

FINANCIAL PERFORMANCE (MD&A)

FY2021 HIGHLIGHTS

➤ Consolidated revenue increased 15% y-o-y to USD 17.9 billion owing to higher metal prices and sale of palladium from the inventories accumulated in 2020, which have positively offset production losses caused by industrial incidents in 1H21;

➤ Oktyabrsky mine returned to its full production capacity in the middle of May, while the Taimyrsky mine and Norilsk concentrator - in December 2021;

➤ EBITDA increased 37% y-o-y to USD 10.5 billion due to higher revenue, of which Bystrinsky COK (Chita project) contributed USD1.1 billion, EBITDA margin amounted to 59%;

➤ Social expenses doubled to just over USD 1 billion mostly as result of provisions related to the agreements on social and economic development of the city of Norilsk and the Krasnoyarsk region;

➤ CAPEX increased 57% y-o-y to a record USD 2.8 billion driven by growth of investments into key strategic projects, including over USD 500 mln in Sulfur Programme 2.0, which was in active construction phase, and 3- and 4-fold, respectively, increase in investments in South Cluster and Talnakh Concentrator Phase-3 expansion. Expenditures on capitalised repairs, improvement of industrial safety and modernization of core assets were up more than 40% exceeding USD 800 mln;

➤ Net working capital was up y-o-y to USD 1.3 billion driven mostly by increase in metal inventories on the back higher MET and changes in income tax payables;

➤ Free cash flow decreased 34% y-o-y to USD 4.4 billion driven by the reimbursement of the environmental damages in the amount of USD 2 billion and increased capital expenditures;

➤ Net debt was almost flat y-o-y at USD 4.9 billion with net debt/EBITDA ratio of 0.5x as of December 31, 2021. Interest expenses decreased 38% due to efficient management of debt portfolio resulting in a record low average annual interest rate of 2.8%;

➤ In October 2021, the Company successfully placed a 5-year USD 500 mln Eurobond with a coupon rate of 2.80% marking the lowest ever spread to the benchmark in the history of Nor nickel's public offerings;

➤ On December 27, 2021, EGM approved the interim dividend for the 9 months of 2021 in the amount of RUB 1,523.17 per ordinary share (approximately 20.81 at the RUB/USD exchange rate set by the Russian Central Bank as of the EGM date) for the total amount of RUB 232.84 bn (approximately USD 3.05 bn)

Key corporate highlights USD million (unless stated otherwise)

Index	2021	2020	Change
Revenue	17,852	15,545	15%
EBITDA ¹	10,512	7,651	37%
EBITDA margin	59%	49%	10 p. p.
Net profit	6,974	3,634	92%
Capital expenditures	2,764	1,760	57%
Free cash flow ²	4,404	6,640	-34%
Normalized net working capital ^{2,3}	1,269	712	78%
Net debt ²	4,914	4,705	4%
Net debt, normalized for the purpose of dividend calculation ⁴	4,902	3,469	41%
Net debt/12M EBITDA	0.5x	0.6x	-0.1x
Net debt/12M EBITDA for dividends calculation	0.5x	0.5x	-0.0x
Dividends paid per share (USD) ⁵	13.9	26.3	-47%

Key segmental highlights ⁶ USD million (unless stated otherwise)

Index	2021	2020	Change
Revenue	17,852	15,545	15%
GMK Group	11,836	12,700	-7%
South cluster	767	694	11%
KGMK Group	9,893	8,926	11%
NN Harjavalta	1,493	1,308	14%
CRK Bystrinskoye	1,346	1,004	34%
Other mining	28	137	-80%
Other non-metallurgical	1,533	1,387	11%
Eliminations	-9,044	-10,611	-15%
EBITDA	10,512	7,651	37%
GMK Group	5,456	6,171	-12%
South cluster	397	407	-2%
KGMK Group	3,758	1,757	2x
NN Harjavalta	59	70	-16%
CRK Bystrinskoye	1,076	717	50%
Other mining	-16	-14	14%
Other non-metallurgical	11	31	-65
Eliminations	716	-556	n.p.
Unallocated	-945	-932	1%
EBITDA margin	59%	49%	10 p.p.
GMK Group	46%	49%	(3 p.p.)
South cluster	52%	59%	(7 p.p.)
KGMK Group	38%	20%	18 p.p.
NN Harjavalta	4%	5%	(1 p.p.)
CRK Bystrinskoye	80%	71%	9 p.p.
Other mining	-57%	-10%	(47 p.p.)
Other non-metallurgical	1%	2%	(1 p.p.)

