

Q4'21 IFRS Results



03 February 2022

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- **Market review**
- **Operating highlights**
- **Strategy update**
 - **Q4'21 Financials**
 - **Business divisions results**



**Grigory
Fedorishin**
CEO

In Q4'21 business activity in developing and developed markets was expanding, however in the latter at a slightly slower rate towards the end of the year

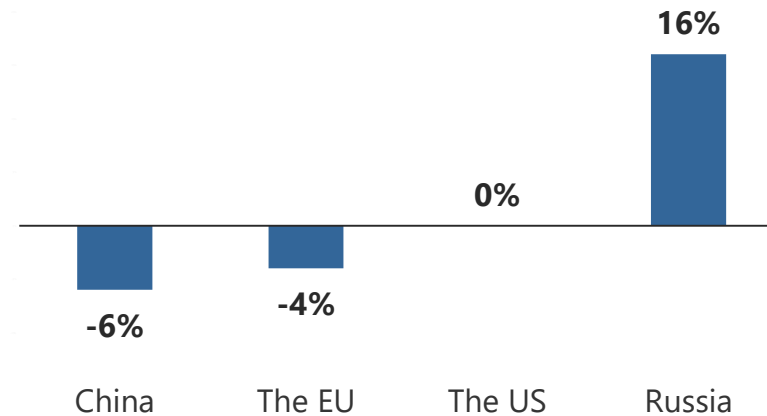
Q4'21 steel demand was mixed across key regions

- **China:** steel consumption was subdued by slowdown of property sector and shortage of available energy sources
- **The EU:** demand for steel lost steam with the stocks replenishment in Q3'21 and weak demand from the auto sector
- **The US:** steel demand stood at a healthy level capped by consumers' anticipation of further decline in prices
- **Russia:** demand growth was mainly attributable to restocking and sustainable consumption from end-consumers

Q4'21 raw material markets cooled down

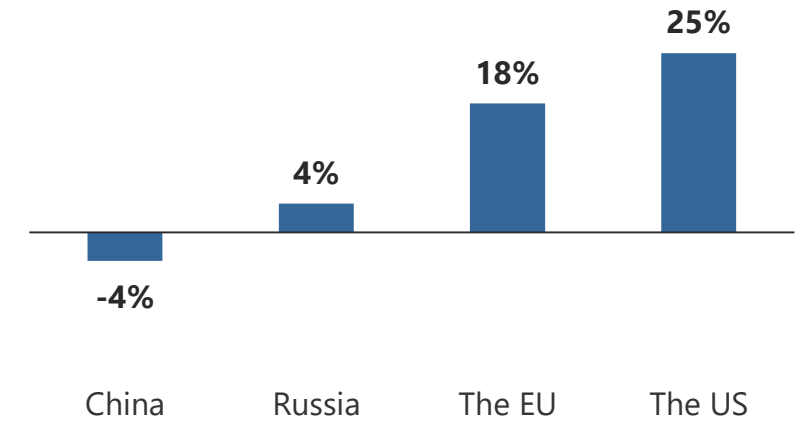
- **Iron ore** prices retreated QoQ while improving in Dec supported by limited supply from Brazil amid rainy season
- **Coking coal** prices in Australia softened in late Q4'21 following the seaborne market oversupply due to the ramp up of Chinese domestic production

STEEL DEMAND IN KEY REGIONS, Q4'21, QoQ



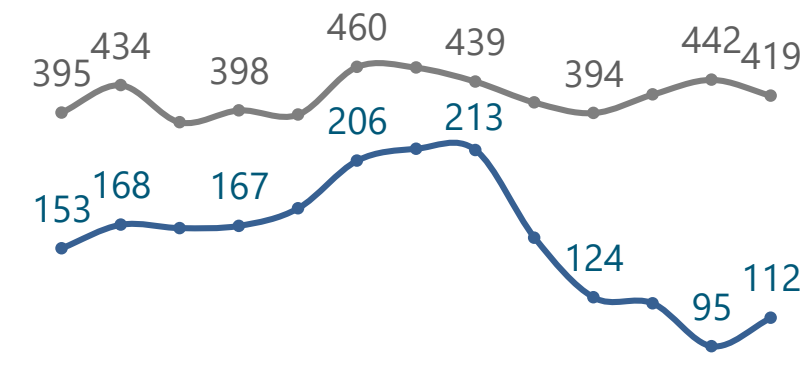
Source: Worldsteel, Bloomberg, Eurofer, Metal Expert, estimates

STEEL DEMAND IN KEY REGIONS, 2021, YoY



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

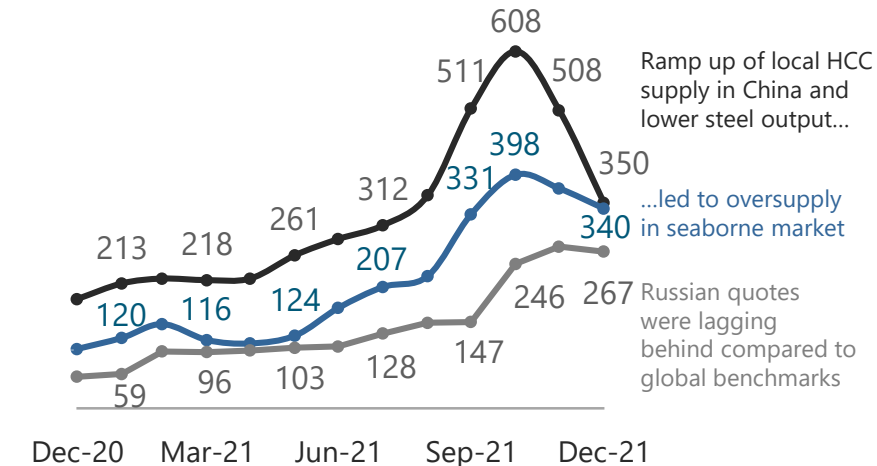
IRON ORE AND SCRAP PRICE



— Iron ore, CFR China, \$/t
— Scrap, FOB Rotterdam, \$/t

Source: Bloomberg

HCC PRICES



— HCC CFR China, \$/t — HCC FOB Australia \$/t
— HCC FCA Russia, \$/t

Source: Bloomberg, Metal Expert

Ramp up of local HCC supply in China and lower steel output...

...led to oversupply in seaborne market

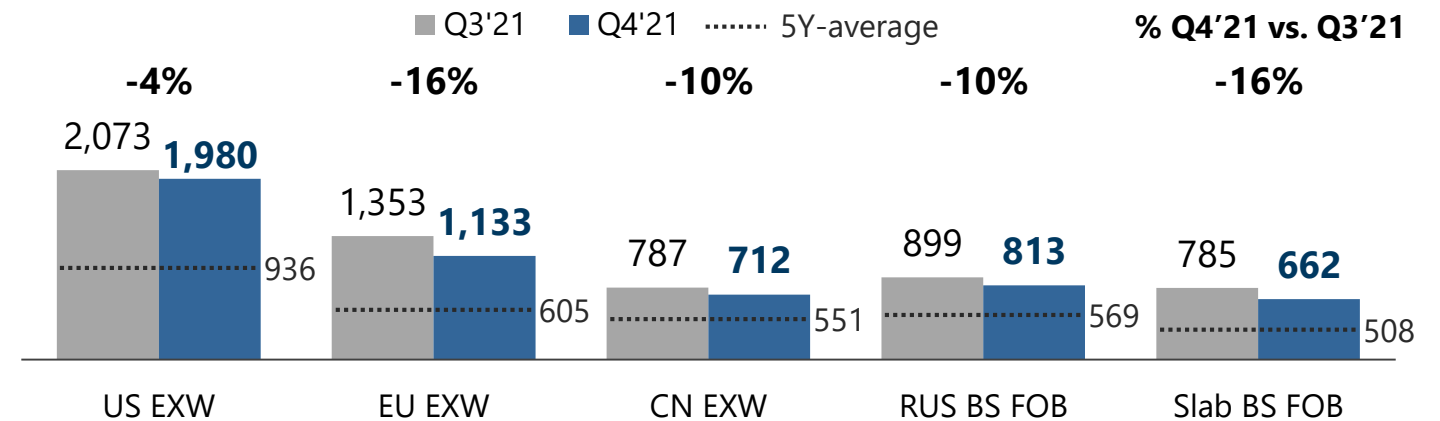
Russian quotes were lagging behind compared to global benchmarks

Steel prices levelled off during Q4'21, albeit remaining twice as high vs 5Y averages in developed markets and 30-40% higher in developing countries

- **The US:** steel quotes softened amid consumers expectations of further price reduction, as well as a result of increased imports
- **The EU:** steel prices normalized amid sufficient consumer stocks accumulated in the previous quarter
- **China:** prices eased due to the demand slowdown
- **Russia:** HRC and slab export prices moderated amid deceleration of demand in Turkey following depreciation of Turkish lira and seasonally weak buying activity in the EU

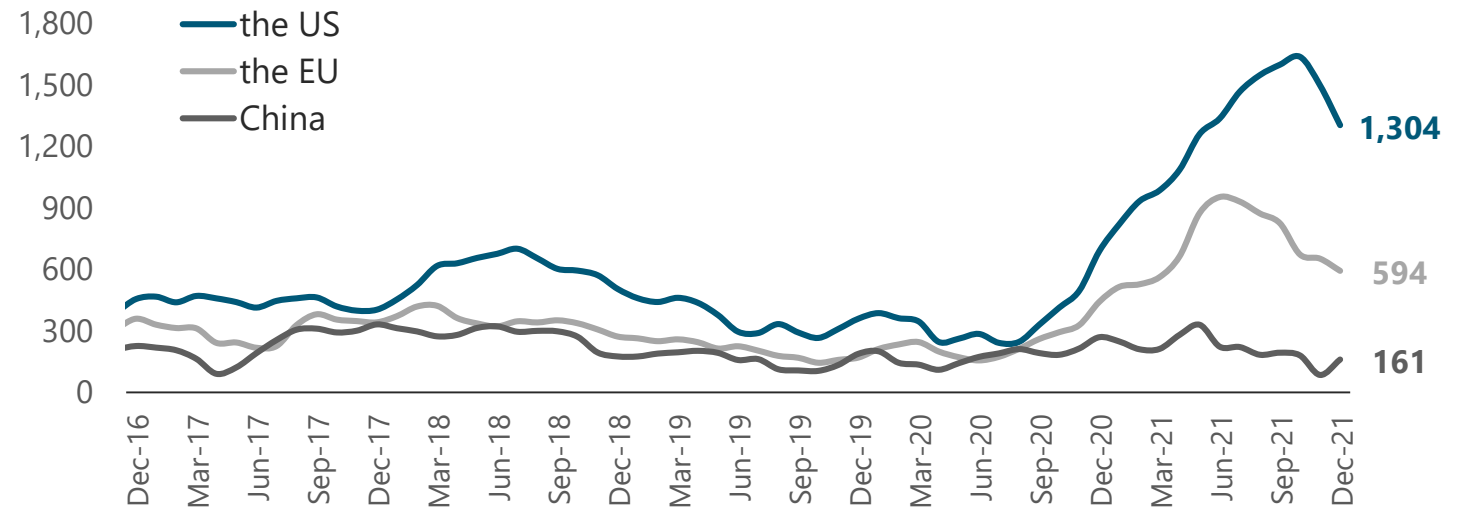
Steel margins in the US and the EU continued to slide from the mid-2021 peak levels

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

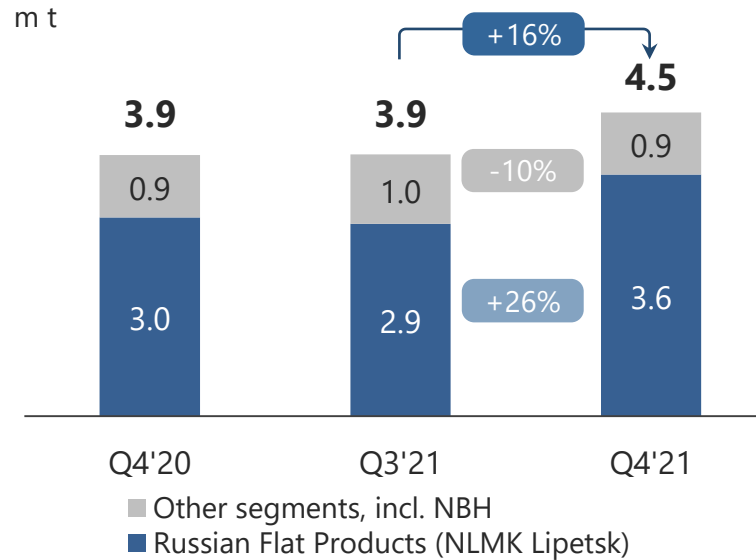
Output increased by 16% qoq to 4.5 m t

- (+) Completion of repair works in the steelmaking operations oxygen supply infrastructure at the Lipetsk site in August 2021
- (-) Scheduled repairs of steelmaking equipment at Russia Long Products

