



**NORILSK NICKEL**



**Global Metals & Mining Leader**

**VTB Capital Investment Forum: *Russia Calling***  
**5-7<sup>th</sup> October 2010**

# Disclaimer

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# Norilsk Nickel at a Glance

## Key Highlights

- World leader in nickel and palladium with top 5 positions in platinum, cobalt and rhodium and a strong presence in copper
- Long-life, low-cost, vertically integrated producer
- Strong portfolio of growth opportunities both domestically and internationally
- Sound financial position with Net debt/LTM EBITDA of 0.16x
- Strong financial performance in 1H 2010 with revenue growth of 68% vs 1H 2009 and EBITDA margin improvement to 49% vs 34% in 1H 2009

## Extensive Worldwide Operations



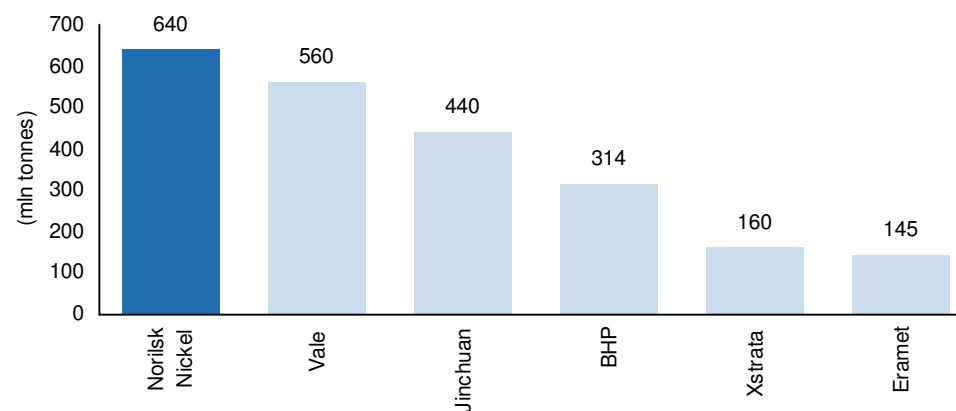
Source: Company data

## Key financials

US\$m	2006	2007	2008	2009	1H2009	1H2010
Revenue	11,923	17,119	13,980	10,155	4,078	6,837
EBITDA	7,748	10,253	5,807	4,416	1,398	3,379
<i>margin (%)</i>	<i>65</i>	<i>60</i>	<i>42</i>	<i>43</i>	<i>34</i>	<i>49</i>
Net income	5,965	5,276	(555)	2,651	439	2,345
<i>margin (%)</i>	<i>50</i>	<i>31</i>	<i>nm</i>	<i>26</i>	<i>11</i>	<i>34</i>

Source: Company data

## P&P reserves of nickel ore<sup>1</sup>



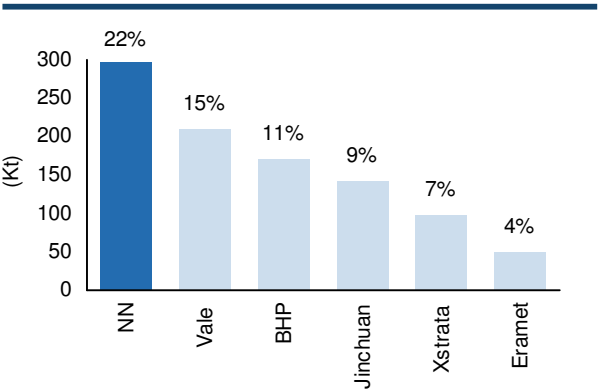
Source: Norilsk Nickel calculations, web-sites of companies

Note: 1 Data for Norilsk Nickel Group includes 320 mln tonnes attributable to Polar Division

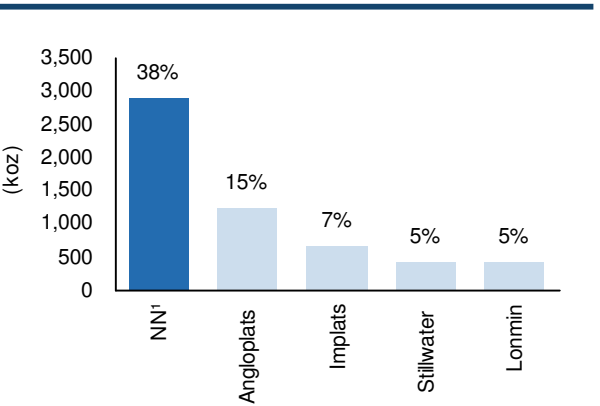
# Norilsk Nickel – Market Positions by Production

Norilsk Nickel is a world leader in nickel and palladium production with strong positions in platinum, copper, cobalt and rhodium

