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**Member of the Management Board**



**UBS Conference**  
**Giants of Global Emerging Markets**

**London, December 2002**

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- **Overview**
- 2002 Objectives
- Polyus Acquisition
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# Norilsk Nickel - Operations Overview



## Moscow

- Head office

## St. Petersburg

- Research institute (Gypronickel)



## Kola Peninsula

- Zapolyarny/ Nickel mining and metallurgy
- Monchegorsk/ Metallurgy

## Taimyr Peninsula

- Norilsk/ Talnakh mining and metallurgy

## Krasnoyarsk Region (ZAO "Polyus")

- Gold mine and metallurgy

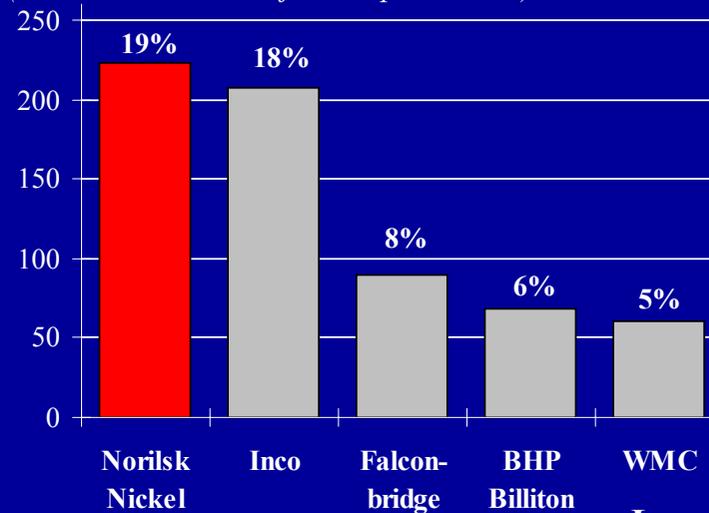


# World Leading Producer of Base and Precious Metals



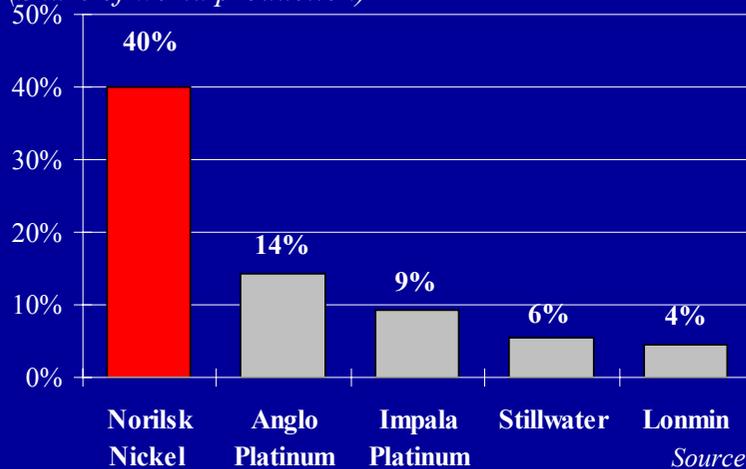
## Largest nickel producers in 2001

(In '000 tons, share of world production)



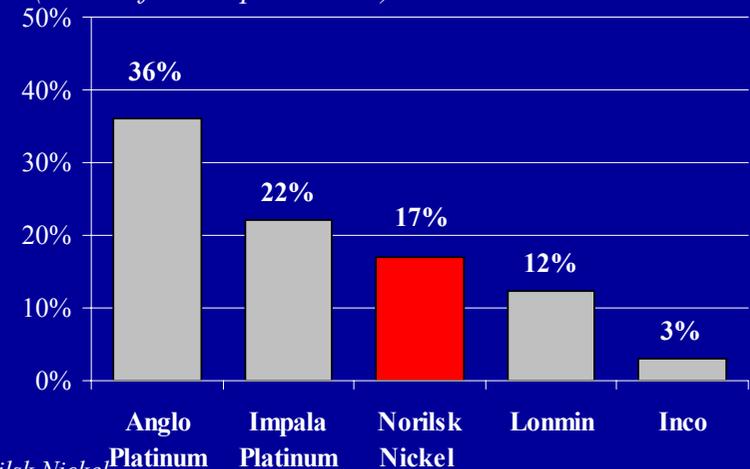
## Largest palladium producers in 2001

(Share of world production)



## Largest platinum producers in 2001

(Share of world production)



