NORILSK NICKEL

ANNUAL REPORT
2015

Modernization for growth

Draft prelimiarily approved
by the Board of Directors of PJSC MMC NORILSK NICKEL
Minutes of BD meeting No. GMK/15-pr-bd of 27 April 2016

NORILSK NICKEL

2015 ANNUAL REPORT
PJSC "MMC NORILSK NICKEL"

VLADIMIR POTANIN
President, Chairman of the Management Board
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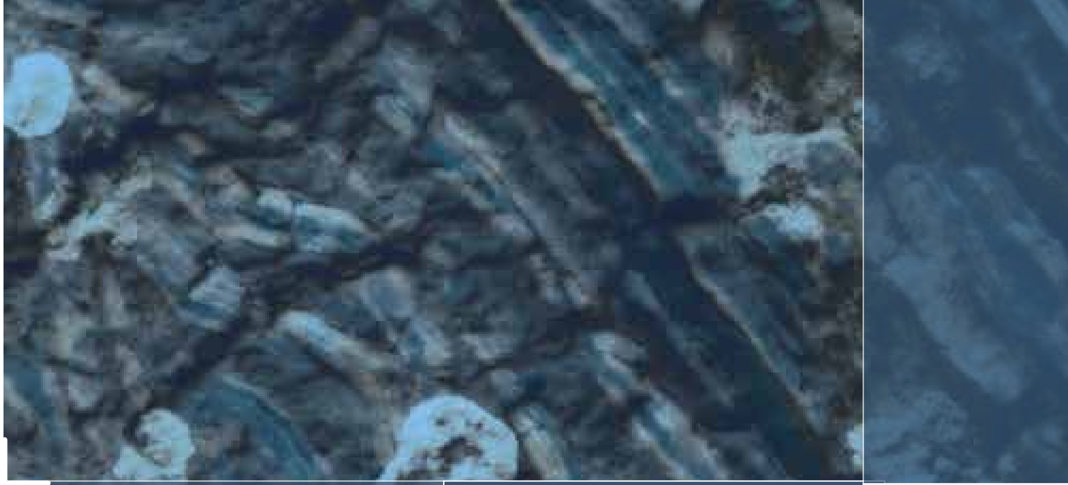

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Online report and additional information are available on website: http://ar2015.nornik.ru

Reporting period from 1 January 2015 to 31 December 2015
MMC Norilsk Nickel's 2015 report incorporates the results of MMC Norilsk Nickel and Norilsk Nickel Group's operations.
Norilsk Nickel Group means a group of companies, including MMC Norilsk Nickel, the parent company, and its subsidiaries

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NORILSK NICKEL

NORILSK NICKEL GROUP IS

Ni Pd No. 1

THE WORLD'S LARGEST PRODUCER OF NICKEL AND PALLADIUM

Pt Rh No. 4

ONE OF THE WORLD'S LEADING PRODUCERS OF PLATINUM AND COPPER

THE COMPANY ALSO PRODUCES OTHER METALS, SUCH AS COBALT, RHODIUM, SILVER, GOLD, IRIDIUM, RUTHENIUM, SELENIUM, TELLURIUM AND SULFUR

Co Rh Ag Au Ir Ru Se Te S

DISCLAIMER

This annual report has been prepared based on the information available to Public Joint Stock Company "Mining and Metallurgical Company "Norilsk Nickel" and its subsidiaries as at the issue date.
This annual report includes certain forward-looking statements with respect to the Group's operations, economic indicators, financial position, results of operating and production activities, its plans, projects and expected results, as well as trends related to commodity prices, production and consumption volumes, costs, estimated expenses, development prospects, useful lives of assets, reserve estimates and other similar factors and economic projections with respect to the industry and markets, start and completion dates of certain geological exploration and production projects, and liquidation or disposal of certain entities.
The Company neither confirms nor guarantees that the results indicated in these forward-looking statements will be achieved. The Company accepts no responsibility for any losses that may be incurred by any individual or legal entity acting in reliance on the forward-looking statements.

COMPANY OVERIVIEW

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OUR MISSION

Through the efficient use of natural resources and equity we supply mankind with non-ferrous metals, which make the world a more reliable place to live and help people realise their aspirations for development and technological progress.

OUR VALUES

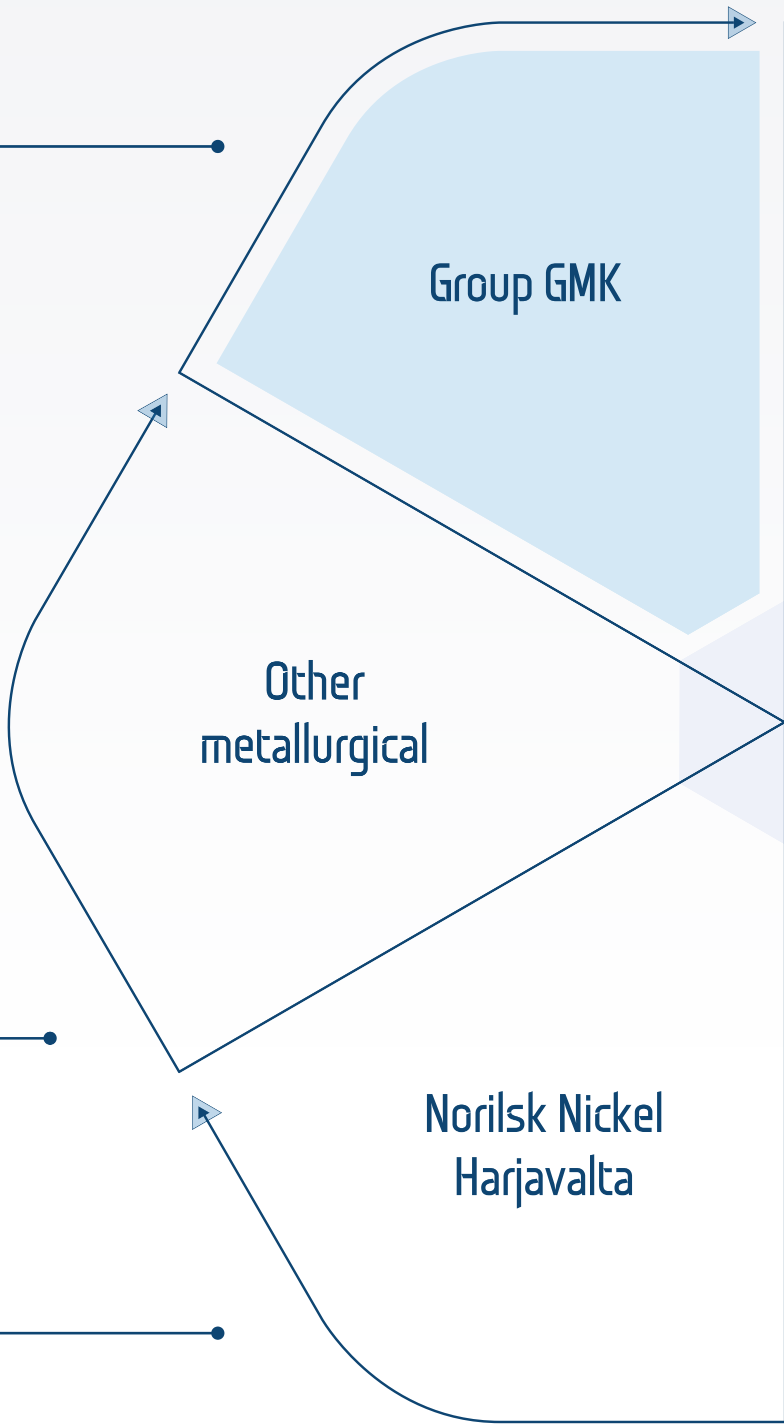
- **Reliability** – an ability to address any challenges to ensure success for the business.
- **Growth** – effective production ramp-up and upgrade, leverage of groundbreaking technologies and development of our people.
- **Efficiency** – delivering against our targets in due time and at minimum costs.
- **Responsibility** – a desire to honour our commitments and take on responsibility for our decisions.
- **Professionalism** – a sustainably strong performance in any environment.
- **Collaboration** – an ability and desire to achieve goals through team work.

LARGEST SUBSIDIARIES

	Effective % held 31/12/2015	Country	Nature of business
JSC Norilsky Kombinat	100 %		Rental of equipment
OJSC Taimyrgaz	↑100 %		Gas extraction
OJSC Norilskgazprom	↑100 %		Gas extraction
OJSC Taimyrenergo	100 %		Rental of equipment
JSC Norilsko-Taimyrskaya Energeticheskaya Kompaniya	100 %		Electricity production and distribution
LLC Zapoliarnaya Stroitelnaya Companiya	100 %		Construction
LLC Norilsknickelremont	100 %		Repairs
LLC Norilskgeologiya	100 %		Geological works
LLC Norilskyi Obespechivaushyi Complex	100 %		Production of spare parts

	Effective % held 31/12/2015	Country	Nature of business
LLC GRK Bystrinskoye	100 %		Mining

	Effective % held 31/12/2015	Country	Nature of business
Norilsk Nickel Harjavalta OY	100 %		Metallurgy



Group KGMK

	Effective % held 31/12/2015	Country	Nature of business
JSC Kolskaya Mining and Metallurgical Company	100 %		Mining and Metallurgy
JSC Pechengastroy	100 %		Construction

Other non-metallurgical

	Effective % held 31/12/2015	Country	Nature of business
OJSC RAO Norilsk Nickel	100 %		Investment holding
Metal Trade Overseas A.G.	100 %		Distribution
LLC Institut Gypronickel	100 %		Science
CJSC Taimyrskaya Toplivnaya Kompaniya	100 %		Supplier of fuel
OJSC Enisey River Shipping Company	100 %		River shipping operations
OJSC Arkhangelsk Sea Commercial Port[1]	74.8 %		Sea port
LLC Aeroport Norilsk	100 %		Airport
OJSC Aviakompania Taimyr	100 %		Airline

Associates by business segments

	Effective % held 31/12/2015	Country	Nature of business
Nkomati Nickel Mine	50 %		Mining

[1] *Classified as assets held for sale as at 31 December 2015*

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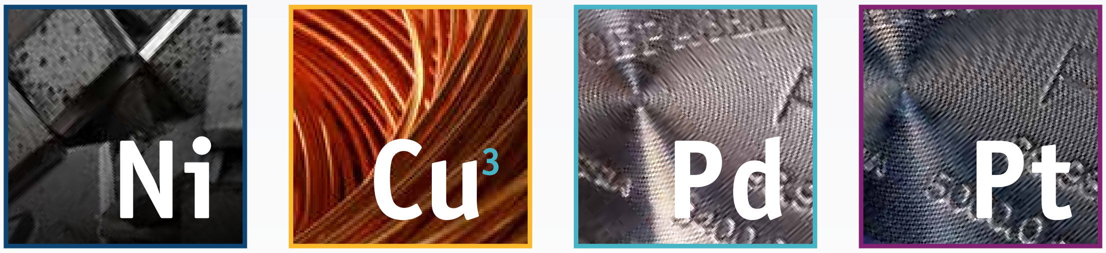
Highlights

Mineral Reserves & Resources[1]

ORE

0.84 bn tonnes PROVEN AND PROBABLE RESERVES[2]

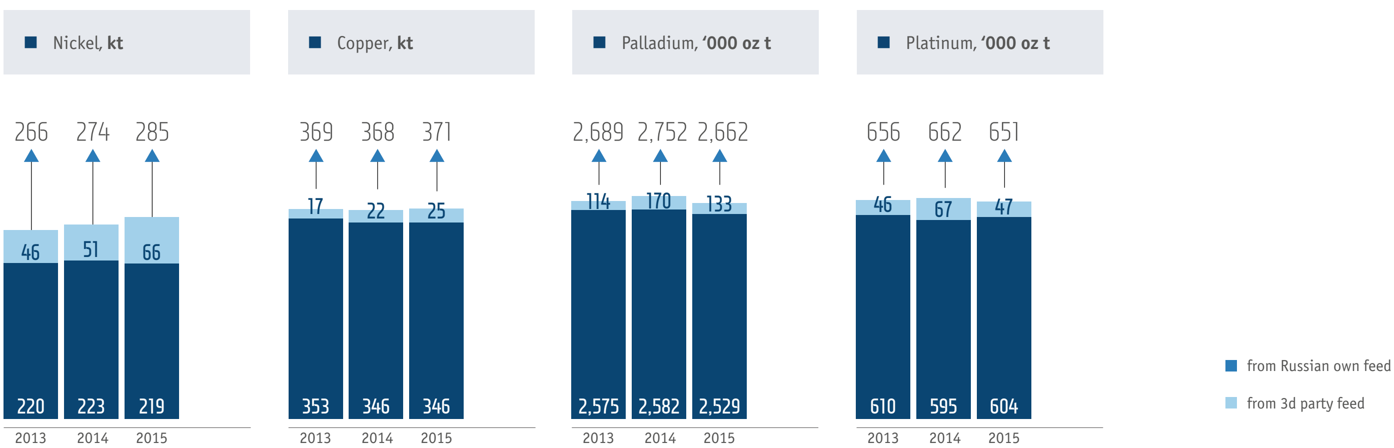
2.17 bn tonnes MEASURED AND INDICATED RESOURCES



	Ni	Cu[3]	Pd	Pt
PROVEN AND PROBABLE RESERVES	7.3 mt	12.3 mt	94.8 m oz t	25.3 m oz t
MEASURED AND INDICATED RESOURCES	15.4 mt	23.4 mt	191.1 m oz t	53.6 m oz t

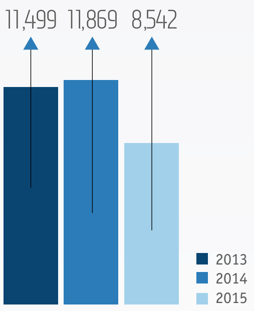
[1] At 31 December 2015
[2] Proven and probable reserves are included in mineral resources
[3] Excluding deposit of Chita

Operating Highlights



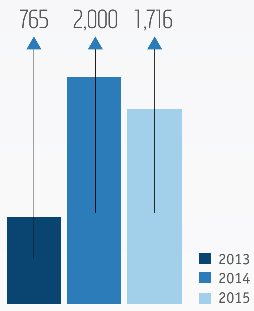
Financial Highlights

■ Revenue, **USD m**



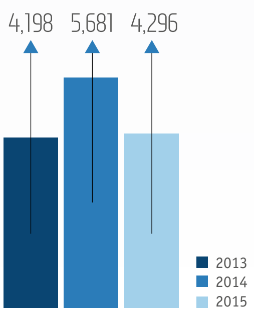
Revenue dropped by 28% due to lower metal prices and disposal of overseas assets

■ Net income, **USD m**



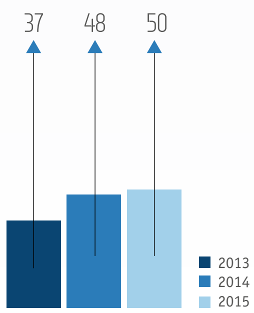
Net income decreased by 14%, whereas net profit less non-cash charges amounted to USD 3.2 bn

■ EBITDA, **USD m**



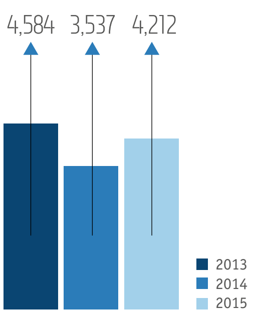
EBITDA fell by 24% on the back of lower revenue

■ EBITDA margin, **%**



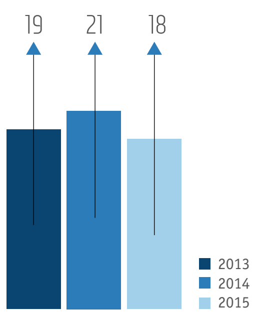
EBITDA margin increased due to cost optimisation and disposal of overseas assets

■ Net debt, **USD m**



Net debt for the reporting period grew by 19%, with leverage standing at a conservative level of 1.0x (industry's lowest)

■ Dividends per share, **USD**



Dividends per share reached an industry-wide record of USD 18

The Company's History and 2015 Highlights

- Discovery of rich ore fields and prospective natural gas deposits in Talnakh. Start of construction works to build mines and the town of Talnakh on the Taimyr Peninsula.

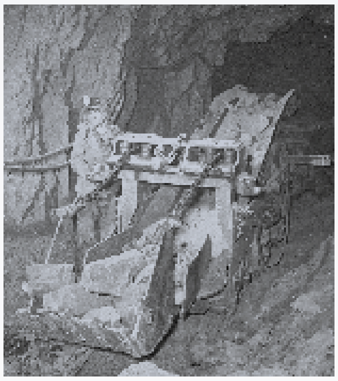
1960–1976

- Commissioning of Nadezhda Metallurgical Plant and the first stage of the Talnakh Concentrator project.

1981

- Incorporation of Norilsk Nickel State Concern for Non-Ferrous Metals (the Concern brought together a number of production facilities, including Norilsk, Pechenganickel and Severonickel Plants).

1989



- Transformation of State Concern into RAO Norilsk Nickel, and further restructuring of RAO Norilsk Nickel into Norilsk Mining Company in 1997.

1993

- The Norilsk Mining Company was renamed MMC Norilsk Nickel. Holders of 96.9% of RAO Norilsk Nickel shares consented to exchange them for MMC Norilsk Nickel shares. Since 2001, the Company's shares have been listed on the RTS and MICEX stock exchanges. In June, the Company started issuing Level-1 American Depositary Receipts (ADRs) for MMC Norilsk Nickel's shares.

2001

- MMC Norilsk Nickel spun off its gold-mining assets. After the Company's reorganisation, OJSC Polys Gold was established and received 100% of CJSC Polys shares, consolidating all of MMC Norilsk Nickel's gold-mining assets.

2006

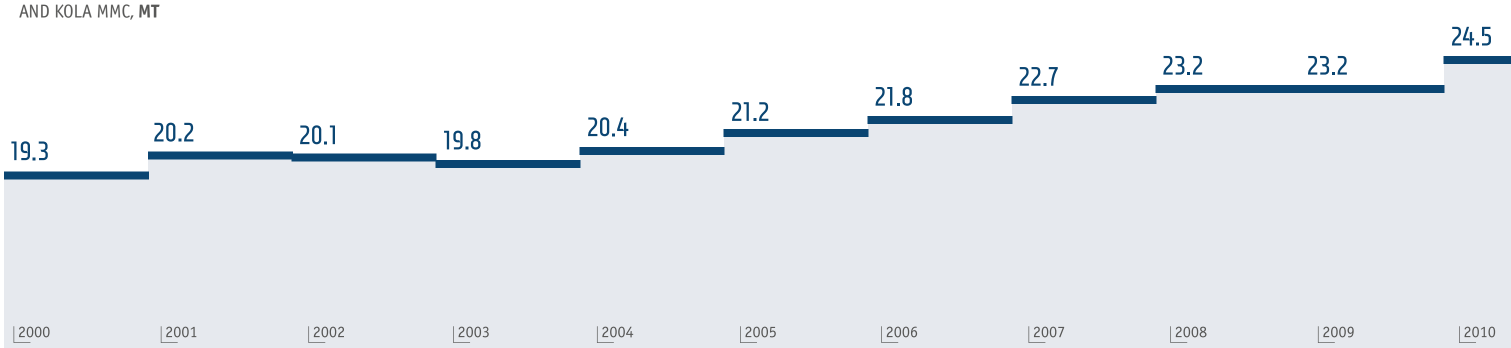
- The Company presented its new development strategy focusing on Tier 1 assets and unlocking of the full resource base potential. Under this new strategy, the Company upgraded its processing capacities and consolidated smelting and refining operations from its most advanced facilities.

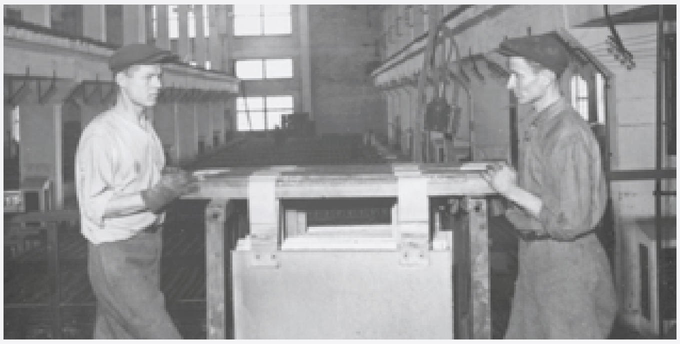
2013

- The Company sold its gold ore assets, including the North Eastern Goldfields Operations (NEGO) and nickel assets (Lake Johnston, Cawse, Avalon, Black Swan, Silver Swan) in West Australia, and stakes in energy companies.

2014

ORE PRODUCTION BY POLAR DIVISION AND KOLA MMC, **MT**





- **First semi-products:** premier batches of copper-nickel converter matte were delivered in Norilsk, whereas Monchegorsk's Severonickel Plant started production of crude nickel.

1939

- **Foundation of the Company:** the USSR Council of People's Commissars resolved to construct Norilsk Plant.

1935

- Norilsk was granted the status of a town. Norilsk Plant produced 35% of nickel, 12% of copper, 30% of cobalt and 90% of PGM from the Soviet Union's total metal output.

1953

- Discovery of the Zhdanovskoye Field on the Kola Peninsula and resumption of full-cycle production at Severonickel Plant following World War II.

1945

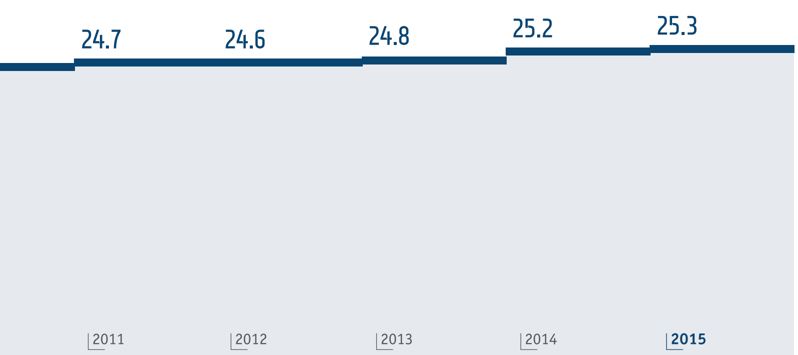
Key Events of 2015

- Disposal of non-core assets: the Company sold its minority stake in Inter RAO and the Africa-based Tati Nickel Mining Company.
- Norilsk Nickel signed an agreement with a consortium of Chinese investors to sell a 13% stake in Bystrinsky Mining and Processing Plant for a total consideration of USD 100 m.
- The Company successfully completed the offering of its seven-year Eurobonds worth some USD 1 bn, with the book oversubscribed by four times.
- The Talnakh Concentrator project in Norilsk saw the commissioning of Stage 1 featuring new floatation equipment.

Norilsk Nickel has celebrated its 80th anniversary...

Vladimir Putin, President of the Russian Federation, commended MMC Norilsk Nickel's team for their valuable contribution to the development of the metals industry and excellent operating results. The Government of the Russian Federation congratulated Norilsk Nickel on its 80th anniversary, expressing gratitude for the Company's outstanding contribution to the development of the Russian metals industry.

80 years of exploring the Russian Arctic



2015

Key Operating Assets

MMC Norilsk Nickel's strategy focuses on the development of Tier 1 assets, i.e. projects with annual revenue of over USD 1 bn, EBITDA margin of more than 40% and reserves-to-production ratio of at least 20 years.

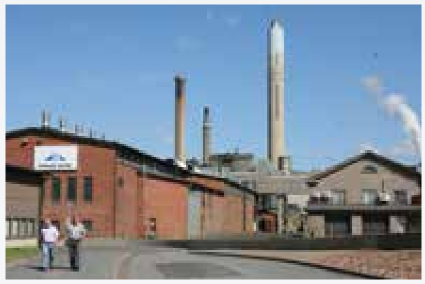
POLAR DIVISION

Polar Division of MMC Norilsk Nickel is located on the Russian Taimyr Peninsula (beyond the Arctic Circle at 69°N). It is linked to suppliers and customers through the Yenisey River, the Northern Sea Route and by air.

KOLA MMC

Kola Division's assets are managed by Kola MMC, a leading industrial facility of the Murmansk Region that is completely integrated into the transport infrastructure of the Northwestern Federal District.

HARJAVALTA PLANT



Norilsk Nickel Finland Oy (Harjavalta Plant) became part of the Norilsk Nickel Group following the acquisition of a nickel business from the OM Group in March 2007.

- PJSC MMC Norilsk Nickel is the parent company of the Norilsk Nickel Group.
- The Norilsk Nickel Group's key assets are located on the Taimyr and Kola Peninsulas, Russia. The production chain also embraces processing facilities in Finland.
- At its final stage is the construction of Bystrinsky Mining and Processing Plant in the Trans-Baikal Territory.

Key Operating Assets

Polar Division

Tier 1 asset

Polar Division is the Group's flagship subsidiary featuring a full metal production cycle that embraces operations ranging from ore mining to the shipment of finished products to consumers. This is where the Company has its largest deposits producing approximately 17 mtpa of ore.

MINING ASSETS

FIELD/MINE	MINE TYPE	ORES[1]	TECHNOLOGY
OKTYABRSKOYE FIELD		Copper–nickel sulphide ores	
Oktyabrsky Mine	Underground	■ Rich ■ Cuprous ■ Disseminated	Slicing and chamber mining with flowable backfilling
Taimyrsky Mine	Underground	■ Rich	
TALNAKHSKOYE FIELD		Copper–nickel sulphide ores	
Komsomolsky Mine, incl.	Underground		Slicing and chamber mining with flowable backfilling
Komsomolskaya mine[2]		■ Cuprous ■ Disseminated	
Skalistaya mine		■ Rich	
Mayak Mine[3]	Underground	■ Rich ■ Disseminated	
NORILSK-1 FIELD[4]		Copper–nickel sulphide ores	
Zapolyarny Mine, incl.			
Zapolyarny open pit	Open pit	■ Disseminated	Open pit
Zapolyarnaya mine	Underground	■ Disseminated	Sublevel caving with single stage excavation

The Polar division produces about

17

mt per annum

[1] *Rich ores are characterised by a higher content of non-ferrous and precious metals; cuprous ores are characterised by a higher copper content (as compared to the nickel content); disseminated ores are characterised by a low metal content.*
[2] *Komsomolskaya mine is responsible for the development of Talnakhskoye Field and the eastern part of Oktyabrskoye Field.*
[3] *In 2015, Mayak mine was spun off from Komsomolsky Mine (consisting of Komsomolskaya, Skalistaya and Mayak mines) to become an independent operation, Mayak Mine. Komsomolsky Mine was left with Komsomolskaya and Skalisty mines.*
[4] *In 2010, the Norilsk-1 Mining Administration was transformed into Zapolyarny Mine. Medvezhy Ruchey Mine was integrated into Zapolyarny Mine as Zapolyarny open pit.*

CONCENTRATION FACILITIES

- Talnakh Concentrator (2015 capacity of 8.0 mtpa)
- Norilsk Concentrator (2015 capacity of 9.3 mtpa)

Talnakh Concentrator processes rich and cuprous ores from Oktyabrskoye Field to produce nickel, copper and pyrrhotite concentrates. The key processing stages are crushing, breaking, flotation and thickening.

Norilsk Concentrator processes all disseminated and cuprous ores from Talnakhskoye and Oktyabrskoye Fields to produce nickel and copper concentrates. The key processing stages are crushing, breaking, gravitation and flotation enrichment, and thickening.

Thickened concentrates are transported hydraulically from Talnakh and Norilsk Concentrators to the smelting facilities for further processing.

SMELTING FACILITIES

- Nadezhda Metallurgical Plant
- Nickel Plant
- Copper Plant (including Smelting Shop)

Nadezhda Metallurgical Plant processes all of the nickel and pyrrhotite concentrate from Talnakh Concentrator, part of the nickel concentrate from Norilsk Concentrator, some of the pyrrhotite concentrate previously stored at Kayerkansky Coal Open Pit (KUR-1) and part of the copper concentrate from the high-grade matte separation section of Nickel Plant's roasting shop to produce high-grade matte, copper anodes and elemental sulphur. Pyrrhotite concentrate from Talnakh Concentrator and Kayerkansky Coal Pits is further leached in the hydrometallurgical shop to produce steam cured sulphide concentrate. Concentrates from Talnakh Concentrator, steam cured sulphide concentrate and pyrrhotite concentrate from Kayerkansky Coal Pits are delivered to the flash smelting furnaces. The matte is then blown into high-grade converter matte.

Nickel Plant processes all of the nickel concentrate from Norilsk Concentrator, part of the pyrrhotite concentrate previously stored at KUR-1 and some of the high-grade matte from Nadezhda Metallurgical Plant to produce commercial nickel and cobalt.

Copper Plant processes all of the copper concentrate from Norilsk and Talnakh Concentrators and copper anodes from Nadezhda Metallurgical Plant to obtain commercial copper, elemental sulphur and sulphuric acid for technical needs of Polar Division. Smelting Shop (part of Copper Plant) recycles sludge from the copper and nickel electrolysis shops and Kola MMC's copper production sites to produce concentrates of precious metals, silver metal and selenium.

POLAR DIVISION'S PRODUCT OFFERING

- Primary nickel (cathodes and granules)
- Copper cathodes
- Cobalt metal
- Commercial sulphur
- Precious metal concentrate (semi-product)[5]

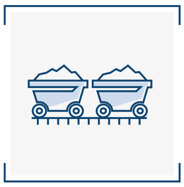
[5] Precious metals are refined at Krasnoyarsk Gulidov Non-Ferrous Metals Plant (JSC Krastsvetmet, not part of the Norilsk Nickel Group) under a tolling agreement whereby concentrates are processed into marketable metals.

Key Operating Assets

KOLA MMC

Tier 1 asset

Kola MMC is the Company's second largest production asset featuring a full metal production cycle that embraces operations ranging from ore mining to the shipment of finished products to consumers. Kola MMC produces approximately 8 mtpa of ore.



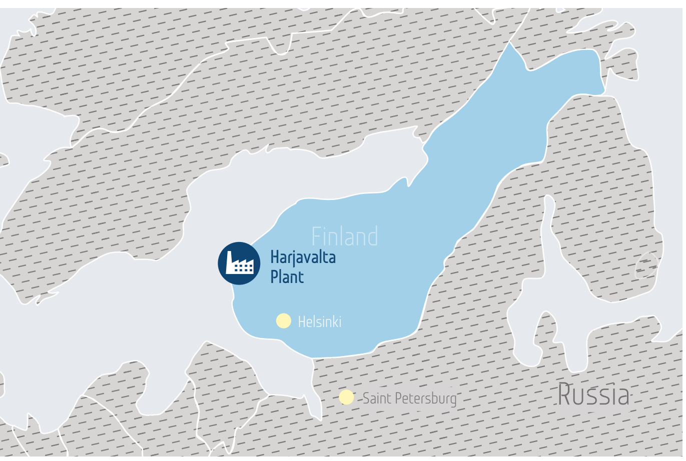
Kola MMC produces about

8

mtpa

MINING ASSETS

FIELD / MINE / MINE (SECTION)	MINE TYPE	ORES[1]	TECHNOLOGY
ZHDANOVSKOYE FIELD		Copper–nickel sulphide ores	
Severny Mine's open pit section [1]	Open pit	■ Disseminated	Open pit mining
Severny Mine's underground section[1,2]	Underground	■ Disseminated	The following mining methods are used: – sublevel longwall caving, – block caving.
ZAPOLYARNOYE FIELD		Copper–nickel sulphide ores	
Severny Mine's underground section[1, 2]	Underground	■ Disseminated	Chamber mining with deep-hole stoping from sublevel drifts with flowable and dry backfilling.
KOTSELVAARA AND SEMILETKA FIELDS		Copper–nickel sulphide ores	
Kaula-Kotselvaara mine[3]	Underground	■ Disseminated	The following mining methods are used: – stoping from sublevel drifts, – sublevel caving, – room-and-pillar short-hole stoping (limited application), – room-and-pillar long-hole stoping.



Key Operating Assets

Harjavalta Plant

In the reporting year, Harjavalta Plant processed nickel matte from Kola MMC and nickel-containing semi-products from the Group's foreign based facilities. Concentrates undergo preliminary processing at Boliden AB's Harjavalta Smelting Plant, which shares the grounds of the Finnish Suurteollisuuspuisto Industrial Park with Norilsk Nickel Harjavalta Oy. Other semi-products with high nickel content are delivered directly to Norilsk Nickel Harjavalta Oy. Norilsk Nickel Harjavalta Oy has a total nickel processing capacity of 66,000 tpa.

CONCENTRATOR FACILITY

- Kola MMC Concentrator (2015 capacity of 8.2 mtpa)

The ore is processed at the concentration facility to produce collective copper-nickel concentrate.

The obtained concentrate further undergoes briquetting, pelletising and roasting. Also briquetted are Nkomati[4] concentrates. Briquettes and roasted pellets are delivered to Smelting Shop for processing.

SMELTING FACILITIES

- Smelting Shop
- Refining Shop
- Metallurgical Shop
- Nickel Electrolysis Shop

The refining facilities of Kola MMC in Monchegorsk process high-grade converter matte from Smelting Shop and Polar Division, and copper cake from Harjavalta Plant.

KOLA MMC PRODUCT OFFERING

- Primary nickel (cathodes)
- Copper cathodes
- Carbonyl nickel
- Electrolytic cobalt
- Cobalt concentrate (semi-product)
- Sulphuric acid
- Precious metal concentrates (semi-product)[5]

[1] *In 2010, Tsentralny Open Pit was integrated into Severny Mine as an open pit section. Underground mining operations of Severny-Gluboky and Severny Mines were incorporated into the united Severny Mine as underground sections.*
[2] *In 2005, Severny-Gluboky Mine was merged with Severny Mine.*
[3] *In December 2013, Kaula-Kotselvaara Mine was merged with Severny Mine and incorporated therein as Kaula-Kotselvaara mine.*
[4] *Nkomati is located 300 km east of Johannesburg, Mpumalanga Province, South Africa.*
[5] *Precious metals are refined at Krasnoyarsk Gulidov Non-Ferrous Metals Plant (JSC Krastsvetmet, not part of the Norilsk Nickel Group) under a tolling agreement whereby concentrates are processed into marketable metals.*

TECHNOLOGY

Harjavalta Plant uses an advanced technology of sulphuric acid leaching for nickel semi-products.

The result is the best-in-industry metal recovery rates of over 99%.

PRODUCT OFFERING

- Nickel cathodes
- Briquettes
- Nickel salts
- Nickel powder
- Nickel solution
- Semi-products:
  - copper cake (contains platinum group metals)
  - cobalt solution

STRATEGIC REPORT

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Chairman's Letter

Dear Fellow Shareholders,

We entered 2015 with hopes for recovery in our industry after several challenging years. However, the economic reality proved to be much turbulent and unpleasant.
Over the course of the year, we witnessed a sharp decline in commodity prices driven by concerns over the global economic growth and strongly bearish sentiment towards China.
The metals and mining sector is trying to rapidly to adjust to this new economic reality. I am proud that Norilsk Nickel was one of the first companies to start reshaping and streamlining its business and in so doing, positioned itself better to meet today's challenges.

In 2015, we continued with the successful implementation of our strategy, progressing on time and on budget with all major investment projects. Total capital expenditures amounted to USD 1.7billion focused on modernization of enrichment, smelting and refining capacity as well as development of high return brownfield projects in Polar division.

Our strong balance sheet allows us to withstand adequately 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, especially in the industry scales back its development ambitions. At the same time we will continue to look carefully at how and where to allocate capital in an economic environment that remains fragile.

With the tailwind coming from the local currency depreciation our management team took decisive actions to weather a turbulent market by making sustainable costs cuts. As a result of these measures we managed to deliver EBIDTA of USD 4.3 bn with the highest profitability in the industry of 50% and a robust free cash flow of USD 2.4 bn.

Our balance sheet remains strong as the Company reaffirms its prudent approach to leverage and commitment to maintain an investment grade credit rating, which is of great importance in the current volatile environment.

To ensure you as shareholders continuous to benefit from our efforts, the Company paid dividends with DPS amounting to USD 18 delivering remarkable yield. We believe that regular returns of cash to shareholde is an important pillar of our investment story and we will continue to do so.

Safe and reliable operations will always be our first priority. We have mad real progress in the past three years, although sadly there were thirteen workforce fatalities in 2015. In order to reach our zero fatality targets we continue to implement the HSE strategy approved in 2014 and as a Chairman, I pay special attention to these issues.

Looking back, we are a different company today. We have become more efficient and more stable. We have a new corporate culture based on performance and values. I am pleased with the exceptional achievements of the management team in recent years. This said we will not cease to look for further improvements. To ensure the deliver of better results and better results and 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, health and environmental issues I believe we have the competence, capacity and leadership to successfully overcome the challenges which lie ahead.

GARETH PENNY

Chairman of the Board of Directors
MMC Norilsk Nickel

President's Letter

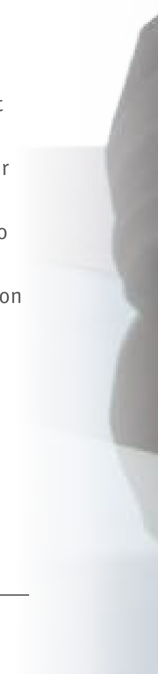
Dear Shareholders,

In 2015, Norilsk Nickel celebrated its 80th anniversary, and I am proud to say that the Company has been leading the global metals and mining sector for all these years.

STRATEGIC PRIORITIES IN AN UNSTABLE MACROECONOMIC ENVIRONMENT

The beginning of 2016 brought more challenges to our industry. Nickel prices fell below the crisis level of 2008, with about 60% of producers operating in the red. Copper and PGM prices also plummeted amid anxiety over China's economic prospects and the dramatic strengthening of the US dollar against national currencies of commodity exporters. Today, we see many industry players that up to now have been nurturing expansion plans being forced to cut down on their CAPEX, dispose of their assets, and restructure a huge debt accumulated during the commodity supercycle.

In that context our strategic initiatives focusing on the development of Tier 1 assets, monetisation of non-core assets, and a disciplined investment approach have proved to be very well timed. Thanks to our efforts over the last three years, Norilsk Nickel can now boast high margins, low leverage and a very attractive dividend yield. It is due to these achievements that, despite the distinctly bearish sentiment in the mining industry, the Company ranked third by market capitalisation among its global competitors at the end of 2015.



Yet, we are not going to stop there and will keep working towards the strategic goals we have set. We cannot disregard negative trends in the global economy, which urge us to keep a close watch on the developments in the metals market and adjust our investment programme accordingly. I am however convinced that we should not choose tactics over strategy. We will remain focused on the projects that are set to secure our future while delivering strong returns even in the current pricing environment.

SAFETY, ENVIRONMENT AND SOCIAL RESPONSIBILITY

Despite the challenging macroeconomic conditions and a downturn in global commodity markets, we remain committed to our social and environmental responsibilities. We intend to continue indexing our production staff salaries in full compliance with the Collective Bargaining Agreement and keep the existing social and charity initiatives running. We will also carry on with our resettlement and urban infrastructure development programmes in Norilsk implemented jointly with the federal and regional authorities.

One of our key environmental projects is the shutdown of Nickel Plant in Norilsk, which is a major source of air pollution within the urban limits. I am glad to announce that the plant will be closed in 2016 as scheduled. Its shutdown will undoubtedly improve the residents' life quality.

Despite the management team's continuous drive to improve our employees' health and safety, there were thirteen fatal injuries in 2015. Each injury is being carefully investigated to prevent accidents in the future. Complete elimination of fatalities remains our key strategic priority.

FINANCIAL HIGHLIGHTS

A significant drop in metal prices and the build-up of a finished goods inventory in the run-up to Nickel Plant's shutdown had a negative impact on our revenue, which amounted to USD 8.5 bn. This negative impact was however largely offset by the stronger US dollar and the management team's drive to reduce operating and administrative costs. EBITDA (earnings before interest, taxes, depreciation and amortisation) stood at USD 4.3 bn, with the sector' highest margin of 50%.

In line with our philosophy of sharing profits with our shareholders, we continued to pay out dividends throughout the entire 2015. As we consider a stable dividend yield a cornerstone of Norilsk Nickel's investment case, we will keep on paying dividends in the future.

Despite robust dividend payouts and a large-scale CAPEX programme, we maintain a moderate leverage ratio. As at the end of 2015, net debt to EBITDA ratio stood at 1x, one of the industry's lowest levels.

Overall, we ensured a tight control over our operating expenses and the efficient implementation of our CAPEX programme in 2015. We are carefully monitoring the global markets, and we launched a number of initiatives to reduce operating costs following an unprecedented drop in metal prices over the last few months. These initiatives are expected to deliver RUB 12 bn worth of savings.

On top of that, 2015 saw us enter into a number of genuinely breakthrough debt capital market transactions. In October 2015, Norilsk Nickel successfully completed its landmark offering of seven-year Eurobonds worth some USD 1 bn among high-quality international investors, becoming the first Russian company to regain access to the public debt market after a two-year break. Another pioneer transaction was a five-year CNY 4.8 bn loan agreement with a syndicate of China's three largest banks, which we view as the first step towards closer cooperation with Asian financial institutions.

PROGRESS IN THE UPGRADE OF PRODUCTION CAPACITIES

I would like to emphasise that despite the very challenging macroeconomic environment in which we operate, our programme to reconfigure production capacities is being implemented strictly in line with the approved schedule and budget.

In 2016, we plan to commission Stage 2 of the upgraded Talnakh Concentrator, which will boost its output from 7.5 mt to 10 mt of ore and improve the quality of produced concentrates.

We have also completed the reconstruction of Nadezhda Metallurgical Plant, ramping up its capacities by 25%. After the Nickel Plant shutdown, all nickel converter matte production capacities will be clustered around a single smelting facility. This will help us reduce our operating costs, on the one hand, and bring environmental benefits to Norilsk, on the other.

We are actively engaged in upgrading Kola MMC's refining capacities. Following its completion, we will switch over to the chlorine leaching technology, which will lead to a much simpler and cheaper production process.

Overall, our near-term investment projects will be fully in line with the approved strategy of Norilsk Nickel delivering one of the industry's highest business project returns even in the current pricing environment.

In conclusion, I would like to emphasise that throughout the entire year we were committed to fulfilling our promises and obligations to all stakeholders, including our people, shareholders and the Russian government. All along, we are going to carry on with the plans that will secure Norilsk Nickel's success going forward.

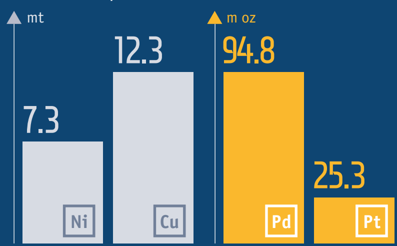
VLADIMIR POTANIN
President
MMC Norilsk Nickel

Business Model

OPERATIONS

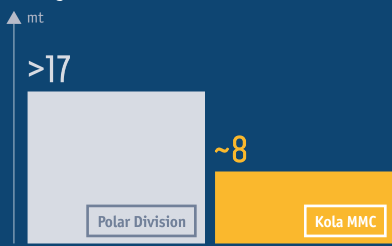
Geological exploration

Proven and probable reserves



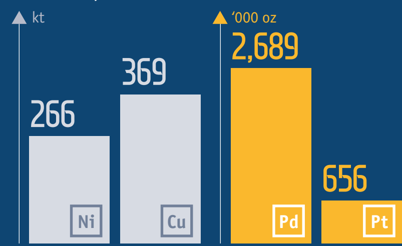
Mining

Mining volumes



Metal production

Metal output



KEY ASSETS

2.2 MT of measured and indicated resources

5 EXPLORATION AREAS operating under the mining licences

RUSSIA

- Polar Division (Taimyr Peninsula)
- Kola MMC (Kola Peninsula)

FOREIGN ASSETS

- Nkomati (South Africa) (disposal)
- Honeymoon Well (Australia)

7 PLANTS (including one foreign plant)

3 CONCENTRATORS in Polar Division and Kola MMC

Fuel and energy assets **5** facilities

R&D companies **3** facilities

DEVELOPMENT PROJECTS

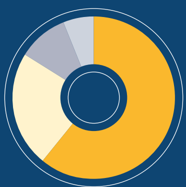
See p. 76 for an overview of the Company's strategic projects

[1] *According to management accounts.*

NORILSK NICKEL

Logistics

Sales by region



61 % Europe, Middle East and Africa

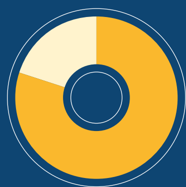
23 % Asia

10 % North America

6 % Eurasian Customs Union

$ Marketing and sales

Sales by customer



80 % End customers

20 % Traders

OWN FLEET

551 river vessels

6 ice-class vessels

SEA AND RIVER PORTS

4 ports 1 terminal

OWN AIRCRAFT FLEET

42 aircraft

$ OWN SALES NETWORK

- Asia
- Russia and CIS
- Europe
- USA

Support operations — 5 facilities

See p. 178 for an overview of the Company's financial results

REVENUE

8,542 USD m

Despite the decline in metal prices, the Company continues to implement its strategic initiatives through:

1. Diversification of metals revenue
2. Tier 1 mining assets delivering the industry's highest margins

REVENUE BREAKDOWN

35.2% Ni sales

22.4% Cu sales

21.2% Pd sales

7.4% Pt sales

6.1% sales of other semi-products and metals

7.7% other sales

Strategy evolution

2015 strategic priorities

Focus on sustainable development of the Norilsk Industrial District

Priority of Tier 1 assets

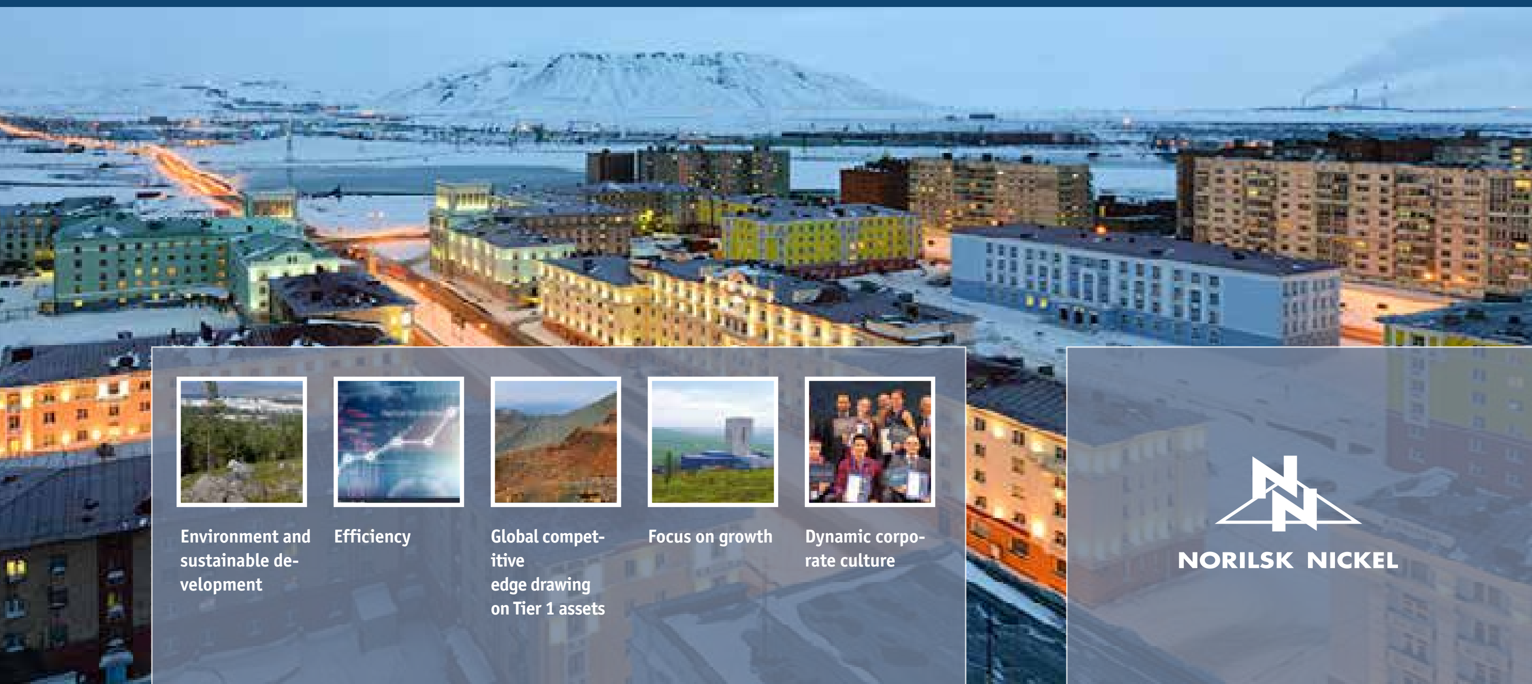
Reconfiguration of processing capacities

Mining capacities development strategy

Development of an advanced investment management framework

The Company's strategy with a focus on Tier 1 assets and a disciplined investment approach was approved in 2013 and has proved its efficiency by bringing about the industry's highest shareholder returns.

Focus on the sustainable development of the Norilsk Industrial District



We start a new decade focusing on the sustainable development of the Norilsk Industrial District and the all-round improvement of our employees' living and working conditions

1 Promote innovation and boost performance

- Transform the corporate culture
- Develop new employment models
- Implement dedicated young talent development and retention programmes

2 Break the island mentality

- Improve the region's operating environment for new businesses to emerge
- Bring on fibre optic cabling infrastructure to communicate with the mainland
- Reconstruct Alykel Airport

3 Improve local infrastructure

- Build convenient social, sports, and transport infrastructure
- Support public initiatives to develop urban infrastructure jointly with the regional authorities

MMC Norilsk Nickel plays an essential role in the life of Norilsk. We are entering a new decade (2015–2025) being fully aware of that and feeling responsible for the sustainable development of the Norilsk Industrial District. Hence, our strategy's key priority is to improve environmental conditions and ensure higher
living and working standards for our employees.

Focus on Tier 1 assets

Large scale

>1 USD BN OF REVENUE

High margins

>40% OF EBITDA MARGIN

High reserves-to-production ratio

>20 YEARS

Under the existing criteria, the Company's assets can be split into three major groups:

Tier 1 assets serve as a basis for the Company's business model

1

Tier 1 assets

Polar Division,
Kola MMC,
Bystrinsky MPP

Our strategic focus is on boosting returns, bringing on further investment discipline improvements and identifying growth opportunities

2

Other core assets

Australian assets,
Tati,
Nkomati

- **Australian assets, Tati** – sold
- **Nkomati** – sales and purchase agreements in place

3

Inherited assets

Infrastructure facilities and Polar Division's Southern Cluster, including Zapolyarny Mine and Norilsk Concentrator

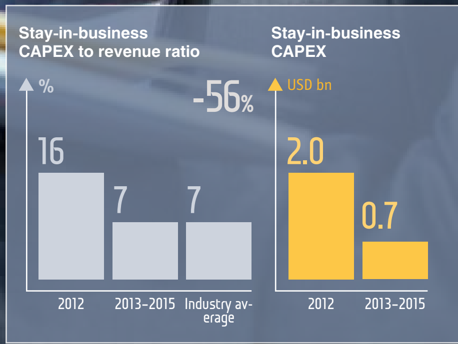
Strategic analysis of development options

In 2013, the Company made a strategic decision to focus on the development of core assets delivering the highest return on investments.

Development of an advanced investment management framework

Stay-in-business CAPEX was brought in line with the industry averages through:

- Project prioritisation based on risk assessment
- Cost optimisation through tenders
- FX translation effect



The Company has adopted a consistent approach to investment planning and management of capital development projects

Capital management is there to ensure the Company's financial stability

1 Enhance the automation of project management

- In 2014, the Company launched a new Primavera based planning and control system, which is currently implementing over 120 major projects
- New automated solutions to control costs / project budgets have been developed

2 Set up target PMOs for major projects

- The Company launched 9 project management offices and programmes in the Group's Head Office and enterprises
- New employees have been hired as the key project managers

3 Change the incentive framework

- The Company introduced special project management KPIs factoring in project implementation performance
- The Company has been implementing several strategic projects, which are viewed as an important part of TOP-100 MMC, a new long-term incentive framework

CAPEX management is of critical importance to the Company's sustainable development and stable financial performance.
The Company's priorities in this area are as follows: 1) adjustment of stay-in-business CAPEX in line with the industry benchmarks, 2) planning and management of development projects.

Mining capacities development strategy

New projects (greenfield)

1

Development of Maslovskoye Field

2

New licences – geological exploration projects

Maslovskoye Field has over

200

mt of ore reserves

The Company's mining capacities development strategy builds around the operation of Talnakh mines, the most valuable asset in the sector of non-ferrous and precious metals

- Q1 2015: Licence issuance
- 2015–2016: exploration and pre-feasibility study
- Post-2020: production launch (over 200 mt of ore reserves)

- Six new licences were obtained on the back of a constructive dialogue with the Government about the licensing legislation
- The goal was to discover high-quality reserves with a potential for open-pit development and production

The Company obtained a number of other licences for a total of over

500

mt of ore

The Company has been consistently targeting new growth areas: to date, we have obtained a Maslovskoye Field licence and a number of other licences for a total of over 500 mt of ore

[1] *M&I Resources – measured and indicated resources, including proven and probable reserves*
[2] *The estimates are based on the average prices in 2014*

Reconfiguration of processing capacities

JANUARY 2015

Completed stage 1 of the Talnakh Concentrator upgrade programme
(on time and as per the approved budget)

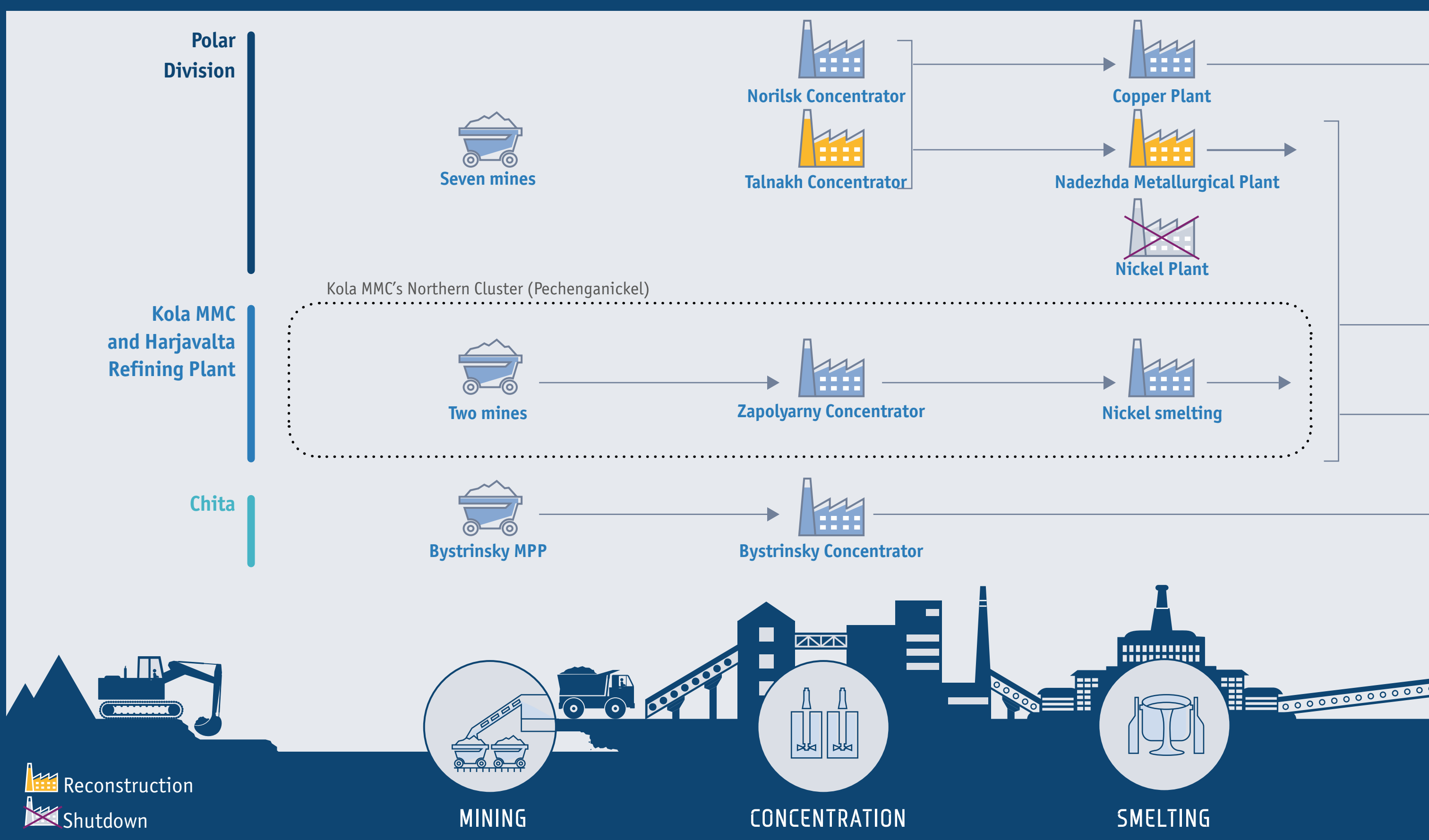
Impact:
- Increase in the nickel recovery rates due to the reconstruction of the flotation circuit

MARCH 2016

Completed the reconstruction of Nadezhda Metallurgical Plant to be used as a single nickel feedstock smelting facility
(on time and as per the approved budget)

Impact:
- Enhancement of processing capacities to 2.4 mt
- Optimisation of smelting capacity utilisation rates in view of the Nickel Plant shutdown

Development of the concentration and smelting capacities is in line with the approved reconfiguration programme



MAY 2016

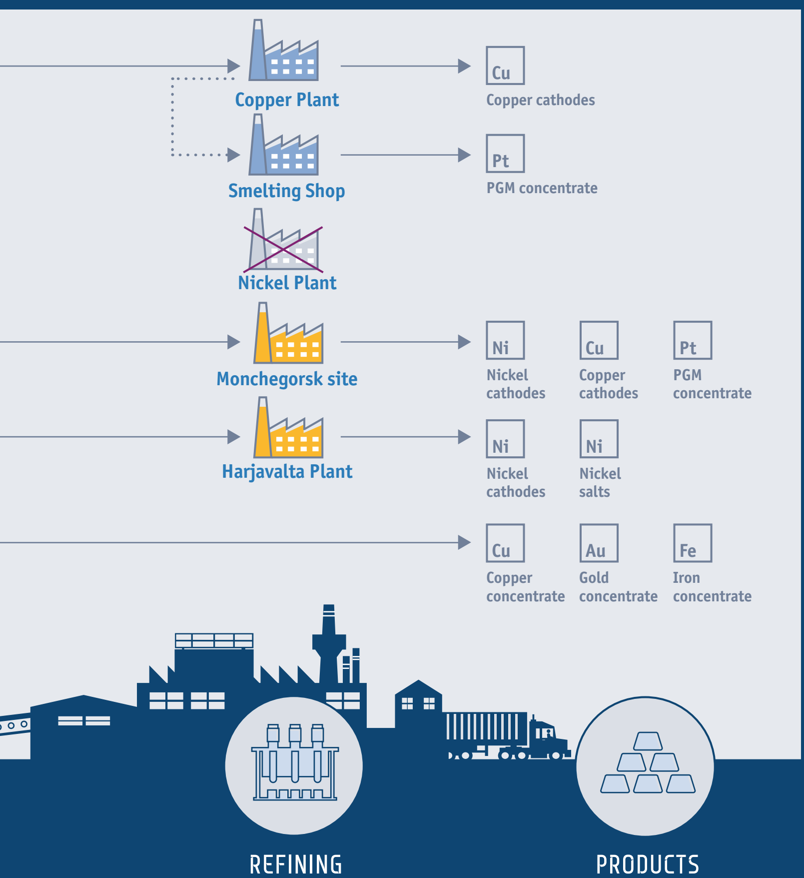
Completed stage 2 (one of the key reconfiguration projects) of the Talnakh Concentrator upgrade programme (on time and as per the approved budget)

Impact:
- Enhancement of the plant capacities to 10.0 mt
- Improvements in concentrate quality from 8.6% to 13.5%

APRIL 2016

Suspended operations at Sintering Shop and three of the four Smelting Shop's furnaces
(on time and as per the approved budget)

Impact of the shutdown:
- Optimisation of the Company's production capacity utilisation rates
- Environmental benefits: a 15% decrease in sulphur dioxide emissions in the Norilsk Industrial District starting from 2017



The reconfiguration exercise seeks to achieve economies of scale and mitigate the environmental impact

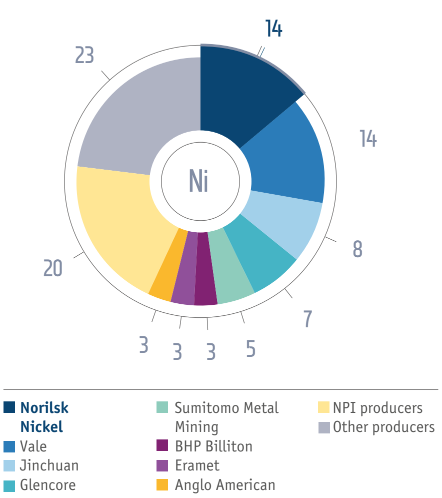
- Maintain existing production capacities
- Bring down production costs and increase recovery rates
- Mitigate load on energy infrastructure of the Norilsk Industrial District
- Reduce SO2 emissions by 15% on the back of the concentrator upgrade and the Nickel Plant shutdown
- Achieve a significant drop in ground-level concentrations of pollutants and shorten the duration of air pollution periods in Norilsk's Central District

COMPANY OVERVIEW
STRATEGIC REPORT
CORPORATE GOVERNANCE
CONSOLIDATED FINANCIAL STATEMENTS
ADDITIONAL INFORMATION

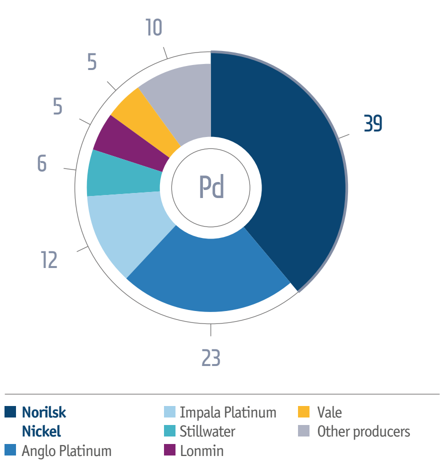
Metals Market Overview

The Company's Position in the Industry

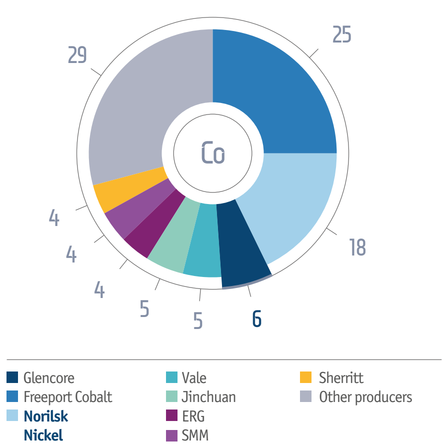
■ Nickel producers (Ni), %



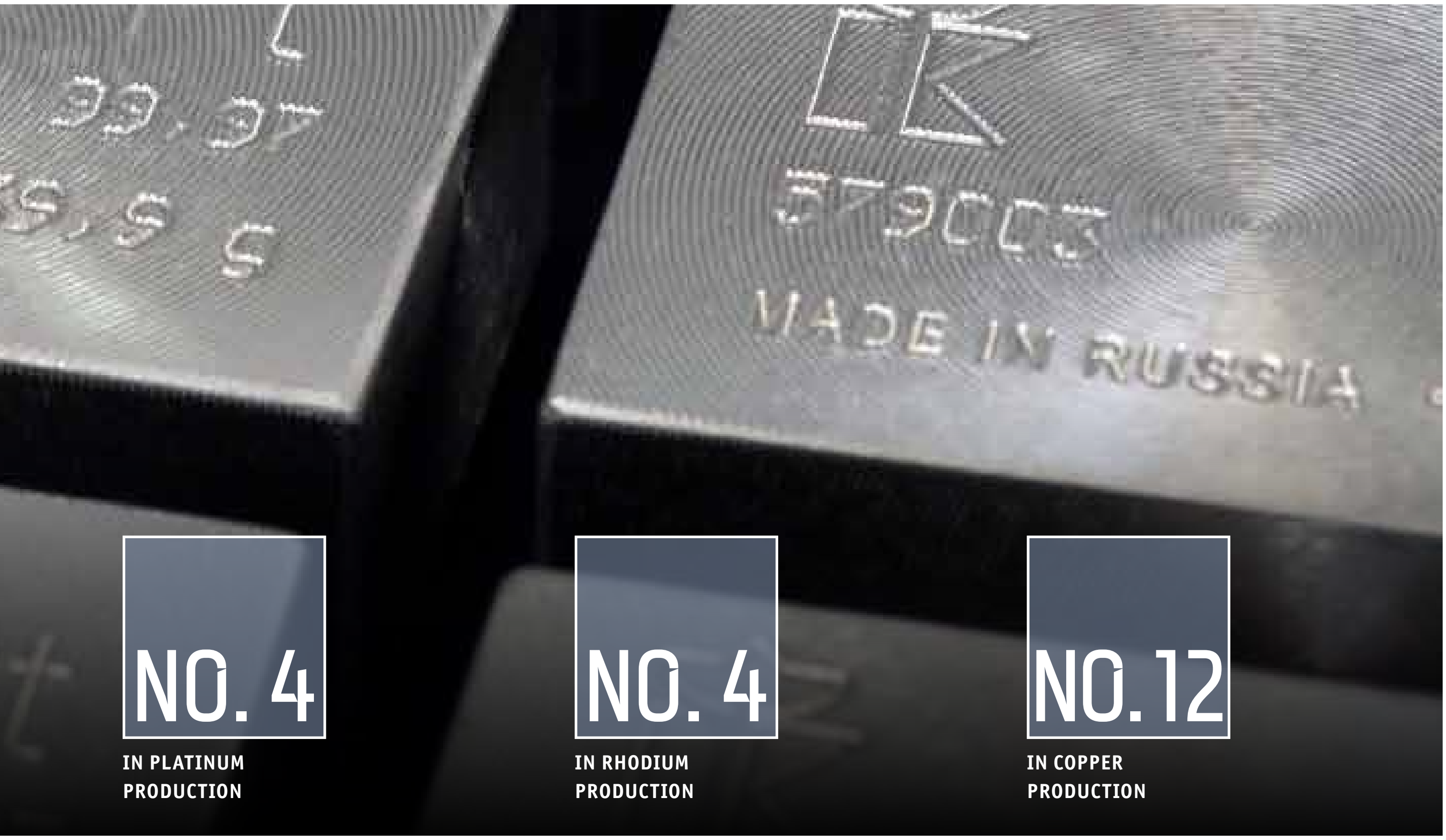
■ Palladium producers (Pd), %



■ Cobalt producers (Co), %



NORILSK NICKEL

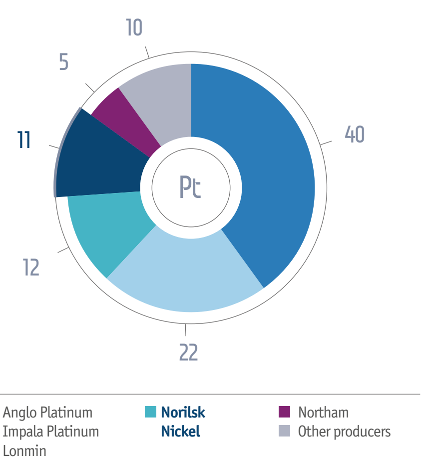


NO. 4 IN PLATINUM PRODUCTION

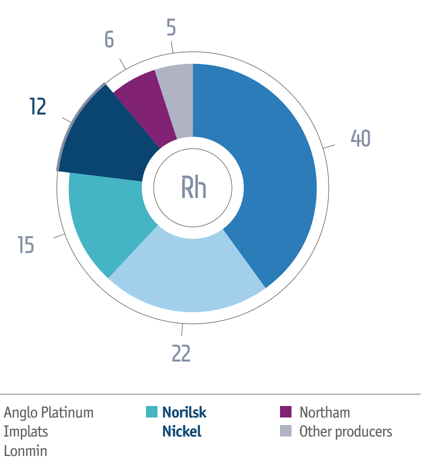
NO. 4 IN RHODIUM PRODUCTION

NO. 12 IN COPPER PRODUCTION

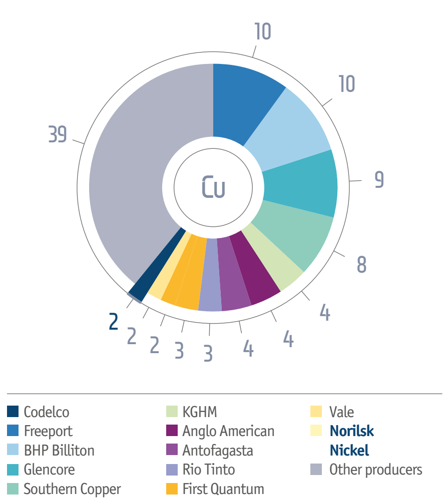
Platinum producers (Pt), %



Rhodium producers (Rh), %



Copper producers (Cu), %

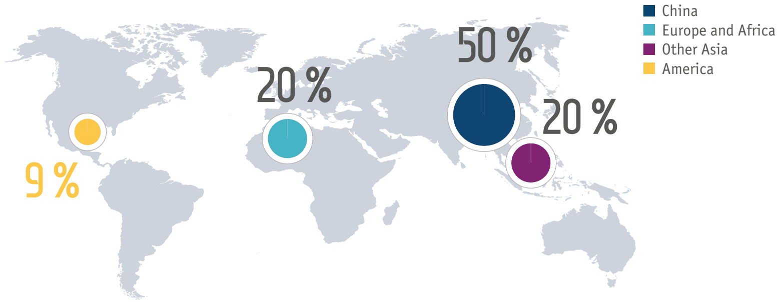


Metals Market Overview

Ni

Nickel

PRIMARY NICKEL CONSUMPTION BY REGION



KEY TRENDS IN THE NICKEL MARKET

Due to the significant economic slowdown in China, key nickel consumer, and declining demand for stainless steel and alloys in the oil and gas industry, global primary nickel consumption increased by only 1% in 2015. On the other hand, nickel production decreased drastically (by 4%) on the back of:

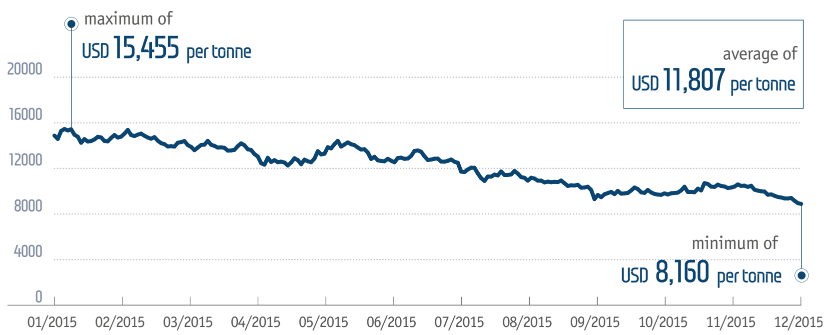
- slump in the Chinese NPI production resulting from the shortage of production grade nickel ore[1];
- shutdown of some NPI facilities in China due to stricter environmental regulations and high production costs;
- lower output of end NPI products from certain high-cost primary nickel manufacturers as at the end of 2015;
- the 2015 output falling short of the original estimates made for new nickel projects launched in 2011–2013.

