

# Q1'21 IFRS Results



22 April 2021

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- **Market review**
- **Operating highlights**
  - Q1'21 Financials
  - Business divisions results

**Grigory  
Fedorishin**  
CEO



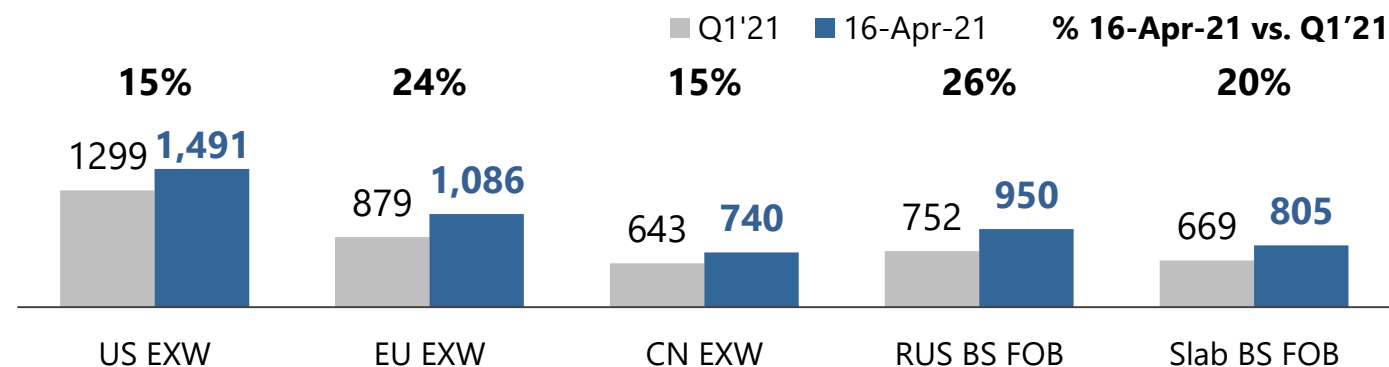


**Persistently tight markets provided further support to steel prices until early April; first signs of stabilization emerge**

- **In China**, steel prices rose in Q1'21 as construction entered peak season and manufacturing remained strong; in early March, growth rate accelerated amid market concerns re production cuts in Tangshan
- **In the EU and the US**, supply/demand misbalance driven price growth continues
- **In Russia**, HRC and slab export prices rose 35% qoq during Q1'21 following positive price trends in key export markets (Turkey, Europe)

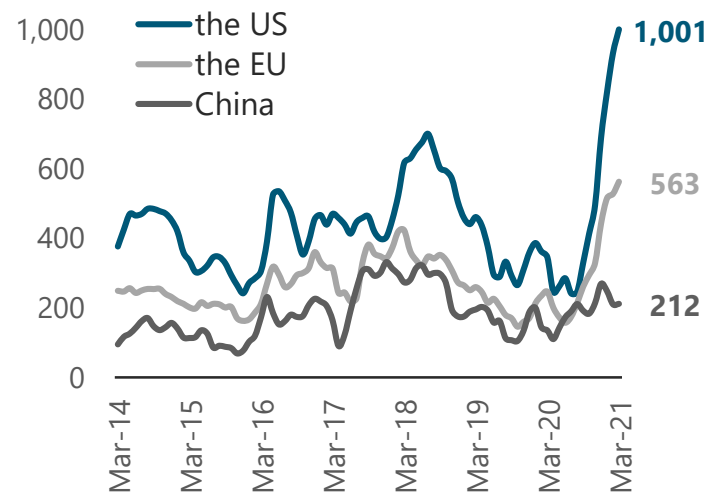
**In Q1'21, steel mills' profitability reached multi-year highs as sharp increase in steel prices offset strengthened iron ore and coking coal prices**

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



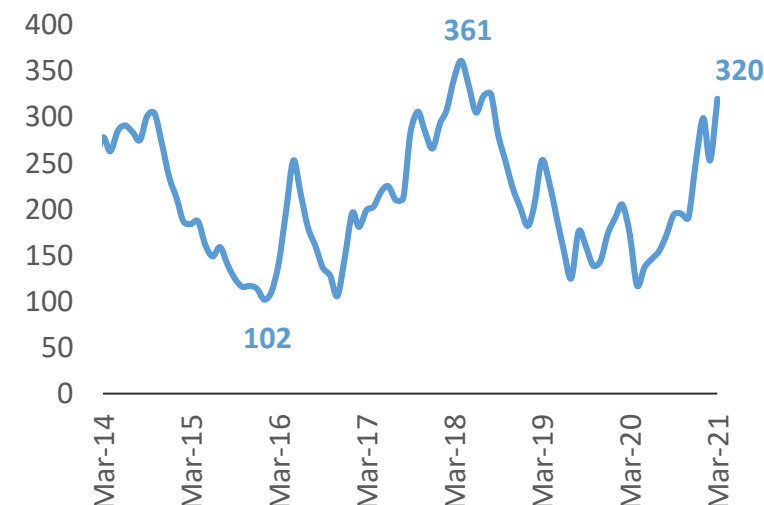
Source: Bloomberg, excl. VAT. Quoted prices can be different from NLMK's realized prices

GROSS PROFIT PER TONNE OF HRC, \$/t



Source: SBB, CRU; Gross profit calculated as domestic HRC price less key raw material costs (iron ore, coal, metallics, and ferroalloys)

SLAB BS FOB / 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

## Business activity in Q1'21 remained strong in all key regions

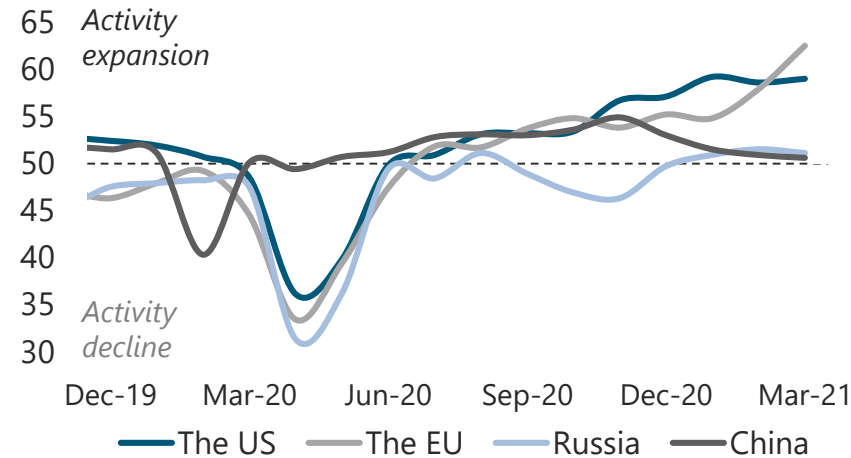
### Steel demand trends vary across geographies

- In the US, demand grew qoq in Q1'21 driven by a sharp increase in imports, supported by record high prices due to a local supply shortage
- In the EU, demand growth was capped by slow automotive market recovery
- After abnormally strong Q4'20, consumption in Russia and China was lower qoq partially due to seasonality

### Iron ore prices remained strong supported by seasonal scrap shortage and solid demand from Chinese mills

Australian HCC prices remained volatile but were up qoq driven by robust demand from key importers while prices in China continued to rise moderately due to import ban and supply disruptions in Mongolia

## MANUFACTURING PMI



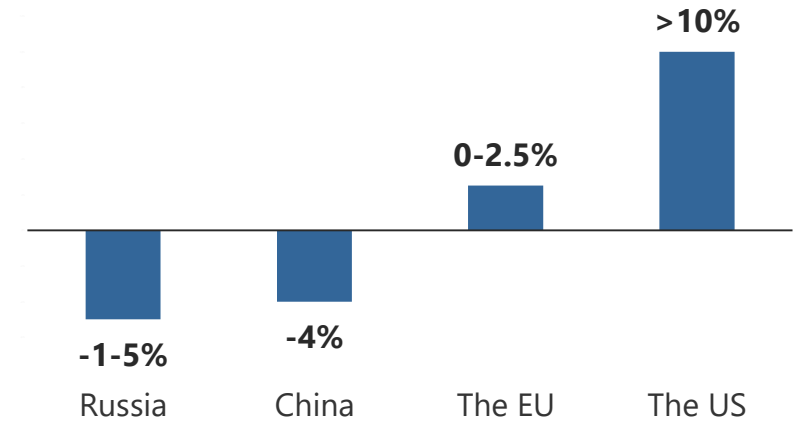
Source: Bloomberg

## IRON ORE AND SCRAP PRICE



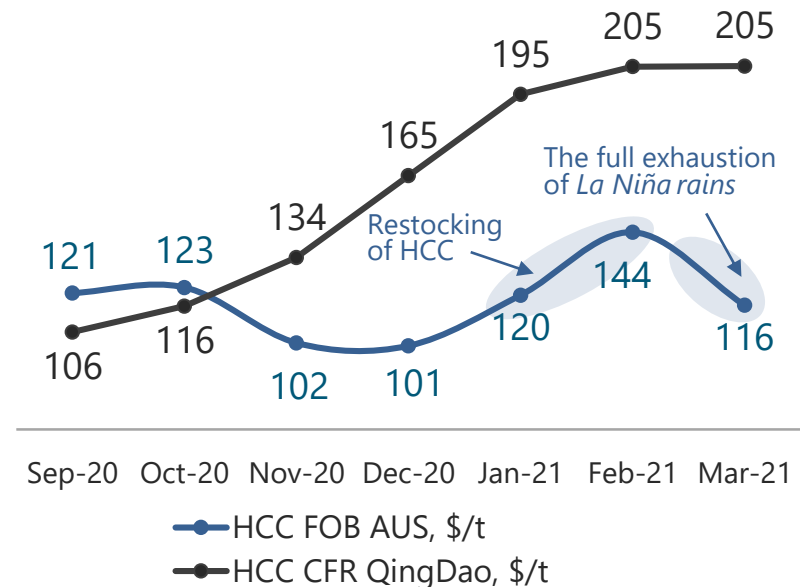
Source: Bloomberg, \*consensus estimates

## STEEL DEMAND IN KEY REGIONS, Q1'21, QoQ



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

## HCC PRICES



**Steel output increased by 12% qoq to 4.4 m t following completion of steelmaking modernization at NLMK Lipetsk site in Q4'20**

