

## Norilsk Nickel

### Initiates gold asset spin-off

#### ■ Norilsk Nickel may unbundle its gold assets in 2006 . . .

Norilsk Nickel has announced that it may spin off its Russian gold assets and its 20% stake in GoldFields into a separate company by April 2006. While the exact mechanism is to be finalized in August 2005, the company said that shareholders are to be entitled to a common share of the new gold company pro rata to their holding in Norilsk Nickel.

#### ■ . . . offering exposure to sixth-largest gold company

Norilsk Nickel's gold operations in Russia include three key gold mines with output of 1.1 m tr. oz., large reserves and low cash costs of \$150/tr. oz., with unique growth opportunities. The potential unbundling of some of GoldFields' gold mines to Norilsk Nickel could create the world's sixth-largest gold company.

#### ■ New gold company could be worth \$3.5 bn

We estimate the fair value of Russian gold assets at \$2.5 bn (\$12.5 per share) based on NAV and peer group multiples analysis. Adding the \$1.05 bn (\$5.2 per share) current market value of the GoldFields stake, the new gold company could be worth over \$3.5 bn.

#### ■ Valuation: Buy 2 rating and \$75 price target maintained

The potential gold asset spin-off was already reflected in our price target of \$75 per share, which is based on DCF. The spin-off values Norilsk Nickel's residual business at \$8 bn, implying a 2005E EV/EBITDA multiple of 2.6 and a P/E of 4.8 - discounts of c50% to Inco.

Highlights (US\$m)	12/02	12/03	12/04E	12/05E	12/06E
Revenues	3,094	5,196	6,941	6,728	6,118
EBIT	809	1,516	2,736	2,573	1,856
Net income (UBS)	584	861	1,865	1,820	1,316
EPS (UBS, US\$)	2.73	4.03	8.72	9.04	6.53
Net DPS (UBS, US\$)	0.79	1.37	2.31	2.26	1.63

Profitability & Valuation	5-yr hist. av.	12/03	12/04E	12/05E	12/06E
EBIT margin %	26.8	29.2	39.4	38.2	30.3
ROIC (EBIT) %	-	17.6	30.2	27.7	19.4
EV/EBITDA x	2.3	4.0	3.3	3.6	4.4
PE (UBS) x	2.0	9.3	6.6	6.3	8.8
Net dividend yield %	1.0	3.7	4.0	4.0	2.9

Source: Company accounts, Thomson Financial, Brunswick UBS estimates. BUBS EPS is adjusted by adding back goodwill amortisation. Valuations: based on an average share price that year. (E): based on a share price of US\$57.17 on 19 Apr 2005 21:07 BST

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## Global Equity Research

Russia

Non-Ferrous Metals

**Rating** **Buy 2**  
**Unchanged**

**Price target** **US\$75.00**  
**Unchanged**

**Price** **US\$57.17**

RIC: GMKN.RTS BBG: GMKN RU

20 April 2005

### Trading data

52-wk. range	US\$74.65-44.00
Market cap.	US\$11.5bn
Shares o/s	201m
Free float	40%
Avg. daily volume ('000)	31
Avg. daily value (US\$m)	1.8

### Balance sheet data 12/04E

Shareholders' equity	US\$9.70bn
P/BV (UBS)	1.3x
Net cash (debt)	US\$0.45bn

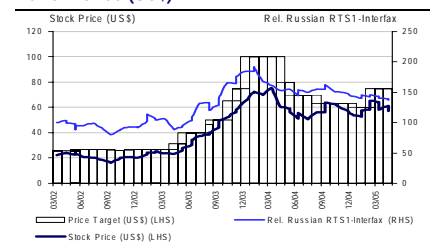
### Forecast returns

Forecast price appreciation	+31.2%
Forecast dividend yield	4.0%
Forecast stock return	+35.2%
Market return assumption	8.5%
Forecast excess return	+26.7%

### EPS (UBS, US\$)

	12/04E		12/03
	UBS	Cons.	Actual
12/04E	8.72	8.92	
12/05E	9.04	7.86	

### Performance (US\$)



Source: Brunswick UBS

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### ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 8

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## Summary

We reiterate our **Buy 2** rating on Norilsk Nickel following recent share price weakness, and maintain our 12-month price target of \$75 per share, implying 27% forecast excess return. We believe the company's decision to spin off its Russian gold assets and its 20% stake in GoldFields into a new gold company early in 2006 should be positive for the share price, due to the following:

- **Maximizing the value of the gold business** Norilsk Nickel currently trades at a 2005E EV/EBITDA multiple of 3.6 and a P/E of 6.3, while the average EV/EBITDA multiple of its international and Russian gold peers is roughly 13.0. We estimate the fair value of Norilsk Nickel's Russian gold assets at \$2.5 bn based on an NAV analysis and the average multiples of its peer group. Adding the \$1.05 bn in current market value of its GoldFields stake, the new gold company may be worth over \$3.5 bn, compared to Norilsk Nickel's current market capitalization of \$11.5 bn.
- **Attractive valuation of the residual business** Deducting the potential value of the gold company from Norilsk Nickel's market capitalization of \$11.5 bn, the current market value of Norilsk Nickel's base metals and PGM operations would be \$8 bn, all else being equal, implying 2005E EV/EBITDA and P/E multiples of 2.6 and 4.8 respectively—discounts of roughly 50% to Inco. We also see an upside risk to our current earnings estimates given that commodity prices remain above our current forecasts. At current spot prices for commodities, Norilsk Nickel should generate earnings of \$2.2 bn in 2005, or 20% above our current estimate, implying a 2005E P/E multiple of 3.6.
- **The potential creation of the world's sixth-largest listed gold company** Accounting for 20% of GoldFields' output, Norilsk Nickel's total 2004 gold output reached 2 m tr. oz., compared to 7 m tr. oz at the world's largest gold producer Newmont Mining. If Norilsk Nickel manages to unbundle some of GoldFields' international gold assets, it would likely result in the creation of the world's sixth-largest public gold company (excluding Rio Tinto, which is a diversified miner and not a pure gold producer, and assuming GoldFields is broken up), with combined EBITDA of over \$350 m, competitive cash costs and unique growth opportunities, particularly in Russia.

