MMC NORILSK NICKEL REPORTS FIRST HALF 2015 INTERIM CONSOLIDATED IFRS FINANCIAL RESULTS

Moscow, August 31, 2015 – PJSC MMC Norilsk Nickel (“Norilsk Nickel”, the “Company” or the “Group”), the largest nickel and palladium producer in the world, today reports IFRS financial results for six month ended June 30, 2015.

1H 2015 HIGHLIGHTS

- Successful implementation of strategy resulted in leading profitability and return on invested capital (ROIC) despite unfavourable situation on metal markets.
- Consolidated revenue decreased 14% y-o-y to USD 4.9 billion driven by lower metal prices while the Company fully delivered on operating commitments increasing base metal sales volumes.
- EBITDA grew 8% y-o-y to USD 2.7 billion with EBITDA margin expanding to 55% driven by strengthening US dollar, higher metal sales volumes and exit from less profitable overseas assets.
- Net profit was almost flat at USD 1.5 billion while net profit adjusted for non-cash items reached USD 1.9 billion.
- CAPEX increased by 16% y-o-y to USD 0.6 billion driven by the Talnakh concentrator modernization, ongoing upgrade of smelting and refining capacities, Skalisty mine construction and active phase of the Bystrinsky project execution.
- Working capital declined almost USD 0.4 billion to USD 0.7 billion. In last two years net working capital decreased 6-fold.
- Free cash flow amounted to USD 2.2 billion, while FCF/Revenue ratio increased to 44%.
- Leverage remained low with Net Debt/ EBITDA ratio unchanged at 0.6x as of June 30, 2015. Financial stability of Norilsk Nickel is confirmed by investment grade credit ratings from S&P and Fitch.
- Dividends distributed to shareholders in 1H2015 amounted to USD 13.4 per share. Thus, the Company made an advance payment of special dividend and reiterated its dividend targets at 50% of annual EBITDA with regular interim payments.
- During its Investor Day in May the Company’s management confirmed its mid-term production guidance, provided an update on the status of downstream reconfiguration programme and announced the second stage of strategic analysis of legacy assets.
- Exit from non-core assets continues. The Company cashed in a part of its shares in utilities companies, closed the sale of Tati Nickel, while the completion of Nkomati mine’s sale is expected by the end of 2015.

RECENT DEVELOPMENTS

- In July 2015, the Supervisory Board of Vnesheconombank (VEB) approved an 8 year loan of 5.4 billion yuan (approximately USD 0.9 billion) for the development of Bystrinsky polymetallic deposit in Chita region.
- In August 2015, the Company’s Board of Directors recommended an interim dividend payment in the amount of RUB 305.07 per ordinary share in respect of 1H2015 financial results.
- Since the inception of the buy-back programme the Company purchased from the market 1,001,772 ordinary shares for the total amount of around USD 158 million as of August 28, 2015.

FINANCIAL RESULTS

KEY CORPORATE HIGHLIGTS

USD million (unless stated otherwise)	**1H2015**	**1H2014**	**Change (%)**
Revenue	4,907	5,708	(14%)
EBITDA[1]	2,708	2,496	8%
EBITDA margin, %	55%	44%	11 pp
Net profit before impairment of financial and non-financial assets[1]	1,923	1,587	21%
Net profit	1,493	1,456	3%
Capital expenditures	569	491	16%
Free cash flow[2]	2,179	2,371	(8%)
Net working capital[1]	715[3]	1,083[3]	(34%)
Net debt[2]	3,564[3]	3,537[3]	1%
Net debt /12M EBITDA	0,6x	0,6x	
Dividend per share (USD)	13,4	7,1	89%
ROIC[2]	31%	20%	11 p.p.

1) Non-IFRS figure and is calculated as shown below in the document.
2) Non-IFRS figure and is calculated in published analytical review document ("Data book") together with Consolidated IFRS Financial Results
3) Reported as of June 30, 2015 and December 31, 2014

MANAGEMENT COMMENTS

Vladimir Potanin, President of Norilsk Nickel, commented:

“This year we celebrate the 80th anniversary of our Company and I am proud to say that over the decades Norilsk Nickel has evolved into a leader of the global metals and mining industry. Our first-class mining assets in Russia and robust business model led by the strong management team enabled us to generate the industry’s best profitability and top notch return on invested capital, while maintaining one of the most conservative balance sheets.

The headwinds from the commodity markets were strong in the first half of the year and we see challenging macro environment persisting in the near term. Amidst this increased volatility, we see the investor appeal for the quality mining assets such as Norilsk Nickel as only rising as the company keeps delivering on leading shareholder returns. Having adopted a stringent capital discipline focused strategy in 2013 and having implemented key steps in its execution since, Norisk Nickel is facing the current market volatility and pricing pressures as a well-capitalized and uniquely well prepared business.

Our interim financial results were not immune to the commodity price weakness, but also took the full benefit from the depreciation of Russian rouble and showed that the management commitment to capital investment discipline and focus on cost management were paying off. In spite of the reduction in the top line on the back of weak commodity prices, we have managed to deliver an 8% EBITDA growth with the EBITDA margin reaching a remarkable 55%, while the adjusted net profit increased 21% to USD1.9bn.

We continued to implement on our new strategy, progressing on time and on budget with all major investment projects. The roll out of new downstream configuration reached a major milestone in January, when we launched an upgraded Talnakh concentrator. Total capital expenditures reached USD 0.6 billion increasing 16% y-o-y, with the almost entire capex concentrated on the company’s existing and prospective assets in Russia. The capex growth was stemming off continued modernization of enrichment, smelting and refining facilities, continued ramp up of a major Skalisty mine and Bystrinsky greenfield project entering into an active construction phase.

We feel that we can comfortably withstand the pressure coming from the weakness on the commodity markets and reiterate the commitment to our strategic capital investments program and modernization plans. We believe that this should strengthen our global competitive position as the industry is scaling down its development ambitions.

