



2018 Financial Results Presentation

February 26, 2019
Moscow

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2018 Financial Performance Highlights

Consolidated Revenue

\$11.7bn

up 28% vs 2017

- + Realized metal prices: Ni, Cu, Pd
- + Pt price
- + Sales volumes: Cu, Pd

EBITDA

\$6.2bn

up 56% vs 2017

- + Metal revenue
- + Operating efficiency gains
- + Depreciation of RUB against USD
- Domestic inflation

EBITDA margin

53%

up 9 p.p. vs 2017

- ✓ **Global mining industry-leading level**

Net Working Capital

\$0.9bn

-\$1.3bn vs. Dec'31

- ✓ **Beating guidance**
- + Sale of palladium stock
- + Optimization of capital structure

Free Cash Flow

\$4.9bn

n.a.

- ✓ **Record high**
- + EBITDA increase
- + Reduction of working capital
- + Lower CAPEX

CAPEX

\$1.6bn

down 22% vs 2017

- + Completion of Chita
- + Completion of downstream reconfiguration
- + Adjustment of investment schedules
- + Depreciation of RUB against USD

Net Debt/EBITDA ratio

1.1x

0.8x for dividend calculation

- ✓ **Back to mid-cycle levels**
- + Investment grade credit ratings from all three international rating agencies

Interim 1H 2018 dividends

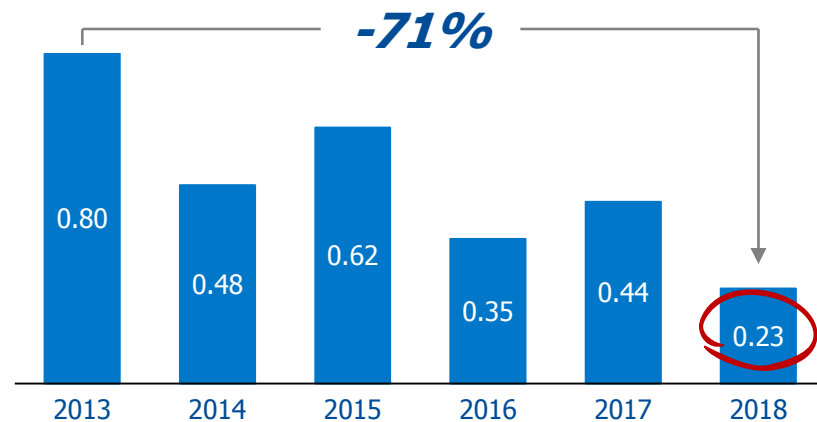
\$1.8bn

Dividend of USD 11.65 per share paid in 4Q2018

Health & Safety: Delivering Steady Improvements

LTIFR: Improved to Record Low Levels

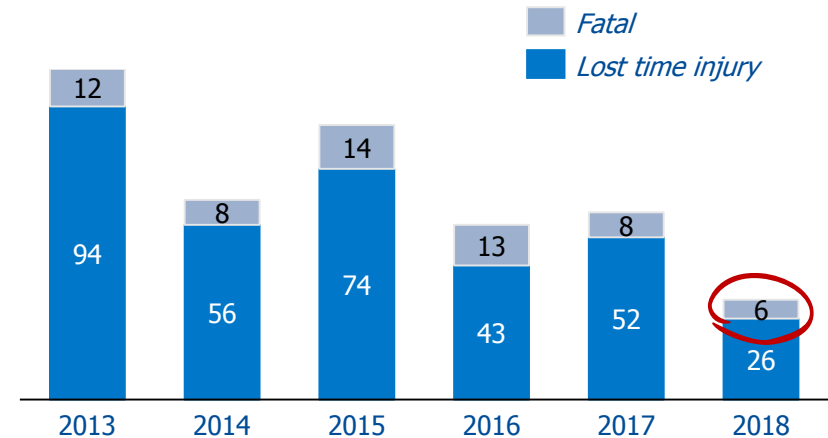
LTIFR (1×10^6)



- LTIFR remains below the global mining industry average
- Reiterating focus on personal and process safety across all operations
- Commitment to create strong safety culture at all levels of the organization

Accident Statistics Improved in 2018

Employees

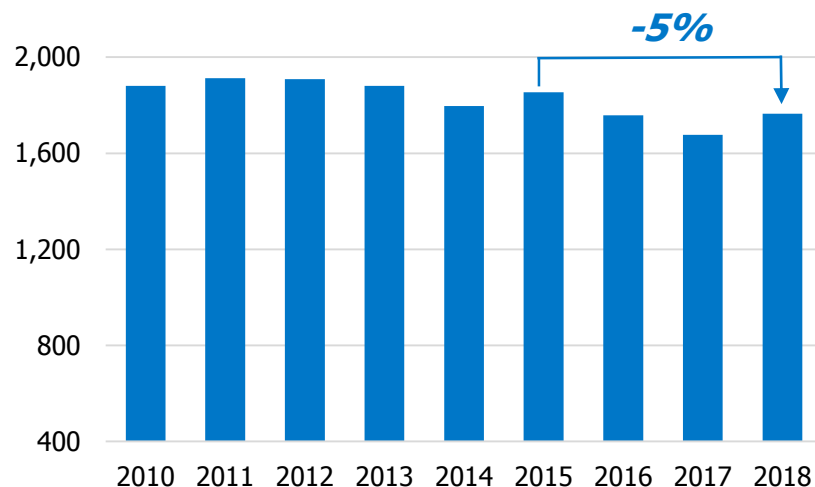


- Total recordable fatal accidents and lost time injury rates decreased by 47% y-o-y
- 45 internal audits of Occupational Safety and Health management system were conducted in 2018
- 105 employees were fired for the violation of cardinal safety rules (vs 152 in 2017)

Reducing Environmental Footprint

Polar Division: Sulphur Dioxide Emissions Down 5% from 2015

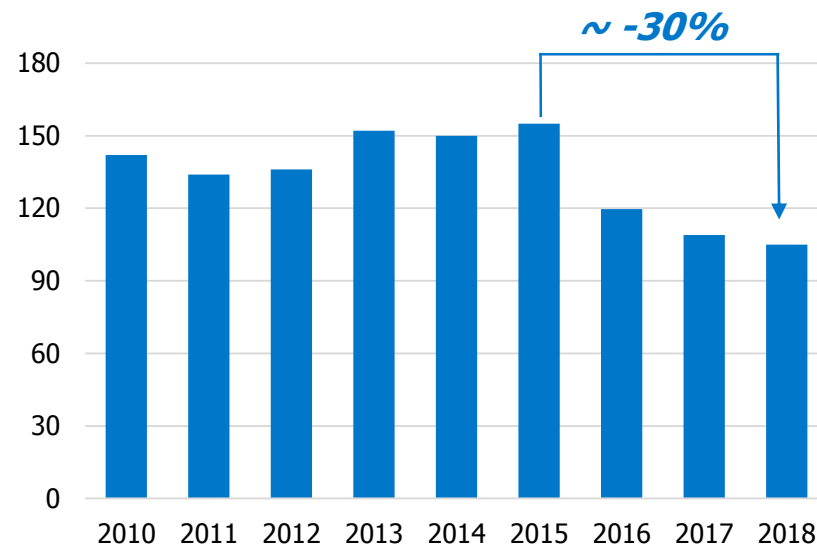
SO₂ Emissions, kt



- SO₂ emissions increased 5% in 2018 despite 15% increase of copper production (smelting) in Polar Division
- SO₂ emissions remained within the government approved limits

Kola Division: Sulphur Dioxide Emissions Reduced 30% from 2015

SO₂ Emissions, kt



Reduction of SO₂ emissions in 2018 was due to:

- Reduced smelting of higher sulphur content third party materials
- Sale of high-grade copper concentrate to third parties
- Reduced anode smelting as chlorine leaching refinery was ramping up

ESG Performance Highlights

Recognition of Norilsk Nickel ESG Efforts...



Signatory to UN Global Compact since 2016



FTSE4Good

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



Rating updated in December 2018

Governance score **4/10** ⁽²⁾
Environmental score **4/10**
Social score **3/10**

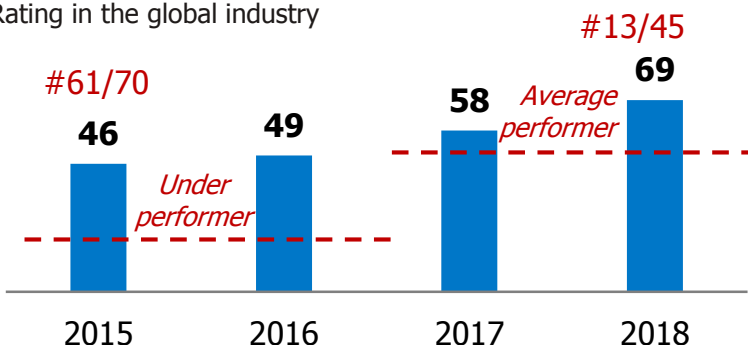


Ranked #4/33 in the first environmental ranking of Russian mining companies

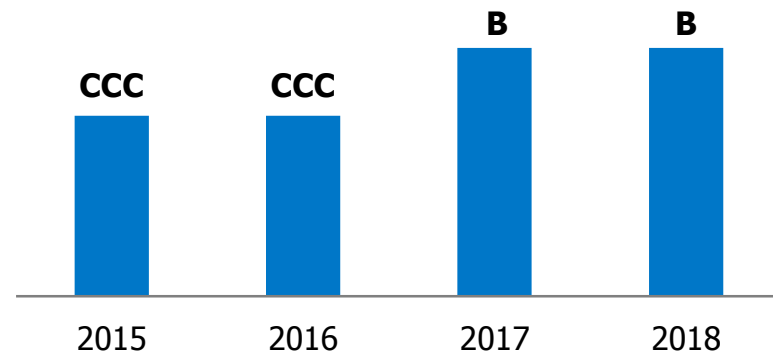
...Leads to Gradual Improvement of ESG Assessment

Sustainalytics ESG Score: 69 points (out of 100), Rated «Average Performer» since 2017

Rating in the global industry



MSCI ESG Score: Rated «B» since 2017



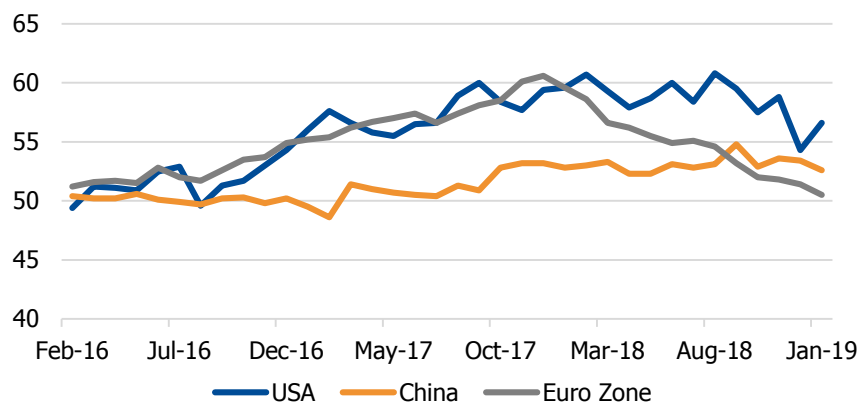
Note: 1. of which 5 – is the highest, 2. of which 1 – is low, 10 – is high risk

Markets Update

Weakening Macro and Strong US Dollar – Negative Backdrop for Commodities

Global PMIs Trending Lower

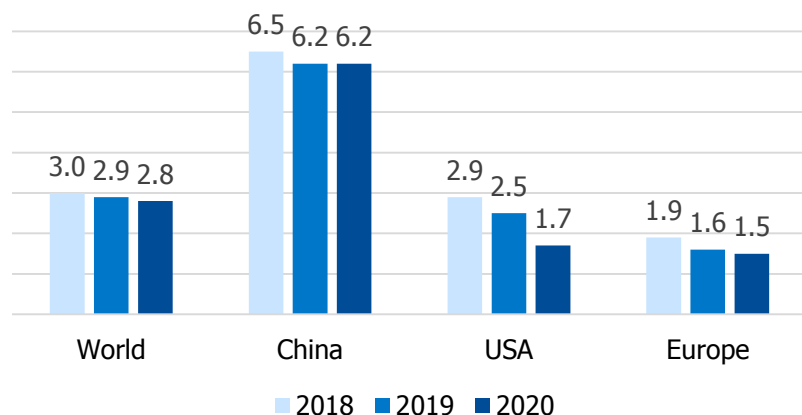
Purchasing Managers Index



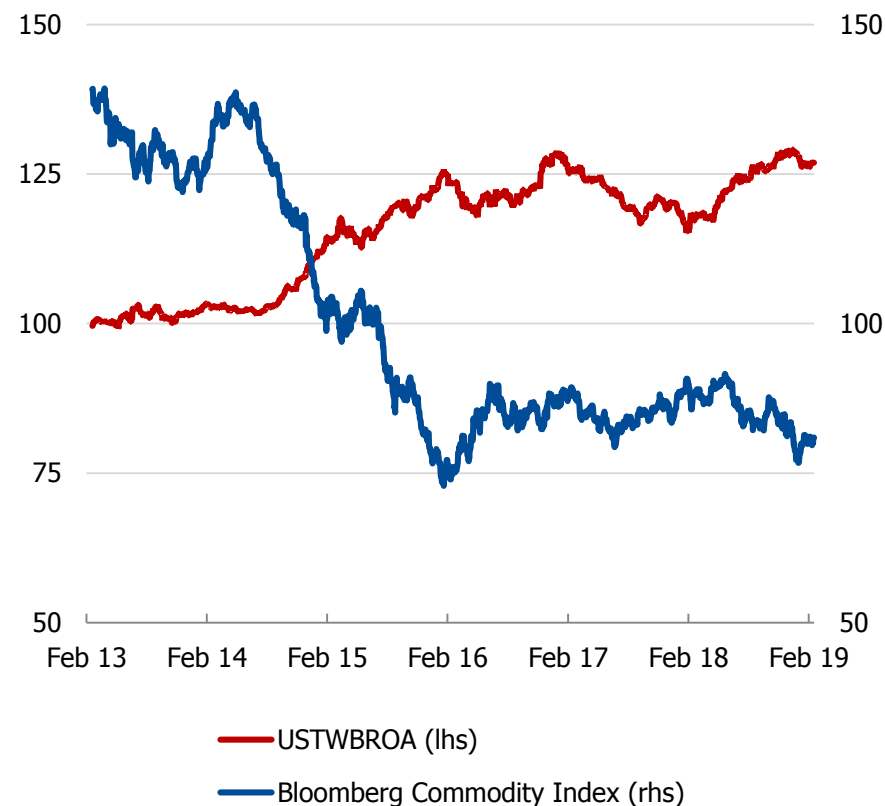
Global Economic Growth Expected to Slowdown

