

**NORILSK NICKEL**

# **Global Industry Leader**

***2008 Financial Results***

***May 2009***

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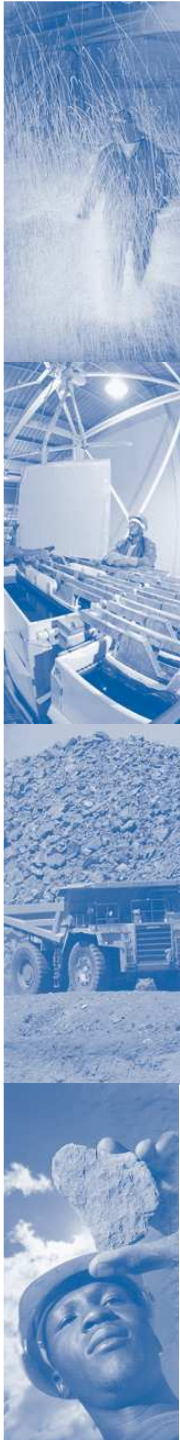
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**NORILSK NICKEL**

## Overview of 2008 Financial Performance

## Norilsk Nickel at a Glance...

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- World leader in nickel and palladium production with strong positions in platinum and copper
- Geographically diversified operations – Russia, Botswana, South Africa, Australia, Finland and the United States
- World largest mineral resource base with unique predominantly sulphide mineralogy
- Unique portfolio of base and precious metals with mine life exceeding 25 years
- Lowest cost producer with strong operational profile with 12 metals produced from ore mined at one ore body
- Vertically integrated producer – from ore extraction to refined metals production
- High level of self sufficiency in energy, transportation, and other infrastructure
- Exposure to Russian electricity sector through OGK-3 (8,357 MW of installed capacity)

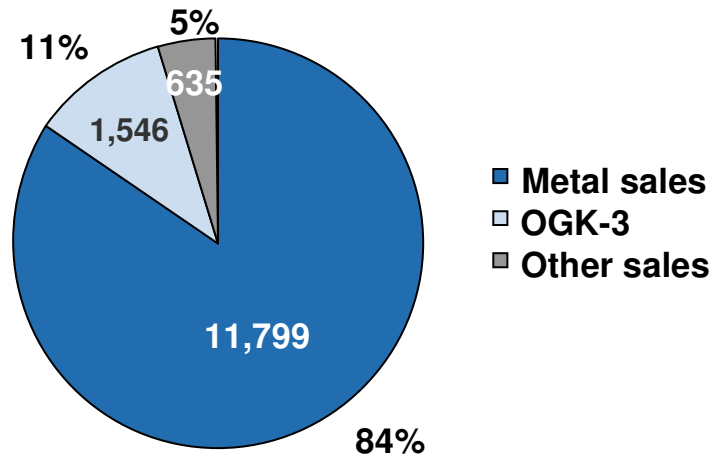


Source: Company Information

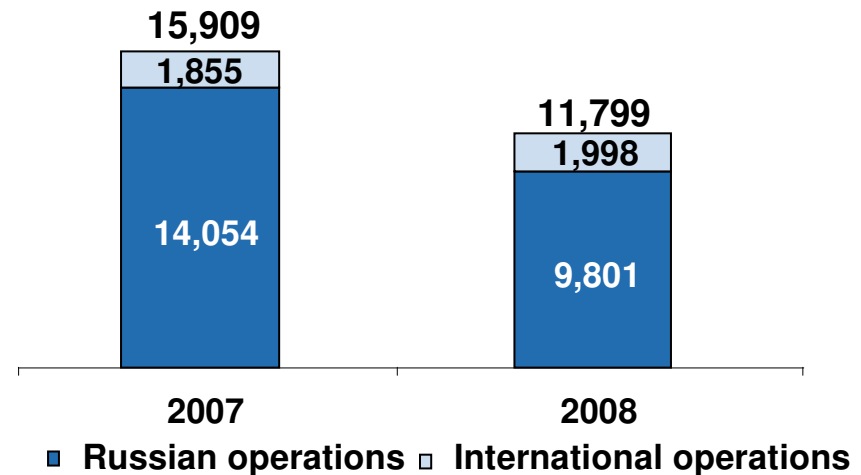
## 2008 Financial Highlights

- First full-year consolidation of NNI and OGK-3 in Norilsk Nickel's financial statements
- Total annual revenue US\$ 13.98 bln, down 18% y-o-y
- Metal sales US\$ 11.80 bln, down 26% y-o-y
- Adjusted EBITDA of US\$ 5.81 bln, down 43% y-o-y
- US\$ 4.7 bln impairment resulted in net loss US\$ 555 mln
- Cash position US\$ 2.0 bln and healthy level of net debt US\$ 4.4 bln

