NORILSK NICKEL

NORILSK NICKEL REPORTS FIRST HALF 2014 INTERIM CONSOLIDATED IFRS FINANCIAL RESULTS

Moscow, August 28, 2014 – OJSC MMC Norilsk Nickel ("Norilsk Nickel", the "Company" or the "Group"), the largest nickel and palladium producer in the world, today reports unaudited IFRS financial results for the six months ended June 30, 2014.

1H 2014 HIGHLIGHTS

- Ongoing implementation of the new ROIC-focused corporate strategy approved in 2013 continues to have a positive impact on the financial performance with further improvement in free cash flow generation and expansion of ROIC to 20% in 1H 2014 from 17% a year ago
- Mixed performance of the commodity markets resulted in the consolidated revenue staying flat y-o-y at USD 5.7 billion with the recovery of nickel market and strong palladium market performance offset by lower copper and platinum prices
- EBITDA grew 9% y-o-y to USD 2.5 billion with EBITDA margin expanding to 44% (up from 40%) driven by favourable exchange rate environment and cost at Russian producing assets
- Material improvement of Kola operations profitability with EBITDA margin expansion to 30% in 1H 2014 from 18% in 1H 2013
- Net profit almost tripled to USD 1.5 billion
- CAPEX decreased 45% y-o-y to USD 0.5 billion as a result of RUB depreciation, roll-out of the stringent investment governance system and optimisation of infrastructure-related mandatory Capex
- Working capital reduced by approximately USD 0.9 billion since the start of the year and almost two-fold in the last twelve months
- **Free cash flow almost tripled y-o-y to USD 2.4 billion driven by increase in EBITDA, a reduction of working capital and lower CAPEX**
- Leverage remained conservative at 0.8x Net Debt/ LTM EBITDA, down from 1.1x as of year-end 2013. In July Fitch Ratings upgraded the Company's long-term credit rating to investment grade 'BBB-'
- Dividends for the full year 2013 of RUB 248.5 (approximately USD 7.1) per ordinary share paid in June 2014 on top of 9 months 2013 interim dividend paid in December 2013. Total dividend paid in respect of 2013 amounted to RUB 469 per share (approximately USD 14), fully in line with the target of returning 50% of EBITDA to shareholders as regular dividends
- New configuration of the Company's downstream assets was presented to the investment community in May 2014. The program entails modernization and expansion of concentrators, consolidation of nickel smelting and refining capacity at most modern plants, and the shutdown of outdated metallurgical facilities of the Nickel Plant located in the city of Norilsk
- Exit from non-core and non-Tier 1 assets progressing well with the disposal of gold (North Eastern Goldfields) and nickel mines in Australia (Avalon and Cawse), announced in January and May respectively, followed by the announcements in July of the disposal of Black Swan and Silver Swan nickel mines

KEY CORPORATE HIGHLIGHTS

USD million unless stated otherwise	1H2014	1H2013	Change y-o-y
Revenue	5,708	5,686	0.4%
Gross profit	2,724	2,473	10.1%
EBITDA	2,496	2,299	8.6%
EBITDA margin	44%	40%	4 p.p.
Net profit	1,456	545	167%
Net profit before impairment of financial and non-financial assets	1,527	1,181	29.3%
Net working capital	2,127	4,122	(48.4%)
Net cash from operating activities	2,823	1,691	66.9%
Capital expenditures	491	884	(44.5%)
Free cash flow[1)]	2,371	849	179%
Net debt	3,461	5,065	(31.7%)
Net debt/ LTM[2)] EBITDA	0.8 x	1.1 x	n/a
ROIC[3)]	20.3%	16.9%	3.4 p.p.

[1] Free cash flow is a non-IFRS measure and is calculated as net cash generated from operating activities less net cash used in investing activities for the reported period.

[2] Last twelve months

[3] ROIC is a non-IFRS measure and is calculated as net operating profit (NOPAT) before impairment charges on PPE, divided by the average invested capital for the period (total assets less cash, cash equivalents, financial assets, investments in associates and current non-interest-bearing liabilities). ROIC for six-month report is calculated using invested capital of 1H2013 and 1H2014 respectively and NOPAT for a respective period multiplied by 2 to gain annual equivalent.

KEY SEGMENTAL HIGHLIGHTS

USD million unless stated otherwise	1H2014	1H2013	Change y-o-y
Revenue			
Polar Division	4,348	4,215	3.2%
Kola MMC	566	535	5.8%
Other production assets	568	712	(20.2%)
Other non-production assets	531	571	(7.0%)
Inter-company eliminations	(305)	(347)	n/a
Consolidated revenue	**5,708**	**5,686**	**0.4%**
EBITDA			
Polar Division	2,602	2,409	8.0%
Kola MMC	171	94	81.9%
Other production assets	(128)	(72)	n/a
Other non-production assets	(30)	(7)	n/a
Headquarters costs and expenses	(119)	(125)	(5.0%)
Consolidated EBITDA	**2,496**	**2,299**	**8.6%**
EBITDA margin,%			
Polar Division	60%	57%	3 p.p.
Kola MMC	30%	18%	12 p.p.
Other production assets	(22%)	(10%)	(10 p.p.)
Other non-production assets	(6%)	(1%)	(5 p.p,)
Consolidated EBITDA margin, %	**44%**	**40%**	**4 p.p.**

MANAGEMENT COMMENTS

Vladimir Potanin, Chief Executive Officer of Norilsk Nickel, commented: "I am pleased to report to shareholders that the transformation of Norilsk we launched in 2013 is progressing well with the Company rapidly embracing the new culture and management philosophy of a returns-driven organization.

