



**NORNICKEL**



# 2016 Financial Results

**March 15, 2017**  
**Moscow**

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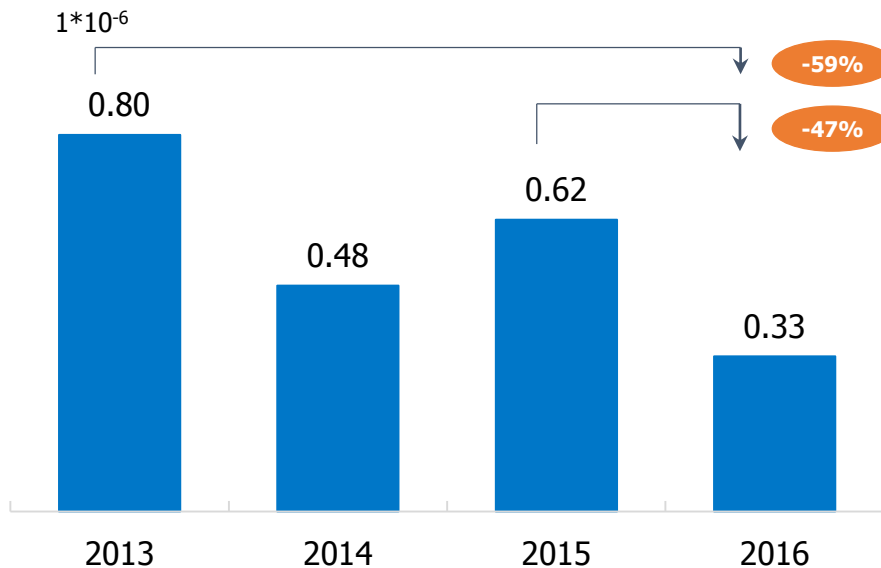
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# Health & Safety: Improved Safety Records

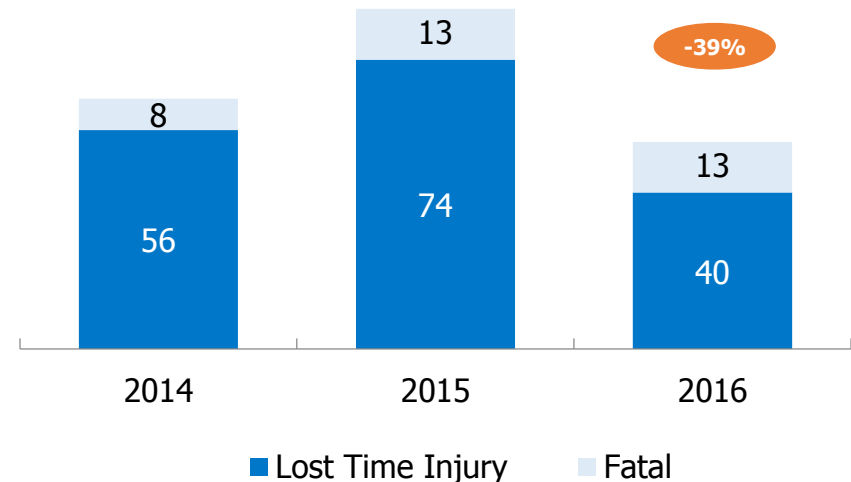
## LTIFR reduced by Almost 50% in 2016



- LTIFR remains in line with the global mining industry average;
- Company committed to create a strong safety culture at all levels of the organization;
- Company continues to focus on personal and process safety across all operations;

## Accident Statistics Improved Materially in 2016

**Life protection is a top management priority – target zero fatalities**



- Regrettably there were 13 fatal accidents in 2016:
  - ✓ All accidents have been thoroughly investigated and reported to the Board and reviewed;
  - ✓ Prompt response by the management to improve safety records was developed;
- **81 employees** were fired for violation of safety regulations and rules. **139 refusals to perform work** have been registered due to concerns about safety;

# Health & Safety Initiatives and Targets

2016:  
Focus on audit and  
safety training

- **37 internal audits** of Occupational Safety and Health management system were conducted;
- **4 334 employees** of under 3 years work experience received additional training (adaptation course);
- **Corporate Standard** for dangerous areas demarcation and workspace visualization was rolled out;

2016:  
Implementation of  
programs/standards  
of industrial safety  
and labor protection

- **Standard «Work at height»** - **3 000** employees were trained;
- **Standard «Isolation of energy sources»** - **7 491** employees were trained;
- **Standard «Transport and pedestrians»** - roll out of electronic positioning systems in all underground mines for transport and employees was launched;
- **Safety requirements for conveyor transport** were introduced (replacement of electrical wiring, installation on blocking devices, replacement of fences and etc.);

2017:  
Safety initiatives

- **Independent assessment** of occupational safety culture in 2016 has been conducted by DuPont Science and Technologies LLC. Integral score improved to 2.5 from 2.3 in 2105 (1.3 in 2013);
- Roll out **of risk-control program** is on schedule;
- **The system for managing changes** in the area of occupational health and safety including training, consulting, development of the necessary regulations and guidance materials is being rolled out;
- Change management standard to be implemented;

# 2016 Highlights

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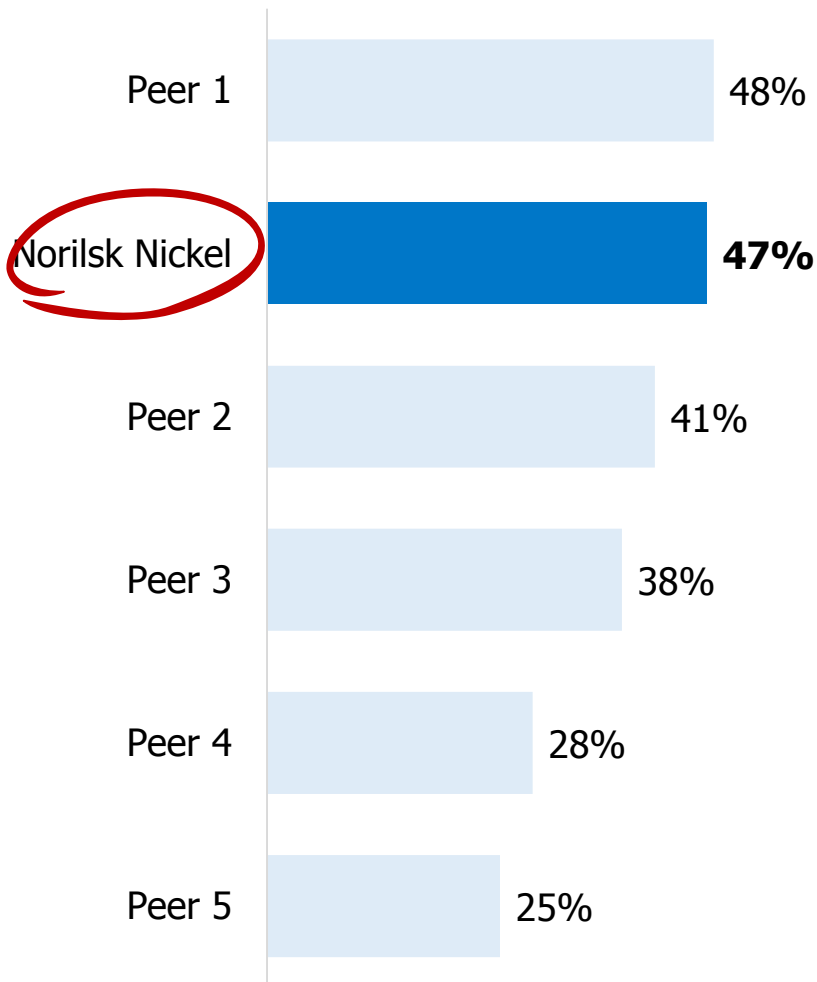
- **Consolidated revenue** decreased 3% to **USD8.3 billion**. Lower realized metal prices (metal basket price was down 13% y-o-y) and one-off decrease of production volumes driven by the downstream reconfiguration were partly offset by the sales of metal stock accumulated in 4Q2015;
- **EBITDA** amounted to **USD3.9 billion** (down 9% y-o-y), following the reduction of revenue, posting a global mining industry leading **EBITDA margin** of **47%**;
- **Net profit** increased 47% to **USD2.5 billion** mainly due to appreciation of RUB as of the end of the reported period;
- **CAPEX** increased 2% y-o-y to **USD1.7 billion**, in line with the average for the last 3 years, driven by Bystrinsky (Chita) project entering an active construction phase, projects related to the shutdown of Nickel Plant, as well as capacity expansion and modernization of Talnakh Concentrator and Nadezhda Plant;
- Normalized **net working capital** decreased to **USD0.7 billion** (or to USD0.4 billion considering one-off increase of short-term payables related to concentrate purchase from Rostec) driven mainly by the saleable metal inventory release;
- **Free cash flow** amounted to **USD1.6 billion** with FCF/revenue ratio of an industry-leading 19%;
- Balance sheet remained conservative with **Net debt/EBITDA** ratio of **1.2x** as of December 31, 2016. Solid financial standing of Norilsk Nickel is confirmed by investment grade credit ratings from Standard & Poor's (BBB-/Negative) and Fitch (BBB-/Stable) credit rating agencies;
- The Company remains one of the highest dividend-yielding stock in the global mining industry. Following the **9M 2016** results Nornickel paid **dividends** in the amount of **USD1.2 billion**<sup>(1)</sup> (or USD7.4 per share);

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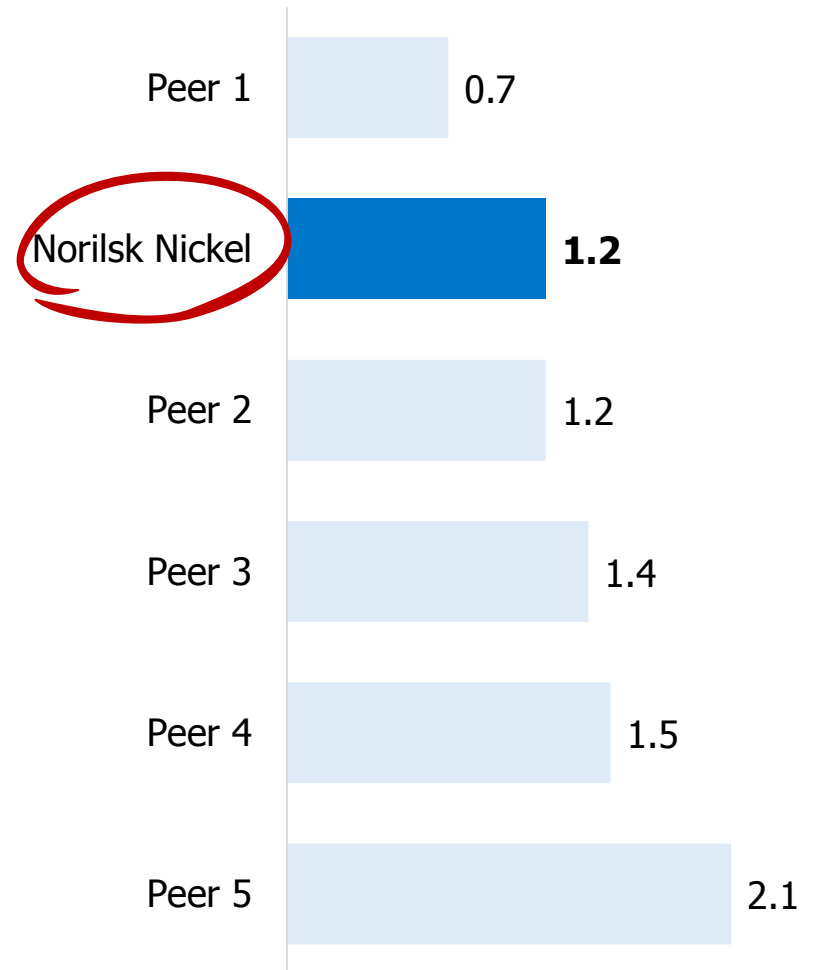
Note: At the exchange rate of USD/RUB 60.16 as of January 12<sup>th</sup>, 2017

# Financial Performance in 2016 Relative to Global Peers

## Industry-leading Profitability (EBITDA Margin)...



## ... and Conservative Leverage (Net Debt/EBITDA)



# Markets Update



# Metal Markets Outlook

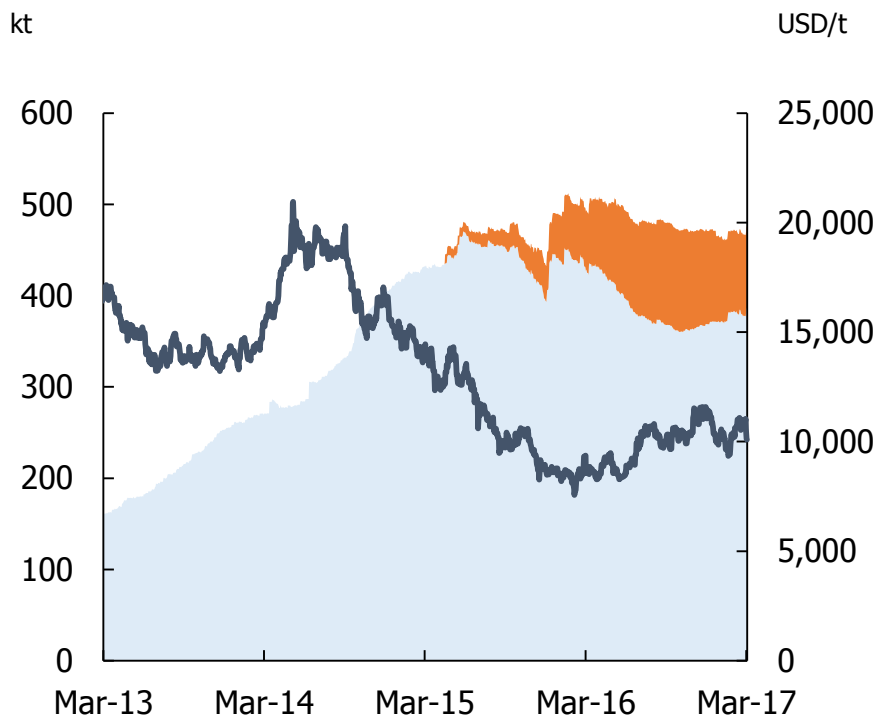
Metal	Inventory (Days of Consumption)	Forecasted Market Balance	Medium-term Fundamentals
Nickel	<p>■ Exchange   ■ Off-exchange</p>	<p>Kt</p> <p><b>Deficit</b></p> <p>(10)   (100)</p> <p>■ 2016   ■ 2017E</p>	
Palladium	<p>■ ETF</p>	<p>Koz</p> <p><b>Deficit</b></p> <p>(310)   (1,050)</p> <p>■ 2016   ■ 2017E</p>	
Platinum	<p>■ ETF</p>	<p>Koz</p> <p><b>Balanced</b></p> <p>130   (470)</p> <p>■ 2016   ■ 2017E</p>	
Copper	<p>■ Exchange inventory</p>	<p>Kt</p> <p><b>Balanced</b></p> <p>170   (170)</p> <p>■ 2016   ■ 2017E</p>	

Source: Company data

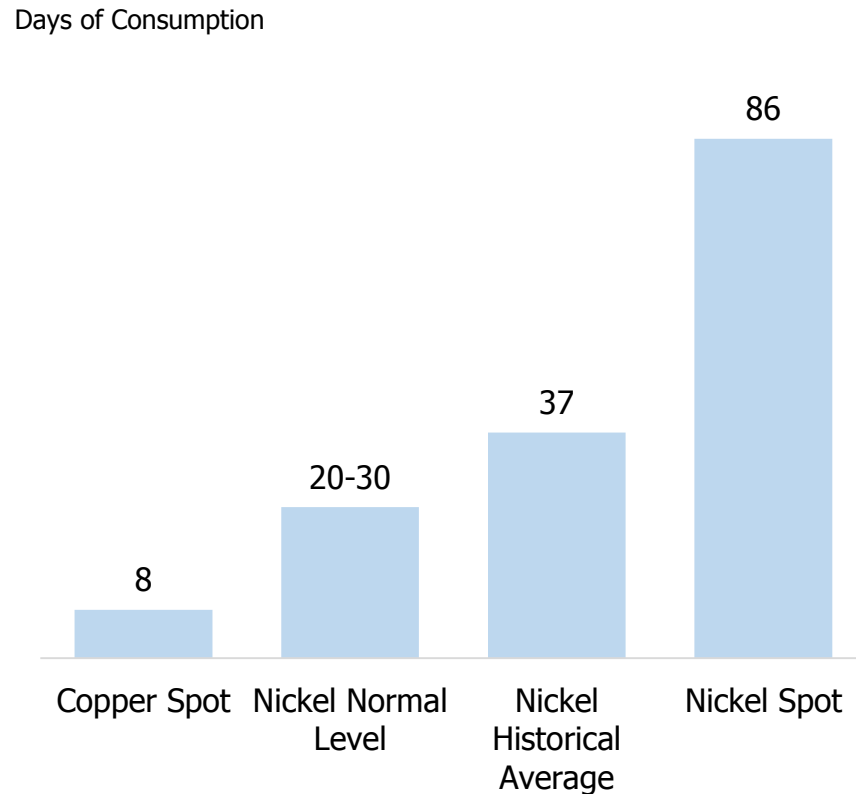


# Nickel Market: Elevated Stocks Discourage Price Recovery

**LME Nickel Price Was Down 19%, while Exchange Inventories Reduced Marginally (-4%) in 2016**



**Ni Exchange Stocks <sup>(1)</sup> Are Running Well Above Normal Levels**



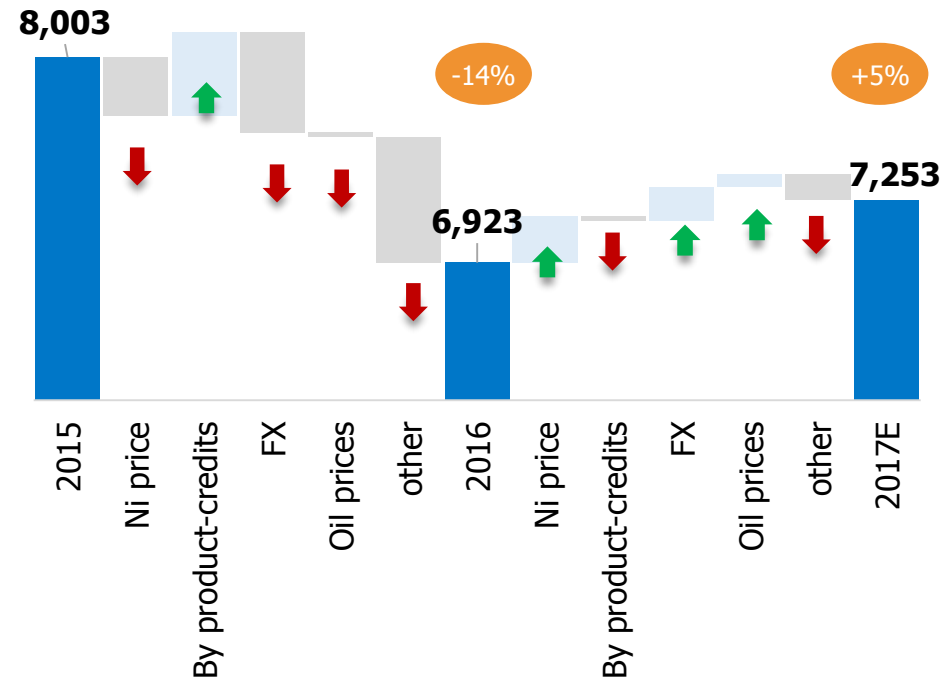
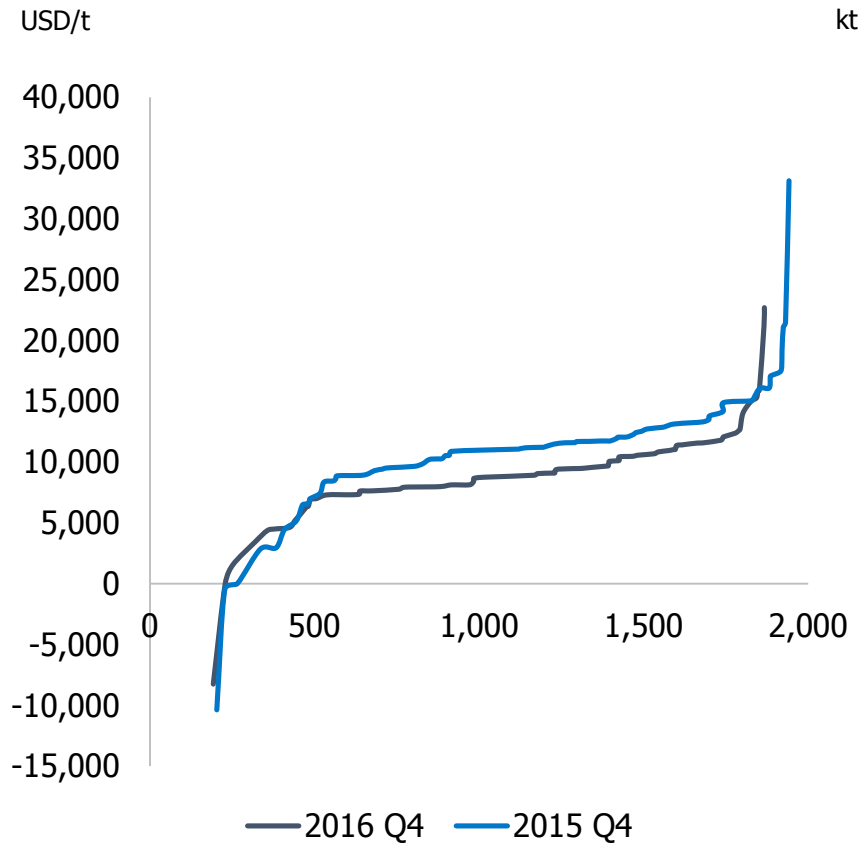
Source: Bloomberg, Company data, As of March 10, 2017

