

# FINANCIAL PERFORMANCE (MD&A)

## 2019 HIGHLIGHTS

- **Consolidated revenue increased 16% y-o-y** to USD 13.6 billion owing to higher production volumes of all key metals and growth of palladium and nickel prices;
- **EBITDA expanded 27% y-o-y** to USD 7.9 billion owing to higher metal revenue and tight control of operating expenses, with EBITDA margin reaching 58%. Reported EBITDA includes negative impact of the USD 190 million provisions accrued in respect of the upcoming shutdown of certain production facilities at Kola Division;
- **EBITDA generated by the Bystrinsky project** that was fully commissioned in September 2019 amounted to USD 349 million;
- **CAPEX decreased 15% y-o-y** to USD 1.3 billion owing to the completion of large investment projects in 2018;
- The Company made **final investment decisions on strategic growth projects** such as the expansion of the Talnakh concentrator (TOF-3 project) and the development of South Cluster mining project and also updated its environmental programme, which is scheduled to go into active construction phase in 1H2020;
- **Net working capital increased to USD 1.0 billion** in line with the medium-term target level;
- **Free cash flow amounted to USD 4.9 billion**, almost unchanged y-o-y;
- **Net debt/EBITDA ratio decreased to 0.9x as of December 31, 2019;**
- **Cash interest paid decreased 17% y-o-y** to USD 460 million owing to the ongoing optimization of debt portfolio;
- **At the annual Capital Markets Day in November, the Company provided its strategic vision until 2030** with the focus on development prospects of Taimyr mining operations, debottlenecking of downstream assets and dramatic reduction of sulfur dioxide emissions at both key operating units in Russia: Polar division and Kola MMC.

## RECENT DEVELOPMENTS

- **On January 14, 2020, the Company paid interim dividend** for the nine months of 2019 in the amount of RUB 604.09 (approximately USD 9.9) per ordinary share for the total of approximately USD 1.6 billion;
- **On February 20, 2020, the Company entered into agreement to revise terms and conditions of the USD 2.5 billion syndicated term loan** originally signed in December 2017 with a group of international banks, whereby increasing the total facility amount to USD 4.15 billion, reducing the interest rate and rescheduling the repayment of outstanding amount from the period of December 2020 - December 2022 to the period of February 2023 - February 2025.

**Key corporate highlights**

USD million (unless stated otherwise)	2019	2018	Change, %
Revenue	13,563	11,670	16%
EBITDA <sup>1</sup>	7,923	6,231	27%
EBITDA margin	58%	53%	5 p.p.
Net profit	5,966	3,059	95%
Capital expenditures	1,324	1,553	(15%)
Free cash flow <sup>2</sup>	4,889	4,931	(1%)
Net working capital	985	867	14%
Net debt	7,060	7,051	0%
Net debt, normalized for the purpose of dividend calculation <sup>3</sup>	4,952	5,160	(4%)
Net debt/12M EBITDA	0.9x	1.1x	(0.2x)
Net debt/12M EBITDA for dividends calculation	0.6x	0.8x	(0.2x)
Dividends paid per share (USD) <sup>4</sup>	26.3	21.3	23%

In 2H2019, the Group updated its management accounting system in line with business changes. As a result, the South Cluster segment was separated from GMK Group segment in 2019.

In 2019, revenue of Group GMK segment increased 42% to USD 13,836 million. This was primarily driven by the growth of intersegmental sales revenue due to the launch of direct sales of semi-products to KGMK Group, which was additionally supported by higher refined metals production volumes and palladium price.

The revenue of South cluster segment amounted to USD 864 million.

The revenue of Group KGMK segment increased more than three times to USD 3,115 million due to the launch of direct sales of semi-products supplied by GMK Group segment.

Revenue of NN Harjavalta increased 14% to USD 1,172 million. Higher sales volumes were supported by higher nickel price.

Revenue of GRK Bystrinskoye amounted to USD 201 million, which included sales of semi-products since the full commissioning of Bystrinsky project in September 2019.

Revenue of Other mining segment increased 23% to USD 133 million mostly driven by higher semi-products sales volumes and palladium price.

Revenue of Other non-metallurgical segment decreased 7% to USD 1,412 million. Lower sales volumes of Palladium Fund were partly compensated by higher palladium prices.