GDP Growth Rates ⁽¹⁾

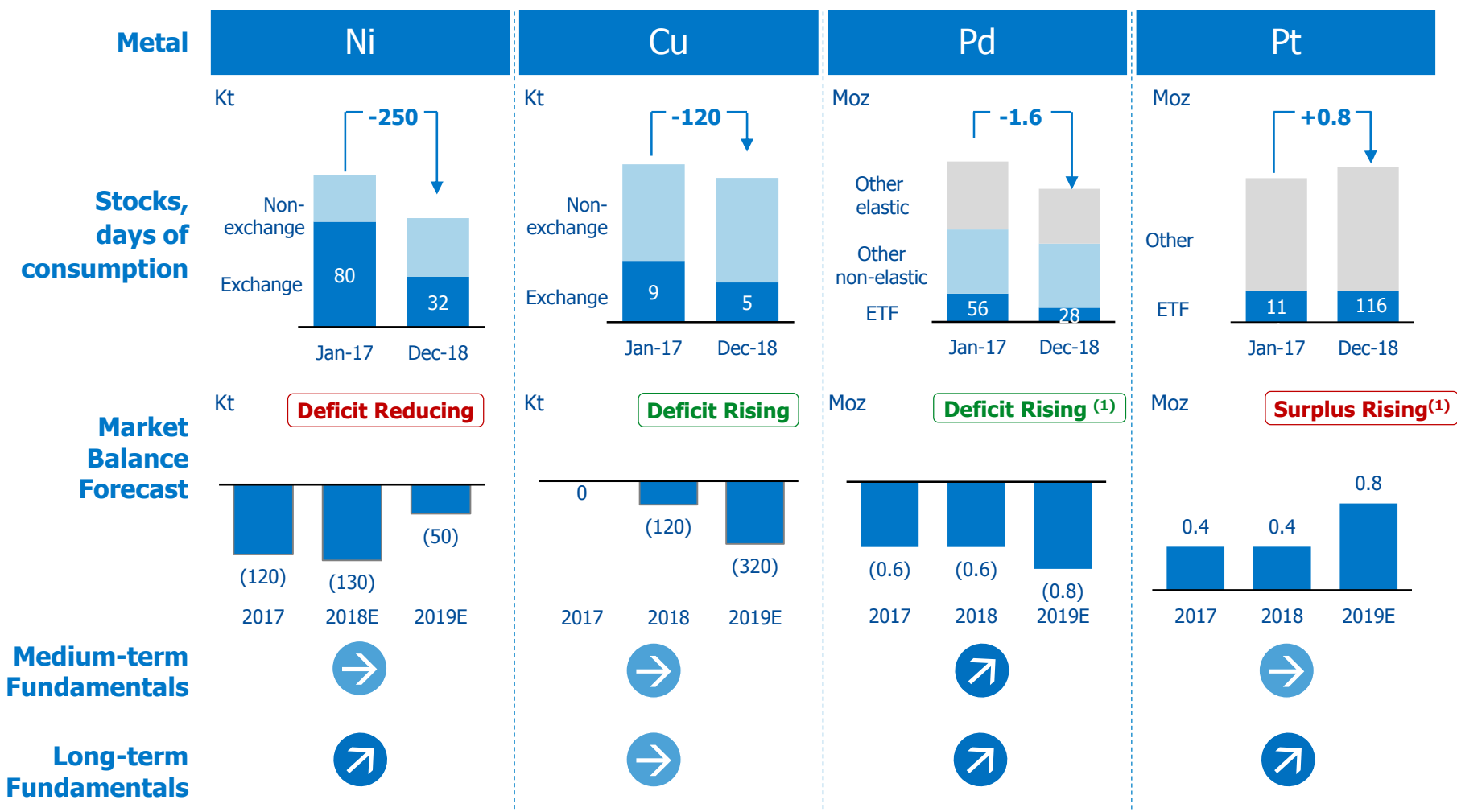
%



Strong Trade-Weighted US Dollar Maintains Downward Pressure on Commodities



Metal Markets Outlook – View on Fundamentals



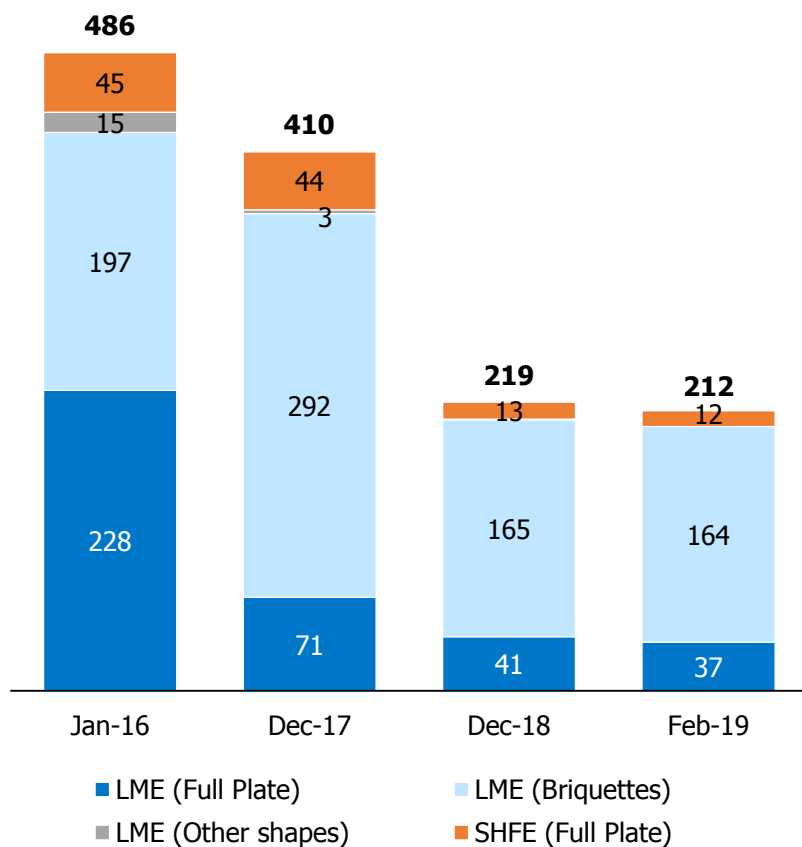
Source: Company estimates

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

Nickel Exchange Stocks Are Rapidly Normalizing

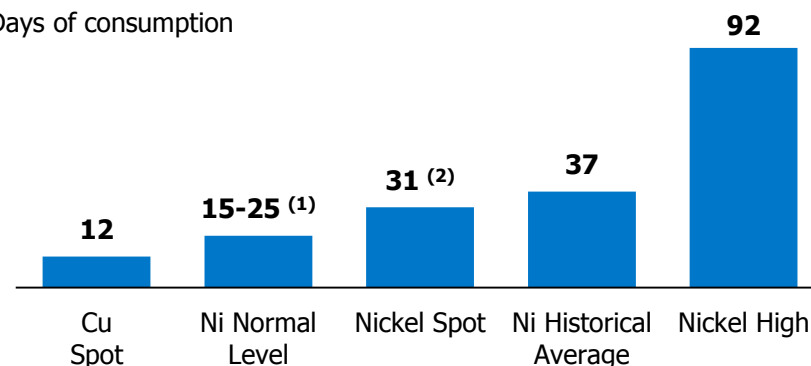
Drawdown of Exchange Inventories Continues in 2019 Albeit at a Slower Pace

Ni, kt



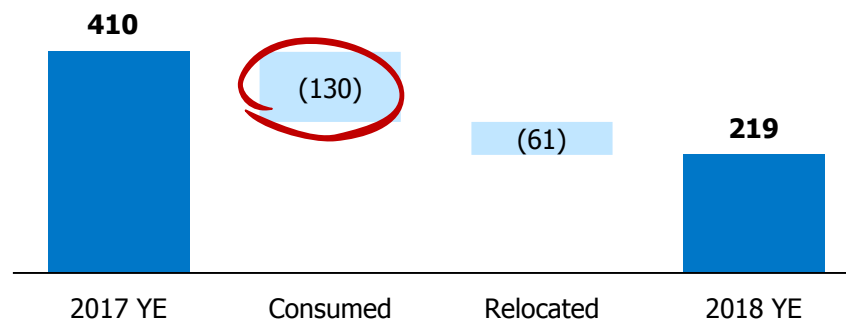
Inventories More than Halved from Peak Levels and Went Below Historical Averages...

Days of consumption



... as Most of Stocks Drawn Were Consumed

Ni, kt



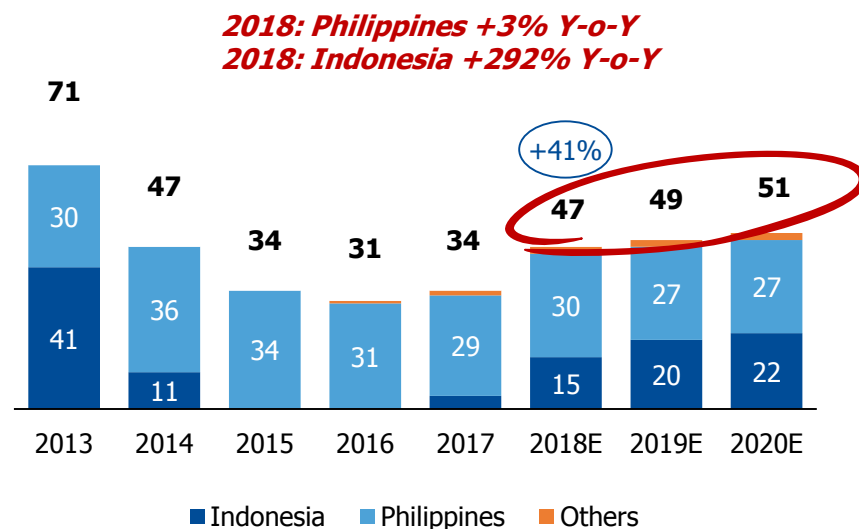
Source: Company estimates, LME, SHFE, SMM

Note: 1. According to markets participants, customers, 2. As of February 15, 2019

Global NPI Production Volumes Continue to Set Records

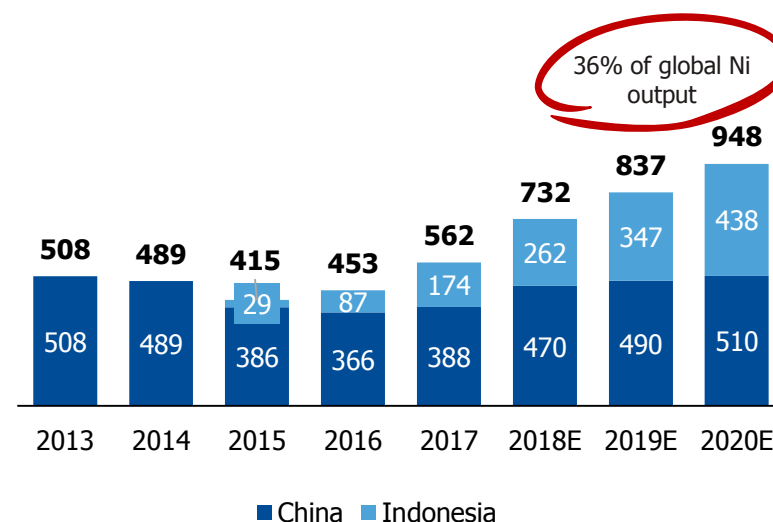
Growth of Nickel Ore Supply to China Expected to Moderate in 2019-2020E...

Ore, Mln wmt



...Leaving Indonesia as the Main Driver of Global NPI Growth

Kt, Ni Units



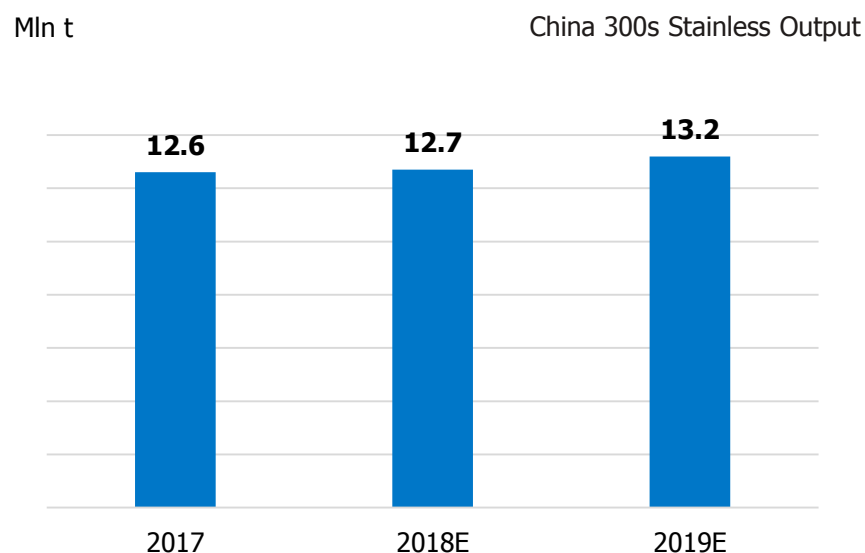
- In April 2017, Indonesia relaxed the ban on export of unprocessed nickel ore for 5 years
- Indonesian government is reportedly committed to reinstate the ban in 2022E
- In the long-term, up to 40% of the feed (200kt of Ni or 5% of global supply) for Chinese NPI could be at risk

Growth of Ni Demand in Stainless Steel Supported by Indonesia

Indonesian Stainless Production –
the Main Driver of Nickel Demand Growth

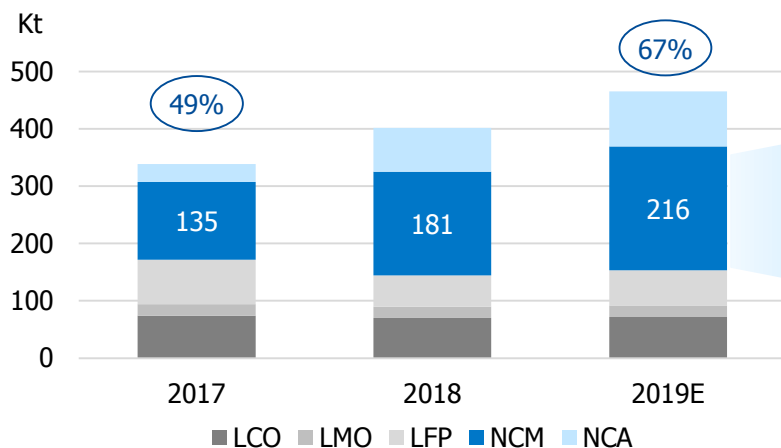


Chinese 300 Series Stainless Output Was Flat in 2018,
Expected to Pick Up Moderately in 2019



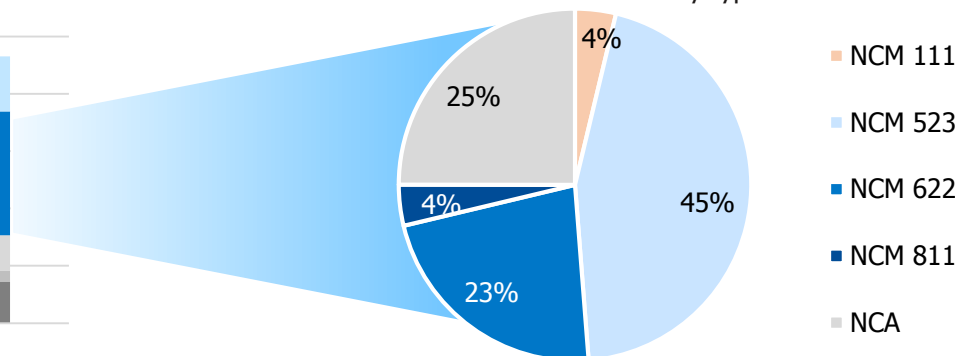
Nickel Consumption in Batteries – Small But Rapidly Rising

Market Share of Ni-intensive NCM/NCA Cathodes Expected to Reach 67% in 2019E

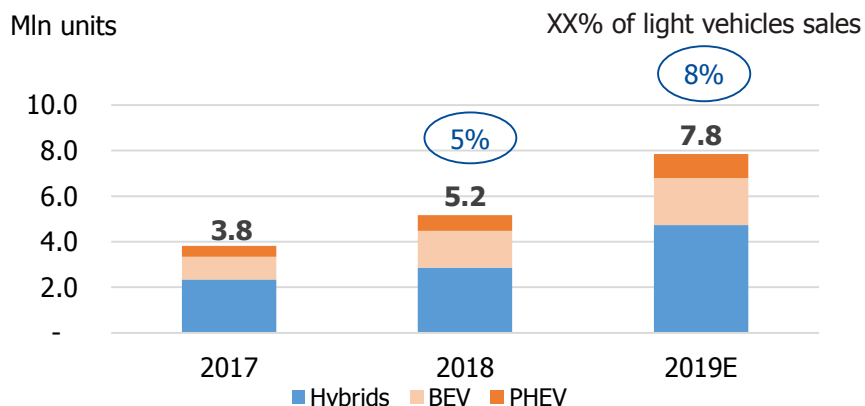


Within NCM Cathodes Chemistry Shifting Towards Higher Ni Loadings

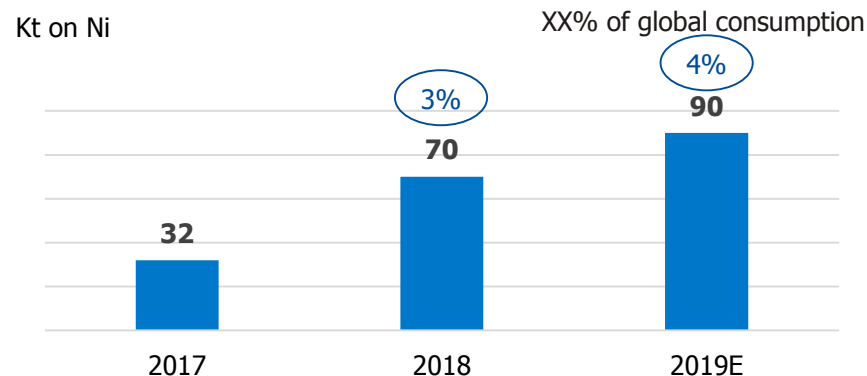
Breakdown of Global PCAM Production by type



Electric Vehicles Maintain High Growth Rates



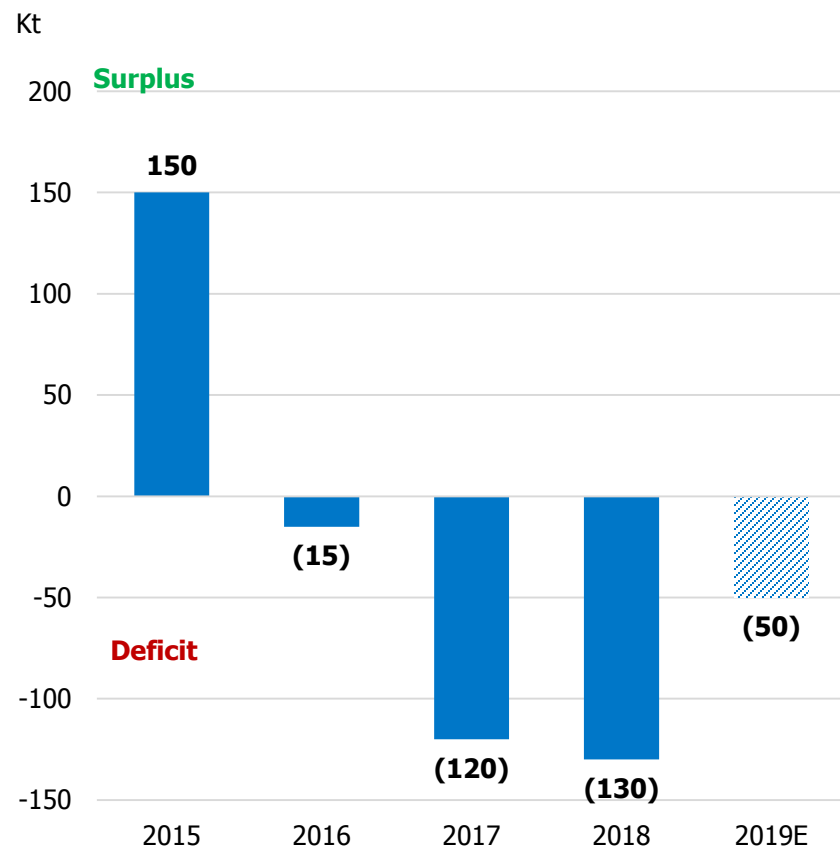
Ni Demand in EV Li-ion Batteries Rising Fast, But Still Small at 4% of Global Consumption



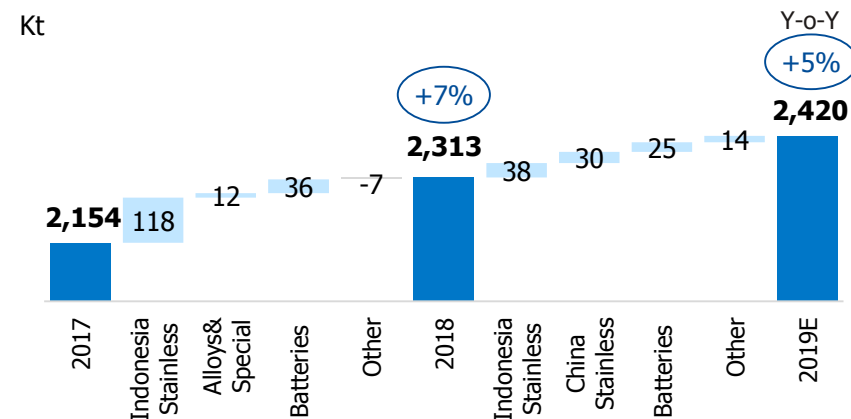
Source: Company data, Chinese customs trade statistics

