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 2020 INTERIM CONSOLIDATED IFRS FINANCIAL RESULTS

Moscow, August 11, 2020 – PJSC MMC Norilsk Nickel, the world's largest producer of palladium and high-grade nickel and a major producer of platinum and copper, reports interim consolidated IFRS financial results for six months ended June 30, 2020.

1H2020 HIGHLIGHTS

- Consolidated revenue increased 7% y-o-y to USD 6.7 billion owing to higher prices of palladium, rhodium and gold as well as the ramp-up of Bystrinsky project;
- EBITDA decreased 51% y-o-y to USD 1.8 billion due to the USD 2.1 billion environmental provision related to the reimbursement of environmental damages caused by the fuel spill at the industrial site of the Heat and Power Plant № 3 in the Kayerkan neighborhood of Norilsk;
- CAPEX increased 10% y-o-y to USD 0.6 billion owing to the launch of construction of strategic projects such as the expansion of the Talnakh concentrator (TOF-3 project), the development of South Cluster mining project and complex environmental programme aiming at radical reduction of sulfur dioxide emissions at the Polar Division;
- Net working capital increased to USD 1.0 billion in line with the medium-term target level;
- Free cash flow increased 21% y-o-y to USD 2.7 billion;
- Net debt/EBITDA ratio increased to 1.2x as of June 30, 2020;
- In 1H2020, Nornickel paid interim dividend for 9 months of 2019 in the amount of USD 1,567 million and final dividend for 2019 in total amount of USD 1,264 million;
- Building up liquidity cushion with USD 1,565 million from a syndicated USD 4,150 million borrowing drawn down in March and April, after the loan limit was increased from USD 2,500 million in February, and additional RUB 60 billion drawn from a revolving credit line;
- On May 29, 2020, diesel fuel leaked from the emergency fuel tank at the heat and power plant №3 (HPP-3) due to sudden sinking of support posts based in permafrost. Clean-up of the incident was launched immediately, when by the end of the reporting period most of the fuel leaked into soil and water was collected, with most of the contaminated being removed;
- Throughout 1H2020, a comprehensive set of initiatives was developed and rolled to ensure operations sustainability and social security in the regions of operations amidst the spread of coronavirus. Safeguarding the health and safety of employees and providing full support to the regional communities and authorities was the top priority, with USD 95 million (net of VAT) spent into preventive initiatives and charity.

RECENT DEVELOPMENTS

- On July 6, 2020, Federal Environment Supervision Agency (Rosprirodnadzor) published its assessment of environmental damages from the fuel spill incident as RUB 147.78 billion (approximately USD 2.1 billion) and sent the Company request for the voluntary compensation of this damage. On August 4, 2020, the Company sent a letter to Rosprirodnadzor expressing its readiness to have a dialogue over the reimbursement of the environmental damages, noting that the assessment of damages required should be adjusted based on the actual data once the consequences of the incident are completely remediated and all due expert assessments are complete. The Company sees the possibility for an out-of-the court settlement of all issues related to the assessment of environmental damages, terms and timing of the compensation terms within the established working group;
- In July 2020, the Company entered into a RUB 10 billion committed revolving credit facility, with no funds were drawn as of the publication date of this release.

KEY CORPORATE HIGHLIGHTS

USD million (unless stated otherwise)	**1H2020**	**1H2019**	**Change,%**
Revenue	6,711	6,292	7%
EBITDA[1]	1,838	3,719	(51%)
EBITDA margin	27%	59%	(32 p.p.)
Net profit	45	2,997	(98%)
Capital expenditures	551	500	10%
Free cash flow[2]	2,679	2,206	21%
Net working capital[2]	1,038	985[4]	5%
Net debt[2]	7,287	7,060[4]	3%
Net debt/12M EBITDA	1.2x	0.9x[4]	0.3x
Dividends paid per share (USD)[3]	17.9	–	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
4) Reported as of December 31, 2019

MANAGEMENT DISCUSSION AND ANALYSIS

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

"First half of 2020 turned out to be very challenging for our Company. The coronavirus pandemic had a significant ripple effect on the global economy as all major consumers of our products experienced an unprecedented downturn of business activity. Even though most analysts are currently forecasting a quick economic recovery, we remain cautious regarding the recovery prospects for our metals' demand at least until the end of this year.

COVID-19 challenged not only our operating model, health and well-being of our employees and their families, but literally all the Company's stakeholders in the regions of our operations. Owing to the timely support that we have provided to local authorities and regional healthcare, socially vulnerable communities, small and medium enterprises, as well as safeguarding measures for our employees, the Company managed to pass the peak of the pandemic without any material impact on operations. We remain committed to continue our support to the regions of our operations to combat the spread of coronavirus.

The end of the first half was also marked by an unprecedented in our own history environmental incident, when the leak of diesel fuel at the industrial site of the Heat and Power Plant № 3 in the Kayerkan neighborhood of Norilsk resulted in an adverse environmental impact. We immediately started a comprehensive clean-up operation to collect the leaked fuel and remove contaminated soil, actively engaging third parties, including government and private partners, as well as launched a number of initiatives to prevent such incidents in the future. We have also engaged into an active cooperation with the various government bodies regarding the rehabilitation of the incident.

Overall, we would like to reiterate reduction of the environmental impact and improving ecological performance as strategic priorities of the Company. In spite certain issues with the mobilization of a third party contractor workforce in Norilsk as well as new risks for the shipment of imported equipment due to coronavirus pandemic, we have launched the active construction phase of our flagship desulfurization project in Norilsk and the expansion of Talnakh concentrator. We reiterate our strategic target to decrease sulfur dioxide emissions in Norilsk by 90% in 2025.

Our revenue in the first half of 2020 increased 7% to USD 6.7 billion owing to higher palladium and rhodium prices. Our EBITDA, however, decreased 51% to USD 1.8 billon due to a USD 2.1 environmental provision, with EBITDA margin falling to 27% and net income reducing to USD 45 million. At the same time, free cash flow increased 21% to USD 2.7 billion as the environmental provision was not a cash item.

The leverage remained at a low level with net debt to EBITDA ratio increasing to 1.2x. Amidst the high level of uncertainty on global markets, the Company increased its liquidity cushion by drawing down some of the available credit lines. We continued our long run campaign to refinance debt portfolio, having managed to further decrease the average cost of debt despite an increase of gross debt. Financial stability is among strategic our priorities. The world's leading credit rating agencies appreciate strong financial standing of the Company, having confirmed our credit ratings at investment grade level".

HEALTH AND SAFETY

The lost time injury frequency rate (LTIFR) decreased 29% y-o-y from 0.28 to 0.20 in 1H2020, remaining well below the global mining industry average. Furthermore, the number of lost time injuries decreased 27% y-o-y (from 15 to 11) following the roll-out of base corporate industrial safety standards of, launch of a risk control project aiming at the reduction of safety related risks and improvement of labour safety management system initiatives.

