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NLMK Group Q2 and 6M 2020 IFRS Financial Results

NLMK Group (LSE, MOEX: NLMK) Q2 2020 EBITDA was \$582 m, its EBITDA margin growing by 3 p.p. qoq to 27%. Free cash flow (FCF) totalled \$304 m. NLMK Board of Directors recommended approving Q2 dividends in the amount of RUB 4.75/share (132% of FCF).

Key highlights

k t/\$ million	Q2 2020	Q1 2020	QoQ	Q2 2019	YoY	6M 2020	6M 2019	YoY
Sales volumes	4,352	4,505	-3%	4,268	2%	8,857	8,882	0%
Revenue	2,174	2,457	-12%	2,797	-22%	4,631	5,666	-18%
EBITDA ²	582	594	-2%	735	-21%	1,176	1,430	-18%
EBITDA margin	27%	24%	+3 p.p.	26%	+1 p.p.	25%	25%	0 p.p.
Profit for the period ³	77	289	-73%	414	-81%	366	796	-54%
Free cash flow ⁴	304	331	-8%	258	18%	635	936	-32%
Net debt ⁵	1,830	1,770	3%	1,291	42%	1,830	1,291	42%
Net debt/EBITDA ⁵	0.79x	0.72x		0.39x		0.79x	0.39x	

Q2 2020 key highlights

- **Revenue decreased by 12% qoq to \$2.2 bn (-22% yoy)**, following the decrease in average sales prices and the increase in the share of semis in the product mix against the backdrop of the weakening in demand for finished products, and following the drop in sales by NLMK USA and NLMK DanSteel.
- **EBITDA decreased by 2% qoq to \$582 m (-21% yoy)**, against the backdrop of the decrease in revenue. This was partially offset by the drop in raw material prices, the devaluation of the ruble, and operational efficiency gains. EBITDA margin increased by 3 p.p. qoq to 27% (+1 p.p. yoy).
- **Free cash flow (FCF) decreased by 8% qoq to \$304 m.**
- **Net profit decreased by 73% qoq to \$77 m (-81% yoy)** due mainly to the depreciation of investments into NBH. Without taking this non-cash transaction into account, net profit would have decreased by 24% qoq to \$221 m. Aside from the investment impairment, the result was impacted by the recognition of FX difference losses in the amount of \$70 m.

¹ Consolidated financial results are prepared under IFRS. Reporting periods of the Company are 3M, 6M, 9M and 12M. Quarterly figures are obtained by calculation, including in the segment reporting. Figures for comparable periods may differ from figures posted earlier because of rounding off to integers.

² EBITDA is the operating profit before equity share in financial results of joint ventures, impairment of capital assets and losses from retirement of fixed assets, allowed for amortization and depreciation. EBITDA calculations and further details are presented in the Appendix.

³ Profit for the period attributable to NLMK shareholders.

⁴ Free cash flow is determined as net cash from operations plus interest received net of interest paid and capital investment. Free cash flow calculations are presented in the Appendix.

⁵ Net debt is calculated as the sum of long-term and short-term borrowings less cash and cash equivalents, as well as short-term deposits at period end. Net debt / EBITDA is represented by net debt as at the end of the reporting period and EBITDA as last 12 months EBITDA. Net debt calculations are presented in the Appendix.



6M 2020 key highlights

- **Revenue decreased by 18% yoy to \$4.6 bn** due to the drop in steel product prices and the increase in the share of semi-finished products in total sales by 4 p.p. yoy to 42%.
- **EBITDA decreased by 18% yoy to \$1.2 bn**, driven by the decrease in revenue. EBITDA margin was 25% (flat yoy).
- **Free cash flow decreased by 32% yoy to \$635 m**, following the decrease in EBITDA and growth of capex as part of Strategy 2022, with the capex programme going into active execution stage in Q2 2019.
- **Net profit decreased by 54% yoy to \$366 m**, against the backdrop of lower revenue and the recognition of NBH investment impairment.

Comment from NLMK Group CFO Shamil Kurmashov:

"In Q2 2020, the COVID-19 pandemic caused serious headwinds for overall business activity, resulting in a significant weakening in demand for steel in our traditional sales markets and a drop in steel product prices.

"In order to keep capacity utilization rates high at our flagship production site, NLMK Lipetsk, we made changes to our regional sales structure (for instance, we grew shipments to the Asian market in April and May), and diversified our product mix. At the end of April, we were already actively working on our export order book for June.

"In April we were forced to decrease our output at the NLMK Russia Long Products division, as construction projects were frozen across key regions, and due to a shortage of scrap amid lockdown constraints in Russia. Nonetheless, division sales grew qoq, driven by higher billet exports and the deferred demand effect at the end of Q2.

"All of our teams and departments worked together to implement cost optimization initiatives and new operational efficiency projects, enabling us to keep our financial performance high in the past quarter. Despite the fact that NLMK Group's revenue decreased by 12% qoq to \$2.2 bn, EBITDA fell by a mere 2% qoq to \$582 m EBITDA margin was 27%.

"Net debt/EBITDA stood at 0.79x, total debt decreased by 3% qoq to \$3.4 bn.

"In line with our dividend policy, NLMK management recommended the Board of Directors to pay Q2 2020 dividends in the amount of \$400 m."



TELECONFERENCE

NLMK is pleased to invite the investment community to a conference call with the Company management:

Thursday, 23 July 2020

- 10:30 a.m. – New York
- 3:30 p.m. – London
- 5:30 p.m. – Moscow

To join the conference call and web-cast, the participants are invited to dial:

US number:

+1 334-777-6978 (local access) // 800-367-2403 (toll free)

UK number:

+44 (0)20 8089 2860 (local access) // 0800 031 4838 (toll free)

Russian number:

+7 499 609 1260 (local access) // 8 800 100 9471 (toll free)

Conference code: 8802682

To join the webcast, please follow the link: <https://webcasts.eqs.com/nlmk20200723>

** We recommend participants start dialling 5-10 minutes in advance to avoid waiting.*

MANAGEMENT COMMENTS

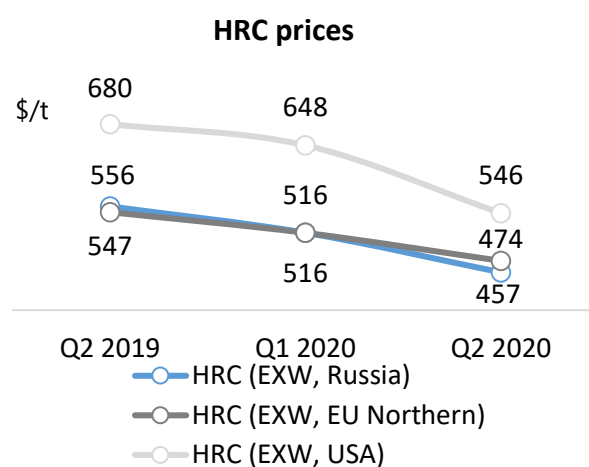
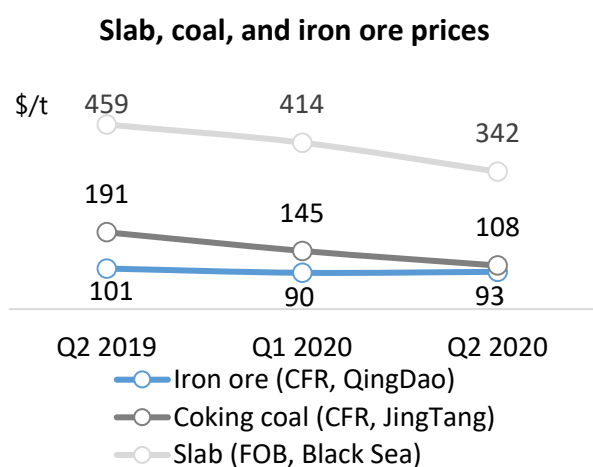
Q2 2020 market review