First of all, we have taken major steps forward in our HSE agenda announcing the closure of outdated smelting facilities in Norilsk as well as a number of other key initiatives in employee safety and environmental protection. In terms of the financial results, while the performance of commodity markets had been mixed in 1H 2014 and as a result revenue was flat year-on-year, tight cost controls and favourable exchange rates resulted in EBITDA growth and margin expansion. Management continues to deliver on the reduction of working capital well ahead of the targets with almost USD 0.9 billion released in the first half of the year, contributing to a total of USD 2 billion release in the past 12 months. Our free cash flow increased almost three-fold to USD 2.4 billion in 1H2014. Consistent with our new strategic goal to systainably maximize shareholder returns, we increased ROIC to 20%, confirming our leading position in the global metals and mining industry.

Due to the roll-out of stringent investment governance discipline and a recent completion of the review of the downstream configuration, we have scaled down our mandatory capital investment plans and, where possible, deferred some of the CAPEX until 2H2014 and 2015. Having also factored in the improvement of payment terms with a number of key contractors in favour of Norilsk and depreciation of the Russian rouble against USD, we revise our annual CAPEX guidance down to USD 1.7 billion in 2104.

We maintained one of the industry's lowest leverage levels, with net debt to EBITDA ratio falling to 0.8x. Prudent financial management and strong balance sheet remain a priority for us. Improving credit profile and the recent enhancement of the Company's corporate governance have been reflected in the credit upgrade by Fitch to an investment grade, making us investment grade-rated by all three major rating agencies.

In May we unveiled the new metallurgical production footprint with the aim to consolidate nickel smelting and refining operations at the most modern and technologically advanced facilities and shut down the outdated and environmentally unfriendly Nickel Plant. This comprises a part of the management's comprehensive plan for the improvement of the environmental situation in the city of Norilsk. Our initiatives received full support from the Russian government, which entered into and agreement with the Company to co-fund the closure of the Nickel Plant with an earlier than expected cancelation of export duties on nickel and copper.

We remain focused on our commitment to create value for all shareholders through effective development of our best-in-class resource base, profitability improvement, prudent capital and balance sheet management, and industry leading dividend payouts.

We believe that the Company has a unique market position being the world's largest producers of two metals that will be in structural deficit in 2015 – nickel and palladium. We expect that the improvement in the fundamentals of the nickel market started in 1H 2014 will continue throughout the remainder of the year and further onto medium term. We believe that the recent change in export regulations in Indonesia has triggered a fundamental change of the nickel industry globally. We also continue to look favourably at our PGM basket benefiting from the supply issues outside Russia combined with the strong demand growth in China and the recovery in the developed world."

HEALTH & SAFETY

The safety of our people continues to be our highest priority and a critical focus of our entire management team. We have been focusing on sustained training to underline the importance of a zero-harm environment. Upon the completion of HSE audit launched in September 2013, we have developed a number of specialized training courses across all production sites. In 1H 2014 LTIFR (lost-time injury frequency rate) decreased to 0.47.

METAL MARKETS

Nickel

The record high Chinese nickel pig iron (NPI) production in 2013 combined with subdued demand in the developed world pushed nickel price to the lowest levels since 2009, and 2014 started with a quote of USD 14,000 per tonne. On January 12, 2014, somewhat contrary to the market expectations, but exactly as planned, Indonesia, the major supplier of nickel material to Chinese NPI producers introduced the ban on the export of unprocessed ore. Only material with at least 4% nickel content was allowed for exports, the threshold that none of the nickel ore mined in Indonesia qualified.

The market concerns over the ban implementation and possible loopholes were weathering off as unprocessed ore exports from Indonesia to China started to wane from January onwards reaching practically zero in May while the nickel ore stockpiles at the Chinese ports fell as well. This led to the nickel price rally through May to USD21,000 per tonne. Albeit no physical shortage of nickel developed in 1H2014, the markets were acting on the expectations that nickel would likely move into a deficit towards 2H 2014 – 2015.

The Indonesian government's determination to keep the ban in place and unaltered with regard to nickel has not changed since the presidential elections in July, with no public indications to the contrary. As a result the nickel price settled comfortably above USD18,000 per tonne in the second quarter of 2014, well above the market consensus expectations in early 2014. The average price in 1H 2014 was USD16,523 per tonne, flat y-o-y.

We remain bullish on nickel in the medium term assuming that the Indonesian ban remains in place unaltered. We expect NPI output in China to reduce by over 50 thousand tonnes year-on-year this year and at least another 150 thousand tonnes year-on-year in 2015. We also expect that the substantial part of the lost Chinese NPI volumes to be compensated by the ramp-up of new laterite projects in Indonesia, Oceania, Madagascar and Latin America. We believe that the ramp-up of these projects is likely to accelerate driven by stronger nickel price, but is still subject to the successful resolution of many technical issues. Overall, we expect that marginal supply growth will not match the increase of global metal consumption, thus driving the nickel market to balance this year and to a sizeable deficit in 2015.

Copper

The beginning of 2014 was marked by a weakness in copper market with prices falling below USD 6,500 per tonne in March. This negative trend was mostly driven by the concerns about the financial stability of Chinese companies, which had used copper as a collateral and therefore could sell large volumes of the metal to the market. However, in the second quarter of 2014 prices recovered and reached USD7,000 per tonne already in May driven by the more positive outlook of US and EU economies as well as strong copper consumption in China. The average price in 1H2014 stood at USD 6,916 per tonne, down 8% year-on-year.