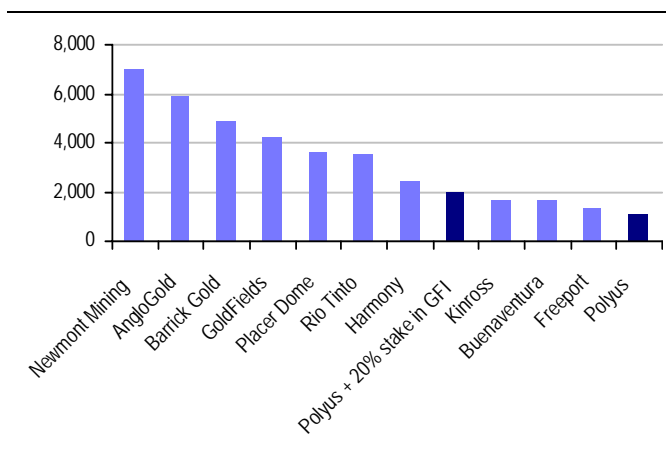
Despite all of the above, we believe the key risk of the spin-off at this stage is uncertainty regarding the exact mechanism of the transaction, in particular how ADR holders are to be treated. There are some technical difficulties related to allowing ADR holders to participate in the spin-off, and if ADR holders (who account for most of the freefloat) are treated differently than core shareholders, it could create negative sentiment around the transaction.

## Gold asset overview

Norilsk Nickel’s gold asset portfolio today includes ownership in three key gold mines in Russia with 2004 output of 1.1 m tr. oz. of gold and a 20% stake in GoldFields. The Russian operations, including the Olimpiadinskoye gold deposit, Matrosov Mine and Lenzoloto, are currently consolidated under Norilsk Nickel’s 100%-owned gold subsidiary Polyus. In addition, the company mines roughly 150,000 tr. oz. of gold as a by-product of its core nickel business on the Taimyr Peninsula.

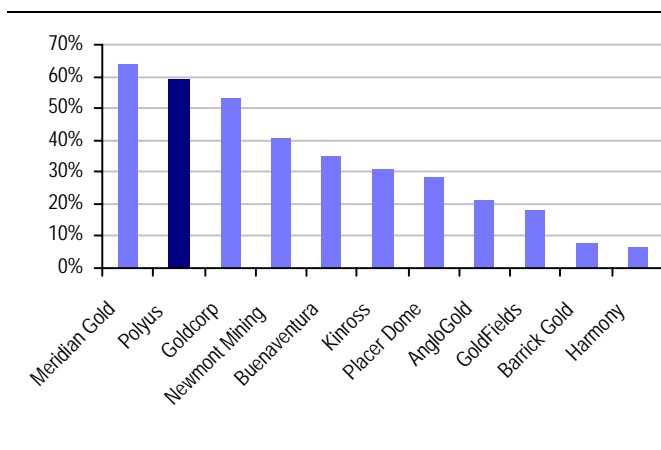
Polyus currently has estimated reserves of 18.9 m tr. oz. and resources of 40.8 m tr. oz. under Russian reserve classification. Polyus is one of the most cost-efficient gold producers in the world with 2004E unit cash costs of roughly \$150/tr. oz. compared to the world average of roughly \$220/tr. oz., due to cheap labor and low energy costs in Russia. This results in higher margins—Polyus’ EBITDA margin was 59% in 2004E, one of the highest among Russian and global gold producers. We estimate that in 2004 Polyus recorded revenues of \$340 m, EBITDA of \$200 m and net profit of \$150 m. We estimate Norilsk Nickel’s consolidated EBITDA at \$3.4 bn in 2004.

Chart 1: Largest gold producers, 2004 ('000 tr. oz.)



Source: AME, UBS; Brunswick UBS estimates

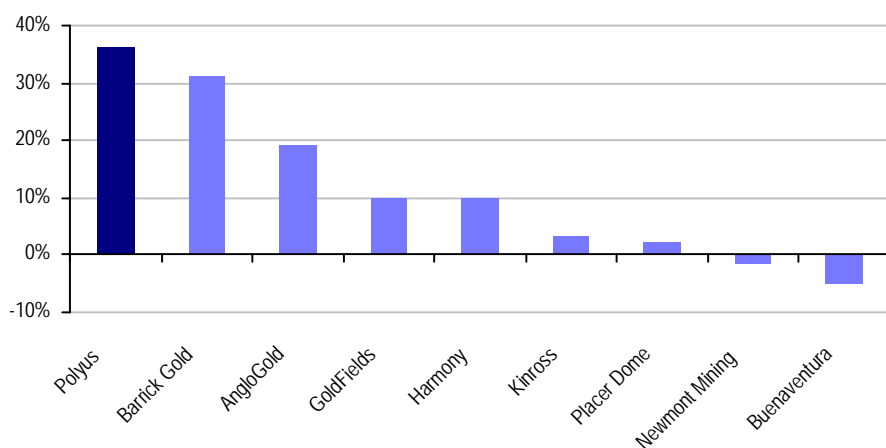
Chart 2: EBITDA margins, 2004E



Source: Company data, UBS; Brunswick UBS estimates

Norilsk Nickel’s gold assets in Russia also offer unique growth opportunities compared to global gold companies. According to our estimates and under the company’s strategy, Norilsk Nickel’s growth profile is substantially higher than the top ten global gold producers, although some middle-tier international and Russian gold peers may offer higher growth opportunities. Under the company’s plans, Polyus is to increase its gold output from 1.1 m tr. oz. in 2004 to 3 m tr. oz. by 2008E, to be achieved by expanding the production of its existing gold mines (in particular the Matrosov mine in the Far East), as well as new acquisitions, above all the bid for Sukhoi Log. We estimate that if the bid for Sukhoi Log is not successful, Norilsk Nickel will only be able to raise gold output to 1.7 m tr. oz. in 2007, primarily by developing the Matrosov Mine. In 2005–10E Polyus plans to invest in excess of \$2 bn to achieve these aggressive production targets. For more details on Norilsk Nickel’s gold strategy, see page 13 of our “Norilsk Nickel: Downgrade on political risks and cyclical downturn” report of September 1, 2004.

