# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2022, 2021 AND 2020

US Dollars million

## 1. GENERAL INFORMATION

### Organisation and principal business activities

Public Joint Stock Company “Mining and Metallurgical Company “Norilsk Nickel” (the “Company” or PJSC “MMC “Norilsk Nickel”) was incorporated in the Russian Federation on 4 July 1997. The principal activities of the Company and its subsidiaries (the “Group”) are exploration, extraction, refining of ore and nonmetallic minerals and sale of base and precious metals produced from ore. Further details regarding the nature of the business and structure of the Group are presented in Note 37.

Major production facilities of the Group are located on Russia’s Taimyr and Kola Peninsulas and in the Zabaikalsky Territory, and in Finland

## 2. BASIS OF PREPARATION

### Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

The entities of the Group maintain their accounting records in accordance with the laws, accounting and reporting regulations of the jurisdictions in which they are incorporated and registered. Accounting principles in certain jurisdictions may differ significantly from those generally accepted under IFRS. Financial statements of such entities have been adjusted to ensure that the consolidated financial statements are presented in accordance with IFRS.

The Group issues a separate set of IFRS consolidated financial statements to comply with the requirements of the Russian Federal Law No 208-FZ On consolidated financial statements (“208-FZ”) which was adopted on 27 July 2010.

### Basis of measurement

The consolidated financial statements of the Group are prepared on the historical cost basis, except for mark-to-market valuation of certain classes of financial instruments, in accordance with IFRS 9 Financial Instruments.

## 3. CHANGES IN ACCOUNTING POLICIES

The accounting policies applied in the preparation of the consolidated financial statements for the year ended 31 December 2022 are generally consistent with those applied in the preparation of the Group’s consolidated financial statements as at and for the years ended 31 December 2021 and 2020.

### Adoption of new and revised standards and interpretations during the year ended 31 December 2022

Adoption of amendments to the following Standards did not have material impact on the accounting policies, financial position or financial results of the Group:

- IFRS 9 Financial Instruments (amended);
- IFRS 1 First-time Adoption of International Financial Reporting Standards (amended);
- IFRS 3 Business combinations (amended);
- IFRS 16 Leases (amended);
- IAS 16 Property, plant and equipment (amended);
- IAS 37 Provisions, contingent liabilities and contingent assets (amended).

### Adoption of new and revised standards and interpretations during the year ended 31 December 2021

Adoption of amendments to the following Standards did not have material impact on the accounting policies, financial position or financial results of the Group:

Amendments related to interest rate benchmark reform:

- IFRS 4 Insurance Contracts (amended);
- IFRS 7 Financial Instruments: Disclosures (amended);
- IFRS 9 Financial Instruments (amended);
- IFRS 16 Leases (amended);
- IAS 39 Financial Instruments: Recognition and Measurement (amended).

Other amendments:

- IFRS 16 Leases (amended).

### Adoption of new and revised standards and interpretations during the year ended 31 December 2020

Adoption of amendments to the following Standards did not have material impact on the accounting policies, financial position or financial results of the Group:

- IFRS 3 Business combinations (amended);
- IFRS 7 Financial Instruments: Disclosures (amended);
- IFRS 9 Financial Instruments (amended);
- IFRS 16 Leases (amended);
- IAS 1 Presentation of Financial Statements (amended);
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (amended);
- IAS 39 Financial Instruments: Recognition and Measurement (amended);
- Revised Conceptual Framework for Financial Reporting.

### Standards and interpretations issued but not yet effective

The Group did not early adopt any standard, interpretation or amendment that had been issued but was not yet effective.

| Standards and Interpretations | Effective for annual periods beginning on or after |
|---|---|
| IFRS 9 Financial Instruments (amended) | 1 January 2023 |
| IFRS 17 Insurance Contracts (amended) | 1 January 2023 |
| IAS 1 Presentation of financial statements (amended) (Disclosure of accounting policy) | 1 January 2023 |
| IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (amended) | 1 January 2023 |
| IAS 12 Income Taxes (amended) | 1 January 2023 |
| IFRS 16 Leases (amended) | 1 January 2024 |
| IAS 1 Presentation of financial statements (amended) (Classification of liabilities as current or non-current, non-current liabilities with covenants) | 1 January 2024 |

Management of the Group plans to adopt all of the above standards and interpretations in the Group’s consolidated financial statements for the respective periods. These standards are not expected to have a material impact on the Group in the future reporting periods and on foreseeable future transactions.

### Reclassification

At 31 December 2022 management reassessed classification of certain cost items in cost of other sales and selling and distribution expenses. Information for the years ended 31 December 20 21 and 31 December 2020 was recla ssified to conform with the current period presentation and the effect of the reclassification is immaterial.

The presentation of metal sales by segments was changed (Note 6).

# 4. SIGNIFICANT ACCOUNTING POLICIES

## Basis of consolidation

### SUBSIDIARIES

The consolidated financial statements incorporate financial statements of the Company and its subsidiaries, from the date that control effectively commenced until the date that control effectively ceased. Control is achieved where the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Non-controlling interests in net assets (excluding goodwill) of the consolidated subsidiaries are identified separately from the equity of the shareholders of the Company therein. Non-controlling interests include interests at the date of the original business combination and a share of changes in net assets since the date of the business combination. Total comprehensive income must be attributed to the shareholders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Non-controlling interests may be initially measured either at fair value or at the proportionate share of non-controlling interests in the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis can be made on a transaction-by-transaction basis.

All intra-group balances, transactions and any unrealised profits or losses arising from intra-group transactions are eliminated in full on consolidation.

Changes in the Group's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity.

When the Group loses control of a subsidiary it derecognises the assets and liabilities and related equity components of the former subsidiary. Any resulting gain or loss is recognised in the consolidated income statement. Any interest retained in the former subsidiary is measured at its fair value as at the date of losing the control.

## Functional and presentation currency

The individual financial statements of each Group entity are presented in its functional currency.

The Russian rouble ("RUB") is the functional currency of the Company, all of its subsidiaries located in the Russian Federation, and all foreign subsidiaries of the Group, except for the below subsidiaries operating with a significant degree of autonomy. The functional currency of Norilsk Nickel Harjavalta Oy is US Dollar in 2020-2022, and the functional currency of Norilsk Nickel Africa Proprietary Limited and Nkomati Nickel Mine was South African Rand in 2020 and 2021.

The presentation currency of the Group's consolidated financial statements is US Dollar ("USD"). Using USD as a presentation currency is a common practice among global mining companies. The Group also issues consolidated financial statements which use RUB as the presentation currency to comply with Federal Law 208-FZ.

Components of the consolidated statement of financial position, consolidated income statement, consolidated statement of cash flows and consolidated statement of changes in equity are translated into presentation currency using the following applicable exchange rates:

| Component of consolidated statements | Applicable exchange rates |
|---|---|
| Assets and liabilities | Period-end rate |
| Income, expenses, and cash flows | Date of underlying transaction or average approximating exchange rates prevailing at the dates of the transactions |
| Equity | Historical rates |

All exchange differences resulting from translation of the consolidated income statement and consolidated statement of financial position components are recognised as a separate component in other comprehensive income/loss.

The exchange rates of certain currencies to the Russian Rouble used in the preparation of the consolidated financial statements are as follows:

| | At 31 December 2022 | At 31 December 2021 | At 31 December 2020 |
|---|---|---|---|
| US Dollar/RUB | 70.34 | 74.29 | 73.88 |
| Euro/RUB | 75.65 | 84.07 | 90.79 |
| Chinese Yuan/RUB | 9.89 | 11.65 | 11.31 |

## Revenue recognition

### METAL SALES REVENUE

Revenue from metal sales is recognised at a point of time when control over the asset is transferred to the customer and represents the invoiced value of all metal products shipped to customers, net of value added tax (if any).

Revenue from contracts that are entered into and continue to meet the Group's expected sale requirements designated for that purpose at their inception and are expected to be settled by physical delivery of the goods, is recognised in the consolidated financial statements as and when the goods are delivered. A gain or loss on forward contracts expected to be settled by physical delivery or on a net basis is recognised in revenue and disclosed separately from revenue from contracts with customers.

As a practical expedient, the Group does not adjust the promised amount of consideration for the effects of a significant financing component, if the expected period between when the Group transfers promised goods or a service to a customer and the customer pays for those goods or services is one year or less.

Certain contracts are provisionally priced so that price is not settled until a predetermined future date, as of which the delivery price is settled based on the market price (contracts with quotation period). Revenue from such transactions is initially recognised at the market price at the date of sale. Price adjustments under provisionally priced contracts are recognised in revenue.

### OTHER REVENUE

Revenue from contracts with customers on sale of goods (other than metals) is recognised at a point of time when control over the asset is transferred to a customer in accordance with the shipping terms specified in the sales agreements.

Revenue from service contracts is recognised over the time when the services are rendered.

## Leases

At the inception of a contract, the Group assesses whether such contract or its components constitute a lease. The Group recognises a right-of-use asset and a corresponding lease liability, if a lease contract transfers to the lessee the right to control the use of the identified asset for a period of time in exchange for a consideration, except for current leases with the term of 12 months or less. The Group recognises lease payments associated with current leases as an expense on a straight-line basis over the lease term. Land plot lease payments are treated as variable lease payments, if they are linked to the cadastral value and changes in the latter do not depend on market rental rates. The Group recognises such variable lease payments as an expense in the period when the event that triggers those payments occurs.

Right-of-use assets are initially recognised at cost that comprises when applicable:

- the initial amount of the lease liability;
- any lease payments made at or before the lease commencement date;
- any initial direct costs incurred by the lessee;
- an estimate of costs to be incurred by the lessee for retirement of the underlying asset and restoration of the site where it is located.

Right-of-use assets are subsequently measured at initial cost less any accumulated depreciation and any accumulated impairment losses, adjusted for any remeasurement of the lease liability. Right-of-use assets are depreciated on a straight-line basis over their estimated economic useful life or over the term of the lease, whichever is shorter. Right-of-use assets are presented in property, plant and equipment in the consolidated statement of financial position.

Lease liabilities (refer to Note 25) are initially measured at the present value of the lease payments that are not paid at the commencement date and subsequently remeasured to reflect changes in lease payments. The lease payments are discounted using interest rate implicit in the lease (if that rate can be readily determined) or using Group incremental borrowing rate at the commencement date determined based on lease term and currency of the lease payments.

## Employee benefits

Remuneration to employees in respect of services rendered during a reporting period is recognised as an expense in that period. Deferred costs under subsidised housing programmes for employees are recognised as other non-current assets and amortised over a certain period of employee participation in the programme (two to ten years). Long-term employee benefit obligations are discounted to present value.

### DEFINED CONTRIBUTION PLANS

The Group contributes to the following major defined contribution plans:

- Pension Fund of the Russian Federation;
- Mutual accumulated pension plan.

The only obligation of the Group with respect to these and other defined contribution plans is to make specified contributions during the period in which they arise. Such contributions are recognised in the consolidated income statement when employees have rendered respective services.

## Income tax expense

Income tax expense represents the sum of the current and deferred tax.

Income tax is recognised as an expense or income in the consolidated income statement unless it relates to other items recognised directly in other comprehensive income, in which case the tax is also recognised in the consolidated statement of comprehensive income. Where current or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

### CURRENT TAX

Current tax is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and excludes items that are not taxable or deductible.

### DEFERRED TAX

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. As a general rule, deferred tax liabilities are recognised for all taxable temporary differences, and deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Deferred tax assets and liabilities are not recognised in the consolidated financial statements, if temporary differences arise from the initial recognition of goodwill or from the initial recognition of assets and liabilities other than in a business combination, which, at the time of the transaction, affects neither taxable profit nor accounting profit and do not give rise to equal taxable and deductible temporary differences.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, joint ventures, associates and interests in joint operations, unless the Group is able to control the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and adjusted to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

The measurement of deferred tax assets and liabilities reflects the tax consequences of the manner in which the Group expects at the reporting date to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority.

## Property, plant and equipment

### MINING ASSETS

Mine development costs are capitalised and comprise expenditures directly related to:

- acquiring mining and exploration licences;
- developing new mines;
- estimating revised content of minerals in the existing ore bodies currently developed;
- expanding mine capacity.

Mine development costs include directly attributable finance costs capitalised during mine development.

Mine development costs are transferred to mining assets and start to be depreciated when a mine reaches commercial production quantities.

Mining assets are recognised at cost less accumulated depreciation and impairment losses. Mining assets include cost of acquiring and developing mining properties, pre-production expenditure, mine infrastructure, property, plant and equipment that process extracted ore, subsoil use rights, mining and exploration licenses, finance costs eligible for capitalisation and discounted value of future decommissioning costs.

Carrying value of mining assets is depreciated over the lesser of their individual economic useful life on a straight-line basis, or the remaining life of mine. Life of mine is estimated based on the Group production plans. Average useful lives vary from 1 to 47 years.

### EXPLORATION EXPENDITURE

Exploration expenditure, including geophysical, topographical, geological and similar types of expenditure made under evaluation, exploration and mining licences, is capitalised and amortised over the life of mine from the moment the commercial viability of the project is proved. Otherwise, it is expensed in the period in which it is incurred.

Exploration expenditure written-off before the start of mine development is not subsequently capitalised, even if mine commercial use subsequently occurs.

### NON-MINING ASSETS

Non-mining assets include metallurgical processing plants, buildings, infrastructure, machinery and equipment, and other non-mining assets. Such assets are measured at cost less accumulated depreciation and impairment losses. Non-mining assets include property, plant and equipment used both in operations directly and to provide social services in the regions where the Group operates.

Non-mining assets are depreciated on a straight-line basis over their economic useful life.

Depreciation charge is calculated over the following economic useful life:

- buildings, facilities and infrastructure 2 to 50 years
- machinery, equipment and transport 2 to 32 years
- other non-mining assets 1 to 20 years

### CAPITAL CONSTRUCTION-IN-PROGRESS

Capital construction-in-progress comprises costs directly related to the construction of mining and non-mining assets, including:

- advances given for the purchase of property, plant and equipment and materials acquired for the construction of buildings, processing plants, infrastructure, machinery and equipment;
- irrevocable letters of credit opened for future fixed assets deliveries and secured by deposits placed with banks;
- directly attributable finance costs capitalised during construction.

Depreciation of these assets begins when they become available for use and are in the location and condition necessary for them to be capable of operating in the manner intended by management.

### CAPITALISATION OF FINANCE COST

Finance costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until the assets are ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

## Intangible assets, excluding goodwill

Intangible assets are recognised at cost less accumulated amortisation and impairment losses. Intangible assets mainly include patents, licences and software.

Amortisation of patents, licences and software is charged on a straight-line basis over their useful life, which vary from 1 to 12 years.

## Impairment of non-current assets, excluding goodwill

At each reporting date, the Group analyses the triggers of impairment of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit. Where the fair value less costs of disposal of individual assets is higher than their carrying amount the Group does not estimates its value in use. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the consolidated income statement immediately.

Where an impairment loss is subsequently reversed, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount but only to the extent that the increased carrying amount does not exceed the original carrying amount that would have been determined had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the consolidated income statement immediately.

## Inventories

### REFINED METALS

The Group's main jointly produced metals include nickel, copper, palladium, platinum; by-products include cobalt, gold, rhodium, silver, and other metals. Main products are measured at the lower of cost of production or net realisable value. The cost of production of main products is determined as total production cost allocated to each joint product by reference to their relative sales value. The cost of production includes export customs duties (if applicable) incurred before a point of time when control over the asset is transferred to a customer. By-products are initially measured at net realisable value, based on current market prices. Net realisable value estimates take into consideration fluctuations of price or cost directly relating to events after the reporting date, to the extent that such events confirm conditions existing at the end of the reporting period.

### WORK-IN-PROCESS

Work in process includes all costs incurred in the ordinary course of business for producing each product including direct material and labour costs, allocation of production overheads, depreciation, amortisation and other costs, given its stage of completion, less allowance for adjustment to net realisable value. Changes in the amount of allowance are recognised in Cost of metal sales in the consolidated income statement.

### MATERIALS AND SUPPLIES

Materials and supplies are measured at cost less allowance for obsolete and slow-moving items.

## Financial assets

Financial assets are recognised when the Group becomes party to contractual provisions of the instrument and are initially measured at fair value, plus directly attributable transaction costs, except for those financial assets measured at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following categories:

- financial assets measured at amortised cost;
- financial assets measured at fair value through other comprehensive income;
- financial assets measured at fair value through profit or loss.

The classification of financial assets depends on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset and is determined at the time of initial recognition.

### EFFECTIVE INTEREST METHOD

The effective interest method is used for calculating the amortised cost of a financial asset and for allocating interest income over the period.
The effective interest rate is the rate that exactly discounts estimated future cash receipts (including directly attributable transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis for debt instruments other than those financial assets measured at fair value through profit or loss or fair value through other comprehensive income.

### FINANCIAL ASSETS MEASURED AT AMORTISED COST

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated at fair value through profit or loss:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group generally classifies cash and cash equivalents, trade and other receivables (excluding trade receivables measured at fair value through profit and loss under provisionally priced contracts), loans issued and bank deposits as financial assets measured at amortised cost.

### FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

A debt instrument is measured at fair value through other comprehensive income if it meets both of the following conditions and is not designated at fair value though profit or loss:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

At initial recognition, the Group may make an irrevocable decision to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading. Such decisions are made on an instrument-by-instrument basis.

### FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

All financial assets not classified as measured at amortised cost or at fair value through other comprehensive income are classified as financial assets measured at fair value through profit or loss.

Trade receivables under provisionally priced contracts and derivative financial assets are measured at fair value through profit or loss. Trade receivables under provisionally priced contracts are remeasured at each reporting date using the forward market price for the period till the price settlement date outlined in the contract.

### IMPAIRMENT OF FINANCIAL ASSETS

The Group recognises an allowance for expected credit losses on a financial asset measured at amortised cost using either of the following methods:

| | |
|---|---|
| Lifetime expected credit losses | Trade and other receivables<br>Financial assets other than trade and other receivables for which credit risk has increased significantly since initial recognition |
| 12-months expected credit losses since the reporting date | Financial assets other than trade and other receivables at initial recognition<br>Financial assets other than trade and other receivables for which credit risk has not increased significantly since initial recognition |

When determining whether the credit risk of the financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Group considers reliable and supportable information, including both quantitative and qualitative information and analysis based on the Group's historical experience and forward-looking information.

The Group applies the simplified approach to measuring expected credit losses under IFRS 9 Financial Instruments, which uses a lifetime expected loss allowance for trade receivables. The Group assumes that expected credit loss for all trade and other receivables which are overdue for more than 365 days is equal to their carrying amount. To measure the expected credit losses, trade and other receivables that are overdue for less than 365 days are grouped based on the length of the overdue period to which respective expected loss rates are applied. The expected loss rates are based on the historical credit loss experience, adjusted to reflect current and forward-looking information on the ability of the customers to settle the receivables.

When trade and other receivables are considered uncollectable, they are written off against the respective loss allowance. Changes in the amount of allowance are recognised in the consolidated income statement.

### DERECOGNITION OF FINANCIAL ASSETS

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or if it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and associated liability for the amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

## Financial liabilities

The Group classifies financial liabilities into loans and borrowings, trade and other payables. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, the financial liabilities are measured at amortised cost using the effective interest method. Derivative financial liabilities are measured at fair value through profit or loss.

### EFFECTIVE INTEREST METHOD

The effective interest method is used for calculating the amortised cost of a financial liability and for allocating interest expense over the period. The effective interest rate is the rate that exactly discounts estimated future cash outflows through the expected life of the financial liability, or where appropriate, a shorter period.

### DERECOGNITION OF FINANCIAL LIABILITIES

The Group derecognises financial liabilities when, and only when liabilities are discharged, cancelled or expired.

## Cash and cash equivalents

Cash and cash equivalents comprise cash balances, cash deposits in banks, brokers and other financial institutions and highly liquid investments with original maturities of three months or less and on demand deposits, which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

## Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If, in the course of discharging an obligation, the Group recognises property, plant and equipment, then this settlement does not result in an outflow of the Group's resources and, therefore, no provision is recognised.

Provisions may be recognised in respect of the Group social, environmental, asset decommissioning or other obligations, and are presented in these consolidated financial statements accordingly. In particular, the Group's social provisions are presented together with other liabilities related to its social expenditure as a separate item Social Liabilities in the consolidated statement of financial position.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the future cash flows, its carrying amount is the present value of those cash flows.

### DECOMMISSIONING OBLIGATIONS AND ENVIRONMENTAL PROVISIONS

Decommissioning obligations include direct asset decommissioning costs as well as related land restoration costs.

Future decommissioning costs and related obligations, discounted to present value, are recognised when the legal or constructive obligation in relation to such costs arises and the future costs can be reliably estimated. These costs are capitalised as part of the initial cost of the related asset and are depreciated over the useful life of the asset. The unwinding of discount on decommissioning obligations is recognised Finance cost, net in the consolidated income statement. Decommissioning obligations are periodically remeasured for changes in applicable laws, regulations, expected closure dates, inflation and discount rates.

Environmental provisions may include expenditure for remediation of the damage to the environment, including land and water bodies clean-up and rehabilitation costs, restoration of biological resources, settlement of legal claims and environmental damages, fines and penalties imposed by government authorities in respect of the environmental incidents.

# 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

When preparing the consolidated financial statements, the Group's management necessarily makes estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the reporting date, and the amounts of income and expenses for the reporting period. Estimates and assumptions require management judgement based on historical experience, current and expected economic conditions, and any other available information. Actual results may differ from such estimates. Key estimates and assumptions made by the Group's management are disclosed below or elsewhere in the notes to the consolidated financial statements if applicable.

The most significant areas requiring the use of management estimates and assumptions are as follows:

- useful economic life of property, plant and equipment;
- impairment of non-financial assets;
- decommissioning obligations and environmental provisions;
- income taxes.

## Useful economic life of property, plant and equipment

The factors that may affect estimates of the useful economic life of mining assets include the following:

- changes in proven and probable ore reserves;
- the grade of ore reserves changing significantly over time;
- differences between actual commodity prices and commodity price assumptions used in the estimation and classification of ore reserves;
- unforeseen operational issues at mine sites;
- changes in capital, operating, mining, processing and decommissioning costs, discount rates and foreign exchange rates that could possibly adversely affect the economic viability of ore reserves.

The useful economic life of non-mining property, plant and equipment is reviewed by the management periodically, based on the current condition of the assets and the estimated period during which they will continue to bring economic benefits to the Group.

## Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible non-financial assets for an indication that these assets may be impaired or that a previously recognised impairment loss may have decreased in full or in part. For the purpose of the impairment test, the assets that do not generate independent cash flows are allocated to an appropriate cash-generating unit. Management applies judgement in allocating assets that do not generate independent cash flows to appropriate cash-generating units, and in estimating the timing and amounts of the underlying cash flows. Subsequent changes to the assets allocation to cash generating units or the timing and amounts of cash flows may affect the recoverable amount of the respective assets.

## Decommissioning obligations and environmental provisions

The Group's mining and exploration activities are subject to various environmental laws and regulations. The Group estimates decommissioning obligations and environmental provisions based on the management's understanding of the current legal requirements in the various jurisdictions in which it operates, terms of licence agreements and internally generated engineering estimates. Decommissioning obligations and environmental provisions are measured at present value using inflation and discounts rates at the date of respective cash outflows.

Environmental provisions are recognised based on the best estimate of the consideration required to settle the environmental obligation at the reporting date, taking into account risks and uncertainties surrounding the present obligation, including probable compensations under civil lawsuits and costs to be incurred under corresponding environmental programmes. Where it is possible to determine a reliable timing of the environmental obligations, estimates are based on the discounted value of cash flows required to settle those obligations, otherwise the management uses the best estimate of the future cash outflows related to the environmental obligations.

Actual costs incurred in future periods may differ materially from the amounts of the provisions. Additionally, future changes to environmental laws and regulations, life of mine estimates, discount rates, court decisions and government actions may affect the carrying amount of these provisions.

## Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining provisions for income taxes paid in various jurisdictions due to the complexity of legal frameworks. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises provisions for taxes arising from tax audits based on estimates of whether additional taxes will be due. Where, following the tax disputes, the final tax amount differs from the amounts that were initially recognised, such differences are recognised in the consolidated financial statements for the period when such determination is made.

The carrying amount of deferred tax assets is reviewed at each reporting date and adjusted to the extent that it is probable that sufficient taxable income will be available to enable full or partial utilisation of the deferred tax asset.

Various factors are considered when assessing the probability of the future utilisation of deferred tax assets, including past operating results, the Group's operational plan, expiration of tax losses carried forward, and tax planning strategies. If actual results differ from these estimates or if these estimates are to be adjusted in future periods, the financial position and financial results of the Group may be affected.

# 6. SEGMENTS

Reporting segments are based on internal reports on components of the Group that are regularly reviewed by the Management Board.

Management has determined the following reporting segments:

- GMK Group segment includes main mining, processing and metallurgy operations as well as transport services, energy, repair and maintenance services located on Taimyr Peninsula. GMK Group metal sales to external customers include metal volumes produced from semi-products purchased from the South Cluster and GRK Bystrinskoye segments. Intersegment revenue from metal sales includes primarily sale of semi-products to the KGMK Group segment for further processing. Metal sales to external customers include an approximately equal portion of base and precious metals sales in 2022, while in 2020 and 2021 the share of base metals sales did not exceed 45%. GMK Group's intersegment other sales include revenue from metal processing services provided to other segments. GMK Group's other sales to external customers primarily include revenue from energy and utilities services provided on Taimyr Peninsula;
- South Cluster segment includes certain ore mining and processing operations located on Taimyr Peninsula. Intersegment revenue from metal sales includes sale of semi-products to GMK Group for further processing. The South Cluster segment revenue from other sales includes intersegment ore processing services under tolling arrangements provided to the GMK Group segment;
- KGMK Group segment includes ore mining and processing operations, metallurgy operations, energy, and exploration activities located on Kola Peninsula. KGMK Group's metal sales to external customers include metal produced from semi-products purchased from the GMK Group segment. Intersegment revenue from metal sales includes sale of semi-products to GMK Group and NN Harjavalta for further processing. Metal sales to external customers include an approximately equal portion of base and precious metals sales in 2022, while in 2020 and 2021 the share of base metals sales did not exceed 40%. KGMK Group's revenue from other sales includes intersegment metal processing services provided to other segments and energy and utilities services provided to external customers on Kola Peninsula;
- NN Harjavalta segment includes refinery operations located in Finland. NN Harjavalta's metal sales to external customers primarily include base metal produced from semi-products purchased from GMK Group segment and KGMK Group segment.
- GRK Bystrinskoye segment includes ore mining and processing operations located in the Zabaikalsky Territory of the Russian Federation. Metal sales to external customers include an approximately equal portion of base and other metals sales;
- Other mining segment primarily included a 50% interest of the Group in metal mining and processing joint operations of Nkomati Nickel Mine ("Nkomati"), which was disposed of during the year ended 31 December 2021, and also includes certain other mining and exploration activities located in Russia and abroad. In 2021 and 2020 the Other mining segment's sales primarily included 50% share of the Group in the sales of metal semi-products produced by Nkomati;
- Other non-metallurgical segment includes resale of third-party refined metal products, other trading operations, transport services, supply chain management, energy and utility, research and other activities located in Russia and abroad. Metal sales to external customers include mainly base metals sales in 2022 and precious metals sales in 2020, and approximately equal portion of base and precious metals sales in 2021. In 2021 and 2020 the Other non-metallurgical segment also included resale of 50% of metal semi-products produced by Nkomati. Other sales of the Other non-metallurgical segment primarily included revenue from passenger and freight air transportation services and fuel sales.

Corporate activities of the Group do not represent a reporting segment, include primarily the headquarters' general and administrative expenses and treasury operations of the Group and are presented as Unallocated.

The amounts in respect of reportable segments in the disclosure below are stated before intersegment eliminations, excluding:

- balances of intercompany loans and borrowings and interest accruals;
- balances of intercompany investments;
- accrual of intercompany dividends.

Amounts are measured on the same basis as those in the consolidated financial statements.

The following tables present revenue, measure of segment profit or loss (EBITDA) and other segment information from continuing operations regarding the Group's reportable segments for the years ended 31 December 2022, 2021 and 2020, respectively.

| For the year ended31 December 2022 | GMK Group | South cluster | KGMK Group | NN Harjavalta | GRK Bystrinskoye | Other mining | Other non-metallurgical | Eliminations | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Revenue from external customers** | | | | | | | | | |
| Metal sales | 5,213 | – | 7,556 | 1,741 | 1,160 | – | 403 | – | 16,073 |
| Other sales | 246 | 5 | 32 | 18 | 1 | – | 501 | – | 803 |
| **Intersegment revenue** | | | | | | | | | |
| Metal sales | 6,405 | 728 | 2,862 | 603 | 135 | – | 3 | (10,736) | – |
| Other sales | 378 | 239 | 1 | 1 | 29 | 1 | 651 | (1,300) | – |
| **Total revenue** | **12,242** | **972** | **10,451** | **2,363** | **1,325** | **1** | **1,558** | **(12,036)** | **16,876** |
| Segment EBITDA | 4,316 | 450 | 3,915 | 157 | 934 | (11) | 9 | (9) | 9,761 |
| Unallocated | | | | | | | | | (1,064) |
| **Consolidated EBITDA** | | | | | | | | | **8,697** |
| Depreciation and amortisation | | | | | | | | | (1,026) |
| Impairment of non-financial assets, net | | | | | | | | | (90) |
| Finance costs, net | | | | | | | | | (493) |
| Foreign exchange gain, net | | | | | | | | | 251 |
| Income from investments and loss from disposal of subsidiaries | | | | | | | | | 40 |
| **Profit before tax** | | | | | | | | | **7,379** |

| | GMK Group | South cluster | KGMK Group | NN Harjavalta | GRK Bystrinskoye | Other mining | Other non-metallurgical | Unallocated | Total |
|---|---|---|---|---|---|---|---|---|---|
| Other material cash and non-cash items purchase of property, plant and equipment and intangible assets | 3,307 | 298 | 350 | 22 | 72 | 10 | 239 | – | 4,298 |
| Depreciation and amortisation | 741 | 57 | 23 | 24 | 148 | – | 33 | – | 1,026 |
| Impairment of non-financial assets/(reversal of impairment) | 72 | 4 | 2 | – | (1) | 4 | 9 | – | 90 |
| Change in provisions and allowances | 198 | – | 13 | – | 2 | 3 | 1 | 19 | 236 |

| For the year ended 31 December 2021 | GMK Group | South cluster | KGMK Group | NN Harjavalta | GRK Bystrinskoye | Other mining | Other non-metallurgical | Eliminations | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Revenue from external customers** | | | | | | | | | |
| Metal sales | 6,480 | – | 7,687 | 1,106 | 1,200 | 28 | 602 | – | 17,103 |
| Other sales | 188 | 1 | 26 | 7 | 3 | – | 524 | – | 749 |
| **Intersegment revenue** | | | | | | | | | |
| Metal sales | 4,852 | 618 | 2,179 | 380 | 109 | – | – | (8,138) | – |
| Other sales | 316 | 148 | 1 | – | 34 | – | 407 | (906) | – |
| **Total revenue** | **11,836** | **767** | **9,893** | **1,493** | **1,346** | **28** | **1,533** | **(9,044)** | **17,852** |
| Segment EBITDA | 5,456 | 397 | 3,758 | 59 | 1,076 | (16) | 11 | 716 | 11,457 |
| Unallocated | | | | | | | | | (945) |
| **Consolidated EBITDA** | | | | | | | | | **10,512** |
| Depreciation and amortisation | | | | | | | | | (928) |
| Impairment of non-financial assets, net | | | | | | | | | (48) |
| Finance costs, net | | | | | | | | | (279) |
| Foreign exchange loss, net | | | | | | | | | (53) |
| Income from investments and loss from disposal of subsidiaries and foreign joint operation | | | | | | | | | 81 |
| **Profit before tax** | | | | | | | | | **9,285** |

| | GMK Group | South cluster | KGMK Group | NN Harjavalta | GRK Bystrinskoye | Other mining | Other non-metallurgical | Unallocated | Total |
|---|---|---|---|---|---|---|---|---|---|
| Other material cash and non-cash items purchase of property, plant and equipment and intangible assets | 2,002 | 304 | 205 | 26 | 62 | 12 | 153 | – | 2,764 |
| Depreciation and amortisation | 622 | 30 | 84 | 12 | 122 | 1 | 57 | – | 928 |
| Impairment of non-financial assets/(reversal of impairment) | (101) | – | 137 | – | 2 | – | 10 | – | 48 |
| Change in provisions and allowances | 760 | 6 | 19 | – | 1 | – | – | 110 | 896 |

| For the year ended 31 December 2020 | GMK Group | South cluster | KGMK Group | NN Harjavalta | | GRK Bystrinskoye | Other mining | Other non-metallurgical | Eliminations | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **Revenue to external customers** | | | | | | | | | | |
| Metal sales | 5,427 | – | 6,897 | 949 | | 897 | 129 | 678 | – | 14,977 |
| Other sales | 156 | – | 27 | 5 | | 3 | 8 | 369 | – | 568 |
| **Intersegment revenue** | | | | | | | | | | |
| Metal sales | 6,907 | 532 | 2,001 | 354 | | 98 | – | – | (9,892) | – |
| Other sales | 210 | 162 | 1 | – | | 6 | – | 340 | (719) | – |
| **Total revenue** | **12,700** | **694** | **8,926** | **1,308** | | **1,004** | **137** | **1,387** | **(10,611)** | **15,545** |
| Segment EBITDA | 6,171 | 407 | 1,757 | 70 | | 717 | (14) | 31 | (556) | 8,583 |
| Unallocated | | | | | | | | | | (932) |
| **Consolidated EBITDA** | | | | | | | | | | **7,651** |
| Depreciation and amortisation | | | | | | | | | | (943) |
| Impairment of non-financial assets, net | | | | | | | | | | (308) |
| Finance costs, net | | | | | | | | | | (879) |
| Foreign exchange loss, net | | | | | | | | | | (1,034) |
| Income from investments and loss from disposal of subsidiaries | | | | | | | | | | 92 |
| **Profit before tax** | | | | | | | | | | **4,579** |

| | GMK Group | South cluster | KGMK Group | NN Harjavalta | | GRK Bystrinskoye | Other mining | Other non-metallurgical | Unallocated | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Other material cash and non-cash items purchase of property, plant and equipment and intangible assets | 1,275 | 114 | 155 | 17 | | 98 | 2 | 99 | – | 1,760 |
| Depreciation and amortisation | 596 | 28 | 152 | 32 | | 110 | 1 | 24 | – | 943 |
| Impairment of non-financial assets, net | 43 | – | 264 | – | | 1 | – | – | – | 308 |
| Change in provisions and allowances | 2,362 | – | (14) | – | | – | 22 | 1 | 106 | 2,477 |

