PRESS RELEASE

NORNICKEL

Public Joint Stock Company «Mining and Metallurgical Company «NORILSK NICKEL»
(PJSC «MMC «NORILSK NICKEL», «Nornickel», the «Company», the «Group»)

NORNICKEL REPORTS FIRST HALF 2019 INTERIM CONSOLIDATED IFRS FINANCIAL RESULTS

Moscow, August 20, 2019 – PJSC MMC Norilsk Nickel, the largest refined nickel and palladium producer in the world, reports IFRS financial results for six months ended June 30, 2019.

1H2019 HIGHLIGHTS

- Consolidated revenue increased 8% y-o-y to USD 6.3 billion owing to output growth of all key metals and higher palladium price;
- EBITDA expanded 21% y-o-y to USD 3.7 billion owing to higher metal revenue and the ramp-up of the Bystrinsky copper project, with EBITDA margin reaching 59%;
- CAPEX was almost unchanged from last year amounting to USD 0.5 billion. The Company made final investment decisions on strategic growth projects such as the expansion of the Talnakh concentrator (TOF-3 project) and the South Cluster mining project, with the active construction phase scheduled to start in 2H19;
- Net working capital temporarily increased to USD 1.3 billion as a result of scheduled amortization of advance payments for delivered metals from customers;
- Free cash flow amounted to USD 2.2 billion;
- Net debt/EBITDA ratio decreased to 0.8x as of June 30, 2019;
- Cash interest paid decreased 23% to USD 202 million owing to the ongoing optimization of debt portfolio;
- On February 12, 2019, Moody's upgraded the Company's credit rating to "Baa2" with a "Stable" outlook in the wake of raising Russia's sovereign ceiling for foreign currency debt to "Baa2" and upgrade of Russia's sovereign rating to investment grade level of "Baa3" with "Stable" outlook.

RECENT DEVELOPMENTS

- On July 1, 2019, the Company paid final dividend for 2018 in the amount of RUB 792.52 (approximately USD 12.56) per ordinary share for the total amount of approximately USD 2.0 billion;
- On August 20, 2019, the Company's Board of Directors recommended to the General Meeting of shareholders (EGM) to approve interim dividend for the first half of 2019 in the amount of RUB 883.93 per share (USD 13.27 at the RUB/USD exchange rate the Russian Central Bank as of August 20, 2019) for the total amount of USD 2.1 billion. The Board of Directors set the date of the EGM on September 26, 2019 and the EGM record (the list of shareholders eligible to vote) date on September 2, 2019. The Board of Directors proposed to set the dividend record date (the list of shareholders entitled to the dividend) on October 7, 2019.

KEY CORPORATE HIGHLIGHTS

USD million (unless stated otherwise)	**1H2019**	**1H2018**	**Change,%**
Revenue	6,292	5,834	8%
EBITDA[1]	3,719	3,079	21%
EBITDA margin	59%	53%	6 p.p.
Net profit	2,997	1,653	81%
Capital expenditures	500	536	(7%)
Free cash flow[2]	2,206	2,600	(15%)
Net working capital[2]	1,282	867[4]	48%
Net debt[2]	5,357	7,051[4]	(24%)
Net debt/12M EBITDA	0.8x	1.1x[4]	(0.3x)
Dividends paid per share (USD)[3]	-	-	0%

1) A non-IFRS measure, for the calculation see the notes below.
2) A non-IFRS measure, for the calculation see an analytical review document ("Data book") available in conjunction with Consolidated IFRS Financial Results on the Company's web site.
3) Paid during the current period
4) Reported as of December 31, 2018

MANAGEMENT DISCUSSION AND ANALYSIS

The President of Nornickel, Vladimir Potanin, commented on the results,

"The first half of 2019 was marked by weak global macro environment as investors' sentiment was dominated by concerns over the slowdown of global economy and unfavorable outcome of the US-China trade negotiations. Therefore, prices on all our key metals except for palladium went substantially down.

Amid these challenging market conditions, our Company managed to deliver solid financial performance owing to operating efficiency gains, which were further supported by strong palladium market. Output and sales of all our key metals increased and, importantly, the operating cost inflation was maintained below the Russian CPI.

As result, the first half of 2019 revenue increased 8% y-o-y to USD 6.3 billion, while EBITDA was up 21% to USD 3.7 billion including about USD 160 million contributed by the Bystrinsky project that continued to ramp up. Our leading position among global diversified mining majors in terms of EBITDA margin was sustained.

The Company continued to execute its key investment projects including construction of Bystrinsky copper project and upgrade of Kola refining capacity, which are nearing their completion. In the second half of the year, we plan to enter the active construction phase of recently approved South Cluster and third stage of Talnakh Concentrator upgrade (TOF-3) projects. We also reiterate our firm commitment to radically reduce the environmental footprint in the regions of our operations and implement the projects aiming at a substantial reduction of sulfur dioxide emissions in Norilsk and at Kola Peninsula.

Taking into consideration USD 2.2 billion free cash flow and conservative leverage with net debt/EBITDA ratio down to 0.8x, the Board of Directors recommended for the shareholders' approval an interim dividend in the total amount of USD 2.1 billion".

HEALTH AND SAFETY

The lost time injury frequency rate (LTIFR) marginally increased 4% to 0.28 in 1H2019 from 0.27 in 1H2018, remaining well below the global mining industry average. At the same time, the number of lost time injuries was flat y-o-y, but dropped more than three times (from 43 to 15) since 1H2015 driven the by the roll-out of cardinal basic safety rules, launch of video-information system, introduction of electronic medical examination systems, improvement of labour safety management system and a number of other initiatives.

Regretfully, in 1H2019 Company suffered four fatal injuries. The management considers the health and safety of its employees as the key strategic priority and reiterates its commitment to target zero fatality rate and continues to implement a wide range of initiatives aiming at further improvement of the health and safety records. In 1H2019, selected initiatives included the following:

- 44 internal audits of HSE management system;
- 70 employees fired for violation of cardinal health and safety rules (versus 33 in 1H2018).

