



1H 2017 FINANCIAL RESULTS

August 15, 2017
Moscow

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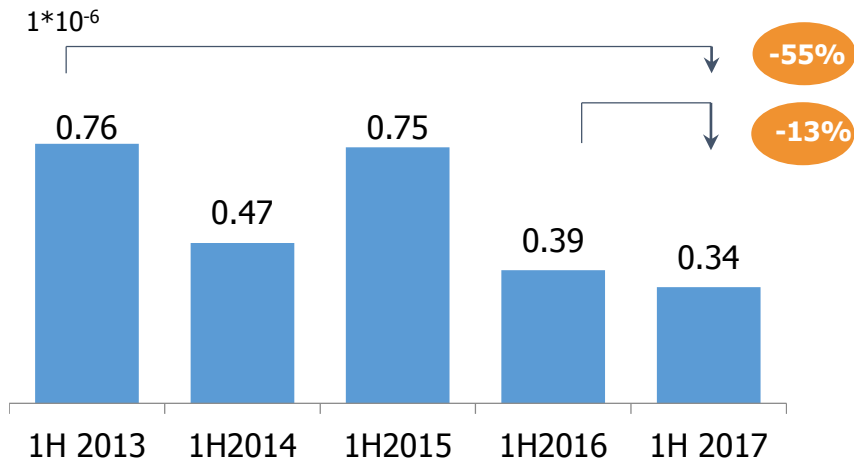
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Health & Safety: Focus on Critical Controls

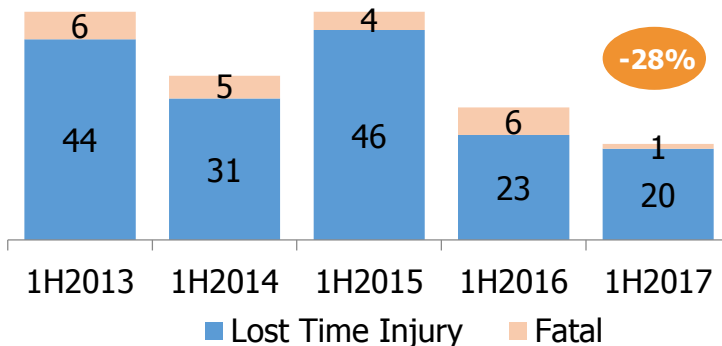
LTIFR reduced by 13% y-o-y



Accident Statistics Improved in 1H 2017

employees

Life protection is a top management priority – target zero fatalities



1H 2017 Highlights:

- LTIFR remains below the global mining industry average, down 13% y-o-y;
- Total recordable fatal accidents and lost time injuries rates decreased 28%, respectively;
- **49 refusals to perform work** were registered due to concerns about safety, **44 employees** were fired for violation of safety regulations and rules;
- **18 internal audits** of Occupational Safety and Health management system were conducted
- **120 internal audits** with participation of management were scheduled for 2H 2017;

Tragic accident at Zapolyarny mine in July:

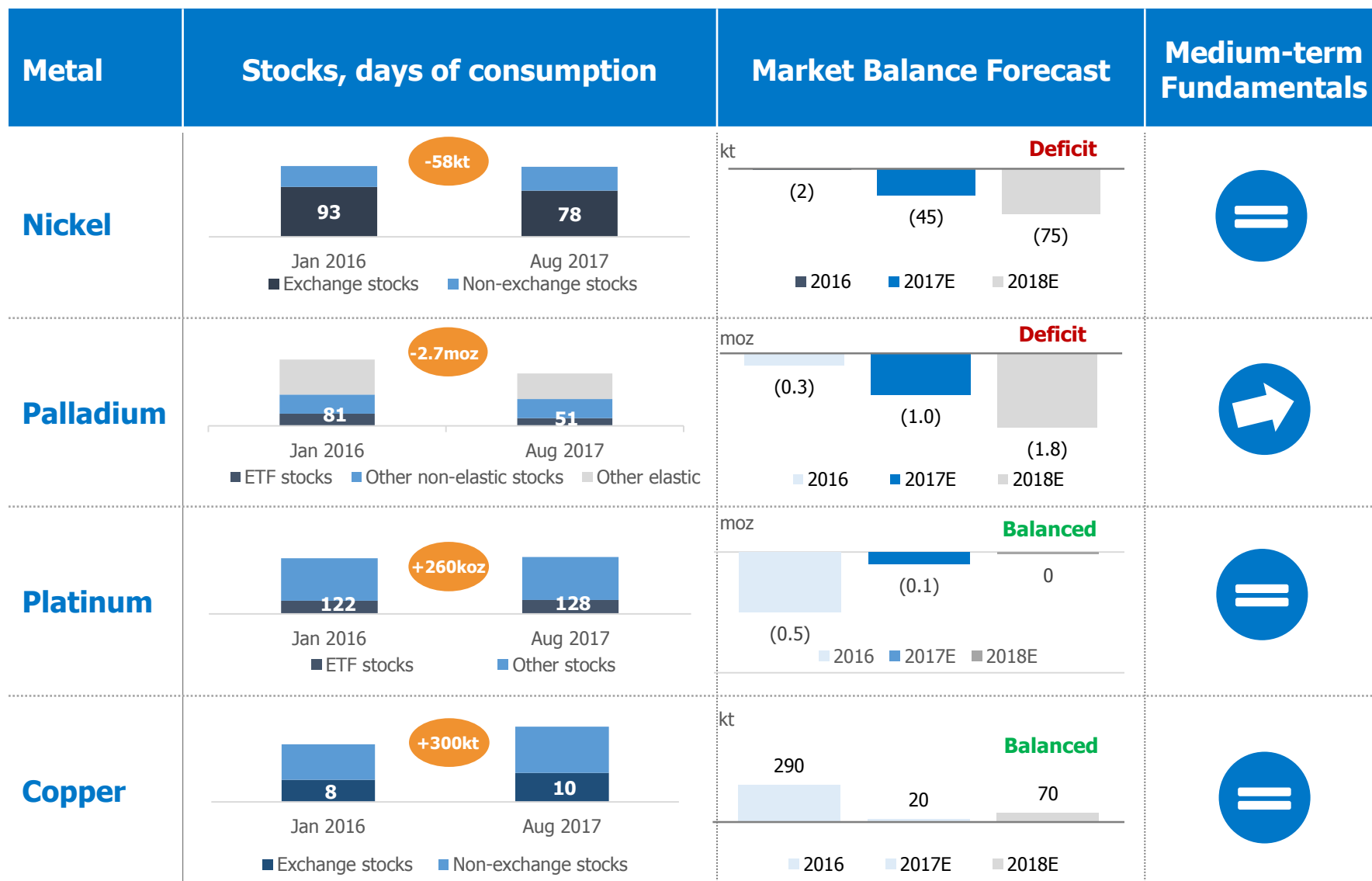
- Regretfully, the lives of 4 miners were lost due to an explosion related accident;
- Full support and assistance have been provided to the families of the employees;
- The Company has launched a thorough internal investigation of the accident and is working closely with the authorities on their formal investigation;
- The Company reiterates its key objective to eliminate all fatalities and ensure that such tragedies will not repeat in the future. Life protection remains our key priority.

1H2017 Highlights

- **Consolidated revenue increased 11% y-o-y to USD4.2 billion** owing to the increase in metal prices;
- **EBITDA was down 3% y-o-y to USD1.7 billion** primarily owing to RUB appreciation against USD and one-off increase in social-related expenses. EBITDA margin maintained at an industry-leading level of 41%;
- **CAPEX was almost flat y-o-y at USD0.7 billion**;
- **Net working capital increased to USD0.8 billion** driven mostly by the payment to Rostec for the copper concentrate;
- **Free cash flow decreased by 17% y-o-y to USD0.5 billion** primarily due to the increase of working capital resulting in FCF/revenue ratio of 12%;
- **Net debt/EBITDA ratio reached 1.5x as of June 30, 2017.** Taking advantage of favourable market conditions two Eurobonds were issued: USD 1 billion with an annual coupon rate of 4.1% and USD 0.5 billion with an annual coupon rate of 3.85% yielding the record low interest rates for the Company's issuances on international debt capital markets;
- Annual **2016 dividends** in the amount of **USD1.2 billion** (or USD 7.5 per share) were paid in **July 2017**;
- On 24 January 2017, the **Company's Board of Directors approved the sale of up to 39.32% stake in the Bystrinskiy (Chita) Project** to CIS Natural Resources Fund. The closing of the transaction is expected by the year-end 2017;

Markets Update

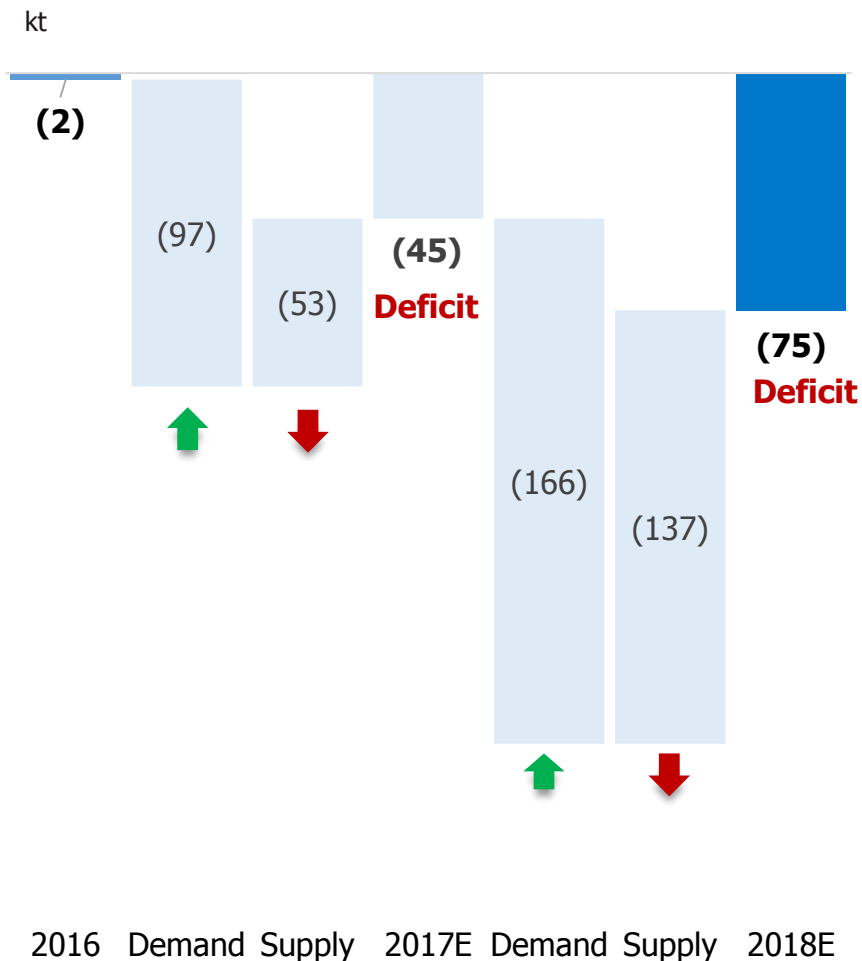
Metals Markets Outlook



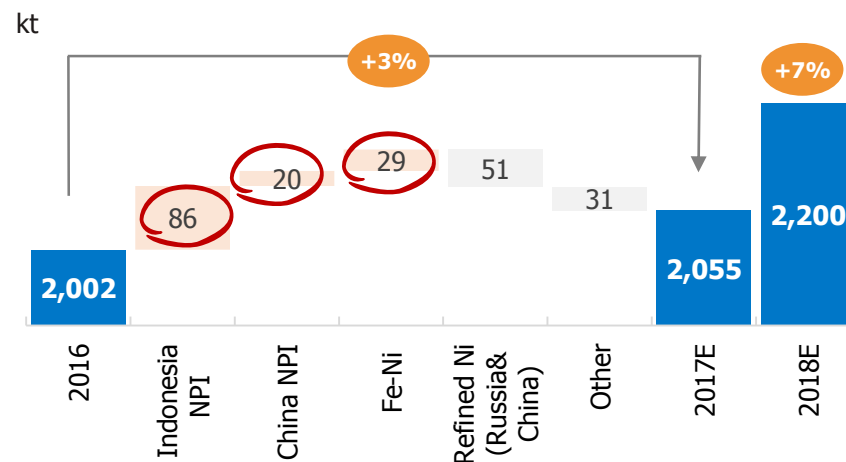
Source: Company data

Nickel Market: Deficit Expanding

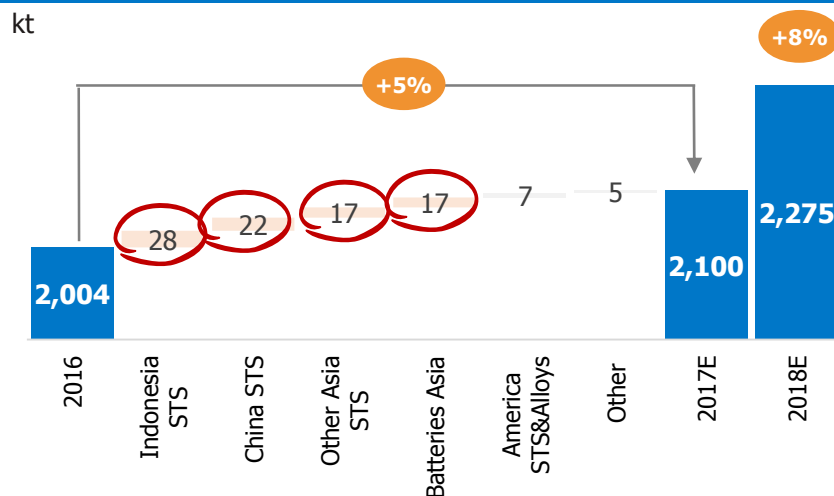
Nickel Market: Deficit Expanding



Ni Supply: Increase Driven by Re-start of Indonesia Ore Exports and Philippines Recovery