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

2 A non-IFRS measure, for the calculation see an analytical review document («Data book») available in conjunction with Consolidated IFRS Financial Results on the Company's web site.

3 Paid during the current period

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

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

6 Segments are defined in the consolidated financial statements

In August 2020, in order to improve management efficiency it was decided to establish Norilsk, Kola and Trans-Baikal divisions. Norilsk division includes GMK Group, South Cluster and a number of companies from "Other non-metallurgical segment". Kola division includes KGMK Group and NN Harjavalta, as well as a number of companies from "Other non-metallurgical segment". Trans-Baikal division includes the GRK Bystrinskoye segment, as well as a number of companies from "Other mining" and "Other non-metallurgical" segments.

In 2021, revenue of GMK Group segment decreased 7% to USD 11,836 million primarily due to the decrease of revenue from selling matte to Kola MMC as well as lower copper sales volumes due to the temporary suspension of Oktyabrsky and Taimyrsky mines and Norilsk Concentrator, that was partly offset positively by higher realized metal prices.

Revenue of South cluster segment increased 11% to USD 767 million primarily driven by higher realized prices of semi-products delivered to GMK Group that was partly negatively offset by lower sales volumes due to the temporary suspension of Oktyabrsky and Taimyrsky mines and Norilsk Concentrator.

Revenue of KGMK Group segment increased 11% to USD 9,893 million primarily owing to higher realized metal prices, that was partly

negatively offset by lower sales volumes due to the temporary suspension of Oktyabrsky and Taimyrsky mines and Norilsk Concentrator.

Revenue of NN Harjavalta increased 14% to USD 1,493 million driven by higher realized metal prices, that was partly offset negatively by lower sales volumes due to the temporary suspension of Oktyabrsky and Taimyrsky mines and Norilsk Concentrator.

Revenue of CRK Bystrinskoye segment increased 34% to USD 1,346 million primarily driven by higher copper and iron prices.

Revenue of Other mining segment decreased 80% to USD 28 million owing to lower sales volumes of semi-products following the termination of Nkomati's operations in 1H2021.

Revenue of Other non-metallurgical segment increased 11% to USD 1,533 million primarily due to increase in revenue from other sales, that was partly offset negatively by lower sales volumes of semi-products following the termination of Nkomati's operations in 1H2021.

In 2021, EBITDA of GMK Group segment decreased 12% to USD 5,456 million primarily owing to lower revenue, as well as higher social expenses and higher cash operating costs due to higher mineral extraction tax and temporarily re-introduced export duties, which

were partly positively offset by the lower expenses on environmental provisions.

EBITDA of South cluster segment decreased 2% to USD 397 million due to the increase in mineral extraction tax in 2021, which was partly positively offset by higher revenue.

EBITDA of KGMK Group segment increased 2 times to USD 3,758 million primarily owing to higher revenue and higher margin on matte processing, following the revision of a purchase price formula, that was partly negatively offset by temporary re-introduced export duties.

EBITDA of NN Harjavalta decreased 16% to USD 59 million owing to lower sales volumes due to the temporary suspension of Oktyabrsky and Taimyrsky mines and Norilsk Concentrator.

EBITDA of CRK Bystrinskoye segment increased 50% to USD 1,076 million primarily due to higher revenue.

EBITDA of Other mining segment decreased by USD 2 million to a negative USD 16 million.

EBITDA of Other non-metallurgical segment decreased by USD 20 million and amounted to USD 11 million.

EBITDA of Unallocated segment decreased by USD 13 million and amounted to a negative USD 945 million.

Sales volume and revenue

Index	2021	2020	Change
Metal sales			
Group			
Nickel, thousand tons ¹	200	221	-10%
from own Russian feed	174	198	-12%
from 3d parties feed	3	3	0%
in semi-products ²	23	20	15%
Copper, thousand tons ¹	383	500	-23%
from own Russian feed	308	427	-28%
in semi-products ²	75	73	3%
Palladium, koz ¹	2,687	2,634	2%
from own Russian feed	2,656	2,604	2%
in semi-products ²	31	30	3%
Platinum, koz ¹	628	689	-9%
from own Russian feed	621	684	-9%
in semi-products ²	7	5	40%

