



Strategy Update 2017

Investing in Sustainable Development

London, November 2017

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CEO Vision

Vladimir Potanin

President

Chairman of the Management Board



CEO's Strategic Goals

*In
2018-2022
Nornickel
will...*



- *...Become greener and help others to get greener*



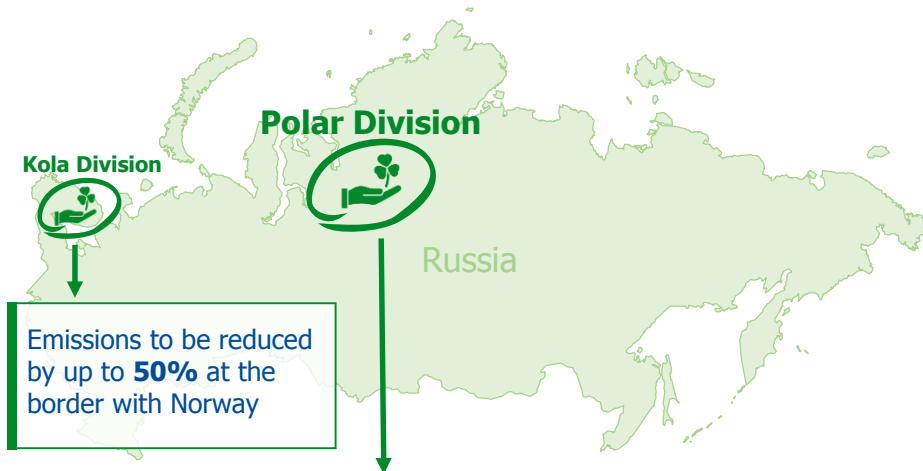
- *...Enter into a new investment cycle to ensure sustainable development and create a platform for growth*



- *...Continue creating long-term value for the shareholders*

Aspiration for “Green” Nornickel

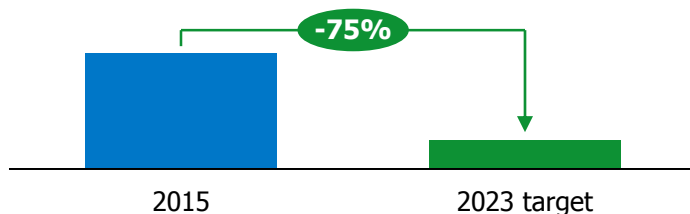
Improving environmental footprint in Russia...



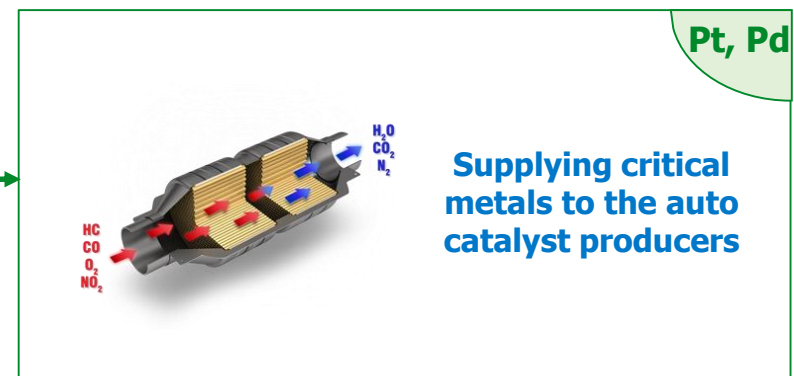
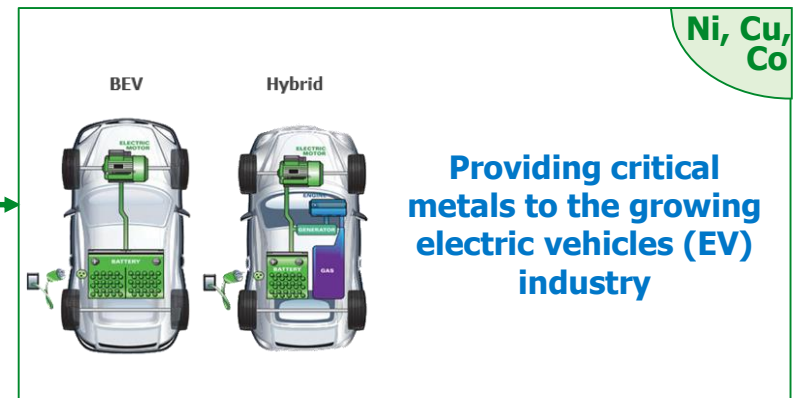
Comprehensive environmental programme for the Norilsk Industrial Area

- ✓ Completed Downstream reconfiguration which enabled the shutdown of outdated production facilities, thereby reducing SO₂ emissions in the residential area by 30–35%
- Comprehensive sulphur capturing programme at Nadezhda and Copper smelters to be implemented by 2023

Total SO₂ emissions in Norilsk area



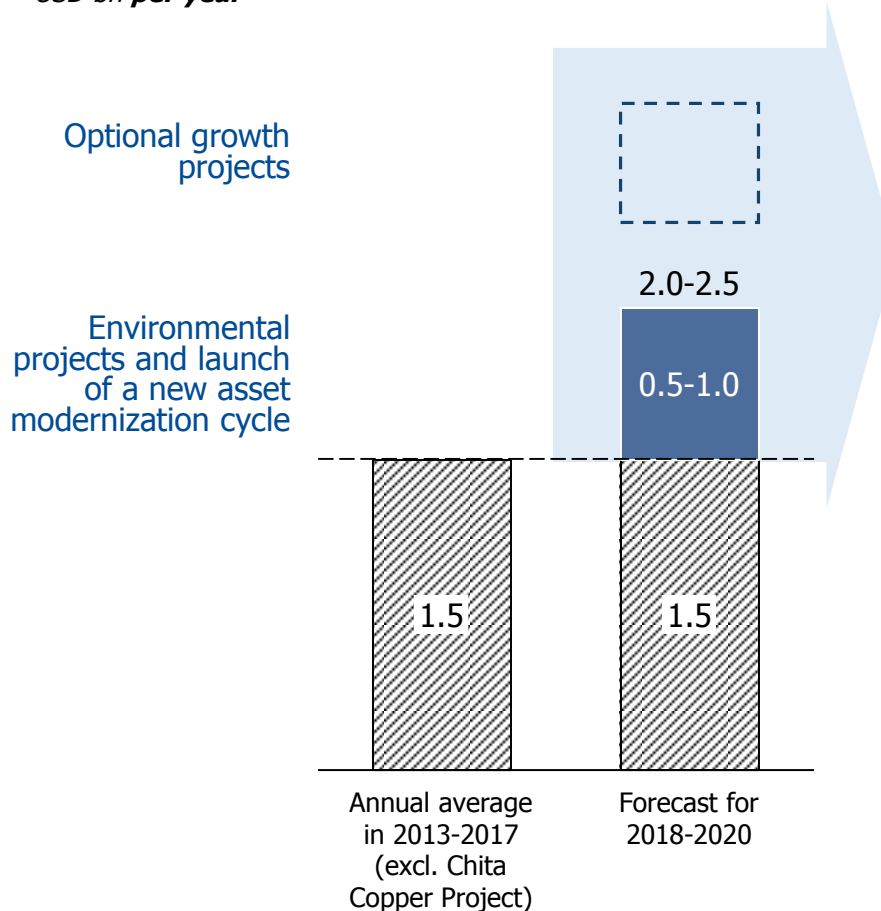
...while supporting enhanced environmental conditions globally



Launch of a New Investment Cycle to Ensure Long-Term Sustainable Development

Capital investments, 2013–2020

USD bn *per year*



New investment cycle priorities



Unprecedented environmental programme

- Implementation of SO₂ capturing technologies and reconfiguration of the copper production chain



Fixed asset modernization cycle

- Comprehensive infrastructure modernization
- Full-scale implementation of equipment replacement strategies



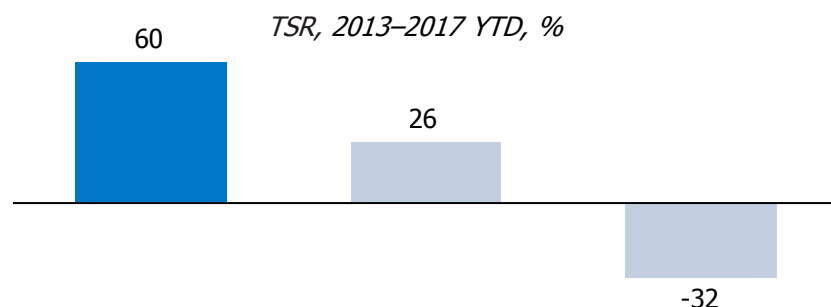
Opportunities for growth after 2022

- Increase in operational efficiency
- Focus on Talnakh deposit development
- Preparation of potential growth opportunities

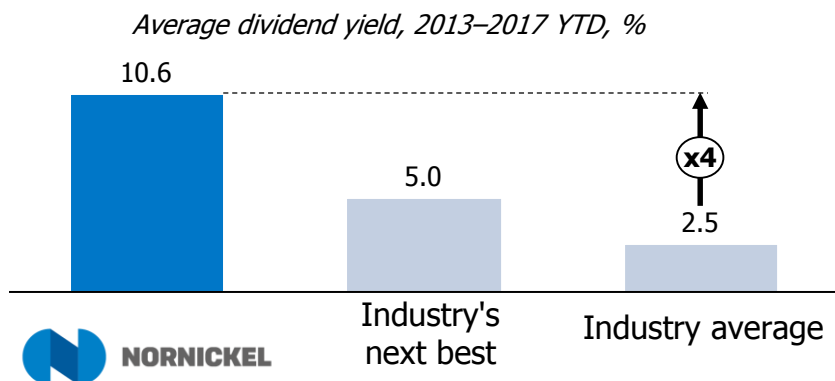
Ensuring High Shareholder Returns

2013–2017E

In terms of shareholder returns, Nornickel leads the industry by a wide margin...

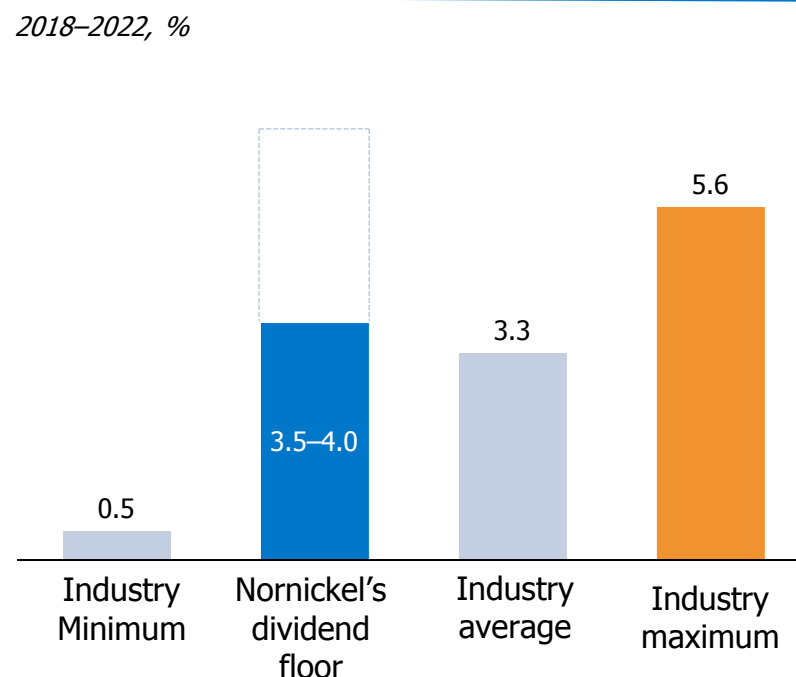


...with a dividend yield four times higher than the industry average*



2018E–2022E

Assuming dividends at the floor level (USD 1 bn) Nornickel's dividend yield is still expected to exceed the industry average¹



Note: 1. Based on the sample of 16 diversified, copper and PGM companies; 2017–2022 Consensus forecast



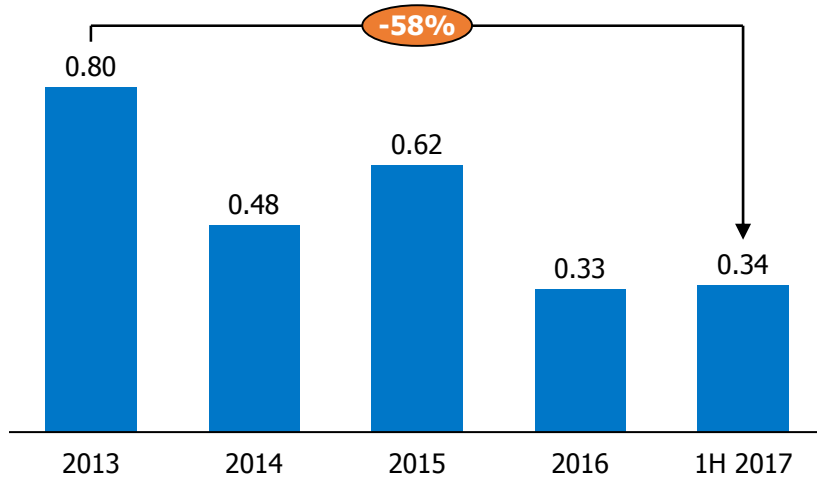
Operations and Projects Update

Sergey Dyachenko
First Vice-President
Chief Operating Officer

Health & Safety: Improved Safety Records

LTIFR reduced by almost 60% since 2013

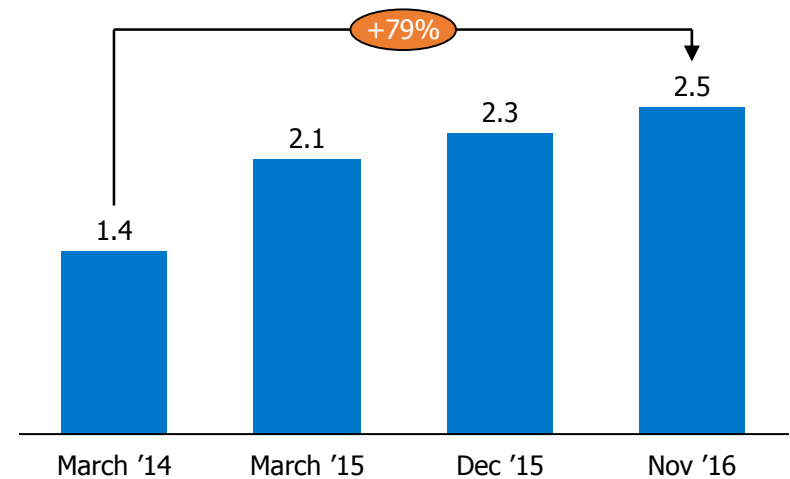
1×10^{-6}



- LTIFR remains below the global mining industry average
- Company committed to create a strong safety culture at all levels of the organization
- Company continues to focus on personnel and process safety across all operations

Assessment of occupational safety culture score improved almost 80% since 2013

Bradley Curve indicator, DuPont Assessment



- Improvements in safety culture are driven by the implementation of risk mitigation standards, a safety communication campaign and dedicated risk mitigation programmes

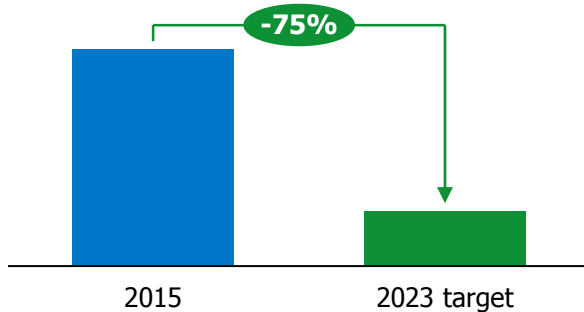
Strategic Objectives:

- 1 Zero-fatality on production sites
- 2 Continuous improvement of LTIFR

Comprehensive Environmental Program

Polar Division

Total SO₂ emissions in the Norilsk Industrial Area



Phase I: 2013–2016



Phase II: 2017–2022



Talnakh Concentrator, Stage 2



Downstream reconfiguration completed

Nickel Smelter



Nickel Smelter shut down



Emissions reduced in the residential area of Norilsk

Nadezhda Smelter



- 1 Comprehensive sulphur capturing solution
- 2 Construction of new converters (replacing converting operations at Copper Smelter)

Copper Smelter



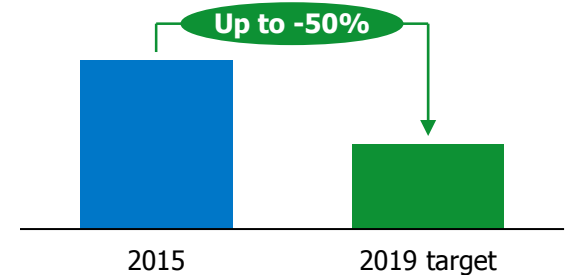
- 3 Expansion / upgrade project at the Sulphur production facilities



CAPEX: up to USD 2.5 bn

Kola MMC

Total SO₂ emissions in Nickel town



2017–2019



Smelting shop in Nickel town



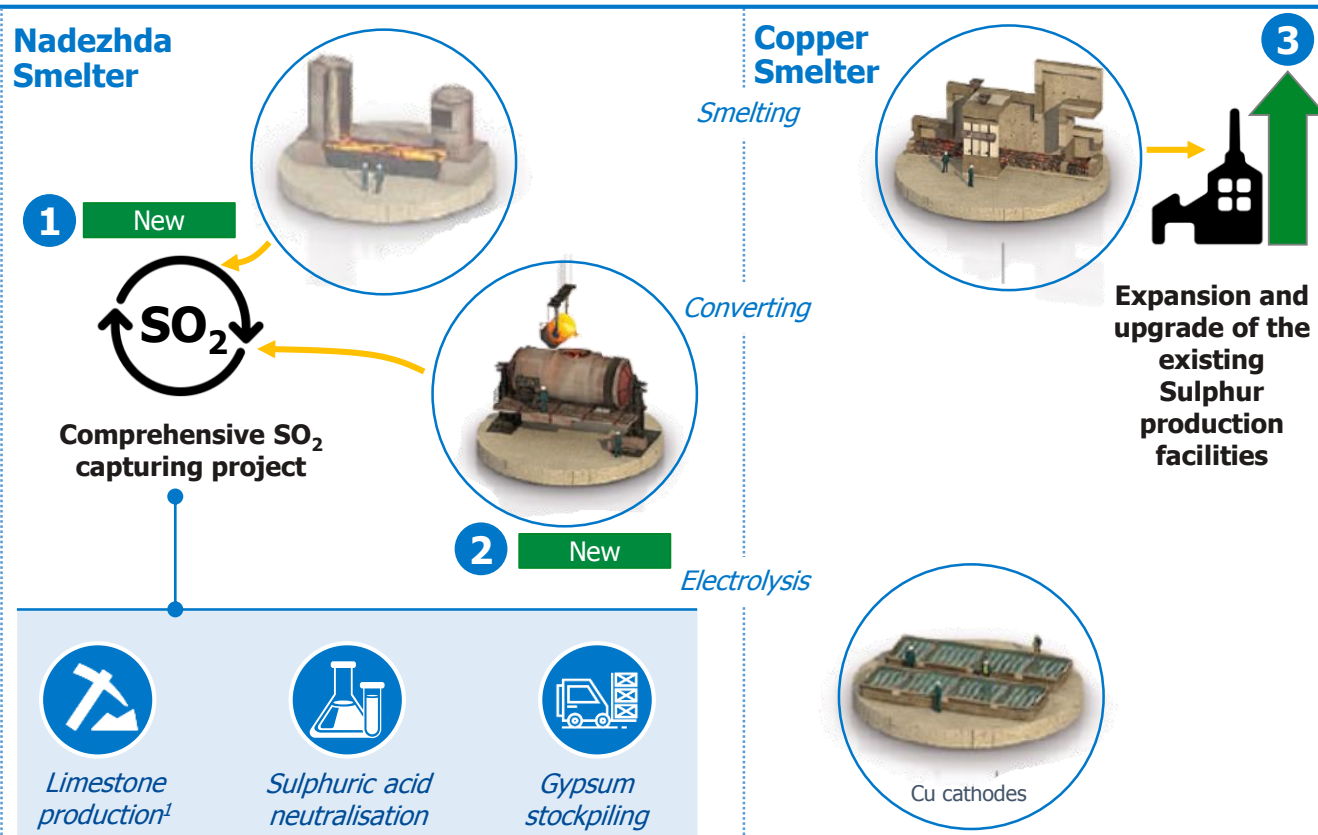
Reduction of smelting operations at the Norwegian border



CAPEX: USD 60–70 mln

Configuration of Polar Division's Environmental Program at Phase II: Three Key Projects

Key emission reduction projects at Nadezhda and Copper Smelters

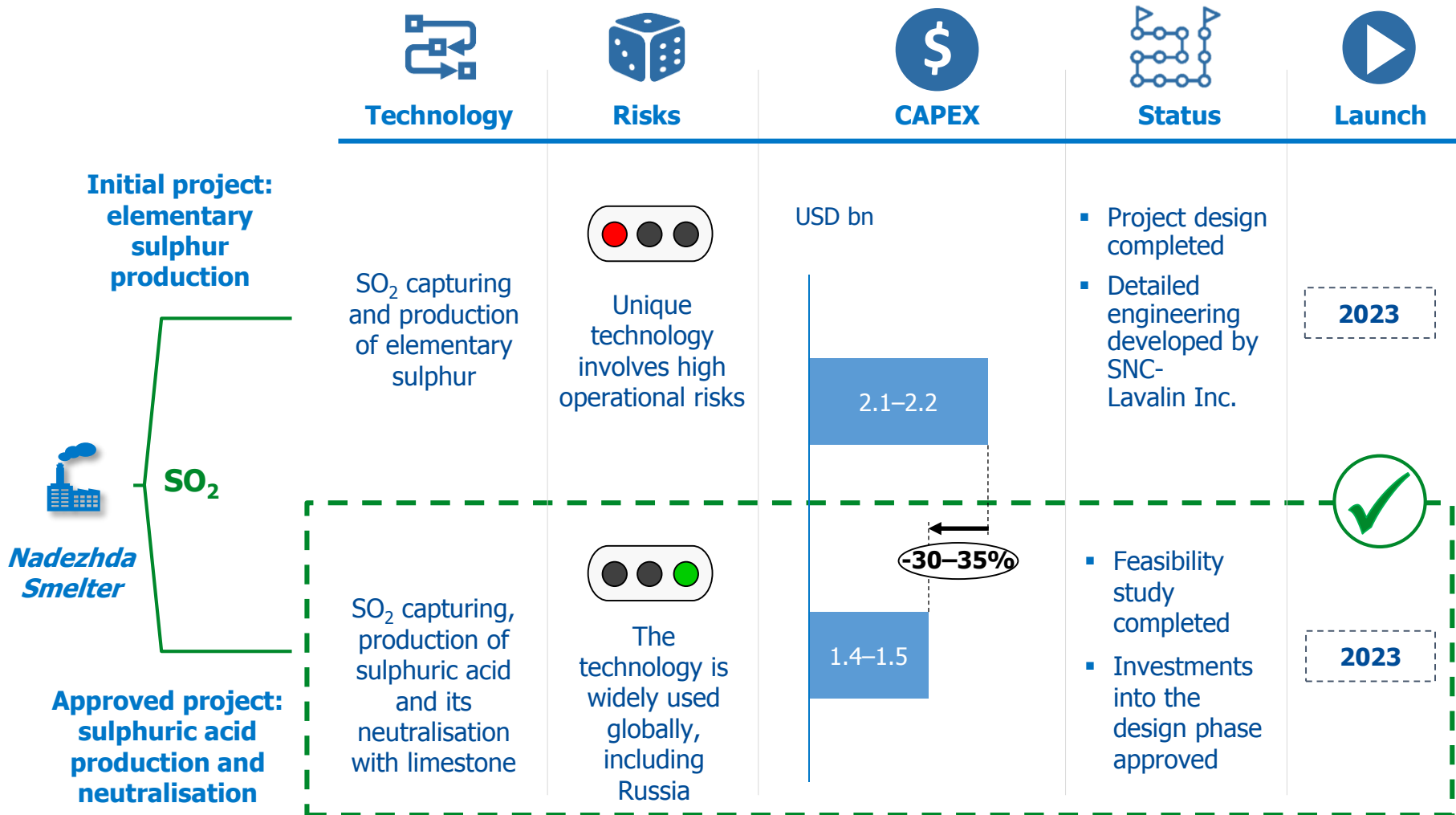


- 1 SO₂ capturing project - production of sulphuric acid and neutralisation with limestone¹
- 2 Transfer of converting operations from Copper to Nadezhda Smelter
- 3 Reconstruction and expansion of the elementary Sulphur production facilities



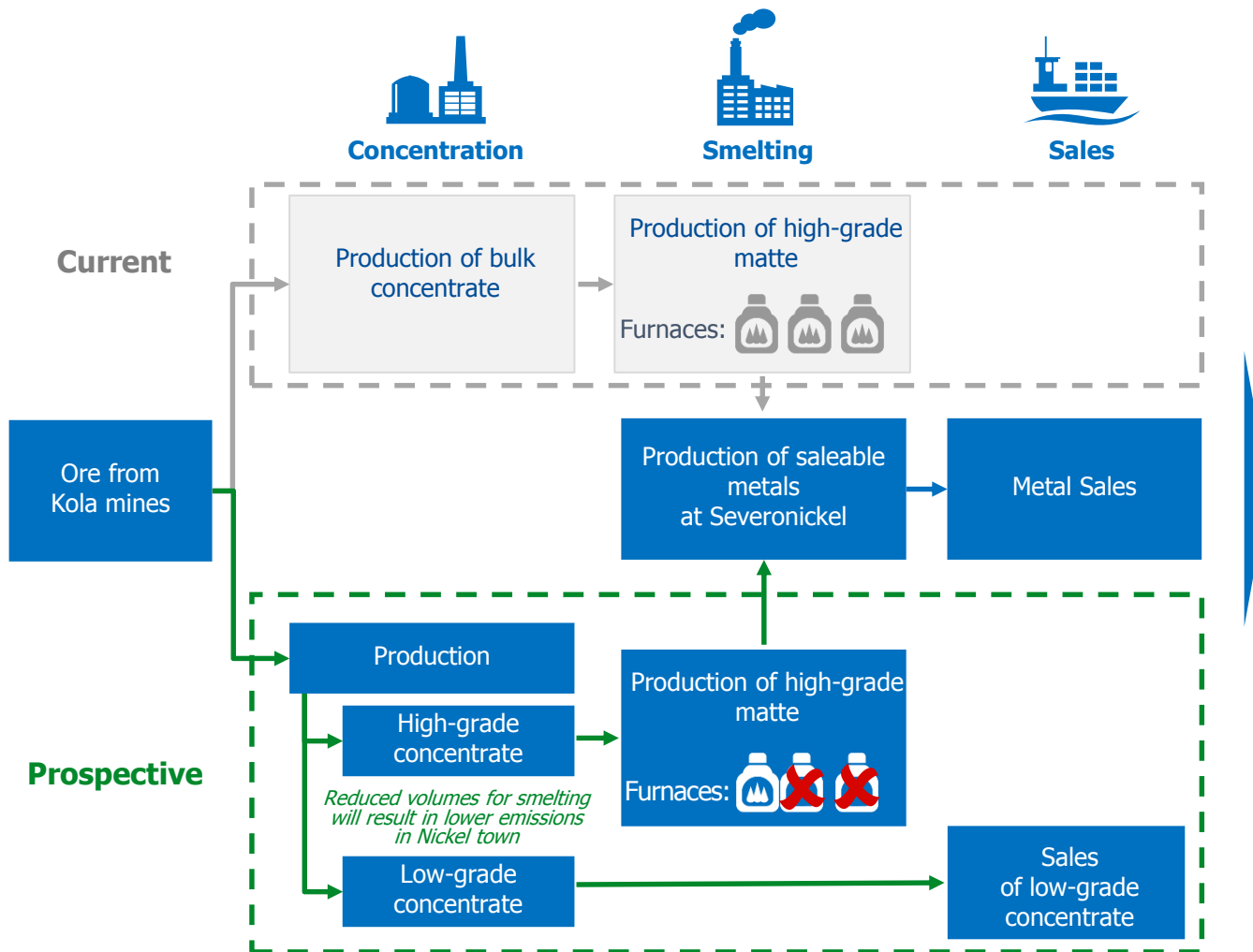
Notes: 1. As part of the project, the Company plans to expand its limestone production capacities; 2. The 2010-2012 technical solution envisaged construction of a sulphur capturing and elementary sulphur production facility at Nadezhda Metallurgical Plant (see the next slide), implementation of a similar project at Copper Smelter, and plans to set up a continuous copper matte converting facility at Copper Plant.

