

Public Joint Stock Company «Mining and Metallurgical Company «NORILSK NICKEL»
(PJSC «MMC «NORILSK NICKEL», «Nornickel», the «Company», the «Group»)

NORNICKEL REPORTS FIRST HALF 2024 INTERIM CONSOLIDATED IFRS FINANCIAL RESULTS

Moscow, August 23, 2024 — PJSC MMC Norilsk Nickel the world's largest palladium and Class I nickel and a major producer of platinum and copper, reports interim consolidated IFRS financial results for the first half of 2024.

1H2024 HIGHLIGHTS

- Consolidated revenue decreased 22% y-o-y amounting to USD 5.6 billion driven by the decline of metal prices as well as the accumulation of nickel and copper inventories following the maritime traffic restrictions in the Red Sea and other logistic issues;
- EBITDA decreased 30% y-o-y to USD 2.3 billion owing to lower revenue while EBITDA margin was also down 5 percentage points;
- Cash operating costs decreased 9% y-o-y to USD 2.4 billion mostly driven by the weakening of Russian rouble, decrease in mineral extraction tax owing to lower metal prices and continuing execution of operating efficiency programme that allowed to mitigate the surge of inflation in Russian economy and the introduction of export duties in October 2023;
- CAPEX decreased 34% y-o-y to USD 1 billion driven by lower rouble exchange rate, optimization of payments to contractors as well as increased efficiency during the execution of investment projects;
- Net working capital increased 20% year-to-date to USD 3.7 billion driven mostly by the accumulation of saleable metal inventory owing to logistic issues as well as the increase of receivables caused by the persisting difficulties with cross-border payments;
- Free cash flow was down 61% to USD 525 mln. Free cash flow adjusted for interest and lease payments slipped into negative territory amounting to USD -159 mln;
- Net debt increased 24% year-to-date to USD 10.1 billion with net debt/EBITDA ratio as of June 30, 2024 remained at 1.7x.

KEY CORPORATE HIGHLIGHTS

<i>USD million (unless stated otherwise)</i>	1H2024	1H2023	Change,%
Revenue	5,606	7,161	(22%)
EBITDA ¹	2,348	3,370	(30%)
EBITDA margin	42%	47%	(5 p.p.)
Net profit	829	1,070	(23%)
Capital expenditures	965	1,467	(34%)
Net working capital ^{2,6}	3,706	3,092 ⁴	20%
Net debt ²	10,062	8,093 ⁴	24%
Net debt/12M EBITDA	1.7x	1.2x ⁴	0.5x
Dividends paid per share (USD) ³	9.7	–	100%
Free cash flow ²	525	1,347	(61%)
Interest paid ⁵	662	389	70%
Dividends paid to non-controlling interest ⁵	–	503	(100%)

1) A non-IFRS measure, for the calculation see the notes below

2) 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

3) Paid during the current period before the split of shares

4) Reported as of December 31, 2023

5) Regular financial cash outflows, financed from free cash flow

6) Normalized for receivables from the registrar on transfer of dividends to shareholders

MANAGEMENT DISCUSSION AND ANALYSIS

The President of Nornickel, Vladimir Potanin, commented on the results,

"Unfortunately the adverse external conditions we faced last year continued to put pressure on our business in the first half of 2024. The plunge of nickel and palladium prices, logistic challenges in the Red Sea and increased difficulties with cross-border payments seriously impaired our revenue, profitability and cashflows. At the same time owing to the completion of the smelter repairs at the Nadezhda Plant within a very tight timeframe we are now ahead of our production schedule for the current year. The operating efficiency programme is also bearing fruits as we decreased the cash operating costs by 9% year-on-year despite growing inflationary pressure in Russia.

Nornickel has managed to adapt to challenges and restrictions caused by the stoppage of equipment deliveries by some foreign suppliers and continues the execution of large investment projects focused both on environment improvement and production growth.

I would like to highlight that due to 'the ideal storm' caused by the high interest rates and lack of access to global capital markets our absolute priorities become financial stability and conservative approach to debt management while meeting all social obligations to the employees and the state".

HEALTH AND SAFETY

In 1H2024, the number of lost time injuries decreased to 37 vs 40 in 1H2023. High levels explained by the relentless focus of the Company's management on the transparency of reporting data collection. Obtaining the most accurate data not only on serious and fatal cases, but also on micro-, light and medium injuries provides for the development of more efficient initiatives to improve industrial safety.

Regretfully, we suffered one fatal accident during the reported period (compared to 4 accidents in 1H2023). We continue to implement a wide range of programmes and various initiatives to prevent occupational injuries and fatalities. Among the key initiatives are the transformation of the safety culture, the implementation of IT-services for accident prevention at production sites and the increased involvement of the Company's management in labor safety issues. The management reiterates its major strategic focus of transforming Norilsk Nickel into a zero-fatality mining company.

