

Q4'20 IFRS Results



11 February 2021

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- **Market review**
- **Strategy update**
 - **Operating highlights**
 - **Q4'20 Financials**
 - **Business divisions results**



**Grigory
Fedorishin**
CEO

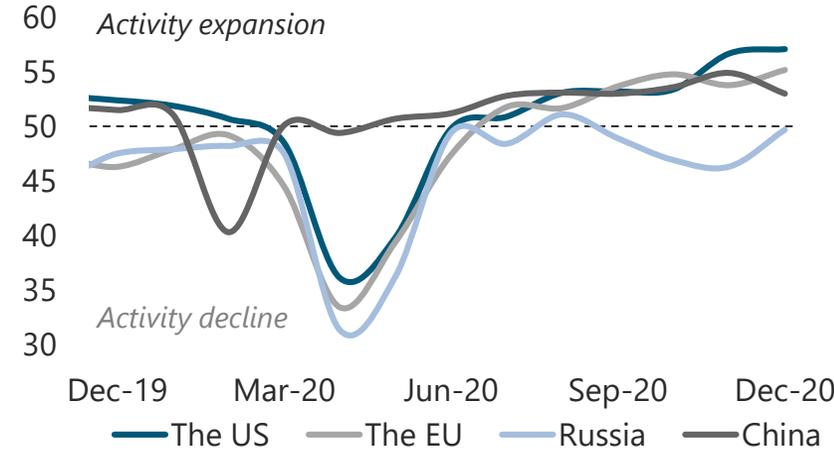
Steel demand in Russia, the EU and China posted yoy improvement in 4Q'20 while the US was lagging behind

Iron ore prices reached ten-year highs in Dec'20 driven by strong demand in China and other regions as well as anticipated seasonal supply slowdown

Australian coking coal prices have been holding around c.\$100/t since mid-Nov due to import ban in China...

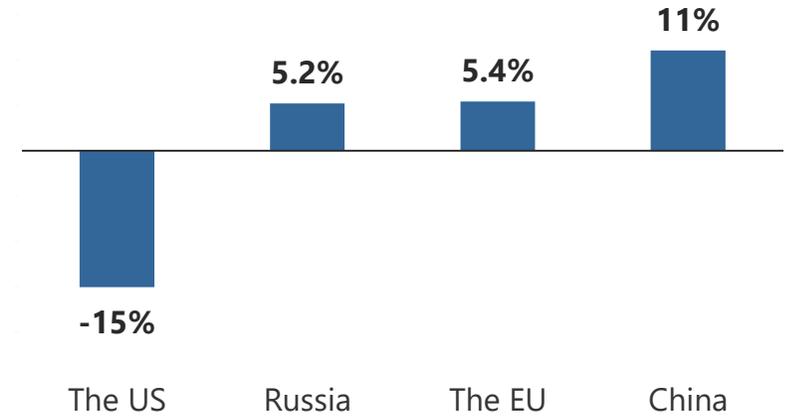
... while CFR China prices rose sharply on limited material availability from both traditional (Mongolia) and non-traditional sources

MANUFACTURING PMI



Source: Bloomberg

STEEL DEMAND IN KEY REGIONS, Q4'20, YoY



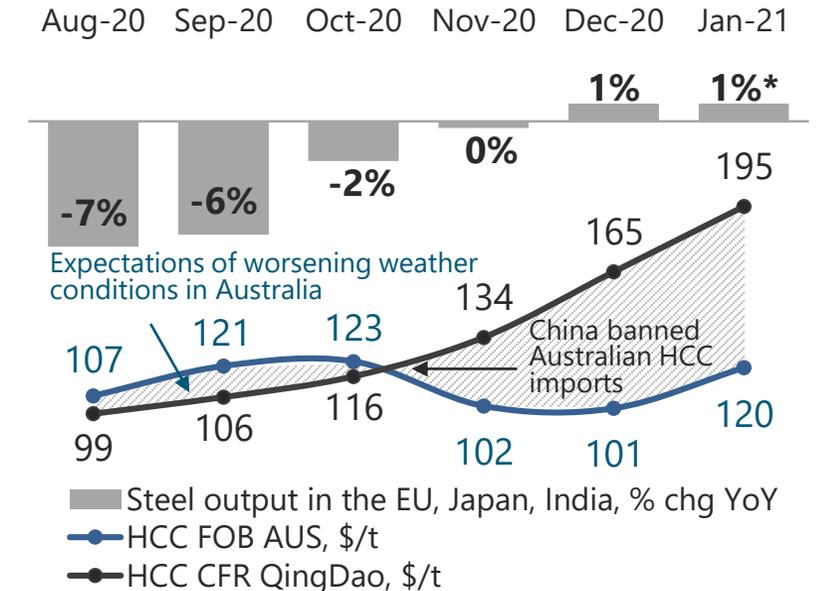
Source: Worldsteel, Bloomberg, Eurofer, Metal Expert, estimates

CHINESE STEEL OUTPUT AND IRON ORE PRICES



Source: Bloomberg, *consensus estimates

KEY COAL IMPORTERS' STEEL OUTPUT AND HCC PRICES



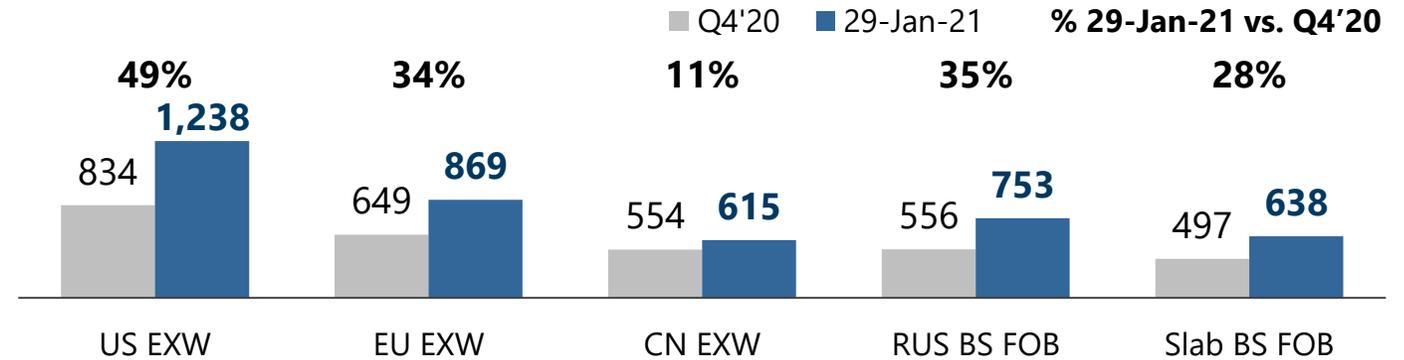
Flat steel prices in Q4'20 increased qoq across all regions on improved industrial activity and misbalance between demand and supply

- **In China**, prices were increasing until early Jan'21 when they started to cool down ahead of the Lunar New Year in mid-Feb
- **In the EU and the US**, prices surged on recovering domestic demand and constrained supply resulting in 30-50% increase in Jan'21 vs. Q4'20 averages
- **In Russia**, export prices advanced qoq following strong demand on foreign markets; local steel prices were subdued by ruble depreciation and increased domestic supply

Global steel prices in early 2021 were at multi-year highs, driven by high demand for steel amid limited supply with downward trends starting to emerge in late Jan

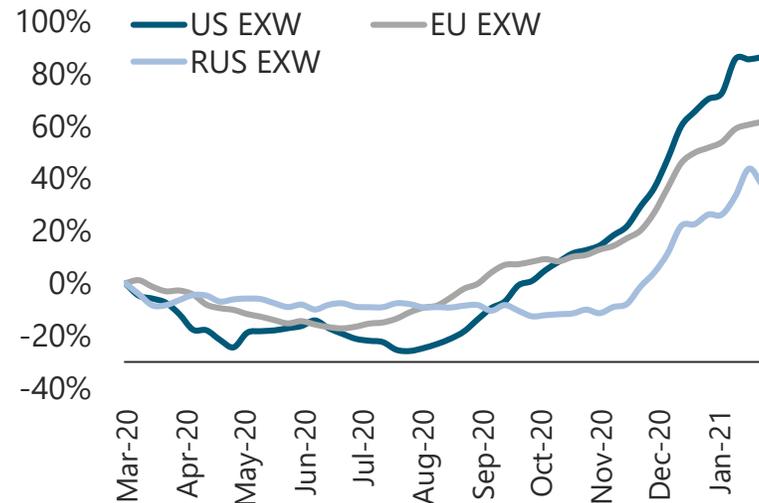
Steel spreads widened in Jan'21; high iron ore and coking coal prices were offset by significant growth in steel prices

HRC PRICES IN KEY REGIONS AND RUSSIAN EXPORT SLAB PRICES, \$/t

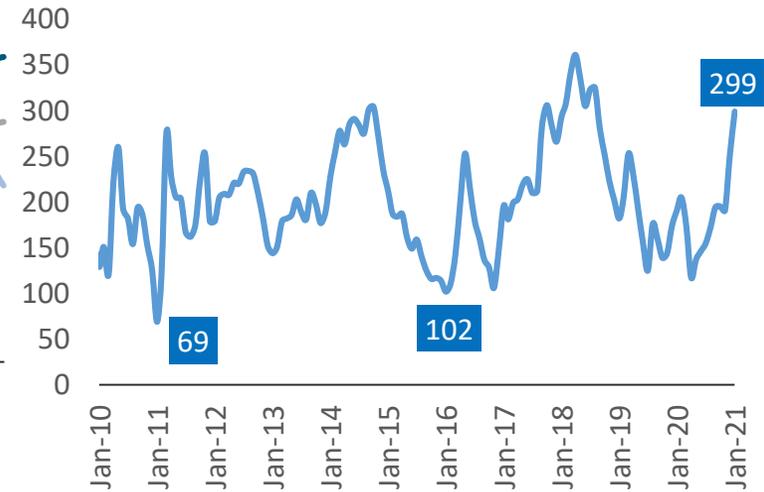


Source: Bloomberg, excl. VAT. Quoted prices can be different from NLMK's realized prices

HRC PRICES DYNAMICS IN KEY REGIONS, index



SLAB / RAW MATERIALS SPREAD, \$/t



Source: Metal Expert, Bloomberg

Raw materials basket is calculated using production ratios for one tonne of steel: iron ore price x 1.6+ Chinese coking coal price x 0.6

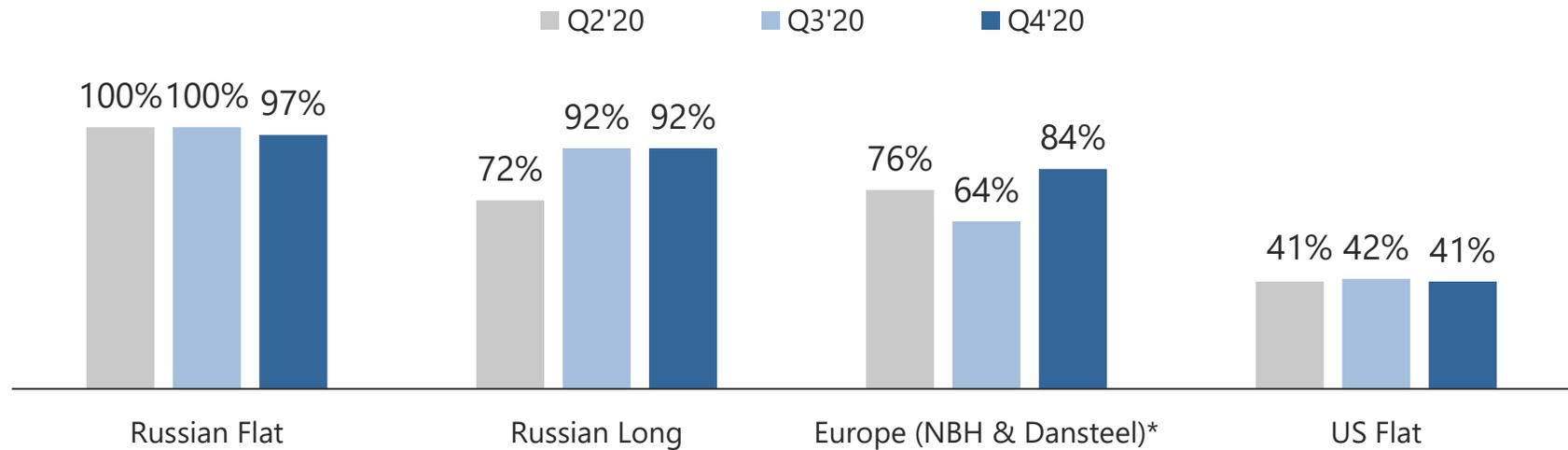
Russian assets

- NLMK Lipetsk site continues to run at close to full capacity
- Long products capacity utilization rates recovered in H2'20
- NLMK's export share has seasonally increased towards the end of the quarter

