

NORILSK NICKEL

Global Industry Leader

2008 Financial Results

May 2009

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NORILSK NICKEL

Overview of 2008 Financial Performance

Norilsk Nickel at a Glance...

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

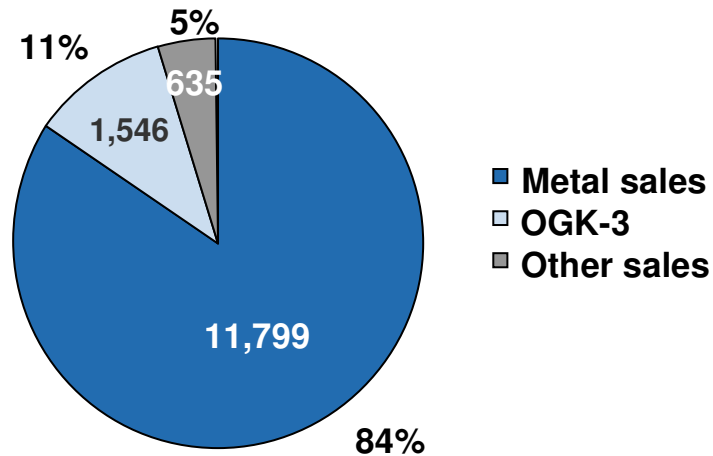


Source: Company Information

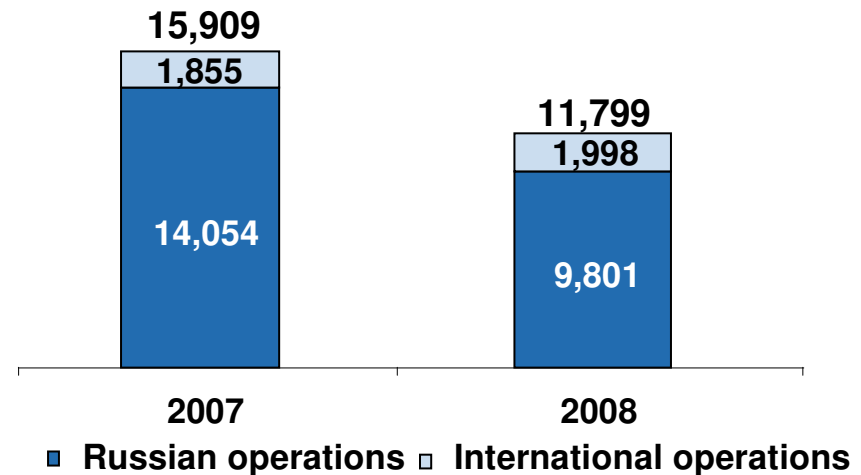
2008 Financial Highlights

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

Total revenue, US\$ mln



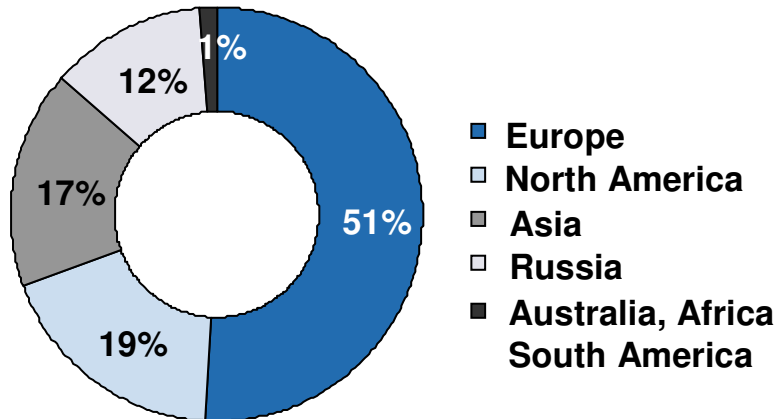
Metal sales revenue, US\$ mln



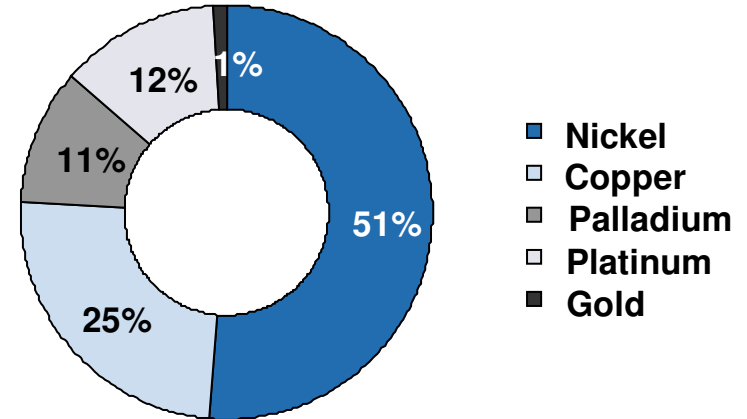