METAL MARKETS

NICKEL

Nickel in 1H2024: the price has returned to the fundamentally justified level after the market turbulence in 2022-2023; the exchange stocks are rising driven by the inflow of newly registered Chinese material to the Asian warehouses; several high-cost nickel producers have scaled back their operations due to mounting losses that is to mitigate the scale of market surplus.

After trading mostly in the \$16,000-16,500 /t range during January-February, the LME nickel price climbed to over \$21,000/t in May prompted by the closures of several nickel assets, concerns over potential disruptions in Indonesian nickel production amid delays in providing new mining quotas, the LME's ban on Russian nickel produced after 13 April 2024, as well as the social unrest in New Caledonia and a broad-based price rally across the base metals. In June, however, the price fell back to below \$17,000/t as supply risks retreated. The average LME nickel price in 1H2024 declined by 28% y-o-y to \$17,495/t.

In 1H2024, primary nickel use increased 6% y-o-y to 1.66 Mt driven by the stainless (+5% y-o-y), battery (+8% y-o-y), special steel (+10% y-o-y) and alloying (+9% y-o-y) sectors. On the contrary, primary nickel supply rose just by 5% to 1.73 Mt y-o-y as increase in Indonesian NPI (+10% y-o-y) and nickel metal production (+19% y-o-y) was offset by weak Chinese NPI (-21% y-o-y) and ferronickel output (-24% y-o-y) as well as lower than expected nickel chemicals production (+2% y-o-y) due to lower intake of nickel-containing batteries in China.

We estimate that the nickel market was in around 75 kt surplus in 1H2024, mostly represented by high-grade nickel produced in China. As a result, nickel exchange stocks increased by 40 kt over the same period, primarily in Asian warehouses, while some portion of this surplus was absorbed by off-warrant inventories.

Nickel outlook: neutral in the near-term, but more positive long-term; we expect the market surplus to remain at around 100 kt in 2024-2025. Closures of several high-cost nickel operations, especially in Australia and New Caledonia, are expected to rebalance the market and support the quotes.

We expect the primary nickel demand to increase by 5% and 7% y-o-y in 2024 and 2025, respectively, primarily driven by the expansion of stainless steel production in China and recovery in Indonesia as well as ongoing strong growth in other non-stainless applications (alloys, superalloys and special steel) due to solid end-use demand from the aerospace, oil & gas and military industries.

Primary nickel supply is forecast to rise 3% and 7% y-o-y in 2024 and 2025, respectively, being constrained by the slowdown of NPI production in Indonesia and supply cuts elsewhere.

We estimate that just above half of all nickel producers generate positive cash flow with the current price environment. With over 400 kt Ni of capacities currently idled or being at risk of closure, we see the present supply risk as still underappreciated. As nickel use is expected to grow at a healthy pace this year, we think a combination of robust nickel demand and supply curtailments could provide a further impetus to the nickel price.

COPPER

Copper in 1H2024: prices surged to a record high of nearly \$11,000/t in May on the back of supply shortages, Western sanctions against Russian-origin copper, and investor activity fuelled by the expectations of interest rate cuts and a long-term market deficit. A later correction was caused by the economic slowdown in major economies, lower demand in China due to consumers' destocking and greater use of scrapped metal as well as continuing slowdown in the country's construction industry.

In the first half of 2024, we predominantly witnessed copper price growth from \$8,090/t to \$10,860/t which was driven by the fears of concentrates shortage as a result of stoppages of Cobre Panama mine as well as production difficulties at Anglo American's and Vale's assets. Lower raw materials supply and declining treatment and refining charges forced Chinese smelters to review their production plans, intensifying the risks of refined metal deficit. This, together with increased investor activity, led to a record high of \$10,860/t at the end of May. However, weaker-than-expected demand growth and mixed economic performance in China, as well as growing exchange stock levels caused the price to fall to \$9,477/t by the end of June. The average price of copper in 1H2024 increased by 4% y-o-y to \$9,090/t.

During the first six months of the year, refined copper demand grew slower than anticipated, reaching 12.7 Mt, a 2% y-o-y increase, influenced by general economic slowdown against the backdrop of higher-for-longer interest rates, lower industrial production in Europe as a result of increased energy prices, as well as mixed macroeconomic conditions in China, where the domestic copper consumption is still under pressure due to the difficulties in the construction industry while export-oriented sectors of the economy are impacted by the new wave of trade restrictions. Despite that, China's copper consumption rose to 7.1 Mt, up 2% y-o-y, while demand in the rest of the world increased by only 1%, totalling 5.6 Mt.

On the supply side, global refined copper production increased by 3% to 13.1 Mt in the first half of the year, predominantly due to continuing production growth in China. China added 4% y-o-y to 5.9 Mt, and rest-of-world production is estimated at 7.2 Mt or +2% y-o-y.

Due to higher-than-expected metal supply and sluggish demand growth, the refined copper market flipped to a 0.4 Mt surplus in the first half of 2024. This overproduction is reflected in global exchanges (LME, SHFE, and CME) stocks that surged to a multiyear high, increasing by almost 140% or 295 kt to 508 kt by the end of June. Additionally, China's bonded stocks returned to normal levels, rising from 8 kt at the beginning of January to 95 kt by the end of June.

