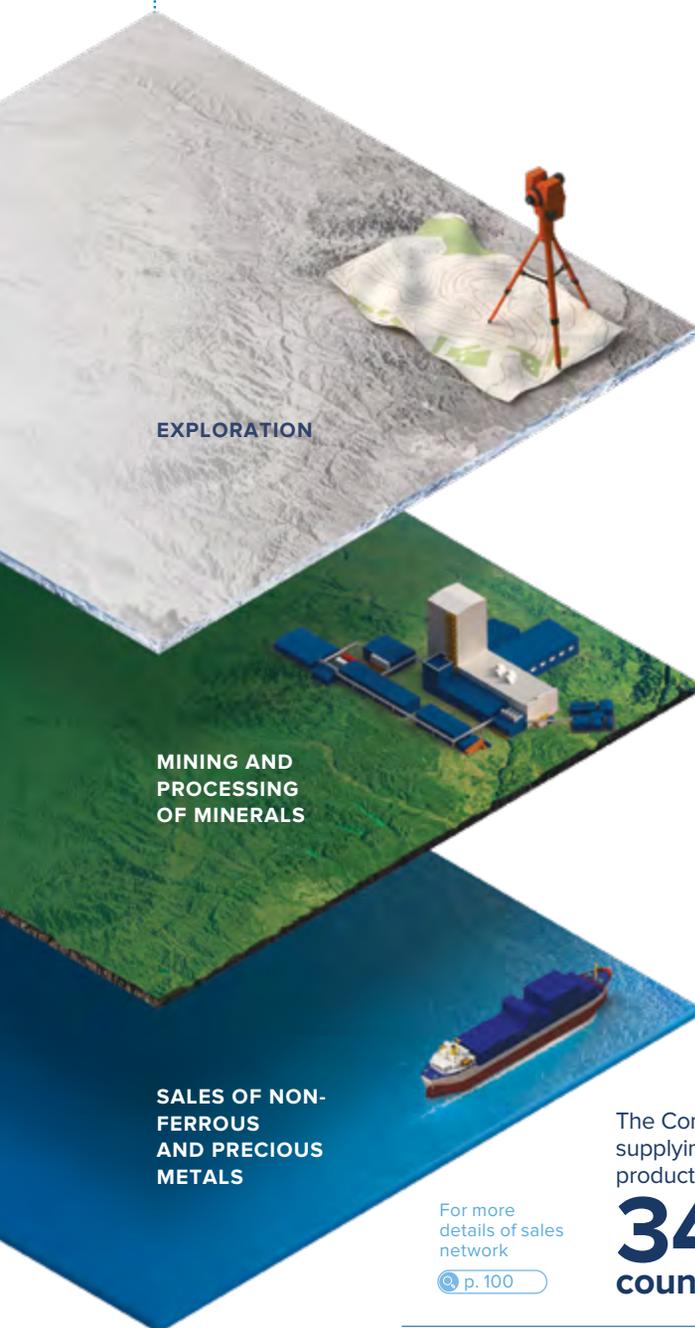


Company profile

The Norilsk Nickel Group's core operations



The Norilsk Nickel Group (the Group) includes PJSC MMC Norilsk Nickel (Nornickel, the Company) and its subsidiaries. MMC Norilsk Nickel is the core (parent) company of the Norilsk Nickel Group, having the biggest share in the subsidiaries' authorised capital.

For more details on the Group's structure

[p. 267](#)

The Norilsk Nickel Group is Russia's leading metals and mining company, the largest palladium and refined nickel producer in the world, and one of the biggest platinum producers. In addition, the Group produces copper, cobalt, rhodium, silver, gold, iridium, ruthenium, selenium, tellurium, and sulphur.

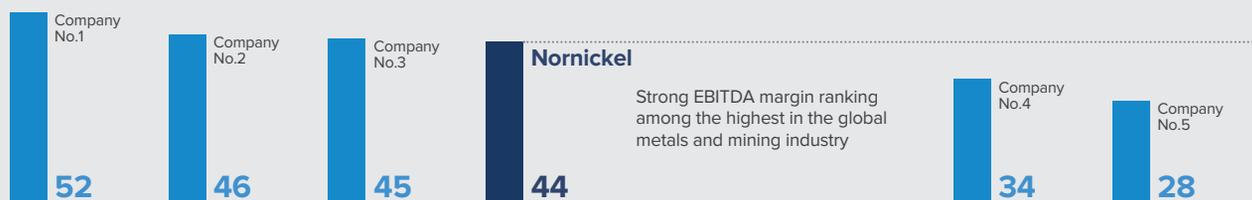
In addition to the production facilities, the Company owns:

- a global sales network,
- fuel and energy assets,
- a wide range of R&D units,
- river transport, port terminals, a unique Arctic cargo fleet.