We expect copper market to remain fairly balanced as the incremental production will be matched by the consumption growth. The level of exchange copper inventories remains relatively low, keeping copper price vulnerable on the upside to potential supply disruptions and demand recovery in the developed world.

Palladium

In 1H 2014, palladium was the best performer among precious and most of industrial metals. A 5-month long labour strike in South Africa put a halt to 20% of global palladium production and resulted in over USD2 billion in lost revenue. We believe that the pre-strike mine production capacity could be reached not earlier than September 2014 at best. The labour strikes affected only mine production, so that the South African PGM producers could still produce refined metal using the ore inventory accumulated ahead of the strike as well as tap into their refined metal inventory. Therefore, the negative impact of the strike on the supply of refined metal was partially mitigated. We expect a reduction of palladium supply from South Africa by over 400 thousand ounces this year as compared to 2013 .

We estimate that there were no sales of palladium from the Russian government stockpiles (Gokhran) in 1H2014, thus confirming the market view that these stockpiles have by and large depleted by now.

Gross palladium demand increased in 1H 2014 on the back of expanding global automotive industry driven by strong growth in China and recovery in the developed world, combined with rising investment demand. The new ETFs launched in South Africa (by ABSA and Standard Bank) accumulated in total 850 thousand ounces of palladium in 1H2014.

As result of the apparent market deficit in 1H 2014, palladium price increased 7% year on year to USD 779 per ounce.

We expect an increase of gross palladium consumption by around 2% in 2014 to 9.5 million ounces. Rising consumption combined with reduced supply of the primary metal, we forecast should drive the palladium market to a wider deficit in 2014 of over 2 million ounces (over 20% of global gross consumption) up from approximately 1.0 million ounces deficit in 2013. We also reiterate our view that the discount of palladium to platinum should continue shrinking. The current discount remains to be fundamentally unjustified, in our view, and we see substantial further room for platinum substitution by palladium in diesel autocatalysts as well as the palladium demand growth in gasoline autocatalysts and other applications.

Platinum

In 1H 2014, platinum price was quite volatile fluctuating in the range of USD1,370-1,490 per ounce. The price did not respond much to the supply issues caused by the labour strikes at Amplats, Impala and Lonmin in South Africa, resulting in the 55% of the country’s platinum mine production (approximately 40% of the world’s) halted. Even though the South African PGM producers accumulated inventories of both ore and refined platinum inventories in anticipation of the strike, which helped to mitigate the reduced mine output, some producers still had to declare force majeure on their contractual obligations and reduce deliveries. Taking into account the potential ramp-up period and re-starts of the idled mine production, we expect the platinum supply from South Africa to decrease by over 750 thousand ounces year-on-year in 2014.

We expect platinum gross consumption to increase by more than 5% year-on-year in 2014. Platinum ETFs are enjoying another year of net-inflows, with 300 thousand ounces added to ETFs in 1H2014 following the record high of over 900 thousand ounces accumulated by a new ABSA fund in South Africa in 2013.

In spite of the unprecedented labour strike and supply reduction in South Africa, platinum price in 1H2014 was down 7% year on year to an average USD1,437 per ounce. In our view, this apparent abnormality illustrates yet again the fact that pricing in platinum market is to larger extent driven by the financial markets and investors rather than the fundamentals of the physical supply-demand. Above-the-ground PGM stocks are mostly opaque, but may as well cap rebounds in platinum price.

We forecast that platinum production cost in South Africa will continue to rise, in part driven by rising input costs such as electricity and labour and in part driven by geological conditions. This should drive higher the global platinum cost curve, thus supporting higher platinum prices. Strong cost pressure may additionally trigger further industry restructuring, involving the closure of unprofitable mines and thus negatively affecting the mined supply. We further estimate that the available global above-the-ground platinum inventories are lower than the widely believed. We remain bullish on the platinum market in the medium term, but expect that its premium over palladium should reduce.

FINANCIAL HIGHLIGHTS

REVENUE

USD million	**1H2014**	**1H2013**	**Change y-o-y**
Metal sales			
Nickel	*2,145*	*2,222*	*(3.5%)*
Copper	*1,220*	*1,266*	*(3.6%)*
Palladium	*1,124*	*954*	*17.8%*
Platinum	*469*	*489*	*(4.1%)*
Other metals	*244*	*218*	*11.9%*
Revenue from metal sales	**5,202**	**5,149**	*1.0%*
Revenue from other sales	506	537	*(5.8%)*
Total revenue	**5,708**	**5,686**	*0.4%*

Metal sales revenue in 1H2014 increased 1% y-o-y to USD 5.2 billion. Increase in sales volumes of copper and PGMs coupled with increase of realized prices of palladium and nickel, 3% and 8%, respectively, fully offset the negative impact on the top line from lower physical volumes of nickel sales and weaker copper and platinum prices.