In the current challenging macroeconomic situation we feel also important to reiterate that our targets of returning cash to shareholders remain unchanged. We already paid over USD 2.1 billion of final dividends for the full year 2014, with interim dividend based on 1H15 results of approximately USD 0.7 billion is coming up for the EGM approval. To reflect the management's conviction of the Norilsk Nickel's investment case versus the current market valuation, the Company has also launched a buyback program, with over USD150m worth of shares bought from the open market on the local exchange since the program launch in June.

Major refinancing exercises with Russian and international banks carried out this year demonstrate the strong credit standing of Norilsk Nickel. Its conservative balance sheet and sound business model are also well appreciated by major credit agencies, two of which retained investment grade rating on the company.

Steady delivery on promises and stringent capital investment discipline has been appreciated by our shareholders and are now considered as intrinsic pillars of Norilsk Nickel. We are planning to maintain these under our management focus and aim to continue delivering superior shareholder returns.”

HEALTH & SAFETY

In spite of the ongoing improvements in our management of health and safety of our employees, the lost time injury frequency rate (LTIFR) increased from 0.47 to 0.7 owing to a stricter methodology applied to reporting injuries. Even after this increase, the level remained well within the global mining industry average. We tragically suffered four fatal accidents during the period (one less than in 1H14). The accidents are being thoroughly investigated in order to improve our systems and procedures so every employee can return home unharmed. The management reiterates its major strategic focus of transforming Norilsk Nickel into a zero fatality mining company adhering to the world’s best safety standards.

METAL MARKETS

Nickel – disappointing price performance despite gradually improving fundamentals

Having started the year at around USD 14,900 per tonne nickel price trended down through the first half reaching by the end of June USD 11,680 per tonne, the lowest level since 2009. The average LME nickel price for 1H2015 of USD 13,684 per tonne was down 17% y-o-y.

We believe that this year nickel price has been affected by a set of negative macro factors, which had also a universal negative impact across all commodities. Foremost, the strengthening of US dollar against global currencies has kept the prices on all US dollar-denominated commodities under a downward pressure. Concerns over the global macroeconomy on the back of refreshed worries over the slowdown of Chinese economic growth rates and thus downside risk for the Chinese physical metal consumption were aggravated by the Greece debt crisis and the slump of the Chinese stock market.

Speculative pressure on nickel price was unusually high in the first half of the year, with a decline in net-long positions opened on LME driven by a major expansion of short positions.

The rise of nickel inventories at LME warehouses was disappointing. The continued build-up throughout almost entire 1H15 resulted in nickel inventories reaching the all-time high level of 470 kt in early June. The increase of LME inventory was mostly driven by the continuing from 2014 relocation of the non-transparent stocks accumulated during the previous years of market surplus to LME warehouses. Since June, however, LME nickel inventory showed a moderate reversal, now standing at 84 days of global consumption, with cancelled warrants (material normally earmarked for the withdrawal from a warehouse) rising to the record high level of over 150 kt, representing a third of all LME-held stock. We believe that a sizeable reduction of LME inventory is widely recognized as a major signal of improved nickel market fundamentals.

While the nickel price performance was disappointing, nickel market fundamentals were showing early signs of improvement.

As expected, Chinese NPI production was in decline in 1H15 due to reduced availability of imported nickel feed as well as tightening environmental regulations in certain Chinese provinces. The ongoing supplies of laterite ore to China were down 37% y-o-y in 1H15 resulting from the Indonesian ban, whilst the nickel ore inventory including low grades at major Chinese ports reduced by 34% to 10 mt in late June.

The reduction of nickel feed to the Chinese stainless industry was compensated by the surge in the imports of nickel units, with the net import of nickel contained in ferronickel increasing 88% y-o-y and imports of refined nickel up 37% y-o-y in 1H15.

Chinese stainless production increased by 3% y-o-y in 1H15. However, primary nickel consumption in China grew at a faster rate (+7% y-o-y) due to the surge of nickel-intensive 300 series output (+11% y-o-y), which substituted low-Ni containing 200 series and accounted for over 80% of nickel consumed in the Chinese stainless steel industry.

Nickel outlook – deficit pushed back to 2016, medium-term positive

We remain cautiously optimistic on nickel in the near term as we see little further downside for nickel price as over 60% of the global industry is making cash losses. We believe that nickel industry cash cost downward adjustment due to the USD appreciation and weakened oil price is by and large over. We expect further reduction of NPI production in China as the ore supplies from the Philippines are not able to substitute the nickel units lost as result of the Indonesian ban, while nickel ore inventory at Chinese ports continue to deplete and the tightening environmental regulations force further NPI capacity closures. In the world ex China, we see an increasing pressure on high cost producers to cut production. We also believe that the nickel demand from the Chinese stainless industry will remain robust, with nickel demand in other industries is expected to grow marginally above 2014 levels. We expect the nickel market to be fairly balanced in 2015 and to develop a sizeable deficit (of 60 kt) in 2016. In a short term we are looking for a continued reduction of LME inventories and announcements of production cuts in the world ex China.

Copper – macro driven sell-off amidst weak Chinese demand

Copper was not immune to the general sell-off in commodities driven by the set of unfavourable macro factors discussed above with 1H15 price down 14% y-o-y to an average of USD 5,929 per tonne reaching a six-year low of USD 5,200 per tonne towards the end of July. Chinese demand was a particular concern stemming from the reduction of capital investments in the energy sector and the lack of economy response to the ongoing government stimulus efforts. The sell-off on the Shanghai Stock Exchange coupled with weak country’s trade data added to the concerns of the sustainability of Chinese economic growth and thus the physical consumption of copper.

At the same time, global copper exchange inventory continues to run at very low levels of about 8 days of global consumption, not much above historical lows. The copper supply continue to suffer from disruptions triggered by a variety of factors ranging from floods and strikes in Chile to power shortages in Zambia and Papua New Guinea. We estimate supply disruptions at around 700kt in 1H15, while the historical average rate of production lost due to supply disruptions at 5-6% of the global supply.

