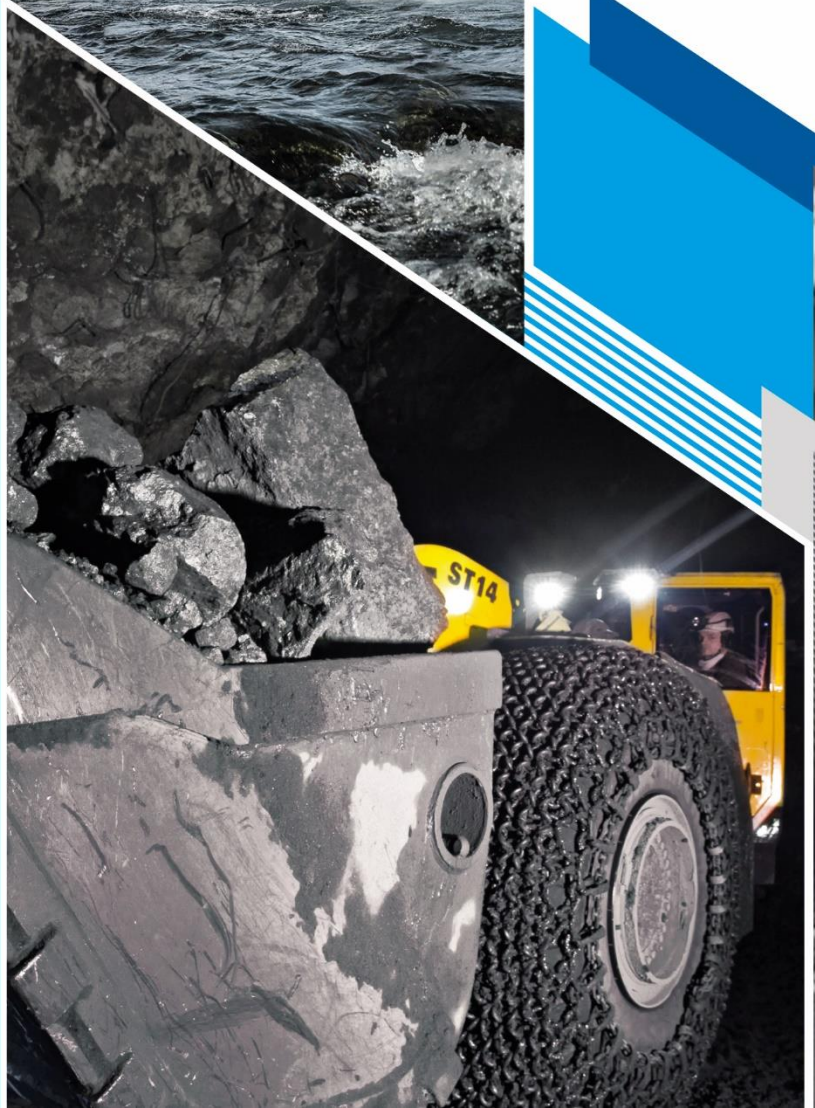
Advancing on the path of sustainable growth



NORNICKEL

Investor Presentation
BAML Global Metals, Mining & Steel Conference

Barcelona, May 2019

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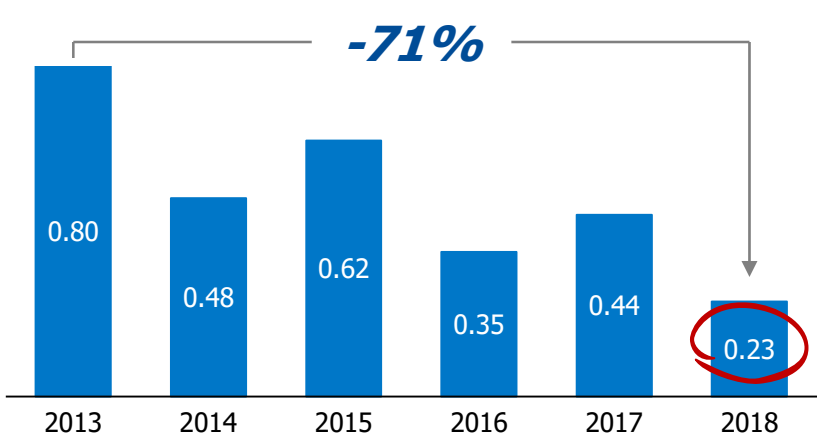
Health & Safety: Delivering Steady Improvements

LTIFR: Improved to Record Low Levels

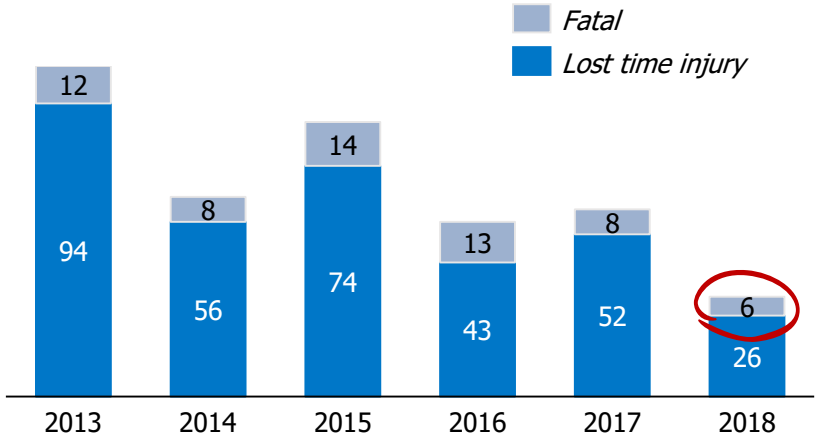
LTIFR (1*10-6)



- LTIFR remains at the global mining industry leading low level
- Reiterating focus on personal and process safety across all operations
- Commitment to create strong safety culture at all levels of the organization

Accident Statistics Improved in 2018

Employees



- Total recordable fatal accidents and lost time injury rates decreased by 47% y-o-y
- 45 internal audits of Occupational Safety and Health management system were conducted in 2018
- 105 employees were fired for the violation of cardinal safety rules (vs 152 in 2017)

Source: Company data

Improving Assessment of ESG Performance

Recognition of Norilsk Nickel ESG Efforts…

Signatory to UN Global Compact since 2016

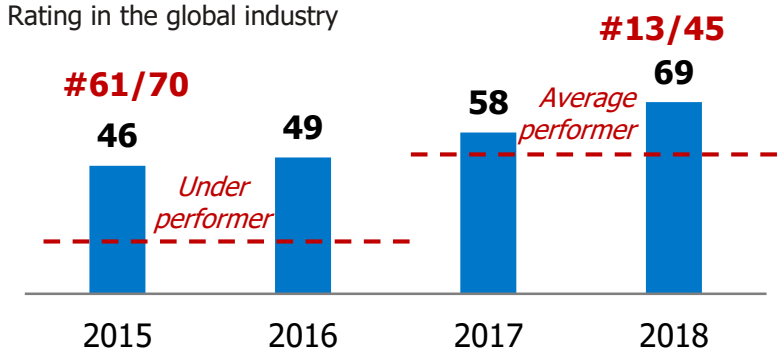
Reiterated as an index constituent in July 2018
Score of **3.1/5** (1)
(up from 2.3 in 2017)