Metal sales, physical volumes, by origin of production[1,2)]

Total Group, excluding SouthAfrica[3)]	**1H2014**	**1H2013**	**Change y-o-y**
Nickel (thousand tonnes)	128	134	(4.5%)
Copper (thousand tonnes)	176	165	6.7%
Palladium (thousand ounces)	1,369	1,324	3.4%
Platinum (thousand ounces)	328	321	2.2%
Gold (thousand ounces)	76	64	18.8%
Rhodium (thousand ounces)	48	41	17.1%
Cobalt (thousand tonnes)	3	2	50.0%
Silver (thousand ounces)	1,286	1,099	17.0%

Finished products

Russian entities	1H2014	1H2013	Change y-o-y
Nickel (thousand tonnes)	109	109	0.0%
Copper (thousand tonnes)	172	159	8.2%
Palladium (thousand ounces)	1,345	1,288	4.4%
Platinum (thousand ounces)	319	309	3.2%
Finland			
Nickel (thousand tonnes)	18	19	(5.3%)

Semi-finished products

Finland	1H2014	1H2013	Change y-o-y
Copper cake (thousand tonnes)[4)]	3	4	(25.0%)
Botswana			
Nickel (thousand tonnes)	1	4	(75.0%)
Copper (thousand tonnes)	1	3	(66.7%)
Australia			
Nickel (thousand tonnes)	0	2	(100%)

Average realized price of metals produced in Russia, Norilsk Nickel own production

Metal	1H2014	1H2013	Change y-o-y
Nickel (in USD per tonne)	16,898	16,401	3.0%
Copper (in USD per tonne)	6,969	7,743	(10.0%)
Palladium (in USD per troy ounce)	783	726	7.9%
Platinum (in USD per troy ounce)	1,433	1,541	(7.0%)
Cobalt (in USD per tonne)	29,723	26,106	13.9%
Gold (in USD per troy ounce)	1,288	1,515	(15.0%)
Rhodium (in USD per troy ounce)	1,068	1,106	(3.4%)

1) All information is presented on the basis of 100% ownership of subsidiaries
2) Sales of metals purchased from third parties are excluded
3) The operating results of Nkomati Nickel Mine (South Africa) are shown in the financial statements based on the Group's 50% ownership and are presented as operating results of associates
4) Copper cake is a semi-product with average copper content of 38-40%

Nickel

In 1H2014, nickel revenue declined 3% y-o-y to USD 2.1 billion. Though the average realized price recovered by 3% y-o-y, nickel sales revenue was negatively affected by a 4.5% y-o-y decrease in physical sales volume. Nickel remained the largest contributor to the Company's revenue, accounting for 41% of total in 1H2014, down from 43% in 1H 2013.

Sales volume of nickel produced by Norilsk Nickel in Russia was flat y-o-y amounting to 109 thousand tonnes. Sales of metal produced from own feedstock increased by 2% y-o-y, while the sales of tolling metal was down 2% y-o-y.

Sales volume of nickel produced at Harjavalta decreased 5% y-o-y to 18 thousand tonnes owing to a reduction of output due to scheduled repairs at the Boliden Harjavalta smelter.

The sales volume of semi-finished nickel products of Norilsk Nickel International (excluding Norilsk Nickel Harjavalta and 50%-owned Nkomati Nickel Mine) decreased by 5 thousand tonnes y-o-y due to the mothballing of the Group's operations in Australia and lower output at Tati nickel mine.

Copper

Copper revenue declined 4% y-o-y to USD 1.2 billion driven by a 10% decline in average realized price, which was only partly offset by higher physical sales volumes, up 7% y-o-y to 176 thousand tonnes. Overall, copper revenue accounted for 23% of the Company's total revenue from metal sales in 1H2014 (down from 25% in 1H2013).

The sales volume of copper produced by Norilsk Nickel in Russia increased 8% y-o-y to 172 thousand tonnes. The growth of sales was driven by higher copper production volumes by the Polar Division and increased shipping volumes during June navigation.

Sales of copper cake produced by Norilsk Nickel Harjavalta of 1 thousand tonnes were down y-o-y almost in line with 1H14 nickel output dynamics. Sales of copper concentrate produced by Tati decreased by 2 thousand tonnes y-o-y owing to lower mining volumes and declining metal content in the ore.

Palladium

Palladium revenue totalled USD 1.1 billion, increasing 18% y-o-y. The growth was driven both by realized price appreciation (+8% y-o-y) and higher sales volumes owing to the processing work-in-progress material. Palladium contribution into total metals revenue increased from 19% in 1H2013 to 22% in 1H2014.

Platinum

In 1H2014, platinum revenue declined 4% y-o-y to USD 469 million and contributed 9% to the total revenue from metal sales. A 2% increase in physical sales volume (driven by the change of stock) was negatively offset by a 7% reduction of the realized price.

Other metals

Revenue from other metals sales was up 12% y-o-y driven by higher revenue from gold (+2% y-o-y), cobalt (+44% y-o-y) and rhodium (+13% y-o-y).

Other sales

USD million	**1H2014**	**1H2013**	**Change y-o-y**
Energy and utilities	79	73	8.2%
Transport	262	279	(6.1%)
Other	165	185	(10.8%)
Total	**506**	**537**	(5.8%)

In 1H2014, revenue from other sales decreased almost 6% y-o-y to USD 506 million driven mostly by the weakening of Russian Rouble against US dollar as most of the other sales are related to the company's domestic operations.

Increase in energy and utilities sales was a result of higher volume of services provided to the city of Norilsk residents coupled with tariff inflation. Transport revenue was down 6% driven by the effect of translation to presentation currency. Other revenue declined 11% y-o-y also due to the depreciation of Russian Rouble against US dollar.

COST OF METAL SALES

In 1H2014, the total cost of metal sales were down 7% y-o-y to USD 2.5 billion, with cash operating cost decreasing over 8% y-o-y (or USD 205 million) driven by the following factors:

- USD 208 million effect from the depreciation of Russian rouble against US dollar (effect of translation to presentation currency);
- USD 102 million cost savings across most cash cost items driven by the cost optimisation initiatives.

However, these savings were partly offset negatively by:

- USD 102 million increase in expenses on acquisition of raw materials and semi-products;
- USD 3 million decrease in by-products credits.

