PRESS RELEASE

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Public Joint Stock Company «Mining and Metallurgical Company «NORILSK NICKEL»
(PJSC «MMC «NORILSK NICKEL», «Nornickel», the «Company», the «Group»)

NORNICKEL REPORTS FIRST HALF 2018 INTERIM CONSOLIDATED IFRS FINANCIAL RESULTS

Moscow – PJSC MMC Norilsk Nickel, one of the largest refined nickel and palladium producer in the world, today reports interim IFRS financial results for six months ended June 30, 2018.

1H2018 HIGHLIGHTS

- Consolidated revenue increased 37% y-o-y to USD 5.8 billion on the back of higher realized metal prices, growth in copper and PGMs production volumes and sales of palladium from earlier accumulated stocks;
- EBITDA increased 77% y-o-y to USD 3.1 billion driven by higher metal revenue and operational efficiency gains;
- EBITDA margin increased from 41% to 53%, reaching one of the highest levels in the global metals and mining industry;
- CAPEX was down 25% y-o-y to USD 0.5 billion following the completion of active construction phase of Bystrinsky (Chita) project, completion of the modernization of Talnakh Concentrator and a number of energy infrastructure projects in 2017;
- Net working capital reduced 20% (or USD 430 mln) to USD 1.7 billion mostly owing to the sale of palladium from stock accumulated in 2017 and optimization of capital structure;
- Free cash flow increased more than 5-fold to USD 2.6 billion;
- Net debt/EBITDA ratio almost halved to 1.1x as of 30 June 2018;
- In January 2018, Moody's rating agency raised Nornickel credit rating to the investment grade level, "Baa3", and changed the outlook from "Stable" to "Positive". As result, Nornickel is currently assigned investment grade credit ratings by all three major international rating agencies, Fitch, Moody's and S&P Global.
- The Company paid final dividend for the full year 2017 of RUB 607.98 (approximately USD 9.63) per share for the total amount of about USD 1.5 billion

KEY CORPORATE HIGHLIGHTS

USD million (unless stated otherwise)	**1H2018**	**1H2017**	**Change,%**
Revenue	5,834	4,248	37%
EBITDA[1]	3,079	1,744	77%
EBITDA margin	53%	41%	12 p.p.
Net profit	1,653	915	81%
Capital expenditures	536	711	(25%)
Free cash flow[2]	2,600	512	5x
Net working capital[2]	1,719	2,149[4]	(20%)
Net debt[2]	5,830	8,201[4]	(29%)
Net debt/12M EBITDA	1.1x	2.1x[4]	(1.0x)
Dividends paid per share (USD)[3]	–	7.4	(100%)

1) A non-IFRS measure, for the calculation see the notes below.
2) A non-IFRS measure, for the calculation see an analytical review document ("Data book") available in conjunction with Consolidated IFRS Financial Results on the Company's web site.
3) Paid during the current period
4) Reported as of December 31, 2017

MANAGEMENT DISCUSSION AND ANALYSIS

The President of Nornickel, Vladimir Potanin, commented on the results,

"We enjoyed favorable global commodity markets environment in the first half of 2018. As a result, average realized prices for all our key metals (except for platinum) rallied in the range of 20-40%. Taking advantage of strong commodity prices, we increased sales volumes of foremost copper and PGMs. In particular, part of the stocks accumulated in the palladium fund was sold, while copper production was intensified. In addition, the operating efficiency programme started to yield fruits having delivered first operating cost savings. Thus, our revenue increased to 5.8 billion dollars and EBITDA grew to almost 3.1 billion dollars.

Capital expenditures decreased to 0.5 billion dollars as a number of large capital-intensive projects such as downstream reconfiguration in the Polar division, active construction phase of Bystrinsky copper project and upgrade of energy infrastructure in Norilsk area were completed last year. Bystrinsky project, which was running in a hot commissioning mode in the first half of this year, has delivered its first positive financial results. The project is successfully ramping up and is expected to start commercial operations in the second half of the year.

As promised to our investors, we started optimization of working capital in the first half of 2018, having reduced it by 20% since the start of the year thus releasing over 400 million dollars. We reiterate our guidance to bring down net working capital to a medium-term target of 1 billion dollars by this year-end.

As a result, our free cash flow increased more than 5-fold to 2.6 billion dollars.

Active refinancing of the Company's credit portfolio carried out last year enabled us to reduce cash interest expense in the first half of this year despite rising base interest rates, such as LIBOR. Overall, we expect that interest cost savings in 2018 will exceed USD 100 million relative to the prior year.

Owing to strong operating performance, our Company managed to improve dramatically its financial position, with Net Debt/EBITDA ratio reduced to 1.1x from 2.1x as of the end of 2017. Following the Moody's January upgrade of the Company's credit rating to the investment grade level, Norilsk Nickel currently enjoys investment grade credit rating from all three major international credit rating agencies.

The creation of the long-term shareholder value remains our priority. Based on the 2017 financial results, we paid the final dividend for the total amount of 1.5 billion dollars, which confirms our commitment to generate one of the industry-leading cash returns to our shareholders."

HEALTH AND SAFETY

The lost time injury frequency rate (LTIFR) decreased 25% y-o-y from 0.36 to 0.27 in 1H 2018, while number of lost time injuries dropped 27% y-o-y following the roll out of base corporate standards of safety and launch of a risk control project aiming at the reduction of safety related risks. Regretfully, in 1H 2018 Company suffered one fatal injury. The management considers the health and safety of its employees with a zero fatality rate as the key strategic priority and continues to implement a wide range of initiatives targeting further improvement of the health and safety records. In 1H 2018, selected initiatives included the following:

- **22 internal audits** of Occupational safety and Health management systems;
- **33 employees were fired** for violation of cardinal safety rules**.**

METAL MARKETS

Nickel in 1H18 – price rallied 42% y-o-y driven by significant market deficit stemming from strong demand from stainless steel and rapidly growing albeit small nickel consumption in batteries; exchange inventories drew down sharply since the start of the year; expectations of the pace of global EV penetration were high and constantly rising additionally contributing to the reduction of inventories leading to accumulation of battery-grade nickel materials by both investors and battery cathode material manufacturers.