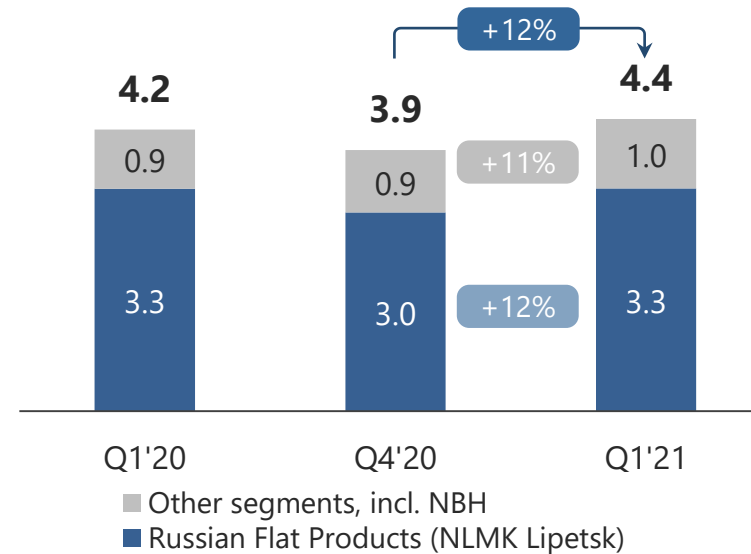
**Shipments decreased by 7% qoq to 3.9 m t**

- Lower pig iron sales amid one-off repairs at NLMK Lipetsk BF operations
- Inventories build up following recovery of slab shipments to NLMK USA (will be processed into finished products and sold in Q2'21)
- Higher sales of semis to NLMK USA reduced sales to external customers

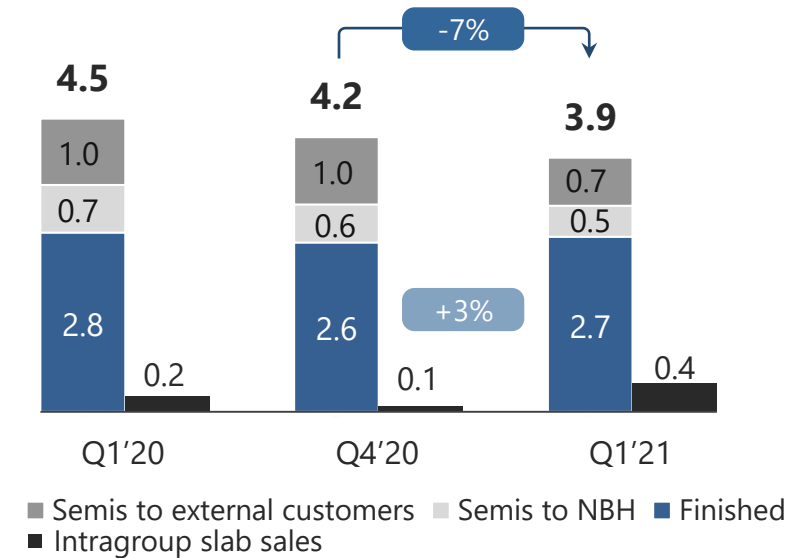
**Accumulated stocks should be recognized in Q2'21 sales**

**Greater finished steel sales on the back of increased demand for rebar and plate**

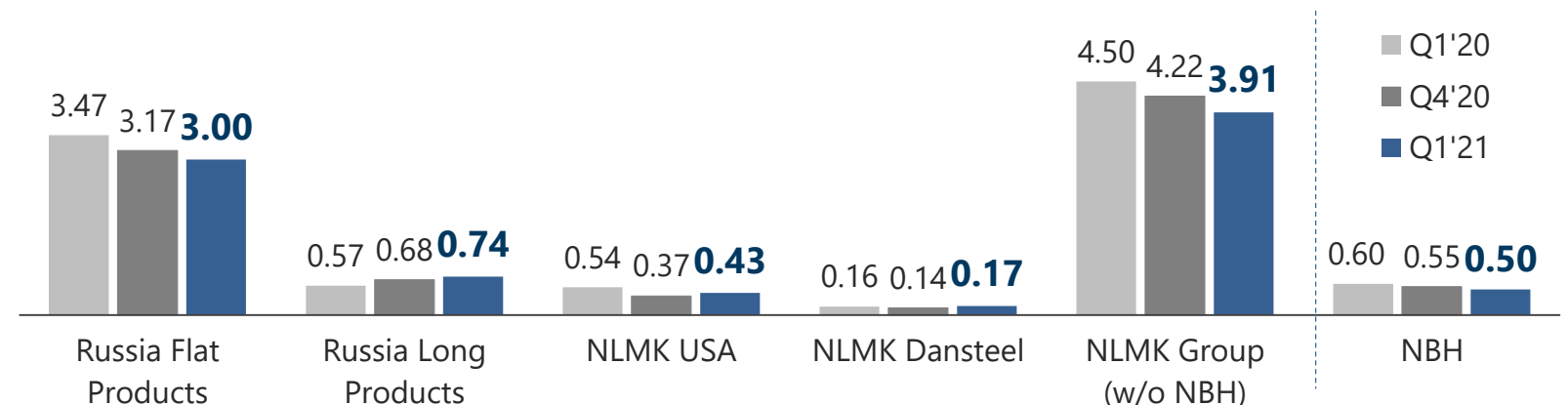
**POST-OVERHAUL INCREASE IN STEEL OUTPUT**



**HIGHER FINISHED PRODUCTS SALES**



**Q1'21: LOWER SALES IN RUSSIA FLAT PRODUCTS WERE PARTIALLY OFFSET BY OTHER SEGMENTS**



### MARKETS

**The US:** prices are expected to remain elevated on the back of scheduled maintenance works at several local mills in Q2'21, keeping supply tight as demand remains robust

**The EU:** market conditions to stay strong following ongoing recovery in key steel consuming segments coupled with a decade-low stocks and lead times extending into Q3'21

**Russia:** domestic HRC prices supported by seasonal demand growth should gradually catch up with export benchmarks

**China:** solid domestic consumption dynamics coupled with a nationwide decline in crude steel production and lower-than-usual inventory levels, could lead to decline in finished steel exports with potential further advance in local prices

### RESULTS OUTLOOK

Completion of a modernization of upstream capacities at the Lipetsk site, seasonal recovery of demand on the Russian market, sales of stocks accumulated in Q1'21 and the high level of prices for steel products would have a positive impact on the Group's financial results



- Market review
- Operating highlights
- **Q1'21 Financials**
- Business divisions results



**Shamil  
Kurmashov**  
CFO



**Revenue increased by 20% qoq to \$2.9 bn amid stronger prices**

**EBITDA expanded by 31% qoq to \$1.2 bn on improved price spreads**

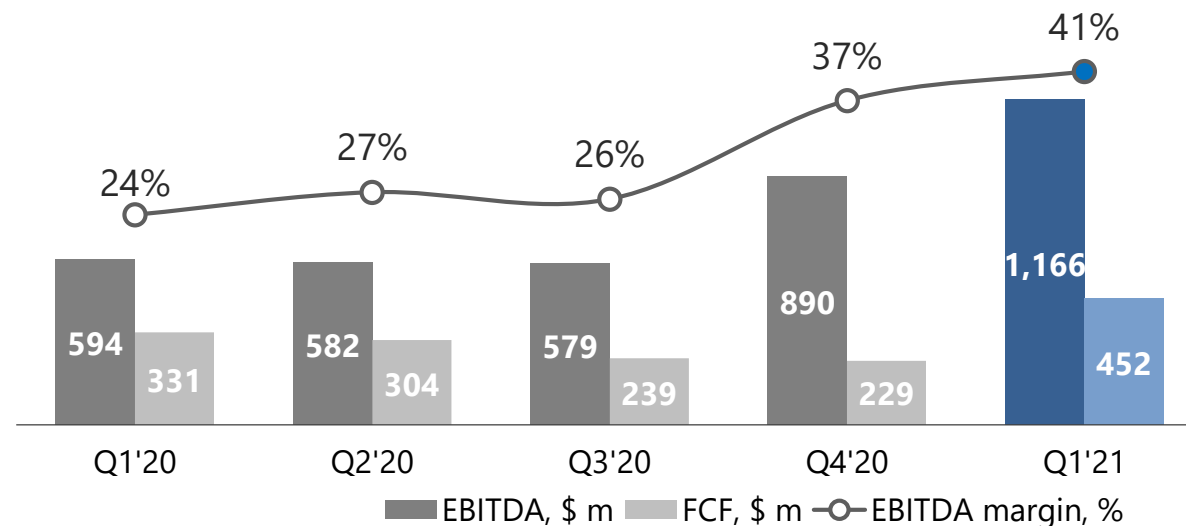
**EBITDA margin reached 41%**

- Revenue: \$2,867 m (+20% qoq, +17% yoy)
- EBITDA: \$1,166 m (+31% qoq, +96% yoy)
- EBITDA margin: 41% (+4 p.p. qoq, +17 p.p. yoy)
- FCF: \$452 m (+97% qoq; 37% yoy)

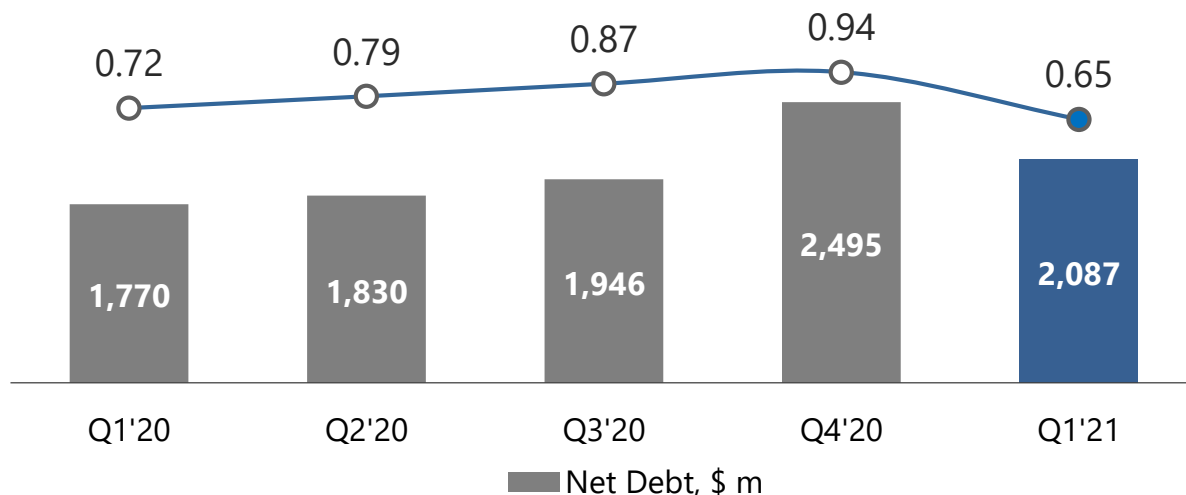
**Net debt-to-EBITDA\* ratio fell to 0.65x**

- Net debt decreased by 16% qoq to \$2.1 bn on higher FCF

## FCF, EBITDA AND MARGIN DYNAMICS



## LEVERAGE DYNAMICS



\* For detailed information and calculations for this indicator please refer to the Appendix of NLMK Group Q1 2021 IFRS Financial Results press release