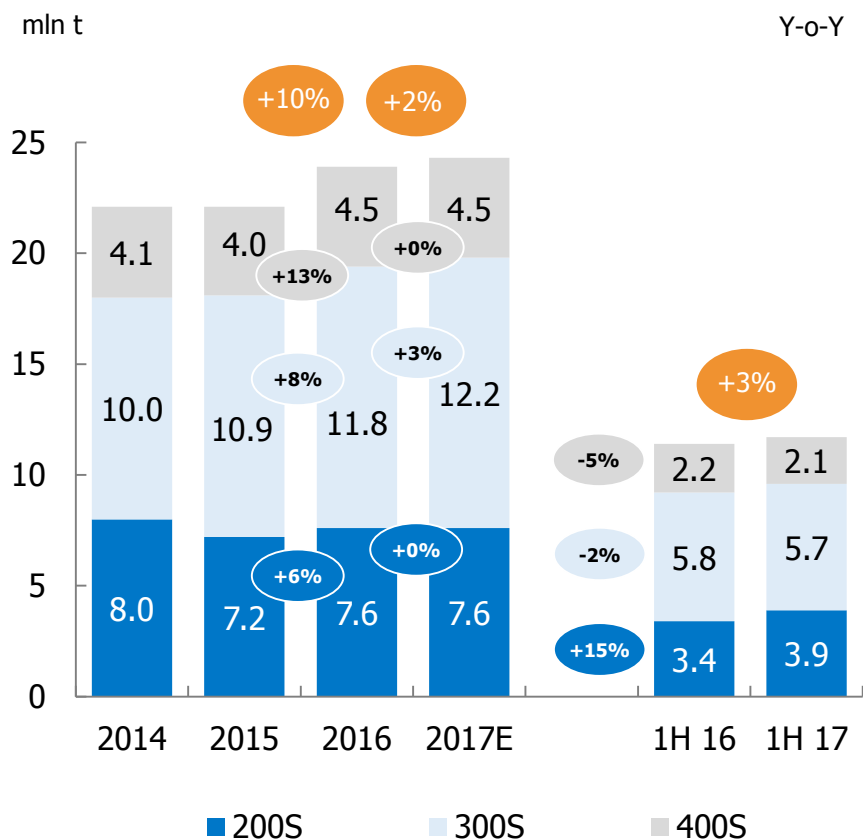


Strong Growth of Ni Demand in Stainless Steel Expected in 2017E Across All Key Regions

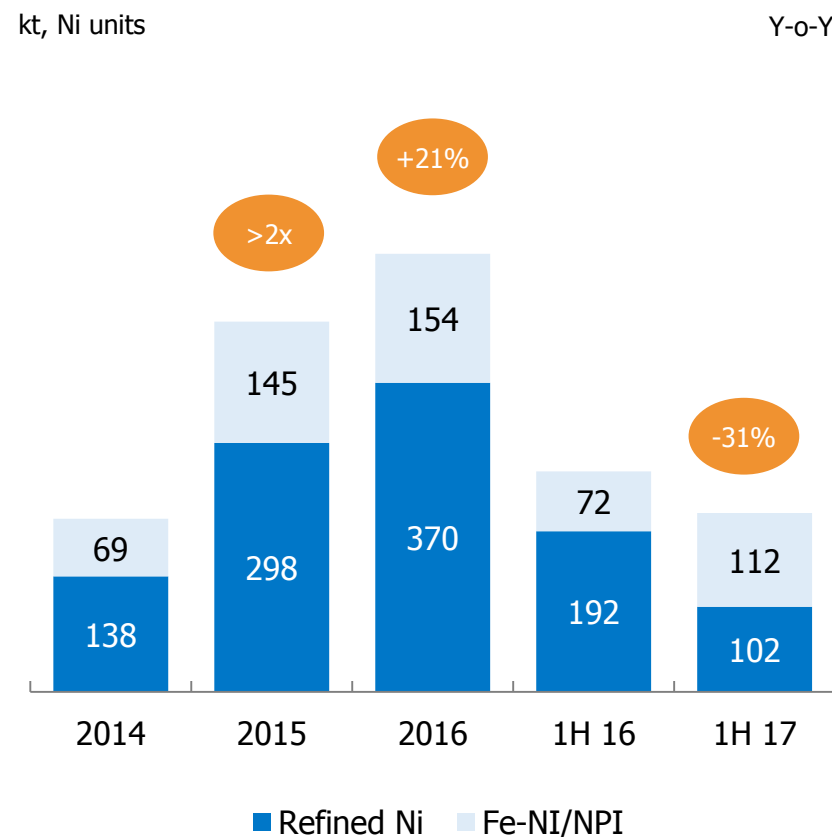


Mixed 1H17 Data in China: Strong Growth of 200 Series, Fall in 300 Series and Reduction of Ni Imports

Increased STS Output in 2H 2017 as Market Strengthens and Delong Ramps Up Balances Out Supply Cuts of 300s in 1H 2017

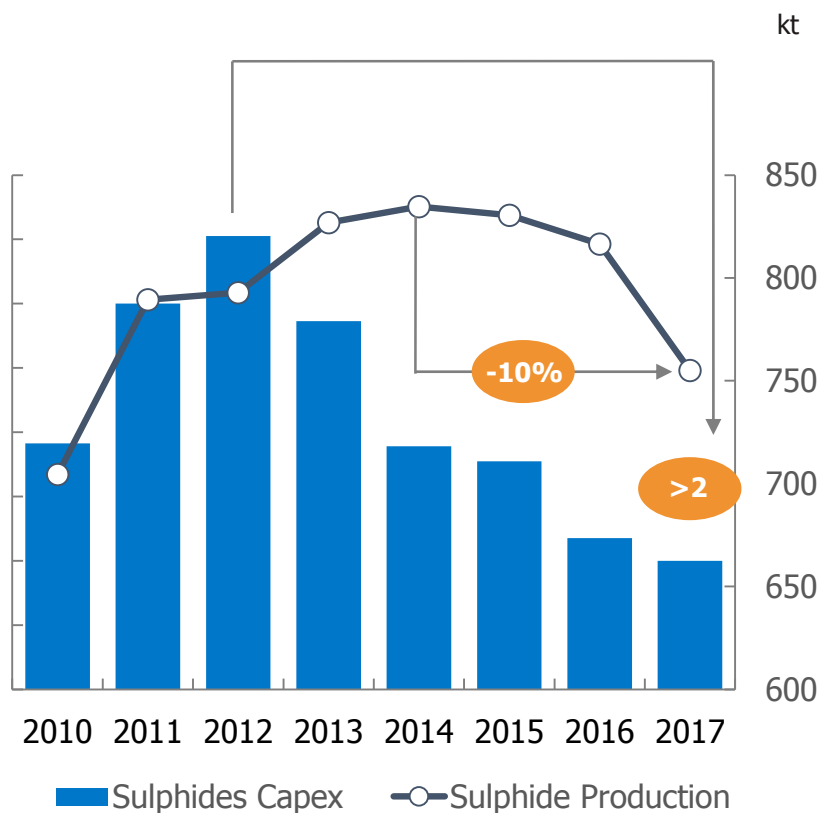


Imports of Nickel to China Declined in 1H17 due to High Base in 1H16 & Stock Reallocation, Fe-Ni/NPI Became the Main Source

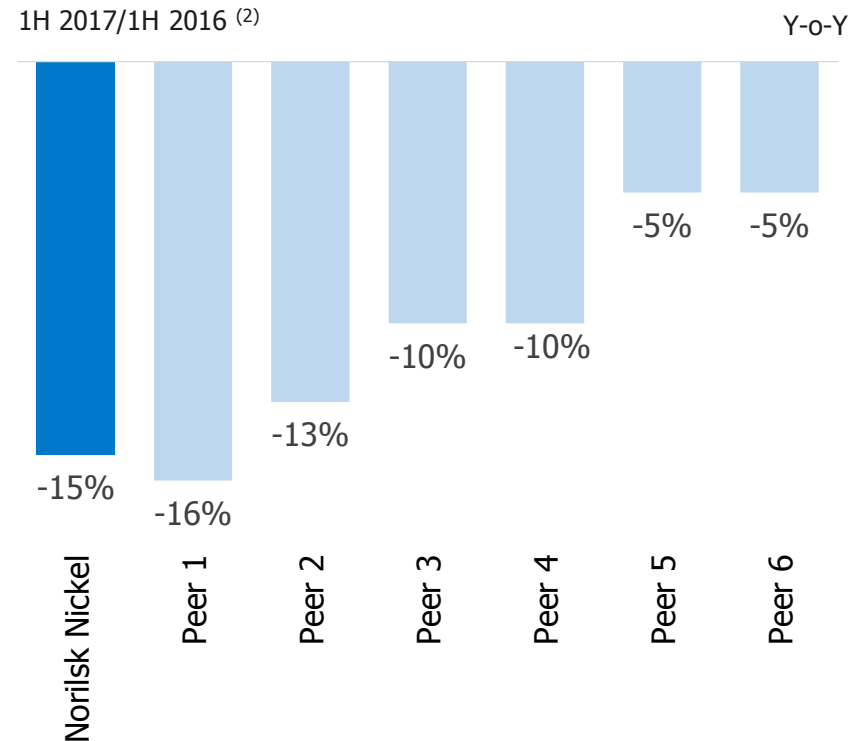


Global Nickel Supply from Sulphide Ore is not Sustainable in Medium Term: Impact from Underinvestment

Underinvestments Impacting Ni Production from Sulphide Ores ⁽¹⁾



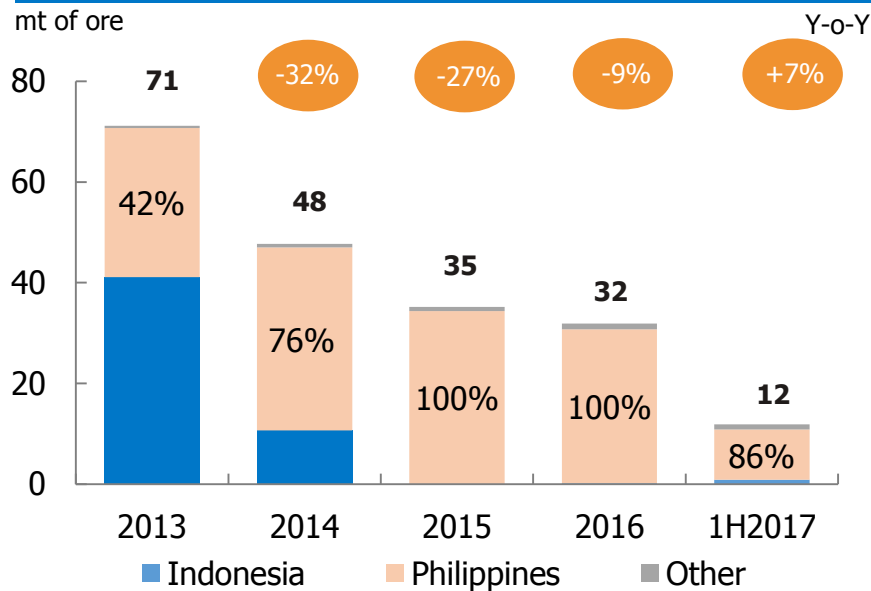
Production Cuts by All Major Ni Producers in 1H2017: Remove Over 50kt from Supply



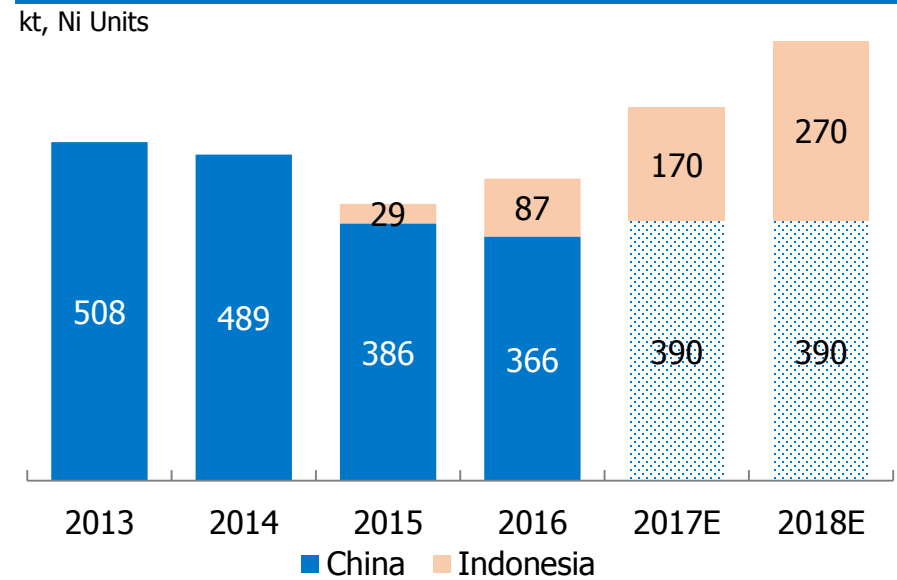
Total production cuts ⁽³⁾ and shut-downs expected in the amount of circa 60kt in 2017E

Diminished Uncertainty in the Philippines and Indonesia

Higher Nickel Ore Supply to China in 1H 2017



NPI Supply from China & Indonesia Expected to Grow



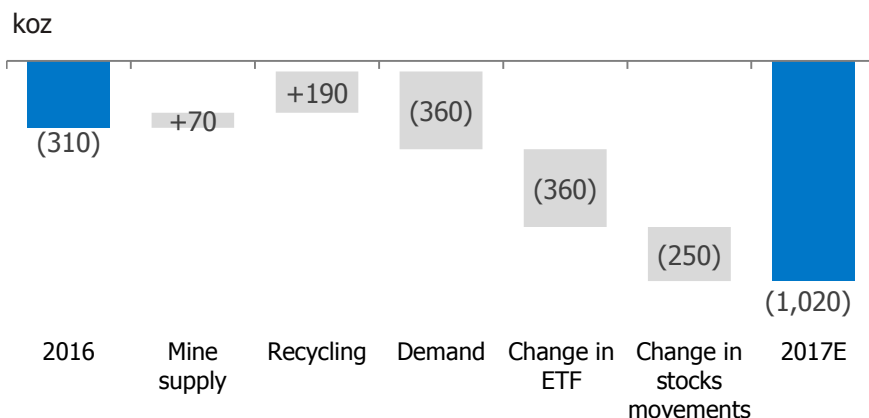
Ni Ore Export from Indonesia Has Resumed, +85kt Ni Units to the Market

Company	Ore export volumes (mt)	Permit applied for	Permit granted	Ni units (kt)
PT Antam	2.7	✓	✓	28
	3.7	✓		39
Zhenshi Group	1.0	✓	✓	11
PT Harita Group	2.1	✓	✓	22
PT Macrolink	2.5	✓		26
Ifishdeco	0.5	✓		5
Pt Ceria Nugraha Indotama	2.3	✓	✓	24
Total	14.8		8.1	85