Upward nickel price trend, which started in June 2017 continued in 1H18 on the back of strong industrial consumption in stainless, alloy and battery sectors as well as rising investment demand driven by already high, but also increasing expectations of a potential tightness of the battery-grade nickel materials in the medium to long-term, which is believed should lead to price bifurcation between Class 1 and Class 2 nickel products. Supported by sharp reduction of metal exchanges' inventories the nickel price gained strong momentum reaching USD 15,750 per tonne in June, the highest level since April 2014. However, the rising concerns over negative implications of the unfolding trade war between the USA and China on metal consumption, strengthening USD and weakening renminbi resulted in nickel price downward correction in the second half of June in line with other base metals.

The average LME nickel price in 1H18 was USD 13,871 per tonne, up 42% y-o-y.

Global nickel consumption in 1H18 increased strong 12% y-o-y driven primarily by significant ramp-up of stainless steel capacities in Indonesia, which added 90 thousand tonnes to global nickel demand. Nickel consumption in battery sector posted impressive 38% y-o-y growth (from 45 to 62 thousand tonnes) on the back of increase in production of li-ion batteries for electric and hybrid vehicles coupled with the technological shift towards more nickel-intensive composition of the battery cathode material. Nickel consumption in batteries reached 5% of total nickel consumption in 1H 2018.

Even though the developments on the supply side were quite mixed throughout 1H18, they ended up supportive for the nickel price. On the one hand, Indonesia was steadily ramping up its nickel pig iron (NPI) output in line with market expectations and also continued increasing its ore supply to China as export restrictions were lifted in early 2017. On the other hand, some Chinese NPI producers had to curtail their smelting capacities due to tightening environmental regulations. In addition, global production of high-grade nickel in 1H18 showed practically no growth suffering from the years of underinvestment.

Owing to strong physical demand and investors taking positions, combined metal inventories at London Metal Exchange (LME) and Shanghai Futures Exchange (SHFE) reduced sharply since the start of the year by 112 thousand tonnes to 299 thousand tonnes as of June 30, 2018. With another almost 25 thousand tonnes drawdown was recorded in the single month of July. Such a massive (5% of annual global consumption) inventory drawdown was a clear manifestation of nickel market running a sizeable apparent deficit since the start of the year. However, in addition to strong current demand, we believe, some inventories' drawdown was caused by the active stockpiling in the battery sector in anticipation of rising demand from the electric vehicle industry.

Nickel outlook – positive; the in-house forecast of 2018 market deficit increased from 15 thousand tonnes at the start of the year to 124 thousand tonnes currently on better-than-expected ramp-up of stainless operations in Indonesia and robust Chinese consumption, while the growth of supply in the form of NPI in China is somewhat capped by environmental audits and production of Class 1 nickel elsewhere is not growing; further expansion of li-ion battery sector driven by booming EV industry should support the nickel demand both in medium- and long-term.

Following our upward revision of global nickel consumption in stainless steel output (+9% y-o-y) driven primarily by Indonesia and China as well as strong demand from battery sector (+39%) we are increasing our market deficit expectations for 2018 from 15 to 124 thousand tonnes.

On the supply side, we expect NPI production in Indonesia and China (+80 and +92 thousand tonnes, respectively) will remain the main drivers of global output growth though at a slower pace as environmental inspections from Beijing restrained some NPI operations in Inner Mongolia, Shandong and Jiangsu provinces. In 2018, we forecast a small decrease of Class 1 nickel output as the marginal production growth at South 32 and BHP will be offset negatively by a reduction at Vale.

The drawdown of LME and SHFE stocks is likely to continue in 2H18. The reduction of inventories is expected to result from a sustainable market deficit in the near term, aggravated by the stockpiling needs for the battery-grade nickel as the electric vehicles demand is rapidly ramping up.

Copper in 1H18 – fundamentally strong and stable market; nonetheless price volatility was quite high due to negative macro backdrops, ranging from USD strengthening to concerns over negative metal demand implications from unfolding trade wars; supply disruptions were running below expectations, but demand was strong.

After strong rally in the second half of the last year copper price started 2018 in a very volatile mode. During 1Q18, it was fluctuating in the range between USD 6,500 and 7,200 per tonne. In 2Q18, investors' optimism fueled by prospects of electric vehicle industry on the demand side and by labour-related risks in Latin America on the supply side resulted in a sharp price increase lifting it to a 4-year maximum of USD 7,300 per tonne. However, in June, the USA President Trump escalated trade conflict with China provoking a sell-off in all base metals pushing the copper price down below USD 6,500 per tonne.

Supply disruptions were running at approximately 1% since the start of the year as most of the expectations for labour-related disruptions due to the renegotiations of collective bargaining agreements in Chile and Peru (except for Escondida) have not materialized.

The average LME copper price in 1H18 increased 20% y-o-y to USD 6,917 per tonne.

Copper outlook – neutral; the market to remain well-balanced in the mid-term; risk of labour-related supply disruptions is fading away.

