PRESS-RELEASE

Public Joint Stock Company «Mining and Metallurgical Company «NORILSK NICKEL»

("NORILSK NICKEL", "Nornickel" or the "Company")

NORILSK NICKEL REPORTS FIRST HALF 2016 INTERIM CONSOLIDATED IFRS FINANCIAL RESULTS

Moscow, August 29, 2016 – PJSC "MMC "NORILSK NICKEL" the largest refined nickel and palladium producer in the world, today reports IFRS financial results for six months ended June 30, 2016.

1H 2016 HIGHLIGHTS

- Focus on Tier 1 assets, cost controls and investment discipline enabled Norilsk Nickel to deliver the **industry leading profitability** despite weak commodity markets. **EBITDA margin of 47% was the highest among global diversified mining majors** as a result of control over cash operating costs inflation and the exit from international and non-core assets.
- Consolidated revenue decreased by 22% y-o-y to USD 3.8 billion, mainly owing to lower realized metal prices and one-off decrease of metal production due to the downstream reconfiguration in the Polar division was in part positively offset by sales of metal from stock accumulated in 4Q2015.
- EBITDA was down by 34% y-o-y to USD 1.8 billion following a reduction of revenue, while net profit decreased only by 13% y-o-y to USD 1.3 billion, as one-off operations in 1H16 decreased relative to the prior period.
- CAPEX increased by 24% y-o-y to USD 0.7 billion as a result of the capacity expansion and modernization of Talnakh concentrator and advancement of other downstream reconfiguration investment projects as well as the Chita (Bystrinsky) project being at an active construction phase. All major investment projects were carried out on time and on budget.
- In line with the strategy of de-risking the greenfield Chita project, the Company arranged an 8-year USD 800 million project financing facility from Sberbank CIB .
- Net working capital was down by 8% y-o-y to less than USD 1 billion as a result of the decrease of saleable metal inventories.
- Free cash flow decreased to USD 0.6 billion, owing to lower EBITDA, increased capital expenditures and slower rate of working capital release in 1H16.
- **Balance sheet remained strong with Net Debt / EBITDA ratio at 1.4x** as of June 30, 2016. Solid financial position of Norilsk Nickel is confirmed by investment grade credit ratings, which have been reiterated by Standard & Poor's and Fitch credit rating agencies.
- As part of ongoing sale of non-core assets, the Company completed the sale of 100% shares of Nordavia airlines.

- **Norilsk Nickel maintains one of the industry leading dividend yields**. In 1H16, we continued to pay regular interim dividend distributing to shareholders USD 665 million or USD 4.2 per share.

RECENT DEVELOPMENTS

- In July 2016, the Group received the first tranche payment from Chinese investors, Highland Fund, in respect to the sale of 13.33% of share capital of Chita (Bystrinsky) project in Chita region.
- In August 2016, the last ton of refined nickel was produced at the Nickel Plant in the city of Norilsk. A major milestone of the Company's downstream reconfiguration strategy was reached as the outdated production capacities of Nickel Plant were shut down in August ahead of the schedule.
- In July-August 2016, the Group amended terms of USD 570 million outstanding credit lines with a group of European banks resulting in a reduction of interest rates and extension of debt maturities to 5 years.

KEY CORPORATE HIGHLIGTS

USD million (unless stated otherwise)	**1H2016**	**1H2015**	**Change,%**
Revenue	3,843	4,907	(22%)
EBITDA[1]	1,795	2,708	(34%)
EBITDA margin	47%	55%	(8 p.p.)
Net profit	1,304	1,493	(13%)
Capital expenditures	706	569	24%
Free cash flow[2]	619	2,179	(72%)
Net working capital[1]	951	1,030[3]	(8%)
Net debt[2]	4,723	4,212[3]	12%
Net debt /12M EBITDA	1.4x	1.0x[3]	0.4x
Dividends paid per share (USD)	4.2	13.4	(69%)
ROIC[2]	27%	31%	(4 p.p.)

1) A non-IFRS figure, for the calculation see the notes below.
2) A non-IFRS figure, for the calculation see an analytical review document ("Data book") available together with Consolidated IFRS Financial Results on the Company's web site.
3) Reported as of December 31, 2015

MANAGEMENT DISCUSSION AND ANALYSIS

The President of Norilsk Nickel, Vladimir Potanin, commented the results:

"The first half of 2016 was a very challenging period for the global metals and mining industry. Against the backdrop of persisting global macro uncertainty and ongoing slowdown of the Chinese economic growth rates, in February 2016, nickel price fell below the levels last seen during the 2008 crisis, while copper and PGM prices reached multi-year lows. In these circumstances, we believe that our operating model focusing on Tier-1 assets and production efficiency has yet again proven its high robustness and ability to generate industry-leading returns for our shareholders. In the first half of 2016, we posted the industry highest EBITDA margin of 47% and generated free cash flow of USD 600 million.

Amidst weak commodity markets, our financing standing remained strong and leverage – at a low level. The working capital level of USD 1 billion, that was reached, we consider as optimal and intend to maintain as our medium-term target. We expect that subject to the exchange rates and metals prices sustaining at approximately spot levels, our 2016 annual margin will remain at the current level, while our financial leverage will stay conservative.

We continued to execute on our downstream reconfiguration program and delivered the development of our key investment projects on time and on budget. As result, our capital investment program was ramping up in the first half of 2016 driven by the ongoing modernization of production facilities, shutdown of the obsolete Nickel plant and active phase of Chita project construction. As result capital expenditures increased almost by a quarter, while we reiterate our 2016 capex guidance at USD 2 billion.

Most projects related to the modernization of Nadezhda metallurgical smelter have been completed, and in May, we launched the Phase-2 of upgraded Talnakh concentrator with expanded capacity. Just a few days ago, the refined nickel production at Nickel Plant was idled ahead of the schedule that should have an immediate positive impact on the environmental situation in the city of Norilsk.

