

FINANCIAL PERFORMANCE (MD&A)

2020 HIGHLIGHTS

Consolidated revenue increased 15% y-o-y to USD 15.5 billion owing to higher prices of palladium and rhodium as well as the scheduled ramp-up of Bystrinsky project.

EBITDA decreased 3% y-o-y to USD 7.7 billion due to the USD 2 billion environmental provision related to the reimbursement of environmental damages caused by the fuel spill in Norilsk industrial district, expenses related to containment of COVID-19 spread and increase of inventory of saleable metals.

CAPEX increased 33% y-o-y to USD 1.8 billion owing to the execution of mining projects at Talnakh ore cluster, development of South Cluster, increased capital repairs of energy infrastructure, investments into improvement of industrial safety as well as the launch of an active construction phase of the Sulfur project.

Net working capital decreased 28% to USD 0.7 billion mainly driven by the depreciation of the Russian rouble and changes in income tax payable, which was partly compensated by increase of inventory of saleable metals.

Free cash flow increased 36% y-o-y to USD 6.6 billion driven by higher revenue and scheduled ramp-up of Bystrinsky project.

Net debt was down 33% y-o-y to USD 4.7 billion. Net debt/EBITDA ratio decreased to 0.6x as of December 31, 2020. The Company's financial stability was confirmed by investment grade credit ratings from all three major rating agencies.

On 29 May 2020, diesel fuel leaked from the emergency fuel tank at the heat and power plant N°3 (HPP-3) due to sudden sinking of support posts based in permafrost. By now, the main phase of the clean-up operations has been completed.

On September 10, 2020, the Federal Service for Supervision of Natural Resources ("Rosprirodnadzor") filed a claim with the Arbitration Court of the Krasnoyarsk region seeking compensation from the Company of damages caused to the environment in the amount of RUR 147.78 billion (or approximately USD 2 billion).

In September 2020, the Company successfully placed a 5-year USD 500 million eurobond offering with a record low annual coupon rate of 2.55%.

In December 2020, in line with its complex environmental programme the Company shut down a smelter at Nickel town (Kola GMK), which resulted in the complete elimination of sulphur dioxide emissions in the cross-border area with Norway and alongside other environmental initiatives should enable a reduction of sulphur dioxide emissions in the Murmansk region by 85% by the end of 2021.

In response to coronavirus, the Company provided a comprehensive support to safeguard the health and safety of its employees and regional communities. In total, the Group spent USD 157 million net of VAT to prevent and combat spread of COVID-19.

Starting from 2021, Mineral Extraction Tax has been increased 3.5x for certain minerals, including ores mined by Norilsk Nickel.

RECENT DEVELOPMENTS

In January 2021, investment tokens backed by physical metal were issued using EU-registered financial vehicle listed on Deutsche Börse and London Stock Exchange;

On February 5, 2021, Arbitration Court of Krasnoyarsk Krai announced that it decided to award diesel spill damages claimed by Rosprirodnadzor in the amount of RUB 146.2 billion

(USD 1,979 million at the exchange rate as of December 31, 2020). The Company has set up a provision that fully covers both the damages and the expenses related to liquidation of incident consequences and rehabilitation of disturbed area. The decision of the Krasnoyarsk Region Arbitration Court was implemented on 10 March 2021.

On February 12, 2021, the Company made an early repayment of exchange-traded bonds in the amount of RUB 15 billion (USD 203 million at the exchange rate as of 31 December 2020).

KEY CORPORATE HIGHLIGHTS (USD MILLION)

Index	2020	2019	Change
Revenue	15,545	13,563	15%
EBITDA ¹	7,651	7,923	(3%)
EBITDA margin	49%	58%	(9 p. p.)
Net profit	3,634	5,966	(39%)
Capital expenditures	1,760	1,324	33%
Free cash flow ²	6,640	4,889	36%
Normalized net working capital ^{2,3}	712	985	(28%)
Net debt ²	4,705	7,060	(33%)
Net debt, normalized for the purpose of dividend calculation ⁴	3,469	4,952	(30%)
Net debt/12M EBITDA	0.6x	0.9x	(0.3x)
Net debt/12M EBITDA for dividends calculation	0.5x	0.6x	(0.1x)
Dividends paid per share (USD) ⁵	26.3	26.3	0%