Note: the data on the slide are represented without NBH

## Russian Flat products: EBITDA expanded to \$772 m

- (+) Increased price spreads

## Russian Long products: EBITDA grew to \$90 m

- (+) Improved spreads
- (+) Higher sales volumes

## NLMK USA: EBITDA totaled \$65 m

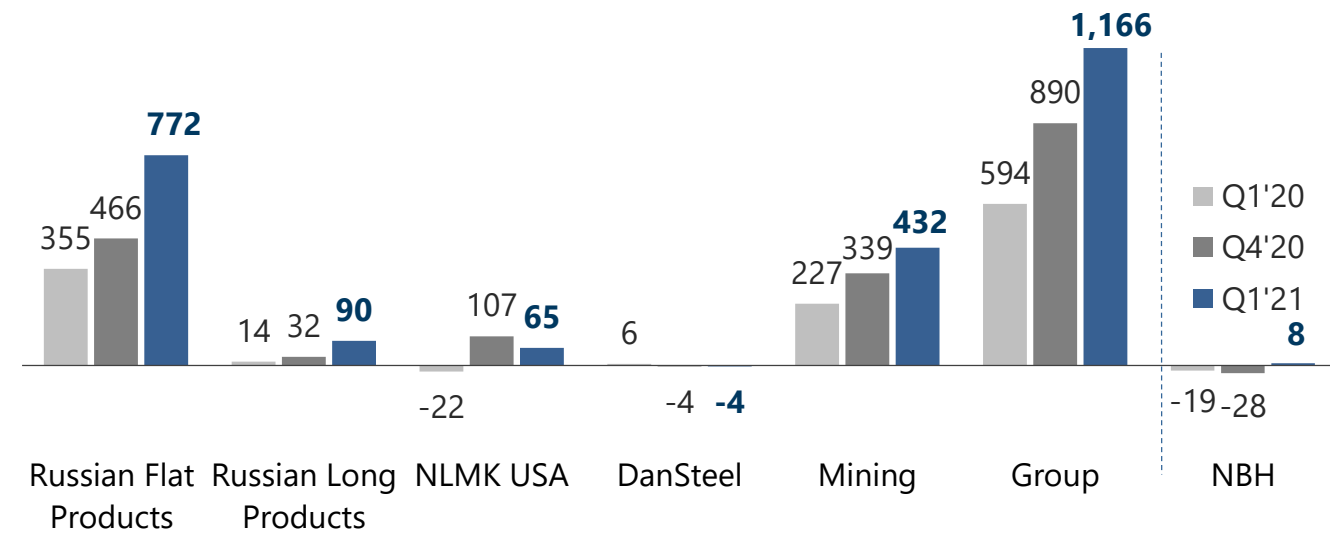
- (-) High base of Q4'20 due to accrual of a \$97 m compensation in line with the settlement agreement with the US DoC
- (+) Improved price spreads between rolled products and feedstock

## Mining: EBITDA increased to \$432 m

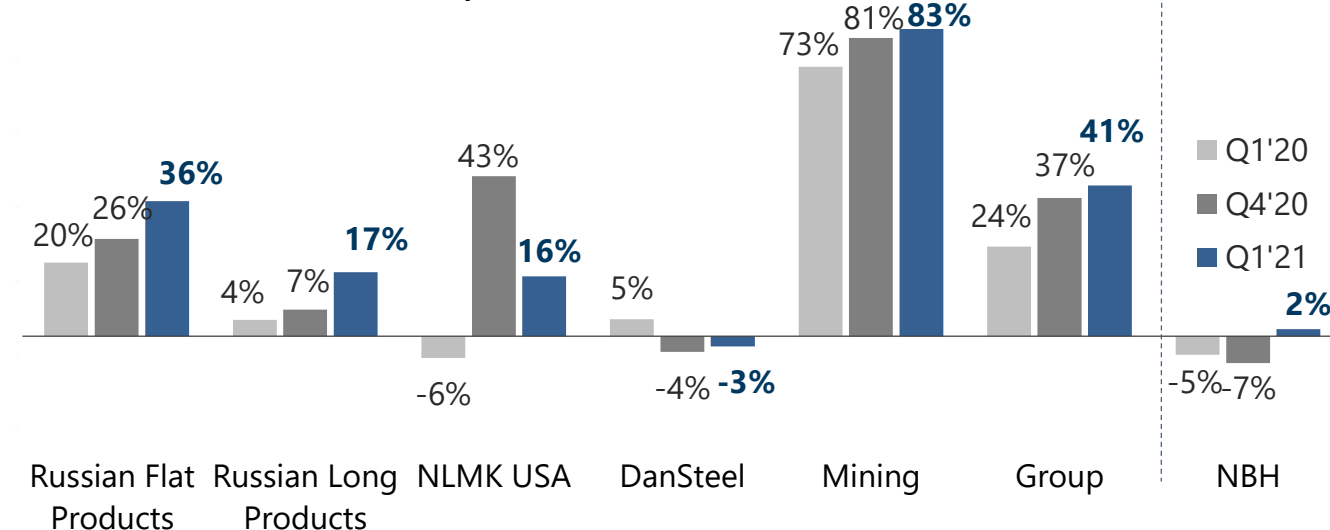
- (+) Increased iron ore prices
- (+) Gains from investment projects

## NBH: EBITDA improved to \$8 m due to the expansion of spreads in the EU Strip segment

EBITDA BY DIVISION, \$ m



EBITDA MARGIN BY DIVISION, %





## Working capital build-up amounted to \$289 m

- (-) \$304 m: increase in receivables due to higher prices for steel products, higher sales in the Russian market and the low base effect of the 2020 year-end (accelerated settlement with buyers amid high demand)
- (-) \$115 m: increased raw material costs and elevated inventories of finished products amid rising prices
- (+) \$127 m: increase in payables due to higher coal prices

## Capex in Q1'21 decreased to \$232 m (-15% qoq) following seasonal slowdown of investment activity

## FCF increased two-fold qoq to \$452 m

### Q1'21 FCF BRIDGE, \$ m

<b>EBITDA</b>	<b>1,166</b>
Net working capital change	-289
Other non-cash items	-9
Income tax	-177
<b>NET OCF</b>	<b>691</b>
Net interest	-7
Cash capex	-225
Capitalized interest	-7
<b>FCF</b>	<b>452</b>

## Total debt decreased by 16% qoq to \$2.9 bn

- Scheduled repayment of working capital lines

## Net debt / 12M EBITDA stood at 0.65x

- Net debt down 16% qoq to \$2.1 bn
- Liquidity of \$0.8 bn matches ST debt
- c. \$1.9 bn is available through undrawn credit lines

## Working capital lines maturing in 2021 to be repaid or refinanced:

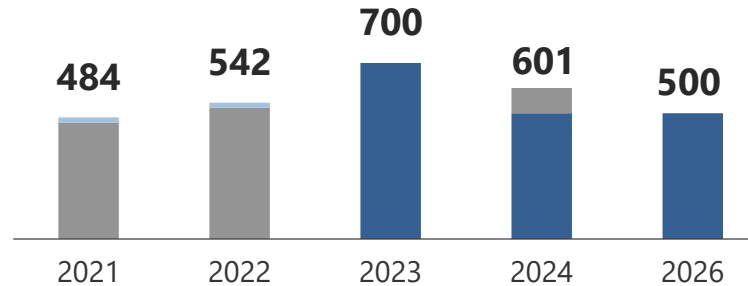
- 40% will be repaid
- 60% will be refinanced

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

## Average cost of debt stood at 3.1%

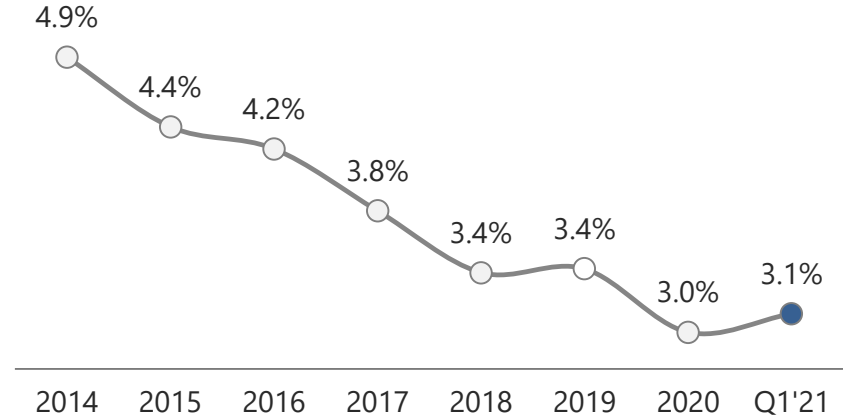
### DEBT\* MATURITY, \$ m

■ Working capital lines ■ ECA lines ■ Eurobonds

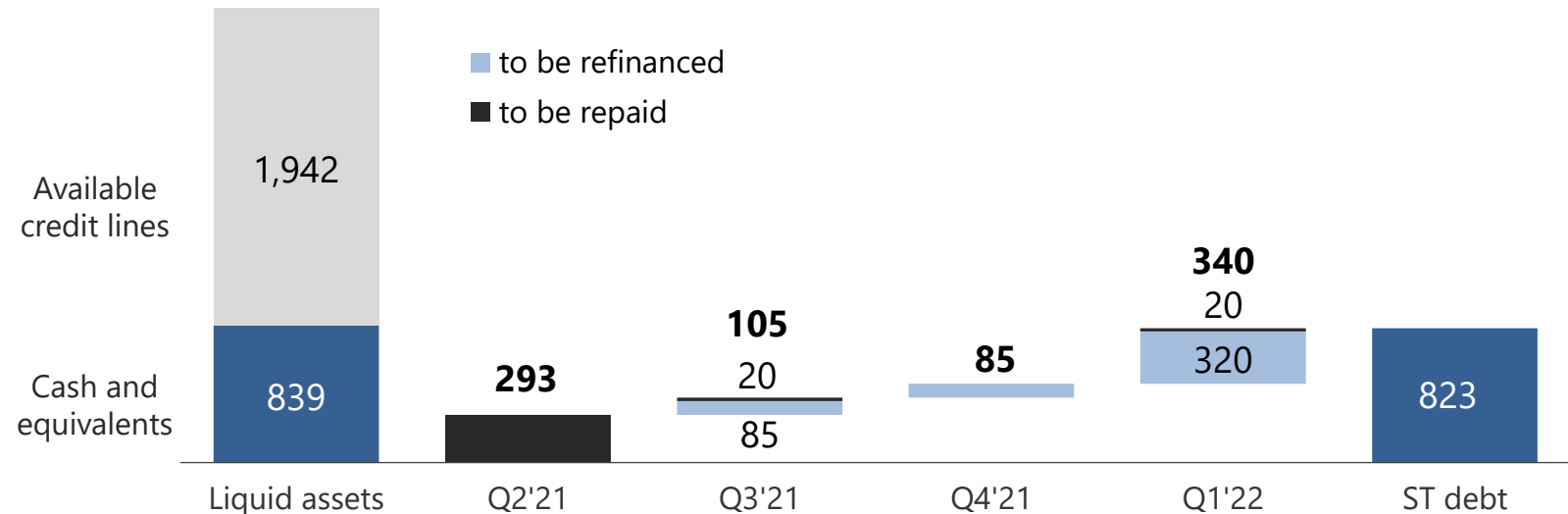


\* Excluding interest payments

### COST OF DEBT REMAINS LOW, %



### LIQUIDITY AND SHORT-TERM DEBT, \$ m



Note: the data on the slide are represented without NBH



- Market review
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**Shipments went down 6% qoq to 3 m t with stocks accumulated in the Black Sea ports due to bad weather conditions as well as reduced pig iron shipments on the back of one-off BF repairs**

