Norilsk Nickel 2020 Financial Results Presentation February 2021

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## **2020 Financial Performance Highlights**

#### **Consolidated Revenue**



#### **EBITDA**



#### **EBITDA margin**

**49%** 

Environmental provision Social expenses O

Depreciation of RUB against USD

Revenue

Ο

COVID-related effects

#### **Free Cash Flow**

**\$6.6**bn up 36% vs 2019

#### CAPEX



#### **Net Debt/EBITDA ratio**

**0.6**x down 0.3x vs Dec'31 2019

Investment grade credit ratings reiterated by all three major international rating agencies

#### **Dividends**



- Interim 9M19 of USD 9.91 per share <sup>(1)</sup> paid in January 2020
- Final 2019 of USD 7.99 per share<sup>(1)</sup> paid in June 2020
- Interim 9M20 of USD 8.46 per share<sup>(1)</sup> paid in December 2020



- Mining projects Sulfur programme – active
  - construction phase

**Higher CAPEX** 

High operating cash flow

Decreased income tax payments

Increased spending towards improvement of industrial safety

down 9 p.p. vs 2019

One of the global leaders Environmental provision

#### **Net Working Capital**



- Change in income tax payable
- Depreciation of RUB against USD
- Cash advances from customers
- Inventories build-up

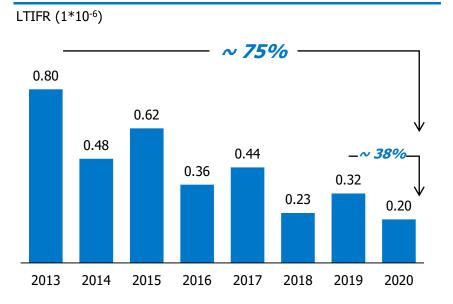
Note: 1. At the exchange rate as of dividend payment date



# Sustainable Development



### Health & Safety Update: Steady Improvement of Safety Records



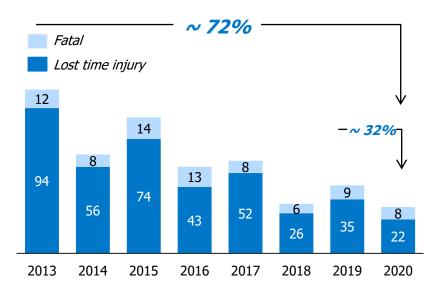
LTIFR Reduced to Record Low Levels

#### Health & Safety KPIs

- 20% of the Group's KPIs are linked to TRI (total recordable injuries)
- Bonuses of COO and heads of production units are conditioned upon fatalities

#### Accident Statistics Improved Significantly



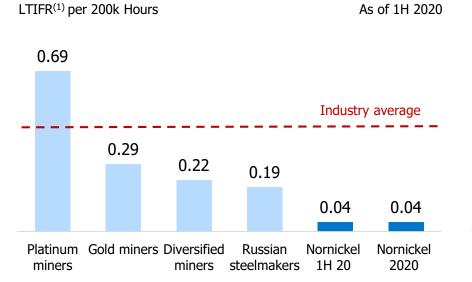


#### **Strategic Objectives**

- Zero-fatality on production sites zero tolerance policy towards workplace fatalities
- Continuous improvement average annual reduction of occupational injuries by c.15% since 2016



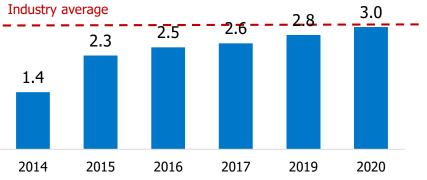
### Health & Safety: Strong Performance Relative to Industry



LTIFR Remains Below the Global Mining Industry Average

#### Assessment of Occupational Safety Culture: Score Significantly Improved Since 2014

Bradley Curve Indicator



- LTIFR remains well below the global mining industry average
- Improvements in safety culture driven by a complex strategy, including risk mitigation standards, safety communication campaign and dedicated risk mitigation programmes

Source: Company data, public filings for 1H 2020

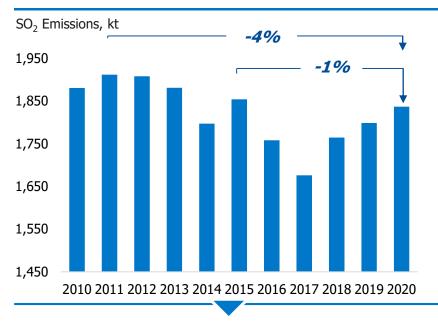
Notes: 1. Latest reported LTIFR data. Platinum Miners includes Sibanye-Stilwater, Implats, Northam Platinum, Royal Bafokeng Platinum, Anglo-American Platinum; Gold Miners includes Polyus, Barrick, Newmont, Agnico Eagle, Newcrest. Diversified Miners includes Anglo-American and Vale; Russian Steelmakers includes by Evraz, MMK, Severstal and NLMK.



6

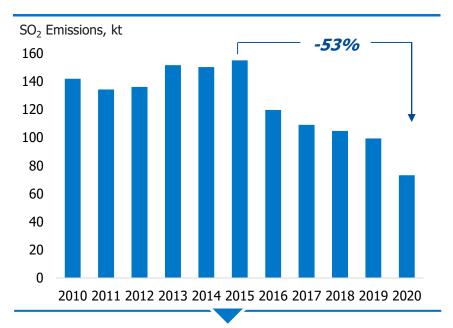
### Environmental Program: Reduction of SO<sub>2</sub> Emissions on Track

Polar Division: Sulphur Dioxide Emissions Decreased Against 9% Growth of Processed Ore Volumes Since 2015



- In 2020, a 2% increase in SO2 emissions at Polar Division was driven by an increase in processed feed volumes
- Since the closure of Nickel Plant in 2016, SO2 emissions within the boundaries of the city of Norilsk have been down 30-35%

#### Kola Division: Sulphur Dioxide Emissions More Than Halved Since 2015



- In 2020, SO2 emissions at Kola Division decreased 26%, with emissions in Nickel town and Zapolarny city down 71% <sup>(1)</sup>
- In December 2020, the smelting shop in the town of <u>Nickel</u> in Russia's Murmansk region was shut down leading to emissions in the cross-border area down 58% <sup>(1)</sup>
- Copper refining line is scheduled for shutdown in 1H 2021



### HPP-3 Incident: Key Milestones of Clean-Up and Rehabilitation

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### 2020

Phases 1&2: Clean-up completed (May 29<sup>th</sup> – June) Phase 3: Collection of the residues, transportation and utilization (June – October) 2021+ Phase 4: Rehabilitation (in-progress)

### $\checkmark$

- Over 90% of leaked fuel was collected and contaminated soil removed, including 35k cubic meters of water-fuel mixture and 189kt of contaminated soil removed
- Collected water-fuel mixture was transported to an industrial site near Nadezhda and separated from water
- Contaminated soil was placed into sealedoff hangars to prevent further risk to the environment
- River shores treated with sorbents and washed off
- ✓ Fuel residues in soil and water collected (sorbent bons)
- ✓ Almost 700 people and 300 equipment items were involved in the clean-up

#### 2021+

- Installation of booms ahead of the flooding (snowmelt, ice melting, ice drift)
- Washing of river shores and treating contamination residues on the land with sorbents
- Rehabilitation of the collected contaminated soil
   using microbiological remediation method
- · Land reclamation, grass seeding
- Monitoring of water bodies, soil and flora and fauna

#### 2021-2022

• Reproduction of aquatic bio-resources



# Great Norilsk Expedition to Norilsk Region – Assessing the Impact of Fuel Spill Incident





for sampling examined



from 14 research institutes of the Russian Academy of Sciences' Siberian Branch supervised by Valentin Parmon, Chairman of the Siberian Branch of the Russian Academy of Sciences



have been covered by expedition from the Bezymyanny Stream to the Kara Sea



collected during field trip

#### **Expedition results:**

- ✓ Report published in December 2020
- Research focus: geophysics and geochronology, permafrost soils, hydrobiology, surface waters, soil and vegetation cover, bottom sediments, and bio and zoological diversity
- The thawing of permafrost at the base of reservoir No. 5 and subsidence of the pile foundation could have been caused by underground drainage, the source of which is a lake located near the destroyed object
- No material negative impact of the incident on the ecosystems of Lake Pyasino and the Pyasina River
- The flow of a significant volume of oil products into the Arctic Ocean and the central and northern parts of Lake Pyasino was "practically impossible"



Source: the report of the Great Norilsk Expedition https://www.nornickel.com/files/ru/media-library/presentation/Great\_Norilsk\_Expedition\_ENG.pdf

### Climate Change: Maintaining Industry Lowest GHG Footprint

565

28.0

Peer 1



491

14.7

Peer 3

#### Scope 1&2 GHG Emissions Reduced in 2020

and 3 <sup>(3)</sup> Footprint Among Global Peers

226

12.6

Peer 4

Scope 1&2

mt CO<sub>2</sub>e

9.7

2.6

2030 Strategic Objectives:

- Maintain absolute GHG emissions from operations <sup>(1)</sup> (Scope 1,2 of 10 Mt CO2e) at one of the lowest levels among global diversified metals & mining peers while growing metal production by ~25-30% vs 2017
- Maintain Scope 1&2 GHG emissions per t of Ni-equivalent in the bottom quartile of global nickel industry GHG intensity curve <sup>(2)</sup>
- Increase low-carbon energy usage
- Manage climate-related risks by building resilience strategies and helping communities in the Norilsk industrial and Murmansk regions
- Encourage the shift to a low carbon future by using R&D to help develop new solutions and by engaging in cross-industry climate dialogue

Learn more on our Climate Change Strategy web-page: <u>https://www.nornickel.com/sustainability/climate-change/strategy/</u>

Source: Company's estimates, Peers data as for 2019, Nornickel data as of 2020; Note: 1. 2019 Assessment under GHG Protocol Corporate Accounting and Reporting Standards. Nornickel GHG emissions include amount of emissions that come from providing Norilsk with electricity by NTEK, and reserve for CO2 emissions from Sulphur Programme 2.0; 2. Based on Wood Mackenzie global nickel industry GHG intensity curve (CO2e per tonne of Ni equivalent; 3. Incl. only downstream part of the supply chain

563

17.7

Peer 2

Scope 3

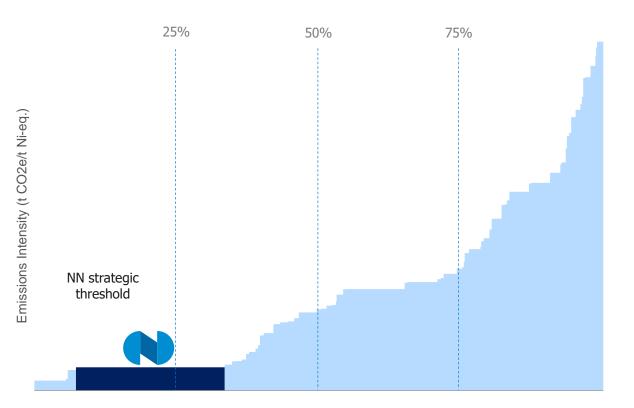


### Lowest Quartile Emissions Intensity Base Metals Producer

Nornickel's CO<sub>2</sub> Nickel Emissions (per tonne of Ni-eq.)