Source: Company reports except for Norilsk Nickel



# Periodic Table of Elements



1 IA												<table border="1"> <tr> <td>Fe</td> <td>13% Co</td> <td>19% Ni</td> <td>3% Cu</td> </tr> <tr> <td>Ru</td> <td>Rh</td> <td>&gt;40% Pd</td> <td>Ag</td> </tr> <tr> <td>Os</td> <td>Ir</td> <td>17% Pt</td> <td>1% Au</td> </tr> </table>				Fe	13% Co	19% Ni	3% Cu	Ru	Rh	>40% Pd	Ag	Os	Ir	17% Pt	1% Au	18 VIIIA	
Fe	13% Co	19% Ni	3% Cu																										
Ru	Rh	>40% Pd	Ag																										
Os	Ir	17% Pt	1% Au																										
1 H	2 IIA											13 IIIA	14 IVA	15 VA	16 VIA	17 VIIA	2 He												
3 Li	4 Be											5 B	6 C	7 N	8 O	9 F	10 Ne												
11 Na	12 Mg	3 IIIB	4 IVB	5 VB	6 VIB	7 VIIB	----- VIII -----				11 IB	12 IIB	13 Al	14 Si	15 P	16 S	17 Cl	18 Ar											
19 K	20 Ca	21 Sc	22 Ti	23 V	24 Cr	25 Mn	26 Fe	27 Co	28 Ni	29 Cu	30 Zn	31 Ga	32 Ge	33 As	34 Se	35 Br	36 Kr												
37 Rb	38 Sr	39 Y	40 Zr	41 Nb	42 Mo	43 Tc	44 Ru	45 Rh	46 Pd	47 Ag	48 Cd	49 In	50 Sn	51 Sb	52 Te	53 I	54 Xe												
55 Cs	56 Ba	57 La	72 Hf	73 Ta	74 W	75 Re	76 Os	77 Ir	78 Pt	79 Au	80 Hg	81 Tl	82 Pb	83 Bi	84 Po	85 At	86 Rn												
87 Fr	88 Ra	89 Ac	104 Rf	105 Db	106 Sg	107 Bh	108 Hs	109 Mt	110 Uun	111 Uuu	112 Uub	113 Uut	114 Uuq	115 Uup	116 Uuh	117 Uus	118 Uuo												
Lanthanoids		58 Ce	59 Pr	60 Nd	61 Pm	62 Sm	63 Eu	64 Gd	65 Tb	66 Dy	67 Ho	68 Er	69 Tm	70 Yb	71 Lu														
Actinoids		90 Th	91 Pa	92 U	93 Np	94 Pu	95 Am	96 Cm	97 Bk	98 Cf	99 Es	100 Fm	101 Md	102 No	103 Lr														

Market Share  
Metal



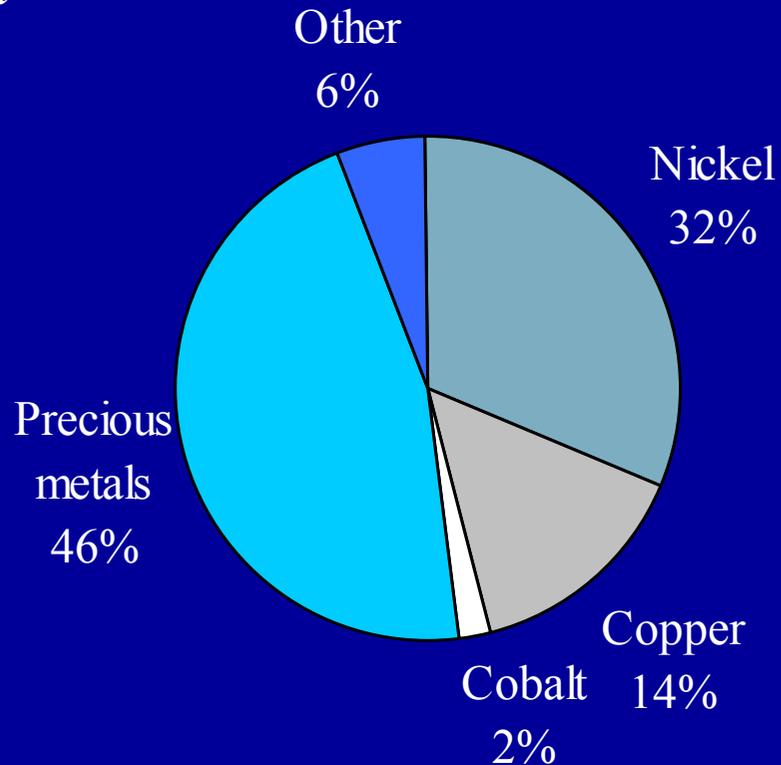
# Product and Geographical Distribution of Revenues



