance cost	(13)	(12)
Income from investments, net	73	44
Foreign exchange loss, net	(71)	(22)
Share of post-acquisition losses and impairment of investments in associates	(460)	(40)
	(428)	181
Income tax expense	(17)	(34)
	(445)	147
Loss on remeasurement to fair value less cost to sell	(2,284)	-
Income tax benefit attributable to loss on remeasurement to fair value less cost to sell	223	-
Gain on revaluation of convertible notes	13	-
Gain on disposal of Stillwater Mining Company (refer to note 33)	548	-
Income tax expense attributable to disposal of subsidiary	(200)	-
(Loss)/gain for the year from discontinued operations	(2,145)	147
Attributable to:		
Shareholders of the parent company	(1,928)	125
Non-controlling interests	(217)	22
	(2,145)	147
Net cash generated from operating activities	238	154
Net cash (used in)/generated from investing activities	(1,907)	1,069
Net cash generated from/(used in) financing activities	1	(10)
Total	(1,668)	1,213

25. ASSETS CLASSIFIED AS HELD FOR SALE

As described in note 24, in December 2010 the Board of Directors of MMC Norilsk Nickel made a decision to dispose of OGK-3 shares. At 31 December 2010 the major classes of assets and liabilities classified as held for sale were as follows:

	31/12/2010
Other financial assets	1,308
Property, plant and equipment (refer to note 14)	1,147
Trade and other receivables	164
Cash and cash equivalents	106
Inventories	71
Deferred tax asset	3
Assets classified as held for sale	16
Intangible assets (refer to note 16)	1
Assets classified as held for sale	2,816
Trade and other payables	(89)
Other taxes payable	(95)
Employee benefit obligations	(28)
Liabilities directly associated with assets classified as held for sale	(212)
Net assets classified as held for sale	2,604
Included in other comprehensive income:	
Investments revaluation reserve	3
Translation reserve	(932)
Reserves of disposal group classified as held for sale	(929)

At 31 December 2010 the fair value of 82.7% stake in OGK-3 (refer to note 24), was USD 2,142 million. The difference between carrying value of net assets of OGK-3 and fair value of Group's stake in OGK-3 in the amount of USD 2,284 million was recognised as a loss on remeasurement to fair value less cost to sell. As a result of this remeasurement, non-controlling interest attributable to Group's investment in OGK-3 at 31 December 2010 amounted to USD 463 million. The loss on remeasurement was firstly allocated to goodwill attributable to OGK-3 and then to non-current assets of OGK-3 on pro-rata basis as follows:

	Year ended 31/12/2010
Goodwill	1,169
Property, plant and equipment	1,113
Intangible assets	1
Other assets	1
Total	2,284

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26. SHARE CAPITAL

Authorised, issued and fully paid share capital

	Number of shares	Outstanding balance
Ordinary shares at par value of RUB 1 each	190,627,747	8
Total	190,627,747	8

Treasury shares

	Number of shares	Outstanding balance
At 31 December 2008	16,034,449	2,615
January 2009: acquisition of shares	254,855	26
May, December 2009: income tax paid on transfer of treasury shares from the Company to its subsidiaries	-	78
At 31 December 2009	16,289,304	2,719
4 January 2010: sales of shares from treasury stock	(788,302)	(88)
May 2010: income tax paid on transfer of treasury shares from Company to its subsidiaries	-	102
December 2010: sales of shares from treasury stock	(8,482,977)	(1,496)
At 31 December 2010	7,018,025	1,237

On 4 January 2010, 788,302 of the Company's shares were sold from treasury stock at USD 140 per share for a total consideration of USD 111 million.

On 8 October 2010, the Group entered into agreement to sell 84,829,774 of ADRs from treasury stock at USD 18 per ADR for a total consideration of USD 1,527 million. The transaction was completed in December 2010.

On 12 October 2010, the Group wrote a call option over 68,816,616 ADRs from treasury stock and received for this contract a premium of USD 67 million, which was recognised within the share premium reserve in equity. The option had exercise price of USD 18.1 per ADR and expiry period of 180 days. The option has been exercised in full subsequent to the reporting date.

Based on representations received by management from certain members of the Group's Board of Directors and from one of the shareholders with significant influence over the Group (CJSC Holding Company Interros), as well as based on additional information received from the counterparties to these transactions, management does not believe that these transactions are related party transactions as defined by IAS 24 Related Party Disclosures.

Total gain from disposal of treasury shares during 2010 amounted to USD 121 million, including a gain from disposal of treasury shares of USD 54 million and the call option premium of USD 67 million. This gain was recorded within the share premium reserve in equity.

Earnings per share

	Year ended 31/12/2010	Year ended 31/12/2009
Basic (loss)/earnings per share (US Dollars per share):		
From continuing operations	29.8	14.2
From discontinued operations	(11.0)	0.7
Total basic earnings per share (US Dollars per share)	18.8	14.9

	Year ended 31/12/2010	Year ended 31/12/2009
Diluted earnings per share (US Dollars per share):		
From continuing operations	29.8	14.2
From discontinued operations	(11.0)	0.7
Total diluted earnings per share (US Dollars per share)	18.8	14.9

The earnings and weighted average number of shares used in the calculation of basic and diluted earnings per share are as follows:

	Year ended 31/12/2010	Year ended 31/12/2009
Earnings for the year attributable to shareholders of the parent company	3,298	2,600
Less: Loss/(profit) for the year attributable to shareholders of the parent company from discontinued operations	1,928	(125)
Earnings for the year attributable to shareholders of the parent company from continuing operations	5,226	2,475

	Year ended 31/12/2010	Year ended 31/12/2009
Weighted average number of shares		
Shares on issue at 1 January	190,627,747	190,627,747
Less: treasury shares at 1 January	(16,289,304)	(16,034,449)
Outstanding shares at 1 January	174,338,443	174,593,298
Effect of acquisition of shares in January 2009	-	(242,747)
Effect of sale of shares from treasury stock in January 2010	781,823	-
Effect of sale of shares from treasury stock in December 2010	348,615	-
Weighted average number of shares used in the calculation of basic earnings per share for the year ended 31 December	175,468,881	174,350,551
Effect of dilution resulting from call option outstanding at 31 December 2010	128,338	-
Weighted average number of shares used in the calculation of diluted earnings per share for the year ended 31 December	175,597,219	174,350,551

