

Q1'21 IFRS Results



22 April 2021

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

**Grigory
Fedorishin**
CEO

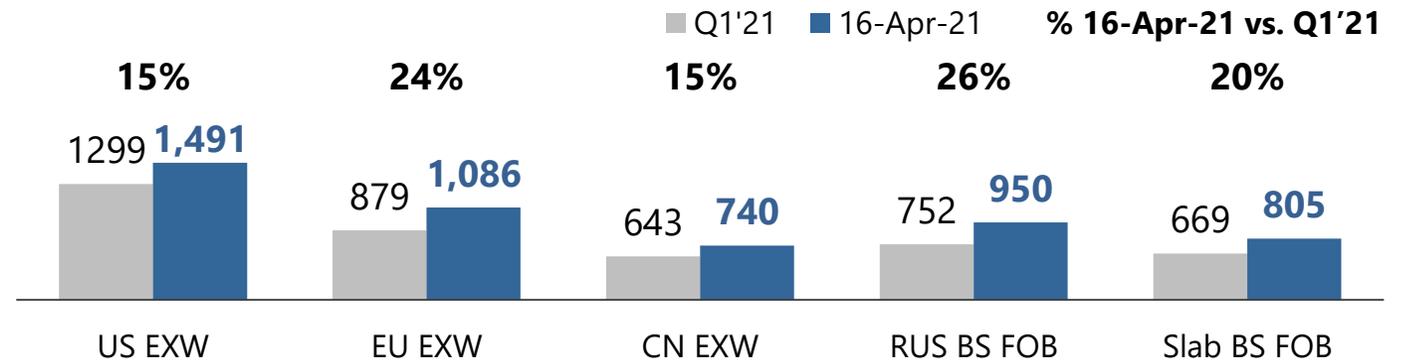


Persistently tight markets provided further support to steel prices until early April; first signs of stabilization emerge

- **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)

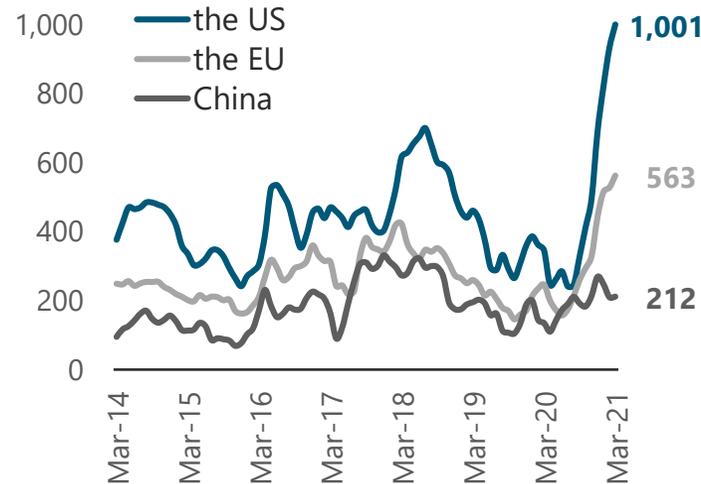
In Q1'21, steel mills' profitability reached multi-year highs as sharp increase in steel prices offset strengthened iron ore and coking coal prices

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



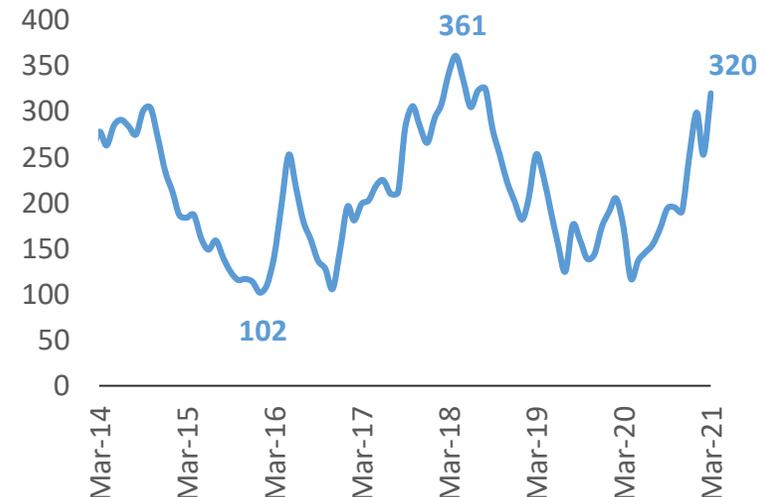
Source: Bloomberg, excl. VAT. Quoted prices can be different from NLMK's realized prices