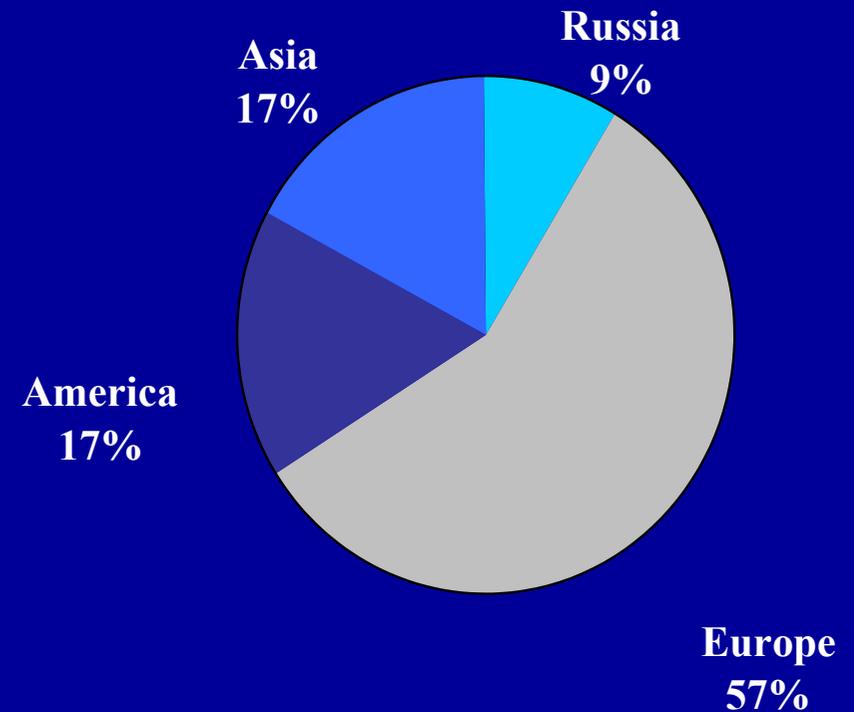
## Revenue split in 2001

100% = USD 4 378 mln.

### By metal



### By geography



# Financial Highlights of Norilsk Nickel Group (IAS\*)



*(in millions of US dollars)*

	2001	2000	1999 <sup>(2)</sup>
Revenues, incl.	4 378	6 031	4 458
Nickel	1 380	2 058	1 790
Copper	631	880	927
Precious metals/ PGMs	2 033	2 755	1 469
Cobalt	78	100	133
Adjusted EBIT	979 <sup>(1)</sup>	2 302	1 277
margin, %	22%	38%	29%
Net After Tax Profit (as reported)	1 222	1 616	816
Adjusted Net Profit	468 <sup>(1)</sup>	1 616	816
margin, %	11%	27%	18%
Total Assets	7 212	7 233	6 637
Shareholders' Equity	4 876	5 000	3 671

Notes:

*(1) Adjusted to exclude the Net Financing Gains: Changes in fair value of derivatives of \$753.4 MM*

*(2) 1999 financial data has been restated using Goskomstat inflation rates*

\* Restatement in accordance with International Accounting Standards (IAS)

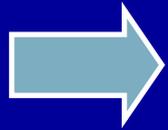


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## Improvement of Corporate Governance

- Amendment of the charter and corporate by-laws to reflect the provisions of the Federal Securities Commission Code of Corporate Conduct and last versions of the Corporate Law
- Election of 3 independent directors to the Board
- Creation of the Management Board with clearly allocated responsibilities
- Announcement of a long-term dividend policy
- Lifting of the secrecy regime on production and sales numbers for base metals
- Management Compensation System has been put on hold



## Develop Long-Term Strategy (to be released in mid-December)



## Cost Reduction

- Headcount reduction
- Social cost continuing decrease
- Procurement tenders

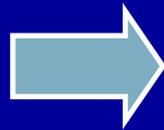


# 2002 Objectives



## Publication of financials based on IAS

- Release of 2000 and 2001 IAS financial statements
- Quarterly production statements are to be prepared starting 2002
- Audit of 2002 financial statements according to IAS to be prepared before General Shareholder Meeting