Copper outlook - neutral

We slightly moderate our copper demand growth forecast, which we believe to be offset by a corresponding reduction in supply owing to production disruptions, thus making the copper market posting a small surplus this year. The level of copper inventory remains low and supportive of the metal price. The weak price environment does not encourage the fast ramp-up of new projects on the supply side, whereas on the demand side, there are moderate expectations for a positive impact from a combination of the Chinese stimulus along with resumed investments into energy sector.

Palladium – macro driven sell-off, disappointing car sales

After a very strong performance in 2H14, in 1H15 palladium price lost its momentum owing to a broad negative sentiment towards commodities and averaged USD 772 per ounce, practically unchanged y-o-y. The metal price traded in a quite tight range of USD 740-830 per ounce during almost entire 1H15 up until May, but in June-August lost its support and even breached USD 600 per ounce level. In addition to the macro factors having a general impact on industrial commodities, we attribute this price weakness to the disappointing auto sales statistics from China, which posted a small y-o-y reduction in the production of light vehicles in June and July. Post-strike recovery of supply from South Africa contributed to the reduction of market deficit, which was at a historical record high level of over 1.5m oz in 2014.

Investment demand for palladium was neutral in 1H15. The outflow of metal from ETFs of almost 200 thousand ounces in 1Q15 was almost fully replaced by the inflow of metal in the following months as a weak price was offering an attractive entry point for investors, thus making net change in palladium ETFs since the start of the year only a minor reduction.

Palladium outlook – positive, deficit to persist

We consider the current weakness in palladium price as temporary. The metal consumption by auto industry is expected to grow at a moderate rate of around 1-2% in 2015, with the recent inflows into ETFs implying also a recovery in the investment demand. Although South African producers were successful to restore quickly their production to pre-strike levels in 2015 we do not expect any significant production growth in 2016 and beyond as the weak price environment is curbing the capital investments and incentivizes shutdowns of marginal cost mines. The cost pressure in South Africa is rising with a number of high cost mines earmarked for divestiture or major cost optimization. In addition to the electricity issues and worsening mining conditions, we see additional risk to the supply coming from the forthcoming negotiations with labour unions as the current collective bargaining agreement is expiring in June 2016. We expect palladium to remain in a deficit in 2015, albeit at a smaller level than the record high 2014, with the wider deficit persisting into 2016.

Platinum – macro driven sell-off, market brought to balance

In 1H15, platinum continued its downward trend averaging USD 1,160 per ounce, down 19% y-o-y. Driven by the deterioration of the global commodities outlook and unfavourable macro factors, the metal price dove below USD 1,000 per ounce in July, the levels lowest since 2008. Strong post-strike recovery of supply from South Africa resulted in a moderately balanced platinum market. In addition, ZAR depreciation against USD enabled South African miners to sustain profitability on their PGM basket despite weakening platinum price in US dollar terms.

Platinum outlook – moderately positive

We expect platinum consumption to increase by 4% y-o-y in 2015 driven by the recovery in European automotive sector and implementation of Euro-6 emissions standard. Financial demand is recovering with net inflows in ETFs totalling approximately 100 thousand ounces year-to-date. We remain cautious on the production growth plans announced by a number of producers amidst weak pricing environment, challenging mining conditions at mature mines in South Africa and ongoing issues with power supplies. Moreover, one major platinum producer has recently announced its intention to close two shafts, while a number of other producers announced plans to scale back their CAPEX citing weak pricing environment. Another round of wage negotiations with trade unions in South Africa coming up in June 2016 will pose an additional threat for the delivery on the announced platinum production growth targets. We forecast platinum to market to be in a moderate deficit in 2015-2016.

KEY SEGMENTAL HIGHLIGHTS

USD million	**1H 2015**	**1H 2014**	**Change (%)**
Revenue	**4,907**	**5,708**	**(14%)**
Polar Division	3,800	4,231	(10%)
Kola MMC	410	540	(24%)
NN Harjavalta	432	386	12%
Other metallurgical assets	27	38	(29%)
Other non- metallurgical assets	636	1,191	(47%)
Inter-company eliminations	(398)	(678)	(41%)
EBITDA	**2,708**	**2,496**	**8%**
Polar Division	2,714	2,501	9%
Kola MMC	156	146	7%
NN Harjavalta	36	11	227%
Other metallurgical assets	(12)	(35)	(66%)
Other non-metallurgical assets	(22)	44	(150%)
Corporate expenses	(164)	(171)	(4%)
EBITDA margin, %	**55%**	**44%**	**11** p.p.
Polar Division	71%	59%	12 p.p.
Kola MMC	38%	27%	11 p.p.
NN Harjavalta	8%	3%	5 p.p.
Other metallurgical assets	(44%)	(92%)	48 p.p.
Other non- metallurgical assets	(3%)	4%	-7 p.p.

In the 1H2015, EBITDA of Polar Division and Kola MMC increased by 9% and 7%, respectively, to USD 2,714 million and USD 156 million, respectively, primarily due to the reporting currency appreciation, which was partly offset by the decrease of metal prices.

In the 1H2015, EBITDA of NN Harjavalta increased by 227% to USD 36 million principally due to the depreciation of Euro versus US dollar by 19% in the 1H2015.

EBITDA of the other metallurgical assets increased by 66% in the first half of 2015 due to the reporting currency appreciation.

EBITDA of the other non-metallurgical assets decreased by 150% in the 1H2015 mainly due to the reduction of margins of in-house sales and distribution operations as a result of the decline in metal prices and the weak air transportation market.

