



**NORNICKEL**

## **PRESS RELEASE**

November 20, 2017

Public Joint Stock Company "Mining and Metallurgical Company "NORILSK NICKEL"  
(PJSC "MMC "Norilsk Nickel", "Nornickel" or the "Company")

### **NORILSK NICKEL HOSTS 2017 ANNUAL STRATEGY DAY: INVESTING IN SUSTAINABLE DEVELOPMENT**

**London** – PJSC MMC Norilsk Nickel, the largest refined nickel and palladium producer in the world, hosted today its annual Strategy Day. The Company's management has presented to the investors' community key results achieved over the past five years, 2013-2017, and has set new targets and updated strategic priorities for 2018-2020.

The key achievements of the past five years have been:

- Substantial improvement of health and safety performance with LTIFR reduced by almost 60% since 2013;
- Completion of the Phase 1 of the environmental programme, with the shutdown of Nickel Plant resulting in the 30-35% reduction of sulfur dioxide emissions in the city of Norilsk residential area;
- Completion of the main part of downstream reconfiguration and modernization programme;
- Launch of Bystrinsky (Chita copper) project, the largest greenfield project in Russia's metals and mining of the past decade;
- Delivery of the industry leading returns to shareholders.

The management has set the following targets for the new strategic cycle of 2018-2020:

- Transformation of the Company into a 'Green Nornickel', launch of the Phase 2 of the environmental programme and focus of distribution on the industries producing positive environmental impact globally;
- Launch of the new investment cycle to support the sustainable development of the company in the medium term and creating a platform for growth in the long term;
- Continue creating the long-term value for shareholders.

### **Health, Safety and Environment are top strategic priorities**

Nornickel aims at making its production assets clean and safe for its employees. Zero-fatality on production sites remains the absolute priority for the management. Joining the UN Global Compact in 2016 confirms the management's commitment to deliver on these targets.

Nornickel considers itself as a responsible corporate citizen not only in the regions of its operations, but also globally. The Company has been already making a positive contribution to the improvement of the global ecological situation by supplying critical materials to the producers of autocatalytic converters that reduce substantially the cars' pollution, and plans to increase the supply of materials to the fast-growing electric vehicles industry.

With the decommissioning of Nickel Plant in 2016 and the successful ramp up to the nameplate capacity and parameters of Talnakh concentrator in 2017, the Company completed the Phase 1 of its environmental programme. As a result, sulfur dioxide emissions in the residential area of the city of Norilsk has reduced materially.

This year the Company is launching the second Phase of its environmental programme having approved the Sulfur Project that targets the reduction of sulfur dioxide emissions in the Polar Division by 75% by 2023. The project involves the construction of sulfur-capturing facilities at Nadezhda metallurgical plant, production of sulfuric acid with its further neutralization with limestone to produce gypsum as well as the upgrade of sulfur-capturing facilities at the Copper Plant. The project has been designed by a Russian engineering firm and is based on the domestic equipment and technologies.

As part of the Sulfur Project the converting and anode smelting operations will be transferred from the Copper Plant to the Nadezhda Plant. As a result, the production facilities, which produce the most pollution of the Copper Plant will be moved out of the city of Norilsk, whereas all pyro-metallurgical capacity of the Polar Division will be concentrated at the Nadezhda Plant located outside the city and equipped with most modern sulfur capturing and utilization technology.

The total capital expenditures budgeted for the Sulfur Project are estimated at approximately USD 2.5 billion, with the project completion scheduled by 2023.

### **New investment cycle – building a platform for growth**

In line with our base-case mine plan, the ore mining volumes at the Talnakh deposit developed by the Polar Division will remain unchanged at the current level of 15.4 million tonnes per annum in the period of 2017-2020. The production volumes of nickel and PGMs from the Company's own feed will remain stable, while copper output (excluding the copper concentrate produced at Bystrinsky project) is expected to increase due to processing of purchased copper concentrate and higher copper ore grades.

In our new investment cycle, we expect the increase of CAPEX from USD 2 billion in 2018 to approximately USD 2.3-2.5 per annum in 2019-2020. CAPEX in 2018-2020 will include the launch of the active construction phase of Sulfur Project for a total of approximately USD 1.3-1.5 billion as well as investments in modernization of infrastructure totaling approximately USD 1.0-1.2 billion over the entire period.

The residual CAPEX to complete downstream reconfiguration, including primarily an upgrade and expansion of the Kola nickel refinery, will amount to approximately USD 0.4-0.5 billion in total over the period of 2018-2020.

The medium term investment programme should not only provide support for the sustainable development of the company on the part of maintaining stable production volumes and reduction of the environmental footprint, but also create a platform for future growth. Nornickel has built up a portfolio of prospective projects, which should deliver this long-term growth. These projects include South Cluster (Norilsk-1 deposit), brownfield expansion projects at Talnakh deposit as well as further expansion of Talnakh Concentrator's capacity to 18 million tonnes of ore per annum.