In 2015, the nickel price followed price declines across the commodity spectrum (primarily in the oil market), dropping from the maximum of USD 15,500 per tonne in January to the minimum of USD 8,160 per tonne in November and then stabilising in the lower range at USD 8,500–9,000 per tonne.

In 2015, the average nickel price went down by 30% y-o-y settling at USD 11,807 per tonne.

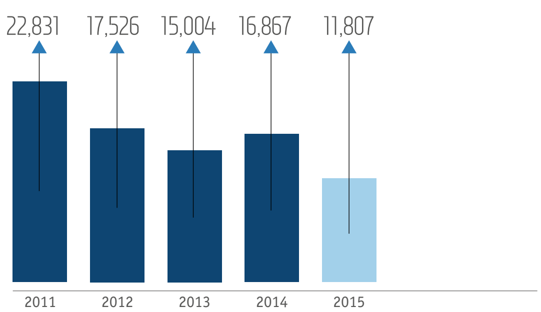
[1] *The ban on supply of Indonesian high nickel content ore is still in place. As China's rich nickel ore inventories keep shrinking, cost optimisation initiatives involving mixing of rich Indonesian feed-stock with poor Philippine ore are no longer feasible.*

Nickel price in 2015, **USD/t**



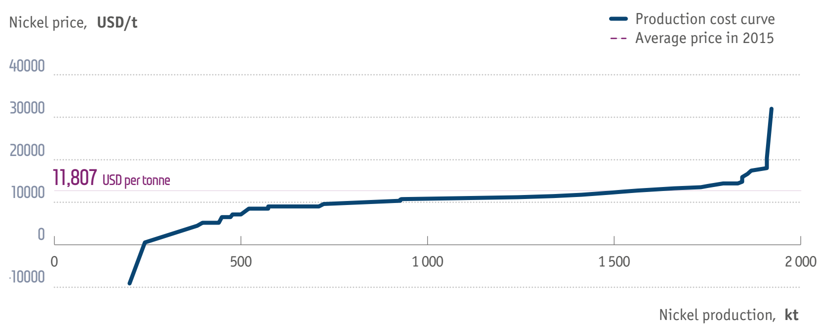
Source: *LME*

Average nickel prices over the past five years, **USD/t**



Source: *LME*

Nickel production cost curve



Source: *LME*

MARKET BALANCE

The slowdown in nickel production coupled with a slight increase in consumption contributed to significant tightening of the nickel market's surplus to 45 kt in 2015. This surplus was partly accumulated in the LME and SHFE warehouse stocks (Shanghai Futures Exchange launched nickel trading in 2015) and, by the year end, amounted to the record 490 kt or about 14 weeks of global consumption.

CONSUMPTION

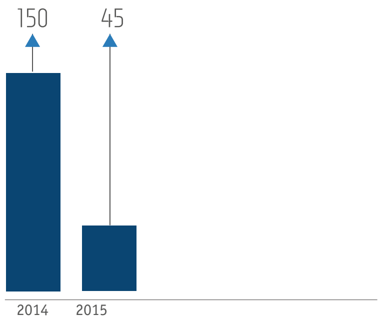
In 2015, global consumption of primary nickel increased by 20 kt, up 1% y-o-y.

Consumption of high grade nickel grew steadily in 2015 due to the shrinking supply of low grade feedstock. Given the slump in the Chinese NPI output, in 2015 there was a reverse in the trend of substituting higher grade nickel with its cheaper grades for the purposes of stainless steel production.

China is the world's leading nickel consuming region. Its share in the global metal consumption market keeps growing, albeit at a slower pace than previously.

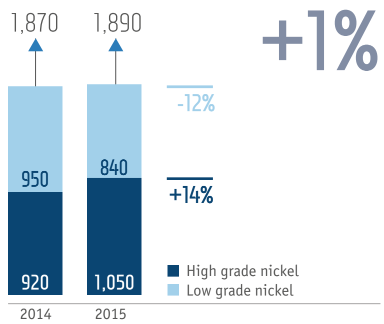
Nickel consumption is still predominantly driven by the stainless steel industry (67% in 2015). The addition of nickel enhances steel's mechanical and anti-corrosion properties, and improves its resistance to aggressive environments. Nickel is also broadly used in alloys and special steels, coating, chemical and battery making industries.

Primary nickel production–consumption balance, **kt**



Source: *Company data*

Primary nickel consumption in 2014–2015, **kt**

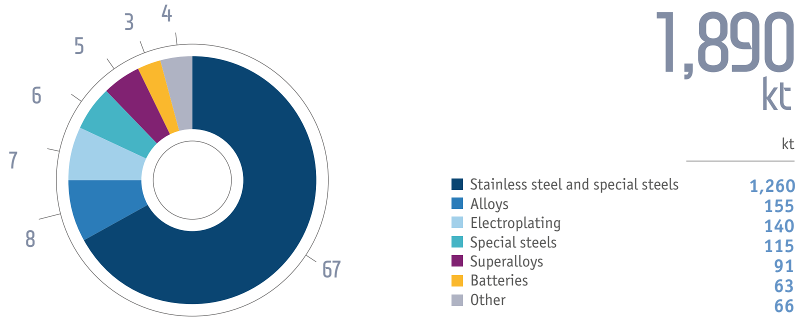


Source: *Company data*

Primary nickel consumption in 2015 vs 2014 by region

China	+30 kt (+3 %)	Slowdown in consumption growth replicates the general trend of economic development
Europe and Africa	-5 kt (-1 %)	The decrease was caused by weaker demand in the oil and gas market
Americas	-5 kt (-3 %)	
Other Asia	0 kt (0 %)	Consumption remained flat (lower volumes of stainless steel output were offset by the increasing demand in the battery making industry)
TOTAL, kt	**+20 kt (+1 %)**	

Primary nickel consumption in 2015 by industry, **%**



Source: *Company data*

Metals Market Overview

Primary nickel consumption in stainless steel production

Stainless steel comes in various brands all over the world, whereas its smelting structure ultimately determines the consumption of primary nickel. Stainless steels are classified by the alloy's crystalline structure (austenite, martensite, or ferrite).

Austenitic stainless steel is the most widespread type of stainless steel (over 70% of the global production). Austenitic steel contains increased amount of chromium, and enough nickel and manganese to form the austenitic structure, which adds to the steel's mouldability, ductility and corrosion resistance and enhances its non-magnetic properties.

According to the international classification, this group of brands includes the 300 series stainless steels, which determine primary nickel consumption in the industry (nickel content of 8% to 12–16% and even higher in some select brands). Apart from the 300 series, austenitic brands also include the 200 series with a lower nickel content due to the addition of manganese. Over 90% of the 200 series steels are produced in China and India.

The 200 series steels cannot be used as a full-fledged substitute for the brands with a high nickel content. They are susceptible to surface (pitting) corrosion and non-resistant to heat and aggressive environments. Due to lower production costs, they are often used in the production of consumer goods such as home appliances. In 2015, the 300 series steels started to gain in popularity in China, replacing the low grade 200 series.

Austenitic-ferritic (duplex) stainless steels are characterised by a higher content of chromium (18–25%) and molybdenum (1–4%), and a lower nickel content (1–7%). These brands are mainly used in manufacturing, construction, and items exposed to seawater.

Ferritic stainless steels (400 series) contain 0–0.5% of nickel and have properties similar to those of low-carbon and highly corrosion-resistant steels. However, their mechanical properties are inferior to those of austenitic stainless steels. Ferritic stainless steels are mainly used in automotive exhaust systems, cargo container frames, water heaters, washing machines, utensils and cutlery, kitchenware and home decor items.

Martensite steels (select brands of the 400 series) are characterised by a higher carbon content (up to 1.2%) and a lower chromium content. Sometimes nitrogen is also added to strengthen the steel. Such steels are the least widespread. They are used to manufacture turbine blades, cutlery, and razor blades.

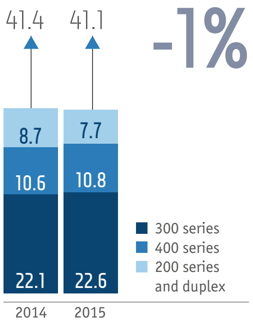
Laterite nickel can be used as an alternative to high grade nickel in stainless steel production. Nearly all types of nickel feedstock are used in stainless steel production (except for some specific products such as nickel powder and compounds). Since the quality of nickel barely affects the quality of stainless steel, the manufacturers opt for the cheaper nickel feedstock turning to high grade nickel as their last resort. This is the reason why high grade nickel consumption has been shifting from stainless steel production to some other metals related sectors in recent years. The trend was only reversed in 2014–2015 due to the shortage of low grade nickel supply in the market.

Primary nickel consumption in alloys and superalloys

The oil and gas, automotive and aerospace industries are the main drivers behind the demand for alloys and superalloys used in the engine production.

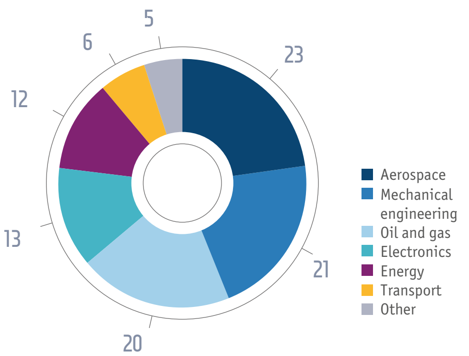
In 2015, primary nickel consumption across the industry decreased by 1%, or 2 kt, which was mainly attributable to the crisis in the oil and gas sector. However, the drop was partly offset by higher demand from the aerospace, defence and electroplating industries.

Stainless steel production by brand in 2014–2015, **mt**



Source: *Company data*

Alloy and superalloy consumption in 2015 by industry



Source: *SMR, Company data*

The main reason for the decline in demand for primary nickel was the crisis in the oil and gas sector. However, the drop was partly offset by higher demand from the aerospace, defence and electroplating industries.

Primary nickel consumption in electroplating

Nickel is widely used in decorative and protective platings with its thickness ranging from 1 to 100 microns (nickel electroplating).

Nickel coating is highly corrosion-resistant, hard and pleasing aesthetically. It is used for decorations, corrosion protection, and as an alternative to chromium plating.

In 2015, primary nickel consumption in the electroplating industry grew by 1% (2 kt) mainly due to the increased demand in Asia. In recent years, China has been the leading manufacturer of nickel electroplating products. Since 2012, though, the electroplating industry has started to develop in other Asian countries, and the Chinese businesses are now outsourcing their production there to optimise manufacturing costs.

Primary nickel consumption in the battery making industry

The battery making industry uses nickel as a major component of cathodes for battery cells. The extent of nickel utilisation depends on the battery type.

↓ ***Nickel-cadmium batteries (Ni-Cd).*** Nickel-cadmium batteries were invented in 1899. Currently, their use is restricted, since cadmium is banned as a toxic substance under the EU directive of 2014. Producers of these batteries use nickel as their feedstock. Nickel-cadmium batteries are now only used in special purpose items, and are no longer produced in the mass market.

↔ ***Nickel-metal hydride batteries (Ni-MH).*** Ni-MH batteries were developed in 1989 as a substitute for Ni-Cd batteries to avoid using cadmium. Producers use nickel to manufacture this type of batteries. Currently, the nickel-metal hydride battery market is however growing at a slow pace (with hybrid vehicles as the only growth driver) and faces tough competition from lithium-ion batteries.

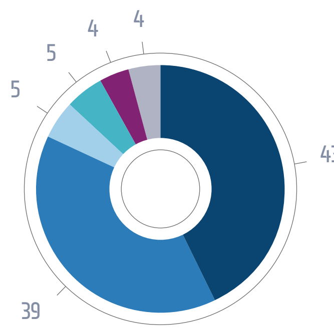
↑ ***Lithium-ion batteries (Li-Ion).*** Li-ion batteries were first commercially released in 1991 and became widespread due to their lightweight, high energy density, and low self-discharge. There are several types of lithium-ion batteries depending on the cathode materials.

In 2015, primary nickel consumption in the battery making industry saw steady growth of 9% (or 5 kt).

Starting from 2014, primary nickel consumption in this sector has been advancing at an accelerated pace due to the marketing success of Tesla electric cars with lithium-ion batteries (nickel content of up to 60–80 kg per car).

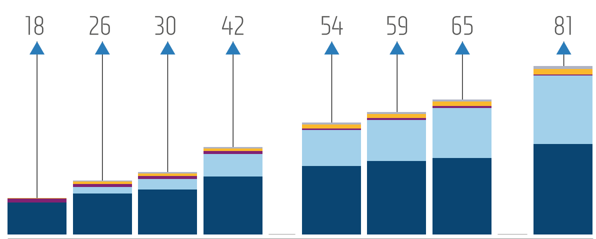
Further expansion of the automotive industry, which is currently experiencing an upsurge in popularity of electric and hybrid cars, augurs well for the longer-term growth in primary nickel consumption, even though it strongly depends on the development of battery technologies going forward.

■ Consumption of nickel electroplating products in 2015 by industry



Source: *Heinz Pariser, Company data*

■ The global rechargeable battery market, **USD bn**



The global rechargeable battery market: the market is expected to grow at a rate significantly exceeding the historical average of 5% (1990–2014)

1990	2000	2005	2010	...	2013	2014	2015	...	2020	
15,3	19,7	21,6	27,9		33,0	35,5	37,0		43,7	Lead
2,0	1,6	1,6	1,5		0,9	1,0	1,0		0,5	Li-Ion
0,1	1,2	1,2	1,3		1,9	2,0	2,1		2,6	Ni-Cd
0,0	3,0	5,0	10,8		17,3	19,6	24,0		33,1	Ni-MH
0,1	0,4	0,5	0,6		0,9	1,1	1,2		1,5	Other

Source: *Avicenne, Company data*

PRODUCTION

In 2015, primary nickel production decreased by 4%, or 85 kt year-on-year, mainly due to the decline in the Chinese NPI output.

In 2015, high grade nickel production grew by 2%, or 25 kt. Among the key contributors to the greater output were:

- Sherritt’s Ambatovy (Madagascar), which began producing briquettes in 2012;
- Sumitomo Metal Mining (Japan), which produces cathodes and chemical products (mainly sulphates) and receives feedstock from the ongoing Taganito project in the Philippines;
- Vale, which resumed production after the technical issues in 2014;
- Ningbo Yinyi (China), which expanded production of cathodes.

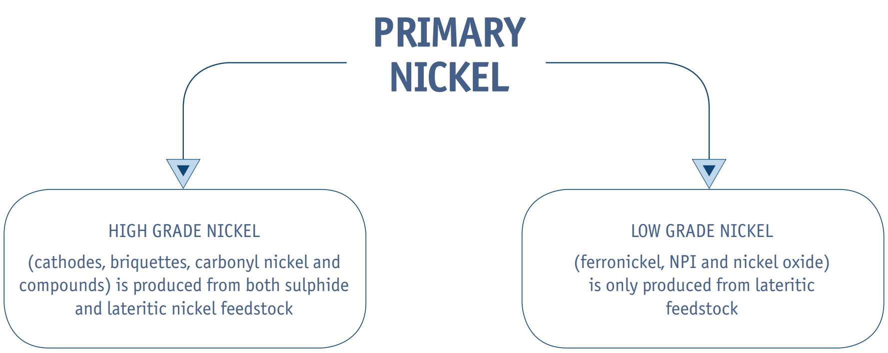
The key factor affecting nickel production in 2015 was the decline in China's NPI output due to the ongoing ban on exports of nickel ore from Indonesia. Production dropped by 130 kt, which was not only attributable to the disruption in ore supplies, but also to the shutdown of some NPI facilities in China due to the environmental constraints and high production costs. The launch of NPI projects in Indonesia led to a production increase of 25 kt. However, due to the considerable funding and infrastructure development difficulties, currently there are only two successfully completed projects in Indonesia – Indoferro and Tsingshan (launched in early 2015).

At the end of 2015, there were announcements about production curtailments and shutdowns by some high-cost low grade nickel producers, including Cunico and Loma de Niquel.

In 2015, slight high grade nickel production curtailments were implemented at[1]:

- Norilsk Nickel (part of the Company's production reconfiguration drive);
- cathode manufacturing plants in China (December 2015).

PRIMARY NICKEL CAN BE SPLIT INTO TWO MAJOR GROUPS



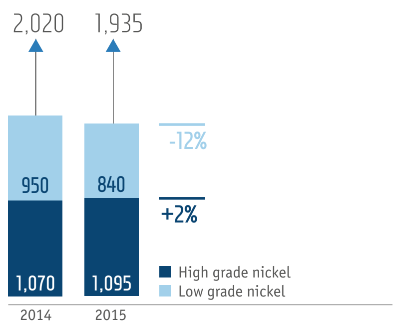
In 2015, the main high grade nickel producers were

- Norilsk Nickel, Vale, Jinchuan, Glencore, and BHP Billiton

In 2015, the main low grade nickel producers were

- Chinese and Indonesian NPI companies, Tsingshan, South 32, Eramet, Pamco, and Anglo American

Primary nickel production in 2014–2015, **kt**



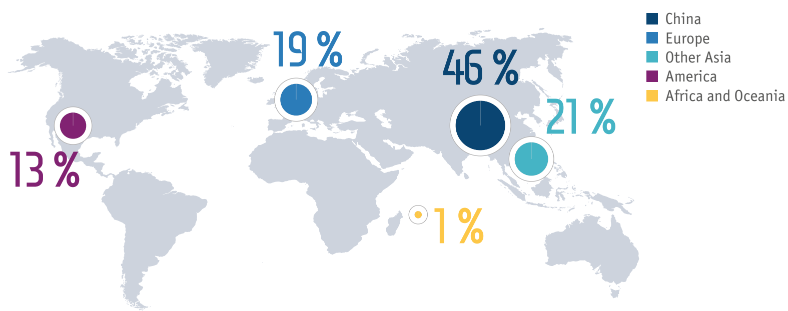
[1] *Empress (Zimbabwe) was closed due to high production costs.*

Source: *Company data*

Cu

Copper

REFINED COPPER CONSUMPTION BY REGION



KEY TRENDS IN THE COPPER MARKET

In early 2015, the copper price decreased due to the expected surplus growth and concerns regarding the slowdown of economic growth in China. As these concerns began subsiding in February and production started trending downwards, the price showed some recovery in Q2. In 2H 2015, on the back of the drop in prices for oil and other commodities and amid investor outflow, the copper price started to decline again.

The average copper price stood at USD 5,494 per tonne in 2015, a 20% decrease against 2014.

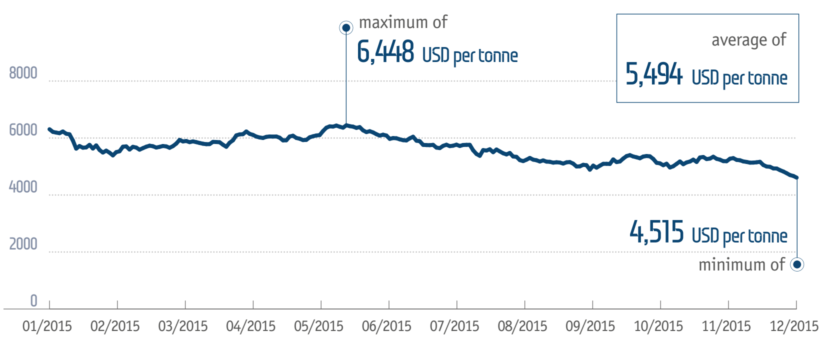
One of the key factors was a number of major US and European investment banks leaving the commodities market after the regulatory authorities imposed restrictions on banks with regard to metal trading in the physical market.

MARKET BALANCE

In 2015, the refined copper market was slightly oversupplied. The surplus was about 1% of the total market volume, or 270 kt, up 90 kt as compared to 2014.

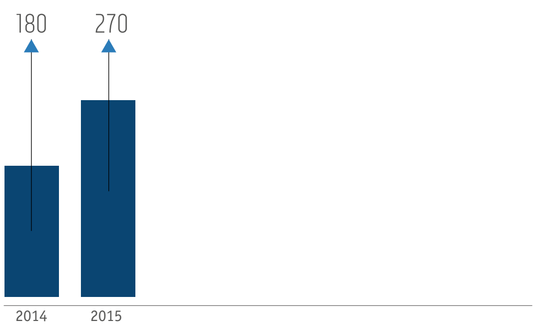
During the year, total exchange warehouse stocks increased from 307 to 483 kt (or from 5 to 8 days of consumption), while off-exchange inventories declined, both in and outside of China, in major traders' warehouses.

Copper price in 2015, **USD/t**



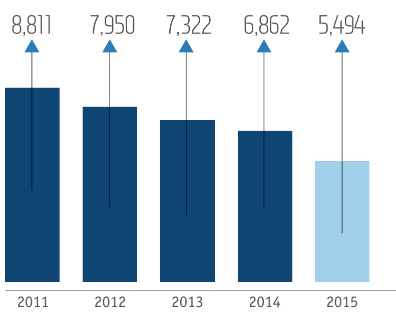
Source: *LME (settlement)*

Refined copper surplus, **kt**



Source: *Company data*

Average copper prices over the past five years, **USD/t**



One of the key factors was a number of major US and European investment banks leaving the commodities market after the regulatory authorities imposed restrictions on banks with regard to metal trading in the physical market

Source: *LME (settlement)*

Metals Market Overview

CONSUMPTION

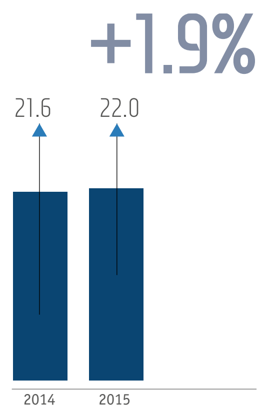
Given its high electrical conductivity, thermal conductivity, ductility and corrosion resistance, copper is widely used in various industries. About three quarters of total global copper production is used for manufacturing electrical conductors, including various kinds of cable and wire. Key copper-consuming industries include construction, electrical and electronic equipment manufacturing, transport, engineering, machine building and consumer goods production.

In 2015, global consumption of refined copper totalled 22.0 mt, up by 1.9% (or 0.4 mt) as compared to 2014, primarily due to stronger demand from cable and wire manufacturers. Figures for rolled products and billets saw no major growth, and consumption in the pipe production segment was moderately down.

In general, global copper consumption in 2015 was slightly below the levels projected at the beginning of the year.

China, despite the economic slowdown, remains the key consumer, with its market share reaching 46%. Market concerns about the potential decline in China's copper consumption due to the economic downturn did not materialise. Copper imports in 2015 remained flat as compared to 2014 and totalled 4.8 mt, while copper concentrate imports rose by 12%, enabling China to meet its growing needs with local metal production.
In 2015, demand for copper in developed economies increased moderately: by 1.6% in Europe (the Company's key market for copper cathodes), 0.7% in America, and 3% in Asia (excluding China). In Russia, apparent copper cathode consumption in 2015 dropped by about 20% due to changes in the exports structure, with copper rolled wire volumes partially substituted by copper cathode exports.

Refined copper consumption in 2014–2015, **mt**



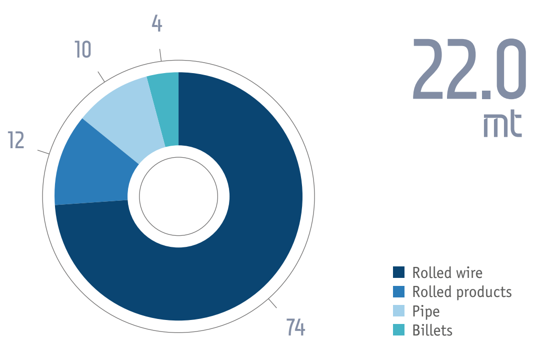
Source: *Company data, Wood Mackenzie*

Refined copper consumption in 2015 vs 2014 by industry

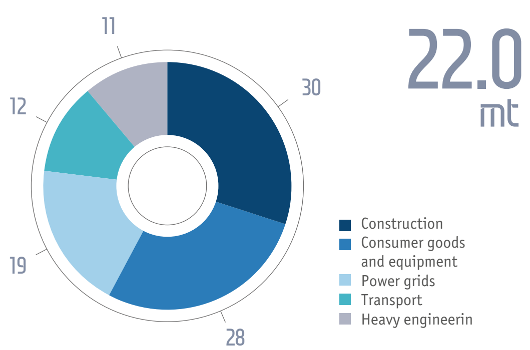
INDUSTRY	2015 VS 2014
Rolled wire production	+0.41 mt (+2.5%)
Pipe production	-0.07 mt (-3%)
Production of flat rolled products	+0.05 mt (+2%)
Production of billets and sections	+0.01 mt (+1%)
TOTAL	**+0.40 mt (+1.9%)**

Source: *Company data, CRU*

Refined copper consumption by industry, **%**



Conversion product



End product

Source: *Company data, Wood Mackenzie, CRU*

PRODUCTION

In 2015, global production of refined copper increased by 2.3% (0.5 mt) compared to 2014 and totalled 22.3 mt. China remains the leader in refined copper production, with its 2015 output increasing by 3% to 7.1 mt, which makes up 32% of global production. Only one quarter of Chinese production is local extraction, with three quarters coming from imported copper concentrates and scrap. In the rest of Asia (excluding China), production growth was as low as 0.4%. In Europe, production went up by 2.4%, and in North and South Americas, the increase was 7% and 1% respectively. Africa, following a significant rise in refined copper production in 2014, saw decline of 4% for 2015. In Russia, according to preliminary estimates, the 2015 copper production was up by 1.5%.

Production expansion at the existing mines (Grasberg in Indonesia, Cerro Verde in Peru, Morenci in the US, and Buenavista in Mexico), combined with the launch and development of new projects (Batu Hijau in Indonesia, Toromocho and Constancia in Peru, Ministro Hales, Caserones and Sierra Gorda in Chile, Salobo in Brazil, Oyu Tolgoi in Mongolia, and Sentinel in Zambia) have compensated for lower copper concentration in ores from older fields and for disruptions caused by technical issues (on such mines as Bingham Canyon in the US, Olympic Dam in Australia, Alumbrera in Argentina, El Teniente, Chuquicamata, Escondida and Andina in Chile, Katanga in the Democratic Republic of the Congo, and Mopani in Zambia). As a result, global copper production in 2015 increased by 3.5% to 19.3 mt. In addition to that, approximately 3 mt of refined copper (down 5% compared to 2014) was produced from scrap and concentrate stockpiles.

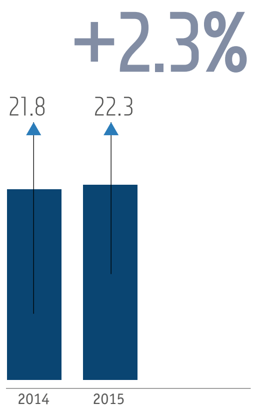
The strong increase in copper production in Indonesia (51%) was driven by the recovery of production at the Grasberg mine, which declined in the previous year on the back of the state-imposed ban on concentrates export. In Mongolia, production went up by 26% following the new Oyu Tolgoi mine development. Peru and Brazil saw their output improve by 24% and 16% respectively as a range of new projects were put on stream. Production in Chile, the world`s leading copper producer, rose by 0.3%, and in the US, by 1.3%. Chinese production was down by 1.5%.

While a lot of mines showed low margins as a result of the copper price drop, leading mining companies were unwilling to reduce output and remained focused on launching and developing new projects. In Q4 2015, only Glencore announced suspending the operations of its African mines (Katanga in the Democratic Republic of the Congo and Mopani in Zambia) for 18 months starting Q4 2015, and Freeport said it would cut production at a number of mines in the US and Chile.

Over the past few years, actual growth in copper production has consistently lagged behind expectations. This is due to delays in the commissioning of new projects owing to cost overruns, engineering and occasionally political issues, as well as incidents leading to suspension of some assets, such as the Grasberg mine in Indonesia and the Bingham Canyon mine in the US. In 2015, the environment was broadly similar, with the market surplus staying below the projected levels.

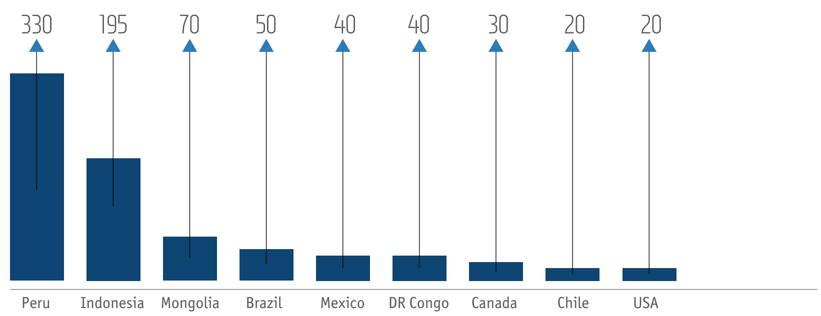
As a result of the decline in copper prices, many mining producers began revising their investment plans for the expansion of existing mines and development of new projects. This could result in a considerable reduction in global copper production over the next few years compared to the current estimates.

Refined copper production in 2014–2015, **mt**



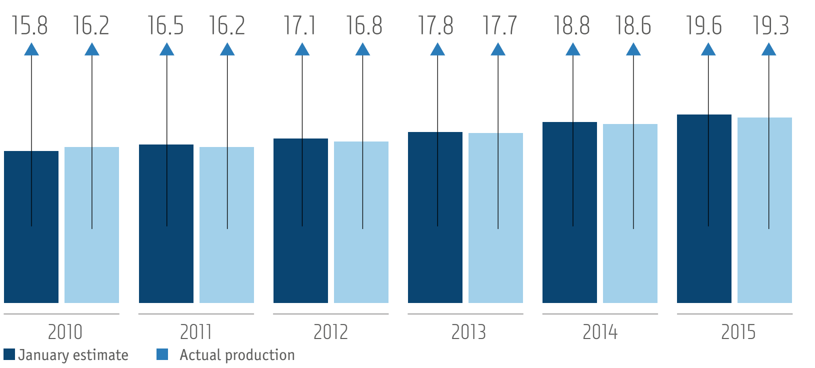
Source: *Company data; Wood Mackenzie*

Increase in copper production in 2015 by country, **mt**



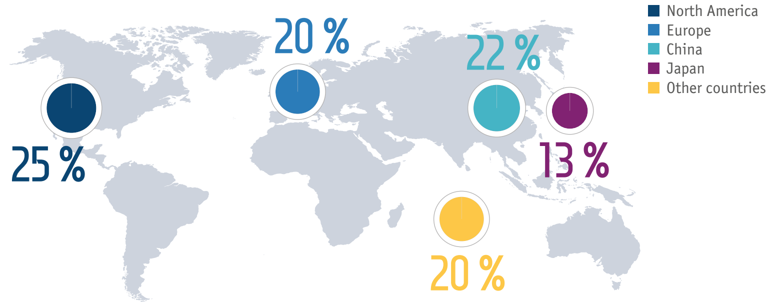
Source: *Company data; Wood Mackenzie*

Estimated and actual copper output in 2010–2015, **mt**



Palladium

PALLADIUM CONSUMPTION BY REGION



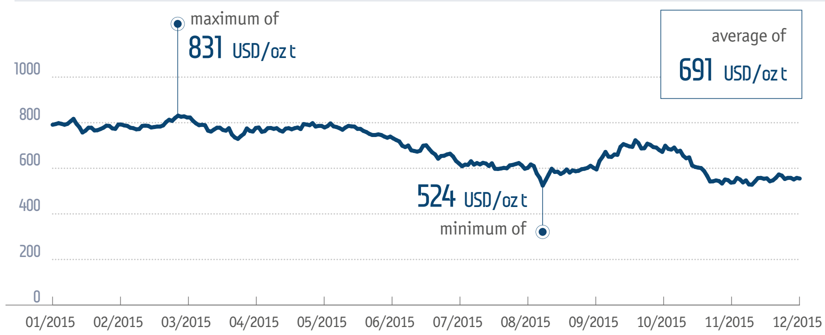
KEY TRENDS IN THE PALLADIUM MARKET

Palladium prices went down significantly in June–August 2015, reaching USD 520 per troy ounce as at the end of August amid increased short positions and closing of long positions. In mid-October, palladium prices bounced back to above USD 700 per troy ounce against the backdrop of the Volkswagen diesel emissions scandal, the stimulus plan for the Chinese car market implemented in October, expectations of potential suspension of operations in South Africa, and uncertainty over the key rate increase by the US Federal Reserve. In November, the palladium price trend turned negative again as the closure of loss-making assets in South Africa, major investment outflows from palladium exchange-traded funds (ETFs), and the strong US dollar brought the prices down to USD 550 per troy ounce.

MARKET BALANCE

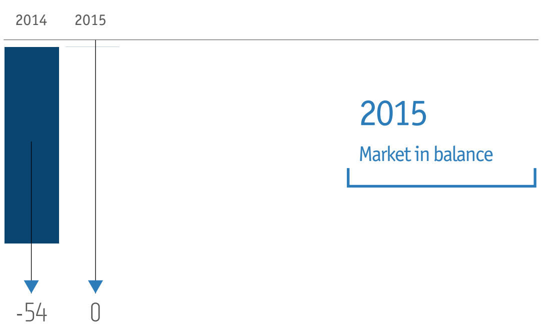
The considerable undersupply in the palladium market that we saw in 2014 (16% of the global demand) gave way to an almost balanced state in 2015. This trend shift is the result of the full recovery of platinum metals production at the South African facilities after the unprecedented five-month strike of 2014, coupled with the massive investor withdrawal from palladium ETFs (mainly in the second half of the year).

Palladium price in 2015, **USD/oz t**



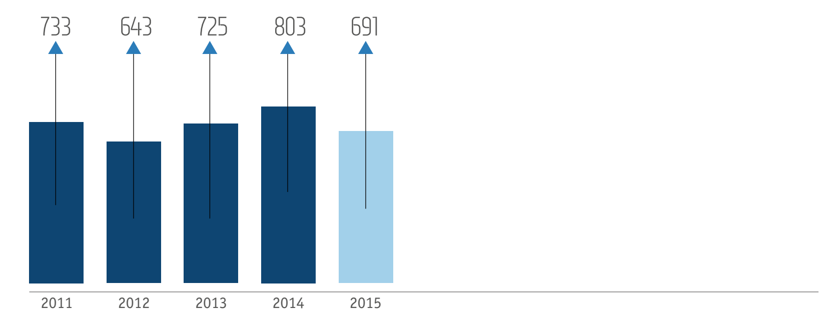
Source: *LBMA Palladium price*

Palladium market surplus, **t**



Source: *Company data*

Average palladium prices over the past five years, **USD/oz t**



Source: *LBMA Palladium price*

CONSUMPTION

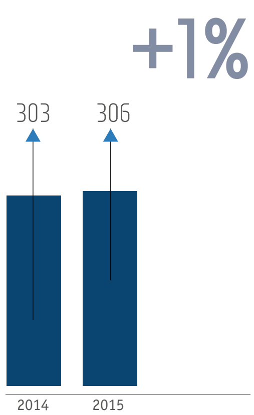
In 2015, industrial consumption of palladium increased by 3 t (+1%) year-on-year, reaching 306 t, while the consumption of primary palladium went up by 8 t (+4%) due to use of end-of-life automotive catalysts coupled with low prices for PGM, all of which led to the decreased recycled metal supply in the market compared to 2014.

The automotive industry accounts for over 70% of total palladium consumption. In this sector, palladium is used in catalytic converters to detoxify exhaust fumes. In most countries, such converters are legally required to be installed on all new cars. Due to its unique properties, palladium has no substitutes except for platinum, which is more expensive and not economically justified, and rhodium, which, given the small market size (the world only produces 30 t of the metal), suffers from high price volatility and the risk of creating an artificial market shortage.

In 2015, palladium consumption in the automotive industry increased by 4 t. The additional demand for the metal is mainly attributed to the strong production increase in the US and China and to the recovery of production in Europe, coupled with the tightening of Euro 6b emission standards starting September and the overall decline in car production in other countries.

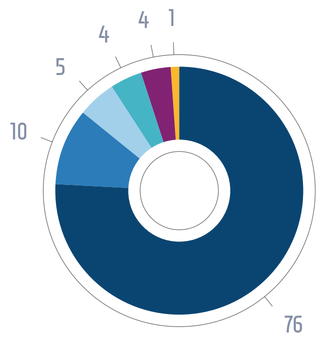
In 2015, palladium consumption in the electronics industry remained broadly unchanged. In the healthcare sector, primary palladium demand continued declining in 2015 on the back of transition to alternative composites and dental scrap processing. While palladium has a number of advantages in jewellery manufacturing, its consumption in the industry dropped by 1 t (6%) in 2015, mostly due to China's continuing decade-long fall in palladium goods production in the absence of a strong jewellery metal brand.

Palladium consumption in 2014–2015, **t**



Source: *Company data*

Palladium consumption in 2015 by industry, **%**



	t
Automobile exhaust systems	232.5
Electronics	32.3
Dental alloys	14.1
Catalysts	13.1
Jewellery	10.9
Other industries	3.5

Source: *Company data*

>70%

of palladium is used for exhaust treatment systems

Metals Market Overview

The 2015 primary palladium consumption in the production of chemical catalysts increased by 4% as a result of newly launched vinyl acetate monomer plants, which more than offset the low catalyst demand in terephthalic and nitric acid production.

Apart from its industrial application, palladium is also popular among investors. In 2014, net investments in physical palladium ETFs increased by 28 t on the back of two South African fund launches (by ABSA and Standard Bank), while 2015 saw a 22 t net outflow from ETFs, caused by anxiety over China's economic prospects and the strengthening US dollar.

Palladium consumption in 2015 vs 2014 by application area

APPLICATION AREA	2015 VS 2014
Exhaust treatment systems	+4 t (+2%)
Chemical catalysts	+0.5 t (+4%)
Jewellery	–1 t (–6%)
Electronics	–0.2 t (–1%)
Dental alloys	–0.5 t (–3%)
Other application areas	+0.2 t (+2%)
TOTAL	**+3 t (+1%)**

Source: *Company data*

PRODUCTION

In 2015, after an unprecedented five-month strike in South Africa had paralysed 55% of the country's platinum group assets, the metal production was fully back on track. Zimbabwean production stagnated, with Zimplats' ramp-down offset by higher concentrate production at Unki. Russia and North America also saw declines in production. As a result, global output of primary palladium in 2015 increased by 20 t.

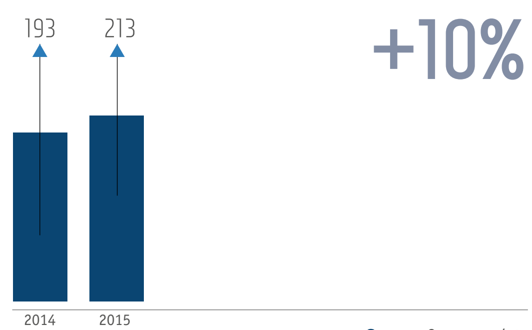
The main sources of recycled palladium are used exhaust gas autocatalysts, as well as jewellery and electronic scrap. In 2015, recycled output decreased by 5 t.

The sources of previously accumulated palladium stockpiles include trading companies, financial institutions, government reserves, and surplus inventories of consumers. In recent years, Russia's palladium supply came primarily from the country's government stockpiles. Non-market-bound supply of palladium from these stockpiles had long been the main driver of market surplus. In 2015, Russian stockpiles were not part of the supply, which points to their depletion and marks a transition toward fully market-dependent palladium supply and demand.

The sources of previously accumulated palladium stockpiles include trading companies, financial institutions, government reserves, and surplus inventories of consumers

Apart from its industrial application, palladium is also popular among investors

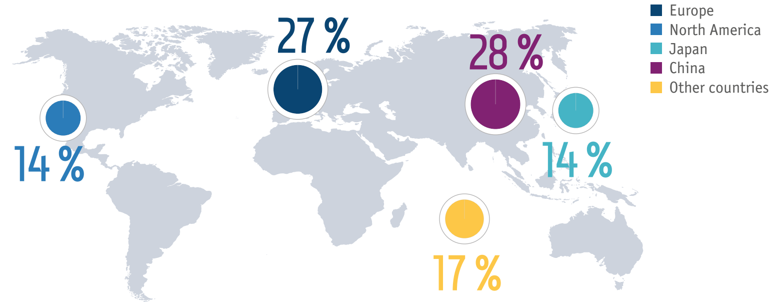
Annual primary palladium output in 2014–2015, **t**



Source: *Company data*

Platinum

PLATINUM CONSUMPTION BY REGION



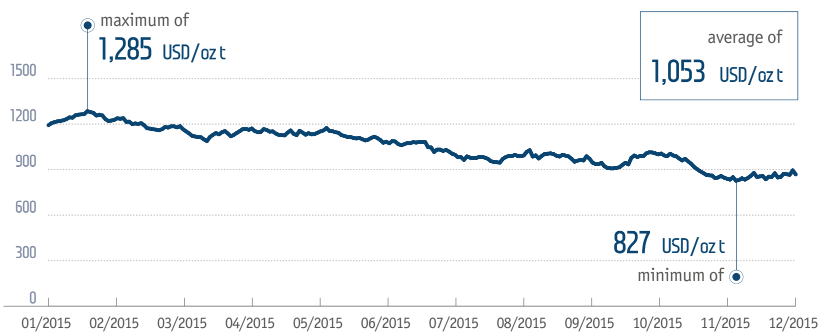
KEY TRENDS IN THE PLATINUM MARKET

In 2015, platinum prices declined due to the South African Rand depreciation, first six months' concerns over Grexit, South Africa's PGM production recovery after the 2014 strike, no unprofitable facility closures, investment outflows from raw materials, and lack of physical metal market shortage. In late September, the platinum prices dropped to USD 900 per troy ounce against the backdrop of the Volkswagen diesel emissions scandal. Having bounced back in October, platinum prices continued to fall in November, bottoming out at the late 2008 global financial crisis levels in December.

MARKET BALANCE

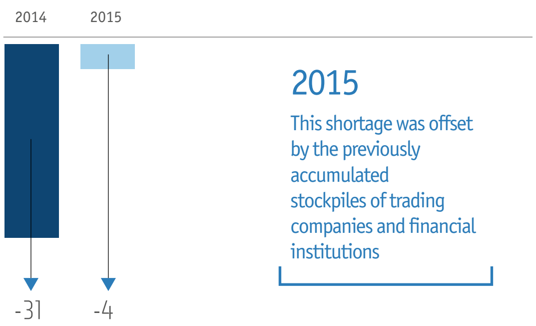
As a result of South Africa's platinum production recovery amid unfaltering investor demand, the market shortage reduced from 31 t in 2014 to 4 t in 2015. This shortage was offset by the previously accumulated stockpiles of trading companies and financial institutions.

Platinum price in 2015, **USD/oz t**



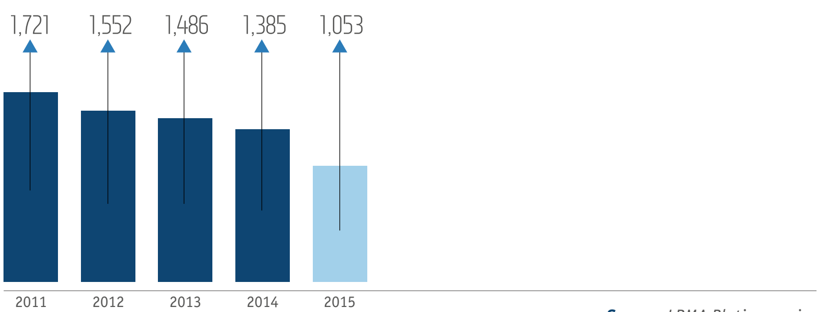
Source: *LBMA Platinum price*

Platinum production surplus, **t**



Source: *Company data*

Average platinum prices over the past five years, **USD/oz t**



Source: *LBMA Platinum price*

Metals Market Overview

CONSUMPTION

Industrial consumption of platinum in 2015 increased by 7 t (+3%) year-on-year, reaching 246 t, while the consumption of primary platinum went up by 12 t (to 189 t) as a result of a drop in recycled metal consumption due to reduced year-on-year collection of platinum-containing scrap.

The automotive industry is the largest consumer of platinum. Approximately 80% of the platinum in this industry is used in manufacturing exhaust gas catalysts for diesel vehicles. In 2015, the industry's platinum consumption increased by 6 t on the back of growing vehicle production and the Euro 6b emission standards rollout.

The second biggest platinum consumer is the jewellery industry. In 2014, its consumption rates decreased by 1 t (-2%), primarily in the wake of a drop in China's consumption, which was partially offset by higher sales in other regions (above all in India).

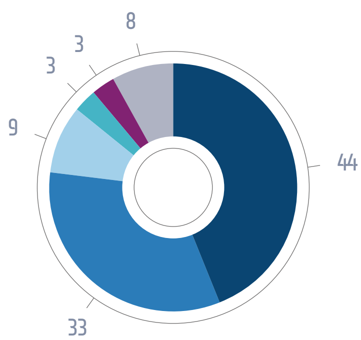
In 2015, primary platinum consumption for manufacturing industrial catalysts increased by 1 t, following propane dehydrogenation capacity ramp-up along with paraxylene and silicone plant launches, which more than offset refinery closures in Europe, Australia and China.

The glass industry needs platinum to produce glass fibre and optical glass, which is used in TV, tablet and smartphone LCDs. Demand for primary metal in this industry continued recovering after the decline of 2012–2013, which was triggered by the LCD industry streamlining and plant closures in Japan and Singapore.

The electronics industry saw the first drop in primary platinum consumption (down by 0.9 t, or 12%) since the 2011 Thailand floods, this time due to the overall decrease in storage device production.

Platinum is also used as an investment instrument. Physical investments may vary from coins and bars weighing as little as $^{1}/_{10}$ of a troy ounce to investments in ETFs that accumulate large amounts of standard-sized bar stock. 2015 saw record 100 g platinum bar purchases by the Japanese investors (over 15 t), which fully offset the outflow of investments from ETFs to platinum (-9 t).

Platinum consumption in 2015 by industry

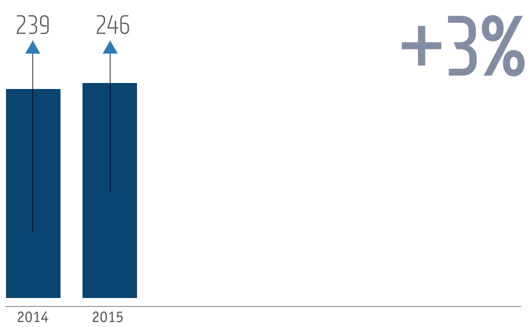


246 t

	t
Automobile exhaust systems	108.3
Jewellery	81.3
Catalysts	22.9
Glass production	7.6
Electronics	6.1
Other industries	20.1

Source: *Company data*

Platinum consumption in 2014–2015, **t**



+3%

Source: *Company data*

Platinum consumption in 2015 vs 2014, by application area

INDUSTRY	2015/2014
Exhaust treatment systems	+6 t (+6%)
Jewellery	–1.3 t (–2%)
Chemical catalysts	+1.4 t (+6%)
Glass production	+1.6 t (+27%)
Electronics	–0.9 t (–12%)
Other application areas	+0.3 t (+3%)
TOTAL	**+7.1 t (+3%)**

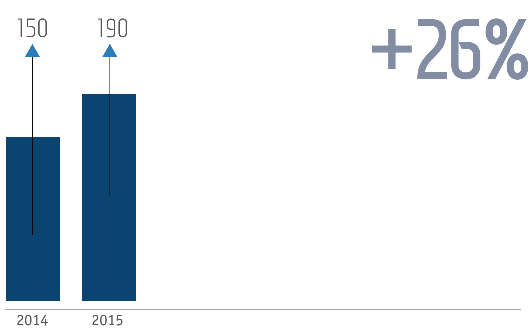
Source: *Company data*

PRODUCTION

In 2015, primary platinum output increased by 40 t (+26%), having fully recovered to the 2013 level after the drop in 2014, which was due to five-month suspension of operations at the South African facilities during the major strikes at Anglo Platinum, Impala Platinum, and Lonmin.

The main sources of recycled platinum are used exhaust gas catalysts and jewellery scrap. In 2015, recycled output decreased 3 t.

Primary platinum production in 2014–2015, t



Source: *Company data*

The main sources of recycled platinum are used exhaust gas catalysts and jewellery scrap

In 2015, primary platinum consumption for manufacturing industrial catalysts increased by

1 t

Industrial consumption of platinum in 2015 increased by

7 t

Business Overview

Mineral Resource Base

The ore reserves and mineral resources of all Norilsk Nickel's fields on the Taimyr (Polar Division) and Kola (Kola MMC) Peninsulas and in Trans-Baikal Territory (Bystrinskoye Field) changed over the reporting year due to the ongoing production and operational exploration.

Proven and probable ore reserves of Taimyr and Kola Fields

843
mt of ore

Ni 7.3 mt
Cu 12.3 mt
МПГ 3.9 kt (125.6 m oz t)

Measured and indicated mineral resources on Taimyr and Kola Peninsulas

2,000
mt of ore

Ni 14.3 mt
Cu 23.4 mt
МПГ 8.0 kt (256.0 m oz t)

[1] *Information about the Company's ore reserves and mineral resources as at 31 December 2015 is stated as per the analysis and operating alignment of the Russian divisions' ore and metal balance reserves (Russian classification, Form No. 5-gr) with the JORC Code standards. The calculations are made in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code") and the Russian Code for Public Reporting of Exploration Results, Mineral Resources and Mineral Reserves (the "NAEN Code"), and are subject to the rules and regulations developed by Micon International Co Limited during the audit of field reserves of the Company's Polar Division in 2013.*

POLAR DIVISION FIELDS

Norilsk Nickel's Polar Division develops three copper-nickel sulphide deposits under its current licences. Those include the Talnakhskoye and Oktyabrskoye fields (jointly the "Talnakh Ore Cluster"), and the Norilsk-1 Field (part of the Norilsk Ore Cluster).

The Group's Taimyr fields offer a great opportunity to maintain the required level of ore reserves through the significant mineral resources attributable to the existing mining facilities. The depleted rich and cuprous ore reserves at the existing mines are mainly replaced through inferred resources on the flanks of the developed fields. Norilsk Nickel plans to ramp up its mining operations by tapping into new rich ore deposits and focusing on the gradual and active development of disseminated and cuprous ore horizons. The Group will leverage the approved projects to develop new deposits and horizons in Talnakh Ore Cluster and promising geological exploration data to ensure a sustainable mineral resource base going forward.

Taimyr Peninsula

2015

Depletion of balance ore reserves

254.4 kt Ni

431.0 kt Cu

Ore reserve increase owing to operational exploration within the boundaries of the fields under exploitation
- Oktyabrskoye
- Talnakhskoye
- Norilsk-1

>3.4 mt of ore

Average content:

Ni 1.62 %

Cu 1.73 %

PGM 9.87 kt

Measured and indicated copper-nickel mineral resources

>1,652 mt of ore

Ni 11.9 mt

Cu 22.3 mt

PGM 7.9 kt (approximately 255.1 m oz t)

KOLA MMC FIELDS

Severny Mine is currently developing several of Pechenga ore fields, including the Zhdanovskoye, Zapolyarnoye, Kotselvaara and Semiletka (Kaula-Kotselvaara mine) fields. In addition to those, Severny Mine's allotment also embraces Sputnik, Bystrinskoye, Tundrovoye, and Verkhneye fields.

In the near term, the Kola Peninsula's available mineral resource base will allow Norilsk Nickel to maintain its current level of metal output.

Kola Peninsula

2015

Depletion of balance ore reserves

56.0 Ni kt

22.3 Cu kt

The copper-nickel reserves were further explored and assigned higher classification categories:

- Zhdanovskoye
- Zapolyarnoye
- Kotselvaara
- Semiletka Fields

>7.4 mt of ore

Average content:

Ni 0.82 %

Cu 0.51 %

Kola Division's proven and probable ore reserves

>140 mt of ore

Ni >0.8 mt

Cu 0.4 mt

Measured and indicated copper-nickel mineral resources

>348 mt of ore

Ni 2.4 mt

Cu 1.1 mt

BYSTRINSKOYE FIELD

In 2015, in the course of stripping at the Bystrinskoye Field, the Group mined 726 t of gold-iron-copper ores from the special-purpose ore stockpile

Trans-Baikal Territory

Balance mineral reserves of Bystrinskoye Field ($B + C_1 + C_2$)

288 mt of ore

Cu 2,044 kt

Ag 33,619 k oz t

Fe 67 mt

Au 7,502 k oz t

HONEYMOON WELL

The Group holds a licence to develop Honeymoon Well Project, including:

- The fields with disseminated nickel sulphide ores, which include Hannibals, Harrier, Corella and Harakka Fields.
- Wedgetail Field, the only field with solid and vein ores.

Australia

Total measured and indicated mineral resources of Honeymoon Well Project are estimated at

173 mt of ore

Average content:

Ni 0.67 %

Geological Exploration

Geological exploration is one of the Norilsk Nickel Group's core businesses, which ensures sustainable extraction volumes, an optimal structure of mineral reserves, and enhanced replacement of mineral resources.
The unique mineral resource base of the Taimyr and Kola Peninsulas augurs well for the Company's long-term development.

KEY GEOLOGICAL EXPLORATION OPERATIONS

Mineral prospecting

Mineral appraisal

Mineral exploration

These include:

- geological exploration within the licence blocks of the ongoing operations in the north of the Krasnoyarsk Territory and in the Murmansk Region to ensure mineral supplies for the core production sites and improve the Company's operational performance
- geological exploration in areas farther away from the key production sites to fully unlock the resource potential of the Taimyr and Kola Peninsulas
- prospecting, appraisal and exploration of highly liquid raw materials (Tier 1 assets) in high-potential regions offering Norilsk Nickel a competitive edge

Geological exploration is carried out under the Company's projects by the Group's specialist service providers based in the regions of operations

TAIMYR PENINSULA

Solid minerals

Geological exploration on the Taimyr Peninsula is aimed at replacing nickel, copper, platinum group and other mineral reserves in order to ensure the uninterrupted operation of the Group's mining facilities in the Norilsk Industrial District.

Exploration is underway at

- the Maslovskoye Field,
- deep horizons and flanks of the Oktyabrskoye and Talnakhskoye Fields,
- northern flank of the Norilsk-1 Field.

Industrial limestone is being prospected and appraised in the Verkhne-Tomulakhskaya Area of the Norilsk Industrial District.

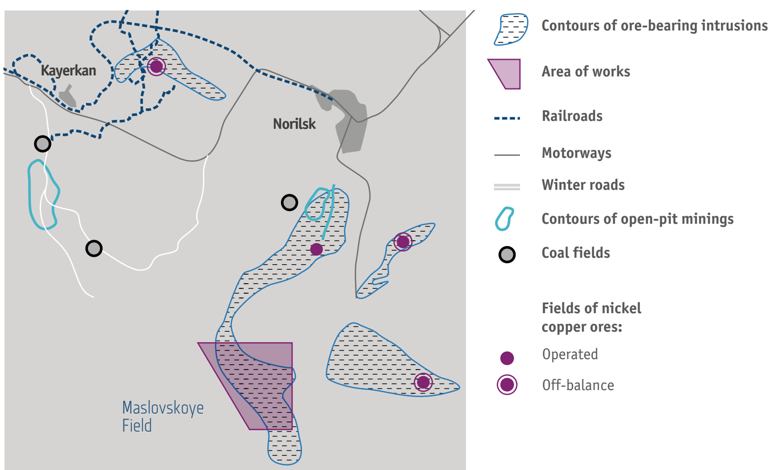
In 2015, the Company also kept prospecting for sulphide ores in Lebyazhninskaya, Razvedochnaya, Mogenskaya, Khalilskaya, Yuzhno-Khalilskaya and Nirungdinskaya Areas of the Norilsk Industrial District.

Maslovskoye Field (platinum-copper-nickel ores)

The field is located in the Norilsk Industrial District, 12 km south of the Norilsk-1 Field.

Estimated reserves of disseminated ores make it possible to classify the Maslovskoye Field as one of the largest platinum-copper-nickel fields. Areas of rich ore veins were found in the disseminated ores of the Maslovskoye Field. In 2015, the Company was granted a licence to explore and mine copper-nickel sulphide ores.

In 2014–2015, the Company undertook research to define the geotechnical, hydrogeological and mining conditions for the purposes of Maslovskoye Field development.



Balance reserves of Maslovskoye Field

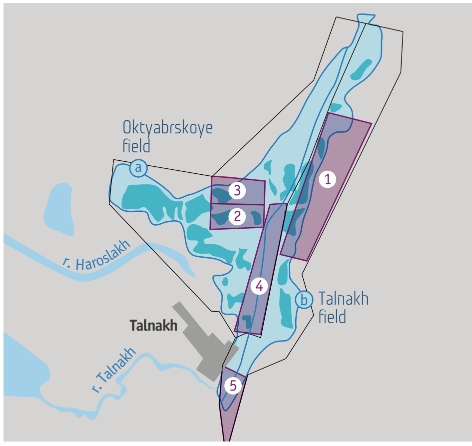
	$C_1 + C_2$ MINERAL RESERVES	METAL CONTENT IN ORE
Ore, mt	215	
Palladium, '000 oz t	32,262	4.56 g/t
Platinum, '000 oz t	12,479	1.78 g/t
Nickel, kt	728	0.33%
Copper, kt	1,122	0.51%
Cobalt, kt	34	0.016%
Gold, '000 oz t	1,304	0.19 g/t

Flanks and deep horizons of Talnakh Ore Cluster (cuprous ores)

The Company's geological exploration focuses on the search for unregistered reserves of rich and cuprous ores at the Oktyabrskoye and Talnakhskoye fields.

Geological exploration is underway in the northern flanks of Taimyrsky Mine, eastern flanks of Skalisty Mine, southern flank of the Talnakhskoye Field, and in the Mayak Mine area. New exploration wells opened up bodies of copper-nickel sulphide ores. In 2015–2017, the nickel reserves are expected to increase by approximately 500 kt.

To extend the service life of Zapolyarny open pit at the Norilsk-1 Field, exploration specialists keep seeking to convert the underground mining reserves into reserves intended for open pit operations.



Fields boundary:
Oktyabrskoye
Talnaknskoe

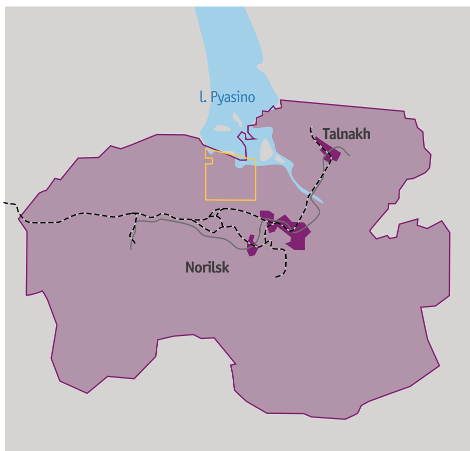
Contour of mine take:
a Oktyabrskoye field
b Talnakh field

Rich ores deposits

Contour of geological exploration:
1 Eastern franks of Skalisty mine
2 Franks of Severnaya 3 deposit
3 Franks of Severnaya 4 deposit
4 Southern frank of Talnakh field
5 Southern frank of Mayak mine

Prospecting and appraisal of new copper-nickel sulphide ore fields in Taimyr

In 2014, the Company obtained subsoil exploration licences to prospect for and appraise copper-nickel sulphide deposits in Lebyazhninskaya, Razvedochnaya, Mogenskaya, Khalilskaya, Nizhne-Khalilskaya and Nirungdinskaya Areas of the Taimyrsky Dolgano-Nenetsky Municipal District (Krasnoyarsk Territory). The respective prospecting and exploration projects have all been prepared. In 2015, the Company carried out geophysical and geochemical operations to identify anomalies in the areas for subsequent confirmation through drilling.



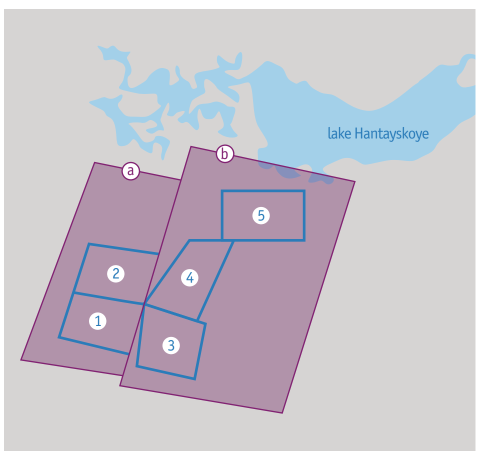
Borders of Uniform municipality of Norilsk

Area of works (99.08 m²)

Industrial and inhabited facilities

Railway

Motorways



Ore knots:
a Kulyumbinskiy
(licenses of Norilsk Nickel)
b Halilskiy
(licenses of Norilskgeologiya)

Objects of geological exploration
1 Potential area
2 Mogenskaya area
3 Nigne-halilskaya area
4 Halilskaya area
5 Nirunglinskaya area

In 2015–2017, the nickel reserves are expected to increase by

500 kt

Limestone prospecting and appraisal in Verkhne-Tomulakhskaya Area

The licence block is located in the Taimyrsky Dolgano-Nenetsky Municipal District and borders the northern part of Norilsk's Talnakh District. The central point of the Area is 10 km away from the industrial facilities of Oktyabrsky and Taimyrsky Mines.

The Company appraised the area, developed exploration conditions and prepared a report. Estimated limestone pit reserves total approximately 57.3 mt. In 2015, relevant reserve estimates were submitted to the State Committee for Reserves (GKZ).

Natural gas reserves as at 1 January 2016

295.7 bn cu m

Estimated limestone pit reserves in Verkhne-Tomulakhskaya Area

57.3 mt

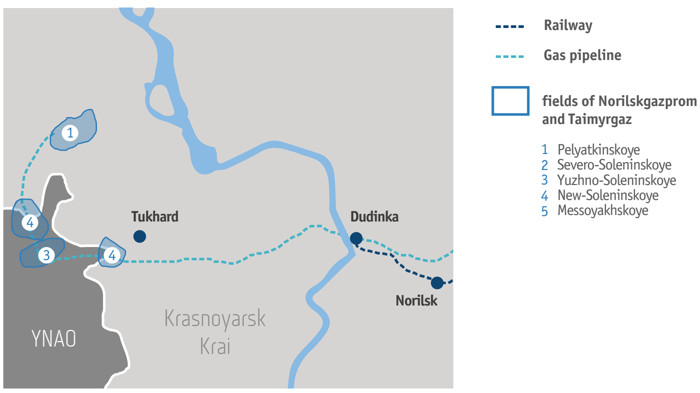
Natural Gas and Gas Condensate

Norilskgazprom

In 2015, 3D CDP seismic fieldwork was conducted across 320 sq m of the Severo-Soleninskoye, Yuzhno-Soleninskoye and Messoyakhskoye license blocks to obtain detailed information about deposit geology. The company also completed the design of one appraisal and four exploration wells.

Taimyrgaz

The company completed the design work and launched the construction of an appraisal well in the northeastern flank of the Pelyatkinskoye Field.



Natural gas and gas condensate reserves at the fields of Norilskgazprom and Taimyrgaz as at 1 January 2016

FIELD	RESIDUAL HYDROCARBON RESERVES WITHIN LICENCE BLOCKS (CATEGORIES A+B+C_1)	
	FREE GAS, BN CU M	RECOVERABLE CONDENSATE, MT
Norilskgazprom		
Messoyakhskoye Gas Field	6.9	–
Yuzhno-Soleninskoye Gas Condensate Field	53.1	0.5
Severo-Soleninskoye Gas Condensate Field	45.5	0.5
Taimyrgaz		
Pelyatkinskoye Gas Condensate Field	190.2	7.1
TOTAL RESIDUAL RESERVES	**295.7**	**8.1**

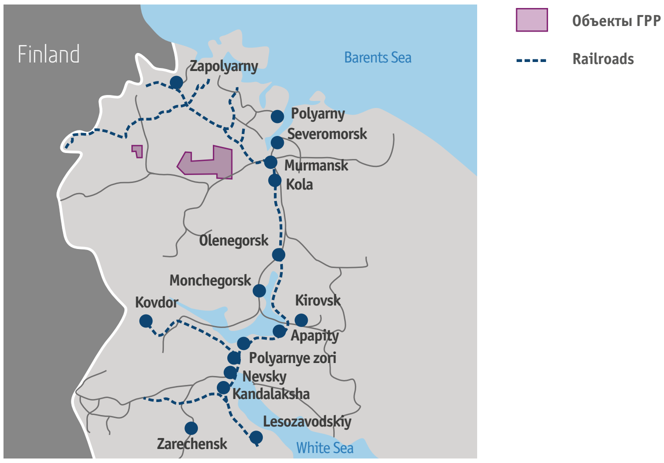
Business Overview

KOLA PENINSULA

In 2015, Allarechenskaya Area was the only geological exploration site on the Kola Peninsula.

■ Balance reserves of Vuruchuayvench Field

	$C_1 + C_2$ MINERAL RESERVES
Ore, mt	83.6
Nickel, kt	248.2
Copper, kt	164.9
Cobalt, kt	10.9
Platinum, '000 oz t	569
Palladium, '000 oz t	2,781
Gold, '000 oz t	144



Allarechenskaya Area

In 2010–2014, the Company completed geological and geophysical ground surveys and implemented the required drilling to verify data about the mixed anomalies identified during airborne geophysical operations, and geochemical and geophysical ground surveys of 2007–2009. The new wells identified over 10 intrusive hyper-basic massifs containing Pechenga copper-nickel ore bodies with commercial nickel content.

In 2015, the prospecting and appraisal results were summarised in a relevant work completion report. The report was reviewed by the R&D Panel of the Northwestern Federal District's Subsoil Use Department (Sevzapnedra) in the Murmansk Region and archived at the Russian Federal Geological Fund and Local Fund of Geological Information in the Northwestern Federal District.

Vuruchuayvench Field

Vuruchuayvench Field of platinum group ores is located in the central part of the Kola Peninsula, in Murmansk Region, 10 km away from Monchegorsk and 5 km away from the industrial site of the Severonickel Plant owned by Kola MMC.

In 2008, a geological exercise that started back in 2004 identified a deposit of platinum group ores. Upon the discovery, the Company applied for the relevant exploration and mining licence.

In 2013, the Company completed a feasibility study for provisional mining parameters with a mineral reserves estimation covering the entire field. The reserves estimates were reviewed by the government and entered into the Company's books.

Balance reserves of ore of Vuruchuayvench Field

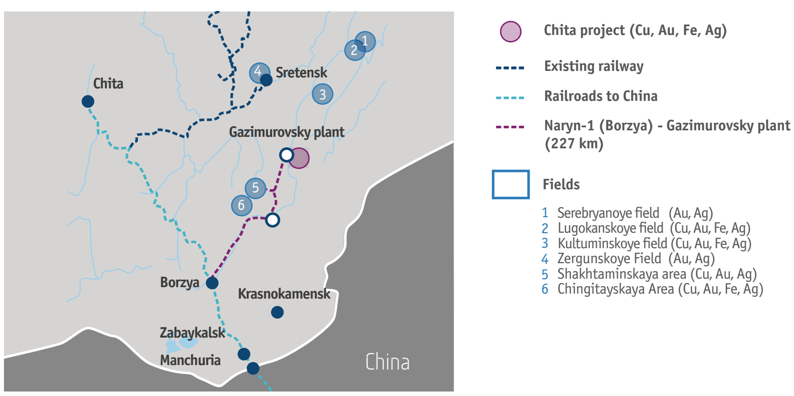
83.6
mt

CHITA PROJECT (TRANS-BAIKAL TERRITORY)

In 2015, due to the unfavourable economic environment, the Company decided to renounce its subsoil use rights for the following sites:

- Lugokanskaya Area;
- Kultuminskoye Field (copper-iron-gold ores);
- Serebryanoye Field (gold and silver ores);
- Zergunskoye Field (gold ores, Sretenskaya Area).

