



NORILSK NICKEL



August 29, 2013

Moscow

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1H 2013 Highlights

- **Revenue** amounted to USD 5.6 billion, down 6.1% y-o-y owing to weak metal prices and lower sales volumes of nickel and platinum
- **EBITDA** decreased 7.8% y-o-y to USD 2.3 billion while EBITDA margin remained strong (41%) and practically unchanged y-o-y
- **Net OCF** amounted to USD 1.6 billion, down only marginally (3% y-o-y) despite a more sizeable reduction in revenue, due to improving management of working capital
- **CAPEX** decreased more than 20% y-o-y to USD 0.9 billion owing to stringent capital allocation discipline adopted by the management
- Annual **dividends** for 2012 were paid in the amount of USD 1.9 billion underlying the Company's commitment to shareholder returns
- Comfortable level of **Net Debt to EBITDA** ratio at 1.1x
- Strategic review of international assets launched

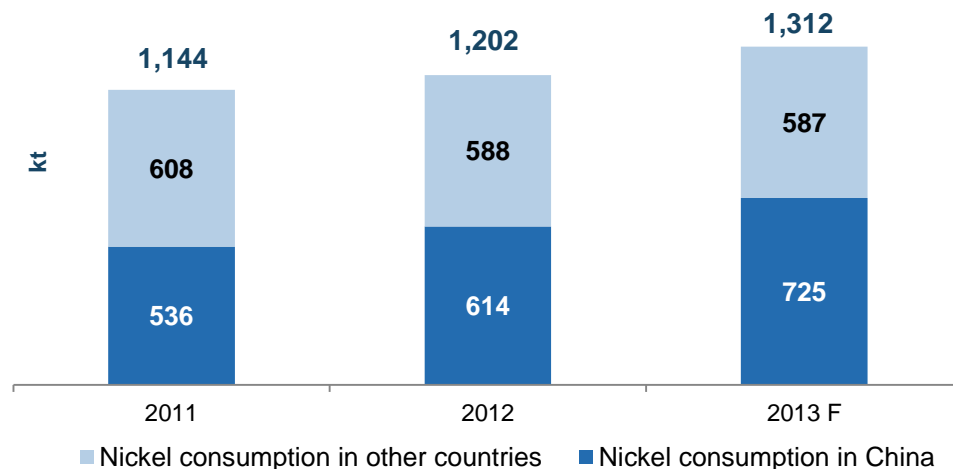


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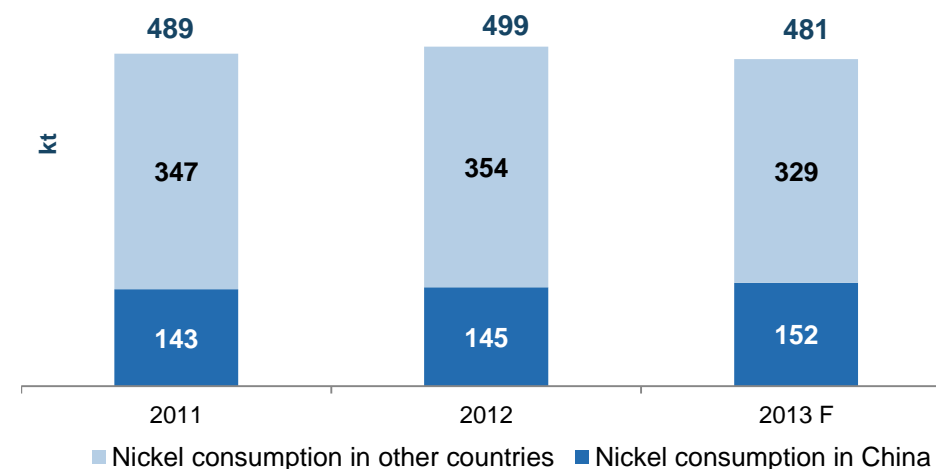
Markets Overview

Nickel Consumption: All about Chinese Stainless

Primary nickel consumption in stainless steel to grow by 9% in 2013F



Primary nickel consumption in non-stainless applications down by 4% in 2013F



- In 1H 2013 global primary nickel consumption in **stainless steel** increased by 11%, of which:
 - China was up by 27%
 - The rest of the world was down by 3%
- Global primary nickel consumption in **non-stainless** applications decreased by 6%, of which
 - China was up by 4%
 - The rest of the world was down by 10%
- **Total** global primary nickel consumption increased by 6% y-o-y in 1H 2013, of which:
 - China was up by 22%
 - The rest of the world was down by 6%

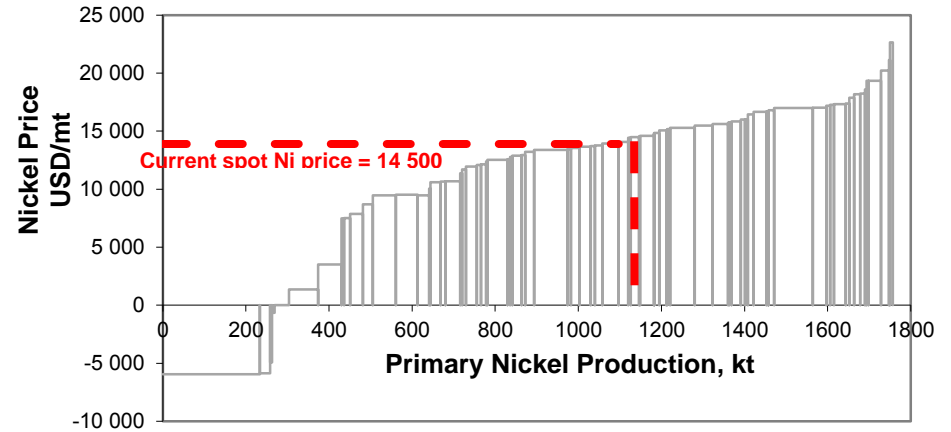


Source: Company data

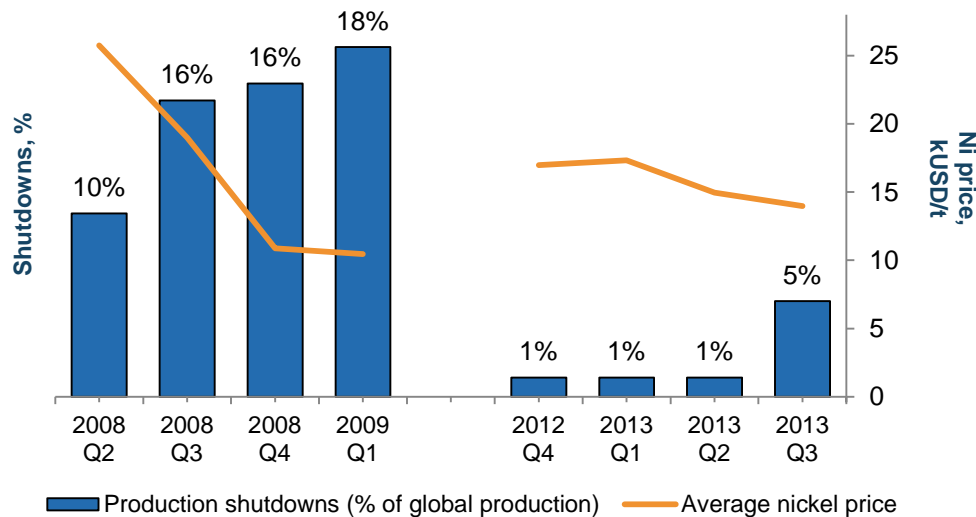
25% of Ni Production Ex-China Is Loss-Making