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 Normalized on interim dividends (at the rate of the Board of Directors meeting date) and deposits with maturity of more than 90 days

⁵ Normalized on receivables from the registrar on transfer of dividends to shareholders

KEY SEGMENTAL HIGHLIGHTS¹ (USD MILLION (UNLESS STATED OTHERWISE))

Index	2020	2019	Change
Revenue	15,545	13,563	15%
GMK Group	12,700	13,836	(8%)
South cluster	694	864	(20%)
KGMK Group	8,926	3,115	3x
NN Harjavalta	1,308	1,172	12%
GRK Bystrinskoye	1,004	201	5x
Other mining	137	133	3%
Other non-metallurgical	1,387	1,412	(2%)
Eliminations	(10,611)	(7,170)	48%
EBITDA	7,651	7,923	(3%)
GMK Group	6,171	9,522	(35%)
South cluster	407	475	(14%)
KGMK Group	1,757	58	30x
NN Harjavalta	70	74	(5%)
GRK Bystrinskoye	717	349	2x
Other mining	(14)	(31)	(55%)
Other non-metallurgical	31	31	0%
Eliminations	(556)	(1,770)	(69%)
Unallocated	(932)	(785)	19%
EBITDA margin	49%	58%	(9 p. p.)
GMK Group	49%	69%	(20 p. p.)
South cluster	59%	55%	4 p. p.
KGMK Group	20%	2%	18 p. p.
NN Harjavalta	5%	6%	(1 p. p.)
GRK Bystrinskoye	71%	n.a.	n.a.
Other mining	(10%)	(23%)	13 p. p.
Other non-metallurgical	2%	2%	0 p. p.

In 2020, revenue of GMK Group segment decreased 8% to USD 12,700 million primarily due to decrease in PGMs sales volumes that was partly compensated by higher palladium prices. PGMs sales volumes decreased due to the launch of direct sales of semi-products to KGMK Group in 1H2019 and higher base effect in 1H2019 owing to the release of work-in-progress inventory, which was exacerbated by decrease in palladium global demand owing to the coronavirus pandemic.

Revenue of South cluster segment decreased 20% to USD 694 million due to the launch of direct sales of semi-products to GMK Group in 1H2019.

Revenue of KGMK Group segment increased three times to USD 8,926 million due to the launch of direct sales of semi-products supplied by GMK Group segment and increase of sales of semi-products to GMK Group and NN Harjavalta.

Revenue of NN Harjavalta increased 12% to USD 1,308 million driven by higher palladium price and increase in sales volumes of semi-products, that was partly compensated by decrease in refined nickel sales volume.

Revenue of GRK Bystrinskoye amounted to USD 1,004 million, which included sales of semi-products since the full commissioning of Bystrinsky project in September 2019.

¹ Segments are defined in the consolidated financial statements

Revenue of Other mining segment increased 3% to USD 137 million driven by higher realized price of Nkomati nickel concentrate, that was partly compensated by decrease of it's sales volume.

Revenue of Other non-metallurgical segment decreased 2% to USD 1,387 million mostly owing to lower sales volumes from Palladium Fund and decrease in other sales due to depreciation of Russian rouble and negative effect of coronavirus pandemic that was partly compensated by higher palladium price.

In 2020, EBITDA of GMK Group segment decreased 35% to USD 6,171 million primarily owing to accrual of environmental provisions and decrease in revenue. EBITDA of GMK Group segment included profit from

the sale of semi-products to KGMK Group segment, which was eliminated from EBITDA of the Group.

EBITDA of South cluster segment decreased 14% to USD 407 million due to decrease in metal sales.

EBITDA of KGMK Group segment increased 30 times to USD 1,757 million primarily owing to the launch of direct sales of semi-products supplied by GMK Group segment.

EBITDA of NN Harjavalta decreased by USD 4 million to USD 70 million primarily driven by increase in transportation expenses due to the launch of semi-products sales to the GMK Group segment.