Nickel Market: Robust Fundamentals

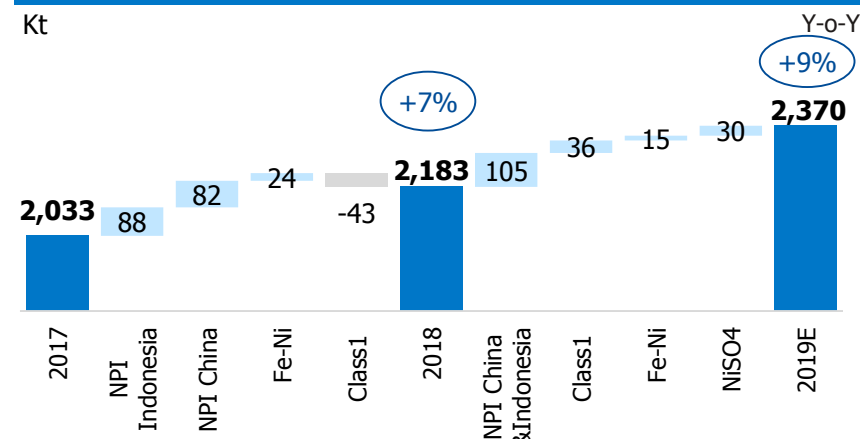
Nickel Market Balance: Decreasing Apparent Deficit in 2019 Due to Slower Demand Growth



Demand: Moderating Growth in 2019 on Weaker Global Macro

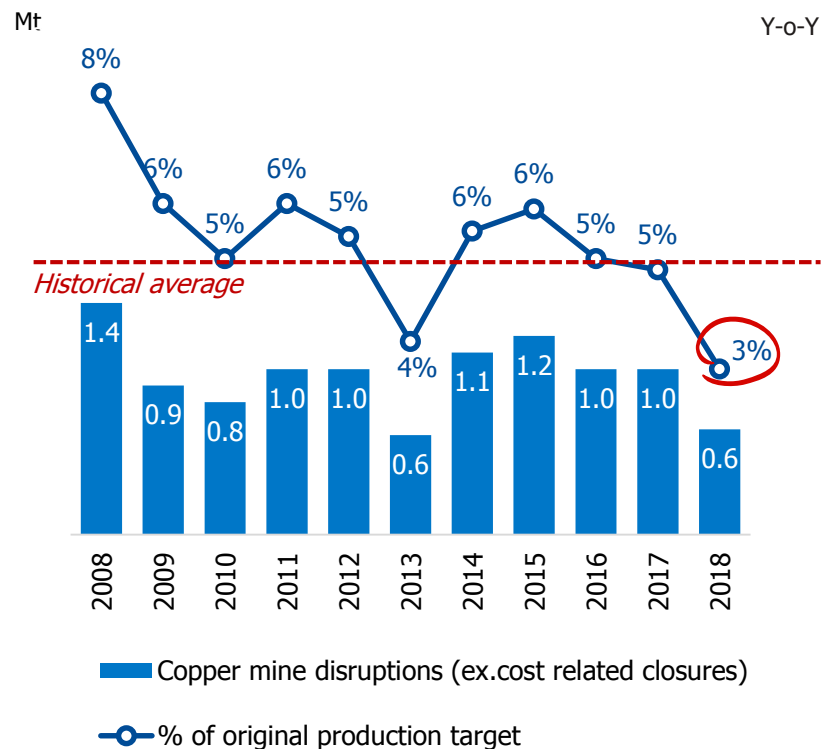


Supply 2019: Growth Accelerating on NPI Ramp-up in Indonesia and Recovery of Class 1

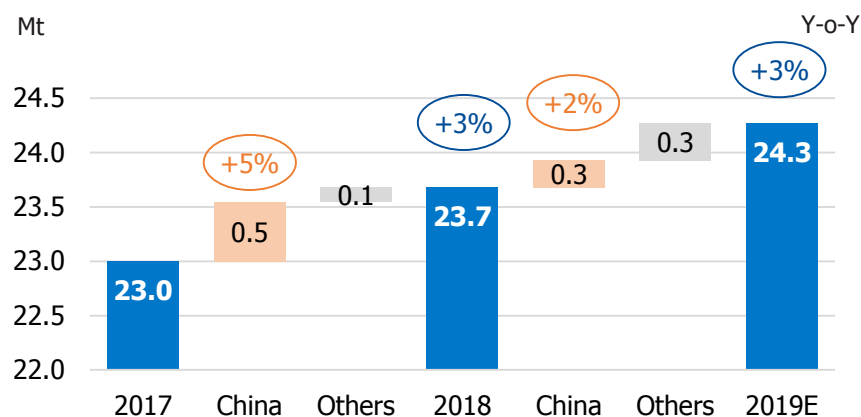


Copper: Demand Concerns and Supply Disruptions Missed Expectations in 2018

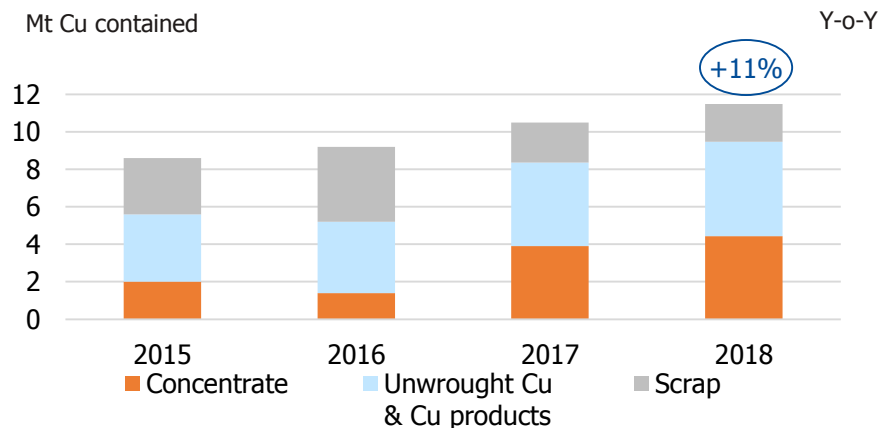
Copper Supply Disruptions: Abnormally Low in 2018 – Well Below Historical Average



Moderating China's Copper Demand Still the Main Driver of Global Consumption Growth in 2019



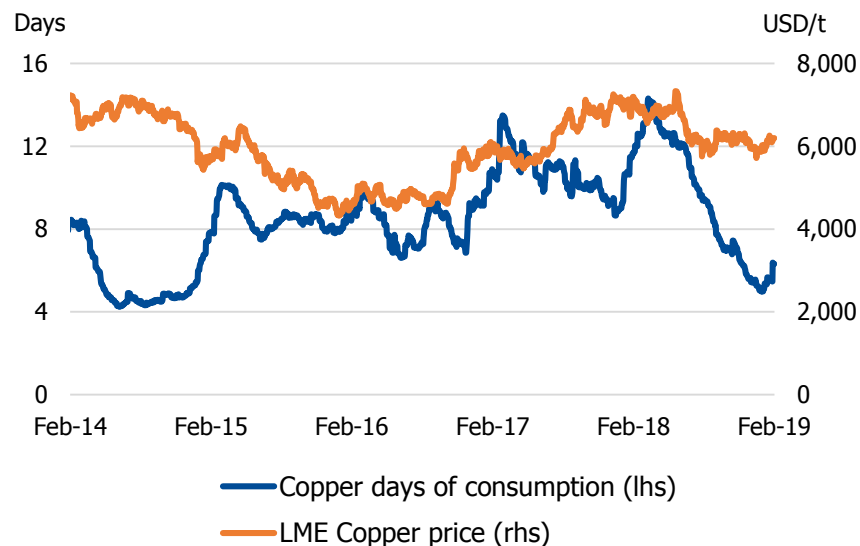
Copper Imports to China Up Strongly in 2018



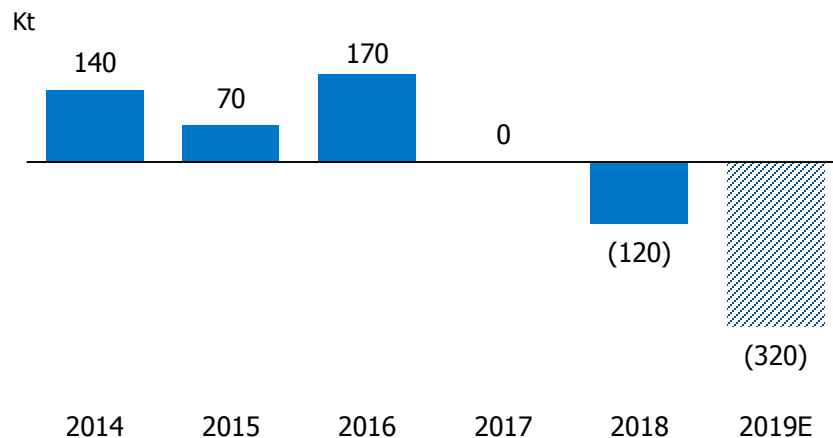
- In 2019, no potential major supply disruption events anticipated so far

Copper Market is Developing Small Deficit, Inventories Have Been Trending Lower

Inventories Running Tight and Near the Low of 2014



Copper Market Balance: Marginal Deficits to Expand in 2019E



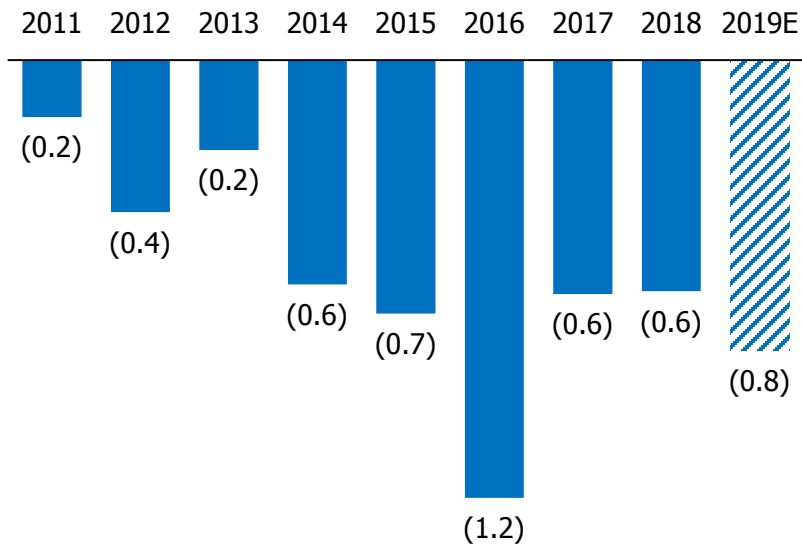
- + Exchange inventories running near historical lows
- + Abnormally low supply disruption rate of 2018 may not sustain in 2019
- + Potential resolution of trade dispute between USA/China in sight

- Growth of Chinese demand normalizing
- Global economy is slowing
- No major potential supply disruption events (negotiations with labour unions) in sight

Palladium Market Remains in Structural Deficit

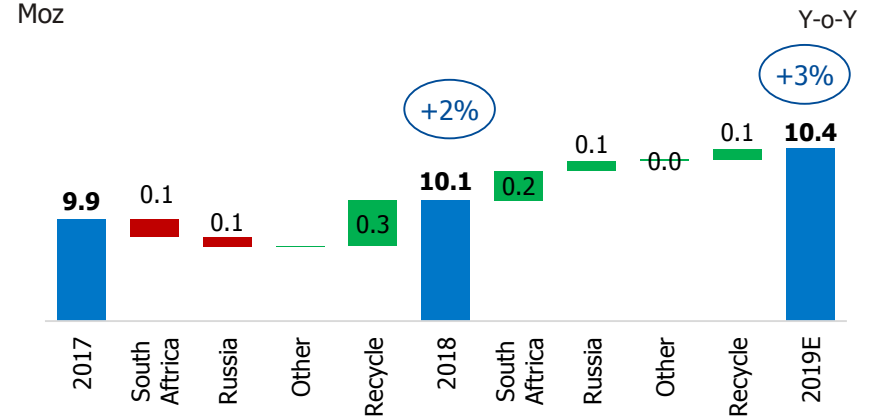
Global Palladium Market Balance: Major Apparent Deficit Holds

Moz



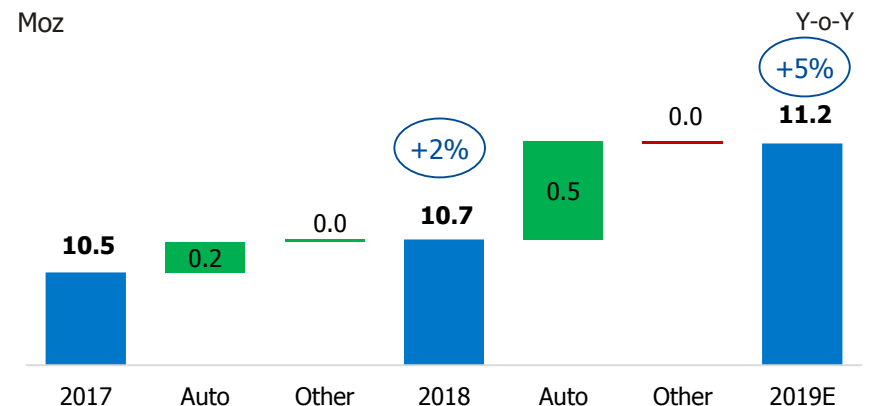
After Contraction in 2018 Some Recovery of Mine Production Expected in 2019

Moz



Tightening Emission Standards to Accelerate Demand Growth in 2019

Moz



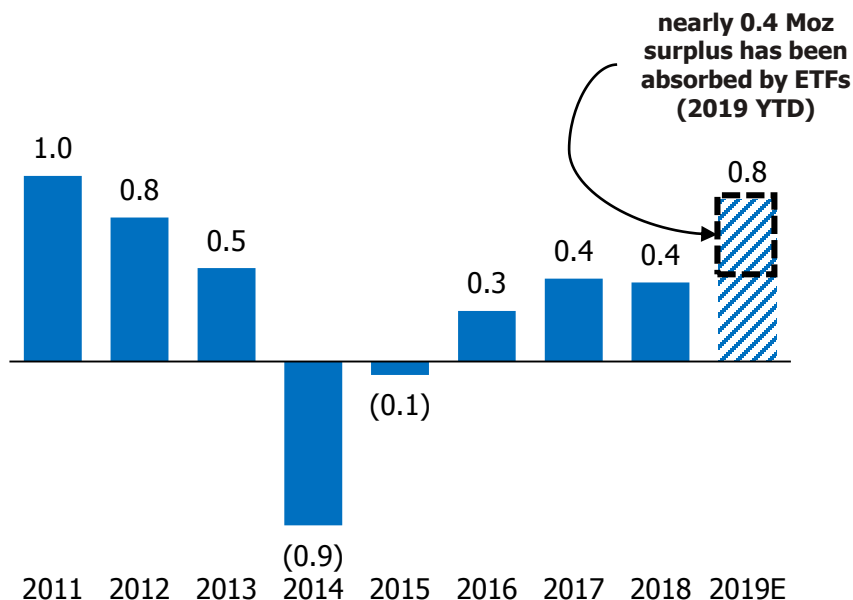
Source: Company data

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

Platinum Market is in Sustained Surplus

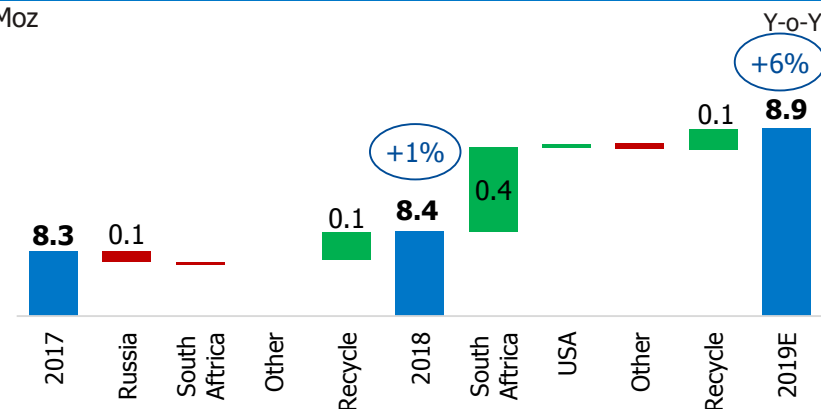
Global Platinum Market Balance: Apparent Deficit Expanding in 2019

Moz



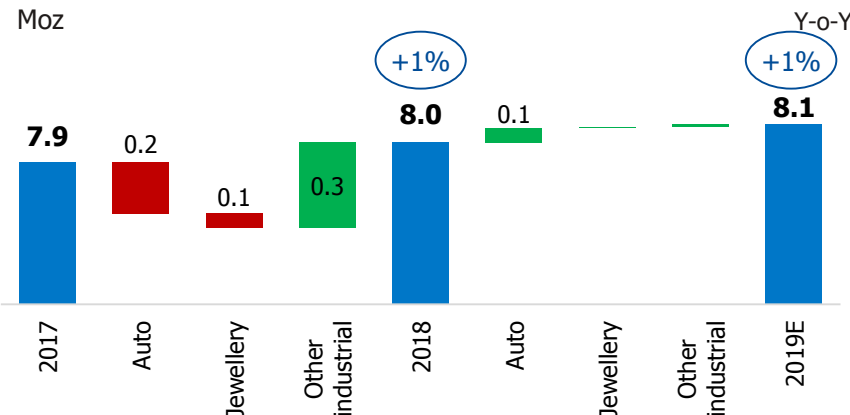
Increase in Supply Expected in 2019 from Releasing Work-in-progress Pipeline