Combined leadership of Nornickel on both cost and GHG intensity curves to ensure unique competitive advantage in the economy of "Tomorrow"

Long-term target to sustain industry-leading positions in the 1<sup>st</sup> quartile of the GHG emissions intensity curve



Production (cumulative centile)

Source: Wood Mackenzie, Company's estimates. Norilsk figure includes reserve for CO<sub>2</sub> emissions from Sulphur Programme 2.0 execution



### Managing Carbon Footprint

| Maintaining Low<br>Carbon Intensity<br>Power Generation | <ul> <li>Strong starting point: large share of renewable energy in total energy consumption in the Norilsk region (55%) and the Group as a whole (46%) in 2020</li> <li>Increasing energy efficiency: replacement of turbines at Ust-Khantayskaya HPP, replacement of power units at Norilsk HPP-2 and HPP-3</li> <li>Switch to alternative fuels: replacing diesel fuel as a source of emergency fuel for Norilsk Heat and Power Plants</li> </ul> |
|---|---|
| Upgrading the Energy<br>Infrastructure                  | <ul> <li>Modernization of the electric grid complex, gas transmission and gas distribution systems of the Norilsk industrial region</li> <li>Construction of gas transmission infrastructure linking Pelyatka and Messoyakha gas fields to increase the system's reliability and facilitate replacement of emergency diesel fuel at Norilsk's HPPs</li> </ul>   |
| Decarbonizing<br>Transport                              | <ul> <li>Construction of a LNG production plant in Norilsk by 2023</li> <li>Switch moving heavy equipment and trucks from diesel to compressed natural gas (CNG) and hybrid, with pilots scheduled for 2H 2021</li> </ul>   |



### Selected Social Initiatives: Safeguarding Employees and Supporting Local Communities



Response to Coronavirus



Shutdown of

Kola



Renovation program in Norilsk region



Engagement with Indigenous People

- Nº1 rated by Forbes-Russia in terms of COVID-19 corporate spending
- Full support to employees
- Support of local communities, incl. purchases of 412 medical ventilators, 15 mobile labs, 7 emergency care vehicles, >500k COVID-19 tests etc.
- Vaccination in the regions of operations launched
  - **\$157 mln**

Coronavirus-related spending in 2020, including purchases of medical supplies and equipment  Employment Centre was launched in 2020

in Nickel Town in

smelting operations

- Development of urban environment
- Creation of new tourist opportunities for the region
- Renovation of housing, communal and social infrastructure
- Urban redevelopment
   of public spaces
- Construction of a hospital and educational facilities
- Joint program with the government, 4-parties agreement being prepared

- Ethnological expedition to Norilsk and survey of indigenous peoples
  - New 5-year cooperation agreement
  - 42 initiatives: support of traditional way of life, educational and culture, housing projects, sports and infrastructure, healthcare, tourism

2 RUB bln 5-year agreement



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Source: Company data

660 employees

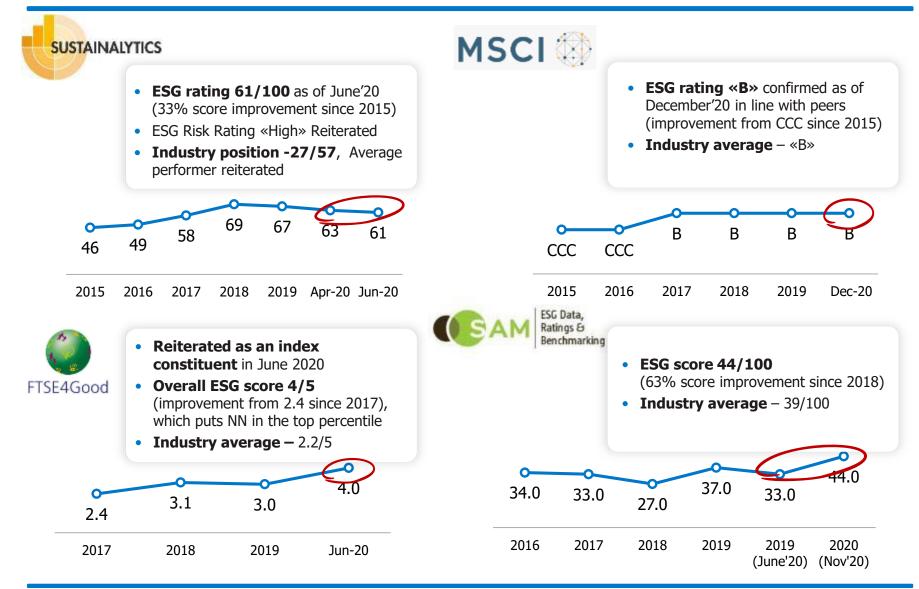
of the smelting shop and support functions will be affected by the closure of operations **80 RUB bln** Allocation towards the program by 2035

# Social Case Study: Shut Down of Smelting Operations in Nickel Town at the Norwegian Border



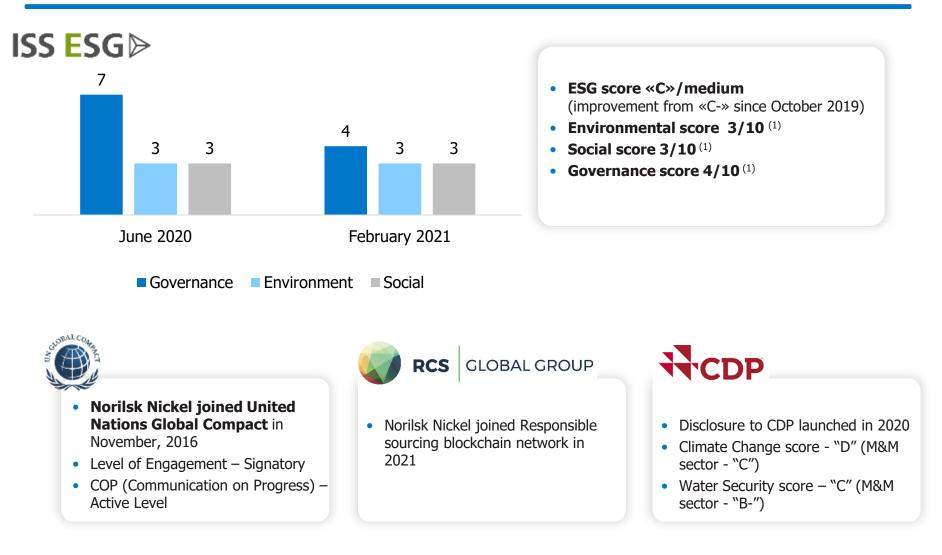
Lean more on shutdown of smelter in Nickel town: <u>https://www.nornickel.com/news-and-media/press-releases-and-news/nornickel-shuts-down-smelter-in-nikel-town/?dateStart=46800&dateEnd=1613509199&type=releases</u>

### Most Recent ESG Agencies' Actions (1/2)





### Most Recent ESG Agencies' Actions (2/2)





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### Advancing ESG Agenda Towards Best Practices



#### Progress in 2020

- New long-term sustainable development strategy with specific targets announced
- New climate change strategy with specific targets
   announced
- Corporate governance systems and environmental risk management instruments redesigned
- Board oversight of ESG matters and strategy increased
- Self-assessment for IRMA and ICCM launched
- Independent assessment of environmental impacts conducted: ERM, Big Norilsk Expedition, Ethnological Expedition
- Nickel smelter shut, SO<sub>2</sub> emissions at Kola Division reduced

#### **Disclosure improved**

- Scope 1 & 2, and Scope 3 CO<sub>2</sub> emissions in line with GHG protocol
- Disclosure on Climate Change and Water Security to CDP
- Tailings dams' management
- Engagement with indigenous people



#### 2021 Targets

- Management KPIs for 2021 to include zero environmental accidents
- Develop long term ESG KPIs
- Roll-out of ad-hoc strategies at the divisional level
- Setting environmental 2030 targets, development of key initiatives and capital investment plans
- Continue with execution of Sulphur Programme 2.0
- Launch waste collection and land reclamation programme in Norilsk
- Continue with full rehabilitation of the impacted environment following the diesel spill incident
- Design and roll-out of permafrost-based foundations monitoring in Norilsk
- Applications to ICMM and IRMA
- Upgrade of internal procedures in line with ICMM, IRMA principles
- Prepare TCFD compliance roadmap
- Publish audited Scope 3<sup>(1)</sup> emissions report



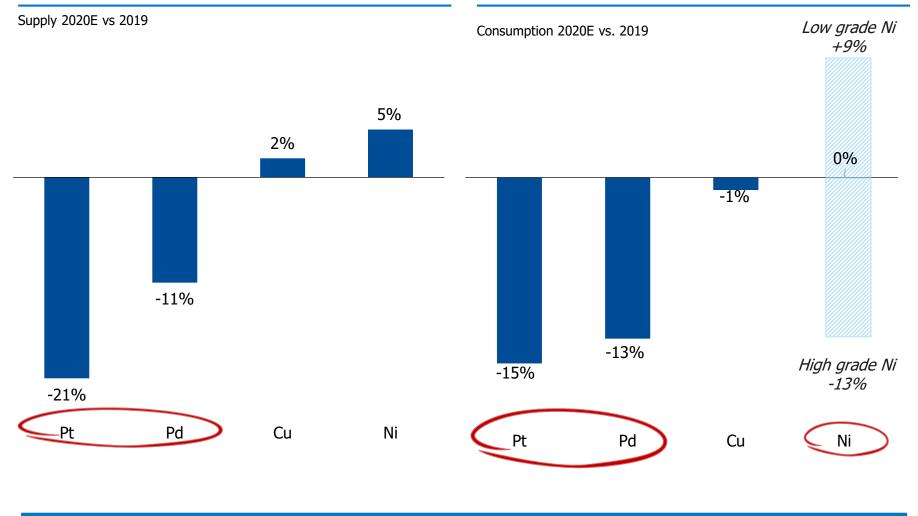
# Markets Update



### COVID-19: Major Distortion to Commodity Markets in 2020

Global Supply: PGMs Impacted the Most due to Quarantine in SA, Little Impact on Base Metals