- In Q2, the spread of the COVID-19 pandemic caused demand to plummet in the Russian, EU and US markets, coupled with an uptick in buyer activity in Asia.
- In China, a broad range of economic incentives supported increased internal demand for steel, while export continued to decline.
- Steel companies in many regions across the globe (including the EU, USA, Japan, and India) temporarily mothballed or significantly reduced capacity utilization rates at their facilities amid lockdown constraints. The drop in the production of steel, iron ore, and coking coal was comparable to the drop in consumption in the corresponding regions, preventing prices from collapsing.
- Steel consumption in the EU and the USA dropped by over 20% qoq*. The construction and wind energy sectors displayed the most resilient demand. Sectors that are directly dependent on end consumers, such as automotive, significantly curbed their steel consumption. Despite the easing of most constraints in Europe and the USA in mid-May, consumer activity remained low till the end of the quarter. COVID-19 outbreaks in some US states forced regional authorities to reintroduce lockdown constraints. Nonetheless, recent macroeconomic indicators point to a gradual economic recovery in the US and some European countries.
- Demand trends in Russia were significantly impacted by the lockdown in construction in Moscow and the Moscow Region, as well as the 'non-working' days in April and May. The gradual easing of restrictions, the decrease in Russia's Central Bank rate, combined with state economic incentives, including preferential mortgage rates, helped restore buyer activity toward the end of June to 2019 levels. There was also an uptick in demand from the oil and gas sector. Therefore, according to preliminary estimates, demand decreased by 10-15% qoq.

**Data on steel consumption trends on regional markets are estimates.*

Q2 2020 prices

- **Raw material prices:** average global coal prices dropped by 23% qoq due to weak demand from Japan, India, and Europe amid the COVID-19 pandemic, and concerns that import quotas to China might stiffen. Iron ore prices grew by 3% qoq, driven by a swift recovery of Chinese industry at the end of the quarter.
- **Market prices* for flat steel** were pressured by weak demand amid the COVID-19 pandemic. Prices in the US decreased by 11-16% qoq (-12-20% yoy); prices in Europe decreased by 4-8% qoq (-11-13% yoy).
- **Steel product prices in the Russian market** denominated in dollars fell by 6-12% qoq (up to -18% yoy). Rebar prices in dollar terms decreased by 8% qoq (-22% yoy).
- **Export slab prices** (FOB Black Sea) decreased by 17% qoq (-25% yoy).



* Market prices reflect the level of prices for a given calendar period and differ from the average sales prices of the Company and its segments due to the time lag of the production & sales cycle.

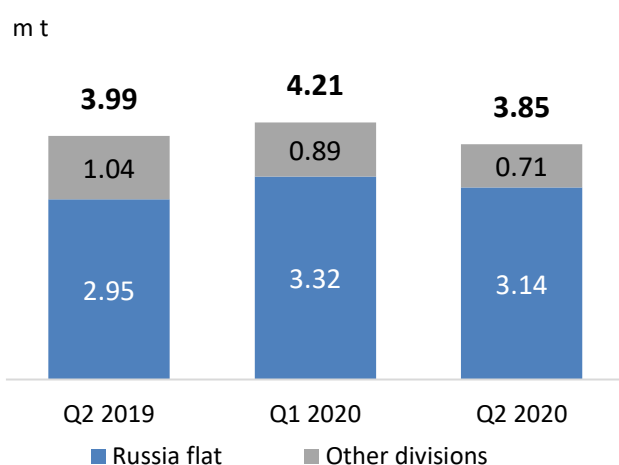
Q2 2020 output and sales breakdown

- **Steel output*** decreased by 8% qoq to 3.9 m t (-3% yoy) following the drop in steel output by NLMK Russia Long Products and NLMK USA due to weak demand amid the COVID-19 pandemic. Capacity utilization rate at NLMK Lipetsk was 100%.
- **Sales** decreased by 3% qoq to 4.4 m t, due mostly to the decrease in sales by NLMK USA and NLMK DanSteel by 39% and 26% qoq, respectively. Compared to the same period last year, sales grew by 2% yoy, driven by the increase in production output at NLMK Lipetsk.
- **Sales of semis** increased by 10% qoq to 1.9 m t (+27% yoy), driven by higher pig iron and billet exports. Slab sales grew by 1% qoq to 1.4 m t (+12% yoy).
- **Finished product sales** dropped by 12% qoq to 2.4 m t (-14% yoy), amid weaker demand and a corresponding redistribution of a part of the portfolio to semi-finished products.
- **Export sales** grew by 51% qoq (+71% yoy) to 2 m t, as the share of semi-finished products in exports increased.

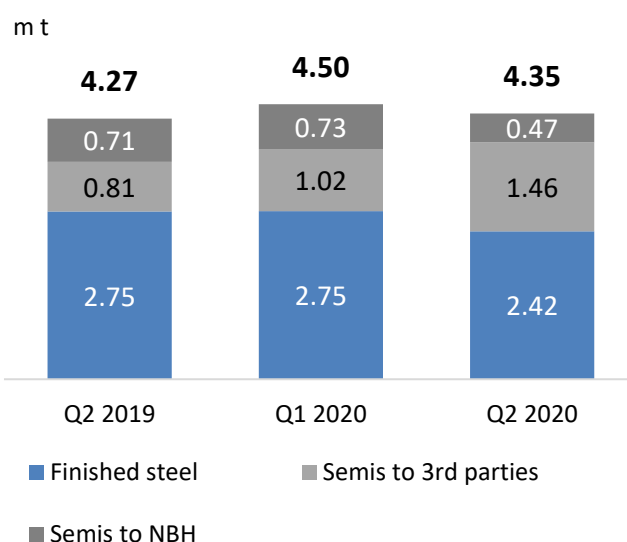
6M 2020 output and sales breakdown

- **Steel output*** decreased by 1% yoy to 8 m t due to the drop in steel output by NLMK Russia Long Products, NLMK USA and NLMK EU amid the COVID-19 pandemic.
- **Sales** were flat yoy at 8.9 m t.
- **Sales of semis** to third parties grew by 15% yoy to 2.5 m t, driven by higher pig iron exports. Slab sales to NBH increased by 5% yoy to 1.2 m t.
- **Finished product sales** dropped by 7% yoy to 5.2 m t amid a redistribution of sales toward semi-finished products.
- **Export sales** grew by 6% yoy to 3.4 m t, driven by the increase in pig iron sales to 0.7 m t. China and USA were the main pig iron export destinations.

Steel output decreased at NLMK Russia Long Products and NLMK USA amid weaker demand*



Sales dropped qoq due to lower sales in the USA and EU



* Hereinafter NLMK Group steel output and sales on home markets include NBH. Consolidated sales are given without NBH. Sales to home markets mean sales of the Group's companies in the regions, where production capacities are located in Russia, Europe, and the US.