Regretfully, in 1H2020 Company suffered five fatal injuries. The management considers the health and safety of its employees as the key strategic priority, targeting zero fatality rate, and continues to implement a wide range of initiatives targeting further improvement of the health and safety records. In 1H 2020, selected initiatives included the following:

- 11 internal audits of Occupational safety and Health management systems;
- 70 cases of the violations of cardinal safety rules revealed, leading to 56 employees getting fired for the violation of safety rules.

In May 2020, independent consultant conducted an annual independent audit of the current level of the occupational safety culture of the Company as well as changes in its HSE systems over the past year. According to this audit, the Company's integral score was raised to 3.0 points from 2.8 as of May 2019 (1.4 points in 2014).

METAL MARKETS

Nickel in 1H2020 – nickel price showed a surprising resilience averaging USD 12,475 per tonne despite a rising surplus owing to the spread of COVID-19; global demand suffered from the coronavirus-related lockdowns, while the ramp-up of Indonesian NPI was a major positive offset of the supply disruption in other regions and lower Chinese NPI; exchange stocks increased to 263 kt by the end of June reflecting the market running a surplus.

Nickel price started this year with a nosedive falling below USD 11,000 per tonne in the end of March as the outbreak of COVID-19 that initially affected China spread into Europe and North America forcing the governments across the globe to impose social lockdowns in attempts to contain the pandemic. In April, however, the price trend reversed as all major central banks boosted the capital markets with unprecedented liquidity injections. In May-June, the price recovery accelerated driven by markets' increasing optimism as the lockdowns were gradually removed in Europe and the economic activity in China was rebouncing strongly. As a result, by the end of 1H2020 nickel price returned to its pre-pandemic level of USD 12,850 per tonne, with US Dollar weakening additionally contributing to an increase of the price to above USD 14,500 per tonne by the first week of August.

In 1H2020, average LME nickel price was practically unchanged (up 1% y-o-y) at USD 12,475 per tonne.

In our view, the quick nickel price rebound in 2Q2020 was somewhat out of touch from market fundamentals as demand disruptions owing to the COVID-19 affected materially all nickel-consuming sectors. Apart from the stainless steel nickel consumption in China, which was down 2% y-o-y in 1H2020 (with even larger end-use demand contraction as smelters preferred to increase their inventories of finished goods rather than idle capacities), pretty much all other major stainless-producing countries, recorded a far greater decline, ranging from EMEA – down 19%, India - 21%, Taiwan - 11%, Japan - 5% and South Korea - 4%.

Non-stainless industries consumption (including specialty steels, alloys and plating) reduced over 10% y-o-y owing to the contraction of end-use demand in aerospace and oil and gas industries. Even the battery industry that used to be the fastest growing nickel consumer in the past couple of years, decreased nickel consumption over 15% y-o-y. Dismal NEV sales in China (down 40% y-o-y) were partly offset positively by strong NEV sales in Europe (up 68% y-o-y) owing to stellar performance in January-February (+148% y-o-y) and recovery in May-June.

Global nickel production was also affected by the coronavirus. Over 75 kt of high-grade nickel and ferronickel supply was wiped out by COVID-related temporary shutdowns in Canada, Madagascar and South Africa, which was amplified by 35 kt of price-driven production cuts by small independent producers. In China, NPI production was down 7% (or 20 kt) y-o-y exacerbated by ceased availability of rich Indonesian ore following the export ban. On the other hand, all these production losses have been offset positively by the rapid ramp-up of NPI capacities in Indonesia that added over 80 kt of new supply (+50% y-o-y).

We estimate that nickel market surplus expanded to 80 k in 1H2020 as COVID-related demand disruptions substantially exceeded the supply losses. As a result, combined nickel inventories at LME and SHFE increased by almost 40% during 1H2020 from 188 kt to 263 kt reflecting the apparent market surplus.

Nickel outlook – negative in the short-term, but more constructive longer-term; we expect market surplus to expand to approximately 150 kt in 2020; demand to suffer a 7% pandemic-related decline; supply is expected to be flat as the disruptions caused by COVID-19 are compensated by the rapid expansion of NPI in Indonesia; despite the recent weakness, the battery demand will remain the major consumption driver in the next 5-10 years as the world is steadily moving towards carbon neutral economy.

Spread of COVID-19 has had a material damaging impact on the global nickel demand, which, in our opinion, has not been yet fully realized by the market as the first-use demand usually lags the end-use demand due to extended supply lead time in major manufacturing sectors. As was highlighted in our Quintessentially Nickel report in May, in order to estimate accurately the real pandemic's impact on the nickel demand, one needs to study all major end-use sectors and evaluate the impact on each and single of them. We expect the main end-use sectors (food & beverage contact materials, construction, process engineering, transport, electronics etc.) to contract by approximately 20% in 2020, that is considerably more than the expected decline in the first-use demand (–7% y-o-y). Taking into account a potential forced restocking due to coronavirus, the lag in metal consumption by the end-use industries will amount to 4–7 months, in our view, thus pushing the negative impact on the first-use demand to 2H2020 and further into 1Q2021.

Indonesia continues commissioning new NPI projects and is to increase its annual output by over 200 kt this year. We expect that the NPI production in China will shrink by approximately 160 kt owing to the lack of ore feed, while production of other nickel forms will contract by approximately 40 kt following temporary quarantine-related shutdowns. Therefore, assuming a 7% reduction in demand and relatively flat supply, nickel market, on our estimates, should develop a substantial surplus of approximately 150 kt in 2020.

xEV auto market is showing promising signs of recovery mainly driven by the roll-out of European subsidies. Currently, the total announced capacities of all gigafactories to be opened in Europe by 2025, funded by both European and Asian investors, amount to over 400 GWh, which is equivalent to approximately 300 kt of nickel consumption. We remain bullish on the growth prospects of the xEV industry in the long run on the back of multibillion investments in the infrastructure and the average price of battery pack steadily falling towards USD 100/kWh.

We anticipate that public transportation and car sharing will be heavily impacted by the COVID pandemic and, therefore, we expect an increase in private vehicles' use. This creates a positive momentum for the auto sales and, consequently, NEVs. NEVs are better suited for everyday commuting within city environment.

Overall, we reiterate our view that the long-term growth in nickel demand will primarily come from the NEV industry, although at a slower pace than previously forecasted.

Copper in 1H2020 – coronavirus-related drop in demand shifted the market into a moderate surplus; acceleration of supply disruptions in 2Q2020 and optimism related to Chinese economy reopening boosted the price back to pre-Covid levels in June.

Having started the year at USD 6,200 per tonne, copper price was hammered by coronavirus crisis in 1Q2020. By the end of January the infection outbreak in China pushed the metal price down to USD 5,500 per tonne, with the price taking the second hit in March declining below USD 4,600 per tonne as the virus spread from China into the rest of the world. In April, however, copper market started to recover as China emerged from lockdown and restarted its economy. In May-June, the rally accelerated as more stimuli have been unleashed by global central banks supporting the price of risky assets, while manufacturing data from China showed promising signs of broader economic recovery. In July, copper price increased to USD 6,500 per tonne, levels not seen since April 2019.