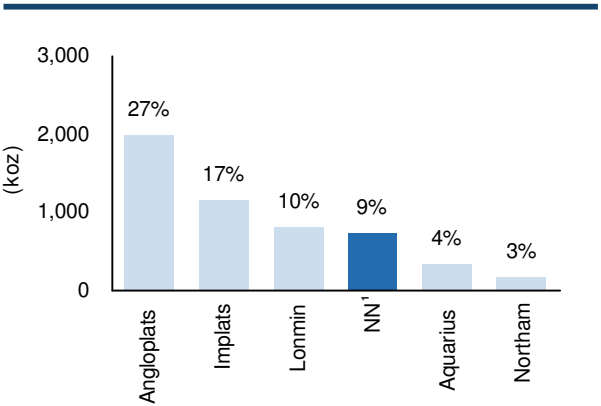
## Nickel



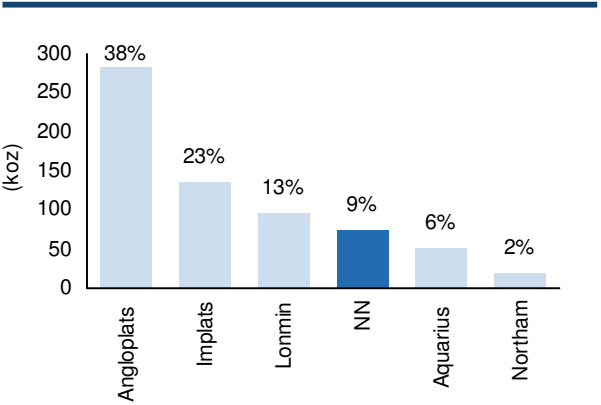
## Palladium



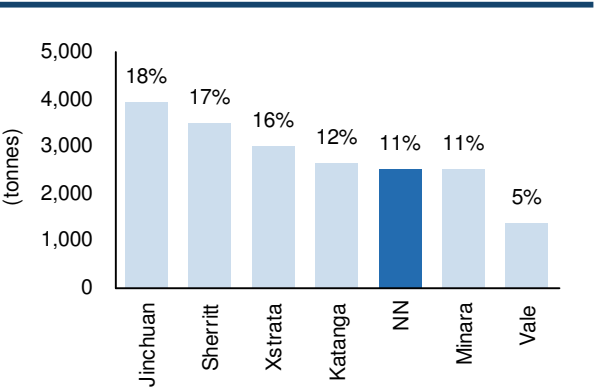
## Platinum



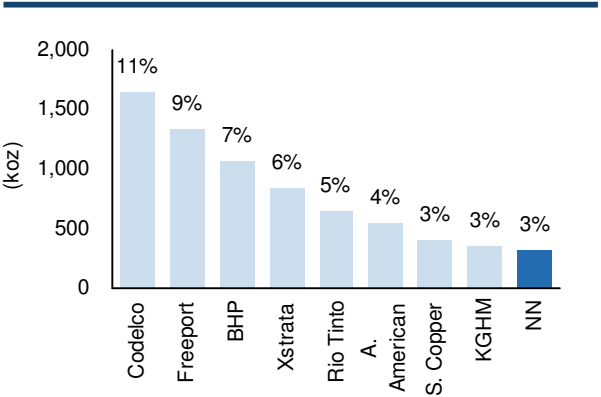
## Rhodium



## Cobalt<sup>2</sup>



## Copper



Source: GFMS, Brook Hunt, CRU, companies' results announcements, Norilsk Nickel Marketing Department, estimated from company reports, as of Dec-09

Notes:

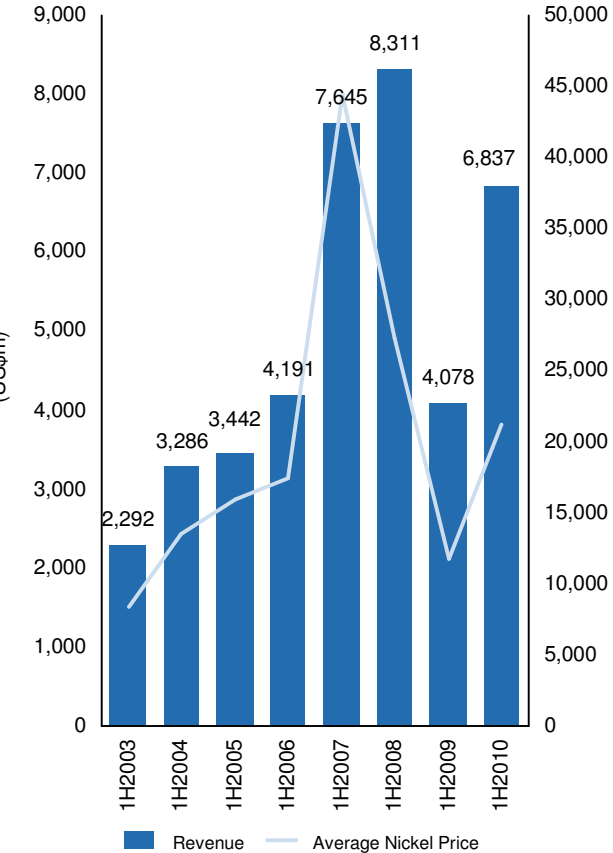
<sup>1</sup> Excluding Stillwater Mining Company production

<sup>2</sup> Cobalt metal

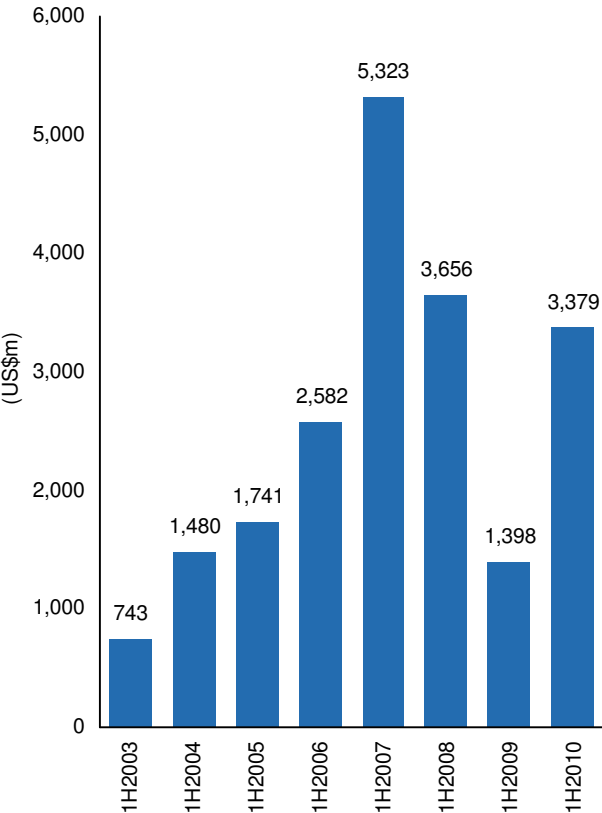
# Norilsk Nickel – Strong Financial Performance

Strong performance in 1H 2010 on the back of favourable metals prices and efficient cost management