The development of Bystrinsky project in Chita region has progressed materially. The construction of the open pit, concentrator and power lines is on schedule. As part of de-risking this project, we have closed two landmark transactions, having raised a long-term project financing from Sberbank and sold a minority stake to strategic equity investors from China.

Overall, we believe that the metal markets have stabilized, while we are going cautiously optimistic on the current developments in the global nickel market, which for the first time in the past few years has entered into a deficit. In this environment, we are seeing a rising investment appeal for our shares, while we continue delivering industry-leading dividend returns to our shareholders."

HEALTH AND SAFETY

The lost time injury frequency rate (LTIFR) decreased from 0.7 in 1H2015 to 0.4 in 1H2016 as a result of implementation of cardinal Safety Rules and a new policy allowing employees to reject unsafe work assignments. Sadly, the Company suffered 6 fatal injuries in the reported period (vs 4 in 1H2015). Each accident has been reported to the Board of Directors and has been thoroughly investigated in order to prevent fatalities in future.

The Company's management considers the health and safety of its personnel with a zero fatality rate as the key strategic priority and continues to implement a wide range of initiatives to improve the health and safety records. The initiatives scheduled in 2H16 include the following:

- implementation of a new corporate standard for HSE change management of cardinal Safety;
- additional training of managers to identify root causes of accidents using best global practices;
- roll out of employee incentive plan aiming at the enforcement of of new HSE standards.

METAL MARKETS

Nickel in 1H2016 – price bottomed out from its 12-year lows on the back of robust Chinese demand, emerged Philippine supply risk and further monetary easing from central banks.

In 1Q2016, nickel price continued to slide on the downward trend from the previous year hitting a 12-year low of USD 7,710 per tonne in February. Since then, nickel price recovered strongly to USD 9,400 per tonne at the end of June and further in July-August to the levels above USD 10,000 per tonne. The average LME nickel price in 1H2016 was USD 8,662 per tonne, 37% lower than in 1H2015.

The recent rally in nickel was driven by a combination of macro and sector-specific factors. Firstly, the continuous monetary stimulus by European and Asian central banks coupled with the lack of interest rate action from the US Federal Reserve caused a reverse in the investors' bearish sentiment towards mined commodities, which triggered fund inflow into these markets.

Secondly, the demand from Chinese stainless industry delivered strong growth numbers beating the market expectations. In 1H2016, primary nickel demand from this industry increased by 11%

y-o-y driven by increased output of nickel-intensive 300-series stainless steel. The growth of stainless production was mainly attributed to the launch of a new plant by Delong Nickel as well as the expansion at Beihai Chengde, Tisco and other producers. The growth of primary nickel consumption in the Chinese stainless industry was additionally supported by a lower scrap ratio. Another driver of nickel demand globally was the electric battery sector posting a solid growth in primary nickel off-take.

Finally, the newly elected president of the Philippines, Rodrigo Duterte, which publicly criticized the mining industry's negative environmental impact, launched a nationwide audit of mining companies and halted the issuance of new permits for exploration. The audit has already resulted in a number of nickel mines getting shut, affecting some 12% of the country nickel ore output. With the investors' memories being still fresh of the implication that the 2014 Indonesian export ban had on the nickel price, the expectations that something similar might be implemented in Philippines contributed to the nickel price recovery in the recent months. This expectation was confirmed in middle of August, when the Philippines Parliament was reported to receive a new mining law, a draft of which was initially submitted to the Parliament in 2014, and which reportedly contains similar principles to that of the Indonesia mining law.

Nickel outlook – cautiously positive; robust demand from stainless and tighter supply from Philippines, but beware of refined metal stocks and growing supply from Indonesia.

The prospects for the ore supply from Philippines remains unsettled. As the result of the ongoing audit of the mining industry, 8 mines with total annual output of around 50 thousand tonnes of contained nickel (approximately 12% of the country's nickel supply in 2015) have been suspended. Another 100 thousand tonnes of contained nickel mining capacities are at risk of failing the environmental audit. In total, we believe that up to 150 thousand tonnes of nickel units (8% of global primary supply) could be at risk. Moreover, in August the Philippine Lower Chamber of Congress was reported that it would seriously consider introduction of ore export ban mirroring the Indonesian mining legislation, which resulted in the ban on the shipments of unprocessed mined materials introduced in January 2014.

From the demand perspective, we believe that the government stimulus and ramp-up of stainless steel capacities in China would keep the nickel consumption growth rates at robust levels at least until the end of this year. Aggressive nickel restocking by stainless steel mills reported year-to-date coupled with the rumours that the Chinese State Reserve Bureau is buying 30-50 thousand tonnes of refined metal in 2016 should provide additional support for nickel price.

At the same time, the growth of nickel pig iron (NPI) production in Indonesia, that is expected to deliver over 80 thousand tonnes of nickel units in 2016, is beating market expectations. In spite of nickel price being well deep into the cost curve, a 25% nickel price recovery from February's lows provided some relief to high-cost producers outside China. Their cost cutting efforts helped by mining currencies depreciation combined with re-financing exercises push back further long awaited industry rationalisation.

Finally, one should be cognisant of global nickel inventory, the visible part of which as represented by the LME and SHFE warehouses is running high at 480 thousand tonnes or approximately 80 days of global consumption. The high global nickel inventory is preventing the market from developing a physical deficit and thus will be keeping a cap on the upside of price recovery in the near term.

Overall, we continue to hold a neutral view on nickel price in the short-term, while watching closely the developments in Philippines, whereas widening market deficits in 2016-2018 should support a sustained recovery of the metal price.

Copper in 1H2016 – ramp-up of new projects and supply disruptions running below historical averages outweigh solid physical demand

On the back of the general negative sentiment towards base metals, copper price started the year very weak hitting a seven-year low of USD 4,310 per tonne in January. However, after the launch of new economic stimulus in China that boosted investments in electrical grid the metal price recovered to a local maximum of USD 5,103 in March. Nonetheless, the average 1H2016 LME price was down 21% y-o-y to USD 4,701 per tonne. The market was broadly balanced in the first half of 2016, with a surplus of less than 1% of the market, with the solid demand growth in China (+3% y-o-y) balanced by the steady ramp-up of large projects and lower-than-expected supply disruptions.

