FINANCIAL OVERVIEW (MD&A)

Key consolidated highlights

USD million (unless stated otherwise)	2016	2015	Change
Revenue	8,259	8,542	(3%)
EBITDA[1]	3,899	4,296	(9%)
EBITDA margin	47%	50%	(3 p.p.)
Net profit	2,531	1,716	47%
Capital expenditures	1,695	1,654	2%
Free cash flow[2]	1,591	2,405	(34%)
Normalised net working capital[2]	739	1,030	(28%)
Net debt[2]	4,551	4,212	8%
Net debt /EBITDA	1.2x	1.0x	0.2x
Dividends paid per share (USD)[3]	7.8	18.1	(57%)

FY 2016 HIGHLIGHTS

Consolidated revenue decreased 3% year-on-year to USD 8.3 billion on the back of lower realized prices of the company's metal basket (down 13% y-o-y). Lower metal prices and a one-off decrease of production volumes owing to the downstream reconfiguration were partly offset by the sales of metal stock accumulated in 4Q2015.

EBITDA decreased by 9% y-o-y (or by USD 397 million) to USD 3,899 million with EBITDA margin amounting to 47% (down from 50% in 2015). EBITDA reduced primarily as result of the decrease in realized metal prices and local currency inflation, which were partially compensated for by RUB depreciation against US Dollar and the sale of temporary metal stock, accumulated in the end of 2015.

Net profit increased 47% y-o-y to USD 2.5 billion mainly due to appreciation of RUB as of the end of the reported period.

CAPEX was practically unchanged y-o-y (up 2%) at USD 1.7 billion and was in line with the average capex level for the last 3 years. Major investments in 2016 included projects related to the shutdown of Nickel Plant, capacity expansion and modernization of Talnakh Concentrator and Nadezhda Plant as well as an active construction phase of the Bystrinsky (Chita) project.

Free cash flow amounted to USD 1.6 billion with FCF/revenue ratio reaching the global mining industry-leading 19%.

Normalized net working capital decreased 28% y-o-y to USD 0.7 billion (or to USD 0.4 billion including the one-off increase of short-term payables resulting from concentrate purchase from Rostec) driven mainly by the saleable metal inventory release.

Net debt increased by 8% y-o-y to USD 4,551 million with Net debt/EBITDA ratio increasing to 1.2x from 1.0x a year ago.

The Company remained one of the highest dividend-yielding stocks in the global mining industry. The Company paid interim dividend for 9M 2016 of a total USD1.2 billion or USD 7.4 per share.

[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") available in conjunction with Consolidated IFRS Financial Results on the Company's web site.
[3] Paid during the current period.