



**NORNICKEL**

## **PRESS RELEASE**

**15 August 2017**

**Public Joint Stock Company «Mining and Metallurgical Company «NORILSK NICKEL»**  
(PJSC «MMC «NORILSK NICKEL», «Nornickel», the «Company», the «Group»)

### **NORNICKEL REPORTS FIRST HALF 2017 INTERIM CONSOLIDATED IFRS FINANCIAL RESULTS**

**Moscow** – PJSC MMC Norilsk Nickel, the largest refined nickel and palladium producer in the world, today reports IFRS financial results for six months ended June 30, 2017.

#### **1H2017 HIGHLIGHTS**

- Consolidated revenue increased 11% y-o-y to USD 4.2 billion primarily owing to higher realized metal prices;
- EBITDA was down 3% y-o-y to USD 1.7 billion primarily owing to RUB appreciation against USD and one-off increase in social-related expenses. EBITDA margin maintained at an industry-leading level of 41%;
- CAPEX was almost flat y-o-y at USD 0.7 billion. Full year CAPEX guidance of USD 2 billion is reiterated;
- Net working capital increased to USD 0.8 billion driven mostly by the payment to Rostec for the purchase of copper concentrate;
- Free cash flow decreased 17% y-o-y to USD 0.5 billion primarily due to the increase of working capital resulting in FCF/revenue ratio of 12%;
- Net debt/EBITDA ratio increased to 1.5x as of June 30, 2017 driven mostly by the payment of interim dividend for 9 months of 2016 in January 2017 in the amount of USD 1.2 billion and the increase of working capital;
- In 2Q2017, taking the advantage of favourable market conditions the Company placed two Eurobond issues: USD 1 billion with an annual coupon rate of 4.1% and USD 0.5 billion with an annual coupon rate of 3.85%. The coupon was fixed at the record low level for the Company's issuances on international debt capital markets.
- On 24 January 2017, the Company's Board of Directors approved the sale of up to 39.32% stake in the Bystrinskiy (Chita) Project to CIS Natural Resources Fund. The closing of the transaction is expected by the year-end 2017.

#### **RECENT DEVELOPMENTS**

- In July 2017, the Company paid final dividend for 2016 in the amount of USD1.2 billion (or USD7.5 per share);
- In July 2017, the Group's subsidiary Bystrinskoye LLC signed an amendment to the credit facility agreement with Sberbank, whereby PJSC MMC Norilsk Nickel provided guarantee for the full amount of the loan limit of USD 800 million thus enabling a material reduction of the interest rate and improvement of non-financial terms of the agreement.

## KEY CORPORATE HIGHLIGHTS

<i>USD million (unless stated otherwise)</i>	<b>1H2017</b>	<b>1H2016</b>	<b>Change,%</b>
Revenue	4,248	3,843	11%
EBITDA <sup>1</sup>	1,744	1,795	(3%)
EBITDA margin	41%	47%	(6 p.p.)
Net profit	915	1,304	(30%)
Capital expenditures	699	706	(1%)
Free cash flow <sup>2</sup>	512	619	(17%)
Net working capital <sup>2</sup>	805	443 <sup>3</sup>	82%
Net debt <sup>2</sup>	5,598	4,551 <sup>3</sup>	23%
Net debt /12MEBITDA	1.5x	1.2x <sup>3</sup>	0.3x
Dividends paid per share (USD) <sup>4</sup>	7.4	4.2	76%

1) A non-IFRS measure, for the calculation see the notes below.

2) A non-IFRS measure, for the calculation see an analytical review document ("Data book") available in conjunction with Consolidated IFRS Financial Results on the Company's web site.

3) Reported as of December 31, 2016

4) Paid during the current period

## MANAGEMENT DISCUSSION AND ANALYSIS

The President of Nornickel, Vladimir Potanin, commented on the results:

«In the first half of 2017, the Company delivered solid financial results despite volatile commodity markets and unfavourable movement in exchange rates. EBITDA margin remained at the industry-leading level of over 40% while net debt/EBITDA ratio amounted to 1.5x.

We stayed on track with the implementation of our capital investments program. In May, Talnakh Concentrator was fully ramped up having reached its target throughput capacity and designed parameters marking an important milestone in the execution of a key investment project of downstream reconfiguration and production assets modernization. With the improved quality of concentrate, expanded metallurgical capacities of Nadezhda Plant and Kola refinery, the Company has managed to fully compensate for the retired metallurgical assets of Nickel Plant decommissioned last year. As a result, we have been able to significantly reduce the low-margin processing of the third-party feed.

The construction of another major project, Bystrinsky copper project, has entered completion phase, with the launch scheduled by the year end. Overall, we confirm our initial CAPEX guidance of 2 billion dollars for the year 2017.

In the first half of 2017, the management continued with capital structure optimization program aiming at the reduction of the cost of capital. We took advantage of favourable international debt market conditions to place two Eurobond issues yielding record-low interest rates. Consequently, terms of a number of bilateral loans have been renegotiated extending their maturities and decreasing interest costs.

Providing shareholder returns remains an important priority for us. We are planning to make an interim dividend recommendation to the Board of Directors by the end of August and subject to its subsequent approval by the shareholders to pay it by the year end».

## HEALTH AND SAFETY

The lost time injury frequency rate (LTIFR) decreased from 0.39 to 0.34 in 1H2017, while number of lost time injuries dropped 13% y-o-y following the roll out of base corporate standards of safety, the launch of video information systems and a risk control project aiming at the reduction of safety-related risks.

Regretfully, in 1H2017 the Company suffered one fatal injury (in 1H2016 – 6 fatal accidents). The management considers the health and safety of employees as the key strategic priority and reiterates its strive for a zero fatality rate, as part of which a wide range of initiatives to prevent the occupational injuries is being rolled out. In 1H2017, these initiatives included the following:

- 18 internal audits of HSE management system;
- 44 employees were fired for violation of health and safety regulations.

The Company regretted to report losses of four lives of its employees owing to the explosion at the Zapolyarny mine on July 7, 2017. The Company provided full support and assistance to their families and is currently cooperating with the state authorities to investigate the accident. Life protection remains our top priority.