EBITDA of GRK Bystrinskoye segment increased 2 times to USD 717 million primarily due to higher production volumes since the full commissioning of Bystrinsky project in September 2019.

EBITDA of Other non-metallurgical segment was unchanged and amounted to USD 31 million.

EBITDA of Unallocated segment decreased by USD 147 million and amounted to a negative USD 932 million primarily driven by increase in social expenses.

SALES VOLUME AND REVENUE

Index	2020	2019	Change
Metal sales			
Group			
Nickel, thousand tons ²	221	230	(4%)
from own Russian feed	198	213	(7%)
from 3d parties feed	3	3	0%
in semi-products ³	20	14	43%
Copper, thousand tons ^{2,4}	500	479	4%
from own Russian feed	427	433	(1%)
in semi-products ³	73	46	59%
Palladium, koz ²	2,634	2,988	(12%)
from own Russian feed	2,604	2,890	(10%)
in semi-products ³	30	98	(69%)
Platinum, koz ²	689	714	(4%)
from own Russian feed	684	698	(2%)
in semi-products ³	5	16	(69%)
Rhodium, koz ²	58	78	(26%)
from own Russian feed	56	69	(19%)
in semi-products ³	2	9	(78%)
Cobalt, thousand tons ²	6	7	(14%)
from own Russian feed	5	7	(29%)
in semi-products ³	1	-	100%

² All information is reported on the 100% basis, excluding sales of refined metals purchased from third parties and semi-products purchased from Nkomati.

³ Metal volumes represent metals contained in semi-products.

⁴ Includes metals and semi-products purchased from third parties and Nkomati. Includes revenue from semi-products, produced by GRK "Bystrinskoye", after ramp-up of Bystrinsky project that was fully commissioned in September 2019.



Index	2020	2019	Change
Gold, koz ¹	386	235	64%
from own Russian feed	192	184	4%
in semi-products ²	194	51	4x
Average realized prices of refined metals produced by the Group			
Metal			
Nickel (USD per tonne)	13,916	14,355	(3%)
Copper (USD per tonne)	6,221	6,047	3%
Palladium (USD per oz)	2,176	1,524	43%
Platinum (USD per oz)	882	862	2%
Rhodium (USD per oz)	12,056	3,948	3x
Cobalt (USD per tonne)	30,745	26,756	15%
Gold (USD per oz)	1,764	1,393	27%
Revenue, USD million ³			
Nickel	3,144	3,388	(7%)
including semi-products	342	285	20%
Copper	3,078	2,877	7%
including semi-products	424	257	65%
Palladium	6,365	5,043	26%
including semi-products	147	194	(24%)
Platinum	622	628	(1%)
including semi-products	19	27	(30%)
Rhodium	682	291	2x
including semi-products	6	20	(70%)
Gold	676	328	2x
including semi-products	336	71	5x
Other metals	410	296	39%
including semi-products	224	81	3x
Revenue from metal sales	14,977	12,851	17%
Revenue from other sales	568	712	(20%)
Total revenue	15,545	13,563	15%

¹ All information is reported on the 100% basis, excluding sales of refined metals purchased from third parties and semi-products purchased from Nkomati.

² Metal volumes represent metals contained in semi-products.

³ Includes metals and semi-products purchased from third parties and Nkomati. Includes revenue from semi-products, produced by GRK "Bystrynskoe", after ramp-up of Bystrinsky project that was fully commissioned in September 2019.

REVENUE

NICKEL

Nickel sales contributed 21% to the Group's total metal revenue in 2020, down from 26% in 2019. This reduction in nickel share in metal revenue was primarily driven by the different price dynamics of nickel in comparison with other metals within the metal basket.

In 2020, nickel revenue was down 7% to USD 3,144 million. The decline was driven both by the decrease in sales volume (-USD 167 million) and lower realized nickel price (-USD 77 million).

The average realized price of refined nickel decreased 3% from USD 14,355 per tonne in 2019 to USD 13,916 per tonne in 2020.

