PRESS RELEASE

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

NORNICKEL REPORTS FIRST HALF 2023 INTERIM CONSOLIDATED IFRS FINANCIAL RESULTS

Moscow, August 2, 2023 — PJSC MMC Norilsk Nickel the world's largest palladium and high-grade nickel and a major producer of platinum and copper, reports interim consolidated IFRS financial results for the six months ended June 30, 2023.

1H2023 HIGHLIGHTS

- Consolidated revenue decreased 20% y-o-y amounting to USD 7.2 billion following the decline of prices for all key metals despite higher physical sales of PGMs and gold;
- Successful diversification of metal sales resulted in Asia becoming the largest market with a revenue share of almost 50% for the first time in the Company's history;
- EBITDA decreased 30% y-o-y to USD 3.4 billion owing to lower revenue while EBITDA margin remained at healthy 47%;
- Cash operating costs decreased 12% y-o-y to USD 2.7 billion mostly driven by the management focus on operating efficiencies that allowed to mitigate inflationary pressure on expenditures in spite of higher repair and maintenance costs aimed at improvement of industrial safety;
- CAPEX decreased 19% y-o-y to USD 1.5 billion driven by 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 resulted in redesign of many initiatives;
- Net working capital decreased 20% year-to-date to USD 3.2 billion driven mostly by devaluation of ruble and decrease in receivables;
- Net debt decreased 8% y-o-y to USD 9.1 billion with net debt/EBITDA ratio as of June 30, 2023 slightly increasing to 1.2x;
- The Company continued the optimization of its debt portfolio to adapt to changing debt market reality and new lending terms. In May 2023, Nornickel placed five-year RUB 60 billion exchange-traded bonds.

KEY CORPORATE HIGHLIGHTS

USD million (unless stated otherwise)	**1H2023**	**1H2022**	**Change,%**
Revenue	7,161	8,979	(20%)
EBITDA[1]	3,370	4,797	(30%)
EBITDA margin	47%	53%	(6 p.p.)
Net profit	1,070	5,062	(79%)
Capital expenditures	1,467	1,816	(19%)
Net working capital[2]	3,220	4,003[4]	(20%)
Net debt[2]	9,054	9,835[4]	(8%)
Net debt/12M EBITDA	1.2x	1.1x[4]	0.1x
Dividends paid per share (USD)[3]	–	40.5	(100%)
Free cash flow[2]	1,347	1,051	28%
Interest paid[5]	389	259	50%
Dividends paid to non-controlling interest[5]	503	73	7x

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
4) Reported as of December 31, 2022
5) Regular outflows, financed from free cash flow

MANAGEMENT DISCUSSION AND ANALYSIS

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

"Restrictive measures imposed on Russia and the decline of prices of our key metals affected our financials putting a lot of pressure on revenue and EBITDA. However, the management delivered solid performance in terms of cost control and diversification of sales.

The company successfully managed to re-direct our sales to friendly countries and in 1H23, our deliveries to Asia increased two-fold accounting for almost 50% of total metal revenue. Cash operating costs were down 12% year-on-year despite inflationary pressure and higher repair and maintenance expenses. The growth of the working capital has also been stopped owing to stabilization of sales volumes and changes of the payment terms with counterparties.

We have continued execution of strategic projects, including our major environmental initiative 'Sulfur programme 2.0" at the Nadezhda Smelter that is entering its final stage. After the launch of its first stage this autumn, we expect to decrease sulfur dioxide emissions in Norilsk by 20%. The launch of the second stage in the third quarter next year will result in a 45% emissions drop as compared to 2015 base. Meanwhile, voluntary self-sanctions imposed by some foreign contractors and suppliers forced us to reschedule and redesign some investment projects. Considering this changes as well as the optimization of payment terms on some of the investment contracts our CapEx in 1H23 deceased to USD 1.5 billion year-on-year.

We will continue to work on labour productivity, optimization of working capital without forgetting about investments in mitigation of physical risks of production assets, environment and industrial safety. Our main priority remains financial stability of the Company and compliance with all social obligations".

HEALTH AND SAFETY

In 1H2023, the number of lost time injuries increased to 40 vs 37 in 1H2022 owing to a 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, in the reported period the number of fatal accidents increased from 1 to 4 y-o-y. We continue to implement a wide range of programmes and various initiatives to prevent occupational injuries and fatalities. Among the key initiatives are the increased involvement of the Company's management in labor safety issues, the transformation of the safety culture and the implementation of IT-services for accident prevention at production sites. The management reiterates its major strategic focus of transforming Norilsk Nickel into a zero-fatality mining company.

METAL MARKETS

NICKEL

Nickel in 1H2023: nickel has been the worst performer among base metals on the LME amidst worsening market fundamentals; a substantial surplus in the Class 2 market driven by growing production of low-grade nickel in Indonesia; the exchange-traded Class 1 nickel market is balanced amidst the steady drawdown of exchange inventories and robust demand for nickel in alloys and special steel sectors.