## **METAL MARKETS**

**Nickel in 1H2017 – high price volatility on the back of healthy global demand and rising ore supply from the Pacific laterite regions; historical underinvestment in conventional sulphide mines and ongoing asset reconfiguration at the world’s two largest nickel producers have started to translate into output cuts and downward revision of production targets across the industry; exchange inventories are down YTD, but are still running well above historical averages**

Nickel price in 1H2017 continued to experience high volatility. Initial expectations for suspensions of almost half of nickel mines in the Philippines resulting from the 2016 environmental audit pushed the nickel price above USD 11,000 per tonne in February. However, since March the news flow from the Pacific region turned negative. Since the surprising relaxation of the ban on the export of unprocessed minerals in Indonesia in January, the local government issued three export permits for nickel ore for a total amount of 6 mln tonnes (approximately 60 thousand tonnes of nickel units) in 1H2017. In the Philippines, the Senate refused to re-appoint Ms Regina Lopez (the main propagator of the tight environmental control over the mining industry and the initiator of the environmental audit of mines) as the Head of Department of Environment and Natural Resources (DENR) thus ruining the market expectations for major mined nickel production cuts in the country. These developments combined with subdued nickel demand in China owing to lukewarm stainless steel output in 2Q17 drove nickel price lower to USD 8,800 per tonne in the beginning of June.

The average LME nickel price in 1H2017 was USD 9,761 per tonne, up 10% y-o-y.

Global nickel consumption in 1H2017 increased by 2% y-o-y. While demand in China was lower (-1% following extremely strong 1H16), both Europe and the US surprised on the upside with nickel consumption rising 4% and 8%, respectively, driven by strong recovery in stainless, specialty steels and alloys industries. In 1H2017, nickel consumption in batteries increased very strongly, mostly driven by a 38% growth of electric and hybrid vehicles production coupled with the shift towards more nickel-intensive composition of the cathode materials.

Developments on the supply side overall in 1H2017 were quite mixed. In Indonesia, nickel pig iron (NPI) producers continued to ramp up production to add over 90 thousand tonnes of nickel units per annum, while the export of unprocessed ore from the country has been resumed and is gathering momentum. Filipino ore supply also continued to flood the market after a prominent environmentalist Regina Lopez had been removed from the position of the Head of DENR by a House-Senate committee and the initially suspended nickel mines had resumed their output. At the same time, production of high-grade nickel reduced as result of ongoing downstream asset reconfiguration in Russia and Canada and decreased external nickel feed for the largest Chinese nickel cathode producer Jinchuan. Overall, 1H2017 global production of high-grade nickel was down 13% y-o-y.

The combined LME and SHFE exchange inventories still remain well above the historical average level despite a reduction by 19 thousand tonnes to 447 thousand tonnes by the end of 1H2017.

**Nickel outlook – neutral; 2017 market deficit forecast reduced from 100 to 45 thousand tonnes as Indonesia resumed export of unprocessed ore while anticipated production cuts in the Philippines have not materialized; global demand is robust with China’s consumption expected to accelerate in 2H17 and consumption running strong in other regions.**

Following our upward revision of ore export forecast from Indonesia as two new export licenses for a total amount of 2.1 mln tonnes of nickel ore were granted on August 1 (thus bringing the total export quota to 8.1 mln tonnes of nickel ore) and higher ore export assumptions from the Philippines, we reduce our deficit forecast from 100 to 45 thousand tonnes for the full year 2017.

Supply uncertainty from the South Pacific region has not been completely removed, as, for instance, President of the Philippines, Rodrigo Duterte, lashed out in public at the mining industry promising ‘to tax them to death’ if damage to the environment persists. This verbal intervention together with lower 2017 production guidance announced by most high-quality nickel producers with combined supply cuts of approximately 60 thousand tonnes y-o-y and recent news on mothballing of Ravensthorpe, provides a certain support for the nickel price’s recent recovery above USD 10,000 per tonne.

On the demand side, in 2H17 we expect the acceleration of consumption from Chinese stainless industry following the launch of a new 1-million tonnes mill by Delong and expansions by several other stainless steel producers. Nickel consumption in stainless steel outside of China is also expected at healthy levels, with robust recovery in stainless steel output in Europe and the US, forecasted at 3% and 5% y-o-y, respectively, and especially strong growth in the rest of Asia underpinned by the ramp-up of a new Tsingshan stainless steel mill in Indonesia. We also expect stable increase of nickel demand in plating (3% y-o-y) and, most importantly, battery sector demand (up 30% y-o-y), with the latter representing most intriguing long-term growth story.

**Copper in 1H2017 – price increase accelerating in June driven by revived market optimism regarding the demand outlook and potential supply shortage**

In 1H2017, copper price was quite volatile. In February, unprecedented supply disruptions from Escondida and Grasberg pushed copper above USD 6,100 per tonne, but as the global mined output normalized in the spring and the copper exchange inventories rose, the metal price weakened to less than USD 5,500 per tonne in May. Starting from June, however, the price started to strengthen to USD 5,900 per tonne as both miners and investors became bullish on the global infrastructure spending, China growth outlook and the potential growth of electrical vehicles.

The average LME copper price in 1H2017 increased 22% y-o-y to USD 5,749 per tonne.

**Copper outlook – neutral; the market to remain well-balanced in the mid-term**

We believe that recent copper price rally surpassing USD 6,300 per tonne was mostly driven by improved market sentiment, which may last and thus support copper price at high levels in the short-term. However, we do not anticipate major surprises from the metal’s fundamentals. We expect that a number of new large projects, which were delayed or put on hold in 2015-2016, will ramp-up in 2018-2019 to their full capacity as almost all of them are economically viable at spot copper price. We expect the annual global copper demand growth slowing down to 2% as Chinese consumption is maturing and the potential major US infrastructure spending is yet to be approved and likely to be well spread over a good number of years. We maintain a view that copper market in both 2017 and 2018 will be fairly balanced, assuming that supply disruption allowances run at historical average of approximately 5% of the global production.

## **Palladium in 1H2017 – 45% y-o-y rally driven by both fundamental factors and spot market tightness**

In 1H2017, palladium was the best performing commodity in our core commodities basket rallying 45% y-o-y, with price averaging USD 792 per troy ounce. Strong demand from automotive industry (4% y-o-y) driven by increase in SUV sales globally, ongoing powertrain shift away from diesel into gasoline engines in Europe and tightening emission legislation was underpinned by stagnant primary metal supply and limited increase in scrap recycling volumes (3% y-o-y). Most importantly, strong industry fundamentals were exacerbated by an extreme tightness emerged on the physical spot market, as a 5-year-long apparent market deficit started to impact the availability of price-elastic above-the-ground stocks. Owing to the limited availability of physical palladium, the leasing rates dramatically increased taking the palladium market into backwardation of approximately 5-10% per annum.