Breakdown of Metal Sales

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

Breakdown by destination



Breakdown by metal



Metal sales revenue: US\$ 11,799 mln

Volumes of Metal Sales & Average Selling Prices

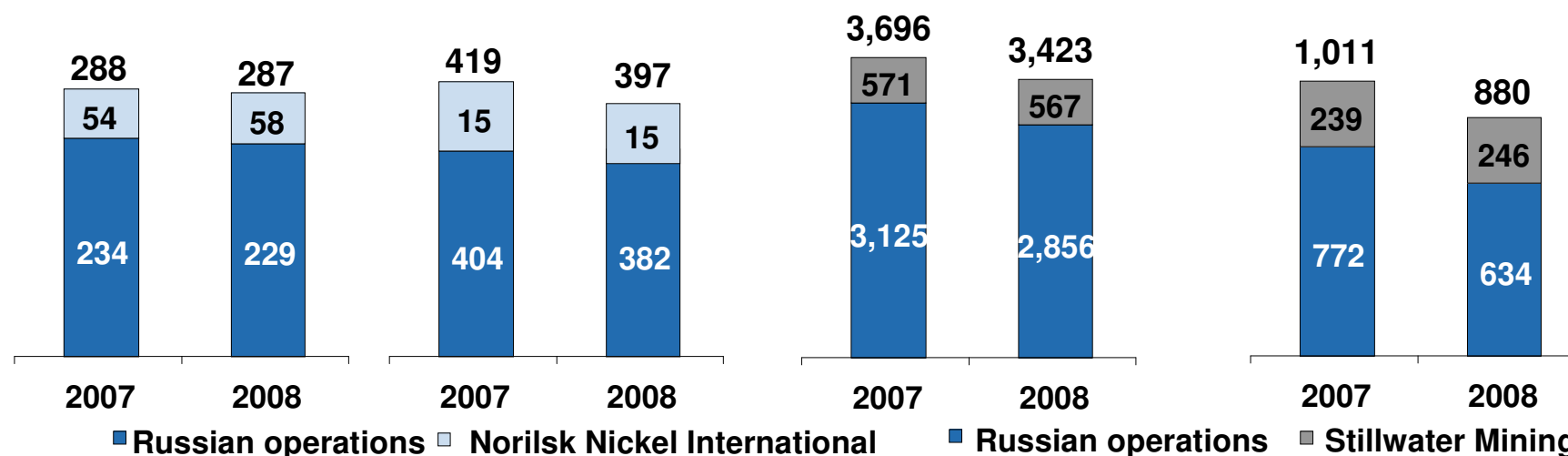
- Nickel revenue amounted to US\$ 6.1 bln (-40% y-o-y) mainly due to decrease in selling price from US\$ 37,210 to US\$ 21,517/t for Russian assets
- Copper revenue remains almost flat at US\$ 2.9 bln with small decrease in sales volumes and selling price (-2%) compensated with additional sales of US\$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