Note: 1. Spot nickel and copper exchange stocks as of year-end 2016; Historical average exchange nickel stocks for the period of 2005-2016

# Global Cost Curve Heavily Driven by Macro Factors

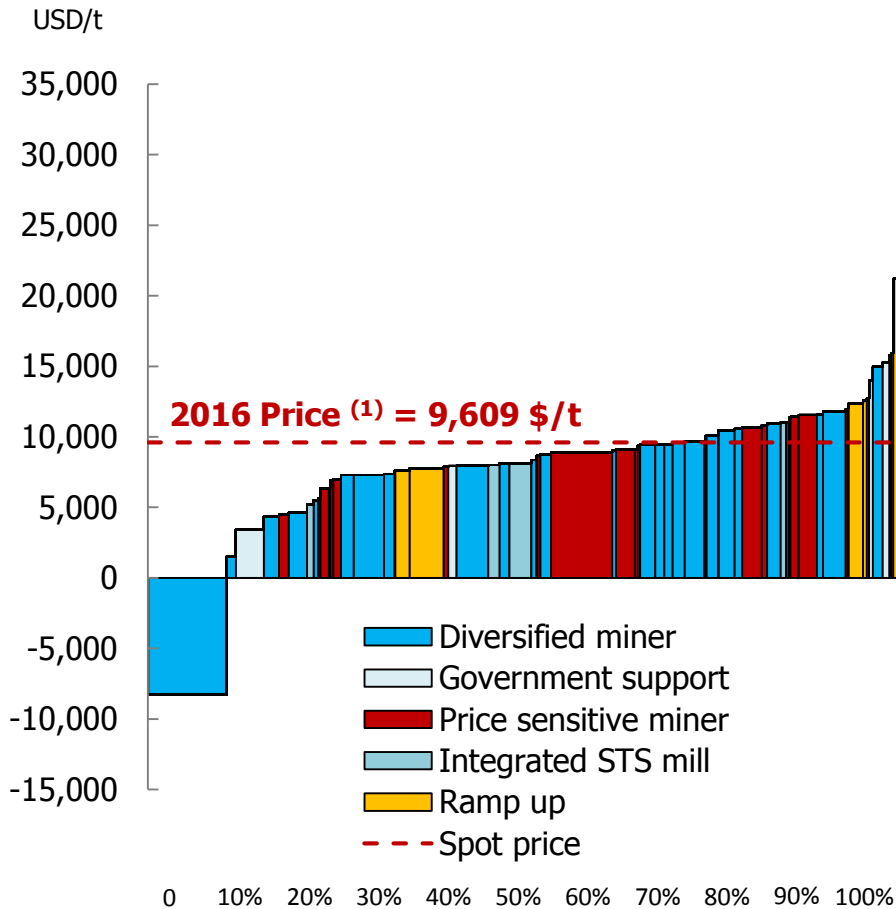
Average Ni Cash Cost (C1) Down 14% in 2016...

... But Expected to Rise in 2017

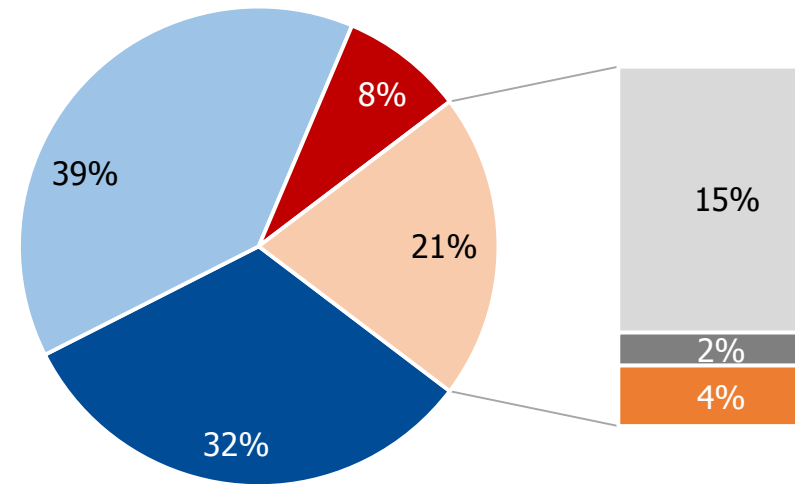


# Only a Fraction of Global Nickel Supply is Price Elastic

Amount of Cash Loss Making Production Down to 30% of Total, From 70% 12M Ago...



... But Only 8% is Price Sensitive

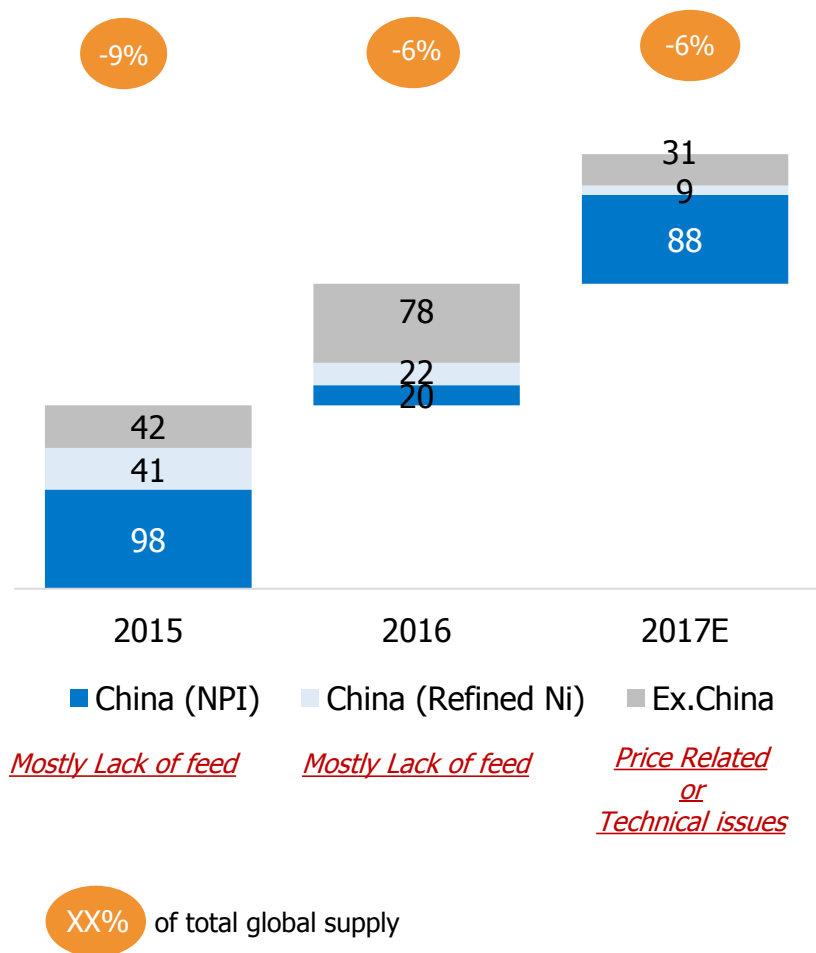


- Profitable on full cost basis (excl. return on investments)
- Profitable only on cash cost basis
- Price sensitive project (under risk)
- Unprofitable within Diversified Group
- Unprofitable Government support
- Unprofitable Ramp up

# Little Supply Cuts Outside China: Refinancing is Cheap and Readily Available

## Supply Cuts in China: Tighter Environmental Pressure and Reduced Feed Availability

Incremental production cuts and shut-downs, Ni units kt



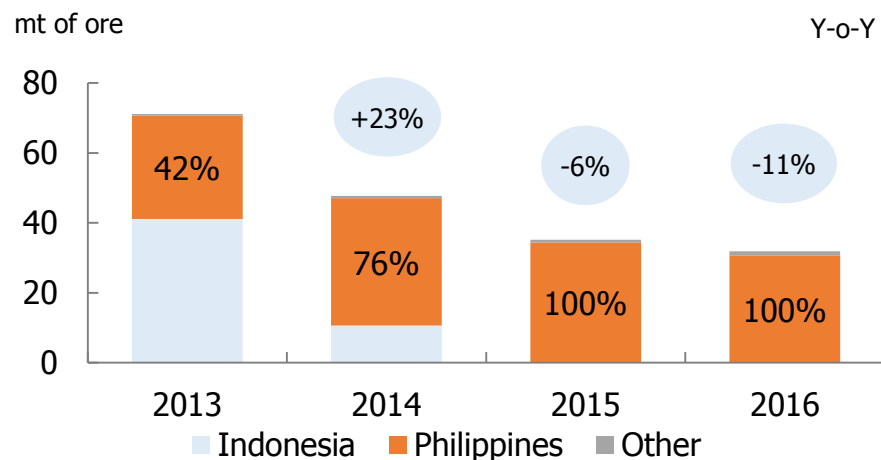
## 249 kt Nickel Producers Outside China Recently Secured ~ USD1.6 bn in Financing

Operation (Location)	2016 Output, kt	Estimated cost of closure, \$ mln	Secured Financing secured, \$ mln
<b>Government Support</b>			
BCL (Africa)	10	-	90 <i>Placed into liquidation</i>
Vale (New Caledonia)	39	-	221
SLN (New Caledonia)	59	-	240
Talvivaara (Finland)	30	324	500
Sant Rita mine (Brazil)	4	-	11 <sup>(1)</sup> <i>Placed into liquidation</i>
<b>Other</b>			
Ambatovy (Madagascar)	47	-	565
Yabulu (Australia)	5	71	<i>Placed into liquidation</i>
Nickel West (Australia)	55	500-1,000	-
<b>Total</b>	<b>249</b>	<b>-</b>	<b>USD 1.6 bn</b>

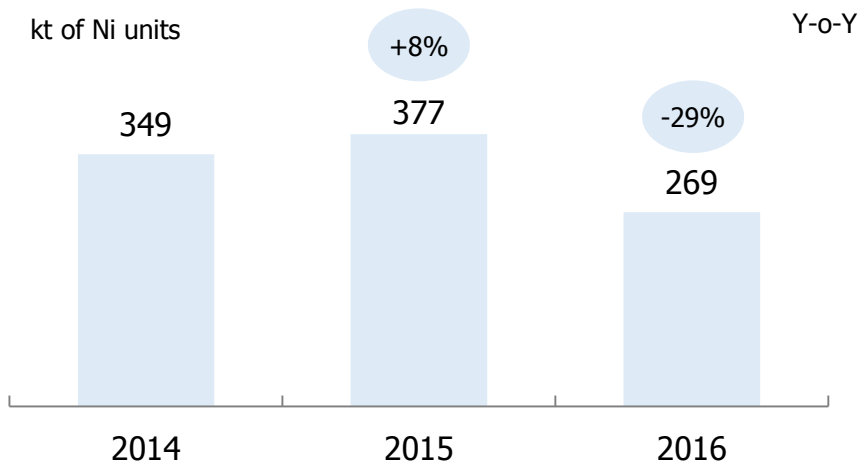
Source: Company data, Goldman Sachs Research, Wood Mackenzie  
 Note: 1. USD 11 mln was released in state tax credits

# Nickel Feed for China: Philippines Set to Decline Further

## Nickel Ore Imports from Philippines to China Continued to Fall in 2016...



## ... and So Did Mined Ni Output



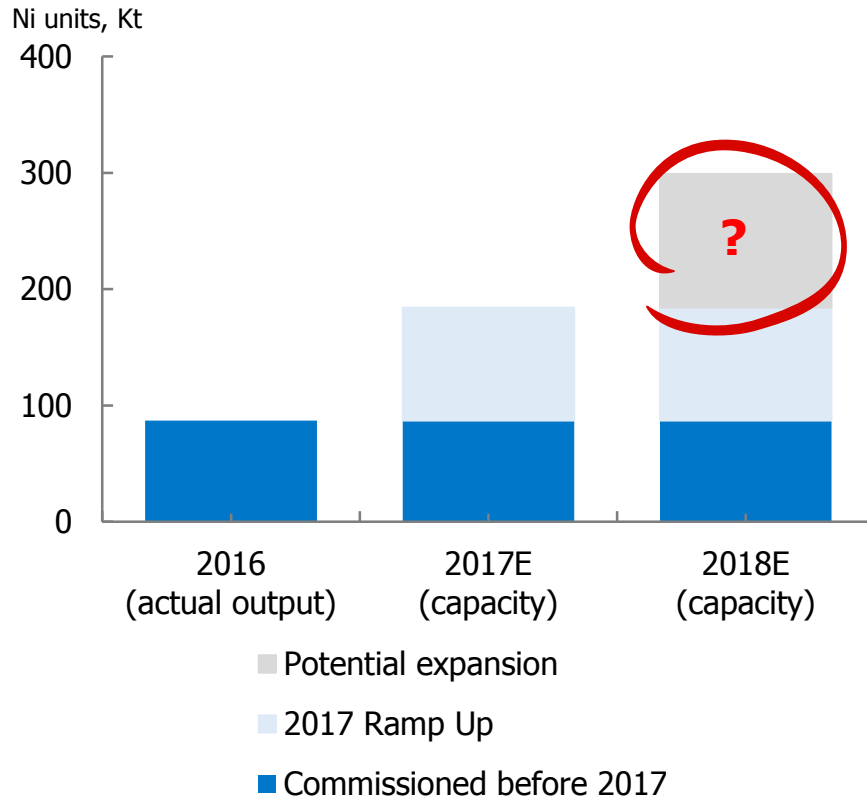
## Filipino Nickel Mines Environmental Audit: circa 131 kt or 7% of Global Supply Is Out

Mine Audit Results	Number of mines	2016 Production Volume, Ni units kt <sup>(1)</sup>	% of 2016 Total Export
<b>Closed</b>	<b>19</b> (notified to close in Feb-17)	123	46%
<b>Suspended in Feb-17</b>	<b>3</b> (production was suspended, recommended for closure)	8	3%
<b>Passed</b>	<b>6</b>	138	51%
<b>Total production volume</b>		<b>269</b>	<b>100%</b>
<b>Total closed/suspended</b>		<b>131</b>	<b>49%</b>

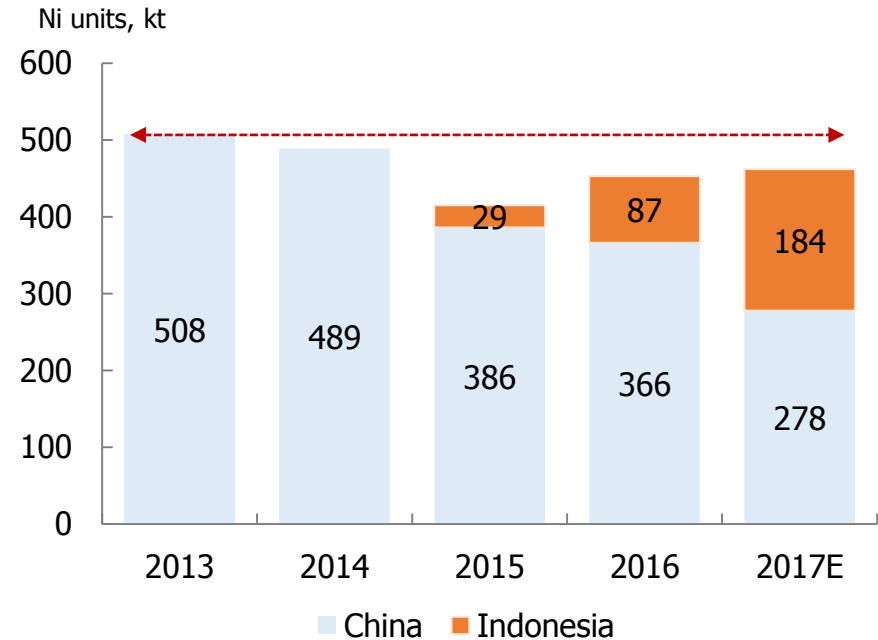
Source: Company data, Bloomberg. Note: 1. Based on Mines and Geosciences Bureau of Department of Environment and Natural Resources (DENR) of the Philippines as of February, 2017. 269kt of Ni units in ore assuming recovery rate of 91% of gross Ni production