## **Palladium outlook – remains positive; market deficit to widen on the back of continuing demand growth from automotive sector and lack of new primary supply**

In 2017, palladium consumption is expected to reach a new all-time high of 10.8 million troy ounces with market deficit exceeding 1 mln troy ounces. We expect the automotive industry to be the main driver of palladium consumption growth as we see a number of trends sustainable in the medium term, such as the global growth of car fleet driven by rising personal incomes in emerging markets, falling market share of diesel cars (primarily in Europe and India), rising hybridization across the globe, with gasoline hybrids having higher PGM loadings per vehicle vs. conventional gasoline vehicles with the same engine size. Another major driver of palladium consumption remains ongoing tightening of environmental standards in major car producing regions as the governments keep rolling out new regulations to ensure clean air for their citizens. Some of the most material recent developments in this area include:

- Europe: Introduction of Real Driving Emission tests and Euro 6d-TEMP and Euro 6d standards;
- The USA: Continuing Tier 3 phase-in;
- China: China 5 standard which was launched in eleven Eastern provinces and in Guangdong in 2016, was expanded nationwide in January;
- China: China 6 standard that combines best environmental practices from Europe and the US to be launched in 2020.

On the supply side, we do not anticipate any major upside surprises as the capital investments of major PGMs producers is running at its lowest level for the past six years, while the new South African Mining Charter (which imposes higher participation rate of black empowerment and introduces additional taxes for local communities) if implemented does not provide an incentive for major capital investments into existing mines and development of new projects in the country. Global ETF holdings have recently seen some inflows as investors started to build long positions even at high spot prices.

## **Platinum in 1H2017 – pressure from lower industrial demand, inelastic supply response and investors speculative bets**

Platinum price started the year on an upbeat note recovering to USD 1,020 per troy ounce in February following gold rally. However, this rally was put to an end by reducing diesel cars market share in Europe and India, and the weak jewelry demand in China, bringing the metal price below USD 900 per troy ounce in May. At the same time, primary mine supply remained stable despite a number of platinum mines running a cash loss. Financial investors, in their turn, used the overall negative momentum to short platinum adding even more downward pressure on the price.

The average platinum price in 1H2017 remained flat y-o-y at USD 960 per troy ounce.

**Platinum outlook – neutral; falling market share of diesel cars and negative overall sentiment towards diesel among European policymakers continue to keep the price under a downward pressure; supply is stable**

The platinum market is expected to be in a marginal surplus in 2017 after 5 consecutive years of deficits. Diesel substitution with gasoline and hybrids in light vehicles is likely to continue undermining platinum demand. This trend could be partly offset by a sustainable growth of heavy-duty vehicles production. On the supply side, at the same time we believe that a multiple-year history of underinvestment in South Africa does not only limit any incremental supply opportunities, but furthermore puts sustainability of platinum mined production at current levels at risk.

**KEY SEGMENTAL HIGHLIGHTS<sup>1</sup>**

<i>USD million (unless stated otherwise)</i>	<b>1H2017</b>	<b>1H2016</b>	<b>Change,%</b>
<b>Revenue</b>	<b>4,248</b>	<b>3,843</b>	<b>11%</b>
Group GMK	3,294	2,831	16%
Group KGMK	388	284	37%
NN Harjavalta	366	283	29%
Other metallurgical	5	3	67%
Other non- metallurgical	831	813	2%
Eliminations	(636)	(371)	71%
<b>EBITDA</b>	<b>1,744</b>	<b>1,795</b>	<b>(3%)</b>
Group GMK	1,965	1,765	11%
Group KGMK	52	55	(5%)
NN Harjavalta	44	9	5x
Other metallurgical	(13)	(8)	63%
Other non-metallurgical	26	57	(54%)
Eliminations	35	81	(57%)
Unallocated	(365)	(164)	2x
<b>EBITDA margin</b>	<b>41%</b>	<b>47%</b>	<b>(6 p.p.)</b>
Group GMK	60%	62%	(2 p.p.)
Group KGMK	13%	19%	(6 p.p.)
NN Harjavalta	12%	3%	9 p.p.
Other metallurgical	(260%)	(267%)	7 p.p.
Other non- metallurgical	3%	7%	(4 p.p.)

1) Segments are defined in the consolidated financial statements

In 1H2017, revenue of Group GMK segment increased by 16% y-o-y to USD 3,294 million. This was primarily driven by higher realized metal prices. This positive effect was partly offset by lower sales volume in 1H2017 owing to the base effect as 1H2016 sales included the sale of temporary metal stock.

The revenue of Group KGMK segment increased by 37% y-o-y to USD 388 million mainly owing to the increase in revenue from processing of the feed coming from Polar division.

Revenue of NN Harjavalta increased by 29% y-o-y to USD 366 million. This was primarily driven by higher realized metal prices and increased metal production from the Company's own Russian feed.

Revenue of Other non-metallurgical segment increased by 2% y-o-y to USD 831 million. This was driven primarily by appreciation of the Russian rouble and changes of intersegment revenue streams driven by transition to Group's own Russian feed.



In 1H2017, EBITDA of Group GMK segment increased by 11% y-o-y to USD 1,965 million owing primarily to higher realized metal prices partly offset by lower sales volume in 1H2017 owing to the base effect as 1H2016 sales included the sale of temporary metal stock and increased cash costs on the back of the Russian rouble appreciation against US dollar.

EBITDA of Group KGMK segment was down by 5% y-o-y to USD 52 million primarily owing to higher cash costs driven by the appreciation of RUB against USD, which was mostly offset by the increased sales volume.

EBITDA of NN Harjavalta increased five times to USD 44 million primarily due to higher metal prices and processing the Company's own Russian feed instead of low-margin third parties feed.

EBITDA of Other non-metallurgical segment decreased by USD 31 million to USD 26 million primarily due to inflationary growth of expenses and the Russian rouble appreciation. This effect was exacerbated by lower sales margin of the Group's trading subsidiaries due to volatility of metal prices in 1H2017 as compared to rising metal prices in 1H2016.

EBITDA of Unallocated segment decreased two times to negative USD 365 million primarily due to increased social expenses of the Group.