Total revenue, US\$ mln



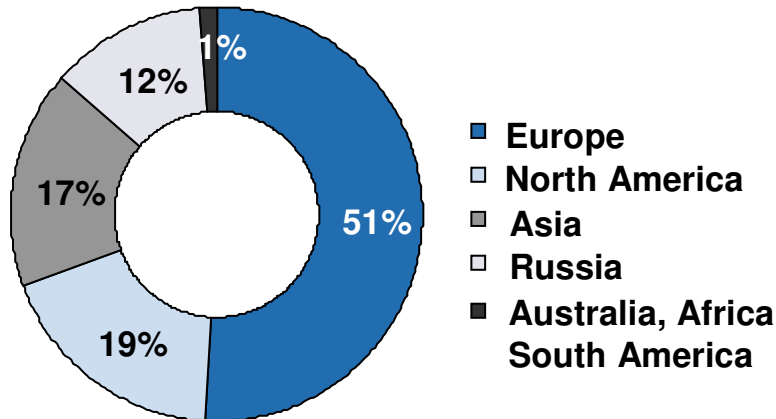
Metal sales revenue, US\$ mln



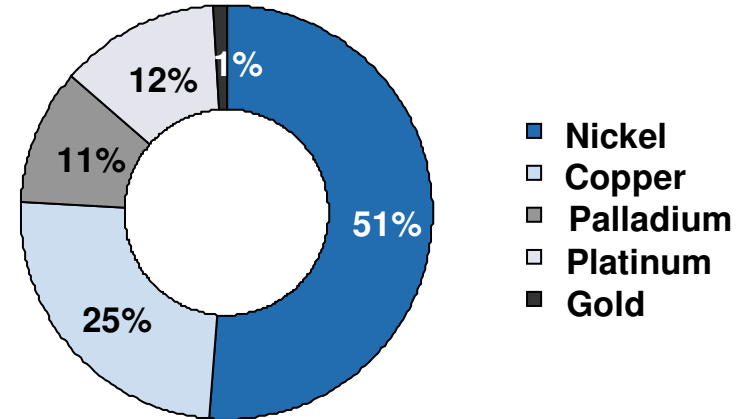
# Breakdown of Metal Sales

- Decrease in metal sales revenue US\$ 11.8 bln, down 26% y-o-y, largely explained by:
  - substantial fall in base metals prices, which partially offset by positive price trends in PGMs and gold
  - small reduction in physical volumes of metals sold
- Nickel accounts for 51% metal revenues, copper grew to 25% and PGM amounted to 23%
- Increasing importance of domestic and Asian markets, while Europe’s share is reducing from 63% to 51%

**Breakdown by destination**



**Breakdown by metal**

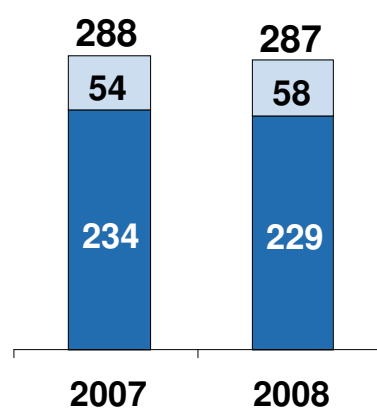


Metal sales revenue: US\$ 11,799 mln

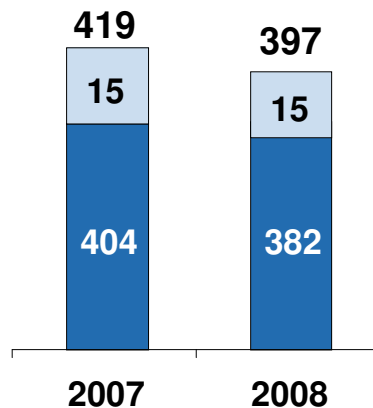
## Volumes of Metal Sales & Average Selling Prices

- Nickel revenue amounted to US\$ 6.1 bln (-40% y-o-y) mainly due to decrease in selling price from US\$ 37,210 to US\$ 21,517/t for Russian assets
- Copper revenue remains almost flat at US\$ 2.9 bln with small decrease in sales volumes and selling price (-2%) compensated with additional sales of US\$ 141 mln
- Palladium revenue down by 3% at US\$ 1.3 bln due to contraction of sales volumes in Russia, partially offset by sales price growth by 3% to US\$ 357/oz for Russian assets
- Platinum revenue up 12% to US\$ 1.4 bln driven by growth in sales price by 24% to US\$ 1,615/oz for Russian assets partially netted by the decline in volumes of metal sold

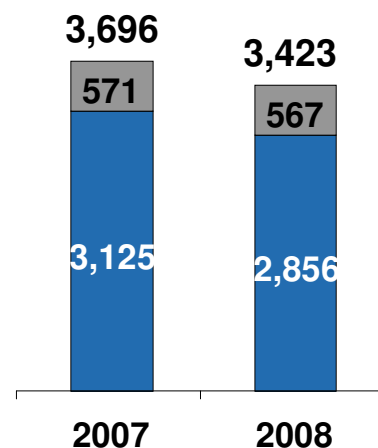
Nickel, '000 tonnes



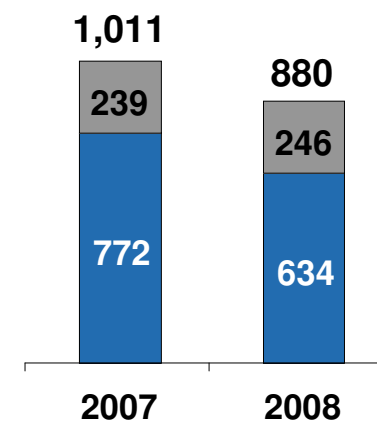
Copper, '000 tonnes



Palladium, '000 ounces



Platinum, '000 ounces



■ Russian operations ■ Norilsk Nickel International ■ Russian operations ■ Stillwater Mining