In May 2019, Bain & Company Russia Consulting conducted an annual independent assessment of the current level of the occupational safety culture as well as changes to the HSE systems of the Group made during the year. According to this assessment, the company's integral score was raised to 2.8 points (out of the maximum of 4) in 2019 up from 2.6 points in 2017 (and compared to 1.4 points in 2014).

METAL MARKETS

Nickel in 1H2019 – market was in deficit as strong Chinese demand from stainless and battery sectors was negatively offset by surge in NPI production; exchange inventories were down another 40 thousand tonnes year-to-date helping to cover some of the deficit; LME nickel price was down 11% y-o-y as bearish macroeconomic sentiment and China-US trade tensions continued to negatively affect the market expectations despite positive sector-specific developments.

In 1H2019, nickel price was quite volatile as the macro backdrop was negative due to trade tensions between the US and China as well as weakening global manufacturing PMI. On the other hand, sector-specific developments were positive, including the shutdown of Onça Puma, major upward capex revision of Tsingshan's HPAL project at Morowali in Indonesia and robust demand from Chinese stainless sector. At the very end of June, the Indonesian government reaffirmed its intention to reinstate the ban on the export of nickel ore as previously planned in 2022. If enforced the ban could wipe away almost 10% of global nickel supply. The market reacted positive to this news taking the metal price above USD 14,000 per tonne in July.

In 1H2019, the LME nickel price averaged USD 12,315 per tonne, down 11% y-o-y.

Developments on the supply side in 1H2019 were dominated by strong expansion of NPI output in China and Indonesia, which combined were up almost 25% y-o-y driven by the availability of relatively cheap high-grade ore, which additionally benefited NPI smelters' margins. At the same time, production of ferro-nickel was lower owing to the closure of Onça Puma in Brazil and underperformance of Koniambo and Doniambo in New Caledonia, while the production of high-grade nickel products was flattish as higher output by Norilsk Nickel and Jinchuan was offset by production decline at Vale.

Demand dynamics was mixed across various geographies. While the stainless steel demand in China was up 10% y-o-y (though most of the growth was at stainless mills integrated upstream into NPI), the rest of Asia was flat. Noticeably, in 1H2019 the Chinese stainless steel producers accelerated the substitution of Class 1 nickel feed with NPI. European stainless output was down 6% y-o-y alongside contracting PMI, while the US was also down, but that was a result of high base effect of 1H2018.

Battery industry remained the hottest spot of the nickel demand driven by growing EV production, higher driving range requirements, and ongoing shift in battery cathodes' chemistry mix towards reduced cobalt loadings in favor of higher nickel loadings. In 1H2019, nickel demand from the battery sector was up 38% y-o-y with China leading the growth with NCM cathode material production increasing by 50%. Electric car sales in 1H2019 soared 92% despite weak market conditions for the global light vehicles industry. In China, in particular, BEV sales jumped 111% y-o-y in a contrast with the total car sales being down 12% in the country.

In line with our expectations nickel market remained in deficit in 1H2019. Exchange inventories continued their steady decline decreasing another 40 thousand tonnes supporting our assessment of the market running a deficit. At the end of June, the combined LME and SHFE nickel stocks stood at 182 thousand tonnes (or 28 days of global annual consumption).

Nickel outlook – neutral; we expect the deficit in 2019 to narrow to approximately 60 thousand tonnes as Indonesia and China will continue growing their NPI output; Indonesian export ban if reinstated as scheduled in 2022 or earlier will put around 10% of global nickel production at risk, which could substantially alter the global supply landscape; EV batteries continue to be the key demand growth driver in the medium- and long-term supported by the carbon-free mainstream narrative.

We expect that NPI production growth both in Indonesia and China will drive the nickel market into a mild surplus in 2H2019. In 2019, we forecast an annual deficit of approximately 60 thousand tonnes, implying a small increase from our prior estimate of 50 thousand tonnes deficit.

In 2019, global nickel demand is expected to increase 4% y-o-y. We estimate that nickel consumption in stainless will grow 3% propelled solely by 300-series output in China (+7% y-o-y). Nickel consumption in specialty steels and alloys should also increase by approximately 3% y-o-y driven largely by aerospace and petrochemical processing industries.

We anticipate that battery sector demand will slow down in 2H2019 due to steady fading of NEV subsidies in China, but still amount to approximately 25% y-o-y increase in 2019. The next big shift in nickel intensity in cathode materials is dependent on the roll out of the 8:1:1 (NCM) formulation and may take a few years, as the development has somewhat lost its steam due to the collapse in cobalt price and thus weakened incentive to reduce cobalt loadings in batteries. Nonetheless, the Chinese government NEV subsidies, which stimulate production of electric vehicles with longer driving range, continue to incentivize the chemistry shift in favour of higher nickel loadings, with a number of NCM 8:1:1 based cells already approved for the EV application. Hence, we expect that the 8:1:1 chemistry will gradually increase its market share and become the mainstream technology by 2025.

In the long run, the biggest potential disruption for nickel supply and the market overall could come from the Indonesian government that is contemplating to reinstate the ore export ban. Under the 2017 mining regulation, Jakarta is scheduled to stop export of unprocessed ore starting January 2022 following a five-year grace period provided to miners deemed sufficient enough for them to build smelters onshore. Recently, however, the Indonesian officials suggested in public comments that the government might consider bringing the ban forward. At present, Indonesia exports annually over 220 thousand tonnes of nickel contained in the ore, which represents approximately 10% of the global supply. Whether Philippines as the only other alternative source of nickel ore feed to China will be able to compensate for the potential loss of Indonesia supply and to what extent remains to be seen.

Copper in 1H2019 – volatile macro environment and bearish investors' sentiment undermined the price that was down 11% y-o-y

The copper roller coaster seen in 2018 continued in 1H2019 as weakening global economy, strong US dollar performance and speculative positioning aligned with worse-than-expected industry fundamentals. In March-April, copper price made an attempt to consolidate at the level of USD 6,500 per tonne on expectations of an imminent trade deal between the US and China, but as the prospects for any near term resolution of the conflict got pushed back, metal price plunged below USD 6,000 per tonne in May.

The average LME copper price in 1H2019 decreased 11% y-o-y to USD 6,165 per tonne.