<b>SALES VOLUME AND REVENUE</b>	<b>1H2017</b>	<b>1H2016</b>	<b>Change,%</b>
<b>Metal sales</b>			
<b>Group</b>			
Nickel, thousand tons <sup>2</sup>	106	145	(27%)
from own Russian feed	99	120	(18%)
from 3d parties feed	7	25	(72%)
Copper, thousand tons <sup>2</sup>	176	182	(3%)
from own Russian feed	173	180	(4%)
from 3d parties feed	3	2	50%
Palladium, koz <sup>2</sup>	1,305	1,434	(9%)
from own Russian feed	1,264	1,423	(11%)
from 3d parties feed	41	11	4x
Platinum, koz <sup>2</sup>	311	370	(16%)
from own Russian feed	299	365	(18%)
from 3d parties feed	12	5	140%
Gold, koz <sup>2</sup>	64	70	(9%)
Rhodium, koz <sup>2</sup>	33	45	(27%)
Cobalt, thousand tons <sup>2</sup>	1	2	(50%)
Silver, koz <sup>2</sup>	1,083	1,092	(1%)
Semi-products, nickel, thousand tons <sup>1</sup>	9	6	50%
Semi-products, copper, thousand tons <sup>1</sup>	10	6	67%
Semi-products, palladium, koz <sup>1</sup>	65	47	38%
Semi-products, platinum, koz <sup>1</sup>	23	19	21%
Semi-products, gold, koz <sup>1</sup>	4	4	-
Semi-products, silver, koz <sup>1</sup>	205	42	5x
<b>Average realized prices of metals produced by Norilsk Nickel</b>			
<b>Metal</b>			
Nickel (USD per tonne)	10,067	8,837	14%
Copper (USD per tonne)	5,789	4,742	22%
Palladium (USD per oz)	792	545	45%
Platinum (USD per oz)	962	938	3%
Cobalt (USD per tonne)	46,515	23,169	101%
Gold (USD per oz)	1,238	1,213	2%
Rhodium (USD per oz)	919	656	40%

1) Metal volumes represent metals contained in semi-products.

2) All information is reported on the 100% basis, excluding sales of metals purchased from third parties.

<b>Revenue, USD million</b>			
Nickel	1,063	1,278	(17%)
Copper	1,020	862	18%
Palladium	1,167	810	44%
Platinum	299	347	(14%)
Semi-products	166	88	89%
Other metals	181	180	1%
<b>Revenue from metal sales</b>	<b>3,896</b>	<b>3,565</b>	<b>9%</b>
Revenue from other sales	352	278	27%
<b>Total revenue</b>	<b>4,248</b>	<b>3,843</b>	<b>11%</b>

### ***Nickel***

Nickel sales accounted for 27% of the Group's total metal revenue in 1H2017 down from 36% in 1H2016. The decrease by 9 p.p. was driven by the reduction of sales volumes following a decrease of metal production from third party feed and stronger performance of palladium and copper relative to nickel price.

In 1H2017, nickel revenue decreased by 17% y-o-y (or USD 215 million) to USD 1,063 million primarily due to lower sales volumes (USD 394 million) owing to the higher base effect as temporary metal stock was sold in 1H2016, which was partly offset positively by higher nickel price (USD 179 million).

The average realized nickel price increased 14% y-o-y to USD 10,067 per tonne in 1H2017 from USD 8,837 per tonne in 1H2016.

Sales volume of nickel produced by the Company from its own Russian feed decreased by 18% y-o-y (or 21 thousand tons) to 99 thousand tons. The decrease was primarily driven by the shutdown of the obsolete Nickel plant in August 2016 and increase in work-in-progress as the more high-grade matte produced at Polar Division was shipped to Kola MMC and Norilsk Nickel Harjavalta for further processing.

Sales volume of nickel produced from third parties feed decreased by 72% y-o-y in 1H2017 to 7 thousand tons as Harjavalta started the processing of the Company's own Russian feed.

### ***Copper***

In 1H2017, copper sales accounted for 26% of the Group's total metal sales, increasing 18% y-o-y (or USD 158 million) to USD 1,020 million primarily owing to higher realized copper price ( USD 190 million) that was partly offset negatively by the decrease in sales volume (USD 32 million).

The average realized copper price increased 22% y-o-y from USD 4,742 in 1H2016 to USD 5,789 per tonne in 1H2017.

Physical volume of copper sales from the Company's own Russian feed decreased by 4% y-o-y (or 7 thousand tons) to 173 thousand tons. The decrease was driven by the accumulation of saleable metal owing to an extension of navigation break at the port of Dudinka as well as the higher base effect as copper from temporary metal stock was sold in 1H2016.

The volume of copper sales from purchased semi-products increased by 1 thousand tons to 3 thousand tons in 1H2017.



## ***Palladium***

In 1H2017, palladium became the largest contributor to the Group's revenue, accounting for 30% of the Group's total metal revenue, up by 7 p.p. y-o-y. The palladium revenue increased 44% y-o-y (or USD 357 million) to USD 1,167 million. The positive impact of higher realized price (USD 354 million) was partly negatively offset by the reduction of sales volume (USD 102 million) mainly owing to the higher base effect as temporary metal stock was sold in 1H2016.

Additional USD 134 million to palladium revenue in 1H2017 was contributed by the re-sale of purchased metal to fulfil the Company's contractual obligations (vs USD 29 million in 1H2016).

## ***Platinum***

In 1H2017, platinum sales accounted for 8% of the Group's total metal revenue and decreased by 14% y-o-y (or USD 48 million) to USD 299 million primarily due to lower volumes of platinum sales (USD 56 million) which was partly offset positively by higher realized platinum price (USD 8 million). The revenue decline owing to the higher base effect as metal stock was sold in 1H2016 was partly positively offset by the higher realized platinum price up 3% y-o-y from USD 938 per oz in 1H2016 to USD 962 per oz in 1H2017.

## ***Other metals***

In 1H2017, revenue from other metals remained unchanged y-o-y at USD 181 million owing to the increase in cobalt (up 14%), silver (up 10%) and rhodium (up 2%) sales which was partly negatively offset by lower gold revenue (down 7%). Increase of revenue from other metals (USD 49 million) was driven by the higher realized prices partly negatively offset by lower physical sale volumes (USD 48 million).

## ***Semi-products***

In 1H2017, semi-products revenue (copper cake, nickel concentrate, copper and nickel high-grade matte) increased USD 78 million (or 89% y-o-y) to USD 166 million, and accounted for 4% of the Group's total metal revenue. This increase was mainly driven by higher physical sales to third parties instead of processing these semis at the Company's own refineries.

## ***Other sales***

In 1H2017, other sales were up by 27% y-o-y and USD 352 million primarily owing to the Russian rouble appreciation (USD 55 million) and revenue increase in real terms (USD 19 million) driven by the increase of prices for services provided to third parties (USD 14 million), higher revenue from transport subsidiaries of the Group (USD 24 million), which was partly offset negatively by the divestiture of non-core assets (USD 22 million).

## **COST OF METAL SALES**

### **Cost of metals sales**

In 1H2017, the cost of metal sales increased by 17% y-o-y (or USD 275 million) to USD 1,906 million owing to:

- Increase in cash operating costs by 26% y-o-y (USD 355 million);
- Increase in depreciation charges by 29% y-o-y (USD 62 million);
- Change in metal inventories y-o-y (cost of metal sales decrease by USD 142 million).