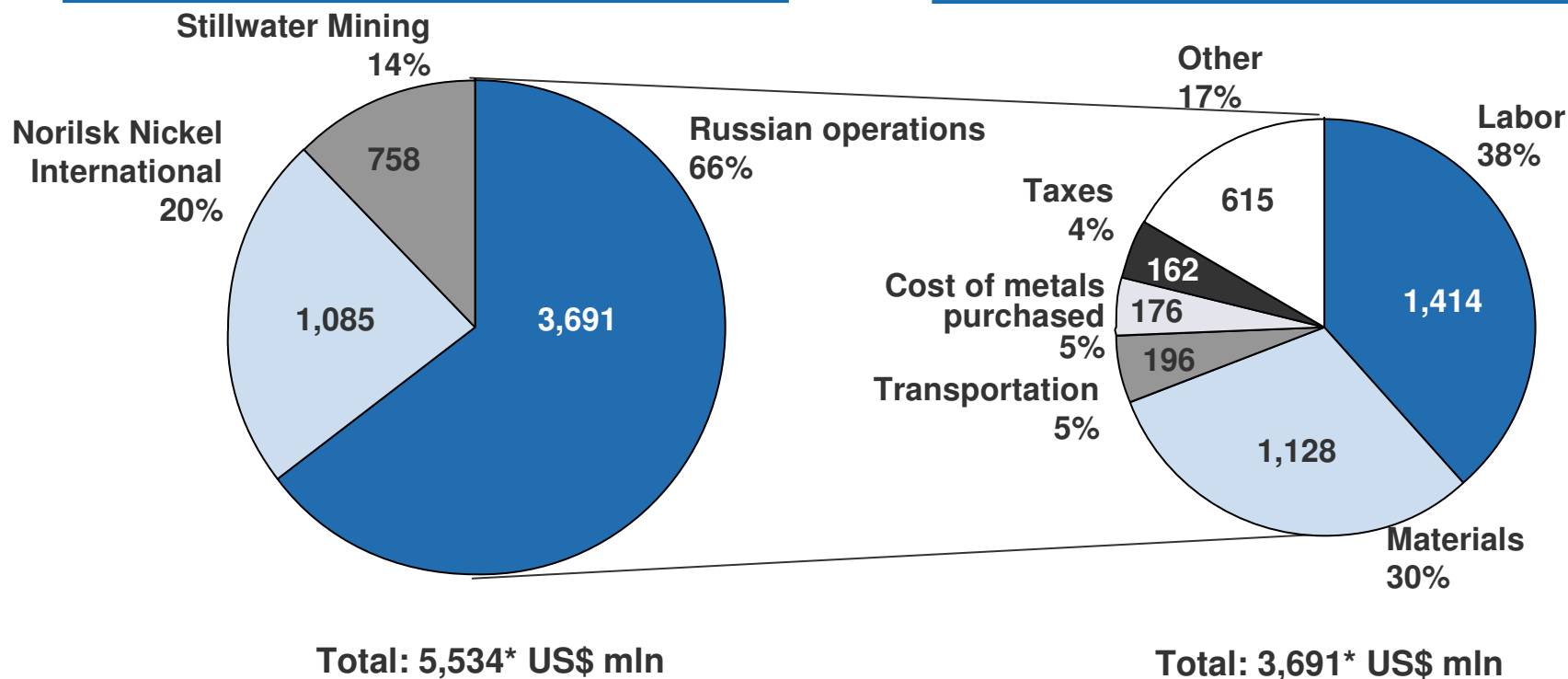
Note: \* Excluding purchases from third parties

# Breakdown of Operating Costs

- Total cash operating costs before revenues from by-products US\$ 5.5 bln, up 12% y-o-y:
  - absolute increase by US\$ 385 mln due to inflation of costs;
  - consolidation of NNI and OGK-3 for full year – US\$ 117 mln, FX effects – US\$ 96 mln
- Depreciation increased by US\$ 245 mln (+30%) mostly due to full NNI consolidation and capex

**Breakdown by major assets, US\$ mln**

**Cash operating costs of Russian units, US\$ mln**



Note: \* before netting by-products sales





## Schedule of Cash Operating Costs

- Relative share of labor wages decreased from 31% to 30% in 2008
- Positive FX depreciation effect yet to be seen
- Revenues from by-products are in line with 2007

### Cash operating costs for the year US Dollars million

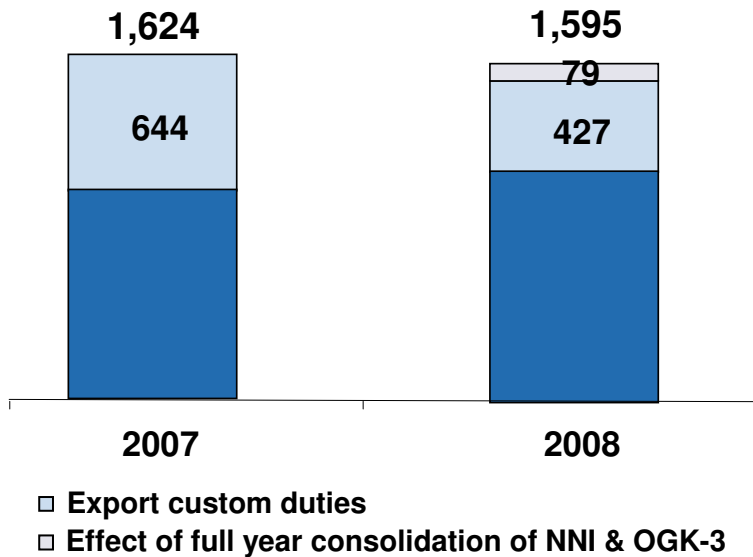
	Year ended 31 December 2008								Year ended 31 December 2007								Group % change y-o-y	Russia % change y-o-y	
	Group	% from total		% from total		% from total		SWC	Group	% from total		% from total		% from total		SWC			total
		Russia	NI	Russia	NI	Russia	NI			Russia	NI	Russia	NI	Russia	NI				
Labour	1,638	30	1,414	38	111	10	113	15	1,552	31	1,317	40	119	12	116	18	6	7	
Consumables and spares	1,272	23	1,128	30	95	9	49	6	999	20	899	26	51	5	49	8	27	25	
PGM scrap purchased	416	8	—	—	—	—	416	54	310	6	—	—	—	—	310	48	34	N/A	
Purchase of nickel concentrate	332	6	27	1	305	28	—	—	482	10	—	—	482	50	—	—	(31)	N/A	
Transportation	276	5	196	5	72	7	8	1	270	5	237	7	26	3	7	1	2	(17)	
Repairs and maintenance	235	4	135	4	34	3	66	9	220	4	123	4	36	4	61	9	7	10	
Outsourced mining	225	4	—	—	205	19	20	3	45	1	—	—	25	3	20	3	400	N/A	
Tax on mining and pollution levies	191	3	162	4	—	—	29	4	150	3	122	4	—	—	28	4	27	33	
Utilities	185	3	77	2	80	7	28	4	156	3	57	2	77	8	22	3	19	35	
Cost of refined metals purchased from third parties	176	3	176	5	—	—	—	—	127	3	127	4	—	—	—	—	39	39	
PGM toll refining costs	122	2	63	2	54	5	5	1	147	3	77	2	65	7	5	1	(17)	(18)	
Insurance	109	2	103	3	1	—	5	1	137	3	130	4	2	—	5	1	(20)	(21)	
Exploration expenses	101	2	58	2	43	4	—	—	113	2	103	3	10	1	—	—	(11)	(44)	
Other costs	256	5	152	4	85	8	19	2	228	6	128	4	75	7	25	4	12	19	
<b>Total cash operating costs</b>	<b>5,534</b>	<b>100</b>	<b>3,691</b>	<b>100</b>	<b>1,085</b>	<b>100</b>	<b>758</b>	<b>100</b>	<b>4,936</b>	<b>100</b>	<b>3,320</b>	<b>100</b>	<b>968</b>	<b>100</b>	<b>648</b>	<b>100</b>	<b>12</b>	<b>11</b>	
Revenue from the sale of by-products	(1,124)		(696)		(211)		(217)		(1,119)		(777)		(178)		(164)		—	9	
<b>Total cash operating costs</b>	<b>4,410</b>		<b>2,995</b>		<b>874</b>		<b>541</b>		<b>3,817</b>		<b>2,543</b>		<b>790</b>		<b>484</b>		<b>16</b>	<b>12</b>	