- Circa 25% of the global primary nickel production (excluding Chinese NPI) or 360 kt generate losses at spot nickel price (14,500 USD/t)
- In 1H 2013, Indonesian nickel ore import to China increased by 17% y-o-y and reached a record high level of 19,9 mln tonnes. A significant part of already mined nickel ore has been stockpiled in Indonesia in anticipation of higher prices.

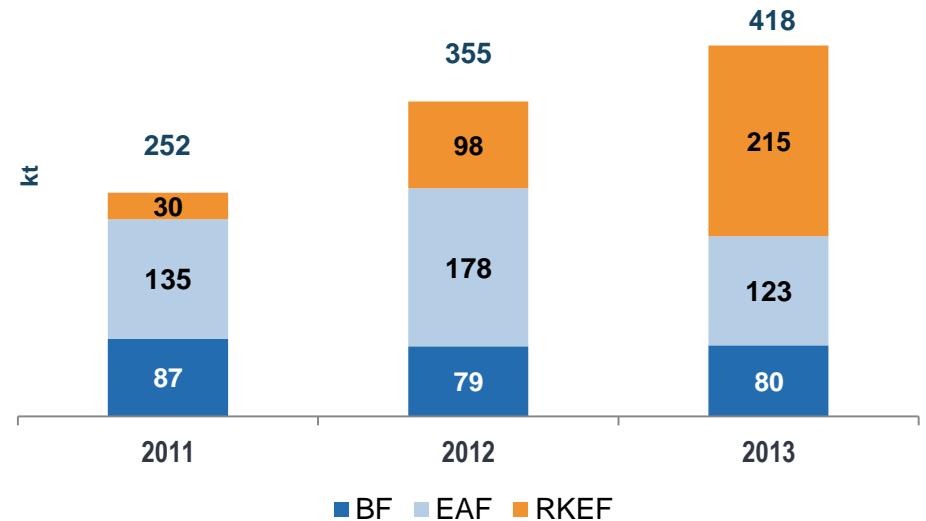
2013 global nickel cash cost curve (C1): 30% is loss making



Production cuts: 18% in 2008 vs. 5% in 2013 YTD



China NPI production to grow 18% in 2013F



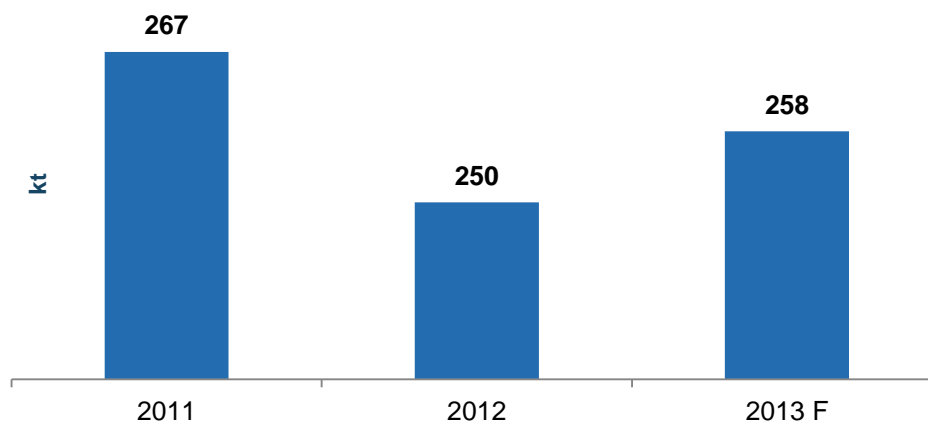
Source: Wood Mackenzie Brook Hunt, Company data

Primary Nickel Market Remains in Surplus

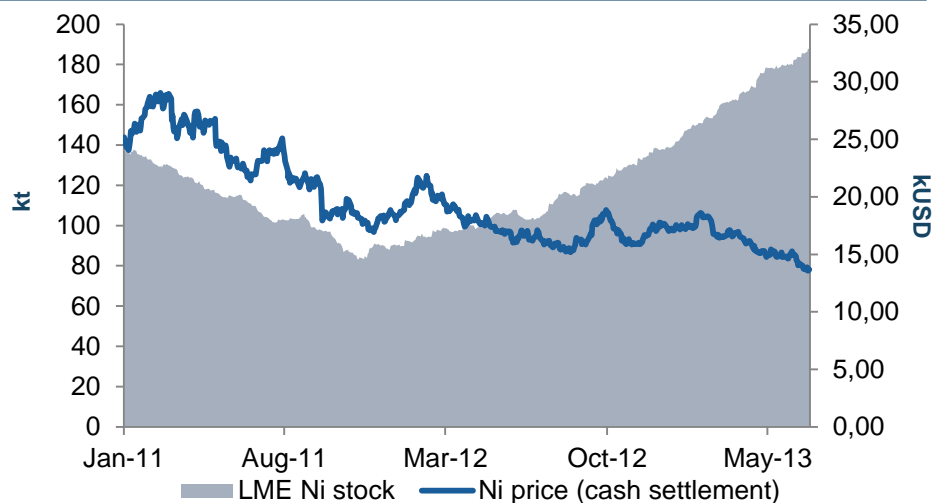
Market trends

- China's nickel consumption continues to grow strongly.
- NPI production in China is rising, reaching over 20% of global primary nickel supply in 2013.
- Cathode Ni consumption remains broadly flat.
- Growth in Ni consumption is met mainly by low quality Ferro-nickel which substitutes high quality nickel in stainless steel industry
- Expanding market surplus drives increase of inventories (LME – 187 kt, investments in China – 140 kt).