The average LME copper price in 1H2020 decreased 11% y-o-y to USD 5,500 per tonne.

In 1H2020, the underlying market fundamentals were severely impacted by the coronavirus pandemic as the copper market shifted to a moderate surplus. As manufacturing activities across major economies tumbled to their lowest levels in decades, global copper demand was down 4% y-o-y. China reopened its economy after a 2 months-long strict lockdown, getting its GDP back to a growth trajectory in Q2 (+3.2% y-o-y). The GDP recovery in China was primarily driven by industrial production and fixed assets investment, all of which were supporting a rebound of copper consumption. June trade statistics provided additional evidence that the Chinese copper demand was recovering, as import of unwrought copper increased 50%, albeit also benefiting from an arbitrage opened between Shanghai and London copper prices, which made it cheaper to import the metal rather than to buy it locally.

Global copper production was equally impacted by the pandemics. February started with Chinese smelters cutting production on the back of COVID-19 containment measures and scarcity of both scrap and concentrate supply. As the coronavirus hot spot migrated to the Western hemisphere a flurry of mine disruption news from Chile and Peru provided additional tightness to the concentrate market and therefore support to the copper price. Overall, we estimate that global copper supply was down 3% y-o-y in 1H2020.

Exchange stocks in January-June increased by 85 kt reflecting a moderate surplus.

Copper outlook – neutral; the market to develop a moderate surplus of 210 kt; global consumption to decrease 3% y-o-y in line with deterioration of broader economic conditions; China's recovery is on track supported by a new government stimulus package, but PMIs in other geographies are still weak assuming soft end-use demand in the second half of the year; global production to contract 2% following COVID-19 containment measures in Americas.

We anticipate that copper market will remain largely balanced in the near-term running a marginal surplus of less than 1% (or 210 kt) of the global consumption as coronavirus outbreak will continue to have an equal impact both demand and supply sides.

In spite of an overall positive market sentiment stemming from the gradual recovery of the global economic activity, the outlook for copper end-use demand does not look very promising, on our estimates. Positive data coming out from China on increasing grid investments, 5G development and durable goods sales are in sharp contrast with a major deterioration in economic conditions in the rest of the world (ex-China demand is estimated below levels seen 15 years ago). Moreover, the weakness of economic recovery outside China may negatively affect the Chinese demand itself as approximately 20% of its copper consumption is dependent on export markets. In our view, global copper demand will reduce 3% y-o-y to 22.8 mt in 2020 driven mainly by weak industrial machinery (-7% y-o-y), consumer goods (-5% y-o-y) and construction (-3% y-o-y) industries.

At the same time, according to our estimates, the COVID-19 related production disruptions in Latin America and uncertainty around scrap availability in China should reduce global copper output 2% to 23.0mt in 2020 (from 23.5mt in 2019).

We expect broadly balanced copper market in 2020, with a moderate surplus of 210 kt (representing less than 1% of global demand).

Palladium in 1H2020 – price managed to hold its ground above USD 2,000 per ounce despite plunge in global car sales and substantially deteriorated outlook for the global automotive market; global supply reduced owing to coronavirus-related stoppages in South Africa and lower output in Russia.

Palladium started the year very strongly, reaching its all-time high of USD 2,795 per ounce on February 28, 2020. The price rally was driven by the lack of ingots in the spot market and high physical demand in China driven by the roll-out of China-6 emission standards. Additional boost for palladium came from rhodium (which is often a good lead indicator for palladium price), that sky-rocketed from USD 6,000 per ounce in December 2019 to USD 14,000 per ounce in early March. Whenever rhodium is in physical shortage, car-makers are forced to increase their palladium loadings substantially. The outbreak of COVID-19 derailed the palladium price rally, with shutdowns both in automotive industry and catalyst fabrication leading to demand contraction, resulting in a sharp price decrease to less than USD 1,600 per ounce on March 18, 2020. However, as the South Africa started to halt its mines for sanitation and global central banks further loosened their monetary policies, the palladium price recovered to USD 1,800-2,000 per ounce range in 2Q2020.

The average palladium price in 1H2020 increased 51% y-o-y to USD 2,136 per ounce.

In 1H2020, government-imposed lockdowns across the globe caused massive losses in both auto production and auto sales. According to LMC Automotive global car sales were down 28% in 1H2020, with largest declines recorded in Europe (-37%), North America (-25%) and China (-20%).

The global palladium supply was not immune to coronavirus either. Even before the infection outbreak Anglo Platinum put one of its smelters on care and maintenance for two and a half months, resulting in the reduction of refined PGM production by approximately 0.5 moz. National lockdowns introduced in South Africa hit severely palladium mined output, with exports from South Africa decreasing 29% or 240koz y-o-y in 1H2020. Even though Norilsk Nickel managed to avoid any coronavirus-related operational disruptions, its palladium production was down 17% y-o-y owing to a very high base of 2019, when previously accumulated work-in-progress inventory was released.

Palladium outlook – neutral; the market is expected to be balanced this year; auto industry is likely to suffer its worst crisis in decades driving the palladium demand down 16% y-o-y; supply to decrease 14% y-o-y due to supply losses in South Africa and lower recycling.

We expect industrial palladium consumption to decrease 16% y-o-y to 9.1 moz following an unprecedented contraction of end-use demand. On our estimates, car sales are expected to plunge 22% y-o-y to 70 million units in 2020, while other palladium-consumers such as dental, chemical, electronics and jewelry industries also expected to remain depressed. Given a substantial reduction in demand, consumers' stockpiles throughout the entire value chain should contribute additionally to supply, thus further reducing metal purchasing. The only visibly strong market so far is China, where after coronavirus-related restrictions in 1Q2020 retail car sales recovered strongly in April-June. However, according to analysts consensus view, there is a concern that other countries will be unable to follow Chinese recovery pace, and there is a risk that although automakers have just relaunched their factories, production could subside again if deliveries to dealerships do not pick up accordingly.

Palladium supply is normalizing as South African companies re-opened their mines though at reduced capacities. However, even assuming that some of the accumulated work-in-progress material will be released during the rest of the year, the output losses incurred in 1H2020 will not be fully recouped, in our view, and we expect the global primary supply to decrease by more than 1.0 moz this year. Recycling volumes are also expected, on our estimates, to decrease by 0.4 moz. In total, in our view, the global supply will reduce 14% to 9.1 moz in 2020.

In 2021, we expect the global light vehicle sales to recover to over 82 million units (up 16% y-o-y) from 70 million units in 2020. Full recovery in recycling and primary South African supply should balance the market in 2021, with the market remaining in a balance, in our opinion. In an aftermath of the COVID pandemic, we see a clear trend towards increasing popularity of individual mobility, since people would likely to avoid less safe public transport, taxis and car sharing. Restrictions on the mass transit transportation systems as well as concerns over not meeting the minimum social distancing in a public transport should encourage personal car ownership and usage.

Platinum in 1H2020 – market remained oversupplied amidst falling auto and jewelry demand; price quickly recovered to pre-coronavirus levels helped by the gold rally and mine disruptions in South Africa.

