

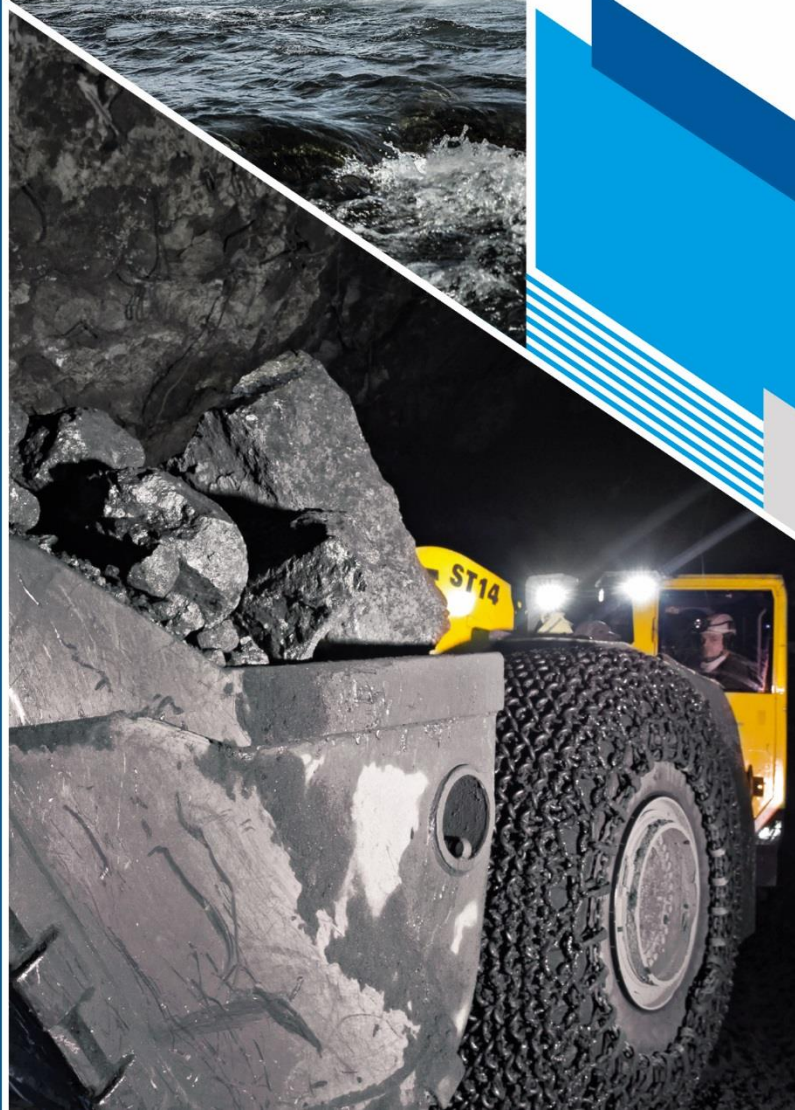
STRATEGY UPDATE 2018

Advancing on the path of sustainable growth

London, November 2018



NORNICKEL



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CEO Vision

Vladimir Potanin

President

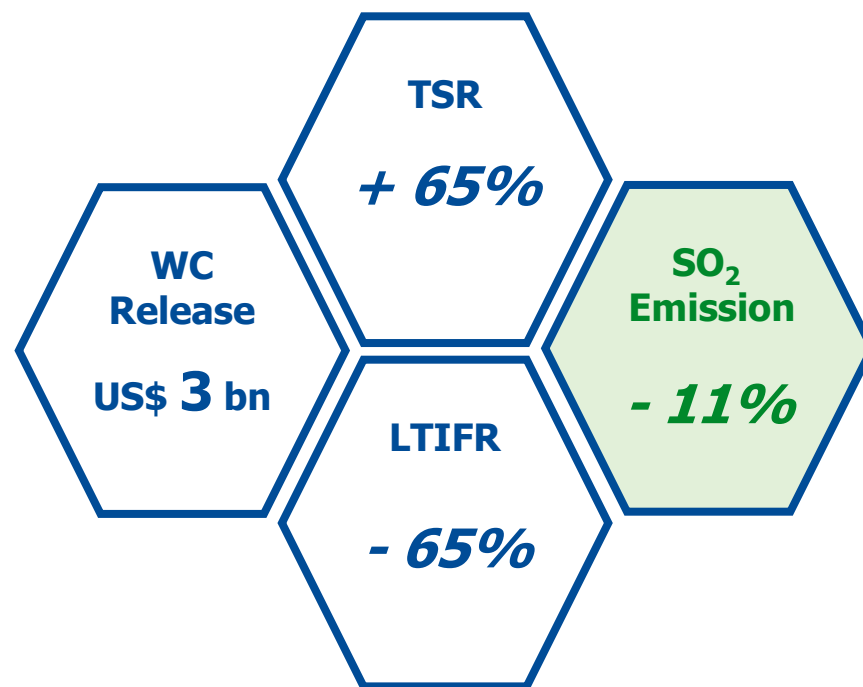
Chairman of the Management Board

2013-2018: Key Performance Highlights

Strategic Projects Delivery



Selected Performance Highlights



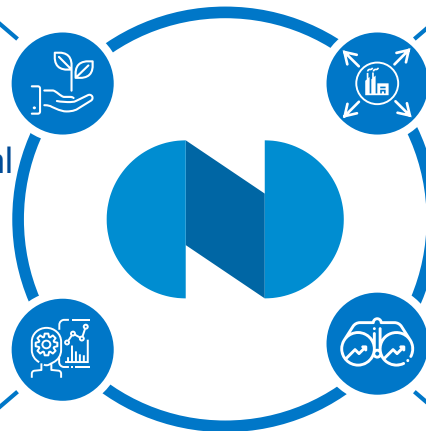
Strategic Priorities

Focus on HSE

- Annual **LTIFR reduction by 20%**
- Zero tolerance for fatalities
- Launch of Comprehensive Environmental program aiming at SO₂ **emissions reduction by 75%** in Polar Division

Efficiency Improvements

- **Short-term metal production growth of 5-8%**
- **Stringent cost control** – maintaining total cash cost inflation below CPI
- **Labor productivity** growth of up to **15%** (2020 vs. 2017)



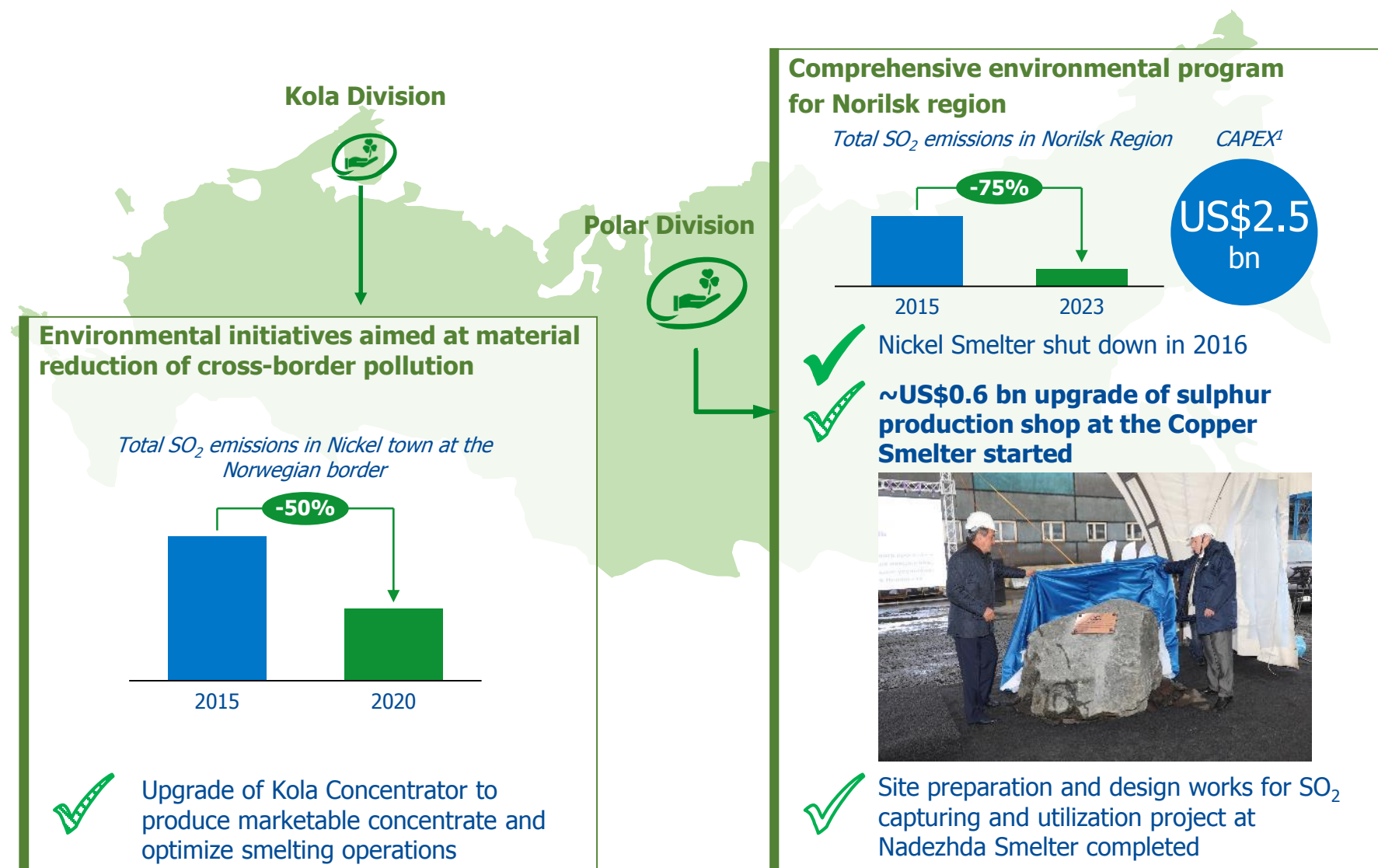
Long-Term Production Growth Targets for the Existing Asset Base

- **Long-term (2025 and beyond) metals production growth target of 15 to 25%**
- Talnakh brownfield projects, South cluster development, 3rd Stage of Talnakh concentrator upgrade

Exploration of Blue Sky Growth Opportunities

- **Evaluation of unique “blue sky” project** – development in a partnership of potentially the world’s largest greenfield **PGM cluster** (Arctic Palladium)

Environmental Program – Key Pillar of the Strategy



Note: 1. US\$2.5 bn – total CAPEX for Nadezhda and Copper Smelter SO₂ capturing projects and construction of new converters (replacing converting operations at the Copper Smelter)

Focus on Efficiency Improvement: Tangible Impact in 2019-2020

Operational Efficiency Improvement Targets

Drivers



Production growth
in 2019-2020

5-8% (by 2020 vs. 2017)

Improving utilization of the existing asset base throughout the entire value chain: from mining to refining



Total cash cost inflation below CPI¹

Stringent controls over main cash cost lines: labor, maintenance & repair, materials & supplies



Labor productivity growth
in 2019-2020

12-15%
(by 2020 vs. 2017)

Optimizing headcount through various productivity improvement initiatives

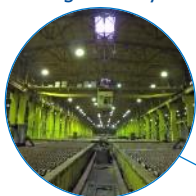


- The program covers all Nornickel assets
- Program targets are integrated into KPIs at all management levels

Note: 1. Total cash cost excluding Bystrinsky project and Nkomati, adjusted for revenue from other (non-metal) sales

Digitalization – Efficiency Improvement and Cultural Transformation

Short circuit diagnostics during electrolysis



Excavator bucket teeth monitoring



Identification of elements clogging the ore



Augmented reality



Investment in Advanced Digital Technology (2018 – 2021)

~US\$80 mln

Digital lab:

Analysis of digital technology applicability for the Company

Projects focused on the introduction of **artificial intelligence, robotization systems, digital twins, etc.**

Digitalization Program

Big Data

Creation of a digital layer for storing all Company data

Cost optimization and debottlenecking solutions across the value chain



Electric furnace at Nadezhda Smelter



Flotation at Talnakh concentrator



Cobalt production at Kola MMC

Expected results

EBITDA impact
US\$30-40 mln p.a.



Productivity Growth



Safety Improvements



Corporate Culture Transformation

«2025+ Strategy»: Scaling Up the Existing Assets



Mineral Resources of the existing assets in Norilsk

Value of Resources
in the Ground

>700
US\$ bn

Resources to
Production Ratio

>80
years



Forecasted Demand Growth by 2025

+50%
for Class-1 Ni⁽¹⁾

+20%
for Pd



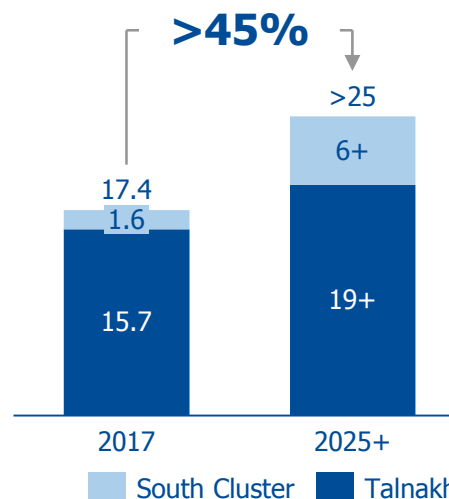
**Strong Outlook for
Ni and Pd Demand**

Note: 1. Including Ni sulphates

Growth Opportunity for the Existing Assets

Ore Production
in the Norilsk Region, Mt

Metal Production Growth
(2025+ vs. 2017)



Ni **Cu**

+15%

Pt **Pd**

+25%

- Talnakh brownfield projects
- South Cluster development
- 3rd Stage of Talnakh Concentrator Upgrade



Subject to required investment decisions

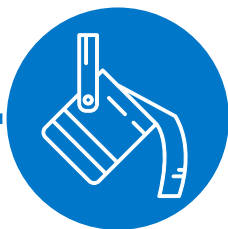
Potential Value Creation / Growth Opportunities: “Blue Sky” Projects and Cooperation Down the Value Chain

Traditional Industry Segments for Nornickel

Mining



Smelting

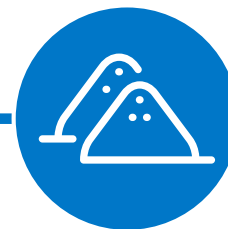


Refining



Beyond Traditional Segments...

Battery Materials



Batteries



1

Upstream Opportunities

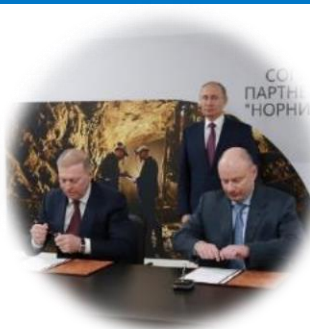
- **Early stage evaluation of potentially the world's largest greenfield PGM cluster** through a JV with Russian Platinum



&



Russian Platinum PLC



- Unlocking value through Nornickel's extensive capabilities and experience in delivering major projects in Russia / unique climatic conditions

2

Downstream Cooperation Opportunities

- **Assessment of cooperation opportunities** in the fast growing battery materials sector
- **First step – strategic cooperation with BASF**



&



- Potential synergies to drive efficiency improvements
- Supporting long-term balance of Class-1 Ni products

Alignment of Nornickel's Strategy with Russia's Strategic Priorities

Russia's Strategic Priorities

Nornickel

Government Support

Environmental

#1

in environmental investments among
Russian metals & mining companies

US\$ mln

Social

200-250

annual expenditures in charity,
sports and infrastructure development

US\$ bn

Investments

10.5 - 11.5

investments in Russia
in 2019-2022

- Favorable fiscal regimes for the new projects: Bystrinsky, Norilsk Fiber Optics Company, Kola MMC projects
- Co-investment in the Norilsk airport reconstruction
- Regulatory initiatives to support new investment decisions – under discussion (e.g. for South Cluster and Environmental Program)

Selected Social/Charity Projects

MURMANSK

- Support of nature reserves (Lapland State Nature Biosphere Reserve, Pasvik Nature Reserve (the Kola Peninsula))

MOSCOW

- Russia Olympics committee
- Ice Hockey Federation of Russia
- CSKA professional basketball club
- Golden Mask theater festival

NORILSK

- Housing and relocation programmes
- Construction of ~1,000 km fibre optic high speed internet
- Reconstruction of Norilsk's Alykel airport landing strip
- Support of the Putoransky State Nature Reserve

SOCHI

- 22d Winter Olympic Games in 2014
- Rosa Khutor Ski Resort
- Zapolyarye Health Resort

KRASNOYARSK

- 29th International Winter Universiade in Krasnoyarsk in 2019

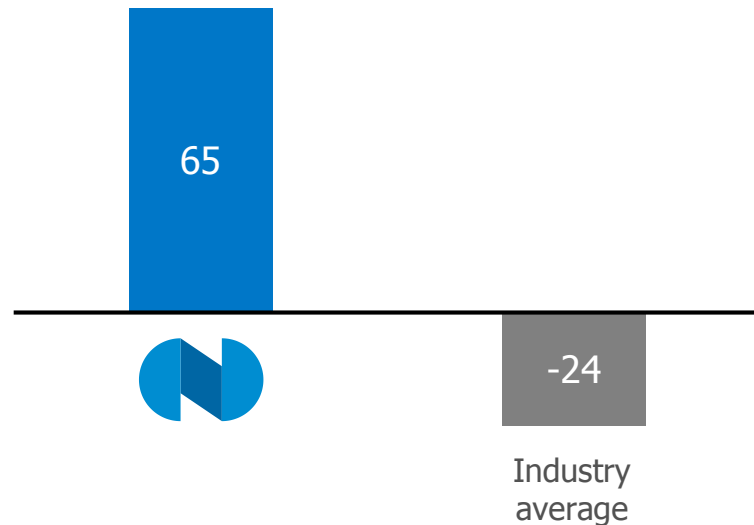


One of the highest social expenses/revenue ratios in the Russian natural resources sector

Delivering Industry Leading Shareholder Returns

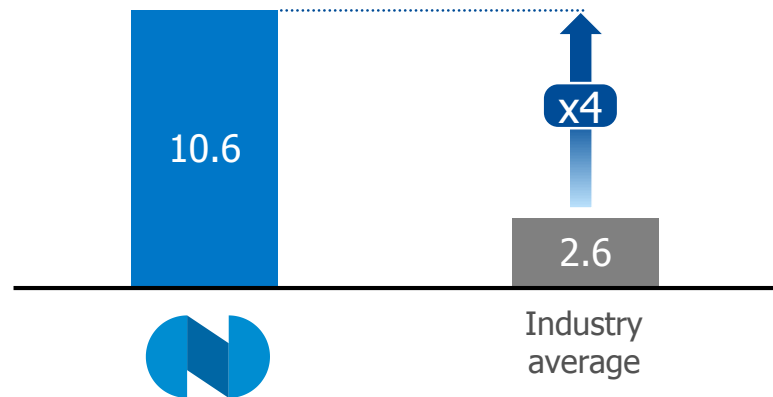
Nornickel Continues to Lead the Global Industry in Terms of Shareholder Returns...

TSR, 2013–2018 YTD, %



...and Provides the Highest Dividend Yield Compared to Global Peers

Global Industry average dividend yield, 2013–2018 YTD, %



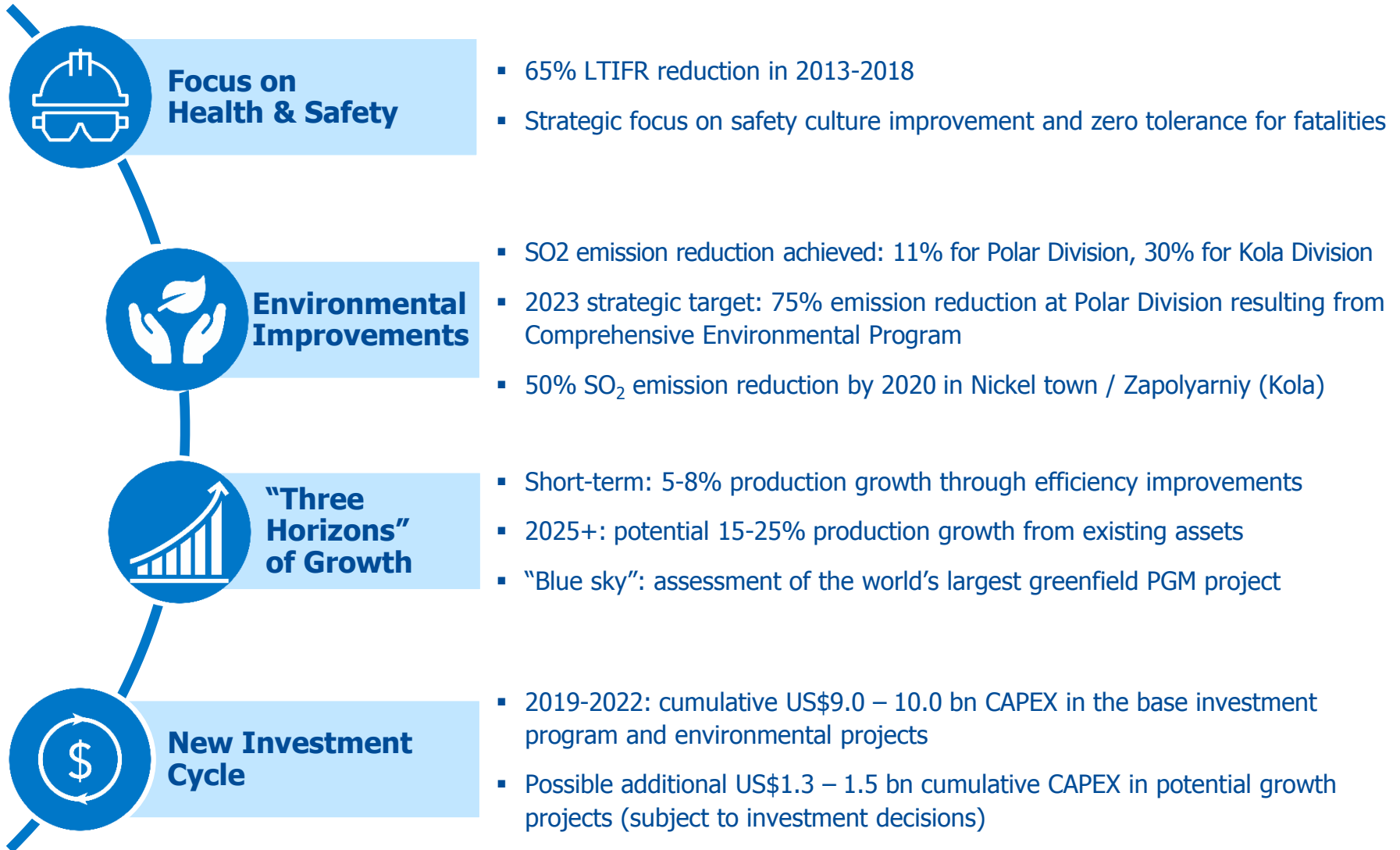
- **Nornickel continues to deliver outstanding returns to its shareholders**
- **Flexible dividend formula supports a healthy balance sheet in the long run**



Operations and Projects Update

Sergey Dyachenko
First Vice-President
Chief Operating Officer

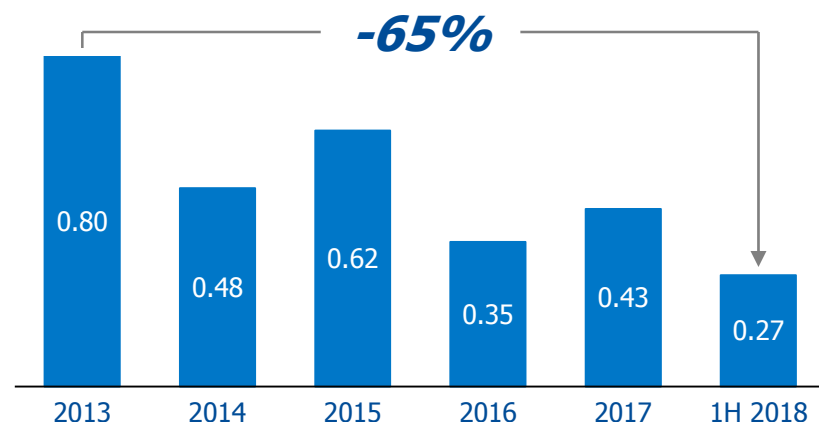
Operations and Projects: Key Highlights and Priorities



Health & Safety: Steady Improvements

LTIFR: Improved to Record Low Levels

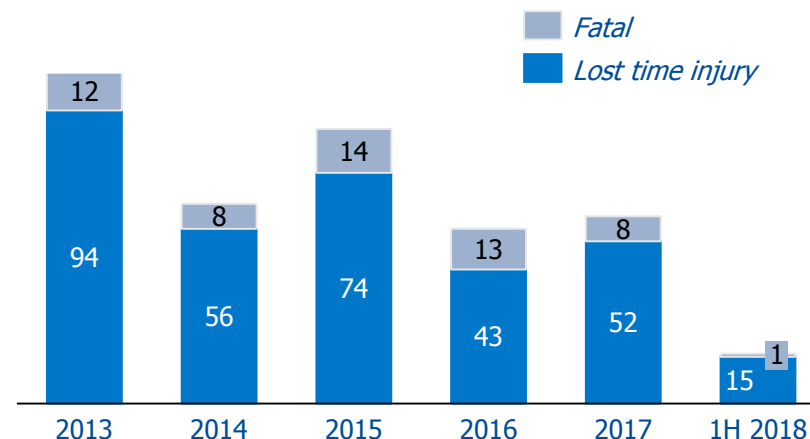
LTIFR (1×10^{-6})