Chinese primary nickel import



LME nickel price down 21%, inventories up 32% YTD



Nickel supply and demand

kt	2011	2012	2013
Consumption in stainless steel industry	1 144	1 202	1 290
Consumption in other industries	489	499	502
TOTAL CONSUMPTION	1 633	1 701	1 792
High quality nickel production	963	986	1037
Low quality nickel production	654	809	847
TOTAL PRODUCTION	1 617	1 795	1 883
MARKET BALANCE	-16	+94	+91

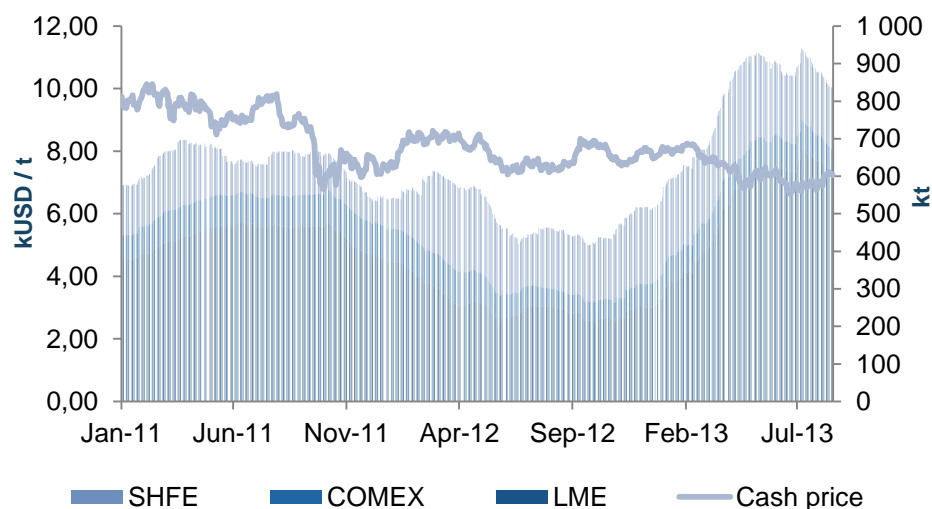
Source: Company data

Refined Copper Market Remains Balanced

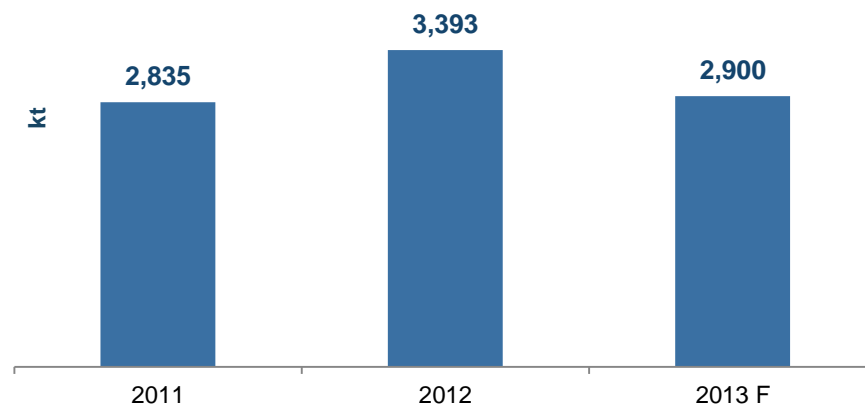
Major market trends

- Global demand is driven by Chinese imports
- Growth of copper supply remains limited in line with consumption
- We expect global market to be balanced in 2013F, with a marginal surplus of only 380 kt (2% of global consumption)

LME copper price down 3% and LME inventories up 56% YTD



China refined copper imports: 14% of global consumption



Copper supply and demand

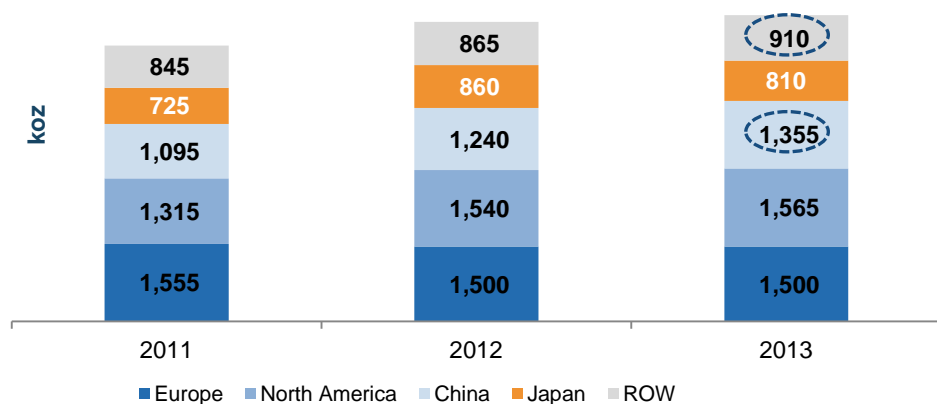
kt	2011	2012	2013 F
Copper rod fabrication	14 220	14 730	15 270
Other copper consumption	5 530	5 180	5 370
TOTAL CONSUMPTION	19 750	19 910	20 640
Mine production	16 180	16 730	17 430
Recycling	3 580	3 460	3 590
TOTAL PRODUCTION	19 760	20 190	21 020
MARKET BALANCE	+10	+280	+380