METAL SALES VOLUME AND REVENUE

	1H 2015	1H 2014	Change (%)
Finished products[2)]			
Russian entities			
Nickel (thousand tonnes)	109	109	-
Copper (thousand tonnes)	177	172	3%
Palladium (thousand troy ounces)	1,312	1,345	(2%)
Platinum (thousand troy ounces)	322	319	1%
Finland			
Nickel (thousand tonnes)	21	18	17%
Semi-products[2)]			
Finland			
Copper cake (thousand tonnes) [1)]	6	3	100%
Botswana			
Nickel (thousand tonnes)	1	1	-
Copper (thousand tonnes)	1	1	-
Metal sales, physical volumes [2)]			
Group, excluding South Africa[3)]			
Nickel (thousand tonnes)	131	128	3%
Copper (thousand tonnes)	184	176	5%
Palladium (thousand troy ounces) [4)]	1,361	1,369	(1%)
Platinum (thousand troy ounces) [4)]	341	328	4%
Gold (thousand troy ounces) [4)]	63	76	(17%)
Rhodium (thousand troy ounces) [4)]	43	48	(10%)
Cobalt (thousand tonnes)	2.9	2.6	12%
Silver (thousand troy ounces)	1,047	1,286	(19%)
Average realized prices of metals produced by Norilsk Nickel in Russia from its own feed			
Metal			
Nickel (USD per tonne)	13,712	16,898	(19%)
Copper (USD per tonne)	5,989	6,969	(14%)
Palladium (USD per troy ounce)	771	783	(2%)
Platinum (USD per troy ounce)	1,157	1,433	(19%)
Cobalt (USD per tonne)	30,367	29,723	2%
Gold (USD per troy troy ounce)	1,208	1,288	(6%)
Rhodium (in USD per troy ounce)	1,046	1,068	(2%)

REVENUE (USD million)			
Nickel	*1,834*	*2,145*	*(14%)*
Copper	*1,093*	*1,220*	*(10%)*
Palladium	*1,063*	*1,124*	*(5%)*
Platinum	*389*	*469*	*(17%)*
Other metals	*212*	*244*	*(13%)*
Revenue from metal sales	**4,591**	**5,202**	**(12%)**
Revenue from other sales	316	506	(38%)
Total revenue	**4,907**	**5,708**	**(14%)**

1) Copper cake – volumes are stated in respect of copper content in semi-product.
2) The figures are reported based on the metals content in the products sold. All information is reported on the basis of 100% ownership of subsidiaries, excluding sales of metals purchased from third parties.
3) The operating results of Nkomati Nickel Mine (South Africa) are shown in the financial statements based on Group's 50% ownership and are reported as operating results of associates.
4) Information includes realization of precious metals in copper cake.

Nickel

Nickel remained the largest contributor to the Company's revenue comprising a 40% of total metal sales in the 1H2015 vs 41% in the 1H2014.

In the 1H2015, the nickel revenue decreased by USD 311 million, or 14% to USD 1,834 million mainly due to nickel price decrease (USD 380 million), which was partly offset by higher metal sales volume (+USD 41 million).

The average realized nickel price in the 1H 2015 decreased by 19% to USD 13,712 per tonne from USD 16,898 in the 1H2014.

The sales volume of nickel produced by Norilsk Nickel in Russia from its own feed increased by 2% (or 2 thousand tonnes) to 107 thousand tonnes in the 1H2015 from 105 thousand tonnes in the 1H2014. The increase in sales volumes was due to the release of metal from stockpiles. At the same time, the amount of nickel sales from purchased third party material reduced by 2 thousand tonnes to 2 thousand tonnes in the 1H2015 as a result of less third party material purchased by Kola MMC.

The sales volume of nickel of Norilsk Nickel Harjavalta increased by 17% to 21 thousand tonnes in the 1H2015. The sales growth was driven by faster completion of the scheduled capital repairs, additional nickel output from the work-in-process material and improvement of concentrate smelting at Boliden.

In the 1H2015, the sales volume of semi-finished nickel products of Norilsk Nickel International (excluding Norilsk Nickel Harjavalta and 50% share of Nkomati Nickel Mine) was unchanged at 1 thousand tonnes.

Copper

In the 1H2015, the copper revenue accounted for 24% of the Company's total revenue from metal sales, declining by USD 127 million (or 10%) to USD 1,093 million mainly due to the lower average realized copper price (- USD 182 million), which was partly offset by the increased sales volume (+USD 55 million).

The average realized copper price –was down by 14% from USD 6,969 per tonne in the 1H2014 to USD 5,989 per tonne in the 1H2015, which was the main reason for copper revenue decline

Physical volume of copper sales of Norilsk Nickel from its own feed increased by 9 thousand tonnes to 175 thousand tonnes in the 1H2015. The increase of sales volume was due to the idling of the copper rod production and thus the release of the working copper inventory. Moreover, the sales of copper produced from the purchased third party materials reduced by 4 thousand tonnes to 2 thousand tonnes in the 1H2015 as Kola MMC purchased less material for processing from third parties.

The volume of copper in semi-finished copper products sold by Norilsk Nickel Harjavalta increased by 3 thousand tonnes to 6 thousand tonnes in the 1H2015. The increase of copper sales to third parties was driven by the increase in copper output and also by the reduced shipments of copper cake for refining at Kola MMC.

Palladium

In the 1H2015, palladium sales revenue accounted for 23% of the Group's total metal sales revenue. The Group's palladium revenue decreased by 5% (or by USD 61 million) from USD 1,124 million in the 1H2014 to USD 1,063 million in 2015 mainly due to the decrease in palladium sales volumes (by USD 36 million) in addition to reduction of realized palladium price (by USD 10 million).

The palladium revenue of the Company's Russian operations decreased by 4% from USD 1,052 million in the 1H2014 to USD 1,011 million in the 1H2015. The revenue decline was driven by both the reduction of the realized palladium price (down 2%) to USD 771 per troy ounce in the 1H2015 and reduced sales volumes of palladium (down 2%) due to the sale of palladium from stock in the 1H2014.

The revenue from palladium in copper cake by Norilsk Nickel Harjavalta increased to USD 27 million in the 1H2015 from USD 16 million in the 1H2014 due to the increased sales volumes of copper cake.

In the 1H2015, the palladium revenue from the Company's international operations (Botswana) was USD 1 million down from USD 7 million in the 1H2014 as the Group was exiting from its international assets with the sale of Tati Nickel Mining Company completed in April 2015.

In the 1H2015, the Company sold USD 24 million worth of palladium, purchased from the open market for re-sale under the Company's contractual obligations where during the 1H 2014 the Company sold palladium purchased from the open market worth USD 49 million.