In 2019, EBITDA of GMK Group segment increased 44% to USD 9,522 million owing primarily to higher revenue and depreciation of Russian rouble. EBITDA of GMK Group segment included profit from the sale of semi-products to Group KGMK segment, which was eliminated from EBITDA of the Group.

The EBITDA of South cluster segment amounted to USD 475 million.

EBITDA of Group KGMK segment decreased 69% to USD 58 million primarily owing to the start of direct purchases of GMK Group segment semi-products.

EBITDA of NN Harjavalta increased by USD 3 million to USD 74 million.

EBITDA of GRK Bystrinskoye segment increased by USD 253 million and amounted to USD 349 million due to higher production volumes.

EBITDA of Other non-metallurgical segment decreased 38% to USD 31 million following one-off expenses in 2019.

EBITDA of Unallocated segment insignificantly changed 3% to a negative USD 785 million.

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

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

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

4/ Paid during the current period.

Key segmental highlights<sup>1</sup>

USD million (unless stated otherwise)	2019	2018	Change,%
Revenue	13,563	11,670	16%
GMK Group	13,836	9,742	42%
South cluster	864	-	p.p.
KGMK Group	3,115	911	3x
NN Harjavalta	1,172	1,026	14%
GRK Bystrinskoye	201	8	n.a.
Other mining	133	108	23%
Other non-metallurgical	1,412	1,514	(7%)
Eliminations	(7,170)	(1,639)	4x
EBITDA	7,923	6,231	27%
GMK Group	9,522	6,602	44%
South cluster	475	-	n.a.
KGMK Group	58	190	(69%)
NN Harjavalta	74	71	4%
GRK Bystrinskoye	349	96	4x
Other mining	(31)	(6)	5x
Other non-metallurgical	31	50	(38%)
Eliminations	(1,770)	(13)	n.a.
Unallocated	(785)	(759)	3%
EBITDA margin	58%	53%	5 p.p.
GMK Group	69%	68%	1 p.p.
South cluster	55%	n.a.	n.a.
KGMK Group	2%	21%	(19 p.p.)
NN Harjavalta	6%	7%	(1 p.p.)
GRK Bystrinskoye	n.a.	n.a.	n.a.
Other mining	(23%)	(6%)	(17 p.p.)
Other non-metallurgical	2%	3%	(1 p.p.)

## Sales volume and revenue

Index	2019	2018	Change,%
<b>Metal sales</b>			
<b>Group</b>			
<b>Nickel, thousand tonnes<sup>2</sup></b>	<b>230</b>	<b>217</b>	<b>6%</b>
- from own Russian feed	213	208	2%
- from 3d parties feed	3	2	50%
- in semi-products <sup>4</sup>	14	7	2x
<b>Copper, thousand tonnes<sup>2,3</sup></b>	<b>479</b>	<b>455</b>	<b>5%</b>
- from own Russian feed	433	431	0%

1/ Segments are defined in the consolidated financial statements.

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

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

4/ Metal volumes represent metals contained in semi-products.

Index	2019	2018	Change, %
- in semi-products <sup>4</sup>	46	24	92%
<b>Palladium, koz<sup>2</sup></b>	<b>2,988</b>	<b>2,974</b>	<b>0%</b>
- from own Russian feed	2,890	2,913	(1%)
- in semi-products <sup>4</sup>	98	61	61%
<b>Platinum, koz<sup>2</sup></b>	<b>714</b>	<b>668</b>	<b>7%</b>
- from own Russian feed	698	657	6%
- in semi-products <sup>4</sup>	16	11	45%
<b>Rhodium, koz<sup>2</sup></b>	<b>78</b>	<b>62</b>	<b>26%</b>
- from own Russian feed	69	62	11%
- in semi-products <sup>4</sup>	9	-	100%
<b>Cobalt, thousand tonnes<sup>2</sup></b>	<b>7</b>	<b>4</b>	<b>75%</b>
- from own Russian feed	5	3	67%
- from 3d parties feed	2	1	2x
<b>Gold, koz<sup>2,3</sup></b>	<b>235</b>	<b>161</b>	<b>46%</b>
- from own Russian feed	184	155	19%
- in semi-products <sup>4</sup>	51	6	9x
<b>Average realized prices of refined metals produced by the Group</b>			
Nickel (USD per tonne)	14,355	13,531	6%
Copper (USD per tonne)	6,047	6,566	(8%)
Palladium (USD per oz)	1,524	1,025	49%
Platinum (USD per oz)	862	877	(2%)
Rhodium (USD per oz)	3,948	2,194	80%
Cobalt (USD per tonne)	26,756	68,604	(61%)
Gold (USD per oz)	1,393	1,264	10%
<b>Revenue, USD million<sup>5</sup></b>			
<b>Nickel</b>	<b>3,388</b>	<b>3,013</b>	<b>12%</b>
- including semi-products	285	175	63%
<b>Copper</b>	<b>2,877</b>	<b>2,977</b>	<b>(3%)</b>
- including semi-products	257	144	78%
<b>Palladium</b>	<b>5,043</b>	<b>3,674</b>	<b>37%</b>
- including semi-products	194	98	98%
<b>Platinum</b>	<b>628</b>	<b>596</b>	<b>5%</b>
- including semi-products	27	20	35%
<b>Other metals</b>	<b>915</b>	<b>702</b>	<b>30%</b>
- including semi-products	172	55	3x
<b>Revenue from metal sales</b>	<b>12,851</b>	<b>10,962</b>	<b>17%</b>
<b>Revenue from other sales</b>	<b>712</b>	<b>708</b>	<b>1%</b>
<b>Total revenue</b>	<b>13,563</b>	<b>11,670</b>	<b>16%</b>

