



NORNICKEL



1H 2018 Financial Results Presentation

August 13, 2018

Moscow

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1H 2018 Highlights

Consolidated Revenue

\$5.8bn

up 37% vs 1H'17

- + Realized metal prices (except for Pt)
- + Output of PGMs and Cu
- + Sales of Pd from stock
- Pt price, Ni output

EBITDA

\$3.1bn

up 77% vs 1H'17

- + Higher metal revenue
- + Implementation of operational efficiency programme

Net Working Capital

\$1.7bn

down 20% vs Dec'31

- + Sale of palladium stock accumulated in 2017
- + Optimization of capital structure

Free Cash Flow

\$2.6bn

up 5x vs 1H'17

- + EBITDA increase
- + Reduction of working capital
- + Lower CAPEX

CAPEX

\$0.5bn

down 25% vs 1H'17

CAPEX was lower as large investment projects including active phase of Bystrinsky (Chita), modernization of Talnakh Concentrator and a number of energy infrastructure projects were completed in 2017

Net Debt/EBITDA ratio

1.1x

down from 2.1x

Net debt/EBITDA ratio back to mid-cycle level. In January Moody's rating agency has raised Nor Nickel credit rating to the investment grade level Baa3 and changed the outlook from «Stable» to «Positive»

Annual 2017 dividends

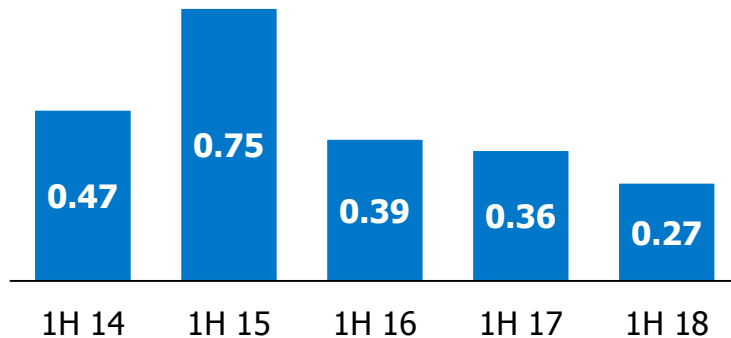
\$1.5bn

Annual dividends in the amount of USD 9.63 per share were announced in June 2018 and paid in July-August

Health & Safety: Improving Safety Records

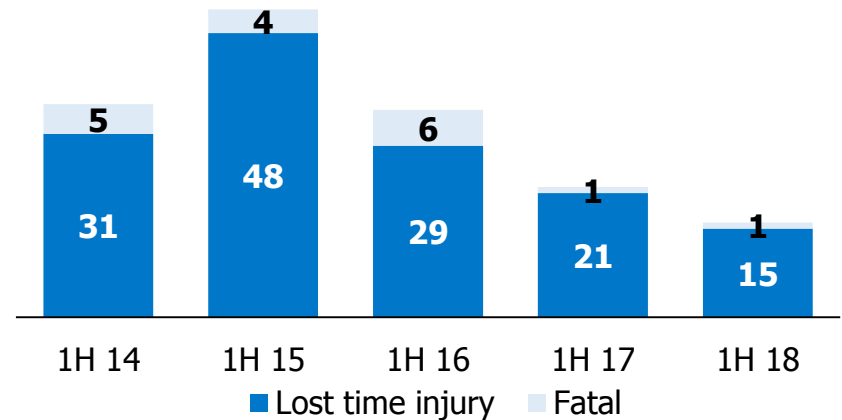
LTIFR: Improved to Record Low Levels

LTIFR (1×10^{-6})



Accident Statistics Improved

employees



- LTIFR remains below the global mining industry average, down 25% y-o-y
- Company is committed to create a strong safety culture at all levels of the organization
- The management considers the health and safety of employees as the key strategic priority and reiterates its commitment to reduce fatalities to zero

- Total recordable fatal accidents and lost time inquiries rates decreased 27% y-o-y
- 22 internal audits of Occupational Safety and Health management system were conducted in 1H 2018
- 37 employees violated cardinal health and safety rules (versus 55 in 1H 2017), of which 33 employees were fired (versus 44 in 1H 2017)

Commitment to Developing Sustainable Value

Independent Recognition of Company's ESG Efforts

✓ Signatory to UN Global Compact since 2016



Upgraded to Average performer from Underperformer
Score of **58/100** (up from 49 in 2016)



Rating updated in June 2018
Governance score **5/10** ⁽²⁾
Environmental score **4/10**
Social score **2/10**



Upgraded to «B-» from «CCC»
in November 2017



Assigned «C-» rating in December 2017



Reiterated as an index constituent in July 2018
Score of **3.1/5** ⁽¹⁾ (up from 2.3 in 2017)



Ranked #4/33 in the first environmental ranking of Russian mining companies

Note: 1. of which 5 – is the highest; 2. of which 1- is low, 10 – is high risk

Markets Overview

Metals Markets Outlook

Metal

Ni

Pd

Pt

Cu

kt

moz

moz

kt

Non-exchange

Exchange

Jan-17

Dec-18

Other elastic

Other non-elastic

ETF

Jan-17

Dec-18

Other

ETF

Jan-17

Dec-18

Non-exchange

Exchange

Jan-17

Dec-18

kt

moz

moz

kt

Deficit

Deficit (1)

Balanced(1)

Balanced

(106)

(124)

(87)

2017

2018E

2019E

(0.6)

(0.8)

(1.5)

2017

2018E

2019E

0.3

0.3

0.3

2017

2018E

2019E

80

(180)

(80)

2017

2018E

2019E



Stocks, days of consumption

Market Balance Forecast

Medium-term Fundamentals

Long-term Fundamentals

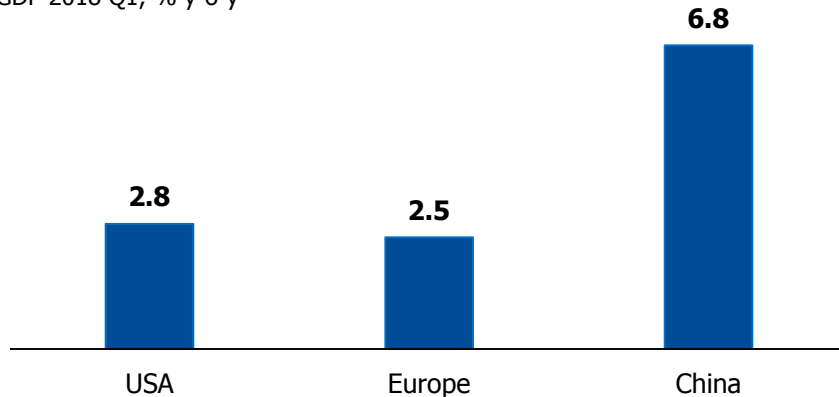
Source: Company data

Note: 1. Excluding ETFs, investment demand and industry stocks movement. Numbers are rounded separately

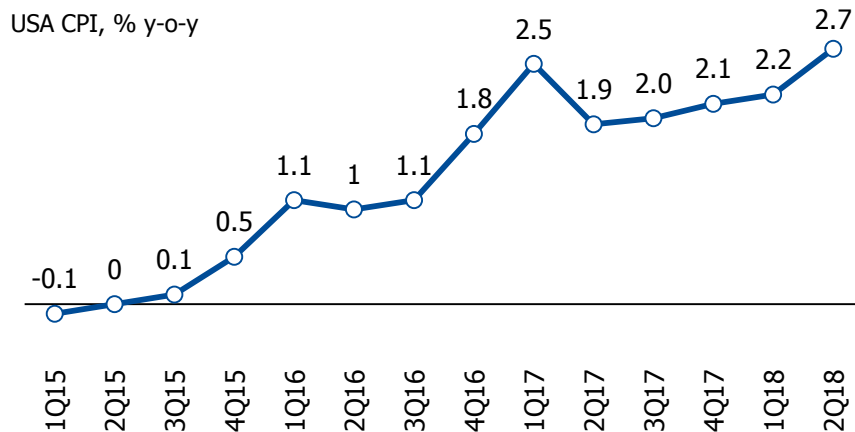
Macro Fundamentals – Mixed Backdrop for Commodities

Strong GDP Growth Rates Globally, while Inflation is Picking Up...

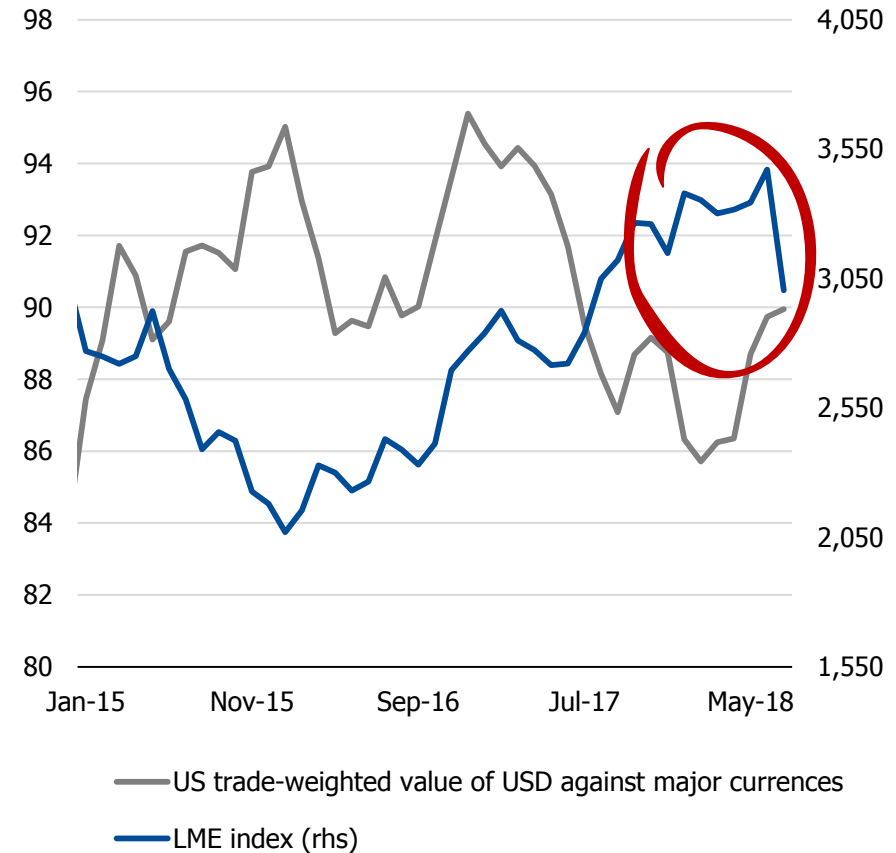
GDP 2018 Q1, % y-o-y



USA CPI, % y-o-y



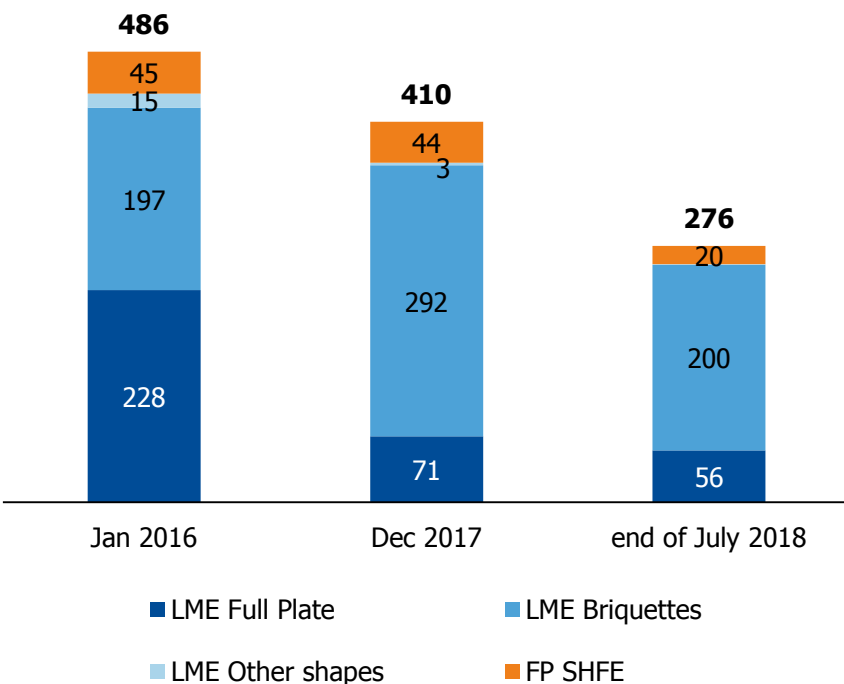
... and USD Strengthening, which is Normally Inversely Correlated with Base Metal Prices



Nickel Stocks Are Rapidly Falling

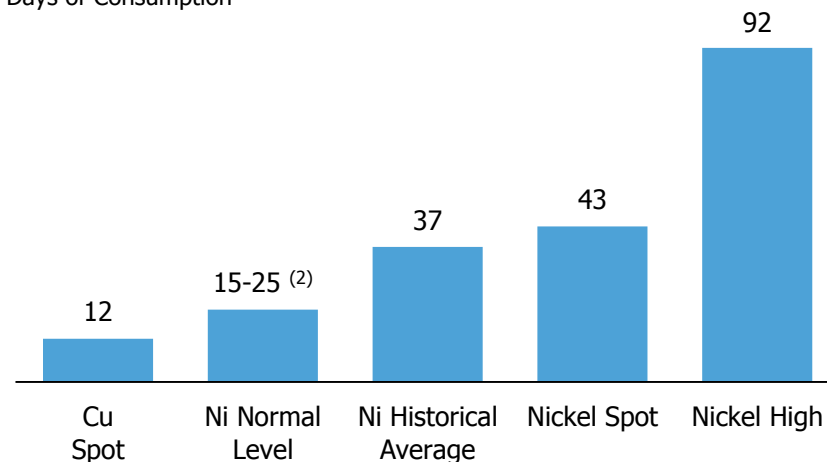
Total Exchange Nickel Inventories:
Down 33% or 136kt ⁽¹⁾ YTD vs. 55kt in 2017

kt



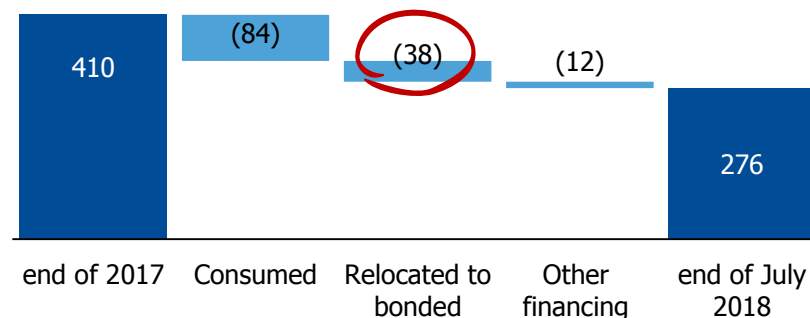
... More than Halved from Peak Levels of Early 2016, but Still Twice Above Normal...

Days of Consumption



... and Not All Exchange Stocks Were Drawdown for Consumption

kt



Source: Company data, SMM

Note: 1. As of July 31, 2018, 2. According to markets participants, customers

Historical Ni Price Correlations are Broken – Helped by the Battery Hype?

Ni vs. Stainless Steel:
Break Up of Historical Relationship...

