



**NORILSK NICKEL**



# **2015 Strategy Update Building New Norilsk**

May, 2015

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# 2015 Strategy Update - Agenda

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- Building New Norilsk – CEO Vision | Vladimir Potanin
- Operations - Progress Update | Sergey Dyachenko
- Corporate - Efficiency Catalysts | Pavel Fedorov
- Markets & Marketing | Anton Berlin
- 2014 Financial Performance Highlights | Sergey Malyshev
- Governance Update | Andrey Bougrov
- Closing Remarks | Vladimir Potanin



**NORILSK NICKEL**



## **Building New Norilsk – CEO Vision**

**Vladimir POTANIN**

Chief Executive Officer

Chairman of the Management Board

# Norilsk's Strategy - Focus on Tier I Assets, Value and Investment Discipline

## Our Vision:

Norilsk Nickel to deliver sustainably high **return on capital** by owning and efficiently operating **Tier I metals and mining assets** located in **regions** with high geological potential, where the Company can build on its competitive edge

Since its approval in 2013, Norilsk's new strategy proved its effectiveness and in many ways redefined Norilsk's business



**1**  
Focus on Tier I Assets

**2**  
Optimal Value Chain Footprint

**3**  
Capital and Investment Discipline

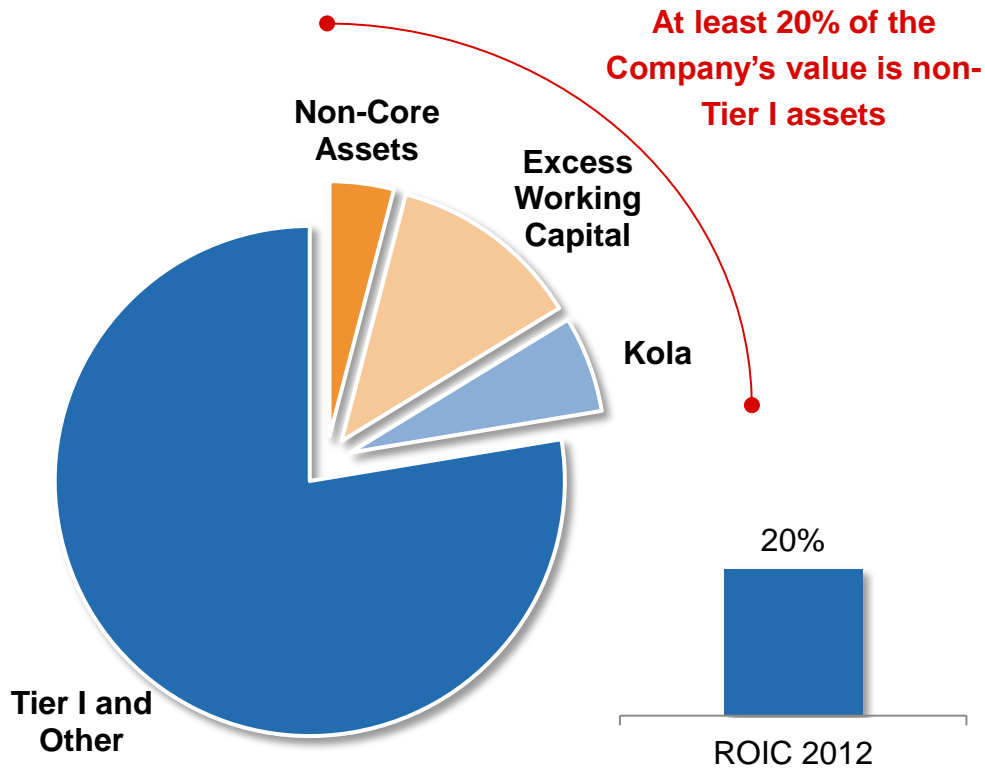
**4**  
Social Responsibility

# Delivery to Date – Refocusing the Business on Tier I Assets

Norilsk Nickel – January 2013

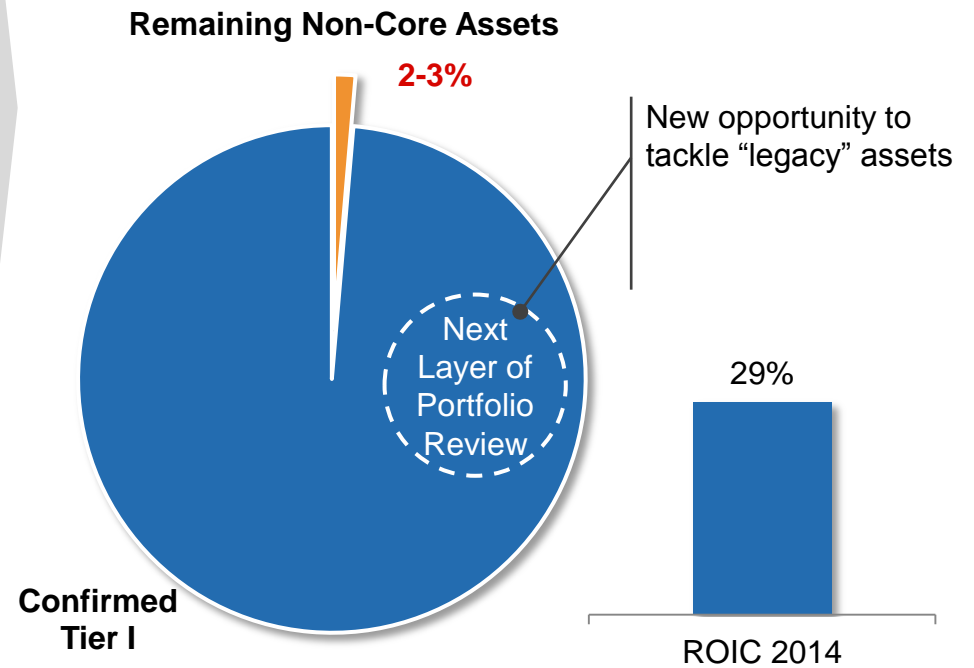
## Tier I Asset Criteria:

- Large Scale (>USD1bn Revenue)
- High Margins (>40% EBITDA margin)
- Long Reserve Life (>20 years)



Norilsk Nickel – May 2015

- ✓ USD6bn+ capital returned to shareholders since 2013
- ✓ Non-Core assets exited or in the process of disposal
- ✓ Tackling “legacy” assets



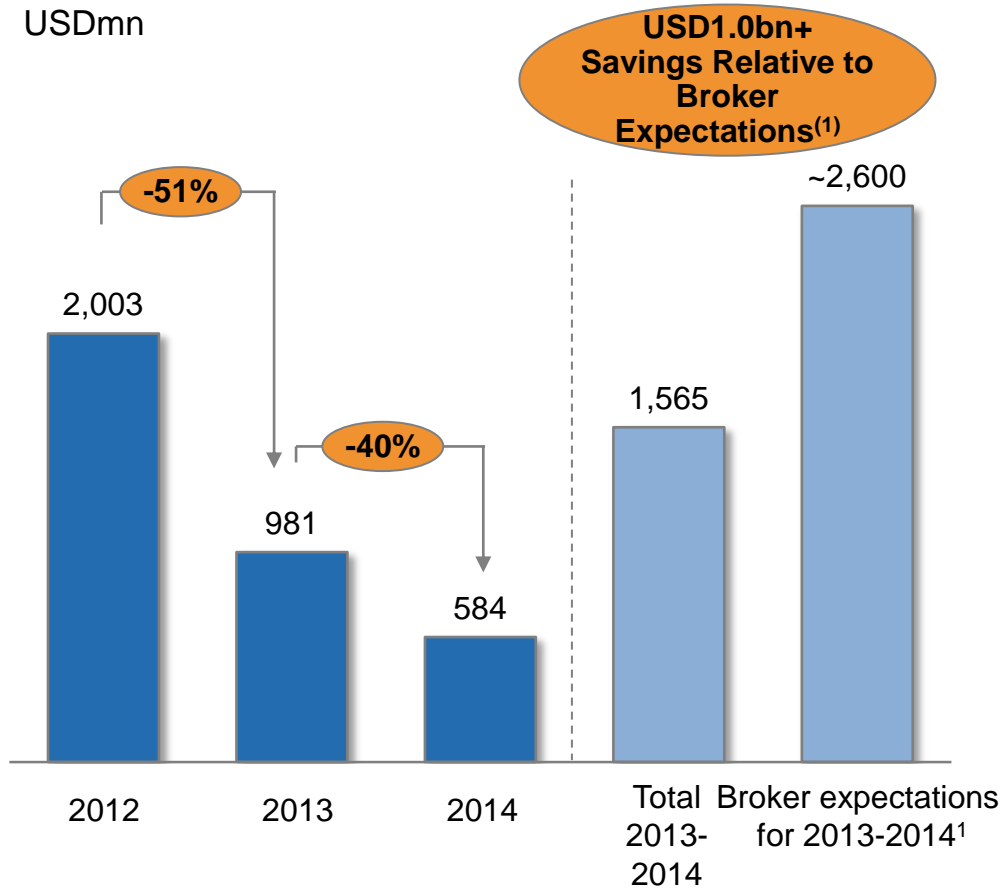
Sources: Bloomberg, Company data, management estimates



# Delivery to Date – Strict Capital Discipline

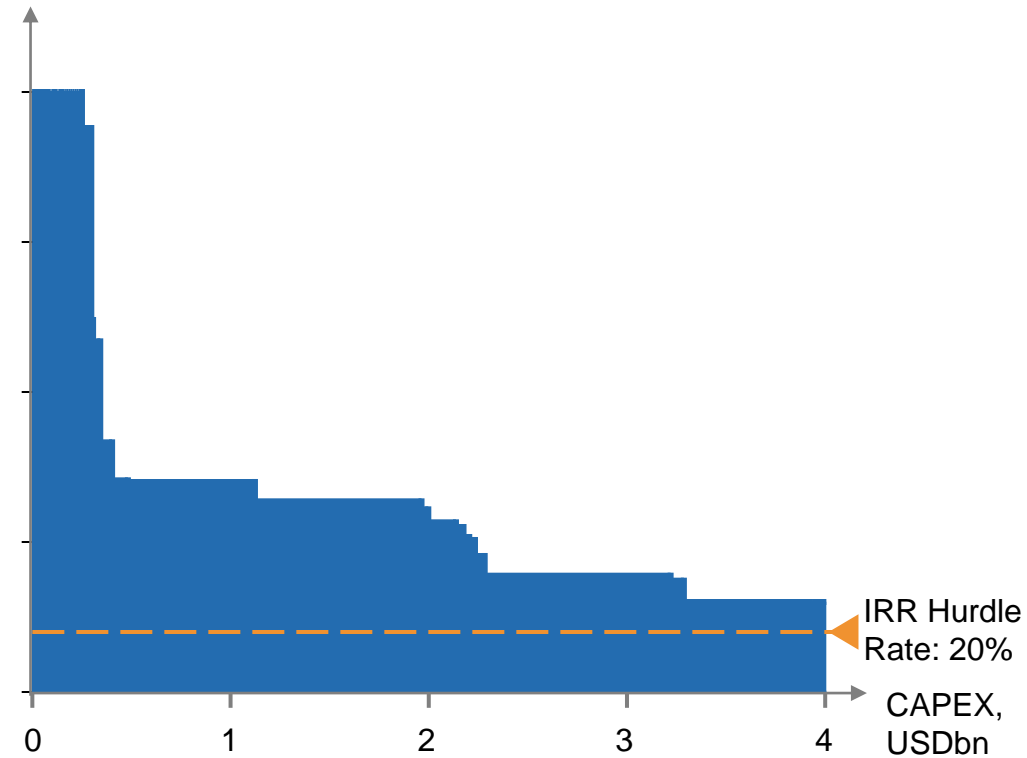
“Stay-in-business” investments - USD1.0bn+ savings relative to market expectations

USDmn



“Growth” investments: focus only on profitable investments in Tier-1 assets

IRR (2015-2018 program), %



Sources: Company data, management estimates, broker reports

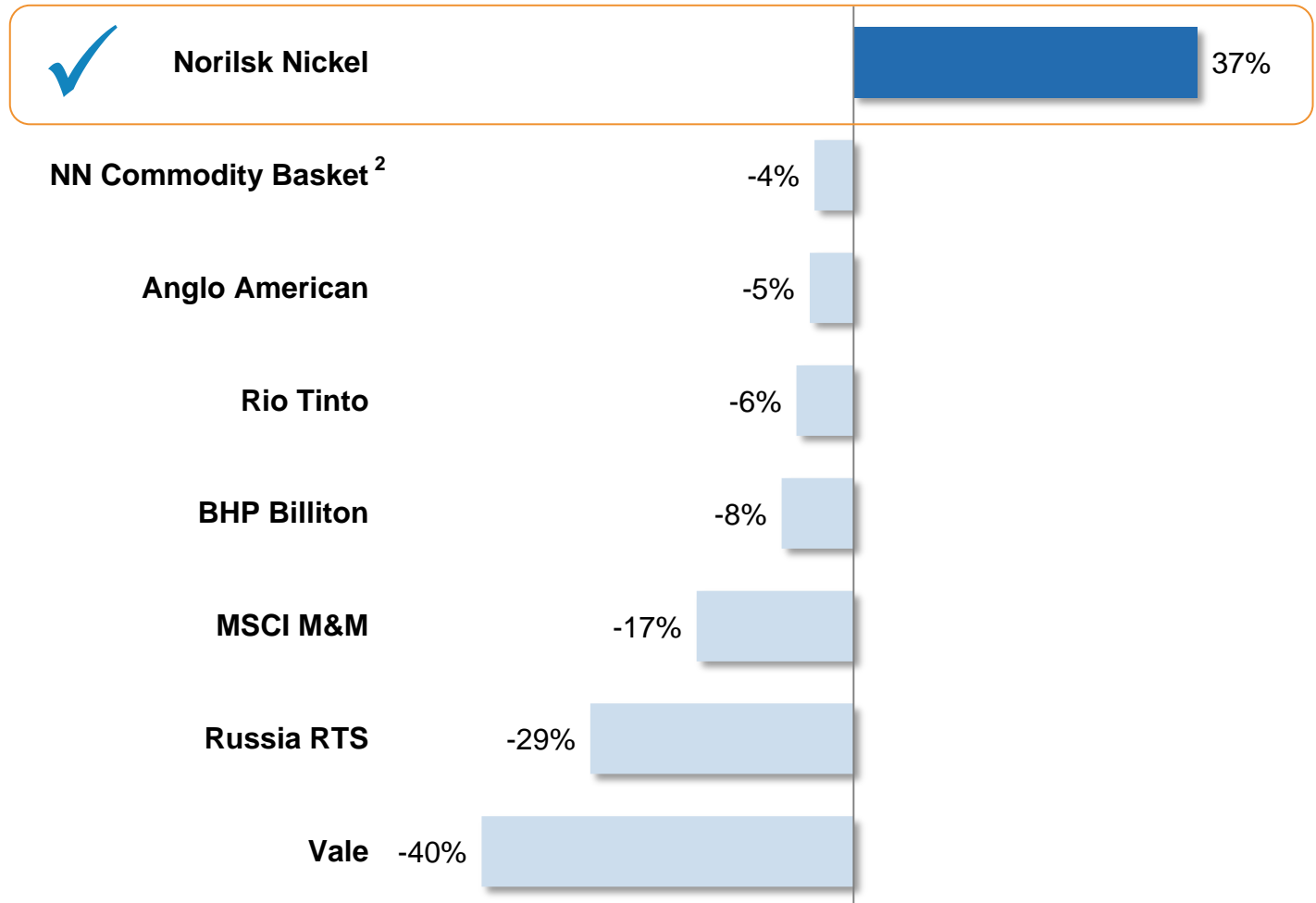
Note: 1. Broker consensus expectations: for 2013 – estimates made in Dec 2012; for 2014 – estimates made in Dec 2013



# Delivery to Date - Industry-Leading Shareholder Returns

Implementation of the new strategy has also grown into a clear and sustainable competitive edge of Norilsk for pursuing value-creation opportunities

Total Shareholder Return, 2014-2015YTD<sup>1</sup>

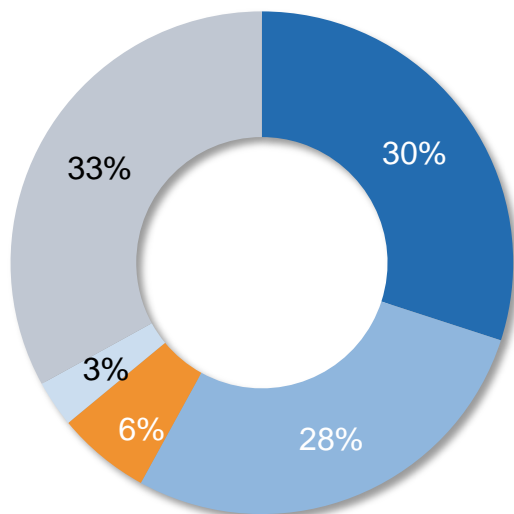


Sources: Bloomberg, Companies data

1. For Norilsk Nickel and peers total shareholder return calculated as the total percentage change in share price, inclusive of all dividends paid and announced in a period from January 2014 to April 2015. For indices and commodities - percentage change index from January 2014 to April 2015

2. Price performance of Nickel, Copper, Palladium and Platinum weighted by their share in Norilsk FY2014 metal sales revenues

# Shareholder Structure



- Interros
- UC Rusal
- Crispian Investments Limited
- Metalloinvest
- Free Float



**Vladimir Potanin**  
CEO of Norilsk Nickel  
Founder and President, Interros



**Oleg Deripaska**  
President, Member of the  
Board of Directors, UC RUSAL

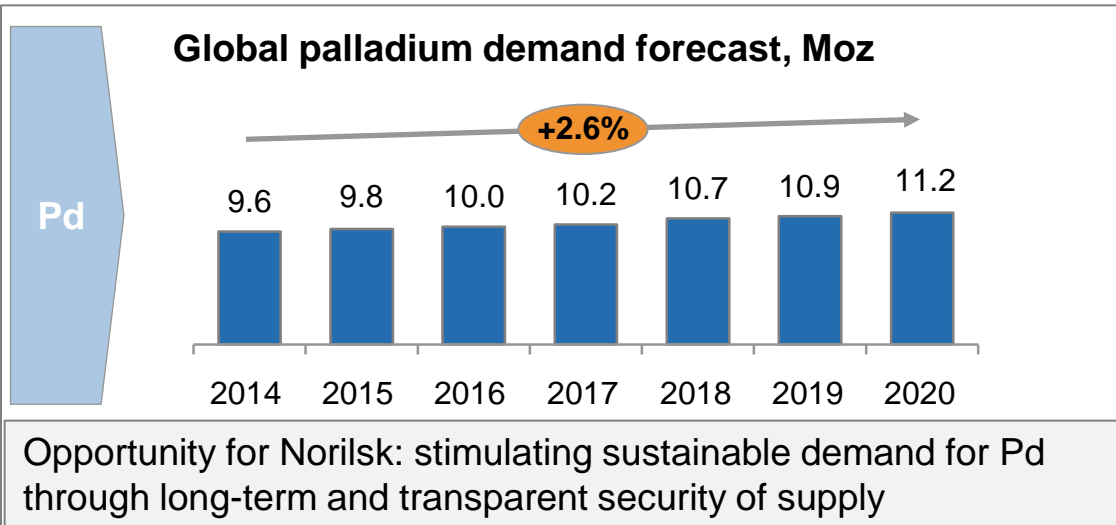
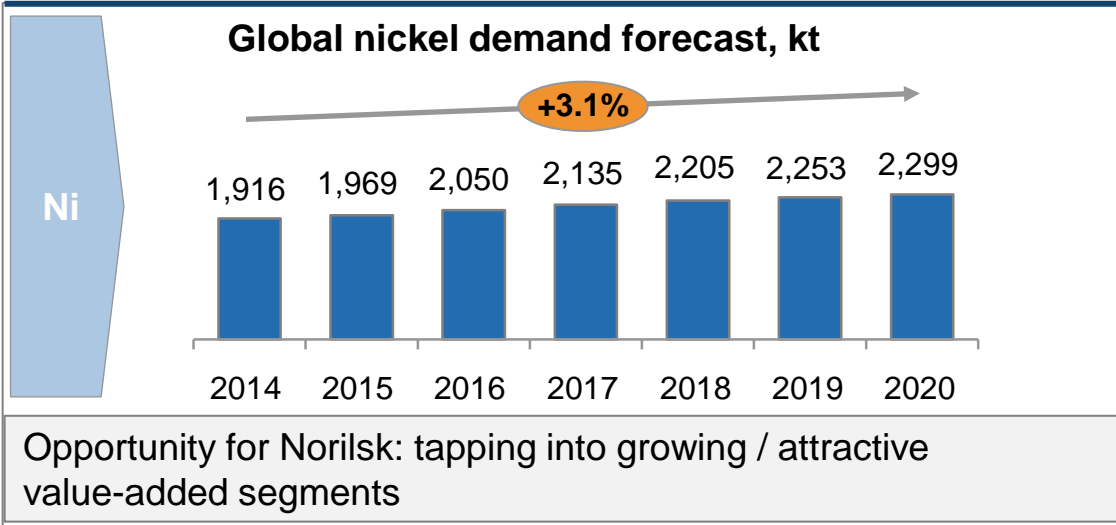
## **Crispian Investments Limited**

The principal beneficiaries are:

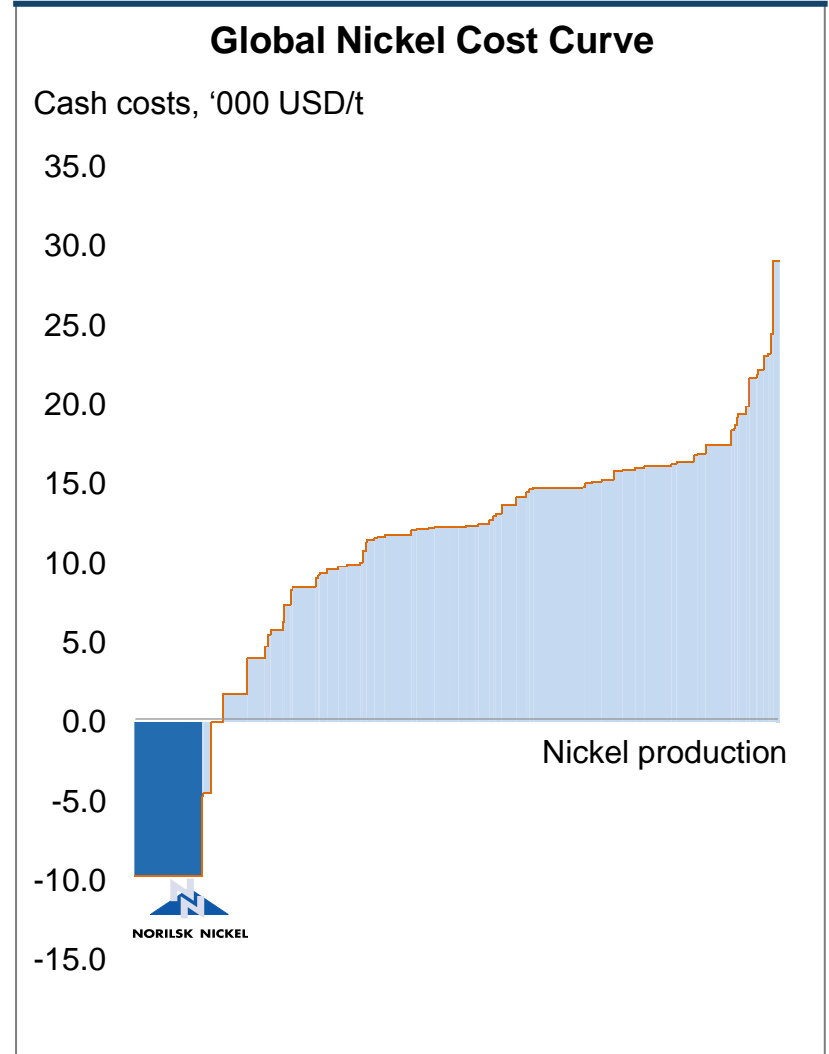
- Mr. Roman Abramovich
- Mr. Alexandr Abramov
- Mr. Alexandr Frolov

# Robust Long-Term Growth of Underlying Markets

## Robust Growth in Our Key Markets...



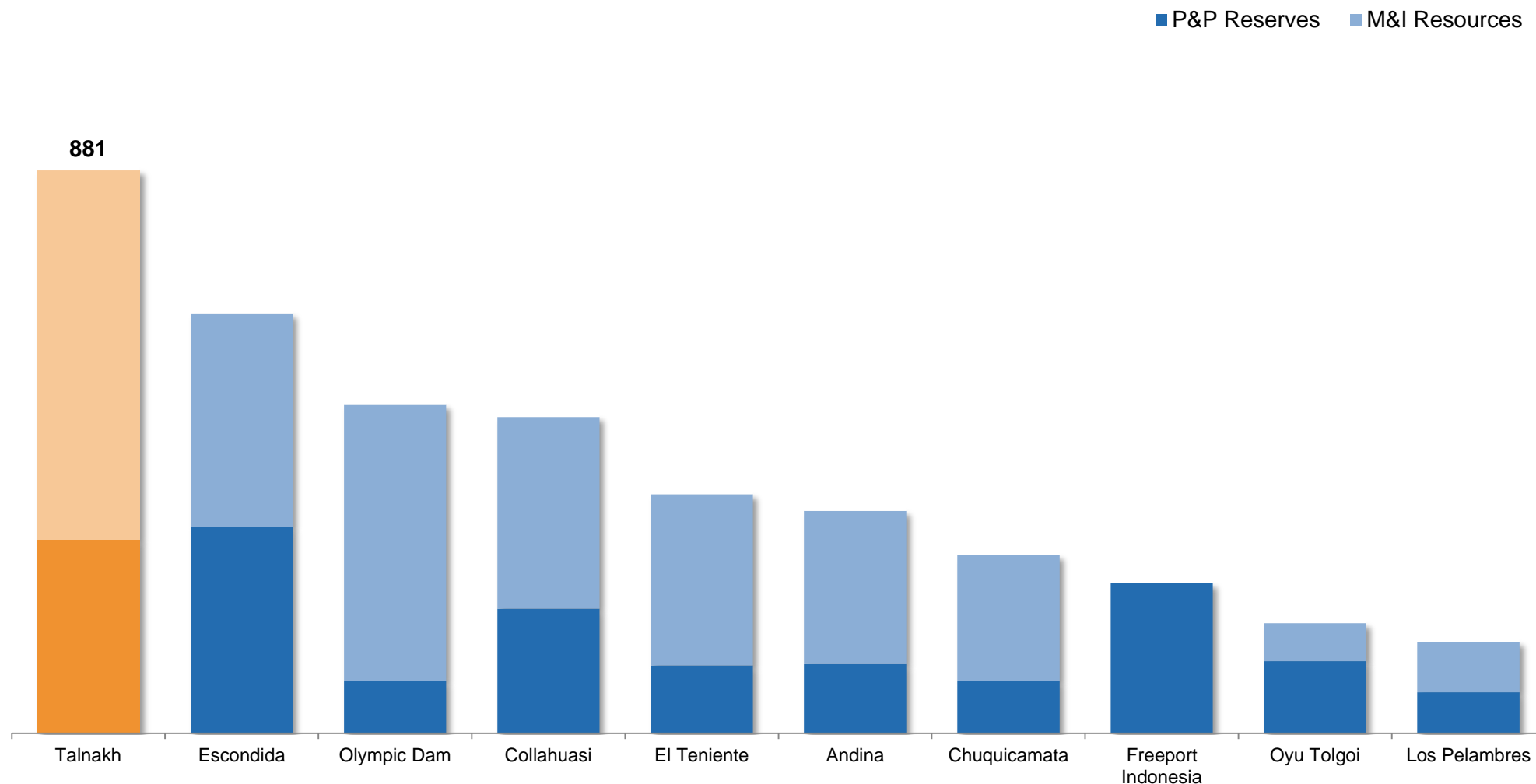
## ... Matching Industry-Leading Cost Position



Sources: Norilsk Nickel estimates, Wood Mackenzie, Thomson Reuters

# Talnakh - the Most Valuable Mining Asset in Base and Precious Metals Industry

The Largest Base Metals Projects by Value of M&I Resources (incl. P&P Reserves)<sup>1</sup>, USDbn<sup>2</sup>

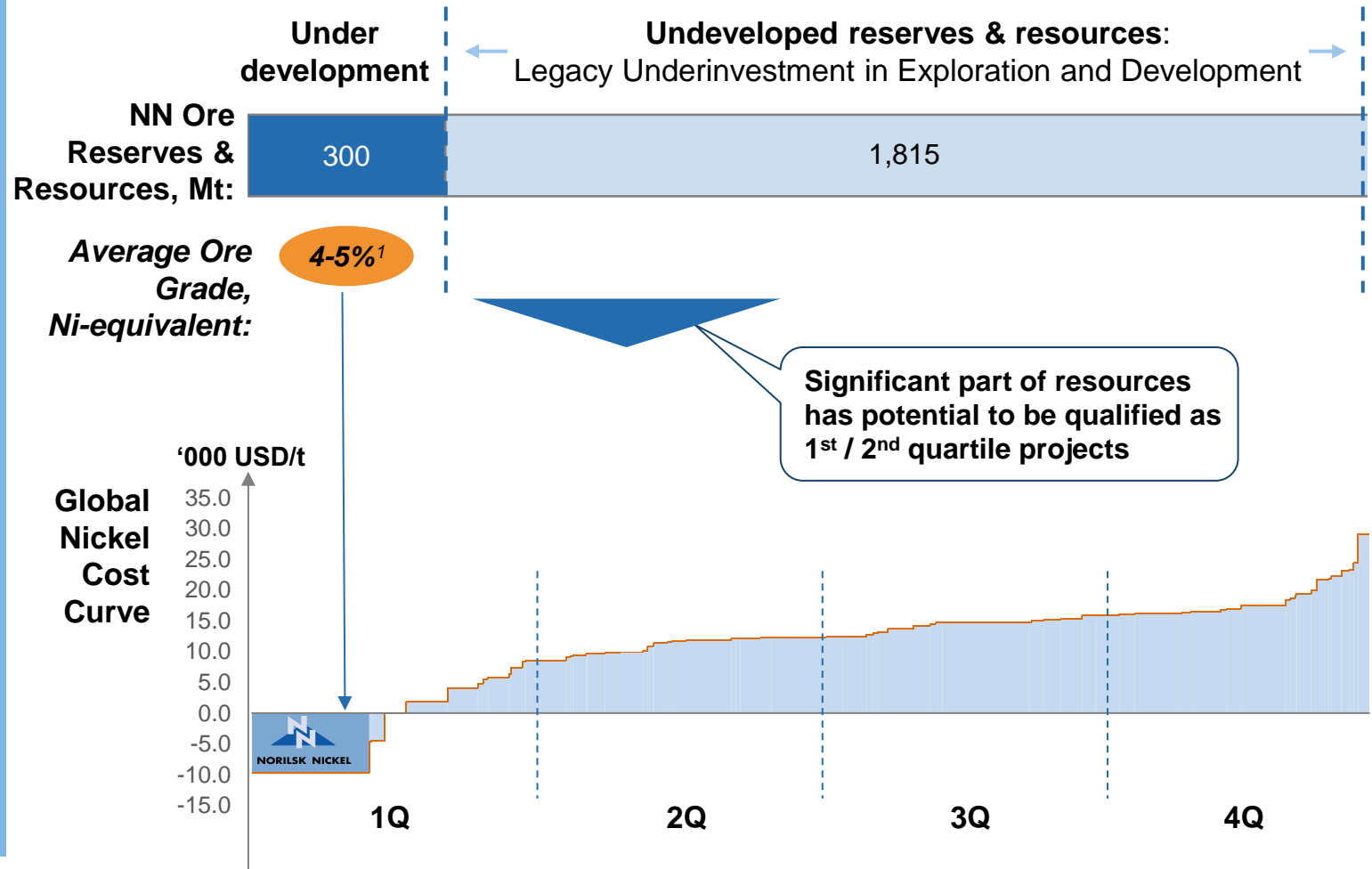


Sources: Companies data, Bloomberg, Wood MacKenzie  
 Notes: 1. M&I – Measured and Indicated Resources, including P&P (proved and probable) reserves  
 2. Norilsk nickel estimate based on average 2014 prices

# Strategic Aspiration – Unlocking the Potential of Talnakh

The main strategic aspiration of the next decade - connecting the sound demand story with the full development potential of Norilsk's Tier I – and one of the world's best - resource base of the Talnakh mining center

## Norilsk Nickel Existing Reserves on the Global Cost Curve



Sources: Wood MacKenzie, Company data, Norilsk Nickel estimates  
Note: 1. Sum of metals in Ni equivalent, based on average 2014 prices



# Vision for “New Norilsk”

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- Environment and Sustainability



- Effectiveness and Efficiency



- Global Competitiveness Through Tier I



- Aspirations for Growth



- Strong Corporate Culture



# Balancing Stakeholder Interests - Sustainable Development of Norilsk (1/2)



## “New Norilsk” – The New Decade

### Corporate priorities:

- Environment, health, safety and on-the-ground operational talent - on the top of the investment agenda
- Focused social “investments”
- “Opening” the region and stimulating the development of new businesses

# Balancing Stakeholder Interests - Sustainable Development of Norilsk (2/2)



## Creating innovative and professionally challenging environment

- Transforming corporate culture
- Innovative forms of employment
- Special programmes for development and retaining of young specialists



## Breaking “island” mentality

- “Welcoming environment” for new business in the region
- Construction of fiber optic connection with the “mainland”
- Reconstruction of Alykel airport



## Developing local infrastructure

- Creating comfortable social, sports and transportation infrastructure
- Together with local authorities supporting community’s initiatives aimed at the development of urban environment

# Balancing Stakeholder Interests - Revamped Incentive System and “Making Results Count”

## Short-term Incentives

### “State of play” as of 12/2012

- Quarterly bonuses
- Often taken for “granted”, no formal link to performance

## Long-term incentives

- “Phantom” options program
- Awarded at CEO’s discretion
- Balance tilted towards the size of award, not resulting performance

### New incentive system (5/2015)

- Clear and simple KPI system
  - Covers “TOP-1000” managers
  - Annual bonuses linked to “corporate”, “divisional” and “individual” performance
  - HSE as a priority KPI
  - “Corporate” KPIs for 2015 - EBITDA (70%), free cash flow (30%)
- 
- Long-term incentive plan for 2015-2017
  - Covers “TOP-100” of executive ranks
  - “Awarded at inception, rewarded with results” – tied to successful execution of production targets, efficiency and “on time / on budget” delivery of large projects
  - Equity participation for value accretive strategic initiatives (e.g. legacy assets and greenfields)



Revamped incentive system aligns value creation by the management team with interests of its shareholders

# Balancing Stakeholder Interests - High-Quality Dialogue with the Government of Russian Federation



**Accelerated Nickel Plant closure**



**Social responsibility (training and transfer for redundant personnel)**



**Accelerated cancellation of export duties for Ni/Cu**



**Development & production license for Maslovskoe deposit**



**USD0.8bn financing of Bystrinsky project infrastructure**



# Evolving Agenda – Strategic Themes

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**Achieving the strategic aspiration for superior shareholder returns supported by:**

1

Ensuring the priority of sustainable development agenda in Norilsk’s strategy for its regions of presence

2

Retaining an uncompromised focus on Tier I assets and a value-accretive approach to dealing with “legacy” and non-core assets

3

Utilizing the shared vision of shareholders and aligned management incentives for achieving superior shareholder results

4

Maintaining a high quality, trusted and constructive dialogue with the Government of Russian Federation





**NORILSK NICKEL**



## **Operations – Progress Update**

**Sergey DYACHENKO**

First Deputy CEO

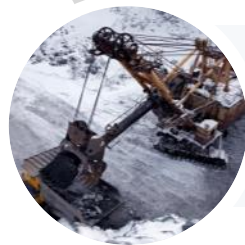
Chief Operating Officer

# Operations Update – Key Themes

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- Focus on HSE – World-class Standards



- Upstream Strategy – Redefining Projects Portfolio



- Operational Efficiency – Maximizing Returns



- Update on Production Assets Assessment



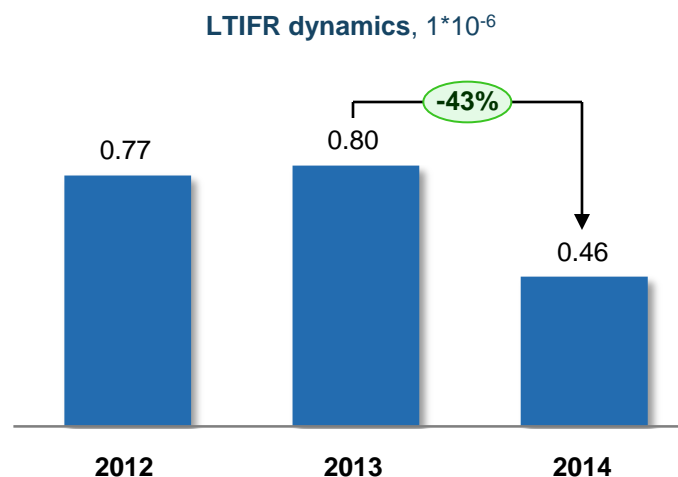
# Health and Safety – 2014 Progress and Targets

## Focus on HSE – World-class Standards

### Material progress achieved by new management team

- ✓ Key corporate HSE standards have been developed and implemented
- ✓ Main production sites have been audited for HSE-compliance by DuPont for the second time
- ✓ HSE risk-management system rolled-out – key risks identified, workspace safety programme being implemented
- ✓ HSE training programs – over 16000 employees were involved