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27. OTHER RESERVES

	Option premium on convertible notes	Investments revaluation reserve	Hedging reserve	Revaluation surplus	Translation reserve	Total
Balance at 1 January 2009	19	(16)	(23)	43	(1,075)	(1,052)
Increase in fair value of available-for-sale investments	-	439	-	-	-	439
Gain on cash flow hedge	-	-	5	-	-	5
Realised gain on disposal of available-for-sale investments	-	(6)	-	-	-	(6)
Effect of translation to presentation currency and translation of foreign operations	-	-	-	-	13	13
Total comprehensive income	-	433	5	-	13	451
Conversion of notes	(3)	-	-	-	-	(3)
Balance at 31 December 2009	16	417	(18)	43	(1,062)	(604)
Increase in fair value of available-for-sale investments	-	218	-	-	-	218
Gain on cash flow hedge	-	-	4	-	-	4
Realised gain on disposal of available-for-sale investments	-	(217)	-	-	(9)	(226)
Effect of translation to presentation currency and translation of foreign operations	-	-	-	-	(26)	(26)
Total comprehensive income	-	1	4	-	(35)	(30)
Reserves of disposal group classified as held for sale	-	(3)	-	-	932	929
Option premium on convertible notes disposed due to disposal of subsidiary (refer to note 33)	(16)	-	-	-	-	(16)
Balance at 31 December 2010	-	415	(14)	43	(165)	279

28. LOANS AND BORROWINGS

	Currency	31/12/2010		31/12/2009	
		Rate, %	Out-standing balance	Rate, %	Out-standing balance
Bank loans, including:					
Syndicated loan 1	(i) USD	LIBOR+0.53-0.63	998	LIBOR+0.53-0.60	3,161
Syndicated loan 2	(ii) USD	LIBOR+0.85		LIBOR+0.85	1,196
Syndicated loan 3	(iii) USD	LIBOR+1.00, 3.75	500	LIBOR+1.00, 3.75	
Syndicated loan 4	(iv) USD	LIBOR+0.43-0.50	450	LIBOR+0.43-0.50	450
Secured loan	(v) USD	LIBOR+0.60	295	LIBOR+0.60	330
Other	(vi) USD	-	-	LIBOR+4.00	50
Corporate bonds	(vi) RUB	varies	67	varies	31
Convertible notes Stillwater Mining Company ¹	USD	7.00	487	-	-
Exempt Facility Reversal Bonds Series 2000 ¹	USD	-	-	-	70
	USD	-	-	8.57	29
Total			2,797		5,317
Less: current portion due within twelve months and presented as short-term borrowings			(1,236)		(2,972)
Long-term borrowings			1,561		2,345

(1) Disposed on disposal of subsidiary.

- (i) **Syndicated loan 1** – A USD 3,500 million syndicated loan, which includes two credit lines for USD 2,000 million and USD 1,500 million. The credit line in the amount of USD 2,000 million was arranged for five years at floating rate of LIBOR + 0.53% (effective rate 0.78%, comparative 0.88%) per annum up to 29 June 2010 and LIBOR + 0.63% (effective rate 0.91%, comparative 0.98%) per annum thereafter and secured by assignment of rights for proceeds from metal supply agreements of Metal Trade Overseas S.A. and Norilsk Nickel Europe Limited, subsidiaries of the Group. The secured credit line in the amount of USD 2,000 million is to be repaid in equal quarterly installments after a twenty four month grace period with the final installment due on 29 June 2012. During 2010 the Group repaid USD 667 million (2009: USD 333 million) of USD 2,000 million credit line which was in accordance with the payment schedule. The credit line in the amount of USD 1,500 million was unsecured and arranged for three years at floating rate of LIBOR + 0.60% per annum (effective rate 0.87%, comparative 0.95%), and was repaid in full in June 2010.

Interest is payable on a monthly basis at the rate varying based on the credit rating of the Company.

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.

- (ii) **Syndicated loan 2** – A USD 1,500 million syndicated loan includes three credit lines of USD 750 million secured long-term loan, a USD 550 million secured revolving credit facility and a USD 200 million unsecured revolving facility. The credit lines of USD 750 million and USD 550 million were arranged for three years at fixed rate of 3.75% and floating rate of LIBOR + 0.85% (effective rate 1.12%, comparative 1.20%) per annum, respectively, and secured by assignment of rights for proceeds from metal supply agreements of Metal Trade Overseas S.A. and Norilsk Nickel Europe Limited, subsidiaries of the Group. The credit line in the amount of USD 200 million was arranged for three years at floating rate of LIBOR + 1% (effective rate 1.27%, comparative 1.35%) per annum. These credit lines are to be repaid in six equal quarterly installments after an eighteen month grace period with the final installment due on 24 June 2011.

Interest is payable on a monthly basis for the revolving credit facilities of USD 550 million and USD 200 million and on a quarterly basis for secured long-term loan of USD 750 million.

During 2010 the Group repaid USD 700 million in accordance with the payment schedule. During 2009 the Group made repayment of USD 300 million within revolving credit facility.

At 31 December 2010 the outstanding balance amounted to USD 500 million and consisted of a secured long-term loan of USD 250 million at a fixed interest rate of 3.75% per annum, secured revolving credit facility of USD 183 million at a floating rate of LIBOR + 0.85% per annum and unsecured revolving credit facility of USD 67 million at a floating rate of LIBOR + 1% per annum. 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.

- (iii) **Syndicated loan 3** – A USD 450 million syndicated unsecured revolving credit facility with a floating rate of LIBOR + 0.43% (effective rate 0.66%, comparative 0.81%) per annum valid till 11 March 2010 and subsequently LIBOR + 0.50% (effective rate 0.78%) per annum, is due in full on 12 March 2012. Interest is payable on a monthly basis.

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.

- (iv) **Syndicated loan 4** – A USD 376 million term credit facility consisting of four tranches with a floating rate of LIBOR + 0.60% (effective rate from 1.16% to 1.21%, comparative from 1.87% to 2.06%) per annum. All tranches are to be repaid in twenty equal semi-annual installments with the final installments due on 31 July 2018, 13 November 2018, 11 December 2018 and 28 January 2019. Interest is payable semi-annually.

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28. LOANS AND BORROWING (CONTINUED)

During 2010 the Group repaid USD 38 million in accordance with payment schedule (2009: USD 33 million).

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.