SO₂ Utilization Project at Nadezhda Smelter: Sulphuric Acid Production and Neutralisation



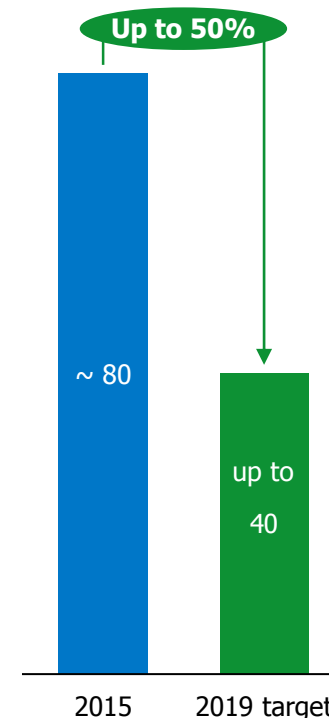
Emissions Reduction in Nickel Town (Kola MMC): Separation and Sales of Low-Grade Concentrate

Current and prospective designs of production flows at Kola MMC



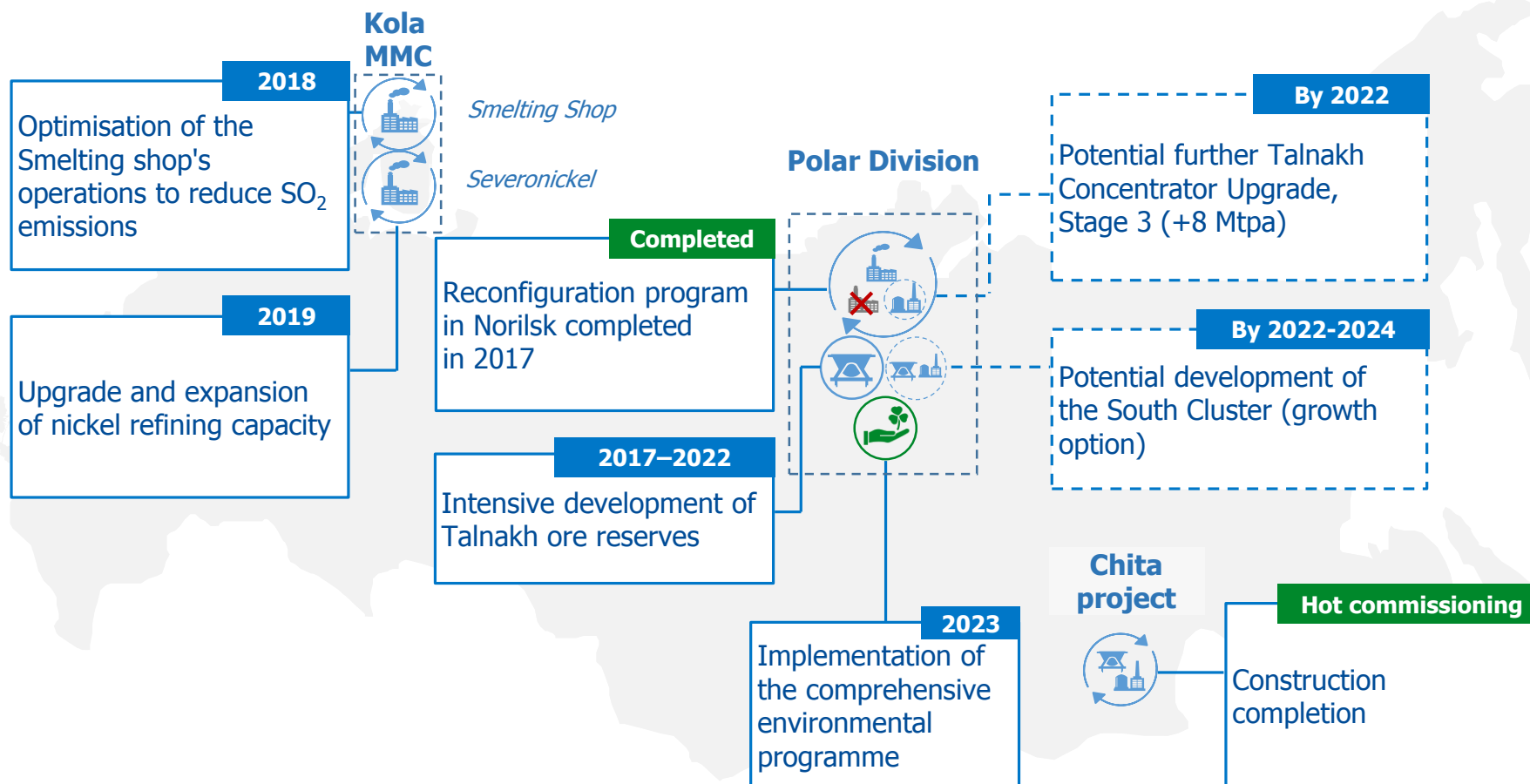
Environmental impact

Total SO₂ emissions
in Nickel town, Mtpa



Strategic Roadmap of Key Production Assets Development

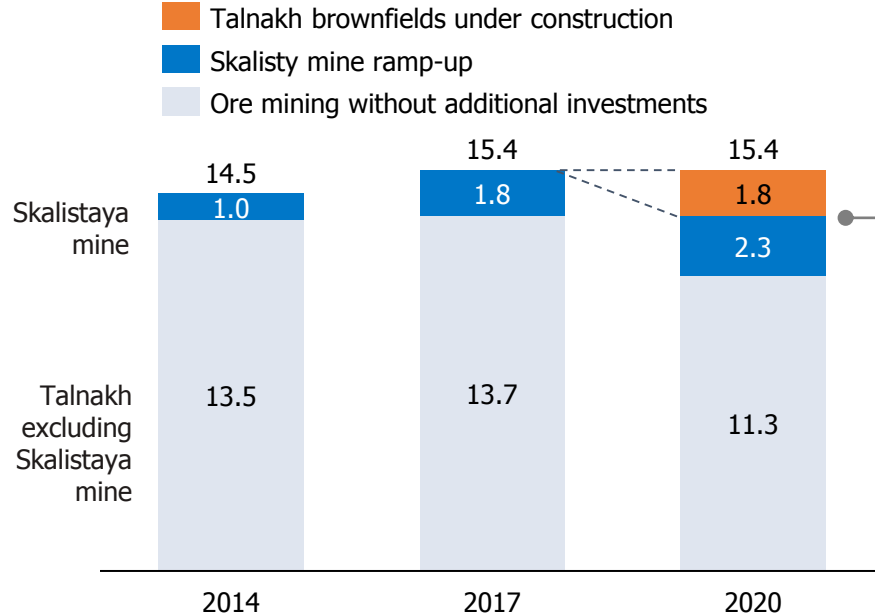
Roadmap to advanced, highly efficient and environmentally friendly production processes



Status of Key Upstream Projects

Ore mining at the Talnakh cluster

Ore, Mt

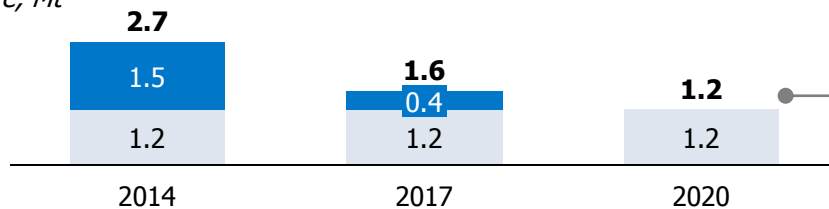


Highlights

- The investment programme ensures stable ore output in the mid-term
- The ramp-up of the Skalisty mine should help to maintain metal grades in the ore
- Total investment in the development of Talnakh's upstream projects is forecasted to be up to USD 1.5 bn in 2018–2020

Ore mining at Zapolyarny mine (South cluster)

Ore, Mt



- In the base case scenario, production at the Zapolyarny mine will decrease to current underground mining volumes

Skalsty Mine: Project Development on Track

Project Highlights



Project overview

- Production capacity – 2.4 Mtpa
- Ore reserves – 58 Mt
- Project IRR (as of 01.2013) – 29%
- CapEx 2013–2016: USD 881 mln
- CapEx 2017–2020: ~ USD 1.0 bn

Project timeline

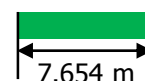
- Commissioned mining capacity – 300 Ktpa in 2016-2017
- Total mining capacity 1.75 Mtpa in 2017
- Next launch – 400 Ktpa in 2018
- Completion of ventilation shaft #10 in 2018
- Completion of main shaft in 2019

Project update

- Progress in 2016-2017:



1.328 m Shaft sinking



7.654 m Drifting

Downstream Reconfiguration Program

Nickel Smelter shutdown



Result:

Reduction of SO₂ emissions in the Norilsk residential area

▼ 30–35%

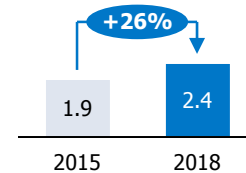
Completed

Upgrade and expansion of Nadezhda Smelter



Result:

Increase in capacity, Mt



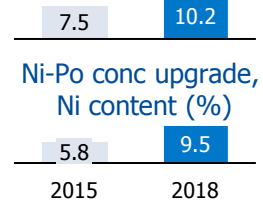
Completed

Upgrade and expansion of Talnakh Concentrator



Result:

Increase in capacity, Mt



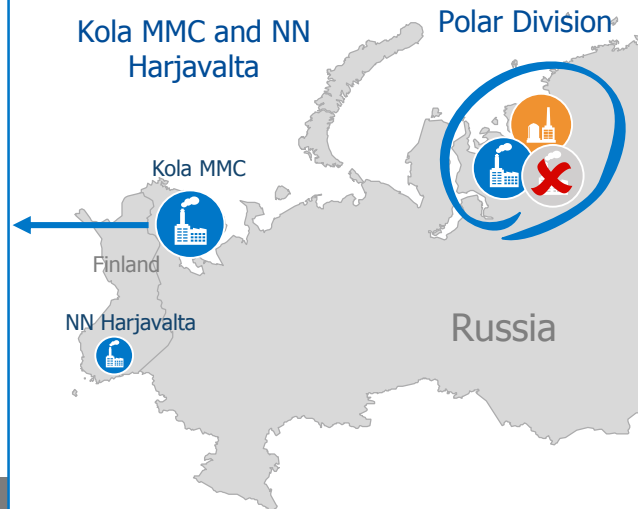
Completed

Upgrade of Nickel Refinery at Kola MMC



- Implementation of a new chlorine leaching technology
- Expansion of nickel refining capacity from 165 Ktpa to 190 Ktpa

In progress

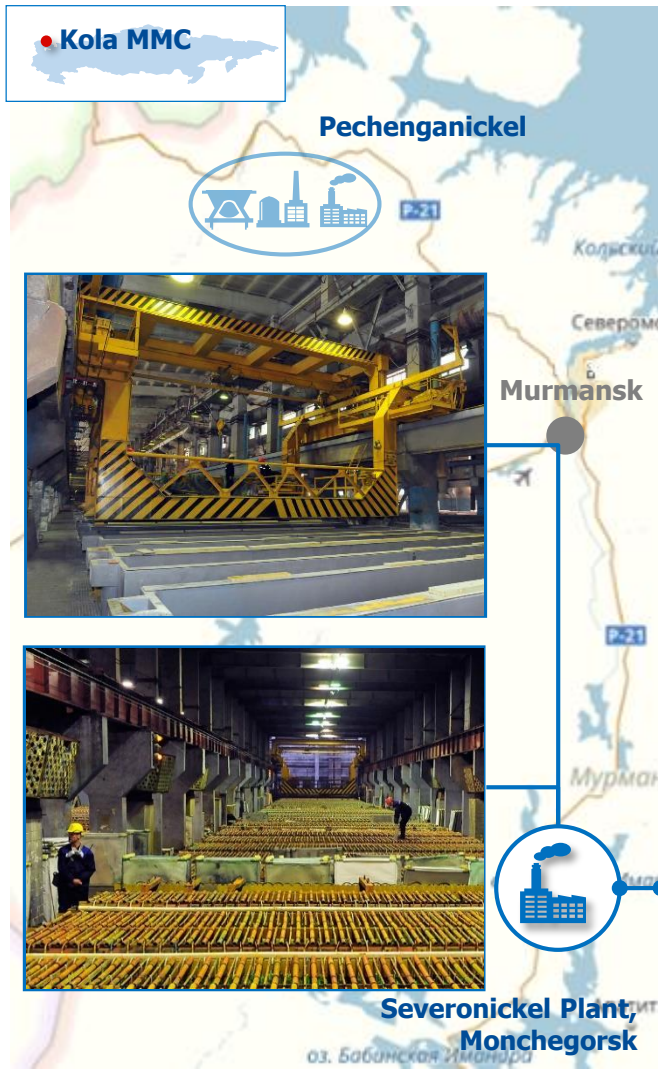


Impact of reconfiguration on EBITDA

- 2018: circa USD 100 mln** as a result of increased total recovery rates of base metals and a shorter production cycle
- Positive EBITDA impact to be enhanced** through the Comprehensive Efficiency Improvement Programme and once final production footprint is achieved
- The **increased recovery rates are reflected in the production guidance¹** for 2018–2020

Note: 1. Reconfiguration will contribute to maintaining stable base metals production levels to offset the reduction of secondary feedstock and decreasing production at Zapolyarny mine

Upgrade of Kola Nickel Refinery



Project status

- Construction works are underway at all facilities
- 42 cells based on the new chlorine leaching technology have been installed
- Construction progress: ~40% completed

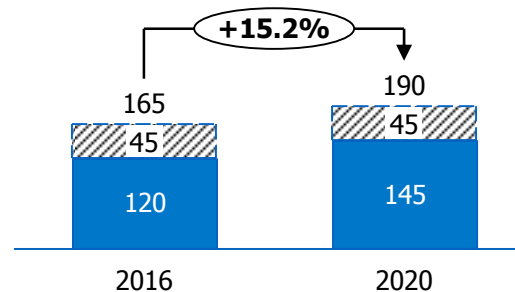
Next steps

- Completion of infrastructure development
- Phased capacity commissioning in 2018
- Reaching design capacity and parameters in 2019

Projected impact

Nickel refining capacity at Kola MMC, Kt

▨ Tankhouse 1 ■ Tankhouse 2



- Increase in nickel recovery from high-grade matte by over 1.0%
- Optimisation of the work-in-progress inventory levels
- CAPEX (full project) circa USD 300–350 mln

Bystrinsky (Chita Copper) Project



Project overview

- **Hot commissioning started (completion planned for 1H 2018)**
- Ore reserves: 341 Mt, grades: Cu – circa 0.7%; Fe – circa 21%; Au – circa 0.9 g/t
- Site infrastructure: open pit, concentrator (grinding and flotation), camp, etc.
- External infrastructure:



234 km of 220 kV power lines constructed



223 km railway to the site constructed (public-private partnership)

Project highlights

				USD bn	
Annual production volumes		2018	2021+	CAPEX	~1.7
Ore	Mt	6-7	10	EBITDA'20+	0.4-0.5
Cu (in concentrate)	Kt	35-40	~70-75		
Au (in concentrate)	Koz	180-200	~250-260		
Fe (magnetite concentrate)	Kt	1 400-1 600	~ 2 900		
				Cash cost	0.3-0.4

Key corporate development milestones

- Sale of a **13.3%** stake to a consortium of Chinese investors (closed)
- Sale of a **36.6%** stake to CIS NRF Holdings Limited (closed)
- Potential IPO considered



Pipeline of Perspective Growth Projects

Map of potential growth opportunities post 2022



Talnakh

Capacity expansion projects

Status:

Comprehensive feasibility studies / strategic mine plans development in progress

Baimskaya project

Potential to become Tier-1 Copper asset

Status:

Pre-feasibility study completed

South Cluster

Potentially, a Top-5 PGM producer in 6–7 years

Status:

Feasibility study in progress

Dialogue on potential cooperation / coordination with other license holders in the region

Maslovskoye Field

Potentially, the largest greenfield PGM asset

Status:

Pre-feasibility study completed



- Norilsk Nickel also continues broader screening of potential greenfield opportunities that fit its strategic criteria
- The Company will leverage its experience with Bystrinskiy project in the pursuit of potential opportunities



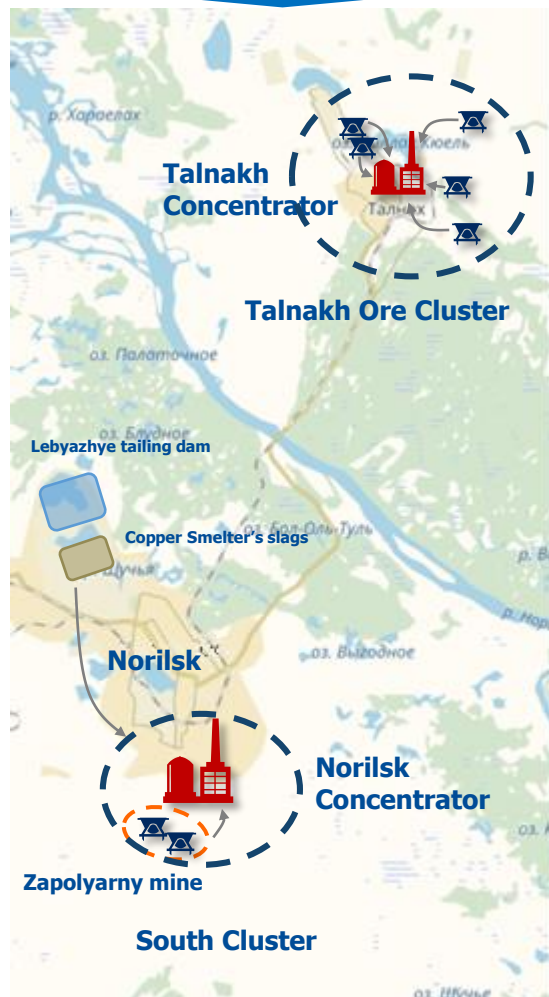
Producing asset



Greenfield asset

Growth Opportunities: South Cluster and Upgrade of Talnakh Concentrator, Phase 3

Geography



Growth opportunities



Status

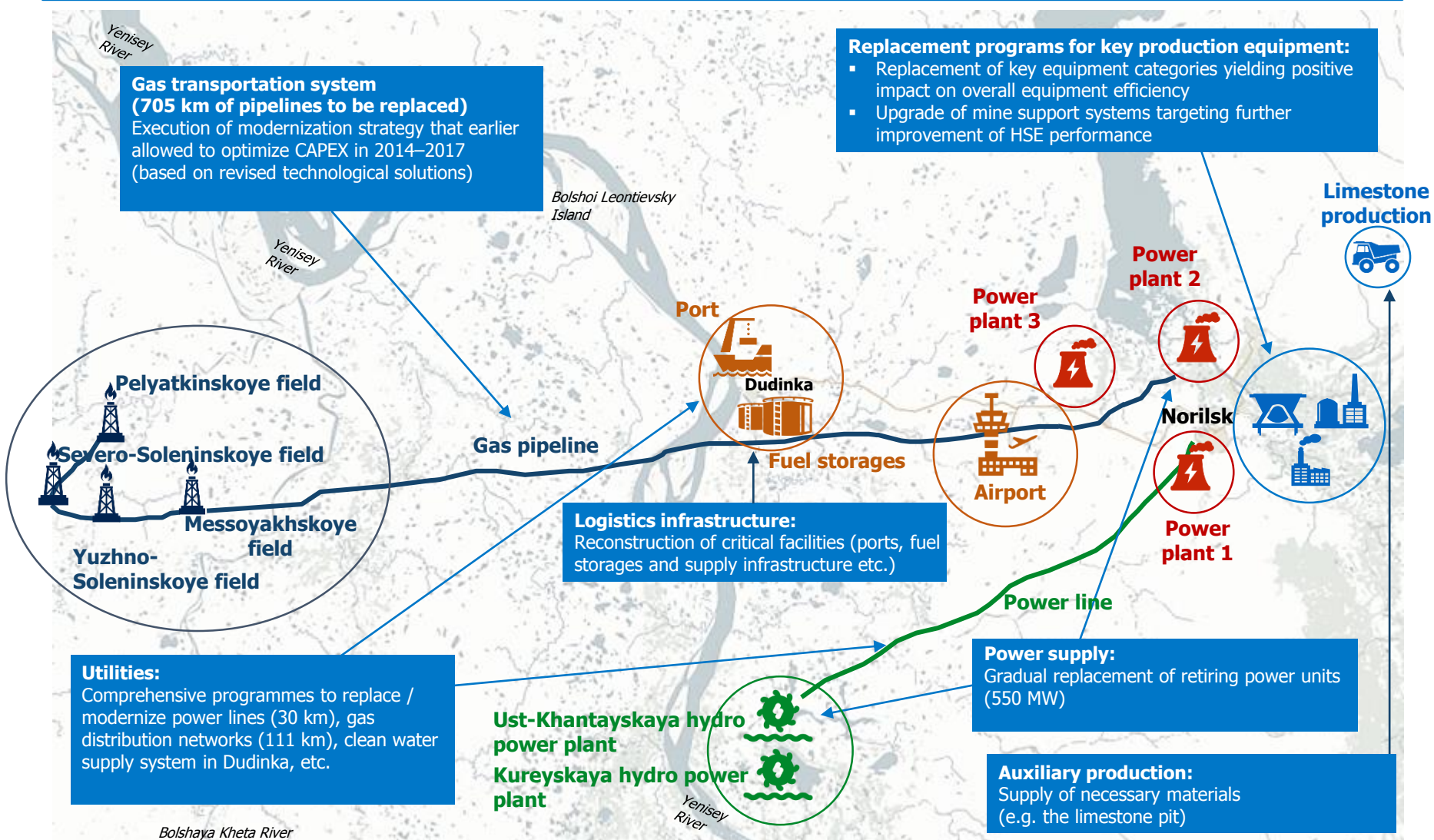
Talnakh Concentrator, Phase 3

- More efficient enrichment technologies for low-grade ores – yielding potentially higher recoveries (compared with Norilsk Concentrator)
- Feasibility study underway (to be completed in 1H 2018)
- Implementation of these technologies at Norilsk Concentrator is impossible without total overhaul of existing facilities
- Potential optimisation of transportation costs