Rating updated in December 2018
Governance score **4/10** (2)
Environmental score **4/10**
Social score **3/10**

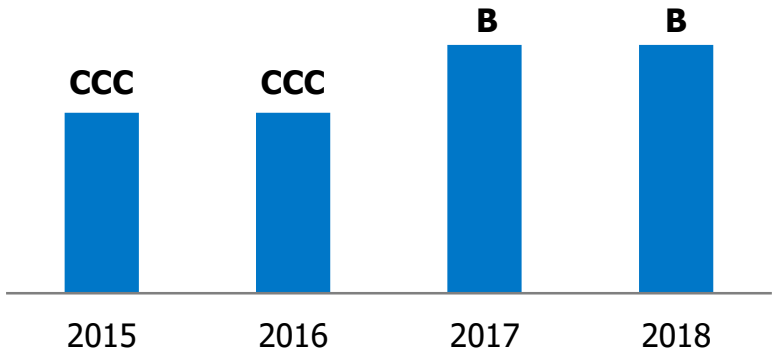
Ranked #4/33 in the first environmental ranking of Russian mining companies

…Leads to Gradual Improvement of ESG Assessment

Sustainalytics ESG Score: 69 points (out of 100), Rated «Average Performer» since 2017



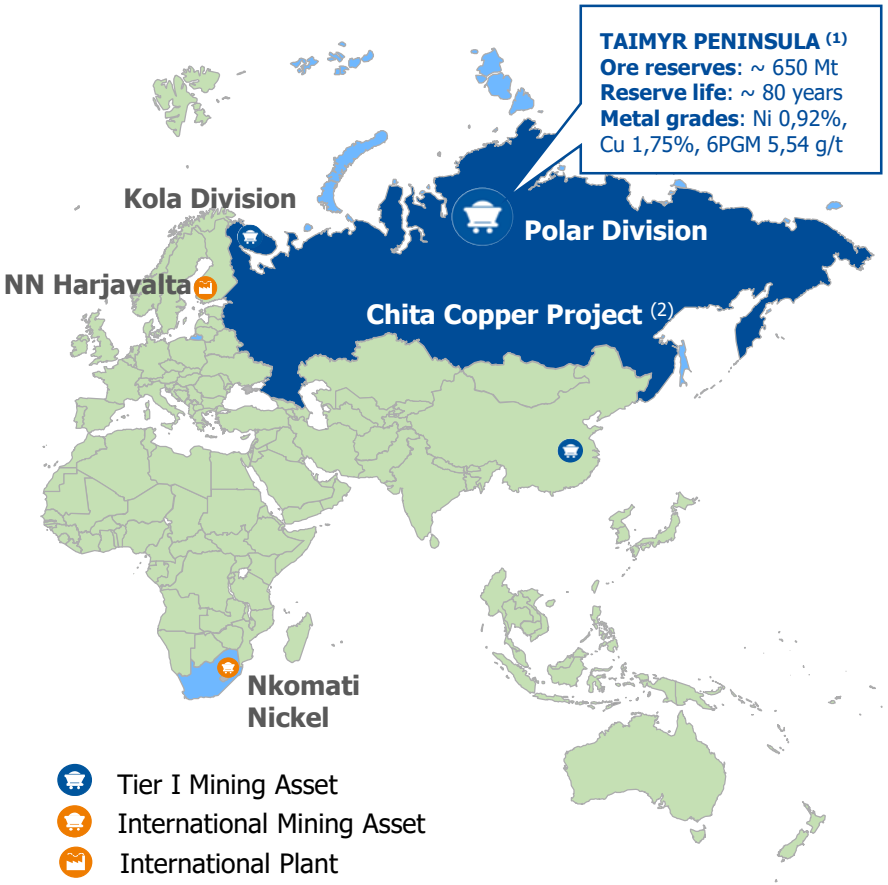
MSCI ESG Score: Rated «B» since 2017



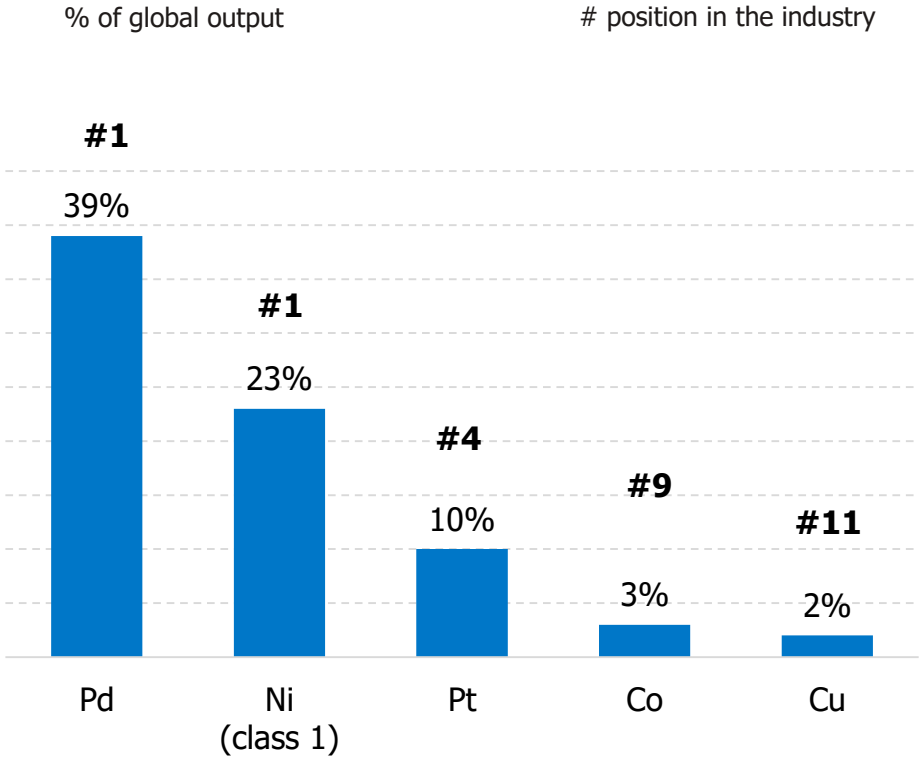
Note: 1. of which 5 – is the highest, 2. of which 1 – is low, 10 – is high risk

