

# Financial performance (MD&A)

## FY2023 HIGHLIGHTS

- Consolidated revenue decreased 15% y-o-y amounting to USD 14.4 billion following the decline of prices for nickel, copper, palladium and rhodium. The Company sold all metal volumes produced in 2023 as well as a part of stock accumulated in 2022;
- EBITDA decreased 21% y-o-y to USD 6.9 billion owing to lower revenue while EBITDA margin remained at healthy 48%;
- Cash operating costs decreased 19% y-o-y to USD 5.3 billion mostly driven by the weakening of Russian rouble, the termination of metal purchases from third parties as well as the execution on operating efficiencies that allowed to mitigate inflationary pressure on expenditures in spite of introduction of export duties in October 2023;
- CAPEX decreased 29% y-o-y to USD 3 billion driven by softening of rouble exchange rate, optimization of payments to contractors as well as rescheduling of investment projects
- owing to voluntary self-sanctions imposed by foreign suppliers of equipment and technologies;
- Net working capital decreased 23% year-to-date to USD 3.1 billion driven mostly by devaluation of rouble, partial sale of metal stock accumulated in 2022 and application of different payment terms in certain major procurement and construction contracts;
- Net debt decreased 18% y-o-y to USD 8.1 billion with net debt/EBITDA ratio as of December 31, 2023 remained at 1.2x;
- The Company continued the optimization of its debt portfolio to adapt to changing debt market reality while servicing all its outstanding debt portfolio and maintaining comfortable liquidity level on its balance sheet and reserve credit lines;
- On December 7, General Shareholders Meeting approved the split of ordinary shares with a ratio of 100 to 1 to improve their attractiveness to retail investors.

## Key corporate highlights, USD MILLION, UNLESS STATED OTHERWISE

Indicators	2022	2023	Change
Revenue	16,876	14,409	-15%
EBITDA <sup>1</sup>	8,697	6,884	-21%
EBITDA margin, %	52%	48%	-4 p.p.
Net profit	5,854	2,870	-51%
Capital expenditures	4,298	3,038	-29%
Net working capital <sup>2</sup>	4,003	3,092	-23%
Net debt <sup>2</sup>	9,835	8,093	-18%
Net debt/12M EBITDA	1.1x	1.2x	0.1x
Dividends paid per share (USD) <sup>3</sup>	40.5	-	-100%
Free cash flow <sup>2</sup>	437	2,686	6x
Проценты уплаченные <sup>4</sup>	599	791	32%
Dividends paid to non-controlling interest <sup>4</sup>	73	503	7x

<sup>1</sup> A non-IFRS measure, for the calculation see the notes below.

<sup>2</sup> A non-IFRS measure, for the calculation see an analytical review document ("Data book") available in conjunction with Consolidated IFRS Financial Results on the Company's web site.

<sup>3</sup> Paid during the period.

<sup>4</sup> Regular outflows, financed from free cash flow.

USD **14.4** BN

Consolidated revenue for 2023

**48%**

EBITDA margin for 2023

**19%**

Reduction in cash operating costs

**18%**

Decrease in net debt as at 31 December 2023

## Recent developments

- In January 2024, the Company paid dividend for 9 months of 2023 in the amount of RUR 915.33 per one ordinary share.

## Key segmental highlights<sup>1</sup>, USD MILLION

Indicators	2022	2023	Change
<b>Revenue</b>	<b>16,876</b>	<b>14,409</b>	<b>-15%</b>
GMK Group	12,242	10,488	-14%
South cluster	972	1,066	10%
Kola division	10,889	8,396	-23%
GRK Bystrinskoye	1,325	1,340	1%
Other mining	1	-	-100%
Other non-metallurgical	1,556	1,064	-32%
Eliminations	-10,109	-7,945	-21%
<b>EBITDA</b>	<b>8,697</b>	<b>6,884</b>	<b>-21%</b>
GMK Group	4,316	3,641	-16%
South cluster	450	484	8%
Kola division	4,071	2,254	-45%
GRK Bystrinskoye	934	963	3%
Other mining	-11	-12	9%
Other non-metallurgical	8	-13	n.a.
Eliminations	-7	343	n.a.
Unallocated	-1,064	-776	-27%
<b>EBITDA margin</b>	<b>52%</b>	<b>48%</b>	<b>-4 p.p.</b>
GMK Group	35%	35%	0 p.p.
South cluster	46%	45%	-1 p.p.
Kola division	37%	27%	-10 p.p.
GRK Bystrinskoye	70%	72%	2 p.p.
Other mining	n.a.	n.a.	n.a.
Other non-metallurgical	1%	n.a.	n.a.