Platinum

In the 1H2015, platinum sales revenue accounted for 8% of the Group's total metal sales revenue. The platinum revenue reduced by 17% (USD 80 million) from USD 469 million to USD 389 million mainly due to the adverse effect of the realized platinum price (by USD 93 million), which was partly offset by the increased volumes of platinum sales (by USD 19 million).

The revenue from the sales of platinum produced by Norilsk Nickel in Russia decreased by 19% to USD 371 million in the 1H2015 from USD 457 million in the 1H2014 due to the 19% decline in the average realized platinum selling price from USD 1,433 per troy ounce in the 1H2014 to USD 1,157 per troy ounce in the 1H2015, which was partly offset by the increased platinum sales volume on the back of higher platinum production volume.

The sales volume of platinum in copper cake produced by NN Harjavalta increased from USD 11 million in the 1H2014 to USD 16 million in the 1H2015 due to the higher sales volume of copper cake.

Other metals

The revenue from the sales of other metals in the 1H2015 decreased by 13% to USD 212 million, gold revenue (-22%), rhodium (-12%) and silver (-28%) were down, which was partly offset by the higher cobalt sales revenue (+1%).

OTHER SALES

The revenue from other sales in the 1H2015 decreased by 38% to USD 316 million mainly due to Russian rouble depreciation versus US dollar (- USD 195 million), which was partly offset by the increase of other sales by USD 5 million.

USD million	**1H 2015**	**1H 2014**	**Change (%)**
Energy and utilities	61	79	(23%)
Transport	143	262	(45%)
Other	112	165	(32%)
Total	**316**	**506**	**(38%)**

Energy and utilities revenue decreased by USD 18 million to USD 61 million in the 1H2015 resulting from the depreciation of Russian rouble versus US dollar (- USD 31 million), partially offset by the increase of RUB revenue by USD 13 million on the back of higher services volumes provided to the city of Norilsk residents.

The reduction of transport services revenue by USD 119 million to USD 143 million in the 1H2015 was driven by the depreciation of Russian rouble versus US dollar (USD 99 million) combined with decrease of RUB revenue by USD 20 million.

The decrease of transportation revenue in RUB terms resulted from the decline in the passenger traffic (CJSC “Nordavia-RA”, OJSC “AK “Taimyr”) and lower volume of cargo services provided to third parties (OJCS “ERP”).

The decrease of other sales revenue by USD 53 million to USD 112 million was due to the depreciation of Russian rouble versus US dollar (negative effect of USD 65 million) which was partially offset by the increase in revenue in RUB terms by USD 12 million.

COST OF METAL SALES

Cost of metals sales

In the 1H2015, the cost of metal sales reduced by 30% to USD 1,765 million owing to:

- Reduction of the cash operating costs by USD 786 million (or 35%);
- Decrease in depreciation charges by USD 167 million (or 41%);
- Comparative effect of change in metal inventories for the 1H2015 of USD 199 million.

Cash operating costs

In the 1H2015, the total cash operating costs decreased by 35% (or USD 786 million) to USD 1,440 million driven by:

- The effect of Russian rouble devaluation versus US dollar (reduction by USD 624 million);
- Decrease in the purchase cost of metal inventory for resale, raw materials and semi-finished products (reduction by USD 220 million).
- Decrease in outsourced third-party services-USD 15 million.
- Increase in other cash operating costs – USD 73 million.

The cash operating cost of main production units of the Group were allocated as follows in the 1H2015:

– Russian operations: 80%
– NN Harjavalta: 18%;
– Norilsk Nickel International: 2%.

USD million	**1H 2015**	**1H 2014**	**Change (%)**
Cash operating costs			
Labour	584	839	(30%)
Metals for resale, raw materials and semi-products	289	509	(43%)
Materials and supplies	181	285	(36%)
Third-party services	119	185	(36%)
Mineral extraction tax and other levies	59	110	(46%)
Electricity and heat energy	75	107	(30%)
Fuel	35	59	(41%)
Transportation expenses	39	48	(19%)
Sundry costs	59	84	(30%)
Cash operating costs	**1,440**	**2,226**	**(35%)**
Amortisation and Depreciation	242	409	(41%)
Decrease/(increase) in metal inventories	83	(116)	(172%)
Total cost of metal sales, comprised by:	**1,765**	**2,519**	**(30%)**
Russia	1,339	2,031	(34%)
NN Harjavalta	390	380	3%
NN International	36	108	(67%)

Labour costs

The proportion of labour costs in total cash operating costs has been stable. In the 1H2015 labour costs accounted for 41% of the Group's total cash operating costs.

In the 1H2015, labour costs of USD 584 million were down 30% (USD 255 million) owing to:

- USD 323 million reduction owing to the Russian rouble depreciation against US dollar (or 38%);
- USD 68 million increase owing to the indexation of RUB-denominated wages and salaries of production employees of the Company's Russian operations.

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

Expenses on the acquisition of metals for resale, raw materials and semi-products for processing decreased by USD 220 million to USD 289 million in the 1H2015 mainly due to:

- USD 83 million decrease due to lower volume of raw materials purchased from third parties for refining at NN Harjavalta;
- USD 41 million decrease due to lower metal prices and changes in the structure of the purchased raw materials;
- A reduction of metals purchased for resale to fulfill contractual obligations as compared to the 1H2014.

Materials and supplies

Materials and supplies expenses decreased by USD 104 million (or 36%) to USD 181 million in the 1H2015 driven by the following:

- USD 111 million decrease owing to the Russian rouble depreciation against US Dollar;
- USD 7 million cash costs increase at Russian production assets, mainly due to the country’s inflation.

Outsourced third party services

In the 1H2015, the cash costs from third party services decreased by USD 66 million (or by 36%) to USD 119 million driven by the following:

- USD 51 million decrease due to the translation of financial statements into presentation currency;
- USD 19 million decrease of outsourced mining services costs due to the completion of the sale of Tati Nickel Mining Company in April 2015;
- USD 4 million increase of expenses for tolling services at NN Harjavalta due to increased volume of nickel concentrate processed under tolling arrangements.