In our previous outlook on the copper market, published in March, we argued that the copper rally taking its price above USD 7,000 per tonne was mostly driven by speculative market sentiment rather than fundamentals. Similarly, we believe that the recent sharp decline of copper price was more sentiment driven rather than supported by any real deterioration of fundamentals. In our opinion, in addition to the negative implications on metal demand from the unfolding USA–China trade war, which remain largely unclear, some negative contribution was made by the strengthening of USD dollar and most recent depreciation of Chinese renminbi. We reiterate our view that we expect the copper market to remain well-balanced in the short- and medium-term.

Palladium in 1H18 –technical correction after a 12-year maximum reached in January; outflows from ETFs and increased producer sales filled some market deficit

Palladium rally that started in 2017 reached its apex in January when the price hit a 12-year high of USD 1,125 per troy ounce and developed its largest premium to platinum of almost USD 200 per troy ounce. At that point, the rally ran out of steam and the palladium price started to slide towards USD 900 per troy ounce. On the one hand, investors who were opening long positions in 2016-2017 decided to take profits, and on the another hand, the real market deficit was covered by outflow of physical metal from ETFs and sales from the Norilsk Nickel stocks, accumulated in 2017.

The average LBMA palladium price in 1H18 increased 27% y-o-y to USD 1,007 per troy ounce.

The industrial demand in 1H18 was strong (+3% y-o-y) on the back of ongoing positive trends in the global automotive sector: growing auto production in China (+4% y-o-y) and the US (+2% y-o-y), falling market share of diesel cars in Europe and India, strong demand for vehicles with larger engines (SUVs, GTs) and tightening emission standards.

Palladium outlook –positive; market deficit to widen to almost 1 mln ounces in 2018 due to robust demand growth from automotive sector and lower primary supply; no evidence of platinum substitution despite a price premium

In 2018, we expect that palladium consumption will continue to grow further predominantly on the back of higher demand from autocatalyst producers as global auto industry trends, which benefit demand for palladium, are long-term and sustainable, such as:

- global growth of automotive production led by China, followed by the USA and EU with some recovery in emerging markets of Russia and Brazil;
- ongoing substitution of diesel engines with gasoline and hybrids, primarily, in Europe, where the market share of diesel has already decreased from 52% in 2015 to 38% currently and expected to continue falling further;
- growth of SUVs market share and termination of engine downsizing, primarily, in the USA;
- tightening of emissions legislation globally, specifically, in regards to NOx that requires palladium-intensive coatings and higher palladium use per vehicle.

On the supply side, we do not expect any growth of primary output, but do not rule out some reduction potentially as the long period of underinvestments in South Africa and ongoing industry rationalization could affect supply. Recycling volumes, we believe, will steadily increase, but still will not be able to fully cover the structural deficit that is expected to reach approximately 1 million ounces in 2018.

Platinum in 1H18 – pressure from lower industrial and investment demand combined with the lack of producer discipline kept the price at 10-year lows.

In 1H18, platinum price continued its downward trend, which started in 2017. Soft demand from automotive and jewelry sectors as well as weak investment demand pushed the price to its multi-year lows of approximately USD 800 per ounce. The uncertainty around Sibanye-Lonmin transaction added some pessimism to platinum market as concerns that the long-awaited restructuring of SA mining industry is delayed.

In 1H18, the average LBMA platinum price decreased 2% y-o-y to USD 941 per troy ounce.

Platinum outlook – changing from neutral to positive; no incentive to make investments into new mining projects at current price levels; new SA Mining Charter should negatively affect the operating environment of local miners and result in further reduction of primary supply; potential industry rationalization still feasible; to follow palladium as a potential substitute on the latter's strong fundamentals.

We are changing our platinum outlook from neutral to positive. Albeit we are still forecasting the market to be in a marginal surplus in 2018, we believe that current price levels are unsustainably low in the mid-term.

Indeed, some of the South African producers (over 70% of global mined supply) are not breaking even, while most are struggling with maintaining their sustaining CAPEX, let alone financing growth projects. New SA Mining Charter (if approved) will make the environment for making investments into new mining projects even more challenging.

Some industry rationalization has been already launched, and that appears to be not just restricted to Sibanye-led consolidation. For instance, most recently, Impala Platinum (the world's 2nd largest platinum producer) announced massive restructuring plans, aiming to increase efficiency of operations, which targets a 30% reduction in the company's annual platinum output by 2021.

Finally, we believe that more than a decade-long pursuit race of palladium chasing platinum has sustainably changed its leader. In our opinion, the reverse in fundamentals of the two metals is of long-term nature, nonetheless due to their relative interchangeability, platinum will strive if palladium prospers.

KEY SEGMENTAL HIGHLIGHTS[1]

USD million (unless stated otherwise)	1H2018	1H2017	Change,%
Revenue	**5,834**	**4,248**	**37%**
GMK Group	4,816	3,420	41%
KGMK Group	486	415	17%
NN Harjavalta	486	355	37%
GRK Bystrinskoye	–	–	0%
Other mining	61	54	13%
Other non-metallurgical	813	628	29%
Eliminations	(828)	(624)	33%
EBITDA	**3,079**	**1,744**	**77%**
GMK Group	3,296	2,012	64%
KGMK Group	129	71	82%
NN Harjavalta	24	45	(47%)
GRK Bystrinskoye	5	(3)	n.a.
Other mining	6	–	100%
Other non-metallurgical	(1)	1	n.a.
Eliminations	(23)	12	n.a.
Unallocated	(357)	(394)	(9%)
EBITDA margin	**53%**	**41%**	**12 p.p.**
GMK Group	68%	59%	9 p.p.
KGMK Group	27%	17%	10 p.p.
NN Harjavalta	5%	13%	(8 p.p.)
GRK Bystrinskoye	n.a.	n.a.	n.a.
Other mining	10%	0%	10 p.p.
Other non-metallurgical	0%	0%	0 p.p.