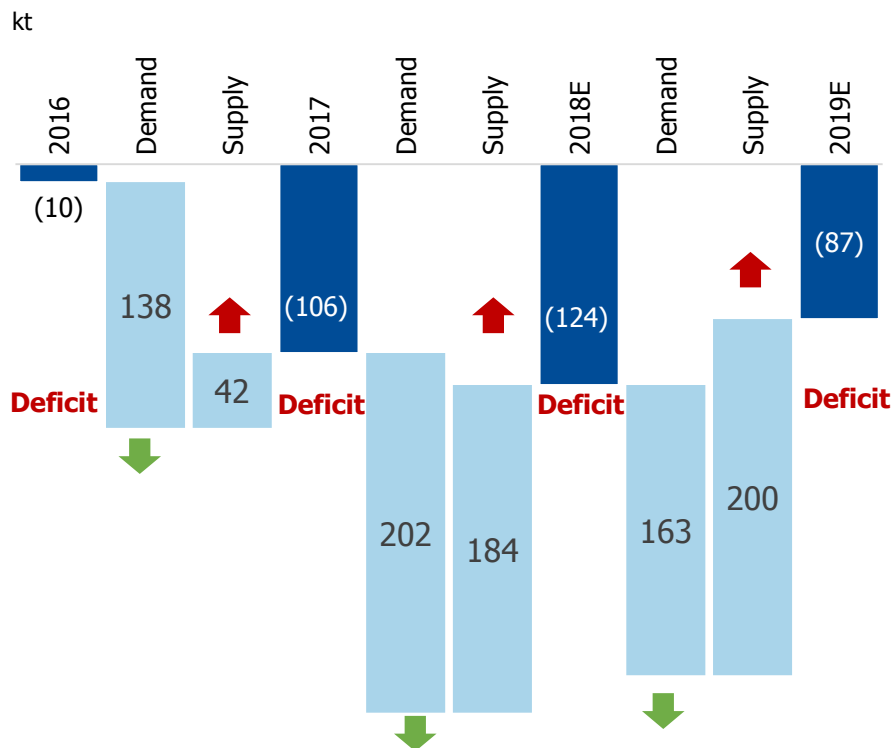


...and a New Relationship Established:
Ni vs. Co price



Nickel Market Short-Term Outlook: Forecast Larger Deficit

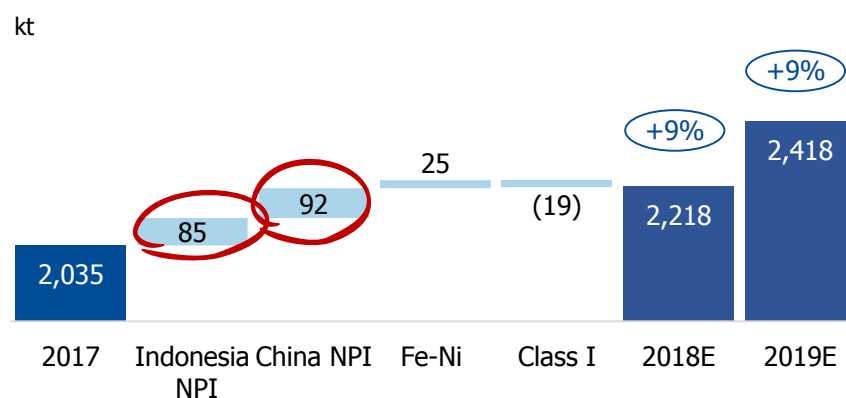
Nickel Market Balance: Sizeable Deficit to Extend in 2018



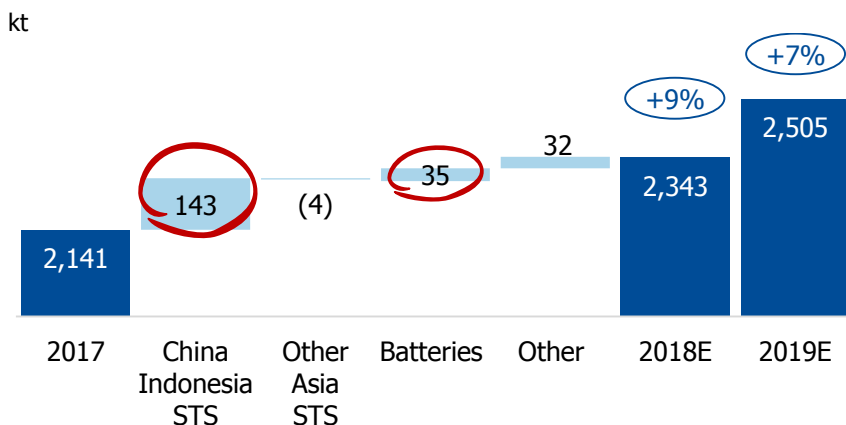
Deficit forecast for 2018E revised from -15kt ⁽¹⁾ to -124kt:

- Faster-than-expected expansion of stainless output in Indonesia and China
- NPI output curtailments due to environmental restrictions in China

Ni Supply: Growth Driven by NPI Production in Indonesia and China, Class 1 - Down



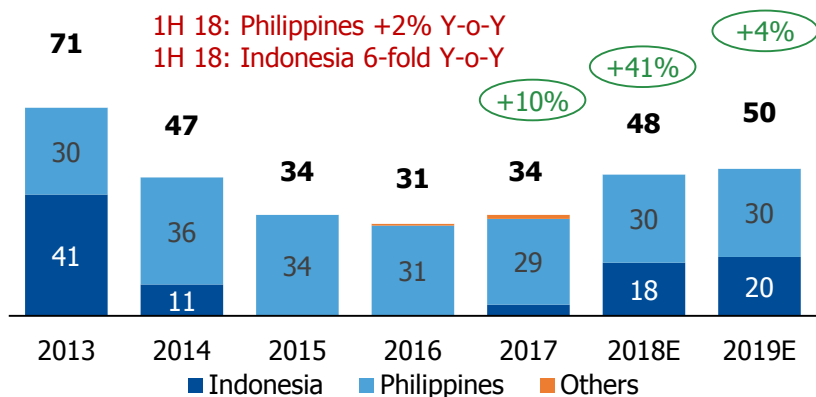
Ni Demand: Strong Growth in Stainless Steel in Indonesia and China and the Battery Sector



Record High NPI Output is Coupled With Major STS Growth in Indonesia & China

Nickel Ore Supply to China is Rising on Rising Ore Exports from Indonesia

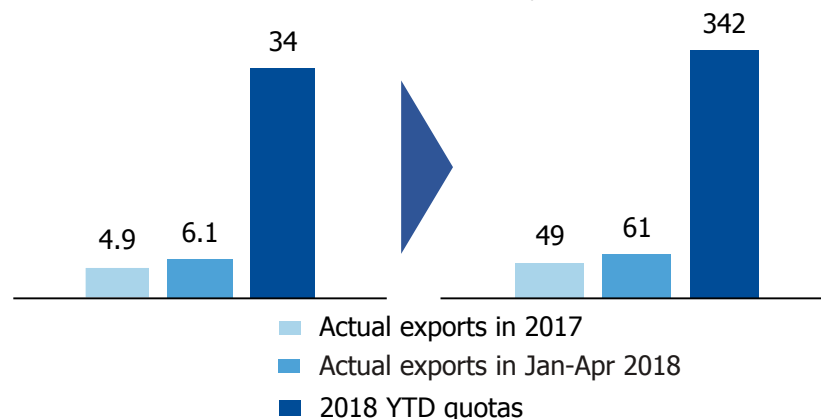
mt of ore



Ni Ore Export from Indonesia Ramps Up Quickly: 2018YTD Quotas for 34 Mln Exports Have Been Granted

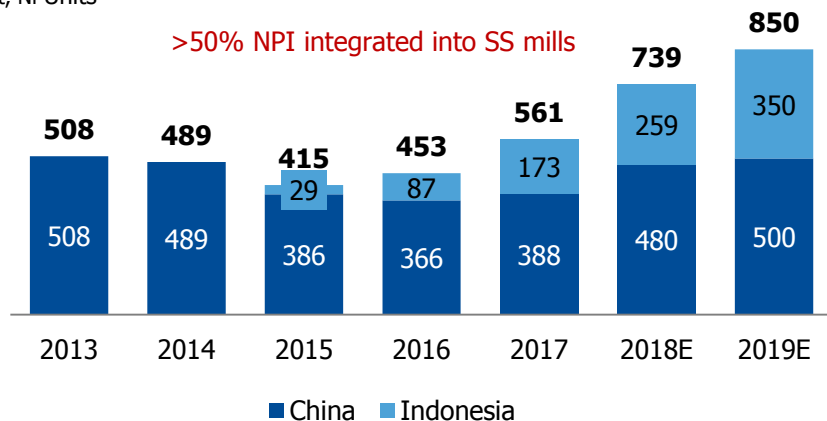
ore, mln (wmt)

Ni unites, contained kt



Global NPI Production: Supply from China & Indonesia Expected to Grow Strongly in 2018-19

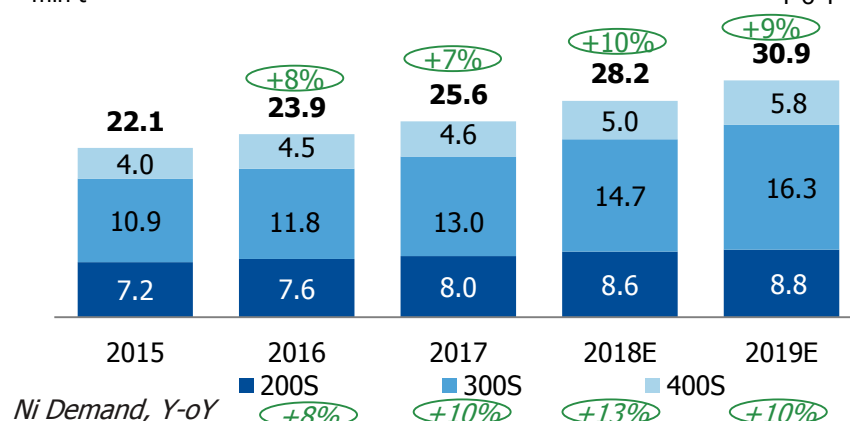
kt, Ni Units



Strong Nickel Demand Growth in Stainless in China and Indonesia Combined

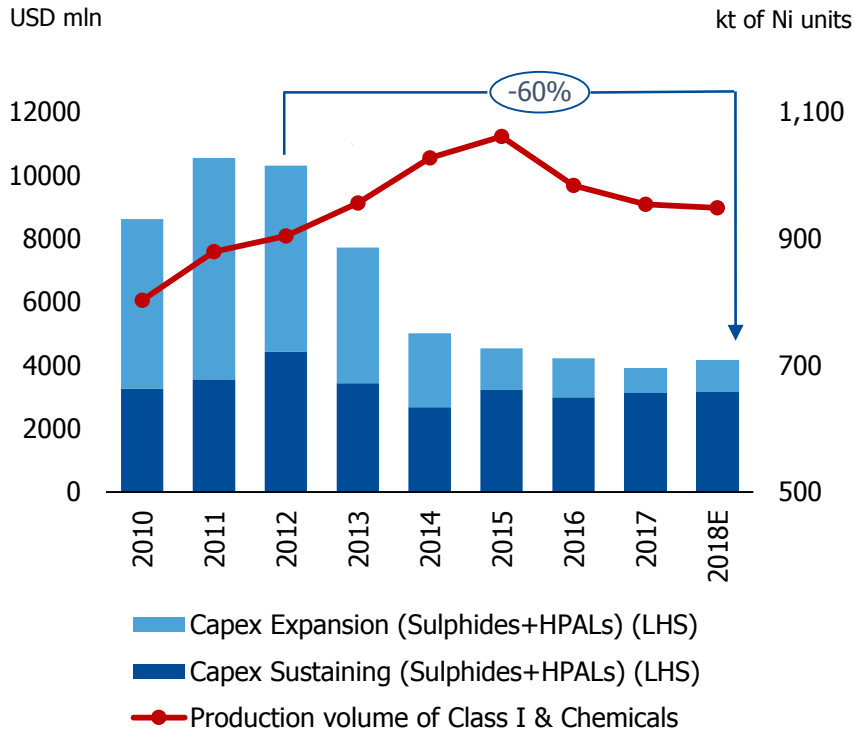
mln t

Y-o-Y

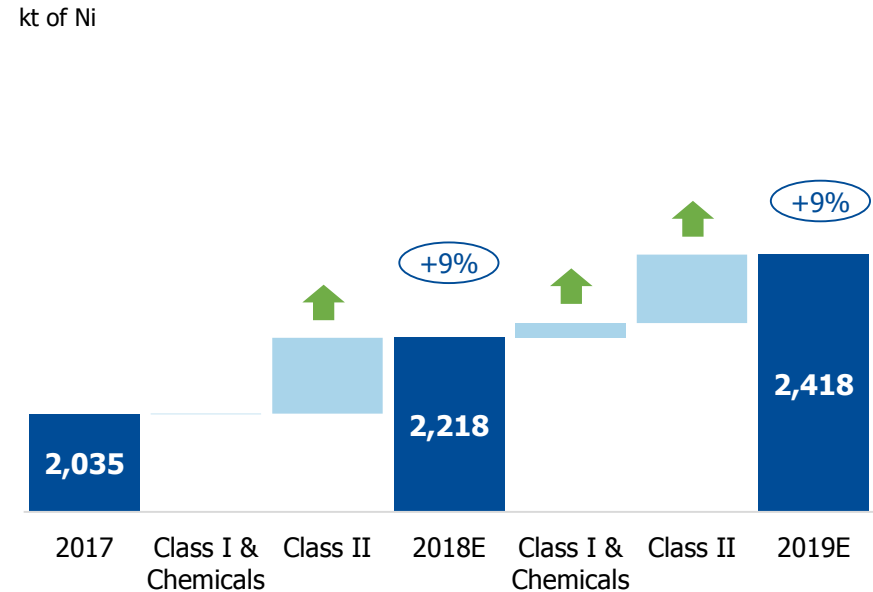


Limited Growth Potential for Nickel Supply from Sulphide Ores

Underinvestments Impacting Class I and Battery Grade Ni Production⁽¹⁾



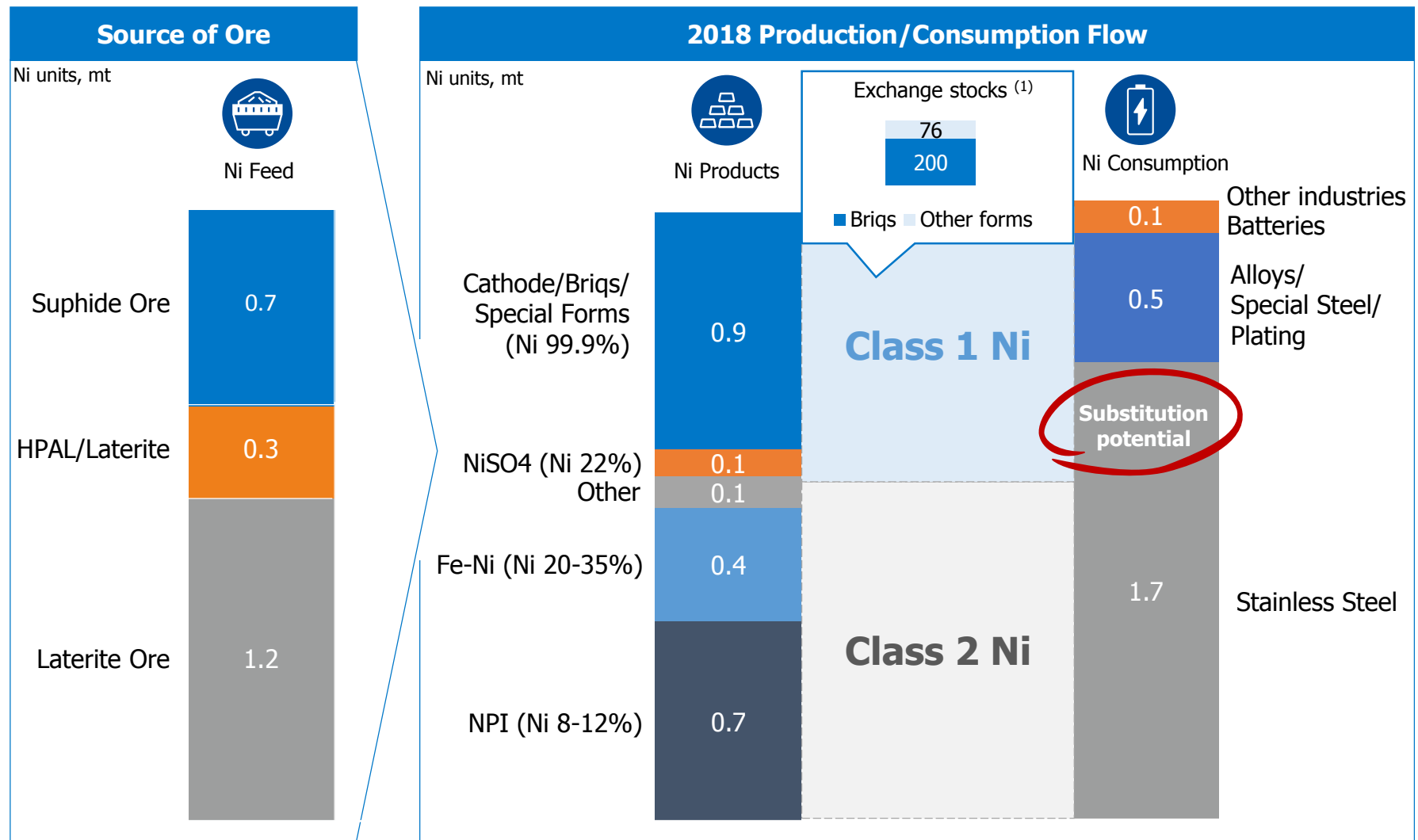
Nickel Production Increase is Driven Mostly by Low-grade Ni Products from Laterite Ores while Ni Production from Sulphide Ores is Down