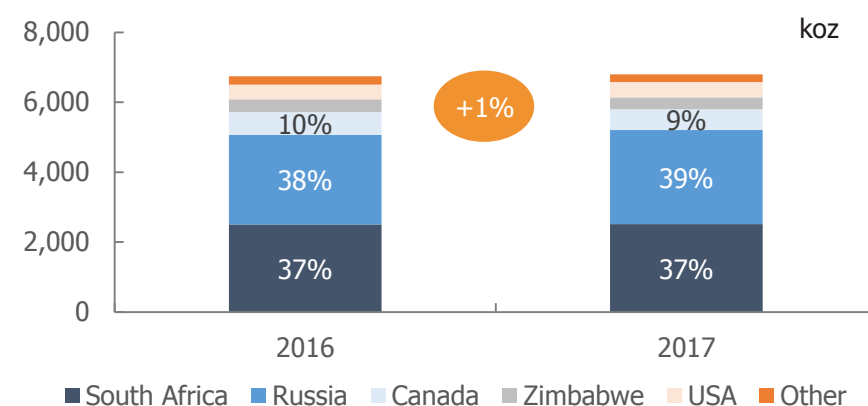
Source: Company data, Chinese customs trade statistics

PGM Supply and Demand Balances: Diversing Fundamentals of Pt and Pd

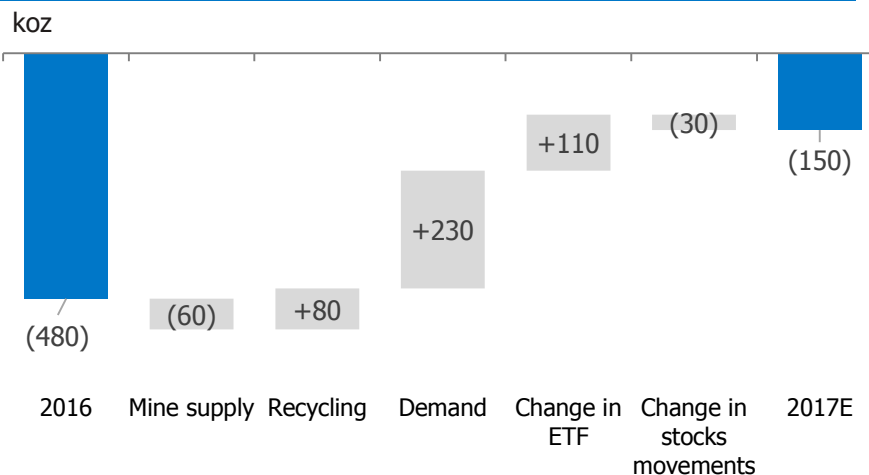
Palladium Market Balance: Higher Demand and Lower ETF & Stocks Sales to Spur Multiyear Structural Deficit



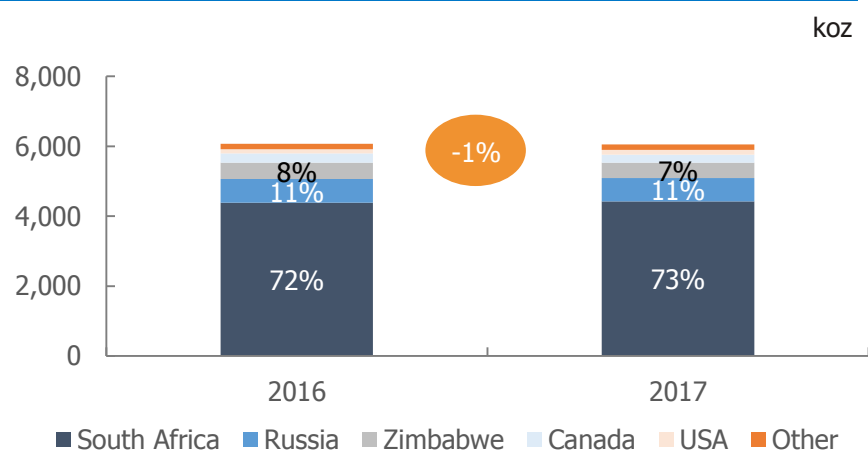
Palladium Mine Output in 2017: Expected Small Increase Y-o-Y



Platinum Market Balance: Lower Demand is Moving the Market to The Balance



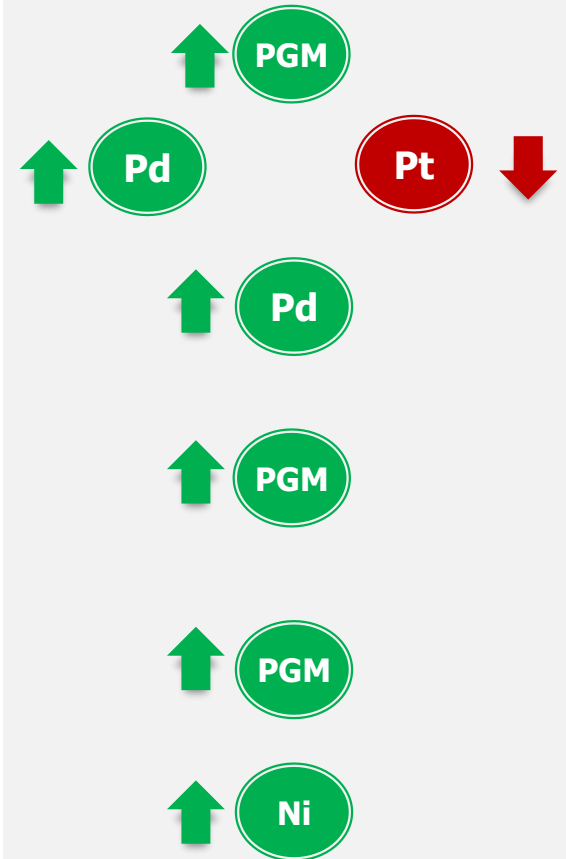
Platinum Mine Output in 2017: Expected Small Decrease Y-o-Y



Key Auto Trends Impacting Metals Demand

- 1 Sustainable global automotive production growth;
- 2 Diesel substitution by gasoline vehicles;
- 3 Growth of hybrids market share;
- 4 Growth of SUVs market share and increase in engine size;
- 5 Strengthening in emissions legislation;
- 6 Electric vehicles/batteries

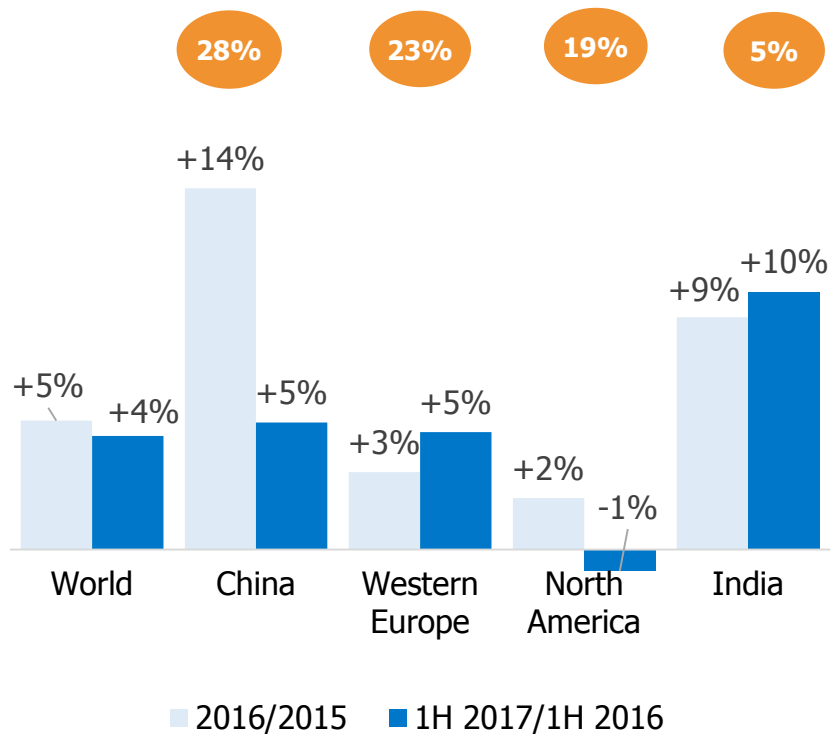
Demand Implications



Growing Autos Production in 2017 and in Long Term

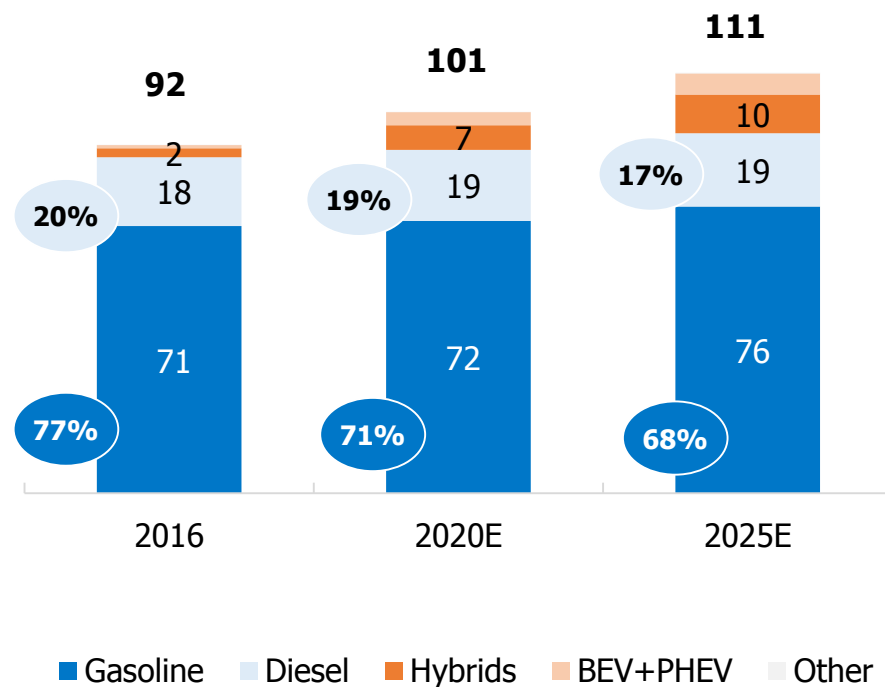
Strong Growth of Automotive Market in 1H 2017 (+4% Y-o-Y)

Total light vehicles production (up to 6 tons) Y-o-Y growth



Automotive Markets Expected to Grow by +20% by 2025

Global auto production by type mln units



XX%

Global market share

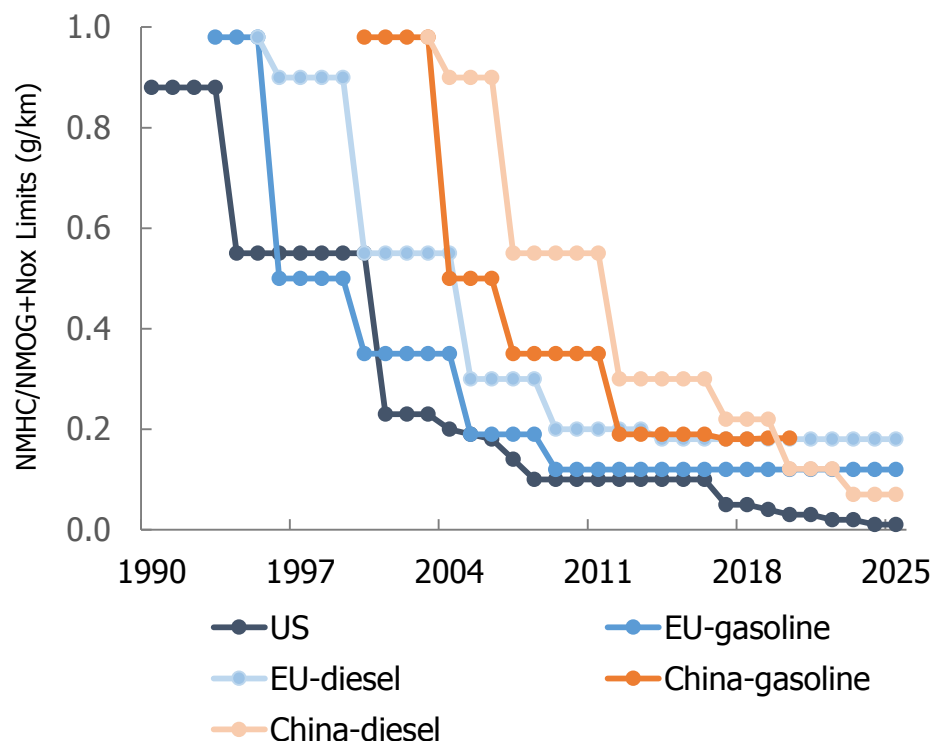
XX%

% of total production

Stricter Emission Regulations Positive for Pd Consumption

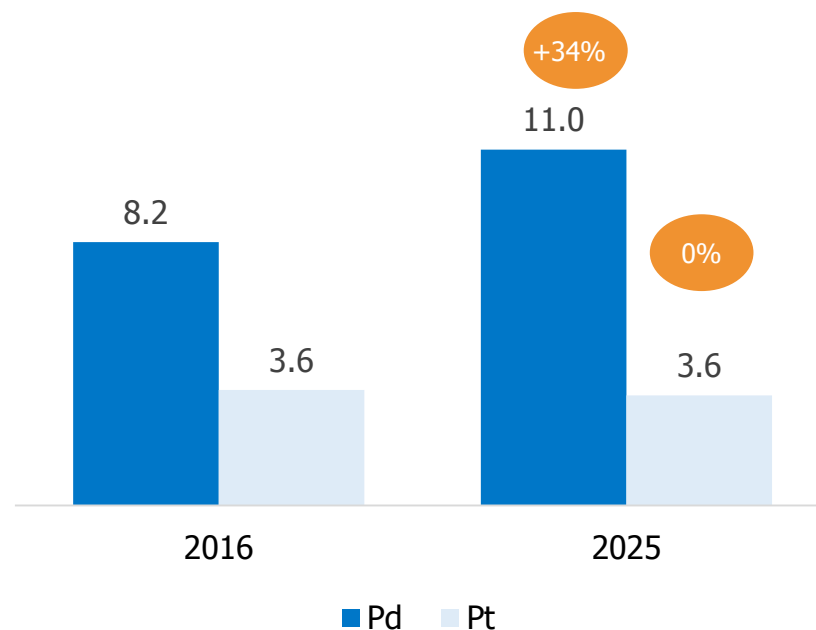
New Regulations, Especially in China, Push Automakers to Increase PGM Loadings...