5/ Includes metals and semi-products purchased from third parties and Nkomati. Includes revenue from semi-products, produced by GRK "Bystrinskoe", after ramp-up of Bystrinsky project that was fully commissioned in September 2019.

## REVENUE

### NICKEL

Nickel sales contributed 26% to the Group's total metal revenue in 2019, down from 27% in 2018. A 1 p.p. decrease was driven by palladium price that outperformed nickel price in the reported period.

In 2019, nickel revenue was up by 12% amounting to USD 3,388 million. The growth was driven both by higher realized nickel price (+USD 188 million) and increase in sales volume (+USD 187 million).

The average realized price of refined nickel increased 6% to USD 14,355 per tonne in 2019 vs USD 13,531 per tonne in 2018.

Sales volume of refined nickel produced from own Russian feed, increased by 2% (or +5 thousand tonnes) to 213 thousand tonnes owing to higher production volumes.

Sales volume of nickel produced from third-party feed increased 50% to 3 thousand tonnes primarily due to the increased processing of third-party feed at Harjavalta refinery.

In 2019, sales of nickel in semi-products increased 63% to USD 285 million primarily owing to higher sales volume of semi-products.

### COPPER

In 2019, copper sales accounted for 22% of the Group's total metal sales, decreasing 3% (or -USD 100 million) to USD 2,877 million primarily owing to lower realized price (-USD 227 million) which was partly compensated by higher sales volume (+USD 127 million).

The average realized price of refined copper decreased 8% from USD 6,566 per tonne in 2018 to USD 6,047 per tonne in 2019.

Physical volume of refined copper sales from the Company's own Russian feed remained unchanged at 433 thousand tons.

Revenue from copper in semi-products in 2019 increased 78% to USD 257 million primarily due to the ramp-up of Bystrinsky project that was fully commissioned in September 2019.

### PALLADIUM

In 2019, palladium accounted for 39% of total metal revenue, increasing 5 p.p. y-o-y. Palladium revenue increased 37% (or +USD 1,369 million) to USD 5,043 million due to higher realized price (+USD 1,484 million) and increased sales volume (+USD 34 million).

The average realized price of refined palladium increased 49% from USD 1,025 per troy ounce in 2018 to USD 1,524 per troy ounce in 2019.

Physical volume of refined palladium sales from the Company's own Russian feed remained stable y-o-y and amounted to 2,890 thousand troy ounces in 2019. Higher base effect in 2018 (from the sale of metal from stock accumulated in the Company's Palladium Fund in 2017) was compensated by higher sales volume in 2019 due to release of work-in-progress inventory.

Revenue of palladium in semi-products increased 98% to USD 194 million in 2019 primarily owing to higher sales volume of semi-products.

In 2019, revenue from the resale of palladium purchased from third parties amounted to USD 444 million (vs USD 593 million in 2018).

## PLATINUM

In 2019, platinum sales increased 5% (or +USD 32 million) to USD 628 million and remained at 5% of the Group's total metal revenue. The higher sales volume (+USD 42 million) was partly compensated by decline of realized platinum price (-USD 10 million).