Leading Nickel and PGM Mining Major

Industry's Best Tier 1 Assets



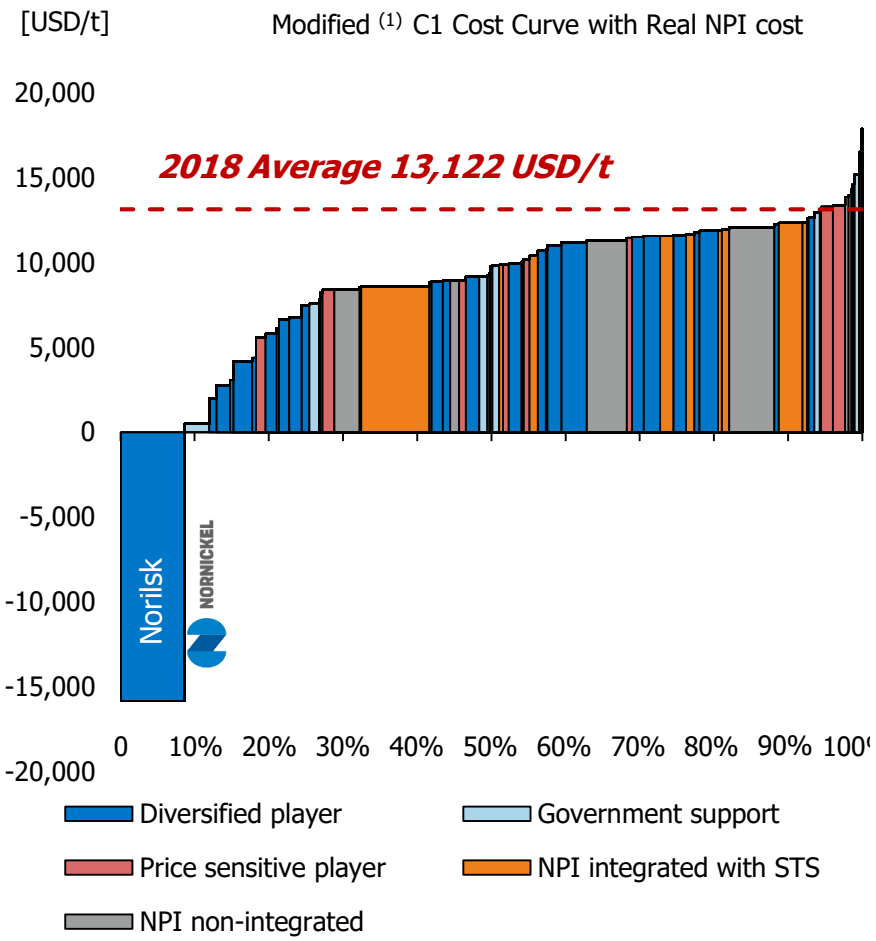
The World's Largest Producer of Class-1 Nickel and Palladium (3)



Source: Company data
Notes: 1. Proven and probable reserves, 2. The hot commissioning of the project started in October, 2017, 3. As of 2018Y

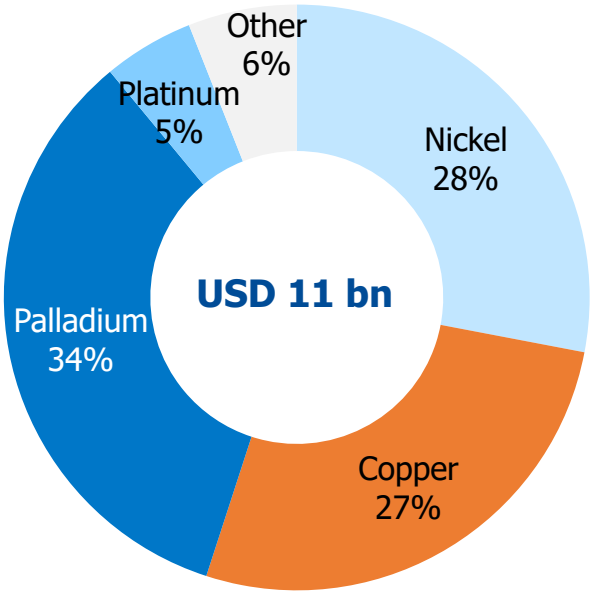
Uniquely Rich Polymetallic Mineral Resource Base

Lowest Cost Nickel Producer Globally, C1 Cash Cost



Naturally Diversified Metals Basket: Revenue Breakup (1)

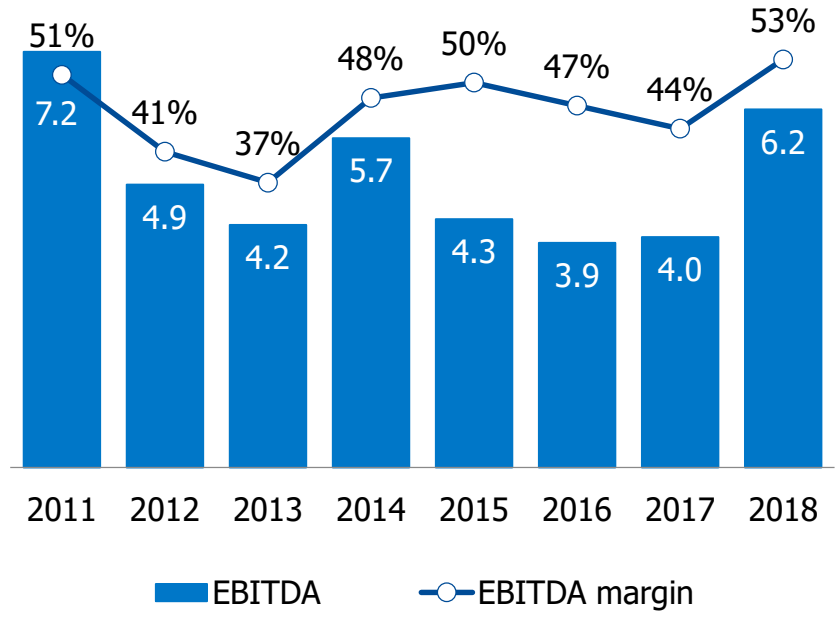
As of FY2018



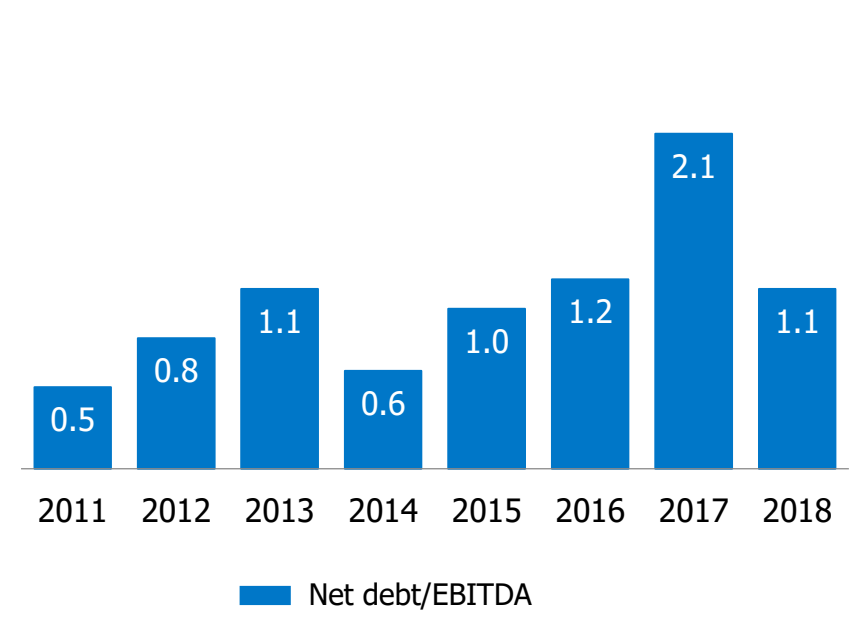
Source: Company data, Wood Mackenzie
Note: 1. Other metals sale includes semi-product