The LME nickel was down by over 30% since the beginning of 2023. The price started this year at over USD 31,000 per tonne, but declined to USD 28,000-30,000 per tonne triggered by news that some Chinese nickel producers were considering launching nickel cathodes production in China and Indonesia as early as 2023.

By the end of January, the price recovered towards USD 30,000 per tonne as the China reopening story continued to support commodity prices. However, since February 1, when benchmark LME nickel settled at USD 30,060 per tonne, the contract has shed by 27% to USD 21,895 per tonne on March 23 driven mainly by a combination of sluggish domestic demand in China (as the expectations of a strong economic recovery hadn't materialised) and the prospect of further monetary policy tightening.

In early March, the US banking crisis forced the US Federal Reserve to inject additional liquidity into the system, which provided some support for the prices. Nevertheless, even though the worries about the banking turmoil had eased, the base metals prices remained under pressure as investors braced for a credit squeeze that would restrict economic growth.

In April, the nickel price rebounded to over USD 25,000 per tonne, boosted by short covering by speculative players, dwindling exchange inventories and a softer US dollar, but the price gains were pared as any further upside was still curbed by looming additional supply. Nickel retreated to USD 20,000-21,000 per tonne at the end of May and remained at 20,000 per tonne in June as the generally expected Chinese economic recovery has lost its momentum, with bearish pressures dominating nickel trading.

As a result, the average LME nickel price in 1H2023 declined by 12% y-o-y to USD 24,205 per tonne.

In 1H2023, primary nickel use increased 3% y-o-y. Lower nickel demand from the stainless steel sector (–0.5% y-o-y) due to operational difficulties at one of the production plants in Indonesia (–15% y-o-y) was offset by moderate increase in Chinese stainless (+5% y-o-y), although slower than expected, robust nickel use by the battery industry (+16% y-o-y) and other non-stainless applications (alloys, superalloys and special steel), which rose 7% y-o-y due to solid end-use demand from the aerospace, oil & gas and other industries.

On the contrary, primary nickel supply surged by an exceptional 16% y-o-y due to a continuous expansion of the Indonesian NPI output (+25% y-o-y, representing a 136 kt increase) and the production of nickel compounds for the EV market (+91% y-o-y) driven mainly by the new NPI-to-matte conversion facilities and HPAL projects. Nickel metal output increased 8% y-o-y as a result of the commissioning of new capacities to produce nickel cathodes in China.

We estimate that the nickel market was in an over 200 kt surplus in 1H 2023. However, since nickel exchange inventories declined by 16 kt over this period to the level last seen in 2007, amounting to less than 5 days of global consumption, we believe that the surplus was predominantly in low-grade nickel, whereas the exchange-traded Class 1 nickel market was relatively balanced.

Nickel outlook: cautious in the near-term, but more positive long-term; we expect the market surplus to remain at around 200 kt in 2023 and around 180 kt in 2024, with low-grade nickel still accounting for the bulk of the volume due to the ramp-up of new nickel capacities in Indonesia; nickel supply is likely to exceed demand in China and Indonesia in 2023-2024, while Western markets are expected to be fairly balanced because of their reliance on nickel from conventional suppliers.

We expect the primary nickel demand to increase by 7% and 11% y-o-y in 2023 and 2024, respectively, primarily driven by the expansion of stainless steel production in China and recovery in Indonesia as well as ongoing strong growth in the battery sector amidst the EV-supportive policies, optimisation of battery costs and increasing acceptance of EVs by consumers.

Primary nickel supply is forecast to rise 10% and 9% y-o-y in 2023 and 2024, respectively, owing to the continuing ramp-up of NPI projects in Indonesia, growing production of nickel chemicals through NPI-to-matte conversion and HPAL for the EV sector and commissioning of new Class 1 nickel capacities in China and Indonesia.

Nickel use remains very robust in the long run benefiting from the battery sector and renewable energy. Recently, it proved to be even stronger as mass production of commercially viable sodium-ion batteries for EVs had been introduced. This is net-positive for nickel as the most common type of these cathodes contains 16% Ni with plans to increase their nickel content in the next chemistry generation. Moreover, despite some drawbacks (e.g. lower energy density), it is a cheaper alternative to the LFP batteries, which means it could take some share in entry- and mid-level EVs as well as energy storage applications.

COPPER

Copper in 1H 2023: lukewarm growth in China, tightening of monetary conditions, and global economic slowdown expectations were not fully offset by price-supportive conditions that included low exchange stocks , liquidity injections by central banks to ease the banking crisis and mine disruptions in Latin America.

At the beginning of the year, copper prices started at USD 8,400 per tonne with a positive trend based on China re-opening after COVID-19 lockdowns. Additionally, protests in Peru, low exchange stocks, and a weakening US dollar pushed copper price to USD 9,400 per tonne by mid-January. However, disappointing recovery pace in China as well as the US interest rates growth resulted in a price correction to USD 8,750 per tonne by the end of February.

During the spring months the metal price was marked by high volatility due to a combination of various factors such as the banking crisis, inconsistent behaviour of central banks and growing divergence between China's growth expectations and the factual numbers. As a result, the price of copper dropped to its lowest level since November 2022 at USD 7,910 per tonne at the end of May. In June, copper prices rebounded owing to a weaker US dollar, a gradual decrease in copper exchange stocks, floods in Chile and a fire at Boliden's refinery.