## Increase transparency

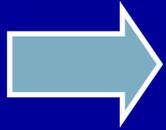
- Declassification of base-metals reserves in Taimyr (Ministry of Natural Resources is to issue formal approval)
- Partial lifting of secrecy on production/ sales volumes (base metals and PGMs)
- Regular Investor presentations & Conference calls
- Extension of coverage by world-wide investment banks



## Pursue efficient M&A policy

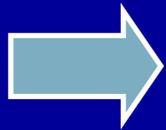
- Divestment of non-core assets - Sale of Novolipetsk Metallurgical Combine
- Abandonment of Nakety-project
- Acquisition of Russia's largest gold producer ZAO "Polyus" - diversification of revenues
- Acquisition of Stillwater Mining Company - increase reliability and supply certainty in palladium market





## Capital Expenditure Program

- Capital expenditure program has been reviewed
- Developing new capital investment program based on the production strategy
  - Main criterion for investment will be financial (ROI and ROCE > WACC)



## Optimise the production process

- Implement new production strategy to be released in mid-December

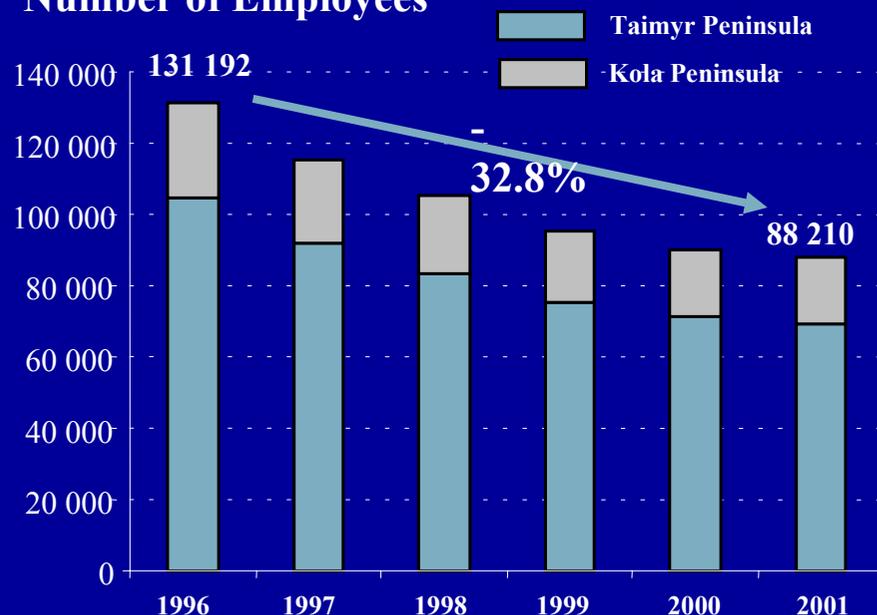


# Cost Reduction



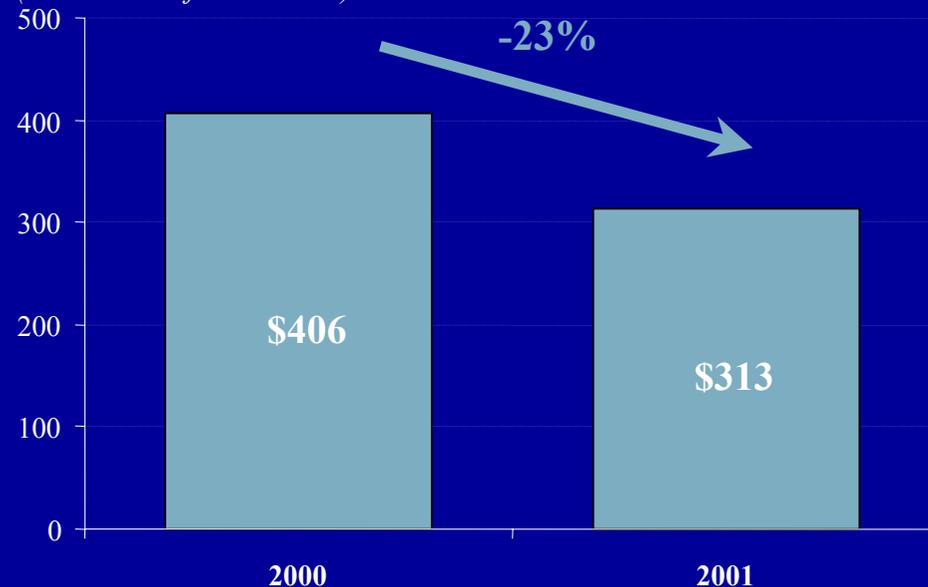
- The Company has reduced the number of employees by 33% within 5 years and plan further reduction by 20 000 through 2004 by divesting non-core activities and natural attrition
- In 2000-2001, the main social infrastructure assets located in the city of Norilsk were transferred from the Group's balance sheet to municipal ownership
- Norilsk Nickel continually reduces its social costs. In 2001, total social expenses were reduced by \$93 MM compared to 2000 and amounted to \$313 MM