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

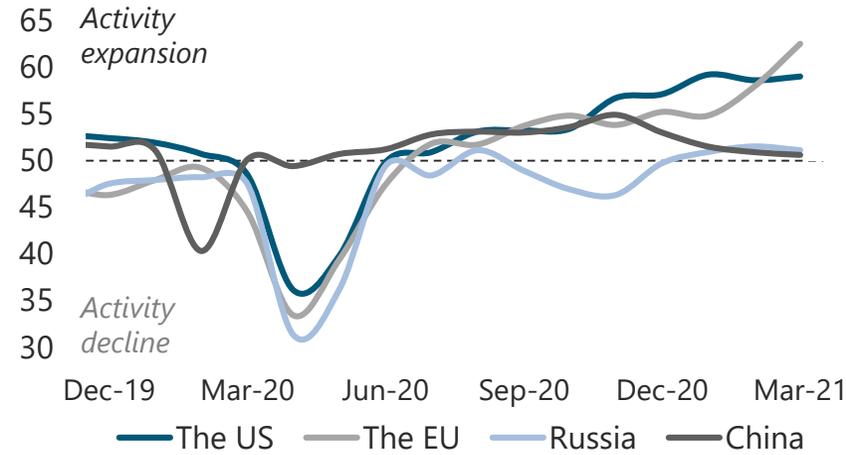
Steel demand trends vary across geographies