Nickel, '000 tonnes

Copper, '000 tonnes

Palladium, '000 ounces

Platinum, '000 ounces



Note: * Excluding purchases from third parties

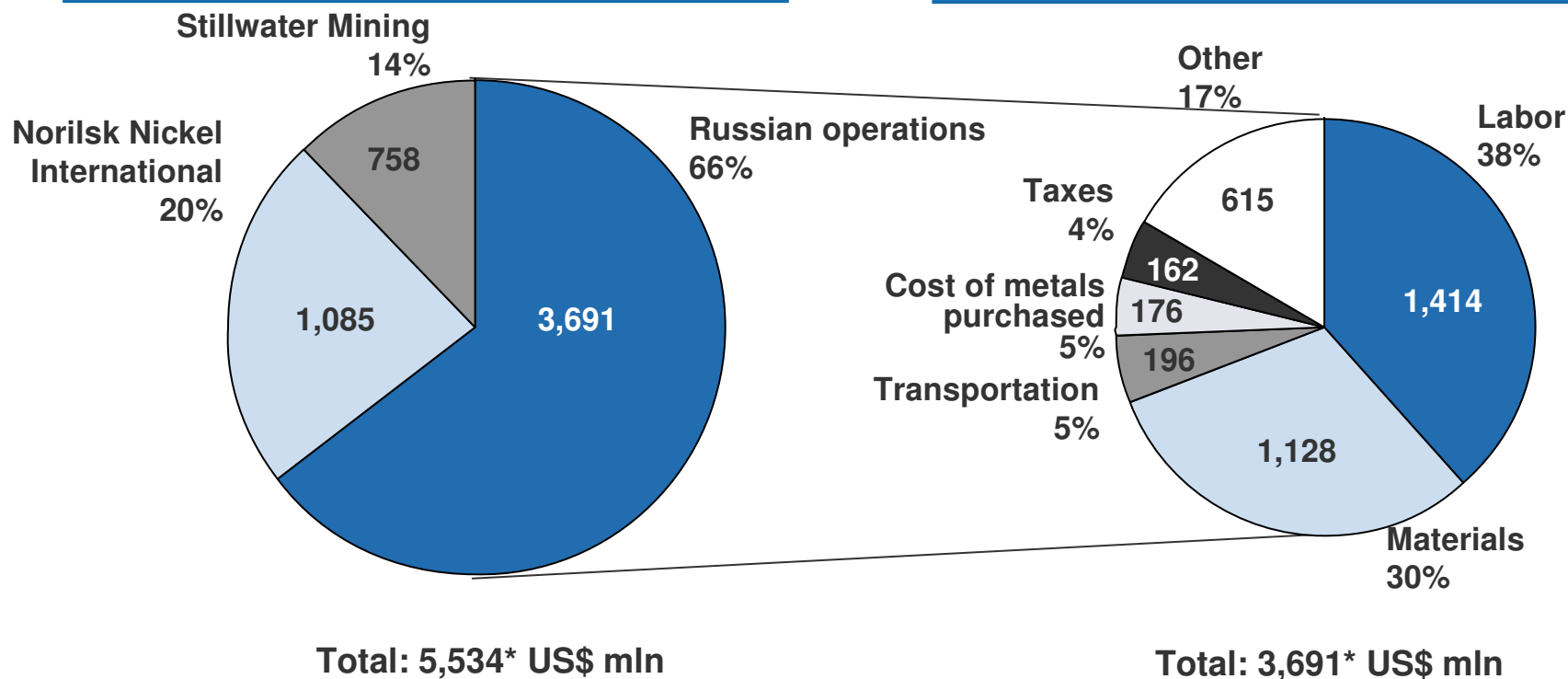


Breakdown of Operating Costs

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

Breakdown by major assets, US\$ mln

Cash operating costs of Russian units, US\$ mln



Note: * before netting by-products sales



Schedule of Cash Operating Costs

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

Cash operating costs for the year US Dollars million

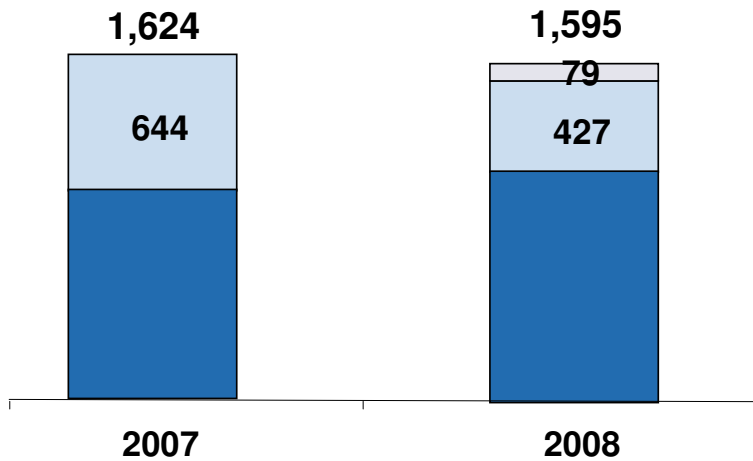
	Year ended 31 December 2008								Year ended 31 December 2007								Group % change y-o-y	Russia % change y-o-y	
	Group	% from total		% from total		% from total		SWC	Group	% from total		% from total		% from total		SWC			from total
		Russia	NI	Russia	NI	Russia	NI			Russia	NI	Russia	NI	Russia	NI				
Labour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



SG&A Expenses

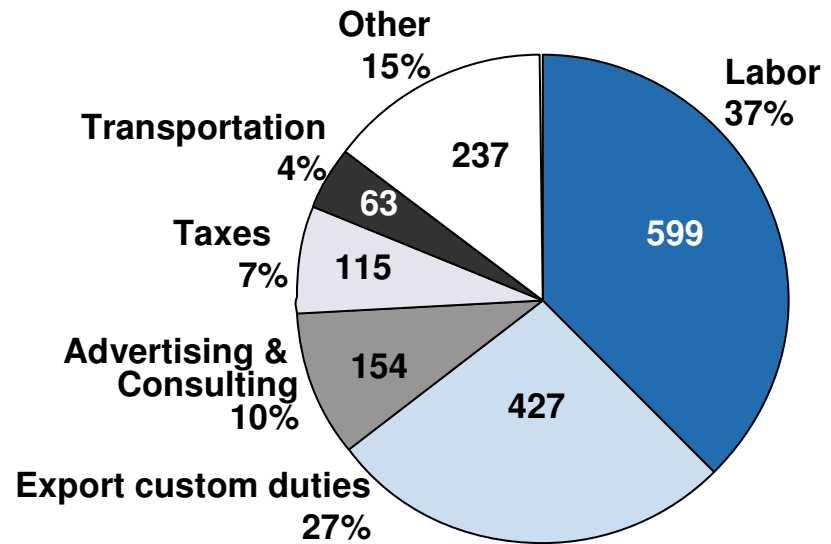
- In 2008 SG&A expenses diminished by US\$ 29 mln or 2% y-o-y
- Decrease is mostly due to significant reduction of customs duties which is in line with the dynamics of Russian export revenues
- Consolidation of OGK-3 and Norilsk Nickel International for full year took its toll