<sup>1</sup> Segments are defined in the consolidated financial statements.

RUB **915.33**

per ordinary share – dividend paid in January 2024

USD **1,066** MLN

Revenue from the South Cluster segment

**8%**

EBITDA growth in the South Cluster segment

USD **1,340** MLN

Revenue from the GRK Bystrinskoye segment

**3%**

EBITDA growth in the GRK Bystrinskoye segment

In 2023, revenue of GMK Group segment decreased 14% to USD 10,488 million primarily due to lower metal prices and decrease in matte sales delivered to Kola Division partly offset by increase in sales volume of refined metals.

Revenue of South cluster segment increased 10% to USD 1,066 million primarily driven by higher volume of semi-products realized to GMK Group partly offset by decrease in semi-products realized prices.

Revenue of Kola division segment decreased 23% to USD 8,396 million primarily owing to lower metal prices partly offset by increase in sales volume of refined metals.

Revenue of GRK Bystrinskoye segment increased 1% to USD 1,340 million.

Revenue of Other non-metallurgical segment decreased 32% to USD 1,064 million primarily due to cease of metals resale.

In 2023, EBITDA of GMK Group segment decreased 16% to USD 3,641 million owing to lower revenue, partly positively offset by decrease in cash operating costs, primarily due to lower mineral extraction tax and other levies, lower labour and repair and maintenance costs, and comparative impact of environmental provisions accrual.

EBITDA of South cluster segment increased 8% to USD 484 million primarily owing to higher revenue that was partly negatively offset by increase in cash operating costs primarily due to higher mineral extraction tax and ore mining services.

EBITDA of Kola division segment decreased 45% to USD 2,254 million primarily owing to lower revenue.

EBITDA of GRK Bystrinskoye segment increased 3% to USD 963 million primarily due to decrease in cash operating costs driven by Russian rouble depreciation against US Dollar.

EBITDA of Other mining segment decreased by USD 1 million and amounted to negative USD 12 million.

EBITDA of Other non-metallurgical segment decreased by USD 21 million and amounted to negative USD 13 million.

EBITDA unallocated to segments increased by USD 288 million and amounted to a negative USD 776 million mainly due to lower social expenses and effect of the Russian rouble depreciation against US Dollar.

## Metal sales

In 2023, revenue from metal sales was down 15% (or -USD 2,371 million) y-o-y to USD 13,702 million primarily driven by lower selling prices (-USD 3,378 million) mainly for palladium, nickel,

rhodium and copper, as well decrease in the resale of metals purchased from third parties (-USD 385 million). The increase in the volume of metal sales (+USD 1,392 million) primarily due to the

partial sale of metal stock accumulated in 2022 was partly offset by decrease in production volume in 2023.

## Other sales

In 2023, other sales decreased 12% (or -USD 96 million) to USD 707 million primarily due to Russian rouble depreciation, which was partially

offset by the increase of revenue from resale of icebreaking and sea transportation services.

## Cost of sales

### Cost of metal sales

In 2022, the cost of metal sales increased 21% (or +USD 1,051 million) to USD 6,108 million. In 2023, the cost of metal sales increased 4% (or +USD 232 million) to USD 6,322 million, driven by the following factors:

- decrease in cash operating costs by 19% (or -USD 1,234 million);
- decrease in depreciation and amortization by 7% (or -USD 76 million);

- comparative effect of change in metal inventories y-o-y leading to the cost of metal sales increase by USD 1,542 million.

### Cash operating costs

In 2023, total cash operating costs decreased 19% (or -USD 1,234 million) to USD 5,289 million mainly due to decrease in purchases of refined metals for resale (-USD 432 million),

decrease in mineral extraction tax and other levies (-USD 319 million), decrease in materials and supplies (-USD 98 million), decrease in labour costs (-USD 266 million) partly offset by introduction of export customs duties from October 1, 2023 (+USD 121 million).

Inflationary growth of cash operating costs amounted to +USD 428 million while Russian rouble depreciation against US Dollar amounted to cash operating costs decrease of -USD 889 million.