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

2 Metal volumes represent metals contained in semi-products.

Index	2021	2020	Change
Rhodium, koz ¹	53	58	-9%
from own Russian feed	51	56	-9%
in semi-products ²	2	2	0%
Cobalt, thousand tons ¹	5	6	-17%
from own Russian feed	4	5	-20%
in semi-products ²	1	1	0%
Gold, koz ¹	370	386	-4%
from own Russian feed	191	192	-1%
in semi-products ²	179	194	-8%
Average realized prices of refined metals produced by the Group			
Metal			
Nickel (USD per tonne)	18,528	13,916	33%
Copper (USD per tonne)	9,322	6,221	50%
Palladium (USD per oz)	2,388	2,176	10%
Platinum (USD per oz)	1,088	882	23%
Rhodium (USD per oz)	19,946	12,056	65%
Cobalt (USD per tonne)	39,857	30,745	30%
Gold (USD per oz)	1,804	1,764	2%
Revenue, USD million³			
Nickel	3,627	3,144	15%
including semi-products	345	342	1%
Copper	3,789	3,078	23
including semi-products	607	424	43%
Palladium	6,665	6,365	5
including semi-products	69	147	-53%
Platinum	685	622	10%
including semi-products	10	19	-47%
Rhodium	1,056	682	55
including semi-products	28	6	5x
Gold	654	676	-3%
including semi-products	309	336	-8%
Other metals	627	410	53%
including semi-products	391	224	75%
Revenue from metal sales	17,103	14,977	14%
Revenue from other sales	749	568	32%
Total revenue	17,852	15,545	15%

³ Includes metals and semi-products purchased from third parties and Nkomati.

Revenue

NICKEL

Nickel sales accounted for 21% of the Group's total metal revenue in 2021.

In 2021, nickel revenue increased 15% (or +USD 483 million) to USD 3,627 million. The increase was primarily driven by higher realized nickel price (+USD 958 million), which was partially offset negatively by lower sales volume (-USD 478 million).

The average realized price of refined nickel increased 33% from USD 13,916 per tonne in 2020 to USD 18,528 per tonne in 2021.

Sales volume of refined nickel produced from the Company's own Russian feed, decreased 12% (or -24 thousand tonnes) to 174 thousand tonnes owing the temporary suspension of Oktyabrsky and Taimyrsky mines and Norilsk Concentrator.

Sales volume of refined nickel produced from third-party feed remained unchanged at 3 thousand tonnes.

In 2021, sales of nickel in semi-products increased 1% to USD 345 million primarily due to an increase in the sales volume of semi-products following the shut down of a smelter at Kola MMC, which was almost fully negatively offset by lower sales volume of semi-products produced by Nkomati.

In 2021, revenue from the resale of nickel purchased from third parties amounted to USD 3 million.

COPPER

In 2021, copper sales accounted for 22% of the Group's total metal sales, increasing 1 p.p y-o-y. Copper revenue increased 23% (or +USD 711 million) to USD 3,789 million.

The increase was primarily driven by higher realized copper price (+USD 1,528 million), which was partly offset negatively by lower sales volume (-USD 1,122 million).

The average realized price of refined copper increased 50% from USD 6,221 per tonne in 2020 to USD 9,322 per tonne in 2021.

Physical volume of refined copper sales from the Company's own Russian feed decreased 28% (or -119 thousand tonnes) to 308 thousand tonnes primarily driven by the temporary suspension of operations at Oktyabrsky and Taimyrsky mines and Norilsk Concentrator.

Revenue from copper in semi-products in 2021 increased 43% to USD 607 million driven by higher copper price.

In 2021, revenue from the resale of copper purchased from third parties amounted to USD 305 million.

PALLADIUM

In 2021, palladium accounted for 39% of the Group's total metal revenue, down by 3 p.p. y-o-y. Palladium revenue increased 5% (or +USD 300 million) to USD 6,665 million due to higher realized price (+USD 544 million) and increase in sales volume (+USD 56 million).

The average realized price of refined palladium increased 10% from USD 2,176 per troy ounce in 2020 to USD 2,388 per troy ounce in 2021.

Physical volume of refined palladium sales from the Company's own Russian feed increased 2% (or +52 thousand troy ounces) to 2,656 thousand troy ounces in 2021. The increase in sales volume was driven by the sale of metal from the stock accumulated in 2020, that more than offset by the negative impact from the temporary suspension of Oktyabrsky and Taimyrsky mines and Norilsk Concentrator.