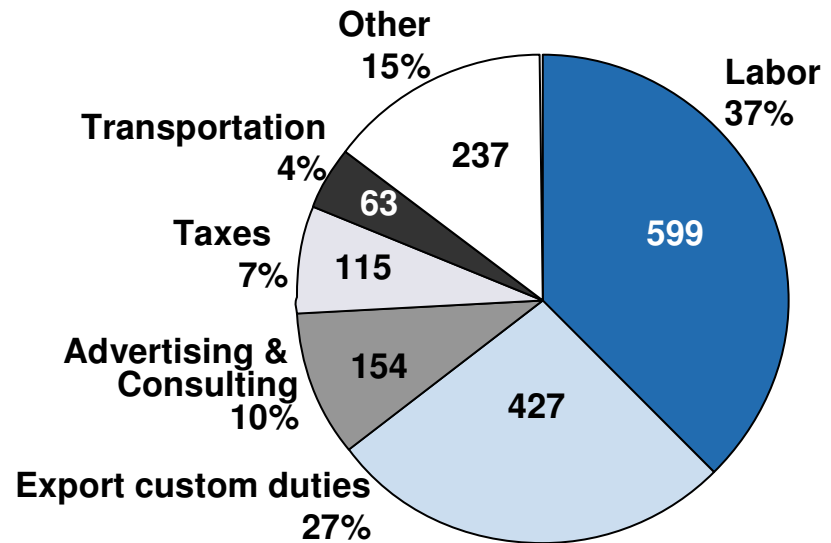
# SG&A Expenses

- In 2008 SG&A expenses diminished by US\$ 29 mln or 2% y-o-y
- Decrease is mostly due to significant reduction of customs duties which is in line with the dynamics of Russian export revenues
- Consolidation of OGK-3 and Norilsk Nickel International for full year took its toll

SG&A expenses, US\$ mln



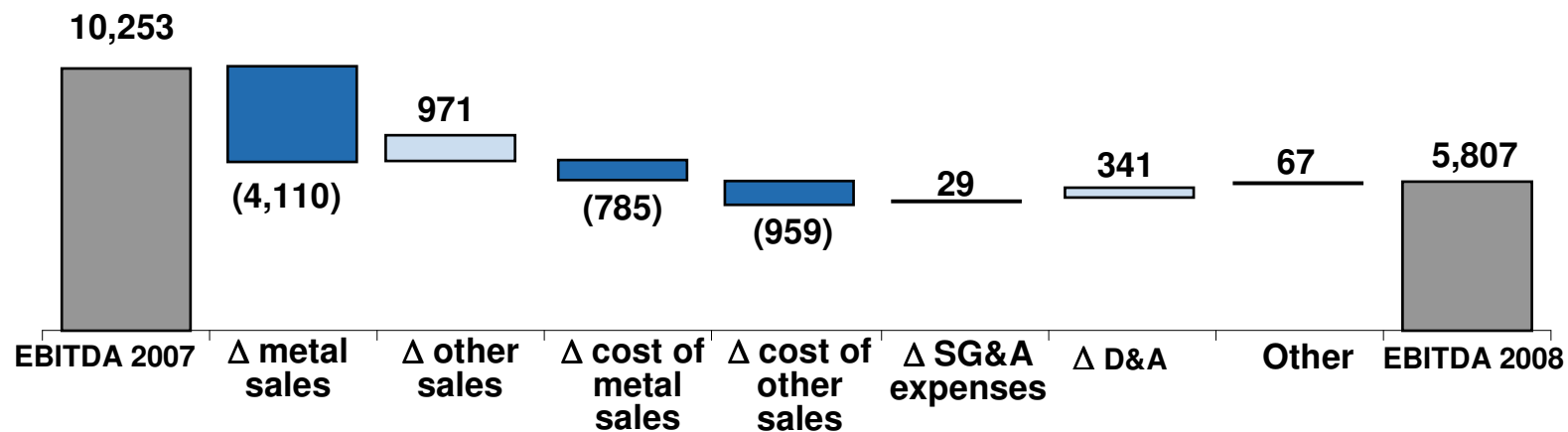
SG&A breakdown by items, US\$ mln



## EBITDA Analysis

- In 2008 adjusted EBITDA diminished by 43% y-o-y to US\$ 5.8 bln comparing to US\$ 10.2 bln in 2007
- EBITDA margin squeezed from 60% to 42% mostly due to:
  - consolidation of OGG-3 and Norilsk Nickel International for full year
  - fall in metal prices and as a consequence decrease in metal sales
  - certain upward inflationary pressure on the cost side