- 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



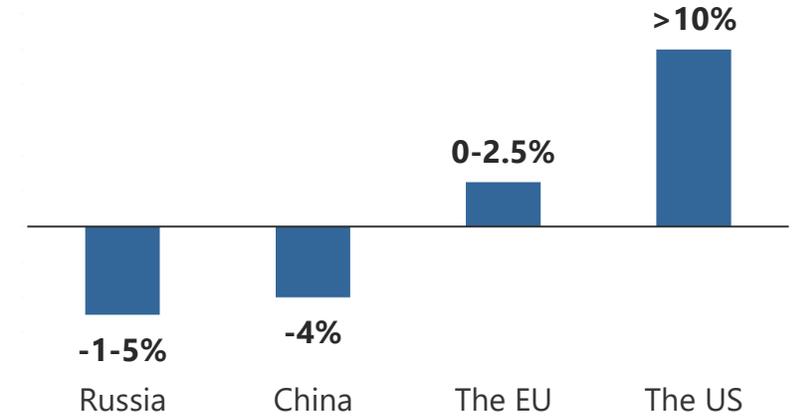
Source: Bloomberg

IRON ORE AND SCRAP PRICE



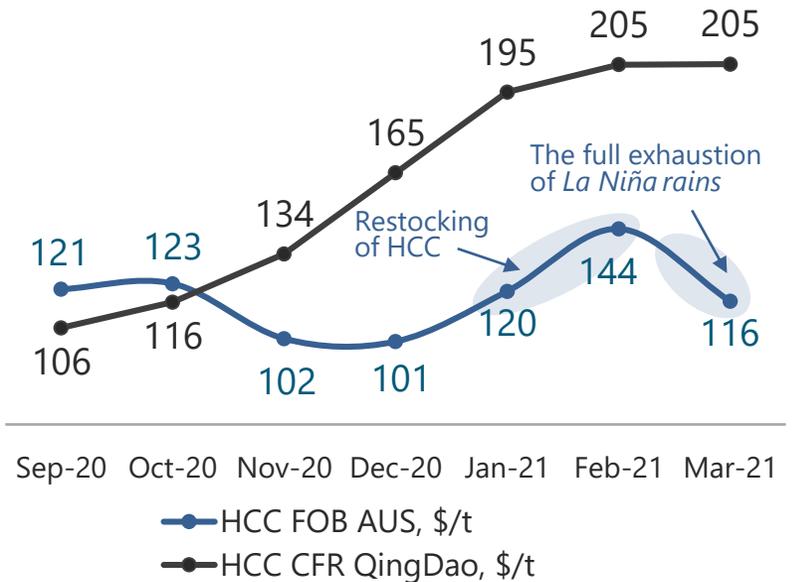
Source: Bloomberg, *consensus estimates

STEEL DEMAND IN KEY REGIONS, Q1'21, QoQ



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

HCC PRICES



Source: Bloomberg, *consensus estimates

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

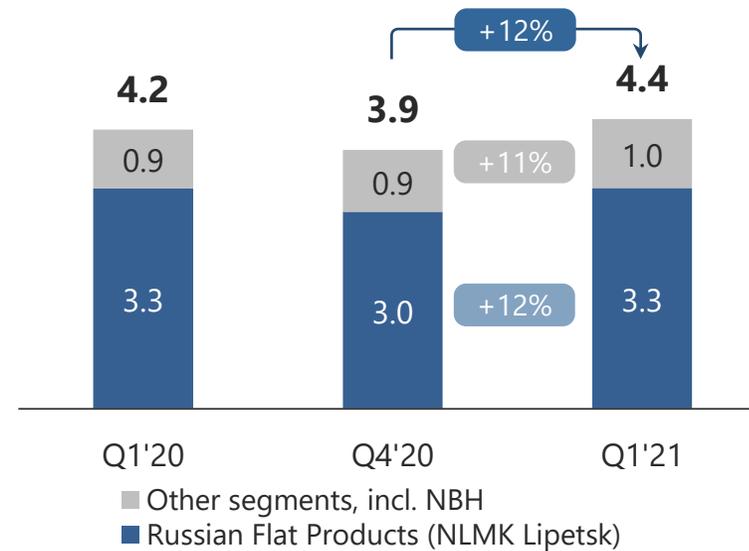
Shipments decreased by 7% qoq to 3.9 m t

- 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

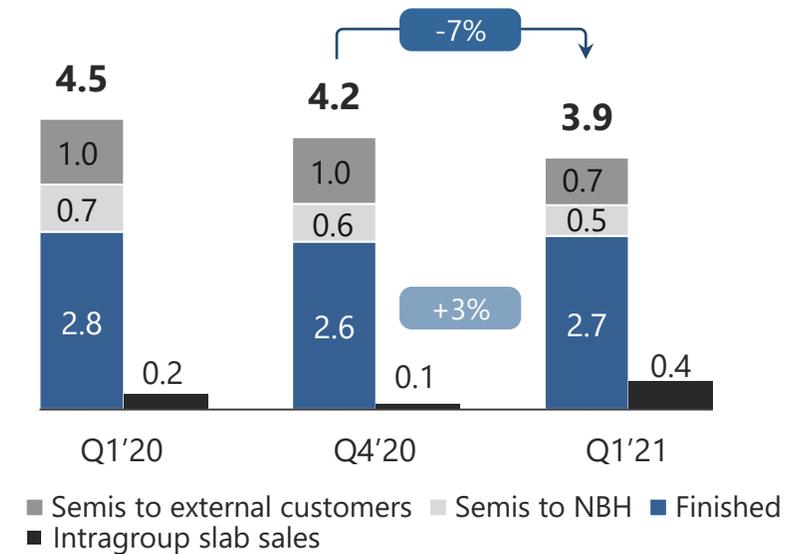
Accumulated stocks should be recognized in Q2'21 sales