South Cluster

- Potential to become a Top-5 PGM producer globally based on a significant reserve base
- Geological data updated
- Efficient capacity utilization of Norilsk Concentrator (after completion of Phase 3 at Talnakh Concentrator)
- Final investment decision to be considered in 1H 2018
- The licence has been transferred to a standalone legal entity within Nornickel's perimeter to expand potential funding opportunities

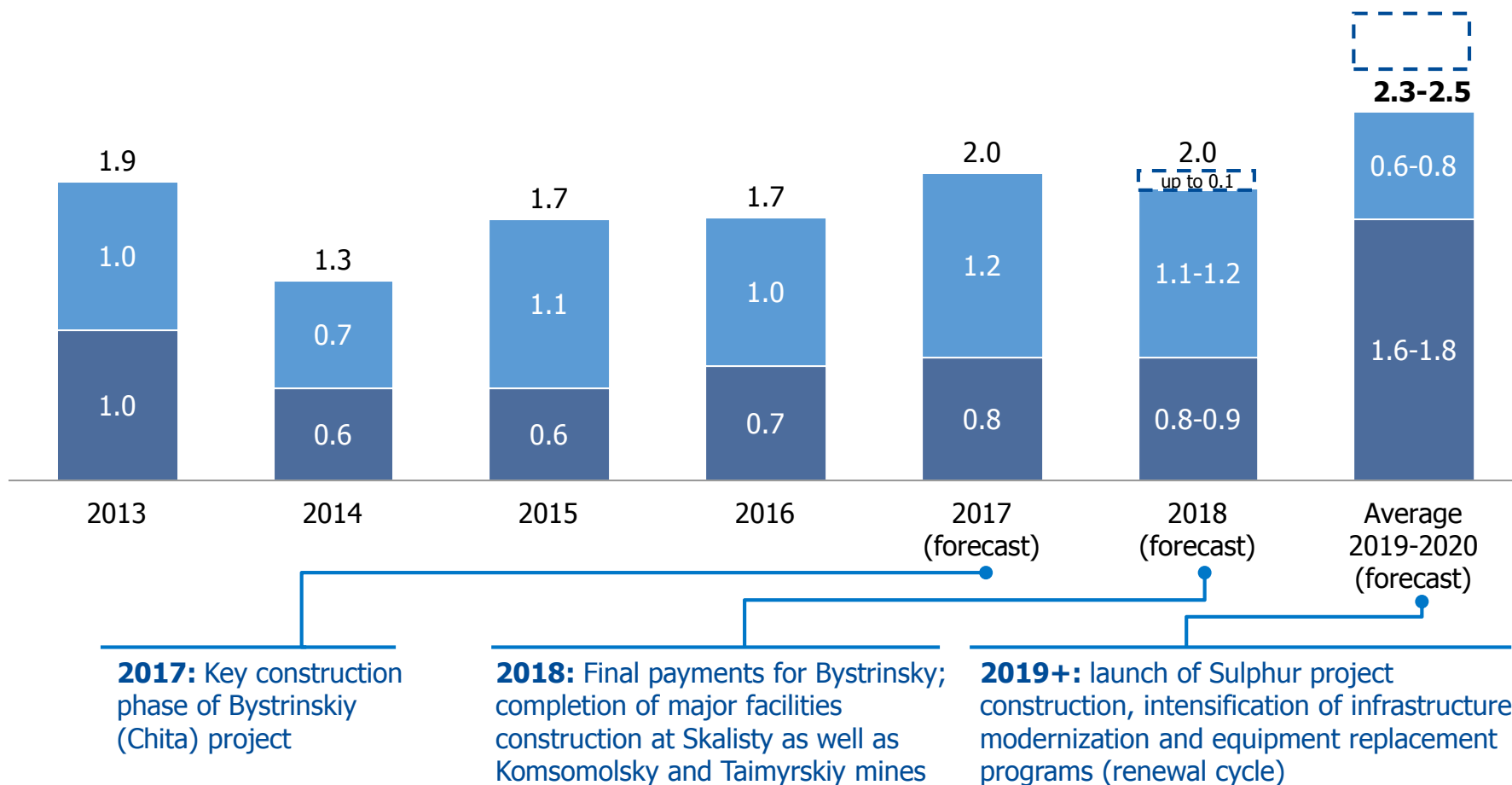
Infrastructure Renewal Cycle: 2018–2022



CAPEX Program 2013-2020

USD bn

- Optional (growth) projects
- Commercial projects (including Chita project)
- Stay-in-business (including Environmental program)



2018 Investment Plan – USD 2 bn

USD mln

Growth projects

Up to 100



Preparation of optional (growth) projects
(Talnakh expansion projects, 3rd stage of Talnakh concentrator upgrade, South Cluster)

- Design and engineering surveys
- Pre-payment for equipment with long lead time (subject to investment approval by the end of 2018)

Environmental program

1.8-2.0

100-150



Environmental program

- Detailed engineering study, engineering surveys and site preparations for Sulphur projects
- Contracting for Sulphur project at Copper Smelter

1.7-1.9

150-200

Chita project

200-250

Reconfiguration

- Construction completion / final payments
- Kola Refinery upgrade / expansion project

Base investment program

400-500



Mining projects

- Upstream projects to maintain metals production level
- Completion of major facilities at Skalisty, Komsomolskiy and Taimyrskiy mines

120-170



Efficiency Improvement programs and initiatives

- IT, automation, R&D, equipment efficiency improvement

250-290



Maintenance of Infrastructure Assets

- Reconstruction / modernization of infrastructure (energy, logistics, social etc.)

400-450

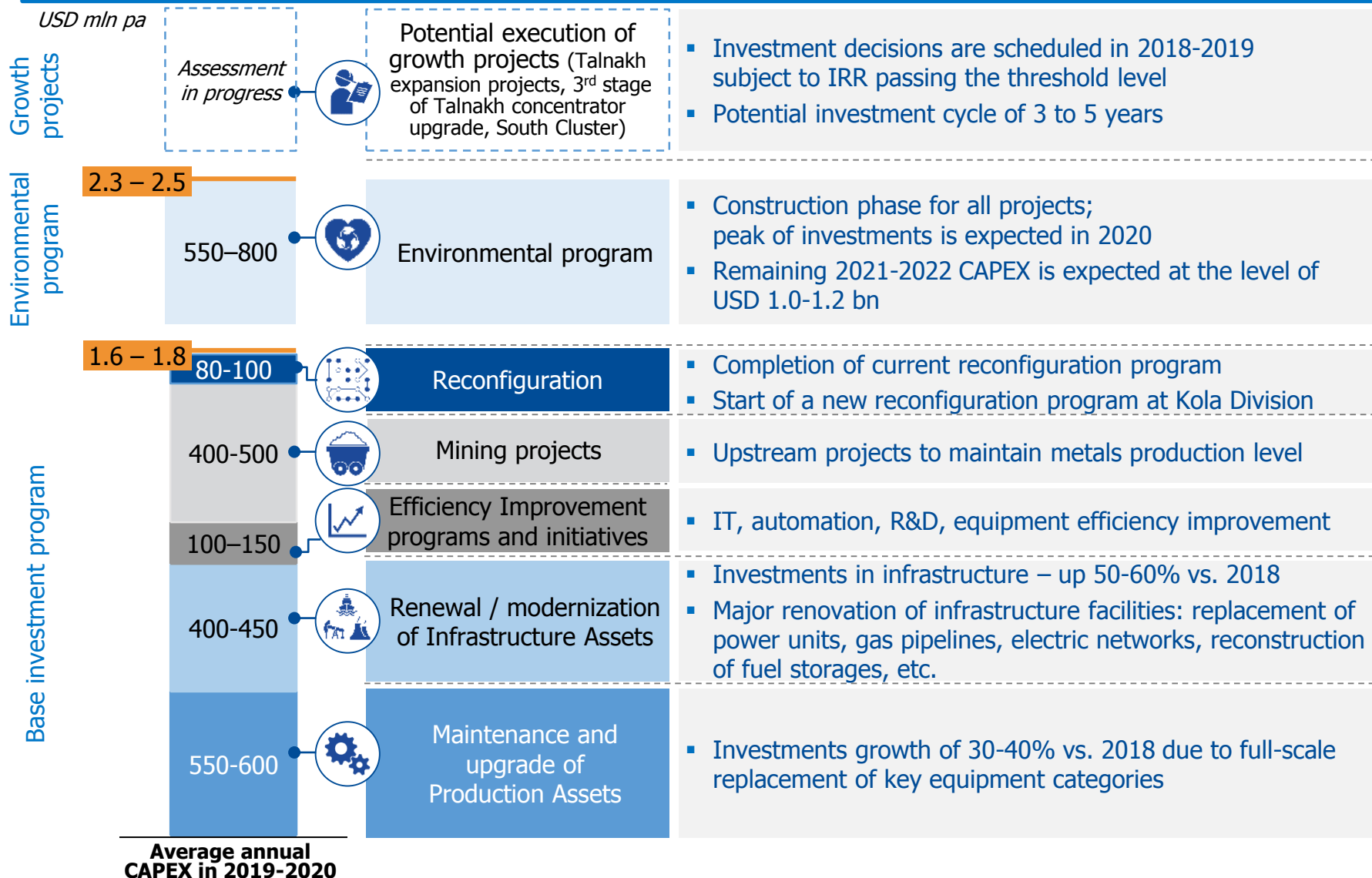


Maintenance of Production Assets

- Maintenance of existing production facilities (replacement of equipment, compliance with regulatory requirements, etc.)

2018 Plan

2019-2020 Investment Plan – USD 2.3-2.5 bn Including Environmental Program



Production Guidance¹

Ni

Kt

197

206–211

210–215

2016

2017

2018–2020

Pt+Pd

tonnes

97

100–105

100–105

2016

2017

2018–2020

Cu

Excluding Bystrinsky project

Kt

344

377–387

400–420

2016

2017

2018–2020

- Stable Ni and PGM output
- Increase of copper production due to processing of secondary feedstock (concentrate) and expected higher Cu grade in ore

Note: 1. Metals produced from own feedstock



Finance and IT strategy: Focus on Efficiency

Sergey Malyshev
Senior Vice-President
Chief Financial Officer

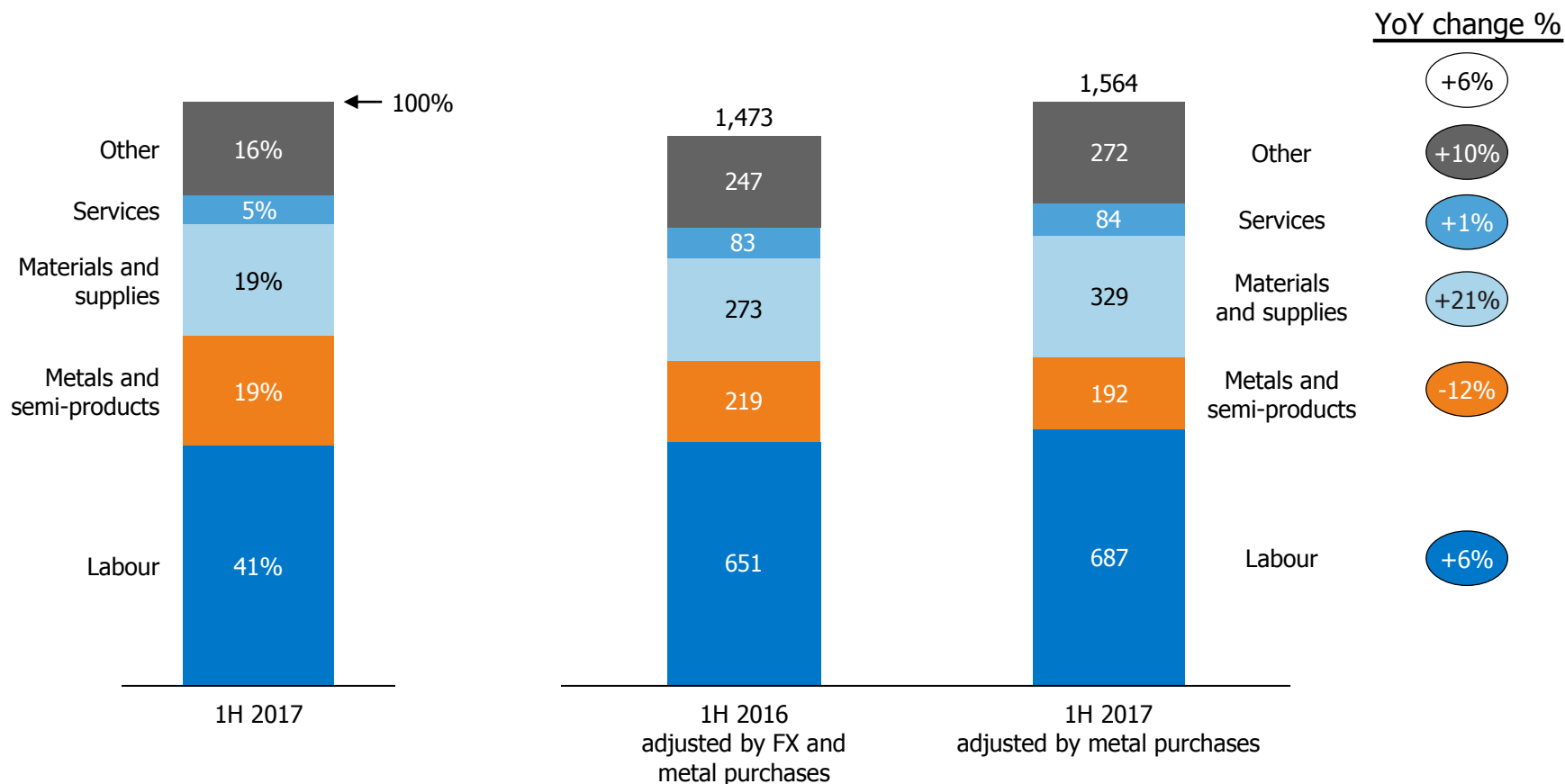


Management of Operating Cash Costs

1H2017 Cash cost breakdown

Operating cash costs growth net of macroeconomic factors: in line with domestic inflation

USD mln



Comprehensive OPEX Reduction Programme

Norilsk nickel comprehensive cost reduction ecosystem



Annual cost reduction by USD 200-300mln from 2020



Launch a unit cost optimization and productivity improvement programme



Employ best international practices, including employment of leading experts and personnel training



Program foundation



Modernise production assets



Reconfigure and shut down outdated capacities



Implement industrial automation systems



Develop and implement new processes and standards

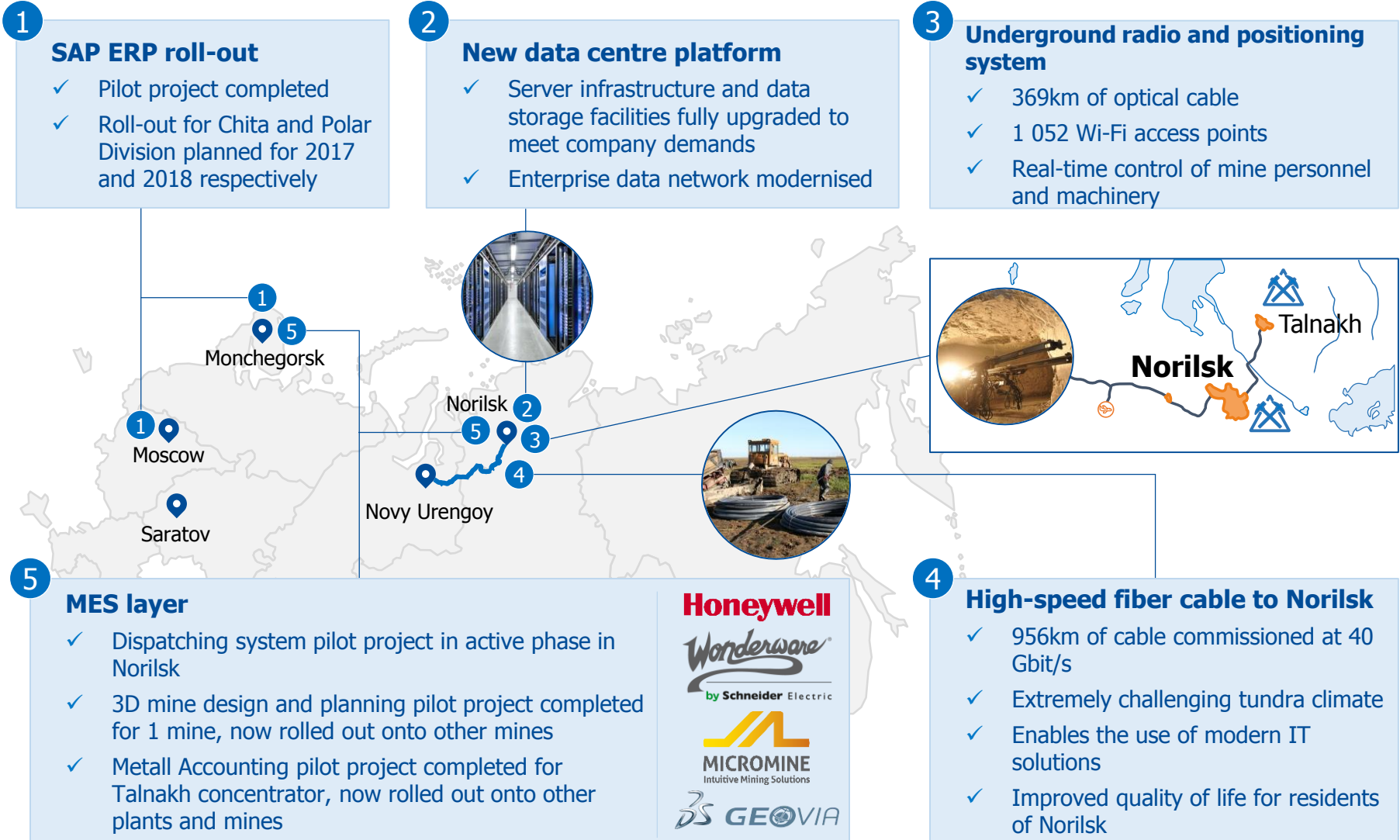


Implement ERP systems / automated control systems



Implement new managerial approaches

Upgraded IT Infrastructure Provides a Platform for Higher Operating Efficiency



Improvement of the Efficiency of Maintenance Operations is One of the Key Elements



Segmentation of assets and selection of appropriate maintenance strategy

- Examples of asset segmentation and strategies:
 - Highly critical - scheduled periodic maintenance
 - Critical - scheduled maintenance with condition monitoring
 - Average critical - condition-based maintenance
 - Non-critical - run-to-failure maintenance



Balanced assets portfolio

- Based on simulation, check equipment load levels against maintenance practices and optimize equipment utilization



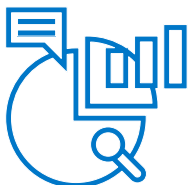
Optimize maintenance timing and budgets

- Update and verify M&R standards, including labour intensity and duration of maintenance operations
- Draw up detailed unit-by-unit maintenance planning maps



Implementation of short-term scheduling and mobile solutions

- Integrate maintenance with short-term scheduling and reporting
- Allocate personnel to maintenance jobs
- Tracking equipment status and maintenance workers' performance in real-time



Implement proactive approach based on IT solutions

- Plan maintenance/ asset management based on the monitoring system, data related to outages and their causes, utilization etc.

Target result



up to 15%
maintenance OPEX
reduction

70%
Unscheduled
outage reduction

Major Initiative Case Study: Integration of Simulation Technology

Input data



3D ore mining
model using
MicroMine



Mine plan based
on software
MineSched



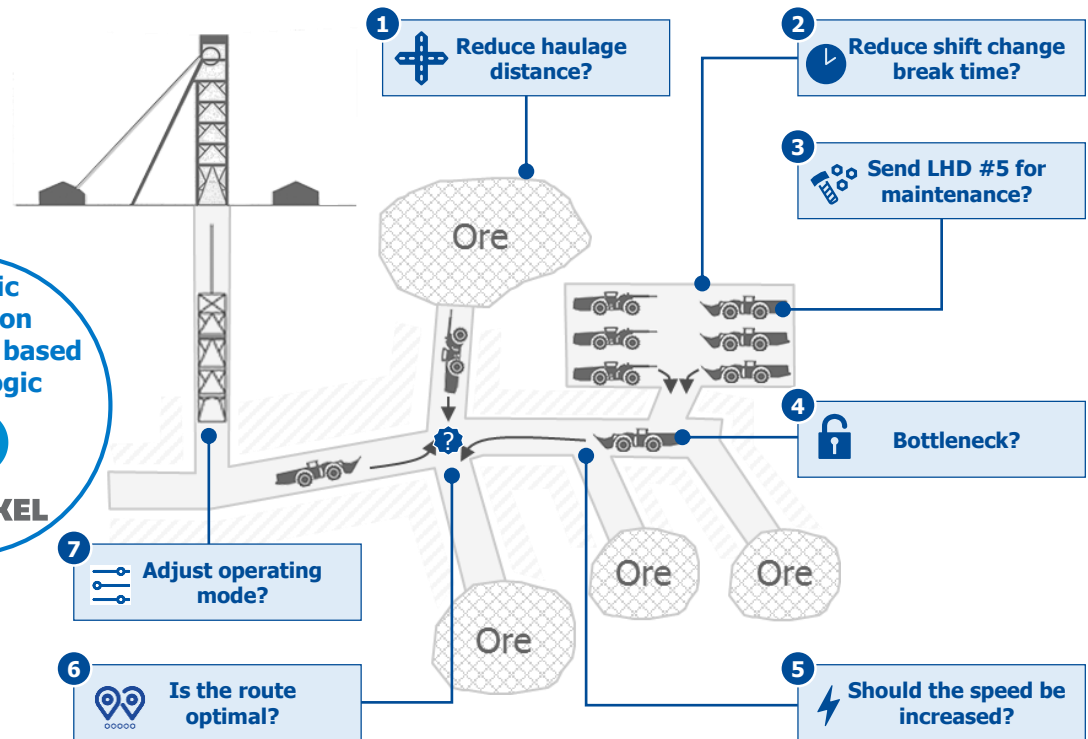
Detailed
information,
in particular on
equipment for
6 mines

Dynamic
Simulation
mine model based
on AnyLogic



NORICKEL

Real-time analysis of production volume increase options



Control

Execution of detailed KPIs
(speed, cycle time etc.)