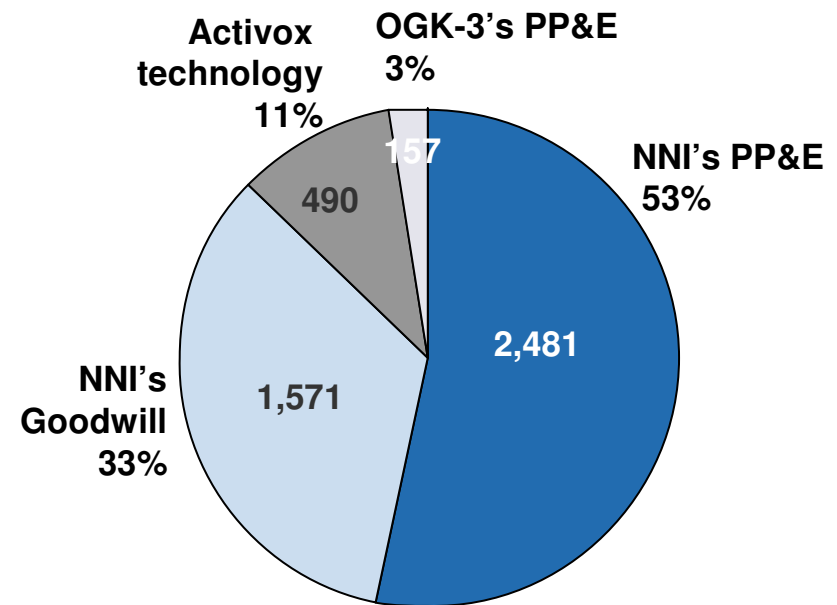
### Adjusted EBITDA analysis, US\$ mln



# Impairment of Non-Financial Assets

- Impairment of non-financial assets amounted to US\$ 4.7 billion:
  - US\$ 2.5 bln impairment of property, plant and equipment at Norilsk Nickel International
  - US\$ 1.6 bln impairment of NNI goodwill
  - US\$ 0.5 bln impairment of Activox refining technology
  - US\$ 0.1 bln impairment of property, plant and equipment at OGK-3

Impairment breakdown by items, US\$ mln



## Balance Sheet Highlights

- Balance sheet significantly affected by impairment write-downs

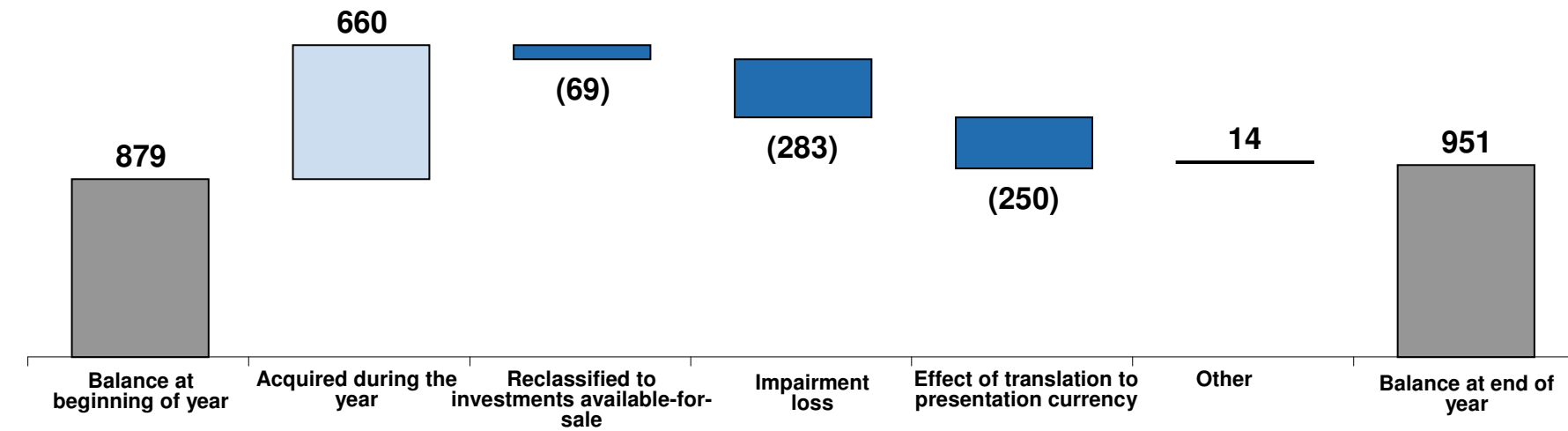
<i>US\$ mln</i>	31/12/2008	31/12/2007	Change	Δ%
<b>Non-current assets</b>	<b>13,764</b>	<b>23,186</b>	<b>(9,422)</b>	<b>(41)</b>
Property, plant and equipment	10,737	14,981	(4,244)	(28)
<b>Current assets</b>	<b>7,059</b>	<b>12,510</b>	<b>(5,451)</b>	<b>(44)</b>
Inventories	1,959	2,108	(149)	(7)
Other financial assets	1,316	4,473	(3,157)	(71)
Cash and cash equivalents	1,995	4,008	(2,013)	(50)
<b>TOTAL ASSETS</b>	<b>20,823</b>	<b>35,696</b>	<b>(14,873)</b>	<b>(42)</b>
<b>Capital and reserves</b>	<b>11,785</b>	<b>21,821</b>	<b>(10,036)</b>	<b>(46)</b>
<b>Non-current liabilities</b>	<b>6,912</b>	<b>7,441</b>	<b>(529)</b>	<b>(7)</b>
Long-term borrowings	5,568	4,101	1,467	36
<b>Current liabilities</b>	<b>2,126</b>	<b>6,425</b>	<b>(4,299)</b>	<b>(67)</b>
Sort-term borrowings	872	3,971	(3,099)	(78)
Trade and other payables	596	586	10	2
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>20,823</b>	<b>35,696</b>	<b>(14,873)</b>	<b>(42)</b>



# Investments in Associates

- Investments in associates amounted to US\$ 951 mln compared to US\$ 879 mln as at 2007 year-end, which is due to:
  - acquisitions during 2008 year, mainly: RUSIA Petroleum (US\$ 576 mln) and additional contribution to share capital of TGK-14 (US\$ 51 mln);
  - increase was partially offset by following reasons:
    - impairment loss in the amount of US\$ 283 mln;
    - reclassification of US\$ 69 mln of investments in Krasnoyarskenergo and Kolenergo to investments available-for-sale in course of restructuring process of RAO UES; and
    - US\$ 250 mln of effect of translation to presentation currency.