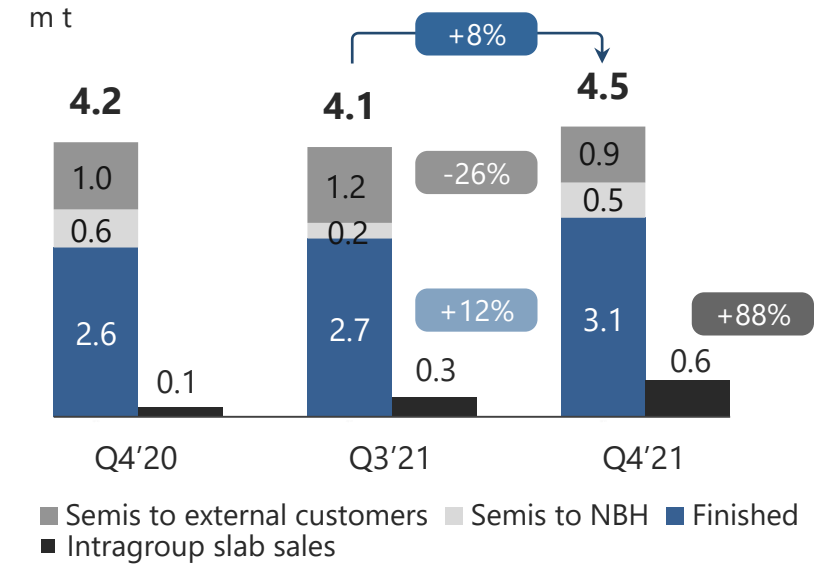
Shipments were up 8% qoq to 4.5 m t

- (+) Output growth
- (-) Lower square billet deliveries amid negative profitability due to export duties
- (-) Lower shipments of semis to external customers due to higher intragroup slab sales mainly to the US

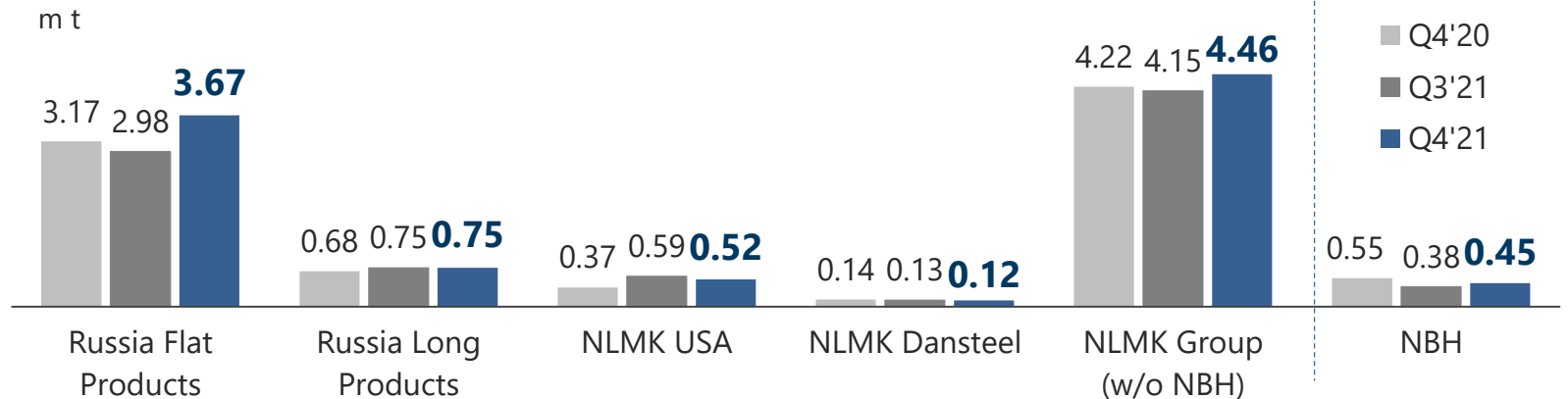
OUTPUT INCREASED DRIVEN BY THE LIPETSK SITE



SALES TO EXTERNAL & INTERNAL CUSTOMERS GREW



RUSSIAN FLAT PRODUCTS DIVISION WAS AT THE FOREFRONT OF NLMK GROUP'S SALES GROWTH



Effects of Strategy 2022 implementation totaled \$340 m in 2021 to 2020 base

Contributions from the operational efficiency programs reached \$179 m, well above our annual target of \$100 m

- Coal charge mix optimization
- Concentrate and pellets output growth due to lower downtime
- Higher steel output at NLMK Lipetsk

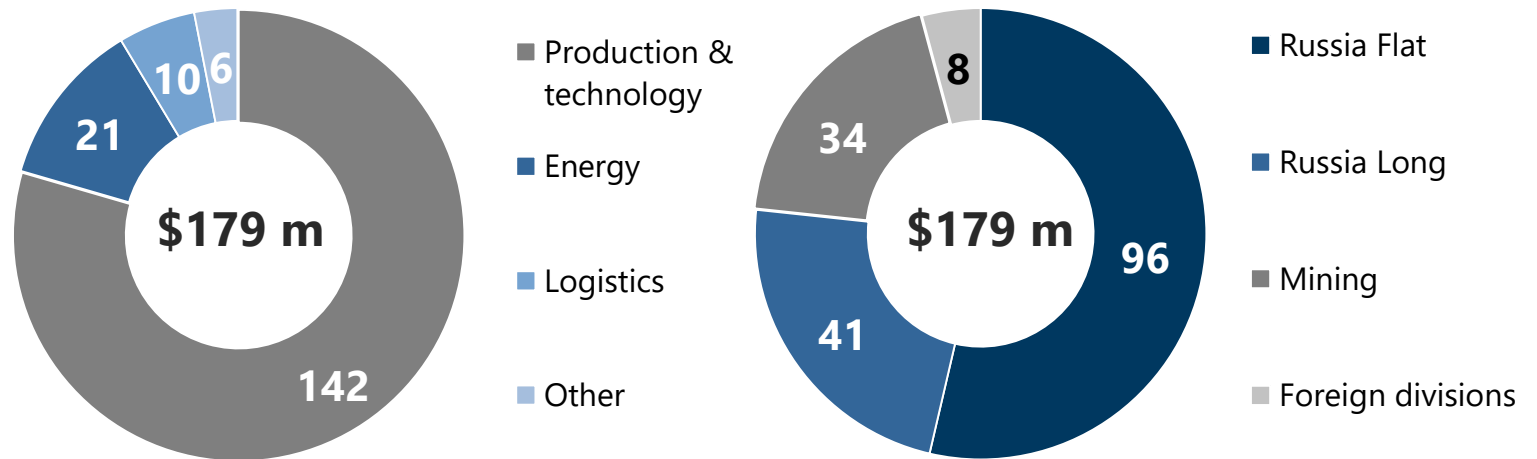
Investment projects delivered \$161 m* driven by the Russian divisions' performance:

- Russia Flat contributed \$185 m, mainly as a result of large-scale modernization projects, aimed at increasing steel output at NLMK Lipetsk
- Mining division added \$33 m due to the new beneficiation section commissioned at the Stoilensky
- Russia Long division contributed \$16 m including casting and rolling of new billets grade at NLMK Urals

STRATEGY 2022 EFFECTS IN 2021, \$ m pa



EBITDA GAINS FROM EFFICIENCY PROJECTS IN 2021 VS 2020, BY AREA AND BY DIVISION, \$ m



* Includes one-off negative effect related to the HSM modernization at La Louviere (adjustment for volumes lost during the period the mill was idled)

MARKETS

The US: prices will continue to decline steadily in line with global benchmarks, spurred by ramp-up of new capacities introduced in late 2021 and scheduled launch of additional capacities in early 2022; expected growth in imports from the EU following the 25% export duty removal (Section 232) will contribute to price correction as well

China: prices to be underpinned by inflating costs as well as the increase in economic activity after the Lunar year and the Olympic games

The EU: the general downward trend in prices will continue; yet the potential for a bounce is possible amid expected recovery in the auto production (given gradual reduction of semiconductors deficit), as well as due to strong demand in the construction sector that gained momentum in late 2021

Russia: low seasonal demand to weigh on local prices, which may be partially offset by limited supply from major steel producers due to maintenance works

RESULTS OUTLOOK

Steel output at NLMK Lipetsk to reach 3.6 m t (+7% yoy) in Q1'22, which is in line with our target to reach 14.2 m t of steel output pa in accordance with Strategy 2022

- Market review
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**Shamil
Kurmashov**
CFO

Revenue increased by 2% qoq to \$4.6 bn due to sales volume growth

EBITDA declined by 23% qoq to \$1.8 bn driven by lower price spreads and introduction of temporary exports duties

EBITDA margin stood at 38%

- Revenue: \$4,630 m (+2% qoq, +1.9x yoy)
- EBITDA: \$1,758 m (-23% qoq, +2.0x yoy)
- EBITDA margin: 38% (-12 p.p. qoq, +1 p.p. yoy)
- FCF: \$820 m (-26% qoq; +3.6x yoy)

Net debt-to-EBITDA* declined to 0.40x

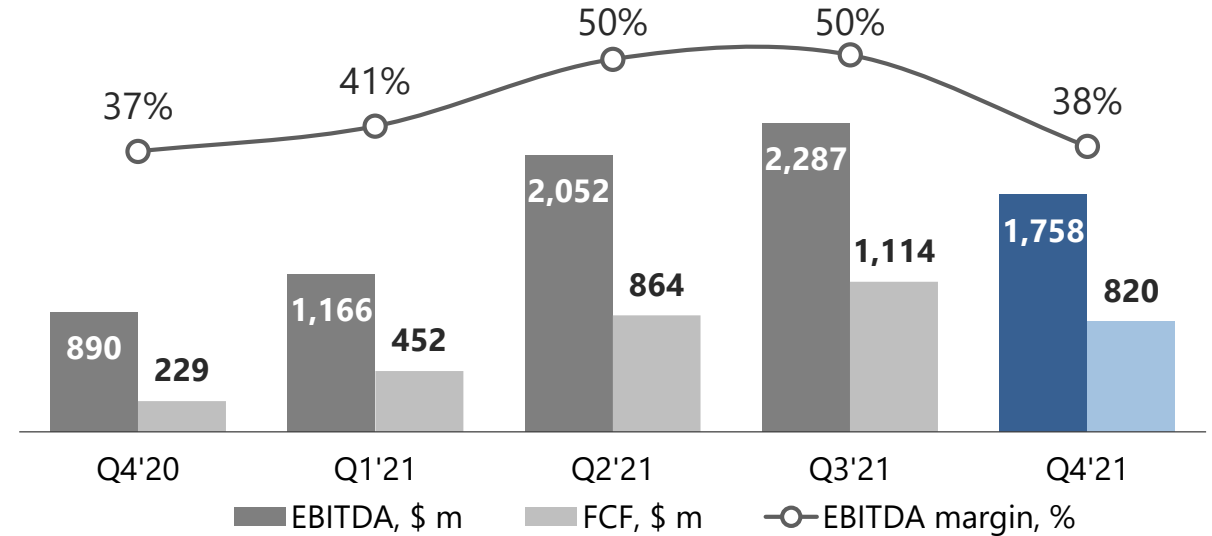
- Net debt increased by 7% qoq to \$2.9 bn on dividend outflows and higher capex

2021 CAPEX stood at \$1.2, which is in line with original guidance

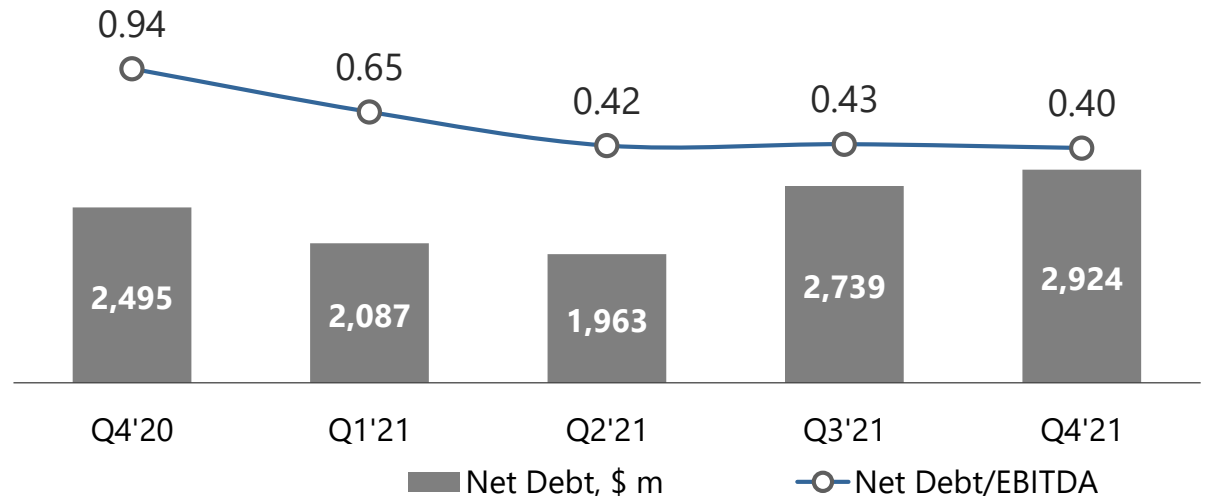
* For detailed information and calculations for this indicator please refer to the Appendix of NLMK Group Q4 2021 IFRS Financial Results press release