NLMK GROUP KEY FINANCIALS

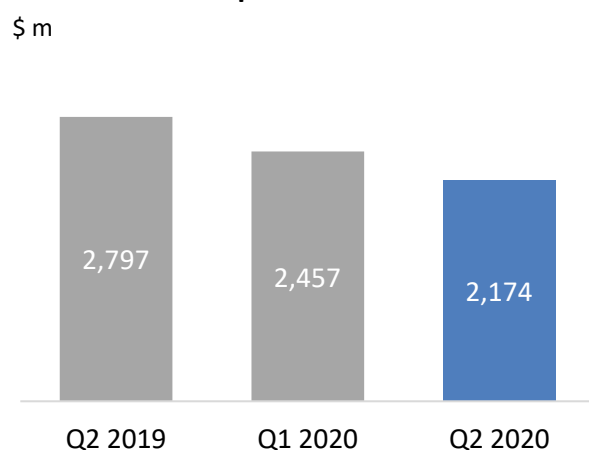
Q2 2020 revenue

- Revenue reduced by 12% qoq to \$2.2 bn (-22% yoy) due to declining sales volumes and steel product prices, including with an increase in the share of semi-finished products in the sales mix.
- The share of semi-finished products in the revenue increased by 3 p.p. qoq to 33%, while the share of finished products decreased by 5 p.p. qoq to 61%. The share of high value-added products decreased by 3 p.p. to 35%.
- The share of the Russian market in the revenue was down to 37% (-4 p.p. qoq; -4 p.p. yoy) as a result of higher export deliveries from the Group's Russian sites and changes in the regional breakdown: the share of Asian countries increased to 15% (+14 p.p. qoq; +13 p.p. yoy), while the EU share was down to 16% (-5 p.p. qoq; -6 p.p. yoy) and the US share was down to 14% (-6 p.p. qoq and yoy).

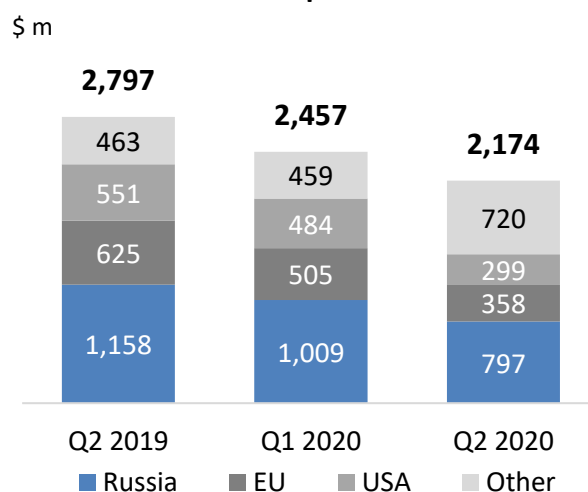
6M 2020 revenue

- Revenue decreased by 18% yoy to \$4.6 bn due to declining sales prices, which was partly driven by an increase in the share of semi-finished products in the sales portfolio.
- The share of semi-finished products in the revenue increased by 3 p.p. yoy to 31% as a result of growing pig iron sales to third parties; the share of finished products decreased by 2 p.p. yoy to 64%. The share of revenue from high value-added products totalled 36% (flat yoy).
- The Russian market share in the revenue increased to 39% (+2 p.p. yoy) as a result of a sharper revenue decline in the US (-30% yoy) and the EU (-26% yoy) compared to Russia (-14% yoy). The US share in the revenue decreased to 17% (-3 p.p. yoy); the EU share decreased to 19% (-2 p.p. yoy).

Revenue decreased by 12% qoq, due to lower prices and...



...sales volumes to traditional sales markets amid the pandemic



Q2 2020 EBITDA

- EBITDA* went down by 2% qoq to \$582 m (-21% yoy) due to a decrease in steel product prices and sales volumes partially offset by the ruble depreciation and operational efficiency gains.
- Commercial expenses grew by 7% qoq to \$227 m (+12% yoy) with higher transport expenses driven by an increase in exports to remote destinations.
- General and administrative expenses decreased by 5% qoq to \$82 m (-7% yoy), driven by managed cost optimization efforts.

6M 2020 EBITDA

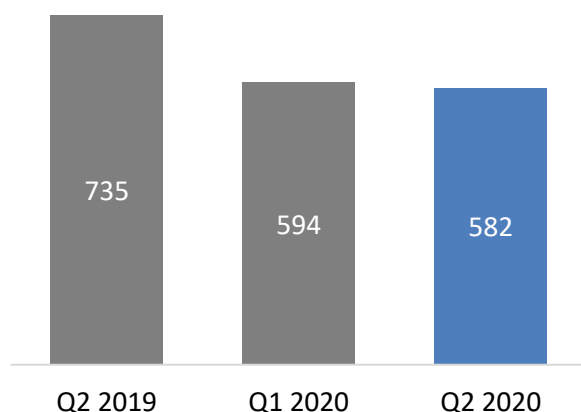
- EBITDA decreased by 18% yoy to \$1.2 bn amid narrowing steel/raw material price spreads, which was partially offset by operational efficiency gains and the ruble depreciation.
- Commercial expenses increased by 3% yoy to \$439 m due to higher exports.
- General and administrative expenses decreased by 1% yoy to \$168 m.

Net profit**

- Q2 2020 net profit decreased by 73% qoq to \$77 m (-81% yoy), due mainly to the impairment of a \$120 m investment in NBH. The recognition of a \$70 m loss from FX difference served as an additional factor.
- 6M 2020 net profit decreased by 54% yoy to \$366 m due to EBITDA decline and impairment of the NBH investment.

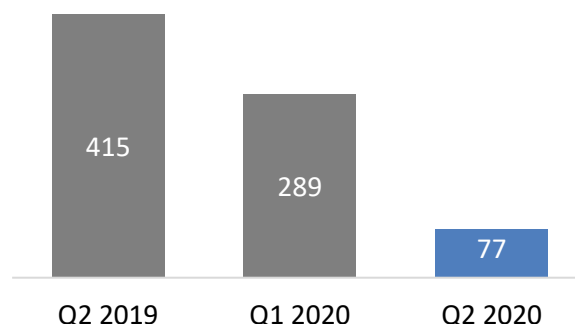
EBITDA was impacted by declining sales prices and volume amid the pandemic

\$ m



Net profit was 73% lower qoq due to non-monetary impairment of investment

\$ m



* EBITDA used in NLMK's financial releases is calculated as operating profit before equity share in net losses of associates and other companies accounted for using the equity method of accounting, impairment and write-off of assets, adjusted to depreciation and amortization. EBITDA is not an indicator of operating profit, operating activity or liquidity under IFRS, and NLMK discloses it because equivalent indicators could be used by investors and analysts. That said, NLMK's EBITDA should not be viewed on a standalone basis, or in place of profit before tax, or cash flows from operations, as defined by IFRS, or as an indicator of operational efficiency, or as the sum of free cash funds that NLMK can invest into business development. NLMK's EBITDA margin and EBITDA might not be comparable to similar indicators disclosed by other companies as there are no commonly accepted rules for calculating them. For instance, NLMK's EBITDA is calculated similar to what is termed as 'Adjusted EBITDA' in other companies, as NLMK's EBITDA excludes other profit/loss items in addition to interest payments, income tax, depreciation and amortization.