In terms of fundamentals, copper market in 1H2019 was by and large balanced. Global refined copper demand growth was sluggish (+1% y-o-y) as China disappointed on grid investments and auto production, while the copper consumption in the world ex-China was at best flat. Supply was mostly in line with the market expectations while disruptions were running low (less than 2% of global supply vs 5-6% historical average).

Copper outlook – neutral; the market is expected to remain largely balanced in 2019-2020; the outcome of the US-China trade negotiations and currency movements will continue to dominate the investors' sentiment.

We anticipate that copper market will remain largely balanced in the near-term running a marginal deficit of approximately 1% of the global consumption. In 2019, the deficit is forecasted of approximately 200-250 kt. Chinese demand should improve in 2H2019 as result of the local government accelerating investments into energy infrastructure. At the same time, the mine supply growth will continue to be constrained by the limited pipeline of new projects as producers worry of the global macro uncertainty and muted prospects of a positive outcome of the US-China trade conflict are likely to put on hold new developments. Global exchange inventories are running low, making the market balance sensitive to any potential major supply disruption or positive demand news.

Palladium in 1H2019 – price consolidated above USD 1,400 per ounce; premium to platinum sustainably expanded above USD 500 per ounce as there was no indication that any substitution was happening or even contemplated; market continued to be in structural deficit as higher PGM loadings were offsetting weakening global auto sales.

The rally in palladium price that started in 2H2017 continued through 2018 and well into 1Q2019, when in March the price hit the all-time high of USD 1,604 per troy ounce. This long winning streak was interrupted in late March when palladium price fell by nearly 200 USD in just two days. This downward correction was caused by a number of factors, which together comprised a short-term "perfect storm", including:

- liquidation of speculative long position following an almost non-stop price rally since August 2017;
- adjustment of the metal lease rates that took the upward pressure off the physical market;
- additional refined metal supply coming from secondary sources;
- material decrease in 1Q2019 automotive sales globally (-5% y-o-y) with negative dynamics in all key regions, including China (-11%), North America (-3%) and Europe (-2%).

However, after a couple of days of elevated volatility, palladium price consolidated at USD 1,350-1,500 per ounce as investors regained confidence in the industry sustaining its strong fundamentals.

The average LBMA palladium price in 1H2019 increased 40% y-o-y to USD 1,410 per ounce.

In 1H2019, on our estimates, demand increased ahead of supply due to the rollout of new tighter environmental regulations in practically all largest regional car markets, including China 6, Tier 3 in the US, Euro 6d in the EU, Bharat 6 in India, which offset positively weak light vehicle production volumes. The market deficit was covered mainly by the release of work-in-progress materials by Norilsk Nickel and South African producers as well as sales of third party refined metal by Norilsk Nickel via its Palladium Fund.

Palladium premium to platinum exceeded USD 500 per ounce. According to our observations, there was a little appetite for substitution of palladium with platinum as OEMs had not just to meet the stricter requirements of the tighter emission regulations, but also to comply with the more demanding environment of real world driving emission tests (RDE).

Palladium outlook – positive; market deficit to amount to 0.6 mln ounces in 2019 driven by continuous growth of demand from autos on the back of tighter emission regulations in all major markets and introduction of RDE; no substitution with platinum is expected due to technical challenges; palladium remains the metal of choice for gasoline catalytic converters.

Taking into consideration a softer auto market in 1H2019 we revise our palladium consumption forecast in automotive industry downward by 0.5 mln ounces to 8.9 mln ounces in 2019. Nonetheless, in our opinion, palladium demand has a strong support coming from the tightening environmental regulations in the most important car markets and the roll out of RDE, both of which require OEMs to increase PGM loadings. For instance, the launch of China 6 emissions standard this year has already translated into a stronger palladium offtake. We estimate that palladium loadings in light-duty petrol (gasoline) vehicles in China will increase by 15-20% y-o-y in 2019 and will continue to grow next year.

We do not anticipate any major palladium substitution with platinum in the near term because of the technological challenges owing to specific chemical properties of the two metals, making them not fully interchangeable in the modern auto catalysts. According to our industry knowledge currently, automakers have a little appetite for changes in the catalysts chemistry as their engineering resources are focused on meeting new tighter emission legislation and RDE testing, and they do not have enough resources to conduct new catalyst formulation testing.

In 2019, palladium demand from other sectors is expected to be flat at approximately 2.1 mln ounces.

According to our estimates, primary palladium supply will reach 7.1 mln ounces (+250 thousand ounces) in 2019 due to increased production in Russia and South Africa, mostly as a result of the release of previously accumulated work-in-progress. Recycling volumes will also grow to 3.3 mln ounces (+100 thousand ounces). However, the growth of supply will not be able to fully cover the demand, implying that the market will remain in a structural deficit, which we estimate at approximately 0.6 million ounces in 2019.

Platinum in 1H2019 – price rebounded from historic lows supported by investment demand on the back of gold rally; nonetheless, the price remained under pressure from weak automotive and jewelry demand.

In 1Q2019, platinum price managed to rebound from USD 790 to USD 850 per ounce supported by higher investment demand as gold rallied after all major central banks continued to keep interest rates at almost-zero levels. However, fundamental factors such as soft demand from automotive (diesel share of new car sales in Europe fell from 38% in 1H2018 to 33% in 1H2019) and jewelry sectors kept the price under pressure.

In 1H2019, the average LBMA platinum price decreased 12% y-o-y to USD 832 per ounce.

Platinum outlook – cautiously positive; automotive demand is expected to remain soft, but jewelry consumption should stabilize, while the investment demand is likely to strengthen; platinum-intensive fuel cells may present a viable carbon-free alternative to electric cars in public transportation and heavy-duty vehicles.

In 2019, we expect that the automotive demand will remain soft as the diesel ratio in Europe continues to fall. Nonetheless, we see some stabilization of jewelry demand as well as improving platinum consumption in electronics and glass industries.

Supply is expected to increase 4% y-o-y to 8.6 mln ounces in 2019 driven mostly by higher recycling and additional ounces coming from the release of work-in-progress inventory in South Africa and to lesser extent at Norilsk Nickel. Some supply rationalization remains feasible, in our opinion, as the completion of Sibanye's acquisition of Lonmin may lead to curtailment of unprofitable mines.