Note: the data on the slide are represented without NBH

FCF, EBITDA AND MARGIN DYNAMICS



LEVERAGE DYNAMICS



Russian Flat products: EBITDA softened to \$662 m

- (-) Price spreads weakening
- (-) Export duties accrual
- (+) Increase in sales volume
- (+) Implementation of Strategy 2022 projects

Russian Long products: EBITDA decreased to \$125 m

- (-) Softened spreads
- (-) Lower billet shipments as export duty restrained profitability
- (+) Higher sales of finished long products

NLMK USA: EBITDA totaled \$373 m

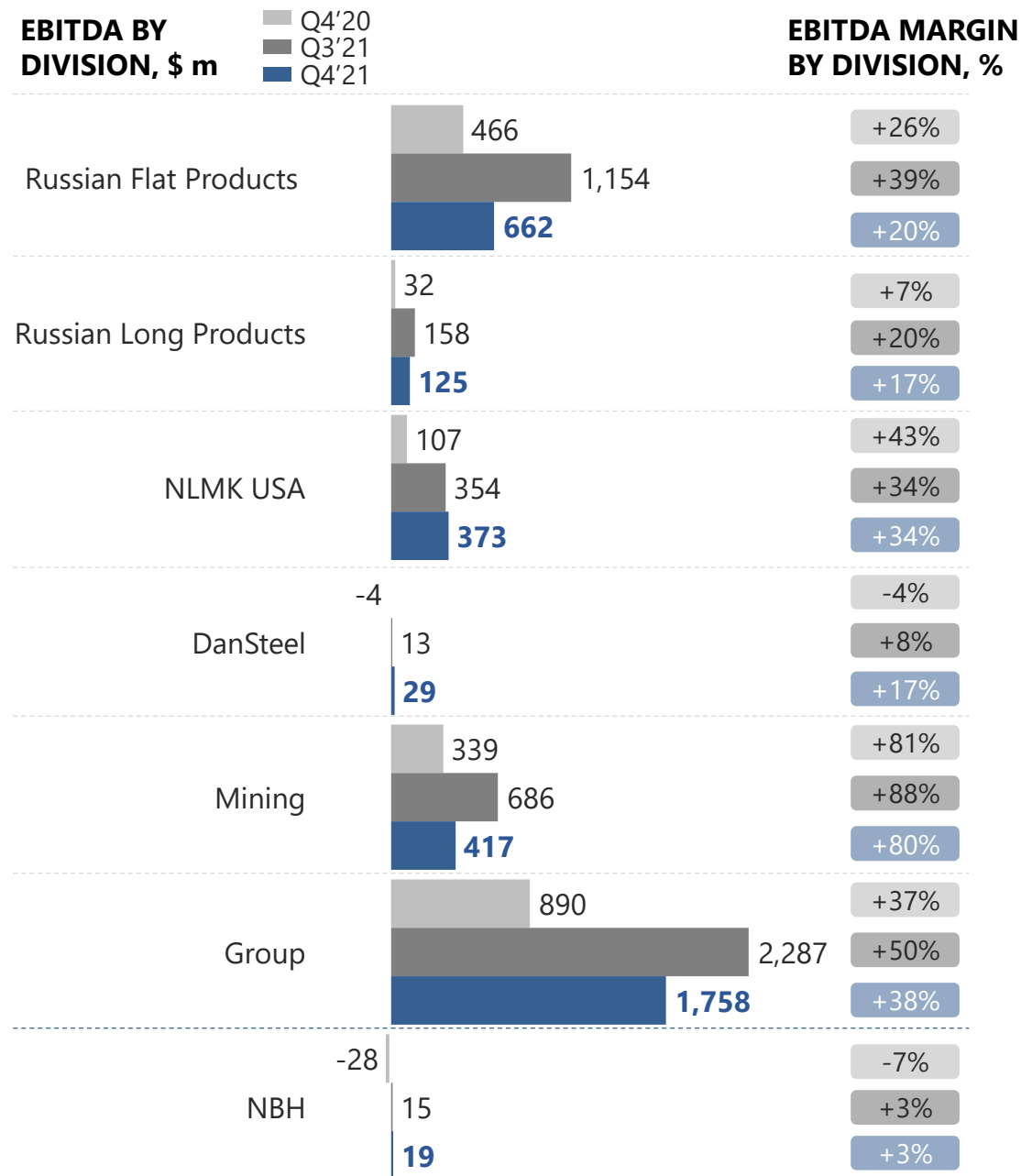
- (+) Improved spreads between rolled products and feedstock
- (-) Softened shipments due to lower consumer activity

Mining: EBITDA declined to \$417 m

- (-) Downturn in iron ore prices
- (+) Higher sales due to output growth at NLMK Lipetsk

Dansteel: EBITDA reached \$29 m supported by higher price spreads

NBH: EBITDA rose to \$19 m on higher shipments (+18% qoq)



Working capital build-up amounted to \$259 m:

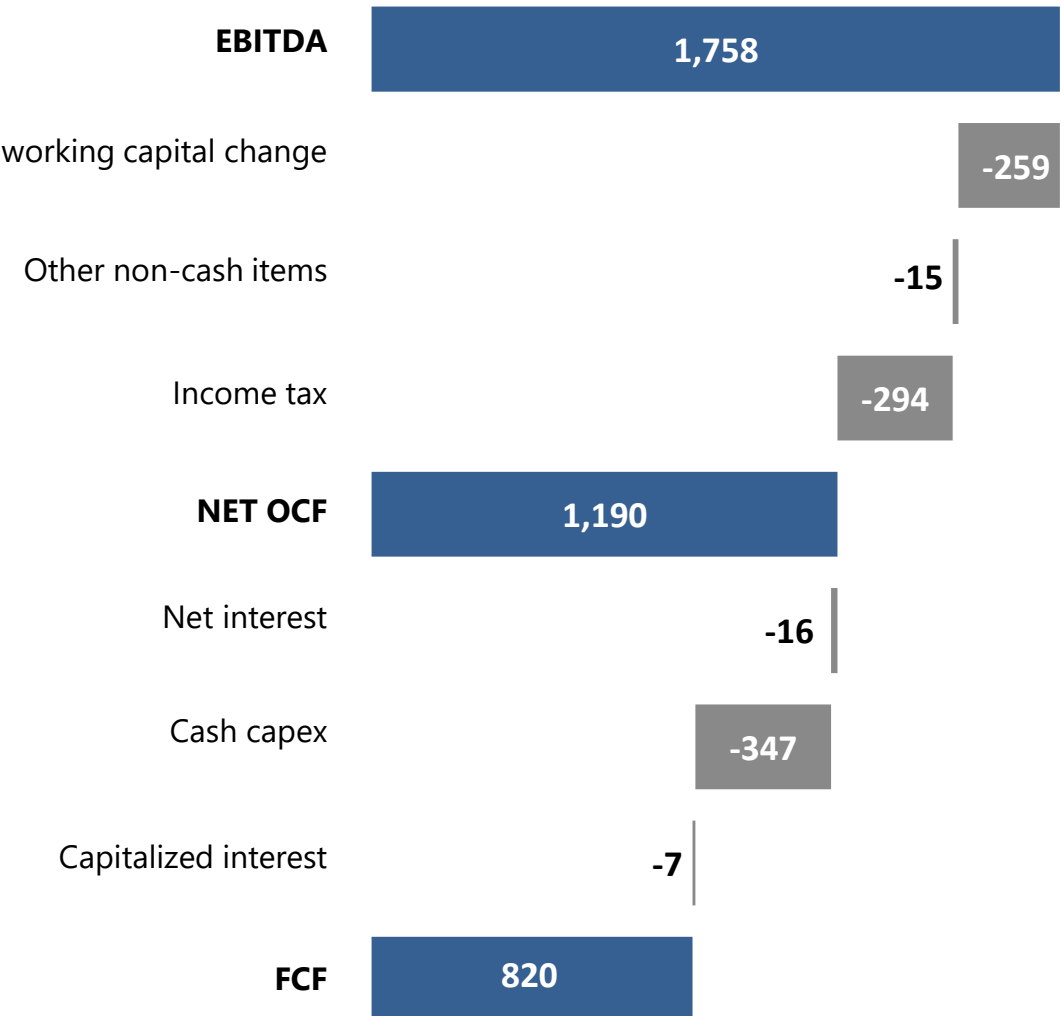
- (-) \$504 – inventories growth
 - (-) Increased cost of stocks due to raw materials price inflation, mainly coal (\$335 m)
 - (-) higher inventories of scrap, iron ore and coking coal due to planned increase in production in Q1'22 (\$85 m)
 - (-) higher stocks of slabs at ports amid shipments deferral to Q1'22 (\$71 m)
 - (-) stocks accumulation at NLMK USA and Dansteel due to deceleration of consumers activity (\$14 m)
- (+) \$248 – increase in payables – coking coal price increase and growth of prepaid sales

Capex in Q4'21 increased to \$354 m (+30% qoq)

- (+) Strategy 2022 projects implementation

FCF declined amounted to \$820 m due to lower EBITDA and capex growth

Q4'21 FCF BRIDGE, \$ m



Note: the data on the slide are represented without NBH

Total debt increased by 2% qoq to \$3.5 bn

Net debt / 12M EBITDA stood at 0.40x

- Net debt was up 7% qoq to \$2.9 bn
- Liquidity was at the \$0.5 bn level
- \$1.5 bn is readily available through undrawn credit lines

Working capital lines maturing in 2022:

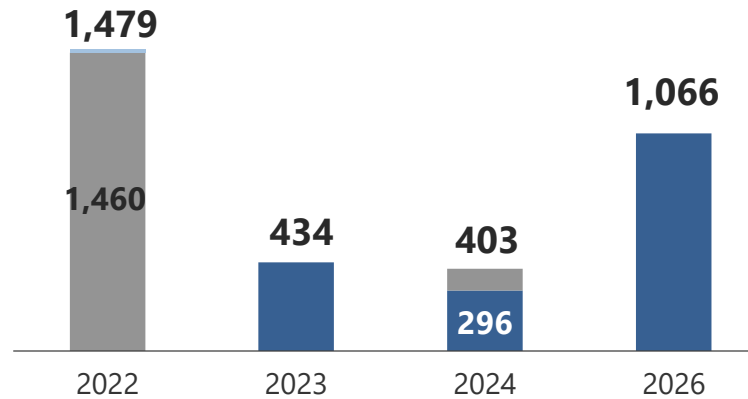
- 54% will be rolled over to later periods
- 45% will be refinanced
- 1% will be repaid

Existing €600 m revolving credit facility (RCF) and €250 m ESG-rating-linked RCF will be used among other available instruments to refinance existing working capital lines

Average cost of debt declined to historically low level of 2.3%

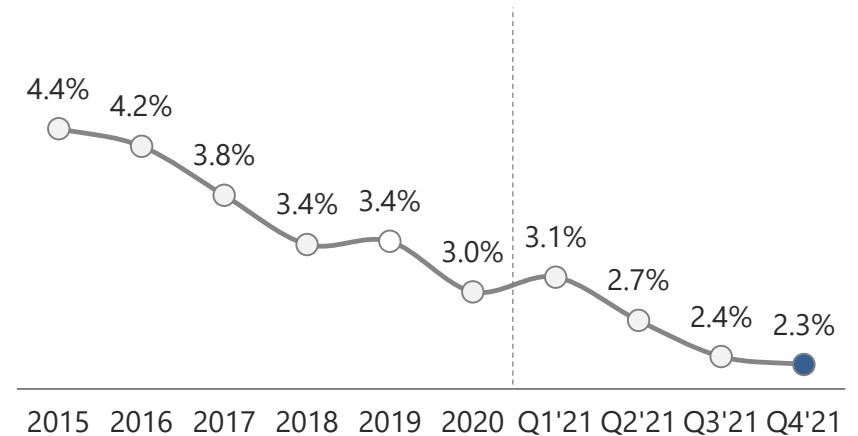
DEBT* MATURITY, \$ m

■ Working capital lines ■ ECA lines ■ Eurobonds



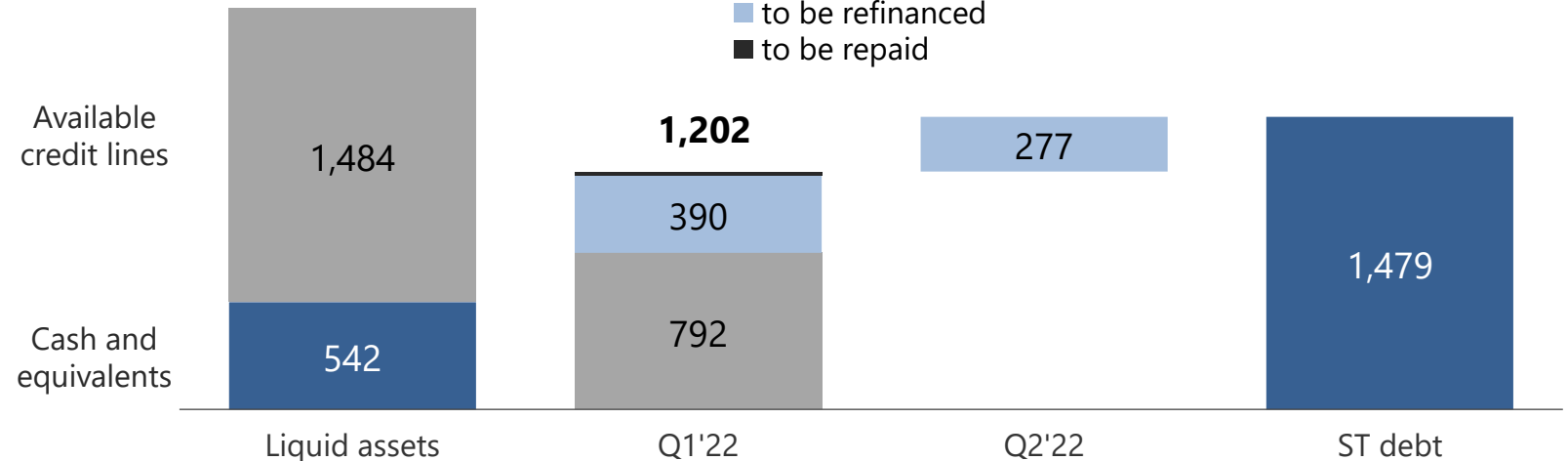
* Excluding interest payments

COST OF DEBT REMAINS LOW, %



LIQUIDITY AND SHORT-TERM DEBT, \$ m

■ to be rolled over
 ■ to be refinanced
 ■ to be repaid



Note: the data on the slide are represented without NBH

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Steel output increased by 26% qoq to 3.6 m t as capacity utilization at NLMK Lipetsk grew following repair works completion in August