Physical volume of refined platinum sales from the Company's own Russian feed in 2019 increased 6% (or +41 thousand troy ounces) to 698 thousand troy ounces primarily due to release of PGM work-in-progress inventory.

Revenue of platinum in semi-products in 2019 increased 35% to USD 27 million primarily due to higher sales volume of semi-products.

## OTHER METALS

In 2019, revenue from other metals increased 30% (or +USD 213 million) to USD 915 million. This was primarily due to higher revenue from gold (+USD 123 million) mainly due to the ramp-up of Bystrinsky project, higher revenue from rhodium (+USD 155 million) resulting from the increase in price, which was partly negatively compensated by decrease in cobalt revenue (-USD 108 million) primarily due to price decrease.

## OTHER SALES

In 2019, other sales increased 1% to USD 712 million. Revenue growth in real terms that was primarily driven by higher fuel sales volumes was offset by the negative effect of Russian rouble depreciation.

### Other sales

USD million (unless stated otherwise)	2019	2018	Change, %
Air transport	250	257	(3%)
Fuel-power complex	184	178	3%
Water transport	52	56	(7%)
Food retail	38	38	0%
Zapolyarye Health Resort	19	17	12%
Other	169	162	4%
<b>Total</b>	<b>712</b>	<b>708</b>	<b>1%</b>

## COST OF SALES

### COST OF METAL SALES

In 2019, the cost of metal sales was unchanged and amounted to USD 4,509 million. Main factors contributing to it were as follows:

- Increase in cash operating costs by 2% (or +USD 75 million);
- Increase in depreciation and amortisation by 13% (or +USD 82 million);
- Change in metal inventories y-o-y leading to cost of metal sales decrease of USD 153 million.

### CASH OPERATING COSTS

In 2019, total cash operating costs increased 2% (or +USD 75 million) to USD 3,818 million.

The positive effect of Russian rouble depreciation was fully offset by inflationary growth of cash operating costs.

Cash operating costs related to Bystrinsky project after its full commissioning amounted to USD 62 million in 2019.

#### Cash operating costs

USD million	2019	2018	Change,%
Labour	1,295	1,283	1%
Materials and supplies	712	727	(2%)
Purchases of refined metals for resale	438	430	2%
Purchases of raw materials and semi-products	402	436	(8%)
Third party services	239	200	20%
Mineral extraction tax and other levies	221	212	4%
Electricity and heat energy	155	143	8%
Fuel	101	87	16%
Transportation expenses	88	70	26%
Sundry costs	167	155	8%
<b>Total cash operating costs</b>	<b>3,818</b>	<b>3,743</b>	<b>2%</b>
Depreciation and amortisation	735	653	13%
(Increase)/decrease in metal inventories	(44)	109	n.a.
<b>Total cost of metal sales</b>	<b>4,509</b>	<b>4,505</b>	<b>0%</b>

## Labour

In 2019, labour costs increased 1% (or USD 12 million) to USD 1,295 million amounting to 34% of the Group's total cash operating costs driven by the following:

- -USD 44 million - cost decrease owing to the Russian rouble depreciation against US Dollar;
- +USD 52 million - increase in real terms primarily driven by the indexation of salaries and wages in line with the terms of collective bargaining agreement;
- +USD 15 million - cost increase driven by ramp-up of Bystrinsky project that was fully commissioned in September 2019;
- -USD 15 million - cost decrease following the decrease of production staff headcount primarily due to disposal of a subsidiary.

## Purchases of raw materials and semi-products

In 2019, purchases of raw materials and semi-products decreased 8% (or USD 34 million) to USD 402 million driven by the following:

- -USD 15 million - cost decrease owing to the Russian rouble depreciation against US Dollar;
- -USD 73 million - cost decrease owing to lower volumes of Rostec concentrate processing;
- +USD 29 million - cost increase owing to higher volumes of purchased semi-products from Boliden for processing at NN Harjavalta;
- +USD 24 million - cost increase driven by higher purchases of Nkomati concentrate.

## Purchases of refined metals for resale

In 2019, expenses related to purchase of refined metals for resale increased 2% to USD 438 million owing to the increase in palladium price, most of which was offset negatively by decrease of purchased volume.

## Materials and supplies

In 2019, materials and supplies decreased 2% (or USD 15 million) to USD 712 million driven by the following factors:

- -USD 18 million - positive effect of the Russian rouble depreciation;
- +USD 13 million - cost increase driven by commissioning of Bystrinsky project;
- -USD 10 million - lower materials and supplies expenses primarily related to lower consumption of materials, which was partly offset by inflationary growth of expenses.