1) Segments are defined in the consolidated financial statements

In 1H2018, revenue of Group GMK segment was up 41% to USD 4,816 million driven primarily by higher realized metal prices, increased production volumes and sales of palladium from stock accumulated in 2017.

The revenue of Group KGMK segment increased 17% to USD 486 million mainly due to higher revenue from sales of concentrate to NN Harjavalta and increased processing volumes of Polar division feed.

Revenue of NN Harjavalta segment increased 37% to USD 486 million. This was primarily driven by higher realized metal prices and increased metal production from the Company's own Russian feed.

Revenue of GRK Bystrinskoye segment as it was generated during the hot commissioning phase is included into net operating expenses.

Revenue of Other mining segment that primarily consists of the Company's 50% share in Nkomati joint operations increased 13% to USD 61 million. This was primarily driven by higher metal prices.

Revenue of Other non-metallurgical segment was up 29% to USD 813 million owing to increased operations of Palladium Fund.

In 1H2018, EBITDA of Group GMK segment increased 64% to USD 3,296 million owing to higher revenue.

EBITDA of Group KGMK segment increased by 82% to USD 129 million primarily owing to higher sales volume of semi-products to NN Harjavalta and higher tolling volumes of Group GMK feed.

EBITDA of NN Harjavalta decreased by 47% to USD 24 million primarily due to higher prices for purchased semi-products.

EBITDA of GRK Bystrinskoye segment increased from negative USD 3 million to USD 5 million due to the revenue generated during the hot commissioning stage.

EBITDA of Other mining segment increased to USD 6 million from zero primarily due to higher sales.

EBITDA of Unallocated segment increased by 9% to negative USD 357 million primarily due to lower expenses on one-off social projects which was partially offset by higher general and administrative expenses.

SALES VOLUME AND REVENUE	**1H2018**	**1H2017**	**Change,%**
Metal sales			
Group			
Nickel, thousand tons[1]	101	106	(5%)
from own Russian feed	98	99	(1%)
from 3d parties feed	1	7	(86%)
in semi-products[2]	2	–	100%
Copper, thousand tons[1]	201	182	10%
from own Russian feed	191	173	10%
from 3d parties feed	–	3	(100%)
in semi-products[2]	10	6	67%
Palladium, koz[1]	1,528	1,328	15%
from own Russian feed	1,505	1,264	19%
from 3d parties feed	–	41	(100%)
in semi-products[2]	23	23	0%
Platinum, koz[1]	353	318	11%
from own Russian feed	349	299	17%
from 3d parties feed	–	12	(100%)
in semi-products[2]	4	7	(43%)
Average realized prices of refined metals produced by the Group			
Metal			
Nickel (USD per tonne)	14,141	10,067	40%
Copper (USD per tonne)	6,989	5,789	21%
Palladium (USD per oz)	1,032	791	30%
Platinum (USD per oz)	930	962	(3%)
Revenue, USD million			
Nickel	1,494	1,114	34%
including semi-products	86	52	65%
Copper	1,405	1,065	32%
including semi-products	69	44	57%
Palladium	1,950	1,206	62%
including semi-products	38	39	(3%)
Platinum	335	315	6%
including semi-products	9	15	(40%)
Other metals	289	196	47%
including semi-products	31	15	107%
Revenue from metal sales	**5,473**	**3,896**	**40%**
Revenue from other sales	361	352	3%
Total revenue	**5,834**	**4,248**	**37%**

1) All information is reported on the 100% basis, excluding sales of metals and semi-products purchased from third parties.
2) Metal volumes represent metals contained in semi-products.

Nickel

Nickel sales contributed 27% to the Group's total metal revenue in 1H2018, down from 29% in 1H2017. The decrease by 2 p.p. was driven by the cumulative effect of increased copper, platinum and palladium sales volumes, and decrease of refined nickel sales volume, which was partly offset by stronger performance of nickel price as compared to other metals' prices.

In 1H2018, nickel revenue increased 34% y-o-y (or by +USD 380 million) to USD 1,494 million primarily due to higher realized nickel price (+USD 431 million) which was negatively offset by lower sales volume (-USD 51 million) owing to reduction of low-margin processing of third-party feed.

The average realized refined nickel price increased 40% y-o-y to USD 14,141 per tonne in 1H2018 (vs USD 10,067 per tonne in 1H2017).

Sales volume of refined nickel, produced from own Russian feed, decreased by 1% (or -1 thousand tonnes) to 98 thousand tons.

Sales volume of nickel produced from third-party feed decreased 86% y-o-y to 1 thousand tonnes as Harjavalta decreased the processing of third-party feed.

Sales of nickel in semi-products increased 65% y-o-y to USD 86 million primarily owing to strong performance of nickel price and higher sales volume of semi-products.

Copper

In 1H2018, copper sales accounted for 26% of the Group's total metal sales, increasing by 32% (or +USD 340 million) to USD 1,405 million primarily owing to higher realized copper price (+USD 212 million) as well as increase in sales volume (+USD 128 million).

The average realized copper price increased 21% from USD 5,789 in 1H2017 to USD 6,989 per tonne in 1H2018.

Physical volume of refined copper sales from the Company's own Russian feed increased 10% (or +18 thousand tons) to 191 thousand tons owing to higher sales volume of copper produced from Rostec concentrate.

Refined copper sales from third-party feed decreased 100% (or -3 thousand tons).

Revenue from copper in semi-products in 1H2018 increased 57% to USD 69 million primarily due to the higher realized copper prices and higher sales volume of copper semi-products.

