



Independent Auditors' Report

on Accounting Statements of Public Joint Stock Company "Mining and Metallurgical Company "Norilsk Nickel" for 2018

JSC KPMG, a company incorporated under the Laws of the Russian Federation, a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.



Independent Auditors' Report

To the Shareholders and Board of Directors of PJSC "MMC "Norilsk Nickel"

Opinion

We have audited the accounting statements of Public Joint Stock Company "Mining and Metallurgical Company "Norilsk Nickel" (the "Company"), which comprise the balance sheet as at 31 December 2018, the income statement, the statement of changes in equity, and the cash flow statement for the year then ended, and notes to the balance sheet and income statement consisting of significant accounting policies and other explanatory information.

In our opinion, the accompanying accounting statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018 and its financial performance and cash flows for the year then ended in accordance with the Russian Accounting Standards (RAS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibility under these standards is described in further detail in the Auditors' Responsibility section below. We are independent of the Company in accordance with the independence requirements that are relevant to our audit of accounting statements in the Russian Federation and with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the requirements in the Russian Federation and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Audited entity: MMC Norilsk Nickel

Registration No. in the Unified State Register of Legal Entities: 1028400000298

Dudinka, Krasnoyarsk Territory, Russian Federation

Independent Auditor: JSC KPMG, a company incorporated under the Laws of the Russian Federation, a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Registration No. in the Unified State Register of Legal Entities: 1027700125628

Member of the Self-Regulated Organisation of Auditors "Russian Union of Auditors" (Association) Principal number of registration entry in the State Register of Auditors and Audit Organisations: 11603053203.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the accounting statements for the current period. These matters were addressed in the context of our audit of the accounting statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of investments in subsidiaries

See Note 2.6 to the Accounting Statements.

Key audit matter	Audit procedures to address the matter
<p>As at the accounting date, the Company had significant financial investments in subsidiaries. With respect to financial investments whose current market value is not identified, RAS 19/02 Accounting for Financial Investments requires that impairment be recognised where there is a steady reduction in their value.</p> <p>As at 31 December 2018, the Company recognised additional substantial impairment of its financial investments in some subsidiaries.</p> <p>As there is an inherent uncertainty in the analysis of conditions that indicate a steady reduction in the value of an investment, as well as in the determination of its estimated value, and hence the exercise of professional judgement is required, we paid particular attention to this area of key judgements in our audit.</p>	<p>In this area, our audit procedures included:</p> <ul style="list-style-type: none"> — analysing the accounting policy that the Company applies to determine the indications of steady depreciation; — analysing the evidence of steady depreciation of financial investments given the nature and value of the Company's net assets and the historical operating results of its subsidiaries; — analysing the valuation approach in terms of its consistency with the standard methodology; — recalculating the estimated value based on initial data received in the subsidiaries' accounts; — evaluating the reasonableness of related disclosures made in the accounting statements.

Other Information

The management is responsible for the other information. The other information comprises the Issuer's Quarterly Report for 1Q 2019 but does not include the accounting (financial) statements or our audit opinion thereon. The Issuer's Quarterly Report for 1Q 2019 is supposed to be provided to us after the date of this audit report.

Our opinion on the accounting statements does not cover the other information, and we do not and will not express any form of assurance conclusion thereon.



In connection with our audit of the accounting statements, our responsibility is to read the other information identified above and, while doing so, consider whether the other information is materially inconsistent with the accounting statements or our knowledge obtained during the audit or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Accounting Statements

The management is responsible for the preparation and fair presentation of the accounting statements in accordance with the RAS and for such internal controls that the management determines necessary to enable the preparation of accounting statements that are free from any material misstatements, whether due to fraud or error.

In preparing the accounting statements, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Company or to cease its operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the preparation of the Company's accounting statements.

Auditors' Responsibilities for the Audit of the Accounting Statements

Our objectives are to obtain reasonable assurance about whether the accounting statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement where there is one. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these accounting statements.

As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the accounting statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management;
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the



accounting statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the accounting statements, including the disclosures, and whether the accounting statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and disclosed any relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Among the matters communicated to those charged with governance, we determine those matters that were of most significance for the audit of the accounting statements for the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless any law or regulation precludes public disclosure of the matter or when, in extremely rare circumstances, we determine that a matter should not be disclosed in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such disclosure.

The engagement partner on the audit resulting in this independent auditors' report is:

Natalia Velichko

JSC KPMG
Moscow, Russia

26 February 2019