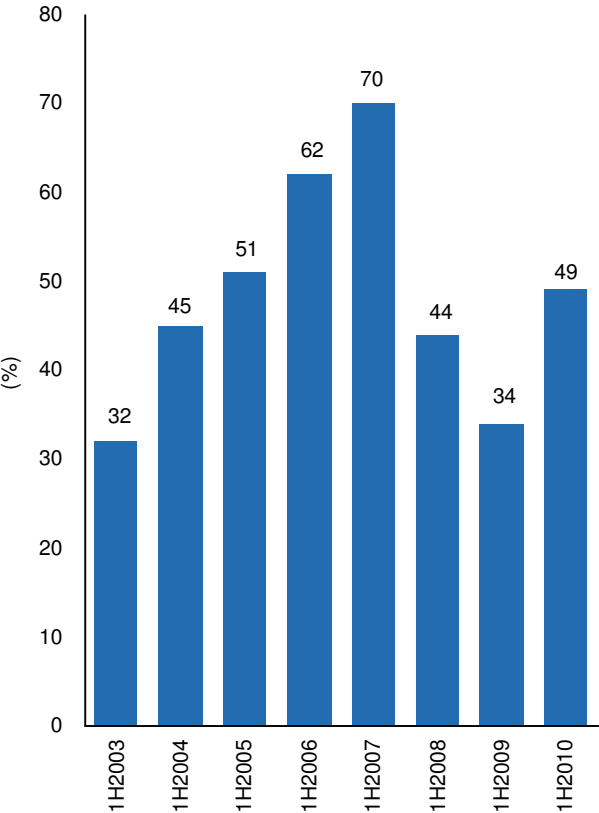
Revenue



EBITDA



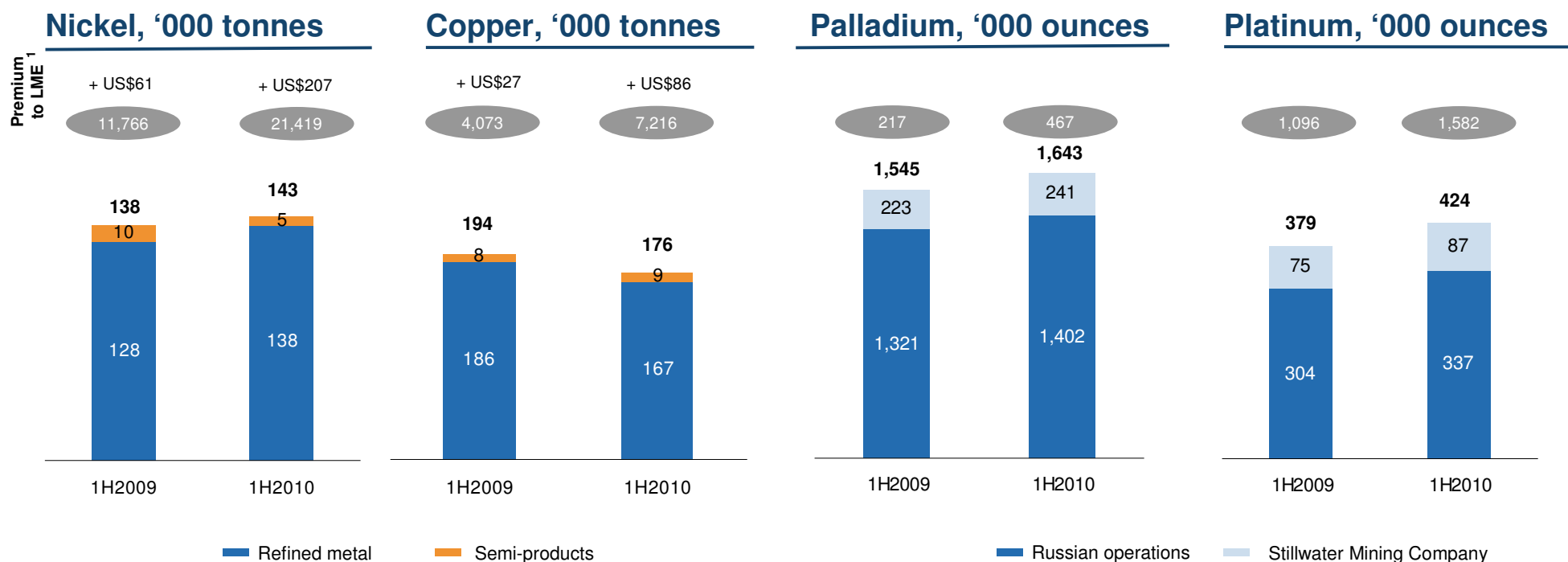
EBITDA margin



Source: Company data  
 Note: 1 Average LME nickel price (USD/Mt) per each respective half-year, Bloomberg ticker - LMCADY

# 1H 2010 Metal Sales Results

- Refined nickel metal sales volumes increased by 8% in 1H 2010 on the back of additional production by Russian assets and Harjavalta
- Marginal decline in copper sales were due to disposal of inventories in 1H 2009, which had been built up at 2008 year-end
- PGM production and sales grew largely due to Russian operations



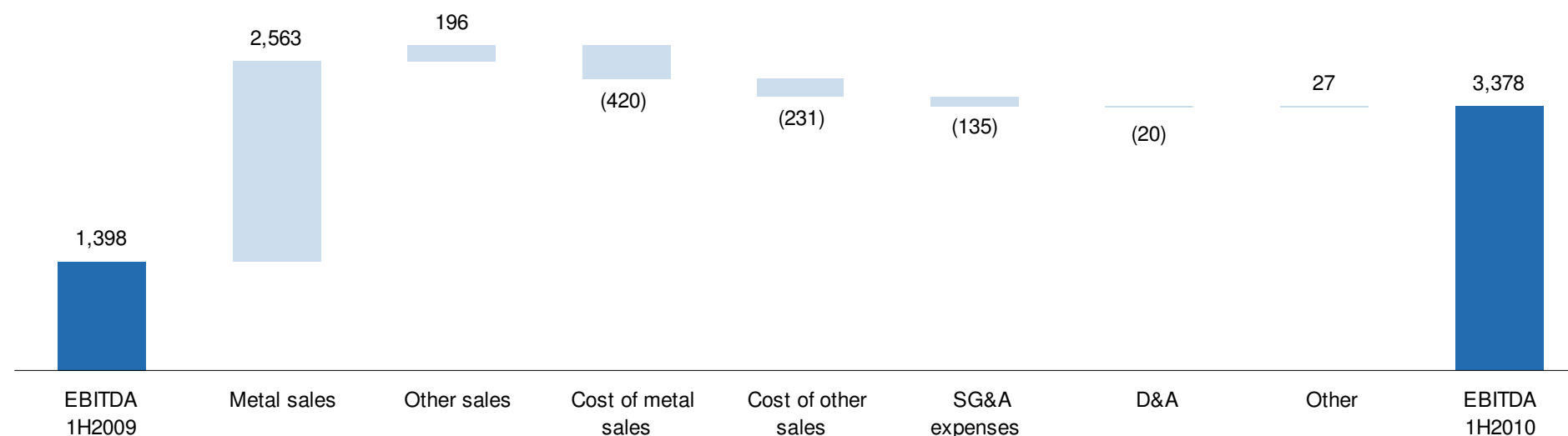
Source: Company data

Note: 1 Premium/discount between the Company's and LME average prices

# EBITDA Analysis

- Adjusted EBITDA increased by 141% due to higher metal prices and efficient cost control
- Higher commodity prices resulted in incremental revenues of US\$2.6bn which significantly compensated the increase in cost of sales
- Depreciation & impairment amounted to US\$420m, being mostly in line with 1H 2009
- SG&A accounts for 7% of sales, 1% down vs. 1H 2009