Cost reduction

Due to optimized utilization of the
company's resources

Shared Services Centre to Drive Down G&A Costs

Approach

- Support functions (Accounting, Treasury, HR, IT) to be moved from the Group companies to a the Shared Services Centre (SSC)
- Main SSC hub established in the city of Saratov

Results achieved

- SSC launched in 2015, personnel of HQ and a number of production sites transferred in 2017
- "Best SSC launch in Russia" award received



Cost-cutting target: USD 40 mln per annum

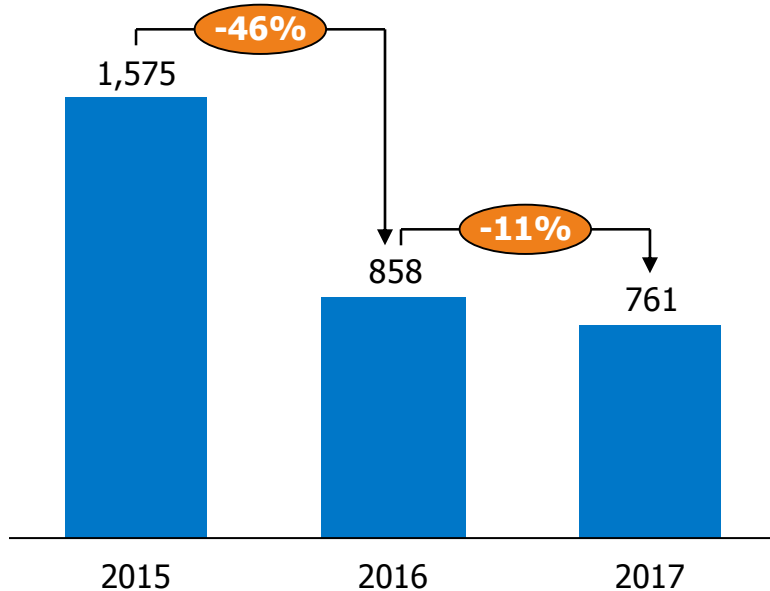
- ✓ **50%** cost saving for support functions
- ✓ **30%** headcount reduction



Efficiency Case Study: Property Insurance

Property insurance costs

RUB mln



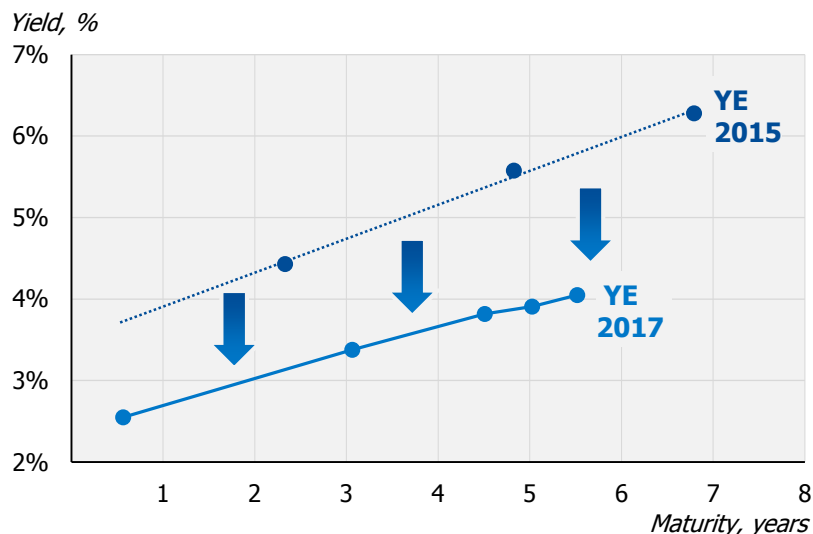
Comments

- The company has achieved a twofold decrease in its insurance premium in the last 2 years and a cost saving of RUB 814mln (USD 14mln) per annum while maintaining the same terms of coverage
- Premiums fell on the back of improved placement strategy and in-depth presentation of Nornickel risk to insurance markets
- 2017 premium savings of 11% achieved despite shaky insurance markets following hurricanes in the US

- ✓ Insurance coverage in line with standards for global diversified miners
- ✓ Risks fully placed with global reinsurers rated A- or higher

Cost of Financing Optimization

Secondary Eurobond yield curve



Comments

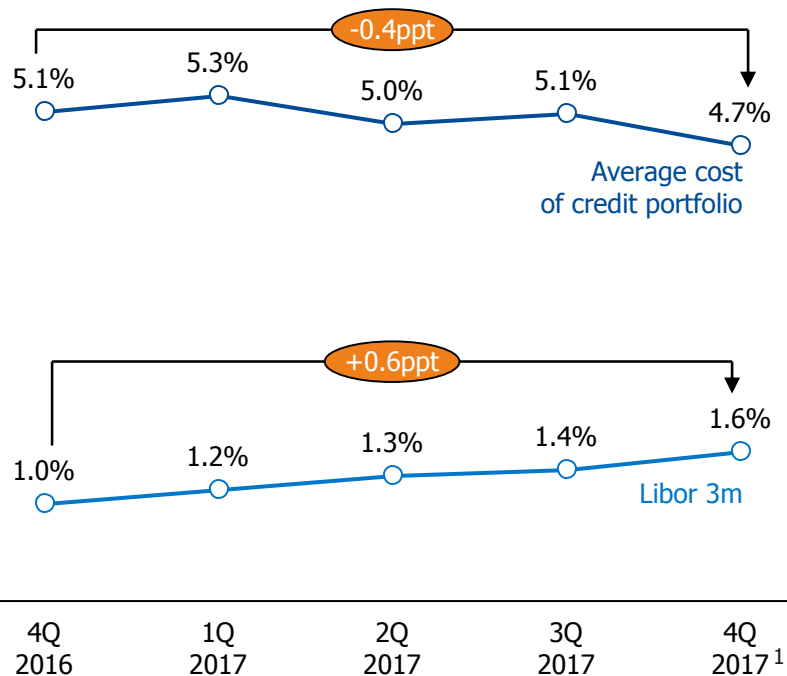
- In 2017 the Company took advantage of the favourable debt capital markets and successfully placed two Eurobonds with a discount to its secondary yield curve
- Successful placements allowed Nornickel to revisit pricing terms of the bank debt and trade finance instruments in the Company's portfolio

Action	Details	Interest cost saving effect, per annum
Repricing of bilateral credit lines	Decrease in interest rates and maturity extension of bilateral credit lines	USD 41mln
Issue of guarantee	Corporate financial guarantee for the amount of USD 800mln issued in favor of Sberbank to secure debt of GRK Bystrinskoye	USD 22mln
Decrease the share of ruble-denominated debt	Two Eurobonds proceeds partially used to prepay ruble debt (RUB 60bn)	USD 60mln
Replacement of advance payments with short-term debt	Repayment of advance payments from BASF and Societe Generale in the total amount of USD 650mln	USD 12mln
Total annual interest cost savings		USD 135mln

Debt Portfolio Optimization

Average cost of debt

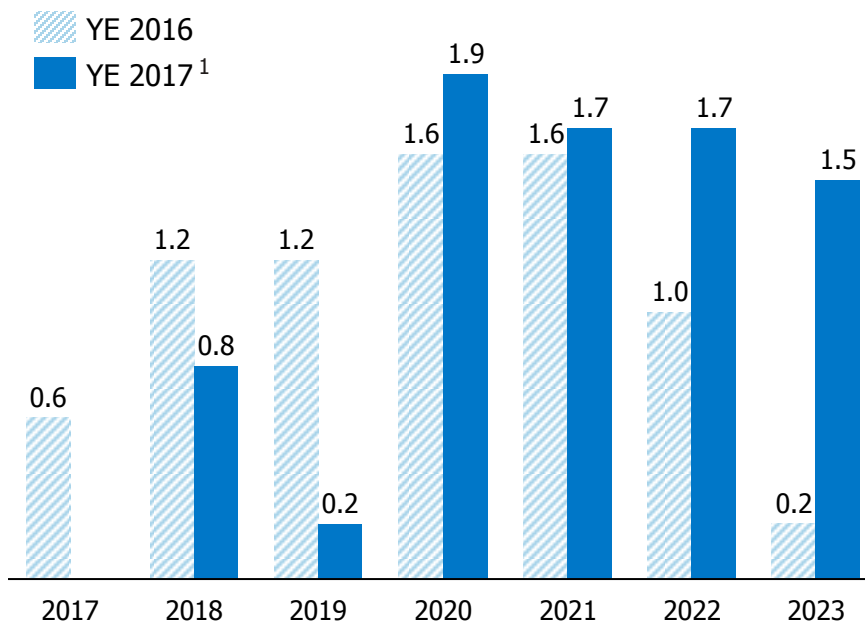
%



- As a result of various debt optimization activities the Company lowered its average cost of debt by 0.53% in 2017 despite the LIBOR increasing by 0.40% during the same period

Optimised debt repayment profile

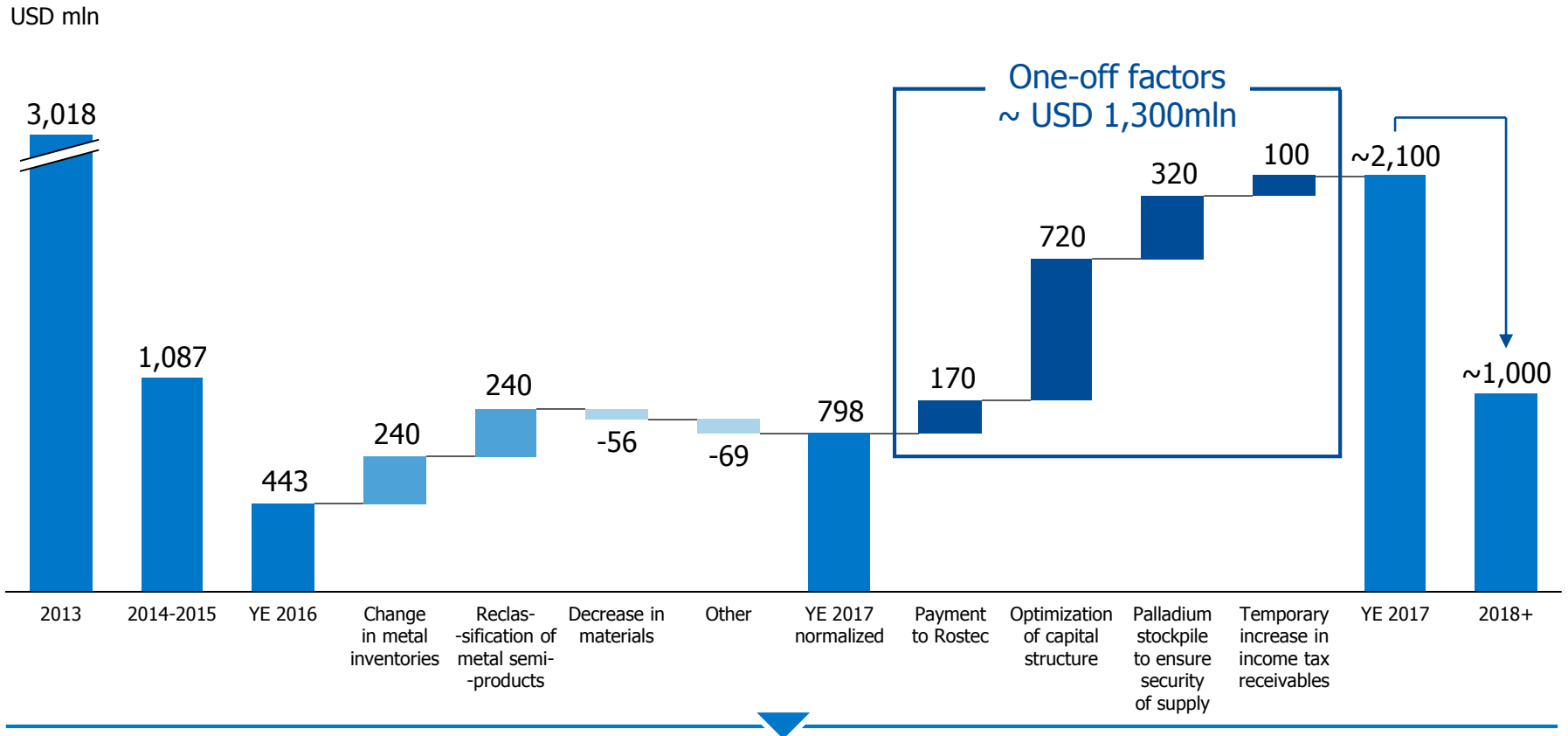
USD bn



- In 2017 the Company extended maturities of debt portfolio and substantially decreased debt repayments in 2018-2019

Note: 1. Estimate

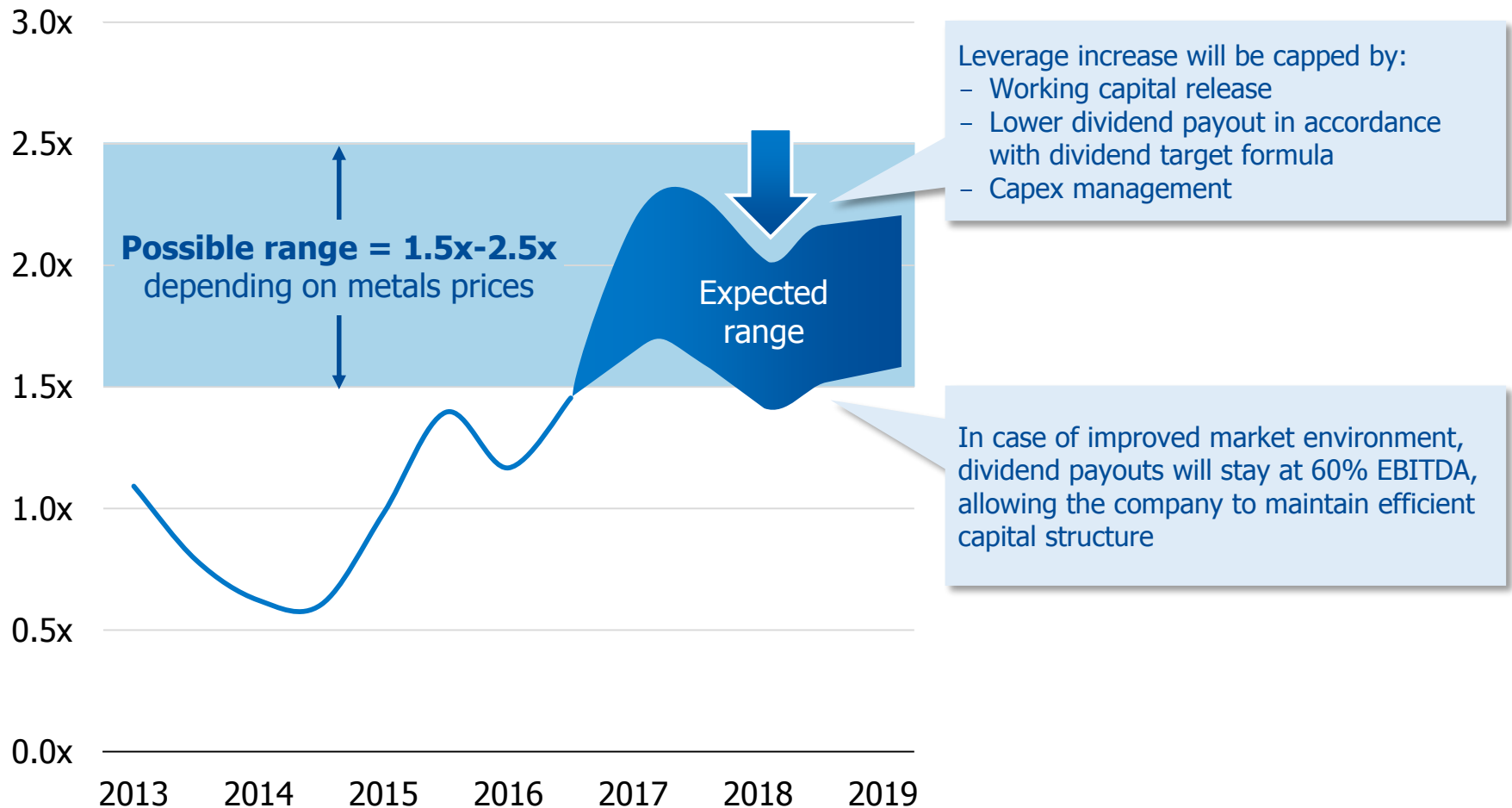
Net Working Capital Outlook



- The increase in working capital up to USD 2.1bn during 2017 **is temporary** and is caused by one-off factors and revision of trade finance deals
- The Company expects a return to the 2014-2015 average level of around **USD 1.0bn**

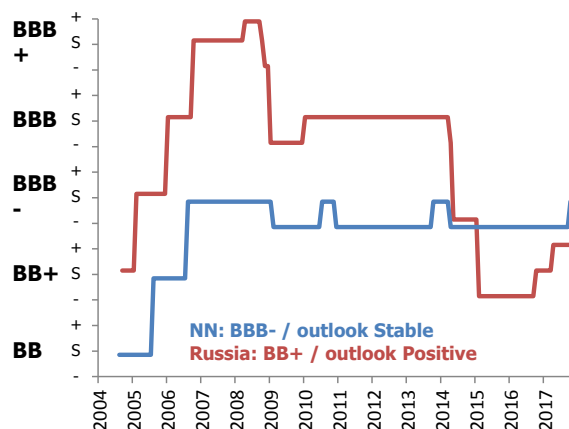
Financial Model Going Forward

Net Debt / EBITDA



Norilsk Credit Ratings: Credit Metrics at Investment Grade Level

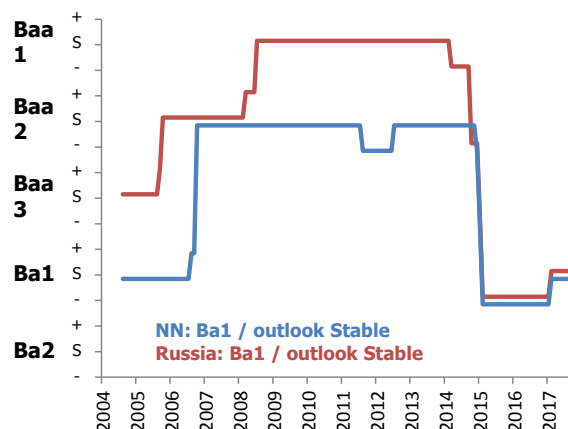
S&P Global



BBB- / outlook Stable

- On October 27, 2017 S&P Global Ratings revised its outlook on the Company's rating to Stable from Negative and affirmed "BBB-" corporate credit rating
- Nornickel's corporate credit rating is one notch above the sovereign rating reflecting S&P view that the Company's profile is supported by its leading positions in global metal markets

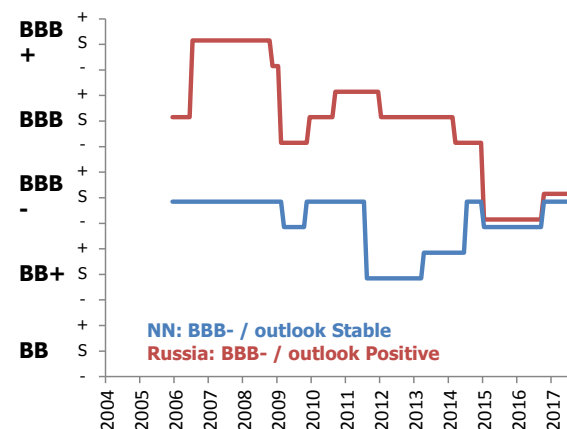
Moody's



Ba1 / outlook Stable

- On February 21, 2017 Moody's revised its outlook to Stable from Negative and affirmed "Ba1" corporate credit rating of Nornickel, following the change in the outlook for Russia's government bond rating
- Fundamentally, Moody's are of the opinion that stand-alone credit quality of the Company exceeds the Ba1 rating criteria but the rating remains constrained by Russia's sovereign rating

Fitch Ratings

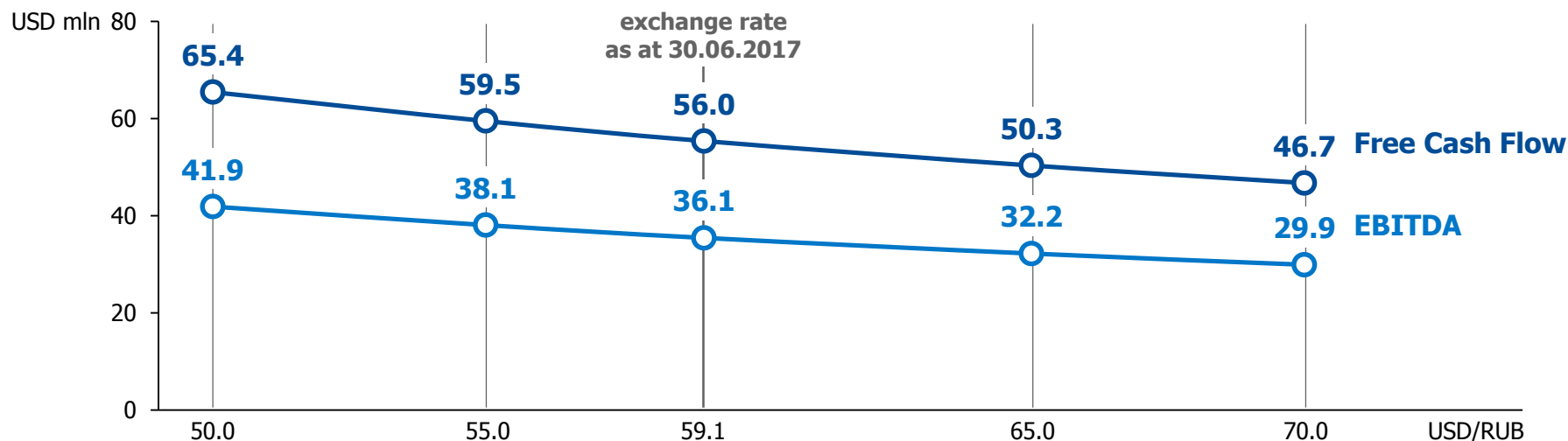


BBB- / outlook Stable

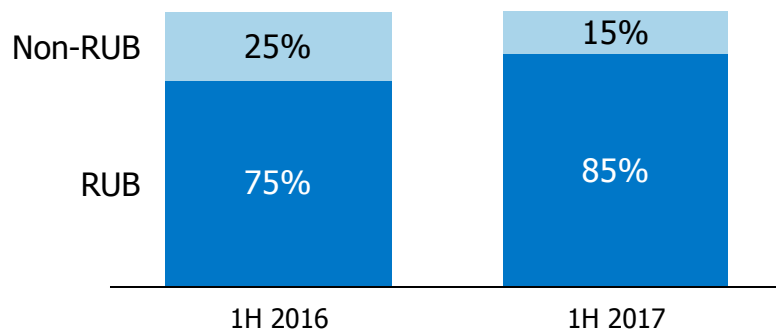
- On October 18, 2017 Fitch Ratings affirmed Nornickel credit rating at "BBB-" with Stable Outlook
- Fitch estimates the Company's stand-alone credit rating at "BBB+" and applies a two-notch discount to account for political, business and regulatory risks in Russia

Sensitivities to USD/RUB Exchange Rate

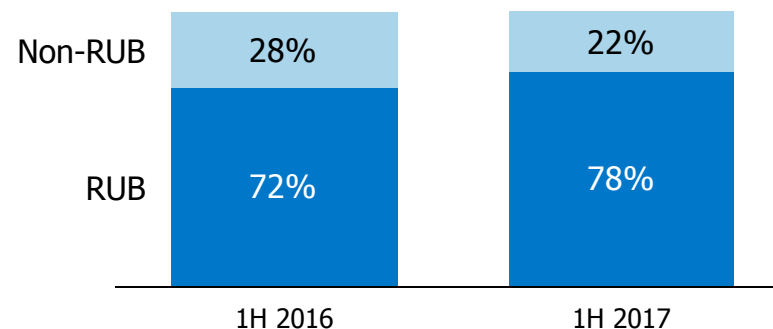
At the USD/RUB rate of 59.1, 1% change in exchange rate translates into:
EBITDA change of USD 36mln, FCF of USD 56mln



Currency break up of OPEX



Currency break up of CAPEX



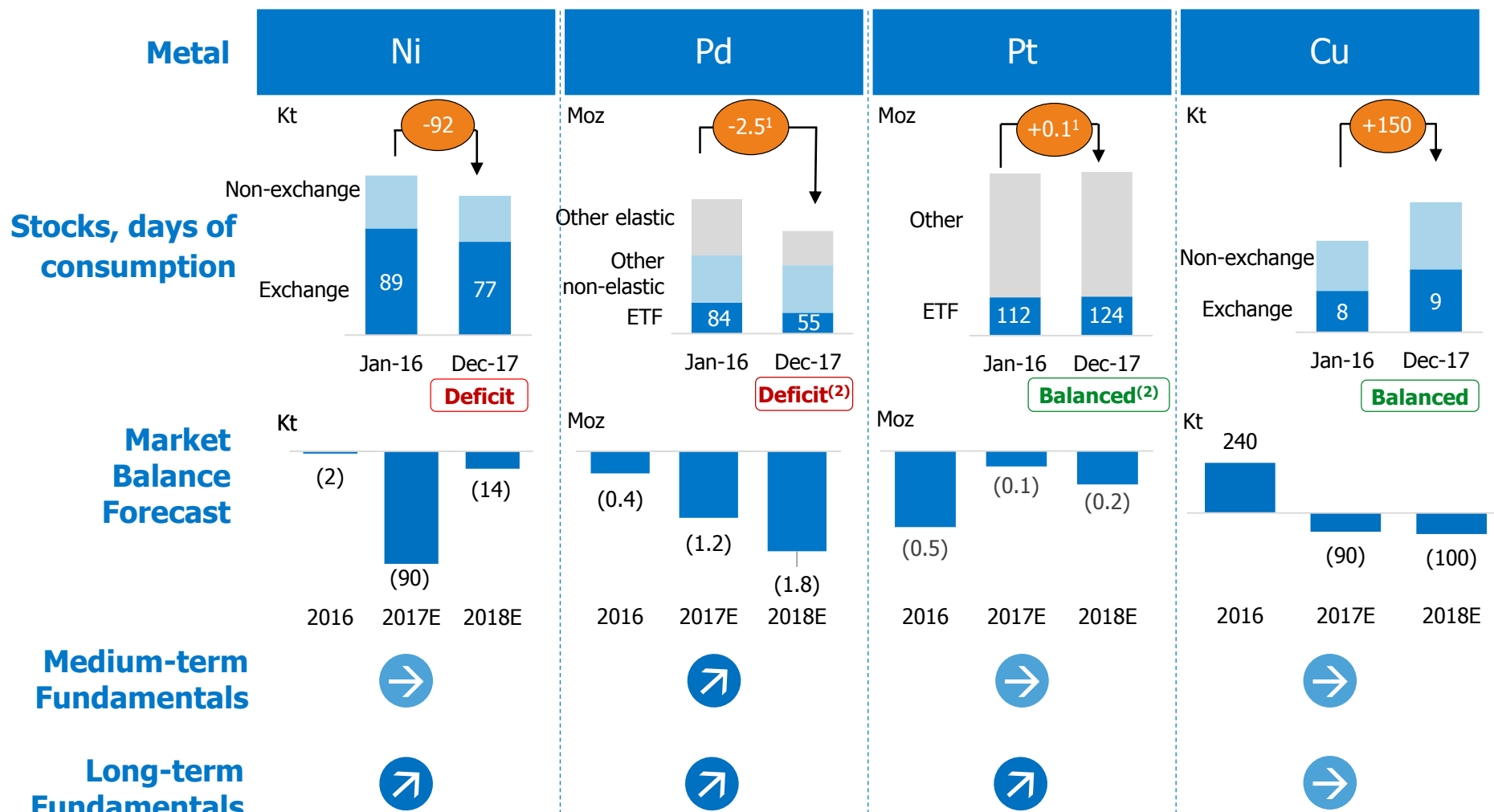


Markets Update

Anton Berlin
Head of Strategic Marketing



Metals Markets Outlook



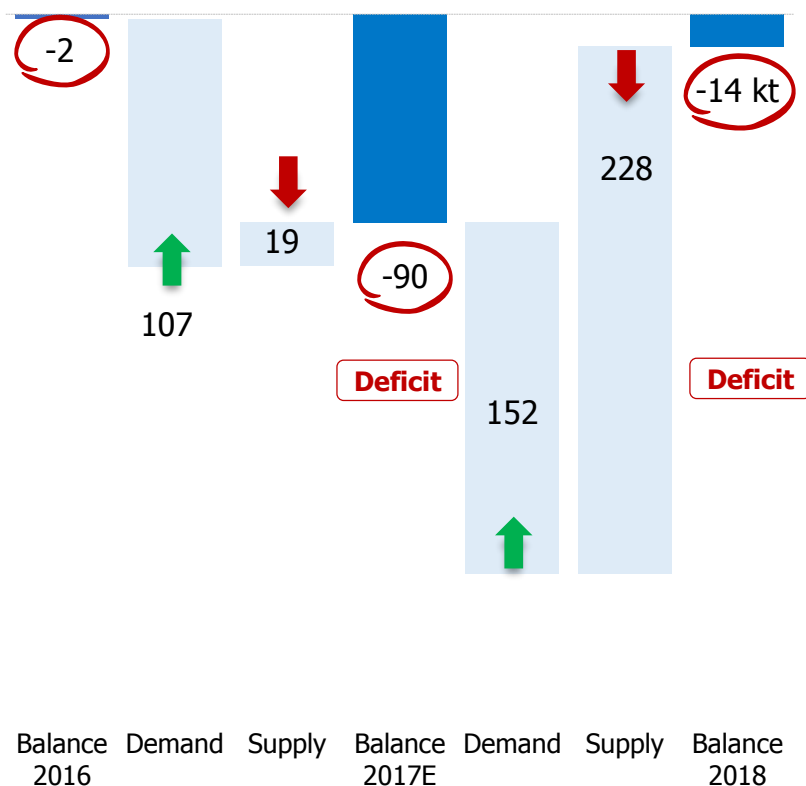
Source: Company data

Note: 1. Change in ETFs in January'16 – October'17, 2. Including ETFs, investment demand and industry stocks movement