- (v) **Secured loan** – A USD 50 million loan, net off deposit placed to secure the loan, at a floating rate of LIBOR + 4.00% per annum. The loan was secured by shares of OGK-3, and was repaid in full on 15 September 2010. Interest was paid quarterly.
- (vi) **Corporate bonds** – On 3 August 2010, the Company issued 15,000,000 corporate bonds at a par value of RUB 1,000 (USD 33) per bond. The bonds are due in full on 30 July 2013. Interest of 7% per annum is payable semi-annually.

29. EMPLOYEE BENEFIT OBLIGATIONS

	31/12/2010	31/12/2009
Accrual for annual leave	210	186
Wages and salaries	134	155
Share appreciation rights	55	43
Defined benefit obligations	8	9
Other	8	24
Total obligations	415	417
Less: Non-current obligations	(48)	(42)
Current obligations	367	375

Defined benefit plans

Defined benefit plan liabilities/(assets) were as follows:

	31/12/2010	31/12/2009
Present value of defined benefit obligations	122	155
Fair value of plans assets	(54)	(55)
Present value of unfunded obligations	68	100
Unrecognised past service cost	-	(3)
Unrecognised actuarial losses	(60)	(88)
	8	9

Net (benefit)/expense recognised in the consolidated income statement was as follows:

	Year ended 31/12/2010	Year ended 31/12/2009
Current service costs	1	1
Expected return on plans assets	(3)	(10)
Net actuarial loss/(gains) recognised during the year	4	(6)
Gain arising from curtailment	-	(1)
Interest expense	13	16
Total	15	-
Actual gains on plan assets	(2)	(4)

Movements in the fair value of plans assets were as follows:

	Lifelong professional pension plan	Joint corporate pension plan
Balance at 1 January 2009	57	61
Contributions from the employer	-	1
Expected return on plans assets	6	4
Loss on curtailment	-	(60)
Benefits paid	(7)	(1)
Effect of translation to presentation currency	(1)	(5)
Balance at 31 December 2009	55	-
Contributions from the employer	4	-
Expected return on plans assets	3	-
Actuarial loss	(1)	-
Benefits paid	(7)	-
Effect of translation to presentation currency	-	-
Balance at 31 December 2010	54	-

Movements in the present value of the defined benefit obligations were as follows:

	Lifelong professional pension plan	Joint corporate pension plan	Other
Balance at 31 December 2008	157	54	13
Benefits paid	(7)	(1)	(1)
Current service cost	-	1	-
Interest cost	13	2	1
Actuarial gain	(16)	(5)	-
Gain on curtailment	-	(48)	-
Effect of translation to presentation currency	(6)	(3)	1
Balance at 31 December 2009	141	-	14
Benefits paid	(7)	-	(1)
Current service cost	-	-	1
Interest cost	12	-	1
Actuarial (gain)/loss	(22)	-	2
Reclassified as held for sale	-	-	(17)
Effect of translation to presentation currency	(2)	-	-
Balance at 31 December 2010	122	-	-

Starting from 2006, all of the Group's pension plans are managed by a non-state Pension Fund "Norilsk Nickel". Contributions from the Group to this Fund during the year ended 31 December 2010 amounted to USD 20 million (2009: USD 17 million).

The major categories of pension plans assets and the expected rate of return at the balance sheet dates for each category were as follows:

	Expected return		Fair value of pension plans assets	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009
Equity instruments	11.0%	-	28	-
Fixed income instruments	8.0%	8.4%	26	55
Weighted average expected return	9.6%	8.4%	54	55

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29. EMPLOYEE BENEFIT OBLIGATIONS (CONTINUED)

The following tables summarise the present value of defined benefit obligations and fair value of the pension plans assets and experience adjustments for them for the current year and previous four annual periods:

	31/12/2010	31/12/2009	31/12/2008	31/12/2007	31/12/2006
Defined benefit obligations	122	155	224	240	119
Plans assets	(54)	(55)	(118)	(148)	(11)
Deficit	68	100	106	92	108
Experience adjustments on plans assets	3	-	(41)	(1)	-
Experience adjustments on plans liabilities	(1)	18	(41)	(70)	(6)

Key assumptions used in estimation of defined benefit obligations were as follows:

	Year ended 31/12/2010	Year ended 31/12/2009
Discount rate	8.0%	8.6%
Expected rate of return on plans assets	9.6%	8.4%
Pre-retirement increases to capital accounts	-	8.6%
Future salary increases	-	12.8%
Future pension increases	7.6%	9.7%
Average life expectancy of members from the date of retirement	17 years	17 years

Defined contribution plans

Amounts recognised within continuing operations in the consolidated income statement in respect of defined contribution plans were as follows:

	Year ended 31/12/2010	Year ended 31/12/2009
Pension Fund of the Russian Federation	202	173
Shared accumulated pension program	10	16
Other	6	6
Total	218	195

Share appreciation rights

OJSC "MMC "Norilsk Nickel" long-term employee incentive plan

On 26 February 2009, the Group granted share appreciation rights ("SAR 1") to key personnel of the Company that entitle them to a cash payment. The amount of the cash payment to eligible employees is determined based on number of vested phantom shares and volume-weighted Company's share price for the calendar quarter preceding vesting date. The program is divided into 5 stages and is effective until 2 August 2015.

OJSC "MMC "Norilsk Nickel" long-term key management personnel compensation plan

On 7 April 2008, the Group granted share appreciation rights ("SAR 2") to key management personnel of the Russian entities of the Group that entitle them to a cash payment. The amount of the cash payment to eligible employees is determined based on a number of vested phantom shares, the increase in the share price of the Company and the achievement of targeted excess of total shareholders return growth over total shareholders return growth of the companies comprising HSBC Index, between grant date and vesting dates. The expected future dividends were incorporated in the option fair value determination by adding them back to estimated weighted average price of the company at the corresponding point of time. The program is divided into 3 stages and was effective until 6 April 2011.