In our view, major downside risks for platinum are already priced-in. Dovish policies of major central banks and risks of global recession are stimulating investors to buy precious metals as a safe haven asset, which should be supportive for investors demand for platinum. We forecast that investment demand for platinum should amount to approximately 1 mln ounces in 2019.

KEY SEGMENTAL HIGHLIGHTS[1]

USD million (unless stated otherwise)	**1H2019**	**1H2018**	**Change,%**
Revenue	**6,292**	**5,834**	**8%**
GMK Group	6,117	4,816	27%
KGMK Group	465	486	(4%)
NN Harjavalta	522	486	7%
GRK Bystrinskoye	1	–	100%
Other mining	74	61	21%
Other non-metallurgical	647	813	(20%)
Eliminations	(1,534)	(828)	85%
EBITDA	**3,719**	**3,079**	**21%**
GMK Group	4,300	3,296	30%
KGMK Group	87	129	(33%)
NN Harjavalta	40	24	67%
GRK Bystrinskoye	160	5	n.a.
Other mining	(4)	6	n.a.
Other non-metallurgical	12	(1)	n.a.
Eliminations	(494)	(23)	n.a.
Unallocated	(382)	(357)	7%
EBITDA margin	**59%**	**53%**	**6 p.p.**
GMK Group	70%	68%	2 p.p.
KGMK Group	19%	27%	(8 p.p.)
NN Harjavalta	8%	5%	3 p.p.
GRK Bystrinskoye	n.a.	n.a.	n.a.
Other mining	(5%)	10%	(15 p.p.)
Other non-metallurgical	2%	0%	2 p.p.

1) Segments are defined in the consolidated financial statements

In 1H2019, revenue of Group GMK segment increased 27% to USD 6,117 million. This was primarily driven by the growth of intersegmental sales revenue due to the launch of direct sales of semi-products to KGMK Group, which was additionally supported by higher refined metals production volumes and palladium price.

The revenue of Group KGMK segment decreased 4% to USD 465 million. Increase in revenue from metal sales to external customers was offset negatively by the complete cessation of sales of own feed to NN Harjavalta and lower nickel price.

Revenue of NN Harjavalta increased 7% to USD 522 million. Higher sales volumes were partially offset by lower nickel price.

Revenue of GRK Bystrinskoye generated during the hot commissioning phase was included into other operating income and expenses.

Revenue of Other mining segment increased 21% to USD 74 million mostly driven by higher semi-products sales volumes and palladium price.

Revenue of Other non-metallurgical segment decreased 20% to USD 647 million owing to lower sales from Palladium Fund.

In 1H2019, EBITDA of GMK Group segment increased 30% to USD 4,300 million owing primarily to higher revenue and depreciation of Russian rouble. EBITDA of GMK Group segment included unrealized profit from the sale of semi-products to Group KGMK segment and was eliminated from EBITDA of the Group.

EBITDA of Group KGMK segment decreased 33% to USD 87 million primarily owing to the decrease of operating margin due to the reduction of realized nickel price and inflationary growth of expenses, which was exacerbated by the start of direct purchases of Polar division semi-products.

EBITDA of NN Harjavalta increased by USD 16 million to USD 40 million owing primarily to increased revenue.

EBITDA of GRK Bystrinskoye segment increased by USD 155 million and amounted to USD 160 million due to higher sales volumes generated during the hot commissioning stage.

EBITDA of Other non-metallurgical segment increased by USD 13 million to USD 12 million.

EBITDA of Unallocated segment changed 7% to a negative USD 382 million. Higher selling, administrative and other operating income and expenses were partly positively offset by Russian rouble depreciation.

SALES VOLUME AND REVENUE	1H2019	1H2018	Change,%
Metal sales			
Group			
Nickel, thousand tons[1]	113	101	12%
from own Russian feed	108	98	10%
from 3d parties feed	2	1	100%
in semi-products[3]	3	2	50%
Copper, thousand tons[1,2]	223	201	11%
from own Russian feed	205	191	7%
in semi-products[3]	18	10	80%
Palladium, koz[1]	1,537	1,528	1%
from own Russian feed	1,485	1,505	(1%)
in semi-products[3]	52	23	2x
Platinum, koz[1]	390	353	10%
from own Russian feed	380	349	9%
in semi-products[3]	10	4	3x
Average realized prices of refined metals produced by the Group			
Metal			
Nickel (USD per tonne)	12,781	14,141	(10%)
Copper (USD per tonne)	6,221	6,989	(11%)
Palladium (USD per oz)	1,406	1,032	36%
Platinum (USD per oz)	829	930	(11%)
Revenue, USD million[4]			
Nickel	1,499	1,494	0%
including semi-products	100	86	16%
Copper	1,385	1,405	(1%)
including semi-products	108	69	57%
Palladium	2,374	1,950	22%
including semi-products	101	38	3x
Platinum	330	335	(1%)
including semi-products	15	9	67%
Other metals	352	289	22%
including semi-products	42	31	35%
Revenue from metal sales	**5,940**	**5,473**	**9%**
Revenue from other sales	352	361	(2%)
Total revenue	**6,292**	**5,834**	**8%**

1) All information is reported on the 100% basis, excluding sales of metals purchased from third parties and semi-products purchased from Nkomati.
2) Excludes semi-products, produced by GRK "Bystrinskoye".
3) Metal volumes represent metals contained in semi-products.
4) Includes metals and semi-products purchased from third parties and Nkomati. Excludes revenue from semi-products, produced by GRK "Bystrinskoye".

Nickel

Nickel sales contributed 25% to the Group’s total metal revenue in 1H2019, down from 27% in 1H2018. The decrease by 2 p.p. was driven by diverging palladium and nickel price trends as realized nickel price was down, while palladium was up.

In 1H2019, nickel revenue remained unchanged and amounted to USD 1,499 million. Lower realized nickel price (-USD 137 million) was positively offset by higher sales volume (+USD 142 million).

The average realized price of refined nickel decreased 10% to USD 12,781 per tonne in 1H2019 vs USD 14,141 per tonne in 1H2018.

Sales volume of refined nickel produced from own Russian feed, increased 10% (or +10 thousand tonnes) to 108 thousand tons owing to increase in production volumes of KGMK.