## Number of Employees



## Social costs

(In millions of US dollars)



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# ZAO "Polyus" – Key Facts



- ZAO "Polyus" located in Krasnoyarsk region is the largest gold producer in Russia
  - Exploits one of the largest gold deposits in Russia, the Olimpiada gold deposit
  - Holds licenses to operate three other gold deposits
  - 10% of Russian gold production in 2001, with expected increase to 16% in 2002 through extraction of higher quantities of richer ores (up to 25 tons)
- There are two kinds of ore mined at Olimpiada: primary and oxidized ores, with the following gold grades:
  - About 11 g/ton for oxidized ore
  - About 4 g/ton for primary ore
- ZAO "Polyus" is the most profitable gold producer in the Russian gold industry
- The purchasers of Polyus gold production output are the State Fund for Precious Metals and Precious Stones of the Ministry of Finance, Gokhran (43% of 2001 sales) and Russian commercial banks



# Rationale for Acquisition of ZAO "Polyus"



- Diversification of revenues sources and net profits
- Reduce dependence of cash flows on unfavorable downturns of global economic cycle (during downturns gold prices typically grow)
- Expanding position in the gold industry which currently boasts strong fundamentals (growing demand and reduction in mining supply)
- Attractive financially:
  - Acquisition price is below the bottom range of the DCF valuation, prepared under conservative assumptions, and trading multiples for comparable companies
  - Significantly accretive to EPS starting in 2003
- Acquiring the leading position on the Russian gold market with a 16% market share, thereby placing Norilsk Nickel among the top global gold producers:
  - Building up a platform for further expansion of MMC Norilsk Nickel into the gold market by consolidating highly fragmented Russian gold industry (Sukhoi Log privatization)
  - Strengthening the Company's leading role as a global precious metals producer
- Access to new bio-leaching technology