- Company is committed to create a strong safety culture at all levels of the organization

Accident Statistics Improved

Employees



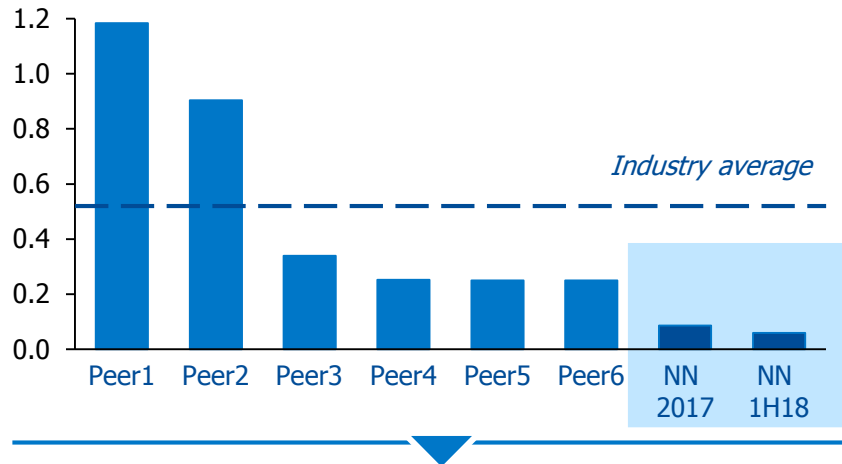
- Total recordable fatal accidents and lost time injury rates decreased by 30% y-o-y in 1H 18
- 22 internal audits of Occupational Safety and Health management system were conducted in 1H 2018
- 37 employees violated cardinal health and safety rules (versus 55 in 1H 2017), of which 33 employees were fired (versus 44 in 1H 2017)

Source: Company data, as of November 2018

Health & Safety: Strong Performance Relative to Industry

LTIFR ⁽¹⁾ Remains Below the Global Mining Industry Average

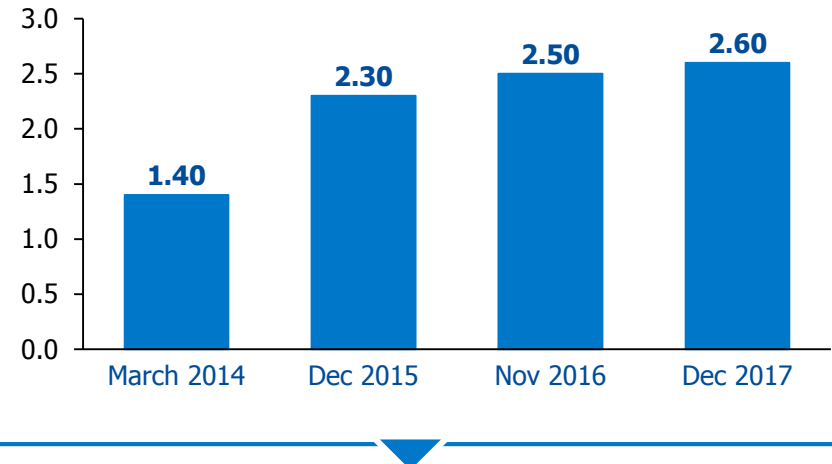
LTIFR per 200k hours



- LTIFR remains below the global mining industry average
- The management considers the health and safety of employees as the key strategic priority and reiterates its commitment to reduce fatalities to zero

Assessment of Occupational Safety Culture Score Significantly Improved Since 2014

Bradley Curve Indicator, DuPont Assessment



- Improvements in safety culture are driven by the implementation of risk mitigation standards, a safety communication campaign and dedicated risk mitigation programs

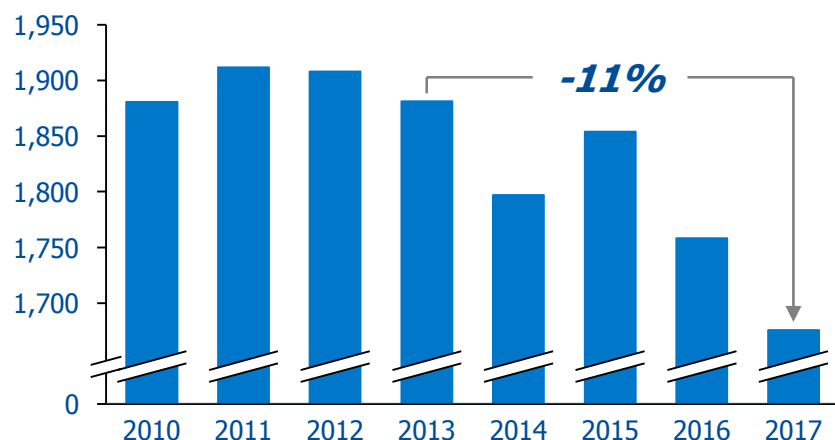
Source: Company data, Renaissance Capital ESG Metals and Mining Research, July 2018

Note: 1. As of 2017, peer group includes Impala, Lonmin, Glencore, Rio Tinto, Anglo, Vale, 2. Industry average includes diversified, platinum and gold miners

Environmental Program Track Record: Reduction of SO₂ Emissions

Polar Division: Sulphur Dioxide Emissions Decreased by 11% since 2013

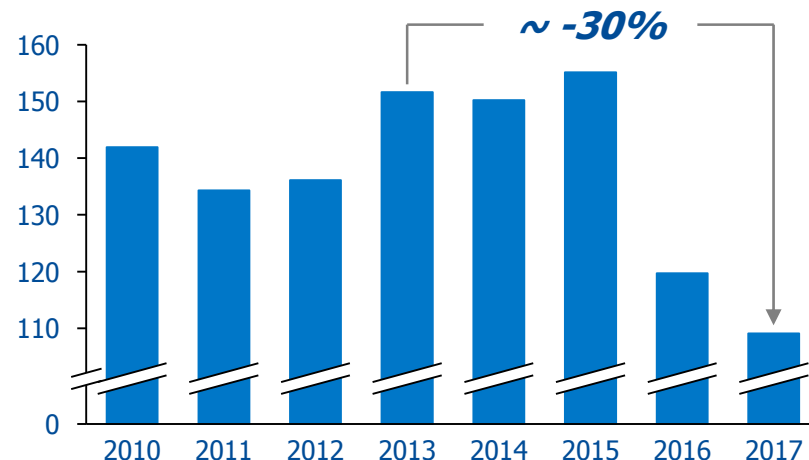
Polar Division SO₂ Emissions, kt



- In 1H 2017, Talnakh Concentrator modernized and capacity expanded (Talnakh stage 2 project completed)
- In 2016, Nickel Plant was shut down

Kola Division: Sulphur Dioxide Emissions Decreased by ~30% since 2013

Kola Division SO₂ Emissions, kt

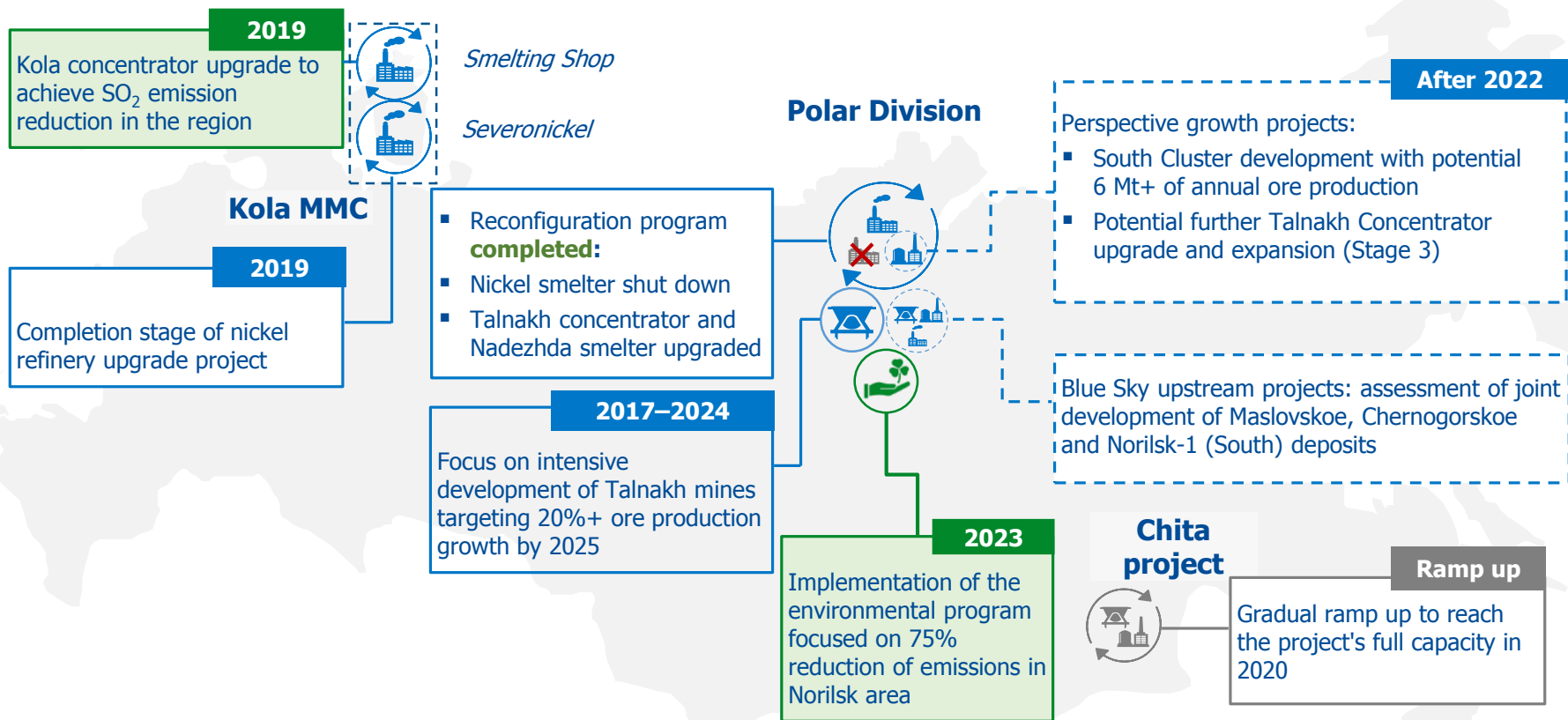


- In May 2016, agglomeration plant was shut down at Zapolyarny production site
- In 2016, Copper-nickel conc briquette plant launched

Norilsk residential area emissions reduced by 30-35%

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

Comprehensive Environmental Program

Nornickel Polar Division

Phase 3 ✓

Comprehensive SO₂ capturing solution with sulphuric acid production

Construction of new converters (replacing converting operations at Copper Smelter)



Phase 2 ✓

Launch of "Sulphur Project"

Reconstruction of Sulphur production shop

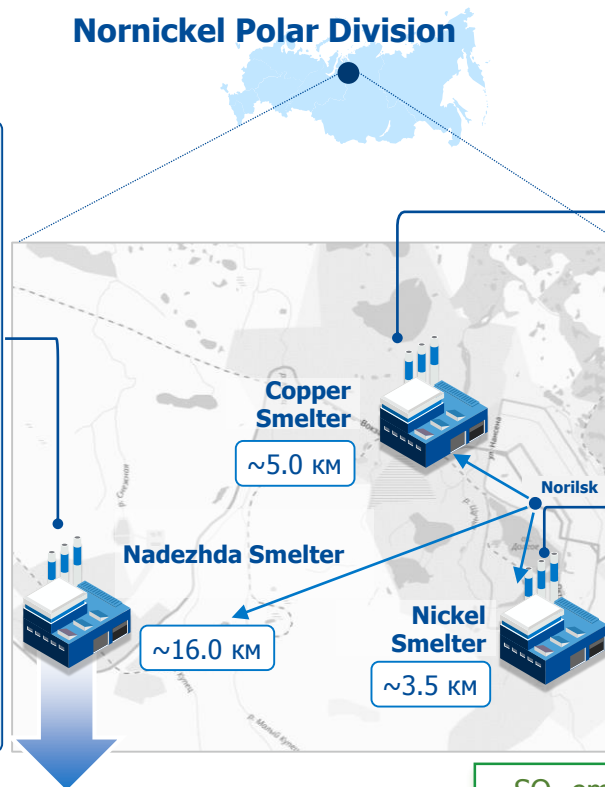
Shutdown of converting operations



Phase 1 ✓

Nickel Smelter shut down

Emissions in Norilsk residential area reduced by up to 30-35%



Ongoing analysis of the most efficient way to use products from Sulphur operations

SO₂ emissions reduction

-75%

in 2023

Investment

US\$2.5
bn

Current Status of Key Environmental Projects

	 Feasibility study and key technical solutions	 Contracting	 Regulator approval	 Site preparation	 Start of construction
 Reconstruction of the elementary Sulphur production facilities at Copper Smelter			<i>Plan 2019</i>	<i>Plan 2019</i>	<i>Plan 2019</i>
 Comprehensive SO₂ capturing project at Nadezhda Smelter			<i>Plan 2019</i>		<i>Plan 2019</i>
 Construction of converting operations at Nadezhda Smelter				<i>Plan 2019</i>	<i>Plan 2019</i>



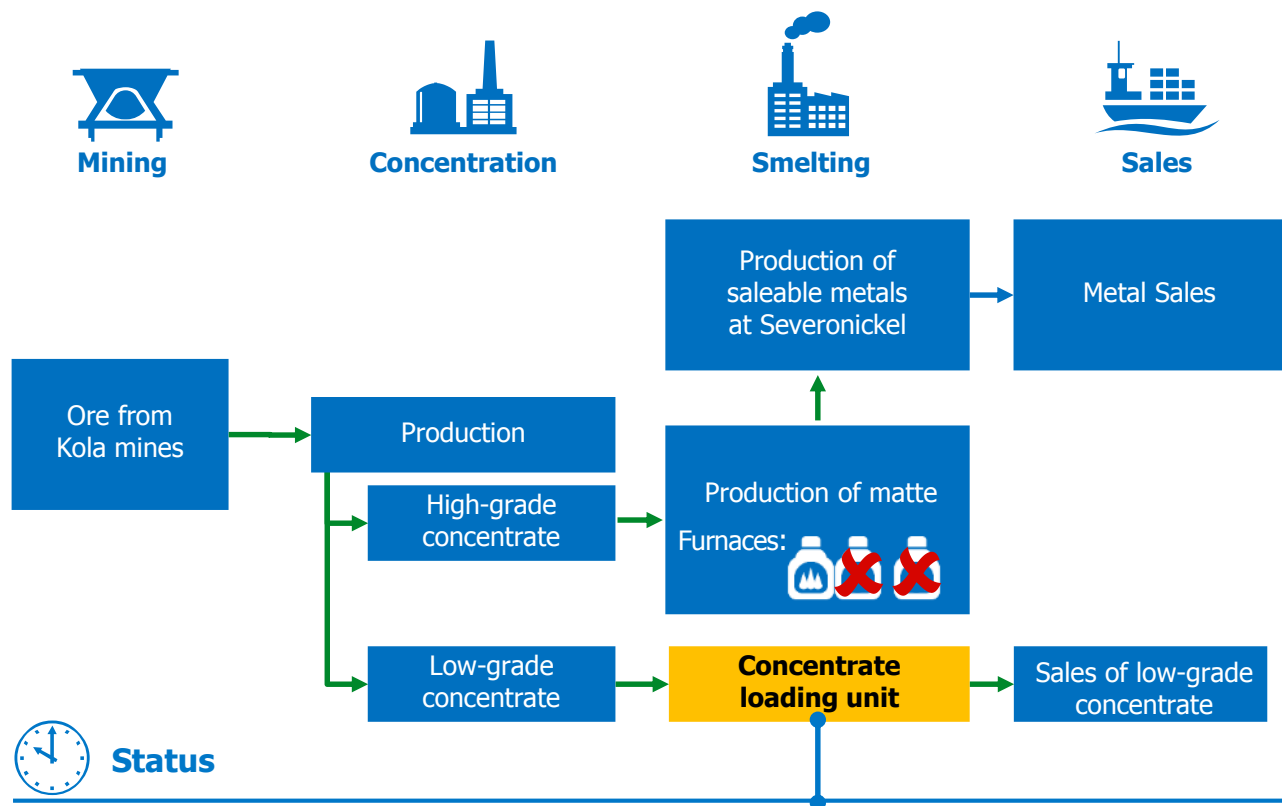
Completed



In progress

Emissions Reduction Project at Kola Division

New Design Production Flows at Kola MMC from 3Q 2019



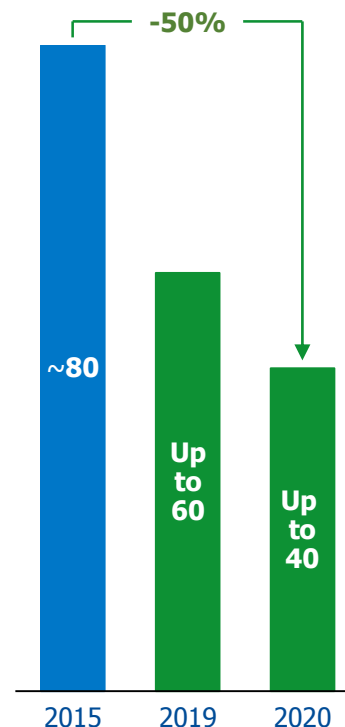
30% of construction works are completed, including:

- Foundation construction - completed
- Main technology equipment installation - in progress

Full completion expected by Q3 2019

Environmental Impact

Total SO₂ Emissions in Nickel Town, ktpa



Phased Unlocking of Nornickel's Production Growth Potential

I

Short to Medium-Term

2018-2020

- Operational Efficiency Improvement Program with debottlenecking and productivity growth initiatives
- Execution of upstream projects (Skalisty Mine & other Talnakh brownfields)
- Completion of Nickel Refinery Upgrade at Kola

II

Medium to Long-Term

2021-2025

- Strategic focus on ore production growth on the unique Talnakh ore body
- Prospective growth projects: Talnakh Concentrator Upgrade and South Cluster Development

III

Long-Term

2025+

- Assessment of development of potentially the world's largest greenfield PGM cluster – in strategic partnership with Russian Platinum
- Assessment of other opportunities that fit into Nornickel's strategic criteria

Efficiency Improvement Program Covering the Entire Value Chain

I II III

Mining



- Labor and equipment productivity growth initiatives
- Implementation of advanced mine planning tools using simulation modeling
- Full-scale roll-out of dispatching systems

Concentration



- Talnakh concentrator to reach design parameters and improve recoveries
- Optimization of material costs as a result of fine-tuning of reagents mix and operational modes
- Incremental production based on processing of pyrrhotite tails of Talnakh Concentrator

Smelting



- Debottlenecking initiatives across the entire production chain
- Accelerated processing of secondary feedstock at the Copper Smelter

Key Upstream Project – Skalisty Mine Development

I II III

Project Description

- Production capacity: 2.4 Mtpa
- Ore reserves: 58 Mt
- CapEx 2013–2017: US\$1.1 bn
- CapEx 2017–2020: ~US\$0.9 bn

Project Timeline

- Commissioned mining capacity in 2016-2018: 700 ktpa
- Expected launch in 2021: 1,000 ktpa
- Completion of #10 ventilation shaft sinking in 2018 (>2 km deep)
- Completion of main shaft in 2020
- Scope of work in 2017-2018¹:



Status ~2.1 Mt ore mined in 2018

Target Capacity ~2.4 Mt²

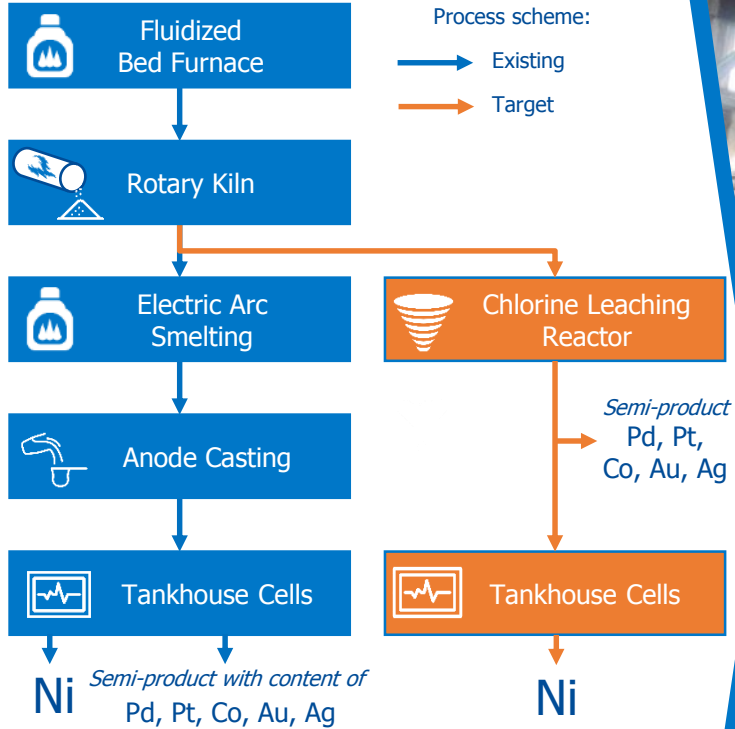
Note : 1. Expected in 12 months 2018 (for both shafts); 2 . With gradual replacement of "old "capacity

Kola Nickel Refinery Upgrade – Status Update

I II III

Project Description

Flow sheet of Nickel Refinery at Kola MMC



- Ni recovery increase by >1.0%
- Emissions reduction

Current Status

Completed >80%

Capacity

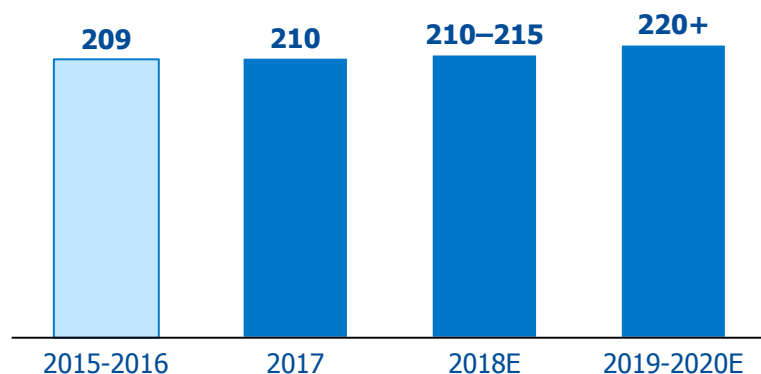
+20% at Tankhouse-2

Production Guidance for 2018-2020¹

I II III

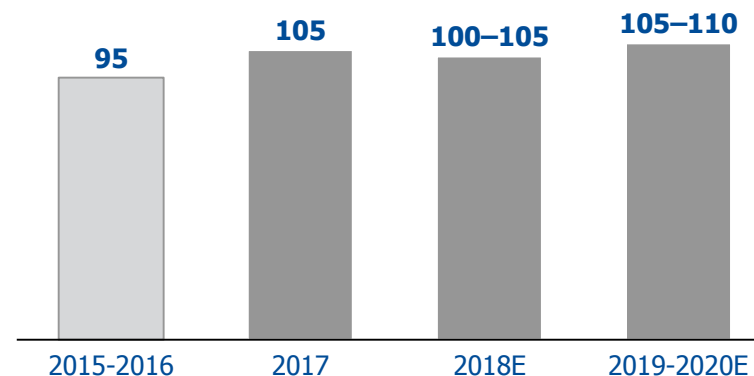
Ni

kt



Pt+Pd

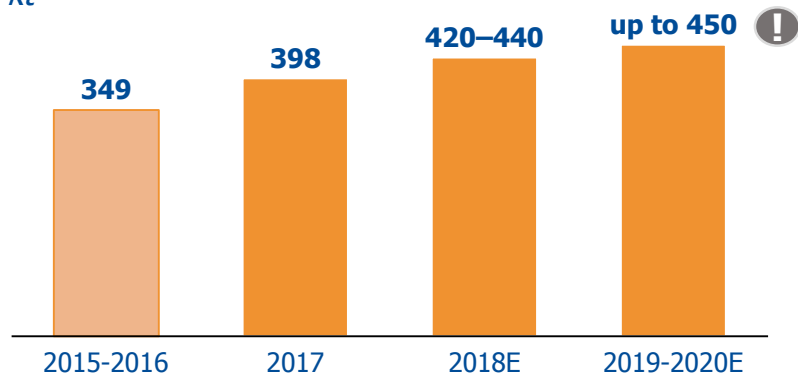
tonnes



Cu

Excluding Bystrinsky project

kt



- Output increase due to operational efficiency improvement initiatives and commissioning of new mining projects
- Copper production growth over 2017-2020 is to a large extent driven by accelerated processing of secondary feedstock resulting from debottlenecking of Cu refining operations
- Robust upward trajectory is established for all key metals (even excl. secondary feedstock)



In 2021-2023 temporary decrease in Cu production is expected due to secondary feedstock depletion with "catching up" uplift of mined feedstock volumes (with anticipated return to the same metal production level by ~2024-2025)