Chart 3: 2004–06E production growth for major gold companies



Source: UBS, Brunswick UBS estimates

## Valuing Norilsk Nickel's gold assets

In anticipation of the potential spin-off of Norilsk Nickel's gold assets, we have been valuing the company's gold assets separately from its core assets, its stake in GoldFields and Stillwater Mining. Based on our DCF model, which uses UBS' long-term gold price of \$340/tr. oz., we arrive at a fair value of Norilsk Nickel's Russian gold assets of \$2.5 bn. We crosscheck our valuation with comparable company and multiple analyses. At our estimated fair value, Polyus trades at a 2004 EV/EBITDA multiple of 12.0, which is a 20% discount to the global gold average of 15.0, justified in our view by Russia-specific risks. At \$2.5 bn, Polyus would trade at an EV/reserves multiple of \$130/tr. oz. and an EV/2004 production multiple of \$2,200/tr. oz.—comparable to global and some Russian peers.

Table 1: Reserves and production-based valuations of gold producers

	M.Cap., \$ m	Reserves, m tr. oz.	Resources, m tr. oz.	2004 cash cost, \$/tr. oz.	2004 production, '000 tr. oz.	2006E production, '000 tr. oz.	EV/reserves	EV/resources	EV/2004 production	EV/2006E production
<b>Top ten</b>										
Newmont Mining	17,564	91.3	123.6	223.0	7,016	6,907	192.4	142.1	2,503	2,543
AngloGold	7,630	83.2	248.1	268.0	5,852	6,962	91.7	30.8	1,304	1,096
Barrick Gold	11,909	86.9	128.1	213.0	4,898	6,427	137.0	93.0	2,431	1,853
Gold Fields	5,255	76.0	179.0	330.0	4,200	4,620	69.1	29.4	1,251	1,137
Placer Dome	6,279	62.2	148.1	241.0	3,575	3,651	100.9	42.4	1,756	1,720
Rio Tinto	42,581	n/a	n/a	n/a	3,500	n/a	n/a	n/a	n/a	n/a
Harmony	2,249	50.7	308.8	340.0	2,400	2,640	44.4	7.3	937	852
Kinross	1,834	2.4	15.8	238.0	1,623	1,674	n/a	116.0	1,130	1,095
Buenaventura	2,714	14.9	26.6	140.0	1,612	1,535	181.9	101.9	1,683	1,768
Freeport	6,893	42.2	56.5	212.0	1,319	1,729	163.3	122.0	5,226	3,987
<b>Top ten average</b>				<b>245.0</b>			<b>122.6</b>	<b>76.1</b>	<b>2,024.7</b>	<b>1,783.4</b>
<b>Mid-tier gold companies</b>										
Goldcorp	4,297	5.3	6.4	105.0	571	634	816.8	671.8	7,526	6,778.2
Meridian Gold	1,489	4.1	5.8	57.0	309	311	365.5	255.4	4,819	4,787.7
Agnico-Eagle	1,140	7.8	8.7	91.0	276	259	145.4	131.5	4,131	4,401.6
IAMGold	784	4.4	9.2	244.0	271	314	177.4	85.5	2,893	2,496.6
Glamis	1,834	6.3	16.7	212.0	234	647	291.9	109.7	7,836	2,834.2
<b>Mid-tier average</b>				<b>141.8</b>			<b>359.4</b>	<b>250.8</b>	<b>5,440.9</b>	<b>4,259.7</b>
<b>Russia</b>										
Highland Gold	542	7.7	16.7	215	200	350	70.3	32.4	2,708	1,547.6
Celtic Resources	356	6.2	11.9	220	23	298	57.4	29.9	15,471	1,194.1
Peter Hambro	834	4.0	55.0	135	210	405	208.5	15.2	4,170	2,059.0
Trans-Siberian Gold	80	2.0	3.2	n/a	-	-	39.9	24.9	n/a	n/a
<b>Russian average</b>				<b>183.3</b>			<b>94.0</b>	<b>25.6</b>	<b>7,449.6</b>	<b>1,600.2</b>