SG&A expenses, US\$ mln



- Export custom duties
- Effect of full year consolidation of NNI & OGK-3

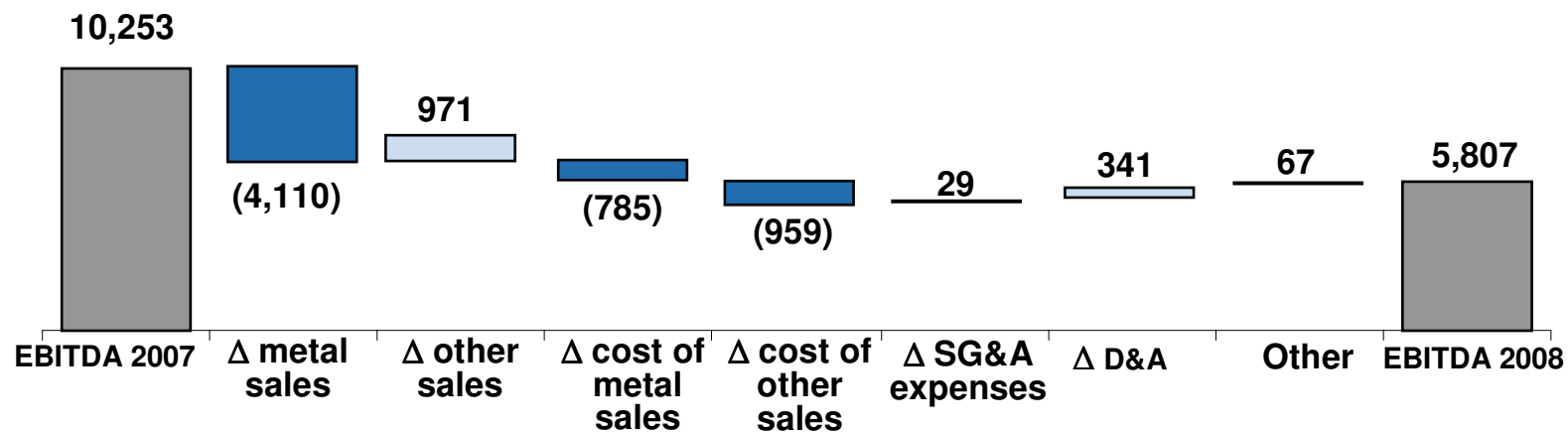
SG&A breakdown by items, US\$ mln



EBITDA Analysis

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

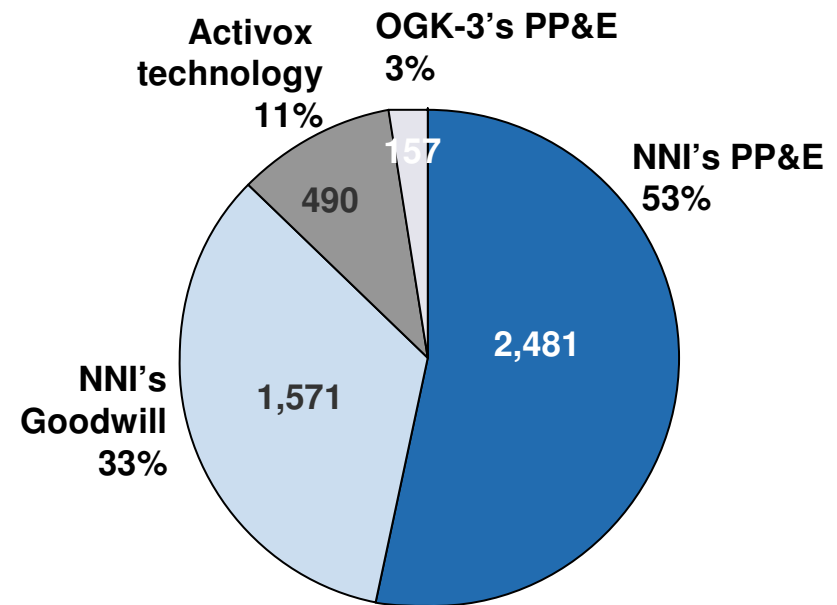
Adjusted EBITDA analysis, US\$ mln



Impairment of Non-Financial Assets

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

Impairment breakdown by items, US\$ mln



Balance Sheet Highlights

- Balance sheet significantly affected by impairment write-downs