The average price of copper in 1H 2023 decreased 11% y-o-y to USD 8,703 per tonne.

In 1H 2023, copper demand was weaker than expected due to the global recession concerns and soft demand growth in China that increased 5% Y-o-y in 1H2023 to 6.6 Mt, while the rest of the world consumption was up only 1% to 5.8 Mt, making the total copper demand grow 3% to 12.4 Mt in 1H2023.

On the supply side, global copper production increased 5% to 12.5 Mt in 1H2023. The decrease in Chilean production by 5% was offset by growing (despite the strikes) output in Peru that increased 19%y-o-y.

Overall, the copper market in 1H2023 was balanced with a marginal surplus of 150kt. Meanwhile, global exchange stocks decreased dramatically to 170 kt (2 days of consumption) by the end of 1H2023 and bonded stocks in China were at 67 kt. The stock drawdown was caused by the willingness of consumers and investors to buy at attractive price levels.

Copper outlook: neutral in the medium term, positive in the long term. Economic uncertainty puts pressure on the copper market, but transport electrification, green energy transition as well as lack of new sizeable projects are going to shift the market into structural deficit.

Global copper demand is estimated to reach 25.4 Mt (+3% y-o-y) in 2023. We anticipate that China's copper use will increase 3% y-o-y to 14.1Mt +3% while demand in Europe and North America will stay flat at 3.3 Mt and 2.2 Mt, respectively.

Global mine copper production is expected to add 2% to 22.4 Mt in 2023 due to the commissioning of new projects and the expansion of existing ones. Refined copper production is estimated at 25.3 Mt (+3% y-o-y). The production in Americas, one of the major suppliers of red metal, is going to decrease 4% y-o-y driven by continuous problems in Chile and Peru, while output in Europe and Asia will grow 4% y-o-y. The only notable increase of 15% is expected from Africa driven by ramp-up of new projects in Zambia and Congo.

Overall, the copper market in 2023 is balanced with the deficit of about 130 kt or less than 1% of global consumption.

Car electrification and green energy transition require a significant amount of new copper supply going forward. Despite optimizing the use of copper in electric vehicles, copper usage in electrified transport and charging infrastructure will almost triple by 2030 to 3 Mt, and green energy-related consumption, including the grid, will more than double to 2.5 Mt in 2030. The long-term supply growth is less certain due to lack of new low-cost projects, inflationary pressure on both CAPEX and OPEX as well as unpredictability of regulatory environment in 'high-risk' jurisdictions such as Latin America and Africa.

PALLADIUM

Palladium in 1H2023: price fall attributed to speculative pressure and the sales of previously accumulated metal inventories held by market participants, primarily carmakers and manufacturers of catalytic systems; gross demand slightly recovered on the back of moderate ICE-powered vehicles sales.

Owing to the palladium stock optimization by the industry participants that started in late 2022 as well as low ICE-powered auto sales in the first two months of 2023 the palladium price continued its downward movement up until mid-March when the trend reversed. The latter was triggered by the Silicon Valley Bank fallout, which caused a rise in stock market volatility and positively impacted precious metals' prices as investors started to seek alternative assets and, more importantly, the market lowered its expectations of the terminal interest rate level. Through the spring palladium remained on an upward trend reaching USD 1,600 per troy ounce in the beginning of May as the automotive market showed some meaningful growth supported by resumed spot buying by OEMs.

However, the rally ran out of steam in mid-May and the trend changed to negative pulling the price down to USD 1,240 per troy ounce by the end of June. Till today palladium remained oversold with the net speculative long positions being on historical lows.

Palladium outlook: cautiously positive; the market is expected to be in a moderate deficit this year; supply recovery (+2% y-o-y) is expected to only slightly outpace stagnating demand (+1% y-o-y). However, risks of undersupply such as electricity problems in South Africa and lower recycling, together with the ending of metal destocking in 2H2023 give palladium a potential upside.

The automotive sector, which contributes to over 80% of palladium use, is slowly recovering after COVID and supply chain-related shocks of 2020-2021. ICE-powered vehicles market is expected to grow by +3% only to 76 million units in 2023, which is anticipated to drive the metal demand growth to +1% this year. The pace of the recovery is limited not only by the production issues and growing BEV penetration as well as the wider introduction of three-metal catalysts, but also by the lack of consumer confidence in the environment of higher interest rates and lower economic growth expectations. No meaningful year-on-year change in jewellery and the other industrial demand for palladium is expected this year.

At the same time, the metal supply growth rates could be subdued by electricity-related risks in South Africa, scheduled maintenance at the Russian production sites, operating difficulties in North America as well as lacklustre secondary production, which remains 30-40% lower than the 2021 record, hampered by the reduced scrappage rate, higher cost of financing due to increased interest rates and more stringent KYC procedures over the value chain. Taking this into account, we see the palladium market in a moderate deficit this year (excl. investments and other stocks movement). In 2024, if the growth of recycling resumes and outpaces demand recovery, we expect the palladium market to become balanced.

