



PRESIDENT'S LETTER

DEAR SHAREHOLDERS,

2021 was yet another challenging year for Nornickel; however, the coordinated efforts of our big team helped us cope with every challenge.

OPERATIONAL AND FINANCIAL PERFORMANCE

The two underground mines and Norilsk concentrator have been successfully restored to their full capacity after industrial incidents. Amid the global economic recovery after the 2020's COVID-driven recession, the demand for our metals increased rapidly in 2021, which had a favourable impact on our financial performance. Driven by higher prices of all metals in our basket, in 2021, the Company's revenue was up by 15% year-on-year to USD 17.9 billion, and EBITDA increased by almost 40% to USD 10.5 billion.

CAPEX increased 60% year-on-year to a record USD 2.8 billion, which was fully in line with management guidance. We significantly increased investments in modernisation and upgrade of equipment and other fixed assets including energy infrastructure with a focus on industrial safety and energy efficiency. Nornickel also continued delivering on its SO₂ reduction programme in Norilsk. Investment in this project tripled in 2021 to more than USD 500 million.

ENVIRONMENTAL PROTECTION, CLIMATE CHANGE AND OCCUPATIONAL HEALTH

Last June, we approved a new environmental and climate change strategy for the next 10 years. It aims to significantly improve Nornickel's environmental performance. The strategy was developed in close consultation with stakeholders using the results of a benchmarking audit of key environmental goals; it covers six main aspects of environmental impact: climate change, air, water, tailings and waste management, soils, and biodiversity. I would also like to emphasise that the new strategy is more than just a statement: it defines 20 specific environmental goals, including reduction of SO₂ emissions, compliance with TCFD principles and implementation of the Global Tailings Standard principles.