# Decrease in China NPI Production Will be Offset by the Ramp Up of NPI in Indonesia

## Impact of a Change in Mining Rules: Uncertain Medium Term Outlook for NPI in Indonesia



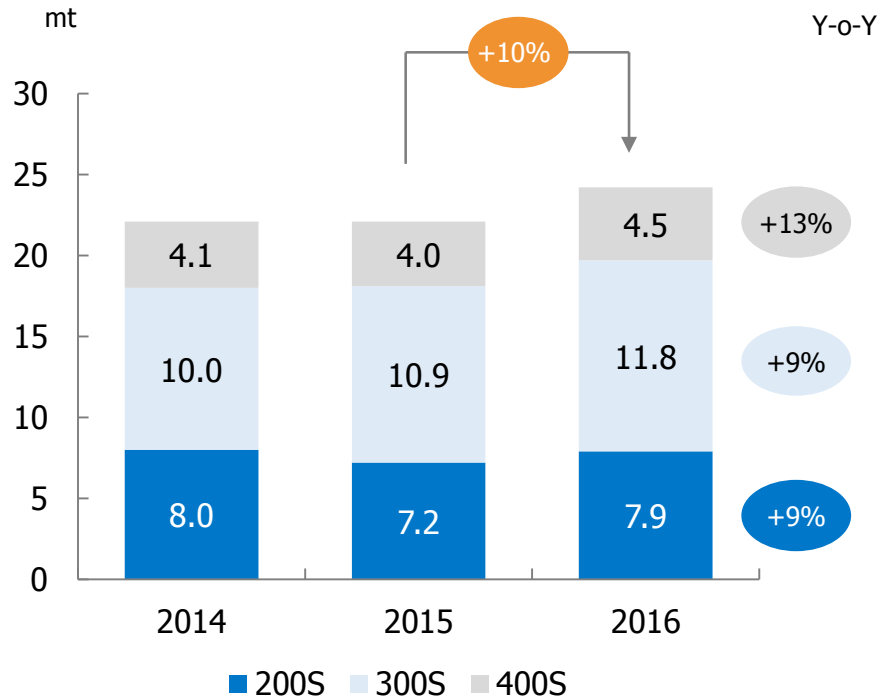
## Combined NPI Production in China and Indonesia Almost Back to 2013 Peak



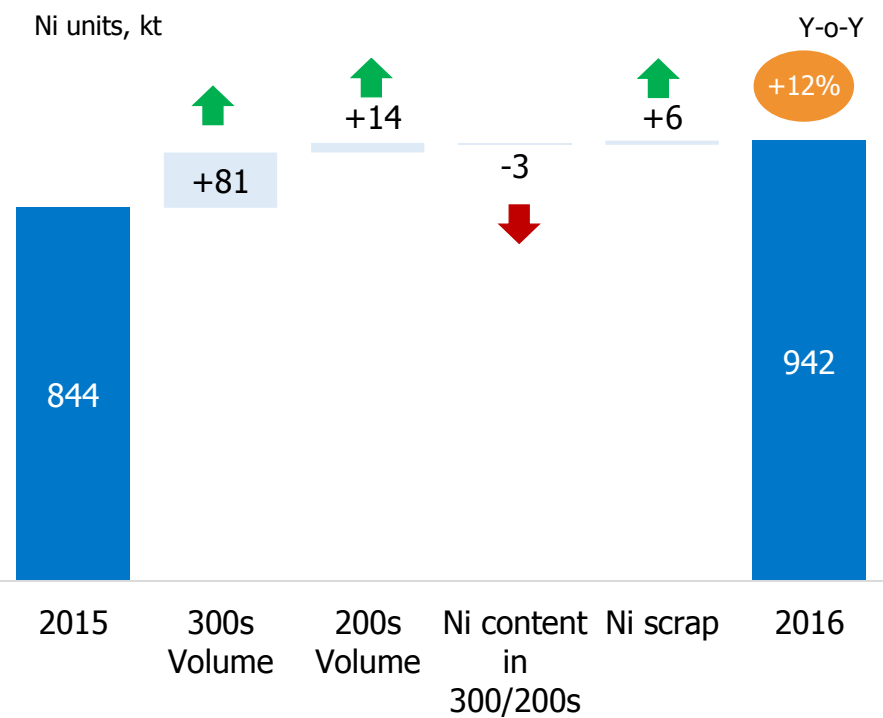
«**Chinese Nickel Smelter** Operator Virtue Dragon And Other Companies **Are Considering Suing Indonesian Government** Over New Mining Rules», *January 2017, Reuters*

# Strong Growth of Primary Ni Consumption in China in 2016 Driven by Stainless

## China Stainless Steel Production Up Strongly in 2016



## Primary Ni Usage in Chinese Stainless: Driven by Higher Volumes of Ni-intensive 300s



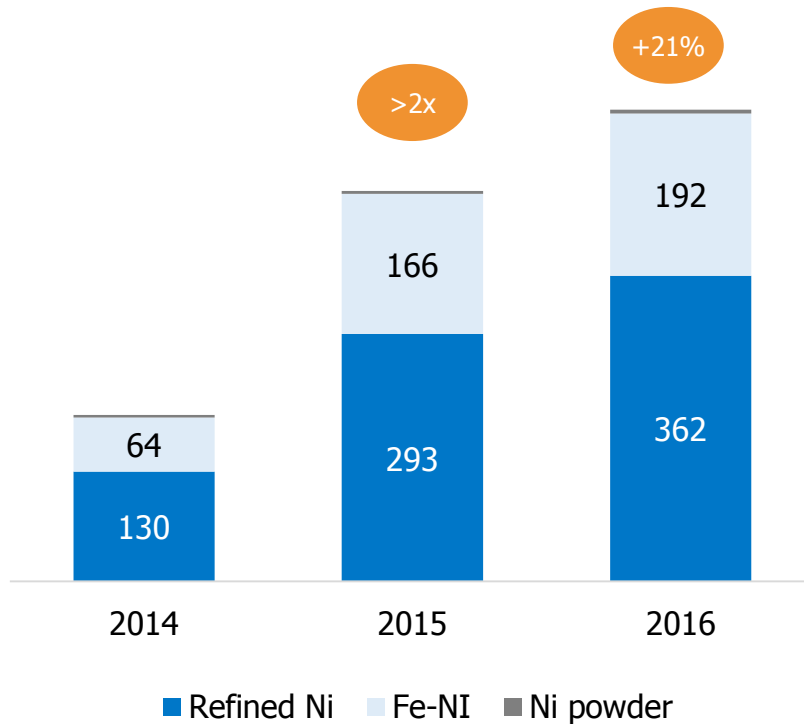
XX% Change 2016/2015



# Ni Consumption in China: Absorbing Imports and Triggering Destocking in Off-exchange Warehouses

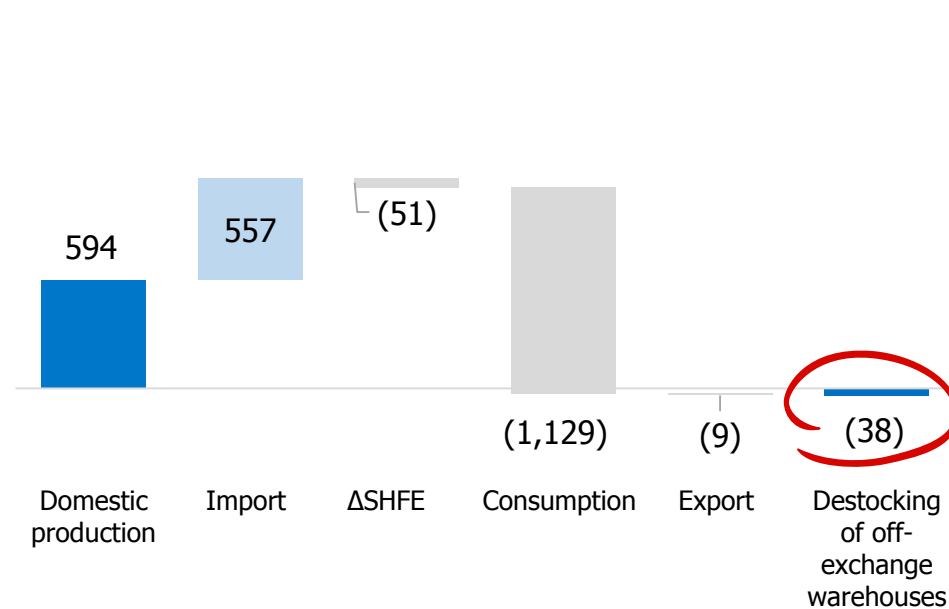
## Imports of Nickel to China Surged Again in 2016

Ni units, kt Y-o-Y



## Strong Consumption Implies Destocking from Off-exchange Inventories in China

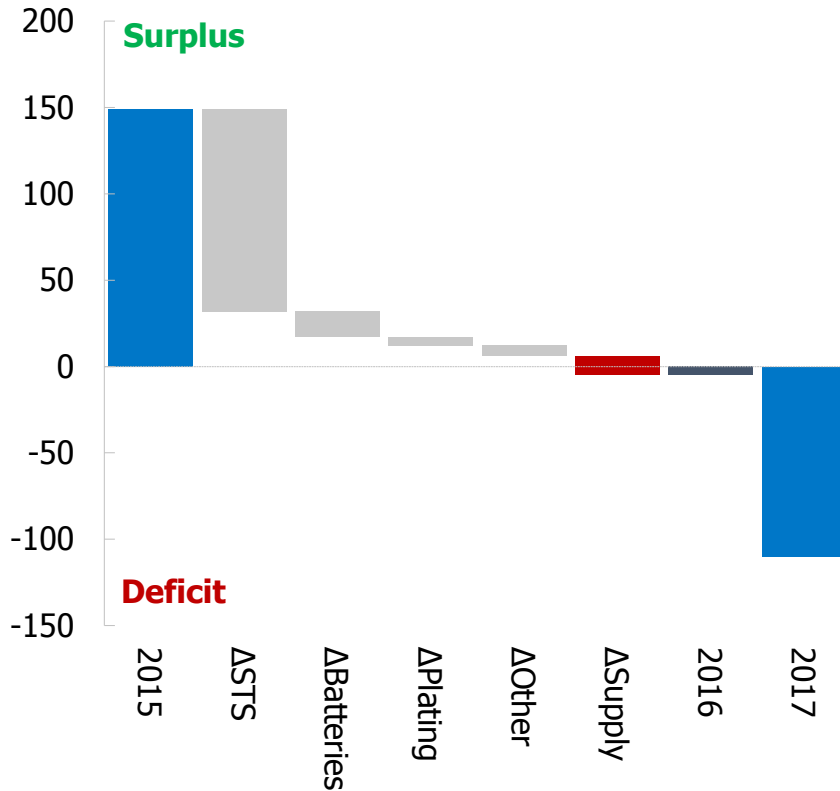
movement of Ni units in China in 2016 kt



# Demand Driven Market Rebalancing in 2016

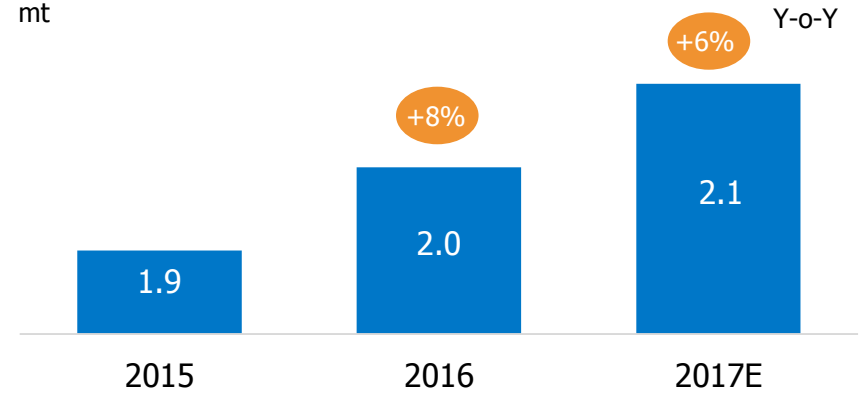
## Shifting Global Market Balance from a 150kt Surplus in 2015 to 100kt Deficit in 2017E

kt, incremental change in nickel market balance



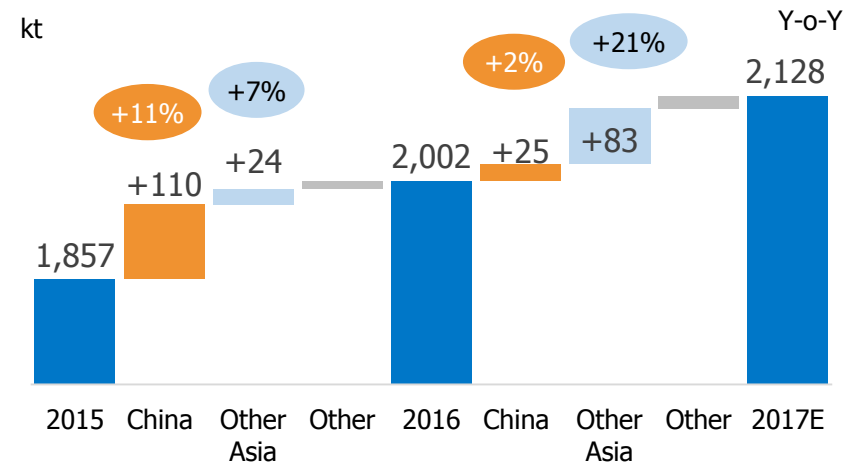
## Global Ni Consumption Expected to Increase by 270 kt in 2016-2017