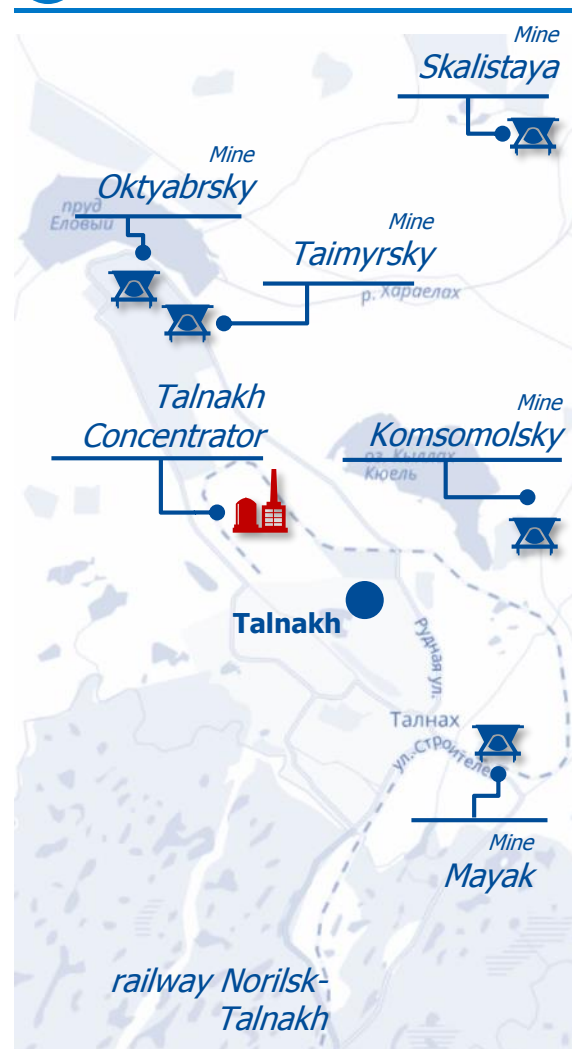
Note: 1. Metals produced from own feedstock (including metals in saleable semi-products), excluding production of Nkomati project

Development of Unique Talnakh Ore Base

I II III

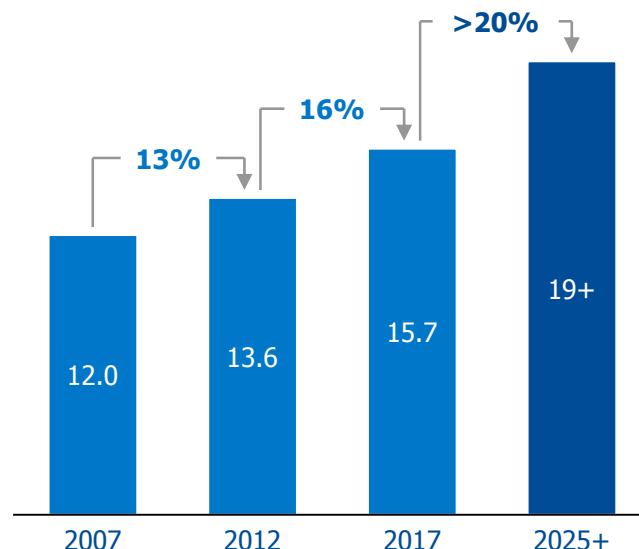


Location



Growth Projection

Ore mining at the Talnakh cluster, Mt



- Unique polymetallic deposit with proven and probable ore reserves of more than 600 Mt and resources of more than 1,500 Mt
- Total investments in Talnakh Upstream projects in 2018-2022 planned at c. 2.9 US\$ bn



Status

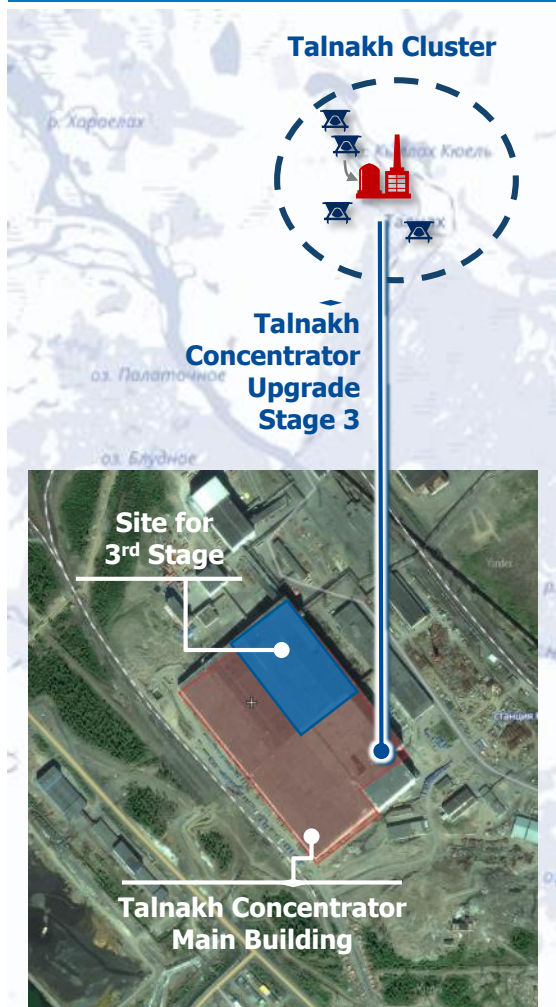
- Mine development pre-feasibility studies underway, to be completed in 2019

3rd Stage of Talnakh Concentrator Upgrade

I II III



Location



Project Rationale

- Unlocking Norilsk region resource potential requires concentrator capacity expansion
- Current Talnakh Concentrator design allows installation of additional equipment without construction of major new buildings
- New technology has been proven at 2nd Stage of the Concentrator Upgrade
- Significant improvement of recovery rates could potentially justify the upgrade as a standalone project, however in order to ensure return maximization, the project timing should be synchronized with Upstream developments



Project Status

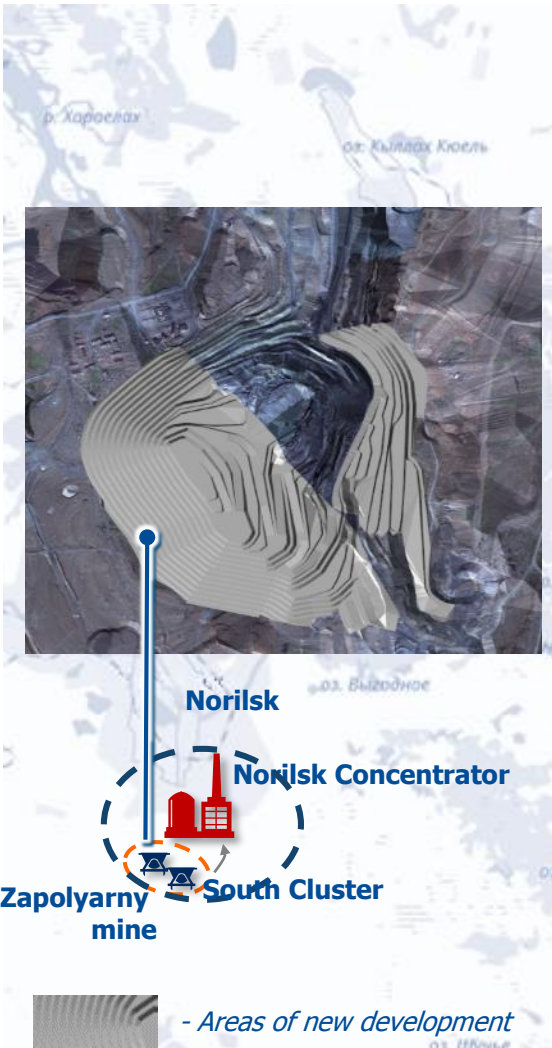
- Redesign for 8 Mt processing capacity completed
- Submitted for technical regulator's approval
- Surveys and site preparation works (phase 1) completed
- FID is planned for 2019

South Cluster Development Update

I II III



Location



Project Rationale

- Large PGM asset at the bottom of the global PGM cost curve

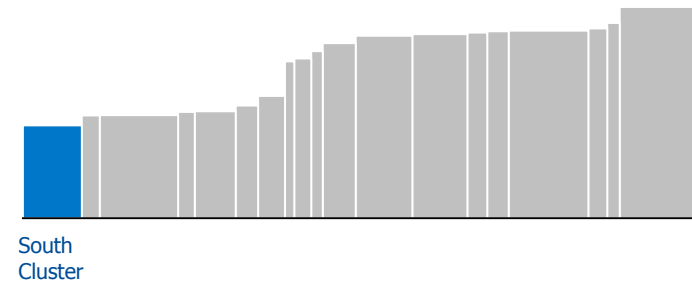
Estimated resources for new development¹:

PGMs – >13 Moz

Cu – >300 kt

Ni – >200 kt

*South Cluster on the global PGM cost curve,
Operating Costs², US\$/4E oz*



- Leverage existing infrastructure
- Open pit operations with potentially staged development



Project Status

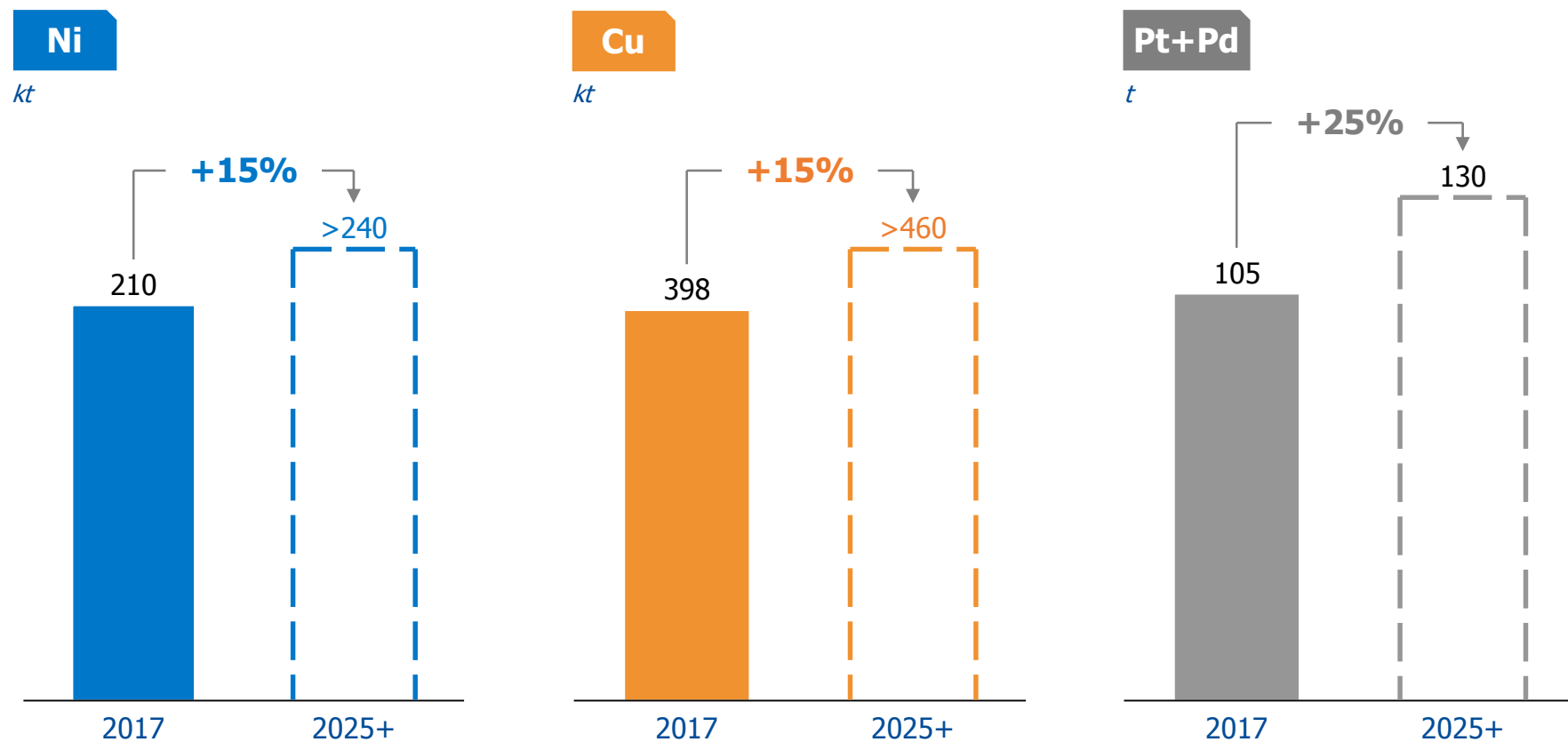
- Pre-feasibility study is at the completion stage
- Pre-feasibility study is taking more time than initially planned as the company is evaluating ore production maximization alternatives (growth from 6 to 9 Mtpa)
- South Cluster has been set up as a separate legal entity – “Bear Creek LLC” – to provide optionality for standalone funding and potential government support

Source: SFA Oxford

Note: 1. Subject to audit, salable metal; 2. Cash costs reduced by revenue from co-products (ruthenium and iridium) and by-products (copper and nickel). Cost curve doesn't include Talnakh

Strategic Targets for 2025+ Metal Production¹

I II III



Assuming the development of both Talnakh and South Cluster growth projects / subject to investment decisions

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

Assessment of New Growth Opportunity: Potentially the Largest Greenfield PGM Cluster Globally

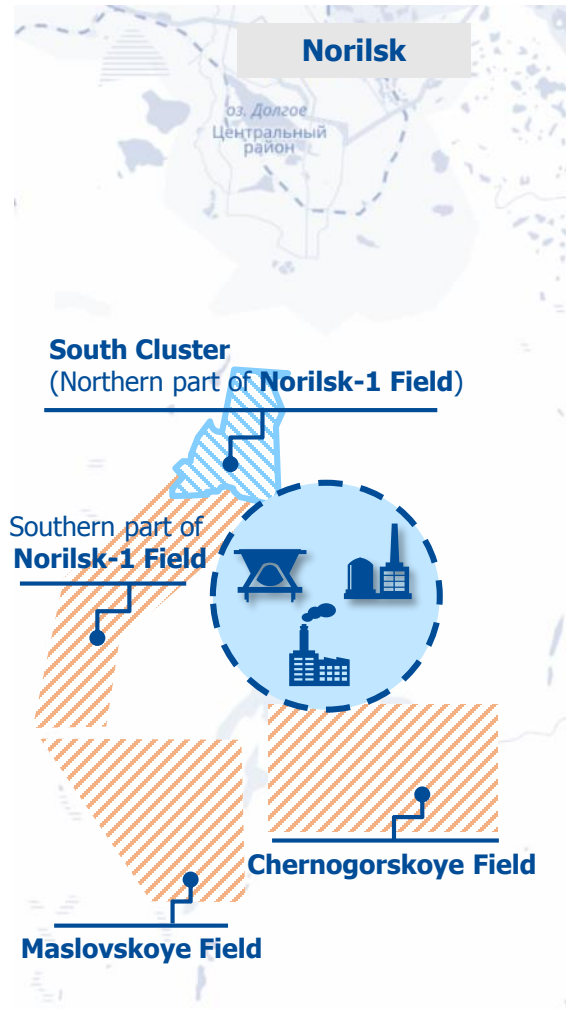
I II III



Location



Overview

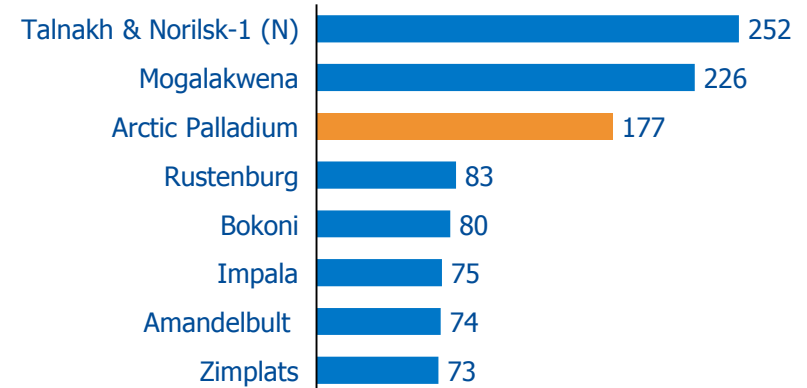


Resources (M&I)
Arctic Palladium

PGM ~3.9 g/t



PGM (3E) in resources (M&I) of the largest global PGM deposits / groups of the deposits, Moz



Status



- February 7, 2018 an MoU for the establishment of a JV with Russian Platinum PLC¹ was signed
- Pre-feasibility study for the joint development of all deposits is in progress – to be completed in 4Q2019

Note: 1. Russian Platinum PLC owns licenses for the development of the Southern part of Norilsk-1 Field and Chernogorskoeye Field

Bystrinsky Project Update

Project Overview

- **The project is ramping up – full operational capacity to be reached in 2020**
- **Ore reserves:** 341 Mt, grades: Cu – ~0.7%; Fe – ~21%; Au – ~0.9 g/t
- **Site infrastructure completed:** open pit, concentrator (grinding and flotation), camp, etc.
- **External infrastructure completed:** power lines and railway to the site

Production Volumes Outlook

		2018	2019	2020+
Ore	Mt ²	5	8	10
Cu	kt ¹	23	40-45	65-70
Au	t ¹	3.3	6-6.5	8.5-9.0
Fe	kt ¹	400	850-950	1900-2100
EBITDA	US\$ mln	~ 100	up to 300	400+







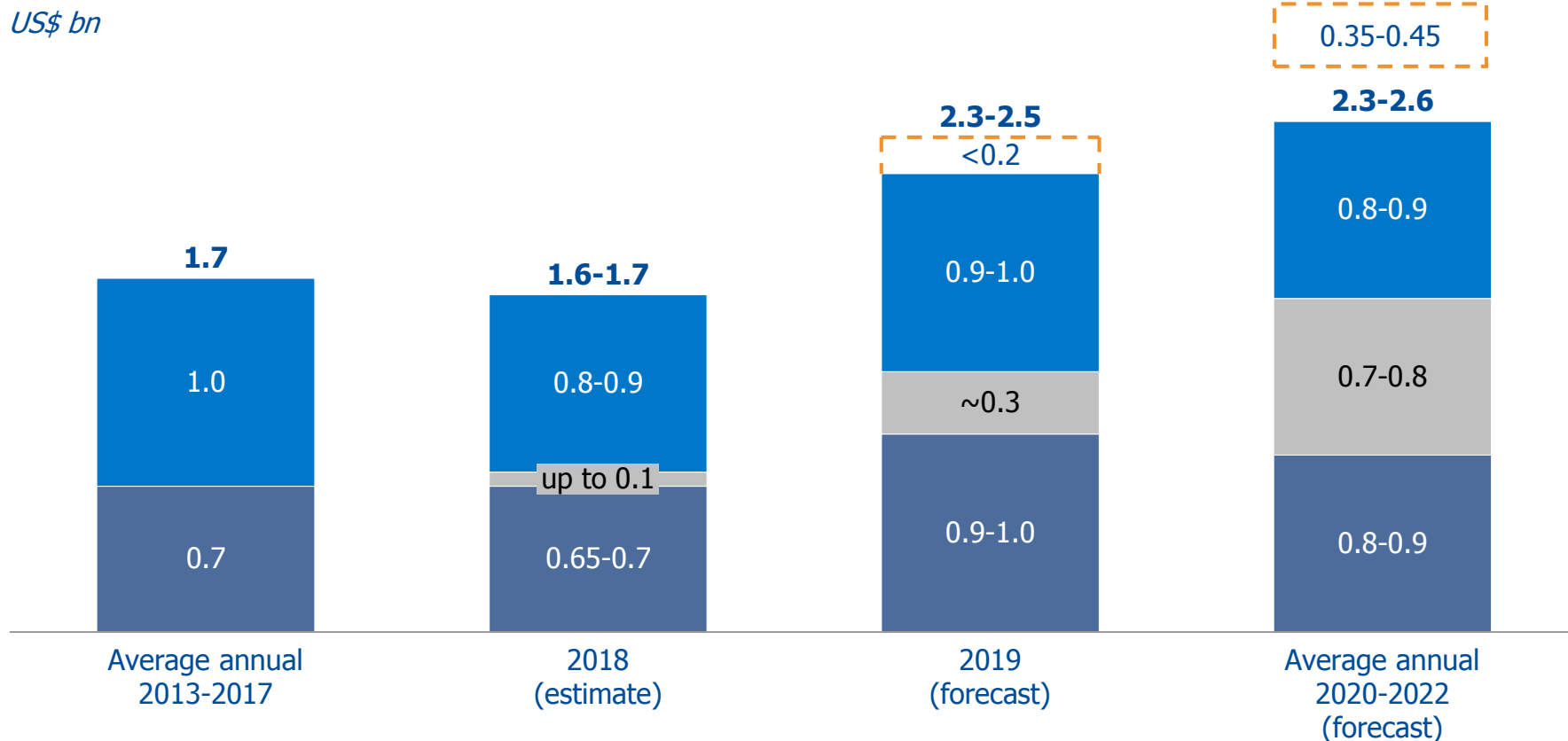
Corporate

IPO in 2020 TBC (terms and conditions TBD in 2H2019)

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

CAPEX Program: New Investment Cycle in 2019-2022

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



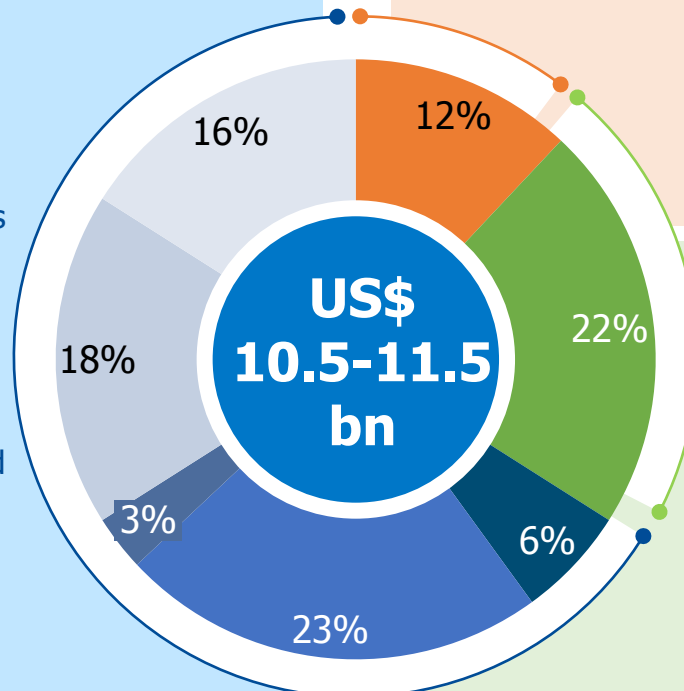
US\$10.5-11.5bn CAPEX Plan for 2019-2022

CAPEX 2019-2022, US\$ bn

Base Investment Program

US\$6.5 – 7.5 bn

- Talnakh mining projects (Skalisty and brownfields)
- Equipment replacement programs (renewal cycle)
- Active phase of infrastructure modernization program: power & gas infrastructure replacement (turbines, grid, pipelines etc.), reconstruction of fuel storage and supply infrastructure, etc.
- IT and automation projects
- Completion of Kola modernization program



Perspective Growth Projects

~US\$1.3 – 1.5 bn

- Projects: Talnakh Concentrator Upgrade, South Cluster and other

Environmental Program

~US\$2.5 bn

- Active implementation phase of Comprehensive Environmental Program, peak of investments is expected in 2020 and 2021





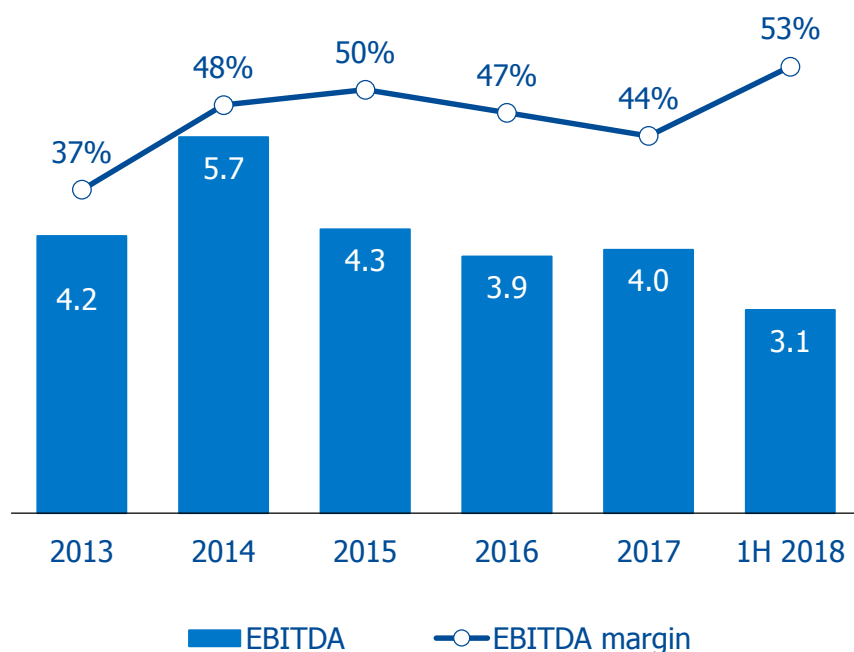
Finance and IT: Delivering Efficiency

Sergey Malyshev
Senior Vice-President
Chief Financial Officer

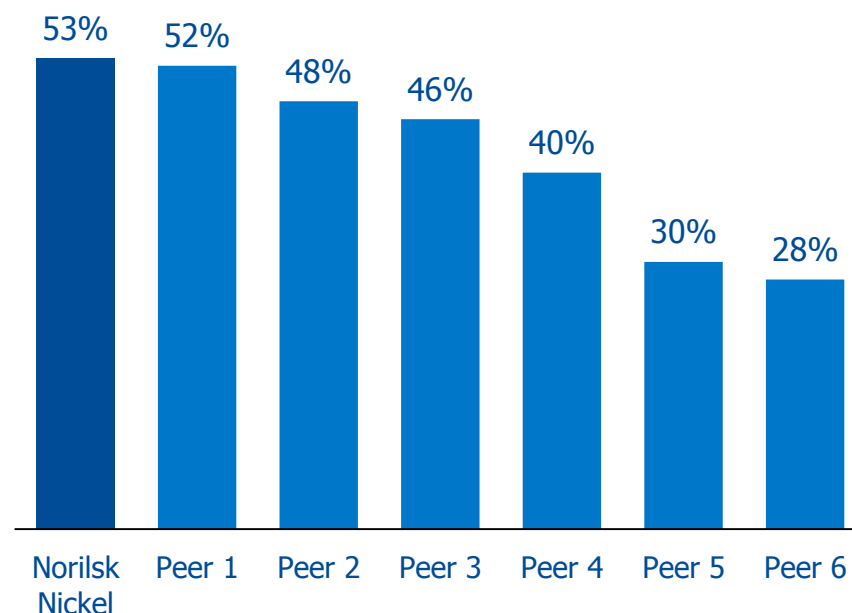
Profitability Boosted By Metal Prices And Productivity