- (-) Semis sales to 3<sup>rd</sup> parties were 33% lower qoq
- (+) Semis deliveries to captive assets grew by 25% due to sales to NLMK USA
- (-) Finished steel shipments decreased by 4% qoq driven by a higher share of export sales with longer sales recognition periods

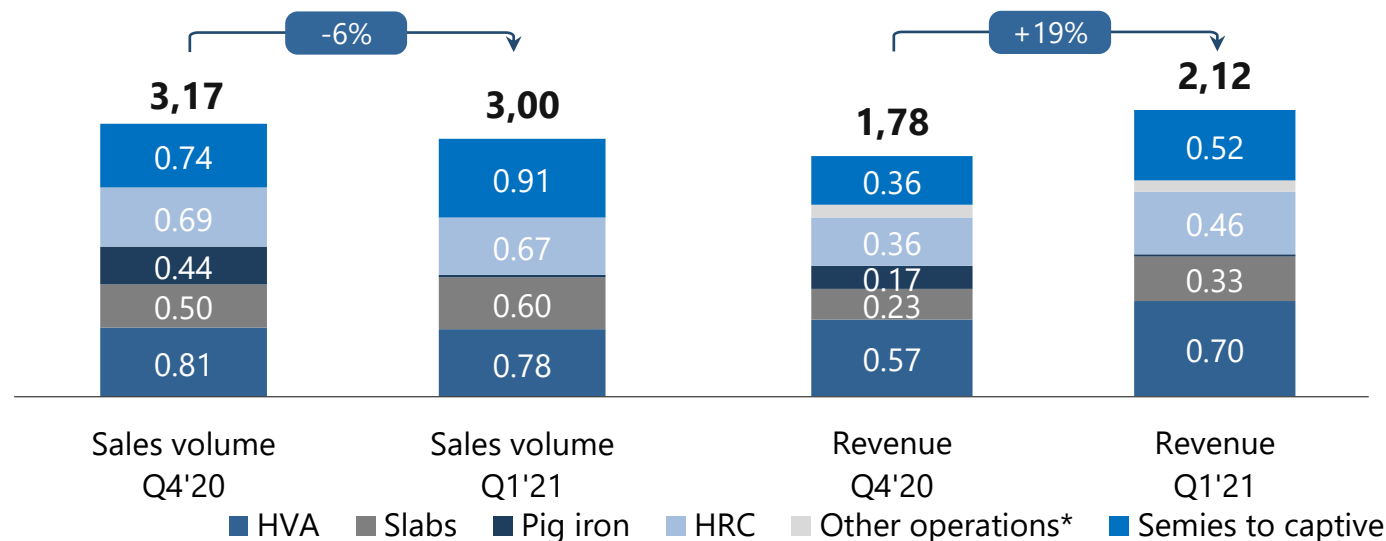
**Revenue expanded to \$2.1 bn (+19% qoq)**

- (+) Higher prices

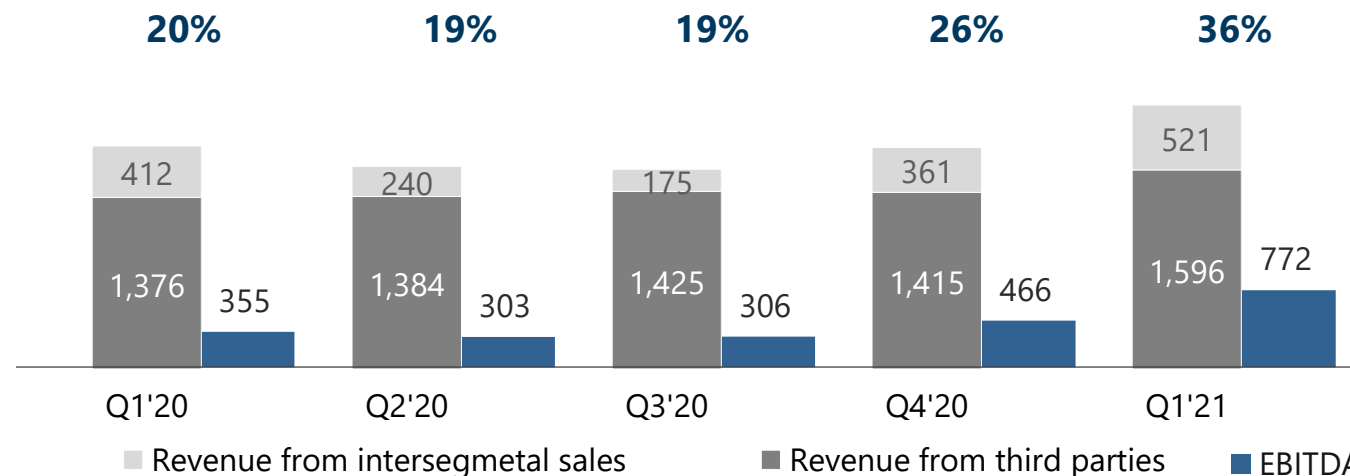
**EBITDA grew by 66% qoq to \$772 m**

- (+) Wider price spreads

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



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



\*Revenue from the sale of other products and services



## Shipments increased to 0.74 m t (+8% qoq)

- (+) Completion of routine repairs in Q4'20
- (+) Strong demand for rebar in Russian market

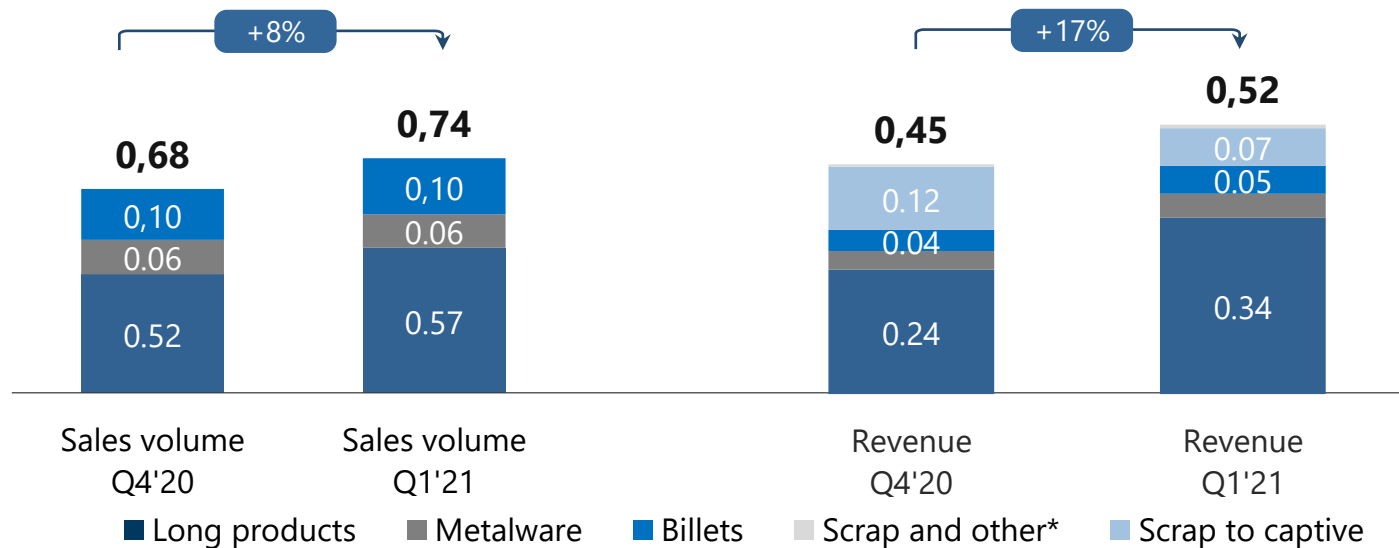
## Revenue went up by 17% qoq

- (+) Prices grew
- (+) Shipments increased

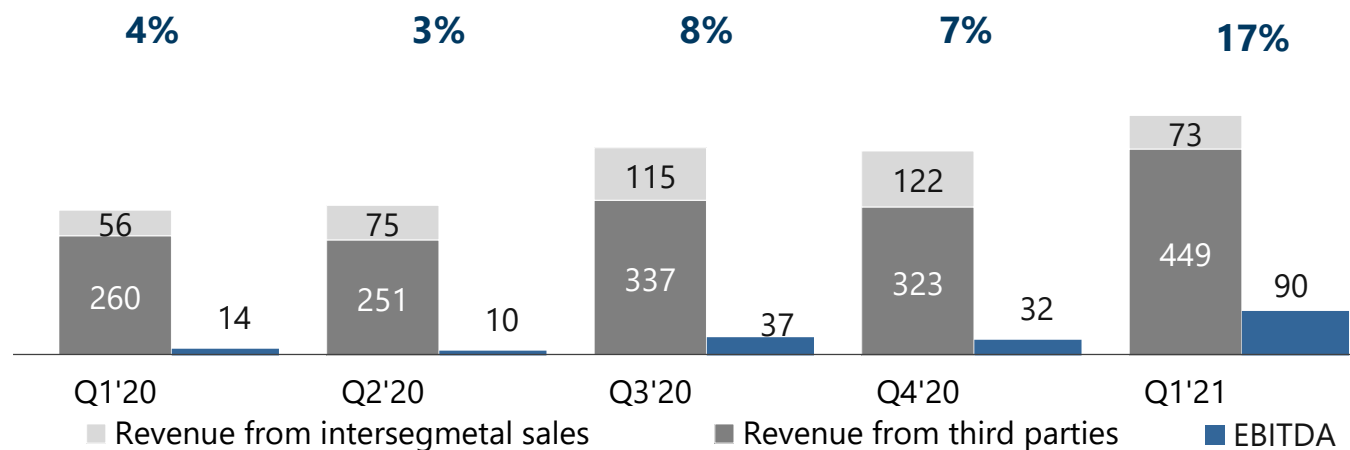
## EBITDA grew to \$90 m (3x qoq)