In 2014, due to the low international molybdenum prices, the subsoil user suspended its right to develop the Bugdainskoye Field for three years.



Bystrinskoye Field

Bystrinskoye Field is located in the Gazimuro-Zavodsky District of Trans-Baikal Territory. The closest residential areas are Novoshirokinsky, 14 km north-east of the field, and Gazimursky Zavod, a district centre 25 km to the north-west.

In 2015, to increase the volume of development-ready reserves on the flanks and deep horizons of the field, the Company launched a follow-up exploration exercise. Drilling showed that the commercial mineralisation extended into both flanks of the explored areas and deep horizons. The field exploration is set to continue in 2016.

$B + C_1 + C_2$ mineral reserves at Bugdainskoye Field

	MINERAL RESERVES
Ore, mt	812
Molybdenum, kt	600
Gold , '000 oz t	360
Silver, '000 oz t	6,221
Lead, kt	41

Bystrinsko-Shirinskoye Gold Field

Bystrinsko-Shirinskoye Gold Field is located in the Gazimuro-Zavodsky District of Trans-Baikal Territory, 24 km south-east of Gazimursky Zavod. The Bystrinsko-Shirinskoye licence block is adjacent to the Bystrinskoye Field. Flank exploration resulted in the extension of the field's boundaries. Apart from gold ore bodies, the field's western flank was found to contain porphyry copper mineralisations. The Company appraised the P_1 prognostic resources estimating the expected increase in reserves at 1,929 thousand oz t for gold, 262 kt for copper and 3,033 thousand oz t for silver.

In 2014–2015, the Company launched a locally administered pilot mining project using in-situ chlorination. The preliminary results proved this technology to be viable for the Bystrinsko-Shirinskoye Field.

Prospecting in new potential areas

Tsentralno-Shakhtaminskaya and Zapadno-Shakhtaminskaya Areas

In 2015, the Company obtained a subsoil exploration licence to prospect for and appraise deposits of copper, gold, iron and associated minerals in Tsentralno-Shakhtaminskaya and Zapadno-Shakhtaminskaya Areas.

These areas are located in the south-eastern part of Trans-Baikal Territory, 22 km away from the Borzya – Gazimursky Zavod railway, and span the Alexandrovo-Zavodsky, Shelopuginsky and Gazimuro-Zavodsky Districts. The licence block is located in immediate proximity to the well-developed infrastructure of the former Shakhtaminsky mine, with the settlement of Vershino-Shakhtaminsky sitting right in the middle of the area.

The subsoil exploration project was reviewed by the government in 2015 and is now at the prospecting stage.

Chingitayskaya Area

In 2015, the Company obtained a subsoil exploration licence to prospect for and appraise deposits of copper, gold, molybdenum and associated minerals in Chingitayskaya Area. The area is located in the Alexandrovo-Zavodsky District of Trans-Baikal Territory, 25 km north-west of the district centre. Near the licence block, some 3 km to the south, there is a Borzya – Alexandrovsky Zavod asphalt road (managed by the territorial government) and the Borzya – Gazimursky Zavod railway. The subsoil exploration project was reviewed by the government in 2015 and is now at the prospecting stage.

Honeymoon Well Development Project

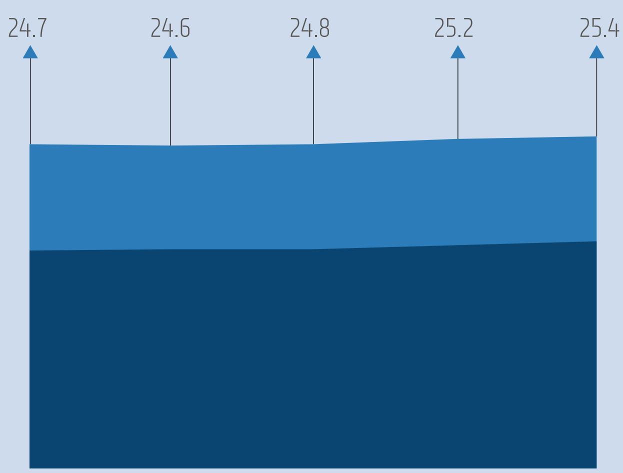
In 2015, geological exploration under the Company's Australia licences focused on the Honeymoon Well Nickel Project (Wedgetail, Hannibals, Harrier, Corella and Harakka fields) and prospective Albion Downs North and Albion Downs South Areas. Geological exploration of the Honeymoon Well sought to confirm the accuracy of prognostic resources split up into the Indicated and Inferred categories pursuant to JORC 2012. The Company also completed a drilling programme to verify data about a prospective electromagnetic anomaly in the deep flanks of the Wedgetail Field. To further assess the potential of Albion Downs North Area, the Company launched desktop studies aimed at reinterpreting the existing geological data. Albion Downs South Area, on the other hand, saw a minor confirmatory drilling programme (1,102 running metres deep).

Production: Mining, Concentration, Smelting

Production activities of the Norilsk Nickel Group include:

- Mining
- Concentration
- Smelting

ORE MINING BY THE COMPANY'S RUSSIAN BUSINESSES



	2011	2012	2013	2014	2015	mt
	16.6	16.7	16.7	17.0	17.3	Polar Division
	8.1	7.9	8.0	8.1	8.0	Kola MMC

Production volume of ore in 2015

17.3 mt
Polar Division

8.0 mt
Kola MMC

In 2015, the ore mining operations in Polar Division and Kola MMC were performed in accordance with the approved mining plans and schedules

MINING

Polar Division

Output and metal content in ore, **mt**

	ORE TYPE	2015	2014	2013
OKTYABRSKOYE FIELD				
Oktyabrsky Mine	Rich	1.7	1.9	2.1
	Cuprous	3.0	2.9	2.8
	Disseminated	0.5	0.3	0.08
	Total	**5.1**	**5.1**	**5.0**
Taimyrsky Mine	Rich	3.7	3.6	3.4
TALNAKHSKOYE AND OKTYABRSKOYE FIELDS				
Komsomolsky Mine	Rich	1.1	1.0	1.0
	Cuprous	2.4	2.5	2.6
	Disseminated	1.5	2.0	2.0
	Total	**5.1**	**5.6**	**5.6**
TALNAKHSKOYE FIELD				
Mayak Mine[1]	Rich	0.03	0	0
	Disseminated	0.9	0	0
	Total	**0.9**	**0**	**0**
NORILSK-1 FIELD				
Zapolyarny Mine	Disseminated	2.5	2.7	2.7
TOTAL FOR POLAR DIVISION				
	Rich	6.5	6.5	6.5
	Cuprous	5.4	5.4	5.4
	Disseminated	5.4	5.1	4.8
	Total	**17.3**	**17.0**	**16.7**
Average metal content				
Nickel, %		1.27	1.29	1.30
Copper, %		2.06	2.08	2.10
PGM, g/t		6.85	6.77	7.13

The increase in ore output y-o-y was in line with the annual production plan and resulted from:

- growth in production of disseminated ores by 308 kt, or 7% (including +168 kt (+58%) from Oktyabrsky Mine and +398 kt (+20%) from Komsomolsky Mine);
- reduced production at Zapolyarny Mine (by 258 kt, or –9%).

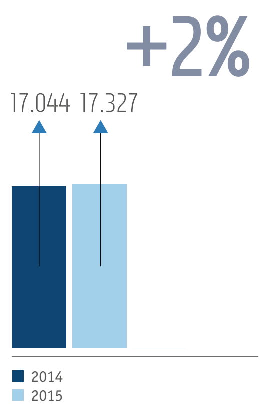
The production of rich and cuprous ores remained broadly flat compared to 2014.

[1] *In 2013–2014 part of Komsomolsky Mine*

2015 ore production breakdown by metal content, **%**

MINES	ORE OUTPUT	METAL CONTENT IN ORE		
		NICKEL	COPPER	PGM
Oktyabrsky	30	28	43	38
Taimyrsky	21	42	28	19
Komsomolsky	29	25	23	28
Komsomolskaya mine	23	11	15	21
Skalistaya mine	6	14	8	7
Mayak	6	2	3	4
Zapolyarny	14	3	3	11
Total	**100**	**100**	**100**	**100**

Total ore output, **mt**



Kola MMC

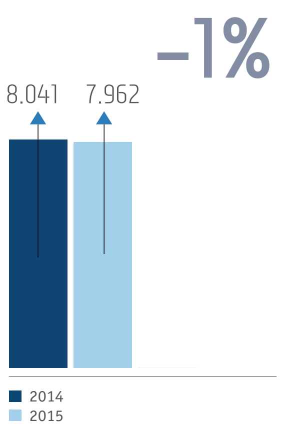
■ Output and metal content in ore, **mt**

	ORE TYPE	2015	2014	2013
ZHDANOVSKOYE FIELD				
Severny Mine's open pit section	Disseminated	0.6	0.7	0.5
Severny Mine's underground section	Disseminated	6.1	6.1	6.1
	Total	**6.7**	**6.9**	**6.6**
ZAPOLYARNOYE FIELD				
Severny Mine's underground section	Disseminated	0.5	0.6	0.7
KOTSELVAARA AND SEMILETKA FIELDS				
Kaula-Kotselvaara mine	Disseminated	0.7	0.7	0,8
TOTAL FOR KOLA MMC		**8.0**	**8.1**	**8,0**
Average metal content				
Nickel, %		0.62	0.65	0,67
Copper, %		0.25	0.27	0,28
PGM, g/t		0.07	0.08	0,09

■ 2015 ore production breakdown by metal content, **%**

MINES	ORE OUTPUT	METAL CONTENT IN ORE		
		NICKEL	COPPER	PGM
Severny Mine				
Severny Mine's open pit section	7	4	4	4
Severny Mine's underground section (Zhdanovskoye Field)	78	68	64	55
Severny Mine's underground section (Zapolyarnoye Field)	6	19	20	33
Kaula-Kotselvaara mine (part of Severny Mine since December 2013)	9	9	12	8
Total	**100**	**100**	**100**	**100**

■ Total ore output, **mt**



The decrease in total production volumes resulted from reduced production at Zapolyarny Mine and Kaula-Kotselvaara mine, both in accordance with the mining plan for 2015:

- production increase by 181 kt, or 5%, at Zhdanovskoye Field by Severny Mine (82 kt by open pit and 100 kt by underground mining);
- production decrease by 206 kt (–30%) at Zapolyarny Field by Severny Mine due to additional development of balance reserves at the field;
- production decrease by 54 kt (7%) at Kaula-Kotselvaara mine.

CONCENTRATION

Polar Division

In 2015, the Polar Division concentrators processed **16.9 mt** of all types of ore (rich, cuprous and disseminated).

Norilsk Concentrator
In Q4 2015, the disseminated ores branch of Norilsk Concentrator processed the Copper Plant's low-grade ores as part of a pilot project.

Talnakh Concentrator
In January 2015, Stage 1 of Talnakh Concentrator upgrade project was launched.

Kola MMC

In 2015, the Kola MMC concentrators processed **7.8 mt**.

Kola MMC Concentrator
In 2015, the plant reported a decrease in the output of nickel and copper in the plant's concentrate compared to 2014, which resulted from the overall deterioration in the processed ore quality due to deeper mining levels. In the second half of the year, the second line of the briquetting section was launched.

SMELTING

Metals production by the Company's Russian businesses

For more details, see p. 227.

	2015	2014	2013
Nickel, kt	222	228	232
Copper, kt	356	355	359
Platinum, '000 oz t	622	627	628
Palladium , '000 oz t	2,606	2,660	2,580

Polar Division

Metals production

	2015	2014	2013
Nickel, kt	97	122	123
Copper, kt	293	298	297
Platinum, '000 oz t	488	500	504
Palladium, '000 oz t	1,935	2,065	2,006

Metals recovery, %

	2015	2014	2013
Metals recovery in concentration			
Nickel	81.32	82.01	81.97
Copper	95.49	95.83	95.97
Metals recovery in smelting			
Nickel	93.06	92.38	91.55
Copper	94.17	94.74	94.10

In 2015, the electrolytic nickel output exceeded the target, but decreased by 26 kt y-o-y (–20%) due to reconfiguration of production facilities.

Copper cathode production was below the target as metal content in ore was lower than planned, causing the output to decline by 5 kt (–2%) y-o-y due to reconfiguration of production facilities.

The output of platinum and palladium was at the target level, but below the 2014 level by 142 thousand oz t due to the increase of work-in-process inventories at Krasnoyarsk Gulidov Non-Ferrous Metals Plant.

Kola MMC

Metals production

	2015	2014	2013
Nickel, kt	**125**	**106**	**109**
from Russian feed	123	101	97
from 3d parties feed	2	5	12
Copper, kt	**63**	**57**	**62**
from Russian feed	60	48	49
from 3d parties feed	3	9	13
Platinum, '000 oz t	**134**	**127**	**124**
from Russian feed	122	95	100
from 3d parties feed	12	32	23
Palladium, '000 oz t	**671**	**595**	**574**
from Russian feed	640	517	523
from 3d parties feed	31	78	51

Metals recovery, %

	2015	2014	2013
Concentration cycle (ore to concentrate)			
Nickel	72.69	72.42	72.51
Copper	76.04	75.22	74.88
Refining			
Nickel	97.80	97.79	97.73
Copper	97.28	97.16	97.29

In 2015, the output of nickel metal exceeded the target, increasing by 19 kt y-o-y (+15 %) due to reconfiguration of production facilities, while the output from own feedstock shrank by 4% y-o-y.

Copper cathode production was not as high as planned due to the decrease in low-margin tolling operations and copper content in Polar Division's matte below the target. In 2015, copper output grew by 6 kt y-o-y (+9%) due to reconfiguration of production facilities, while the output from own feedstock remained at the last year's level.

The output of platinum and palladium was at the target level, growing by 84 thousand oz t y-o-y due to reconfiguration of production facilities.

Norilsk Nickel Harjavalta

Metals production by Norilsk Nickel Harjavalta

	2015	2014	2013
Commercial nickel, kt	43	43	44
Copper in copper cake, kt	13	11	7
PGM in copper cake, kt	3.5	3.2	4.1

In 2015, feedstock supply mainly included nickel concentrate from Nkomati (South Africa, internal supply), nickel concentrate from Mirabela (Brazil), nickel concentrate from Titania (Norway), nickel concentrate from CRI (Canada), nickel sulphide concentrate from Talvivaara (Finland), converter matte from BHP (Australia) and BCL (Botswana), and nickel matte from Kola MMC.

Concentrates processed at the facilities of Boliden Harjavalta Smelter (BOHA) totalled 140 kt. Concentrates were processed under a tolling agreement until its termination on 1 July 2015. Harjavalta processes nickel-containing semi-products from third-party suppliers and is in the process of transition to feedstock of Polar Division.

Business Overview

Under the agreement, concentrates undergo preliminary processing at Boliden AB's Harjavalta Smelting Plant, which shares the grounds of the Finnish Suurteollisuuspuisto Industrial Park with Norilsk Nickel Harjavalta Oy. Other semi-products with high nickel content are delivered directly to Norilsk Nickel Harjavalta Oy.

Starting 2H 2015, NNH processes BOHA's nickel matte produced from the plant's own feedstock.

Higher y-o-y recovery rates in 2015 are due to better quality of copper and ferrous cake.

In 2015, Norilsk Nickel Harjavalta produced 44 kt of commercial nickel, including 15 kt of cathodes, 22 kt of briquettes, 236 t of nickel powder, 7 kt of nickel salts, and 129 kt of nickel solution. The sales of copper cake to third parties totalled 13 kt.

The main driver behind the nickel production growth is the increased feedstock supply from third parties.

In 2015, copper and PGM sales grew y-o-y as a result of improved sales to third parties.

The y-o-y growth in commercial nickel output in 2015 was driven by the increased supply of feedstock for refining.

Capacity utilisation

	2015	2014	2013
Concentrates and pyrite smelting, kt	140	241	255
Refining capacity utilisation, % of max	67	66	70

Recovery, %

	2015	2014	2013
BOHA-NNH			
Nickel	97.7	97.1	96.4
Copper	97.4	95.4	96.4
Platinum	–	–	–
Palladium	–	–	–
Harjavalta[1]			
Nickel	97.8	97.1	97.5
Copper	99.6	99.3	99.3
Platinum	99.6	99.3	99.3
Palladium	99.6	99.3	99.3

[1] Recovery (loss) rates of NNH refining capacities.

Nkomati

Nkomati is a 50/50 joint venture of the Norilsk Nickel Group and African Rainbow Minerals. In October 2014, the Group signed an agreement with BCL Limited to sell its African assets – Tati Nickel Mining Company and Nkomati. The sale of Tati Nickel Mining Company was completed on 2 April 2015. The sale of Nkomati is yet to be closed.

In 2015, total ore mined by Nkomati reached 4.2 kt (attributable to the Group's 50% shareholding) with the average nickel content of 0.34%. The Group accounts for 11.4 kt of nickel concentrate produced, flat against the previous year.

Average metal content, %

	2015	2014
Nickel	0.34	0.36
Copper	0.14	0.13

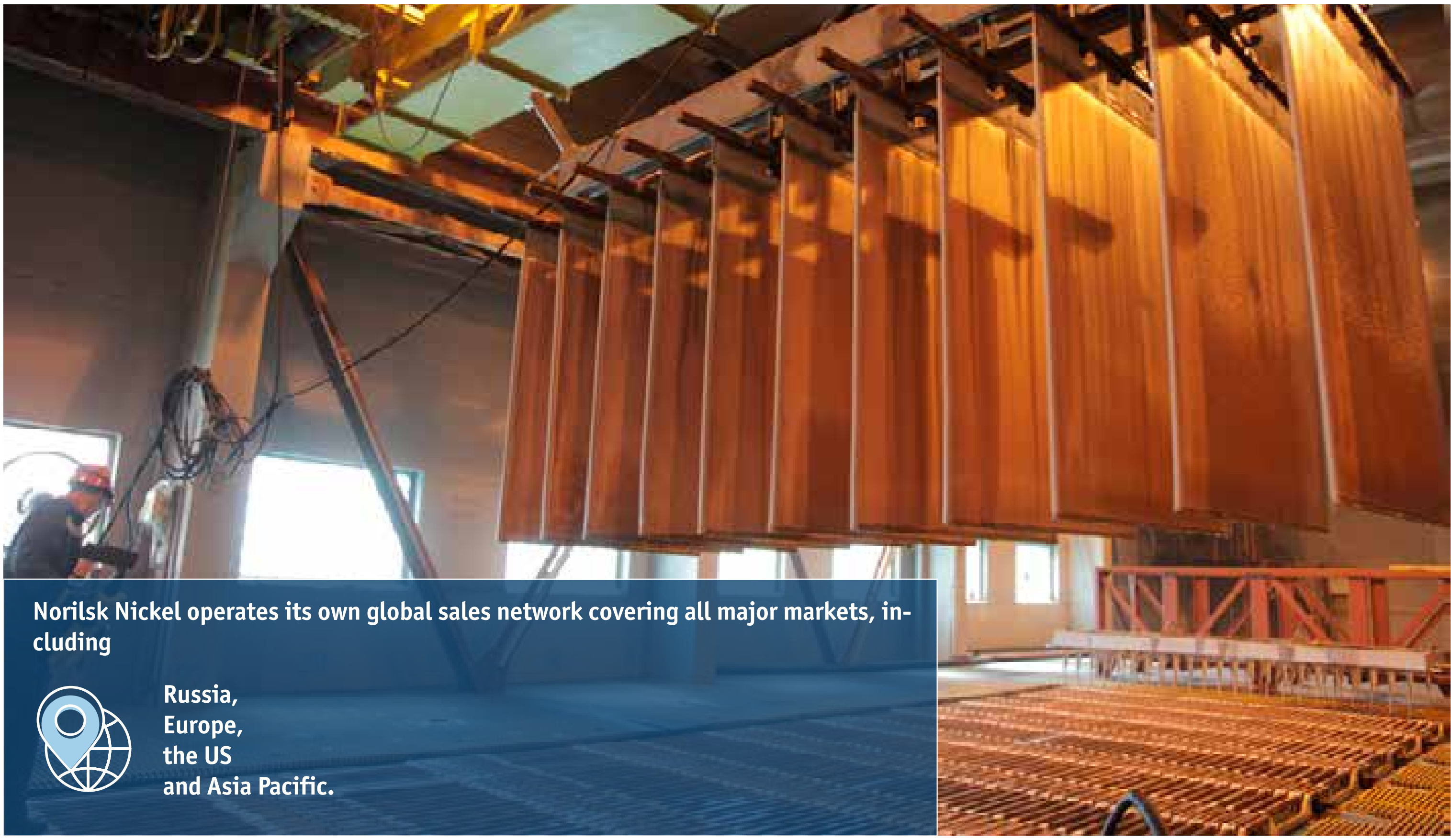
Enrichment recovery, %

	2015	2014
Nickel	74.1	75.9
Copper	86.1	90.8

Metals production for internal processing

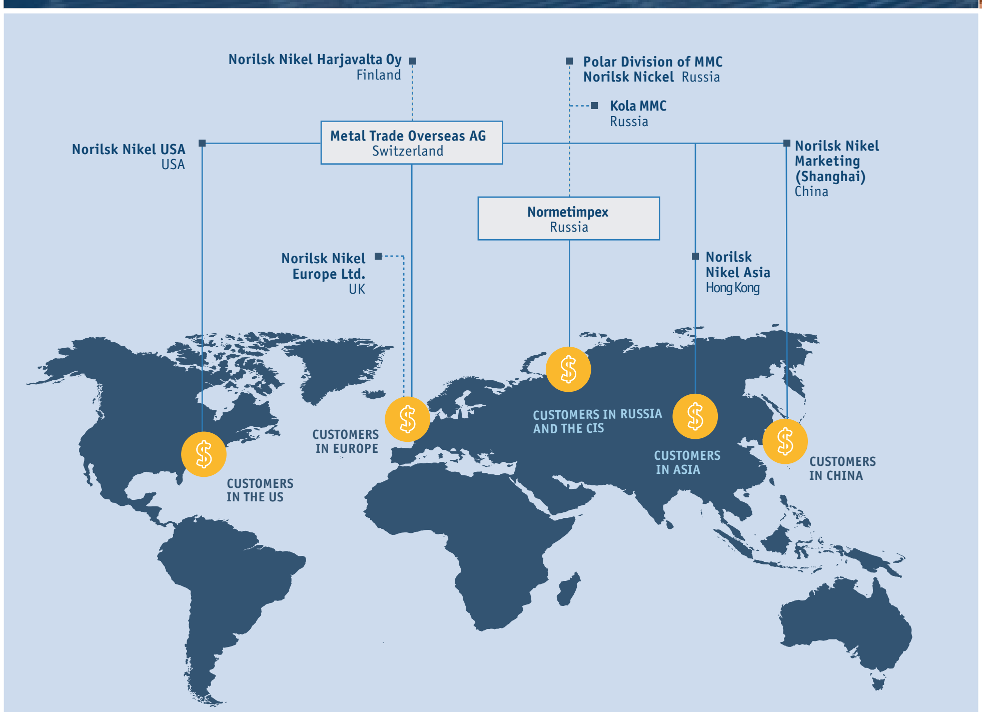
	2015	2014
Nickel, kt	11	11
Copper, kt	5	5
Platinum, '000 oz t	54	49
Palladium, '000 oz t	21	19

Products and Sales



Norilsk Nickel operates its own global sales network covering all major markets, including

**Russia,
Europe,
the US
and Asia Pacific.**



Sales footprint

33 countries

Number of customers

436

Number of sales contracts

1,500

SALES

Sales, along with production, is a key value adding line of Norilsk Nickel's business. In 2015, following the adoption of the production strategy, the Company also updated its sales strategy with a focus on enhanced positioning in end consumer markets to ensure long-term efficiency of sales. The strategy also relies on added value as a key performance indicator to measure sales efficiency.

In 2015, Norilsk Nickel pursued its sales targets against the backdrop of a tough market environment, a significant surplus of physical nickel supply and a slowdown in global commodity and financial markets. However, the Company managed to successfully outperform its global peers in terms of average selling prices. This proved the effectiveness of Norilsk Nickel's sales network, which enabled the Company to maintain its presence in all key sales markets, along with securing profitable sales. Most products were sold to end consumers, and gaining direct access to them is one of Norilsk Nickel's top priorities.

In 2015, Norilsk Nickel further diversified its nickel sales across various industries, strengthening its share in the special alloys, galvanic plating and batteries segments. As the world's largest producer of palladium, the Company continues to implement the strategy for providing end consumers with direct access to the metal to ensure sustainable growth of the industrial use of platinum group metals and demand for them. This is achieved through long-term contracts with major customers in the autocatalyst, electronics, chemical, healthcare and other industries, with a significant share of sales based on long-term prepaid supply arrangements.

Higher sales premiums and improved liquidity are secured through Norilsk Nickel's products being registered on the world's major trading exchanges. In June 2015, a range of Company's nickel brands – *SEVERONICKEL COMBINE H-1*, *SEVERONICKEL COMBINE H-1Y*, *NORILSK COMBINE H-1* – were successfully registered and listed on the Shanghai Futures Exchange (SFE). This made Norilsk Nickel the only non-Chinese producer of nickel products with its metal brands listed on the SFE. In December 2015, the London Metal Exchange also added the Company's NORILSK brand of copper produced by Polar Division of MMC Norilsk Nickel to its registered Grade A brands list.

Throughout 2015, Norilsk Nickel continued to maintain the reputation of a highly reliable supplier, placing customer confidence at the core of its sales strategy. Its customer satisfaction index with regard to the quality of products and services also remained high.

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Average selling prices of metals produced by Russian enterprises from their own raw materials in 2015

METAL	2015	2014	2013
Nickel, USD/t	11,962	17,072	(30%)
Copper, USD/t	5,585	6,931	(19%)
Palladium, USD/oz t	695	804	(14%)
Platinum, USD/oz t	1,057	1,388	(24%)

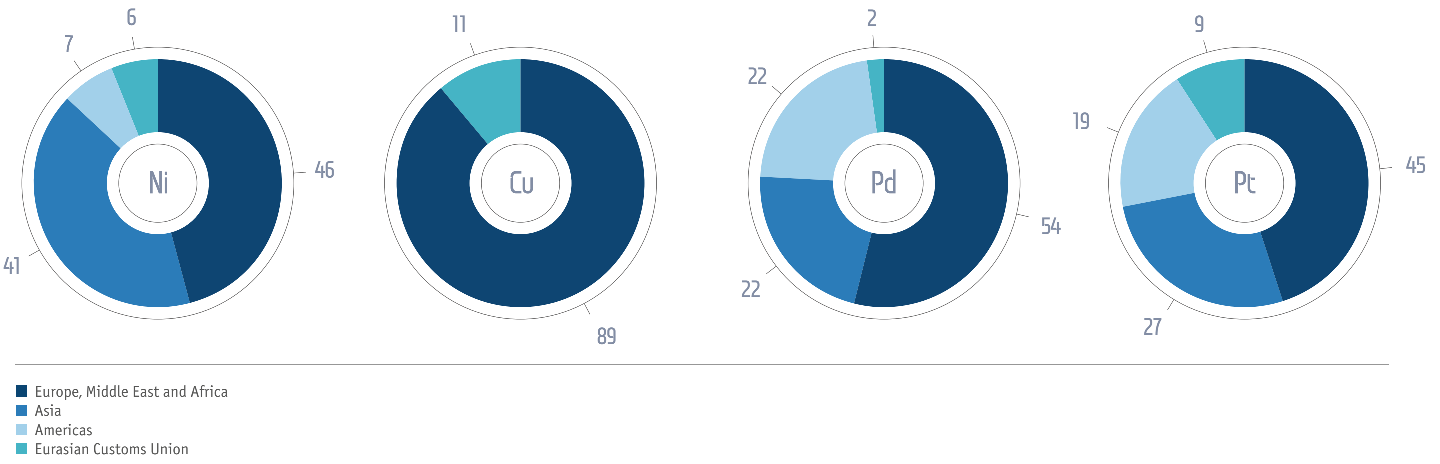
Business Overview

■ Physical metal sales (excluding material purchased from third parties)

	2015	2014
FINISHED PRODUCTS		
Russian entities		
Nickel, kt	197	228
Copper, kt	343	356
Palladium, '000 oz t	2,464	2,667
Platinum, '000 oz t	590	629
Finland		
Nickel, kt	43	42
SEMI-PRODUCTS		
Australia		
Nickel, kt	-	-
Botswana and South Africa		
Nickel, kt	5	3
Copper, kt	3	2
Palladium, '000 oz t	100	78
Platinum, '000 oz t	39	31
Finland		
Copper, kt	13	11
TOTAL FOR THE GROUP[1]		
Nickel, kt	245	273
Copper, kt	359	369
Palladium, '000 oz t	2,564	2,745
Platinum, '000 oz t	629	660

[1]Total volumes include recalculated volumes of semi-products based on the valuable components content

■ Key metal sales in 2015 by region, %

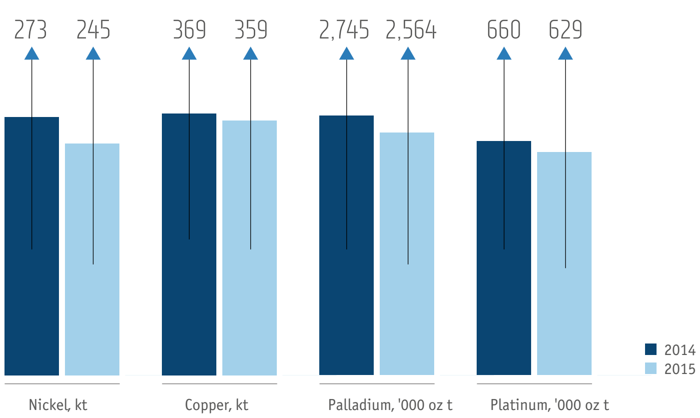


PRODUCT OFFERING

POLAR DIVISION	KOLA MMC	NORILSK NICKEL FINLAND
Nickel cathodes	Nickel cathodes	Nickel cathodes
Copper cathodes	Copper cathodes	Nickel briquettes
Cobalt ingots	Cobalt cathodes	Electrolytic nickel powder
Cobalt oxide	Cobalt concentrate	Nickel and cobalt sulphate
Technical selenium	Nickel carbonyl (powder and pellets)	Nickel hydroxide and nickel hydroxycarbonate
Commercial lump sulphur	Precious metal concentrates	
Precious metal concentrates	Sulphuric acid	

Precious metals are refined from raw materials produced by Polar Division and Kola MMC at Krasnoyarsk Gulidov Non-Ferrous Metals Plant under a tolling agreement.

Total for the Group Physical Metal Sales



Research and Development

Company Development Strategy

In 2015, in line with the RTD & FS Programme (Programme for Research, Technological Development and Feasibility Studies), the Company focused on several areas as specified below.

- conducting a feasibility study to optimise technical solutions for the Company's Development Strategy until 2025
- carrying out a feasibility study to choose the optimal design for the Company's copper refining facilities
- ensuring efficient implementation of integrated mining projects at Norilsk Nickel's Polar Division
- performing a feasibility study to choose the optimal decommissioning scheme for facilities of the Nickel Plant in the Company's Polar Division
- developing recommendations on the optimal ore output to ensure further growth of Talnakh Concentrator in 2018–2038

- conducting a feasibility study on the use of recently released capacities of Norilsk Concentrator for processing technogenic raw materials and disseminated ore of Zapolyarny Mine, including the shaft pillar at Zapolyarny open pit of the Norilsk-1 Field (Stages 1 and 2)
- drafting operating procedures for the projected production framework; developing alternative methods for processing copper electrorefining sludge at Kola MMC

Mining

- conducting a feasibility study on mining balance reserves of all types of ore at Oktyabrsky Mine
- conducting a feasibility study on mining balance reserves of all types of ore at Komsomolskaya mine of Komsomolsky Mine
- conducting a feasibility study on mining balance reserves of all types of ore at Taimyrsky Mine
- conducting a feasibility study on mining balance reserves of all types of ore at Mayak Mine
- carrying out a feasibility study to determine the best possible development option for the north-eastern section of Mayak mine of Komsomolsky Mine based on the mine's ore production projected at 1.0 mtpa
- conducting a research on the effect of addition agents and production waste on strength and rheological properties of backfill concrete used at the Company's Polar Division mines
- performing a feasibility study aimed at reducing backfilling costs at the Company's Polar Division mines by chemical additives application and higher industrial waste utilisation
- carrying out a feasibility study on the commercial development of the Maslovskoye Field
- drafting operating procedures for stripping and mining at the Maslovskoye Field
- performing a feasibility study to choose the optimal stripping and transportation procedures for the southern section of Severny–Gluboky Mine
- optimising final pit boundaries for mining operations at the Bystrinskoye Field

Concentration

- drafting operating procedures for Talnakh and Norilsk concentrators
- carrying out a feasibility study to choose an acceptable option for setting up a third field of Lebyazhye tailings pit
- drafting operating procedures for simultaneous processing of ore mixture of Polar Division's disseminated ore and Komsomolsky Mine's cuprous ore at Stage 3 of Talnakh Concentrator
- developing technical solutions for designing a magnetite concentrate drying unit at Bystrinsky Mining and Processing Plant's concentrator
- adjusting the project plan and methods for grinding gold, copper and iron ores at Bystrinskoye Field

Smelting

- updating the operating procedures to reconstruct flash smelters operated by Nadezhda Metallurgical Plant taking into account new feedstock composition and a ramp-up in nickel feedstock processing capacities of Polar Division
- developing recommendations to eliminate skull formation in Nadezhda Metallurgical Plant's flash smelters No. 1 and 2 while processing feedstock mixture of the current and projected composition
- drafting start-up and operating procedures for electrolytic cobalt production at Kola MMC
- carrying out a feasibility study to choose the optimal method to produce selective concentrates of precious metals from intermediate products supplied by Kola MMC and Polar Division
- drafting operating procedures to replace Stage 1 of sulphatisation with autoclave leaching at Kola MMC
- drafting operating procedures to process magnetic fraction at Kola MMC

Environmental protection

- designing technical solutions to be used in reconstructing sulphur production capacities at Polar Division's Nadezhda Metallurgical Plant
- drafting maximum permissible atmospheric emission standards for Polar Division's key production facilities
- monitoring the implementation of the Programme for Reducing Pollutant Emissions Using Briquetting and Briquette Melting at Kola MMC

Key Investment Projects

Polar Division

Project location

Talnakh, Norilsk Industrial District.

Talnakh Concentrator

KEY FEATURES

Output
of 10.2 mtpa (after Stage 2 is launched)

Increased nickel content in nickel concentrates
from 8.6% to 13.5%

Reduced shop area costs due
to a 12% decrease in sulphide mass in the concentrate received (starting 2016)

Increased sulphur disposal to tailings
by 16%

2015 CAPEX
of over RUB 15 bn (USD 257 m)

Outstanding CAPEX
of c. RUB 14 bn

IRR (Stages 1–2)
> 40 %

The purpose of the project is to ramp up output of processed rich and cuprous ores from 7.7 mtpa to 10.2 mtpa and boost concentration efficiency (after Stage 2 is launched).

The main phase of a major Talnakh Concentrator reconstruction project was launched in April 2014, marking completion of the preparatory work and start of the core process equipment assembly. Stage 1 was commissioned in January 2015.

Talnakh Concentrator's Stage 2 will see expansion of the main building, reconstruction of the reagent preparation building, and construction of several new facilities. This will be equivalent to constructing a new concentrator capable of processing all ores from the Talnakhskoye Field.

Project status:

- Stage 1: put into operation in Q1 2015
- First stage of the tailings pit: progress – 40%

The reconstruction is also set to boost concentration efficiency: nickel content in the concentrate will reach 13.5%.

The strategic objective is to process 10 mtpa of ore.

Talnakh Concentrator reconstruction will also bring benefits for the environment, as the improvement of concentrate quality will lead to a 12% drop in sulphide mass volumes, driving down the indicator of sulphur emissions per tonne of produced precious metals.

Project schedule

Launch and commissioning of Stage 1 (maintaining the existing capacities) Q1 2015	Launch of processing capacities at Stage 2 Q2 2016	Commissioning of Talnakh Concentrator's new tailings pit Q4 2016	Full-scale commissioning of Stage 2 Q1 2017

Key Investment Projects

Polar Division

Project location

Skalistaya mine is located on the Taimyr Peninsula, in the Norilsk Industrial District, on the outskirts of Talnakh.

Skalistaya mine

Average metal content

Ni	Cu	Pt	Pd
2.8 %	3.3 %	1.7 g/t	7.8 g/t

KEY FEATURES

Output
to 2.4 mtpa of rich ore

Reserves
of 58 mt of ore

2015 CAPEX
of c. RUB 16 bn (USD 256 m)

Outstanding CAPEX for 2016–2021
of over RUB 80 bn

IRR
> 32 %

The project seeks to gradually boost the annual ore output from 0.95 mt to 2.4 mt by 2023.

The targets are to be met by stripping and preparatory operations as regards rich and cuprous ore reserves of the Talnakhskoye and Oktyabrskoye fields.

Project status

- Stage 1: put into operation in 2015 (ore production facility with an annual capacity of 500 kt of rich ore)
- Sinking: 235 m of ventilation shaft–10 (1,372 out of 2,053 m completed) and 443 m of skip-cage shaft–1 (895 out of 2,053 m completed); drifting: over 2.2 km

Project schedule

Capacity commissioning (500 kt)	2015
Capacity commissioning (150 kt)	2016
Production ramp-up (up to 1.75 mt)	2017
Completion of ventilation shaft–10	Q1 2018
Completion of skip-cage shaft–1	Q4 2019
Production ramp-up (up to 2.4 mt)	2021

Polar Division

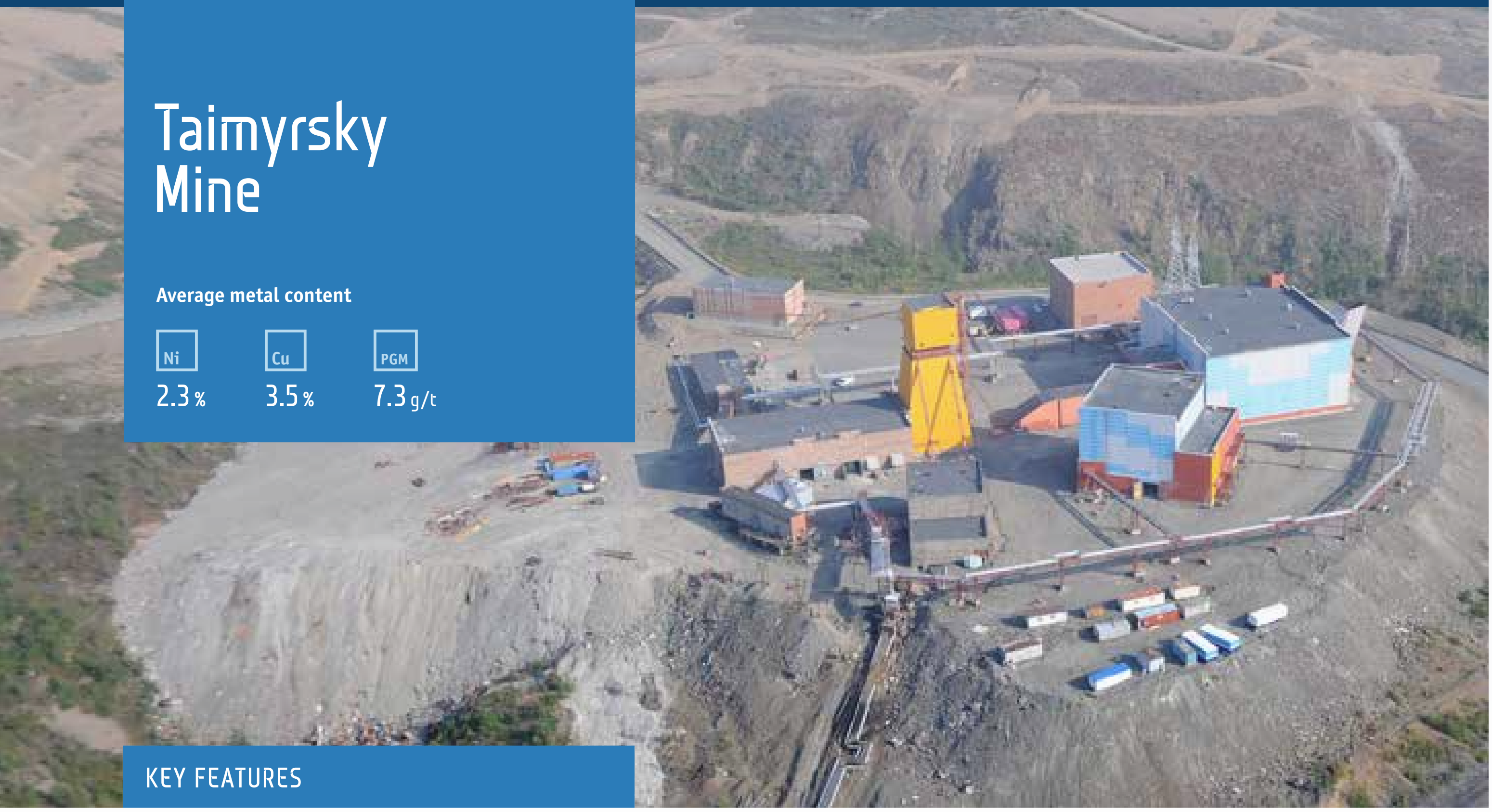
Taimyrsky Mine

Average metal content

Ni	Cu	PGM
2.3 %	3.5 %	7.3 g/t

Project location

Taimyrsky Underground Mine produces rich copper-nickel ores from the Oktyabrskoye Field located in the south of the Taimyr Peninsula within the area of Norilsk in the industrial zone of the Talnakh District.



KEY FEATURES

Ore reserves
of 63.0 mt

2015 CAPEX
of c. RUB 4 bn (USD 72 m)

Outstanding CAPEX for 2016–2020
of over RUB 18 bn

IRR
> 60 %

The project seeks to develop the mineral resource base and boost production of rich ore from 3.5 mtpa to 3.9 mtpa by 2020.

Project status

- Underground workings in 2015: over 7.6 km
- Capacities commissioned in 2015: 0.8 mtpa

Project schedule

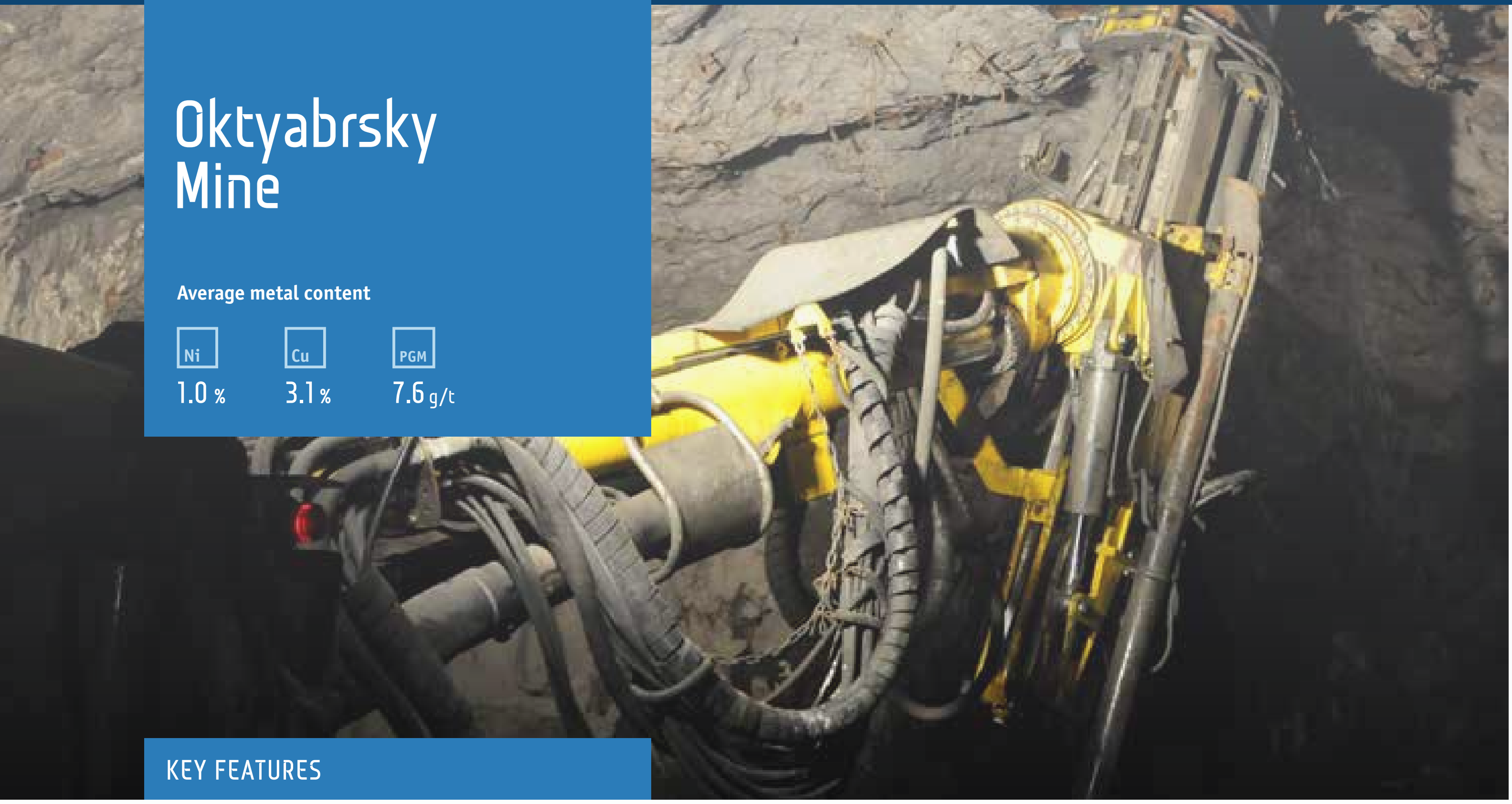
2015	Q3 2016	Q3 2017	Q4 2018	2020
Capacity commissioning (800 kt)	Capacity commissioning (200 kt of rich ore)	Capacity commissioning (100 kt of rich ore)	Capacity commissioning (800 kt of rich ore)	Production ramp-up (up to 3.9 mt)

Key Investment Projects

Polar Division

Project location

Oktyabrsky Mine produces rich, disseminated and cuprous ores from the Oktyabrskoye Field located in the south of the Taimyr Peninsula.



Oktyabrsky Mine

Average metal content

Ni	Cu	PGM
1.0 %	3.1 %	7.6 g/t

KEY FEATURES

Ore reserves
of 59 mt

2015 CAPEX
of c. RUB 3 bn (USD 70 m)

Outstanding CAPEX for 2016-2020
of over RUB 9 bn

IRR
> 75 %

The project is aimed at maintaining the current annual production level at 5.2 mt of ore until 2023.

Project status

- Underground workings in 2015: over 7.1 km
- Capacities commissioned in 2015: 1.0 mtpa

Project schedule

2015	2017	Q1 2019	Q2 2020	2022–2025
Capacity commissioning (1,000 kt)	Capacity commissioning (250 kt of disseminated ore)	Capacity commissioning (100 kt of rich ore)	Capacity commissioning (50 kt of rich ore and 700 kt of cuprous and disseminated ore)	Capacity commissioning (300 kt of cuprous and disseminated ore)

Polar Division

Project location

Komsomolsky Mine is located in the Norilsk Industrial District on the outskirts of Talnakh.

Komsomolsky Mine[1]

Average metal content

Ni	Cu	PGM
1.5 %	1.8 %	5.3 g/t

KEY FEATURES

Reserves
of 24.9 mt of ore

2015 CAPEX
of over RUB 2 bn (USD 45 m)

Outstanding CAPEX for 2016-2020
of over RUB 15 bn

IRR
> 50 %

The project is aimed at maintaining the current annual production level at 3.8–4.1 mt of ore until 2020.

Project status

- Underground workings in 2015: over 4.7 km
- Capacities commissioned in 2015: 0.7 mtpa

[1] *excluding Skalistaya mine*

Project schedule

2015	2016	2017	2018	2020
Capacity commissioning (700 kt of disseminated ore)	Capacity commissioning (100 kt of rich ore)	Completion of the western backfilling shaft at Komsomolskaya mine Maintenance of the retired capacities (200 kt)	Capacity commissioning (300 kt of rich ore)	Capacity commissioning (100 kt of rich ore)

Key Investment Projects

Polar Division

Project location

Talnakh, Norilsk Industrial Dinstrict.

Nickel Plant shutdown

KEY FEATURES

Nickel Plant

Schedule for the shutdown of Nickel Plant includes:

- decommissioning of the sintering and smelting shops (starting April 2016);
- shutdown of the sintering, smelting and roasting shops (Q2 2016);
- shutdown of the chlorine-cobalt and nickel electrolysis shops (until 30 September 2016);
- shutdown of non-production units (Q4 2016).

Since June 2015, the Company has been signing new employment contracts with Nickel Plant's employees as part of their transfer to the subsidiaries.

Nadezhda Metallurgical Plant (NMP)

- Processing of all of Polar Division's nickel concentrate by means of ramping up annual pyrometallurgical capacities to 2.4 mt of ore. 2015 CAPEX of c. RUB 3 bn. Outstanding CAPEX for 2016 of c. RUB 0.6 bn.
- Upgrade of capacities to process Copper Plant's nickel slag in the amount of up to 150 ktpa. 2015 CAPEX of RUB 0.1 bn.
- Processing of Copper Plant's solutions. 2015 CAPEX of c. RUB 10 m. Outstanding CAPEX for 2016–2017 of over RUB 2 bn.
- Transfer of all nickel feedstock from Norilsk Concentrator. 2015 CAPEX of RUB 0.5 bn.

Copper Plant

- Transfer of sodium bisulphate production capacities from Nickel Plant's Sintering Shop. 2015 CAPEX of RUB 0.2 bn.

The Talnakh Concentrator upgrade and the Nickel Plant shutdown are expected to decrease emissions by

15%

Project status

- NMP upgrade to process nickel slag from Copper Plant: construction and installation works completed
- Transfer of the nickel feedstock from Norilsk Concentrator to NMP: completed
- Flash smelter refurbishment at NMP: completed
- Transfer of the sodium bisulphate production to Copper Plant: completed
- Relocation of Nickel Plant’s trunk engineering networks: in progress

Shutdown of All Shop Areas of Nickel Plant from 1 September 2016 and Expansion of Nadezhda Metallurgical Plant’s Pyrometallurgical Capacities to Process All Nickel Feedstock of the Polar Division (a comprehensive project).

Under its strategy, the Company has launched comprehensive reconfiguration of the metallurgical capacities, which envisages processing of all nickel feedstock of Polar Division at Nadezhda Metallurgical Plant and transfer of refining operations to Kola MMC and Harjavalta. As part of this reconfiguration, the Company also plans to shut down Nickel Plant, its oldest asset that was commissioned back in 1942.

The shutdown of the plant located within the urban limits is scheduled for 2016 and will significantly improve Norilsk's environment, as it emits 400 kt of sulphur dioxide. Talnakh Concentrator upgrade and Nickel Plant shutdown are expected to decrease emissions by 15%.

Key Investment Projects

Polar Division

Sulphur project

Sulphur production refurbishment at Nadezhda Metallurgical Plant

KEY FEATURES

Output
of up to 600 ktpa of sulphur

Sulphur dioxide utilisation rate
of at least 95%

2015 CAPEX
of RUB 1.3 bn

Completion projected
for 2019

Design and introduction of technical and project solutions to extract elemental sulphur from waste gases of Nadezhda Metallurgical Plant's flash smelters, and reduction of sulphur dioxide emissions down to the threshold prescribed by regulations.

Project status

- In 2015, design documents for sulphur production were drawn up
- Russia's State Expert Review Board approved the design documents and the results of engineering surveys and inspections
- The tender for contractor selection is in progress
- Engineering surveys for the Engineering Documents stage were completed
- Design documents for power supply infrastructure projects are prepared
- Preparations on the construction site are underway

Polar Division

Sulphur project

Sulphur production refurbishment at Copper Plant

KEY FEATURES

Output
of up to 280 ktpa of sulphur

Sulphur dioxide utilisation rate
of at least 95%

2015 CAPEX
of c. RUB 0.5 bn

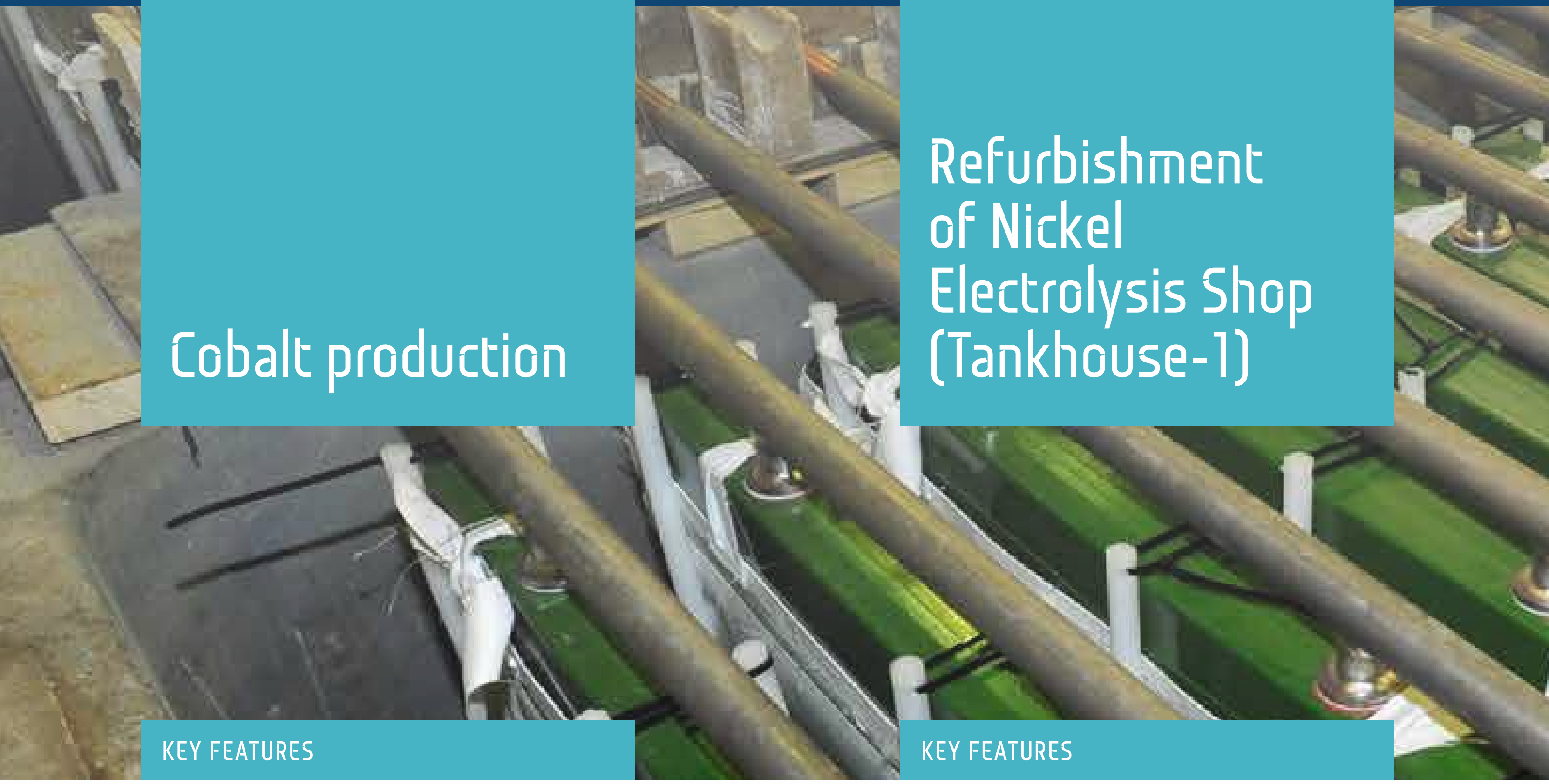
Completion projected
for 2020

Design and introduction of technical and project solutions to extract elemental sulphur from waste gases of Copper Plant's Vanyukov furnaces, and reduction of sulphur dioxide emissions down to the threshold prescribed by regulations.

Project status

- In 2015, Licence Agreements, Operation Assurance Agreements and Agreements on the Preparation of Final Process Design Packages were signed with technology licensors (LGI and MECS)
- Preparation of design documents underway

Key Investment Projects



Kola MMC

Cobalt production

KEY FEATURES

Output
of up to 3 ktpa

CAPEX
of over RUB 3 bn

Project completed

Production of high added-value (high-grade) commercial cobalt at the Kola MMC facilities using a unique technology developed by Gipronickel Institute's research team.

Kola MMC

Refurbishment of Nickel Electrolysis Shop (Tankhouse-1)

KEY FEATURES

Output
of 45 ktpa of nickel

2015 CAPEX
of c. RUB 0.7 bn

Outstanding CAPEX
of c. RUB 0.1 bn

The Project is completed

Refurbishment of buildings and structures, process and auxiliary equipment, engineering networks and ventilation system.

Kola MMC

Upgrade of Nickel Electrolysis Shop (Tankhouse-2)

KEY FEATURES

Maximum purity of metal output

Output
of 145 ktpa of nickel

2015 CAPEX
of over RUB 1 bn

Outstanding CAPEX
of c. RUB 16 bn

Nickel production using the technology of chlorine leaching of tube furnace nickel powder at the existing NES capacities.

Kola MMC

Saline effluent disposal

KEY FEATURES

Sodium sulphate and chloride as finished products

Lower effluent volumes

2015 CAPEX
of c. RUB 0.3 bn

Outstanding CAPEX for 2016–2020
of c. RUB 0.6 bn

Completion projected
for Q2 2016

Construction of a liquid waste evaporation unit for the electrolytic nickel production.

Disposal of saline effluent from nickel refining is among Kola MMC's key investment projects seeking to offset adverse effect of nickel production facilities on the ecosystem of water bodies adjacent to the Company's Monchegorsk production site.

Key Investment Projects

Bystrinsky Mining and Processing Plant

Project location

The Bystrinskoye Field is located in the Gazimuro-Zavodsky District of Trans-Baikal Territory.

Chita project

Average metal content

Cu 0.7 %

Fe 23 %

Au 0.8 g/t

KEY FEATURES

Output
of 10 mtpa

Reserves
of 294 mt of ore

2015 CAPEX
of over RUB 8 bn (USD 131 m)[1]

Outstanding CAPEX for 2016–2017
(net of investment in railway and power infrastructure) of c. RUB 57 bn (USD 780 m)

New jobs
for 3,115 employees

IRR
> 40 %

Construction of an open-pit mine and a mining and processing plant in order to utilise untapped reserves.

Annual output at design capacity

- 67 kt of copper in concentrate
- 2.9 mt of magnetite concentrate (Fe content – 66%)
- 252 koz of gold in concentrate

[1] *according to management accounts*

In December 2015, a contract for the acquisition of a 13.33% stake in the Chita project for USD 100 m was signed with Chinese investors.

Project status

- In December 2015, temporary operation of the Naryn-1 (Borzya) – Gazimursky Zavod railway started
- Contracts between FGC UES and Engineering and Construction Management Centre of Unified Energy System for the construction of a high-voltage power line with further repurchase by FGC UES were signed; construction works started
- The design documents were approved by the state (access roads, facilities of the mining and processing plant)
- Contracts for all process equipment supplies for the concentrator were signed.

Project schedule

Late 2016	2017	2020
Construction completion and launch of the Naryn-1 (Borzya) – Gazimursky Zavod railway	Launch of the mining and processing plant Commissioning of the 220 kV power line	The plant reaching the design capacity

Transportaion and Logistics

The Group operates sea and river fleets, railway transport, and an aircraft fleet. With this diverse transport infrastructure at its disposal, the Company is well positioned to offer reliable supplies to production and social facilities and make undisrupted deliveries of end products to consumers in the harsh climate of the permafrost zone and in hard-to-reach locations of the Far North.

TRANSPORT AND LOGISTICS HUB

Sea fleet

5 Norilsk Nickel container vessels

1 Yenisey heavy-duty ice class tanker (ARC 7 under the PMPC classification)

River fleet

551 vessels

including

162 self-propelled vessels

389 towed vessels

Rail car and locomotive fleet

118 container flatcars

1 switch locomotive

1 Yermak electric locomotive

1 2M62 diesel locomotive

Operated aircraft fleet

42 aircraft

including

16 helicopters[1]

26 planes[2]

[1] *operated by Norilsk Branch of Taimyr Air Company*
[2] *operated by Nordavia – Regional Airlines and Moscow Branch of Taimyr Air Company (NordStar).*

Port of Murmansk has processed

127 ships

The airlines carried

c. 2 m passengers

ROUTE NETWORK

Business Overview

Norilsk Branch of Taimyr Air Company is the only operator capable of responding to both industrial and social emergencies in the region (the Norilsk Industrial District and the Dolgano-Nenets Municipal District of the Taimyr Peninsula).

Norilsk Branch of Taimyr Air Company completed a programme of 6,947 flight hours using 13 owned medium utility helicopters (12 Mi-8T helicopters and one Mi-8MTV helicopter) and five leased helicopters (three Mi-8MTV helicopters operated by company crews and two light utility helicopters, Mi-2 and AS350 B3, operated by third-party crews) and thus met the region's air transportation needs, including:

- industrial operations of the Norilsk Nickel companies (transporting shift personnel, process equipment and life supplies, air inspection of production facilities and other services);
- emergency air medical services, search-and-rescue: 24/7 helicopter crew on stand-by, ready for search-and-rescue in case of an air crash within 260 km, including the Alykel Airport territory. Civil Aviation regulations require this as a condition for all air transportation in the region, including long-haul flights and Alykel Airport operations;
- passenger transportation via local airlines on socially significant routes between the Dudinka administrative centre and remote hard-to-reach towns (about 7.4% of total flight hours).

Operating performance indicators

METRIC*	UNIT	AMOUNT
Operating performance indicators, Taimyr Air Company, Norilsk Branch		
Flight hours, aircraft operated by Taimyr Air Company	hours	6,947
Passengers carried	passengers	52,977
Cargo and mail carried	tonnes	2,051
Number of aircraft operated	units	16
Operating performance indicators, Taimyr Air Company, Moscow Branch		
Passengers carried	passengers	1,128,782
Cargo and mail carried	tonnes	4,630
Number of aircraft operated	units	15
Operating performance indicators, Nordavia – Regional Airlines		
Passengers carried	passengers	727,625
Cargo and mail carried	tonnes	2,307
Number of aircraft operated	units	11

DEVELOPMENT OF TRANSPORT AND LOGISTICS INFRASTRUCTURE

Cargo transfer terminal in Murmansk
In 2015, the third stage of development started with reconstruction of Berth No. 2. In April 2015, a railway was commissioned to connect production sites No. 1 and No. 2, which resulted in cheaper and faster intraterminal transportation. The Company purchased five new forklifts with a capacity of 3.5 t to handle copper for metal exchange purposes.

In 2016, the Company plans to draft upgrade documents for the completed Berth No. 1 and finish the reconstruction work on Berth No. 2.

Polar Transportation Branch, Dudinka Port
The Company commissioned a Liebherr portal crane, upgraded the Kirovets portal crane, and purchased equipment to upgrade the Sevastopolets-5 floating crane in 2016.

In 2016, the Company plans to continue asset capitalisation to boost operational excellence and fleet operations turnover. As part of this initiative, Polar Transportation Branch is going to purchase the following heavy equipment in 2016:

- heavy frontlift loader;
- semi-trailer trucks for transporting round timber;
- timber loader and stacker for loading/unloading round timber;
- temporary accommodation for seasonal personnel;
- reach stacker with a capacity of 45 t;
- special-purpose SK-3-30-d containers (300 units);
- equipment sets for upgrading the Kirovets portal cranes.

In addition, in 2016 the Company will commission a fuel oil bunker barge.

OJSC Arkhangelsk Commercial Sea Port
The port has completed the reconstruction of Berth No. 2 of the Economia terminal, upgraded its equipment and acquired property from Arkhangelsk Transportation Branch.

Plans for 2016 include assembling and commissioning a Liebherr mobile crane, disassembling gantry cranes at Berth No. 1 (Economia terminal) scheduled to come on-stream in June 2016.

OJSC Yenisey River Shipping Company
As part of its fleet upgrade, the company completed the construction of the seventh and eighth barges with a carrying capacity of 3,000 t and started constructing the ninth barge. This type of towed vessels is used to transport sand for metals production processes.

The Podtesovo repair and maintenance base completed the upgrade of slipway used for ship repairs. Further improvement of onshore infrastructure capacity is underway.

Oracle Transportation Management (OTM)
Kola MMC put its integrated logistics and sales system into operation. The new system helps fully control shipments of finished products from the industrial facilities of Polar Branch and Kola MMC.

In 2016, the Company will continue to improve operating and analytical reporting, as well as cargo documentation. There are also plans to complete automation of traffic schedule generation for the Company's sea fleet.

The Company also plans to implement the system for automation of goods transportation logistics at OJSC Yenisei River Shipping Company and at its transshipment ports (Krasnoyarsk, Lesosibirsk). This will boost Yenisei cargo traffic transparency and allow the Company to efficiently manage and use its river fleet, while at the same time optimising operations between the river fleet and transshipment ports.

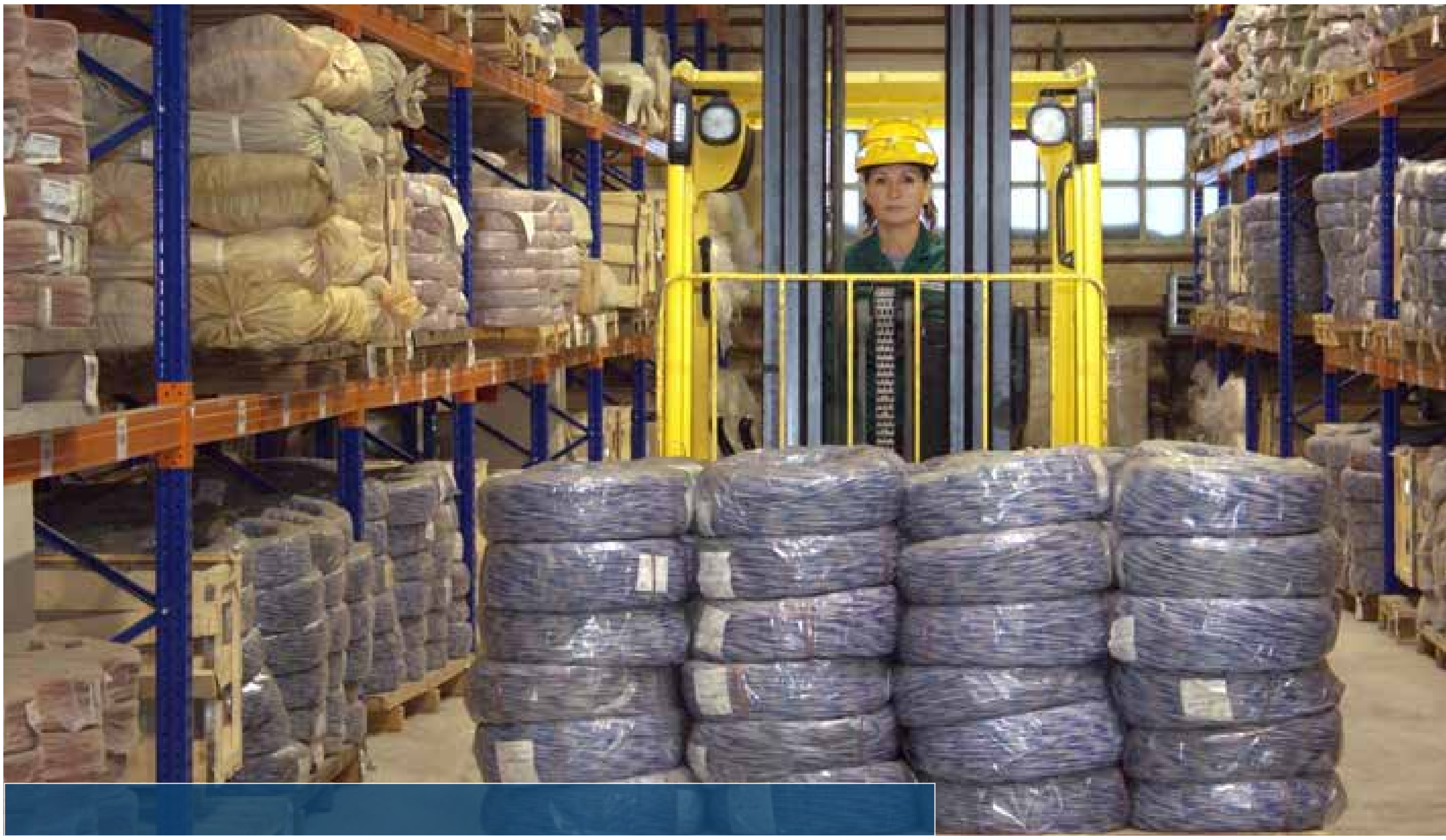
The total investments in transport and logistics assets of the Company amounted to

26
USD mln (incl. VAT)

With capital construction accounting for

16
USD mln

Procurement



Performance against key targets of the procurement roadmap in 2015.