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

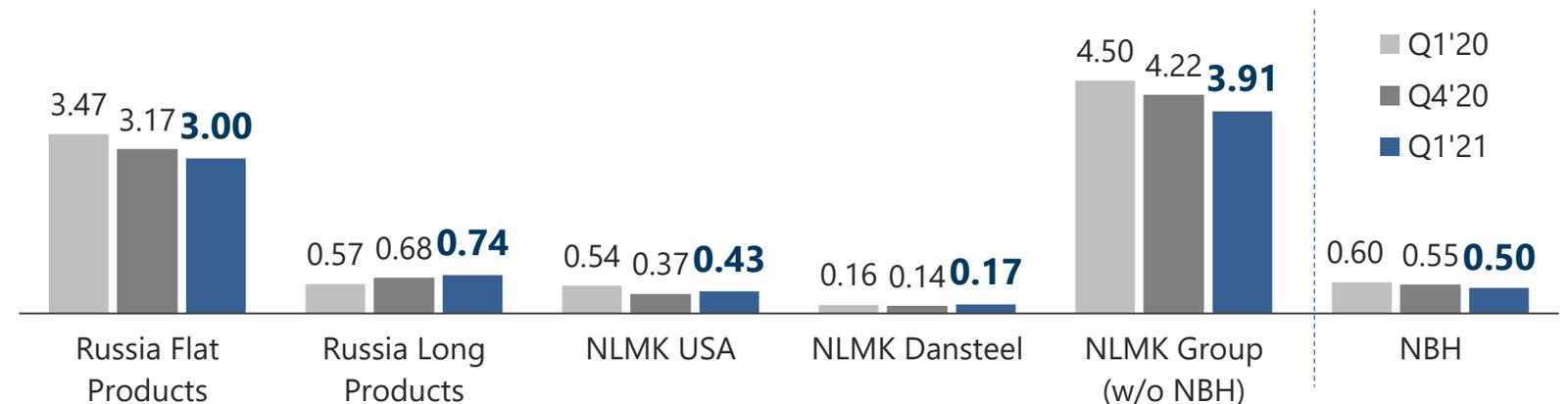
POST-OVERHAUL INCREASE IN STEEL OUTPUT



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
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- **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

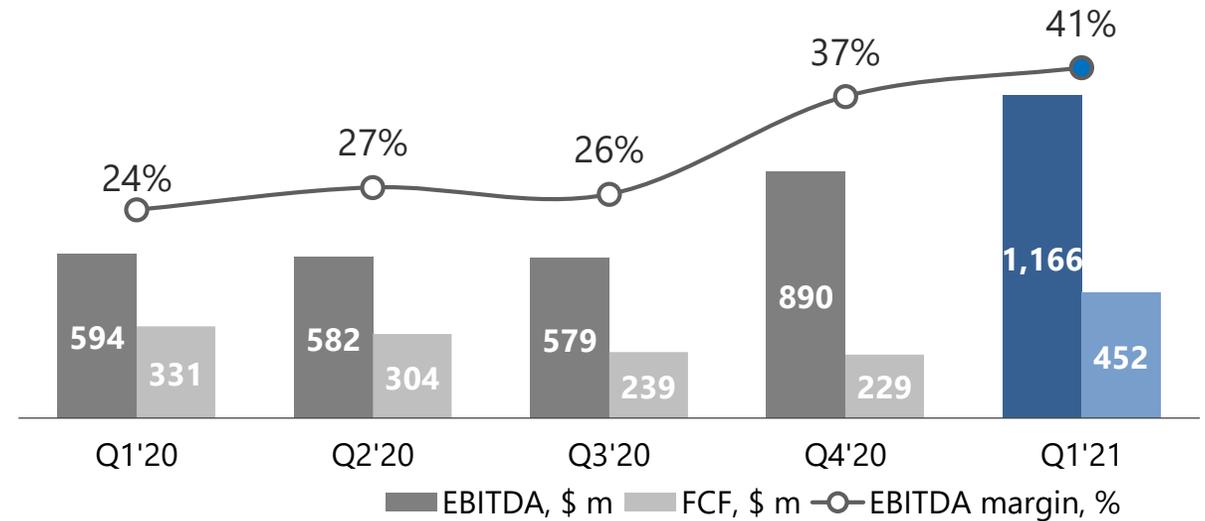
EBITDA margin reached 41%

- 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)