Source: Company data, UBS, Brunswick UBS estimates

Table 2: Valuations of international gold producers

VALUE	EV / EBITDA (core) (x)			EV / Invested Capital (x)			P / CF (x)			P / E UBS (x)			Div Yield %			P/BV (x)		P/NPV (x)
	2004	2005E	2006E	2004	2005E	2006E	2004	2005E	2006E	2004	2005E	2006E	2004	2005E	2006E	2004	2005E	2005E
Lihir	13.3	9.9	11.9	1.27	1.11	1.07	14.1	10.9	13.0	24.7	17.7	24.9	0.0	0.0	0.0	0.93	0.86	0.86
Newcrest	15.5	11.7	8.0	2.39	2.55	2.68	15.0	9.6	6.7	39.9	23.6	17.2	0.3	0.3	0.7	1.57	1.62	1.62
Oxiana Ltd	37.8	9.4	5.4	2.17	2.87	3.06	>50	9.9	5.9	>100	18.6	10.5	0.0	0.0	0.0	0.94	0.99	0.99
Australian gold average	17.8	11.0	8.3	2.15	2.35	2.45	13.0	9.9	7.6	32.0	21.9	17.6	0.2	0.2	0.4	1.37	1.40	1.40
Agnico-Eagle Mines Ltd.	14.8	10.7	12.8	2.16	2.03	1.77	15.2	11.9	14.8	24.8	23.4	31.6	0.2	0.2	0.2	2.54	2.25	
Barrick Gold	17.8	15.7	11.7	3.13	2.97	3.18	25.5	17.9	13.1	>100	60.9	40.2	1.0	1.0	1.0	3.15	3.28	2.35
Bema Gold	-87.7	71.2	25.2	2.58	1.79	1.72	<-50	<-50	26.1	-15.3	-94.1	>100	0.0	0.0	0.0	3.65	2.95	
Buenaventura	6.6	5.3	23.1	15.55	15.30	17.08	11.7	10.1	11.0	14.7	12.6	13.8	2.2	2.0	1.8	4.53	3.24	5.70
Eldorado Gold Corp	-58.9	-38.9	14.3	6.99	3.80	3.03	<-50	<-50	15.8	-55.7	-45.3	29.9	0.0	0.0	0.0	3.75	3.65	2.04
Glamis Gold	56.8	20.1	9.2	3.93	2.98	3.08	49.2	23.1	10.6	>100	54.3	18.7	0.0	0.0	0.0	4.90	3.76	2.22
Goldcorp Inc.	21.0	9.5	7.2	6.40	1.36	1.26	47.7	12.4	12.7	49.4	21.8	19.1	2.1	2.8	0.5	4.39	1.56	1.69
Golden Star Resources	54.8	11.8	8.1	3.64	1.52	1.51	>50	16.0	9.1	>100	54.0	22.9	0.0	0.0	0.0	3.61	1.80	2.37
IAMGOLD	36.1	21.5	12.4	2.33	1.87	1.87	>50	31.4	16.0	85.1	29.7	22.1	0.9	1.1	1.1	2.52	1.94	1.95
Kinross Gold	10.0	7.2	6.8	1.04	0.86	0.86	11.7	8.4	8.4	68.3	38.1	33.2	0.0	0.0	0.0	1.17	0.96	1.09
Meridian Gold Inc.	14.7	13.4	12.7	1.89	1.94	1.76	21.0	20.4	19.4	38.3	30.4	29.5	0.0	0.0	0.0	2.19	2.18	2.00
Newmont	10.6	8.3	7.8	2.68	2.36	2.34	11.7	11.0	9.8	39.5	28.9	22.5	0.7	1.0	1.0	2.41	2.11	2.30
Placer Dome	13.3	10.0	7.1	2.54	2.09	2.10	18.4	12.5	9.8	43.5	27.5	19.0	0.6	0.7	0.7	2.31	1.88	1.92
Wheaton River																		
American gold average	13.0	11.4	10.1	3.67	3.01	3.12	18.3	13.5	11.7	27.9	33.0	25.8	0.8	1.0	0.8	2.87	2.42	2.33
AngloGold	16.4	9.4	7.0	1.28	1.27	1.25	20.7	13.7	11.1	90.1	44.3	17.4	1.7	2.2	5.3	2.59	2.43	
Durban Roodpoort Deep	34.5	25.8	7.0	5.07	1.95	2.67	-9.6	-24.0	5.4	-6.1	-6.3	26.2	0.0	0.0	0.0	n/m	2.90	3.20
GoldFields Ltd.	18.8	17.2	10.7	2.22	1.74	1.78	20.4	18.3	13.3	43.3	66.7	39.2	1.1	0.7	1.3	2.37	2.01	1.22
Harmony	42.5	58.6	23.3	0.94	0.66	0.70	<-50	-32.3	<-50	-32.7	-10.7	-20.3	0.9	0.0	0.0	1.02	0.71	
South African gold average	21.1	19.5	10.6	1.58	1.35	1.37	17.3	8.0	10.1	56.4	43.3	19.5	1.3	1.3	3.1	1.66	2.04	1.29
Gold average	15.1	13.1	10.1	3.11	2.61	2.70	17.7	12.1	11.0	34.3	34.3	23.8	0.9	1.0	1.3	2.50	2.26	2.15
Angloplats	10.2	13.2	13.7	1.99	1.75	1.65	12.2	12.6	13.0	22.7	29.6	31.0	3.2	2.0	1.9	2.73	2.66	0.71
Implats	8.2	7.7	7.4	3.02	2.74	2.17	11.3	11.3	10.5	13.8	14.4	13.8	4.3	3.8	3.8	3.06	2.50	0.71
Lonmin	10.6	9.2	11.9	2.75	2.38	2.30	10.9	13.0	12.8	22.2	17.9	17.6	3.8	3.9	3.9	3.67	3.31	1.14
Northam Platinum Ltd	4.2	6.7	12.9	1.24	1.07	1.16	6.6	8.7	13.1	9.2	14.9	41.5	13.9	5.6	2.4	1.32	1.07	0.11
Platinum average	9.5	10.6	11.3	2.43	2.16	1.91	11.6	12.1	12.2	19.5	22.5	23.5	3.9	3.0	2.9	2.96	2.68	0.76
Precious metals average	14.0	12.6	10.3	2.98	2.52	2.55	16.6	12.1	11.3	31.5	32.0	23.7	1.4	1.4	1.6	2.59	2.34	1.85