PLATINUM

Platinum in 1H2023: stable primary production and hawkish rhetoric by the Fed pressure platinum price in despite shrinking market surplus.

The platinum price climbed just over USD 1,100 per troy ounce at the beginning of January when started its fall due to weak automotive sales in China, which triggered a short positions' build-up. As the automotive market started to recover after the weak first month of the year, the significance of macroeconomic factors in platinum pricing started to strengthen, which led to the platinum price following the upward trend of gold since the end of February. The banking crisis in the US and Europe and the expected ease in interest rate hikes helped the price to break the USD 985 per troy ounce resistance level and supported the upward price movement. The price rally continued as the next noticeable resistance level of USD 1,050 per tr. ounce was broken on April 13 when South African Eskom announced the return of Stage 6 load-shedding, which drove the price up above USD 1,100 per tr. ounce resistance level. However, hawkish rhetorics by the Fed and better-than-expected electricity supply in South Africa dropped the platinum price down to USD 900 per troy ounce level by the end of June.

Platinum outlook: positive; the automotive sector demand is expected to continue its recovery in 2H 2023. While the jewellery sector is stagnating this year, the other industrial demand is forecasted to rise slightly by +2%. The market is expected to be balanced this year (excluding investment and other stock movement), ending the long-lasted age of platinum market surpluses, however, the realization of supply-side risks may move the market to a deficit.

We expect the platinum demand growth to offset the primary production recovery, leading the platinum market away from the period of surpluses to a more balanced state in both 2023 and 2024.

The diesel-powered vehicles market, which is still responsible for nearly half of the platinum demand in the automotive industry, continues to shrink, especially in Europe. At the same time, the general automotive production recovery and palladium-with-platinum substitution, which, however, do not seem currently to be growing noticeably on a year-on-year basis, will add extra ounces to the demand. With the narrowing price spread between palladium and platinum in 2023 as well as the announcement of the new environmental regulation in Europe and the US and a more concentrated allocation of OEM's and fabricators' capital and R&D efforts towards transport electrification, we see lower appetite for catalyst chemistry mix changes in the near future.

Platinum demand in jewellery is expected to stagnate this year as the macroeconomic uncertainty continues to put pressure on the demand for luxury goods favouring savings, while the industrial demand for platinum is forecasted to rise slightly by +2% on the back of the capacity expansion in the chemical and glass sectors in China.

Platinum supply is expected to rise by 5% y-o-y on the back of smelting capacities debottlenecking in South Africa, however, risks of undersupply, caused by electricity problems in South Africa, might lower annual output.

KEY SEGMENTAL HIGHLIGHTS[1]

USD million (unless stated otherwise)	**1H2023**	**1H2022**	**Change,%**
Revenue	**7,161**	**8,979**	**(20%)**
GMK Group	5,110	5,672	(10%)
South cluster	606	402	51%
Kola division	4,290	5,593	(23%)
GRK Bystrinskoye	657	702	(6%)
Other mining	–	–	0%
Other non-metallurgical	526	885	(41%)
Eliminations	(4,028)	(4,275)	(6%)
EBITDA	**3,370**	**4,797**	**(30%)**
GMK Group	1,670	2,103	(21%)
South cluster	300	188	60%
Kola division	1,141	2,520	(55%)
GRK Bystrinskoye	461	547	(16%)
Other mining	(19)	(7)	2x
Other non-metallurgical	(37)	(57)	(35%)
Eliminations	199	(10)	n.a.
Unallocated	(345)	(487)	(29%)
EBITDA margin	**47%**	**53%**	**(6 p.p.)**
GMK Group	33%	37%	(4 p.p.)
South cluster	50%	47%	3 p.p.
Kola division	27%	45%	(18 p.p.)
GRK Bystrinskoye	70%	78%	(8 p.p.)
Other mining	n.a.	n.a.	n.a.
Other non-metallurgical	(7%)	(6%)	(1 p.p.)

1) Segments are defined in the consolidated financial statements

In 1H2023, revenue of GMK Group segment decreased 10% to USD 5,110 million primarily due to lower metal prices and decrease of matte sales delivered to Kola Division.

Revenue of South cluster segment increased 51% to USD 606 million primarily driven by higher volume of semi-products realized to GMK Group.

Revenue of Kola division segment decreased 23% to USD 4,290 million primarily owing to lower metal prices.

Revenue of GRK Bystrinskoye decreased 6% and amounted to USD 657 million due to lower sales volume and decrease of metal prices, primarily on iron and copper.

Revenue of Other non-metallurgical segment decreased 41% to USD 526 million primarily due to lower revenue from metals resale.

In 1H2023, EBITDA of GMK Group segment decreased 21% to USD 1,670 million owing to lower revenue, partly positively offset by comparative impact of environmental provisions accrual in 1H2022.

EBITDA of South cluster segment increased 60% to USD 300 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 55% to USD 1,141 million primarily owing to lower revenue.

EBITDA of GRK Bystrinskoye segment decreased 16% to USD 461 million primarily due to lower revenue.