Source: Wood Mackenzie, Companies official reports, Company Data

Note: 1. Analysis is based on 46 sulphide and laterite projects

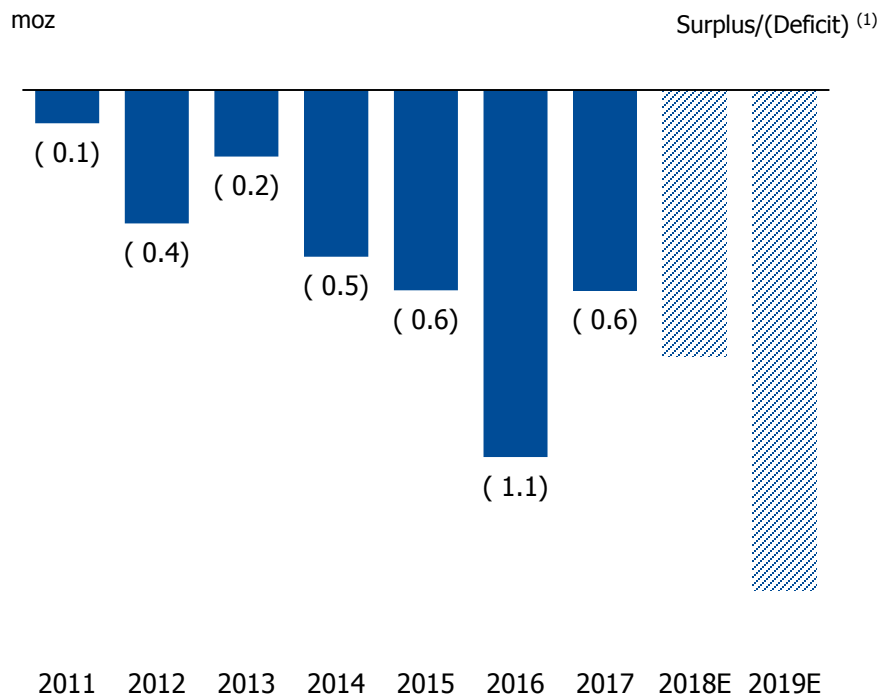
Growing Volumes of Low Grade Ni Feed Unlocks Class 1 Ni for Other Applications



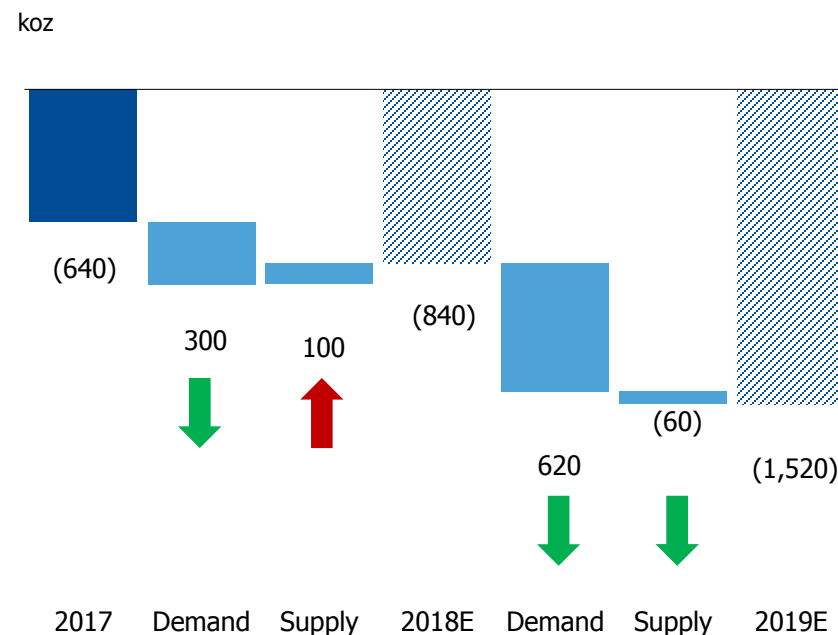
Source: Company data
Note: 1. As of July 31, 2018

Palladium Market - Structural Deficit Continue in 2018-2019

Global Palladium Market Balance: Apparent Production/Consumption Deficit Expanding in 2018



Automotive is the Main Driver of Consumption Growth while Recycling is a Major Source of Additional Supply

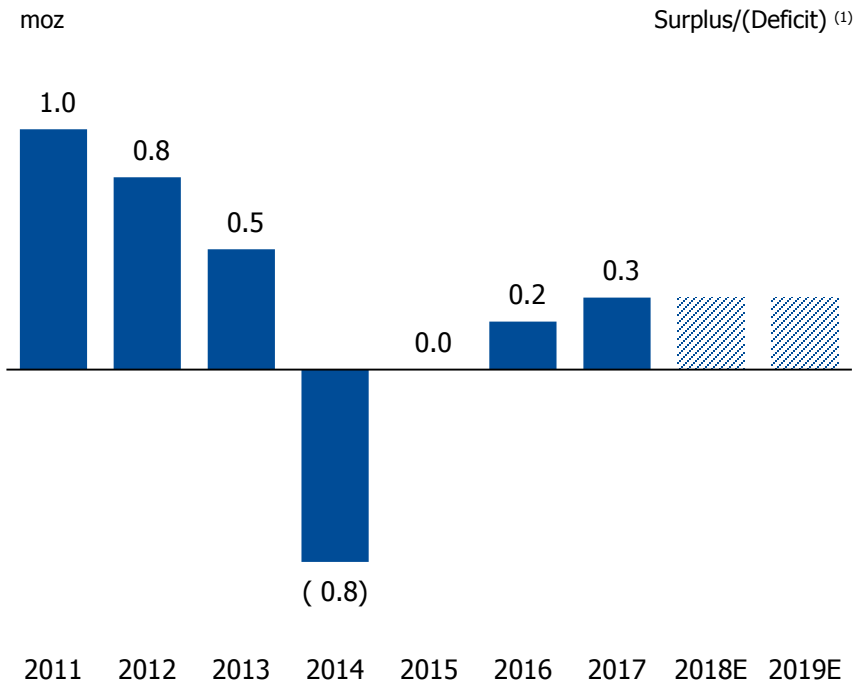


Source: Company data

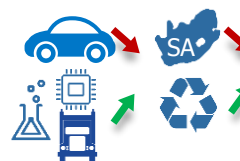
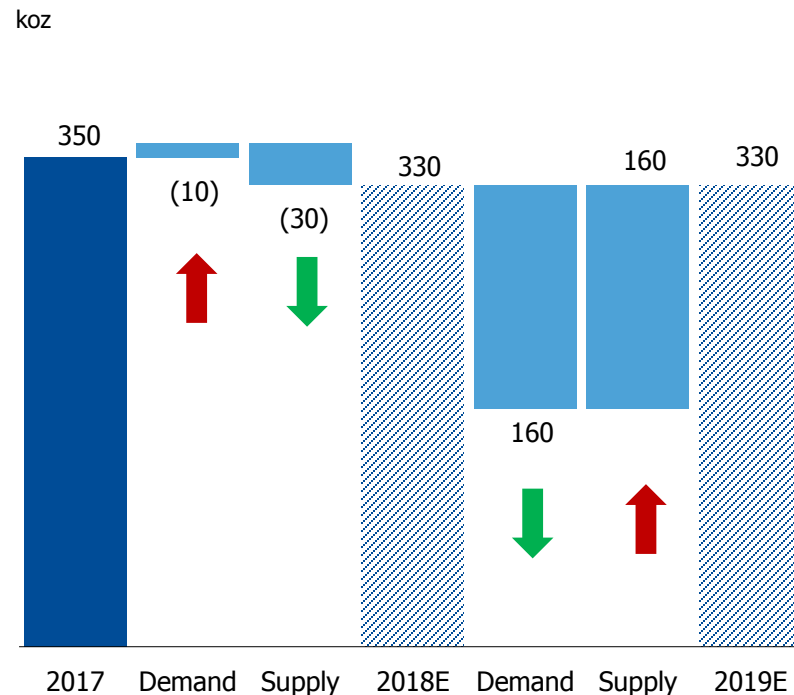
Note: 1. Excluding ETFs, investment demand and industry stocks movement. Numbers are rounded separately

Platinum Market Remains Balanced on Stable Demand

Global Platinum Market Balance: Apparent Deficit Has Evaporated on Rising Supply
















Recovery of Demand Expected to Match Supply in 2019



Source: Company data

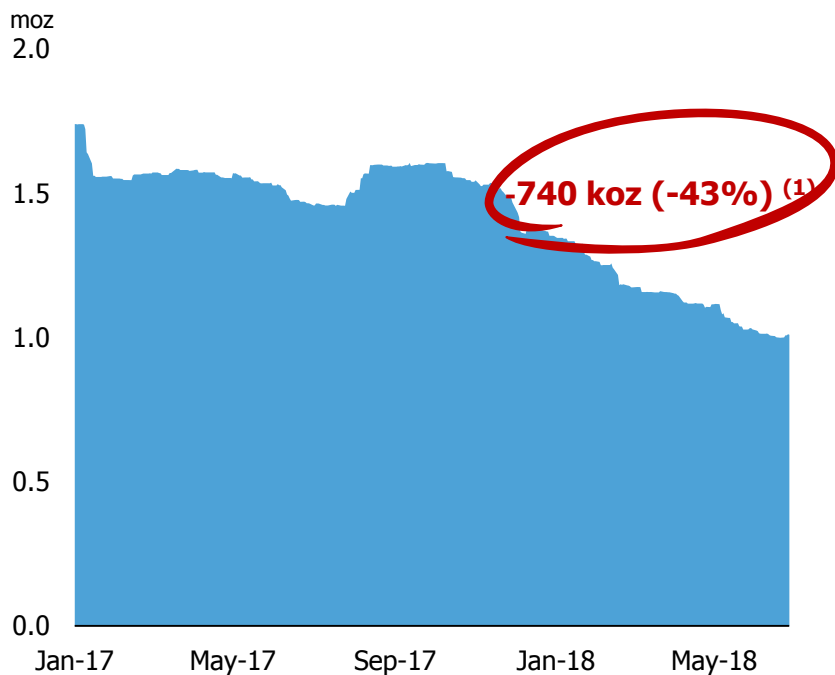
Note: 1. Excluding ETFs, investment demand and industry stocks movement. Numbers are rounded separately

Key Auto Trends Impacting Metals Demand

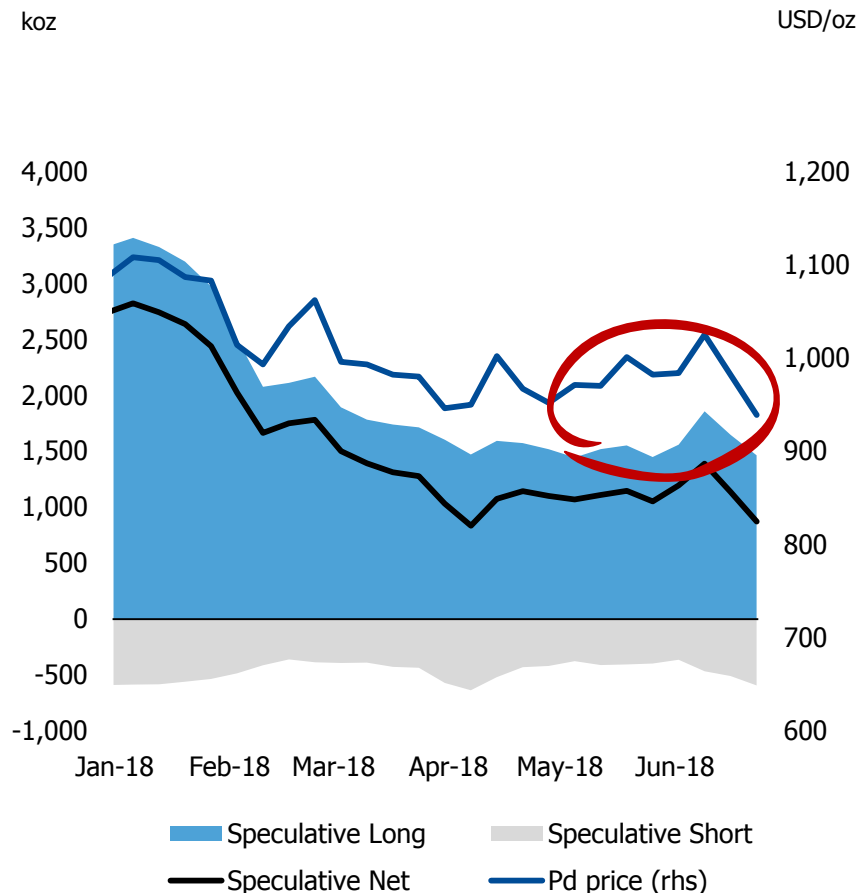
		Demand Implications			
		Ni	Pd	PGMs	Pt
Sustainable global automotive production growth					
Diesel substitution by gasoline vehicles					
Growth of hybrids market share					
Growth of SUVs market share and engine downsizing termination					
Strengthening in emissions legislation					
Electric vehicles/batteries					

Decrease in ETF Holdings, NYMEX Longs Liquidation and Fears of Further Sanctions on Russia Increased Pd Price Volatility in 1H 2018

Net Outflows from Palladium ETFs Continued...

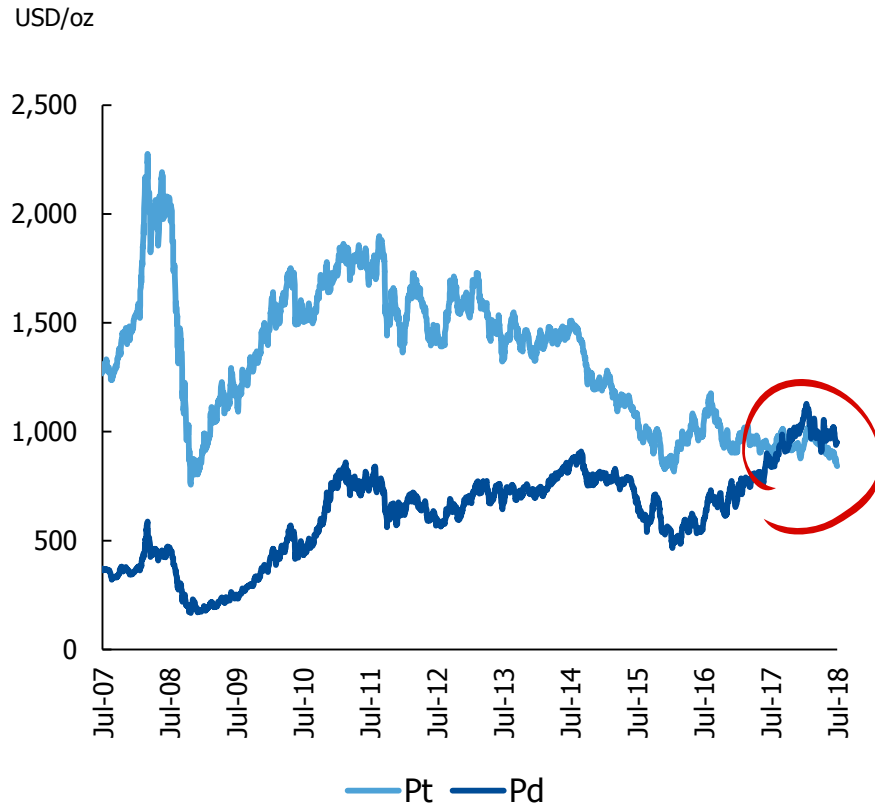


...while Net Long Positions on NYMEX were Reduced due to Profit Taking by Investors – Negative for Pd Price



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

Palladium Established a Sustainable Premium to Platinum on Stronger Fundamentals...