mt



## Asia Is the Main Driver of Consumption Growth

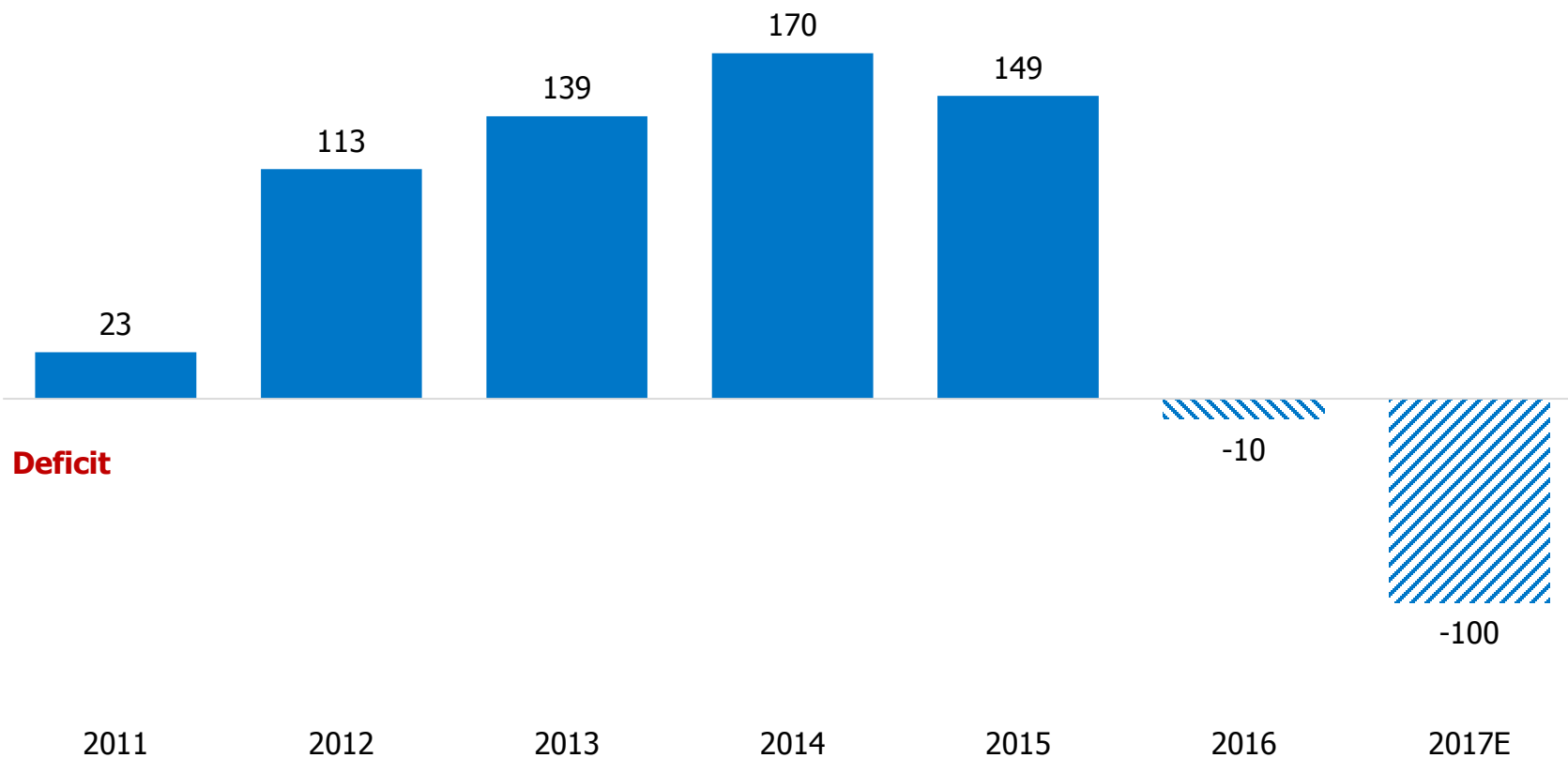
kt



# Nickel Market Rebalancing: 2016 Marks a Turning Point

Primary Ni balance, kt

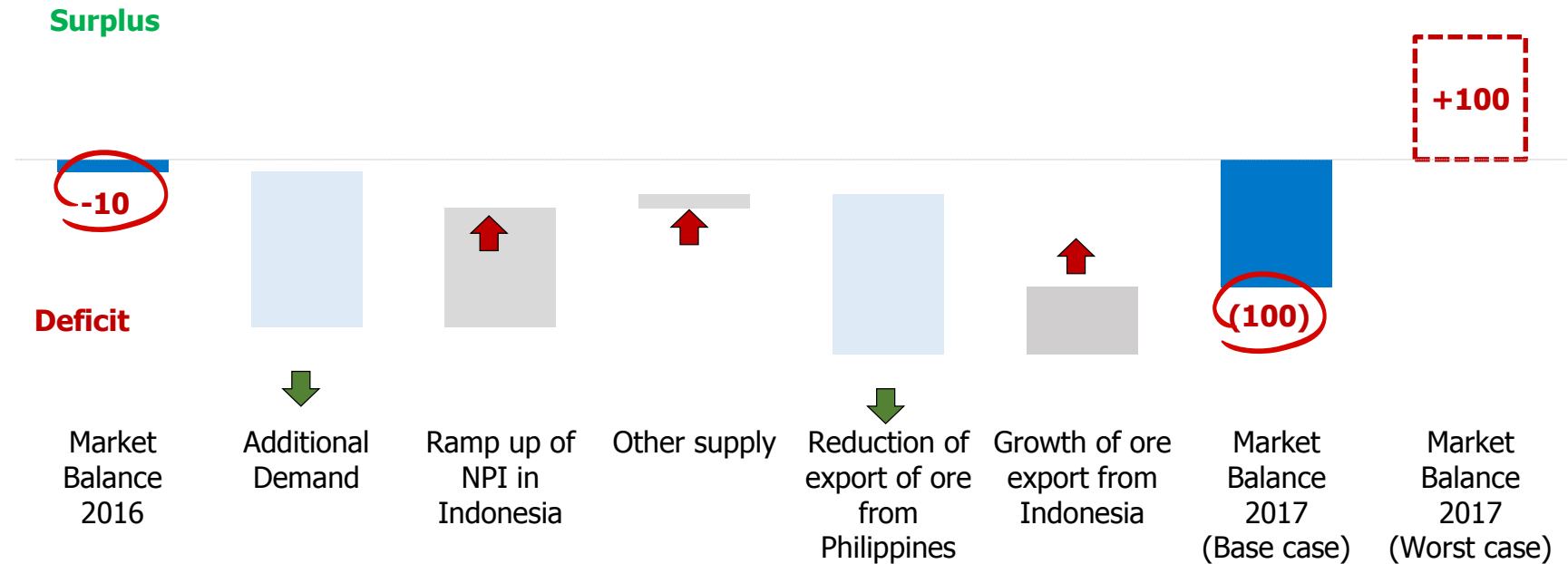
Surplus



Source: Wood Mackenzie, Company estimates

# Major Risks for Base Case Expectation of Sizeable Nickel Market Deficit in 2017: On Both Demand and Supply Sides

kt



## Major risks for the base case market balance forecast:

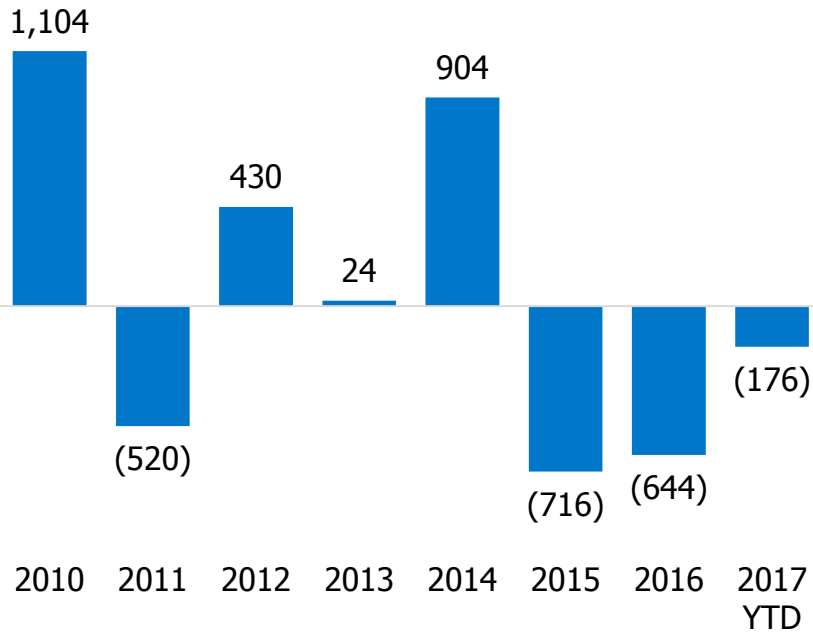
- **Demand:** growth of stainless steel production in Indonesia (assumed addition of 65-85kt);
- **Supply:** export of ore from Indonesia (+5.2mt pa in base case or +55kt in Ni units);
- **Supply:** reduction of export of ore from the Philippines (assumed reduction of 131kt pa in Ni units);

Note: Other supply includes an increase in laterites ore production outside Indonesia, an increase in export of nickel ore from New Caledonia and Guatemala for the production of NPI China and a decrease in the production of nickel from sulphide ores

# Palladium Market: 2017 – Sixth Year of Structural Deficit

## Palladium ETFs Holding Change: Outflows Continued in 2017

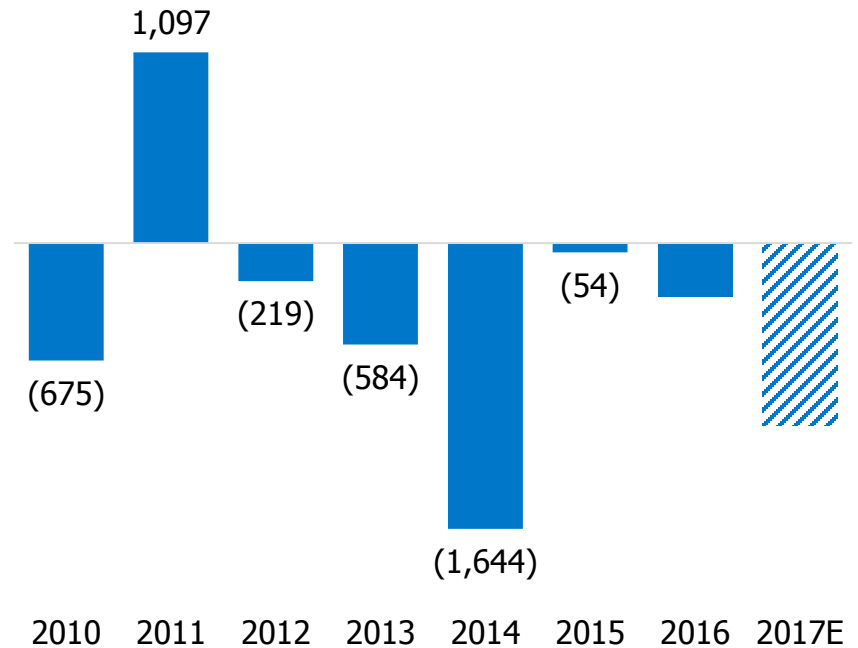
koz



## Global Palladium Market: Deficit Expanding in 2017E

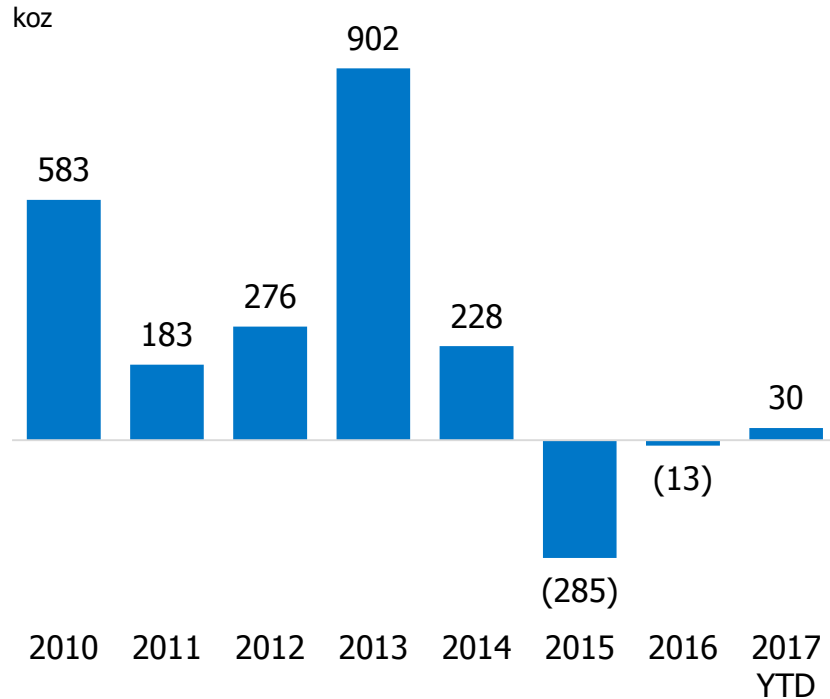
koz

Surplus/(Deficit), koz

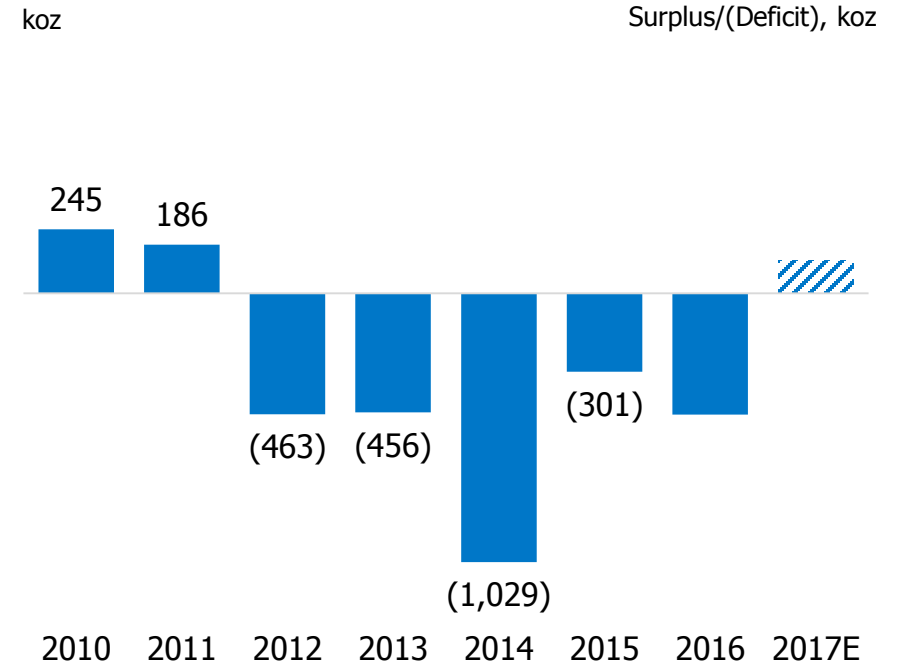


# Platinum Market – Deficit Diminishing

## Platinum ETFs Holding Change: Practically No Change in 2016 and 2017 YTD



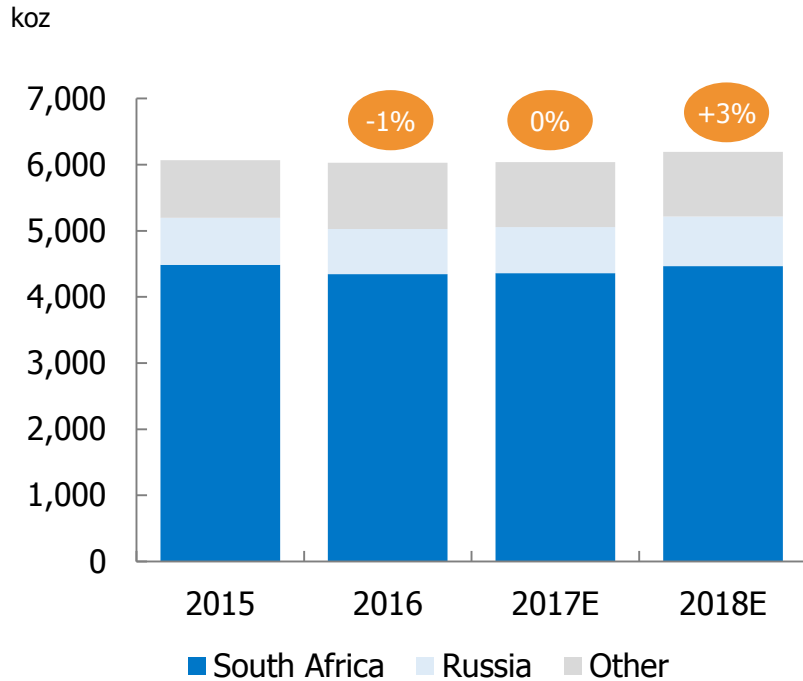
## Global Platinum Market: Structural Deficit Has Evaporated on Decreasing Demand



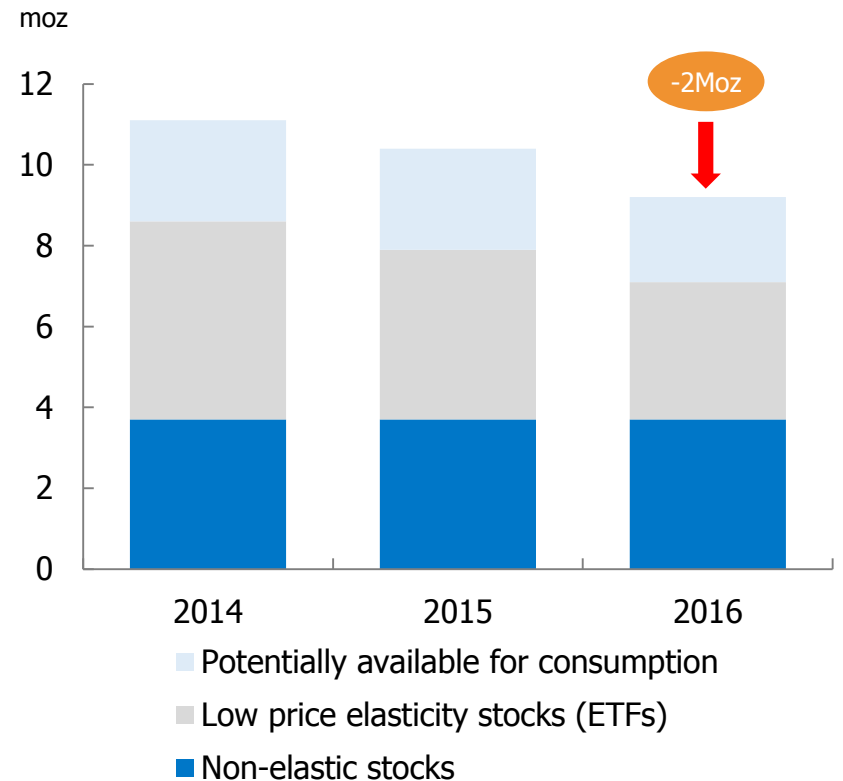
Source: Bloomberg, Company data, As of March 2017

# Stable Global Supply of PGMs, Inventories Drawing Down

## Global Primary Platinum Production: South African Output Has Stabilized



## Less Than Half of Palladium Above-Ground Stocks Are Readily Available for Consumption



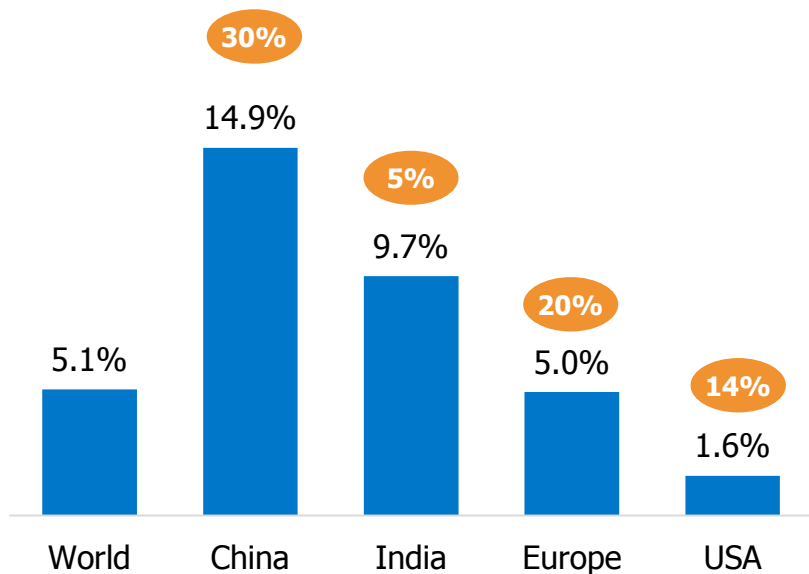


# PGM Consumption Strong on Demand from Auto Catalysts

## Vehicle Sales: Solid Growth Rates in 2016 Driven by China and India

Total vehicles production (vehicles up to 6 tons)

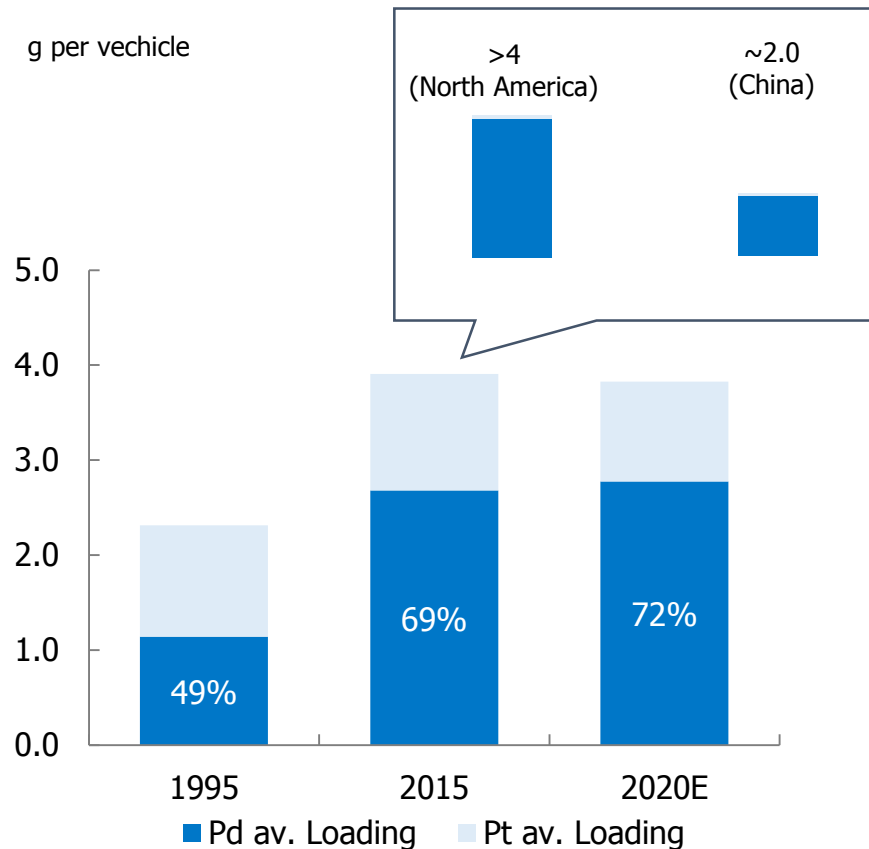
Y-o-Y growth in 2016



**XX%** Global market share

## Pd Demand Growth in Catalysts Driven by Increasing Production of Gasoline Vehicles

g per vehicle

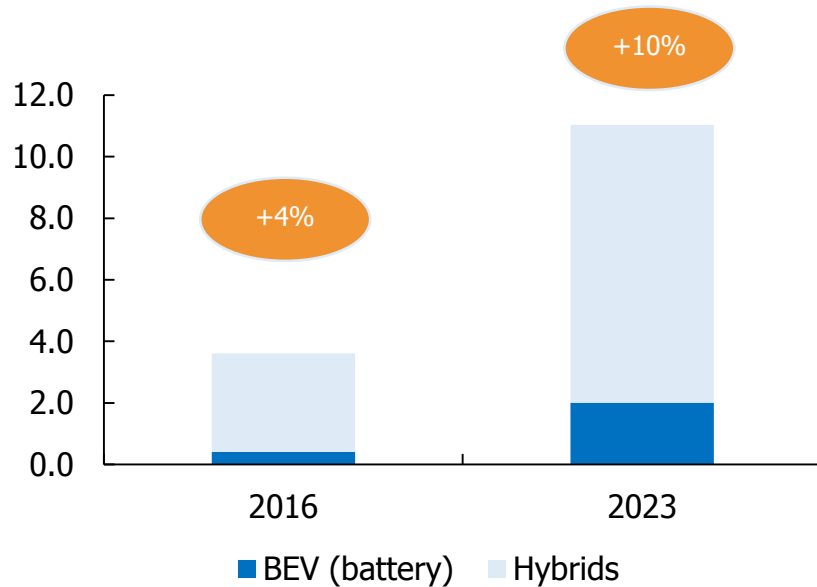


# Electric Vehicles-No Immediate Threat for PGM Consumption

## EVs are Expected to Stay as a Niche Market in the Medium Term

mln units

**Hybrids contain more Pd per vehicle vs conventional gasoline engines**



XX%

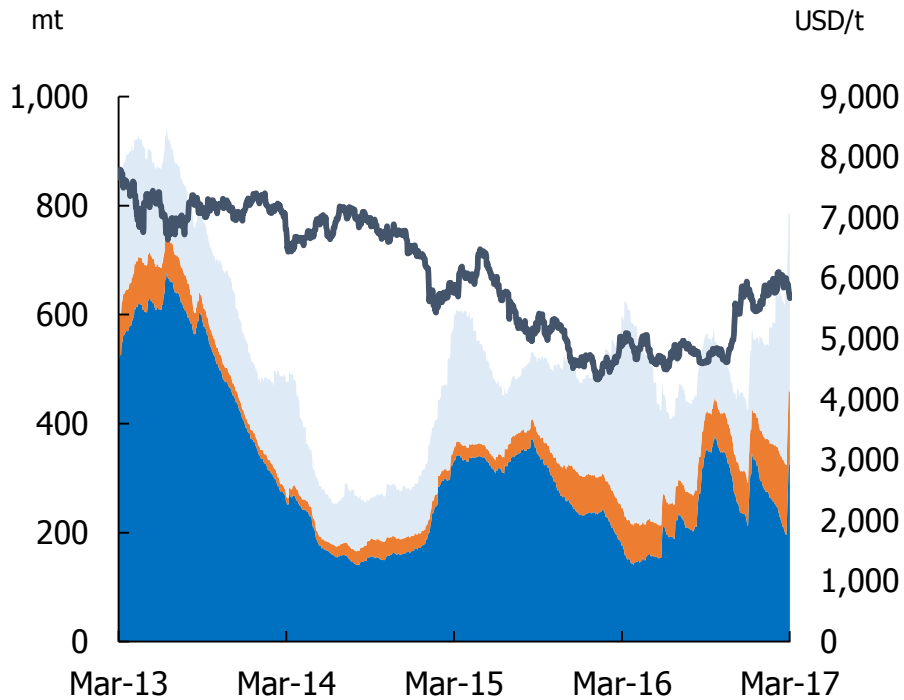
Share of global annual vehicles production