Revenue of palladium in semi-products decreased 53% to USD 69 million in 2021 primarily due to lower sales volume of semi-products produced by Nkomati.

In 2021, revenue from the resale of palladium purchased from third parties amounted to USD 253 million (vs USD 553 million in 2020).

PLATINUM

In 2021, platinum sales increased 10% (or +USD 63 million) to USD 685 million. Platinum remained unchanged at 4% of the Group's total metal revenue. The increase in realized platinum price (+USD 141 million) was partly negatively offset by the decline in sales volume (-USD 78 million).

Physical volume of refined platinum sales from the Company's own Russian feed decreased 9% (or -63 thousand troy ounces) to 621 thousand troy ounces in 2021 due to the negative impact from the temporary suspension of Oktyabrsky and Taimyrsky mines and Norilsk Concentrator.

Revenue of platinum in semi-products in 2021 decreased 47% to USD 10 million primarily due to lower sales volume of semi-products produced by Nkomati.

RHODIUM

In 2021, revenue from rhodium increased 55% (or +USD 374 million) due to the higher realized price.

Revenue from the resale of rhodium purchased from third parties amounted to USD 14 million in 2021.

GOLD

In 2021, revenue from gold declined 3% (or -USD 22 million) primarily due to lower realized volume of semi-products produced by Bystrinsky project.

OTHER METALS

In 2021, revenue from other metals increased 53% (or +USD 217 million) to USD 627 million primarily driven by higher revenue from iron ore concentrate on the back of higher realized price.

Other Sales

In 2021, other sales increased 32% (or +USD 181 million) to USD 749 million primarily due to an increase of air transportation services following the lift of travel restrictions related to the COVID-19 pandemic and higher oil products sales.

In 2021, other sales increase **32%**

Cost of Sales

COST OF METAL SALES

In 2021, the cost of metal sales increased 12% (or +USD 557 million) to USD 5,057 million, driven by the following factors:

- Increase in cash operating costs by 25% (or +USD 988 million);
- Comparative effect of change in metal inventories y-o-y leading to the cost of metal sales reduction by USD 429 million.

CASH OPERATING COSTS

In 2021, total cash operating costs increased 25% (or +USD 988 million) to USD 4,874 million mainly due to the introduction of temporary Nickel and Copper export custom duties in 2H2021 (+USD 442 million) and increase in mineral extraction tax and other levies in real terms (+USD 379 million).

Inflationary growth of cash operating costs (+USD 159 million) was partly positively offset by Russian rouble depreciation against USD (-USD 40 million).

Cost of metal sales (USD million)

Index	2021	2020	Change
Labour	1,406	1,307	8%
Materials and supplies	715	731	-2%
Mineral extraction tax and other levies	627	248	3x
Purchases of refined metals for resale	581	482	21%
Export custom duties	442	-	100%
Third party services	410	276	49%
Transportation expenses	130	90	44%
Fuel	122	109	12%
Electricity and heat energy	118	151	-22%
Purchases of raw materials and semi-products	95	298	-68%
Sundry costs	228	194	18%
Total cash operating costs	4,874	3,886	25%
Depreciation and amortisation	843	845	0%
Increase in metal inventories	-660	-231	3x
Total	5,057	4,500	12%

Labour

In 2021, labour costs increased 8% (or USD +99 million) to USD 1,406 million amounting to 29% of the Group's total cash operating costs driven by the following factors:

- **-USD 28 million** – positive effect of the Russian rouble depreciation against US dollar;
- **+USD 77 million** – indexation of salaries and wages in line with the terms of collective bargaining agreement;
- **+USD 37 million** – increase in headcount in Norilsk industrial region.

Materials and supplies

In 2021, expenses for materials and supplies decreased 2% (or USD 16 million) to USD 715 million driven by the following factors:

- **USD 2 million** – positive effect of the Russian rouble depreciation against US dollar;
- **-USD 32 million** – lower consumption of materials due to termination of Nkomati's operations;
- **+USD 18 million** – inflation of materials and supplies prices.

Mineral extraction tax and other levies

In 2021, mineral extraction tax and other levies increased 3 times (or USD 379 million) to USD 627 million driven by the following factors:

- **-USD 4 million** – positive effect of the Russian rouble depreciation against US dollar;
- **+USD 383 million** – primarily due to the increase of mineral extraction tax in 2021.