The allocation of cash operating cost between main productions units in 1H2014*:

- 96% - Russia and Finland
- 4% - Norilsk Nickel International

USD million	**1H2014**	**1H2013**	**Change y-o-y**
Cash operating costs			
Labour	*729*	*810*	*(10.0%)*
Expenses on acquisition of raw materials and semi-products	*509*	*407*	*25.1%*
Consumables and spares	*422*	*553*	*(23.7%)*
Outsourced third party services	*225*	*297*	*(24.2%)*
Taxes directly attributable to cost of goods sold	*124*	*144*	*(13.9%)*
Utilities	*108*	*110*	*(1.8%)*
Transportation expenses	*63*	*77*	*(18.2%)*
Sundry costs	*51*	*41*	*24.4%*
Cash operating costs (before by-product credits)	**2,231**	**2,439**	**(8.5%)**
Less: sale of by-products	(5)	(8)	(37.5%)
Cash operating costs	**2,226**	**2,431**	**(8.4%)**
Amortisation and depreciation	409	394	3.8%
Decrease/(increase) in metal inventories	(116)	(122)	(4.9%)
Total cost of metal sales	**2,519**	**2,703**	**(6.8%)**

* Breakdown of total production costs by units is provided in Attachment D to this press-release

Labour costs

In 1H2014 labour costs decreased 10% y-o-y to USD 729 million due to the following factors:

- USD 89 million effect of Russian rouble depreciation against the US Dollar;
- Offset negatively by USD 8 million cost increase due to the indexation of Rouble-denominated salaries (April 2014).

Labour costs remained the largest cash cost item, accounting for 33% of total cash costs.

Expenses on acquisition of raw materials and semi-finished products

The cash cost of the acquisition of raw materials, semi-finished products and scrap increased by USD 102 million (or 25% y-o-y) to USD 509 million due to the following factors:

- USD 118 million impact from increased purchases of refined metal from third parties to fulfil contract obligations during the halt of product shipments by sea owing to the short break in sea navigation at the Polar Division in late spring;
- USD 59 million effect from the price appreciation for purchased raw materials driven mainly by an increase in nickel market price.

This increase was partly offset by a reduction in volumes of purchased metal material from third parties for processing at Kola MMC and Harjavalta, resulting in cash cost savings of USD 75 million.

Consumables and spares

Consumables and spare parts cash costs were down 24% y-o-y to USD 422 million due to the following factors:

- USD 61 million effect resulting from the Russian rouble depreciation against US Dollar;
- USD 31 million savings owing to improved procurement procedures;
- USD 29 million savings at Norilsk Nickel operations in Russia as a result of the full consolidation of Norilskgazprom since April 1, 2013 (which resulted in the removal of the cost of natural gas supplied by Norilskgazprom from the consolidated consumables and spares cost);
- USD 10 million reduction of consumables and spares cost at Norilsk Nickel International following the conservation of the Lake Johnston operations in Australia.

Outsourced third party services

In 1H2014, the cash cost of services purchased from third parties decreased by USD 72 million (or by 24%) to USD 225 million due to the following:

- USD 27 million reduction at Norilsk Nickel International as a result of the mothballing of Lake Johnston mine in Australia and lower production volumes at Tati Nickel;
- USD 24 million impact from the depreciation of the Russian rouble against the US Dollar;
- USD 21 million savings in Russia driven by lower insurance costs as well as the reduction of exploration expenditures in the Kola Peninsula and Zabaykalsky Kray.

Taxes directly attributable to cost of goods sold

Taxes directly attributable to cost of goods sold declined 14% y-o-y to USD 124 million as a result of the following factors:

- USD 16 million impact from the depreciation of the Russian rouble against the US Dollar;
- USD 4 million savings due to lower emissions taxes paid by the Polar Division.

Utilities

Utility costs in 2013 were down 2 % y-o-y to USD 108 million. Higher electricity tariffs for Kola MMC and African assets were fully offset by the Russian rouble depreciation.

Transportation expenses

Transportation costs decreased 18% to USD 63 million due to tighter cost control at Russian assets and the weakening of Russian rouble against US dollar.

Amortisation and depreciation

The depreciation and amortisation charges in 1H2014 increased by USD 15 million y-o-y (or 4%) to USD 409 million predominantly owing to higher charges in Russia as new production assets were launched and Norilskgazprom was consolidated.

Change of metal inventories

Metal inventories in 1H2014 increased by USD 116 million mostly driven by the increase of semi-products at Harjavalta owing to repairs and maintenance at the Boliden Harjavalta Smelter.

COST OF OTHER SALES

USD million	**1H2014**	**1H2014**	**Change y-o-y**
Transport	249	259	(3.9%)
Energy and utilities	85	74	14.8%
Other	131	177	(26.0%)
Total	**465**	**510**	(8.8%)

Cost of other sales in 1H2014 decreased by 9% y-o-y to USD 465 million as a result of weakening of Russian rouble against US dollar. Gross profit margin of other sales increased to 8% in 1H2014 from 5% in 1H2013.

SELLING AND DISTRIBUTION EXPENSES

USD million	**1H2014**	**1H2013**	**Change y-o-y**
Export customs duties	146	164	(11.0%)
Transportation expenses	12	13	(7.7%)
Labour	9	10	(10.0%)
Other	35	2	>100%
Total	**202**	**189**	**6.9%**

Selling and distribution expenses increased by 7% y-o-y to USD 202 million. An 11% reduction in export customs duties (following a scheduled reduction in duties on nickel from 5% to 3.75%) was offset by an increase in other costs of USD 33 million, related primarily to the expenses associated with the launch of a major marketing campaign in Asia.