... as Pd Loadings in Gasoline Vehicles are Supported by Higher Fair Value-in-Use

Palladium is more efficient than platinum in current gasoline engine exhaust gas after treatment systems

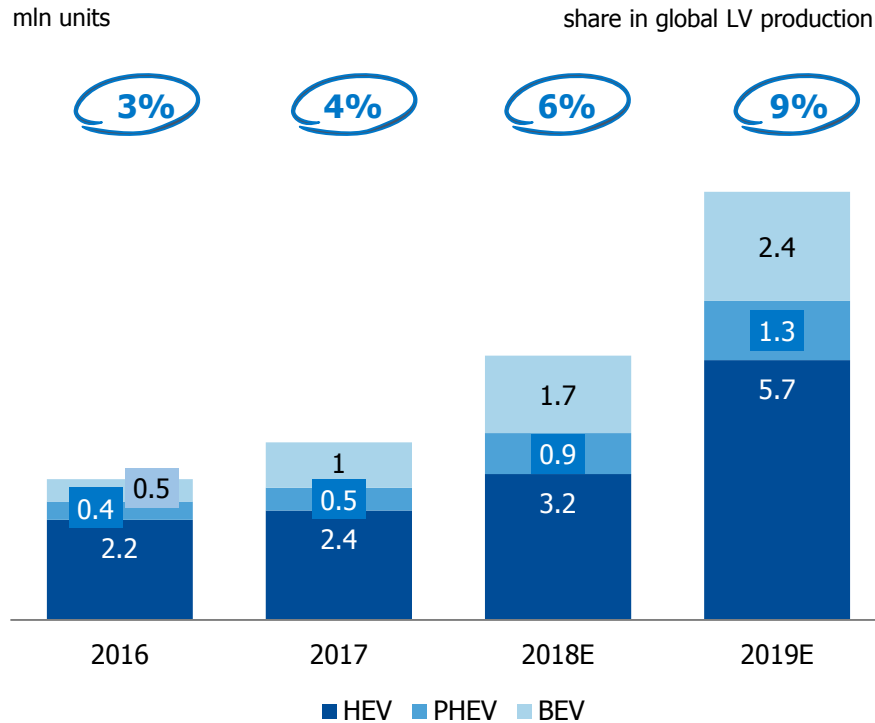
Turbocharging, hybridization & Real Driving Emissions testing limit substitution opportunity

2+ years required to certify and roll out new loadings

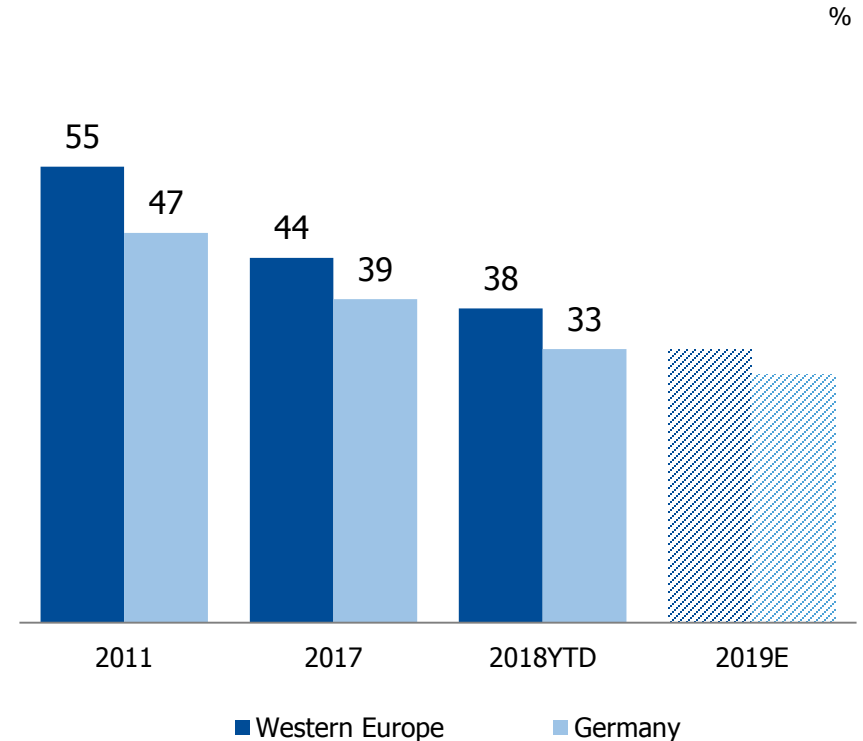
Palladium premium over platinum is sustainable in the medium term

Current Changes in Autos' Mix are Not Short-Lived

Electric Vehicles Grow Fast, Pd Intensive Hybrids Keep Up Pace



Share of Diesel in New Passenger Cars in Europe Continues to Decline

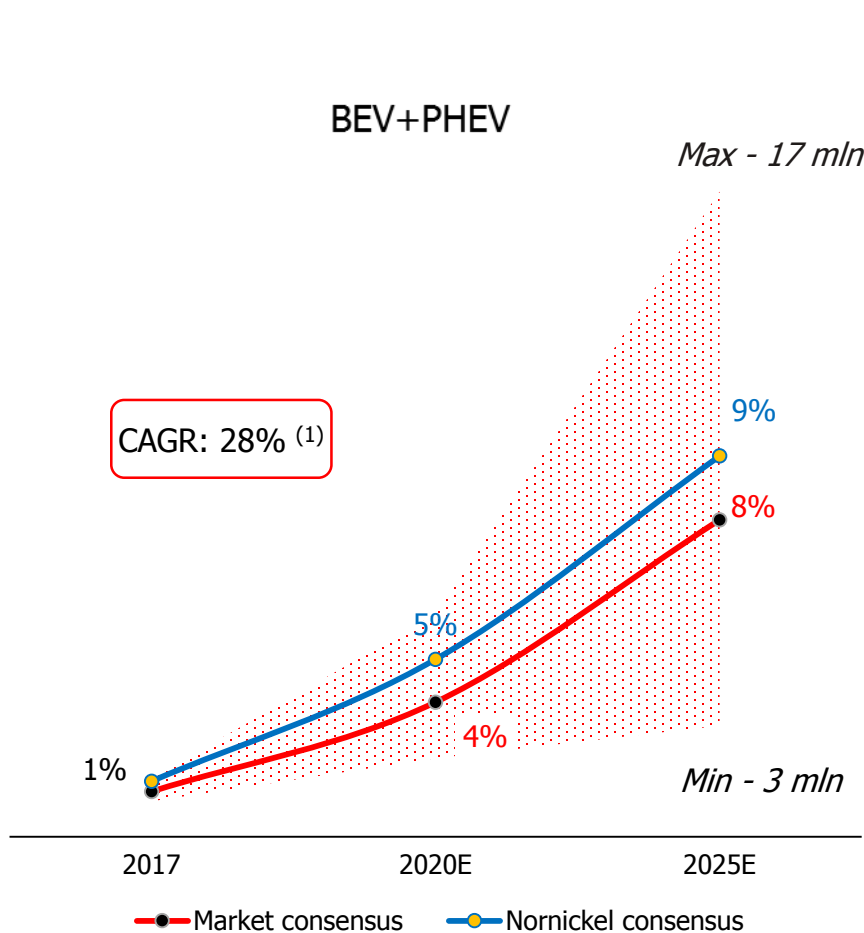


Source: Company data, LMC Automotive, JATO, ACEA

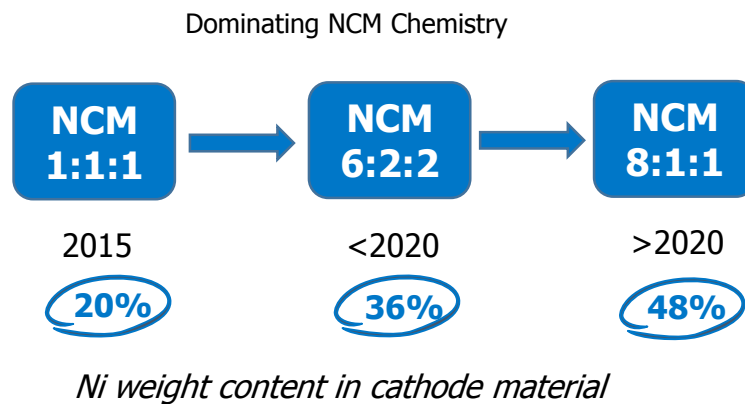
Note: LV – light vehicles, BEV – battery electric vehicles, PHEV – plug-in hybrids. Numbers are rounded separately.

Li-ion EV Battery Trends and Their Impact on Nickel Demand

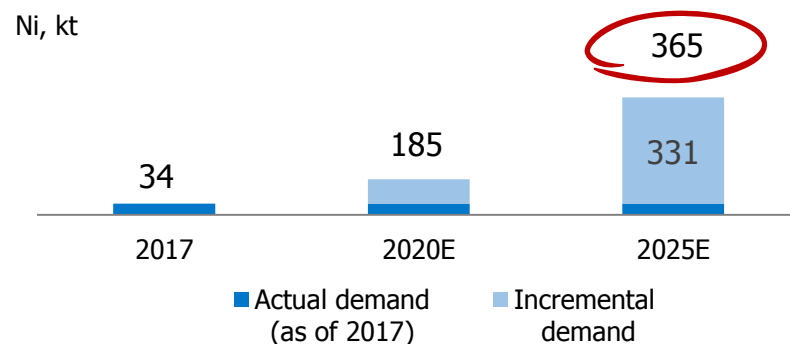
Wide Range of EVs Forecasts due to Major Uncertainties Regarding the Evolution of Battery Technologies



Technological Shift to More Ni-intensive NCM Driven by Higher Energy Density Requirements and Substitution Away from Cobalt



Global Consumption of Ni in EV Li-ion Batteries could Reach 365kt if Consensus Materializes

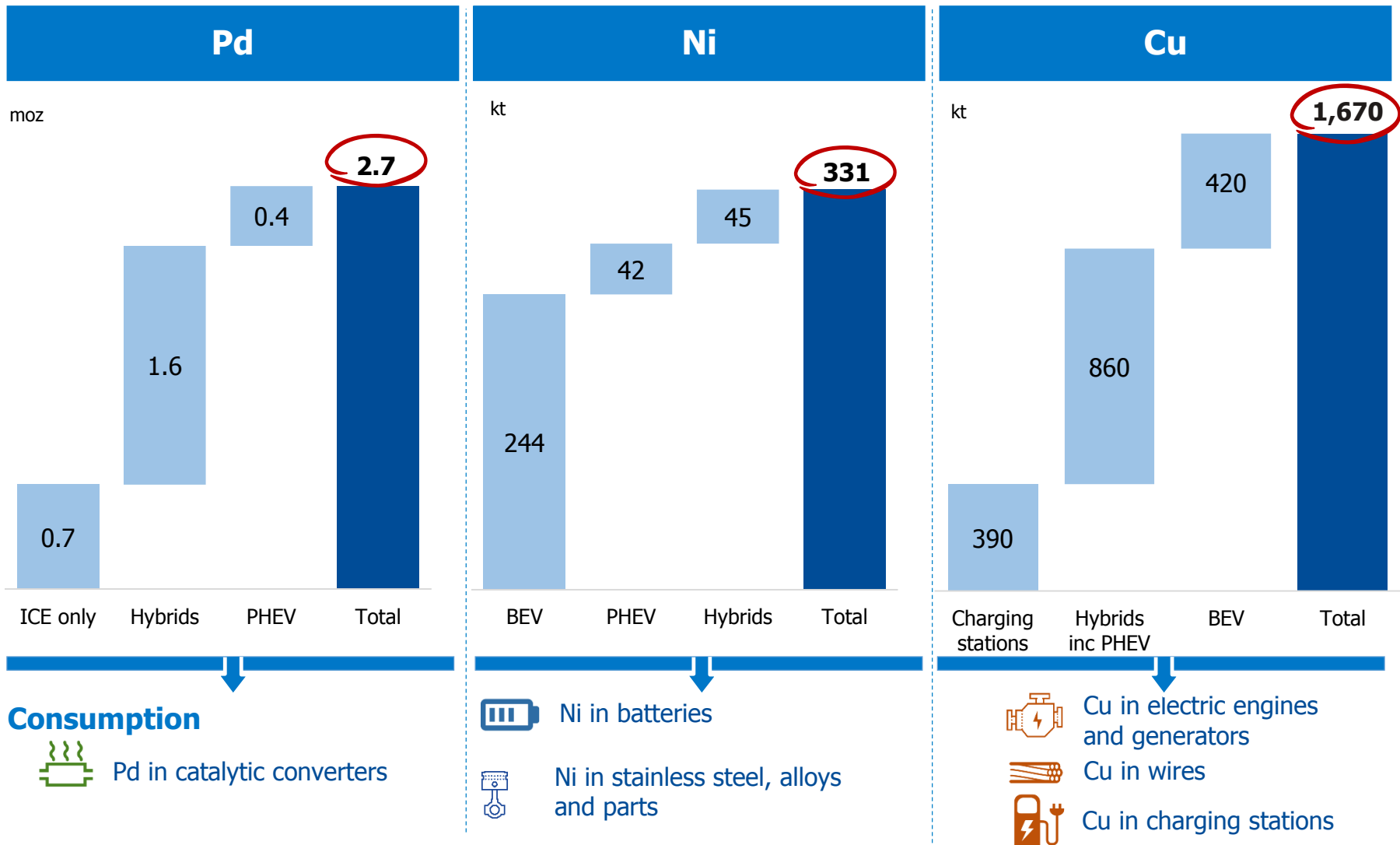


Source: Company data, market consensus

Note: 1. CAGR for the period 2016-2025E. Ni consumption in batteries shown at the precursor material basis

Autos Driven Metals Demand Outlook in 2017-2025E






Metal



Source: Company data

Note: 1. Assuming additional 18 mln units of light vehicle sales, 2. Ni consumption in batteries shown at the precursor material basis

Norilsk Nickel's Metal Basket Content by Light Vehicle Type

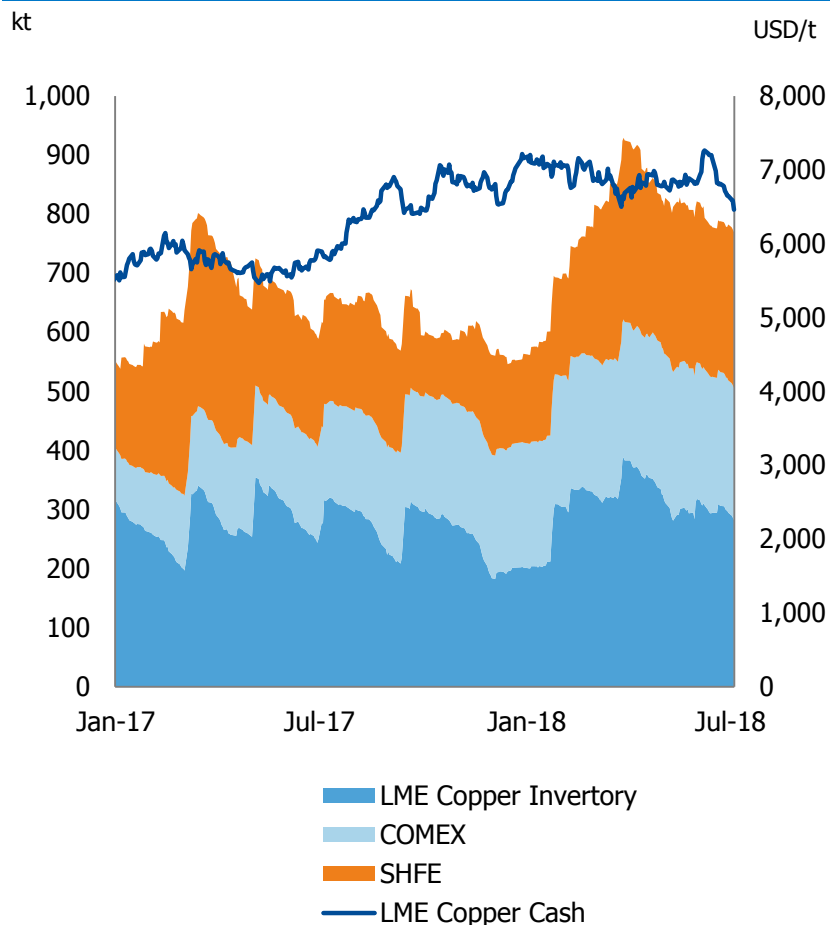
	 Gasoline	 Diesel	 Hybrid incl. PHEV	 BEV	 FCEV
CAGR¹	0%	0%	+27%	+26%	+21%
Market Share²	61%	17%	17%	6%	<1%
Ni	Stainless Steel & Parts 2-4 kg		+Batteries 5–15 kg		2–3 kg
Cu	Wires & Parts 20-25 kg		+Electric Motor, Generator Winding 45-50 kg		70-75 kg
PGM	Catalysts 2-5 g			-	Fuel Cell 25-35 g
Pt:Pd ratio	1:4	8:1	1:4		
Metal value per vehicle, USD⁽⁴⁾	\$250-420	\$250-390	\$510-730	Up to \$1,700	Up to \$1,400