Copper outlook – neutral; supply growth from new mines and cost deflation to keep the price under pressure

We maintain a neutral outlook on copper as we expect the robust demand growth from China and decline of mined grades in Chile and North America to be largely offset by a wave of new supply coming from major projects in Peru and Asia. The ongoing cost deflation and access of highly levered producers to cheap refinancing provides no incentive for supply rationalization and thus will cap a recovery of the copper price. However, should the supply disruption to accelerate or further upside surprises from demand given the low global level of exchange inventory, price reaction could be quite sensitive to potential short-term market deficits.

Palladium in 1H2016 – price recovery was gaining momentum on the back of solid global demand and ETFs metal flow stabilisation

After a massive market sell-off in 4Q 2015 driven by the liquidation of ETF holdings, palladium prices started to recover in 1H16 reaching in April USD 626 per ounce. Although the average price in 1H 2016 of USD 546 per ounce was down 29% y-o-y, it recovered strongly in July-August to a psychologically important level of USD 700 per ounce. The growth was driven by both loosen monetary policies and delays on the expected US Federal rate increase, which boosted prices of all precious metals,) and strong global light vehicle production (+3% y-o-y). The outflow of metal from ETFs slowed down substantially in the first half of 2016, thus removing the selling pressure, which was particularly strong in 2015.

Palladium outlook – positive, deficit to widen

Given the booming car sales in the US and China, driving up demand for catalysts for gasoline vehicles (palladium intensive) we increase our forecast for primary palladium consumption growth in 2016 to 5% y-o-y (+0.4 MOz). The zero interest rate environment should incentivize a recovery of investment demand after major ETFs sell-off in 4Q 2015. We also expect a 4% y-o-y decrease in supply in 2016 owing to production losses in South Africa (following accidents at Impala and production cuts at Lonmin) and reduced refined output of Norilsk Nickel due to the ongoing reconfiguration of our downstream assets. Thus, we believe the palladium market deficit to widen, which should support the price in the mid-term.

Platinum in 1H2016 – strong industrial demand and gold rally

While in 2H2015 platinum market suffered from overall negative economic sentiment and expectations of a Fed rates hike, 2016 started on a more positive note with price increasing from USD 850 per ounce in January to USD 1,000 per ounce in June. We believe that investor fatigue toward PGMs that dominated the market in 2015 has disappeared as both industrial (from automotive and glass industries) and investment demand (especially from retail investors) were gaining pace.

Platinum outlook – positive; deficit to persist

We revise our primary platinum consumption growth forecast up from 1% to 2% in 2016 driven by a stronger-than-anticipated recovery of European car sales as well as the robust demand from jewellery and chemical sectors. Despite lukewarm demand from ETFs we expect retail investors to support investment demand. At the same time, we expect a moderate decline in primary supply driven by lower output by South African producers and downstream reconfiguration at Norilsk Nickel. All-in-all, we expect the platinum market structural deficit to widen to around 450 thousand ounces in 2016.

KEY SEGMENTAL HIGHLIGHTS

USD million (unless stated otherwise)	1H2016	1H2015	Change,%
Revenue	**3,843**	**4,907**	**(22%)**
GMK Group	2,831	3,800	(26%)
Group KGMK	284	410	(31%)
NN Harjavalta	283	432	(34%)
Other metallurgical	3	27	(89%)
Other non- metallurgical	813	636	28%
Eliminations	(371)	(398)	(7%)
EBITDA	**1,795**	**2,708**	**(34%)**
GMK Group	1,753	2,714	(35%)
Group KGMK	55	156	(65%)
NN Harjavalta	9	36	(75%)
Other metallurgical	(8)	(12)	(33%)
Other non-metallurgical	150	(22)	8x
Unallocated	(164)	(164)	-
EBITDA margin	**47%**	**55%**	**(8 p.p.)**
GMK Group	62%	71%	(9 p.p.)
Group KGMK	19%	38%	(19 p.p.)
NN Harjavalta	3%	8%	(5 p.p.)
Other metallurgical	(267%)	(44%)	(223 p.p.)
Other non- metallurgical	18%	(3%)	(21 p.p.)

In 1H2016, EBITDA of GMK Group decreased by 35% y-o-y to USD 1,753 million. The decline was primarily driven by lower metal prices. The positive effect of RUB depreciation against USD was negatively offset by the increase in the cost of sales in real terms, and the extension of PGM export custom duties to PGM alloys and salts.

EBITDA of Group KGMK was down by 65% y-o-y primarily due to lower metal prices. This negative effect was partly positively offset by the decrease in cash costs and selling expenses driven by the depreciation of RUB.

EBITDA of NN Harjavalta decreased by 75% y-o-y to USD 9 million primarily due to lower metal prices, which were partly compensated by the decrease in prices of purchased semi-products.

Negative EBITDA of the segment "Other metallurgical" insignificantly decreased by USD 4 million y-o-y.

EBITDA of the segment "Other non-metallurgical" increased by USD 172 million in 1H 2016 and turned positive primarily as a result of the increase in sales margin of the Group's trading subsidiaries, which benefited from rising metal prices during the 1H2016 as compared to falling metal prices during 1H 2015.