Sales volume of nickel produced from third-party feed doubled y-o-y to 2 thousand tonnes primarily due to the increase of nickel matte processing supplied by Boliden to NN Harjavalta.

In 1H2019, sales of nickel in semi-products increased 16% y-o-y to USD 100 million primarily owing to higher sales volume of semi-products.

Copper

In 1H2019, copper sales accounted for 23% of the Group's total metal sales, decreasing 1% (or -USD 20 million) y-o-y to USD 1,385 million primarily owing to lower realized price (-USD 152 million) which was partly offset by higher sales volume (+USD 132 million).

The average realized price of refined copper decreased 11% from USD 6,989 per tonne in 1H2018 to USD 6,221 per tonne in 1H2019.

Physical volume of refined copper sales from the Company’s own Russian feed increased 7% (or +14 thousand tons) to 205 thousand tons (excluding copper in concentrates, produced by GRK “Bystrinskoe”), owing to both processing of Polar Division ore with higher copper grade, as well as less stockpiling of metal in 1H2019.

Revenue from copper in semi-products in 1H2019 increased 57% to USD 108 million primarily owing to higher sales volume of semi-products.

Palladium

In 1H2019, palladium remained the largest contributor to the Group’s total revenue, accounting for 40% (+ 4 p.p. y-o-y). Palladium revenue increased 22% (or +USD 424 million) to USD 2,374 million due to higher realized price (+USD 571 million) which was amplified by increased sales volume (+USD 27 million).

The average realized price of refined palladium increased 36% from USD 1,032 per troy ounce in 1H2018 to USD 1,406 per troy ounce in 1H2019.

Physical volume of refined palladium sales from the Company’s own Russian feed in 1H2019 slightly decreased 1% (or -20 thousand troy ounces) to 1,485 thousand troy ounces. The reduction in sales volume was due to the base effect of 1H2018, when the sale of own metals was higher as it included the metal from stock accumulated in the Company’s Palladium Fund in 2017. This was partly compensated by higher production volume due to release of PGM work-in-progress inventory.

Revenue of palladium in semi-products in 1H2019 increased two times to USD 101 million primarily owing to higher sales volume of semi-products.

Additional USD 185 million to palladium revenue in 1H2019 was contributed by the resale of metal purchased from third parties (vs USD 359 million in 1H2018).

Platinum

In 1H2019, platinum sales slightly decreased 1% (or -USD 5 million) to USD 330 million and remained at 6% of the Group's total metal revenue. The decline of realized platinum price (-USD 36 million) was almost completely offset by higher sales volume (+USD 31 million).

Physical volume of refined platinum sales from the Company's own Russian feed in 1H2019 increased by 9% (or +31 thousand troy ounces) to 380 thousand troy ounces primarily due to release of PGM work-in-progress inventory.

Revenue of platinum in semi-products in 1H2019 increased two times to USD 15 million primarily due to higher sales volume of semi-products.

Other metals

In 1H2019, revenue from other metals increased 22% (or +USD 63 million) to USD 352 million, primarily owing to higher revenue from rhodium (up 78%) and gold (up 28%).

Other sales

In 1H2019, other sales decreased 2% to USD 352 million. The negative impact owing to Russian rouble depreciation was partly offset in real terms, primarily due to increase of oil products sales.

COST OF METAL SALES

Cost of metal sales

In 1H2019, the cost of metal sales decreased 1% (or -USD 14 million) to USD 2,181 million. Main factors contributing to it were as follows:

- Decrease in cash operating costs by 5% (or -USD 89 million);
- Increase in depreciation and amortisation by 5% (or +USD 15 million);
- Change in metal inventories y-o-y leading to cost of metal sales increase of +USD 60 million

Cash operating costs

In 1H2019, total cash operating costs decreased by 5% (or -USD 89 million) to USD 1,773 million.

The positive effect of Russian rouble depreciation (-USD 148 million) was partly offset by inflationary growth of cash operating costs by USD 56 million.

USD million	**1H2019**	**1H2018**	**Change,%**
Labour	615	660	(7%)
Materials and supplies	275	325	(15%)
Purchases of raw materials and semi-products	246	259	(5%)
Purchases of refined metals for resale	192	196	(2%)
Mineral extraction tax and other levies	110	110	0%
Third party services	96	91	5%
Electricity and heat energy	77	74	4%
Fuel	48	45	7%
Transportation expenses	38	32	19%
Sundry costs	76	70	9%
Total cash operating costs	**1,773**	**1,862**	**(5%)**
Depreciation and amortisation	340	325	5%
Decrease in metal inventories	68	8	9x
Total cost of metal sales	**2,181**	**2,195**	**(1%)**

Labour

In 1H2019, labour costs decreased 7% (or -USD 45 million) to USD 615 million amounting to 35% of the Group's total cash operating costs driven by the following:

- -USD 64 million – cost decrease owing to the Russian rouble depreciation against US Dollar;
- +USD 19 million – increase in real terms primarily driven by the indexation of RUB-denominated salaries and wages in line with the terms of collective bargaining agreement.

Purchases of raw materials and semi-products

In 1H2019, purchases of raw materials and semi-products decreased 5% (or -USD 13 million) to USD 246 million driven by the following:

- -USD 19 million – cost decrease owing to the Russian rouble depreciation against US Dollar;
- -USD 21 million – cost decrease owing to lower volumes of Rostec concentrate processing;
- +USD 19 million – cost increase owing to higher volumes of purchased semi-products from third parties for processing at NN Harjavalta.

Purchases of refined metals for resale

In 1H2019, expenses related to purchase of refined metals decreased 2% y-o-y to USD192 mln.

Materials and supplies

In 1H2019, materials and supplies expenses decreased by 15% (or -USD 50 million) to USD 275 million driven by the following factors:

- -USD 28 million – positive effect of the Russian rouble depreciation;
- +USD 12 million – inflationary growth of materials and supplies expenses;
- -USD 34 million – decrease in consumption primarily owing to reduction in repairs.

Third-party services

In 1H2019, cost of third party services increased by 5% (or +USD 5 million) to USD 96 million mainly driven by:

- -USD 8 million – positive effect of the Russian rouble depreciation;
- +USD 13 million – costs increase primarily due to higher PGM refining costs due to release of PGM work-in-progress inventory.