Shipments increased by 23% qoq to 3.7 m t

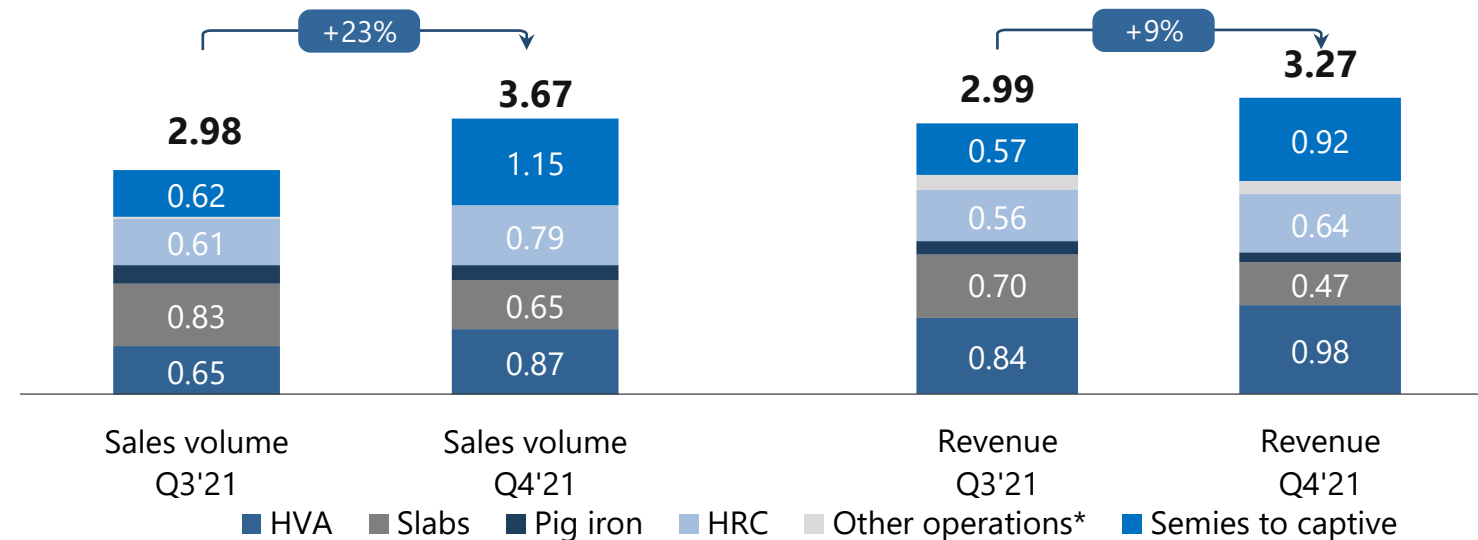
Revenue was up 9% qoq to \$3.3 bn

- (+) Increase in sales volumes
- (-) Steel prices softening

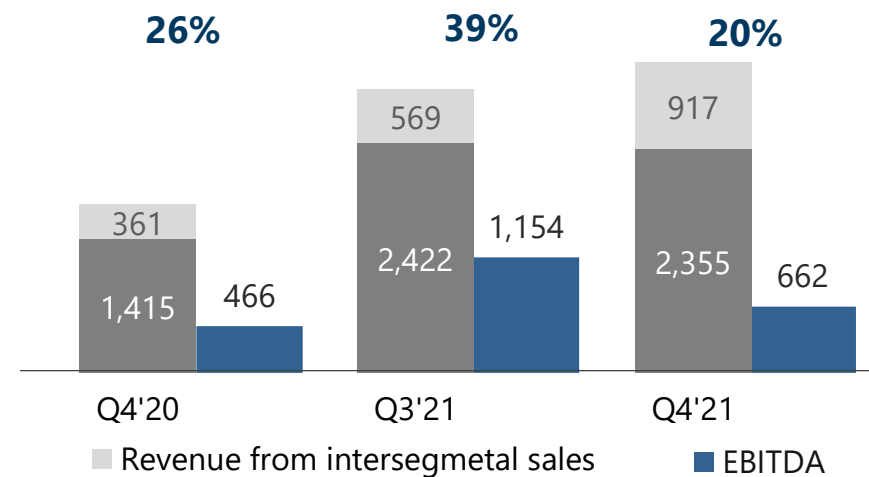
EBITDA was down 43% qoq to \$0.7 bn

- (-) Decrease in price spreads due to steel prices softening coupled with higher coking coal quotes
- (-) Export tariffs accrual
- (+) Investment projects gains

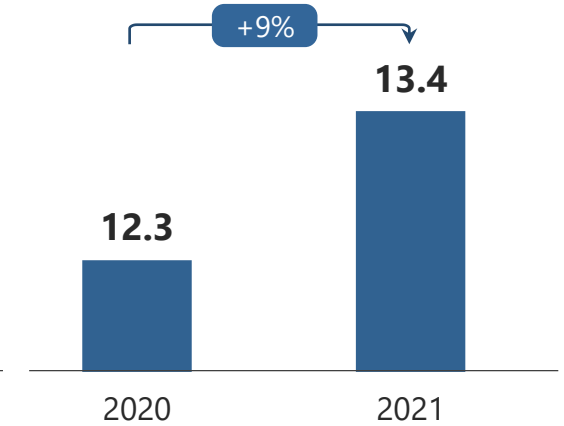
STEEL SHIPMENTS (m t) AND REVENUE (\$ bn)



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



CRUDE STEEL OUTPUT, m t



*Revenue from the sale of other products and services, including pipes manufactured under the tolling scheme

Shipments remained flat qoq at 0.75 m t

- (-) Decrease in billet productions amid low profitability in the context of export duties
- (+) Improved finished long products sales due to construction activity expansion

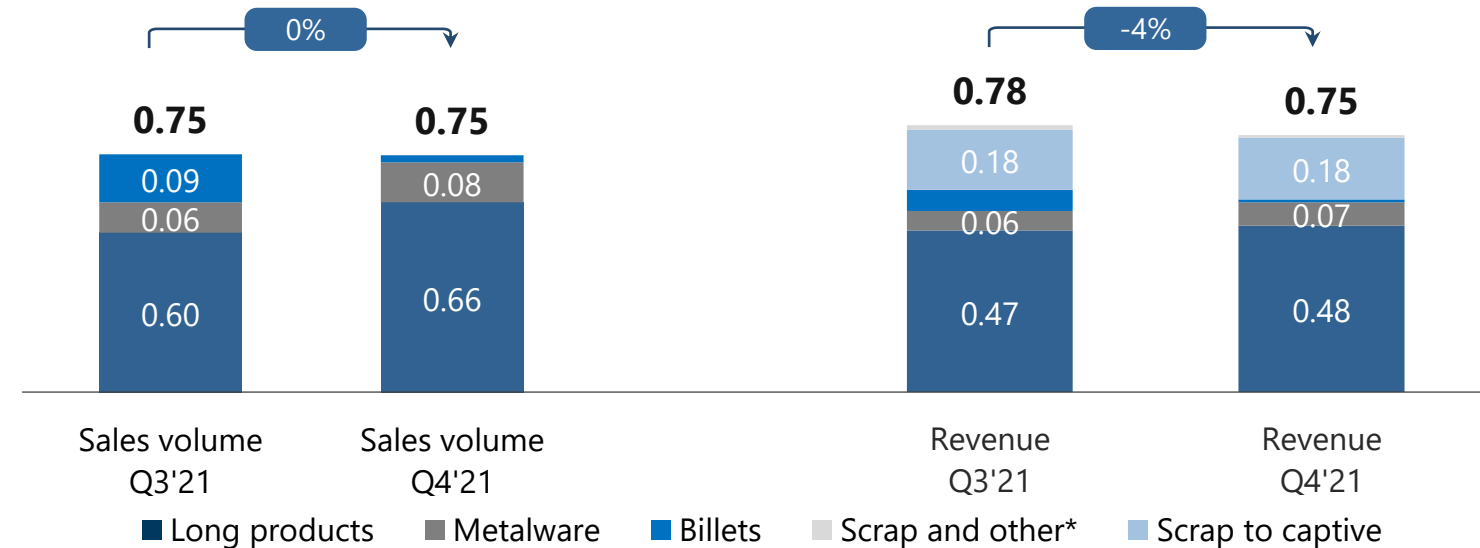
Revenue went down by 4% qoq to \$0.75 bn

- (-) Lower prices for longs
- (+) Inter-segmental revenue growth amid scrap price improvement

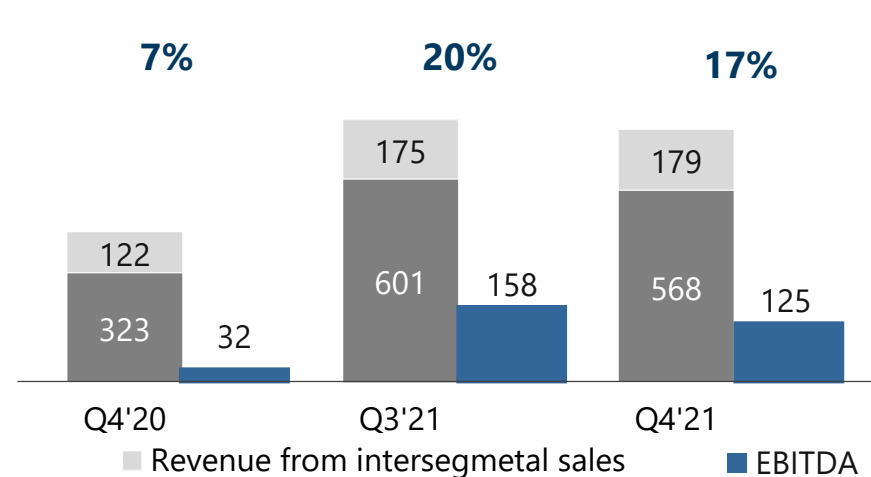
EBITDA declined to \$125 m (-21% qoq)

- (-) Tightening price spreads
- (+) Higher share of finished products in sales mix

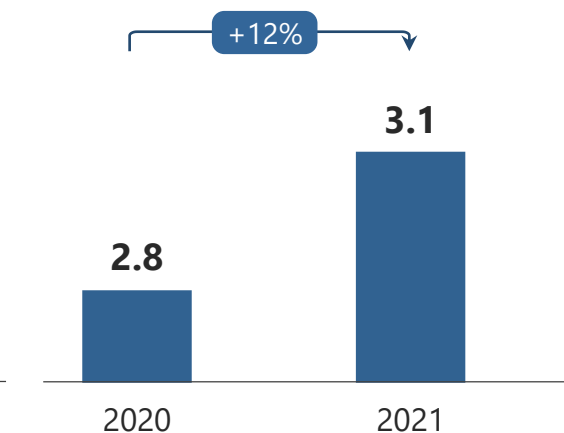
STEEL SHIPMENTS (m t) AND REVENUE (\$ bn)