#### Global Demand: PGMs Down Sharply on a Major Contraction of Autos, Base Metals More Resilient





### Global Economy on Track with a "V-shape" Recovery

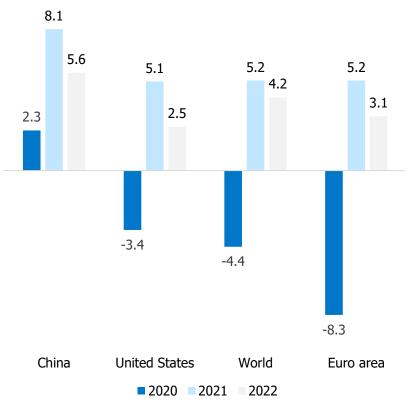
# Quarterly GDP Growth: Strong Rebound Ongoing through 1H 2021

GDP Growth, % Y-o-Y



# COVID-19 Impact on Global Economic Growth: a One-off

IMF Forecast for 2021-2022 GDP Growth, %



Sources: Bloomberg, IMF



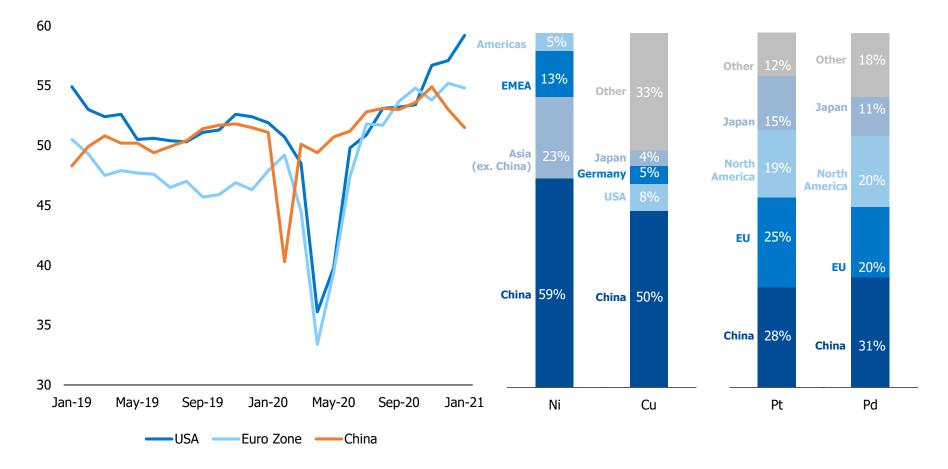
### Macro Environment: After a Sharp Contraction in Industrial Production in 2020, a Strong Recovery Under Way

Sharp Contraction in Global Industrial Production, Euro Zone Leading the Recovery China – the Largest Consumer of Base Metals, Europe and US – Main PGM Consumers

NORNICKEL

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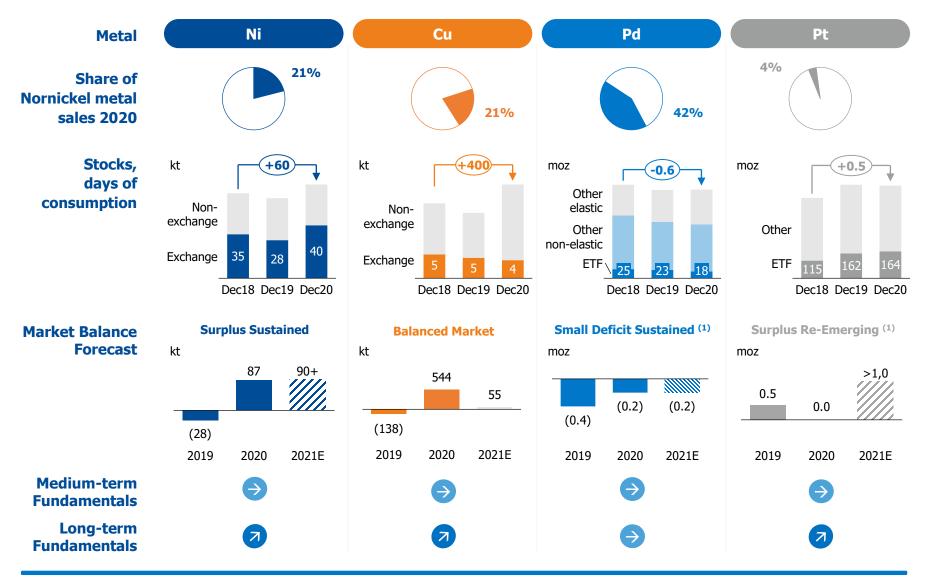
Breakdown of global consumption of metals by geography



Manufacturing PMI, Monthly Data

*Source: Bloomberg Note: Metals breakdown as of 2020* 

### Metal Markets Outlook — View on Fundamentals



Source: Company estimates Notes: 1. Excluding investments Figures may not sum up due to rounding



### Nickel Exchange Stocks Back to Elevated Levels

Exchange Inventories Restored on Stock **Reallocation and Market Surplus** 

kt Ni

222

Surplus Days of consumption +40kt 92 262 37 **36**<sup>(2)</sup> 15-25 (1) 94 4 Jan-19 SHFE Nov-19 SHFE Feb-21 LME LME Cu Ni Normal Ni Spot Ni Nickel High Spot Historical Level Average

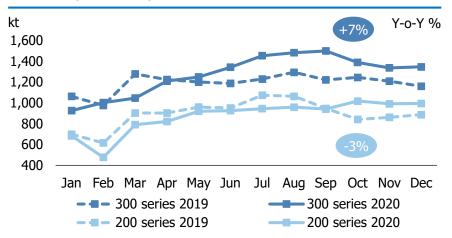
Nickel Exchange Inventories Rising on Market



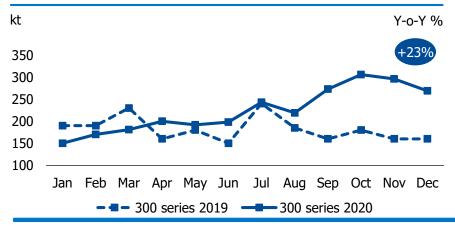
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### Nickel in Stainless: Sustainable Recovery of 300 Series Production in China and Indonesia

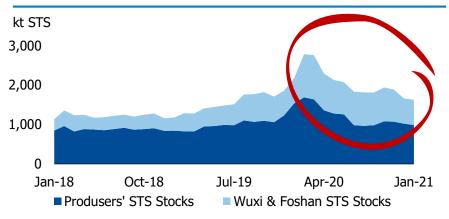
China: Growth in 300s Driven by Stimulus Package, 200s Impacted by Weak White Goods Demand<sup>(1)</sup>



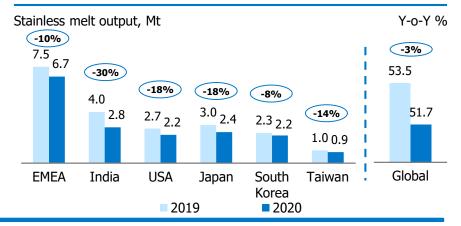
# Indonesia: 300s Production Growth Driven by the Launch of Delong Mill and Recovery of Tsingshan



#### Stainless Stocks in China: Significant Decline in Since Q2 Due to the Recovery of Consumer Demand



#### The Rest of the World: Stainless Output Severely Impacted by COVID-19 Disruption of End Demand



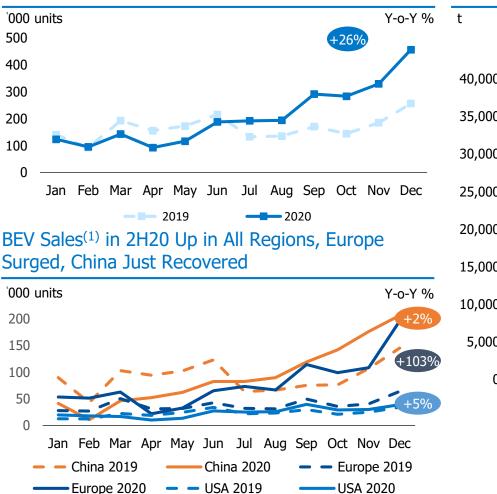
#### 24

Sources: Nieba, Zljsteel, Company estimates

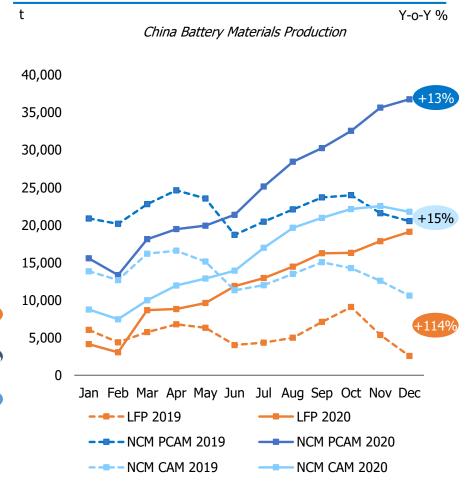
Note: 1. Comparison among the 27 largest producers with 97% market share in 300 series production

### Nickel in Batteries: Europe Leading the Growth, China Is Recovering

Global BEV Equivalent Sales<sup>(1)</sup> Rebounded Strongly in 2H20 Primarily Owing to Europe and China



China: LFP Surged on Higher Offtake by Chinese Automotive and Stationary Applications (5G), NCM Increased on the Recovery of NEV Sales