The compensation cost related to SARs and the corresponding liability, are set out in the table below:

	SAR 1	SAR 2	NN International incentive plan
Balance at 1 January 2009	-	11	1
Expense arising from SARs granted for the year	41	8	-
Effect of changes in fair value of SARs	-	(2)	-
Forfeited during the year	(1)	(10)	-
Exercised during the year	(1)	(3)	(1)
Balance at 31 December 2009	39	4	-
Expense arising from SARs granted for the year	51	1	-
Effect of changes in fair value of SARs	(3)	1	-
Forfeited during the year	(4)	(2)	-
Exercised during the year	(30)	(2)	-
Balance at 31 December 2010	53	2	-

30. PROVISIONS

	31/12/2010	31/12/2009
Current provisions		
Other provisions	8	44
Total current provisions	8	44
Non-current provisions		
Decommissioning obligations	662	581
Provision for social commitments	209	-
Provision for land restoration	15	12
Total non-current provisions	886	593
Total	894	637

	Decommissioning obligations	Provision for land restoration	Provision for social commitments	Other provisions	Total
Balance at 1 January 2009	554	10	-	51	615
New obligations raised	1	-	-	-	1
Settlements during the year	-	-	-	(20)	(20)
Change in estimate	(43)	-	-	(3)	(46)
Unwinding of discount	38	1	-	2	41
Charge to income statement	-	(1)	-	-	(1)
Effect of translation to presentation currency	31	2	-	14	47
Balance at 31 December 2009	581	12	-	44	637
New obligations raised	-	-	209	-	209
Settlements during the year	-	-	-	(12)	(12)
Change in estimate	43	(1)	-	(24)	18
Disposed on disposal of subsidiaries (refer to note 33)	(22)	-	-	-	(22)
Unwinding of discount	37	1	-	1	39
Effect of translation to presentation currency	23	3	-	(1)	25
Balance at 31 December 2010	662	15	209	8	894

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30. PROVISIONS (CONTINUED)

Environmental obligations

During 2010 and 2009 years, the Group reassessed the estimate of decommissioning obligations for its operations in the Russian Federation due to changes in inflation, discount rates and expected mines closure dates. As a result, decommissioning obligations were recalculated and results were presented as change in estimate.

Key assumptions used in estimation of environmental obligations were as follows:

	31/12/2010	31/12/2009
Discount rates	3.3% – 9.2%	7.0% – 9.4%
Expected closure date of mines	up to 2047	up to 2074

Present value of expected cost to be incurred for settlement of environmental obligations was as follows:

	31/12/2010	31/12/2009
Due from second to fifth year	111	100
Due from sixth to tenth year	249	235
Due from eleventh to fifteenth year	56	48
Due from sixteenth to twentieth year	238	137
Due thereafter	23	73
Total	677	593

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 construction of 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 2012–2020. The provision represents present value of the best estimate of the future outflow of economic benefits to settle these obligations.

31. TRADE AND OTHER PAYABLES

	31/12/2010	31/12/2009
Financial liabilities		
Trade payables	374	243
Payables for acquisition of property, plant and equipment	51	93
Derivative financial liabilities	-	15
Other creditors	126	108
Total financial liabilities	551	459
Non-financial liabilities		
Advances received	48	27
Total non-financial liabilities	48	27
Total	599	486

The maturity profile of the Group's financial liabilities was as follows:

	31/12/2010	31/12/2009
Due within one month	258	255
Due from one to three months	242	155
Due from three to twelve months	51	49
Total	551	459

32. DIVIDENDS

On 28 June 2010, the Company declared a final dividend in respect of the year ended 31 December 2009 in the amount of RUB 210 (USD 6.76) per share. The total amount of USD 1,183 million, recognised in the consolidated financial statements, net of USD 105 million due to Group subsidiaries, was paid to the shareholders during August 2010.

33. DISPOSAL OF SUBSIDIARIES

On 13 December 2010, the Group sold its interest in Stillwater Mining Company, a subsidiary of the Group (refer to note 24).

On 15 November 2010, the Group sold its interest in LLC "Kingashskaya GRK", a subsidiary of the Group, for a cash consideration of USD 58 million. The carrying value of LLC "Kingashskaya GRK" net assets at the date of disposal amounted to USD 9 million.

At the dates of disposals aggregated net assets of the subsidiaries disposed of and gain on disposal were as follows:

	Year ended 31/12/2010
Property, plant and equipment (refer to note 14)	582
Inventories	97
Trade and other receivables	16
Advances paid and prepaid expenses	9
Other financial assets	195
Cash and cash equivalents	57
Loans and borrowings	(179)
Employee benefit obligations	(15)
Environmental obligations (refer to note 30)	(22)
Trade and other payables	(39)
Other taxes payable	(15)
Net assets disposed of	686
Non-controlling interests	(328)
Option premium on convertible notes disposed on disposal of subsidiary	(16)
	342
Gain on disposal before tax	597
Tax thereon	(200)
Gain on disposal after tax	397
Proceeds from disposal of subsidiary, net off transaction costs	939
Less: Cash and cash equivalents disposed of	(57)
Plus: Transaction cost payable	10
Net cash inflow from disposal of subsidiaries	892

Management of the Group determined that the sale of LLC "Kingashskaya GRK" does not constitute a discontinued operation.

Gain on disposal of Stillwater Mining Company in the amount of USD 548 million was recognised as a part of losses for the year from discontinued operations. Gain on disposal of LLC "Kingashskaya GRK" in the amount of USD 49 million was recognised within other net operating expenses.

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34. 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	Sale of goods and services		Purchase of goods and services	
	Year ended 31/12/2010	Year ended 31/12/2009	Year ended 31/12/2010	Year ended 31/12/2009
Entities under common ownership and control of the Group's major shareholders	14	16	49	80
Associates of the Group	11	11	314	117
Total	25	27	363	197

During 2010, the Group made contributions into equity of Nkomati Nickel Mine, associate of the Group, in the amount of USD 17 million (2009: USD 88 million) according to the terms of the partnership agreement between the joint venture parties (refer to note 17).

During the year ended 31 December 2010 and 2009, the Group did not provide loans to entities under common ownership and control of the Group's major shareholders and to associates of the Group.

Interest income received by the Group from entities under common ownership and control of the Group's major shareholders amounted to USD nil million and from associates of the Group amounted to USD 1 million for the year ended 31 December 2010 (2009: USD nil million and USD 1 million, respectively).

Outstanding balances with related parties	Accounts receivable, investments and cash		Accounts payable, loans and borrowings received	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009
Entities under common ownership and control of the Group's major shareholders	12	15	3	4
Associates of the Group	2	1	68	17
Total	14	16	71	21

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, government regulator responsible for establishing and monitoring prices on the utility and telecommunication markets in the Russian Federation.