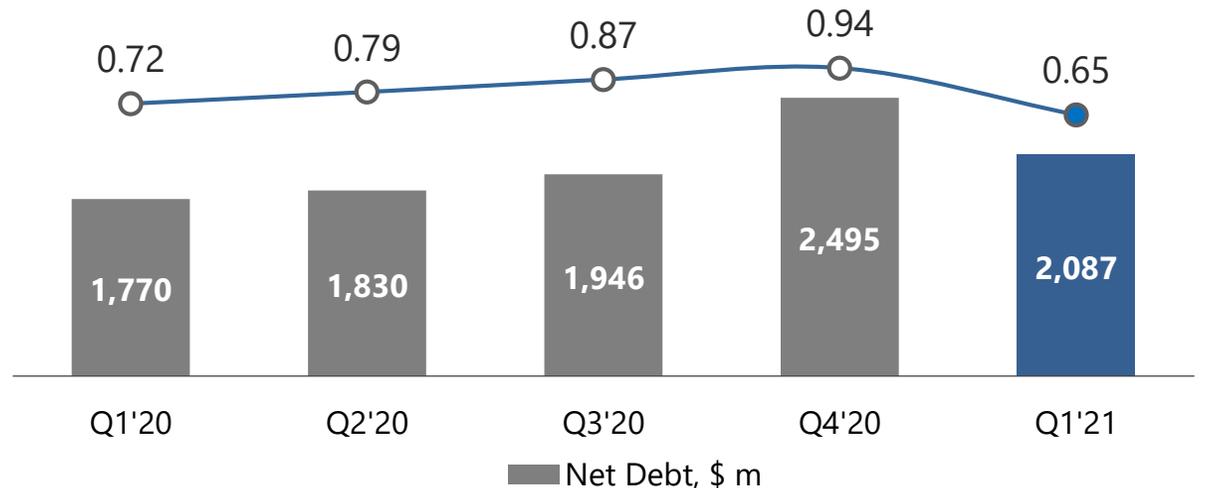
Net debt-to-EBITDA* ratio fell to 0.65x

- 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

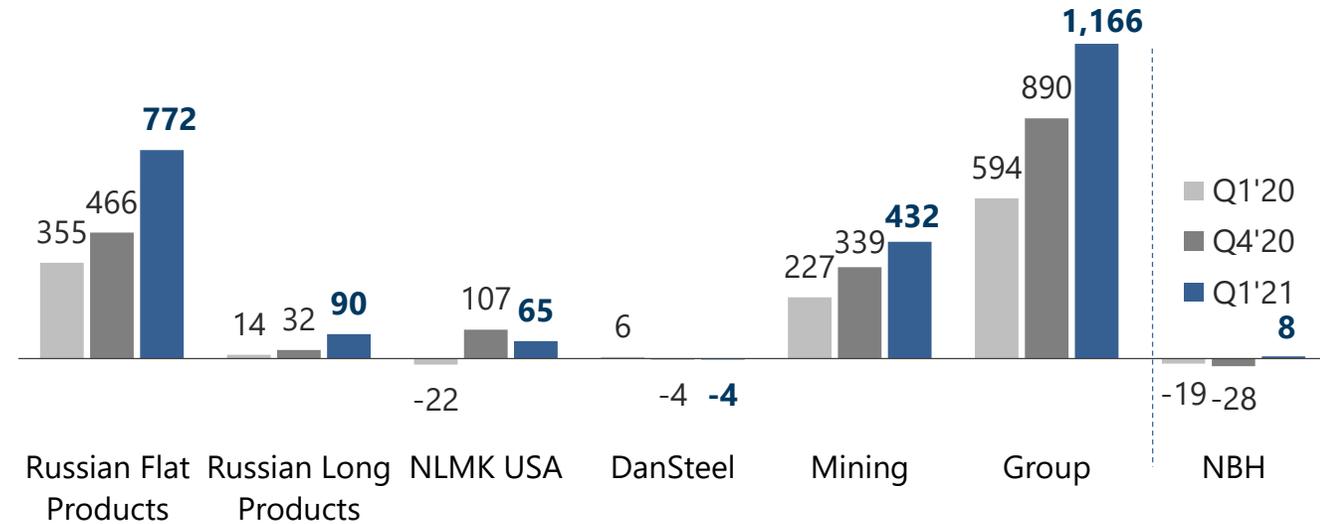
- (-) High base of Q4'20 due to accrual of a \$97 m compensation in line with the settlement agreement with the US DoC
- (+) Improved price spreads between rolled products and feedstock