SALES VOLUME AND REVENUE	1H2016	1H2015	Change,%
Refined metals			
Russian operations			
Nickel, thousand tons	122	109	12%
Copper, thousand tons	182	177	3%
Palladium, thousand troy ounces	1,434	1,312	9%
Platinum, thousand troy ounces	370	322	15%
Finland			
Nickel, thousand tons	23	21	10%
Semi-products			
Finland			
Copper cake, copper, thousand tons[1]	3	6	(50%)
Botswana			
Nickel concentrate, nickel, thousand tons[1]	-	1	(100%)
Nickel concentrate, copper, thousand tons[1]	-	1	(100%)
South Africa			
Nickel concentrate, nickel, thousand tons[1]	6	1	6x
Nickel concentrate, copper, thousand tons[1]	3	-	100%
Metal sales			
Group			
Nickel, thousand tons[2]	145	130	12%
Copper, thousand tons[2]	182	177	3%
Palladium, thousand troy ounces[2]	1,434	1,312	9%
Platinum, thousand troy ounces[2]	370	322	15%
Gold, thousand troy ounces[2]	70	59	19%
Rhodium, thousand troy ounces[2]	45	43	5%
Cobalt, thousand tons[2]	2	3	(33%)
Silver, thousand troy ounces[2]	1,092	983	11%
Semi-products, nickel, thousand tons [1]	6	1	5x
Semi-products, copper, thousand tons[1]	6	7	(14%)
Semi-products, palladium, thousand troy	47	49	(4%)
Semi-products, platinum, thousand troy	19	19	-
Semi-products, gold, thousand troy ounces[1]	4	4	-
Semi-products, silver, thousand troy ounces[1]	42	64	(34%)

	1H2016	1H2015	Change,%
Average realized prices of metals produced by Norilsk Nickel in Russia from its own			
Metal			
Nickel (USD per tonne)	8,808	13,712	(36%)
Copper (USD per tonne)	4,741	5,989	(21%)
Palladium (USD per troy ounce)	545	771	(29%)
Platinum (USD per troy ounce)	938	1,157	(19%)
Cobalt (USD per tonne)	23,169	30,367	(24%)
Gold (USD per troy troy ounce)	1,213	1,208	-
Rhodium (USD per troy ounce)	656	1,046	(37%)
Revenue, USD million			
Nickel	1,278	1,816	(30%)
Copper	862	1,059	(19%)
Palladium	810	1,035	(22%)
Platinum	347	372	(7%)

Semi-products	88	103	(15%)
Other metals	180	206	(13%)
Revenue from metal sales	**3,565**	**4,591**	**(22%)**
Revenue from other sales	278	316	(12%)
Total revenue	**3,843**	**4,907**	**(22%)**

1) Volumes are stated in respect of metal content in semi-product.
2) All information is reported on the basis of 100% ownership of subsidiaries, excluding sales of metals purchased from third parties.

Nickel

Nickel remained the largest contributor to the Company's revenue comprising a 36% of total metal sales in 1H2016 down from 40% in the 1H2015 as nickel price fell the most relative to other metals within the Company’s commodity basket.

In 1H2016, nickel revenue decreased by 30% y-o-y (or USD 538 million) to USD 1,278 million primarily due to lower nickel price (-USD 663 million), which was partly offset by higher sales volume (+USD 125 million).

The average realized price of nickel produced in Russia from own feed decreased by 36% y-o-y from to USD 8,808 per tonne in 1H2016 from USD 13,712 per tonne in 1H2015.

Sales volume of nickel produced in Russia from own feed increased by 12% y-o-y (or 13 thousand tons) to 120 thousand tons. The increase in sales volume was driven by the sale of part of metal from a temporary stock accumulated by the Company in the fourth quarter 2015.

The volume of nickel sales from purchased semi-products was flat y-o-y amounting to 2 thousand tons.

Sales volume of nickel produced by Norilsk Nickel Harjavalta increased by 10% y-o-y to 23 thousand tons in 1H2016 as Harjavalta started to process the Company’s Russian feed.

Copper

In 1H2016, copper sales accounted for 24% of the Company's total metal sales, down 19% y-o-y (or USD 197 million) to USD 862 million primarily owing to lower realized copper price (-USD 221 million) which was partly offset by the increase in sales volume (+USD 24 million).

The average realized price of copper produced in Russia from own feed was down by 21% y-o-y to USD 4,741 per tonne in 1H2016 from USD 5,989 in 1H2015.

Physical volume of copper sales from Russian feed increased by 3% y-o-y (or 5 thousand tons) to 180 thousand tons. The increase in sales volumes was driven by sale of part of metal from the temporary stock, which was built in the fourth quarter 2015.

The sales of copper produced from third party materials was unchanged y-o-y and amounted to 2 thousand tons.

Palladium

In 1H2016, palladium sales accounted for 23% of the Group’s total metal revenue. The Group’s palladium revenue decreased by 22% y-o-y (or by USD 225 million). The negative impact of lower realized price (-USD 297 million) was partly offset by the increased sales volumes (+USD 67 million). Additional USD 29 million of palladium revenue in 1H2016 came from the re-sale of metal purchased in the open market to fulfil the Company’s contractual obligations (vs USD 24 million in 1H2015).

Sales of palladium produced in Russia from own feed decreased by 22% y-o-y to USD 775 million. The decline was driven by lower realized palladium price (down 29% y-o-y) from USD 771 per troy ounce in 1H2015 to USD 545 per troy ounce in 1H2016, which was partly offset by higher palladium sales volume (by 11% y-o-y) resulting from the sale of metal from temporary stock.

Platinum

In 1H2016, platinum sales accounted for 10% of the Group's total metal revenue. The platinum revenue decreased by 7% y-o-y (or by USD 25 million) to USD 347 million primarily due to the adverse effect from the realized platinum price (negative USD 70 million), which was partly offset by higher volumes of platinum sales (+USD 45 million).

The revenue from platinum produced in Russia from own feed decreased by 5% y-o-y to USD 343 million. The reduction was driven by a 19% y-o-y decline in the average realized platinum price (from USD 1,157 per troy ounce in 1H2015 to USD 938 per troy ounce in 1H2016), which was partly offset by the increase in sales volumes due to the sale of metal from temporary stock.

Other metals

The revenue from other metals was down by 13% y-o-y (or by USD 26 million) to USD 180 million owing to the decline in revenue from sale of cobalt (-35%) and rhodium (-34%), which was partly offset by the higher silver (+4%) and gold sales revenue (+19%).

Decline of revenue from other metals was driven by both the lower realized prices (-USD 24 million) and decrease of physical sale volumes (-USD 2 million).