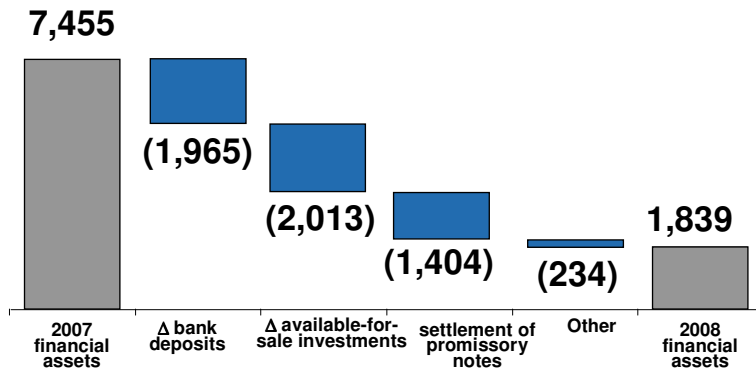
## Investments in associates analysis, US\$ mln



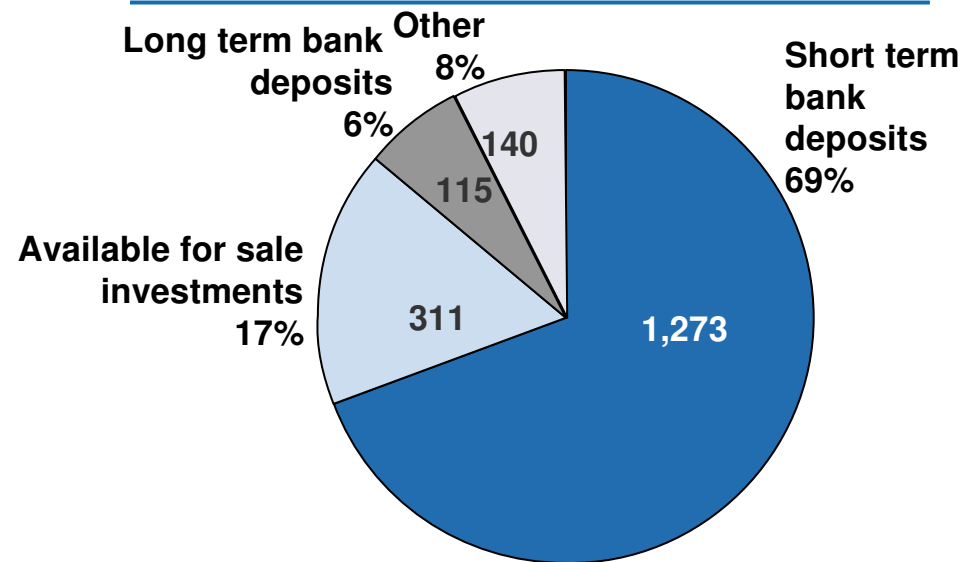
# Investments in Financial Assets

- Financial assets amounted to US\$ 1.8 bln compared to US\$ 7.4 bln as at 2007 year-end, the difference is largely explained by:
  - withdrawal of short- and long-term deposits of US\$ 1.965 bln;
  - withdrawal of promissory notes issued by Sberbank and Rosbank in the amounts of US\$ 618 mln and US\$ 774 mln respectively;
  - remaining portion mainly consists of the change in the market value of available-for-sale securities and disposal of Group’s investments in OGK-5 and Polyus Gold

Investments in financial assets, US\$ mln



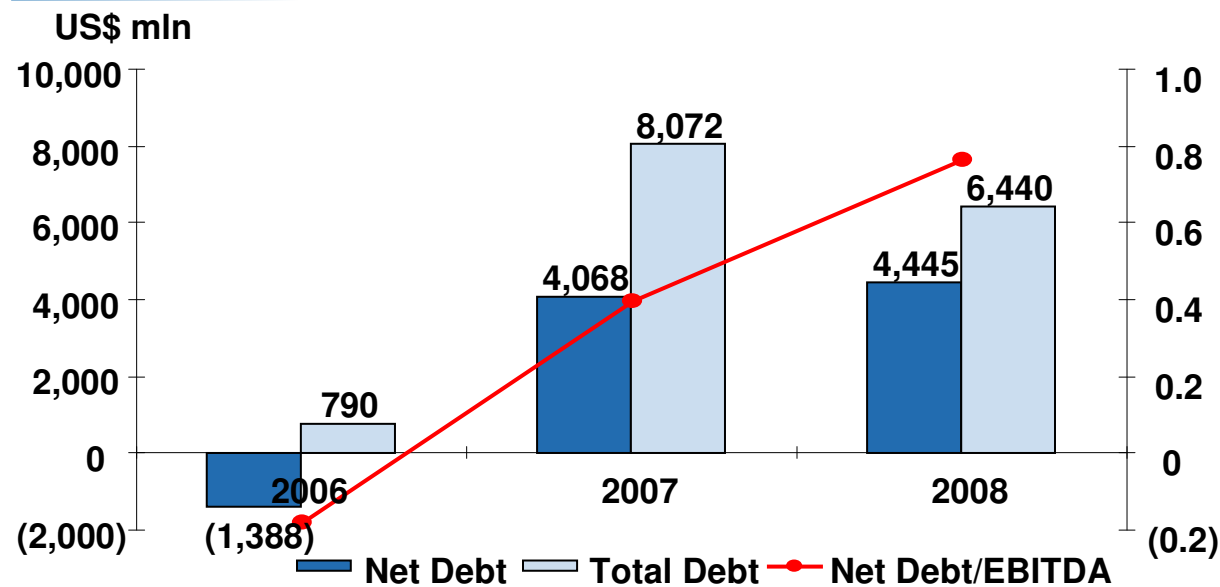
Financial assets breakdown, US\$ mln



## Debt and Cash Positions

- Total debt standing at US\$ 6.4 bln with net debt at US\$ 4.4 bln
- US\$ 2.0 bln of cash & cash equivalents forming safe liquidity cushion in turbulent times
- Additional US\$ 525 million in long-term deposits with option of withdrawal within 6-30 days
- Most credit facilities are denominated in US dollars, matching predominantly US dollar revenues
- Comfortable ratio levels: Net Debt/EBITDA – 0.77x, Net Debt/Equity – 0.38x