Copper outlook: cautiously positive in the mid-term with better perspectives in the long-term. Central banks' reluctance to cut rates more actively impacts the pace of economic growth, which leads to higher metal stocks putting pressure on copper prices. Moreover, deflationary moods and increased levels of savings in China create additional risks for the demand. However, monetary policy easing is expected to support global demand starting from next year.

The grid expansion, green energy transition as well as car electrification remain key drivers of copper consumption. Global copper demand is projected to grow by 4% in 2024, reaching 26.6 Mt and by 3% to 27.3 Mt in 2025. In China, copper consumption is expected to increase by 5% to 15.4 Mt as the second half of the year is usually stronger in the country in terms of copper use, while Europe's demand will remain flat at 3.2 Mt. In the US, demand is anticipated to rise by 1%, reaching 1.5 Mt.

Despite more restrained forecasts at the beginning of the year, global mine production is expected to increase by 1% to 22.7 Mt in 2024 and by 3% to 23.3 Mt in 2025, while refined production is expected to increase up to 26.7 Mt or +4% y-o-y this year and 2% to 27.2 Mt in 2025, leading to a global market surplus of about 100 kt of refined copper in 2024 and a slight deficit of around 100 kt in 2025.

PALLADIUM

Palladium in 1H2024: palladium price correction ended at the beginning of the year as it reached price parity with platinum; as the global BEV sales slowed down, automakers slowly began to return to the palladium forward market, which stabilized the demand and supported the price.

In 1H2024, palladium price was moving side-way within the \$866-\$1,112/toz price range. However, due to a downward trend, which lasted throughout the 2023 and ended in early 2024, the average price in 1H2024 decreased by 35% y-o-y to \$976/toz. Changes in speculative net-short positions were the main reason behind the price volatility while the geopolitical premium of 2022 had disappeared as the Russian metal continued to flow into the global market.

In the current PGM price environment, nearly half of global primary production ex-Russia is lossmaking, and the positive effect of mine supply cuts has not yet been reflected in the palladium price. PGM recycling volumes remain under pressure of high borrowing costs, record low household savings, elevated used car prices and an increase in the vehicle lifespan. Additionally, lower PGM prices disincentivise scrap collectors to release metal to the market.

The macro factors like the expectations regarding the Federal Reserve decisions on interest rates as well as the strong gold price rally didn't impact the palladium price much. At the same time, depressed palladium price led to ETF holding inflow (+144 koz in 1H2024).

Palladium outlook: cautiously positive; the market is expected to stay in a deficit of 0.4 Moz this year (excluding investment and other stock movement) as demand falls slightly (-2% y-o-y) to 9.6 Moz and supply stagnates at 9.2 Moz. The prolonged metal destocking process is expected to ease by the end of the year on the back of optimized stock levels and increasing supply uncertainties.

In 2024, the global ICE-powered auto market is expected to stand at 80 million units (the market showcased a marginal 1% y-o-y growth in 1H2024). Any noticeable growth of the BEV market is expected to occur only in China where palladium loadings in ICE-equipped vehicles are relatively low. Thus, the effect of BEV market penetration growth on the palladium demand by the global automotive industry is falling. Moreover, the electrification trend is rapidly shifting from pure BEVs to hybrids (incl. plug-ins and extended-range electric vehicles) where PGM-containing catalysts are used. However, the ongoing PGM loadings optimisation in China is the main factor of the palladium demand forecast review. No meaningful year-on-year change in jewellery and the other industrial demand for palladium is expected this year.

At the same time, palladium primary refined production is expected to fall across all the major regions. While Russian PGM production will be affected by the planned capital repair of flash smelting furnace #2 at Nadezhda Metallurgical Plant, lower output from other regions will be caused by cost-saving measures amid the PGM basket price fall. As for the currently depressed secondary supply, we see an upward risk amid approaching rate cuts in the US, which will increase the affordability of new car purchases and boost autocatalyst scrap volumes. However, the volume recovery to the pre-COVID levels will take several years.

As for 2025, the palladium market is expected to be balanced amid growing recycling and loadings optimisation in China.

PLATINUM

Platinum in 1H2024: the price followed a rising trend as the negative effect of high interest rates was counterweighted by mounting supply risks and the positive long-term market outlook.

In January – June 2024, platinum was traded predominantly in the \$872-\$1,082/toz price range, following an upward trend. Such a price dynamics signals the balanced state of the market, which aligns with our estimates. A price rally in May, when the platinum price reached \$1,082/toz is seen as a delayed reaction to an upcoming mine supply cut in South Africa amid announced restructuring plans against the backdrop of a poor price environment. The average platinum price in 1H2024 declined by 6% y-o-y to \$945/toz.

As for the investment demand, ETF holding inflow accounted for 444 koz in 1H2024 as investors' interest was fuelled by a cost-driven downward revision of the long-term South African PGM mine supply.