- Approved procurement policies for TOP 16 materials and equipment categories, and switched to procurement based on category policies
- Put into effect an updated Regulation on the Company's Tender Committee
- Put in place a Procedure for Emergency and Urgent Procurement of Materials and Equipment
- Implemented an IT project involving the development of a corporate data warehouse (CDW) for the Company's Sales, Commerce and Logistics
- Commenced the implementation of a SAP SRM/SLC–based automated system to manage supplier relations
- The Tender Management Department started to oversee procurement of the most material production-related works and services in the Company's branches and subsidiaries

90 %

Share of centralised materials and equipment procurement in the needs claimed for 2015

221 %

Y-o-y growth in procurement volumes reserved to the remit of the Head Office's collegial tender bodies

CENTRALISED PROCUREMENT

In 2015, centralised procurement totalled around USD 2 bn, covering 89.8% of the materials and equipment needs.

All procurement activities are based on the regulated purchase procedures and are in full compliance with Federal Law No. 223-FZ on Procurement of Goods, Work, and Services by Certain Types of Legal Entities dated 18 July 2011.

Tender committee and tender commissions, which handle larger purchases, carried out tender procedures for a total amount of over USD 600 m. Tenders are organised and held by the centralised tender procedure function, which is the competence centre also responsible for ensuring the correct tender procedures.

Notwithstanding the unfavourable pricing environment caused by the rouble depreciation and the weakening of the Russian economy, the procurement function was generally able to boost purchasing efficiency and combat price increases, securing the purchase of the required equipment and materials with a total price rise of 13%, which is lower than the industry index increases and the Federal State Statistics Service of Russia values, and below the upticks of the contracts' primary currencies. The improved performance is attributable to the enhanced competence of the centralised procurement function team and the successful development and implementation of procurement policies by product category.

The year saw continued efforts aimed at expanding and improving the participant pool of procurement procedures, as well as increasing their openness and transparency, which included trading at open e-commerce platforms such as Fabrikant and B2B-Center. As a result, over 65% of new contracts were signed directly with producers.

PROCUREMENT PROCESS IMPROVEMENT

The unified methodology centre led the ongoing work focused on developing and implementing guidelines on procurement processes. The Company is also harmonising the regulatory procurement framework across its Russian subsidiaries and branches, including production services procurement.

The Company started the implementation of a SAP SRM/ SLC–based automated system for supplier relationship management, which is expected to boost the transparency and competitiveness of the procurement procedures.

INVENTORY MANAGEMENT

In 2015, the Company's inventory management operations continued focusing on stock cuts, improvements in stock structure and turnover, and reduction of warehouse storage time. As a result, in 2015, the inventory decreased by USD 56 m to USD 494 m.

The results came on the back of better requirements planning by internal customers and material and technical procurement units at production sites, inventory monitoring and controls improvements, and introduction of standardised inventory levels by category.

Energy and Gas Assets

**The Group's gas assets operate as a stand-alone business unit focusing on sustainable development of the entire Norilsk Industrial District.
The Company views them as strategic assets, but does not include them into the core value chain.**

The Company's fuel and energy division comprises the following subsidiaries and branches:

Taimyrgaz

Operation of the Pelyatkinskoye Field

Norilskgazprom

Operation of the Messoyakhskoye, Yuzhno-Soleninskoye and Severo-Soleninskoye Gas Condensate fields

Natural gas and condensate transportation to consumers in the Norilsk Industrial District

Bystrinsk Electric Grid Company

Implementation of an investment project to build an overhead Kharanorskaya GRES (power plant) – Bugdainskaya – Bystrinskaya 220 kV power line with 220 kV Bugdainskaya and Bystrinskaya substations

Norilsk-Taimyr Energy Company

Power and heat generation, transmission and sale using the facilities of Norilskenergo (MMC Norilsk Nickel's branch) and Taimyrenergo

Natural gas output

3.48
bn cu m

Gas condensate output more than

117
kt

Hydrocarbon fields

4

TAIMYRGAZ

In 2015, Taimyrgaz operated the Pelyatkinskoye Gas Condensate Field in accordance with the supply schedule. With a target gas and gas condensate output of 2,382 m cu m and 124 kt, respectively, the actual annual output amounted to 2,164 m cu m of gas and 109 kt of gas condensate.

Two wells of the Pelyatkinskoye Field (No. 461 and 862) were commissioned in 2015.

In 2015, the company commissioned a loop-line at the 0–26 km section of the Pelyatkinskoye – Severo-Soleninskoye gas trunk pipeline.

To comply with the health and safety laws and regulations, the company intends to update its current HSE management standards.

NORILSKGAZPROM

In 2015, all Norilskgazprom's facilities operated without any failures or process disruptions.

Technical diagnostics and safety reviews were carried out, with over 110 equipment items, buildings and structures, including aboveground sections of trunk pipelines, certified as safe in 2015. Targets for the year were fully met. In 2016, the company plans to obtain approximately 200 safety review certificates.

In 2016, to ensure accident-free and uninterrupted gas supplies, the company will carry on with the repairs of supports and cross-beams of field, interfield and trunk pipelines, as well as maintenance of other production facilities.

In 2016–2020, the company plans to carry out a programme to overhaul and reconstruct the Norilsk Industrial District's gas distribution networks, factoring in the needs of the chain of LPG filling stations.

NTEK

In 2015, the amount of power transmitted to the Norilsk Industrial District's grids from NTEK's HPP increased by 46% y-o-y to 4,274,705 thousand kWh, with 2014 figures resulting from an abnormally low water influx in 2013.

In the reporting year, the programme to upgrade and revamp the Norilsk Industrial District's power transmission system and replace its facilities included:
- replacing seven hydroelectric units at the Ust-Khantaiskaya HPP and commissioning Stage 1 (PK-1, plant hydroelectric unit No. 4);
- expanding the reception and transmission capacities of the Taimyr HPP Cascade, and routing the LEP-151 and LEP-154 power lines from the OPP-220 Opornaya (master) substation to the RP-2 Nadezhda distribution substation;
- reconstructing the GPP-4 main step-down substation and ensuring uninterrupted power supplies to Copper Plant.

BYSTRINSK ELECTRIC GRID COMPANY

In April 2015, a memorandum of intent was signed with FGC UES. The document provides for the parties' cooperation in implementing the investment project to build an overhead Kharanorskaya GRES (power plant) – Bugdainskaya – Bystrinskaya 220 kV power line with 220 kV Bugdainskaya and Bystrinskaya substations. To carry out the project, a construction management company was set up. Construction works were started in September 2015, with 97 transmission towers for 220 kV overhead power lines installed as at the end of the year. The construction is to be completed by March 2017, and the line is to be commissioned in August 2017.

Natural gas and gas condensate output

	2015	2014	2013
TAIMYRGAZ			
Natural gas, m cu m	2,163	2,460	2,330
Gas condensate, kt	108	129	118
NORILSKGAZPROM			
Natural gas, m cu m	1,100	1,337	1,601
Gas condensate, kt	2	2	3

Sustainable Development

HR

The Company's HR management strategy is aimed at creating a competitive, highly skilled, responsible and cohesive workforce. The social policy's top priority is to maintain social stability of the workforce deployed across the Group's companies and all over its footprint. The successful implementation of the social policy is indispensable for the Company's long-term sustainable development.

HR DEVELOPMENT STRATEGY

The long-term HR strategy is set forth in the Human Capital Development Programme adopted in 2014.

The main objectives of the Human Capital Development Programme are as follows:

- increase employee efficiency
- introduce HR segmentation
- implement a targeted approach to the distribution of social benefits
- enhance the Company's talent pool
- transform and automate the HR management function

2,2%

Growth of the average headcount in 2015

71%

employees work in Norilsk and the Taimyrsky Dolgano-Nenetsky Municipal District

STAFF COMPOSITION

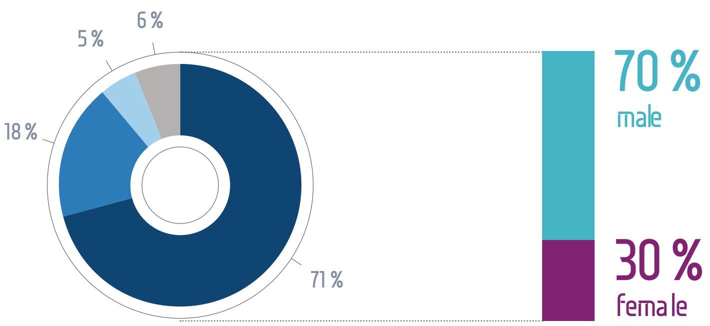
In 2015, the Norilsk Nickel Group's average headcount totalled 81,600 people in Russia and 2,000 people abroad. Most of the Russia-based employees (71% of the Russian headcount) work in Norilsk and the Taimyrsky Dolgano-Nenetsky Municipal District. Another 18% of the Group's Russian headcount work on the Kola Peninsula and in the Northwestern Federal District.

Evolution of the Norilsk Nickel Group's average headcount

	2015	2014	2013
Russia	81,637	79,897	83,005
USA	10	10	10
Europe	307	290	297
Asia	12	12	13
Australia	6	15	73
South Africa	870	883	842
Botswana	780	748	756
Indonesia	2	–	2
Total	**83,624**	**81,855**	**84,998**

The 2.2% headcount increase in 2015 was mainly driven by the greater scope of work related to the Nickel Plant shutdown and implementation of other investment projects.

Headcount breakdown by the Group's Russian operations, %



	people
Taimyr Peninsula	57,641
Northwestern District, including the Kola Peninsula	14,403
Krasnoyarsk Territory	4,121
Moscow and other Russian regions	5,472

81,637 employees in Russia

EFFICIENCY IMPROVEMENT AND INCENTIVE PROGRAMMES

Efficiency improvement initiatives

Since 2014, the Company has been implementing the Employee Performance Management System offering a 360-degree review of the key performance indicators (KPI) and core competencies. In 2015, the Employee Performance Management System was rolled out across the entire perimeter of the Company's assets. The KPI-based assessment was extended to new levels, including the Top 1,000 management level. In the segment of key production assets, KPI sheets are developed all the way up to the shop manager level. In 2015, the Company also went on with the automation of assessment procedures by implementing the WebTutor KPI assessment system at the Head Office.

The Company's management pays close attention to employee performance. The key objective for the KPI-based assessment in 2016 is to improve the quality of performance metrics, i. e. make KPIs more measurable and targets more ambitious, all while ensuring clear and transparent alignment of any given employee's KPIs with the business unit's goals and the Company's strategy. In 2016, the Company plans to further automate assessment procedures across Norilsk Nickel's operations.

In 2015, the employees, who underwent a 360-degree review of the core competencies, and their immediate superiors discussed overall performance and came up with development targets for the already reviewed members of the management team.

At the end of the year, the Company launched the first batch of workshops to develop management competencies among the Top 500 managers.

The competency-based assessment covered 126 Top 500 managers at the Head Office and in the segment of key production assets. Of the assessed managers

- 25% (32 persons) were females, and
- 75% (94 persons) were males.

In 2015, the Company implemented a SAP HCM-based automated HR management system. On 1 January 2015, it was launched at the Company's Head Office and then rolled out to cover Kola MMC and Pechengastroy on 1 July 2015, with Polar Division and the Norilsk Industrial District standing next in line. September 2015 also saw the launch of a business travel automation project (SAP FI-TV), which was first implemented at the Head Office in February 2016 and later rolled out to Kola MMC and Pechengastroy.

Benefits

The largest portion of benefits is represented by the reimbursements of vacation travel expenses (return fare and baggage allowance) for the employees living in the Far North and their families. Since 2012, the Company has been providing such compensations on an annual basis (previously, it reimbursed travel expenses only once every two years). In 2015, Norilsk Nickel spent over USD 102 m on benefits for the employees of its Russian companies (an annual average of USD 1,300 per employee).

126

Top 500 managers at the Head Office and key production assets covered by the competency-based assessment

Incentive programmes

THE KEY INCENTIVE AND REMUNERATION PRINCIPLES OF THE NORILSK NICKEL GROUP INCLUDE:

A single approach to the salaries of all employees

Salary competitiveness in the current labour market environment

Promotion of the Company's image as a responsible and reliable employer

Incentivisation to achieve goals and objectives by improving performance at the individual, business unit and corporate levels

HR SEGMENTATION AND TARGETED APPROACH

Segmentation is based on employee involvement in the end-product production and difficulties associated with skill replacement/acquisition. HR segmentation and a segment-specific targeted approach to HR management will enable the Company to focus its resources on the employees who create added value for the business. This will help boost the prestige of key jobs in the labour market and streamline staffing processes. HR segmentation and a targeted approach to remuneration and benefits increase transparency and appeal of the value proposition (a set of tangible and intangible benefits the Company offers to employees) for the staff and their families.

Recruitment

As part of its long-term HR development strategy, the Norilsk Nickel Group implemented a number of initiatives:

- introduction of an alternative recruitment method;
- Career Start-Up, a corporate recruitment programme focusing on graduates from the dedicated Russian universities (291 graduates recruited by now);
- training, retraining, and professional development (over 63,000 of Norilsk Nickel's employees were retrained in 2015, including more than 18,000 young specialists under 30 years of age; over 38,000 employees were trained in the corporate training centres).

Talent pool enhancement

In 2015, the Company continued upgrading its talent pool management framework. Polar Division's mining operations were chosen for the pilot project. During the year, the responsible officers were busy approving talent pool approaches, validating assessment tools, testing and building a talent pool covering lower and middle line managers. A team of experts were certified to independently run a Talent Pool Assessment Centre.

In 2015, 51 out of 391 tested contestants were selected to be included in the talent pool. Now they are all set to take part in a variety of tailor-made development and training workshops.

In 2016, the Company plans to continue upgrading its talent pool management framework focusing on the design of uniform approaches to the participants' development, and the establishment of coaching. Drafting of a Talent Pool Regulation and gradual implementation of the framework across Norilsk Nickel's operations should come as two final steps of this exercise.

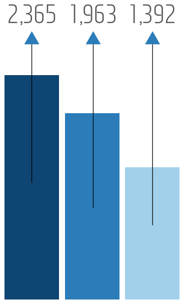
63 thousand

employees were retrained

38 thousand

employees were trained in the corporate training centres

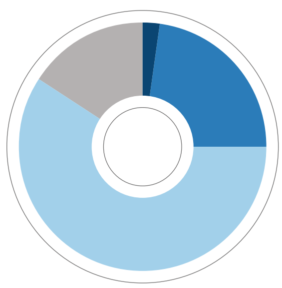
■ Average salary in the Group's Russian companies, USD



[1] *based on the annual average exchange rates of RUB 60.9579 in 2015; RUB 38.4217 in 2014; RUB 31.8480 in 2013.*

	RUB '000[1]
2013	74.5
2014	75.4
2015	84.9

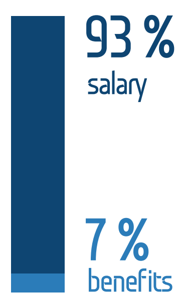
■ Awards for outstanding production achievements, long-term track record and diligent work



4,669 awards

Government awards	45
Awards from ministries and agencies	435
Awards from regional and municipal authorities	1,130
Corporate awards	302

Breakdown of the 2015 compensation package by the Group's Russian operations



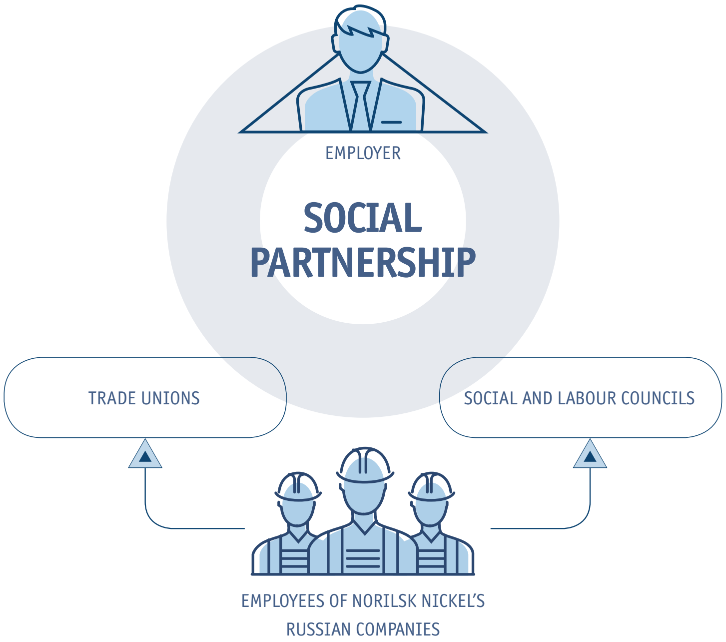
PROTECTION OF LABOUR RIGHTS

Russian companies of Norilsk Nickel have established a social partnership framework aimed at reconciling interests of employees and employers on matters pertaining to the regulation of social and labour relations.

Employee interests are represented by social and labour councils, and trade union organisations.

The companies provide every support to the employee representative bodies, including by complying with the Russian Labour Code, collective bargaining agreements and joint resolutions.

SOCIAL PARTNERSHIP FRAMEWORK



Employment issues at the Nickel Plant

To retain the unique skills of Nickel Plant in the Company's Polar Division and other Russian operations the Company seeks to provide redundant employees with new jobs. It has opened a counselling centre to offer the Nickel Plant employees a variety of jobs in and outside of Norilsk. The Company signs employment contracts with Nickel Plant's employees making sure that the jobs of their choice provide them with an average salary for a term of one year.

Trade unions

As at the end of 2015, 12% of employees of Norilsk Nickel's Russian operations were members of trade union organisations.

42 primary trade union organisations from Norilsk and the Taimyrsky Dolgano-Nenetsky Municipal District were joined to form a single trade union organisation of PJSC MMC Norilsk Nickel and its subsidiaries, and become a member of the Trade Union of MMC Norilsk Nickel Employees, Interregional Public Organisation (the TUEIPO). The TUEIPO includes two trade union organisations from Kola MMC and one each from Zapolyarye Health Resort and Taimyr Air Company. In the reporting year, the relationship between the employer and the TUEIPO was governed by the Social Partnership Agreement signed in 2014 to formalise implementation procedures for joint initiatives ensuring sustainable performance, operating and financial excellence, employee welfare, health and safety, and enhancement of social benefits.

■ Membership in trade unions

COMPANY	EMPLOYEES ENROLLED IN TRADE UNIONS, %
Norilsk Nickel enterprises located in Norilsk and the Taimyrsky Dolgano-Nenetsky Municipal District	8
Krasnoyarsk Shipyard	8
Gipronickel Institute	9
Taimyr Air Company	13
Kola MMC and its subsidiaries	18
Nordavia-RA	25
Zapolyarye Health Resort	33
Krasnoyarsk River Port	47
Lesosibirsk Port	52
Arkhangelsk Commercial Sea Port	53
Yenisey River Shipping Company	54

On top of that, in order to retain the experienced and highly skilled Nickel Plant employees engaged as coaches from the Company's "golden talent pool", the management decided to increase the number of metallurgy related FTEs in Polar Division (including Copper Plant, Nadezhda Metallurgical Plant, and Production Association of Concentration Plants) by 300 and give jobs to this category of employees.

In 2015, Norilsk Nickel put in place an accelerated training system for Nickel Plant's employees to gain new vocational qualifications. The Norilsk Nickel Corporate University is responsible for providing the training and relevant academic programmes. As at 9 March 2016, 357 employees were enrolled to undergo the training, 22 employees had completed the course, and 59 employees were being trained.

For Nickel Plant to successfully deliver on its production targets, the employee training cannot be run in the off-the-job mode. Hence, the bulk of the retraining exercise will be implemented following the personnel redeployment.

Nickel Plant employees keep entering into agreements with the Company to take part in the Metallurgy Veterans Programme. To date, about 500 employees have expressed their desire to participate in the Programme.

To provide social support to the redundant workers classified as "vulnerable", the Company offers them additional benefits and dismissal guarantees.

Participants of the *Metallurgy Veterans Programme* and "vulnerable" employees are entitled to the increased reimbursement of expenses associated with relocation to the mainland.

Addenda to the employment contracts are being signed with the employees of Copper Plant and Nadezhda Metallurgical Plant giving them the right to participate in the *Complementary Corporate Pension Plan* in case of their dismissal in 2016. Nearly 170 employees have signed these addenda so far (as at 1 March 2016, 168 employees had inked the deal, including 103 employees from Copper Plant and 65 employees from Nadezhda Metallurgical Plant).

As a result, as at 1 March 2016, 1,877 employees of Nickel Plant (about 80.9% of the Plant's total headcount) had made up their mind about the plans for the future.

In 2016, the Company expects to complete the implementation of the employment and social support initiatives for the redundant employees of Nickel Plant.

Social and labour councils

Norilsk Nickel's Corporate Social and Labour Council has been in place since 2006. It covers approximately 60,000 employees of Norilsk Nickel's operations from Norilsk and the Taimyrsky Dolgano-Nenetsky Municipal District (Krasnoyarsk Territory). Kola MMC's Social and Labour Council embraces representatives of social and labour councils from each business unit.

To monitor compliance with the social and labour commitments, the enterprises have set up collective decision making bodies, including but not limited to collective bargaining commissions, labour dispute commissions, social benefits commissions/committees, social insurance commissions, health and safety commissions/committees, and social and labour relations committees.

As part of the social partnership framework implemented in the Russian companies of Norilsk Nickel, employee representatives can openly review production and social programmes rolled out across operations, contribute to the dedicated assessments of working conditions, and implement measures to prevent occupational injuries and diseases among employees working in hazardous conditions.

Social and labour relations are governed by the applicable Russian laws, collective bargaining agreements and local regulations.

94%

of employees are covered by the collective bargaining agreements

84%

of employees are represented in social and labour councils

Corporate Trust Service

MMC Norilsk Nickel's Corporate Trust Service has been in place since February 2010. It helps the Company's management promptly respond to the reports of abuses, embezzlement and other violations coming from the Company's Head Office, its branches, representative offices and subsidiaries. Additional information about the Corporate Trust Service can be found at the Company's intranet site or its official webpage.

Employees, shareholders and other stakeholders have an opportunity to report any actions that will or might result in financial damages or be detrimental to the business reputation of Norilsk Nickel. Confidentiality provisions apply to all reports submitted to the Corporate Trust Service.

Report statistics (as broken down by the entity of origin and type of reported abuse) are submitted to the Company's Audit Committee and dedicated business units on a quarterly basis.

In 2015, the total number of reported abuses went down to 656, whereas the number of investigations launched on the back of such reports trebled.

YEAR	NUMBER OF REPORTED ABUSES	NUMBER OF INVESTIGATIONS	SHARE, %
2014	901	119	13
2015	656	255	39

Statistical data about abuses reported to the Corporate Trust Service

TYPE OF REPORTED ABUSE	2015	
	NUMBER	SHARE, %
Payroll abuses	94	37
Production related abuses	61	24
Technology and safety abuses	28	11
Corruption	16	6
Commercial and contractual abuses	10	4
Breach of job description	9	4
Labour disputes	18	7
Social issues	9	4
Embezzlement	10	4
Total	**255**	**100**

>650

Total number of reported abuses in 2015

3 times

increase in the number of abuses reported

24/7 toll-free hotline:

phone +7 800 700 1941,
+7 800 700 1945,
email: skd@nornik.ru.

For more details, see section 5 (Responsible Governance) of 2015 CSR report.

SOCIAL PROGRAMMES FOR EMPLOYEES

Employee rehabilitation

The harsh climate of the Far North and the heavy working conditions of the mining and smelting facilities require that the Company make an extra effort to protect its employees' health. Hence, the development of rehabilitation and health resort treatment programmes for employees and their families is among the key priorities of the Company's social policy formalised under the Collective Bargaining Agreement.

In 2015, over 16,000 of the Company's employees and their families received rehabilitation treatment in Zapolyarye Health Resort (Sochi) owned by Norilsk Nickel, whereas over 9,000 employees spent their vacations in other Russian health resorts.

Rehabilitation programmes for children aim to protect and improve the health of employees' children, prevent common childhood diseases, and create appropriate conditions for summer time recreation and activities. As part of this programme, over 1,600 children spent their holidays in Anapa and Varna (Bulgaria).

Opening hydrotherapy body in the resourt Zapolarye

Financing of health resort treatment and vacation programmes for employees and their families, **USD m**[1]

YEAR	TOTAL COST OF VACATION PACKAGES UNDER THE AGREEMENT	THE COMPANY'S EXPENSES
2015	31.7	26.6
2014	42.2	34.9
2013	46.1	N/A

[1] *Before 2015, the Company's expenses included the total cost of employee vacation packages. In 2015, the accounting system was changed, and now the expenses do not include the amounts paid by the employees.*

Sports Programmes

The sports programmes serve to foster solidarity, develop corporate culture, and promote a healthy lifestyle.

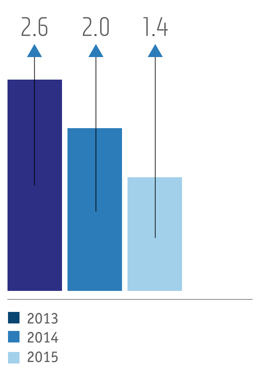
In 2015, the Company staged over 10 corporate sports events with more than 18,000 participants.

Polar Olympics. Winter Family Games

In 2015, Norilsk and Monchegorsk saw the launch of the pilot *Polar Olympics*: *Winter Family Games*, which was part of a broader event programme designed to celebrate the 80th anniversary of MMC Norilsk Nickel.

The Norilsk Industrial District's sports events are attended not only by the Company's employees, but also by the representatives of local communities.

Financing of sports programmes, **USD m**



Our House and *My House* programmes

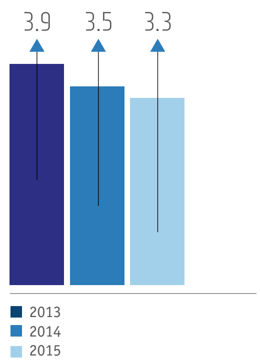
Both of these programmes aim to provide the Company's employees with housing in Russia's mild climate regions. The Company purchases ready-for-living apartments in Krasnodar Territory and Moscow and Tver Regions, and provides them to its employees under co-financing agreements.

Our House programme has been in place since 2010, and is intended for the employees of Polar Division and Kola MMC. *My House* programme was launched in 2011 to cover 13 of Norilsk Nickel' operations in Norilsk, the Taimyrsky Dolgano-Nenetsky Municipal District, and Murmansk Region. Since the rollout of the programme, 2,501 apartments have been given to the Company's employees, and another 348 apartments are now being distributed. In total, the Company has purchased 2,849 ready-for-living housing units, including 549 apartments in 2015.

Under the programme, the Company pays up to half the cost of the apartment (USD 33,000), with the rest paid by the employee within a certain period of employment with Norilsk Nickel (from five to ten years). The cost of housing remains unchanged for the entire period of the employee's participation in the programme. The ownership rights are registered at the end of the programme, but the employees may move in immediately after receiving the apartment.

The Company's commitment to purchase up to 550 apartments per annum for its employees is formalised in the Collective Bargaining Agreement. As the programmes enjoy popularity among the employees and can be used as an efficient HR management tool, the new 2015–2018 Collective Bargaining Agreement has extended the *Our House* and *My House* programmes up to 2018 (inclusive). Yet the Company plans to revise certain implementation principles of the said programmes in 2016 in order to improve their efficiency. For example, the Company is going to introduce a participant selection process based on the business and employee segmentation, increase the extent of participants' decision-making responsibility, and enhance the transparency of social support given to the participants' families in case of a force majeure.

Financing of the Assistance Programme, **USD m**



Recruitment of young talents from other regions

In 2015, 1,954 employees took part in the programme dubbed *Assistance to New Employees in Adapting to the New Place of Residence in Norilsk and the Taimyrsky Dolgano-Nenetsky Municipal District*. As part of the programme, the Company helps to provide comfortable living conditions for the visiting employees and reimburses the relocation and resettlement costs.

Norilsk Nickel seeks to recruit young talents and qualified workers appearing on the skills shortage list from all over Russia and the Commonwealth of Independent States.

Construction of houses

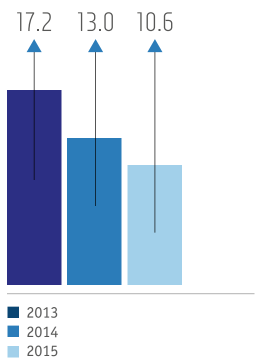
~550 apartments

per annum are purchased by the Company for its employees

2,501 apartments

have been provided since the rollout of the programme

Financing of the Co-Funded Pension Plan, **USD m**



Conference "The labor market and social investment"

20 thousand employees

participated in corporate pension plans

Pension plans

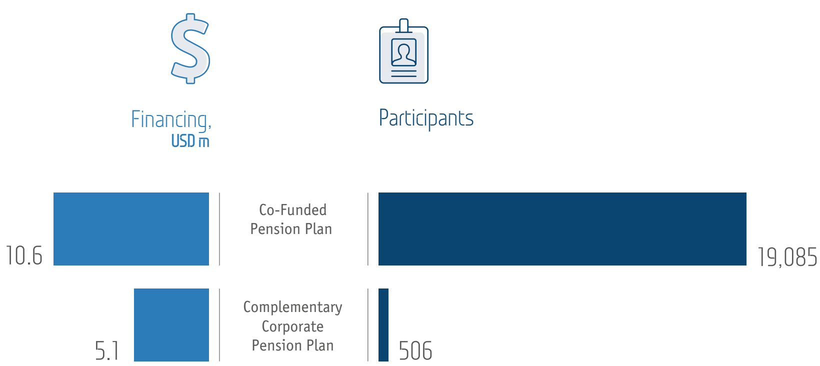
MMC Norilsk Nickel offers its employees non-governmental pension plans.

The most popular pension plans in 2015 were the *Co-Funded Pension* and the *Complementary Corporate Pension*.

Under the **Co-Funded Pension Plan**, the Company and the Company's employee make equal contributions to the plan.

The **Complementary Corporate Pension Plan** provides incentives for the pre-retirement employees with considerable job achievements and a steady employment record.

The amount of funding and the number of participants of the *Co-Funded Pension Plan* and Complementary Corporate Pension Plan in 2015



Sustainable Development

HEALTH AND SAFETY

Strategic priorities

The Group's health and safety strategy, which was reviewed and approved by the Audit Committee of the Board of Directors in 2014, lays out plans to reduce production-related accidents by 20% (in absolute terms) every year, pursuant to the labour laws of the Russian Federation.

Norilsk Nickel engages in mining, concentration and smelting operations, handles railway and motor vehicles, operates numerous hazardous production facilities, and uses various hazardous substances (toxic, explosive, oxidising, etc.) in its processes. All these factors contribute to the management's enhanced responsibility for ensuring employee health and safety during operations. To this end, Norilsk Nickel has approved a Health and Safety Policy that gives precedence to the life and health of employees over operational performance, while also demonstrating the Group's commitment to creating a safe and healthy environment and fostering sustainable employee motivation for safe workplace behaviour.

In 2015, Norilsk Nickel established an HSE Committee chaired by the First Vice President – Chief Operating Officer.

The Committee's key objectives include:
- improving the effectiveness of efforts aimed at ensuring health and safety at Norilsk Nickel's Russian companies;
- increasing the responsibility of Norilsk Nickel's executives and other employees for ensuring operational health and safety;
- assessing the efficiency of industrial health and safety work at Norilsk Nickel's Russian companies;
- refining the HSE management framework at Norilsk Nickel's Russian companies.

Corporate standards of industrial safety
- Standard STO KISM 121-216-2015. Accident Investigation
- Standard STO KISM 121-217-2014. Procedure for Organising and Conducting High-Hazard Operations
- Standard STO KISM 121-218-2015. Safety Requirements for Interaction of Vehicles and Pedestrians at Production Sites and Facilities

In accordance with the regulated procedure, the Russian branches of the Company have organised the implementation of standards, including those introduced in 2014:
- Standard STO KISM 121-207-2014. Safety Behaviour Audit
- Standard STO KISM 121-208-2014. Power Source Insulation
- Standard STO KISM 121-210-2014. Working at Height
- Standard STO KISM 121-211-2014. Hazard Identification, Assessment and Management of Industrial Health and Safety Risks
- Standard STO KISM 121-212-2014. Provision of Personal Protective Equipment
- Standard STO KISM 121-215-2014. Safety Requirements for Boarding and Alighting Company's Motor Vehicles during Inter-Facility Transportation

The Health and Safety Department monitors the implementation of standards and related measures, having conducted 28 HSE audits under the current Regulation.

28
HSE audits
conducted under the current Regulation

Performance indicators

External health and safety audit (assessment of the industrial safety culture)

In March and December 2015, DuPont Science and Technologies assessed the current situation and determined priorities for further improvement of the HSE management framework and for mitigating injury and accident risks at Norilsk Nickel's key companies. According to DuPont's reports, from March to December 2015, industrial safety culture level increased from 2.1 to 2.3[1], having stood at 1.4 in March 2014. The safety culture improvement is driven by the implementation of risk mitigation standards, safety communication campaign, and dedicated risk mitigation programmes.

The main reasons behind significantly lower injury rates in 2014 were the implementation of injury prevention measures targeting employees with a track record of up to three years (44% of total 2013 injuries, reduced to 30% in 2014), and the rollout of key corporate standards.

In 2015, the Company's main production site, Polar Division, did not exceed the 2014 injury rates, which suggests a drift towards sustainable development.

The main injury rate increases in 2015 occurred at:

- Chita site (Vostokgeologiya and Bystrinskoye Mining Company) – 45%,
- Polar Construction Company – 27%.

In 2015, Norilsk Nickel introduced an Accident Investigation corporate standard and tightened controls over minor injury and accident reporting.

There has been a general trend towards lower workplace injury rates in line with the recently developed and approved health and safety strategy.

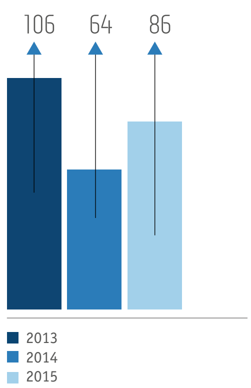
Bringing fatal industrial accidents down to zero is one of the strategic objectives to be reached in the course of implementing the health and safety strategy.

Further information on health and safety initiatives is available in the Company's Corporate Social Responsibility Report for 2015.

Norilsk Nickel's health and safety indicators in 2013–2015

INDICATOR	2015	2014	2013
LTIFR[2]	0.61	0.48	0.80
FIFR[3]	0.11	0.07	0.10
Total number of production-related accidents, in accordance with the labour laws of the Russian Federation	86	64	106
incl. the number of production-related accidents resulting in lost time injuries	73	56	94
incl. the number of fatal production-related accidents	13	8	12
Number of small injuries	411	305	50

Dynamics of workplace injuries, people



[1] *Bradley Curve indicators.*
[2] *LTIFR stands for Lost Time Injury Frequency Rate (LTIFR = non-fatal LTIs / total number of hours worked * 1,000,000).*
[3] *FIFR stands for Fatal Injury Frequency Rate (FIFR = FIs / total number of hours worked * 1,000,000).*

Environmental Responsibility

MMC Norilsk Nickel's Environmental Management System (EMS) has been in place since 2005 covering the entire value chain, including

- **production**
- **project management**
- **storage**
- **shipping and sales**

THE EMS HELPS NORILSK NICKEL

- secure priority funding for environmental initiatives;
- raise environmental awareness among employees;
- improve its public image;
- gain a competitive edge in the domestic and international markets;
- consolidate customer confidence (especially where consumers require the supplier to have an effective EMS);
- identify additional opportunities in the international context and in global markets;
- boost its investment case.

In 2015, the EMS was implemented as part of the Corporate Integrated Quality and Environmental Management System (CIMS), which enabled the Company to harmonise environmental initiatives with the operations of other functions (such as production management, finance, health and safety) and enhance the Company's overall performance. The Company has also put in place an integrated environmental reporting system embracing all of the Group's operations and monitoring the achievement of environmental objectives.

ENVIRONMENTAL MANAGEMENT SYSTEM

Key steps to mitigate environmental impact:

- comply with the applicable laws and international agreements, ISO 14001:2004, industry and corporate regulations;
- gradually reduce pollutant emissions and discharges, and expand the scope and volume of waste recycling;
- ensure sustainable use of natural resources;
- introduce environmentally friendly technologies and reduce production resource intensity;
- conserve biodiversity across the Company's footprint;
- plan operating activity to ensure compliance with the statutory environmental impact requirements.

In accordance with the international standards and the Company's by-laws, internal audits are conducted by professionals with specialised training. The Company has drafted and keeps updating a register of corporate and internal auditors.

EMS surveillance (external) audits

To confirm compliance of the EMS with ISO 14001, the Company engages the Bureau Veritas Certification (BVC) to conduct surveillance audits once a year and recertification audits once every three years.

MMC NORILSK NICKEL

In September and October 2015, an EMS surveillance audit was held at the Company's Head Office in Moscow, Polar Division's production sites in Norilsk, and Polar Transportation Branch in Dudinka.
The audit confirmed that MMC Norilsk Nickel's EMS complied with ISO 14001 (Compliance Certificate No. RU228136QE-U dated 8 December 2011).

KOLA MMC

The EMS complies with ISO 14001 and the Company's by-laws and internal regulations as confirmed by the relevant certificate (Certificate No. RU227729E-U dated 5 May 2013). The audit focused on the production of converter matte, nickel, copper, cobalt, their compounds, precious metal concentrates and sulphuric acid. In 2015, the Integrated Management System (ISM) completed a surveillance audit confirming the compliance of Kola MMC EMS with the ISO 14001 requirements.

NORILSK NICKEL HARJAVALTA

All of the Company's foreign operations are required to comply with both national environmental regulations and Norilsk Nickel Group's corporate standards. Norilsk Nickel Harjavalta Oy has procured all the necessary environmental permits, and applies a certified integrated management system that meets the requirements of ISO 14001.

EMS internal audits in 2015

COMPANY	NUMBER
Head Office	18
Polar Division, Polar and Murmansk Transportation Branches	61
Kola MMC	36

EMS internal auditor training, **FTEs**

Auditor training	**60**
Head Office	7
Polar Division	41
Murmansk Transportation Branch	12
Training in the applicable environmental and resource management laws, government environmental regulations and environmental safety	**257**

Sustainable Development

EFFICIENT USE OF RESOURCES

The Norilsk Nickel Group's major production assets are located beyond the Arctic Circle with air temperature below the freezing point during eight months of the year.

In 2015, the Company developed and adopted an energy efficiency improvement programme for industrial facilities in the Norilsk District and the Murmansk Region, under which a project was launched to install an automated electricity metering system for commercial purposes.

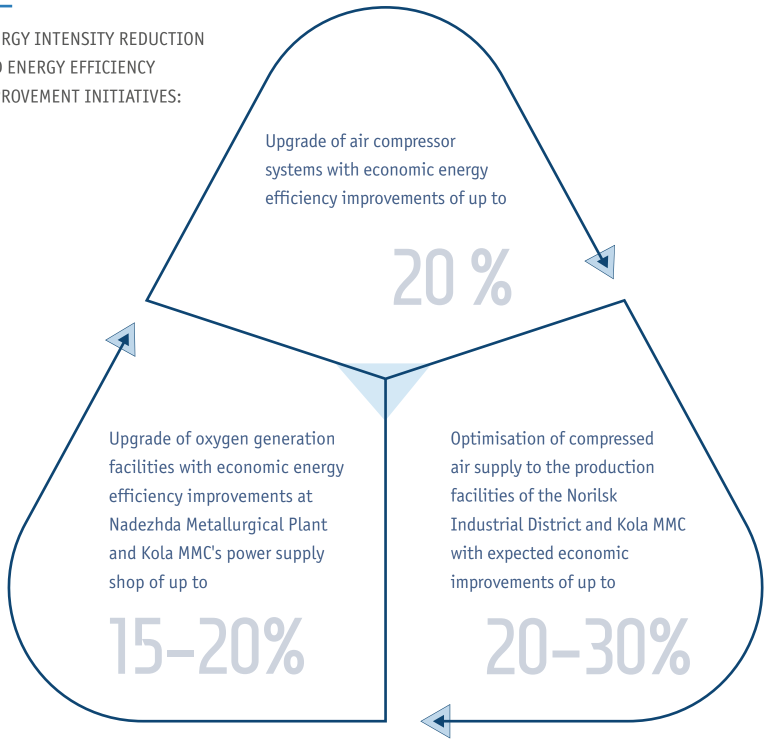
37.5%

Share of renewable energy for the Norilsk Nickel Group

47%

Share of renewable energy for the Norilsk Industrial District's production sites

ENERGY INTENSITY REDUCTION AND ENERGY EFFICIENCY IMPROVEMENT INITIATIVES:



Use of renewable energy

The Company mainly procures its electrical energy from a hydropower plant cascade classified as a renewable energy source. In 2015, the share of renewable energy (generated by the Taimyr HPP Cascade, including Ust-Khantayskaya and Kureyskaya HPPs) stood at 37.5% for the Norilsk Nickel Group and 47% for the Norilsk Industrial District's production sites.

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Energy consumption by the Russian companies of Norilsk Nickel[1]

TYPE OF ENERGY RESOURCE	2015		2014		2013	
	CONSUMPTION IN VOLUME TERMS	CONSUMPTION, RUB '000	CONSUMPTION IN VOLUME TERMS	CONSUMPTION, RUB '000	CONSUMPTION IN VOLUME TERMS	CONSUMPTION, RUB '000
Heat power, Gcal	8,523,826	6,856,778	8,800,391	6,972,592	8,064,023	6,462,988
Electric power, '000 kWh	10,314,243	12,886,849	10,357,673	11,751,583	9,728,784	10,499,125
Motor fuel, t	2,543	90,760	2,473	90,177	1,239	37,939
Diesel fuel, t	132,696	4,693,653	134,478	4,358,366	81,509	2,512,907
Heating oil, t	245,237	2,422,476	249,146	2,955,766	248,878	2,753,022
Natural gas, '000 cu m	3,225,467	7,619,982	3,772,668	8,374,359	3,831,108	8,100,692
Coal, t	161,945	254,454	171,347	262,397	165,332	287,226
Aviation fuel[2], t	**76,767**	**2,432,656**	**80,580**	**2,560,469**	**138,876**	**4,197,114**

[1] *No other types of energy resources were used besides those specified in the table*
[2] *Includes the subsidiaries, Nordavia and the Moscow Branch of Taimyr Air Company*

ENVIRONMENTAL IMPACTS

In 2015, the Company continued its drive to reduce air pollutant emissions and wastewater discharges.

Wastewater discharges have been consistently reduced on the back of environmental protection initiatives.

There are no underground wastewater discharges. Hence, impact on the surface and underground water bodies is mitigated by following the simple procedures for temporary waste storage and equipment maintenance.

Over 99% of the Company's wastes are hard rock, tailings and metallurgical slag classified as non-hazardous wastes. Approximately 50% of such wastes are reused internally, while the rest is stored at the Company's waste disposal sites subject to the established limits. Hazardous wastes are transferred to the specialist contractors for further disposal, treatment and recycling.

>50%

of wastes are reused internally

Environmental impact metrics across Norilsk Nickel's Russian operations[3]

ITEM	2015	2014	2013
Total air pollutant emissions, kt	2,029	1,969	2,053
incl. sulphur dioxide, kt	2,009	1,947	2,033
incl. solids, kt	20	21	20
Wastewater disposal, m cu m[3]	54	62	64
Pollutant discharges, kt[3]	150	140	139
Use and treatment of waste at the Company's own facilities, mt	19	18	19
Waste disposal, mt	15	17	21

[3] *Including Polar Division, Polar and Murmansk Transportation Branches, and Kola MMC*

Sustainable Development

Environmental expenditures, **USD m**[1]

ITEM	2015	2014	2013
Polar Division	**331**	**447**	**532**
Current expenditures	238	335	418
Capital expenditures	93	112	114
Kola MMC	**49**	**47**	**26**
Current expenditures	15	22	24
Capital expenditures	34	25	3
Other divisions	**0.6**	**1.2**	**0.5**
Current expenditures	0.1	0.2	0.2
Capital expenditures	0.5	1.0	0.3
TOTAL	**381**	**495**	**559**
Current expenditures	**253**	**358**	**442**
Capital expenditures	**128**	**138**	**117**

[1] *Including Polar Division, Polar and Murmansk Transportation Branches, and Kola MMC*

Polar Division

ITEM	2015	2014	2013
Total air pollutant emissions, kt	1,883	1,828	1,912
incl. sulphur dioxide, kt	1,854	1,798	1,881
incl. solids, kt	9.0	9.7	10.0
Wastewater disposal, million cu m[2]	29.8	36.2	33.1
Pollutant discharges, kt[2]	74.7	67.5	76.9
Use and treatment of waste at the Company's own facilities, mt	13.2	12.1	13.0
Waste disposal, mt	9.0	10.9	13.4

[2] *Figures for 2013 include pollutant discharges of Polar Division, Polar Transportation Branch, and Norilskenergo, branch of MMC Norilsk Nickel; for 2014 – Polar Division and Norilskenergo, branch of MMC Norilsk Nickel; for 2015 – Polar Division only.*

Wastewater discharge, '000 cu m

ITEM	2015	2014	2013
Total	**29,779**	**36,029**	**33,092**
Insufficiently treated	6 ,14	5,940	5,812
Contaminated untreated	18,557	25,429	25,223
Treated to standard quality at treatment facilities	5,184	3,957	2,047
Standard clean (without treatment)	24	703	10

In 2015, the Polar Division's air pollutant emissions grew by 3% mainly due to higher sulphur dioxide emissions at Nadezhda Metallurgical Plant, as it had increased its feedstock processing volumes in comparison to 2014.

Solid pollutant emissions at Nadezhda Metallurgical Plant were reduced by

21
tpa

Environmental expenditures amounted to

381
USD m

In 2015, the Company continued its drive to reduce air pollutant emissions by:

- replacing electrostatic precipitators at Nadezhda Metallurgical Plant with newer and more advanced filters, and thus reducing the pollutant emissions by 20.6 tpa;
- upgrading gas-treatment units at the Cement Plant and thus reducing the solid pollutant emissions by 304.6 tpa.

In 2015, total air pollutant emissions did not exceed the statutory limits and met all the applicable requirements.

The Polar Division's waste management line of business seeks to repeatedly use wastes for production purposes and meet statutory waste disposal limits.

In 2015, the Company continued upgrading its Nadezhda Metallurgical Plant's tailings pit and building a new tailings storage facility for Talnakh Concentrator as part of its programme to improve waste disposal facility management. These projects will ensure the environmentally friendly handling of tailings storage and disposal issues.

In 2015, total air pollutant emissions did not exceed the statutory limits and met all the applicable requirements.

Kola MMC

ITEM	2015	2014	2013
Total air pollutant emissions, kt	169.8	165.4	164.6
incl. sulphur dioxide, kt	155.1	150.2	151.6
incl. solids, kt	10.6	11.8	10.0
Wastewater disposal, million cu m	23.5	25.4	24.5
Pollutant discharges, kt	75.6	72.7	61.8
Use and treatment of waste at the Company's own facilities, mt	5.6	6.1	6.4
Waste disposal, mt	5.8	6.0	7.7

For 13 years, Kola MMC's Monchegorsk site has been keeping its emissions within the Maximum Permissible Rates, which were defined and approved in compliance with applicable law. Kola MMC's Zapolyarny and Nickel sites are keeping their emissions in line with the temporarily approved emission permits issued by regulators to the companies that are upgrading their production facilities.

In 2015, sulphur dioxide emissions increased by 3% mainly due to the lengthy repairs of Metallurgical Shop's gas ducting at Monchegorsk site. On the other hand, solid emissions dropped by 10% thanks to briquette processing in Smelting Shop.

Since 1998, Kola MMC has been implementing a number of projects that have enabled it to bring down sulphur dioxide emissions from 188 kt to 118 kt in 2015.

Pollutant discharges increased by 4% due to the commissioning of an electrolysis section and wider use of chlorine reagents driven by the launch of cobalt production with a capacity of 3 ktpa.

In 2015, Kola MMC implemented a number of projects to mitigate its environmental impact and clean wastewaters:

- cleaned the process tank at Monchegorsk site;
- commissioned two new production lines to briquette concentrate at Zapolyarny site, and continued work to bring the briquetting technology up to the required quality standards;
- continued work to achieve Maximum Permissible Emission Rates in Smelting Shop.

Norilsk Nickel Harjavalta

ITEM	2015	2014	2013
Industrial wastewater, '000 cu m	728	625	625
Pollutants in industrial wastewater, t			
Ni	0.4	0.4[1]	0.5
SO_4^{2-}	20,051	19,281	19,420
NH^{4+} (converted to nitrogen)	36	45.4	28.3
Total water consumption, m cu m	10.4	10.9	11.5
Total air pollutant emissions, t			
Ni	1.7	1.8	2.0
NH_3	70	50	80
Waste generation , kt	16.5	30.8	22.0
Waste disposal, kt	15.7	29.8	21.3

[1] *Excluding 66,189 kg (Ni) discharged in July 2014 as Ni solution due to a heat exchanger failure at the reduction plant*

Harjavalta's main environmental impacts are emissions of ammonia and nickel into atmosphere, and discharges of sulphates and ammonia ions into water bodies. In 2015, Norilsk Nickel Harjavalta Oy met all permit requirements for emissions, discharges and waste disposal.

PROJECTS TO REDUCE SULPHUR DIOXIDE EMISSIONS

Polar Division

Comprehensive Nickel Plant shutdown programme

Sulphur project

In 2012, two reconstruction projects were launched at sulphur production sites in Norilsk. The projects aimed to bring sulphur dioxide emissions from Copper Plant's Vanyukov furnaces and Nadezhda Metallurgical Plant's flash smelters down to the Maximum Permissible Emission Rates through the recycling of waste gas sulphur. The projects also envisage long-term sulphur storage.

For more details, see
"Key Investment Projects" on page 84

The Company continues fulfilling its obligations under the Cooperation Agreement[2] on the Comprehensive Nickel Plant Shutdown Programme. Under the Agreement, technologically outdated and physically worn production facilities in Norilsk will be shut down to relocate relevant production functions to the Company's other sites.

Briquetting of copper-nickel concentrate

The current upgrade and ramp-up of pyrometallurgical capacities at Talnakh Concentrator and Nadezhda Metallurgical Plant will allow the Company to decommission all shop areas of Nickel Plant. Polar Division will then consolidate its nickel concentrate smelting operations at Nadezhda Metallurgical Plant. As the refining capacity upgrade projects in Kola MMC's Monchegorsk site are now underway, Nickel Plant's refining operations may be discontinued as early as in the second half of 2016.

The shutdown of Nickel Plant will help eliminate emissions from Nickel Plant and substantially improve air quality in Norilsk' Central District under southbound winds. Some 600 sources of hazardous air pollutant emissions will be closed upon the completion of the programme. Total Nickel Plant emissions will be cut by 380 ktpa.

ENVIRONMENTAL RECOVERY PROGRAMMES

In summer 2015, the Company joined in the Norilsk Municipality's effort to revamp the city's public spaces doing some urban greening and sanitary improvements. The Company also contributed to the roadside clean-up, water body protection, waterfront landscaping and facelift of several camping sites.

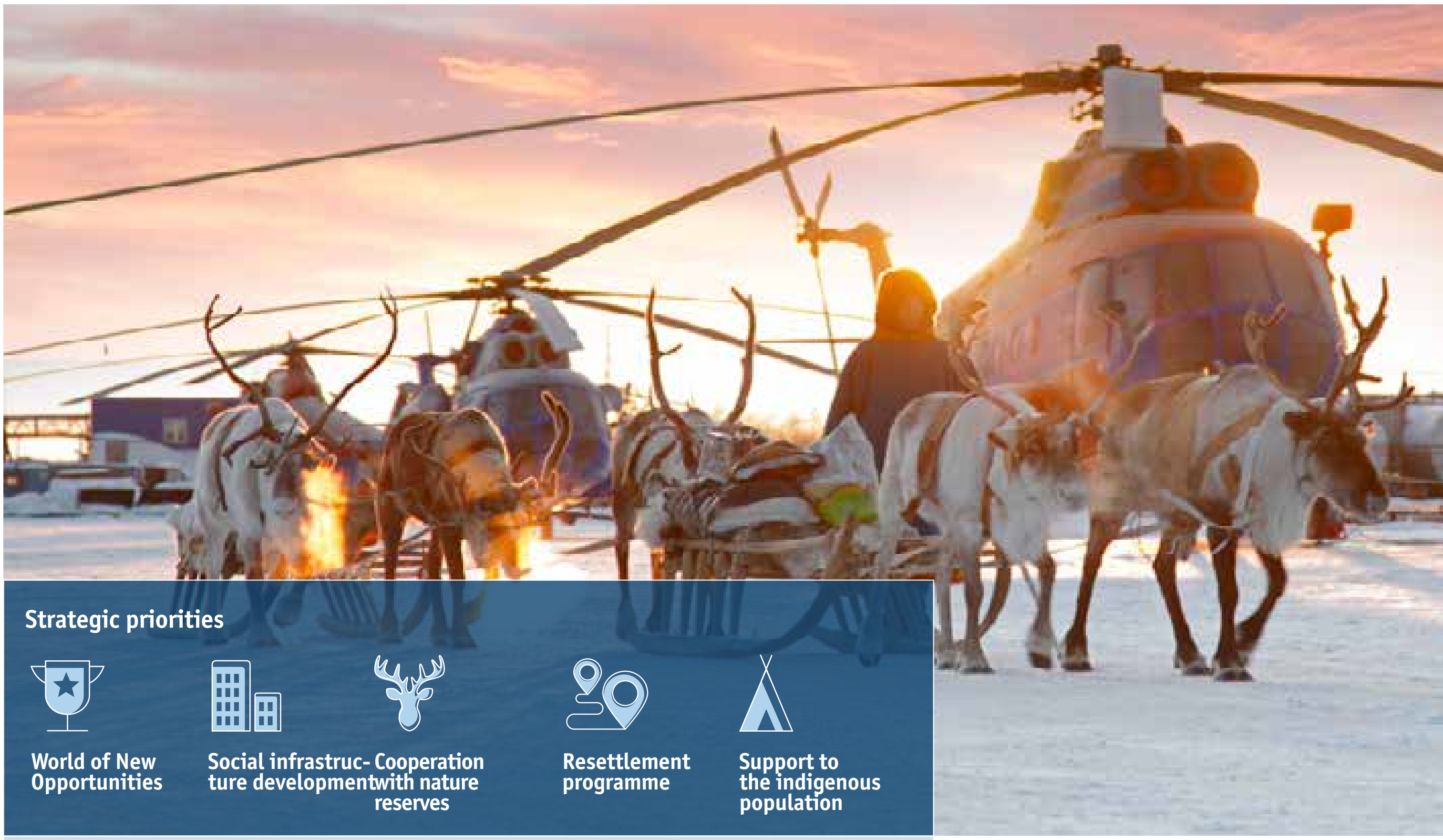
Moreover, Polar Division is working on a project to breed valuable fish species and release them into natural water bodies. In 2015, under an agreement signed with the Yenisey Territorial Department of the Federal Fishery Agency, the Company raised and released 18,175 Arctic char fingerlings into the Pyasina River to compensate for damage caused by sand production in the Seredysh Island deposit in 2013–2014.

The Company plans to continue fish breeding and release projects in 2016.

To bolster environmental recovery across Kola MMC's footprint, the Company brought 1,100 t of fertile soil to the Monchegorsk industrial site for reclamation purposes.

[2] *The Agreement was signed in 2014 by the Russian Ministry of Economic Development, Ministry of Industry and Trade, Ministry of Natural Resources and Environment, the Government of the Krasnoyarsk Territory, the Municipality of Norilsk, and MMC Norilsk Nickel.*

Development of Presence Regions



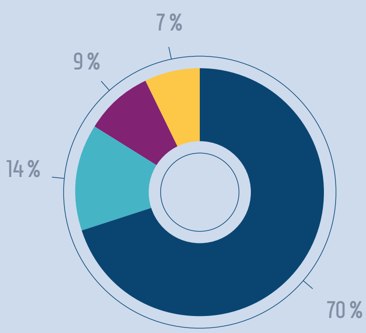
Strategic priorities

- World of New Opportunities
- Social infrastructure development
- Cooperation with nature reserves
- Resettlement programme
- Support to the indigenous population

FINANCING OF STRATEGIC INITIATIVES IN 2015:

148

USD m



	USD m
Charity	104
Construction and reconstruction of social infrastructure	20
Resettlement programme	14
Social needs	10

In 2015, the Company continued implementing a long-term target programme to relocate people living in Norilsk and Dudinka (Krasnoyarsk Territory) to the Russian regions with favourable climate conditions.

WORLD OF NEW OPPORTUNITIES

World of New Opportunities, a charity programme, seeks to create propitious conditions and opportunities for sustainable development across the Company's footprint. Grants are provided to public initiatives in three focus areas: partnership, innovations and development.

Partnership
The Company supports public initiatives and, to that end, provides over USD 82,000 in grants for non-profit organisations and municipalities. In 2015, the initiative saw 400 project applications, out of which 108 were approved for funding by the experts.

The Company aims to impart new skills and competencies to the participants contributing to the development of the local expertise. In June 2015, Norilsk Nickel staged the first edition of a three-day "social engineering" workshop for social activists, which combined theory and practice encompassing stages from idea generation to its implementation. In just three days, 70 workshop participants from Norilsk and Monchegorsk developed and staged seven city events reaching out to over 2,500 local residents.

Innovations
The Company also promotes the R&D creativity and engineering skills among the youth. In the autumn of 2015, Norilsk and Monchegorsk hosted the *Arctic Wave* festival of R&D discoveries. In just two days, the participants plunged into a world of scientific experiments and technical innovations. The festival featured Russia’s first *Science Battle 13+* intellectual games, *X-Files* quest, science shows, engineering contests, public lectures and *Arctic Night* programme. Over eight thousand people participated in the festival events.

For the second year running, the Arctic.PRO R&D marathon drew in over 650 schoolchildren aged 12 to 15.

Development
The Company promotes social entrepreneurship engaging active citizens and the business community to address social issues in the regions through the implementation of business projects.
In 2015, six business projects were approved for interest-free loans worth USD 438,000.

In 2015, total funding under the World of New Opportunities charity programme amounted to USD 1.8 m (around RUB 112 m)

SOCIAL INFRASTRUCTURE DEVELOPMENT

The Company is actively involved in the development and renovation of social infrastructure all across its footprint, looking to create accessible and comfortable environments for working and living.

Norilsk Nickel contributes to the social development of Norilsk, Monchegorsk, the Taimyrsky Dolgano-Nenetsky Municipal District (Krasnoyarsk Territory), Pechengsky District (Murmansk Region) and Tazovsky District (Yamal-Nenets Autonomous Area) through both agreements with federal and local authorities and corporate socially aware business projects.

One of the key 2015 projects for the Company and the city of Norilsk was the opening of an indoor water park and a fitness centre in the Arena Norilsk mall. With a total floor area of 7,980 sq m, the facilities received funding of over USD 12 m, including USD 11 m in 2015.

The Company allocated USD 4.5 m to develop design and cost estimate documents for the runway renovation.

In August, the Company commissioned a housing block with 61 one-bedroom apartments that can accommodate 122 young professionals. Norilsk Nickel invested nearly USD 3 million in the project, including some USD 2 million in 2015.

In 2015, the 7+244 km road bridge reconstruction project was completed[1]. The total 2014–2015 project capex amounted to over USD 1.6 million, including more than USD 1.2 million in 2015.

The Company recognises the rights of indigenous minorities residing across the Company's footprint and provides assistance to the indigenous peoples of the North contributing to the social and economic development of the Taimyrsky Dolgano-Nenetsky Municipal District (Krasnoyarsk Territory) and the Yamal-Nenets Autonomous Area.

For more details on construction and reconstruction of social infrastructure, see the CSR report

[1] *The 7+244 km bridge is a road bridge over high-pressure water mains near TPP-1, part of the southwestern bypass with an access route leading to Norilsk's Central District through the Talnakh District. Under the bridge are Norilsk’s water and heating supply pipelines. As the bridge connects the residential and industrial areas of the Central District, it is an important and widely used piece of urban infrastructure.*

SUPPORT TO THE INDIGENOUS POPULATION

Indigenous Peoples' Day on the Taimyr Peninsula

As part of this assistance, the Company provides air travel opportunities for the indigenous people and ensures delivery of vital supplies to and from remote villages in the Taimyrsky Dolgano-Nenetsky Municipal District.

In 2015, the Company provided over USD 90,000 for these purposes.

On a separate note, the Company contributes to the preservation of the indigenous peoples' traditions, lifestyle, national language and culture, helping to stage festivals for the indigenous peoples of the North. In 2015, the Company spent USD 167,000 to purchase gifts and prizes for such national festivals and sponsor the Congress of the Indigenous Peoples Association in Dudinka.

For the second year running, the Company has provided financial aid for the Krasnoyarsk Federation of Northern Multisport Races to hold an open northern multisport race championship among Krasnoyarsk Territory's juniors. The 2015 donation was USD 25,000.

The Company also invests in the construction of schools, community centres and other social infrastructure in the Taimyrsky Municipal District and the Yamal-Nenets Autonomous Area. In 2015, the Company provided funding of over USD 497,000 for these purposes.

In 2015, the Company did not commit any violations affecting the rights of the indigenous minorities.

497
USD thousand

invested by the Company in the construction of schools, community centres and other social infrastructure in the Taimyrsky Municipal District and the Yamal-Nenets Autonomous Area

COOPERATION WITH NATURE RESERVES

Pasvik Nature Reserve

Taimyr Peninsula

In 2015, the Joint Directorate of Taimyr Nature Reserves went on with the implementation of two projects selected for social responsibility funding of USD 91,000 under MMC Norilsk Nickel's *World of New Opportunities* charity programme. Those are:

- development of tourist and trekking infrastructure at Lama, Glubokoye and Sobachye Lakes (construction of a camping station at Lama Lake and base stations on the trekking route across Lama, Glubokoye and Sobachye Lakes to ensure comfort and safety for tourists);
- environmental summer scout camp (an environmental and ethnographic summer school for children).

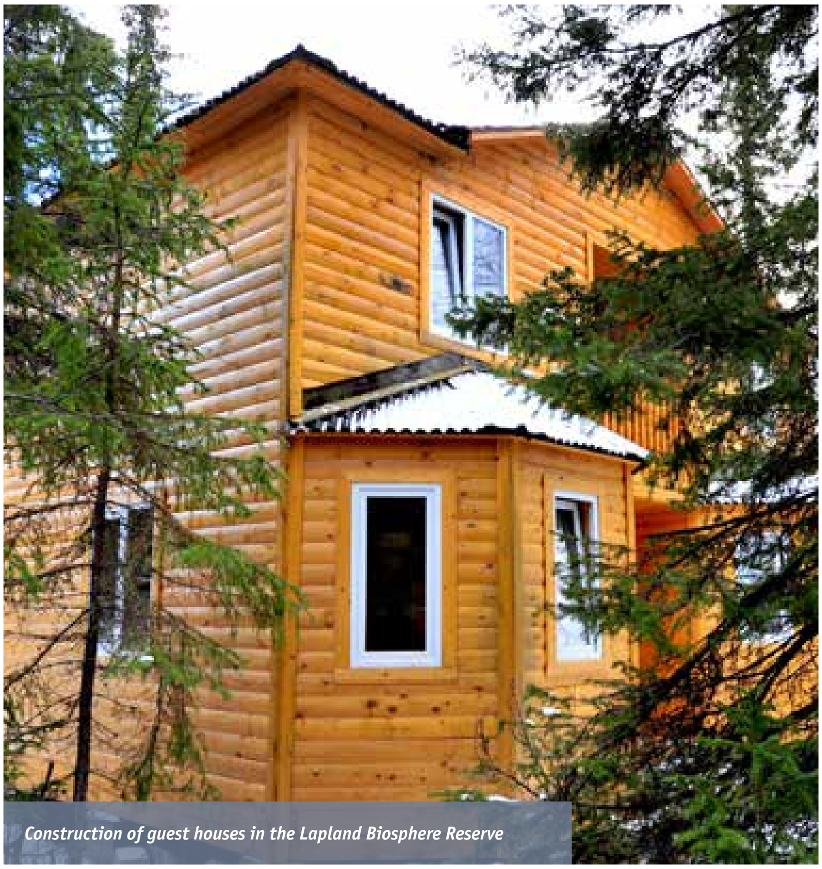
Following the new social responsibility competition in 2015, the Joint Directorate of Taimyr Nature Reserves will receive funding for the following 2016 projects:

- Save the Bighorn Together
- Hatanga Crafts Festival
- Environmental Camp

Projects to be funded in 2016

PROJECT	PROJECT GOAL	AMOUNT OF FINANCING IN 2015
Save the Bighorn Together	The project aims to study and save this endangered species of the Putorana Plateau	USD 82,000
Hatanga Crafts Festival	The project aims to provide a space for demonstration, experience sharing and transfer of northern craftsmen's know-how in order to revive the indigenous peoples' forgotten crafts	USD 11,000
Environmental Camp	The project aims to set up a summer field camp in the protected area of the Putoransky Nature Reserve	USD 16,000

Sustainable Development



Construction of guest houses in the Lapland Biosphere Reserve

Kola Peninsula
In 2002, Kola MMC signed contracts with the Lapland Biosphere Reserve for the development of methodology to reclaim disturbed natural environments in the areas affected by permanent emissions from Severonickel Plant and monitor the Monchegorsk District and the Lapland Biosphere Reserve going forward. The data obtained during a scientific research provided a basis for the subsequent contractual work to reclaim disturbed lands, and bring about sanitary and fire-protection improvements in the forest areas. In 2015, the value of the contract signed with the Lapland Biosphere Reserve was USD 57,000.

Since 2006, under a contract signed with Kola MMC, the Pasvik Nature Reserve has been running an ecological assessment of the natural environment in the area of Pechenganickel Plant (Zapolyarny, Nickel and their suburbs, including the Pasvik State Nature Reserve), and developing a long-term monitoring framework. In 2015, the value of the contract signed with the Pasvik Nature Reserve was USD 33,000.

In 2015, the Pasvik State Nature Reserve participated in a competition of socially responsible initiatives under MMC Norilsk Nickel's World of New Opportunities charity programme and was approved for funding for its Pechengsky District project to develop the Pasvik State Nature Reserve research database and promote an effective dialogue at the Russia-Norway border.

PUBLIC-PRIVATE PARTNERSHIP

Resettlement programme
In 2015, the Company continued implementing a long-term target programme to relocate people living in Norilsk and Dudinka (Krasnoyarsk Territory) to the Russian regions with favourable climate conditions.

Over the span of 10 years, the programme envisages the relocation of 11,265 families (1,126 families per year) from Norilsk and Dudinka, that are entitled to resettlement under the dedicated government programmes and are registered at the respective municipalities. The Company acts as the programme sponsor donating a total of USD 191 million.

Since the launch of the programme, the Company has contributed USD 128 million to the Krasnoyarsk Territory budget, including USD 14 million in 2015.

In 2011–2015, some 5,008 families (data for February 2016) purchased apartments and moved to the mainland, including 4,119 families from Norilsk and 889 families from Dudinka.

In 2015, Krasnoyarsk Territory's Ministry of Construction, Housing and Utilities issued a total of 954 home purchase certificates under the applicable housing quota.

The participants will be able to purchase residential property under the 2015 quota until the end of July 2016.

128
USD m
contributed by the Company to the Krasnoyarsk Territory budget since the launch of the programme, including USD 14 million in 2015

Resettlement deliverables in 2011–2015

ITEM	2011	2012	2013	2014	2015	TOTAL
The Company's contribution, USD m	40.2	26.7	26.1	21.6	13.6	128.2
Total apartments purchased	1,137	1,013	1,102	1,038	718	5,008
including in Norilsk	957	850	881	862	569	4,119
including in Dudinka	180	163	221	176	149	889

NORILSK AIRPORT RECONSTRUCTION

At the instruction of the President of the Russian Federation, the 2010–2020 Federal Russian Transport Development Programme approved by the Resolution of the Russian Government on 15 May 2014 has been amended to include the reconstruction of the Norilsk Airport facilities and associated infrastructure maintenance works. The key objective is to reconstruct the airport's runway. The project will be implemented under the 2014–2018 public-private partnership agreement made between PJSC MMC Norilsk Nickel and the Federal Air Transport Agency.

The Norilsk Airport will be used by cargo, passenger and special aircrafts, including those belonging to the Russian Emergencies Ministry. The airport is expected to become the centrepiece of Russia's Arctic Zone development project.

The reconstruction funding has been already approved. USD 159 m will be sourced from the federal budget, whereas MMC Norilsk Nickel will contribute some USD 49 m.

In 2014–2015, the Company provided funding for the project's design and cost estimate documents. In March 2015, Russia's State Expert Review Board approved the documents. In September 2015, the Civil Airport Administration, the reconstruction manager, signed a government construction contract with Transstroymekhanizatsiya. The project involving renovation of the 2,800-meter runway, airport fencing, patrol road, power facilities, light signals and radio equipment is scheduled for completion within 850 days. Total costs amount to USD 97 m.