Leading Financial Performance Through the Cycle

Strong Margins Through the Cycle …



… and Conservative Balance Sheet

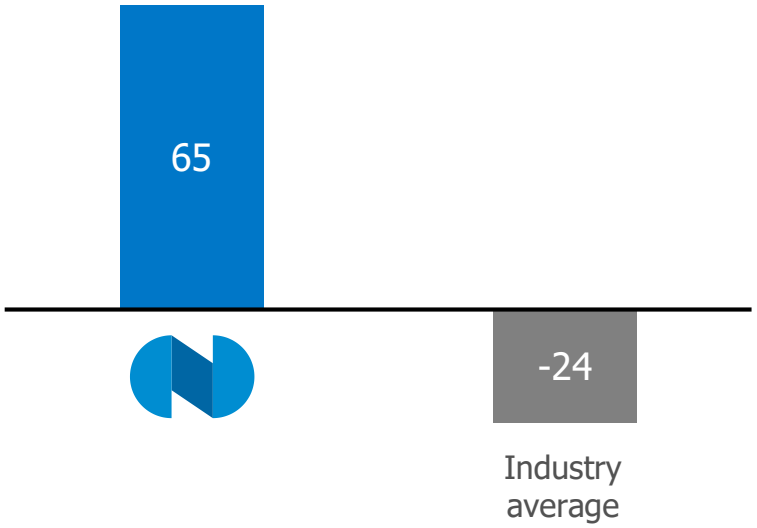


Source: Company data, IFRS results, Bloomberg consensus

Delivering Industry Leading Shareholder Returns

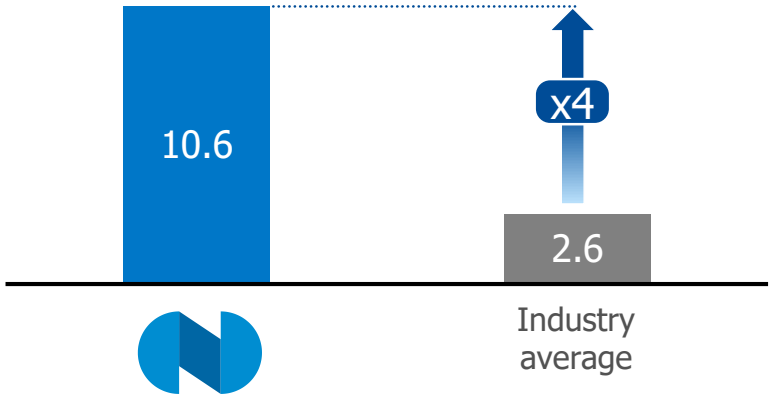
Nornickel Continues to Lead the Global Industry in Terms of Shareholder Returns…

TSR, 2013–2018 YTD, %



…and Provides the Highest Dividend Yield Compared to Global Peers

Global Industry average dividend yield, 2013–2018 YTD, %



- Nornickel continues to deliver outstanding returns to its shareholders
- Flexible dividend formula supports a healthy balance sheet in the long run

Strategic Roadmap for Key Production Assets

Roadmap to Advanced, Efficient and Environmentally Friendly Production Processes

2019

Kola concentrator upgrade to achieve SO_2 emission reduction in the region

Smelting Shop

Severonickel

Kola MMC

2019

Completion stage of nickel refinery upgrade project

Polar Division

- Reconfiguration program **completed:**
- Nickel smelter shut down
- Talnakh concentrator and Nadezhda smelter upgraded

2017–2024

Focus on intensive development of Talnakh mines targeting 20%+ ore production growth by 2025

After 2022

Perspective growth projects:

- **South Cluster** (9 Mtpa of ore production)
- **Talnakh Concentrator upgrade and expansion** (Stage 3, 8 Mtpa)

After 2022

JV Artic Palladium:

- **Assessment of blue-sky upstream projects**: joint development of the Maslovskoe, South flank of Norilsk-1 and Chernogorskoe deposits
- **Pre-feasibility study and investment decision expected** by the end of **2019 – early 2020**

2018

Downstream Cooperation Opportunities

- **Assessment of cooperation opportunities** in the fast growing battery materials sector
- **First step – strategic cooperation with BASF**

2023

Implementation of the environmental program focused on at least 75% reduction of emissions in Norilsk area

Chita project

Ramp up by 2020

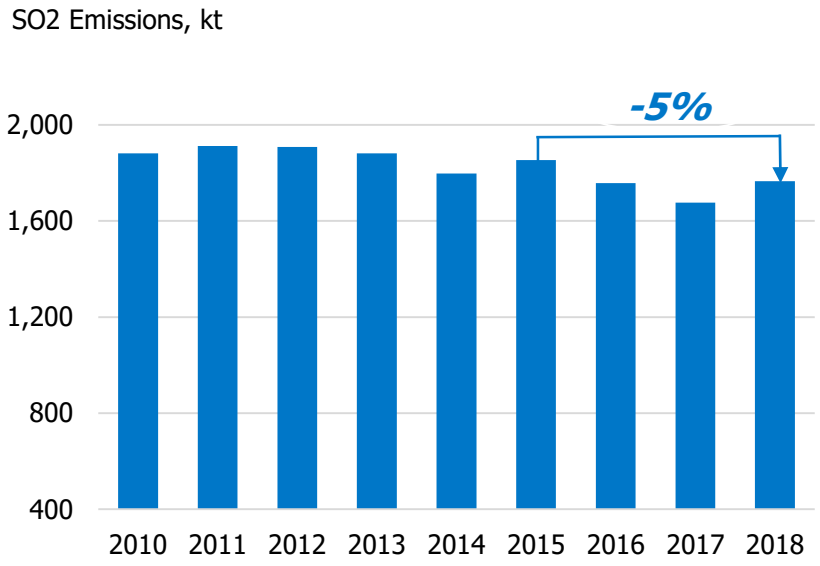
Gradual ramp up to reach the project's full capacity in 2020