- (+) Price spreads widened
- (+) Shipments increased

### 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

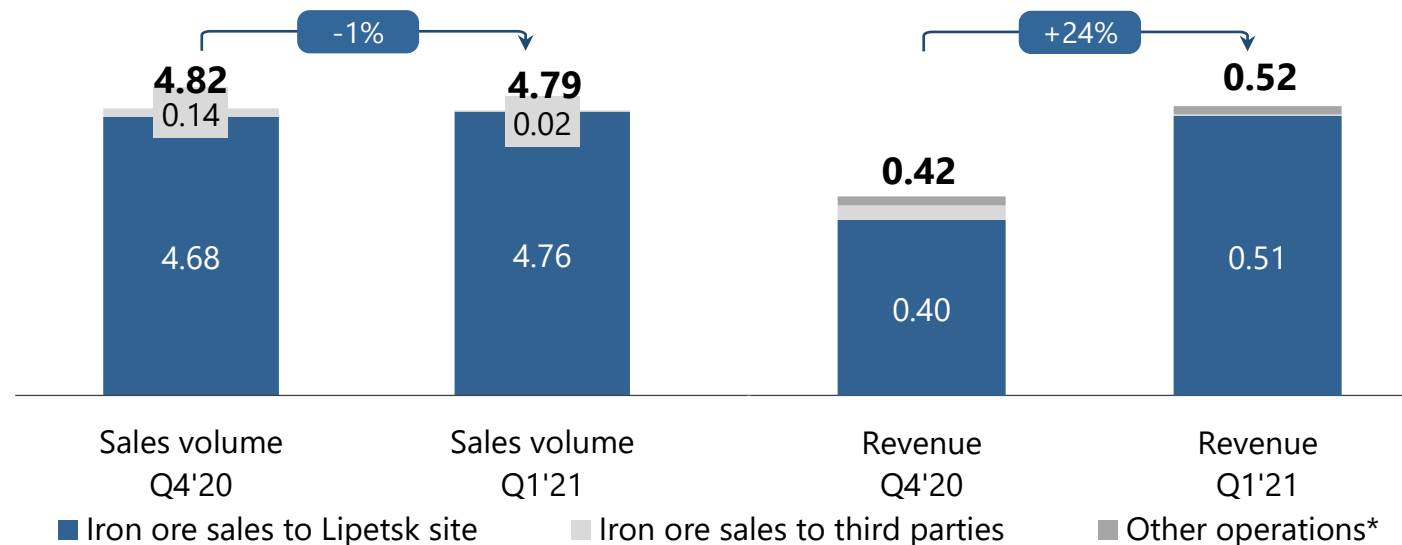
**Deliveries decreased to 4.79 m t (-1% qoq) due to planned maintenance works**

**Revenue grew by 24% qoq to \$0.52 bn supported by higher iron ore and pellet prices**

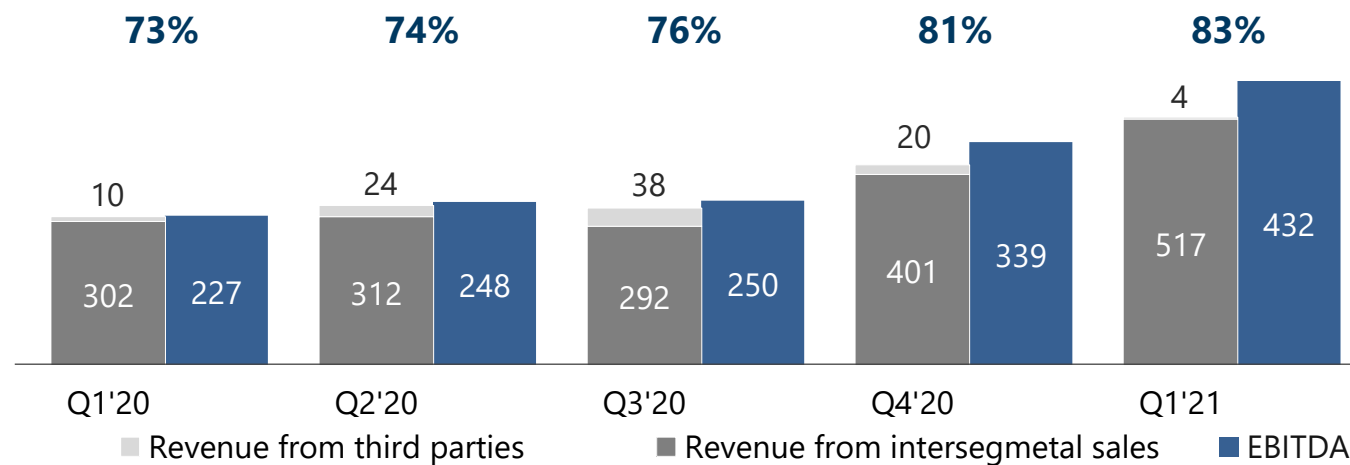
**EBITDA increased to \$432 m (+27% qoq) on higher prices**

**EBITDA margin rose to 83% (+2 p.p. qoq)**

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



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



\* Other operations include limestone, dolomite and other sales

### Shipments rose to 0.4 m t (+16% qoq)

- (+) Higher sales of HRC and HDG on strong demand across key customers
- (+) End of the strike at NLMK Pennsylvania

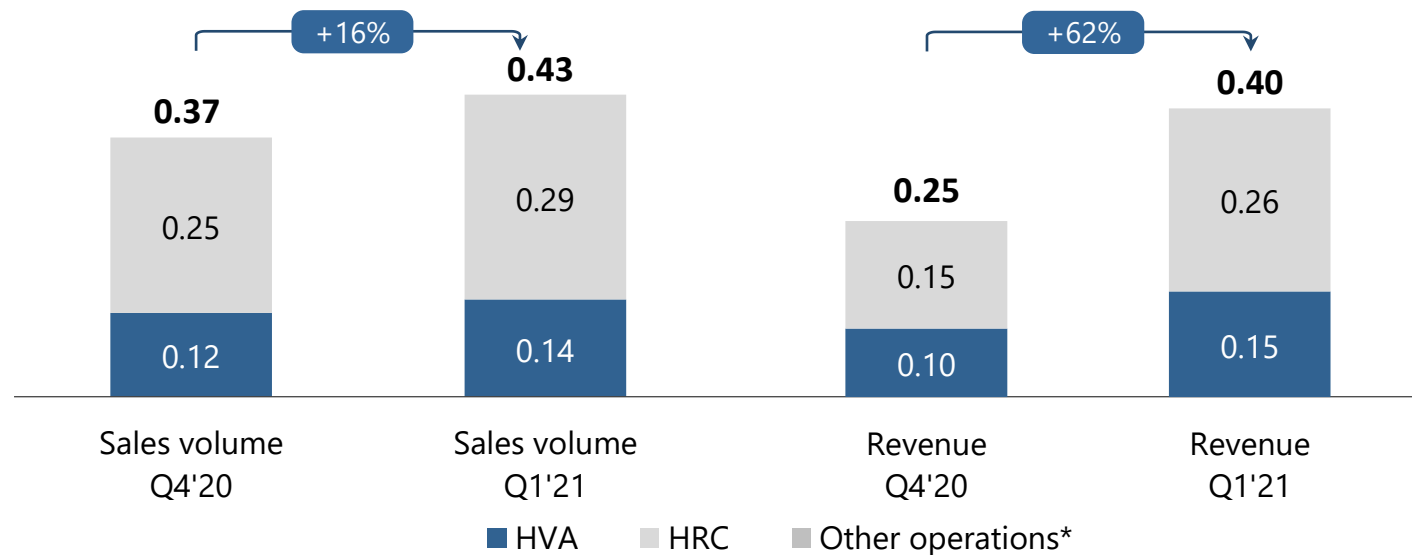
### Revenue recovered to 0.4 bn (+62% qoq)

- (+) Increased prices
- (+) Shipments growth

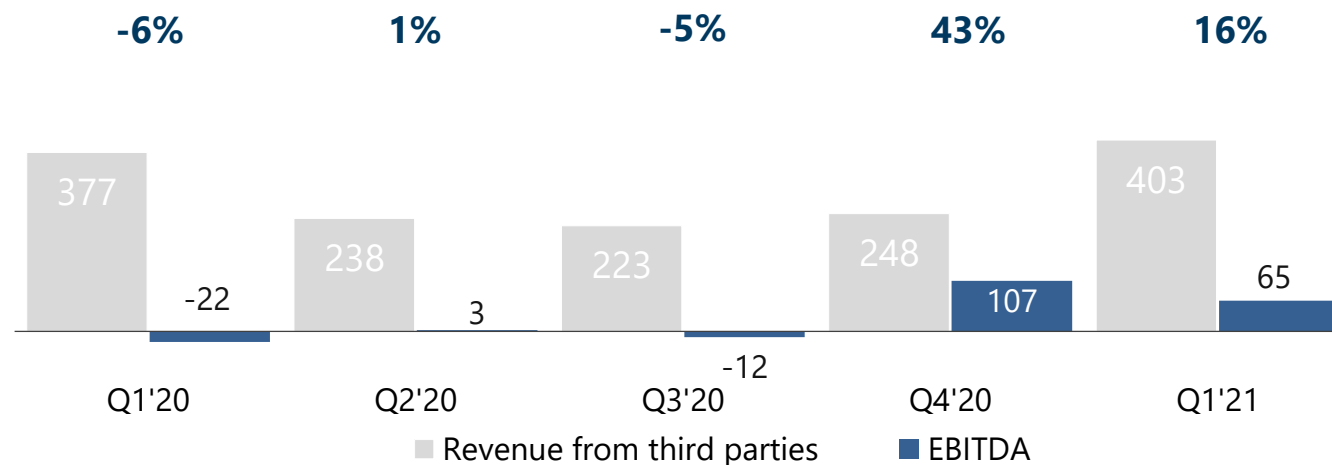
### EBITDA amounted to \$65 m

- (+) Wider price spreads to slabs and scrap
- (-) High base of the previous quarter, when a \$97 m compensation was accrued in line with the settlement agreement resolving NLMK's lawsuit on the exclusion of slabs from import tariffs