EBITDA of Other mining segment decreased by USD 12 million and amounted to negative USD 19 million mainly due to change in decommissioning obligations.

Negative EBITDA of Other non-metallurgical segment decreased 35% and amounted to negative USD 37 million.

EBITDA unallocated to segments increased by USD 142 million and amounted to a negative USD 345 million mainly due to lower administrative expenses and social expenses.

METAL SALES

In 1H2023, revenue from metal sales was down 21% (or –USD 1,807 million) y-o-y USD 6,776 million primarily driven by lower selling prices (-USD 1,712 million) mainly for palladium, nickel, rhodium and copper, as well decrease in the resale of metals purchased from third parties (-USD 397 million) due to changes in market conditions. The increase in the volume of metal sales (+USD 302 million) was primarily due to the partial sale of metal stock accumulated in 2022.

OTHER SALES

In 1H2023, other sales decreased 3% (or –USD 11 million) to USD 385 million primarily due to the sale of "NordStar" airline in 1H2022 and decrease of oil products pices, 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 1H2023, the cost of metal sales increased 4% (or +USD 105 million) to USD 3,092 million, driven by the following factors:

- decrease in cash operating costs by 12% (or -USD 370 million);
- increase in depreciation and amortization by 13% (or +USD 57 million);
- comparative effect of change in metal inventories y-o-y leading to the cost of metal sales increase of USD 418 million.

Cash operating costs

In 1H2023, total cash operating costs decreased 12% (or -USD 370 million) to USD 2,671 million mainly due to decrease in purchases of refined metals for resale (-USD 388 million), decrease in mineral extraction tax and other levies (-USD 165 million), partly offset by increase in third party services (+USD 29 million) and materials and supplies (+USD 28 million).

Inflationary growth of cash operating costs amounted to +USD 117 million while Russian rouble depreciation against USD amounted to cash operating costs decrease of -USD 16 million.

USD million	**1H2023**	**1H2022**	**Change,%**
Labour	987	1,016	(3%)
Mineral extraction tax and other levies	484	645	(25%)
Materials and supplies	465	369	26%
Third party services	310	258	20%
Transportation expenses	127	99	28%
Fuel	84	78	8%
Electricity and heat energy	56	56	0%
Purchases of raw materials and semi-products	16	15	7%
Purchases of refined metals for resale	5	393	(99%)
Other costs	137	112	22%
Total cash operating costs	**2,671**	**3,041**	**(12%)**
Depreciation and amortisation	492	435	13%
Increase in metal inventories	(71)	(489)	(85%)
Total	**3,092**	**2,987**	**4%**

Labour

In 1H2023, labour costs decreased 3% (or -USD 29 million) to USD 987 million amounting to 37% of the Group's total cash operating costs driven by the following factors:

- -USD 77 million – one-off incentive payment to personnel in 1H2022;
- +USD 41 million – increase in headcount in Norilsk industrial region;
- +USD 15 million – other increase in labour costs mainly due to increase in costs within the programme "Digital investor";
- -USD 8 million – effect of the Russian rouble depreciation against US dollar.

Mineral extraction tax and other levies

In 1H2023, mineral extraction tax and other levies decreased 25% (or -USD 161 million) to USD 484 million primarily due to lower metal prices.

Materials and supplies

In 1H2023, expenses for materials and supplies increased 26% (or +USD 96 million) to USD 465 million driven by the following factors:

- +USD 70 million – inflationary growth of materials and supplies;
- +USD 28 million – higher expenses primarily due to increased repairs as part of the programme for improvement of industrial safety;
- -USD 2 million – effect of the Russian rouble depreciation against US dollar.

Third-party services

In 1H2023, cost of third-party services increased 20% (or +USD 52 million) to USD 310 million mainly driven by:

- +USD 29 million – primarily due to increase in repairs as part of the programme for improvement of industrial safety and due to increase in ore extraction services;
- +USD 25 million – inflationary growth of third-party services;
- -USD 2 million – effect of the Russian rouble depreciation against US dollar.

Transportation expenses

In 1H2023, transportation expenses increased 28% (or +USD 28 million) to USD 127 million driven by the following factors:

- +USD 21 million – primarily due to change of logistics;
- +USD 8 million – inflationary growth of expenses;
- -USD 1 million – effect of the Russian rouble depreciation against US dollar.

Fuel

In 1H2023, fuel expenses increased 8% (or +USD 6 million) to USD 84 million mainly due to inflationary growth of expenses in Norilsk industrial region.

Electricity and heat energy

In 1H2023, electricity and heat energy expenses remained unchanged and amounted to USD 56 million.

Purchases of raw materials and semi-products

In 1H2023, purchases of raw materials and semi-products remained almost unchanged and amounted to USD 16 million.

Purchases of refined metals for resale

In 1H2023, purchases of refined metals for resale decreased 99% (or -USD 388 million) to USD 5 million primarily due to lower purchases.

Other costs

In 1H2023, other costs increased 22% (or +USD 25 million) to USD 137 million primarily due to price inflation and growth of industrial safety and HSE expenses.