## Adjusted EBITDA analysis, US\$m

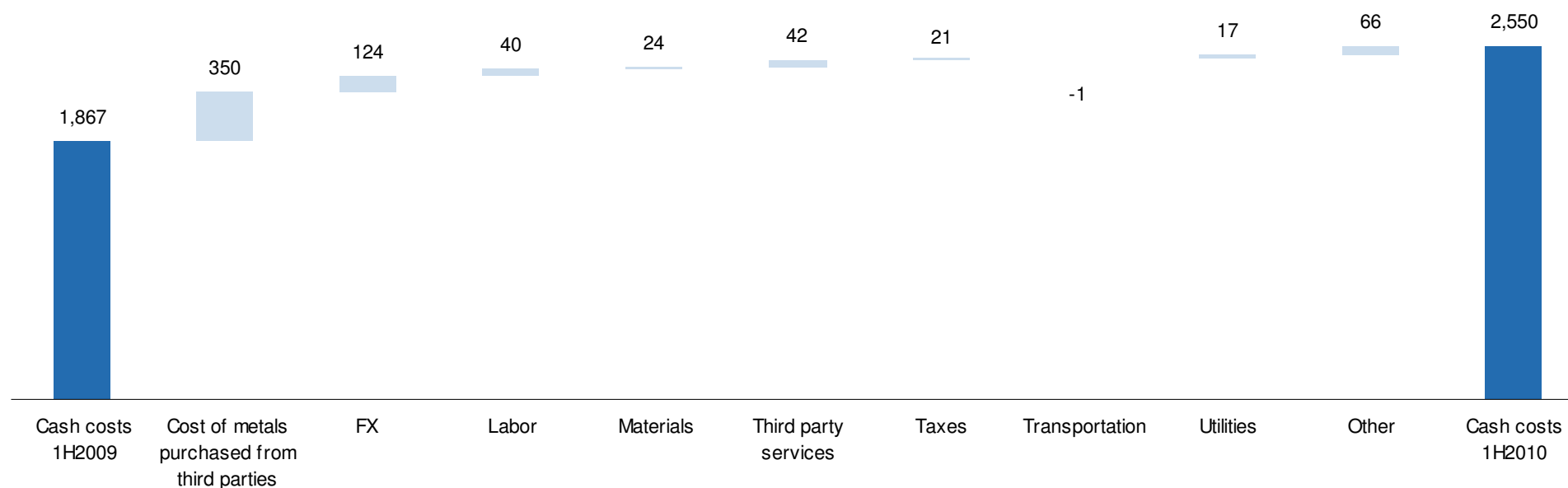


Source: Company data

# 1H 2010 Costs

- Cost of metals sales increased by 21%
- Adjusting for FX effect and purchases of third parties concentrate +(125%), growth in cash costs is generally in line with inflation rate in Russia
- Revenue from by-product sales augmented by 51% y-o-y due to higher metal prices, particularly of cobalt and rhodium

## Bridge of cash costs<sup>1</sup>, US\$m



Source: Company data  
 Note: 1 Before netting by-product sales for metal divisions

# Debt & Liquidity Position

## Debt maturity comments

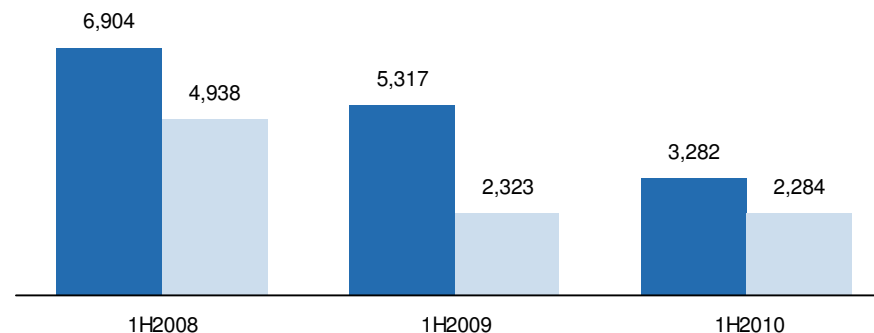
- Total debt stands at US\$3.3bn with net debt comprising US\$1bn
- Accumulated cash pile of US\$2.3bn ensures timely fulfillment of financial obligations and implementation of strategic investment plans
- Net debt / LTM EBITDA ratio currently stands at 0.16x

## Cash flow comments

- Free cash flow from operating activity in 1H 2010 increased significantly (+162%) due to increase in commodities prices and selling volumes
- US\$705m spent on CAPEX in 1H 2010
- Company spent US\$1.9bn in 1H 2010 to pay existing debt and successfully reduced Net debt/LTM EBITDA ratio to extremely low level of 0.16x