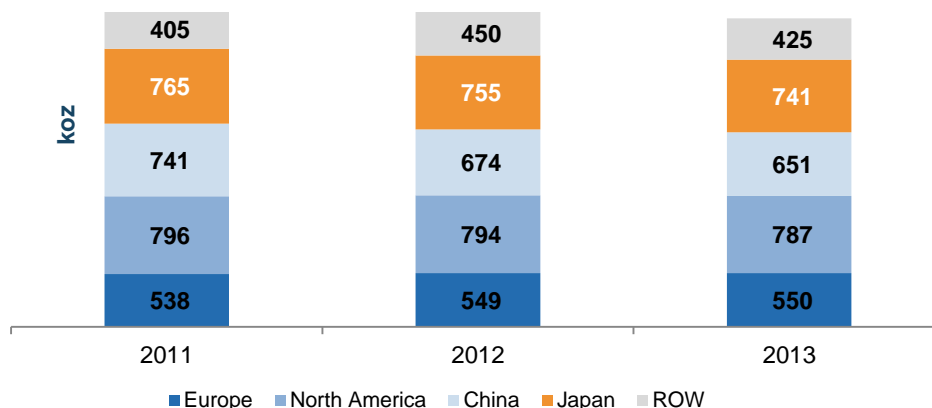
Source: LME, COMEX, SHFE, Antaika

2013F Palladium & Platinum Industrial Consumption

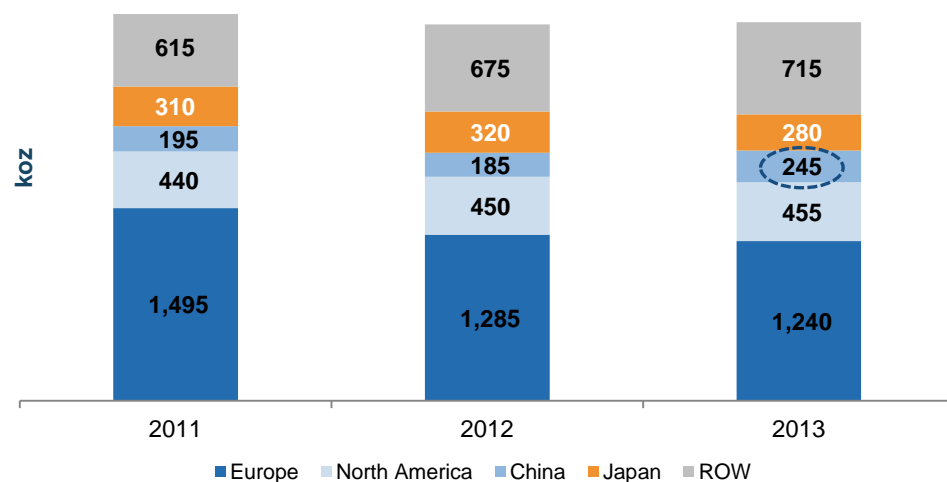
Palladium consumption in autos: up 2% y-o-y



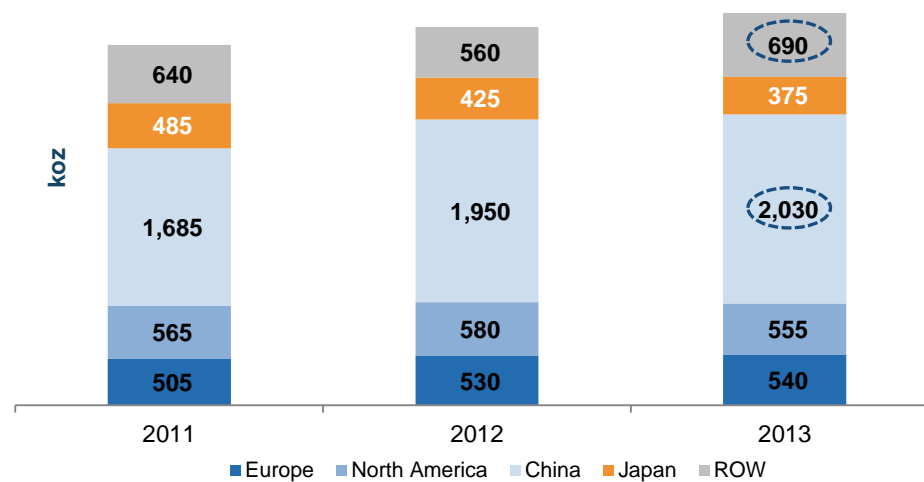
Palladium other consumption: down 2% y-o-y



Platinum consumption in autos: flat y-o-y



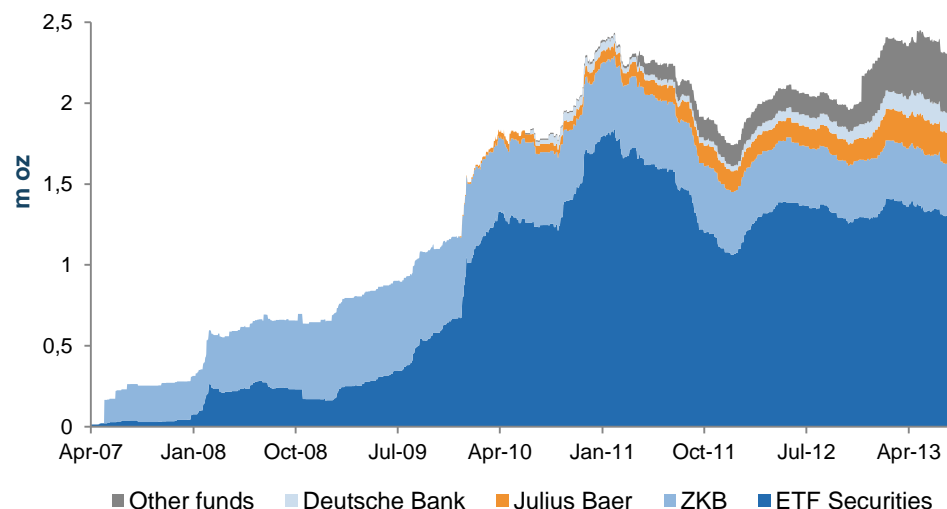
Platinum other consumption: up 4% y-o-y



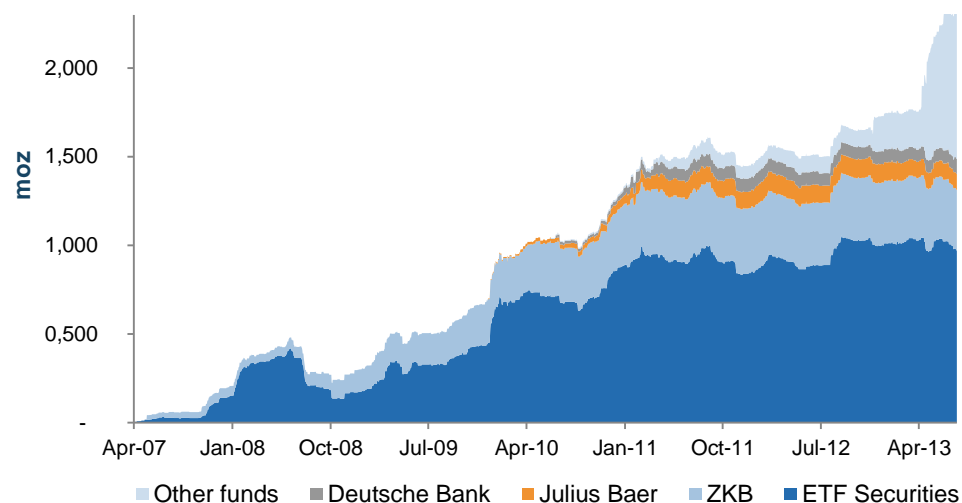
Source: Company data

Palladium and Platinum Investment Demand Rising

Palladium ETFs holdings: up 9% y-o-y



Platinum ETFs holdings: up 54% y-o-y



Global palladium market: structural deficit

koz	2011	2012	2013F
Automotive	5,535	6,005	6,140
Other industrial consumption	3,245	3,225	3,150
Investment demand	60	510	255
TOTAL DEMAND	8,840	9,740	9,545
Mine production	6,770	6,410	6,525
Recycling	1,730	1,680	1,980
Deliveries from stockpiles	1,300	250	100
TOTAL SUPPLY	9,800	8,340	8,605
MARKET BALANCE	960	(1,400)	(940)

