

Chairman's letter

Dear Shareholders,

Year 2017 was rough and volatile from both macroeconomic and operating perspective, but it nonetheless became a year of significant achievements and major decisions for our Company.

Thanks to the hard work, commitment and professionalism of our 79,000 employees, we continued to expand our leadership position by delivering on operating and financial results, upgrading our assets, and enhancing safety, while generating significant value for shareholders.

In the second half of 2017, synchronised global economic growth and optimism returned to the metals and mining sector, positively affecting the price of our metal basket. With this tailwind, we generated solid revenues of USD 9.1 billion and strong EBITDA of USD 4.0 billion with a strong margin of 44%.

To allow you, as shareholders, to benefit from our robust cashflow generation, we continued paying dividends with an industry-leading yield. I would like to highlight that the flexibility of our dividend policy allowed us to maintain a proper balance between a conservative level of financial leverage and attractive cash returns, while still investing in sustainable development and future growth.

During the year, we continued to deliver on our value-accretive investment agenda as the expansion and modernisation of concentrating, smelting and refining facilities were largely completed, allowing us to beat initial production guidance and minimize the low-margin processing of third-party feed. Another big achievement was the launch of the Bystrinsky greenfield project, which we have been actively investing in for the last few years. This is positioned to provide a significant boost to our copper and gold output starting from 2018.

With regard to important decisions, I would like to highlight our announcement of a new investment programme focused on environmental and large-scale infra-structural expenditures that are crucial pre-requisites for long-term sustainable growth. The Company is committed to allocating USD 2.5 billion to reduce sulfur dioxide emissions in the Polar division by four times by 2023, in order to improve dramatically the quality of life in Norilsk. During 2018-2022, we also plan to invest over USD 1 billion in renewal of infrastructure including a gas transportation system, power generation and logistics. We understand

+11%

9.1
USD bn
Revenue in 2017

2.5
USD bn
CAPEX to Sulphur Project



that these investments may not generate immediate financial returns, but firmly believe that our efforts will pay off and contribute to the growth of shareholder value in the long run. We are witnessing the growing environmental awareness of the global investor community which chooses long-term sustainable development to short-term gains, and hence supports our strategic initiatives.

A year of major decisions will now be followed by the systematic implementation of the measures initiated, with a positive impact on our operations. To ensure the delivery of improved results and higher returns to shareholders, the Board will continue to be deeply involved in oversight of performance, risk and financial efficiency and will keep a constant scrutiny on safety. We have a bold vision for the future — an invigorated sense of what we can accomplish as one team, one Norilsk Nickel.

Gareth Peter Penny
Chairman of the Board
of Directors
MMC Norilsk Nickel