Semi-products

In 1H2016, revenue from sales of semi-products (copper cake and nickel concentrate) decreased by 15% y-o-y (or by USD 15 million) to USD 88 million, and accounted for 2% of the Group's total metal sales revenue. The decrease was mainly driven by lower realized prices and the divestiture of Tati Nickel in the second quarter of 2015.

Other sales

In 1H2016, the revenue from other sales amounted to USD 278 million (down by 12% y-o-y) and decreased primarily due to Russian rouble depreciation against US dollar (negative effect of USD 51 million), which was partly positively offset by the increase of other sales in real terms by USD 13 million.

The increase of other sales in real terms was driven by higher revenue of the Company's transport subsidiaries primarily due to increased volumes and prices of services provided to third parties (USD 17 million). This was partially negatively offset by a decline in other revenue due to divestiture of non-core assets (negative effect of USD 15 million).

COST OF METAL SALES

Cost of metals sales

In 1H2016, the cost of metal sales decreased by 7% y-o-y (or by USD 120 million) to USD 1,645 million owing to:

- Reduction of cash operating costs by 6% y-o-y (USD 84 million);
- Decrease in depreciation charges by 12% y-o-y (USD 28 million);
- Change in metal inventories y-o-y (negative effect of USD 8 million).

Cash operating costs

In 1H2016, total cash operating costs decreased by 6% y-o-y (or by USD 84 million) to USD 1,356 million.

The decrease was mainly driven by the depreciation of Russian rouble against US Dollar (USD 182 million) and sale of non-core assets (USD 27 million). The negative impacts on cash operating costs were as follows:

- USD 69 million increase of cash operating costs owing to domestic inflation;
- USD 56 million increase of other expenses.

USD million	**1H2016**	**1H2015**	**Change,%**
Cash operating costs			
Labour	543	584	(7%)
Purchases of metals for resale, raw materials and semi-products	294	289	2%
Materials and supplies	203	198	3%
Third-party services	72	119	(39%)
Mineral extraction tax and other levies	67	59	14%
Electricity and heat energy	47	58	(19%)
Transportation expenses	40	39	3%
Fuel	25	35	(29%)
Sundry costs	65	59	10%
Total cash operating costs	**1,356**	**1,440**	**(6%)**
Depreciation and amortisation	214	242	(12%)
Decrease in metal inventories	75	83	(10%)
Total cost of metal sales	**1,645**	**1,765**	**(7%)**

Labour

In 1H2016, labour costs decreased by 7% y-o-y to USD 543 million.

Positive effect of Russian rouble depreciation against US Dollar (reduction of labour costs by USD 103 million) was partly negatively offset by the indexation of RUB-denominated wages and the headcount increase (increase of labour cost by USD 62 million).

The share of labour costs in the Group's total cash operating costs in 1H2016 decreased by 1% y-o-y to 40% of total.

Purchases of metals for resale, raw materials and semi-products

Expenses on the purchase of metals for resale and semi-products for processing increased by 2% y-o-y to USD 294 million in 1H2016.

Purchase of semi-products was down by USD 89 million y-o-y owing to the decrease in market prices for purchased concentrates and matte. This positive impact was partly offset by the increase in the volume of semi-products purchased by NN Harjavalta (increase of cost by USD 39 million) owing to the replacement of a tolling contract with Boliden with a sale and purchase agreement.

Expenses for metals purchased for re-sale to fulfill contractual obligations increased by USD 55 million y-o-y.

Materials and supplies

Materials and supplies expenses increased by 3% y-o-y to USD 203 million in 1H2016.

Positive effect of Russian rouble depreciation against US Dollar amounted to USD 31 million in terms of cost reduction.

However, the positive depreciation effect was negatively offset by the increase of the cost of materials and supplies in real terms driven by the following:

- USD 16 million – local-currency inflation;
- USD 21 million – repairs of mining equipment as well as the equipment at Nadezhda metallurgical plant and Kola MMC owing to the ongoing downstream reconfiguration program.

Outsourced third party services

In 1H2016, cost of third party services decreased 39% y-o-y to USD 72 million.

Positive effect of Russian rouble depreciation against US Dollar amounted to USD 13 million in terms of cost reduction.

Other changes in outsourced third party services were driven by the following factors:

- USD 19 million - cash cost reduction due to the divestiture of Tati Nickel in April 2015;
- USD 21 million - decrease in tolling expenses due to replacement of tolling contract with Boliden with a semi-products sale and purchase agreement at NN Harjavalta;
- USD 6 million - increase in other services, including repairs and maintenance of equipment, primarily due to inflation.

Mineral extraction tax and other levies

In 1H2016, mineral extraction tax and other levies increased by 14% y-o-y to USD 67 million.

Positive effect of Russian rouble depreciation against US Dollar amounted to USD 10 million in terms cost reduction in 1H 2016.

That was more than offset negatively by USD 18 million increase in cash cost owing to higher cost of mined ore and increase in road usage charges in Norilsk region in rouble terms.

Electricity and heat energy

In 1H2016, electricity and heat energy expense decreased by 19% y-o-y to USD 47 million.

The decline was primarily driven by Russian rouble depreciation against US Dollar.

Transportation expenses

In 1H2016, transportation expenses remained stable y-o-y and amounted to USD 40 million.

The increase in transportation tariffs in Russia was offset by Russian Rouble depreciation against US Dollar.

Fuel

Fuel expenses decreased by 29% y-o-y to USD 25 million in 1H2016 driven by Russian rouble depreciation against US Dollar (cash cost reduction by USD 6 million) and lower oil price (cash cost reduction by USD 4 million).

Sundry costs

Sundry costs in 1H2016 increased by 10% y-o-y and amounted to USD 65 million.

Positive effect of Russian rouble depreciation against US Dollar amounted to USD 9 million in terms cost reduction.

The increase in sundry costs in real terms (USD 15 million) was driven primarily by inflation.