#### 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 23% qoq to 0.17 m t

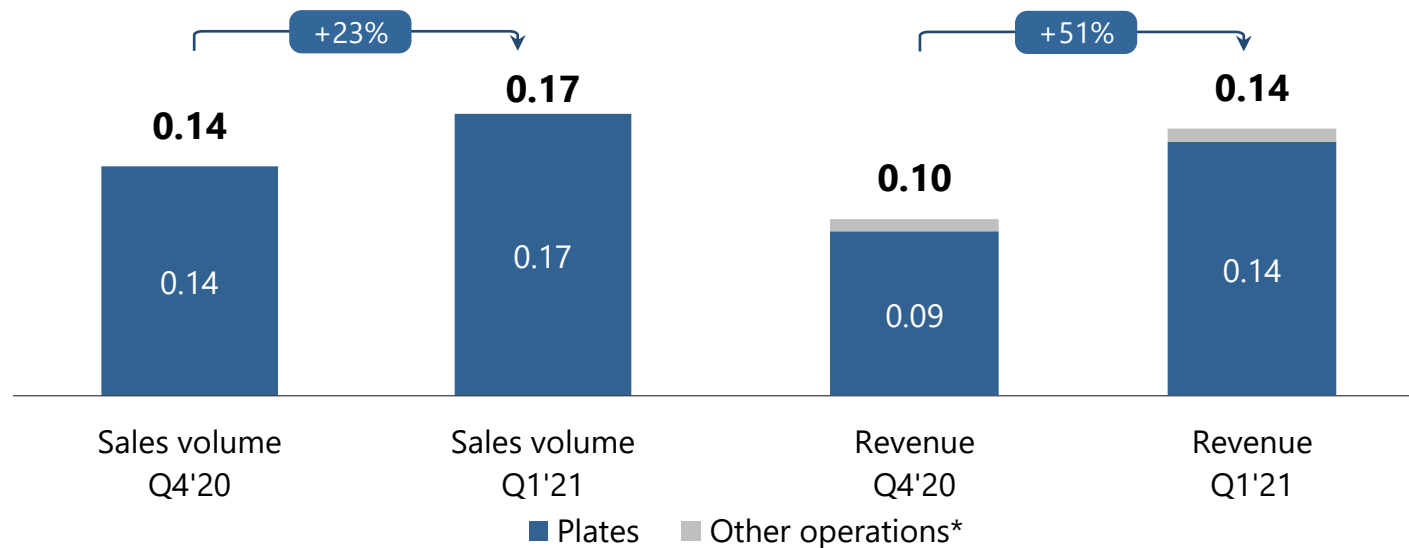
- (+) Improved demand from the wind energy and transport machine building sectors

## Revenue rose to \$0.14 bn (+51% qoq) following higher sales and prices growth

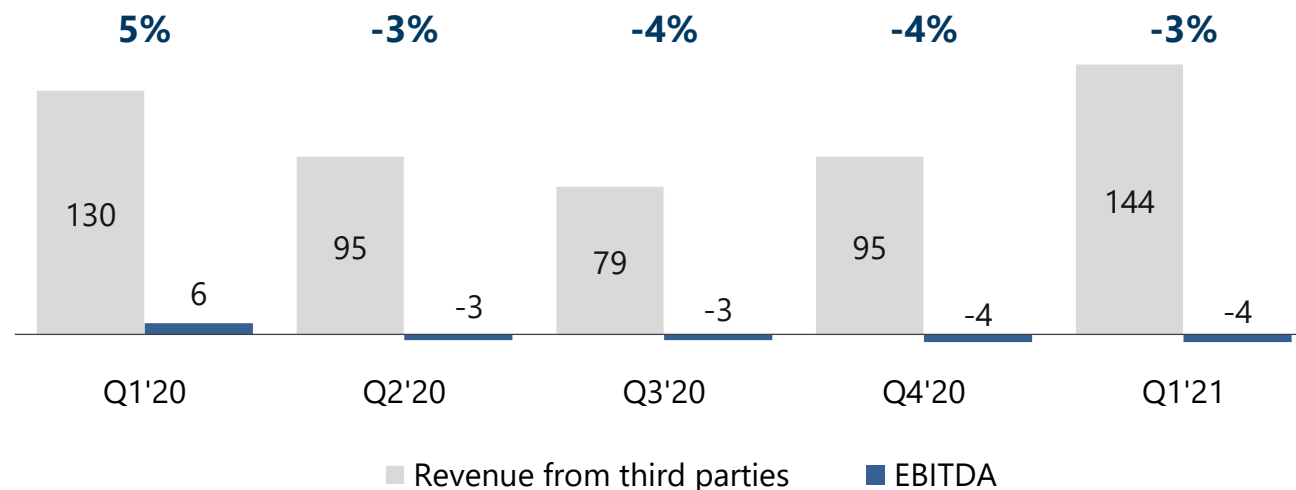
## EBITDA stood at -\$4 m

- (-) Slab prices growth offset higher prices for plates

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



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



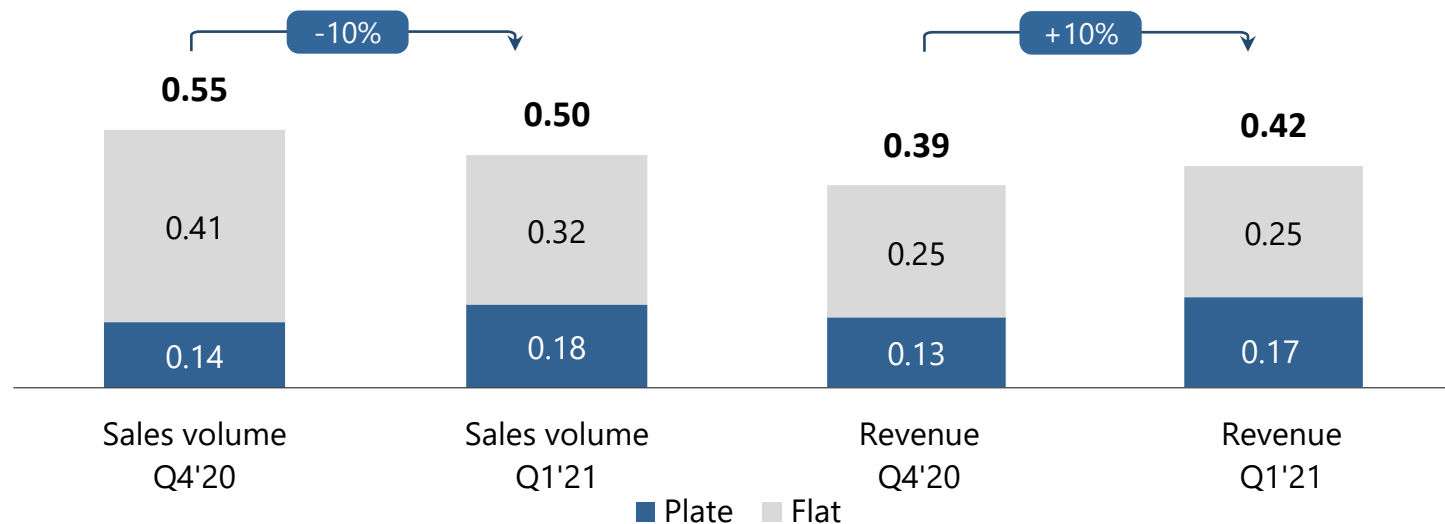
\* Revenue from the sale of scrap, other products and services

Shipments went down by 10% qoq to 0.5 m t due to the planned stop for the modernization of NLMK La Louvière hot strip mill (Strategy 2022 project)

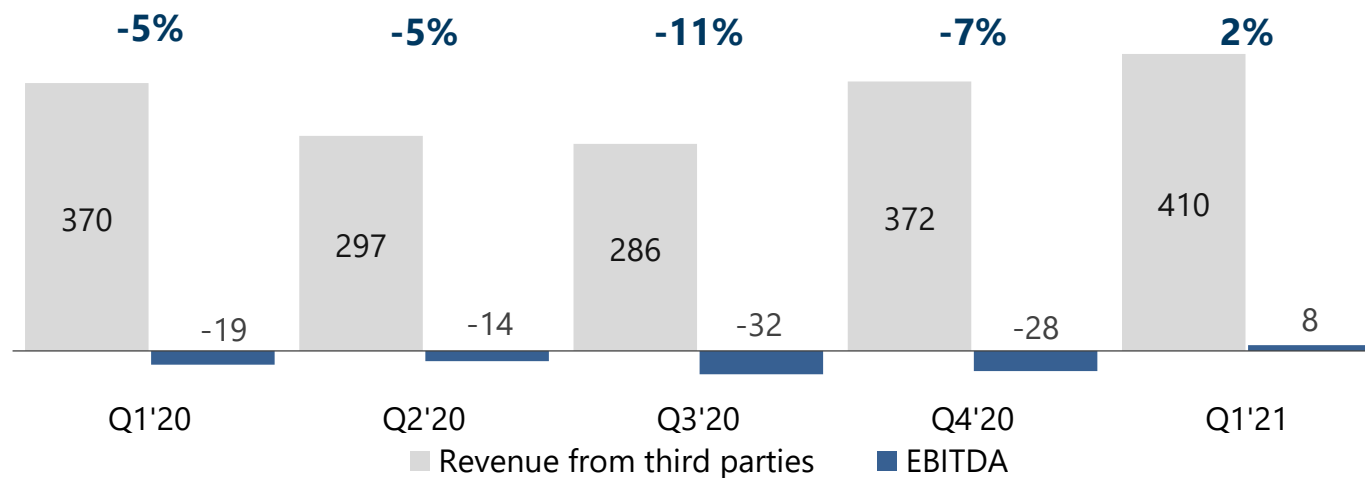
Revenue increased by 10% to \$0.42 bn following flat steel prices recovery on the EU market