Platinum price was relatively stable in January-February trading in the tight range of USD 900-1,000 per ounce before crashing to USD 600 per ounce in March. However, it recovered quickly to pre-coronavirus levels of USD 800-850 per ounce on the back of lockdown introduced in South African mining industry and the gold price rally. The ETF demand did not record any inflows in 1H2020 unlike 2019, and we therefore believe that the apparent surplus was accumulated in other non-transparent stocks.

Market fundamental factors continued to deteriorate as diesel car sales underperformed both gasoline and NEV sales across all markets. Closed luxury goods stores and weak consumer confidence also severely affected jewellery sales.

In 1H2020, global primary refined platinum production was also hit severely as South African mines were put on care and maintenance on March 26 for 21 days due to COVID-19. In April, the operations were re-started, but continued to operate at lower capacity utilization rates, ranging from 50% to 80%.

The average LBMA platinum price increased 2% y-o-y to USD 848 per ounce.

Platinum outlook – neutral; both automotive and jewelry demand are expected to decrease 20% y-o-y, in our view; substitution of palladium in autocatalysts is not happening; rationalization of supply in South Africa is expected to be put on the back burner due to strong PGM basket price performance owing to rhodium and palladium; ETFs inflows in June and July indicate some revival of investors' interest as other precious metals continue to rally.

We expect platinum market (excl. investments) to remain in surplus of approximately 0.7 moz (almost 10% of the global demand) in 2020.

In 2020, we forecast that global industrial demand will decrease 17% y-o-y to 6.3 moz. The automotive demand will fall by 15%, with lower diesel car sales will be partly offset positively by higher offtake in HDD vehicles. In our view, jewelry demand will contract by 20% following overall weakness in luxury goods retail. According to our knowledge, palladium substitution with platinum, albeit being actively communicated to the public by some industry participants, has not been implemented and thus has no immediate impact on demand. We regard it rather as a long-term prospect. Moreover, refined platinum supply (incl. scrap) is highly dependent on South Africa (which accounted for approximately 60% of the global supply in 2019), the region challenged by multi-year underinvestments, electricity supply issues, and uncertainty over COVID-19 impact. This feeds, in our opinion, to consumer concerns over the long-term platinum supply availability, which, in its own turn, should result in a slower changes in the metal mix used in auto-catalysts.

ETF investment demand increased to over 400koz in May-July, thus fully offsetting the fund outflows in Jan-Apr. We expect further acceleration of investment demand from both retail and institutional investors as prospects of more stimulus coming from global central banks should drive higher investment demand for precious metals overall, and platinum, in particular.

Platinum supply is expected to fall 17% y-o-y to 7.0 moz, on our estimates, driven by supply disruptions in South Africa and lower recycling. We do not expect any additional supply rationalization as at ZAR/USD 17 exchange rate, high cost PGM producers can afford rhodium price decreasing to USD 3,000 per ounce and palladium to USD 1,500 per ounce before the basket price drops below break-even. The only major uncertainty remains to be the spread of coronavirus as the situation in South Africa remains challenging: as of the end of July around 3,500 mining industry workers were infected.

KEY SEGMENTAL HIGHLIGHTS[1]

USD million (unless stated otherwise)	1H2020	1H2019	Change,%
Revenue	**6,711**	**6,292**	**7%**
GMK Group	6,080	5,907	3%
South cluster	311	462	(33%)
KGMK Group	4,015	465	9x
NN Harjavalta	599	522	15%
GRK Bystrinskoye	421	1	n.a.
Other mining	39	74	(47%)
Other non-metallurgical	719	647	11%
Eliminations	(5,473)	(1,786)	3x
EBITDA	**1,838**	**3,719**	**(51%)**
GMK Group	2,003	4,069	(51%)
South cluster	176	262	(33%)
KGMK Group	424	87	5x
NN Harjavalta	59	40	48%
GRK Bystrinskoye	277	160	73%
Other mining	(34)	(4)	9x
Other non-metallurgical	(3)	12	n.a.
Eliminations	(678)	(525)	29%
Unallocated	(386)	(382)	1%
EBITDA margin	**27%**	**59%**	**(32 p.p.)**
GMK Group	33%	69%	(36 p.p.)
South cluster	57%	57%	–
KGMK Group	11%	19%	(8 p.p.)
NN Harjavalta	10%	8%	2 p.p.
GRK Bystrinskoye	66%	n.a.	n.a.
Other mining	(87%)	(5%)	(82 p.p.)
Other non-metallurgical	0%	2%	(2 p.p.)

1) Segments are defined in the consolidated financial statements

In 1H2020, revenue of GMK Group segment increased 3% to USD 6,080 million. The growth was primarily driven by higher palladium and rhodium prices that were partly compensated by the decrease in PGMs sales volumes and by the launch of direct sales of semi-products to KGMK Group in 1H2019. PGMs sales volumes decreased due to higher base effect in 1H2019 owing to the release of work-in-progress inventory in 1H2019.

Revenue of South cluster segment decreased 33% to USD 311 million due to the launch of direct sales of semi-products to GMK Group in 1H2019.

Revenue of KGMK Group segment increased nine times to USD 4,015 million due to the launch of direct sales of semi-products supplied by GMK Group segment.

Revenue of NN Harjavalta increased 15% to USD 599 million driven by higher sales volumes of semi-products and higher palladium price.

Revenue of GRK Bystrinskoye amounted to USD 421 million, which included sales of semi-products since the full commissioning of Bystrinsky project in September 2019.

Revenue of Other mining segment decreased 47% to USD 39 million mostly owing to lower semi-products sales, which was partly compensated by higher palladium price.

Revenue of Other non-metallurgical segment increased 11% to USD 719 million. Higher sales volumes from Palladium Fund and higher palladium prices were partly compensated by lower air transportation and fuel sales.

In 1H2020, EBITDA of GMK Group segment decreased 51% to USD 2,003 million owing to accrual of environmental provision. 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 33% to USD 176 million due to decrease in metal sales.

EBITDA of KGMK Group segment increased almost 5 times to USD 424 million primarily owing to the launch of direct sales of semi-products supplied by GMK Group segment.

EBITDA of NN Harjavalta increased by USD 19 million to USD 59 million as result of higher revenue.

EBITDA of GRK Bystrinskoye segment increased by USD 117 million to USD 277 million due to higher production volumes.

EBITDA of Other non-metallurgical segment decreased by USD 15 million to negative USD 3 million owing to lower air transportation and fuel sales.

EBITDA of Unallocated segment remained almost unchanged and amounted to a negative USD 386 million.