### LTIFR reduced by 43% in 2014



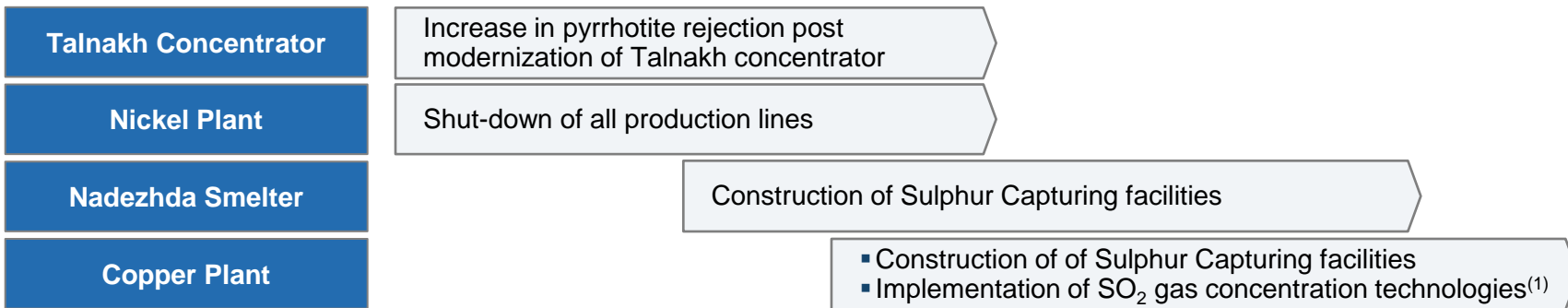
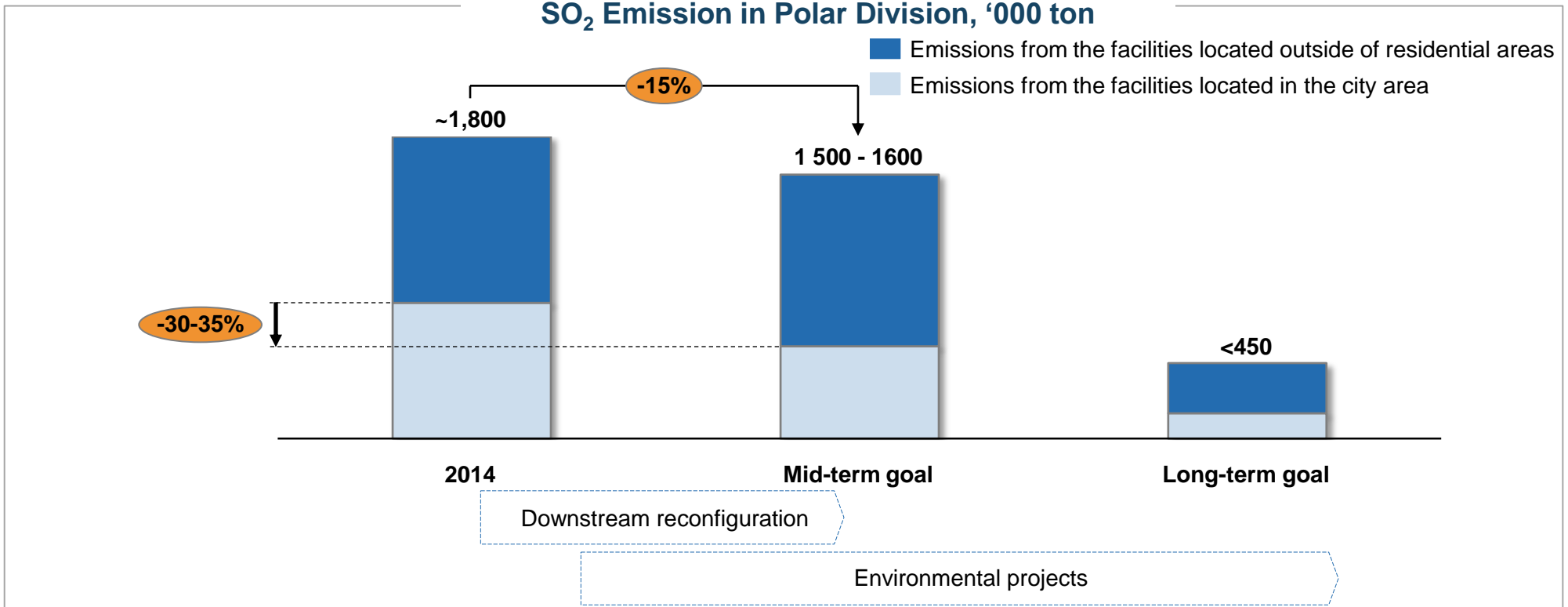
### Key Priorities of Norilsk Nickel HSE Strategy:

- 1 Zero-fatality on production sites
- 2 Sustainable LTIFR improvement: target - 20% annual reduction in LTIFR in medium term perspective



# Environment - Roadmap for New Norilsk

## Focus on HSE – World-class Standards



Sources: Company data, Norilsk Nickel estimates

Notes: 1. Installation of a continuous converting unit and matte granulation unit at smelting facilities (based on Vanukov's furnace technology), which will allow for significant increase in concentration of SO<sub>2</sub> in gas emissions and subsequent reduction of overall SO<sub>2</sub> emission (at current utilization technology ~150-200kt SO<sub>2</sub> p.a. starting from 2019)



# Nadezhda Smelter Sulfur Capturing Project – on Track to Launch in 2019

Focus on HSE – World-class Standards



**Nadezhda Smelter**

Status: EPC-contract tender

2012 - 2014

2015

2019

- Preliminary study completed, pilot technology tests conducted with global leaders in industrial engineering

**MECS**

**Igi**

Consultants and Engineers

- Regulatory approval of project technical documentation
- Tendering among leading global contractors (8 participants planned)
- Preliminary assessment of capital expenditures is already included in the investment program; public project costs disclosure is planned after signing the EPC contract

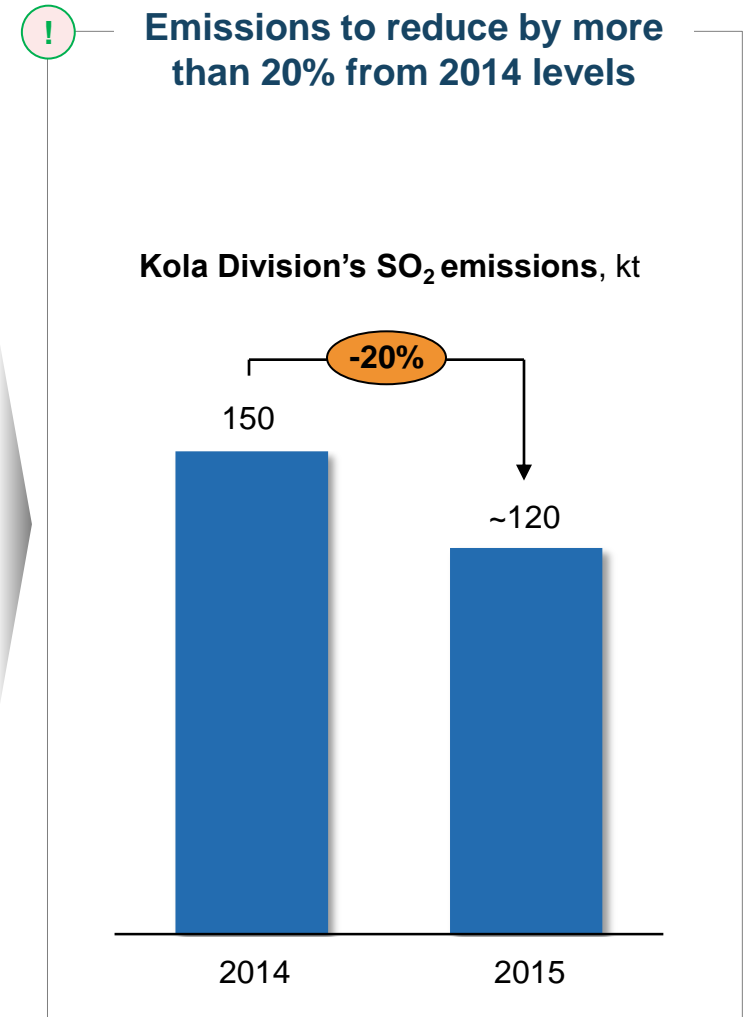
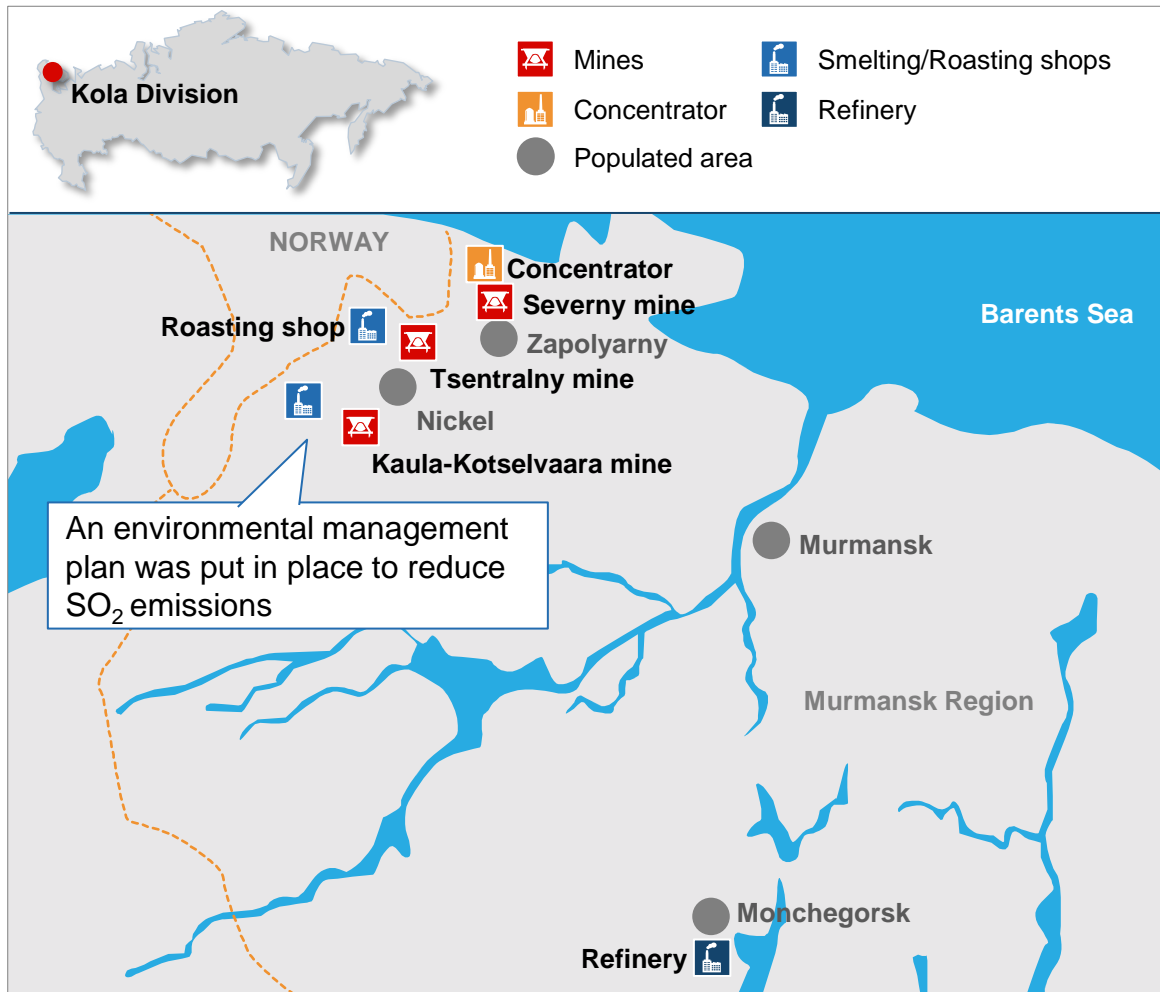
2016 – start of construction, commissioning in 2019

**>50%**  
of target SO<sub>2</sub> emission reduction  
in Polar Division



# Environment – Improving Kola’s Ecological Footprint

Focus on HSE – World-class Standards



# Redefining Mining Projects Portfolio

## Upstream Strategy

### Context

- Macroeconomic volatility - “marginal projects” (with IRR just exceeding 20%) do not stand stress test at spot prices
- Definition of strict criteria for projects to be included in the portfolio – scoping study must be approved by the Investment committee
- Recent exploration resulted in change of the resource base for some of the projects

### Projects Verification

- 1 High profitability even under “stress case” test
- 2 All criteria of the investment process are confirmed
- 3 Scope is optimally defined to cover all payable resources
- 4 Technical solutions are proven and match global best practices

### Result

YES

- **Development of “base strategic portfolio”** – highly profitable projects (stress-tested IRR > 20 %) with no significant upside potential
- “Current project portfolio” is sufficient to keep production level for the next 5-10 years
- Focus going forward – on-time and on-budget execution

NO

- **Identification of projects with value upside potential**
- Impact on mining profile in the period until 2020 – “parked” 6.5Mt of potential production (cumulative) compared to earlier plans
- Focus going forward – redefine the scope and technical solutions within comprehensive mine development plans

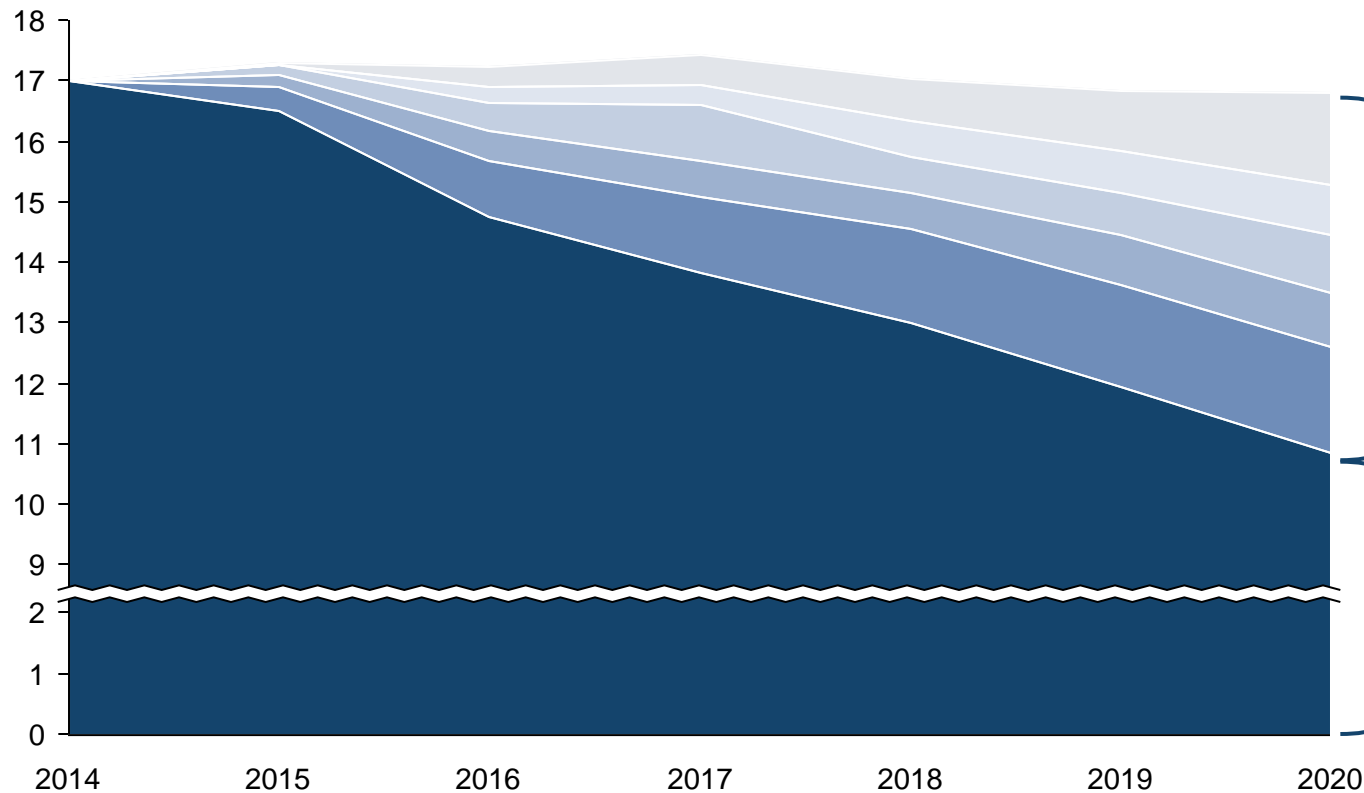


# “Base Portfolio” - Sustainable Production Profile

## Upstream Strategy

### Polar Division Production Profile – “Base Portfolio” of Mining Projects

Mt



### Mining investment projects

Approved feasibility studies ✓

Reviewed under new macroeconomic conditions ✓

Production outlook without “expansion” CAPEX

- Taimyrskiy mine
  - Skalistry mine
  - Komsomolskiy mine (excluding Skalistiy)
- Zapolyarniy mine
  - Oktyabrskiy mine
  - Base production without “expansion” CAPEX



# Key Brownfield Projects of Polar Division

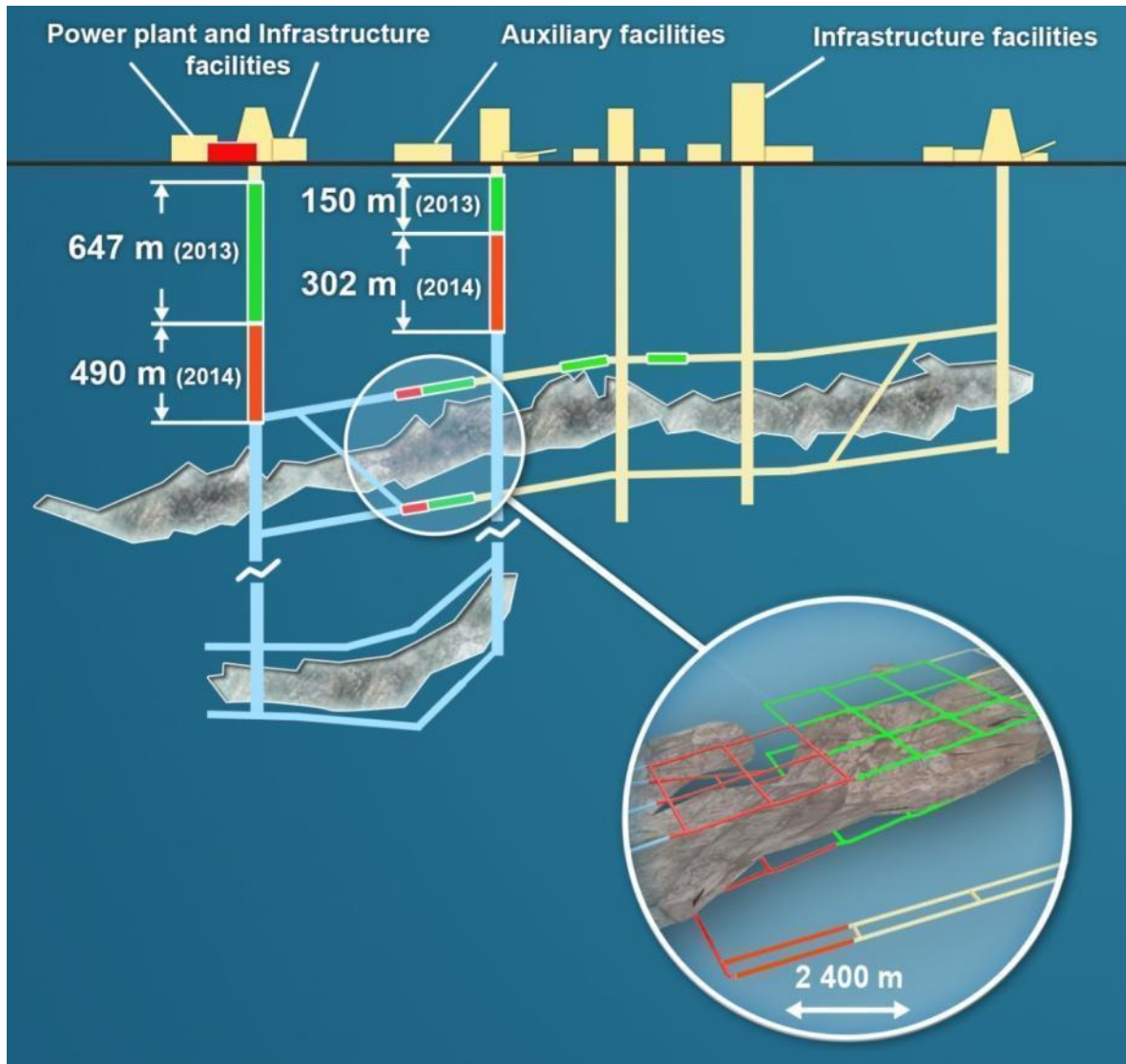
## Upstream Strategy

		Taimyrskiy Mine	Oktyabrskiy Mine	Komsomolskiy Mine <sup>2</sup>				
Reserves covered by projects	Total	63 Mt of ore	59 Mt of ore	20 Mt of ore				
					Ni <sup>1</sup>	2.3%	1.0%	1,5%
					Cu <sup>1</sup>	3.5%	3.1%	1,8%
					PGM <sup>1</sup>	7.3 g/t	7.6 g/t	5,3 g/t
Project description		<ul style="list-style-type: none"> <li>Ore production to ramp up to 3.9 Mtpa by 2022</li> <li>Next phase to be launched in 2015</li> <li>Total CAPEX: USD 450mn (2015-2022)</li> <li>Completion level : 30%</li> </ul>	<ul style="list-style-type: none"> <li>Maintain production at 5.0-5.2 Mtpa until 2023</li> <li>Next phase to be launched in 2015</li> <li>Total CAPEX : USD 300mn (2015-2023)</li> <li>Completion level: 35%</li> </ul>	<ul style="list-style-type: none"> <li>Maintain production at 3.8-4.1 Mtpa until 2020</li> <li>Next phase to be launched is in 2015</li> <li>Total CAPEX : ~ USD 240mn (2015-2020)</li> <li>Completion level: 37%</li> </ul>				
Expected IRR (average, based on 1Q2015 spot)		>60%	>75%	>50%				
CAPEX, USDmn (actual 2014)		57	47	60				
Completed in 2014		<ul style="list-style-type: none"> <li>4,800 m of underground shafts and drifting</li> </ul>	<ul style="list-style-type: none"> <li>2,300m of underground shafts and drifting</li> <li>Launch of 1.2 Mtpa capacity (18Mt of reserves)</li> </ul>	<ul style="list-style-type: none"> <li>4,700m of underground shafts and drifting</li> <li>Pump station of the cage shaft</li> </ul>				
On time / On budget		✓ / ✓	✓ / ✓	✓ / ✓				

Notes: 1. Ore grade; 2. Komsomolskiy mine data does not include Skalistiy mine (Skalistiy mine is illustrated on a separate slide)

# Skalisty Mine Development Update

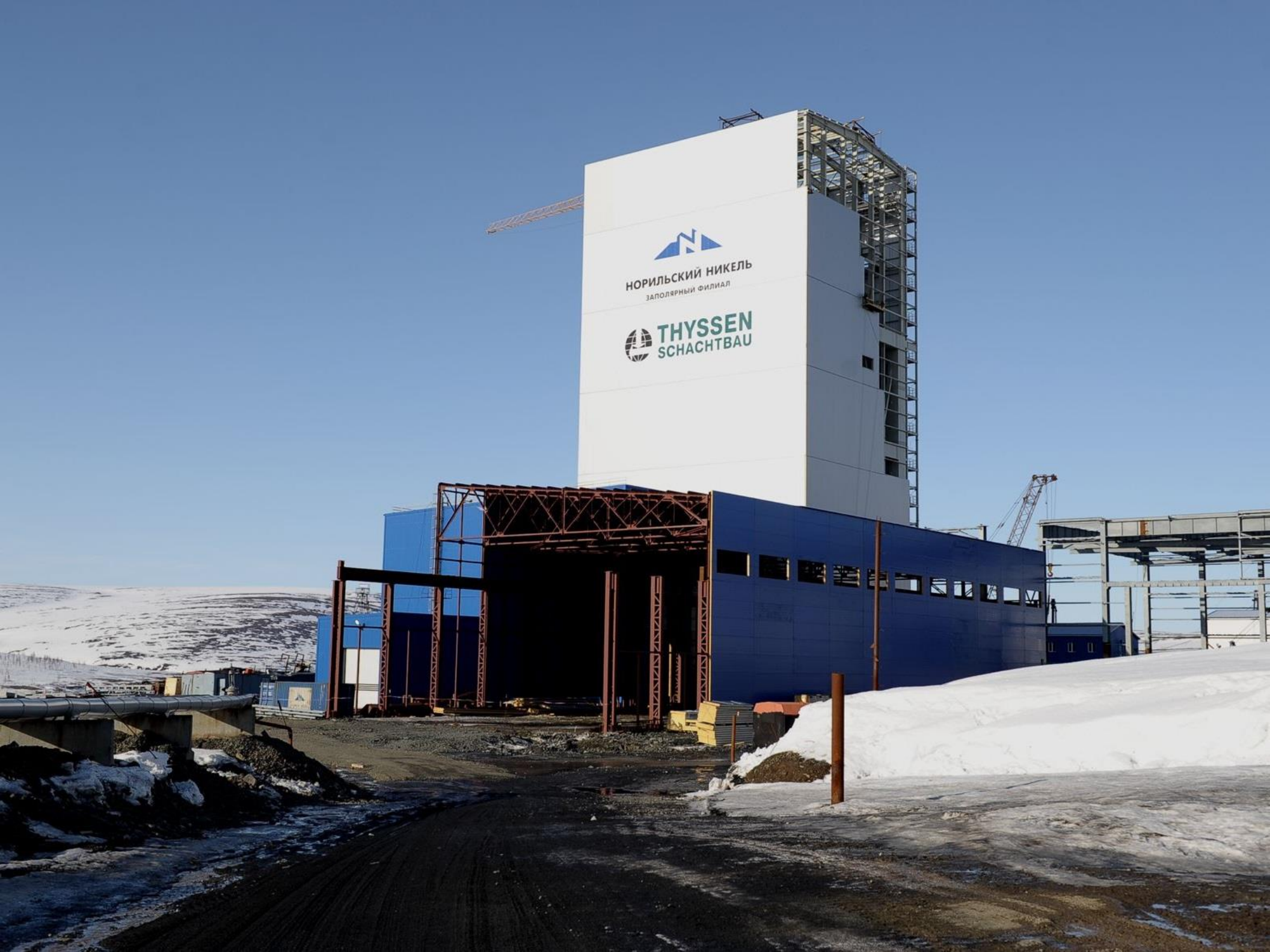
## Upstream Strategy



## Project Overview

- Production capacity – 2.4Mtpa
- Ore reserves: 58Mt
- Total CapEx: ~USD1.35bn (2015-2025)
- Construction stage – completed by 36%
- IRR exceeds 50%
- 2014 CAPEX – USD120mn
- Phase 1 construction completed on schedule
- Completed in 2014:





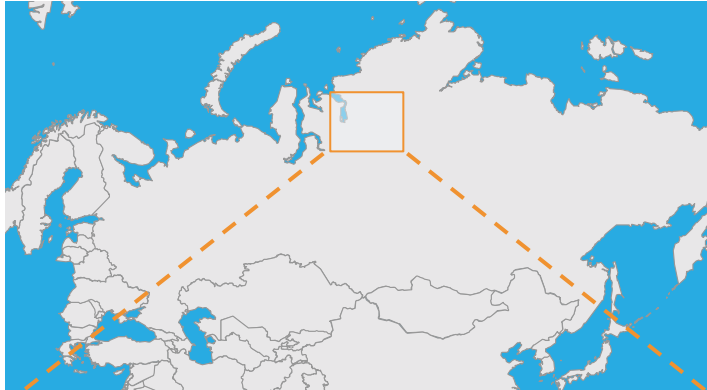
  
НОРИЛЬСКИЙ НИКЕЛЬ  
заполярный филиал

 **THYSSEN**  
SCHACHTBAU



# New Prospects – Potential Sources of Growth

## Upstream Strategy



### Brownfields

#### I Leveraging reserves and resources base of existing brownfields:

- Defining comprehensive mine plans that would maximize the value of reserve base within current licenses
- Additional exploration to convert resources into reserves and involve them into production plans

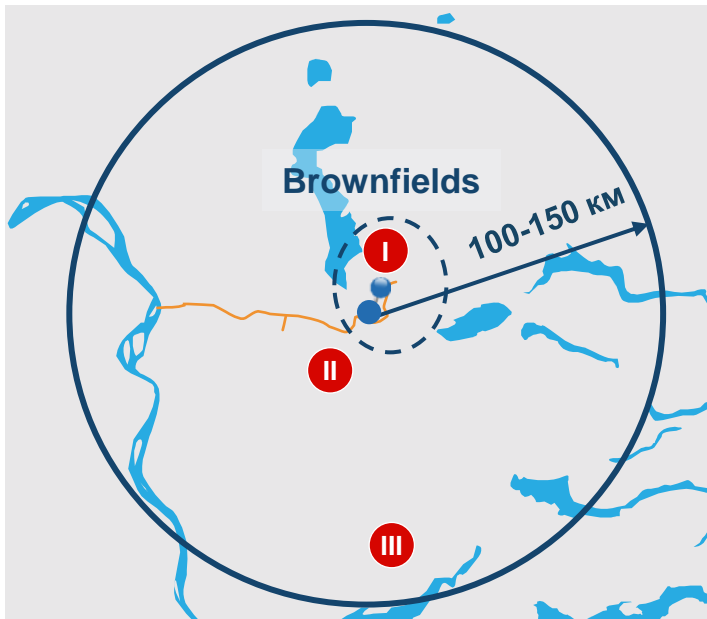
### Greenfields

#### II Maslovskoe deposit development:

- License granted – Q1 2015
- Exploration and pre-feasibility – 2015-2016
- Production to commence after 2020 (over 200Mt of ore reserves)

#### III New exploration licenses:

- 6 new licenses obtained as a result of constructive dialogue with the government on licensing legislation (estimated resource potential – over 500Mt of ore)
- Goal – discovery of high-grade reserves with a potential for open pit development and production

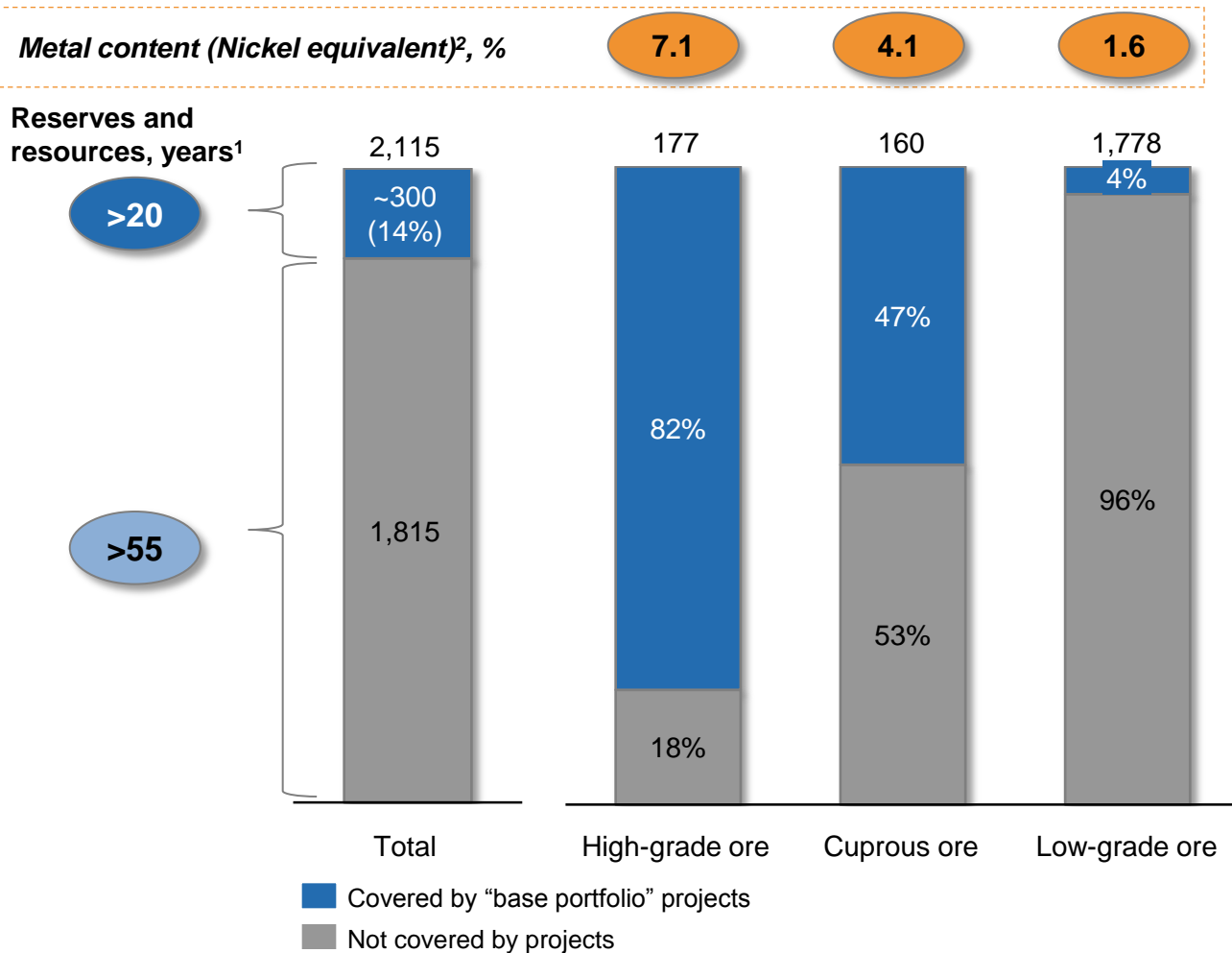


# Current Resource Base – Additional Growth Potential from Cuprous and Low-Grade Ore

## Upstream Strategy

### Reserves and resources – Polar Division (as of 01.01.2015)

Mt



- "Base portfolio" covers the most attractive and profitable reserves
- Next step – development of comprehensive mine development plans with potential for involvement of additional reserves & resources

1. Volume of metal contained in reserves and resources divided by volume of metal contained in ore produced in 2014  
2. Nickel equivalent is calculated based on average 2014 prices for nickel, copper, cobalt, PGMs (Pt/Pd – 20/80)



# Potential of Maslovskoe Deposit – License Granted

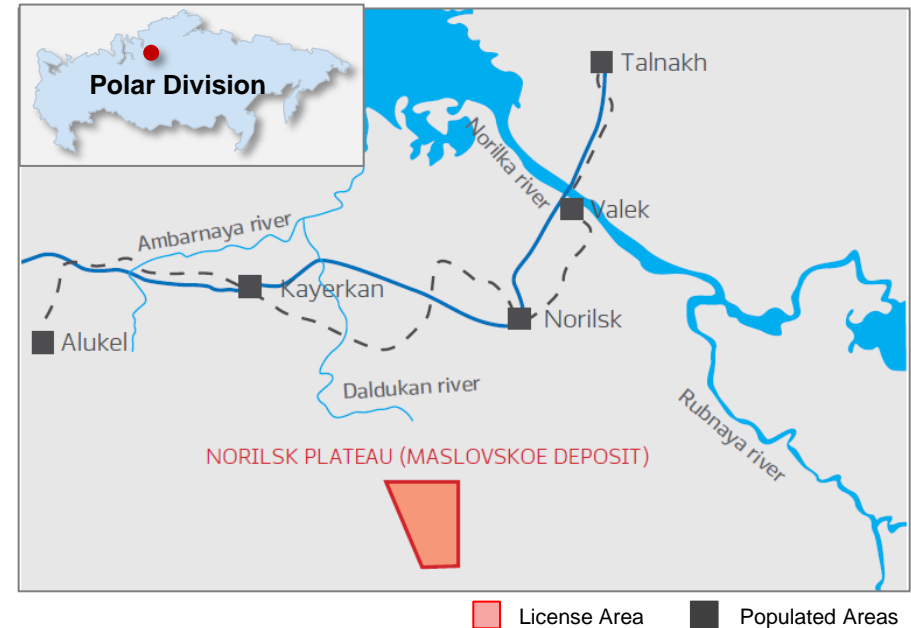
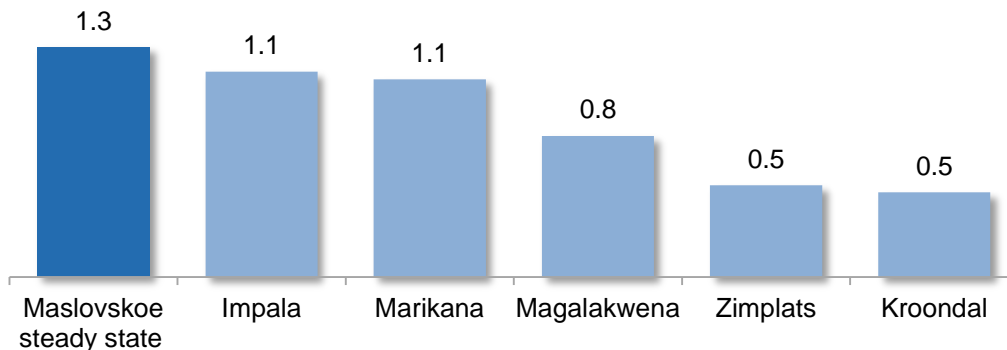
## Upstream Strategy

### Brief Overview

- Upon launch, Maslovskoe expected to become a Tier-1 asset located in close proximity to the city Norilsk (12-15 km)
- Exploration license acquired in 2006, successful geological discovery made in 2010
- **In March 2015, Norilsk Nickel was granted with the exclusive right to obtain long-term production license for the development of the deposit**
- Next steps:
  - 2015-2016 – exploration, pre-feasibility
  - 2017 – investment decision

### Potential to become the world's largest PGM mine

Annual production, Moz



	Resources	Metal Content in Ore
Ore, Mt	215	
Palladium, Moz	32.3	4.56 g/t
Platinum, Moz	12.5	1.78 g/t
Gold, Moz	1.3	0.19 g/t
Nickel, kt	728	0.33%
Copper, kt	1,122	0.51%

Source: Preliminary management estimate (for Maslovskoye), Companies data, Broker reports

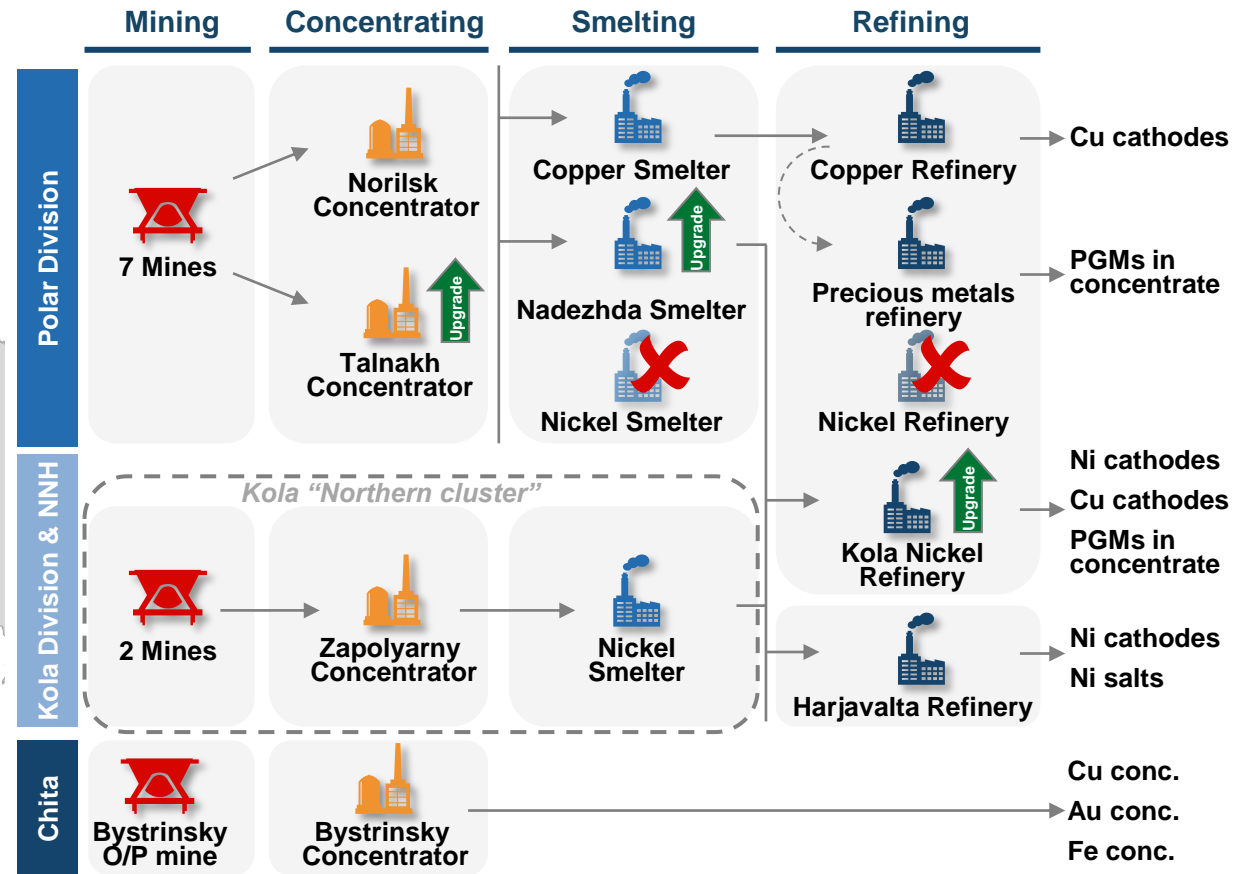
# 2016 Target Production Configuration – Status Update