Compensation of key management personnel

Remuneration of key management personnel of the Group was as follows:

	Year ended 31/12/2010	Year ended 31/12/2009
Salary and performance bonuses	65	54
Termination benefits	4	1
Total	69	55

35. COMMITMENTS

Capital commitments

At 31 December 2010, contractual capital commitments amounted to USD 775 million (2009: USD 2,158 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 2033. 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.

At 31 December 2010, the Group entered into five aircraft lease agreements (2009: three). 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:

	31/12/2010	31/12/2009
Due within one year	32	30
From one to five years	113	103
Thereafter	40	76
Total	185	209

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 programs, benefit the community at large and are not normally restricted to the Group's employees.

The Group's commitments will be funded from its own cash resources.

36. CONTINGENCIES

Litigation

At 31 December 2010, unresolved tax litigation amounted to approximately USD 18 million (2009: USD 39 million). Management believes that the risk of an unfavourable outcome of the litigation is possible.

In addition, the Group had a number of claims and litigations relating to sales and purchases of goods and services. Management believes that none of these claims, individually or in aggregate, will have a material adverse impact on the Group.

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 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.

36. CONTINGENCIES (CONTINUED)

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 estimates that in case of adverse resolution of uncertainties in relation to such tax matters, the Group's obligations as at 31 December 2010 may amount to USD 125 million (2009: USD 269 million). No provision has been recorded in these consolidated financial statements in relation to such exposures.

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 formation and disposal of production wastes.

The Group's 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 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. 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 and political systems.

37. 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.

The Group is subject to external capital requirements imposed by banks on certain loans, such as gearing ratio of not exceeding 75%. During 2010 the Group complied with external capital 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 treasury function. The Group has adopted and documented policies covering specific areas, such as market risk management system, credit risk management system, liquidity risk management system and 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. Based on these scenarios, the Group is able to calculate the financial impact of an interest rate shift of 2 percentage points. The table below details the Group's sensitivity to a 2 percentage points 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 balance sheet date was outstanding for the whole year.

	LIBOR-impact	
	Year ended 31/12/2010	Year ended 31/12/2009
Loss	41	89

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 management of the Group 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 2010 and 2009 were as follows:

	Assets		Liabilities	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009
USD	5,850	3,581	2,364	5,246
EURO	62	742	69	100
Other currencies	23	13	15	28
Total	5,935	4,336	2,448	5,374

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 Group entities with functional currency 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.

	US Dollar – impact	
	31/12/2010	31/12/2009
USD/RUB	(669)	359
USD/BWP	(28)	(25)

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37. FINANCIAL RISK MANAGEMENT (CONTINUED)

Management has assessed the Group's exposure to currency risk to be at an acceptable level and thus no exchange rate hedges are used.

Credit risk

Credit risk refers to the risk that 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 publically available information.

The balances of ten major counterparties are presented below. The banks have a minimum BBB credit rating.

	Outstanding balance	
	31/12/2010	31/12/2009
Bank A	1,787	1,207
Bank B	1,131	1,112
Bank C	831	826
Bank D	484	243
Bank E	270	163
Total	4,503	3,551
Company A	292	247
Company B	134	54
Company C	81	45
Company D	48	33
Company E	40	15
Total	595	394

The Group is not economically dependent on a limited number of customers because 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 31/12/2010			Year ended 31/12/2009		
	Number of customers	Turnover, USD million	%	Number of customers	Turnover, USD million	%
Largest customer	1	1,441	11	1	744	9
Next 9 largest customers	9	4,181	33	9	2,622	30
Total	10	5,622	44	10	3,366	39
Next 10 largest customers	10	1,631	13	10	999	12
Total	20	7,253	57	20	4,365	51
Remaining customers		5,522	43		4,177	49
Total		12,755	100		8,542	100

The Group believes that there is no significant concentration of credit risk.

The maximum exposure to credit risk for cash and cash equivalents, loans and trade and other receivables is as follows:

	31/12/2010	31/12/2009
Cash and cash equivalents	5,405	3,632
Loans, trade and other receivables	1,797	2,139

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, 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 31) based on contractual undiscounted payments, including interest:

31/12/2010	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	751	6	125	131	-	487	2	-	-
Interest	91	3	7	27	34	20	-	-	-
	842	9	132	158	34	507	2	-	-
Floating rate bank loans									
Principal	2,046	10	291	673	849	36	36	36	115
Interest	33	2	4	12	6	3	2	2	2
	2,079	12	295	685	855	39	38	38	117
Total	2,921	21	427	843	889	546	40	38	117

31/12/2009	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	857	6	124	375	250	-	-	2	100
Interest	76	3	6	16	8	4	4	4	31
	933	9	130	391	258	4	4	6	131
Floating rate bank loans									
Principal	4,460	10	219	2,238	950	819	36	36	152
Interest	66	4	7	23	14	6	3	3	6
	4,526	14	226	2,261	964	825	39	39	158
Total	5,459	23	356	2,652	1,222	829	43	45	289

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37. FINANCIAL RISK MANAGEMENT (CONTINUED)

At 31 December 2010 and 2009, the Group had following financing facilities for the management of its day to day liquidity requirements:

	31/12/2010	31/12/2009
Committed credit lines	2,255	5,465
Uncommitted credit lines	1,113	1,049
Bank overdraft facilities	410	382
Total borrowing facilities	3,778	6,896
Less: Outstanding letters of credit	(235)	(221)
Less: Obtained bank loans related to the above facilities	(2,255)	(5,160)
Net facilities available at the end of the year	1,288	1,515

38. FAIR VALUE OF FINANCIAL INSTRUMENTS

Management believes that the carrying value of financial instruments such as cash (refer to note 23), short-term accounts receivables (refer to note 21) and payables (refer to note 31), short-term loans given (refer to note 18), long-term available-for-sale investments (refer to note 18) values of which 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 2010 the fair value of short-term promissory notes receivable and bonds calculated based on the present value of future cash flow, discounted at the best management estimation of market rates, does not significantly differ from carrying value of these notes.

At 31 December 2010 the estimated fair value of convertible notes receivable (refer to note 18) was USD 93 million. The Group used external inputs such as quoted prices for similar assets in active markets to determine the fair value of these convertible notes.