The following tables present assets and liabilities of the Group's reportable segments at 31 December 2022, 2021 and 2020, respectively.

| At 31 December 2022 | GMK Group | South cluster | KGMK Group | NN Harjavalta | GRK Bystrinskoye | Other mining | Other non-metallurgical | Eliminations | Total |
|---|---|---|---|---|---|---|---|---|---|
| Intersegment assets | 1,345 | 143 | 2,287 | 597 | 133 | – | 103 | (4,608) | – |
| Segment assets | 15,446 | 1,117 | 4,364 | 643 | 1,546 | 55 | 1,796 | (1,240) | 23,727 |
| **Total segment assets** | **16,791** | **1,260** | **6,651** | **1,240** | **1,679** | **55** | **1,899** | **(5,848)** | **23,727** |
| Unallocated | | | | | | | | | 2,068 |
| **Total assets** | | | | | | | | | **25,795** |
| Intersegment liabilities | 503 | 25 | 715 | 799 | 4 | 1 | 2,561 | (4,608) | – |
| Segment liabilities | 3,606 | 352 | 493 | 73 | 161 | 65 | 322 | – | 5,072 |
| **Total segment liabilities** | **4,109** | **377** | **1,208** | **872** | **165** | **66** | **2,883** | **(4,608)** | **5,072** |
| Unallocated | | | | | | | | | 12,156 |
| **Total liabilities** | | | | | | | | | **17,228** |

| At 31 December 2021 | GMK Group | South cluster | KGMK Group | NN Harjavalta | GRK Bystrinskoye | Other mining | Other non-metallurgical | Eliminations | Total |
|---|---|---|---|---|---|---|---|---|---|
| Intersegment assets | 804 | 60 | 635 | 188 | 39 | – | 60 | (1,786) | – |
| Segment assets | 11,605 | 827 | 3,111 | 731 | 1,508 | 98 | 1,266 | (1,445) | 17,701 |
| **Total segment assets** | **12,409** | **887** | **3,746** | **919** | **1,547** | **98** | **1,326** | **(3,231)** | **17,701** |
| Unallocated | | | | | | | | | 5,734 |
| **Total assets** | | | | | | | | | **23,435** |
| Intersegment liabilities | 205 | 32 | 739 | 508 | 7 | 1 | 294 | (1,786) | – |
| Segment liabilities | 2,676 | 250 | 578 | 64 | 135 | 72 | 1,319 | – | 5,094 |
| **Total segment liabilities** | **2,881** | **282** | **1,317** | **572** | **142** | **73** | **1,613** | **(1,786)** | **5,094** |
| Unallocated | | | | | | | | | 13,553 |
| **Total liabilities** | | | | | | | | | **18,647** |

| At 31 December 2020 | GMK Group | South cluster | KGMK Group | NN Harjavalta | GRK Bystrinskoye | Other mining | Other non-metallurgical | Eliminations | Total |
|---|---|---|---|---|---|---|---|---|---|
| Intersegment assets | 2,848 | 162 | 720 | 165 | 109 | 14 | 45 | (4,063) | – |
| Segment assets | 10,150 | 412 | 3,440 | 480 | 1,526 | 49 | 1,150 | (2,020) | 15,187 |
| **Total segment assets** | **12,998** | **574** | **4,160** | **645** | **1,635** | **63** | **1,195** | **(6,083)** | **15,187** |
| Unallocated | | | | | | | | | 5,519 |
| **Total assets** | | | | | | | | | **20,706** |
| Intersegment liabilities | 350 | 24 | 2,645 | 266 | 8 | – | 770 | (4,063) | – |
| Segment liabilities | 3,794 | 129 | 322 | 84 | 107 | 79 | 1,139 | – | 5,654 |
| **Total segment liabilities** | **4,144** | **153** | **2,967** | **350** | **115** | **79** | **1,909** | **(4,063)** | **5,654** |
| Unallocated | | | | | | | | | 10,377 |
| **Total liabilities** | | | | | | | | | **16,031** |

## 7. METAL SALES

The Group's metal sales to external customers are detailed below (based on external customers' locations):

| | For the year ended 31 December | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| Europe | 7,522 | 9,036 | 6,755 |
| Asia | 4,966 | 4,688 | 5,266 |
| North and South America | 2,335 | 2,647 | 2,400 |
| Russian Federation and CIS | 1,250 | 732 | 556 |
| | **16,073** | **17,103** | **14,977** |

Revenue from metal sales for the year ended 31 December 2022 included net loss of USD (64) million in respect of forward contracts measured at fair value that are expected to be settled by physical delivery or on a net basis (for the year ended 31 December 2021: net loss in the amount of USD (41) million and for the year ended 31 December 2020: net loss in the amount of USD (104) million).

For the year ended 31 December 2022 metal revenue included net gain of USD35 million from price adjustments in respect of certain provisionally priced contracts, primarily for sale of nickel (for the year ended 31 December 2021 primarily for sale of rhodium and other metals: net gain in the amount of USD25 million and for the year ended 31 December 2020 primarily for sale of palladium: net gain in the amount of USD38 million).

## 8. COST OF METAL SALES

| | For the year ended 31 December | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| Cash operating costs | | | |
| Labour | 2,123 | 1,406 | 1,307 |
| Mineral extraction tax and other levies | 1,192 | 627 | 248 |
| Materials and supplies | 1,069 | 715 | 731 |
| Third party services | 784 | 410 | 276 |
| Purchases of refined metals for resale | 437 | 581 | 482 |
| Transportation expenses | 275 | 130 | 90 |
| Fuel | 166 | 122 | 109 |
| Electricity and heat energy | 136 | 118 | 151 |
| Purchases of raw materials and semi-products | 33 | 95 | 298 |
| Export custom duties | – | 442 | – |
| Other costs | 326 | 228 | 194 |
| **Total cash operating costs** | **6,541** | **4,874** | **3,886** |
| Depreciation and amortisation | 1,015 | 843 | 845 |
| Increase in metal inventories | (1,448) | (660) | (231) |
| **Total** | **6,108** | **5,057** | **4,500** |

## 9. GENERAL AND ADMINISTRATIVE EXPENSES

| | For the year ended 31 December | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| Staff costs | 833 | 577 | 529 |
| Third party services | 230 | 191 | 142 |
| Depreciation and amortisation | 107 | 83 | 67 |
| Taxes other than mineral extraction tax and income tax | 94 | 76 | 69 |
| Transportation expenses | 9 | 18 | 18 |
| Other | 80 | 44 | 44 |
| **Total** | **1,353** | **989** | **869** |

## 10. SELLING AND DISTRIBUTION EXPENSES

| | For the year ended 31 December | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| Transportation expenses | 100 | 81 | 72 |
| Marketing expenses | 52 | 48 | 44 |
| Staff costs | 33 | 23 | 19 |
| Other | 65 | 39 | 32 |
| **Total** | **250** | **191** | **167** |

## 11. OTHER OPERATING EXPENSES, NET

| | For the year ended 31 December | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| Social expenses (Note 27) | 407 | 1,048 | 505 |
| Environmental provisions (Note 26) | 93 | 176 | 2,242 |
| Loss on disposal of property, plant and equipment | 70 | 35 | 19 |
| Change in other provisions and liabilities | 43 | (3) | 24 |
| Expenses on industrial incidents response | 35 | 69 | – |
| Change in provision on production facilities shut down (Note 26) | 14 | (3) | (10) |
| Change in decommissioning obligations (Note 26) | 12 | (5) | 2 |
| Other, net | 4 | (32) | (45) |
| **Total** | **678** | **1,285** | **2,737** |

## 12. FINANCE COSTS, NET

| | For the year ended 31 December | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| Interest expense, net of amounts capitalised | 330 | 225 | 364 |
| Unwinding of discount on provisions and payables | 185 | 59 | 61 |
| Loss/(gain) from currency conversion operations | 111 | (24) | (8) |
| Fair value loss/(gain) on the cross-currency interest rate swap contracts | 18 | (68) | 182 |
| Interest expense on lease liabilities | 16 | 15 | 12 |
| Changes in fair value of other non-current and other current liabilities | – | 66 | 262 |
| Income received as a result of early debt repayment | (172) | – | – |
| Other, net | 5 | 6 | 6 |
| **Total** | **493** | **279** | **879** |

## 13. INCOME FROM INVESTMENTS

| | For the year ended 31 December | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| Interest income on bank deposits | 133 | 51 | 43 |
| Other, net | 17 | 1 | 30 |
| **Total** | **150** | **52** | **73** |

## 14. INCOME TAX EXPENSE

| | For the year ended 31 December | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| Current income tax expense | 1,306 | 1,695 | 1,685 |
| Deferred tax expense/(benefit) | 219 | 616 | (740) |
| **Total income tax expense** | **1,525** | **2,311** | **945** |

A reconciliation of theoretic income tax, calculated at the statutory rate in the Russian Federation, the location of major production assets of the Group, to the amount of actual income tax expense recognised in the consolidated income statement is as follows:

| | For the year ended 31 December | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| Profit before tax | 7,379 | 9,285 | 4,579 |
| Income tax at statutory rate of 20% | 1,476 | 1,857 | 916 |
| Changes in unrecognised deferred tax assets | 36 | 15 | 14 |
| Non-deductible social expenses | 67 | 177 | 93 |
| Effect of different tax rates of subsidiaries | (13) | (45) | (38) |
| Income tax provision related to the compensation of environmental damages | – | 460 | – |
| Tax effect of other reserves and liabilities | 40 | – | – |
| Tax effect of other permanent differences | (81) | (153) | (40) |
| **Total income tax expense** | **1,525** | **2,311** | **945** |

In 2022 tax effect of other permanent differences was mainly represented by an income tax rate credit applicable to a Group's subsidiary and was partially offset, in approximately equal parts, by unrecognized losses of Group`s foreign subsidiaries and unrecognised expenses for the disposal of investments in the total amount of USD100 million (in 2020 and 2021: was represented mainly by the income tax rate credit applicable to a Group's subsidiary).

The corporate income tax rates in other countries where the Group has a taxable presence vary from 0% to 30%.

### DEFERRED TAX BALANCES

| | At 31 December 2021 | Recognised in income statement | Recognised in other comprehensive income | Disposed on disposal of subsidiaries | Effect of translation to presentation currency | At 31 December 2022 |
|---|---|---|---|---|---|---|
| Property, plant and equipment, right-of use assets | 490 | 110 | – | (15) | 8 | 593 |
| Inventories | (174) | 15 | – | – | (44) | (203) |
| Trade and other receivables | 3 | (28) | – | – | 21 | (4) |
| Decommissioning obligations | (115) | 16 | – | – | (2) | (101) |
| Environmental provisions | (6) | 5 | – | – | (2) | (3) |
| Other provisions | (89) | 30 | – | – | 1 | (58) |
| Loans and borrowings, trade and other payables, lease liabilities | (145) | 58 | – | 21 | (51) | (117) |
| Other assets | 15 | 8 | – | – | 1 | 24 |
| Other liabilities | 33 | 24 | 7 | (5) | – | 59 |
| Tax loss carry-forwards | (106) | (19) | – | (1) | 11 | (115) |
| **Net deferred tax (assets)/liabilities** | **(94)** | **219** | **7** | **–** | **(57)** | **75** |

| | At 31 December 2020 | Recognised in income statement | Recognised in other comprehensive income | Effect of translation to presentation currency | At 31 December 2021 |
|---|---|---|---|---|---|
| Property, plant and equipment, right-of use assets | 389 | 104 | – | (3) | 490 |
| Inventories | (448) | 285 | – | (11) | (174) |
| Trade and other receivables | 6 | (3) | – | – | 3 |
| Decommissioning obligations | (94) | (22) | – | 1 | (115) |
| Environmental provisions | (416) | 407 | – | 3 | (6) |
| Other provisions | (51) | (38) | – | – | (89) |
| Loans and borrowings, trade and other payables, lease liabilities | (117) | (37) | – | 9 | (145) |
| Other assets | 21 | 6 | – | (12) | 15 |
| Other liabilities | 21 | 11 | 2 | (1) | 33 |
| Tax loss carry-forwards | (23) | (97) | – | 14 | (106) |
| **Net deferred tax (assets)/ liabilities** | **(712)** | **616** | **2** | **–** | **(94)** |

| | At 1 January 2020 | Recognised in income statement | Recognised in other comprehensive income | Effect of translation to presentation currency | At 31 December 2020 |
|---|---|---|---|---|---|
| Property, plant and equipment, right-of use assets | 492 | (9) | – | (94) | 389 |
| Inventories | (279) | (258) | – | 89 | (448) |
| Trade and other receivables | (10) | 16 | – | – | 6 |
| Decommissioning obligations | (113) | 7 | – | 12 | (94) |
| Environmental reserves | – | (439) | – | 23 | (416) |
| Other provisions | – | (50) | – | (1) | (51) |
| Loans and borrowings, trade and other payables, lease liabilities | (153) | 1 | – | 35 | (117) |
| Other assets | 22 | (5) | – | 4 | 21 |
| Other liabilities | 36 | (6) | – | (9) | 21 |
| Tax loss carry-forwards | (33) | 3 | – | 7 | (23) |
| **Net deferred tax (assets)/ liabilities** | **(38)** | **(740)** | **–** | **66** | **(712)** |

Accounting for foreign exchange differences for tax purposes due to changes in legislation is presented in Note 34.

Certain deferred tax assets and liabilities have been offset to the extent they relate to taxes levied on the Group's entities which entered into the tax consolidation group in 2020 and 2021. Deferred tax assets and liabilities are presented on a gross basis in 2022 due to the cancellation of the agreement on the consolidated group of taxpayers from 1 January 2023. Deferred tax balances presented in the consolidated statement of financial position were as follows:

| | At 31 December | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| Deferred tax liabilities | 415 | 73 | 43 |
| Deferred tax assets | (340) | (167) | (755) |
| **Net deferred tax liabilities/(assets)** | **75** | **(94)** | **(712)** |

## UNRECOGNISED DEFERRED TAX ASSETS

Deferred tax assets have not been recognised as follows:

| | At 31 December | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| Deductible temporary differences | 150 | 194 | 218 |
| Tax loss carry-forwards | 124 | 201 | 182 |
| **Total** | **274** | **395** | **400** |

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

At 31 December 2020 and 31 December 2 021 a deferred tax asset of USD136 million and USD135 million, respectively, relating to tax losses of prior years on disposal of shares of OJSC "Third Generation Company of the Wholesale Electricity Market", was not recognised as it had occurred before the Company joined the tax consolidation group.

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

At 31 December 2020 and 31 December 2021 a deferred tax asset of USD136 million and USD135 million, respectively, relating to tax losses of prior years on disposal of shares of OJSC "Third Generation Company of the Wholesale Electricity Market", was not recognised as it had occurred before the Company joined the tax consolidation group.

Taking into account the termination of the institution of the tax consolidation group from 1 January 2023 and the amount of tax losses potentially recoverable before 1 January 2025, the Group asseses this unrecognised deferred tax asset at USD38 million at 31 December 2022. The remaining part of the deferred tax asset in the amount of USD105 million is currently assesed by the Group as non-recoverable, taking into account the features of determining the result of the disposal of shares of OJSC "Third Generation Company of the Wholesale Electricity Market" in the Company's tax accounting and the procedure for recognizing tax losses on completed transactions with securities that arose before 31 December 2014.

At 31 December 2022 unrecognised deferred tax assets in the amount of USD86 million related to other tax loss carry-forwards may be recognised without expiry due to specific rules stated by art. 283 "Carry-Forward Of Losses" of the Tax code of the Russian Federation (31 December 2021: USD66 million and 31 December 2020: USD222 million).

At 31 December 2022, the Group did not recognise a deferred tax liability in respect of taxable temporary differences of USD6,611 million (31 December 2021: USD3,499 million and 31 December 2020: USD2,031 million) associated with investments in subsidiaries, because management believes that it is in a position to control the timing of reversal of such differences and does not expect its reversal in foreseeable future.

