

FINANCIAL OVERVIEW (MD&A)

2018 HIGHLIGHTS

2018

Consolidated revenue increased 28% y-o-y to USD 11.7 billion on the back of improved metal prices, higher copper output and sale of palladium from earlier accumulated stocks.

EBITDA expanded 56% y-o-y to USD 6.2 billion owing to higher metal revenue, ramp-up of the Bystrinsky project and lower operating expenses driven by efficiency gains.

EBITDA margin reached 53%, a leading level among the global diversified metals and mining majors.

CAPEX decreased 22% y-o-y to USD 1.6 billion driven by completion of Bystrinsky project and downstream reconfiguration as well as optimization of investment schedules.

Net working capital decreased by almost USD 1.3 billion to USD 0.9 billion as a result of palladium destocking and optimization of capital structure.

Free cash flow increased to USD 4.9 billion.

Net debt/EBITDA ratio returned to 1.1x as of the end of 2018.

Cash interest paid decreased 14% to USD 551 million owing to optimization of debt portfolio despite rising market interest rates.

In October 2018, the Company **paid interim dividend for 1H2018 in the amount of RUB 776** (approximately USD 11.65) per ordinary share for the total amount of approximately USD 1.8 billion.

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 got assigned **investment grade credit ratings** by all three major international rating agencies, including Fitch and S&P Global.

Recent developments

On February 12, 2019, Moody's upgraded the Company's credit rating to "Baa2" with a "Stable" outlook in the wake of raising Russia's sovereign ceiling for foreign currency debt to "Baa2" and upgrade of Russia's sovereign rating to investment grade level of "Baa3" with "Stable" outlook.

Key corporate highlights (USD million, unless stated otherwise)

Index	2017	2018	Change, %
Revenue	9,146	11,670	28
EBITDA ¹	3,995	6,231	56
EBITDA margin	44%	53%	9 p.p.
Net profit	2,123	3,059	44
Capital expenditures	2,002	1,553	-22
Free cash flow ²	-173	4,931	n.a.
Net working capital ²	2,149	867	-60
Net debt ²	8,201	7,051	-14
Net debt, normalized for the purpose of dividend ³	7,495	5,160	-31
Net debt/12M EBITDA	2.1x	1.1x	-1.0x
Net debt/12M EBITDA for dividends calculation	1.9x	0.8x	-1.1x
Dividends paid per share (USD) ⁴	18.8	21.3	13

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 Normalized on interim dividends and deposits with maturity of more than 90 days.

Key segmental highlights¹ (USD million, unless stated otherwise)

Index	2017	2018	Change, %
Revenue	9,146	11,670	28
GMK Group	7,447	9,742	31
KGMK Group	897	911	2
NN Harjavalta	840	1,026	22
GRK Bystrinskoye	15	8	-47
Other mining	128	108	-16
Other non-metallurgical	1,286	1,514	18
Eliminations	-1,467	-1,639	12
EBITDA	3,995	6,231	56
GMK Group	4,559	6,602	45
KGMK Group	182	190	4
NN Harjavalta	61	71	16
GRK Bystrinskoye	-65	96	n.a.
Other mining	-3	-6	100
Other non-metallurgical	18	50	3x
Eliminations	-34	-13	-62
Unallocated	-723	-759	5
EBITDA margin	44%	53%	9 p.p.
GMK Group	61%	68%	7 p.p.
KGMK Group	20%	21%	1 p.p.
NN Harjavalta	7%	7%	0 p.p.
GRK Bystrinskoye	n.a.	n.a.	n.a.
Other mining	-2%	-6%	-4 p.p.
Other non-metallurgical	1%	3%	2 p.p.

¹ Segments are defined in the consolidated financial statements.

USD 9,742 mln

revenue of the GMK Group segment

In 2018, revenue of Group GMK segment increased 31% to USD 9,742 million. This was primarily driven by higher realized metal prices, sales of palladium stock accumulated in 2017 and higher copper production volumes.

EBITDA of GRK Bystrinskoye segment amounted to USD 96 million due to the revenue generated during the hot commissioning stage. In 2018, EBITDA of GRK Bystrinskoye segment also includes financial result from intersegment sales of concentrates.

USD 911 mln

revenue of the KGMK Group segment

The revenue of Group KGMK segment increased 2% to USD 911 million. The main growth driver was higher realized metal prices, which was partly offset by lower revenue from tolling operations of Polar Division's feed due to depreciation of Russian rouble.

EBITDA of Other non-metallurgical segment increased by USD 32 million to USD 50 million.

USD 1,026 mln

revenue of Norilsk Nickel Harjavalta

Revenue of NN Harjavalta increased 22% to USD 1,026 million mainly due to higher realized metal prices.

EBITDA of Unallocated segment decreased 5% to a negative USD 759 million. Higher selling, general and administrative expenses were partly offset by lower one-off social expenses.

USD 8 mln

revenue of the GRK Bystrinskoye segment

Revenue of GRK Bystrinskoye generated during the hot commissioning phase is included into other operating income and expenses.

Revenue of Other mining segment decreased 16% to USD 108 million mostly driven by lower Nkomati production volumes that was partly offset by higher realized metal prices.

USD 6,602 mln

EBITDA of the GMK Group segment

Revenue of Other non-metallurgical segment increased 18% to USD 1,514 million owing to higher turnover of Palladium Fund.

USD 190 mln

EBITDA of the KGMK Group segment

In 2018, EBITDA of GMK Group segment increased 45% to USD 6,602 million owing primarily to higher revenue and depreciation of Russian rouble.

USD 71 mln

EBITDA of Norilsk Nickel Harjavalta

EBITDA of Group KGMK segment increased 4% to USD 190 million primarily owing to the increased revenue and lower cash costs due to depreciation of Russian rouble.

USD 96 mln

EBITDA of the GRK Bystrinskoye segment

EBITDA of NN Harjavalta increased by USD 10 million to USD 71 million owing primarily to increased revenue.

Sales volume and revenue

Index	2017	2018	Change, %
Metal sales			
GROUP			
Nickel, thousand tons^①	216	217	0
from own Russian feed	206	208	1
from 3d parties feed	9	2	-78
in semi-products ^③	1	7	7x
Copper, thousand tons^{①②}	386	455	18
from own Russian feed	365	431	18
from 3d parties feed	3	–	-100
in semi-products ^③	18	24	33
Palladium, koz^①	2,450	2,974	21
from own Russian feed	2,353	2,913	24
from 3d parties feed	52	–	-100
in semi-products ^③	45	61	36
Platinum, koz^①	667	668	0
from own Russian feed	639	657	3
from 3d parties feed	18	–	-100
in semi-products ^③	10	11	10
Average realized prices of refined metals produced by the Group			
Nickel (USD per tonne)	10,704	13,531	26
Copper (USD per tonne)	6,202	6,566	6
Palladium (USD per oz)	858	1,025	19
Platinum (USD per oz)	949	877	-8
Revenue^④ (USD million)			
Nickel	2,416	3,013	25
including semi-products	113	175	55
Copper	2,422	2,977	23
including semi-products	141	144	2
Palladium	2,434	3,674	51
including semi-products	87	98	13
Platinum	654	596	-9
including semi-products	31	20	-35
Other metals	489	702	44
including semi-products	52	55	6
Revenue from metal sales	8,415	10,962	30
Revenue from other sales	731	708	-3
TOTAL REVENUE	9,146	11,670	28

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

② Excludes finish goods, produced by GRK "Bystynskoe".

③ Metal volumes represent metals contained in semi-products.

④ Includes metals and semi-products purchased from third parties and Nkomati.