	31/12/2010		31/12/2009	
	Carrying value	Fair value	Carrying value	Fair value
Loans and borrowings, including:				
Variable-rate loans and borrowings	2,060	2,036	4,468	4,351
Fixed-rate loans and borrowings	250	251	750	751
Fixed-rate notes and corporate bonds	487	486	99	98
Total	2,797	2,773	5,317	5,200

The fair value of financial assets and liabilities presented in table above is determined as follows:

- the fair value of fixed rate guaranteed convertible notes and 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 2010, was calculated based on the present value of future cash flow (principle 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 1.64% to 2.64% for USD-denominated loans and borrowings (2009: from 2.67% to 3.51%).

The following table provides an analysis of 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.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurement 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.

	31/12/2010			Total
	Level 1	Level 2	Level 3	
Financial assets				
Available-for-sale investments in securities	794	-	-	794
Available-for-sale investment in convertible notes	-	93	-	93
Derivative financial instruments	-	9	-	9
Total	794	102	-	896

	31/12/2009			Total
	Level 1	Level 2	Level 3	
Financial assets				
Available-for-sale investments in securities	819	-	1	820
Financial liabilities				
Derivative financial instruments	-	15	-	15

39. EVENTS SUBSEQUENT TO THE REPORTING DATE

Disposal of shares of OAO OGK-3

On 18 March 2011 MMC Norilsk Nickel signed a contract with ZAO INTER RAO Capital to exchange its OAO OGK-3 shares into shares of OAO INTER RAO UES. The Company's holding in OAO OGK-3 was reduced to nil. After the completion of the additional share issue the Group's holding in OAO INTER RAO UES reached 14.2%.

Completion of share buy-back programme

On 4 April 2011 Corbiere Holdings Limited ("Corbiere") announced that it had completed its previously announced share buy-back and acquired 13,067,302 Common Shares, including Common Shares represented by ADRs, constituting in the aggregate approximately 6.85% of the issued and outstanding common stock of MMC Norilsk Nickel. On 5 April 2011 Corbiere Holdings Limited announced that it was commencing open market purchases of common stock of OJSC MMC Norilsk Nickel, for an aggregate consideration of up to USD 1.2 billion.

Dividends

On 21 June 2011, the Company declared a final dividend in respect of the year ended 31 December 2010 in the amount of RUB 180 (USD 6.39) per share.

Borrowings

In June 2011, a subsidiary of the Group has obtained credit facility of up to USD 800 million from a group of banks with leading positions in the international capital markets. The credit facility is available over the period of 12 months.

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40. INVESTMENTS IN SIGNIFICANT SUBSIDIARIES AND ASSOCIATES

Subsidiaries by business segments	Country	Nature of business	Effective % held	
			31/12/2010	31/12/2009
Mining and metallurgy				
OJSC "RAO "Norilsk Nickel"	Russian Federation	Investment holding	100.0	100.0
CJSC "Normetimpex"	Russian Federation	Distribution	100.0	100.0
OJSC "Kolskaya Mining and Metallurgical Company"	Russian Federation	Mining	100.0	100.0
LLC "Institut Gypronickel"	Russian Federation	Science	100.0	100.0
OJSC "Norilsky Kombinat"	Russian Federation	Rental of equipment	100.0	100.0
OJSC "Kombinat "Severonickel"	Russian Federation	Rental of equipment	100.0	100.0
OJSC "Mining and Metallurgical Plant "Pechenganickel"	Russian Federation	Rental of equipment	100.0	100.0
LLC "Norilskgeologiya"	Russian Federation	Geological works	100.0	100.0
LLC "GRK "Bystrinskoye"	Russian Federation	Mining	100.0	100.0
Norilsk Nickel (Asia) Limited	China	Distribution	100.0	100.0
Norimet Limited	Great Britain	Investment holding	100.0	100.0
Norilsk Nickel Europe Limited	Great Britain	Distribution	100.0	100.0
Norilsk Nickel Finance Luxembourg S.A.	Luxembourg	Financing	100.0	100.0
Norilsk Nickel Holding S.A.	Switzerland	Investment holding	100.0	100.0
Metal Trade Overseas S.A.	Switzerland	Distribution	100.0	100.0
Norilsk Nickel USA	United States of America	Distribution	100.0	100.0
Norilsk Nickel (Cyprus) Limited	Cyprus	Investment holding	100.0	100.0
Norilsk Nickel Harjavalta Oy	Finland	Metallurgy	100.0	100.0
Norilsk Nickel Finland Oy	Finland	Investment holding	100.0	100.0
Norilsk Nickel Cawse Pty Limited	Australia	Mining	100.0	100.0
MPI Nickel Limited	Australia	Mining	100.0	100.0
Norilsk Nickel Australia Pty Limited	Australia	Mining	100.0	100.0
Norilsk Process Technology Pty Limited	Australia	Science	100.0	100.0
Tati Nickel Mining Company Pty Limited	Botswana	Mining	85.0	85.0
Norilsk Nickel Africa Pty Limited	Republic of South Africa	Mining	100.0	100.0

Subsidiaries by business segments	Country	Nature of business	Effective % held	
			31/12/2010	31/12/2009
Other				
OJSC "Taimyrgaz"	Russian Federation	Gas extraction	98.7	98.7
OJSC "Norilsko-Taimyrskaya Energeticheskaya Kompaniya"	Russian Federation	Electricity production and distribution	100.0	100.0
OJSC "Taimyrenergo"	Russian Federation	Rental of equipment	100.0	100.0
OJSC "OGK-3" ¹	Russian Federation	Electricity production and distribution	82.7	82.7
OJSC "Enisey River Shipping Company"	Russian Federation	River shipping operations	46.9	46.9
OJSC "Arkhangelsk Sea Commercial Port"	Russian Federation	Sea port	74.8	74.8
LLC "Aeroport Norilsk"	Russian Federation	Airport	100.0	100.0
CJSC "Taimyrskaya Toplivnaya Kompaniya"	Russian Federation	Supplier of fuel	100.0	100.0
LLC "Norilsknickelremont"	Russian Federation	Repairs	100.0	100.0
LLC "UK "Zapolyarnaya stolitsa"	Russian Federation	Subcontractor in construction	100.0	100.0
LLC "Zapolyarnaya stroitel'naya kompaniya"	Russian Federation	Construction	100.0	100.0
LLC "Norilskiy obespechivaushiyi complex"	Russian Federation	Production of spare parts	100.0	100.0
Stillwater Mining Company ²	United States of America	Mining	-	51.7
Associates by business segments				
Mining and metallurgy				
Nkomati Nickel Mine	Republic of South Africa	Mining	50.0	50.0
Other				
RUSIA Petroleum ¹	Russian Federation	Gas extraction	20.7	20.7
OJSC "Norilskgazprom"	Russian Federation	Gas extraction	29.4	29.4
OJSC "KTK"	Russian Federation	Steam and hot water production	50.0	50.0

(1) At 31 December 2010 classified as asset held for sale (refer to note 25).