Global platinum market: deficit is expanding

koz	2011	2012	2013F
Automotive	3,055	2,915	2,935
Other industrial consumption	3,880	4,045	4,190
Investment demand	495	505	840
TOTAL DEMAND	7,430	7,465	7,965
Mine production	6,400	5,785	6,015
Recycling	1,505	1,320	1,490
TOTAL SUPPLY	7,905	7,105	7,505
MARKET BALANCE	475	(360)	(460)

Source: Company data

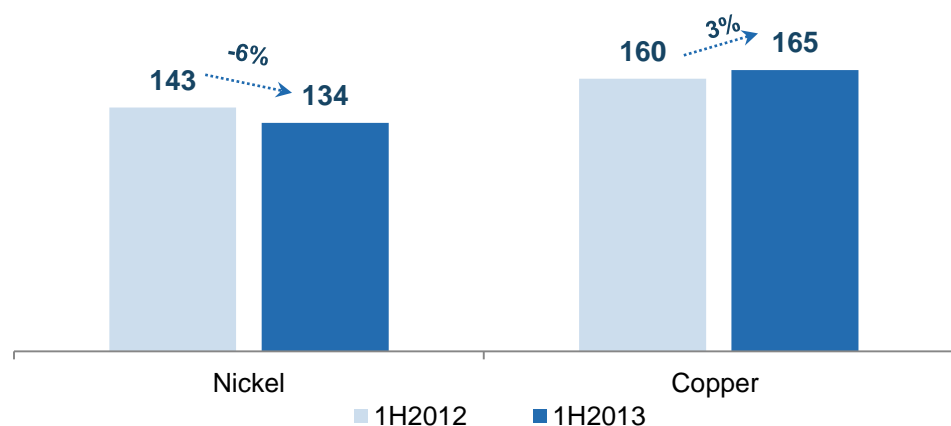


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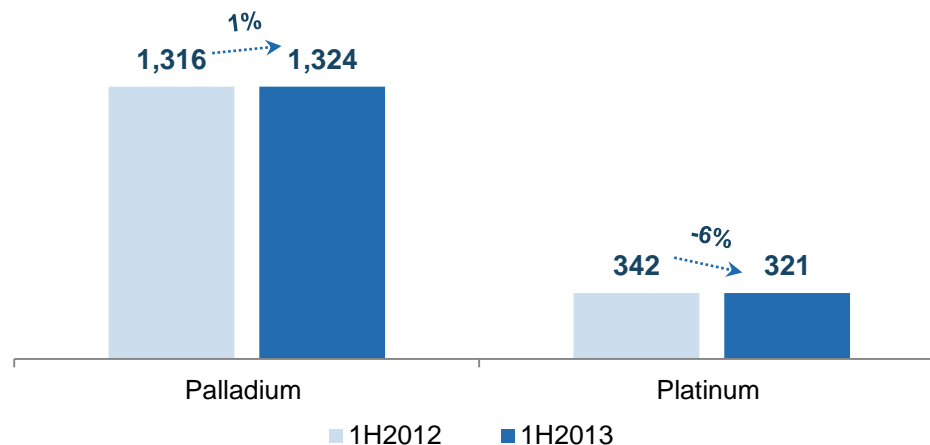
1H'13 Financial Results