XX - Core investment program projects

XX - Perspective projects, assessment stage

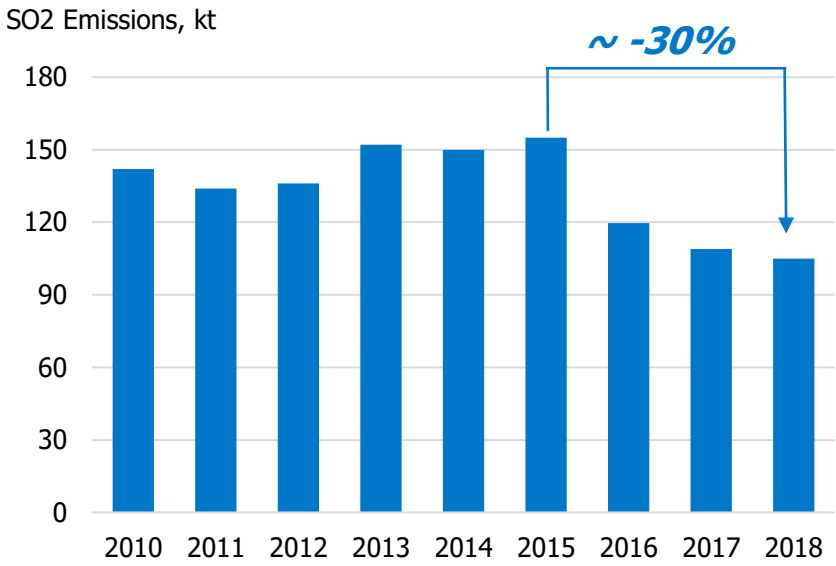
Reducing Environmental Footprint

Polar Division: Suphur Dioxide Emissions Down 5% from 2015



- SO_2 emissions increased 5% in 2018 despite 15% increase of copper production (smelting) in Polar Division
- SO_2 emissions remained within the government approved limits

Kola Division: Sulphur Dioxide Emissions Reduced 30% from 2015



Reduction of SO_2 emissions in 2018 was due to:

- Reduced smelting of higher sulphur content third party materials
- Sale of high-grade copper concentrate to third parties
- Reduced anode smelting as chlorine leaching refinery was ramping up

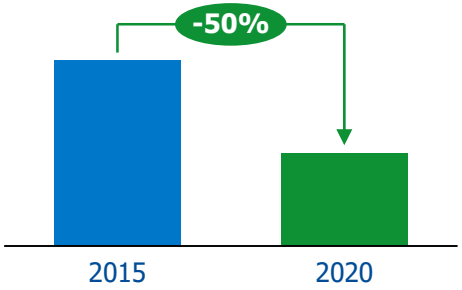
Environmental Program – Key Pillar of the Strategy

Kola Division

Polar Division

Environmental initiatives aimed at material reduction of cross-border pollution

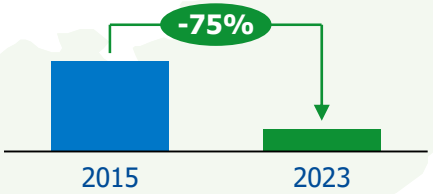
Total SO_2 emissions in Nickel town at the Norwegian border



- Upgrade of Kola Concentrator to produce marketable concentrate and optimize smelting operations

Comprehensive environmental program for Norilsk region

Total SO_2 emissions in Norilsk Region



CAPEX[1]

US$2.5 bn

- Nickel Smelter shut down in 2016
- **~US$0.6 bn upgrade of sulphur production shop at the Copper Smelter started**

- Site preparation and design works for SO_2 capturing and utilization project at Nadezhda Smelter completed

Note: 1. US$2.5 bn – total CAPEX for Nadezhda and Cupper Smelter SO_2 capturing projects and construction of new converters (replacing converting operations at the Copper Smelter)

Focus on Efficiency Improvement: Tangible Impact in 2019-2020

Operational Efficiency Improvement Targets

Drivers

Production growth
in 2019-2020
5-8% (by 2020 vs. 2017)

Improving utilization of the existing asset base throughout the entire value chain: from mining to refining

Total cash cost inflation below CPI[1]

Stringent controls over main cash cost lines: labor, maintenance & repair, materials & supplies

Labor productivity growth
in 2019-2020
12-15%
(by 2020 vs. 2017)

Optimizing headcount through various productivity improvement initiatives

- The program covers all Nornickel assets
- Program targets are integrated into KPIs at all management levels

Note: 1. Total cash cost excluding Bystrinsky project and Nkomati, adjusted for revenue from other (non-metal) sales

«2025+ Strategy»: Scaling Up the Existing Assets

Mineral Resources
of the existing assets in Norilsk

Value of Resources in the Ground

>700
US$ bn

Resources to Production Ratio

>80
years

+

Forecasted Demand Growth by 2025

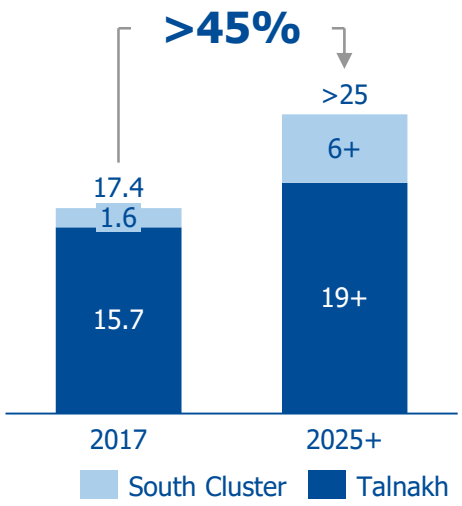
+50%
for Class-1 Ni(1)

+20%
for Pd

Strong Outlook for Ni and Pd Demand

Growth Opportunity for the Existing Assets

Ore Production in the Norilsk Region, Mt



Metal Production Growth (2025+ vs. 2017)

Ni Cu
+15%

Pt Pd
+25%

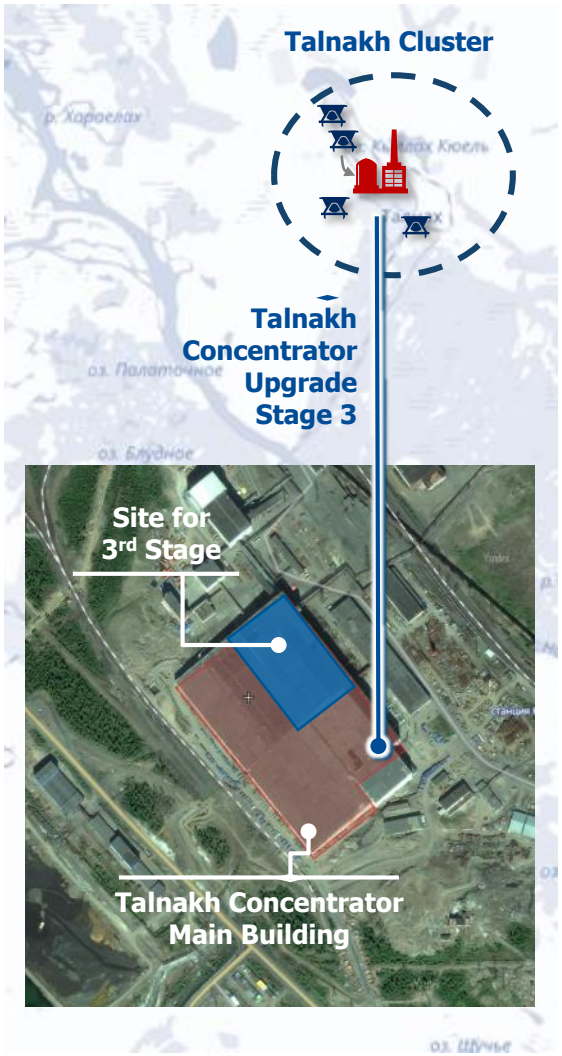
- Talnakh brownfield projects
- South Cluster development
- 3rd Stage of Talnakh Concentrator Upgrade