## Operational Efficiency – Maximizing Returns

### Assets Location



- Mining operations
- Concentrators
- Metallurgical plants



- Downstream reconfiguration program – on schedule:
  - Stage 1 of Talnakh concentrator launched, further modernization on track
  - Shutdown of Nickel Plant at Polar Division in 2016 supported by the Government
- 2014 focus – recovery rate growth throughout all segments of the value chain

# Operational Efficiency Program for 2015-2017 – USD1.0 bn of Incremental Cumulative EBITDA Effect

## Operational Efficiency – Maximizing Returns

### Levers / Approved Initiatives

#### Recovery rate growth

- Improvement of mine planning process
- Increase in overall recovery rate
- Re-processing of secondary deposits (tailings / Cu slags)
- Work-in-progress inventory level optimization

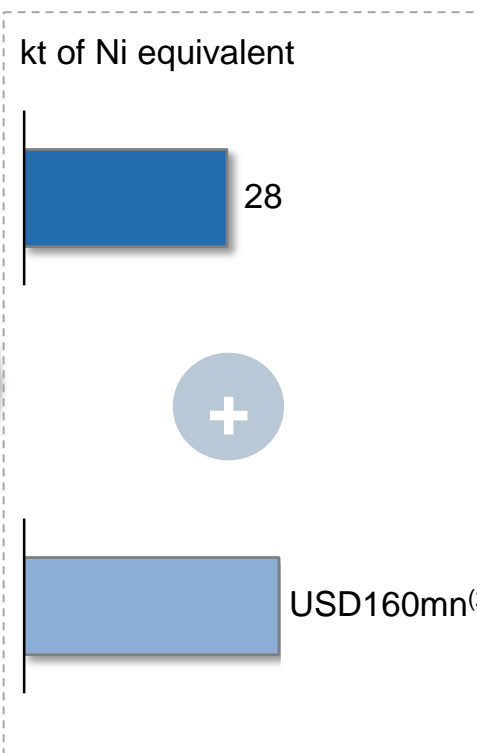
#### Other efficiency initiatives

- Registering Polar Division's copper on LME
- Upgrade of cobalt production technology, improvement of production quality
- Optimization of operating costs

### Total Impact on EBITDA

*For Reference: Targets Announced in May 2014*

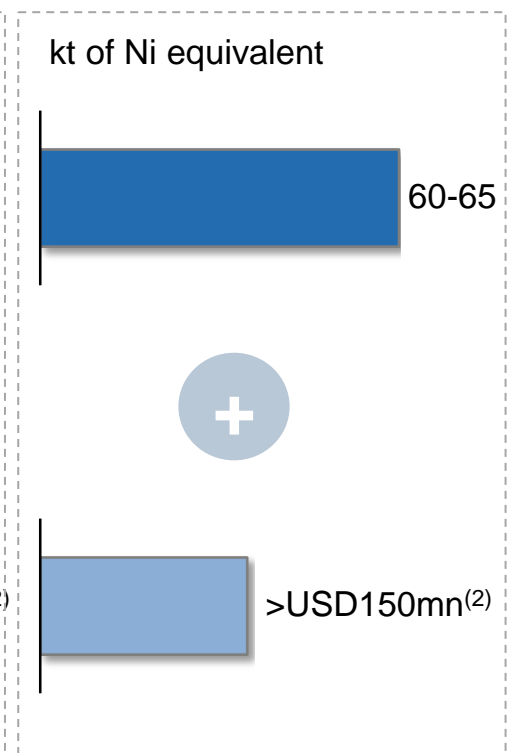
### 2014 Actual Impact



>USD0.5bn

USD180mn

### 2015-2017 Cumulative Target<sup>(1)</sup>





Up to USD1bn

N/A

Notes: 1. including impact of 2014 initiatives; 2. Estimated effect on EBITDA

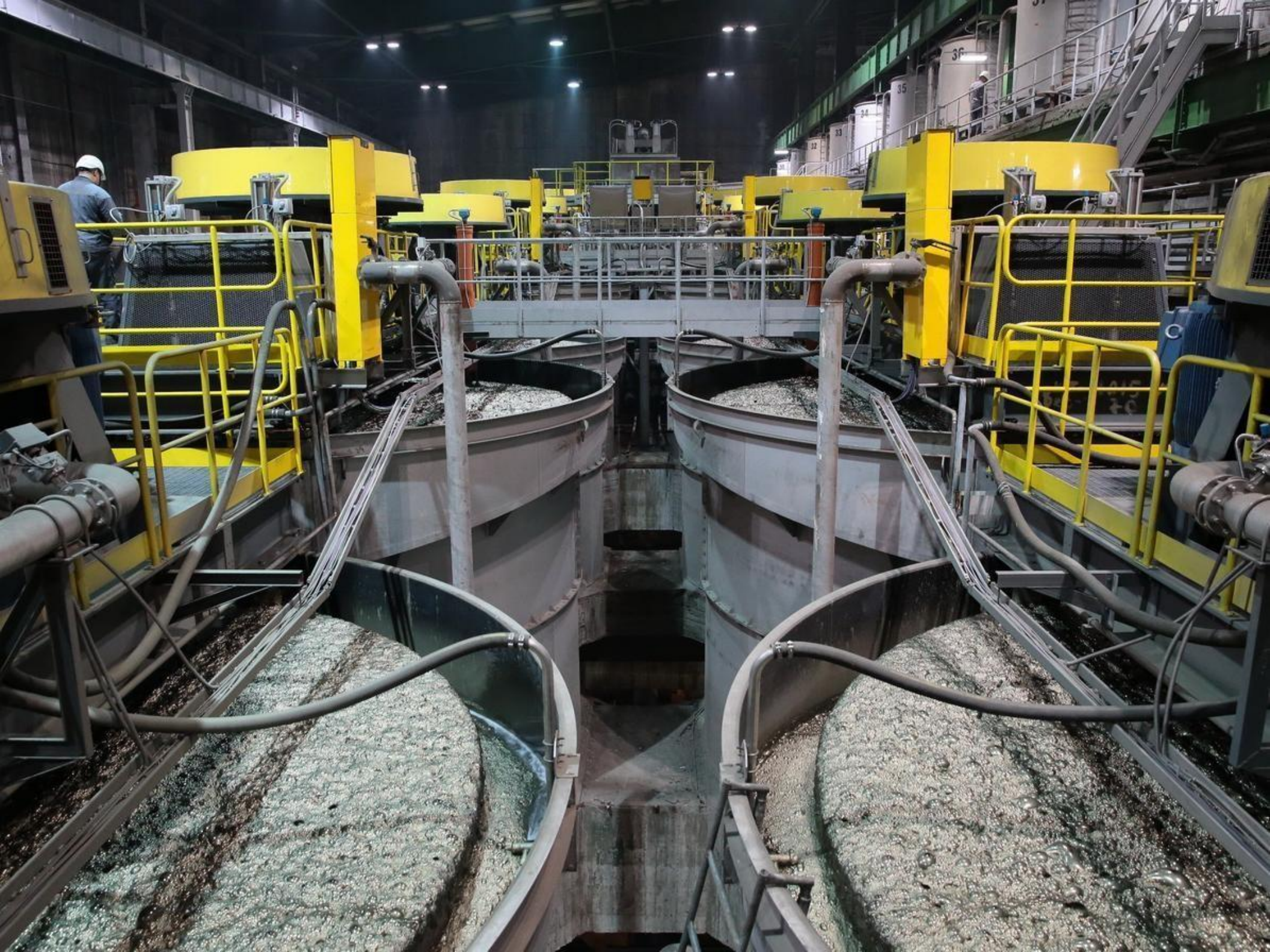
# Polar Division Concentrators: Implementation of Approved Plans and Development of Strategic Options for 2018+

## Operational Efficiency – Maximizing Returns

2014	2016	2018+
Projects Approved Under 2013/2014 Strategy		Potential Options
<p><b>Talnakh Upgrade – 7.7 Mt capacity</b></p>  <p><b>Stage:</b> project completed</p> <p><b>On time/on budget :</b> ✓</p> <p><b>Impact:</b></p> <ul style="list-style-type: none"> <li>Upgrade in floatation circuit resulted in Ni recovery improvement (by 1 %)</li> </ul>	<p><b>Talnakh Stage 2 – 10.2 Mt capacity</b></p>  <p><b>Stage:</b> under construction</p> <p><b>On time/on budget:</b> ✓</p> <p><b>Impact:</b></p> <ul style="list-style-type: none"> <li>Increase in throughput capacity</li> <li>Improved reduction ratio</li> </ul>	<p><b>Creating a unified concentration center for Talknakh ore</b></p> <p><b>Stage:</b> concept development</p> <p><b>Impact:</b></p> <ul style="list-style-type: none"> <li>Increased throughput capacity</li> <li>Maintained high recovery rates</li> <li>Optimized logistics</li> </ul> <p><b>Associated projects:</b> development of a comprehensive development plans for Talnakh mines (2016)</p> <hr/> <p><b>Refocusing Norilsk concentrator on processing of ore from Zapolyarny mines and tailings / Cu slags</b></p> <p><b>Stage:</b> concept development</p> <p><b>Impact:</b></p> <ul style="list-style-type: none"> <li>Involvement of additional reserves and re-processing of tailings</li> </ul> <p><b>Connected projects:</b> decision on development of Zapolyarny mine (2015)</p>

1

2

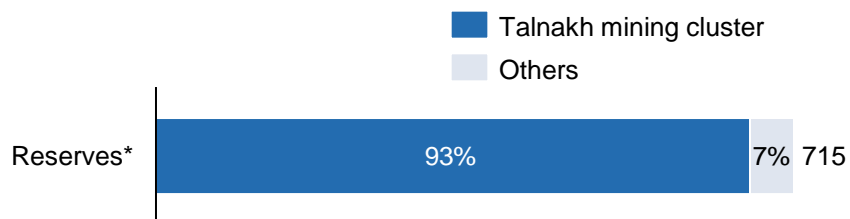


# Future of Talnakh Concentrator – Unified Concentration Center for Talnakh Ore with Increased Capacity

## Operational Efficiency – Maximizing Returns

### Potential Project Rationale (subject to ongoing feasibility study)

#### 1 Talnakh – Norilsk’s key strategic asset:



#### 2 Efficiency gains due to potential increase in recovery rate for redirected ore (6,5 Mtpa)

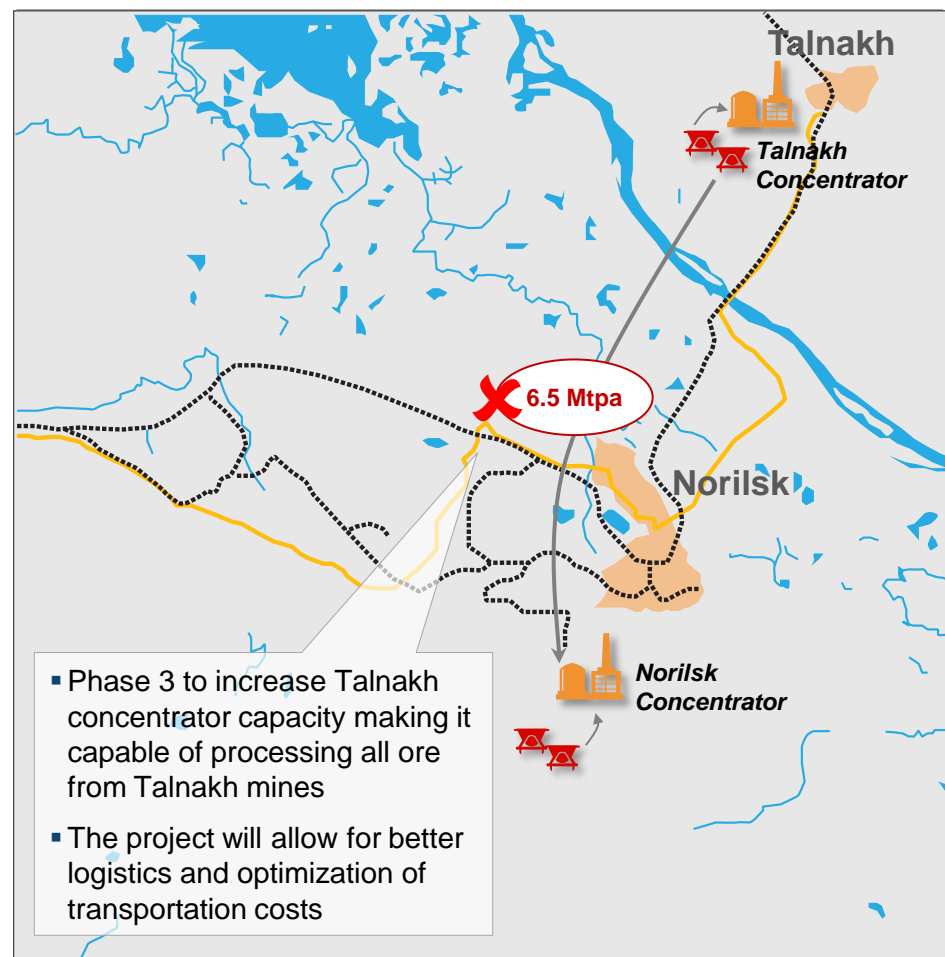
up to 5% Ni    up to 2% Cu    up to 2% PGM

#### 3 Optimization of ore transportation costs:

**-USD3 / ton**

reduction in transportation costs due to redirection of material flows (6.5 Mt) between Norilsk concentrator and Talnakh concentrator (~70 km)

### Talnakh – Unified Concentration Center



- Phase 3 to increase Talnakh concentrator capacity making it capable of processing all ore from Talnakh mines
- The project will allow for better logistics and optimization of transportation costs

Mines    Concentrators    Material flows

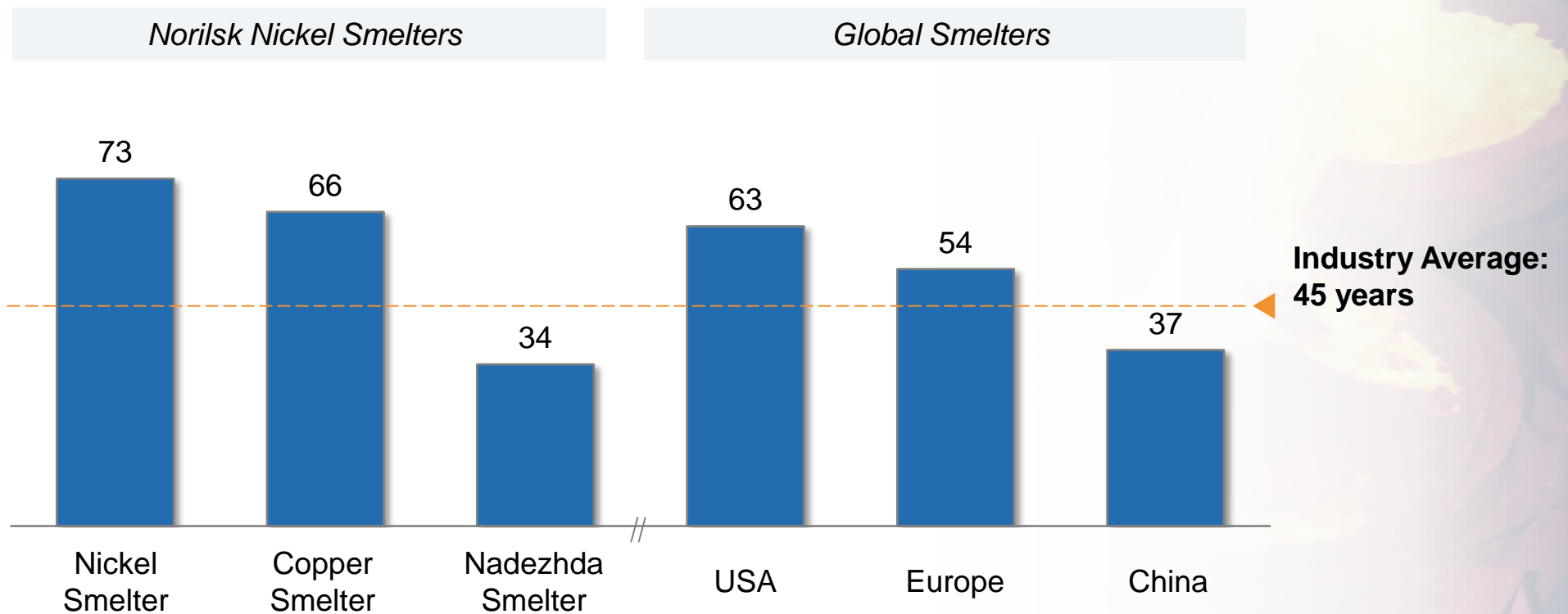
Sources: Company data, Norilsk Nickel estimates

# Modernization Challenge for Norilsk Downstream

## Operational Efficiency – Maximizing Returns

**Strategic Objective: Accelerated Modernization of Smelting and Refining Capacities**

### Average Age of Smelters, years



Source: Wood McKenzie, Norilsk Nickel estimates





# Smelting and Refining – Building Efficient, Fit-to-Size Business

## Operational Efficiency – Maximizing Returns

### 1 Efficiency

Primary focus of reconfiguration program – operational efficiency

	2015	2016	2017	On time?
Talnakh Stage 2	█			✓
Nickel Plant shutdown	█	█		✓
Nadezhda Smelter expansion		█		✓
Kola Refinery upgrade		█	█	✓

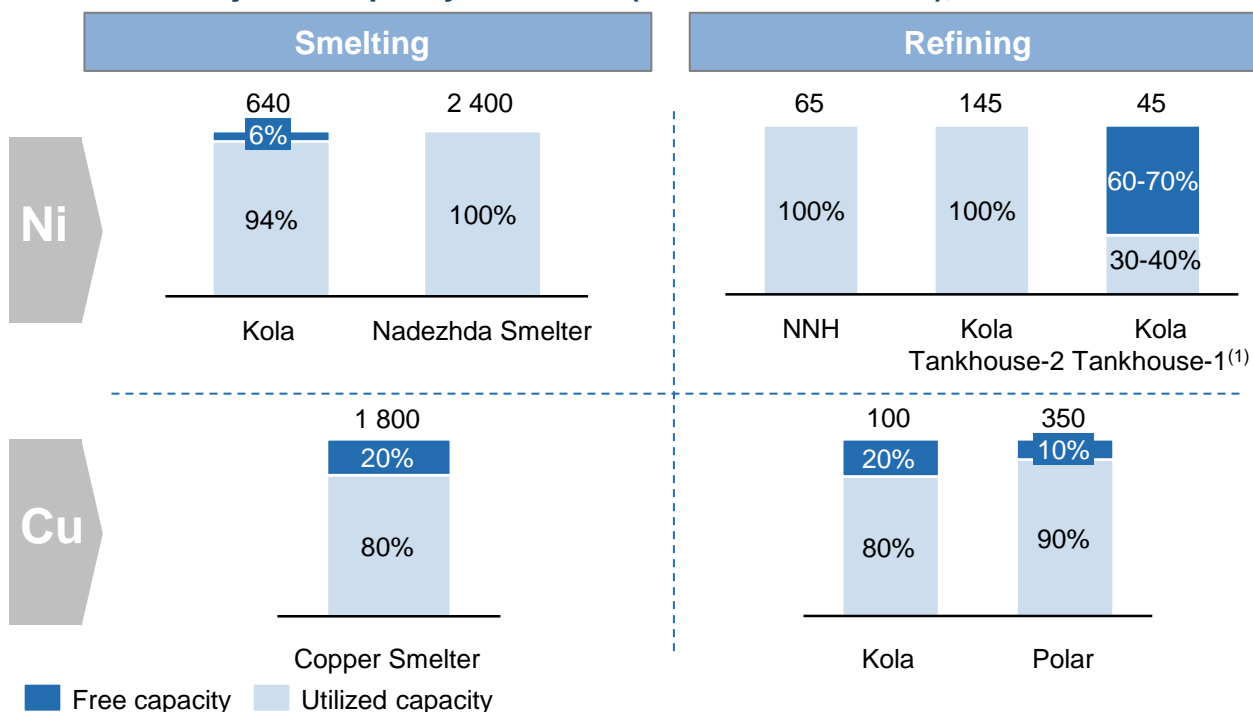
EBITDA Uplift:

USD350-400mn p.a.

in 2018

### 2 Fit-to-Size

Projected capacity utilization (base-case scenario), 2018, %



- In anticipation for potential growth in mining volumes, the Company conducts “bottleneck” analysis on a regular basis in order to identify options to re-balance capacities across the value chain
- There is a number of low capital options (e.g. maintaining Kola Tankhouse-1, etc) to maintain production in line with the guidance

Notes: 1. Tankhouse-1 – currently under care maintenance



# Smelting and Refining Reconfiguration – On Time / On Budget

## Operational Efficiency – Maximizing Returns



### Shutdown of Nickel Smelter

- Complete shut-down of smelting and refining capacities in 2016
- ✓ **Project executed on time/on budget**



### Modernization and expansion of capacities at Nadezhda Smelter

- ✓ **Upgrade of flash furnace-2 completed**
- Preparation for upgrade of flash furnace-1 is in progress (planned completion by December 2015)
- ✓ **Project executed on time/on budget**



### Expansion and modernization of Kola Refinery

- Upgrade of Ni Tankhouse-2 – transition to new technology and increase in capacity to 145ktpa
- Full transition to chlorine leaching - by the end of 2017
- Re-commissioning of 45 kt p.a. refining capacity (Tankhouse-1)
- ✓ **Project executed on time/on budget**



# Efficient Labour Management Practices

## Operational Efficiency – Maximizing Returns

<b>I</b> Employee efficiency	<ul style="list-style-type: none"><li>▪ 10% employee productivity growth by 2018 (target included in LTI)</li></ul>
<b>II</b> Employment strategy	<ul style="list-style-type: none"><li>▪ Best package of social benefits and compensation in the industry – attraction of the most qualified employees</li><li>▪ Fly-in fly-out model introduction – new opportunities for hiring new employees</li></ul>
<b>III</b> Employees educational programs	<ul style="list-style-type: none"><li>▪ During 2014 over 50 000 employees participated in training programs</li><li>▪ Re-training of the majority of Nickel plant employees (over 2000 employees) for further redeployment at other operations</li></ul>
<b>IV</b> Motivation system	<ul style="list-style-type: none"><li>▪ STIP – new KPI-based motivation system was launched for TOP-1000</li><li>▪ LTIP – new program (linked to strategic goals) was introduced for 2015-2017 for TOP-10 and TOP-100 managers</li></ul>

# Emerging “Clusters” of the Polar Division

## Assets assessment

	“Talnakh Cluster”	“South Cluster”
<b>Asset Perimeter</b>	5 mines (Talnakh deposits) Talnakh Concentrator	Zapolyarny mine, Medvezhiy Ruchey open pit, Norilsk Concentrator
<b>2014-2018 Ore Production</b>	<p>2014: 14,3 2018: 15,8 (+10%)</p>	<p>2014: 2,7 2018: 1,2 (-55%)</p>
<b>Reserves, % of Total Polar</b>	93%	7%
<b>Tier-I criteria:</b>	<i>2014 Pro-forma</i>	
<ul style="list-style-type: none"> <li>Large Scale (USD1bn+ Revenue)</li> <li>High Margin (&gt;40%)</li> <li>Long Reserve Life (&gt;20 years)</li> </ul>	<ul style="list-style-type: none"> <li>&gt;USD7bn ✓</li> <li>&gt;50% ✓</li> <li>&gt;45 ✓</li> </ul>	<ul style="list-style-type: none"> <li>&lt;USD0.6bn ✗</li> <li>~35% ?</li> <li>&gt;20 ✓</li> </ul>
<b>PGM value per ton of ore, %</b>	30-40%	~70%
<b>Depletion rate, %</b>	<20%	~70-75%
<b>‘Cluster’ features</b>	<ul style="list-style-type: none"> <li>Flagship asset in Norilsk’s portfolio</li> <li>Accelerated investments in growth and creation of consolidated center for mining and concentration of Talnakh rich ores</li> </ul>	<ul style="list-style-type: none"> <li>Relatively small in size and decreasing</li> <li>Low-grade ore, focused on PGM</li> <li>Logistically standalone assets</li> <li>Will require an upgrade (new construction) of the concentrator tailings dam (due by 2018)</li> </ul>

Sources: Company data, Norilsk Nickel estimates

# Kola “Northern Cluster” Confirmed as Tier I Asset

## Assets assessment

	Tier-1 criteria	Approved plan	Upside Potential – Initiatives Under Review	Mid-term Targets
<p><b>Kola “Northern cluster”:</b></p> <ul style="list-style-type: none"> <li>Operating asset</li> <li>Located in the North-West of Murmansk region, in proximity to Russian-Norway border</li> <li>Infrastructure: proximity to the large sea port, access to the Unified Energy System (electricity)</li> </ul> <p><b>Assets:</b></p> <ul style="list-style-type: none"> <li>2 mines</li> <li>Concentrator (8.2Mtpa)</li> <li>Smelter</li> </ul>	Revenue	<ul style="list-style-type: none"> <li>Reprocessing of secondary deposits (tailings / slags)</li> <li>Maintenance of ore production at 7 Mtpa</li> </ul>	<ul style="list-style-type: none"> <li>Analysis of opportunities to increase profitable production volumes</li> </ul>	Up to USD1.0bn
	EBITDA margins	<ul style="list-style-type: none"> <li>Sustaining FX depreciation effect for production costs</li> <li>Optimization of mining costs (improved utilization of machinery and equipment)</li> <li>Reduction of G&amp;A costs</li> </ul>	<ul style="list-style-type: none"> <li>Improvement in concentrate recoveries</li> <li>Improved energy-efficiency</li> <li>Strict control over cost inflation</li> </ul>	> 40%
	Reserve Life	<ul style="list-style-type: none"> <li>Conservative approach –only projects supported by the documentation are included in the production profile</li> </ul>	<ul style="list-style-type: none"> <li>Exploration and feasibility studies involving development of additional reserves – 25-40 Mt</li> </ul>	20-23 years

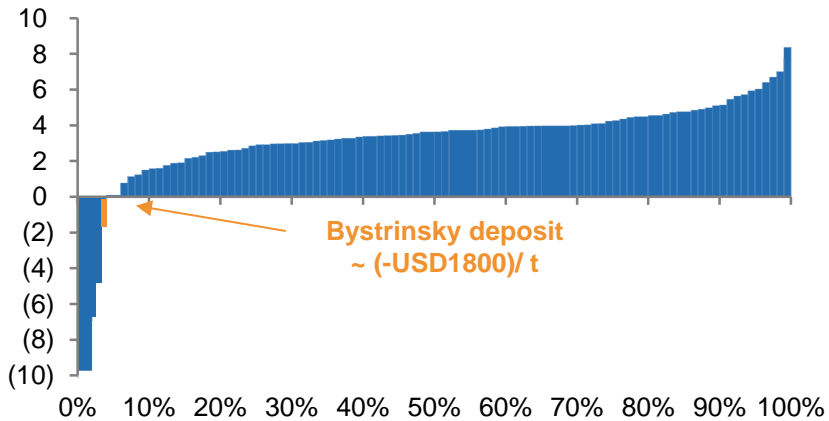


# Bystrinsky Project –Tier-1 upon Launch

## Assets assessment



## Global cost curve ('000 USD/t of Cu)



Source: AME, Norilsk Nickel estimates

## Upstream

### Reserves & Resources: 294 Mt

- Cu – 0.7%
- Fe – 23%
- Au – 0.8 g/t

## Concentration

### Capacity: 10 Mtpa

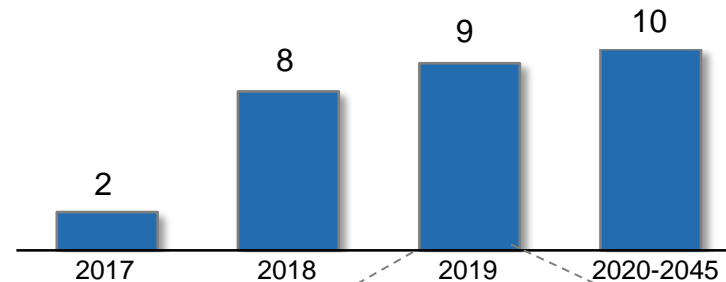
- Cu – 66 kt (in concentrate)
- Fe – 3.1 Mt (magnetite concentrate)
- Au – 219 koz (in concentrate)

## CAPEX

Remaining CAPEX: USD1.0 bn

## Production forecast

Ore production and processing, Mt



- EBITDA: USD400-500mn
- EBITDA margin: 40-50%

Project IRR at  
April 2015  
average spot  
macro  
conditions –  
>30%



# Bystrinsky Project - Update

## Assets assessment



- **Railway link to the project site is 90% complete (227 km, 3.7Mtpa capacity). Project financed in partnership with the Russian Government**

- Will be commissioned in H1 2016



- **Waste stripping at the open pits is on schedule**

- 3mn m<sup>3</sup> of waste rock were moved in 2014



- **Regular air transportation service between Chita city and project site launched in October 2014**



- **Water dam (water storage capacity for the concentrator) was completed in 2014.**



- **Construction of main facilities has commenced in 2014:** foundation for concentrator, camp and storage facilities

- **Construction of tailings dam is near completion**



- **Preliminary agreement with “Federal grid company” on power line construction and future operational model**

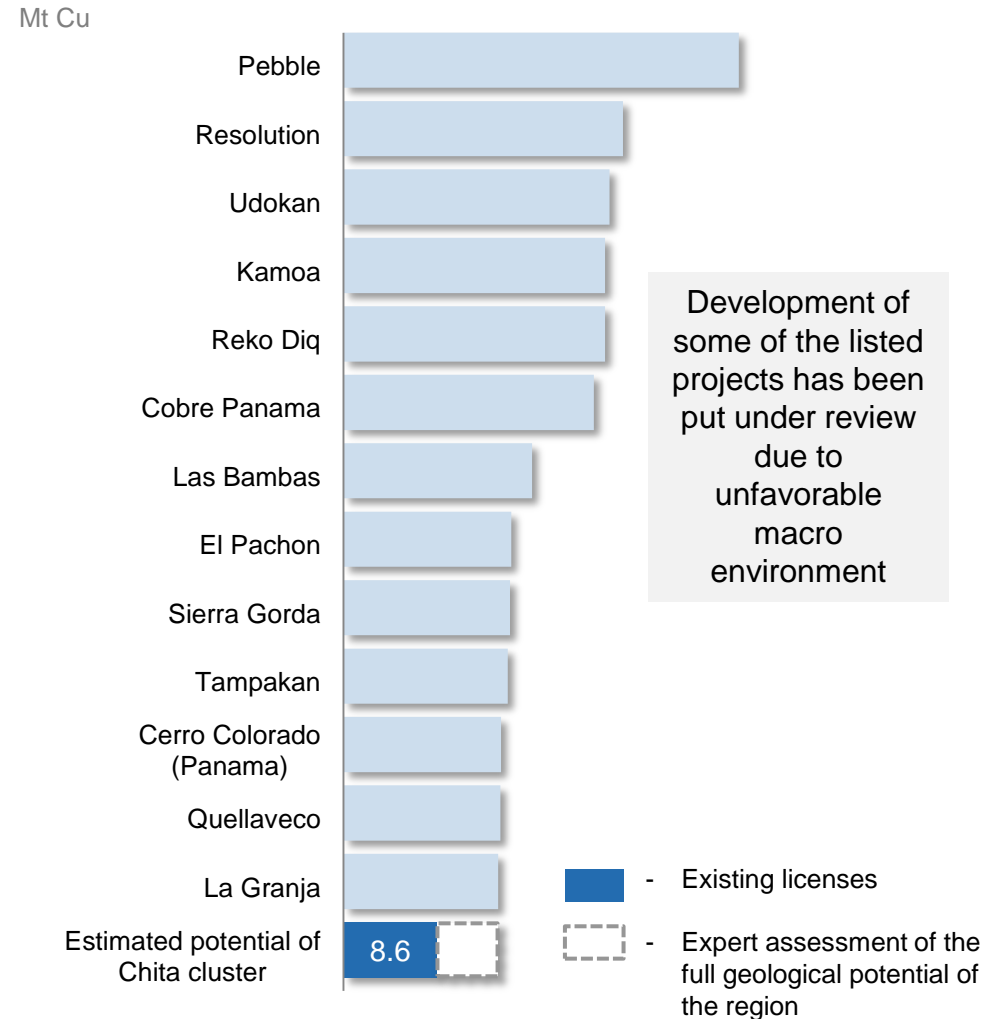


# Bystrinsky Project – Stepping Stone for the Development of New Mining Region

Moreover, the broader Chita region has a tremendous exploration and growth potential



## World’s largest undeveloped copper projects<sup>1</sup>



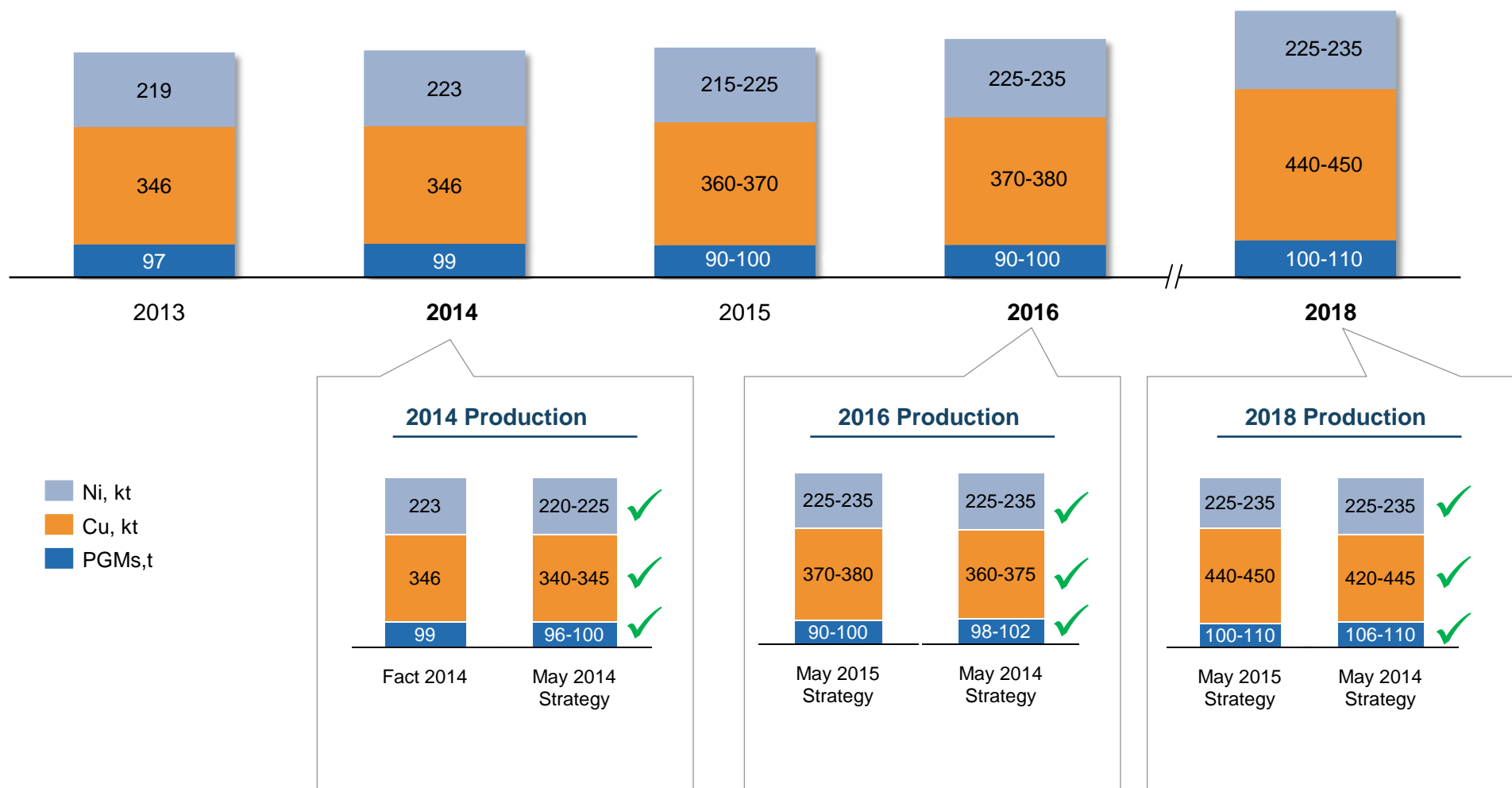
Sources: WoodMcKenzie, Company data, Norilsk Nickel estimates

Note: 1. International Projects – Mineral reserves and resources (JORC), Chita Copper Project– Cu reserves and resources equivalent as per Russian classification



# Confirming Production Guidance

## Target Metal Production Volumes from Russian Source, 2013-2018



Note: 1. Cu volumes include Chita since its launch in 2017

# Key Take-Aways

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1

**Progress on the way to world-class HSE standards** and clear roadmap for the environmental program – “flagship” Sulphur Capturing Project at Nadezhda progressing at full speed

2

**Redefined mining projects portfolio** – development of “base portfolio” with stable production profile for the next 5-10 years and identification of upside potential

3

**2014 management focus on ROIC increase:** low cost initiatives with cumulative EBITDA impact for 2015-2017 - up to USD1.0 bn

4

Going forward - **focus on growth opportunities in Polar Division’s Upstream;** finding new project opportunities based on undeveloped resources

5

Next steps in production assets assessment:

- **“Clusterization” of Polar Division** with Tier-1 “Talnakh Cluster” and Non-Tier-1 “South Cluster”
- **Kola’s “Northern Cluster”** (Upstream and Smelting) **reconfirmed as Tier-1**

6

**Key strategic projects** (Downstream Reconfiguration, Skalisty, Bystrinskiy) – delivery **on track**





**NORILSK NICKEL**



## **Corporate - Efficiency Catalysts**

**Pavel FEDOROV**  
First Deputy CEO  
Executive Director

# Corporate – Efficiency Catalysts

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■ Investment Governance and Returns



■ Delivering on “5 in 4” Efficiency Targets



■ Value-Accretive Initiatives



■ Industry-Leading Shareholder Returns Targets

# Investment Governance and Returns

## Building Best-in-Class Investment Governance System

Strong commitment to Tier-1 asset portfolio – scalable **accelerated investments in high-return growth** (IRR >20%)

Selective investments in greenfield and bluesky growth opportunities involving **risk-sharing and return-maximizing mechanisms** involving where necessary extensive networks and leverage of anchor shareholders

Compliance with Company's HSE obligations and sustainable development objectives while adhering to **strict capital discipline for stay-in-business** (SIB) investments