## E-mobility Constraints vs Conventional Internal Combustion Vehicles

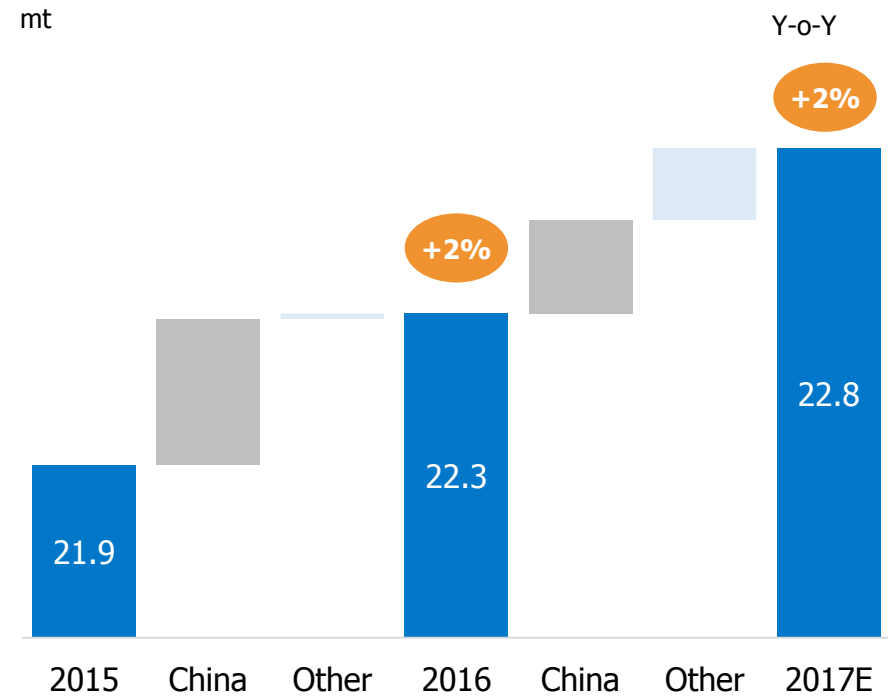
- High price
- Limited driving range
- Long battery charging time
- Underdeveloped charging infrastructure

# Copper Market: Global Inventories Remain at Low Levels

## LME Copper Price Increasing While Inventories Are Running Tight

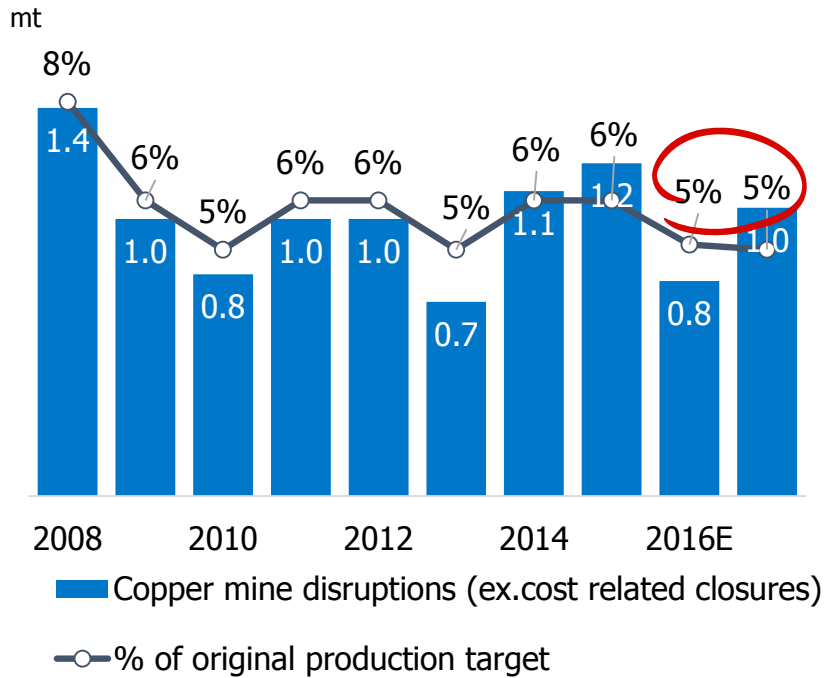


## China Remains the Main Driver of Global Copper Consumption Growth in 2016-2017E

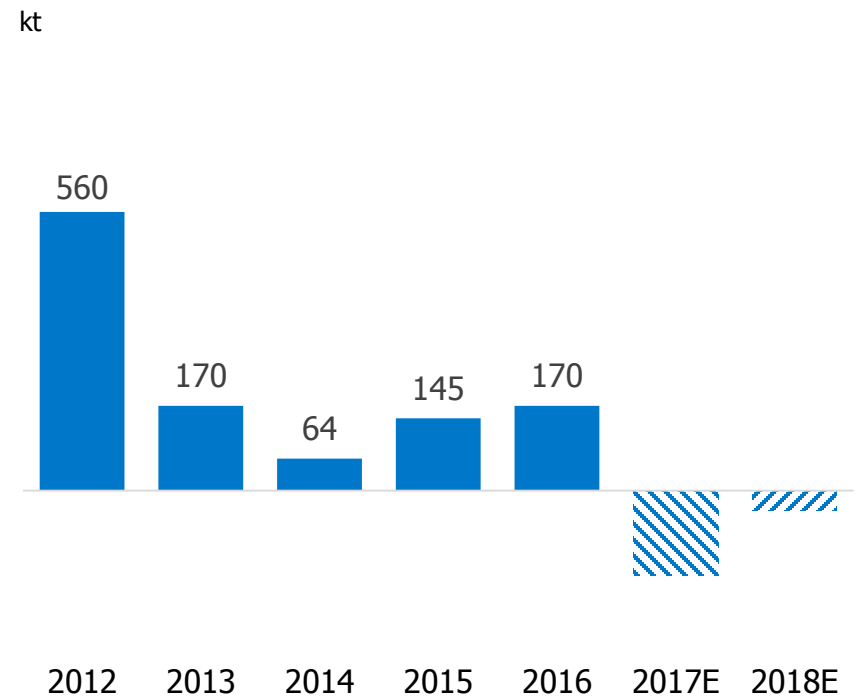


# Copper: Balanced Market, Risk of Major Supply Disruptions in 2017

Copper Supply Disruptions: Expected at 5% in 2017E at Historical Average



Well Balanced Market with Marginal Deficits in 2016-2017E

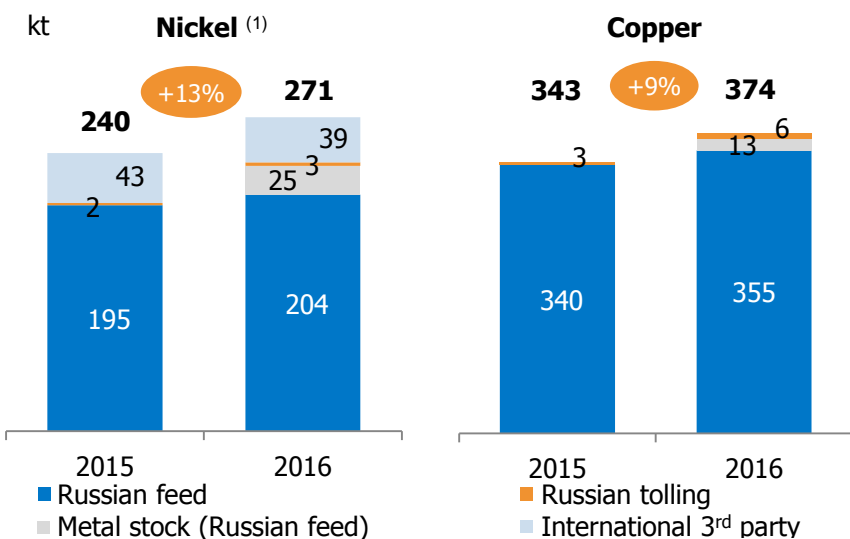


- ❑ Labour strike at Escondida (1Mt 2017E production);
- ❑ Potential issues with exports from Indonesia:
  - Grasberg mine (0.5 Mt 2016E production);

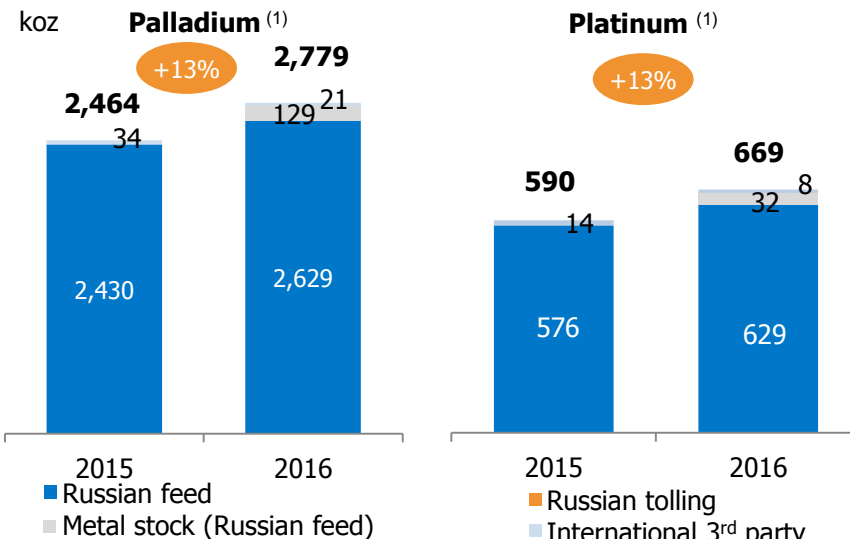
# **2016 Financial Results**

# Metal Sales Volumes and Realized Prices

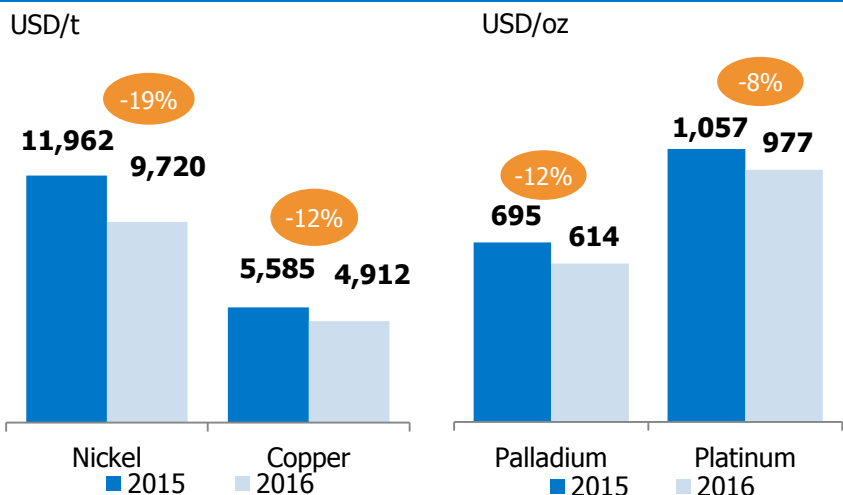
## Base Metals Sales: Up on the Sale of Metal Stock



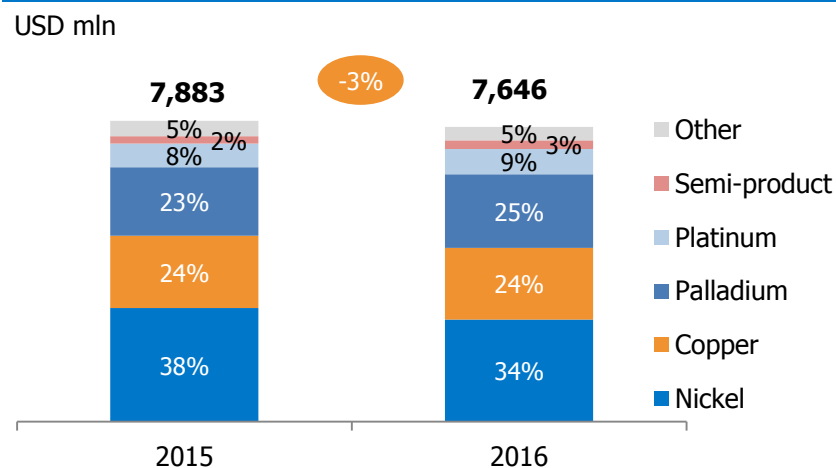
## PGM Sales: Up on the Sale of Metal Stock



## Realized Metals Prices: Weak Commodity Markets(2)



## Sales Breakdown by Metals: PGM = Ni



Notes: 1. Excluding metals purchased from 3rd parties

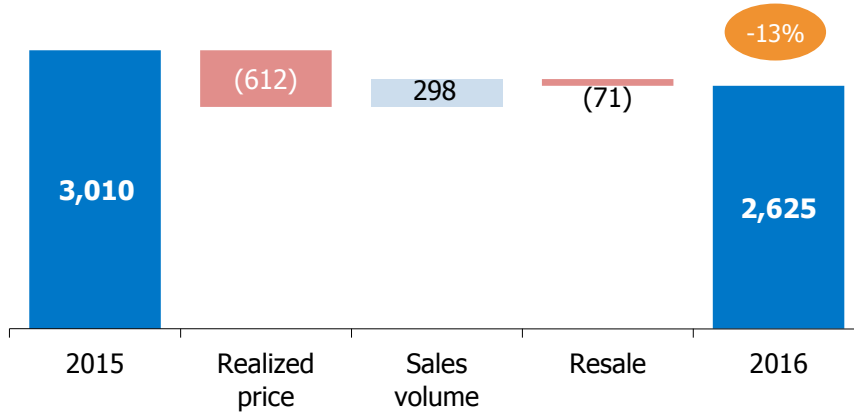
2. Average realized prices of metals produced by Norilsk Nickel in Russia from own feed