Mineral extraction tax and other levies

Mineral extraction tax and environmental levies decreased by USD 51 million (or 46%) to USD 59 million in the 1H2015 as a result of:

- USD 42 million decrease due to depreciation of Russian rouble against US Dollar;
- USD 9 million decrease due to changes in tax legislation on mineral extraction tax rate (gas by 4.8 times, gas condensate by 1.2 times).

Electricity and heat energy

In the 1H2015, energy costs decreased by USD 32 million (or by 30%) to USD 75 million due to the following:

- USD 35 million decrease due to depreciation of Russian rouble against US Dollar;
- USD 3 million increase due to higher energy consumption at Kola MMC owing to the increase of metal production.

Fuel

Fuel expenses decreased by USD 24 million (or by 41%) to USD 35 million in the 1H2015 primarily due to depreciation of Russian rouble against US Dollar (USD 24 million).

Transportation expenses

In the 1H2015, transportation costs decreased 19% (or by USD 9 million) to USD 39 million mainly driven by depreciation of Russian rouble against US Dollar (USD 10 million).

Sundry costs

In 1H 2015, sundry costs declined by USD 25 million (or by 30%) to USD 59 million mainly driven by the Russian rouble depreciation against US Dollar.

Amortisation and depreciation

In the 1H2015, amortisation and depreciation of production assets decreased by USD 167 million (or 41%) to USD 242 million on the back of the following:

- USD 156 million reduction attributable to Russian rouble devaluation against US Dollar;
- USD 11 million decrease of depreciation charges mainly due to completion of the sale of Tati Mining Company in April 2015.

Decrease of metal inventories

Metal inventories decreased by USD 83 million in the 1H2015 due to:

- USD 80 million decrease in the stockpile of work-in-progress materials at the Company's Russian operations and NN Harjavalta, as a result of processing of the stockpiled nickel materials at NN Harjavalta;
- USD 3 million decrease in metal inventories due to the completion of the sale of Tati Mining Company in April 2015.

COST OF OTHER SALES

USD million	**1H 2015**	**1H 2014**	**Change,%**
Energy and utilities	64	85	(25%)
Transport	153	249	(39%)
Other	100	131	(24%)
Total	**317**	**465**	**(32%)**

In the 1H2015, cost of other sales decreased by 32% to USD 316 million mostly driven by the depreciation of Russian rouble against US Dollar, which was partly offset by the increase of other costs at Kola MMC.

Decrease in gross profit margin of other sales in the 1H2015 was mainly due to the increase in the cost of energy and utilities, which was not fully covered by the respective increase in RUB tariffs, as well as a decrease in revenue from transportation services of airline companies resulting from lower passenger turnover.

SELLING AND DISTRIBUTION EXPENSES

USD million	1H 2015	1H 2014	Change,%
Export customs duties	16	146	(89%)
Transportation expenses	2	12	(83%)
Labour	5	9	(44%)
Marketing	12	33	(64%)
Other	7	2	250%
Total	**42**	**202**	**(79%)**

Selling and distribution expenses decreased by 79% to USD 42 million in the 1H2015 primarily due to the Russian rouble depreciation effect of USD 26 million.

Decrease of export duties by USD 130 million (or 89%) to USD 16 million in the 1H2015 was primarily related to the cancellation of nickel and copper export duties from August 21, 2014.

Marketing and advertising expenses decreased by USD 21 million in the 1H2015 due to decrease of the cost related to marketing campaigns in Asia and Europe.

GENERAL AND ADMINISTRATIVE EXPENSES

USD million	1H 2015	1H 2014	Change,%
Labour	168	221	(24%)
Third party services	25	50	(50%)
Taxes other than mineral extraction tax and income tax	27	49	(45%)
Amortization and depreciation	9	15	(40%)
Transportation expenses	3	9	(67%)
Rental expenses	10	5	100%
Other	20	44	(55%)
Total	**262**	**393**	**(33%)**

In the 1H2015, general and administrative expenses decreased by 33% to USD 262 million due to the Russian rouble depreciation effect of USD 145 million.

Labour expenses decreased by USD 53 million (or by 24%) to USD 168 million in the 1H2015. Net of the Russian rouble depreciation effect labour expenses increased primarily due to payroll indexation as well as to hiring of temporary staff for certain projects.

Rental expenses increased by USD 5 million primarily due to the relocation of the head office from the Company’s own premises to leased buildings.

Taxes other than mineral extraction tax and income tax decreased by USD 3 million net of foreign exchange effect and by USD 19 million due to the Russian rouble depreciation to USD 27 million in the 1H2015. It was partially offset by increase of property tax expense by USD 4 million due to tax legislation changes in respect of taxation of movable property with a useful life over 3 years.

FINANCE COSTS

USD million	**1H 2015**	**1H 2014**	**Change,%**
Interest expense on borrowings net of amounts capitalized	109	71	54%
Unwinding of discount on provisions	19	21	(10%)
Other	-	2	(100%)
Total	**128**	**94**	**36%**

In the 1H2015, finance costs increased by 36% to USD 128 million primarily due to new RUB borrowings raised at higher rates, which was partially offset by the Russian rouble depreciation.

INCOME TAX EXPENSE

In the 1H2015, income tax expense increased by 15% to USD 486 million primarily due to increase of taxable profit, which was substantially affected by the Russian rouble depreciation, which was partially offset by the decrease of metal prices.

The effective income tax rate in the 1H2015 amounted to 25%, which was above the statutory tax rate of 20% in Russia mainly due to recognition of non-deductible loss on the disposal of held-for-sale assets, as well as to non-deductible social and charity expenses. The effective income tax rate increased from 23% in the 1H2014 to 25% in the 1H2015 primarily due to recognition of the loss on the disposal of assets held for sale.