Comparison of NMOG/NMHC+NOx emission requirements in China, the European Union and the USA during 1990-2025E



... which Should Boost Pd Consumption in Auto Industry by More than 30% by 2025

PGM consumption in automotive industry

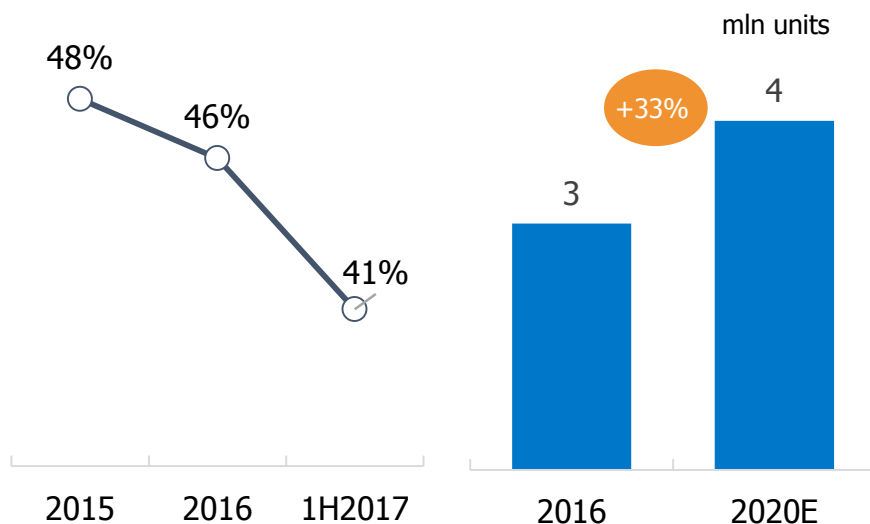


Changing Auto Industry Favors More Palladium Demand

Falling EU Diesel Market Share Partially Offset by Increase in Heavy-Duty Vehicles: Still Negative for Pt Demand

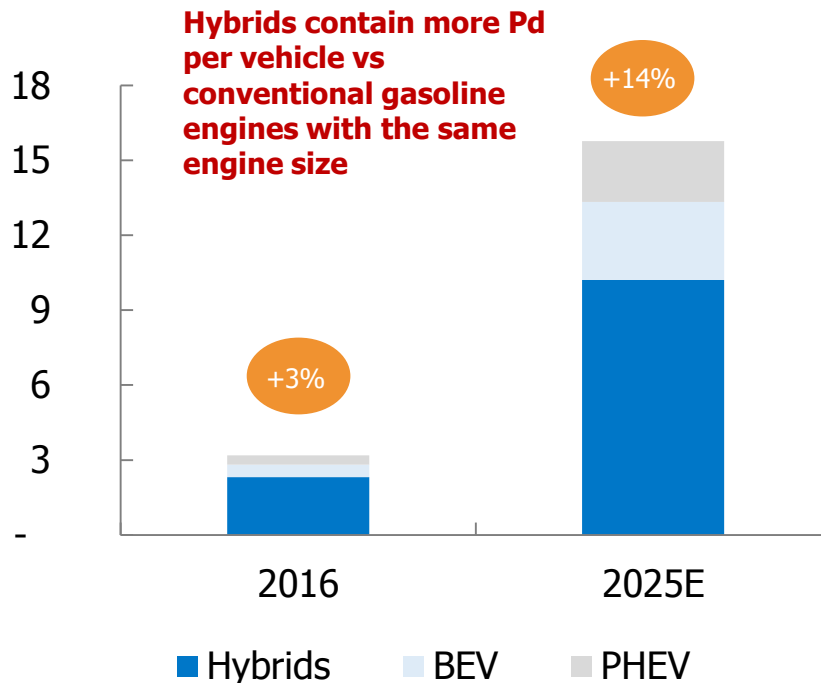
Diesel share in Germany

Global Heavy Commercial Vehicles Production



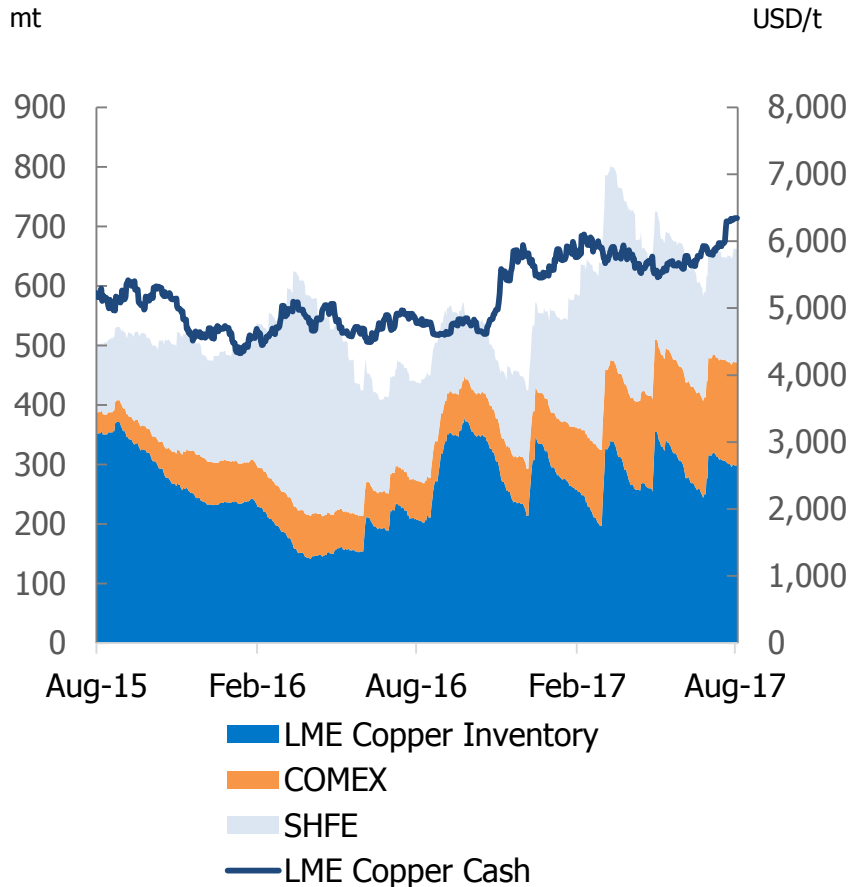
Rising Transport Hybridization Positive for Pd Demand

mln units

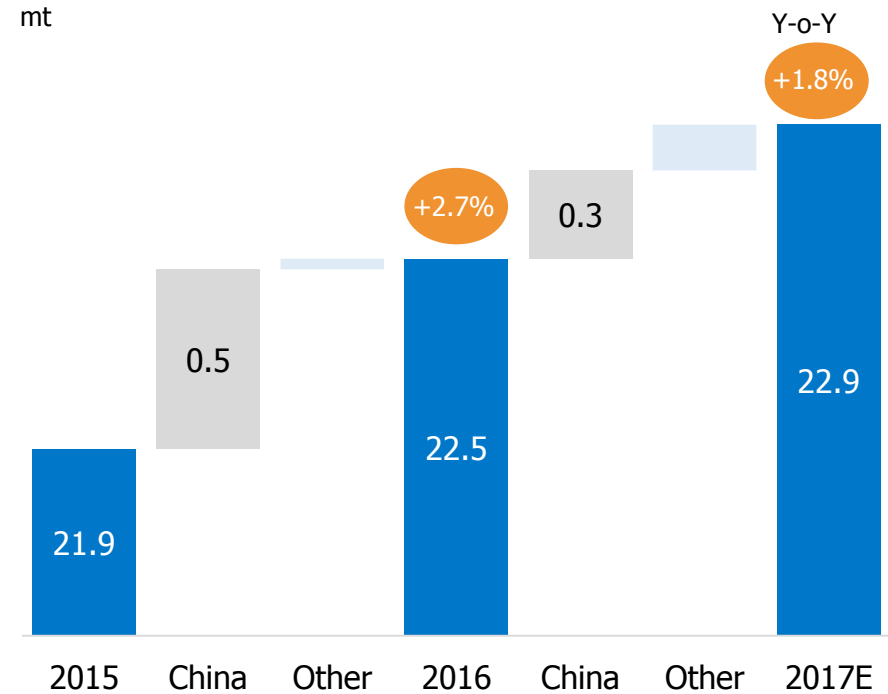


Copper Market: Global Inventories Remain at Low Levels

LME Copper Price Stabilized While Inventories Are Up, But Still Running Tight

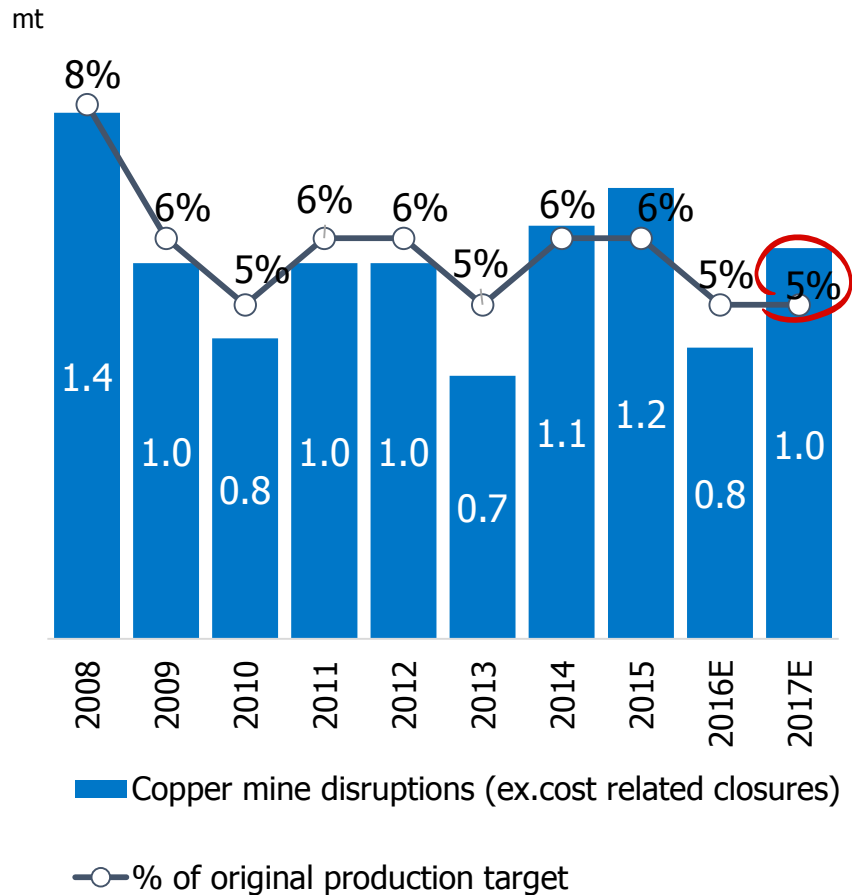


China Remains the Main Driver of Global Copper Consumption Growth in 2016-2017E

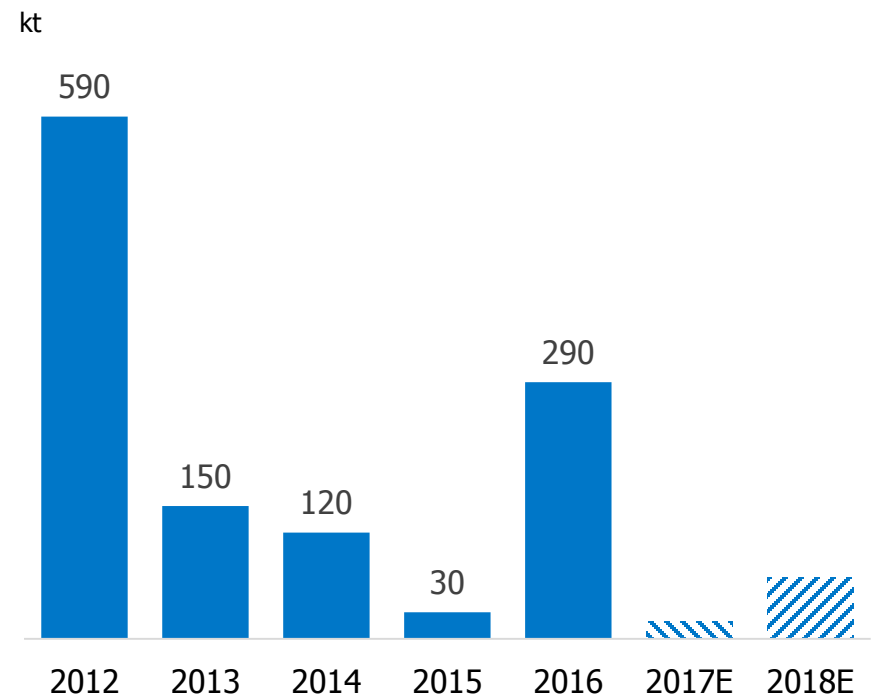


Copper: Balanced Market, Supply Disruptions in Line with Historical Averages

Copper Supply Disruptions: Expected at 5% in 2017E in Line with Historical Average