Mining: EBITDA increased to \$432 m

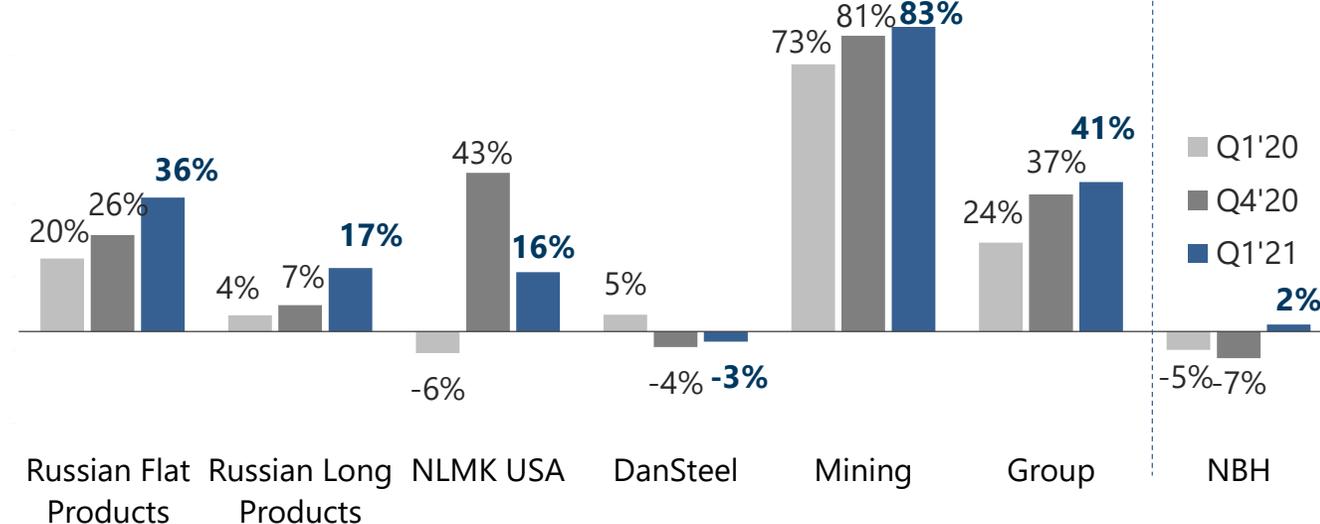
- (+) Increased iron ore prices
- (+) Gains from investment projects