Nickel Market Short-Term Outlook

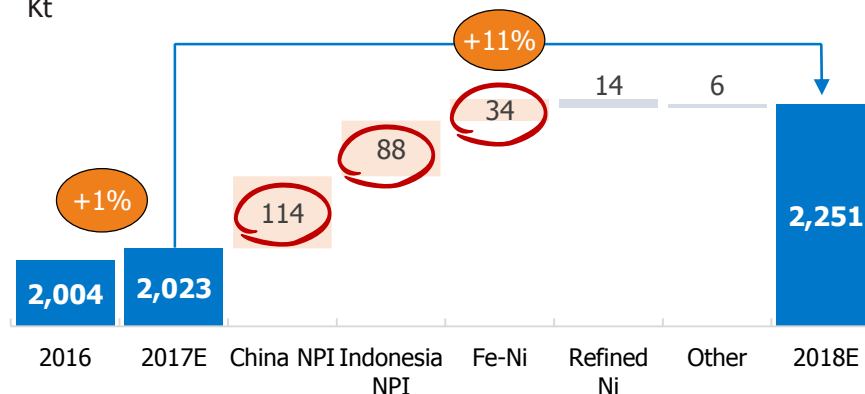
Nickel Market: Deficit Expected to Reduce in 2018 Due to Production Growth in Indonesia and the Philippines

Kt



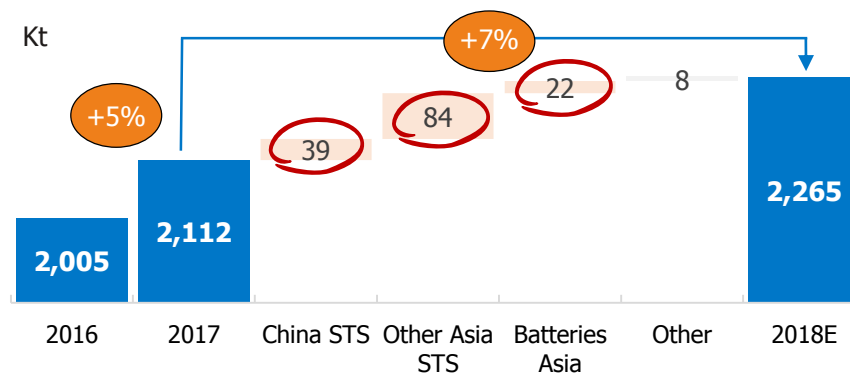
Ni Supply: Increase Driven by Return of Indonesia to Ore Export Markets and Philippines Recovery

Kt



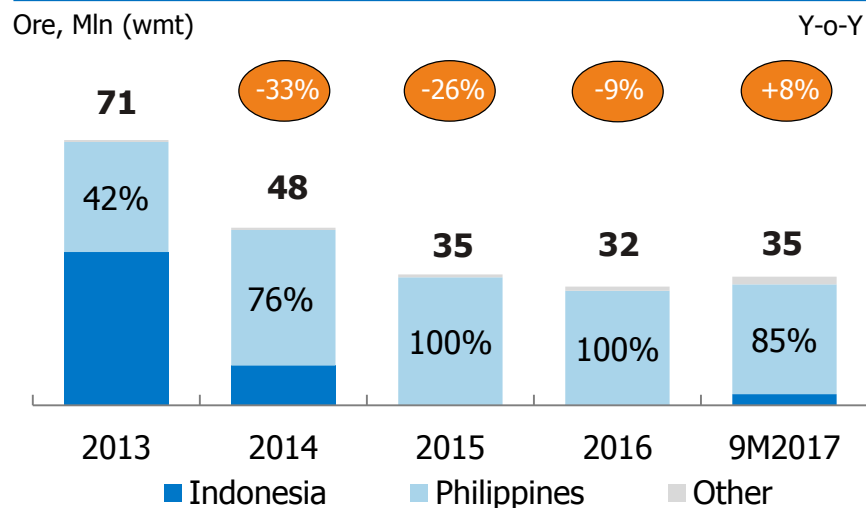
Strong Growth of Ni Demand in Stainless Steel Expected in 2018E in Indonesia and China

Kt

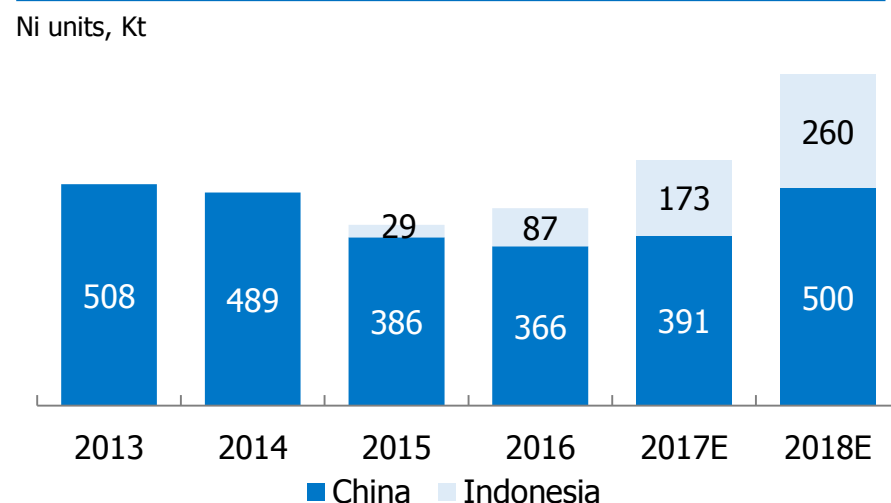


Rising Ore Supplies from the Philippines and Indonesia

Nickel Ore Supply to China Recovering in 2017

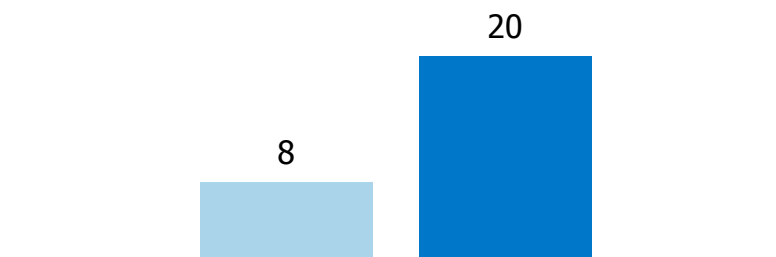


NPI Supply from China & Indonesia Expected to Grow

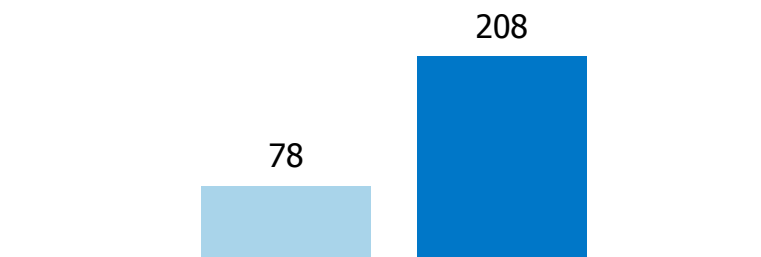


Ni Ore Export from Indonesia Has Resumed: YTD 12 Licenses Have Been Granted

Ore, quota issued, Mln (wmt)



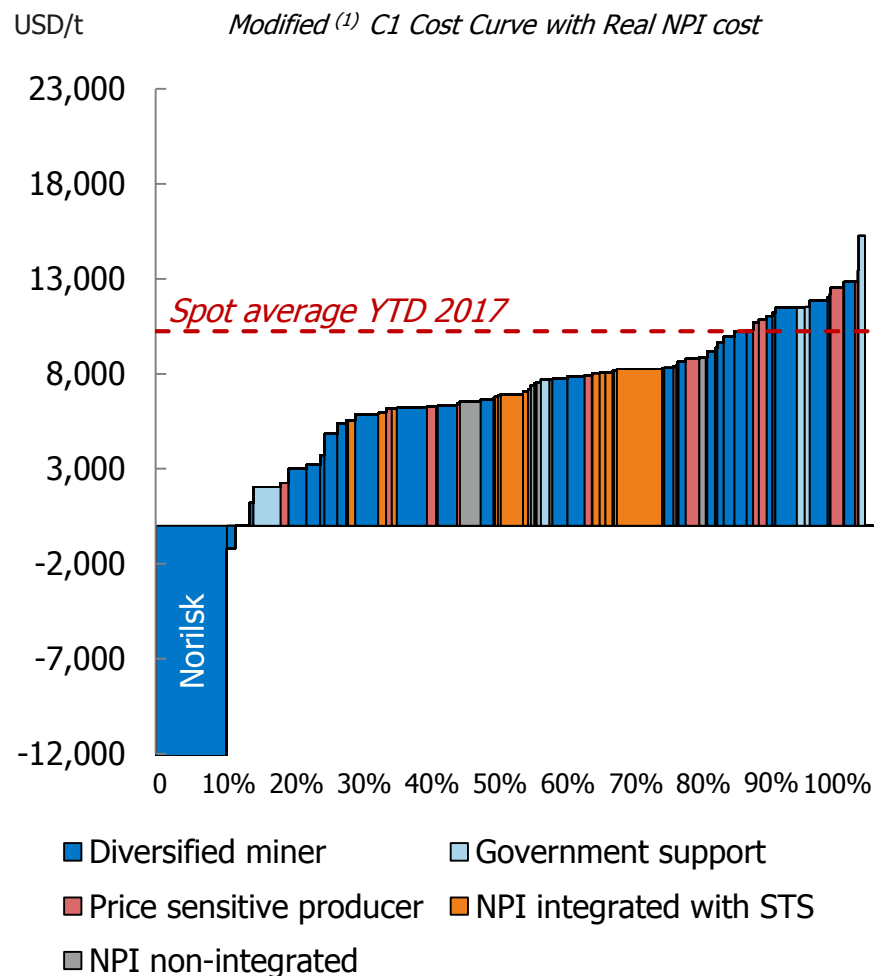
Ni unites, quota issued, Kt



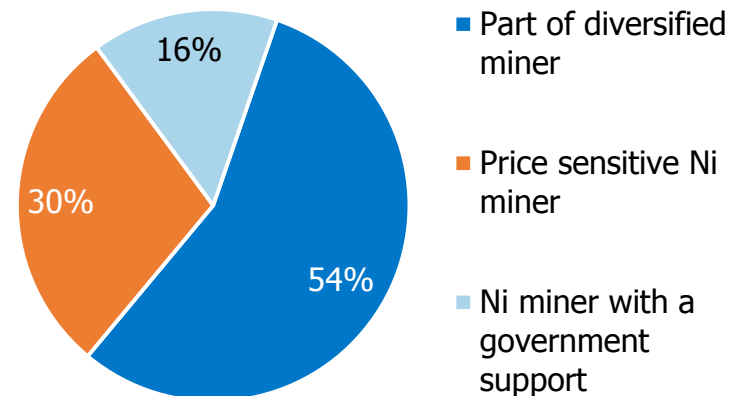
■ 2017E ■ Total quota

Nickel Cost Curve - Limited Price Sensitive Production

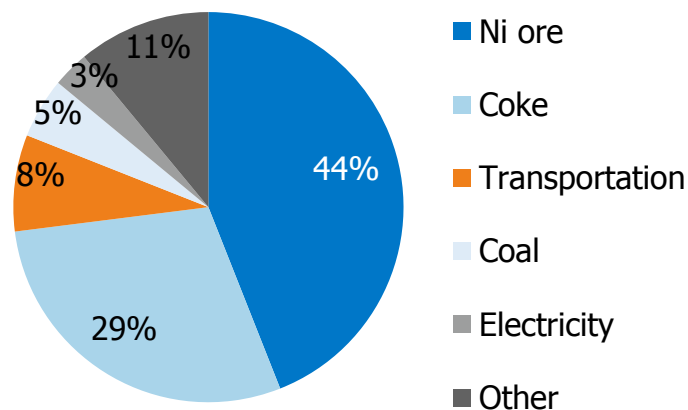
Little Supply Rationalization Shown in 2014-2017 Downturn...



...As Most of High-Cost Producers Not Price-Sensitive



... and NPI Cash Cost is in Vicious Circle: Ni Ore is Re-priced in Line with Refined Nickel on LME



Source: Company data, Wood Mackenzie

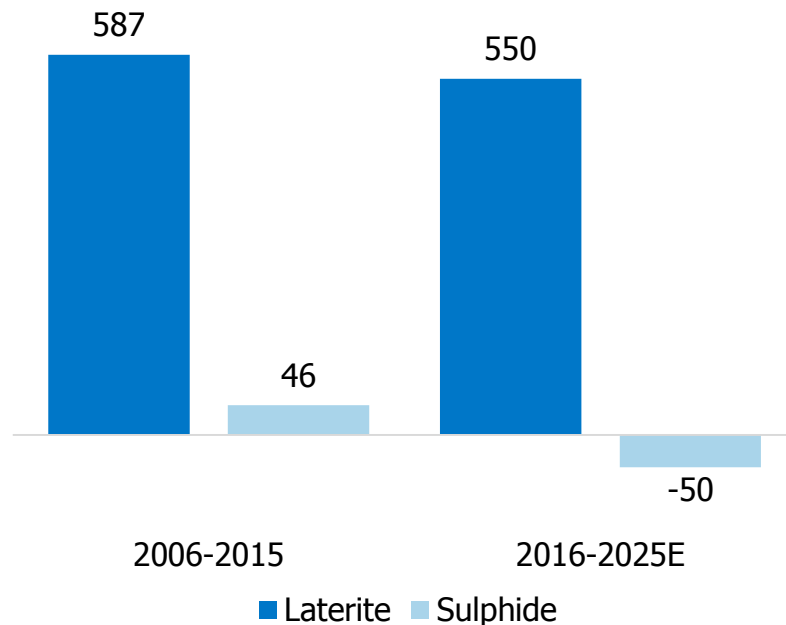
Note: 1. Including nickel ore by-product value for NPI and synergy from integration with stainless steel production

Long-Term Global Nickel Supply: Growth Driven by Laterite Ores

Laterite Ores Expected to be the Main Source of New Nickel Units Growth in Long-Term

Ni units, Kt

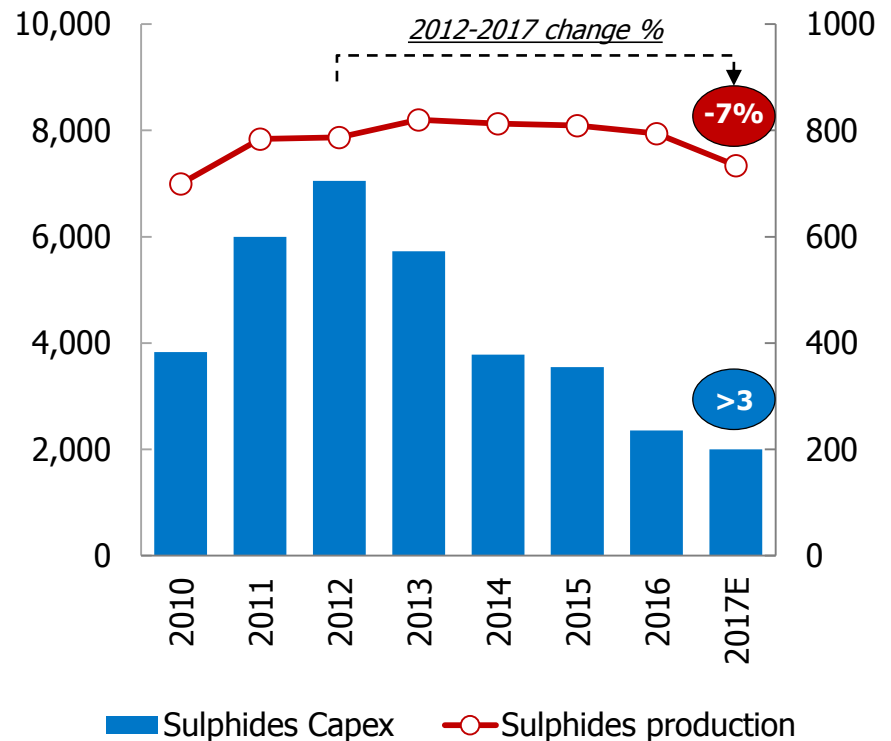
Change in Ni production by source of ore



Underinvestments Impacting Ni Production from Sulphide Ores

USD bn

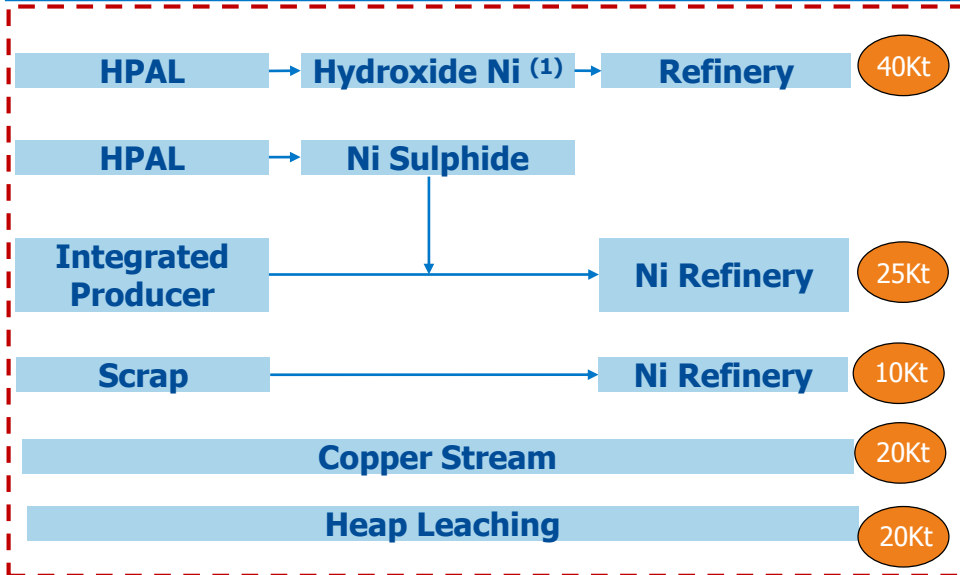
Ni units, Kt



Production of Battery Grade Nickel

1

Status Quo



Product

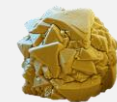


Application

Precursor



Cathode Material



Battery

70Kt

Li-ion

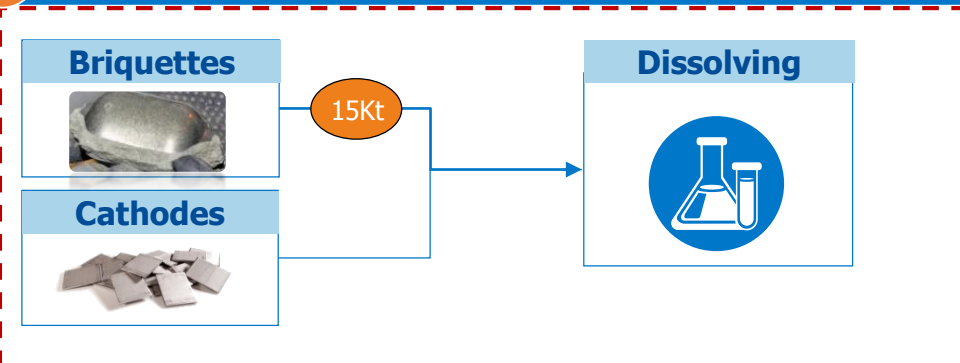
Other applications:

60Kt

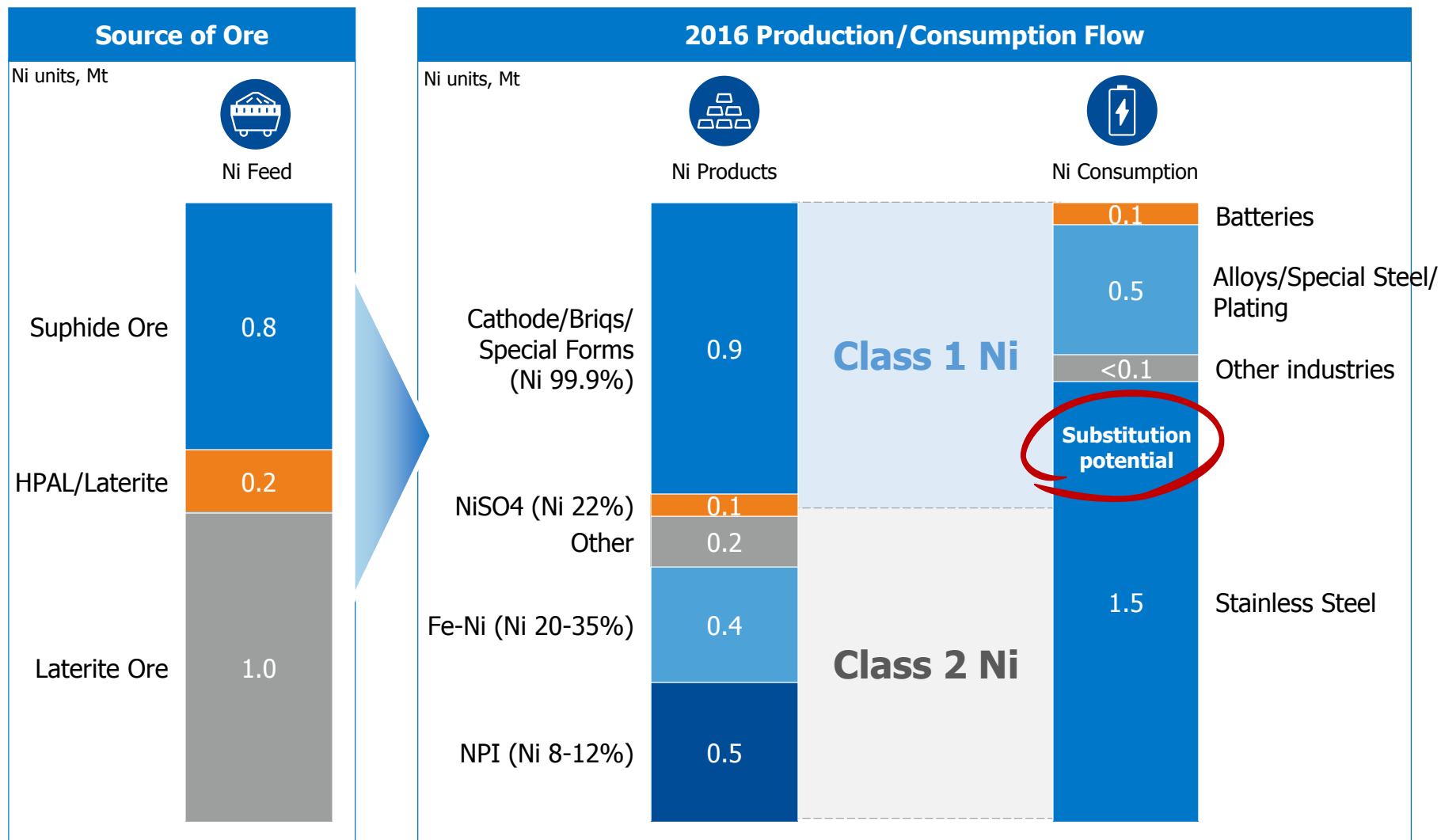
- *Plating*
- *Chemicals*

2

Possible/Balancing Option



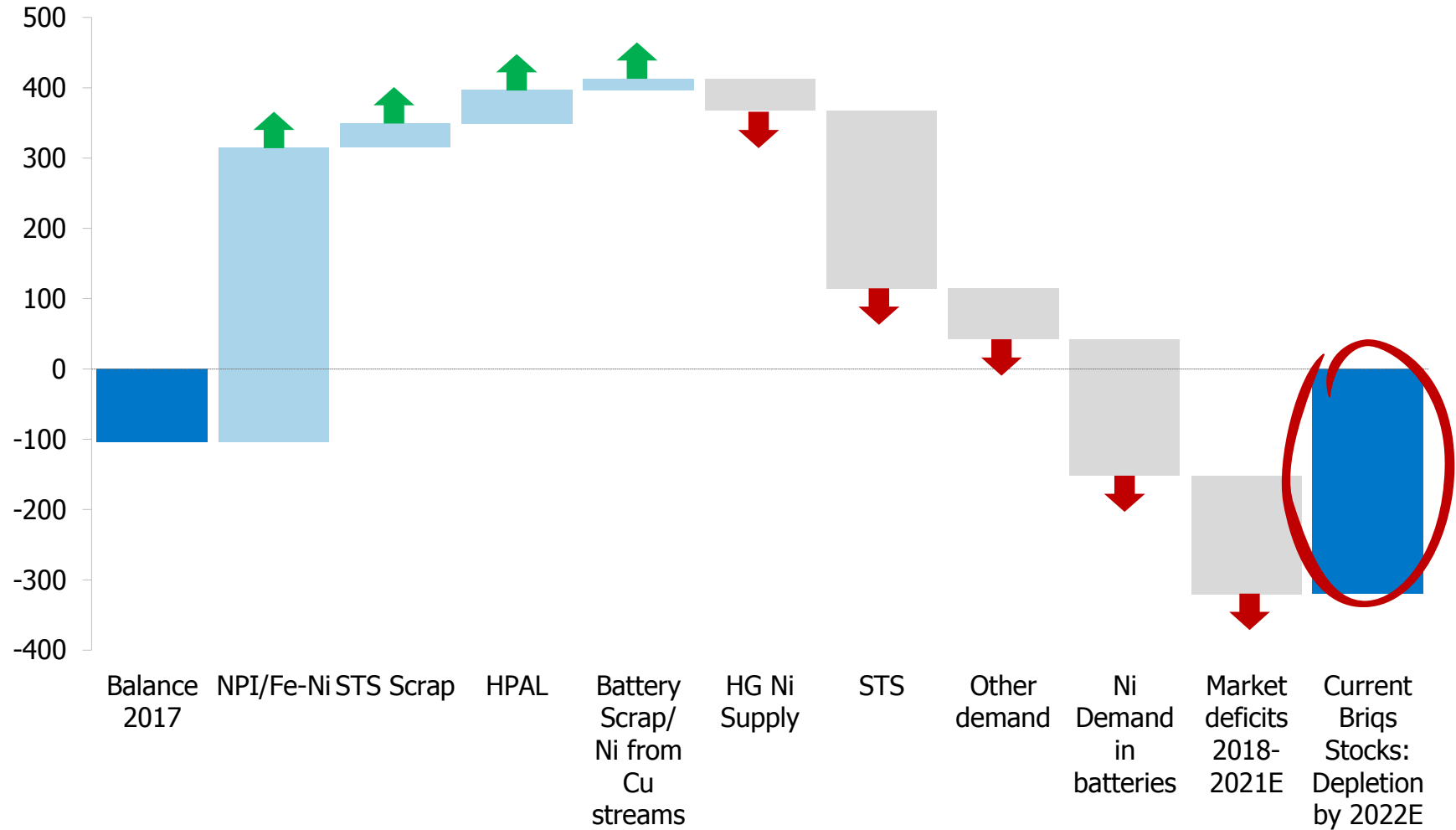
Nickel Feed Status Quo: Excess Nickel Class 1 Availability