Depreciation and amortisation

In 1H2023, depreciation and amortisation expenses increased 13% (or +USD 57 million) and amounted to USD 492 million mainly due increase in property, plant and equipment.

Increase in metal inventories

Comparative effect of change in metal inventory amounted to +USD 418 million resulting in a respective increase of cost of metal sales mainly due to increase in metal inventories in 1H2022 driven by the extension of logistics and refocusing sales to new markets.

COST OF OTHER SALES

In 1H2023, cost of other sales decreased by USD 23 million to USD 419 million primarily due the sale of "NordStar" airline in 1H2022, which was partially offset by an increase in the resale of icebreaking and sea transportation services.

SELLING AND DISTRIBUTION EXPENSES

USD million	**1H2023**	**1H2022**	**Change,%**
Transportation expenses	59	53	11%
Staff costs	15	16	(6%)
Marketing expenses	12	28	(57%)
Other	23	23	0%
Total	**109**	**120**	**(9%)**

In 1H2023, selling and distribution expenses decreased 9% (or -USD 11 million) to USD 109 million. The main factors of the change were:

- -USD 16 million – decrease of marketing expenses;
- +USD 6 million – increase in transportation expenses primarily due to extension of logistics chains.

GENERAL AND ADMINISTRATIVE EXPENSES

USD million	**1H2023**	**1H2022**	**Change,%**
Staff costs	373	404	(8%)
Third party services	62	96	(35%)
Depreciation and amortisation	59	46	28%
Property tax and other miscellaneous taxes	38	43	(12%)
Transportation expenses	2	7	(71%)
Other	33	30	10%
Total	**567**	**626**	**(9%)**

In 1H2023, general and administrative expenses decreased 9% (or -USD 59 million) to USD 567 million. Changes of the general and administrative expenses in real terms were primarily driven by the following factors:

- -USD 31 million – decrease in staff costs mainly due to one-off payments to personnel in 1H2022;
- -USD 34 million – decrease of third-party services primarily driven by consulting services expenses.

OTHER OPERATING EXPENSES, NET

USD million	**1H2023**	**1H2022**	**Change,%**
Social expenses	112	211	(47%)
Change in other provisions and liabilities	37	(3)	n.a.
Loss on disposal of property, plant and equipment	18	22	(18%)
Change in decommissioning obligations	15	32	(53%)
Change in provision on production and mining facilities shut down	5	31	(84%)
Expenses on industrial incidents response	3	13	(77%)
Environmental provisions	(10)	169	n.a.
Other, net	2	9	(78%)
Total	**182**	**484**	**(62%)**

In 1H2023, other operating expenses, net decreased by USD 302 million to USD 182 million driven by the following factors:

- -USD 99 million – decrease in social expenses;
- -USD 179 million – primarily due to lower environmental provisions related to compensation for environmental damages;
- +USD 40 million – change in other provisions and liabilities primarily due to increased allowance for expected credit losses;
- -USD 43 million – comparative effect of changes in provision on production and mining facilities shut down and in decommissioning obligations.

FINANCE COSTS, NET

USD million	**1 п/г 2023**	**1H2022**	**Change,%**
Interest expense, net of amounts capitalised	176	174	1%
Unwinding of discount on provisions and payables	74	82	(10%)
Fair value loss on the cross-currency interest rate swap contracts	45	19	2x
Interest expense on lease liabilities	10	5	100%
Loss from currency conversion operations	–	113	(100%)
Other, net	(8)	3	n.a.
Total	**297**	**396**	**(25%)**

In 1H2023, finance costs, net decreased 25% (or –USD 99 million) to USD 297 million primarily driven by the following factors:

- -USD 113 million – decrease of foreign currency conversion costs due to lower intraday foreign exchange market volatility;
- +USD 26 million – increase of expenses due to the negative revaluation of cross-currency interest rate swaps measured through fair value primarily driven by Russian ruble depreciation against USD in 1H2023. Negative revaluation of financial instruments during a period of high exchange rate volatility in 1H2022 was partly compensated by the appreciation of Russian ruble.

INCOME TAX EXPENSE

In 1H2023, income tax expense decreased by USD 1,234 million driven mostly by lower profit before tax.

The breakdown of the income tax expense:

USD million	**1H2023**	**1H2022**	**Change,%**
Current income tax expense	565	605	(7%)
Deferred tax (benefit)/expense	(370)	824	n.a.
Total income tax expense	**195**	**1,429**	**(86%)**

EBITDA

USD million	1H2023	1H2022	Change,%
Operating profit	2,776	4,271	(35%)
Depreciation and amortisation	578	477	21%
Impairment of non-financial assets, net	16	49	(67%)
EBITDA	**3,370**	**4,797**	**(30%)**
EBITDA margin	**47%**	**53%**	**(6 p.p.)**

In 1H2023, EBITDA decreased 30% (or -USD 1,427 million) to a USD 3,370 million driven by lower revenue.