Debt and debt related financial ratios





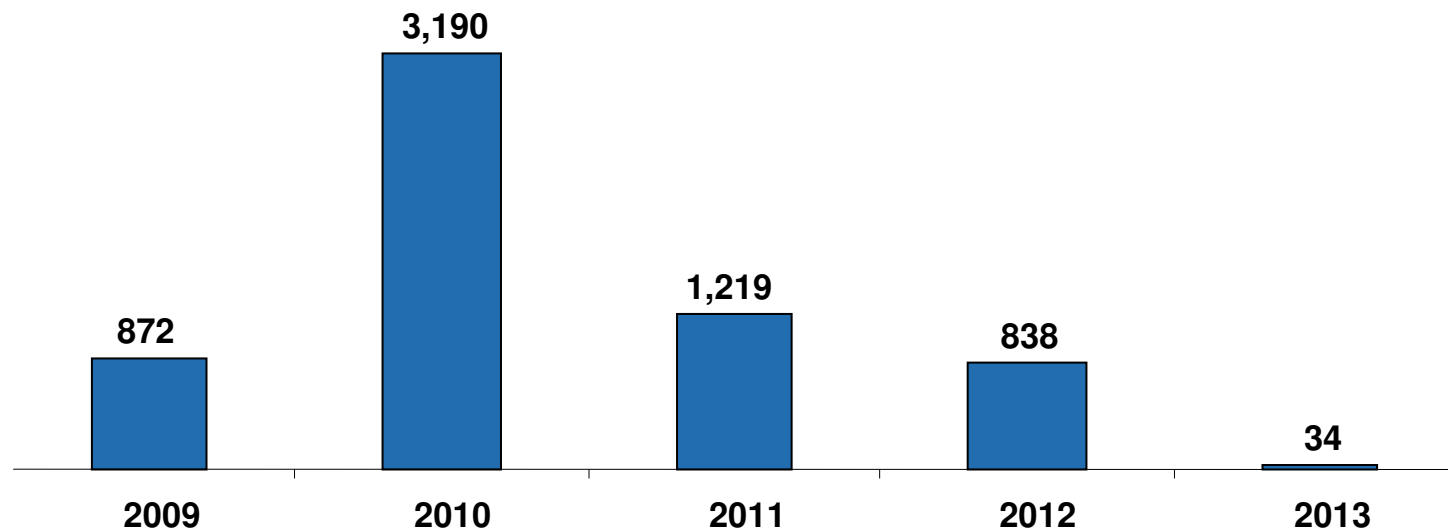
## Debt Maturity Schedule

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- US\$ 1.5 bln of debt retired in course of 2008, all credit obligations honored in full and timely manner
- US\$ 872 mln to be repaid in 2009, of which US\$ 500 mln Eurobond issue and the rest mostly amortization of bilateral & syndicated loans
- 2009 budget envisages no external financing for the current year

Debt maturity schedule, US\$ mln

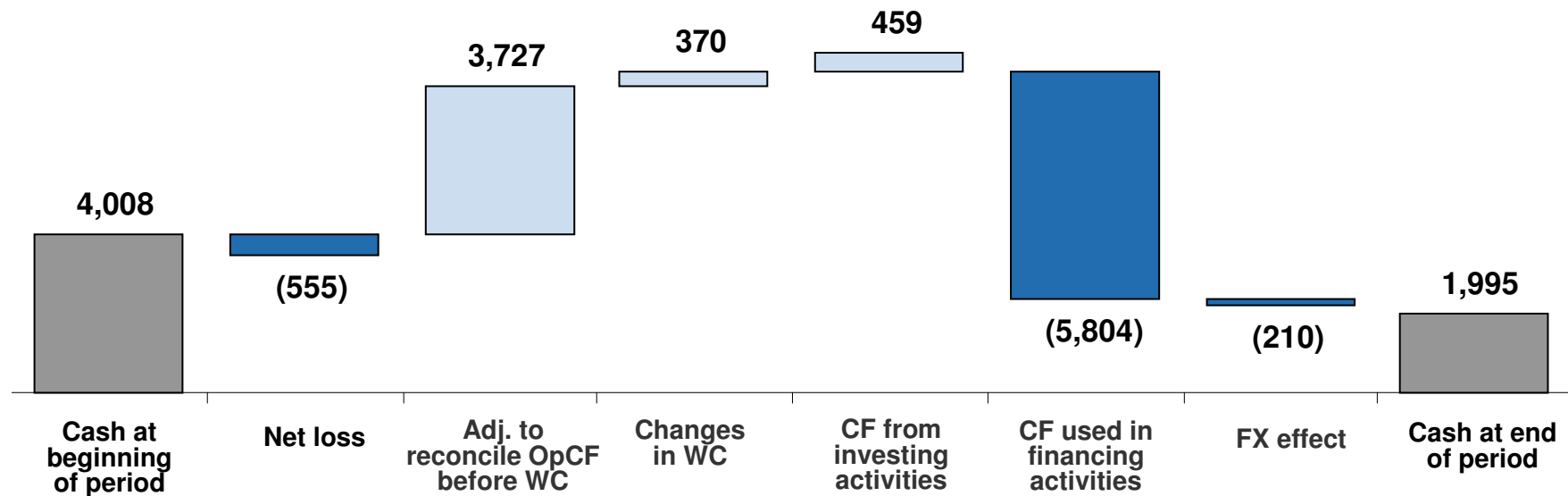
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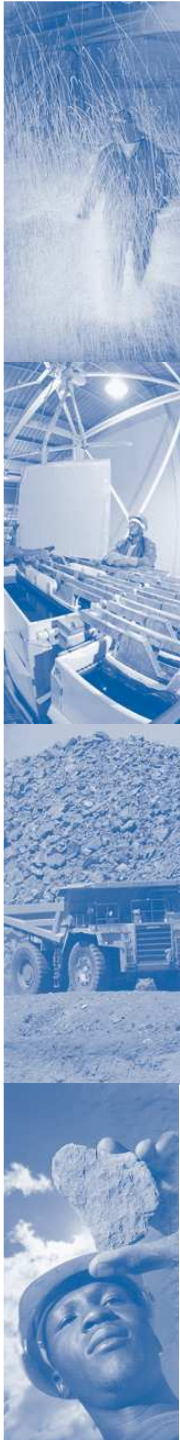


# Strong Cash Flow Generation

- Operating cash flow being stable, P&L results significantly affected by impairment test write-downs
- US\$ 5.8 bln used in financing activities, including loan repayments and buy-back program