Source: Company data

Long-Term Nickel Demand Outlook: Base Case Scenario Suggests Enough Class 1 Feed Until 2022E

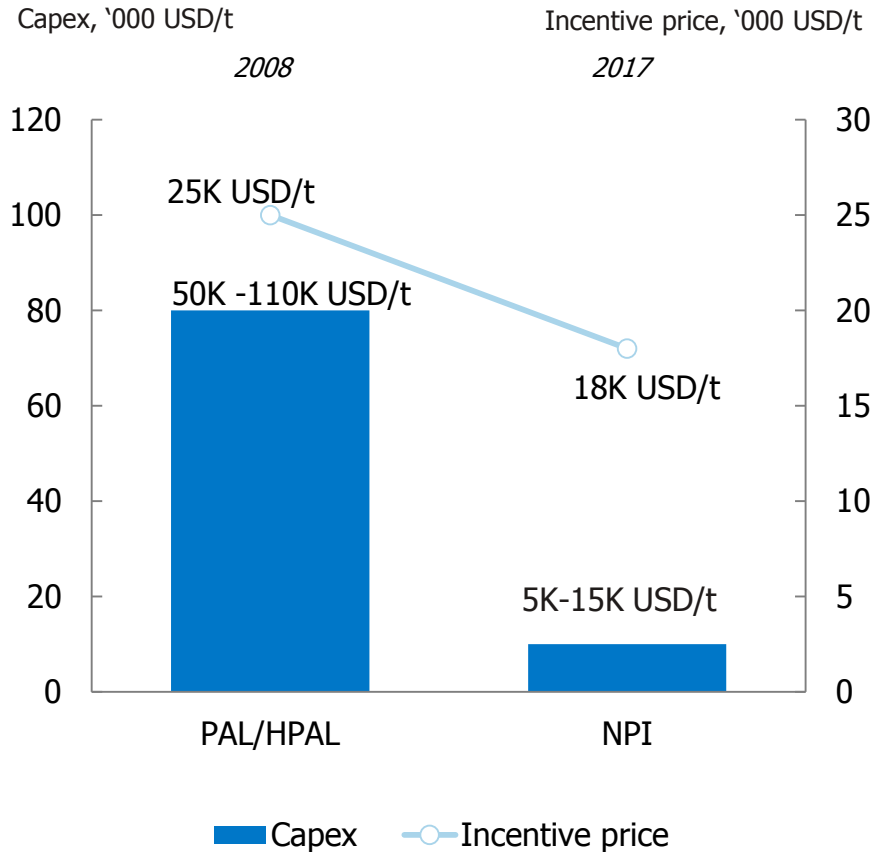
Ni units,Kt



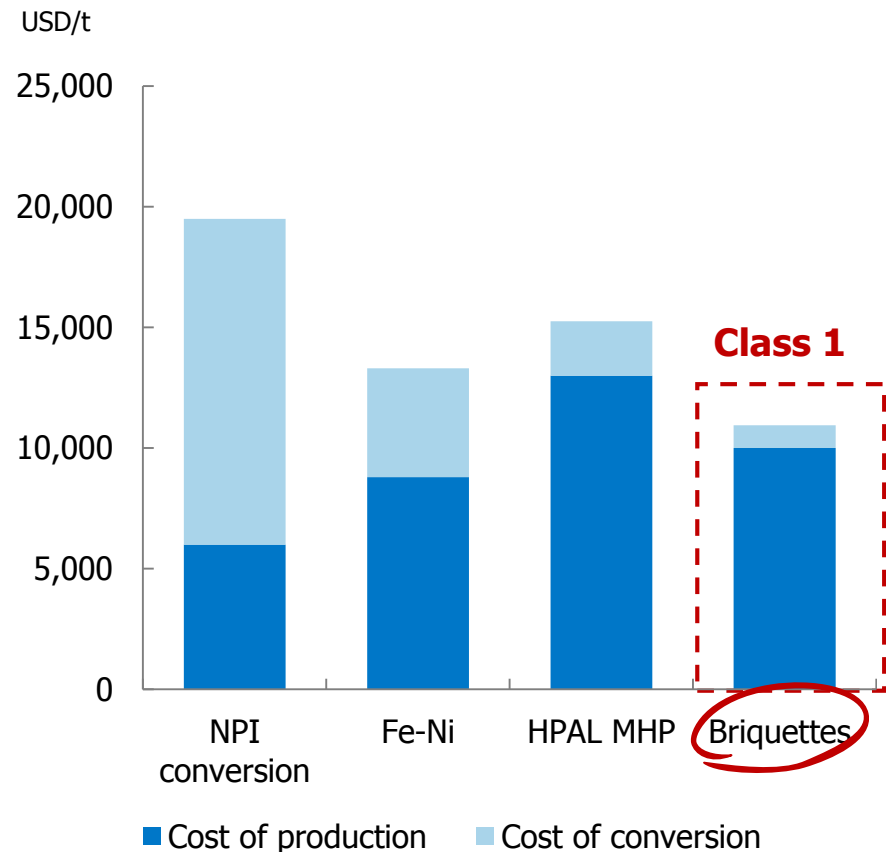
Source: Company estimates

Capital Intensity: Higher Ni Prices are Required in the Long Run to Incentivize Additional Supply After 2023E

Reduction of Capital Intensity and Incentive Price Driven by Class2 Projects (NPI)

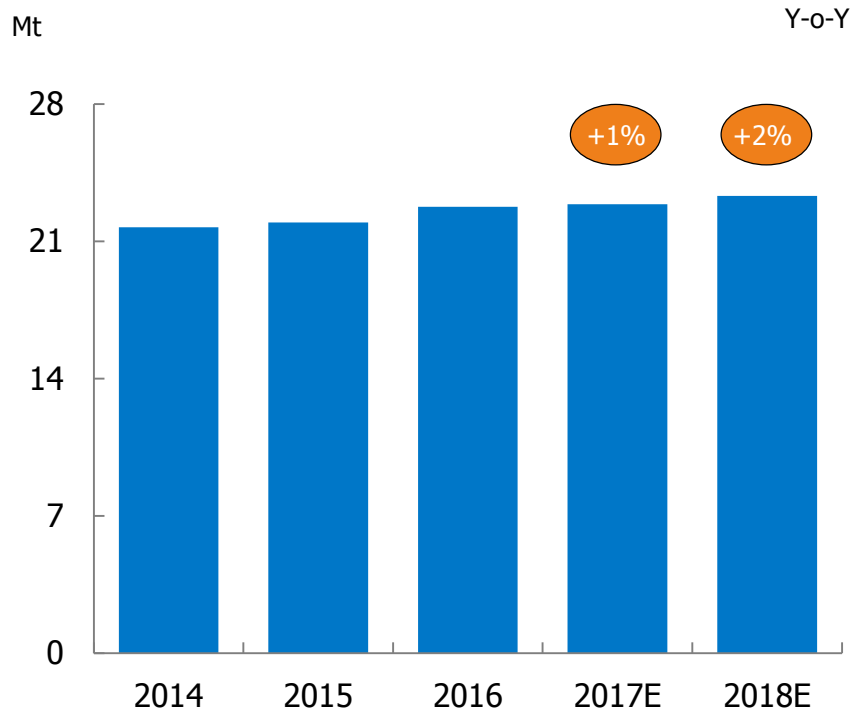


Indicative Full Cash Costs of NiSO₄: Prohibitive for All But Class 1 Products

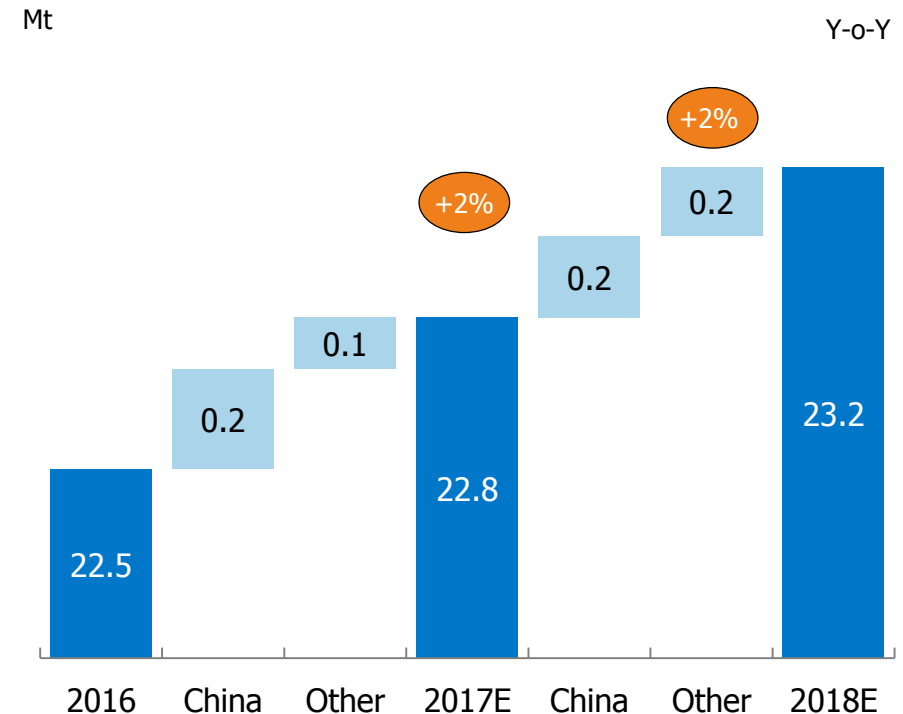


Copper Short-Term Outlook: Growth of Supply in Line with Consumption

**Global Refined Production Will Remain
Almost Stable in Short-term**



**China Remains the Main Driver of Global
Copper Consumption Growth in 2017-2018E**

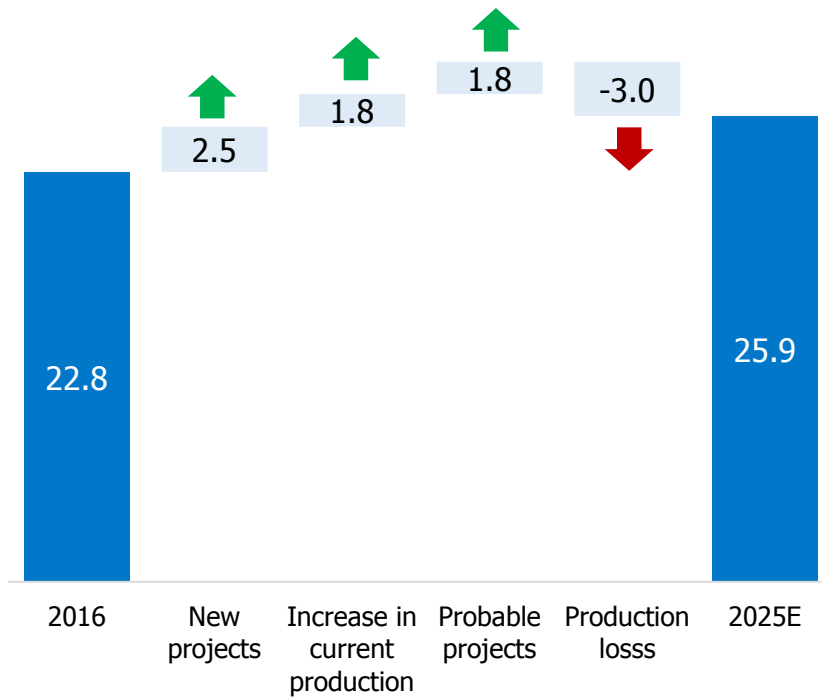


Copper Market Long-Term Outlook: Risk of Overestimating Demand

Copper Supply: Bottom Up 3Mt to be Added by 2025E

Mt

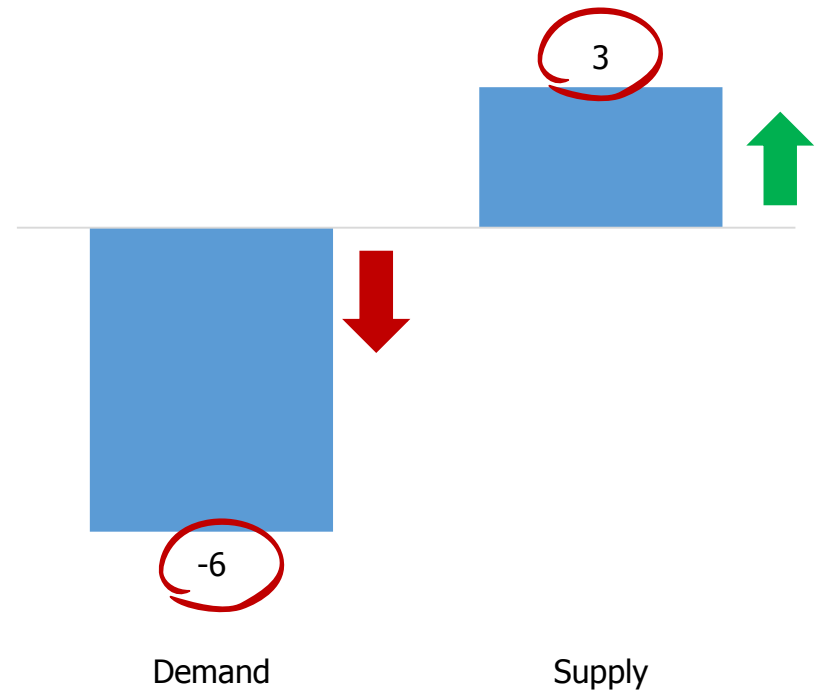
New copper production 2017-2025E



Long-Term Copper Forecasts: Since 2012 the Demand Outlook for 2025 Reduced by 6Mt, but Supply Forecast Raised by 3Mt

Mt

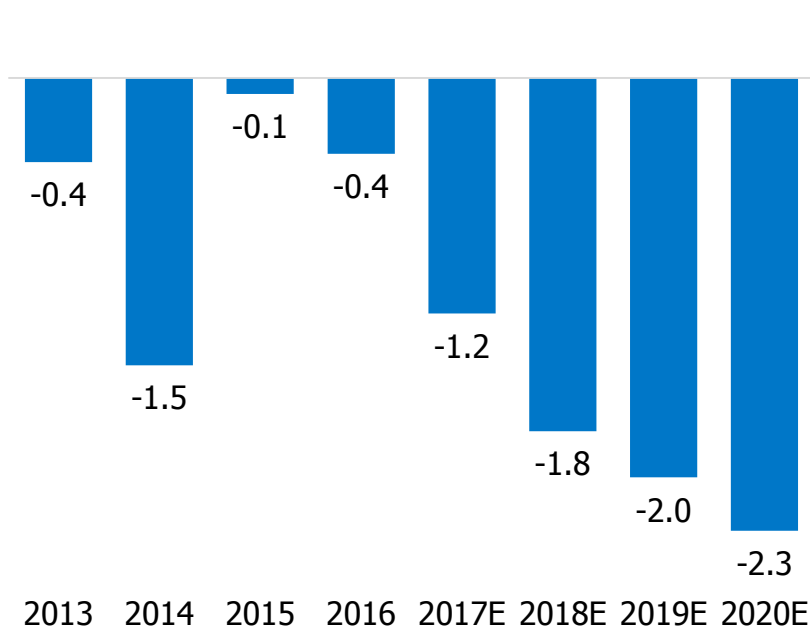
Change in forecasts of 2017 vs. 2012



PGM Supply and Demand Balances: Divergent Fundamentals for Pt and Pd in the Medium-Term

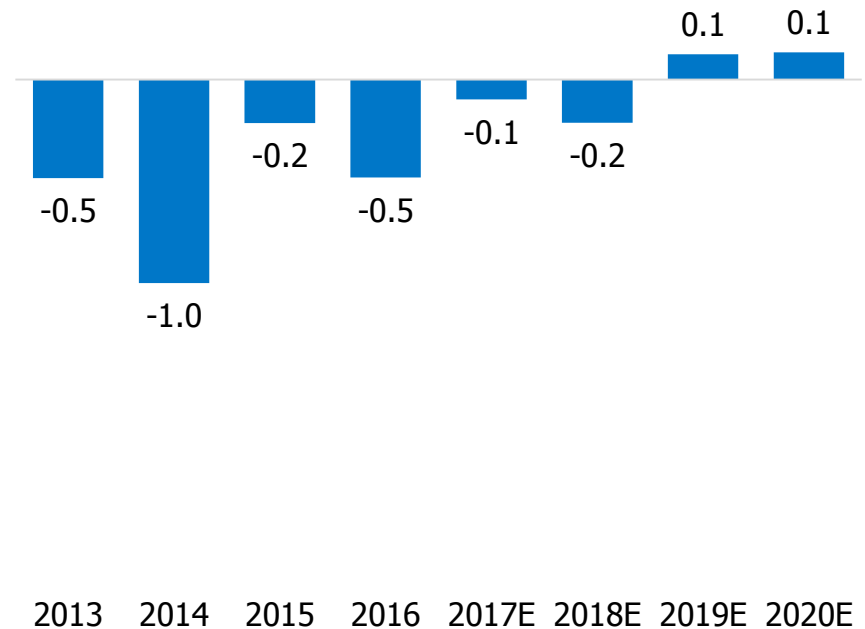
Global Palladium Market: Major Structural Deficit to Persist in 2017-2020E

Moz



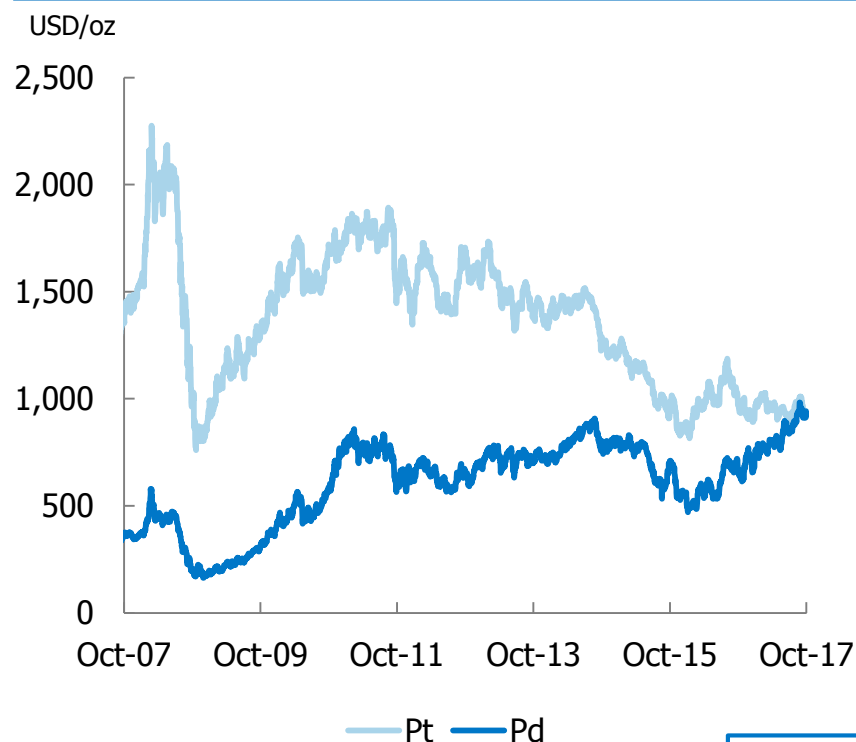
Global Platinum Market: Structural Deficit Has Evaporated on Weaker Demand

Moz



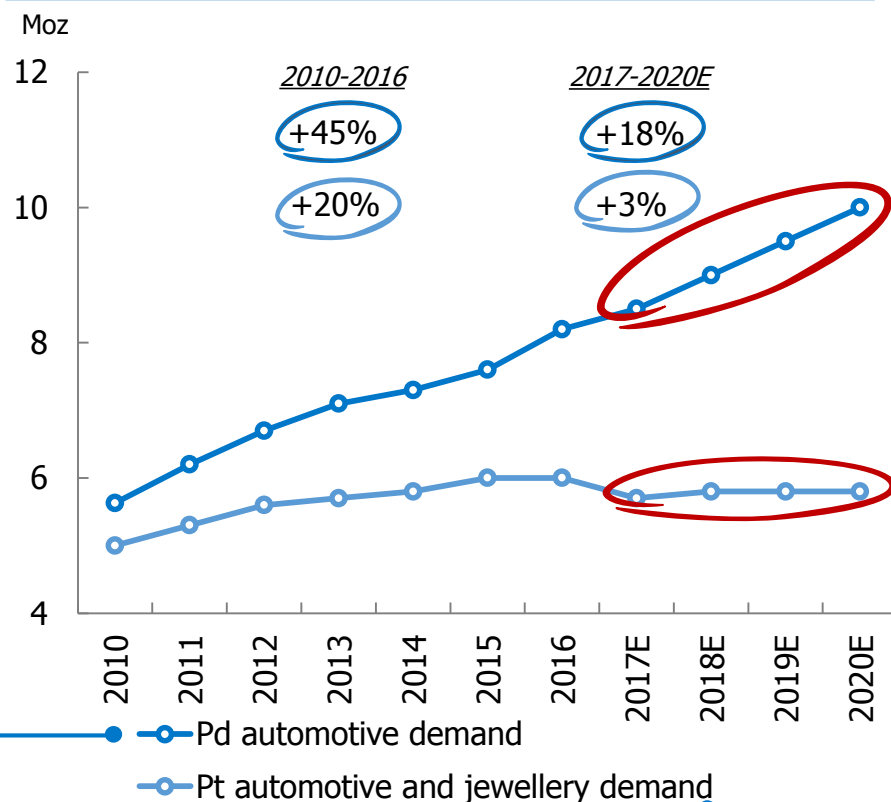
Premium of Palladium to Platinum is Sustainable in the Mid-Term

Palladium Discount to Platinum Has Been Eliminated on Fundamentals...