Platinum outlook: positive. We forecast the platinum market to be balanced this year (excluding investment and other stock movement). Global platinum production is expected marginally to fall by 1% y-o-y to 7.3 Moz due to a primary supply fall in South Africa caused by cost optimisation measures amid falling PGM basket price, while demand is expected to stay relatively flat at 7.2 Moz this year.

We expect the platinum demand to stay stable this year as demand growth perspectives are weakening as the palladium to platinum substitution potential in automotive catalysts is exhausted (platinum demand in the automotive sector is expected to stand at 2.8 Moz this year). The 1:1 substitution ratio between platinum and palladium achieved in recent years in the major applications as well as the current efforts to reach same-to-same substitution by volume in the rapidly evolving high-tech industries will be the main driving force for a long-term fundamental price parity between the two metals.

Platinum demand in jewellery is expected to fall by 3% y-o-y to 1.7 Moz in 2024 as the demand in China – the largest platinum jewellery market – continues to fall following a long-term downward trend as consumer interest shifts towards gold jewellery due to a higher design variability and an upward gold price trend. At the same time, jewellery sales in Europe and the US suffer from the continuing decline in disposable income because of persistent inflation and the rising cost of borrowing. On the other hand, platinum industrial demand is expected to grow by 4% to 2.7 Moz in 2024 mainly on the back of rhodium to platinum substitution in the glass sector.

Platinum supply is expected to fall by 1% y-o-y to 7.3 Moz this year on the back of cost-saving measures across South African mines and stagnating secondary production.

As for 2025, the platinum market is expected to stay balanced as the decreasing mine supply in South Africa will eliminate the surplus.

KEY SEGMENTAL HIGHLIGHTS¹

<i>USD million (unless stated otherwise)</i>	1H2024	1H2023	Change,%
Revenue	5,606	7,161	(22%)
GMK Group	4,383	5,110	(14%)
South cluster	377	606	(38%)
Kola division	2,979	4,290	(31%)
GRK Bystrinskoye	747	657	14%
Other mining	–	–	0%
Other non-metallurgical	466	526	(11%)
Eliminations	(3,346)	(4,028)	(17%)
EBITDA	2,348	3,370	(30%)
GMK Group	1,577	1,670	(6%)
South cluster	168	300	(44%)
Kola division	258	1,141	(77%)
GRK Bystrinskoye	550	461	19%
Other mining	(16)	(19)	(16%)
Other non-metallurgical	(16)	(37)	(57%)
Eliminations	131	199	(34%)
Unallocated	(304)	(345)	(12%)
EBITDA margin	42%	47%	(5 p.p.)
GMK Group	36%	33%	3 p.p.
South cluster	45%	50%	(5 p.p.)
Kola division	9%	27%	(18 p.p.)
GRK Bystrinskoye	74%	70%	4 p.p.
Other mining	n.a.	n.a.	n.a.
Other non-metallurgical	(3%)	(7%)	4 p.p.

1) Segments are defined in the consolidated financial statements

In 1H2024, revenue of GMK Group segment decreased 14% to USD 4,383 million primarily owing to lower metal prices and decrease in matte sales to Kola Division.

Revenue of South cluster segment decreased 38% to USD 377 million driven by lower volume and prices of semi-products realized.

Revenue of Kola division segment decreased 31% to USD 2,979 million primarily owing to lower metal prices.

Revenue of GRK Bystrinskoye segment increased 14% to USD 747 million driven by both higher copper and gold prices and higher sales volumes.

Revenue of Other non-metallurgical segment decreased 11% to USD 466 million primarily due to lower inter-segment metals sale.

In 1H2024, EBITDA of GMK Group segment decreased 6% to USD 1,577 million owing to lower revenue that was partially offset by decrease in cash operating costs.

EBITDA of South cluster segment decreased 44% to USD 168 million primarily owing to lower revenue that was partially offset by decrease in cash operating costs.

EBITDA of Kola division segment decreased 77% to USD 258 million primarily owing to lower revenue that was partially offset by decrease in cash operating costs.

EBITDA of GRK Bystrinskoye segment increased 19% to USD 550 million primarily due to higher revenue.

EBITDA of Other mining segment increased by USD 3 million to negative USD 16 million.

EBITDA of Other non-metallurgical segment increased by USD 21 million to the negative USD 16 million.

Negative EBITDA impact unallocated to segments decreased by USD 41 million and amounted to –USD 304 million mainly due to decrease in administrative costs driven by the Russian rouble depreciation against US dollar and lower allowance for expected credit losses.

METAL SALES

In 1H2024, revenue from metal sales was down 22% (or –USD 1,516 million) y-o-y to USD 5,260 million driven by:

- lower metal prices (-USD 1,236 million) for palladium, nickel and rhodium;
- decrease of metal sales volume (-USD 280 million) primarily owing to the accumulation of metals in 2024 caused by the restriction of navigation in the Red Sea.