Sales volume of refined nickel produced from own Russian feed, decreased 7% (or -15 thousand tonnes) to 198 thousand tonnes owing to the temporary accumulation of metal inventory following the weak demand for the metal amidst the coronavirus pandemic.

Sales volume of nickel produced from third-party feed remained unchanged and amounted to 3 thousand tonnes.

In 2020, sales of nickel in semi-products increased 20% to USD 342 million primarily owing to higher sales volume of semi-products.

COPPER

In 2020, copper sales accounted for 21% of the Group's total metal sales, increasing 7% (or +USD 201 million) to USD 3,078 million. The increase was driven by both higher sales volume (+USD 123 million) and realized copper price (+USD 78 million).

The average realized price of refined copper increased 3% from USD 6,047 per tonne in 2019 to USD 6,221 per tonne in 2020.

Physical volume of refined copper sales from the Company's own Russian feed decreased 1% (or -6 thousand tonnes) to 427 thousand tonnes primarily due to lower copper production from concentrate purchased from Rostec.

Revenue from copper in semi-products in 2020 increased 65% to USD 424 million primarily due to the production increase by the Bystrinsky project that was fully commissioned in September 2019.

PALLADIUM

In 2020, palladium accounted for 42% of total metal revenue, increasing 3 p.p. y-o-y. Palladium revenue increased 26% (or +USD 1,322 million) to USD 6,365 million due to higher realized price (+USD 1,954 million) which was partly offset by lower sales volume (-USD 741 million).

The average realized price of refined palladium increased 43% from USD 1,524 per troy ounce in 2019 to USD 2,176 per troy ounce in 2020.

Physical volume of refined palladium sales from the Company's own Russian feed decreased 10% (or -286 thousand troy ounces) to 2,604 thousand troy ounces in 2020. The decline in sales volume was primarily due to the weak palladium global demand owing to the coronavirus pandemic, as well as the launch of production using a new technology at the Kola MMC and higher base effect in 2019 owing to the release of work-in-progress inventory.

Revenue of palladium in semi-products decreased 24% to USD 147 million in 2020 primarily due to lower sales volume of semi-products resulting from processing of semi-products produced by NN Harjavalta at the Polar division refinery in 2020.

In 2020, revenue from the resale of palladium purchased from third parties amounted to USD 553 million (vs USD 444 million in 2019).

PLATINUM

In 2020, platinum sales decreased 1% (or -USD 6 million) to USD 622 million and accounted for 4% of the Group's total metal revenue. The decline of sales volume (-USD 21 million) was partly positively offset by the increase in realized platinum price (+USD 15 million).

Physical volume of refined platinum sales from the Company's own Russian feed decreased 2% (or -14 thousand troy ounces) to 684 thousand troy ounces

in 2020 primarily due to higher base effect in 2019 owing to the release of work-in-progress inventory.

Revenue of platinum in semi-products in 2020 decreased 30% to USD 19 million primarily due to lower sales volume of semi-products resulting from processing of semi-products produced by NN Harjavalta at the Polar division refinery in 2020.

OTHER METALS

In 2020, revenue from other metals increased 93% (or +USD 853 million) to USD 1,768 million. The main factors were:

- higher revenue from rhodium (+USD 391 million), primarily due to favorable pricing environment in 2020;
- higher revenue from gold (+USD 348 million) and iron ore concentrate (+USD 146 million), primarily due to the ramp-up of Bystrinsky project in September 2019.

OTHER SALES

In 2020, other sales decreased 20% to USD 568 million negatively impacted by the Russian rouble depreciation (-USD 69 million) and lower air transportation service revenue owing to the pandemic.

COST OF SALES

COST OF METAL SALES

In 2020, the cost of metal sales was unchanged amounting to USD 4,500 million, with the main impacts coming from the following changes:

- Increase in cash operating costs by 2% (or +USD 78 million);
- Increase in depreciation and amortisation by 15% (or +USD 110 million);
- Comparative effect of change in metal inventories y-o-y leading to cost of metal sales decrease of USD 187 million.

CASH OPERATING COSTS

In 2020, total cash operating costs increased 2% (or +USD 78 million) to USD 3,886 million.