The Company supplying its products to **34 countries**

For more details of sales network [p. 100](#)

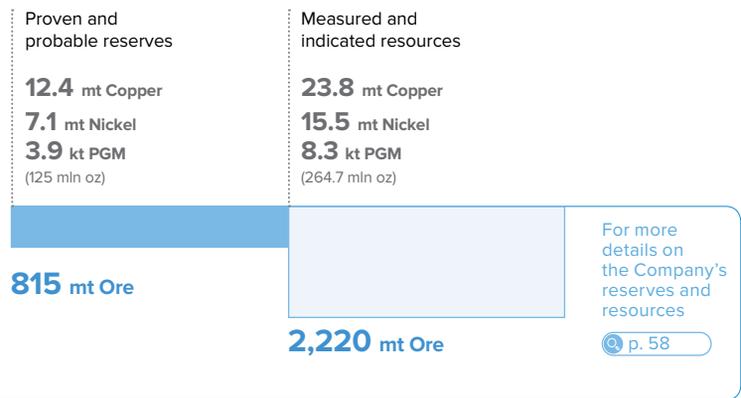
EBITDA margin in 2017 // %



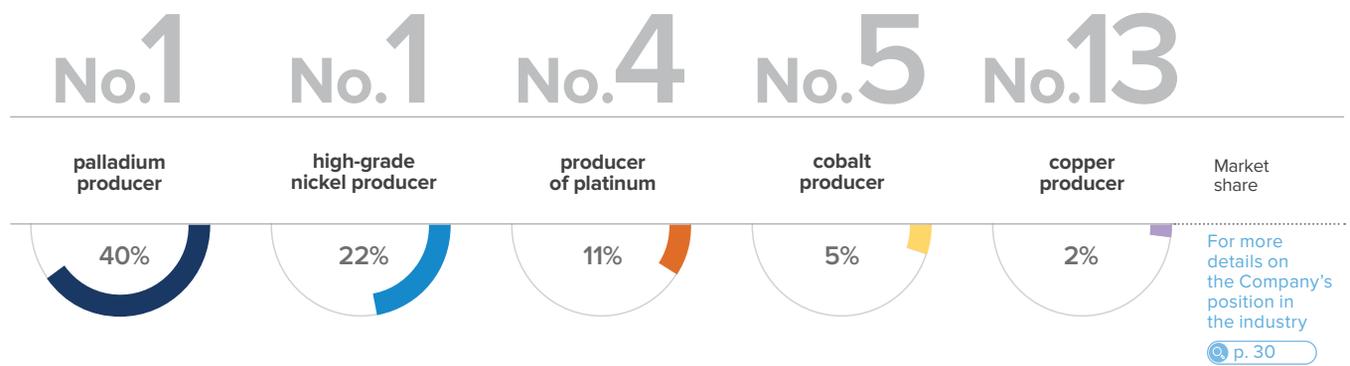
Mineral resources¹

Nornickel operates the unique Talnakh Ore Field on the Taimyr Peninsula. Its sheer size and remarkably high content of metals in the ore make the field's resource base key contributor to the Company's long-term sustainable growth.

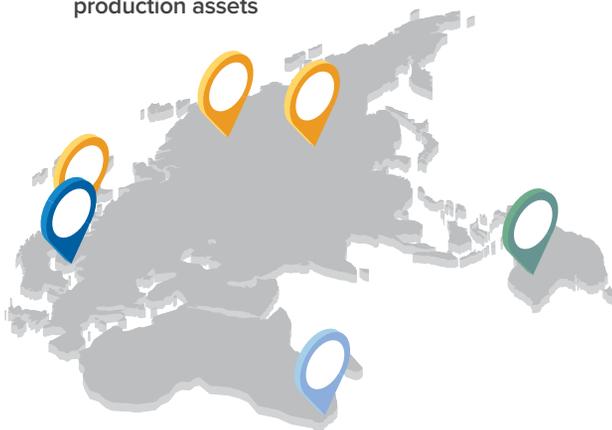
¹ The Company's reserves and resources as at 31 December 2017, including wholly owned overseas assets and excluding deposits in Zabaykalsky Krai are reported according to JORC standards.