SALES VOLUME AND REVENUE	1H2020	1H2019	Change,%
Metal sales			
Group			
Nickel, thousand tons[1]	99	113	(12%)
from own Russian feed	93	108	(14%)
from 3d parties feed	1	2	(50%)
in semi-products[3]	5	3	67%
Copper, thousand tons[1,2]	217	223	(3%)
from own Russian feed	182	205	(11%)
in semi-products[3]	35	18	94%
Palladium, koz[1]	1,274	1,537	(17%)
from own Russian feed	1,262	1,485	(15%)
in semi-products[3]	12	52	(77%)
Platinum, koz[1]	324	390	(17%)
from own Russian feed	322	380	(15%)
in semi-products[3]	2	10	(80%)
Rhodium, koz[1]	24	42	(43%)
from own Russian feed	23	33	(30%)
in semi-products[3]	1	9	(89%)
Cobalt, thousand tons [1]	2	3	(33%)
from own Russian feed	1	2	(50%)
from 3d parties feed	1	1	0%
Gold, koz[1]	178	95	87%
from own Russian feed	85	92	(8%)
in semi-products[3]	93	3	31x
Average realized prices of refined metals produced by the Group			
Metal			
Nickel (USD per tonne)	12,739	12,781	0%
Copper (USD per tonne)	5,475	6,221	(12%)
Palladium (USD per oz)	2,102	1,406	50%
Platinum (USD per oz)	847	829	2%
Rhodium (USD per oz)	9,343	2,927	3x
Cobalt (USD per tonne)	32,185	20,314	58%
Gold (USD per oz)	1,624	1,307	24%
Revenue, USD million[4]			
Nickel	1,264	1,499	(16%)
including semi-products	70	100	(30%)
Copper	1,168	1,385	(16%)
including semi-products	168	108	56%
Palladium	3,075	2,374	30%
including semi-products	55	101	(46%)
Platinum	278	330	(16%)
including semi-products	6	15	(60%)
Other metals	660	352	88%
including semi-products	234	42	6x
Revenue from metal sales	**6,445**	**5,940**	**9%**
Revenue from other sales	266	352	(24%)
Total revenue	**6,711**	**6,292**	**7%**

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) Includes semi-products, produced by GRK "Bystrynskoe" after ramp-up of Bystrinsky project that was fully commissioned in September 2019.
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 "Bystrynskoe", after ramp-up of Bystrinsky project that was fully commissioned in September 2019.

Nickel

Nickel sales contributed 20% to the Group's total metal revenue in 1H2020, down from 25% in 1H2019. This reduction in nickel share of metal revenue was primarily driven by increase of palladium's share in metal revenue.

In 1H2020, nickel revenue was down 16% to USD 1,264 million. The decline was driven by the decrease in sales volume (-USD 220 million). Nickel revenue wasn't significantly affected by the change in average realized nickel price.

The average realized price of refined nickel remained practically unchanged at USD 12,739 per tonne in 1H2020 vs USD 12,781 per tonne in 1H2019.

Sales volume of refined nickel produced from own Russian feed, decreased by 14% (or -15 thousand tonnes) to 93 thousand tonnes due to lower production volume caused by pre-commissioning works of the new nickel refinery workshop at the Kola MMC, as well as the weak global demand for the metal owing to the coronavirus pandemic.

Sales volume of nickel produced from third-party feed decreased 50% to 1 thousand tonnes primarily due to the decreased processing of third-party feed at Harjavalta refinery.

In 1H2020, sales of nickel in semi-products decreased by 30% to USD 70 million primarily owing to lower sales volume of semi-products.

Copper

In 1H2020, copper sales accounted for 18% of the Group's total metal sales, decreasing 16% (or -USD 217 million) to USD 1,168 million. The decline was driven by both lower realized copper price (-USD 167 million) and decrease in sales volume (-USD 50 million).

The average realized price of refined copper decreased 12% from USD 6,221 per tonne in 1H2019 to USD 5,475 per tonne in 1H2020.

Physical volume of refined copper sales from the Company's own Russian feed decreased by 11% (or -23 thousand tonnes) to 182 thousand tonnes primarily due to earlier navigation break at the port of Dudinka in 1H2020. This effect was exacerbated by the reduction of output at Kola MMC due to reduction of capacity owing to unfavorable meteorological conditions in order to reduce environmental impact and lower copper production from concentrate purchased from Rostec.

Revenue from copper in semi-products in 1H2020 increased 56% to USD 168 million primarily due to ramp-up of the Bystrinsky project that was fully commissioned in September 2019, which was partly negatively compensated by processing of semi-products produced by Kola MMC and NN Harjavalta at the Polar division refinery in 2020.

Palladium

In 1H2020, palladium accounted for 48% of total metal revenue, increasing 8 p.p. y-o-y. Palladium revenue increased 30% (or +USD 701 million) to USD 3,075 million due to higher realized price (+USD 1,053 million) which was partly compensated negatively by lower sales volume (-USD 534 million).

The average realized price of refined palladium increased 50% from USD 1,406 per troy ounce in 1H2019 to USD 2,102 per troy ounce in 1H2020.

Physical volume of refined palladium sales from the Company's own Russian feed decreased by 15% (or -223 thousand troy ounces) to 1,262 thousand troy ounces in 1H2020 due to higher base effect in 1H2019 owing to the release of work-in-progress inventory.

Revenue of palladium in semi-products decreased 46% to USD 55 million in 1H2020 primarily due to lower sales volume of semi-products resulting from processing of semi-products produced by Kola MMC and NN Harjavalta at the Polar division refinery in 2020.

In 1H2020, revenue from the resale of palladium purchased from third parties amounted to USD 367 million (vs USD 185 million in 1H2019).

Platinum

In 1H2020, platinum sales decreased 16% (or -USD 52 million) to USD 278 million and accounted for 4% of the Group's total metal revenue. The decline of sales volume (-USD 60 million) was partly positively offset by increase in realized platinum price (+USD 8 million).

Physical volume of refined platinum sales from the Company's own Russian feed decreased 15% (or -58 thousand troy ounces) to 322 thousand troy ounces in 1H2020 due to higher base effect in 1H2019 owing to the release of work-in-progress inventory.

Revenue of platinum in semi-products in 1H2020 decreased 60% to USD 6 million primarily due to lower sales volume of semi-products resulting from processing of semi-products produced by Kola MMC and NN Harjavalta at the Polar division refinery in 2020.

Other metals

In 1H2020, revenue from other metals increased 88% (or +USD 308 million) to USD 660 million. This was primarily driven by higher revenue from gold (+USD 164 million) mainly due to the ramp-up of Bystrinsky project, higher revenue from rhodium (+USD 103 million) primarily due to strong prices, which was partly offset negatively by the decrease in cobalt revenue (-USD 18 million) primarily owing to lower sales volume.

OTHER SALES

In 1H2020, other sales decreased 24% to USD 266 million. Negative impact owing to Russian rouble depreciation amounted to USD 17 million and was exacerbated by a decrease of air transportation services and oil products sales.

COST OF SALES

Cost of metal sales

In 1H2020, the cost of metal sales increased 1% (or +USD 16 million) to USD 2,197 million, with the main impacts coming from the following changes:

- Increase in cash operating costs by 7% (or +USD 127 million);
- Increase in depreciation and amortisation by 29% (or +USD 97 million);
- Comparative effect of change in metal inventories y-o-y leading to cost of metal sales decrease of USD 208 million.

Cash operating costs

In 1H2020, total cash operating costs increased 7% (or +USD 127 million) to USD 1,900 million.

