

**REPORT OF THE BOARD OF DIRECTORS
OF MMC NORILSK NICKEL
containing the motivated position of the Company's Board of Directors
with regard to issues included in the agenda of the Company's
Annual General Meeting of Shareholders
on June 30, 2008**

1. Approval of the Annual Report, Annual accounting statements including profit and loss statement, distribution of profits and losses of MMC Norilsk Nickel for 2007.

Recommendation:

The Board of Directors recommends approving the Annual Report and Annual accounting statements including profit and loss statement of MMC Norilsk Nickel for 2007.

Position of the Board of Directors:

The Board of Directors preliminarily reviewed the Annual Report and Annual accounting statements for the year 2007. Also the Board of Directors reviewed the opinion of the Company's auditor, OOO Rosexpertiza, regarding consolidated accounting statements of MMC Norilsk Nickel based on Russian Accounting Standards (RAS), the opinion of MMC Norilsk Nickel's Revision Commission on the Company's performance in 2007 and the opinion of Deloitte & Touche CIS auditors regarding consolidated annual financial statements of the Group based on International Financial Reporting Standards (IFRS). IFRS financial statements were preliminarily reviewed by the Audit Committee of the Company's Board of Directors.

Having reviewed the information and based on the opinions of aforementioned auditors, members of the Board of Directors share the opinion that RAS and IFRS financial statements have been prepared in accordance with relevant rules and procedures and that they reflect the financial standing of the Company in 2007.

The Annual Report was prepared in accordance with the Federal Law *On Joint Stock Companies* and inconformity with recommendations contained in Regulation of FCSM No. 17/пс dated May 31, 2002 regarding the contents of Annual Reports, recommendations of the Corporate Governance Code and the Regulation of the Russian FCSM dated April 30, 2003 No. 03-849/p regarding the contents of the report reflecting compliance with the Corporate Governance Code.

2. Dividends payable on the shares of MMC Norilsk Nickel for 2007.

Recommendation:

The Board of Directors recommends approving 2007 dividends in the amount of RUB 220 per ordinary share taking into account the previously paid interim dividends on ordinary registered shares of MMC Norilsk Nickel for the 9 months of 2007 in the amount of RUB 108 per share.

Position of the Board of Directors:

The year 2007 saw high prices for non-ferrous and precious metals produced by MMC Norilsk Nickel. Average LME prices for metals in 2007 were higher against 2006 prices with growth figures as shown below:

- 53% to USD 37,181 for Ni;
- 6% to USD 7,126 for Cu;
- 11% to USD 355 for Pd;

– 14% to USD 1,303 for Pt.

In the reported year the Company has shown high financial results. 2007 net profit is expected at USD 5.3 billion and the profit figure of USD 7.2 billion is expected before goodwill depreciation.

Taking into account the financial results achieved in the reported year the Board of Directors recommends that the Annual General Meeting of Shareholders of the Company approve 2007 dividends in the amount of RUB 220 per ordinary share.

The proposed amount of dividend is in compliance with the Company's dividend policy, according to which the Company pays 20-25% of its IFRS annual net profit in dividends.

Taking into account that the Company has already paid interim dividends for 9 months of 2007, the additional dividend will amount to RUB 112 per ordinary share of the Company.

3. Elections to the Board of Directors of MMC Norilsk Nickel.

Recommendation:

The Board of Directors recommends supporting the election of independent directors as per recommendations issued by Institutional Shareholder Services Governance Service – ISS.

Position of the Board of Directors:

All candidates to the Board of Directors of MMC Norilsk Nickel are prominent professionals capable of boosting efficiency of the Board of Directors' performance in carrying out its duties through application of their business experience and knowledge in such areas as finance, production and strategy. The Board of Directors is of the opinion that Board membership of independent directors corresponds to the interests of MMC Norilsk Nickel.

4. Elections to the Revision Commission of MMC Norilsk Nickel.

Recommendation:

The Board of Directors recommends electing the candidates whose names are listed in the voting ballot to the Revision Commission.

Position of the Board of Directors:

In accordance with the Charter of MMC Norilsk Nickel (p. 12.2.) the number of Revision Commission members is 5.

All candidates to the Revision Commission are recognized professionals who will contribute their experience in business and knowledge in accounting, finances and managing financial and economic operations to improve the performance of the Revision Commission in addressing its objectives.

5. Approval of the Auditor of the Russian accounting statements of MMC Norilsk Nickel.

Recommendation:

The Board of Directors recommends approving the appointment of OOO Rosexpertiza as the Auditor of Russian accounting statements of MMC Norilsk Nickel for 2008.

Position of the Board of Directors:

OOO Rosexpertiza was annually selected as the Auditor of MMC Norilsk Nickel and Norilsk Nickel Group entities through the period of 1997-2007.

OOO Rosexpertiza specializes in rendering its services to major organizations that operate in fundamental sectors of the Russian economy including oil & gas, mining and metals production, energy, nuclear plants, machine and instrument engineering (including military industrial operations), transport and communications, trade, credit and finance.

OOO Rosexpertiza offers its extensive experience in providing audit and consulting services to customers in metals production and machine engineering.

6. Amendments to the Charter of MMC Norilsk Nickel.

Recommendation:

The Board of Directors recommends approving amendments to the Charter of MMC Norilsk Nickel.

Position of the Board of Directors:

All of the proposed amendments are aimed at improving corporate governance and correspond to best international practices and to the interests of shareholders.

7. Adoption of the Regulations on the Board of Directors of MMC Norilsk Nickel.

Recommendation:

The Board of Directors recommends to adopt the Regulations on the Board of Directors of MMC Norilsk Nickel.