The Company's position in the global industry

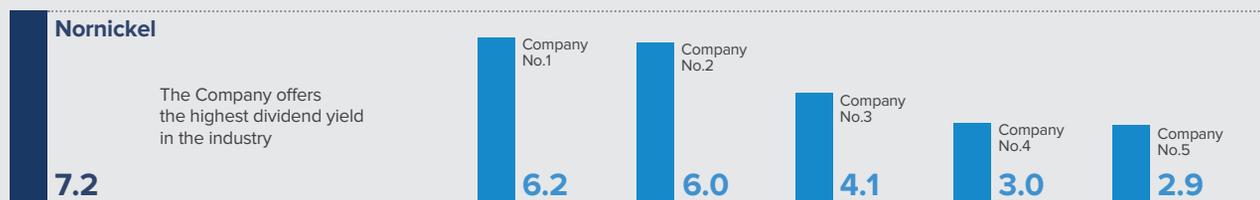


The Group's production assets



- Russia.** Core businesses in Russia are vertically integrated and include Polar Division, Kola MMC and Bystrinsky GOK.
- Finland.** In Finland, Norilsk Nickel operates Norilsk Nickel Harjavalta, a nickel refining facility that became part of the Group after its acquisition in 2007. The plant is fully integrated into the Group's production chain.
- South Africa.** In South Africa, the Company owns 50% of Nkomati, a nickel mine developed jointly with African Rainbow Minerals.
- Australia.** In Australia, The Company holds a licence to develop the Honeymoon Well Project.

Dividend yield in 2017 // %

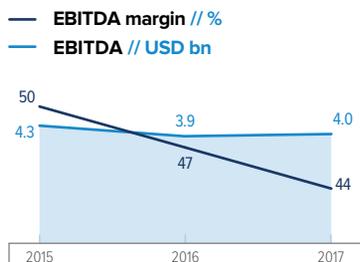


Key highlights

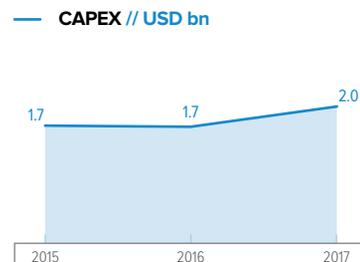
Financial stability

For more details on financial results, please see the Financial Results (MD&A) section and IFRS Financial Statements

[p. 147, 220](#)



In 2017, EBITDA increased by 2% mainly due to higher metal prices. Strong EBITDA margin remains among the highest in the global industry.



CAPEX increased in 2017 due to the active construction phase of Bystrinsky GOK and upgrade of refining capacities at Kola MMC.

Operating efficiency



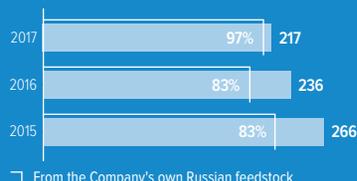
For more details on production outlook, please see the Strategy Day presentation (slide 26) available on the Company's website

For more details on historical production

[p. 268](#)

PRODUCTION RESULTS

Nickel // kt



From the Company's own Russian feedstock

-8%
2017/2016

Copper // kt

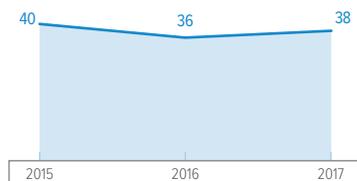


From the Company's own Russian feedstock

+11%
2017/2016

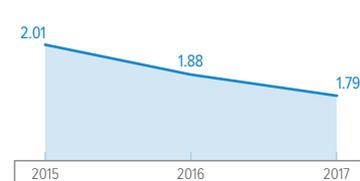
High level of social responsibility

Use of renewable energy // %

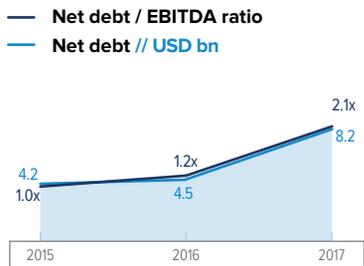


Nornickel's investment programme for 2018–2020 includes several large-scale energy projects aimed at modernizing the Company's captive hydroelectric power plants and enhancing the use of renewable energy sources.

