

Norilsk Nickel Plans to Slim Down on Declining Prices

By [The Moscow Times](#)

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Norilsk Nickel, the world's biggest nickel producer, said it planned to slim down and focus on its top assets, joining other big mining companies in shedding businesses in the face of weak metals prices.

The company, partially owned by Russian tycoon Vladimir Potanin and aluminum giant RusAl, is having to cope with a more than 20 percent plunge in nickel prices this year, although it has remained profitable. Weak metals demand, however, is making it difficult to sell businesses.

Under its new strategy announced Thursday Norilsk stuck to its plan to sell off assets in Africa and Australia, despite the failure to close any deals in recent months.

Deputy chief executive Pavel Fyodorov said the company would focus on so-called "Tier 1" assets — large scale, high quality projects with current or potential annual revenue of more

than \$1 billion, EBITDA margins of more than 40 percent and 20 years of viable reserves.

"We need to get rid of assets that do not meet our Tier 1 objectives," Fyodorov told reporters.

The company plans to concentrate on its low-cost Polar operations located on Russia's Taimyr Peninsula, which already accounts for the bulk of its production.

It said it would double its exploration budget for the Taimyr Peninsula, an unusual decision given the current market situation, when global miners are cutting exploration to reduce costs. Fyodorov did not disclose the current or future budget size.

Potanin has run the company since late 2012 under a deal that ended a five-year row between the company's shareholders over corporate governance. The board approved the revised strategy on Thursday.

Norilsk did not say if any changes had been made to its dividend policy and did not disclose planned production and capital expenditures, which are due to be announced in the fourth quarter.

"The strategy was broadly expected and contains little new," said Sergei Donskoi, metals and mining analyst at Societe Generale. "In this form, it looks more like a declaration of intent and has to be populated with specific numbers and projects."

Norilsk, which has already paid almost \$2 billion in dividends for 2012, was expected to declare a payout of at least \$3 billion for 2013 and the same amount for 2014 with further payouts equal to 50 percent of its core earnings.

But Potanin said earlier this week that the dividend policy, agreed on in late 2012 when the company solved the row with shareholders, would have to be changed due to weak metals markets.

Any decrease in dividend would not be welcomed by major shareholder RusAl, which needs good dividend payments as it struggles with net debt of about \$10 billion and a weak aluminum market.

RusAl said Thursday that it believed Norilsk was able to retain its current dividend policy despite weak markets.

Norilsk reported a 63 percent drop in first-half net profit in August due to noncash write-offs. However, it continues to make money while between a quarter and a half of the global nickel sector could be running at a loss, according to industry estimates, hit by weak demand from China, the world's top market for stainless steel.

Norilsk plans to sell Tati Nickel in Botswana, Nkomati in South Africa and Lake Johnston, Black Swan, Cawse, Waterloo, Avalon and Honeymoon Well in Australia in 2013-14, Fyodorov said.

The company also pledged to bolster the role of platinum group metals, or PGM, and copper in its portfolio, saying PGM's production could rise by between 3 and 5 percent in the coming years.

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