Position of the Board of Directors:

The changes included in the new version of the Regulations on the Board of Directors are aimed at improving corporate governance and they correspond to best international practices and to the interests of shareholders.

8. Remuneration and reimbursement of expenses of Independent Directors – members of the Board of Directors of MMC Norilsk Nickel.

Recommendation:

The Board of Directors recommends establishing that the basic amount of remuneration to be paid to an Independent Director shall be RUB 1,250,000 per quarter, and that their expenses shall be reimbursed upon presentation of documental proof in the amount of up to RUB 2 million a year. In addition, if an Independent Director presides over a Board Committee (Committees), the additional remuneration in the amount of RUB 625,000 per quarter shall be paid to such Independent Director for each of the

Committees, over which he/she presides. It is advisable to establish the term for the aforementioned remunerations from July 1, 2008 and to the date, on which the term of the respective Independent Director will end and/or until he/she ceases to carry out his/her professional duties as Chairman of the Committee (respectively). The Board of Directors recommends to pay to Independent Director – Chairman of the Independent Directors Committee remuneration in the amount of RUB 500,000 per quarter for the period from January 1, 2008 to June 30, 2008 in addition to the above remunerations.

The Board of Directors also considers it necessary to complement the compensations package for independent members of the Board of Directors of MMC Norilsk Nickel through introducing a remuneration that will depend on the Company's performance in the form of the Independent Directors Remuneration Program – Options Plan, and to establish the term of the Program for the period from July 1, 2008 to June 30, 2009 or until the end of term of each respective Independent Director.

Position of the Board of Directors:

In accordance with the Federal Law *On Joint Stock Companies* (p. 2 Art. 64), the General Meeting of Shareholders is authorized to approve remuneration amounts to be paid to members of the Board of Directors and to approve the amount of compensations for expenses incurred by directors in relation to carrying out their functions in this capacity. The proposed remuneration and compensation amounts for independent members of the Board of Directors are established based on international corporate practices and taking into account the experience of major Russian companies (including reviews and statistical data provided by the Russian Directors Institute and by the Association of Independent Directors) and based on the results of analysis held by Ernst&Young consultants in relation to existing market practices regarding remunerations for Independent Directors

9. The value of property being the subject of Indemnity Agreements with members of the Board of Directors and the Management Board of MMC Norilsk Nickel.

Recommendation:

The Board of Directors recommends to establish that the value of property being the subject of interrelated transactions to indemnify members of the Board of Directors and members of the Management Board of MMC Norilsk Nickel against damages the aforementioned persons may incur in their respective positions mentioned above shall not exceed USD 115,000,000 (one hundred fifteen US dollars) for each transaction.

10. Approval of interrelated interested party transactions whereby the members of the Board of Directors and the Management Board of MMC Norilsk Nickel shall be indemnified against damages.

Recommendation:

The Board of Directors recommends approving interrelated transactions, to which all members of the Board of Directors and members of the Management Board of MMC Norilsk Nickel are interested parties, and which involve the obligations of MMC Norilsk Nickel to indemnify members of the Board of Directors and members of the Management Board of MMC Norilsk Nickel against damages the aforementioned persons may incur in their respective positions mentioned above that shall not exceed USD 115,000,000 (one hundred fifteen million US dollars) for each such person.

Position of the Board of Directors:

The mechanism of officials' liability insurance involves entering into Indemnity Agreements between MMC Norilsk Nickel and each member of the Board of Directors and the Management Board. The aforementioned Indemnity Agreements set forth MMC Norilsk Nickel's obligations to indemnify members of the Board of Directors and the Management Board against damages they may incur as a result of their appointments to corresponding posts. The Company's indemnification payments will be repaid by insurance agents in the total amount of up to USD 115,000,000 (one hundred fifteen million US dollars)

11. The cost of liability insurance services for members of the Board of Directors and the Management Board of MMC Norilsk Nickel.

Recommendation:

The Board of Directors recommends establishing that the cost of liability insurance services for members of the Board of Directors and members of the Management Board of MMC Norilsk Nickel with liability limited to USD 150,000,000 (one hundred fifty million US dollars) and additional insurance coverage limit of USD 50,000,000 (fifty million US dollars) shall not exceed USD 1,400,000 (one million four hundred thousand US dollars).

12. Approval of the interested party transaction related to liability insurance for members of the Board of Directors and the Management Board of MMC Norilsk Nickel.

Recommendation:

The Board of Directors recommends approving the transaction, to which all members of the Board of Directors and members of the Management Board of MMC Norilsk Nickel are interested parties, related to liability insurance by Russian insurance company for members of the Board of Directors and members of the Management Board of MMC Norilsk Nickel who will be beneficiary parties to the transaction, for the one-year term with liability limited to USD 150,000,000 (one hundred fifty million US dollars) and additional insurance coverage limit of USD 50,000,000 (fifty million US dollars) and with premium to insurer not exceeding USD 1,400,000 (one million four hundred thousand US dollars).

Position of the Board of Directors:

The Corporate Governance Code approved by Order of FCSM dated April 4, 2002 No. 421/p advises that joint stock companies at their own expense secure insurance for liability of members of the board of directors to ensure that in situations where the company or third parties incur damages as a result of actions taken by members of the board of directors such damages could be reimbursed by insurance agents. In accordance with estimates of the FCSM and with sustainable international practices, liability insurance for members of the board of directors help raise efficiency of civil liability and entice highly competent professionals into board membership. The amount of premium to insurer will not exceed USD 1,400,000 (one million four hundred thousand US dollars)