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



CRUDE STEEL OUTPUT, m t



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

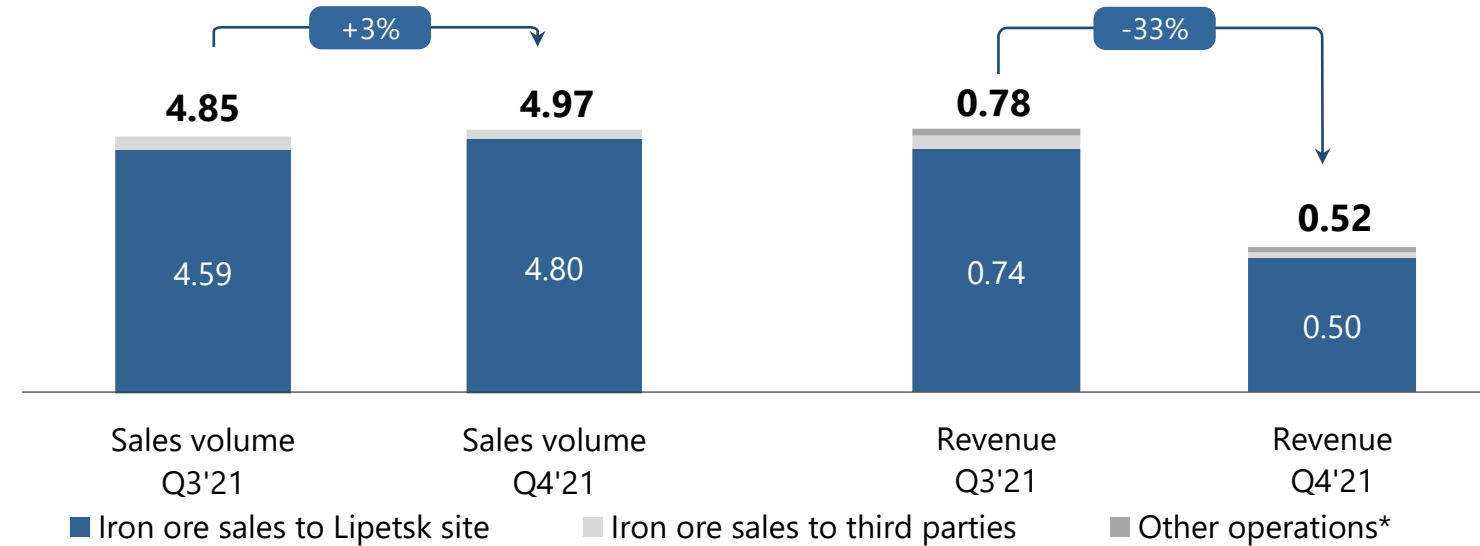
Shipments grew by 3% qoq to 5.0 m t driven by higher output at NLMK Lipetsk

Revenue decreased by 33% qoq to \$0.52 bn due to lower iron ore prices

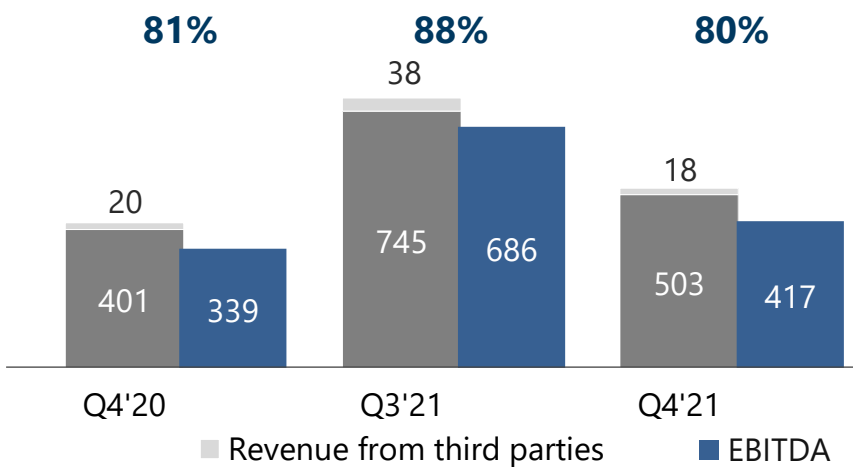
EBITDA fell 39% qoq to \$417 m

EBITDA margin slid to 80% (-8 p.p. qoq)

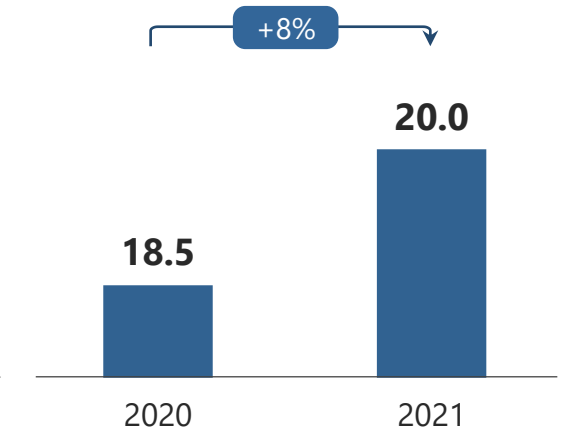
SHIPMENTS (m t) AND REVENUE (\$ bn)



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



IRON ORE CONCENTRATE OUTPUT, m t



* Other operations include limestone, dolomite and other sales

Shipments decreased to 0.5 m t (-11% qoq)

- (-) Decline in consumer activity amid expectations of lower prices going forward

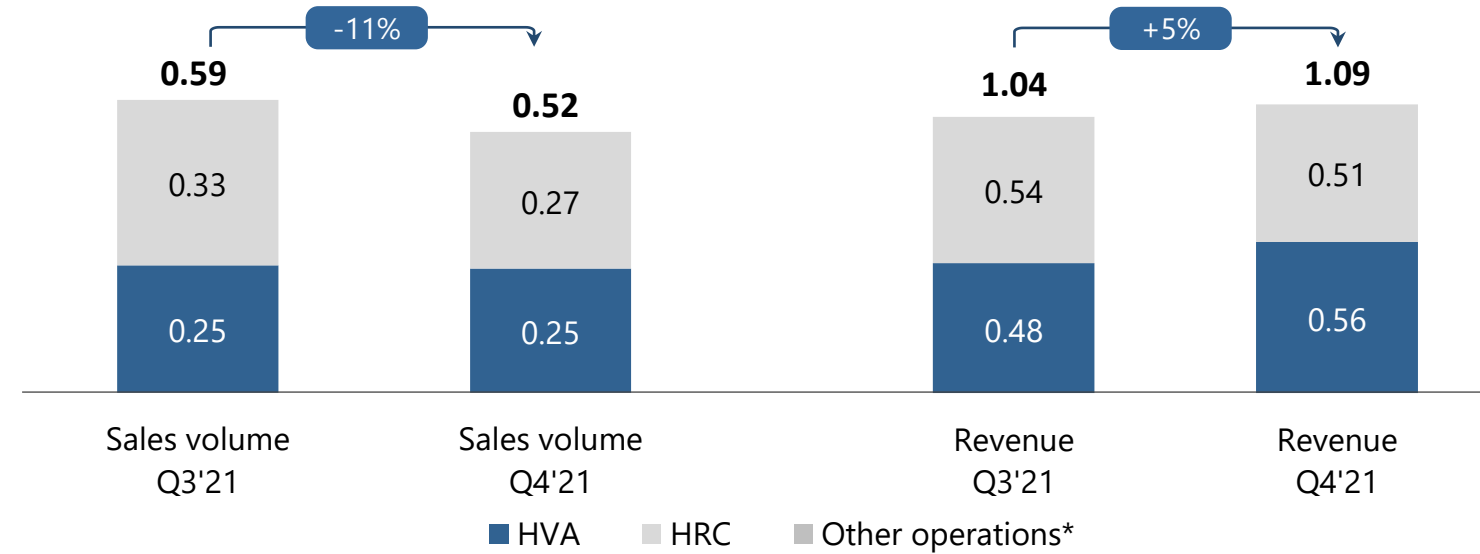
Revenue improved by 5% qoq to \$1.1 bn

- (+) Higher sales prices

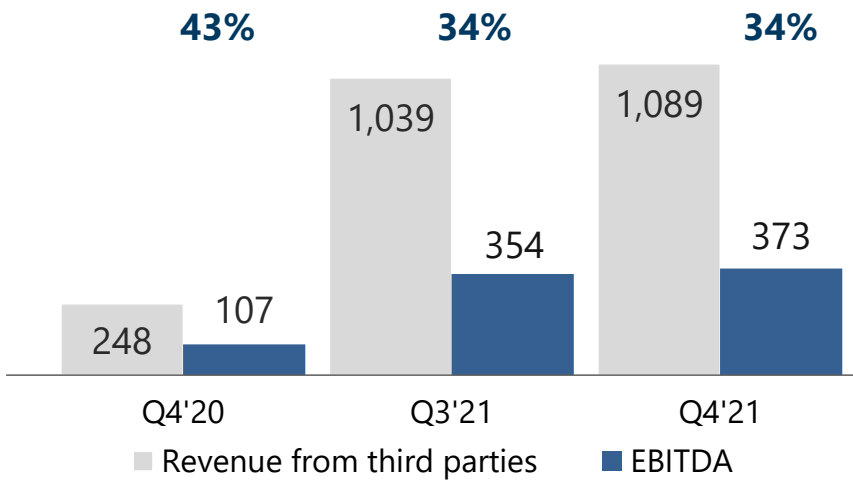
EBITDA went up by 5% to \$373 m

- (+) Wider price spreads between slabs and flat steel products

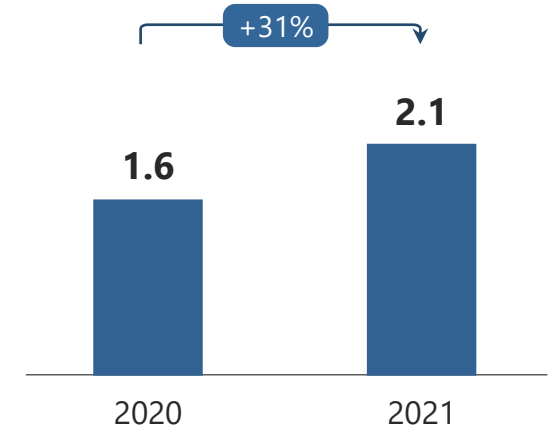
STEEL SHIPMENTS (m t) AND REVENUE (\$ bn)



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



FINISHED STEEL PRODUCTION, m t



* Revenue from the sale of other products and services

Shipments dropped by 5% qoq to 0.12 m t

- (-) Increase in orders of premium products with longer lead times

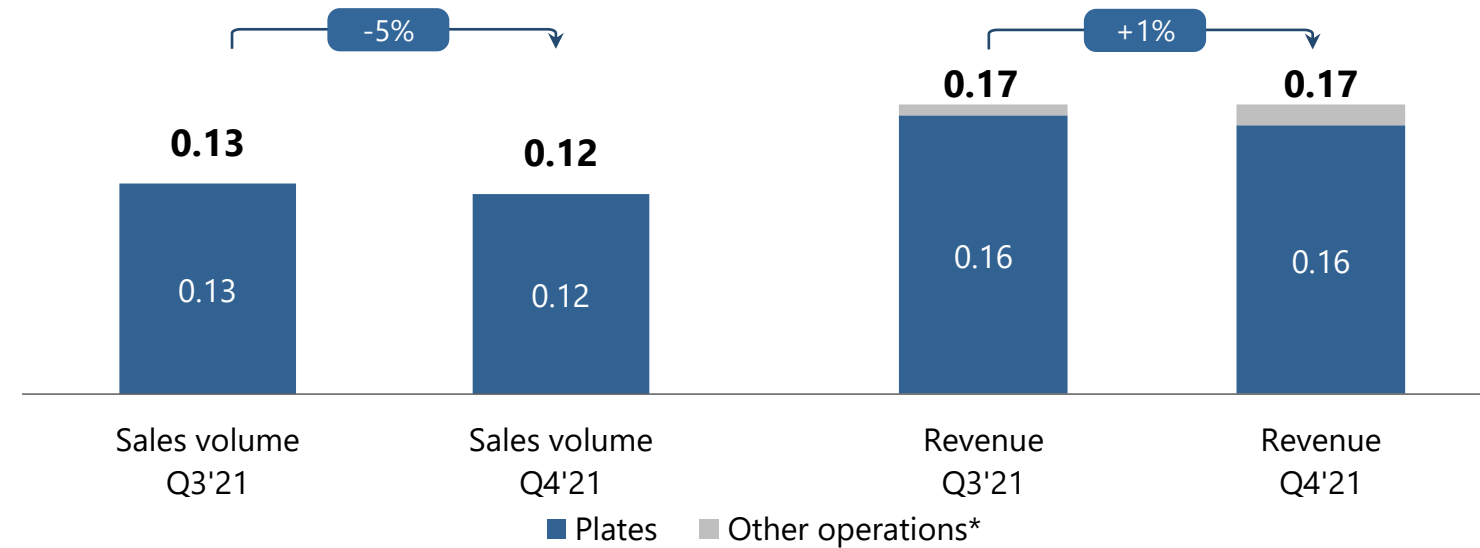
Revenue increased to \$0.17 bn (+1% qoq)