Source: Company data

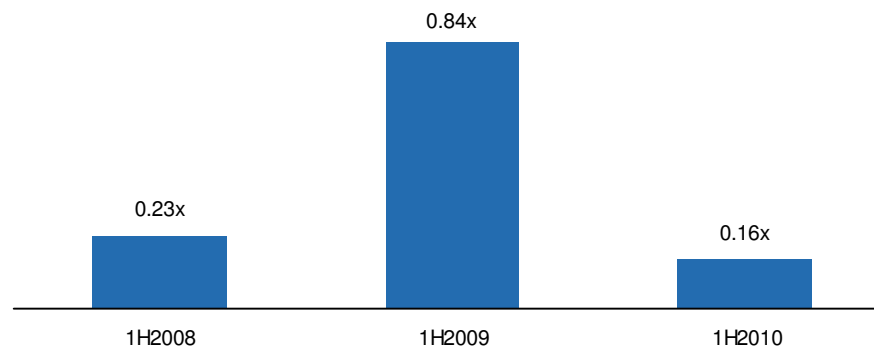
## Total debt dynamics, US\$m



Source: Company data

■ Total debt ■ Cash

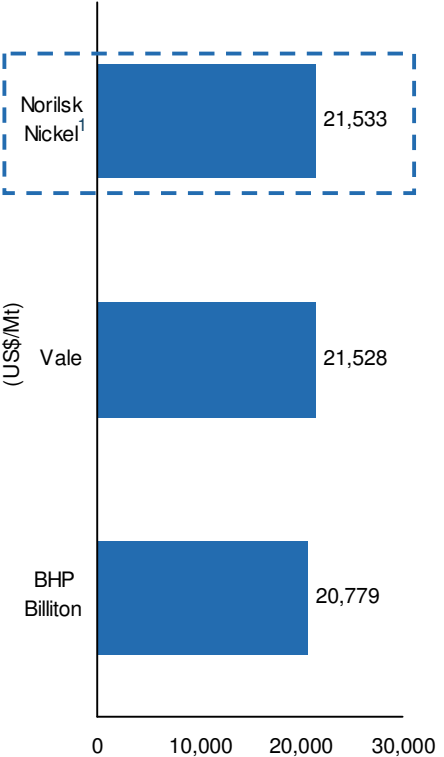
## Net debt/LTM EBITDA dynamics



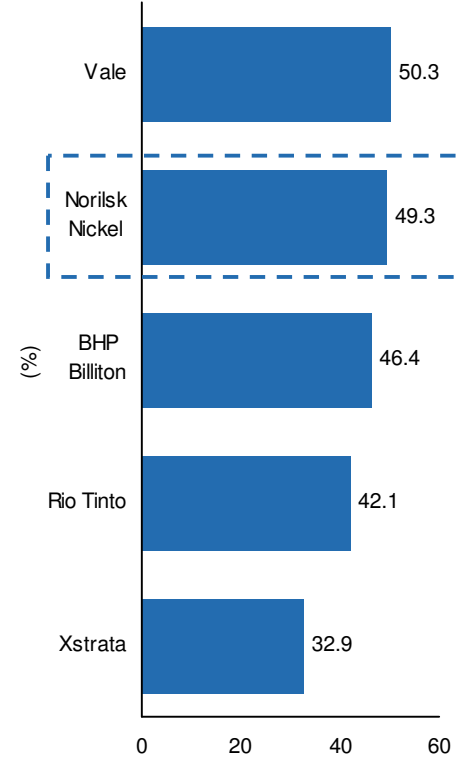
# Norilsk Nickel and Peers Performance

Norilsk Nickel compares favourably to the largest global diversified miners against all key financial metrics

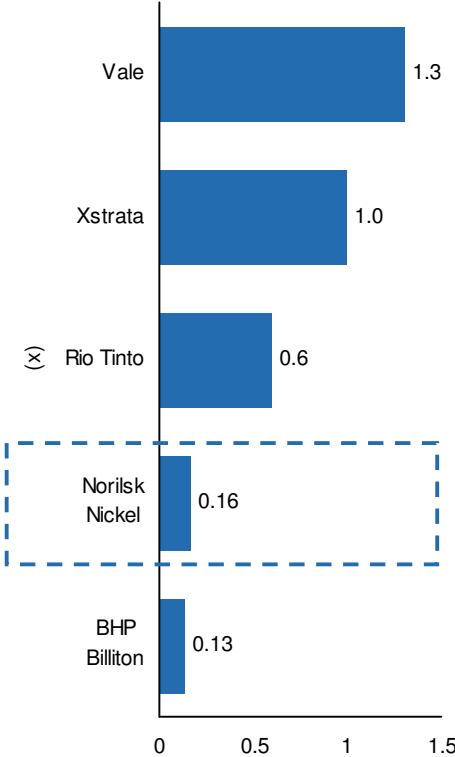
Revenue per ton of Nickel produced (1H 2010)



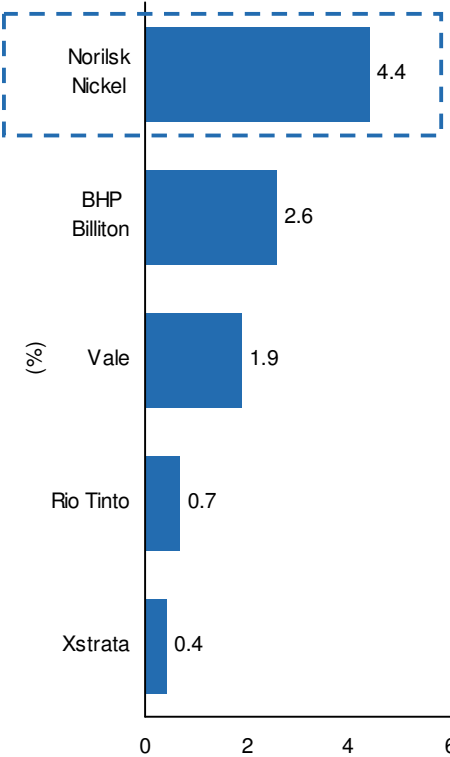
EBITDA margin (1H 2010)



Net debt/LTM EBITDA



Dividend yield



Source: UBS research, Bloomberg, Company data  
 Note: BHP Billiton financial year ended 30 June 2009  
 1 Refined metal sales from Russian operations

# Management Has Significantly Strengthened the Business Since the Downturn

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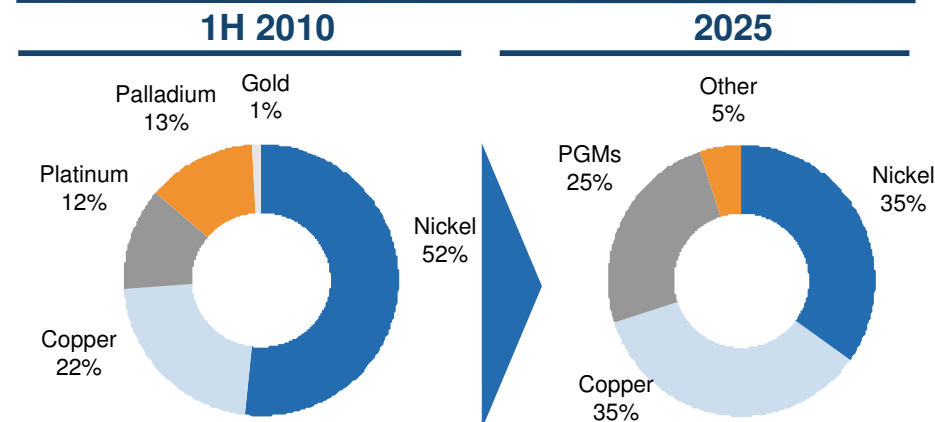
- Core members of the current management team fully engaged in running the business since late 2008
- Key financial milestones
  - Deleveraging – from US\$6.4bn in 2009 to US\$3.3bn in 1H 2010 due to strong cash flow generation and financial discipline
  - Bottom line growth and industry leading margins (approx. 50%)
- Strong operational performance
  - Rationalization of asset portfolio – successful placement on care of Australian operations
  - Production growth – refined nickel metal from Harjavalta (+44% y-o-y) and PGM (+7%)
  - Efficiency improvements – improvements in concentrating and smelting technologies at Polar as well as reduction of transportation costs
- Clear strategic direction
  - Focus on projects with high return on invested capital
  - Key projects – Skalisty (brownfield), Maslovskoye (greenfield), Chita (greenfield)
  - Strong commitment to substantial reduction of environmental impact
  - Optimising Australian operations to commence production in 2011