Moz



Stagnant Demand on Weak Offtake in Automotive and Jewellery Sectors

Moz

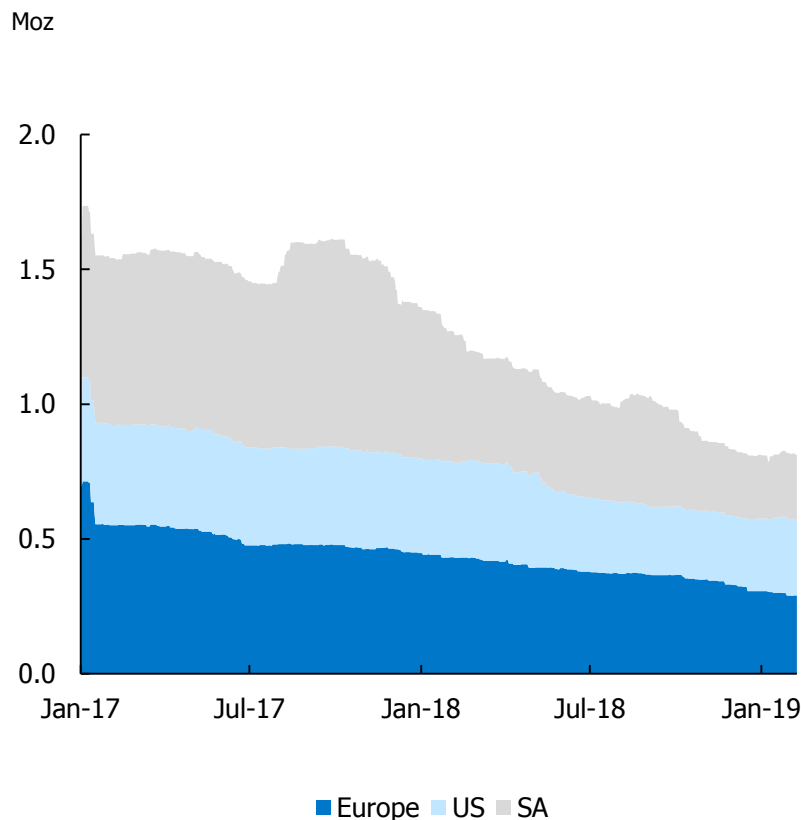


Source: Company data

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

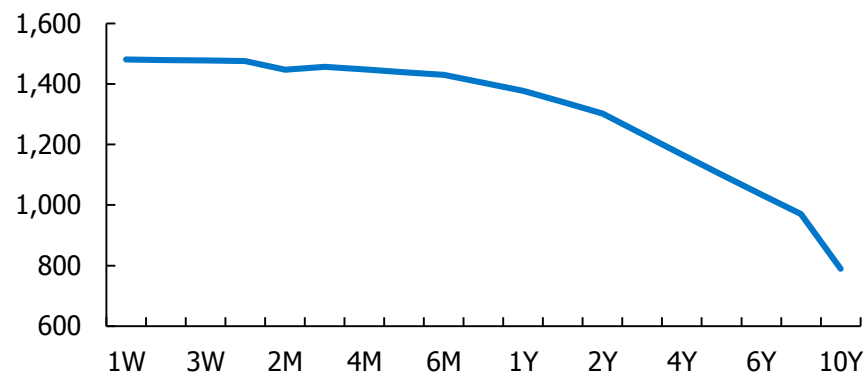
Physical Market is Running Tight

Net Outflows from Palladium ETFs Continued: Over 800Koz since January 2017



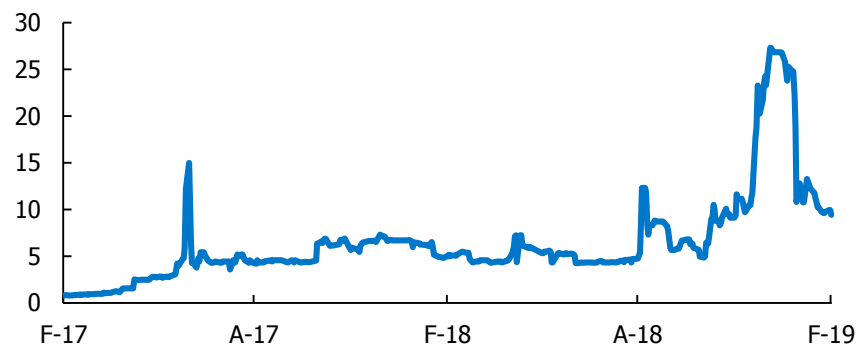
Palladium Market Backwardation Reflects Physical Tightness

Forward Curve



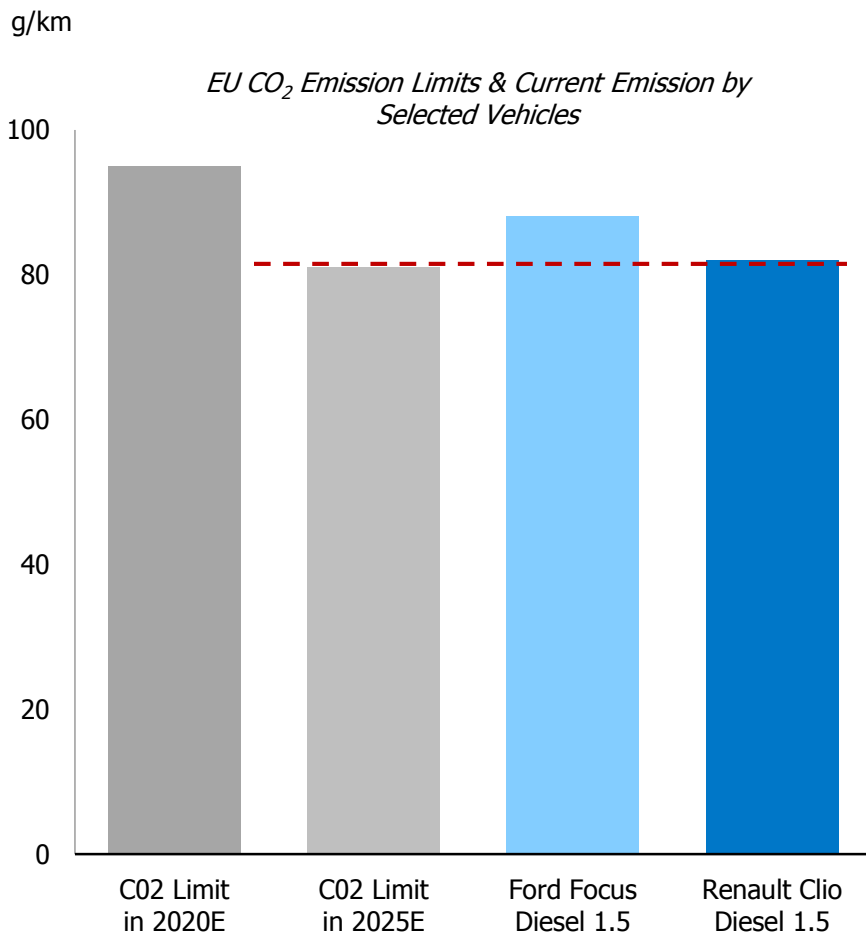
Short-term Palladium Lease Rate are High

% Short-term (3m) lease rates



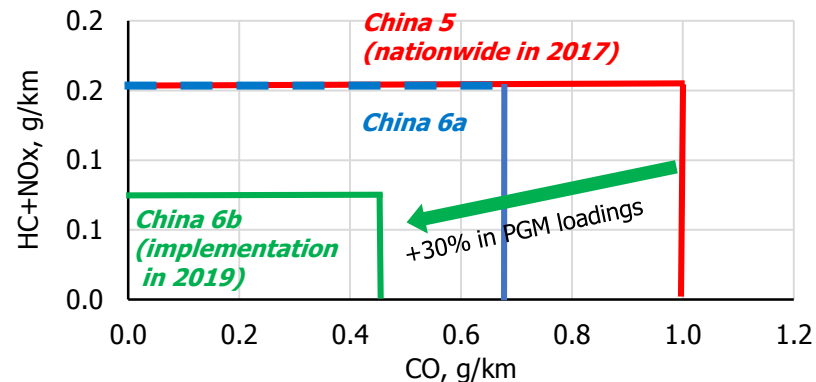
Environmental Regulations Significantly Impact Powertrain Evolution

Europe: Modern Diesels Satisfy CO₂ Emission Targets

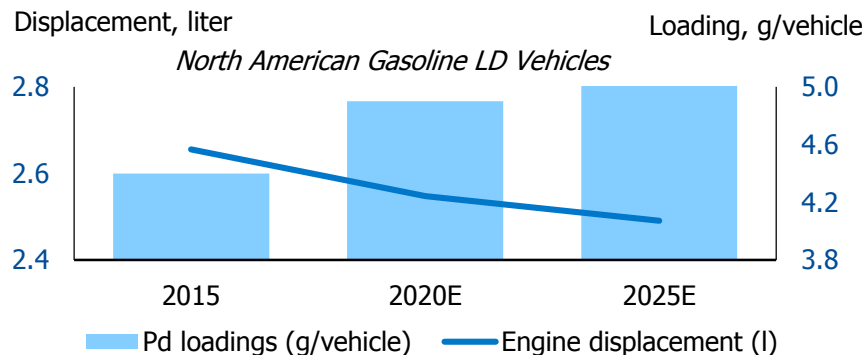


China: China 6 Regulation Pushes OEMs to Increase PGM Loadings

Tightening NO_x and CO Targets in China



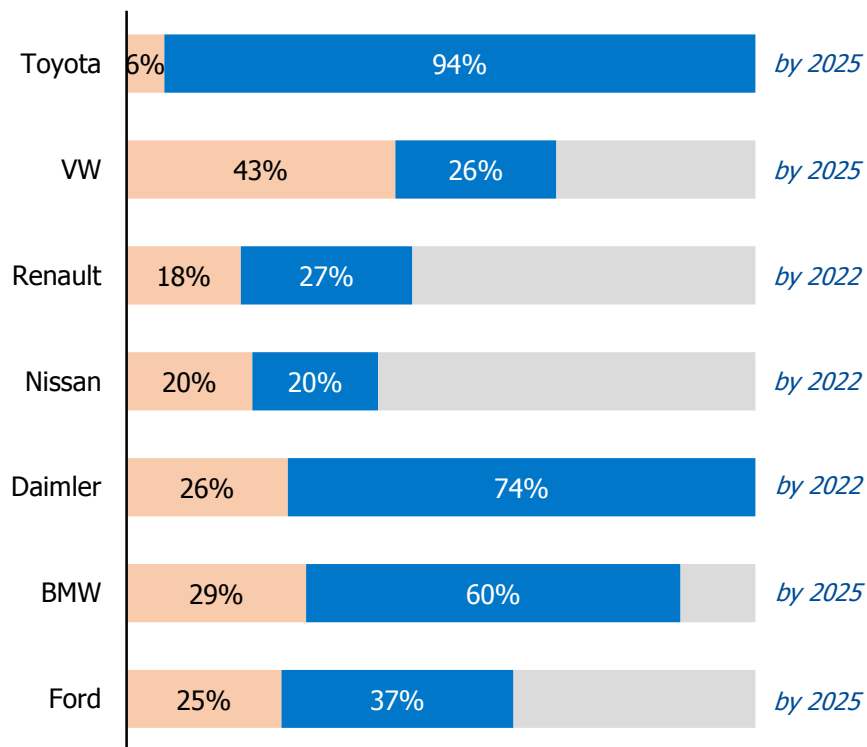
USA: Pd Loadings Expected to Rise on Stricter Emission Regulations Despite Engine Downsizing



Fleet Electrification Targets Imply Active Hybridization

Major Automakers' Plans: Hybrids and Internal Combustion Engines to Dominate

LV production

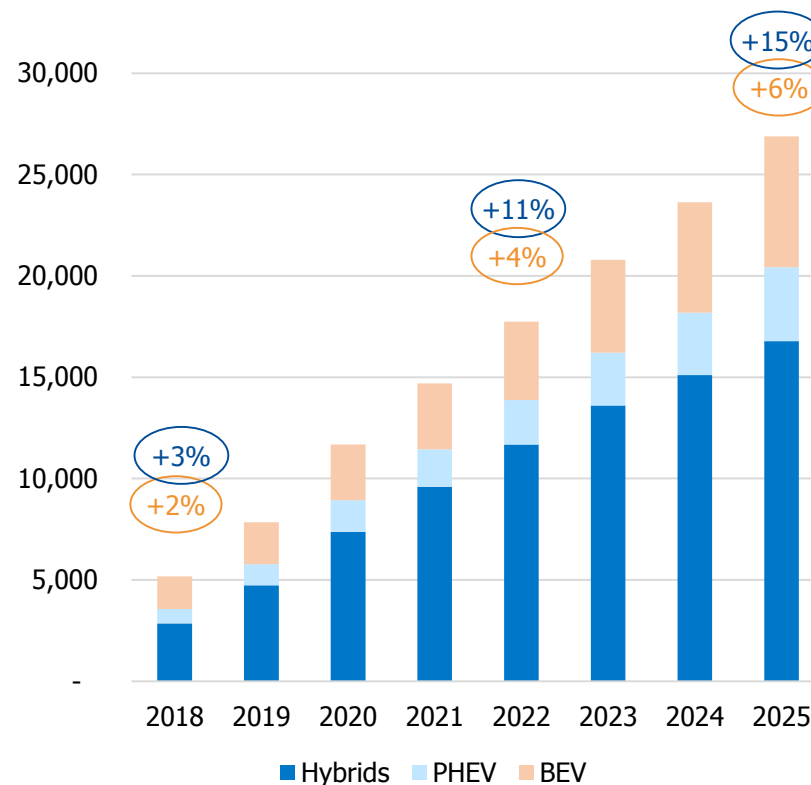


■ BEV models ■ Hybrid models ■ Internal combustion engine

Industry Expectations: Hybrids to Dominate in the Electric Vehicles Mix in the Long-term

'000

(%) hybrids share in global LV production

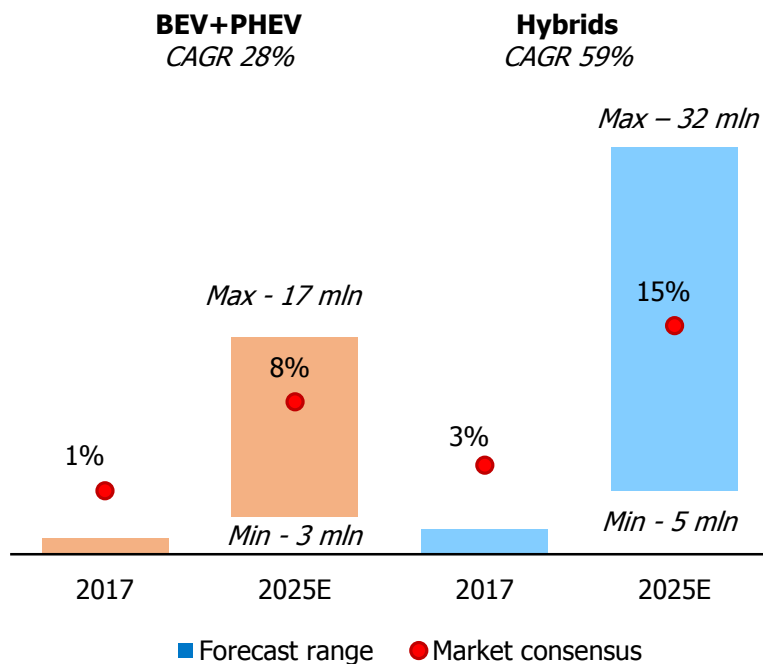


Source: Company data, announcements by OEMs, LMCA

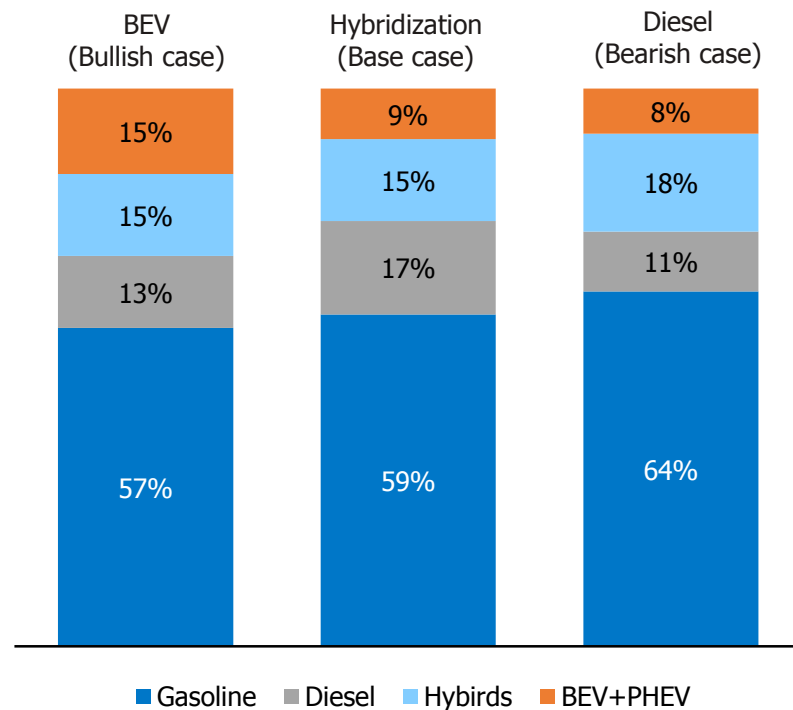
Long-term Palladium Demand to Remain Strong

Significant Uncertainty in the LT Outlook for Electric Vehicles Results in a Wide Range of Expectations