Pd: Diesel substitution, hybridization, China 6 introduction

... as Platinum Has Been Losing its Market Share in Autocatalysts to Palladium

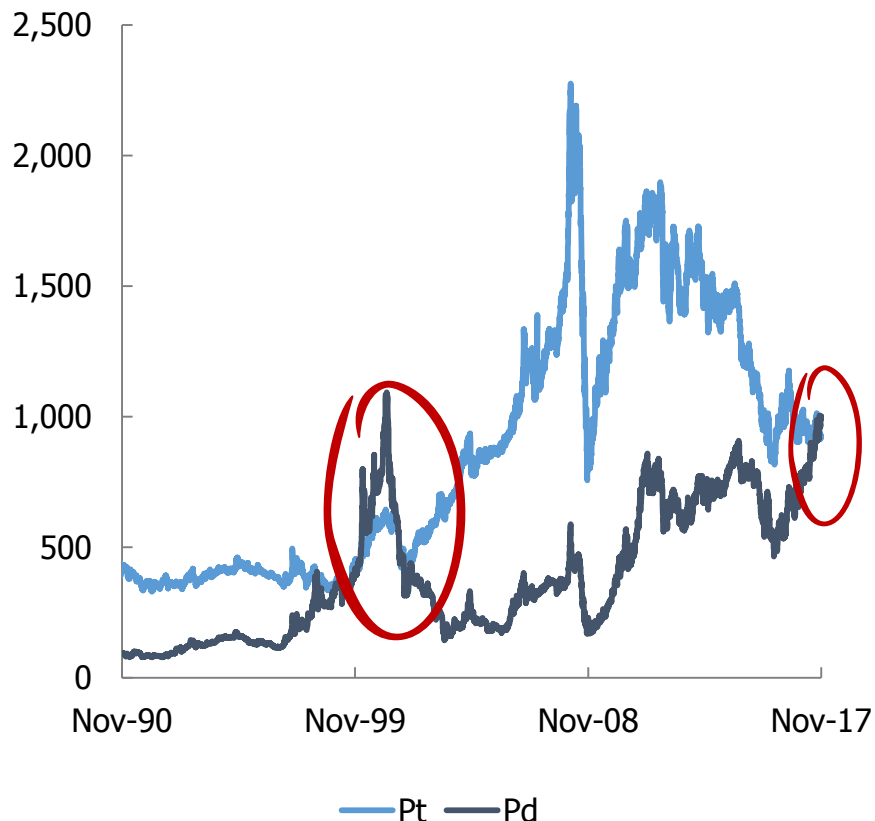


Pt: Substantial time lag >2Y for change in technology. Low jewellery demand in China

Why 2017 is Not 2001 For Palladium

Current Palladium Premium to Platinum is Fundamentally Justified...

USD/oz



... As Much Has Changed Since 2001

2001

Short-term market squeeze, government action

Concerns over Pd supply from Russia

Major Russian government stockpiles overhang

Substitution
Pt/Pd ratio 1:2

Thrifting away from Pd-intensive gasoline, roll out of Pt-intensive diesels

Extensive Pd loadings – room for optimization

2017

➔ Sustained long-term market deficit

➔ Long-term track record of reliable supplies from Russia

➔ Russian government stockpiles depleted

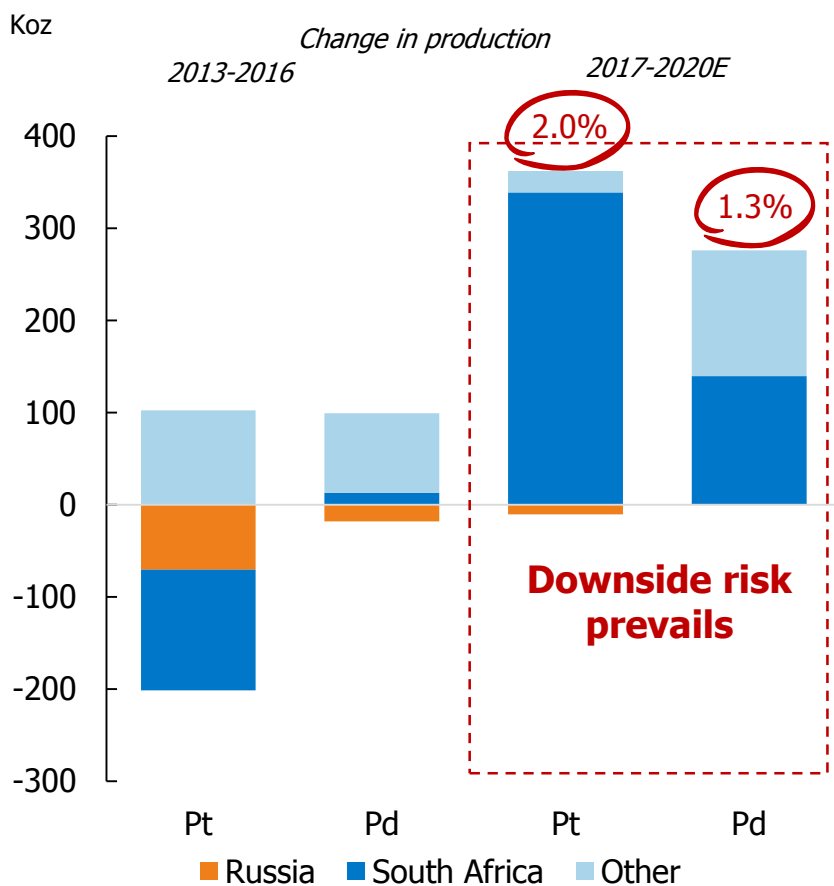
➔ Substitution
Pt/Pd ratio > 1:1

➔ Meeting CO₂ 2021 targets: Pd-intensive hybridization is the only option

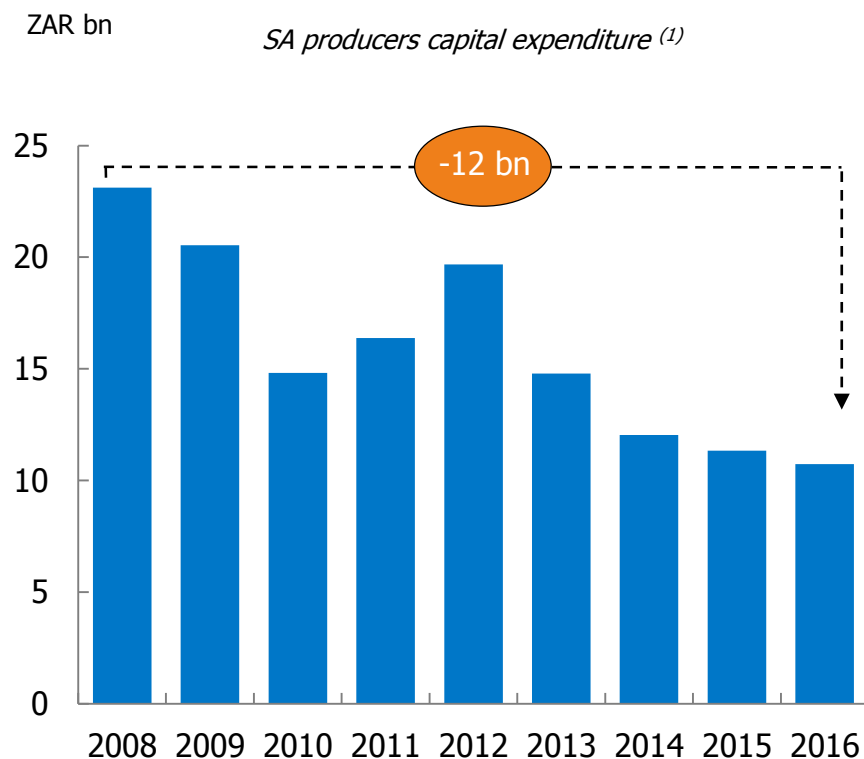
➔ Optimized loadings – little room for optimization

PGM Global Supply: Limited Growth in the Medium Term

**Little Growth Expected in Primary Supply:
1.3% and 2.0% p.a. of Global Pd and Pt
Output, Respectively**



**PGM Capex Rationalization in South Africa
is Not Supportive for Production Growth**



XX% Annual global output growth 2017E-2020E

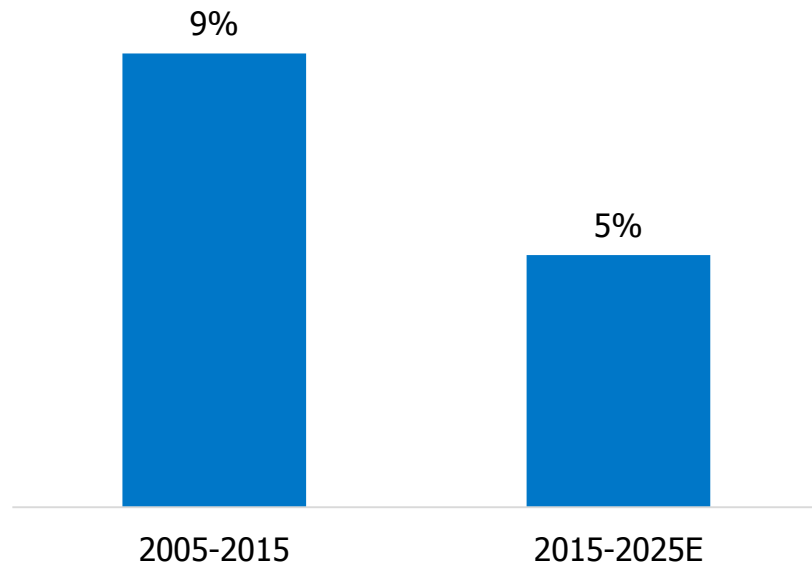
Source: Company data

Note: 1. Cumulative capex of Amplats, Impala, Lonmin and Northam

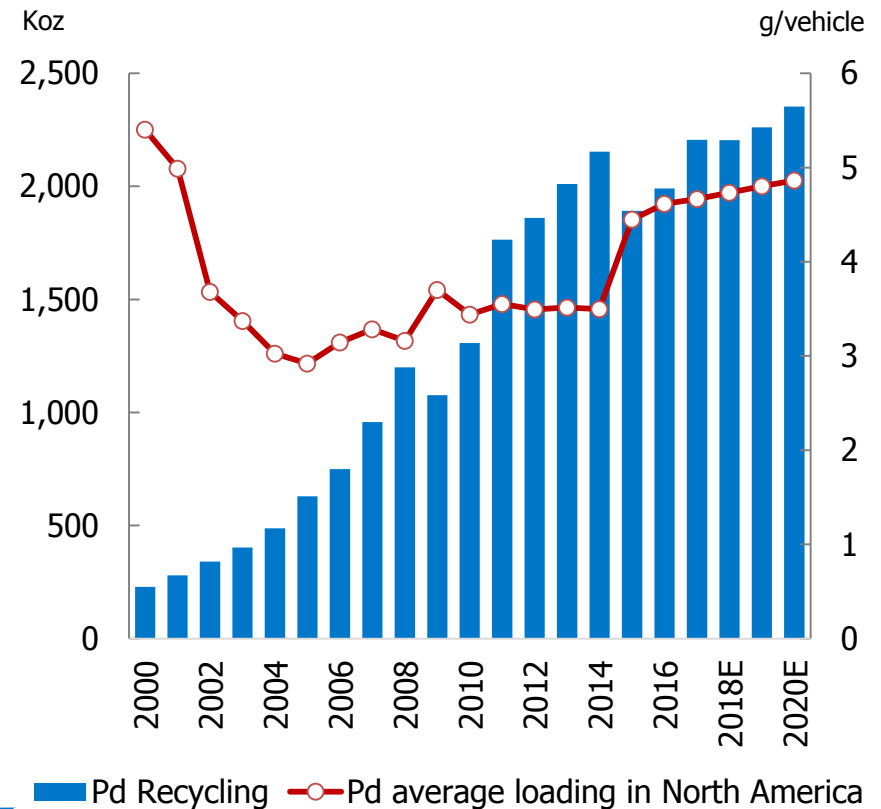
Recycling Growth Will Not be Able to Balance the Market as it Lags Behind Pd Demand

Growth of Recycled Palladium Supply to Moderate Considerably...

CAGR



...as Vehicles With High Palladium Loadings Have Been Mostly Recycled by 2015



It Takes 10-12 Years for Vehicles to Come for Recycling

Key Auto Trends Impacting Metals Demand

Key Trends

- 1 Sustainable automotive production growth globally
- 2 Diesel substitution by gasoline vehicles in Europe
- 3 Growth of hybrid vehicle market share worldwide
- 4 Growth of SUV market share and increase in engine size
- 5 Strengthening emissions legislation worldwide
- 6 Electric vehicles/batteries worldwide

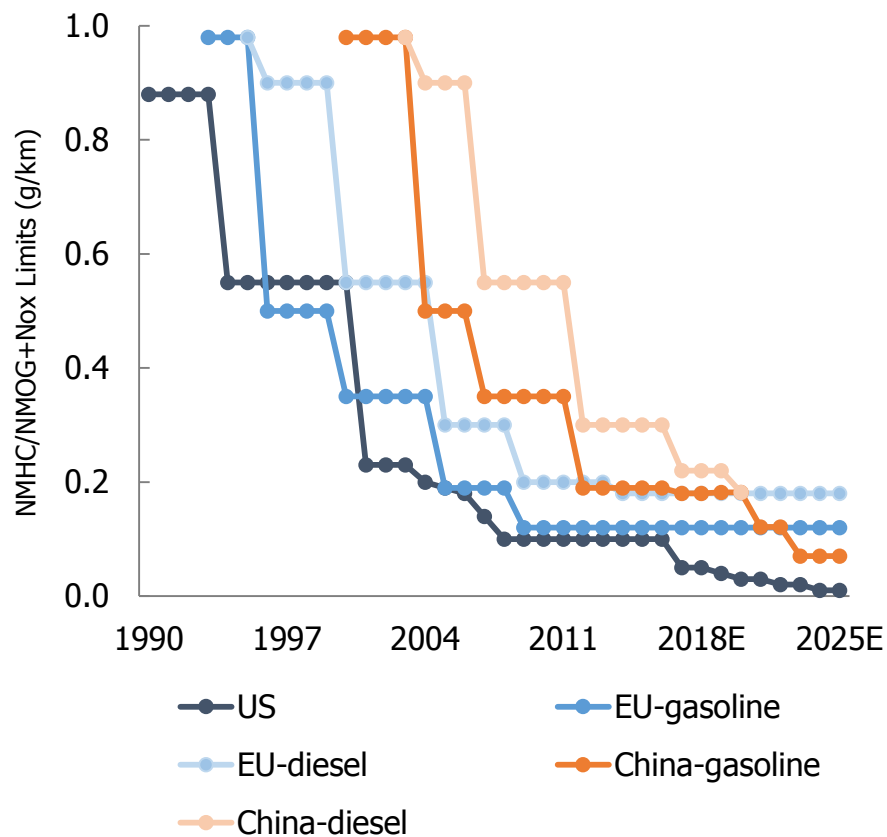
Demand Implications



Legislative Stimulus of Transport Electrification

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



Policy Incentives for the Adoption of Electric Vehicles and Announced Restrictions on ICEs ⁽¹⁾

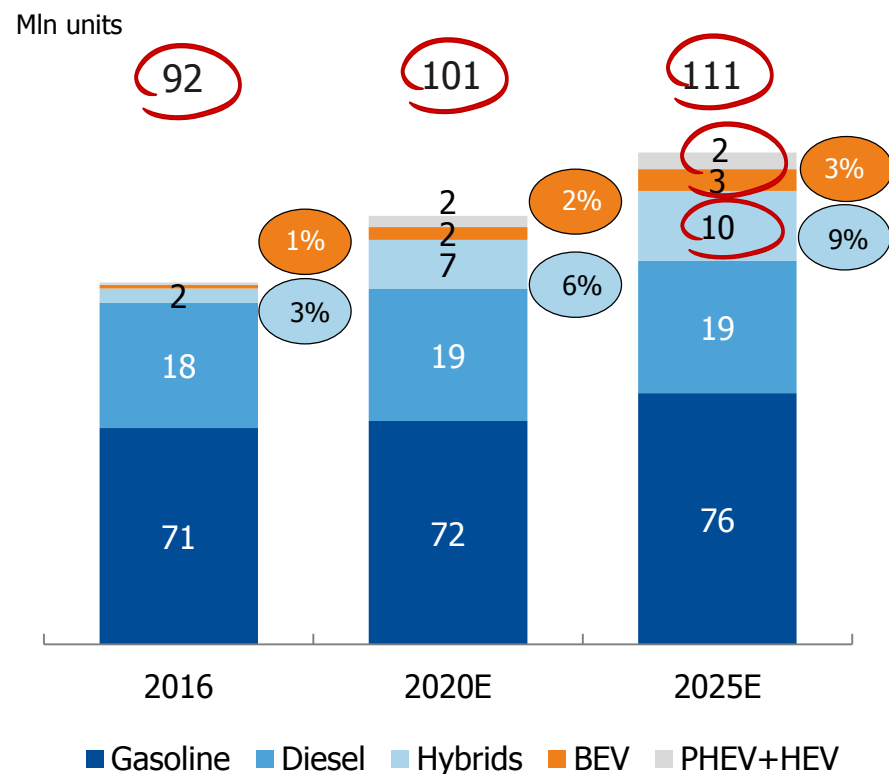
Country	Policy Targets
Austria, Denmark, Ireland, Netherlands, Portugal, Spain, Japan, South Korea	No ban on ICE, but EV targets set
USA	Several states have announced transition to BEVs
China	Ban on ICE cars sales - deadline to be determined
Germany	Ban on ICE car sales might be considered
Scotland/France/UK	Ban on ICE cars sales by 2032/2040/2040
Netherlands/Norway	Zero-emission program by 2025

+ EU: penalty EUR95/gr for exceeding the limits of 95gr. CO₂ /km from 2021 (Limit -30% by 2030)

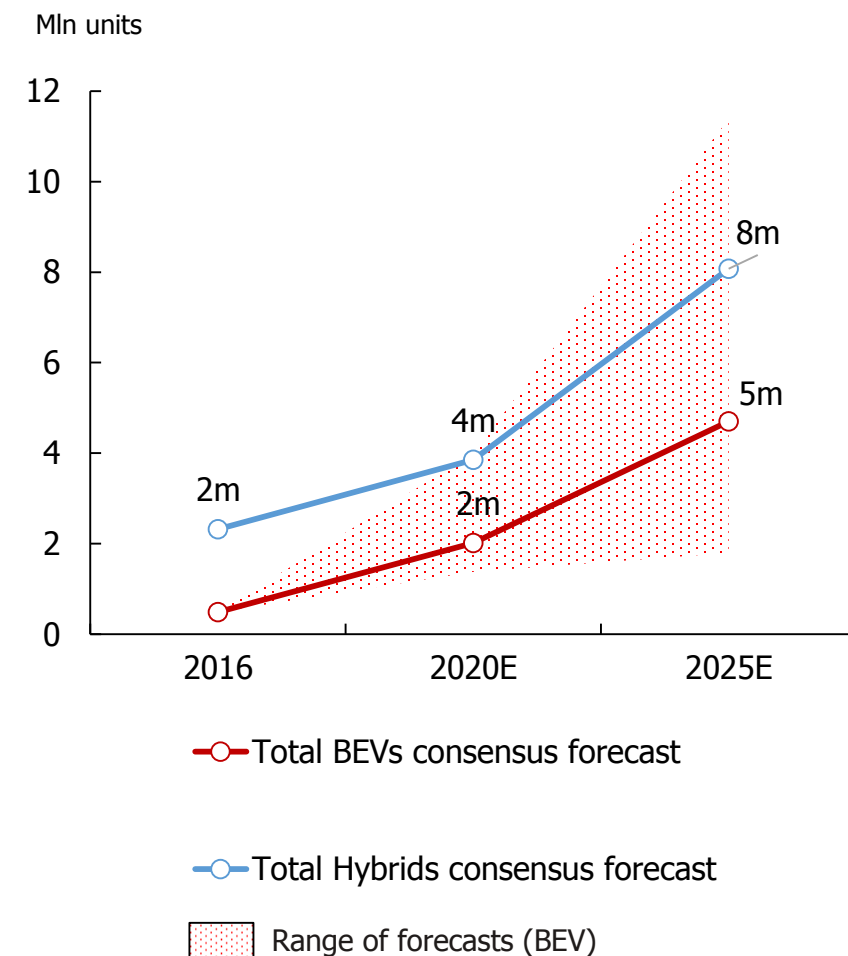
Source: Company data, ICCT, LMC Automotive, Thomson Reuters, ACEA, Wards-Auto, CAAM
Note: 1. ICE – internal combustion engine;

Growing Autos Production - Long Term Trend

Global Light Vehicles Production Growth Drivers: Hybrids, BEVs+PHEVs and Gasoline



Consensus is Bullish on Long-Term Outlook of Electric Vehicles Sales, but Estimates Vary Greatly

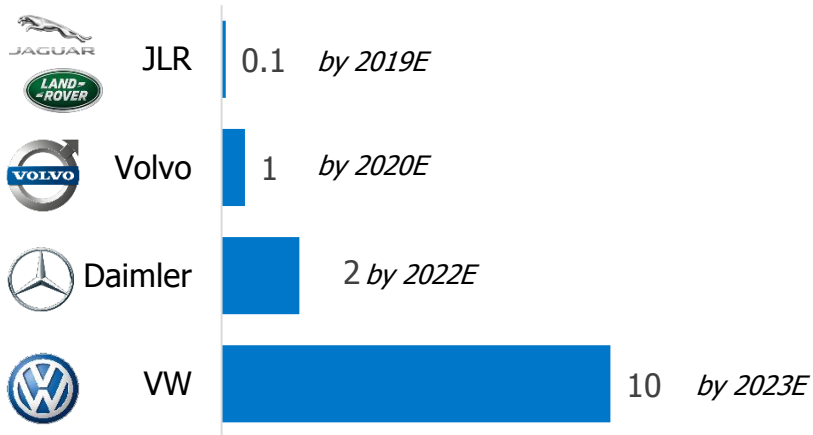


Automakers Announced the Transition to All Types of Electric Vehicles, but Not Just Battery Electric Vehicles

Most Automakers Announced the Move to Electric Cars...

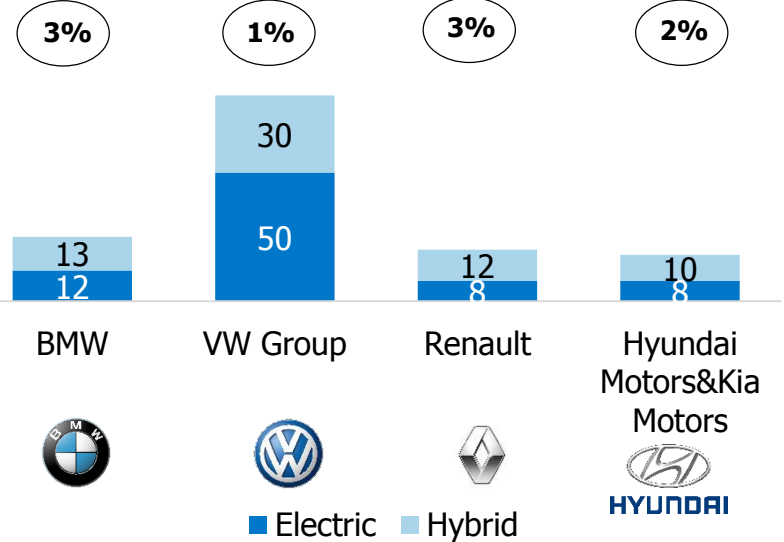
Mln units per year

Announced date of full model range electrification



... and Many of Them to be Hybrids

Model range



■ Electric ■ Hybrid

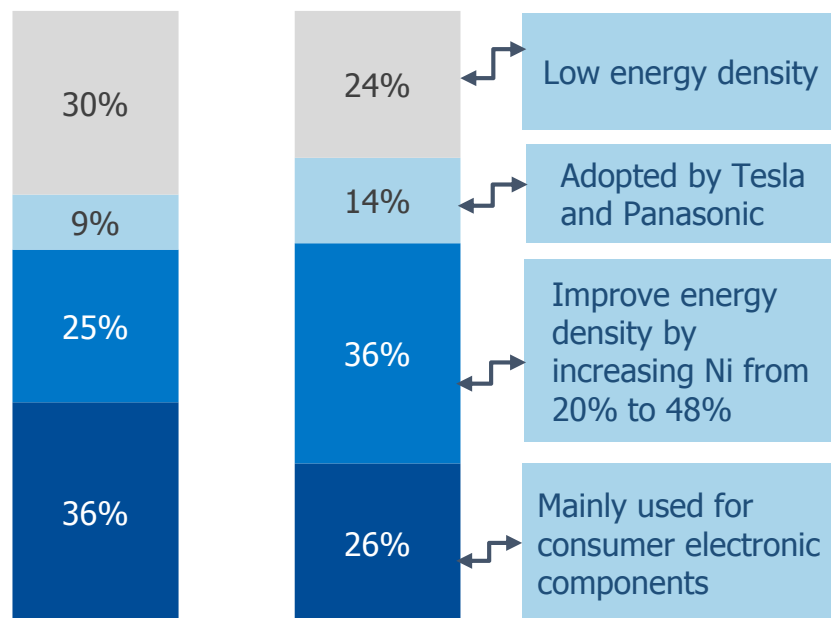
Due to higher manufacturing cost of xEV mass vehicle producers are in no rush to accelerate xEV production

«...15-20% of sales as EV by 2025E», Daimler company representative

«...70% of Ford brand to be conventional hybrids, plug-in hybrids or full battery electric by 2025», Ford company representative

BEVs and PHEVs: Growing Reliance on Ni

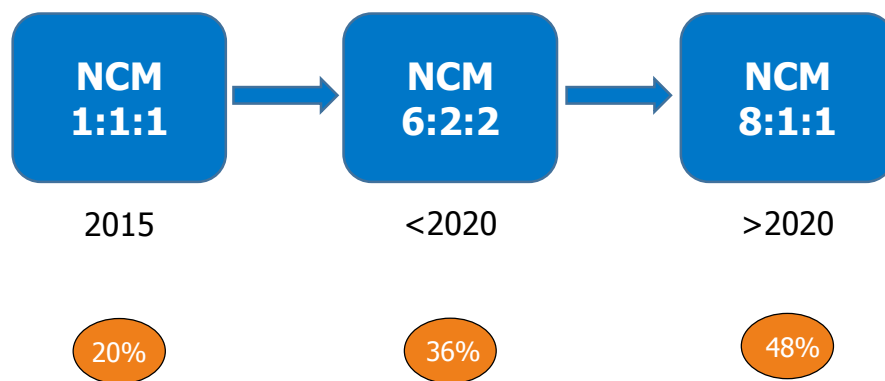
NCA&NCM are Main Cathode Material



Higher Ni Intensity in NCM Cathodes Driven by Higher Energy Density and Co Substitution