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, %



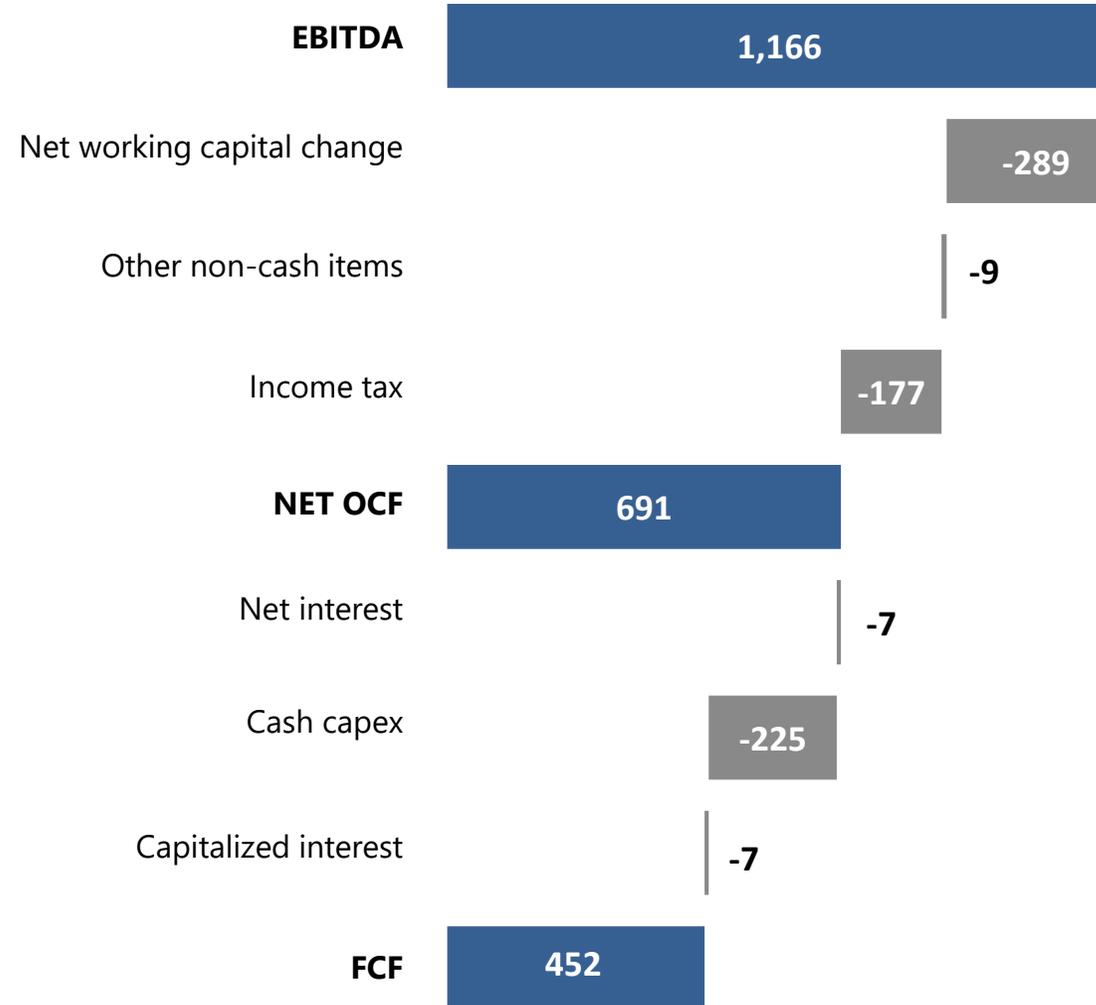
Working capital build-up amounted to \$289 m

- (-) \$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



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:

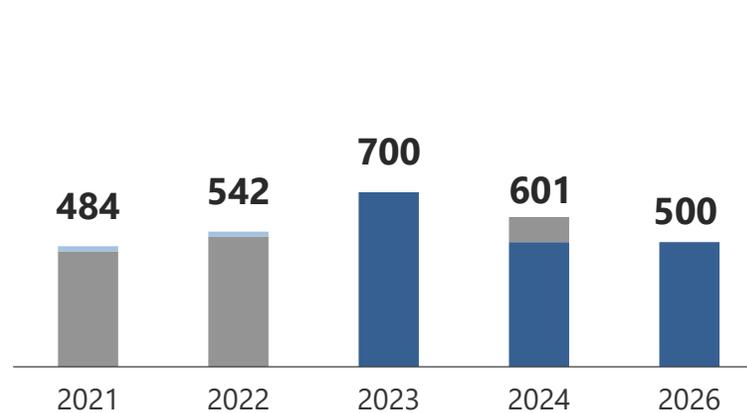
- 40% will be repaid
- 60% will be refinanced