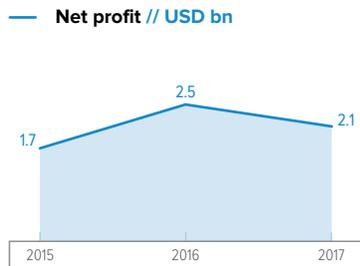
Sulphur dioxide emissions // mt



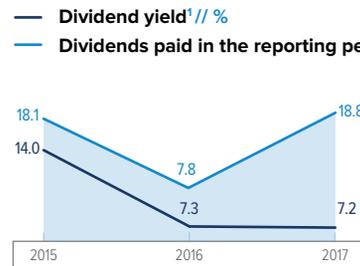
In 2017, sulphur dioxide emissions decreased by 11% from 2015. The decline came as a result of the Nickel Plant shutdown, upgrade of Talnakh Concentrator and the transition to hot briquetting technology at Kola MMC. The emissions within Norilsk city limits dropped by 30–35%.



An increase in net debt by 31 December 2017 was caused by dividend payments in the amount of USD 3 bn and one-off changes in the net working capital. The net debt to EBITDA ratio used to calculate final dividends for 2017 was at 1.88x.

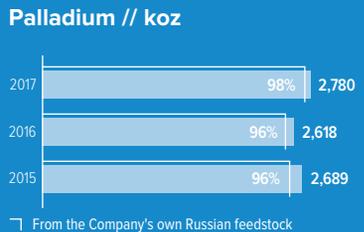


In 2017, Nornickel's net profit amounted to USD 2.1 bn.



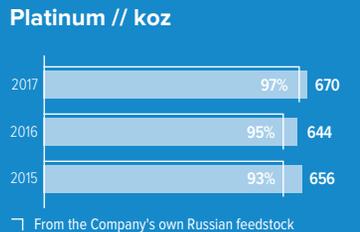
The Company paid the highest dividend yield in the global metals and mining industry.

¹ Dividend yield was calculated based on the amount of dividends recommended by the Board of Directors and the average ADR price sourced from Bloomberg for the calendar year.



From the Company's own Russian feedstock

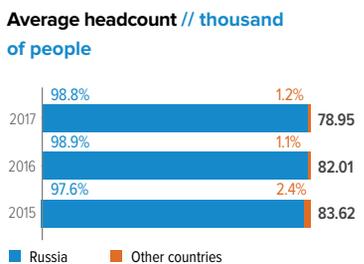
+6%
2017/2016



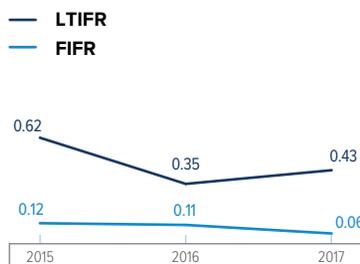
From the Company's own Russian feedstock

+4%
2017/2016

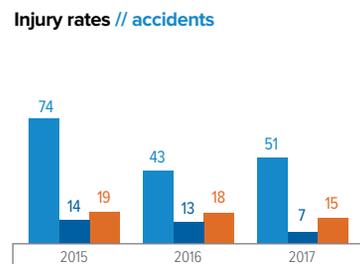
After completion of the main of production reconfiguration programme Talnakh Concentrator reached its design capacity and achieved target recovery rates in 2017. This also led to the normalisation of the work-in-progress inventory levels and helped Nornickel to increase output of all key metals from the Company's own Russian feedstock and meet the production targets for 2017. In addition, the Company substantially decreased low-margin processing of purchased from third parties.