### Cost of metal sales, USD MILLION

Indicators	2022	2023	Change
Labour	2,123	1,857	-13%
Materials and supplies	1,069	971	-9%
Mineral extraction tax and other levies	1,192	873	-27%
Third party services	784	659	-16%
Transportation expenses	257	216	-16%
Fuel	166	157	-5%
Export customs duties	-	121	100%
Electricity and heat energy	136	115	-15%
Purchases of raw materials and semi-products	33	33	0%
Purchases of refined metals for resale	437	5	-99%
Other costs	326	282	-13%
<b>Total cash operating costs</b>	<b>6,523</b>	<b>5,289</b>	<b>-19%</b>
Depreciation and amortisation	1,015	939	-7%
Decrease/ increase (-) in metal inventories	-1,448	94	n.a.
<b>TOTAL</b>	<b>6,090</b>	<b>6,322</b>	<b>4%</b>

### Labour

In 2023, labour costs decreased 13% (or -USD 266 million) to USD 1,857 million amounting to 35% of the Group's total cash operating costs driven by the following factors:

- -USD 409 million – Russian rouble depreciation against US Dollar;

- +USD 86 million – increase in headcount in Norilsk industrial region;
- -USD 77 million – one-off incentive payment to personnel in 1H2022;
- +USD 45 million – payments to personnel within the programme "Digital investor";
- +USD 89 million – other increase in labour costs mainly due to indexation of salaries and wages.

### Materials and supplies

In 2023, expenses for materials and supplies decreased 9% (or -USD 98 million) to USD 971 million driven by the following factors:

- +USD 219 million – inflationary growth of materials and supplies;
- -USD 133 million – lower material and supplies expenses primarily due to decreased repairs as part of production efficiency measures;
- -USD 184 million – effect of the Russian rouble depreciation against US Dollar.

### Mineral extraction tax and other levies

In 2023, mineral extraction tax and other levies decreased 27% (or -USD 319 million) to USD 873 million primarily due to lower metal prices and lower ore mined.

### Third-party services

In 2023, cost of third-party services decreased 16% (or -USD 125 million) to USD 659 million mainly driven by:

- -USD 61 million – primarily due to decrease in repairs as part of production efficiency measures;
- +USD 79 million – inflationary growth of third-party services;
- -USD 143 million – effect of the Russian rouble depreciation against US Dollar.

## Cost of other sales

In 2023, cost of other sales decreased by USD 108 million to USD 721 million due to Russian rouble depreciation

### Transportation expenses

In 2023, transportation expenses decreased 16% (or -USD 41 million) to USD 216 million driven by the following factors:

- -USD 23 million – primarily decrease in transportation volume of metal products;
- +USD 20 million – inflationary growth of expenses;
- -USD 38 million – effect of the Russian rouble depreciation against US Dollar.

### Fuel

In 2023, fuel expenses decreased 5% (or -USD 9 million) to USD 157 million mainly due to Russian rouble depreciation against US Dollar partly offset by inflationary growth of fuel expenses in Norilsk industrial region.

### Electricity and heat energy

In 2023, electricity and heat energy expenses decreased 15% (or -USD 21 million) to USD 115 million primarily due to Russian rouble depreciation against US Dollar.

### Purchases of raw materials and semi-products

In 2023, purchases of raw materials and semi-products remained unchanged y-o-y and amounted to USD 33 million.

against US Dollar, which was partially compensated by increase in the cost of resale of icebreaking and sea transportation services.

### Purchases of refined metals for resale

In 2023, purchases of refined metals for resale decreased 99% (or -USD 432 million) to USD 5 million, primarily due to cease of refined metals purchases.

### Other costs

In 2023, other costs decreased 13% (or -USD 44 million) to USD 282 million primarily due to Russian rouble depreciation against US Dollar partly offset by price inflation.

### Depreciation and amortisation

In 2023, depreciation and amortisation expenses decreased 7% (or -USD 76 million) to USD 939 million mainly due to Russian rouble depreciation against US Dollar partly offset by increase in property, plant and equipment.

### Decrease / Increase (with minus) in metal inventories

Comparative effect of change in metal inventory amounted to +USD 1,542 million resulting in a respective increase in cost of metal sales mainly due to increase in metal inventories in 2022 driven by the extension of logistics and refocusing sales to new markets.

## Selling and distribution expenses

### Selling and distribution expenses, USD MILLION

Indicators	2022	2023	Change
Transportation expenses	118	132	12%
Export customs duties	-	43	100%
Marketing expenses	52	29	-44%
Staff costs	29	27	-7%
Other	56	54	-4%
<b>TOTAL</b>	<b>255</b>	<b>285</b>	<b>12%</b>

In 2023, selling and distribution expenses increased 12% (or USD 30 million) to USD 285 million driven by:

- +USD 43 million – export customs duties introduced from October 1, 2023;

- +USD 14 million – increase in transportation expenses primarily due to extension of logistics chains;
- -USD 23 million – decrease in marketing expenses.