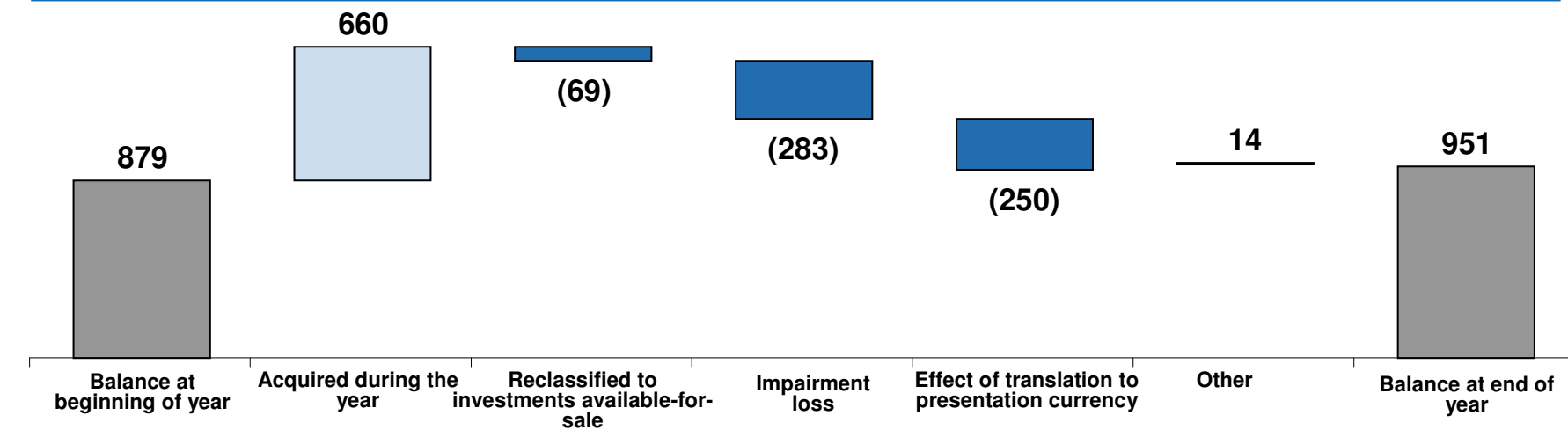
<i>US\$ mln</i>	31/12/2008	31/12/2007	Change	Δ%
Non-current assets	13,764	23,186	(9,422)	(41)
Property, plant and equipment	10,737	14,981	(4,244)	(28)
Current assets	7,059	12,510	(5,451)	(44)
Inventories	1,959	2,108	(149)	(7)
Other financial assets	1,316	4,473	(3,157)	(71)
Cash and cash equivalents	1,995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



Investments in Associates

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

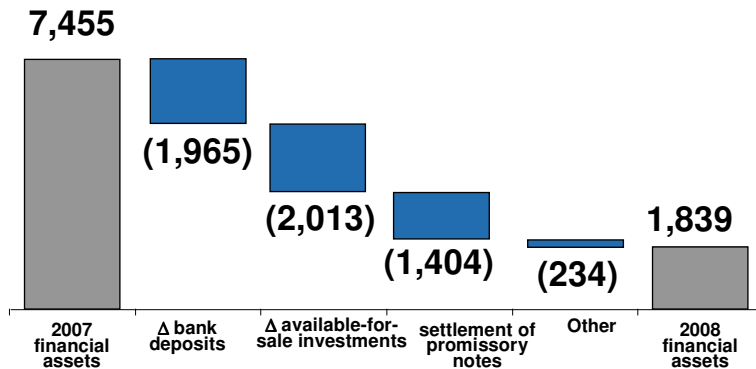
Investments in associates analysis, US\$ mln