Implementing “**best practice**” standards for **projects execution**

### Relevance for shareholders

**>USD4-8bn**

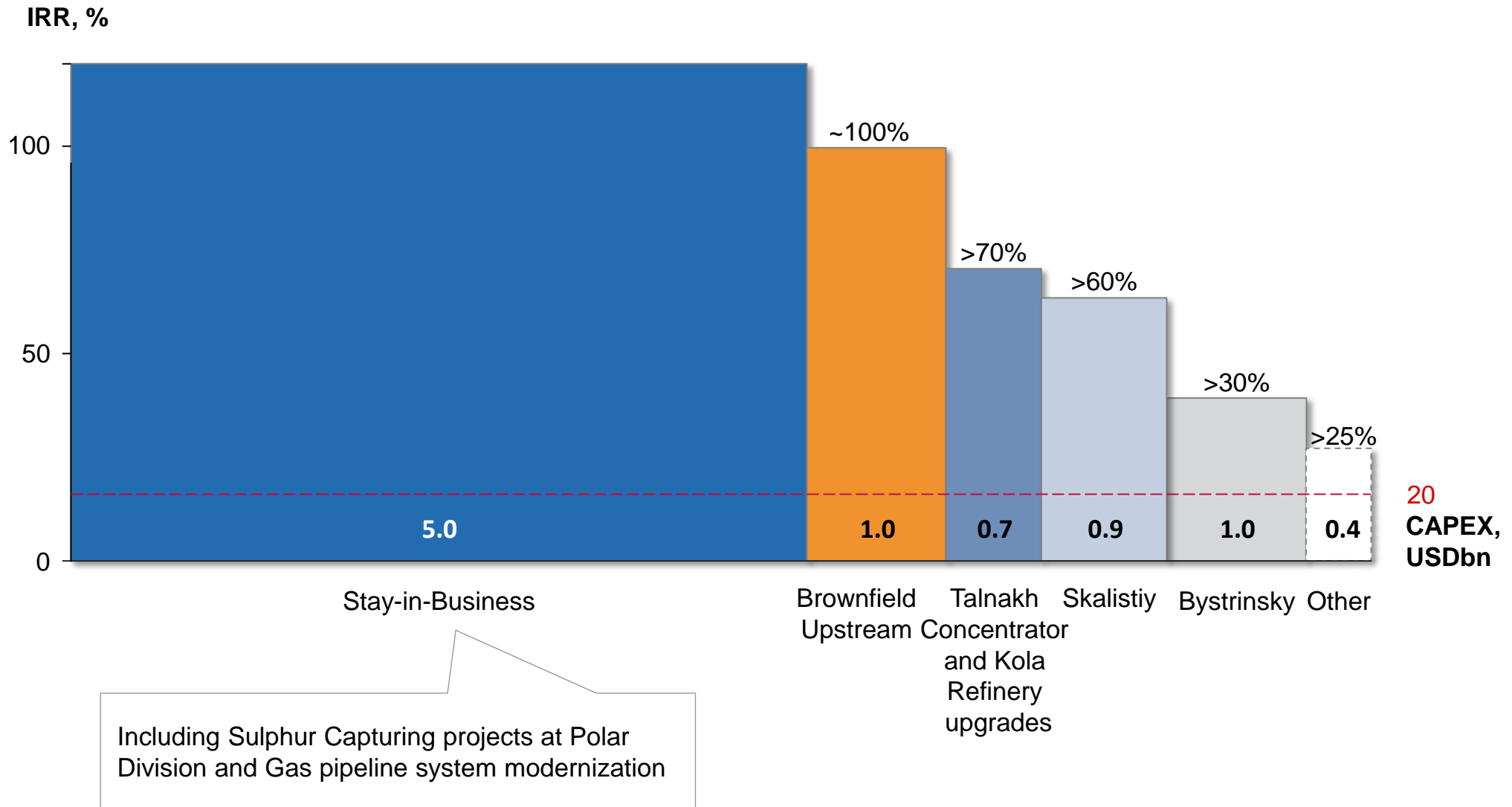
estimated “value at risk” depending on quality of projects planning and execution

**>USD1.0bn**

of mandatory CAPEX savings already realized in 2013-2014

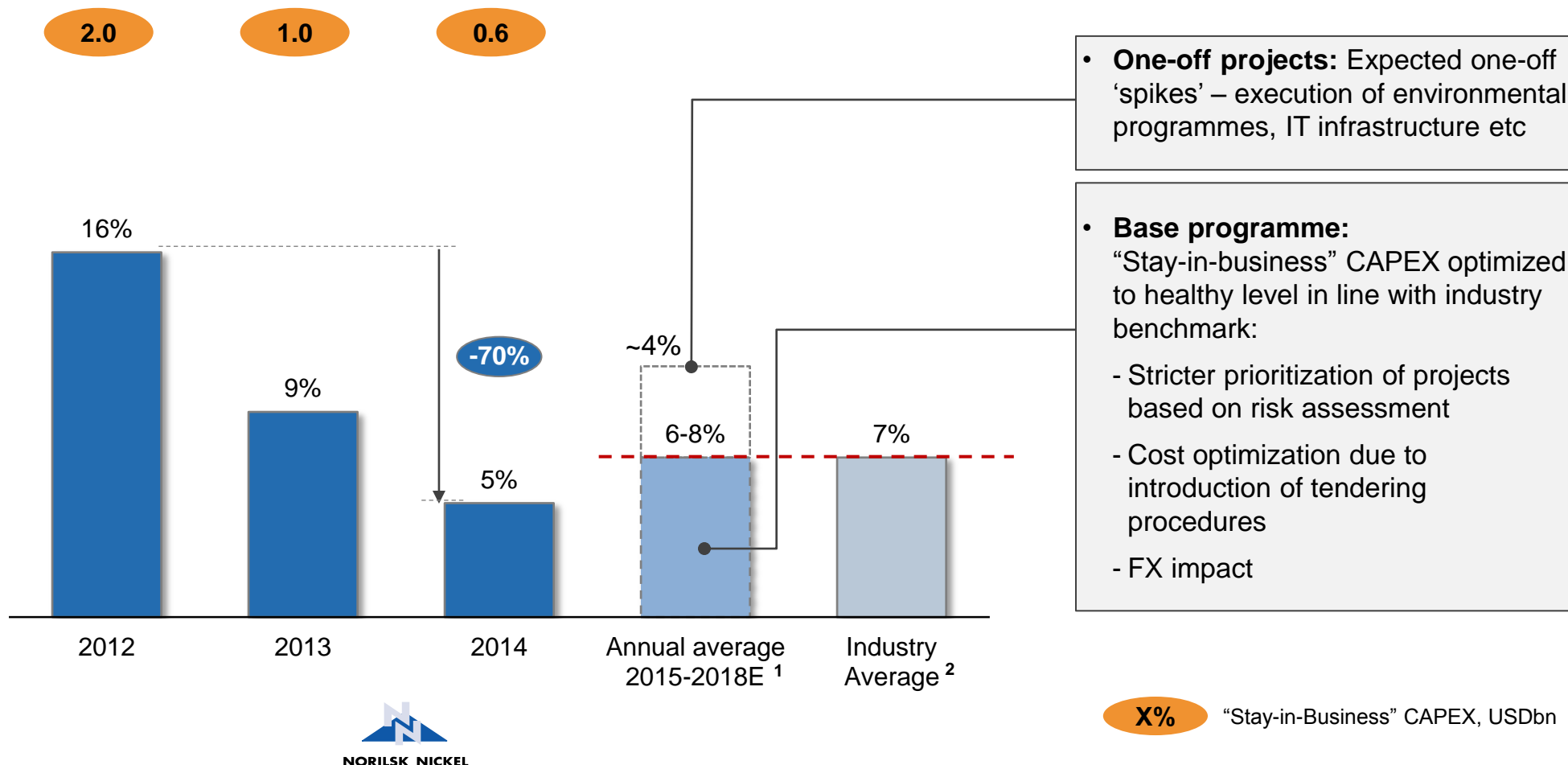


# Investment Governance – Focused and Profitable Investment Programme (2015-2018)



# Investment Governance - Rethinking Stay-in-Business Capex

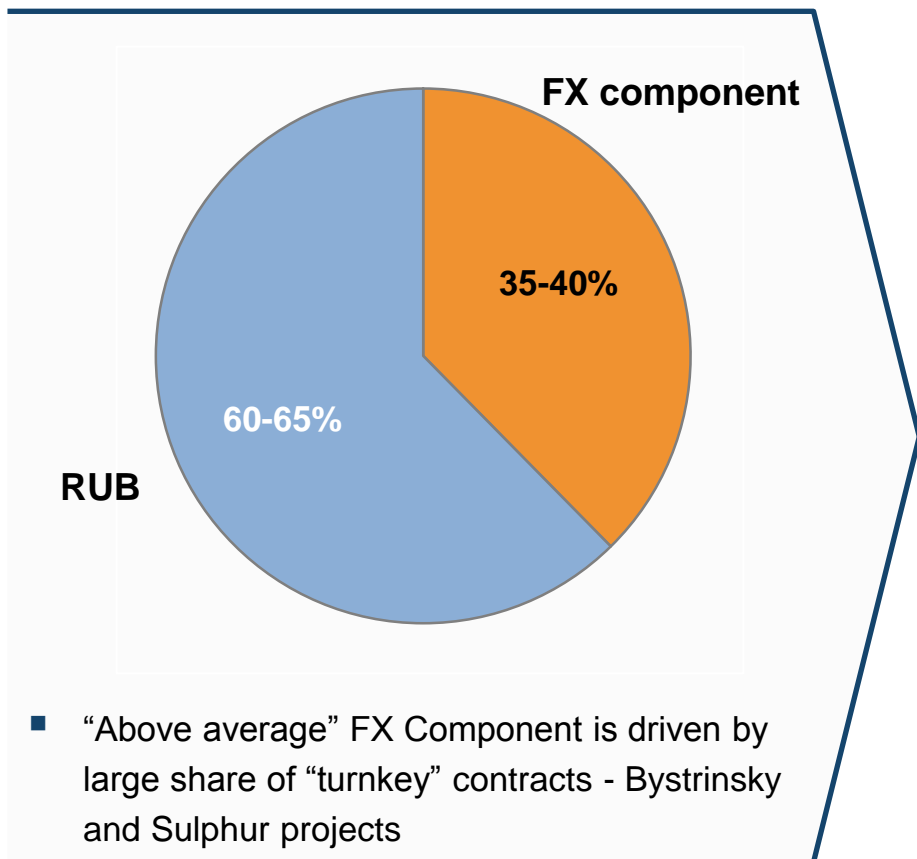
“Stay-in-Business” CAPEX to Revenue Ratio, USDbn



Sources: Companies data, Norilsk Nickel estimate  
 Notes: 1. Estimated based on 2014 average metals prices  
 2. Industry average – 2014 average among BHP, Rio Tinto, AngloAmerican and Vale

# Investment Governance – Managing FX Risks

## Capex Breakdown by Currency

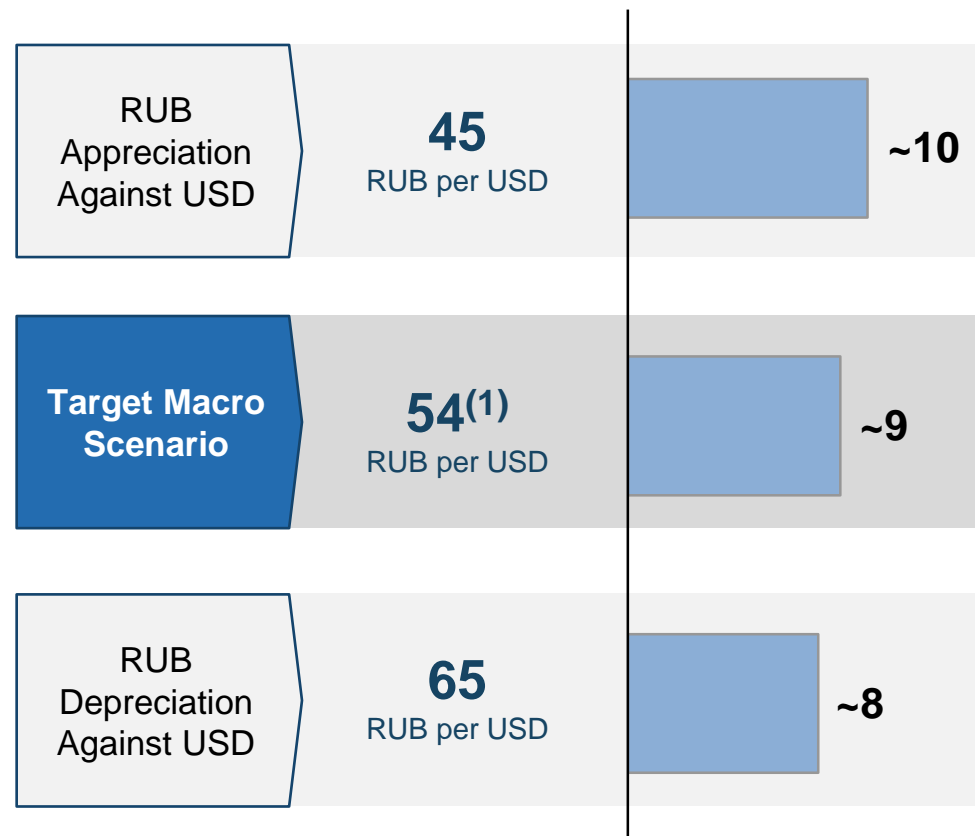


## Exchange Rate

RUB/USD

## Total CapEx '15-18

USD bn



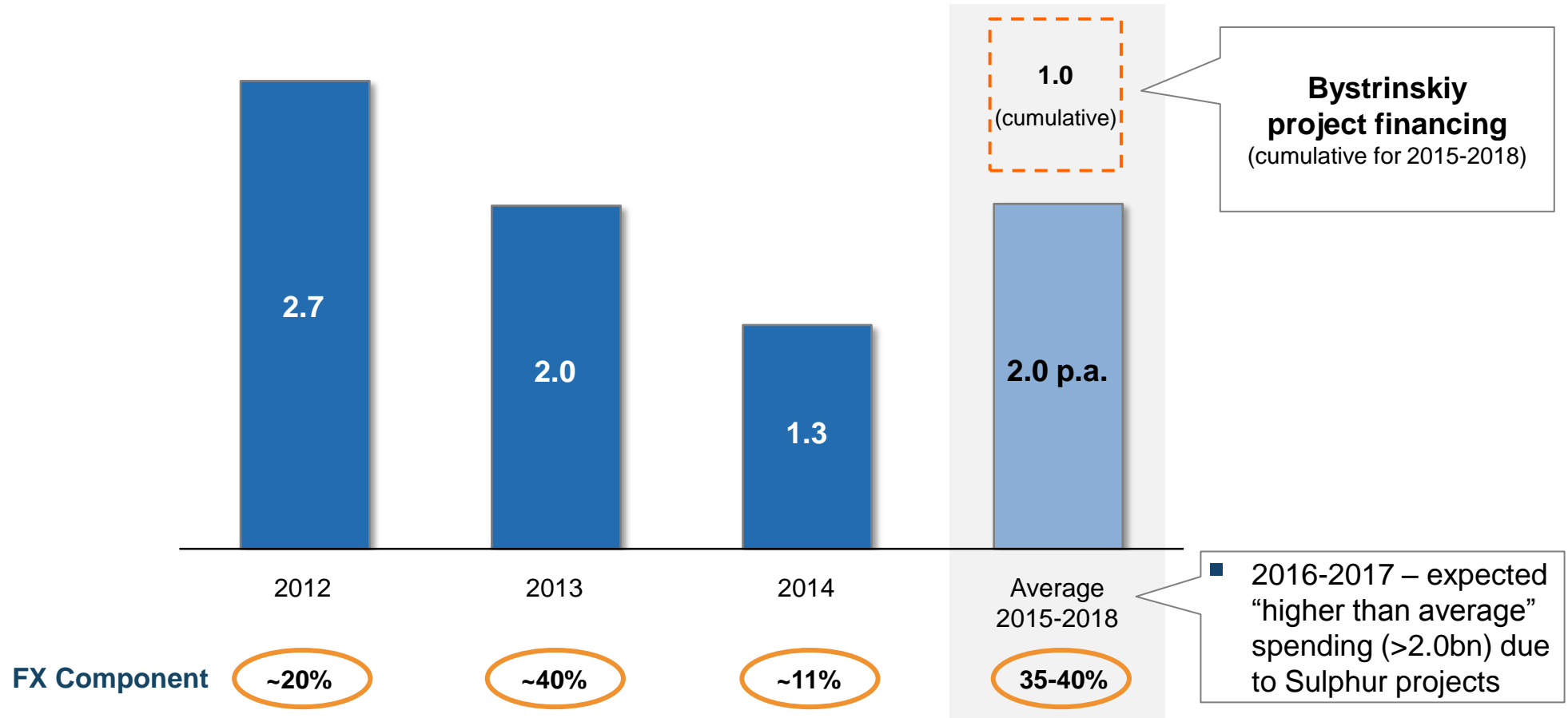
- Under plausible macroeconomic scenario CAPEX sensitivity to FX rate estimated at +/- USD ~USD0.3bn p.a.

Notes: 1. Weighted average of internal exchange rate forecast for 2015-2018 years



# Investment Governance – Reiteration of Medium-Term Capex Guidance

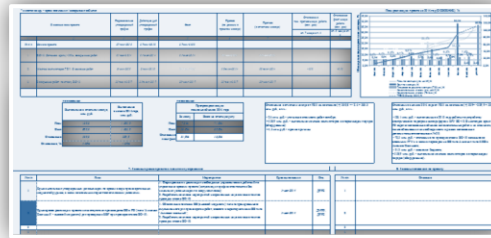
Average Annual CapEx, USDbn



- Capex guidance for 2015-2018 reiterated at ~USD2.0bn p.a.

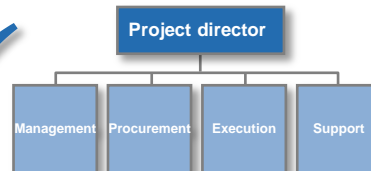
# Investment Governance – Enhanced Project Execution

## Management Systems



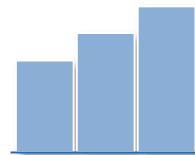
- In 2014, new **Primavera-based planning and monitoring system** introduced and already covers **>120 major projects**
- New automated solutions for project cost / budget control developed

## Acquiring and Retaining Talent



- **9 project offices** for key projects / programs established at HQ and asset levels
- New hires for key project management positions

## Project-focused Incentive Plans

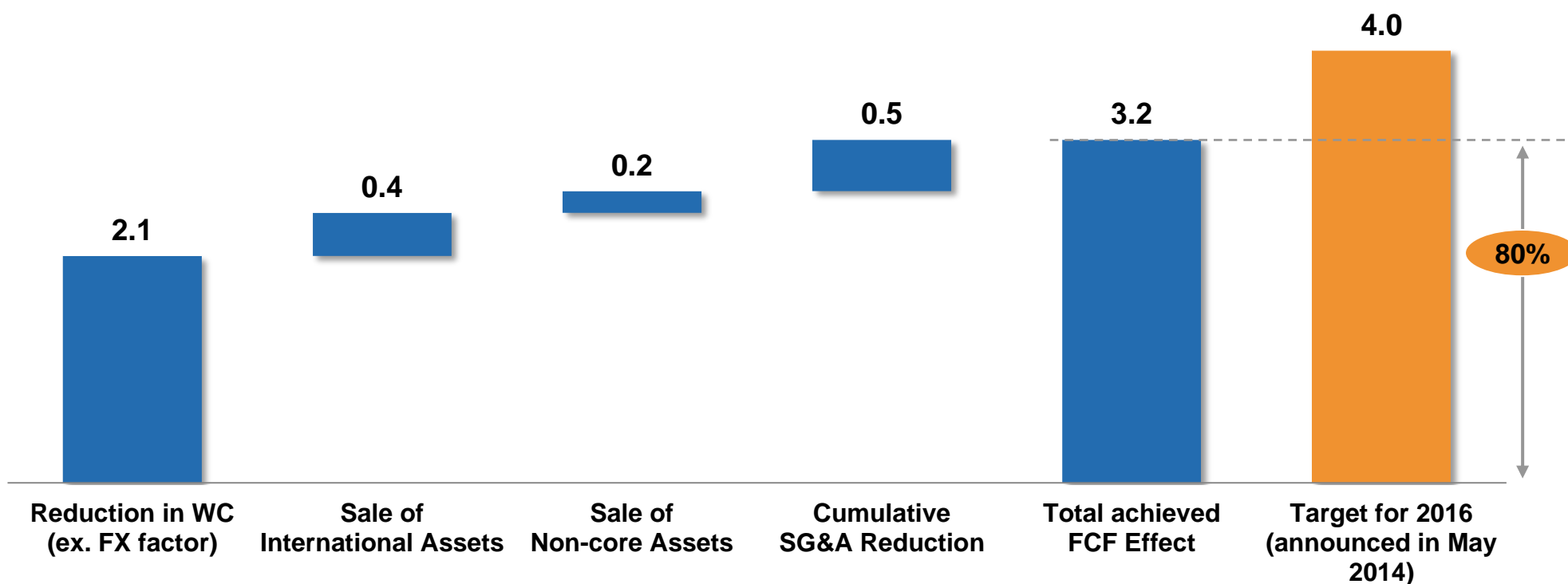


- Introduction of customized project-focused KPIs for project managers
- Implementation of strategic projects to schedule and to budget – substantial part of newly launched long-term incentive plan for NN Top-100 managers

# Norilsk's "Five In Four" – Healthy Progress

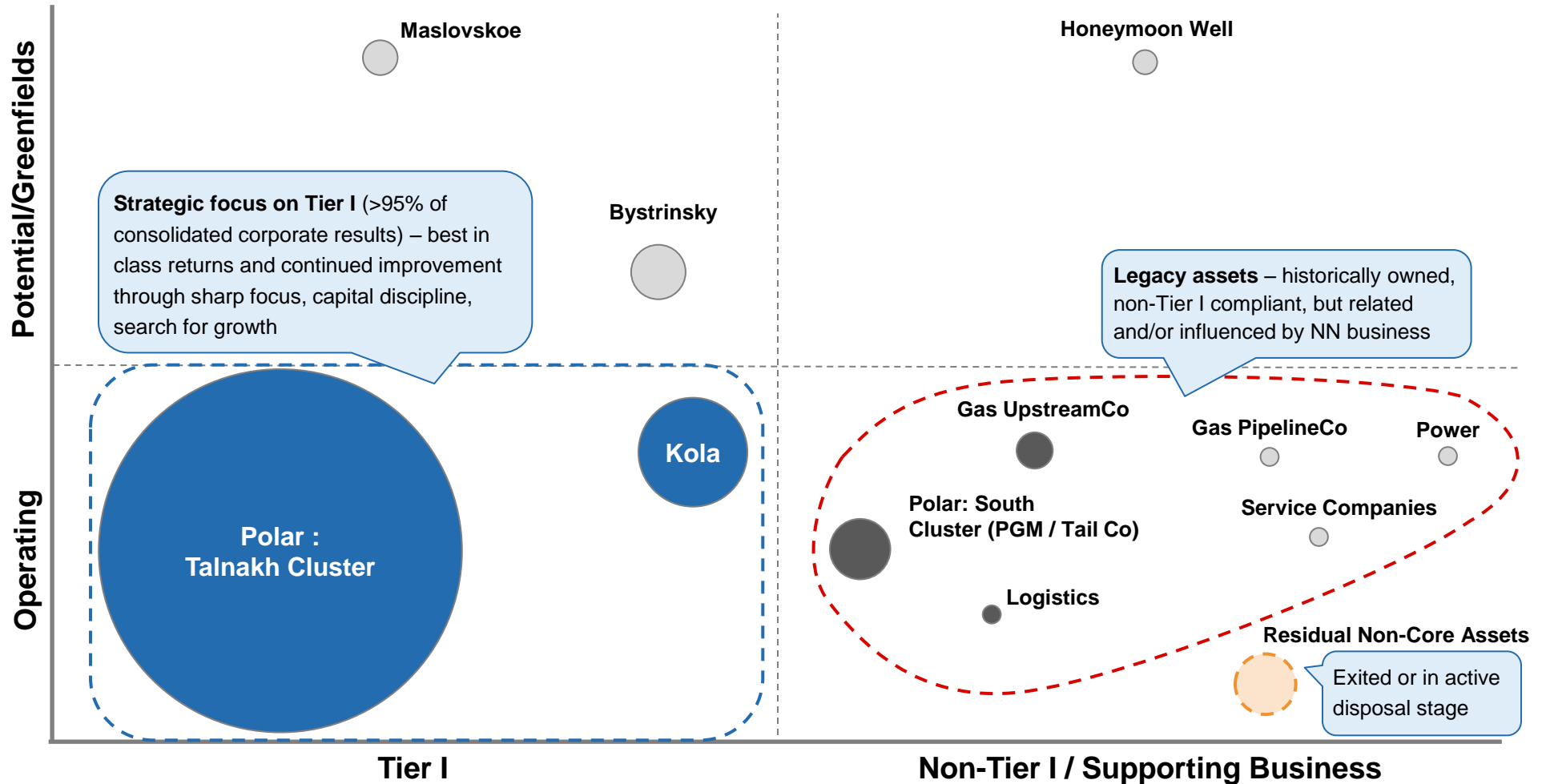
In May 2014 we set 2013-2016 target of USD4.0bn in cumulative cash flow improvement – 80 % of the target is delivered

Target Cash Flow Effect from Corporate Efficiency Initiatives (2013-2016), USDbn



# Evolving Perspective on Norilsk Asset Portfolio

## Norilsk Nickel Asset Portfolio



# Release of Non-Productive Capital – On Track

## Closed Transactions



### Australia:

- NEGO, Lake Johnston, Avalon/Cawse, Black Swan/Silver Swan

### Africa:

- Tati

### Russia:

- Minority stakes in power companies

## Transactions in Closing



### Africa:

- Nkomati

## Residual Assets



### Australia:

- Honeymoon Well

### Russia:

- Inter RAO
- Property portfolio
- Airline

Cash Proceeds:

USD0.2bn

USD0.4bn

Total Economic Impact:

USD0.6bn

USD0.4bn



# “Norilsk Beyond Tier I” – Legacy Assets

## Legacy “Non-Tier I” Assets – Stage II Strategic Review

South Cluster TailCo

Upstream Gas Assets

Select Logistics Assets

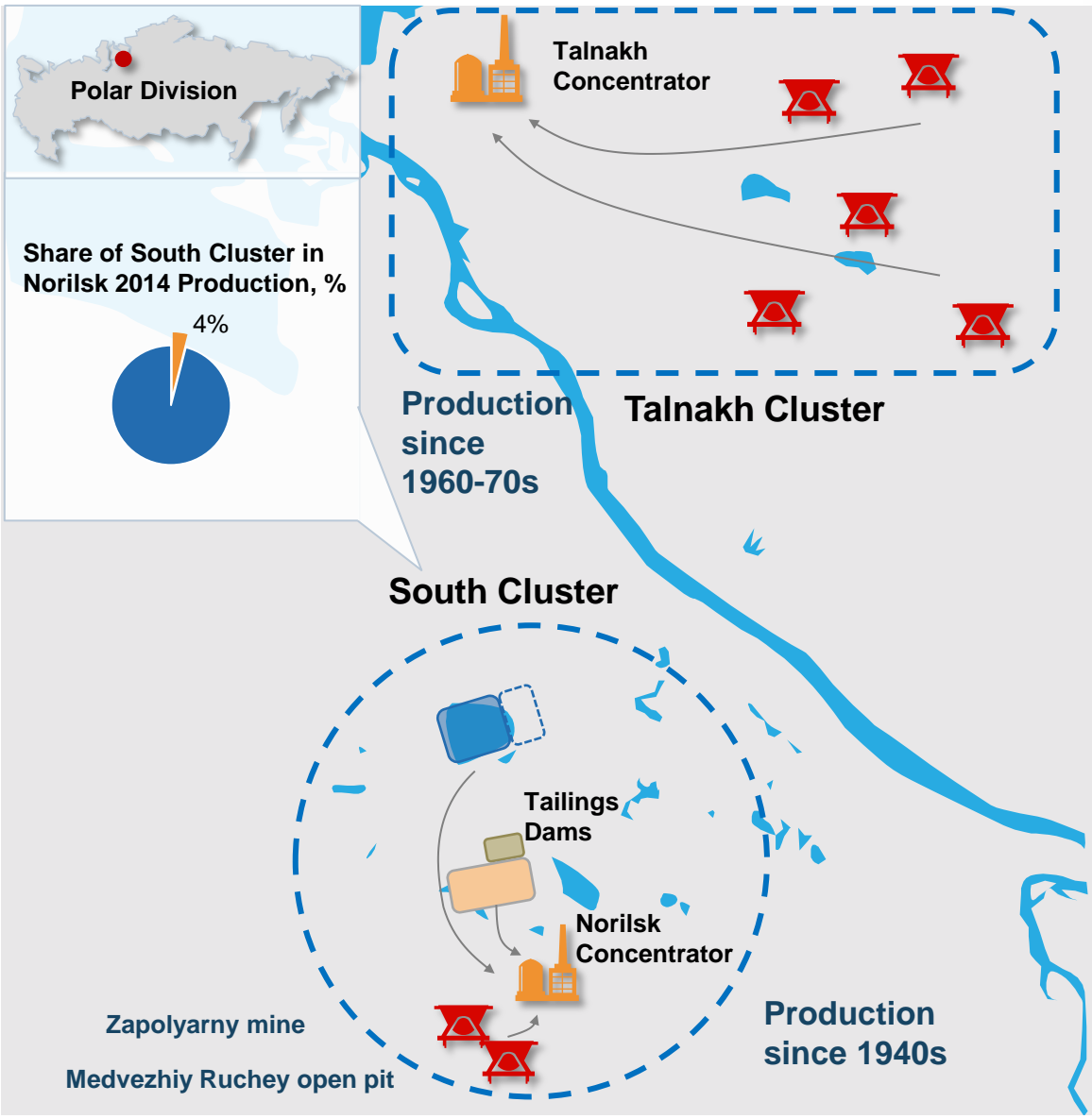
Development /  
Monetization

“Do Nothing”

Potential value hypothesis

“Status quo”

# South Cluster “TailCo” – Overview



Norilsk Concentrator (built in 1938)



Medvezhiy Ruchey Open Pit Mine (1945)



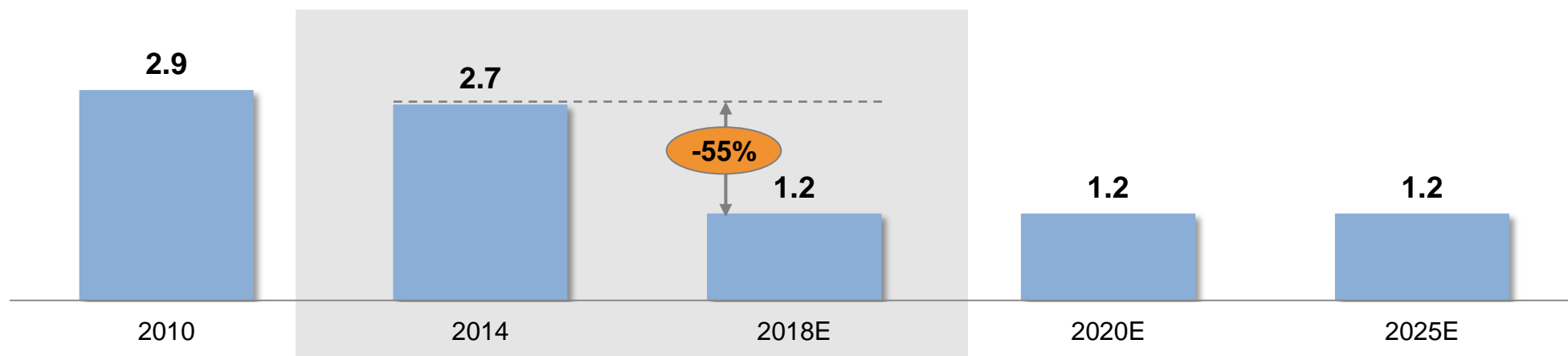
Lebyazhye Tailings Dam



Sources: Company data

# South Cluster “TailCo” – Not A “Tier I” Asset

## South Cluster TailCo Ore Production Profile, Mt



### Tier I Asset Criteria

### “TailCo” 2014 Pro-Forma

**Large Scale**  
(USD1bn+ revenue)

~USD0.6bn

✗

**High Margins**  
(40%+ EBITDA margin)

~35%

?

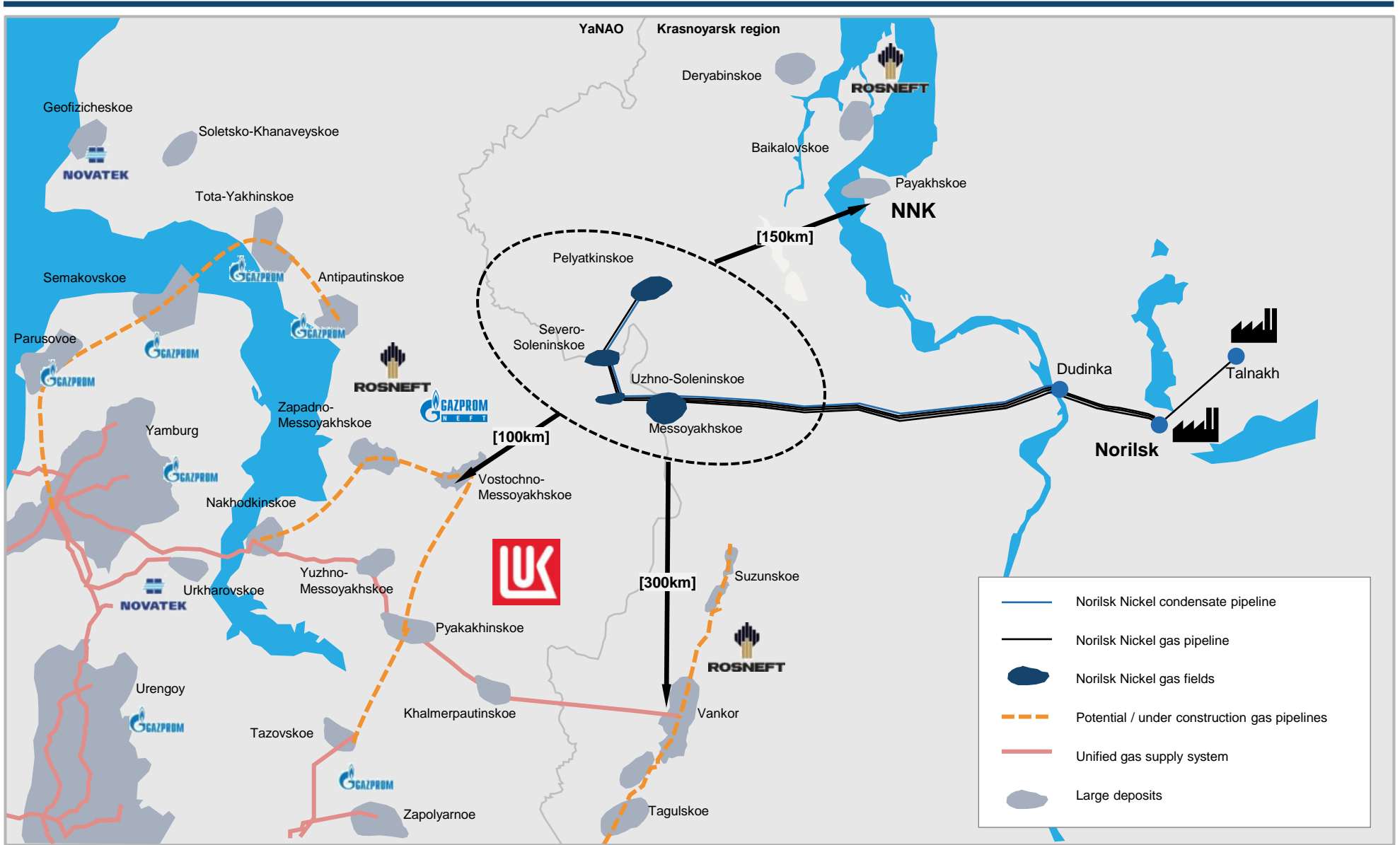
**Long Reserve Life**  
(>20 years)

<20

✓

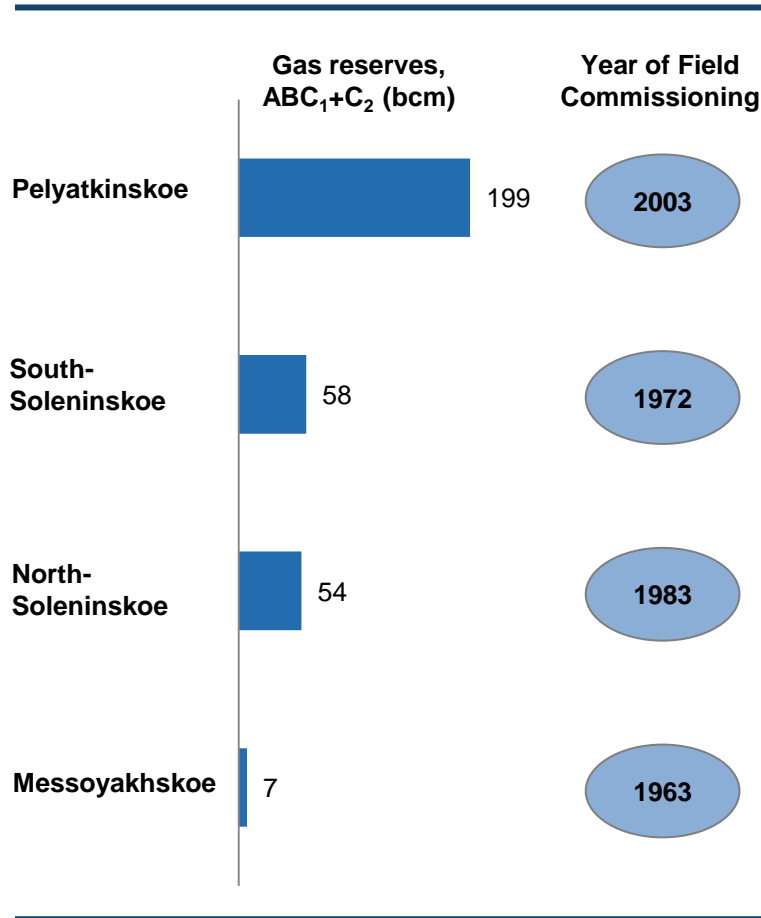
- Stage II of strategic review of South Cluster initiated

# Norilsk Gas Assets – Geographical Footprint



# Norilsk Gas UpstreamCo – Potential vs. Limited Market

## Current Asset Structure



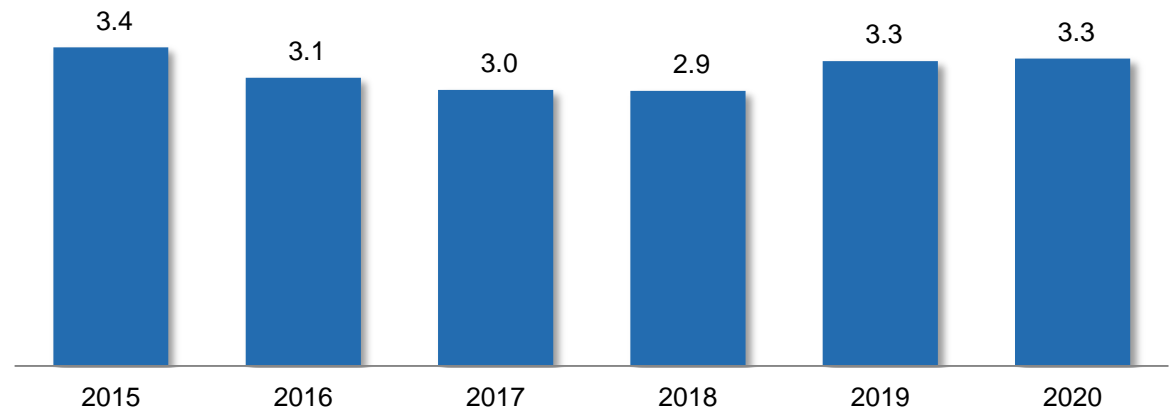
## Production Outlook

### Gas Production – Full Potential

13-16 bcm

- Distance to prospective Vostochno-Messoyakhskoe field: ~100km
- Estimated CAPEX required to connect to external gas pipeline systems: up to USD1.5bn