**Profit for the period, attributable to NLMK shareholders.

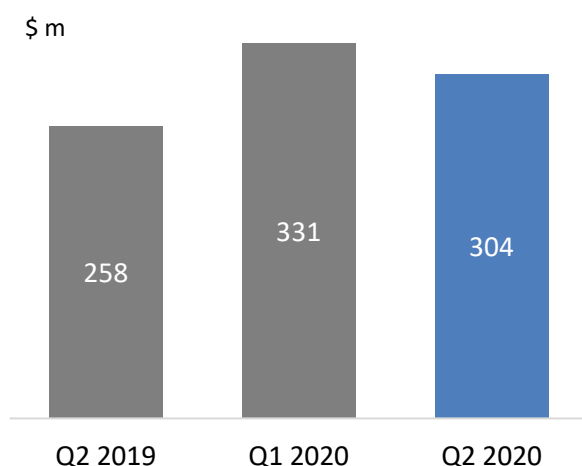
Q2 2020 free cash flow

- Free cash flow went down by 8% qoq to \$304 m with a decrease in operating cash flow, which was partially offset by a managed capex reduction. Year-on-year, free cash flow increased by 18% due to cash inflows from working capital.
- Operating cash flow decreased by 11% qoq to \$549 m due to lower EBITDA.
- Cash inflow from working capital** totalled \$57 m due to:
 - + \$109 m: a decrease in receivables, driven by active efforts to speed up payments from clients, as well as declining steel product sales and prices.
 - + \$23 m: iron ore inventory reduction and finished product destocking, driven by a decline in NLMK USA steel output.
 - \$76 m: a decrease in payables, driven by lower slab purchasing at NLMK USA.

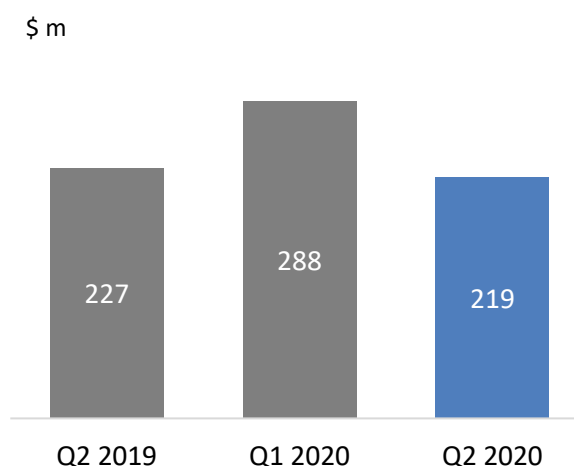
6M 2020 free cash flow

- Free cash flow decreased by 32% yoy to \$635 m, due mainly to lower EBITDA and a 25% yoy increase in investment.
- Cash inflow from working capital** totalled \$142 m due to:
 - + \$65 m: a decrease in receivables due to declining steel product prices.
 - + \$149 m: lower inventory levels, driven by a decrease in the cost of raw materials and steel products.
 - \$75 m: a decrease in payables in Q2 2020.

**Free cash flow went down by 8% qoq
due to a decline in EBITDA**



**Investment went down by 24% qoq
due to managed optimization**



Investment

- NLMK Group's Q2 2020 investment decreased by 24% qoq to \$219 m against the backdrop of a managed slowdown of capex projects and payment schedule optimization.
- NLMK Group's 6M 2020 investment increased by 25% yoy to \$507 m. The growth in investment was associated with major overhauls at NLMK Lipetsk BF and BOF operations.



Dividends

- In Q2 2020 NLMK paid out \$271 m in dividends.
- On 23 July 2020, the Board of Directors recommended that shareholders approve the payment of Q2 2020 dividends in the amount of RUB 4.75 per share, which is equivalent to 132% of free cash flow.

Strategy 2022 execution

- In Q2 2020 structural EBITDA gains from operational efficiency improvements totalled \$41 m (relative to the 2019 cost base). The main part of the gains came from NLMK Russia Flat Products segment.
- In 6M 2020 operational efficiency improvements added \$97 m to EBITDA.

Debt management

- **Total debt** in Q2 2020 decreased by 3% qoq to \$3.4 bn due to the repayment of a short-term debt of \$150 m.
- **Net debt** increased by 3% qoq to \$1.8 bn. Net debt/EBITDA ratio stood at 0.79 x.

Q3 2020 outlook

- We expect a decrease in the Lipetsk site steel output to the level of the same period last year due to the start of the second stage of major overhauls at NLMK Lipetsk hot-end operations (Blast Furnace No. 4 and BOF No. 3). These projects are part of the Group's upgrade programme, which will add 1 m t annually to the NLMK Lipetsk steel output.

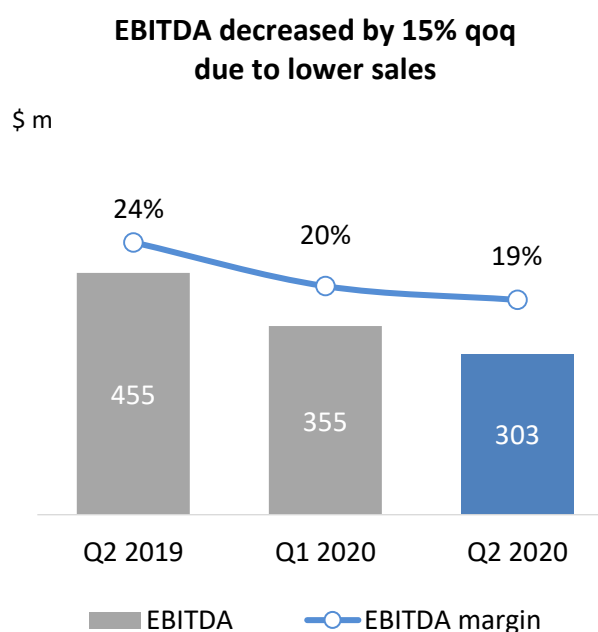
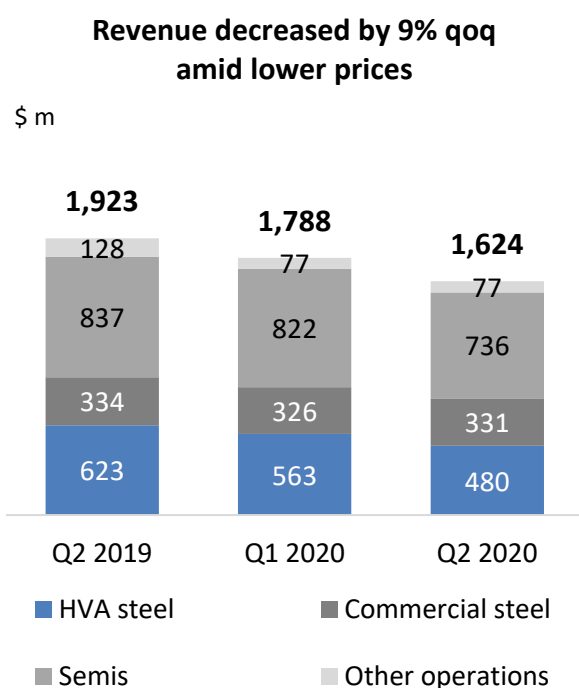
NLMK Russia Flat Products

Q2 2020 highlights

- **Sales** decreased by 1% qoq amid weaker demand for finished products in April and May.
- **Revenue** went down by 9% qoq as average sales prices decreased and the product portfolio structure changed.
- **EBITDA** totalled \$303 m (-15% qoq) due to lower sales and changes in the product portfolio, which was partially offset by a weaker ruble, and operational efficiency programme gains.