! ***Subject to required investment decisions***

Note: 1. Including Ni sulphates

3rd Stage of Talnakh Concentrator Upgrade

Location



Project Rationale

- Unlocking Norilsk region resource potential requires concentrator capacity expansion
- Current Talnakh Concentrator design allows installation of additional equipment without construction of major new buildings
- New technology has been proven at 2nd Stage of the Concentrator Upgrade
- Significant improvement of recovery rates could potentially justify the upgrade as a standalone project, however in order to ensure return maximization, the project timing should be synchronized with Upstream developments
- Reduction of transportation costs as all of Talnakh ores will be treated at Talnakh concentrator

Project Overview

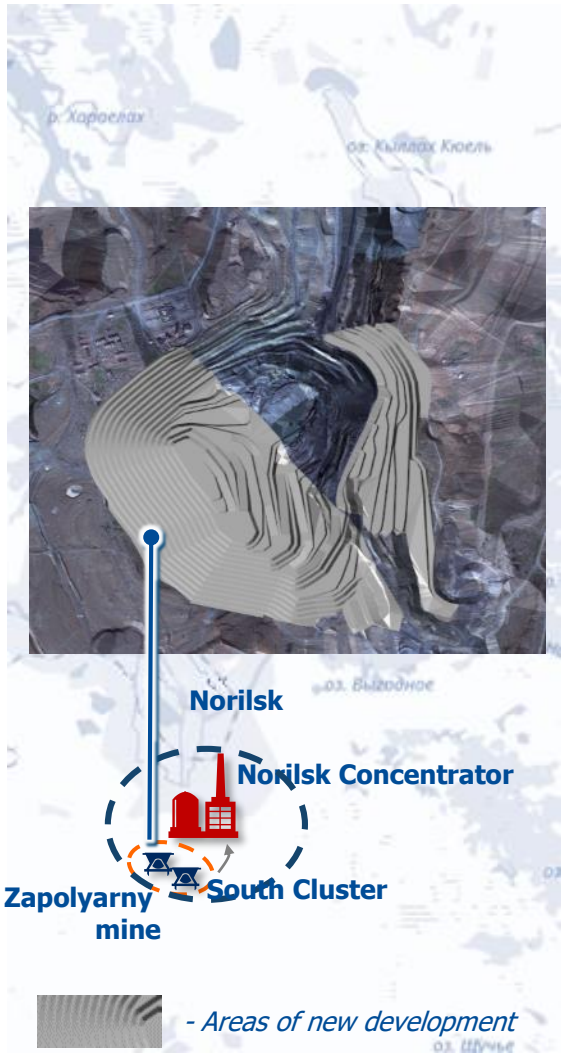
- Capacity increase to 18.0 Mtpa from 10.2Mtpa
- Capex in 2019-2022 of RUB40 bn (approximately US$615 mln)

Project Timeline

- Start of construction in 2019
- Production launch in 2023

South Cluster Development Update

Location



Project Rationale

- Large PGM asset at the bottom of the global PGM cost curve

Estimated resources for new development (1):

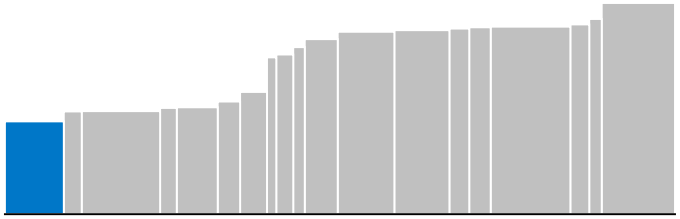
Ore reserves: 165 Mt (of disseminated ore)

PGMs – >20 Moz

Cu – >447 kt

Ni – >365 kt

South Cluster on the global PGM cost curve, Operating Costs[2], US$/4E oz



- Leverage existing infrastructure
- Open pit operations with potentially staged development

Project Overview

- Mined ore: 9 Mtpa
- Additional annual production: 20t of PGMs (approximately 640 koz of PGMs)
- Capex in 2019-2022 RUB45 bn (approximately US$690 mln)

Project Timeline

- Launch of stripping works in 2019
- Ramp-up expected to start in 2021-2022
- Full production capacity by 2027

Source: SFA Oxford
Note: 1. Subject to audit, salable metal; 2. Cash costs reduced by revenue from co-products (ruthenium and iridium) and by-products (copper and nickel). Cost curve doesn't include Talnakh

Ramp-up of Bystrinsky Project

Project Overview

- **The project is ramping up with full capacity expected in 2020**
- **Ore reserves: 341 Mt, grades: Cu – ~0.7%; Fe – ~21%; Au – ~0.9 g/t**
- Site infrastructure completed: open pit and concentrator (grinding and flotation)
- External infrastructure completed: power lines and railway to the site
- Total Capex: US$1.8 bn

Operating and Financial Outlook

		2018	2019E	2020E+
Ore	Mt[2]	4	8	10
Cu	kt[1]	19	40-46	65-70
Au	t[1]	3.0	6.0-6.5	8.5-9.0
Fe	mt[1]	0.4	1.3-1.4	1.9-2.1
EBITDA	**US$ mln**	**85**	**up to 300**	**400+**

EBITDA 2018 [(3)] US$ 85 mln

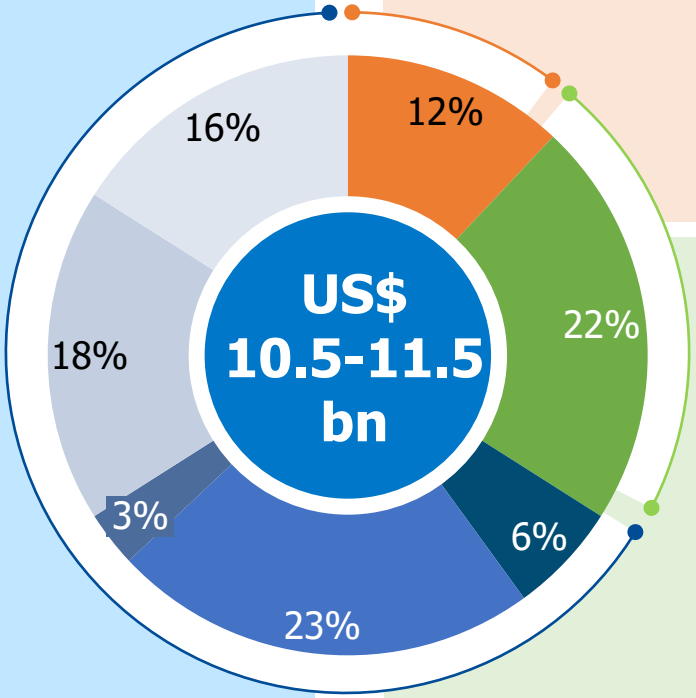
Note: 1. Metals in concentrate: Cu (in concentrate), Au (in Cu, Au concentrate), Fe (magnetite concentrate); 2. Ore processed, 3. Total EBITDA of GRK Bystrinskoye segment amounted to USD 96 million in 2018, which includes additional financial result from intersegment sales of concentrates