## 15. PROPERTY, PLANT AND EQUIPMENT

| | | Non-mining assets and right-of-use assets | | | | |
|---|---|---|---|---|---|---|
| | Mining assets and mine development cost | Buildings, facilities and infrastructure | Machinery, equipment and transport | Other | Capital construction-in-progress | Total |
| **Cost** | | | | | | |
| **Balance at 1 January 2020** | **9,976** | **3,560** | **4,106** | **295** | **1,560** | **19,497** |
| Additions | 943 | – | – | – | 942 | 1,885 |
| Transfers | – | 192 | 361 | 21 | (574) | – |
| Change in decommissioning provision | 42 | 2 | – | – | – | 44 |
| Additions of right-of-use assets and remeasurement of the lease liability | – | (9) | 69 | 5 | – | 65 |
| Disposed on disposal of subsidiary (Note 21) | (68) | – | – | – | – | (68) |
| Acquired on acquisition of subsidiaries | – | 25 | 1 | – | – | 26 |
| Disposals | (32) | (25) | (29) | (2) | (12) | (100) |

| | | Non-mining assets and right-of-use assets | | | | |
|---|---|---|---|---|---|---|
| Other | (31) | 10 | 20 | (1) | (9) | (11) |
| Effect of translation to presentation currency | (1,557) | (567) | (645) | (46) | (244) | (3,059) |
| **Balance at 31 December 2020** | **9,273** | **3,188** | **3,883** | **272** | **1,663** | **18,279** |
| Additions | 1,237 | – | – | – | 1,750 | 2,987 |
| Transfers | – | 302 | 465 | 26 | (793) | – |
| Change in decommissioning provision | 134 | 21 | – | – | – | 155 |
| Additions of right-of-use assets and remeasurement of the lease liability | – | 7 | 18 | 8 | – | 33 |
| Disposals | (68) | (55) | (107) | (51) | (17) | (298) |
| Other | (3) | (6) | (2) | (1) | – | (12) |
| Effect of translation to presentation currency | (82) | (21) | (22) | (2) | (21) | (148) |
| **Balance at 31 December 2021** | **10,491** | **3,436** | **4,235** | **252** | **2,582** | **20,996** |
| Additions | 1,703 | – | – | – | 2,756 | 4,459 |
| Transfers | – | 437 | 787 | 160 | (1,384) | – |
| Change in decommissioning provision | (34) | (27) | – | – | – | (61) |
| Additions of right-of-use assets and remeasurement of the lease liability | – | 125 | 27 | 15 | – | 167 |
| Disposals | (87) | (79) | (179) | (11) | (22) | (378) |

| | | Non-mining assets and right-of-use assets | | | | |
|---|---|---|---|---|---|---|
| Other | 21 | 4 | 16 | (28) | (13) | – |
| Effect of translation to presentation currency | 410 | 140 | 135 | 6 | 129 | 820 |
| **Balance at 31 December 2022** | **12,504** | **4,036** | **5,021** | **394** | **4,048** | **26,003** |

| | | Non-mining assets and right-of-use assets | | | | |
|---|---|---|---|---|---|---|
| | **Mining assets and mine development cost** | **Buildings, facilities and infrastructure** | **Machinery, equipment and transport** | **Other** | **Capital construction-in-progress** | **Total** |
| **Accumulated depreciation and impairment** | | | | | | |
| **Balance at 1 January 2020** | **(3,159)** | **(1,760)** | **(2,286)** | **(139)** | **(160)** | **(7,504)** |
| Charge for the year | (466) | (175) | (338) | (24) | – | (1,003) |
| Disposals | 27 | 18 | 25 | 1 | 9 | 80 |
| Impairment loss, net | (247) | (41) | (18) | – | (2) | (308) |
| Disposed on disposal of subsidiary (Note 21) | 50 | – | – | – | – | 50 |
| Other | 28 | (9) | (10) | – | – | 9 |
| Effect of translation to presentation currency | 463 | 289 | 359 | 23 | 25 | 1,159 |
| **Balance at 31 December 2020** | **(3,304)** | **(1,678)** | **(2,268)** | **(139)** | **(128)** | **(7,517)** |
| Charge for the year | (479) | (179) | (357) | (24) | – | (1,039) |
| Disposals | 57 | 51 | 89 | 32 | 5 | 234 |
| Impairment loss, net | (123) | 75 | 13 | (2) | (11) | (48) |
| Other | 3 | 4 | 1 | 2 | – | 10 |
| Effect of translation to presentation currency | 40 | 8 | 12 | 1 | 2 | 63 |
| **Balance at 31 December 2021** | **(3,806)** | **(1,719)** | **(2,510)** | **(130)** | **(132)** | **(8,297)** |
| Charge for the year | (582) | (183) | (424) | (48) | – | (1,237) |
| Disposals | 77 | 65 | 91 | 7 | 9 | 249 |
| Impairment loss, net | (50) | (17) | (12) | 2 | (13) | (90) |
| Other | (2) | (2) | (5) | 7 | – | (2) |
| Effect of translation to presentation currency | (172) | (93) | (91) | (4) | (2) | (362) |
| **Balance at 31 December 2022** | **(4,535)** | **(1,949)** | **(2,951)** | **(166)** | **(138)** | **(9,739)** |
| **Carrying value** | | | | | | |
| **At 31 December 2020** | **5,969** | **1,510** | **1,615** | **133** | **1,535** | **10,762** |
| **At 31 December 2021** | **6,685** | **1,717** | **1,725** | **122** | **2,450** | **12,699** |
| **At 31 December 2022** | **7,969** | **2,087** | **2,070** | **228** | **3,910** | **16,264** |

Capitalised borrowing costs for the year ended 31 December 2022 amounted to USD 277 million (for the year ended 31 December 2021: USD95 million and for the year ended 31 December 2020: USD118 million). The capitalisation rate used to determine the amount of borrowing costs was 5.05% per annum for the year ended 31 December 2022 (for the year ended 31 December 2021: 3.12% and for the year ended 31 December 2020: 4.10%).

At 31 December 2022 mining assets and mine development cost included USD3,738 million of mining assets under development (31 December 2021: USD2,560 million and 31 December 2020: USD2,593 million).

At 31 December 2022 non-mining assets included USD39 million of investment property (31 December 2021: USD38 million and 31 December 2020: USD39 million).

## Impairment

As at 31 December 2022, the Group performed an impairment analysis of assets and found no assets subject to economic impairment, except for the ore mining and processing assets of KGMK, described below.

In 2020 a federal law set a 3.5 times increase of mineral extraction tax on the types of ores mined by the Group. The Group assessed this change in the tax legislation as an indicator for impairment of one of the cash-generating units within JSC "Kolskaya GMK": KGMK ore mining and processing operations.

The recoverable amount of the cash-generating unit was determined based on value in use calculations. As a result of the impairment test the carrying value of KGMK ore mining and processing production assets in the amount of USD264 million were fully impaired as at 31 December 2020. At 31 D ecember 2022 and 31 Decembe r 2021 the Group concluded that the recoverable amount didn't change and recognised further impairment in respect of additions to property, plant and equipment in the cash-generating unit. The impairment loss in the amount of USD2 million was recognised within impairment of non-financial assets in the consolidated income statement for the year ended 31 December 2022 (31 December 2021: USD137 million and 31 December 2020: USD264 million).

The most significant estimates and assumptions used in determination of value in use are as follows:

- Future cash flows were projected based on budgeted amounts, taking into account actual results for the previous years. Forecasts were assessed up to 2047. Measurements were performed based on discounted cash flows expected to be generated by a separate cash-generating unit;
- Management used adjusted commodities price forecasts for copper-nickel concentrate price forecast. Prices adjustments were made based on current contract terms;
- Production information was primarily based on internal production reports available at the date of impairment test and management's assumptions regarding future production levels;
- Inflation indices and foreign currency trends are in general consistent with external sources of information. Inflation used was projected within 2.5-6.9% (31 December 2021: 3.0-4.6% and 31 December 2020: 3.6-4.5%), exchange rates USD/RUB were within the range of 76.68-89.79 (31 December 2021: 72.23-84.76 and 31 D ecember 2020: 72.02-84.76);
- A pre-tax nominal discount rate of 19.1% (31 December 2021: 12.2% and 31 December 2020: 13.7%) was calculated based on weighted average cost of capital and reflects management's estimates of the risks specific to the cash-generating unit.

Since 2021 the Group developed and partially implemented optimization plans in order to increase KGMK ore mining and processing operations' cash flows and mitigate the negative impact of higher mineral extraction tax.

During the year ended 31 December 2022 the Group recognised additional impairment losses in the amount of USD88 million in respect of specific individual assets (for the year ended 31 December 2021: USD26 million and for the year ended 31 December 2020: USD3 million).

The Group didn't identify any indicators of impairment in respect to other cash generating units (CGUs) as at 31 December 2022.

In 2015 the Group recognised the gas extraction assets as a separate cash-generating unit, with its value in use determined using a discounted cash flow model at each subsequent reporting date. As a result of the performed assessment of the value in use, an impairment loss of USD41 million was recognised in the consolidated income statement for the year ended 31 December 2020.

During the year ended 31 December 2021 due to change in circumstances and changes in the operating environment the Group reviewed the aggregation of assets into a separate cash-generating unit. As a result, the gas extraction assets were included in a cash-generating unit, which includes operations of the core production assets in Norilsk. The Group did not identify indicators of impairment in respect of the above cash-generating unit and reversed the previously recognised impairment losses from the gas extraction assets, net of respective accumulated depreciation that would have been accrued had no impairment been recognised, included in reversal of impairment of non-financial assets, in the consolidated income statement in the amount of USD115 million.

## Right-of-use assets

| | Buildings, facilities and infrastructure | Machinery, equipment and transport | Other | Total |
|---|---|---|---|---|
| **Balance at 1 January 2020** | **139** | **66** | **7** | **212** |
| Additions of right-of-use assets and remeasurement of the lease liability | (9) | 69 | 5 | 65 |
| Acquired on acquisition of subsidiaries | 25 | – | – | 25 |
| Depreciation | (20) | (12) | (3) | (35) |
| Effect of translation to presentation currency | (20) | (12) | (1) | (33) |
| **Balance at 31 December 2020** | **115** | **111** | **8** | **234** |
| Additions of right-of-use assets and remeasurement of the lease liability | 7 | 18 | 8 | 33 |
| Depreciation | (30) | (21) | (2) | (53) |
| **Balance at 31 December 2021** | **92** | **108** | **14** | **214** |
| Additions of right-of-use assets and remeasurement of the lease liability | 125 | 27 | 15 | 167 |
| Disposals (Note 21) | (4) | (69) | (3) | (76) |
| Depreciation | (34) | (8) | (4) | (46) |
| Effect of translation to presentation currency | (9) | (22) | (2) | (33) |
| **Balance at 31 December 2022** | **170** | **36** | **20** | **226** |

## 16. OTHER FINANCIAL ASSETS

| | At 31 December | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| **Non-current** | | | |
| Loans issued and other receivables | 90 | 58 | 56 |
| Bank deposits | 11 | 12 | 11 |
| Investments in associates | 8 | 17 | 14 |
| Other | 12 | 2 | – |
| **Total non-current** | **121** | **89** | **81** |

| | At 31 December | | |
|---|---|---|---|
| **Current** | | | |
| Derivative financial instruments at fair value through other comprehensive income | 30 | 8 | 1 |
| Loans issued | 10 | 1 | 57 |
| Deposits | – | 34 | – |
| **Total current** | **40** | **43** | **58** |

## 17. OTHER TAXES

| | At 31 December | | |
|---|---|---|---|
| | **2022** | **2021** | **2020** |
| **Taxes receivable** | | | |
| Value added tax recoverable | 584 | 410 | 434 |
| Advance payments of other taxes | 10 | 9 | 17 |
| | **594** | **419** | **451** |
| Less: impairment of value added tax recoverable | (8) | (7) | (7) |
| Offset of taxes receivable and taxes payable paid on a net basis | (109) | – | – |
| **Other taxes receivable** | **477** | **412** | **444** |
| **Taxes payable** | | | |
| Social security contributions | 135 | 51 | 48 |
| Value added tax | 112 | 75 | 199 |
| Mineral extraction tax | 78 | 50 | 15 |
| Property tax | 18 | 19 | 12 |
| Other | 105 | 74 | 55 |
| Offset of taxes receivable and taxes payable paid on a net basis | (109) | – | – |
| **Other taxes payable** | **339** | **269** | **329** |

## 18. INVENTORIES

| | At 31 December | | |
|---|---|---|---|
| | **2022** | **2021** | **2020** |
| Refined metals and other metal products | 1,967 | 767 | 547 |
| Work-in-process and semi-products | 1,870 | 1,572 | 1,159 |
| Less: allowance to net realisable value for finished goods and work-in-process | (81) | (78) | (84) |
| **Total metal inventories** | **3,756** | **2,261** | **1,622** |
| Materials and supplies | 1,257 | 823 | 644 |
| Less: allowance for obsolete and slow-moving items | (68) | (58) | (74) |
| **Materials and supplies, net** | **1,189** | **765** | **570** |
| **Inventories** | **4,945** | **3,026** | **2,192** |

At 31 December 2022 a part of the metal semi-product stock in the amount of USD163 million net of impairment in the amount of USD92 million was presented in other non-current assets in line with the Group's production plans (31 December 2021: USD121 million net of impairment of USD69 million and 31 December 2020: USD73 million net of impairment of USD57 million).

## 19. TRADE AND OTHER RECEIVABLES

| | At 31 December | | |
|---|---|---|---|
| | **2022** | **2021** | **2020** |
| Trade receivables | 675 | 345 | 411 |
| Other receivables | 250 | 171 | 150 |
| Receivables from the registrar on transfer of dividends to shareholders (Note 31) | – | – | 32 |
| | **925** | **516** | **593** |
| Less: allowance for expected credit losses | (79) | (48) | (56) |
| **Trade and other receivables, net** | **846** | **468** | **537** |

In 2022, 2021 and 2020, the average credit period on metal sales varied from 0 to 30 days. Trade receivables are generally non-interest bearing.

At 31 December 2022 trade and other receivables include USD563 million of accounts receivable measured at fair value through profit or loss, Level 2 of fair value hierarchy (31 December 2021: USD248 million and 31 December 2020: USD339 million). At the reporting date the fair value is measured using the forward market price corresponding to the quotation period specified in the contract.

At 31 December 2022, 2021 and 2020 t here were no material trade accounts receivable which were overdue or individually determined to be impaired.

The average credit period on sales of other products and services for the year ended 31 December 2022 was 39 days (for the year ended 31 December 2021: 42 days and for the year ended 31 December 2020: 37 days). No interest was charged on these receivables.

Included in the Group's other receivables at 31 December 2022 were debtors with a carrying value of USD65 million (31 December 2021: USD109 million and 31 December 2020: USD83 million) that were past due but not impaired. Management of the Group believes that these amounts are recoverable in full.

The Group did not hold any collateral for accounts receivable balances.

Ageing of other receivables past due but not impaired was as follows:

| | At 31 December | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| Less than 180 days | 54 | 97 | 75 |
| 180-365 days | 11 | 12 | 8 |
| | **65** | **109** | **83** |

Movement in the allowance for expected credit losses was as follows:

| | At 31 December | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| **Balance at the beginning of the year** | **48** | **56** | **66** |
| Change in allowance | 22 | 2 | 3 |
| Accounts receivable written-off | (2) | (10) | (2) |
| Effect of translation to presentation currency | 11 | – | (11) |
| **Balance at the end of the year** | **79** | **48** | **56** |

During the year ended 31 December 2022, the Group recognised an impairment of receivables under certain contracts with foreign equipment suppliers for the total amount of USD35 million, for which the probability of recovery is low despite the presence of collateral due to the failure of both suppliers and guarantors to meet their obligations. If pre-trial recovery of compensation of the receivables is not possible, the Group plans to go to court.

## 20. CASH AND CASH EQUIVALENTS

| | At 31 December | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| Current accounts | | | |
| • RUB | 266 | 249 | 41 |
| • USD | 591 | 1,691 | 3,744 |
| • CNY | 209 | 14 | 64 |
| • other | 70 | 41 | 56 |
| Bank deposits | | | |
| • RUB | 74 | 2,402 | 39 |
| • USD | 584 | 1,132 | 1,237 |
| • CNY | 57 | 5 | 2 |
| • other | – | – | 6 |
| Other cash and cash equivalents | | | |
| • RUB | 3 | 6 | – |
| • USD | 28 | 7 | – |
| • other | – | – | 2 |
| **Total** | **1,882** | **5,547** | **5,191** |

### Bank deposits

Interest rate on USD-denominated deposits held in banks at 31 Decemb er 2022 was in the range from 1.00% to 3.00% (31 December 2021: 0.05% to 0.88% and 31 December 2020: 0.15% to 0.41%) per annum. Interest rate on RUB-denominated deposits held in banks at 31 December 2022 was 7.30% (31 December 2021: from 7.20% to 9.12% and 31 December 2020: 3.75%) per annum. Interest rate on CNY-denominated deposits held in banks at 31 December 2022 was from 0.4% to 2.20% (31 December 2021: 2.40% and 31 December 2020: 3.80%) per annum.

## 21. DISPOSAL OF SUBSIDIARIES AND FOREIGN JOINT OPERATIONS

On 25 March 2022, the Group sold its interest in the subsidiary JSC "Nordstar" engaged in transportation services for a consideration of RUB1 million (USD0.02 million) resulting in a net cash outflow from disposal of the subsidiary recognised in the consolidated statement of cash flows in the line Net cash (outflow)/inflow from disposal of subsidiaries. Loss on disposal in the amount of USD110 million was recognised in the consolidated income statement for the year ended 31 December 2022.

With regard to suspended production of the joint operations of Nkomati, the Group reclassified the foreign currency translation reserve of foreign operations to the profit or loss for the year ended 31 December 2021 in the amount of USD20 million.

In October 2021, the Group received cash consideration in the amount of USD51 million and incurred associated costs in the amount of USD2 million under the settlement agreement in relation to the cancelled sale of Nkomati. The amount was presented in Disposal of foreign joint operations in the consolidated income statement and consolidated statement of cash flows.

In September 2020, the Group sold a number of assets in Australia, including Honeymoon Well nickel project, held by the Group subsidiary MPI Nickel Pty Ltd for a consideration of USD29 million (AUD 40 million). Net cash inflow from the disposal of the subsidiary in the amount of USD28 million was recognised in the consolidated statement of cash flows, net of costs to sell in the amount of USD1 million. Gain on disposal in the amount of USD19 million was recognised in the consolidated income statement.