## Third-party services

In 2019, cost of third party services increased 20% (or USD 39 million) to USD 239 million mainly driven by:

- -USD 7 million - positive effect of the Russian rouble depreciation;
- +USD 15 million - costs increase primarily due to higher PGM refining costs due to release of PGM work-in-progress inventory and tariffs revision;
- +USD 10 million - cost increase owing to the commissioning of Bystrinsky project;
- -USD 13 million - cost increase mainly driven by higher Nkomati stripping costs.

## Mineral extraction tax and other levies

In 2019, mineral extraction tax and other levies increased by 4% (or USD 9 million) to USD 221 million driven by the following:

- -USD 7 million - positive effect of the Russian rouble depreciation;
- +USD 13 million - cost increase driven by higher volumes of ore mined.



## Electricity and heat energy

In 2019, electricity and heat energy expenses increased by USD 12 million to USD 155 million driven by the following:

- -USD 7 million - positive effect of the Russian rouble depreciation;
- +USD 14 million - cost increase driven by inflationary growth of expenses;
- +USD 3 million - cost increase owing to the commissioning of Bystrinsky project.

## Fuel

In 2019, fuel expenses increased 16% (or USD 14 million) to USD 101 million driven by the following:

- -USD 3 million - positive effect of the Russian rouble depreciation;
- +USD 6 million - higher oil price;
- +USD 5 million - cost increase driven by commissioning of Bystrinsky project.

## Transportation expenses

In 2019, transportation expenses increased 26% (or +USD 18 million) to USD 88 million driven by the following:

- -USD 1 million - positive effect of the Russian rouble depreciation;
- +USD 9 million - costs increase driven by higher volumes of third-party transportation services in Norilsk industrial region;
- +USD 10 million - cost increase owing to the commissioning of Bystrinsky project.

## Sundry costs

In 2019, sundry costs increased 8% (or +USD 12 million) to USD 167 million mainly driven by inflationary growth of expenses and commissioning of Bystrinsky project.

## Depreciation and amortisation

In 2019, depreciation and amortisation expenses increased 13% (or USD 82 million) to USD 735 million.

Positive effect of Russian rouble depreciation amounted to -USD 19 million.

Depreciation charges in real terms increased by USD 101 million mainly due to transfers from construction in progress to production assets and full commissioning of Bystrinsky project.

## (Increase)/decrease in metal inventories

In 2019, comparative effect of change in metal inventory amounted to -USD 153 million resulting in a decrease of cost of metal sales, primarily driven by accumulation of work -in-process and semi-products in 2019 excluding the changes in Rostec concentrate.

## COST OF OTHER SALES

In 2019, cost of other sales increased by USD 62 million to USD 684 million.

Cost of other sales increased primarily due to higher fuel sales, higher repairs and inflationary cost growth, which were partly positively compensated by the Russian rouble depreciation.

## SELLING AND DISTRIBUTION EXPENSES

### Selling and distribution expenses

USD million	2019	2018	Change, %
Marketing expenses	45	31	45%
Transportation expenses	43	39	10%
Staff costs	15	14	7%
Other	14	8	75%
<b>Total</b>	<b>117</b>	<b>92</b>	<b>27%</b>

In 2019, selling and distribution expenses increased 27% (or USD 25 million) to USD 117 million primarily due to increase in marketing expenses (USD 14 million).

## GENERAL AND ADMINISTRATIVE EXPENSES

### General and administrative expenses

USD million	2019	2018	Change, %
Staff costs	601	569	6%
Third party services	117	96	22%
Taxes other than mineral extraction tax and income tax	77	103	(25%)
Depreciation and amortisation	69	38	82%
Transportation expenses	15	9	67%
Rent expenses	5	23	(78%)
Other	54	52	4%
<b>Total</b>	<b>938</b>	<b>890</b>	<b>5%</b>

In 2019, general and administrative expenses increased 5% (or USD 48 million) to USD 938 million. Positive effect of Russian rouble depreciation amounted to -USD 24 million. Changes of the general and administrative expenses in real terms were primarily driven by the following:

- +USD 48 million – increase in staff costs mainly due to one-off payments related to management bonuses, as well as salaries indexation;

- +USD 23 million – increase of third party services related to the automatization of production processes and roll out of digital technologies;
- -USD 24 million – reduction of property tax owing to changes in tax legislation in 2019.