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

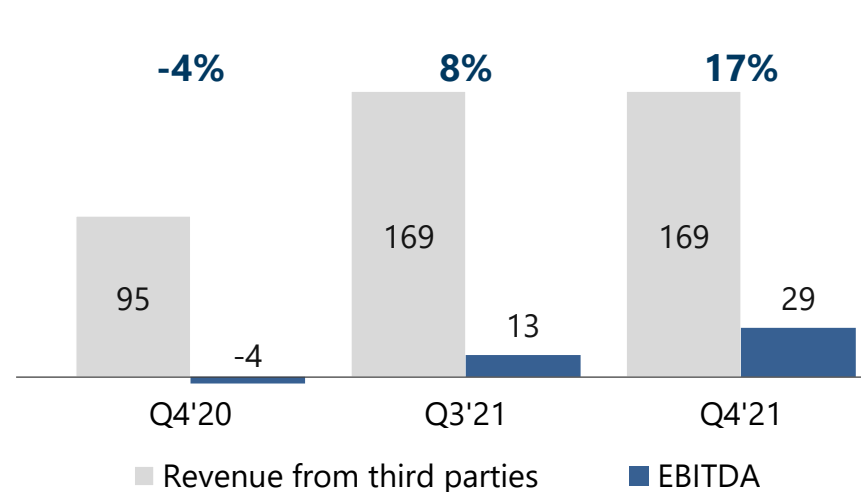
EBITDA rose to \$29 m (+\$16 m qoq)

- (+) Improved price spreads

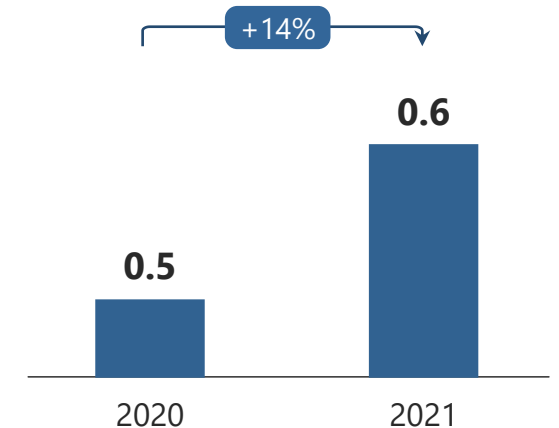
STEEL SHIPMENTS (m t) AND REVENUE (\$ bn)



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



FINISHED STEEL PRODUCTION, m t



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

Shipments grew by 18% qoq to 0.5 m t as the hot strip mill (HSM) at NLMK La Louvière continued its ramp-up after upgrade completion (Strategy 2022 project)

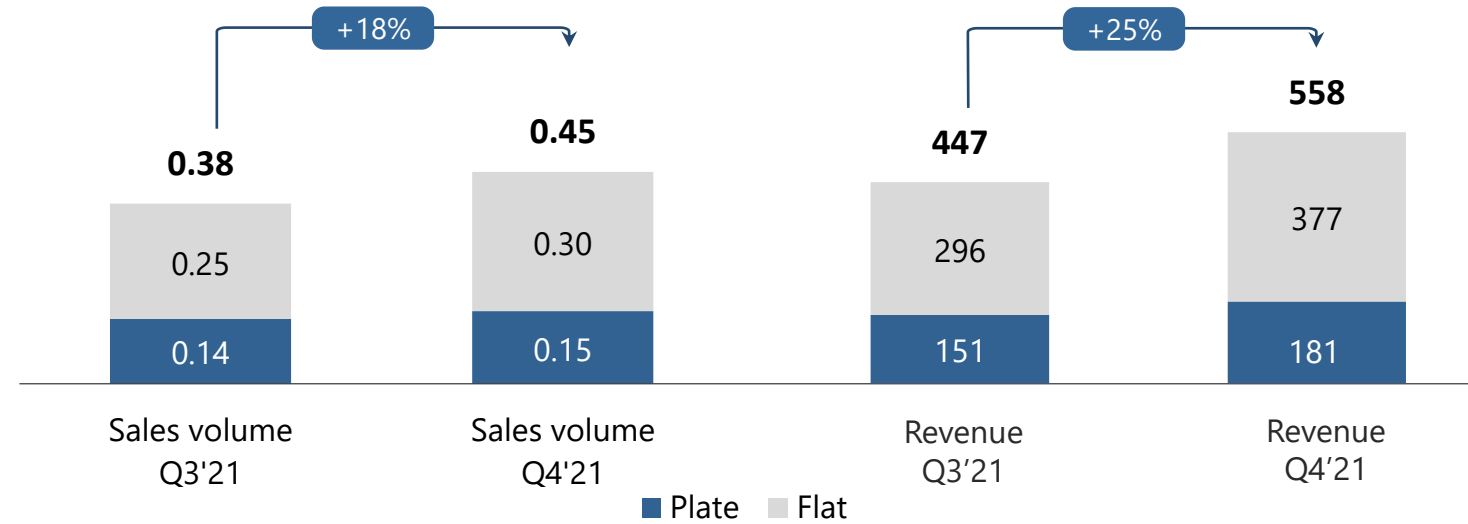
Revenue grew by 25% to \$0.56 bn

- (+) Increased sales prices for finished products

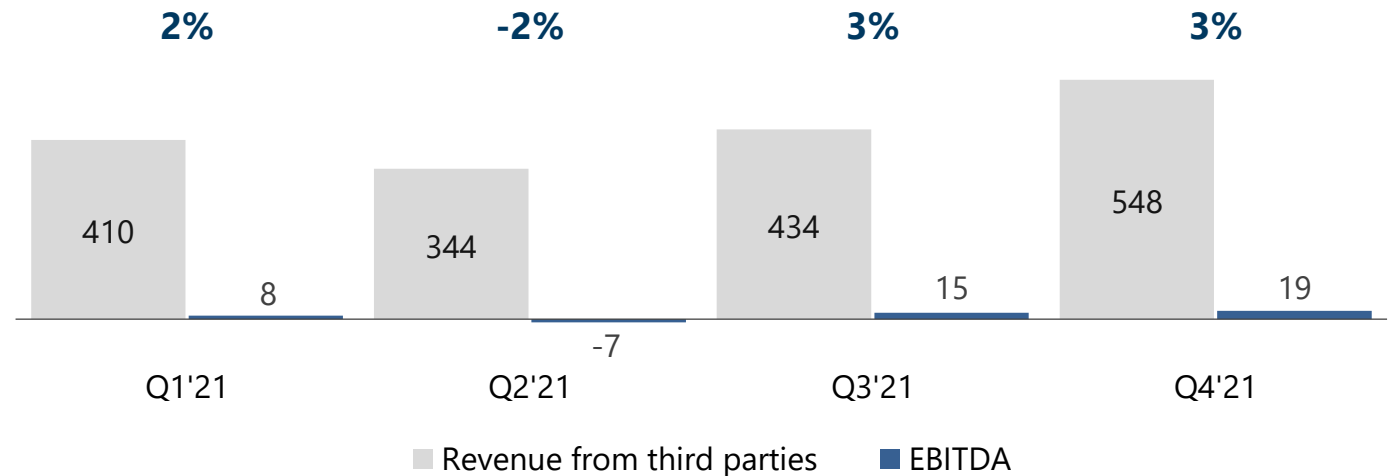
EBITDA went up by 27% qoq to \$19 m on higher sales volumes and improved price spreads

- (+) Price spreads growth
- (+) Investment projects gains

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



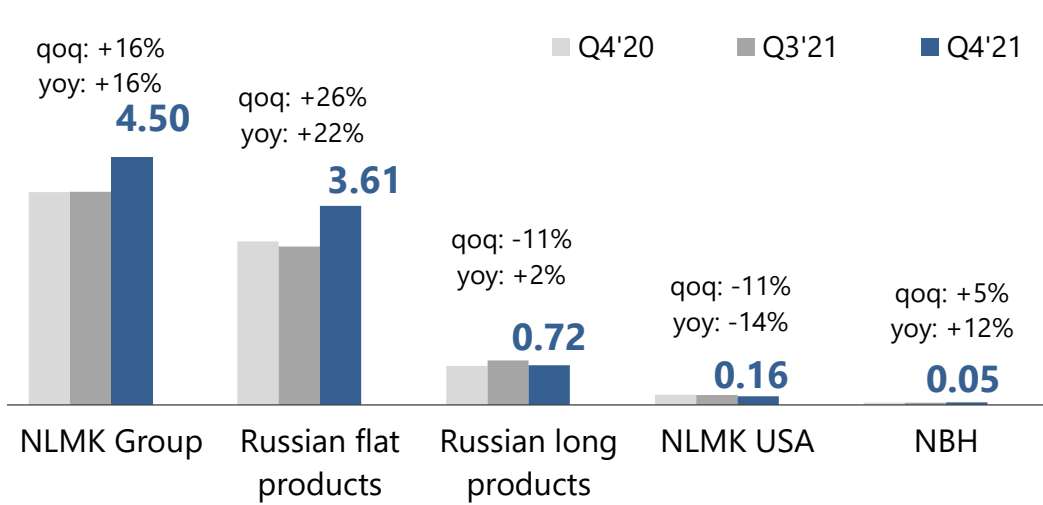
REVENUE, EBITDA (\$ m) AND EBITDA MARGIN (%)



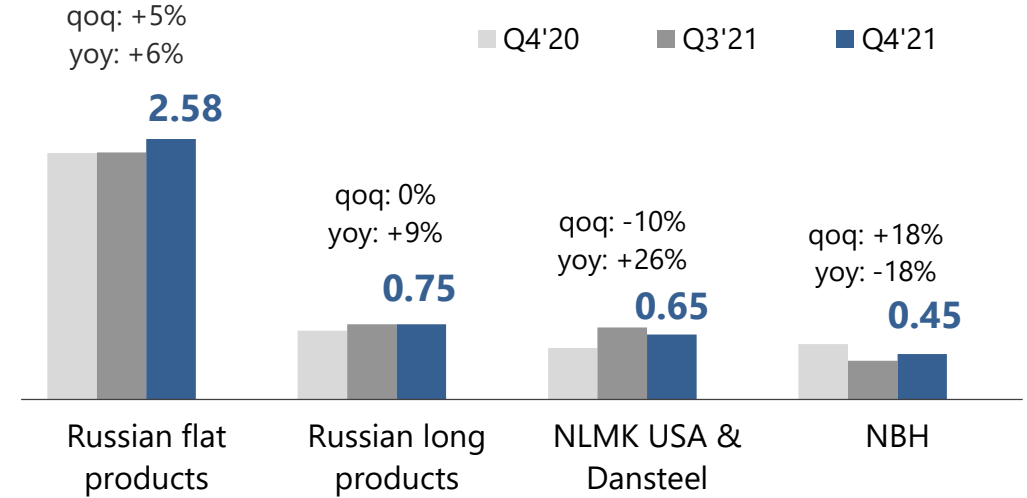
Appendix



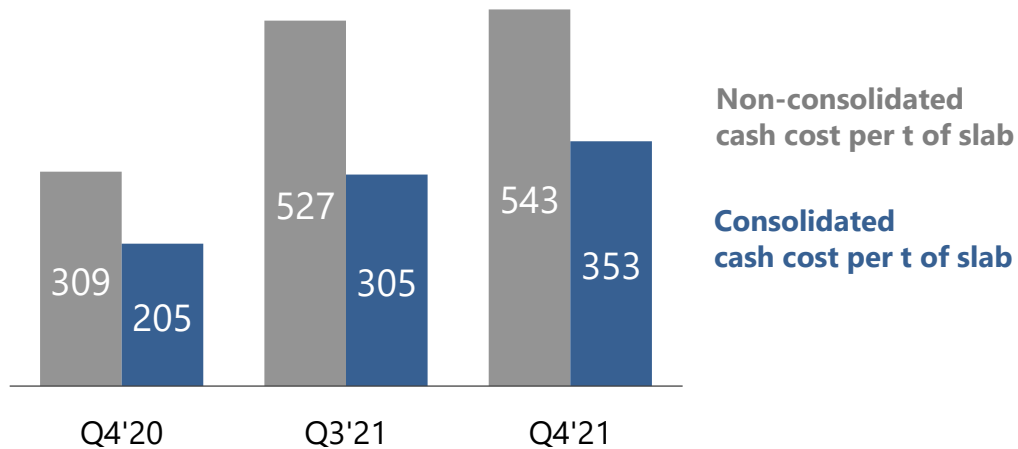
STEEL PRODUCTION, m t



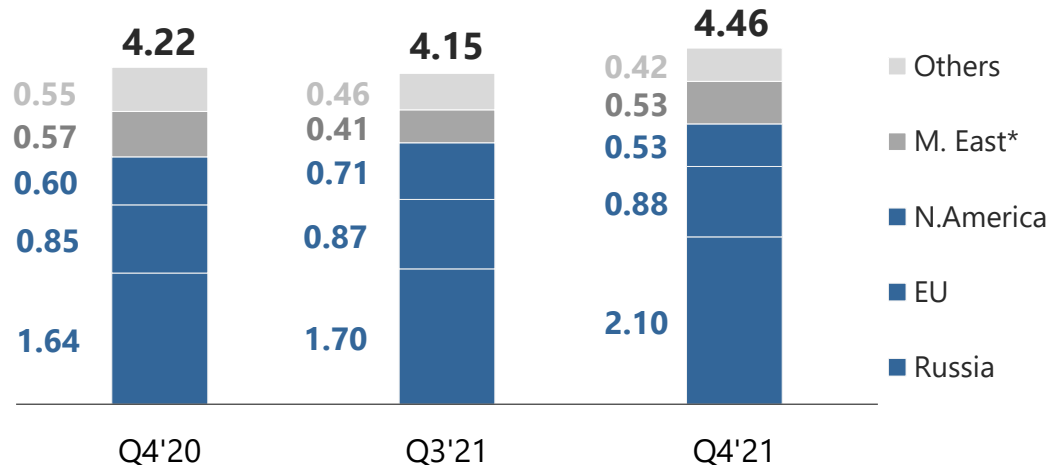
GROUP SHIPMENTS TO EXTERNAL CUSTOMERS BY SEGMENT, m t