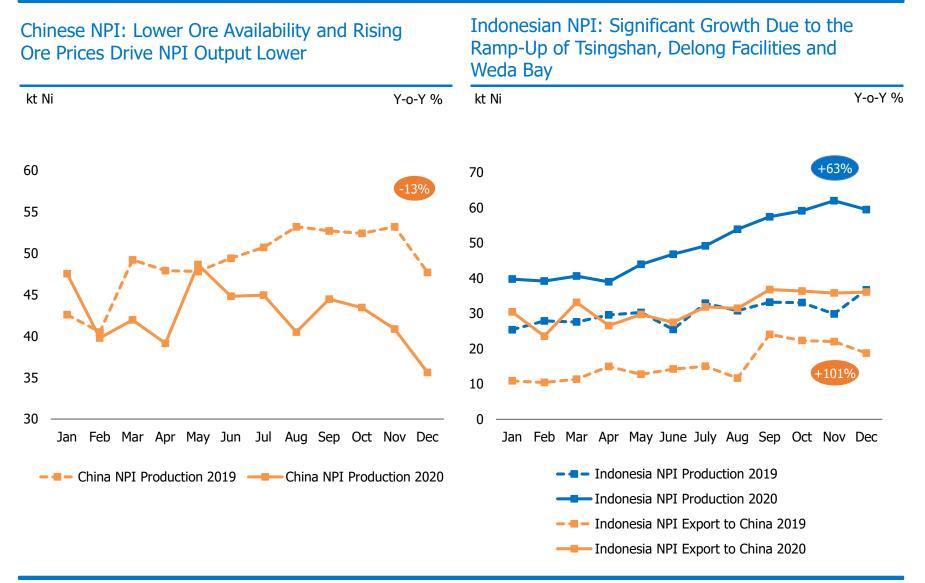
Sources: SNE Research, CAAM, Company estimates

Note: 1. BEV equivalent – HEV and PHEV are recalculated according to the relative battery capacity ratio: HEV 2KWh vs PHEV 12KWh vs BEV 55KWh



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### Nickel Supply: Ramp-Up of New NPI Production in Indonesia is Well Ahead of Reducing NPI in China





### Nickel Market Newly Emerged Surplus to Sustain Through 2021

Market Surplus in 2020 Exacerbated by COVID Impact and Surge of Indonesian Supply

Global Demand: Recovery Will Depend on the Epidemic Impact on Consumer Demand in 2021

0%

2,441

2020E

24 (21)

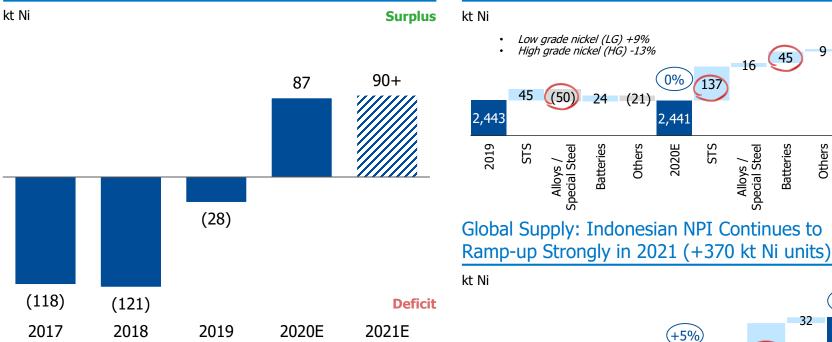
Batteries

Others

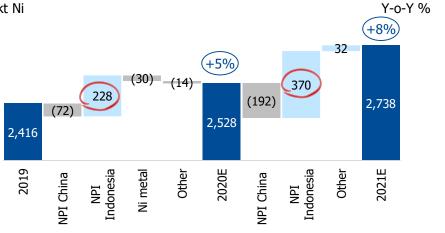
Alloys / Special Steel

137

STS



- 2020 impact of COVID-19: market surplus forecast increased by over 80 kt Ni
- 2021 major uncertainty: demand recovery and further supply disruptions subject to epidemic situation, whereas NPI supply growth likely to continue





Y-o-Y %

+8%

2,648

2021E

9

Others

45

Batteries

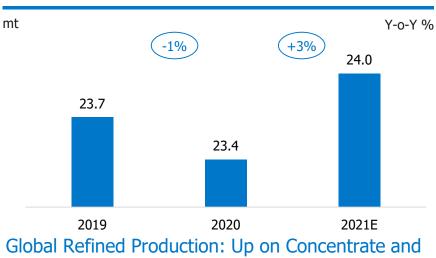
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Alloys / Special Steel

Source: Company estimates

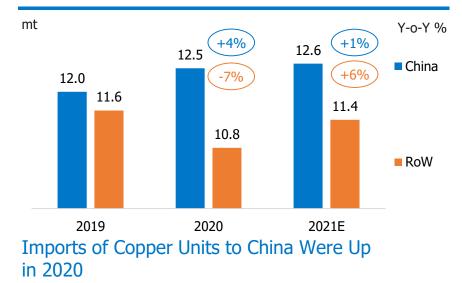
### Copper: Marginal Impacts of COVID-19 on Demand and Supply

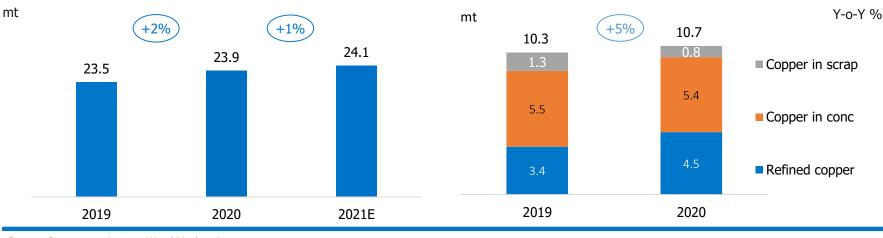
Global Consumption: Reduced Industrial Activity Had Only a Slight Impact on Cu Consumption in 2020



Scrap, with Mined Output Down 1,5%

China Was the Main Driver of Global Consumption in 2020, Europe Should Lead in 2021



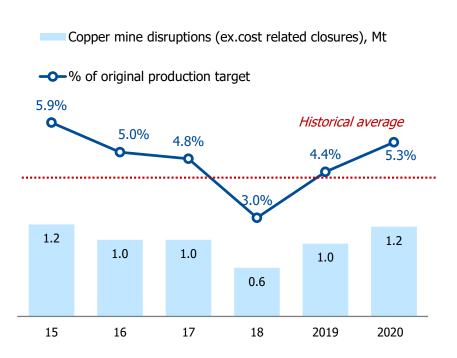






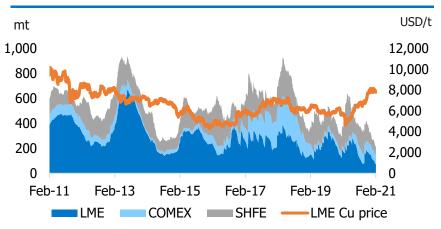
### Copper Market Remains in Balance: Overall Resilience to Coronavirus-Related Turbulence

## Copper Supply Disruptions: 2020 Above Historical Average



- The volume of disruptions directly attributed to the coronavirus in 2020 estimated at 1.2 Mt (5.3% of global supply), with over 50% contributed by the mines in Latin America
- · Potential risk of disruption allowance persists

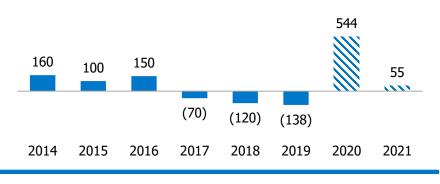
#### Refined Cu Inventories Reduced to Multi-year Lows in 2020



#### Market Balance: Balanced Market in 2021 After Soft Demand in 2020

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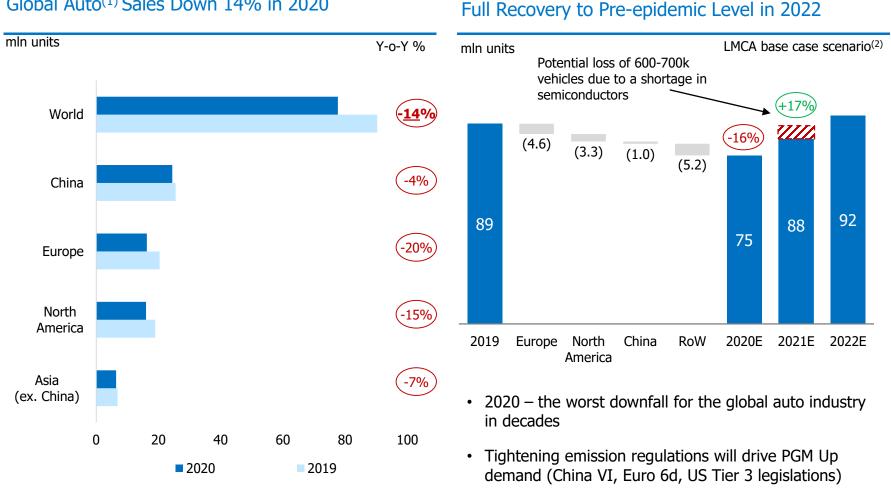
Surplus of less than 2% of Global Consumption





Source: Company estimates, Wood Mackenzie

### Auto Industry Contraction Caused Sharp Reduction in PGM Demand



#### Global Auto<sup>(1)</sup> Sales Down 14% in 2020

Source: LMC Automotive Note (1): Light-duty vehicles (up to 6 tonnes), North America – USA and Canada, Asia - Japan and Korea Note (2): as of January 2021

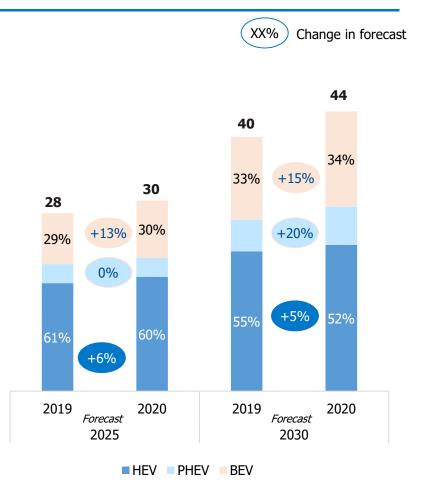


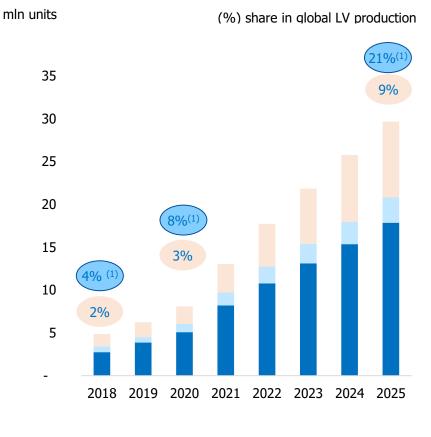
Global Auto Production to Rebound in 2021,