## OTHER OPERATING EXPENSES

### Other operating expenses, net

USD million	2019	2018	Change,%
Social expenses	224	207	8%
Provision on production facilities shut down	190	-	100%
Change in other provisions	39	21	86%
Net income earned during the pre-commissioning stage	(192)	(106)	81%
Other, net	42	(27)	n.a.
<b>Total</b>	<b>303</b>	<b>95</b>	<b>3x</b>

In 2019, other operating expenses, net increased by USD 208 million to USD 303 million driven by the following factors:

- Provision related to shut down of certain production facilities located at Kolskaya GMK (+USD 190 million);
- Net income generated by GRK "Bystrinskoye" from products sale during the hot commissioning stage (-USD 86 million);
- Change in other provisions, primarily including provision for obsolete and slow-moving inventory (+USD 18 million).

## FINANCE COSTS

### Finance costs, net

USD million	2019	2018	Change,%
Interest expense, net of amounts capitalised	340	382	(11%)
Unwinding of discount on provisions and payables	84	100	(16%)
Changes in fair value of non-current liabilities	64	46	39%
Interest expense on lease liabilities	12	2	6x
Fair value (gain)/loss on the cross-currency interest rate swap	(199)	51	n.a.
Other, net	5	(1)	n.a.
<b>Total</b>	<b>306</b>	<b>580</b>	<b>(47%)</b>

The 47% decrease in finance costs in 2019 was primarily attributed to a change in the fair value of cross-currency interest rate swaps due to appreciation of Russian ruble against the US dollar as of December 31, 2019 as compared to the exchange rate as of December 31, 2018.

Furthermore, despite the increase in total debt, the average cost of the Group's debt portfolio

decreased moderately owing to the monetary policies easing undertaken by the Federal Reserve of the USA and the Bank of Russia, both of which had a positive impact on debt obligations with a floating interest rate.

In 2019, Nornickel continued to optimize its debt portfolio aiming at the extension of debt maturity, which allowed to optimize a number of the Group's bilateral credit facilities totaling USD 962 million.

## INCOME TAX EXPENSE

In 2019 income tax expense increased 85% to USD 1 558 million driven mostly by the increase of taxable profit.

The effective income tax rate in 2019 of 20.7% was above the Russian statutory tax rate of 20%, which was primarily driven by non-deductible social expenses.

### The breakdown of the income tax expense

USD million	2019	2018	Change, %
Current income tax expense	1,924	812	2x
Deferred tax (benefit)/expense	(366)	31	n.a.
<b>Total</b>	<b>1,558</b>	<b>843</b>	<b>85%</b>

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

USD million	2019	2018	Change, %
Russian Federation	1,883	789	2x
Finland	16	11	45%
Rest of the world	25	12	2x
<b>Total</b>	<b>1,924</b>	<b>812</b>	<b>2x</b>

## EBITDA

In 2019, EBITDA increased 27% (or +USD 1,692 million) to USD 7,923 million with the EBITDA margin amounting to 58% (up from 53% in 2018) owing to higher metal revenue and stringent cost control.

### EBITDA

USD million	2019	2018	Change, %
Operating profit	7,036	5,416	30%
Depreciation and amortisation	911	765	19%
Impairment of non-financial assets	(24)	50	n.a.
<b>EBITDA</b>	<b>7,923</b>	<b>6,231</b>	<b>27%</b>
<b>EBITDA margin</b>	<b>58%</b>	<b>53%</b>	<b>5 p.p.</b>

## STATEMENT OF CASH FLOWS

### Statement of cash flows

USD million	2019	2018	Change,%
Cash generated from operations before changes in working capital and income tax	8,226	6,339	30%
Movements in working capital	(307)	941	n.a.
Income tax paid	(1,910)	(787)	2x
<b>Net cash generated from operating activities</b>	<b>6,009</b>	<b>6,493</b>	<b>(7%)</b>
Capital expenditure	(1,324)	(1,553)	(15%)
Other investing activities	204	(9)	n.a.
<b>Net cash used in investing activities</b>	<b>(1,120)</b>	<b>(1,562)</b>	<b>(28%)</b>
<b>Free cash flow</b>	<b>4,889</b>	<b>4,931</b>	<b>(1%)</b>
Interest paid	(460)	(551)	(17%)
Dividends paid	(4,166)	(3,369)	24%
Other financing activities	1,003	(384)	n.a.
<b>Net cash used in financing activities</b>	<b>(3,623)</b>	<b>(4,304)</b>	<b>(16%)</b>
Effects of foreign exchange differences on balances of cash and cash equivalents	130	(91)	n.a.
<b>Net change in cash and cash equivalents</b>	<b>1,396</b>	<b>536</b>	<b>3x</b>

In 2019, free cash flow remained stable at approximately USD 4.9 billion. Lower cash generated from operating activities was almost offset by lower cash used in investing activities.