(2) Disposed in 2010 (refer to note 33).

Appendix 1

Glossary

Acid leaching

Leaching using acids (acid solutions) as reagents.

ADR

American Depositary Receipt; a security representing the right of ownership in the deposited securities of a foreign company, certified by receipts issued by a US depositary bank.

Agglomerate

Sintered ore produced in the process of agglomeration.

Agglomeration

A method of formation of relatively large porous blocks (agglomerates) from fine ore or powder ore by sintering (roasting) of ore. In this process, easily fusible materials fix solid particles with each other while getting harder.

Anode

Crude metal (nickel or copper) obtained from anode smelting and fed for electrolytic refining (electrolysis) whereby it is dissolved.

Blasting operations

Detonating explosives in natural rock formations for the purpose of controlled destruction and removal or changing its structure and form.

Cake

Solid residue from pulp filtering received as a result of 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 prevailing metal (copper, nickel, etc.).

Concentration

Artificial improvement in the mineral grades in the rock for metallurgic purposes by removing a major portion of waste rock not containing any beneficial minerals.

Conversion

Autogenous pyrometallurgical process, where ferrous and other detrimental impurities are oxidized 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% sulfides. Mineralization is as follows: nickel 0.2-2.5%, copper 1-15%, platinum group metals 5-50 g/t.

Deposit stripping

Permanent mining that opens access to the entire mineral deposit from the surface or part of it, and precedes preparatory mining.

Dilution

Contamination of a mineral resource with non-commercial grades and surrounding formations which leads to decreased content of a useful component in the mined material as compared to its original content. Dilution results in increased mining and transportation costs of the mineral resource, and deterioration of the technical and economic performance of enrichment plants. The level of dilution depends on the mode of occurrence, equipment used, development methods and mining work organization. For ore deposits with favorable geological conditions the dilution factor may be up to 10%, and goes up to 35-40% for difficult occurrence positions.

Disseminated ores

Ores containing 5 to 30% sulfides, 0.2 to 1.5% nickel, 0.3 to 2% copper, 2 to 10 g/t 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.

Extracted ore

Natural minerals containing metals or their compounds in economically valuable amounts and forms.

Filtration

The process of reducing the moisture of the concentrates 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 oxidizer (air, oxygen) which suspends particles of melted metal. The heat generated by the oxidizing 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. The minerals that moisten well do not attach to the bubbles and remain in the pulp. In this way, the metals are separated.

Gas condensate

Product produced from natural gas fields and representing a mixture of hydrocarbon liquids.

Heap leaching

Leaching is conducted at a specific artificial or natural sites with impermeable ground, by spraying piles (heaps) of ore with chemical solutions.

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.

Horizon

All workings located along a specific layer and designated for mining.

Indicated mineral resources

Resources representing that part of mineral resources from which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.

Inferred mineral resources

Resources representing that part of mineral resources from which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which is limited or of uncertain quality and reliability.

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 sulfides and non-ferrous metals with varying chemical composition. Matte is the main product in which precious and auxiliary metals are accumulated.

Measured mineral resources

Resources representing that part of mineral resources from which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and/or grade continuity.

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).

Metal grade

Ratio of the amount of metal in the material and the total gross weight of the material, expressed as percentage or grams per ton (g/t).

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.

Mineral resources

A concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economically viable extraction.

Mine workings

The general term for parts of a mine or quarry that have been excavated during mining.

Open mining

The process of extracting minerals by surface excavations.

Ore body

Natural occurrence of ores linked to a certain structural and geologic element or a combination of such elements.

Ore mixture

A mixture of materials in a certain proportion needed to achieve the required chemical composition in an end product. The metallurgical ore mixture may include ores, ore concentrates and agglomerates, return slag, dust from dust collecting units, metals (mostly in scrap).

Ore reserve

The economically mineable part of a measured or indicated mineral resource. It includes diluting materials and allowances for losses, which may occur when the material is mined.

Oxide

A compound of a chemical element with oxygen.

Probable ore reserves

The economically mineable part of an indicated, and in some circumstances, a measured mineral resource. It includes diluting materials and allowances for losses which may occur when the material is mined.

Proven ore reserves

Ore reserves that represent the economically mineable part of a measured mineral resource. It includes diluting materials and allowances for losses which may occur when the material is mined.

Appendix 1

Glossary

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 through their separation and removing impurities.

Rich ores

High-sulfide grade (over 70%) ores. Mineralization is as follows: nickel – 2-5%, copper – 2-25%, platinum group metals – 5-100 g/t.

Roasting

A process performed upon heating and keeping various materials (ores, concentrates and 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.

Skip

A device in the form of an automatically unloading case that is moved along the pulleys of a skip-winding machine, designed to transport minerals or rock along vertical and reclining shafts to elevate an ore mixture.

Slag

Melted or solid substance with a varying composition covering the liquid product in the course of metallurgical processes (obtained from melting of ore mixture, processing of melted intermediate products and metal refining) and including waste rock, fluxing substances, fuel ash, sulfides and metal oxides, products of interaction between processed materials and lining of melting facilities.

Sludge

Powder product containing precious metals precipitated during electrolysis of copper and other metals.

Smelting

A pyrometallurgical process performed at temperatures enabling the complete melting of the processed metal.

Suction system

A mechanical device used to draw away (remove by force of suction) pollutant emissions and gases from workplaces and obtain samples of air or gas to test its contents and dust condition.

Sulfides

A compound of metals and sulfur.

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 (sub-surface) mining

A set of 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 oxidizing reaction is actively used in the process.

Waste heat boiler (WHB)

A heat-retrieval unit used to produce steam without a furnace using the hot byproduct gas from metallurgic operations, industrial furnaces, power generators or combustion engines.