### **Launch of Bystrinsky Project**

On October 31, 2017, the Company launched hot commissioning of Bystrinsky mining and processing plant. The hot commissioning will last for several months with full-scale operation expected to start by mid-2018 and design capacity to be reached by the end of 2019. At full capacity, the project is expected to mine and process approximately 10 million tonnes of ore, producing 70-75 tonnes of copper (in copper concentrate), 250-260 thousand troy ounces of gold as well as 2.9 million tonnes of magnetite concentrate per annum. Nornickel will consider the possibility the IPO of the project in the medium term.

### **Comprehensive operating efficiency programme**

The completion of the main part of the downstream reconfiguration programme is expected to result in EBITDA uplift of approximately USD 100 million per annum starting from 2018. Upon the full completion of the reconfiguration programme primarily related to the completion of the modernization and expansion of capacity of nickel refining at Kola MMC scheduled in 2019, we expect to receive additional positive economic effect.

The Company has also launched a comprehensive operating efficiency programme aiming at unit cost reduction. The core initiatives with the programme include further modernization of production assets, roll out of industrial automation and control systems and enterprise resource planning (ERP) as well as a development and roll out of new managerial processes, standards and solutions.

Selected initiatives of this programme, which are already in active implementation phase, include:

- Comprehensive IT modernization, including SAP ERP roll-out, launch of new data centers, construction of high-speed fiber optic cable to Norilsk (completed) and underground radio and positioning systems at the underground mines (completed);
- Increase efficiency of repair and maintenance works aiming at the reduction of associated operating costs by up to 15% and unscheduled equipment outage reduction by 70%;
- Introduction and roll out of technologies providing for automation and improvement of production process, such as the roll out of a simulation mine model at the Polar division's underground mines;

- Roll-out of shared services center' coverage launched in the city of Saratov in 2015, which is scheduled to assume all back office functions of all the Group subsidiaries, divisions and the head office, with an estimated reduction of G&A costs by approximately USD 40 million per year.

### **Optimization of financing costs**

Starting from 2016, the management has been focused on the improvement of the capital structure and reduction of financing costs. We expect that repricing of bilateral credit lines, replacement of rouble-denominated debt with lower cost dollar financing, cancellation of expensive advance payments from customers and issuing a guarantee for a project finance loan should result in an annual finance cost savings of approximately USD 135 million starting from 2018. The two Eurobond issues for a total amount of USD 1.5 billion successfully placed in 2017 were executed not only at a record-low in the company's history interest, but were also placed at a discount to the company eurobonds' secondary yield curve.

### **Balanced business model**

The Company intends to provide attractive dividend yield to its shareholders while not compromising its stable financial position. The management believes that the Company's flexible dividend policy that links dividend payout ratio to the leverage level is an important mechanism to maintain the Company's financial stability. At the same time, a number of one-off initiatives aiming at the improvement of working capital structure could lead to a temporary increase of net debt by the end of 2017 due to an increase of net working capital, which is expected to normalize in 2018. The management confirms its medium term target level of net working capital of USD 1 billion, with net debt/EBITDA ratio expected in the range of 1.5x-2.5x. The Company also reiterates its commitment to investment grade credit rating.

### **Nornickel's President Vladimir Potanin said,**

"Our company enters into a new strategic cycle with priorities set on sustainable development, creation of a platform for long-term growth and long term value creation for shareholders.

During the past two years we reached a number of major milestones, having completed the first phase of our environmental programme and downstream reconfiguration, upgraded Talnakh concentrator, shut down Nickel Plant, successfully transferred all nickel refining to Kola MMC and our plant in Finland, and also having launched Bystrinsky copper project.

In the next three years we are budgeting an increase in capital investments that will allow us not only to maintain metal production volumes, but also put a solid foundation under new perspective projects. We are launching the second phase of our environmental programme, the Sulfur project, which is unprecedented in terms of its scale not only in Russia, but also globally.

We intend to continue our efforts in the interests of all stakeholders. We are committed to do our best to transition Nor nickel into one of the world's most modern, cleanest and safest mining companies, which provides attractive returns to its shareholders."

The Strategy Day presentation is available on the Company's website here:

<https://www.nornickel.com/news-and-media/media-library/?type=presentation&limit=all#24251>

The webcast of the event is available here:

[http://webcast.openbriefing.com/20112017\\_cmd\\_2017/](http://webcast.openbriefing.com/20112017_cmd_2017/)

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 NORILSK NICKEL Group include the 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.

### **Contacts for media relations:**

Phone: +7 (495) 785 58 00

Email: [pr@nornik.ru](mailto:pr@nornik.ru)

### **Contacts for investor relations:**

Phone: +7 (495) 786 83 20

Email: [ir@nornik.ru](mailto:ir@nornik.ru)