Palladium

In 1H2018, palladium remained the largest contributor to the Group's revenue, accounting for 36% of the Group's total metal revenue. The palladium revenue increased 62% (or +USD 744 million) to USD 1,950 million. The positive impact of higher realized price (+USD 316 million) was amplified by the increase of sales volume (+USD 203 million).

Physical volume of refined palladium sales from the Company's own Russian feed in 1H2018 increased 19% (or +241 thousand troy ounces) to 1,505 thousand troy ounces. The increase in sales volume was driven by the sale of metals from stock accumulated in the Company's palladium fund in 2017 and higher production volume.

Revenue of palladium in semi-products in 1H2018 was down by 3% and amounted to USD 38 million. The reduction in physical volumes of palladium in semi-products was almost offset by increase in prices.

Additional USD 359 million to palladium revenue in 1H2018 was contributed by the resale of purchased metal, which was USD 225 million higher than in 1H2017.

Platinum

In 1H2018, platinum sales accounted for 6% of the Group's total metal revenue and increased 6% (or +USD 20 million) to USD 335 million. The increase of sales volume (+USD 30 million) was partially offset by lower realized price (-USD 10 million).

Physical volume of refined platinum sales from the Company's own Russian feed in 1H2018 increased by 17% (or 50 thousand troy ounces) to 349 thousand troy ounces due to higher production volume.

Revenue of platinum in semi-products in 1H2018 decreased 40% and accounted to USD 9 million. Decrease of sales volume of platinum in semi-products was exacerbated by decrease in realized price.

Other metals

In 1H2018, revenue from other metals increased by +USD 93 million (or 47%) to USD 289 million, primarily owing to higher revenue from rhodium (up 113%), cobalt (up 52%) and gold (up 18%).

OTHER SALES

In 1H2018, other sales were up 3% (or +USD 9 million) to USD 361 million, primarily owing to an increase in revenue of transport subsidiaries (+USD 18 million), which was partly offset by Russian rouble depreciation (-USD 9 million).

COST OF METAL SALES

In 1H2018, the cost of metal sales increased 16% (or by +USD 306 million) to USD 2,212 million owing to:

Increase in cash operating costs by 11% (+USD 182 million);
Increase in depreciation charges by 18% (+USD 49 million);
Change in metal inventories y-o-y leading to cost of metal sales increase of +USD 75 million.

Cash operating costs

In 1H2018, total cash operating costs increased 11% (or by+ USD 182 million) to USD 1,879 million.

The inflationary growth of cash operating costs by +USD 55 million was partly offset by positive effect of Russian rouble depreciation of -USD 20 million.

Cost increase driven by the processing of Rostec concentrate and higher purchases of semi-products from Nkomati (+USD 142 million) were exacerbated by higher expenses related to metal purchase for resale (+USD 62 million) and were partly offset by decrease in headcount (-USD 36 million) as a part of 2018-2020 efficiency and cost reduction programme.

USD million	**1H2018**	**1H2017**	**Change,%**
Labour	675	694	(3%)
Materials and supplies	325	294	11%
Purchases of raw materials and semi-products	259	142	82%
Purchases of refined metals for resale	196	134	46%
Mineral extraction tax and other levies	110	106	4%
Third-party services	91	105	(13%)
Electricity and heat energy	74	69	7%
Fuel	45	48	(6%)
Transportation expenses	32	30	7%
Sundry costs	72	75	(4%)
Total cash operating costs	**1,879**	**1,697**	**11%**
Depreciation and amortisation	325	276	18%
Decrease/(increase) in metal inventories	8	(67)	n.a.
Total cost of metal sales	**2,212**	**1,906**	**16%**

Labour

In 1H2018, labour costs decreased 3% (or by -USD 19 million) to USD 675 million representing 36% of the Group's total cash operating costs. The decrease was driven by the following factors:

-USD 12 million – cost decrease owing to the Russian rouble depreciation against US Dollar, partly offset by appreciation of EUR and ZAR;
-USD 36 million – cost decrease following the decrease in headcount owing primarily to 2018-2020 efficiency and cost reduction programme;
+USD 29 million – other increase of labour costs primarily driven by the indexation of salaries and wages.

Materials and supplies

In 1H2018, materials and supplies expenses increased 11% (or by +USD 31 million) to USD 325 million driven by the following factors:

-USD 4 million – positive effect of the Russian rouble depreciation, partly offset by appreciation of EUR and ZAR;
+USD 19 million – inflationary growth in prices of materials and supplies;
+USD 16 million – cost increase related to ongoing downstream reconfiguration program.

Purchases of raw materials and semi-products

In 1H2018, expenses related to purchase of raw materials and semi-products increased 82% (or by +USD 117 million) to USD 259 million driven by the following factors:

+USD 19 million – cost increase owing to higher metal prices;
+USD 142 million – cost increase owing to the processing of copper concentrate purchased from Rostec and higher purchases of semi-products from Nkomati;
-USD 44 million – cost reduction owing to lower processing of purchased semi-products from third parties at NN Harjavalta.

Purchases of refined metals for resale

In 1H2018, cost of purchase of metals for resale increased 46% (or by +USD 62 million) to USD 196 million as result of increased volumes of metal acquired by the Company's palladium fund.

Mineral extraction tax and other levies

In 1H2018, mineral extraction tax and other levies increased 4% (or by +USD 4 million) to USD 110 million.

Third-party services

In 1H2018, cost of third party services decreased 13% (or by -USD 14 million) to USD 91 million.

The negative effect of EUR and ZAR appreciation, partly offset by RUB depreciation, amounted to USD +1 million.

Third party services costs decreased in real terms by -USD 15 million due to lower repairs and other services.

Electricity and heat energy

In 1H2018, electricity and heat energy expenses increased 7% (or by +USD 5 million) to USD 74 million in line with energy price inflation.