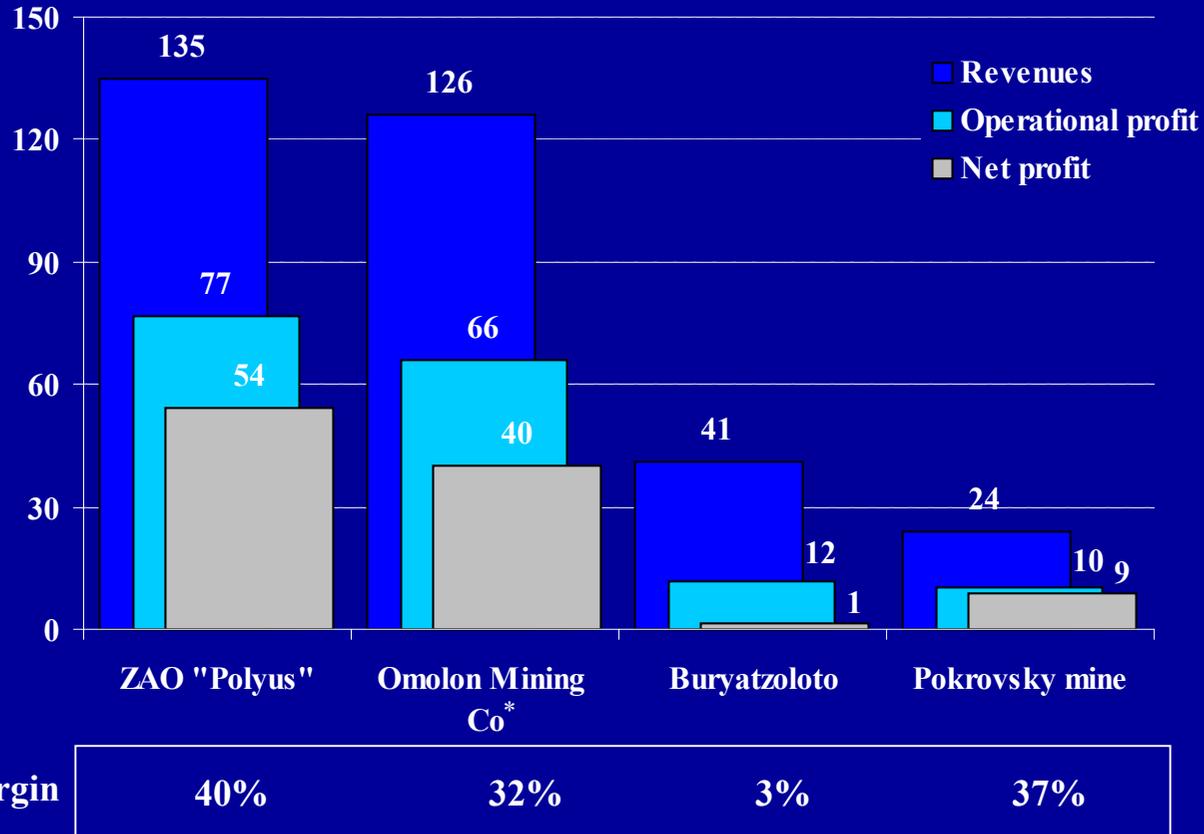
# High Financial Efficiency



- ZAO "Polyus" is the most profitable gold-producing company in Russia

## Financial results in 2001

(In millions of US dollars)



