Financial overview (MD&A)

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

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

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

Sergey Malyshev

The Company's Senior Vice President and Chief Financial Officer

2017 Highlights

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

Recent Developments

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