### **Cash operating costs**

In 1H2017, total cash operating costs increased by 26% y-o-y (or USD 355 million) to USD 1,697 million.

The negative effect of the Russian rouble appreciation amounted to USD 206 million.

The inflationary growth of cash operating costs by USD 84 million was exacerbated by an increase of the mineral extraction tax (USD 49 million) that compensated for the cancelled PGM export duties.

<i>USD million</i>	<b>1H2017</b>	<b>1H2016</b>	<b>Change,%</b>
<b>Cash operating costs</b>			
Labour	687	539	27%
Purchases of metals for resale, raw materials and semi-products	325	294	11%
Materials and supplies	281	203	38%
Mineral extraction tax and other levies	106	67	58%
Third-party services	84	72	17%
Electricity and heat energy	64	47	36%
Fuel	48	25	92%
Transportation expenses	29	31	(6%)
Sundry costs	73	64	14%
<b>Total cash operating costs</b>	<b>1,697</b>	<b>1,342</b>	<b>26%</b>
Depreciation and amortisation	276	214	29%
(Increase)/decrease of metal inventories	(67)	75	n.a.
<b>Total cost of metal sales</b>	<b>1,906</b>	<b>1,631</b>	<b>17%</b>

### ***Labour***

In 1H2017, labour costs increased by 27% y-o-y (or USD 148 million) to USD 687 million amounting to 41% of the Group's total cash operating costs driven by the following:

- USD 112 million – cost increase owing to the Russian rouble appreciation against US Dollar;
- USD 36 million – cost increase in real terms primarily driven by the indexation of RUB-denominated salaries and wages (USD 57 million) partly offset by a decrease of Group's production staff headcount (USD 26 million) owing to the ongoing downstream reconfiguration program.

### ***Purchases of metals for resale, raw materials and semi-products***

In 1H2017, expenses on the purchase of metals for resale, raw materials and semi-products increased by 11% y-o-y (or by USD 31 million) to USD 325 million driven by the following:

- USD 35 million – cost increase owing to higher semi-products prices;
- USD 56 million – cost increase owing to the processing of copper concentrate purchased from Rostec;
- USD 181 million – cost reduction resulting from the decrease of purchase of semi-products from third parties for processing at NN Harjavalta as part of ongoing downstream reconfiguration program;
- USD 65 million – cost increase owing to purchase of semi-products from Nkomati for further resale to third parties in line with ongoing downstream reconfiguration programme;
- USD 58 million – higher purchases of metals for re-sale (mainly palladium) to fulfill contractual obligations.

### ***Materials and supplies***

In 1H2017, materials and supplies expenses increased 38% y-o-y (or USD 78 million) to USD 281 million driven by the following:

- USD 40 million – negative effect of the Russian rouble appreciation;
- USD 38 million – cost increase in line with the ongoing downstream reconfiguration program.

### ***Third-party services***

In 1H2017, cost of third party services increased 17% y-o-y (or USD 12 million) to USD 84 million.

The negative effect of the Russian rouble appreciation amounted to USD 11 million.

The cost increase owing to inflation and higher volumes of repairs (USD 17 million) was mostly offset by cost decrease due to the termination of contract to process Nkomati concentrate (USD 16 million).

### ***Mineral extraction tax and other levies***

In 1H2017, mineral extraction tax and other levies increased by 58% y-o-y (or USD 39 million) to USD 106 million.

The negative effect of the Russian rouble appreciation amounted to USD 14 million.

Cash cost increase in real terms by USD 25 million was primarily driven by the higher mineral extraction tax resulting from the change in legislation (USD 49 million), which was mainly offset by a decrease in pollution levies.

### ***Electricity and heat energy***

In 1H2017, electricity and heat energy expenses increased by 36% y-o-y (or USD 17 million) to USD 64 million driven by the following:

- USD 7 million – negative effect of the Russian rouble appreciation;
- USD 10 million – increase in expenses owing to an increase in consumption of energy due to the ongoing downstream reconfiguration program and energy tariffs inflationary growth.

### ***Fuel***

In 1H2017, fuel expenses increased by 92% y-o-y (or USD 23 million) to USD 48 million driven by the following:

- USD 5 million – negative effect of the Russian rouble appreciation;
- USD 18 million – higher fuel oil and other oil products prices.

### ***Transportation expenses***

In 1H2017, transportation expenses decreased by 6% y-o-y (or USD 2 million) to USD 29 million driven by the following:

- USD 4 million – negative effect of the Russian rouble appreciation;
- USD 6 million – costs decrease driven by the reduction of transportation services sourced from the third parties.

### ***Sundry costs***

In 1H2017, sundry costs increased by 14% y-o-y (or USD 9 million) to USD 73 million, driven by the following:

- USD 13 million – negative effect of the Russian rouble appreciation;
- USD 4 million – decrease in insurance expenses owing to the renegotiation of property insurance agreements on the same insurance cover terms.

### ***Depreciation and amortisation***

In 1H2017, depreciation and amortisation increased by 29% y-o-y (or USD 62 million) to USD 276 million.

Russian rouble appreciation amounted to depreciation and amortisation increase by USD 42 million.

Depreciation charges increased in real terms by USD 20 million mainly due to additions to production assets at the Company's operating subsidiaries in Russia in 2H2016 and in 1H2017.

### ***(Increase)/decrease of metal inventories***

In 1H2017, comparative effect of change in metal inventory amounted to USD 142 million resulting in a decrease in cost of metal sales. This resulted mainly from the sale of metal from temporary stock in 1H2016, which was accumulated in 2015, as well as a built-up of metal stock (mainly copper) and work-in-progress inventory in 1H2017 due to a extension of navigation break and the ongoing downstream reconfiguration program.

## COST OF OTHER SALES

In 1H2017, cost of other sales increased by 22% y-o-y (or USD 56 million) to USD 309 million.

Russian rouble appreciation amounted to cost of other sales increase by USD 53 million.

Cost of other sales increased in real terms by a net of USD 3 million comprised of USD 38 million increase in expenses resulting from increased transportation services, indexation of RUB-denominated salaries and wages and growth of other services, which were partly offset positively by the sale of non-core assets resulting in a cost reduction of USD 35 million.

## SELLING AND DISTRIBUTION EXPENSES

<i>USD million</i>	<b>1H2017</b>	<b>1H2016</b>	<b>Change, %</b>
Transportation expenses	15	12	25%
Staff costs	5	5	-
Marketing expenses	5	2	150%
Export duties	-	50	(100%)
Other	3	3	-
<b>Total</b>	<b>28</b>	<b>72</b>	<b>(61%)</b>

Selling and distribution expenses decreased 61% y-o-y (or USD 44 million) to USD 28 million, primarily due to the cancellation of PGM export duties in September 2016 as part of Russian Federation's WTO membership terms (USD 50 million cost reduction).