Q4'20 utilization rates at NLMK's European sites recovered to 84%

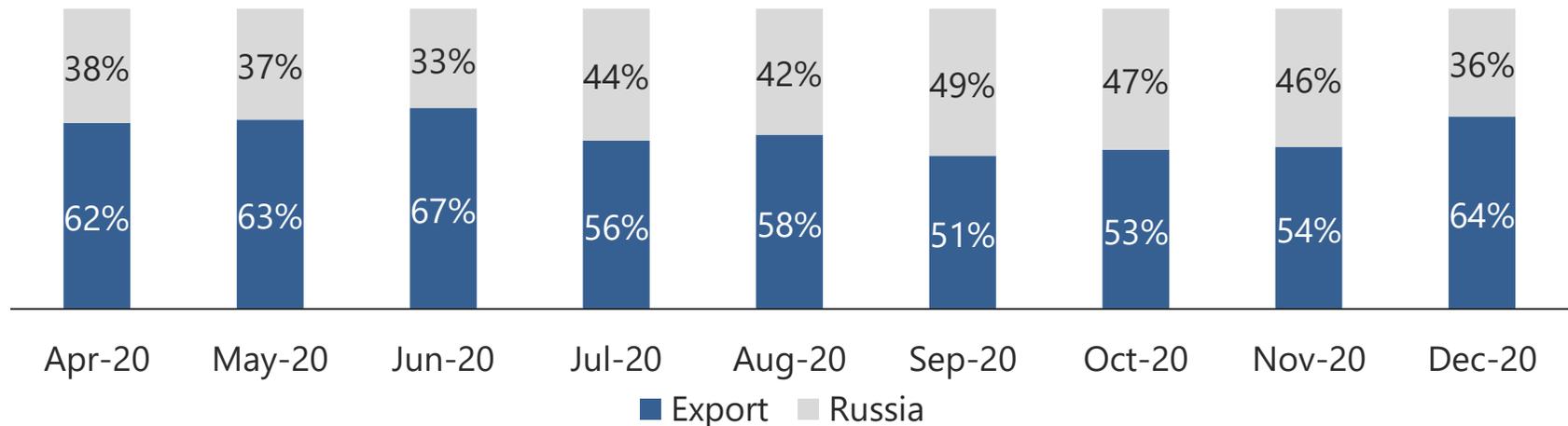
The rolling capacity utilization rate at the US plants remains low driven by a lack of slabs available for duty-free imports

CAPACITY UTILIZATION, %



* incl. Europe Plate (Clabecq and Verona mills) and Europe Strip which are part of NBH

EXPORT SHARE OF NLMK'S RUSSIAN ASSETS' SALES, %

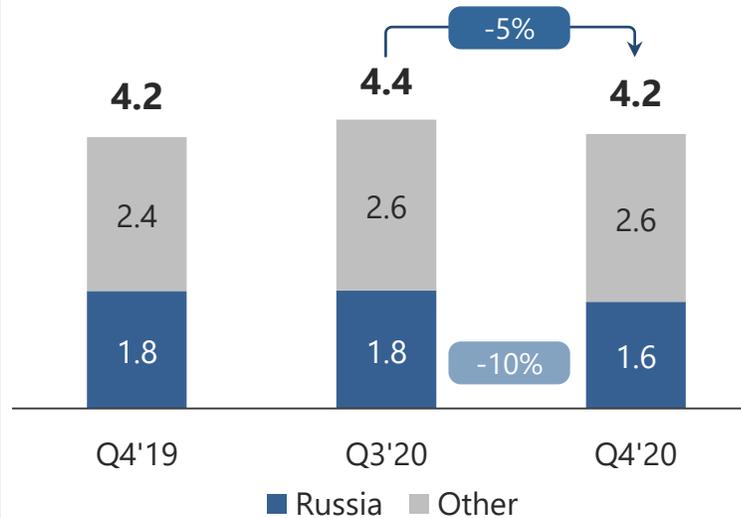


Shipments decreased by 5% qoq to 4.2 m t

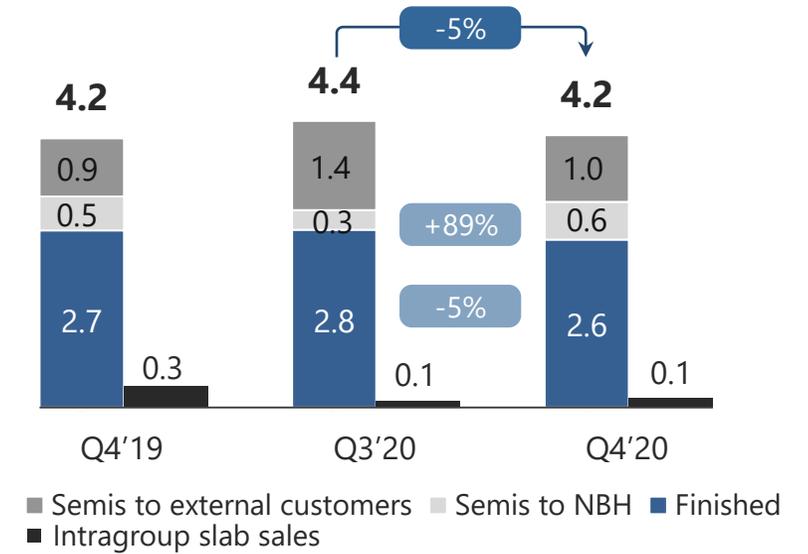
- Deliveries of semi-finished products to NBH increased 89% qoq
- Semis sales to 3-rd parties declined by 25% qoq due redistribution of slabs shipments to NBH and corresponding increase in slab inventories at ports
- Sales in Russia were down 10% qoq due to seasonality and elevated Q3'20 base (postponed Q2'20 demand)
- Finished steel sales decreased by 5% qoq with lower rebar and coated steel sales

Accumulated slab stocks should be recognized in Q1'21 sales by either Russia Flat Products or NBH as rerolled products

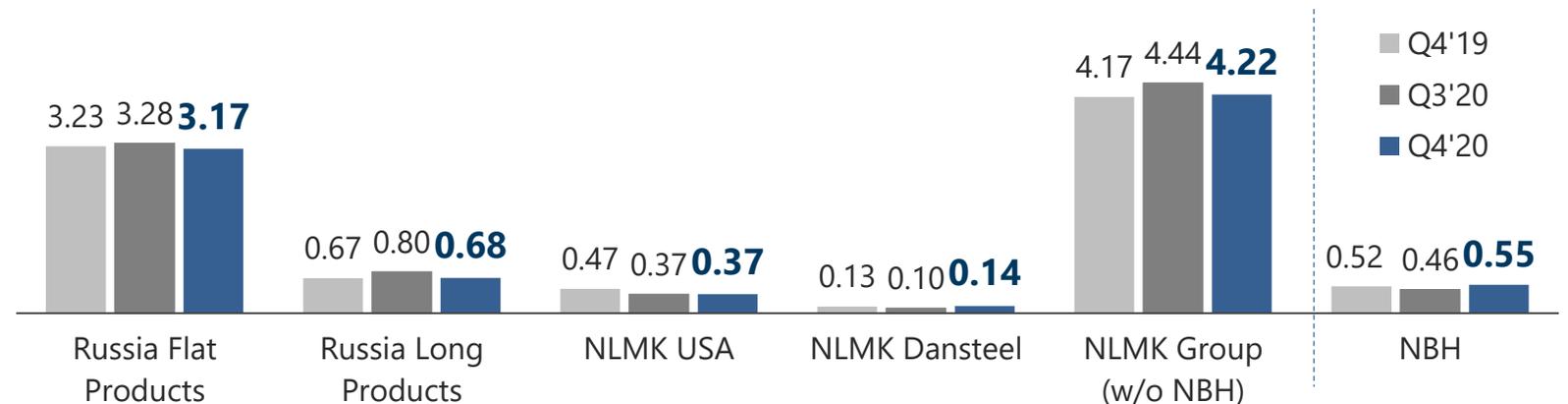
SHARE OF EXPORT MARKETS INCREASED



SHARE OF FINISHED PRODUCTS DECLINED



IN Q4'20, SALES AT RUSSIAN ASSETS WERE LOWER, WHILE SALES AT FOREIGN FACILITIES INCREASED QOQ



Effects of Strategy 2022 implementation totaled \$261 m in 2020 to 2019 base

Contributions from the operational efficiency programs reached \$176 m, well above our annual target of \$100 m

- The mining and Russia Flat divisions delivered more than 85% of total effect in 2020

Investment projects delivered \$85 m

- Mainly as a result of increase in iron ore concentrate production at Stoilensky and the launch of the briquetting plant in Lipetsk

Effect of investment projects completed in 2020 will be fully reflected in 2021 financials

STRATEGY 2022 EFFECTS IN 2020, \$ m pa



KEY INVESTMENT PROJECTS' STATUS

Project	Status
+1 m t of steel and corresponding increase in captive iron ore (Russia Flat)	Completed, full gains in 2021
Continuous casting machine #9 (Russia Flat)	Completed, full gains in 2022
Coal charge stamping (Russia Flat)	Completed, full gains in 2021
Captive power plant (Russia Flat)	To be completed in 2023
Electrical steels (Russia Flat)	First stage in 2021, full gains in 2023
Coated steels (Russia Flat)	To be completed in 2022, full gains in 2023
Premium thick plates (Europe Plate)	To be completed in 2021, full gains in 2023
Niche HRC and coated products (Europe Strip)	To be completed in 2021, full gains in 2023

MARKETS

The US, the EU: Q1'21 should be associated with strong price environment with lead times staying well above average. However, imposed lockdowns in the EU may lead to price moderation in the second half of the quarter

Russia: seasonal slow demand coupled with sufficient stocks in the supply chain might cap price dynamics until the spring construction season arrival in March-April

China: the Lunar New Year in the mid of the quarter coupled with increasing number of infections as well as seasonal factors to weigh on prices

RESULTS OUTLOOK

Higher equipment productivity following BF and steelmaking upgrade and subsequent ramp-up to full capacity will allow us to increase steel output at NLMK Lipetsk to 3.5 m t in Q1'21, which is in line with our goal of 14.2 m t of steel production pa announced earlier

Global steel prices in January 2021 were at multi-year highs, driven by strong demand for steel amid limited supply. Considering price increases in late Q4'20 and the sales recognition time gap, average sales prices in Q1'21 will be higher qoq, which would have a positive impact on our financial performance

- Market review
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**Shamil
Kurmashov**
CFO

Revenue increased by 7% qoq to \$2.4 bn against the backdrop of higher steel prices

EBITDA expanded by 54% qoq to \$890 m

- Widening price spreads
- Production recovery at Stoilensky after the September incident
- Strategy 2022 projects contribution
- Accrued refund of slab duties at NLMK USA of \$97 m

EBITDA margin reached 37%

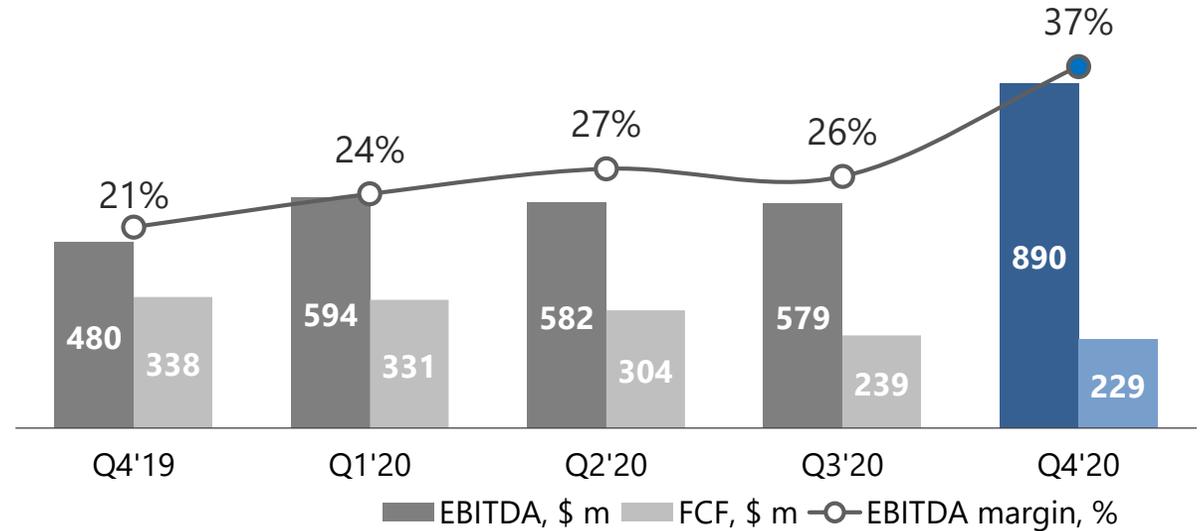
- Revenue: \$2,385 m (+7% qoq, +3% yoy)
- EBITDA: \$890 m (+54% qoq, +85% yoy)
- EBITDA margin: 37% (+11 p.p. qoq, +16 p.p. yoy)
- FCF: \$229 m (-4% qoq; -32% yoy)

Net debt-to-EBITDA* ratio was 0.94x

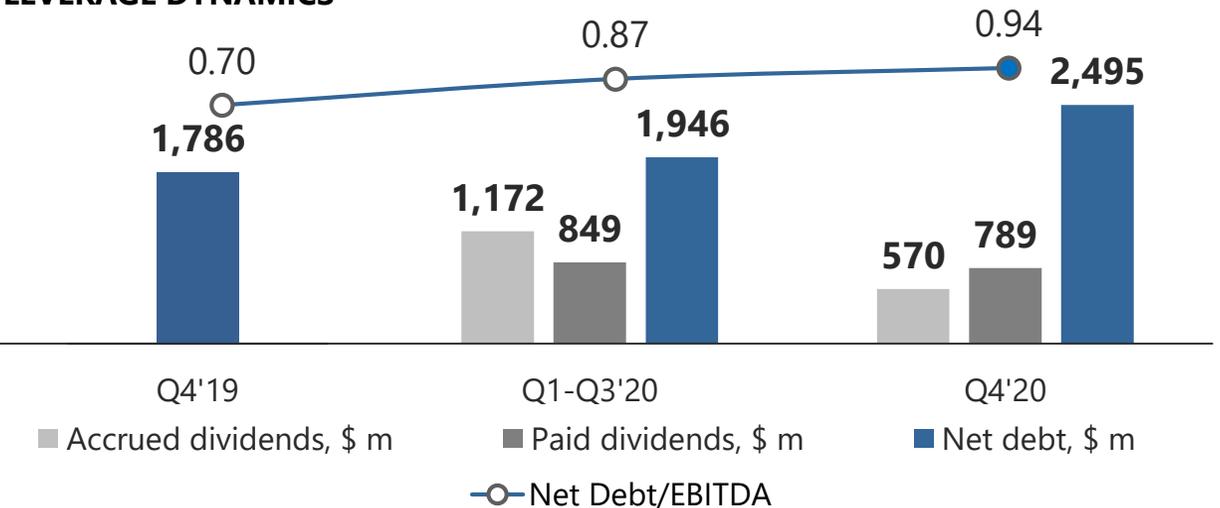
- Net debt increased due to cash outflow for dividend payments and intensive investment program