GENERAL AND ADMINISTRATIVE EXPENSES

USD million	**1H2014**	**1H2013**	**Change y-o-y**
Labour	221	217	1.8%
Third party services	50	48	4.2%
Taxes other than those directly attributable to cost of goods sold and income taxes	49	57	(14.0%)
Amortization and depreciation	15	22	(31.8%)
Transportation expenses	9	8	12.5%
Other	49	50	(2.0%)
Total	**393**	**402**	**(2.2%)**

In 1H2014, general and administrative expenses decreased 2% y-o-y to USD 393 million. A 13% nominal RUB increase in the labour cost driven by the reorganization of the Company's head office and the consolidation of Norilskgazprom was almost fully compensated by the depreciation of Russian rouble against US dollar and lower amortization expenses.

FINANCE COSTS

USD million	**1H2014**	**1H2013**	**Change y-o-y**
Interest expense on borrowings	71	135	(47.4%)
Unwinding of discount on provisions	21	32	(34.4%)
Other	2	4	(50%)
Total	**94**	**171**	**(45.0%)**

Finance costs in 1H2013 were down 45% to USD 94 million driven mostly by the application of IFRS accounting policy to capitalize the interest on debt raised for the financing of capital investments.

INCOME TAX

In 1H2014, income tax expense increased by 23% to USD 423 million as a result of a higher pre-tax profit for the period. The effective tax rate for the period was 23%.

EBITDA RECONCILIATION

USD million	**1H2014**	**1H2013**	**Change y-o-y**
Operating profit	**2,029**	**1,795**	**13.0%**
Depreciation and amortisation	445	439	1.4%
Impairment of non-financial assets	22	65	(66.2%)
EBITDA	**2,496**	**2,299**	**8.6%**
EBITDA Margin	**44%**	**40%**	**4 p.p.**

In 1H2014, EBITDA amounted to USD 2.5 billion (up 9% y-o-y) with a strong EBITDA margin of 44%.

CAPEX BREAKDOWN

USD million	**1H2014**	**1H2013**
Polar Division of which main upstream projects:	215	464
Skalisty mine	*25*	*73*
Taimyrsky mine	*26*	*42*
Komsomolsky mine	*21*	*28*
Oktyabrsky mine	*23*	*49*
Talnakh Enrichment Plant	*38*	*43*
Kola MMC	44	82
Chita Copper Project (Bystrinskiy GOK)	44	41
Other	188	297
Total	**491**	**884**

Due to the roll-out of stringent investment governance discipline and a review of the downstream capacity configuration the Company's infstracture investment plans were scaled down. Due to the ongoing review of the mining plans, some of the capital expenditures planned for 1H 2014 were deferred until 2H 2014 and 2015.

CASH FLOWS

USD million	**1H2014**	**1H2013**	**Change y-o-y**
Net cash generated from operating activities	2,823	1,691	66.9%
Net cash used in investing activities	(452)	(842)	(46.3%)
Net cash generated (used) in financing activities	(1,351)	(20)	n/a
Net increase (decrease) in cash and cash equivalents	**1,020**	**829**	**23.0%**
Cash and cash equivalents at beginning of the period	1,621	1,037	56.3%
Cash and cash equivalents of disposal group at end of the year	9	-	n/a
Less: cash and cash equivalents of disposal group at end of the period	(28)	-	n/a
Effect of foreign exchange differences on balances of cash and cash equivalents and translation to presentation currency	3	(57)	n/a
Cash and cash equivalents at end of the period	**2,625**	**1,809**	**45.1%**

Net operating cash flow increased 67% y-o-y to USD 2.8 billion driven mostly by the following factors:

- USD 487 million reduction in working capital as compared to a USD 189 million working capital increase in 1H13;
- USD 223 million increase in income tax payable;
- USD 181 million decrease in operating expenses.

Net cash outflow from investing activities decreased 46% y-o-y to USD 452 million with capital expenditures amounting to USD 491 million.
Net cash inflow from investing activities included:

- USD 57 million proceeds from the sale of minority stakes of OAO FSK UES, OAO Rosseti, OAO Rushydro, OAO MRSK North-West;
- USD 27 million of interest earned on deposits;
- USD 19 million proceeds from the sale of North Eastern Goldfields Operations in Australia;
- USD 17 million proceeds from the sale of other assets;
- USD 5 million refund of a deposit previously allocated for environmental obligations in Australia.

Net cash used in financing activities amounted to USD 1.4 billion, comprising the following:

- inflow from borrowings in the amount of USD 928 million;
- repayments of short term loans and borrowings in the amount of USD 1 billion;
- payment of dividends for 2013 in the amount of USD 1.1 billion;
- interest payment of USD 129 million.

Cash and cash equivalents amounted to USD 2.6 billion as of June 30, 2014.

DEBT MANAGEMENT AND LIQUIDITY

USD million	**as of June 30, 2014**	**as of December 31, 2013**	**Change y-o-y**	**Change y-o-y, %**
Long-term	*5,647*	*5,173*	*474*	*9.2%*
Short-term	*439*	*1,032*	*(593)*	*(57.5%)*
Total Debt	**6,086**	**6,205**	**(119)**	**(1.9%)**
Net Debt	3,461	4,584	(1,123)	(24.5%)
Net Debt/LTM EBITDA	0.8	1.1		

By June 30, 2014, the Company's short-term debt decreased by USD 593 million to USD 439 million (or more than twofold as compared to the end of 2013), while long-term debt increased by USD 474 million to USD 5.6 billion. Consequently, as of June 30, 2014, the share of short-term debt reduced to 7% from 17% as of December 31, 2013.

