

CHAIRMAN'S LETTER

STRATEGY OF SUSTAINABLE DEVELOPMENT



DEAR SHAREHOLDERS,

In 2019, once again, we delivered a strong financial performance that was reflected in the dynamics of our market capitalisation and total shareholder returns.

Higher metal prices combined with relentless work to improve the performance and competitiveness of our businesses,

contributed to a sharp increase in EBITDA to almost USD 8 bn, the highest level in the last 12 years. We increased production of our key metals and over delivered on all financial targets set in our most recent efficiency program, with unit cost declining 5% year-on-year. These outstanding results allowed us continue to generate healthy cash flow and pay industry-leading dividends, while maintaining net leverage at a conservative level.

Since 2013 we have been consistent in delivery on our promises to the investment community and in achieving our strategic goals, proving that the Company's outstanding performance is not just a 'flash in a pan', but is driven by a deeply sustainable business model.

The most exciting thing about Nornickel, however, is not the past, but the future. Having one of the best resource bases in the world, it is natural to look for longer term opportunities and to ask what the business is going to look like in 2030. We believe that we can make further advances by unlocking the unique value potential of our Company. We have materially improved our knowledge of the resource base and progressed well with the preparation of key mining projects for their execution. Thus, our long term plans have become more

informed, and hence our ambitions more achievable.

We have already embarked on this growth path, having made investment decisions on a further Talnakh concentrator upgrade and the South cluster development. Based on the existing resource base in Taimyr Peninsula, we are able to scale up ore production to 30 mln tonnes by 2030, which will be 75% higher than in 2017.

We have also identified opportunities for optimisation of our downstream assets, which should enable more efficient monetisation of our mineral resources. We have added to our prospective project portfolio, the expansion of Nadezhda smelter, the reconstruction of Norilsk concentrator and the construction of a new copper refining unit at Kola MMC.

Sustainability is a core principle at Nornickel. However, for us, it involves more than just the sustainable use of natural resources; it also comprises the sustainable development of communities and our contribution to a greener economy globally.

Firstly, we are adopting an unprecedented environmental program that covers our key geographies. For Norilsk, we have set new, more aggressive long term targets for sulfur dioxide emissions reduction being nearly 90% versus 75% previously. For Kola operations, our target is seven times emissions reduction within the next two years. Total capital expenditure is budgeted at almost \$3.5 billion over the next five years, making it one of the biggest environmental investments in the mining sector globally.

Secondly, Nornickel is perfectly positioned to play a critical role in support of major global megatrends that are already shaping “green mobility”, namely: tightening of emission standards for ICE cars and the rapid growth of electric vehicles. Our exposure to nickel, copper, cobalt, palladium and platinum is unique in the mining industry, and we will do our best to provide steady supply of these crucial materials to global markets.

We strongly believe that we are making good progress in shaping Nornickel into an outstanding investment for shareholders, while contributing to the transition to cleaner mobility and a greener economy worldwide.



Gareth Peter Penny

Chairman of the Board of Directors,
MMC Norilsk Nickel