## General and administrative expenses

### General and administrative expenses, USD MILLION

Indicators	2022	2023	Change
Staff costs	833	684	-18%
Third party services	230	147	-36%
Depreciation and amortisation	107	110	3%
Property tax and other miscellaneous taxes	94	75	-20%
Transportation expenses	9	6	-33%
Other	80	71	-11%
<b>TOTAL</b>	<b>1,353</b>	<b>1,093</b>	<b>-19%</b>

In 2023, general and administrative expenses decreased 19% (or -USD 260 million) to USD 1,093 million. Positive effect of the Russian rouble depreciation against US Dollar amounted to USD 242 million. Changes of the general and

administrative expenses in real terms were primarily driven by the following factors:

- -USD 42 million – decrease in third-party services primarily driven by consulting services expenses;

- +USD 22 million – increase in depreciation due to growth of fixed assets.

## Other operating expenses

### Other operating expenses, NET, USD MILLION

Indicators	2022	2023	Change
Social expenses	407	205	-50%
Change in decommissioning obligations	12	53	4x
Change in other allowances	43	40	-7%
Loss on disposal of property, plant and equipment	70	36	-49%
Expenses on industrial incidents response	35	10	-71%
Change in provision on production and mining facilities shut down	14	-1	n.a.
Change in environmental provisions	93	-32	n.a.
Other, net	4	-42	n.a.
<b>TOTAL</b>	<b>678</b>	<b>269</b>	<b>-60%</b>

In 2023, other operating expenses, net decreased by USD 409 million to USD 269 million driven by the following factors:

- USD 202 million – decrease in social expenses;

- USD 125 million – lower environmental provisions related to compensation for environmental damages;

- +USD 26 million – comparative effect of changes in provision on production and mining facilities shut down and in decommissioning obligations;

- USD 34 million – decrease in loss on disposal of property, plant and equipment;

- USD 25 million – decrease in industrial incidents response expenses.

## Finance costs

### Finance costs, NET, USD MILLION

Indicators	2022	2023	Change
Interest expense, net of amounts capitalised	330	337	2%
Unwinding of discount on provisions	185	147	-21%
Fair value loss / gain (-) on the cross-currency interest rate swap contracts	18	60	3x
Interest expense on lease liabilities	16	35	2x
Income received as a result of early debt repayment	-172	-	100%
Gain (-) / loss from currency conversion operations	111	-5	n.a.
Other, net	5	-7	n.a.
<b>TOTAL</b>	<b>493</b>	<b>567</b>	<b>15%</b>

In 2023, finance costs, net increased 15% to USD 567 million. Finance costs, net decreased by USD 98 million in 2023 without taking into consideration profit from the early repayment of debt with a discount in 2022. The primary drivers of the change were:

- USD 116 million – decrease in foreign currency conversion costs due to lower intraday volatility in the foreign exchange market;

- USD 38 million – decrease in expenses related to unwinding of discount on provisions and due to significant volatility of discount rates during 2023, as well as changes in provisions;
- +USD 42 million – increase in expenses driven by fair value revaluation of cross-currency interest rate swaps primarily related to Russian rouble depreciation against US Dollar in 2023.

In 2022, negative result of revaluation of financial instruments during a period of high exchange rate volatility was partially compensated by the appreciation of Russian rouble against US Dollar.

## Income tax expense

### The breakdown of the income tax expense, USD MILLION

Indicators	2022	2023	Change
Current income tax expense	1,306	966	-26%
Deferred tax /benefit (-) /expense	219	-302	n.a.
<b>TOTAL INCOME TAX EXPENSE</b>	<b>1,525</b>	<b>664</b>	<b>-56%</b>

In 2023, income tax expense decreased by USD 861 million driven mostly by lower profit before tax.

## EBITDA

### EBITDA, USD MILLION

Indicators	2022	2023	Изменение
Operating profit	7,581	5,540	-27%
Depreciation and amortisation	1,026	1,165	14%
Impairment of non-financial assets, net	90	179	99%
<b>EBITDA</b>	<b>8,697</b>	<b>6,884</b>	<b>-21%</b>
<b>EBITDA margin</b>	<b>52%</b>	<b>48%</b>	<b>-4 p.p.</b>

In 2023, EBITDA decreased 21% (or -USD 1,813 million) to USD 6,884 million primarily driven by lower revenue,

which was partially offset by Russian rouble depreciation against US Dollar in 2023.