CAGR 2017-2025E



2025 Scenarios of Global Light Vehicles Mix: Gasoline and Hybrids to Dominate Market Share

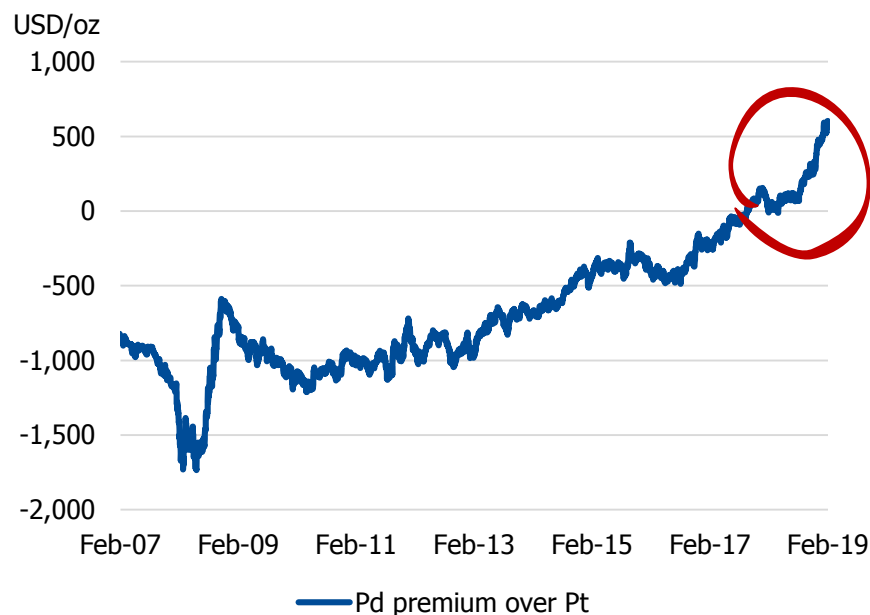


Key uncertainties for battery electric vehicles (BEVs):

- Cost of ownership
- Deployment of sufficient charging infrastructure
- Sustainability of government incentives

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

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



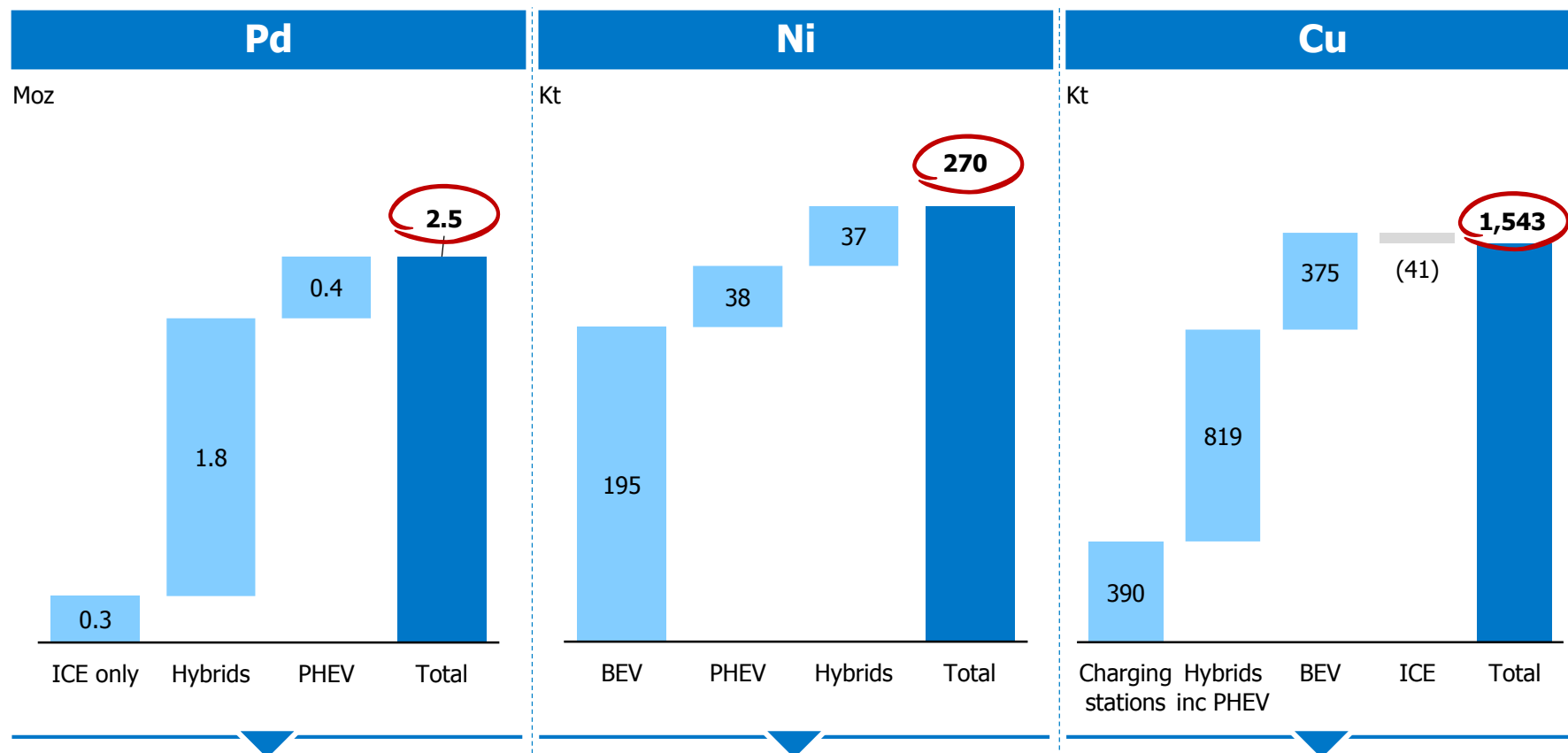
... as Pd Loadings in Gasoline Vehicles are Supported by Higher Fair Value-in-Use

| | Palladium | Platinum |
|---|---|----------------------------|
| | Higher | Lower |
| Thermal durability | Platinum is more susceptible to sintering at high temperatures <i>To increase engine efficiency and to reduce CO₂ emission OEMs increase the share of ICE, which operate at higher temperatures</i> | |
| HC and CO oxidation at low temperatures | Higher <i>Hybrid vehicles operate at lower temperatures as ICE is not working continuously</i> | Lower |
| NOx reduction | Higher | Lower (same for lean burn) |

- Palladium performs better than platinum in gasoline vehicles
- Introduction of Real Driving Emission tests incentivises «over engineering» and higher palladium loadings
- Long-term stability/reliability of supply is supportive of palladium demand
- Progress in the development of prospective mining projects should mitigate structural deficit in the medium-term

Auto Driven Metal Demand Growth in 2018-2025E

Metal



Consumption



Pd in catalytic converters



Ni in batteries



Ni in stainless steel, alloys and parts



Cu in electric engines and generators



Cu in wires








Cu in charging stations

Source: Company estimates

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

Nornickel'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 | | +Batteries | | 2–3 kg |
| | 2-4 kg | 2-4 kg | 5–15 kg | 30–110 kg | |
| Cu | Wires & Parts | | +Electric Motor, Generator Winding | | |
| | 20-25 kg | 20-25 kg | 45-50 kg | 75-80 ³ kg | 70-75 kg |
| PGM | Catalysts | | | - | Fuel Cell |
| | 2-5 g | 3-6 g | 2-6 g | | 25-35 g |
| Pt:Pd ratio | 1:4 | 8:1 | 1:4 | | |
| Metal value per vehicle, US\$⁽⁴⁾ | \$260-480 | \$220-380 | \$460-770 | Up to \$1,800 | Up to \$1,400 |

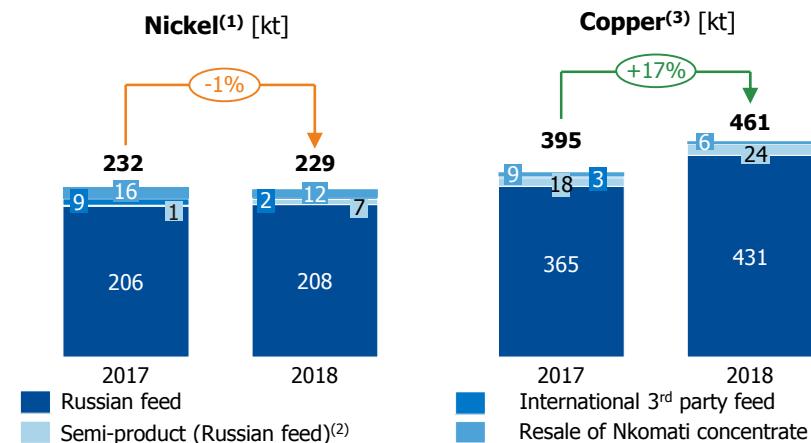
Source: Company estimates, LMC Automotive, Bloomberg;

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 February 18, 2019

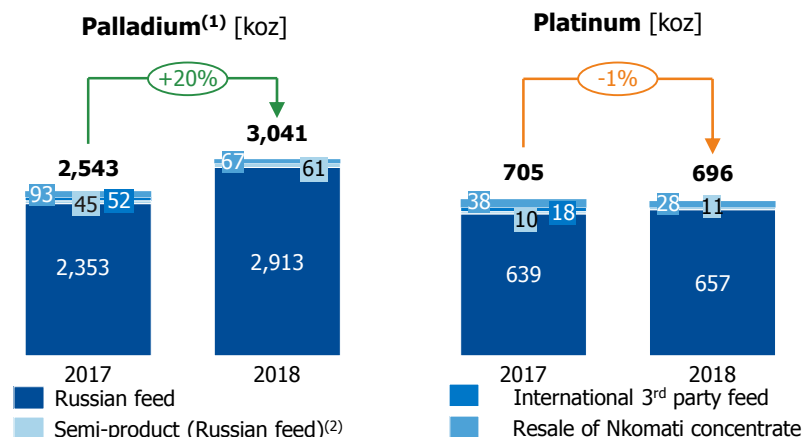
2018 Financial Results

Metal Sales Volumes and Realized Prices

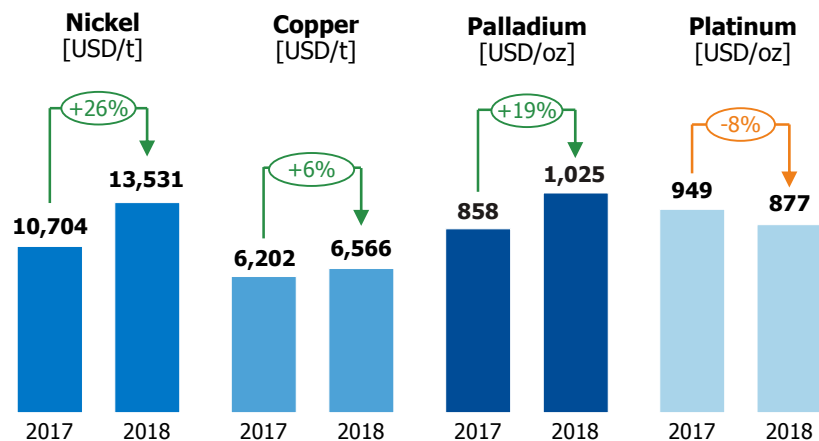
Base Metals Sales: Strong Growth of Copper



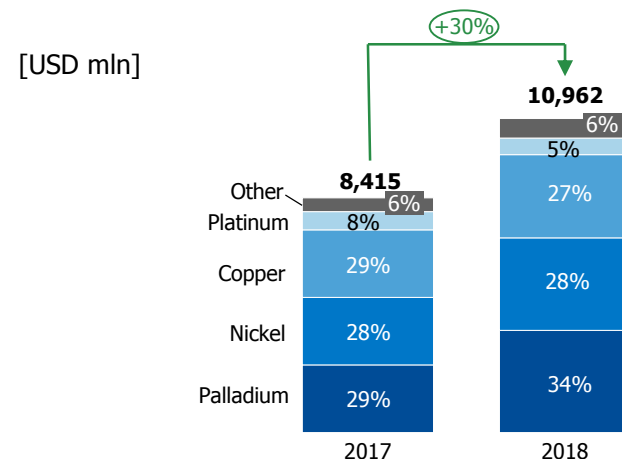
PGM Sales: Strong Growth of Palladium on Destocking



Realized Metals Prices: Supported by Robust Commodity Markets



Sales Breakdown by Metals: Palladium is the Largest Contributor

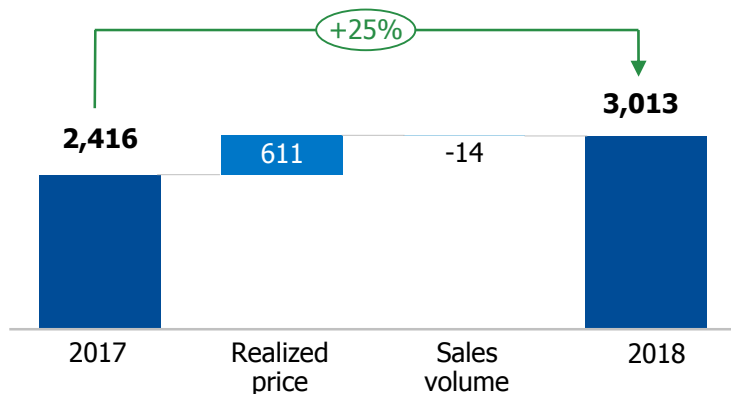


Note 1. Excluding sales of metals purchased from third parties, 2. Metal volumes represent metals contained in semi-products, 3. Copper metal sales excludes the sale of copper in concentrate produced by Bystrinsky GOK (Chita)

Metals Revenue: Up on Strong Commodity Markets and Sales Volumes

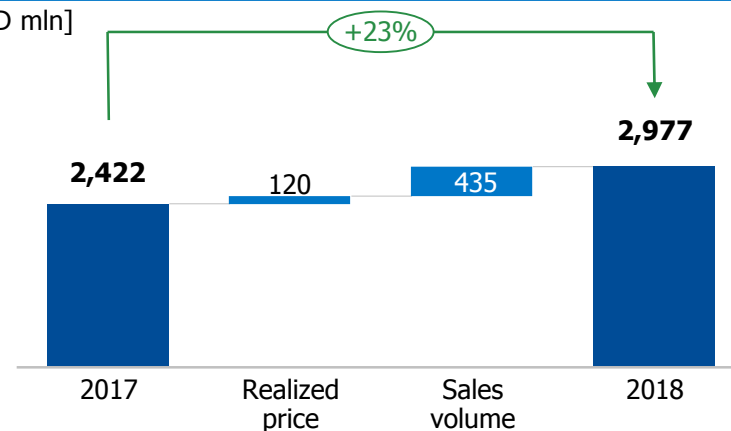
Nickel Revenue: Up 25% on Higher Prices

[USD mln]



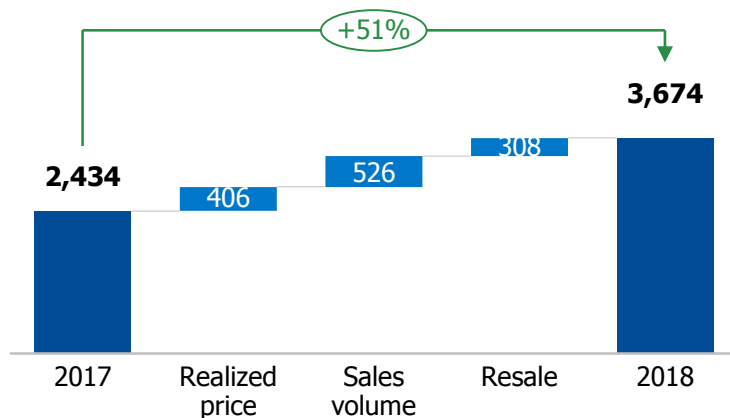
Copper Revenue: Up 23% on Higher Sales Volumes and Prices

[USD mln]



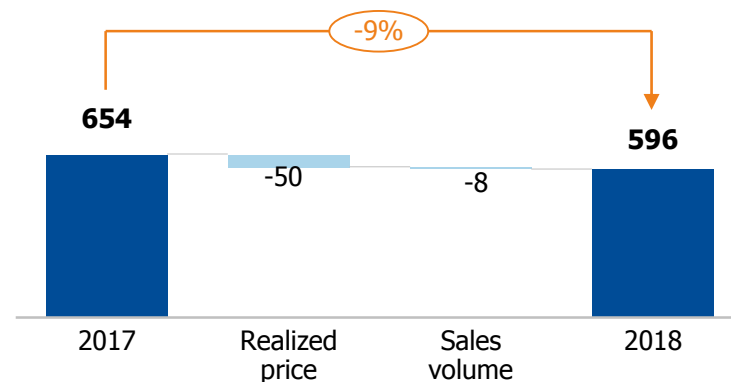
Palladium Revenue: Up 51% on Higher Prices and Sales Volumes

[USD mln]



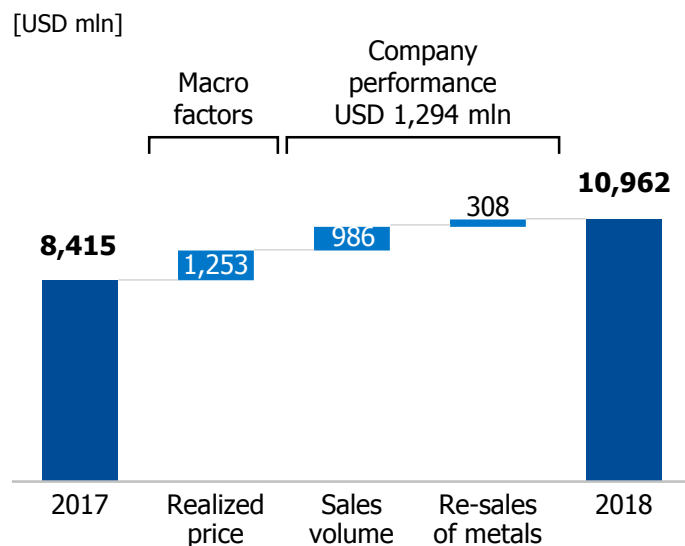
Platinum Revenue: Down 9% on Lower Prices

[USD mln]