* For detailed information and calculations for this indicator please refer to the Appendix of NLMK Group Q4 and 12M 2020 IFRS Financial Results press release

FCF, EBITDA AND MARGIN DYNAMICS



LEVERAGE DYNAMICS



Russian Flat products: EBITDA grew to \$466 m

- (+) Increased price spreads of steel to raw materials
- (+) Recovery of captive iron ore supply
- (+) Investment programme gains

Russian Long products: EBITDA of \$32 m

- (-) Lower shipments due to scheduled maintenance
- (-) Higher share of billets in the sales mix

NLMK USA: EBITDA totaled \$107 m

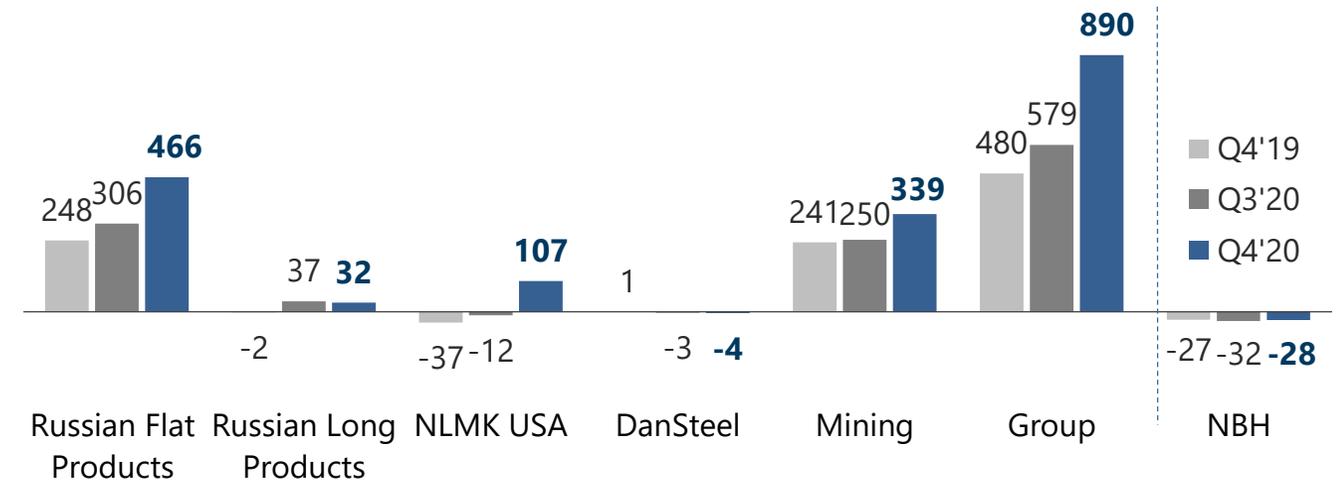
- (+) Accrual of slab duties refund (\$97 m and \$8 m interest below EBITDA)
- (+) Improved price spreads of rolled products to slabs and scrap charge

Mining: EBITDA climbed to \$339 m

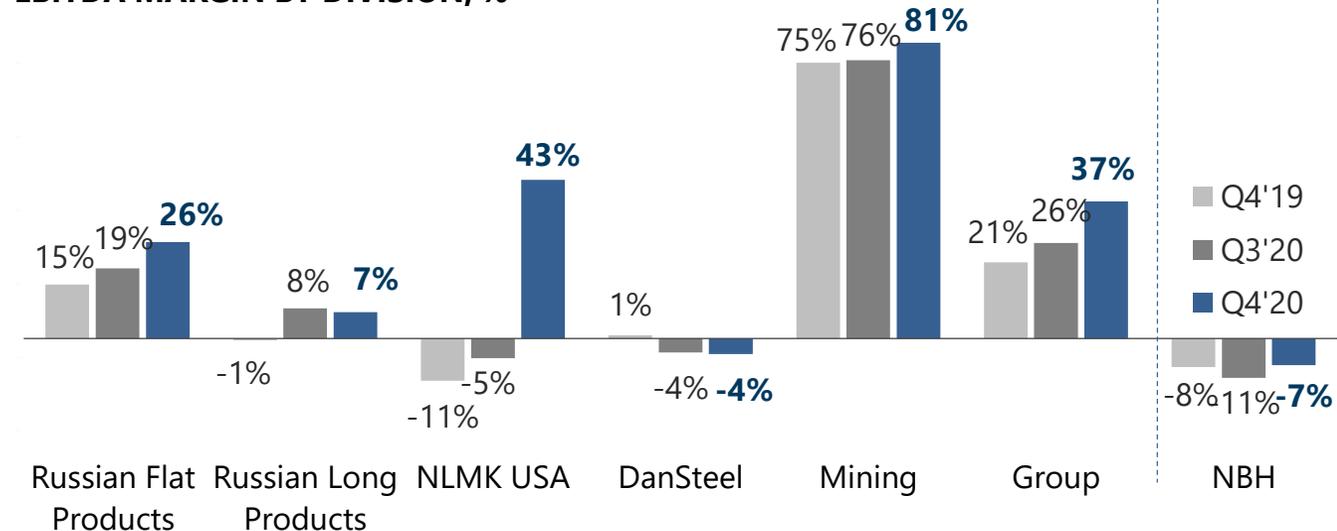
- (+) Higher output
- (+) Increased iron ore prices
- (+) Optimized repairs schedule

NBH: EBITDA of -\$28 m mainly due to growing slab prices outpacing European coil and plate prices

EBITDA BY DIVISION, \$ m



EBITDA MARGIN BY DIVISION, %



Working capital build-up amounted to \$256 m

- (-) \$205 m: increase in receivables due to steel prices growth and longer payment periods as a result of higher sales to NBH
- (-) \$81 m: accumulated winter stocks of scrap, growing prices for products & materials at stock and higher stocks at ports due to increased export shipments at the year-end
- (+) \$28 m: increase in payables due to higher raw material prices

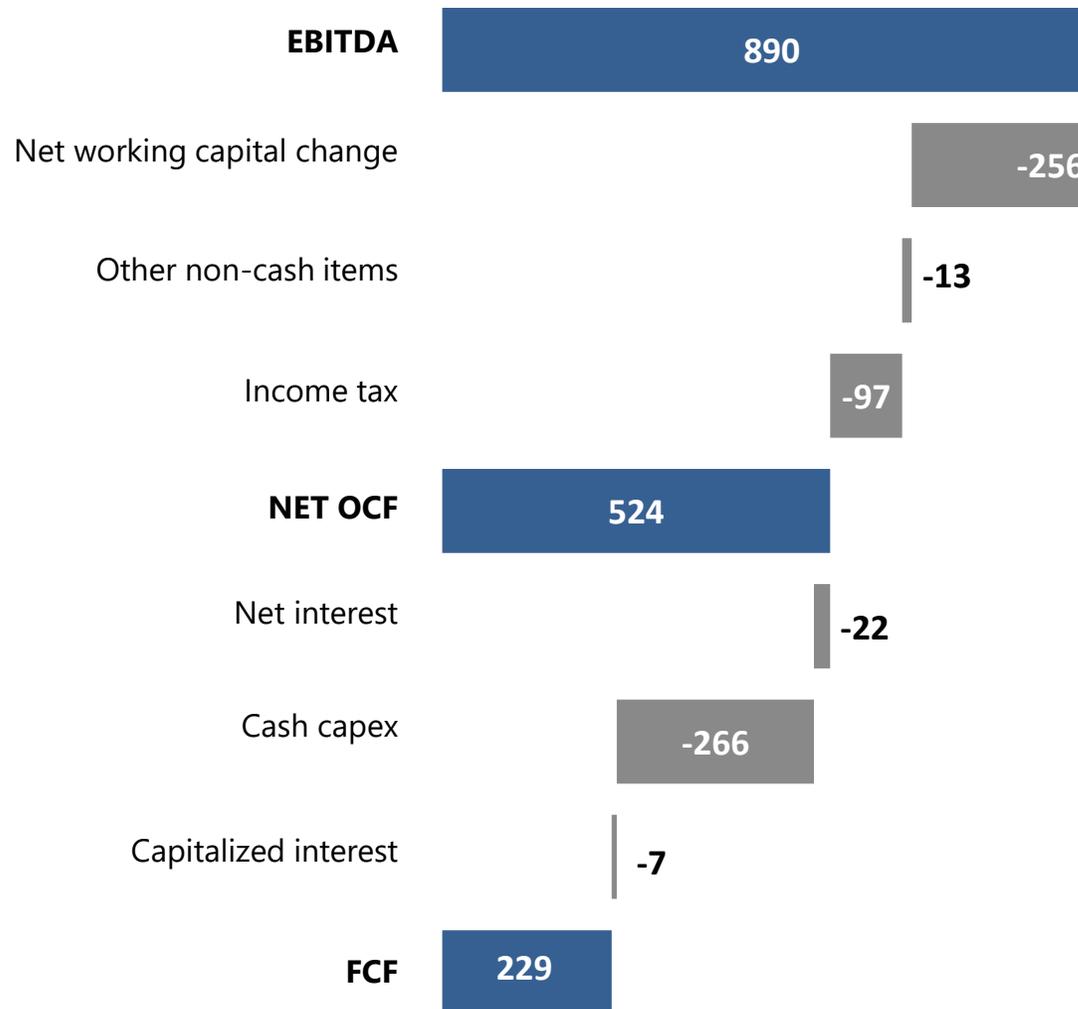
Capex in Q4'20 decreased to \$273 m (-21% qoq) following the completion of large-scale maintenance & upgrade projects at NLMK Lipetsk and Stoilensky

FCF declined to \$229 m (-4% qoq)

For the full 2020, working capital didn't materially change (refer to page 27)

Cash refund for US settlement agreement of \$97 m (accrued in Q4'20) will be reflected in Q1'21 FCF

Q4'20 FCF BRIDGE, \$ m



Total debt grew by 9% qoq to \$3.5 bn

Net debt / 12M EBITDA stood at 0.94x

- Net debt rose by 28% qoq to \$2.5 bn
- Liquidity of \$1 bn matches ST debt
- c. \$1.7 bn is available through undrawn credit lines

Working capital lines maturing in 2021 to be rolled over or refinanced:

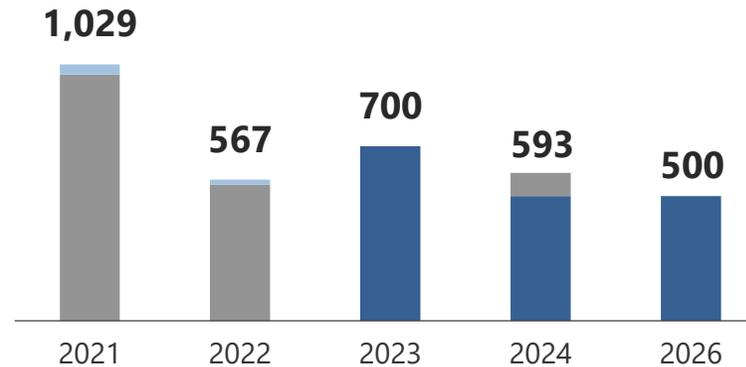
- 30% will be refinanced
- 40% will be repaid
- 30% will be rolled over

€600 m revolving credit facility (arranged in 2020) will be used to refinance existing working capital lines