6M 2020 highlights

- **Sales** increased by 7% yoy to 6.9 m t as production output increased and demand was high on the Russian market in Q1 2020.
- **Revenue** decreased by 12% yoy to \$3.41 bn as steel product prices decreased, which was partially offset by higher sales.
- **EBITDA** decreased by 25% yoy to \$658 m amid narrower price spreads.



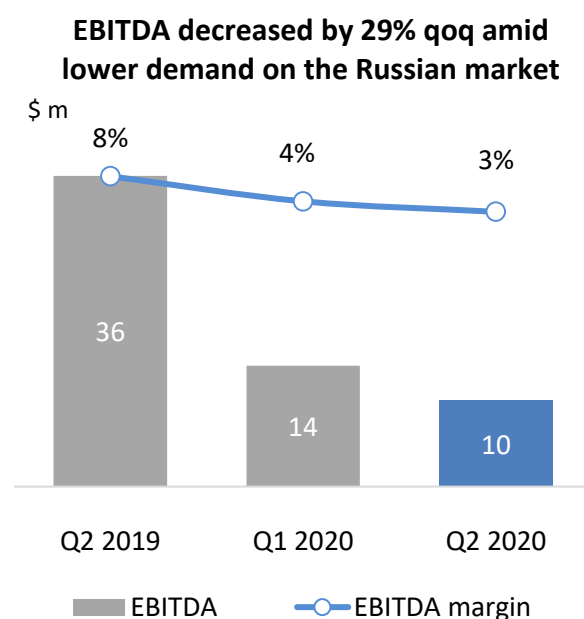
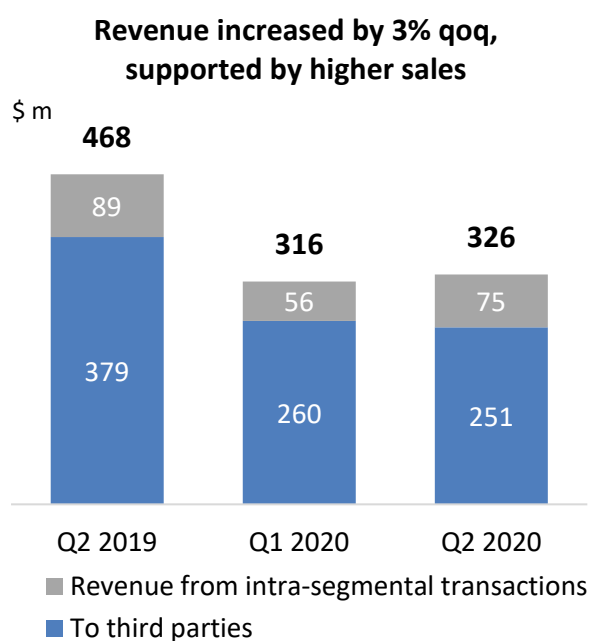
NLMK Russia Long Products

Q2 2020 highlights

- **Sales** increased by 4% qoq to 0.59 m t due to higher billet exports and the deferred demand effect (active destocking as customer activity picked up following the easing of lockdown constraints (June)).
- **Revenue** increased by 3% qoq to \$326 m, following the growth of sales.
- **EBITDA** in the segment totalled \$10 m, which is 29% lower qoq, as the share of billets in the sales structure increased following a decrease in rebar demand on the Russian market.

6M 2020 highlights

- **Sales** decreased by 22% yoy to 1.2 m t due to a high Q1 2019 base, as well as relatively low billet exports compared to last year.
- **Revenue** decreased by 27% yoy to \$642 m, following lower sales and long product prices.
- **EBITDA** decreased by 47% yoy to \$24 m due to lower sales and changes in the sales structure, as well as narrower rebar/scrap spreads, which was partially offset by operational efficiency programme gains.



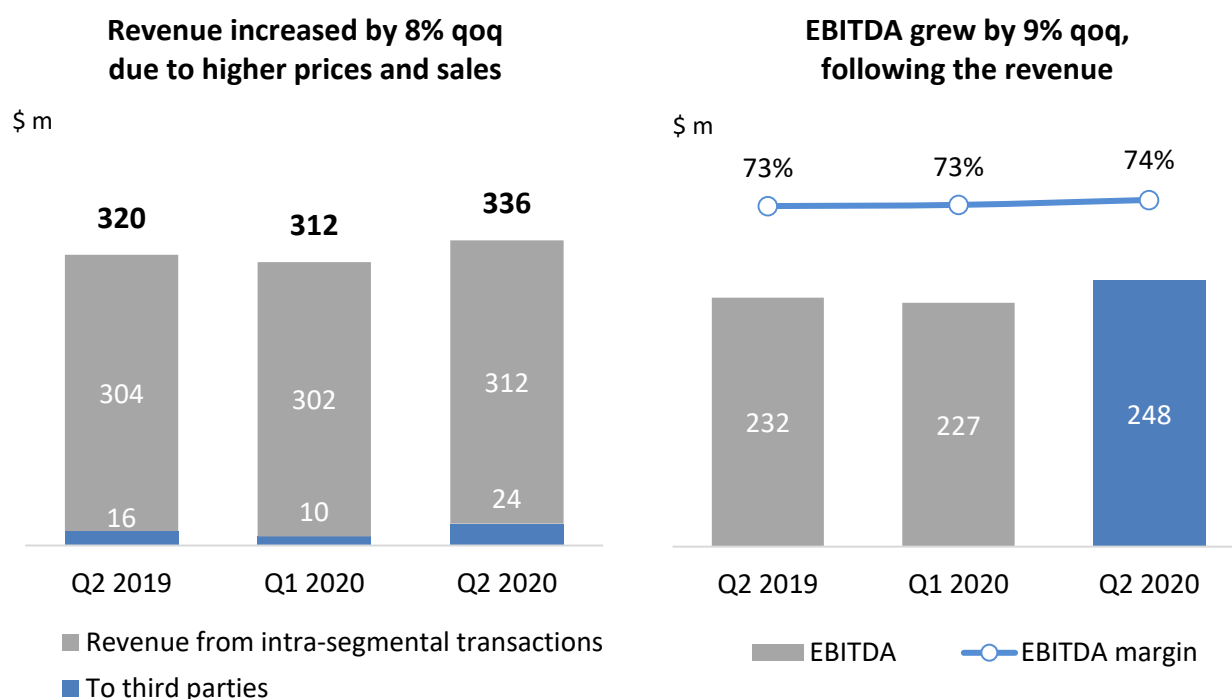
Mining and Processing of Raw Materials

Q2 2020 highlights

- **Sales** increased by 6% qoq (+8% yoy) to 4.9 m t, following output growth. Iron ore sales to independent buyers increased fivefold to 0.45 m t.
- **Revenue** grew by 8% qoq to \$336 m (+5% yoy) due to higher sales and a 9-13% qoq increase in ruble-denominated prices for concentrate and pellets.
- **EBITDA** increased by 9% qoq to \$248 m, driven by higher revenue and gains from capex projects aimed at increasing output.