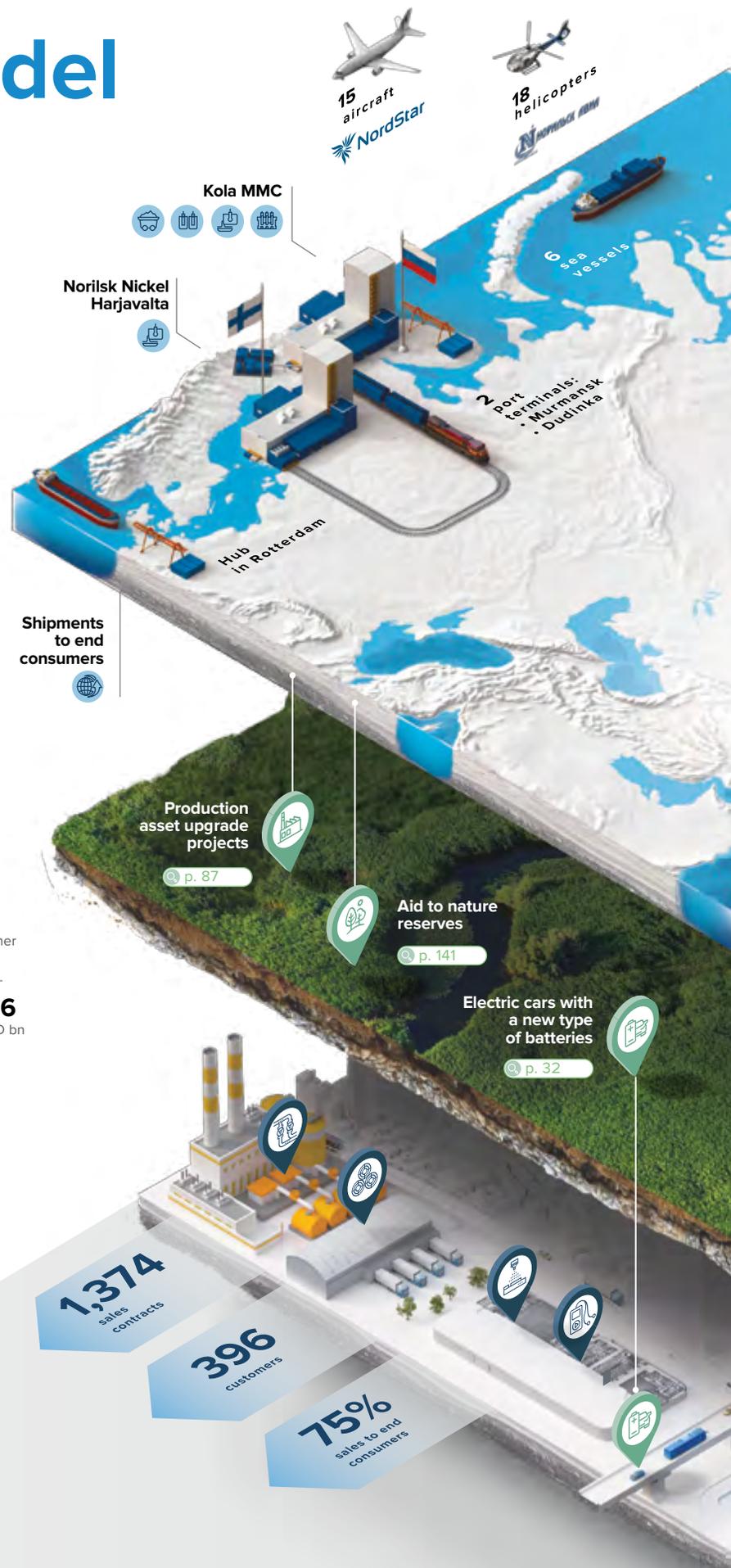
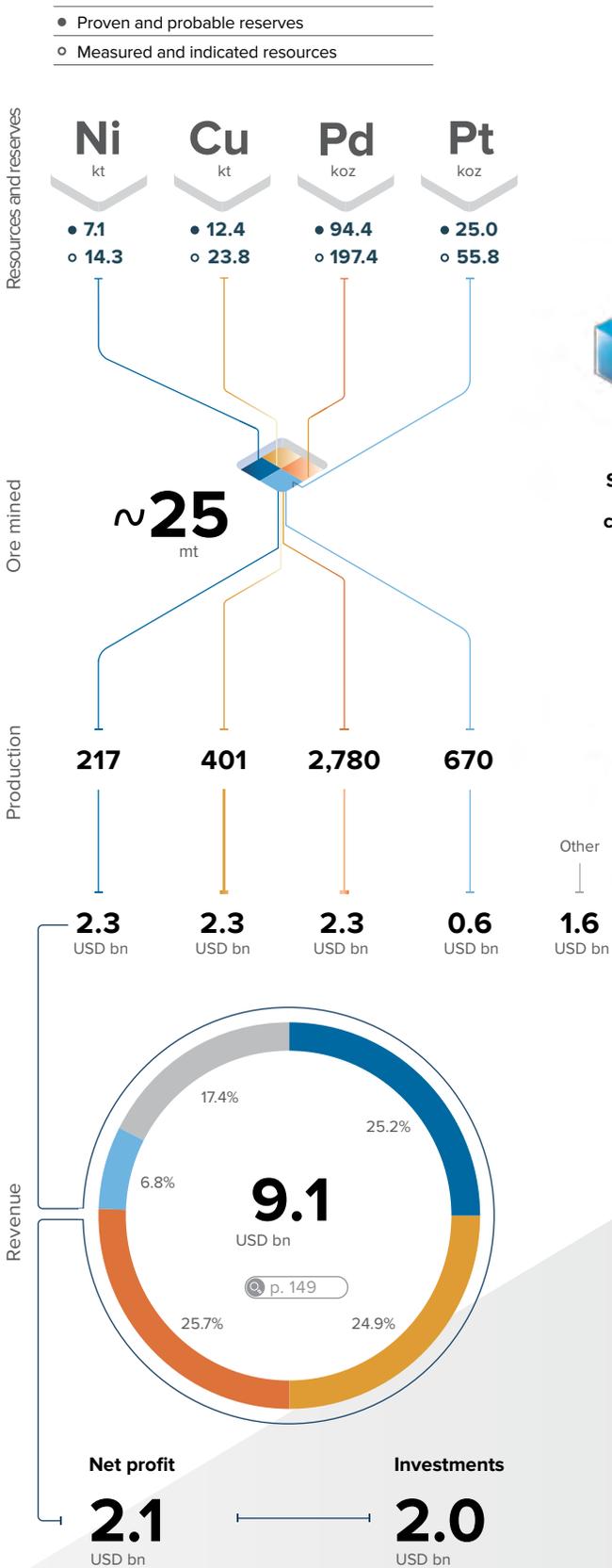
The decrease in headcount in 2017 resulted from the disposal of noncore assets, implementation of a programme to improve labour productivity, and cost optimisation.