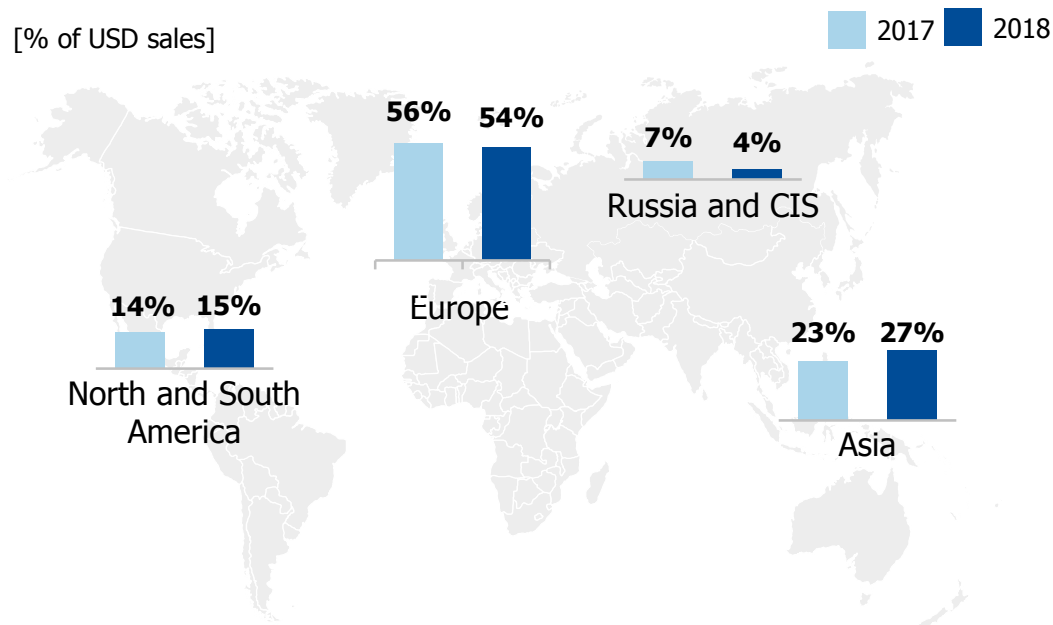
Consolidated Metal Revenue

Metal Revenue Up on Higher Prices and Sales Volumes



- + 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)

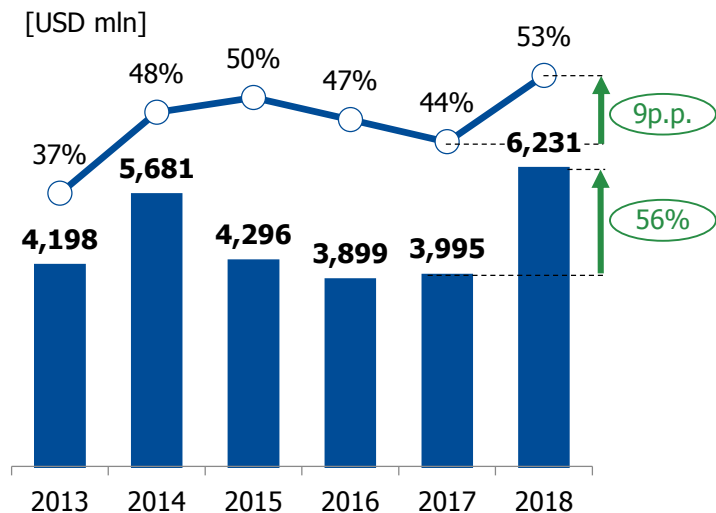
Geographical Breakdown of Metal Sales



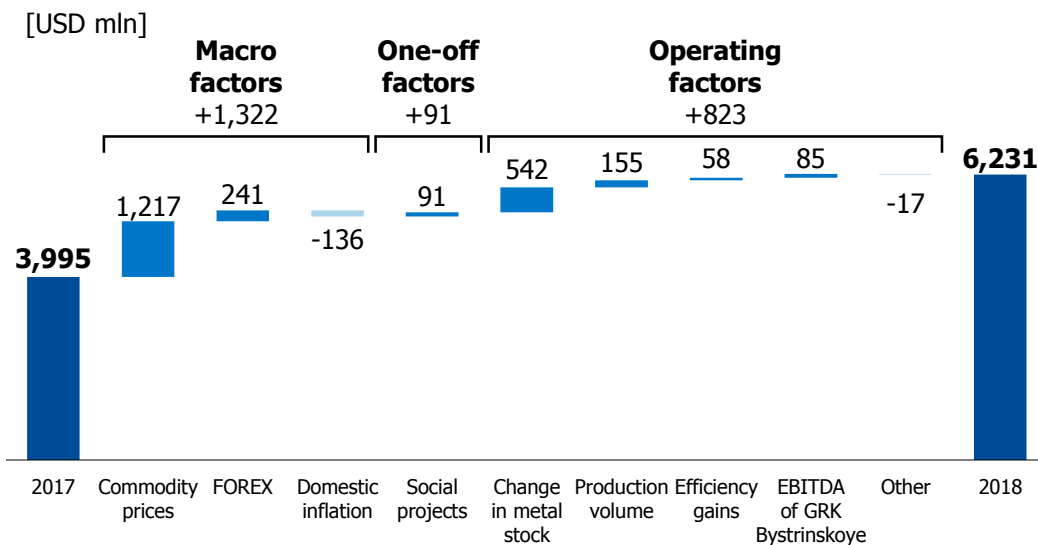
- Europe remains the single largest market accounting for 54% of metal sales
- Increase of sales to Asia to 27%, due to higher physical sales of copper and nickel, mainly to China
- Marginal increase of sales to North and South America to 15% mainly due to higher palladium sales volumes

EBITDA and EBITDA Margin

Industry Leading EBITDA Margin



2018 EBITDA: Up on Strong Macro and Operating Performance

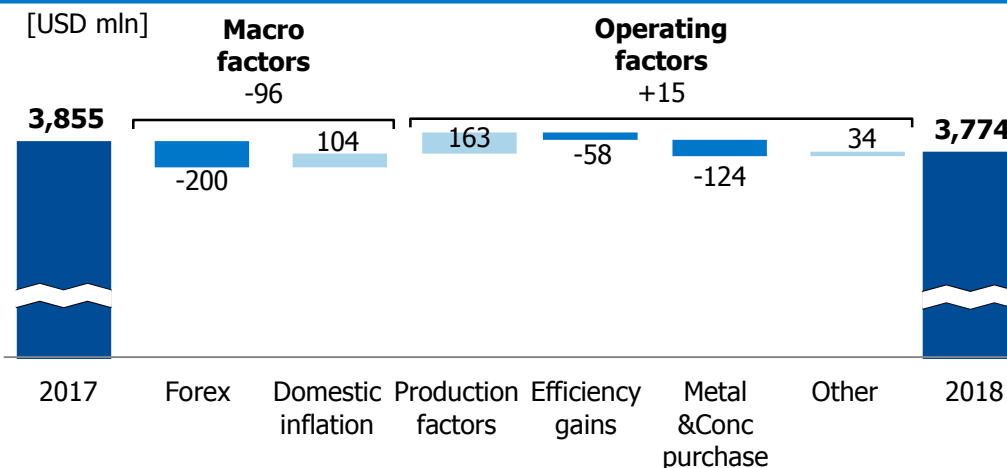


- + Higher realized metal prices (+USD1,217 mln)
- + Depreciation of RUB against USD (+USD241 mln)
- Domestic inflation (-USD136 mln)
- + Decrease in expenses on one-off social projects (+USD91 mln)
- + Release of metal from stock (+USD542 mln)
- + Higher production volumes and operating efficiency gains (+USD213 mln)
- + EBITDA of GRK Bystrinskoye (+USD85 mln)

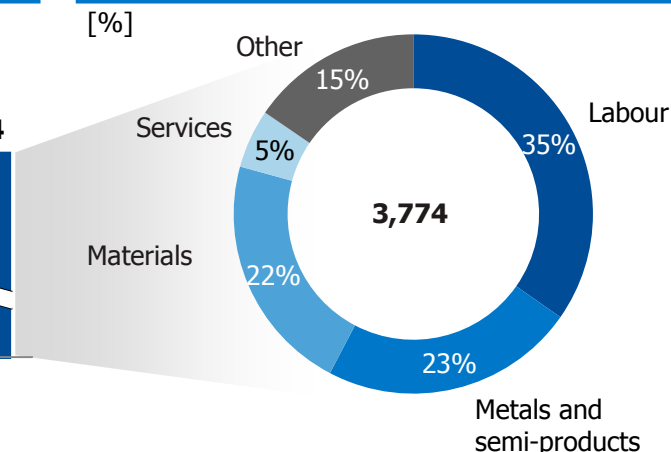
EBITDA margin back to industry leading 53%

Operating Cash Costs: Weathering Out Inflation Pressure

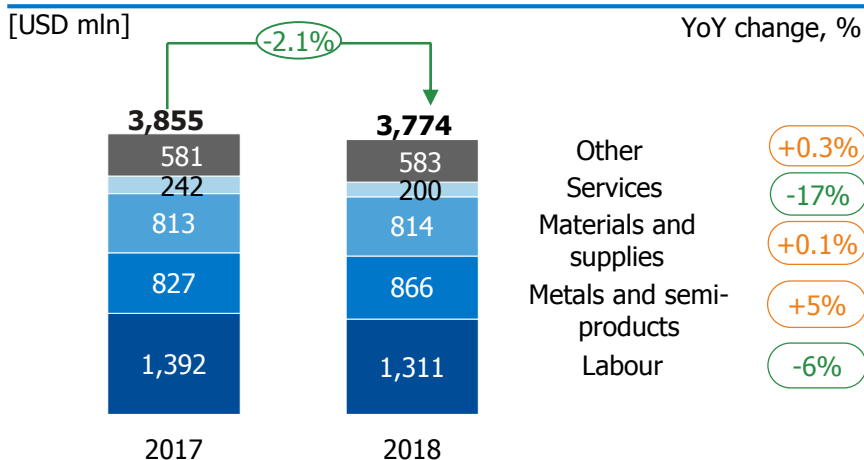
Operating Cash Costs Changes in 2018



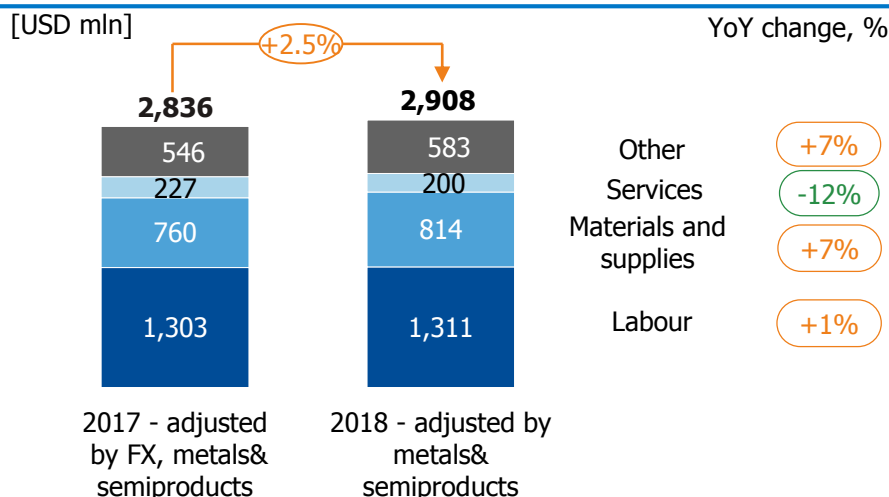
2018 Cash Costs Breakdown



Reported Operating Cash Costs: Down Due to RUB depreciation

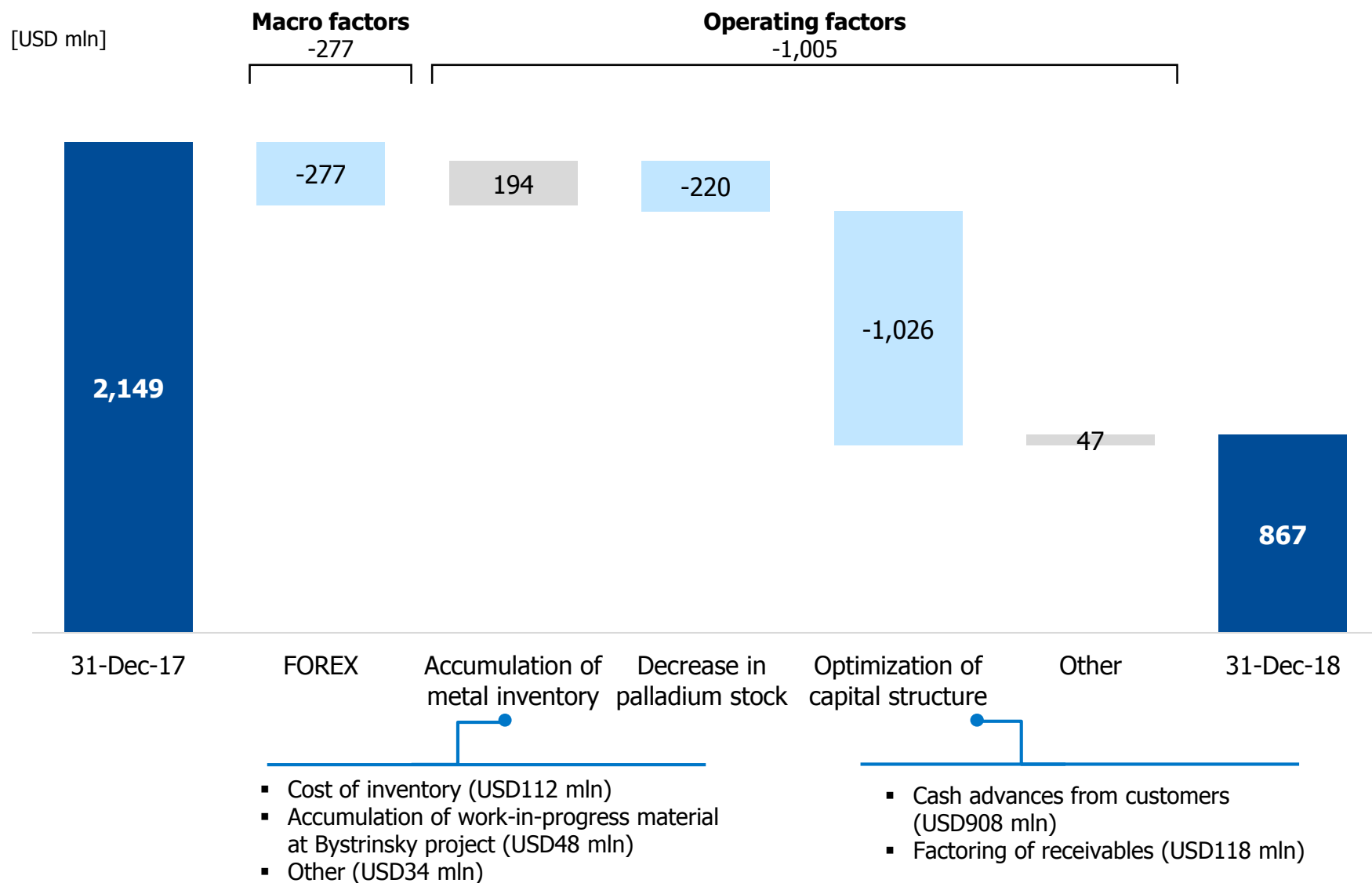


Adjusted Operating Cash Costs for FX, Metal and Semi-product⁽¹⁾ Purchase - Below Domestic Inflation



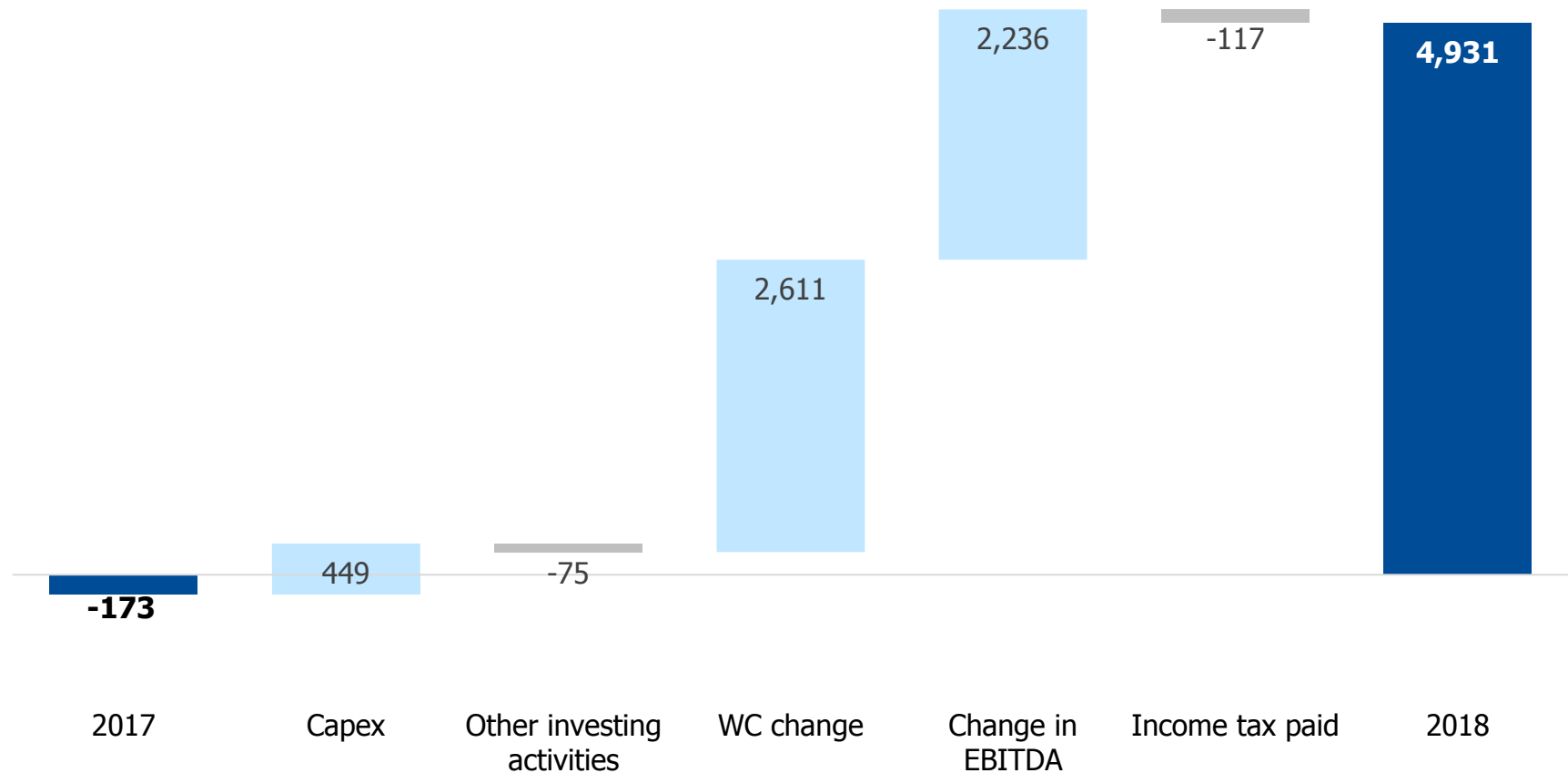
Note 1. Including Rostec and Nkomati

Net Working Capital in 2017 –2018



FCF Increased to Almost USD 5 Billion on EBITDA Growth and Release of Working Capital