Source: Company estimates, LMC Automotive, Bloomberg;

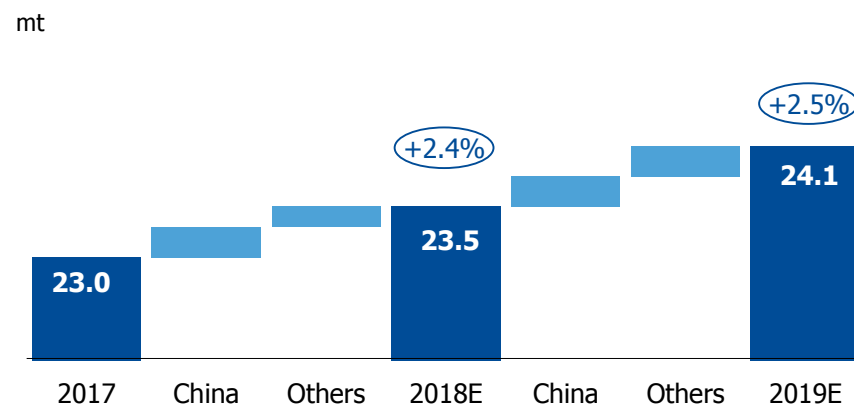
Note: 1. CAGR for 2017-2025E, 2. Expected market share in 2025 based on production; 3. Excluding additional infrastructure demand of 1-8 kg per charger; 4. Metal values calculated at spot prices as of July 4, 2018

Copper Market: Balanced Market, Inventories Slightly Declining

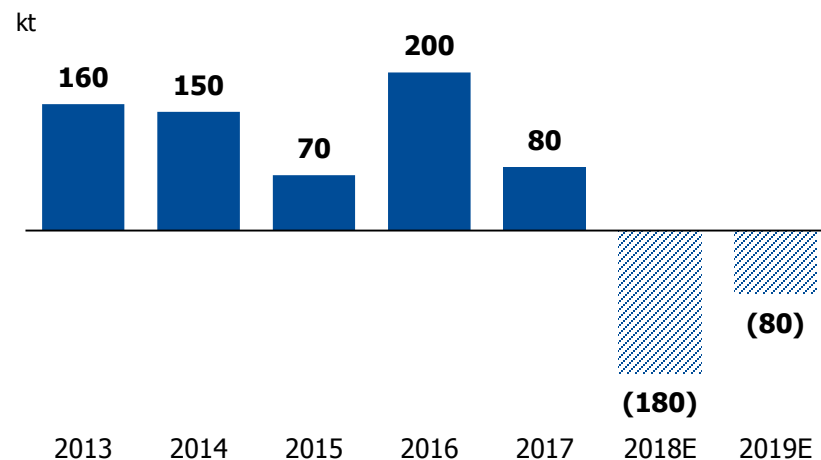
Copper Price Strong, Exchange Stocks Have Been Trending Lower



China Remains the Main Driver of Global Copper Consumption Growth in 2018-2019

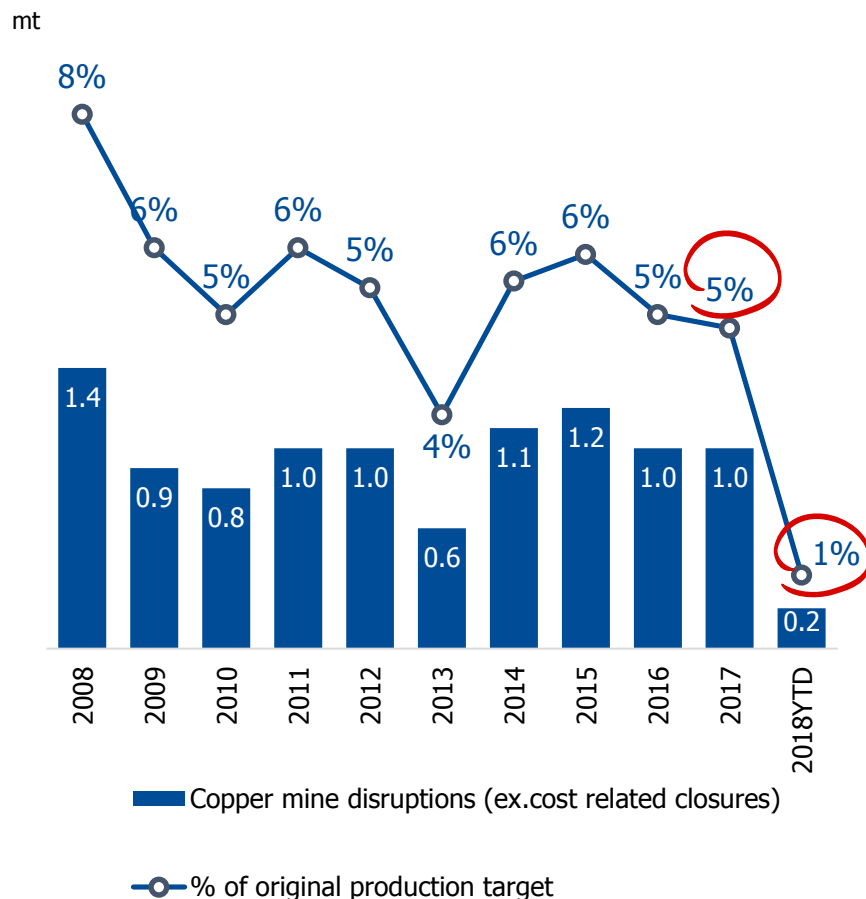


Copper Market Balance: Marginal Deficits in 2018-2019

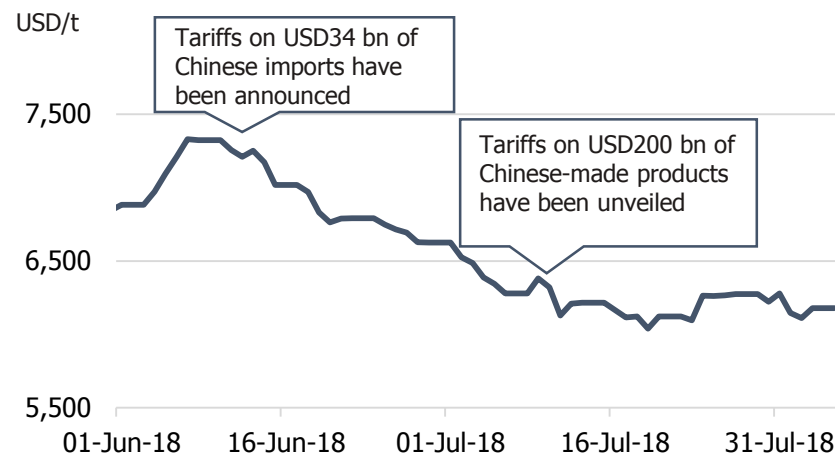


Copper: Demand Concerns Add to Supply Disruptions

Copper Supply Disruptions: 2018 YTD – Well Below Expectations



LME Copper Price in 2018 Declines as US-China Trade Tensions Rise



Key supply disruptions events

- ✓ Industry wide labour strikes in Chile and Peru – did not materialize
- ? Potential labour strike at Escondida – still a possibility
- ✓ Resolution on Grasberg in Indonesia - positive

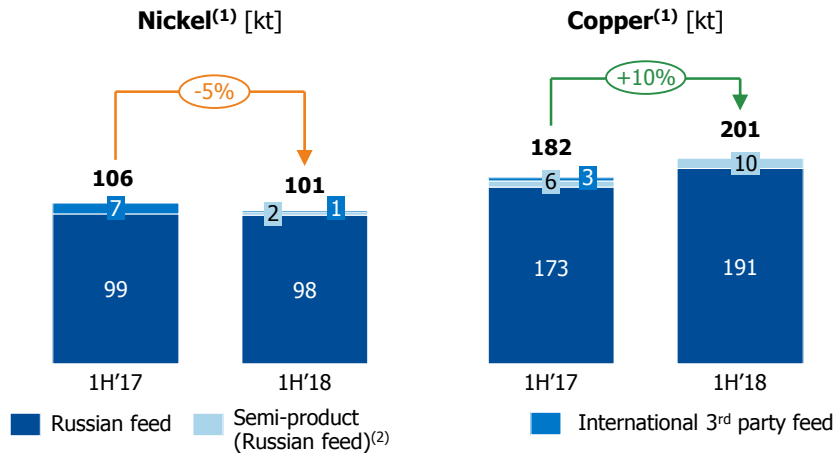
New demand concerns

- ? Negative demand implications from US-China trade tensions
- ✓ RMB depreciation vs. USD

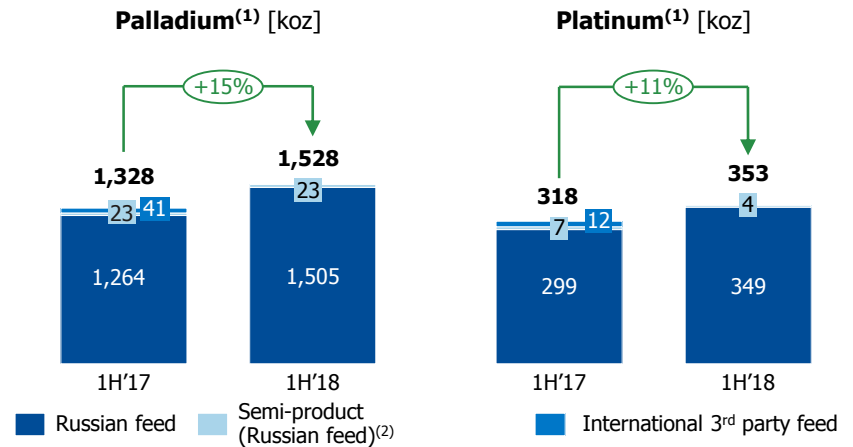
1H 2018 Financial Results

Metal Sales Volumes and Realized Prices

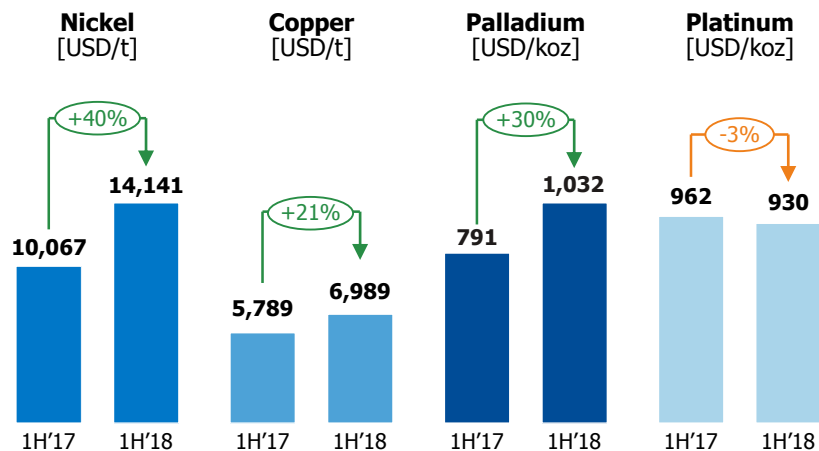
Base Metals Sales: Reduction of 3rd Parties Feed



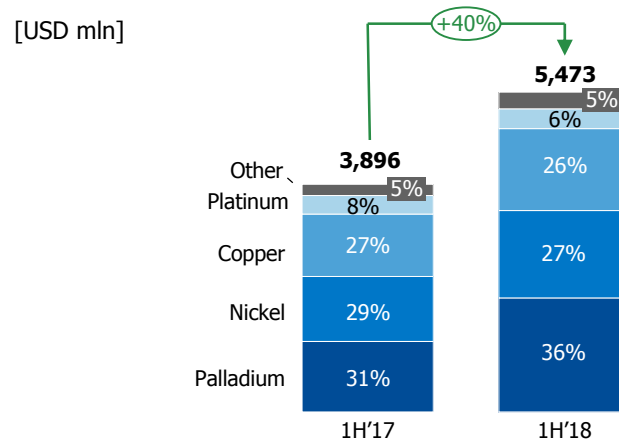
PGM Sales: Additional Sales of Metals from Stock, but Reduction of 3rd Parties Feed



Realized Metals Prices: All Up but Platinum on Strong Commodity Markets



Sales Breakdown by Metals: Palladium is the Largest Contributor to the Revenue



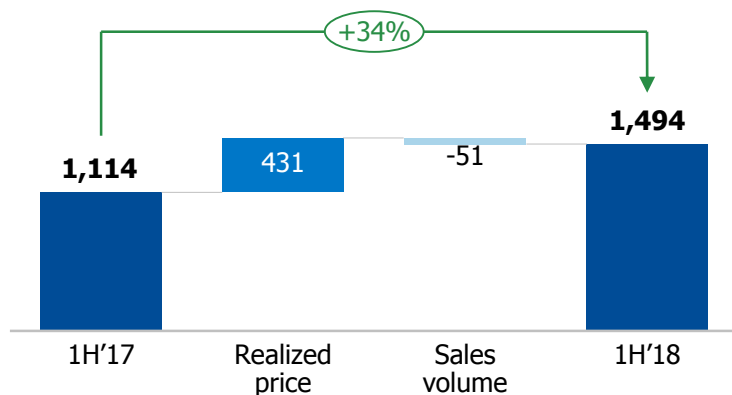
Note 1. All information is reported on the 100% basis, excluding sales of metals and semi-products purchased from third parties.

Note 2. Metal volumes represent metals contained in semi-products.