Fuel

In 1H2018, fuel expenses decreased 6% (or by -USD 3 million) to USD 45 million.

Transportation expenses

In 1H2018, transportation expenses increased 7% (or by +USD 2 million) to USD 32 million.

Sundry costs

In 1H2018, sundry costs decreased by 4% (or -USD 3 million) to USD 72 million.

Depreciation and amortisation

In 1H2018, depreciation and amortisation increased 18% (or by +USD 49 million) to USD 325 million mainly due to commissioning of new production assets in Russia in 2H2017 and in 1H2018.

Decrease/(increase) of metal inventories

In 1H2018, comparative effect of change in metal inventory of USD +75 million y-o-y resulted in cost increase owing to:

+USD 122 million — comparative effect of change in finished goods, resulting in a cost increase, primarily due to sale of palladium stock accumulated by the end of 2017.
-USD 47 million – comparative effect of a higher growth of work-in-progress y-o-y that resulted in cost decrease.

COST OF OTHER SALES

In 1H2018, cost of other sales increased 8% (or +USD 25 million) to USD 334 million.

Russian rouble depreciation resulted in cost decrease of -USD 7 million, while in real terms costs increased USD +32 million primarily due to higher repairs and maintenance expenses on transportation subsidiaries, higher volumes of transportation services provided, indexation of RUB-denominated salaries and wages and other expenses.

SELLING AND DISTRIBUTION EXPENSES

USD million	1H2018	1H2017	Change,%
Transportation expenses	18	15	20%
Marketing expenses	9	5	80%
Staff costs	6	5	20%
Other	2	3	(33%)
Total	**35**	**28**	**25%**

In 1H2018, selling and distribution expenses increased 25% (or +USD 7 million) to USD 35 million primarily due to increase of marketing expenses (+USD 4 million).

GENERAL AND ADMINISTRATIVE EXPENSES

USD million	1H2018	1H2017	Change,%
Staff costs	291	235	24%
Taxes other than mineral extraction tax and income tax	51	39	31%
Third party services	33	22	50%
Depreciation and amortisation	20	15	33%
Rent expenses	11	13	(15%)
Transportation expenses	6	3	100%
Other	32	26	23%
Total	**444**	**353**	**26%**

In 1H2018, general and administrative expenses increased by 26% (or +USD 91 million) to USD 444 million. Positive effect of Russian rouble depreciation amounted to -USD 8 million. General and administrative expenses increased in real terms primarily due to the following:

+USD 62 million – increase in staff costs mainly due to one-off payments related to bonuses paid for the completion of key projects, changes in the Management Board as well as salaries indexation;
+USD 11 million – increase of third party services related to the automatization of production processes and roll out of new IT systems;
+USD 12 million – higher property tax owing to changes in tax legislation in 2018 and increase in property, plant and equipment balance in Polar division.

OTHER NET OPERATING EXPENSES

USD million	1H2018	1H2017	Change,%
Social expenses	98	196	(50%)
Change in allowances	10	19	(47%)
Net income earned during the pre-commissioning stage	(19)	–	(100%)
Other	(9)	–	(100%)
Total	**80**	**215**	**(63%)**

In 1H2018, other net operating expenses decreased -USD 135 million to USD 80 million driven by the following factors:

- Decrease of social expenses by -USD 98 million primarily owing to the implementation of large-scale one-off social projects in 1H17;
- Net income earned by GRK "Bystrinskoye" from products sale during the hot commissioning stage (-USD 19 million);
- Other changes (-USD 18 million) primarily resulting from cost decrease related to change in allowances for doubtful debts.

FINANCE COSTS

USD million	**1H2018**	**1H2017**	**Change,%**
Interest expense on borrowings net of amounts capitalized	191	195	(2%)
Unwinding of discount on provisions and payables	52	70	(26%)
Other	3	–	100%
Total	**246**	**265**	**(7%)**

Decrease in finance costs by 7% to USD 246 million was mainly driven by decrease of unwinding of discount on provisions and payables.

Despite of the growth of the company's total debt in the reporting period and the continuing rise in base interest rates (LIBOR), interest expenses of the Group decreased by 2% to USD 191 million. The decrease in interest expenses resulted from optimization of the loan portfolio in the reporting period, which included, inter alia, repricing credit lines amounting to USD 555 million and refinancing of a portion of the Company's relatively expensive debt obligations at the cost of a five-year USD 2.5 billion syndicated term loan, secured by the Company in December 2017 at the interest rate of Libor 1M + 1.50%.

INCOME TAX EXPENSE

In 1H2018, income tax expense increased 33% y-o-y to USD 403 million driven mostly by the increase of taxable profit.

The effective tax rate in the 1H2018 was 19.6%. The reduction of the rate in comparison to the corresponding period of the previous year was primarily driven by lower non-deductible social expenses in 1H2018 as well as opposite metal price dynamics in 1H18 and 1H17.

USD million	**1H2018**	**1H2017**	**Change,%**
Current income tax expense	385	262	47%
Deferred tax expense	18	41	(56%)
Total	**403**	**303**	**33%**

The breakdown of the current income tax expense by tax jurisdictions:

USD million	**1H2018**	**1H2017**	**Change,%**
Russian Federation	377	257	47%
Finland	1	4	(75%)
Rest of the world	7	1	7x
Total	**385**	**262**	**47%**

EBITDA

USD million	**1H2018**	**1H2017**	**Change,%**
Operating profit	2,723	1,412	93%
Depreciation and amortisation	350	307	14%
Impairment of non-financial assets	6	25	(76%)
EBITDA	**3,079**	**1,744**	**77%**
EBITDA margin	**53%**	**41%**	**12 p.p.**

In 1H2018, EBITDA increased 77% (or USD 1,335 million) to USD 3,079 million with the EBITDA margin amounting to 53% (up from 41% in 1H2017) owing to higher metal revenue, and the implementation of operational efficiency programme.