## GENERAL AND ADMINISTRATIVE EXPENSES

<i>USD million</i>	<b>1H2017</b>	<b>1H2016</b>	<b>Change, %</b>
Staff costs	235	176	34%
Taxes other than mineral extraction tax and income tax	39	26	50%
Third party services	22	20	10%
Depreciation and amortisation	15	10	50%
Rent expenses	13	10	30%
Transportation expenses	3	3	-
Other	26	20	30%
<b>Total</b>	<b>353</b>	<b>265</b>	<b>33%</b>

In 1H2017, general and administrative expenses increased by 33% y-o-y (or USD 88 million) to USD 353 million. Rouble appreciation contributed to USD 49 million cost increase. General and administrative expenses increased in real terms due to the following:

- USD 14 million – increase in staff costs mainly due to salaries indexation;
- USD 11 million – increase in staff costs resulting from the automatization of production processes and roll out of new IT systems;
- USD 14 million – mainly due to higher property tax and amortization charges.

## OTHER NET OPERATING EXPENSES

<i>USD million</i>	<b>1H2017</b>	<b>1H2016</b>	<b>Change,%</b>
Social expenses	196	57	244%
Change in allowances	19	15	27%
Other	-	11	(100%)
<b>Total</b>	<b>215</b>	<b>83</b>	<b>159%</b>

In 1H2017, other net operating expenses increased by 159% (or USD 132 million) to USD 215 million owing to one-off social expenses including expenses attributed to the development of skiing resort in Sochi and an estimated provisional cost of long-term social agreement with the government of Zabaikalsky Krai.

## FINANCE COSTS

<i>USD million</i>	<b>1H2017</b>	<b>1H2016</b>	<b>Change,%</b>
Interest expense on borrowings net of amounts capitalized	195	203	(4%)
Unwinding of discount on provisions and payables	70	23	204%
<b>Total</b>	<b>265</b>	<b>226</b>	<b>17%</b>

Increase in finance costs by 17% y-o-y to USD 265 million was driven mainly by an increase in unwinding of discount on provisions and payables.

Consistent delivery on financial policy targets enabled the Company to minimize the negative impact of market developments on its interest expenses, with 2H2016 amendments to the terms of several USD denominated credit lines resulting in a reduction of applicable interest rates helping to partially offset the multiple-fold increase of the base rates (LIBOR) in 1H2017. In order to decrease the funding costs in 1H2017, the Group prepaid in advance its Rouble-denominated credit facilities in the amount of RUB 60 billion.

The management continues to optimize the Group's debt portfolio in order to reduce further its interest expense. On July 12, 2017, GRK Bystrinskoye LLC and PJSC Sberbank signed an amendment agreement whereby PJSC MMC Norilsk Nickel has issued a guarantee on the performance and obligations of GRK Bystrinskoye LLC in favor of PJSC Sberbank, which enabled to reduce finance costs and improve certain non-financial terms of the existing agreement. The Group has also successfully negotiated certain amendments to the current bilateral credit facilities with Western financial institutions for the total amount of USD 1.2 billion, resulting in a reduction of interest rates. Reduction of interest expenses is expected to materialize in 2H2017.

## INCOME TAX EXPENSE

In 1H2017, income tax expense decreased by 18% y-o-y to USD 303 million driven mostly by the decrease of taxable profit owing to foreign exchange effect.

The effective income tax rate in 1H2017 of 24.9% was above the Russian statutory tax rate of 20%, which was primarily driven by non-deductible social expenses.



<i>USD million</i>	<b>1H2017</b>	<b>1H2016</b>	<b>Change,%</b>
Current income tax expense	262	348	(25%)
Deferred tax expense	41	22	86%
<b>Total</b>	<b>303</b>	<b>370</b>	<b>(18%)</b>

The breakdown of the current income tax expense by tax jurisdictions:

<i>USD million</i>	<b>1H2017</b>	<b>1H2016</b>	<b>Change,%</b>
Russian Federation	257	346	(26%)
Finland	4	-	100%
Rest of the world	1	2	(50%)
<b>Total</b>	<b>262</b>	<b>348</b>	<b>(25%)</b>

## **EBITDA**

<i>USD million</i>	<b>1H2017</b>	<b>1H2016</b>	<b>Change,%</b>
<b>Operating profit</b>	<b>1,412</b>	<b>1,536</b>	<b>(8%)</b>
Depreciation and amortisation	307	256	20%
Impairment of non-financial assets	25	3	8x
<b>EBITDA</b>	<b>1,744</b>	<b>1,795</b>	<b>(3%)</b>
<b>EBITDA margin</b>	<b>41%</b>	<b>47%</b>	<b>(6 p.p.)</b>

In 1H2017, EBITDA decreased by 3% y-o-y (or USD 51 million) to USD 1,744 million with the EBITDA margin amounting to 41% (down from 47% in 1H2016). EBITDA decline was driven by the high base effect as temporary metal stock was sold in 1H2016, RUB appreciation against US Dollar, cost inflation and increased social expenses, all of which were almost fully offset by higher realized metal prices.

## **NET PROFIT BEFORE IMPAIRMENT CHARGES AND FOREIGN EXCHANGE DIFFERENCES**

<i>USD million</i>	<b>1H2017</b>	<b>1H2016</b>	<b>Change,%</b>
<b>Net profit</b>	<b>915</b>	<b>1,304</b>	<b>(30%)</b>
Impairment of non-financial assets	25	3	8x
Foreign exchange gain	(21)	(310)	(93%)
Gain from disposal of subsidiaries and assets classified as held for sale	(16)	(6)	167%
<b>Net profit before impairment charges and foreign exchange differences</b>	<b>903</b>	<b>991</b>	<b>(9%)</b>

## STATEMENT OF CASH FLOWS

<i>USD million</i>	<b>1H 2017</b>	<b>1H 2016</b>	<b>Change,%</b>
<b>Cash generated from operations before changes in working capital and income tax</b>	<b>1,800</b>	<b>1,828</b>	<b>(2%)</b>
Movements in working capital	(309)	16	n/a
Income tax paid	(320)	(320)	-
<b>Net cash generated from operating activities</b>	<b>1,171</b>	<b>1,524</b>	<b>(23%)</b>
Capital expenditure	(699)	(706)	(1%)
Other investing activities	40	(199)	n/a
<b>Net cash used in investing activities</b>	<b>(659)</b>	<b>(905)</b>	<b>(27%)</b>
<b>Net cash used in financing activities</b>	<b>(1,156)</b>	<b>(1,237)</b>	<b>(7%)</b>
Effects of foreign exchange differences on balances of cash and cash equivalents	(31)	(23)	35%
Other	4	1	4x
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(671)</b>	<b>(640)</b>	<b>5%</b>

In 1H 2017, net cash generated from operating activities decreased by 23% y-o-y to USD 1.2 billion owing to the following:

- USD 51 million – decrease of cash generated from operating activities due to decrease in EBITDA;
- USD 325 million – decrease of cash generated from operating activities due to increase of working capital in 1H2017 mainly due to partial payment of payables due to Rostec in 1H2017 and reduction of working capital in 1H2016 primarily due to realization of temporary metal stock.