6M 2020 highlights

- **Sales** reached 9.5 m t (+4% yoy) against the backdrop of higher equipment productivity and the implementation of operational efficiency programmes.
- **Revenue** grew to \$648 m (+10% yoy), due mainly to increased iron ore prices and higher sales.
- **EBITDA** totalled \$475 m (+13% yoy), supported by higher iron ore prices and increased output.



NLMK USA

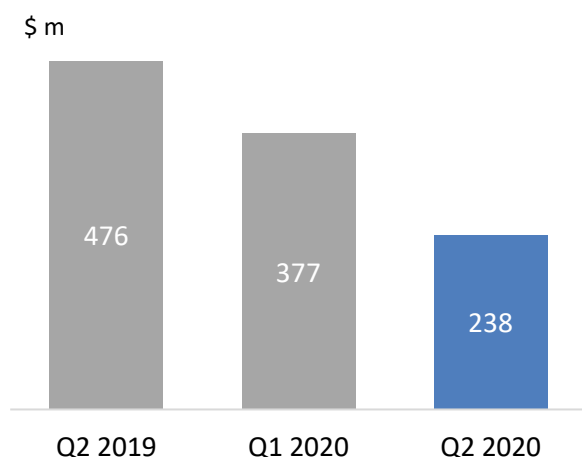
Q2 2020 highlights

- **Sales** went down by 39% qoq to 0.33 m t (-43% yoy) due to a sharp demand drop on the US market amid the COVID-19 pandemic. Additionally, planned routine repairs were carried out in June at the NLMK Indiana plant.
- **Revenue** decreased by 37% qoq to \$238 m (-50% yoy), following the drop in sales.
- **EBITDA** reached \$3 m (vs. -\$22 m the quarter before), since the slab/rolled product price spread widened and the previous quarter's base was low due to the accrual of a non-monetary reserve for inventory re-evaluation amounting to -\$15 m.

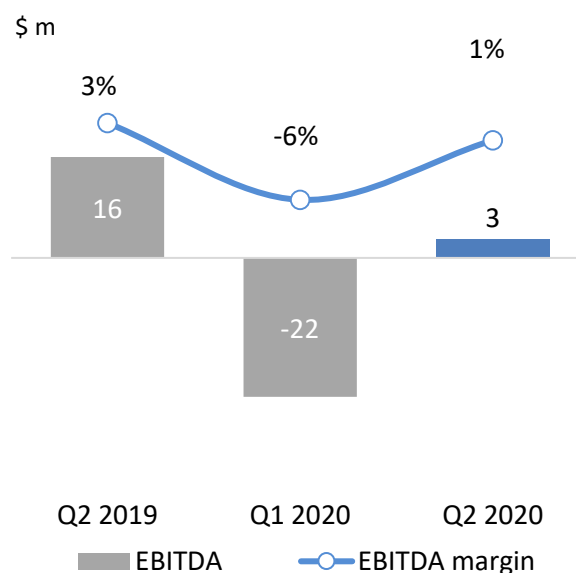
6M 2020 highlights

- **Sales** decreased by 27% yoy to 0.87 due to weak Q2 2020 performance.
- **Revenue** went down by 39% yoy to \$615 m due to a steel price adjustment and lower sales, which was partially offset by the share of high value-added products increasing by 7 p.p and reaching 52%.
- **EBITDA** decreased to -\$19 m (vs. \$33 m the year before) due to narrower price spreads and an adjustment of rolled product prices in Q2 2020.

**Revenue decreased by 37% qoq,
following lower sales**



**EBITDA grew to \$3 m due to higher price
spreads and last quarter's low base**



NLMK DanSteel*

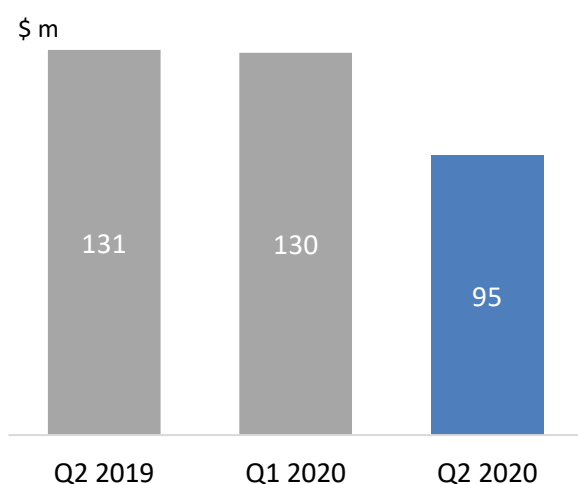
Q2 2020 highlights

- **Sales** of plate decreased by 26% qoq to 0.12 m t (-11% yoy) due to lower demand in almost all sectors except wind energy amid the COVID-19 pandemic.
- **Revenue** went down by 27% qoq to \$95 m, reflecting the sales performance.
- **EBITDA** totalled -\$3 m (vs. +\$6 m the quarter before) as the slab/plate price spread narrowed and sales decreased.

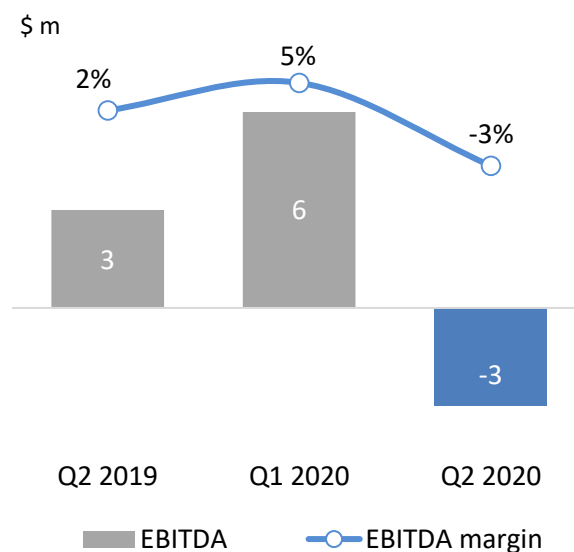
6M 2020 highlights

- **Sales** increased by 1% yoy to 0.29 m t as demand from wind energy, shipbuilding, and infrastructure projects grew in January and February.
- **Revenue** decreased by 17% yoy to \$225 m due to an adjustment of plate prices.
- **EBITDA** amounted to \$3 m (vs. +\$6 m the year before) due to a narrower price spread in Q2 2020.

**Revenue decreased by 27% qoq
due to lower sales**



**EBITDA decreased qoq due to
narrower spreads and lower sales**



* NLMK Dansteel и сеть продаж толстого листа.

JV performance (NBH)

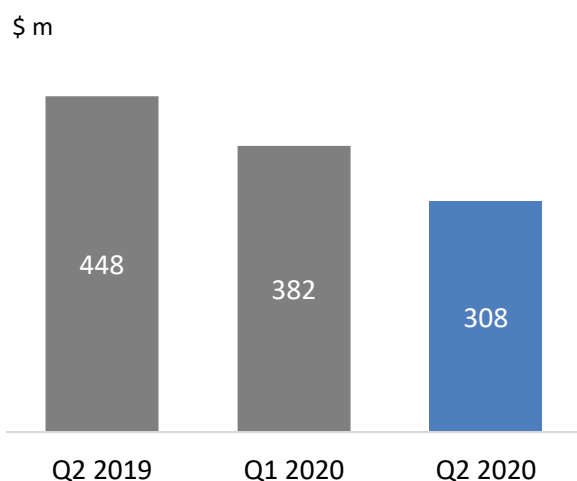
Q2 2020 highlights

- **Sales** went down to 0.47 m t (-23% qoq), mainly due to lower strip sales amid the overall demand drop on the European market.
- **Revenue** decreased by 19% qoq to \$308 m, following lower sales.
- **EBITDA** was -\$14 m vs. -\$19 m in Q1 2020.