Average cost of debt decreased to 2.8%

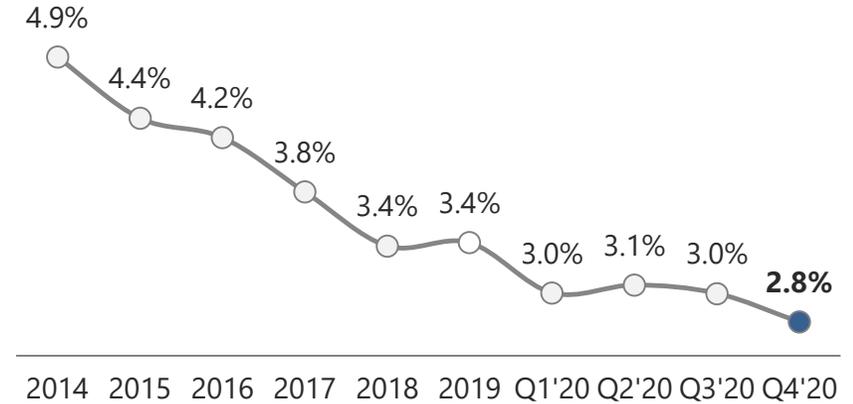
DEBT* MATURITY, \$ m

■ Working capital lines ■ ECA lines ■ Eurobonds

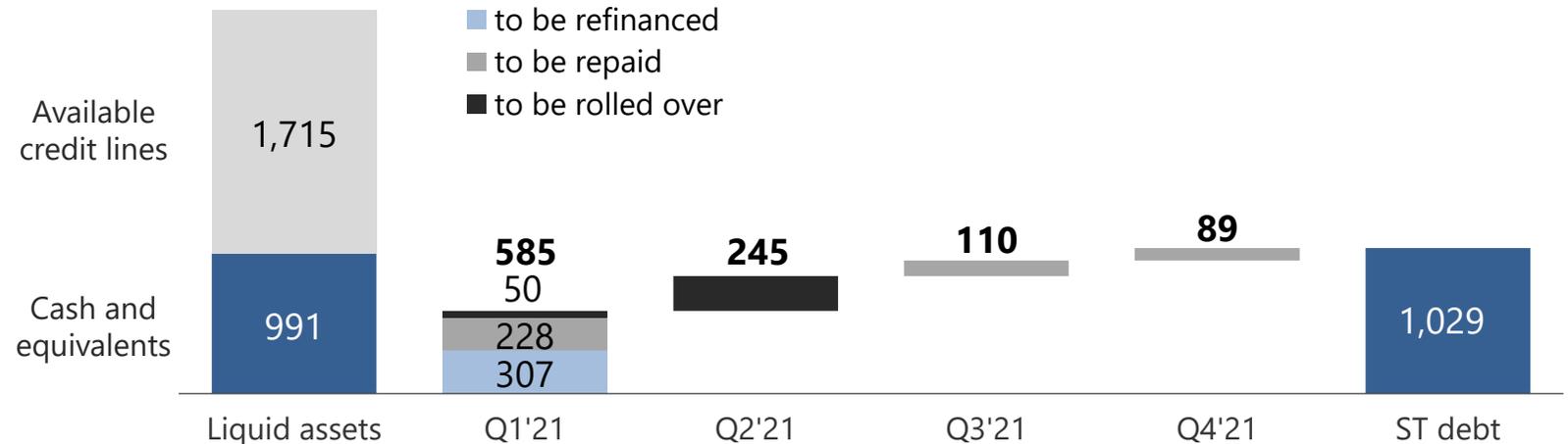


* Excluding interest payments

COST OF DEBT REMAINS LOW, %



LIQUIDITY AND SHORT-TERM DEBT, \$ m



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Deliveries went down by 3% qoq to 3.2 m t as slab stocks at ports increased in Dec'20

- (-) Semis sales to the market were lower with redistribution of sales towards NBH with corresponding increase of stocks in ports
- (-) Finished steel sales decreased by 5% qoq due to repairs at downstream HVA facilities

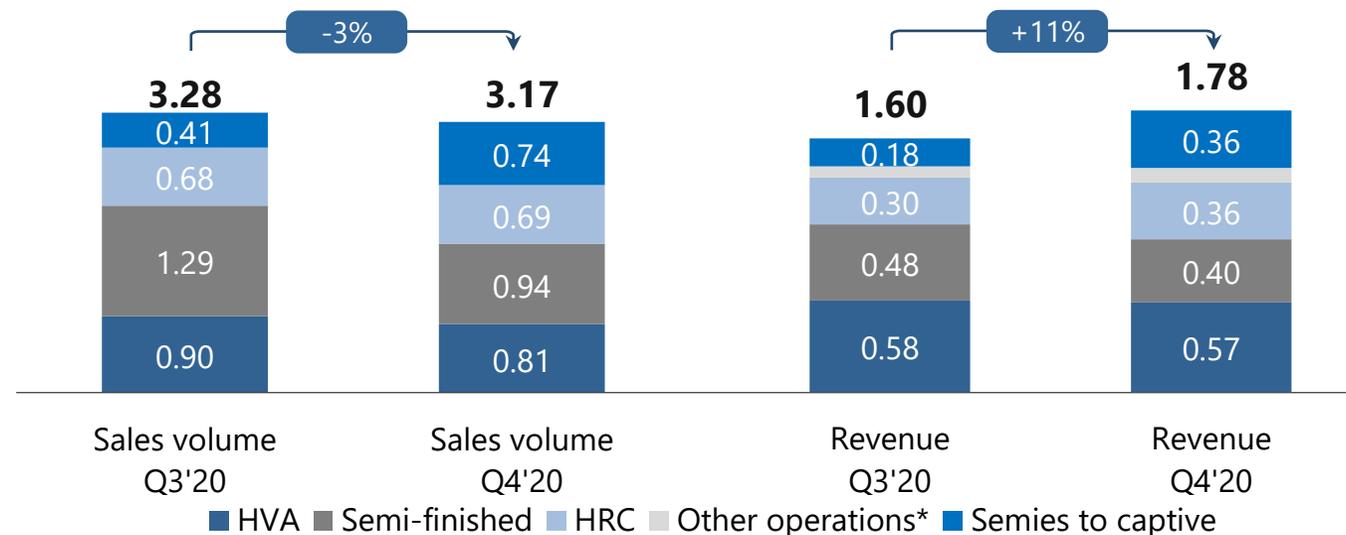
Revenue expanded to \$1.8 bn (+11% qoq)

- (-) Lower sales
- (+) Higher average sales prices

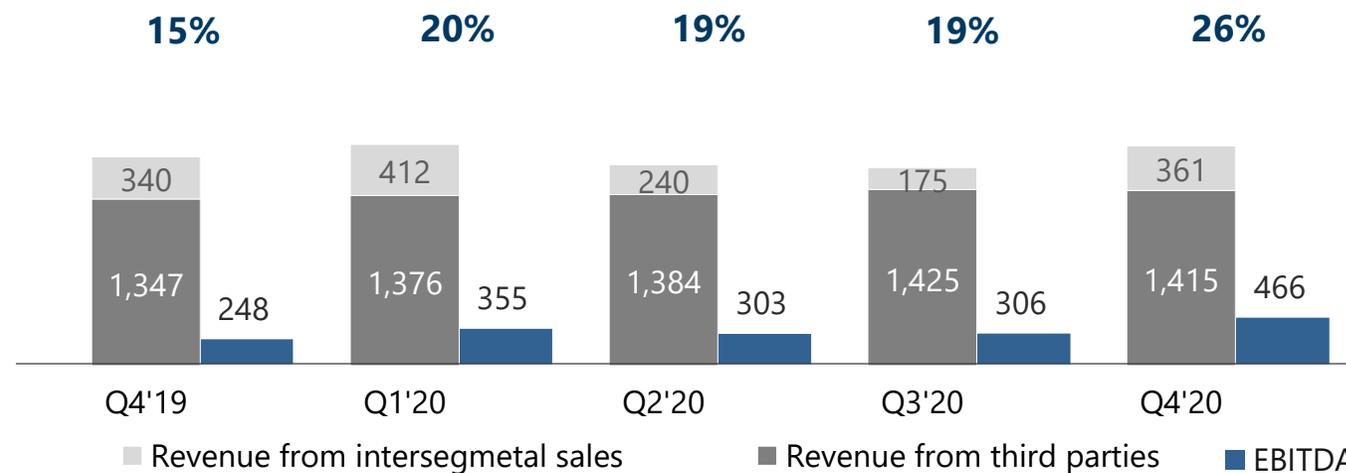
EBITDA surged by 52% qoq to \$466 m

- (+) Wider price spreads
- (+) Higher share of captive iron ore
- (+) Gains from investment program
- (+) Ruble depreciation

STEEL SHIPMENTS (m t) AND REVENUE (\$ bn)



REVENUE, EBITDA (\$ m) AND EBITDA MARGIN (%)



*Revenue from the sale of other products and services

Shipments went down to 0.7 m t (-15% qoq)

- (-) Lower output due to routine repairs and upgrades of rolling equipment
- (-) High base of Q3'20 sales with lower than usual inventories at the end of the quarter

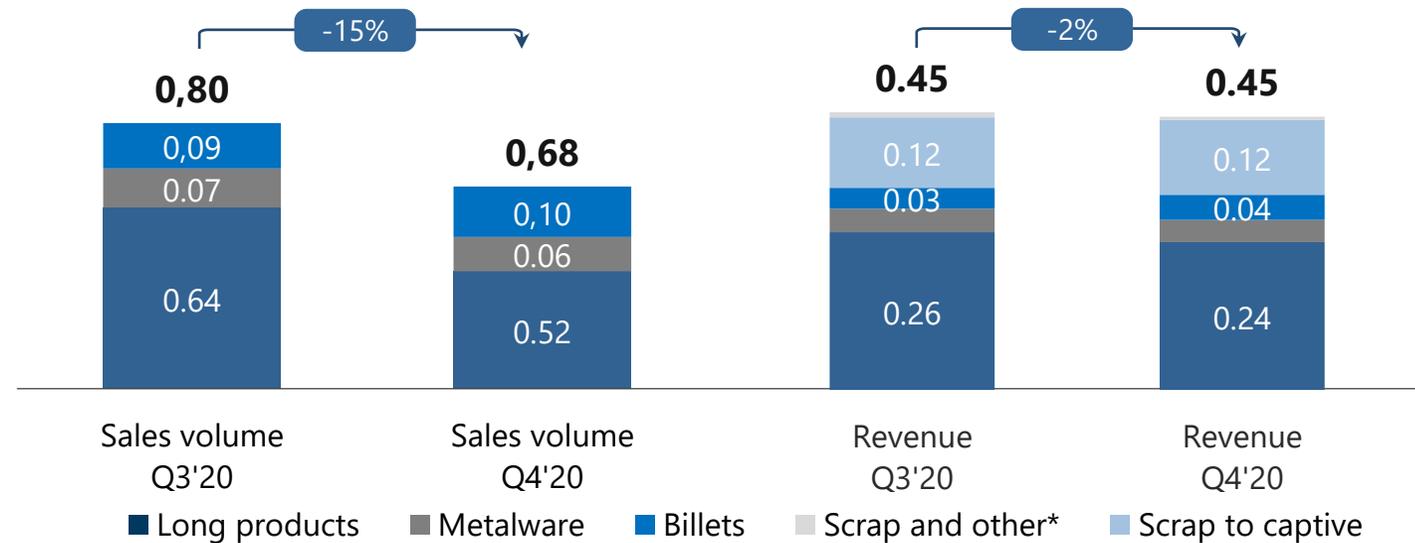
Revenue decreased by 2% qoq with lower deliveries partially compensated by higher prices

- The price growth of the late Q4'20 to be fully reflected in Q1'21 results due to a time lag in revenue recognition

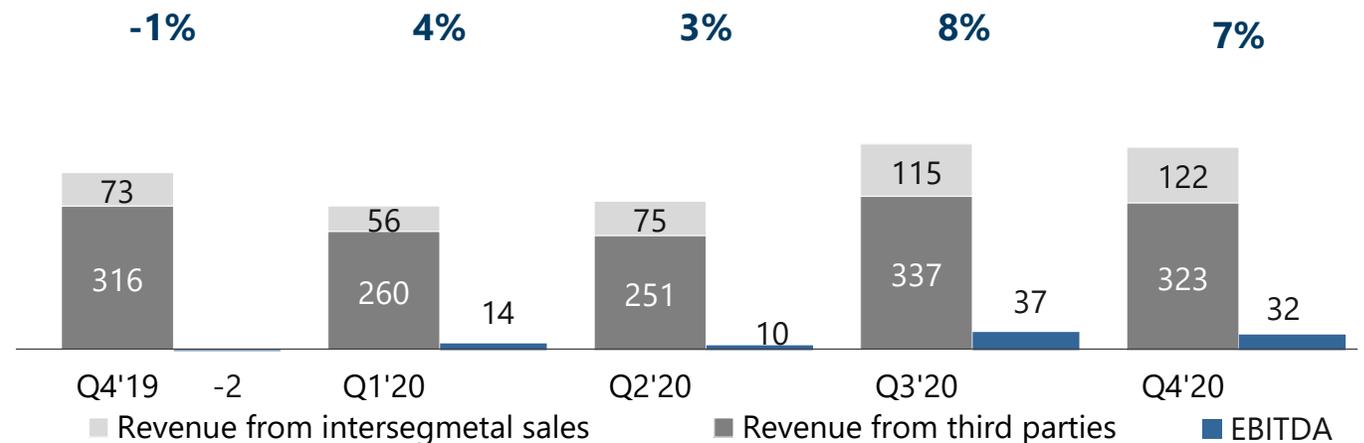
EBITDA declined to \$32 m (-14% qoq)

- (-) Decrease in deliveries
- (-) Higher share of billets in the sales mix

STEEL SHIPMENTS (m t) AND REVENUE (\$ bn)



REVENUE, EBITDA (\$ m) AND EBITDA MARGIN (%)



* Revenue from the sale of scrap, other products (ex. by-products) and services

Deliveries were up 17% qoq to 4.8 m t due to the recovery of concentrate output after the incident in Sep'20