Reconciliation of the net working capital changes between the balance sheet and cash flow statement is presented below.

<i>USD million</i>	<b>1H2017</b>	<b>1H2016</b>
<b>Change of the net working capital in the balance sheet</b>	<b>(362)</b>	<b>79</b>
Foreign exchange differences	24	21
Change in income tax payable	57	(26)
Other changes, including reserves	(28)	(58)
<b>Change of working capital per cash flow</b>	<b>(309)</b>	<b>16</b>

Capital investments breakdown by project is presented below:

<i>USD million</i>	<b>1H2017</b>	<b>1H2016</b>	<b>Change,%</b>
Polar Division, including:	319	402	(21%)
<i>Skalisty mine</i>	36	30	20%
<i>Taymirsky mine</i>	29	28	4%
<i>Komsomolsky mine</i>	4	27	(85%)
<i>Oktyabrsky mine</i>	35	24	46%
<i>Talnakh Concentrator</i>	53	114	(54%)
<i>Reconstruction/modernisation of production facilities related to closing of Nickel plant</i>	6	11	(45%)
Kola MMC	69	44	57%
Chita (Bystrinsky) project	146	132	11%
Other production projects	148	113	31%
Other non-production assets	3	2	50%
Intangible assets	14	13	8%
<b>Total</b>	<b>699</b>	<b>706</b>	<b>(1%)</b>

In 1H2017, CAPEX decreased by 1% y-o-y to USD 0.7 billion. The reduced investments into the upgrade of Talnakh concentrator resulting from the gradual completion of the project in 1H2017 were partly offset by the acceleration of investments into the development of Chita (Bystrinsky) project, entering its completion phase in 2H2017 and expected to launch by the end of this year.

In 1H2017, other investing activities generated positive cash of USD 40 million driven mostly by the proceeds from the sale of other non-core assets (USD 108 million), including the sale of the Group's subsidiary, which owned the former Company's head-office buildings in Moscow.

## DEBT AND LIQUIDITY MANAGEMENT

<i>USD million</i>	<b>As of June 30 2017</b>	<b>As of December 31 2016</b>	<b>Change, USD million</b>	<b>Change,%</b>
Long-term	6,903	7,274	(371)	(5%)
Short-term	1,325	578	747	129%
<b>Total debt</b>	<b>8,228</b>	<b>7,852</b>	<b>376</b>	<b>5%</b>
Cash and cash equivalents	2,630	3,301	(671)	(20%)
<b>Net debt</b>	<b>5,598</b>	<b>4,551</b>	<b>1,047</b>	<b>23%</b>
Net debt /12M EBITDA	1.5x	1.2x	0.3x	

As of June 30, 2017, the Company's total debt amounted to USD 8,228 million, up 5% (or USD 376 million) from the year-end 2016.

As of June 30, 2017, Net debt increased by 23% from the year-end 2016 to USD 5,598 million and Net debt/EBITDA ratio increased to 1.5x.

In 1H2017, the management continued to extend the Group's debt maturity profile. In line with this strategy, the Group successfully placed two Eurobond issues totaling USD 1.5 billion taking advantage of the favorable market conditions. In April 2017, the Company issued USD 1 billion Eurobonds maturing in 2023 with an annual coupon rate of 4.10% which was inside the Company's outstanding Eurobonds' curve. In June 2017, the Group closed a USD 500 million Eurobond offering maturing in 2022 with an annual coupon rate of 3.849%. The coupon was fixed at the record low level for the Company's issuances on international debt capital markets.

In response to the Rouble appreciation in 1H2017, the Company settled in advance credit facilities in the amount of RUB 60 billion in order to decrease the Company's funding costs. As a result, the share of Rouble denominated debt in credit portfolio decreased to 15% as of June 30, 2017 from 29% as of December 31, 2016.

With the view to preserve sufficient liquidity cushion and achieve the right balance between cash reserves and more flexible and cost efficient financial instruments the Group maintains long-term committed undrawn credit lines in the total amount of more than USD 2 billion.

As of the date of publication of this release, the Company's credit ratings assigned by S&P Global and Fitch were at investment grade level of BBB- with "Negative" and "Stable" outlooks, respectively. The Company's credit rating by Moody's remained at the level of Ba1 capped by Russia sovereign country ceiling.

## Attachment A

### INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2017

US Dollars million

	For the six months ended 30 June 2017	For the six months ended 30 June 2016
<b>Revenue</b>		
Metal sales	3,896	3,565
Other sales	352	278
<b>Total revenue</b>	<b>4,248</b>	<b>3,843</b>
Cost of metal sales	(1,906)	(1,631)
Cost of other sales	(309)	(253)
<b>Gross profit</b>	<b>2,033</b>	<b>1,959</b>
General and administrative expenses	(353)	(265)
Selling and distribution expenses	(28)	(72)
Impairment of non-financial assets	(25)	(3)
Other net operating expenses	(215)	(83)
<b>Operating profit</b>	<b>1,412</b>	<b>1,536</b>
Foreign exchange gain, net	21	310
Finance costs	(265)	(226)
Gain from disposal of subsidiaries and assets classified as held for sale	16	6
Income from investments, net	34	51
Share of losses of associates	–	(3)
<b>Profit before tax</b>	<b>1,218</b>	<b>1,674</b>
Income tax expense	(303)	(370)
<b>Profit for the period</b>	<b>915</b>	<b>1,304</b>
Attributable to:		
Shareholders of the parent company	918	1,309
Non-controlling interests	(3)	(5)
	<b>915</b>	<b>1,304</b>
<b>EARNINGS PER SHARE</b>		
Basic and diluted earnings per share attributable to shareholders of the parent company (US Dollars per share)	5.8	8.3