# Norilsk Nickel Strategy at a Glance

## Strategy pillars

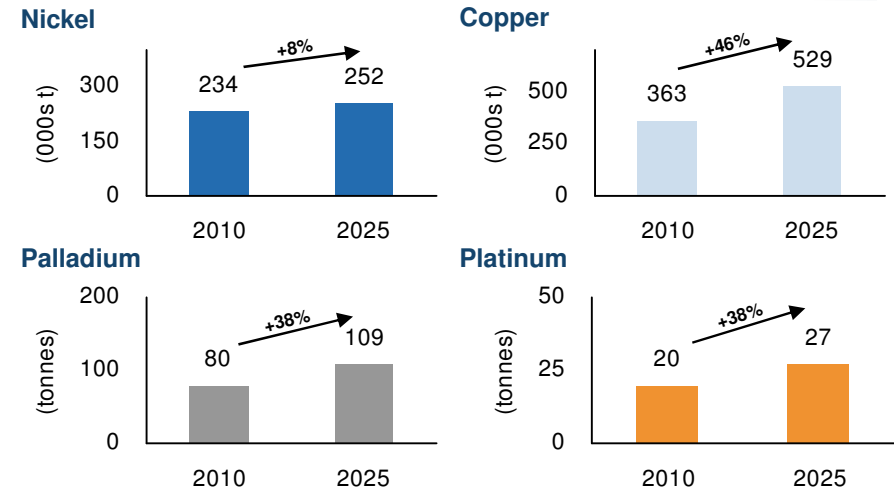
- Focus on high-return investment projects
- Retaining leading positions globally in terms of quality and quantity of mineral resources
- Safeguarding positions of low cost metal producer and focus on profitability
- Benefitting from internal operation synergy
- Vertically integrated in energy and transport
- Non-core assets disposal program aimed at maximising proceeds for the Company

## Balanced product mix



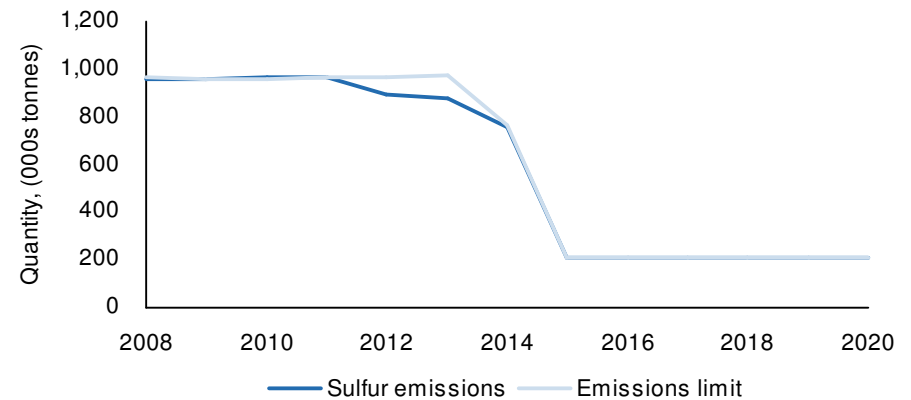
Source: Company data

## Growth driven by high-return projects in Russia



Source: Company data  
Note: 1 Production of key minerals in Russia

## Focus on environmental protection



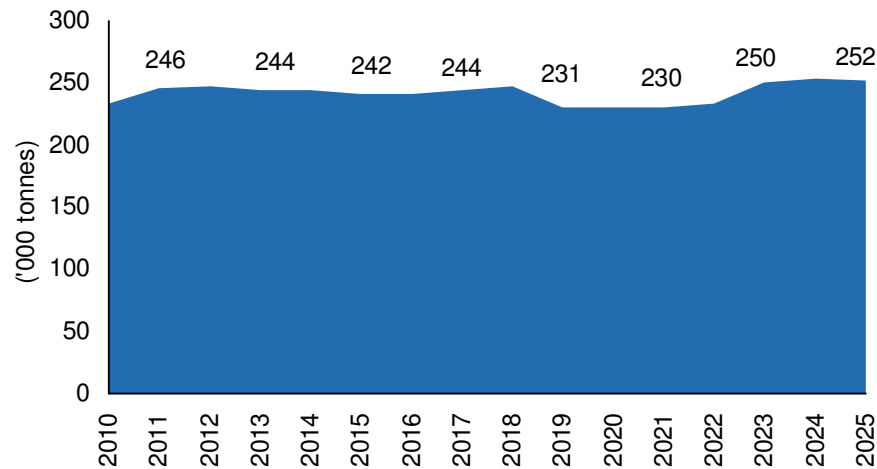
Source: Company data

# Nickel Production by Russian Divisions

- Ensuring stable levels of nickel production in Russia by
  - growth of ore mining volumes at existing mines
  - development of Maslovskoe deposit
  - improvements of concentrating and smelting technologies
  - efficient smelting and refining capacity loading of Polar division and Kola MMC

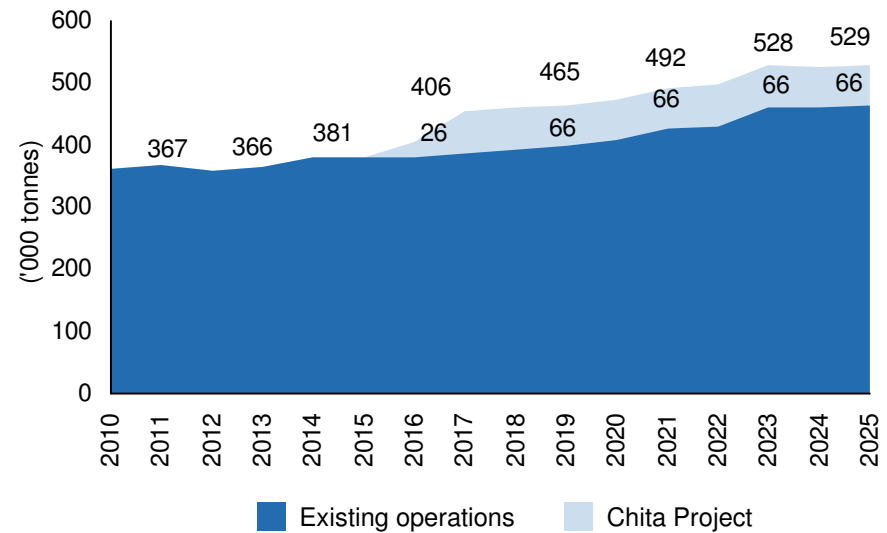
- Growth in copper output will be ensured by
  - growth of ore tonnages at existing mines
  - launch of new greenfield project in Zabaikalsk region (Chita Project)
  - development of Maslovskoe deposit
  - processing of copper cake of Norilsk Nickel Harjavalta at Russian divisions
  - treatment of stockpiled copper slag