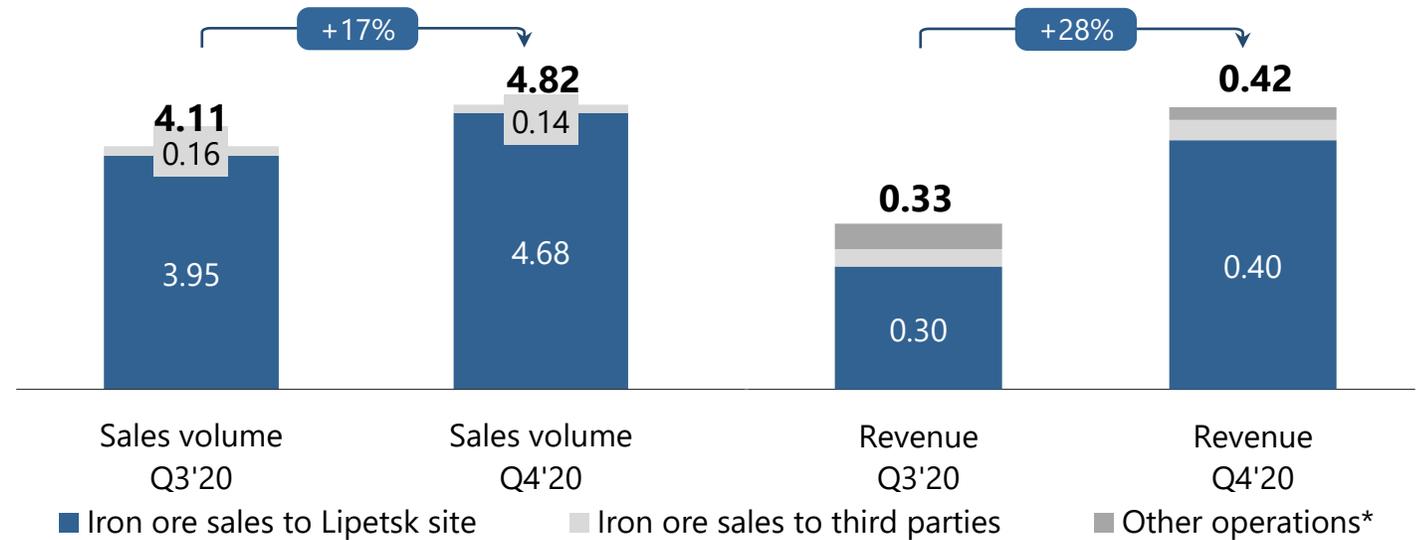
Revenue increased by 28% qoq to \$0.42 bn supported by higher shipments and prices

EBITDA surged to \$339 m (+36% qoq)

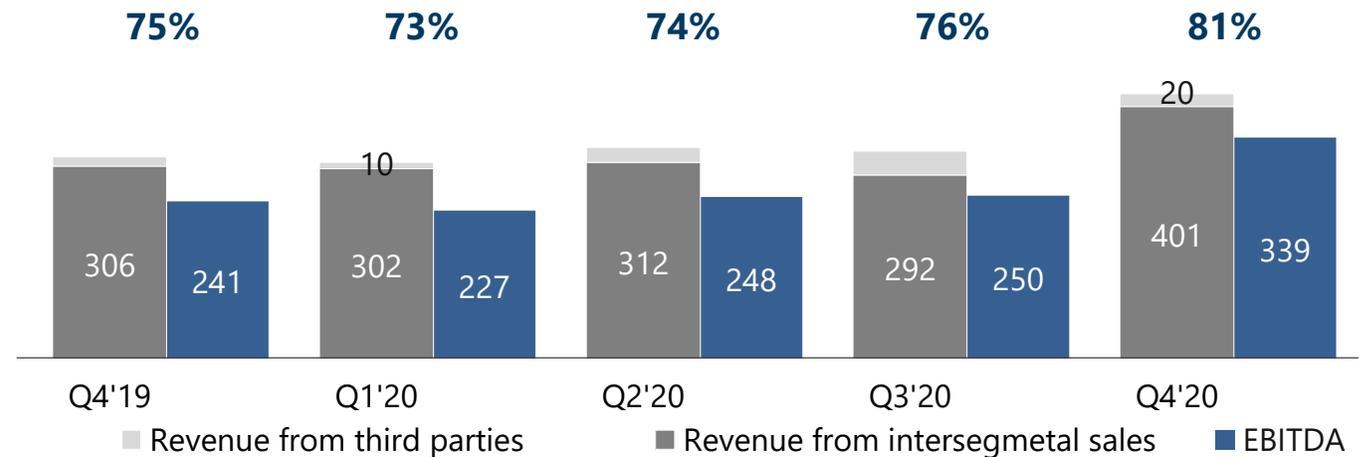
- (+) Higher prices
- (+) Higher iron ore production
- (+) Optimized schedule of repairs

EBITDA margin rose to 81% (+5 p.p. qoq)

SHIPMENTS (m t) AND REVENUE (\$ bn)



REVENUE, EBITDA (\$ m) AND EBITDA MARGIN (%)



* Other operations include limestone, dolomite and other sales

Shipments were relatively flat at 0.37 mt

- (+) Higher sales of HRC
- (-) Low capacity utilization at NLMK Pennsylvania due to a lack of slabs available for duty-free imports and a strike

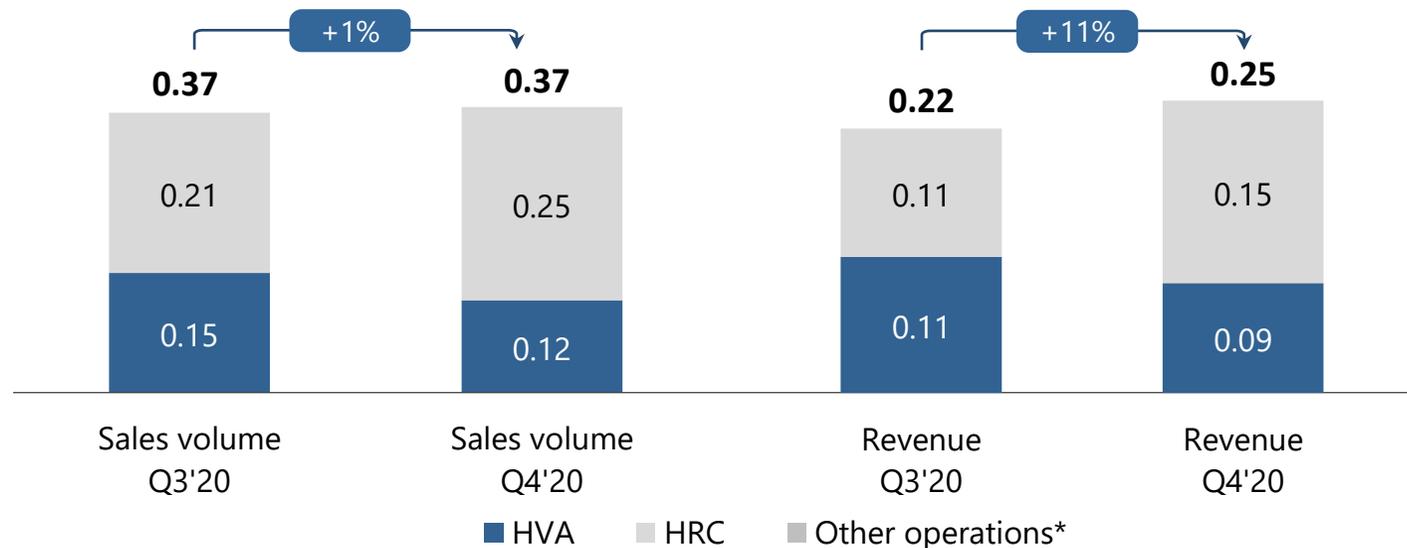
Revenue grew by 11% qoq to \$0.25 bn

- (+) Increased HRC prices
- (+) Higher HRC shipments

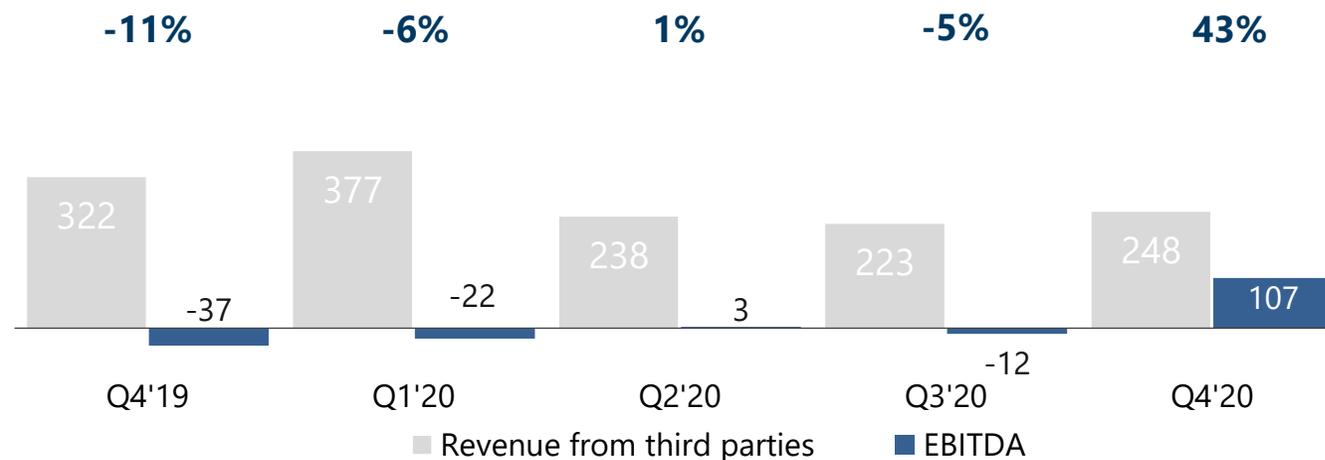
EBITDA totaled \$107 m

- (+) Accrued refund of slab duties
- (+) Wider slab/HRC price spread

STEEL SHIPMENTS (m t) AND REVENUE (\$ bn)



REVENUE, EBITDA (\$ m) AND EBITDA MARGIN (%)



* Revenue from the sale of other products and services

Shipments increased by 47% qoq to 0.14 m t

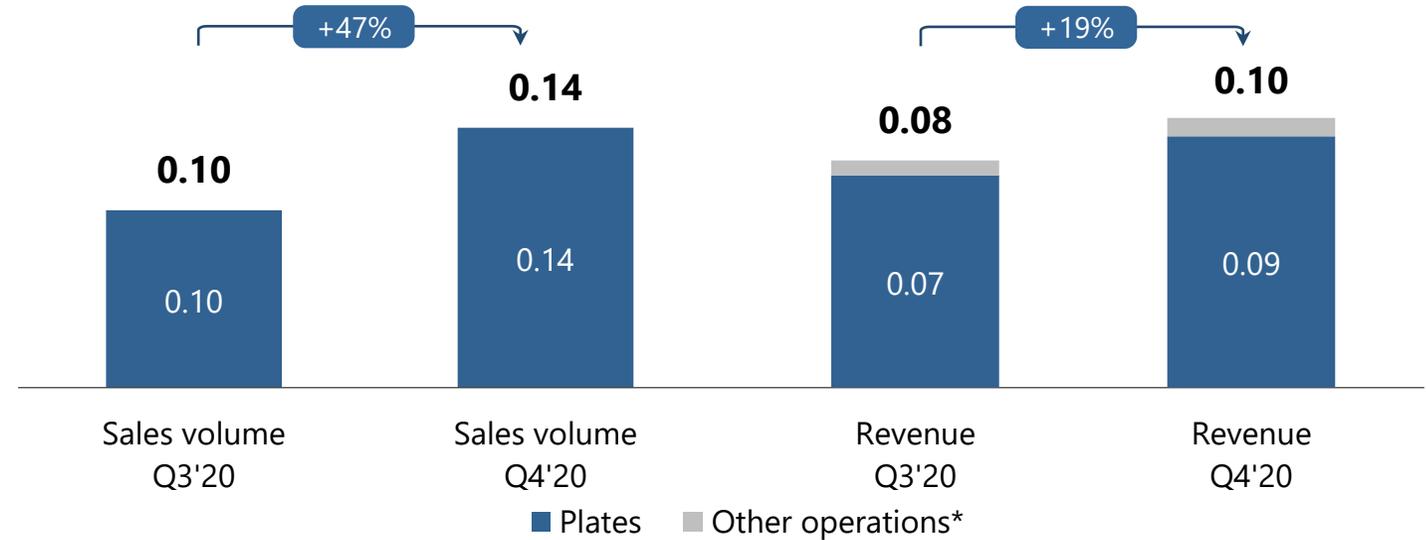
- (+) Improved demand
- (+) Recognition of earlier sales

Revenue went up to \$0.1 bn (+19% qoq) following higher sales

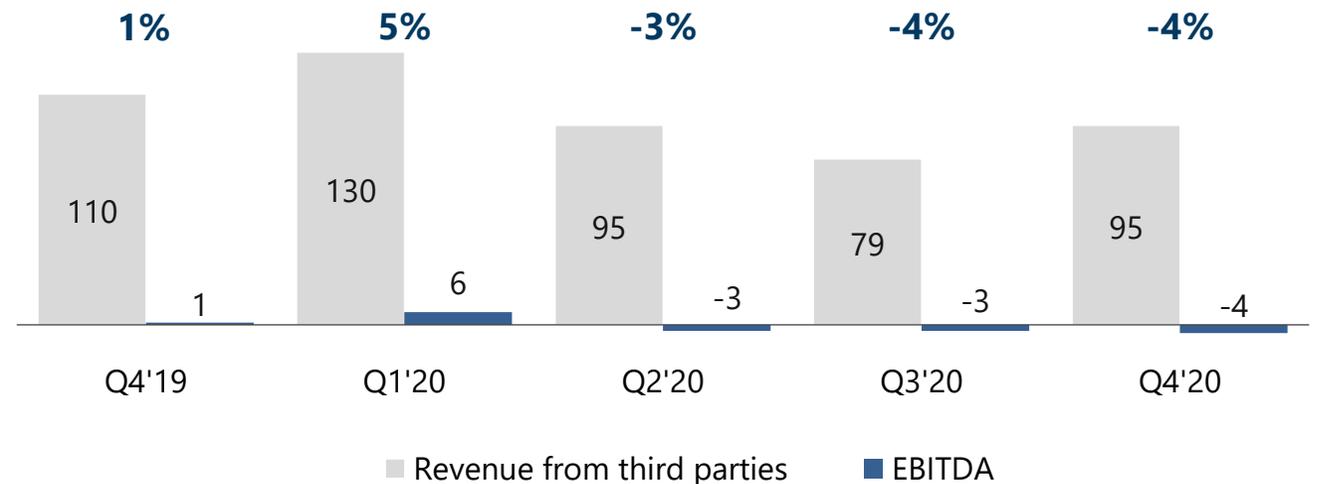
EBITDA was -\$4 m

- (+) Higher deliveries
- (-) Increase of commercial grades in sales mix

STEEL SHIPMENTS (m t) AND REVENUE (\$ bn)