OTHER SALES

In 1H2024, other sales decreased 10% (or -USD 39 million) to USD 346 million primarily due to the Russian rouble depreciation and the decrease in revenue from resale of icebreaking and sea transportation services, which was partially offset by the increase in oil products sales.

COST OF SALES

Cost of metal sales

In 1H2024, the cost of metal sales decreased 12% (or -USD 372 million) to USD 2,727 million, driven by the following factors:

- decrease in cash operating costs by 9% (or -USD 229 million);
- decrease in depreciation and amortization by 4% (or -USD 21 million);
- comparative effect of change in metal inventories y-o-y leading to the cost of metal sales decrease by USD 122 million.

Cash operating costs

In 1H2024, total cash operating costs decreased 9% (or -USD 229 million) to USD 2,449 million mainly due to decrease in mineral extraction tax and other levies (-USD 108 million), decrease in labour costs (-USD 94 million), decrease in materials and supplies (-USD 68 million), decrease in third party services (-USD 53 million) that was partly offset by the introduction of export customs duties from October 1, 2023 (+USD 165 million).

Inflationary growth of cash operating costs amounted to +USD 138 million while Russian rouble depreciation against US Dollar amounted to cash operating costs decrease of -USD 335 million.

<i>USD million</i>	1H2024	1H2023	Change, %
Labour	893	987	(10%)
Materials and supplies	397	465	(15%)
Mineral extraction tax and other levies	376	484	(22%)
Third party services	257	310	(17%)
Export customs duties	165	–	100%
Transportation expenses	84	127	(34%)
Fuel	76	84	(10%)
Electricity and heat energy	54	63	(14%)
Purchases of raw materials and semi-products	15	16	(6%)
Other costs	132	142	(7%)
Total cash operating costs	2,449	2,678	(9%)
Depreciation and amortisation	471	492	(4%)
Increase in metal inventories	(193)	(71)	3x
Total	2,727	3,099	(12%)

Labour

In 1H2024, labour costs decreased 10% (or -USD 94 million) to USD 893 million amounting to 36% of the Group's total cash operating costs driven by the following factors:

- -USD 149 million – Russian rouble depreciation against US Dollar;
- +USD 55 million – increase in labour costs mainly due to indexation of salaries and wages.

Materials and supplies

In 1H2024, expenses for materials and supplies decreased 15% (or -USD 68 million) to USD 397 million driven by the following factors:

- +USD 47 million – inflationary growth of materials and supplies prices;
- -USD 50 million – lower repairs volume driven by operational efficiency improvement program;
- -USD 65 million – Russian rouble depreciation against US Dollar.

Mineral extraction tax and other levies

In 1H2024, mineral extraction tax and other levies decreased 22% (or -USD 108 million) to USD 376 million primarily due to lower metal prices partly offset by higher ore production volumes.

Third-party services

In 1H2024, cost of third-party services decreased 17% (or -USD 53 million) to USD 257 million mainly driven by:

- -USD 38 million – cost optimization as part of operational efficiency improvement program;
- +USD 12 million – increase in ore mining services in order to increase production volumes driven by the operational efficiency improvement program;
- +USD 20 million – inflationary growth of third-party services;
- -USD 47 million – effect of the Russian rouble depreciation against US Dollar.

Transportation expenses

In 1H2024, transportation expenses decreased 34% (or -USD 43 million) to USD 84 million driven by the following factors:

- -USD 27 million – decrease in volumes of goods shipped;
- -USD 16 million – effect of the Russian rouble depreciation against US Dollar.

Fuel

In 1H2024, fuel expenses decreased 10% (or -USD 8 million) to USD 76 million mainly due to Russian rouble depreciation against US Dollar that was partially offset by inflation of fuel price.

Electricity and heat energy

In 1H2024, electricity and heat energy expenses decreased 14% (or –USD 9 million) to USD 54 million primarily due to Russian rouble depreciation against US Dollar.

Purchases of raw materials and semi-products

In 1H2024, purchases of raw materials and semi-products remained unchanged y-o-y and amounted to USD 15 million.

Other costs

In 1H2024, other costs decreased 7% (or -USD 10 million) to USD 132 million primarily due to Russian rouble depreciation against US Dollar partly offset by price inflation.

Depreciation and amortisation

In 1H2024, depreciation and amortisation expenses decreased 4% (or -USD 21 million) to USD 471 million mainly due to Russian rouble depreciation against US Dollar partly offset by increase in property, plant and equipment.

Increase in metal inventories

Comparative effect of change in metal inventory amounted to -USD 122 million resulted in a respective decrease of cost of metal sales mainly due to accumulation of metal inventories in 1H2024 caused by the restriction of navigation in the Red Sea.

COST OF OTHER SALES

In 1H2024, cost of other sales decreased by USD 66 million to USD 351 million due to Russian rouble depreciation against the US Dollar and lower revenue from resale of icebreaking and sea transportation services, which was partially offset by the increase of oil products sales.

