

## Interview with Andrey Klishas, the Chairman of the Board of Directors



**What is your assessment of the Board of Directors and management performance in 2007?**

The Board of Directors and management of Norilsk Nickel is a team of people who share the same vision. It has demonstrated its competence and professionalism on many occasions.

I think that we contributed to Norilsk Nickel becoming the largest diversified mining company in Russia and a leader in the international metals markets, with excellent prospects for further development.

The best result of our work is that Group's market capitalization hit a record of USD 63.5 billion in 2007, growing nearly twice during the reporting year.

Norilsk Nickel became a laureate of the first award Thomson Extel Survey – Focus Russia 2007. As a result of voting by Russian and foreign investors from 152 asset management companies in 17 countries Norilsk Nickel was named the best investor relations professional in the Russian mining and metallurgy sector.

I'm confident, in the acting Board of Directors is able to successfully continue adding value for the Company's shareholders.

**What is Norilsk Nickel in Russian economy?**

MMC Norilsk Nickel is the largest metals and mining company in Russia and is significant in terms of Russian economics. The Group's share in Russia in 2007 was as following:

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- in GDP – 1.1%;
- in industrial production – 2.8%;
- in export – 3.5%;
- in metals production – 11.9%;
- in nickel production – 88.4%;
- in copper production – 42.1%;
- in palladium production – about 100%;
- and platinum production – 79.7%.

I would like to underline that Norilsk Nickel contributed 34% to consolidated budget of Krasnoyarsky Krai in 2007.

### What are the efforts of the Group to improve the ecology situation?

Environmental safety and protection are among the top priorities of the Company's management. Norilsk Nickel recognizes the essential role of operating activity with the minimum damage to the environment. The Group has developed and implemented a Corporate Integrated Quality and Environmental Management system based on the principles of Ecology Policy.

The total environmental protection expenditures amounted to USD 428 million in 2007. The discharge of solid substance after purification was reduced by 5.6%. The discharge of waste water reduced by 18.4%. Volume of pollutants discharged to water bodies with waste waters was reduced by 12.5%.

### Which steps does the Company take to increase value for its shareholders?

The Company assigns a lot of importance to shareholder value increase. Taking into account the good interim financial results for 2007, we continued the practice of interim dividend distribution. The interim dividends for 9 months of 2007 amounted to RUB 108 (USD 4.38) for each ordinary share.

Based on the financial and operating results for 2007, the Board of Di-

rectors recommended approval at the Annual General Shareholders' Meeting of MMC Norilsk Nickel, to be held on 30 June 2008 final dividends for 2007 of RUB 220 (USD 9.34) for each ordinary share.

Therefore, dividend income of shareholders for 2007 will amount to 3.1%, which is a good evidence of a sustained growth of this indicator for 6 consecutive years.

Our shareholders receive considerable income from share value growth as well. Thus, the Company's market capitalization in 2007 hit a record of USD 63.5 billion, growing almost twice during the reporting period.

In January 2008, the Board of Directors considered and approved management's proposals to list the existing American Depositary Receipts of the Company at the London Stock Exchange in 2008. The listing will increase liquidity of MMC Norilsk Nickel's depository receipts, extend the shareholder base and advance the Company's international status.

Moreover, at the decision of the Board of Directors in February 2008 depository receipts were split with a ratio of 1:10 (formerly 1:1), which we believe should also contribute to an increase in liquidity and extension of the shareholder base.

### What is your view of the main strategic developments in 2007?

The year 2007 is marked by our increased presence abroad. We became more certain that a modern company may not expect to have strong positions in an industry if it has all its assets within one region. International presence offers more opportunities and options for successful operation of a business.

Therefore, we continued to build up international cooperation. We did this

both by acquiring strategic assets and through other forms of interaction with global mining leaders.

As a result of geographic diversification, the production assets of the Group are on 4 continents, in 6 countries of the world.

I would say that acquisition of OM Group's nickel business and 100% in LionOre Mining International Ltd. are the most important acquisitions of the reporting year as part of our international business development strategy and expansion outside the Russian Federation. The purchase of LionOre is one of the largest foreign acquisitions in the history of the Russian business.

As a result, we have received a premier pool of assets located in Australia, Botswana, Finland and the Republic of South Africa which became part of the international mining and metallurgical business unit – Norilsk Nickel International.

Furthermore, in partnership with two global mining and metallurgical majors, Rio Tinto and BHP Billiton, the Company continued searching for promising new base metals deposits in Russia.

This strategy allows further diversifying the portfolio of international mining assets in the regions that are most attractive for business operations and also accessing unique experience and advanced technology.

### Why the non-core energy assets were not spun-off? What are their further prospects?

The predominant majority of shareholders appraised very highly and endorsed the work done by management on the non-core energy asset spin-off. However, the proposal did not receive the necessary number of shareholder votes at the Extraordi-

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nary General Meeting of 14 December 2007.

On 4 February 2008, the Board of Directors resolved that it would be practical to spin-off non-core energy assets and charged management with the task of performing all the necessary activities for this.

As a result, 1.72% in OGK-5 was sold in February 2008 as part of an obligatory offer to OGK-5 shareholders made by ENEL.

We still believe that the spin-off of non-core energy assets was the best solution in terms of creating additional value for all the Company's shareholders.

### **What is your assessment of the new major shareholder – UC Rusal? How will it affect the Company's development strategy?**

On behalf of the Company's management, I welcome UC Rusal as a major shareholder of MMC Norilsk Nickel. Acquisition of a significant interest is another confirmation of the Company's attractiveness for investors and good prospects for further development. I anticipate challenging joint work aimed at strengthening the Company's leadership positions in the global mining industry.

### **What are the prospects of any combination between MMC Norilsk Nickel and Metalloinvest? Does this alliance seem more preferable to the Company rather than a combination with UC Rusal?**

At the end of February 2008, MMC Norilsk Nickel management officially announced that it was starting the process of discussions with Metalloinvest HC and investigating opportunities for a possible combination of the two businesses.

MMC Norilsk Nickel management has been recently informed of Met-

aloinvest HC's decision to investigate opportunities of making IPO on one or several stock exchanges. At the moment, owing to the address of Metalloinvest HC, the parties have agreed to suspend the process of discussions.

Although the discussions to date are at a preliminary stage, Norilsk Nickel believes that a combination of MMC Norilsk Nickel and Metalloinvest HC may have strategic and operational merits, and intend to continue examining it in the future.

My opinion is that the most preferable outcome will be an alliance which creates additional value to MMC Norilsk Nickel shareholders. I am not in a position to comment on UC Rusal's plans, because we have not received any offers from them so far, as I have already said. Moreover, UC Rusal is not a public company and we don't have sufficient information to assess the practicality of any possible combination.

### **How did management of the Company change during the year?**

As you know, the Board of Directors appointed Denis Morozov as General Director of MMC Norilsk Nickel from 3 April 2007. Last year showed that we made the right decision. Mr. Morozov who has been with the Company since 1998 demonstrated a responsible and balanced approach and an ability to create significant additional value for the Company's shareholders.

The appointment of Oleg Lobanov, as Deputy General Director and as a Member of the Management Board responsible for the finance and economic business unit, in January 2008, is a notable recent change in the composition of the top management. Mr. Lobanov has been with the Company since 2002.

### **What would you say to shareholders in conclusion?**

Dear shareholders, I would like to thank you for your understanding and support and assure you that the Board of Directors of MMC Norilsk Nickel will keep its commitment to working for the well-being of all Norilsk Nickel shareholders, employees and regions.

**28 May 2008**