Industry Leading EBITDA Margin Through the Cycle

US\$ bn





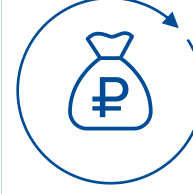



Leading EBITDA Margin in Global Metals and Mining Industry



Note: peer group includes Southern Copper, Rio Tinto, Vale, Freeport, Glencore Metals and Mining, Anglo American

Successfully Delivered on Short-term Financial Targets

Targets	2018 Expected Results
 <ul style="list-style-type: none">▪ 2020: US\$200-300 mln of additional EBITDA per annum through higher volumes, lower unit costs	 <p>Over US\$300 mln of additional EBITDA in 2018 thanks to the increase in production volumes and labour productivity</p>
 <ul style="list-style-type: none">▪ 2018: US\$135 mln annual savings in interest costs assuming flat LIBOR and unchanged gross debt	 <p>Expected FY2018 interest cost savings of US\$150 mln</p>
 <ul style="list-style-type: none">▪ YE2018: return of net working capital to a long-term level of ~US\$1 bn	 <p>9M18 net WC at US\$1.4 bn, on track to reach approximately US\$1.0 bn by YE2018</p>

On Track to Deliver on Long-term Operating Efficiency Targets



Efficiency improvement programme to achieve annual cost reductions of US\$200-300 mln from 2020

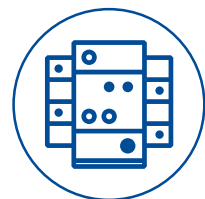


2020 Target

Unchanged or lower total cash costs¹ in real terms on the back of asset upgrades and increase in labour productivity



Reduction in production unit costs due to increased mining and processing volumes

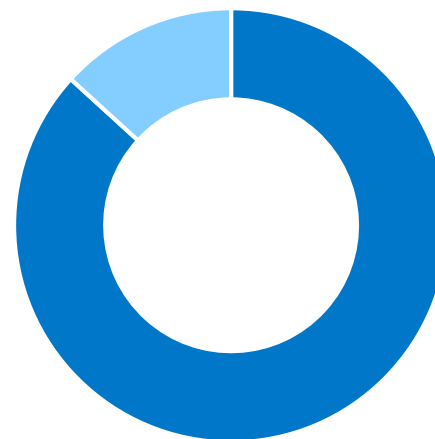


Roll-out of first-class IT infrastructure and shared services across all business units

1H2018 EBITDA Impact (ex. FX, inflation)



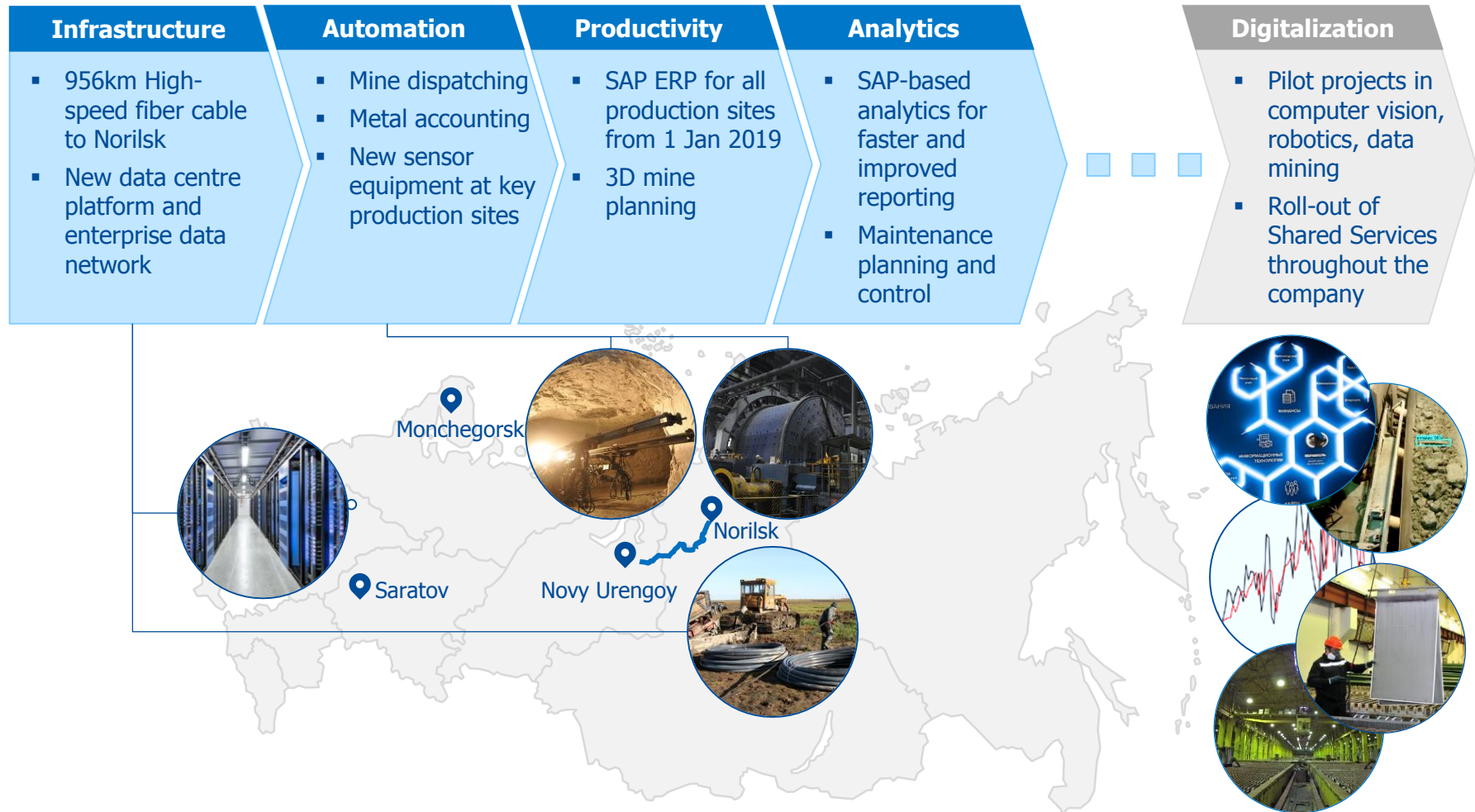
US\$36 mln
Labour costs (-7% headcount)



US\$236 mln
Debottlenecking and processing of secondary feed (+3% volumes)

Note: 1. Total cash cost excluding Bystrinsky project and Nkomati, adjusted for revenue from other (non-metal) sales

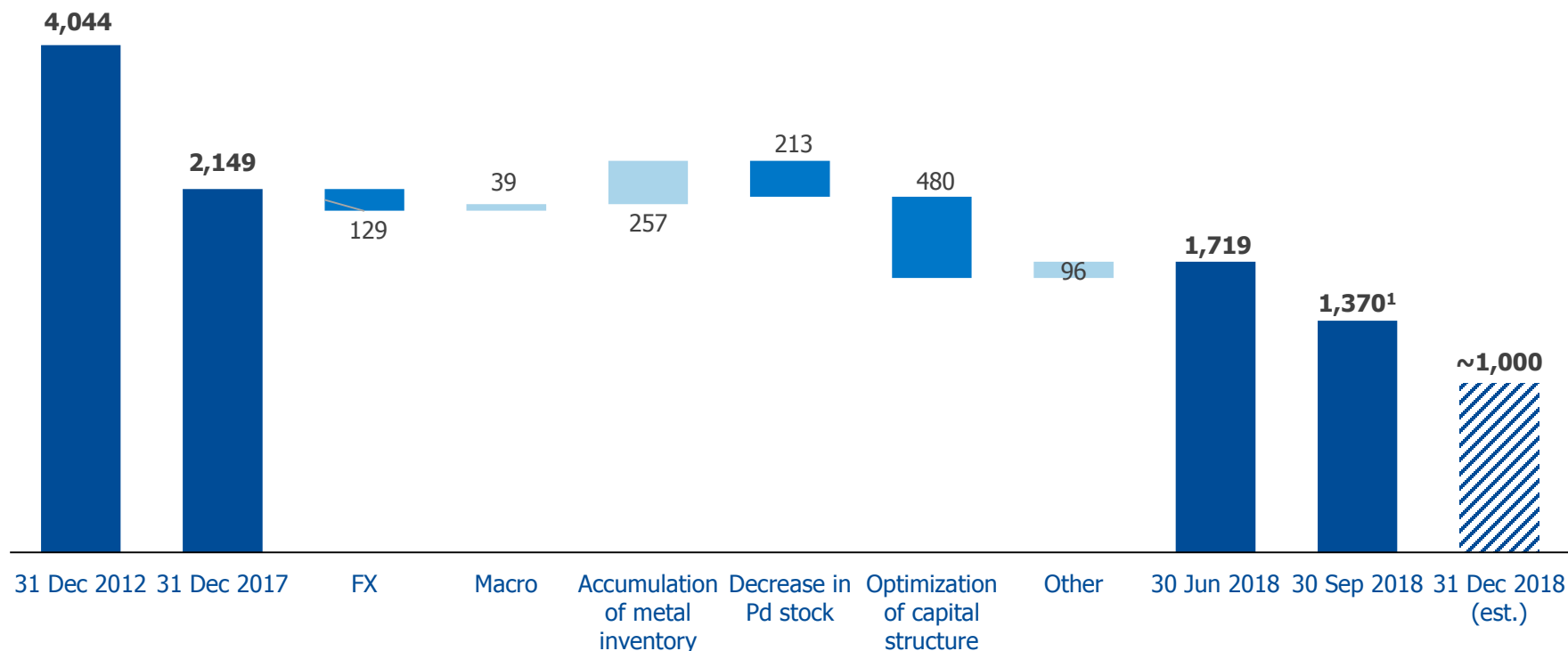
Modernized IT Platform Enables 'Digitalization' Of Core Business



- IT infrastructure investments to date enable the use of the cutting-edge technology and centralization of supporting functions

Net Working Capital: On Track To A Long Term Sustainable Level

US\$ mln



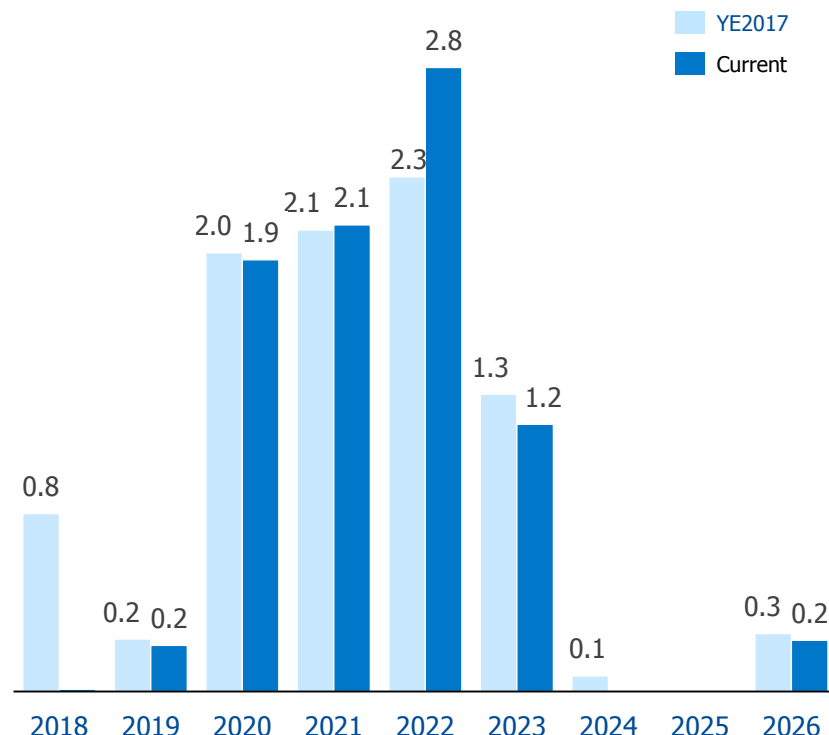
- The temporary increase in working capital up to US\$2.1bn during 2017 was driven by a one-off increase in inventory and revision of trade finance deals
- WC is expected to reach US\$1.0bn by the end of 2018

Note: 1. According to management estimates

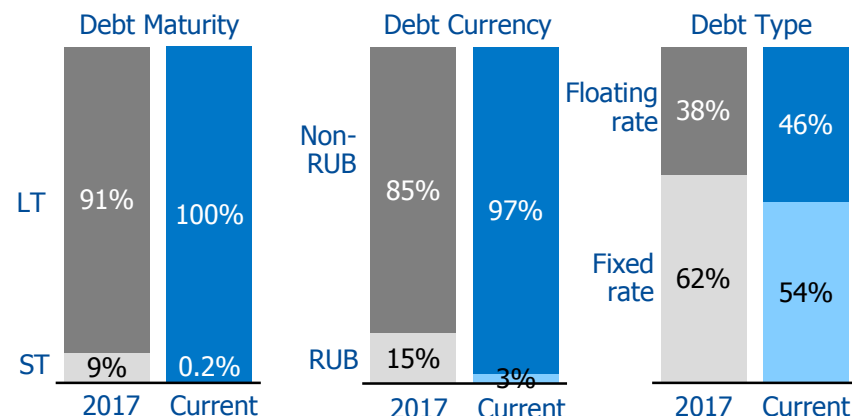
Balanced Debt Portfolio And Solid Credit Ratings

Optimised Debt Repayment Profile

US\$ bn



Diversified Debt Structure



Investment Grade Credit Ratings

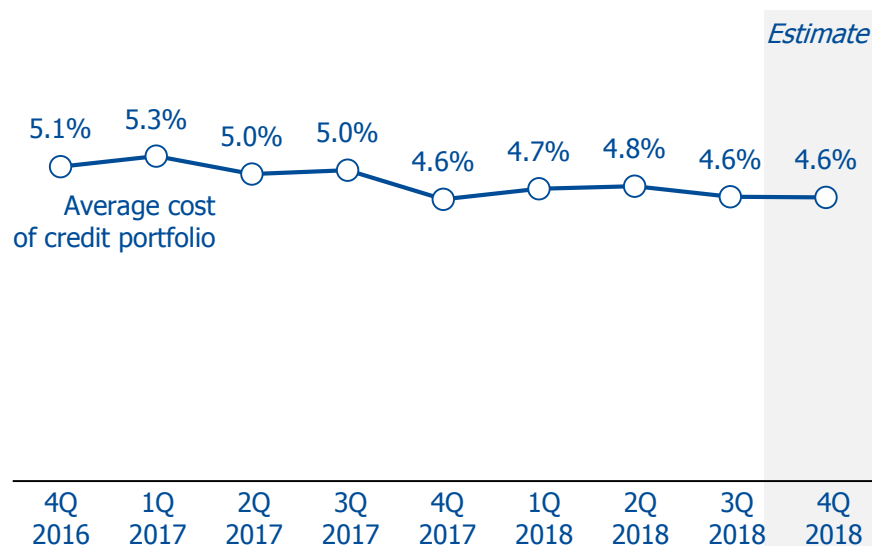
MOODY'S	Baa3/positive
S&P Global	BBB-/stable
FitchRatings	BBB-/stable

- Proactive debt management throughout 2017-2018 cleared out scheduled debt repayments for 2018-2019, eliminating refinancing risk for two years
- Commitment to maintain investment grade credit ratings in the medium term

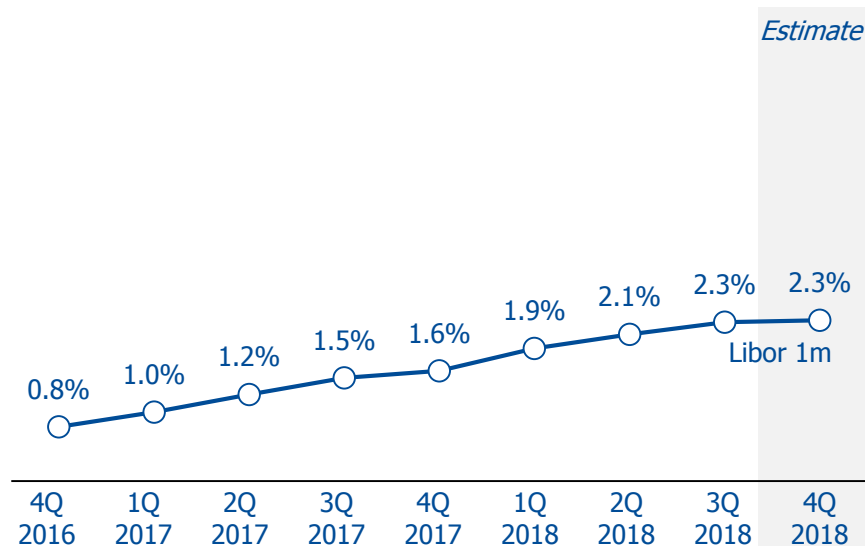
Interest Cost Savings

Cost of Debt Decreased...

%



...Despite Higher LIBOR Rates

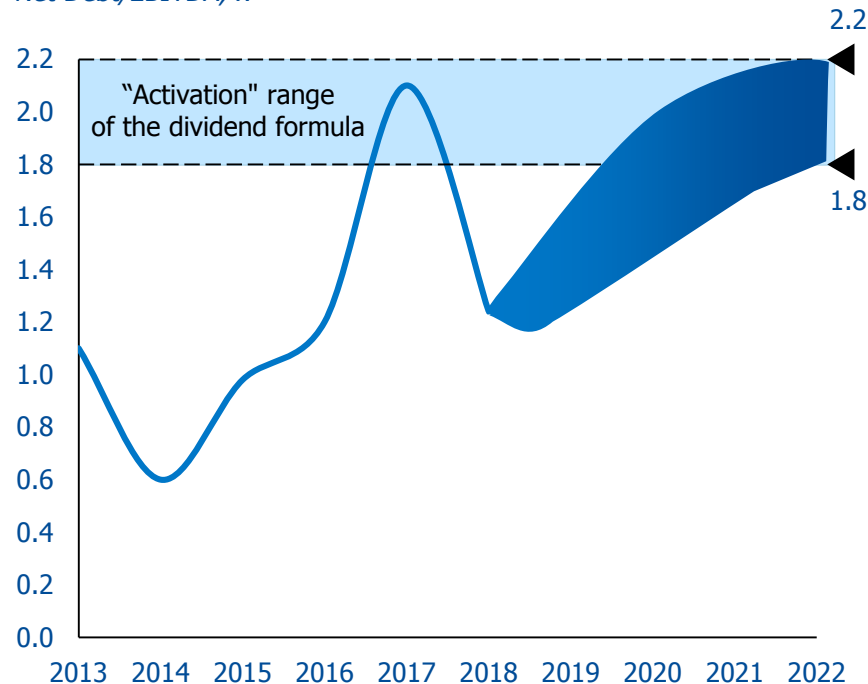


- Interest cost savings were achieved in 2017-2018 despite rising LIBOR and gross debt in absolute terms, and higher RUB/USD volatility
- As a result the cost of debt remained largely as per the last year end despite several headwinds, including Libor growth, periods of Rouble appreciation and increase of the debt portfolio in absolute terms

Financial Model Allows For Sustainable Leverage, High Dividend Payout

Leverage Expected to Remain Well Controlled

Net Debt/EBITDA, x



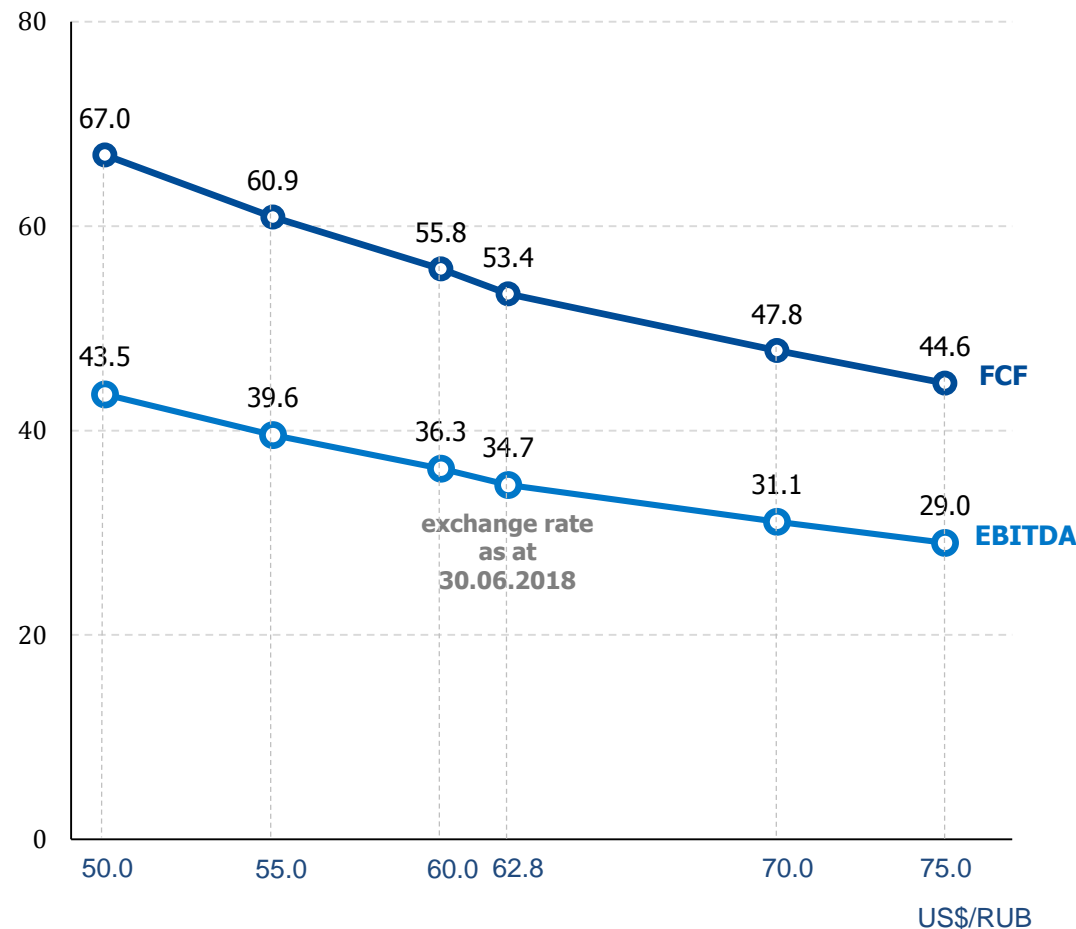
Long Term Balance Sheet Drivers

- Balance sheet will be supported by higher operating efficiency and profitability
- Dividend flexibility helps curb leverage in the long run, however:
 - ...the 2019-2022 investment cycle might drive leverage up, subject to exchange rates and commodity prices
 - ...operating environment has become more volatile

Sensitivity of Financial Model to Macro Risks – Currency Exposure

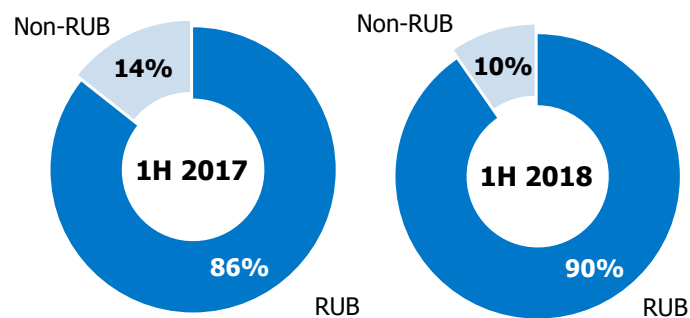
FCF and EBITDA Sensitivity per 1 RUB of Change in Exchange Rate