SELLING AND DISTRIBUTION EXPENSES

<i>USD million</i>	1H2024	1H2023	Change, %
Export customs duties	67	–	100%
Transportation expenses	56	59	(5%)
Staff costs	14	15	(7%)
Marketing expenses	9	12	(25%)
Other	26	26	0%
Total	172	112	54%

In 1H2024, selling and distribution expenses increased 54% (or USD 60 million) to USD 172 million primarily driven by the export customs duties introduced on October 1, 2023 (+USD 67 million).

GENERAL AND ADMINISTRATIVE EXPENSES

<i>USD million</i>	1H2024	1H2023	Change, %
Staff costs	321	373	(14%)
Third party services	65	62	5%
Depreciation and amortisation	50	59	(15%)
Property tax and other miscellaneous taxes	39	38	3%
Other	31	27	15%
Total	506	559	(9%)

In 1H2024, general and administrative expenses decreased 9% (or -USD 53 million) to USD 506 million. The main factors of the change were:

- -USD 80 million – Russian rouble depreciation against US Dollar;
- +USD 10 million – increase in third-party services primarily driven by consulting services expenses.

OTHER OPERATING EXPENSES, NET

<i>USD million</i>	1H2024	1H2023	Change, %
Social expenses	66	112	(41%)
Loss on disposal of property, plant and equipment	14	18	(22%)
Change in environmental provisions	8	(10)	n.a.
Change in other allowances	3	37	(92%)
Change in provision on production and mining facilities shut down	(1)	5	n.a.
Change in decommissioning obligations	(7)	15	n.a.
Proceeds from insurance claims settlements	(22)	(1)	22x
Other, net	(15)	6	n.a.
Total	46	182	(75%)

In 1H2024, other operating expenses, net decreased by USD 136 million to USD 46 million driven by the following factors:

- -USD 46 million – decrease in social expenses;
- -USD 34 million – change in other allowances primarily due to decreased allowance for expected credit losses;
- +USD 18 million – change in environmental provisions related to compensation for environmental damages;
- -USD 21 million – higher proceeds from insurance claims settlements;
- -USD 28 million – comparative effect of changes in provision on production and mining facilities shut down and in decommissioning obligations.

FINANCE COSTS, NET

<i>USD million</i>	1H2024	1H2023	Change,%
Interest expense, net of amounts capitalised	309	176	76%
Unwinding of discount on provisions	75	74	1%
Interest expense on lease liabilities	26	10	3x
Fair value (gain)/loss on the cross-currency interest rate swap contracts	(36)	45	n.a.
Other, net	7	(8)	n.a.
Total	381	297	28%

In 1H2024, finance costs, net increased 28% (or USD 84 million) y-o-y to USD 381 million primarily driven by the following factors:

- +USD 133 million – increase in interest expenses related to replacement of certain foreign currency debt with RUB-denominated debt facilities at high nominal interest rates following the significant increase in the key rate of Bank of Russia and RUONIA;
- +USD 16 million – increase in interest expenses on lease liabilities following the recognition of new lease liabilities in 2023;
- -USD 81 million – revaluation of cross-currency interest rate swaps to fair value primarily driven by comparative changes in rouble exchange rate: the Russian rouble depreciation to US Dollar in 1H2023 and the Russian rouble appreciation in 1H2024.

INCOME TAX EXPENSE

In 1H2024, income tax expense increased by USD 115 million driven mostly by non-deductible expenses for tax purposes which was partially offset by lower profit before tax.

The effective income tax rate in 1H2024 of 27.2% was above the Russian statutory tax rate of 20%, which was primarily driven by the non-deductible provision for impairment of non-financial assets, net.

The breakdown of the income tax expense:

<i>USD million</i>	1H2024	1H2023	Change,%
Current income tax expense	147	565	(74%)
Deferred tax expense/(benefit)	163	(370)	n.a.
Total income tax expense	310	195	59%

EBITDA

<i>USD million</i>	1H2024	1H2023	Change,%
Operating profit	1,437	2,776	(48%)
Depreciation and amortisation	544	578	(6%)
Impairment of non-financial assets, net	367	16	23x
EBITDA	2,348	3,370	(30%)
EBITDA margin	42%	47%	(5 p.p.)

In 1H2024, EBITDA decreased 30% (or -USD 1,022 million) to USD 2,348 million primarily driven by lower revenue, which was partially offset by the decrease in cash operating costs.

STATEMENT OF CASH FLOWS

<i>USD million</i>	1H2024	1H2023	Change,%
Cash generated from operations before changes in working capital and income tax	2,366	3,607	(34%)
Movements in working capital	(693)	(168)	4x
Income tax paid	(129)	(642)	(80%)
Net cash generated from operating activities	1,544	2,797	(45%)
Capital expenditure	(965)	(1,467)	(34%)
Other investing activities	(54)	17	n.a.
Net cash used in investing activities	(1,019)	(1,450)	(30%)
Free cash flow	525	1,347	(61%)
Interest paid	(662)	(389)	70%
Payments of lease liabilities	(22)	(21)	5%
Dividends paid to non-controlling interests	–	(503)	(100%)
Other financing activities	(70)	(86)	(19%)
Net cash used in financing activities	(754)	(999)	(25%)
Effects of foreign exchange differences on balances of cash and cash equivalents	(7)	4	n.a.
Net change in cash and cash equivalents	(236)	352	n.a.