Kt

Mainstream NCM Chemistry



Ni weight content in cathode material $\text{Li}(\text{NiCoMn})\text{O}_2$

Norilsk Nickel's Metal Basket Content by Light Vehicle Type

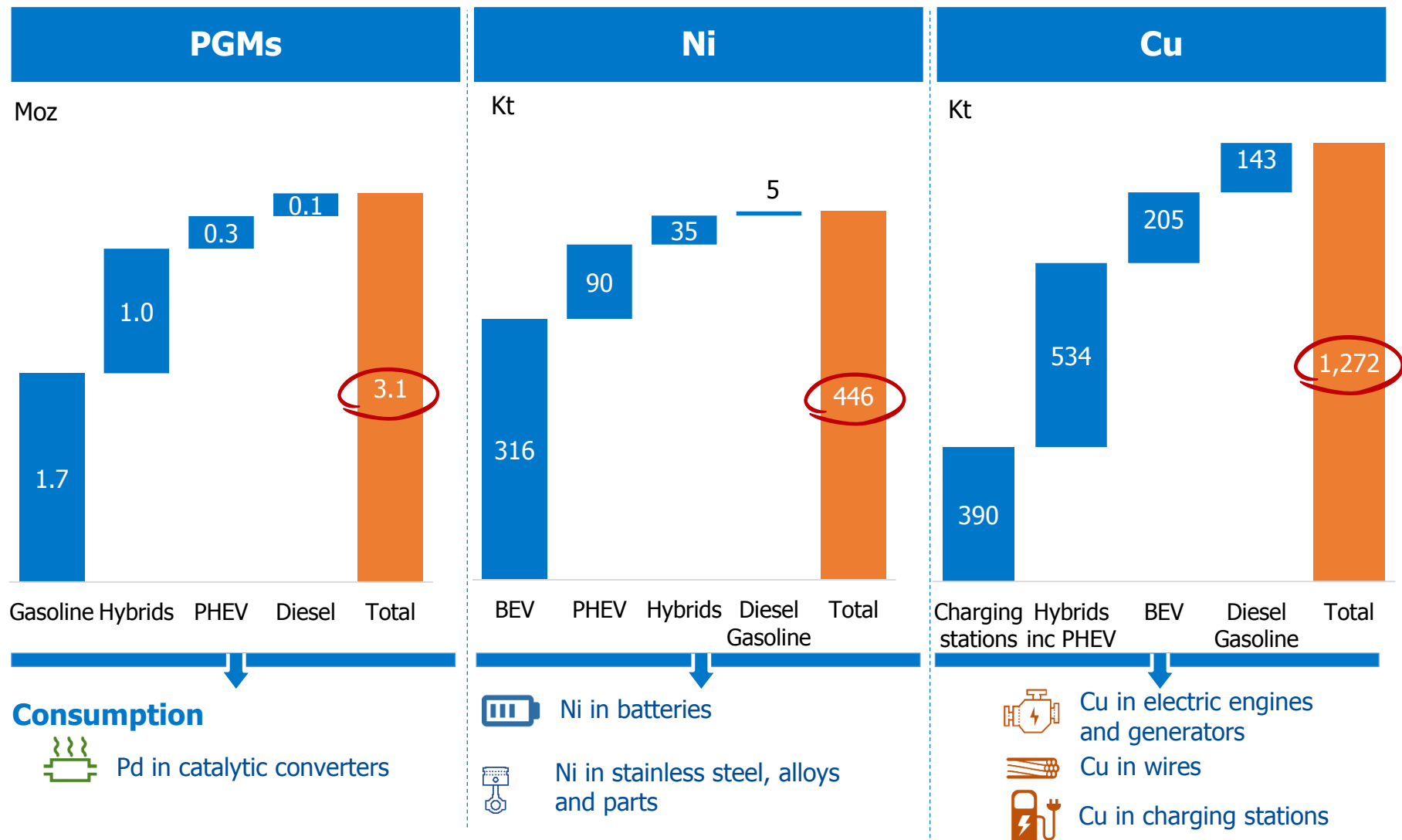
	 Gasoline	 Diesel	 Hybrid incl. PHEV	 BEV	 FCEV
CAGR¹	+1%	+1%	+18%	+25%	+41%
Market Share²	68%	17%	9%	3%	1%
Ni	Stainless Steel & Parts 3-4 kg		+Batteries 5–15 kg		2–3 kg
Cu	Wires & Parts 20-25 kg		+Electric Motor, Generator Winding 45-50 kg		70-75 kg
PGM	Catalysts 2-5 g			-	Fuel Cell 25-35 g
Pt:Pd ratio	1:4	8:1	1:4		
Metal value per vehicle, USD⁽⁴⁾	\$260-410	\$270-410	\$440-710	Up to \$1,830	Up to \$1,600

Source: Company estimates, LMC Automotive, Bloomberg;

Note: 1. CAGR for 2015-2025E, 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 November 16, 2017

Autos Driven Metals Demand Outlook by 2025E

Metal



Source: Company data

Note: 1. Assuming additional 19 mln units of light vehicle sales



Marketing Strategy

Markus Meurer
Global Head of Sales



Nickel Strategy with Focus on Sales Diversification

Ni sales strategy priorities



Balanced portfolio between STS and non-STS sectors



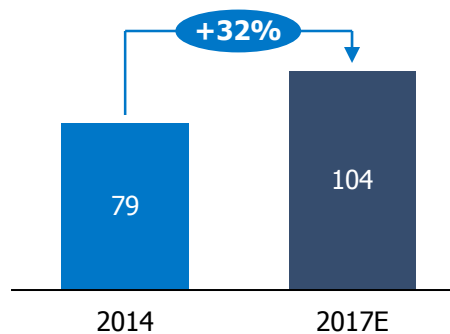
Efficient use of built-in flexibility at Harjavalta Refinery to produce different forms: briquettes, powders, sulfate



Support of EV revolution

Progress up-to-date

Sales to Non-STs users, Kt



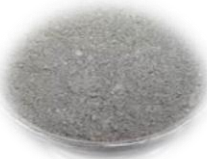



- Insight into technical needs of consumers in added-value uses gained through captive Technical Analysis & Research Team
- CAPEX-light initiatives to better address Non-STs customers' needs
- Focused targeting of Non-STs customers

Sales team focus

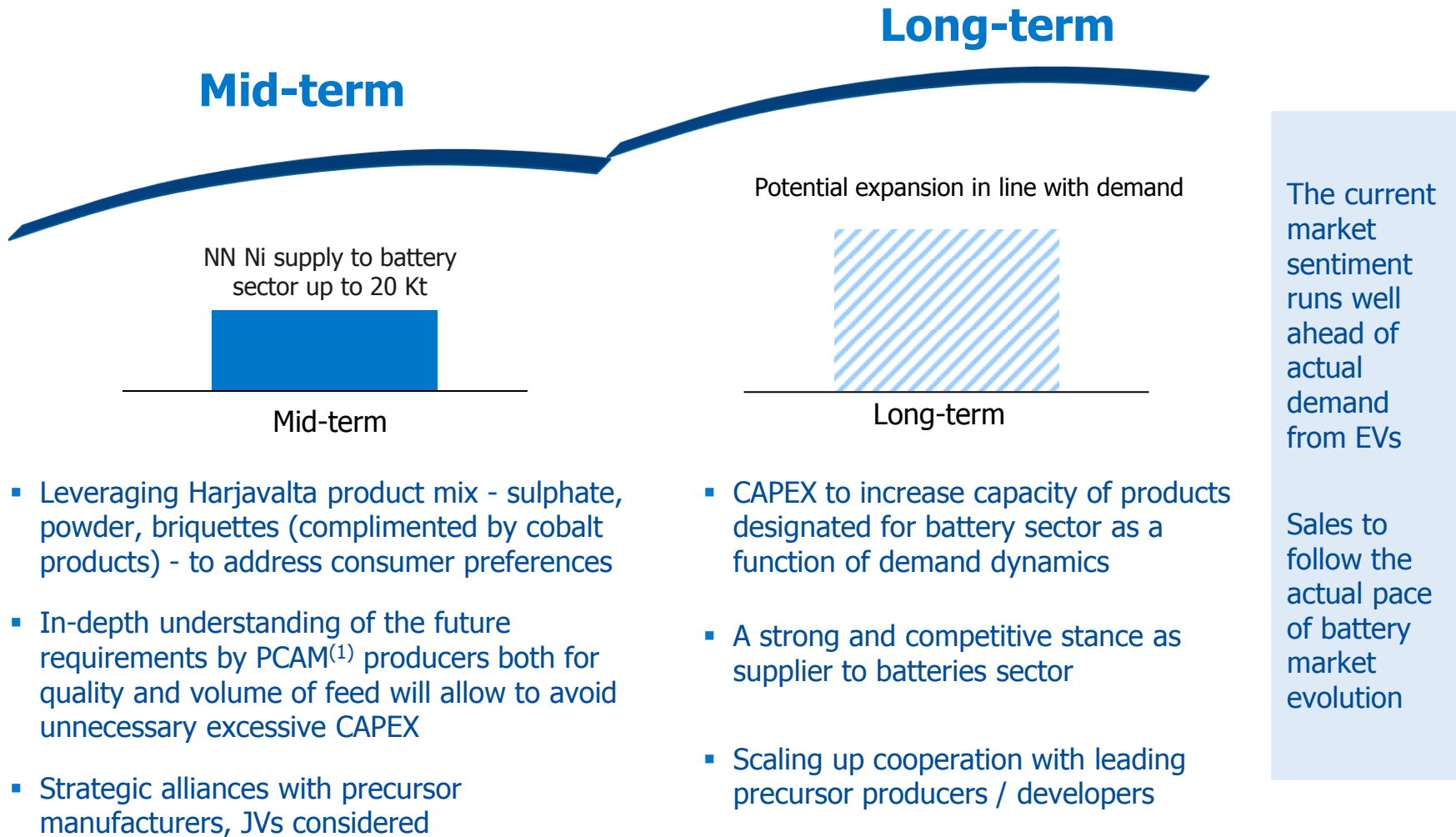
- **Alloys & Special Steels:** increased sales in China and Russia as a result of focused marketing efforts
- **Plating:** expanded commercial capabilities and presence in China; optimised product offering and intensified customer education
- **Batteries:** active engagement with leading players in the sector (*more details on the next slides*)

Preferred Product Mix for Battery Sector

Products	Progress to date	Existing products	Growth options
 Sulfate ✓	<ul style="list-style-type: none"> Benchmark quality product Production in 2017 close to maximum capacity Immediate access to battery sector 		<div>Flexible product offering to address evolving market needs</div>
 Briquette ✓	<ul style="list-style-type: none"> Pro-active marketing of NN briquettes (historically supplied to Stainless consumers) to battery / precursor producers 		
 Powder ↑	<ul style="list-style-type: none"> Debottlenecking packaging capacity and extending the range of packaging options – response to strong demand increase from battery raw material sector Customized offering in terms of different size fractions 		
 Solutions ↑	<ul style="list-style-type: none"> A ready-to-use chemical for downstream 		

- **NN Harjavalta** represents a unique supply proposition for battery / precursor manufacturers due to flexibility and optionality of the refining process
- Capex-light development of customer-tailored product portfolio for battery raw material sector

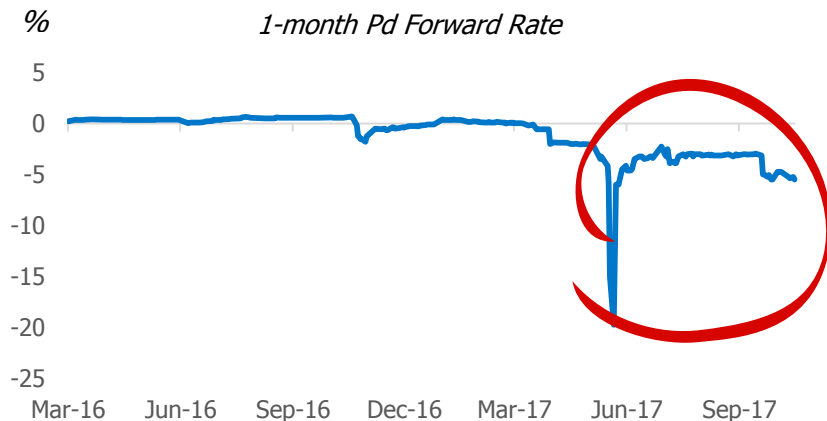
Strategic View on Battery Sector



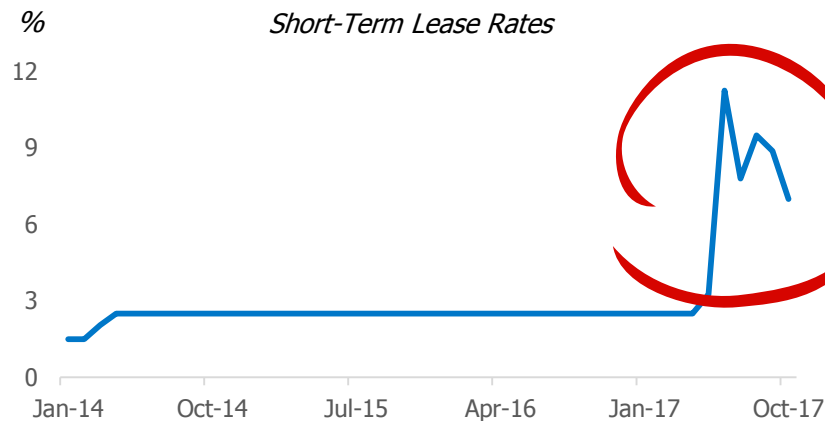
Note: 1. Precursor for cathode active material

Strong Indication of Pd Market Tightening in 2017

Pd Market in Consistent Backwardation since April 2017

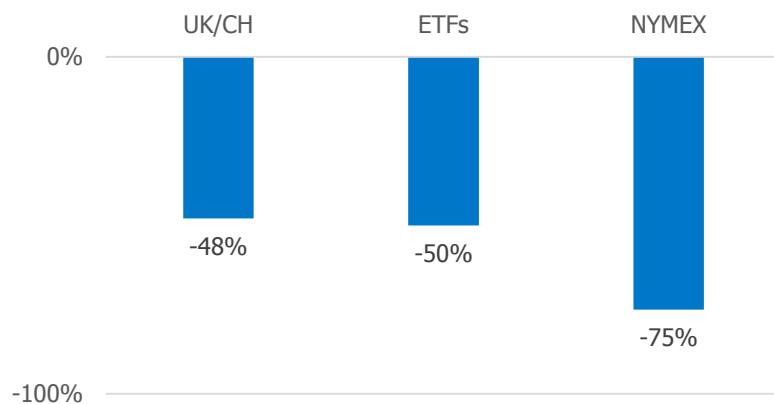


Limited Availability of Physical Pd in the Spot Market

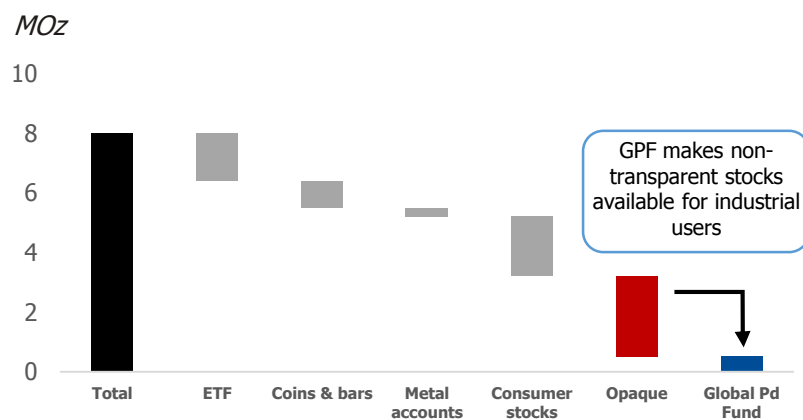


Destocking from Visible Vaults Continuing ...

100%=01.01.2015



... Above-ground Stocks Lack Transparency



Responsible Leadership In Palladium Market

Mid-term

Marketing-focused efforts

- Stock support / physical availability management to support industrial demand by providing a supply bridge over mid-term deficit
- Prioritization of sales to industrial clients with primary focus on auto industry to ensure sustainability of supply
- Global Palladium Fund as a channel to supply industrial clients with formerly stockpiled metal

Long-term

Industrial efforts / new projects

- Strategic aspiration for PGM production growth
- Strong portfolio of “PGM-rich” growth opportunities that could fill most of the potential deficit in the long run:
 - South Cluster (almost 70% of potential production could be PGMs)
 - Talnakh capacity expansion
 - Maslovskoye deposit (30+ MOz of Pd in resources)
 - Potential cooperation with license-holders of PGM-rich deposits

Palladium Fund Status And Priorities

Global Pd fund



Goals

- To access previously unavailable stocks in order to channel them to anchor industrial consumers when needed
- To facilitate the metal flow to industrial consumers rather than speculators



Milestones

- 2016 - Fund established
- Mid-2017 – Fully operational: team, accounts, trade lines and contracts in place
- 2H2017 - Stockpile accumulation

Fund as a tool of creating a “supply bridge” over anticipated mid-term deficit in 2018-2020



Decision to create a physical stockpile of Palladium to support mid-term demand from anchor consumers in response to palladium physical market tightening

- **Expected size:** up to 0.6 MOz
- **Product range:** mixture of purchased 3rd party and NN material in order to match industrial customers' requirements for metal form (ingot or sponge)
- **Delivery schedule:** subject to production plans of anchor industrial clients
- **Proper risk-management procedures** to limit price exposure



Sustainable Development

Andrei Bougrov
Deputy Chairman of the Board
Senior Vice-President

Comprehensive Approach to Sustainable Development – Board Leadership

Strong Corporate Governance:

- Independent Board Chairman
- Strong Board Committees and stringent governance procedures
- Dedicated Audit and Sustainable Development Board Committee

Progress in Implementation of Environmental Roadmap:

- Phase 1 of environmental program completed in 2017
- 2016 SO₂ emission reduction: 5% in Polar Division and 23% in Kola Division
- Phase 2 launched: Sulphur project. Target SO₂ reduction 75% by 2023

**CORPORATE
GOVERNANCE**

ENVIRONMENT

Improving Health & Safety – on Top of Management Priorities:

- Significantly improved LTIFR: reduced by 59% in 2013-2016; Below global industry average
- Independent verification of health & safety practices by DuPont Assessment: occupational safety culture score improved from 1.4 in 2013 to 2.5 in 2016
- Long-term target: zero-fatality on production sites

SAFETY

COMMUNITY

Sustainable Development of Territories:

- Support of social initiatives in the regions of operations
- Housing and reallocation programs («Our home», «My home») and other social programs (World of New Opportunities)
- Wider community engagement
- Participation in federal social programs
- Long-term social agreement with the government of Zabaikalsky Krai – a new region of operation

Balanced Board of Directors

Board of Directors consists of 13 members (incl. 2 executive)

5
Independent
Directors⁽¹⁾



4
Directors



4
Directors

Audit and Sustainable
Development
Committee chaired by
independent director

Strategy
Committee
chaired by Rusal
representative

Budget
Committee
chaired by
Interros
representative

CG, Nomination and
Remuneration
Committee
chaired by
independent director



Gareth Peter Penny
Non-Executive Independent Chairman

- 22 years of mining experience with De Beers and Anglo American
- CEO of De Beers 2006-2010
- Non-executive Board member of Julius Baer Holdings Limited

Selected Environmental Initiatives: Cleaning Up Legacy Issues (1/2)

- ✓ Annual **Eco marathon supported by World Wildlife Fund (WWF) and UN Environment** at Polar and Kola divisions **included 70 ecological campaigns in 2017**
- ✓ Over **1,000 trees** and shrubs **planted** by company volunteers

Environmental Clean Up Campaign at Kola Bay



Tree Planting Program in Polar and Kola Divisions



Selected Environmental Initiatives: Cleaning Up Legacy Issues (2/2)

Environmental Clean Up in Norilsk: Environmental Monitoring in the Area of Daldykan River



Improving Biodiversity in Norilsk: Releasing Juvenile Fish into the River



Sustainable Development of Territories

Norilsk Airport Runway Infrastructure Reconstruction



Long- Term Social Agreement with the Government of Zabaikalsky Krai



High-Speed Internet Access to Norilsk: New 1,000 km Fiber-Optic Line



Relocation Programs for Employees: Our Home and My Home Programs



Source: Company data

Norilsk Nickel ESG Initiatives Getting Traction with Investors and NGOs

90% of investors appreciate Norilsk Nickel ESG Activities (1)

«We find the board and **senior management open and willing to discuss issues** with shareholders...»

Major UK institutional investor

«The **sulfur capture program** is the most **significant ESG initiative**»

Major UK institutional investor

«...Over the past years, we have heard many promises from the company. But now, if Potanin says so and if **they will really allocate so much money it should result in an emissions cut...**»

Bellona Foundation

«The company has made significant progress in improving ESG management... the company has increased initiatives to reduce pollution...The obsolete and highly pollutant Nickel Plant was shut down in 2016»

Sustainalytics Report, 2017

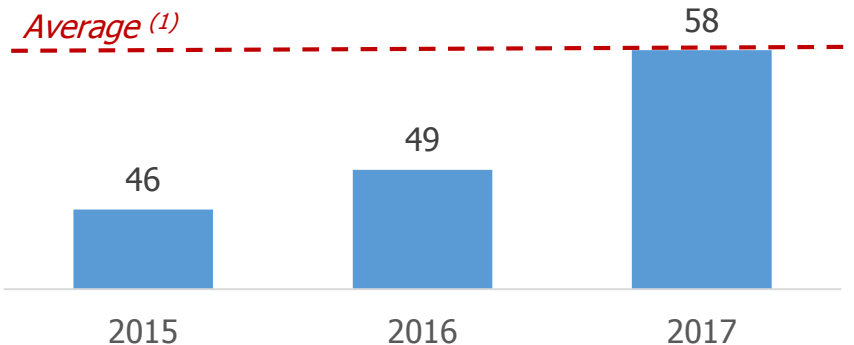
«The company is now showing that it is **doing a lot with regard to investments in modernization** and in developing its production...»

The Independent Barents Observer

Gradual Improvement of Norilsk Nickel ESG Assessment

Norilsk Nickel efforts to improve its ESG track record starting to be recognized

Norilsk Nickel Sustainalytics ESG Score increased from 46 to 58 points (out of 100)...



... as Well as the Relative Position vs. Global Peers

Year	Global Ranking	Opinion/View
2017	35	Average Performer
2016	56	Average Performer
2015	61	Underperformer



In November 2016, the Company joined the United Nations Global Compact



Improved ESG score by Sustainalytics Agency



FTSE4Good

In December 2016, Norilsk Nickel was confirmed as a FTSE4Good Emerging Index constituent



4th place (out of 33) in the first ranking of environmental performance of mining companies in Russia by WWF (2)



Environmental management in compliance with international standards ISO 14001:2004

Note: 1. Average for the metals and mining industry according to Sustainalytics Research, 2. Held by the WW Fund the Ministry of Natural Resources and Environment of Russian Federation;

ESG Ratings Bear Certain Controversy

- High degree of subjectivity in assigning an ESG rating due to subject matter
- Anonymity of the report = No responsibility over assessment score and conclusions
- Opaque review procedure
- Fact checking against publicly available sources and use of outdated information
- Direct engagement with management – not a rule

**No confidence
in due
assessment
procedure**

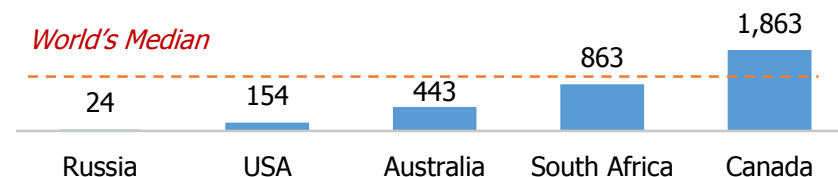
Assessment

"The majority of Norilsk Nickel employees are based **in Russia**, where **risks of labor-related work stoppages** (e.g. strikes and lockouts) **and unrest are high**, according to the International Labor Organization"

"Norilsk Nickel has comparatively low salaries"

Fact

Total Number of Strikes and Lockouts for the Period 2006–2016, Days



'000 USD



Proactive ESG Strategy



1

Internal Policies and Commitments

- Policies approved by the Board: Human Rights Policy, Freedom of Association Policy, Equal Opportunities Programme, Working Conditions Policy, Anti-Corruption Policy, New Ecology Program
- Policies in progress: Site Closure and Rehabilitation Program, Biodiversity Policy, Sustainability Impact Assessment Framework, Renewable Energy Policy, Indigenous Rights Policy, Procurement Policy
- Risk assessment programs - 37 internal audits of Occupational Safety and Health management system conducted in 2016
- Compliance of CSR Report with GRI-4 Sustainability Guidelines
- Roll out of various Health and Safety standards, such as «Work at height», «Isolation of energy sources», «Transport and pedestrians» and others

2

External communication of Commitment

- Norilsk Nickel joined the United Nations Global Compact
- Included in FTSE4Good Emerging Index in 2016
- Active engagement with leading ESG rating agencies and investors

3

Improved ESG Communications

- Improved ESG disclose in 2015-2016
- New ESG section on the corporate web site with improved disclosure

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