Appendix 1

Abbreviations and acronyms

ARM

African Rainbow Minerals

AUD

Australian Dollar

BWP

Botswana Pula

Company

Open Joint-Stock Company Mining and Metallurgical Company Norilsk Nickel

CHOP

Private Security Company

CRU

Commodities Research Unit – a consultancy specializing in metal market research

CUSIP

Committee on Uniform Securities Identification Procedures
Identification code assigned to securities issues in the USA and Canada

DMS

Dense Media Separation – technology for concentration in difficult environments

ESPC

Enriched Stored Pyrrhotite Concentrate

FCSM

Federal Commission on Securities Markets

FFMS

Federal Financial Markets Service

GFMS

Gold Fields Mineral Services – a consultancy specializing in metal market research

Group

Open Joint-Stock Company Mining and Metallurgical Company Norilsk Nickel and its subsidiary companies

IFRS

International Financial Reporting Standards

IISI

International Iron and Steel Institute

IOB

International Order Book
London Stock Exchange market trading in the most liquid international securities

ISIN

International Securities Identification Number
A unique 12-digit alphanumerical code to identify a security assigned by national numbering agencies

ISO

International Standardization Organization

JORC Code

Australasian code for the reporting of reserves of ores and metals developed by the Australasian Institute for Mining and Metallurgy, the Australian Institute of Geoscientists and Australasian Joint Ore Reserves Committee

KZCM

OJSC “Krasnoyarsky Zavod Cvetnykh Metallov” (Krasnoyarsk Non-Ferrous Metal Plant)

LionOre

LionOre Mining International Ltd

MICEX

Moscow Interbank Currency Exchange

Micon

Micon International Co Ltd

MMC

Mining and Metallurgical Company

MMC Norilsk Nickel

Open Joint-Stock Company Mining and Metallurgical Company Norilsk Nickel

MSA

Matte Separation Area

Norilsk Nickel

Open Joint-Stock Company Mining and Metallurgical Company Norilsk Nickel and its subsidiary companies

OGK

Wholesale Generating Company

OTC MARKET

Over the Counter Market (USA)

NOF

Norilsk Enrichment Plant

PGM

Platinum group metals in a complex or in any combination of platinum, palladium, rhodium, ruthenium, osmium and iridium

RAS

Russian Accounting Standards

RTS

Russian Trading System

SEC

US Securities and Exchange Commission

SEDOL

Stock Exchange Daily Official List
A 7 digit alphanumerical identification code assigned to all securities traded on the UK's organized securities market

SPC

Stored Pyrrhotite Concentrate

TOF

Talnakh Enrichment Plant

TGK

Territorial Generating Company

WBMS

World Bureau of Metal Statistics

Appendix 2

Measurement Units
Conversion**Length**

1 kilometer = 0.6214 miles
 1 meter = 3.2808 feet
 1 centimeter = 0.3937 inches

1 mile = 1.609344 kilometers
 1 foot = 0.3048 meters
 1 inch = 2.54 centimeters

Area

1 square meter = 10.7639 square feet
 1 square kilometer = 0.3861 square miles
 1 hectare = 2.4710 acres

1 square foot = 0.09290304 square meters
 1 square mile = 2.589988 square kilometers
 1 acre = 0.4046873 hectares

Weight

1 kilogram = 2.2046 pounds
 1 metric tonne = 1,000 kilograms
 1 short ton = 907.18 kilograms
 1 troy ounce = 31.1035 grams

1 pound = 0.4535924 kilograms
 1 gram = 0.03215075 troy ounces

Contact Information

Corporate website

www.nornik.ru

Investor Relations Department

Alexey Ivanov
 Director of Investor Relations

Sergey Belyakov
 Deputy Head of Investor Relations

Address: 22 Voznesensky Pereulok,
 Moscow, 125993, Russia
 Tel.: +7 (495) 786-83-20
 Fax: +7 (495) 797-86-13
 E-mail: ir@nornik.ru

ADR Depository

The Bank of New York Mellon
 Depository Receipts Division
 101 Barclay Street, 22nd Floor West,
 New York, NY 10286
 Tel.: +1 (212) 815-22-93
 Fax: +1 (212) 571-30-50/1/2
 Website: www.bnymellon.com

Auditors

LLC Rosexpertiza
 Address: 11 Mashi Poryvaevoy Ul,
 Moscow, 107078, Russia
 Tel.: +7 (495) 721-38-83
 Fax: +7 (495) 971-38-94
 E-mail: rosexp@online.ru
 Website: www.rosexpertiza.ru

CJSC KPMG

Address: Naberezhnaya Tower Complex,
 Block C,
 10 Presnenskaya Nab.,
 Moscow, 123317, Russia
 Tel.: +7 (495) 937-44-77
 Fax: +7 (495) 937-44-99
 E-mail: moscow@kpmg.ru
 Website: www.kpmg.com/ru

Registrar

CJSC Computershare Registrar
 (National Registration Company prior to August 2010)

FCSM License
 No. 10-000-1-00252, dated 6 September 2002,
 valid indefinitely
 Website: www.nrcreg.ru

Central Office:

Address: Kutuzoff Tower Business Centre,
 8 Ivana Franko Ul,
 Moscow, 121108, Russia
 Tel.: +7 (495) 926-81-60
 Fax: +7 (495) 926-81-78
 E-mail: info@nrcreg.ru

Helpdesk operating hours:

Monday-Thursday from 10:00 to 16:30,
 Friday from 10:00 to 15:00

Norilsk Division

Address: 16 Leninsky Prospekt,
 Norilsk, Krasnoyarsky Krai, 663301,
 Russia
 Tel.: +7 (3919) 462-817
 Fax: +7 (3919) 426-163

Helpdesk operating hours:

Monday-Thursday from 10:00 to 17:00,
 Friday from 10:00 to 16:00,
 Lunch break from 13:00 to 14:00

Krasnoyarsk Division

Address: Office 205, 113 Lenina Ul,
 Krasnoyarsk, 660017, Russia
 Tel.: +7 (391) 274-60-63, 274-60-73
 E-mail: krasnoyarsk@nrcreg.ru

Helpdesk operating hours:

Monday-Friday from 9:00 to 13:00

Other
Publications

**MMC Norilsk Nickel Corporate Social
Responsibility Report**

<http://www.nornik.ru/en/investor/report/>

Norilsk Nickel Magazine

<http://www.nornik.ru/press/magazine/>

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E-mail: ir@nornik.ru

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