The positive effect of Russian rouble depreciation (-USD 71 million) was partly compensated by inflationary growth of cash operating costs (+USD 13 million) and higher expenses primarily due to the pandemic (+USD 38 million).

Cash operating costs increased due to the full commissioning of Bystrinsky project by USD 117 million in 1H2020.

USD million	**1H2020**	**1H2019**	**Change,%**
Labour	696	615	13%
Materials and supplies	315	275	15%
Purchases of refined metals for resale	297	192	55%
Mineral extraction tax and other levies	114	110	4%
Third party services	106	96	10%
Purchases of raw materials and semi-products	101	246	(59%)
Electricity and heat energy	74	77	(4%)
Fuel	59	48	23%
Transportation expenses	46	38	21%
Sundry costs	92	76	21%
Total cash operating costs	**1,900**	**1,773**	**7%**
Depreciation and amortisation	437	340	29%
(Increase)/decrease in metal inventories	(140)	68	n.a.
Total cost of metal sales	**2,197**	**2,181**	**1%**

Labour

In 1H2020, labour costs increased 13% (or USD 81 million) to USD 696 million amounting to 37% of the Group's total cash operating costs driven by the following factors:

- -USD 35 million – positive effect of the Russian rouble depreciation against US dollar;
- +USD 23 million - indexation of salaries and wages in line with the terms of collective bargaining agreement;
- +USD 31 million - ramp-up of Bystrinsky project that was fully commissioned in September 2019;
- +USD 36 million – hardship payments to employees due to the pandemic;
- +USD 29 million – higher expenses on provision for unused vacations.

Materials and supplies

In 1H2020, expenses for materials and supplies increased 15% (or USD 40 million) to USD 315 million driven by the following factors:

- -USD 15 million - positive effect of the Russian rouble depreciation against US dollar;
- +USD 22 million - ramp-up of Bystrinsky project that was fully commissioned in September 2019;
- +USD 31 million - higher materials and supplies expenses primarily related to higher consumption of materials;
- +USD 2 million - higher materials expenses primarily due to the pandemic.

Purchases of refined metals for resale

In 1H2020, expenses related to purchase of refined metals for resale increased 55% (or USD 105 million) to USD 297 million owing to the increase in palladium price.

Mineral extraction tax and other levies

In 1H2020, mineral extraction tax and other levies increased 4% (or USD 4 million) to USD 114 million driven by the following factors:

- -USD 6 million - positive effect of the Russian rouble depreciation against US dollar;
- +USD 10 million – primarily owed to an increase in payments related to negative environmental impact due to changes in legislation.

Third-party services

In 1H2020, cost of third party services increased 10% (or USD 10 million) to USD 106 million mainly driven by:

- -USD 4 million - positive effect of the Russian rouble depreciation against US dollar;
- +USD 24 million - ramp-up of Bystrinsky project that was fully commissioned in September 2019;
- -USD 10 million - primarily lower Nkomati production volumes.

Purchases of raw materials and semi-products

In 1H2020, purchases of raw materials and semi-products decreased 59% (or USD 145 million) to USD 101 million driven by the following factors: palladium and rhodium prices

- -USD 93 million - lower processed volumes of Rostec concentrate;
- -USD 19 million - lower volumes of purchased semi-products from Boliden for processing at NN Harjavalta;
- -USD 32 million - lower purchases of Nkomati concentrate.

Electricity and heat energy

In 1H2020, electricity and heat energy expenses decreased by USD 3 million to USD 74 million driven by the following:

- -USD 3 million - positive effect of the Russian rouble depreciation against US dollar;
- -USD 4 million - lower electricity tariffs;
- +USD 6 million - ramp-up of Bystrinsky project that was fully commissioned in September 2019.

Fuel

In 1H2020, fuel expenses increased 23% (or USD 11 million) to USD 59 million driven by the following factors:

- -USD 3 million - positive effect of the Russian rouble depreciation against US dollar;
- -USD 6 million - lower oil price;
- +USD 7 million – increase in fuel consumption by operations in Norilsk industrial region;
- +USD 13 million - ramp-up of Bystrinsky project that was fully commissioned in September 2019.

Transportation expenses

In 1H2020, transportation expenses increased 21% (or +USD 8 million) to USD 46 million driven by the following factors:

- -USD 2 million - positive effect of the Russian rouble depreciation against US dollar;
- +USD 12 million - ramp-up of Bystrinsky project that was fully commissioned in September 2019.

Sundry costs

In 1H2020, sundry costs increased 21% (or +USD 16 million) to USD 92 million mainly driven by the commissioning of Bystrinsky project and higher expenses in Norilsk industrial region.

Depreciation and amortisation

In 1H2020, depreciation and amortisation expenses increased 29% (or USD 97 million) to USD 437 million.

Positive effect of the Russian rouble depreciation amounted to -USD 18 million.

Depreciation charges in real terms increased by USD 115 million mainly due to transfers from construction in progress to production assets including the full commissioning of Bystrinsky project.

(Increase)/decrease in metal inventories

In 1H2020, comparative effect of change in metal inventory amounted to -USD 208 million resulting in a decrease of cost of metal sales, primarily driven by accumulation of refined metals and work-in-process in 1H2020 excluding the changes in Rostec concentrate.

COST OF OTHER SALES

In 1H2020, cost of other sales decreased by USD 51 million to USD 304 million.

Cost of other sales decreased primarily due to lower air transportation and fuel sales exacerbated by the positive effect of Russian rouble depreciation.

SELLING AND DISTRIBUTION EXPENSES

USD million	**1H2020**	**1H2019**	**Change,%**
Marketing expenses	22	22	0%
Transportation expenses	20	22	(9%)
Staff costs	7	7	0%
Other	8	4	100%
Total	**57**	**55**	**4%**

In 1H2020, selling and distribution expenses increased 4% (or USD 2 million) to USD 57 million.

GENERAL AND ADMINISTRATIVE EXPENSES

USD million	**1H2020**	**1H2019**	**Change,%**
Staff costs	278	301	(8%)
Third party services	54	41	32%
Taxes other than mineral extraction tax and	36	38	(5%)
Depreciation and amortisation	31	33	(6%)
Transportation expenses	10	8	25%
Other	20	22	(9%)
Total	**429**	**443**	**(3%)**

In 1H2020, general and administrative expenses decreased 3% (or USD 14 million) to USD 429 million. Positive effect of the Russian rouble depreciation amounted to -USD 24 million. Changes of the general and administrative expenses in real terms were primarily driven by the following:

- -USD 6 million – decrease in staff costs mainly due to one-off payments related to management bonuses, which was partly compensated by salaries indexation;
- +USD 14 million – increase of third party services related to the automatization of production processes and roll out of digital technologies.