US\$ mln

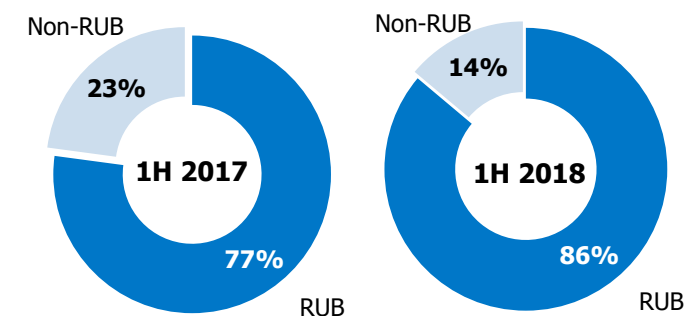


Capex and Opex Structure by Currency

OPEX¹



CAPEX



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



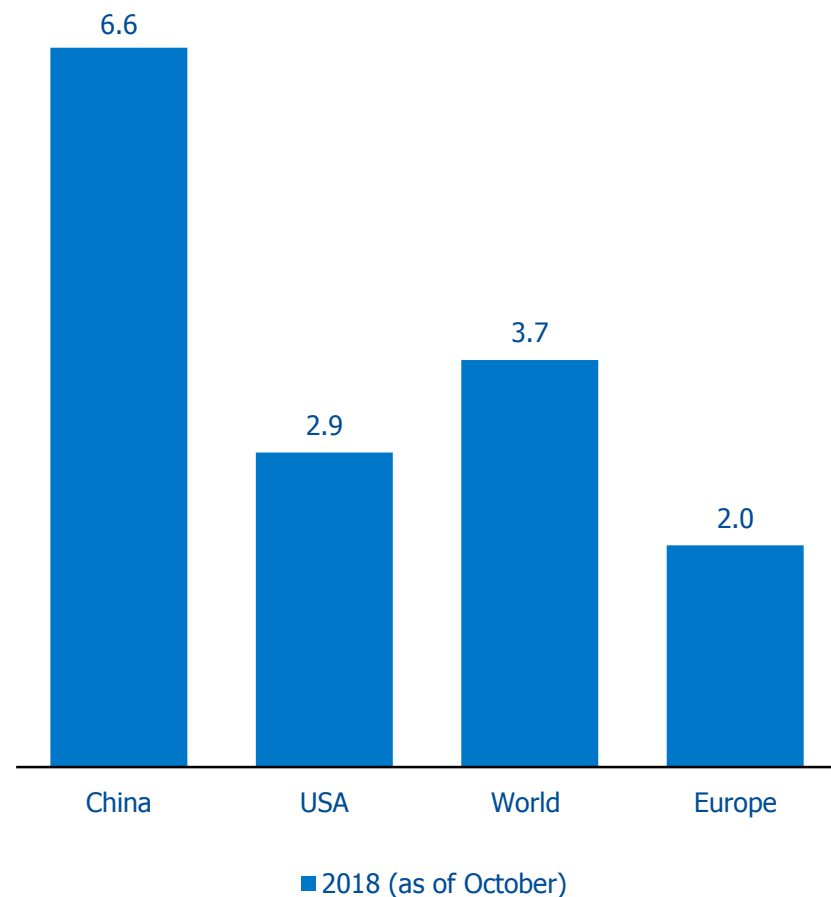
Markets Update

Anton Berlin
Head of Strategic Marketing

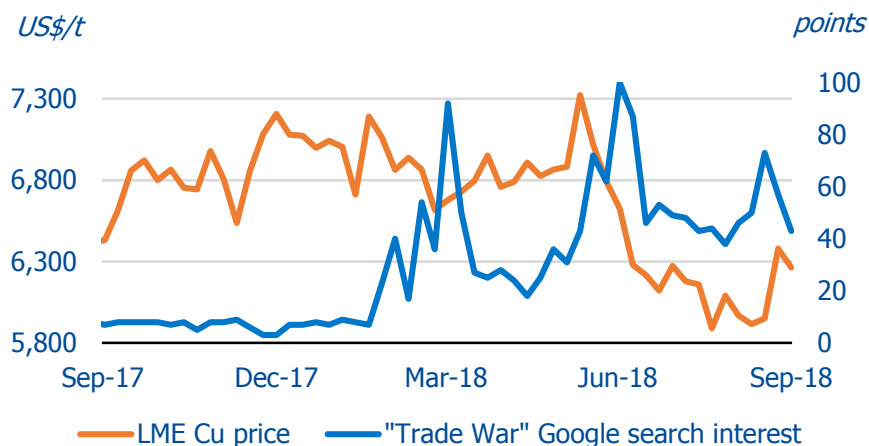
Trade War Sentiment Overrides Strong Macro Environment

Healthy Economic Growth Forecasts...

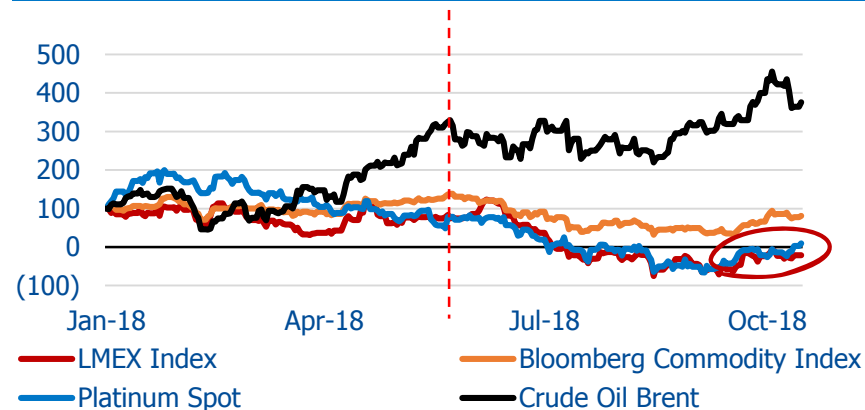
IMF Forecast for 2018 GDP growth, %



... but Metals Sell-off on Trade War Headlines...



...where Base Metals Have Been Hit the Hardest



Source: Company data, JP Morgan Research, Bloomberg

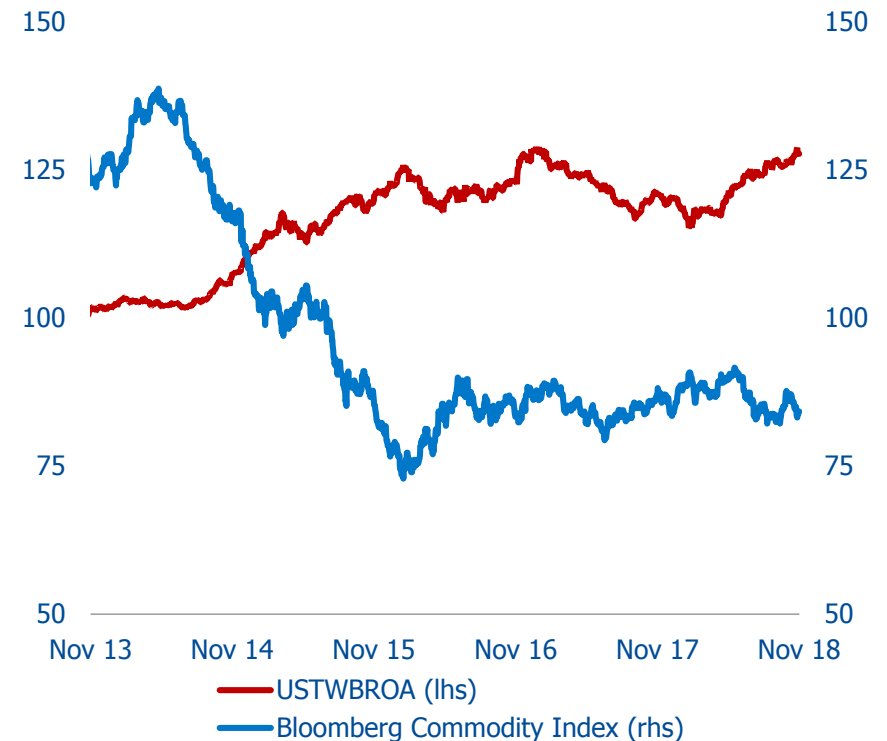
Reduced Commodity Volatility and Strong US Dollar

Stable Macro Environment Decreases Commodity Price Volatility...

Bloomberg Commodity Index

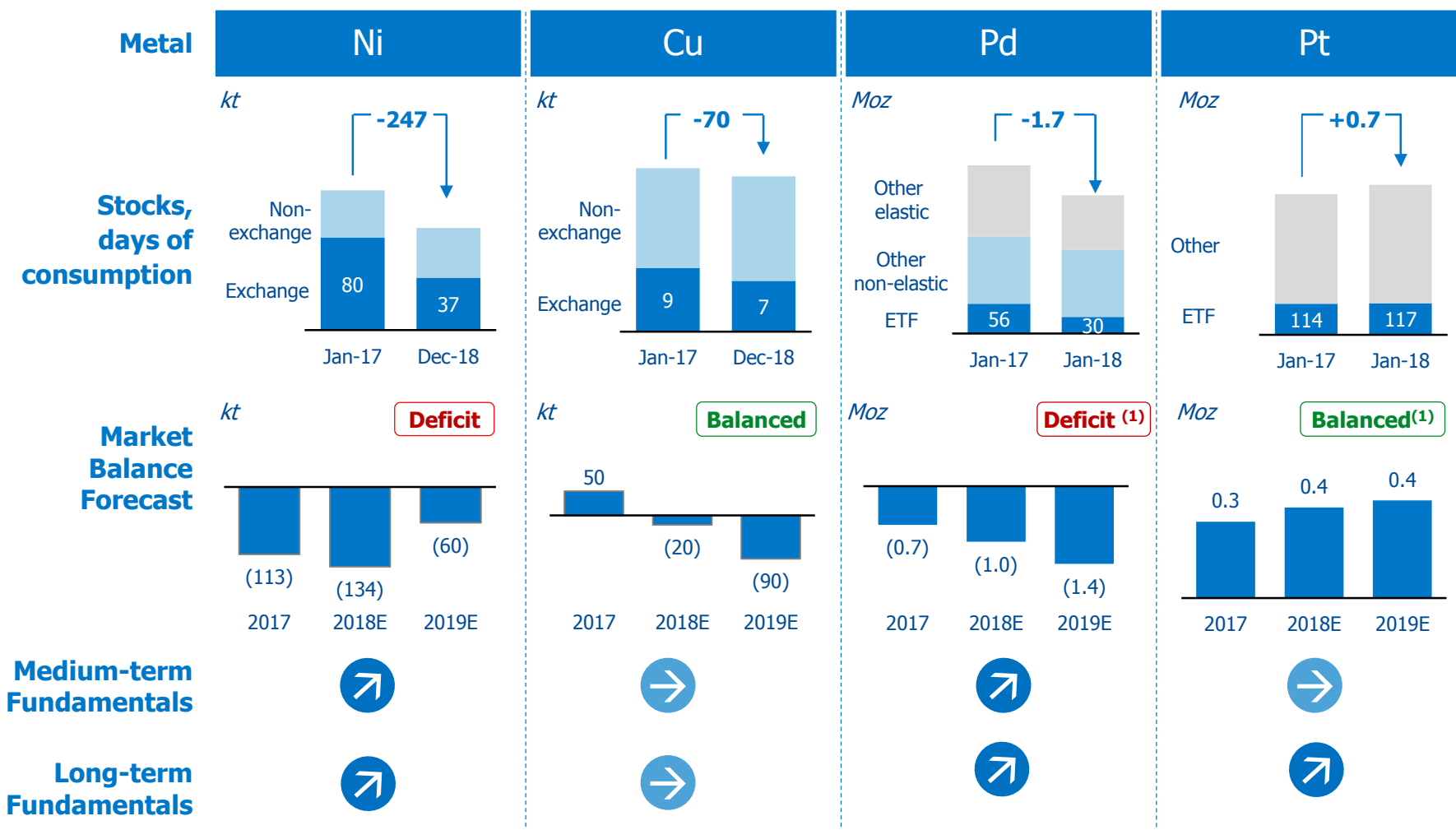


... while Strengthening Trade-Weighted US Dollar Maintains Downward Pressure on Commodities



Source: Company data, Bloomberg

Metal Markets Outlook – View on Fundamentals



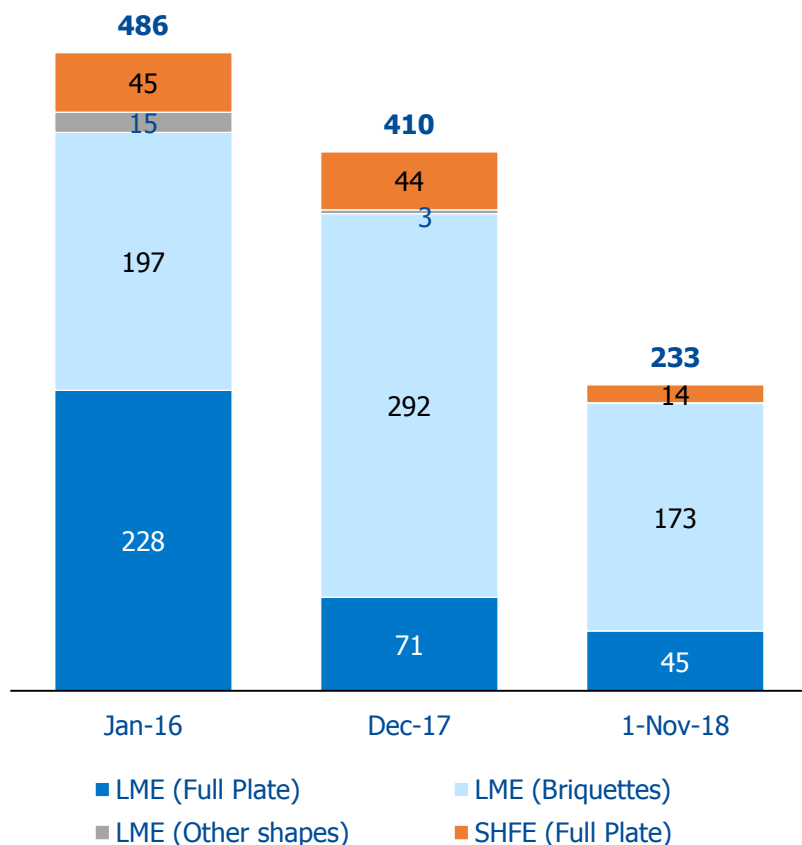
Source: Company estimates

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

Nickel Exchange Stocks Rapidly Normalizing

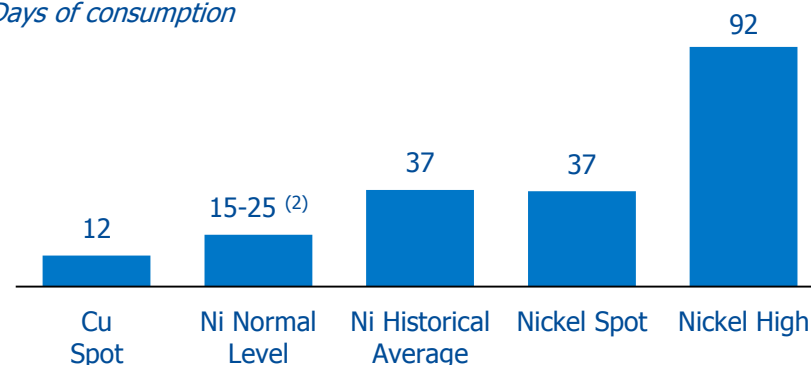
Total Nickel Exchange Inventories: Down 43% or 177kt ⁽¹⁾ YTD vs. 76kt in 2017

Ni, kt



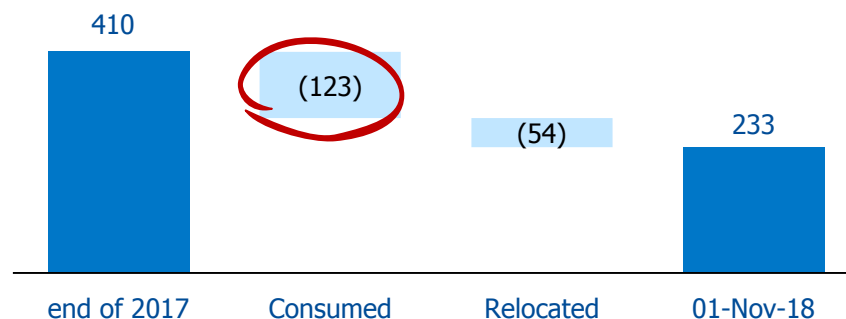
...Have More than Halved from Peak Levels of Early 2016, back to Historical Averages...

Days of consumption



...Vast Majority of Stock Drawdown Due to Consumption

Ni, kt



Source: Company estimates, LME, SHFE, SMM

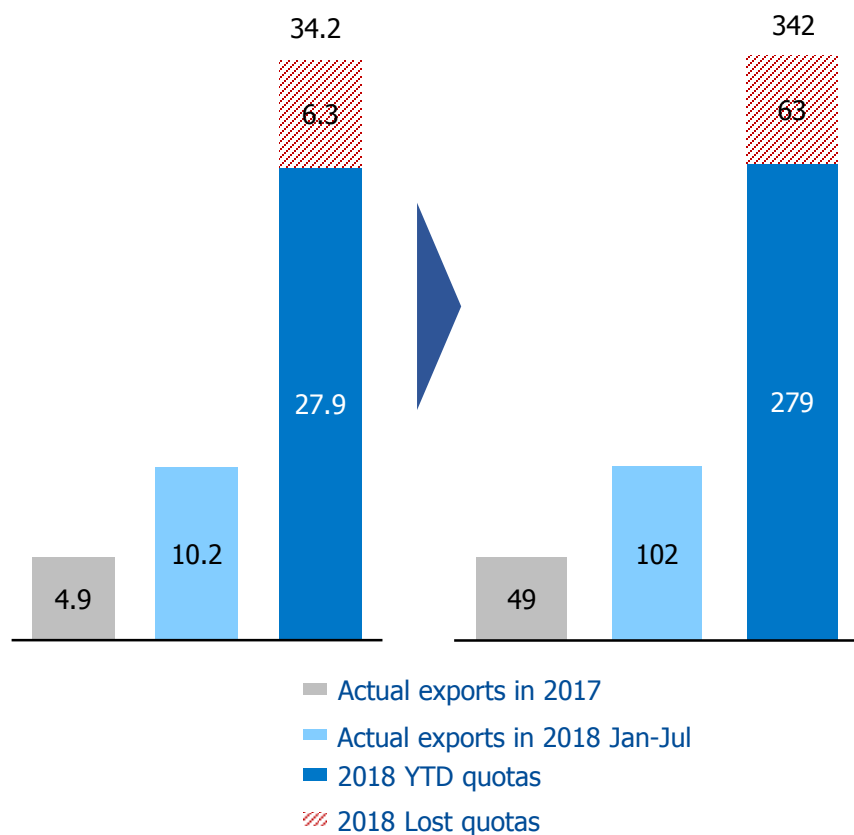
Note: 1. As of November 1, 2018, 2. According to markets participants, customers

Record NPI Production: Volumes Driven by Indonesia

Ni Ore Export from Indonesia Ramping Up Quickly and Expected to Reach 18 mln wMt in 2018

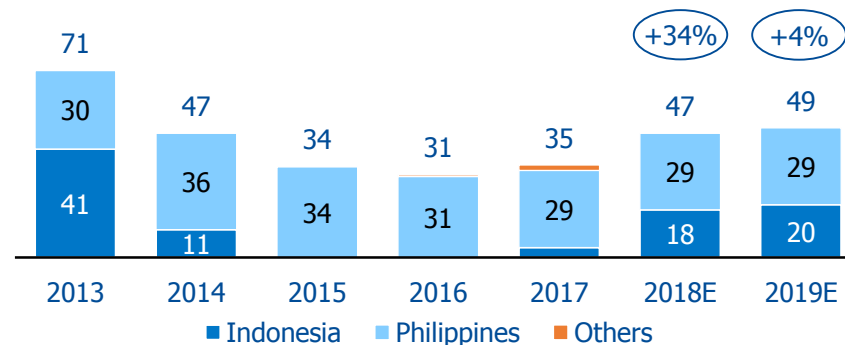
Ore, mln wMt

Ni unites, contained kt



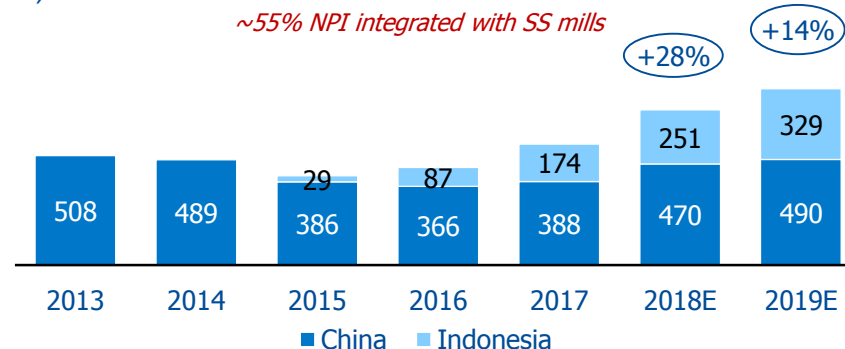
Nickel Ore Supply to China Rising on Increasing Ore Exports from Indonesia

Ore, mln wMt



Global NPI Production: Supply from China & Indonesia to Keep Growing in 2019

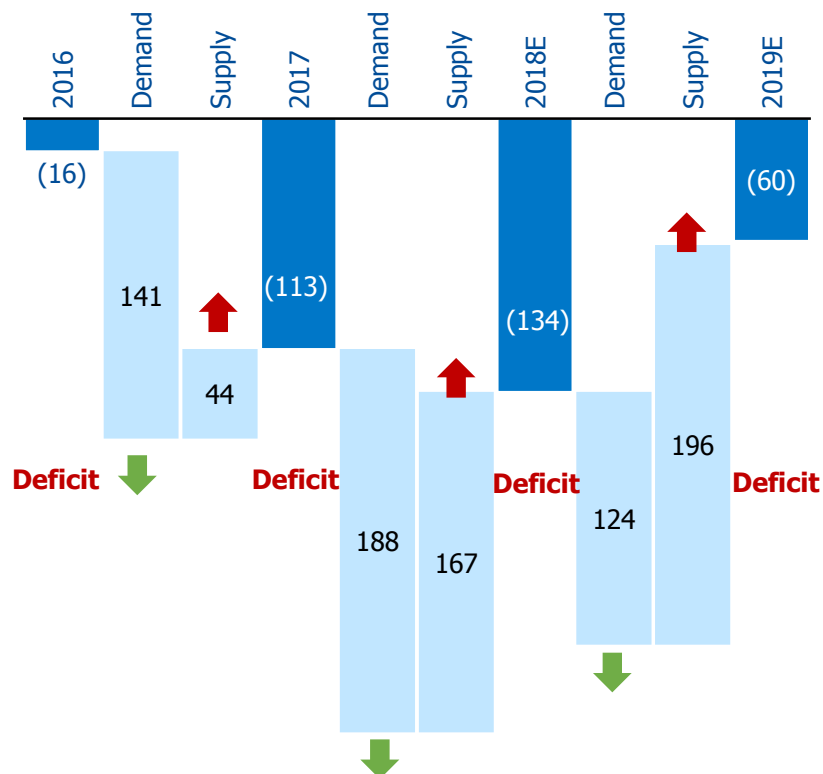
kt, Ni Units



Medium Term Nickel Market Outlook: Decreasing Deficit

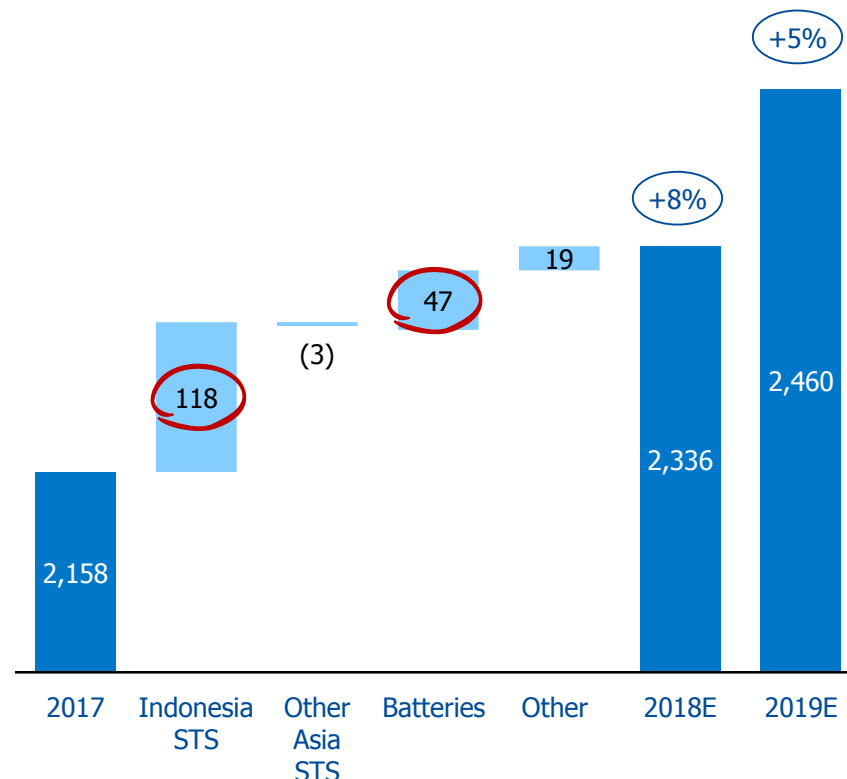
Nickel Market Balance: Decreasing Deficit in 2019 Due to Lower Demand

kt



Ni Consumption: Strong Growth in Stainless Steel in Indonesia and the Battery Sector