Cash flow analysis, US\$ mln





## Appendices



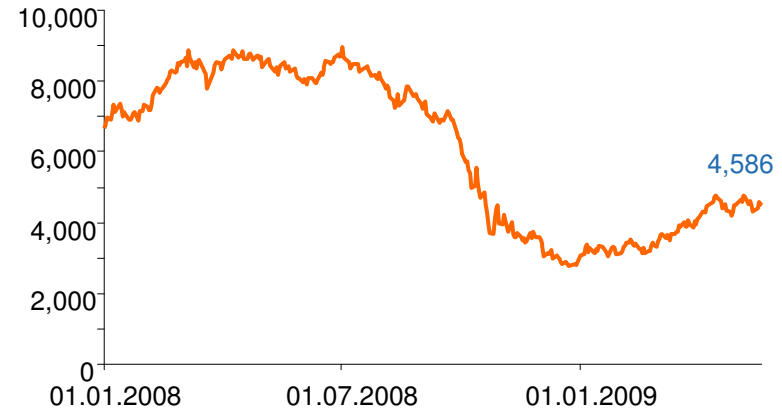
**NORILSK NICKEL**

# Key Metal Prices

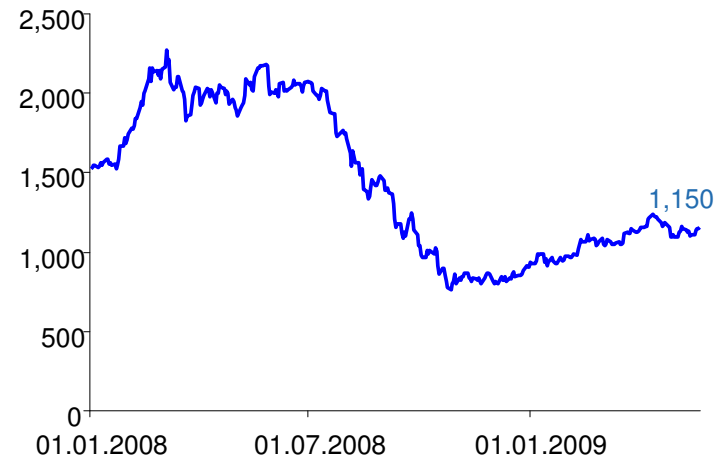
## Nickel, US\$/tonne



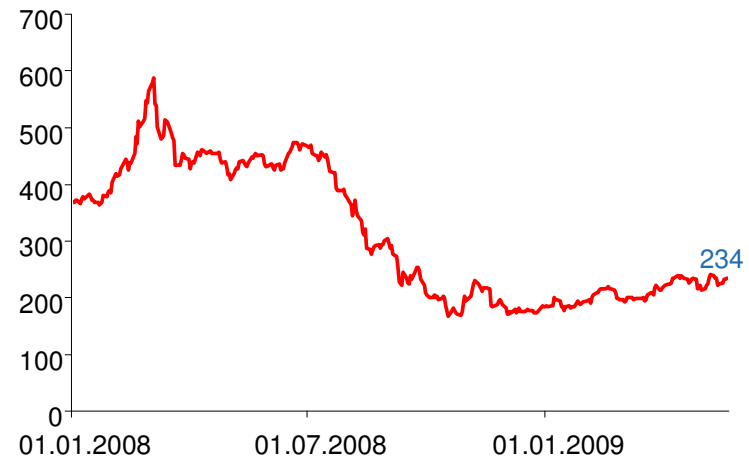
## Copper, US\$/tonne



## Platinum, US\$/oz



## Palladium, US\$/oz



Source: Bloomberg

# Metals Production Results and Outlook

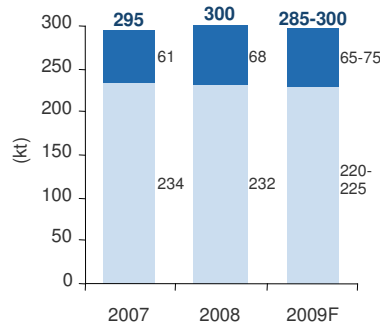
## 2008 Production Results

- 2008 nickel and copper production at Polar and Kola divisions in line with production plans
- Underproduction of platinum and palladium at Polar and Kola divisions due to decrease of base and precious metals grades in ores mined

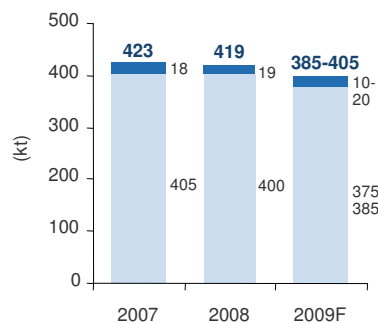
## 2009 Production Outlook

- Steady levels of nickel production at Polar and Kola divisions; ca. 43.5 kt international nickel production capacity put on care and maintenance which should be offset by increased production from purchased intermediates (Harjavalta)
- Approx. 20kt decrease in copper production due to completion of mining rich cuprous ores
- Further reduction of PGM production (ca. 25 koz platinum and ca. 120 koz palladium) as a result of falling PGM grade in ore mined

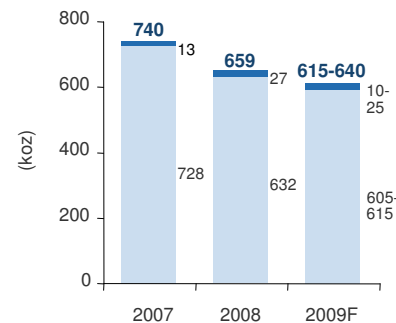
Nickel\*



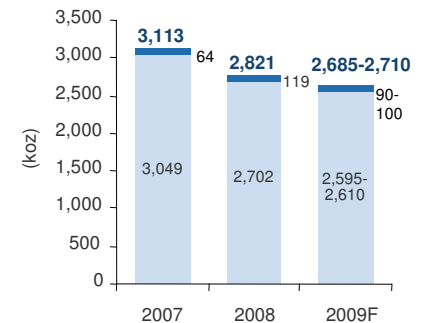
Copper



Platinum\*\*\*



Palladium\*\*\*



Russian Assets

Norilsk Nickel International\*\*



NORILSK NICKEL

Source: Company Information

\* Including purchased intermediates from third parties, excluding tolling operations

\*\* 2007 calendar year figures

\*\*\* Excluding results of Stillwater Mining Company