Mineral extraction tax and other levies

In 1H2019, mineral extraction tax (MET) and other levies were unchanged and amounted to USD 110 million. Positive effect of Russian rouble depreciation was offset by higher MET payments driven by increased volumes of ore mined at Polar division.

Electricity and heat energy

In 1H2019, electricity and heat energy expenses increased by USD 3 million to USD 77 million. Positive effect of Russian rouble depreciation was offset by energy price inflation.

Fuel

In 1H2019, fuel expenses increased by 7% (or +USD 3 million) to USD 48 million driven by the following:

- -USD 4 million – positive effect of the Russian rouble depreciation;
- +USD 7 million – primarily higher oil price.

Transportation expenses

In 1H2019, transportation expenses increased 19% (or +USD 6 million) to USD 38 million driven by the following:

- -USD 2 million – positive effect of the Russian rouble depreciation;
- +USD 8 million – costs increase driven primarily by higher volumes of third-party transportation services in Norilsk industrial region.

Sundry costs

In 1H2019, sundry costs increased by 9% (or +USD 6 million) to USD 76 million.

Depreciation and amortisation

In 1H2019, depreciation and amortisation expenses increased by 5% (or +USD 15 million) to USD 340 million.

Positive effect of Russian rouble depreciation amounted to -USD 28 million.

Depreciation charges increased by USD 43 million mainly due to transfers from construction in progress to production assets.

Decrease in metal inventories

In 1H2019, comparative effect of change in metal inventory amounted to +USD 60 million resulting in an increase of cost of metal sales, primarily driven by comparative effect of change in finished goods inventories.

COST OF OTHER SALES

In 1H2019, cost of other sales decreased by USD 21 million to USD 355 million.

Cost of other sales increase primarily related to higher sales of oil products was partly offset by the positive effect of Russian rouble depreciation.

SELLING AND DISTRIBUTION EXPENSES

USD million	**1H2019**	**1H2018**	**Change,%**
Transportation expenses	22	18	22%
Marketing expenses	22	9	2x
Staff costs	7	6	17%
Other	4	2	100%
Total	**55**	**35**	**57%**

In 1H2019, selling and distribution expenses increased 57% (or +USD 20 million) to USD 55 million primarily due to increase of marketing expenses (+USD 13 million).

GENERAL AND ADMINISTRATIVE EXPENSES

USD million	**1H2019**	**1H2018**	**Change,%**
Staff costs	301	306	(2%)
Third party services	41	45	(9%)
Taxes other than mineral extraction tax and income tax	38	51	(25%)
Depreciation and amortisation	33	20	65%
Transportation expenses	8	6	33%
Rent expenses	1	11	(91%)
Other	21	22	(5%)
Total	**443**	**461**	**(4%)**

In 1H2019, general and administrative expenses decreased 4% (or -USD 18 million) to USD 443 million. Positive effect of Russian rouble depreciation amounted to -USD 38 million. Changes of the general and administrative expenses in real terms were primarily driven by the following:

- +USD 20 million – increase in staff costs mainly due to salary indexation, roll out of industrial automatization and new IT systems;
- -USD 11 million – reduction of property tax owing to changes in tax legislation in 2019.

OTHER OPERATING INCOME/(EXPENSES), NET

USD million	**1H2019**	**1H2018**	**Change,%**
Net income earned during the pre-commissioning stage	155	19	8x
Social expenses	(112)	(98)	14%
Change in allowances	(11)	(10)	10%
Other, net	(14)	9	n.a.
Total	**18**	**(80)**	**n.a.**

In 1H2019, other net operating income/(expenses) increased by USD 98 million to USD 18 million driven by the following factors:

- Net income generated by GRK "Bystrinskoye" from products sale during the hot commissioning stage (+USD 136 million);
- Increase of social expenses by USD 14 million.

FINANCE COSTS, NET

USD million	**1H2019**	**1H2018**	**Change,%**
Interest expense, net of amounts capitalised	162	191	(15%)
Unwinding of discount on provisions and payables	42	52	(19%)
Fair value gain on the cross-currency interest rate swap	(117)	–	(100%)
Other, net	2	3	(33%)
Total	**89**	**246**	**(64%)**

The decrease in finance costs by 64% in 1H2019 was primarily related to a change in the fair value of cross-currency interest rate swaps in the reporting period due to stronger ruble against the US dollar as of June 30, 2019 as compared to the exchange rate as of December 31, 2018, and also due to reduction in the amount of interest expense, net of amounts capitalized by 15%.

Furthermore, in 1H2019, the average cost of the Company's debt portfolio remained unchanged despite amendments made to a number of bilateral loans for a total amount of USD 637 million aimed at extending duration of the debt portfolio.

INCOME TAX EXPENSE

In 1H 2019, income tax expense increased 93% y-o-y to USD 776 million driven mostly by the increase of taxable profit.

The effective income tax rate in 1H 2019 of 20.6% was above the Russian statutory tax rate of 20%, which was primarily driven by non-deductible social expenses.

The breakdown of the income tax expense:

USD million	**1H2019**	**1H2018**	**Change,%**
Current income tax expense	895	385	2x
Deferred tax (benefit)/expense	(119)	18	n.a.
Total income tax expense	**776**	**403**	**93%**

The breakdown of the current income tax expense by tax jurisdictions:

USD million	**1H2019**	**1H2018**	**Change,%**
Russian Federation	884	377	2x
Finland	4	1	4x
Rest of the world	7	7	0%
Total	**895**	**385**	**2x**

EBITDA

USD million	**1H2019**	**1H2018**	**Change,%**
Operating profit	3,271	2,723	20%
Depreciation and amortisation	443	350	27%
Impairment of non-financial assets	5	6	(17%)
EBITDA	**3,719**	**3,079**	**21%**
EBITDA margin	**59%**	**53%**	**6 p.p.**

In 1H2019, EBITDA increased 21% (or +USD 640 million) to USD 3,719 million with the EBITDA margin amounting to 59% (up from 53% in 1H2018) owing to higher metal revenue and Russian rouble depreciation.