REVENUE, EBITDA (\$ m) AND EBITDA MARGIN (%)



* Revenue from the sale of scrap, other products and services

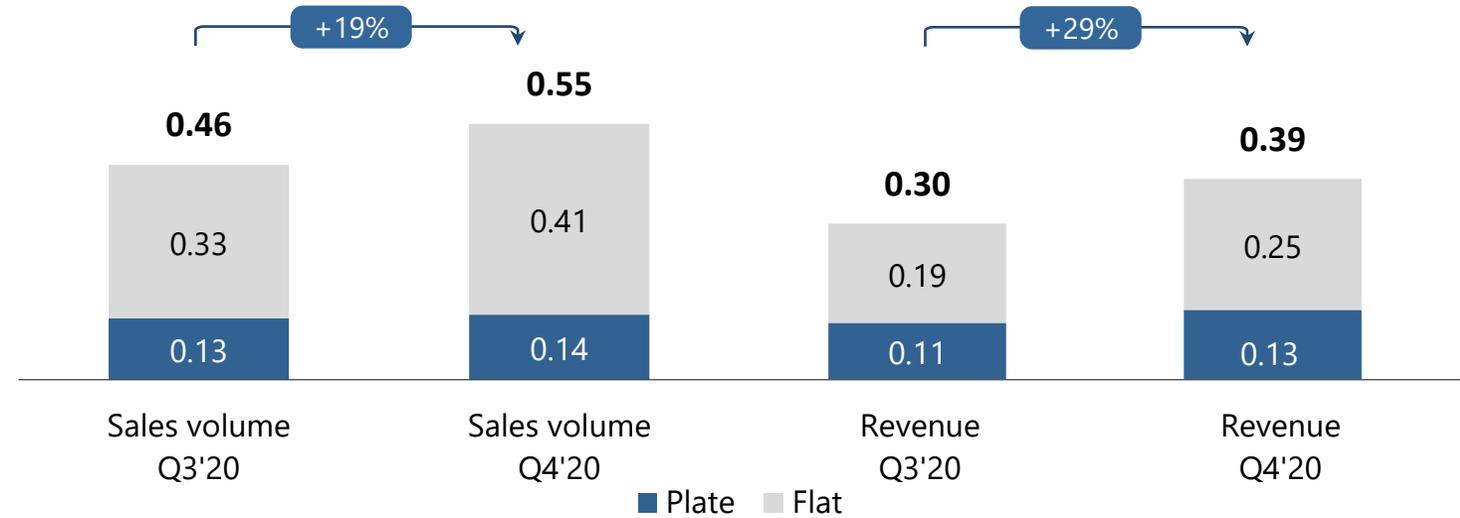
Shipments grew by 19% qoq to 0.6 m t amid recovering demand from the automotive sector

Revenue increased to \$0.39 bn (+29% qoq) due to higher steel product supplies and prices growth

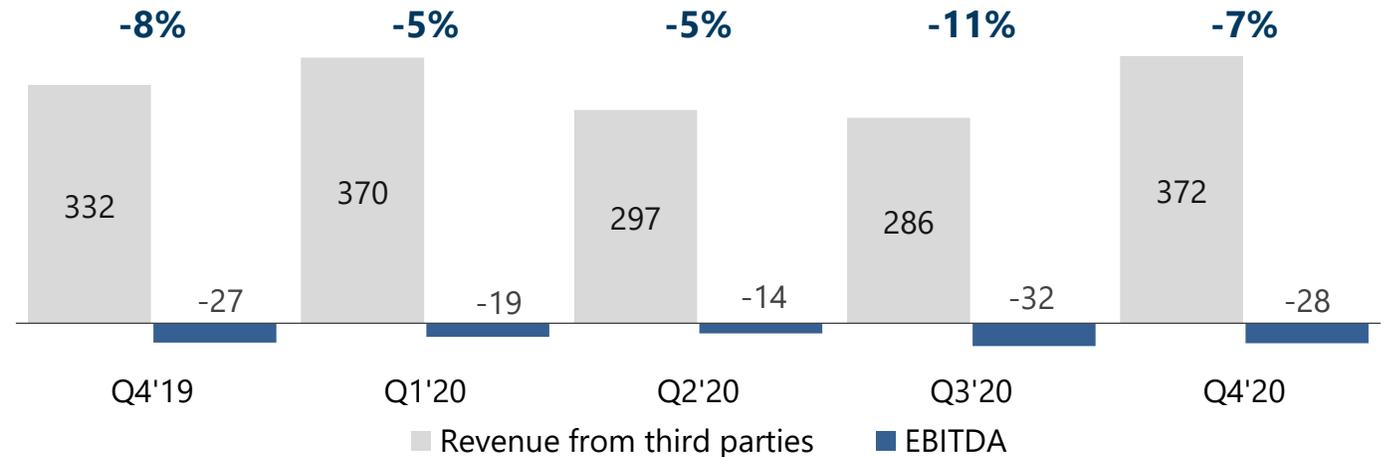
EBITDA was -\$28 m

- Noticeable spot price uplift only in late November
- Certain share of fixed annual contracts
- A time lag between order intake and the sales recognition

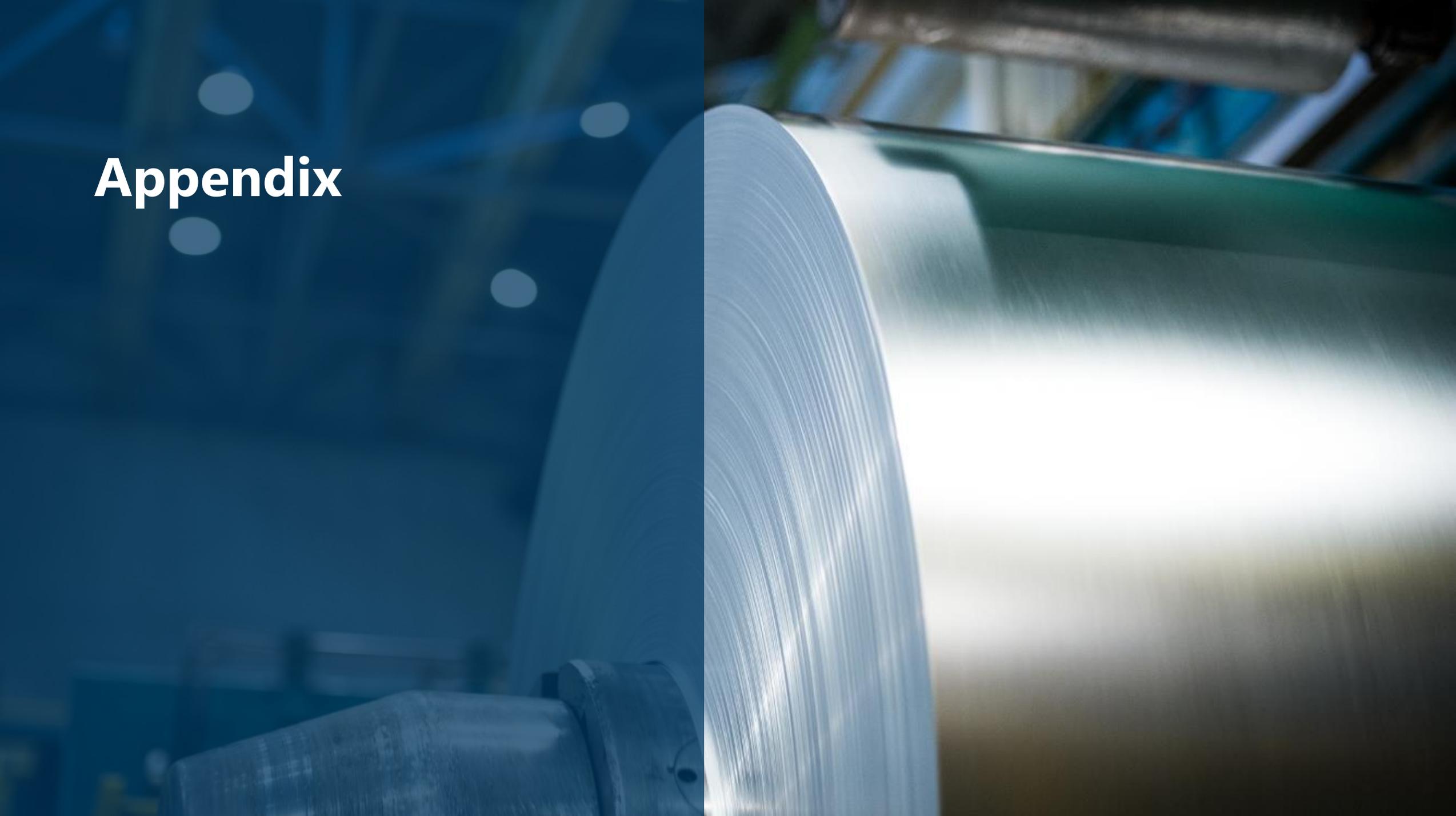
STEEL SHIPMENTS (m t) AND REVENUE (\$ bn)



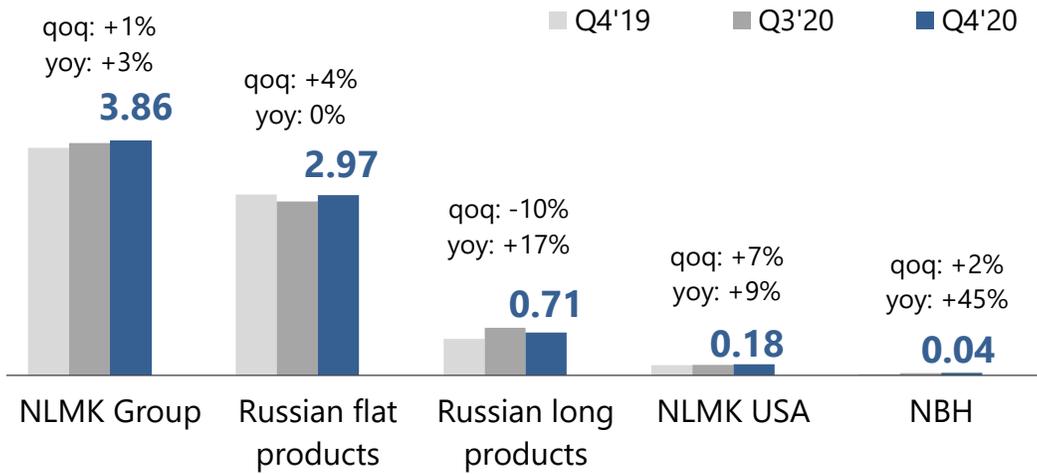
REVENUE, EBITDA (\$ m) AND EBITDA MARGIN (%)



