In October 2017, Nornickel initiated a seminar for citizens on environmental volunteering under the Plant of Goodness programme. The seminar provided valuable ideas on how to plan an environmental campaign, gain investor support and join volunteering events.

Energy efficiency

Nornickel's major production assets are located beyond the Arctic Circle where the winter lasts eight months a year. It is therefore critical for the Group to ensure reliable and high-quality power supply to its enterprises and population in the regions where it operates.

In 2017, the Company implemented a number of organisational arrangements and upgrades of its key power equipment as part of the Energy Saving and Energy Efficiency Programme.

These initiatives helped achieve savings of 100,116 tonnes of reference fuel (units) for CHPPs, 44.867 mln kWh of electricity for internal needs and 177,732 Gcal of heat against the targets.

In 2017, per unit fuel consumption at CHPPs decreased to 281.4 g/kWh, down by 13.9 g/kWh against the annual budget targets, 27.7 g/kWh vs 2016 and 9.7 g/kWh vs 2015.

Gas producers saved 17.574 mln cubic meters of natural gas in 2017 by cutting gas consumption for own technological needs and reducing technological losses during transportation.

The Company also generates electric power from renewable energy sources at NTEK's Ust-Khantayskaya and Kureyskaya HPPs (installed capacity of 441 MW and 600 MW, respectively).

In 2017, the share of renewable energy stood at 38% for Nornickel and 44% for its Polar Division.

In 2018–2020, the Company will continue to renovate and upgrade the main power equipment and transmission devices along with waste water treatment systems.

38%

the share of renewable energy in 2017

Energy consumption by Norilsk Nickel[1]

Type of energy resource	2016		2017	
	Consumption in volume terms	Consumption, RUB '000	Consumption in volume terms	Consumption, RUB '000
Heat power, Gcal	5,587,849	4,702,584	4,737,249	4,393,019
Electric power, thousand kWh	5,158,974	5,272,779	4,489,188	4,854,566
Motor fuel, t	344	17,797	268	15,348
Diesel fuel, t	58,671	2,657,599	52,684	2,730,795
Heating oil, t	40,479	582,489	40,360	566,985
Natural gas, thousand cubic meters	545,712	1,363,718	497,141	1,458,756
Coal, t	49,760	20,612	17,359	4,204
Kerosene and aviation fuel, t	115	5,008	124	6,122

[1] *No other types of energy resources were used besides those specified in the table*

Financial overview (MD&A)

"In 2017, Nornickel delivered excellent financial results, with revenue increasing by 11% to USD 9 bn and EBITDA margin holding at 44%, one of the best results among global mining peers. On top of that, we succeeded in significantly improving the Company's debt profile and raising debt financing at record low interest rates, which will help us save over USD 150 mln per annum in interest expenses.

In 2017, we launched highly ambitious programmes to improve labour productivity. Furthermore, automation of our IT and production processes continues at a fast pace, while all the support functions are currently being transferred to and consolidated under the Shared Services Centre in Saratov. Also, we commissioned a fibre optic communication line in Norilsk, which will enable us to smoothly implement SAP ERP systems, while also providing the city's residents with access to high-speed internet.

In 2018, we plan to release over USD 1 bn of our working capital and reduce our leverage (net debt to EBITDA ratio) to below 1.5x by the year-end. We also confirm our CAPEX guidance at ca. RUB 2 bn, including USD 200 mln of investments to complete the construction of Bystrinsky GOK."

Sergey Malyshev

The Company's Senior Vice President and Chief Financial Officer

2017 Highlights

- Consolidated revenue increased 11% y-o-y to USD 9.1 billion on the back of higher realized metal prices;
- EBITDA was up 2% y-o-y to a robust USD 4 billion owing to higher metal revenue that was partly negatively offset by RUB appreciation against USD, one-off increase in social-related expenses and accumulation of palladium stock to deliver under the 2018 contracts;
- EBITDA margin amounted to an industry-leading level of 44%;
- CAPEX increased by 17% y-o-y to USD 2 billion as Bystrynsky copper project (Chita) was in its final construction stage and the Bystrinsky concentrator was launched into hot commissioning at the end of 2017, while the upgrade of nickel refining facilities at Kola entered into active construction;
- Reported net debt/EBITDA ratio increased to 2.1x as of the end of 2017 driven mostly by the payment of dividend for 2016 and interim dividend for 2017 and one-off increase of working capital;
- Net debt/EBITDA ratio for the purposes of calculating final dividend for 2017 amounted to 1.88x;
- Major refinancing activities were completed in 2017, with new funding raised at record low interest rates, enabling a reduction of interest cost by over USD 150 million;
- In October 2017, the Company paid interim dividend for 1H2017 in the amount of RUB 224.2 per ordinary share (approximately USD 3.8 per ADR);
- In December 2017, Nornickel signed a 5-year USD 2.5 billion syndicated facility agreement with a group of international banks at Libor +1.5%.

Recent Developments

On January 30, 2018 Moody's rating agency has raised Nornickel credit rating to the investment grade level "Baa3" and changed the outlook from "Stable" to "Positive". Therefore, Nornickel currently has investment grade credit ratings from all three international rating agencies Fitch, Moody's and S&P Global.