Source: Company data

Note: \* - 2000 RAS Financial results

Source: Company data



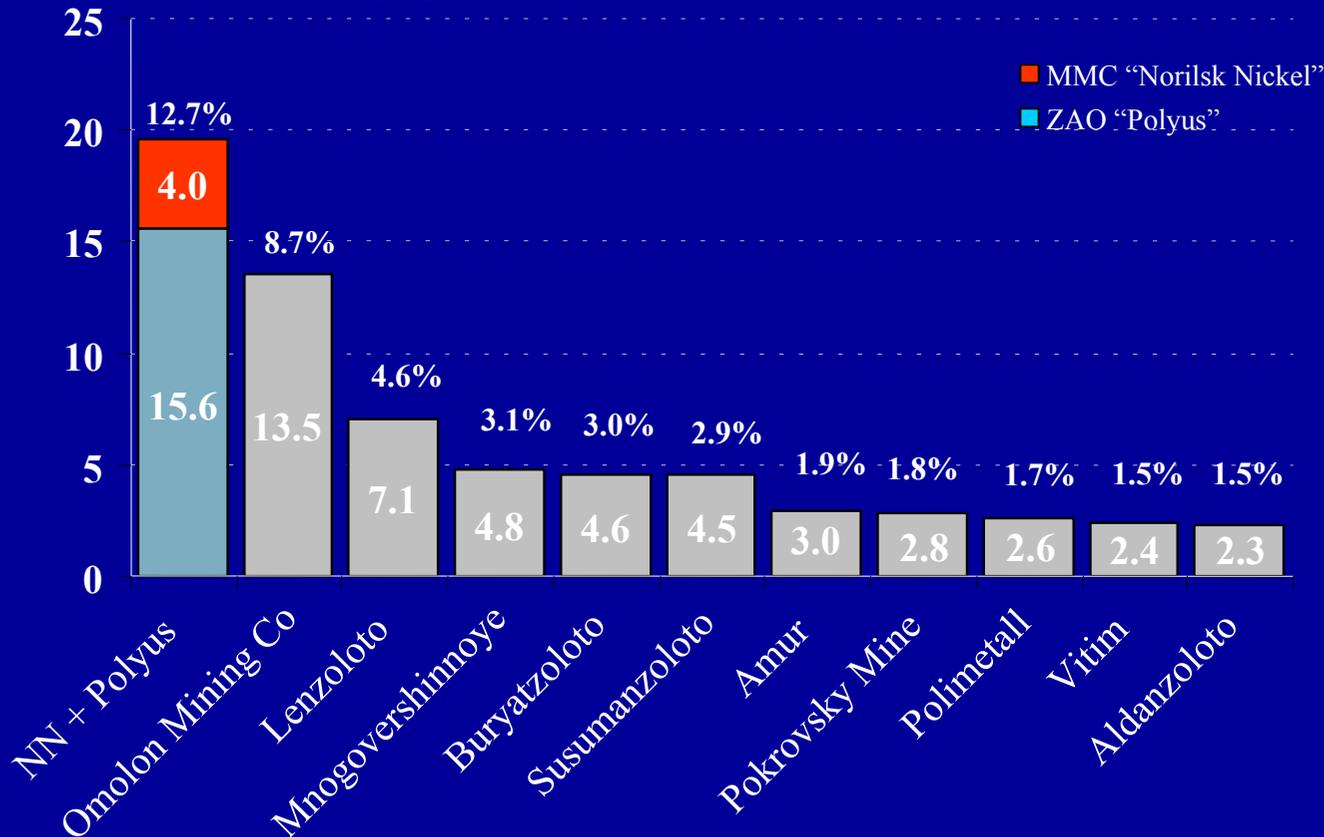
# MMC Norilsk Nickel on the Gold Market



- After acquisition of ZAO "Polyus" MMC Norilsk Nickel has become the largest gold producer in Russia with a 12,7 % proforma market share in 2001 and expected market share of 16-18% in 2002
- MMC Norilsk Nickel holds almost 1% share in world gold production

## Top Russian gold producers in 2001

(In tons; as % of the total 2001 gold production of 155 tons)



Source: Company data

Note: (\*) Proforma



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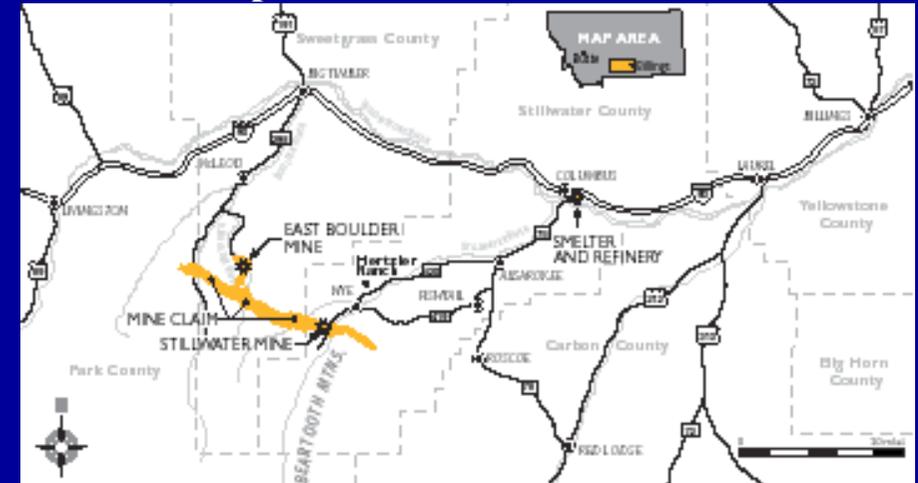


# Overview of Stillwater



- Stillwater is the only US “pure play” PGM producer and the only significant primary source of PGMs outside of South Africa and Russia
- Public company listed on NYSE (SWC)
- Principal mining assets are J-M Reef in Montana hosting Stillwater Mine (SM) and East Boulder Mine (EBM)
- Smelter and base-metals refinery
- 27.7 MM ounces of probable and proven PGM reserves, with a reserve life at current production rate of about 40 years
  - Palladium to Platinum ratio exceeding 3:1
- 2002E PGM production levels:
  - 513,798 ounces at Stillwater Mine
  - 118,220 ounces at East Boulder Mine

## Facilities map



## Stillwater Mine



## East Boulder Mine



# Transaction Summary



- Form**
- Norilsk Nickel will acquire 51.0% of Stillwater Mining Company (NYSE: SWC) in the form of 45,463,222 newly issued shares
- Consideration**
- Total of \$341 million, or \$7.50 per share (palladium and cash combination)
    - \$100,000,540 in cash
    - Approximately 876,270 ounces of palladium, valued at \$241 million based on the November 19, 2002, London PM Fix price (\$275/oz)
- Conditions**
- U.S. anti-trust approval (the Hart-Scott-Rodino Act)
  - Stillwater shareholders' approval
  - Bank waiver of change of control covenants
  - Russian Central Bank approval
- PGM Agreement**
- Intent to enter into Platinum Group Metal Agreement (at least 1,000,000 ounces of palladium per annum for resale in North America)
- Corporate Governance**
- Stockholders Agreement allowing Norilsk Nickel to nominate 5 of 9 Board members, 2 of which must be independent as defined in NYSE and SEC regulations
- Other Transactions**
- Norilsk Nickel will tender for up to 10% of the shares after the close of the transaction
    - Based upon the pre-closing fully diluted number of Common Shares
    - \$7.50 per share in cash