NET PROFIT BEFORE NON-CASH WRITE-OFFS AND FOREIGN EXCHANGE DIFFERENCES

USD million	**1H2018**	**1H2017**	**Change,%**
Net profit	**1,653**	**915**	**81%**
Impairment of non-financial assets	6	25	(76%)
Foreign exchange loss/(gain), net	453	(21)	n.a.
Gain from disposal of subsidiaries and assets classified as held for sale	–	(16)	100%
Net profit before impairment charges and foreign exchange differences	**2,112**	**903**	**2x**

STATEMENT OF CASH FLOWS

USD million	1H2018	1H2017	Change,%
Cash generated from operations before changes in working capital and income tax	**3,085**	**1,800**	**71%**
Movements in working capital	448	(313)	n.a.
Income tax paid	(390)	(320)	22%
Net cash generated from operating activities	**3,143**	**1,167**	**169%**
Capital expenditure	(536)	(711)	(25%)
Other investing activities	(7)	56	n.a.
Net cash used in investing activities	**(543)**	**(655)**	**(17%)**
Free cash flow	**2,600**	**512**	**5x**
Net cash generated from/(used in) financing activities	**61**	**(1,156)**	**(105%)**
Effects of foreign exchange differences on balances of cash and cash equivalents	(75)	(35)	114%
Net increase/(decrease) in cash and cash equivalents	**2,586**	**(679)**	**n.a.**

In 1H2018, free cash flow increased 5-fold to USD 2.6 billion primarily due to higher cash generated from operating activities and lower CAPEX.

In 1H2018, net cash generated from operating activities increased 169% y-o-y to USD 3.1 billion primarily driven by the increase in EBITDA and opposite dynamics of working capital following the trade financing increase in 1H2018 versus partial repayment of accounts payable to Rostec in 1H2017.

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

USD million	1H2018	1H2017
Change of the net working capital in the balance sheet	**430**	**(350)**
Foreign exchange differences	(129)	24
Change of long term components of working capital included in CFS	201	114
Other changes including reserves	(54)	(101)
Change of working capital per cash flow	**448**	**(313)**

Capital investments breakdown by projects is presented below:

USD million	**1H2018**	**1H2017**	**Change,%**
Polar Division, including:	220	319	(31%)
Skalisty mine	42	36	17%
Taymirsky mine	31	29	7%
Komsomolsky mine	17	4	4x
Oktyabrsky mine	21	35	(40%)
Talnakh Concentrator	17	53	(68%)
Reconstruction/modernisation of production facilities related to closing of Nickel plant	–	6	(100%)
Kola MMC	134	69	94%
Chita (Bystrinsky) project	70	146	(52%)
Other production projects	75	160	(53%)
Other non-production assets	4	3	33%
Intangible assets	33	14	136%
Total	**536**	**711**	**(25%)**

In 1H2018, CAPEX decreased 25% y-o-y to USD 0.5 billion. The reduced investments were mainly due to the completion of active construction stage of Bystrynsky (Chita) project, modernization of Talnakh Concentrator and a number of energy infrastructure projects in 2017.

DEBT AND LIQUIDITY MANAGEMENT

USD million	**As of 30 June 2018**	**As of 31 December 2017**	**Change, USD million**	**Change,%**
Long-term	9,150	8,236	914	11%
Short-term	118	817	(699)	(86%)
Total debt	**9,268**	**9,053**	**215**	**2%**
Cash and cash	3,438	852	2,586	4x
Net debt	**5,830**	**8,201**	**(2,371)**	**(29%)**
Net debt /12M EBITDA	1.1x	2.1x	(1.0x)	
Net debt /12M EBITDA for dividend payments	1.1x	1.9x	(0.8x)	

As of 30 June 2018, the Company’s total debt increased 2% (or USD 215 million) compared to that as of 31 December 2017 and amounted to USD 9,268 million. Debt portfolio management in 1H2018 resulted in a reduction of the short-term debt share from 9% (or USD 817 million) to 1% (or USD 118 million), thus reducing refinancing risk for the Company for the next 12 months.

Net debt / 12M EBITDA ratio was 1.1x as of June 30, 2018, as compared to 2.1x as at year-end 2017. The leverage reduction resulted from the decline in net debt by 29% to USD 5,830 million and growth of 12M EBITDA by 33% to USD 5,330 million from USD 3,995 million. The decline in net debt was driven by the increase in cash and cash equivalents by 4 times (or USD 2.6 billion) in 1H2018, after the provision of a liquidity reserve for final dividend payments for 2017 was made. Liquidity reserve was generated from operating activities and trade financing received in line with working capital optimization.

In the reporting period, the Company also managed to generate additional liquidity in the form of credit lines for the approximate amount of USD 1.6 billion, thus increasing available credit lines to USD 3.1 billion as of June 30, 2018.

As of 30 June 2018, all three international rating agencies Fitch, Moody's and S&P Global rated the Company's credit at the investment grade. Moody's, with a review of the company's credit rating conducted on January 29, 2018, assigned "Positive" forecast.