Sales and Distribution Results

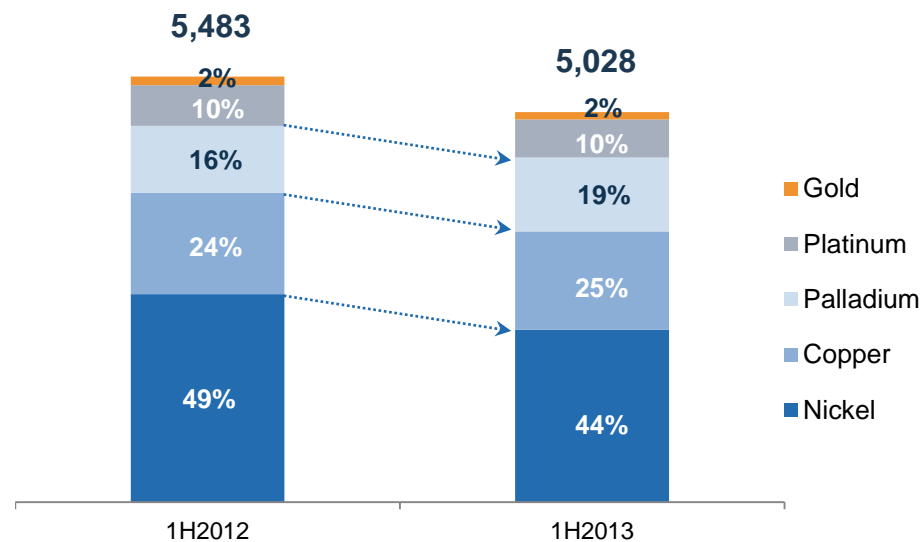
Base metals sales volumes, kt



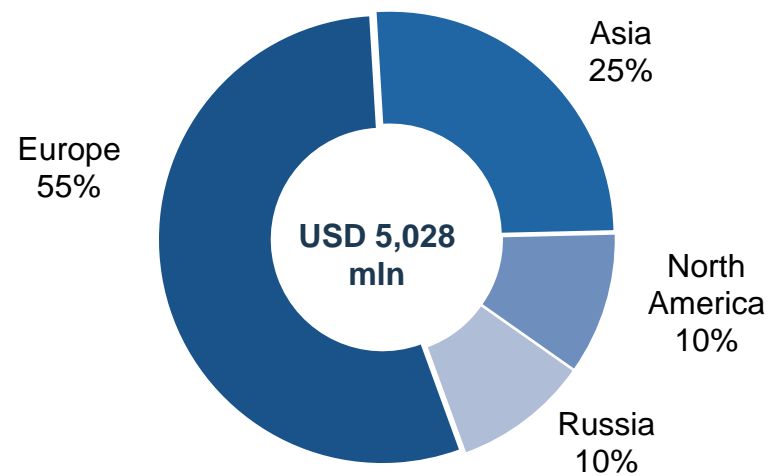
PGMs sales volumes, koz



Revenue breakdown by metals, USD mln

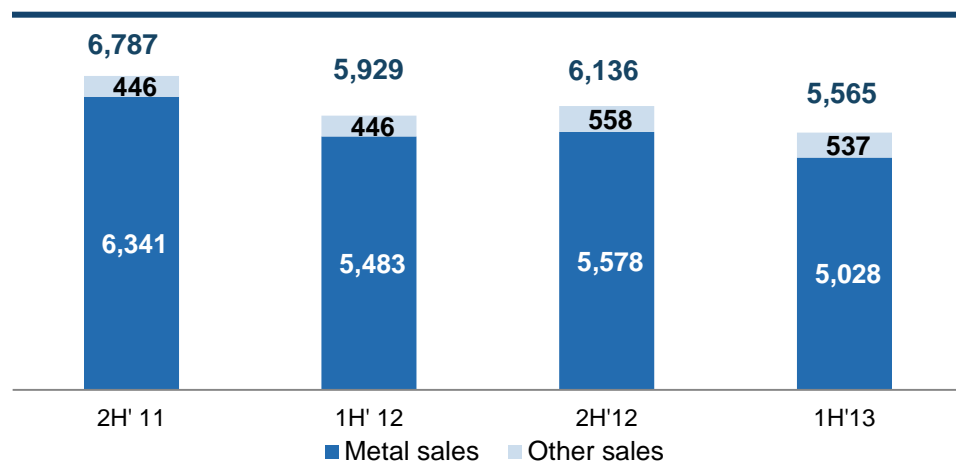


Revenue breakdown by region

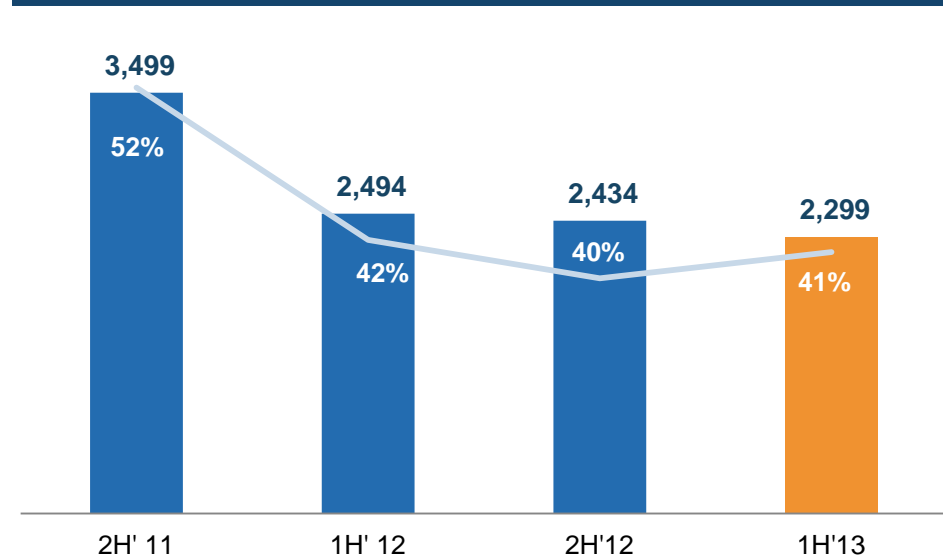


Revenue Down but EBITDA Margin is Resilient

Revenue, USD mln



EBITDA (USD mln) & EBITDA margin (%)



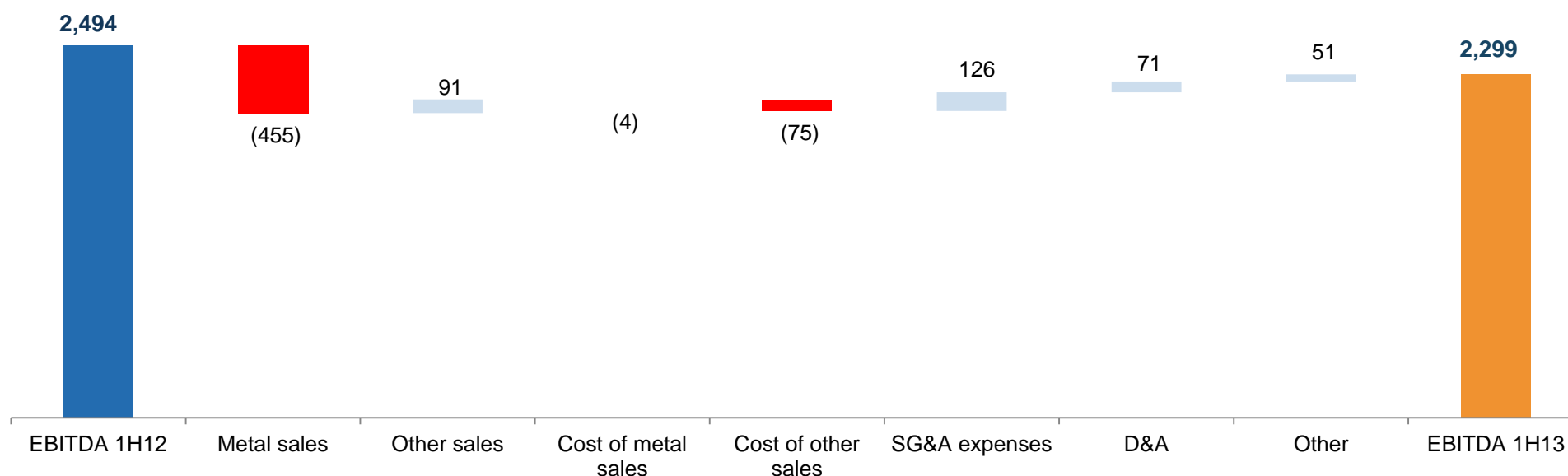
- Revenue down by 6% to US\$ 5.6 billion in 1H 2013 y-o-y due to:
 - Decrease in realized prices of base and precious metals (except palladium);
 - and decline of nickel and platinum sales volumes.
- Changes in realized prices:
 - **Down:** nickel by 12%, copper by 6%, platinum by 1%;
 - **Up:** palladium by 11%;
 - In line with the market prices (LME and LPPM)
- EBITDA amounted to US\$ 2.3 billion with a healthy margin of 41%, almost unchanged y-o-y

Source: Company data

EBITDA Analysis

- EBITDA decreased by 8% y-o-y to US\$ 2.3 bn mostly due to lower base metal prices and sales volumes of Ni and Pt
- Cash operating costs decreased by 6% y-o-y mostly due to:
 - lower costs of semi-finished products and raw materials purchased from 3rd parties owing to lower metal prices
 - RUB depreciation against US dollar
- Export customs duties decreased by US\$ 136 mln (or 49% y-o-y) as a result of the Russian government introducing lower fixed tariffs and also lower taxable base as metal prices were down
- Depreciation & amortization charges increased 19% y-o-y to US\$ 439 mln