As of June 30, 2014, debt portfolio remained fully unsecured, with the average debt maturity extended to 3 years 4 months while the weighted average cost of debt remained unchanged.

Net debt as of June 30, 2014 reduced 25% to USD 3.5 billion, while the Company's Net Debt/LTM EBITDA ratio decreased to 0.8x from 1.1x as of December 31, 2013.

In July 2014, Fitch upgraded the credit rating of Norilsk Nickel to investment grade BBB- with stable outlook, thus making the company investment grade rated by all three major credit agencies Norilsk Nickel confirms its commitment to retain investment grade credit ratings from all three major agencies.

The full version of the interim condensed consolidated financial statements of the Group for 1H2014 prepared in accordance with IFRS is available at the website of the Group (www.nornik.ru/en) in the Investors/Financial Statements section.

Conference call and webcast

On Thursday August 28, 2014, MMC Norilsk Nickel will host a conference call and webcast for investors & analysts at 18:00 Moscow time (15:00 London/10:00 New York).

Webcast link: http://www.media-server.com/m/p/mjjw2dxd

Conference call dial-ins:

Moscow	+7 (499) 272-43-37
International	+44 (0) 20-30-03-26-66

Toll Free:

Russia	+7 10 800-24-90-20-44
UK	08 08 109-07-00
USA	+1 866 966-53-35

Conference Call Password: Norilsk Nickel.

The webcast replay will be available until August 28, 2015 on http://www.media-server.com/m/p/mjjw2dxd.The slide presentations will also be available for download on the Company's website.

For further information, please, contact:

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ABOUT MMC NORILSK NICKEL

MMC Norilsk Nickel, a company incorporated under the laws of the Russian Federation, is the largest diversified metals and mining company in Russia, the world's largest producer of nickel and palladium and one of the world's largest producers of platinum, rhodium, copper and cobalt. MMC Norilsk Nickel also produces a large number of other metals, including gold, silver, tellurium, selenium, iridium and ruthenium.
The Company’s main production divisions are located in Russia at the Polar and Kola Peninsulas. MMC Norilsk Nickel international assets include operations in Finland, Australia, Botswana and South Africa.

MMC Norilsk Nickel's shares are admitted to trading on the Moscow and on the Saint-Petersburg Exchanges. ADR's representing shares in MMC Norilsk Nickel are admitted to trading on the over the counter market in the US and on the London and Berlin stock exchanges.

Attachment A

CONSOLIDATED INCOME STATEMENT FOR SIX MONTH ENDED 30 JUNE 2014

USD million	Six months ended June 30, 2014	Six months ended June 30, 2013
Revenue		
Metal sales	5,202	5,149
Other sales	506	537
Total revenue	**5,708**	**5,686**
Cost of metal sales	(2,519)	(2,703)
Cost of other sales	(465)	(510)
Gross profit	**2,724**	**2,473**
Selling and distribution expenses	(202)	(189)
General and administrative expenses	(393)	(402)
Impairment of property, plant and equipment	(22)	(65)
Other net operating expenses	(78)	(22)
Operating profit	**2,029**	**1,795**
Finance costs	(94)	(171)
Impairment of available for sale investments including impairment losses reclassified from other comprehensive income	(49)	(571)
Income from investments, net	31	27
Foreign exchange loss, net	(107)	(225)
Share of profits of associates	22	34
Gain from disposal of assets classified as held for sale	47	–
Profit before tax	**1,879**	**889**
Income tax expense	(423)	(344)
Profit for the year	**1,456**	**545**
Attributable to:		
Shareholders of the parent company	1,452	554
Non-controlling interests	4	(9)
	1,456	**545**
EARNINGS PER SHARE		
Basic and diluted earnings per share attributable to shareholders of the parent company (US Dollars per share)	9.2	3.5

Attachment B

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014

USD million	As of June 30, 2014	As of December 31, 2013
ASSETS		
Non-current assets		
Property, plant and equipment	11,134	11,222
Intangible assets	58	58
Investments in associates	29	29
Other financial assets	616	738
Other taxes receivable	16	14
Deferred tax assets	52	26
Other non-current assets	215	202
	12,120	**12,289**
Current assets		
Inventories	3,017	2,955
Trade and other receivables	610	633
Advances paid and prepaid expenses	114	93
Other financial assets	90	26
Income tax receivable	10	61
Other taxes receivable	333	509
Cash and cash equivalents	2,625	1,621
	6,799	**5,898**
Assets classified as held for sale	596	594
	7,395	**6,492**
TOTAL ASSETS	**19,515**	**18,781**
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	6	6
Share premium	1,254	1,254
Other reserves	(1,471)	(1,230)
Retained earnings	9,922	9,589
Equity attributable to shareholders of the parent company	**9,711**	**9,619**
Non-controlling interests	131	131
	9,842	**9,750**
Non-current liabilities		
Loans and borrowings	5,647	5,173
Employee benefit obligations	36	54
Provisions	815	716
Deferred tax liabilities	360	382
	6,858	**6,325**
Current liabilities		
Loans and borrowings	439	1,032
Employee benefit obligations	402	415
Trade and other payables	1,124	619
Provisions	27	28
Derivative financial instruments	6	5
Income tax payable	223	1
Other taxes payable	181	198
	2,402	**2,298**
Liabilities associated with assets classified as held for sale	413	408
	2,815	**2,706**
TOTAL LIABILITIES	**9,673**	**9,031**
TOTAL EQUITY AND LIABILITIES	**19,515**	**18,781**