In 2016, the airport is expected to open for landings and takeoffs of Boeing 737-800 and similar aircrafts from across the route network, along with accommodating regular seasonal passenger volumes. For the summer seasons of 2017 and 2018, we are considering several options: the airport might either switch to light aircrafts or keep serving Boeings with reduced take-off and landing weights.

SPONSORSHIP

One of Norilsk Nickel's social policy highlights is the support of professional and high performance sports in Russia. The Company provides financial aid to major competitions, sports clubs and federations.

FOOTBALL UNION OF RUSSIA AND RUSSIA'S NATIONAL FOOTBALL TEAM

In line with the sponsorship agreement, MMC Norilsk Nickel is an official partner of the Russian Football Union and Russia's national football team. The Company has been recognised as the Football Union's exclusive partner from the metals industry.

2019 WINTER UNIVERSIADE IN KRASNOYARSK

In 2015, MMC Norilsk Nickel became the general partner of the 29th Winter Universiade in Krasnoyarsk, having donated over USD 16 m to stage the event.

CSKA PROFESSIONAL BASKETBALL CLUB

MMC Norilsk Nickel has supported Russia's most successful and award-winning professional basketball club for over 20 years. During this time, the team won the Euroleague, Europe's most prestigious basketball competition, for two times, became an 18 time Russian champion, won the VTB United League five times, and got many other sports awards.

MINI FOOTBALL CLUB NORILSK NICKEL

MMC Norilsk Nickel is the title sponsor of the mini football club Norilsk Nickel. Over the past 17 years, the club has made remarkable progress. It has won the Russian championship, got two silver medals at Super League matches and been the Russian Cup runner-up for two times.

Financial Overview

FY2015 Highlights

The world's best portfolio of Tier 1 mining assets, management focus on stringent investment governance discipline, cost controls and efficiency improvements provided a solid base for robust financial performance amidst weak commodity markets.

Consolidated revenue decreased 28% y-o-y to USD 8.5 billion, impacted by lower metal prices, divestiture of international assets and one-off logistical and operational preparations for the shutdown of the nickel plant in Norilsk planned for 2016.

EBITDA was down 24% y-o-y to USD 4.3 billion, driven mainly by lower revenue.

EBITDA margin expanded from 48% to an industry-leading 50% on the back of a 26% decrease in cash operating costs, a 40% decline in SG&A expenses and the Company's exit from international mining assets.

Net profit decreased 14% y-o-y to USD 1.7 billion, while net profit adjusted for non-cash items reached USD 3.2 billion.

CAPEX increased 27% y-o-y to USD 1.7 billion driven by the execution of the downstream reconfiguration programme, accelerated development of the Skalisty underground mine, and the Bystrinsky (Chita) project having entered into an active construction phase. All major investment projects were on time and on budget.

Net working capital was down 6% y-o-y to USD 1 billion despite a material increase in saleable metals inventories and other one-off factors.

Free cash flow decreased 49% y-o-y to USD 2.4 billion, owing to lower EBITDA, slower rate of working capital release and increased CAPEX.

A strong balance sheet was maintained with Net Debt / EBITDA ratio at 1.0x as at December 31, 2015. Solid financial standing of Norilsk Nickel is confirmed by investment grade credit ratings from Standard & Poor's and Fitch credit rating agencies.

Dividends distributed to shareholders in 2015 amounted to USD 18 per share, delivering an industry-leading dividend yield.

Exit from non-core assets is on track. In 2015, the Company closed the sale of its minority stake in Inter RAO for USD 204 million and completed the sale of Tati Nickel, with the sale of the Nkomati mine expected to close by the end of 2016.

In line with the strategy of de-risking the greenfield Bystrinsky project, the Group has entered into a binding agreement to sell a 13% stake to a consortium of Chinese investors for USD 100 million. The sale is subject to regulatory approvals, and its completion is expected in Q2 2016.

RECENT DEVELOPMENTS

In January 2016, the Group opened a 5-year fully unsecured syndicated USD 730 million revolving credit line with a consortium of Chinese banks and received a USD 100 million loan from ING Bank.

In February 2016, the Group redeemed its rouble bonds in the amount of around USD 499 million and completed placement of a new 10-year rouble bond issue in the amount of USD 199 million.

Key Corporate Highligts

USD M (UNLESS STATED OTHERWISE)

	2015	2014	CHANGE, %
Revenue	8,542	11,869	–28
EBITDA[1]	4,296	5,681	–24
EBITDA margin, %	50	48	2 p. p.
Net profit before impairment charges and foreign exchange losses[1]	3,167	3,968	–20
Net profit	1,716	2,000	–14
Capital expenditures	1,654	1,298	27
Free cash flow[2]	2,405	4,725	–49
Net working capital[1, 3]	1,030	1,087 [3]	–5
Net debt[2, 3]	4,212	3,537 [3]	19
Net debt /12M EBITDA	1.0x	0.6x	
Dividend per share (USD)	18.10	20.74	–13
ROIC [2]	35 %	29 %	6 p. p.

[1] *A non-IFRS figure, for the calculation see the notes below.*
[2] *A non-IFRS figure, for the calculation see an analytical review document ("Data book") together with Consolidated IFRS Financial Results available on the Company's web site.*
[3] *Reported as of December 31, 2015 and December 31, 2014, respectively.*

Financial Overview

Key Segmental Highlights

USD M

	2015	2014	CHANGE, %
REVENUE	**8,542**	**11,869**	**–28**
Polar Division	6,590	8,937	–26
Kola MMC	773	1,100	–30
NN Harjavalta	757	986	–23
Other metallurgical assets	30	154	–81
Other non- metallurgical assets	1,182	1,997	–41
Inter-company eliminations	–790	–1,305	–39
EBITDA	**4,296**	**5,681**	**–24**
Polar Division	4,429	5,625	–21
Kola MMC	257	346	–26
NN Harjavalta	72	70	3
Other metallurgical assets	–12	–61	–80
Other non- metallurgical assets	–64	78	–182
Corporate expenses	–386	–377	2
EBITDA MARGIN, %	**50**	**48**	**2 p. p.**
Polar Division	67	63	4 p. p.
Kola MMC	33	31	2 p. p.
NN Harjavalta	10	7	3 p. p.
Other metallurgical assets	–40	–40	–
Other non- metallurgical assets	–5	4	–9 p. p.

- In 2015, EBITDA of Polar Division decreased by 21% y-o-y and EBITDA of Kola MMC was down 26% y-o-y, to USD 4,429 million and USD 257 million, respectively. The decline was primarily driven by lower metal prices, partly offset by the decrease in cash costs and selling expenses driven by the depreciation of Russian rouble and cancellation of export duties on nickel and copper.
- EBITDA of NN Harjavalta remained stable y-o-y and demonstrated a slight increase by 3% to USD 72 million.
- Negative EBITDA of the other metallurgical assets reduced by 80% in 2015 following the sale of Tati Nickel in April 2015.
- EBITDA of the other non-metallurgical assets decreased by USD 142 million in 2015 primarily due to the lower profits of the Company's sales and distribution arms on the back of decline in metal prices as well as reduced revenue in USD terms from Russian non-core operations due to weakening of Russian rouble.

EBITDA margin expanded to

50%

EBITDA margin expanded to

245 kt

Metal Sales Volume by Origin, Consolidated Revenue and Realized Prices

PRODUCT GROUP	2015	2014	CHANGE, %
FINISHED PRODUCTS	**8,542**	**11,869**	**–28**
Russian operations			
Nickel, '000 t	197	228	–14
Copper, '000 t	343	356	–4
Palladium, '000 oz t	2,464	2,667	–8
Platinum, '000 oz t	590	629	–6
Finland			
Nickel, '000 t	**43**	**42**	**2**
SEMI-PRODUCTS			
Finland			
Copper cake, copper, '000 t[1]	13	11	18
Botswana			
Nickel concentrate, nickel, '000 t[1]	1	3	–67
Nickel concentrate, copper, '000 t[1]	1	2	–50
South Africa			
Nickel concentrate, nickel, '000 t[1]	4	–	100
Nickel concentrate, copper, '000 t [1]	2	–	100
METAL SALES, PHYSICAL VOLUMES			
Group, excluding South Africa [2, 3]			
Nickel, '000 t	240	270	–11
Copper, '000 t	343	356	–4
Palladium, '000 oz t	2,464	2,667	–8
Platinum, '000 oz t	590	629	–6
Gold, '000 oz t	93	136	–32
Rhodium, '000 oz t	84	91	–8
Cobalt, '000 t	5	6	–17
Silver, '000 oz t	1,915	2,281	–16
Semi-products, nickel, '000 t[1]	5	3	67
Semi-products, copper, '000 t[1]	16	13	23
Semi-products, palladium, '000 oz t[1]	100	78	28
Semi-products, platinum, '000 oz t[1]	39	31	26
Semi-products, gold, '000 oz t[1]	9	7	29
Semi-products, silver, '000 oz t[1]	142	116	22

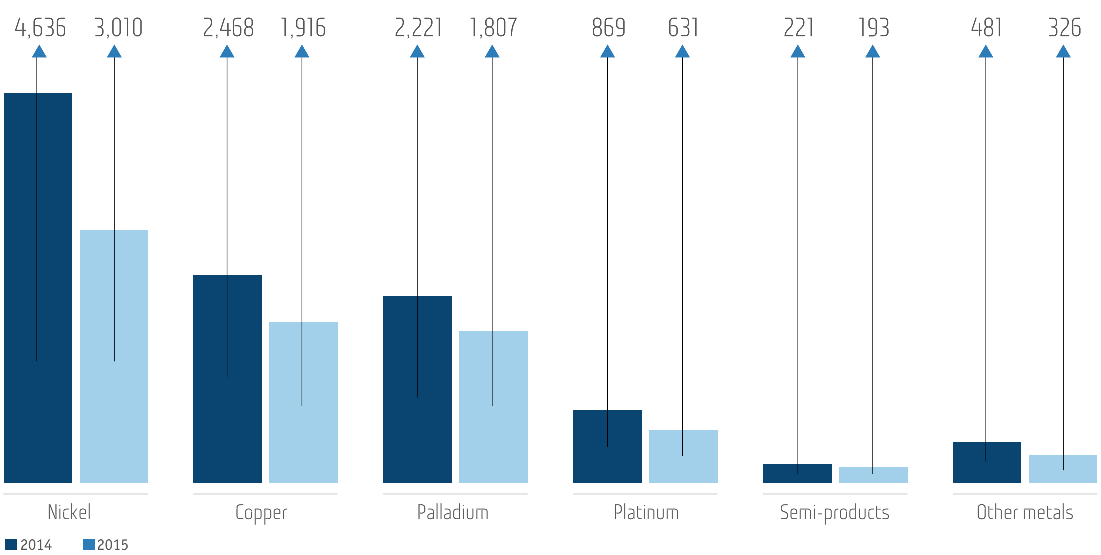
[1] *Volumes are stated in respect of metal content in semi-product.*
[2] *The operating results of Nkomati Nickel Mine (South Africa) are shown in the financial statements based on Group's 50% ownership and are reported as operating results of associates.*
[3] *All information is reported on the basis of 100% ownership of subsidiaries, excluding sales of metals purchased from third parties.*

Financial Overview

Revenue from sales

	2015	2014	CHANGE, %
Average realised prices of metals produced by Norilsk Nickel in Russia from its own feed			
Nickel, USD/t	11,962	17,072	–30
Copper, USD/t	5,585	6,931	–19
Palladium, USD/oz t	695	804	–14
Platinum, USD/oz t	1,057	1,388	–24
Cobalt, USD/t	26,291	30,040	–12
Gold, USD/oz t	1,162	1,266	–8
Rhodium, USD/oz t	884	1,139	–22
Consolidated Revenue (USD m)			
Nickel	3,010	4,636	–35
Copper	1,916	2,468	–22
Palladium	1,807	2,221	–19
Platinum	631	869	–27
Semi-products	193	221	–13
Other metals	326	481	–32
Revenue from metal sales, USD m	**7,883**	**10,896**	**–28**
Revenue from other sales	659	973	–32
TOTAL REVENUE, USD MILLION	**8,542**	**11,869**	**–28**

Revenue from metal sales, **USD m**



In 2015, revenue from metal sales amounted to

USD 7,883 m

NICKEL

Nickel remained the largest contributor to the Company's revenue comprising a 38% of total metal sales in 2015 down from 43% in 2014 as nickel price fell the most within the Company's commodity basket and so did the sales of the physical metal owing to the one-off allocation of saleable metal into metal reserves.

In 2015, the nickel revenue decreased by 35% y-o-y (or USD 1,626 million) to USD 3,010 million primarily due to lower nickel price (-USD 1,325 million) and decrease in nickel sales volumes (-USD 372 million). Additional revenue of USD 71 million came from the sale of nickel purchased from third parties to meet contractual obligations with strategic customers.

The average realized nickel price of metal produced in Russia from own feed decreased by 30% y-o-y from USD 17,072 per tonne to USD 11,962 per tonne.

Sales volume of nickel produced by Norilsk Nickel in Russia from own feed decreased 12% y-o-y (or 27 thousand tons) from 222 thousand tons to 195 thousand tons. The decrease in sales volumes was driven by lower production (-3 thousand tons) and accumulation of temporary metal stock to smooth out the transition to the new configuration of smelting and refining capacities (shutdown of Nickel Plant, increased shipments of nickel matte for processing to Kola MMC and to Harjavalta in Finland) scheduled in 2016, which is expected to result in a one-off increase in work-in-progress in transit and lower output of saleable metals.

The amount of nickel sales from purchased semi-products was down by 4 thousand tons following the reduction of low-margin tolling operations at Kola MMC.

Sales volume of nickel produced by Norilsk Nickel Harjavalta increased by 2% y-o-y to 43 thousand tons in 2015 driven by a marginal increase of third party nickel concentrate processing under tolling arrangements and processing of Russian feed.

COPPER

In 2015, copper sales accounted for 24% of the Company's total metal sales, down 22% y-o-y (or USD 552 million) from USD 2,468 million to USD 1,916 million primarily due to the lower average realized copper price (-USD 477 million) and decrease in sales volumes (-USD 75 million).

The average realized copper price was down 19% y-o-y from USD 6,931 to USD 5,585 per tonne.

Physical volume of copper sales from Russian feed decreased by 7 thousand tons to 340 thousand tons in 2015, while the copper production was up 2% that year. The decrease in sales volumes was driven primarily by the one-off allocation of saleable metal into metal reserves, created to smooth out the transition to the new configuration of smelting and refining capacities (shutdown of Nickel Plant, increased shipments of nickel matte for processing to Kola MMC and to Harjavalta in Finland) scheduled in 2016, which is expected to result in a one-off increase in work-in-progress in transit and lower output of saleable metals.

Sales of copper produced from third party materials declined by 6 thousand tons from 9 thousand to 3 thousand tons in 2015. This was primarily driven by reduction of low-margin tolling operations at Kola MMC.

In 2015, physical volume of copper sales from Russian feed amounted to

340 kt

In 2015, physical volume of nickel sales from Russian feed amounted to

195 kt

Financial Overview

PALLADIUM

In 2015, palladium sales accounted for 23% of the Group's total metal revenue. The Group's palladium revenue decreased by 19% (or by USD 414 million) from USD 2,221 million to USD 1,807 million in 2015. This was driven by both the decrease in palladium sales volumes (-USD 141 million) and lower realized palladium price (-USD 289 million). Additional USD 95 million of palladium revenue in 2015 came from the re-sale of metal purchased in the open market to fulfil the Company's contractual obligations comparing to USD 79 million in 2014.

Sales of palladium produced in Russia from own feedstock decreased by 19% y-o-y from USD 2,084 m to USD 1,691 m. The decline was driven by both lower realised palladium price (down 14% y-o-y) from USD 804 per troy ounce in 2014 to USD 695 per troy ounce in 2015 and reduced sales volumes of palladium (down 6% y-o-y) in 2015 primarily by the one-off allocation of saleable metal into metal reserves.

PLATINUM

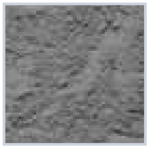
In 2015, platinum sales accounted for 8% of the Group's total metal sales. The platinum revenue reduced by 27% y-o-y (USD 238 million) from USD 869 million in 2014 to USD 631 million in 2015 primarily due to the reduction of platinum sales volume (by USD 41 million) and the platinum price (by USD 205 million). In 2015, in order to fulfil contractual obligations, the Company realized platinum purchased from third parties for a consideration of USD 8 million.

The revenue from platinum produced in Russia from own feedstock decreased 26% y-o-y from USD 827 m to USD 609 m in 2015. The reduction was driven by a 24% y-o-y decline in the average realised platinum selling price (from USD 1,388 per troy ounce in 2014 to USD 1,057 per troy ounce in 2015) as well as the one-off allocation of saleable metal into metals reserve (for details see above).

OTHER METALS

The revenue from other metals was down 32% y-o-y (or by USD 155 million) to USD 326 million due to the decline in revenue from sale of gold (-38%), cobalt (-28%), rhodium (-27%) and silver (-30%) driven lower physical volumes (USD 77 million) and realized price (USD 78 million).

SEMI-PRODUCTS



In 2015, the revenue from the sales of semi-products (copper cake and nickel concentrate) decreased by 13% y-o-y (or USD 28 million) to USD 193 million, and accounted for 2% of the Group's total metal sales revenue. The decrease was mainly driven by lower realized prices and the divestiture of Tati Nickel.

OTHER SALES

In 2015, the revenue from other sales decreased by 32% y-o-y to USD 659 million mainly due to Russian rouble depreciation against US dollar (a negative impact of USD 325 million) as major part of these operations are nominated in Russian roubles.

The decrease of other sales was additionally driven by lower sales in non-core operations, of which largest negative factor was a USD 36 million reduction in revenue from fuel and gas condensate sales on the back of lower market prices.

Europe's share in metal revenue

59%

Asia's share in metal revenue

27%

Cost of Metal Sales

COST OF METALS SALES

In 2015, the cost of metal sales decreased 34% y-o-y (or USD 1,626 million) to USD 3,179 million owing to:

- reduction of cash operating costs by USD 1,056 million (or 26% y-o-y);
- decrease in depreciation charges by USD 222 million (or 32% y-o-y);
- comparative effect of change in metal inventories by USD 348 million.

CASH OPERATING COSTS

In 2015, total cash operating costs decreased 26% y-o-y (or USD 1,056 million) to USD 3,011 million owing to:

- the effect of Russian rouble depreciation against US dollar (cost reduction impact of USD 1,109 million);
- decrease in the costs of metals for resale, raw materials and semi-products (reduction by USD 111 million).

The cost reduction was negatively offset by:

- increase of cash operation costs in local currency due to inflation (USD 131 million);
- increase of other expenses (USD 33 million).

The allocation of cash operating cost between main productions units in 2015 was as follows:

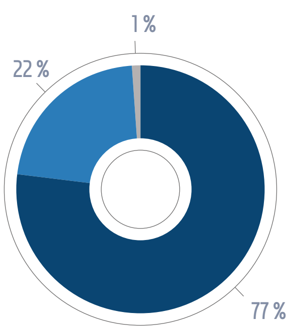
- Russia - 77%;
- Finland (NN Harjavalta) - 22%;
- Norilsk Nickel International - 1%.

COST OF METALS SALES

Cost of metals sales, **USD million**

	2015	2014	CHANGE, %
Cash operating costs	**3,011**	**4,067**	**–26**
Labour	1,131	1,536	–26
Metals for resale, raw materials and semi-products	718	829	–13
Materials and supplies	450	537	–16
Third-party services	186	403	–54
Mineral extraction tax and other levies	117	194	–40
Electricity and heat energy	131	191	–31
Fuel	66	128	–48
Transportation expenses	75	87	–14
Sundry costs	137	162	–15
Amortisation and depreciation	**476**	**698**	**–32**
Decrease/(increase) in metal inventories	–308	**40**	–9x
Total cost of metal sales, including:	**3,179**	**4,805**	**–34**
Russian operations	2,320	4,120	–44
NN Harjavalta	827	485	71
NN International	32	200	–84

The allocation of cash operating cost between main productions units in 2015 was as follows:



	USD million
Russia	2,320
Finland (NN Harjavalta)	827
Norilsk Nickel International	32

CASH OPERATING COSTS

LABOUR

The share of labour costs remained unchanged at 38% of the Group's total cash operating costs. In 2015, labour costs amounted to of USD 1,131 million decreasing 26% y-o-y (USD 405 million) driven by a:

- USD 559 million reduction owing to the Russian rouble depreciation against US dollar;

and partly offset by a:

- USD 154 million increase owing to indexation of RUB-denominated wages and salaries of production employees in Russia (USD 97 million) as well by the growth in the headcount by 2%.

Financial Overview

Purchases of metals for resale and semi-products

Expenses on the acquisition of metals for resale and semi-products for processing decreased by 13% y-o-y (USD 111 million) to USD 718 million in 2015 mainly due to:

- lower metal prices and changes in the structure of the purchased raw materials (reduction by USD 258 million);
- higher volume of raw materials purchased from third parties for refining at NN Harjavalta and BCL (increase by USD 59 million);
- USD 88 million increase in metals purchased for resale driven primarily by allocation of saleable metal into metal reserves to smooth out the transition to new downstream configuration in 2016.

Materials and supplies

Materials and supplies expenses decreased 16% y-o-y (USD 87 million) to USD 450 million driven by the following:

- USD 196 million decrease due to Russian rouble depreciation against US Dollar;
- USD 109 million cash costs increase at Russian operations, mainly due to the price inflation (USD 32 million) and increase in expenses related to the modernization of Nadezhda metallurgical plant (purchases of spare parts for hydrometallurgy equipment) as well as purchase of spare parts for mining equipment.

Outsourced third party services

In 2015, the cash costs of third party services decreased 54% y-o-y (USD 217 million) to USD 186 million driven by the following:

- USD 110 million decrease due to the Russian rouble depreciation against US Dollar;
- USD 79 million decrease due to the divestiture of Tati Nickel in April 2015;
- USD 37 million decrease of expenses related to tolling services following the termination of concentrate processing contract with Boliden on July 1, 2015;
- USD 9 million increase in expenses related to other services.

Mineral extraction tax and other levies

Mineral extraction tax and environmental levies decreased by 40% y-o-y (USD 77 million) to USD 117 million in 2015 as a result of:

- USD 71 million decrease due to depreciation of Russian rouble against US Dollar;
- USD 6 million decrease due to changes in tax legislation on mineral extraction tax rate (for natural gas by 4.7 times and for gas condensate by 1.2 times).

Electricity and heat energy

In 2015, energy costs decreased by 31% y-o-y (USD 60 million) to USD 131 million primarily due to depreciation of Russian rouble against US Dollar (USD 54 million).

Fuel expenses

Fuel expenses decreased by 48% y-o-y (USD 62 million) to USD 66 million in 2015 primarily driven by the following:

- USD 46 million decrease owing to the Russian rouble depreciation against US Dollar;
- USD 16 million decrease in fuel expense at Russian production assets, mainly due to the reduction in oil price.

Transportation expenses

In 2015, transportation costs decreased 14% y-o-y (USD 12 million) to USD 75 million mainly driven by the depreciation of Russian rouble against US dollar.

Sundry costs

In 2015, sundry costs decreased by 15% y-o-y (USD 25 million) to USD 137 million mainly driven by the depreciation of Russian rouble against US dollar.

Amortisation and depreciation

In 2015, amortisation and depreciation of production assets decreased by 32% y-o-y (USD 222 million) to USD 476 million owing to the following factors:

In 2015, cost of metals sales decreased to

USD 3,179 m

Metal inventories and work - in-progress increased by

USD 308 m

due to creating metal reserves and accumulating of matte in transit

- USD 253 million reduction attributable to Russian rouble devaluation against US Dollar;
- USD 29 million increase of depreciation charges mainly due to increased additions of mining assets in 2014–2015 (USD 34 million), which was partly offset by the sale of Tati Nickel Mining Company in April 2015.

Increase of metal inventories

In 2015, the Company's refined metals and work-in-progress increased by USD 308 million, primarily due to the following:

- USD 297 million increase in refined metals owing to the one-off allocation of saleable metal into metal reserves, created to smooth out the transition to the new configuration of smelting and refining capacities (shutdown of Nickel Plant, increased shipments of nickel matte for processing to Kola MMC and to Harjavalta in Finland) scheduled in 2016, which is expected to result in a one-off increase in work-in-progress in transit and lower output of saleable metals;
- USD 11 million increase of work-in-progress materials, primarily due to:
  - USD 106 million growth in work-in-progress at Russian production assets, related to accumulation of matte in transit, caused by the ongoing reconfiguration of smelting and refining facilities;
  - USD 95 million decrease in semi-products stock mainly owing to its processing at Harjavalta nickel refinery.

COST OF OTHER SALES

In 2015, cost of other sales decreased by 32% y-o-y (USD 277 million) to USD 592 million due to the following factors:

- USD 321 million decrease owing to the Russian rouble depreciation against US Dollar;
- USD 44 million increase in costs, primarily due to the indexation of wages and salaries in Russia.

Gross profit margin of other sales in 2015 was unchanged at 10% (versus 11% in 2014).

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses decreased by 59% y-o-y (USD 196 million) to USD 139 million in 2015 due to the following factors:

- USD 18 million decrease owing to the depreciation of Russian rouble against US dollar;
- USD 137 million decrease of export duties primarily driven by the cancellation of nickel and copper export duties in Russia from August 21, 2014.
- USD 51 million decrease in marketing and advertising expenses due to cost reduction related to global marketing campaigns.

Selling and Distribution Expenses, **USD m**

	2015	2014	CHANGE, %
Export customs duties	88	225	–61
Labour	19	23	–17
Marketing	15	66	–77
Transportation expenses	8	15	–47
Other	9	6	50
Total	**139**	**335**	**–59**

Export customs duties decreased by

61%

due to cancellation of nickel and copper export duties in Russia

Financial Overview

GENERAL AND ADMINISTRATIVE EXPENSES, USD M

	2015	2014	CHANGE, %
Labour	352	465	–24
Third-party services	55	111	–50
Taxes other than mineral extraction tax and income tax	54	98	–45
Amortisation and depreciation	19	27	–30
Rental expenses	19	10	90
Transportation expenses	4	16	–75
Other	51	85	–40
Total	**554**	**812**	**–32**

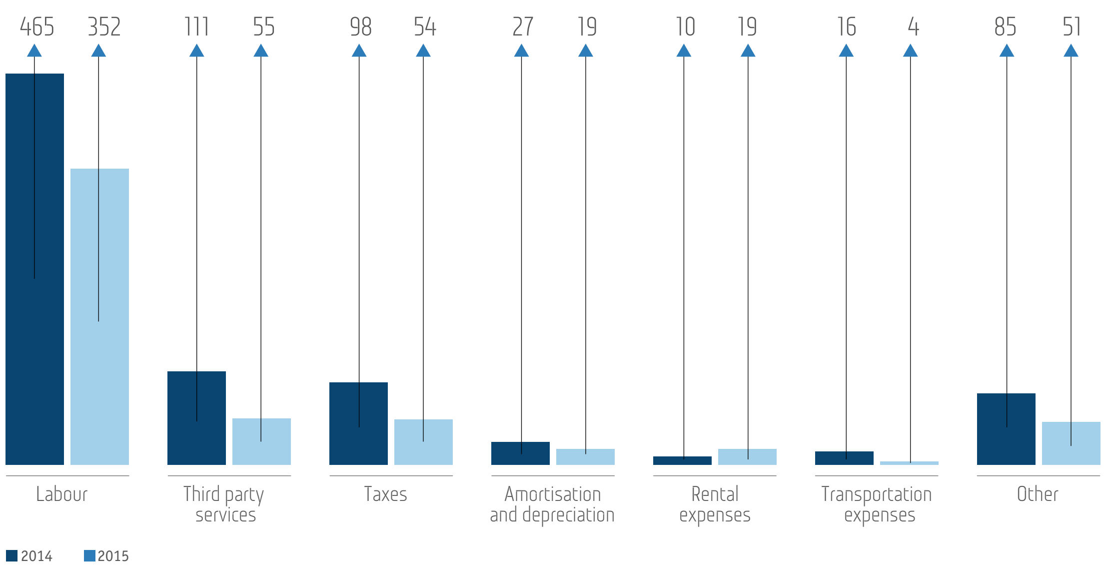
In 2015, general and administrative expenses decreased 32% y-o-y (USD 258 million) to USD 554 million mostly driven by the Russian rouble depreciation effect of USD 266 million.

Labour costs decreased by 24% y-o-y (USD 113 million) to USD 352 million mainly as results of the Russian rouble depreciation against USD.

Rental expenses increased by USD 9 million in 2015 primarily due to the relocation of the Company's head office from its own premises to a leased building.

Taxes other than mineral extraction and income tax decreased by USD 44 million in 2015 owing to the Russian rouble depreciation against USD.

General and Administrative Expenses, **USD m**



In 2015, general and administrative expenses desreased by

32% y-o-y

FINANCE COSTS, USD M

	2015	2014	CHANGE, %
Interest expense on borrowings net of amounts capitalized	281	135	108
Unwinding of discount on environmental obligations	44	43	2
Other	1	1	–
Total	**326**	**179**	**82**

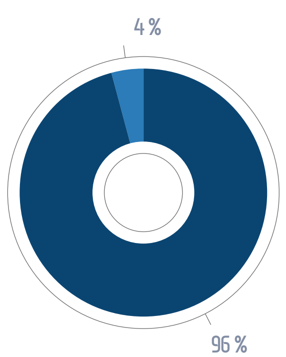
In 2015, increase in finance costs by 82% y-o-y to USD 326 million was mostly driven by higher interest expense on borrowings net of amounts capitalized due to new borrowings made by the Company in 2014–2015.

INCOME TAX EXPENSE

In 2015, income tax expense decreased by 20% y-o-y to USD 528 million driven mostly by lower revenue, Russian rouble depreciation against US dollar and accumulated taxable loss on investments in shares of Inter RAO.

The effective income tax rate in 2015 amounted to 24%, which was above the statutory tax rate of 20% in Russia. This was primarily driven by the cumulative effect of recognition of non-deductible loss from disposal of assets held-for-sale, allowance for deferred tax assets and effect of different tax rates of subsidiaries operating in other jurisdictions. These effects were partly offset by the utilization of previously unrecognized deferred tax asset.

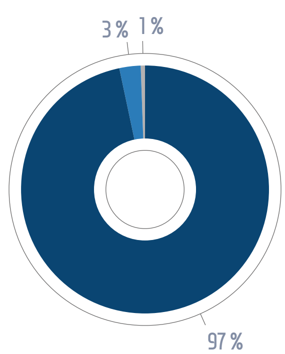
Income tax expences, **USD m**



USD 528 m

	USD m
Current income tax expense	506
Deferred tax expense	22

Income tax expense attributed to geographical jurisdictions, **USD m**



USD 506 m

	USD m
Russian Federation	490
Finland	14
Rest of world	2

Financial Overview

EBITDA

USD M

	2015	2014	CHANGE, %
Operating profit	**3,506**	**4,746**	**(26)**
Amortisation and depreciation	506	805	(37)
Impairment of PP&E	284	130	118
EBITDA	**4,296**	**5,681**	**(24)**
EBITDA margin	**50 %**	**48 %**	**2 p. p.**

In 2015, EBITDA decreased by 24% y-o-y (USD 1,385 million) to USD 4,296 million with EBITDA margin amounting to 50% (up from 48% in 2014). For a detailed analysis of EBITDA changes please see investor presentation (available on the Company's internet site).

Net Profit before Impairment Charges and Foreign Exchange Losses Reconciliation

USD M

	2015	2014	CHANGE, %
Net profit	**1,716**	**2,000**	**–14**
Impairment of PP&E	284	130	118
Impairment of available for sale investments	–	244	–100
Foreign exchange loss	865	1,594	–46
Loss/(gain) from disposal of subsidiaries and assets classified as held for sale	302	213	42
Net profit before impairment charges and foreign exchange losses	**3,167**	**4,181**	**–24**

In 2015, EBITDA amounted to

USD **4.3** bn

In 2015, net profit adjusted for non-cash items reached

USD **3.2** bn

Statement of Cash Flows

USD M

	2015	2014	CHANGE, %
Cash generated from operations before changes in working capital and income tax	**4,489**	**5,770**	**–22**
Movements in working capital	–112	1,002	–111
Income tax paid	–672	–825	–19
Net cash generated from operating activities	**3,705**	**5,947**	**–38**
Capital expenditure	–1,654	–1,298	27
Other investing activities	354	76	4x
Net cash used in investing activities	**–1,300**	**–1,222**	**–6**
Net cash used in financing activities	**–998**	**–2,979**	**–66**
Effects of foreign exchange differences on balances of cash and cash equivalents	–113	–578	–80
Other	–33	4	–9x
Net increase in cash and cash equivalents	**1,261**	**1,172**	**8**

In 2015, net cash generated from operating activities decreased 38% y-o-y to USD 3.7 billion owing to the following factors:

- USD 1,385 million EBITDA decrease driven primarily by lower realized metal prices;
- Accelerated reduction of working capital in 2014 by (USD 1 billion) as compared with a USD 112 million increase in working capital in 2015.

Balance Sheet and Cash Flow Working Capital Reconciliation

USD M

	2015	2014
Change of the net working capital in the balance sheet, less:	**57**	**1,935**
Foreign exchange differences	–357	–859
Change in income tax payable	89	103
Changes of working capital within assets held for sale	12	–6
Non-cash changes, including reserves	87	171
Change of working capital per cash flow	**–112**	**1,002**

CAPEX Breakdown by Project

USD M

	2015	2014	2013
Polar Division, including:	989	788	1,224
Skalisty mine	256	122	335
Taymirsky mine	72	68	59
Komsomolsky mine	45	73	56
Oktyabrsky mine	70	85	96
Talnakh enrichment plant	257	171	182
Nickel plant closure	61	25	26
Kola MMC	118	106	179
Chita copper project (Bystrinsky project)	131	89	140
Other production projects	384	288	425
Other non-production assets	4	6	2
Intangible assets	28	21	19
Total	**1,654**	**1,298**	**1,989**

CAPEX increased 27% y-o-y (USD 356 million) in 2015. The increase was driven mainly by the acceleration of Skalisty mine development schedule, ongoing reconstruction of Talnakh enrichment plant, the construction of the Bystrinsky project as well as the preparations for the shutdown of Nickel plant scheduled for 2016.

Total CAPEX amounted to

USD 1.7 bn

CAPEX for the main project of Polar division amounted to

USD 987 m

Debt and Liquidity Management

USD M

	AS OF DECEMBER 31 2015	AS OF DECEMBER 31 2014	CHANGE, USD M	CHANGE, %
Long-term	7,142	5,678	1,464	26
Short-term	1,124	652	472	72
Total debt	**8,266**	**6,330**	**1,936**	**31**
Cash and cash equivalents	4,054	2,793	1,261	45
Net debt	**4,212**	**3,537**	**675**	**19**
Net debt/ 12M EBITDA	1.0x	0.6x	0.4x	

As of December 31, 2015, the Company's total debt increased 31% y-o-y (USD 1,936 million) to USD 8,266 million. Short-term debt increased by USD 472 million to USD 1,124 million, while long-term debt increased by USD 1,464 million to USD 7,142 million. As a result, the proportion of short-term debt in the total debt portfolio increased from 10% to 14% as of December 31, 2015.

Net debt increased 19% y-o-y (USD 675 million) to USD 4,212 million. Net debt/EBITDA ratio increased to 1.0x.

In 2015, the Company continued the debt portfolio optimization in line with the Group financial policy.
In particular, the Company entered into a number of long-term financing agreements with local and international banks totaling approximately USD 1,650 million.
New unsecured committed credit line agreements were concluded for the total of USD 1,350 million, resulting in increase of the total limit of available committed credit lines to USD 1,795 million. In October, 2015 the Company issued 7-year Eurobonds for the total amount of USD 1,000 million.

These initiatives increased the average maturity of the Company's debt portfolio, smoothened the repayment schedule, balanced the debt currency breakdown and diversified the sources of financing.

As of the end of the 2015 the Company' credit ratings, assigned by Standard &Poor's and Fitch rating agencies remained at an investment grade level (BBB-, BBB-).
The Company's credit rating assigned by Moody's was at Ba1 level, below investment grade as a result of the lowering of Russia's "sovereign ceiling" to sub-investment grade by this agency.

Net debt / EBITDA ratio amounted to

1.0x

The Company successfully placed Eurobonds worth

USD 1.0 bn

CORPORATE GOVERNANCE

Contents


03

Principles and structure

PRINCIPLES

In line with best practices, the Board of Directors of MMC Norilsk Nickel reaffirms the Company's commitment to the highest corporate governance standards, and confirms its compliance with key material principles of the Corporate Governance Code as recommended by the Bank of Russia.

The Board of Directors views compliance with key principles and recommendations of the Corporate Governance Code as an efficient tool to improve corporate governance and ensure long-term sustainable growth.

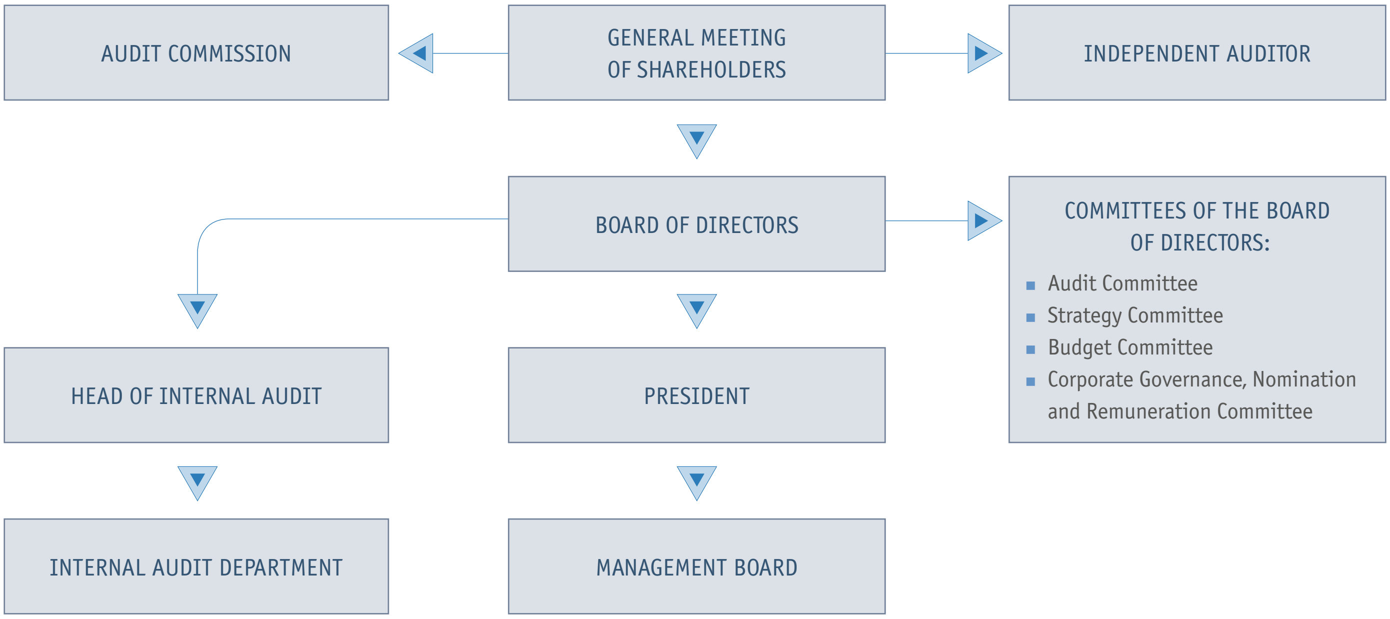
Since 2002, the Company has been following the recommendations of the Corporate Governance Code first adopted by the FCSM / FFMS and then, on 21 March 2014, by the Board of Directors of the Bank of Russia.

For the report on compliance with key principles and recommendations of the Corporate Governance Code, see Appendix 2.

The task to sustainably increase the Company's value has been solved by combining the long-term growth strategy and the integrated corporate governance framework, including transparency in the operation of the Board of Directors. The growth strategy is central to the process and forms a long-term vision of the Company based on the key growth drivers and business results, risk assessment and management, the analysis of changes in the global and regional markets, as well as the regulatory environment. To this end, the Board of Directors constantly monitors the progress across all of the strategy components and plays a decisive role in the discussions on strategic approaches and the best choice of strategic junctions

ANDREY BOUGROV
Vice President, Deputy Chairman of the Board of Directors of PJSC MMC Norilsk Nickel

STRUCTURE



CORPORATE GOVERNANCE MODEL AND PRACTICES

Description of the model and practices

The Company's corporate governance model is based on the applicable law of the Russian Federation and principles set forth in the Corporate Governance Code, which serves as a key source for development of the Company's by-laws and a guidance to nurture best corporate governance practices.

The corporate governance model adopted by the Company and established corporate governance practices seek to harmonise the relationships among shareholders, investors, directors, executives, employees, and other stakeholders contributing to the Company's business.

The Company's corporate governance model ensures:
- equitable and fair treatment of every shareholder exercising their right to take part in managing the Company;
- strategic governance of the Company as performed by the Board of Directors;
- control of the Board of Directors over the Company's executives, and accountability of directors to the Company's shareholders;
- efficient control over the Company's financial and operating performance;
- timely and accurate disclosure of all material aspects related to the Company's business, including its financial position, performance, ownership and governance structure.

Enhancement of the model and practices

Today, enhancement of corporate governance materially contributes to the social and economic development of the Company.
Pursuant to the Company's programme to improve its corporate governance framework as approved by the Corporate Governance, Nomination and Remuneration Committee of the Board of Directors in December 2013, the Company developed internal regulations on the committees of the Board of Directors in 2015, including:
- Regulations on the Corporate Governance, Nomination and Remuneration Committee of the Board of Directors;
- Regulations on the Audit Committee of the Board of Directors;
- Regulations on the Budget Committee of the Board of Directors;
- Regulations on the Strategy Committee of the Board of Directors.

In 2016, the Company is planning to gradually implement the principles and procedures set out in the approved regulations in order to improve the performance of the Company's Board of Directors and its committees.

Corporate bodies

General Meeting of Shareholders

According to the Federal Law on Joint Stock Companies and the Charter of MMC Norilsk Nickel, the General Meeting of Shareholders is the Company's supreme corporate body.

The Annual General Meeting of Shareholders is held on an annual basis not earlier than three months before and not later than six months after the end of the financial year. General Meetings other than Annual General Meetings of Shareholders are defined as Extraordinary General Meetings of Shareholders and are held as per resolution of the Board of Directors at their discretion or at the request of the Auditing Commission, the Company's auditor, or shareholders who own at least 10% of the Company's voting shares as at the date of the request. For more details on the procedures to convene, prepare for and conduct general meetings, see the *Regulation on the General Meeting of Shareholders of MMC Norilsk Nickel*.

The notice of a General Meeting of Shareholders shall be published in the Rossiyskaya Gazeta newspaper and the Taimyr newspaper and posted at the Company's website (http://www.nornik.ru) not later than 30 days prior to the date on which the General Meeting is to be held. If a General Meeting is conducted in the form of absentee voting (by ballot), notice of the meeting shall be given in the above newspapers at least 30 days prior to the deadline set for the collection of ballot sheets.

Norilsk Nickel shareholders, including both holders registered in the shareholder register and clients of nominal holders (information on such clients is provided by the nominal holders), shall receive a ballot from the Company and are entitled to exercise their voting rights by sending the ballot sheet via mail, or by attending the General Meeting of Shareholders (in person or by proxy).

American Depositary Receipt (ADR) holders do not receive ballot sheets of a General Meeting directly from the Company. According to the Depository Agreement, the Company notifies the Depository, which in turn in the shortest possible time, and provided it is not prohibited by the Russian law, notifies ADR holders about the General Meeting, and encloses voting materials and a document describing the voting procedure for ADR holders. To exercise their voting rights, ADR holders instruct the Depository accordingly.

A General Meeting of Shareholders shall be considered properly convened (having a quorum) if the shareholders who own in aggregate more than 50% of the votes granted by the voting shares of the Company are present at the meeting.

Shareholders owning at least 2% of the Company's voting shares may propose items to be included in the agenda of Annual General Meetings of Shareholders, and may put forward candidates for election to the Board of Directors and Audit Committee of the Company subject to the extent and within the deadlines established by the Federal Law and the Company's Charter.

Voting at the General Meeting of Shareholders shall be conducted in accordance with the "one share, one vote" rule, unless otherwise provided for in the Federal Law. Members of the Company's Board of Directors are elected through cumulative voting, i.e. when the number of votes held by each shareholder is multiplied by the number of persons to be elected to the Board of Directors.

The notice of a General Meeting of Shareholders shall be published in the Rossiyskaya Gazeta newspaper and the Taimyr newspaper and posted at the Company's website (http://www.nornik.ru) not later than 30 days prior to the date on which the General Meeting is to be held.

THE SCOPE OF THE GENERAL MEETING OF SHAREHOLDERS INCLUDES:

- restructuring and liquidation of the Company;
- election of members of the Board of Directors and the Audit Commission, and early termination of their powers;
- splitting and consolidation of shares, deciding on the number, par value, category (type) of authorised shares and the rights conferred by such shares;
- increasing the Company's authorised capital through rises in the par value of its shares or the offering of additional shares pursuant to the Federal Law;
- decreasing the Company's authorised capital through reducing the par value of its shares, purchasing part of the shares to reduce their total number, and redempting the acquired or repurchased shares;
- approval of the Company's independent auditor;
- amendments and additions to the Company's Charter and approval of internal documents governing the activities of the Company's management bodies;
- approval of annual reports, annual financial statements, including income statements (profit and loss accounts) of the Company, distribution of profit, including payment (declaration) of dividends;
- making decisions on the approval of major transactions and interested party transactions to the extent provided for in the Federal Law;
- other matters as provided for by the Federal Law On Joint Stock Companies and the Company's Charter.

Board of Directors

The Board of Directors is the collective management body in charge of the general management of the Company's activities, with the exception of matters that fall within the scope of the General Meeting of Shareholders, as specified in the Federal Law and the Company's Charter.

Meetings of the Board of Directors (in person or in absentia) are held as and when required, but at least once every six weeks. Meetings are convened by the Chairman of the Board of Directors at the latter's discretion or at the request of a member of the Board of Directors, Audit Commission, auditor, Management Board, President, or shareholders holding at least 10% of the Company's ordinary shares. Such a request shall be made in writing and specify the reasons for convening the meeting. The procedure for convening and holding the meetings of the Board of Directors is specified in the Company's internal document, *Regulation on the Board of Directors*.

Members of the Board of Directors are elected at the Annual or Extraordinary General Meeting of Shareholders according to the procedure provided for in the Federal Law for the period until the next Annual Meeting.

In 2015, the composition of the Board of Directors was changed on 13 May by resolution of the General Meeting of Shareholders. As at the end of 2015, the Board of Directors consisted of 13 members including five independent directors, two newly elected directors and one executive director.

A meeting of the Board of Directors is deemed duly constituted (quorate) if at least one half of the elected members of the Board are present. The Board of Directors' decisions are made by a majority vote of the members of the Board of Directors who participate in the meeting. According to the Charter, certain matters require a bigger quorum and larger number of votes for a decision to be adopted.

THE SCOPE OF POWERS OF THE BOARD OF DIRECTORS INCLUDES:

- deciding on the Company's core business areas, concepts and strategies, implementation of these strategies, approving and amending corporate plans and budgets;
- making proposals for the consideration of the shareholders' meeting on the Company's restructuring and increasing (decreasing) the Company's authorised capital;
- recommendations on dividends per share and the related payment procedure, and approval of the Company's dividend policy;
- other matters as provided for by the Federal Law On Joint Stock Companies and the Company's Charter.

Chairman of the Board of Directors and independent directors

CHAIRMAN OF THE BOARD OF DIRECTORS

The Chairman of the Board of Directors is elected among the members of the Board of Directors by themselves by a majority vote from the total number of members of the Company's Board of Directors. The Board of Directors is entitled to re-elect the Chairman of the Board of Directors at any time by a majority vote from the total number of members of the Company's Board of Directors. When the Chairman of the Board of Directors is unavailable, the respective responsibilities are assumed by member of the Board of Directors appointed by the Board of Directors.

As set forth in the Regulation on the Board of Directors (approved by the Annual General Meeting of Shareholders of MMC Norilsk Nickel held on 30 June 2009), the key responsibilities of the Chairman of the Board of Directors are as follows:

- organising the work of the Board of Directors, ensuring efficient organisation of activities of the Board of Directors and its committees,
- ensuring interaction and keeping contacts with other bodies and officers of the Company,
- convening meetings of the Board of Directors and arranging for timely and due notification of members of the Board of Directors about the upcoming Board of Directors meeting,
- chairing the Board of Directors meetings or organising absentee voting, ensuring that the procedure for holding the Board of Directors' meetings is observed,
- ensuring the opportunity for members of the Board of Directors to express their point of view on the discussed items, ensuring a constructive and benevolent atmosphere at the meeting,
- drafting the agenda of the Board of Directors' meeting, making arrangements for minutes to be taken at meetings of the Board of Directors and signing these minutes,
- organising the preparation of the report of the Board of Directors for the year to be included in the Company's Annual Report.

Since March 2013, the Board of Directors has been chaired by the independent and non-executive director Gareth Peter Penny. During the reporting year, the Board of Directors chaired by Gareth Peter Penny made some major decisions and took steps enabling the Company to enhance its business competitiveness currently and going forward. Simultaneous participation of the Chairman of the Board of Directors in other companies' boards of directors did not affect his performance in respect of the Board of Directors of MMC Norilsk Nickel, helping it to remain Russia's most profitable and financially sustainable mining company.

INDEPENDENT DIRECTORS

In accordance with global corporate governance practices and the recommendations of the Corporate Governance Code, no less than one third of the Board of Directors should consist of independent directors. As at 31 December 2015, the Board of Directors of MMC Norilsk Nickel consisted of 13 members, including five independent directors.

Independent members of the Board of Directors meet the independence criteria recommended by the Corporate Governance Code and requirements established by the current version of the Listing Rules of MICEX Stock Exchange, which state that an independent director is one who is not related to:

- competitors,
- major counterparties,
- major shareholders in the Company,
- federal (Russian Federation or its constituent entities) and regional governments or municipal entities.

Directors' liability insurance

Since 2003, the Company has had its directors' liability insured. The insurance aims to cover potential damage arising from unintended erroneous actions of the Company's directors in their management activities.

Pursuant to the insurance agreement, insurance premium shall not exceed USD 1 m. The terms and conditions of the agreement as well as the amount of insurance cover are consistent with the world's best practices for such risks.

Activities of the Board of Directors in 2015

2015 was another difficult year when Norilsk Nickel's growth strategy and management framework were tested in an environment of slow and uneven global economic recovery as well as a generally complicated international situation. But even in these challenging circumstances, the Company kept demonstrating exceptional resilience delivering excellent operating and financial results.
Led by a top-caliber management team with extensive international experience, the Company is committed to the best practices. The Board of Directors of MMC Norilsk Nickel declares that the Company adheres to the highest standards of corporate governance and complies with the most significant (key) principles of the Corporate Governance Code, which are a valuable tool for improving management effectiveness to ensure long-term and sustainable growth of the Company.

Throughout the year, the Board of Directors made serious decisions aimed at strengthening the financial discipline and launched initiatives focused on the Company's financial stability. In order to protect the Company's financial interests, ensure effective operation of its management and control bodies and safeguard shareholder rights, a number of amendments were made to the Company's by-laws. Particularly, the Board of Directors updated the Company's growth strategy presented to the investment community in the reporting year and approved the management's key approaches to functional strategies. During the reporting year, the Board of Directors made decisions and took measures on a quarterly basis to ensure that the Company adheres to the highest standards in health, safety and environment across all geographies. Strictly adhering to the highest standards of corporate governance and social responsibility, the Company plans to continue enhancing focus on these areas to maintain and strengthen its leadership reaffirming its reputation of a business capable of achieving outstanding results regardless of economic cycles.

In 2015, the Board of Directors of MMC Norilsk Nickel held

47

meetings:

9 meetings in person,
38 meetings in absentia

In the reporting year, the composition of the Board of Directors was changed once by resolution of the Annual General Meeting of Shareholders held on 13 May 2015.

■ Information about the Board of Directors and participation in meetings

THE BOARD OF DIRECTORS	INDEPENDENT DIRECTOR	NON-EXECUTIVE DIRECTOR	STRATEGY COMMITTEE	BUDGET COMMITTEE	AUDIT COMMITTEE	CORPORATE GOVERNANCE, NOMINATION AND REMUNERATION COMMITTEE	PARTICIPATION IN MEETINGS: IN PERSON / IN ABSENTIA
Current members of the Board of Directors							
Gareth Peter Penny — Chairman of the Board of Directors	+	+	+				9/38
Gerhardus Prinsloo	+	+	+	+	+		9/38
Robert Edwards	+	+			+	+	9/38
[redacted]	+	+	+	+		+	9/38
Andrey Korobov[1]	+	+					6/25
Andrey Bougrov							9/38
Marianna Zakharova[1]				+	+	+	9/38
Sergey Barbashev		+		+		+	9/38
Alexey Bashkirov		+	+	+	+		9/38
Maksim Sokov		+	+				9/38
Vladislav Solovyov		+		+			9/38
Stalbek Mishakov		+			+	+	9/38
Rushan Bogaudinov[2]		+					6/25
Members of the Board of Directors who stepped down on 13 May 2015							
Yegor Ivanov[3]		+			+		3/13
Sergey Skvortsov[3]	+	+					3/13

[1] *Left the Committee as per the Board of Directors' resolution of 8 October 2015 (Minutes No. GMK/35-pr-sd).*
[2] *Elected to the Board of Directors formed by the Annual General Meeting of Shareholders held on 13 May 2015.*
[3] *Not elected to the Board of Directors formed by the Annual General Meeting of Shareholders held on 13 May 2015.*

Biographies of Board of Directors members

GARETH PETER HERBERT PENNY

- Chairman of the Board of Directors since March 2013
- Independent non-executive director
- Member of the Strategy Committee

Born in: 1962
Nationality: UK

Education:
Diocesan College (Bishop); Eton College (Cape Town); Oxford, Rhodes Scholar, Master of Arts in Philosophy, Politics and Economics

Track record:
2007–present – Director at Julius Bär Holding Ltd
2011–2012 – CEO at AMG Mining
2012–present – Executive Chairman at New World Resources Plc
2012–present – Executive Director at New World Resources Plc
2012–present – member of the Board of Directors at OKD

Share in the Company's authorised capital: 0 %
Share in the common stock: 0 %

ANDREY BOUGROV

- Member of the Board of Directors since 2002
- Deputy Chairman of the Board of Directors since March 2013
- Member of the Management Board since 2013

Born in: 1952
Nationality: Russia

Education:
Moscow State Institute of International Relations (MGIMO), PhD in Economics

Track record:
2002–present – member of the Council on Foreign and Defence Policy
2006–present – member of the Management Board at the Russian Union of Industrialists and Entrepreneurs
2007–2011 – Chairman of the Management Board at the Bureau of Economic Analysis
2008–2011 – Chairman of the Board of Directors at Prof-Media Management
2010–2013 – member of the Management Board and Deputy CEO at Interros Holding Company
2011–2013 – Chairman of the Board of Directors at MMC Norilsk Nickel
2013–2014 – member of the Board of Directors at the Federal Hydro-Generating Company RusHydro
2013–2015 – Vice President at Interros Holding Company
2013–2015 – Deputy CEO at MMC Norilsk Nickel
2013–present – Vice President of the Russian Union of Industrialists and Entrepreneurs
2014–present – member of the Board of Directors at Inter RAO UES
2015–present – Vice President at MMC Norilsk Nickel
2015–present – Vice President at Interros Holding Company (LLC)

Share in the Company's authorised capital: 0 %
Share in the common stock: 0 %

SERGEY BARBASHEV

- Member of the Board of Directors since March 2011
- Non-executive director
- Member of the Corporate Governance, Nomination and Remuneration Committee

Born in: 1962
Nationality: Russia

Education:
Moscow Higher School of Militia of the Ministry of Internal Affairs of the USSR, degree in Law

Track record:
2008-2015 – CEO, Chairman of the Management Board at Interros Holding Company
2008–present – member of the Board at the Vladimir Potanin Charitable Foundation
2011–present – Chairman of the Board of Directors at Rosa Khutor Ski Resort Development Company
2015–present – CEO, Chairman of the Management Board at Interros Holding Company (LLC)
2015–present – Branch Director at Olderfrey Holdings Ltd.

Share in the Company's authorised capital: 0.000088 %
Share in the common stock: 0.000088 %

ALEXEY BASHKIROV

- Member of the Board of Directors since March 2013
- Non-executive director
- Chairman of the Budget Committee since March 2013, member of the Audit Committee since October 2015, member of the Strategy Committee

Born in: 1977
Nationality: Russia

Education:
Moscow State Institute of International Relations (MGIMO), degree in International Economics

Track record:
2009–2015 – Executive Director, Head of the Investment Department, Deputy CEO for Investments at Interros Holding Company
2009–2013 – member of the Board of Directors at Rosa Khutor Ski Resort Development Company
2009–2014 – member of the Board of Directors at Prof-Media Management
2010–2011 – member of the Board of Directors at Open Investments, Third Generation Company of the Wholesale Electricity Market
2010–2012 – member of the Board of Directors at Stavropol Broiler, Agros Agroindustrial Complex
2011–2015 – member of the Management Board at Interros Holding Company
2011–2012 – member of the Board of Directors at ProfEstate
2012–2014 – member of the Board of Directors at SP Holding, Cinema Park
2014–present – member of the Board of Directors at NPO Petrovax Pharm, Zaodno
2015–present – member of the Management Board, Deputy CEO for Investments at Interros Holding Company (LLC)

Share in the Company's authorised capital: 0 %
Share in the common stock: 0 %

MARIANNA ZAKHAROVA

- Member of the Board of Directors since June 2010
- Member of the Audit Committee, Budget Committee and Corporate Governance, Nomination and Remuneration Committee until October 2015

Born in: 1976
Nationality: Russia

Education:
Peoples' Friendship University of Russia (RUDN), master's degree in Law

Track record:
2010–2015 – Deputy CEO for Legal Affairs at Interros Holding Company
2010–2015 – member of the Management Board at Interros Holding Company
2010–2015 – member of the Board of Directors at ProfEstate
2015–2015 – member of the Management Board at Interros Holding Company (LLC)
2015–2015 – Deputy CEO for Legal Affairs at Interros Holding Company (LLC)
2015–present – First Vice President for Corporate Governance, Asset Management and Legal Affairs at MMC Norilsk Nickel

Share in the Company's authorised capital: 0 %
Share in the common stock: 0 %

STALBEK MISHAKOV

- Member of the Board of Directors since 2012
- Non-executive director
- Member of the Corporate Governance, Nomination and Remuneration Committee, member of the Audit Committee

Born in: 1970
Nationality: Russia

Education:
Moscow State Institute of International Relations (MGIMO), degree in International Law;
University of Notre Dame, master's degree;
Diplomatic Academy of the Russian Foreign Ministry, PhD in Economics

Track record:
2010–present – Advisor to the CEO at RUSAL Global Management B. V.
2013–present – Deputy CEO at En+ Management
2013–present – member of the Board of Directors at United Company RUSAL Plc

Share in the Company's authorised capital: 0 %
Share in the common stock: 0 %

GERHARDUS PRINSLOO CORNELIS

- Member of the Board of Directors since 2012
- Independent non-executive director
- Chairman of the Audit Committee since March 2013, member of the Strategy Committee

Born in: 1965
Nationality: Germany

Education:
University of Pretoria, South Africa

Track record:
2008–2012 – Partner, Director at Bain & Company Russia LLC
2012–present – CEO at Natural Resource Partnership

Share in the Company's authorised capital: 0 %
Share in the common stock: 0 %

MAKSIM SOKOV

- Member of the Board of Directors since December 2008
- Non-executive director
- Chairman of the Strategy Committee since March 2013

Born in: 1979
Nationality: Russia

Education:
Russian State Tax Academy under the Russian Ministry of Taxes, degree in Law;
New York University, master's degree in Law

Track record:
2008–2013 – CEO at OK RUSAL – Investment Management
2009–2011 – member of the Board of Directors at Third Generation Company of the Wholesale Electricity Market
2010–2011 – Director of Strategy and Corporate Development at RUSAL Global Management B. V.
2011–2012 – Director of Strategy at RUSAL Global Management B. V.
2012–present – member of the Board of Directors at United Company RUSAL Plc
2012–2013 – Director of Strategic Investment Management at RUSAL Global Management B. V.
2013–2014 – Advisor on Strategic Investment Management at RUSAL Global Management B. V. and First Deputy CEO at En+ Group Ltd
2013–present – CEO at En+ Management, member of the Board of Directors at Eurosib Energo Plc and En+ Group Ltd
2014–present – CEO at En+ Group Ltd

Share in the Company's authorised capital: 0 %
Share in the common stock: 0 %

VLADISLAV SOLOVYOV

- Member of the Board of Directors since March 2013 (also from 2008 to March 2011)
- Non-executive director
- Member of the Budget Committee

Born in: 1973
Nationality: Russia

Education:
Graduate School of Management of the State Academy of Management;
Stankin Moscow State University of Technology;
MBA

Track record:
2008–2010 – CEO at En+ Management
2010–2014 – First Deputy Director at RUSAL Global Management B. V.
2014–present – CEO at RUSAL Global Management B. V.

Share in the Company's authorised capital: 0 %
Share in the common stock: 0 %

ROBERT EDWARDS

- Member of the Board of Directors since 2013
- Independent non-executive director
- Member of the Corporate Governance, Nomination and Remuneration Committee, member of the Audit Committee

Born in: 1966
Nationality: UK

Education:
Camborne School of Mines, degree in Mining Engineering

Track record:
2002–2011 – Head of Metals and Mining at Renaissance Capital Ltd
2012 – Chairman of Global Metals and Mining Research at Renaissance Capital Ltd
2013–2014 – Senior Advisor at Royal Bank of Canada (Europe) Capital Markets
2013–present – CEO at Highcross Resources Ltd
2014–present – Director at GB Minerals Ltd
2016–present – Non-executive Chairman at Sierra Rutile Limited (SRX)

Share in the Company's authorised capital: 0 %
Share in the common stock: 0 %

ANDREY KOROBOV

- Member of the Board of Directors since May 2015
- Independent non-executive director

Born in: 1969
Nationality: Russia

Education:
St Petersburg State Electrotechnical University;
Northwest Academy of Public Service, degree in Finance and Credit

Track record:
2008–2013 – CEO and Co-Founder at Dighton Capital Management (Switzerland)
2012–2015 – Adviser to CEO at Rostec State Corporation on supporting development, production and export of high tech industrial products
2013–2015 – CEO at RT-Global Resources
2013–2015 – Member of the Board of Directors at TriArc Mining
2014–present – Member of the Board of Directors at Baikal Mining Company and TriArc Mining
2015–present – CEO at RT-Business Development

Share in the Company's authorised capital: 0 %
Share in the common stock: 0 %

RUSHAN BOGAUDINOV

- Member of the Board of Directors since May 2015
- Non-executive director

Born in: 1977
Nationality: Russia

Education:
Stankin Moscow State University of Technology, degree in Automation Engineering

Track record:
2008–2011 – Head of Internal Audit at Military Industrial Company
2011–2012 – Director of the Internal Audit Department at Rospechat Agency
2011–2012 – Director of the Internal Audit Department at FreightLink
2012–2015 – Director of the Control and Audit Department at RUSAL Global Management B. V.
2012–present – member of the Board of Directors at Aughinish Alumina Ltd
2012–present – member of the Board of Directors at Limerick Alumina Refining Ltd
2015–present – Head of Practice at RUSAL Global Management B. V.

Share in the Company's authorised capital: 0 %
Share in the common stock: 0 %

Short bios of the members of the Board of Directors who stepped down on 13 May 2015 are provided in the 2014 Annual Report.

CORPORATE SECRETARY

According to the Company's Charter, the Corporate Secretary is elected by the Board of Directors for a period of three years. The Board of Directors may terminate the powers of the Corporate Secretary prior to their expiration.

The Corporate Secretary is responsible for:

- monitoring the compliance of the Company's bodies and officers with the procedures that ensure the enforcement of rights and interests of the Company's shareholders,
- supervising the preparation and running of the General Meeting of Shareholders as provided for by the applicable Russian law, the Company's Charter and by-laws,
- assisting directors in carrying out their duties and responsibilities,
- safekeeping the Company's constituent documents, minutes of the General Meeting of Shareholders and BD meetings, ballot sheets, and proxies (copies thereof) for the General Meeting of Shareholders,
- supervising the disclosure (presentation) of data about the Company to the shareholders as per their request and to the Bank of Russia and other government authorities,
- managing the operations of the Secretariat,
- handling communication with the Company's shareholders on their registration ahead of the General Meeting of Shareholders,
- certifying extracts from resolutions of the Company's governance bodies and copies of documents.

Since December 2011, the position of the Corporate Secretary has been held by Pavel Platov.

PAVEL PLATOV

- Corporate Secretary of the Company since 7 December 2011

Born in: 1975
Nationality: Russia

Education:
Linguistics University of Nizhny Novgorod, Russian Presidential Academy of National Economy and Public Administration

Track record:
2010–2011 – Deputy Corporate Secretary of MMC Norilsk Nickel
2011–2015 – Corporate Secretary at MMC Norilsk Nickel
2015–present – Corporate Secretary at MMC Norilsk Nickel

Share in the Company's authorised capital: 0 %
Share in the common stock: 0 %

Committees of the Board of Directors

In 2015, the following committees of the Board of Directors continued their work:

- Audit Committee,
- Strategy Committee,
- Budget Committee,
- Corporate Governance, Nomination and Remuneration Committee.

Participation in the BD committee meetings

CURRENT MEMBERS OF THE BOARD OF DIRECTORS	PARTICIPATION IN MEETINGS			
	IN PERSON	IN ABSENTIA	JOINT MEETING[1]	TOTAL
Audit Committee held 9 meetings, including 5 meetings in person, 2 meetings in absentia and 2 joint meetings				
Gerhardus Prinsloo, Chairman	5	2	2	9
Stalbek Mishakov	4	1	1	6
Alexey Bashkirov	2	–	–	2
Robert Edwards	5	2	2	9
Marianna Zakharova[2]	3	2	2	7
Strategy Committee held 7 meetings, including 5 meetings in person, 1 meeting in absentia and 1 joint meeting				
Maksim Sokov, Chairman	5	1	1	7
Gerhardus Prinsloo	5	1	1	7
Alexey Bashkirov	5	1	1	7
Gareth Peter Penny	5	1	1	7
[redacted]	3	1	1	5
Budget Committee held 6 meetings, including 1 meeting in person, 3 meetings in absentia and 2 joint meetings				
Alexey Bashkirov, Chairman	1	3	2	6
Vladislav Solovyov	1	3	2	6
Sergey Barbashev	1	3	2	6
[redacted]	1	3	2	6
Gerhardus Prinsloo	1	1	–	2
Marianna Zakharova[2]	–	2	2	4
Corporate Governance, Nomination and Remuneration Committee held 9 meetings, including 4 meetings in person and 5 meetings in absentia				
[redacted], Chairman	4	5	–	9
Sergey Barbashev	2	1	–	3
Stalbek Mishakov	4	5	–	9
Robert Edwards	4	5	–	9
Marianna Zakharova[2]	3	3	–	6
DIRECTORS WHO STEPPED DOWN ON 13 MAY 2015				
Audit Committee				
Yegor Ivanov	1	1	1	3

[1] *On 27 March 2015 and 27 August 2015, the Budget Committee and the Audit Committee of the Board of Directors held joint meetings. On 6 August 2015, the Strategy Committee and the Budget Committee of the Board of Directors held a joint meeting.*

[2] *Left the Committee as per the Board of Directors' resolution of 8 October 2015 (Minutes No. GMK/35-pr-sd).*

AUDIT COMMITTEE

The Audit Committee is made up of four directors, including two independent directors one of whom should chair the Committee.

The Audit Committee provides the Board of Directors with assistance related to:

- financial reporting,
- risk management and internal controls,
- external and internal audits,
- fight against fraudulent behaviour of the Company's employees and third parties,
- other functions pertaining to the Committee's operations.

■ Members of the Audit Committee

PRE-2015 AGMS	POST-2015 AGMS:
Gerhardus Prinsloo[1], Chairman	Gerhardus Prinsloo[1], Chairman
Marianna Zakharova	Marianna Zakharova[2]
Robert Edwards[1]	Robert Edwards[1,3]
Yegor Ivanov	Alexey Bashkirov[3]
	Stalbek Mishakov[3]

[1] *Independent director*
[2] *Left the Committee as per the Board of Directors' resolution of 8 October 2015 (Minutes No. GMK/35-pr-sd).*
[3] *Joined the Committee as per the Board of Directors' resolution of 8 October 2015 (Minutes No. GMK/35-pr-sd).*

The Committee issued recommendations to the Board of Directors to facilitate decision making on the Company's business priorities, financial reporting, health, safety and environment, improvement of the corporate accounting framework for metal-bearing products, and approval of the Company's auditors. The Committee also considered and took note of the results achieved in identifying, assessing and managing technical and production risks across Norilsk Nickel Group's operations and assets, and results of audits conducted by the Internal Control Department. Next year, the Committee plans to go on with the existing projects and focus on managing risks.

STRATEGY COMMITTEE

The Strategy Committee is made up of five directors, including two independent directors. All directors are non-executive.