OTHER OPERATING (EXPENSES)/INCOME, NET

USD million	**1H2020**	**1H2019**	**Change,%**
Environmental provisions	(2,134)	(1)	(100%)
Social expenses	(207)	(112)	85%
Net income earned during the pre-commissioning stage	–	155	(100%)
Change in other provisions	1	(11)	n.a.
Other, net	(19)	(13)	46%
Total	**(2,359)**	**18**	**n.a.**

In 1H2020, other operating expenses increased by USD 2,377 million to USD 2,359 million driven by the following factors:

- Recording of the Environmental provision related to the liquidation of diesel fuel leak at the industrial site of the Heat and Power Plant № 3 in the Kayerkan neighborhood of Norilsk and compensation of environmental damages (-USD 2,134 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 155 million);
- Increase in social expenses including coronavirus relief packages provided to the regions of the Company's operations (-USD 95 million).

FINANCE COSTS, NET

USD million	**1H2020**	**1H2019**	**Change,%**
Interest expense, net of amounts capitalised	201	156	29%
Fair value loss/(gain) on the cross-currency interest rate swap contracts	124	(117)	n.a.
Changes in fair value of current liabilities	115	–	100%
Unwinding of discount on provisions and payables	32	42	(24%)
Interest expense on lease liabilities	7	6	17%
Other, net	2	2	0%
Total	**481**	**89**	**5x**

In 1H2020, finance costs increased five times to USD 481 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 1H2020 and its appreciation in 1H2019, and also due to a change in fair value of current liabilities. This effect was reinforced by the increase in interest expense on borrowings, net of amounts capitalized, by 29%, the main drivers for which were the increase in accrued interest by USD 17 million as the Company obtained new long-term borrowings in 1H2020, and the decrease in interest capitalization by USD 35 million primarily due to the commissioning of Bystrinsky GOK in September 2019.

In spite of the increase in gross debt, the effective interest rate of the Company's debt portfolio decreased owing to:

- Loose monetary policies of the Federal Reserve System of the USA and the Bank of Russia, which led to the reduction of floating interest rates (51% of the Company's total debt is tied to floating indicators, main of which are 1 Month Libor, the average value of which decreased from 2.47% per annum in 1H2019 to 0.88% per annum in 1H2020, and the key rate of the Bank of Russia, the average value of which decreased from 7.63% per annum in 1H2019 to 5.77% per annum in 1H2020); and
- Refinancing of a syndicated loan facility with a group of international banks, originally signed in December 2017, 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.

INCOME TAX EXPENSE

In 1H2020, income tax expense decreased 92% y-o-y to USD 60 million driven mostly by the decrease of profit before tax.

The effective income tax rate in 1H2020 of 57.1% was above the Russian statutory tax rate of 20%, which was primarily driven by relatively low profit before tax and recognition of non-deductible social expenses.

The breakdown of the income tax expense:

USD million	**1H2020**	**1H2019**	**Change,%**
Current income tax expense	697	895	(22%)
Deferred tax benefit	(637)	(119)	5x
Total	**60**	**776**	**(92%)**

The breakdown of the current income tax expense by tax jurisdictions:

USD million	**1H2020**	**1H2019**	**Change,%**
Russian Federation	685	884	(23%)
Finland	11	4	3x
Rest of the world	1	7	(86%)
Total	**697**	**895**	**(22%)**

EBITDA

USD million	**1H2020**	**1H2019**	**Change,%**
Operating profit	1,375	3,271	(58%)
Depreciation and amortisation	473	443	7%
Impairment of non-financial assets	(10)	5	n.a.
EBITDA	**1,838**	**3,719**	**(51%)**
EBITDA margin	**27%**	**59%**	**(32 p.p.)**

In 1H2020, EBITDA decreased 51% (or -USD 1,881 million) to USD 1,838 owing to environmental provision of USD 2,134 million that was partly offset by higher metal revenue.

STATEMENT OF CASH FLOWS

USD million	**1H2020**	**1H2019**	**Change,%**
Cash generated from operations before	**4,059**	**3,757**	**8%**
Movements in working capital	(385)	(361)	7%
Income tax paid	(483)	(809)	(40%)
Net cash generated from operating	**3,191**	**2,587**	**23%**
Capital expenditure	(551)	(500)	10%
Other investing activities	39	119	(67%)
Net cash used in investing activities	**(512)**	**(381)**	**34%**
Free cash flow	**2,679**	**2,206**	**21%**
Interest paid	(253)	(202)	25%
Other financing activities	(457)	63	n.a.
Net cash used in financing activities	**(710)**	**(139)**	**5x**
Less: cash and cash equivalents related to assets classified as held for sale at the end of the period	–	(25)	100%
Effects of foreign exchange differences on balances of cash and cash equivalents	87	58	50%
Net change in cash and cash equivalents	**2,056**	**2,100**	**(2%)**

In 1H2020, free cash flow increased to USD 2.7 billion. Higher cash generated from operating activities and decrease in income tax payments were partly offset negatively by more cash used in investing activities.

In 1H2020, net cash generated from operating activities increased 23% to USD 3.2 billion primarily driven by higher palladium price and ramp-up of Bystrinsky project as well as decrease in income tax payments due to lower taxable profit.

In spite of the reduction in the average cost of debt, interest paid was up 25% to USD 253 million following the increase in gross debt.

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

USD million	**1H2020**	**1H2019**
Change of the net working capital in the balance sheet	**(53)**	**(415)**
Foreign exchange differences	(104)	84
Change in income tax payable	(201)	(84)
Change of long term components of working capital	(35)	93
Other changes including reserves	8	(39)
Change of working capital per cash flow	**(385)**	**(361)**

Capital investments breakdown by project is presented below:

USD million	1H2020	1H2019	Change,%
Polar Division, including:	253	165	53%
Skalisty mine	31	17	82%
Taymirsky mine	38	34	12%
Komsomolsky mine	24	17	41%
Oktyabrsky mine	6	11	(45%)
Talnakh Concentrator	17	8	2x
Sulfur project	33	4	8x
Other Polar Division project	104	74	41%
Kola MMC	50	106	(53%)
Chita (Bystrinsky) project	47	32	47%
Other production projects	194	194	0%
Other non-production assets	7	3	2x
Total	**551**	**500**	**10%**

In 1H2020, CAPEX increased 10% (USD 51 million) following higher investments in mining projects, launch of the active phases of sulfur project and expansion of Talnakh Concentrator as well as the increase of capitalized repair costs.

DEBT AND LIQUIDITY MANAGEMENT

USD million	As of 30 June 2020	As of 31 December 2019	Change, USD million	Change,%
Non-current loans and borrowings	10,870	8,533	2,337	27%
Current loans and borrowings	993	1,087	(94)	(9%)
Lease liabilities	264	224	40	18%
Total debt	**12,127**	**9,844**	**2,283**	**23%**
Cash and cash equivalents	4,840	2,784	2,056	74%
Net debt	**7,287**	**7,060**	**227**	**3%**
Net debt /12M EBITDA	1.2x	0.9x	0.3x	

As of June 30, 2020, the Company's total debt increased by 23% (or USD +2,283 million) to USD 12,127 million as compared to December 31, 2019. The gross debt increased mainly due to the draw down of long-term funds in the amount of USD 1,565 million from a syndicated loan facility, which had its funding limit increased to USD 4,150 million in February 2020 from USD 2,500 million in December 2019, as well as drawing of long-term funds in the amount of RUB 60 billion from a revolving credit facility.