Attachment C

CONSOLIDATED STATEMENT OF CASH FLOWS FOR SIX MONTH ENDED 30 JUNE 2014

USD million	Six months ended June 30, 2014	Six months ended June 30, 2013
OPERATING ACTIVITIES		
Profit before tax	**1,879**	**889**
Adjustments for:		
Depreciation and amortization	445	442
Impairment of property, plant and equipment	22	65
Share of profit of associates	(22)	(34)
Finance costs and income from investments, net	63	144
Impairment of available for sale investments including impairment losses reclassified from other comprehensive income	49	571
Gain from disposal of assets classified as held for sale	(47)	–
Foreign exchange loss, net	107	225
Other non-cash	50	(69)
	2,546	**2,233**
Movements in working capital:		
Inventories	(91)	(167)
Trade and other receivables	9	9
Advances paid and prepaid expenses	(23)	(43)
Other tax receivable	138	156
Employee benefit obligations	(9)	(101)
Trade and other payables	486	(30)
Provision for social commitments	(30)	(27)
Other taxes payable	7	14
Cash generated from operations	**3,033**	**2,044**
Income tax paid	(210)	(353)
Net cash generated from operating activities	**2,823**	**1,691**
INVESTING ACTIVITIES		
Acquisition of subsidiary, net of cash acquired	–	(15)
Purchase of property, plant and equipment	(479)	(874)
Proceeds from disposal of property, plant and equipment	17	15
Proceeds from disposal of assets classified as held for sale	19	–
Purchase of intangible assets	(12)	(10)
Purchase of other financial assets	(7)	(151)
Purchase of other non-current assets	(17)	(18)
Net change in deposits placed	(62)	99
Interest received	27	27
Proceeds from sale of other financial assets	62	85
Net cash used in investing activities	**(452)**	**(842)**
FINANCING ACTIVITIES		
Proceeds from loans and borrowings	928	4,464
Repayments of of loans and borrowings	(1,038)	(2,496)
Dividends paid by the Group	(1,112)	(1,914)
Interest paid	(129)	(76)
Proceeds from sales of shares from treasury stock	–	2
Net cash used in financing activities	**(1,351)**	**(20)**
Net increase/(decrease) in cash and cash equivalents	**1,020**	**829**
Cash and cash equivalents at beginning of the period	**1,621**	**1,037**
Cash and cash equivalents of disposal group at beginning of the year	9	–
Less: cash and cash equivalents of disposal group at end of the period	28	–
Effects of foreign exchange differences on balances of cash and cash	3	(57)
Cash and cash equivalents at end of the period	**2,625**	**1,809**

Attachment D
COST OF METAL SALES

(US dollars, million)

	Six month ended June 30, 2014						Six month ended June 30, 2013						
	Group	***as % of total***	**Russian entities and NNH***	*as % of total*	**NNI (excl. NNH)**	*as % of total*	**Group**	***as % of total***	**Russian entities and NNH***	*as % of total*	**NNI (excl. NNH)**	*as % of total*	***Group Change p–o-p %***
Total cash operating costs (see table below)	2 226	***84***	2 138	*84*	88	*95*	2 431	***86***	2 296	*85*	135	*97*	***(8)***
Amortisation and depreciation	409	***16***	404	16	5	5	394	***14***	390	15	4	3	***4***
Total production costs	**2 635**	***100***	**2 542**	*100*	**93**	*100*	**2 825**	***100***	**2 686**	*100*	**139**	*100*	***(7)***
(Increase)/decrease in metal inventories	(116)		(131)		15		(122)		(131)		9		***(5)***
Cost of metal sales	**2 519**		**2 411**		**108**		**2 703**		**2 555**		**148**		***(7)***

Cash operating costs
(US dollars, million)

	Six month ended June 30, 2014						Six month ended June 30, 2013						
	Group	***as % of total***	**Russian entities and NNH***	*as % of total*	**NNI (excl. NNH)**	*as % of total*	**Group**	***as % of total***	**Russian entities and NNH***	*as % of total*	**NNI (excl. NNH)**	*as % of total*	***Group Change p-o-p, %***
Labour	**729**	*33*	719	*34*	10	*11*	**810**	*33*	792	*34*	18	*13*	***(10)***
Expenses on acquisition of raw materials and semi-products	**509**	*23*	509	*24*	-	-	**407**	*17*	408	*18*	(1)	*(1)*	***25***
Consumables and spares	**422**	*19*	417	*19*	5	*6*	**553**	*23*	537	*23*	16	*12*	***(24)***
Outsourced third party services	**225**	*10*	169	*8*	56	*64*	**297**	*12*	207	*9*	90	*67*	***(24)***
Tax directly attributable to cost of goods sold	**124**	*6*	121	*6*	3	*3*	**144**	*6*	142	*6*	2	*1*	***(14)***
Utilities	**108**	*5*	102	*5*	6	*7*	**110**	*5*	103	*4*	7	*5*	***(2)***
Transportation expenses	**63**	*3*	62	*3*	1	*1*	**77**	*3*	76	*3*	1	*1*	***(18)***
Sundry costs	**51**	*2*	44	*2*	7	*8*	**41**	*2*	39	*2*	2	*1*	***24***
Total cash operating costs	**2 231**	**100**	**2 143**	**100**	**88**	**100**	**2 439**	**100**	**2 304**	**100**	**135**	**100**	***(9)***
Revenue from sale of by-product metals	**(5)**		(5)		-		**(8)**		(8)		-		***(38)***
Total cash operating costs	**2 226**		**2 138**		**88**		**2 431**		**2 296**		**135**		***(8)***