The Strategy Committee was established to support the Board of Directors by conducting a preliminary review of the matters pertaining to:

- sustainable business development,
- health, safety and environment,
- investment planning,
- structural changes,
- interaction with capital markets and government authorities.

■ Members of the Strategy Committee

PRE-2015 AGMS	POST-2015 AGMS
Maksim Sokov, Chairman	Maksim Sokov, Chairman
Gerhardus Prinsloo[4]	Gerhardus Prinsloo[4]
Alexey Bashkirov	Alexey Bashkirov
Gareth Peter Penny[4]	Gareth Peter Penny[4]
[redacted][4]	[redacted][4]

[4] *Independent director*

The Committee is also entitled to take any other action deemed reasonable or required for delivering on their agenda in accordance with the Russian and other applicable laws, the Company's Charter, its by-laws and other regulations binding on the Company.

Pursuant to the most recent Regulation on the Strategy Committee, only non-executive directors may serve on the Committee. At least one Committee member shall be an independent director.

The Committee issued recommendations to the Board of Directors to facilitate decision making on updating the Company's development strategy and approving its function specific strategies (sales, marketing, environment, transport and logistics, health and safety, fuel and energy). In addition, the Committee amended the list of non-core assets and reviewed reports on the disposal of non-core assets and implementation of the procurement plan and budget. For strategic planning purposes, the Committee reviewed the long-term reserve base development plan, the production report and the deliverables of a programme designed to improve production efficiency and reduce operating costs of the Company.

BUDGET COMMITTEE

The Budget Committee is made up of five directors, including one independent director.

The Budget Committee was established to support the Board of Directors by conducting preliminary reviews and making recommendations on the finance, budgeting and business planning policies.

The Committee issued recommendations to the Board of Directors to facilitate decision making on the amount of dividends to be paid out and the cut-off date to be suggested by the Board of Directors. The Committee approved the Company's 2016 budget and recommended the continuation of the capex reduction initiatives.

■ Members of the Budget Committee

PRE-2015 AGMS	POST-2015 AGMS
Alexey Bashkirov, Chairman	Alexey Bashkirov, Chairman
Sergey Barbashev	Vladislav Solovyov[6]
[redacted][5]	Sergey Barbashev[6]
Marianna Zakharova	[redacted][5,6]
Vladislav Solovyov	Gerhardus Prinsloo[5,6]
	Marianna Zakharova[7]

[5] *Independent director*
[6] *Joined the Committee as per the Board of Directors' resolution of 8 October 2015 (Minutes No. GMK/35-pr-sd).*
[7] *Left the Committee as per the Board of Directors' resolution of 8 October 2015 (Minutes No. GMK/35-pr-sd).*

CORPORATE GOVERNANCE, NOMINATION AND REMUNERATION COMMITTEE

The Corporate Governance, Nomination and Remuneration Committee is made up of four directors, including two independent directors one of whom should chair the Committee. All directors are non-executive.

The Corporate Governance Committee supports the Board of Directors by:

- assessing, controlling and improving the Company's corporate governance framework,
- promoting a sustainable business environment in the context of corporate governance,
- ensuring succession planning for the Board of Directors and the Management Board,
- providing incentives, assessing the performance of and remuneration policies for the Company's Board of Directors, Management Board, President and Corporate Secretary,
- supervising the development and implementation of the Company's information policy.

The Committee is also entitled to take any other action deemed reasonable or required for delivering on their agenda in accordance with the Russian and other applicable laws, the Company's Charter, its by-laws and other regulations binding on the Company.

The Committee issued recommendations to the Board of Directors to facilitate decision making on the convocation, preparation and running of the annual and extraordinary general meetings of shareholders, and on the matters reserved to such meetings (approval of the Company's Charter, remuneration and reimbursement of expenses of the members of the Board of Directors and the Audit Commission, liability insurance and indemnification of the members of the Board of Directors and the Management Board, and approval of prospective related-party transactions that may be entered into in the normal course of the Company's business). The Committee approved new versions of regulations on the Board of Directors' committees, issued recommendations on changing the approach to the approval of related-party transactions, and suggested a methodology to assess performance of the members of the Company's Board of Directors and Management Board. In addition, the Committee adopted a Long-Term Incentive Programme focusing on MMC Norilsk Nickel's executives, and reviewed the existing Management Remuneration and Performance Assessment Policy.

■ Members of the Corporate Governance, Nomination and Remuneration Committee

PRE-2015 AGMS	POST-2015 AGMS
[redacted][8], Chairman	[redacted][8], Chairman
Marianna Zakharova	Sergey Barbashev[9]
Stalbek Mishakov	Stalbek Mishakov[9]
Robert Edwards[8]	Robert Edwards[8,9]
	Marianna Zakharova[10]

[8] *Independent director*
[9] *Joined the Committee as per the Board of Directors' resolution of 8 October 2015 (Minutes No. GMK/35-pr-sd).*
[10] *Left the Committee as per the Board of Directors' resolution of 8 October 2015 (Minutes No. GMK/35-pr-sd).*

President and Management Board

PRESIDENT

The President (sole executive body) and the Management Board (collegial executive body) are in charge of managing the Company's day-to-day operations.

The rights and obligations of the President and members of the Management Board with regard to the Company's day-to-day operations are set forth in the Federal Law, other applicable laws and regulations of the Russian Federation, the Company's Charter, by-laws and individual employment contracts establishing such rights and obligations.

The President and members of the Management Board are elected for an indefinite period. The Board of Directors may at any time terminate the appointment of or cancel a contract with the President or any member of the Management Board.

Responsibilities of the President:

- serve as the Chairperson of the Management Board,
- act on the Company's behalf without a power-of-attorney, including:
  - represent the Company,
  - enter into transactions on its behalf,
  - approve staff profiles,
  - issue orders and instructions binding on all of the Company's employees,
  - approve the Company's by-laws governing production, technology, finance, accounting, business, HR, social, health, safety and documentation control matters;
  - decide on other matters related to the Company's day-to-day operations that are not reserved to the remit of the General Meeting of Shareholders, the Board of Directors or the Management Board by the Company's Charter.

MANAGEMENT BOARD

The Management Board runs the Company's operations within the remit set out in the Company's Charter and ensures the execution of resolutions adopted by the General Meetings of Shareholders and the Board of Directors.

Responsibilities of the Management Board:

- conduct a preliminary review of materials prepared for the BD meetings defining the Company's business priorities, vision and development strategy, and the methods of their implementation, and approving the Company's plans and budgets and amendments thereto,
- prepare proposals on amendments to the Company's Charter,
- prepare proposals on transactions that require approval by the General Meeting of Shareholders or the Board of Directors,
- analyse and assess the Company's financial and business performance,
- draft proposals on the Company's reserve fund,
- attend to other matters set forth in the Company's Charter.

Management Board performance in 2015

On 9 July 2014, MMC Norilsk Nickel's Board of Directors approved members of the Company's Management Board who continued their work in 2015.

In 2015, the Management Board held 44 meetings in absentia.

Management Board meeting attendance in 2015

	NUMBER OF MEETINGS ATTENDED IN ABSENTIA
Vladimir Potanin	44
Elena Bezdenezhnykh	41
Sergey Batekhin	44
Larisa Zelkova	43
Nina Plastinina	44
Alexander Ryumin	42
Sergey Malyshev	42
Pavel Fedorov	44
Onik Aznauryan	43
Andrey Bougrov	44
Sergey Dyachenko	43
Vladislav Gasumyanov	43
Elena Kondratova	44

Biographies of Management Board members

VLADIMIR POTANIN

- President of the Company since 2015, Chairman of the Management Board since December 2012.

Born in: 1961

Education:
Moscow State Institute of International Relations (MGIMO), degree in International Economics

Track record:
1995–present – member of the Presidium of the International Foundation for the Unity of Orthodox Christian Nations
2000–present – member of the Bureau and Management Board of the Russian Union of Industrialists and Entrepreneurs (RSPP)
2001–present – member of the Board of Trustees
of New York's Solomon R. Guggenheim Foundation
2003–present – Chairman of the Board of Trustees
of the State Hermitage Museum in St Petersburg
2004–present – Chairman of the National Council on Corporate Governance (NCCG)
2005–present – member of the Council of Trustees and the Board of the Russian Olympians Foundation
2006–present – Deputy Chairman of the Board of Trustees of the Moscow State Institute of International Relations (MGIMO), member of the Board of Trustees of the Graduate School of Management (St Petersburg University), and member of the Bureau of the All-Russian Association of Employers (Russian Union of Industrialists and Entrepreneurs)
2007–2012 – member of the Presidium of the Russian President's Council for the Development of Physical Culture and Sports, High-Achievement Sports, Preparation and Staging of the XXII Winter Olympic Games and XI Paralympic Games in Sochi in 2014
2007–present – member of the Board of Trustees of St Petersburg State University and member of the Board of Trustees of the MGIMO Endowment Fund
2007–2014 – member of the Supervisory Board of the Sochi 2014 Steering Committee
2008–2012 – member of the Russian Government's Competition and Entrepreneurship Council
2008–present – member of the Board of the Vladimir Potanin Charitable Foundation
2009–present – Chairman of the Supervisory Board
and Deputy Chairman of the Board of Trustees of the Russian International Olympic University
2010–present – member of the Board of Trustees
of the Russian Geographical Society
2011–present – member of the Board of Trustees
of the State Hermitage Museum Endowment Fund
2012–2015 – CEO and Chairman of the Management Board of MMC Norilsk Nickel
2013-2014 – member of the Board of Directors of Inter RAO UES
2013–2015 – President of Interros Holding Company
2014–present – Chairman of the Board of Trustees
of the ROZA Club for Sport Development and Support
2015–present – President of Interros Holding Company

Share in the Company's authorised capital: 0 %
Share in the common stock: 0 %

ONIK AZNAURYAN

- Member of the Management Board since April 2013

Born in: 1970

Education:
Yerevan State Polytechnic University;
University of Pittsburgh (USA), Master of Business Administration

Track record:
2006–2011 – CEO at LITER Management Company
2009–2012 – Deputy CEO at ROSGOSSTRAKH (OJSC), member of the Management Board and Head of the President's Office at ROSGOSSTRAKH (LLC)
2011–2012 – CEO at Severny Port
2012 – CEO at Energostroyinvest–Holding
2013 – member of the Board of Directors at Norilskgazprom
2013 – Chairman of the Board of Directors at Norilskgazprom
2013–2015 – Deputy CEO for Non-Industrial Assets and Energy at MMC Norilsk Nickel and Head (on a part-time basis) at Norilskenergo, branch of MMC Norilsk Nickel
2015–present – Vice President, Head of Non-Industrial Assets and Energy at MMC Norilsk Nickel and Head (on a part-time basis) at Norilskenergo, branch of MMC Norilsk Nickel

Share in the Company's authorised capital: 0 %
Share in the common stock: 0 %

ELENA BEZDENEZHNYKH

- Member of the Management Board since August 2012

Born in: 1973

Education:
Krasnoyarsk State University, degree in Law

Track record:
2008–2012 – Director of the Legal Department at MMC Norilsk Nickel and head (on a part-time basis) of the Legal Department at RAO Norilsk Nickel
2009-2012 – member of the Board of Directors at RAO Norilsk Nickel
2011–2013 – member of the Board of Directors at Sport Projects Management Company
2012–2013 – Chairperson of the Board at Norilsk Nickel Non-State Pension Fund and Chairperson of the Board of Directors at RAO Norilsk Nickel
2012–2015 – Deputy CEO and Head of Corporate Governance, Asset Management and Legal Affairs at MMC Norilsk Nickel
2015 – Vice President for Corporate Governance, Asset Management and Legal Affairs at MMC Norilsk Nickel
2015–present – Vice President and State Secretary, Head of Government Relations at MMC Norilsk Nickel

Share in the Company's authorised capital: 0.001 %
Share in the common stock: 0.001 %

SERGEY BATEKHIN

- Member of the Management Board since January 2013

Born in: 1965

Education:
Krasnoznamenny Military Institute of the USSR Ministry of Defence, major in foreign languages (military and political translation);
Plekhanov Russian Academy of Economics, degree in Finance and Credit;
Moscow International Higher Business School (MIRBIS), Master of Business Administration

Track record:
2009–2015 – member of the Board of Directors at the Continental Hockey League
2009–2011 – Chairman of the Board of Directors at Rosa Khutor Ski Resort Development Company
2012–2015 – Chairman of the Board of Directors at Interport Management Company
2013–2015 – member of the Management Board, Deputy CEO, Head of Sales, Commerce and Logistics at MMC Norilsk Nickel, and member of the Board of Directors at METAL TRADE OVERSEAS SA and NORILSK NICKEL MARKETING (SHANGHAI) CO., LTD
2013–2014 – member of the Board of Directors, Chairman of the Board of Directors at Yenisey River Shipping Company and member of the Board of Directors at NORILSK NICKEL (ASIA) LTD
2015–present – Vice President for Sales, Commerce and Logistics at MMC Norilsk Nickel

Share in the Company's authorised capital: 0 %
Share in the common stock: 0 %

ANDREY BOUGROV

- Member of the Board of Directors since 2002
- Deputy Chairman of the Board of Directors since March 2013
- Member of the Management Board since 2013

Born in: 1952

Education:
Moscow State Institute of International Relations (MGIMO), PhD in Economics

Track record:
2002–present – member of the Council on Foreign and Defence Policy
2006–present – member of the Management Board at the Russian Union of Industrialists and Entrepreneurs
2007–2011 – Chairman of the Management Board at the Bureau of Economic Analysis
2008–2011 – Chairman of the Board of Directors at Prof-Media Management
2010–2013 – member of the Management Board and Deputy CEO at Interros Holding Company
2011–2013 – Chairman of the Board of Directors at MMC Norilsk Nickel
2013–2014 – member of the Board of Directors at the Federal Hydro-Generating Company RusHydro
2013–2015 – Vice President at Interros Holding Company
2013-2015 – Deputy CEO at MMC Norilsk Nickel
2013–present – Vice President at the Russian Union of Industrialists and Entrepreneurs
2014–present – member of the Board of Directors at Inter RAO UES
2015–present – Vice President at MMC Norilsk Nickel
2015–present – Vice President at Interros Holding Company

Share in the Company's authorised capital: 0 %
Share in the common stock: 0 %

SERGEY DYACHENKO

- Member of the Management Board since July 2013

Born in: 1962

Education:
Plekhanov Leningrad Mining Institute, degree in Mining Engineering
University of Pretoria (South Africa), master's degree

Track record:
2010–2013 – COO at Kazakhmys Group
2013–2014 – Deputy CEO and Head of Operations at MMC Norilsk Nickel
2014–2015 – First Deputy CEO and COO at MMC Norilsk Nickel
2015–present – First Vice President and COO at MMC Norilsk Nickel

Share in the Company's authorised capital: 0 %
Share in the common stock: 0 %

LARISA ZELKOVA

- Member of the Management Board since January 2013

Born in: 1969

Education:
Moscow State University, degree in Journalism

Track record:
1998–2013 – Deputy CEO and PR Director at Interros Holding Company
1999–2014 – CEO at the Vladimir Potanin Charitable Foundation
2002–2011 – member of the Council of Donors Forum
2007–present – member of the Management Board at the MGIMO Endowment Fund
2010–2013 – member of the Management Board at Interros Holding Company
2011–2013 – Chairperson of the Board of Directors at Prof-Media Management, member of the Board of Directors at MMC Norilsk Nickel
2011–present – member of the Board of Directors at Rosa Khutor Ski Resort Development Company, member of the Supervisory Board at the Russian International Olympic University, Chairperson of the State Hermitage Museum Endowment Fund
2013–2014 – member of the Board of Directors at Prof-Media Management
2013–2015 – member of the Board of Directors at Prof-Media Management and Deputy CEO for Social Policy and Public Relations at MMC Norilsk Nickel
2014–present – President, Chairperson of the Board at the Vladimir Potanin Charitable Foundation
2015–present – member of the Board of Trustees at the Hermitage Foundation UK, Vice President for HR, Social Policy and Public Relations at MMC Norilsk Nickel

Share in the Company's authorised capital: 0 %
Share in the common stock: 0 %

SERGEY MALYSHEV

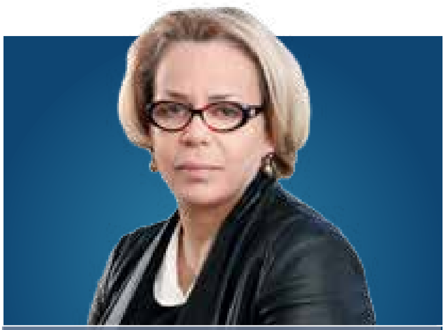
- Member of the Management Board since April 2013

Born in: 1969

Education:
Finance Academy under the Government of the Russian Federation, degree in Finance and Credit;
Russian Presidential Academy of National Economy and Public Administration, degree in Public and Municipal Administration;
Moscow State Textile Academy, degree in Mechanical Engineering

Track record:
2009–2013 – Deputy CEO for Economics and Finance, First Deputy CEO at Energostroyinvest-Holding
2013–2015 – Deputy CEO, Chief Financial Officer at MMC Norilsk Nickel
2015–present – Vice President and Chief Financial Officer at MMC Norilsk Nickel

Share in the Company's authorised capital: 0 %
Share in the common stock: 0 %



NINA PLASTININA

- Member of the Management Board since January 2013

Born in: 1961

Education:
Moscow Chemical Machinery Construction Institute, degree in Mechanical Engineering;
Bauman Moscow Technical Institute, post-graduate degree in Economics and Production Management

Track record:
2008–2013 – Director of Financial Department at Interros Holding Company
2009–2011 – member of the Board of Directors at Rosa Khutor Ski Resort Development Company and Agros Agroindustrial Complex
2010–2011 – member of the Board of Directors at Stavropol Broiler
2013–2015 – Director of Internal Control Department at MMC Norilsk Nickel
2015–present – Vice President for Internal Audit at MMC Norilsk Nickel

Share in the Company's authorised capital: 0 %
Share in the common stock: 0 %

ALEXANDER RYUMIN

- Member of the Management Board since January 2013

Born in: 1956

Education:
Kirov Urals Polytechnic Institute, degree in Metallurgical Engineering

Track record:
2008–2012 – Director of Production Management Department at MMC Norilsk Nickel
2012–2015 – Director at the Polar Division of MMC Norilsk Nickel
2015–present – Vice President and Director at the Polar Division of MMC Norilsk Nickel

Share in the Company's authorised capital: 0.003 %
Share in the common stock: 0.003 %

PAVEL FEDOROV

- Member of the Management Board since April 2013

Born in: 1974

Education:
Novosibirsk State University;
University of Washington, master's degree

Track record:
2010–2012 – First Vice President at Rosneft Oil Company
2012–2013 – Deputy Minister for Oil and Gas, Ministry of Energy of the Russian Federation
2013–2014 – Deputy CEO for Strategy and Business Development at MMC Norilsk Nickel
2013–2015 – member of the Management Board at MMC Norilsk Nickel
2014–2015 – First Deputy CEO and Executive Director of MMC Norilsk Nickel
2015–present – First Vice President and Executive Director at MMC Norilsk Nickel

Share in the Company's authorised capital: 0 %
Share in the common stock: 0 %

VLADISLAV GASUMYANOV

- Member of the Management Board since July 2014

Born in: 1959

Education:
Kiev Civil Aviation Engineering Institute;
North-West Academy of Public Administration

Track record:
2009–2012 – Deputy Head of the Russian President's Office for Interregional and Cultural Relations with Foreign States
2012–2015 – Director of Corporate Security and Head of Security at MMC Norilsk Nickel
2014–2015 – member of the Management Board at MMC Norilsk Nickel
2014–present – member of the Board of Directors at Yenisey River Shipping Company
2015 – Vice President, Director of Corporate Security and Head of Security at MMC Norilsk Nickel
2015–present – Vice President and Head of Corporate Security at MMC Norilsk Nickel

Share in the Company's authorised capital: 0 %
Share in the common stock: 0 %

ELENA KONDRATOVA

- Member of the Management Board since July 2014

Born in: 1972

Education:
Moscow Pedagogical State University, degree in Psychology

Track record:
2009-2013 – Head of the President's Office at Interros Holding Company
2013–2015 – Chief of Staff at MMC Norilsk Nickel, Aide to the President of Interros Holding Company (on a part-time basis)
2014–2015 – member of the Management Board at MMC Norilsk Nickel
2015 – Chief of Staff at MMC Norilsk Nickel
2015–present – Vice President and Chief of Staff at MMC Norilsk Nickel, and Aide to the President of Interros Holding Company (on a part-time basis)

Share in the Company's authorised capital: 0 %
Share in the common stock: 0 %

Control bodies

INTERNAL CONTROL FRAMEWORK

The internal control framework of MMC Norilsk Nickel is a combination of organisational structures, methods and procedures approved by the Company's Board of Directors, executive/control bodies and officers as a reasonable guarantee of the following:

- efficiency and effectiveness of the business,
- reporting accuracy and reliability,
- compliance with the laws of the Russian Federation and by-laws of the Company.

The internal control framework embraces all management levels and is represented by the following control bodies:

- Audit Commission,
- Audit Committee of the Board of Directors,
- Financial Control Service,
- Risk Management Service,
- Internal Audit Department.

AUDIT COMMISSION

The Audit Commission controls the financial and business operations of the Company. This Commission audits the Company's results on an annual basis and at any time as decided by the Commission, resolutions of the General Meeting of Shareholders and the Board of Directors or as requested by the shareholders holding collectively at least 10% of the Company's voting shares. After the review of the financial and business results, the Audit Commission issues opinions in accordance with the Federal Law and other applicable laws and regulations of the Russian Federation.

The purpose of the audits (reviews) conducted by the Audit Commission is as follows:

- confirm the accuracy of data provided in the Company's annual report, balance sheet and income statement,
- review compliance of the accounting framework with the applicable regulations,
- control compliance of the Company's financial and business operations with the applicable rules and standards,
- review the Company's financial position of solvency, assets liquidity and debt/equity ratio; identify potential for improvement of the Company's economic performance and issue recommendations for governance bodies,
- check the timing and accuracy of payments to the suppliers and the government, dividend distribution and payouts, bond interest accruals and satisfaction of the Company's other liabilities,
- see to the application of the Company's profits,
- inform the Company's Board of Directors of the identified breaches of the statutory accounting and reporting procedures or business practices

Members of the Audit Commission are elected by the Annual General Meeting of Shareholders for a period extending until the next Annual General Meeting of Shareholders. The composition of the Audit Commission, election procedures and restrictions applying to the election process are set forth in the Federal Law and the Company's Charter.

- Members of the Audit Commission may not simultaneously serve on the Company's Board of Directors or take up other management jobs.
- The Chairman of the Audit Commission is elected by the members of the Audit Commission among themselves by a majority vote from the total number of members of the Audit Commission and may be re-elected at any time. The Chairman steers the Audit Commission, convenes and chairs its meetings and ensures the recording of minutes.

Members of the Audit Commission as at 31 December 2015

In the reporting year, the Audit Commission consisted of five people as prescribed by Clause 12.2 of the Company's Charter and resolution of the Annual General Meeting of Shareholders dated 13 May 2015:

1. Vladimir Shilkov, Vice President of the CIS Investment Advisers' Investment Department, Deputy Project Manager of the Financial Control Service at MMC Norilsk Nickel;
2. Georgy Svanidze, member of the Management Board, CFO at Interros Holding Company;
3. Ekaterina Voziyanova, member of the Audit Commission at MMC Norilsk Nickel;
4. Elena Yanevitch, First Deputy CEO at Interpromleasing;
5. Anna Masalova, Financial and Administrative Director, Russia and CIS, UCB Pharma.

FINANCIAL CONTROL SERVICE

The Financial Control Service audits the financial and business operations of the Company and its subsidiaries to report and issue recommendations to the President and directors of the Company. The head of the Service is appointed by a resolution adopted by the Company's Board of Directors.

RISK MANAGEMENT SERVICE

The Company has a Risk Management Service responsible for the development of a risk management framework. The key task of the Service is to implement and improve the risk management framework maintaining overall exposure within the Company's risk appetite profile.

The risk management framework was designed in accordance with the Russian laws, including the Corporate Governance Code recommended by the Bank of Russia, and Russian and international professional risk management standards, including ISO 31000 family standards [Risk management] and COSO ERM [Enterprise Risk Management – Integrated Framework]. MMC Norilsk Nickel's management framework is based on uniform principles and covers all business areas and management levels with a view to maintaining overall exposure within the Company's risk appetite profile.

Risk Management Service – objectives:

- to provide methodological support to the risk management function of the Group and its companies;
- to introduce and maintain information exchange on risks and risk management at all decision-making levels. To ensure continuous awareness of risks among stakeholders;
- to develop/integrate risk management framework components within multiple areas of business and business processes, including the internal control framework, and to secure information exchange with the internal audit function;
- to improve workforce knowledge and competencies in risk management.

Risk Management Service – functions:

- to report key risks and action taken to improve the risk management framework (to be submitted to the Company's management, Audit Committee and Internal Audit Department);
- to consolidate information on the Company's risks and monitor risk management initiatives;
- to develop and apply data analysis techniques, risk management modelling and forecasting;
- to introduce and review acceptable levels of risk appetite and risk tolerance;
- to develop risk management guidelines;
- to coordinate employee training programmes in risk management.

The key risk management improvement initiatives include better methodological support of risk management, further integration of risk management practices into key business processes (including strategic planning, budgeting and incentives), and support of the risk management function across Norilsk Nickel's operations.

A COMPREHENSIVE SECURITY FRAMEWORK

In 2015, MMC Norilsk Nickel's security operations focused on the implementation of a comprehensive security concept approved by the Company's Management Board, and drew heavily on the ongoing analysis of the full range of the Company's challenges and threats in a rapidly changing operating environment. The gradual embedding of the MBO (Management by Objectives) principles in the economic, corporate, information and physical security systems has enabled the Company to promptly and adequately respond to the production and financial risks, clamp down on embezzlement, implement initiatives to counter illicit trafficking of precious metals and metal bearing materials, and efficiently prevent in-house corruption.

To further promote security related public-private partnerships, MMC Norilsk Nickel and the Federal Customs Service of Russia signed a cooperation agreement to develop and launch a handful of initiatives aimed at detecting and preventing smuggling of metal products across the borders of the Customs Union.

MMC Norilsk Nickel pays special attention to complying with the federal anti-terrorism laws and enhancing security of the Company's strategic power and transportation facilities. In 2015, the close cooperation with law enforcement authorities helped the Company protect these facilities from any potential unlawful intrusion.

The Company ensures 100% safety and confidentiality of the employee and counterparty personal data through an ongoing upgrade of the dedicated protection systems. Steps are taken to integrate information security processes with other group-wide business processes and IT solutions. The 2015 initiatives greatly improved the Company's IT infrastructure security. MMC Norilsk Nickel's excellence in IT security was recognised by the Silver Dagger Award, a professional information security prize won by the Company in the nomination for "Secure Cyberspace".

The Company continued to promote international cooperation to enhance occupational safety and safe trading in precious metals. As the chair of the Security Committee of the International Platinum Group Metals Association, the Company's representative, jointly with the United Nations Interregional Crime and Justice Research Institute (UNICRI), sponsored a number of initiatives to strengthen public-private partnerships aimed at fighting illicit transnational trafficking of precious metals. These initiatives received the support of world's major metal producers.

Under the comprehensive security framework, the Institute for Modern Security Challenges, the Company's subsidiary, has been developing new corporate tools to protect the

Company's legitimate interests focusing on the analysis of best international practices, introduction of acknowledged standards and technologies, expert reviews and preparation of analytical materials. These initiatives seek to optimise MMC Norilsk Nickel's expenses, ensure its security, boost transparency and enhance cost efficiency.

INTERNAL AUDIT DEPARTMENT

The Company has an Internal Audit Department (Internal Control Department until June 2015). The Department is headed by Nina Plastinina, Vice President for Internal Audit.

The key goals and objectives of the Department are as follows:

- maintain and increase the Company's value by conducting impartial and unbiased audits,
- assess the efficiency of the internal control, risk management and corporate governance frameworks of the Group and its companies,
- provide methodological support to the internal control framework of the Group and its companies, and ensure a consistent approach to the design, operation and development of such internal control framework,
- offer an independent assessment of the accuracy and reliability of information about the Company's metal bearing products at each stage of their production and circulation.

To assess quality of the internal control framework, the Department monitors compliance with the approved internal control procedures by:

- organising and conducting audits of the Company's key financial and business operations with labour input from other business units,
- keeping record of breaches identified under internal control activities,
- analysing the Company's internal audit results and overseeing the development and implementation of action plans to eliminate breaches identified during such audits,
- submitting proposals to improve the internal control procedures,
- coordinating operations of control and supervision functions in branches and subsidiaries, and engaging their people to participate in joint audits and expert reviews.

In 2015, the Internal Audit Department underwent significant restructuring, including introduction of the following units:

- business process audit desk,
- corporate group audit desk,
- expert support and internal control desk,
- accounting control unit for metal bearing products,
- enquiry control unit.

The business process and corporate group audit desks are responsible for audits of the Company's key financial and business operations and coordination of the control and supervision functions' operations in branches and subsidiaries, including exercises requiring an input from other business units and subsidiaries of the Company.

The expert support and internal control desk offers methodological support to the internal control function.

The accounting control unit for metal bearing products is responsible for monitoring the accuracy of information about the circulation of metal bearing products, measurement management of the control and accounting systems for such products and provision of methodological support.

The enquiry control unit serves as the Corporate Trust Service and ensures a prompt response from the Company's management to any reports of abuses, embezzlement and other violations coming from the Company's Head Office, its branches, representative office and Russian subsidiaries.

The Internal Audit Department issues reports, recommendations and other documents submitted to the heads of the Company's business units and departments and to the President of MMC Norilsk Nickel. The Audit Committee of the Company's Board of Directors regularly reviews performance of the Internal Audit Department.

In addition, the Department interacts with external auditors to improve the Company's internal control framework.

INTERNAL CONTROL POLICY

The Company's internal control policy is set forth in the Regulation on Internal Control over Financial and Business Performance of MMC Norilsk Nickel approved by the resolution of the Board of Directors dated 14 July 2006 (Minutes No. GMK/18-pr-sd).

The Company's internal control framework aims to:

- timely identify and analyse the Company's risks;
- ensure accuracy of the Company’s financial statements and management reports;
- meet the Company's financial and business targets;
- ensure safety of the Company's assets and efficient use of its resources;
- support optimisation of the Company's corporate structure;
- comply with the Company's effective by-laws and internal procedures.

The internal control framework embraces all of the Company's units and lines of businesses. In addition to the above policy, internal control procedures and requirements are set out in the Company's business unit regulations, policies, standards and process operating procedures.

The Company has also adopted special procedures to handle information qualifying as a trade secret. MMC Norilsk Nickel’s Board of Directors has also approved a Regulation on the Procedure to Access Insider Information, Confidentiality Protection, and Supervision of Compliance with Laws on Prevention of Unauthorised Use of Insider Information and Market Manipulation, which sets out rules preventing unauthorised use of insider information and market manipulation.

INTERNAL CONTROL CHANGES IN 2015

Last year, the Company's internal control framework saw a number of major changes.

1. Improvements in control procedures

Norilsk Nickel launched a project to improve, standardise and automate its control procedures in conjunction with the embedment of integrated business management systems. Rolled out across the Company's key business processes, units and operations, the project aims to establish a uniform group-wide methodology for internal controls design, application and development.

2. Updates in the regulatory and procedural frameworks

In addition to developing the new ones, the Company updated and refined its existing regulations and procedures, including business unit regulations, policies, standards and operating procedures governing operations and business processes pertaining to the prevention and settlement of conflicts of interest, exchange of business presents, in-house investigations, fight against embezzlement, protection of personal data, access to information resources through mobile devices, performance assessment, emergency procurement, accounting policy, etc. (a total of 53 documents).

Efficient internal controls help boost investors’ confidence in the Company and its management.

Remuneration

REMUNERATION OF THE BOARD OF DIRECTORS AND THE MANAGEMENT BOARD

The key principle behind the remuneration scheme designed for the Board of Directors and the Management Board is the balance of interests. The amount of annual remuneration paid to the directors is determined by a resolution of the General Meeting of Shareholders and includes:

- base remuneration paid to the BD members;
- additional remuneration paid to the committee members and chairs;
- compensation of expenses incurred by the directors in discharge of their duties.

Subject to a special resolution adopted by the General Meeting of Shareholders, Chairman of the Board of Directors may be entitled to additional remuneration and benefits.

To clearly differentiate between non-executive directors and executive directors / top managers in terms of the applicable remuneration principles and structure, the following components are excluded from the remuneration amount payable to non-executive directors:

- bonuses linked to the Company's operating results;
- stock options;
- additional benefits, including all forms of insurance other than directors' liability insurance;
- severance pay and any payments related to the change of ownership;
- pension plans and schemes.

As an additional benefit, the directors are entitled to insurance protection as follows:

- directors' liability insurance;
- reimbursement of losses incurred due to the election to the Board of Directors.

In accordance with MMC Norilsk Nickel's Charter, determination of remuneration and compensation amounts payable to the Management Board is reserved to the Board of Directors. These amounts are linked to the Company's financial (EBITDA, free cash flow) and non-financial (lower workplace injury rates, engagement with stakeholders) performance. The President's remuneration amount is set forth in his/her employment contract approved by the Board of Directors.

In the reporting year, members of the Management Board received remuneration equal to their monthly base salary, which was paid out in accordance with their employment contracts. On top of that, members of the Management Board received bonuses based on their annual performance and achievement of relevant KPIs.

The total remuneration amount paid out to the Company's governance bodies in 2015 (including salaries, bonuses, commissions, benefits and/or reimbursement of expenses, as well as any other consideration) was RUB 2,706,052,000.

BD remuneration, **RUB '000**

Remuneration types	2015
Remuneration for the membership in a governance body	246,405
Salary	0
Bonus	0
Commissions	0
Benefits	0
Reimbursement of expenses	202
Other types of consideration	0
TOTAL	**246,607**

Management Board remuneration, **RUB '000**

Remuneration types	2015
Remuneration for the membership in a governance body	3,582
Salary	1,775,862
Bonus	680,001
Commissions	0
Benefits	0
Reimbursement of expenses	0
Other types of consideration	0
TOTAL	**2,459,445**

REMUNERATION PAYABLE TO THE MEMBERS OF THE COMPANY'S CONTROL BODY

Remuneration payable to the members of the Audit Commission who are not employed by the Company was approved by the Annual General Meeting of Shareholders on 13 May 2015. The FTE members of the Audit Commission are remunerated throughout the year as per the job description and employment terms.

Remuneration of the Audit Commission, **RUB '000**

Remuneration types	2015
Remuneration for the membership in the control body	3,493
Salary	8,413
Bonus	20,600
Commissions	0
Benefits	0
Reimbursement of expenses	0
Other types of consideration	0
TOTAL	**32,506**

KEY PERFORMANCE INDICATORS

The Company's key performance indicators (KPIs) embrace achievements in corporate social responsibility, safety, operating efficiency, capital management and organisation development of production sites.

KPIs serve to build a transparent incentive and performance assessment system.

Norilsk Nickel's Implementation Plan for the Employee Performance Management System approved by a CEO order involves:

- iteration and approval of documents setting out employee performance assessment procedures;
- approval of KPIs;
- preparation of individual development plans;
- assessment of performance by team and individual KPIs.

To improve the performance of the Head Office employees, the CEO issued an order approving the Procedure for Assessing Employee Performance and the Regulation on the Employee Bonuses. The Procedure primarily aims to establish a link between the results of performance assessment and remuneration amounts, development, and promotion of employees, whereas the Regulation is used to assess employee performance in the reporting period based on the achievement of team and individual KPIs.

To boost employee performance across its Russian operations, the Company has developed the Procedure for Assessing Performance of the Group's Management. The Procedure prescribes that employee performance shall be managed by establishing KPIs and assessing achievement thereof.

Information for shareholders and investors

Information on securities

SHARE CAPITAL

Since 2001, MMC Norilsk Nickel's shares have been listed on Russian stock exchanges (RTS and MICEX). At present, the shares of MMC Norilsk Nickel are on the First Level quotation list of the MICEX Stock Exchange (part of Moscow Exchange) and also admitted to trading at Saint-Petersburg Exchange.

As at 31 December 2015, MMC Norilsk Nickel's share capital comprised 158,245,476 ordinary shares with a par value of 1 rouble each.

Ticker symbols

TRADING PLATFORM	FINANCIAL INSTRUMENT GLOBAL IDENTIFIER	REUTERS INSTRUMENT CODE
Moscow Exchange	GMKN RN	GMKN.MM
Saint-Petersburg Exchange	GMKN RX	GMKN.RTS

MMC Norilsk Nickel share price and trading volume (MOEX)

DATE	SHARE PRICE, RUB			VOLUME, SHARES
	MIN	MAX	END OF PERIOD	
2011	4,047	8,417	4,950	154,291,682
2012	4,610	5,939	5,617	89,275,016
2013	4,106	6,089	5,397	76,120,053
2014	5,140	10,805	8,162	75,766,353
2015	8,590	12,106	9,173	59,126,636
Q1	8,590	12,106	10,500	12,646,659
Q2	9,005	10,680	9,473	15,081,223
Q3	9,022	11,206	9,398	15,096,277
Q4	8,780	9,783	9,173	16,302,477

Source: *Bloomberg*

BUY-BACK

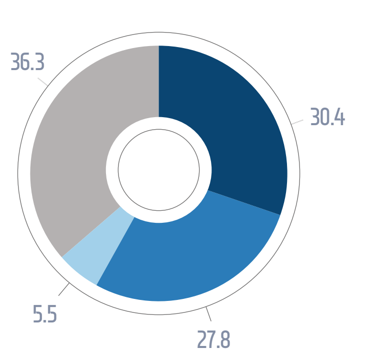
In 2015, the Board of Directors resolved to launch a share buy-back programme for a total of up to USD 500 million completed by the year-end. Under the programme, 1,250,075 shares were bought back from 1 July to 31 December worth of USD 196 m.

SHARE CAPITAL STRUCTURE

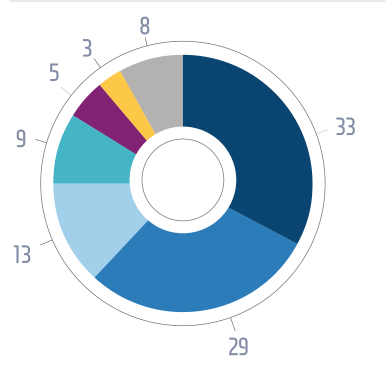
The Company's major shareholders are Olderfrey Holding Limited, UC Rusal Plc and Crispian Investments Ltd. owning collectively 64% of the Company's share capital, while the remaining 36% is free float owned by institutional and private investors from Russia, Europe, Asia and the USA.

As at 31 December 2015, there were 30 legal entities (including 3 nominee shareholders) and 40,995 individuals listed in the register.

MMC Norilsk Nickel's shareholders as at 31 December 2015, %



Free float geography[2], %



[1] *Indirect control via controlled entities.*
[2] *Based on the identified 65% share of the total free float.*

AMERICAN DEPOSITARY RECEIPTS

Since 2001, the Company has been maintaining an American depositary receipt (ADR) programme. Shares are converted into ADRs at the ratio of 1:10. Depositary services for ADR transactions are rendered by the Bank of New York Mellon, while custody services are provided by VTB Bank. ADRs are traded on the US OTC market, and in the electronic trading system of OTC markets of the London and Berlin stock exchanges.

As at 31 December 2015, the total number of ADRs issued against Norilsk Nickel's shares was 659,482,150 accounting for 41.67% of the authorised capital.

The Company discloses information to ADR holders in English as per Rule 12g3-2(b) of the US Securities Exchange Act of 1934.

ADR ticker symbols

TRADING PLATFORM	FINANCIAL INSTRUMENT GLOBAL IDENTIFIER	REUTERS INSTRUMENT CODE
IOB, London Stock Exchange – London, UK	MNOD LI	NKELyq.L
OTC Market – New York, USA	NILSY US NILSY UV	NILSY.PK
Frankfurt Stock Exchange – Frankfurt, Germany	NNIA GR NNIA GF	NKELy.F

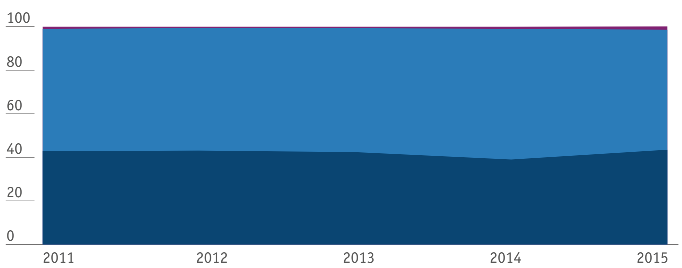
ADR price and trading volume on the LSE OTC market

	SHARE PRICE, RUB			
DATE	MIN	MAX	END OF PERIOD	VOLUME, SHARES
2011	15.0	27.9	15.3	2,027,267,723
2012	14.4	20.5	18.4	1,168,251,876
2013	12.4	20.3	16.6	1,022,238,584
2014	14.2	21.5	14.2	1,166,038,332
2015	12.4	21.6	12.7	748,638,706
Q1	14.2	19.0	17.8	195,304,392
Q2	16.9	21.5	16.9	181,661,759
Q3	14.1	17.0	14.4	172,934,353
Q4	12.4	15.8	12.7	198,738,202

Source: *Bloomberg*

STOCK INDICES

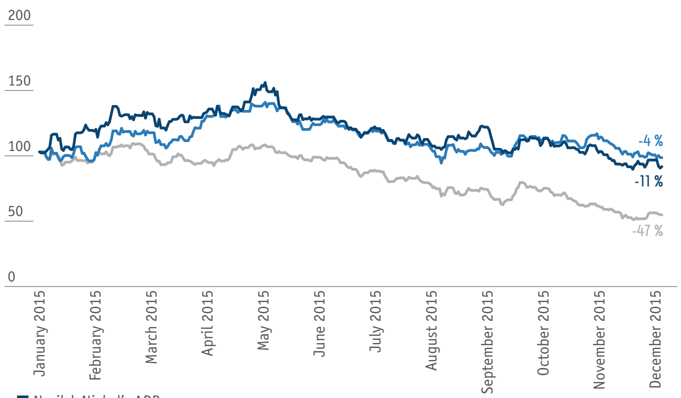
Changes in the share of stock exchanges (share and ADR trading volumes)



Moscow Exchange (NN shares)
London Stock Exchange (NN ADRs)
New York Stock Exchange (NN ADRs)

Source: *Bloomberg*

MMC Norilsk Nickel's ADR and key sector indices performance



Norilsk Nickel's ADRs
Euromoney global diversified index
RTS index

Source: *Bloomberg*

EUROBONDS

■ Rouble bonds

INSTRUMENT	EXCHANGE BONDS, BO-05
Issuer	MMC Norilsk Nickel
ISIN	RU000A0JW5C7
Offering date	19 February 2016
Maturity date	06 February 2026
Offering amount	RUB 15 bn
Coupon rate	11.60 %
Coupon period	Each 182 days starting from the offering date

■ Eurobonds

INSTRUMENT	EUROBONDS 2018 (LPN)	EUROBONDS 2020 (LPN)	EUROBONDS 2022 (LPN)
Issuer	MMC Finance Ltd	MMC Finance Ltd	MMC Finance Ltd
ISIN	XS0922134712	XS0982861287; US55314WAA27	XS1298447019; US55314WAC82
Offering date	30 April 2013	28 October 2013	14 October 2015
Maturity date	30 April 2018	28 October 2020	14 October 2022
Offering amount	USD 750 m	USD 1,000 m	USD 1,000 m
Coupon rate	4.375 %	5.55 %	6.625 %
Coupon dates	30 October / 30 April	28 October / 28 April	14 October / 14 April
Issue rating	BBB-/Ba1/BBB-	BBB-/Ba1/BBB-	BBB-/Ba1/BBB-

Dividends

2015 DIVIDEND REPORT

On 27 April 2016, the Board of Directors recommended the General Meeting of Shareholders to approve dividend for FY 2015 in the amount of RUB 230.14 (USD 3.46) per share totalling RUB 36,419 m (USD 548 m).[1]

9M 2015

On 19 December 2015, the Extraordinary General Meeting of Shareholders resolved to pay interim dividends for 9M 2015 in the amount of RUB 321.95 (USD 4.51) per share totalling RUB 50,947 m (USD 714 m).

1H 2015

On 14 September 2015, the Extraordinary General Meeting of Shareholders resolved to pay interim dividends for 1H 2015 in the amount of RUB 305.07 (USD 4.49) per share totalling RUB 48,276 m (USD 710 m).

REGISTRAR

Dividends are paid to individuals/entities whose title to shares is recorded in the shareholder register by Independent Registrar Company, Norilsk Nickel's Registrar.

Individuals/entities, whose title to shares is recorded via a nominee shareholder, are paid dividends via their nominee shareholder.

For information on the accrual and payout of dividends, please contact the Registrar using the details available on their website: www.nrcreg.ru.

■ Dividend history

ITEM	2015	2014	2013	2012	2011
Total dividend amount, RUB m	135,642	226,668	74,246	63,430	37,363
Total dividend amount, USD m[2]	2,148	4,798	2,200	2,008	1,181
Dividend per share, RUB	857	1 432	469	401	196
Dividend per ADR, USD[2]	1.36	3.03	1.39	1.27	0.62
% of EBITDA	50 %	84 %	52 %	41 %	16 %

[1] *At the CBR exchange rate as of the date of the BD.*
[2] *Differs from the IFRS data as the calculation is based on the CBR's exchange rate as at the date of the Board of Directors' meeting.*

Taxation of income from securities

Income from securities is taxable pursuant to the applicable tax laws of the Russian Federation, including Chapter 23 *Personal Income Tax* and Chapter 25 *Income Tax* of the Russian Tax Code.

If generalised information on the individuals/entities exercising their rights to issued securities held in a depositary account of a foreign nominee holder (Clauses 2–6, Article 214.6 and Clauses 2–8, Article 310.1 of the Russian Tax Code) is not disclosed to the depositary acting as a tax agent, interest income on these securities is taxable at the rate of 30% (subject to certain exceptions listed in the Russian Tax Code).

Reduced tax rates or exemptions may apply to individuals and foreign entities who are not tax residents of Russia pursuant to international double tax treaties.

For information on taxation of income from securities under the applicable laws of the Russian Federation, please see Annexes to the interactive annual report

DIVIDEND TAX FORMULA[1]

$AT=P\times TR\times(D_1-D_2)$

AT – amount of tax to be withheld from the income of the recipient of dividends;
P – proportion of the dividend amount payable to one recipient to the total dividend amount to be distributed;
TR – tax rate for Russian entities (0% or 13%);
D_1 – dividend amount to be distributed among all recipients;
D_2 – dividend amount received by the entity paying dividends, provided that previously these amounts were not included in the taxable income.

[1] *The formula is not applicable to dividends paid to foreign entities and/or individuals who are not tax residents of Russia.*

Tax treatment of income from securities

	INCOME FROM SECURITIES TRANSACTIONS	INTEREST INCOME ON SECURITIES	DIVIDEND INCOME ON SECURITIES
Individuals			
tax residents of Russia	13 %	13 %	13%
tax non-residents of Russia	30 %[2]	30 %	15%
Legal entities			
Russian entities	20 %[3]	20 %	13 %[4]
tax non-residents of Russia	20 %	20 %	15 %

[2] *if shares or other securities are sold in Russia.*
[3] *or 0%, if shares (interests) of Russian entities are sold, provided that as at the date of their sale the shares (interests) have been owned for over five years and subject to one of the conditions stipulated by Clause 2, Article 284.2 of the Russian Tax Code.*
[4] *or 0%, if as at the date of the dividend payout resolution a Russian entity has been owning an interest of 50% (and more) in the authorised capital of the entity paying dividends, for 365 days (and more).*

CONSOLIDATED FINANCIAL STATEMENTS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Consolidated financial statements

FOR THE YEAR ENDED 31 DECEMBER 2015

Contents

Statement of management's responsibilities for the preparation and approval of the consolidated financial statements

FOR THE YEAR ENDED 31 DECEMBER 2015

The following statement, which should be read in conjunction with the auditors' responsibilities stated in the auditors' report set out on page 2, is made with a view to distinguishing the respective responsibilities of management and those of the auditors in relation to the consolidated financial statements of Public Joint Stock Company "Mining and Metallurgical Company Norilsk Nickel" and its subsidiaries (the "Group").

Management is responsible for the preparation of the consolidated financial statements that present fairly in all material aspects the consolidated financial position of the Group at 31 December 2015 and consolidated statements of income, comprehensive income, cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, management is responsible for:

- selecting suitable accounting policies and applying them consistently;
- making judgements and estimates that are reasonable and prudent;
- stating whether IFRS have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- preparing the consolidated financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

Management, within its competencies, is also responsible for:

- designing, implementing and maintaining an effective system of internal controls throughout the Group;
- maintaining statutory accounting records in compliance with local legislation and accounting standards in the respective jurisdictions in which the Group operates;
- taking steps to safeguard the assets of the Group; and
- detecting and preventing fraud and other irregularities.

The consolidated financial statements for the year ended 31 December 2015 were approved by:

V.O. POTANIN
President

S.G. MALYSHEV
Vice President

Moscow, Russia
15 March 2016

MINING AND METALLURGICAL COMPANY NORILSK NICKEL

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

The following statement, which should be read in conjunction with the auditors' responsibilities stated in the auditors' report set out on page 2, is made with a view to distinguishing the respective responsibilities of management and those of the auditors in relation to the consolidated financial statements of Public Joint Stock Company "Mining and Metallurgical Company Norilsk Nickel" and its subsidiaries (the "Group").

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The consolidated financial statements for the year ended 31 December 2015 were approved by:

V.O. Potanin
President

S.G. Malyshev
Vice President

Moscow, Russia
15 March 2016

KPMG

Auditors' Report
Page 2

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2015, and its financial performance and its cash flows for 2015 in accordance with International Financial Reporting Standards.

I.V. Tokarev

Director, power of attorney dated 16 March 2015 No. 25/15

JSC "KPMG"

15 March 2016

Moscow, Russian Federation

Consolidated income statement

FOR THE YEAR ENDED 31 DECEMBER 2015

USD M	NOTES	YEAR ENDED 31/12/2015	YEAR ENDED 31/12/2014
Revenue			
Metal sales	6	7,883	10,896
Other sales		659	973
Total revenue		**8,542**	**11,869**
Cost of metal sales	7	(3,179)	(4,805)
Cost of other sales		(592)	(869)
Gross profit		**4,771**	**6,195**
General and administrative expenses	9	(554)	(812)
Selling and distribution expenses	8	(139)	(335)
Impairment of property, plant and equipment	14	(284)	(130)
Other net operating expenses	10	(288)	(172)
Operating profit		**3,506**	**4,746**
Foreign exchange loss, net		(865)	(1,594)
Finance costs	11	(326)	(179)
Loss from disposal of subsidiaries and assets classified as held for sale	21	(302)	(213)
Income from investments, net	12	215	94
Share of profits of associates		16	50
Impairment of available for sale investments including impairment losses reclassified from other comprehensive income		–	(244)
Profit before tax		**2,244**	**2,660**
Income tax expense	13	(528)	(660)
Profit for the year		**1,716**	**2,000**
Attributable to:			
Shareholders of the parent company		1,734	2,003
Non-controlling interests		(18)	(3)
		1,716	**2,000**
EARNINGS PER SHARE			
Basic and diluted earnings per share attributable to shareholders of the parent company (US Dollars per share)	22	11.0	12.7

The accompanying notes on pages 185–219 form an integral part of the consolidated financial statements

Consolidated statement of comprehensive income

FOR THE YEAR ENDED 31 DECEMBER 2015

USD M	YEAR ENDED 31/12/2015	YEAR ENDED 31/12/2014
Profit for the year	**1,716**	**2,000**
Other comprehensive income/(loss)		
Items to be reclassified to profit or loss in subsequent periods:		
Increase in fair value of available-for-sale investments	74	1
Realised gain on disposal of available-for-sale investments	(73)	(1)
Reclassification of foreign currency translation reserve on disposed assets classified as held for sale to profit orloss	326	544
Effect of translation of foreign operations	(26)	26
Other comprehensive income to be reclassified to profit or loss in subsequent periods, net	**301**	**570**
Items not to be reclassified to profit or loss in subsequent periods:		
Effect of translation to presentation currency	(868)	(4,182)
Remeasurements of defined benefit plans	-	35
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods, net	**(868)**	**(4,147)**
Other comprehensive loss for the year	**(567)**	**(3,577)**
Total comprehensive income/(loss) for the year, net of tax	**1,149**	**(1,577)**
Attributable to:		
Shareholders of the parent company	1,173	(1,516)
Non-controlling interests	(24)	(61)
Total comprehensive income/(loss) for the year, net of tax	**1,149**	**(1,577)**

The accompanying notes on pages 185–219 form an integral part of the consolidated financial statements

Consolidated statement of financial position

AT 31 DECEMBER 2015

USD M	NOTES	31/12/2015	31/12/2014
ASSETS			
Non-current assets			
Property, plant and equipment	14	6,392	7,011
Intangible assets		50	43
Investment property	15	83	-
Investments in associates		-	17
Other financial assets	16	62	204
Other taxes receivable	17	-	6
Deferred tax assets	13	42	53
Other non-current assets		117	130
		6,746	**7,464**
Current assets			
Inventories	18	1,698	1,726
Trade and other receivables	19	167	275
Advances paid and prepaid expenses		55	63
Other financial assets	16	1	87
Income tax receivable		234	127
Other taxes receivable	17	199	178
Cash and cash equivalents	20	4,054	2,793
		6,408	**5,249**
Assets classified as held for sale	**21**	**217**	**436**
		6,625	**5,685**
TOTAL ASSETS		**13,371**	**13,149**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	22	6	6
Share premium		1,254	1,254
Treasury shares	22	(196)	-
Translation reserve		(5,348)	(4,787)
Retained earnings		6,523	8,295
Equity attributable to shareholders of the parent company		**2,239**	**4,768**
Non-controlling interests		22	25
		2,261	**4,793**

The accompanying notes on pages 185–219 form an integral part of the consolidated financial statements

USD M	NOTES	31/12/2015	31/12/2014
Non-current liabilities			
Loans and borrowings	23	7,142	5,678
Provisions	25	357	274
Deferred tax liabilities	13	205	216
Other long-term liabilities		30	6
		7,734	**6,174**
Current liabilities			
Loans and borrowings	23	1,124	652
Trade and other payables	26	1,008	908
Dividends payable	27	698	4
Employee benefit obligations	24	215	252
Provisions	25	205	156
Derivative financial instruments		2	5
Income tax payable		5	23
Other taxes payable	17	95	99
		3,352	**2,099**
Liabilities associated with assets classified as held for sale	21	24	83
		3,376	**2,182**
TOTAL LIABILITIES		**11,110**	**8,356**
TOTAL EQUITY AND LIABILITIES		**13,371**	**13,149**

Consolidated statement of cash flows

FOR THE YEAR ENDED 31 DECEMBER 2015

USD M	YEAR ENDED 31/12/2015	YEAR ENDED 31/12/2014
OPERATING ACTIVITIES		
Profit before tax	**2,244**	**2,660**
Adjustments for:		
Depreciation and amortisation	506	805
Impairment of property, plant and equipment	284	130
Impairment of available for sale investments	—	244
Loss on disposal of property, plant and equipment	20	28
Share of profits of associates	(16)	(50)
Loss from disposal of assets classified as held for sale	302	213
Change in provisions and allowances	120	69
Finance costs and income from investments, net	137	85
Foreign exchange loss, net	865	1,594
Other	27	(8)
	4,489	**5,770**
Movements in working capital:		
Inventories	(340)	94
Trade and other receivables	74	237
Advances paid and prepaid expenses	(2)	(7)
Other taxes receivable	(62)	162
Employee benefit obligations	42	(16)
Trade and other payables	152	515
Provisions	(4)	(21)
Other taxes payable	28	38
Cash generated from operations	**4,377**	**6,772**
Income tax paid	(672)	(825)
Net cash generated from operating activities	**3,705**	**5,947**
INVESTING ACTIVITIES		
Proceeds from sale of associate	10	—
Purchase of property, plant and equipment	(1,626)	(1,277)
Purchase of other financial assets	—	(9)
Purchase of intangible assets	(28)	(21)
Purchase of other non-current assets	(31)	(35)
Loans issued	(27)	—
Net change in deposits placed	91	(106)
Proceeds from sale of other financial assets	204	91
Proceeds from disposal of property, plant and equipment	1	20
Proceeds from disposal of assets classified as held for sale	—	24
Interest received	101	88
Dividends received	5	3
Net cash used in investing activities	**(1,300)**	**(1,222)**

The accompanying notes on pages185–219 form an integral part of the consolidated financial statements

USD M	YEAR ENDED 31/12/2015	YEAR ENDED 31/12/2014
FINANCING ACTIVITIES		
Proceeds from loans and borrowings	3,192	1,916
Repayments of loans and borrowings	(727)	(1,343)
Financial lease payments	(1)	—
Dividends paid	(2,859)	(3,281)
Interest paid	(376)	(259)
Buy-out of non-controlling interest	(31)	(12)
Acquisition of own shares from shareholders	(196)	—
Net cash used in financing activities	**(998)**	**(2,979)**
Net increase in cash and cash equivalents	**1,407**	**1,746**
Cash and cash equivalents at beginning of the period	**2,793**	**1,621**
Cash and cash equivalents of disposal group at beginning of the period	5	9
Less: cash and cash equivalents of disposal group at end of the period	(38)	(5)
Effects of foreign exchange differences on balances of cash and cash equivalents	(113)	(578)
Cash and cash equivalents at end of the period	**4,054**	**2,793**

Consolidated statement of changes in equity

FOR THE YEAR ENDED 31 DECEMBER 2015

		EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY							
USD M	NOTES	SHARE CAPITAL	SHARE PREMIUM	TREASURY SHARES	TRANSLATION RESERVE	RETAINED EARNINGS	TOTAL	NON-CONTROLLING INTERESTS	TOTAL
Balance at 1 January 2014		**6**	**1,254**	**–**	**(1,230)**	**9,589**	**9,619**	**131**	**9,750**
Profit for the year		–	–	–	–	2,003	2,003	(3)	2,000
Other comprehensive income/(loss)		–	–	–	(3,557)	38	(3,519)	(58)	(3,577)
Total comprehensive income/(loss) for the year		**–**	**–**	**–**	**(3,557)**	**2,041**	**(1,516)**	**(61)**	**(1,577)**
Decrease in non-controlling interest due to increase in ownership of subsidiary		–	–	–	–	14	14	(54)	(40)
Increase in non-controlling interests due to cancellation of dividends in subsidiary		–	–	–	–	–	–	9	9
Dividends	27	–	–	–	–	(3,349)	(3,349)	–	(3,349)
Balance at 31 December 2014		**6**	**1,254**	**–**	**(4,787)**	**8,295**	**4,768**	**25**	**4,793**
Balance at 1 January 2015		**6**	**1,254**	**–**	**(4,787)**	**8,295**	**4,768**	**25**	**4,793**
Profit for the year		–	–	–	–	1,734	1,734	(18)	1,716
Other comprehensive loss		–	–	–	(561)	–	(561)	(6)	(567)
Total comprehensive income/(loss) for the year		**–**	**–**	**–**	**(561)**	**1,734**	**1,173**	**(24)**	**1,149**
Non-controlling interest on disposal of assets classified as held for sale		–	–	–	–	–	–	12	12
Decrease in non-controlling interest due to increase in ownership of subsidiary		–	–	–	–	(9)	(9)	9	–
Acquisition of own shares from shareholders	22	–	–	(196)	–	–	(196)	–	(196)
Dividends	27	–	–	–	–	(3,497)	(3,497)	–	(3,497)
Balance at 31 December 2015		**6**	**1,254**	**(196)**	**(5,348)**	**6,523**	**2,239**	**22**	**2,261**

The accompanying notes on pages185–219 form an integral part of the consolidated financial statements

Notes to the consolidated financial statements

FOR THE YEAR ENDED 31 DECEMBER 2015

1. GENERAL INFORMATION

Organisation and principal business activities
Public Joint Stock Company "Mining and Metallurgical Company Norilsk Nickel" (the "Company" or "MMC Norilsk Nickel") was incorporated in the Russian Federation on 4 July 1997. The principal activities of the Company and its subsidiaries (the "Group") are exploration, extraction, refining of ore and non-metallic minerals and sale of base and precious metals produced from ore. Further details regarding the nature of the business and structure of the Group are presented in note 33.

Major production facilities of the Group are located in Taimyr and Kola Peninsulas of the Russian Federation and in Finland. The registered office's location is Russian Federation, Krasnoyarsk region, Dudinka, postal address: 2, Gvardeyskaya square, Norilsk, Russian Federation.

BASIS OF PREPARATION

Statement of compliance
The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The entities of the Group maintain their accounting records in accordance with the laws, accounting and reporting regulations of the jurisdictions in which they are incorporated and registered. Accounting principles in certain jurisdictions may differ substantially from those generally accepted under IFRS. Financial statements of such entities have been adjusted to ensure that the consolidated financial statements are presented in accordance with IFRS.

The Group issues a separate set of IFRS consolidated financial statements to comply with the requirements of Russian Federal Law No 208-FZ On consolidated financial statements ("Law 208-FZ") dated 27 July 2010.

Basis of measurement
The consolidated financial statements of the Group are prepared on the historical cost basis, except for:

- mark-to-market valuation of by-products, in accordance with IAS 2 Inventories;
- mark-to-market valuation of certain classes of financial instruments, in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

2. CHANGES IN ACCOUNTING POLICIES

Reclassification
At 31 December 2015 management presented semi-products sales separately within metal sales in order to better align metal revenue structure with management accounts and reporting (refer to note 6). Information for the year ended 31 December 2014 has been reclassified to conform with the current period presentation.

Certain other items presented in the consolidated financial statements were also reclassified to conform with current year presentation.

Standards and interpretations effective in the current year
In the preparation of these consolidated financial statements the Group has adopted all new and revised International Financial Reporting Standards and Interpretations issued by International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for adoption in annual periods beginning on 1 January 2015.

Adoption of an Interpretation and amendments to the existing Standards detailed below did not have significant impact on the accounting policies, financial position or performance of the Group:

- IFRS 2 Share-based Payment (amended);
- IFRS 3 Business Combinations (amended);
- IFRS 7 Financial Instruments: Disclosures (amended);
- IFRS 8 Operating Segments (amended);
- IFRS 9 Financial Instruments (amended);
- IFRS 13 Fair Value Measurement (amended);
- IAS 16 Property, Plant and Equipment (amended);
- IAS 19 Employee Benefits(amended);
- IAS 24 Related Party Disclosures (amended);
- IAS 38 Intangible Assets (amended);
- IAS 40 Investment Property (amended).

Consolidated financial statements

Standards and interpretations in issue but not yet effective

At the date of authorisation of these consolidated financial statements, the following Standards and Interpretations or amendments to them were in issue but not yet effective:

STANDARDS AND INTERPRETATIONS	EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (amended)	1 January 2016
IFRS 7 Financial Instruments: Disclosures (amended)	1 January 2016
IFRS 9 Financial Instruments (amended)	1 January 2018
IFRS 10 Consolidated Financial Statements (amended)	1 January 2016
IFRS 11 Joint Arrangements (amended)	1 January 2016
IFRS 12 Disclosure of Interests in Other Entities (amended)	1 January 2016
IFRS 14 Regulatory Deferral Accounts	1 January 2016
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16 Leases	1 January 2019
IAS 1 Presentation of Financial Statements (amended)	1 January 2016
IAS 7 Statement of Cash Flows (amended)	1 January 2017
IAS 12 Income Taxes (amended)	1 January 2017
IAS 16 Property, Plant and Equipment (amended)	1 January 2016
IAS 19 Employee Benefits (amended)	1 January 2016
IAS 27 Separate Financial Statements (amended)	1 January 2016
IAS 28 Investments in Associates and Joint Ventures (amended)	1 January 2016
IAS 34 Interim Financial Reporting (amended)	1 January 2016
IAS 38 Intangible Assets (amended)	1 January 2016
IAS 41 Agriculture (amended)	1 January 2016

Management of the Group expects that all of the above standards and interpretations will be adopted in the Group's consolidated financial statements for the respective periods. The impact of adoption of those standards and interpretations on the consolidated financial statements of future periods is currently being assessed by management.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

Subsidiaries

The consolidated financial statements incorporate financial statements of the Company and its subsidiaries, from the date that control effectively commenced until the date that control effectively ceased. Control is achieved where the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Non-controlling interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests include interests at the date of the original business combination and non-controlling share of changes in net assets since the date of the combination. Total comprehensive income must be attributed to the interest of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

All intra-group balances, transactions and any unrealised profits or losses arising from intra-group transactions are eliminated in full on consolidation.

Changes in the Group's ownership interest in a subsidiary that do not result in the Group losing control are accounted for within the equity.

When the Group loses control of a subsidiary it derecognises the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognised in the consolidated income statement. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost.

Associates

An associate is an entity over which the Group exercises significant influence, but not control or joint control, through participation in financing and operating policy decisions, in which it normally owns between 20% and 50% of the voting equity. Associates are equity accounted for from the date significant influence commenced until the date that significant influence effectively ceased.

Investments in associates are carried at cost, including goodwill, as adjusted for the Group's share of post-acquisition changes in associate's retained earnings and other movements in reserves. The carrying value of investments in associates is reviewed on a regular basis and if any impairment in value has occurred, it is written down in the period in which these circumstances are identified. The results of associates are equity accounted for based on their most recent financial statements.

Losses of associates are recorded in the consolidated financial statements until the investment in such associates is written down to nil value. Thereafter losses are only accounted for to the extent that the Group is committed to provide financial support to such associates.

Profits and losses resulting from transactions with associates are eliminated to the extent of the Group's interest in the relevant associates. When significant influence over an associate is lost, any investment retained in the former associate is stated at fair value, with any consequential gain or loss recognised in the consolidated income statement.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group at the date of acquisition in exchange for control of the acquiree.

Where an investment in a subsidiary or an associate is made, any excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the fair value of the identifiable assets acquired and the liabilities assumed at the acquisition date is recognised as goodwill. Goodwill in respect of subsidiaries is disclosed separately and goodwill relating to associates is included in the carrying value of the investment in associates. Goodwill is reviewed for impairment at least annually. If impairment has occurred, it is recognised in the consolidated income statement during the period in which the circumstances are identified and is not subsequently reversed.

If, after reassessment, the net amounts of the identifiable assets acquired and liabilities assumed at the acquisition date exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised in the consolidated income statement immediately as a bargain purchase gain.

Acquisition-related costs are generally recognised in the consolidated income statement as incurred.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and the resulting gain or loss, is recognised in the consolidated income statement. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in comprehensive income are reclassified to the consolidated income statement where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (a maximum of twelve months from the date of acquisition), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Assets classified as held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered primarily through a sale transaction rather than through continuing use. This condition is regarded as met only when sale is highly probable within one year from the date of classification and the asset or disposal group is available for immediate sale in its present condition and management has committed to the sale.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Assets held for sale and related liabilities are presented in the consolidated statement of financial position separately from other assets and liabilities. Comparative information related to assets held for sale is not amended in the consolidated statement of financial position for the prior period.

Functional and presentation currency

The individual financial statements of each Group entity are presented in its functional currency.

The Russian Rouble ("RUB") is the functional currency of the Company, all of its subsidiaries located in the Russian Federation and all foreign subsidiaries of the Group except for the following subsidiaries operating with a significant degree of autonomy:

SUBSIDIARY	FUNCTIONAL CURRENCY
Norilsk Nickel Harjavalta Oy	US Dollar
MPI Nickel Limited	Australian Dollar
Norilsk Nickel Cawse Proprietary Limited	Australian Dollar
Tati Nickel Mining Company Proprietary Limited (sold in April 2015)	Botswana Pula
Norilsk Nickel Africa Proprietary Limited	South African Rand

The presentation currency of the consolidated financial statements of the Group is US Dollar ("USD"). Using USD as a presentation currency is common practice for global mining companies. In addition, USD is a more relevant presentation currency for international users of the consolidated financial statements of the Group. The Group also issues consolidated financial statements to comply with Law 208-FZ, which use the Russian Rouble as the presentation currency (refer to note 1).

The translation into presentation currency is made as follows:

- all assets andliabilities, both monetary and non-monetary, are translated at closing exchange rates at the dates of each statement of financial position presented;
- income and expense items are translated at the average exchange rates for the period;
- all equity items are translated at the historical exchange rates;
- all resulting exchange differences are recognised as a separate component in other comprehensive income; and
- in the consolidated statement of cash flows, cash balances at beginning and end of each period presented are translated at exchange rates at the respective dates. All cash flows are translated at the average exchange rates for the periods presented, with the exception of borrowings, dividends and advances received, gains andlosses from disposal of subsidiaries, which are transated using the prevailing exchange rates at the dates of transactions;
- resulting exchange differences are presented in the consolidated statement of cash flows as effects of foreign exchange differences on balances of cash and cash equivalents.

Foreign currency transactions

Transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the exchange rates prevailing at the date of transactions. All monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at each reporting date. Non-monetary items carried at historical cost are translated at the exchange rates prevailing at the date of transactions. Non-monetary items carried at fair value are translated at the exchange rate prevailing at the date on which the most recent fair value was determined. Exchange differences arising from changes in exchange rates are recognised in the consolidated income statement.