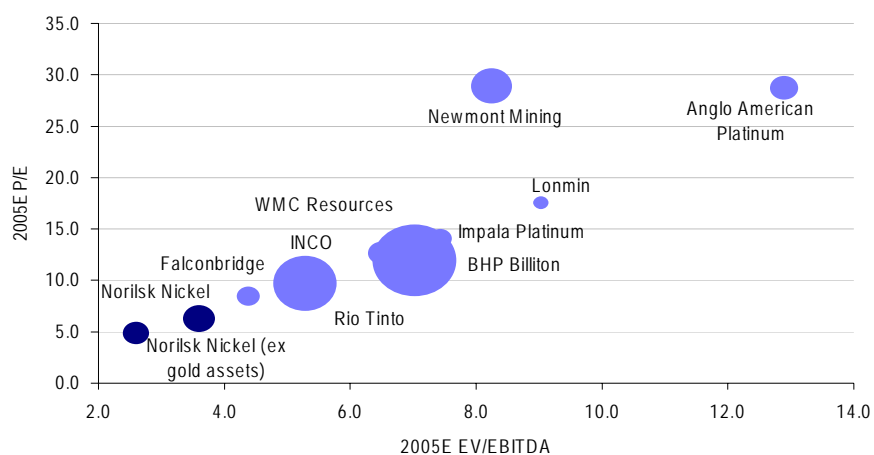
Source: UBS estimates

We value Norilsk Nickel's 20% stake in GoldFields based on UBS' current fair value estimate of \$5.5 bn, suggesting that Norilsk Nickel's stake is worth \$1.1 bn. Norilsk Nickel acquired the stake from Anglo American for \$1.25 bn in March 2004, implying that the investment has already lost \$150 m. We believe the potential unbundling of some of GoldFields' international gold mines to Norilsk Nickel in exchange for its 20% stake could create an upside risk to this valuation, although we await more details to assess the final implications of the potential break-up of GoldFields. Adding the value of the GoldFields stake to our fair value estimate of Polyus, we arrive at a fair value of the new gold company at above \$3.5 bn.

## Valuation and rating

Deducting the potential value of the gold company from Norilsk Nickel's market capitalization of \$11.5 bn, the current market value of Norilsk Nickel's base metals and PGM operations would be \$8 bn, all else being equal, implying a 2005E EV/EBITDA multiple of 2.6 and a P/E of 4.8—discounts of roughly 50% to Inco. We also see an upside risk to our current earnings estimates given that commodity prices remain above our current forecasts. At current spot prices for commodities, Norilsk Nickel should generate earnings of \$2.2 bn in 2005, or 20% above our current estimate. We reiterate our **Buy 2** rating on Norilsk Nickel following recent share price weakness, and maintain our 12-month price target of \$75 per share, implying 27% forecast excess return. We have already incorporated the potential spin-off of the gold assets in our price target.

Chart 4: 2005E EV/EBITDA and P/E of Norilsk Nickel peers



Source: UBS, Brunswick UBS estimates

## ■ **Norilsk Nickel**

Norilsk Nickel is one of the world's major integrated mining and metals companies, and Russia's largest. It is also the lowest-cost nickel producer. The company accounts for over 20% of world nickel, 12% of platinum, over 50% of palladium production, and 3% of copper output. Operations are located at two sites, the Norilsk region and the Kola Peninsula, and only PGM refining is outsourced. Base metals account for c70% of revenues, followed by PGMs at 24% and gold at 6%. All metals apart from gold are mined from a single sulphide ore body. Norilsk Nickel is controlled by two individual shareholders.

## ■ **Statement of Risk**

Norilsk Nickel is exposed to the risks inherent in the mining sector, such as the highly volatile nature of commodity prices. Further, Norilsk Nickel's earnings are highly sensitive to movements in exchange rates, which may pose a risk to our earnings projections if the ruble appreciates ahead of our forecasts. Higher effective royalty tax for mining companies is the biggest tax risk for Norilsk Nickel in our view. Of particular note are the risks that stem from the fact that Norilsk Nickel was acquired by Interros during the "shares-for-loans" auctions of the mid-1990s (Interros Chairman Vladimir Potanin was then first deputy prime minister). While Potanin has been very public in his support of President Vladimir Putin - in our view reducing the likelihood that he will fall foul of the reported 2000 deal that Putin offered to oligarchs (pay taxes, invest, and keep out of politics and the manner of their asset acquisition would not be delved into) - the "Yukos affair" illustrates the potential risks to such oligarch-owned companies.

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UBS rating	Definition	UBS rating	Definition	Rating category	Coverage <sup>1</sup>	IB services <sup>2</sup>
<b>Buy 1</b>	FSR is > 10% above the MRA, higher degree of predictability	<b>Buy 2</b>	FSR is > 10% above the MRA, lower degree of predictability	<b>Buy</b>	37%	30%
<b>Neutral 1</b>	FSR is between -10% and 10% of the MRA, higher degree of predictability	<b>Neutral 2</b>	FSR is between -10% and 10% of the MRA, lower degree of predictability	<b>Hold/Neutral</b>	52%	32%
<b>Reduce 1</b>	FSR is > 10% below the MRA, higher degree of predictability	<b>Reduce 2</b>	FSR is > 10% below the MRA, lower degree of predictability	<b>Sell</b>	11%	25%

1: Percentage of companies under coverage globally within this rating category.

2: Percentage of companies within this rating category for which investment banking (IB) services were provided within the past 12 months.

Source: UBS; as of 31 March 2005.

### KEY DEFINITIONS

**Forecast Stock Return (FSR)** is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months.

**Market Return Assumption (MRA)** is defined as the one-year local market interest rate plus 5% (an approximation of the equity risk premium).

**Predictability Level** The predictability level indicates an analyst's conviction in the FSR. A predictability level of '1' means that the analyst's estimate of FSR is in the middle of a narrower, or smaller, range of possibilities. A predictability level of '2' means that the analyst's estimate of FSR is in the middle of a broader, or larger, range of possibilities.