The 2017 LTIFR (Lost Time Injury Frequency Rate (non-fatal LTIs) / total number of hours worked•1,000,000) is in line with the industry average. The number of fatal injuries decreased by 46% thanks to the implementation of new safety standards and launch of the Risk Control project. The number of accidents among the contractors' employees also declined.



Business model



Polar Division



Krasnoyarsk Precious Metals Refinery
(100% state-owned)



Bystrinsky GOK



Gas and energy assets

555 river vessels

Bystrinsky Transport Division

R&D

[p. 103](#)

Sulphur Project

[p. 90](#)

Catalysts in exhaust gas treatment systems

[p. 46](#)

Positive environmental impact

56% Europe

23% Asia

7% Russia and CIS

14% North and South America

The Group's own global sales network spans over

34 countries

Foreign assets

Australia
Honeymoon Well (licence)

South Africa
Nkomati



Operations

- Mining
- Refining
- Concentration
- Logistics
- Smelting

Production assets structure

[p. 66](#)



In 2018–2022, Nornickel will become 'greener' and help others to 'get greener'.

Vladimir Potanin

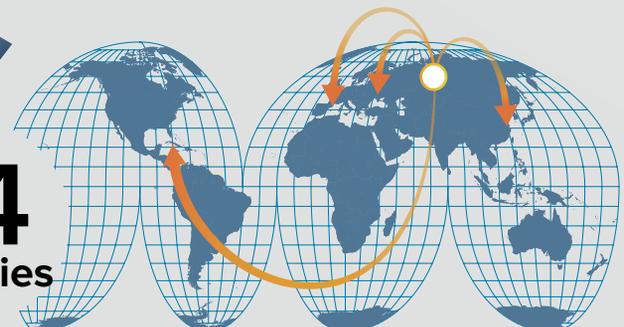
Product applications

Batteries	Catalysts	Electronics	Medicine	Coins
Ni, Au, Ag, PGM	PGM	Cu, Au, Ag	Ni, Cu, PGM, Au, Ag	

Stainless steel	Coatings	Pipes	Wire	Jewellery
Ni, Co, Mo, Fe	Ni, Au, Ag	Ni, Cu, Co, Mo, Fe	Cu	Au, Ag, PGM

Metal sales geography

[p. 100](#)



Chairman's letter

Dear Shareholders,

Year 2017 was rough and volatile from both macroeconomic and operating perspective, but it nonetheless became a year of significant achievements and major decisions for our Company.