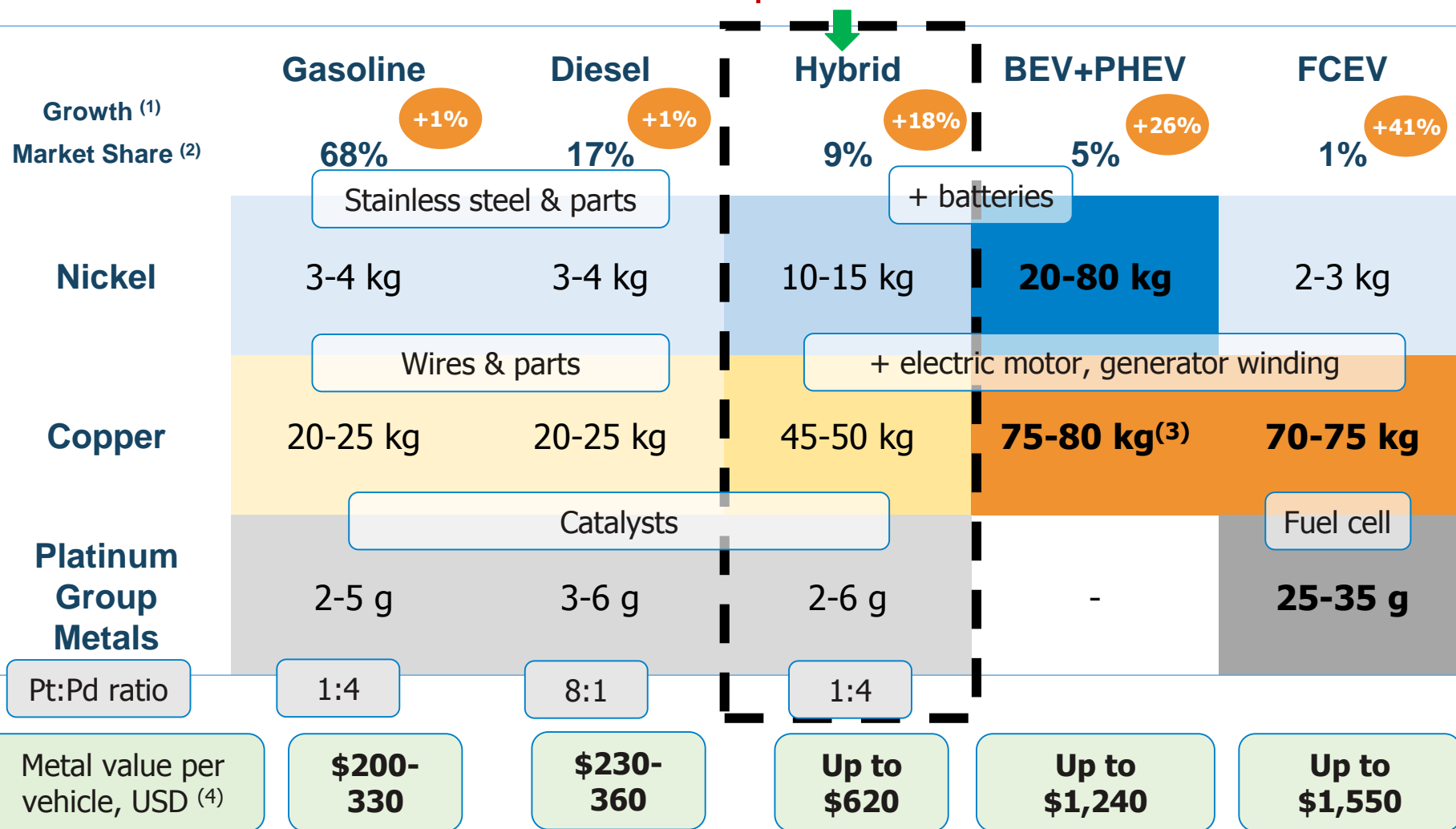


Copper Supply / Demand Balance: Marginal Surpluses in 2017-2018E



Norilsk Nickel's Metal Basket Content by Light Vehicle Type

Hybridization is a major trend in powertrain development in the medium-term



Source: Company estimates, LMC Automotive

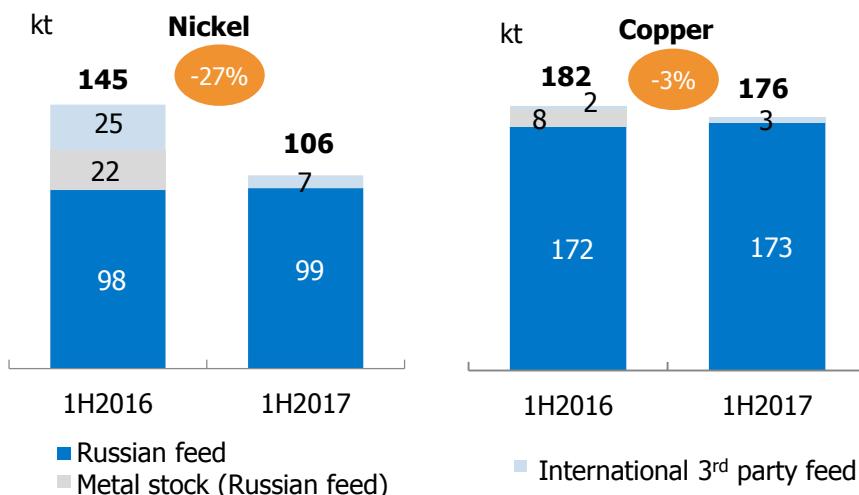
Note: 1. CAGR for 2015-2025E, 2. Expected market share in 2025 based on sales; 3. Without additional infrastructure demand 1-8 kg per charger;

4. Metal values calculated at average metal prices in 1H2017

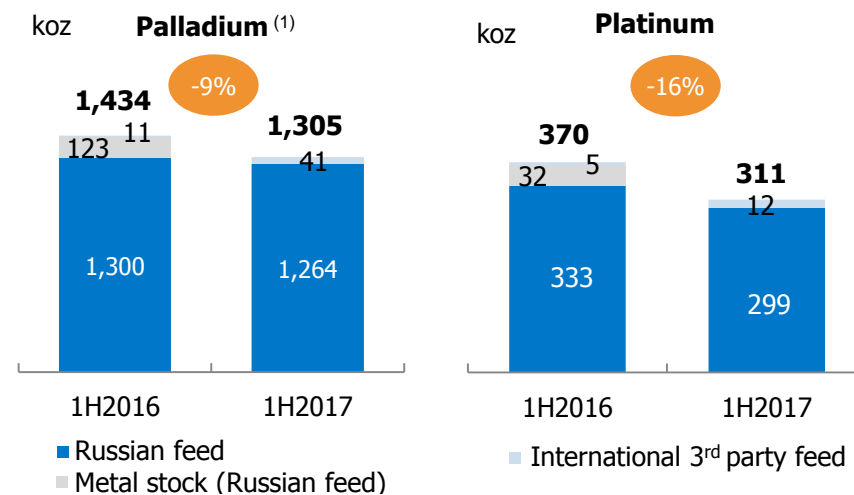
1H2017 Financial Results

Metal Sales Volumes and Realized Prices

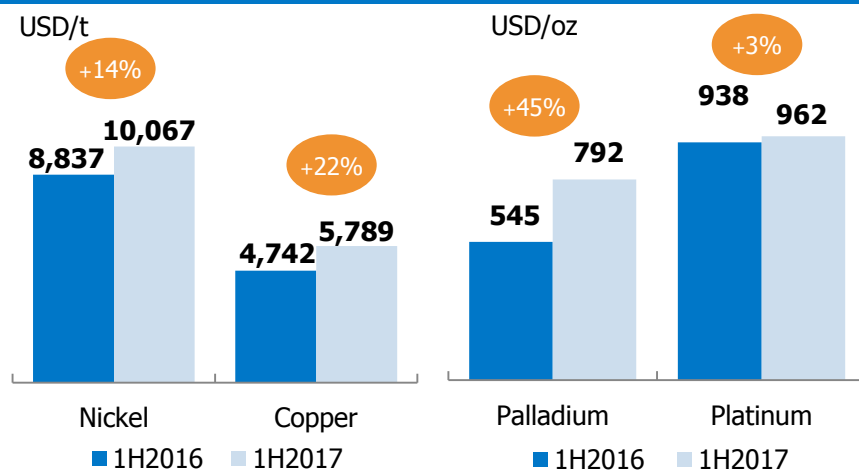
Base Metals Sales: Down on Reduction of 3d Parties Feed and Metal Stock Sales in 1H2016



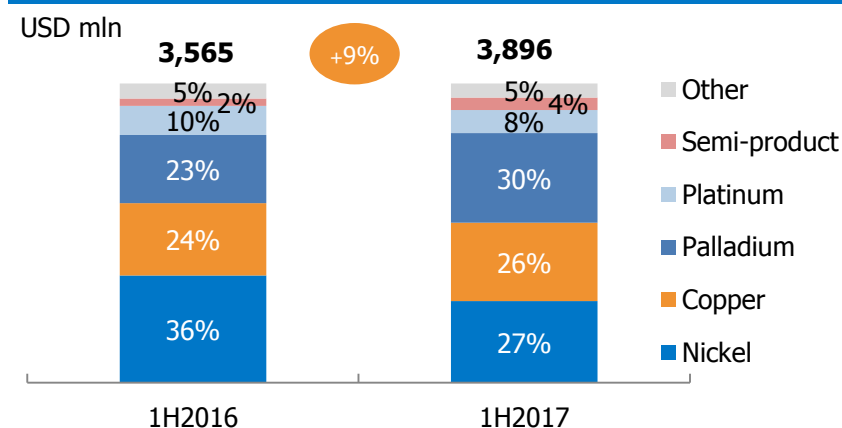
PGM Sales: Down on Reduction of 3d Parties Feed and Metal Stock Sales in 1H2016



Realized Metals Prices: Up on Strong Commodity Markets



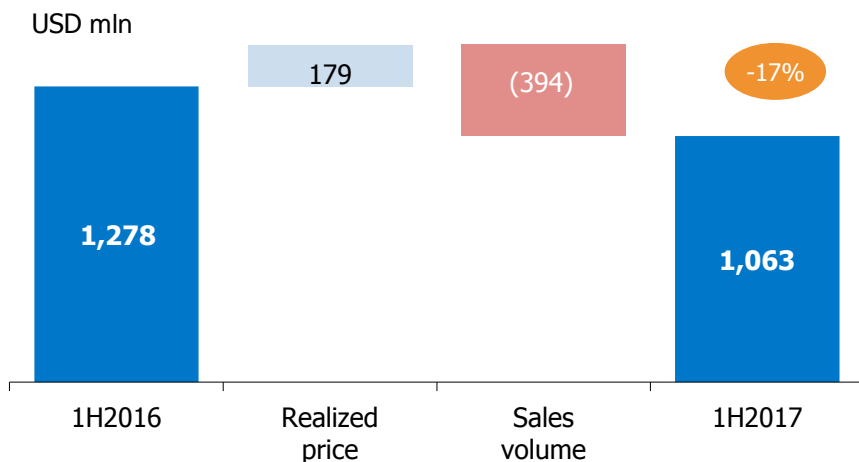
Sales Breakdown by Metals: Palladium is the Largest Contributor to the Revenue



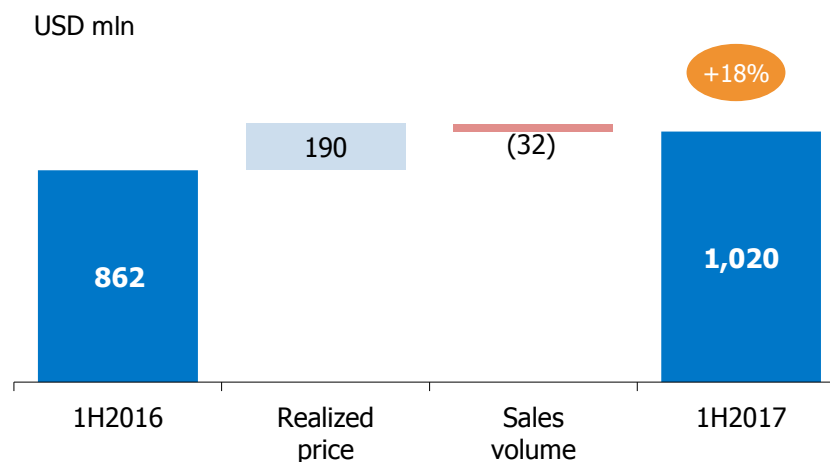
Note 1. Excluding metals purchased from 3rd parties