## Nickel Production Outlook



Source: Company data

## Copper Production Outlook

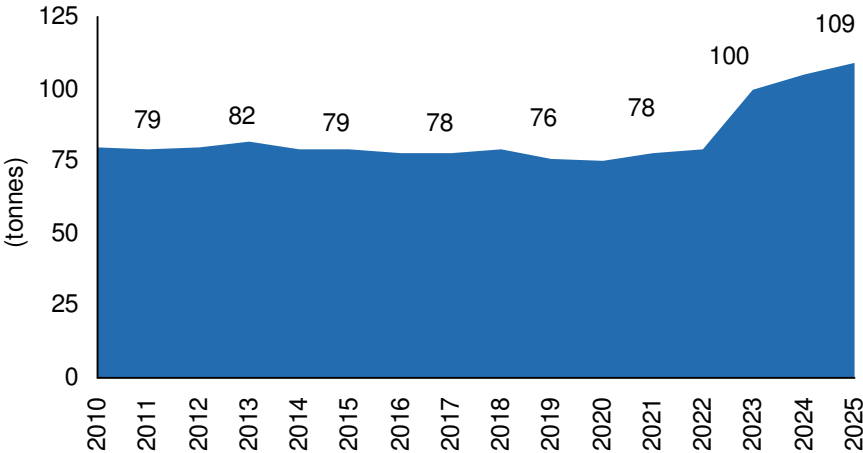


Source: Company data

# Platinum Group Metals' Production by Russian Divisions

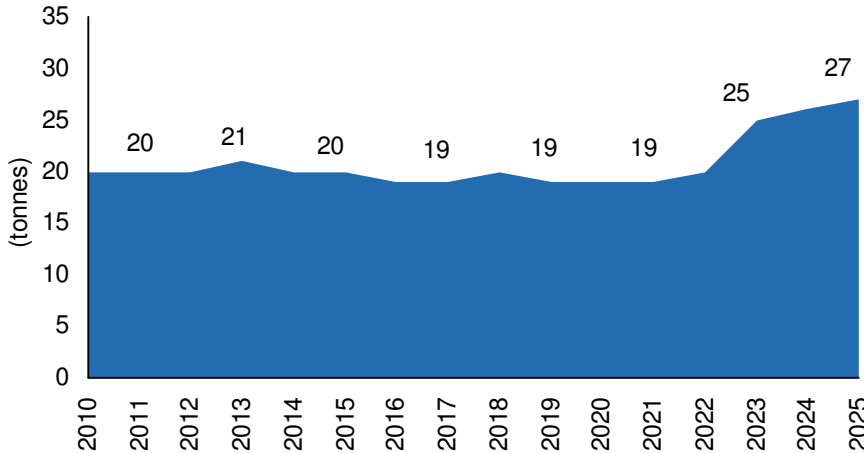
- Growth of PGMs production till 2020 due to increase in mining volumes of disseminated ore at Zapolyarny mine
- Raising PGMs output in 2023–2025 through ramp-up of Maslovskoe deposit
- Further improvements of enrichment technology and growth of ultimate recovery rates at Polar Division
- Strong upside potential for PGMs' prices and preservation of important role of PGMs for long-term revenues of the Company

## Palladium Production Outlook



Source: Company data

## Platinum Production Outlook



Source: Company data

# Approach to Non-core Assets

NN has a successful track record of investments (e.g. stake in Gold Fields was sold at a profit of c. US\$940m) and spin-offs (e.g. Polyus Gold) which created substantial value for the shareholders and would carefully monitor the market environment in order to dispose of the non-core assets remaining on its balance sheet

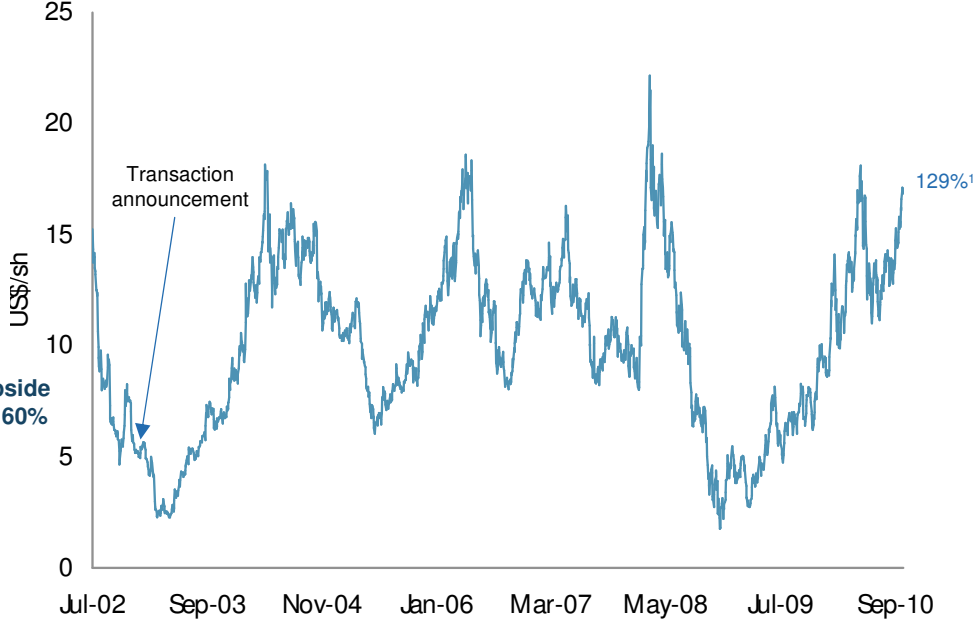
**OGK-3 share price performance since acquisition**



**NN acquired OGK-3 in an attempt to add the core to the Company's electricity assets which were expected to be spun-off to the shareholders**

**Given current market capitalisation of OGK-3, Norilsk Nickel does not consider a disposal of its electricity assets**

**Stillwater share price performance since acquisition**



**Stillwater market capitalisation has increased substantially from the time of its acquisition by Norilsk Nickel**



**NORILSK NICKEL**

**Upcoming EGM**

# AGM Results – Current Board of Directors

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New Board of Directors was elected at AGM held on June 28<sup>th</sup> 2010

## Independent Non-Executive Directors

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<b>Vasily Titov</b>	Chairman of the BoD, First Deputy President-Chairman of the Management Board at VTB Bank
<b>Bradford Alan Mills</b>	General Director of Mandalay Resources, Executive Director of Plinian Capital
<b>John Gerard Holden</b>	Advisor at Rockbury Services Inc. (Private)
<b>Management</b>	
<b>Vladimir Strzhalkovsky</b>	General Director – Chairman of the Management Board of Norilsk Nickel
<b>Andrey Klishas</b>	President of Norilsk Nickel
<b>Oleg Pivovarchuk</b>	First Deputy General Director – Member of the Management Board of Norilsk Nickel
<b>Dmitry Kostoev</b>	Deputy General Director – Member of the Management Board of Norilsk Nickel, CFO
<b>Interros</b>	
<b>Andrey Bougrov</b>	Managing Director at Interros
<b>Marianna Zakharova</b>	Director of Legal Department at Interros
<b>Boris Bakal</b>	Advisor at Interros International Investments Limited
<b>UC Rusal</b>	
<b>Oleg Deripaska</b>	General Director of UC RUSAL
<b>Vladislav Soloviev</b>	First Deputy General Director of UC RUSAL
<b>Maxim Sokov</b>	Director of strategy and corporate development of UC RUSAL