In 1H2024, net cash generated from operating activities decreased by 45% to USD 1,544 million. Decrease in EBITDA and increase in working capital in 1H2024 were partly offset by decrease in income tax payments.

In 1H2024, net cash used in investing activities decreased 30% to USD 1,019 million primarily driven by decrease in capital expenditures.

In 1H2024, free cash flow decreased 61% to USD 525 million following the decrease in net cash generated from operating activities, which was partly offset by the decrease in cash used in investing activities.

In 1H2024, free cash flow adjusted for regular financing outflows (interest paid, payments of lease liabilities, dividends paid to non-controlling interests) decreased by USD 593 million and amounted to negative USD 159 million following the decrease in free cash flow and increase in interest paid.

Reconciliation of the net working capital changes between the balance sheet and cash flow statement is presented below:

<i>USD million</i>	1H2024	1H2023
Change of the net working capital in the balance sheet	(614)	783
Foreign exchange differences	120	(673)
Change in income tax payable	(80)	85
Change of provisions, reserves and long term components of working capital included in cash flow	(123)	(345)
Other changes	4	(18)
Change of working capital per cash flow	(693)	(168)

Capital investments breakdown by project is presented below:

<i>USD million</i>	1H2024	1H2023	Change,%
Polar Division, including:	332	679	(51%)
<i>Skalisty mine</i>	27	39	(31%)
<i>Taymirsky mine</i>	64	32	100%
<i>Komsomolsky mine</i>	8	22	(64%)
<i>Oktyabrsky mine</i>	10	3	3x
<i>Talnakh Enrichment Plant</i>	35	68	(49%)
<i>Capitalised repairs</i>	21	48	(56%)
<i>Purchase of equipment</i>	63	133	(53%)
<i>Other Polar Division projects</i>	104	334	(69%)
Kola MMC	95	101	(6%)
Environmental program (Sulfur Program at the Nadezhda Smelter)	110	245	(55%)
South cluster	78	101	(23%)
Energy and gas infrastructure modernization	141	174	(19%)
Bystrinsky project (Chita)	41	30	37%
Other production projects	154	115	34%
Other non-production assets	14	22	(36%)
Total	965	1,467	(34%)

In 1H2024, CAPEX decreased by 34% (or -USD 502 million) to USD 965 million primarily driven by the Russian rouble depreciation against the US Dollar, the optimization of settlements with contractors, as well as the investment efficiency program.

DEBT AND LIQUIDITY MANAGEMENT

<i>USD million</i>	As of 30 June 2024	As of 31 December 2023	Change, USD million	Change,%
Non-current loans and borrowings	8,101	5,377	2,724	51%
Current loans and borrowings	3,299	4,335	(1,036)	(24%)
Lease liabilities	565	520	45	9%
Total debt	11,965	10,232	1,733	17%
Cash and cash equivalents	1,903	2,139	(236)	(11%)
Net debt	10,062	8,093	1,969	24%
Net debt /12M EBITDA	1,7x	1,2x	0,5x	

As of June 30, 2024, the Company's total debt increased 17% compared to December 31, 2023 and amounted to USD 11,965 million.

As of June 30, 2024, the Company's net debt increased by USD 1,969 million due to the increase in total debt.

The Company fully meets its financial obligations in line with transactional documentation and in full compliance with existing regulations.

In April 2024, Russian rating agency NCR assigned the credit rating to the Company at the highest investment-grade level of "AAA.ru".

Attachment A

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2024

US Dollars million

	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Revenue		
Metal sales	5,260	6,776
Other sales	346	385
Total revenue	5,606	7,161
Cost of metal sales	(2,727)	(3,099)
Cost of other sales	(351)	(417)
Gross profit	2,528	3,645
General and administrative expenses	(506)	(559)
Selling and distribution expenses	(172)	(112)
Impairment of non-financial assets, net	(367)	(16)
Other operating expenses, net	(46)	(182)
Operating profit	1,437	2,776
Foreign exchange gain/(loss), net	55	(1,227)
Finance costs, net	(381)	(297)
Income from investments, net	28	13
Profit before tax	1,139	1,265
Income tax expense	(310)	(195)
Profit for the period	829	1,070
Attributable to:		
Shareholders of the parent company	658	802
Non-controlling interests	171	268
	829	1,070
EARNINGS PER SHARE		
Basic and diluted earnings per share attributable to shareholders of the parent company (US Dollars per share)	0.043	0.052