The positive effect of Russian rouble depreciation (-USD 314 million) was partly compensated by inflationary growth of cash operating costs (+USD 69 million), higher mineral extraction tax and other levies (+USD 50 million), higher purchases of refined metals for resale (+USD 44 million) and expenses related to anti-COVID measures (+USD 55 million).

Cash operating costs also increased by USD 156 million y-o-y due to the full commissioning of Bystrinsky project in September 2019.

COSTS OF METAL SALES (USD MILLION)

Index	2020	2019	Change
Labour	1,307	1,295	1%
Materials and supplies	731	712	3%
Purchases of refined metals for resale	482	438	10%
Purchases of raw materials and semi-products	298	402	(26%)
Third party services	276	239	15%
Mineral extraction tax and other levies	248	221	12%
Electricity and heat energy	151	155	(3%)
Fuel	109	101	8%
Transportation expenses	90	78	15%
Sundry costs	194	167	16%
Total cash operating costs	3,886	3,808	2%
Depreciation and amortisation	845	735	15%
(Increase)/decrease in metal inventories	(231)	(44)	5x
Total cost of metal sales	4,500	4,499	0%

Labour

In 2020, labour costs increased 1% (or USD 12 million) to USD 1,307 million amounting to 34% of the Group's total cash operating costs driven by the following factors:

- -USD 129 million – positive effect of the Russian rouble depreciation against US dollar;
- +USD 56 million - indexation of salaries and wages in line with the terms of collective bargaining agreement;
- +USD 44 million - ramp-up of Bystrinsky project that was fully commissioned in September 2019;
- +USD 45 million – hardship payments to employees due to the pandemic.

Materials and supplies

In 2020, expenses for materials and supplies increased 3% (or USD 19 million) to USD 731 million driven by the following factors:

- -USD 72 million - positive effect of the Russian rouble depreciation against US dollar;
- +USD 38 million - ramp-up of Bystrinsky project that was fully commissioned in September 2019;

- +USD 35 million - higher consumption of materials primarily due to increased volume of repairs;
- +USD 5 million - higher materials expenses due to the pandemic;
- +USD 7 million - inflationary growth of materials and supplies expenses.

Purchases of refined metals for resale

In 2020, expenses related to purchase of refined metals for resale increased 10% (or USD 44 million) to USD 482 million owing to the increase in palladium price, which was partly compensated by lower purchase volume.

Purchases of raw materials and semi-products

In 2020, purchases of raw materials and semi-products decreased 26% (or USD 104 million) to USD 298 million mainly driven by lower processed volumes of Rostec concentrate.

Third-party services

In 2020, cost of third party services increased 15% (or USD 37 million) to USD 276 million mainly driven by:

- -USD 24 million - positive effect of the Russian rouble depreciation against US dollar;
- +USD 34 million - ramp-up of Bystrinsky project that was fully commissioned in September 2019;
- -USD 16 million - lower Nkomati production volumes;
- +USD 29 million – increase in repair services;
- +USD 11 million - inflationary growth of third-party services.

Mineral extraction tax and other levies

In 2020, mineral extraction tax and other levies increased 12% (or USD 27 million) to USD 248 million driven by the following factors:

- USD 23 million - positive effect of the Russian rouble depreciation against US dollar;
- +USD 50 million – primarily increase in payments related to negative environmental impact due to changes in the legislation.

Electricity and heat energy

In 2020, electricity and heat energy expenses decreased by USD 4 million to USD 151 million driven by the following:

- USD 11 million - positive effect of the Russian rouble depreciation against US dollar;
- +USD 7 million - ramp-up of Bystrinsky project that was fully commissioned in September 2019.

Fuel

In 2020, fuel expenses increased by 8% (or USD 8 million) to USD 109 million driven by the following factors:

- USD 10 million - positive effect of the Russian rouble depreciation against US dollar;
- +USD 18 million - ramp-up of Bystrinsky project that was fully commissioned in September 2019.

Transportation expenses

In 2020, transportation expenses increased 15% (or +USD 12 million) to USD 90 million driven by the following factors:

- USD 6 million - positive effect of the Russian rouble depreciation against US dollar;
- +USD 3 million - inflationary growth of expenses;
- +USD 15 million – primarily increase in transportation expenses in Norilsk industrial region.