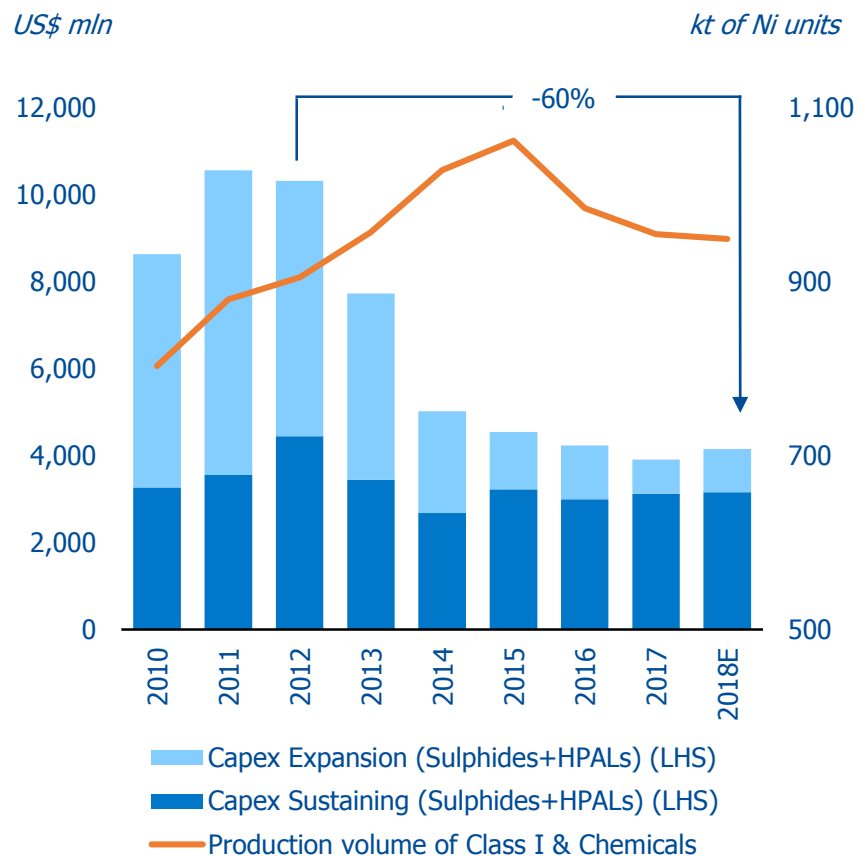
kt



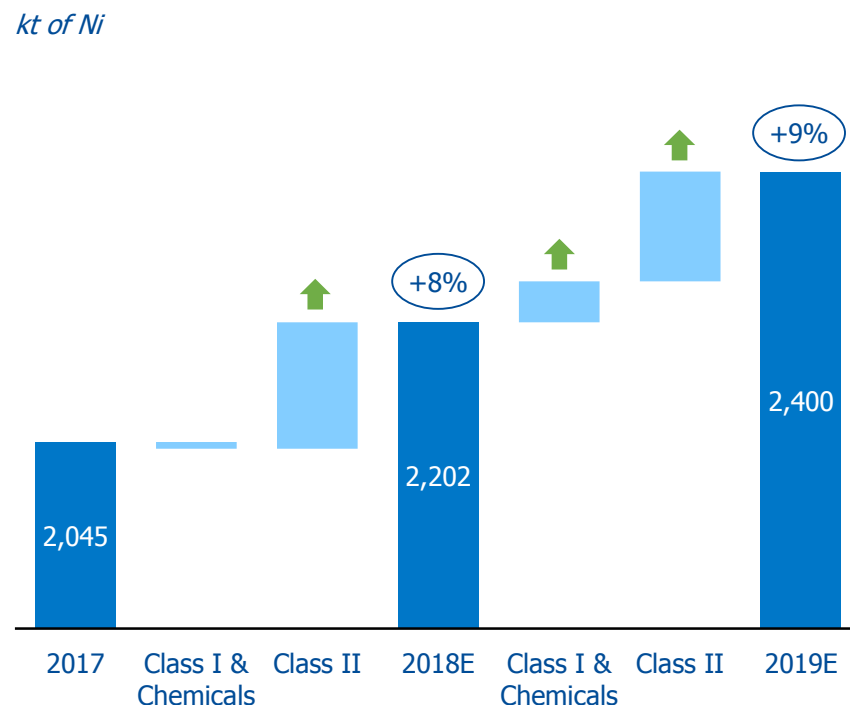
Source: Company estimates

Medium Term Nickel Market Outlook: Limited Growth Potential of Class 1

Underinvestment Negatively Impacting Class I and Battery Grade Ni Production ⁽¹⁾...



...Nickel Production Increase is Mostly Driven by Low-grade Ni Products from Laterite Ores

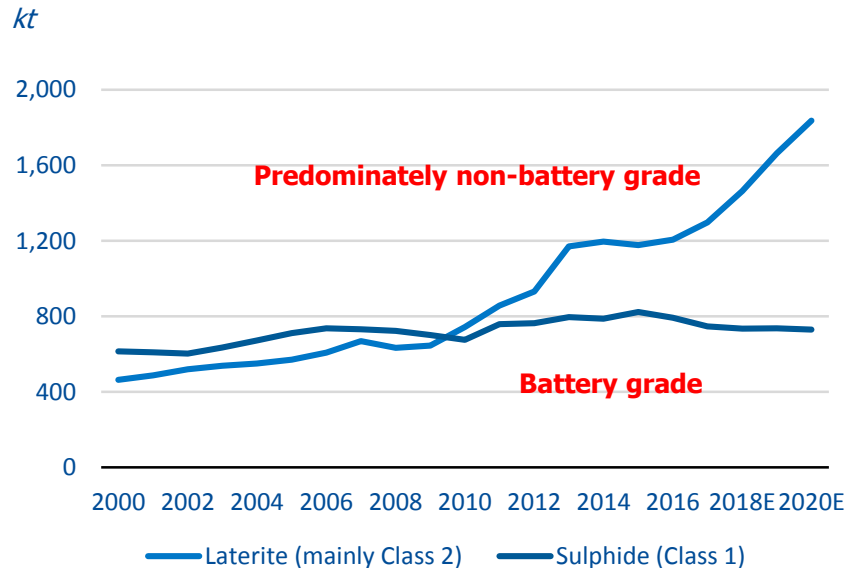


Source: Company estimates

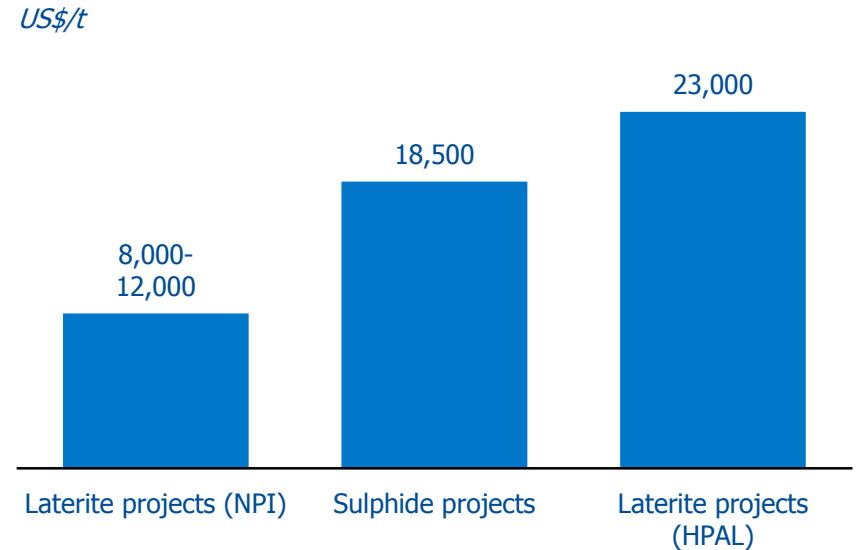
Note: Analysis based on 64 laterite and sulphides projects

Long Term Nickel Supply Outlook: Supply from Sulphide Ores to Stagnate

Current Nickel Market Paradigm: Growth of Ni Units of Non-Battery Quality...



...As Spot Nickel Prices Only Incentivize Investments into New NPI Projects



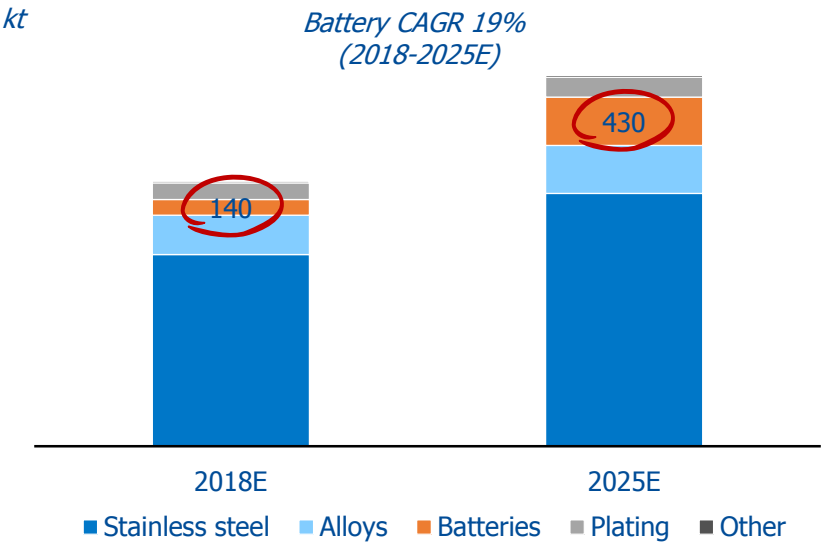
Disruption risks to the current nickel market paradigm YET to be tested:

- Greenfield HPAL+Ni/Co sulphate projects in Australia generating adequate IRRs at Ni sulphate price of 17,600 US\$/t and Co 30 US\$/lb
- Extremely low capital intensity (reportedly at 14,000 US\$/t vs. historical capital cost of 60,000-120,000 US\$/t) HPAL projects in Indonesia
- Adaptation of existing refined nickel production to Ni sulphate production

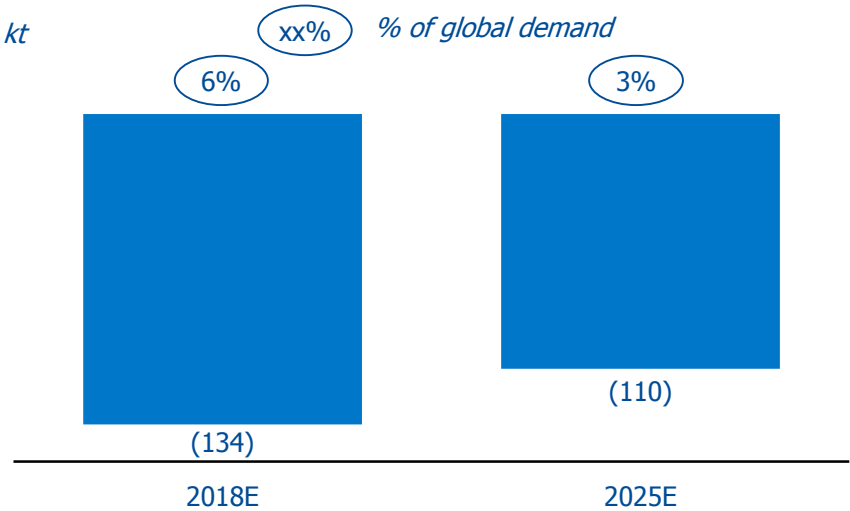
?

Nickel Demand: Positive Long Term Outlook to Keep Market in Deficit

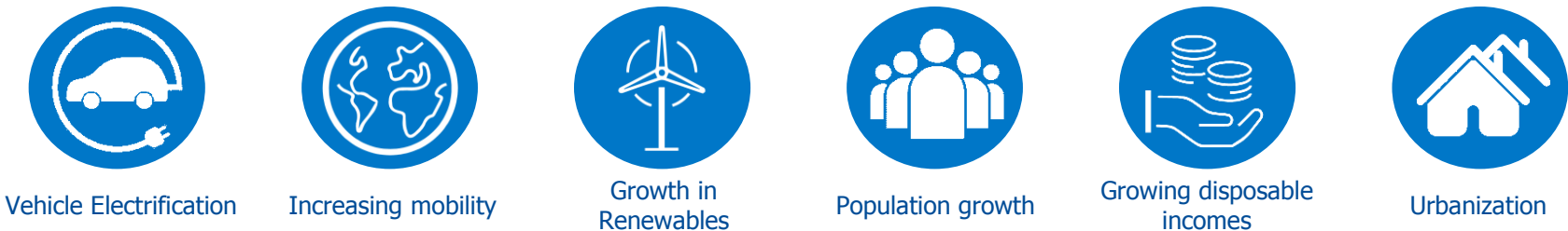
Ni Demand: Growing Stainless Consumption to Compete for Ni Units with the Battery Sector



Ni Market Balance: Apparent Deficit Sustained Through 2025E

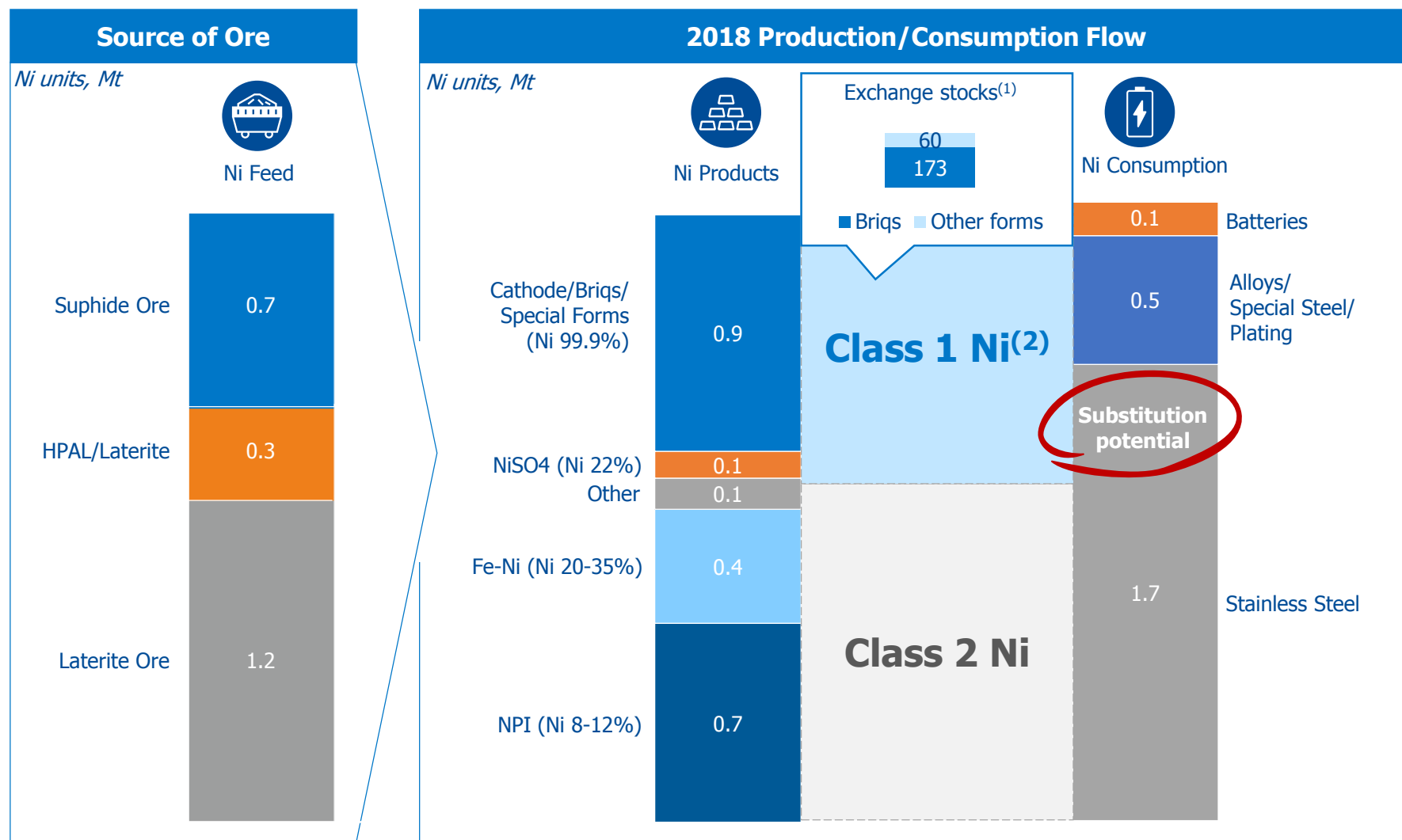


Long term Trends Supporting Ni Consumption Growth:



Source: Company estimates, Wood Mackenzie

Growing Supply of Low Grade Ni Feed Unlocks Class 1 Ni for Other Applications

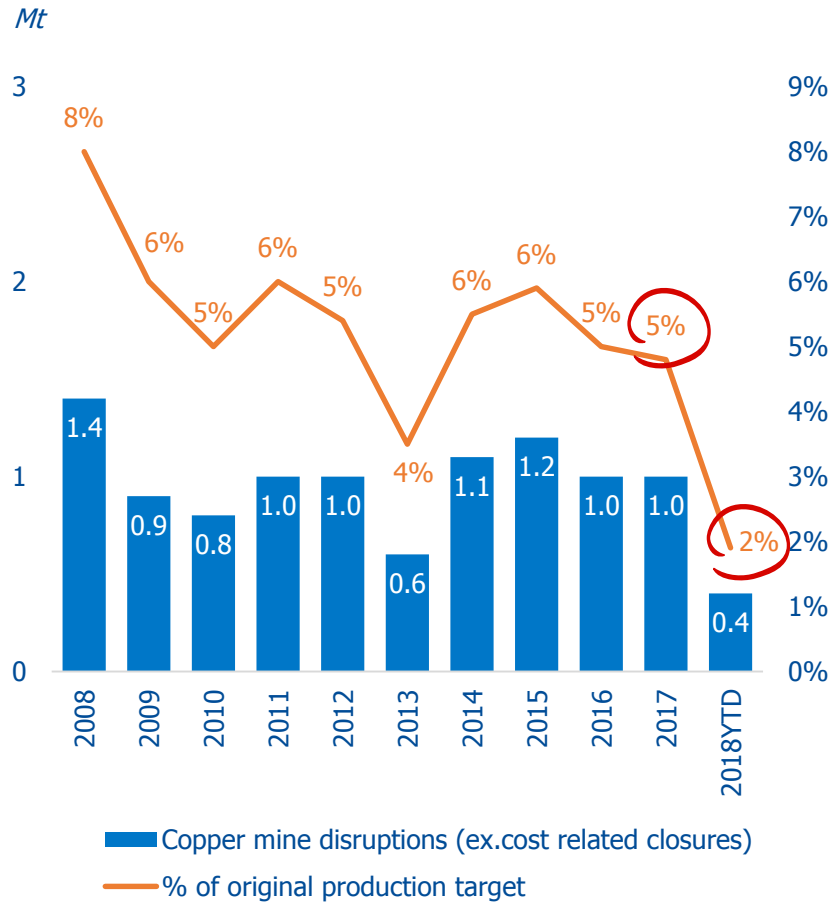


Source: Company estimates

Note: 1. As of November 1, 2018, 2. including Ni sulphates

Short-term Copper Outlook: Demand Concerns Add to Supply Disruptions

Copper Supply Disruptions: 2018 YTD – Well Below Expectations



2018 LME Copper Price Declines as US-China Trade Tensions Rise



Key supply disruption events

- ✓ Industry wide labour strikes in Chile and Peru – did not materialize
- ✓ Resolution on Grasberg in Indonesia - positive

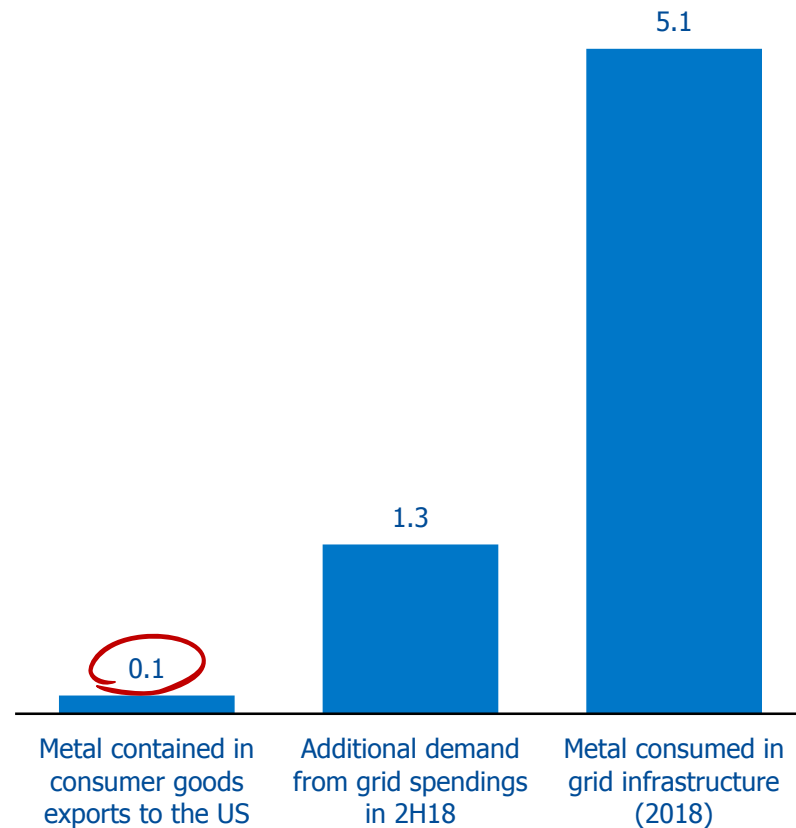
New demand concerns

- ? Negative demand implications from US-China trade tensions
- ✓ RMB depreciation vs. US\$

Implications for China Copper Consumption: Concerns Over Trade War Implications Look Overrated

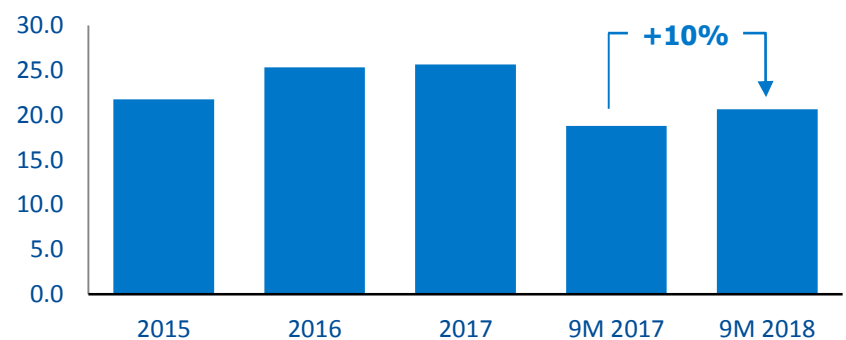
China's Cu Consumption: Domestic vs. Export Oriented

Mt



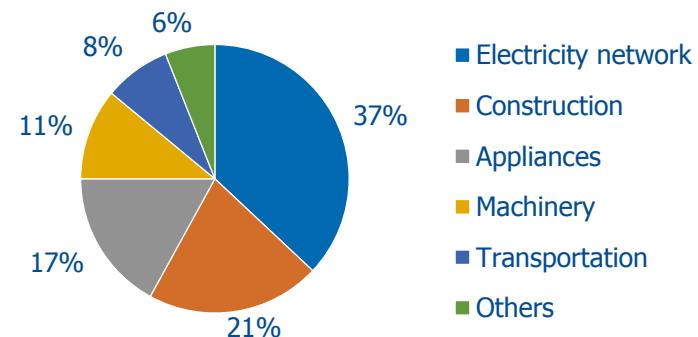
Actual Copper Imports to China 2018 YTD Remained Strong...