# Metals Revenue: Driven Down by Weak Commodity Markets, Base Metals Down, PGMs Up

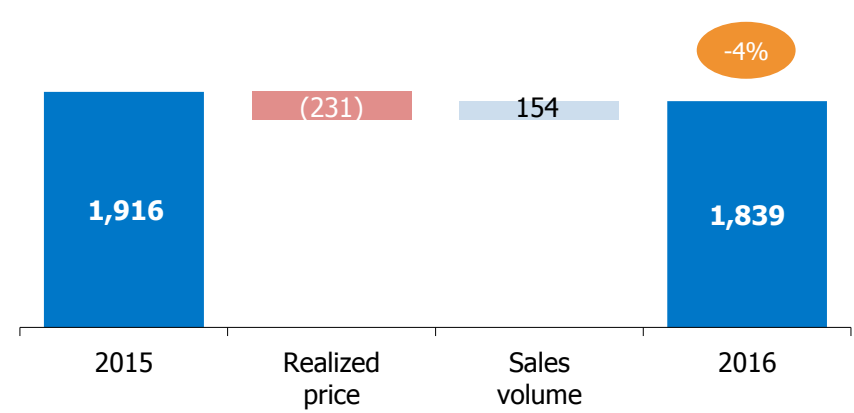
## Nickel Revenue: Down 13%

## Copper Revenue: Down 4%

USD mln



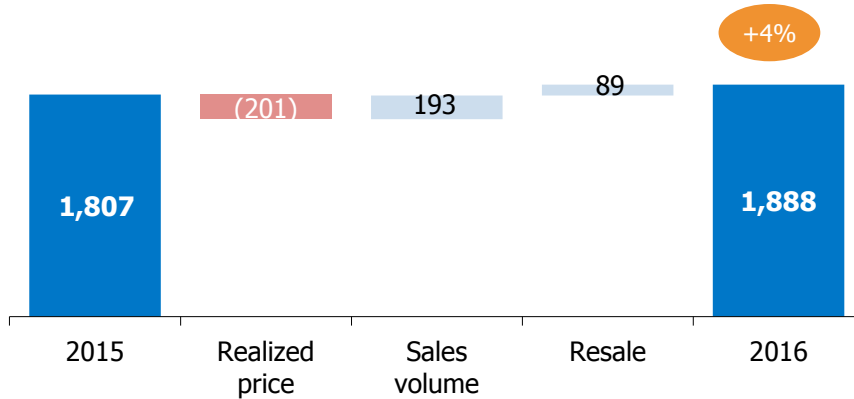
USD mln



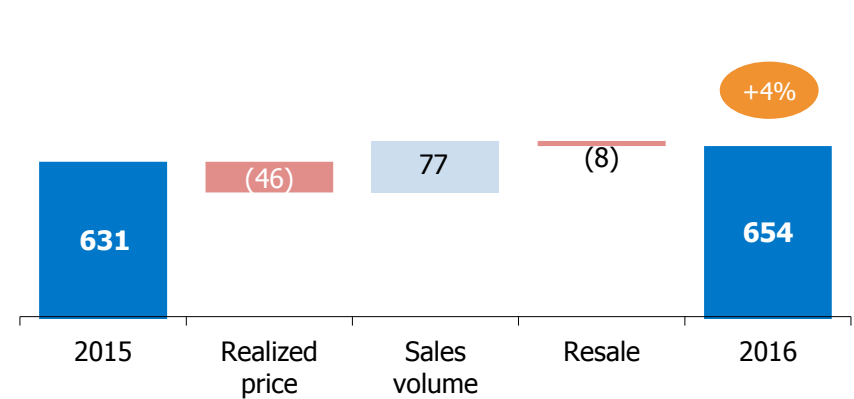
## Palladium Revenue: Up 4%

## Platinum Revenue: Up 4%

USD mln



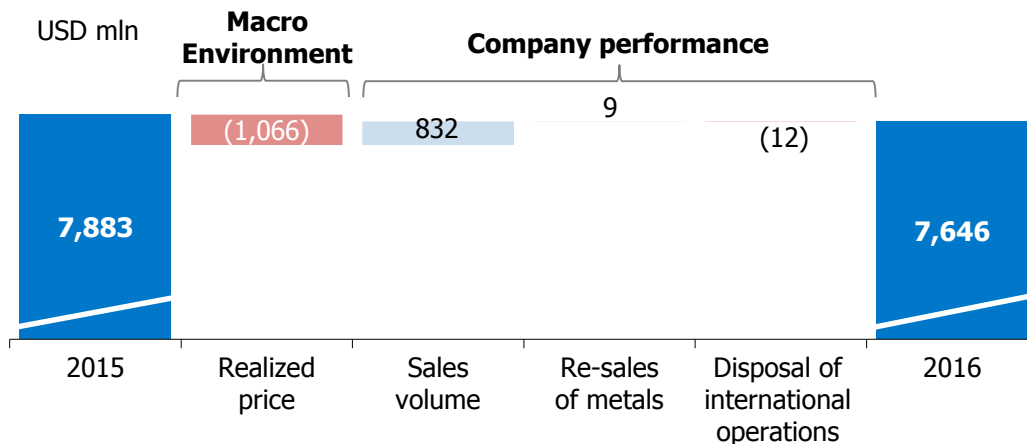
USD mln





# Consolidated Revenue Under Pressure from Commodity Markets

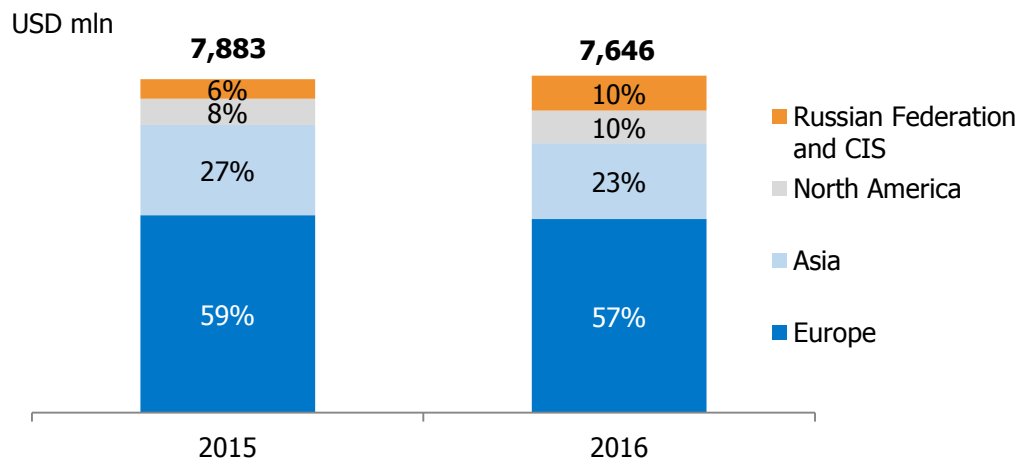
## 2016 Revenue: Negative Macro Factors Were Partly Offset by the Realization of Metals from Stock



### Decrease of sales by 3% y-o-y to USD7.6 bn due to:

- Decrease of realized metal prices (negative impact of USD1.1 bn);
- Increase of metal sales volume including the sale of metal from stock, accumulated in 4Q15 (positive impact of USD0.8 bn);
- Disposal of international operations (negative impact of USD12 mln);

## Metal Sales Breakdown by Geography



### Geographical breakdown of metal sales:

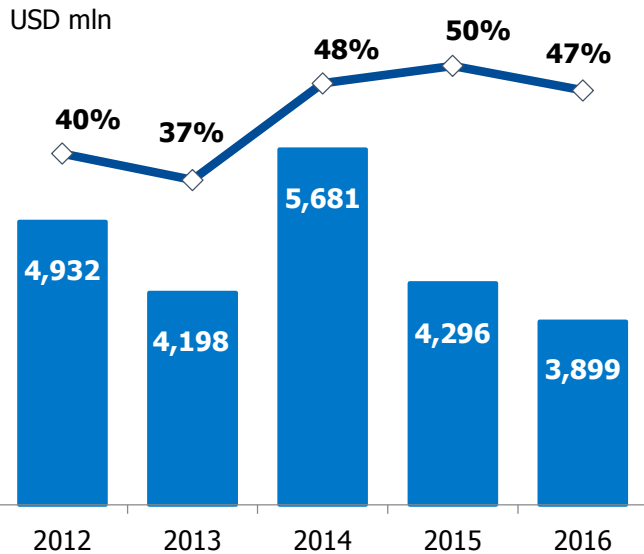
- Increase of Russia and CIS sales from 6% to 10% of total due to more attractive domestic PGM pricing;
- Reduction of sales to Asia from 27% to 23% mainly due to the relocation of PGM sales to domestic market;

# Industry Leading EBITDA Margin

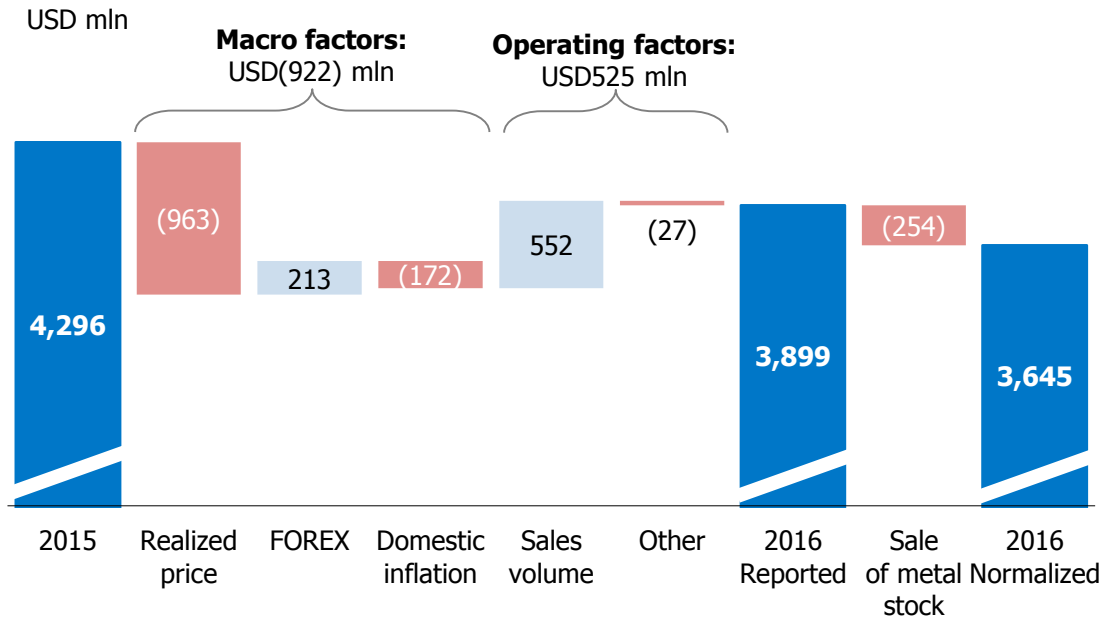
**2016 EBITDA was down by 9% y-o-y to USD3.9 bn, EBITDA margin at the global mining industry leading 47%:**

- Lower realized metal prices had a negative impact on EBITDA of USD1.0 bn;
- The increase in metal sales volume of USD0.6 bn was primarily comprised of the release of metal stock, accumulated in 4Q2015;
- Depreciation of RUB against USD contributed positively to EBITDA by USD0.2 bn;

## EBITDA and EBITDA Margin

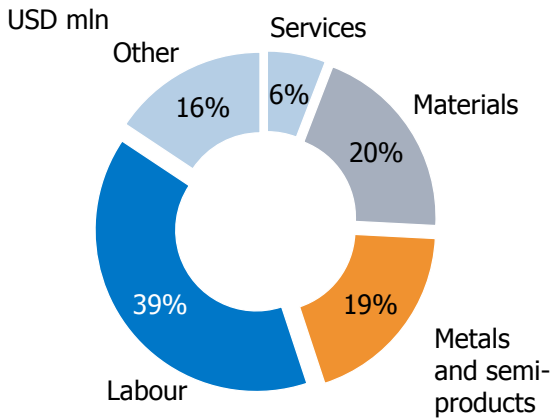


## 2016 EBITDA Bridge

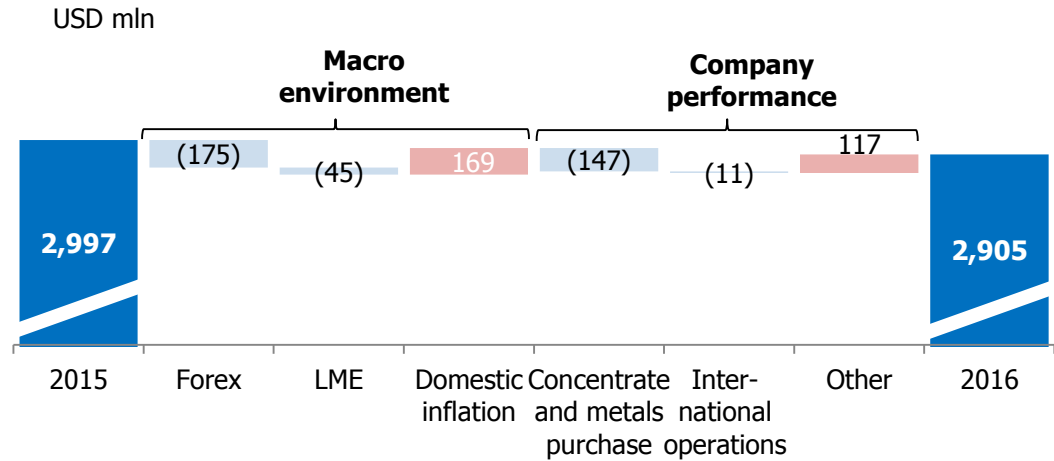


# Operating Cash Costs Down on Supportive Macro

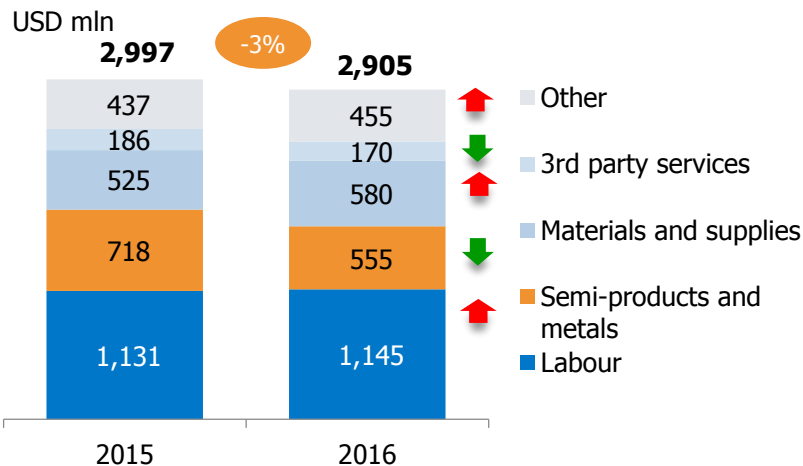
## 2016 Cash Costs Breakdown



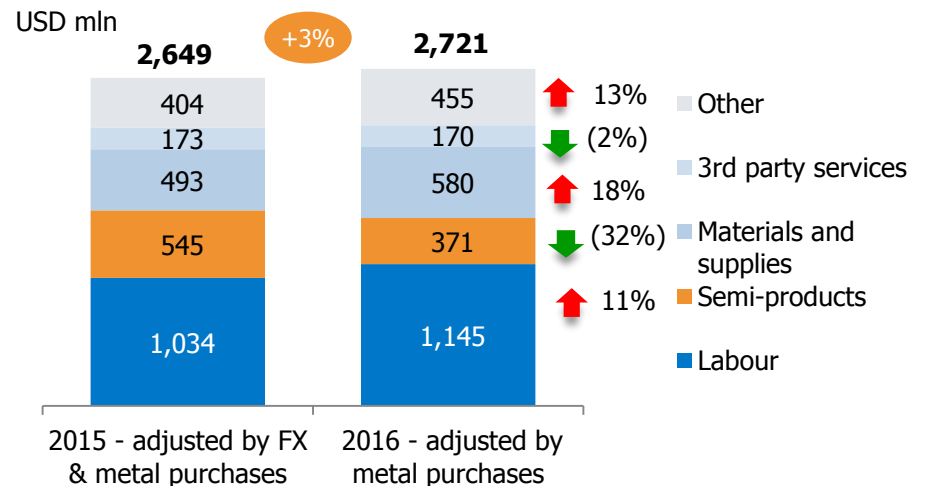
## Operating Cash Cost Reduction in 2016



## Reported Operating Cash Costs: Down by 3%



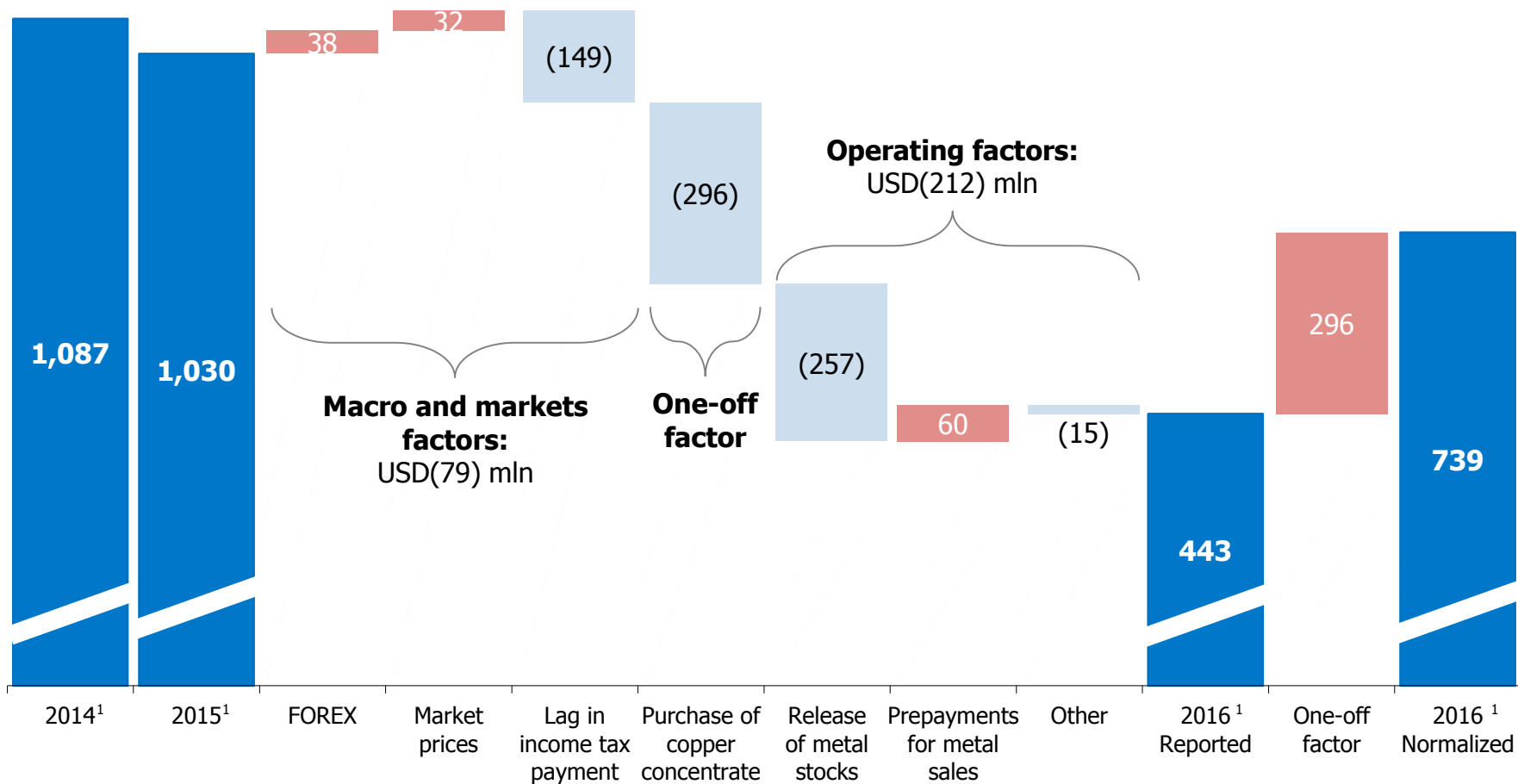
## Operating Cash Costs Adjusted by FX & Refined Metal Purchase: Up +3%, Well below Domestic Inflation