US$10.5-11.5bn CAPEX Plan for 2019-2022E

CAPEX 2019-2022, US$ bn

Base Investment Program
US$6.5 – 7.5 bn

- Talnakh mining projects (Skalisty and brownfields)
- Equipment replacement programs (renewal cycle)
- Active phase of infrastructure modernization program: power & gas infrastructure replacement (turbines, grid, pipelines etc.), reconstruction of fuel storage and supply infrastructure, etc.
- IT and automation projects
- Completion of Kola modernization program



Perspective Growth Projects
~US$1.3 bn

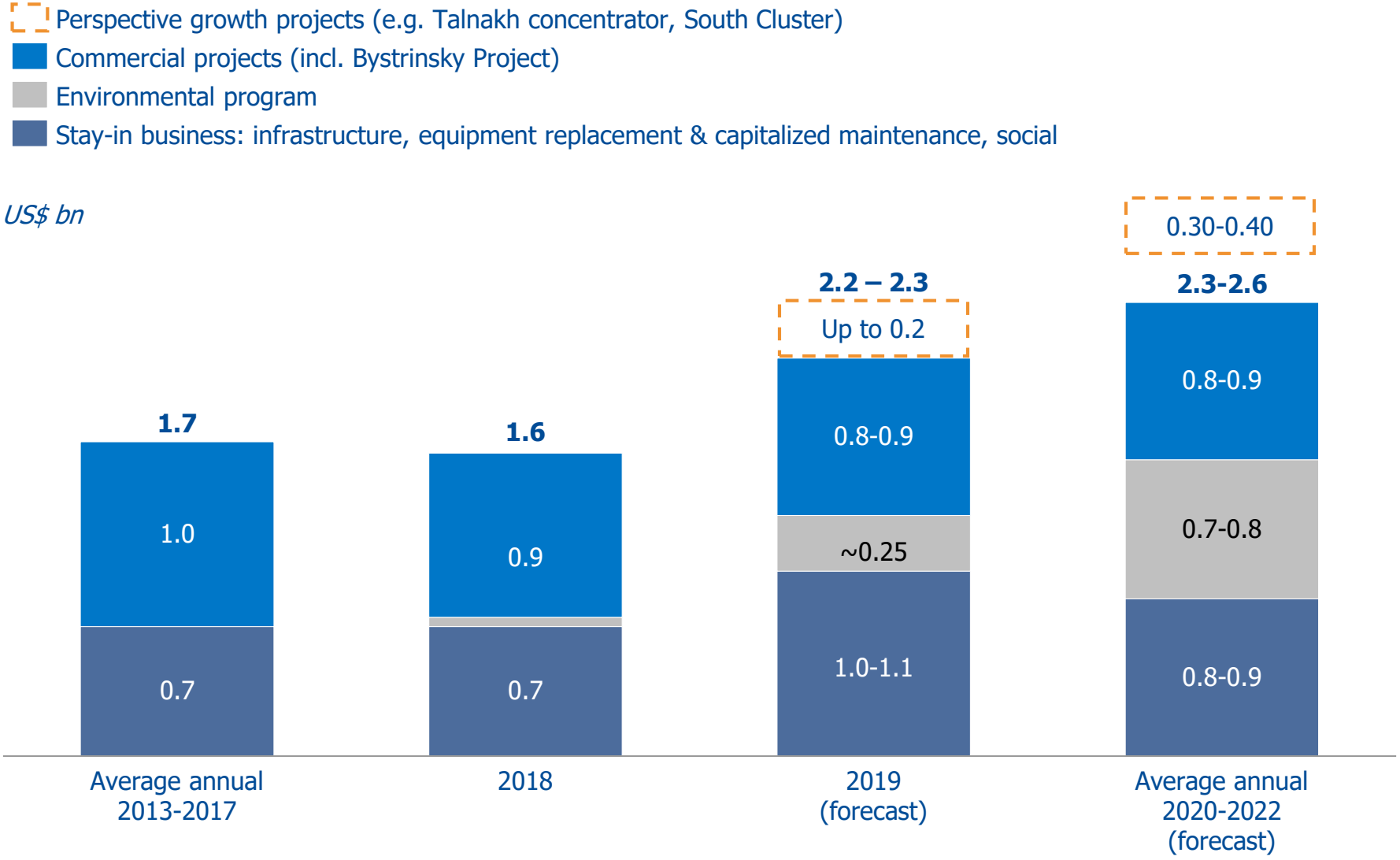
- Projects: Talnakh Concentrator Upgrade, South Cluster and other

Environmental Program
~US$2.5 bn

- Active implementation phase of Comprehensive Environmental Program, peak of investments is expected in 2020 and 2021

Growth projects
Environmental program
Reconfiguration
Mining projects
IT / Automation / Efficiency Improvement Initiatives
Maintenance of Infrastructure Assets
Maintenance of Production Assets