Depreciation and amortisation

In 1H2016, amortisation and depreciation of production assets decreased by 12% y-o-y and amounted to USD 214 million.

Positive effect of Russian rouble depreciation against US Dollar (reduction of cost by USD 42 million) was partly offset by the increase in depreciation charges (USD 14 million) mainly due to additions of mining and refining assets at the end of 2015 – beginning of 2016.

Decrease of metal inventories

The decrease in metal stock in 1H2016 was USD 8 million lower than in 1H 2015 resulting in a respective decrease in cost of sales. This change was primarily attributable to the following factors:

- USD 75 million – decrease of metal stock in 1H2016 mainly due to the sale of metal from the stock accumulated in 4Q2015;
- USD 83 million – decrease in the stockpile of work-in-progress materials at the Company's Russian operations and NN Harjavalta, as a result of processing of the stockpiled nickel materials at NN Harjavalta and sale of Tati Nickel in 1H2015.

COST OF OTHER SALES

In 1H2016, cost of other sales decreased by 21% y-o-y to USD 250 million.

Positive effect of Russian rouble depreciation against US Dollar amounted to USD 56 million in terms of cost reduction.

Change of cost of other sales in real terms (up by USD 11million) was driven by the following factors:

- USD 16 million – cost reduction due to sale of non-core assets (primarily Nordavia-RA);
- USD 8 million – increase in aviation companies expenditures owing to the business expansion;
- USD 3 million – cost reduction due to other factors.

SELLING AND DISTRIBUTION EXPENSES

USD million	**1H2016**	**1H2015**	**Change,%**
Export duties	54	16	238%
Staff costs	5	5	-
Transportation expenses	3	2	50%
Marketing expenses	2	12	(83%)
Other	3	7	(57%)
Total	**67**	**42**	**60%**

Selling and distribution expenses increased by 60% y-o-y (or by USD 25 million) to USD 67 million. The growth was driven by a threefold increase of export duties (up by USD 38 million) owing to the extension of 6.5% PGM export duties to PGM alloys and salts in June 2015. The Company expects that export duties on all PGM products will be cancelled by the Russian government on September 01, 2016, as part Russian Federation WTO accession package.

The increase of export duties was partly offset by the following factors:

- USD 5 million - cost reduction owing to the depreciation of RUB against US dollar;
- USD 10 million - decrease in marketing campaigns in Asia and Europe.

GENERAL AND ADMINISTRATIVE EXPENSES

USD million	**1H2016**	**1H2015**	**Change,%**
Staff costs	171	168	2%
Taxes other than mineral extraction tax and income tax	26	27	(4%)
Third party services	20	25	(20%)
Rent expenses	10	10	-
Depreciation and amortisation	10	9	11%
Transportation expenses	3	3	-
Other	19	20	(5%)
Total	**259**	**262**	**(1%)**

In 1H2016, general and administrative expenses decreased by 1% y-o-y (or by USD 3 million) to USD 259 million. Increase of staff costs (up by USD 3 million) driven by salaries upward revision in line with domestic inflation was offset by lower cost of third party services (cost reduction by USD 5 million) owing to the depreciation of Russian rouble against US dollar.

FINANCE COSTS

USD million	**1H2016**	**1H2015**	**Change,%**
Interest expense on borrowings net of amounts capitalized	203	109	86%
Unwinding of discount on provisions	23	19	21%
Total	**226**	**128**	**77 %**

Increase in finance costs by 77% y-o-y to USD 226 million was mostly driven by higher interest expense on borrowings due to increase in gross debt.

INCOME TAX EXPENSE

In 1H2016, income tax expense decreased 24% y-o-y to USD 370 million driven mostly by lower revenue.

The effective income tax rate in 1H2016 amounted to 22%, which was above the Russian statutory tax rate of 20%. This was primarily driven by non-deductible social expenses and allowance for deferred tax assets. These factors were partly offset by the effect of varying tax rates applied on international subsidiaries of the Group.

USD million	**1H2016**	**1H2015**	**Change,%**
Current income tax expense	348	481	(28%)
Deferred tax expense	22	5	4x
Total	**370**	**486**	**(24%)**

The break up of the current income tax expense by geography :

USD million	**1H2016**	**1H2015**	**Change,%**
Russian Federation	346	464	(25%)
Finland	-	15	(100%)
Rest of the world	2	2	-
Total	**348**	**481**	**(28%)**

EBITDA

USD million	**1H2016**	**1H2015**	**Change,%**
Operating profit	**1,536**	**2,426**	**(37%)**
Depreciation and amortisation	256	280	(9%)
Impairment of property, plant and equipment	3	2	50%
EBITDA	**1,795**	**2,708**	**(34%)**
EBITDA margin	**47%**	**55%**	**(8 p.p.)**

In 1H 2016, EBITDA decreased by 34% y-o-y (or by USD 913 million) to USD 1,795 million with EBITDA margin amounting to 47% (down from 55% in 1H2015). Negative impact on EBITDA came from the decrease in realized metal prices and the increase of PGM export duties costs, which were partially compensated by RUB depreciation against US Dollar and cost reduction as a result of the disposal of non-core and international assets.

NET PROFIT BEFORE IMPAIRMENT CHARGES AND FOREIGN EXCHANGE GAINS/LOSSES RECONCILIATION

USD million	**1H2016**	**1H2015**	**Change,%**
Net profit	**1,304**	**1,493**	**(13%)**
Impairment of property, plant and equipment	3	2	50%
Foreign exchange (gain)/loss	(310)	122	(4x)
(Gain)/ loss from disposal of subsidiaries and assets classified as held for sale	(6)	306	(52x)
Net profit before impairment charges and foreign exchange gains/losses	**991**	**1,923**	**(48%)**

STATEMENT OF CASH FLOWS

USD million	1H2016	1H2015	Change,%
Cash generated from operations before changes in working capital and income tax	**1,828**	**2,758**	**(34%)**
Movements in working capital	16	241	(93%)
Income tax paid	(320)	(439)	(27%)
Net cash generated from operating activities	**1,524**	**2,560**	**(40%)**
Capital expenditure	(706)	(569)	24%
Other investing activities	(199)	188	(2x)
Net cash used in investing activities	**(905)**	**(381)**	**(138%)**
Net cash used in financing activities	**(1,237)**	**(2,234)**	**45%**
Effects of foreign exchange differences on balances of cash and cash equivalents	(23)	126	(118%)
Other	1	(50)	(51x)
Net (decrease)/increase in cash and cash equivalents	**(640)**	**21**	**(32x)**

In 1H2016, net cash generated from operating activities decreased by 40% y-o-y to USD 1.5 billion owing to the following:

- USD 913 million – decrease in EBITDA;
- USD 225 million – slower working capital release in 1H2016 as compared to 1H2015.