### Norilsk Region Consumption Outlook, bcm



- Yet with the potential to produce 5.0x of the current production and a long-term development plan (assessed at up to USD1.5bn of capex and 5-10 year program) it might have an appeal for an investor with conviction for the region and the story



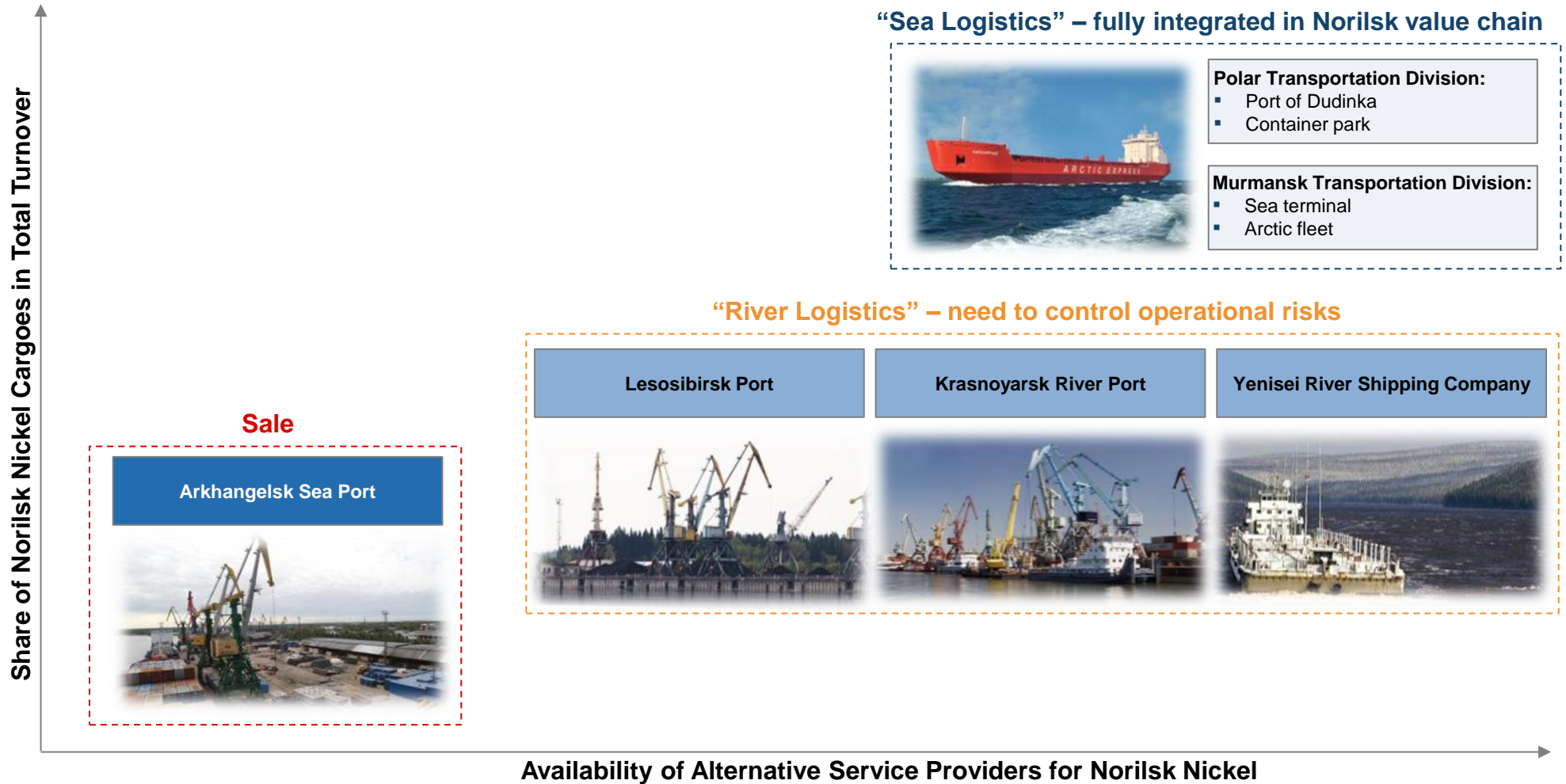
# Norilsk Gas UpstreamCo - Overview

						
Gas reserves, bcm	35,700	3,125	317	130	150	50
Gas production	487.4	62.2	3.8	1.7	1.4	1.1
Share of liquids in total reserves, %	10%	8%	4%	5%	18%	19%
Market cap, USD bn	65.9	29.5	–	–	–	–
Connection to Unified Gas Supply System	✓	✓	✗	✗	✓	✓

- Important asset for ensuring uninterrupted energy supply of the core Norilsk production base
- UpstreamCo – a potentially attractive, but far-flung gas and relatively small gas asset, only a minor portion (4%) of reserves is liquid hydrocarbons and no target market in proximity



# Norilsk Logistics Business – Results of Portfolio Review



- New transportation and logistics strategy developed and approved by the Board in May 2015
- Based on the results of extensive strategic review of Norilsk’s logistics assets, Arkhangelsk Sea Port marked for sale

# Arkhangelsk Sea Port – Planned Disposal

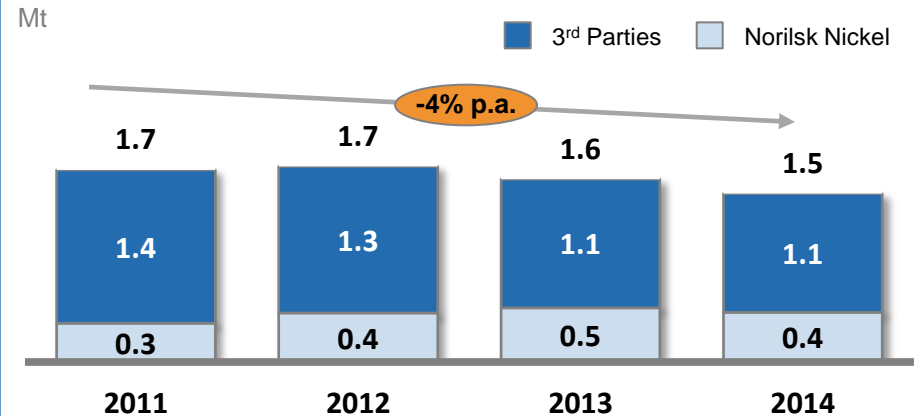
## Assets Overview

- Arkhangelsk Sea Port – sea transportation hub, located on the ‘Northern Sea Route’
- Primary activity - stevedoring and warehousing of all types of cargoes
- Additional services include vessel towing and maintenance, sea and river freight forwarding services

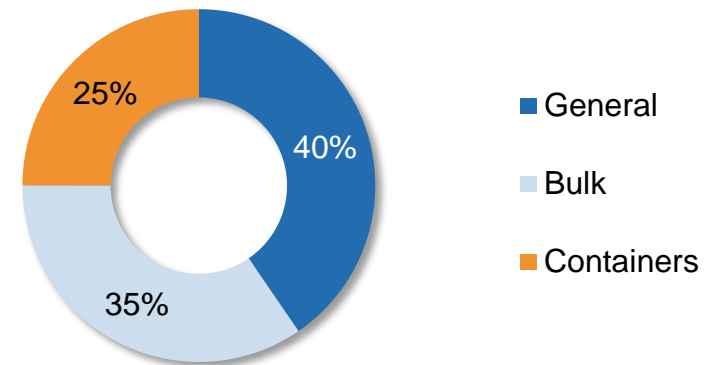


## Key Operating Data

### Cargo Turnover



### Turnover by Type



# Stage II Strategic Review for Select Legacy Assets

## May 2015

- Board's Strategy Committee approval for commencing Stage II strategic review for Gas UpstreamCo, TailCo and Arkhangelsk Port

## 2H 2015

- Internal assets / corporate restructuring on the basis of identified value creation hypotheses
- Finalisation of the investment case and choice of optimal development / monetization scenario (turnaround, demerger, sale, equity partnership)

## Q1 2016

- Due process of the Board review and approval
- Subject to corporate approvals, announcement of transaction structure and terms



# Bystrinsky Project – Tier I Asset Upon Launch

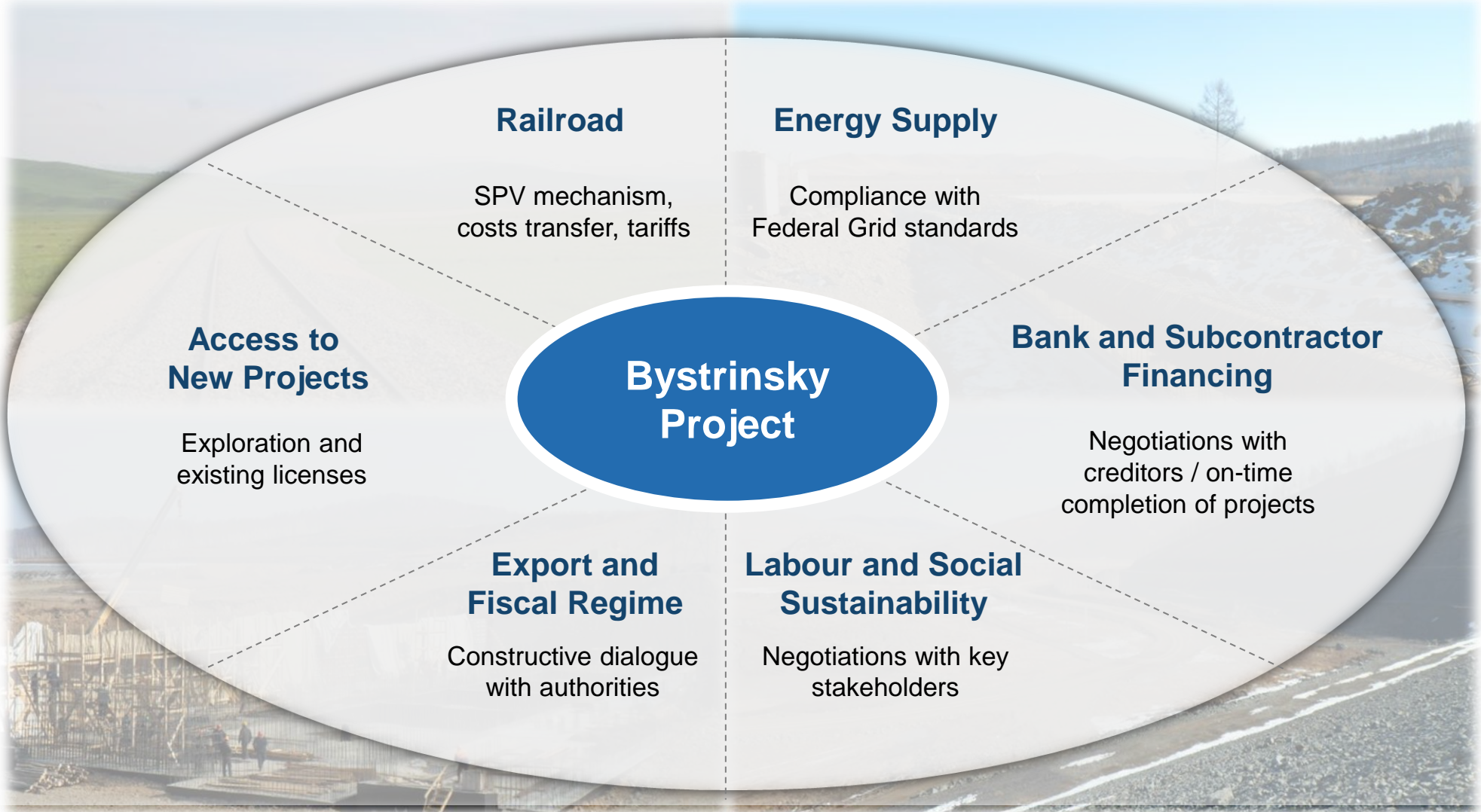
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Upon launch of the production Bystrinsky project is to become a Tier I asset

Tier I Asset Criteria	Bystrinsky (Steady State)	
<b>Large Scale</b> (USD1bn+ revenue)	~USD0.9-1.2bn	✓
<b>High Margins</b> (40%+ EBITDA margin)	~50%	✓
<b>Long Reserve Life</b> (>20 years)	>30 years	✓
<b>Exploration Potential</b>	✓	✓

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# De-Risking Bystrinsky Project (1/2)



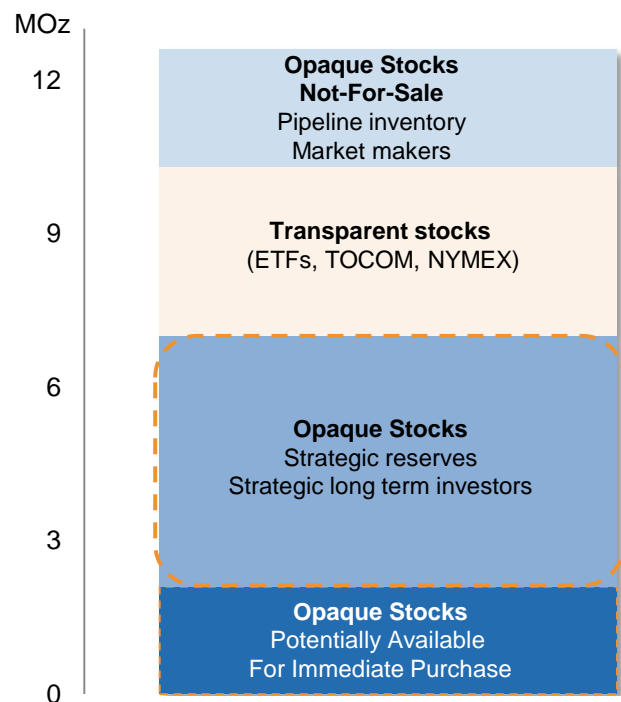
## De-Risking Bystrinsky Project (2/2)

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- Potential to create a mining hub in the region / capitalize on the Asian growth opportunity – **strategic focus on Norilsk’s operatorship and consolidation**
- Credit Committee / Management Board approval of up to USD1.0bn interim project finance from VTB Bank; discussions with VEB on the long-term project finance continue
- **New equity partners** considered – VTB Bank / target market investors
- **Enhanced upside and limited downside to Norilsk’s shareholders through non-recourse leverage and strong long-term partners**

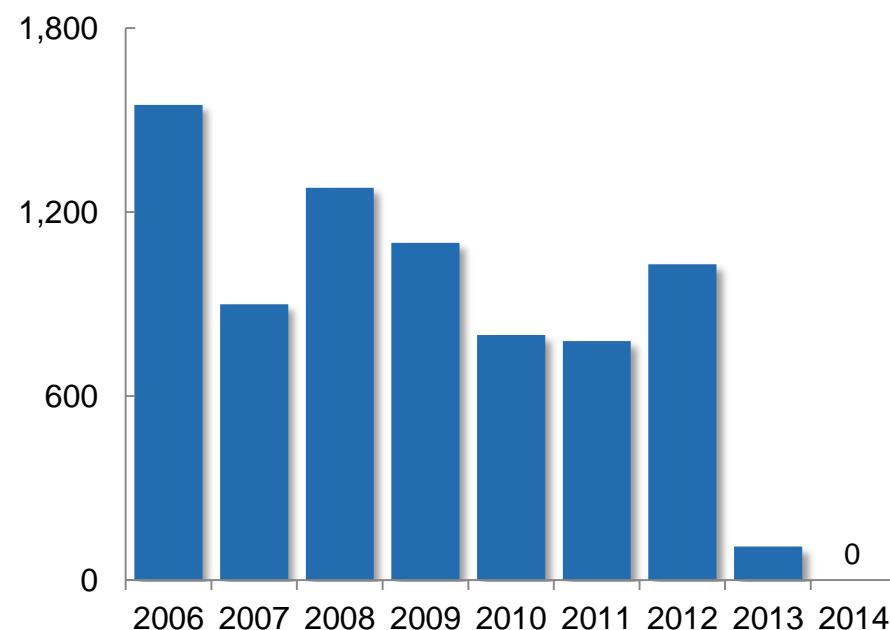
# Palladium Market Initiatives – Context and Progress Update

## On-the-Ground Stocks – Key Factor of Uncertainty on the Palladium Market



## Shipments from Russian Stockpiles (Gokhran)

Deliveries from Ministry of Finance stockpiles, koz



## Palladium Fund – Status Update

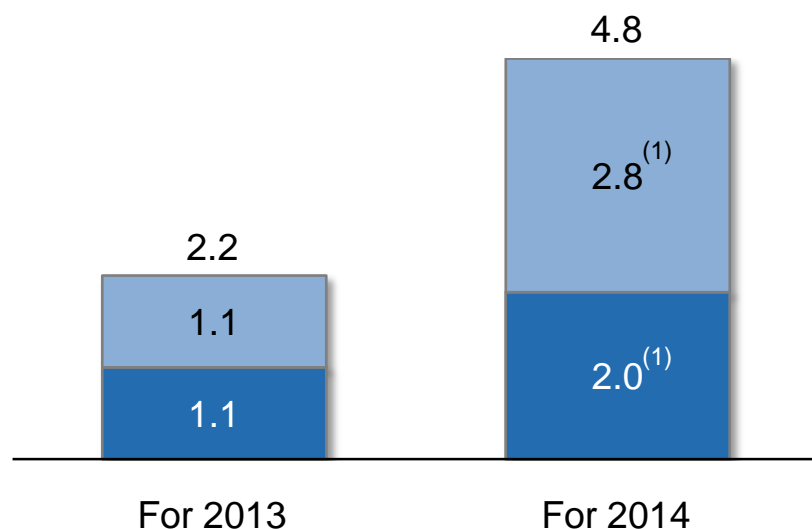
- Status: Negotiations of framework agreement with the Central Bank of Russian Federation
- Norilsk Nickel Role: LP partner with a 49% interest and marketing agent (Potential partners – Interros, others)
- Target capital commitment of Norilsk Nickel: up to USD200mn equity



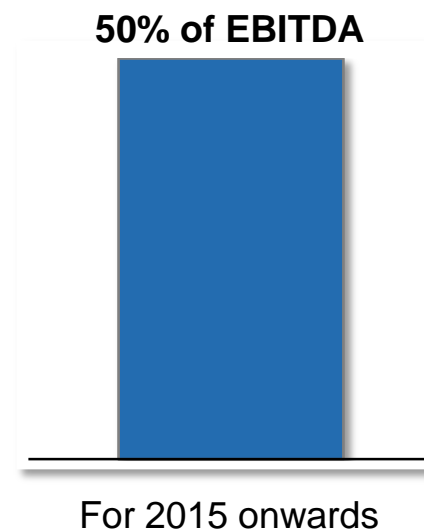
# Shareholder Returns – Consistent Delivery on Dividend Targets

## Announced Dividend Payments, 2013-2014

■ Interim ■ Final



## Long-Term Dividend Target



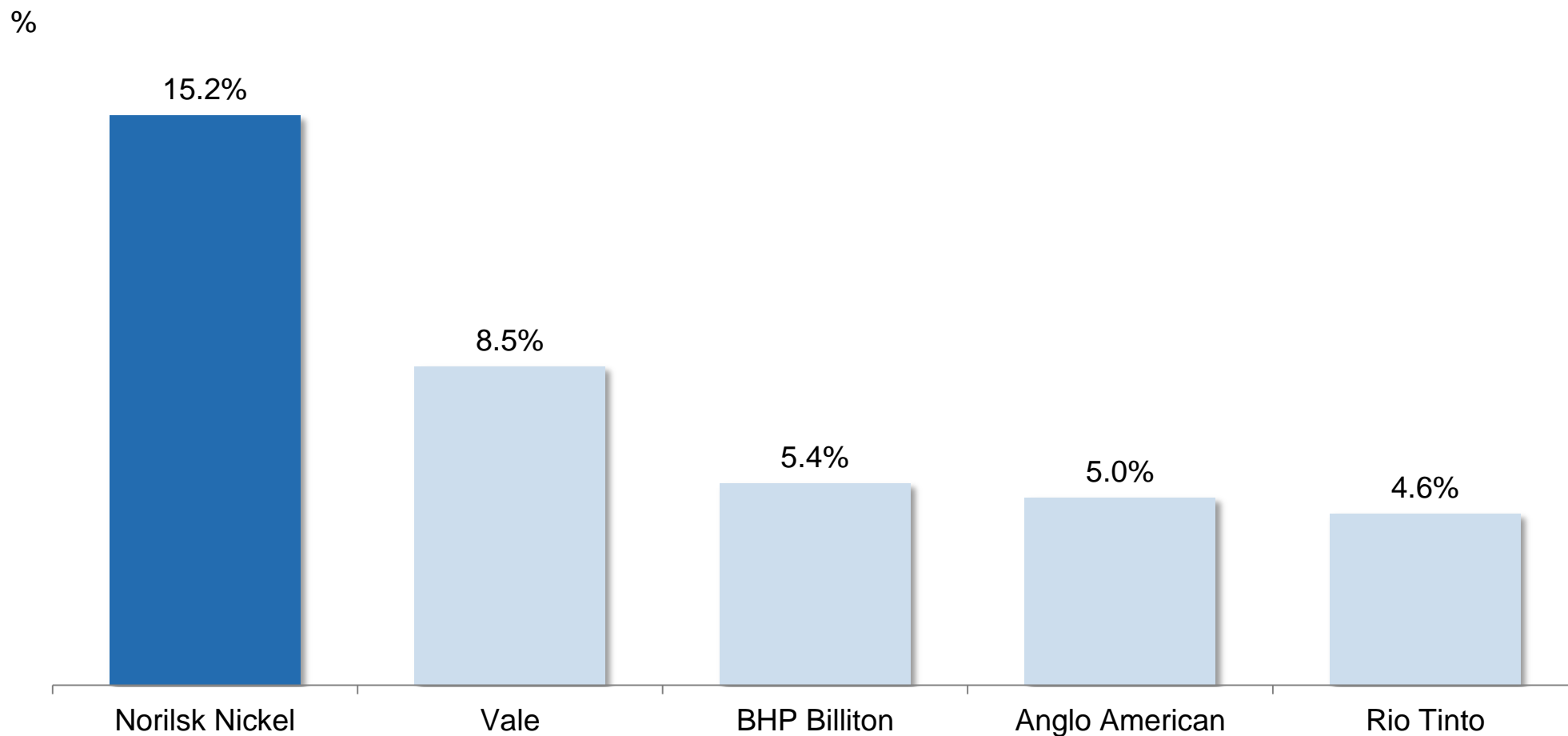
✓ Dividend target of USD7.0 bn including “special dividends” for 2013-2014 and 2017 will be fully delivered upon payment of final dividend for 2014

- Long-term guidance for dividend payments as 50% of EBITDA ensuring industry-leading dividend yield
- In case of excess liquidity Norilsk will consider additional opportunities for returning capital to shareholders

Notes: 1. Declared interim and final dividends for 2014 converted into USD based on FX rate as of the date of announcement

# Shareholder Returns – Best-in-Class Dividend Yield

Average Dividend Yield, 2015YTD<sup>1</sup>



Sources: Bloomberg, Companies Data

Notes: 1. Calculated as sum of paid interim and announced final dividends for 2014 divided by average share price in January-April 2015



## Enhancing Shareholder Returns – 2015 Buyback

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- In April 2015, Norilsk Nickel announced its plans to buy back up to USD500mn of its own shares in 2015 to take advantage of share price weakness resulting from excess volatility
- The announced buyback is a clear signal of the conviction of Norilsk Nickel's management of the fundamental value of the Company's and confirms the Company's focus on maximization of shareholder returns
- The shares to be purchased through open market operations and cancelled afterwards
- Deutsche Bank appointed as the Company's buyback agent
- Main shareholders informed the management of the decision not to participate in the potential buyback
- Regular progress updates will be provided



**NORILSK NICKEL**



## **Markets & Marketing**

**Anton BERLIN**  
Head of Strategic Marketing

# Markets 2015-2016 Outlook

## Nickel



- Bullish price outlook based on market turning to deficit
- Healthy and growing global industrial demand underpinned by Chinese stainless steel - 1Q confirms the growth outlook for strong nickel usage in China (~4% p.a.)
- Indonesian export ban is effective and expected to stay unchanged
- Pilipino deliveries and new projects do not compensate lost Indonesian supply
- China is becoming increasingly more reliant on imports of refined nickel
- LME stocks stabilized and expected to decline from now onwards

## PGMs



- Bullish price outlook based on sustained deficit, more bullish palladium
- Russian strategic reserves (Ministry of finance) depleted
- Demand growth driven by tightening environmental legislation globally and booming Chinese car industry
- Sustainable investment demand absorbing physical metal
- Declining global mine capacities
- More than half of global on-ground PGMs inventories are not available for immediate consumption

## Copper

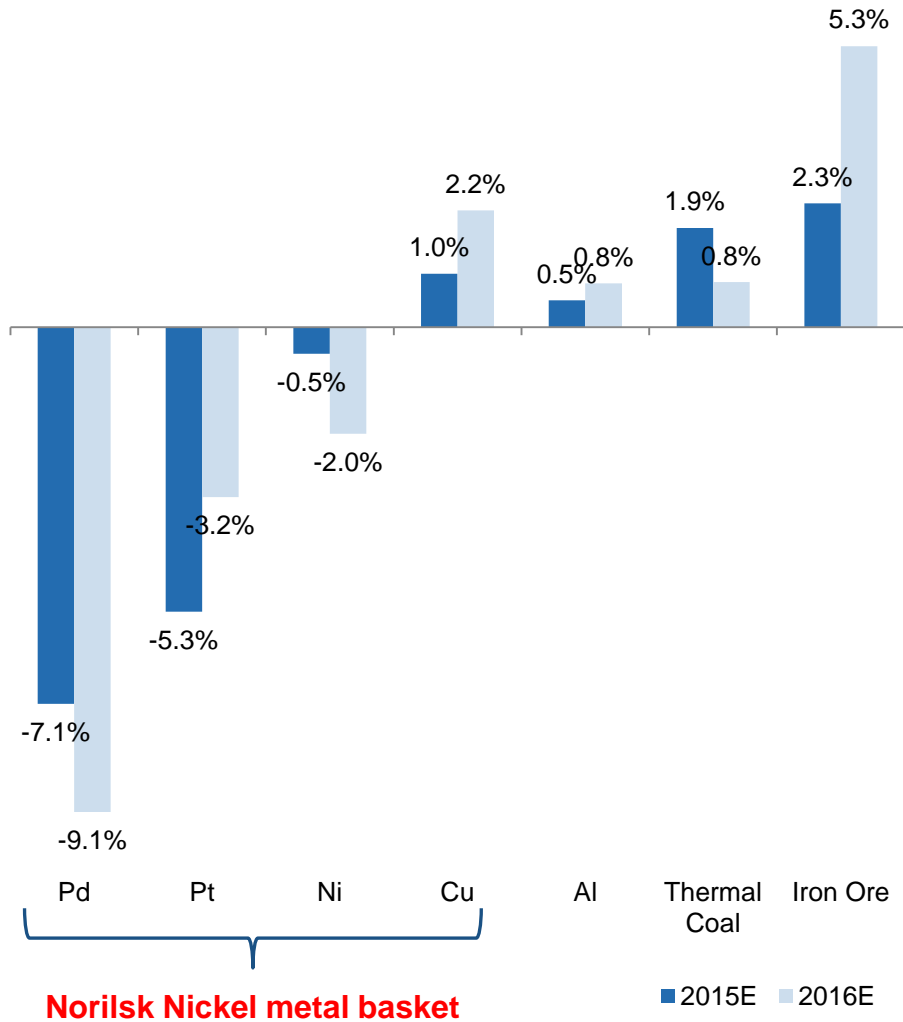


- Neutral price outlook, a marginal surplus
- China remains the biggest driver, but at slower pace
- Moderate level of stocks coupled with possible supply disruptions (5-6% historical average) may easily wipe out the surplus



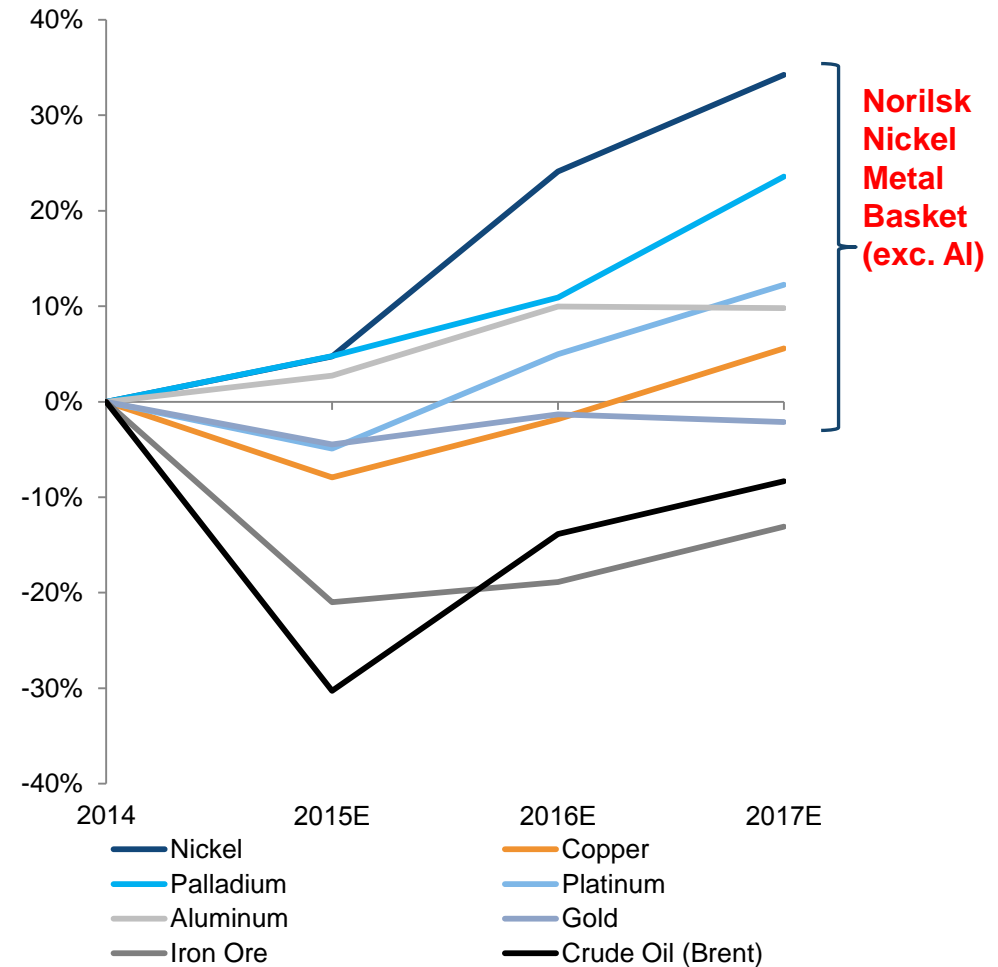
# Preferred Metals Basket

## Metal balances: Deficit in PGMs and Ni for the Next Two Years



## Preferred Metal Basket for the Medium Term

Consensus commodity price outlook

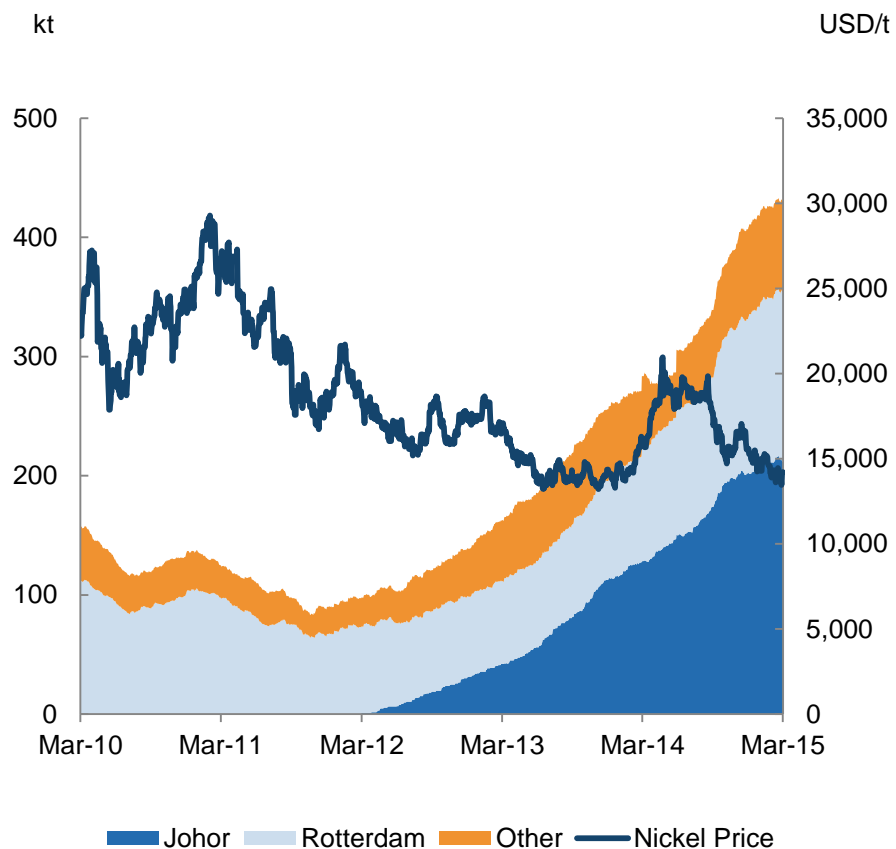


Sources: Company data, Bloomberg consensus, Citi Research, March 2015

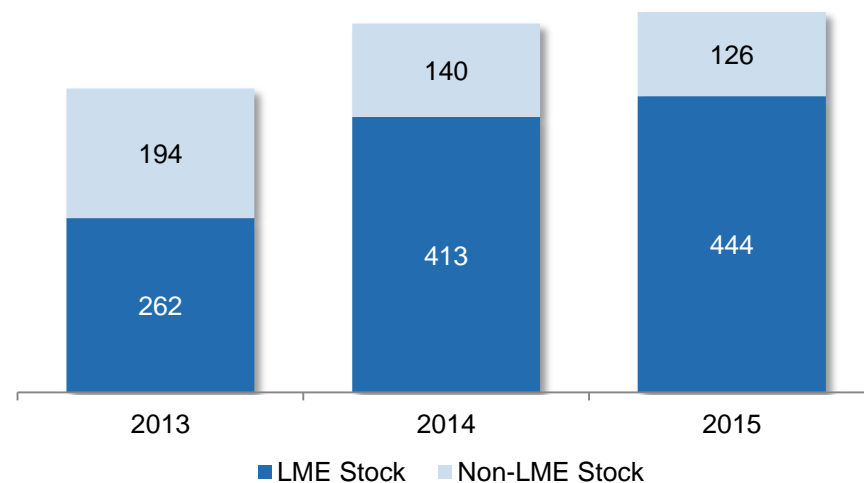


# Nickel Inventory at a Turning Point

## LME Nickel Price Down 6%, Inventories up 4% YTD



## LME: More Transparent Stock Means Better Market Visibility

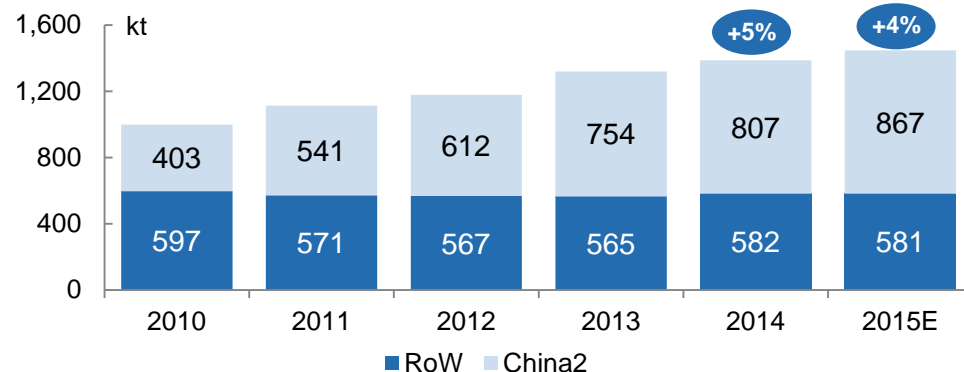


- Almost 40% of the increase in LME nickel stock was attributed to relocation of metal from Chinese bonded warehouses
- The growth of total global refined nickel stock has grown (+114 ktons or +25%) over the course of 2013-2014 is substantially lower than increase of LME stock (+70%)

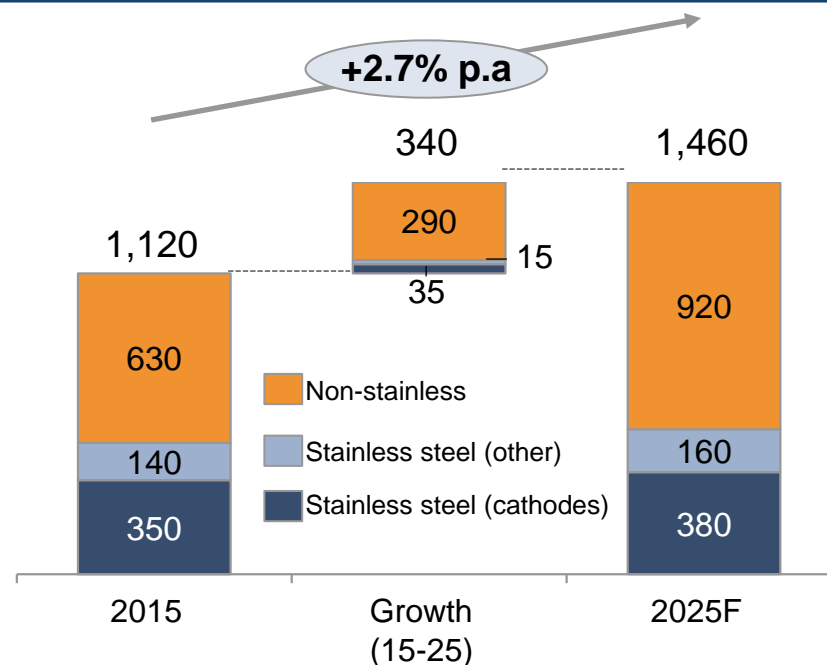
Sources: Company data, Bloomberg

# Growing Nickel Consumption

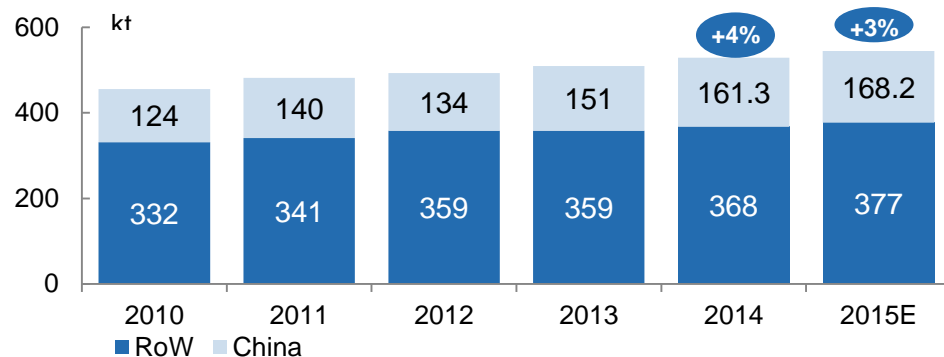
## Primary Nickel Consumption (Stainless Steel)