Exchange rates used in the preparation of the consolidated financial statements were as follows:

	31/12/2015	31/12/2014
Russian Rouble / US Dollar		
31 December	72.88	56.26
Average for the year ended 31 December	60.96	38.42
Botswana Pula /US Dollar		
31 December	11.36	9.68
Average for the year ended 31 December	10.26	9.04
Australian dollar / US dollar		
31 December	1.37	1.23
Average for the year ended 31 December	1.33	1.11
South African Rand / US Dollar		
31 December	15.55	11.61
Average for the year ended 31 December	12.69	10.84
Hong Kong dollar / US Dollar		
31 December	7.75	7.75
Average for the year ended 31 December	7.75	7.75

Revenue recognition

Metal sales revenue

Revenue from metal sales is recognised when the significant risks and rewards of ownership are transferred to the buyer and represents invoiced value of all metal products shipped to customers, net of value added tax.

Revenue from contracts that are entered into and continue to meet the Group's expected sale requirements designated for that purpose at their inception, and are expected to be settled by physical delivery, are recognised in the consolidated financial statements as and when they are delivered.

Certain contracts are provisionally priced so that price is not settled until a predetermined future date based on the market price at that time. Revenue from these transactions is initially recognised at the current market price. Provisionally priced metal sales are marked-to-market at each reporting date using the forward price for the period equivalent to that outlined in the contract. This mark-to-market adjustment is recorded in revenue.

Other revenue

Revenue from sale of goods, other than metals, is recognised when significant risks and rewards of ownership are transferred to the buyer in accordance with the shipping terms specified in the sales agreements.

Revenue from service contracts is recognised when the services are rendered and the outcome can be reliably measured.

Dividends and interest income

Dividends from investments are recognised when the Group's right to receive payment has been established. Interest income is accrued based on effective interest method.

Leases

Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as financeleases. Assets subject to financeleases are capitalised as property, plant and equipment at thelower of fair value or present value of future minimumlease payments at the date of acquisition, with the relatedlease obligation recognised at the same value. Assets held under financeleases are depreciated over their estimated economic useful lives or over the term of thelease, if shorter. If there is reasonable certainty that thelessee will obtain ownership at the end of thelease term, the period of expected use is the usefullife of the asset.

Finance lease payments are allocated using the effective interest rate method, between thelease finance cost, which is included in finance costs, and the capital repayment, which reduces the relatedlease obligation to thelessor.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operatingleases. Operatinglease payments are recognised as an expense in the consolidated income statement on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are expensed in the period in which they are incurred.

Finance costs

Finance costs mostly comprise interest expense on borrowings and unwinding of discount on decommissioning obligations.

Finance costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time when the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all conditions and requirements attaching to the grant will be met. Government grants related to assets are deducted from the cost of these assets in arriving at their carrying value.

Employee benefits

Remuneration to employees in respect of services rendered during a reporting period is recognised as an expense in that period.

Defined contribution plans

The Group contributes to the following major defined contribution plans:

- Pension Fund of the Russian Federation;
- Mutual accumulated pension plan.

The only obligation of the Group with respect to these and other defined contribution plans is to make specified contributions in the period in which they arise. These contributions are recognised in the consolidated income statement when employees have rendered services entitling them to the contribution.

Share appreciation rights

At 31 December 2014 the Group terminated its share appreciation rights programme and settled substantially all of the outstanding obligations.

Income tax expense

Income tax expense represents the sum of the tax currently payable and deferred tax.

Income tax is recognised as an expense or income in the consolidated income statement, except when it relates to other items recognised directly in other comprehensive income, in which case the tax is also recognised directly in other comprehensive income. Where current or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Current tax

Current tax is based on taxable profit for the year. Taxable profit differs from profit for the year as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets andliabilities in the financial statements and the corresponding tax bases used in computation of taxable profit. Deferred tax liabilities are recognised for all taxable temporary differences, and deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if a temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets andliabilities in a transaction that affects neither taxable profit nor accounting profit.

Deferred taxliabilities are recognised for taxable temporary differences associated with investments in subsidiaries, joint ventures and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and adjusted to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

The measurement of deferred tax liabilities and assets reflects the tax consequences of the manner in which the Group expects at the reporting date to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset when there is alegally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxeslevied by the same taxation authority. The Group offsets deferred tax assets and liabilities for the subsidiaries which entered into the tax consolidation group.

Property, plant and equipment and mining development costs

Mining assets

Mine development costs are capitalised and comprise expenditures directly related to:

- acquiring mining and explorationlicences;
- developing new mining operations;
- estimating revised content of minerals in the existing ore bodies; and
- expanding capacity of a mine.

Mine development costs include interest capitalised during the construction period, when financed by borrowings.

Mine development costs are transferred to mining assets and start to be depreciated when a new mine reaches commercial production quantities.

Mining assets are recorded at costless accumulated amortisation and impairment losses. Mining assets include cost of acquiring and developing mining properties, pre-production expenditure, mine infrastructure, plant and equipment that process extracted ore, mining and exploration licenses and present value of future decommissioning costs.

Depreciation of mining assets is charged from the date on which a new mine reaches commercial production quantities and is included in the cost of production. Mining assets are depreciated on a straight-line basis over the lesser of their economic usefullives or thelife of mine, varying from 2 to 45 years.

Non-mining assets

Non-mining assets include metallurgical processing plants, buildings, infrastructure, machinery and equipment and other non-mining assets. Non-mining assets are stated at costless accumulated depreciation and impairment losses.

Non-mining assets are depreciated on a straight-line basis over their economic usefullives.

Depreciation is calculated over the following economic usefullives:

- plant, buildings and infrastructure 5–50 years
- machinery and equipment 3–30 years
- other non-mining assets 2–20 years

Capital construction-in-progress

Capital construction-in-progress comprises costs directly related to construction of buildings, processing plant, infrastructure, machinery and equipment, it also includes amounts of irrevocableletters of credit opened for future fixed assets deliveries and secured with deposits placed in banks. Cost also includes finance charges capitalised during construction period where such costs are financed by borrowings. Depreciation of these assets commences when the assets are put into production.

Research and exploration expenditure

Research and exploration expenditure, including geophysical, topographical, geological and similar types of expenditure, is capitalised, if it is deemed that such expenditure willlead to an economically viable capital project, and begins to be amortised over thelife of mine, when commercial viability of the project is proved. Otherwise it is expensed in the period in which it is incurred.

Research and exploration expenditure written-off before development and construction starts is not subsequently capitalised, even if a commercial discovery subsequently occurs.

Investment property

Investment property recognised at historical costless accumulated depreciation. Investment property is depreciated on a straignt-line basis.

Intangible assets, excluding goodwill

Intangible assets are recorded at costless accumulated amortisation and impairmentlosses. Intangible assets mainly include patents,licences, software and rights to use software and other intangible assets.

Amortisation of patents,licenses and software is charged on a straight-line basis over 1–10 years.

Impairment of tangible and intangible assets, excluding goodwill

At each reporting date, the Group analyses the triggers of impairment of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairmentloss (if any). Where it is not practical to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair valueless cost to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit. If the recoverable amount of an asset (or cash-generating unit) is estimated to beless than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairmentloss is recognised in the consolidated income statement immediately.

Where an impairment loss subsequently reversed, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the original carrying amount that would have been determined had no impairmentloss been recognised in prior periods. A reversal of an impairment loss is recognised in the consolidated income statement immediately.

Inventories

Refined metals

Main produced metals include nickel, copper, palladium, platinum; by-products include gold, rhodium, silver and other minor metals. Main products are measured at thelower of net cost of production or net realisable value. The net cost of production of main products is determined as total production cost, allocated to each joint product by reference to their relative sales value. By-products are measured at net realisable value, through a mark-to-market valuation.

Work-in-process

Work-in-process includes all costs incurred in the normal course of business including direct material and directlabour costs and allocation of production overheads, depreciation and amortisation and other costs, incurred for producing each product, given its stage of completion.

Materials and supplies

Materials and supplies are valued at the weighted average costless allowance for obsolete and slow-moving items.

Financial assets

Financial assets are recognised when the Group has become a party to the contractual arrangement of the instrument and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit orloss, which are initially measured at fair value.

Financial assets are classified into the following specified categories:

- financial assets at fair value through profit or loss
- held-to-maturity investments;
- available-for-sale financial assets; and
- loans and receivables.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including transaction costs and other premiums or discounts) through the expectedlife of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt securities other than those financial assets designated as at fair value through profit orloss.

Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit orloss where the financial asset is either held for trading or it is designated as at fair value through profit orloss.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative.

Financial assets at fair value through profit orloss are stated at fair value, with any resultant gain orloss recognised in the consolidated income statement. The net gain orloss recognised in the consolidated income statement incorporates any dividend or interest earned on the financial asset.

Loans and receivables

Trade receivables,loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified asloans and receivables. Loans and receivables are measured at amortised cost using the effective interest method,less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Available-for-sale financial assets

Available-for-sale financial assets mainly include investments inlisted and unlisted equity securities, that are not classified in other categories.

Listed equity securities held by the Group that are traded in an active market are measured at their market value. Gains andlosses arising from changes in fair value are recognised in other comprehensive income in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains andlosses on monetary assets, which are recognised directly in the consolidated income statement. Where an investment is disposed of or is determined to be impaired, the cumulative gain orloss previously recognised in the investment revaluation reserve is included in the consolidated income statement for the period.

Investments in unlisted equity securities that do not have a quoted market price in an active market are recorded at management's estimate of fair value.

Impairment of financial assets

Financial assets, other than those at fair value through profit orloss, are assessed for indicators of impairment at each statement of financial position date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been negatively impacted.

The Group has fully provided for all trade and other receivables which were due in excess of 365 days. Trade and other receivables that are past due forless than 365 days are provided according to expected probability of repayment and thelength of the overdue period.

Objective evidence of impairment for a accounts receivable could include the Group's past experience of collecting payments, an increase in the number of delayed payments as well as observable changes in economic conditions that correlate with defaults on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance for doubtful debts. When trade and other receivables are considered uncollectible, it is written off against the allowance. Subsequent recoveries of amounts previously written off are credited against the allowance. Changes in the allowance are recognised in the consolidated income statement.

With the exception of available-for-sale debt and equity instruments, if, in a subsequent period, the amount of the impairmentloss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairmentloss is reversed through the consolidated income statement to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

When a decline in fair value of an available-for-sale investment has been recognised in other comprehensive income and there is objective evidence that investment is impaired, the cumulative loss that had been recognised in other comprehensive income is reclassified from other comprehensive income and recognised in the consolidated income statement even though the investment has not been derecognised. Impairment losses previously recognised through consolidated income statement are not reversed. Any increase in fair value subsequent to an impairmentloss is recognised in other comprehensive income.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The Group classifies financialliabilities intoloans and borrowings, trade and other payables. Such financialliabilities are recognised initially at fair valueless any directly attributable transaction costs. Subsequent to initial recognition, these financialliabilities are measured at amortised cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financialliability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expectedlife of the financialliability, or where appropriate, a shorter period.

Derecognition of financial liabilities

The Group derecognises financialliabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Derivative financial instruments

The Group primarily uses derivative financial instruments to manage its exposure to the risk of changes in metal prices.

Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates. The resulting gain or loss is recognised in the consolidated income statement immediately.

The Group does not apply hedge accounting.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, cash deposits in banks, brokers and other financial institutions and highlyliquid investments with original maturities of three months orless and demands deposits, which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Provisions

Provisions are recognised when the Group has alegal or constructive obligations as a result of a past event for which it is probable that an outflow of economic benefits will be required to settle the obligations, and the amount of the obligations can be reliably estimated.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Decommissioning obligations

Decommissioning obligations include direct asset decommissioning costs as well as relatedland restoration costs.

Future decommissioning obligations, discounted to net present value, are recognised as soon as thelegal or constructive obligation to incur such costs arises (generally when the related asset is put into operation) and the future cost can be reliably estimated. This cost is capitalised as part of the initial cost of the related asset (i.e. a mine) and is depreciated over the usefullife of the asset. The unwinding of the decommissioning obligations is included in the consolidated income statement as finance costs. Decommissioning obligations are periodically reviewed inlight of currentlaws and regulations, and adjustments are made as necessary.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTY

Preparation of the consolidated financial statements in accordance with IFRS requires the Group's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets andliabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. The determination of estimates requires judgements which are based on historical experience, current and expected economic conditions, and all other available information. Actual results could differ from those estimates.

The most significant areas requiring the use of management estimates and assumptions relate to:

- useful economiclives of property, plant and equipment;
- impairment of assets, including fair value of assets held for sale;
- allowances;
- decommissioning obligations;
- income taxes; and
- contingencies.

Useful economic lives of property, plant and equipment

The Group's mining assets, classified within property, plant and equipment, are amortised on a straight-line basis over thelesser of their economic usefullives or thelife of mine. When determining thelife of a mine, assumptions that were valid at the time of estimation, may change when new information becomes available.

The factors that could affect the estimation of thelife of mine include the following:

- changes in proved and probable ore reserves;
- the grade of mineral reserves varying significantly from time to time;
- differences between actual commodity prices and commodity price assumptions used in the estimation and classification of ore reserves;
- unforeseen operational issues at mine sites; and
- changes in capital, operating, mining, processing and reclamation costs, discount rates and foreign exchange rates could possibly adversely affect the economic viability of ore reserves.

Any of these changes could affect prospective amortisation of mining assets and their carrying value. Useful economiclives of non-mining property, plant and equipment are reviewed by management periodically. The review is based on the current condition of the assets and the estimated period during which they will continue to bring economic benefit to the Group.

Impairment of assets

The Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets are impaired or indication of reversal of impairment. In making the assessment for impairment, assets that do not generate independent cash flows are allocated to an appropriate cash-generating unit. Management necessarily applies its judgement in allocating assets that do not generate independent cash flows to appropriate cash-generating units, and also in estimating the timing and value of the underlying cash flows within the value-in-use calculation. Subsequent changes to the cash-generating unit allocation or to the timing of cash flows could impact the carrying value of the respective assets.

Allowances

The Group creates allowance for doubtful debts to account for estimatedlosses resulting from the inability of customers to make the required payments. When evaluating the adequacy of an allowance for doubtful debts, management bases its estimate on current overall economic conditions, ageing of the accounts receivable balances, historical write-off experience, customer creditworthiness and changes in payment terms. Changes in the economy, industry or specific customer conditions may require adjustments to the allowance for doubtful debts recorded in the consolidated financial statements.

The Group also creates an allowance for obsolete and slow-moving raw materials and supplies. In addition, certain finished goods of the Group are carried at net realisable value. Estimates of net realisable value of inventories are based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly relating to events occurring subsequent to the statement of financial position date to the extent that such events confirm conditions existing at the end of the period.

Decommissioning obligations

The Group's mining and exploration activities are subject to various environmentallaws and regulations. The Group estimates decommissioning obligations based on management's understanding of the currentlegal requirements in the various jurisdictions in which it operates, terms of the license agreements and internally generated engineering estimates. Provision is made, based on net present values, for decommissioning andland restoration costs as soon as the obligation arises. Actual costs incurred in future periods could differ materially from the amounts provided. Additionally, future changes to environmental laws and regulations,life of mine estimates and discount rates could affect the carrying amount of this provision.

Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining provision for income taxes due to the complexity of legislation in some jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises provisions for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets are reviewed at each statement of financial position date and adjusted to the extent that it is probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilised. The estimation of that probability includes judgements based on the expected performance.

Various factors are considered to assess the probability of the future utilisation of deferred tax assets, including past operating results, operational plans, expiration of taxlosses carried forward, and tax planning strategies. If actual results differ from these estimates or if these estimates must be adjusted in future periods, the financial position, results of operations and cash flows may be affected.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgement and estimates of the outcome of future events.

5. SEGMENTAL INFORMATION

Operating segments are identified on the basis of internal reports on components of the Group that are regularly reviewed by the Management Board.

Management has determined the following operating segments:

- "GMK Group" segment, which includes mining and metallurgy operations, transport services, energy, repair and maintenance services located at Taimyr Peninsula;
- "Group KGMK" segment, which includes mining and metallurgy operations, energy, exploration activitieslocated at Kola Peninsula;
- "NN Harjavalta" segment, which includes refinery operations located in Finland;
- "Other metallurgical" segment, which includes other metallurgy operations and exploration activitieslocated in Russia and abroad;
- "Other non-metallurgical" segment, which includes metal and other trading, supply chain management, transport services, energy and utility, research and other activities located in Russia and abroad.

Corporate activities of the Group do not represent an operating segment, include primarily headquarters' general and administrative expenses and treasury operations of the Group and are included in unallocatedline. Assets classified as held for sale and liabilities associated with assets classified as held for sale are also included in unallocatedline.

The amounts in respect of operating segments in the disclosure below are stated before intersegment eliminations, excluding:

- balances of intercompanyloans and borrowings and interest accruals;
- intercompany investments;
- accrual of intercompany dividends;
- intercompany metal sales and unrealised profit on metal inventory balance.

Amounts are measured on the same basis as those in the consolidated financial statements.

The following tables present revenue, measure of segment profit orloss (EBITDA) and other segmental information from continuing operations regarding the Group's reportable segments for the years ended 31 December 2015 and 2014, respectively.

YEAR ENDED 31/12/2015, USD M	GMK GROUP	GROUP KGMK	NN HARJAVALTA	OTHER METALLURGICAL	OTHER NON-METALLURGICAL	ELIMINATIONS	TOTAL
Revenue from external customers	6,532	615	757	17	621	–	8,542
Inter-segment revenue	58	158	–	13	561	(790)	–
Total revenue	**6,590**	**773**	**757**	**30**	**1,182**	**(790)**	**8,542**
Segment EBITDA	4,429	257	72	(12)	(64)	–	4,682
Unallocated							(386)
Consolidated EBITDA							**4,296**
Depreciation and amortisation							(506)
Impairment of property, plant and equipment							(284)
Finance costs							(326)
Foreign exchangeloss, net							(865)
Other income and expenses							(71)
Profit before tax							**2,244**
Other segmental information							
Purchase of property, plant and equipment and intangible assets	1,353	146	24	100	31	–	**1,654**
Depreciation and amortisation of segment assets	418	37	42	1	8	–	**506**
Impairment of property, plant and equipment	272	–	–	11	1	–	**284**

YEAR ENDED 31/12/2014, USD M	GMK GROUP	GROUP KGMK	NN HARJAVALTA	OTHER METALLURGICAL	OTHER NON-METALLURGICAL	ELIMINATIONS	TOTAL
Revenue from external customers	8,853	873	986	75	1,082	–	11,869
Inter-segment revenue	84	227	–	79	915	(1,305)	–
Total revenue	**8,937**	**1,100**	**986**	**154**	**1,997**	**(1,305)**	**11,869**
Segment EBITDA	5,625	346	70	(61)	78	–	6,058
Unallocated							(377)
Consolidated EBITDA							**5,681**
Depreciation and amortisation							(805)
Impairment of property, plant and equipment							(130)
Finance costs							(179)
Foreign exchangeloss, net							(1,594)
Other income and expenses							(313)
Profit before tax							**2,660**
Other segmental information							
Purchase of property, plant and equipment and intangible assets	1,026	123	7	103	39	–	**1,298**
Depreciation and amortisation of segment assets	680	71	20	5	29	–	**805**
Impairment of property, plant and equipment	140	(17)	–	2	5	–	**130**

Consolidated financial statements

The following tables present assets andliabilities of the Group's operating segments at 31 December 2015 and 31 December 2014, respectively.

YEAR ENDED 31/12/2015, USD M	GMK GROUP	GROUP KGMK	NN HARJAVALTA	OTHER METALLURGICAL	OTHER NON-METALLURGICAL	ELIMINATIONS	TOTAL
Inter-segment assets	344	90	128	23	137	(722)	–
Segment assets	6,949	510	346	317	814	–	8,936
Total segment assets	**7,293**	**600**	**474**	**340**	**951**	**(722)**	**8,936**
Unallocated							4,435
Total group assets							**13,371**
Inter-segment liabilities	178	17	1	4	522	(722)	–
Segment liabilities	1,020	78	69	157	740	–	2,064
Total segment liabilities	**1,198**	**95**	**70**	**161**	**1,262**	**(722)**	**2,064**
Unallocated							9,046
Total group liabilities							**11,110**

YEAR ENDED 31/12/2014, USD M	GMK GROUP	GROUP KGMK	NN HARJAVALTA	OTHER METALLURGICAL	OTHER NON-METALLURGICAL	ELIMINATIONS	TOTAL
Inter-segment assets	147	83	171	3	77	(481)	–
Segment assets	7,536	530	527	235	820	–	9,648
Total segment assets	**7,683**	**613**	**698**	**238**	**897**	**(481)**	**9,648**
Unallocated							3,501
Total group assets							**13,149**
Inter-segment liabilities	89	16	41	10	325	(481)	–
Segment liabilities	1,010	77	110	156	603	–	1,956
Total segment liabilities	**1,099**	**93**	**151**	**166**	**928**	**(481)**	**1,956**
Unallocated							6,400
Total group liabilities							**8,356**

The Group's non-current assets are primarilylocated in the Russian Federation and Finland.

6. METAL SALES

The Group's metal sales to external customers are detailed below (based on external customers'locations):

	TOTAL	NICKEL	COPPER	PALLADIUM	PLATINUM	SEMI-PRODUCTS	OTHER METALS
Year ended 31/12/2015, USD m							
Europe	4,698	1,453	1,448	1,182	327	72	216
Asia	2,110	1,153	249	384	180	109	35
North America	613	232	22	209	76	12	62
Russian Federation and CIS	462	172	197	32	48	-	13
	7,883	**3,010**	**1,916**	**1,807**	**631**	**193**	**326**
Year ended 31/12/2014, USD m							
Europe	5,469	2,025	1,623	1,206	371	49	195
Asia	3,508	1,963	400	703	310	97	35
North America	957	402	13	292	127	75	48
Russian Federation and CIS	962	246	432	20	61	-	203
	10,896	**4,636**	**2,468**	**2,221**	**869**	**221**	**481**

7. COST OF METAL SALES

USD M	YEAR ENDED 31/12/2015	YEAR ENDED 31/12/2014
Cash operating costs, USD m		
Labour	1,131	1,536
Purchases of metals for resale and semi-products	718	829
Materials and supplies	450	537
Third party services	186	403
Electricity and heat energy	131	191
Mineral extraction tax and otherlevies	117	194
Transportation expenses	75	87
Fuel	66	128
Sundry costs	137	162
Total cash operating costs	**3,011**	**4,067**
Depreciation and amortisation	476	698
(Increase)/decrease in metal inventories	(308)	40
Total	**3,179**	**4,805**

8. SELLING AND DISTRIBUTION EXPENSES

USD M	YEAR ENDED 31/12/2015	YEAR ENDED 31/12/2014
Export duties, USD m	88	225
Labour	19	23
Marketing expenses	15	66
Transportation expenses	8	15
Other	9	6
Total	**139**	**335**

9. GENERAL AND ADMINISTRATIVE EXPENSES

USD M	YEAR ENDED 31/12/2015	YEAR ENDED 31/12/2014
Labour, USD m	352	465
Third party services	55	111
Taxes other than mineral extraction tax and income tax	54	98
Depreciation and amortisation	19	27
Rent	19	10
Transportation expenses	4	16
Other	51	85
Total	**554**	**812**

10. OTHER NET OPERATING EXPENSES

USD M	YEAR ENDED 31/12/2015	YEAR ENDED 31/12/2014
Expenses on reconfiguration of production facilities	116	–
Social expenses	114	71
Change in allowance for slow-moving and obsolete inventory	5	23
Change in allowance for value added tax recoverable	4	14
Change in allowance for doubtful debts	(3)	42
Excess of decrease in decommissioning obligations over assets net book value	–	(12)
Other	52	34
Total	**288**	**172**

11. FINANCE COSTS

USD M	YEAR ENDED 31/12/2015	YEAR ENDED 31/12/2014
Interest expense on borrowings net of amounts capitalised	281	135
Unwinding of discount on provisions	44	43
Other	1	1
Total	**326**	**179**

12. INCOME FROM INVESTMENTS, NET

USD M	YEAR ENDED 31/12/2015	YEAR ENDED 31/12/2014
Interest income on bank deposits	107	83
Realised gain on disposal of investments	75	3
Other	33	8
Total	**215**	**94**

13. INCOME TAX EXPENSE

USD M	YEAR ENDED 31/12/2015	YEAR ENDED 31/12/2014
Current income tax expense	506	722
Deferred tax expense/(benefit)	22	(62)
Total income tax expense	**528**	**660**

A reconciliation of theoretic income tax, calculated at the statutory rate in the Russian Federation, thelocation of major production assets of the Group to the amount of actual income tax expense recorded in the consolidated income statement is as follows:

USD M	YEAR ENDED 31/12/2015	YEAR ENDED 31/12/2014
Profit before tax	**2,244**	**2,660**
Income tax at statutory rate of 20%	449	532
Allowance for deferred tax assets	71	48
Non-deductible impairment of financial assets	-	48
Utilisation of previously unrecognised deferred tax asset	(96)	-
Non-taxable gain from disposal of financial assets	(14)	(22)
Non-deductibleloss from disposal of assets held for sale	59	43
Effect of different tax rates of subsidiaries operating in other jurisdictions	37	(40)
Tax effect of other permanent differences	22	51
Total	**528**	**660**

The corporate income tax rates in other countries where the Group has a taxable presence vary from 0% to 40%.

Deferred tax balances

USD M	31/12/2014	RECOGNISED IN INCOME STATEMENT	RECOGNISED IN OTHER COMPREHENSIVE INCOME	CLASSIFIED AS HELD FOR SALE	EFFECT OF TRANSLATION TO PRESENTATION CURRENCY	31/12/2015
Property, plant and equipment	228	24	-	-	(51)	201
Inventories	39	73	-	-	(20)	92
Trade and other receivables	(9)	(1)	-	-	2	(8)
Decommissioning obligations	(56)	(20)	-	-	15	(61)
Loans and borrowings, trade and other payables	(5)	(16)	-	-	5	(16)
Other assets	(15)	(1)	-	-	7	(9)
Otherliabilities	-	10	-	-	(5)	5
Taxloss carried forward	(19)	(47)	-	10	15	(41)
Net deferred tax liability	**163**	**22**	**-**	**10**	**(32)**	**163**

USD M	31/12/2013	RECOGNISED IN INCOME STATEMENT	RECOGNISED IN OTHER COMPREHENSIVE INCOME	CLASSIFIED AS HELD FOR SALE	EFFECT OF TRANSLATION TO PRESENTATION CURRENCY	31/12/2014
Property, plant and equipment	383	(62)	-	-	(93)	228
Inventories	140	(41)	-	-	(60)	39
Trade and other receivables	(21)	5	-	-	7	(9)
Decommissioning obligations	(67)	7	-	-	4	(56)
Loans and borrowings, trade and other payables	(37)	18	(7)	-	21	(5)
Other assets	(37)	10	-	2	10	(15)
Otherliabilities	-	-	-	-	-	-
Taxloss carried forward	(5)	(1)	-	-	(13)	(19)
Net deferred tax liability	**356**	**(64)**	**(7)**	**2**	**(124)**	**163**

Certain deferred tax assets and liabilities have been offset to the extent they relate to taxeslevied in the same jurisdiction and on the Group's entities which can pay taxes on a consolidated basis. Deferred tax balances (after offset) presented in the consolidated statement of financial position were as follows:

USD M	31/12/2015	31/12/2014
Deferred taxliability	205	216
Deferred tax asset	(42)	(53)
Net deferred tax liabilities	**163**	**163**

Unrecognised deferred tax assets

Deferred tax assets have not been recognised as follows:

USD M	31/12/2015	31/12/2014
Deductible temporary differences	78	193
Taxloss carry-forwards	187	222
Total	**265**	**415**

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

At 31 December 2015 deferred tax asset in amount of USD 138 million related to taxloss arising on disposal of OJSC "Third Generation Company of the Wholesale Electricity Market" ("OGK-3 (31 December 2014: USD 179 million) was not recognised as it was incurred by the Company prior to setting up of the tax consolidation group. This deferred tax asset can be utilized only if the Company exits the tax consolidation group within nine years after the exit (2014: within nine years after the exit). Unrecognised deferred tax assets in the amount of USD 49 million related to other taxlosses will expire in ten years (31 December 2014: USD 43 million – ten years).

During the year ended 31 December 2015 previously unrecognised deferred tax assets arising on an impairment of available-for-sale investments in securities in amount of USD 96 million was utilised, following changes in taxlegislation.

At 31 December 2015, the Group did not recognise a deferred taxliability in respect of taxable temporary differences of USD 1,191 million (31 December 2014: USD 1,581 million) associated with investments in subsidiaries, because management believes that it is in a position to control the timing of reversal of such differences.

14. PROPERTY, PLANT AND EQUIPMENT

USD M	MINING ASSETS AND MINE DEVELOPMENT COST	NON-MINING ASSETS				
		BUILDINGS, STRUCTURES AND UTILITIES	MACHINERY, EQUIPMENT AND TRANSPORT	OTHER	CAPITAL CONSTRUCTION-INPROGRESS	TOTAL
Cost						
Balance at 1 January 2014	**9,540**	**3,445**	**4,463**	**180**	**2,103**	**19,731**
Additions	860	-	-		738	1,598
Reclassified between groups	(3)	1	33	(30)	(1)	-
Transfers	-	229	296	10	(535)	-
Change in decommissioning provision	(65)	72	-	-	-	7
Reclassified to assets held for sale	(1,732)	(11)	(105)	(119)	(144)	(2,111)
Disposals	(52)	(13)	(53)	(4)	(30)	(152)
Effect of translation to presentation currency	(3,506)	(1,501)	(1,784)	(32)	(855)	(7,678)
Balance at 31 December 2014	**5,042**	**2,222**	**2,850**	**5**	**1,276**	**11,395**
Additions	1,032	-	-	-	832	1,864
Reclassified between groups	39	(2)	(101)	89	(25)	-
Transfers	-	165	234	10	(409)	-
Change in decommissioning provision	63	25	-	-	-	88
Reclassified from/(to) assets held for sale	104	(3)	(2)	30	9	138
Reclassified to investment property	-	(8)	(2)	(2)	-	(12)
Disposals	(106)	(10)	(73)	(2)	(17)	(208)
Effect of translation to presentation currency	(1,299)	(506)	(587)	(28)	(358)	(2,778)
Balance at 31 December 2015	**4,875**	**1,883**	**2,319**	**102**	**1,308**	**10,487**
Accumulated depreciation and impairment						
Balance at 1 January 2014	**(4,390)**	**(1,487)**	**(2,258)**	**(108)**	**(266)**	**(8,509)**
Charge for the year	(277)	(184)	(338)	(12)	-	(811)
Reclassified between groups	1	(10)	29	(20)	-	-
Reclassified to assets held for sale	1,731	11	105	119	141	2,107
Disposals	41	13	42	-	4	100
Impairmentloss	(43)	7	-	-	(94)	(130)
Effect of translation to presentation currency	1,195	673	893	20	78	2,859
Balance at 31 December 2014	**(1,742)**	**(977)**	**(1,527)**	**(1)**	**(137)**	**(4,384)**
Charge for the year	(180)	(150)	(222)	(8)	-	(560)
Reclassified between groups	(32)	(5)	86	(49)	-	-
Reclassified (from)/to assets held for sale	(83)	2	5	-	(12)	(88)
Disposals	98	7	67	2	14	188
Impairmentloss	(7)	(124)	(8)	-	(145)	(284)
Effect of translation to presentation currency	428	235	322	12	36	1,033
Balance at 31 December 2015	**(1,518)**	**(1,012)**	**(1,277)**	**(44)**	**(244)**	**(4,095)**
Carrying value						
31 December 2014	**3,300**	**1,245**	**1,323**	**4**	**1,139**	**7,011**
31 December 2015	**3,357**	**871**	**1,042**	**58**	**1,064**	**6,392**

At 31 December 2015 capital construction-in-progress included USD 107 million of irrevocable letters of credit opened for fixed assets purchases (31 December 2014: USD 60 million), representing security deposits placed in banks. For the year ended 31 December 2015 purchases of property, plant and equipment in the consolidated statement of cashflows includes USD 103 million related to these irrevocable letters of credit (for the year ended 31 December 2014: nil).

Capitalized borrowing costs for the year ended 31 December 2015 amounted to USD 153 million (for the year ended 31 December 2014: USD 145 million). Capitalization rate used to determine the amount of borrowing costs equals to 5.14% per annum (2014: 3.98%).

At 31 December 2015 mining assets and mine development cost included USD 2,026 million of mining assets under development (31 December 2014: USD 2,033 million).

Impairment

During the year ended 31 December 2015 the Group revised its intention on the further use of the gas extraction assets. As a result, these assets were assessed as a separate cash generating unit. At 31 December 2015 the Group identified indicators of the impairment of gas production assets and determined their recoverable amount based on the value-in-use estimate. As a result, impairmentloss in the amount of USD 266 million was recognized in Impairment of property, plant and equipment in the consolidated income statement. The most significant estimates and assumptions used in determination of value in use are as follows:

- Future cash flows were projected based on budgeted amounts, taking into account actual results for the previous years. Forecasts were assessed up to 2100. Measurements were performed based on discounted cash flows expected to be generated by gas–producting assets.
- Management estimates prices for natural gas and gas-concentrate based on commodities price forecasts. Commodities price forecast was based on consensus forecast.
- Production forecasts were primarily based on internal production reports available at the date of impairment test and management's assumptions regarding future productionlevels.
- The amounts and timing of capital investments were based on management's forecast.
- Inflation indices and foreign currency rate forecasts were sourced from Economist Intelligence Unit report. Inflation used was projected within 4–7%. Forecast for exchange rates was made based on expected RUB and USD inflation indices.
- A pre-tax nominal RUB discount rate of 17.4% was estimated by the reference to the weighted average cost of capital for the Group and reflects management's estimates of the risks specific to production units.

During the year ended 31 December 2015 additional impairment losses in the amount of USD 18 million (for the year ended 31 December 2014: USD 130 million) were recognised in respect of specific individual assets, primarily construction-in-progress and related equipment for installation.

At 31 December 2015 no indicators of a reversal of previously recognised impairment losses have been identified.

15. INVESTMENT PROPERTY

During the year ended 31 December 2015 management of the Group reclassified certain assetslocated in the Russian Federation (primarily, office property) in the amount of USD 83 million previously presented within assets classified as held for sale and held for use to the investment property based on their intended use. Investment property is recognised in the consolidated statement of financial position at historical costless accumulated depreciation. Carrying value of investment property approximates its fair value.

16. OTHER FINANCIAL ASSETS

USD M	31/12/2015	31/12/2014
Non-current		
Loans issued and other receivables	57	31
Bank deposits	5	7
Available-for-sale investments in securities	-	166
Total non-current	**62**	**204**
Current		
Loans issued and other receivables	1	2
Bank deposits	-	85
Total current	**1**	**87**

Available-for-sale investments in securities
During the year ended 31 December 2015 the Group sold its 12.35% stake in PJSC Inter RAO UES for the total consideration in the amount of USD 204 million. Gain on disposal in the amount of USD 75 million was recognised in the consolidated income statement.

During the year ended 31 December 2014 as a result of continuing decline in prices, impairmentloss on available-for-sale investments of USD 123 million was recognised in the consolidated income statement.

During the year ended 31 December 2014, investments in companies which own various real estate properties were fully impaired based on the available DCF models and management assessment of their recoverability. Impairment loss in amount of USD 121 million was recognised in the consolidated income statement.

Bank deposits
Interest rate onlong-term RUB-denominated deposits held in banks was 5.1% (31 December 2014: 5.1%) per annum.

17. OTHER TAXES

USD M	31/12/2015	31/12/2014
Taxes receivable		
Value added tax recoverable	186	154
Export duties	-	11
Other taxes	14	20
	200	**185**
Less: Allowance for value added tax recoverable	(1)	(1)
Total	**199**	**184**
Less: Non-current portion of other taxes receivable	-	(6)
Other taxes receivable	**199**	**178**
Taxes payable		
Value added tax	45	40
Social security contributions	23	23
Property tax	10	14
Mineral extraction tax	7	8
Other	10	14
Other taxes payable	**95**	**99**

18. INVENTORIES

USD M	31/12/2015	31/12/2014
Refined metals	541	389
Semi-products	58	-
Work-in-process	605	787
Total metal inventories	**1,204**	**1,176**
Materials and supplies	520	592
Less: Allowance for obsolete and slow-moving items	(26)	(42)
Net materials and supplies	**494**	**550**
Inventories	**1,698**	**1,726**

19. TRADE AND OTHER RECEIVABLES

USD M	31/12/2015	31/12/2014
Trade receivables from metal sales	86	213
Other receivables	135	154
	221	**367**
Less: Allowance for doubtful debts	(54)	(92)
Trade and other receivables, net	**167**	**275**

In 2015 and 2014, the average credit period on metal sales varied from 0 to 30 days. Trade receivables are generally non-interest bearing.

At 31 December 2015 and 2014, there were no material trade accounts receivable which were overdue or individually determined to be impaired.

The average credit period on sales of other products and services for the year ended 31 December 2015 was 27 days (2014: 24 days). No interest was charged on these receivables.

Included in the Group's other receivables at 31 December 2015, were debtors with a carrying value of USD 45 million (31 December 2014: USD 23 million) that were past due but not impaired. Management of the Group believes that these amounts are recoverable in full.

The Group did not hold any collateral for accounts receivable balances.

Ageing of other receivables past due but not impaired was as follows:

USD M	31/12/2015	31/12/2014
Less than 180 days	34	20
180–365 days	11	3
	45	**23**

Movement in the allowance for doubtful debts was as follows:

USD M	YEAR ENDED 31/12/2015	YEAR ENDED 31/12/2014
Balance at beginning of the year	**92**	**118**
Change in allowance	(3)	42
Accounts receivable written-off	(16)	(6)
Disposed on disposal of subsidiaries	-	(1)
Effect of translation to presentation currency	(19)	(61)
Balance at end of the year	**54**	**92**

20. CASH AND CASH EQUIVALENTS

USD M	31/12/2015	31/12/2014
Current accounts		
- foreign currencies	525	782
- RUB	43	111
Bank deposits		
- foreign currencies	2,598	1,747
- RUB	879	152
Other cash and cash equivalents	9	1
Total	**4,054**	**2,793**

21. ASSETS CLASSIFIED AS HELD FOR SALE AND DISPOSAL OF SUBSIDIARIES

In December 2013, the Group made a decision to dispose of the following assets:

- Nkomati Nickel Mine, a South Africa mining company, which is an associate of the Group.
- Assetslocated in Western Australia.
- Certain other non-core assetslocated in the Russian Federation.

During the year ended 31 December 2014, management of the Group made a decision to dispose of Tati Nickel Mining Company, a subsidiary of the Group located in Botswana.

During the year ended 31 December 2015, management of the Group made a decision to dispose of OJSC "Arkhangelsk Sea Commercial Port", a subsidiary of the Grouplocated in the Russian Federation.

During the year ended 31 December 2015, management of the Group made a decision to reclassify certain other non-core assetslocated in the Russian Federation from assets classified as held for sale to investment property (refer to note 15) or to the assets classified as held for use. Reclassification does not have significant effect on current and previous period operations of the Group.

Management of the Group is actively searching for buyers for all of the assets classified as held for sale and/or is waiting for necessary regulatory approvals, and expects that disposals will be completed during the next twelve months. Disposal of these assets is consistent with the Group'slong-term strategy.

All of the above assets classified as held for sale have been measured at the lower of their fair valuesless costs to sell and their carrying values. The Group has assessed fair value of assets classified as held for sale at 31 December 2015 and 31 December 2014 based on price offers available. Assets classified as held for sale have been included in Level 2 of fair value hierarchy.

Management of the Group concluded that the sale of assets in Western Australia and South Africa and disposal of other assets referred to above does not constitute discontinued operations.

At 31 December 2015 and 31 December 2014 major classes of assets and liabilities related to assets classified as held for sale are presented below:

USD M	31/12/2015	31/12/2014
Property, plant and equipment	7	168
Investments in associates	154	207
Intangible assets	-	1
Deferred tax assets	10	-
Inventories	-	27
Trade and other receivables	3	18
Other financial assets	1	10
Cash and cash equivalents	42	5
Total assets	**217**	**436**
Decommissioning obligations	-	(24)
Deferred taxliabilities	(1)	(2)
Employee benefit obligations	(1)	(8)
Loans and borrowings	(21)	-
Trade and other payables	(1)	(49)
Total liabilities	**(24)**	**(83)**
Net assets	**193**	**353**

Disposal of Tati Nickel Mining Company during the year ended 31 December 2015

On 17 October 2014, the Group entered into binding agreements to sell its assets in South Africa, comprising its 50% participation interest in Nkomati Nickel Mine ("Nkomati") and its 85% stake in Tati Nickel Mining Company ("TNMC") (together "African assets"). The total expected consideration for the assets amounts to USD 337 million. Under the terms of the agreements, the buyers will assume all attributable decommissioning rehabilitation obligations related to the assets.

On 2 April 2015, the Group sold its 85% stake in TNMClocated in Botswana. The carrying value of the Group's share in net assets including decommissioning obligations at the date of disposal was negative in the amount of USD 20 million. Financial result from the disposal includes negative impact due to write down of the historical amount of the foreign currency translation reserve representing cumulative exchange differences between the presentation currency – the US dollar and the Botswana Pula.

Disposal of assets located in Western Australia during the year ended 31 December 2014

On 7 May 2014, the Group sold goldfields assets in Western Australia held by North Eastern Goldfields Operations ("NEGO"), a subsidiary of the Group for a cash consideration of USD 19 million (AUD 20 million). The carrying value of assets including decommissioning obligations at the date of disposal was negative in the amount of USD 28 million. Gain on disposal in the amount of USD 47 million was recognised in the consolidated income statement.

On 4 July 2014 the Group announced that it entered into binding agreements to sell its nickel assets Black Swan and Silver Swan in Western Australia held by MPI Nickel Pty Ltd and Black Swan Nickel Pty Ltd, subsidiaries of the Group. On 27 March 2015 the Group completed the transaction. The Group recognised disposal of assets in the consolidated financial statements for the year ended 31 December 2014. Gain on disposal in the amount of USD 48 million primarily due to write down of decommissioning obligations was recognised in the consolidated income statement.

On 12 November 2014, the Group sold Lake Johnston Nickel Project ("LJNP") in Western Australia held by Lake Johnston Pty Ltd and Lake Johnston Operations Pty Ltd, subsidiaries of the Group. Gain on disposal in the amount of USD 81 million primarily due to write down of decommissioning obligations was recognised in the consolidated income statement.

On 17 December 2014, the Group sold nickel assets Avalon and Cawse ("A&C") in Western Australia held by Norilsk Nickel Avalon Pty Ltd and Norilsk Nickel Cawse Pty Ltd, subsidiaries of the Group. Gain on disposal in the amount of USD 158 million primarily due to write down of decommissioning obligations was recognised in the consolidated income statement.

Financial result from the disposal of the Australian assets includes negative impact due to a write down of the foreign currency translation reserve representing cumulative exchange differences between the presentation currency – the US dollar and the Australian dollar.

22. SHARE CAPITAL

Authorised and issued ordinary shares

	2015	2014
At 1 January	**158,245,476**	**158,245,476**
Acquisition of own shares from shareholders	(1,250,075)	-
At 31 December	**156,995,401**	**158,245,476**

During the period from 1 July to 31 December 2015 the Group acquired 1,250,075 ordinary shares for a cash consideration of USD 196 million.

Earnings per share

	YEAR ENDED 31/12/2015	YEAR ENDED 31/12/2014
Basic earnings per share (US Dollars per share):	**11.0**	**12.7**

The earnings and weighted average number of shares used in the calculation of earnings per share are as follows:

USD M	YEAR ENDED 31/12/2015	YEAR ENDED 31/12/2014
Profit for the year attributable to shareholders of the parent company	**1,734**	**2,003**

	YEAR ENDED 31/12/2015	YEAR ENDED 31/12/2014
Weighted average number of shares on issue	158,245,476	158,245,476
Less: weighted average number of treasury shares	(489,575)	-
Weighted average number of outstandign shares	**157,755,901**	**158,245,476**

As at 31 December 2015 and 31 December 2014, the Group had no securities, which would have a dilutive effect on earnings per share of ordinary stock.

23. LOANS AND BORROWINGS

USD M	CURRENCY	FIXED OR FLOATING INTEREST RATE	AVERAGE NOMINAL RATE IN 2015, %	MATURITY	31/12/2015	31/12/2014
Unsecured loans	USD	floating	2.79%	2016–2025	3,404	3,253
	RUB	fixed	12.65%	2019–2021	1,655	708
	Other	floating	9.30%	2015	–	29
					5,059	3,990
Corporate Bonds	USD	fixed	5.23%	2018–2022	2,717	1,719
	RUB	fixed	7.90%	2016	480	621
					3,197	2,340
Finance leasing	USD	fixed	7.82%	2019	10	–
Total					**8,266**	**6,330**
Less: current portion due within twelve months and presented as short-term borrowings					**(1,124)**	**(652)**
Long-term loans and borrowings					**7,142**	**5,678**

The Group is obliged to comply with a number of restrictive financial and other covenants, including maintaining certain financial ratios and restrictions on pledging and disposal of certain assets.

24. EMPLOYEE BENEFIT OBLIGATIONS

USD M	31/12/2015	31/12/2014
Accrual for annualleave	136	150
Wages and salaries	96	94
Defined benefit obligations	-	5
Share appreciation rights	-	2
Other	5	7
Total obligations	**237**	**258**
Less: non-current obligations	**(22)**	**(6)**
Current obligations	**215**	**252**

Defined contribution plans

Amounts recognised within continuing operations in the consolidated income statement in respect of defined contribution plans were as follows:

USD M	YEAR ENDED 31/12/2015	YEAR ENDED 31/12/2014
Pension Fund of the Russian Federation	287	376
Mutual accumulated pension plan	8	12
Other	6	7
Total	**301**	**395**

25. PROVISIONS

USD M	31/12/2015	31/12/2014
Current provisions		
Tax provision	127	140
Provision for social commitments	12	14
Decommissioning obligations	-	1
Other provisions	66	1
Total current provisions	**205**	**156**
Non-current provisions		
Decommissioning obligations	308	227
Provision for social commitments	38	47
Otherlong-term provisions	11	-
Total non-current provisions	**357**	**274**
Total	**562**	**430**

USD M	DECOMMISSIONING	SOCIAL COMMITMENTS	TAX	OTHER	TOTAL
Balance at 1 January 2014	**443**	**144**	**154**	**3**	**744**
Provision accrued	101	-	-	-	101
Settlements during the year	-	(22)	-	(2)	(24)
Liabilities directly associated with assets classified as held for sale	(24)	-	-	-	(24)
Change in estimates	(106)	(14)	-	-	(120)
Unwinding of discount	36	7	-	-	43
Effect of translation to presentation currency	(222)	(54)	(14)	-	(290)
Balance at 31 December 2014	**228**	**61**	**140**	**1**	**430**
Provision accrued	-	3	4	95	102
Settlements during the year	-	(13)	(3)	-	(16)
Change in estimate	122	11	-	(1)	132
Unwinding of discount	35	6	-	3	44
Effect of translation to presentation currency	(77)	(18)	(14)	(21)	(130)
Balance at 31 December 2015	**308**	**50**	**127**	**77**	**562**

Decommissioning obligations

Key assumptions used in estimation of decommissioning obligations were as follows:

	31/12/2015	31/12/2014
Discount rates Russian entities	9.3%–10.4%	9.9%–15.3%
Discount rates non-Russian entities	3%–8%	3%–9%
Expected closure date of mines	till 2056	till 2059
Expected inflation over the period from 2016 to 2019	4.6%–8.7%	4.9%–9.2%
Expected inflation over the period from 2020 onwards	5.30%	4.80%

Present value of expected cost to be incurred for settlement of decommissioning obligations was as follows:

USD M	31/12/2015	31/12/2014
Due from second to fifth year	170	152
Due from sixth to tenth year	49	28
Due from eleventh to fifteenth year	16	10
Due from sixteenth to twentieth year	5	7
Due thereafter	68	31
Total	**308**	**228**

In 2015 the Group approved a programme for reconfiguration of production facilitieslocated in the Taimyr Peninsula. The programme starts in 2016 and also includes activites related to closure and liquidation of the Nickel plant which in the the past were partially provided for within the Decommisioning obligations. The revised provision was calculated based on the best estimate of the amount and timing of future expenditures included in the detailed liquidation programme, and accounted for accordingly. Furher, additional expenses on reconfiguration of production facilities were recognised within Other net operating expenses.

Social commitments

In 2010 the Group entered into several multilateral agreements with the Government of the Russian Federation, the Krasnoyarsk Regional Government and the Norilsk Municipal Authorities for construction of pre-schools and other items of social infrastructure in Norilsk and Dudinka, and resettlement of families currently residing in these cities to other Russian regions with more favorable living conditions during 2015–2020. The provision represents present value of the best estimate of the future outflow of economic benefits to settle these obligations.

26. TRADE AND OTHER PAYABLES

USD M	31/12/2015	31/12/2014
Financial liabilities		
Trade payables	173	245
Payables for acquisition of property, plant and equipment	93	109
Other creditors	138	108
Total financial liabilities	**404**	**462**
Non-financial liabilities		
Advances received	604	446
Total non-financial liabilities	**604**	**446**
Total	**1,008**	**908**

The maturity profile of the Group's financialliabilities was as follows:

USD M	31/12/2015	31/12/2014
Due within one month	175	242
Due from one to three months	198	146
Due from three to twelve months	31	74
Total	**404**	**462**

27. DIVIDENDS

On 13 May 2015, the Annual General shareholder's meeting declared final dividends for the year ended 31 December 2014 in the amount of RUB 670.04 (USD 13.2) per share with the total amount of USD 2,083 million. The dividends were paid to the shareholders in May and June 2015 in the amount of USD 2,126 million recognised in the consolidated cash flow statement, using prevailing RUB/USD rates on the payment dates.

On 14 September 2015, the Extraordinary General shareholder's meeting declared interim dividends in respect of the 6 months ended 30 June 2015 in the amount of RUB 305.07 (USD 4.49) per share with the total amount of USD 710 million, including USD 4 million in respect of Treasury shares. The dividends were paid to the shareholders from September to December 2015 in the amount of USD 731 million, recognised in the consolidated cash flow statement using prevailing RUB/USD rates on the payment dates.

On 19 December 2015, the Extraordinary General shareholder's meeting declared interim dividends in respect of the 9 months ended 30 September 2015 in the amount of RUB 321.95 (USD 4.51) per share with the total amount of USD 714 million, including USD 6 million in respect of Treasury shares.

The dividends in respect of 9 months ended 30 September 2015 were paid to the shareholders in January 2016 in the amount of USD 665 million using prevailing RUB/USD rates on the payment dates.

On 6 June 2014, the Annual General shareholder's meeting declared final dividends for the year ended 31 December 2013 in the amount of RUB 248.48 (USD 7.1) per share with the total amount of USD 1,127 million. The dividends were paid to the shareholders in June and July 2014 in the amount of USD 1,146 million recognised in the consolidated cash flow statement using prevailing RUB USD rates on the payment dates.

On 11 December 2014, the Extraordinary General shareholder's meeting declared interim dividends in respect of the 9 months ended 30 September 2014 in the amount of RUB 762.34 (USD 14.05) per share with the total amount of USD 2,222 million. The dividends were paid to the shareholders in December 2014 in the amount of USD 2,135 million recognised in the consolidated cash flow statement using prevailing RUB/USD rates on the payment dates.

28. RELATED PARTIES TRANSACTIONS AND OUTSTANDING BALANCES

Related parties include shareholders, associates and entities under common ownership and control of the Group's major shareholders and key management personnel. The Company and its subsidiaries, in the ordinary course of their business, enter into various sale, purchase and service transactions with related parties. Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

	SALE OF GOODS AND SERVICES		PURCHASE OF GOODS AND SERVICES	
TRANSACTIONS WITH RELATED PARTIES, USD M	YEAR ENDED 31/12/2015	YEAR ENDED 31/12/2014	YEAR ENDED 31/12/2015	YEAR ENDED 31/12/2014
Entities under common ownership and control of the Group's major shareholders	-	2	19	22
Associates of the Group	6	1	242	398
Total	**6**	**3**	**261**	**420**

	ACCOUNTS RECEIVABLE, INVESTMENTS AND CASH		ACCOUNTS PAYABLE, LOANS AND BORROWINGS RECEIVED	
OUTSTANDING BALANCES WITH RELATED PARTIES, USD M	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Entities under common ownership and control of the Group's major shareholders	-	2	-	1
Associates of the Group	2	3	25	54
Total	**2**	**5**	**25**	**55**

Terms and conditions of transactions with related parties

Sales to and purchases from related parties of electricity, heat energy and natural gas supply were made at prices established by the Federal Tariff Service, government regulator responsible for establishing and monitoring prices on the utility and telecommunication markets in the Russian Federation.

Compensation of key management personnel

Key management personnel of the Group consists of members of the Management Board and the Board of Directors. For the year ended 31 December 2015 remuneration of key management personnel of the Group included salary and performance bonuses amounted to USD 61 million (for the year ended 31 December 2014: USD 37 million).

29. COMMITMENTS

Capital commitments

At 31 December 2015, contractual capital commitments amounted to USD 798 million (31 December 2014: USD 1,058 million).

Operating leases

Theland in the Russian Federation on which the Group's production facilities are located is owned by the state. The Groupleasesland through operating lease agreements, which expire in various years through 2064. According to the terms oflease agreements rent fees are revised annually by reference to an order issued by the relevantlocal authorities. The Group entities have a renewal option at the end oflease period and an option to buyland at any time, at a price established by thelocal authorities.

During the year ended 31 December 2014 the Group entered into along-term operatinglease agreement for its headquarters building.

Future minimumlease payments due under non-cancellable operatinglease agreements forland and buildings were as follows:

USD M	31/12/2015	31/12/2014
Due within one year	31	25
From one to five years	128	110
Thereafter	79	84
Total	**238**	**219**

At 31 December 2015, the Group entered into nine aircraftlease agreements. The respective lease agreements have an average life of eight-years with renewal option at the end of the term. There are no restrictions placed upon the lessee by entering into these agreements. At 31 December 2014, nine aircraft lease agreements belonged to entities classified as held for sale.

Future minimum lease payments due under non-cancellable operating lease agreements for aircrafts were as follows:

USD M	31/12/2015	31/12/2014
Due within one year	37	34
From one to five years	89	66
Thereafter	-	2
Total	**126**	**102**

Social commitments

The Group contributes to mandatory and voluntary social programs and maintains social assets in the locations where it has its main operating facilities. The Group's social assets as well aslocal social programs benefit the community atlarge and are not normally restricted to the Group's employees. The Group's commitments are funded from its own cash resources.

30. CONTINGENCIES

Litigation

At 31 December 2015 the Group has unresolvedlegal disputes with the state authorities due to non-approval of the reduction of the negative environmental impact charge in relation to the environmental protection expenditure incurred by the Group. Management believes that the Group complied with all relevant regulations to be eligible for the reduction and that no provision for these disputes is required. Additionally, the Group is involved in other legal disputes in the ordinary course of its operations, with the probability of their unfavorable resolution being assessed as possible. At 31 December 2015, total claims under unresolved litigation amounted to approximately USD 53 million (31 December 2014: USD 51 million).

Taxation contingencies in the Russian Federation

The Russian Federation currently has a number oflaws related to various taxes imposed by both federal and regional governmental authorities. Applicable taxes include value-added (VAT), corporate income tax, mandatory social security contributions, together with others. Tax returns, together with other legal compliance areas (for example, customs and currency control matters), are subject to review and investigation by a number of authorities which are authorised bylaw to impose severe fines, penalties and interest charges. Generally, tax returns remain open and subject to inspection for a period of three years following the fiscal year.

While management of the Group believes that it has adequately provided for tax liabilities based on its interpretation of current and previous legislation, the risk remains that tax authorities in the Russian Federation could take differing positions with regard to interpretive issues. This uncertainty may expose the Group to additional taxation, fines and penalties.

Transfer pricing legislation enacted in the Russian Federation starting from 1 January 2012 provides for major modifications making local transfer pricing rules closer to OECD guidelines, but creating additional uncertainty in practical application of taxlegislation in certain circumstances.

These transfer pricing rules provide for an obligation for the taxpayers to prepare transfer pricing documentation with respect to controlled transactions and prescribe the basis and mechanisms for accruing additional taxes and interest in case prices in the controlled transactions differ from the market level.

Currently there is lack of practice of applying the transfer pricing rules by the tax authorities and courts, however, it is anticipated that transfer pricing arrangements will be subject to very close scrutiny potentially having effect on the financial results and the financial position of the Group.

Environmental matters

The Group is subject to extensive federal, state andlocal environmental controls and regulations in the countries in which it operates. The Group's operations involve pollutant emissions to air and water objects as well as formation and disposal of production wastes.

Management of the Group believes that its mining and production technologies are in compliance with all current existing environmental legislation in the countries in which it operates. However, environmental laws and regulations continue to evolve. The Group is unable to predict the timing or extent to which thoselaws and regulations may change. Such change, if it occurs, may require that the Group modernise technology to meet more stringent standards.

Russian Federation risk

As an emerging market, the Russian Federation does not possess a fully developed business and regulatory infrastructure including stable banking and judicial systems which would generally exist in a more mature market economy. The economy of the Russian Federation is characterised by a currency that is not freely convertible outside of the country, currency controls,lowliquiditylevels for debt and equity markets, and continuing inflation. As a result, operations in the Russian Federation involve risks that are not typically associated with those in more developed markets. Stability and success of Russian economy and the Group's business mainly depends on the effectiveness of economic measures undertaken by the government as well as the development oflegal system.

The recent conflict in Ukraine and related events has increased the perceived risks of doing business in the Russian Federation. The imposition of economic sanctions on Russian individuals andlegal entities has resulted in increased economic uncertainty including more volatile equity markets, a depreciation of the Russian Ruble, a reduction in bothlocal and foreign investment inflows and a significant tightening in the availability of credit. The consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the financial results and the financial position of the Group.

Capital risk management

The Group manages its capital structure in order to safeguard the Group's ability to continue as a going concern and to maximise the return to shareholders through the optimisation of debt and equity balance.

The capital structure of the Group consists of debt, which includeslong and short-term borrowings, equity attributable to shareholders of the parent company, comprising share capital, other reserves and retained earnings.

Management of the Group regularly reviews itslevel ofleverage, calculated as the proportion of Net Debt to EBITDA, to ensure that it is inline with the Group's financial policy aimed at preserving investment grade credit ratings.

As at 15 March 2016 the Company maintains BBB- investment grade ratings, assigned by rating agencies S&P's and Fitch, despite S&P's downgrade of Russian sovereign rating below the investment gradelevel to BB+ on 26 January 2015. The Company's rating from Moody's is restrained by Russia's country ceiling at Ba1 level.

Financial risk factors and risk management structure

In the normal course of its operations, the Group is exposed to a variety of financial risks: market risk (including interest rate and currency risk), credit risk andliquidity risk. The Group has an explicit risk management structure aligned with internal control procedures that enable it to assess, evaluate and monitor the Group's exposure to such risks.

Risk management is carried out by financial risk management. The Group has adopted and documented policies covering specific areas, such as market risk management system, credit risk management system,liquidity risk management system and use of derivative financial instruments.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely impact the financial results of the Group. The Group's interest rate risk arises fromlong- and short-term borrowings at floating rates.

The Group performs thorough analysis of its interest rate risk exposure regularly. Various scenarios are simulated. The table below details the Group's sensitivity to a 2 percentage points increase in those borrowings subject to a floating rate. The sensitivity analysis is prepared assuming that the amount of liabilities at floating rates outstanding at the reporting date was outstanding for the whole year.

	2% LIBOR INCREASE IMPACT	
	YEAR ENDED 31/12/2015	YEAR ENDED 31/12/2014
Loss	68	66

Management believes that the Group's exposure to interest rate risk fluctuations does not require additional hedging activities.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument denominated in foreign currency will fluctuate because of changes in exchange rates.

The major part of the Group's revenue and related trade accounts receivable is denominated in US dollars and therefore the Group is exposed primarily to USD currency risk. Foreign exchange risk arising from other currencies is assessed by management of the Group as immaterial.

The carrying amounts of monetary assets and liabilities denominated in foreign currencies other than functional currencies of the individual Group entities at 31 December 2015 and 2014 were as follows:

	31/12/2015			31/12/2014		
	USD	HKD	OTHER CURRENCIES	USD	HKD	OTHER CURRENCIES
Cash and cash equivalents	2,068	1,009	32	1,406	1,008	80
Trade and other receivables	88	-	8	168	-	6
Other assets	95	-	115	-	-	136
Total assets	**2,251**	**1,009**	**155**	**1,574**	**1,008**	**222**
Trade and other payables	200	-	82	257	-	94
Loans and borrowings	6,121	-	-	4,997	-	-
Otherliabilities	11	-	5	39	-	-
Total liabilities	**6,332**	**-**	**87**	**5,293**	**-**	**94**

Currency risk is monitored on a monthly basis utilising sensitivity analysis to assess if a risk for a potential loss is at an acceptable level. The Group calculates the financial impact of exchange rate fluctuations on USD-denominated monetary assets and liabilities in respect of the Group entities where functional currency is the Russian Rouble. The following table presents the decrease of the Group's profit before tax to a 20% weakening of the Russian Rouble against USD.

	US DOLLAR 20% IMPACT	
	YEAR ENDED 31/12/2015	YEAR ENDED 31/12/2014
Loss	816	744

Given that the Group's exposure to currency risk at the monetary assets and liabilities level is offset by the revenue denominated in USD, management believes that the Group's exposure to currency risk is acceptable. The Group does not apply hedge instruments.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financialloss to the Group. Credit risk arises from cash and cash equivalents, deposits with banks as well as credit exposures to customers, including outstanding uncollateralised trade and other receivables. The Group's exposure to credit risk is continuously monitored and controlled.

A dealing with new counterparty, management assesses the creditworthiness of a potential customer or financial institution. Where the counterparty is rated by major independent credit-rating agencies, this rating is used to evaluate creditworthiness; otherwise it is evaluated using an analysis of thelatest available financial statements of the counterparty and other publically available information.

The balances of ten major counterparties are presented below. The banks have a minimum of BB+ credit rating.

	OUTSTANDING BALANCE	
CASH AND CASH EQUIVALENTS, USD M	31/12/2015	31/12/2014
Bank A	1,009	1,003
Bank B	948	525
Bank C	632	343
Bank D	369	246
Bank E	312	214
Total	**3,270**	**2,331**
TRADE RECEIVABLES, USD M	31/12/2015	31/12/2014
Company A	17	37
Company B	10	16
Company C	8	14
Company D	6	13
Company E	5	12
Total	**46**	**92**

The Group is not economically dependent on alimited number of customers because majority of its products are highlyliquid and traded on the world commodity markets. Metal and other sales to the Group's customers are presented below:

	31/12/2015			31/12/2014		
	NUMBER OF CUSTOMERS	TURNOVER USD MILLION	%	NUMBER OF CUSTOMERS	TURNOVER USD MILLION	%
Largest customer	1	1,025	12	1	1,051	9
Next 9 largest customers	9	3,382	39	9	4,111	35
Total	**10**	**4,407**	**51**	**10**	**5,162**	**44**
Next 10 largest customers	10	1,091	13	10	1,573	13
Total	**20**	**5,498**	**64**	**20**	**6,735**	**57**
Remaining customers		3,044	36		5,134	43
Total		**8,542**	**100**		**11,869**	**100**

Management of the Group believes that except as indicated above in respect of bank balances there is no significant concentration of credit risk.

The maximum exposure to credit risk for cash and cash equivalents,loans, irrevocable letters of credit, representing security deposits placed in banks, and trade and other receivables is as follows:

USD M	31/12/2015	31/12/2014
Cash and cash equivalents	4,054	2,793
Loans, trade and other receivables	225	308
Irrevocable letters of credit	121	71
Bank deposits	5	92

Liquidity risk

Liquidity risk is the risk that the Group will not be able to settle allliabilities as they fall due.

The Group has a well-developed liquidity risk management structure to exercise control over its short-, medium- andlong-term funding. The Group manages liquidity risk by maintaining adequate reserves, committed and uncommitted banking facilities and reserve borrowing facilities. Management continuously monitors rolling cash flow forecasts and performs analysis of maturity profiles of financial assets and liabilities, and undertakes detailed annual and quarterly budgeting procedures.

Presented below is the maturity profile of the Group's borrowings (maturity profiles for other liabilities presented in note 26) based on contractual undiscounted payments, including interest:

31/12/2015, USD M	TOTAL	DUE WITHIN ONE MONTH	DUE FROM ONE TO THREE MONTHS	DUE FROM THREE TO TWELVE MONTHS	DUE IN THE SECOND YEAR	DUE IN THE THIRD YEAR	DUE IN THE FOURTH YEAR	DUE IN THE FIFTH YEAR	DUE THERE-AFTER
Fixed rate bank loans and borrowings									
Principal	4,874	-	480	3	2	742	551	1,273	1,823
Interest	1,838	-	69	310	362	346	325	259	167
	6,712	**-**	**549**	**313**	**364**	**1,088**	**876**	**1,532**	**1,990**
Floating rate bank loans and borrowings									
Principal	3,430	-	144	501	626	988	754	17	400
Interest	366	6	18	69	85	62	33	21	72
	3,796	6	162	570	711	1,050	787	38	472
Total	**10,508**	**6**	**711**	**883**	**1,075**	**2,138**	**1,663**	**1,570**	**2,462**

31/12/2014, USD M	TOTAL	DUE WITHIN ONE MONTH	DUE FROM ONE TO THREE MONTHS	DUE FROM THREE TO TWELVE MONTHS	DUE IN THE SECOND YEAR	DUE IN THE THIRD YEAR	DUE IN THE FOURTH YEAR	DUE IN THE FIFTH YEAR	DUE THERE-AFTER
Fixed rate bank loans and borrowings									
Principal	3,057	-	-	-	623	-	750	711	973
Interest	960	-	47	180	202	178	161	138	54
	4,017	**-**	**47**	**180**	**825**	**178**	**911**	**849**	**1,027**
Floating rate bank loans and borrowings									
Principal	3,313	35	-	622	601	599	880	576	-
Interest	204	4	14	52	54	43	29	8	-
	3,517	**39**	**14**	**674**	**655**	**642**	**909**	**584**	**-**
Total	**7,534**	**39**	**61**	**854**	**1,480**	**820**	**1,820**	**1,433**	**1,027**

At 31 December 2015 the Group had available financing facilities for the management of its day to day liquidity requirements of USD 2,847 million (31 December 2014: USD 2,157 million) which reflects the initiative of the Groups's prudent financial policy through the increase of undrawn commited credit facilities as an additional source of medium term liquidity.

32. FAIR VALUE OF FINANCIAL INSTRUMENTS

Management believes that the carrying value of financial instruments such as cash and cash equivalents (refer to note 20), short-term accounts receivable (refer to note 19) and payable (refer to note 26), short-termloans given (refer to note 16),long-term available-for-sale investments (refer to note 16) which values were mainly determined with reference to quoted market prices, approximates their fair value.

Certain financial instruments such aslong-term accounts receivable, long-term promissory notes receivable and financeleases obligations were excluded from fair value analysis either due to their insignificance or due to the fact that assets were acquired orliabilities were assumed close to the reporting dates and management believes that their carrying value either approximates their fair value or may not significantly differ from each other.

Financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly or indirectly; and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset orliability that are not based on observable market data.

At 31 December 2015, the Group had derivative financial instruments amounting to USD 2 million (31 December 2014: USD 5 million) recognised within Level 2.

Presented below is information about loans and borrowings, whose carrying values differ from their fair values.

	31/12/2015		31/12/2014	
FIXED-RATE CORPORATE BONDS, USD M	CARRYING VALUE	FAIR VALUE LEVEL 1	CARRYING VALUE	FAIR VALUE LEVEL 1
	3,197	3,210	2,340	2,152
Total	**3,197**	**3,210**	**2,340**	**2,152**
LOANS AND BORROWINGS INCLUDING, USD M:	CARRYING VALUE	FAIR VALUE LEVEL 2	CARRYING VALUE	FAIR VALUE LEVEL 2
Variable-rateloans and borrowings	3,404	3,339	3,282	3,108
Fixed-rateloans and borrowings	1,655	1,722	708	622
Total	**5,059**	**5,061**	**3,990**	**3,730**

The fair value of financial assets and liabilities presented in table above is determined as follows:

- the fair value of corporate bonds was determined based on market quotations existing at the reporting dates;
- the fair value of variable-rate and fixed rateloans and borrowings at 31 December 2015, was calculated based on the present value of future cash flows (principal and interest), discounted at the best management estimation of market rates, taking into consideration currency of the loan, expected maturity and risks attributable to the Group existing at the reporting date. The discount rates ranged from 4.00% to 5.55% for USD-denominated loans and borrowings (2014: from 2.50% to 4.50%) and 11.60% (2014: 15.81%) for RUB-denominated loans.