[USD mln]

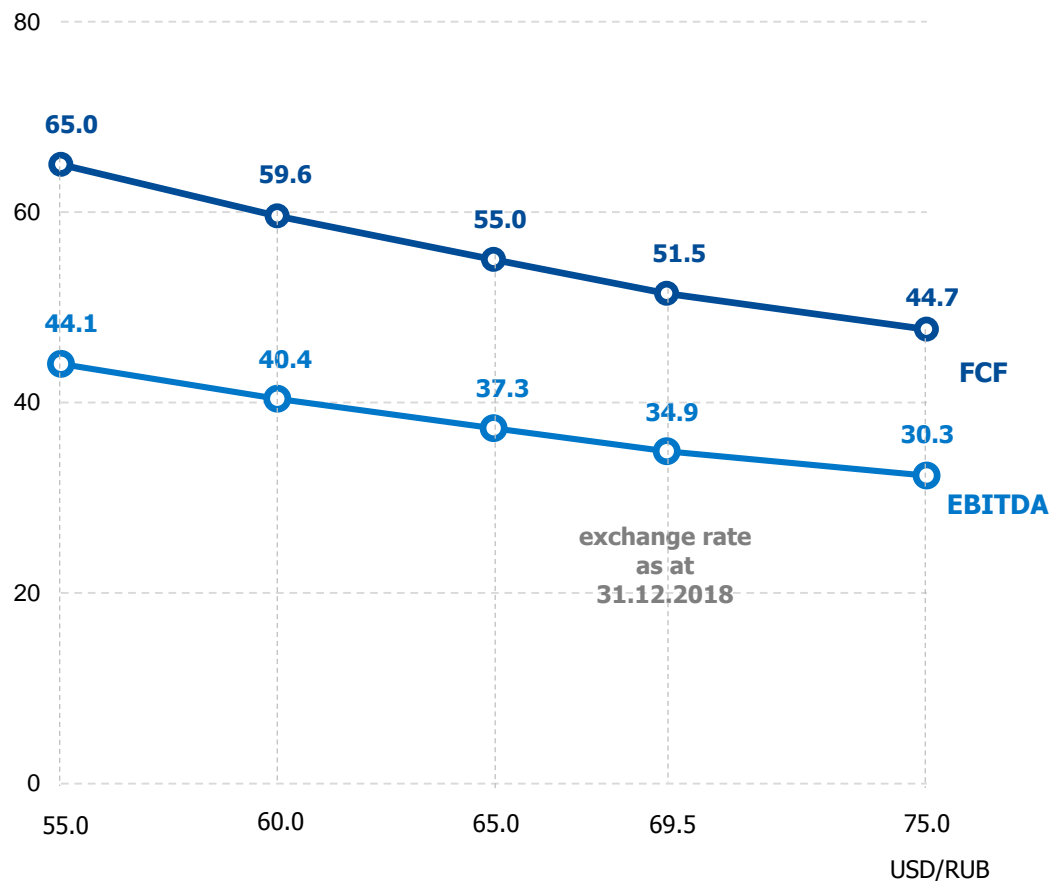


Financial Results Sensitivity to USD/RUB Exchange Rate

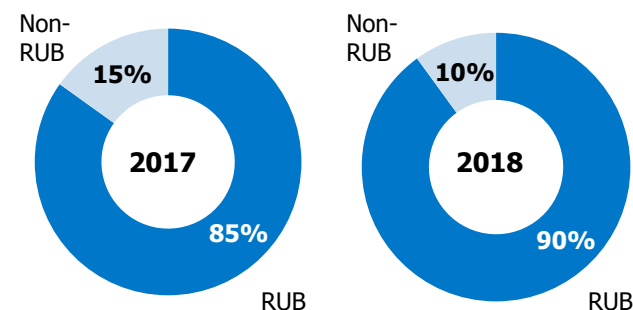
At USD/RUB rate of 69.5, 1% change in exchange rate translates into EBITDA change of USD34.9 mln, FCF change of USD51.5 mln

CAPEX and OPEX Break Up by Currency in 2017 and 2018

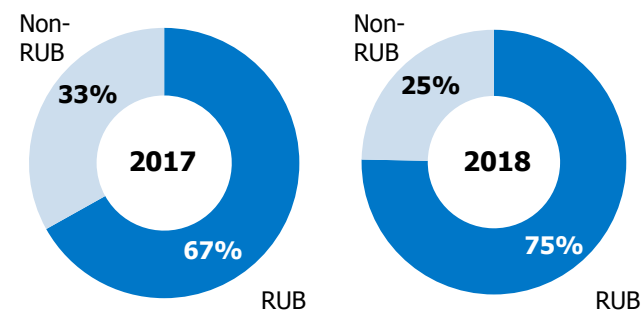
[USD mln]



OPEX⁽¹⁾



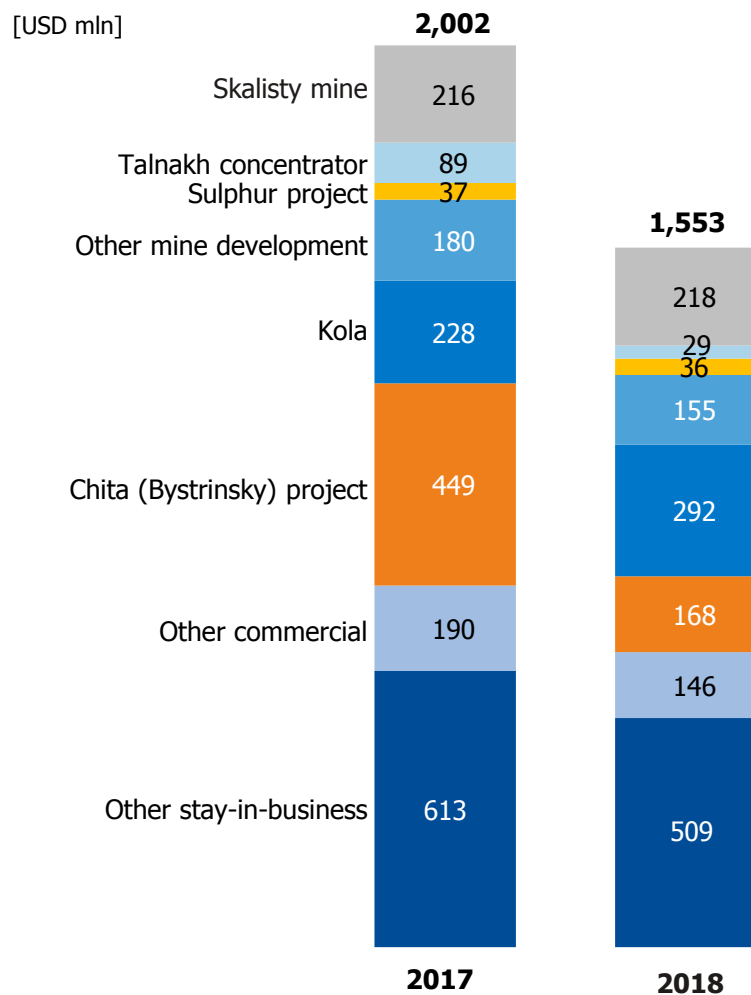
CAPEX



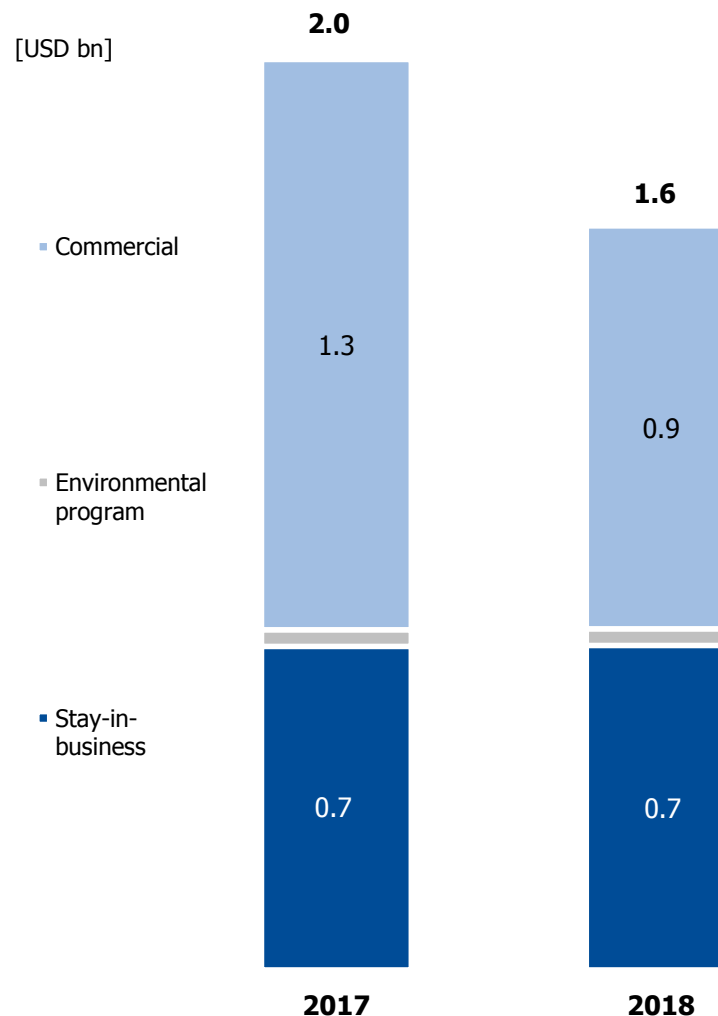
Note: 1. Cash costs (change in stock excluded), Cost of non-metal sales, SG&A; normalized by cost of refined metals for resale

Allocation of Capital Investments

CAPEX⁽¹⁾ Breakdown by Projects



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

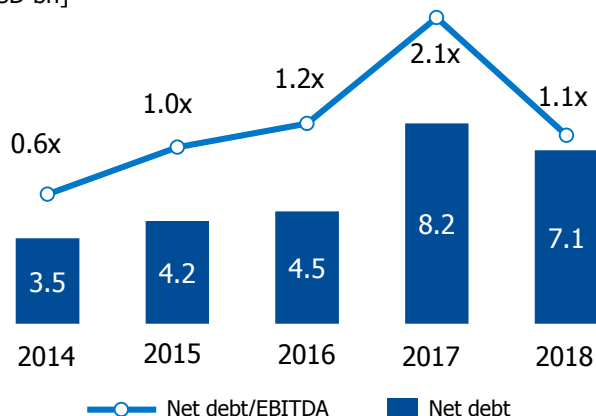


Note: 1. CAPEX in Cash flow statement, net of VAT, 2. Including Talnakh concentrator and South Cluster

Balance Sheet Management

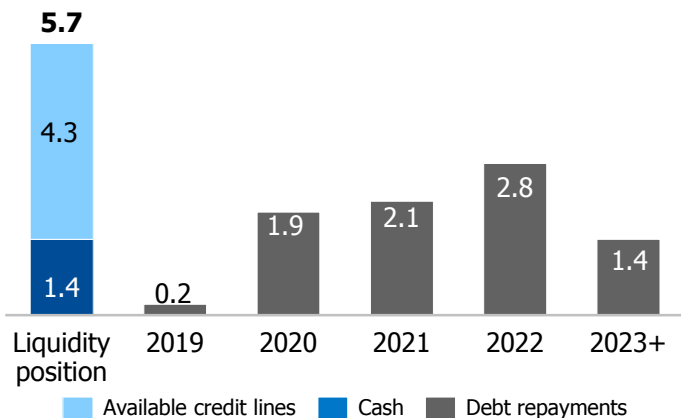
Historical Leverage: ND/EBITDA Back to Mid-Cycle Average

[USD bn]



Liquidity and Debt Repayment Schedule

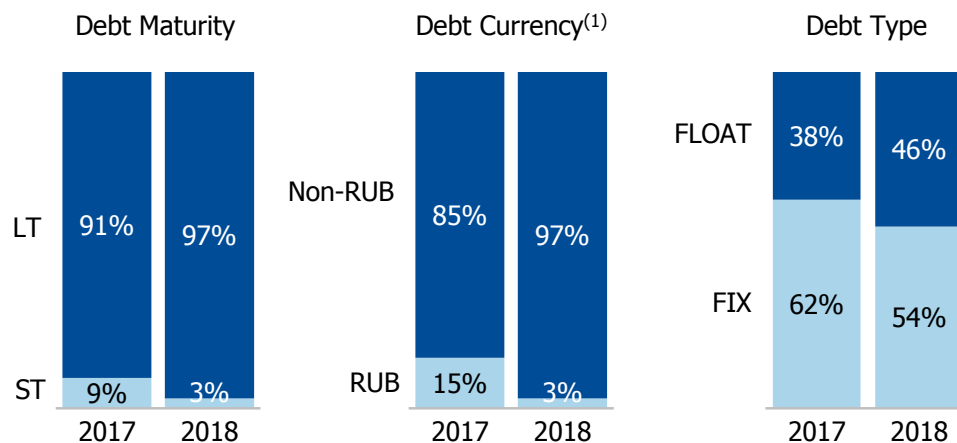
[USD bn]



Proactive Debt Management

- New credit lines signed for the total amount of approximately USD3.5 bn increasing the total amount of available committed credit lines to approximately USD4.3 bn
- Cash interest paid was reduced by approximately USD100 mln in 2018 driven by repricing of several credit lines and refinancing of liabilities, including redemption of USD750m Eurobonds due April 2018 at the cost of 5-year USD2.5bn syndicated term loan and early prepayment of Bystrinsky Project Finance for the amount of approximately USD677 mln
- In January 2018, Moody's assigned «Baa3» issuer rating to the Company and changed outlook from «Stable» to «Positive». In February 2019, the rating agency upgraded Nor Nickel to «Baa2» with «Stable» outlook.
- The Company maintains investment grade credit ratings from all three major international rating agencies

Change in Debt Structure



Note: 1. RUB loans with currency swap applied disclosed as USD loans

Projects Update

Key Upstream Project of Polar Division – Skalisty Mine Development

Project Description

- Production capacity: 2.4 Mtpa
- Ore reserves: 66 Mt
- Capex 2018: US\$230 mln
- Capex 2019-2024: ~US\$0.8 bn



Project Timeline

- Commissioned mining capacity in 2015-2018: 1,350 ktpa
- Completion of #10 ventilation shaft sinking in 2018 (>2 km deep)
- Completion of main shaft and supporting infrastructure in 2020



Status ~2.0 Mt ore mined in 2018

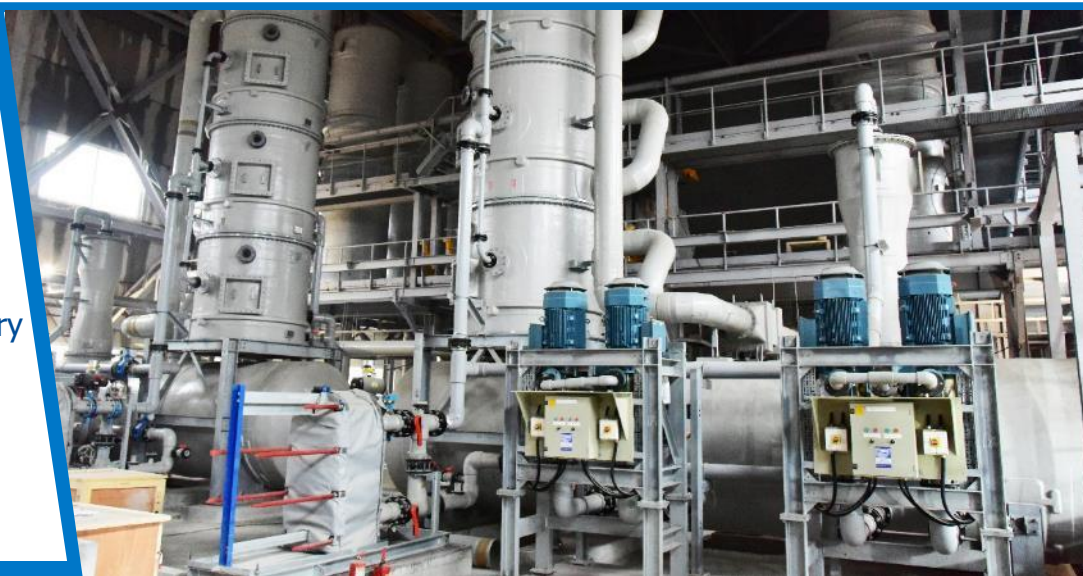
Target Capacity ~2.4 Mtpa¹ by 2024

Note : 1. Including replacement of depleting capacity

Kola Nickel Refinery Upgrade – Status Update

Project Description

- Increase the nickel refining capacity from 145 ktpa to 190 ktpa
- Increase in nickel recovery from high-grade matte by over 1.0%
- Optimization of the work-in-progress inventory
- Reduction of environmental footprint
- Total Capex: US\$400 mln
- Capex 2018: US\$180 mln