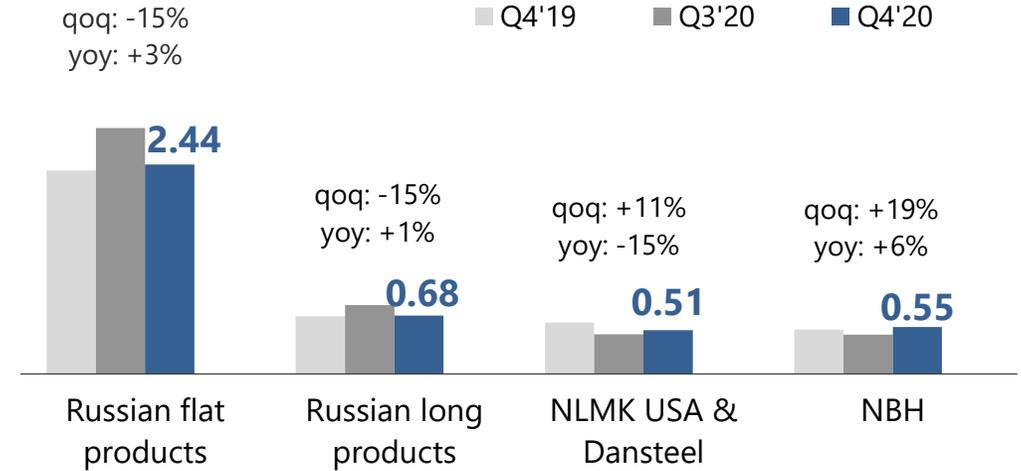
Appendix



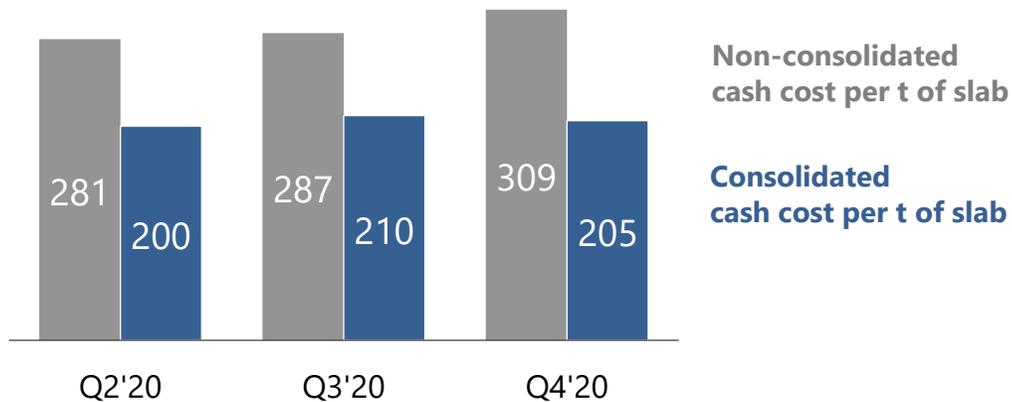
STEEL PRODUCTION, m t



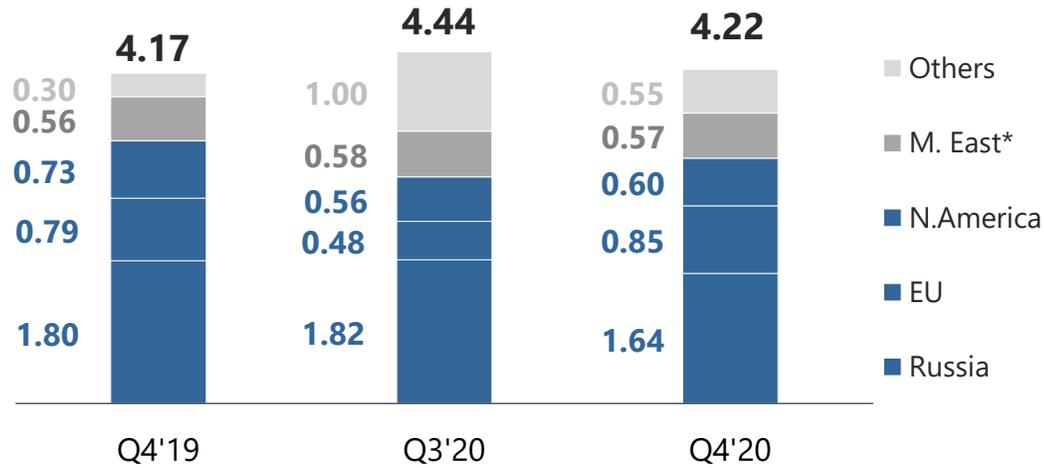
GROUP SHIPMENTS TO EXTERNAL CUSTOMERS BY SEGMENT, m t



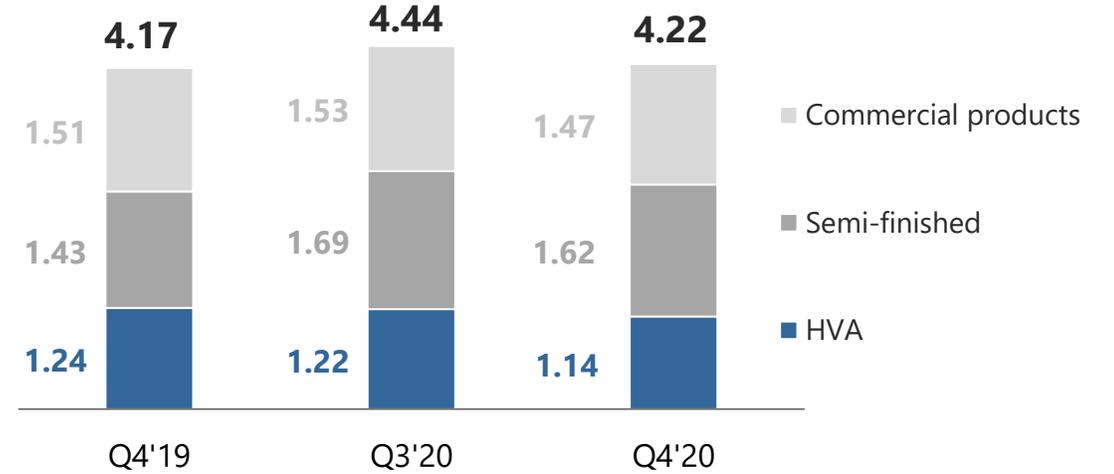
NLMK RUSSIAN FLAT PRODUCTS - CASH COSTS OF SLABS, \$/t



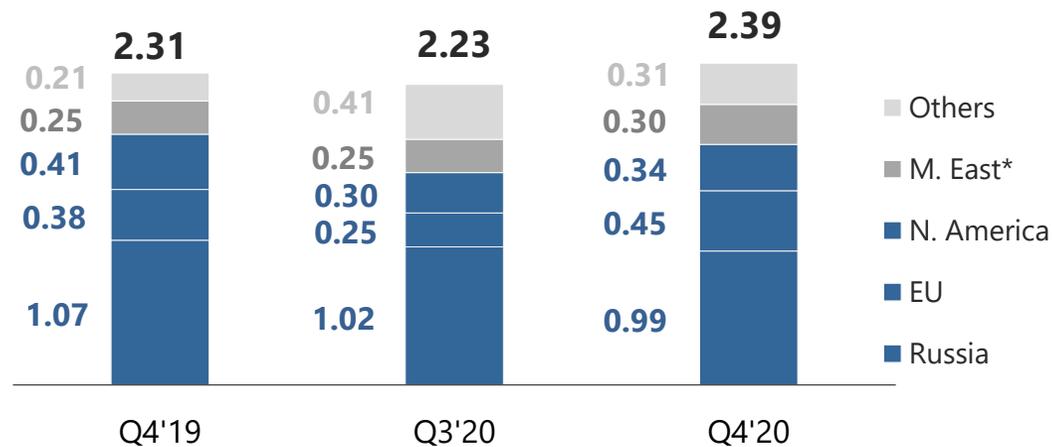
STEEL PRODUCT SALES BY REGION, m t



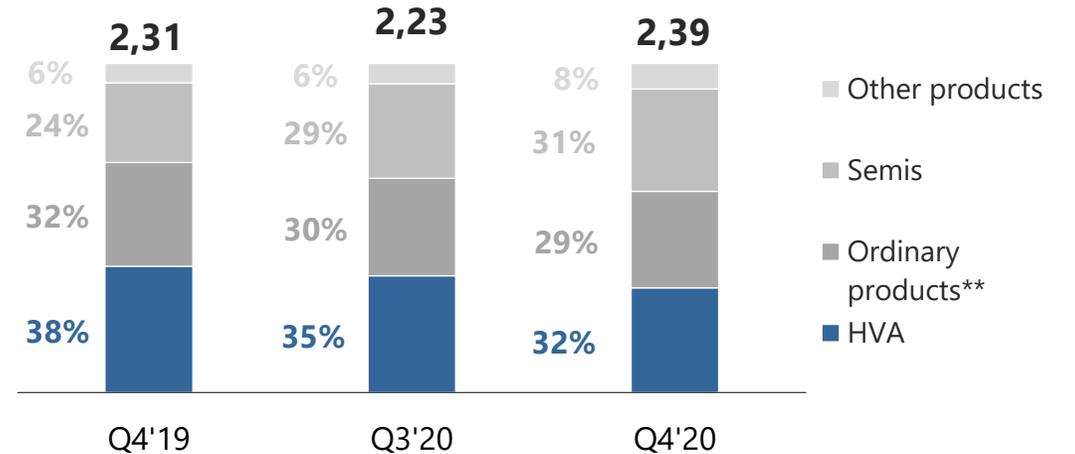
SALES STRUCTURE BY PRODUCT, m t



REVENUE BY REGION, \$ bn

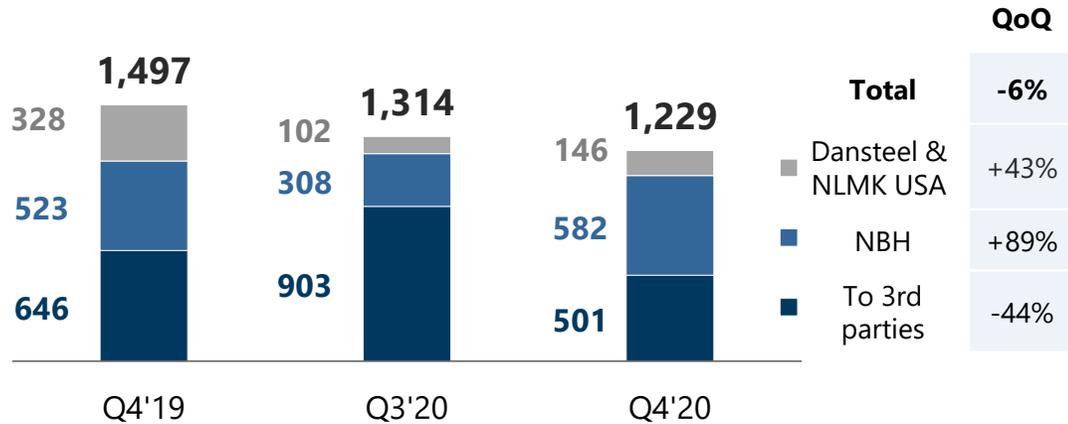


REVENUE BY PRODUCT, \$ bn

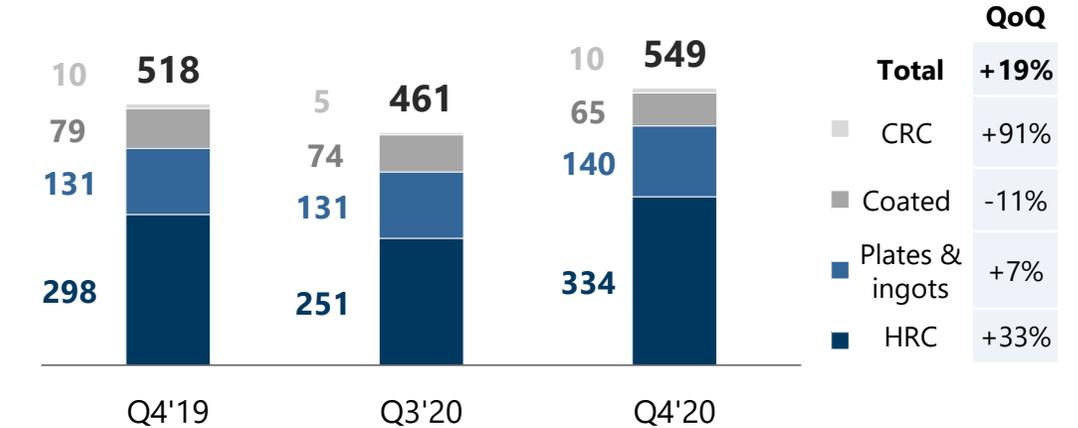


* Incl. Turkey. ** HRC and Long products

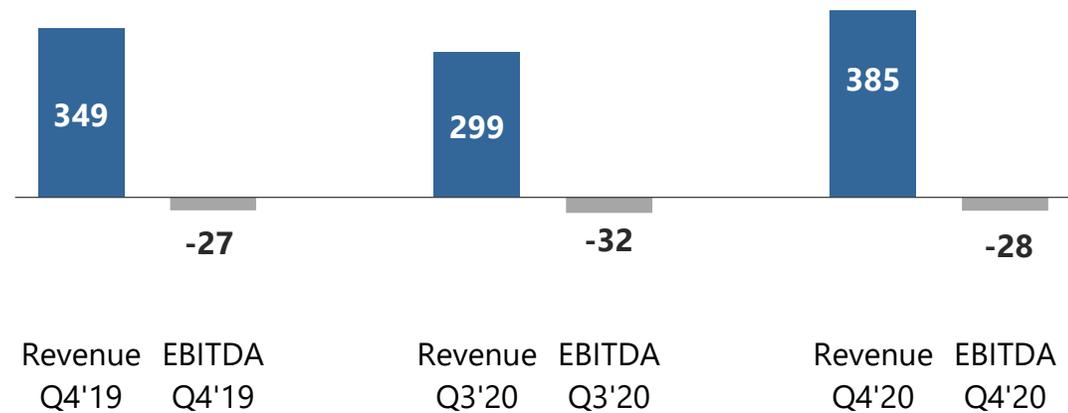
SLABS SALES FROM THE RUSSIAN FLAT PRODUCTS DIVISION, k t