EBITDA

USD million	**1H 2015**	**1H 2014**	**Change**
Operating profit	**2,426**	**2,029**	**20%**
Amortization and depreciation	280	445	(37%)
Impairment of PP&E	2	22	(91%)
EBITDA	**2,708**	**2,496**	**8%**
EBITDA margin	**55%**	**44%**	**11 p.p.**

In the 1H2015, EBITDA increased by USD 212 million (or by 8%) to USD 2,708 million with EBITDA margin amounting to 55% increasing from 44% in the 1H2014.

NET PROFIT BEFORE IMPAIRMENT CHARGES AND FX LOSSES RECONCILIATION

USD million	1H 2015	1H 2014	Change
Net profit	**1,493**	**1,456**	**3%**
Impairment of PP&E	2	22	(91%)
Impairment of available for sale investments	-	49	(100%)
Foreign exchange loss	122	107	14%
Loss/(gain) from disposal of subsidiaries and assets classified as held for sale	306	(47)	(751%)
Net profit before impairment charges and FX losses	**1,923**	**1,587**	**21%**

STATEMENT OF CASH FLOWS

USD million	1H 2015	1H 2014	Change
Cash generated from operations before changes in working capital and income tax	**2,758**	**2,546**	**8%**
Reduction of working capital	241	487	(51%)
Income tax paid	(439)	(210)	109%
Net cash generated from operating activities	**2,560**	**2,823**	**(9%)**
Capital expenditure	(569)	(491)	16%
Other investing activities	188	39	382%
Net cash used in investing activities	**(381)**	**(452)**	**(16%)**
Net cash used in financing activities	**(2,234)**	**(1,351)**	**65%**
Effects of foreign exchange differences on balances of cash and cash equivalents	126	3	42x
Other	(50)	(19)	163%
Net increase in cash and cash equivalents	**21**	**1,004**	**(98%)**

In the 1H2015, net cash generated from operations decreased by 9% to USD 2.6 bln mainly due to the lower amount of released working capital and increased income tax paid.

This decrease was influenced by increase of EBITDA in the 1H2015 compared to the 1H2014 by USD 212 million mainly due to the Russian rouble depreciation, partially offset by the metal prices decrease.

Increase of cash flow due to release of working capital amounted to USD 241 million in the 1H2015 as compared to USD 487 million in the 1H2014.

Working capital reduced in the 1H2015 owing to the following factors:

- increase of advances received from customers by USD 129 million,
- improvement of contractual terms with counterparties USD by 64 million,
- seasonal increase of trade payables and VAT payable by USD 49 million.

BALANCE SHEET AND CASH FLOW WORKING CAPITAL RECONCILIATION

USD million	1H 2015	1H 2014
Change of the net working capital in the balance sheet, less:	**368**	**863**
Foreign exchange differences	(36)	(62)
Change in income tax payable	(34)	(273)
Transferred from assets held for sale	(31)	(2)
Non-cash changes, including reserves	(26)	(39)
Change of working capital per cash flow	**241**	**487**

CAPEX BREAKDOWN BY PROJECT

USD million	1H 2015	1H 2014	Change
Polar Division, including:	369	215	72%
Skalisty mine	88	*25*	252%
Taymirsky mine	*24*	*26*	(8%)
Komsomolsky mine	*11*	*21*	(48%)
Oktyabrsky mine	*19*	*23*	(17%)
Talnakh enrichment plant	*84*	*38*	121%
Nickel plant closure activities	20	4	400%
Kola MMC	45	44	2%
Chita copper project (Bystrinsky project)	51	44	16%
Other production projects	95	175	(46%)
Other non-production assets	3	1	200%
Intangible assets	6	12	(50%)
Total	**569**	**491**	16%

Increase of capital expenditure in the 1H2015 by 16% to USD 569 million resulted from the optimization of Skalisty mine development schedule, ongoing reconstructions of Talnakh enrichment plant, implementation of initiatives related to the forthcoming closure of the Nickel plant, including the modernization of Nadezhda metallurgical plant, as well as to the ramp up of construction of the Chita project.

DEBT AND LIQUIDITY MANAGEMENT

USD million	As of June 30 2015	As of December31 2014	Change, USD million	Change, %
Long-term	*5,151*	*5,678*	*(527)*	*(9%)*
Short-term	*1,227*	*652*	*575*	*88%*
Total debt	**6,378**	**6,330**	**48**	**1%**
Cash and cash equivalents	2,814	2 793	21	1%
Net debt	3,564	3,537	27	1%
Net debt/ 12M EBITDA	0.6x	0.6x		

As of June 30, 2015, the Company's short-term debt increased by USD 575 million from December 31, 2014, and amounted to USD 1,227 million, while long-term debt decreased from USD 5,678 million to USD 5,151 million, respectively. As a result the proportion of short-term debt in the total debt portfolio increased from 10% to 19% as of June 30, 2015.

From December 31, 2014 by June 30, 2015, net debt increased by 1% to USD 3,564 million, with net debt/EBITDA ratio remaining unchanged at 0.6x.

In spite of challenging credit market conditions in the 1H2015, the Company entered into a number of bilateral long-term loan agreements with local and international banks totalling approximately USD 900 million. The funds raised were partly used to refinance the current debt portfolio as well as to fund Company's general corporate needs. The debt portfolio remained fully unsecured with a slight rise of the average cost of debt. The creditors' confidence in the Company relies on Norilsk Nickel's strong financial position and global mining industry leadership.

On 23 July, 2015, the credit ratings of the Company assigned by Fitch were confirmed at level BBB-. Thus by the end of August 2015, the Company's credit ratings assigned by S&P's and Fitch stood at investment grade level (BBB-, BBB-). The Company's credit rating assigned by Moody's remained at Ba1 level as result of the lowering of "sovereign ceiling" in February, 2015.