Attachment B

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

AT 30 JUNE 2024

US Dollars million

	At 30 June 2024	At 31 December 2023
ASSETS		
Non-current assets		
Property, plant and equipment	16,627	15,181
Intangible assets	229	238
Investments in associates and joint ventures	121	76
Other financial assets	66	58
Deferred tax assets	367	335
Other non-current assets	361	350
	17,771	16,238
Current assets		
Inventories	4,237	3,817
Trade and other receivables	1,085	764
Advances paid and prepaid expenses	170	173
Other financial assets	31	3
Income tax receivable	34	101
Other taxes receivable	264	344
Cash and cash equivalents	1,903	2,139
Other current assets	3	1
	7,727	7,342
TOTAL ASSETS	25,498	23,580
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	6	6
Share premium	1,212	1,212
Translation and other reserves	(5,812)	(6,146)
Retained earnings	11,982	11,324
	7,388	6,396
Non-controlling interests	1,435	1,199
	8,823	7,595
Non-current liabilities		
Loans and borrowings	8,101	5,377
Lease liabilities	479	466
Provisions	974	689
Social liabilities	335	399
Trade and other long-term payables	40	51
Deferred tax liabilities	337	142
Other non-current liabilities	40	30
	10,306	7,154
Current liabilities		
Loans and borrowings	3,299	4,335
Lease liabilities	86	54
Trade and other payables	1,271	1,273
Dividends payable	494	1,924
Employee benefit obligations	564	555
Provisions	106	90
Social liabilities	219	207
Derivative financial instruments	86	114
Income tax payable	24	7
Other taxes payable	220	272
	6,369	8,831
TOTAL LIABILITIES	16,675	15,985
TOTAL EQUITY AND LIABILITIES	25,498	23,580

Attachment C

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2024

US Dollars million

	For the six months ended 30 June 2024	For the six months ended 30 June 2023
OPERATING ACTIVITIES		
Profit before tax	1,139	1,265
Adjustments for:		
Depreciation and amortisation	544	578
Impairment of non-financial assets, net	367	16
Loss on disposal of property, plant and equipment	14	18
Change in provisions and allowances	(22)	62
Finance costs, net	381	297
Income from investments, net	(28)	(13)
Foreign exchange (gain)/loss, net	(55)	1,227
Other	26	157
	2,366	3,607
Movements in working capital:		
Inventories	(232)	(363)
Trade and other receivables	(308)	271
Advances paid and prepaid expenses	22	(75)
Other taxes receivable	94	79
Employee benefit obligations	(9)	53
Trade and other payables	(143)	(95)
Provisions	(106)	(99)
Other taxes payable	(11)	61
	1,673	3,439
Cash generated from operations	1,673	3,439
Income tax paid	(129)	(642)
	1,544	2,797
Net cash generated from operating activities	1,544	2,797
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(946)	(1,451)
Investments in associates and joint ventures	(42)	–
Purchase of intangible assets	(19)	(16)
Loans issued	(3)	(27)
Proceeds from repayment of loans issued	1	24
Proceeds from disposal of property, plant and equipment	1	–
Other investment income and expense	(11)	20
	(1,019)	(1,450)
Net cash used in investing activities	(1,019)	(1,450)

Attachment C

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2024

US Dollars million

	For the six months ended 30 June 2024	For the six months ended 30 June 2023
FINANCING ACTIVITIES		
Proceeds from loans and borrowings	3,863	3,964
Repayments of loans and borrowings	(2,458)	(4,055)
Payments of lease liabilities	(22)	(21)
Dividends paid to shareholders of the parent company	(1,479)	–
Dividends paid to non-controlling interests	–	(503)
Proceeds on exchange of flows under cross-currency interest rate swaps, net	4	5
Interest paid	(662)	(389)
Net cash used in financing activities	(754)	(999)
Net change in cash and cash equivalents	(229)	348
Cash and cash equivalents at the beginning of the period	2,139	1,882
Effects of foreign exchange differences on balances of cash and cash equivalents	(7)	4
Cash and cash equivalents at the end of the period	1,903	2,234

Attachment D
NET WORKING CAPITAL

<i>USD million</i>	30/06/2024	31/12/2023	Change	incl. effects of foreign exchange differences
Finished goods	1,627	1,194	433	74
Work-in-process	1,440	1,561	(121)	65
Other inventories	1,170	1,062	108	52
Trade and other receivables	1,080	764	316	7
Advances paid and prepaid expenses	170	173	(3)	7
Taxes receivable	298	445	(147)	14
Employee benefit obligations	(564)	(555)	(9)	(22)
Trade and other payables	(1,271)	(1,273)	2	(55)
Taxes payable	(244)	(279)	35	(22)
Total working capital	3,706	3,092	614	120

ABOUT THE COMPANY

MMC Norilsk Nickel is a diversified mining and metallurgical company, the world's largest producer of palladium and Class I nickel and a major producer of platinum, cobalt, copper and rhodium. The company also produces silver, gold, iridium, ruthenium and other products.

The production units of Norilsk Nickel Group are located at the Norilsk Industrial District, on the Kola Peninsula and Zabaykalsky Krai in Russia.

MMC Norilsk Nickel shares are listed on the Moscow Stock Exchange.

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