Purchases of refined metals for resale

In 2021, purchases of refined metals for resale increased 21% (or USD 99 million) to USD 581 million owing to the purchases of copper in order to cover production losses caused by the temporary suspension of two mines and the Norilsk Concentrator, which was partly offset negatively by lower purchases of palladium.

Export custom duties

In 2021, export custom duties amounted to USD 442 million due to introduction of temporary Nickel and Copper export custom duties by the Government of the Russian Federation, which were effective from August until December 2021.

Third-party services

In 2021, cost of third-party services increased 49% (or USD 134 million) to USD 410 million mainly driven by:

- **+USD 121 million** – increase in repairs and mining-related services;
- **+USD 13 million** – price inflation of third-party services.

Transportation expenses

In 2021, transportation expenses increased 44% (or USD 40 million) to USD 130 million driven by the following factors:

- **-USD 1 million** – positive effect of the Russian rouble depreciation against US dollar;
- **+USD 7 million** – price inflation of expenses;
- **+USD 34 million** – primarily increase in transportation expenses in Norilsk industrial region related to higher volumes of services purchased as part of the program targeting improvement of industrial safety of production facilities.

Fuel

In 2021, fuel expenses increased 12% (or USD 13 million) to USD 122 million driven by the following factors:

- **-USD 2 million** – positive effect of the Russian rouble depreciation against US dollar;
- **-USD 12 million** – due to the shutdown of smelting and metallurgical workshops at Kola MMC;
- **+USD 33 million** – price inflation of fuel.

Electricity and heat energy

In 2021, electricity and heat energy expenses decreased 22% (or USD 33 million) to USD 118 million driven by the following:

- **-USD 1 million** – positive effect of the Russian rouble depreciation against US dollar;
- **-USD 35 million** – cost decrease primarily related to the shutdown of smelting and metallurgical workshops at Kola MMC and termination of Nkomati's operations.
- **+USD 3 million** – price inflation of fuel.

Purchases of raw materials and semi-products

In 2021, purchases of raw materials and semi-products decreased 68% (or USD 203 million) to USD 95 million due to cessation of third-party copper concentrate consumption and termination of Nkomati's operations.

Sundry costs

In 2021, sundry costs increased 18% (or +USD 34 million) to USD 228 million mostly due to increase in clean-up expenses in Norilsk industrial region and also due to price inflation and growth of security and industrial safety expenses.

Depreciation and amortisation

In 2021, depreciation and amortisation expenses were unchanged compared to 2020 and amounted to USD 843 million.

Increase in metal inventories

Comparative effect of change in metal inventory amounted to -USD 429 million resulting in a respective decrease of cost of metal sales primarily due to increase in the cost of work in progress and finished goods following the changes in legislation in 2021 (increase in MET and introduction of temporary export custom duties).

Cost of other sales

In 2021, cost of other sales increased by USD 189 million to USD 753 million primarily due to increase of air transportation services following the lift of restrictions related to the COVID-19 pandemic and higher oil products sales.

USD 189 million
cost of other sales increased

Selling and distribution expenses

Selling and distribution expenses (USD million)

Index	2021	2020	Change (%)
Transportation expenses	81	72	13%
Marketing expenses	48	44	9%
Staff costs	19	19	0%
Other	36	32	13%
Total	184	167	10%

In 2021, selling and distribution expenses increased 10% (or +USD 17 million) to USD 184 million primarily due to increase in transportation expenses (+USD 9 million).

General and administrative expenses

General and administrative expenses (USD million)

Index	2021	2020	Change
Staff costs	577	529	9%
Third party services	191	142	35%
Depreciation and amortisation	83	67	24%
Taxes other than mineral extraction tax and income tax	76	69	10%
Transportation expenses	18	18	0%
Other	44	44	0%
Total	989	869	14%

In 2021, general and administrative expenses increased 14% (or USD 120 million) to USD 989 million. Positive effect of the Russian rouble depreciation amounted to -USD 16 million. Changes of the general and administrative expenses in real terms were primarily driven by the following factors:

- **+USD 58 million** – increase in staff costs, including salaries indexation and one-off payments related to management bonuses.
- **+USD 52 million** – increase of third-party services primarily related to the IT security and consulting services related to the ESG strategy implementation.