Metals Revenue: Up on Strong Commodity Markets and Sales Volumes

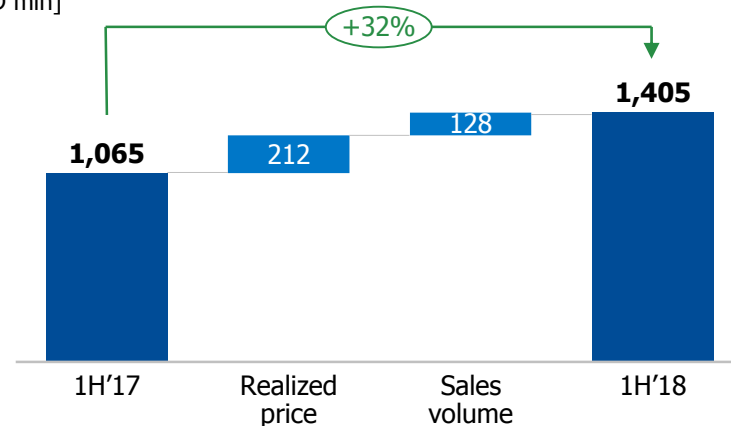
Nickel Revenue: Up 34% on Higher Prices

[USD mln]



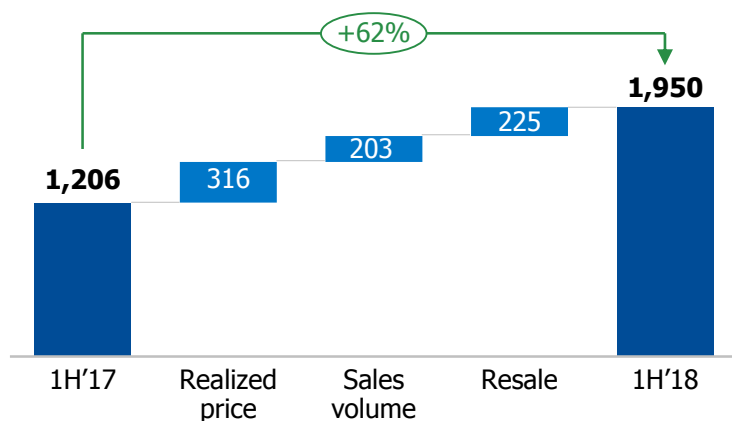
Copper Revenue: Up 32% on Higher Prices and Sales Volumes

[USD mln]



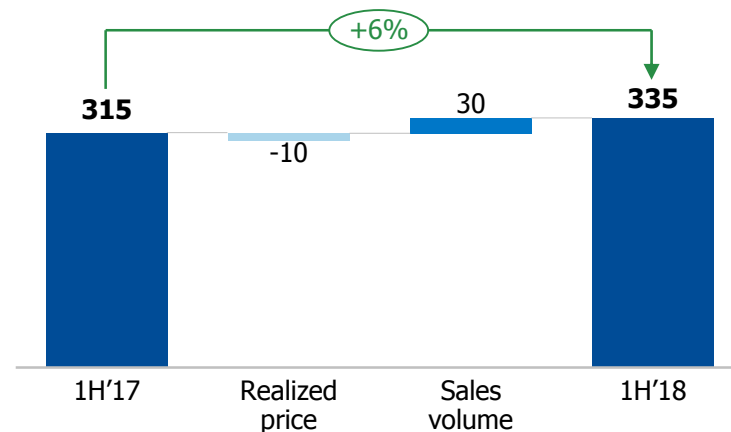
Palladium Revenue: Up 62% on Higher Prices and Sales Volumes

[USD mln]



Platinum Revenue: Up 6% on Higher Sales Volumes

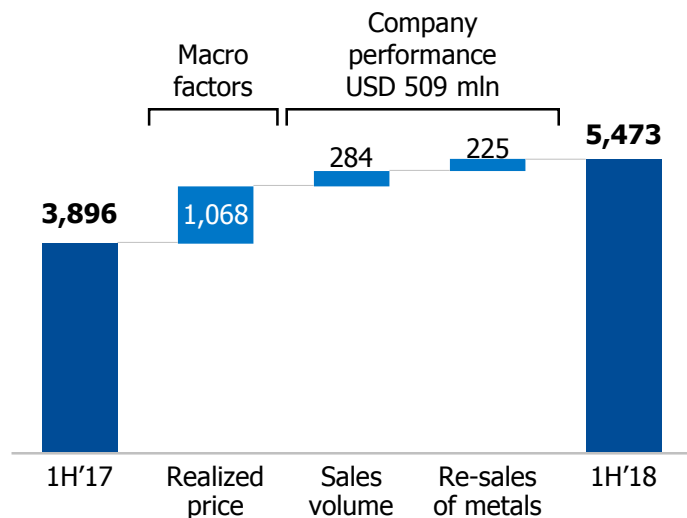
[USD mln]



Consolidated Metal Revenue

Metal Revenue Up on Higher Prices and Sales Volumes

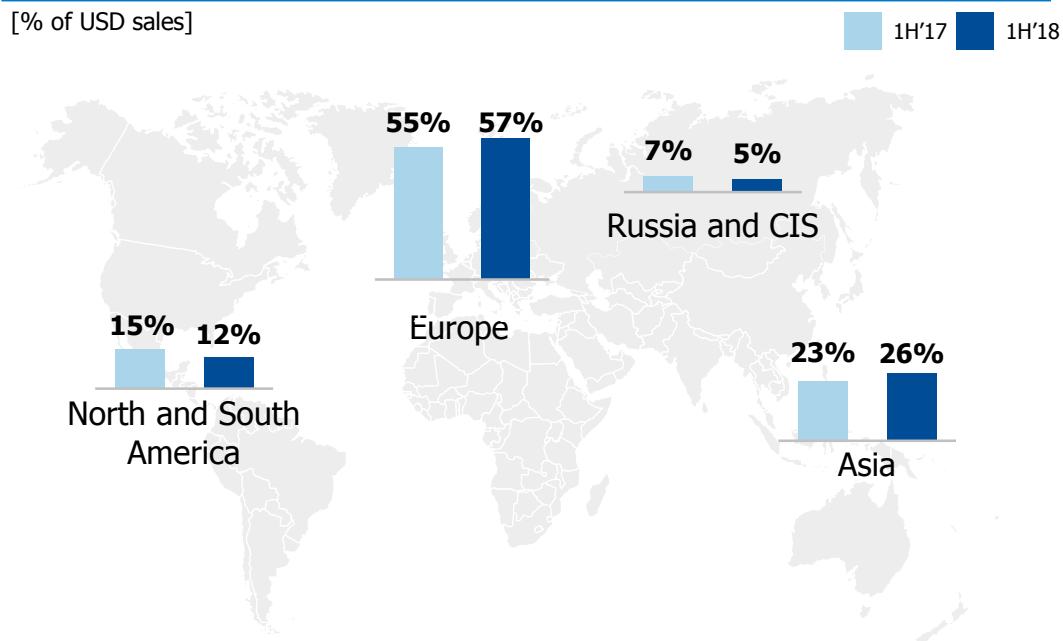
[USD mln]



- + Increase of realized metal prices of all metals, but platinum, on strong commodity markets
- + Higher metal sales volume due to the sale of palladium from stock and higher copper volumes on Rostec concentrate processing
- + Re-sale of metals (mainly palladium)

Geographical Breakdown of Metal Sales

[% of USD sales]

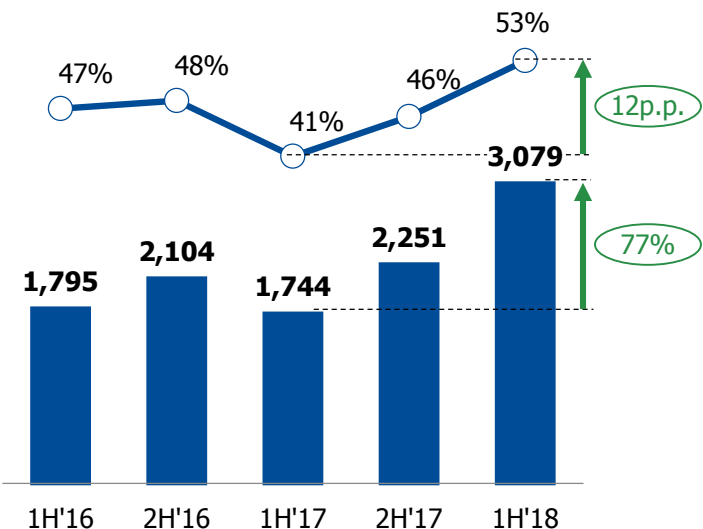


- Europe remains the single largest market accounting for 57% of metal sales
- Increase of sales to Asia to 26%, due to higher physical sales of copper and nickel, mainly to China
- North and South America sales reduced to 12% of total: physical sales volumes increased but less than sales to Asia

EBITDA and EBITDA Margin

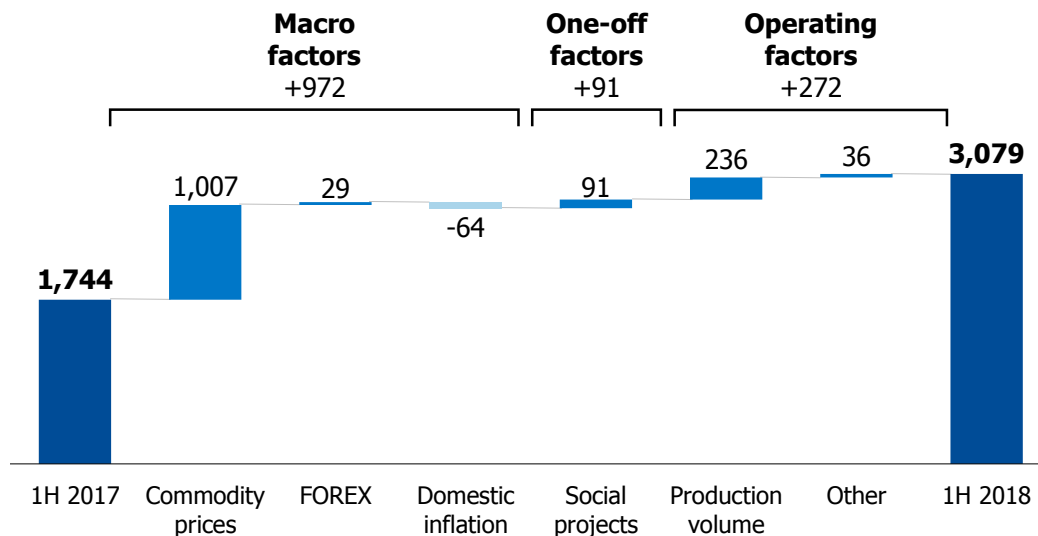
EBITDA and EBITDA Margin

[USD mln]



1H 2018 EBITDA Bridge vs. 1H 2017

[USD mln]

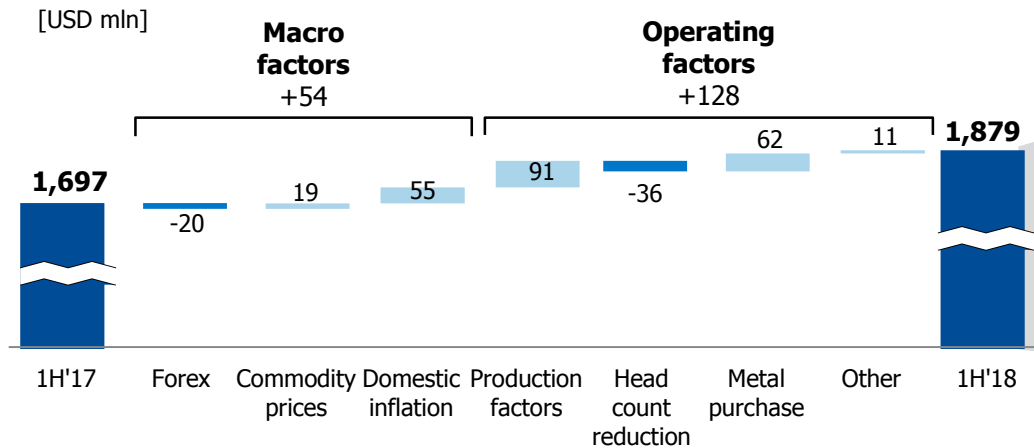


- + Higher realized metal prices (+USD1,007 mln)
- + Depreciation of RUB against USD (+USD29 mln)
- Domestic inflation (-USD64 mln)
- + Decrease in expenses on one-off social projects (+USD91 mln)
- + Higher production volumes and operating efficiency (+USD236 mln)

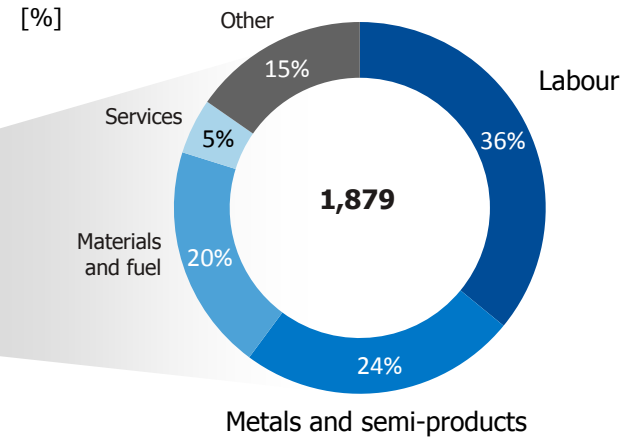
EBITDA margin back to industry leading 53%

Operating Cash Costs

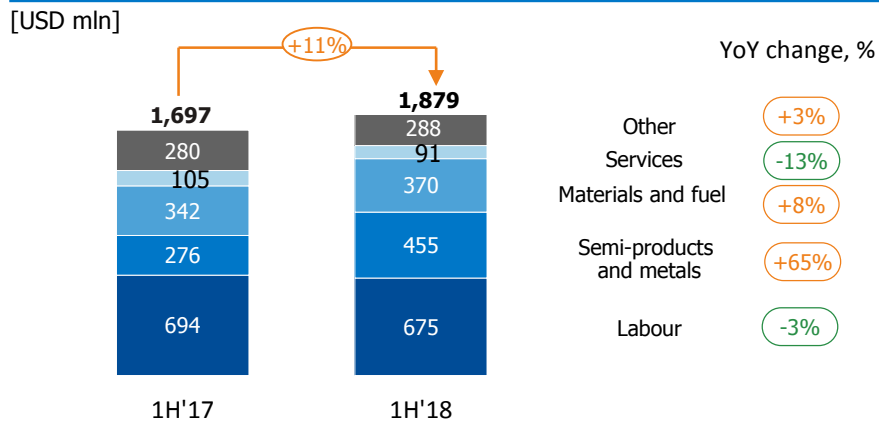
Operating Cash Costs Changes in 1H 2018



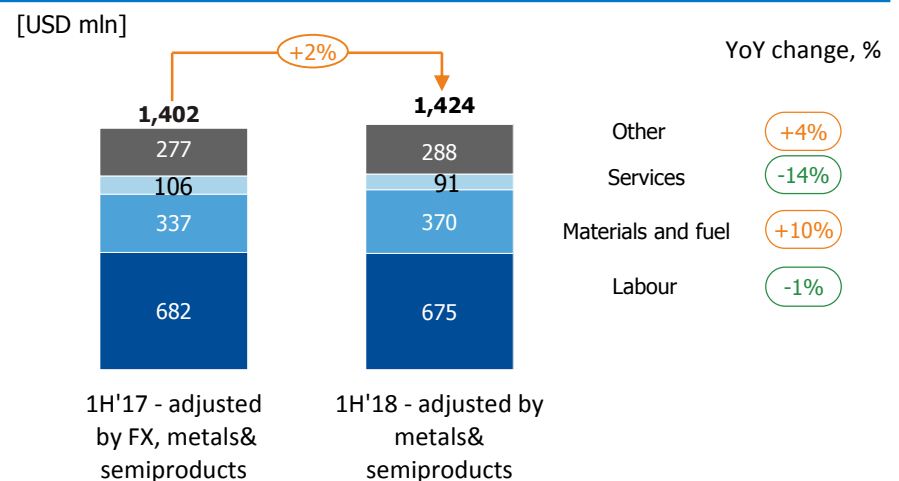
1H 2018 Cash Costs Breakdown



Reported Operating Cash Costs: Up on Purchased Metals and Copper Concentrate



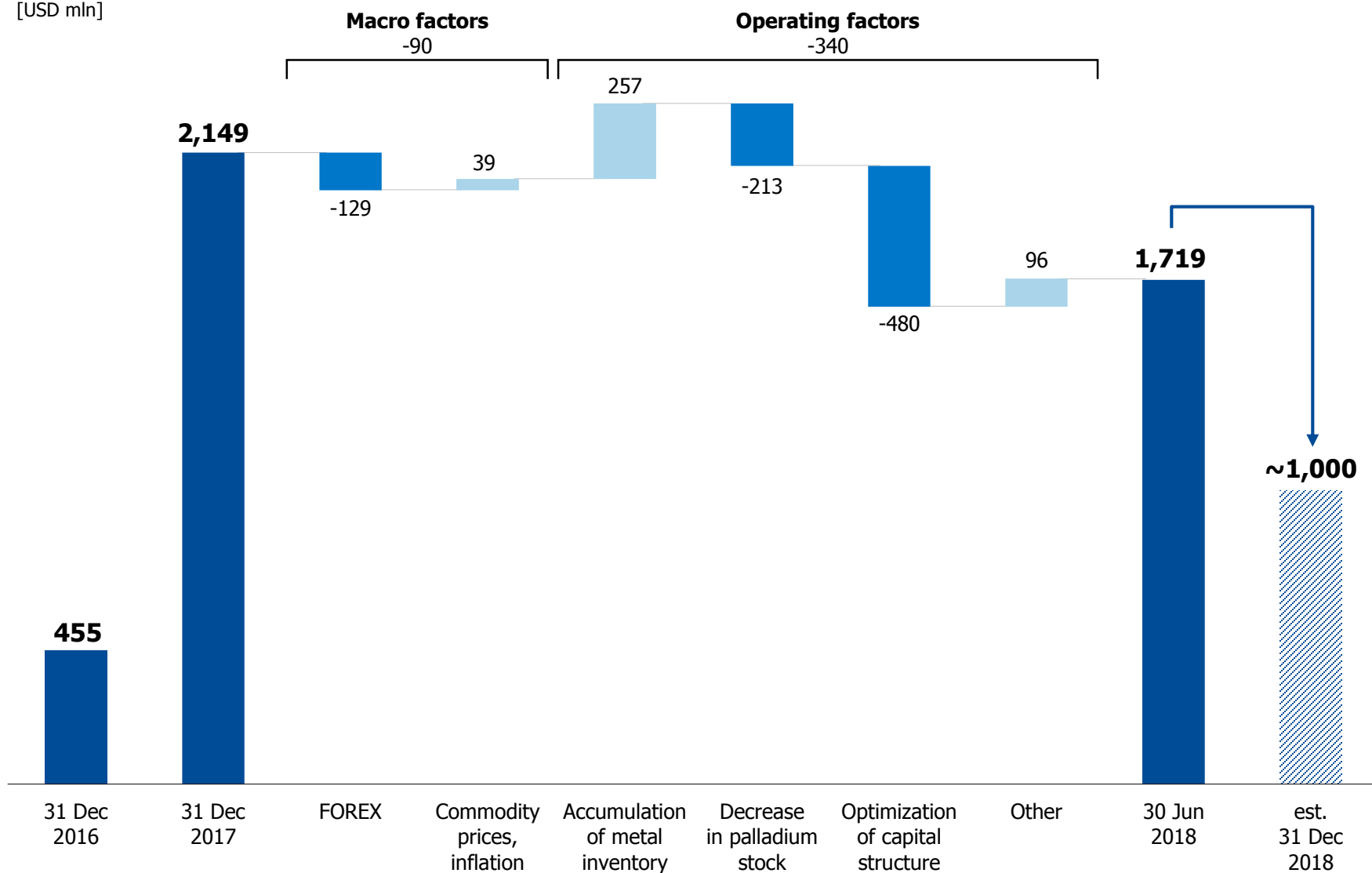
Operating Cash Costs Adjusted by FX, Refined Metal and Semi-product⁽¹⁾ Purchase at +2% - below Inflation