Sundry costs

In 2020, sundry costs increased 16% (or +USD 27 million) to USD 194 million mainly driven by the commissioning of Bystrinsky project and higher expenses in Norilsk industrial region.

Depreciation and amortisation

In 2020, depreciation and amortisation expenses increased 15% (or USD 110 million) to USD 845 million.

Positive effect of the Russian rouble depreciation amounted to -USD 72 million.

Depreciation charges in real terms increased by USD 182 million mainly due to transfers from construction in progress to production assets including the full commissioning of Bystrinsky project and KGMK.

(Increase)/decrease in metal inventories

Comparative effect of change in metal inventory amounted to -USD 187 million resulting in a decrease of cost of metal sales, primarily driven by accumulation of refined metals owing to coronavirus pandemic in 2020.

COST OF OTHER SALES

In 2020, cost of other sales decreased by USD 109 million to USD 575 million.

The effect of the Russian rouble depreciation was exacerbated by lower air transportation sales due to travel restrictions during the pandemic.

SELLING AND DISTRIBUTION EXPENSES

In 2020, selling and distribution expenses increased 23% (or USD 29 million) to USD 156 million primarily due to increase in transportation expenses (USD +18 million) and other expenses (USD +9 million) primarily due to the commissioning of production facilities at Bystrinsky project in September 2019.

SELLING AND DISTRIBUTION EXPENSES (USD MILLION)

Index	2020	2019	Change
Transportation expenses	71	53	34%
Marketing expenses	44	45	(2%)
Staff costs	18	15	20%
Other	23	14	64%
Total	156	127	23%

GENERAL AND ADMINISTRATIVE EXPENSES

In 2020, general and administrative expenses decreased 7% (or USD 69 million) to USD 869 million. Positive effect of the Russian rouble depreciation amounted to -USD 90 million. Changes of the general and administrative expenses in real terms were primarily driven by the following:

- -USD 12 million – decrease in staff costs mainly due to decrease of one-off payments related to management bonuses, which was partly compensated by salaries indexation;
- +USD 28 million – increase of third party services primarily related to information security.

GENERAL AND ADMINISTRATIVE EXPENSES (USD MILLION)

Index	2020	2019	Change,%
Staff costs	529	601	(12%)
Third party services	134	117	15%
Taxes other than mineral extraction tax and income tax	69	77	(10%)
Depreciation and amortisation	67	69	(3%)
Transportation expenses	18	15	20%
Rent expenses	2	5	(60%)
Other	50	54	(7%)
Total	869	938	(7%)

OTHER OPERATING (EXPENSES)/INCOME

In 2020, other operating expenses increased by USD 2,434 million to USD 2,737 million driven by the following factors:

- +USD 2,241 million – primarily the environmental provision related to the liquidation of diesel fuel leak at the industrial site of the Heat and Power Plant N° 3 of Norilsk and compensation for environmental damage;
- +USD 192 million - cease of recognition of net income earned during the pre-commissioning stage generated by GRK "Bystrinskoye" owing to the full commissioning of Bystrinsky project in September 2019;
- +USD 276 million - increase in social expenses including coronavirus relief packages provided to the regions of the Company's operations;
- -USD 200 million - change in provision on production facilities shut down at the Kola GMK.

OTHER OPERATING (EXPENSES)/INCOME, NET (USD MILLION)

Index	2020	2019	Change,%
Environmental provisions	2,242	1	100%
Social expenses	500	224	2x
Change in other provisions	24	39	(38%)
Change in provision on production facilities shut down	(10)	190	n.a
Net income earned during the pre-commissioning stage	–	(192)	(100%)
Other, net	(19)	41	n.a
Total	2,737	303	9x

FINANCE COSTS

In 2020, finance costs, net increased three times and amounted to USD 879 million primarily due to a change in the fair value of cross-currency interest rate swaps y-o-y, caused by a comparative effect of depreciation of the Russian ruble against the US dollar in 2020 and its appreciation in 2019, and also due to a change in the fair value of other long-term and other current liabilities y-o-y, representing an obligation to exercise a put option in relation to transactions with the owners of non-controlling interests of Bystrinsky GOK.