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# AGM Voting Comparison 2009 vs. 2010

AGM 2009				AGM 2010			
Total No. of votes		2,478,160,711		Total No. of votes		2,478,160,711	
Nominee name	No. of votes	% of total votes		Nominee name	No. of votes	% of total votes	
1	<b>Vladimir Strzhalkovsky</b>	221,174,723	8.92	1	<b>Bredford Alan Mills</b>	146,566,121	5.91
2	<b>Ardavan Moshiri</b>	190,398,160	7.68	2	<b>John Gerard Holden</b>	146,314,454	5.90
3	<b>Andrey Klishas</b>	131,408,951	5.30	3	<b>Vasily Titov</b>	143,330,151	5.78
4	<b>Andrey Bougrov</b>	128,490,210	5.18	4	<b>Vladimir Strzhalkovsky</b>	140,971,280	5.69
5	<b>Anton Cherny</b>	127,427,172	5.14	5	<b>Andrey Klishas</b>	132,397,574	5.34
6	<b>Vasily Titov</b>	127,420,448	5.14	6	<b>Oleg Pivovarchuk</b>	131,651,514	5.31
7	<b>Alexander Voloshin</b>	127,082,001	5.13	7	<b>Oleg Deripaska</b>	128,595,934	5.19
8	<b>Bredford Alan Mills</b>	126,856,919	5.12	8	<b>Andrey Bougrov</b>	128,504,088	5.19
9	<b>Guerman Aliev</b>	125,980,163	5.08	9	<b>Marianna Zakharova</b>	128,467,309	5.18
10	<b>Maxim Sokov</b>	122,550,567	4.95	10	<b>Dmitry Kostoev</b>	128,119,938	5.17
11	<b>Dmitry Razumov</b>	120,963,946	4.88	11	<b>Boris Bakal</b>	127,510,325	5.15
12	<b>Vladislav Soloviev</b>	120,793,691	4.87	12	<b>Maxim Sokov</b>	127,150,138	5.13
13	<b>Maxim Goldman</b>	120,761,580	4.87	13	<b>Vladislav Soloviev</b>	127,118,871	5.13
<hr style="border-top: 1px dashed orange;"/>							
14	<b>John Gerard Holden</b>	113,604,243	4.58	14	<b>Alexander Voloshin</b>	126,563,810	5.11
15	<b>Anatoly Ballo</b>	50,585,565	2.04	15	<b>Dmitry Razumov</b>	125,290,349	5.06
	<b>Others</b>	9,208,379	0.37		<b>Others</b>	14,298,467	0.58
<b>Total</b>		<b>1,964,706,718</b>	<b>79.28</b>	<b>Total</b>		<b>2,002,850,323</b>	<b>80.82</b>

# Upcoming EGM – Agenda and Timeline

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- UC RUSAL, holding a 25% stake in Norilsk Nickel, has convened an EGM planned for 21 October 2010
- EGM agenda
  - Early termination of authority of the current Board of Directors
  - Election of the new Board of Directors
- EGM timeline
  - Share register closing for participation in EGM                      10 September 2010
  - Deadline for submitting nominees to the Board                      21 September 2010
  - EGM materials released    1 October 2010
  - EGM    21 October 2010
- Vote by signing, dating and returning the voting form
- Voting instructions must be received no later than 12 p.m. (US EST) on 14 October in order to be voted at the EGM on 21 October

# EGM – Board of Directors Recommendation

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- The Board of Directors recommends to shareholders to **vote against** on the first item of the EGM agenda and to disapprove pre-term termination of the powers of the Board members elected at the Annual General Meeting of shareholders (the AGM), which was held on June 28, 2010
- The Board of Director sees no business reason to change the Board so soon after the AGM and there will be a new election of directors at the next AGM in June 2011. As such, the Board of Directors does not see any advantage to having potential disruption of a new set of board members at this time
- In the case of positive decision on the first agenda item, the Board of Directors recommends to **vote for the candidates who are currently members of the Board**
- The Board also recommends voting for the following independent non-executive directors – **Brad Mills and Gerard Holden**. Their relevant experience and track record of work for Norilsk Nickel has proven to be extremely valuable and successful
- All information required for shareholders to prepare for the EGM is available at - <http://www.nornik.ru/en/investor/shareholder/meeting/21-10-2010/> or by contacting investor relations at +7-495-786-8320 or [ivanovavl@nornik.ru](mailto:ivanovavl@nornik.ru) or [ir@nornik.ru](mailto:ir@nornik.ru)

# INEDs recommended by the Board

Name	Biography and relevant experience
 <p><b>Bradford Alan Mills</b></p>	<p>Independent Non-Executive Director of MMC Norilsk Nickel since 2008</p> <p>Born on September 12, 1954.</p> <p>In 1979, graduated from Stanford University (Bachelor's Degree, Master of Sciences with a degree in Geology and Economic Geology).</p> <p>From 2001 to 2004 – President of BHP Billiton Base Metals.</p> <p>From 2004 to 2008 – General Director of Lonmin Plc.</p> <p>Since December 26, 2008 – Independent Non-Executive Director of Norilsk Nickel.</p> <p>Since 2009 – General Director of Mandalay Resources.</p> <p>Since 2009 – Executive Director of Plinian Capital.</p>
 <p><b>John Gerard Holden</b></p>	<p>Independent Non-Executive Director of MMC Norilsk Nickel since December 2008 till June 2009 and since June 2010</p> <p>Born on January 8, 1964.</p> <p>From 1981 to 1984, studied at Hons University College (London), where obtained a Bachelor of Science degree in four main subjects: mathematics, physics, chemistry and general sciences.</p> <p>From 1999 to 2006 – Managing Director and Head of the International Mining and Metallurgy Division of Barclays Capital.</p> <p>From 2006 to 2008 – Executive Chairman of Brinkley Mining Plc.</p> <p>From 2006 to 2007 – Executive Co-Chairman of Lonrho Africa Plc.</p> <p>Since 2006 – Non-Executive Chairman of GCM Resources Plc.</p> <p>Since 2008 – Advisor at Rockbury Services Inc.</p> <p>From December 26, 2008 to June 2009 – Independent Non-Executive Director of Norilsk Nickel</p>

# IR Contact Details

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