Adjusted EBITDA bridge, USD mln

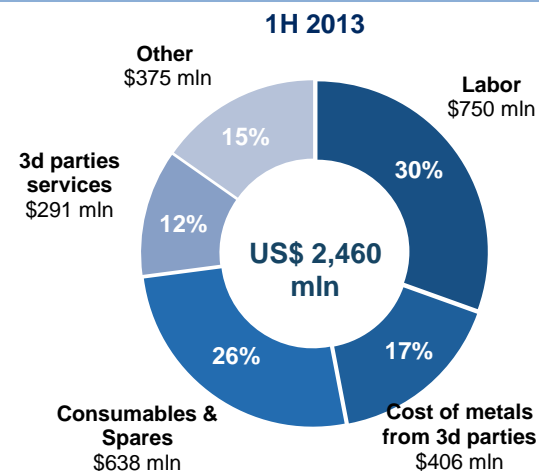


Source: Company data

1H 2013 Costs Remain under Management Control

- Operating cash cost (before by-product credits) were down almost 8% y-o-y driven by the following factors:
 - Expenses on acquisition of raw materials decreased 36% y-o-y;
 - Labour cost was flat y-o-y supported by RUB depreciation against USD
 - Third party services were down 6% y-o-y
- SG&A was down almost 20% y-o-y mostly driven by a 49% decrease in export customs duties

Cash costs before by-product credits, USD mln



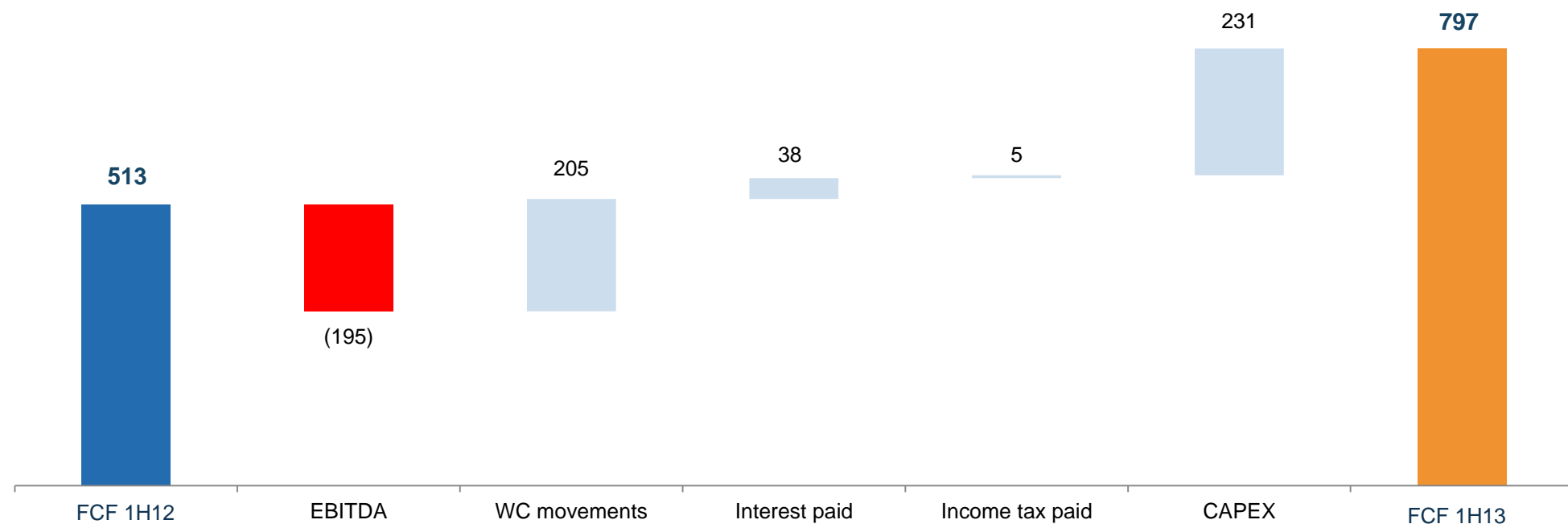
USD mln	1H 2013	1H 2012	Y-o-y Change, %	Change
Cash operating costs				
Labour	750	751	-	
Expenses on acquisition of raw materials and semi-products	406	633	(36%)	↓
Consumables and spare parts	638	607	5%	↑
Outsourced third party services	291	309	(6%)	↓
Utilities	102	104	(2%)	↓
Transportation	88	82	7%	↑
Tax directly attributable to cost of goods sold	144	99	46%	↑
Sundry costs	41	63	(35%)	↓
Cash operating costs	2,460	2,648	(8%)	
Revenue from sale of by-product metals	(129)	(158)	(18%)	↓
Total cash operating costs	2,331	2,490	(6%)	
SG&A	550	676	(19%)	↓
Total	2,881	3,166	(9%)	↓

Source: Company data

Strong FCF Generation Despite Lower Revenue

- FCF was up by 55% y-o-y to almost USD 800 mln driven by the following factors:
 - growth in working capital was more than two times lower y-o-y and amounted to USD 205 mln in 1H 2013 due to introduction of new procurement practices and improved VAT returns
 - disciplined approach to capital allocation resulted in CAPEX savings of USD 231 mln as compared to 1H12