# 22. SHARE CAPITAL

## Authorised and issued ordinary shares

At 31 December 2022 and 20 21 the number of the Group's authorized and issued shares taking into account cancellation amounts to 152,863,397 and 153,654,624 respectiv ely. At 31 December 2020 the number of the Group's authorised and issued ordinary shares was 158,245,476.

On 11 August 2022, the extraordinary General meeting of shareholders of the Company decided to reduce the Company's share capital by cancelling 791,227 ordinary shares. The state registration of the amendments to the Company's Charter related to the reduction of the Company's share capital was carried out on 17 October 2022. The cancellation of treasury shares was recognised in the consolidated statement of changes in equity for the year ended 31 December 2022.

On 27 April 2021, the Board of Directors of the Company decided to acquire the Company's own outstanding shares. The Company completed acquisition of 5,382,079 ordinary shares on 29 June 2021 and presented the purchase of treasury shares in the consolidated statement of changes in equity in the amount of USD2,075 million (RUB149,630 million). Cash consideration was fully paid and recognised in the consolidated statement of cash flows in the amount of USD2,068 million (RUB149,630 million) at the USD/RUB exchange rates effective on payment dates.

On 19 August 2021, the extraordinary General meeting of shareholders of the Company decided to reduce the Company's share capital by cancelling 4,590,852 ordinary shares. The state registration of the amendments to the Company's Charter related to the reduction of the Company's share capital was carried out on 14 October 2021. The cancellation of treasury shares was recognised in the consolidated statement of changes in equity for the year ended 31 December 2021.

## Earnings per share

| | For the year ended 31 December | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| **Basic and diluted earnings per share (US Dollars per share):** | **35.7** | **41.9** | **21.4** |

The earnings and weighted average number of outstanding shares used in the calculation of basic and diluted earnings per share are as follows:

| | For the year ended 31 December | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| **Profit for the period attributable to shareholders of the parent company** | **5,458** | **6,512** | **3,385** |

## Weighted average number of shares outstanding

| | For the year ended 31 December | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| Shares outstanding at 1 January | 152,863,397 | 158,245,476 | 158,245,476 |
| June 2021: acquisition of own shares from shareholders | – | (5,382,079) | – |
| **Shares outstanding at 31 December** | **152,863,397** | **152,863,397** | **158,245,476** |
| **Weighted average number of outstanding shares used in the calculation of basic and diluted earnings per share** | **152,863,397** | **155,502,830** | **158,245,476** |

# 23. NON-CONTROLLING INTEREST

At 31 December 2022, 2021 and 2020 a ggregate financial information relating to the subsidiary, LLC "GRK "Bystrinskoye", that has material non-controlling interest, before any intra-group eliminations, is presented below:

| | At 31 December | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| Non-current assets | 1,268 | 1,254 | 1,298 |
| Current assets | 1,774 | 1,061 | 762 |
| Non-current liabilities | (88) | (66) | (718) |
| Current liabilities | (86) | (65) | (67) |
| **Net assets** | **2,868** | **2,184** | **1,275** |
| **Net assets attributable to non-controlling interest** | **1,434** | **1,093** | **656** |

| | For the year ended 31 December | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| Net profit for the year | 793 | 924 | 497 |
| Other comprehensive income/(loss) for the year | 90 | (15) | (147) |
| **Total comprehensive income for the year** | **883** | **909** | **350** |
| Profit attributable to non-controlling interest | 396 | 462 | 248 |
| **Other comprehensive income/(loss) attributable to non-controlling interest** | **45** | **(7)** | **(73)** |

| | For the year ended 31 December | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| Cash flows from operating activities | 783 | 1,083 | 619 |
| Cash flows used in investing activities | (650) | (407) | (413) |
| Cash flows used in financing activities | (177) | (675) | (215) |
| **Net (decrease)/increase in cash and cash equivalents** | **(44)** | **1** | **(9)** |

## 24. LOANS AND BORROWINGS

| | Currency | Fixed or floating interest rate | Average nominal % rate during the year ended 31 December | | | Maturity | At 31 December | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | 2022 | 2021 | 2020 | | 2022 | 2021 | 2020 |
| **Unsecured loans** | USD | floating | 3.17% | 1.53% | 1.99% | 2023-2028 | 5,055 | 5,624 | 5,319 |
| | EUR | floating | 0.99% | 0.85% | 0.85% | 2023-2028 | 19 | 24 | 30 |
| | RUB | floating | 12.83% | – | – | 2023-2025 | 1,692 | – | – |
| **Secured loans** | RUB | fixed | – | 9.75% | 9.75% | 2022 | – | 4 | 8 |
| **Total loans** | | | | | | | **6,766** | **5,652** | **5,357** |
| **Bonds** | USD | fixed | 3.38% | 4.20% | 4.39% | 2023-2026 | 2,743 | 4,238 | 3,736 |
| | CNY | floating | 3.75% | – | – | 2025 | 703 | – | – |
| | CNY | fixed | 3.95% | – | – | 2025 | 562 | – | – |
| | RUB | fixed | 8.48% | 7.20% | 8.85% | 2024-2025 | 710 | 336 | 541 |
| **Total bonds** | | | | | | | **4,718** | **4,574** | **4,277** |
| **Total loans and borrowings** | | | | | | | **11,484** | **10,226** | **9,634** |
| Less: current portion due within twelve months and presented as current loans and borrowings | | | | | | | (4,295) | (1,610) | (12) |
| **Non-current loans and borrowings** | | | | | | | **7,189** | **8,616** | **9,622** |

The Group is obliged to comply with a number of restrictive financial and other covenants, including maintaining certain financial ratios and restrictions on pledging and disposal of certain assets.

At 31 December 2022, loans were not secured by property, plant and equipment (31 December 2021 and 31 December 2020: USD8 million).

## 25. LEASE LIABILITIES

| Lease liabilities | Currency | Average borrowing rate during the year ended 31 December, % | | | Maturity | At 31 December | | |
|---|---|---|---|---|---|---|---|---|
| | | 2022 | 2021 | 2020 | | 2022 | 2021 | 2020 |
| | RUB | 9.52% | 7.23% | 7.37% | 2023-2071 | 210 | 113 | 126 |
| | USD | 2.81% | 4.10% | 4.07% | 2024-2032 | 12 | 107 | 114 |
| | EUR | 6.88% | 6.31% | 6.20% | 2023-2050 | 11 | 15 | 20 |
| | other | – | – | 2.06% | | – | – | 2 |
| **Total lease liabilities** | | | | | | **233** | **235** | **262** |
| Less: current lease liabilities | | | | | | (43) | (57) | (59) |
| **Non-current lease liabilities** | | | | | | **190** | **178** | **203** |

At 31 December 2022 lease liabilities with original maturity in excess of 15 years amounted to USD67 million (31 December 2021: USD13 million and 31 December 2020: USD12 million).

## 26. PROVISIONS

| | Decommissioning | Environmental | Tax | Other | Total |
|---|---|---|---|---|---|
| **Balance at 1 January 2020** | **662** | **–** | **4** | **19** | **685** |
| Accruals | 26 | 2,136 | 1 | 17 | 2,180 |
| Utilization | (16) | (48) | – | (9) | (73) |
| Change in estimates | 17 | 106 | – | (6) | 117 |
| Unwinding of discount | 32 | – | – | – | 32 |
| Effect of translation to presentation currency | (106) | (113) | – | – | (219) |
| **Balance at 31 December 2020** | **615** | **2,081** | **5** | **21** | **2,722** |
| Accruals | 146 | – | 2 | 11 | 159 |
| Utilisation | (24) | (1,984) | (1) | (20) | (2,029) |
| Change in estimates | 1 | 176 | (1) | (3) | 173 |
| Unwinding of discount | 39 | – | – | – | 39 |
| Effect of translation to presentation currency | (9) | (14) | (1) | – | (24) |
| **Balance at 31 December 2021** | **768** | **259** | **4** | **9** | **1,040** |
| Accruals | – | – | 7 | 8 | 15 |
| Utilisation | (32) | (18) | (4) | (4) | (58) |
| Change in estimate | (36) | 93 | (4) | (7) | 46 |
| Unwinding of discount | 73 | 29 | – | – | 102 |
| Effect of translation to presentation currency | (37) | (13) | 1 | – | (49) |
| **Balance at 31 December 2022** | **736** | **350** | **4** | **6** | **1,096** |
| including the current portion: | | | | | |
| **At 31 December 2020** | **66** | **2,072** | **5** | **19** | **2,162** |
| **At 31 December 2021** | **86** | **48** | **4** | **8** | **146** |
| **At 31 December 2022** | **146** | **24** | **4** | **6** | **180** |

### SIGNIFICANT EVENT – FUEL SPILL IN NORILSK

On 29 May 2020, an incident occurred at the site of heat and power plant No. 3 (HPP-3) in the Kayerkan neighbourhood of Norilsk: diesel fuel storage reservoir was damaged through sudden failure of support posts, which resulted in approximately 21.2 kt of diesel fuel leakage. According to the Group's assessment, the incident was caused by defects in design and construction, as well as by unusually hot weather, which led to the thawing of permafrost resulting in sinking of support posts.

The incident resulted in the contamination of nearby water bodies and land in the area of leakage, as well as damage to biological resources. The main stage of clean-up works following the incident was completed in 2020.

On 10 September 2020 Yenisei interregional administration of the Federal Environment Supervision Agency (Rosprirodnadzor) filed a lawsuit to the Arbitration Court of the Krasnoyarsk Territory against Joint Stock Company Norilsk-Taimyr Energy Company (JSC "NTEK") claiming compensation of damages to water bodies and soil caused by diesel fuel spill at HPP-3 in Norilsk in the amount of RUB147.78 billion (USD1,943 million at RUB/USD exchange rate at the date of filing).

On 10 March 2021, in accordance with the court decision on the lawsuit filed by Rosprirodnadzor, the Group paid RUB146.177 billion (USD1,968 million) in compensation of damages to water bodies and soil.

In 2021, expenditure for the compensation was deducted against taxable profits. On 3 December 2021, the Group received a decision of the off-site tax audit for the consolidated taxpayers group for the first half of 2021 that invalidated income tax deduction of the damages compensation. Taking into consideration all the facts and circumstances and based on an assessment of the probability of economic benefits outflows, the Group recognised an income tax provision in the amount of USD402 million offset against income tax prepayments at 31 December 2021. The Group's appeal filed in the first quarter of 2022 was not satisfied. The provision was utilised during the first quarter of 2022.

In April 2021, the Company's subsidiary, JSC"NTEK", signed a three-party agreement with the Ministry of Environment Protection and Natural Resources of the Krasnoyarsk Territory and the Siberian Federal University in order to develop, approve and implement a set of measures to remediate the damage caused by the oil spill to the wildlife and broader environment of the Krasnoyarsk Territory.

On 29 July 2021, Yenisei territorial administration of the Federal Agency for Fishery (Rosrybolovstvo) filed a lawsuit for compensation of damages to aquatic bioresources for the total amount of RUB58.65 billion (USD810 million). Subsequently, on 15 April 2022 the amount of claims was increased by the Federal Agency for Fishery to RUB58.96 billion (USD725 million).

On 3 September 2021, during the court hearing, the parties agreed to proceed with the dispute settlement by negotiating an amicable agreement, which would include compensation in kind of the damage caused to aquatic life by constructing fish breeding plants, artificially reproducing the affected fish species and releasing the fry into the water bodies.

On 22 July 2022, the court approved the amicable agreement between the parties. In accordance with the agreement, JSC"NTEK" will fully compensate the damage to aquatic bioresources in kind by releasing the fry of different fish species (sturgeon, muksun, broad whitefish, whitefish and nelma) to the water bodies of the Norilskaya-Pyasino lake and river system affected by the incident in 2033–2050.
Before 2033, JSC "NTEK" plans an annual early release of the Siberian sturgeon fry to the Yenisey River starting 2023.

In addition, to ensure scientific support of recovery measures JSC"NTEK" will finance a research to be conducted in 2023–2051 by Russian Federal Research Institute of Fisheries and Oceanography (VNIRO) to assess the condition and habitat of water bioresources.

The key assumptions for determining the amount of liabilities under the amicable agreement inherently contain a high degree of uncertainty, primarily due to the following: fishery research results, the cost of construction and operation of the fish breeding infrastructure, operating expenses related to the measures to be performed at the Norilskaya-Pyasino lake and river system, the future fry purchase prices, the possibility of achieving a stable recovery and reproduction of water bioresources, macroeconomic assumptions (including applicable inflation rates and risk-free rates), and the material effect of the discount factor for longer terms.

On 2 December 2022, the Russian Supreme Court received a cassation appeal from the Prosecutor General's Office against judgements of lower instance courts that upheld and confirmed the legitimacy of an amicable agreement between the Federal Agency for Fishery (Rosrybolovstvo), JSC NTEC and Russian Federal Research Institute of Fisheries and Oceanography (VNIRO) in a lawsuit initiated by Rosrybolovstvo seeking to recover RUB58.96 billion (USD838 million) in compensation for the damage to aquatic biological resources as a result of the HPP-3 incident in Norilsk. On 30 January 2023, a judge of the Supreme Court ruled to reject the submission of the cassation appeal of the Prosecutor General's Office for a court hearing by the Judicial Chamber for Economic Disputes of the Supreme Court. On 6 February 2023, the Prosecutor General's Office filed a complaint against the ruling of the Supreme Court to reject the submission of the cassation appeal of the Prosecutor General's Office to a court hearing by the Judicial Chamber for Economic Disputes. As at the date of approval of these consolidated financial statements, the Group is assessing the prospects of complaint consideration by the Supreme Court.

In the year ended 31 December 2022, the Group incurred clean-up and remediation expenditures amounting to USD16 million (for the year ended 31 December 2021: USD16 million). The Group continues with the rehabilitation measures and post-incident environmental monitoring.

At 31 December 2022, 2021 and 2 020, the total discounted amount of the provision in relation to the diesel fuel spill at HPP-3 in Norilsk was recognised in the environmental provisions in the consolidated statement of financial position.

The amount of the provision is subject to a high degree of uncertainty and will be adjusted in the future reporting periods as new facts and circumstances arise, including the review of the cost forecast for environmental remediation, changes in macroeconomic indicators, and other factors. However, to the best of its knowledge and in accordance with the requirements of law, the Group does not expect new significant claims to be filed with respect to the HPP-3 fuel spill in future periods.

Key assumptions used in the estimation of decommissioning obligations and environmental provisions were as follows:

| | At 31 December | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| Discount rates Russian entities | 7.2% – 11.1% | 8.2% – 8.7% | 4,2% – 7% |
| Expected closure date of mines | up to 2125 | up to 2054 | up to 2057 |
| Expected inflation over the period from 2023 to 2042 | 2.7% – 6.9% | 2.8% – 4.9% | 2,8% – 4,1% |
| Expected inflation over the period from 2043 onwards | 2.4% – 2.7% | 2.5% – 2.8% | 2.5% – 2.8% |

Settlement of long-term provisions (at present value) is planned as follows:

| | At 31 December | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| Due in years 2 – 5 | 412 | 317 | 228 |
| Due in years 6 – 10 | 230 | 231 | 88 |
| Due in years 11 – 15 | 134 | 86 | 62 |
| Due in years 16 – 20 | 23 | 66 | 82 |
| Due thereafter | 117 | 194 | 100 |
| **Total** | **916** | **894** | **560** |

## 27. SOCIAL LIABILITIES AND CONTINGENT SOCIAL COMITTMENTS

Social liabilities of the Group include social provisions and payables relating to social commitments of the Group.

The table below represents changes in social liabilities of the Group for the years ended 31 December 2022, 20 21 and 2020.

| | Social liabilities | Incl. Comprehensive plan provision |
|---|---|---|
| **Balance at 1 January 2020** | **89** | **–** |
| Accruals of provision and payables | 494 | 13 |
| Utilisation and payment | (403) | – |
| Change in estimates | 11 | – |
| Unwinding of discount | 5 | – |
| Effect of translation to presentation currency | (16) | – |
| **Balance at 31 December 2020** | **180** | **13** |
| Accruals of provision and payables | 1,079 | 517 |
| Utilisation and payment | (448) | (12) |
| Change in estimates | (31) | (3) |
| Unwinding of discount | 18 | 4 |
| Effect of translation to presentation currency | (7) | (1) |
| **Balance at 31 December 2021** | **791** | **518** |
| Accruals of provision and payables | 475 | – |
| Utilisation and payment | (454) | (23) |
| Change in estimate | (68) | (14) |
| Unwinding of discount | 78 | 50 |
| Effect of translation to presentation currency | (8) | (2) |
| **Balance at 31 December 2022** | **814** | **529** |
| including the current portion: | | |
| **At 31 December 2020** | **96** | **13** |
| **At 31 December 2021** | **158** | **48** |
| **At 31 December 2022** | **201** | **100** |

| | At 31 December | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| Due in years 2 – 5 | 320 | 296 | 66 |
| Due in years 6 – 10 | 213 | 216 | 11 |
| Due in years 11 – 15 | 77 | 117 | 3 |
| Due in years 16 – 20 | 2 | 2 | 2 |
| Due thereafter | 1 | 2 | 2 |
| **Total** | **613** | **633** | **84** |

Carrying value of social provisions is determined based on the discounted cash flows required to settle the present obligation. The discount rate was between 7.2% and 10.5% at 31 December 2022 (31 December 2021: 8.2% to 8.7%; 31 December 2020: 4.3% to 5.6%).