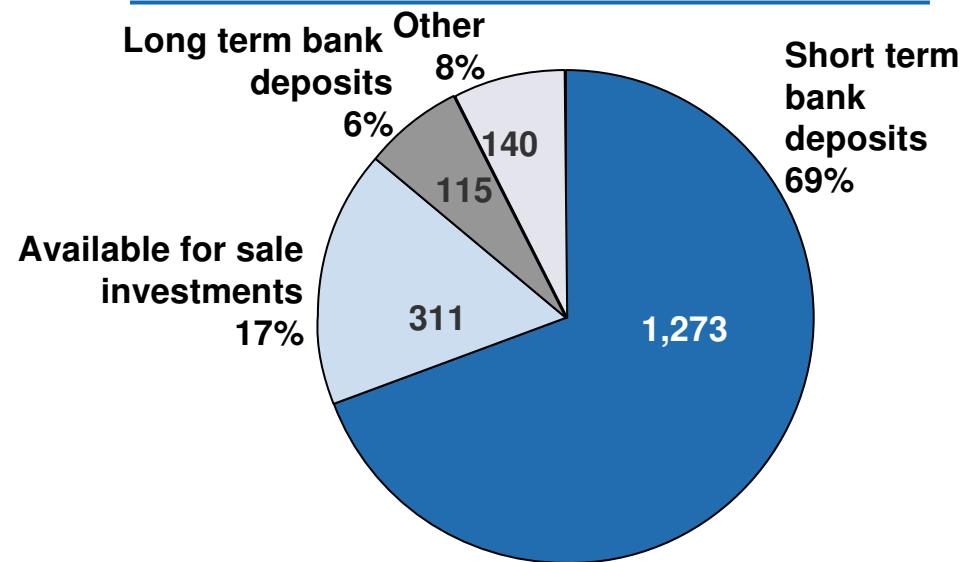
Investments in Financial Assets

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

Investments in financial assets, US\$ mln



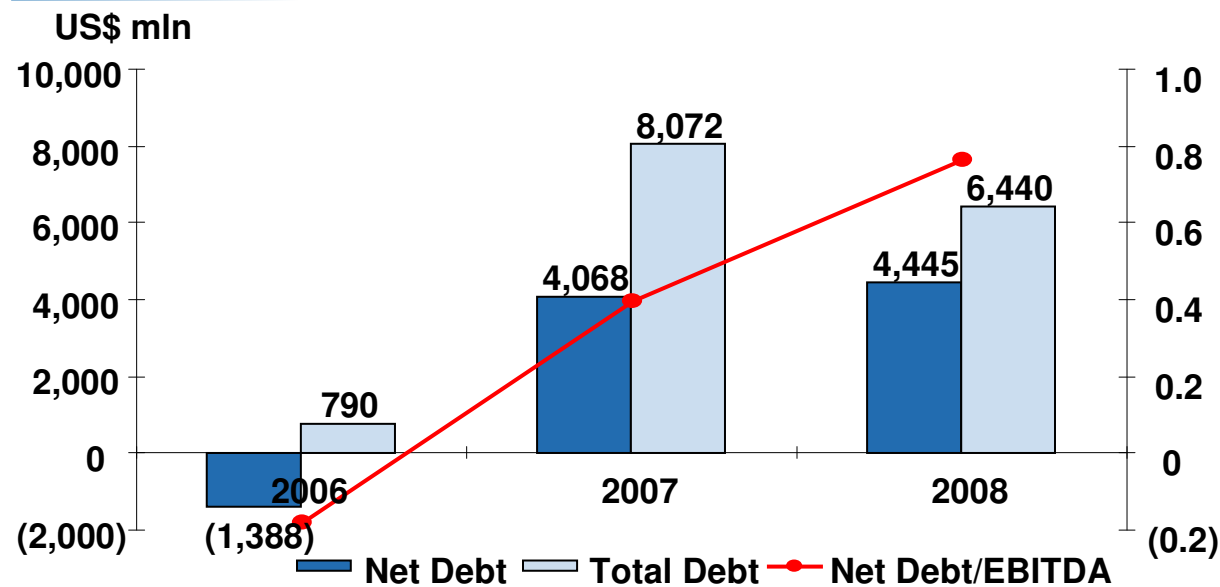
Financial assets breakdown, US\$ mln



Debt and Cash Positions

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

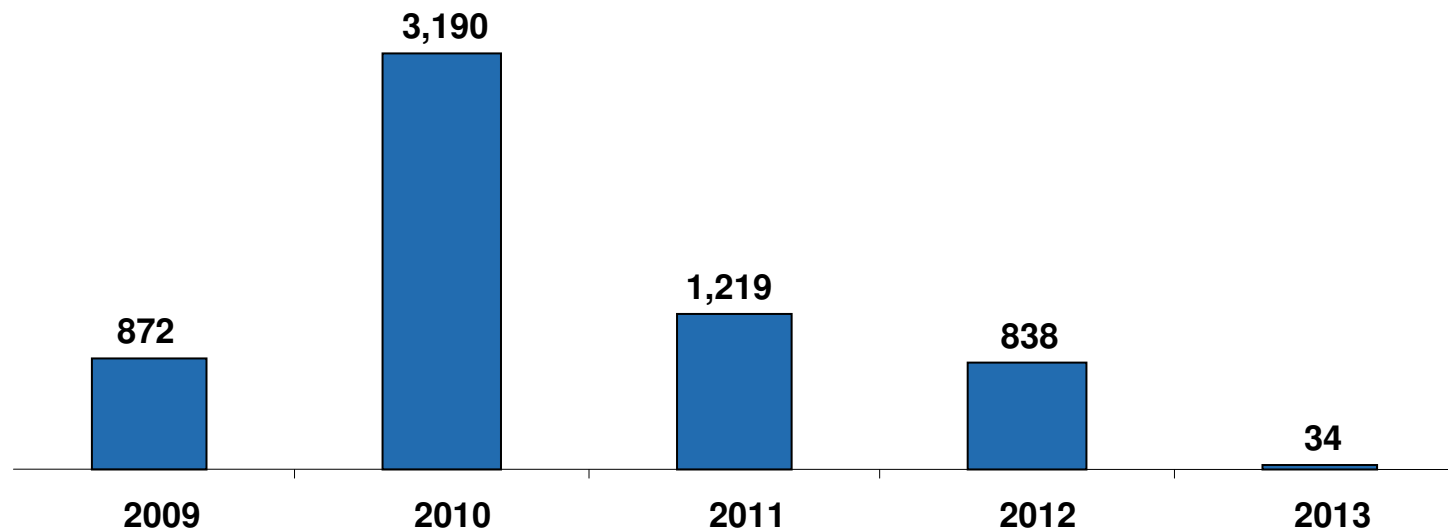
Debt and debt related financial ratios



Debt Maturity Schedule

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

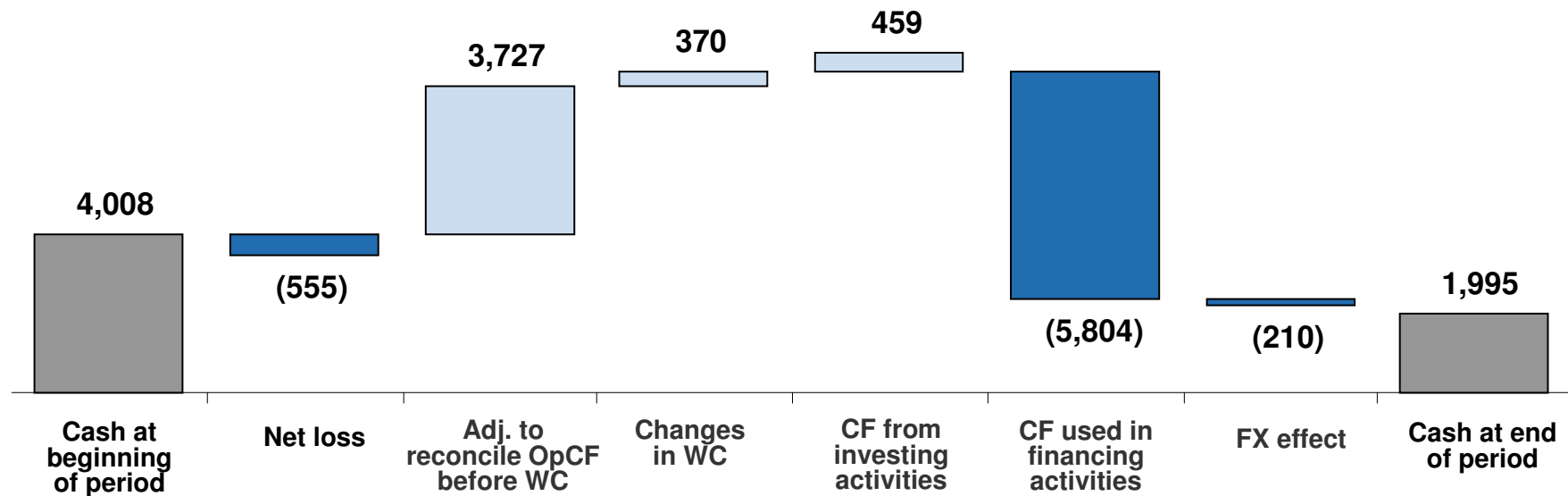
Debt maturity schedule, US\$ mln