Thanks to the hard work, commitment and professionalism of our 79,000 employees, we continued to expand our leadership position by delivering on operating and financial results, upgrading our assets, and enhancing safety, while generating significant value for shareholders.

In the second half of 2017, synchronised global economic growth and optimism returned to the metals and mining sector, positively affecting the price of our metal basket. With this tailwind, we generated solid revenues of USD 9.1 billion and strong EBITDA of USD 4.0 billion with a strong margin of 44%.

To allow you, as shareholders, to benefit from our robust cashflow generation, we continued paying dividends with an industry-leading yield. I would like to highlight that the flexibility of our dividend policy allowed us to maintain a proper balance between a conservative level of financial leverage and attractive cash returns, while still investing in sustainable development and future growth.

During the year, we continued to deliver on our value-accretive investment agenda as the expansion and modernisation of concentrating, smelting and refining facilities were largely completed, allowing us to beat initial production guidance and minimize the low-margin processing of third-party feed. Another big achievement was the launch of the Bystrinsky greenfield project, which we have been actively investing in for the last few years. This is positioned to provide a significant boost to our copper and gold output starting from 2018.

With regard to important decisions, I would like to highlight our announcement of a new investment programme focused on environmental and large-scale infra-structural expenditures that are crucial pre-requisites for long-term sustainable growth. The Company is committed to allocating USD 2.5 billion to reduce sulfur dioxide emissions in the Polar division by four times by 2023, in order to improve dramatically the quality of life in Norilsk. During 2018-2022, we also plan to invest over USD 1 billion in renewal of infrastructure including a gas transportation system, power generation and logistics. We understand

+11%

9.1
USD bn
Revenue in 2017

2.5
USD bn
CAPEX to Sulphur Project



that these investments may not generate immediate financial returns, but firmly believe that our efforts will pay off and contribute to the growth of shareholder value in the long run. We are witnessing the growing environmental awareness of the global investor community which chooses long-term sustainable development to short-term gains, and hence supports our strategic initiatives.

A year of major decisions will now be followed by the systematic implementation of the measures initiated, with a positive impact on our operations. To ensure the delivery of improved results and higher returns to shareholders, the Board will continue to be deeply involved in oversight of performance, risk and financial efficiency and will keep a constant scrutiny on safety. We have a bold vision for the future — an invigorated sense of what we can accomplish as one team, one Norilsk Nickel.

Gareth Peter Penny
Chairman of the Board
of Directors
MMC Norilsk Nickel

President's letter

Dear shareholders,

It was half a decade ago, back in 2013, when the Company's new management team launched a five-year strategic programme, so in addition to the last 12 months of 2017, I would also like to speak about the performance over the last five years.

When we took the reins in 2013, we had our work cut out for us. We had to whip the Company into shape, and we started by shoring up the budget and investment discipline, reconfiguring our production chains, upgrading smelting capacities and preparing integrated solutions for multiple environmental problems.

Today, I can say that we have followed through on each of these targets, even despite the constant metal price fluctuations, capital markets uncertainty and geopolitical challenges. Our operations were not the only field where we excelled: thanks to consistently strong financial performance and well-organised dialogue with the investment community, we were able to lock in a substantial dividend yield of more than 60% over the last five years.

Completion of polar assets reconfiguration and new launches

In 2017, we completed a number of key development projects that were started back in 2013–2014. Talnakh Concentrator reached full design capacity, marking a milestone in Nornickel's major investment project to upgrade equipment and reconfigure processing capacities. Improved concentrate quality and expanded processing capacities at Nadezhda Metallurgical Plant and the Kola MMC refining facilities fully offset the discontinued smelting capacities following the shutdown of Nickel Plant. As a result, the output of all our key metals from own feedstock grew by 7–15% compared to 2016.

+7–15%

increased production from own feedstock

2
USD bn
CAPEX