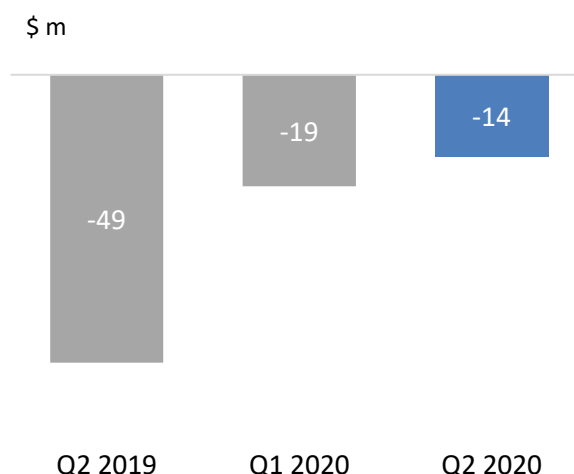
6M 2020 highlights

- **NBH sales** decreased by 5% yoy to 1.07 m t due to lower demand in Q2 2020.
- **Revenue** went down by 18% yoy to \$690 m due to lower steel product sales prices.
- **EBITDA** totalled -\$33 m vs. -\$64 m the year before. EBITDA growth was due to previously purchased cheap slabs being used in production, as well as the Q2 2019 accrual of a non-operational reserve to restructure NLMK Clabecq.

**Revenue went down by 19% qoq,
following lower sales**



EBITDA totalled -\$14 m in Q2 2020





Appendix No. 1 Operating and financial results

(1) Sales markets

k t	Total	Sales markets					
		Russia	EC	Russia	Middle East and Turkey	Russia	Other
NLMK Group (with NBH)	4,348	1,447	727	474	555	44	1,101
Division sales to third parties:							
NLMK Russia Flat	2,834	1,080	89	142	542	44	938
NLMK Russia Long	594	367	90	0	10	0	127
International subsidiaries and affiliates, incl.:	920	0	548	332	3	0	36
NLMK USA	330	0	0	330	0	0	0
European rolling facilities (NLMK DanSteel and NBH)	590	0	548	2	3	0	36

(2) NLMK Russia Flat

k t/\$ million	Q2 2020	Q1 2020	QoQ	Q2 2019	YoY	6M 2020	6M 2019	YoY
Steel product sales, incl.:	3,432	3,469	-1%	3,055	12%	6,902	6,458	7%
external cutmores	2,834	2,500	13%	2,122	34%	5,334	4,780	12%
semis to NBH	472	734	-36%	709	-33%	1,206	1,150	5%
intersegmental sales	126	235	-47%	224	-44%	361	528	-32%
Revenue, incl.:	1,624	1,788	-9%	1,923	-16%	3,412	3,899	-12%
external customers	1,384	1,376	1%	1,444	-4%	2,760	3,068	-10%
intersegmental operations	240	412	-42%	479	-50%	652	831	-22%
EBITDA	303	355	-15%	455	-33%	658	879	-25%
EBITDA margin	19%	20%	-1 p.p.	24%	-5 p.p.	19%	23%	-4 p.p.

(3) NLMK Russia Long

k t/\$ million	Q2 2020	Q1 2020	QoQ	Q2 2019	YoY	6M 2020	6M 2019	YoY
Steel product sales	594	569	4%	715	-17%	1,163	1,483	-22%
Revenue, incl.:	326	316	3%	468	-30%	642	883	-27%
external customers	251	260	-3%	379	-34%	511	753	-32%
intersegmental operations	75	56	34%	89	-16%	131	130	1%
EBITDA	10	14	-29%	36	-72%	24	45	-47%
EBITDA margin	3%	4%	-1 p.p.	8%	-5 p.p.	4%	5%	-1 p.p.

(4) Mining Segment

k t/\$ million	Q2 2020	Q1 2020	QoQ	Q2 2019	YoY	6M 2020	6M 2019	YoY
Iron ore products sales, incl.:	4,880	4,604	6%	4,513	8%	9,484	9,102	4%
sales to Lipetsk plant	4,428	4,529	-2%	4,401	1%	8,957	8,990	0%
Revenue, incl.:	336	312	8%	320	5%	648	588	10%
external customers	24	10	2.4x	16	50%	34	20	70%
intersegmental operations	312	302	3%	304	3%	614	568	8%
EBITDA	248	227	9%	232	7%	475	422	13%
EBITDA margin	74%	73%	+1 p.p.	73%	+1 p.p.	73%	72%	+1 p.p.

(5) NLMK USA

k t/\$ million	Q2 2020	Q1 2020	QoQ	Q2 2019	YoY	6M 2020	6M 2019	YoY
Steel product sales	330	537	-39%	584	-43%	867	1,185	-27%
Revenue, incl.:	238	377	-37%	476	-50%	615	1,002	-39%
external customers	238	377	-37%	476	-50%	615	1,002	-39%
intersegmental operations	-	-	0%	-	0%	-	-	0%
EBITDA	3	(22)	-114%	16	-81%	(19)	33	-158%
EBITDA margin	1%	-6%	+7 p.p.	3%	-2 p.p.	-3%	3%	-6 p.p.

(6) NLMK DanSteel

k t/\$ million	Q2 2020	Q1 2020	QoQ	Q2 2019	YoY	6M 2020	6M 2019	YoY
Steel product sales	122	164	-26%	137	-11%	286	283	1%
Revenue, incl.:	95	130	-27%	131	-27%	225	270	-17%
external customers	95	130	-27%	130	-27%	225	269	-16%
intersegmental operations	-	-	0%	1.0	-100%	-	1	-100%
EBITDA	(3)	6	-150%	3	-200%	3	6	-50%
EBITDA margin	-3%	5%	-8 p.p.	2%	-5 p.p.	1%	2%	-1 p.p.

(7) NBH

k t/\$ million	Q2 2020	Q1 2020	QoQ	Q2 2019	YoY	6M 2020	6M 2019	YoY
Steel product sales	468	605	-23%	618	-24%	1,073	1,130	-5%
Revenue, incl.:	308	382	-19%	448	-31%	690	844	-18%
external customers	297	370	-20%	437	-32%	667	822	-19%
intersegmental operations	11.0	12.0	-8%	11.0	0%	23	22	5%
EBITDA	(14)	(19)	-26%	(49)	-71%	(33)	(64)	-48%
EBITDA margin	-5%	-5%	0 p.p.	-11%	+6 p.p.	-5%	-8%	+3 p.p.