Note 1. Including Rostec and Nkomati

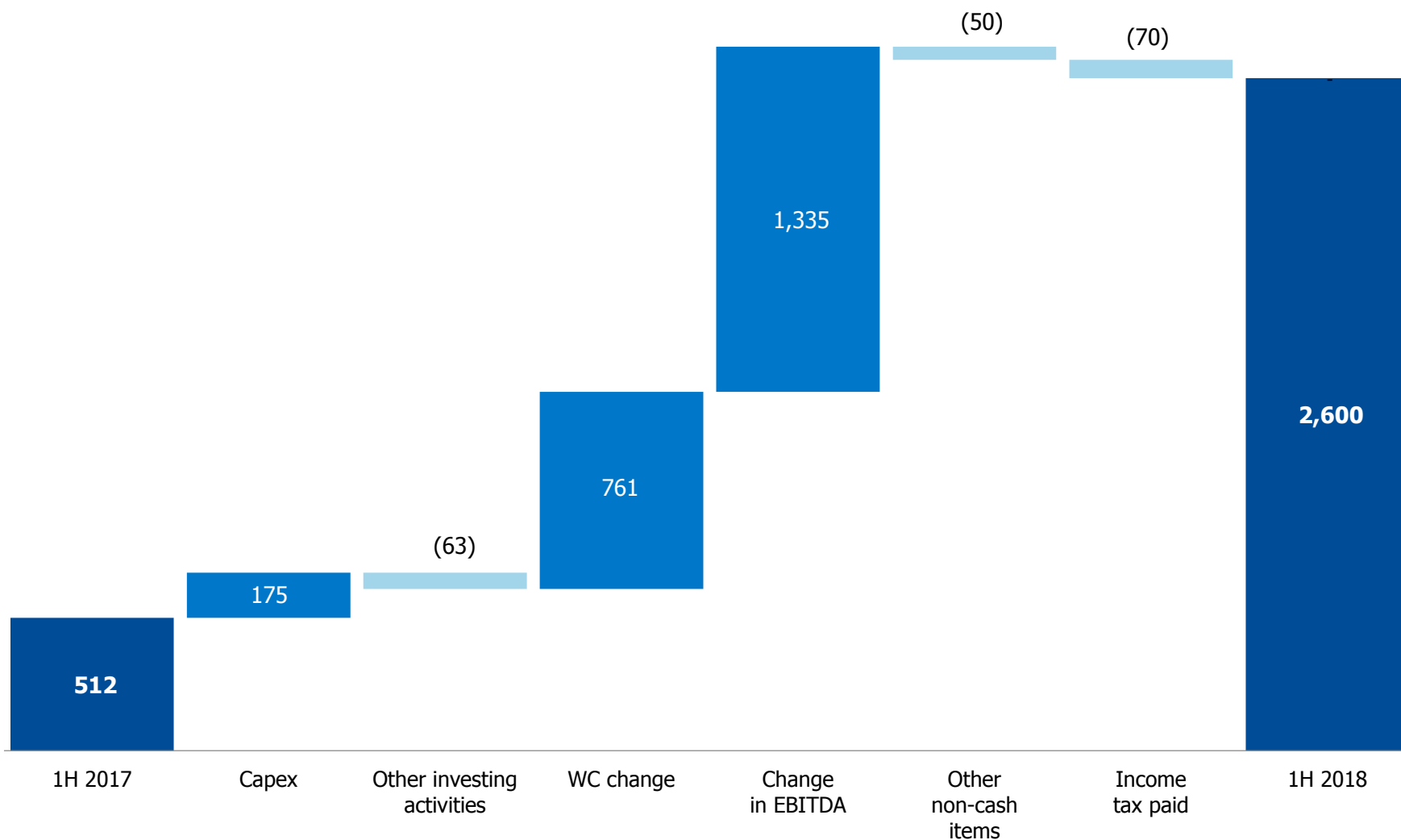
Net Working Capital in 2016 – 2018

[USD mln]



1H2018 FCF Increased 5-Fold on EBITDA Growth and Release of Working Capital

[USD mln]

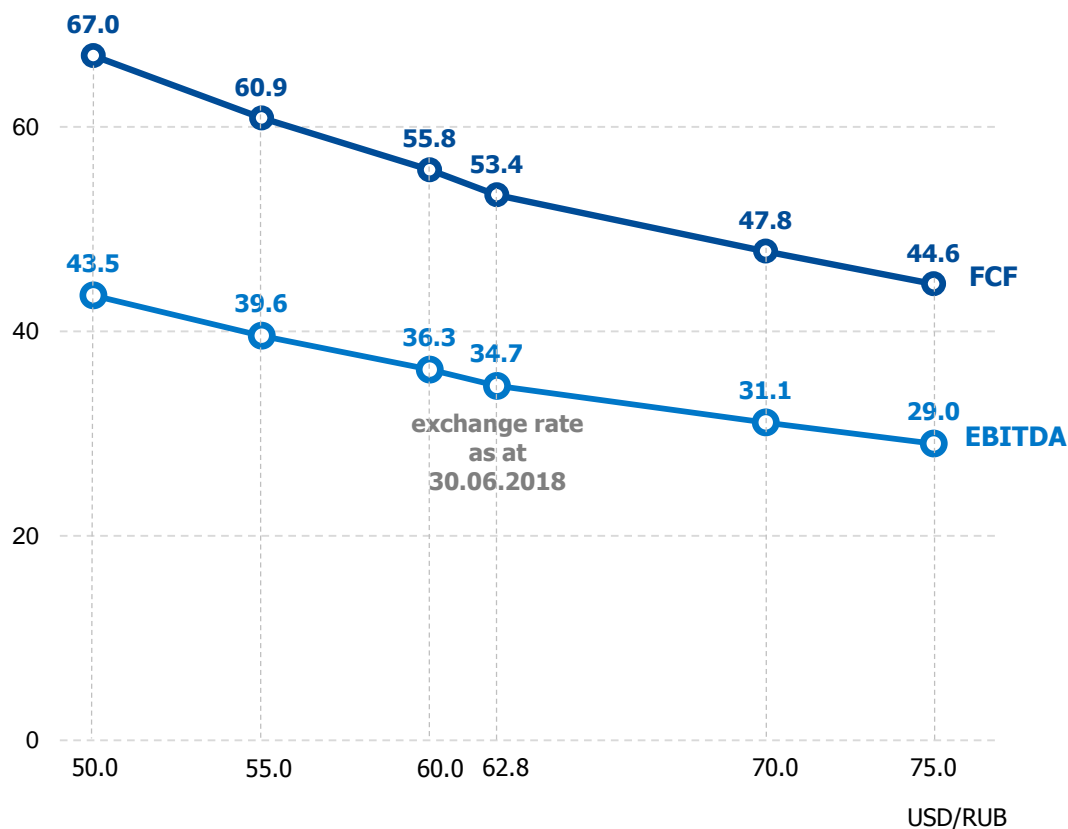


Financial Results Sensitivity to USD/RUB Exchange Rate

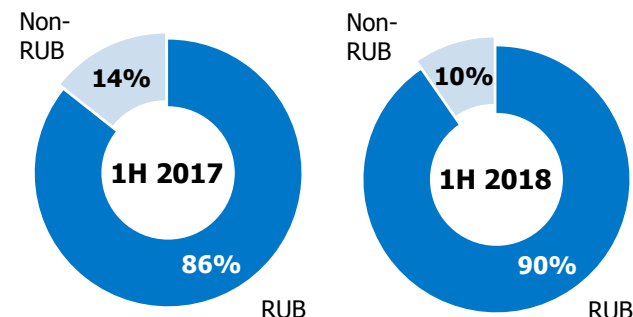
At USD/RUB rate of 62.8, 1% change in exchange rate translates into EBITDA change of USD34.7 mln, FCF change of USD53.4 mln

CAPEX and OPEX Break Up by Currency

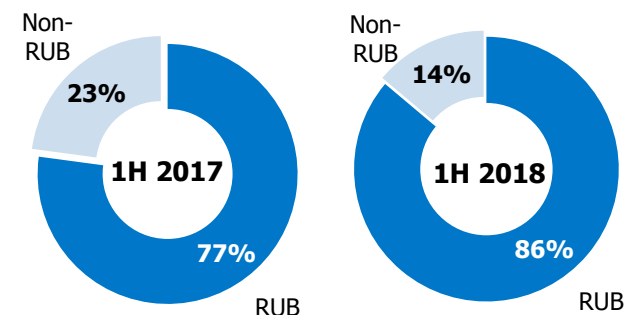
[USD mln]



OPEX⁽¹⁾



CAPEX

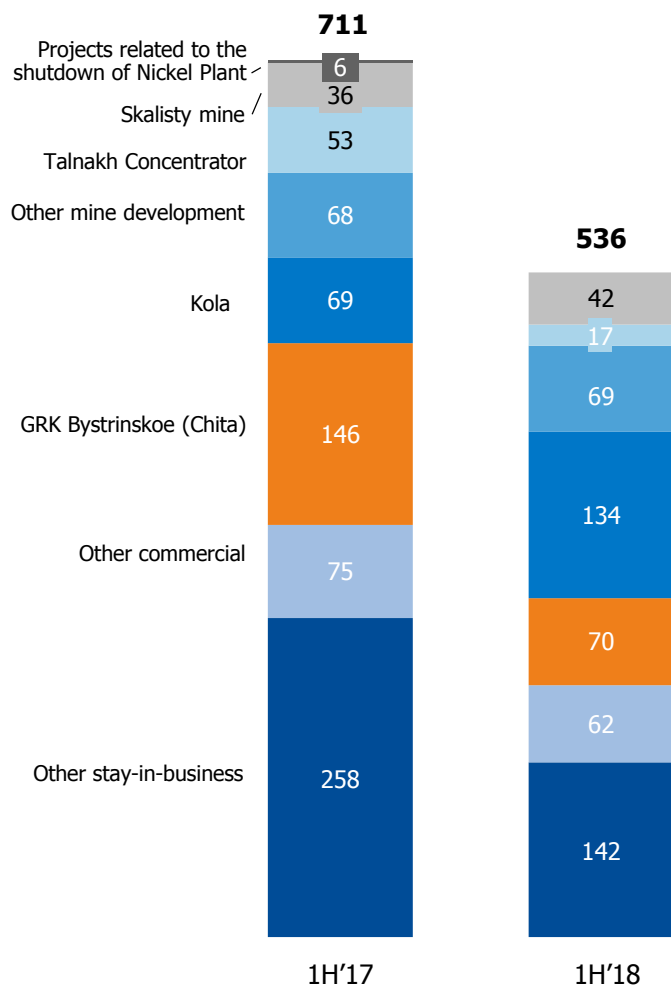


Note: 1. Cash costs (change in stock excluded), Cost of non-metal sales, SG&A; normalized by cost of refined metals for resale

Allocation of Capital Investments

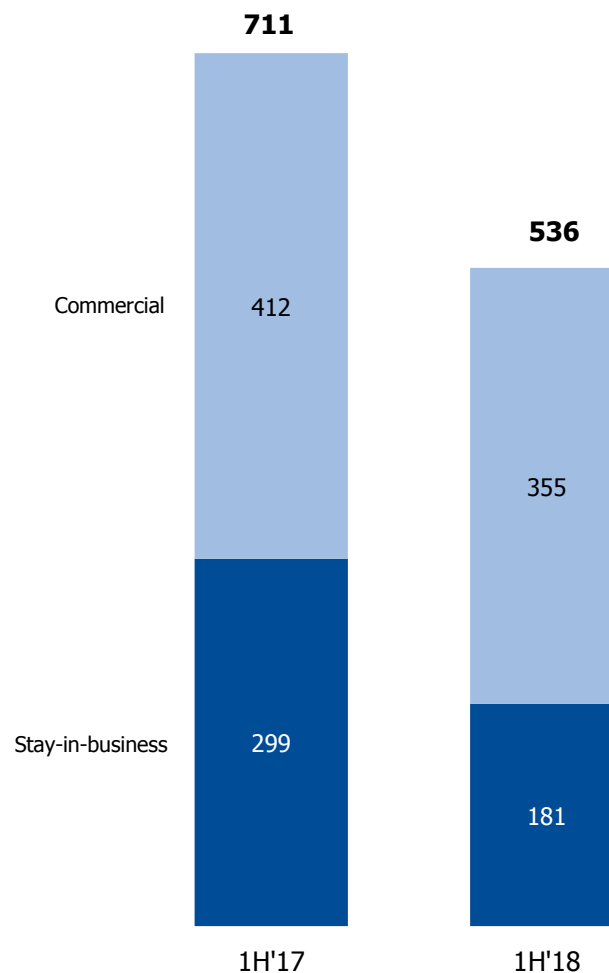
CAPEX⁽¹⁾ Breakdown by Projects

[USD mln]



CAPEX Allocation⁽¹⁾: Commercial and Stay-in-Business

[USD mln]

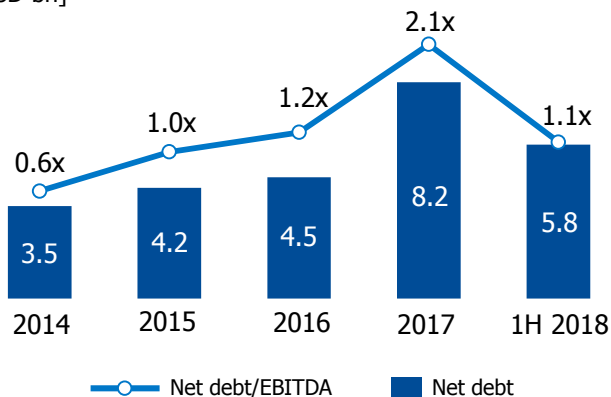


Note: 1. CAPEX in Cash flow statement, net of VAT

Balance Sheet Management

Historical Leverage: ND/EBITDA Back to 1.1x

[USD bn]