# Net Working Capital – Optimization Continued in 2016

## Working Capital in 2014-2016: Net Working Capital Further Reduction

USD mln

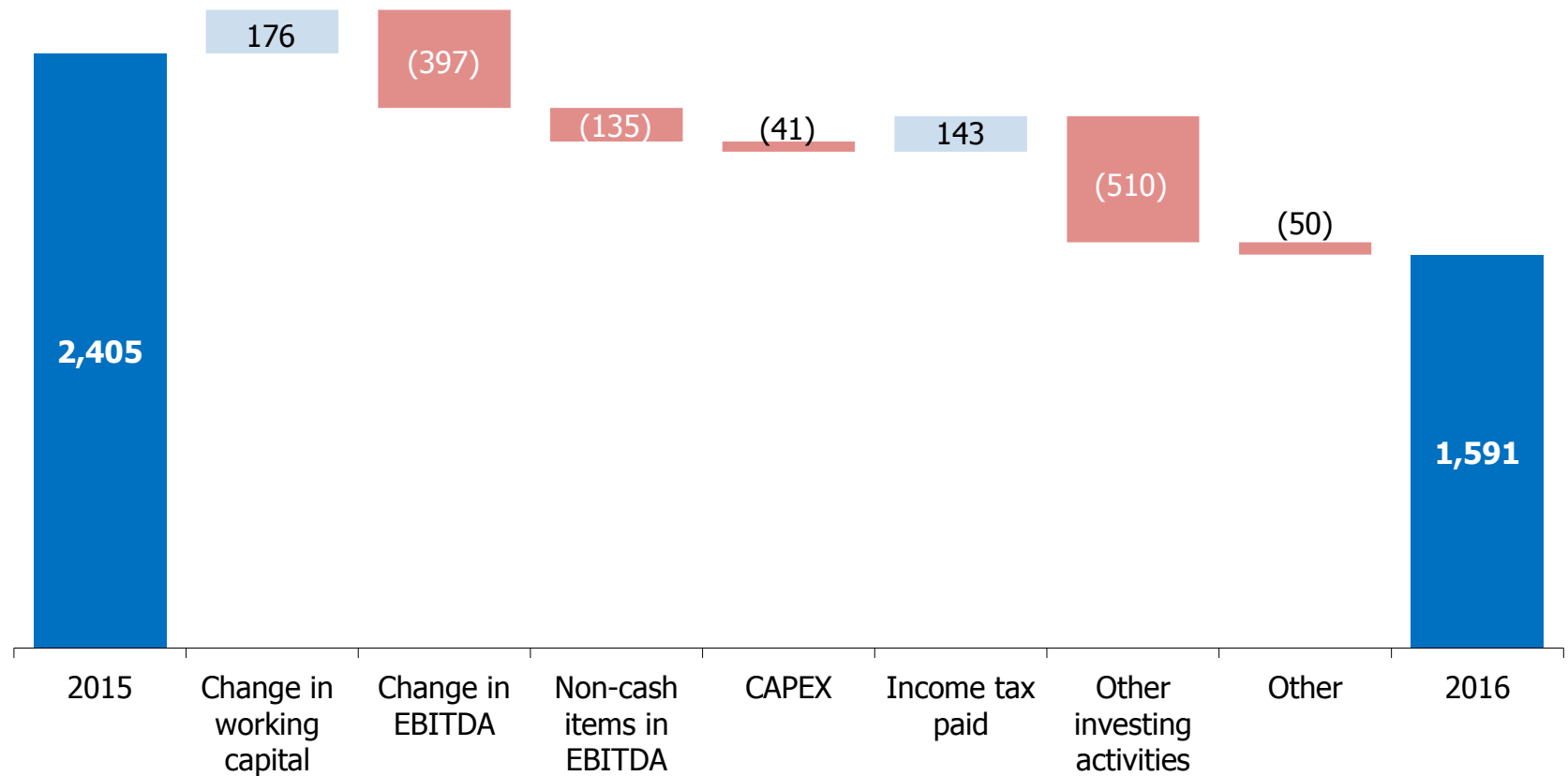


Notes: 1. As of December, 31<sup>st</sup>;

# FCF in 2016 Under Pressure from Commodity Markets, with Industry-Leading FCF/Revenue Ratio

FCF Reduction: Challenging Commodity Market Environment Partly Offset by Working Capital Release

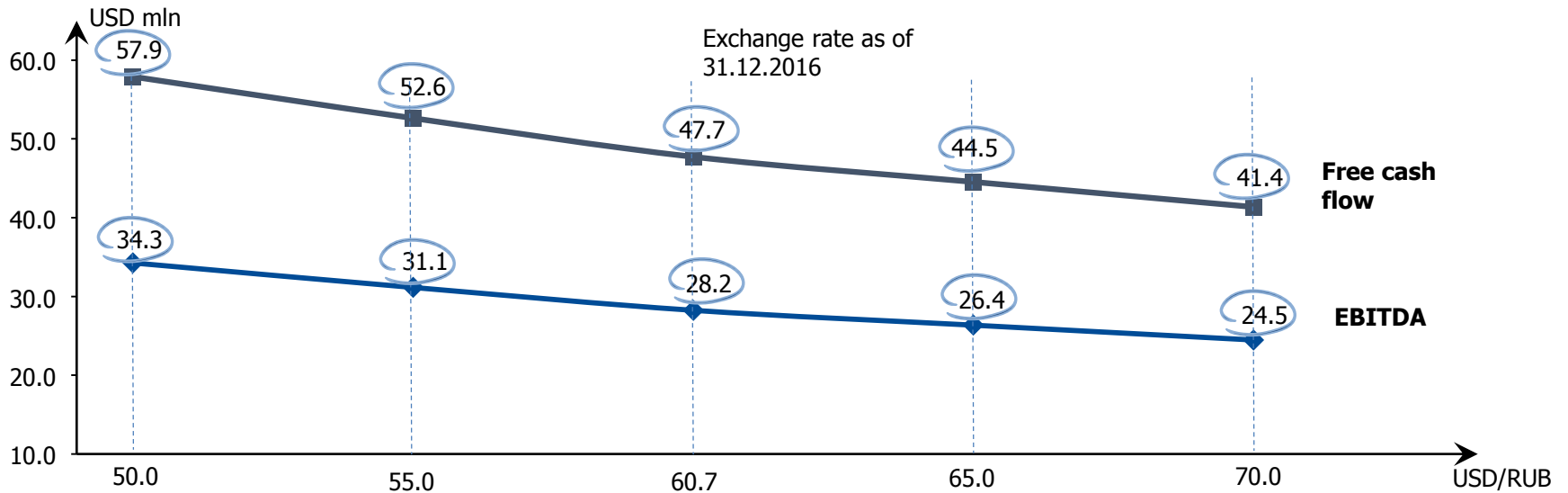
USD mln



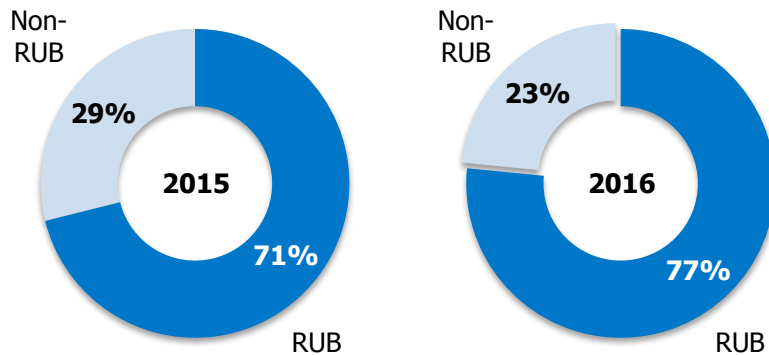
# Financial Results Sensitivity to USD/RUB Exchange Rate

At the USD/RUB rate of 60.7, 1% change in exchange rate translates into:

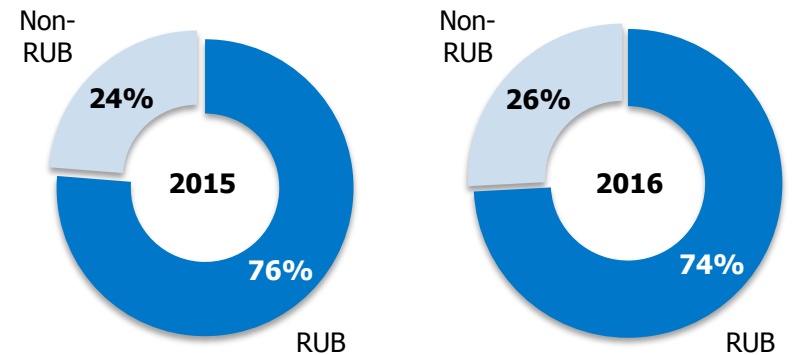
EBITDA change of USD28.2 mln, FCF change of USD47.7 mln.



## Currency Break Up of OPEX (1)



## Currency Break Up of CAPEX

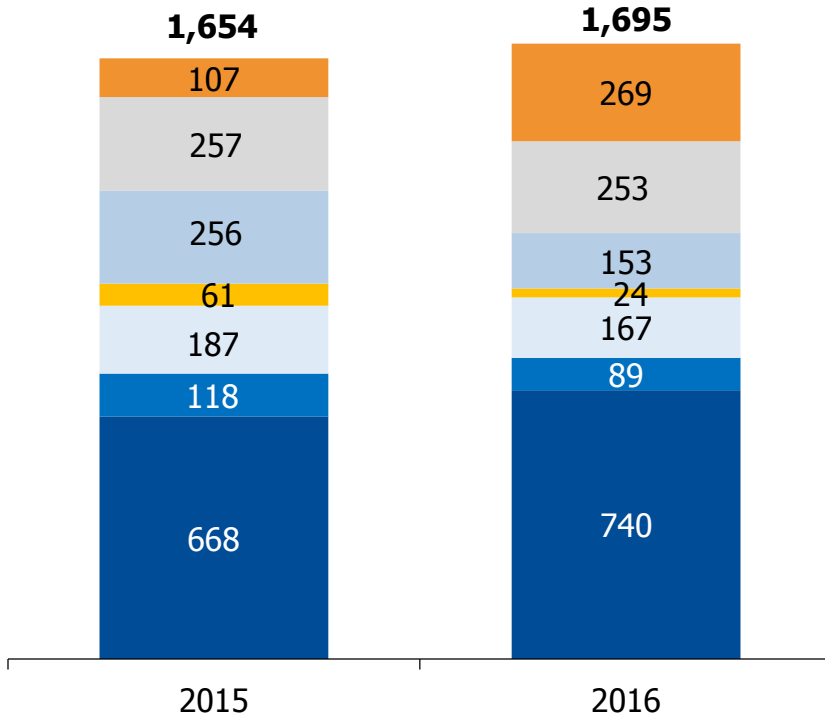


Notes: 1. Cash costs (change in stock excluded), Cost of non-metal sales, SG&A

# 2016 CAPEX: Downstream Reconfiguration, Nickel Plant Shut Down and Chita Construction

## CAPEX Breakdown by Projects

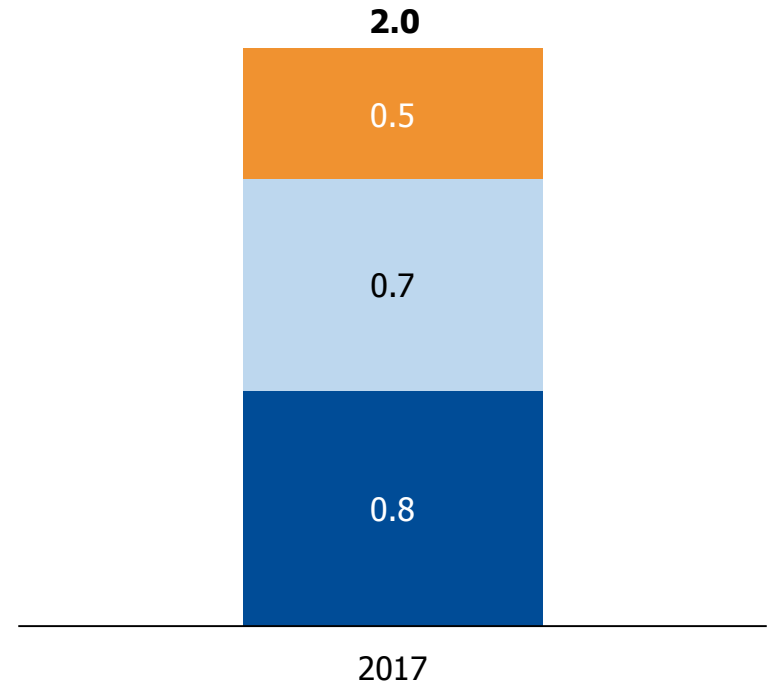
USD mln



- GRK Bystrinskoe (Chita)
- Talnakh enrichment plant
- Skalisty mine
- Projects related to the shutdown of Nickel Plant
- Other mine development
- Kola
- Stay-in-business

## CAPEX Forecast for 2017

USD bn



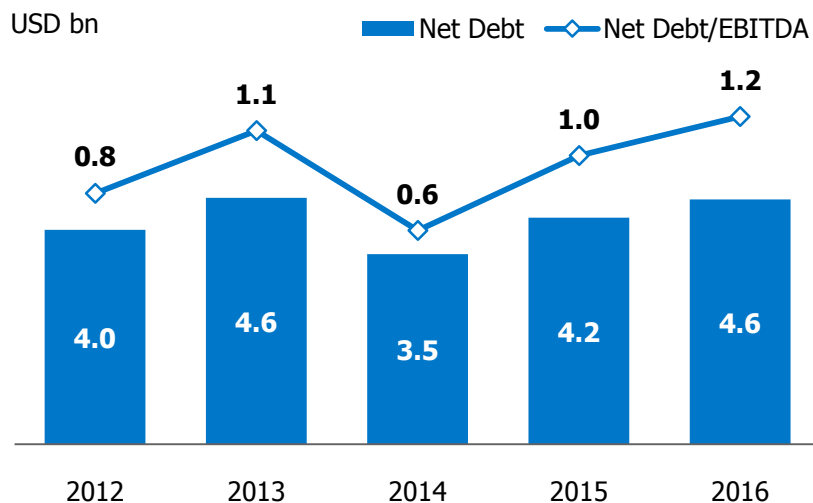
- Stay-in-business
- Commercial
- GRK Bystrinskoe (Chita)

Notes: 1. CAPEX per Cash flow, net of VAT

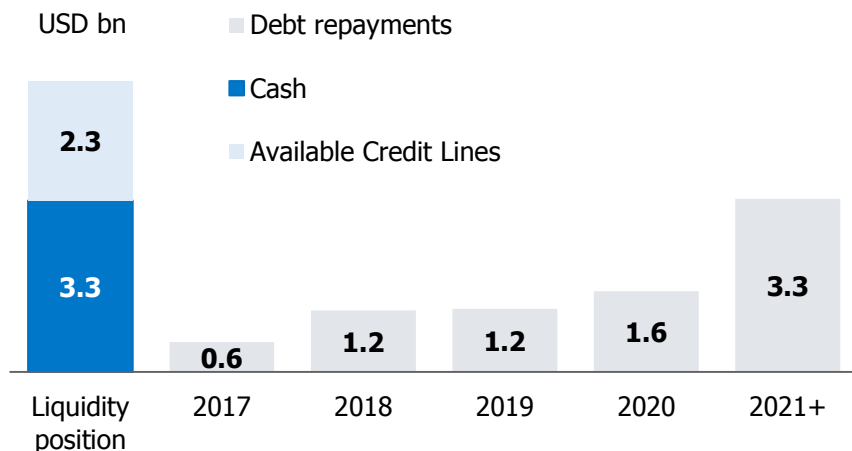


# Conservative Balance Sheet Maintained

## Leverage Remained at a Low Level<sup>(1)</sup>



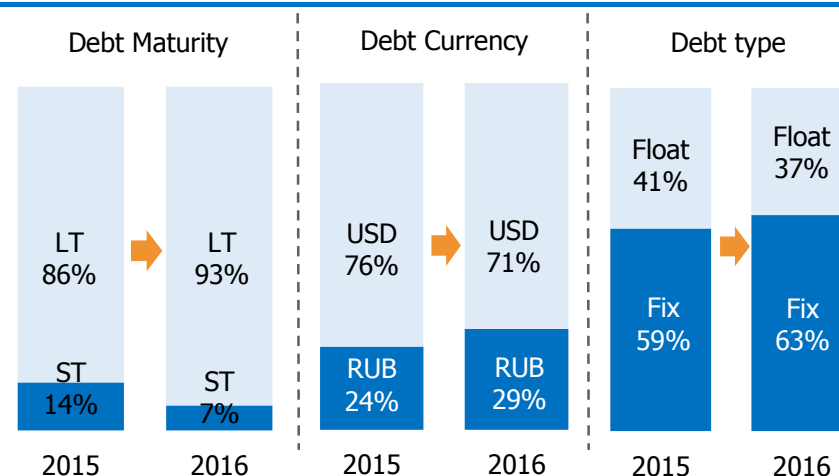
## Liquidity and Debt Repayment Schedule



## Proactive Debt & Leverage Management

- In January 2016 5-year USD0.7 bn committed revolving back-stop facility was signed with a consortium of Chinese banks<sup>(2)</sup>;
- In May 2016 8-year USD0.8 bn Chita project financing was signed with Sberbank on non-recourse basis to Nor Nickel;
- During 2016 the Company amended terms of USD1.4 bn outstanding credit lines with a group of banks resulting in reduction of interest rates and/or extension of debt maturities;
- In September 2016 a 5-year back-stop committed revolving facility was signed with a syndicate of International Banks in the amount of USD0.5 bn;

## Change in Debt Structure



Note: 1. Net Debt to Adjusted EBITDA, 2. Under English law

# **Major Projects Update**

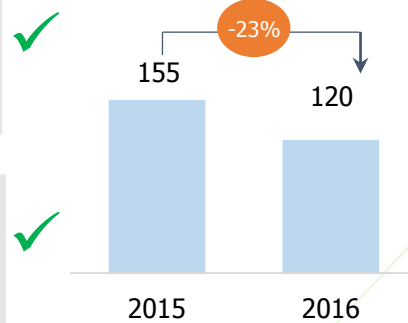
# Environmental Program Overview: Phase One Complete

## SO2 emissions reduction >30ktpa:

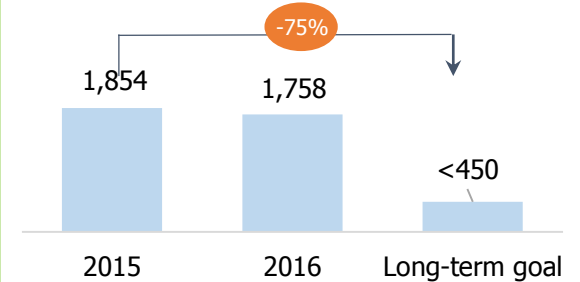
- Agglomeration plant was shut down at Zapolyarny production site in May 2016;
- Copper-nickel conc briquette plant launched in 2016;

- **Saline effluent disposal:** liquid waste evaporation unit for the electrolytic nickel production launched at Monchegorsk site in December 2016;