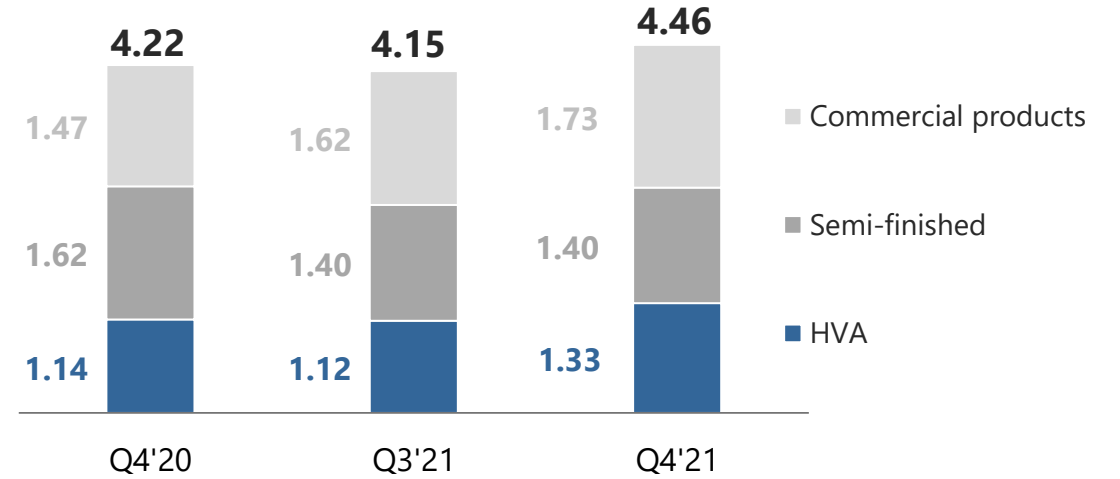
NLMK RUSSIAN FLAT PRODUCTS - CASH COSTS OF SLABS, \$/t



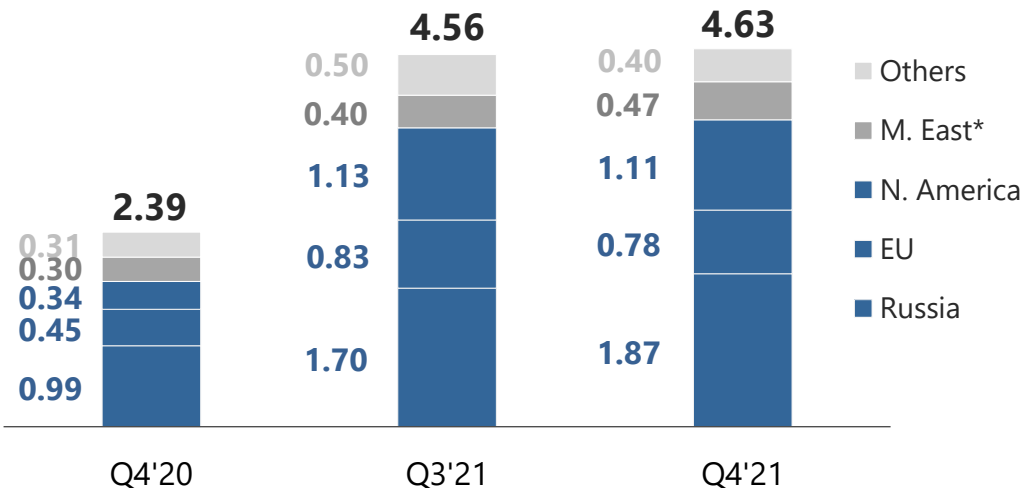
STEEL PRODUCT SALES BY REGION, m t



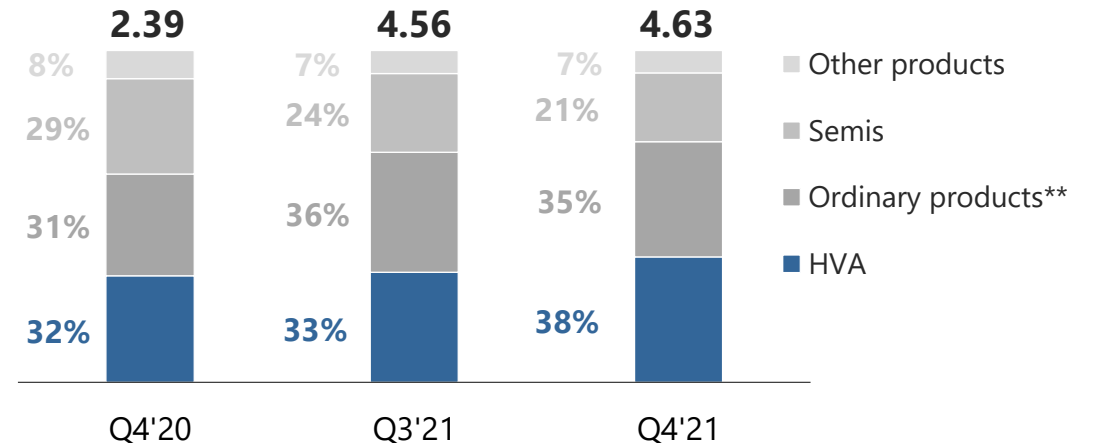
SALES STRUCTURE BY PRODUCT, m t



REVENUE BY REGION, \$ bn

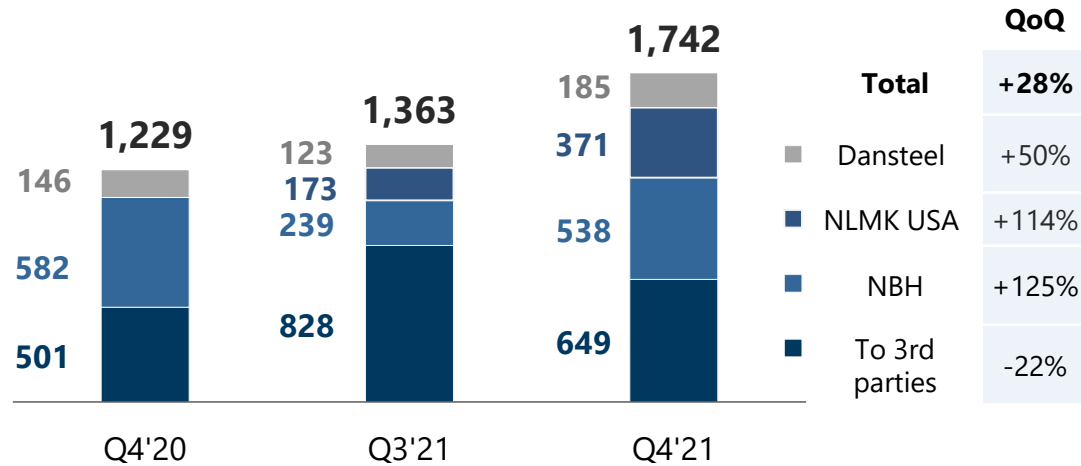


REVENUE BY PRODUCT, \$ bn

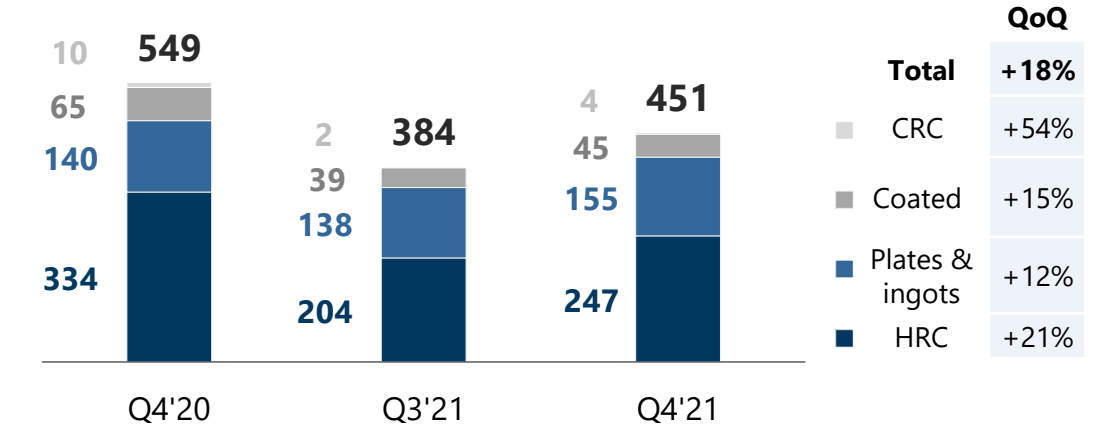


* Incl. Turkey. ** HRC and Long products

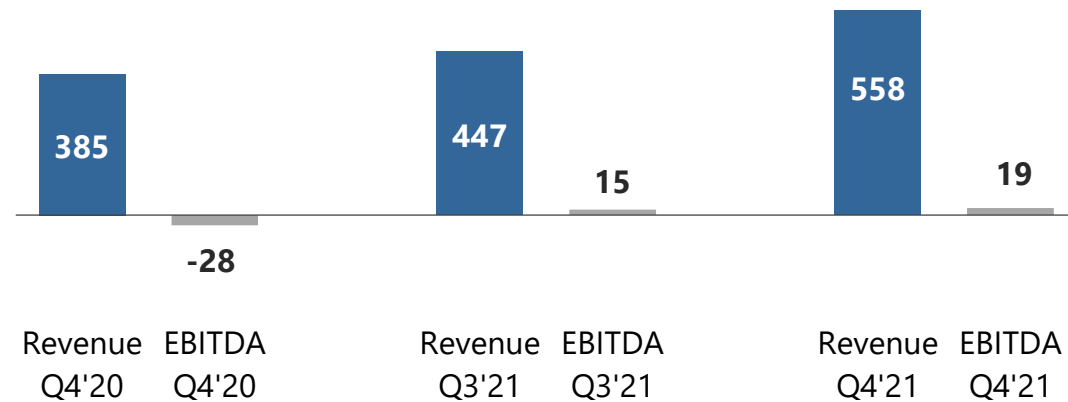
SLABS SALES FROM THE RUSSIAN FLAT PRODUCTS DIVISION, k t



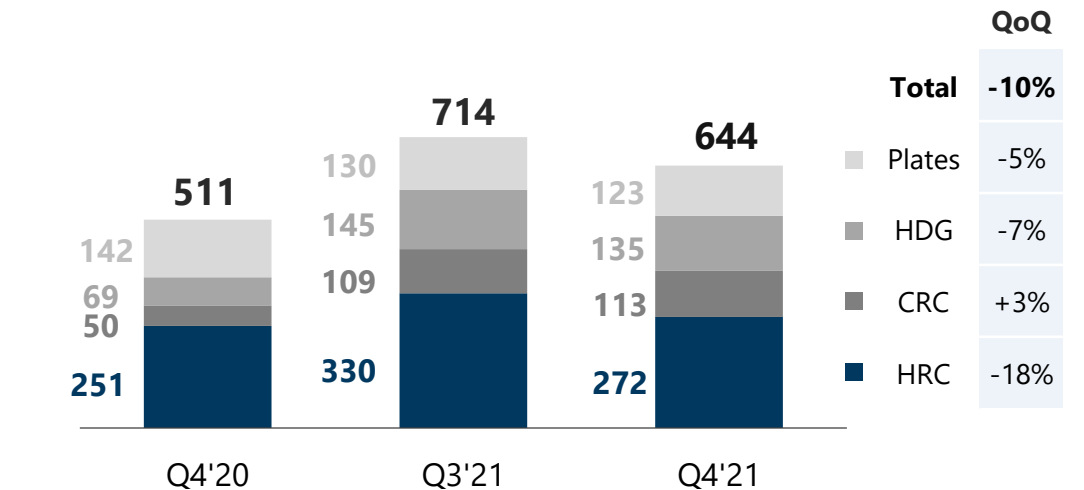
NBH ROLLED PRODUCTS SALES, k t



NBH FINANCIAL RESULTS, \$ m



NLMK USA AND NLMK DANSTEEL SALES, k t



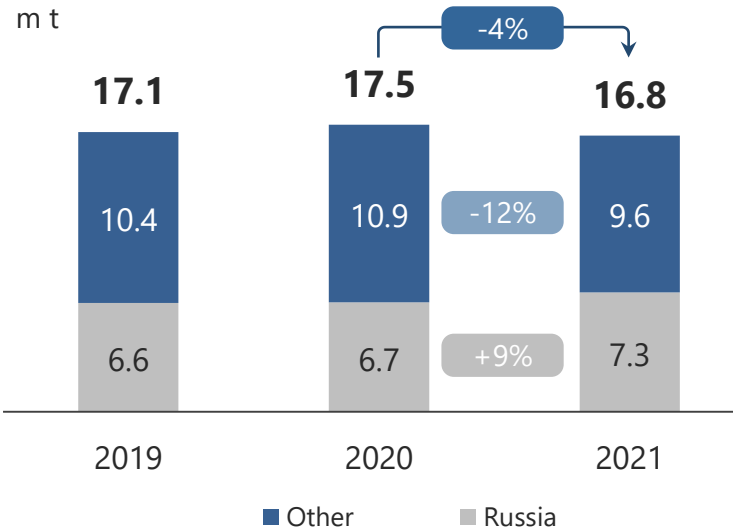
Group shipments softened by 4% yoy to 16.8 m t