(8) Sales by product

k t	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Pig iron	368	292	253	54	156
Slabs	1,445	1,430	1,172	1,173	1,288
Thick plates	122	164	128	118	137
Hot-rolled steel	904	921	912	852	901
Cold-rolled steel	405	528	473	533	498
Galvanized steel	292	362	331	338	331
Pre-painted steel	96	97	113	117	100
Transformer steel	65	70	66	63	74
Dynamo steel	62	72	50	75	68
Billet	116	30	1	60	78
Long products	426	474	596	568	570
Metalware	53	65	77	65	68
TOTAL	4,352	4,505	4,172	4,015	4,268

(9) Sales by region

k t	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Russia	1,447	1,767	1,805	1,682	1,704
European Union	767	1,026	787	674	1,130
Middle East, including Turkey	553	529	556	633	409
North America	472	826	727	606	748
Central and South America	44	134	73	164	24
CIS	76	91	91	114	106
Asia and Oceania	899	23	69	21	61
Rest of World	95	110	64	122	85
TOTAL	4,352	4,507	4,172	4,015	4,268

(10) Revenue by region

Region	Q2 2020		Q1 2020		Q4 2019	
	\$ million	share	\$ million	share	\$ million	share
Russia	797	37%	1,009	41%	1,073	46%
European Union	358	16%	505	21%	377	16%
Middle East, including Turkey	250	11%	241	10%	246	11%
North America	299	14%	485	20%	408	18%
Central and South America	23	1%	70	3%	40	2%
CIS	58	3%	75	3%	88	4%
Asia and Oceania	333	15%	29	1%	54	2%
Rest of World	57	3%	43	2%	26	1%
TOTAL	2,174	100%	2,457	100%	2,312	100%

(11) EBITDA*

\$ million	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Operating income**	437	439	338	512	593
minus:					
Depreciation and amortization	(145)	(155)	(142)	(142)	(142)
EBITDA	582	594	480	654	735

* EBITDA used in NLMK's financial releases is calculated as operating profit before equity share in net losses of associates and other companies accounted for using the equity method of accounting, impairment and write-off of assets, adjusted to depreciation and amortization. EBITDA is not an indicator of operating profit, operating activity or liquidity under IFRS, and NLMK discloses it because equivalent indicators could be used by investors and analysts. That said, NLMK's EBITDA should not be viewed on a standalone basis, or in place of profit before tax, or cash flows from operations, as defined by IFRS, or as an indicator of operational efficiency, or as the sum of free cash funds that NLMK can invest into business development. NLMK's EBITDA margin and EBITDA might not be comparable to similar indicators disclosed by other companies as there are no commonly accepted rules for calculating them. For instance, NLMK's EBITDA is calculated similar to what is termed as 'Adjusted EBITDA' in other companies, as NLMK's EBITDA excludes other profit/loss items in addition to interest payments, income tax, depreciation and amortization.

** Operating profit before equity share in net losses of associates and other companies accounted for using the equity method of accounting, impairment and write-off of assets

(12) Free cash flow

\$ million	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Net cash provided operating activities	549	617	710	568	494
Interest paid	(28)	(2)	(22)	(4)	(12)
Interest received	2	4	9	1	3
Advance VAT payments on imported equipment	-	-	-	-	-
Capex	(219)	(288)	(359)	(316)	(227)
Free Cash Flow	304	331	338	249	258

(13) Net debt

\$ million	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Short-term borrowings	1,219	1,678	468	389	544
Long-term borrowings	2,139	1,799	2,188	2,288	2,257
Cash and cash equivalents	(1,121)	(1,456)	(713)	(421)	(1,142)
Short-term deposits	(407)	(251)	(157)	(520)	(368)
Net debt	1,830	1,770	1,786	1,736	1,291

(14) Production of main products

k t	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Crude steel, incl.:	3,809	4,171	3,749	3,714	3,940
Steel Segment	3,145	3,325	2,977	2,818	2,952
Long products Segment, incl.:	610	659	603	719	802
NLMK-Kaluga	272	256	215	256	349
Foreign Rolled Products Segment	53	188	169	176	185
Finished products, incl.:	2,467	2,852	2,642	2,725	2,784
Flat steel	1,978	2,240	2,058	2,071	2,129
Long steel	489	612	584	653	655
Coke (6% moisture), incl.:	1,530	1,540	1,487	1,418	1,417
Novolipetsk	643	645	652	655	644
Altai-Koks	887	895	834	762	774

(15) Slab sales, including intra-group sales to NLMK Group companies

k t	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Sales to 3rd parties, incl.:	973	696	648	743	579
Export	796	406	473	532	314
Sales to subsidiaries & associates	598	970	851	550	933
Sales to NBH	472	734	523	430	709
TOTAL	1,571	1,665	1,499	1,292	1,512

(16) Export shipments of steel products from Russian assets of the Group to third party consumers

k t	Q2 2020	Q1 2020	QoQ	Q2 2019	YoY	6M 2020	6M 2019	YoY
Semi-finished products	1,280	728	76%	540	2.4x	2,008	1,706	18%
Pig iron	368	292	26%	156	2.4x	659	203	3.2x
Slabs	796	406	96%	314	2.5x	1,203	1,264	-5%
Billets	116	30	3.8x	70	66%	146	238	-39%
Flat products	591	438	35%	490	21%	1,029	1,125	-9%
HRC	352	148	2.4x	208	69%	500	520	-4%
CRC	135	159	-15%	158	-15%	294	345	-15%
HDG	8	17	-54%	8	-1%	24	36	-33%
Coated	0	0	14%	2	-74%	1	3	-72%
Dynamo	42	54	-23%	51	-18%	95	96	0%
Transformer	55	60	-9%	64	-14%	115	126	-9%
Long products	110	135	-19%	104	6%	245	278	-12%
Total	1,981	1,302	52%	1,134	75%	3,282	3,109	6%



(17) Segmental information

Q2 2020					NLMK DanSteel and Plates Distribution Network	Investments in NBH	Totals	Intersegmental operations and balances	NBH deconsoli- dation	Consolidated
\$ million	Russian Flat Steel	Russian Long Products	Mining	NLMK USA						
Revenue from external customers	1,384	251	24	238	95	297	2,289	-	(115)	2,174
Intersegment revenue	240	75	312	-	-	11	638	(627)	(11)	-
Gross profit	455	34	245	1	9	15	759	26	(26)	759
Operating income/(loss)	213	(1)	221	(11)	(6)	(28)	388	32	17	437
Income / (loss) before minority interest	355	(7)	178	(11)	(7)	(30)	478	(275)	(126)	77
Segment assets including goodwill	7,196	922	1,661	724	368	1,385	12,256	(983)	(1,143)	10,130

Balance figures presented as of 30.06.2020

Q1 2020					NLMK DanSteel and Plates Distribution Network	Investments in NBH	Totals	Intersegmental operations and balances	NBH deconsoli- dation	Consolidated
\$ million	Russian Flat Steel	Russian Long Products	Mining	NLMK USA						
Revenue from external customers	1,376	260	10	377	130	370	2,523	-	(66)	2,457
Intersegment revenue	412	56	302	-	-	12	782	(770)	(12)	-
Gross profit	492	36	219	(14)	20	14	767	15	(28)	754
Operating income/(loss)	258	2	199	(37)	3	(33)	392	28	19	439
Income / (loss) before minority interest	190	(5)	160	(38)	2	(34)	275	25	(11)	289
Segment assets including goodwill	6,808	865	1,576	828	391	1,376	11,844	(1,070)	(1,080)	9,694

Balance figures presented as of 31.03.2020