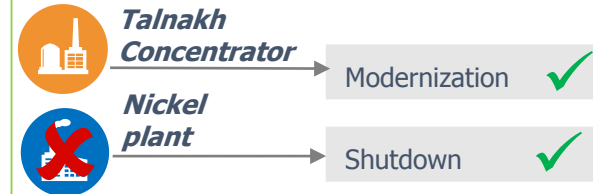
## Kola Division SO2 Emissions, kt pa



## Polar Division SO2 Emissions, kt pa

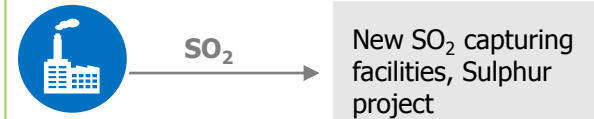


## Phase One: 2013-2016



## Phase Two: 2017-2022

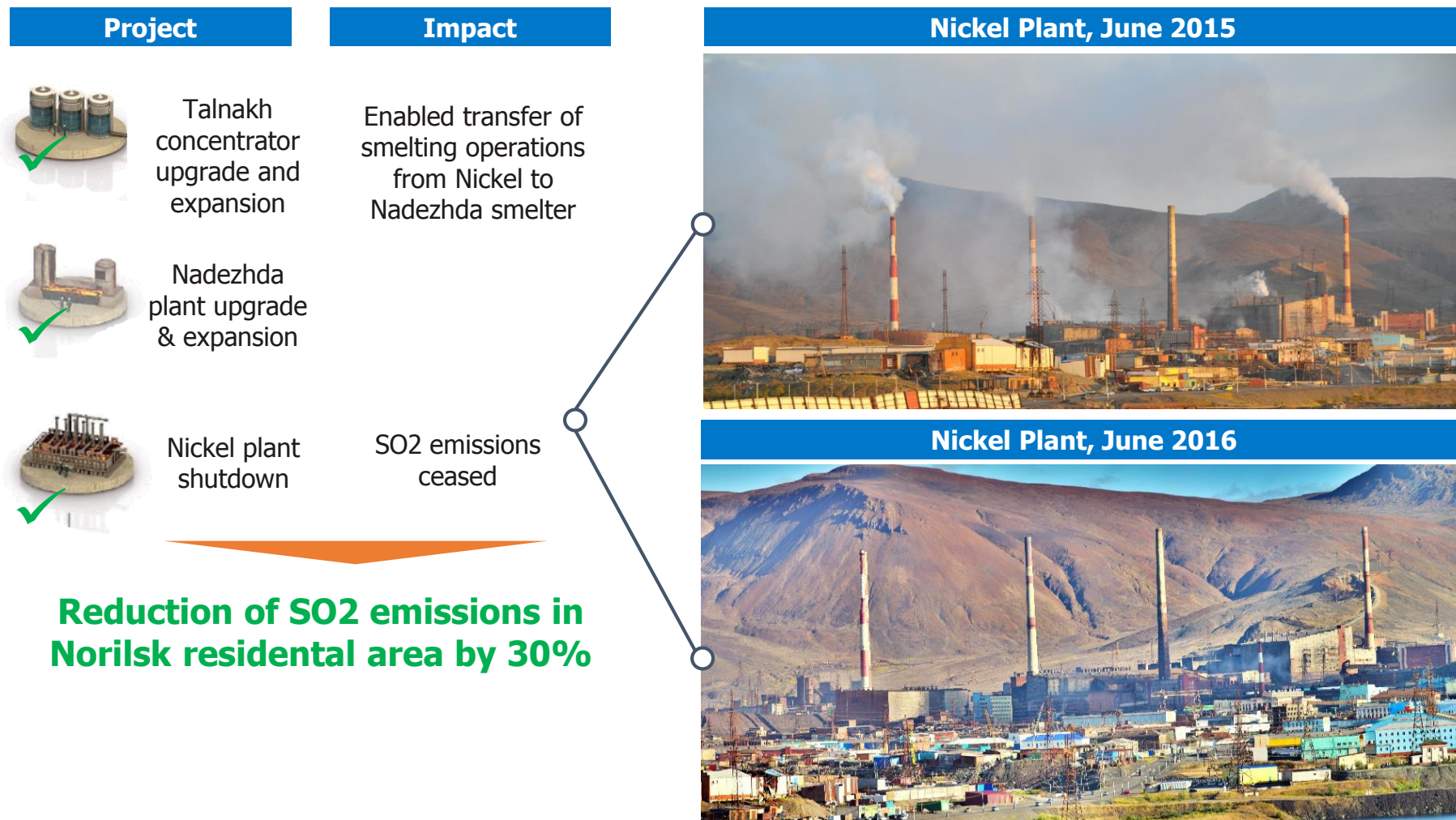
### Nadezhda smelter



### Copper plant



# Phase One of the Environmental Program – Shutdown of Nickel Plant within the City of Norilsk Limits



# Current Status of Sulfur Project



## Technology



## Main Risks



## Capital Expenditures



## Status/Timeline



## Completion

### Option №1: Elementary Sulphur



**Nadezhda  
smelter**

**SO<sub>2</sub>**

### Option №2: Sulfuric Acid

Technology	Main Risks	Capital Expenditures	Status/Timeline	Completion
<p>New SO2 capturing facilities</p> <p><b>Final Product: elementary sulphur in blocks or pellets</b></p> <ul style="list-style-type: none"> <li>To be stored on site or sold to third parties</li> </ul>	<p><i>New technology, high operational risk</i></p>	<p>USD1.7 billion<sup>(1)</sup> for Nadezhda smelter (exc.VAT)</p>	<ul style="list-style-type: none"> <li>SNC Lavalin commissioned</li> <li><b>Phase 1:</b> preparation of engineering project documentation ✓</li> <li>Management investment decision expected in 4Q 2017</li> <li><b>Phase 2:</b> construction of SO2 facilities at Nadezhda Plant</li> </ul>	<div style="border: 1px dashed black; padding: 5px; width: fit-content; margin: 0 auto;">2023</div>
<p>New SO2 capturing facilities</p> <p><b>Final Product: sulfuric acid</b></p> <ul style="list-style-type: none"> <li>To be further neutralized with limestone</li> <li>In part could be utilized to process tailings</li> </ul>	<p><i>Established technology, used elsewhere (in Russia), low operational risk</i></p>	<p>Circa USD2 billion for Nadezhda and Copper smelters combined</p>	<ul style="list-style-type: none"> <li>A Russian engineering firm has been commissioned</li> <li>Pre-feasibility study is being prepared</li> <li>Management investment decision expected in 4Q 2017</li> </ul>	<div style="border: 1px dashed black; padding: 5px; width: fit-content; margin: 0 auto;">2023</div>

Note: As of November, 2016

# Talnakh Concentrator Upgrade and Capacity Expansion

2015

2016

2018+

## Downstream reconfiguration strategy

Potential Options

### Phase 1: Flotation revamp



#### Overview

- ✓ Replacement of flotation cells
- ✓ Capacity of 7.7 Mtpa maintained
- ✓ Total Capex – ~ USD90 mln

#### Status

- ✓ Launched in January, 2015
- ✓ Ramped-up by 1Q 2016

#### Impact:

- ✓ Increased nickel recovery rate by 1 p.p.

### Phase 2: Technological upgrade and capacity increase



#### Overview

- ✓ Upgrade of technology
- ✓ Capacity increase to 10.2 Mtpa
- ✓ Total Capex – ~ USD850 mln

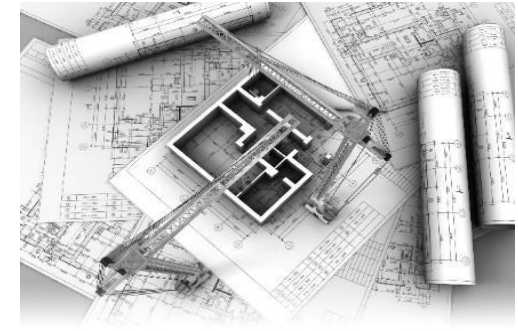
#### Status

- ✓ Construction completed on time/on budget
- ✓ Staged commissioning of full capacity and design parameters by 3Q 2017

#### Impact:

- ✓ Sulfur rejection to the tailings reached design parameters
- ✓ The content of Ni in nickel concentrates increased from 8,6% to 13,5% at the end of 1Q17 (Ni in nickel-pyrrotite concentrate increased from 6.8% to 9.6%)

### Phase 3 (TBC): Capacity increase



#### Overview

- ✓ Capacity increase to 18.0 Mtpa

#### Status

- ✓ Project design, budget and construction schedule currently being updated
- ✓ Feasibility and investment decision by the year-end 2017

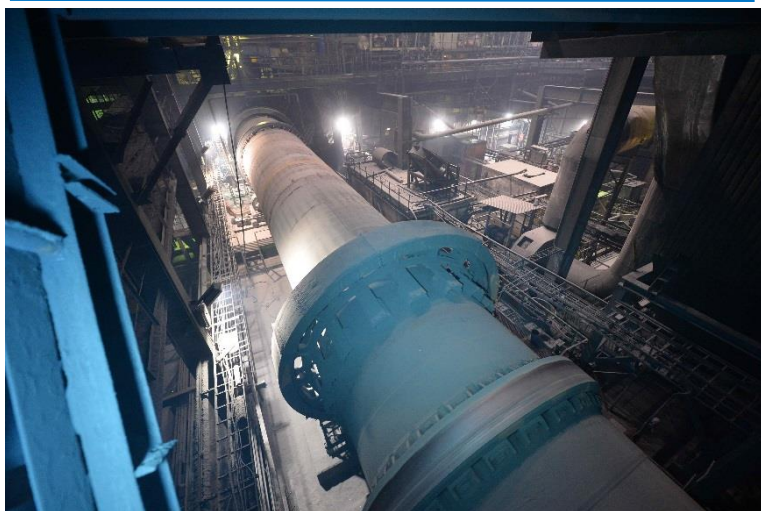
#### Dependent project:

- ✓ Development of South Cluster (Zapolyarny mine)



# Nadezhda Plant Modernization

## New Dryer

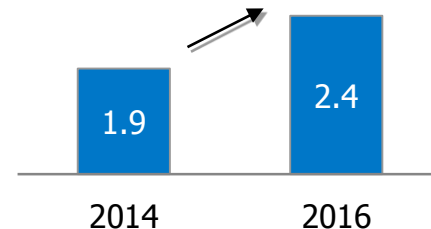


## Slag Discharge Tract



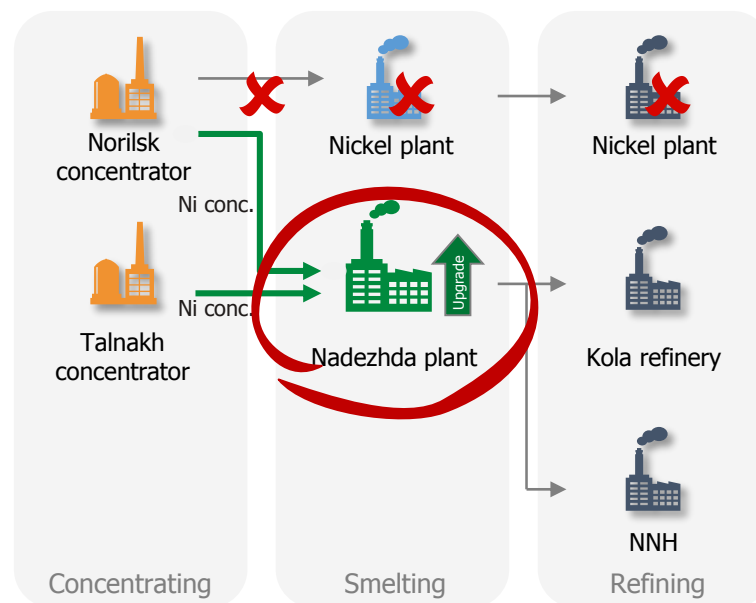
## Upgrade of smelting, concentrate drying and filtering facilities

➤ Smelting capacity, mtpa



➤ Total CAPEX ~ USD130 mln

## Ni smelting operations in Polar Division moved to Nadezhda plant



# Kola Nickel Refining Operations: Upgrade and Expansion of Capacity

## Re-launch of Ni Tankhouse-1

### Overview:

- Additional refining nickel capacity (+45ktpa) launched to offset idled Nickel Plant in Polar Division;
- Construction completed in 2015;
- Ramped-up to full capacity by 3Q 2016;
- Total Capex ~ USD16 mln;



## Reconstruction of Ni Tankhouse-2: Technology upgrade and capacity expansion

### Overview:

- Addition of nickel refining capacity (+25 ktpa)
- Upgrade to drum roaster chloride leaching;
- Construction will be completed in 2018; full capacity to be reached by 2019;
- Total Capex circa ~ USD300 mln

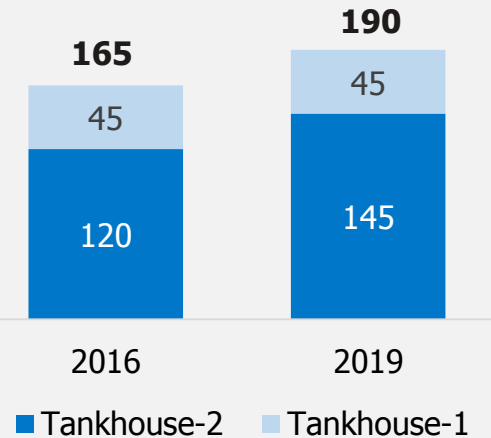
### Status:

- Equipment delivery;
- Construction works with staged commissioning of new chloride leaching technology;



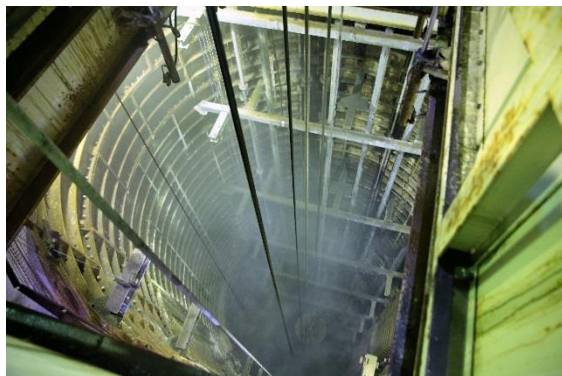
### Expected impact

Kola Ni refining capacity, ktpa





# Ramp Up of Skalisty Mine



## Project overview

- Greenfield project
- Production capacity – 2.4Mtpa
- Ore reserves: 58Mt
- Estimated Project IRR > 30%
- Capex 2017-2018: ~ USD0.5 bn


## Project timeline


- Mining capacity – 500 ktpa in 2015, +300 ktpa in 2016
- Ramp-up to 1.95 mt by 2018, 2.4 mt by 2024
- Completion of ventilation shaft №10 in 2018
- Completion of skip-cage shaft (main shaft) in 2019

## Project update

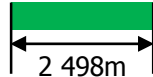
- 2016 Capex: USD153 mln
- Progress in 2016:

Shaft sinking:

 420m Shaft №10 (87% complete)

 455m Skip-cage shaft (main shaft) (66% complete)

Drifting:

 2 498m

# Chita (Bystrinsky) Project: 65% Complete

## De-risking strategy

- **Financing Secured:** Sberbank provided a USD0.8 bn 8-year project financing facility for GRK Bystrinskoe;
- **Partnerships:**
  - ✓ Consortium of Chinese investors (Highland Fund) acquired 10.7% stake in the project;
  - ✓ The BoD has approved the sale of an up to 39.32% stake in the project to CIS Natural Resources Fund. The Transaction is expected to close by the end of 2017;

## Transport and energy facilities

- **Construction of 220kV (234 km) power line and substation grid is in progress:**
  - ✓ Commissioning is scheduled in 2H 2017;
  - ✓ Total investments of ~**USD130 mln** in 2016-2017;
  - ✓ After the completion, the energy facilities will be bought out by the Federal Grid Company;
- **Trial operation of the railroad launched. State-owned stake in the railroad will be transferred** to the Company for further management and operation;

## Current status

- **Construction of main facilities is on** schedule (enrichment plant, tailing facilities, auxiliary workshop site, water reservoir, water intake and etc.);
- **Equipment delivery and installation;**
- **Geological exploration:** aiming to increase the project ore reserves and resources;



# Chita (Bystrinsky) Project Construction Update (1/2)

## Concentrator



## Tailing Thickeners



## Semi-Autogeneous Grinding Mill



## Vertical Regrinding Mill





# Chita (Bystrinsky) Project Construction Update (2/2)

## Administrative Building



## Camping Facilities



## Maintenance Workshop



## Power Line

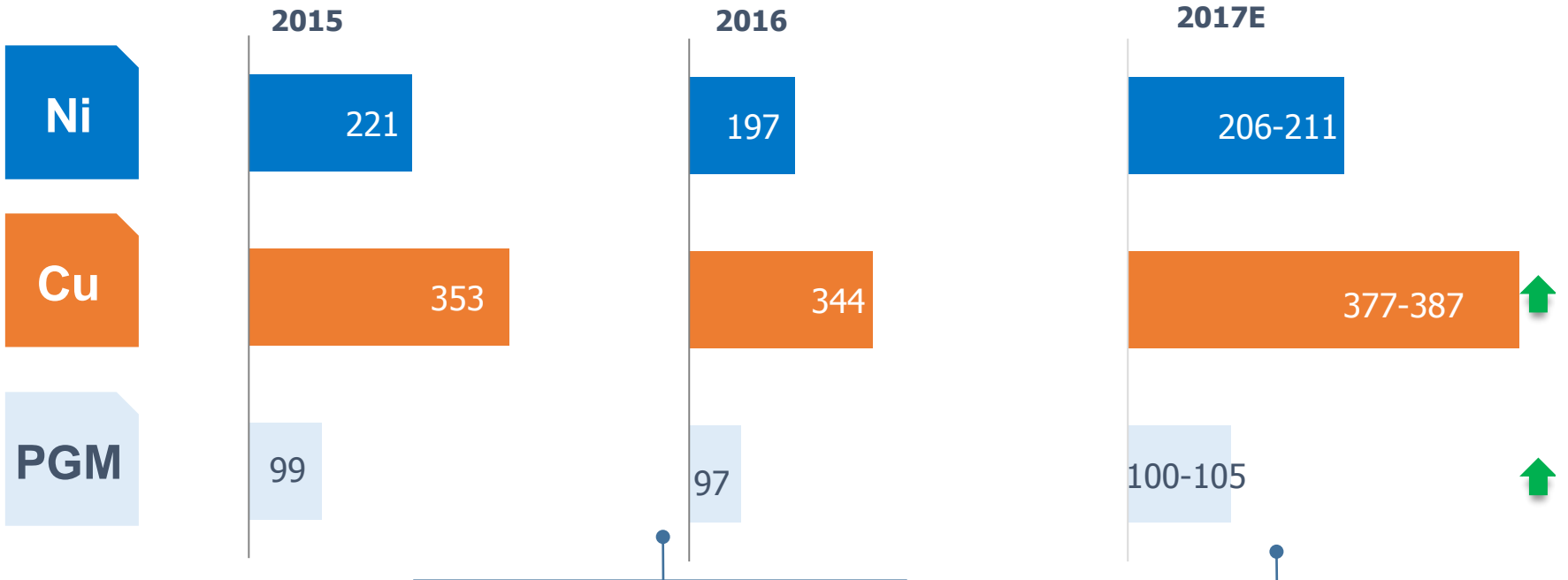


Source: Company data

# Metal Production Guidance for 2017

## Production from Russian Feedstock

Ni/Cu – kt, PGM – t  
(saleable metal)



- 2016: one-off decline due to build-up of work-in-progress inventory resulting from downstream reconfiguration and commissioning of upgraded Talnakh Concentrator;

- Metal production growth<sup>(1)</sup> vs. 2015 by 2% due to increased copper and PGM volumes:**
- Higher metals grade in ore;
  - Processing of copper concentrate purchased from Rostec, starting from 2017;

Note: 1. In nickel equivalent calculated on the basis of average 2016 prices

# 2017 Outlook

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- **Cautiously positive on nickel** in the near term as the deficit may widen in 2017, but wary of major uncertainties both, on the supply side, as Indonesia to resume export of unprocessed ore and Philippines to cancel some ore production, while demand growth from China likely to soften with nickel exchange inventories are running high;
- **Neutral on copper** as market to remain fairly balanced with upside risks dependant on supply disruptions and solid Chinese demand;
- **Positive on palladium** as deficit will widen on the back of continuing industrial demand growth and no growth in supply and **neutral on platinum** as market will shift to a moderate surplus owing to a weaker industrial demand;
- **2017 Production guidance<sup>(1)</sup> :**
  - Ni 206-211 kt
  - Cu 377-387 kt
  - Pd 2,636-2,732 koz
  - Pt 581-645 koz
- **2017 Capex** is expected at USD2 billion (including approximately USD0.5 billion for Bystrinsky (Chita) Project);
- **Annual dividends** for 2016 FY to be **announced in April**, 2017. Final dividend for 2016 expected to be calculated as 60% of EBITDA for 2016, less 9M 2016 interim dividend;
- **Pending assets sales** including Nkomati and up to 39% in Chita project;

# Q&A Session