FCF bridge, USD mln

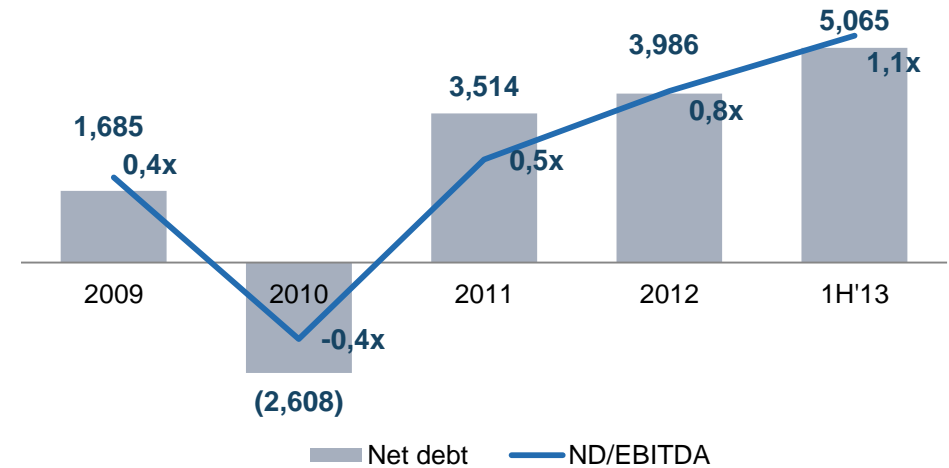


Source: Company data

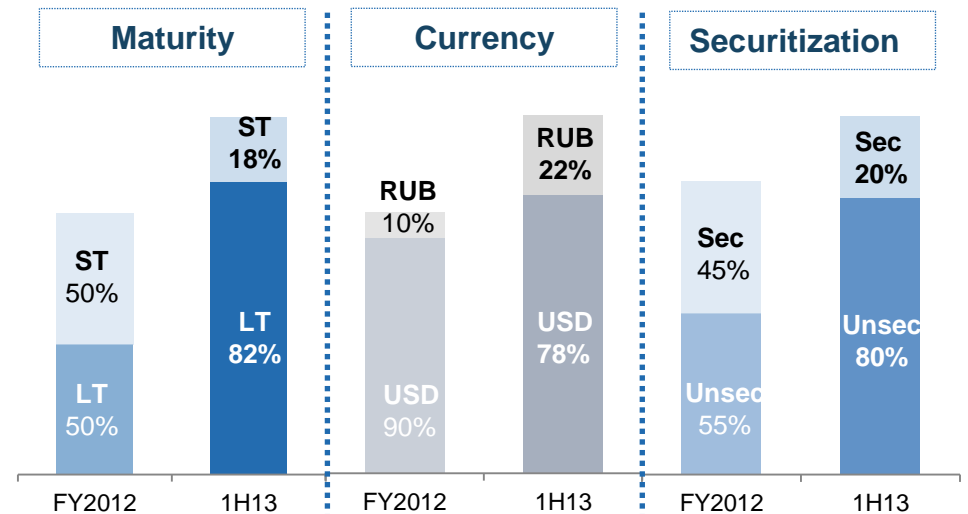
Pro-active Debt and Liquidity Management

- Diversification of debt portfolio on prevailing market terms as compared to 2012YE :
 - Extension of maturities and a 50% reduction of short-term debt
 - Share of unsecured debt in portfolio increased from 55% to 80%
 - Share of public debt in portfolio increased from 10% to 33%
- USD 1.8 bn of cash and cash equivalents provides strong liquidity position
- Net debt/LTM EBITDA at a comfortable level of 1.1x
- Commitment to retain investment grade credit rating

Leverage highlights, USD mln



Well-balanced debt structure



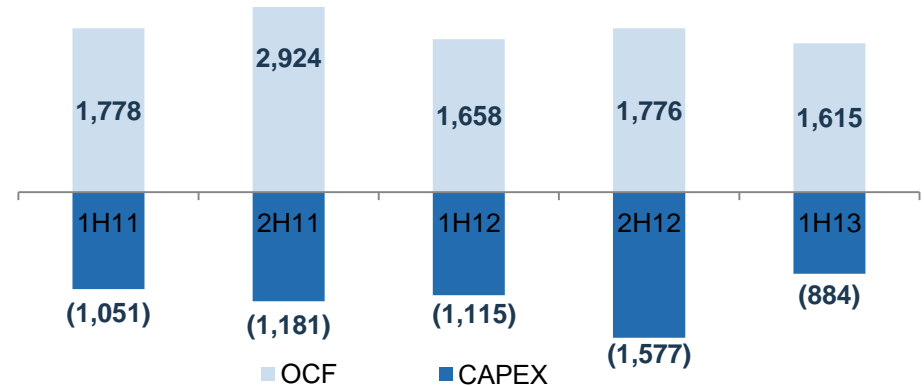
Source: Company data



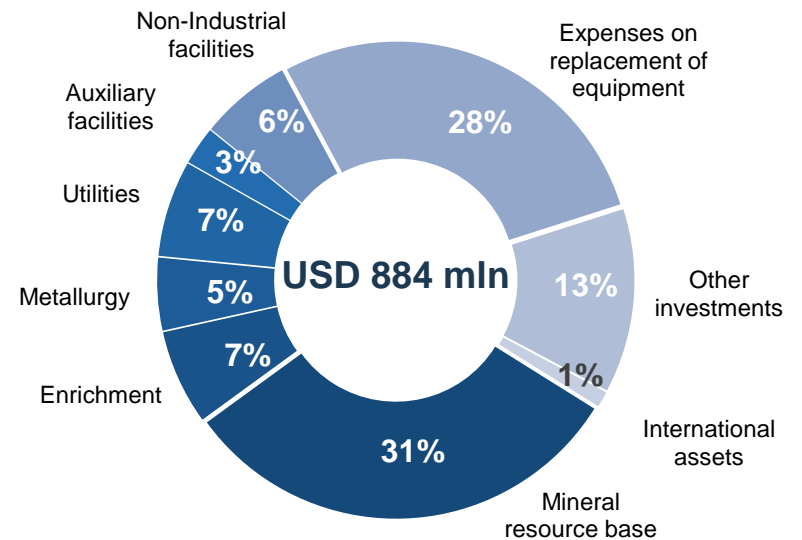
CAPEX

- CAPEX amounted to USD 884 mln in 1H13
- Investments in mining included:
 - development of Skalistyi and Taimyrsky mines as key projects at Polar Division
 - replacement of retired equipment; and
 - implementation of new mining technologies
- Modernisation and upgrade of enrichment and smelting facilities of Polar Division and Kola MMC
- Securing reliable energy and gas supplies
- Other investments were primarily related to social projects such as 'My Home'

Strong CF generation, USD mln



CAPEX breakdown



Source: Company data



New Approach to Investments

- A new Investment Committee has been set up, which is chaired by CEO
- All investment projects are classified into mandatory and commercial
- Mandatory projects to be managed on EBITDA at risk basis 2014 going forward
- Threshold for commercial projects is introduced at IRR >20%
- Projects with higher IRR will be primarily considered. IRR is calculated for the remained funding, usually projects with high level of completeness represent higher IRR
- All projects above USD16 mln require approval of Investment Committee
- Investment Committee approves financing for each project stage separately within 1 month with strict monitoring after budget fulfillment
- Investment Committee already identified USD 200-300 mln CAPEX savings through projects optimisation in H12013
- In 2013 financing was approved for 37 primary large projects
- In 2013 mandatory projects are expected to account for 60%, commercial – for 40% of total CAPEX

Source: Company data



2013 Outlook

- Market conditions remain uncertain though green shoots of recovery in the developed countries and signs that the deceleration of Chinese growth is bottoming out give us optimism
- We believe that nickel price is bottoming out, however the market surplus will keep a cap on a price recovery
- We expect copper price to remain broadly unchanged as China's demand remains strong
- We believe that platinum and palladium markets will continue to run in deficit with palladium discount to platinum reducing further
- CAPEX for the FY2013 not to exceed USD 2.2 billion
- Net Debt to EBITDA ratio to remain in line with 1H13

Q&A Session