Metals Revenue: Driven Up by Strong Commodity Markets

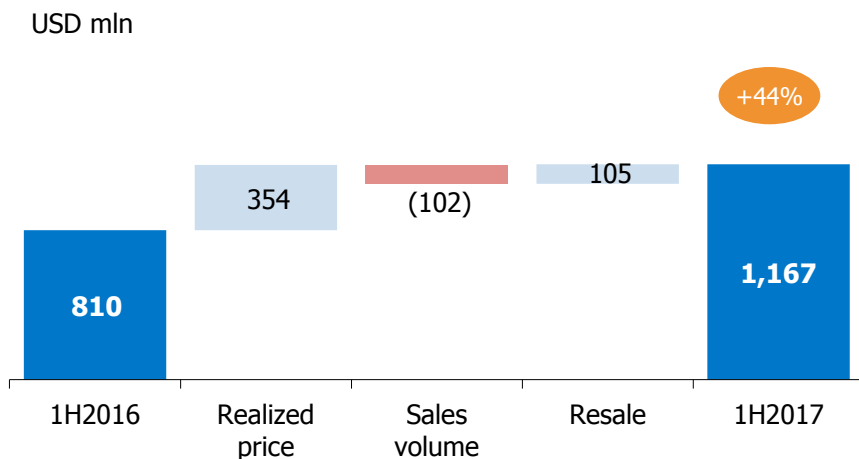
Nickel Revenue: Down 17% on Lower Sales



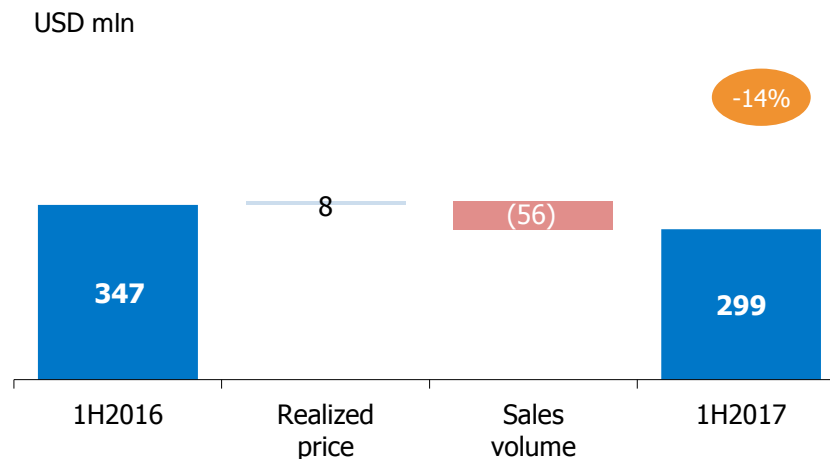
Copper Revenue: Up 18% on Higher Prices



Palladium Revenue: Up 44% on Higher Prices

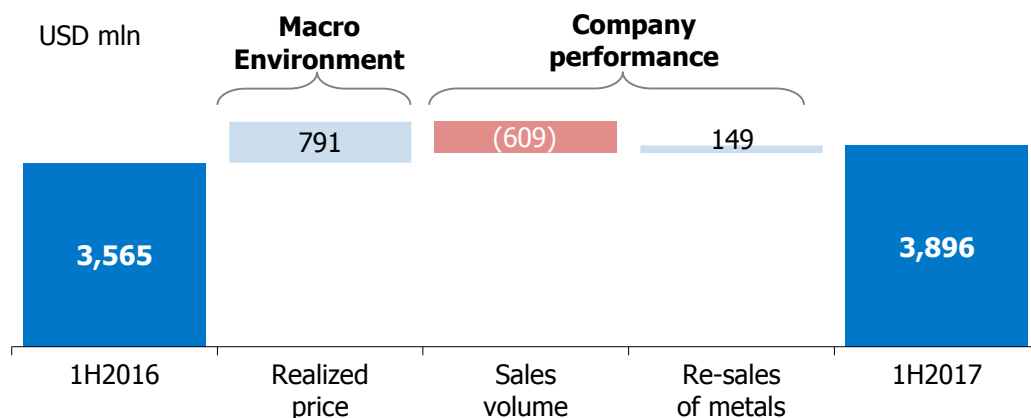


Platinum Revenue: Down 14% on Lower Sales



Consolidated Metal Revenue

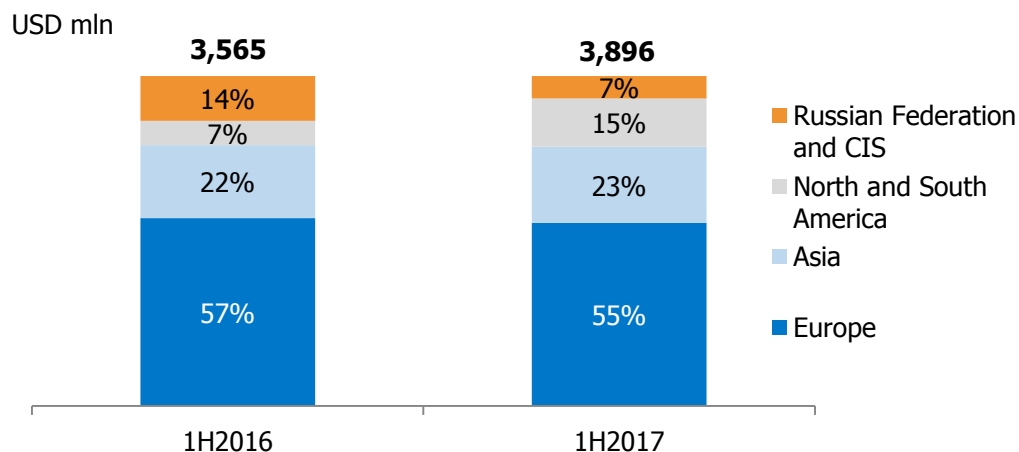
Metal Revenue Up on Higher Prices



Increase of metal sales 9% y-o-y to USD3.9 bn due to:

- Increase of realized metal prices (positive impact of USD0.8 bn);
- Lower metal sales volume due to the higher base effect in 1H2016 owing to the sale of metal stocks (negative impact of USD0.6 bn);
- Re-sale of metals (positive impact of USD149 mln);

Metal Revenue Up on Higher Prices



Geographical breakdown of metal sales:

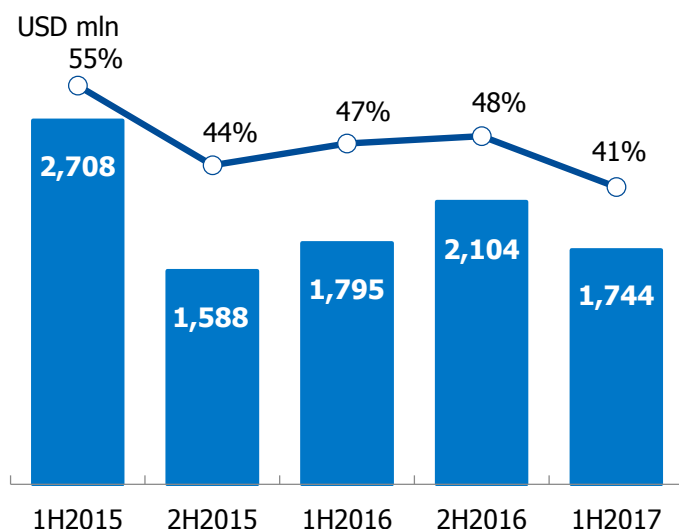
- Europe remains the single largest market accounting for 55% of metal sales;
- Reduction of Russia and CIS sales from 14% to 7% of total, due to the relocation of sales to international markets;
- Increase of sales to North and South America to 15%, mainly due to the increased physical demand for palladium;

EBITDA and EBITDA Margin

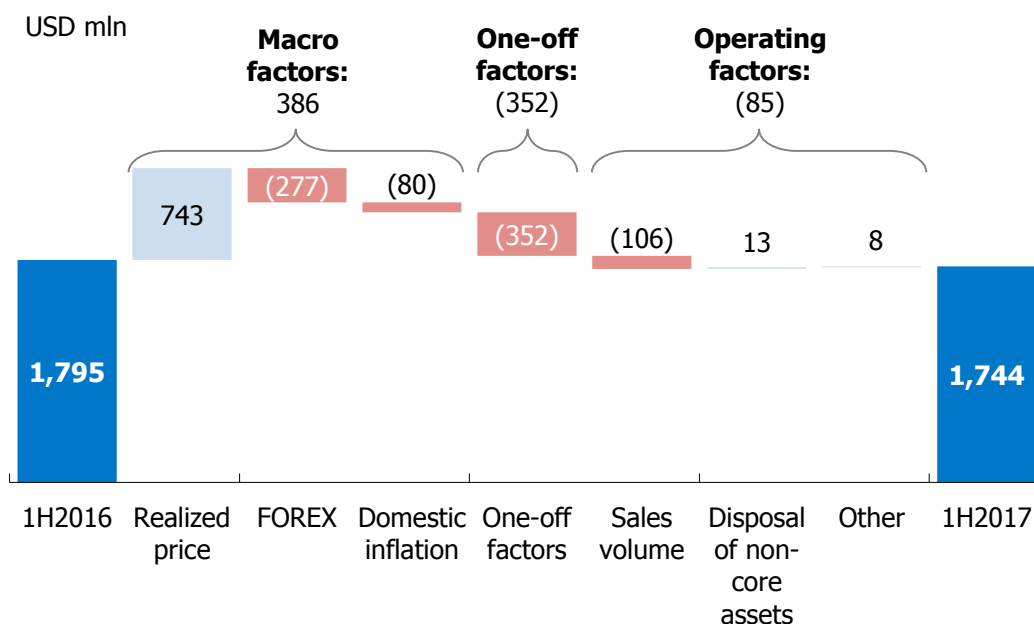
1H2017 EBITDA was down by 3% y-o-y to USD1.7 bn, EBITDA margin down by 6 p.p. to 41%:

- Higher realized metal prices had a positive impact on EBITDA of USD743 mln;
- Appreciation of RUB against USD and domestic inflation contributed negatively to EBITDA by USD357 mln;
- One-off factors: higher base effect in 1H2016 due to metal stock release of USD212 mln and increased social expenses in 1H2017 had a combined negative impact on EBITDA of USD352 mln;
- Decrease in metal sales volume of USD106 mln was primarily driven by accumulation of metal stock (mainly copper) in 1H2017 owing to an extension of navigation break at the port of Dudinka;