**Under Review (UR)** Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation.

**Rating/Return Divergence (RRD)** This qualifier is automatically appended to the rating when stock price movement has caused the prevailing rating to differ from that which would be assigned according to the rating system and will be removed when there is no longer a divergence, either through market movement or analyst intervention.

### EXCEPTIONS AND SPECIAL CASES

**US Closed-End Fund ratings and definitions are:** Buy: Higher stability of principal and higher stability of dividends; Neutral: Potential loss of principal, stability of dividend; Reduce: High potential for loss of principal and dividend risk.

**UK and European Investment Fund ratings and definitions are:** Buy: Positive on factors such as structure, management, performance record, discount; Neutral: Neutral on factors such as structure, management, performance record, discount; Reduce: Negative on factors such as structure, management, performance record, discount.

**Core Banding Exceptions (CBE):** Exceptions to the standard +/-10% bands may be granted by the Investment Review Committee (IRC). Factors considered by the IRC include the stock's volatility and the credit spread of the respective company's debt. As a result, stocks deemed to be very high or low risk may be subject to higher or lower bands as they relate to the rating. When such exceptions apply, they will be identified in the Companies Mentioned table in the relevant research piece.

### Companies mentioned

Company Name	Reuters	Rating	Price	Price date/time
<b>Agnico-Eagle Mines</b> <sup>16</sup>	AEM.N	Buy 2	US\$14.06	19 Apr 2005 19:35 EDT
<b>AngloPlat</b> <sup>14,16</sup>	AMSJ.J	Reduce 2	RCnt24,900	19 Apr 2005 08:19 BST

Company Name	Reuters	Rating	Price	Price date/time
AngloGold Ashanti <sup>3c,4a,6,14,16</sup>	ANGJ.J	Neutral 2	RCnt21,300	19 Apr 2005 08:19 BST
Barrick Gold Corp <sup>2b,4b,14,16</sup>	ABX.N	Buy 2	US\$23.01	19 Apr 2005 19:35 EDT
Bema Gold <sup>16</sup>	BGO.TO	Buy 2	C\$2.92	19 Apr 2005 19:35 EDT
BHP Billiton Plc <sup>2a,4a,16</sup>	BLT.L	Neutral 2	663p	19 Apr 2005 21:07 BST
Buenaventura <sup>16</sup>	BUEv.LM	Buy 2	NS72.70	19 Apr 2005 19:35 EDT
DRDGOLD Ltd <sup>16</sup>	DRDJ.J	Reduce 2	RCnt500	19 Apr 2005 21:07 BST
Eldorado Gold Corp <sup>2c,4a,4b,16</sup>	ELD.TO	Neutral 2	C\$3.24	19 Apr 2005 19:35 EDT
Falconbridge Limited	FL.TO	Buy 2	C\$42.31	19 Apr 2005 19:35 EDT
Freeport-McMoRan <sup>2a,4c,6,16</sup>	FCX.N	Neutral 2	US\$36.19	19 Apr 2005 19:35 EDT
Glamis Gold Ltd. <sup>16</sup>	GLG.N	Buy 2	US\$14.88	19 Apr 2005 19:35 EDT
Gold Fields Ltd <sup>16</sup>	GFIJ.J	Neutral 2	RCnt6,755	19 Apr 2005 08:19 BST
Goldcorp Inc. <sup>16</sup>	GG.N	Buy 2	US\$13.70	19 Apr 2005 19:35 EDT
Golden Star <sup>16</sup>	GSS.A	Neutral 2	US\$2.76	19 Apr 2005 19:35 EDT
Harmony <sup>4c,16</sup>	HARJ.J	Reduce 2	RCnt4,460	19 Apr 2005 08:20 BST
IAMGOLD Corp. <sup>16</sup>	IMG.TO	Buy 2	C\$7.70	19 Apr 2005 19:35 EDT
Implats <sup>4a,16</sup>	IMPJ.J	Neutral 2	RCnt51,600	19 Apr 2005 21:07 BST
INCO Ltd. <sup>16</sup>	N.N	Buy 2	US\$37.45	19 Apr 2005 19:35 EDT
Kinross Gold <sup>16</sup>	KGC.N	Buy 2	US\$5.60	19 Apr 2005 19:35 EDT
Lihir Gold Limited <sup>16</sup>	LHG.AX	Buy 2	A\$1.02	19 Apr 2005 21:10 AEST
Lonmin <sup>4a,16</sup>	LMI.L	Neutral 2	956p	19 Apr 2005 21:07 BST
Meridian Gold Inc. <sup>16</sup>	MDG.N	Buy 2	US\$16.24	19 Apr 2005 19:35 EDT
Newcrest Mining <sup>16</sup>	NCM.AX	Buy 2	A\$15.59	19 Apr 2005 21:10 AEST
Newmont Mining Corp. <sup>2b,4a,5,6,16</sup>	NEM.N	Buy 2	US\$41.85	19 Apr 2005 19:35 EDT
Norilsk Nickel <sup>2a,4a,13</sup>	GMKN.RTS	Buy 2	US\$57.17	19 Apr 2005 21:07 BST
Northam Platinum Ltd	NHMJ.J	Reduce 2	RCnt900	19 Apr 2005 21:07 BST
Oxiana Limited	OXR.AX	Neutral 2	A\$0.92	19 Apr 2005 21:10 AEST
Placer Dome Inc. <sup>2c,4b,16</sup>	PDG.N	Buy 2	US\$15.26	19 Apr 2005 19:35 EDT
Rio Tinto Limited <sup>3a,4c,5,16</sup>	RIO.AX	Neutral 2	A\$43.46	19 Apr 2005 21:10 AEST
Stillwater Mining <sup>4c,6,16</sup>	SWC.N	Not rated	US\$8.00	19 Apr 2005 19:35 EDT
WMC Resources Ltd <sup>2a,3b,4a,5,13,18</sup>	WMR.AX	Restricted	A\$7.86	19 Apr 2005 21:10 AEST