EBITDA grew to \$8 m due to widening price spreads

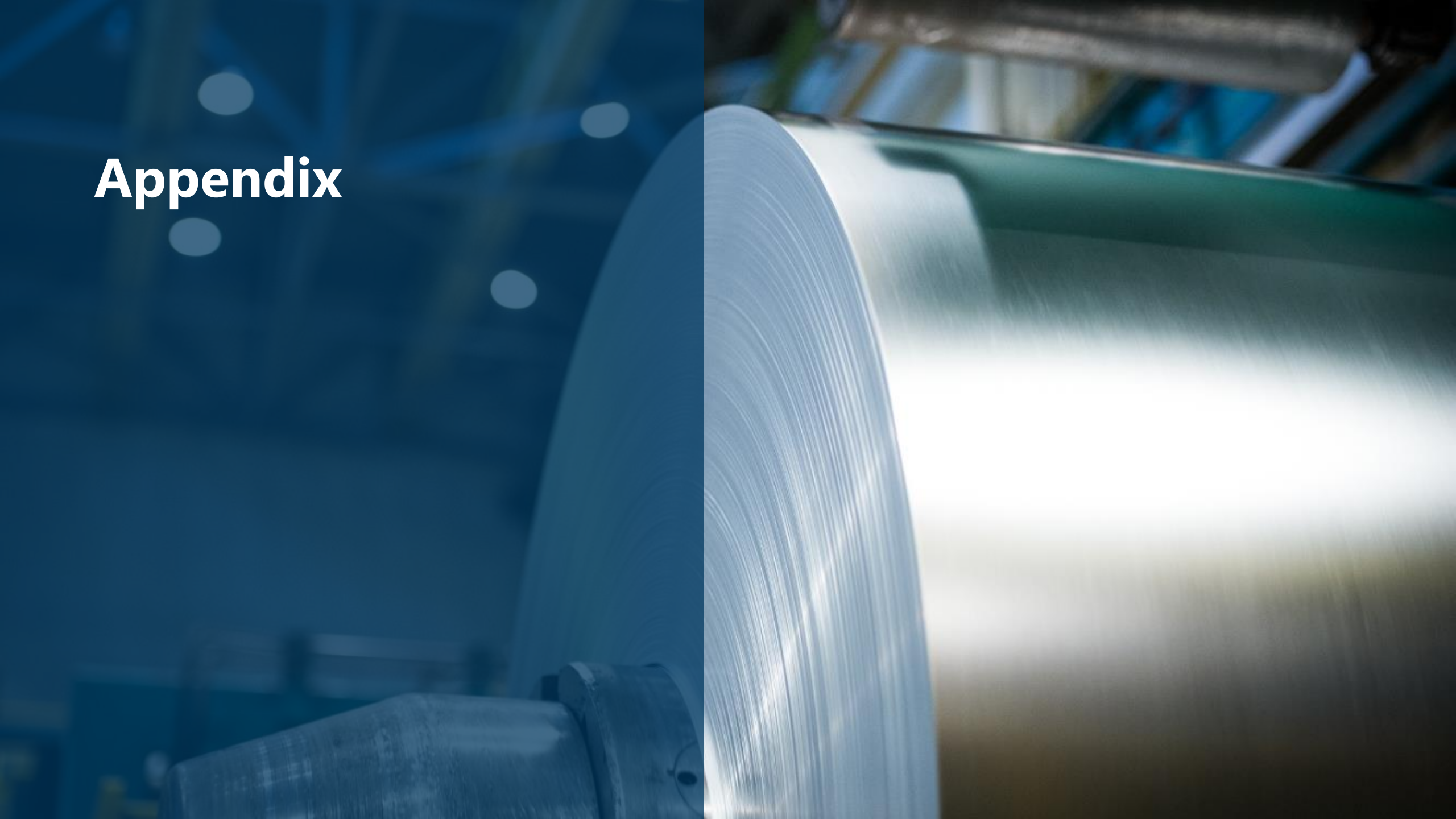
STEEL SHIPMENTS (m t) AND REVENUE (\$ bn)



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

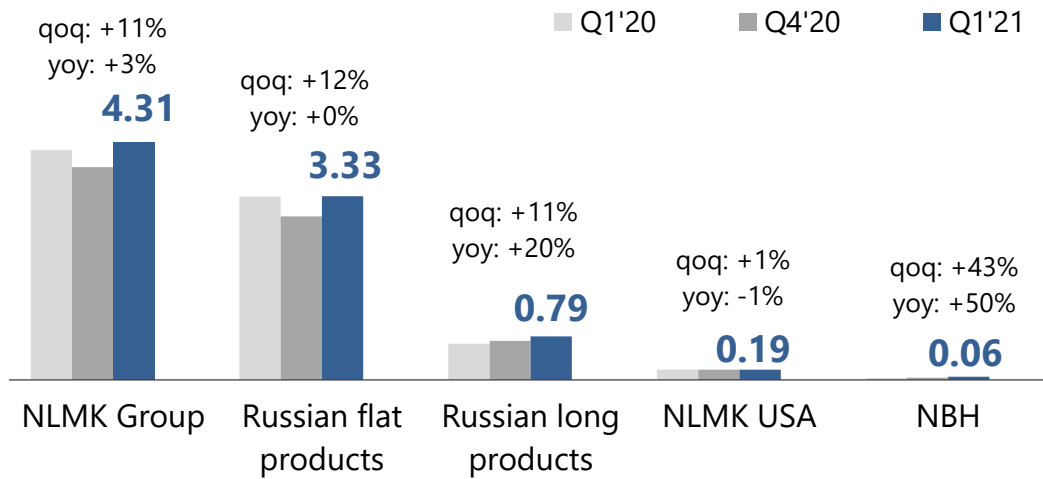


# Appendix

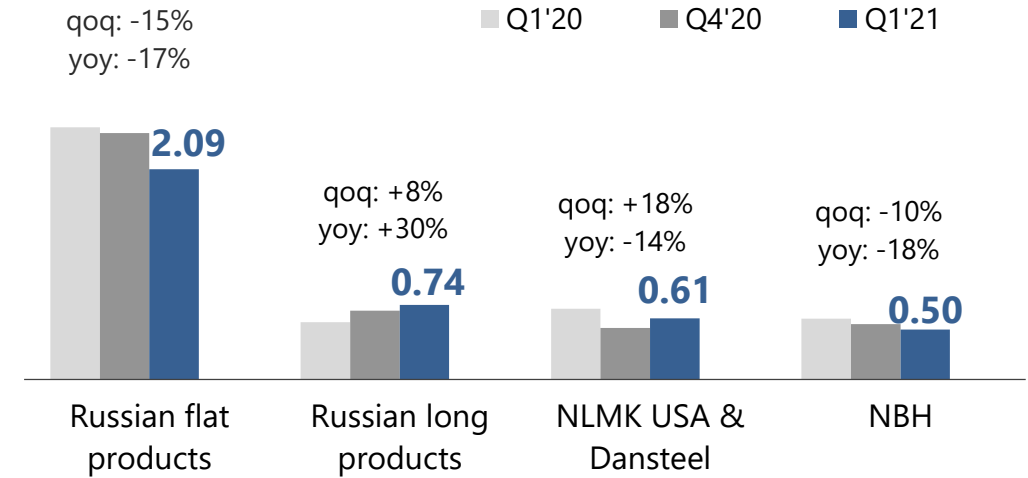




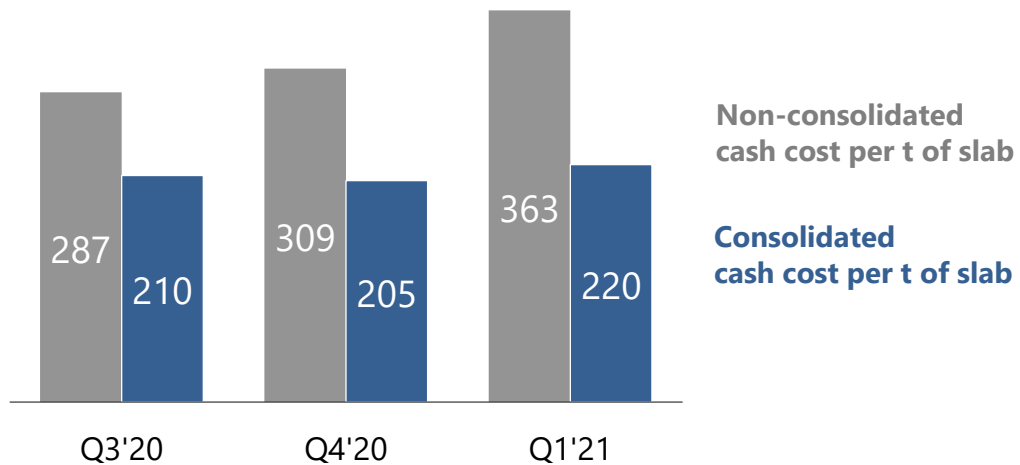
## STEEL PRODUCTION, m t



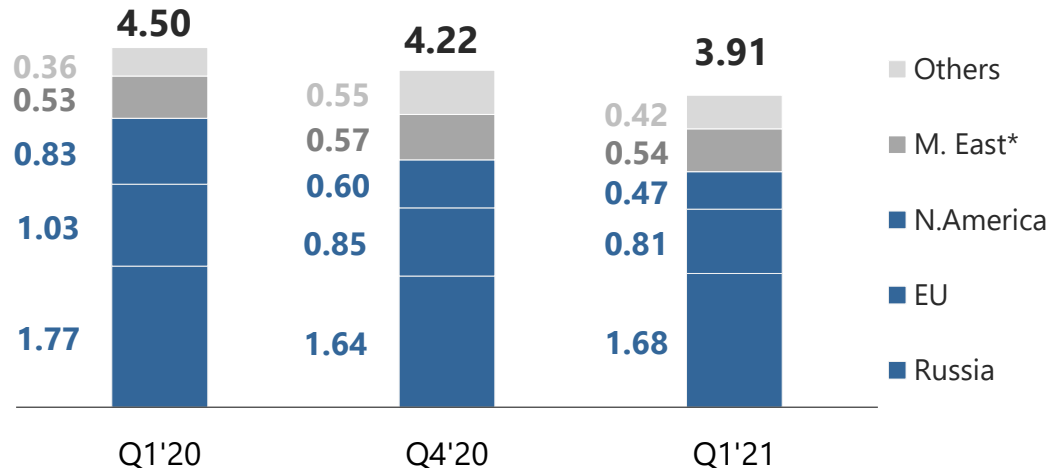
## GROUP SHIPMENTS TO EXTERNAL CUSTOMERS BY SEGMENT, m t



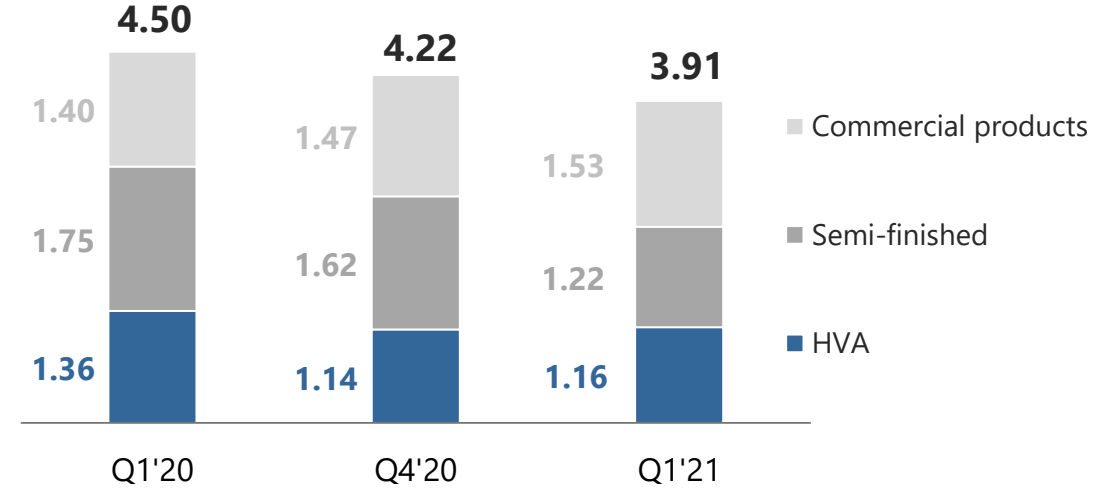
## NLMK RUSSIAN FLAT PRODUCTS - CASH COSTS OF SLABS, \$/t