### Fleet Electrification Targets Still Implies Active Hybridization

Long Term Outlook for NEVs Improved Significantly in the LTM (NEVs mix, %)

Industry Expectations: Hybrids to Dominate in the Electric Vehicles Mix in the Long-term





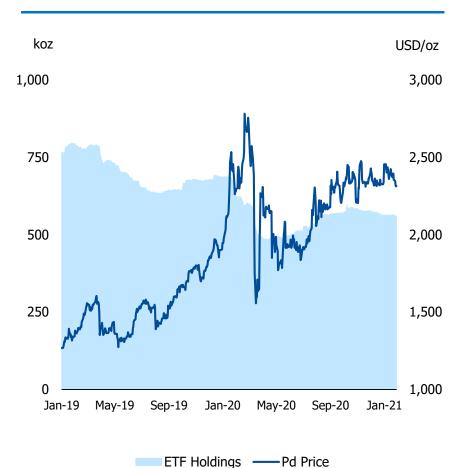
Hybrids PHEV BEV



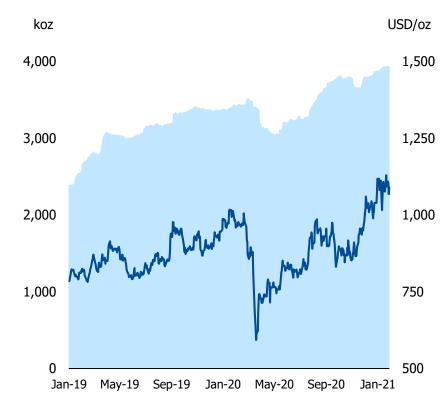
Source: Company estimates, announcements by OEMs, LMCA Note: 1. Hybrids and PHEV share in global LV production

### **PGMs ETF Holdings**

#### Palladium ETF Holdings decreased by 124koz in 2020 on Market Running a Deficit



#### Platinum ETF Holdings increased by 500koz in 2020 as Investors Were Buying Platinum Lows



ETF Holdings ----- Pt Price



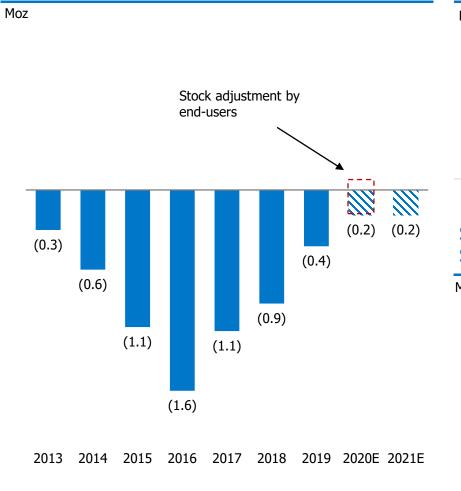


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### Palladium Deficits Reduced as Demand from Auto Industry is Experiencing the Biggest Contraction in Decades

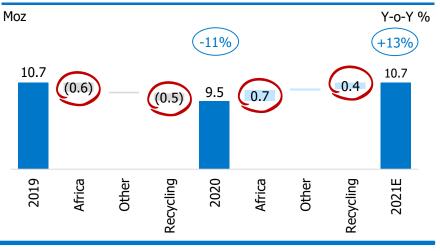
Global Palladium Market: Re-emergence of Deficits after Value Chain Destocking in 2020

Demand: Palladium Among the Metals Disrupted the Most by COVID-19



Y-o-Y % Moz +12% -13% 11.1 10.9 0.1 9.7 1.3 1.1 (0.1)2019 2020E 2021E Auto Other Auto Other

Supply: Major Contraction in 2020 Due to Lower South African Supply and Recycling





### Platinum Major Surpluses Mitigated by Reviving Investment Demand

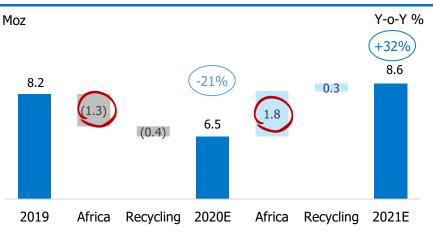
#### **Global Platinum Market Balance:** Apparent Surpluses Expanding in 2021 Moz Forecasted investment demand will ease the surplus >1,0 Substantial investors' demand drive platinum market into deficit 0.5 0.5 0.0 0.0 0.0 (0.1) (0.2) Growing investors' interest decreased the market (0.9)surplus 2019 2020E 2021E 2013 2014 2015 2016 2017 2018

# Demand: Sharp Reduction on Weak Global Car Sales and Chinese Jewelry in 2020



2019 Auto Jewellery Other 2020E Auto Jewellery Other 2021E

# Supply: Decline in 2020 on Amplats ACP Outages, SA Lockdown, ESKOM Interruptions and Low Recycling





### Global Decarbonisation per IEA Sustainable Development Scenario: Implied Electrification of Light Vehicles via Hybridisation

SDS Targets for the Reduction of CO2 Emissions by Light Vehicles: 20% by 2030 and 60% by 2040  $^{(1)}$ 

Light duty road transport direct CO2 emissions, Gt Light duty vehicles sales, m units 42 15 9 1.7 4.5 20 30 68 70 -140m 83 67 65 24 **ICEs in** use 2019 2020 2025 2030 2040 ICE Hybrids (incl. PHEV) BEV 480n Emission Regulations for ICE-containing Cars to Continue **Carbon footprint:** 3.6 **ICEs in** Tightening, Driving PGM Loadings Higher BEV=0 use 2.9 1ICE=1.2HEV=2PHEV Car exhaust emission standards 2020 2030 +2025-2027 1.4 Euro 6d Euro 7 (exp.) Euro 8 (exp.) China 7 (exp.) China 8 (exp.) China 6a CO2 COVID BEV CO2 CO2 PHEV Higher 2019 2030 2040 Impact and volume US Tier III BIN 70 **BIN 50** BIN 30 (exp.) HEV of ICE engines Catch-up with DM Catch-up with DM EM markets old rules markets markets



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### Global Decarbonisation – Risk Assessment for Nornickel's Metals

|          |  | 2040: | Ni            | PGMs          | Cu            |
|----------|--|-------|---------------|---------------|---------------|
|          | Growth of market share of BEVs                                 |       |               |               |               |
| <b>P</b> | Growth of hybrids  |       |               |               |               |
|          | Fuel cells   |       | $\Rightarrow$ |               | $\rightarrow$ |
| Æ        | Growth of renewables/low<br>carbon fuel in power<br>generation |       |               |               |               |
|          | Storage and grid<br>expansion to support<br>growth of xEVs     |       |               | $\rightarrow$ |               |
| Net i    | mpact  |       |               | $\rightarrow$ |               |

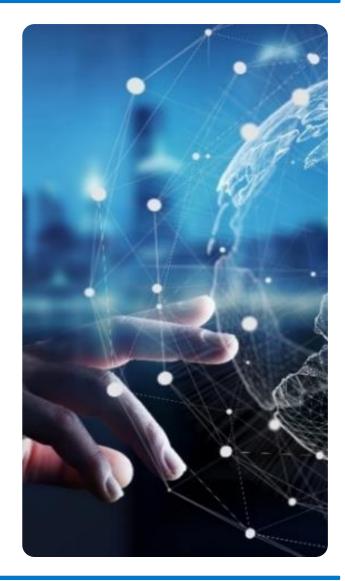


### A New Era in Metal Trade

#### Nornickel staged for the new era of digital transactions, which will optimize supply chain efficiency and transparency

- Nornickel, <u>has joined the Responsible Sourcing Blockchain</u> <u>Network (RSBN)</u>, an industry collaboration among members across the minerals supply chain using blockchain technology to support responsible sourcing and production practices from mine to market. With Nornickel joining the RSBN, a series of its supply chains will be audited annually against key responsible sourcing requirements by RCS Global
- In January, the Global Palladium Fund, founded by Nornickel, launched Exchange Traded Commodities (ETC) for metals on Deutsche Börse and London Stock Exchange giving markets low-cost access to commodity investment opportunities
- In December, the Global Palladium Fund <u>issued the first</u> tokens involving metal contracts to its major industrial partners Traxys SA and Umicore SA. Digital instruments have been issued via the global tokenization platform Atomyze, backed by a pool of international investors

We envisage offering a part (up to 20%) of our sales to industrial customers in 2021 through digital transactions

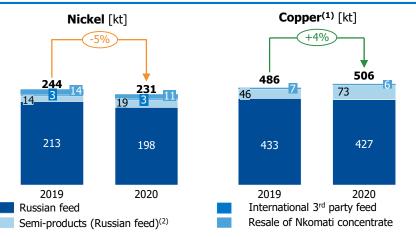




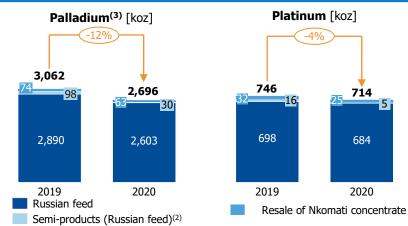
# **2020 Financial Results**

## Metal Sales Volumes and Realized Prices

Base Metals Sales: Copper Up on the Ramp-up of Chita Project, Ni Down on Weak Demand