The average value of total debt increased in 2020, while the effective interest rate of the Company's debt portfolio as of the end of 2020 (2.9% in USD¹) decreased, as compared to this as of the end of 2019 (4.3% in USD1) because of the following factors:

- Loose monetary policies of the Federal Reserve System of the USA and the Bank of Russia, which positively impacted the Company's debt obligations bearing floating interest rates and on the back of which a share of the Company's total debt tied to floating indicators, main of which were 1 Month Libor and Key rate of the Bank of Russia, increased from 38% to 54% for the period from December 31, 2019 to December 31, 2020;
- Refinancing of a syndicated loan facility, originally signed in December 2017, with a group of international banks in February 2020, which resulted in the reduction of the loan's interest rate to Libor+1.40% per annum and the increase of the loan's funding limit from USD 2,500 million to USD 4,150 million;
- Issuance of five-year USD 500 million Eurobonds at a coupon of 2.55% per annum in September 2020; and
- Redemption of USD 1 billion Eurobonds bearing a coupon of 5.55% per annum in October 2020 and early repayment of RUB 60 billion loan at an interest rate of 8.3% per annum in November 2020.

FINANCE COSTS, NET (USD MILLION)

Index	2020	2019	Change,%
Interest expense, net of amounts capitalised	364	340	7%
Changes in fair value of other long-term and other current liabilities	262	64	4x
Fair value (gain)/loss on the cross-currency interest rate swap	182	(199)	n.a.
Unwinding of discount on provisions and payables	61	84	(27%)
Interest expense on lease liabilities	12	12	0%
Other, net	(2)	5	n.a.
Total	879	306	3x

INCOME TAX EXPENSE

In 2020, income tax expense decreased 39% y-o-y to USD 945 million driven mostly by the decrease of profit before tax.

The effective income tax rate in 2020 of 20.6% was above the Russian statutory tax rate of 20%, which was primarily driven by recognition of non-deductible social expenses.

THE BREAKDOWN OF THE INCOME TAX EXPENSE (USD MILLION)

Index	2020	2019	Change,%
Current income tax expense	1,685	1,924	(12%)
Deferred tax (benefit)/expense	(740)	(366)	2x
Total	945	1,558	(39%)

¹ According to management accounts of the Company

THE BREAKDOWN OF THE CURRENT INCOME TAX EXPENSE BY TAX JURISDICTIONS (USD MILLION)

Index	2020	2019	Change,%
Russian Federation	1,648	1,883	(12%)
Finland	11	16	(31%)
Rest of the world	26	25	4%
Total	1,685	1,924	(12%)

EBITDA

In 2020, EBITDA decreased 3% (or -USD 272 million) to USD 7,651 million primarily owing to environmental provisions and additional expenses

related to the containment of COVID-19 pandemic, which was partly offset by higher metal revenue.

EBITDA (USD MILLION)

Index	2020	2019	Change,%
Operating profit	6,400	7,036	(9%)
Depreciation and amortisation	943	911	4%
Impairment of non-financial assets	308	(24)	n.a.
EBITDA	7,651	7,923	(3%)
EBITDA margin	49%	58%	(9 p. p.)

STATEMENT OF CASH FLOWS**CASH FLOWS** (USD MILLION)

Index	2020	2019	Change,%
Cash generated from operations before changes in working capital and income tax	10,254	8,226	25%
Movements in working capital	(662)	(307)	2x
Income tax paid	(1,304)	(1,910)	(32%)
Net cash generated from operating activities	8,288	6,009	38%
Capital expenditure	(1,760)	(1,324)	33%
Other investing activities	112	204	(45%)
Net cash used in investing activities	(1,648)	(1,120)	47%
Free cash flow	6,640	4,889	36%
Interest paid	(472)	(460)	3%
Other financing activities	(3,860)	(3,163)	22%
Net cash used in financing activities	(4,332)	(3,623)	20%
Effects of foreign exchange differences on balances of cash and cash equivalents	99	130	(24%)
Net increase in cash and cash equivalents	2,407	1,396	72%

In 2020, free cash flow increased 36% to USD 6.6 billion. Higher cash generated from operating activities was partly offset negatively by more cash used in investing activities.