## High-grade nickel consumption forecast ('000 tpa)



## Primary Nickel Consumption (Non-Stainless Steel)

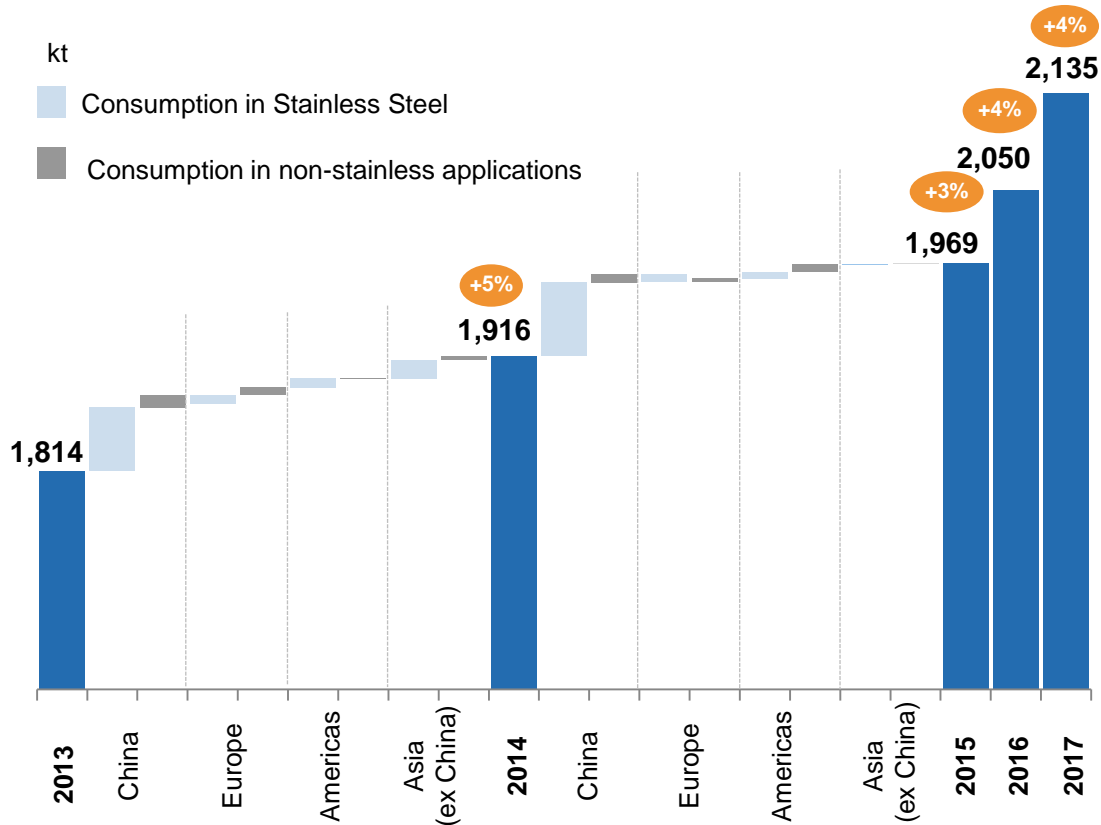


- In the mid-term nickel consumption is mostly driven by stainless steel demand
- In the long-term usage of high grade nickel (cathodes, briquettes) will see growth in non-stainless segments

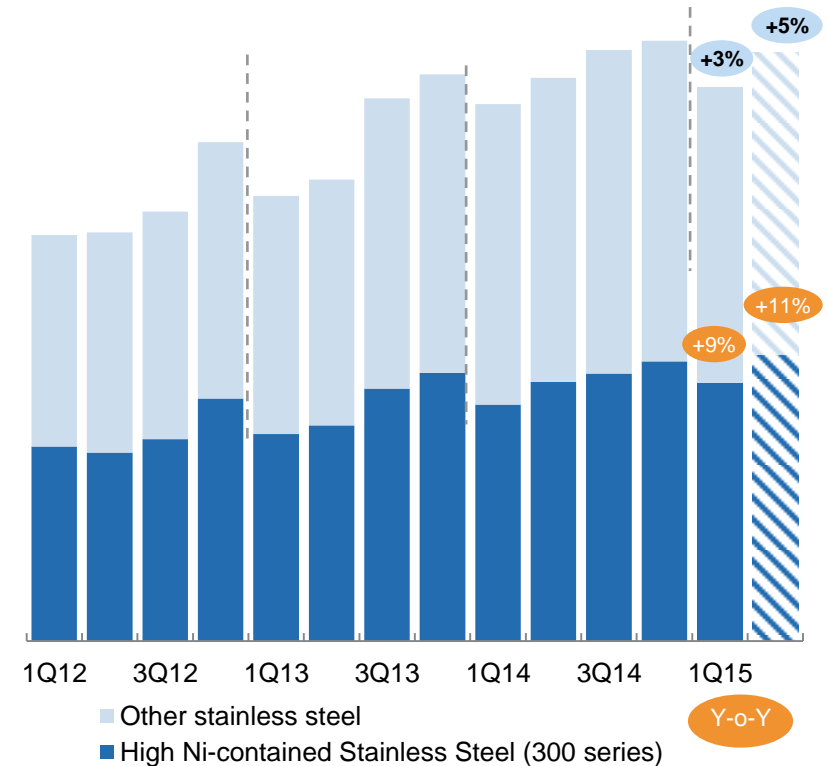
Sources: Norilsk Nickel estimates, broker reports

# Chinese Stainless Remains Major Nickel Demand Driver

## Solid Growth In Global Nickel Consumption ...



## ... Due to Chinese High Nickel Stainless



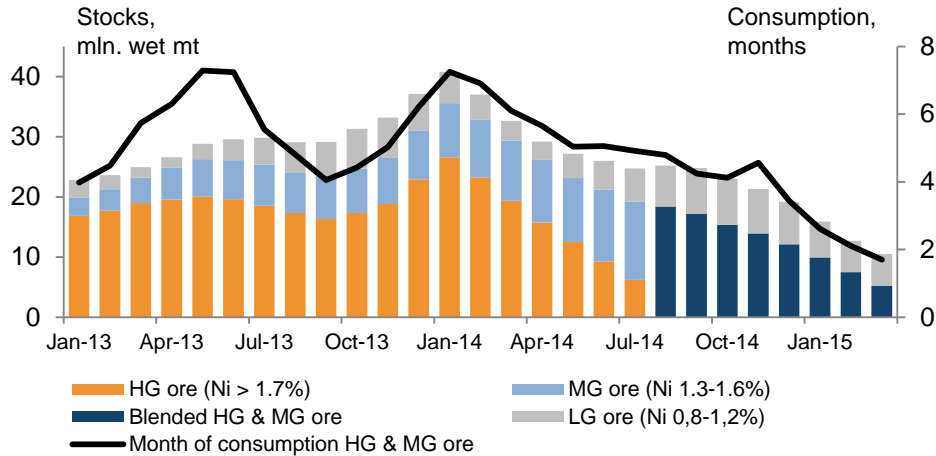
- China share of global Ni demand has grown from 5% to 50% over the last 15 years
- Chinese Stainless Steel industry (Tsingshan, Fujian Fuxin, Shandong, Sichuan Southwest, Baosteel, TISCO and others) is expected to further expand capacity at over 5% CAGR in 2015-2017
- Solid growth expected in global alloy and superalloy sector mainly driven by aerospace industry
- Moderate growth in ROW expected in 2015 and beyond

Source: Company data

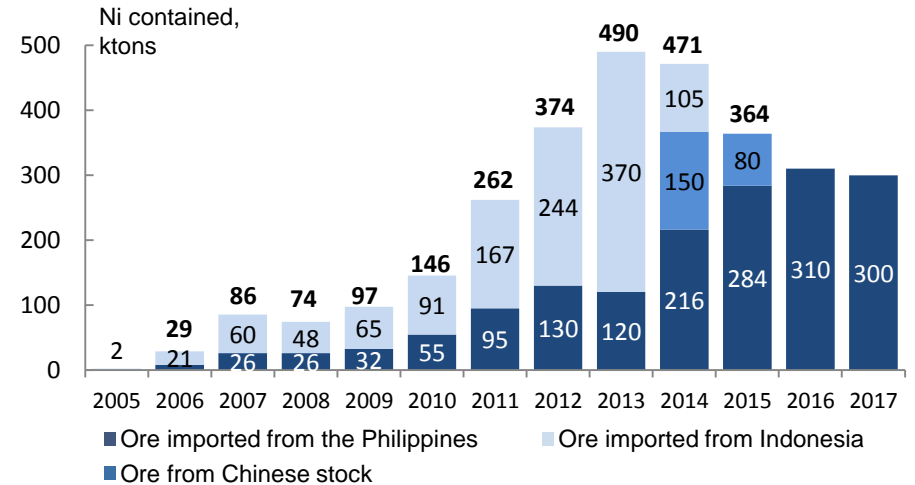


# Nickel Ore Stocks in China are Depleting, Imports of Refined Nickel on the Rise

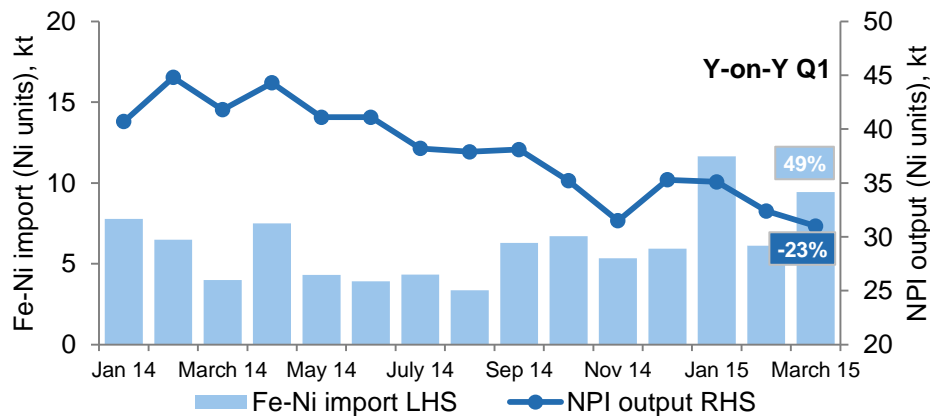
## Chinese Ni Ore Inventories Down: 2 Months of Consumption Left



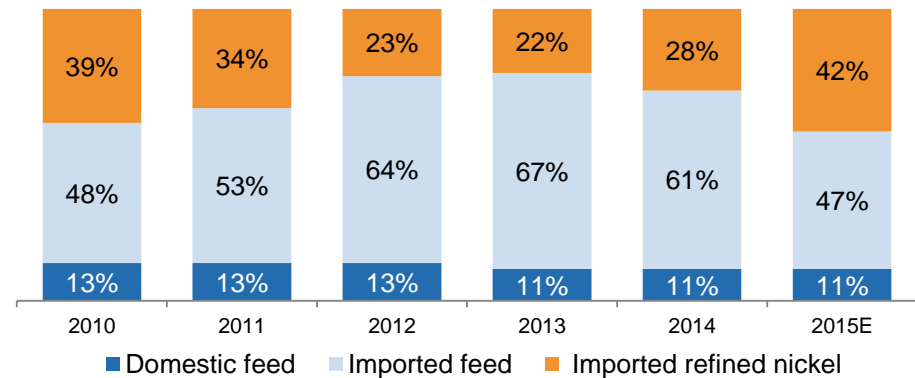
## Nickel Feed for Chinese NPI to Reduce by 35% by 2016



## Strong increase of FeNi imports to China as NPI is reducing sharply



## China's Dependence on Imported Refined Ni Set to Rise



Source: Company data, China custom statistics, Mines and Geosciences Bureau Republic of Philippines region



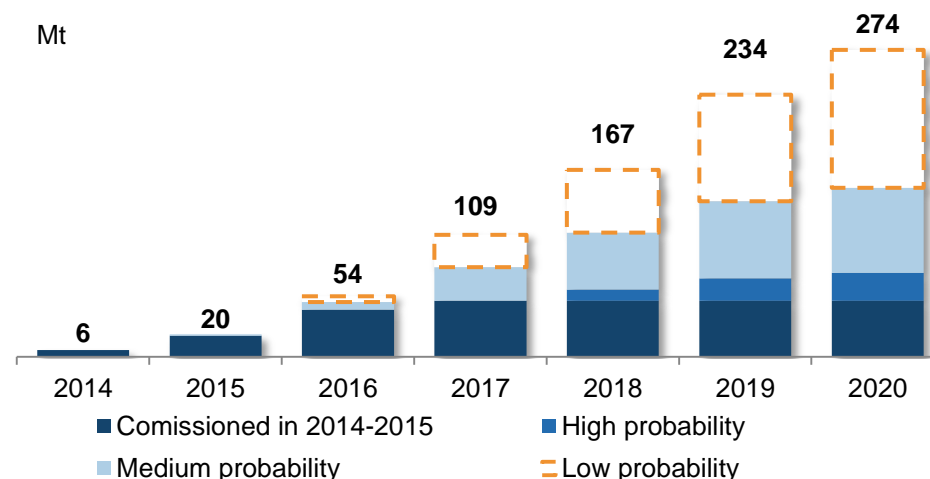
# Nickel Feed for China: Little Progress So Far

## Only 3 Projects Have High Probability of Completion

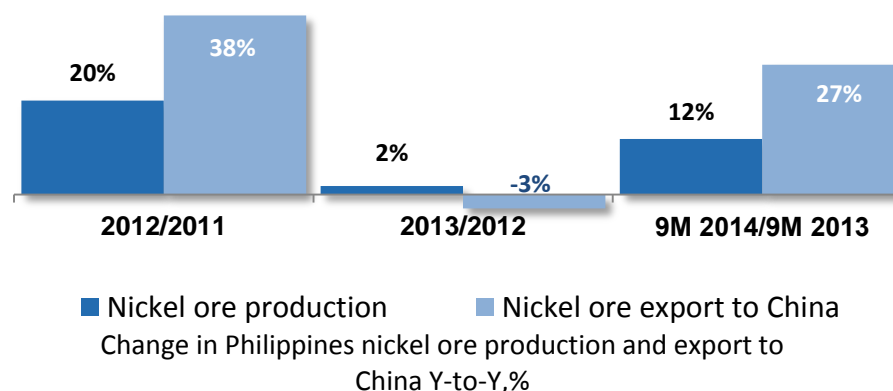
Project name	Status/ Process	Probability	Start year	Capacity, ktpa Ni
Indoferro	BF	Started	2013	12
PT Cahaya Modern Metal Industry	BF	Started	2014	3
Tsingshan	RKEF	High	2015	30
9 projects	RKEF, BF	Medium	2016-2018	86
8 projects	RKEF, BF, Leach	Low	2016-2017	163

- Indonesia and the Philippines were the major source of nickel feed to China
- Indonesia has ceased shipping ore and is unlikely to be a significant source of NPI in the next 5 years
- Pilipino shipments exceed mining due to sales of ore stocks
- Nickel ore reserves and grade are substantially less in the Philippines and cannot substitute former Indonesian supply
- Closure of NPI plants in China provides no stimulus to develop ore supply

## Indonesia NPI Output Forecast for 2015-2020



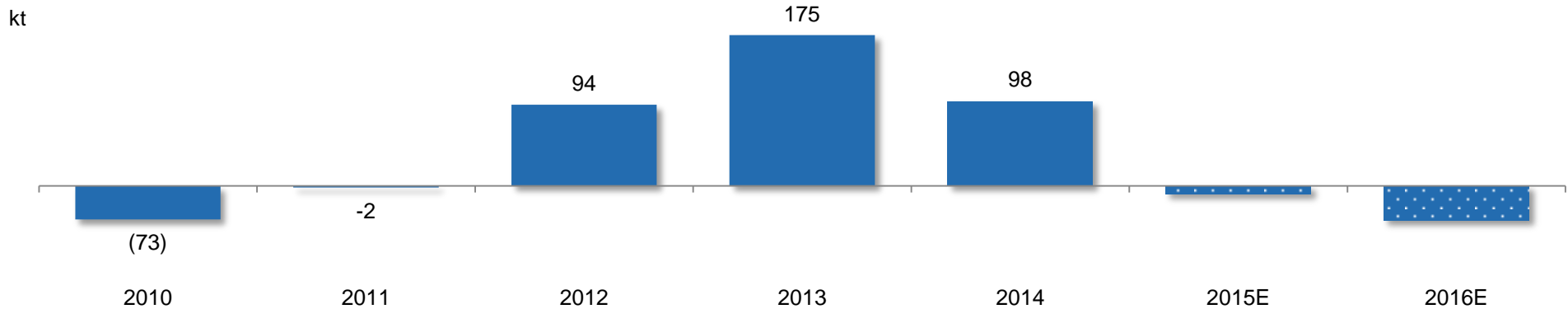
## Philippines Ore Import to China Ahead of Mined Production in 2014



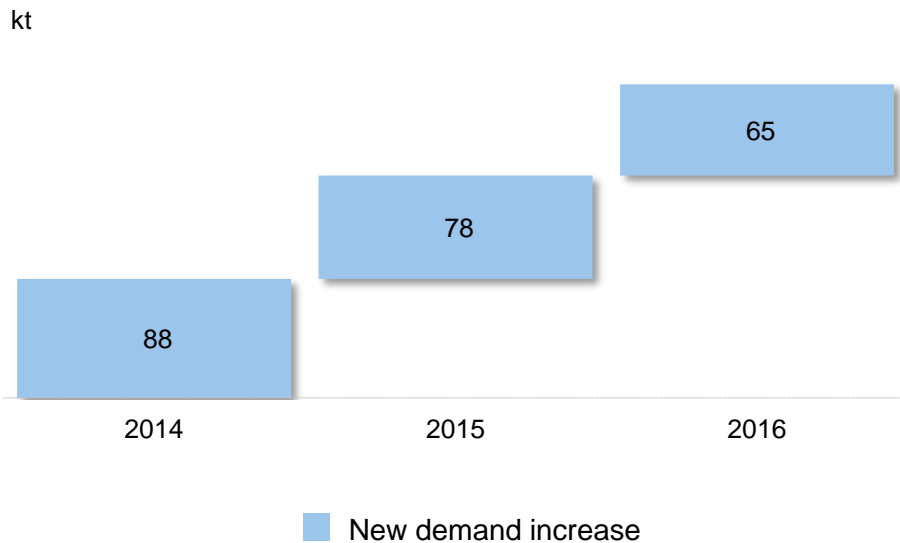
Sources: Company estimates, China custom statistics, Mines and Geosciences Bureau Republic of Philippines (not include Tawi Tawi) region

# Nickel Market Entering Deficit

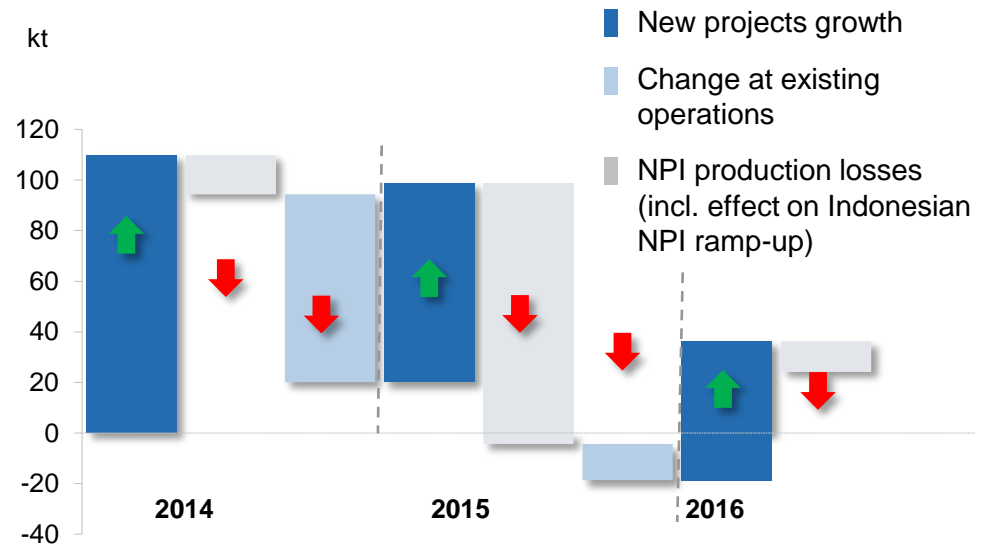
## Nickel Market Balance: Growing Market Deficit



## Global Nickel Consumption Keeps Growing ...

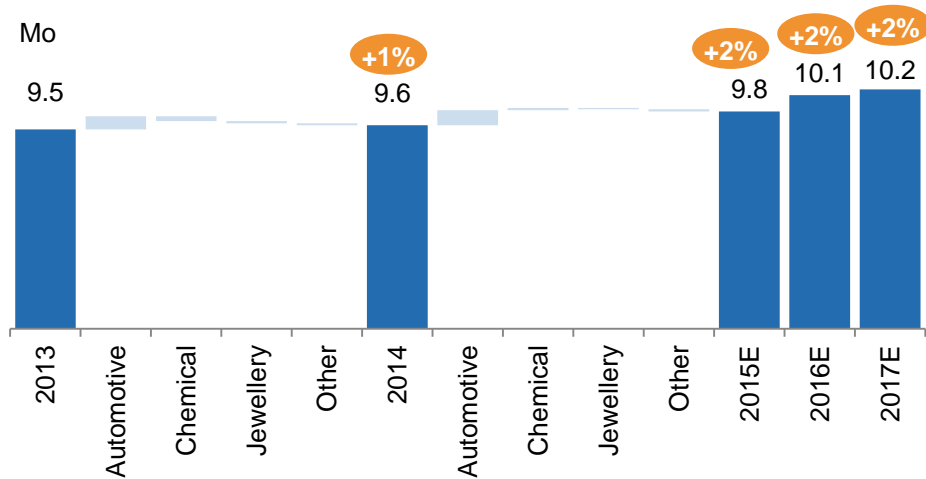


## ... New Projects Do Not Compensate For NPI Losses

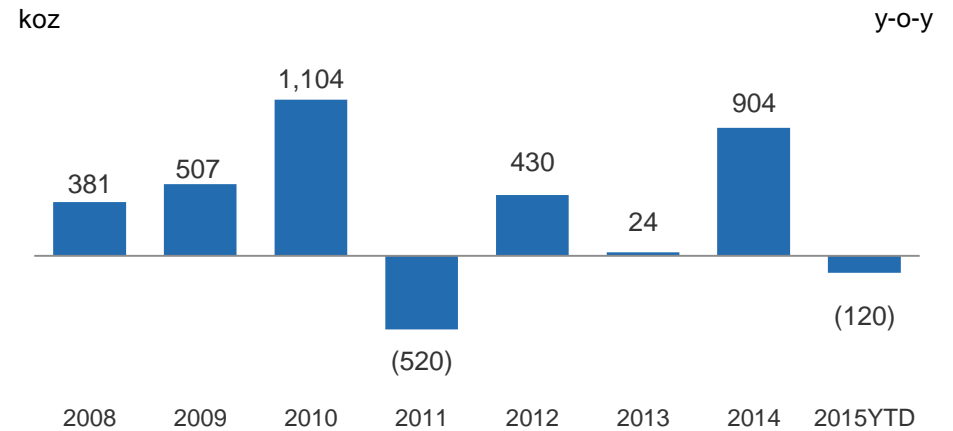


# Palladium Demand Outstrips Supply

## Automotive Industry is the Major Driver for Pd Demand

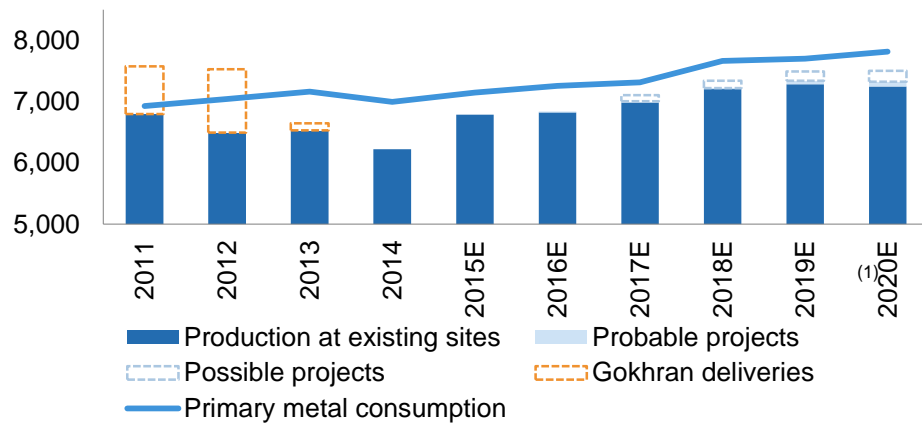


## Palladium ETFs Holdings Change: Investors Fatigue Could be Temporary?



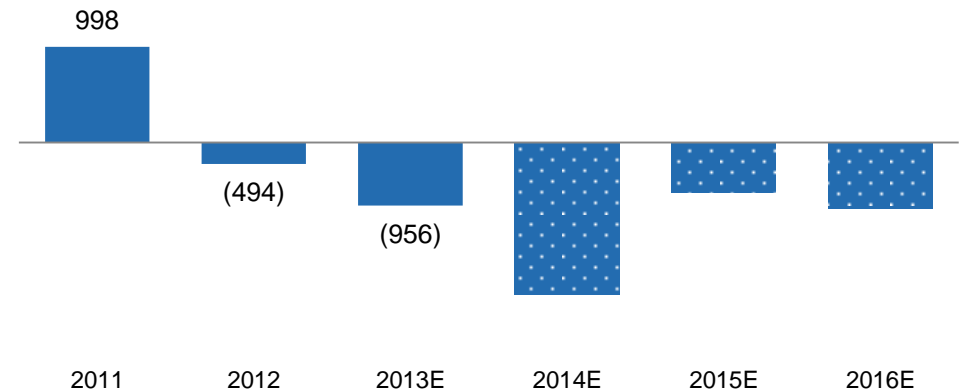
## New Projects Require Long Time to Develop

Supply outlook by source, koz



## Global Palladium Market: Major Structural Deficit

Surplus / (deficit), koz

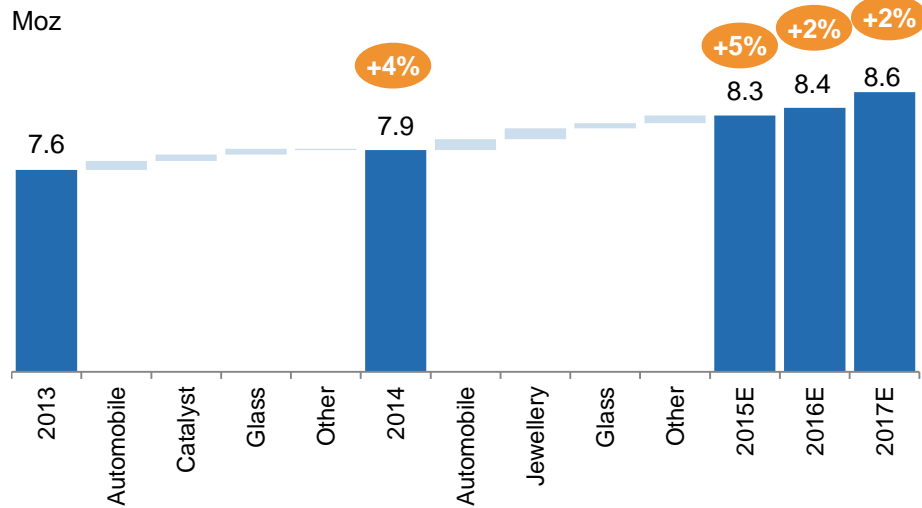


Source: Company data

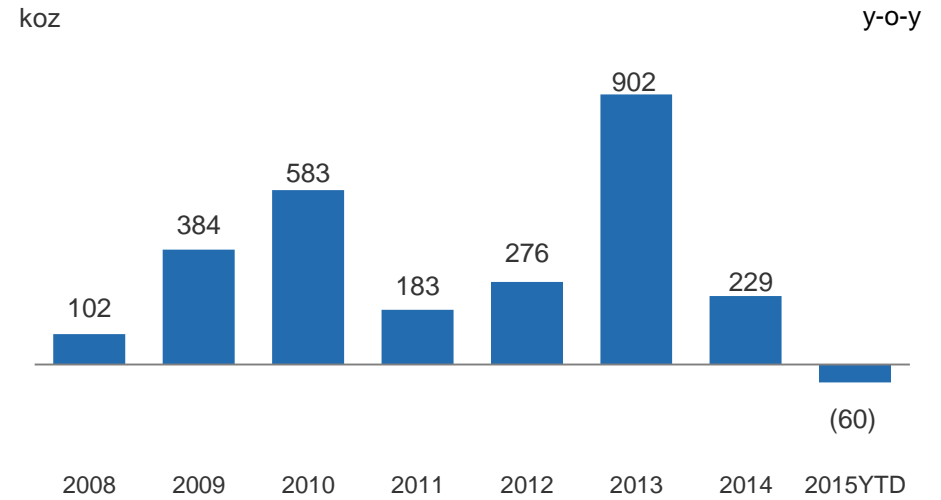


# Platinum: Supply Side Issues Persist

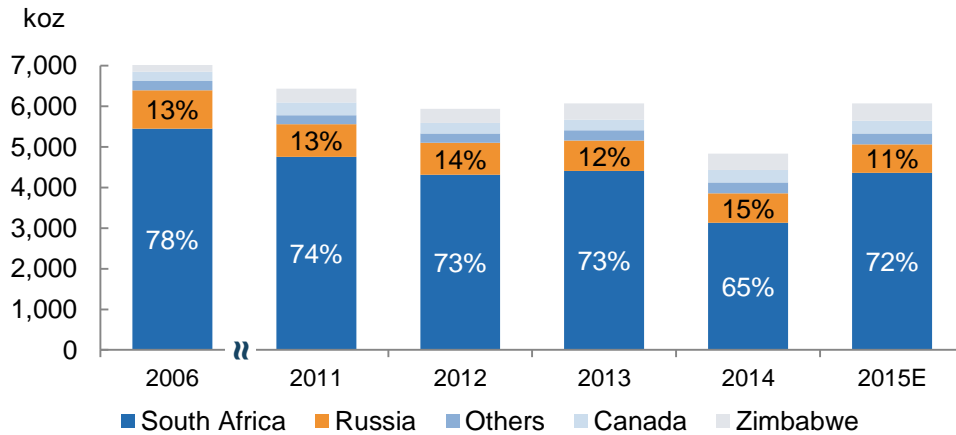
## Automotive Industry is the Major Driver for Pt Demand



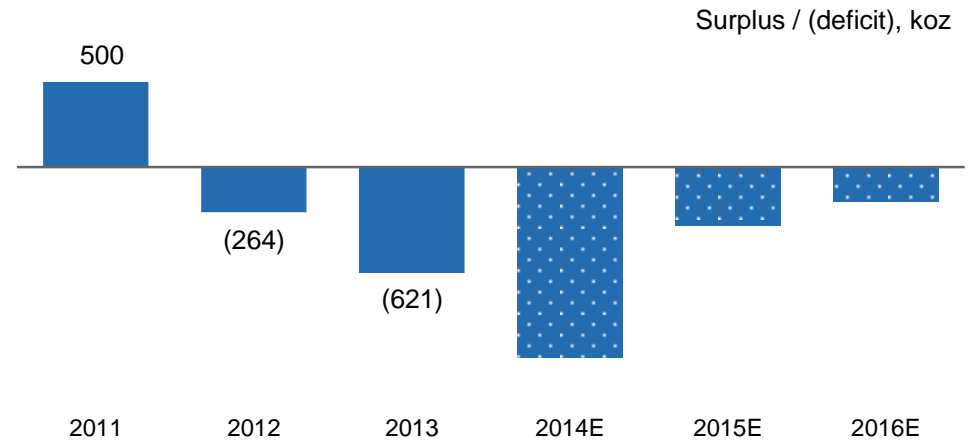
## Platinum ETFs Holdings Change



## Pt Global Supply: Steady Decline of South Africa



## Global Platinum Market: Deficit Holds

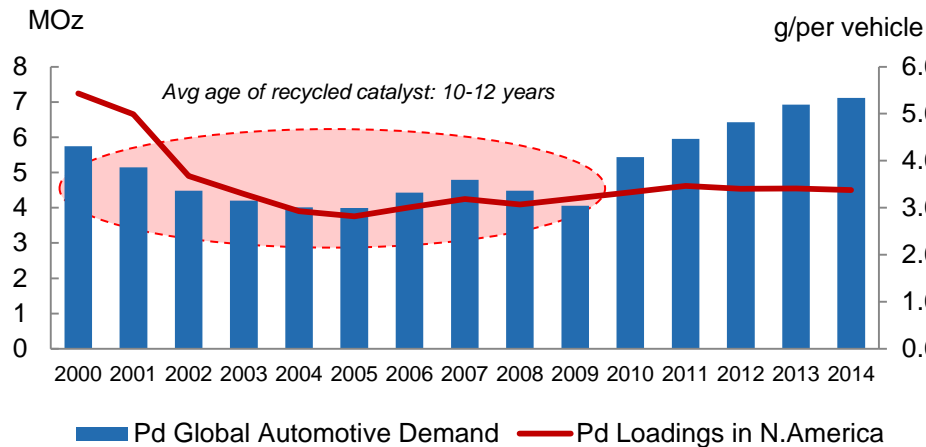


Source: Norilsk Nickel, Johnson Matthey

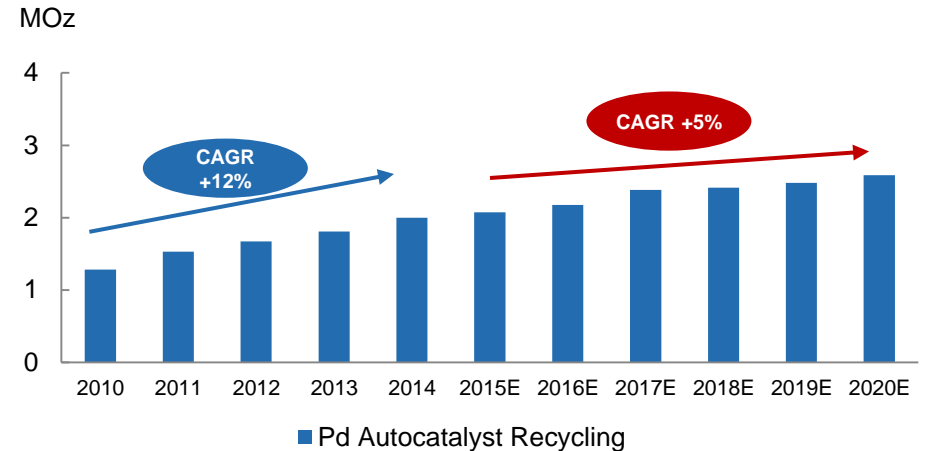


# Recycled Supply: Palladium Peak Loadings Have Passed, Platinum on its Way

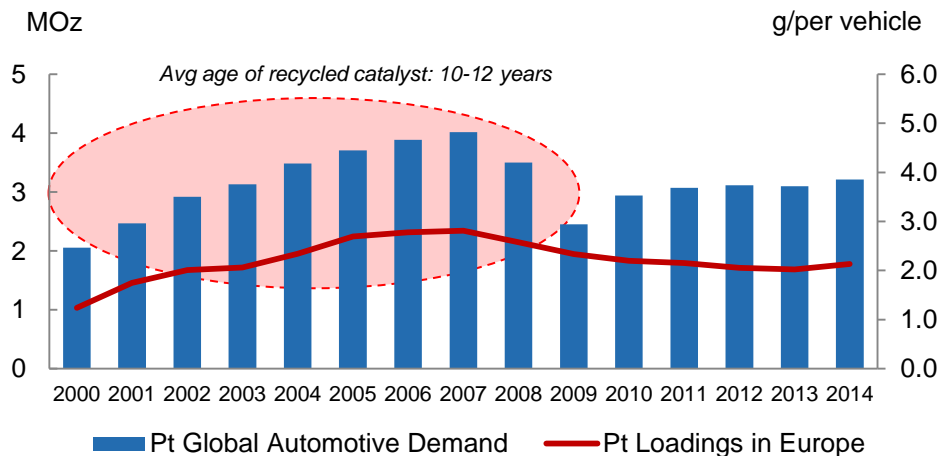
## Pd loadings peaked before 2000s...