## PGM Sales: Reduced on Weak Demand Due to COVID-19 Epidemic Impact

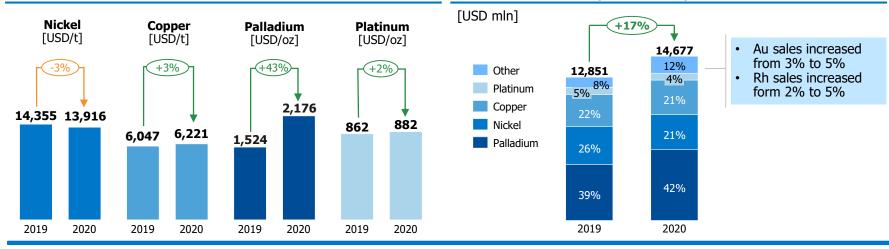


#### Realized Prices: Practically Unchanged Despite Weaker Demand, Palladium Up Strongly

#### Sales Breakdown by Metal: Combined PGMs (Pd, Pt, Rh) >50% of Sales

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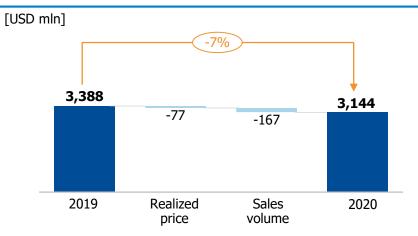
Note: 1. Includes ore concentrates, produced by GRK "Bystrinskoe", from September 2019 when GRK Bystrinskoe was fully commissioned 2. Metal contained in semi-products, including nickel and copper matte

3. Excluding sales of metals purchased from third parties

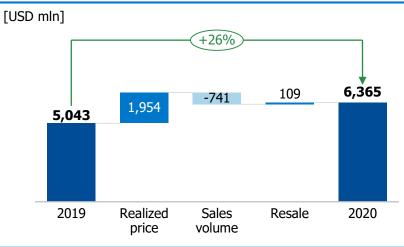
4. Including Rhodium

## Metals Revenue: Mixed Performance Except for Strong Palladium Rally

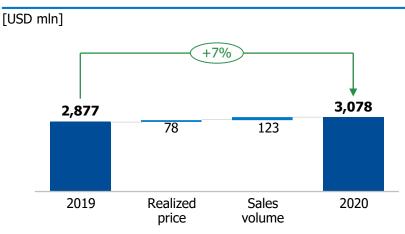
Nickel Revenue: Down 7% on Lower Prices and Sales Volumes



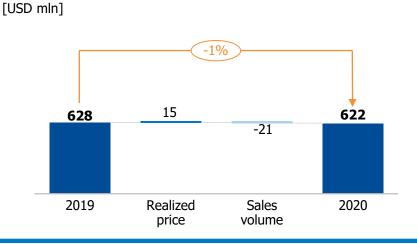
Palladium Revenue: Up 26% on Higher Prices and Re-sale of Metals



Copper Revenue: Up 7% on Higher Prices and Sales Volumes



Platinum Revenue: Down 1% on Lower Sales Volumes

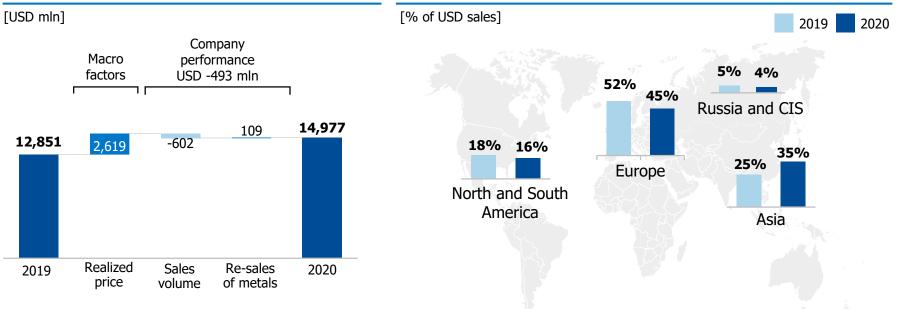




## **Consolidated Metal Revenue**

#### Metal Revenue Up on Higher Pd & Rh Prices, Offset Negatively by Lower Sales

Geographical Breakdown: Growing Share of Asia and America due to Decline of European Volumes

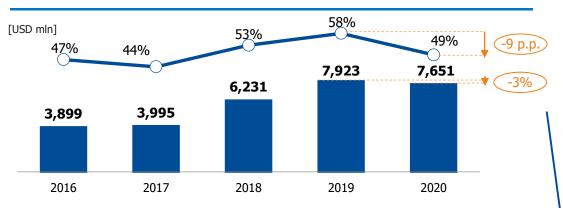


- Stronger palladium and rhodium prices owing to a very tight market in 1Q2020
- Re-sale of palladium to meet unprecedented spike in demand and price rally in 1Q2020
- Lower metal sales due to weak demand in nickel and palladium in the last 9 months of 2020 owing to the COVID-19 impact
- → Europe remained the single largest market, but its share reduced to 45% of total due to reduction of Ni and Pd sales
- → Sales to Asia increased to 35% mainly owing to higher palladium sales
- → Sales to North and South America reduced marginally to 16% and the Russian Federation and CIS to 4%

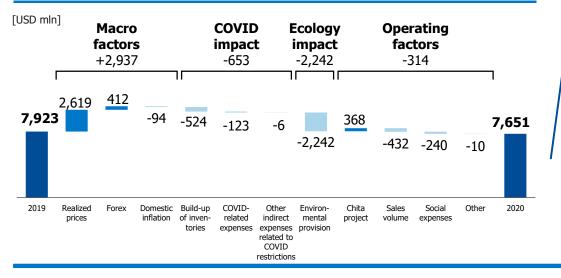


## EBITDA – Negative Impact of Environmental Provision

#### EBITDA and EBITDA Margin in 2016-2020



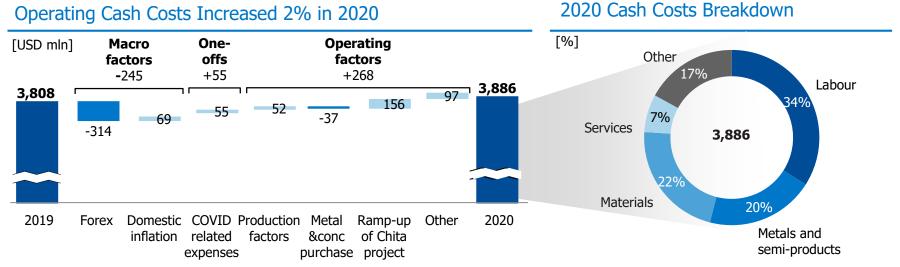
2020 EBITDA: Down on Environmental Provision, COVID-Related and Social Expenses, and Build-up of Metal Stock



- Realized metal prices (+USD2,619 mln)
- 11% depreciation of RUB against USD (+USD412 mln)
- Ramp-up of Bystrinsky (Chita) project to 63ktpa of Cu in concentrate (+44% yoy) (+USD368 mln)
- Environmental provisions (mainly diesel spill at HPP-3) (-USD2,242 mln)
- Impact of COVID: additional expenses and lower sales (-USD653 mln)
- Lower sales mainly due to decrease in production (-USD432 mln)
- Additional (non-COVID related) social expenses (-USD240 mln)
- Domestic inflation of 4.9% (-USD94 mln)

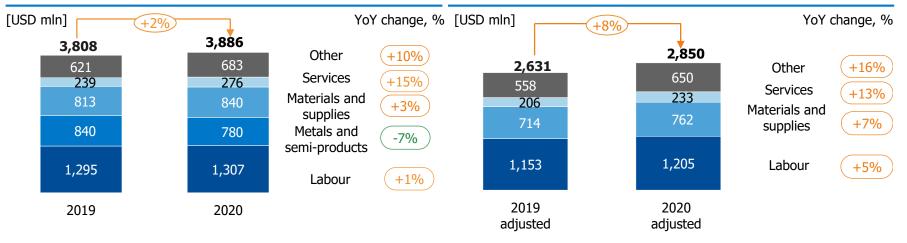


## **Operating Cash Costs: Withstanding Inflation Pressure**



Reported Cash Costs: Up on Additional Expenses due to Coronavirus and Consolidation of Chita

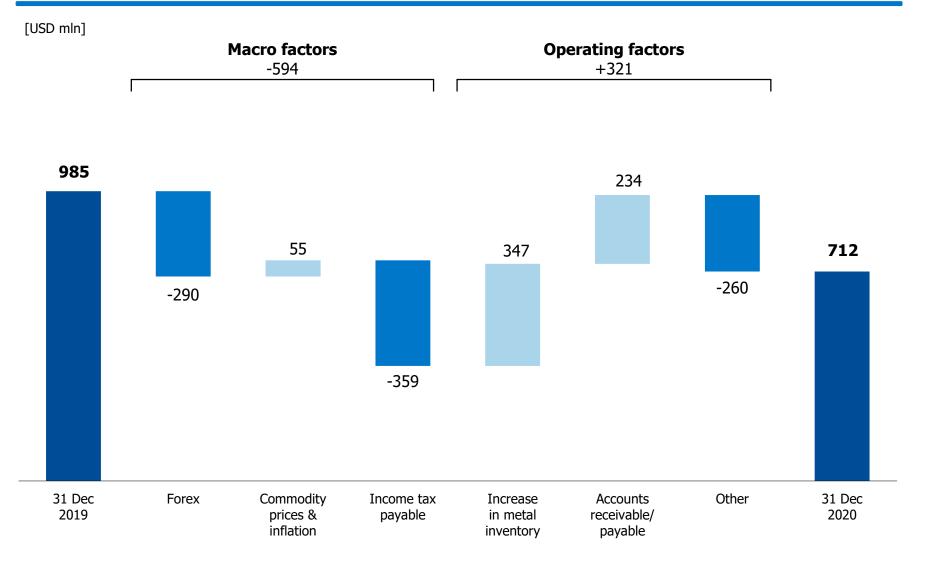
Cash Costs Adjusted <sup>(1)</sup> for FX, Chita Project, Metals, Semi-products Purchased and COVID related expenses



Note: 1. Semi-products include Rostec concentrate and Nkomati, Chita project has been consolidated on 100% basis line-by-line into the Group's financial statement since September 2019