In 2017–2022, the Group entered into several agreements with the governments of the regions where it operates, namely the Zabaikalsky Territory, the Krasnoyarsk Territory and the Murmansk Region. These agreements imply the Group's financial commitments in respect of the social and economic development of the regions, including the construction of social infrastructure facilities.

At 31 December 2022 the provision recognised with respect to the above-mentioned agreements in Social liabilities in the consolidated statement of financial position amounted to USD67 million (31 December 2021: USD115 million and 31 December 2020: USD61 million).

### COMPREHENSIVE SOCIAL AND ECONOMIC DEVELOPMENT PLAN FOR NORILSK

In February 2021, the Group entered into a four-party agreement with the Ministry for the Development of the Russian Far East and Arctic, the Krasnoyarsk Territory Government, and the Norilsk Municipality to implement comprehensive social and economic development programmes in Norilsk. In December 2021, the Government of the Russian Federation approved the Comprehensive Social and Economic Development Plan for Norilsk (the "Comprehensive Plan"), which includes a schedule of mutual financial commitments of the Government of the Russian Federation, the Krasnoyarsk Territory Government, and the Group for the social and economic development of the city up to 2035. The Comprehensive Plan covers housing renovation, the overhaul and modernisation of the city's engineering and utilities infrastructure, construction, repair, reconstruction and development of social infrastructure facilities and resettlement of Norilsk and Dudinka citizens to areas with more favourable living conditions. In addition, the Comprehensive Plan provides for the preparation and subsequent update of the Norilsk development strategy setting the city as a core hub for Taimyr development, designing the concept of regional tourism development and implementation of support programmes for small and medium-sized businesses in Norilsk. The financial commitments of the Company for 2021–2035 amount to RUB81.3 billion (USD1,094 million at the USD exchange rate at 31 December 2021).

In line with the Group's accounting policy (Note 4), in respect of the part of its obligations under the four-party agreement and the Comprehensive Plan amounting to RUB69.3 billion, the Group recognised a provision in its consolidated income statement for the year ended 31 December 2021 at the present value of cash outflows in the amount of RUB37.9 billion (USD514 million).

The remaining RUB12 billion (USD162 million) in financial commitments under the Comprehensive plan are recognised in the consolidated statement of financial position as part of property, plant and equipment once the expenditure is incurred.

At 31 December 2022, the Group recognised USD2 million under the Comprehensive Plan within property, plant and equipment in its consolidated statement of financial position.

In case of any changes to the nature, timing or amount of financing of particular measures stipulated by the Comprehensive Plan during its implementation, the Group will update the amount of social provisions in its consolidated financial statements accordingly.

Apart from the financing committed under the four-party partnership agreement and the Comprehensive Plan, in 2021 the Company announced an additional financing programme for the social and economic development of Norilsk for RUB150 billion (USD2,019 million). As of the date the consolidated financial statements are authorised for issue, the schedule, amounts and terms of financing of the programme's individual activities, as well as the mechanism for their implementation, have not been approved. The implementation of the programme is subject to the Company's verification procedures and corporate approval, which have not been received as of the date these consolidated financial statements were authorised for issue.

In the year ended 31 December 2022, the Group also accrued USD121 million (for the year ended 31 December 2021: USD127 million; for the year ended 31 December 2020: USD198 million) of social provisions under various social programmes and contributions other than those referred to above.

## 28. TRADE AND OTHER PAYABLES

| | At 31 December | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| **Financial liabilities** | | | |
| Trade payables | 614 | 416 | 267 |
| Payables for acquisition of property, plant and equipment | 546 | 417 | 242 |
| Other creditors | 171 | 397 | 116 |
| **Total financial liabilities** | **1,331** | **1,230** | **625** |
| **Non-financial liabilities** | | | |
| Advances received on contracts with customers | 50 | 994 | 802 |
| **Total non-financial liabilities** | **50** | **994** | **802** |
| **Total** | **1,381** | **2,224** | **1,427** |

The maturity analysis for the Group's financial liabilities that shows the remaining contractual maturities was as follows:

| | At 31 December | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| Due within 1 month | 950 | 854 | 322 |
| Due from 1 to 3 months | 340 | 312 | 246 |
| Due from 3 to 12 months | 41 | 64 | 57 |
| **Total** | **1,331** | **1,230** | **625** |

## 29. EMPLOYEE BENEFIT OBLIGATIONS

| | At 31 December | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| Provision for annual leave | 341 | 238 | 218 |
| Wages, salaries and bonuses | 302 | 190 | 178 |
| Other | 36 | 31 | 27 |
| **Total obligations** | **679** | **459** | **423** |
| Less: non-current obligations | (94) | (42) | (22) |
| **Current obligations** | **585** | **417** | **401** |

## Defined contribution plans

Amounts recognised in the consolidated income statement in respect of defined contribution plans were as follows:

| | For the year ended 31 December | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| Pension Fund of the Russian Federation | 454 | 325 | 283 |
| Mutual accumulated pension plan | 8 | 6 | 6 |
| Other | 3 | 5 | 5 |
| **Total** | **465** | **336** | **294** |

## 30. DERIVATIVE FINANCIAL INSTRUMENTS (CROSS-CURRENCY INTEREST RATE SWAPS)

At 31 December 2022 the fair value of the cross-currency interest rate swap contracts was presented in non-current liabilities in the amount of USD67 million (31 December 2021: non-current liabilities in the amount of USD72 million and 31 December 2020: non-current and current liabilities in the amount of USD52 million and 84 million respectively).

The fair value of cross-currency interest rate swap contracts (Level 2 of fair value hierarchy) is calculated as the present value of future cash flows discounted at the interest rates applicable to the currencies of the corresponding cash flows and available at the reporting date. The fair value is subject to a credit risk adjustment that reflects the credit risk of the Group and of the other party and is calculated based on credit spreads derived from current tradable financial instruments (Note 36).

## 31. DIVIDENDS

Dividends declared and paid in Russian roubles were translated to US dollars using prevailing RUB/USD rates at the declaration date and payment date, respectively, as presented in the table below.

| Dividends for the period | Declaration period | Dividends declared | | | Dividends paid | | Receipt of dividends not remitted to ADR holders |
|---|---|---|---|---|---|---|---|
| | | Per share RUB | Per share USD | Total USD million | Payment period | Total USD million | Total USD million |
| Annual 2021 | June 2022 | 1,166.22 | 18.94 | 2,895 | June 2022 | 3,146 | 544 |
| 9 months 2021 | December 2021 | 1,523.17 | 20.81 | 3,181 | January 2022 | 3,050 | – |
| Annual 2020 | May 2021 | 1,021.22 | 13.86 | 2,193 | June 2021 | 2,198 | – |
| 9 months 2020 | December 2020 | 623.35 | 8.50 | 1,346 | December 2020 | 1,334 | – |
| Annual 2019 | May 2020 | 557.20 | 7.59 | 1,201 | June 2020 | 1,264 | – |
| 9 months 2019 | December 2019 | 604.09 | 9.66 | 1,529 | January 2020 | 1,567 | – |

At 31 December 2022 dividends payable for 2021 not remitted to American Depositary Receipt (ADR) holders following the restrictions of Presidential Decree of 5 March 2022 No. 95 and the decision of the Board of Directors of the Central Bank of 10 June 2022 and dividends payable to minority shareholders of the Group's companies in the total amount of USD496 million are recognized within dividends payable in the consolidated statement of financial position. Dividends not received by ADR holders were transferred to NPO JSC "The National Settlement Depository" and subsequently returned to the Group and remain on demand by the holders.

At 31 December 2022 dividends paid by the Company to the shareholders registrar but not transferred to shareholders bank accounts amounted to USD0.3 million and were recognised in trade and other receivables (at 31 December 2021: USD0.3 million and at 31 December 2020: USD32 million).

## 32. RELATED PARTIES TRANSACTIONS AND OUTSTANDING BALANCES

Related parties include major shareholders and entities under their ownership and control; associates, joint ventures and joint operation; and key management personnel. The Group defines major shareholders as shareholders, which have significant influence over the Group activities. The Company and its subsidiaries, in the ordinary course of their business, enter into various sale, purchase and service transactions with related parties. Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Transactions and outstanding balances are included in the disclosure starting the date the counterparty has become a related party.

Details of transactions between the Group and other related parties are disclosed below.

| | Entities under ownership and control of the Group's major shareholders | | | Associates, joint ventures and joint operation | | |
|---|---|---|---|---|---|---|
| | For the year ended 31 December 2022 | For the year ended 31 December 2021 | For the year ended 31 December 2020 | For the year ended 31 December 2022 | For the year ended 31 December 2021 | For the year ended 31 December 2020 |
| **Transactions with related parties** | | | | | | |
| Loans and borrowings received | 1,025 | – | – | – | – | – |
| Loans and borrowings repaid | 800 | – | – | – | – | – |
| Purchase of assets and services and other operating expenses | 116 | 103 | 92 | 36 | 66 | 120 |
| Fair value gain on the cross-currency | | | | | | |
| interest rate swap contracts | 41 | – | – | – | – | – |
| Interest expense accrued | 10 | – | – | – | – | – |
| Interest expense repaid | 10 | – | – | – | – | – |
| Interest income accrued | 4 | – | – | – | – | – |
| Interest received | 4 | – | – | – | – | – |
| Sales of goods and services and other income | 1 | – | – | 12 | – | – |

| | Entities under ownership and control of the Group's major shareholders | | | | Associates, joint ventures and joint operation | |
|---|---|---|---|---|---|---|
| | At 31 December 2022 | At 31 Decembe 2021 | At 31 December 2020 | At 31 December 2022 | At 31 December 2021 | At 31 December 2020 |
| **Outstanding balances with related parties** | | | | | | |
| Cash and cash equivalents | 258 | – | – | – | – | – |
| Loans and borrowings | 225 | – | – | – | – | – |
| Accounts payable and lease liabilities | 26 | 13 | 19 | – | 5 | 15 |
| Derivatives (liabilities) | 21 | – | – | – | – | – |
| Accounts receivable | – | 1 | – | 1 | 10 | 7 |

At 31 December 2022 the Group received guarantees in respect of advances to its suppliers from a related party amounted to 42 million USD.

During the year ended 31 December 2021, the Company acquired own shares from the entities under ownership and control of the Group's major shareholders for a consideration of USD1,421 million (Note 22).

During the year ended 31 December 2020, the Group acquired from a related party an entity, which holds the right-of-use assets and lease liabilities in the amount of USD25 million.

Transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions.

## Compensation of key management personnel

Key management personnel of the Group consists of members of the Management Board and the Board of Directors. For the year ended 31 December 2022 remuneration of key management personnel of the Group included salary and performance bonuses amounted to USD80 million (for the year ended 31 December 2021: USD91 million and for the year ended 31 December 2020: USD78 million).

# 33. COMMITMENTS

## Capital commitments

At 31 December 2022, contractual capital commitments amounted to USD2,299 million (31 December 2021: USD3,338 million and 31 December 2020: USD2,021 million).

## Leases

The Group is a party to a number of lease contracts with variable lease payments that do not depend on an index or market rental rates, and hence are not recognised as lease liabilities. At 31 December 2022 total future non-discounted variable lease payments under such contracts with the maturity up to 2071 amounted to USD358 million (31 December 2021: USD322 million and 31 December 2020: USD316 million).

At 31 December 2022 there were no future non-discounted lease payments for leased items not transferred to the Group as a lessee and not recognised as lease liabilities (31 December 2021: USD36 million and 31 December 2020: none).

## 34. CONTINGENCIES

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgement and estimates of the outcome of future events.

### Legal contingent liabilities

The Group has a number of legal contingent liabilities with the probability of outflow of economic benefits being assessed by the management of Group as possible, including matters arising from claims and disputes of a civil law and public law nature. At 31 December 2022 these liabilities amounted to USD14 million (31 December 2021: USD3 million and 31 December 2020: USD7 million).

### Tax contingencies in the Russian Federation

The Russian Federation currently has a number of laws related to various taxes imposed by both federal and regional governmental authorities. Applicable taxes include value-added (VAT), income tax, mandatory social security contributions to non-budget funds, mineral extraction tax and other levies. Tax returns, together with other legal compliance areas (for example, customs and currency control matters), are subject to review and investigation by government authorities, which are authorised by law to impose severe fines, penalties and interest charges. Generally, tax returns remain open and subject to inspection for a period of three years following the fiscal year.

While the management of the Group believes that it has recognised adequate provisions for tax liabilities based on its interpretation of current and previous legislation, the risk remains that the tax authorities in the Russian Federation could take a different view with regard to interpretive issues. This uncertainty may expose the Group to additional taxation, fines and penalties.

In March 2022, amendments to Russian tax legislation were adopted. According to them, foreign exchange gains are accounted for tax purposes in the reporting period, when the underlying asset or liability is repaid. Starting from 1 January 2023, the same tax accounting will apply to foreign exchange losses. In December 2022 amendments to Russian tax legislation were adopted, providing early implementation of new tax accounting for foreign exchange losses for the year ended 31 December 2022. The Group used this option.

In accordance with Article 3 of Federal Law No. 302-FZ dated 3 August 2018, a duration of the agreement to establish a consolidated taxpayers group (CTG), expires on 1 January 2023. In this regard, all entities of the Group that were previously part of the CTG will calculate and pay income tax independently, starting from 1 January 2023.

On 1 January 2023, amendments to the Tax code of the Russian Federation were adopted. According to them, the Group pays taxes in a single tax payment (STP) to a single tax account. At 31 December 2022, the total balance of payments to the budget included all taxes receivables and payables (net of especially separate amounts), therefore this information will be presented on a net basis in the consolidated statement of financial position.

Transfer pricing legislation enacted in the Russian Federation starting 1 January 2012 provides for major modifications making local transfer pricing rules closer to the OECD guidelines, but creating additional uncertainties as regards the actual application of tax legislation.

The impact of any additional taxation in relation to transfer pricing may be material to the financial statements of the Group. Yet, the probability of such additional taxation cannot be reliably assessed.

The transfer pricing rules provide for an obligation for the taxpayers to prepare transfer pricing documentation with respect to controlled transactions and stipulate the principles and mechanisms for accruing additional taxes and interest in case prices in the controlled transactions differ from the market level.

Current Russian transfer pricing legislation requires businesses to conduct transfer pricing analysis for the majority of cross-border and major domestic inter-company transactions. Starting 2019, transfer pricing control, as a general rule, is applied to domestic transactions only if both criteria are met: the parties apply different income tax rates, and the annual turnover of transactions between them exceeds RUB1 billion (USD16 million at RUB/USD rate at 31 December 2022).

In addition to performing transfer pricing audits, Russian tax authorities may also review prices used in intra-group transactions. They may impose additional taxes if they conclude that taxpayers have received unjustified tax benefits as a result of those transactions.

Russian tax authorities continue to exchange transfer pricing as well as other tax related information with tax authorities of other countries. This information may be used by the tax authorities to identify transactions for additional in-depth analysis.

### Environmental matters

The Group is subject to extensive federal, regional and local environmental controls and regulations in the countries where it operates. The Group's operations result in air and water pollutant emissions, as well as generation and disposal of production waste.

The Group periodically evaluates its environmental provisions pursuant to the environmental legislation in the countries where it operates. Such provisions are recognised in the consolidated financial statements as and when obligating events occur.

The management of the Group believes that there are no material obligations for environmental damage other than those recognised in these consolidated financial statements. However, potential liabilities, which may arise due to changes in environmental laws and regulations, cannot be reliably estimated but may be material. The Group is unable to predict the timing or extent to which environmental laws and regulations may change. Such change, if it takes place, may require that the Group modernise its technological processes to meet more stringent statutory requirements.

### Russian Federation risk

The Group's operations are primarily located in the Russian Federation. Consequently, the Group is influenced by the economic and financial markets of the Russian Federation, which display the characteristics of an emerging market. The legal, tax and regulatory frameworks continue to develop, which poses a risk of their varying interpretations and frequent change. This, together with other legal and fiscal impediments, creates additional challenges for entities operating in the Russian Federation.

Starting 2014, the United States of America, the European Union and some other countries have imposed and gradually expanded restrictive economic measures against a number of Russian individuals and legal entities. Starting February 2022, the above countries have been imposing additional stringent restrictive measures against the Russian Government, large financial institutions and other legal entities and individuals in Russia. In addition, restrictions were imposed on exports and imports of certain goods and business-relevant services, including accounting, auditing, tax and management consulting and certain legal and IT consulting services, as well as aviation and maritime transportation sectors. In light of the imposed restrictive measures, a number of large international companies from the USA, the European Union and some other countries ceased, materially reduced or suspended their activities in the Russian Federation and business relationships with Russian citizens and legal entities. Moreover, there is a risk that further restrictive measures and similar types of pressure will be imposed. In response, the Russian Government has implemented a set of economic measures in order to secure and stabilise the Russian economy, as well as retaliatory restrictive measures, currency control measures, a number of key interest rate changes and other special economic measures.

The imposition and further tightening of the restrictive measures has led to an increased economic uncertainty, including the lowering of liquidity and high volatility in the equity markets, volatility of the Russian rouble exchange rates and key interest rate, a reduction in both local and foreign direct investment inflows, procedural difficulties in currency payments for Russian issuers and significant limitations in the availability of debt financing. In addition, many Russian companies are practically devoid of access to international stock and debt capital markets, thus having to look for alternative ways to raise financing and growing more dependent on the state support. The Russian economy is in the process of adaptation, involving the substitution of export markets that become unavailable, replacement of procurement and technology import markets, as well as changes in the logistics and production chains.