STATEMENT OF CASH FLOWS

USD million	1H2023	1H2022	Change,%
Cash generated from operations before changes in working capital and income tax	**3,607**	**5,059**	**(29%)**
Movements in working capital	(168)	(1,864)	(91%)
Income tax paid	(642)	(423)	52%
Net cash generated from operating activities	**2,797**	**2,772**	**1%**
Capital expenditure	(1,467)	(1,816)	(19%)
Other investing activities	17	95	(82%)
Net cash used in investing activities	**(1,450)**	**(1,721)**	**(16%)**
Free cash flow	**1,347**	**1,051**	**28%**
Interest paid	(389)	(259)	50%
Payments of lease liabilities	(21)	(30)	(30%)
Dividends paid to non-controlling interest	(503)	(73)	7x
Other financing activities	(86)	(5,256)	(98%)
Net cash used in financing activities	**(999)**	**(5,618)**	**(82%)**
Effects of foreign exchange differences on balances of cash and cash equivalents	4	1,066	(100%)
Net change in cash and cash equivalents	**352**	**(3,501)**	**n.a.**

In 1H2023, net cash generated from operating activities remained stable and amounted to USD 2,797 million. Decrease of EBITDA and increase of income tax payments in 1H2023 were compensated by increase in working capital in 1H2022.

In 1H2023, net cash used in investing activities decreased 16% to USD 1, 450 million primarily driven by the decrease in capital expenditures.

In 1H2023, free cash flow increased 28% to USD 1,347 million following the decrease of cash used in investing activities.

In 1H2023, free cash flow less regular financing outflows (interest paid, payments of lease liabilities, dividends paid to non-controlling interest) decreased 37% (or -USD 255 million) and amounted to USD 434 million following the increase of dividends paid to non-controlling interest and interest payments, which was partly positively offset by increase in free cash flow.

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

USD million	1H2023	1H2022
Change of the net working capital in the balance sheet	**783**	**(2,498)**
Foreign exchange differences	(673)	1,024
Change in income tax payable	85	(249)
Change of long term components of working capital	(106)	(27)
Provisions	(239)	(105)
Other changes	(18)	(9)
Change of working capital per cash flow	**(168)**	**(1,864)**

Capital investments breakdown by project is presented below:

USD million	1H2023	1H2022	Change,%
Polar Division, including:	679	577	18%
Skalisty mine	39	37	5%
Taymirsky mine	32	28	14%
Komsomolsky mine	22	20	10%
Oktyabrsky mine	3	7	(57%)
Talnakh Concentrator	68	59	15%
Capitalised repairs	48	81	(41%)
Purchase of equipment	133	118	13%
Other Polar Division projects	334	227	47%
Kola MMC	101	168	(40%)
Environmental program (Sulphur programme in Norilsk - Phase 1)	245	398	(38%)
South cluster	101	121	(17%)
Energy and gas infrastructure modernization	174	154	13%
Chita (Bystrinsky) project	30	23	30%
Other production projects	115	350	(67%)
Other non-production assets	22	25	(12%)
Total	**1,467**	**1,816**	**(19%)**

In 1H2023, CAPEX decreased 19% (or -USD 349 million) to USD 1,467 million driven by the 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

USD million	As of 30 June 2023	As of 31 December 2022	Change, USD million	Change,%
Non-current loans and borrowings	8,309	7,189	1,120	16%
Current loans and borrowings	2,469	4,295	(1,826)	(43%)
Lease liabilities	510	233	277	2x
Total debt	**11,288**	**11,717**	**(429)**	**(4%)**
Cash and cash equivalents	2,234	1,882	352	19%
Net debt	**9,054**	**9,835**	**(781)**	**(8%)**
Net debt /12M EBITDA	1,2x	1,1x	0,1x	

As of June 30, 2023, the Company's total debt decreased by 4% compared to December 31, 2022 and amounted to USD 11,288 million. The short-term debt was refinanced by long-term loan facilities and decreased 43% with the main sources of refinancing nominated in Russian rubles.

As of June 30, 2023, the Company's net debt decreased by USD 781 million due to a decrease in total debt and increase in cash.

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

In November 2022, Russian rating agency "Expert RA" confirmed the Company's credit rating at the highest investment level "ruAAA".

Attachment A

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2023

US Dollars million

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Revenue		
Metal sales	6,776	8,583
Other sales	385	396
Total revenue	**7,161**	**8,979**
Cost of metal sales	(3,092)	(2,987)
Cost of other sales	(419)	(442)
Gross profit	**3,650**	**5,550**
General and administrative expenses	(567)	(626)
Selling and distribution expenses	(109)	(120)
Impairment of non-financial assets, net	(16)	(49)
Other operating expenses, net	(182)	(484)
Operating profit	**2,776**	**4,271**
Foreign exchange gain/(loss), net	(1,227)	2,610
Finance costs, net	(297)	(396)
Loss from disposal of subsidiaries	–	(110)
Income from investments	13	116
Profit before tax	**1,265**	**6,491**
Income tax expense	(195)	(1,429)
Profit for the period	**1,070**	**5,062**
Attributable to:		
Shareholders of the parent company	802	4,991
Non-controlling interests	268	71
	1,070	**5,062**
EARNINGS PER SHARE		
Basic and diluted earnings per share attributable to shareholders of the parent company (US Dollars per share)	5.2	32.7