Project Timeline

- Completion of infrastructure and gradual capacity commissioning in 2019
- Reaching design capacity and parameters by 4Q 2019



**Current
Status**

Completed >82%

Capacity

+20% at Tankhouse-2

Ramp-up of Bystrinsky Project

Project Overview

- The project is ramping up with full capacity expected in 2020
- Ore reserves: 341 Mt, grades:
Cu – ~0.7%; Fe – ~21%; Au – ~0.9 g/t
- Site infrastructure completed: open pit and concentrator (grinding and flotation)
- External infrastructure completed: power lines and railway to the site
- Total Capex: US\$1.8 bn

Operating and Financial Outlook

| | | 2018 | 2019E | 2020E+ |
|---------------|-----------------|-----------|------------------|-------------|
| Ore | Mt ² | 4 | 8 | 10 |
| Cu | kt ¹ | 19 | 40-46 | 65-70 |
| Au | t ¹ | 3.0 | 6.0-6.5 | 8.5-9.0 |
| Fe | mt ¹ | 0.4 | 1.3-1.4 | 1.9-2.1 |
| EBITDA | US\$ mln | 96 | up to 300 | 400+ |

EBITDA 2018 **US\$ 85 mln**



Note: 1. Metals in concentrate: Cu (in concentrate), Au (in Cu, Au concentrate), Fe (magnetite concentrate); 2. Ore processed

Environmental Project at Kola: Optimization of Smelting Operations



Project overview

- **Target:** reduction of Sulphur dioxide emissions at the Norwegian border by 50% by 2020 vs. 2015
- Shut down of ore-thermal furnace in the smelting shop
- Sales of low-grade concentrate to third parties
- Total Capex of US\$80 mln

Project timeline

- Construction of flotation circuit to separate ore concentrate to low-grade and high grade concentrates
- Construction of the copper-nickel concentrate loading point at Zapolyarny site
- Decommission of ore-thermal furnace №3 in the smelting shop

Project update

- 30% completion rate
- Construction and equipment (Outotec) installations in progress

Full completion expected by Q3 2019

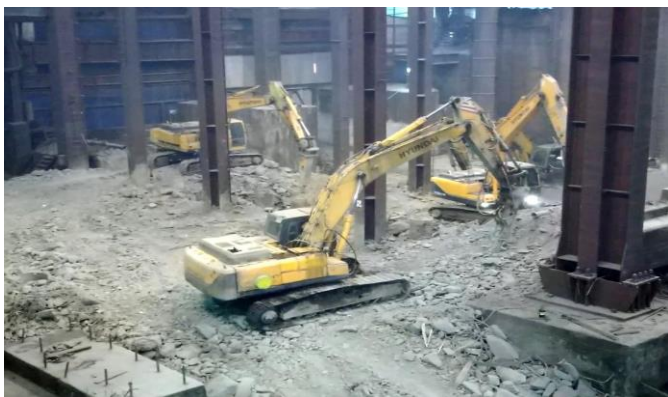
Current Status of the Sulphur Project at Polar Division



Site Preparation at Nadezhda Smelter



Site Preparation at Copper Plant



Project overview

- **Target:** reduction of Sulphur dioxide emissions in Norilsk industrial area at least by 75% by 2023 vs. 2015
- **Nadezhda Smelter:** construction of new converters replacing converter furnaces of Copper Smelter; construction of Sulphur Capture and sulphuric acid neutralization
- **Copper Smelter:** construction of Sulphur Capture and elementary sulphur production
- Total Capex of US\$2.5 bn

Project timeline

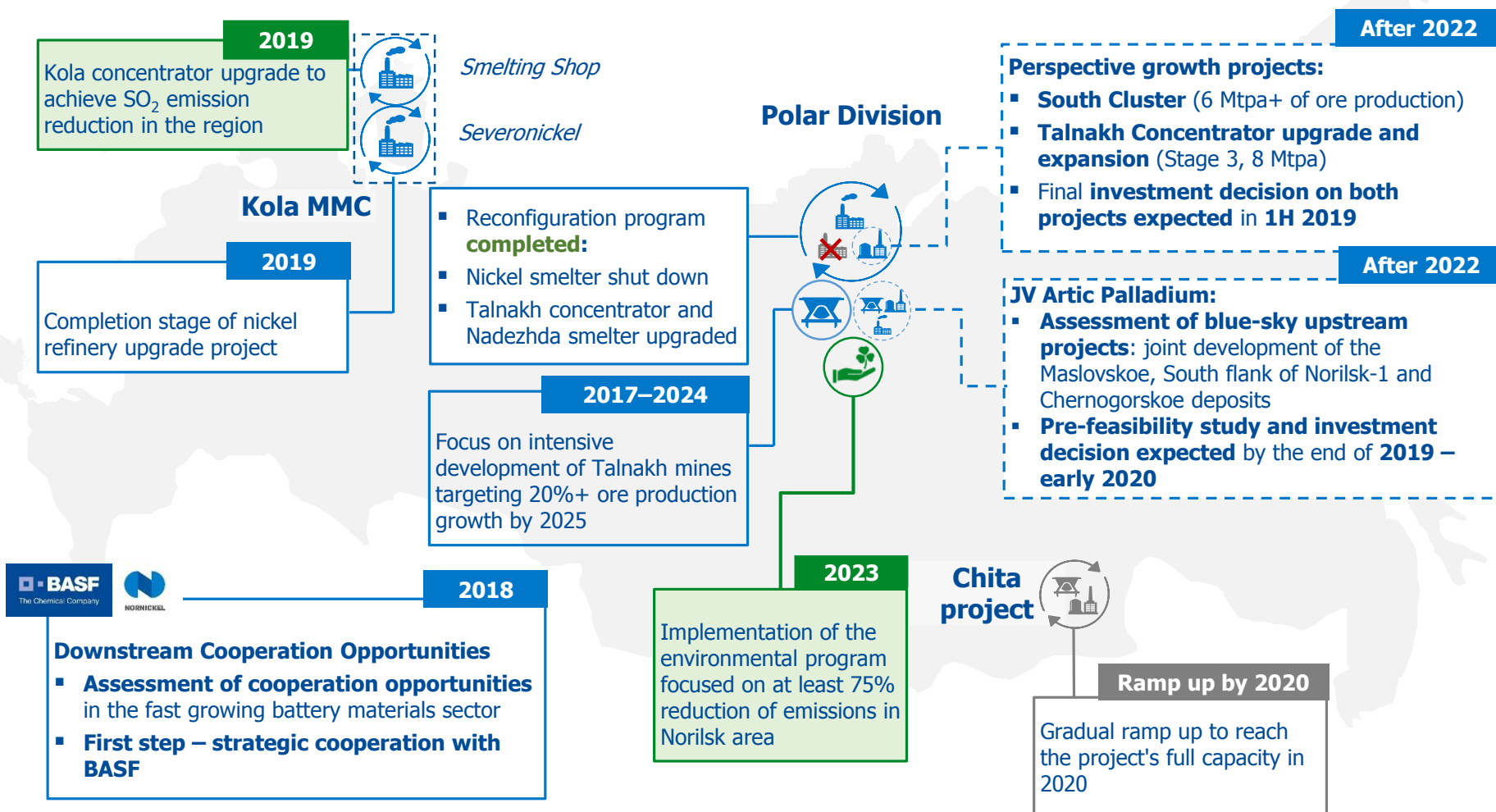
- Preparation of engineering project documentation and application for the government regulator (Glavgosexpertisa) approval in 2019
- Start of construction and installation works in 2H 2019
- Project completion in 2022

Project update

- Preparation of construction sites in progress at Copper Plant and Nadezhda Smelter
- Tender process to select construction contractors for the projects at Copper Plant and Nadezhda Smelter is under way

Strategic Roadmap for Key Production Assets





Roadmap to Advanced, Efficient and Environmentally Friendly Production Processes

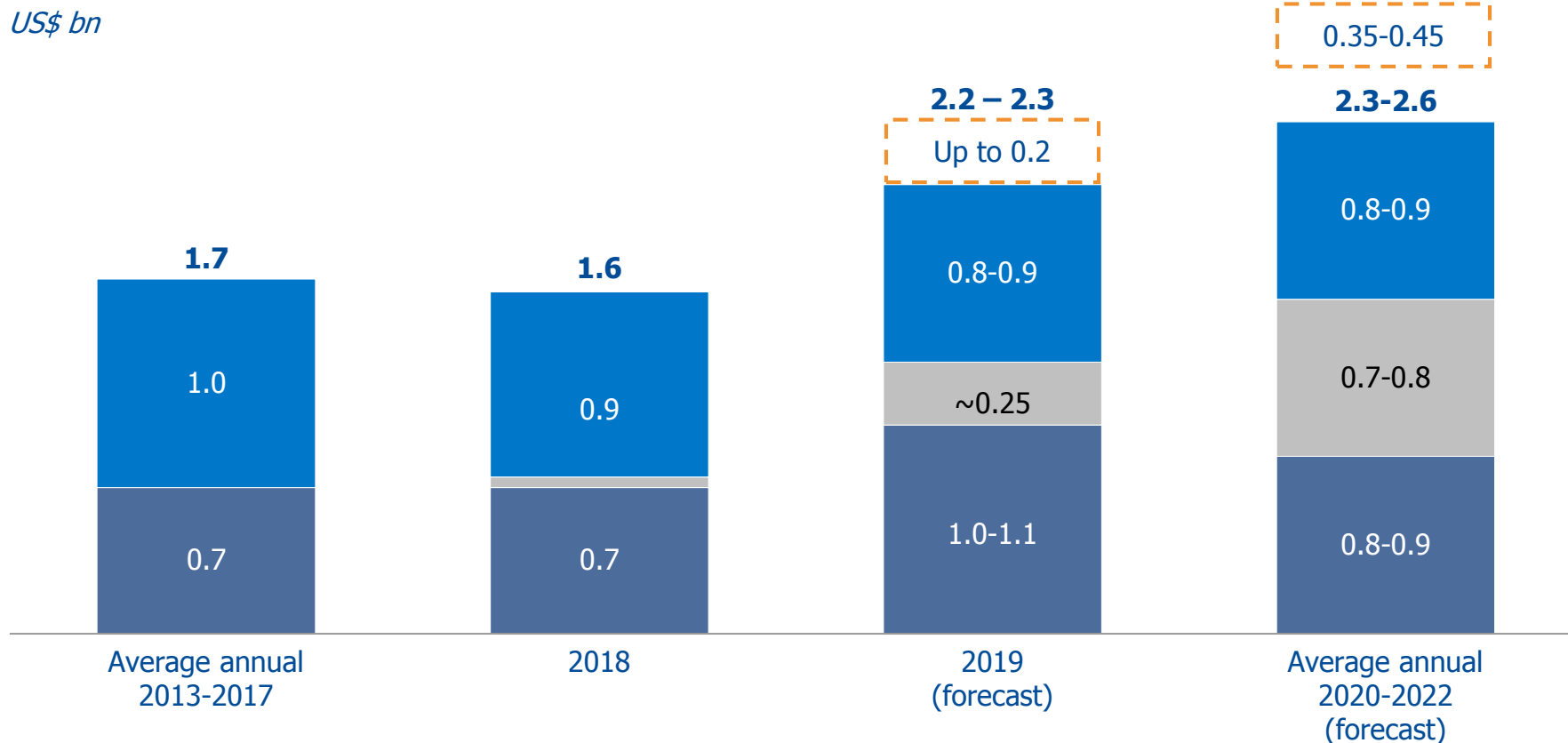


XX - Core investment program projects

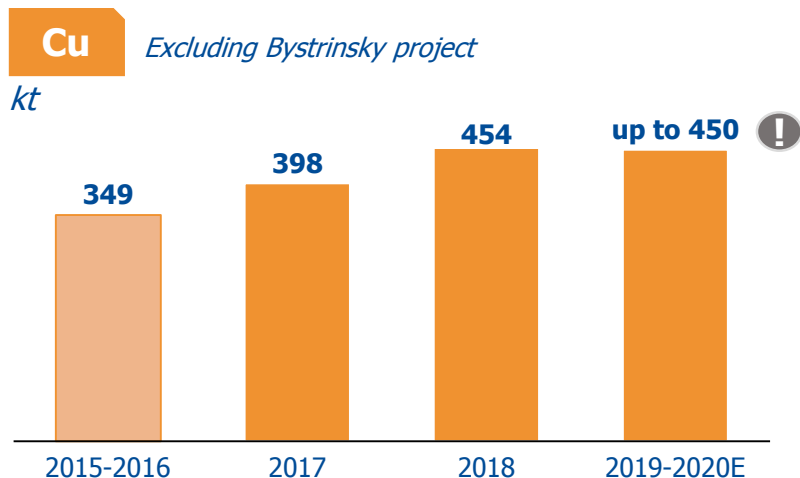
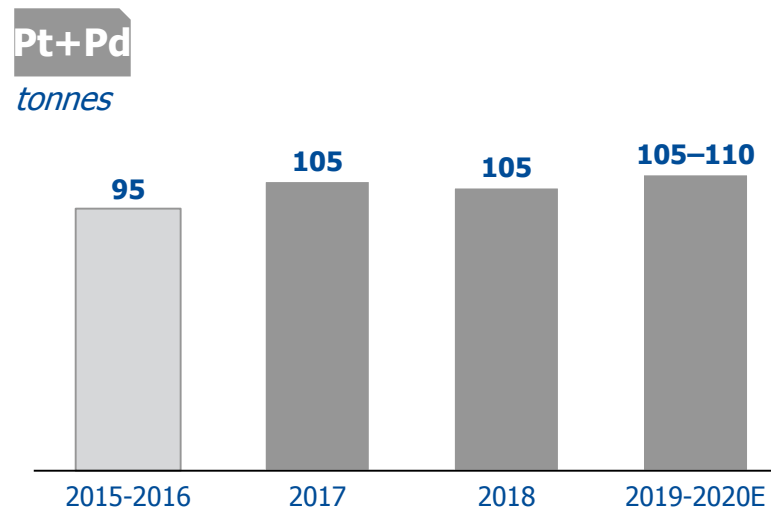
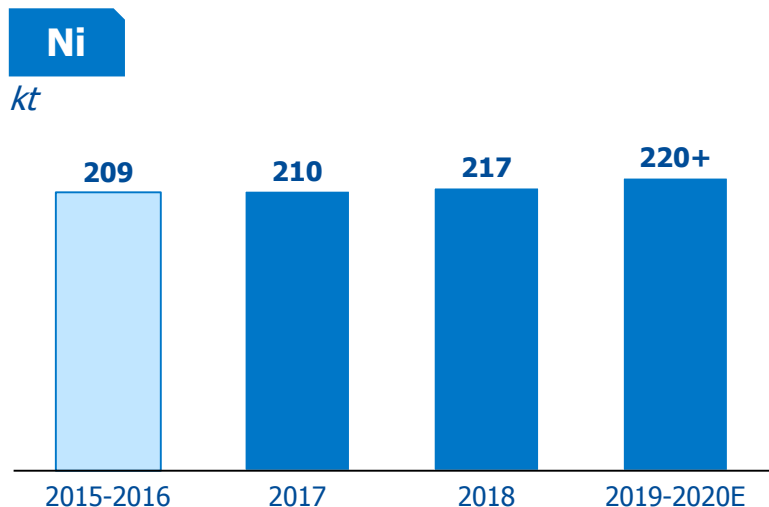
XX - Perspective projects, assessment stage

CAPEX Program: New Investment Cycle in 2019-2022

-  Perspective growth projects (e.g. Talnakh concentrator, South Cluster)
-  Commercial projects (incl. Bystrinsky Project)
-  Environmental program
-  Stay-in business: infrastructure, equipment replacement & capitalized maintenance, social



Production Guidance for 2019-2020⁽¹⁾



- Overall, metal production growth is driven by operational efficiency improvements and commissioning of new mining projects
- In addition, copper production growth is mainly driven by accelerated processing of secondary feedstock resulting from debottlenecking of Cu refining operations

⚠ Temporary decrease in Cu production is expected in 2021-2023 due to secondary feedstock depletion, with mined feedstock volumes expected to recover by ~2024-2025

Note: 1. Metals produced from own feedstock (including metals in saleable semi-products), excluding production of Nkomati project

2019 Outlook

Metals market outlook

→ Neutral ↗ Positive

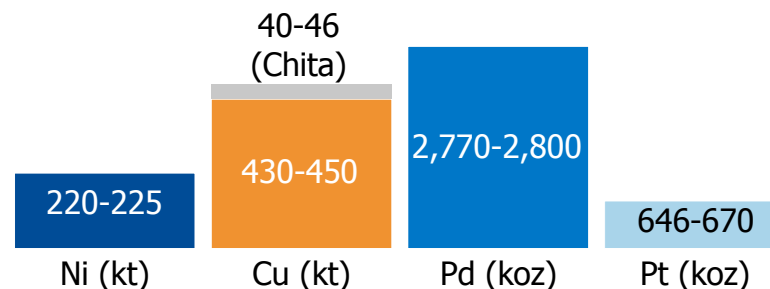
Ni → Market deficit to narrow as Indonesia and China continue to increase NPI output while the demand growth is moderating

Cu → Market deficit is expanding, but remains marginal. Inventories running low

Pd ↗ Apparent market deficit to widen driven by tighter emission regulations in all major markets and flattish primary supply. No evidence of platinum substitution due to technical challenges

Pt ↗ Market to remain in surplus, automotive and jewelry demand to stabilize in 2019, potential supply rationalization still feasible

2019 Metal Production Guidance⁽¹⁾



Capex

USD2.2-2.3 billion⁽²⁾

Working capital

USD1.0 billion – medium term target reiterated

Net debt/EBITDA

1.0-1.2x by 2019YE subject to market conditions and FX rates

Annual dividend for 2018

To be announced in May and payable in July 2019

Note 1. Metal production guidance from Russian feed including Bystrinsky GOK, 2. Assuming 2019 average exchange rate USD/RUB 65.0