On 28 February 2022, the stock market of the Moscow Exchange discontinued trading in shares and corporate bonds. Trading in shares and corporate bonds on the Moscow Exchange was resumed in late March 2022, while restrictions continue to apply to a number of securities transactions made by non-residents of Russia. On 3 March 2022, the London Stock Exchange suspended trading in depositary receipts issued for the Company's ordinary shares; trading has not been resumed as of the date of approval of these consolidated financial statements. In accordance with Federal Law No. 114-FZ On Amendments to the Federal Law On Joint-Stock Companies and Certain Legislative Acts of the Russian Federation automatic and a forced conversion of depositary receipts into the Company's shares was implemented. Depositary receipts the rights to which are recorded by Russian depositories were converted automatically. Depositary receipts the rights to which are recorded by foreign depositaries could be converted based on an application until 10 November 2022. Before the end of the reporting period as a part of the forced conversion, the Company's shares were credited to the applicants that submitted the required documents. At 31 December 2022, the total percentage o Company shares remaining on depo accounts of depository programs corresponded to 6.7% of share capital of the Company.

On 28 April 2023, the permit for circulation of the Company depositary receipts outside Russia lapses. From that day forward any Company shares accounted for on depo accounts of depository programs will not be vested with voting rights for holders, will not be counted when votes are tallied and no dividends will be accrued on them.

On 21 July 2022 and on 26 July 2022 t he European Union and Great Britain respectively, introduced a ban against the import of gold of Russian origin on top of other restrictive measures.

On 16 December 2022, the European Union, among other restrictive measures, introduced a ban on investments in the mining industry in Russia and also banned the supply of various equipment, including industrial. At the same time in accordance with the European Union ruling these restrictive measures do not apply to mining and production of palladium, nickel, copper, cobalt, rhodium and iron ore.

On 29 June 2022, the United Kingdom imposed personal restrictions against the Potanin V. O. These restrictions are mandatory within the UK and for all British citizens and legal entities registered in the UK. According to the advice of an external legal counsel and the management's assessment, these restrictions do not expand to the Group and its subsidiaries. On 15 December 2022, the US Department of the Treasury's Office of Foreign Assets Control (OFAC) updated Specially Designated Nationals and Blocked Persons List (SDN List) to include Potanin V. O. SDN list also included legal entities associated with one of the major shareholders.

OFAC also explicitly stated that the restrictive measures do not apply to the Company. However, in the current geopolitical circumstances, as each counterparty doing business with the Group independently decides on the application of its own internal restrictions on interaction with Russian legal entities, the management has to assume that some counterparties might reconsider their trade, financial or other operations with the Group.

The longer-term effects of potential additional restrictive measures are difficult to determine. Still, they may have a significant impact on the Group`s business.

## Supply and distribution channels reconfiguration

In 2022, a number of suppliers fully withdrew from the Russian market, while others suspended deliveries of goods and services to Russian legal entities. As a result, procurement from these suppliers has become unavailable to the Group. Although the Group has started transition to alternative suppliers, full replacement of suppliers who left the Russian market may take a considerable time and involves additional costs and rescheduling of certain investment projects and capital commitments. Due to the need to replace some of the components, the Group is actively looking for alternative suppliers and substituting imports in order to fulfill the production program for 2023. The Group is also in the process of reconfiguring its distribution channels, which led to extended sales logistics chains and alongside with restrictive measures and time-consuming processes of reengineering the Company`s customer base and sales markets significantly increased finished goods inventories. The Group's management expects that the stocks of finished goods accumulated in 2022 will be significantly reduced in 2023 in line with the Group's sales plans for 2023.

## Impact of the COVID-19 outbreak on the Group's operations

On 11 March 2020, the World Health Organization declared the COVID-1 9 outbreak a pandemic. The spread of COVID-19 led to lockdowns and business disruption in many countries, which, together with other factors, led to an increased volatility in financial markets, including commodity markets, and general economic uncertainty. The wave-like pattern of the spread of the COVID-19 infection continues to create uncertainty in business.

The Group operates primarily in mining, refining of ore and sales of base and precious metals, which have not been significantly impacted by the outbreak of COVID-19.

Based on the analysis of possible outcomes and their consequences for the economic environment and operations of the Group, the Group's management has developed and implemented a number of measures to ensure normal operating activities.

For the year ended 31 December 2022, the Group spent USD22 million in cash net of VAT (for the year ended 31 December 2021: USD66 million and for the year ended 31 December 2020: USD157 million) to prevent and combat the spread of COVID-19. Expenses in the amount of USD37 million were recognised in the consolidated income statement for the year ended 31 December 2022 (for the year ended 31 December 2021: USD67 million and for the year ended 31 December 2020: USD123 million). These expenses are presented in the following line items:

| Line items of the consolidated income statement | | For the year ended 31 December | | |
|---|---|---|---|---|
| | | 2022 | 2021 | 2020 |
| Cost of metal sales | Labour | 1 | 10 | 45 |
| | Materials and supplies | 7 | 4 | 5 |
| | Other costs | 4 | 6 | 5 |
| Cost of other sales | Labour and other costs | 3 | 6 | 11 |
| General and administrative expenses | Staff costs and other costs | 4 | 11 | 8 |
| Other operating expenses | Social expenses | 18 | 30 | 49 |

The part of the amount paid for the year ended 31 December 2022 included capital expenditures of USD1 million (for the year ended 31 December 2021: USD3 million and for the year ended 31 December 2020: USD12 million). The change in inventory balances and prepayments for future supplies amounted to USD (16) million (for the year ended 31 December 2021: USD (2) million and for the year ended 31 December 2020: USD22 million).

## OVERALL IMPACT OF RISKS AND UNCERTAINTIES ON THE GROUP'S FINANCIAL POSITION AND FINANCIAL RESULTS

These consolidated financial statements provide the management's point of view on the current business environment in the Russian Federation impacting the Group's operations and financial position. The Group's management is making every effort to mitigate the risks associated with the economic restrictions imposed and COVID-19 pandemic and based on the assessment of the current situation doesn`t expect a significant adverse impact on the financial position and financial results of the Group for at least 12 months after 31 December 2022. The actual impact of the future business environment may differ from the management's assessment.

The management will continue to monitor the situation closely and implement necessary measures to respond to possible adverse events as they occur.

# 35. FINANCIAL RISK MANAGEMENT

## Capital risk management

The Group manages its capital in order to safeguard the Group's ability to continue as a going concern and to maximise the return to shareholders through the optimisation of debt (long and short-term borrowings) and equity (share capital and retained earnings) structure.

Management of the Group regularly reviews its level of leverage calculated as the ratio of Net Debt to EBITDA to ensure that it is in line with the Group's financial policy aimed at preserving investment grade credit ratings.

At 31 December 2022, 2021 and 2020 t he Company maintains credit ratings from Russian rating agency Expert RA at RUAAA investment grade level.

## Financial risk factors and risk management structure

In the normal course of its operations, the Group is exposed to a variety of financial risks: market risk (including interest rate and currency risk), credit risk and liquidity risk. The Group has an explicit risk management structure aligned with internal control and analysis procedures that enable it to assess, evaluate and monitor the Group's exposure to financial risks, including their change due to the current economic situation and imposition of restrictive economic measures.

### INTEREST RATE RISK

Interest rate risk relates to changes in interest rates that could adversely impact the financial results of the Group. The Group's interest rate risk arises from loans and borrowings with floating interest rates.

In order to mitigate and manage the risk, the Group carries out arrangements to maintain the balanced structure of debt portfolio which includes loans and borrowings with fixed and floating interest rates. The Group also considers this risk factor together with changes in the macroeconomic environment, particularly economic growth and increase in commodity prices, which is normally associated with higher base rates.

During the year ended 31 December 2022, the Central Bank changed its key interest rate several times following restrictive measures imposed by the USA, the EU and other countries and changes in key macroeconomic parameters, such as inflation rate and rouble exchange rate. The key interest rate was increased to 20% in the end of February, followed by a gradual decrease to 7.5% by the end of December. There were no significant fluctuations during 2021 and 2020.

At 31 December 2022, the amount of loans and borrowings of the Group with the rate linked to the key interest rate of the Central Bank of the Russian Federation is 15% of the total amount of loans and borrowings (see Note 24). The negative impact of the temporary increase in the key interest rate and the strengthening of the rouble starting the second quarter of the current year on the amount of the Group's interest expenses was not significant.

Management believes that the Group's exposure to the interest rate risk is acceptable.

A fundamental reform of major interest rate benchmarks is being actively implemented globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Group monitors market developments and manages transition to alternative rates. The Group's unsecured US dollar-denominated floating rate loans use USD LIBOR1M rates, which according to current plans will cease to be published after 30 June 2023. The Group signed amendments to certain loan agreements to replace LIBOR rate with the alternative rate – Term Secured Overnight Financing Rate (Term SOFR) not later than USD LIBOR publication stop date and intends to switch the remaining loan agreements with floating interest rates to the alternative rates during 2023, not later than LIBOR rates publication stop date.

### CURRENCY RISK

Currency risk relates to changes in the fair value or future cash flows of a financial instrument denominated in foreign currency because of changes in exchange rates.

The major part of the Group's revenues and related trade accounts receivable are denominated in US dollars, while expenditure is primarily denominated in Russian roubles and therefore the Group is exposed to fluctuations of the USD exchange rate. Currency risk arising from other currencies is assessed by management of the Group as immaterial.

Restrictive measures imposed by the USA, the EU and some other countries with respect to the Central Bank of the Russian Federation and Russia's international reserves as well as the counter-measures of the Russian government and the Central Bank relating to capital flows controls and currency control led to an increased volatility of the rouble exchange rate. During the year ended 31 December 2022, the RUB/USD exchange rate ranged from 51.16 roubles for 1 US Dollar to 120.38 roubles for 1 US Dollar. Taking into account the exchange rates at 31 D ecember 2022, 2021 and 2020, the Group preserves its financial stability.

The currency risk is managed by analysis of currency position, efficiency control of currency exchange operations and the best possible matching of cash inflows and cash outflows denominated in the same currency, although the restrictive measures and Russia's respective counter-measures limit the efficiency and availability of the above mentioned instruments of the Group currency risk management.

If necessary, the Group uses derivative financial instruments primarily cross-currency interest rate swaps to reduce exposure to currency risk by balancing revenue cash flows denominated in US dollars and liabilities denominated in Russian roubles.

The carrying amount of cross-currency interest rate swaps is presented in Note 30. At 31 December 2022, 2021 and 2020, the carrying amounts of monetary assets and liabilities, excluding cross-currency interest rate swaps, denominated in foreign currencies other than functional currencies of the individual Group entities were as follows:

| | At 31 December 2022 | | | At 31 December 2021 | | | At 31 December 2020 | | |
|---|---|---|---|---|---|---|---|---|---|
| | USD | CNY | Other currencies | USD | CNY | Other currencies | USD | CNY | Other currencies |
| Cash and cash equivalents | 1,169 | 266 | 70 | 2,811 | 18 | 41 | 4,940 | 66 | 63 |
| Trade and other receivables | 1,425 | – | 134 | 792 | – | 35 | 638 | – | 15 |
| Other assets | 22 | – | 53 | 55 | – | 20 | 32 | – | 12 |
| **Total assets** | **2,616** | **266** | **257** | **3,658** | **18** | **96** | **5,610** | **66** | **90** |
| Trade and other payables | 761 | 3 | 63 | 353 | – | 122 | 277 | – | 106 |
| Loans and borrowings | 7,798 | 1,265 | 20 | 9,862 | – | 24 | 9,055 | – | 30 |
| Lease liabilities | 12 | – | 11 | 107 | – | 15 | 114 | – | 22 |
| Other liabilities | 7 | – | 8 | 23 | – | – | 16 | – | 2 |
| **Total liabilities** | **8,578** | **1,268** | **102** | **10,345** | **–** | **161** | **9,462** | **–** | **160** |

Given that the Group exposure to the currency risk for the USD- and CNY-denominated monetary liabilities is offset by the revenue from metal sales denominated in USD, as well as the high correlation of the CNY and the USD, management believes that the Group's exposure to the currency risk is at an acceptable level.

## THE SENSITIVITY ANALYSIS OF INTEREST RATE AND CURRENCY RISKS

| | Increase/(decrease) of profit before tax for the year ended 31 December | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| **Interest rate risk** | | | |
| 1 p.p. USD rate increase impact | (45) | (35) | (34) |
| 1 p.p. RUB rate increase impact | (17) | (8) | (18) |
| 1 p.p. CNY rate increase impact | (7) | – | – |
| **Currency risk** | | | |
| USD20% strengthening against RUB | (1,261) | (1,421) | (1,034) |
| CNY 20% strengthening against RUB | (200) | 4 | 13 |

The sensitivity analysis is prepared including cross-currency interest rate swap effects and assuming that the amount of loans and borrowings at floating rates outstanding at the reporting date was outstanding for the whole reporting period.

## CREDIT RISK

Credit risk means that a debtor will default on its contractual obligations as they fall due resulting in a financial loss to the Group. Credit risk arises from cash and cash equivalents, bank deposits, uncollateralised trade and other receivables, as well as loans issued.

The Group mitigates the credit risk through its allocation to a large number of counterparties and respective credit limits approval based on counterparties' financial position analysis and uses, if possible, trade financing and insurance instruments, bank guarantees and documentary forms of settlement.

To analyse counterparty solvency, the Group uses information from credit rating agencies about the counterparty's assigned credit ratings and projections for its changes; should such information be lacking, financial stability and overall creditworthiness is assessed by calculating financial indicators and analysing the counterparty's financial statements for several reporting periods.

The outstanding balances of five financial institutions and five largest customers are presented below. At 31 December 2022 credit rating of Russian banks according to the national scale Expert RA was not lower than RUAAA and of international banks on the international Fitch scale was not lower than A (at 31 December 2021: was not lower than BB+ on the Fitch scale and at 31 December 2020: was not lower than BB+ on the Fitch scale).

| | Outstanding balance at 31 December | | |
|---|---|---|---|
| **Cash and cash equivalents** | 2022 | 2021 | 2020 |
| Bank A | 510 | 1,548 | 2,512 |
| Bank B | 366 | 902 | 800 |
| Bank C | 258 | 572 | 712 |
| Bank D | 204 | 541 | 170 |
| Bank E | 88 | 405 | 160 |
| Other | 456 | 1,579 | 837 |
| **Total** | **1,882** | **5,547** | **5,191** |

| | Outstanding balance at 31 December | | |
|---|---|---|---|
| **Trade and other receivables** | | | |
| Customer A | 163 | 149 | 108 |
| Customer B | 160 | 24 | 32 |
| Customer C | 47 | 19 | 26 |
| Customer D | 38 | 18 | 21 |
| Customer E | 34 | 13 | 21 |
| Other | 404 | 245 | 329 |
| **Total** | **846** | **468** | **537** |

Management of the Group believes that the credit risk associated with cash and cash equivalents and trade and other receivables is at an acceptable level due to the high credit rating of the banks where these cash and cash equivalents are placed, as well as the implementation of measures to manage the credit risk associated with counterparties the Group interacts with.

The revision of the set of working capital management instruments and other changes in terms of financing of the Group's transactions with its customers led to a longer cash collection cycle and an increase in the accounts receivable. At 31 December 2022, the Group does not expect a significant increase in expected credit losses on receivables and other financial assets.

The Group is not economically dependent on a limited number of customers because the majority of its products are metals traded on the global commodity markets.

Information on sales to the Group's customers is presented below:

| | For the year ended 31 December 2022 | | For the year ended 31 December 2021 | | For the year ended 31 December 2020 | |
|---|---|---|---|---|---|---|
| | Revenue USD million | % | Revenue USD million | % | Revenue USD million | % |
| Largest customer | 1,950 | 12 | 3,431 | 19 | 2,541 | 16 |
| Next 9 largest customers | 5,861 | 35 | 6,169 | 35 | 5,596 | 36 |
| **Total 10 largest customers** | **7,811** | **47** | **9,600** | **54** | **8,137** | **52** |
| Remaining customers | 9,065 | 53 | 8,252 | 46 | 7,408 | 48 |
| **Total** | **16,876** | **100** | **17,852** | **100** | **15,545** | **100** |

The following table provides information about the exposure to credit risk for financial assets:

| | Note | At 31 December | | |
|---|---|---|---|---|
| | | **2022** | **2021** | **2020** |
| Cash and cash equivalents | 20 | 1,882 | 5,547 | 5,191 |
| Derivative financial instruments (assets) | 16 | 42 | 10 | 1 |
| Loans and other long-term receivables | 16 | 100 | 59 | 113 |
| Trade and other receivables (excluding trade receivables measured at fair value through profit and loss) | 19 | 283 | 220 | 198 |
| Cover for irrevocable letters of credit | 15 | – | – | 14 |
| Bank deposits not included in cash and cash equivalents | 16 | 11 | 46 | 11 |

## LIQUIDITY RISK

Liquidity risk is the risk that the Group will not be able to settle all liabilities as they fall due.

The Group's centralised treasury regularly monitors forecasted and actual cash flows and analyses the repayment schedules to take timely and appropriate measures in order to minimise potential adverse effects, including through liquidity management and proactive loan portfolio management aimed at minimising the amount of short-term debt and maintaining the weighted average term of the loan portfolio at an acceptable level.

Current liquidity management involves detailed budgeting procedures, as well as analysis and structuring of a daily payment position for a 30-day period. The payment position is calculated separately for each currency and bank account. In addition to the continuous analysis of the payment position, at least three times a month the Group updates its rolling cash flow forecast model with a horizon of up to 12 months.