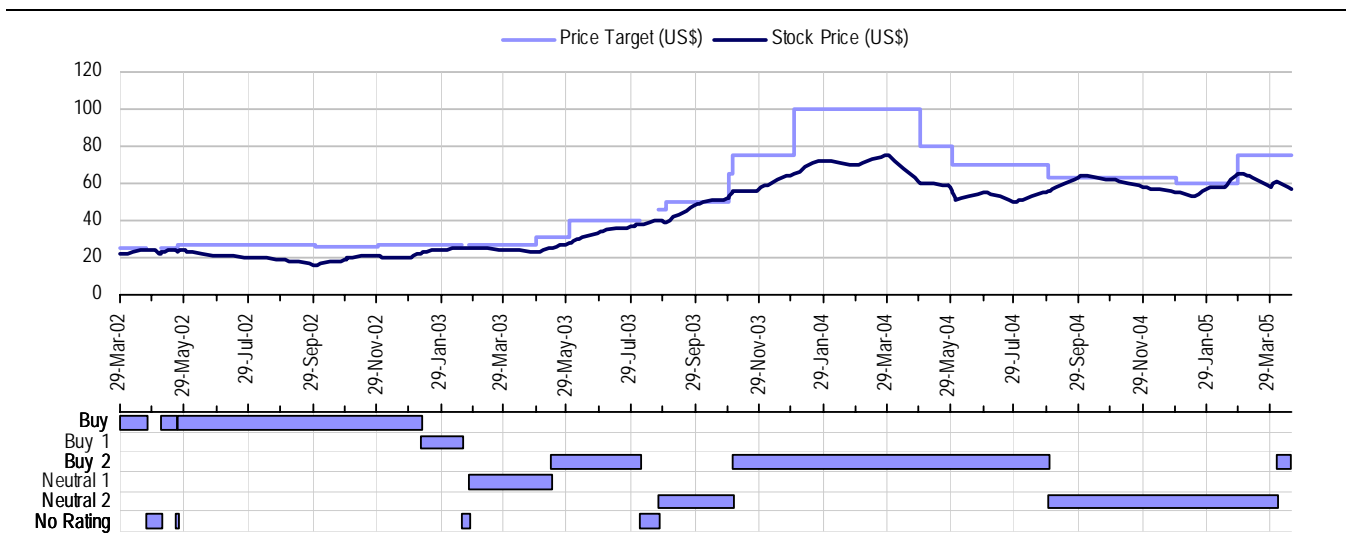
Source: UBS. AEST: Australian eastern standard time; BST: British summer time; EDT: Eastern daylight time.

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Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report.

**Norilsk Nickel (US\$)**



Source: UBS; as of 19 April 2005.

Note: On October 13, 2003, UBS adopted new definition criteria for its rating system. (See 'UBS Investment Research: Global Equity Ratings Definitions and Allocations' table for details.) Between January 11 and October 12, 2003, the UBS ratings and their definitions were: Buy 1: Excess return potential > 15%, smaller range around price target; Buy 2: Excess return potential > 15%, larger range around price target; Neutral 1: Excess return potential between -15% and 15%, smaller range around price target; Neutral 2: Excess return potential between -15% and 15%, larger range around price target; Reduce 1: Excess return potential < -15%, smaller range around price target; Reduce 2: Excess return potential < -15%, larger range around price target. Prior to January 11, 2003, the UBS ratings and definitions were: Strong Buy: Greater than 20% excess return potential, high degree of confidence; Buy: Positive excess return potential; Hold: Low excess return potential, low degree of confidence; Reduce: Negative excess return potential; Sell: Greater than 20% negative excess return potential, high degree of confidence. Under both ratings systems, excess return is defined as the difference between the FSR and the one-year local market interest rate.

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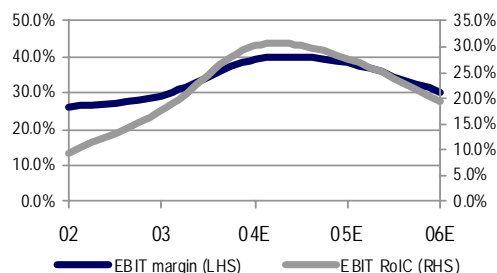
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## Norilsk Nickel