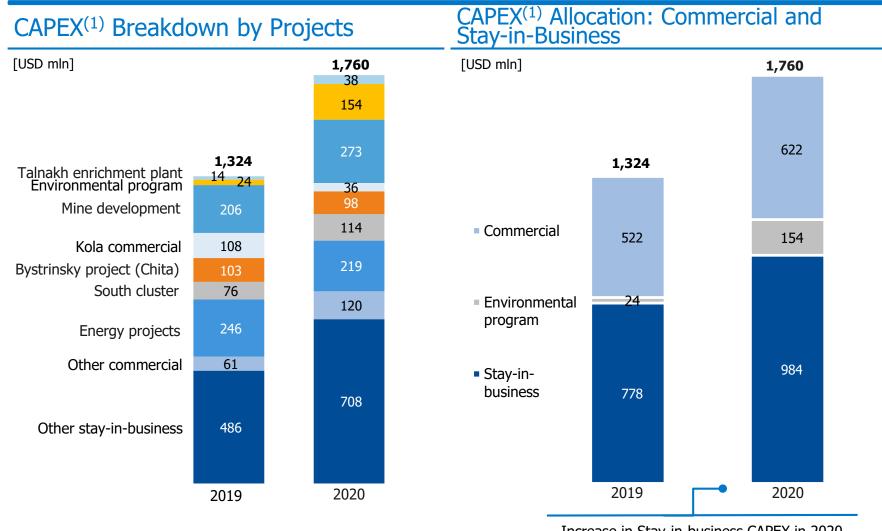


## Net Working Capital Changes in 2020





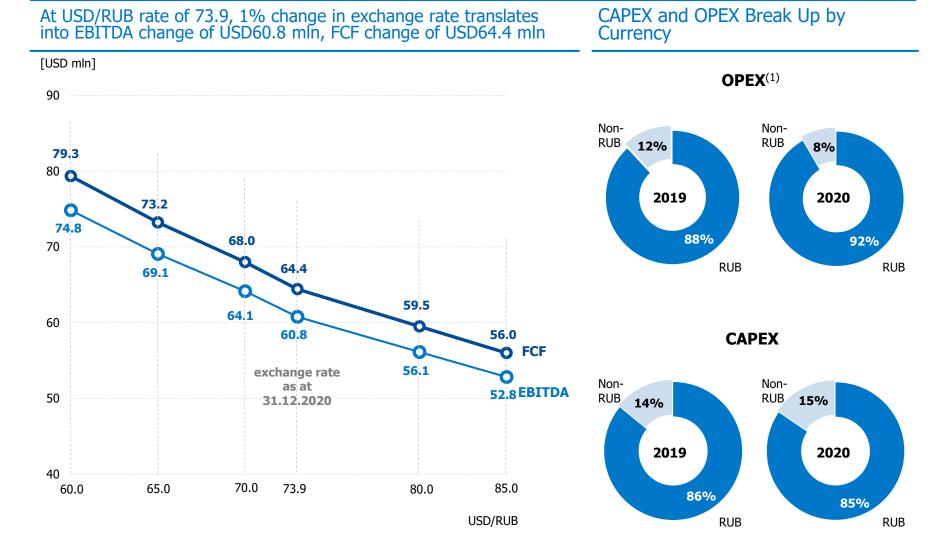
## Allocation of Capital Investments



Increase in Stay-in-business CAPEX in 2020 was primarily driven by higher CAPEX into the improvement of the industrial safety



## Financial Results Sensitivity to USD/RUB Exchange Rate

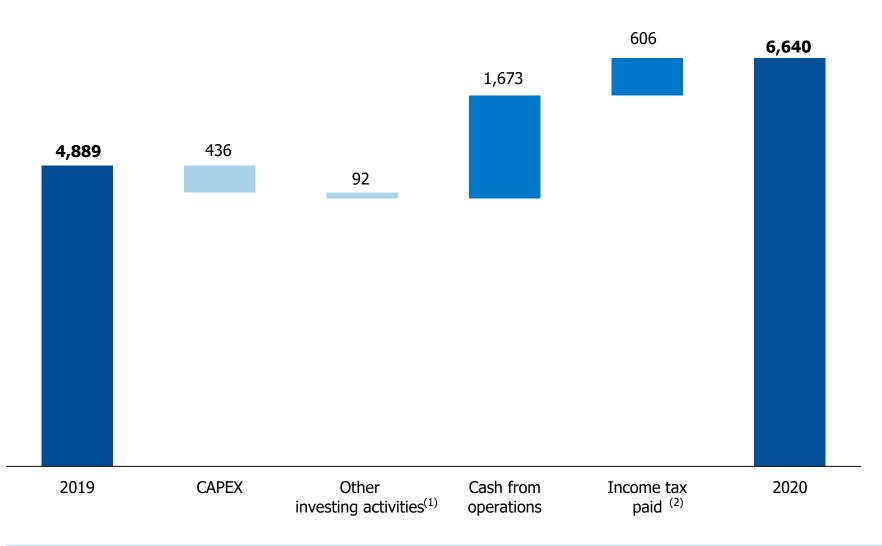


Note: 1. Cash costs (change in stock excluded), Cost of non-metal sales, SG&A; normalized by cost of refined metals for resale



## Free Cash Flow Increased to USD 6.6bn

[USD mln]

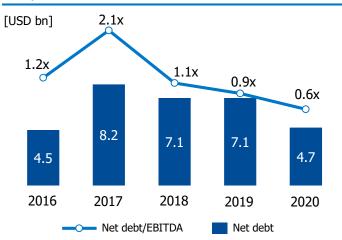




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## **Balance Sheet Management**

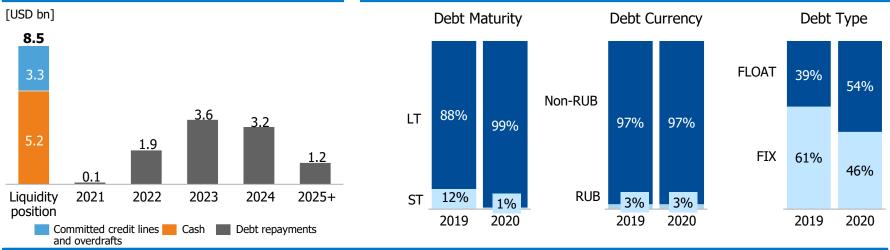
#### Historical Leverage: ND/EBITDA Reduced to 0.6x



#### Proactive Debt Management

- In February 2020, terms of the December 2017 syndicated loan facility with a group of international banks were amended, increasing the limit from USD 2.5 billion to USD 4.15 billion, reducing the interest rate to Libor+1.40% and significantly increasing the maturity, with facility being fully drawn in 1H2020
- In September 2020, the Company placed USD 500 million Eurobonds due 2025 at a record-low coupon for Russia and CIS issuers of 2.55%
- In November 2020, a bilateral loan of RUB 60 billion was repaid ahead of maturity in full
- In 2H2020, a number of **new committed credit lines were signed** for the total amount of RUB 55 billion
- The Company maintains **investment grade credit ratings from all three major international rating agencies** as of the year-end

#### Liquidity and Debt Repayment Schedule<sup>(1)</sup> Change in Debt Structure<sup>(1)</sup>

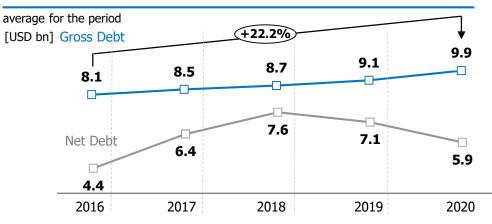


Note: 1. Debt includes liabilities under lease agreements. RUB liabilities with currency swap applied disclosed as USD liabilities at the rate of swap initiation

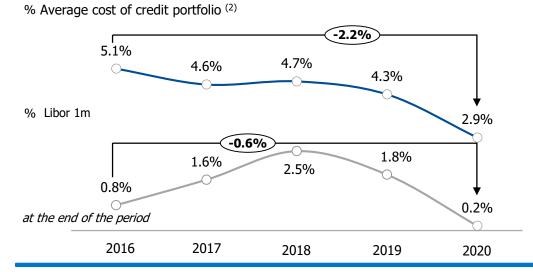


## **Finance Costs Reduced Significantly**

#### Gross Debt and Net Debt (1)



#### Average Cost of Debt



#### Average Cost of Debt reduced...

- ... by 2.2% starting from the year-end of 2016 by the end of 2020
- ... well ahead of 0.6% reduction of base interest rates (LIBOR) over the same period
- ... despite an increase in the average gross debt
- ... owing to constant restructuring of debt portfolio and gradual improvements of terms with main debt providers
- .... while balance sheet FX position has been maintained **neutral**

Note: 1. In 2016-2018, gross and net debt includes only financial lease liabilities, starting from 2019 it additionally includes other lease liabilities recognized under IAS 16 2. The metric presented is based on all-in effective interest rate including all cost components of debt instruments (without lease liabilities) as at the end of the relevant period (debt instruments denominated in currencies other than the US dollar are swapped for US dollar funding positions)



# Operations and Strategy Update



### South Cluster Project Update

- Large-scale, long life (25+ years) brownfield asset at the bottom of the global PGM cost curve
- O/P and U/G operations leverage synergies from existing infrastructure
- FS and detailed engineering completed. Open-pit ore mining to commence in Q2, 2021
- Pre-stripping works estimated at 565.6k m3
- FS and detailed engineering completed

Target Annual Capacity

| Ore  | Mt  | 9       |
|------|-----|---------|
| PGMs | koz | 750-850 |
| Ni   | kt  | 13+     |
| Cu   | kt  | 20+     |





### Bystrinsky Project: Target Capacity Achieved

- One of the largest greenfield projects in the Russian mining industry
- Ore reserves: 301 Mt @ Cu ~0.7%; Fe ~22.4%; Au ~0.84 g/t <sup>(1)</sup>
- Full ramp-up achieved in 2Q 2020
- 2020 EBITDA: USD 0.7 bn

**Operating Performance Outlook** 

|                | 1                 | 2021E   | 2022E   |
|----------------|-------------------|---------|---------|
| Ore            | Mt <sup>(2)</sup> | 10      | 10      |
| Cu in conc.    | kt                | 65—70   | 68-73   |
| Au in conc.    | koz               | 230—240 | 245-255 |
| Iron Ore conc. | Mt                | 1.8—2.0 | 2.0-2.3 |



Notes:

1. According to the Russian classification (A+B+C1+C2),

2. Processed ore



### Kola Nickel Refinery Upgrade – Status Update

- Upgrade of Tankhouse-2 to a more efficient and environmentfriendly electrowinning technology
- Construction completed
- Production of high quality nickel cathodes commenced
- 85% of design capacity achieved (145 ktpa). Technical retrofitting program under way to bring facility to full capacity
- Total CapEx: USD 0.5 bn





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### Energy Infrastructure Modernization: Interim Delivery and Plans

#### 2013-2020 Delivery

- Replacement of 6 powergenerating units at hydro power plant (out of total 7)
- Replacement of 1 power generating unit at thermal power plant 2 (out of total 2)
- Replacement of medium-pressure turbines at thermal power plant 1
- ✓ 14 new natural gas wells

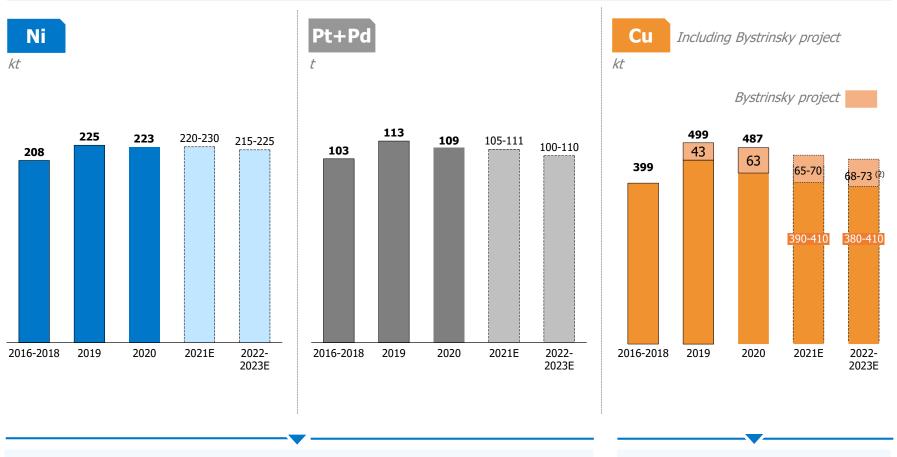
#### 2021-2025 Development Plans

- Industrial safety and physical risk mitigation programme<sup>(1)</sup>
- 5 new power-generating units at thermal power plants 2 and 3
- Grid modernization
- Gas pipeline extension, 4 new automated gas distribution stations
- Upgrade of gas booster stations
- Gas wells drilling programme





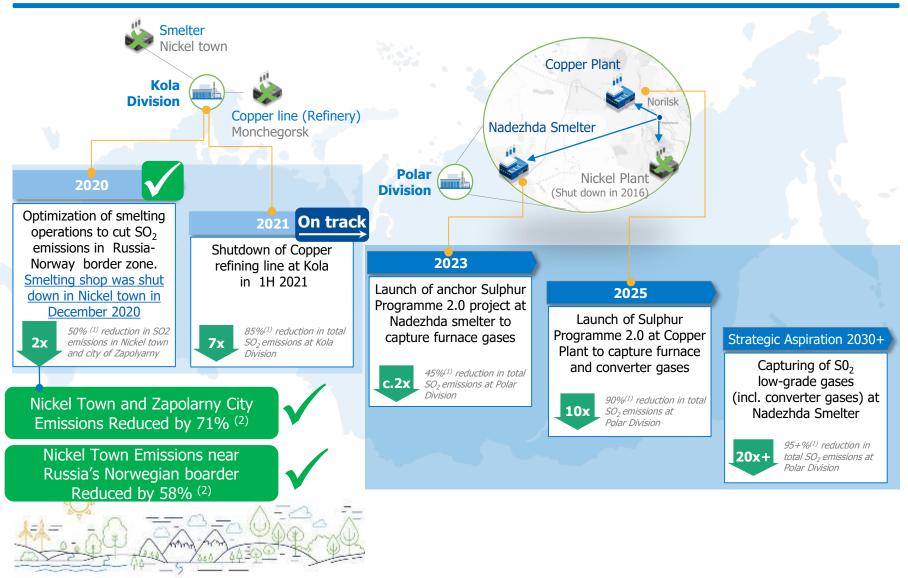
### Production Guidance for 2020-2023<sup>(1)</sup>



- Nickel and PGM volumes are expected to decline moderately subject to planned furnaces maintenance at Nadezhda smelter
- Copper production to decline temporarily in 2021-2022 due to secondary feedstock depletion and expected to recover by ~2024-2025 driven by higher mined ore volumes



### Sulphur Programme 2.0: Environmental Roadmap



*Notes: 1. As compared to "base" year (2015) 2. 2020 vs 2015.* 



### Sulphur Programme 2.0: Construction Status

#### Nadezhda Smelter

Flagship project to capture furnace gases and establish acid neutralization facilities and infrastructure:

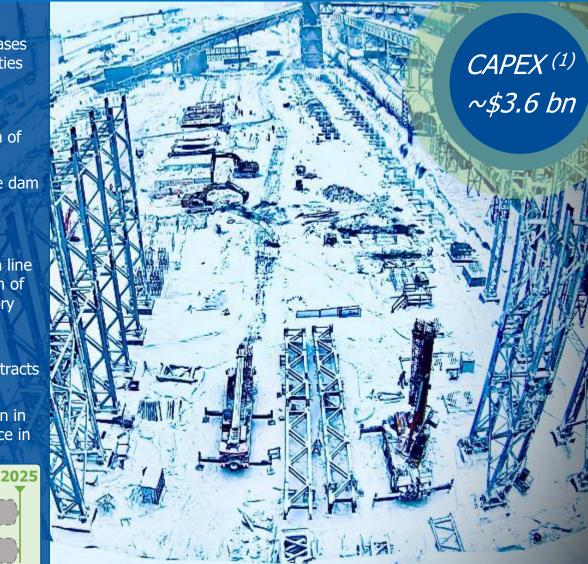
- ~85% contracts legally binding
- Project design allows for expansion of the smelter (3<sup>rd</sup> Furnace)
- Piling, steel works, gypsum storage dam raising in execution

#### Copper Smelter

Project to capture  $99-99.5\% + SO_2$  (in line with global benchmarks); construction of continuous converting unit, preparatory works, design update:

- Phase 1: Gas cleaning unit reconstruction initiated. ~45% contracts legally binding
- Phase 2: Basic Engineering / Design in progress. Construction to commence in 2H2021





Note: 1. Revised to accommodate additional neutralization lines and related infrastructure for the new 3<sup>rd</sup> furnace at Nadezhda, which is partially offset by ruble depreciation.

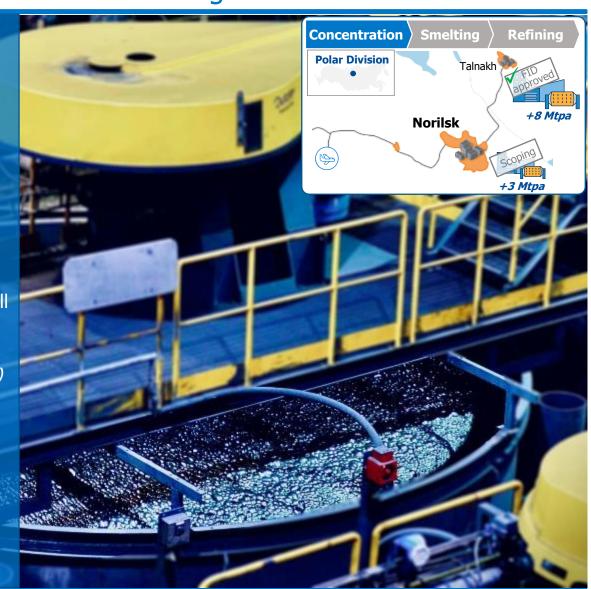


### Modern Concentration Facilities: 3<sup>rd</sup> Stage of Talnakh Concentrator

- Capacity expansion to accommodate for ore production growth ("South Cluster")
- Additional capacity:
   +8 Mtpa

Targeting higher recoveries for all key metals:
 +4% to +7%
 (~US\$150 mn p.a. EBITDA impact)

- Construction started
- Ramp-up: 2023-2024





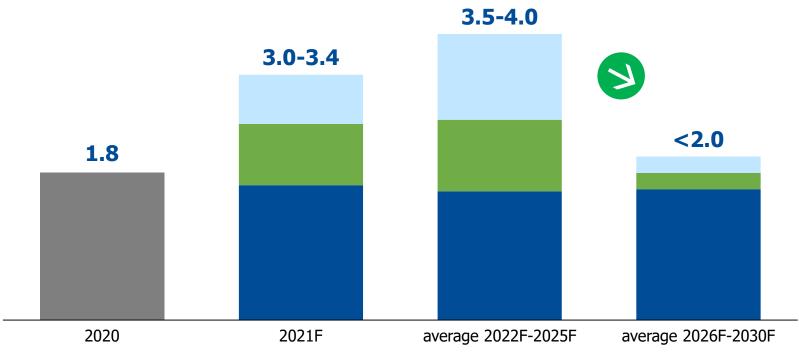
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### **CAPEX** Guidance

Growth projects

- Environmental projects
- Base investment program & other projects

USD bn





## 2021 Outlook

**Metals market outlook** 

→ Neutral Positive >> Negative

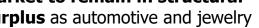
Market to remain in surplus as the rapid expansion of Indonesian NPI will outpace demand recovery driven by growth of stainless in Indonesia and battery sectors. The battery sector will remain the major consumption driver in the next 5-10 years

Market to remain balanced as the post-COVID supply recovery will offset a rebound in consumption. Positive longterm outlook maintained as copper is critically important for the transition to the global carbon-neutral economy

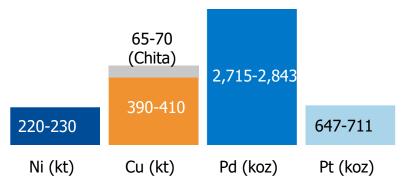
Market deficit to reduce as additional metal demand will be offset by the release of work-in-progress inventory by South African miners and a recovery in recycling volumes

Market to remain in structural surplus as automotive and jewelry

demand will remain weak



#### 2021 Metal Production Guidance (1)



**Financial Outlook for 2021** 

- Capex: USD3.0-3.4 billion <sup>(2)</sup>
- **Working Capital:** ٠ mid-term guidance USD1.0bn
- Final dividend for 2020: to be announced in May



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