33. INVESTMENTS IN SIGNIFICANT SUBSIDIARIES AND ASSOCIATES

SUBSIDIARIES BY BUSINESS SEGMENTS	COUNTRY	NATURE OF BUSINESS	EFFECTIVE % HELD 31/12/2015	EFFECTIVE % HELD 31/12/2014
Group GMK				
JSC "Norilsky Kombinat"	Russian Federation	Rental of equipment	100	100
OJSC "Taimyrgaz"	Russian Federation	Gas extraction	100	99.8
OJSC "Norilskgazprom"	Russian Federation	Gas extraction	100	56.2
OJSC "Taimyrenergo"	Russian Federation	Rental of equipment	100	100
JSC "Norilsko-Taimyrskaya Energeticheskaya Kompaniya"	Russian Federation	Electricity production and distribution	100	100
LLC "Zapoliarnaya stroitelnaya companiya"	Russian Federation	Construction	100	100
LLC "Norilsknickelremont"	Russian Federation	Repairs	100	100
LLC "Norilskgeologiya"	Russian Federation	Geological works	100	100
LLC "Norilskyi obespechivaushyi complex"	Russian Federation	Production of spare parts	100	100
Group KGMK				
JSC "Kolskaya Mining and Metallurgical Company"	Russian Federation	Mining and Metallurgy	100	100
JSC "Pechengastroy"	Russian Federation	Construction	100	100
Norilsk Nickel Harjavalta				
Norilsk Nickel Harjavalta OY	Finland	Metallurgy	100	100
Other metallurgical				
LLC "GRK "Bystrinskoye"	Russian Federation	Mining	100	100
Other non-metallurgical				
OJSC "RAO "Norilsk Nickel"	Russian Federation	Investment holding	100	100
Metal Trade Overseas A.G.	Switzerland	Distribution	100	100
LLC "Institut Gypronickel"	Russian Federation	Science	100	100
CJSC "Taimyrskaya Toplivnaya Kompaniya"	Russian Federation	Supplier of fuel	100	100
OJSC "Enisey River Shipping Company"	Russian Federation	River shipping operations	100	84.2
OJSC "Arkhangelsk Sea Commercial Port"*	Russian Federation	Sea port	74.8	74.8
LLC "Aeroport Norilsk"	Russian Federation	Airport	100	100
OJSC "Aviakompania "Taimyr"	Russian Federation	Aircompany	100	100

ASSOCIATES BY BUSINESS SEGMENTS	COUNTRY	NATURE OF BUSINESS	EFFECTIVE % HELD 31/12/2015	EFFECTIVE % HELD 31/12/2014
Прочие металлургические				
Nkomati Nickel Mine	Republic of South Africa	Mining	50	50

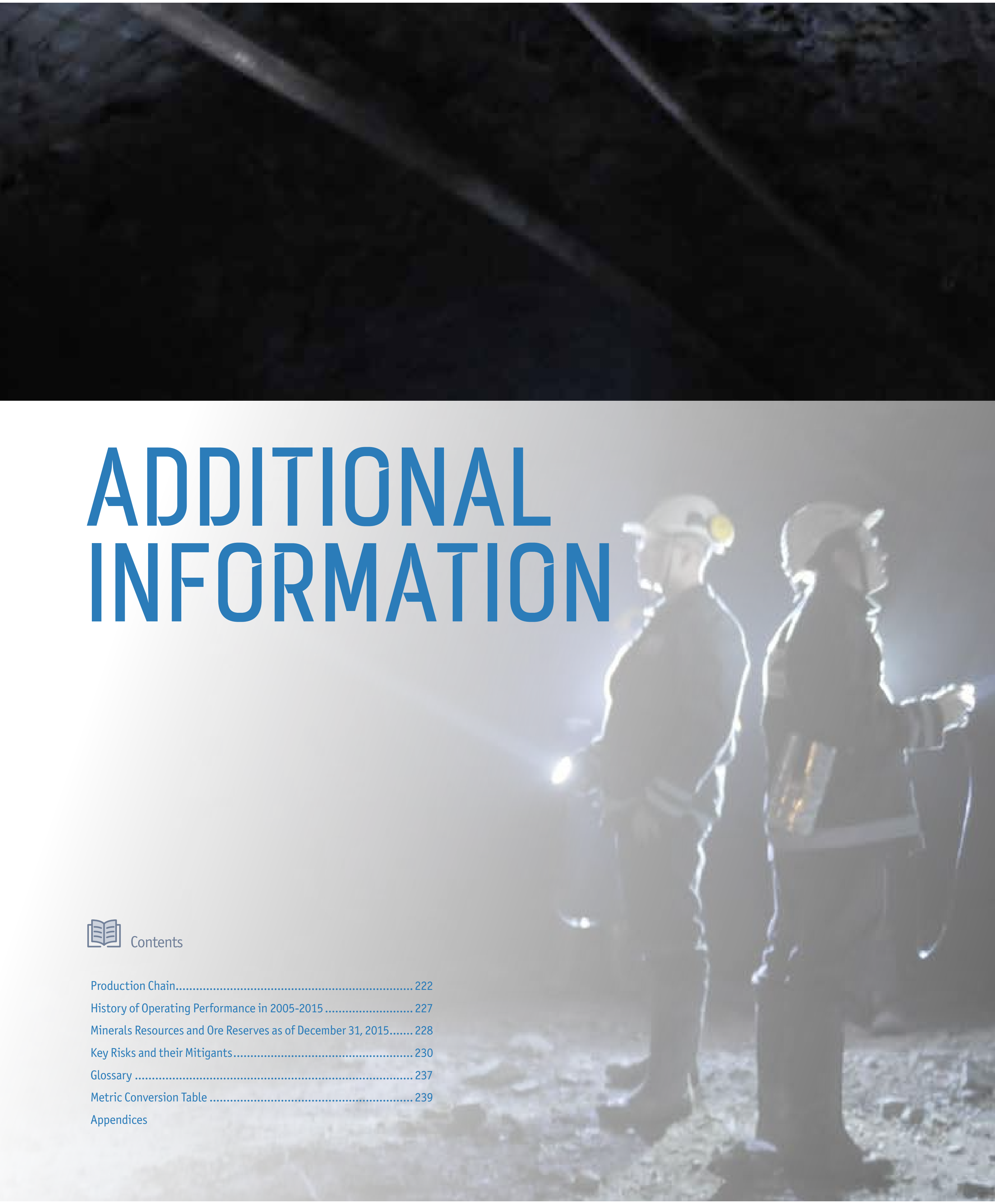
34. EVENTS SUBSEQUENT TO THE REPORTING DATE

In January 2016 the Group obtained a 5 year syndicated committed revolving credit facility with Industrial and Commercial Bank of China Limited, Bank of China Limited, Shanghai Branch, China Construction Bank Corporation, Beijing Branch as originallenders and Bank ICBC (JSC) as agent amounted to USD 730 million and obtained a 5 year loan from ING Bank in the amount of USD 100 million.

In February 2016 the Group redeemed exchange-traded bonds including payment of coupon income in the amount of USD 499 million and completed placement of 10 year non-convertible interest-bearing documentary exchange bearer bonds amounted to USD 199 million.

In December 2015 the Group has entered into binding agreements with Highland Fund to sell 13.33% share in Bystrinskoye project for USD 100 million. The sale is subject to regulatory approvals and is expected to be closed after the consolidated financial statements approval date.

****During the year ended 31 December 2015 classified as assets held for sale***



ADDITIONAL INFORMATION

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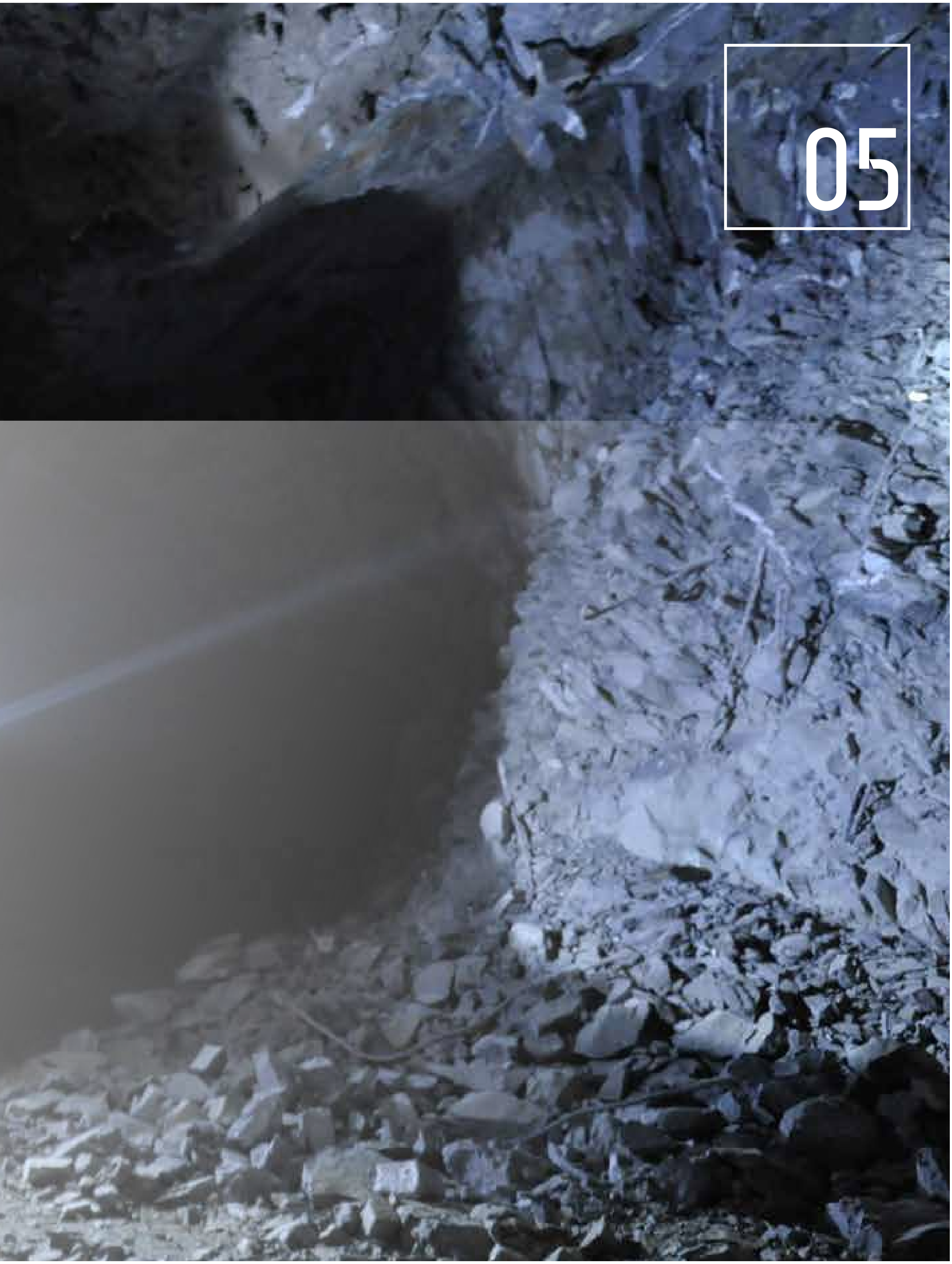
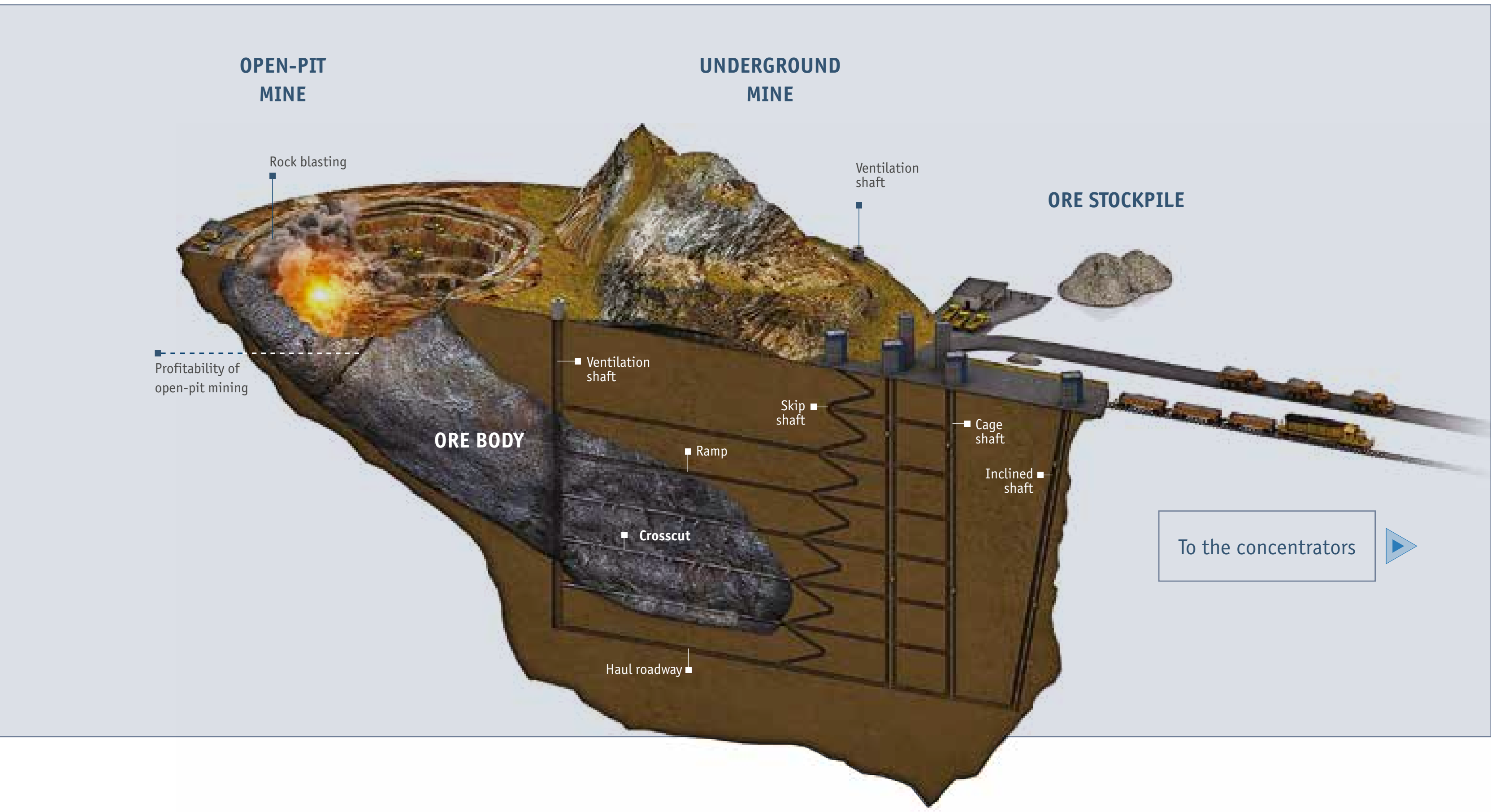

05

Production chain

MINING OVERVIEW



STRIPPING	DEVELOPMENT WORKINGS	STOPING	ROCK MASS REMOVAL

STRIPPING

Provides access from the surface to the deposit through underground workings, which are used to transport mined ore, people, etc.

DEVELOPMENT WORKINGS

The deposit is divided into separate sections, including mining levels, blocks, sublevels, stoops, etc.

STOPING

Includes three major production operations:

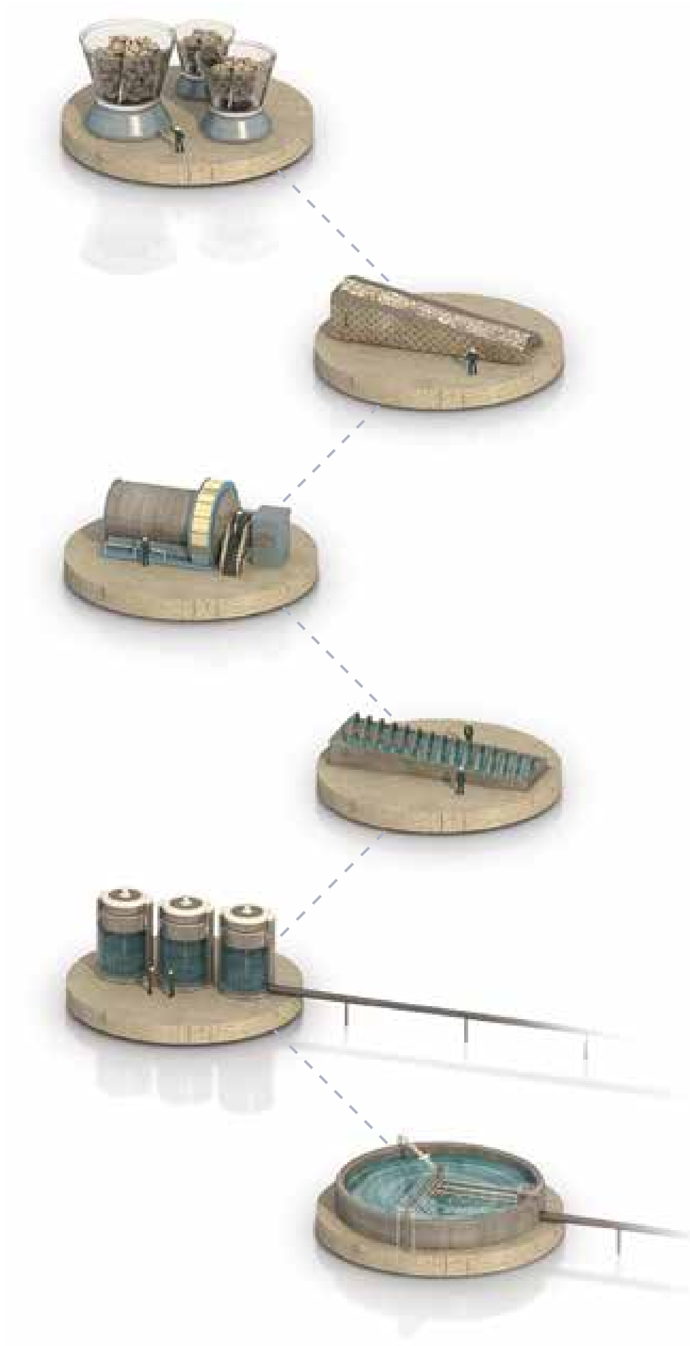
- ore breaking – separation of ore from the rock;
- delivery of broken ore from the mine face to the haulage level;
- maintenance of the excavated area.

ROCK MASS REMOVAL

Open-pit mining: excavators load crushed rock and ore into dump trucks. Rock is transported to the waste dumps, whereas ore is delivered to the concentrator.

Underground mining: ore is removed by load-haul dumpers and delivered to the surface by conveyor, railway and motor vehicles, or through skip shafts.

ORE CONCENTRATION



CRUSHING

Ore pieces are squeezed and broken between the two surfaces of crushing machines

SCREENING

Granulated ore material is separated by particle size

GRINDING

Crushed ore is ground in mills providing a water solution (pulp)

SIZING

Crushed ore is separated by size as a result of different settling rates of the moving pulp

FLOTATION

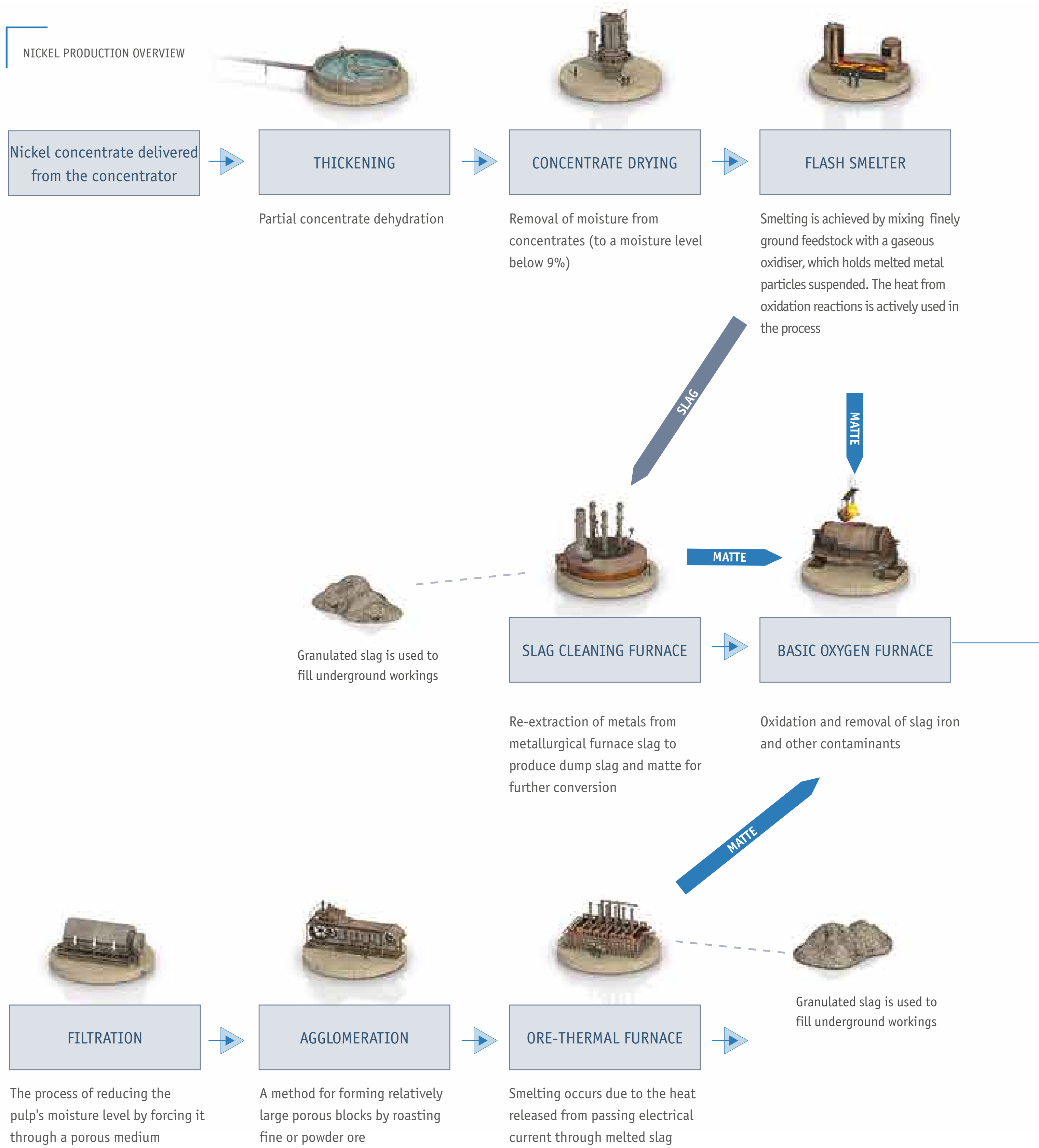
Specific mineral particles suspended within the pulp attach to air bubbles, which leads to their separation

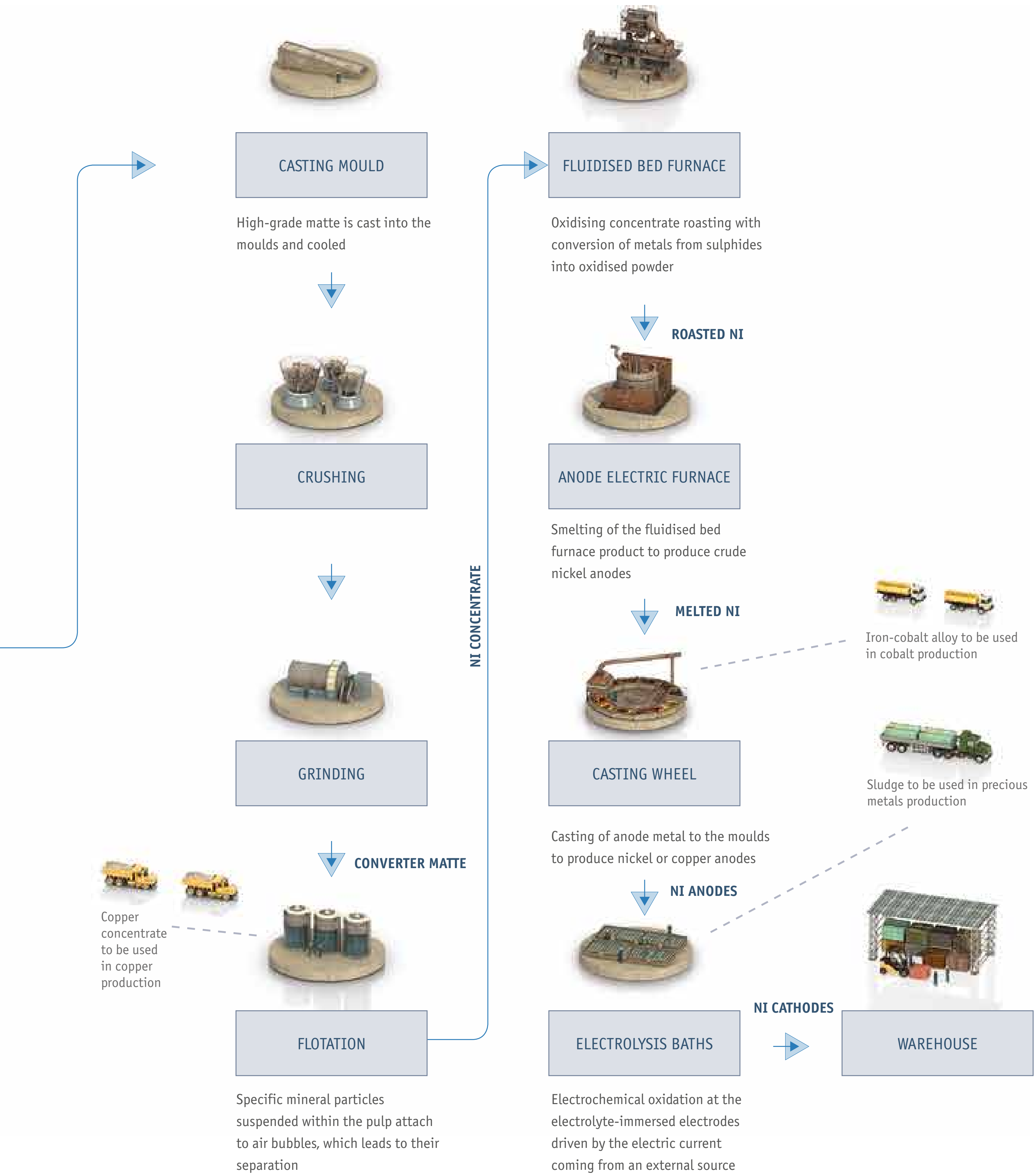
THICKENING

Partial concentrate dehydration

- Concentrates to be used in metal production
- Tailings to be transported to tailings pits

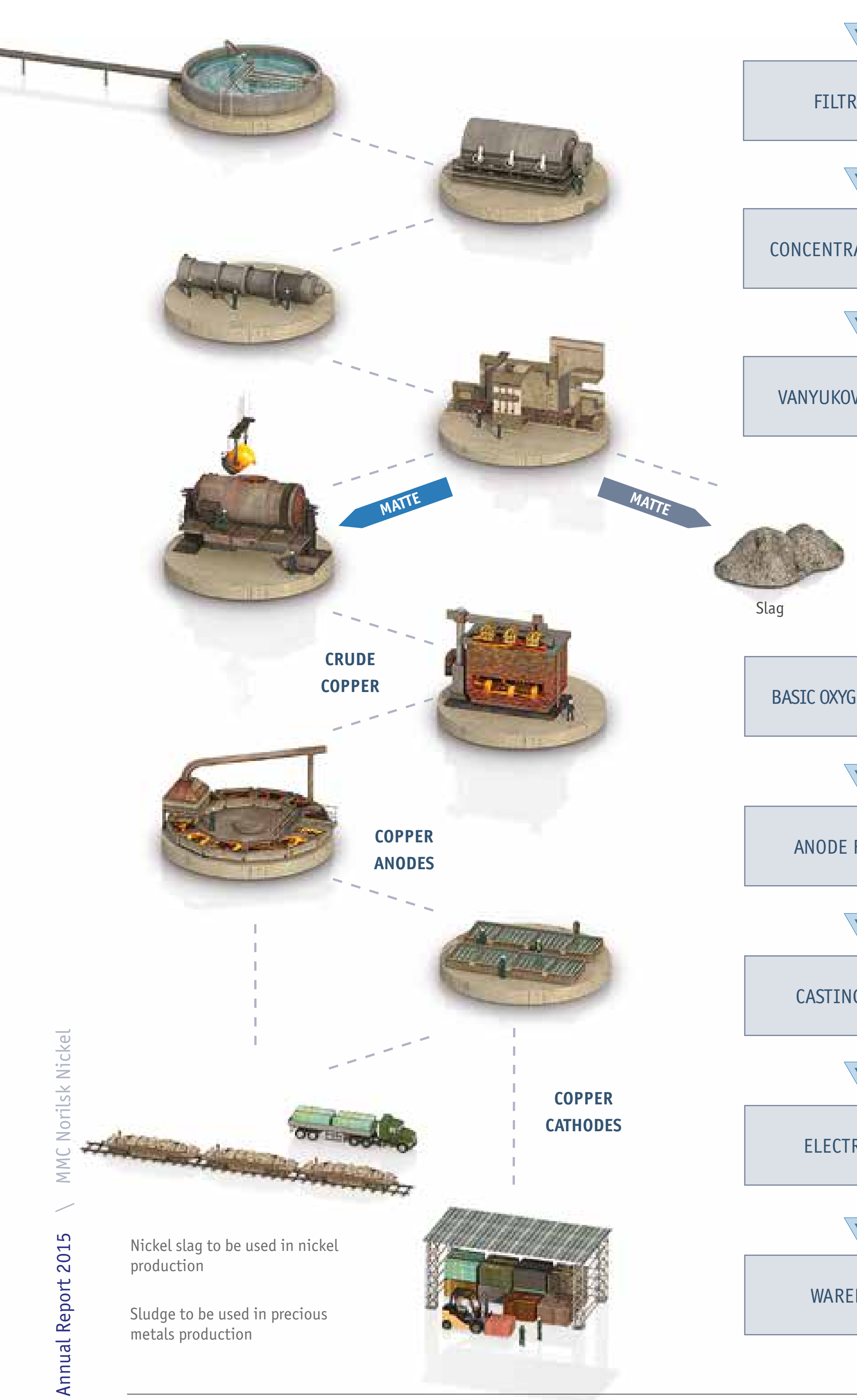
Production chain




CASTING MOULD
High-grade matte is cast into the moulds and cooled
CRUSHING
GRINDING
CONVERTER MATTE
Copper concentrate to be used in copper production
FLOTATION
Specific mineral particles suspended within the pulp attach to air bubbles, which leads to their separation
NI CONCENTRATE
FLUIDISED BED FURNACE
Oxidising concentrate roasting with conversion of metals from sulphides into oxidised powder
ROASTED NI
ANODE ELECTRIC FURNACE
Smelting of the fluidised bed furnace product to produce crude nickel anodes
MELTED NI
Iron-cobalt alloy to be used in cobalt production
CASTING WHEEL
Sludge to be used in precious metals production
Casting of anode metal to the moulds to produce nickel or copper anodes
NI ANODES
ELECTROLYSIS BATHS
Electrochemical oxidation at the electrolyte-immersed electrodes driven by the electric current coming from an external source
NI CATHODES
WAREHOUSE

Production chain

COPPER PRODUCTION OVERVIEW



THICKENING	Partial concentrate dehydration
FILTRATION	The process of reducing the pulp's moisture level by forcing it through a porous medium
CONCENTRATE DRYING	Removal of moisture from concentrates (to a moisture level below 9%)
VANYUKOV FURNACE	Uses the feedstock energy without any external power sources Energy required for smelting is released from oxidising sulphides contained in the feedstock in an oxygen-enriched environment
BASIC OXYGEN FURNACE	Oxidation and removal of slag iron and other contaminants
ANODE FURNACE	Removal of nickel, oxygen and sulphur from crude copper
CASTING WHEEL	Casting of anode metal to the moulds to produce copper anodes
ELECTROLYSIS	Electrochemical oxidation at the electrolyte-immersed electrodes driven by the electric current coming from an external source
WAREHOUSE	

Operating Performance in 2005–2015

MMC NORILSK NICKEL SALEABLE METALS PRODUCTION	2015	2014	2013	2012	2011	2010	2009	2008	2007[1]	2006	2005
TOTAL METAL PRODUCTION											
Nickel, tonnes	266,406	274,248	285,292	300,340	295,098	297,329	282,894	300,585	280,402	243,985	242,774
from Russian own feed	*220,675*	*223,224*	*219,273*	*223,153*	*234,906*	*235,518*	*232,813*	*230,550*	*234,454*	*243,985*	*242,774*
from 3d party feed	*45,731*	*51,024*	*66,019*	*77,187*	*60,191*	*60,322*	*47,076*	*67,393*	*44,775*	*0*	*0*
Copper, tonnes	369,426	368,009	371,063	363,764	377,944	388,872	402,261	419,208	416,084	425,107	452,293
from Russian own feed	*352,766*	*345,897*	*345,737*	*344,226*	*362,854*	*365,698*	*382,443*	*400,344*	*404,465*	*421,182*	*426,727*
from 3d party feed	*16,660*	*22,112*	*25,326*	*19,538*	*15,090*	*22,329*	*18,382*	*17,517*	*10,963*	*3,925*	*25,566*
Palladium, koz	2,689	2,752	2,662	2,732	2,806	2,862	2,805	2,820	3,124	3,164	3,133
from Russian own feed	*2,575*	*2,582*	*2,529*	*2,624*	*2,704*	*2,723*	*2,676*	*2,701*	*3,050*	*3,164*	*3,133*
from 3d party feed	*114*	*170*	*133*	*108*	*102*	*132*	*118*	*106*	*67*	*0*	*0*
Platinum, koz	656	662	651	683	696	694	661	661	745	751	752
from Russian feed	*610*	*595*	*604*	*658*	*672*	*663*	*636*	*632*	*727*	*751*	*752*
from 3d party feed	*46*	*67*	*47*	*25*	*24*	*29*	*22*	*24*	*45*	*0*	*0*
Polar division and Kola MMC											
Nickel, tonnes	222,016	228,438	231,798	233,632	237,228	235,518	232,813	232,302	234,454	243,985	242,774
Polar division	96,916	122,390	122,700	124,000	124,000	124,200	124,250	122,000	118,809	121,740	123,250
Kola MMC	125,100	106,048	109,098	109,632	113,228	111,318	108,563	110,302	115,645	122,245	119,524
from Russian feed	*123,335*	*100,834*	*96,573*	*99,153*	*110,906*	*111,318*	*108,563*	*108,550*	*115,645*	*122,245*	*119,524*
from 3d party feed	*1,765*	*5,214*	*12,526*	*10,479*	*2,321*	*0*	*0*	*1,752*	*0*	*0*	*0*
Copper, tonnes	355,707	354,944	359,102	352,466	363,460	365,698	382,443	400,344	404,465	425,107	452,293
Polar division	292,632	297,552	296,760	295,610	303,940	309,320	323,705	338,511	338,435	351,180	360,965
Kola MMC	63,075	57,392	62,342	56,855	59,520	56,378	58,738	61,833	66,030	73,927	91,328
from Russian feed	*60,134*	*48,345*	*48,977*	*48,616*	*58,914*	*56,378*	*58,738*	*61,833*	66,030	*70,002*	*65,762*
from 3d party feed	*2,941*	*9,046*	*13,365*	*8,240*	*606*	*0*	*0*	*0*	*0*	*3,925*	*25,566*
Palladium, koz	2,606	2,660	2,580	2,628	2,704	2,723	2,676	2,701	3,050	3,164	3,133
Polar division	1,935	2,065	2,006	1,989	2,038	2,053	2,010	2,054	2,299	2,357	2,350
Kola MMC	671	595	574	639	666	670	666	647	751	807	783
from Russian feed	*640*	*517*	*523*	*635*	*666*	*670*	*666*	*647*	*751*	*807*	*783*
from 3d party feed	*31*	*78*	*51*	*4*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Platinum, koz	622	627	628	660	672	663	636	632	727	751	752
Polar division	488	500	504	529	536	529	505	509	584	599	605
Kola MMC	134	127	124	131	136	134	131	123	143	152	147
from Russian feed	*122*	*95*	*100*	*129*	*136*	*134*	*131*	*123*	*143*	*152*	*147*
from 3d party feed	*12*	*32*	*23*	*2*	*0*	*0*	*0*	*0*	*30*	*0*	*0*
Norilsk Nickel Finland[2]											
Nickel, tonnes	43,479	42,603	44,252	45,518	48,524	49,159	28,452	29,344	29,339	-	-
from Russian feed	*424*	-	-	-	-	-	-	-	-	-	-
Copper, tonnes	13,048	10,629	6,549	1,006	5,681	11,279	5,030	4,220	5,037	-	-
Palladium, koz	78	74	39	21	34	48	18	11	12	-	-
Platinum, koz	33	31	16	9	12	15	5	5	6	-	-
Norilsk Nickel Australia	0	0	2,826	8,975							
Nickel, tonnes	0	0	2,826	8,975	0	0	1,223	15,528	5,339	-	-
Norilsk Nickel Africa (Tati)[3]											
Nickel, tonnes	911	3,207	6,416	12,215	9,346	11,163	17,401	20,769	10,097	-	-
Copper, tonnes	671	2,436	5,412	10,292	8,803	11,050	13,352	13,297	5,926	-	-
Palladium, koz	5	18	43	83	68	84	100	95	55	-	-
Platinum, koz	1	4	7	14	12	14	17	19	9	-	-

[1] *Overseas assets feature post-acquisition results*

[2] *Production resuslts include processing of nickel concentrate from Nkomati and purchased materials*

[3] *Concentrate for third-party companies*

Minerals Resources and Ore Reserves

AS AT 31 DECEMBER 2015

REGION, DEPOSIT, ORE TYPE	ORE '000 T	METAL GRADE Ni %	Cu %	Pd G/T
TAIMYR PENINSULA				
Proven ore reserves				
Talnakh Ore Cluster	340,709	0.75	1.59	3.78
Rich	*43,728*	*2.55*	*3.26*	*5.09*
Cuprous	*28,393*	*0.99*	*4.00*	*9.47*
Disseminated	*268,588*	*0.43*	*1.06*	*2.97*
Norilsk-1 Field (Disseminated ore)	24,272	0.35	0.49	3.93
Probable ore reserves				
Talnakh Ore Cluster	316,832	1.19	2.00	4.62
Rich	*90,399*	*2.83*	*3.33*	*6.91*
Cuprous	*55,124*	*0.75*	*3.28*	*7.16*
Disseminated	*171,309*	*0.46*	*0.88*	*2.60*
Norilsk-1 Field (Disseminated ore)	21,544	0.28	0.36	4.33
Total proven and probable ore reserves	703,357	0.92	1.70	4.18
Measured and indicated mineral resources				
Talnakh ore field	1,576,880	0.74	1.39	3.54
Rich	*116,258*	*3.22*	*3.89*	*7.42*
Cuprous	*70,618*	*1.01*	*4.30*	*9.69*
Disseminated	*1,390,004*	*0.52*	*1.03*	*2.90*
Norilsk-1 deposit (Disseminated ore)	75,260	0.35	0.48	4.57
Total measured and indicated mineral resources	1,652,140	0.72	1.35	3.59
Total inferred resources	451,003	0.88	1.82	4.35
KOLA PENINSULA (DISSEMINATED ORE)				
Proven ore reserves	60,424	0.56	0.24	0.03
Probable ore reserves	79,645	0.59	0.32	0.03
Total proven and probable ore reserves	140,068	0.58	0.28	0.03
Total measured and indicated mineral resources	347,738	0.68	0.33	0.05
Total inferred resources	144,676	0.63	0.31	0.04
AUSTRALIA				
Honeymoon Well (Nickel sulfide ores)				
Total measured and indicated mineral resources	173,300	0.68	0	0
Total inferred resources	11,900	0.68	0	0
Honeymoon Well (Nickel laterite)				
Total inferred resources	339,000	0.81	0	0
TOTAL PROVEN AND PROBABLE ORE RESERVES	843,425			
TOTAL MEASURED AND INDICATED MINERAL RESOURCES	2,173,178			
TOTAL INFERRED RESOURCES	946,579			

[1] Data regarding the mineral resources and ore reserves of the deposits of the Taimyr and Kola peninsulas were classified according to the Australasian Code for Reporting of Mineral Resources and Ore Reserves (JORC code), created by the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists, and the Minerals Council of Australia, subject to the terminology recommended by the Russian Code for Public Reporting of Exploration Results, Mineral Resources, Mineral Reserves (NAEN Code)

[2] Data regarding the reserves and resources is based on the balance-sheet reserves of A, B, C1 and C2 categories (according to the terminology of the State Committee for Mineral Reserves) as of the end of the given calendar year

[3] Figures given as "Total" may differ from the sum of individual numbers due to rounding. Certain values may in some instances vary slightly from previously published values

Pt	Au	Σ Pt	Ni	Cu	Pd	Pt	Au	6PGM
METAL GRADE			CONTAINED METAL					
G/T	G/T	G/T	'000 T	'000 T	'000 OZ	'000 OZ	'000 OZ	KOZ
1.03	0.21	5.01	2,563	5,405	41,456	11,276	2,346	54,903
1.01	*0.11*	*6.44*	*1,116*	*1,427*	*7,153*	*1,418*	*151*	*9,057*
2.26	*0.53*	*11.86*	*281*	*1,137*	*8,645*	*2,066*	*486*	*10,827*
0.90	*0.20*	*4.06*	*1,166*	*2,841*	*25,658*	*7,792*	*1,709*	*35,019*
1.61	0.18	5.83	84	120	3,067	1,254	137	4,552
1.13	0.28	6.03	3,757	6,323	47,097	11,482	2,813	61,466
1.40	*0.27*	*8.80*	*2,560*	*3,011*	*20,078*	*4,073*	*772*	*25,569*
1.86	*0.59*	*9.22*	*413*	*1,808*	*12,683*	*3,290*	*1,042*	*16,332*
0.75	*0.18*	*3.55*	*784*	*1,504*	*14,336*	*4,119*	*999*	*19,565*
1.74	0.19	6.42	60	78	2,997	1,206	133	4,444
1.12	0.24	5.54	6,464	11,926	94,617	25,218	5,429	125,365
0.96	0.22	4.71	11,630	21,944	179,540	48,831	10,930	238,663
1.50	*0.25*	*9.44*	*3,745*	*4,522*	*27,746*	*5,596*	*941*	*35,280*
2.43	*0.69*	*12.34*	*716*	*3,040*	*22,001*	*5,525*	*1,577*	*28,019*
0.84	*0.19*	*3.92*	*7,169*	*14,382*	*129,793*	*37,710*	*8,412*	*175,364*
1.84	0.19	6.78	265	362	11,053	4,442	462	16,410
1.00	0.21	4.80	11,895	22,306	190,593	53,273	11,392	255,073
1.11	0.26	5.70	3,950	8,226	63,051	16,059	3,791	82,584
0.02	0.01	0.05	339	145	55	41	17	98
0.02	0.01	0.06	469	251	82	57	30	146
0.02	0.01	0.05	809	396	137	98	47	245
0.03	0.02	0.08	2,370	1,141	516	337	185	913
0.03	0.01	0.07	912	450	182	119	59	316
0	0	0	1,181	0	0	0	0	0
0	0	0	81	0	0	0	0	0
0	0	0	2,746	0	0	0	0	0
			7,273	12,322	94,754	25,316	5,476	125,610
			15,446	23,447	191,109	53,610	11,577	255,986
			7,689	8,676	63,233	16,178	3,850	82,900

[4] *The six platinum group metals (PGMs) are platinum, palladium, rhodium, ruthenium, osmium, and iridium. Hereafter in the annual report, troy ounces are used as a weight measure for PGMS and gold*

[5] *Proven and probable ore reserves are included in mineral resources*

[6] *Ore losses applied ranged from 1.6 % to 26% and dilution from 6% to 31.9%.*

Key Risks and their Mitigants

RISK TYPE/GROUP	RISK DESCRIPTION	ACTIONS TO MINIMISE RISK
TECHNICAL AND PRODUCTION RISKS		
Technical and production risks	The Company's key production sites are located in the Far North of Russia. Due to the environment and climatic conditions prevailing in the region, the Company is faced with technical challenges when conducting geological exploration, mining and processing of ore, providing energy to production facilities and city infrastructure and transporting end products to customers. The most hazardous factors include: *a) for metals and mining businesses:* ■ flooding at mines/quarries; ■ accidents and incidents involving underground mining equipment; ■ emissions of combustible gases and toxic substances; ■ accidents and incidents at the key stages of ore processing; *b) for fuel and energy businesses:* ■ accidents involving pipelines and main gas lines; ■ accidents involving electricity grids; ■ accidents at heating stations; *c) for transportation businesses:* ■ reduction in navigation depths in rivers; ■ damage to river terminals; ■ infrastructure breakdowns at the Norilsk airport; ■ accidents and incidents involving river and marine vessels, tugboats, and cranes; *d) for oil depots in the Norilsk Industrial District and Dudinka:* ■ damage to buildings; ■ equipment failures; ■ collapse of buildings used in process operations.	To operate in the Far North, the Company uses the latest equipment and takes all necessary measures to address problems related to adverse weather conditions (extremely low temperatures, blizzards, reduced navigation depth of the Yenisei River), which under certain conditions can have a major impact on the Company's operations. To mitigate potential implications for its production facilities, the Company regularly evaluates the risk of unplanned disruptions in processes and develops measures to prevent and limit the potential consequences of accidents and incidents. A programme to identify and assess technical and production risks is in place. The Company has developed and is implementing a programme of organisational and technical actions aimed at reducing critical technical and production risks. The Company has developed and is continuously improving internal standards and regulations pertaining to its operations (including technical maintenance), which often contain stricter equipment maintenance and repair requirements than the applicable laws of the Russian Federation. All hazardous production sites have industrial safety declarations in place. In 2015, the Company made a comprehensive effort to review potential risks following reconfiguration and modernisation of production facilities, including the downtime in production chain and related risks. The survey results and best practices of risk management in the mining and metals industry helped develop and implement a property and business interruption (downtime) insurance programme.
STAFF MANAGEMENT RISKS		
Skilled labour recruitment and retention risks	The key risk factors are as follows: limited labour resources in the Norilsk Industrial District and increased demand for skilled labour with skills, knowledge and experience required to join the Company.	The Company is implementing a number of employee training and development programmes, including: ■ talent pool programmes; ■ human capital development programme; ■ social programmes aimed, among other things, at recruiting and retaining skilled workers and specialists from other regions of the Russian Federation. In 2015, the Company extended the Collective Bargaining Agreement until 2018.
Shortage of young skilled specialists in the regions of operations	As the Group's operations are located far from major educational and cultural centres in a region with a severe climate, local young people tend to leave the Norilsk Industrial District for study or work elsewhere, while graduates from "the continent" do not see it as a place to go and start a career.	The Company interacts with educational institutions in the Norilsk Industrial District. There are employer-sponsored vocational training programmes in place with a focus on the professions and training areas required by the Company. The Company offers work placement to participants of the Professional Start programme targeting students of the Norilsk State Industrial Institute and other Russian universities, and signs employer-sponsored educational contracts with students. There are graduate internship programmes in place. The Company also implements other youth and student engagement programmes as follows: World of New Opportunities: an ArktikPro R&D project and FabLab programmes in Norilsk and Monchegorsk.

RISK TYPE/GROUP	RISK DESCRIPTION	ACTIONS TO MINIMISE RISK
Deterioration of employee proficiency	The risk factors related to the deterioration of employee proficiency are as follows: ■ inadequate skills of graduates due to, among other things, a natural outflow of qualified teaching staff combined with a limited inflow of young teachers to replace them; ■ weak motivation of young workers and specialists to look for employment; ■ shortage of skilled labour in a number of regions where the Company operates; ■ high staff turnover.	The Company has its employees trained and educated both locally, on site, and centrally, through its corporate training centres. The Company establishes contacts with Russian educational institutions and industry training centres, engages their teachers to train Company employees, including those in the Norilsk Industrial District.
REPUTATIONAL RISKS		
Reputational risks	Reputational risk is a risk of damage to the Company's business reputation caused by various external and/or internal factors that may undermine positive perception of the Company's activity by target groups and/or the general public.	To mitigate reputational risks, the Company has designed and implemented the following internal guidelines: ■ Code of Business Ethics; ■ Information Policy Regulation; ■ Regulation on the Prevention and Management of Conflicts of Interest; ■ Regulation on Business Gifts; ■ Regulation on the Procedure to Access Insider Information, Confidentiality Protection, and Supervision of Compliance with Laws on Prevention of Unauthorised Use of Insider Information and Market Manipulation; ■ Procedure for the Interaction between the Company's Officers and Russian and International Mass Media. Additionally, the Company has adopted the Code of Corporate Conduct and Business Ethics for the Board of Directors, which contributes to stronger ethical standards, goodwill and responsibility, providing the key principles of conduct that are mandatory for all members of the Board. The Company makes a responsible choice of suppliers and contractors, paying special attention to their business ethics. Seeking to establish business cooperation with partners committed to anti-corruption activities, the Company implements measures to establish anti-corruption principles by including anti-corruption clause in its contracts. The Company acts as a reliable and trustworthy partner that honours its obligations. The Company has implemented an action plan to prevent unauthorised use of insider information and market manipulation in order to protect investor rights and enhance the Company's credibility. A coordinated policy has been adopted to increase informational transparency, enhance investor appeal, and improve the Company's business reputation. The Company publishes corporate information, including data about the Company's financial and operational performance, progress in implementing its strategy, and the success of its economic, social and environmental activities, on the corporate website and the website of the authorised news agency. The Company cooperates with stakeholders. The Company maintains and develops an intranet portal that provides employees with full information on the Company's structure, operations, and current operational and social activity updates, contributing to stronger corporate identity.

RISK TYPE/GROUP	RISK DESCRIPTION	ACTIONS TO MINIMISE RISK
LEGAL RISKS		
Risks related to adverse changes in legislation and law enforcement practices, including those in customs, foreign exchange and tax regulations.	Legal risks are related to adverse changes in legislation and law enforcement practices, discrepancies in legal norms and gaps in legislation regulating Norilsk Nickel's activities, including those concerning mining and production, environmental protection, foreign economic activities, tax regulations, and labour relations. The Company is involved in foreign economic activities with some of its assets and liabilities denominated in foreign currencies. Therefore, changes in customs and foreign exchange regulations have an impact on Norilsk Nickel's financial and operational activities on the group and subsidiary levels. Tax regulation risks are related to frequent changes in tax laws and their application by tax and judicial authorities. The Company is a major taxpayer and bears the burden of mineral production tax, value-added tax, and corporate profit tax, and is compliant with its legal tax obligations. That said, there is a possibility that claims may be filed against the Company in connection with varying interpretations of the law by tax authorities.	In an effort to balance the interests of the authorities, community and business in the regions of operations, the Company submits its proposals as to draft laws and other regulations being developed and reviewed by the Open Government and projects being assessed for regulatory impact. The Company's representatives participate in expert panels (working groups) of the Federal Assembly of the Russian Federation, federal and regional executive authorities, local authorities, the State Commission for the Development of the Arctic Zone, the Chamber of Commerce and Industry of the Russian Federation, and the Russian Union of Industrialists and Entrepreneurs concerning various topics such as: ■ development of Russia's Arctic Zone; ■ labour relations; ■ environmental protection; ■ industrial safety; ■ technical regulation and standardisation; ■ improvement of controls and oversight, elimination of administrative barriers; ■ fiscal policy; ■ antitrust policy. To promptly respond to legislative changes and, when necessary, make adjustments to business procedures, the Company continuously monitors legislation with respect to its activities, including foreign exchange regulation and controls, tax and customs regulations.
Risks related to actions and decisions of public authorities	The Company's operations are affected by actions and decisions of central and local authorities on natural resource and land use, lease rates, state control (supervision), etc.	The Company monitors its compliance with the applicable law and business process requirements on an ongoing basis to mitigate the risk of negative comments from regulatory authorities, and is committed to holding a constructive dialogue with them as regards the interpretation of laws. Pre-trial and trial remedies are used if needed.
Antitrust risks	Antitrust regulation risks are related to the fact that Norilsk Nickel holds a dominant position in certain commodity markets, with some of the Group's enterprises being natural monopolies and, consequently, being subject to requirements and bans established by the antitrust law. Natural monopolies within the Group are also subject to antitrust requirements as regards tendering procedures.	Norilsk Nickel has procedures and regulations in place to ensure strict compliance of its operations with the requirements of the antitrust law. The Company fully meets the requirements of the Federal Antimonopoly Service's instructions. Natural monopolies within the Group have regulations on procurement procedures for goods, works and services developed as prescribed by the applicable law.
Risks related to unlawful or unreasonable claims of contractors	Key risk factors related to unlawful or unreasonable claims of contractors are as follows: improper performance of agreements by contractors, faulty or fraudulent actions of contractors.	The risk of contractors making unlawful or unreasonable claims is mitigated by approval procedures for draft contracts, including consideration of potential risks, established by the Group.

RISK TYPE/GROUP	RISK DESCRIPTION	ACTIONS TO MINIMISE RISK
STRATEGIC RISKS		
Strategic risks	Strategic risks affect both the Company's long-term objectives and ongoing business goals. The Company identifies various strategic risk factors, including the following: ■ sanction risks related to sanctions that may be imposed by the EU and US regulatory authorities against the Company and/or its shareholders, as well as the metals and mining industry in general; ■ risks related to the adverse economic environment, including economic slowdown or recession in Europe and China, or the expected contraction of commercial demand for metals; ■ strengthening of regulatory requirements; ■ pressure from major industry players; ■ downward trends in the metals market; ■ failure to achieve key investment project targets.	The Company monitors and analyses the political and economic environment, metals market trends and competitors' behaviour on an ongoing basis to provide forecasts and make decisions on the Company's current operations and further growth. The Company has a strategy in place specifying its key growth objectives, relevant roadmaps and KPIs, and updates it on an annual basis. The Company's strategic model serves as a tool to assess the economic impact of different options and construct various scenarios for the Company's businesses depending on macroeconomic forecasts and managerial decisions.
COMPLIANCE RISKS		
Compliance risks	Compliance risks include risks of legal liability and/or legal sanctions, material financial loss or loss of reputation, and other adverse effects of the Company's non-compliance with the applicable regulations, instructions, rules, standards or codes of conduct.	Norilsk Nickel puts in a lot of effort to ensure compliance of its operations with statutory and special regulations and rules, and is committed to high standards of social responsibility and ethics. Compliance efforts are concentrated on both prevention of violation of laws and industry norms, and implementation of ethical business standards. The Company also focuses on improving the Company's transparency: ■ undertakes anti-corruption, anti-money laundering and counter-terrorist financing initiatives; ■ implements and continuously reviews measures to prevent unauthorised use of insider information and market manipulation; ■ ensures better information disclosure. Having joined the Anti-Corruption Charter of the Russian Business and adopted the Anti-Corruption Policy, the Company introduces dedicated anti-corruption programmes and practices focusing on Norilsk Nickel's internal affairs and its relations with business partners and the state. The Company provides ongoing training on anti-corruption matters for its personnel. All of the Company's employees are familiarised with the corporate anti-corruption regulations, with each employee signing an individual agreement setting out their obligations in the area. The Company ensures functioning of the Preventing and Fighting Corruption page on the corporate website www.nornik.ru and the relevant section on the Company's intranet portal containing information on anti-corruption regulations adopted, measures taken, preventive procedures introduced, legal training sessions organised and law-abidance promotion efforts taken. The Company has also established the Corporate Trust Service, providing its employees with a means to report any actual or potential violations related to the Company's operations.

RISK TYPE/GROUP	RISK DESCRIPTION	ACTIONS TO MINIMISE RISK
SOCIAL RISKS		
Social risks	Sustainably favourable social and economic environment across the Company's footprint is a key factor of its performance. Deteriorating social and economic environment may lead to social tensions and adversely affect both the Company's production processes and reputation.	To mitigate social risks, the Company takes the following measures: ■ strictly adheres to the Collective Bargaining Agreements made between the Group's companies and their employees; ■ actively interacts with regional and local authorities, and civil society institutions; ■ fulfils its social obligations under public-private partnership agreements; ■ holds public meetings to facilitate constructive dialogue between the private sector, public authorities and local communities; ■ implements the World of New Opportunities charity programme aimed at supporting and promoting regional public initiatives; ■ implements the Norilsk Upgrade project introducing innovative solutions for ensuring sustainable social and economic development of the region; ■ conducts opinion polls in the Norilsk Industrial District on such matters as quality of life, employment levels, migration attitudes, social well-being and areas of concern; ■ implements social projects and programmes aimed at supporting employees and their families, as well as former employees of the Company.
ENVIRONMENTAL RISKS		
Technology-related risks	Increased environmental footprint is an inherent part of operating the Company's key assets.	The Company develops and implements research, design, construction and installation solutions as part of its investment projects and activities aimed at reducing the technology-related risk. In particular, the shutdown of the Nickel Refinery in 2016 will help reduce man-made impact on the environment. The commissioning of new capacities at the Talnakh Concentrator will lower impact on the environment due to the lower sulphur content in concentrates intended for metallurgical processing.
Risk of revocation of ISO 14001 certificate	There is a risk that during recertification and supervision audits the certifying body identifies breaches of ISO 14001:2004, which could lead to revocation of the compliance certificate and the necessity to undergo ISO 14001:2004 compliance certification once again.	To avoid such revocation, the Company works to maintain its environmental management system in a proper condition. To ensure compliance with ISO 14001:2004, it implements environmental monitoring initiatives and makes efforts to lower its environmental footprint by, without limitation: ■ planning and conducting personnel training as required; ■ conducting internal audits; ■ getting ready for surveillance/recertification audits involving the Company's representatives. The surveillance audit held by Bureau Veritas Certification in 2015 confirmed compliance of the Company's Corporate integrated system of quality and environment management (KISM) with the ISO 9001:2008 and ISO 14001:2004 requirements.

RISK TYPE/GROUP	RISK DESCRIPTION	ACTIONS TO MINIMISE RISK
HEALTH AND SAFETY RISKS		
Risks of occupational injuries	Working conditions at the Company's sites require strong professional qualifications, including knowledge of health and safety basics. Failure to comply with the Group's health and safety rules may result in health and life threats, temporary suspension of operations, and property damage.	To mitigate health and safety risks, the Company undertakes the following in accordance with its Industrial Health and Safety Policy: ■ improves working conditions, including by using new equipment and technologies, and increases the level of occupational safety at its facilities; ■ provides employees with modern certified personal protective equipment and special clothing, and initiates preventive and therapeutic interventions to reduce potential impact of hazardous and dangerous production factors; ■ carries out regular training, instructs and evaluates employee performance in health and safety, conducts corporate workshops. To minimise occupational injury rates, the Company is implementing a Health and Safety Strategy addressing the following objectives: ■ develop leadership and management commitment to health and safety principles; ■ introduce corporate standards and rules covering occupational safety matters such as: – Safety Behaviour Audits; – Power Source Insulation; – Risk Assessment; – Vehicle and Pedestrian Safety; – High-Hazard Operations; – Accident Investigation. ■ launch independent audits of the industrial safety system; ■ implement the Corporate Communications Programme and a media relations plan focused on occupational health and safety; ■ develop and implement an analytical control system for health and safety processes.
Suspended/recalled licences	The specifics of its operating environment require the Company to undertake the following operations that are subject to licensing: ■ operation of flammable, explosive and chemically aggressive production facilities of hazard classes 1, 2 and 3; ■ operations involving the use of industrial explosives. The risk of suspension (revocation) of such licences can be triggered by violation (gross violation) of licensing terms and conditions.	To mitigate this risk, the Company undertakes the following with respect to the licensed operations: ■ training and certification in industrial safety for the management and technical personnel; ■ ensuring functioning of the industrial safety management system; ■ implementing production control over on-site compliance with industrial safety requirements; ■ obtaining official letters from industrial safety bodies; ■ obtaining statements of compliance with industrial safety practices; ■ preventing trespassing; ■ acquiring compulsory insurance policy covering civil liability for on-site accidents; ■ having and implementing on-site accident management action plans; ■ signing service contracts with professional emergency rescue services; ■ having financial and material reserves for accident management purposes; ■ complying with the procedure for carrying out technical investigation of accidents, incidents and cases of loss of explosive industrial materials.

RISK TYPE/GROUP	RISK DESCRIPTION	ACTIONS TO MINIMISE RISK
RISKS INHERENT IN INTERNATIONAL ASSETS[1]		
Risks inherent in Norilsk Nickel Harjavalta (Finland)	The operations of Norilsk Nickel Harjavalta are exposed to several risk factors such as: ■ absence of its own reserve base and dependence on third-party feedstock and its producers; ■ dependence on vendors and contractors, including with respect to key reagent prices; ■ tightening of the Finnish and EU laws on industrial safety and environment, which can trigger higher production costs.	To reduce these risks, the Company undertakes the following, including without limitation: ■ takes measures to ensure that Norilsk Nickel Harjavalta uses feedstock produced by the Company's Russian businesses (these measures have been in place since 2015 and will continue into 2016); ■ optimises the existing procurement and services contracts; ■ adopted (in 2015) and has been implementing a programme to improve efficiency with a focus on energy savings and higher added value products; ■ continuously monitors the Finnish and EU industrial safety and environment requirements. The production is being adjusted to comply with new requirements.
FINANCIAL RISKS		
Price risks	Risk of losses caused by adverse price index changes and falling market values of products, works, services, and other assets, including those purchased by the Company.	In 2015, price risks were balanced as the decline in nickel prices was partially offset by the weaker rouble.
FX risks	Risk of losses caused by adverse changes in currency exchange rates.	Norilsk Nickel generates the bulk of its revenues in US dollars, while most of its costs are in Russian roubles. To hedge its currency positions, the Company buys/sells derivative financial instruments and uses trade finance.
Interest rate risks	Risk of losses caused by adverse changes in interest rates in the lending market.	The Company maintains a balanced debt structure based on a 60/40 floating and fixed interest rates ratio to control the risk of higher debt service costs in case of floating rate changes.
Credit risks	Risk of losses caused by counterparty failure to perform on time.	The Company minimises its credit risk by spreading it across a large number of counterparties and setting credit limits based on the analysis of counterparties' financial standing and non-financial drivers. The Company also hedges credit risks by insuring receivables.
Liquidity risks	Liquidity risk means that the Company is unable to pay when due.	The Company ensures centralised management of liquidity throughout the Group. Liquidity is managed by using detailed budgeting procedures and maintaining daily payment positions with a horizon of up to one month. To manage liquidity, the Company forms a reserve of liquid funds and has at its disposal committed credit lines from a number of banks sufficient to compensate for potential revenue fluctuations given price, FX and interest rate risks.

[1] *Following the sale of the assets in Australia (Black Swan and Silver Swan) and Botswana (Tati Nickel Mining Company), the Company no longer analyses any risks associated with these projects. The sale of Ncomati in South Africa is expected to close in Q1 2016.*

Glossary

Acid leaching. Leaching with (solutions of) acids as reagents.

Agglomerate. Sintered ore produced as a result of the agglomeration process.

Agglomeration. A method for forming relatively large porous blocks (agglomerates) by sintering (roasting) fine or powder ore, where solid particles are joined together by solidifying fusible compounds.

Anode. Crude metal (nickel or copper) obtained from anode smelting and fed for electrolytic refining (electrolysis) whereby it is dissolved.

Cake. Solid residue from filtering pulp during leaching of ores, concentrates or metallurgical intermediates, and purification of processing solutions.

Cathode. Pure metal (nickel or copper) obtained as a result of electrolytic refining of anodes.

Concentrate. A product of ore concentration with a high grade of the extracted mineral, which gives its name to the concentrate (copper, nickel, etc.).

Concentration. Artificial improvement of metallurgical feedstock mineral grades by removal of a major portion of waste rock not containing any valuable minerals.

Conversion. An autogenous pyrometallurgical process where ferrous and other detrimental impurities are oxidised and removed as slag to produce blister copper (in copper concentrate smelting) or converter matte (in copper-nickel concentrate smelting).

Converter matte. A metallurgical intermediate produced as a result of matte conversion. Depending on the chemical composition, the following types of converter matte are distinguished: copper, nickel and copper-nickel.

Cuprous ores. Ores containing 20% to 70% sulphides, with the following metal grades: 0.2–2.5% for nickel, 1.0–15.0% for copper, 5–50 g/t for platinum group metals.

Disseminated ores. Ores containing 5% to 30% sulphides, with the following metal grades: 0.2–1.5% for nickel, 0.3–2% for copper, and 2–10 g/t for platinum group metals.

Drying. Removal of moisture from concentrates performed in designated drying furnaces (to a moisture level below 9%).

Electrolysis. A series of electrochemical reduction-oxidation reactions at electrodes immersed in an electrolyte as a result of passing of an electric current from an external source.

Filtration. The process of reducing the moisture level of the pulp by forcing it through a porous medium.

Flash smelter. An autogenous smelter for processing dry concentrates, where the smelted substance is finely ground feedstock mixed with a gaseous oxidiser (air, oxygen), which holds melted metal particles suspended. The heat from oxidation reactions is actively used in the process.

Flotation. A concentration process where specific mineral particles suspended within the pulp attach to air bubbles. Poorly wettable mineral particles attach to the air bubbles and rise through the suspension to the top of the pulp, producing foam, while well wettable mineral particles do not attach to the bubbles and remain in the pulp. This is how the minerals are separated.

Leaching. Selective dissolution of one or several components of the processed solid material in organic solvents or water solutions of inorganic substances.

Matte. Intermediate product in the form of an alloy of sulphides of iron and non-ferrous metals with a varying chemical composition. Matte is the main product accumulating precious metals and metal impurities the feedstock contains.

Metal extraction. The ratio between the quantity of a component extracted from the source material and its quantity in the source material (as a percentage or a fraction).

Metal grade. The ratio between the weight of metal in the dry material and the total dry weight of the material expressed as a percentage or grammes per tonne (g/t).

Mine. A mining location for extraction of ores.

Mineral deposit. A mass of naturally occurring mineral material (near to the surface or deeper underground), which is economically valuable in terms of quantity, quality and conditions.

Ore mixture. A mixture of materials in certain proportions needed to achieve the required chemical composition of the end product. The ore mixture for metallurgical production may include ores, ore concentrates and agglomerates, return slag, dust from dust collectors, and metals (mostly in the form of scrap).

Ore. Natural minerals containing metals or their compounds in economically valuable amounts and forms.

Oxide. A compound of a chemical element with oxygen.

Probable ore reserves. The economically mineable part of indicated and, in some circumstances, measured mineral resources, including possible dilution and losses during mining operations.

Proven ore reserves. The economically mineable part of measured mineral resources, including possible dilution and losses during mining operations.

Pulp. A mixture of finely ground rock with water or a water solution.

Pyrometallurgical processes. Metallurgical processes performed at high temperatures, including roasting, smelting and conversion, which are distinguished depending on their technological characteristics.

Refinement. The process of extracting high purity precious metals through their separation and removal of impurities.

Rich ores. Ores with high sulphide content (over 70%) and the following metal grades: 2–5% for nickel, 2–25% for copper, and 5–100 g/t for platinum group metals.

Roasting. The process of removing volatile components from and changing the chemical composition of materials (ores, concentrates, etc.) performed at elevated temperatures enabling various gas-solid reactions but insufficient to cause melting of the material's solid compounds.

Shop area. A part of a (metallurgical) shop.

Slag. Melted or solid substance with a varying composition that covers the surface of a liquid product during metallurgical processes (resulting from ore mixture melting, melted intermediate processing and metal refining) and includes waste rock, fluxes, fuel ash, metal sulphides and oxides, and products of interaction between the processed materials and lining of melting units.

Sludge. Powder product containing precious metals settling during electrolysis of copper and other metals.

Smelting. A pyrometallurgical process performed at high temperatures enabling the complete melting of the processed material.

Sulphides. Compounds of metals and sulphur.

Tailings pit. A complex of hydraulic structures used to receive and store mineral waste/tailings.

Tailings. Waste materials left over after concentration processes and containing mostly waste rock with a minor amount of valuable minerals.

Thickening. Separation of liquid (water) and solid particles in dispersion systems (pulp, suspension, colloid) based on natural gravity settling of solid particles in settlers and thickeners, or centrifugal settling of solid particles in hydrocyclones.

Underground (subsurface) mining. A set of stripping, preparatory and stoping operations.

Vanyukov furnace. An autogenous smelter for processing concentrates, where smelting is performed in a bath of slag and matte, with intensive injection of air-oxygen mixture. The heat from oxidation reactions is actively used in the process.

Measurement Units and Currency Exchange Rates

METRIC CONVERSION TABLE

LENGTH		AREA		WEIGHT	
1 km	0.6214 mi	1 sq m	10.7639 sq ft	1 kg	2.2046 lb
1 m	3.2808 ft	1 sq km	0.3861 sq mi	1 metric tonne	1,000 kg
1 cm	0.3937 in	1 ha	2.4710 acres	1 short tonne	907.18 kg
				1 troy ounce	31.1035 g
Length	Area	Weight	Length	Area	Weight
1 mi	1.609344 km	1 sq ft	0.09290304 sq m	1 lb	0.4535924 kg
1 foot	0.3048 m	1 sq m	2.589988 sq km	1 g	0.03215075 oz t
1 in	2.54 cm	1 acre	0.4046873 ha		

CURRENCY EXCHANGE RATES IN 2011–2015

This appendix provides currency exchange rates used to convert expenses denominated in RUB to USD.

RUSSIAN ROUBLE / US DOLLAR	2015	2014	2013	2012	2011
Average rate for the year ended 31 December	60.96	38.42	31.85	31.09	29.39

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