# Statement of cash flows

Statement of cash flows, USD MILLION

Indicators	2022	2023	Change
<b>Cash generated from operations before changes in working capital and income tax</b>	<b>8,897</b>	<b>7,121</b>	<b>-20%</b>
Movements in working capital	-3,184	-229	-93%
Income tax paid	-1,127	-1,164	3%
<b>Net cash generated from operating activities</b>	<b>4,586</b>	<b>5,728</b>	<b>25%</b>
Capital expenditure	-4,298	-3,038	-29%
Other investing activities	149	-4	n.a.
<b>Net cash used in investing activities</b>	<b>-4,149</b>	<b>-3,042</b>	<b>-27%</b>
<b>Free cash flow</b>	<b>437</b>	<b>2,686</b>	<b>6x</b>
Interest paid	-599	-791	32%
Payments of lease liabilities	-50	-45	-10%
Dividends paid to non-controlling interest	-73	-503	7x
Other financing activities	-4,342	-1,065	-75%
<b>Net cash used in financing activities</b>	<b>-5,064</b>	<b>-2,404</b>	<b>-53%</b>
Effects of foreign exchange differences on balances of cash and cash equivalents	962	-25	n.a.
<b>Net change in cash and cash equivalents</b>	<b>-3,665</b>	<b>257</b>	<b>n.a.</b>

In 2023, net cash used in investing activities decreased 27% to USD 3,042 million primarily driven by decrease in capital expenditures.

cash generated from operating activities and the decrease in cash used in investing activities.

paid to non-controlling interest of GRK Bystrinsky) increased by USD 1,632 million and amounted to USD 1,347 million following the increase in free cash flow.

In 2023, free cash flow increased 6 times to USD 2,686 million following the increase in net

In 2023, free cash flow less regular financing outflows (interest paid, payments of lease liabilities, dividends

Net working capital changes between the balance sheet and cash flow statement, USD MILLION

Indicators	2022	2023
<b>Change of the net working capital in the balance sheet</b>	<b>-2,734</b>	<b>911</b>
Foreign exchange differences	-218	-780
Change in income tax balance	-165	208
Change of provisions, reserves and long term components of working capital included in cash flow	-225	-412
Other changes	158	-156
<b>CHANGE OF WORKING CAPITAL PER CASH FLOW</b>	<b>-3,184</b>	<b>-229</b>

Capital investments breakdown by project, USD MILLION

Indicators	2022	2023	Change
Polar Division, including:	1,543	1,223	-21%
• Skalisty mine	90	90	0%
• Taymirsky mine	83	73	-12%
• Komsomolsky mine	40	41	3%
• Oktyabrsky mine	14	5	-64%
• Talnakh Enrichment Plant (TOF-3)	194	123	-37%
• Capitalised repairs	222	93	-58%
• Purchase of equipment	322	219	-32%
• Other Polar Division projects	578	579	0%
Kola MMC	350	233	-33%
Environmental program (Sulfur Program at the Nadezhda Smelter)	893	454	-49%
South cluster	298	248	-17%
Energy and gas infrastructure modernization	465	408	-12%
Bystrinsky project (Chita)	72	65	-10%
Other production projects	607	355	-42%
Other non-production assets	70	52	-6%
<b>TOTAL</b>	<b>4,298</b>	<b>3,038</b>	<b>-29%</b>

In 2023, CAPEX decreased 29% (or -USD 1,260 million) to USD 3,038 million driven by the effect of the Russian rouble depreciation against

US Dollar, optimization of settlements with contractors as well as the rescheduling of investment projects as voluntary self-sanctions imposed

by foreign suppliers of equipment and technologies resulted in redesign of investment projects.

## Debt and liquidity management

Debt and liquidity, USD MILLION

Indicators	As of 31 December 2022	As of 31 December 2023	Change USD million	%
Non-current loans and borrowings	7,189	5,377	-1,812	-25%
Current loans and borrowings	4,295	4,335	40	1%
Lease liabilities	233	520	287	2x
<b>Total debt</b>	<b>11,717</b>	<b>10,232</b>	<b>-1,485</b>	<b>-13%</b>
Cash and cash equivalents	1,882	2,139	257	14%
<b>Net debt</b>	<b>9,835</b>	<b>8,093</b>	<b>-1,742</b>	<b>-18%</b>
Net debt /12M EBITDA	1.1x	1.2x	0.1x	n.a

As of December 31, 2023, the Company's total debt decreased by 13% to USD 10,232 million compared to December 31, 2022 partly following the depreciation of Russian rouble against US Dollar in 2023.

As of December 31, 2023, the Company's net debt decreased by USD 1,742 million due to decrease in total debt.

The Company fully honors its financial obligations in line with transactional documentation and fully complies with existing regulations.

In November 2023, Russian rating agency "Expert RA" confirmed the Company's credit rating at the highest investment level "ruAAA".