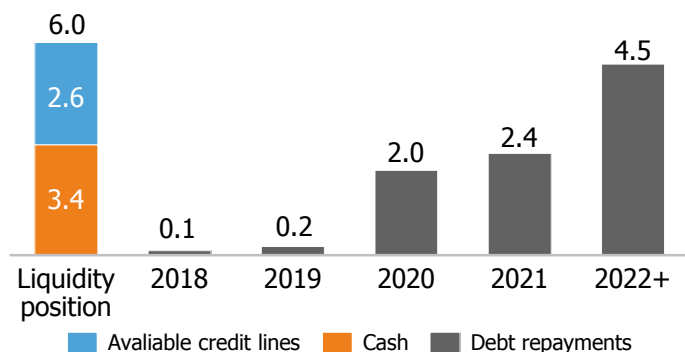


Proactive Debt Management

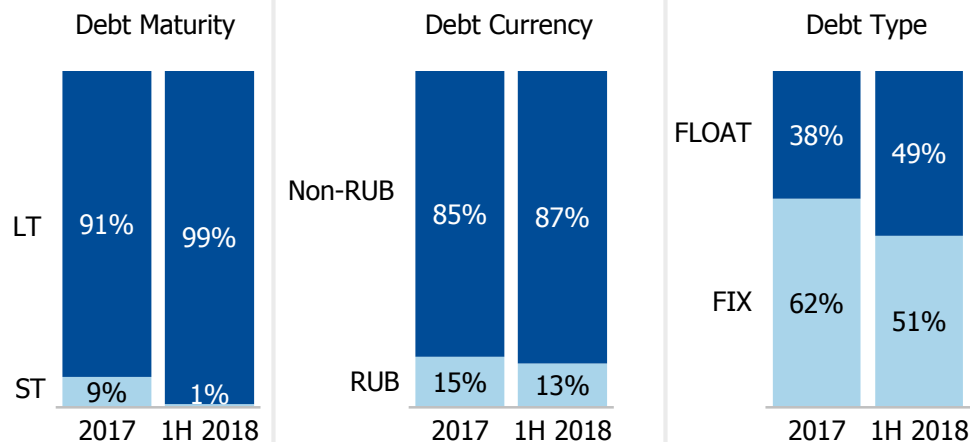
- Diversification of the portfolio of available credit lines: new credit lines were signed for the total amount of USD1.6bn, increasing the total amount of available credit lines to USD3.1bn (including USD2.6bn of committed lines)
- Working capital optimization: USD600m of advances received from the Company's customers
- Reduction of average cost of debt by over USD 100m in 2018: driven by repricing of several credit lines and refinancing of relatively expensive liabilities, incl. redemption of USD 750m Eurobonds due April 2018, at the cost of 5-year USD 2.5bn syndicated term loan, secured in December 2017 at the interest rate of LIBOR + 1.50%
- In January 2018, Moody's assigned Baa3 issuer rating to the Company and changed outlook from "Stable" to "Positive". As of June 30, 2018, the Company maintained investment grade credit ratings from all three major international rating agencies

Liquidity and Debt Repayment Schedule

[USD bn]



Change in Debt Structure



Projects Overview

Skalsty Mine: Project Development on Track



Project overview

- Production capacity – 2.4 Mtpa
- Ore reserves – 65.9 Mt
- Project IRR (as of 01.2013) – 29%
- Total Capex 2013–2025 of USD2.3 bn

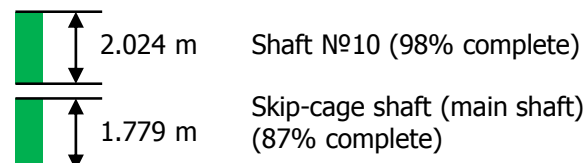
Project timeline

- Total mining capacity 1.75 Mtpa in 2017
- Next launch – 500 Ktpa in 2018, 2.4 Mtpa by 2024
- Completion of ventilation shaft #10 in 2018
- Completion of main shaft in 2019
- Completion of infrastructure construction in 2020

Project update

- Remaining Capex 2018–2025: USD1.0 bn
- Progress by 1H 2018:

Shaft sinking:



Upgrade of Kola Nickel Refinery: Tankhouse Refurbishment



Project overview

- Target: increase the nickel refining capacity from 145 ktpa to 190 ktpa
- Increase in nickel recovery from high-grade matte by over 1.0%
- Optimisation of the work-in-progress inventory levels
- Total Capex of USD400 mln

Project timeline

- Completion of infrastructure by the end of 2018
- Gradual capacity commissioning by the end of 2018
- Reaching design capacity and parameters in 2019

Project update

- CapEx 2018: USD170 mln
- Construction underway at all facilities
- Construction progress: ~70% completed

Comprehensive Environmental Program: Current Status of the Sulphur Project at Polar Division



Project overview

- Target: reduction of Sulphur dioxide emissions in Norilsk industrial area by 75% by 2023 vs. 2015
- Construction of new converters (replacing converter furnaces at Copper Smelter) at Nadezhda Smelter
- Expansion and upgrade of sulphur production facilities at Copper Smelter; Construction of Sulphur Capture and neutralization at Nadezhda smelter
- Total Capex of USD2.5 bn

Project timeline

- Preparation of engineering project documentation and obtaining the government watchdog (Glavgosexpertisa) approval for the project in 2018
- Project completion in 2022

Project update

- Preparation of the construction site in progress at Nadezhda Smelter
- Arranging a tender to select a contractor for further implementation of the project at Copper Plant

Comprehensive Environmental Program: Optimization of Smelting Operations at Kola Refinery



Project overview

- Target: reduction of Kola smelting operations at the Norwegian border by 50% by 2019 vs. 2015
- Shut down of ore-thermal furnace in the smelting shop
- Sale of low-grade concentrate from Kola MMC to third parties
- Total Capex of USD80 mln

Project timeline

- Construction of the copper-nickel ore concentrate shipment facility at Zapolyarny in 2018
- Construction of flotation shop for separation of ore concentrate to low-grade and high grade concentrates
- Decommission of ore-thermal furnace №3 in the smelting shop

Project update

- Contract for engineering and equipment supplies signed with Outotec
- Utility systems dismantling and relocation completed

Bystrinsky (Chita Copper) Project



Project overview

- Hot commissioning started in 2017
- Ore reserves: 333 Mt, grades: Cu – circa 0.7%; Fe – circa 23%; Au – circa 0.9 g/t
- Site infrastructure: open pit, concentrator (grinding and flotation), camp, etc.
- External infrastructure:



234 km of 220 kV power lines constructed



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

Project highlights

					USD bn	
Annual production volumes		2018	2021+			
Cu (in concentrate)	Kt	20-25	65		CAPEX	~1.7
Au (in concentrate)	Koz	90-110	220		EBITDA'20+	0.4-0.5
Fe ⁽¹⁾ (magnetite concentrate)	Kt	570-630	2 100		Cash cost	0.3-0.4

Project update

- First shipment of copper concentrate to customers in May 2018
- 1H 2018 positive EBITDA contribution of USD5 mln
- Project completion – commercial operation by 4Q 2018

Note: 1. Fe – 66%

Bystrinsky (Chita Copper) Project Update

Shipment Facility – Loading of Big Bags



Milling



Milling



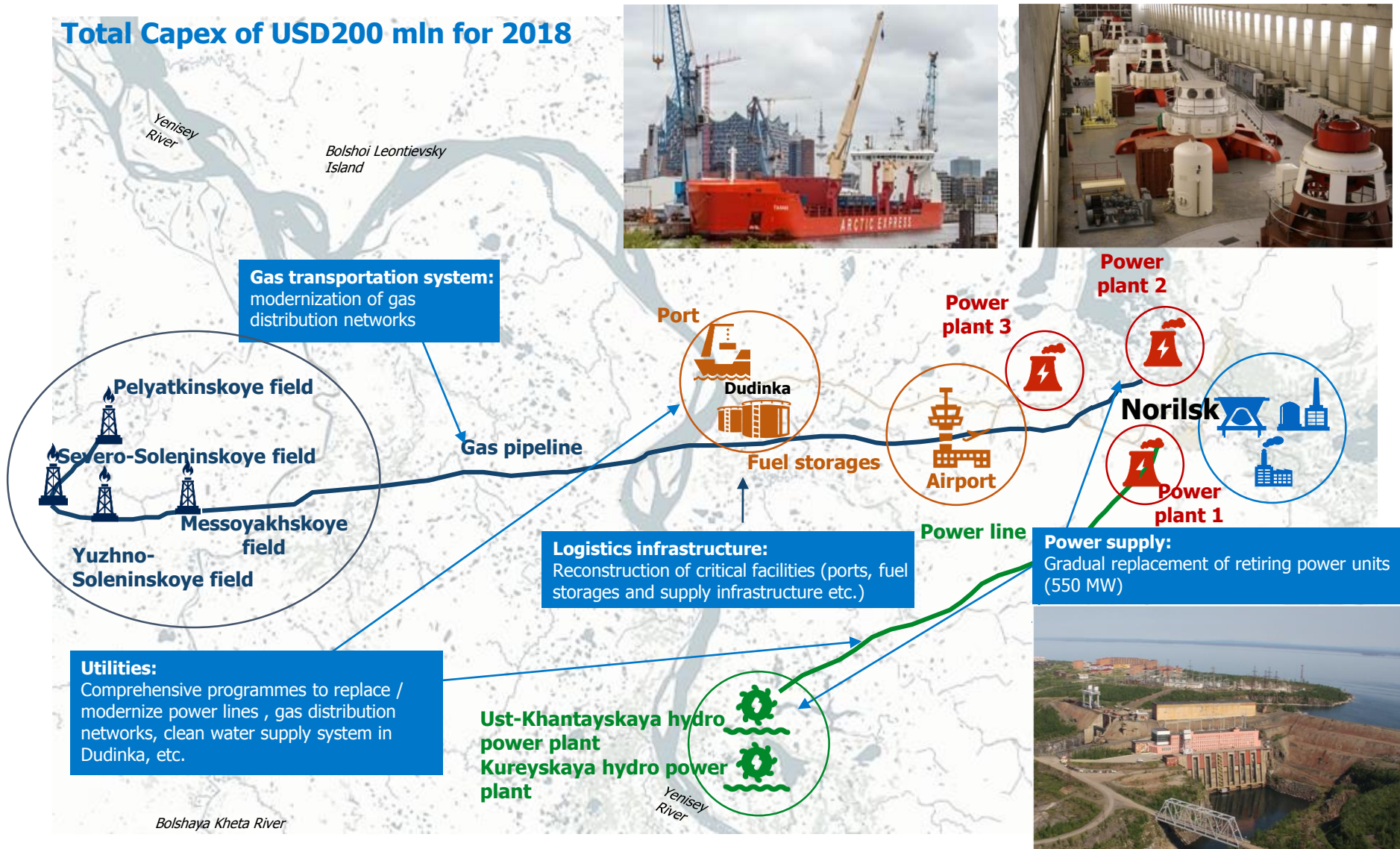
Flotation



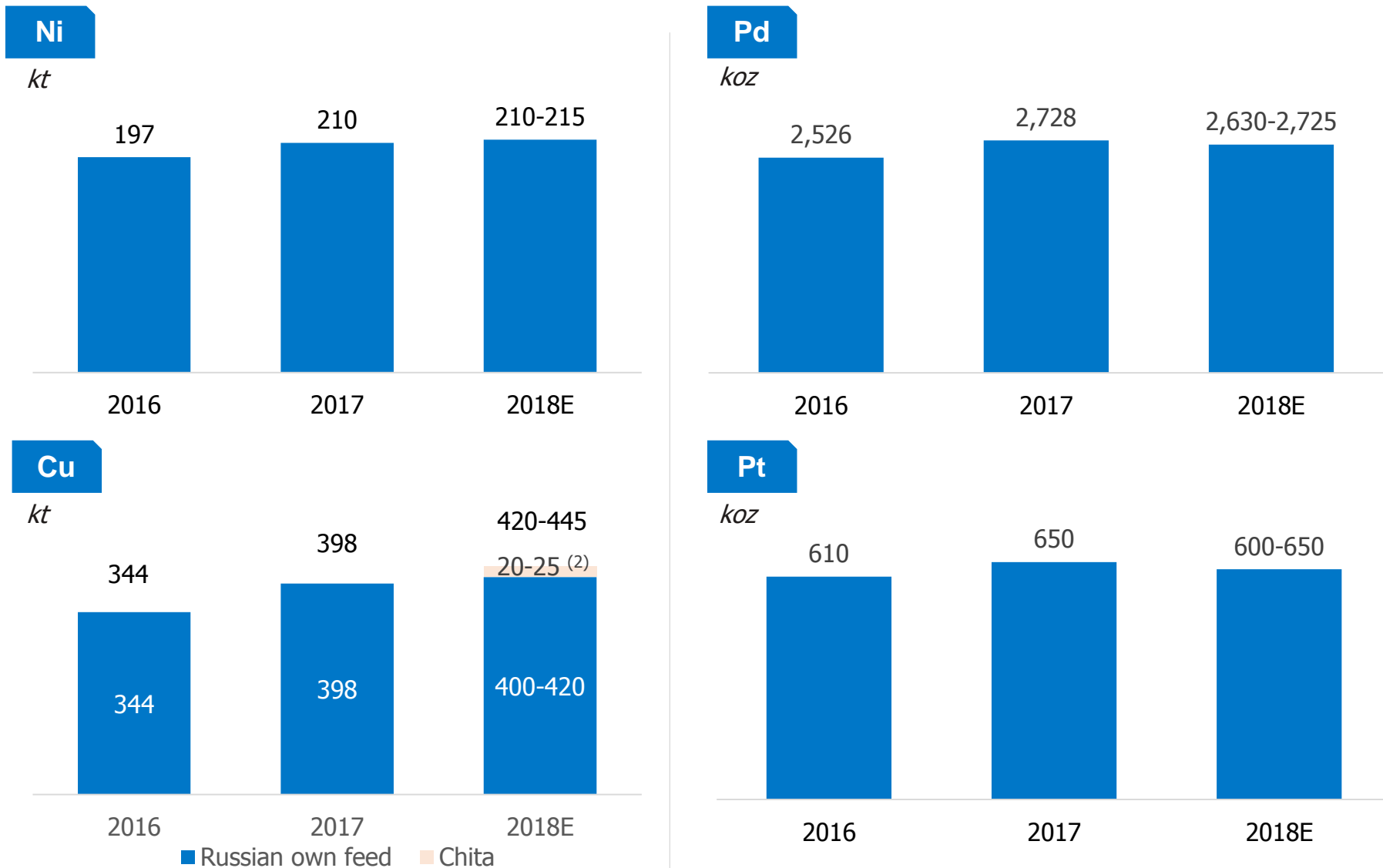
Source: Company data

Update on Infrastructure Projects

Total Capex of USD200 mln for 2018



Production Guidance for 2018 (1)



Note: 1. Metals produced from own feedstock

2. Norilsk Nickel owns 50.1% of Bystrinsky (Chita Copper) Project. Production results shown on 100% basis and fully consolidated in Company's financial and operational results

2H 2018 Outlook

Metals market outlook

→ Neutral ↗ Positive

Ni ↗

Market deficit to remain as production growth in Indonesia and Philippines is balanced out by strong demand, inventories drawdown to continue

Cu →

Market to remain fairly balanced, as risk of labour-related supply disruptions is fading away, but demand disruptions concerns emerged

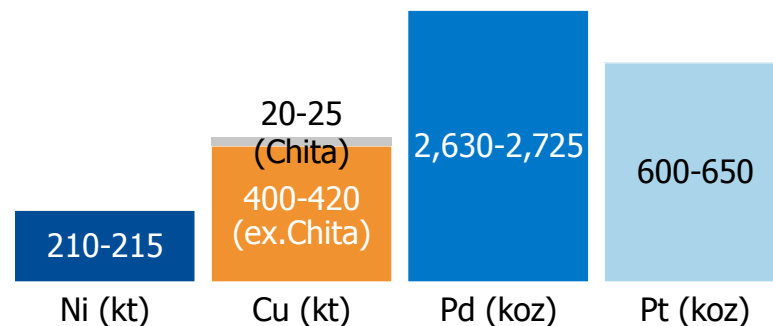
Pd ↗

Market deficit to widen due to robust demand growth from automotive sector and lower primary supply

Pt ↗

Market to remain in small surplus , further reduction of primary supply and potential industry rationalization feasible

2018 Metal Production Guidance⁽¹⁾



Capex

2018 Capex of USD1.9 billion⁽²⁾

Working capital

USD1.0 billion by 2018YE

Net debt/EBITDA

1.0-1.3x by 2018YE subject to market conditions, FX rates and amount of interim dividend

Interim dividend

To be announced in August and payable in October 2018

Note 1. Metal production guidance from Russian feed including Bystrinskiy GOK

Note 2. Assuming 2H 2018 average exchange rate USD/RUB 61.6

Q&A Session