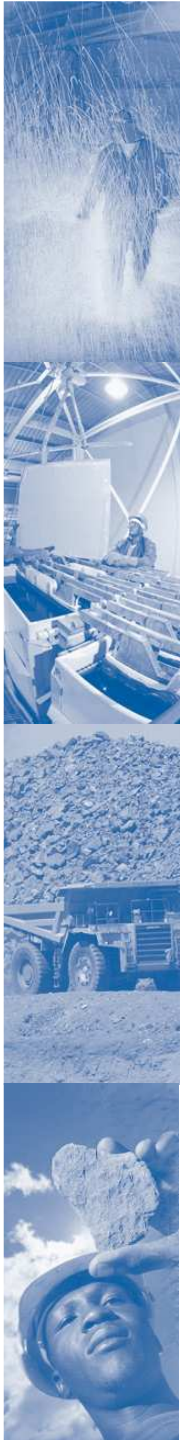


Strong Cash Flow Generation

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

Cash flow analysis, US\$ mln





Appendices



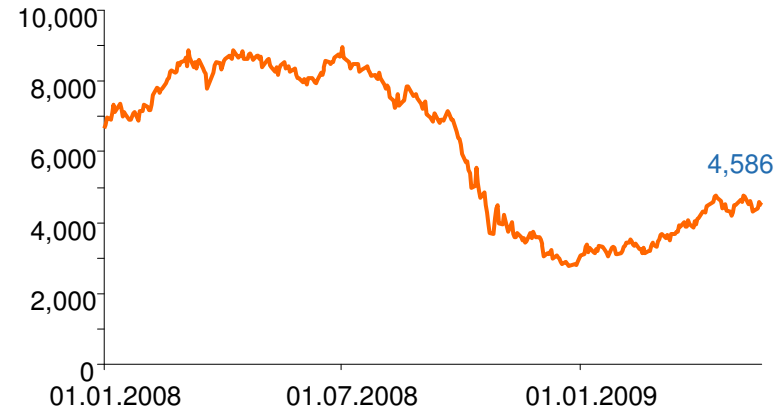
NORILSK NICKEL

Key Metal Prices

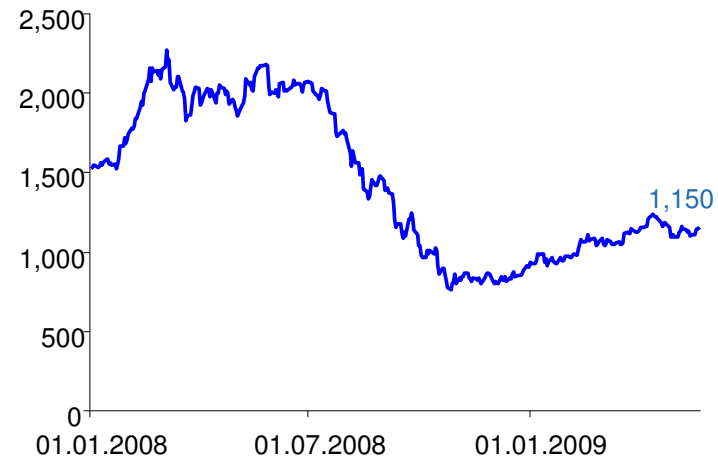
Nickel, US\$/tonne



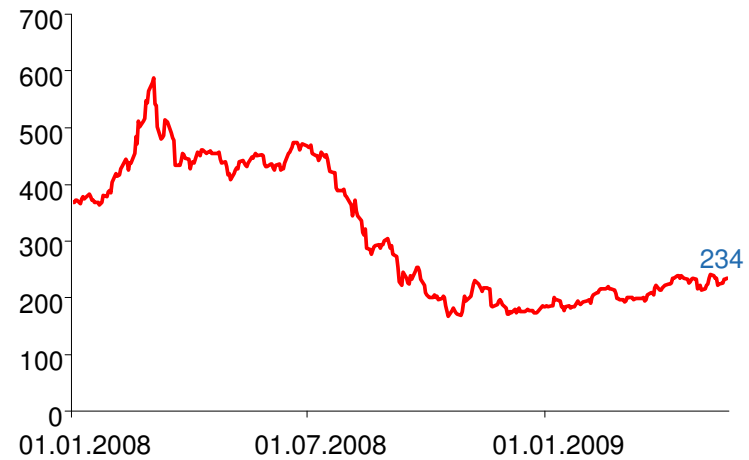
Copper, US\$/tonne



Platinum, US\$/oz



Palladium, US\$/oz



Source: Bloomberg

Metals Production Results and Outlook

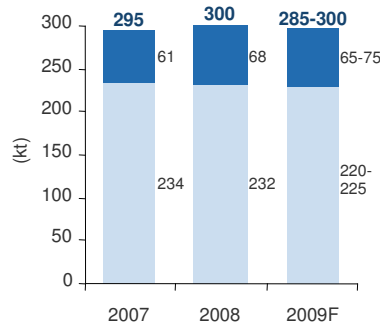
2008 Production Results