In 2020, net cash generated from operating activities increased 38% to USD 8.3 billion primarily driven by higher metal revenue as well as the decrease in income tax payments due to lower taxable profit.

In 2020, net cash used in investing activities increased 47% (or USD 528 million) primarily driven by a 33% capital expenditures increase (or USD 436 million). In real terms, capital expenditures increased 51% as flagship investment projects entered active construction stage.

In 2020, CAPEX increased 33% (or USD 436 million) to USD 1.8 billion following higher investments in main

industrial sites of the Group – Polar Division and South cluster, including higher investments in mining projects and launch of the active phase of sulfur project. This was exacerbated by sustaining capital expenditures including capitalized repairs and purchase of equipment.

RECONCILIATION OF THE NET WORKING CAPITAL CHANGES BETWEEN THE BALANCE SHEET AND CASH FLOW STATEMENT (USD MILLION)

Index	2020	2019
Change of the net working capital in the balance sheet	273	(118)
Foreign exchange differences	(290)	112
Change in income tax payable	(359)	(26)
Change of long term components of working capital included in CFS	(95)	(158)
Other changes including reserves	(191)	(117)
Change of working capital per cash flow	(662)	(307)

CAPITAL INVESTMENTS BREAKDOWN BY PROJECT (USD MILLION)

Index	2020	2019	Change,%
Polar Division, including:	665	478	39%
Skalisty mine	109	58	88%
Taymirsky mine	97	67	45%
Komsomolsky mine	51	54	(6%)
Oktyabrsky mine	16	27	(41%)
Talnakh Concentrator	38	14	3x
Other Polar Division projects	354	258	37%
Kola MMC	155	221	(30%)
Sulfur project	154	24	6x
South cluster	114	76	50%
Chita (Bystrinsky) project	98	103	(5%)
Other operating projects	563	413	36%
Other non-operating projects	11	9	22%
Total	1,760	1,324	33%

DEBT AND LIQUIDITY MANAGEMENT

As of December 31, 2020, the Company's total debt slightly increased, as compared to this as of December 31, 2019, while the share of current loans and borrowings in the Company's total debt decreased from 11% as of December 31, 2019 to 0.12% as of December 31, 2020. The key factors behind significant reduction in the share of current loans and borrowings in the reporting period were redemption of USD 1 billion Eurobonds in October 2020, early repayment of RUB 60 billion loan in November 2020, and drawing of long-term funds totaling USD 1,565 million from a syndicated loan facility, funding

limit of which was increased in February 2020 from USD 2,500 million to USD 4,150 million. This effect was also reinforced with a long-term borrowing in the total amount of USD 500 million by way of issuing five-year Eurobonds in September 2020 maturing on September 2025.

The Company's net debt as of December 31, 2020 decreased 33%, as compared to this as of December 31, 2019 due to the increase in cash and cash equivalents by 86% (or +USD 2,407 million) during the reporting period. This is primarily due

to the increase in cash generated from operating activities which had a positive impact on Net debt / 12M EBITDA as of the end of 2020, that decreased by 0.3x compared to this as of December 31, 2019 and amounted to 0.6x.

As of December 31, 2020, all three international rating agencies Fitch, Moody's and S&P Global, and Russian rating agency "Expert RA" assigned investment grade credit rating to the Company.

DEBT AND LIQUIDITY (USD MILLION)

Index	As of 31 December 2020	As of 31 December 2019	Change, USD million	Change, %
Non-current loans and borrowings	9,622	8,533	1,089	13%
Current loans and borrowings	12	1,087	(1,075)	(99%)
Lease liabilities	262	224	38	17%
Total debt	9,896	9,844	52	1%
Cash and cash equivalents	5,191	2,784	2,407	86%
Net debt	4,705	7,060	(2,355)	(33%)
Net debt /12M EBITDA	0.6x	0.9x	(0.3x)	