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

USD million	1H2016	1H2015
Change of the net working capital in the balance sheet, **less:**	**79**	**368**
Foreign exchange differences	21	(36)
Change in income tax payable	(26)	(34)
Changes of working capital within assets classified as held for sale	(1)	(31)
Non-cash changes, including reserves	(57)	(26)
Change of working capital per cash flow	**16**	**241**

CAPEX BREAKDOWN BY PROJECT

USD million	1H2016	1H2015	Change,%
Polar Division, including:	402	369	9%
Skalisty mine	*30*	*88*	(66%)
Taymirsky mine	*28*	*24*	17%
Komsomolsky mine	*27*	*11*	145%
Oktyabrsky mine	*24*	*19*	26%
Talnakh enrichment plant	*114*	*84*	36%
Nickel plant closure activities	*11*	*20*	(45%)
Kola MMC	44	45	(2%)
Chita (Bystrinsky) project	132	51	159%
Other production projects	113	95	19%
Other non-production assets	2	3	(33%)
Intangible assets	13	6	117%
Total	**706**	**569**	**24%**

In 1H2016, CAPEX increased by 24% y-o-y to USD 706 million primarily due to completion of the second stage of Talnakh enrichment plant (+USD 30 million) and construction of Chita (Bystrinsky) project (+USD 81 million).

Other factors driving the increase in CAPEX in 1H2016 were:

- Development and maintenance of the mineral resource base in Polar division and Kola MMC;
- Capital repairs at Nadezhda metallurgical plant with increase of its production capacity from 2.0 mtpa to 2.4 mtpa.
- Reconstruction of refining capacities at Kola MMC to replace outdated and less efficient technology of electrolytic refining of anodes with a more efficient electrowinning technology;
- Development of Pelyatkinskoe gas condensate field and reconstruction of power generation facilities to ensure reliable energy supply to the Company's production assets and Norilsk residential area.

DEBT AND LIQUIDITY MANAGEMENT

USD million	**As of June 30 2016**	**As of December 31 2015**	**Change, USD million**	**Change, %**
Long-term	7,473	7,142	331	5%
Short-term	664	1,124	(460)	(41)%
Total debt	**8,137**	**8,266**	**(129)**	**(2%)**
Cash and cash equivalents	3,414	4,054	(640)	(16%)
Net debt	**4,723**	**4,212**	**511**	**12%**
Net debt /12M EBITDA	1.4x	1.0x	0.4x	

As of June 30, 2016 the Company's total debt decreased by 2% y-o-y (or by USD 129 million) to USD 8,137 million. The Company's short-term debt decreased by USD 460 million from the year-end 2015 to USD 664 million, while the long-term debt increased by USD 331 million to USD 7,473 million as of June 30, 2016. As a result, the proportion of short-term debt in the total debt portfolio as of June 30, 2016 decreased to 8% from 14% as of December 31, 2015.

Net debt increased by 12% y-o-y to USD 4,723 million with Net debt/12M EBITDA ratio increasing to 1.4x.

In 1H2016, the Company executed several debt financing transactions aimed at diversification and optimization of the Group's debt portfolio. The Company placed 10-year local bonds in the amount of RUB 15 billion to partially refinance its 3-year local bonds in the amount of RUB 35 billion maturing in February 2016. In addition, the Company arranged a project financing credit facility from Sberbank CIB in the amount of up to USD 800 million for the period of 8 years to finance the construction of Chita (Bystrynsky) project.

In 1H2016, the Company continued to optimize its committed lines portfolio and entered into the syndicated revolving facility agreement with a consortium of Chinese banks with the facility limit of CNY 4.8 billion (USD 730 million equivalent as of the date of the agreement). Following this agreement, the total limit of the committed lines available to the Company reached USD 2.3 billion as of June 30, 2016.

As of June 30, 2016, the Company's credit ratings assigned by Standard and Poor's and Fitch rating agencies remained at the investment grade level (BBB-, BBB-). The Company's credit rating assigned by Moody's was at Ba1 level in line with the sovereign rating of Russia.

Consolidated financial statements for 1H2106 can be found on the Company's website: http://www.nornik.ru/en/investor-relations/financial-statements-and-reports/ifrs-statements-documents

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

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

ABOUT THE COMPANY

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

The production units of PJSC "MMC "NORILSK NICKEL" include Polar Division, located at the Norilsk Industrial District on Taimyr Peninsula, and Kola Mining and Metallurgical Company located on the Kola Peninsula in Russia as well as Harjavalta nickel refinery in Finland.