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

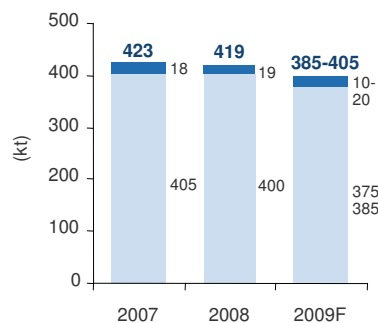
2009 Production Outlook

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

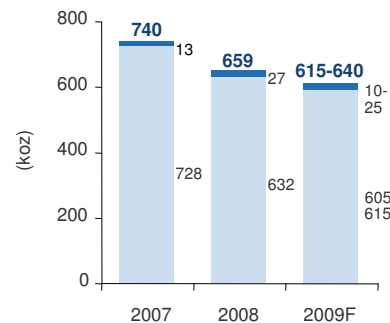
Nickel*



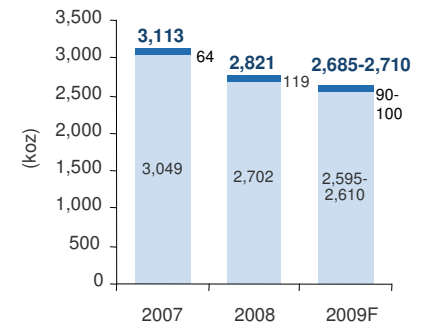
Copper



Platinum***



Palladium***



■ Russian Assets

■ Norilsk Nickel International**



NORILSK NICKEL

Source: Company Information

* Including purchased intermediates from third parties, excluding tolling operations

** 2007 calendar year figures

*** Excluding results of Stillwater Mining Company