Staff costs increased **by 9%**
including due to wage indexation

Third party services cost increased
by 35% due to IT security and
ESG strategy implementation

Other operating expenses

Other operating expenses, NET (USD million)

Index	2021	2020	Change (%)
Social expenses	1,031	500	2x
Environmental provisions	176	2,242	-92%
Expenses on industrial incidents response	69	-	100%
Change in other provisions	-3	24	n.a
Change in provision on production facilities shut down	-3	-10	-70%
Other, net	15	-19	n.a
Total	1,285	2,737	-53%

In 2021, other operating expenses, net decreased by USD 1,452 million to USD 1,285 million driven by the following factors:

- **-USD 2,066 million** – primarily due to the high base effect of 2020, when environmental provision related to

- the liquidation of diesel fuel leak at the industrial site of the Heat and Power Plant № 3 of Norilsk and compensation for environmental damages was recognised;
- **+USD 531 million** – increase in social expenses provisions related

to agreements on socio-economic development of Norilsk and Krasnoyarsk region;

- **+USD 69 million** - expenses on industrial incidents response in 2021.

Finance costs

Finance costs, NET (USD million)

Index	2021	2020	Change (%)
Interest expense, net of amounts capitalised	225	364	-38%
Changes in fair value of other non-current and other current liabilities	66	262	-75%
Unwinding of discount on provisions and payables	59	61	-3%
Interest expense on lease liabilities	15	12	25%
Fair value (gain)/loss on the cross-currency interest rate swap contracts	-68	182	n.a
Other, net	-18	-2	9x
Total	279	879	-68%

In 2021, finance costs, net declined 68% y-o-y to USD 279 million primarily driven by the following factors:

- **-USD 250 million** – income from a change in the fair value of cross-currency interest rate swaps in 2021, primarily due to the expiration of several instruments with final settlements falling into the period of temporary appreciation of

- the Russian ruble against the US dollar compared to the exchange rate at the beginning of 2021, compared to the loss from a change in the fair value in 2020.
- **-USD 196 million** – comparative effect of change in the fair value of put option in relation to transactions with the owners of non-controlling interests of Bystrinsky GOK, which expired on 31.12.2021.

- **-USD 139 million** – a 38% decrease in the interest expense, net of amounts capitalized, due to the effective debt portfolio management despite a 6% increase of the gross debt (proactive refinancing of some liabilities on more competitive terms), which, in turn, was achieved due to the following activities:

- full redemption of a USD 1 billion Eurobond bearing a coupon rate of 5.55% per annum in October 2020 and full early repayment of a RUB 60 billion term loan with an interest rate of 8.3% per annum in November 2020;
- full early repayment of RUB 15 billion exchange-traded ruble bonds bearing a coupon rate of 11.6% per annum in February 2021 (on the date of the early redemption at the discretion of the issuer stipulated in the issuance documentation);
- in September 2020 and in October 2021 the Company successfully priced two five-year Eurobond issues in the amount of USD 500 million each with a coupon rate of 2.55% and 2.80%, respectively;
- in 2021, a number of maturing bilateral facilities totaling US\$725mm were successfully refinanced at similar or better pricing terms.

Income tax expense

In 2021, income tax expense increased by USD 1 366 million driven mostly by the increase of profit before tax.

The effective income tax rate in 2021 of 24.9% was above the Russian statutory tax rate of 20%, which was primarily driven by the income tax provision related to the

compensation of environmental damages as well as recognition of non-deductible social expenses.

The breakdown of the income tax expense (USD million)

Index	2021	2020	Change
Current income tax expense	1,695	1,685	1%
Deferred tax expense/(benefit)	616	-740	n.a.
Total income tax expense	2,311	945	2x

The breakdown of the current income tax expense by tax jurisdictions (USD million)

Index	2021	2020	Change (%)
Russian Federation	1,668	1,648	1%
Finland	5	11	-55%
Rest of the world	22	26	-15%
Total	1,695	1,685	1%

EBITDA

EBITDA (USD million)

Index	2021	2020	Change (%)
Operating profit	9,536	6,400	49%
Depreciation and amortisation	928	943	-2%
Impairment of non-financial assets, net	48	308	-84%
EBITDA	10,512	7,651	37%
EBITDA margin	59%	49%	10 p. n.

In 2021, EBITDA increased 37% (or +USD 2,861 million) to a USD 10,512 million primarily due to higher revenue.