Attachment B

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED) AT 30 JUNE 2023

US Dollars million

	At 30 June 2023	At 31 December 2022
ASSETS		
Non-current assets		
Property, plant and equipment	14,443	16,264
Intangible assets	234	302
Other financial assets	80	121
Deferred tax assets	434	340
Other non-current assets	327	365
	15,518	**17,392**
Current assets		
Inventories	4,192	4,945
Trade and other receivables	511	846
Advances paid and prepaid expenses	186	192
Other financial assets	7	40
Income tax receivable	41	17
Other taxes receivable	290	477
Cash and cash equivalents	2,234	1,882
Other current assets	4	4
	7,465	**8,403**
TOTAL ASSETS	**22,983**	**25,795**
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	6	6
Share premium	1,212	1,212
Translation and other reserves	(6,010)	(4,541)
Retained earnings	11,250	10,448
Equity attributable to shareholders of the parent company	**6,458**	**7,125**
Non-controlling interests	1,005	1,442
	7,463	**8,567**
Non-current liabilities		
Loans and borrowings	8,309	7,189
Lease liabilities	462	190
Provisions	749	916
Social liabilities	457	613
Trade and other long-term payables	47	56
Derivative financial instruments	100	67
Deferred tax liabilities	147	415
Other non-current liabilities	38	93
	10,309	**9,539**
Current liabilities		
Loans and borrowings	2,469	4,295
Lease liabilities	48	43
Trade and other payables	1,088	1,381
Dividends payable	377	496
Employee benefit obligations	562	585
Provisions	143	180
Social liabilities	174	201
Income tax payable	82	169
Other taxes payable	268	339
	5,211	**7,689**
TOTAL LIABILITIES	**15,520**	**17,228**
TOTAL EQUITY AND LIABILITIES	**22,983**	**25,795**

Attachment C

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2023

US Dollars million

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
OPERATING ACTIVITIES		
Profit before tax	**1,265**	**6,491**
Adjustments for:		
Depreciation and amortisation	578	477
Impairment of non-financial assets, net	16	49
Loss on disposal of property, plant and equipment	18	23
Loss from disposal of subsidiaries	–	110
Change in provisions and allowances	62	344
Finance costs, net	297	396
Income from investments	(13)	(116)
Foreign exchange (gain)/loss, net	1,227	(2,610)
Other	157	(105)
	3,607	**5,059**
Movements in working capital:		
Inventories	(363)	(646)
Trade and other receivables	271	(240)
Advances paid and prepaid expenses	(75)	(127)
Other taxes receivable	79	(9)
Employee benefit obligations	53	122
Trade and other payables	(95)	(811)
Provisions	(99)	(105)
Other taxes payable	61	(48)
Cash generated from operations	**3,439**	**3,195**
Income tax paid	(642)	(423)
Net cash generated from operating activities	**2,797**	**2,772**
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,451)	(1,785)
Purchase of share in associates	–	(29)
Purchase of intangible assets	(16)	(31)
Loans issued	(27)	–
Proceeds from repayment of loans issued	24	–
Net change in deposits placed	–	28
Proceeds from disposal of property, plant and equipment	–	3
Net cash outflow from disposal of subsidiaries	–	(47)
Interest and other investment income received	20	140
Net cash used in investing activities	**(1,450)**	**(1,721)**

Attachment C

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2023 (CONTINUED)
US Dollars million

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
FINANCING ACTIVITIES		
Proceeds from loans and borrowings	3,964	3,813
Repayments of loans and borrowings	(4,055)	(2,847)
Payments of lease liabilities	(21)	(30)
Dividends paid	–	(6,195)
Dividends paid to non-controlling interest	(503)	(73)
(Payments)/proceeds on exchange of flows under cross-currency interest rate swaps, net	5	(27)
Interest paid	(389)	(259)
Net cash used in financing activities	**(999)**	**(5,618)**
Net change in cash and cash equivalents	**348**	**(4,567)**
Cash and cash equivalents at the beginning of the period	**1,882**	**5,547**
Effects of foreign exchange differences on balances of cash and cash equivalents	4	1,066
Cash and cash equivalents at the end of the period	**2,234**	**2,046**

Attachment D

NET WORKING CAPITAL

USD million	**30/06/2023**	**31/12/2022**	**Change**	**incl. effects of foreign exchange differences**
Finished goods	1,472	1,967	(495)	(376)
Work-in-process	1,582	1,789	(207)	(370)
Other inventories	1,138	1,189	(51)	(253)
Trade and other receivables	511	846	(335)	(20)
Advances paid and prepaid expenses	186	192	(6)	(46)
Taxes receivable	331	494	(163)	(114)
Employee benefit obligations	(562)	(585)	23	125
Trade and other payables*	(1,088)	(1,381)	293	246
Taxes payable	(350)	(508)	158	135
Total working capital	**3,220**	**4,003**	**(783)**	**(673)**

ABOUT THE COMPANY

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

The main 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 and on the Saint-Petersburg Stock Exchanges.

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