Mt



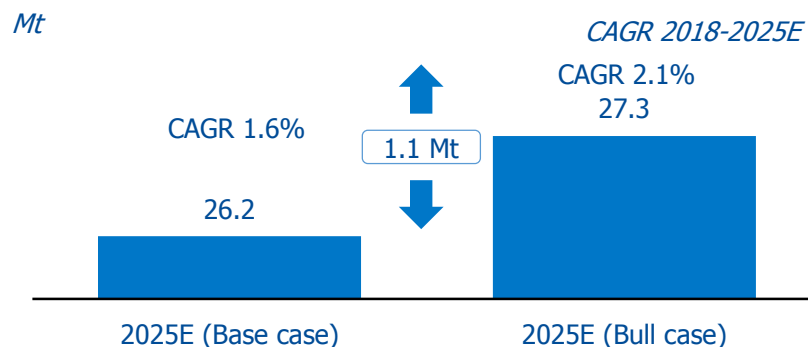
... as Majority of Cu Consumption is for Domestic Use

China Cu consumption by end use in 2017

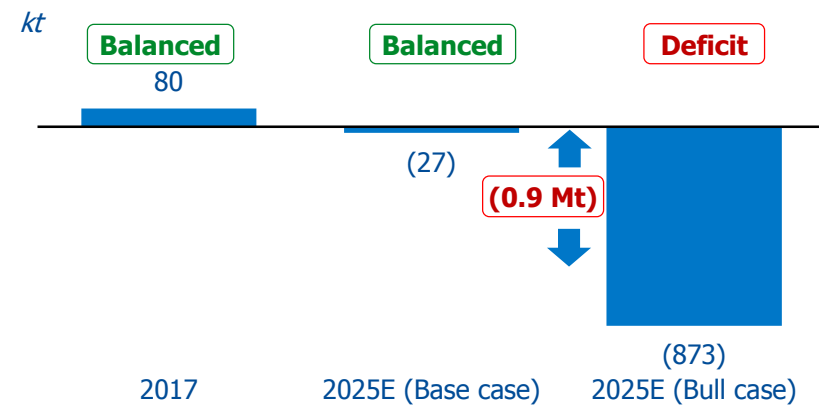


Long-term Copper Consumption Outlook: Growth Rates Normalize

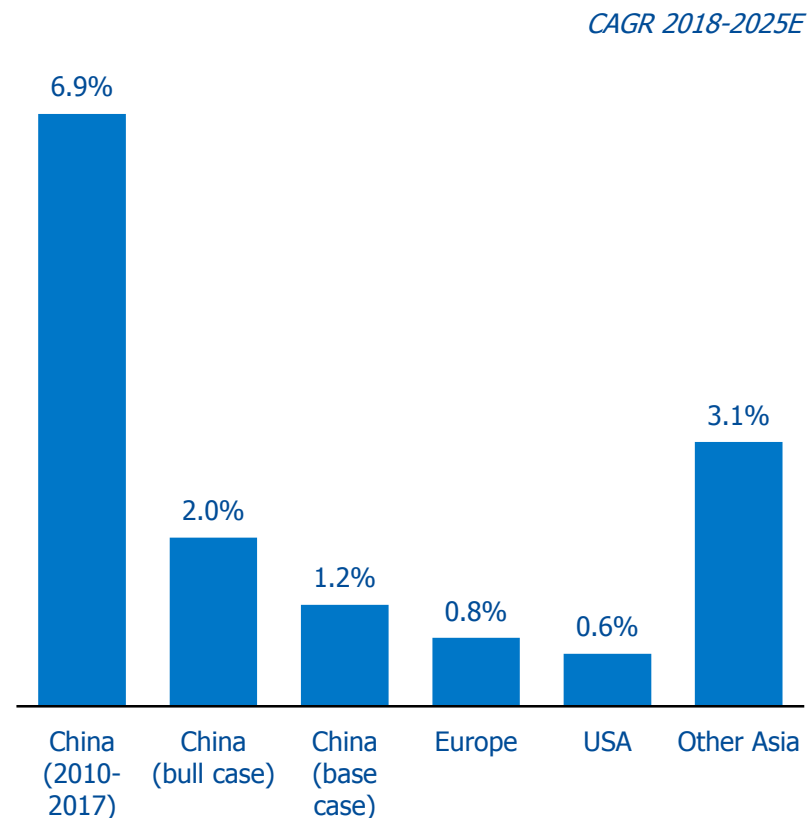
Uncertain Long-term Global Consumption Outlook...



... Leading to Wide Range of Market Balance Forecasts

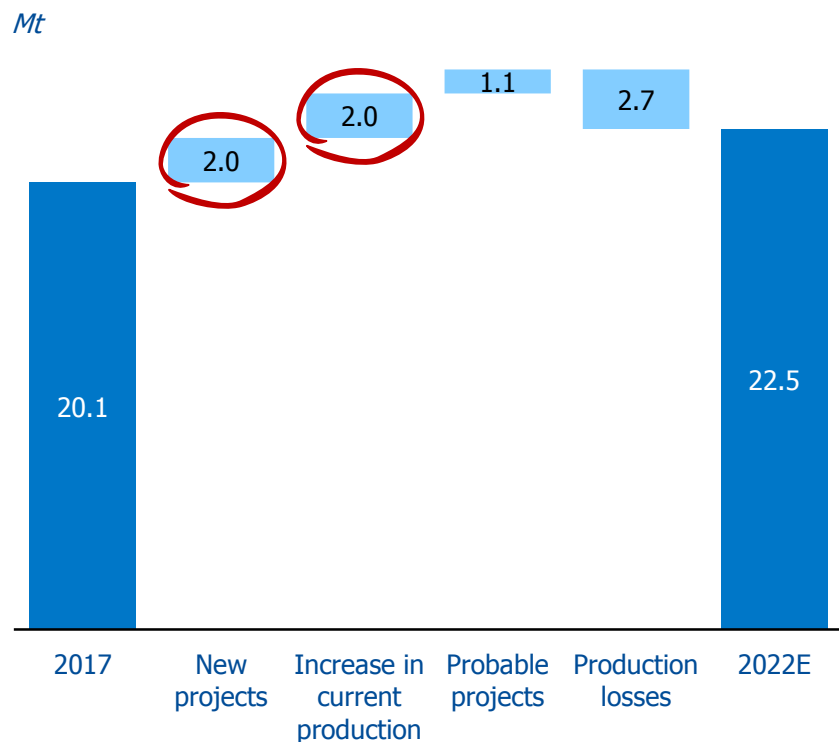


... as China Copper Consumption Growth Rates are Rapidly Normalizing

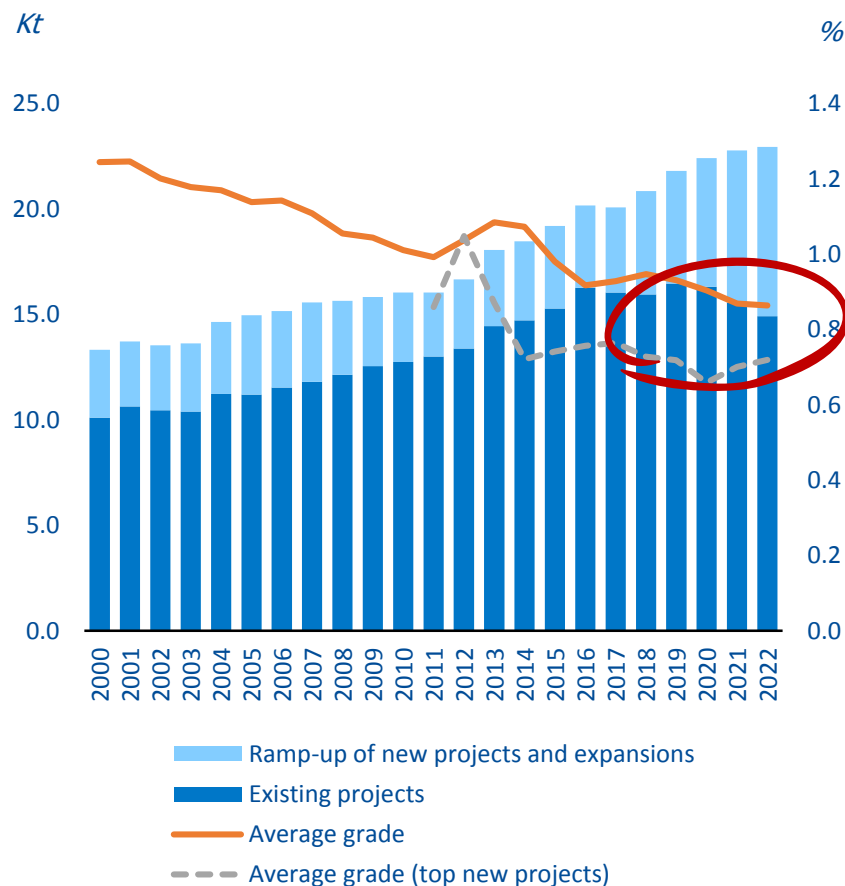


Long-term Copper Outlook: Risk of Underestimating Supply














Supply Addition: 4 Mt to be Added by 2022E



... as High Copper Prices Justify Investments into New Lower Graded Mines



Key Auto Trends Impacting Metals Demand

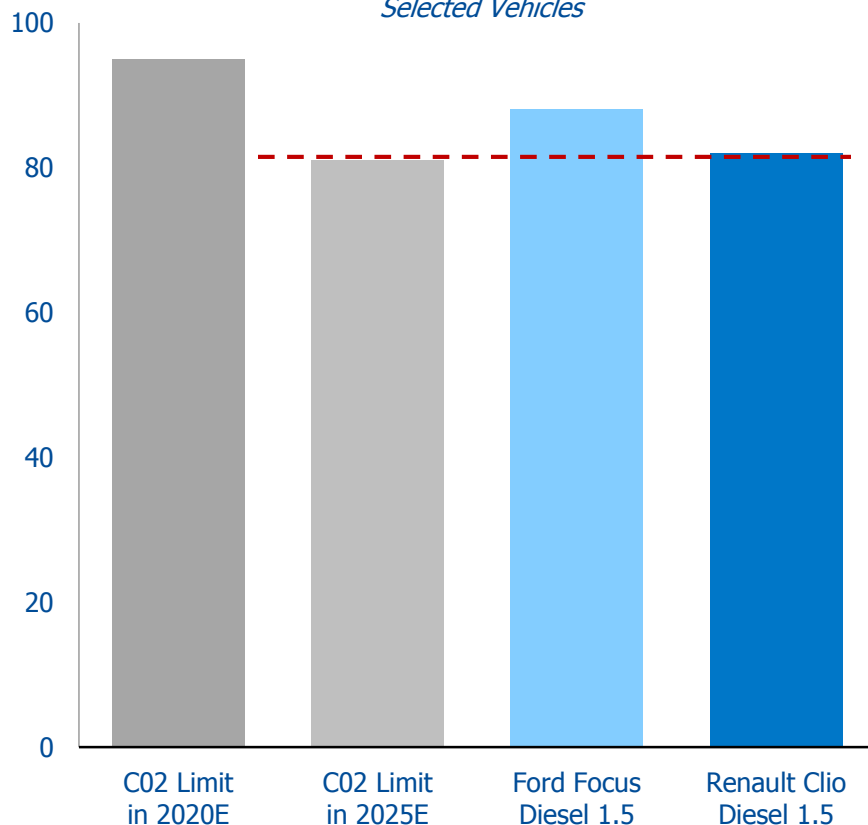
		Demand Implications			
		Ni	Pd	PGMs	Pt
Sustainable global automotive production growth					
Substitution of diesel for gasoline vehicles					
Growth of hybrid market share					
Growth of SUV market share and engine downsizing termination					
Increasing emissions legislation					
Electric vehicles/batteries					

Environmental Regulations Significantly Impact Powertrain Evolution

Europe: Modern Diesels Satisfy CO₂ Emission Targets

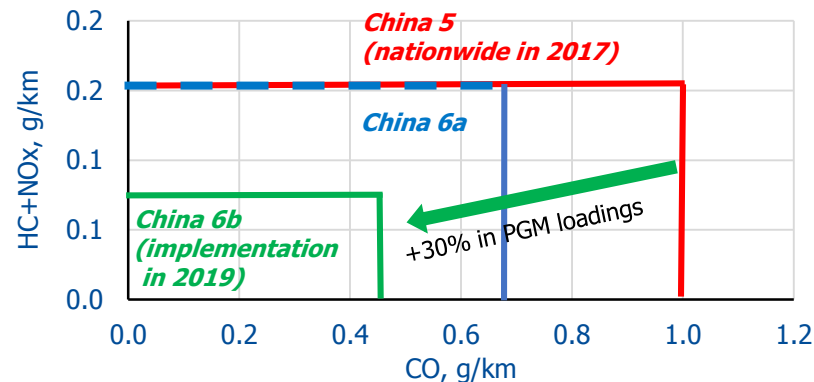
g/km

EU CO₂ Emission Limits & Current Emission by Selected Vehicles



China: China 6 Regulation Pushes OEMs to Increase PGM Loadings

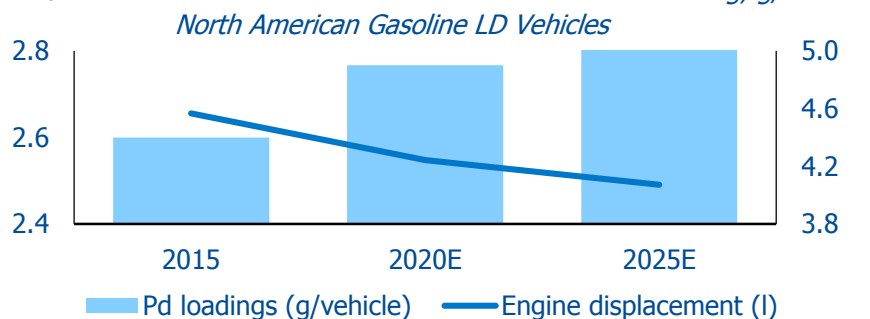
Tightening NO_x and CO Targets in China



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

Displacement, liter

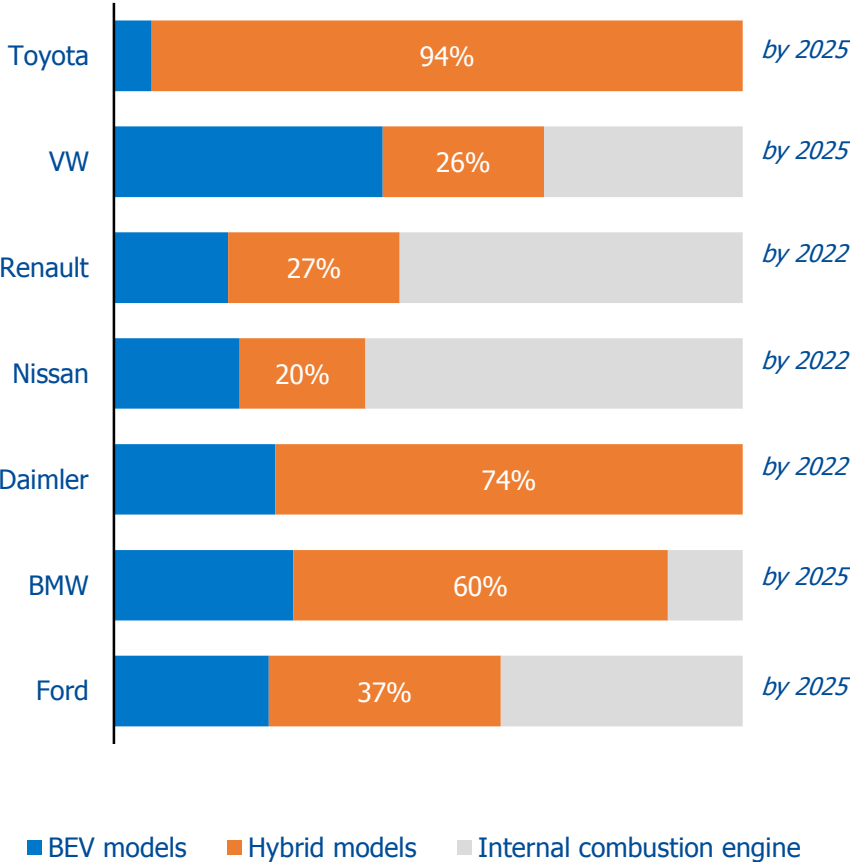
Loading, g/vehicle



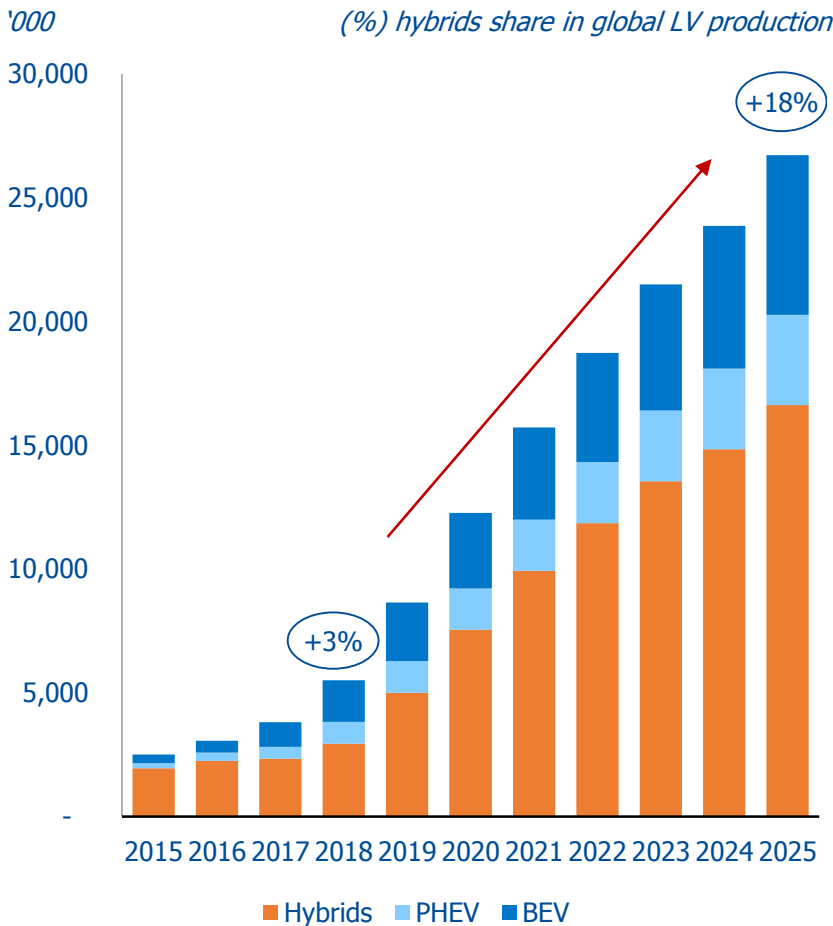
Fleet Electrification Targets to be Achieved by Hybridization

Automakers' Plans: Hybrids and Internal Combustion Engines to Dominate

LV production



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

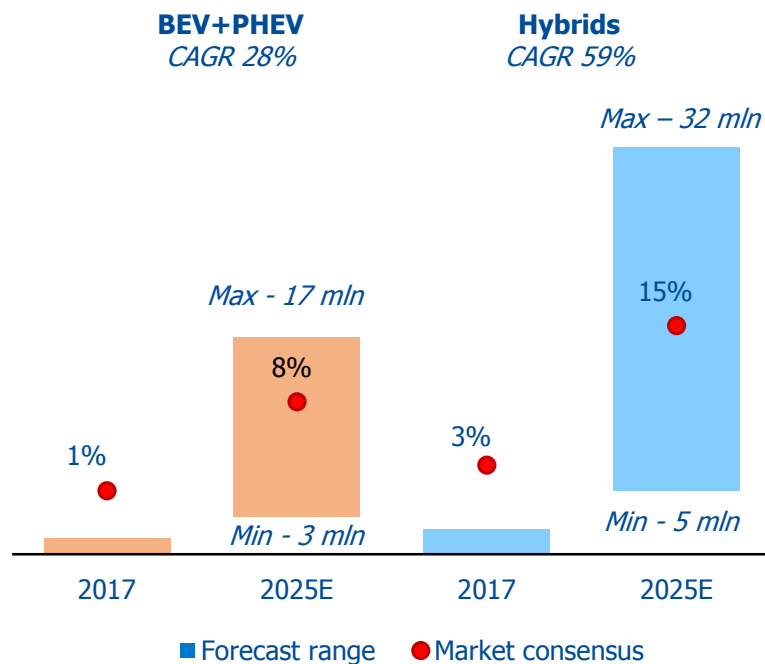


Source: Company data, announcements by OEMs, LMCA

Long-term Palladium Demand to Remain Strong

Significant Uncertainty in the Long-term Outlook of Auto Mix Drives Wide Range of Market Expectations

CAGR 2017-2025E

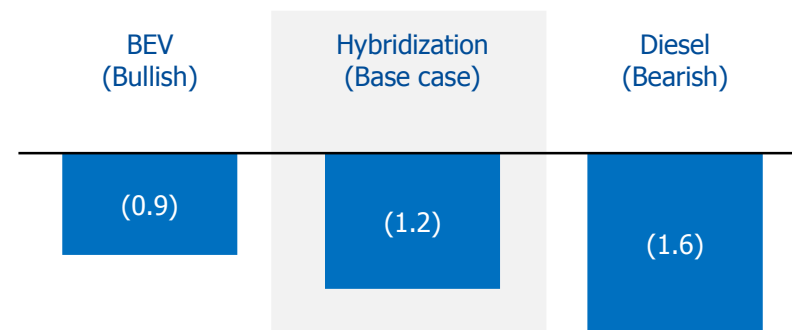


Key Battery Market Uncertainties:

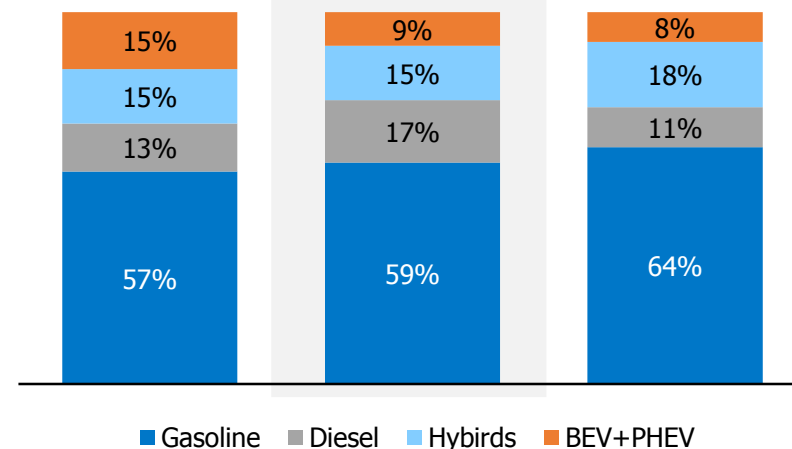
- Cost of EVs ownership
- Sufficient charging infrastructure deployment
- Sustainability of government incentives for EVs

...However Palladium Market Remains in Apparent Deficit Under Any Scenario

Palladium Market Surplus/ (Deficit), Moz



Breakdown of global light vehicles mix

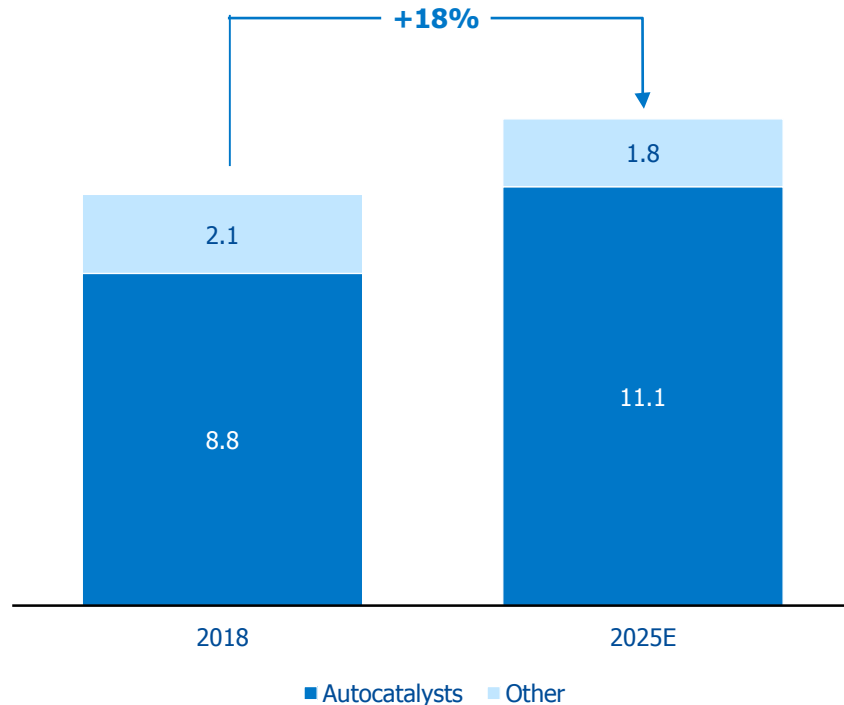


Source: Company estimates, LMCA
Note: 1. CAGR for the period 2017-2025E

Palladium Market Balance: Additional Supply is Needed to Cover the Long Term Deficit

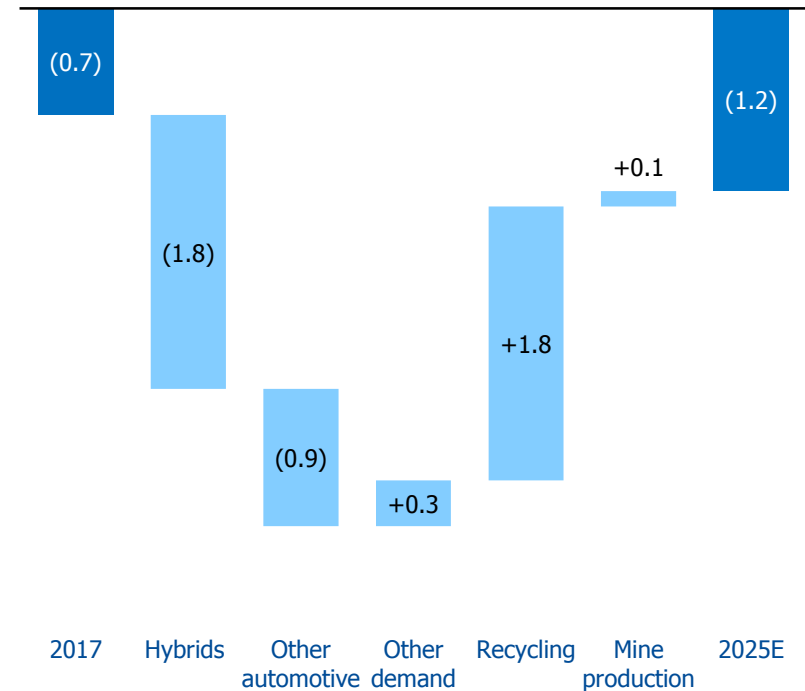
Autocatalysts Will Remain Key Source of Demand in the Next 10 Years (>80% Consumption)