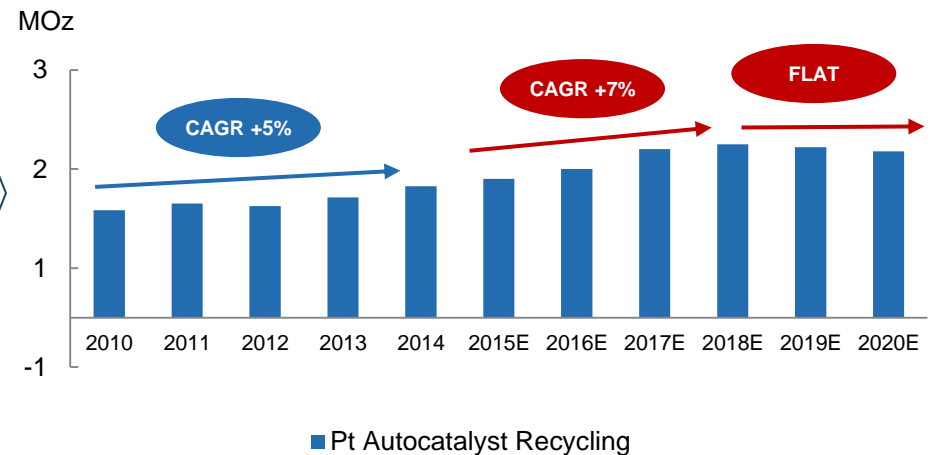
## ...leads to slower CAGR of Palladium recycling in 2015-20



## Platinum usage peaked in mid-2000s



## ... results in higher CAGR of Pt recycling in 2015-18

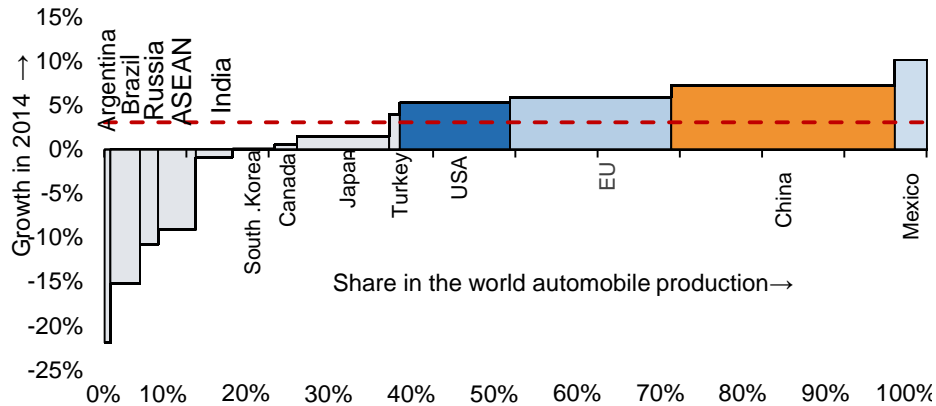


Source: Company data

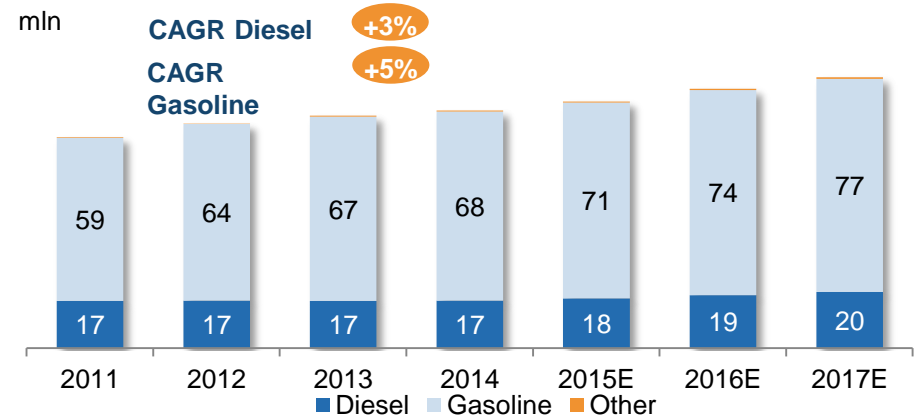


# Global Car Industry Drives PGM Demand

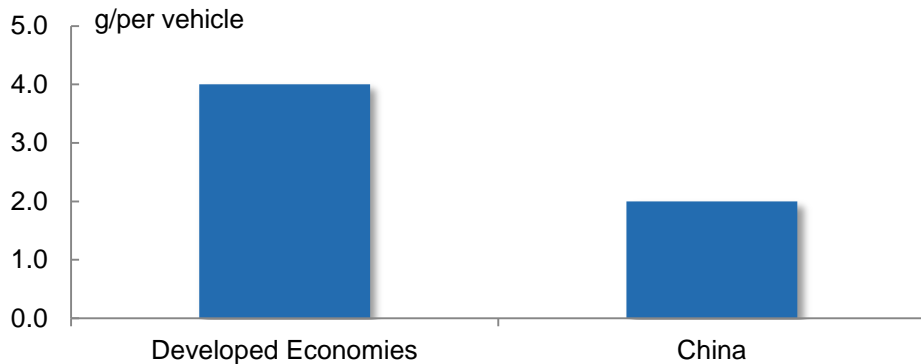
**Increasing Demand for PGMs: Global Car Production up 3% in 2014 Lead by China, up 7%**



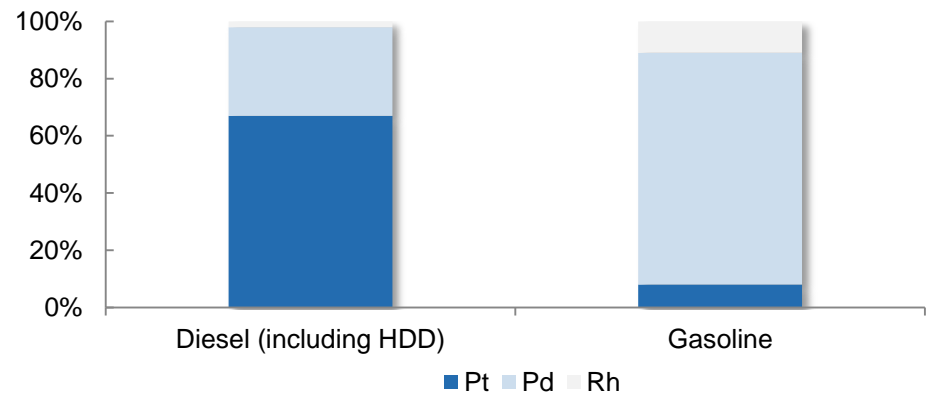
**Growth in Vehicle Production: Diesel vs. Gasoline. Faster Gasoline Growth Driven by China**



**Chinese PGM Loading – Upside to Developed World**



**Gasoline – More Pd Intensive**

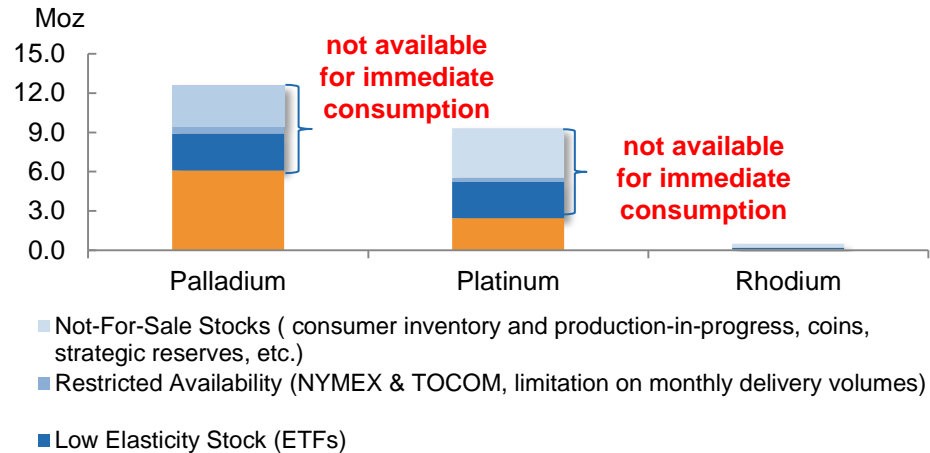


Source: Company data

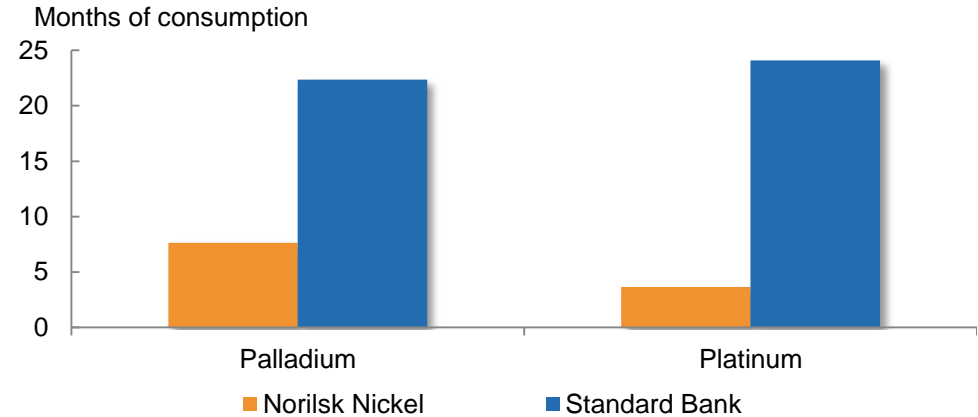


# Global Above-Ground PGM Stocks: Not as Much as it May Seem

## Above-Ground Stocks: Only Half of Pd and a Third of Pt is Available for Immediate Consumption

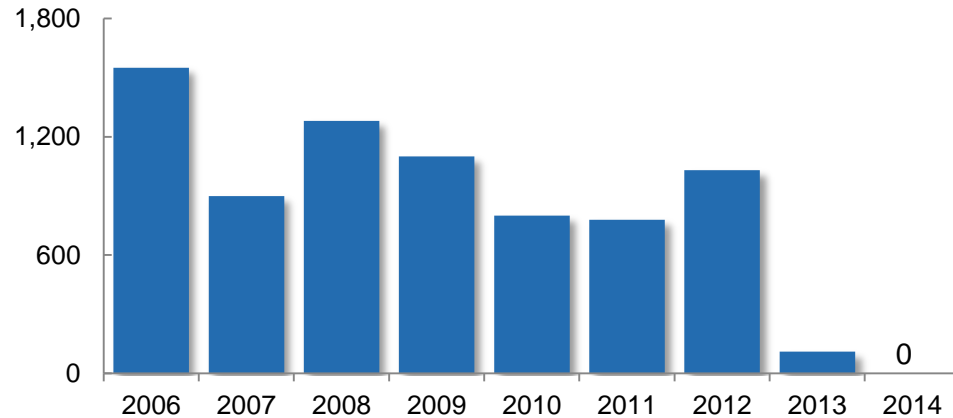


## The Market is Overestimating the Size of Available PGMs Stocks



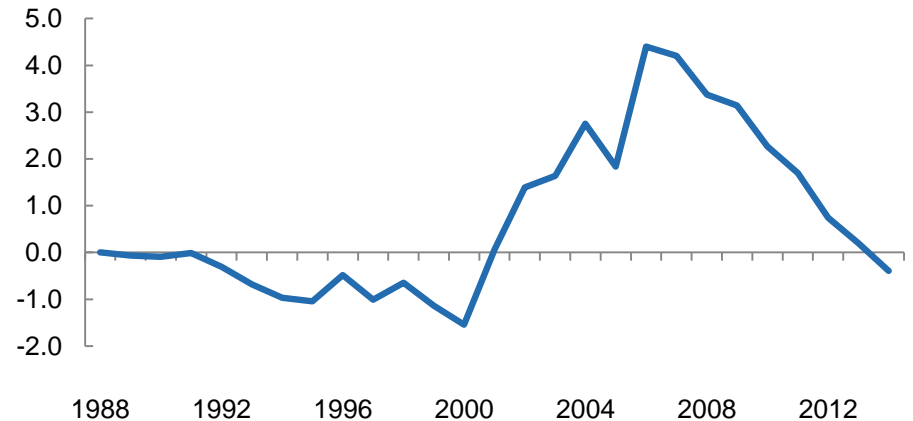
## Shipments from Russian Stockpiles (Gokhran)

Deliveries from Ministry of Finance stockpiles, kOz



## Switzerland Pd Stockpile: 2014 Back to 1988 Level

Net annual cumulative increase/(reduction) in stockpile, MOz

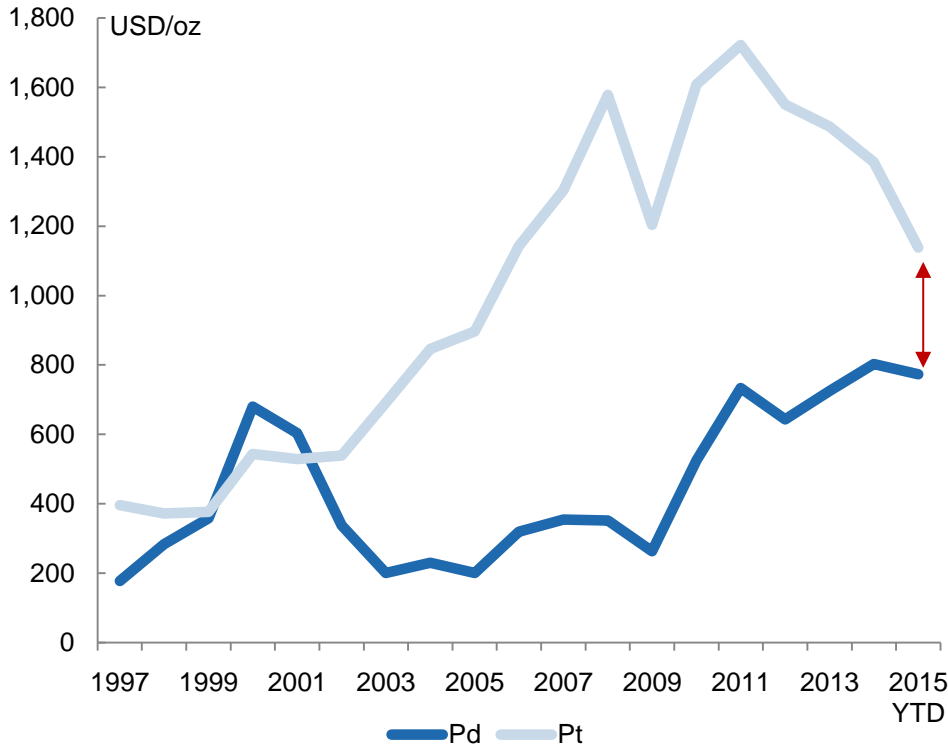


Sources: Company estimates

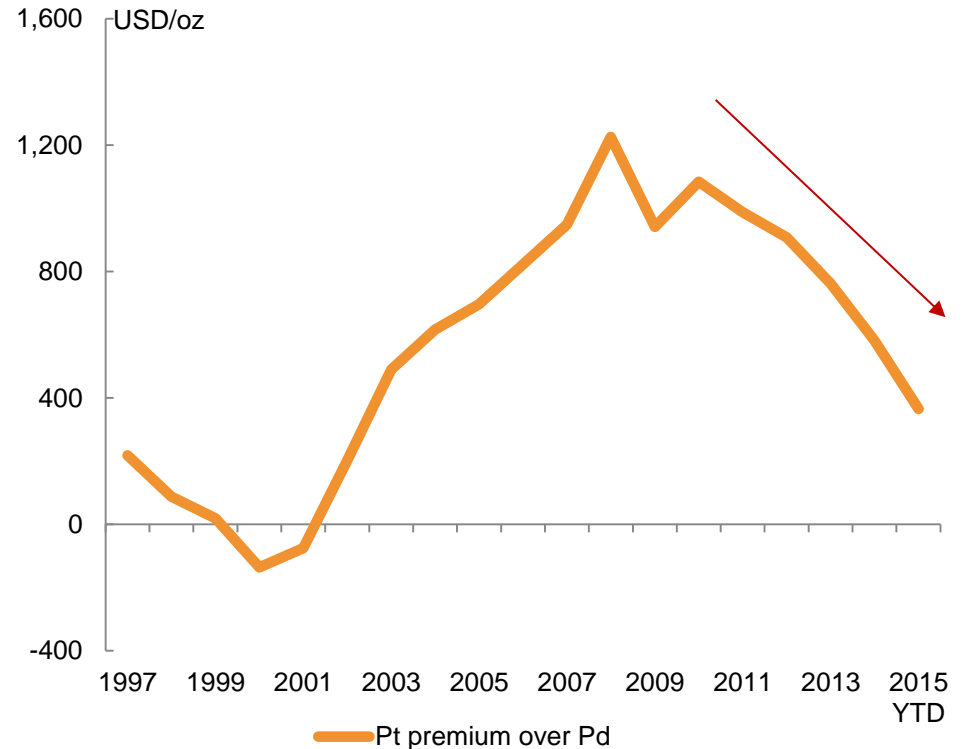


# Discount of Palladium to Platinum Set to Decline Further

## Palladium is Undervalued Relative to Platinum



## The Price Gap is Narrowing



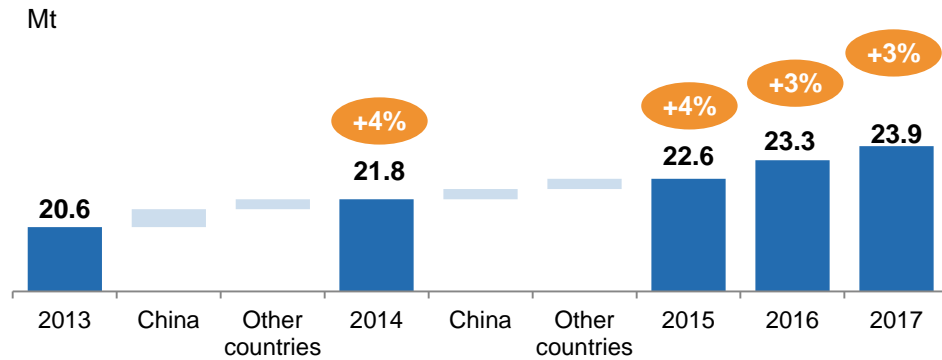
- Palladium and platinum come from the same mines, with similar processing costs
- Both metals have almost equal importance to the automotive sector, which represents 70% of the PGM demand
- The current discount of palladium to platinum has limited justification based on fundamentals; this discount has been reducing since 2008

Source: Company data

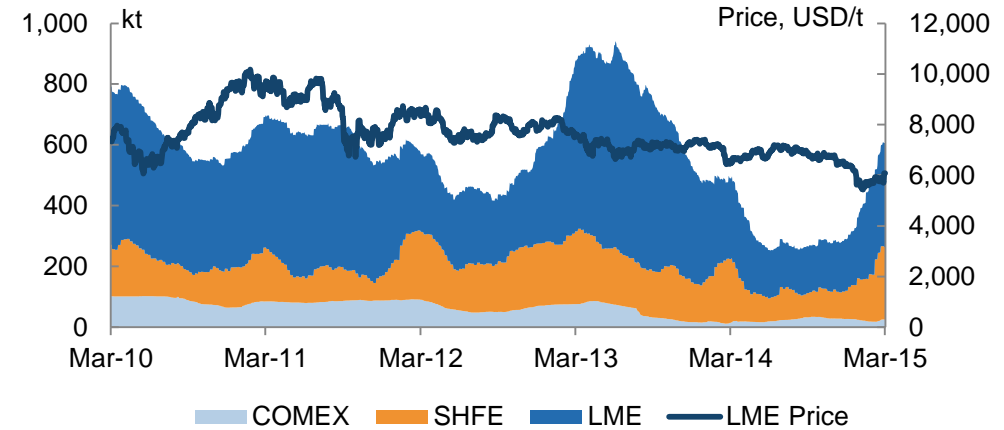


# Copper Market Remains Balanced, Inventories Low

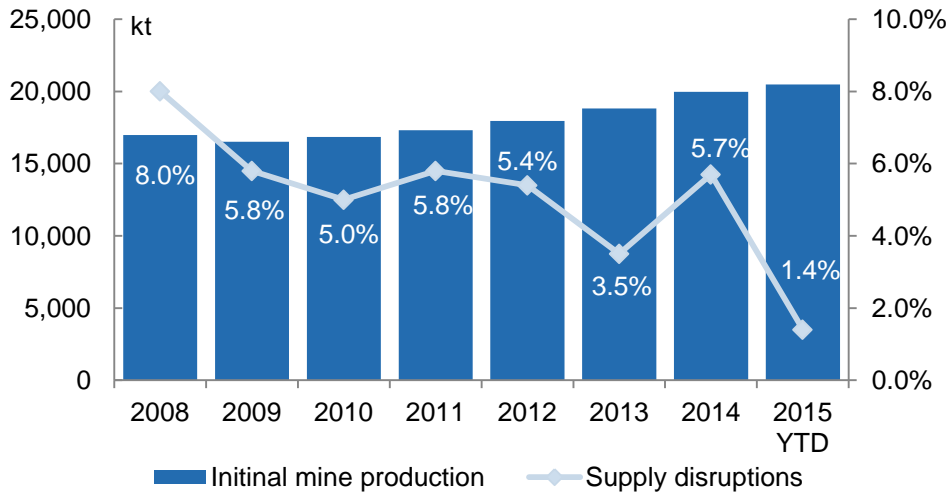
## China Will Remain the Main Driver for Cu Consumption Growth



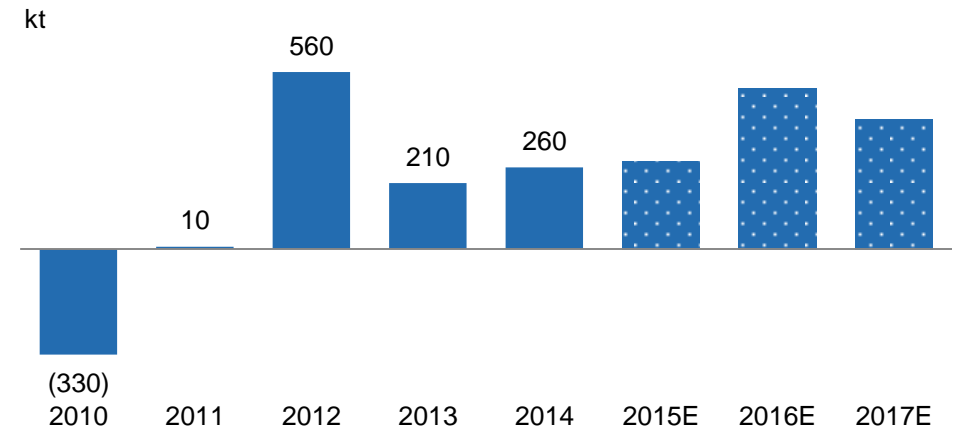
## LME Copper Price and Stocks



## Copper Mine Disruptions: On Average 5-6% Annually



## Copper Supply / Demand Balance

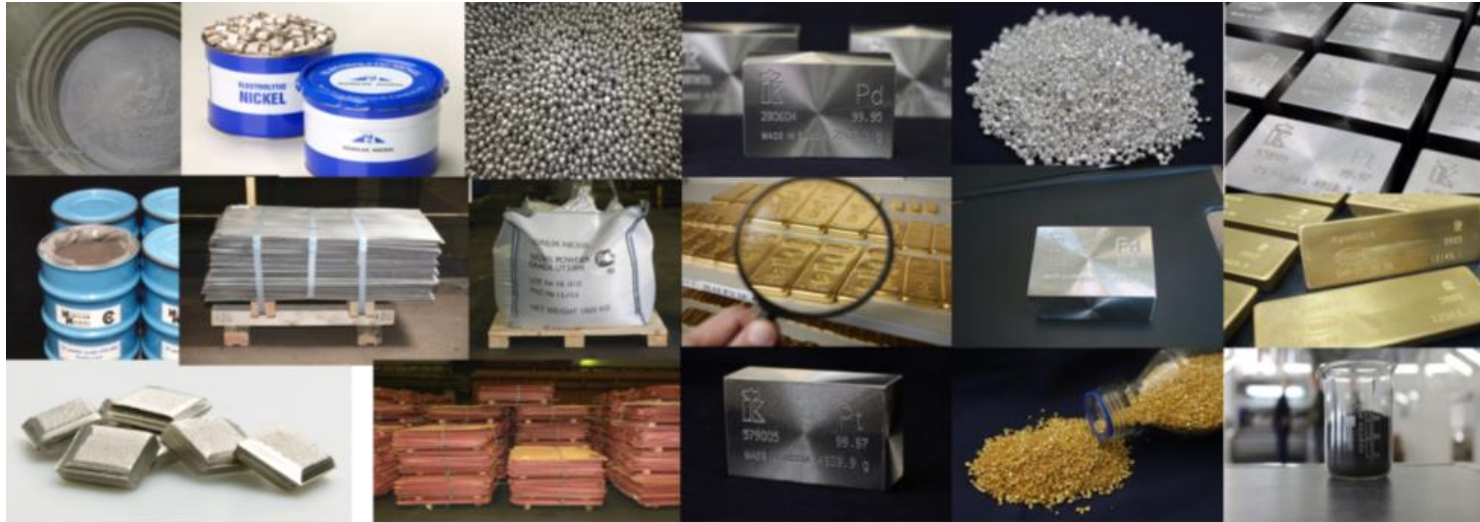


Source: Company data, Macquire Research, Wood Mackenzie



# A Clear and Transparent Sales Strategy

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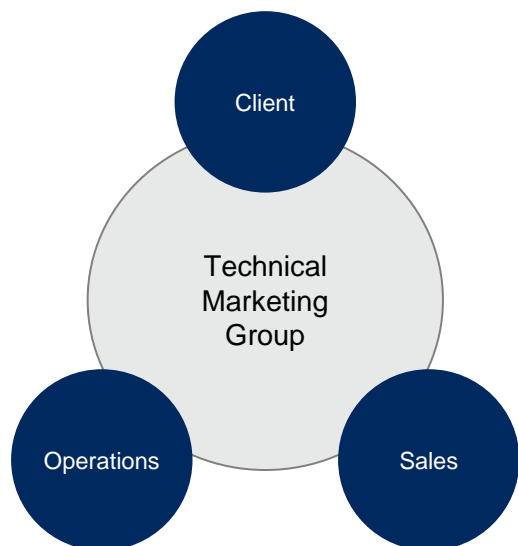


- Closely aligned with the upgrade and reconfiguration of operations
- The focus on industrial consumers in nickel and PGM markets remains an essential element of the marketing strategy and will be enhanced further
- Forming strategic alliances with anchor clients to develop synergies
- Reliability of supply and excellent supply record are a substantial competitive advantage of Norilsk highly valued by customers

# Creating Value: USD1.2bn Already Released to Shareholders

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## For Customers...



- The Company will strengthen its bond with industrial customers by introducing a sophisticated technical marketing service with in-depth knowledge on nickel use in order to better understand and follow customer needs and thus creating a capacity to bring additional value to consumers
- The planned upgrade and reconfiguration of operational assets would allow the Company to address the needs of its customers with a more tailored approach
- The Company will seek profitable opportunities to further expand its nickel customer base and products portfolio while still ensuring 100% liquidity of the production

## ... And Shareholders

- Sales successfully managed through the cycle including global crisis – converting metal into cash
- Improved EVA-based performance metrics introduced in sales and marketing since 2013 has allowed for over USD1.2bn of working capital released to shareholders as dividends



**NORILSK NICKEL**



# 2014 Financial Performance Highlights

**Sergey MALYSHEV**  
Deputy CEO  
Chief Financial Officer

# 2014 Financial Results

<i>In USDm</i>	2014	2013	% Change
Revenue	11,869	11,499	3%
Expenses (cash)	6,188	7,301	(15%)
Adjusted EBITDA <sup>1</sup>	5,681	4,198	35%
<i>Adjusted EBITDA margin, %</i>	<i>48%</i>	<i>37%</i>	
Net Income	2,000	765	161%
Net income before impairment & FX loss	3,968	2,537	56%
Capital Expenditure	1,298	1,989	(35%)
Free Cash Flow <sup>2</sup>	4,725	2,606	81%
ROIC <sup>3</sup>	29%	15%	
Net Debt / Adjusted EBITDA	0.6x	1.1x	

Source: Norilsk Nickel

Notes: 1. Adjusted EBITDA excludes impairments on property, plant and equipment.

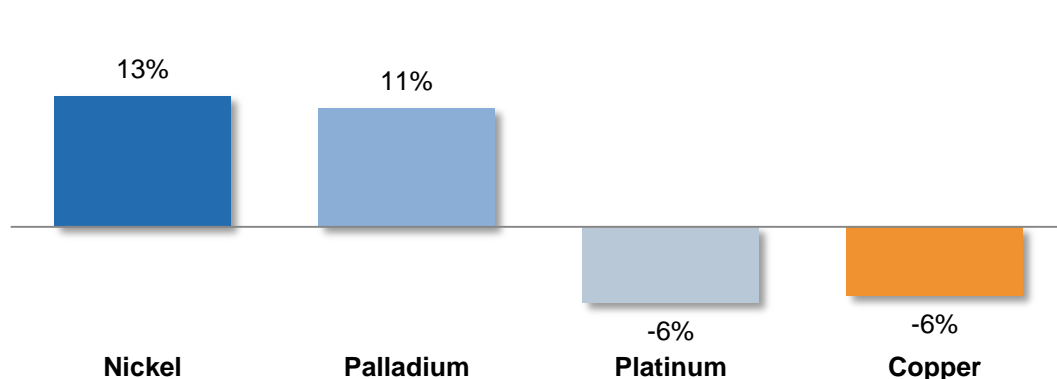
2. Free cash flow is a non-IFRS measure and is calculated as net cash generated from operating activities less net cash used in investing activities for the reported period

3. ROIC is a non-IFRS measure and is calculated as net operating profit before impairment charges on property, plant and equipment, divided by average annual invested capital (total assets less excess cash and cash equivalents, financial assets, investments in associates and non-interest-bearing current liabilities)

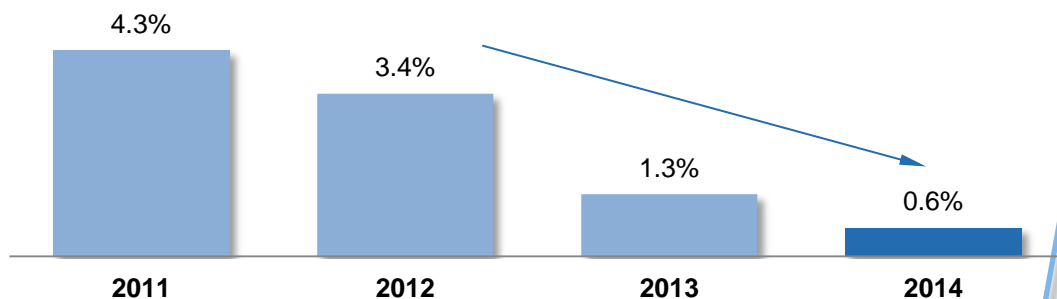
# A Year of 2014

## Markets and Macroeconomic Headwinds

Change in Realized Metals Prices, 2013-2014

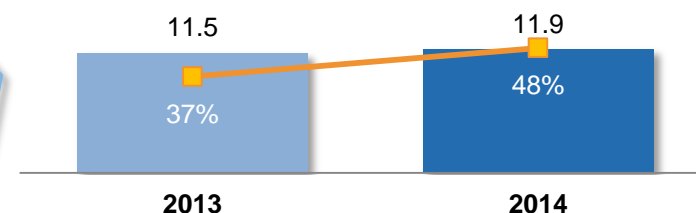


Russian GDP Growth Rate, YoY

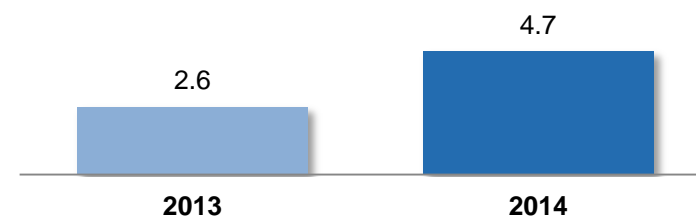


## Stable and Resilient Business Model

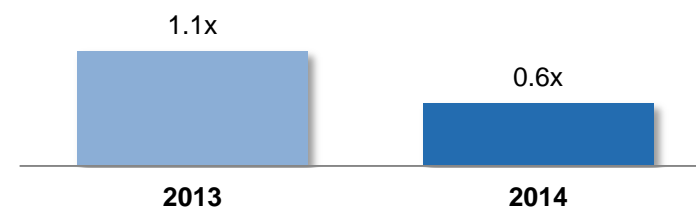
Revenue and EBITDA Margin, USDbn



Free Cash Flow, USDbn



Net Debt / EBITDA

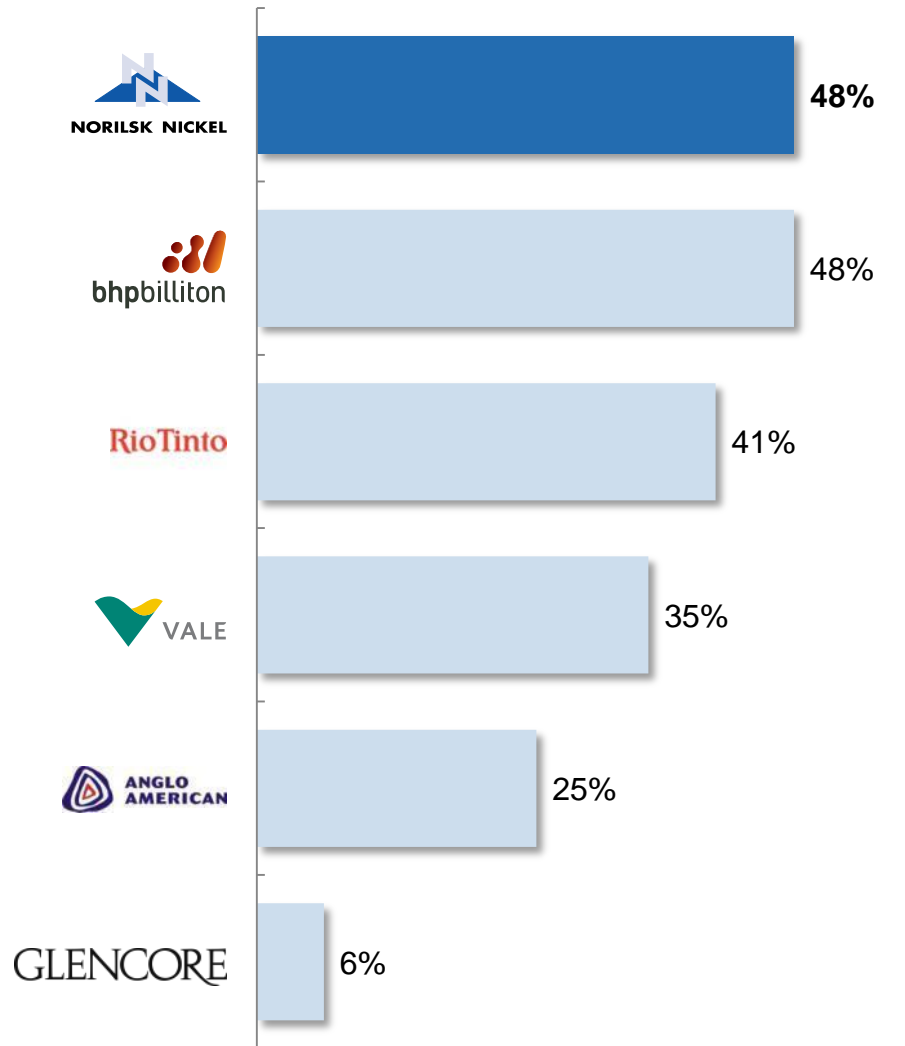


Norilsk Nickel benefits from stable and resilient business model allowing for growth in times of turbulence on commodity and home markets

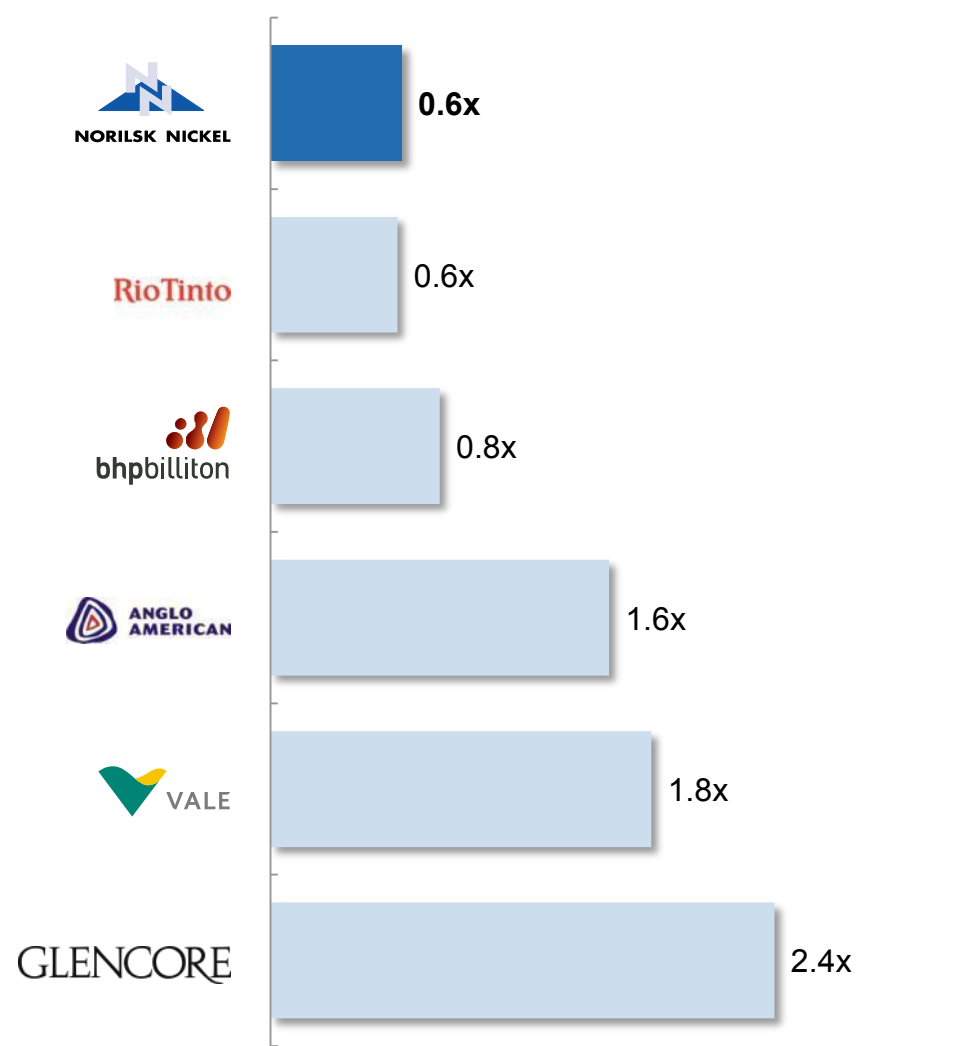
Source: Bloomberg, Russian Federal Statistics Service, Company data

# Solid Financial Performance vs. Global Peers

Leading Returns: EBITDA Margin, 2014



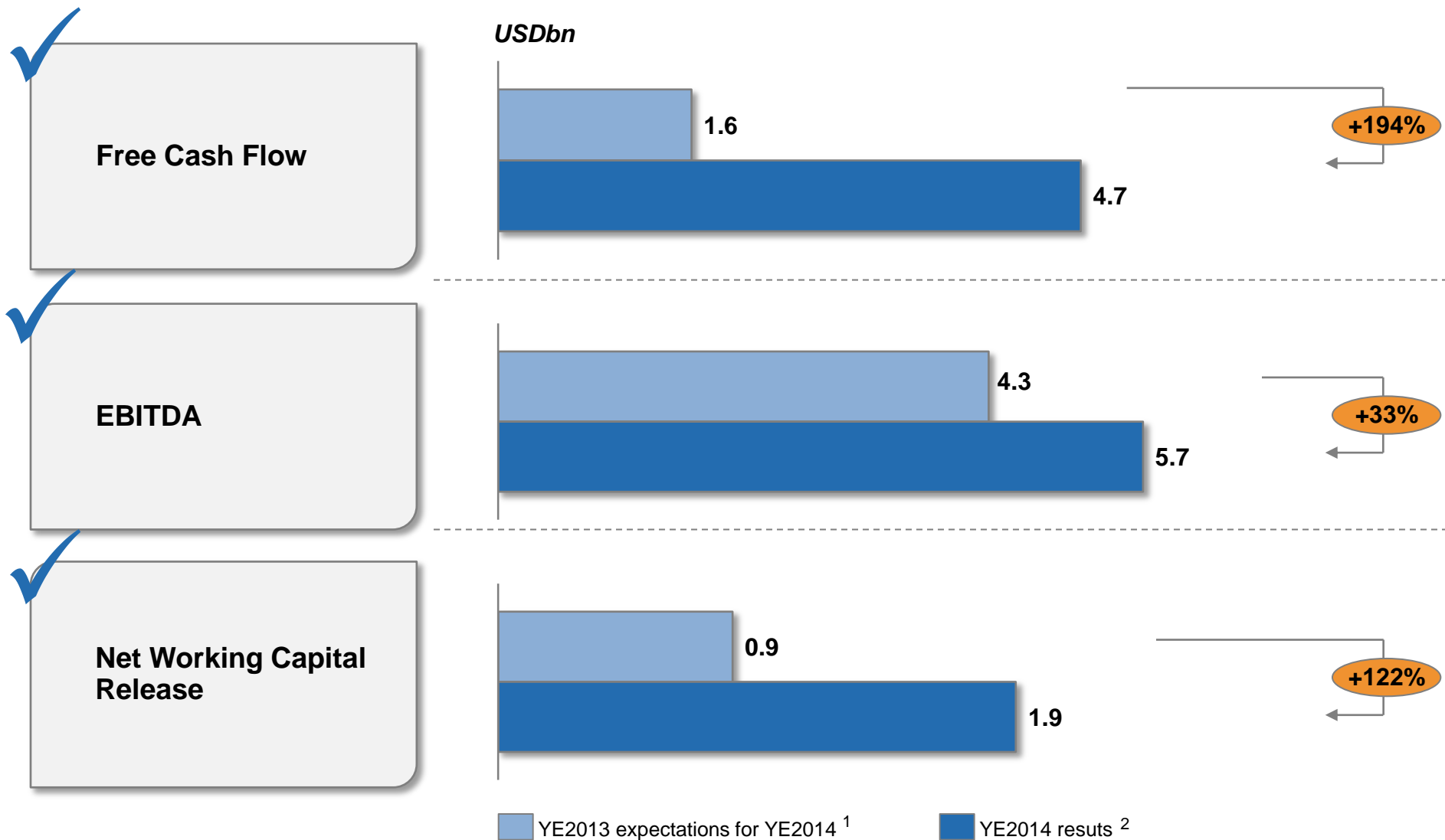
Conservative Leverage: Net Debt/EBITDA, 2014