The Group manages liquidity risk by creating a reserve of liquid funds and maintaining a portfolio of committed credit facilities and overdrafts from a number of banks at a level sufficient to cover possible revenue fluctuations taking into account market risks.

In particular, the Group had available committed credit facilities and overdrafts to finance its day-to-day liquidity requirements of USD2,788 million at 31 December 2022 (31 December 2021: USD3,500 million and 31 December 2020: USD3,313 million).

The Group continues its activities on the expansion of credit limits capacity and diversification of its portfolio of committed and treasury credit lines from the biggest Russian banks. The Group considers all available options for raising financing on the Russian market and holds negotiations with international financial institutions as part of proactive debt portfolio management in order to optimise the average duration of the debt portfolio and avoid excess concentration of debt payments.

In accordance with the granted government licence on foreign currency payments of debt and interest to foreign creditors, the Group continues to service its debt in compliance with the terms of respective loan or bonds facilities, including timing and currency of payments.

In September 2022, the consent of the holders of all 5 Eurobond issues of the Group was obtained to amend the transaction documentation, according to which the Company received the right to make payments to holders of Eurobonds in Russian depositories, bypassing a foreign paying agent, which allowed to (a) ensure compliance with the requirements of Russian legislation and (b) continue payments to foreign depositories through a payment agent.

The following table shows the maturity profile of the Group's borrowings, lease liabilities and derivative instruments (maturity profiles for trade and other payables are presented in Note 28) based on contractual undiscounted payments, including interest

| At 31 December 2022 | Total | Due in the first year | Due in the second year | Due in the third year | Due in the fourth year | Due in the fifth year | Due thereafter |
|---|---|---|---|---|---|---|---|
| **Fixed rate bank loans and borrowings** | | | | | | | |
| Principal | 4,022 | 1,000 | 1,105 | 1,417 | 500 | – | – |
| Interest | 387 | 155 | 134 | 84 | 14 | – | – |
| | **4,409** | **1,155** | **1,239** | **1,501** | **514** | **–** | **–** |
| **Floating rate bank loans and borrowings** | | | | | | | |
| Principal | 7,488 | 3,303 | 2,084 | 1,675 | 414 | 7 | 5 |
| Interest | 480 | 240 | 147 | 80 | 13 | – | – |
| | **7,968** | **3,543** | **2,231** | **1,755** | **427** | **7** | **5** |
| **Lease liabilities** | | | | | | | |
| **Lease liabilities** | **522** | **63** | **54** | **34** | **23** | **21** | **327** |
| **Cross-currency interest rate swap** | | | | | | | |
| Payable | 375 | 11 | 364 | – | – | – | – |
| Receivable | (368) | (23) | (345) | – | – | – | – |
| | **7** | **(12)** | **19** | **–** | **–** | **–** | **–** |
| **Total** | **12,906** | **4,749** | **3,543** | **3,290** | **964** | **28** | **332** |

| At 31 December 2021 | Total | Due in the first year | Due in the second year | Due in the third year | Due in the fourth year | Due in the fifth year | Due thereafter |
|---|---|---|---|---|---|---|---|
| **Fixed rate bank loans and borrowings** | | | | | | | |
| Principal | 4,591 | 1,504 | 1,000 | 1,087 | 500 | 500 | – |
| **Interest** | **407** | **193** | **97** | **76** | **27** | **14** | **–** |
| | **4,998** | **1,697** | **1,097** | **1,163** | **527** | **514** | **–** |
| **Floating rate bank loans and borrowings** | | | | | | | |
| Principal | 5,676 | 107 | 2,166 | 2,100 | 614 | 676 | 13 |
| Interest | 221 | 88 | 71 | 40 | 14 | 8 | – |
| | **5,897** | **195** | **2,237** | **2,140** | **628** | **684** | **13** |

| At 31 December 2021 | Total | Due in the first year | Due in the second year | Due in the third year | Due in the fourth year | Due in the fifth year | Due thereafter |
|---|---|---|---|---|---|---|---|
| **Lease liabilities** | | | | | | | |
| **Lease liabilities** | **279** | **65** | **50** | **45** | **31** | **20** | **68** |
| **Cross-currency interest rate swap** | | | | | | | |
| Payable | 426 | 12 | 12 | 402 | – | – | – |
| Receivable | (409) | (24) | (24) | (361) | – | – | – |
| | **17** | **(12)** | **(12)** | **41** | **–** | **–** | **–** |
| **Total** | **11,191** | **1,945** | **3,372** | **3,389** | **1,186** | **1,218** | **81** |

| At 31 December 2020 | Total | Due in the first year | Due in the second year | Due in the third year | Due in the fourth year | Due in the fifth year | Due thereafter |
|---|---|---|---|---|---|---|---|
| **Fixed rate bank loans and borrowings** | | | | | | | |
| Principal | 4,299 | 4 | 1,504 | 1,000 | 1,088 | 500 | 203 |
| Interest | 656 | 213 | 203 | 106 | 86 | 36 | 12 |
| | **4,955** | **217** | **1,707** | **1,106** | **1,174** | **536** | **215** |
| **Floating rate bank loans and borrowings** | | | | | | | |
| Principal | 5,387 | 7 | 345 | 2,558 | 2,055 | 400 | 22 |
| Interest | 312 | 105 | 103 | 74 | 29 | 1 | – |
| | **5,699** | **112** | **448** | **2,632** | **2,084** | **401** | **22** |
| **Lease liabilities** | | | | | | | |
| **Lease liabilities** | **288** | **61** | **61** | **48** | **41** | **26** | **51** |
| **Cross-currency interest rate swap** | | | | | | | |
| Payable | 1,364 | 938 | 12 | 12 | 402 | – | – |
| Receivable | (1,305) | (893) | (24) | (24) | (364) | – | – |
| | **59** | **45** | **(12)** | **(12)** | **38** | **–** | **–** |
| **Total** | **11,001** | **435** | **2,204** | **3,774** | **3,337** | **963** | **288** |

Reconciliation of changes in liabilities and cash flows from financing activities:

| | Loans and borrowings | Lease liabilities | Derivatives financial instruments (liabilities) | Total |
|---|---|---|---|---|
| **Balance at 1 January 2020** | **9,620** | **224** | **(101)** | **9,743** |
| Proceeds from loans and borrowings | 2,903 | – | – | 2,903 |
| Repayments of loans and borrowings | (2,552) | – | – | (2,552) |
| Payments of lease liabilities | – | (46) | – | (46) |
| Proceeds on exchange of flows under cross-currency interest rate swaps | – | – | 38 | 38 |
| **Changes from financing cash flows** | **351** | **(46)** | **38** | **343** |
| **Other non-cash changes:** | | | | |
| Recognition of lease liabilities | – | 90 | – | 90 |
| Changes in fair value of the cross-currency interest rate swap | – | – | 182 | 182 |
| Effect of changes in foreign exchange rates | (321) | (6) | 17 | (310) |
| Borrowing costs and amortisation of loans at effective interest rate | (16) | – | – | (16) |
| **Balance at 31 December 2020** | **9,634** | **262** | **136** | **10,032** |
| Proceeds from loans and borrowings | 1,000 | – | – | 1,000 |
| Repayments of loans and borrowings | (415) | – | – | (415) |
| Payments of lease liabilities | – | (55) | – | (55) |
| Proceeds on exchange of flows under cross-currency interest rate swaps | – | – | 4 | 4 |
| **Changes from financing cash flows** | **585** | **(55)** | **4** | **534** |
| **Other non-cash changes:** | | | | |
| Recognition of lease liabilities | – | 37 | – | 37 |
| Changes in fair value of the cross-currency interest rate swap | – | – | (68) | (68) |
| Effect of changes in foreign exchange rates | (4) | (9) | – | (13) |
| Borrowing costs and amortisation of loans at effective interest rate | 11 | – | – | 11 |
| **Balance at 31 December 2021** | **10,226** | **235** | **72** | **10,533** |
| Proceeds from loans and borrowings | 9,104 | – | – | 9,104 |
| Repayments of loans and borrowings | (7,775) | – | – | (7,775) |
| Payments of lease liabilities | – | (50) | – | (50) |

| | Loans and borrowings | Lease liabilities | Derivatives financial instruments (liabilities) | Total |
|---|---|---|---|---|
| Payments on exchange of flows under cross-currency interest rate swaps | – | – | (19) | (19) |
| **Changes from financing cash flows** | **1,329** | **(50)** | **(19)** | **1,260** |
| **Other non-cash changes:** | | | | |
| Recognition of lease liabilities | – | 169 | – | 169 |
| Changes in fair value of the cross-currency interest rate swap | – | – | 18 | 18 |
| Effect of changes in foreign exchange rates | 153 | (17) | (4) | 132 |
| Changes arising from disposal of subsidiaries | – | (96) | – | (96) |
| Borrowing costs and amortisation of loans at effective interest rate | (224) | – | – | (224) |
| Other | – | (8) | – | (8) |
| **Balance at 31 December 2022** | **11,484** | **233** | **67** | **11,784** |

Interest payable on loans and borrowings and lease liabilities (Note 25) arising from financing activities is short-term and is paid within 12 months from the date of accrual.

## 36. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments that are measured at fair value subsequent to initial recognition, are grouped into Levels 1 to 3 of fair value hierarchy based on the degree to which their fair value is observable as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly;
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liabilities that are not based on observable market data.

The management believes that the carrying value of financial instruments such as cash and cash equivalents (Note 20), other financial assets (Note 16), trade and other receivables except for trade and other receivables at fair value through profit or loss (Note 19), trade and other payables (Note 28) and lease liabilities (Note 25) either approximates to their fair value or may not significantly differ from it. The fair value of trade and other receivables at fair value through profit or loss, as well as the level of the fair value hierarchy and the method of measuring are disclosed in Note 19.

At 31 December 2020 other current liabilities measured at fair value through profit or loss included a liability on the execution of a put option held by owners of 13.3% non-controlling interest in the share capital in LLC "GRK "Bystrinskoye" in the amount of USD428 million.

Since the non-controllling interest owners did not exercise their right under the put option before its expiry date of 31 December 2021, the Group derecognised the liability on the execution of the put option as at 31 December 2021. The Group presented derecognition of the liability directly in the consolidated statement of changes in equity as Other effects related to transactions with non-controlling interest owners in the amount of USD490 million, which was its fair value at 31 December 2021 immediately before derecognition. The fair value of the liability at all applicable dates was determined based on the discounted cash flows of LLC "GRK "Bystrinskoye" less its net debt taking into account the amount of working capital at the reporting date and with the relevant discount reflecting the non-controlling ownership interest. The fair value estimate is within Level 3 of fair value hierarchy. The most significant estimates and assumptions used in determination of the fair value were as follows:

- Future cash flows were forecast up to 2044 based on budgeted amounts, taking into account actual results for the previous years as well as capital expenditure budgets;
- Prices for metal concentrates and iron ore were estimated by the Group's management using consensus forecasts for commodity prices;
- Metals concentrate (copper and iron ore concentrate) production and sales forecast was based on production reports available at the reporting date and the life of mine plan taking into account the current production capacity and current estimates of metal content in ore reserves;
- The inflation and exchange rate forecasts were based on Oxford Economics data consistent with a consensus forecast of investment banks. Forecast for exchange rate was made based on expected RUB and USD inflation indices;
- An after-tax nominal RUB discount rate of 13.9% at 31 December 2021 (31 December 2020: 13.8%) was estimated by reference to the weighted average cost of capital and the management's estimates of the risks specific to the asset.

Change in the fair value of the liability on the execution of the put option for 2021 till the date of derecognition amounted to USD66 million included in the financial costs of the consolidated income statement (31 December 2020: USD262 million). The estimation of fair value of the liability on the execution of the put option was sensitive to changes in the number of key assumptions. The sensitivity analysis at 31 December 20 20 is disclosed in the table below:

| | Change of parameters | | | |
|---|---|---|---|---|
| Increase in fair value of the liability on the execution of the put option | Decrease in discount rate by 1 p.p. | Weakening of RUB/USD exchange rate by 10% | Increase of copper price by 10% | Increase of gold price by 10% |
| At 31 December 2020 | 25 | 70 | 37 | 36 |

The information below presents financial instruments not measured at fair value, including loans and borrowings (Note 24), trade and other long-term payables (Note 28).

| | At 31 December 2022 | | At 31 December 2021 | | At 31 December 2020 | |
|---|---|---|---|---|---|---|
| | Carrying value | Fair value Level 1 | Carrying value | Fair value Level 1 | Carrying value | Fair value Level 1 |
| Fixed rate bonds | 4,156 | 3,323 | 4,574 | 4,639 | 4,277 | 4,512 |
| **Total bonds** | **4,156** | **3,323** | **4,574** | **4,639** | **4,277** | **4,512** |
| | Carrying value | Fair value Level 2 | Carrying value | Fair value Level 2 | Carrying value | Fair value Level 2 |
| Floating rate loans | 6,766 | 6,535 | 5,648 | 5,439 | 5,349 | 5,309 |
| Fixed rate loans | – | – | 4 | 4 | 8 | 8 |
| Fixed rate bonds | 562 | 562 | – | – | – | – |
| **Total loans** | **7,328** | **7,097** | **5,652** | **5,443** | **5,357** | **5,317** |
| | Carrying value | Fair value Level 2 | Carrying value | Fair value Level 2 | Carrying value | Fair value Level 2 |
| Trade and other long-term payables | 56 | 56 | 55 | 55 | 32 | 32 |
| **Total trade and other long-term payables** | **56** | **56** | **55** | **55** | **32** | **32** |

The fair value of financial liabilities presented in the table above is determined as follows:

- the fair value of corporate bonds (Level 1 of fair value hierarchy) was determined as their market price at the reporting dates;
- the fair value of floating rate and fixed rate loans and borrowings and corporate bonds (Level 2 of fair value hierarchy) at 31 December 2 022, 2021 and 2020 was determin ed as the present value of future cash flows (principal and interest), discounted at the market interest rates, which are determined as of the reporting date based on the currency of a loan, its expected maturity and credit risks attributable to the Group;
- the fair value of trade and other long-term payables at 31 Decembe r 2022, 2021 and 2020 was determi ned as the present value of future cash flows, discounted at the best management estimate of market interest rates.

## 37. INVESTMENTS IN SIGNIFICANT SUBSIDIARIES

| Subsidiaries by operating segments | Country | Nature of business | Effective % held | | |
|---|---|---|---|---|---|
| | | | 31 December 2022 | 31 December 2021 | 31 December 2020 |
| **GMK Group** | | | | | |
| JSC "Norilsky Kombinat" | Russian Federation | Rental of property | 100 | 100 | 100 |
| JSC "Norilskgazprom" | Russian Federation | Gas extraction | 100 | 100 | 100 |
| JSC "Norilsktransgaz" | Russian Federation | Gas transportation | 100 | 100 | 100 |
| JSC "NTEK" | Russian Federation | Electricity production and distribution | 100 | 100 | 100 |
| LLC "ZSC" | Russian Federation | Construction | 100 | 100 | 100 |
| LLC "Norilsknickelremont" | Russian Federation | Repairs | 100 | 100 | 100 |
| LLC "Norilskyi obespechivaushyi complex" | Russian Federation | Production of spare parts | 100 | 100 | 100 |
| **South Cluster** | | | | | |
| LLC "Medvezhyi ruchey" | Russian Federation | Ore mining and processing | 100 | 100 | 100 |
| **KGMK Group** | | | | | |
| JSC "Kolskaya GMK" | Russian Federation | Mining and metallurgy | 100 | 100 | 100 |
| LLC "Pechengastroy" | Russian Federation | Repairs | 100 | 100 | 100 |
| **Norilsk Nickel Harjavalta** | | | | | |
| Norilsk Nickel Harjavalta OY | Finland | Metallurgy | 100 | 100 | 100 |
| **GRK Bystrinskoye** | | | | | |
| LLC "GRK "Bystrinskoye" | Russian Federation | Ore mining and processing | 50.01 | 50.01 | 50.01 |
| LLC "Vostokgeologiya" | Russian Federation | Geological works and construction | 100 | 100 | 100 |
| **Other non-metallurgical** | | | | | |
| Metal Trade Overseas A.G. | Switzerland | Distribution | 100 | 100 | 100 |
| Norilsk Nickel (Asia) Limited | Hong Kong | Distribution | 100 | 100 | 100 |
| Norilsk Nickel Metal Trade (Shanghai) | China | Distribution | 100 | 100 | 100 |
| Norilsk Nickel USA, Inc. | USA | Distribution | 100 | 100 | 100 |
| LLC "Institut Gypronickel" | Russian Federation | Research | 100 | 100 | 100 |
| JSC "TTK" | Russian Federation | Supplier of fuel | 100 | 100 | 100 |
| JSC "ERP" | Russian Federation | River shipping operations | 100 | 100 | 100 |
| LLC "Aeroport Norilsk" | Russian Federation | Airport | 100 | 100 | 100 |
| JSC "AK "NordStar" | Russian Federation | Air company | - | 100 | 100 |

| Joint operations by operating segments | Country | Nature of business | Effective % held | | |
|---|---|---|---|---|---|
| | | | 31 December 2022 | 31 December 2021 | 31 December 2020 |
| **Other mining** | | | | | |
| Nkomati Nickel Mine | Republic of South Africa | Ore mining and processing | 50 | 50 | 50 |