## Attachment B

### INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED) AT 30 JUNE 2017

US Dollars million

	Notes	At 30 June 2017	At 31 December 2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	9,781	9,006
Intangible assets		103	94
Investment property		–	93
Other financial assets	13	179	187
Other taxes receivable		1	2
Deferred tax assets		60	56
Other non-current assets	14	994	1,013
		<b>11,118</b>	<b>10,451</b>
<b>Current assets</b>			
Inventories	14	2,174	1,895
Trade and other receivables		201	170
Advances paid and prepaid expenses		88	68
Other financial assets	13	50	8
Income tax receivable		137	82
Other taxes receivable		266	276
Cash and cash equivalents	15	2,630	3,301
		<b>5,546</b>	<b>5,800</b>
Assets classified as held for sale	16	217	206
		<b>5,763</b>	<b>6,006</b>
<b>TOTAL ASSETS</b>		<b>16,881</b>	<b>16,457</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	17	6	6
Share premium		1,254	1,254
Translation reserve		(4,616)	(4,778)
Retained earnings		6,923	7,340
<b>Equity attributable to shareholders of the parent company</b>		<b>3,567</b>	<b>3,822</b>
Non-controlling interests	18	88	74
		<b>3,655</b>	<b>3,896</b>
<b>Non-current liabilities</b>			
Loans and borrowings	19	6,903	7,274
Provisions		510	435
Trade and other long-term payables		576	523
Deferred tax liabilities		348	303
Other long-term liabilities		117	50
		<b>8,454</b>	<b>8,585</b>
<b>Current liabilities</b>			
Loans and borrowings	19	1,325	578
Trade and other payables		1,538	1,610
Dividends payable	17	1,202	1,164
Employee benefit obligations		371	299
Provisions		180	183
Income tax payable		1	2
Other taxes payable		154	138
		<b>4,771</b>	<b>3,974</b>
Liabilities associated with assets classified as held for sale	16	1	2
		<b>4,772</b>	<b>3,976</b>
<b>TOTAL LIABILITIES</b>		<b>13,226</b>	<b>12,561</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>16,881</b>	<b>16,457</b>



## Attachment C

### INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2017

*US Dollars million*

	For the six months ended 30 June 2017	For the six months ended 30 June 2016
<b>OPERATING ACTIVITIES</b>		
<b>Profit before tax</b>	<b>1,218</b>	<b>1,674</b>
Adjustments for:		
Depreciation and amortisation	307	256
Impairment of non-financial assets	25	3
Share of losses of associates	–	3
Gain from disposal of subsidiaries and assets classified as held for sale	(16)	(6)
Change in provisions and allowances	48	19
Finance costs and income from investments, net	231	181
Foreign exchange gain, net	(21)	(310)
Other	8	8
	<b>1,800</b>	<b>1,828</b>
Movements in working capital:		
Inventories	(107)	(36)
Trade and other receivables	(34)	(20)
Advances paid and prepaid expenses	(17)	(43)
Other taxes receivable	18	60
Employee benefit obligations	24	39
Trade and other payables	(184)	(8)
Provisions	(30)	(10)
Other taxes payable	21	34
<b>Cash generated from operations</b>	<b>1,491</b>	<b>1,844</b>
Income tax paid	(320)	(320)
<b>Net cash generated from operating activities</b>	<b>1,171</b>	<b>1,524</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(685)	(693)
Purchase of other financial assets	–	(150)
Purchase of intangible assets	(14)	(13)
Purchase of other non-current assets	(82)	(22)
Loans issued	(9)	(12)
Proceeds from repayment of loans issued	38	–
Net change in deposits placed	(50)	(50)
Proceeds from sale of other financial assets	5	–
Proceeds from disposal of property, plant and equipment	20	1
Proceeds from disposal of subsidiaries and assets classified as held for sale	88	7
Interest received	30	27
<b>Net cash used in investing activities</b>	<b>(659)</b>	<b>(905)</b>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)  
FOR THE SIX MONTHS ENDED 30 JUNE 2017 (CONTINUED)**

*US Dollars million*

	<b>For the six months ended 30 June 2017</b>	<b>For the six months ended 30 June 2016</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from loans and borrowings	1,655	651
Repayments of loans and borrowings	(1,344)	(1,013)
Financial lease payments	(6)	(4)
Dividends paid	(1,172)	(665)
Interest paid	(310)	(285)
Proceeds from sale of a non-controlling interest in a subsidiary	21	–
Advances received for sale of treasury shares	–	79
<b>Net cash used in financing activities</b>	<b>(1,156)</b>	<b>(1,237)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(644)</b>	<b>(618)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>3,301</b>	<b>4,054</b>
Cash and cash equivalents related to assets classified as held for sale at the beginning of the period	20	43
Less: cash and cash equivalents related to assets classified as held for sale at the end of the period	(16)	(42)
Effects of foreign exchange differences on balances of cash and cash equivalents	(31)	(23)
<b>Cash and cash equivalents at the end of the period</b>	<b>2,630</b>	<b>3,414</b>

## Attachment D

### NET WORKING CAPITAL

<i>US Dollars million</i>	<b>30.06.2017</b>	<b>31.12.2016</b>	<b>Change</b>	<b><i>incl. effects of foreign exchange differences</i></b>
Finished goods	351	310	41	5
Work-in-process	1,041	894	147	21
Other inventories	782	691	91	18
Trade and other receivables	201	170	31	1
Advances paid and prepaid expenses	88	68	20	2
Taxes receivable	403	358	45	7
Employee benefit obligations	(371)	(299)	(72)	(7)
Trade and other payables*	(1,535)	(1,609)	74	(18)
Taxes payable	(155)	(140)	(15)	(5)
<b>Total working capital</b>	<b>805</b>	<b>443</b>	<b>362</b>	<b>24</b>

\* Net working capital doesn't include balances with derivative financial instruments.

This announcement contains inside information in accordance with Article 7 of EU Regulation 596/2014 of 16 April 2014.

**Full name and position of person making the announcement** - Vladimir Zhukov, Vice - president, Investor Relations

#### **ABOUT THE COMPANY**

PJSC «MMC «NORILSK NICKEL» is a diversified mining and metallurgical company, a world's largest producer of refined nickel and palladium and a leading producer of platinum, cobalt, copper and rhodium. The company also produces gold, silver, iridium, selenium, ruthenium and tellurium.

The production units of «NORILSK NICKEL» Group include Polar Division, located at the Norilsk Industrial District on Taimyr Peninsula, and Kola Mining and Metallurgical Company located on the Kola Peninsula in Russia as well as Harjavalta nickel refinery in Finland.

PJSC «MMC «NORILSK NICKEL» shares are listed on the Moscow and on the Saint-Petersburg Stock Exchanges. PJSC «MMC «NORILSK NICKEL» ADRs trade over the counter in the US and on the London and Berlin Stock Exchanges.

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