# Transaction Rationale



- Provides a solid distribution platform for PGMs in the US will improve access to the key end-users in the US
  - Inventory outside Russia and US marketing effort increases buyer confidence in supply
  - North American market represents about 39% of global palladium demand and 47% of global palladium demand for auto catalysts
- Realizes value for Norilsk Nickel's palladium inventory
- Increased reliability and supply certainty in the palladium market preempting the substitution effect and promoting the use of palladium
- Joint product development for palladium
- Geographical diversification of the mineral resource base/reduction of country risk
- Access to acid leaching technology (currently being studied as refining technology in Norilsk Nickel's operations)
- Immediately accretive to earnings



# Acquisition Strategy in 51% Ownership



- Use palladium as consideration
- Maintain NYSE listing of Stillwater
- Provides new capital to Stillwater to repay existing debt (eliminates burdensome covenants) and optimize production (increase efficiency)
- Stillwater acquisition priced “at market”
  - Share upside with existing shareholders



- Acquisition price is near Stillwater's all time low

## Share Price Performance

(In US dollars)



Source: Bloomberg



# Historical Exchange Ratio



- Historical exchange ratio analysis further supports the attractiveness of the acquisition price

## Relative Price Development

*(Ounces per share)*



## Exchange Ratio

*(Ounces per share)*

Current (November, 15)	0.026
3 Month Average	0.021
6 Month Average	0.031
1 Year Average	0.038
2 Year Average	0.042
3 Year Average	0.045
5 Year Average	0.054

5 Year Average

1 Year Average

**Transaction**



# Financial Performance Summary



## Key Financials

(In millions of US dollars)

	1997	1998	1999	2000	2001 9M	2002
<b>Income Statement</b>						
Revenue	76.9	106.7	150.7	225.2	277.4	217.0
<i>Growth</i>		39%	41%	49%	23%	0%
EBITDA	7.6	33.4	64.9	112.7	120.8	83.0
<i>Margin</i>	10%	31%	43%	50%	44%	38%
Net Income	-5.4	13.4	37.2	61.5	65.8	32.3
<i>Margin</i>	n/a	13%	25%	27%	24%	15%
<b>Cash Flow Statement</b>						
Net Cash from Operations	-1.9	31.1	67.8	117.7	106.8	46.1
Capital Expenditures	15.1	78.0	194.3	198.1	197.2	39.6
<b>Balance Sheet</b>						
Total Current Assets	35.3	85.4	45.7	74.2	85.8	123.7
Total Assets	229.2	335.9	478.8	679.0	868.2	915.8
Long-Term Debt & Capital Lease Obligations	61.5	59.0	84.4	157.3	246.8	204.1
Shareholders' Equity	141.4	228.0	323.1	400.6	475.1	560.0

Source: Stillwater Mining Company latest 10-K and 10-Q



## Board of Directors

- Size of the Board of Directors - 9
- Norilsk Nickel's board representation will reflect its shareholding in Stillwater:
  - Norilsk Nickel will nominate 5 of 9 Board members, 2 of which must be independent
  - 3 existing directors will remain on the Board of Directors (all independent directors)
  - CEO will be the 9th Board member
- As recommended by NYSE listing rules, majority of the directors on the Board will be independent
- Chairman of the Board of Directors will at all times be the CEO

## Committees

- The Board will have the following committees, comprised of the independent directors:
  - Audit Committee
  - Nominating Committee
  - Compensation Committee
  - Corporate Governance Committee

## Management

- Current management team will be retained



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- Corporate governance
  - Starting 2002 release quarterly IAS unaudited results
  - 2002 IAS fully audited financials to be published before general shareholder meeting
  - Introduce performance-related management compensation schemes
  - Lift the state secrecy regime on reserves and on PGM production
- Distribution
  - Further increase of long-term contacts and end-users share in sales
  - Enter into long-term agreements with major car producers
- Improvement of financial management
  - Continue reducing labor costs by reducing number of employees
  - Put Pelyatka natural gas field into operation as a major step in long-term energy strategy implementation
  - Implement management information system
  - Expenditures to support social infrastructure to be financed by local authorities from 2003-2004
  - Improve working capital management
- Optimization of production
  - Implement development strategy to be released in December 2002
- M&A activity
  - Fully integrate ZAO “Polyus” into the Group
  - Complete the acquisition of Stillwater Mining Company

