

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 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 1.7 billion 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 cost cuts. As a result of these measures we managed to deliver EBITDA 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 continue to benefit from our efforts, the Company paid dividends with DPS amounting to USD 18 delivering a remarkable yield. We believe that regular returns of cash to shareholders 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 made 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 delivery of better results and better 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