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

Media Relations:

Phone: +7 (495) 785 58 00

Email: pr@nornik.ru

Investor Relations:

Phone: +7 (495) 786 83 20

Email: ir@nornik.ru

Attachment A

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2016
US Dollars million

	For the six months ended 30 June 2016	For the six months ended 30 June 2015
Revenue		
Metal sales	3,565	4,591
Other sales	278	316
Total revenue	**3,843**	**4,907**
Cost of metal sales	(1,645)	(1,765)
Cost of other sales	(250)	(317)
Gross profit	**1,948**	**2,825**
General and administrative expenses	(259)	(262)
Selling and distribution expenses	(67)	(42)
Impairment of property, plant and equipment	(3)	(2)
Other net operating expenses	(83)	(93)
Operating profit	**1,536**	**2,426**
Finance costs	(226)	(128)
Gain/(loss) from disposal of subsidiaries and assets classified as held for sale	6	(306)
Income from investments, net	51	99
Foreign exchange gain/(loss), net	310	(122)
Share of (losses)/profits of associates	(3)	10
Profit before tax	**1,674**	**1,979**
Income tax expense	(370)	(486)
Profit for the period	**1,304**	**1,493**
Attributable to:		
Shareholders of the parent company	1,309	1,498
Non-controlling interests	(5)	(5)
	1,304	**1,493**
EARNINGS PER SHARE		
Basic and diluted earnings per share attributable to shareholders of the parent company (US Dollars per share)	8.3	9.5

Attachment B

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT 30 JUNE 2016
US Dollars million

	30.06.2016	31.12.2015
ASSETS		
Non-current assets		
Property, plant and equipment	7,817	6,392
Intangible assets	64	50
Investment property	91	83
Other financial assets	254	62
Other taxes receivable	2	–
Deferred tax assets	42	42
Other non-current assets	157	117
	8,427	**6,746**
Current assets		
Inventories	1,921	1,698
Trade and other receivables	178	167
Advances paid and prepaid expenses	115	55
Other financial assets	58	1
Income tax receivable	228	234
Other taxes receivable	171	199
Cash and cash equivalents	3,414	4,054
	6,085	**6,408**
Assets classified as held for sale	218	217
	6,303	**6,625**
TOTAL ASSETS	**14,730**	**13,371**
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	6	6
Share premium	1,254	1,254
Treasury shares	(196)	(196)
Translation reserve	(5,019)	(5,348)
Retained earnings	7,267	6,523
Equity attributable to shareholders of the parent company	**3,312**	**2,239**
Non-controlling interests	16	22
	3,328	**2,261**
Non-current liabilities		
Loans and borrowings	7,473	7,142
Provisions	405	357
Deferred tax liabilities	246	205
Other long-term liabilities	43	30
	8,167	**7,734**
Current liabilities		
Trade and other payables	1,313	1,008
Loans and borrowings	664	1,124
Dividends payable	568	698
Employee benefit obligations	279	215
Provisions	230	205
Derivative financial instruments	3	2
Income tax payable	18	5
Other taxes payable	133	95
	3,208	**3,352**
Liabilities associated with assets classified as held for sale	27	24
	3,235	**3,376**
TOTAL LIABILITIES	**11,402**	**11,110**
TOTAL EQUITY AND LIABILITIES	**14,730**	**13,371**

Attachment C

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2016
US Dollars million

	For the six months ended 30 June 2016	For the six months ended 30 June 2015
OPERATING ACTIVITIES		
Profit before tax	**1,674**	**1,979**
Adjustments for:		
Depreciation and amortisation	256	280
Impairment of property, plant and equipment	3	2
(Gain)/loss on disposal of property, plant and equipment	(1)	11
Share of losses/(profits) of associates	3	(10)
(Gain)/loss from disposal of assets classified as held for sale	(6)	306
Finance costs and income from investments, net	181	29
Foreign exchange (gain)/loss, net	(310)	122
Other	28	39
	1,828	**2,758**
Movements in working capital:		
Inventories	(36)	(30)
Trade and other receivables	(20)	98
Advances paid and prepaid expenses	(43)	2
Other taxes receivable	60	(2)
Employee benefit obligations	39	1
Trade and other payables	(8)	152
Provisions	(10)	–
Other taxes payable	34	20
Cash generated from operations	**1,844**	**2,999**
Income tax paid	(320)	(439)
Net cash generated from operating activities	**1,524**	**2,560**
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(693)	(563)
Purchase of intangible assets	(13)	(6)
Purchase of other non-current assets	(22)	(15)
Purchase of other financial assets	(150)	–
Loans issued	(12)	–
Net change in deposits placed	(50)	80
Interest received	27	65
Proceeds from sale of other financial assets	–	44
Proceeds from disposal of property, plant and equipment	1	–
Proceeds from disposal of assets classified as held for sale	7	–
Dividends received	–	14
Net cash used in investing activities	**(905)**	**(381)**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2016 (CONTINED)
US Dollars million

	For the six months ended 30 June 2016	For the six months ended 30 June 2015
FINANCING ACTIVITIES		
Proceeds from loans and borrowings	651	400
Repayments of loans and borrowings	(1,013)	(332)
Financial lease payments	(4)	–
Dividends paid	(665)	(2,126)
Interest paid	(285)	(143)
Acquisition of own shares from shareholders	–	(2)
Advances received for sale of treasury shares	79	–
Buy-out of non-controlling interest	–	(31)
Net cash used in financing activities	**(1,237)**	**(2,234)**
Net decrease in cash and cash equivalents	**(618)**	**(55)**
Cash and cash equivalents at the beginning of the period	**4,054**	**2,793**
Cash and cash equivalents related to assets classified as held for sale at the beginning of the period	43	5
Less: cash and cash equivalents related to assets classified as held for sale at the end of the period	(42)	(55)
Effects of foreign exchange differences on balances of cash and cash equivalents	(23)	126
Cash and cash equivalents at the end of the period	**3,414**	**2,814**

Attachment D
NET WORKING CAPITAL

US Dollars million	***30.06.2016***	***31.12.2015***	***Change***	***incl. effects of foreign exchange differences***
Finished goods	488	541	(53)	46
Work-in-process	750	605	145	77
Semi-products	29	58	(29)	8
Other inventories	654	494	160	71
Trade and other receivables	178	167	11	4
Advances paid and prepaid expenses	115	55	60	14
Taxes receivable	399	433	(34)	31
Employee benefit obligations	(279)	(215)	(64)	(34)
Trade and other payables*	(1,232)	(1,008)	(224)	(180)
Taxes payable	(151)	(100)	(51)	(16)
Total	**951**	**1,030**	**(79)**	**21**

* Net working capital doesn't include balances with shareholders.