NET PROFIT BEFORE NON-CASH WRITE-OFFS AND FOREIGN EXCHANGE DIFFERENCES

USD million	**1H2019**	**1H2018**	**Change,%**
Profit for the period	**2,997**	**1,653**	**81%**
Impairment of non-financial assets	5	6	(17%)
Foreign exchange (gain)/loss, net	(548)	453	n.a.
Net profit before impairment charges and foreign exchange differences	**2,454**	**2,112**	**16%**

STATEMENT OF CASH FLOWS

USD million	1H2019	1H2018	Change,%
Cash generated from operations before changes in working capital and income tax	**3,757**	**3,085**	**22%**
Movements in working capital	(361)	448	n.a.
Income tax paid	(809)	(390)	2x
Net cash generated from operating activities	**2,587**	**3,143**	**(18%)**
Capital expenditure	(500)	(536)	(7%)
Other investing activities	119	(7)	n.a.
Net cash used in investing activities	**(381)**	**(543)**	**(30%)**
Free cash flow	**2,206**	**2,600**	**(15%)**
Interest paid	(202)	(264)	(23%)
Other financing activities	63	325	(81%)
Net cash (used in)/generated from financing activities	**(139)**	**61**	**n.a.**
Effects of foreign exchange differences on balances of cash and cash equivalents	58	(75)	n.a.
Less: cash and cash equivalents related to assets classified as held for sale	(25)	–	(100%)
Net increase in cash and cash equivalents	**2,100**	**2,586**	**(19%)**

In 1H2019, free cash flow decreased to USD 2.2 billion primarily due to lower cash generated from operating activities.

In 1H2019, net cash generated from operating activities decreased 18% to USD 2.6 billion primarily driven by increase of working capital in 1H2019 (versus decrease in 1H2018).

Interest paid reduced by 23% to USD 202 million as a result of the optimization of debt portfolio.

Reconciliation of the net working capital changes between the balance sheet and cash flow statement is presented below.

USD million	1H2019	1H2018
Change of the net working capital in the balance sheet	**(415)**	**430**
Foreign exchange differences	84	(129)
Change in income tax payable	(84)	16
Change of long term components of working capital	93	201
Other changes including reserves	(39)	(70)
Change of working capital per cash flow	**(361)**	**448**

Capital investments breakdown by project is presented below:

USD million	1H2019	1H2018	Change,%
Polar Division, including:	165	220	(25%)
Skalisty mine	17	42	(60%)
Taymirsky mine	34	31	10%
Komsomolsky mine	17	17	0%
Oktyabrsky mine	11	21	(48%)
Talnakh Concentrator	8	17	(53%)
Sulfur project	4	9	(56%)
Other Polar Division project	74	83	(11%)
Kola MMC	106	134	(21%)
Chita (Bystrinsky) project	32	70	(54%)
Other production projects	194	108	80%
Other non-production assets	3	4	(25%)
Total	**500**	**536**	**(7%)**

In 1H2019, CAPEX decreased by 7% (-USD 36 million) primarily due to completion of Bystrinsky project, a number of mining projects in Polar Division, optimization of investment schedules as well as depreciation of Russian ruble.

DEBT AND LIQUIDITY MANAGEMENT

USD million	As of 30 June 2019	As of 31 December 2018	Change, USD million	Change,%
Non-current loans and borrowings	8,493	8,208	285	3%
Current loans and borrowings	132	209	(77)	(37%)
Lease liabilities	220	22	198	10x
Total debt	**8,845**	**8,439**	**406**	**5%**
Cash and cash equivalents	3,488	1,388	2,100	3x
Net debt	**5,357**	**7,051**	**(1,694)**	**(24%)**
Net debt /12M EBITDA	0.8x	1.1x	(0.3x)	

As of June 30, 2019, the Company's total debt increased 5% (or +USD 406 million) to USD 8,845 million as compared to December 31, 2018. The main growth factors were recognition of obligations under lease contracts stemming from the application of IFRS 16 Leases, which became effective on January 1, 2019, outstanding short-term debt in the form of credit lines opened for the financing of working capital and appreciation of the ruble against the US dollar. Despite the existence of outstanding short-term debt on the portfolio of working capital credit lines, the short-term loans and borrowings of the Company decreased by 37% (or -USD 77 million) due to refinancing of a loan which also involved loan refinancing and its maturity extension to the period 2022-2024.

Net debt/12M EBITDA ratio reduced from 1.1x as of December 31, 2018 to 0.8x as of June 30, 2019. This decrease was mainly attributed to the reduction in the net debt by 24% to USD 5,357 million due to increase in cash and cash equivalents. The liquidity reserves in 1H2019 increased not only because of the increase in cash and cash equivalents, but also because of the increase in the total limit of the portfolio of reserve credit lines from USD 4,290 million as of December 31, 2018 to USD 4,599 million as of June 30, 2019 resulting from entering into a new revolving credit line with an availability period of up to five years.

In 1H2019, the Company continued to improve its debt portfolio, having revised terms and conditions of a number of loan agreements, which allowed to maintain refinancing risk of short-term debt at a low level and sustain interest rates at competitive terms.

On February 12, 2019, international rating agency Moody's upgraded the Company's credit rating from "Baa3" with "Positive" outlook to "Baa2" with "Stable" outlook in the wake of change of Russia's credit rating to investment grade "Baa3" with "Stable" outlook. As of June 30, 2019, Nornickel had investment grade credit ratings assigned from all three major international rating agencies Fitch, Moody's and S&P Global, and additionally from Russian rating agency "Expert RA".