Statement of cash flows

Statement of cash flows (USD million)

Index	2021	2020	Change
Cash generated from operations before changes in working capital and income tax	11,479	10,254	12%
Movements in working capital	-2,226	-662	3x
Income tax paid	-2,211	-1,304	70%
Net cash generated from operating activities	7,042	8,288	-15%
Capital expenditure	-2,764	-1,760	57%
Other investing activities	126	112	13%
Net cash used in investing activities	-2,638	-1,648	60%
Free cash flow	4,404	6,640	-34%
Interest paid	-315	-510	-38%
Other financing activities	-3,732	-3,822	-2%
Net cash used in financing activities	-4,047	-4,332	-7%
Effects of foreign exchange differences on balances of cash and cash equivalents	-1	99	n.a.
Net increase in cash and cash equivalents	356	2,407	-85%

In 2021, free cash flow decreased 34% to USD 4.4 billion following the decrease of cash generated from operating activities and increase in cash used in investing activities.

In 2021, net cash generated from operating activities decreased 15% to USD 7.0 billion. Settlement of environmental obligations and increase in income tax payments were partly positively offset by higher metal revenue.

In 2021, net cash used in investing activities increased 60% to USD 2.6 billion primarily driven by a 57% capital expenditures increase to USD 2.8 billion.

Reconciliation of the net working capital changes between the balance sheet and cash flow statement (USD million)

Index	2021	2020
Change of the net working capital in the balance sheet	-557	273
Foreign exchange differences	15	-290
Change in income tax payable	524	-359
Change of long term components of working capital included in CFS	-56	-95
Provisions	-2,145	-186
Other changes	-7	-5
Change of working capital per cash flow	-2,226	-662

Capital investments breakdown by project (USD million)

Index	2021	2020	Change (%)
Polar Division, including:	843	665	27%
Skalisty mine	95	109	-13%
Taymirsky mine	38	97	-61%
Komsomolsky mine	32	51	-37%
Oktyabrsky mine	10	16	-38%
Talnakh Concentrator	167	38	4x
Other Polar Division project	501	354	42%
Kola MMC	205	155	32%
Sulfur project	526	154	3x
South cluster	304	114	3x
Energy and gas infrastructure modernization	316	219	44%
Chita (Bystrinsky) project	62	98	-37%
Other production projects	490	344	42%
Other non-production assets	18	11	64%
Total	2,764	1,760	57%

In 2021, CAPEX increased 57% (or USD 1,004 million) to a record USD 2,764 million driven by growth of investments in key strategic projects. Sulfur Programme that entered its active phase recorded over USD 500 million of CAPEX, while investments in South Cluster and Talnakh Concentrator expansion increased 3- and 4-fold, respectively. Expenditures on capital repairs, improvement of industrial safety and modernization of core assets were up more than 40% exceeding USD 800 million.

Debt and liquidity management

Debt and liquidity (USD million)

Index	As of 31 December 2021	As of 31 December 2020	Change	
			USD million	%
Non-current loans and borrowings	8,616	9,622	-1,006	-10%
Current loans and borrowings	1,610	12	1,598	100%
Lease liabilities	235	262	-27	-10%
Total debt	10,461	9,896	565	6%
Cash and cash equivalents	5,547	5,191	356	7%
Net debt	4,914	4,705	209	4%
Net debt /12M EBITDA	0.5x	0.6x	-0.1x	

As of December 31, 2021, the Company's total debt increased 6% compared to December 31, 2020 and amounted to USD 10,461 million. The increase was primary driven by the new US\$500mm five-year Eurobond successfully priced in October 2021 with the purpose to increase the available liquidity cushion for the scheduled 2022 debt repayments. Current loans and borrowings as of December 31, 2021 increased by USD 1,598 million as compared

to December 31, 2020, primarily due to the two Eurobonds totaling USD 1,500 million maturing in April and October 2022 becoming a short-term liability as of December 31, 2021. Current loans and borrowings are fully covered by the balance sheet liquidity and available limits under committed credit lines.

The Company's Net debt as of December 31, 2021 increased 4% compared to December 31, 2020 due to the increase in total debt.

Despite the Net debt increase, Net debt / 12M EBITDA as at the end of 2021 decreased by 0.1x compared to December 31, 2020 and amounted to 0.5x.

As of December 31, 2021, the Company was assigned investment grade credit ratings from all three international rating agencies Fitch, Moody's and S&P Global, and Russian rating agency "Expert RA".