- (-) Recovery of intersegmental slab sales
- (-) Normalization of finished steel stocks from the low base at the end of 2020
- (+) Crude steel production growth

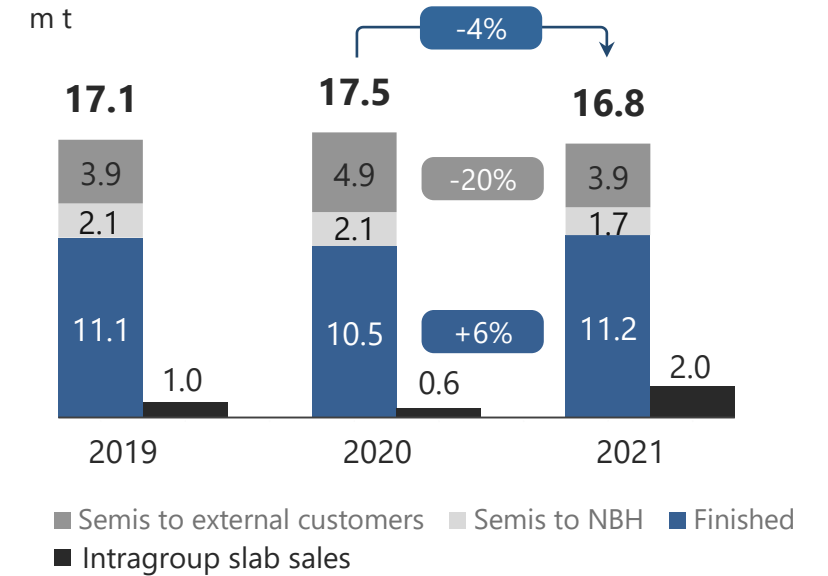
Russia Flat sales declined by 1% yoy to 13.2 m t

- (-) Longer slab lead times following recovery of slab shipments to the US
- (-) Slab stock growth due to structural output increase and planned production expansion at Dansteel and La Louvière in Q1'22
- (-) Finished steel stock normalization from the low base of the end of 2020 formed amid high demand on the Russian market

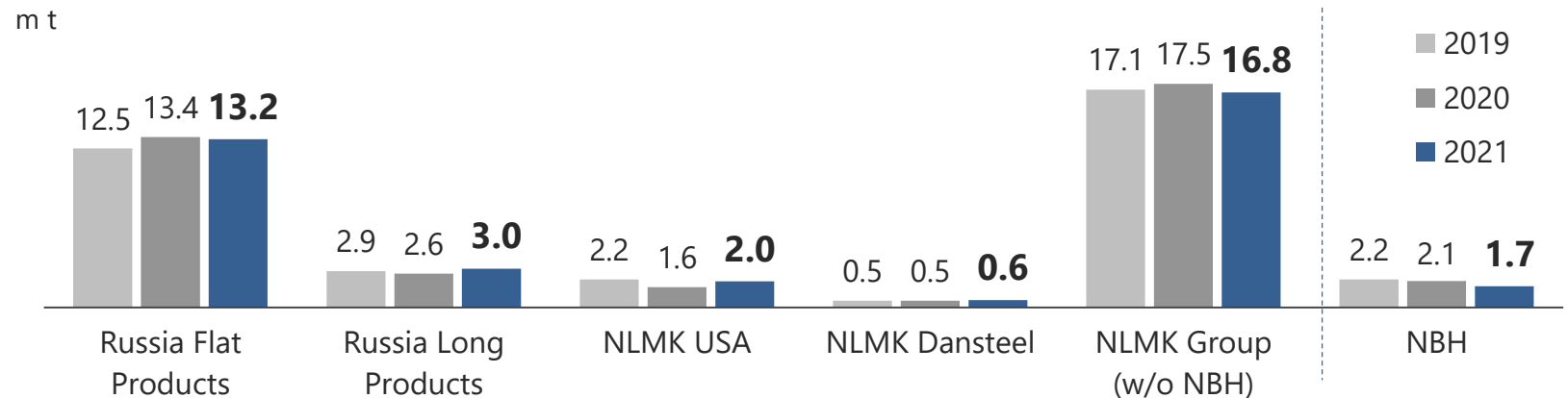
SHARE OF RUSSIAN MARKET SALES IMPROVED



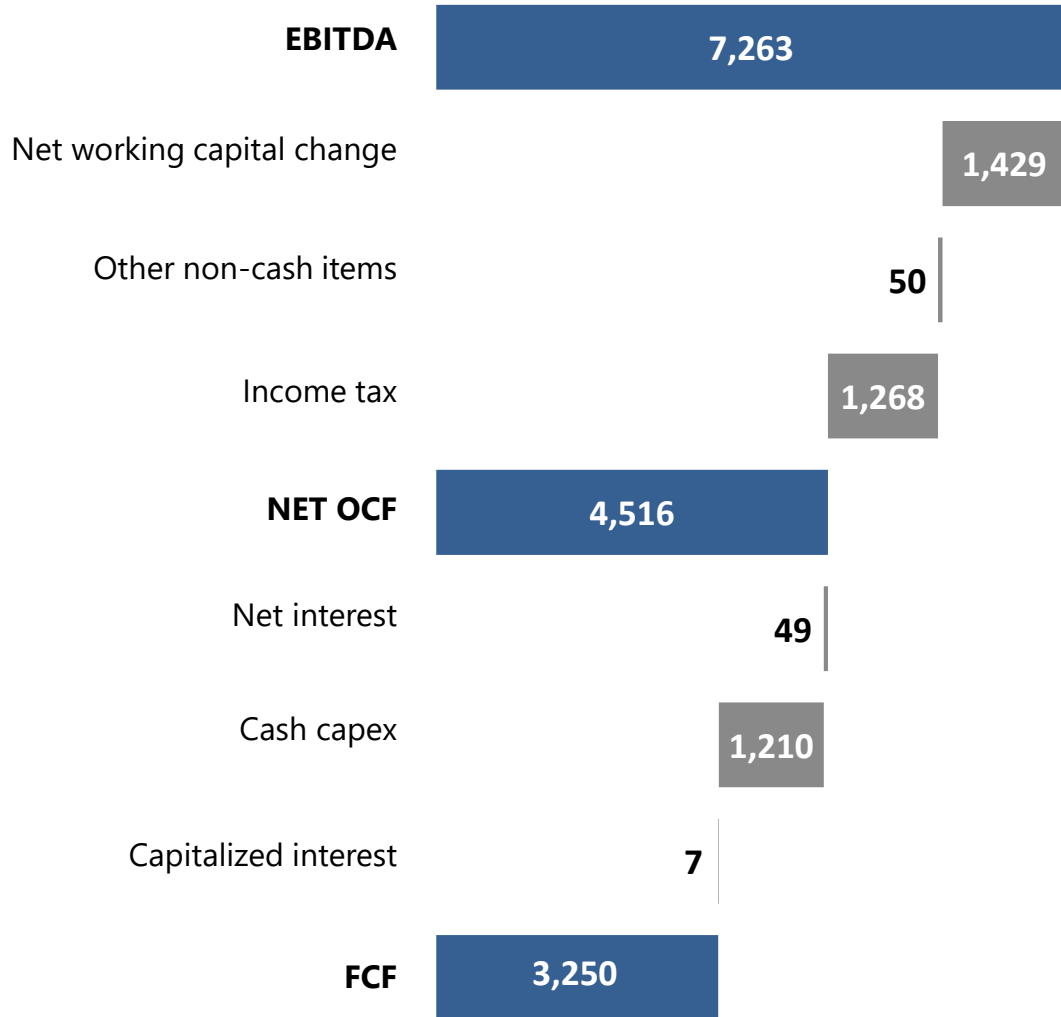
FINISHED PRODUCTS SALES MOVED HIGHER



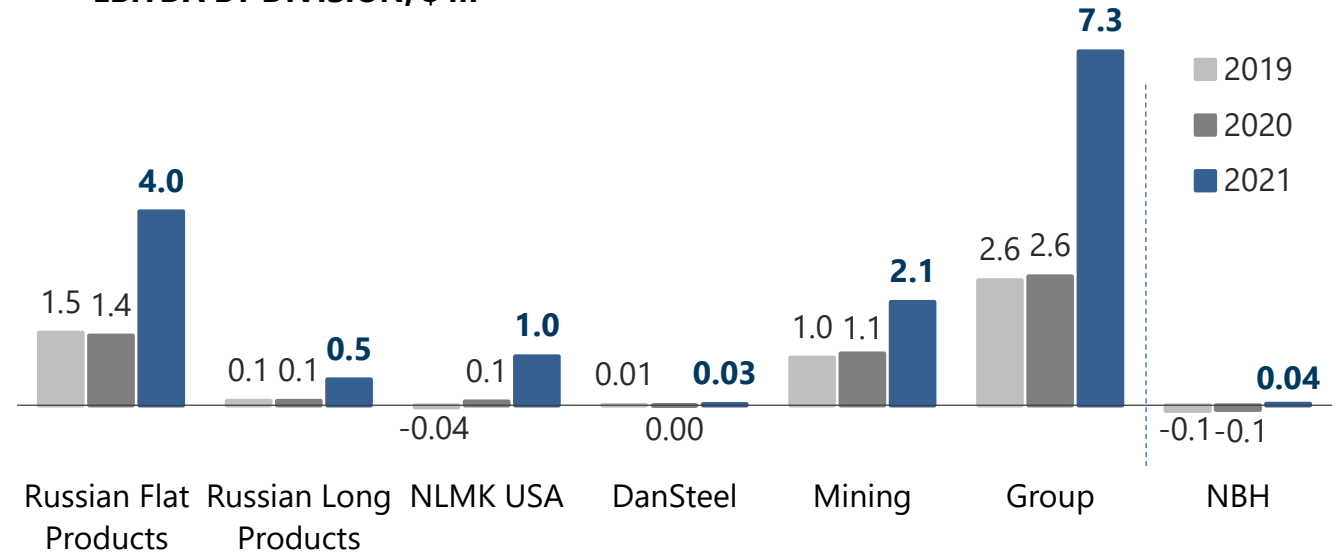
RUSSIAN LONG PRODUCTS SEGMENT AND FOREIGN DIVISIONS SHIPMENTS IMPROVED



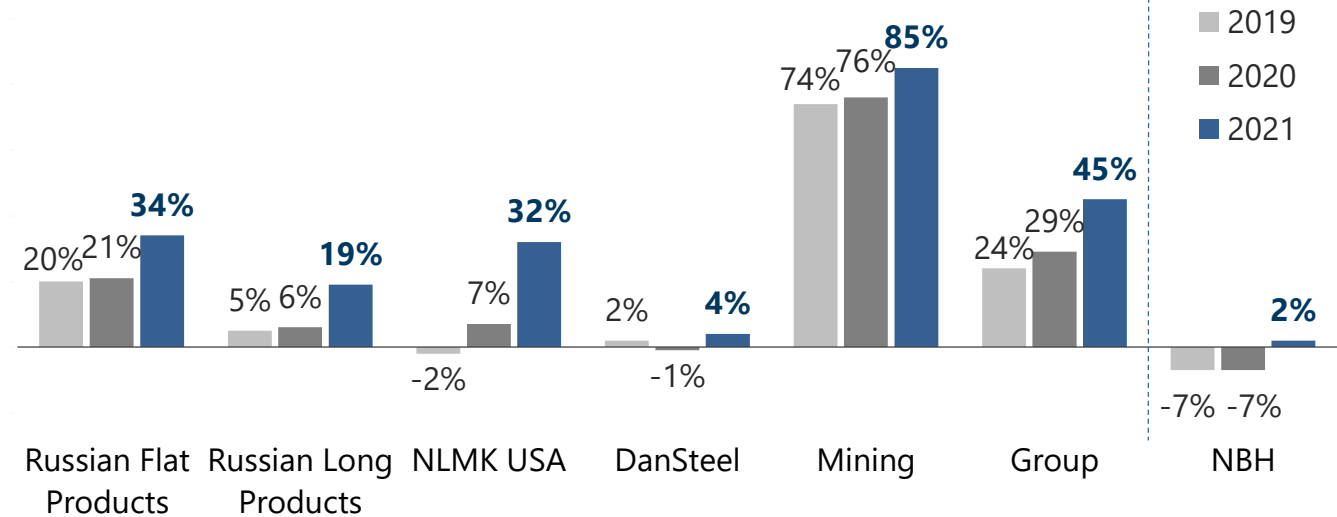
2021 FCF BRIDGE, \$ m



EBITDA BY DIVISION, \$ m



EBITDA MARGIN BY DIVISION, %





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