Attachment A

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2018

US Dollars million

	For the six months ended 30 June 2018	For the six months ended 30 June 2017
Revenue		
Metal sales	5,473	3,896
Other sales	361	352
Total revenue	**5,834**	**4,248**
Cost of metal sales	(2,212)	(1,906)
Cost of other sales	(334)	(309)
Gross profit	**3,288**	**2,033**
General and administrative expenses	(444)	(353)
Selling and distribution expenses	(35)	(28)
Impairment of non-financial assets	(6)	(25)
Other net operating expenses	(80)	(215)
Operating profit	**2,723**	**1,412**
Foreign exchange (loss)/gain, net	(453)	21
Finance costs	(246)	(265)
Gain from disposal of subsidiaries and assets classified as held for sale	–	16
Income from investments, net	32	34
Profit before tax	**2,056**	**1,218**
Income tax expense	(403)	(303)
Profit for the period	**1,653**	**915**
Attributable to:		
Shareholders of the parent company	1,675	918
Non-controlling interests	(22)	(3)
	1,653	**915**
EARNINGS PER SHARE		
Basic and diluted earnings per share attributable to shareholders of the parent company (US Dollars per share)	10.6	5.8

Attachment B

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED) AT 30 JUNE 2018

US Dollars million

	At 30 June 2018	At 31 December 2017
ASSETS		
Non-current assets		
Property, plant and equipment	10,336	10,960
Intangible assets	154	148
Other financial assets	201	192
Deferred tax assets	77	77
Other non-current assets	545	732
	11,313	**12,109**
Current assets		
Inventories	2,596	2,689
Trade and other receivables	465	327
Advances paid and prepaid expenses	89	71
Other financial assets	62	99
Income tax receivable	93	82
Other taxes receivable	245	296
Cash and cash equivalents	3,438	852
Other current assets	102	110
	7,090	**4,526**
TOTAL ASSETS	**18,403**	**16,635**
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	6	6
Share premium	1,254	1,254
Translation reserve	(4,939)	(4,490)
Retained earnings	7,708	7,557
Equity attributable to shareholders of the parent company	**4,029**	**4,327**
Non-controlling interests	281	331
	4,310	**4,658**
Non-current liabilities		
Loans and borrowings	9,150	8,236
Provisions	432	464
Trade and other long-term payables	396	402
Deferred tax liabilities	403	407
Other long-term liabilities	118	116
	10,499	**9,625**
Current liabilities		
Loans and borrowings	118	817
Trade and other payables	1,301	783
Dividends payable	1,539	6
Employee benefit obligations	316	377
Provisions	164	189
Derivative financial instruments	4	24
Income tax payable	10	9
Other taxes payable	142	147
	3,594	**2,352**
TOTAL LIABILITIES	**14,093**	**11,977**
TOTAL EQUITY AND LIABILITIES	**18,403**	**16,635**

Attachment C

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2018

US Dollars million

	For the six months ended 30 June 2018	For the six months ended 30 June 2017
OPERATING ACTIVITIES		
Profit before tax	**2,056**	**1,218**
Adjustments for:		
Depreciation and amortisation	350	307
Impairment of non-financial assets	6	25
Gain from disposal of subsidiaries and assets classified as held for sale	–	(16)
Change in provisions and allowances	(3)	48
Finance costs and income from investments, net	214	231
Foreign exchange loss/(gain), net	453	(21)
Other	9	8
	3,085	**1,800**
Movements in working capital:		
Inventories	131	(107)
Trade and other receivables	(173)	(50)
Advances paid and prepaid expenses	(30)	(17)
Other taxes receivable	33	18
Employee benefit obligations	(29)	24
Trade and other payables	536	(172)
Provisions	(22)	(30)
Other taxes payable	2	21
Cash generated from operations	**3,533**	**1,487**
Income tax paid	(390)	(320)
Net cash generated from operating activities	**3,143**	**1,167**
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(503)	(697)
Purchase of intangible assets	(33)	(14)
Purchase of other non-current assets	(99)	(82)
Loans issued	(3)	(9)
Proceeds from repayment of loans issued	4	38
Net change in deposits placed	51	(50)
Proceeds from sale of other financial assets	–	5
Proceeds from disposal of property, plant and equipment	1	20
Proceeds from disposal of subsidiaries and assets classified as held for sale	–	88
Interest and other investment income received	39	46
Net cash used in investing activities	**(543)**	**(655)**

Attachment C

INTERIM CONDENSED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2018 (CONTINUED)

US Dollars million

	For the six months ended 30 June 2018	For the six months ended 30 June 2017
FINANCING ACTIVITIES		
Proceeds from loans and borrowings	1,210	1,655
Repayments of loans and borrowings	(879)	(1,344)
Financial lease payments	(5)	(6)
Dividends paid	(1)	(1,172)
Interest paid	(264)	(310)
Proceeds from sale of a non-controlling interest in a subsidiary	–	21
Net cash generated from/(used in) financing activities	**61**	**(1,156)**
Net increase/(decrease) in cash and cash equivalents	**2,661**	**(644)**
Cash and cash equivalents at the beginning of the period	**852**	**3,325**
Effects of foreign exchange differences on balances of cash and cash equivalents	(75)	(35)
Cash and cash equivalents at the end of the period	**3,438**	**2,646**

Attachment D

NET WORKING CAPITAL

USD million	**30/06/2018**	**31/12/2017**	**Change**	**incl. effects of foreign exchange differences**
Finished goods	569	655	(86)	(37)
Work-in-process	1,331	1,329	2	(115)
Other inventories	696	705	(9)	(59)
Trade and other receivables	465	327	138	(10)
Advances paid and prepaid expenses	89	71	18	(9)
Taxes receivable	338	378	(40)	(27)
Employee benefit obligations	(316)	(377)	61	33
Trade and other payables	(1,301)	(783)	(518)	82
Taxes payable	(152)	(156)	4	13
Total working capital	**1,719**	**2,149**	**(430)**	**(129)**

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 are located at the Norilsk Industrial District, on the Kola Peninsula and Chita region in Russia as well as in Finland and South Africa.

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.

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