Source: Bloomberg, Company data, 2014 Financial results

# Consistently Beating Market Expectations

Norilsk Nickel's 2014 results exceeded market expectations in all dimensions



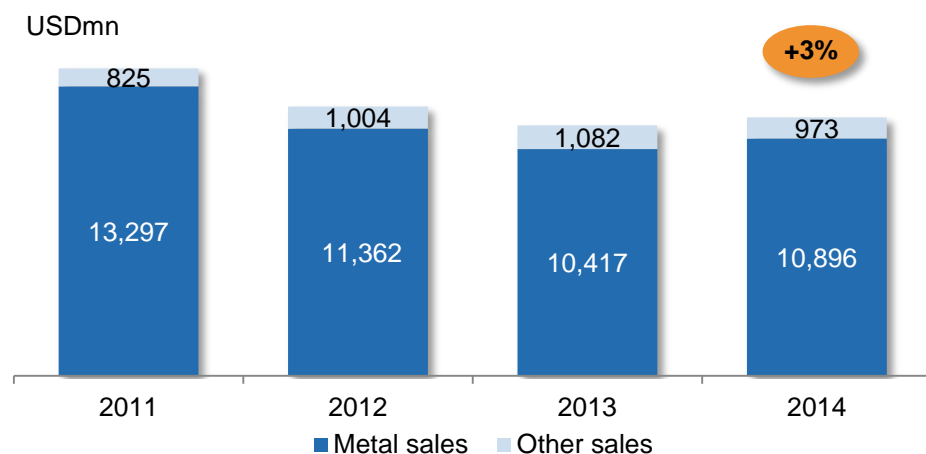
Sources: Bloomberg, Company data

Notes: 1. Consensus of investment banks forecasts made in YE2013 for YE2014; 2. Based on IFRS results for year 2014



# Revenue Evolution

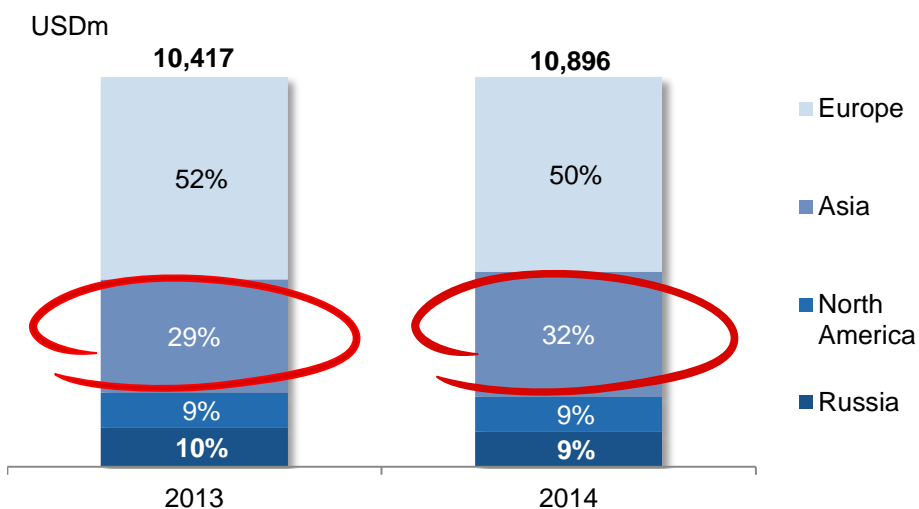
## Revenue Dynamics



## Growth of metal sales by 5% to USD10.9bn due to

- Stronger nickel and palladium prices
- Increase in sales volumes of PGMs
- Negative off-set from lower nickel sales volumes and lower copper and platinum prices
- Price factor contributed positively (+USD491mn) and volume factor – negatively (-USD82mn)

## Metal Sales Breakdown: Growing Sales to Asia



## Metals revenue mix

- Share of PGMs up to 29%
- Nickel – the largest contributor accounting for 43% of sales

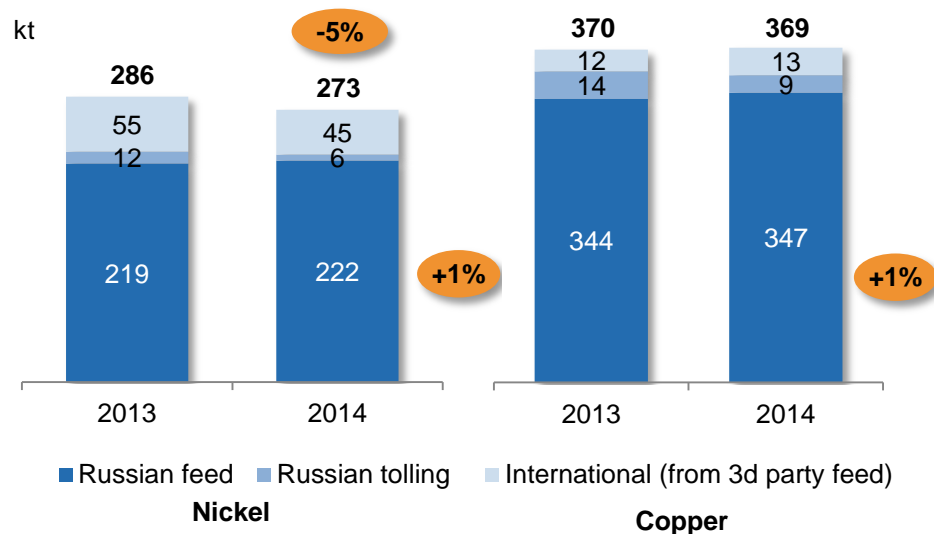
## Geographical mix

- Share of European sales down to 50%
- Asia keeps growing and already accounts for 32%

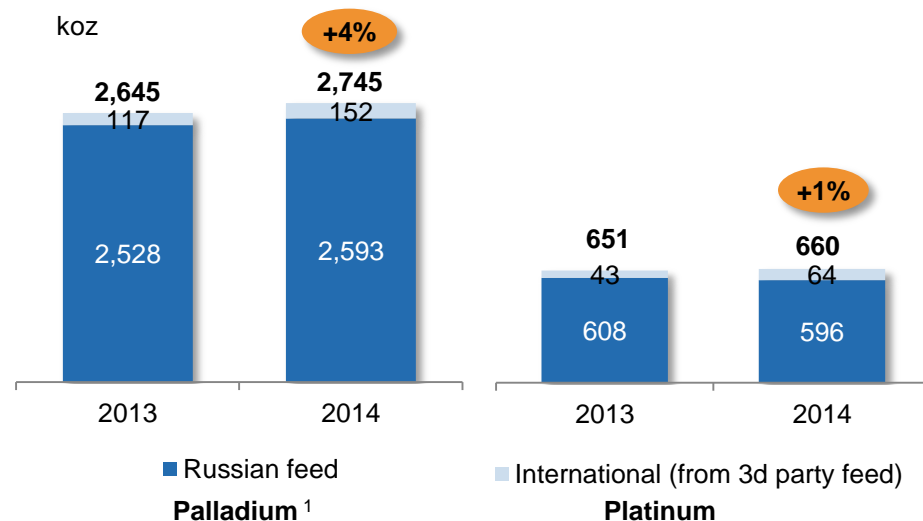
Source: Company data

# Sales & Distribution Results: Strong Pd Performance

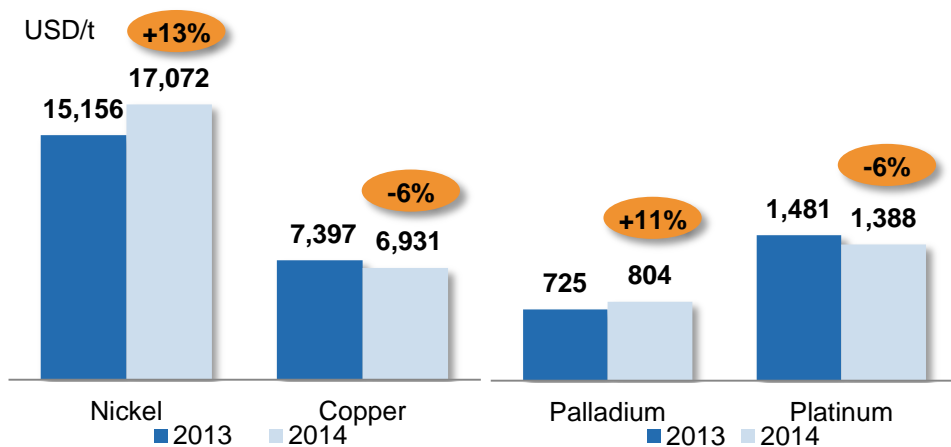
## Base Metals Sales up from Own Feed



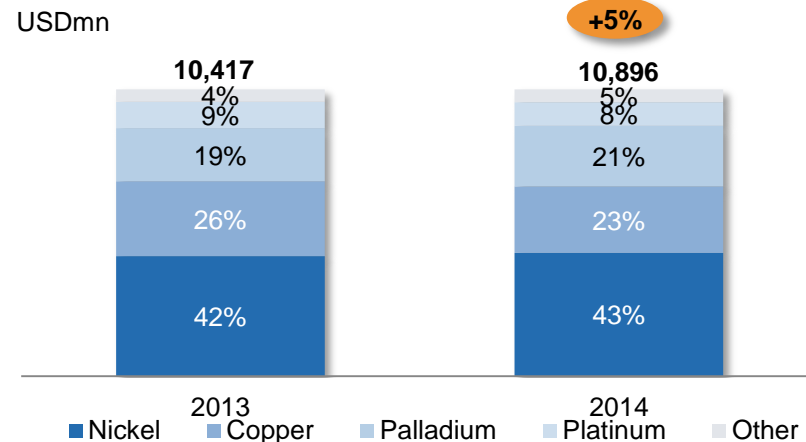
## PGM Sales Volumes: Pd up 4%, Pt up 1%, y-o-y



## Realized Metals Prices: Ni and Pd Growth



## Metal sales: Breakdown by Metal

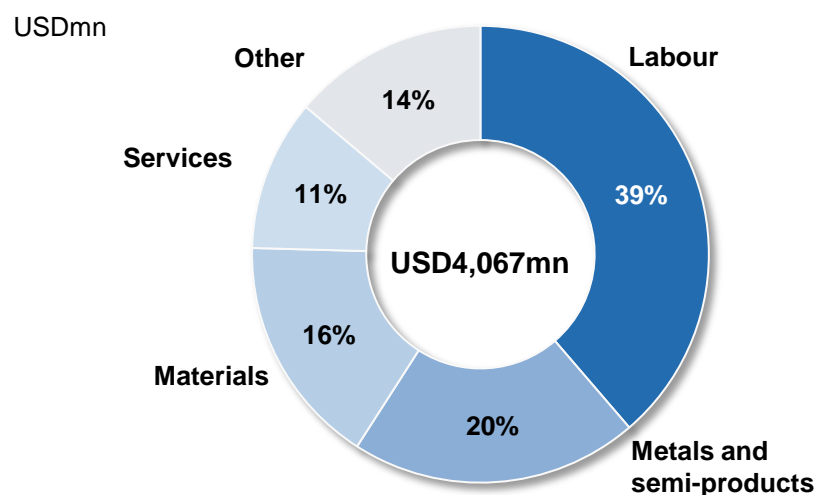


Source: Company data  
Note: 1. Excluding sales of metals purchased from third parties for resale

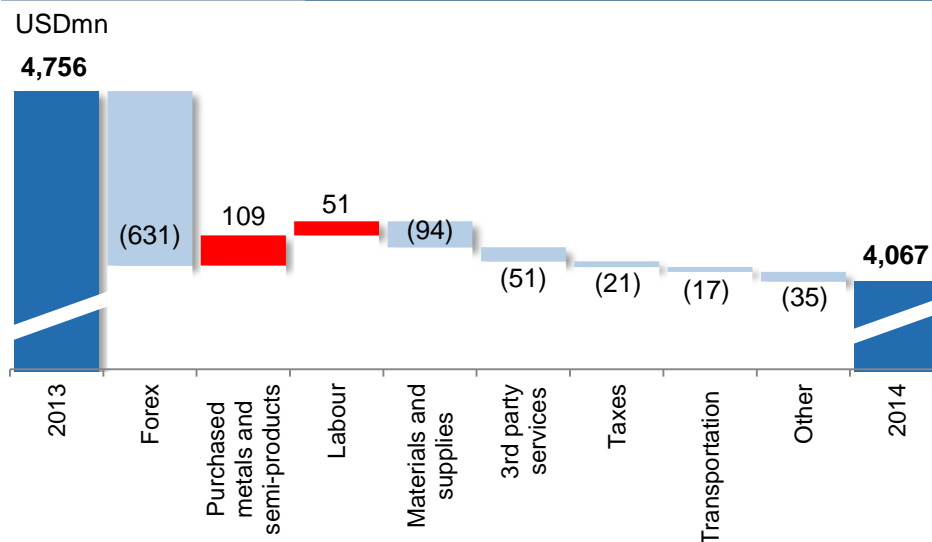


# Improving Management Control of Cash Costs

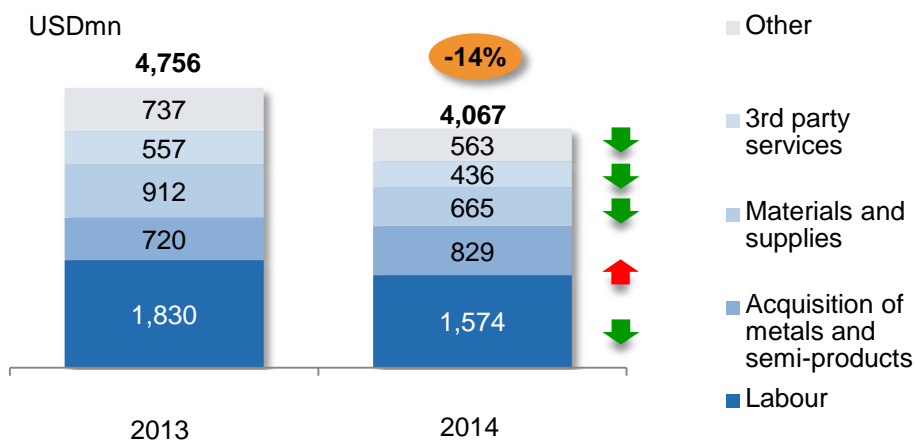
## 2014 Cash Costs Breakdown



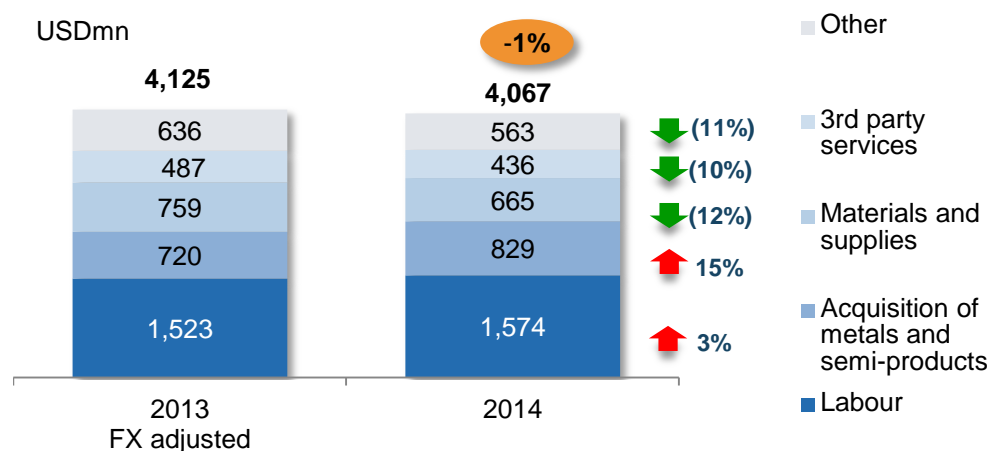
## Cash Cost Reduction in 2014: Management Cost Controls and RUB Depreciation



## Reported Cash Costs Dynamics



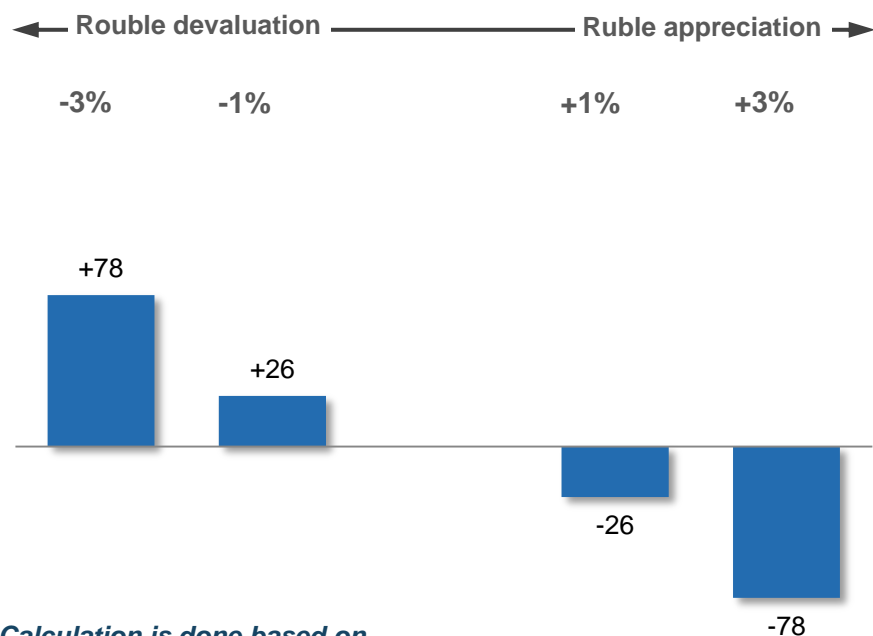
## 2014 vs. 2013 FX Adjusted Cash Costs



Source: Company data

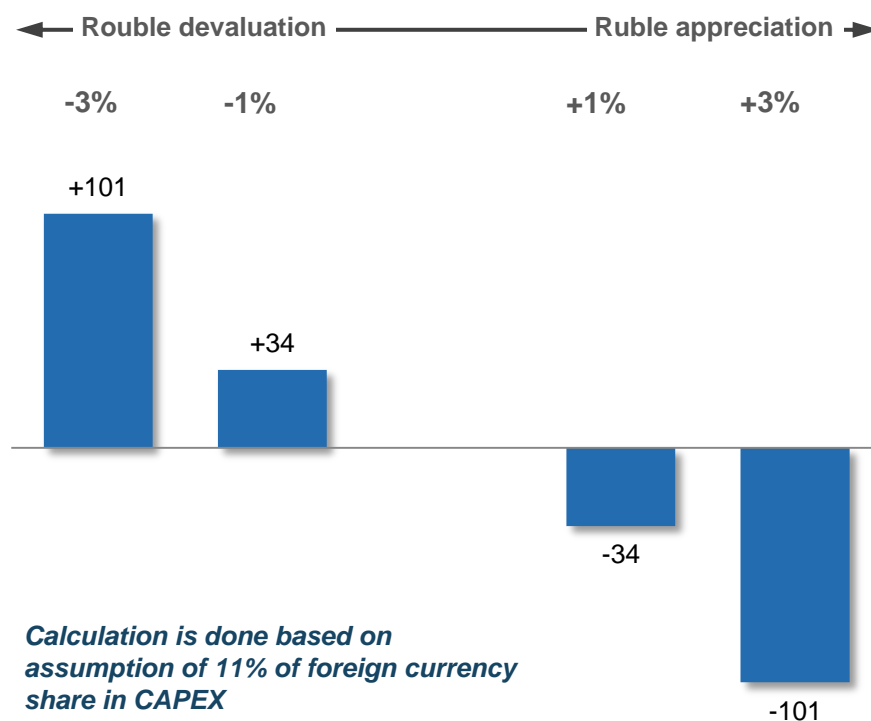
# FX Sensitivity

## EBITDA sensitivity, USDm



Calculation is done based on assumption of 22% of foreign currency share in OPEX

## FCF sensitivity, USDm



Calculation is done based on assumption of 11% of foreign currency share in CAPEX

- In 2014 Company was more levered to the exchange rate at FCF level as about 89% of CAPEX was RUB-denominated (FX component is expected to increase going forward)

Source: Norilsk Nickel estimates

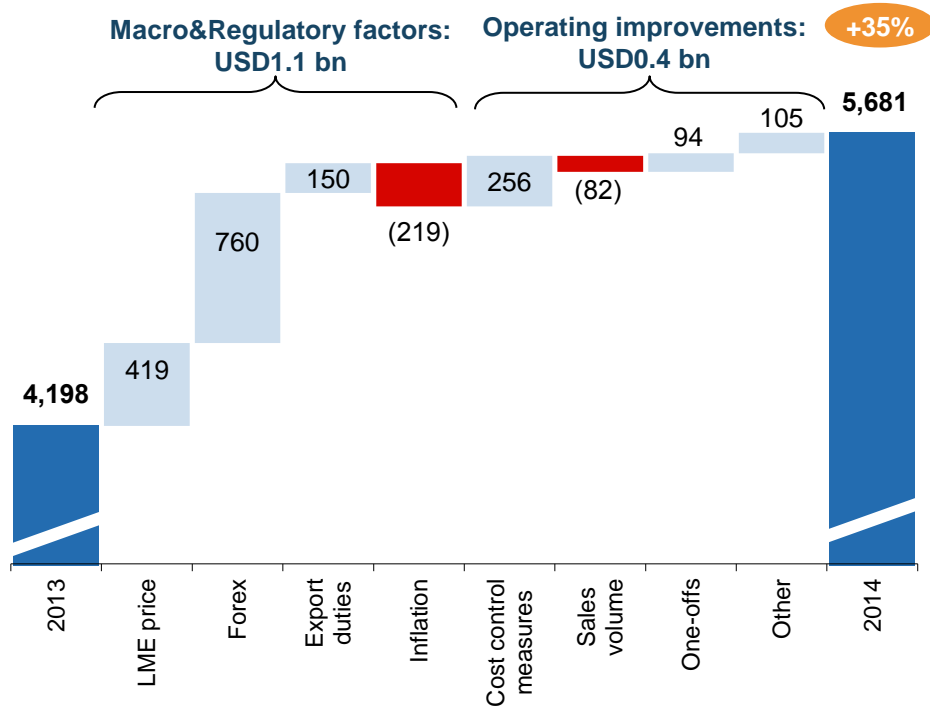


# EBITDA Bridge and SG&A

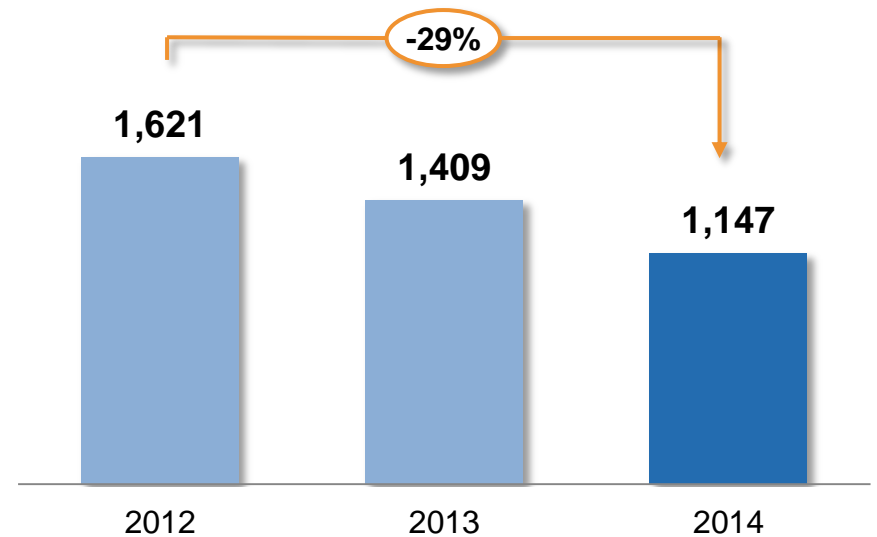
**EBITDA increased by USD 1.5 bn (or 35%) on the back of higher metal sales prices, cost control measures and depreciation of RUB against USD**

- Up: metal sales growth by USD419m primarily due to nickel and palladium prices, partly offset by increased prices of purchased semi-products
- Up: depreciation of RUB against USD contributed more than USD760m additional EBITDA
- Up: cost control measures coupled with higher labour productivity - USD256m of cost reduction
- Up: decrease of SG&A by 19% y-o-y primarily due to reduced export duties (USD150m) and FX effect (USD150m out of the total USD760m); launch of key optimization initiative – creation of shared services center (accounting, IT, treasury etc.)

## EBITDA Bridge, USDm



## SG&A expenses, USDm

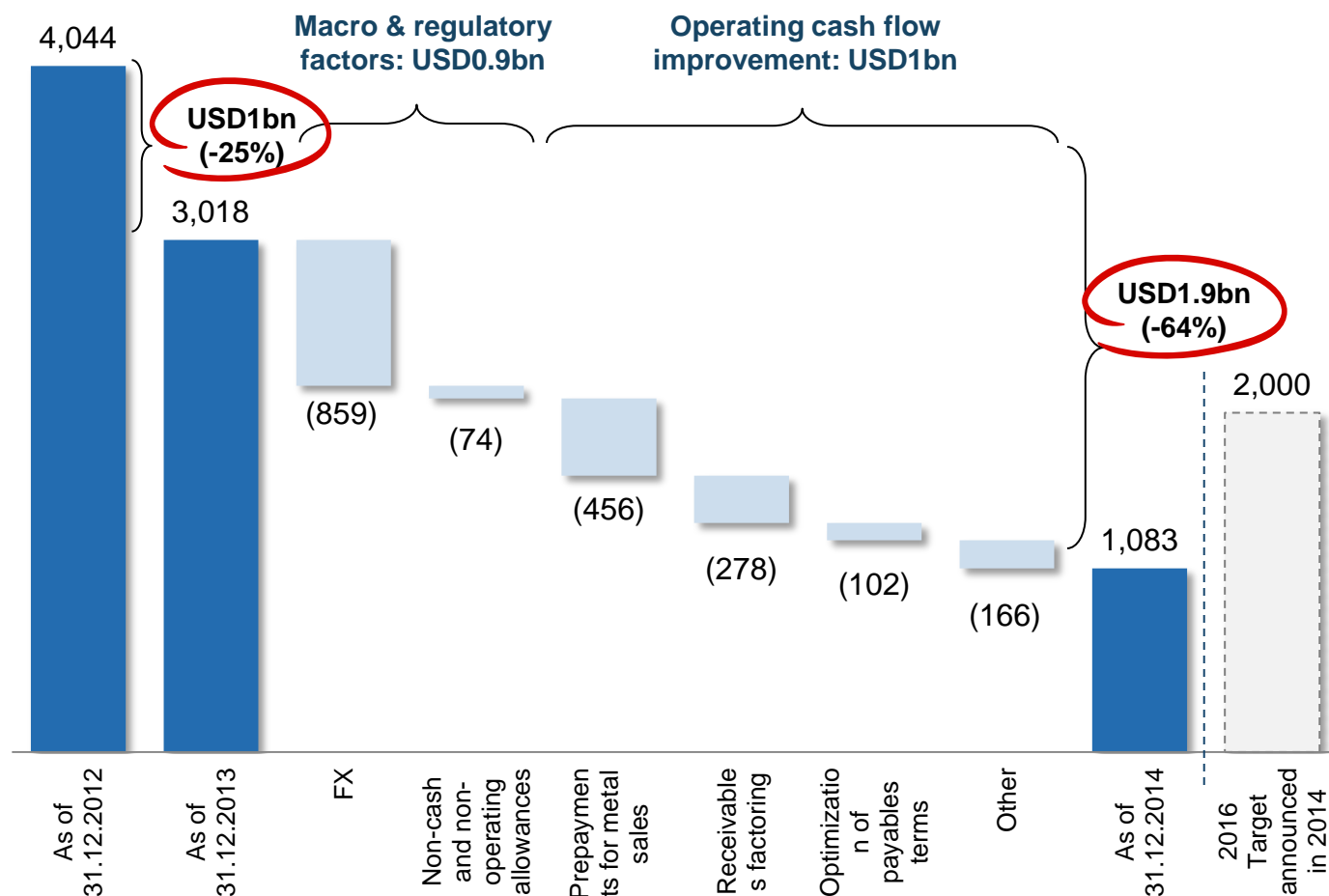


Source: Company data



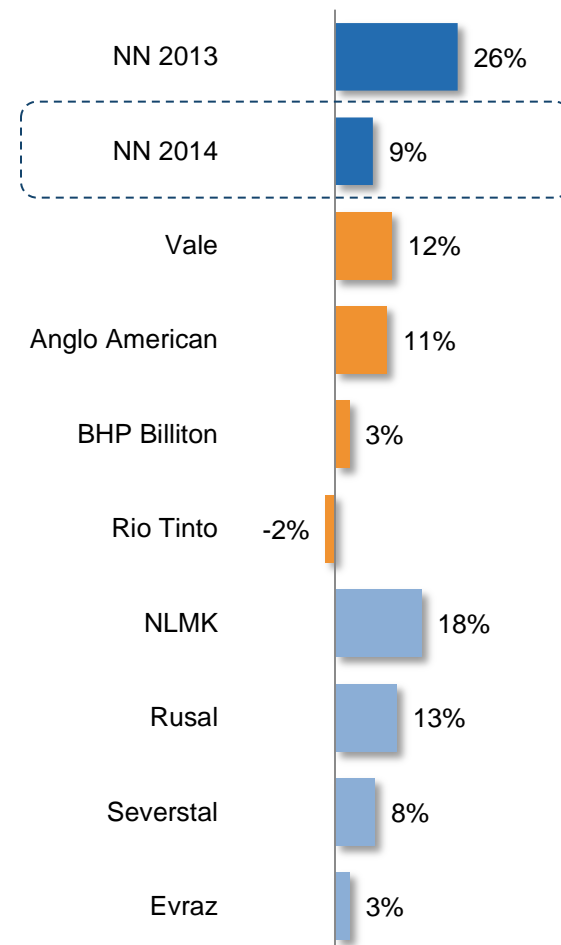
# Working Capital Release – 2016 Target Overachieved in 2014

## Net Working Capital Bridge: Management Initiatives and Favorable FX



## NN achieved comfortable and sustainable level of NWC

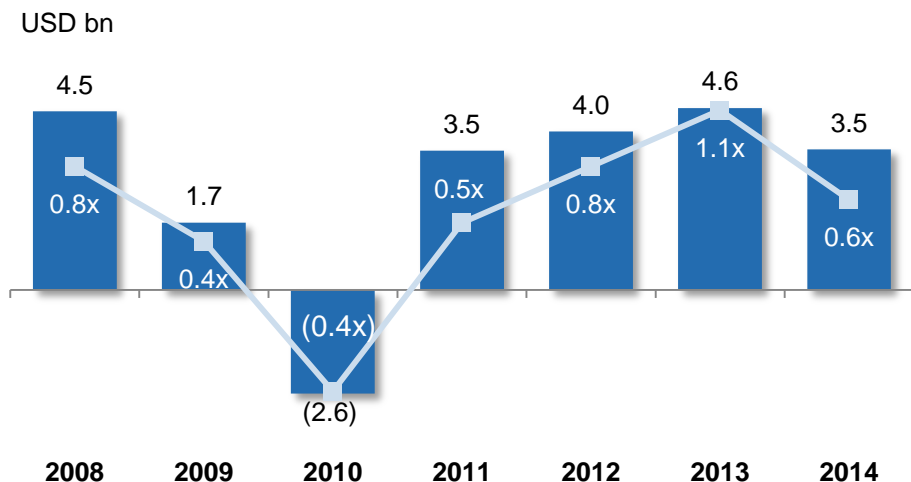
NWC as % of Revenue, End of 2014



Source: Company data

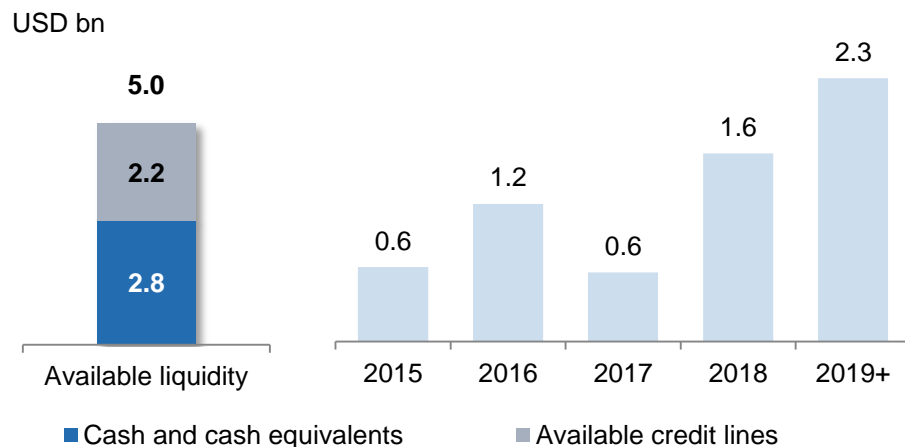
# Maintaining Conservative Balance Sheet

## Leverage<sup>1</sup> Reduced to 0.6x Net Debt/EBITDA

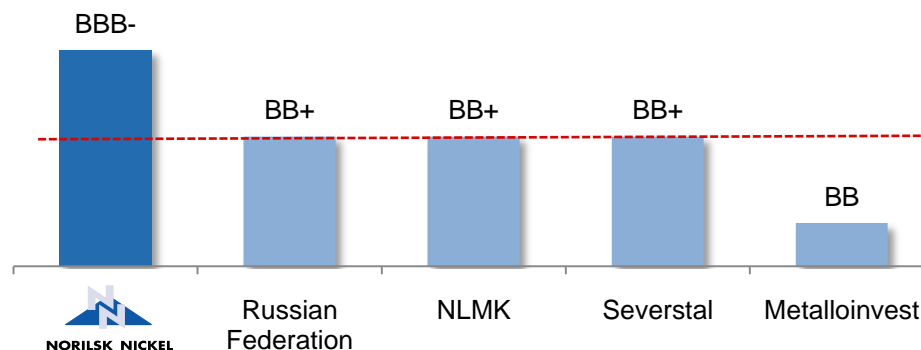


- Under current macroeconomic conditions comfortable debt level – up to 1.5 Net Debt / EBITDA
- Strong liquidity with USD2.8bn in cash and cash equivalents as of year-end 2014 covering the Company's dividend commitments and short-term financing requirements
- Diversified and balanced debt portfolio:
  - Over 90% of debt is long-term
  - 100% of debt is unsecured
  - 79% of debt is in USD, 21% in RUB

## Liquidity Position and Maturity Profile<sup>1</sup>



## The Highest Credit Rating Among Russian Metals and Mining Peers According to S&P



Sources: Company data  
Notes: 1. As of December 31, 2014



**NORILSK NICKEL**



## **Governance Update**

**Andrei BOUGROV**  
Deputy Chairman of the Board,  
Deputy CEO

# Corporate Governance Review and Initiatives

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## KEY INITIATIVES APPROVED IN 2014-2015

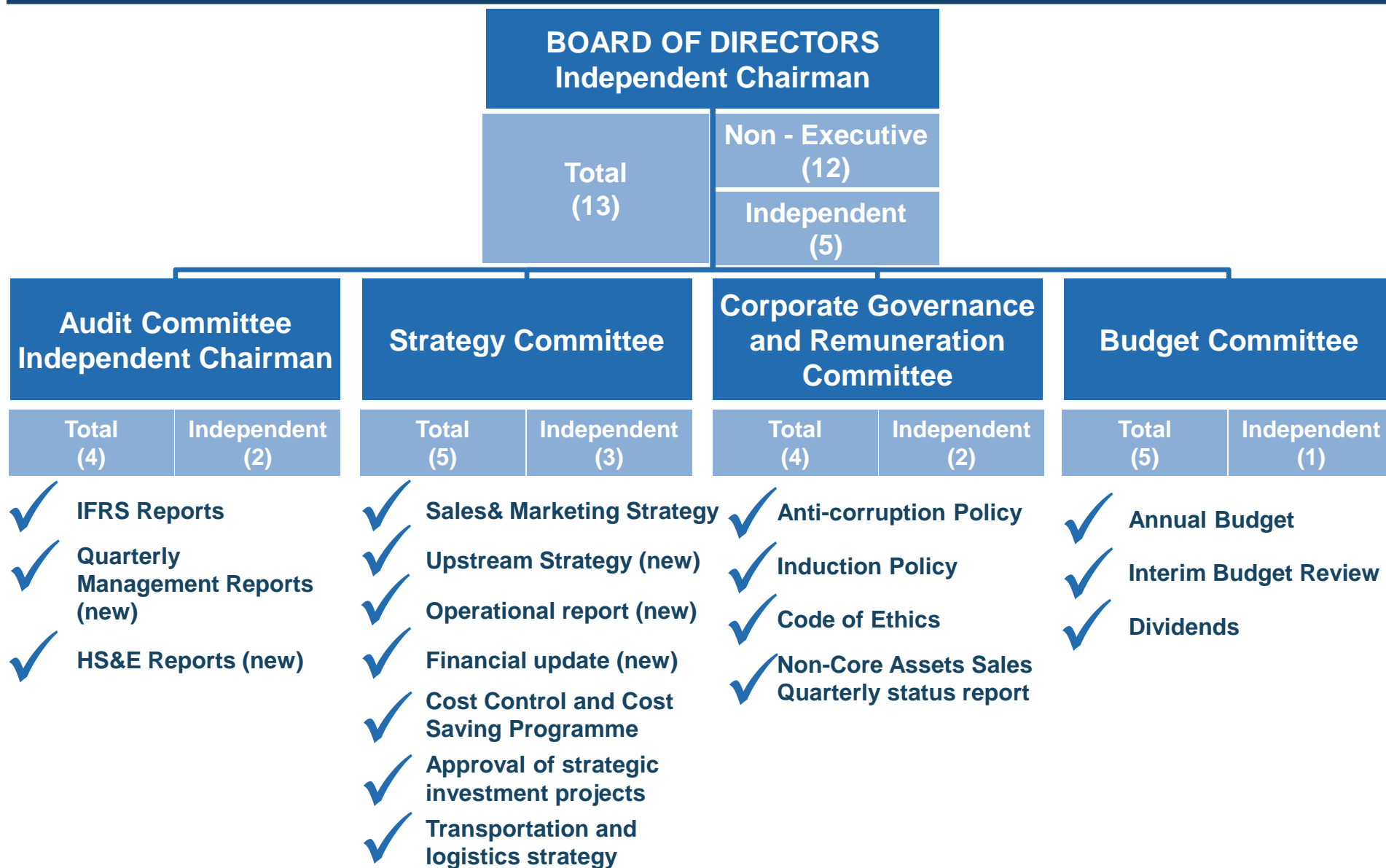
- 1 Self-evaluation/Performance Evaluation Policy for the Board of Directors
- 2 Board Nomination Policy
- 3 Board Professional Development (Induction and Continuous Education) Policy
- 4 Board Code of Conduct and Ethics
- 5 Anti-Corruption Charter for Business
- 6 Changes to the Board Committees (addition of independent directors)
- 7 Whistleblower Policy and Protection
- 8 Improved Disclosure
- 9 Human Resources Development Program

## NEW INITIATIVES

- 1 Environmental Strategy
- 2 Revised Board Committee Regulations
- 3 Corporate Governance Code
- 4 Revised Corporate Secretary Regulations
- 5 Management Evaluation and Remuneration Policy
- 6 LTI program to be approved for TOP-10 and TOP-100 employees



# Strong Board Led by Independent Chairman





**NORILSK NICKEL**



## **Closing Remarks**

**Vladimir POTANIN**

Chief Executive Officer

Chairman of the Management Board

# New Norilsk – Vision Delivered by Execution