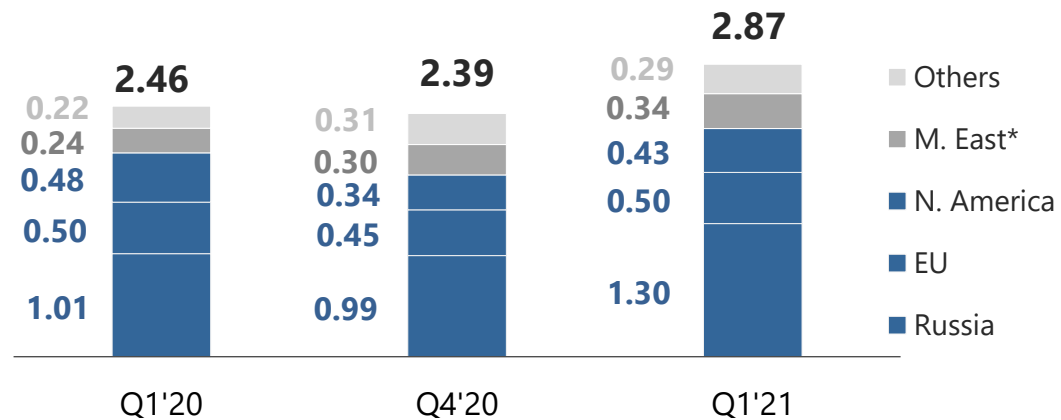
## STEEL PRODUCT SALES BY REGION, m t



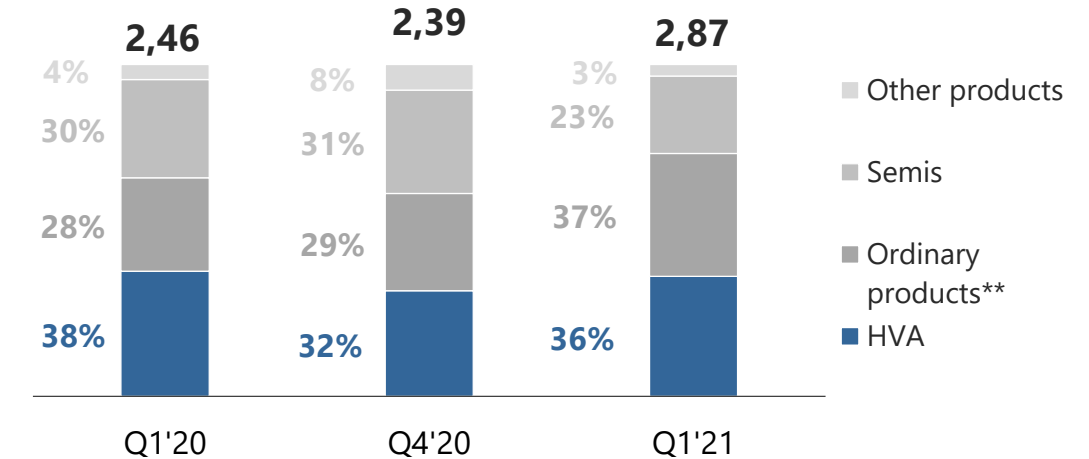
## SALES STRUCTURE BY PRODUCT, m t



## REVENUE BY REGION, \$ bn

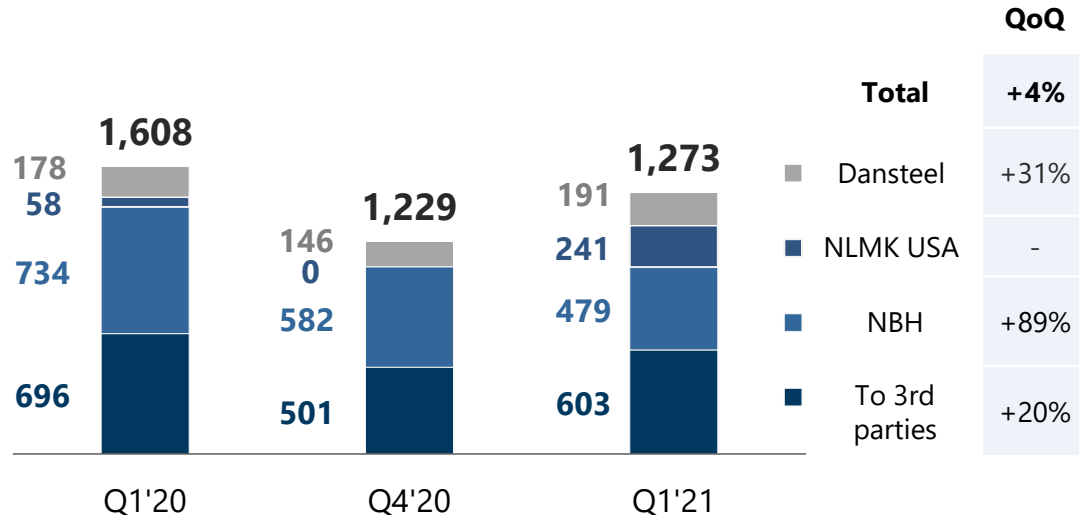


## REVENUE BY PRODUCT, \$ bn

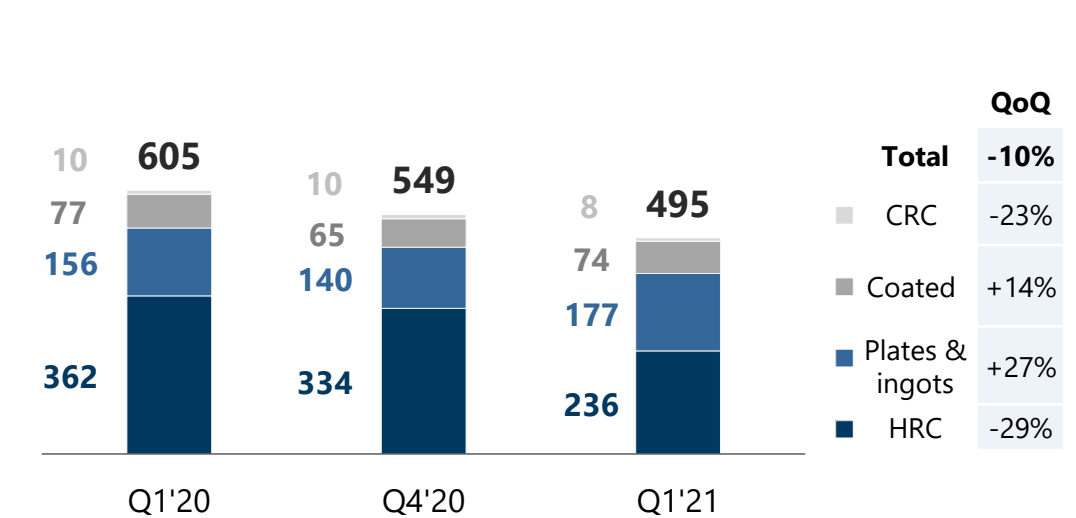


\* Incl. Turkey. \*\* HRC and Long products

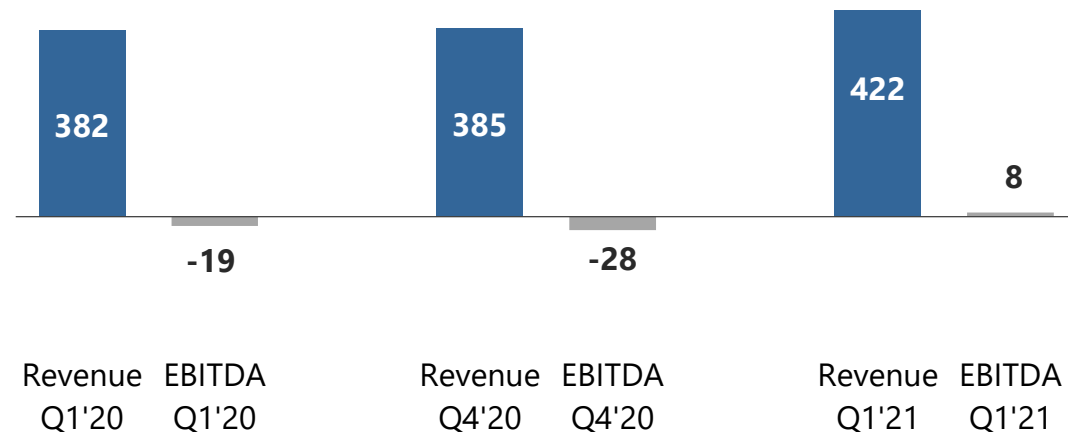
## SLABS SALES FROM THE RUSSIAN FLAT PRODUCTS DIVISION, k t



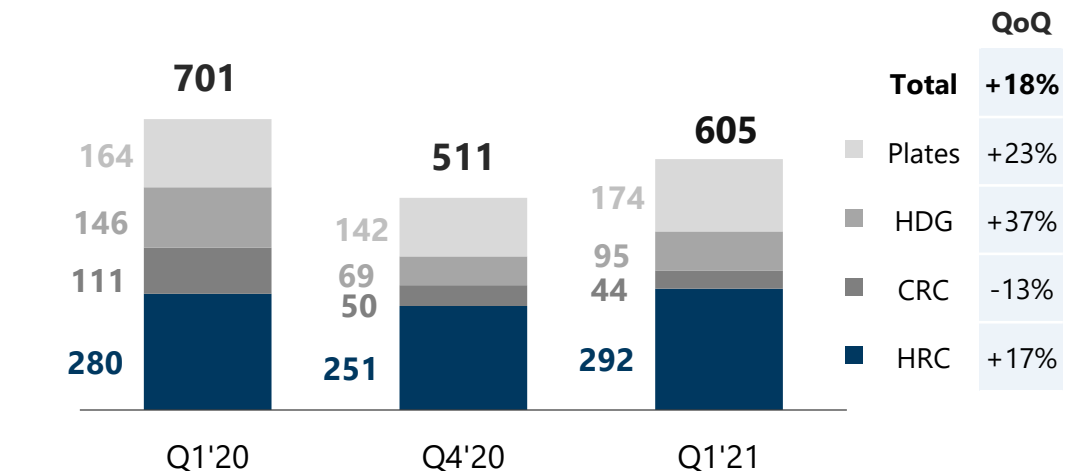
## NBH ROLLED PRODUCTS SALES, k t



## NBH FINANCIAL RESULTS, \$ m



## NLMK USA AND NLMK DANSTEEL SALES, k t







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