Attachment A

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2015

US Dollars million

	For the six months ended 30 June 2015	For the six months ended 30 June 2014
Revenue		
Metal sales	4,591	5,202
Other sales	316	506
Total revenue	**4,907**	**5,708**
Cost of metal sales	(1,765)	(2,519)
Cost of other sales	(317)	(465)
Gross profit	**2,825**	**2,724**
Selling and distribution expenses	(42)	(202)
General and administrative expenses	(262)	(393)
Impairment of property, plant and equipment	(2)	(22)
Other net operating expenses	(93)	(78)
Operating profit	**2,426**	**2,029**
Finance costs	(128)	(94)
Impairment of financial assets	–	(49)
(Loss)/gain from disposal of subsidiaries and assets classified as held for sale	(306)	47
Income from investments, net	99	31
Foreign exchange loss, net	(122)	(107)
Share of profits of associates	10	22
Profit before tax	**1,979**	**1,879**
Income tax expense	(486)	(423)
Profit for the period	**1,493**	**1,456**
Attributable to:		
Shareholders of the parent company	1,498	1,452
Non-controlling interests	(5)	4
	1,493	**1,456**
EARNINGS PER SHARE		
Basic and diluted earnings per share attributable to shareholders of the parent company (US Dollars per share)	9.5	9.2

Attachment B

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

US Dollars million

	30 June 2015	31 December 2014
ASSETS		
Non-current assets		
Property, plant and equipment	7,587	7,011
Intangible assets	44	43
Investment property	115	–
Investments in associates	17	17
Other financial assets	277	204
Other taxes receivable	–	6
Deferred tax assets	39	53
Other non-current assets	142	130
	8,221	**7,464**
Current assets		
Inventories	1,773	1,726
Trade and other receivables	181	275
Advances paid and prepaid expenses	83	63
Other financial assets	1	87
Income tax receivable	86	127
Other taxes receivable	182	178
Cash and cash equivalents	2,814	2,793
	5,120	**5,249**
Assets classified as held for sale	305	436
	5,425	**5,685**
TOTAL ASSETS	**13,646**	**13,149**
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	6	6
Share premium	1,254	1,254
Treasury shares	(2)	–
Translation reserve	(4,234)	(4,785)
Investment revaluation reserve	91	(2)
Retained earnings	7,710	8,295
Equity attributable to shareholders of the parent company	**4,825**	**4,768**
Non-controlling interests	31	25
	4,856	**4,793**
Non-current liabilities		
Loans and borrowings	5,151	5,678
Employee benefit obligations	9	6
Provisions	399	274
Deferred tax liabilities	216	216
	5,775	**6,174**
Current liabilities		
Loans and borrowings	1,227	652
Employee benefit obligations	272	252
Trade and other payables	1,173	912
Provisions	159	156
Derivative financial instruments	7	5
Income tax payable	16	23
Other taxes payable	129	99
	2,983	**2,099**
Liabilities associated with assets classified as held for sale	32	83
	3,015	**2,182**
TOTAL LIABILITIES	**8,790**	**8,356**
TOTAL EQUITY AND LIABILITIES	**13,646**	**13,149**

NORILSK NICKEL

Attachment C

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2015

US Dollars million

	For the six months ended 30 June 2015	For the six months ended 30 June 2014
OPERATING ACTIVITIES		
Profit before tax	**1,979**	**1,879**
Adjustments for:		
Depreciation and amortisation	280	445
Impairment of property, plant and equipment	2	22
Loss on disposal of property, plant and equipment	11	18
Share of profits of associates	(10)	(22)
Loss/(gain) from disposal of assets classified as held for sale	306	(47)
Impairment of financial assets	–	49
Finance costs and income from investments, net	29	63
Foreign exchange loss, net	122	107
Other	39	32
	2,758	**2,546**
Movements in working capital:		
Inventories	(30)	(91)
Trade and other receivables	98	9
Advances paid and prepaid expenses	2	(23)
Other taxes receivable	(2)	138
Employee benefit obligations	1	(9)
Trade and other payables	152	486
Provisions	–	(30)
Other taxes payable	20	7
Cash generated from operations	**2,999**	**3,033**
Income tax paid	(439)	(210)
Net cash generated from operating activities	**2,560**	**2,823**
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(563)	(479)
Purchase of intangible assets	(6)	(12)
Purchase of other non-current assets	(15)	(17)
Purchase of other financial assets	–	(7)
Net change in deposits placed	80	(62)
Interest received	65	27
Proceeds from sale of other financial assets	44	62
Proceeds from disposal of property, plant and equipment	–	17
Proceeds from disposal of assets classified as held for sale	–	19
Dividends received	14	–
Net cash used in investing activities	**(381)**	**(452)**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2015 (CONTINUE)

US Dollars million

	For the six months ended 30 June 2015	For the six months ended 30 June 2014
FINANCING ACTIVITIES		
Proceeds from loans and borrowings	400	928
Repayments of loans and borrowings	(332)	(1,038)
Dividends paid	(2,126)	(1,112)
Interest paid	(143)	(129)
Purchase of treasury shares	(2)	–
Buy-out of non-controlling interest	(31)	–
Net cash used in financing activities	**(2,234)**	**(1,351)**
Net (decrease)/increase in cash and cash equivalents	**(55)**	**1,020**
Cash and cash equivalents at beginning of the period	**2,793**	**1,621**
Cash and cash equivalents related to assets classified as held for sale at the beginning of the period	5	9
Less: cash and cash equivalents related to assets classified as held for sale at the end of the period	55	28
Effects of foreign exchange differences on balances of cash and cash equivalents	126	3
Cash and cash equivalents at end of the period	**2,814**	**2,625**

Attachment D

NET WORKING CAPITAL

US Dollars million	***30.06.2015***	***31.12.2014***	***Change***	***incl. Effects of foreign exchange differences***
Finished goods inventories	395	389	2%	5
Work-in-process	741	787	(6%)	9
Other inventories	637	550	16%	7
Trade and other receivables	181	275	(34%)	1
Advances paid and prepaid expenses	83	63	32%	9
Taxes receivable	268	305	(12%)	4
Employee benefit obligations	(272)	(252)	8%	(3)
Trade and other payables	(1,173)	(912)	29%	(67)
Taxes payable	(145)	(122)	19%	(1)
Total	**715**	**1,083**	**(34%)**	(36)