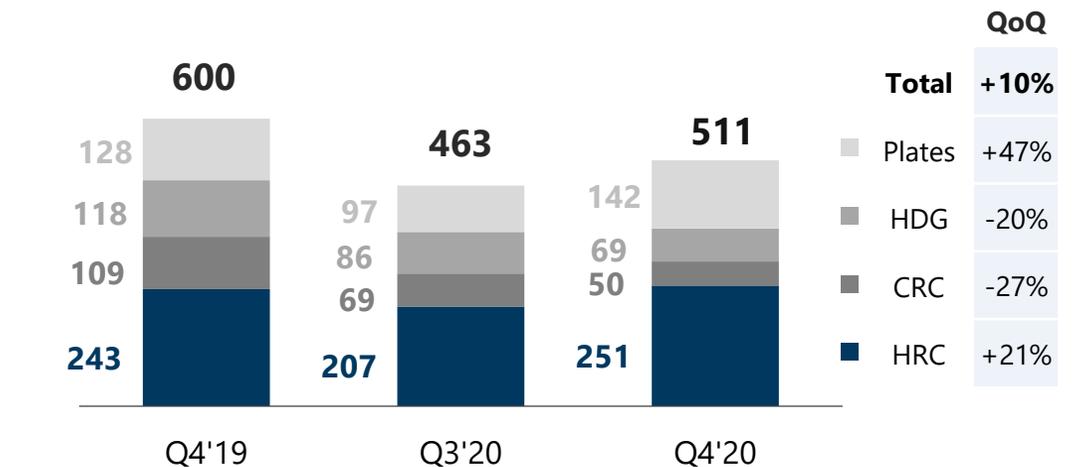
NBH ROLLED PRODUCTS SALES, k t



NBH FINANCIAL RESULTS, \$ m



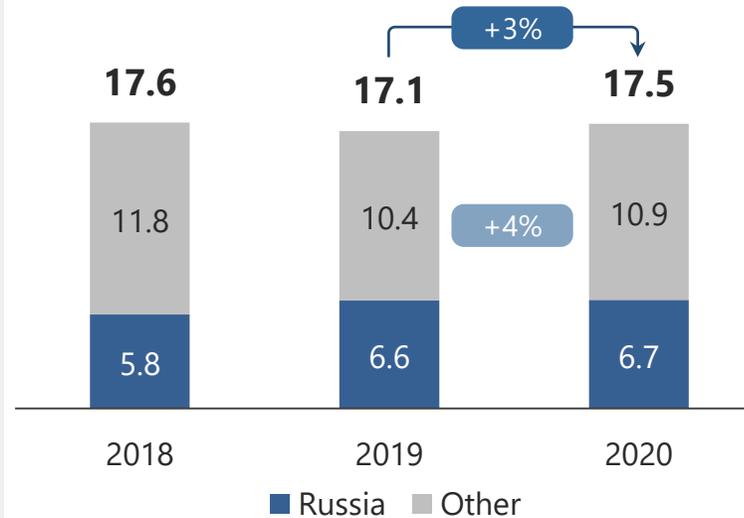
NLMK USA AND NLMK DANSTEEL SALES, k t



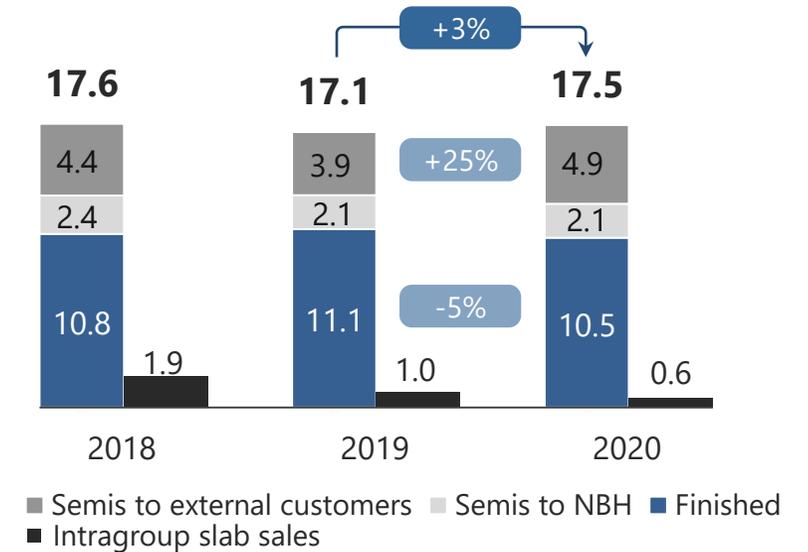
Shipments increased by 3% yoy to 17.5 m t

- Sales in Russia were almost flat yoy
- Semis sales to third parties increased by 25% yoy due to higher pig iron and billet exports
- Finished steel sales decreased by 5% yoy amid weak demand in April-May 2020 and sales redistribution to semis

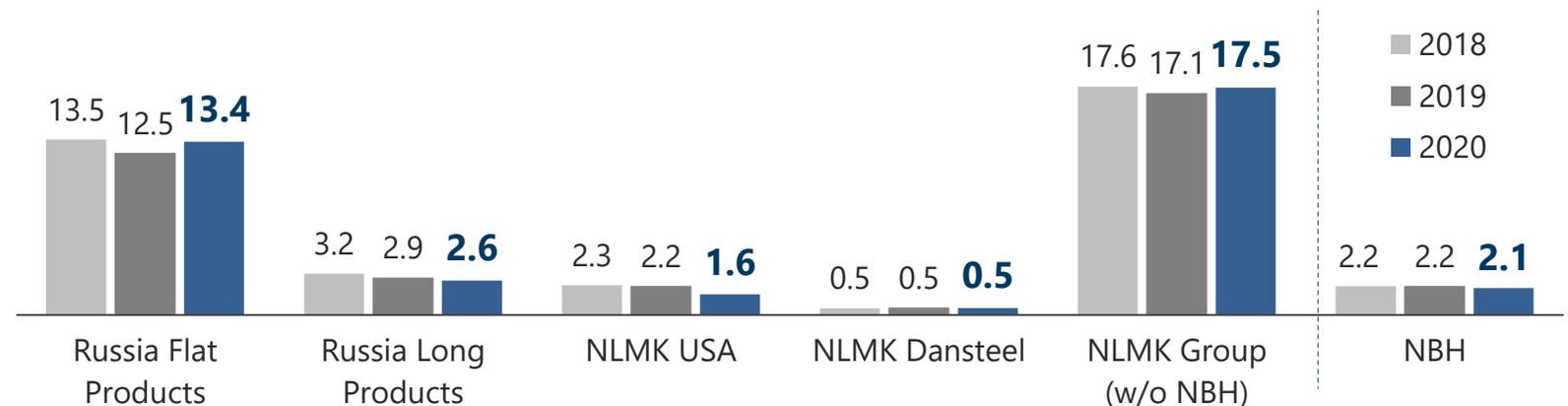
SHARE OF EXPORT MARKETS INCREASED



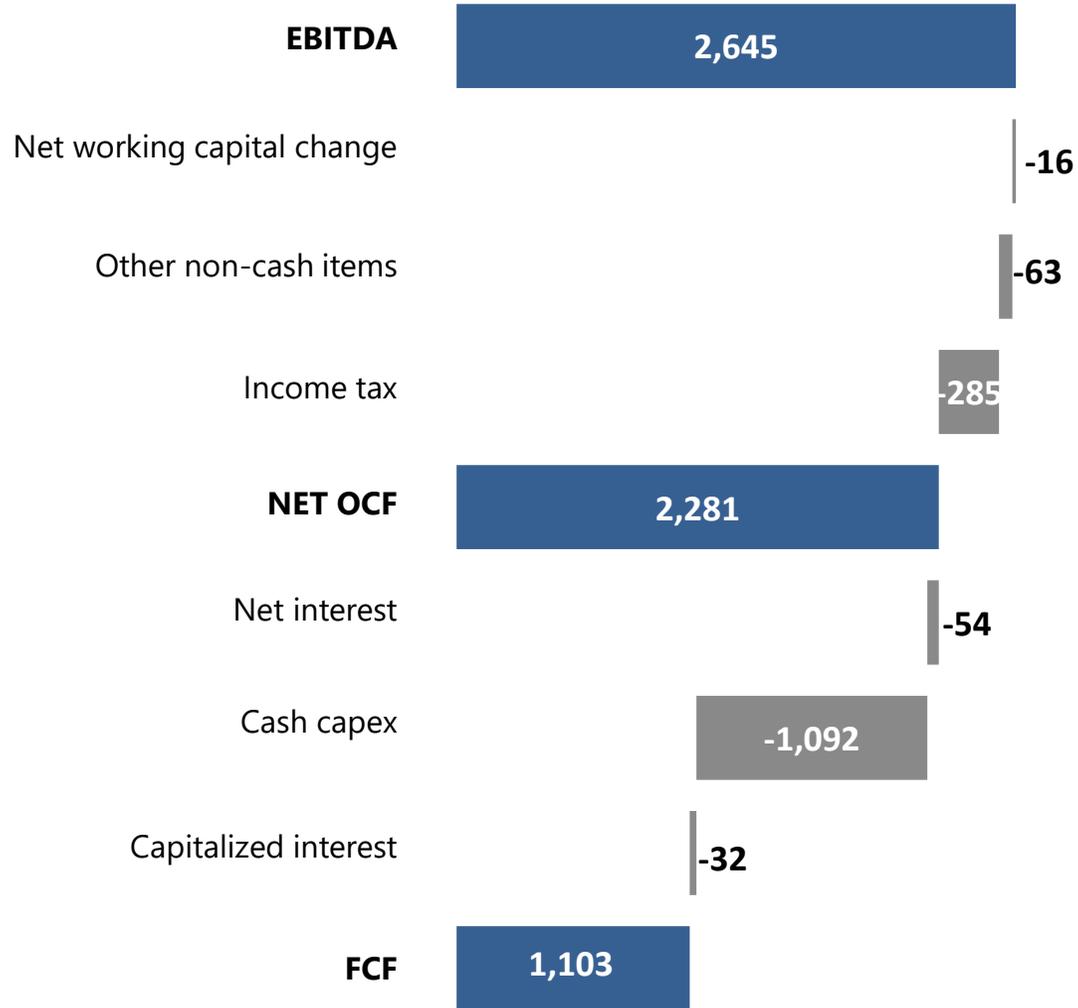
SHARE OF FINISHED PRODUCTS DECLINED



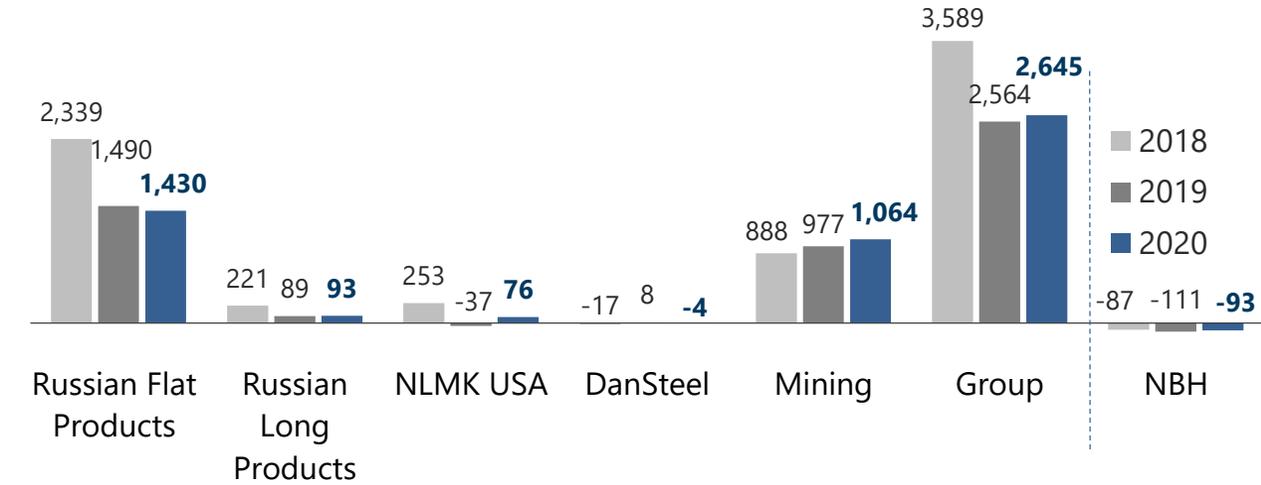
RUSSIAN FLAT PRODUCTS SEGMENT WAS THE KEY CONTRIBUTOR TO THE SALES GROWTH



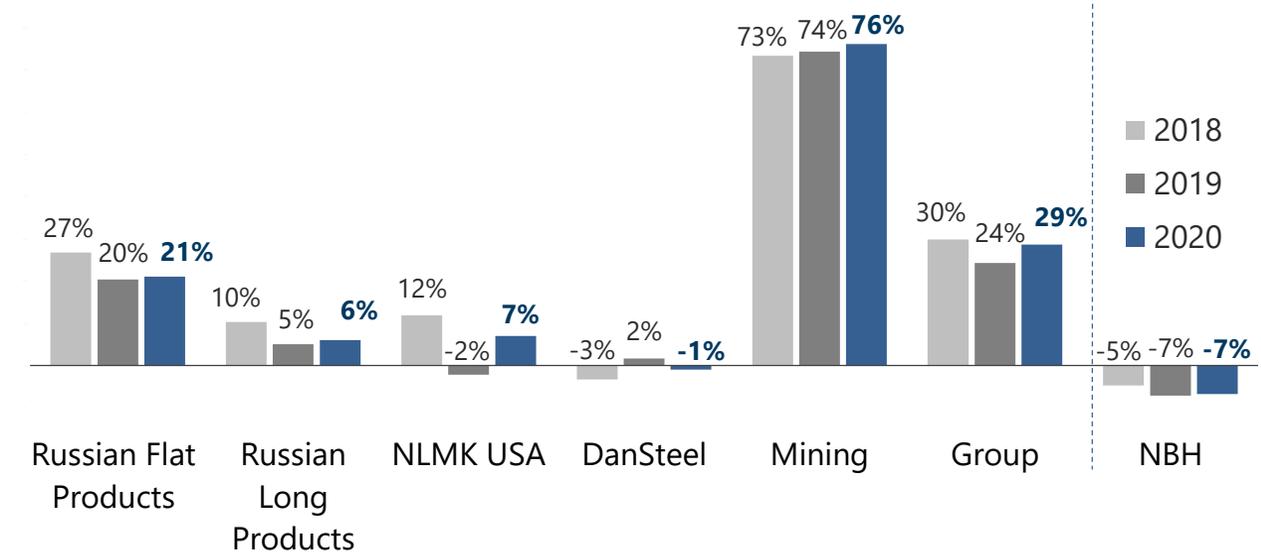
2020 FCF BRIDGE, \$ m



EBITDA BY DIVISION, \$ m



EBITDA MARGIN BY DIVISION, %





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