In 2019, net cash generated from operating activities decreased 7% to USD 6.0 billion primarily driven by comparative effect of working capital increase in 2019 (versus decrease in 2018) and increase in income tax payments due to higher taxable profit and changes in intra-group operations which was partly positively offset by increase in EBITDA in 2019.

Interest paid reduced 17% to USD 460 million as a result of the optimization of debt portfolio.

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

In 2019, CAPEX decreased 15% (-USD 229 million) primarily due to adjustment of sulfur project schedule and optimization of certain production projects investment schedules.

### Reconciliation of the net working capital changes between the balance sheet and cash flow statement

USD million	2019	2018
<b>Change of the net working capital in the balance sheet</b>	<b>(118)</b>	<b>1,282</b>
Foreign exchange differences	112	(277)
Change in income tax payable	(26)	(5)
Change of long term components of working capital included in CFS	(158)	131
Settlement of tax reserves	(9)	(143)
Other changes including reserves	(108)	(47)
<b>Change of working capital per cash flow</b>	<b>(307)</b>	<b>941</b>

**Capital investments breakdown by project**

USD million	2019	2018	Change,%
<b>Polar Division, including:</b>	<b>502</b>	<b>696</b>	<b>(28%)</b>
Skalisty mine	58	218	(73%)
Taymirsky mine	67	71	(6%)
Komsomolsky mine	54	44	23%
Oktyabrsky mine	27	40	(33%)
Talnakh Concentrator	14	29	(52%)
Sulfur project	24	36	(33%)
Other Polar Division project	258	258	0%
Kola MMC	221	292	(24%)
Bystrinsky (Bystrinsky) project	103	168	(39%)
<b>Other production projects</b>	<b>489</b>	<b>386</b>	<b>27%</b>
<b>Other non-production assets</b>	<b>9</b>	<b>11</b>	<b>(18%)</b>
<b>Total</b>	<b>1,324</b>	<b>1,553</b>	<b>(15%)</b>

**DEBT AND LIQUIDITY MANAGEMENT****Debt and liquidity management**

USD million	As of 31 December 2019	As of 31 December 2018	Change, USD million	Change,%
Non-current loans and borrowings	8,533	8,208	325	4%
Current loans and borrowings	1,087	209	878	5x
Lease liabilities	224	22	202	10x
<b>Total debt</b>	<b>9,844</b>	<b>8,439</b>	<b>1,405</b>	<b>17%</b>
Cash and cash equivalents	2,784	1,388	1,396	2x
<b>Net debt</b>	<b>7,060</b>	<b>7,051</b>	<b>9</b>	<b>0%</b>
Net debt /12M EBITDA	0.9x	1.1x	(0.2x)	

As of December 31, 2019, the Company's total debt increased by 17% (or USD +1,405 million) to USD 9,844 million as compared to December 31, 2018. The increase of total debt owed to new debt raised in the second half of 2019 in the form of two bond issues on the Russian and international debt capital markets, respectively, for a total amount of more than USD 1.1 billion, and recognition of obligations under lease contracts stemming from application of IFRS 16 Leases, which became effective on January 1, 2019.

In spite of the increase in total debt, the Company's net debt remained virtually unchanged due to doubling of the amount of cash and cash

equivalents. Net debt/12M EBITDA ratio decreased from 1.1x as of December 31, 2018 to 0.9x as of the end of 2019 entirely due to an increase in 12M EBITDA.

On February 12, 2019, international rating agency Moody's upgraded the Company's credit rating from "Baa3" with "Positive" outlook to "Baa2" with "Stable" outlook in the wake of change of Russia's credit rating to investment grade "Baa3" with "Stable" outlook. As of December 31, 2019, Nornickel had investment grade credit ratings assigned from all three international rating agencies Fitch, Moody's and S&P Global, and Russian rating agency "Expert RA".