Attachment A

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2019

US Dollars million

	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Revenue		
Metal sales	5,940	5,473
Other sales	352	361
Total revenue	**6,292**	**5,834**
Cost of metal sales	(2,181)	(2,195)
Cost of other sales	(355)	(334)
Gross profit	**3,756**	**3,305**
General and administrative expenses	(443)	(461)
Selling and distribution expenses	(55)	(35)
Impairment of non-financial assets	(5)	(6)
Other operating income/(expenses), net	18	(80)
Operating profit	**3,271**	**2,723**
Foreign exchange gain/(loss), net	548	(453)
Finance costs, net	(89)	(246)
Income from investments	43	32
Profit before tax	**3,773**	**2,056**
Income tax expense	(776)	(403)
Profit for the period	**2,997**	**1,653**
Attributable to:		
Shareholders of the parent company	2,881	1,675
Non-controlling interests	116	(22)
	2,997	**1,653**
EARNINGS PER SHARE		
Basic and diluted earnings per share attributable to shareholders of the parent company (US Dollars per share)	18.2	10.6

Attachment B

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED) AT 30 JUNE 2019

US Dollars million

	At 30 June 2019	At 31 December 2018
ASSETS		
Non-current assets		
Property, plant and equipment	11,236	9,934
Intangible assets	185	163
Other financial assets	201	141
Deferred tax assets	79	73
Other non-current assets	326	386
	12,027	**10,697**
Current assets		
Inventories	2,470	2,280
Trade and other receivables	327	204
Advances paid and prepaid expenses	89	75
Other financial assets	69	147
Income tax receivable	9	92
Other taxes receivable	340	271
Cash and cash equivalents	3,488	1,388
Other current assets	86	97
	6,878	**4,554**
Assets classified as held for sale	51	–
	6,929	**4,554**
TOTAL ASSETS	**18,956**	**15,251**
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	6	6
Share premium	1,254	1,254
Translation reserve	(4,998)	(5,343)
Retained earnings	8,259	7,306
Equity attributable to shareholders of the parent company	**4,521**	**3,223**
Non-controlling interests	396	250
	4,917	**3,473**
Non-current liabilities		
Loans and borrowings	8,493	8,208
Lease liabilities	185	16
Provisions	442	365
Trade and other long-term payables	224	200
Derivative financial instruments	–	61
Deferred tax liabilities	294	385
Other long-term liabilities	55	185
	9,693	**9,420**
Current liabilities		
Loans and borrowings	132	209
Lease liabilities	35	6
Trade and other payables	1,358	1,551
Dividends payable	1,996	6
Employee benefit obligations	336	307
Provisions	70	77
Derivative financial instruments	–	5
Income tax payable	36	35
Other taxes payable	223	162
Other current liabilities	146	–
	4,332	**2,358**
Liabilities associated with assets classified as held for sale	14	–
	4,346	**2,358**
TOTAL LIABILITIES	**14,039**	**11,778**
TOTAL EQUITY AND LIABILITIES	**18,956**	**15,251**

Attachment C

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2019

US Dollars million

	For the six months ended 30 June 2019	For the six months ended 30 June 2018
OPERATING ACTIVITIES		
Profit before tax	**3,773**	**2,056**
Adjustments for:		
Depreciation and amortisation	443	350
Impairment of non-financial assets	5	6
Loss on disposal of property, plant and equipment	5	–
Change in provisions and allowances	6	(3)
Finance costs and income from investments, net	46	214
Foreign exchange (gain)/loss, net	(548)	453
Other	27	9
	3,757	**3,085**
Movements in working capital:		
Inventories	98	131
Trade and other receivables	(111)	(173)
Advances paid and prepaid expenses	(8)	(30)
Other taxes receivable	(54)	33
Employee benefit obligations	11	(29)
Trade and other payables	(303)	536
Provisions	(26)	(22)
Other taxes payable	32	2
Cash generated from operations	**3,396**	**3,533**
Income tax paid	(809)	(390)
Net cash generated from operating activities	**2,587**	**3,143**
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(481)	(503)
Purchase of other financial assets	(5)	–
Purchase of intangible assets	(19)	(33)
Purchase of other non-current assets	–	(99)
Loans issued	(2)	(3)
Proceeds from repayment of loans issued	2	4
Net change in deposits placed	80	51
Proceeds from disposal of property, plant and equipment	3	1
Interest and other investment income received	41	39
Net cash used in investing activities	**(381)**	**(543)**

Attachment C

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2019 (CONTINUED)

US Dollars million

	For the six months ended 30 June 2019	For the six months ended 30 June 2018
FINANCING ACTIVITIES		
Proceeds from loans and borrowings	727	1,210
Repayments of loans and borrowings	(639)	(879)
Payments of lease liabilities	(24)	(5)
Dividends paid	(1)	(1)
Interest paid	(202)	(264)
Net cash (used in)/generated from financing activities	**(139)**	**61**
Net increase in cash and cash equivalents	**2,067**	**2,661**
Cash and cash equivalents at the beginning of the period	**1,388**	**852**
Less: cash and cash equivalents related to assets classified as held for sale at the end of the period	(25)	–
Effects of foreign exchange differences on balances of cash and cash equivalents	58	(75)
Cash and cash equivalents at the end of the period (note 15)	**3,488**	**3,438**

Attachment D

NET WORKING CAPITAL

USD million	**30/06/2019**	**31/12/2018**	**Change**	**incl. effects of foreign exchange differences**
Finished goods	386	526	(140)	38
Work-in-process	1,333	1,134	199	113
Other inventories	751	620	131	64
Trade and other receivables	327	204	123	7
Advances paid and prepaid expenses	89	75	14	8
Taxes receivable	349	363	(14)	29
Employee benefit obligations	(336)	(307)	(29)	(31)
Trade and other payables	(1,358)	(1,551)	193	(123)
Taxes payable	(259)	(197)	(62)	(21)
Total working capital	**1,282**	**867**	**415**	**84**

This announcement contains inside information in accordance with Article 7 of EU Regulation 596/2014 of 16 April 2014.

Full name and position of person making the announcement - Vladimir Zhukov, Vice - president, Investor Relations

ABOUT THE COMPANY

PJSC «MMC NORILSK NICKEL» is a diversified mining and metallurgical company, the world's largest producer of refined nickel and palladium and a leading producer of platinum, cobalt, copper and rhodium. The company also produces gold, silver, iridium, selenium, ruthenium and tellurium.

The production units of «NORILSK NICKEL» Group are located at the Norilsk Industrial District, on the Kola Peninsula and Chita region in Russia as well as in Finland and South Africa.

PJSC «MMC «NORILSK NICKEL» shares are listed on the Moscow and on the Saint-Petersburg Stock Exchanges. PJSC «MMC «NORILSK NICKEL» ADRs trade over the counter in the US and on the London and Berlin Stock Exchanges.

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