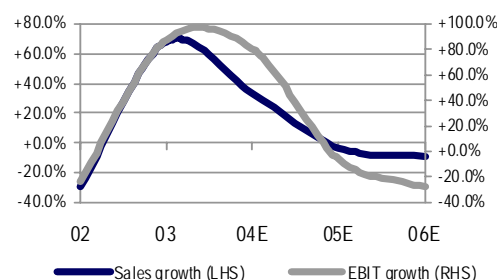
Per share (US\$)	12/02	12/03	12/04E	12/05E	12/06E
EPS	2.73	4.03	8.72	9.04	6.53
CEPS	3.53	6.28	10.56	10.69	8.44
Net DPS	0.79	1.37	2.31	2.26	1.63
BVPS	33.68	38.35	45.06	50.11	53.67
<b>Profit &amp; loss (US\$ m)</b>					
Sales	3,094	5,196	6,941	6,728	6,118
EBITDA	1,207	1,950	3,202	3,074	2,403
Operating income (EBIT)	809	1,516	2,736	2,573	1,856
Pre-tax profit	863	1,338	2,647	2,583	1,863
Net income (UBS adj.)	584	861	1,865	1,820	1,316
<b>Cash flow (US\$ m)</b>					
Operating income (EBIT)	809	1,516	2,736	2,573	1,856
Depreciation & amortisation	398	434	465	501	548
Net change in working capital	(126)	207	135	101	6
Other (operating)	(27)	120	200	(0)	(0)
Operational cash flow	1,054	2,277	3,536	3,176	2,409
Tax paid	(286)	(493)	(782)	(763)	(548)
Capital expenditure	(348)	(440)	(666)	(846)	(836)
Net interest	(39)	(10)	(1)	33	35
Dividends paid	(168)	(147)	(276)	(466)	(455)
Net (acquisitions) / disposals	(116)	(165)	(1,500)	0	0
Other items	(143)	(293)	(201)	(785)	(41)
(Increase) decrease in net debt	(46)	729	111	349	565
<b>Operating free cash flow (OpFCF) (US\$ m)</b>					
EBITDA (core)	1,195	1,998	3,390	3,062	2,391
Less maintenance capital expenditure	(155)	(260)	(330)	(319)	(289)
Less maintenance net working capital	0	0	0	0	0
OpFCF	1,040	1,738	3,059	2,744	2,103
<b>Balance sheet (US\$ m)</b>					
Net tangible fixed assets	6,162	7,042	7,411	7,768	8,067
Net intangible fixed assets	188	176	164	152	140
Net working capital	1,977	1,729	1,594	1,493	1,487
Total invested capital (IC)	8,327	8,947	9,169	9,413	9,694
Financial & other fixed assets	199	405	1,905	1,905	1,905
Net cash / (debt)	(386)	343	454	803	1,367
Provisions	0	0	0	0	0
Minority interests	(101)	(344)	(414)	(434)	(463)
Shareholders' funds	7,200	8,113	9,702	10,305	11,166
<b>Profitability</b>					
EBITDA margin	39.0%	37.5%	46.1%	45.7%	39.3%
EBIT margin	26.1%	29.2%	39.4%	38.2%	30.3%
EBIT RoIC	9.5%	17.6%	30.2%	27.7%	19.4%
Net RoE	8.2%	11.2%	20.9%	18.2%	12.3%
Interest cover (EBIT)	20.7x	>100x	>100x	NM	NM
Dividend cover (net)	3.5x	2.9x	3.8x	4.0x	4.0x
<b>Productivity</b>					
Labour % sales	17.6%	14.5%	11.7%	12.7%	13.8%
Depreciation % sales	12.9%	8.4%	6.7%	7.5%	9.0%
Capex % sales	11.2%	8.5%	9.6%	12.6%	13.7%
Invested capital turnover	0.4x	0.6x	0.8x	0.7x	0.6x
Tax rate	33.1%	36.8%	29.5%	29.5%	29.4%
Net debt / total equity	5.3%	Cash	Cash	Cash	Cash
<b>Momentum</b>					
Sales growth	-29.4%	+67.9%	+33.6%	-3.1%	-9.1%
EBIT growth	-23.3%	+87.4%	+80.5%	-6.0%	-27.9%
Net earnings growth	-52.7%	+47.4%	+116.6%	-2.4%	-27.7%
Dividend growth	>+200%	+74.2%	+68.8%	-2.4%	-27.7%
<b>Value*</b>					
Market capitalisation (US\$ m)	4,105	8,019	11,514	11,514	11,514
Plus: Core net debt / (cash)	363	22	(398)	(628)	(1,085)
Plus: Pension provisions	-	-	-	-	-
Plus: Buy out of minorities	-	-	-	-	-
Less: Non-core assets	-	-	-	-	-
Enterprise value (EV, avg)	4,468	8,041	11,116	10,886	10,429
EV/Sales (core)	1.44x	1.55x	1.60x	1.62x	1.70x
EV/EBITDA (core)	3.7x	4.0x	3.3x	3.6x	4.4x
EV/EBIT (core)	5.5x	5.3x	4.1x	4.2x	5.6x
EV/OpFCF	4.3x	4.6x	3.6x	4.0x	5.0x
EV/Invested capital	0.5x	0.9x	1.2x	1.2x	1.1x
P/CE	5.7x	6.0x	5.4x	5.4x	6.8x
P/E	7.3x	9.3x	6.6x	6.3x	8.8x
Dividend yield (net)	3.93%	3.66%	4.05%	3.95%	2.86%
P/BV (average)	0.6x	1.0x	1.3x	1.1x	1.1x

Norilsk Nickel is one of the world's major integrated mining and metals companies, and Russia's largest. It is also the lowest-cost nickel producer. The company accounts for over 20% of world nickel, 12% of platinum, over 50% of palladium production, and 3% of copper output. Operations are located at two sites, the Norilsk region and the Kola Peninsula, and only PGM refining is outsourced. Base metals account for c70% of revenues, followed by PGMs at 24% and gold at 6%. All metals apart from gold are mined from a single sulphide ore body. Norilsk Nickel is controlled by two individual shareholders.

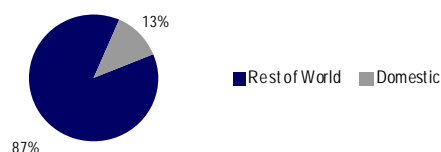
## Profitability (EBIT margins &amp; RoIC)



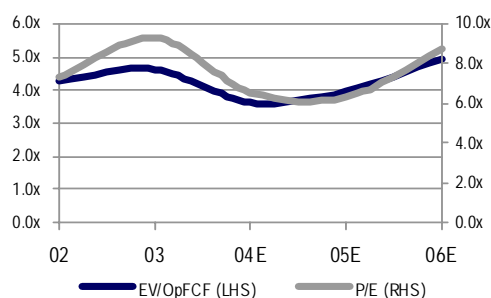
## Momentum (Sales &amp; EBIT growth)



## Geographic exposure (Sales)



## Value (EV/OpFCF &amp; P/E)



Source: UBS estimates. \* Historical valuations are based on an 'average for the year' share price. Current & future valuations are based on a share price of US\$57.17 on 19/04/2005