Moz



Palladium Market – Structural Deficit to Continue in 2025E ⁽¹⁾

Moz



Source: Company estimates

Note: 1. Mine production excluding possible and probable projects

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 is more efficient than platinum in exhaust gas after treatment systems of gasoline engines

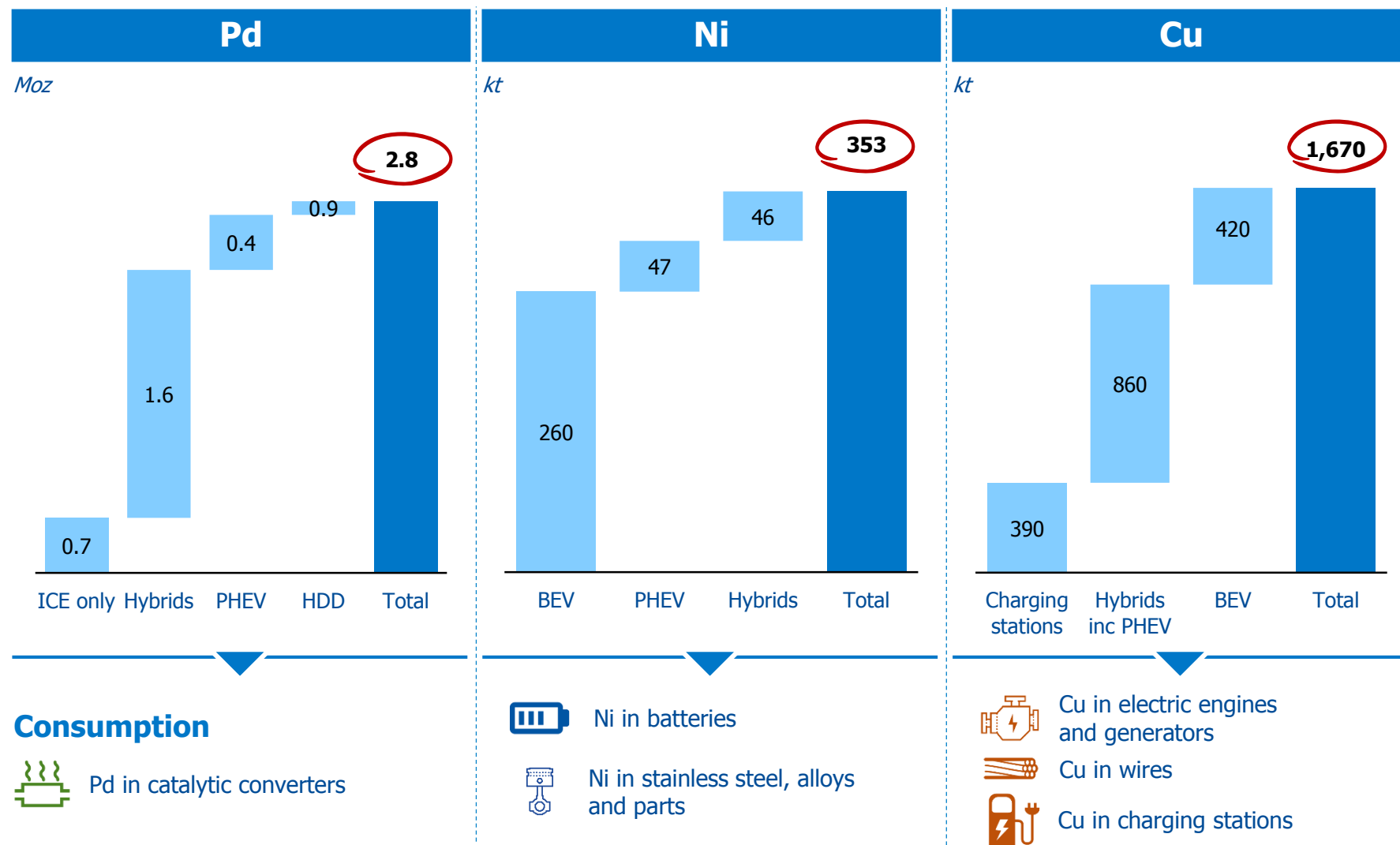
Turbocharging, hybridization & Real Driving Emission tests limit substitution opportunities

2+ years required to certify and roll out new loadings

Palladium premium over platinum is sustainable in the medium term

Auto Driven Metal Demand Growth in 2017-2025E






Metal



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
CAGR ¹	0%	0%	+27%	+26%	+21%
Market Share ²	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⁾	\$340-560	\$330-520	\$680-970	Up to \$2,200	Up to \$1,900

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 November 1, 2018

Maintaining Focus on Diversification of Ni Sales

Priorities of Ni Marketing Strategy



Portfolio diversification across STS and non-STs sectors



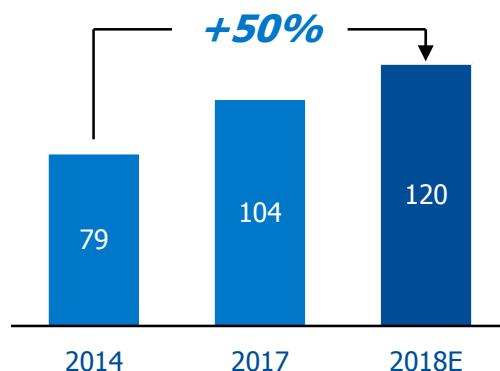
Gaining insight into technical requirements with respect to first use applications



Providing support to prospective Ni applications

Progress Track Record

Sales to Non-STs sectors, kt



- 2018: enhancing further diversification of nickel sales by application
- Active dialogue with battery sector players to expand the range of offering

Sales Team Product Focus

▪ Batteries:

- Support the development of EV market and related value chains
- Build relationships with key sector players and broaden the market reach for Ni and Co products
- Monitor changing product technical requirements

▪ Alloys & Special Steels:

Leverage the portfolio strength and improved product quality to expand presence in quality focused demand segments

▪ Plating:

Adjusting product offering to customer needs will help to reach new customers in China and other regions

Strong Product Offering to Service Rapidly Growing Battery Materials Industry

Search for Optimal Feed for Battery Material Industry

Nickel sulphate

- Expensive
- Supply is expected to surge in the near term



- Second preferred option but expected to be in deficit in the future



Briquettes / Powder

Cathodes

- Most accessible Class 1 form
- Existing consumers network to investigate potential synergies



- Potentially the most cost-efficient option as several process stages could be streamlined



Semi-products

Laterite Feed

- **Risk:** potential substitution for Class-1 nickel



Opportunities for NN

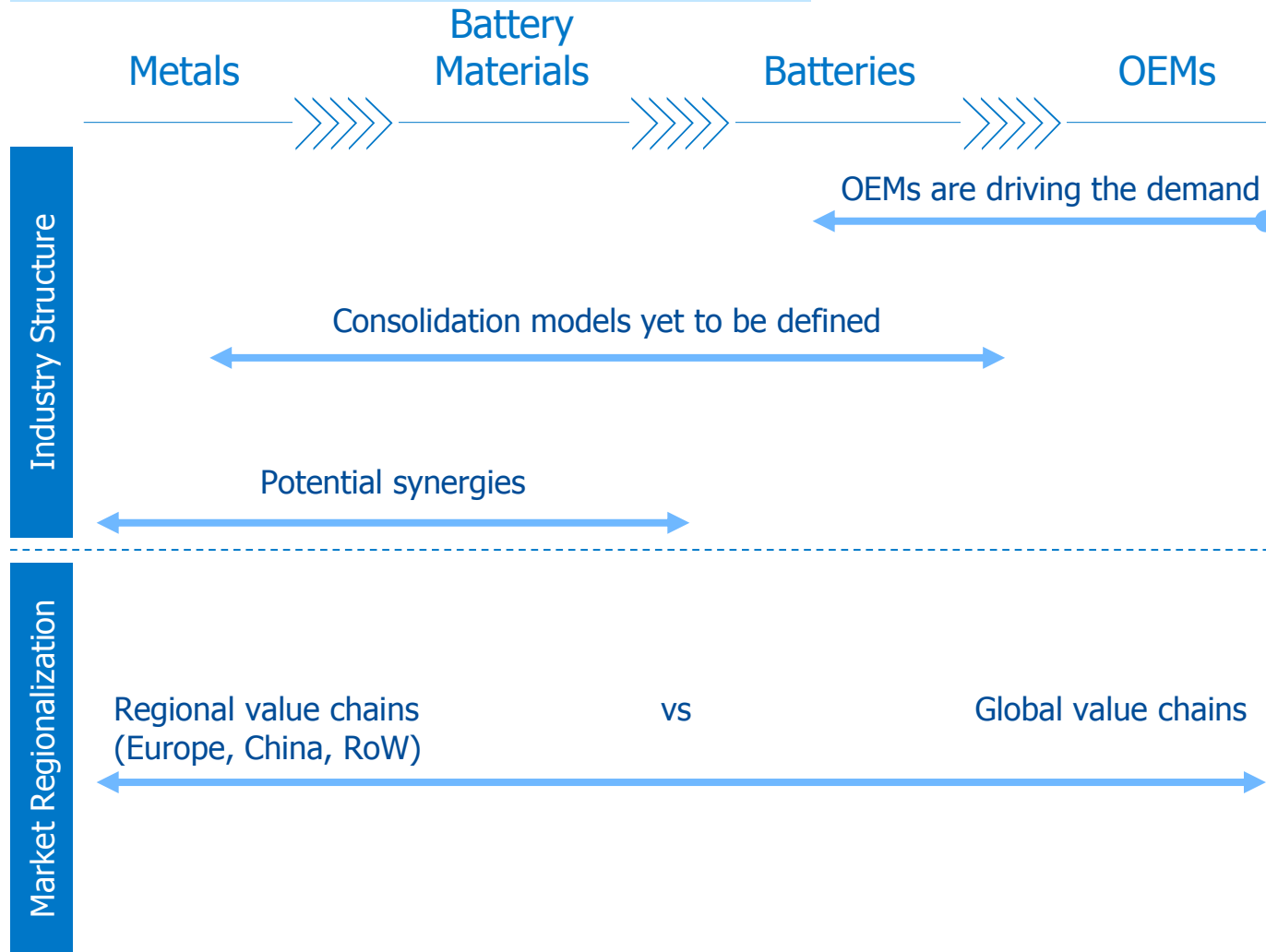
Nornickel Offering

- World's largest producer of Class I nickel, leading producer of cobalt
- The most reliable supplier of metals to the global market for many decades
- Unique capabilities to provide battery materials industry with tailor-made products
- Pro-active marketing strategy complemented by dedicated product R&D

Nornickel is uniquely positioned to become a supplier of choice for the battery materials industry

Navigating in the Emerging Industry through Extensive Global Client Network

Evolving Battery Industry Structure



Nornickel Offering

- Captive / in-house Sales platform with a global reach
- Long track record of direct exposure to OEMs and chemical companies
- Pro-active dialogue with key emerging players

Evolving market structure provides opportunities for Nornickel to become a key element of the value chains

Responsible Leadership in the Global Palladium Market

Global Palladium Fund



Objectives

- Enhance supply sustainability by channeling palladium from existing stockpiles to anchor industrial consumers



Milestones

2016: Global Palladium Fund established

Mid-2017: Fully operational

2018: Full-scale deliveries to industrial consumers



Status update on Global Pd Fund

- A tool to support global demand by creating a bridge over mid-term deficit in the market and increasing palladium availability for key consumers above the current production level
- Fund size is limited to 600 koz; actual size is driven by supply availability and consumer demand
- 1 Moz delivered to industrial consumers on top of Nornickel's production in 2017-2018
- YE2018 inventory level expected up to 200 koz
- In 2019, the Fund will continue purchasing palladium and delivering it to industrial consumers

Strategically, Nornickel sees its role as a market leader through building transparent pipeline of new mining projects supporting long-term market balance



Sustainable Development

Andrey Bougrov
Deputy Chairman of the Board
Senior Vice-President

Strong Corporate Governance – Focus on Sustainable Development

Balanced Board Led by Independent Chairman

Gareth Peter Penny - Independent Chairman of the Board

- Board includes 6 independent directors (out of 13)
- All Board Committees comprise a majority of independent⁽¹⁾ directors

Strengthening of the Board's Financial Expertise

Roger Munnings - (Newly appointed) Independent Director, Chairman of the Audit and Sustainable Development Committee

- Member of Norilsk Nickel's Board Budget Committee
- Fellow of the Institute of Chartered Accountants in England and Wales
- Ex-head of KPMG Russia and CIS

Focus on Sustainable Development

Audit and Sustainable Development Committee

- Oversees the Company's health and safety, major environmental projects and social initiatives

Remuneration Linked to ESG Metrics

Top management compensation – ESG linked

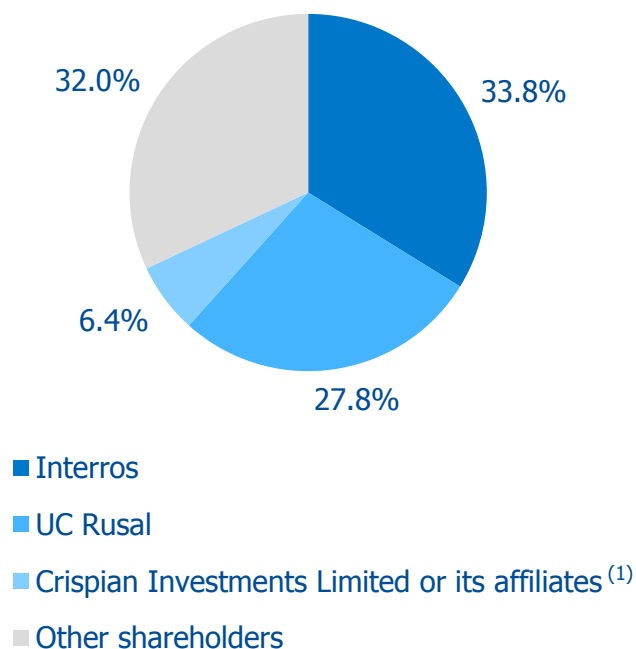
- **Block on the 20-30% of the annual bonuses** of the heads of operating units (including COO) in case of fatal incidents
- **The 20% of the Group's KPI is linked to TRI (total recordable injuries)** performance

Improving Disclosure and Communication

- Launched new ESG section on corporate website
- Further expedited release of IFRS results

Note: 1. Independence definition by Moscow Exchange

Shareholder Structure and Dividend Targets

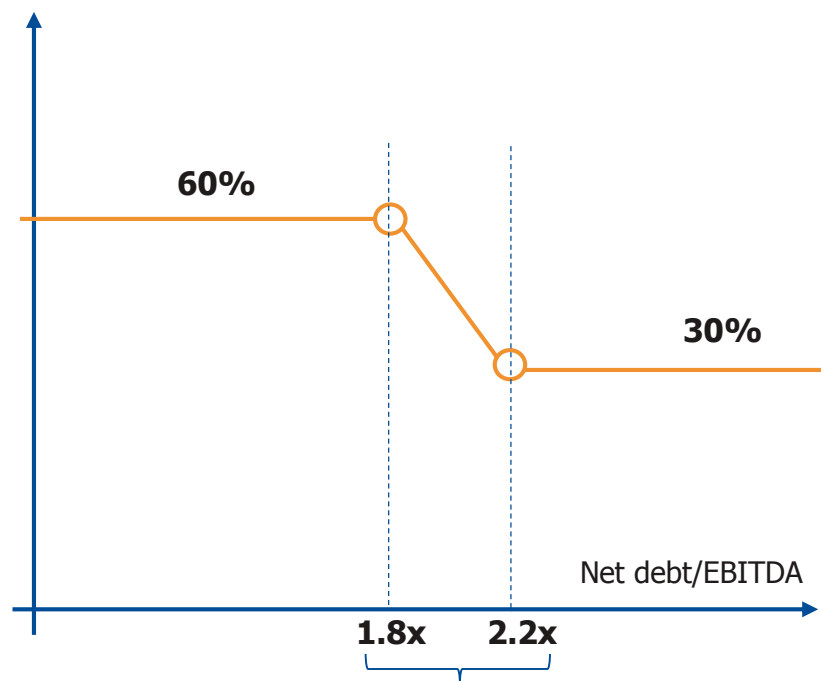


Major Shareholders Agreement:

- Valid until January 1, 2023

Nornickel's Current Dividend Target

Dividend Payout as % of EBITDA



$$\text{Floating payout ratio of } (60\% - (\text{Net debt/EBITDA} - 1.8) / 0.4 * 30\%)$$

Independently Verified Commitment to Sustainable Development

Recognition of the Company's ESG Efforts



Signatory to UN Global Compact since 2016



Upgraded to Average performer
from Underperformer Score of
58/100 (up from 49 in 2016)



Rating updated in June 2018

Governance score **5/10⁽¹⁾**
Environmental score **4/10**
Social score **2/10**



Upgraded to «B» from «CCC»
in December 2017



FTSE4Good

**Reiterated as an index
constituent in July 2018**

Score of **3.1/5⁽²⁾**
(up from 2.3 in 2017)



Ranked 36/58 in September 2018



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



Assigned «C-» rating in
December 2017



Rated⁽³⁾ as one of the leaders of
«Responsibility and Transparency
Index» and «Sustainable
Development Vector Index» in 2017

Note: 1. of which 1 – is low, 10 – is high risk, 2. of which 5 – is the highest, 3. Russian Union of Industrialists and Entrepreneurs

Assessment of Controversies: Country Matters? It depends...

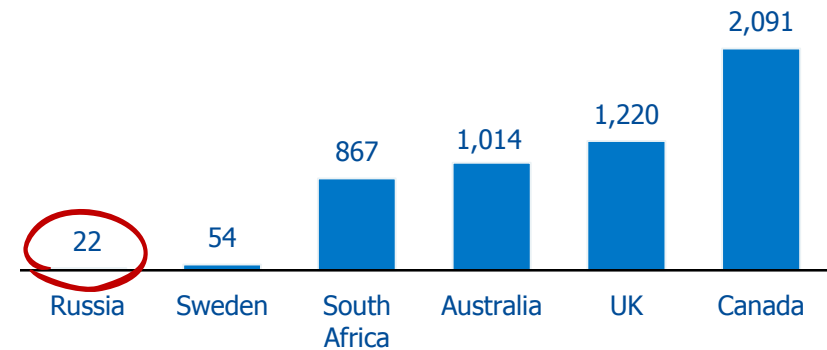
«South Africa's platinum miners said Tuesday the two-month strike is severely damaging the sector, which has lost nearly a billion dollars in revenue to date. **"The extended strike in the platinum belt is unprecedented, and at a stage where some of its impacts are becoming irreparable,"** said in a joint statement the world's top three producers, Anglo American Platinum, Impala Platinum and Lonmin. **The companies added the financial cost of the strike doesn't really tell the full story:** "Mines and shafts are becoming unviable; people are hungry; children are not going to school; businesses are closing and crime in the platinum belt is increasing," the companies said». *2014, South Africa, www.mining.com*

«Nearly **70,000 platinum workers in the South Africa** went on strike. The strike affected all three of South Africa's major platinum producers, with Lonmin hardest hit...Roughly 40% of the world's platinum production was shut down as a result». *2014, South Africa, www.sahistory.org.za*

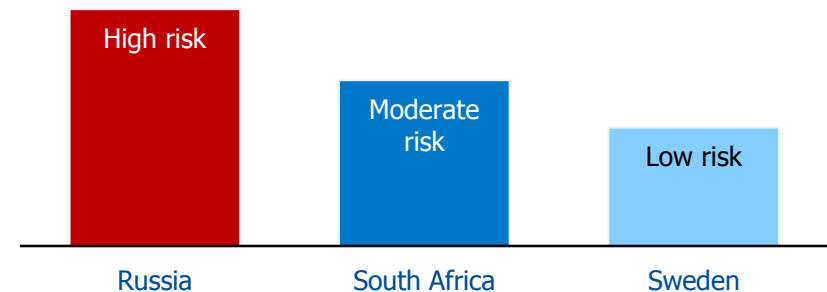
«**Pilots in Sweden went on strike** on August 10th, with several flights cancelled at Skavsta. Pilots in Ireland, Germany, Belgium and the Netherlands also joined the 24-hour strike over demands for a collective labour agreement and better working conditions and representation». *2018, Sweden, www.theocal.se*

Fact Check: International Labor Organization Data – Russia Had the Lowest Number of Strikes and Lockouts

Total number of strikes and lockouts for the period 2007–2017⁽¹⁾, days



Assessment: Russia Has the Highest Risk of Labour Unrest based on «Historical Precedents»⁽²⁾

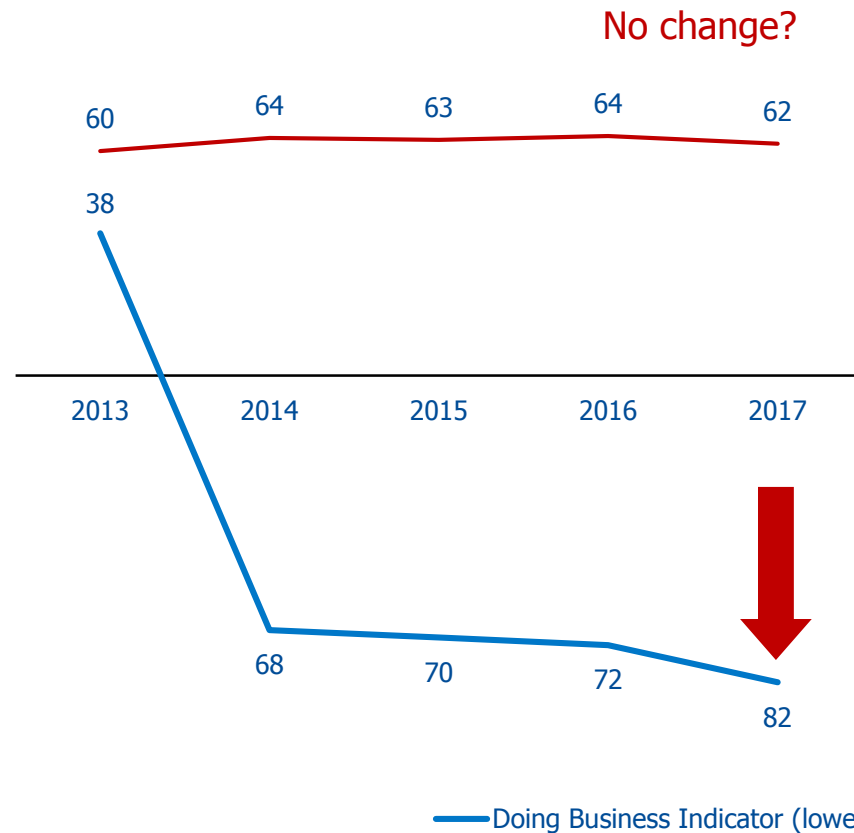


Source: Company data, MSCI

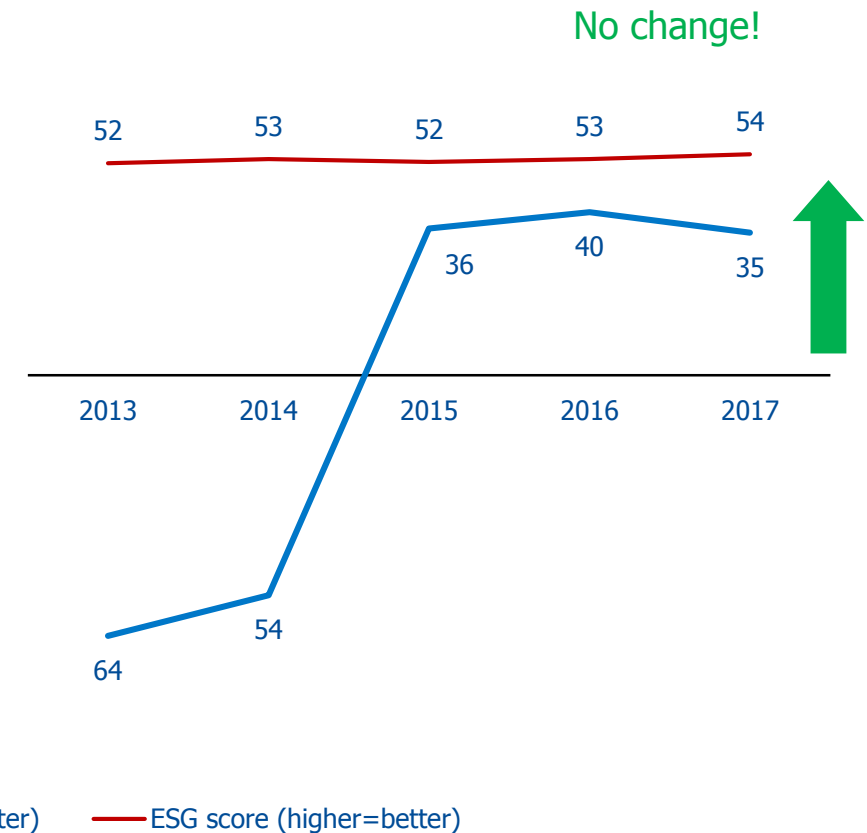
Notes: 1. According to International Labor Organisation data for the period of 2007–2017, 2. MSCI ESG Rating Reports

Assessment of Controversies: Country Matters? Not Really...

Average ESG Score of the SA Corporates
Unchanged Despite **Sharply Deteriorating**
Business Climate...



...But so Is the Average ESG Score of the Russian Corporates Despite Major Improvements



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