EBITDA and EBITDA Margin

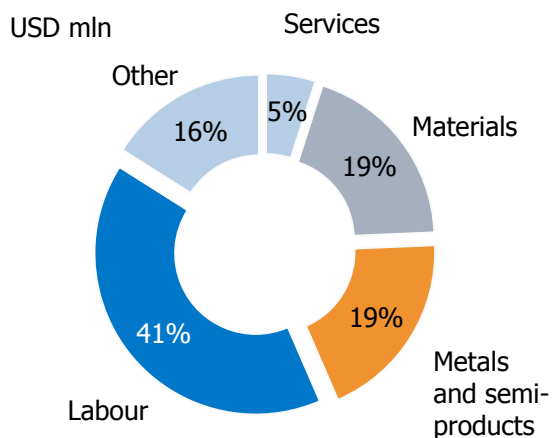


1H2017 EBITDA Bridge vs. 1H2016

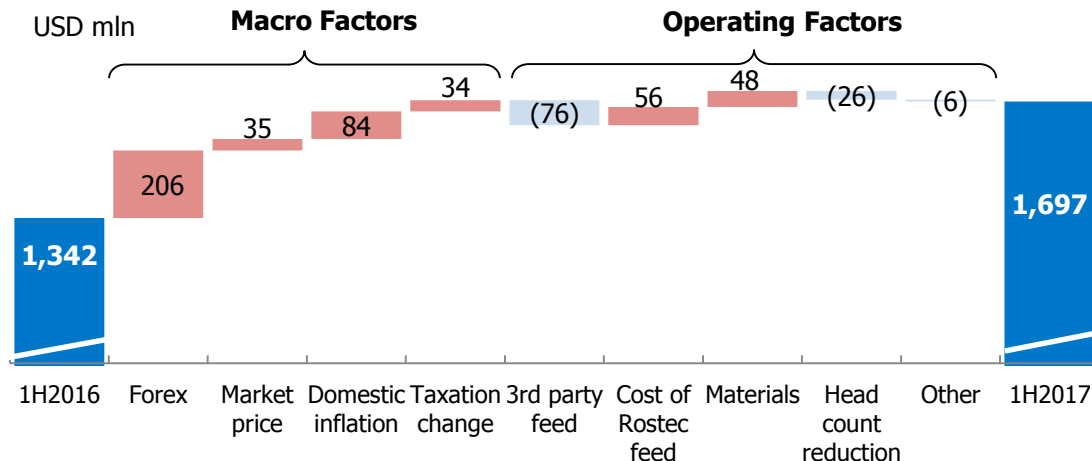


Operating Cash Costs

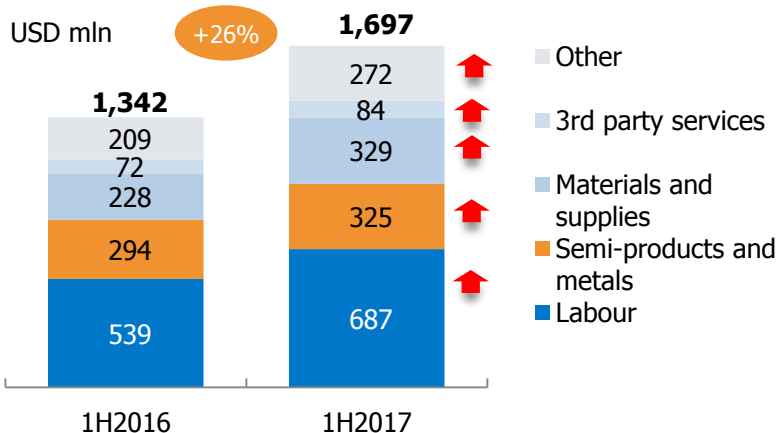
1H2017 Cash Costs Breakdown



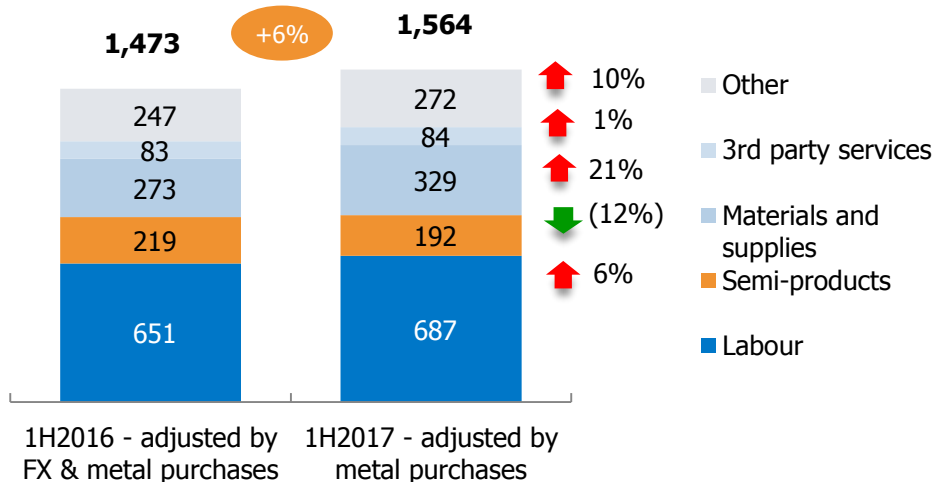
Operating Cash Changes in 1H2017



Reported Operating Cash Costs: up by 26%



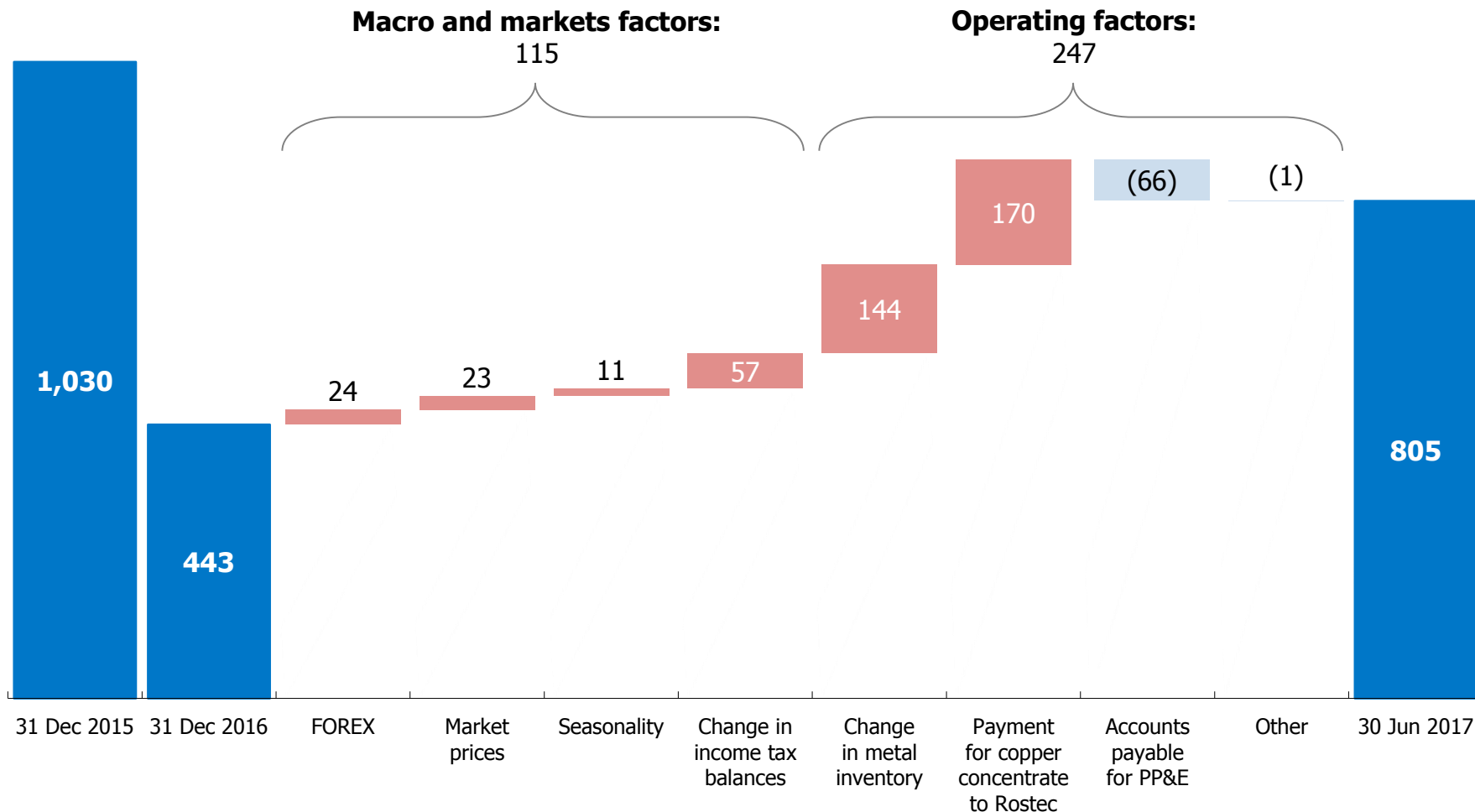
Operating Cash Costs Adjusted by FX & Refined Metal Purchase: Up +6%, in Line with Domestic Inflation



Net Working Capital

Working Capital in 2015-1H2017

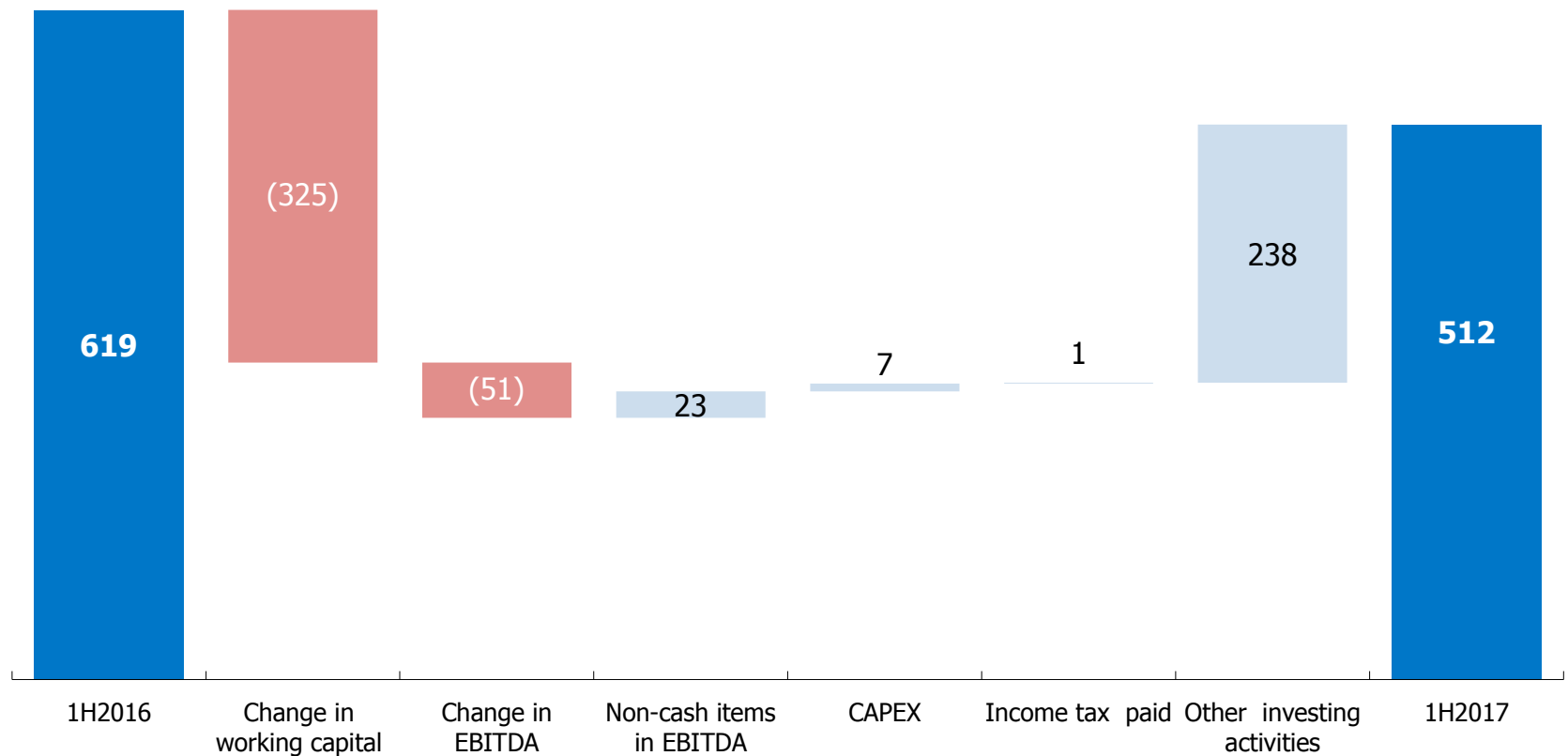
USD mln



Free Cash Flow in 1H2017

FCF Reduction: Increase of Working Capital Was Partly Offset by Proceeds From Sale of Non-Core Assets

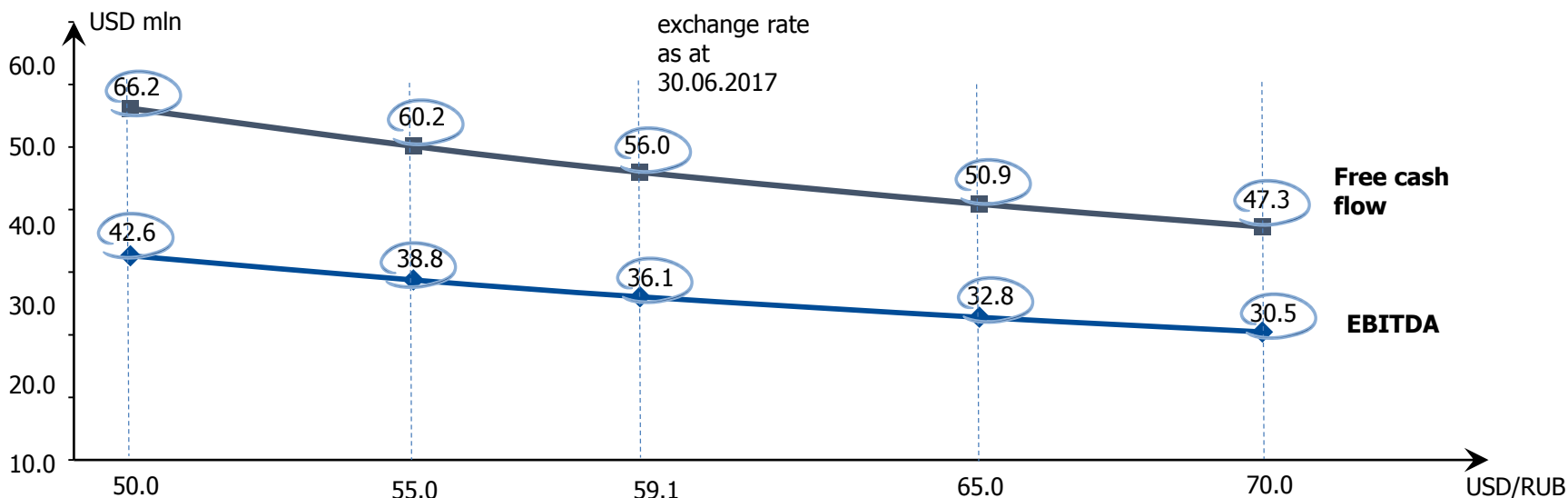
USD mln



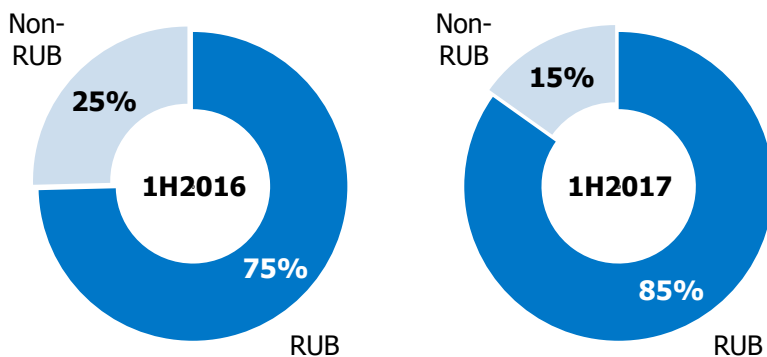
Financial Results Sensitivity to USD/RUB Exchange Rate

At the USD/RUB rate of 59.1, 1% change in exchange rate translates into:

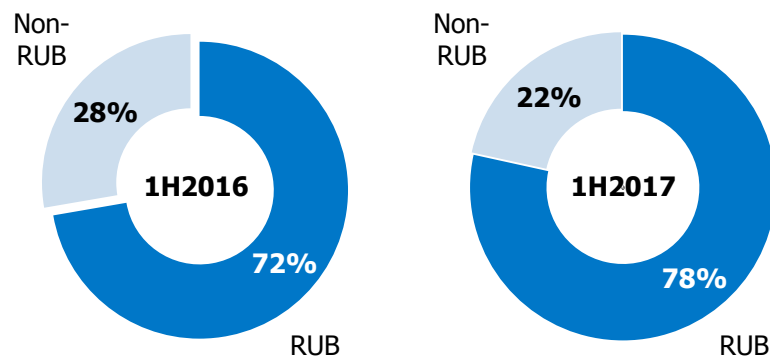
EBITDA change of USD36.1 mln, FCF change of USD56.0 mln.



Currency Break Up of OPEX (1)



Currency Break Up of CAPEX

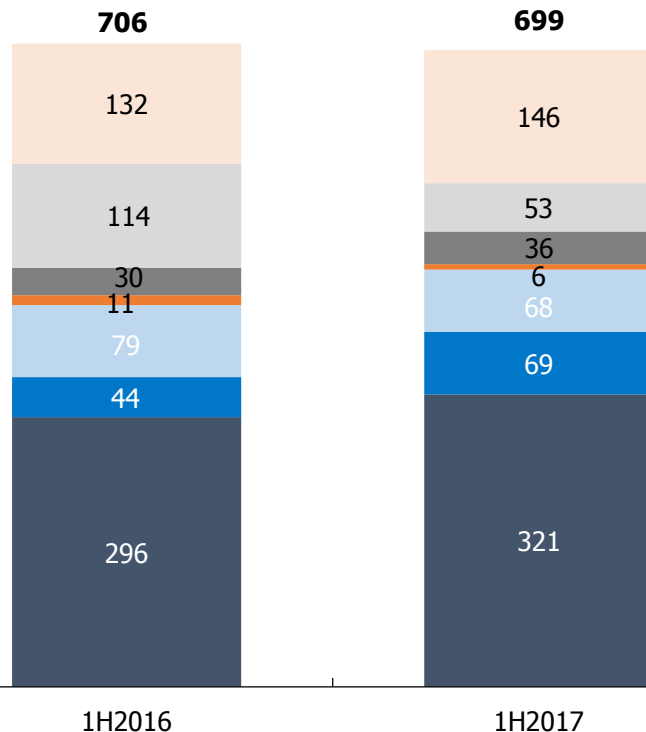


Note: 1. Cash costs (change in stock excluded), Cost of non-metal sales, SG&A

Cash CAPEX⁽¹⁾

CAPEX Breakdown by Projects

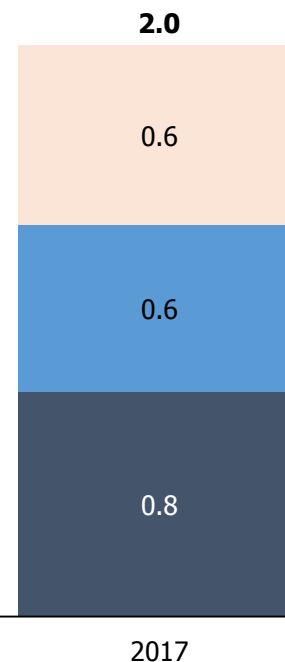
USD mln



- GRK Bystrinskoe (Chita)
- Talnakh Concentrator
- Skalistsy mine
- Projects related to the shutdown of Nickel Plant
- Other mine development
- Kola
- Other stay-in-business and commercial