Revenue increased

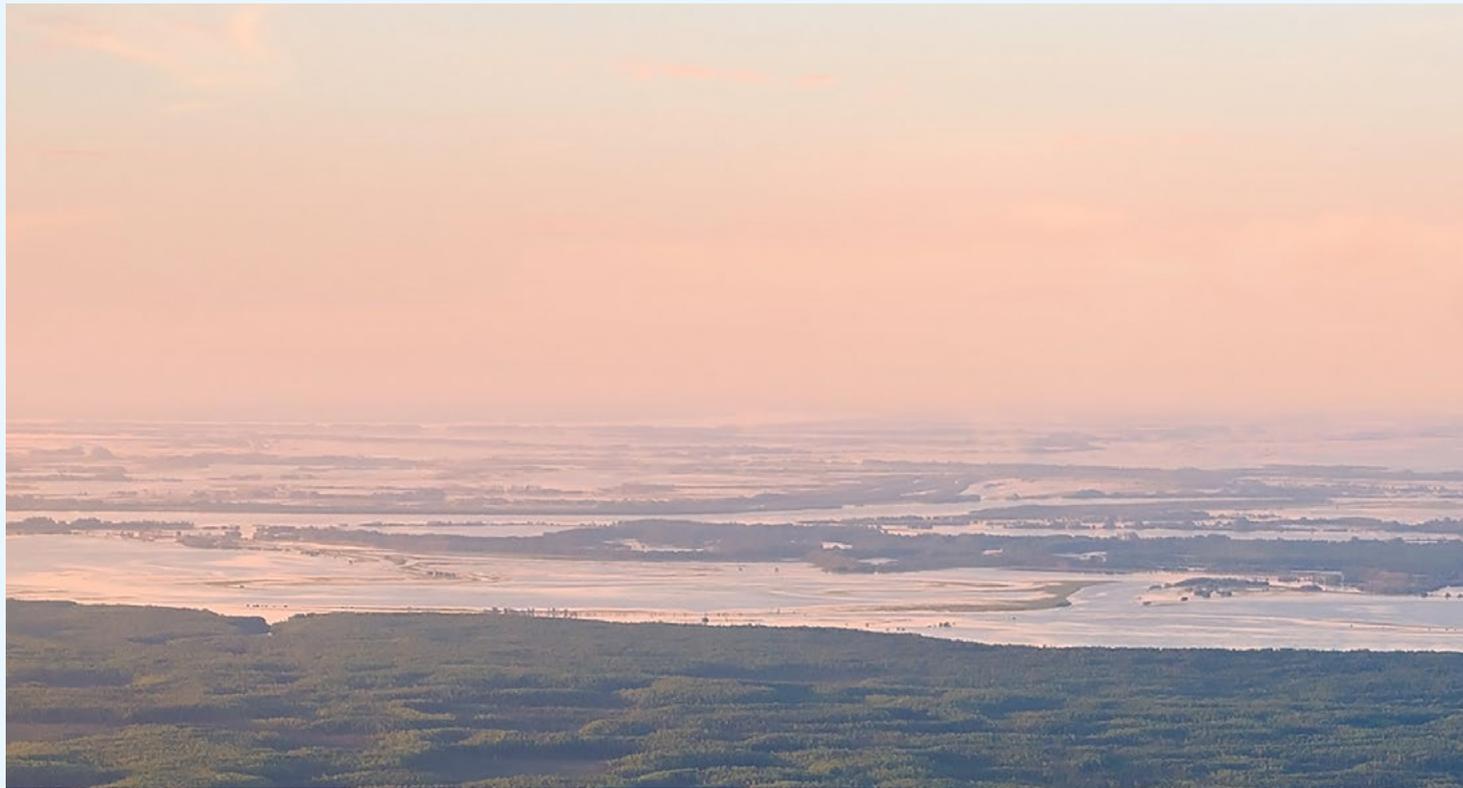
15% y-o-y

to USD **17.9** bn

EBITDA increased

40% y-o-y

to USD **10.5** bn



ENVIRONMENTAL PROTECTION, CLIMATE CHANGE AND OCCUPATIONAL HEALTH

This strategy has already started to deliver tangible results. Following the shutdown of the smelting and metallurgical shops on the Kola Peninsula, SO₂ emissions in the area decreased by 78% from 2020 and by over 90% as compared to 2015, exceeding our initial targets. In Norilsk, SO₂ emissions were down 14% year-on-year. After the completion of Phase 1 of the Sulphur Project in Norilsk – and we plan to finish it before the end of this year – we expect SO₂ emissions across the Norilsk Division to decrease by 45% next year from a 2015 baseline.

Last year, we also continued our clean-up programme in response to the environmental incident at CHPP-3 in Norilsk. Major efforts were put into remediating contaminated and disturbed land and restoring biodiversity in the area. All of these steps were taken in close cooperation with the scientific community. We used the insights gained by RAS scientists during another stage of the Great Norilsk Expedition both to assess and plan next steps in our spill clean-up programme and to develop recommendations on deploying environmental protection solutions at industrial enterprises across the Russian Arctic.

In terms of climate action, Norinickel is currently positioned in the bottom quartile

of the CO₂ emission intensity curve among all global nickel producers and has the lowest greenhouse gas emissions in absolute terms across all three scopes among major mining and metals companies, since renewable sources account for a significant portion of its power generation mix, with the rest coming from natural gas, the cleanest fossil fuel. At the same time, the Sulphur Project implementation and production growth are set to drive additional energy consumption and will therefore call for compensatory measures. The medium-term decarbonisation programme implies a reduction in Scope 1 and 2 CO₂ emissions from operations to 7.7 mln t by 2028, while emission intensity will decline by 37% to 5 tonnes per tonne of nickel equivalent.

Fatal accidents at our enterprises were caused by gross violations of safety rules. We believe that fatalities are absolutely unacceptable, so we have developed a programme that should help us achieve accident-free operations, and we hope it will soon deliver its first results.

In 2021, the Company significantly increased its social investments, which exceeded USD 1 billion, mainly by making a provision for the long-term housing and social infrastructure renovation programme for Norilsk until 2035.



SO₂ emissions from the Kola Division decreased

by **78% y-o-y**

SO₂ emissions from the Norilsk Division decreased

by **14% y-o-y**

CAPEX PROGRAMME

Last year, we reviewed our long-term investment programme for 2021–2030, increasing it to USD 35 billion. We will allocate over USD 6 billion to environmental projects and over USD 8 billion to energy infrastructure development, including accelerated upgrade of renewable assets and high-voltage power lines, as well as new natural gas production and transportation projects. Maintenance CAPEX (capital repairs and the purchase of new equipment) will account for USD 2 billion of additional long-term investments.

The Company increased its proven and probable ore reserves by nearly 600 mln t through the launch of the Technology Breakthrough 1.0 programme relying on advanced resource management and estimation tools. Nornickel also raised its 2030 long-term metal production outlook: the output of nickel and copper is expected to grow by 25%–35% and platinum group metals by 50%–60%. We plan to boost the capacity of our key downstream assets accordingly, including Talnakh and Norilsk Concentrators, Nadezhda Plant, the nickel refining facilities at Norilsk Nickel Harjavalta, and the copper refining facilities at Kola MMC.

The Company is also looking at opportunities to gain a foothold in the battery materials market through research projects and partnerships to ensure deeper integration throughout the production chain for EV batteries.

SOCIAL RESPONSIBILITY

The development of Nornickel's regions of operation is one of the Company's priorities. In early 2021, Nornickel signed a quadripartite agreement on the social and economic development of Norilsk, which envisages the renovation of housing, the upgrade and overhaul of local utilities and engineering infrastructure, the creation of a comfortable and safe urban environment and the relocation of Norilsk and Dudinka residents to other regions with a milder climate. Under the programme, RUB 120 billion will be allocated for these purposes until 2035, including RUB 81.3 billion provided by Nornickel.

In 2021, we also boosted support for the indigenous peoples of Taimyr by allocated extra RUB 100 million to financing a five-year programme aimed at protecting ancestral lands and supporting traditional activities of indigenous peoples of the North.

Just as important was the opening of a healthcare centre in Norilsk – one of the five that Nornickel plans to launch in the Norilsk Industrial District and Dudinka over the next few years as part of a programme to drive a major improvement in the quality of healthcare for local communities across our footprint.

In conclusion, I would like to thank all colleagues, contractors and customers who helped us overcome the challenges of 2021. I am confident that together we will deliver on all our long-term goals.



VLADIMIR POTANIN

President,
Chairman of the Management Board
MMC Norilsk Nickel