CAPEX Program: New Investment Cycle in 2019-2022



Long Term Trends Supporting Consumption Growth for Norilsk Nickel Metal Basket

Current consumption trends

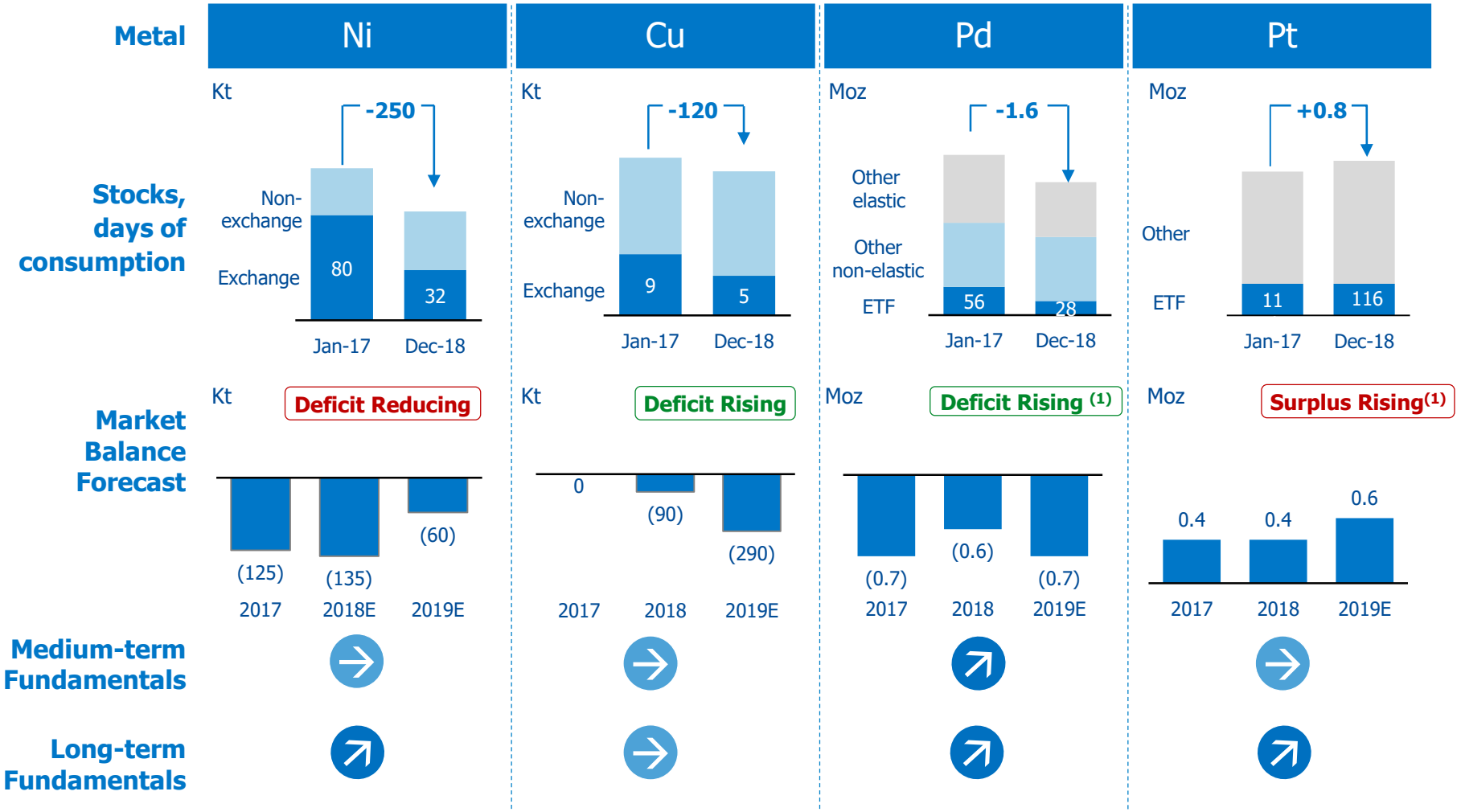
- Rising global stainless steel demand in China on construction, urbanization and growth of living standards
- China's infrastructure built out
- Reducing diesel market share in Europe
- Tightening of emission standards and introduction of real world drive tests globally

Prospective consumption trends

- Vehicles electrification
- Vehicle electrification, rollout of charging infrastructure, growth in renewables
- Fuell cells
- Rising number of gasoline vehicles on population and disposable income growth
- Vehicles hybridization

Norilsk Nickel core commodities: - Ni - Cu - Pd - Pt

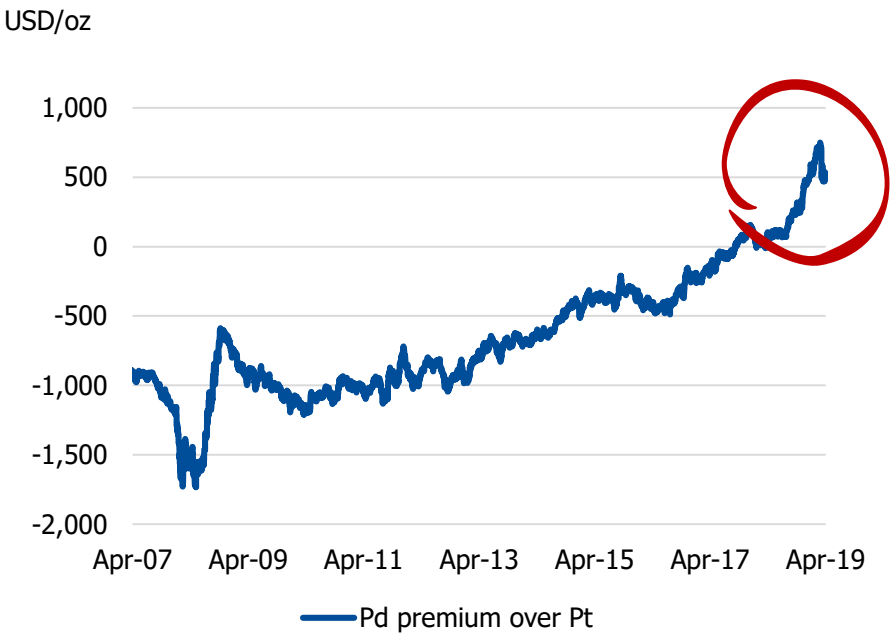
Metal Markets Outlook – View on Fundamentals



Source: Company estimates
Note: 1. Excluding ETFs, investment demand and industry stocks movement. Numbers are rounded separately

Premium of Palladium to Platinum is Sustainable in the Mid-Term

Palladium Established a Sustainable Premium to Platinum on Stronger Fundamentals…



… as Pd Loadings in Gasoline Vehicles are Supported by Higher Fair Value-in-Use

	Palladium	Platinum
Thermal durability	Higher	Lower
	Platinum is more susceptible to sintering at high temperatures *To increase engine efficiency and to reduce CO_2 emission OEMs increase the share of ICE, which operate at higher temperatures*	
HC and CO oxidation at low temperatures	Higher	Lower
	Hybrid vehicles operate at lower temperatures as ICE is not working continuously	
NOx reduction	Higher	Lower (same for lean burn)

- Palladium performs better than platinum in gasoline vehicles
- Introduction of Real Driving Emission tests incentivises «over engineering» and higher palladium loadings
- Long-term stability/reliability of supply is supportive of palladium demand
- Progress in the development of prospective mining projects should mitigate structural deficit in the medium-term

Source: Company data

Nornickel's Metal Basket Content by Light Vehicle Type

	Gasoline	Diesel	Hybrid incl. PHEV	BEV	FCEV
CAGR[1]	0%	0%	+27%	+26%	+21%
Market Share[2]	61%	17%	17%	6%	<1%
Ni	Stainless Steel & Parts		+Batteries		2–3 kg
	2-4 kg	2-4 kg	5–15 kg	30–110 kg	
Cu	Wires & Parts		+Electric Motor, Generator Winding		
	20-25 kg	20-25 kg	45-50 kg	75-80[3] kg	70-75 kg
PGM	Catalysts			-	Fuel Cell
	2-5 g	3-6 g	2-6 g		25-35 g
Pt:Pd ratio	1:4	8:1	1:4		
Metal value per vehicle, US$ [4]	$260-490	$240-410	$460-780	Up to $1,900	Up to $1,500

Source: Company estimates, LMC Automotive, Bloomberg;
Note: 1. CAGR for 2017-2025E, 2. Expected market share in 2025 based on production; 3. Excluding additional infrastructure demand of 1-8 kg per charger; 4. Metal values calculated at spot prices as of April, 2019

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