The Company's net debt as of June 30, 2020 changed insignificantly from December 31, 2019, due to the increase in cash and cash equivalents by 74% (or USD +2,056 million) which largely offset increase in the total debt. Net debt/12M EBITDA ratio as of June 30, 2020, increased by 0.3x as compared to December 31, 2019, to 1.2x following the recognition of environmental provision in 1H2020.

On June 8, 2020, international rating agency Fitch affirmed the Company's credit rating at "BBB-" with "Stable" outlook. As of June 30, 2020, Nornickel had investment grade credit ratings assigned from all three international rating agencies, Fitch, Moody's and S&P Global, and Russian rating agency, "Expert RA".

Attachment A

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2020

US Dollars million

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Revenue		
Metal sales	6,445	5,940
Other sales	266	352
Total revenue	**6,711**	**6,292**
Cost of metal sales	(2,197)	(2,181)
Cost of other sales	(304)	(355)
Gross profit	**4,210**	**3,756**
General and administrative expenses	(429)	(443)
Selling and distribution expenses	(57)	(55)
Impairment of non-financial assets	10	(5)
Other operating income/(expenses), net	(2,359)	18
Operating profit	**1,375**	**3,271**
Foreign exchange gain/(loss), net	(822)	548
Finance costs, net	(481)	(89)
Income from investments	33	43
Profit before tax	**105**	**3,773**
Income tax expense	(60)	(776)
Profit for the period	**45**	**2,997**
Attributable to:		
Shareholders of the parent company	(31)	2,881
Non-controlling interests	76	116
	45	**2,997**
EARNINGS/(LOSS) PER SHARE		
Basic and diluted earnings/(loss) per share attributable to shareholders of the parent company (US Dollars per share)	(0.2)	18.2

Attachment B

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED) AT 30 JUNE 2020

US Dollars million

	At 30 June 2020	At 31 December 2019
ASSETS		
Non-current assets		
Property, plant and equipment	10,821	11,993
Intangible assets	207	215
Other financial assets	114	223
Deferred tax assets	691	98
Other non-current assets	344	370
	12,177	**12,899**
Current assets		
Inventories	2,394	2,475
Trade and other receivables	410	362
Advances paid and prepaid expenses	87	74
Other financial assets	47	51
Income tax receivable	–	68
Other taxes receivable	386	644
Cash and cash equivalents	4,840	2,784
Other current assets	42	117
	8,206	**6,575**
Assets classified as held for sale	18	–
	8,224	**6,575**
TOTAL ASSETS	**20,401**	**19,474**
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	6	6
Share premium	1,254	1,254
Translation reserve	(5,380)	(4,899)
Retained earnings	6,220	7,452
Equity attributable to shareholders of the parent company	**2,100**	**3,813**
Non-controlling interests	496	474
	2,596	**4,287**
Non-current liabilities		
Loans and borrowings	10,870	8,533
Lease liabilities	209	180
Provisions	710	674
Trade and other long-term payables	32	37
Deferred tax liabilities	45	60
Other long-term liabilities	141	281
	12,007	**9,765**
Current liabilities		
Loans and borrowings	993	1,087
Lease liabilities	55	44
Trade and other payables	1,389	1,706
Dividends payable	11	1,553
Employee benefit obligations	366	393
Provisions	2,166	100
Derivative financial instruments	10	–
Income tax payable	177	36
Other taxes payable	307	503
Other current liabilities	324	–
	5,798	**5,422**
TOTAL LIABILITIES	**17,805**	**15,187**
TOTAL EQUITY AND LIABILITIES	**20,401**	**19,474**

Attachment C

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2020

US Dollars million

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
OPERATING ACTIVITIES		
Profit before tax	**105**	**3,773**
Adjustments for:		
Depreciation and amortisation	473	443
Impairment of non-financial assets	(10)	5
Loss on disposal of property, plant and equipment	3	5
Change in provisions and allowances	2,206	6
Finance costs and income from investments, net	448	46
Foreign exchange loss/(gain), net	822	(548)
Other	12	27
	4,059	**3,757**
Movements in working capital:		
Inventories	(101)	98
Trade and other receivables	(65)	(111)
Advances paid and prepaid expenses	(41)	(8)
Other taxes receivable	195	(54)
Employee benefit obligations	21	11
Trade and other payables	(244)	(303)
Provisions	(28)	(26)
Other taxes payable	(122)	32
Cash generated from operations	**3,674**	**3,396**
Income tax paid	(483)	(809)
Net cash generated from operating activities	**3,191**	**2,587**
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(519)	(481)
Purchase of other financial assets	(5)	(5)
Purchase of intangible assets	(32)	(19)
Loans issued	(1)	(2)
Proceeds from repayment of loans issued	1	2
Net change in deposits placed	(2)	80
Proceeds from disposal of property, plant and equipment	2	3
Proceeds from sale of other financial assets	1	–
Interest and other investment income received	43	41
Net cash used in investing activities	**(512)**	**(381)**

Attachment C

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2020 (CONTINUED)

US Dollars million

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
FINANCING ACTIVITIES		
Proceeds from loans and borrowings	2,400	727
Repayments of loans and borrowings	(4)	(639)
Payments of lease liabilities	(22)	(24)
Dividends paid	(2,831)	(1)
Interest paid	(253)	(202)
Net cash used in financing activities	**(710)**	**(139)**
Net change in cash and cash equivalents	**1,969**	**2,067**
Cash and cash equivalents at the beginning of the period	**2,784**	**1,388**
Less: cash and cash equivalents related to assets classified as held for sale at the end of the period	–	(25)
Effects of foreign exchange differences on balances of cash and cash equivalents	87	58
Cash and cash equivalents at the end of the period	**4,840**	**3,488**

Attachment D

NET WORKING CAPITAL

USD million	**30/06/2020**	**31/12/2019**	**Change**	**incl. effects of foreign exchange differences**
Finished goods	492	407	85	(39)
Work-in-process	1,204	1,334	(130)	(151)
Other inventories	698	734	(36)	(84)
Trade and other receivables	410	362	48	(10)
Advances paid and prepaid expenses	87	74	13	(10)
Taxes receivable	386	712	(326)	(80)
Employee benefit obligations	(366)	(393)	27	44
Trade and other payables*	(1,389)	(1,706)	317	146
Taxes payable	(484)	(539)	55	80
Total working capital	**1,038**	**985**	**53**	**(104)**

This announcement contains inside information in accordance with Article 7 of EU Regulation 596/2014 of 16 April 2014.

Full name and position of person making the announcement - Vladimir Zhukov, Vice - president, Investor Relations

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, sulphur 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 as well as in Finland and South Africa.

MMC Norilsk Nickel shares are listed on the Moscow and on the Saint-Petersburg Stock Exchanges, ADRs are traded over the counter in the US and on the London, Berlin and Frankfurt Stock Exchanges.

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