CAPEX Forecast for 2017

USD bn

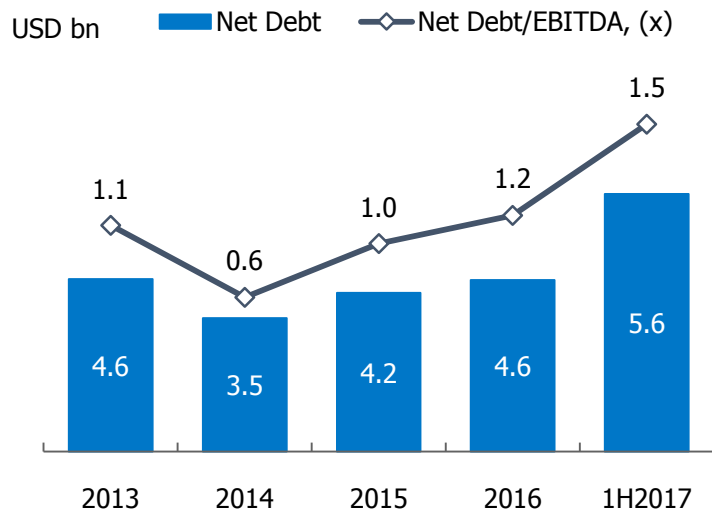


- GRK Bystrinskoe (Chita)
- Commercial
- Stay-in-business

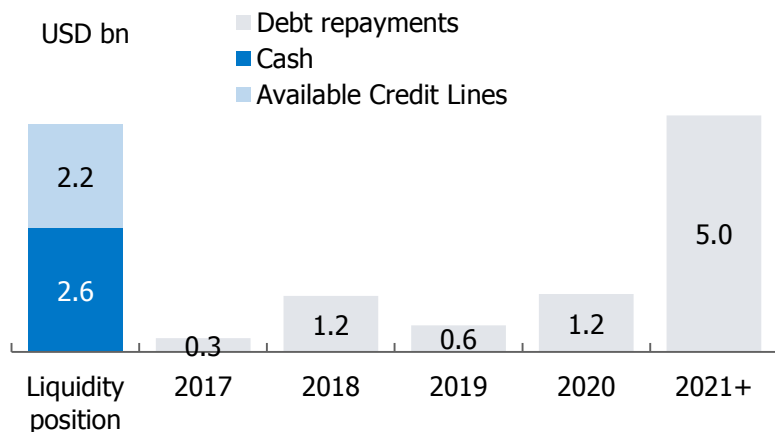
Note: 1. CAPEX in Cash flow statement, net of VAT

Balance Sheet Management

Leverage Reached 1.5 Net Debt/EBITDA



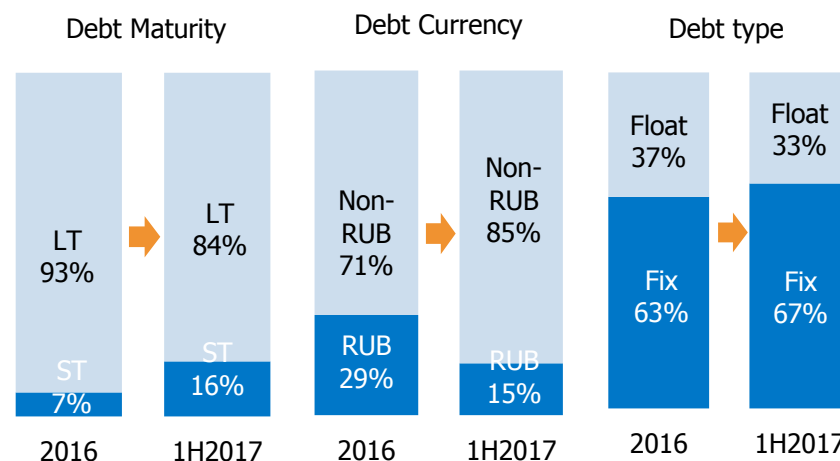
Liquidity and Debt Repayment Schedule



Proactive Debt Management

- Long-term undrawn committed credit lines of USD2.2 bn available as at June 30, 2017;
- In order to decrease its funding costs the Company paid in advance Ruble denominated credit facilities in the amount of RUB60 bn;
- In 2Q2017 two Eurobonds were issued: USD1 bn issue with an annual coupon rate of 4.1% and USD0.5 bn issue with an annual coupon rate of 3.85%, yielding the record low interest rates for the Company's issuances on international debt capital markets;
- Change of the terms on the project finance loan from Sberbank yielding reduction of interest cost by issuing guarantee on behalf of PJSC MMC Norilsk Nickel;
- Total savings on interest expenses expected at more than USD100 mln on annualized basis;

Change in Debt Structure



Major Projects Update

Skalisty Mine Development Update



Project overview

- Greenfield project
- Production capacity – 2.4Mtpa
- Ore reserves: 58Mt
- Estimated Project IRR > 30%
- Total Capex (up to 2025): ~ USD2.2 bn

Project timeline

- Increase in the annual ore output to 1.75 mt pa by 2017, 1.95 mt pa by 2018 and 2.4 mt pa by 2024
- Completion of ventilation shaft №10 in 2018
- Completion of skip-cage shaft (main shaft) in 2019

Project update

- 1H 2017 Capex: USD36 mln
- Capex 2017-2018: ~ USD470 mln
- Progress by June 30, 2017:

Shaft sinking:



1,785 m

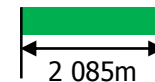
Shaft №10 (90% complete)



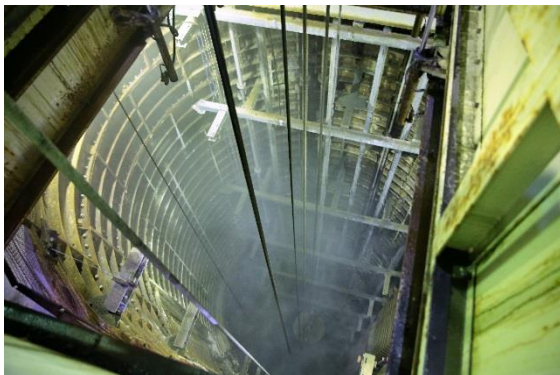
1,484 m

Skip-cage shaft (main shaft)
(72% complete)

Drifting:



2 085m



Source: Company data

Note: At the exchange rate of USD/RUB 60.06 as of August 9, 2017

Talnakh Concentrator Upgrade – Successfully Completed

Phase 1: Flotation upgrade



Overview

- ✓ Replacement of flotation cells
- ✓ Capacity of 7.7 Mtpa maintained

Status: Completed

- ✓ Launched in January, 2015
- ✓ Ramped-up by 1Q 2016

Impact:

- ✓ Increased nickel recovery rate by 1 p.p.

Phase 2 – Technology upgrade and capacity increase



Overview

- ✓ Upgrade of technology
- ✓ Capacity increased to 10.2 Mtpa

Status: Completed

- ✓ Launched in May, 2016
- ✓ Ramped-up by 2Q 2017

Impact:

- ✓ Sulfur rejection to the tailings reached design parameters
- ✓ The content of Ni in nickel-pyrrhotite concentrate increased from 8,4% to 9,9% (implied increase of Ni in nickel concentrate from 8,6% to 13,5%)

Phase 3 (under review) – Capacity expansion to 18.0 mtpa



Overview

- ✓ Capacity increase to 18.0 Mtpa

Status

- ✓ Project design, budget and construction schedule currently being updated
- ✓ Feasibility and investment decision by the 1H 2018

Dependent project:

- ✓ Development of South Cluster (Zapolyarny mine)

Total Capex of USD780 mln⁽¹⁾

Source: Company data

Note: 1. At the exchange rate of USD/RUB 60.06 as of August 9, 2017, including tailing dam investments;

Kola Nickel Refining Operations: Upgrade and Expansion of Capacity

Re-launch of Ni Tankhouse-1

Overview:

- Additional refining nickel capacity (+45ktpa) launched to offset idled Nickel Plant in Polar Division;
- Total Capex USD15 mln;

Status: Completed

- Construction completed in 2015;
- Ramped-up to full capacity by 3Q 2016;



Reconstruction of Ni Tankhouse-2: Technology upgrade and capacity expansion

Overview:

- Addition of nickel refining capacity (+25 ktpa)
- Upgrade to drum roaster chloride leaching;
- Construction will be completed in 2018; full capacity to be reached by 2019;
- Total Capex of ~ USD300 mln

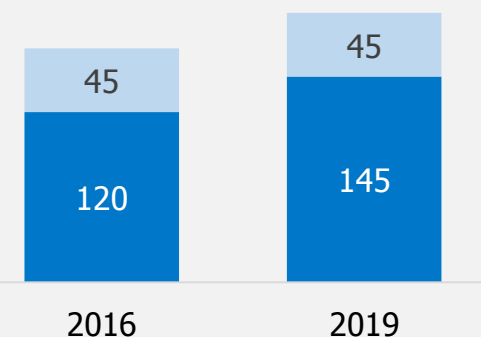
Status: Construction is in progress

- Completion - 40%;
- Construction with staged commissioning of new chloride leaching technology;
- 42 cells have been commissioned;



Expected impact

Kola Ni refining capacity, ktpa



■ Tankhouse-1 ■ Tankhouse-2



- Increase of extraction rate;
- Improvement of work-in progress turnover;
- Decrease in unit cost at refining stage;

Current Status of Sulfur Project



Technology



Main Risks



Capital Expenditures



Status/Timeline



Completion

Option №1: Elementary Sulphur

SO₂

New SO₂ capturing facilities

Final Product: elementary sulphur in blocks or pellets

- To be stored on site or sold to third parties



New technology, high operational risk

USD1.7 billion for Nadezhda smelter (exc.VAT)

- SNC Lavalin commissioned
- Phase 1:** preparation of engineering project documentation ✓
- Management investment decision expected in 4Q 2017
- Phase 2:** construction of SO₂ facilities at Nadezhda Plant

2023

New SO₂ capturing facilities

Final Product: sulfuric acid

- To be further neutralized with limestone
- In part could be utilized to process tailings



Established technology, used elsewhere (in Russia), low operational risk

Circa USD2 billion for Nadezhda and Copper smelters combined

- A Russian engineering firm has been commissioned
- Pre-feasibility study is being prepared
- Management investment decision expected in 4Q 2017

2023

Status – update expected by year-end 2017

Chita (Bystrinsky) Project: 77% Complete

Resource Base Extension

- **Geological exploration:** The Bystrinskoye Field balance ore reserves have been increased by 17% up to 343 mln t of ore;

De-risking strategy

- **Partnerships:**
 - ✓ Consortium of Chinese investors (Highland Fund) acquired additional 2,66% stake in the project in 1H2017, thus raising their total interest to 13,3%;
 - ✓ The BoD approved the sale of 36,66% stake in the project to CIS Natural Resources Fund. The Transaction is expected to close by the end of 2017;

Transport and energy facilities

- **Construction of 220kV (234 km) power line and substation grid is complete.**
 - ✓ Commissioning is scheduled in 2H 2017;
 - ✓ Total investments of ~USD 130 mln;
 - ✓ The energy facilities will be bought out by the Federal Grid Company;
- **The railway link is being used** in the commissioning mode. **State-owned stake in the railroad will be transferred** to the Company for further management and operation in 2018;

Current status

- **Construction of main facilities is on** schedule (enrichment plant, tailing facilities, auxiliary workshop site, water reservoir, water intake and etc.);
- **Equipment delivery and installation.** Completion - 77%;
- **Launch:** Scheduled by year-end 2017;

Chita (Bystrinsky) Project Construction Update

Project Site Overview



Flotation Section



Thickener



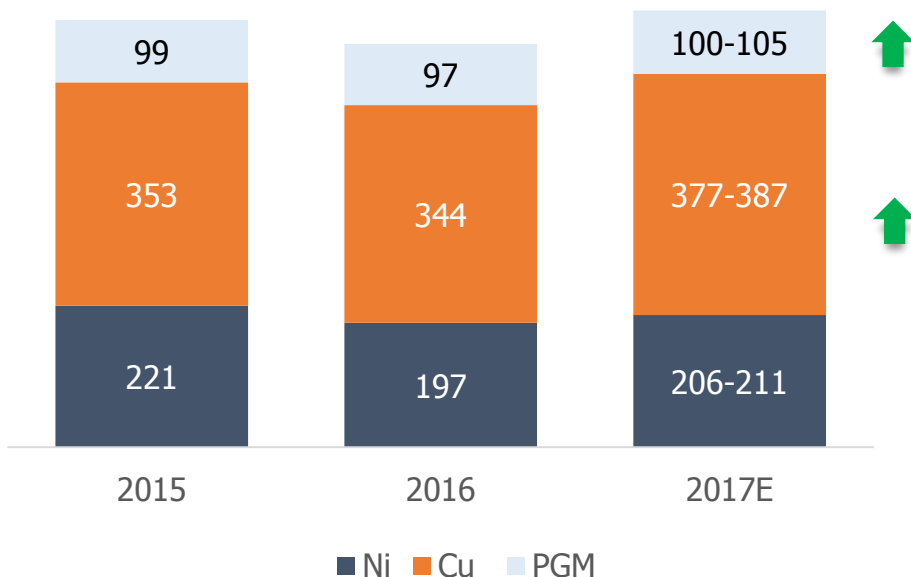
Grinding Mills



2017 Production Guidance Reiterated

Production Guidance from Russian Feedstock

Ni/Cu – kt, PGM – t
(saleable metal)



Metal production growth⁽¹⁾ vs. 2015 by 2% due to increased copper and PGM volumes:

- Higher metals grade in ore;
- Processing of copper concentrate purchased from Rostec, starting from 2017;

- 2016: one-off decline due to build-up of work-in-progress inventory resulting from downstream reconfiguration and commissioning of upgraded Talnakh Concentrator;

Note: 1. In nickel equivalent calculated on the basis of average 2016 prices;

2H2017 Outlook

- **Neutral on nickel:** the market to run small deficit on strong stainless steel demand absorbing increased supply of mined feed, with trending down exchange stocks still running well above historical averages;
- **Neutral on copper:** market to remain fairly balanced, spot price persists above cost curve, upside risks dependant on further supply disruptions and stronger-than-expected Chinese consumption;
- **Positive on palladium:** a major deficit persists on the back of continuing industrial demand growth;
- **Neutral on platinum:** market has entered a moderate surplus owing to a weaker industrial demand as the European car industry is gradually shifting away from diesel engines;
- **2017 Metal production guidance⁽¹⁾ :**
 - Ni 206-211 kt
 - Cu 377-387 kt
 - Pd 2,636-2,732 koz
 - Pt 581-645 koz
- **2017 Capex:** USD2 billion (including approximately USD0.6 billion for Bystrinsky Project);
- **Working capital:** USD1.3-1.5bn by 2017YE as capital structure is optimized towards lower-interest cost instruments and advances from customers being renegotiated;
- **Net debt/EBITDA:** >1.8x by 2017YE⁽²⁾;
- **Interim dividend:** to be announced in August and payable by the year end 2017;

Note 1. Metal production guidance from Russian feed;

2. Assuming spot commodity prices and FX rates as of the 1ST week of August;

Q&A Session