€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%

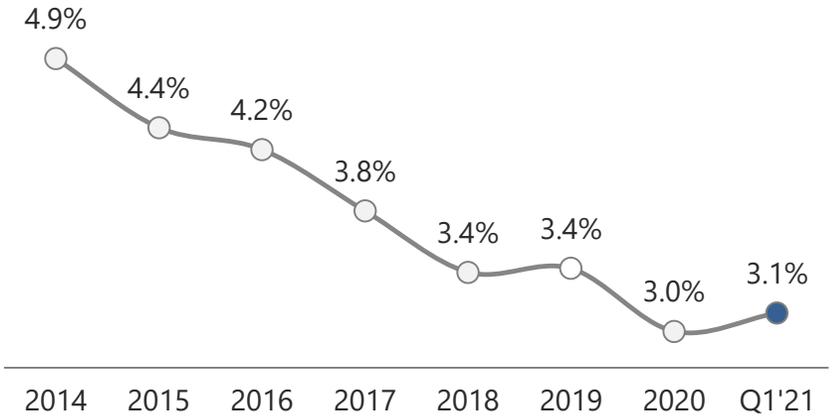
DEBT* MATURITY, \$ m

■ Working capital lines ■ ECA lines ■ Eurobonds

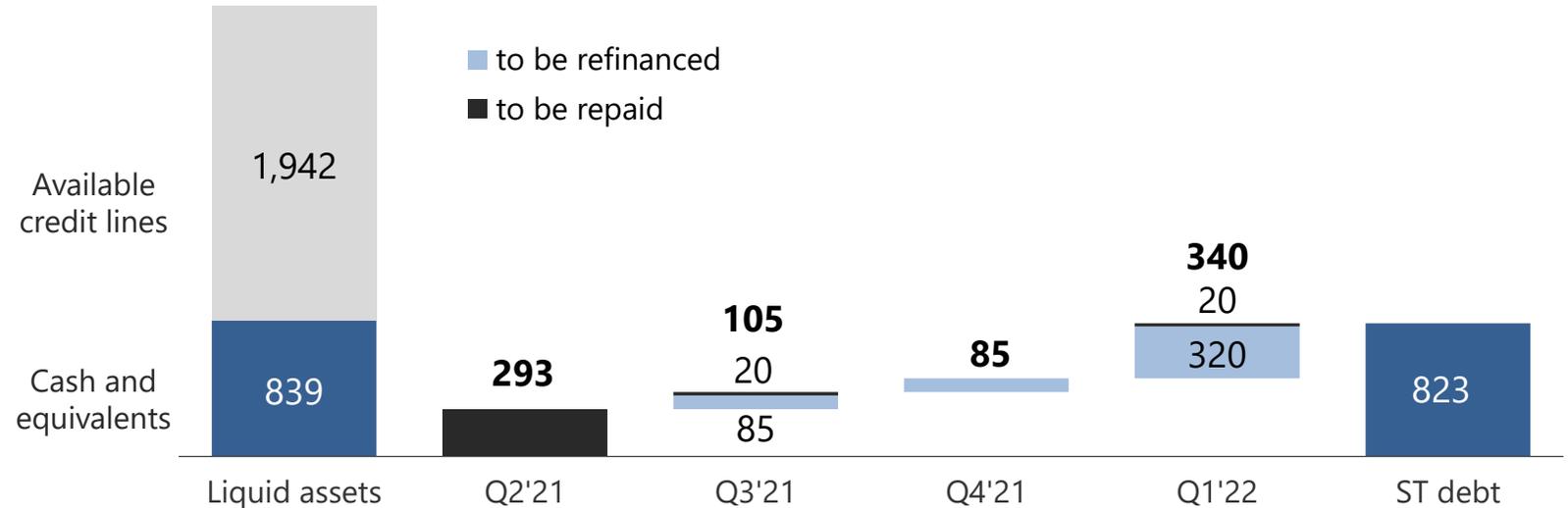


* Excluding interest payments

COST OF DEBT REMAINS LOW, %



LIQUIDITY AND SHORT-TERM DEBT, \$ m



Note: the data on the slide are represented without NBH

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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 3rd 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

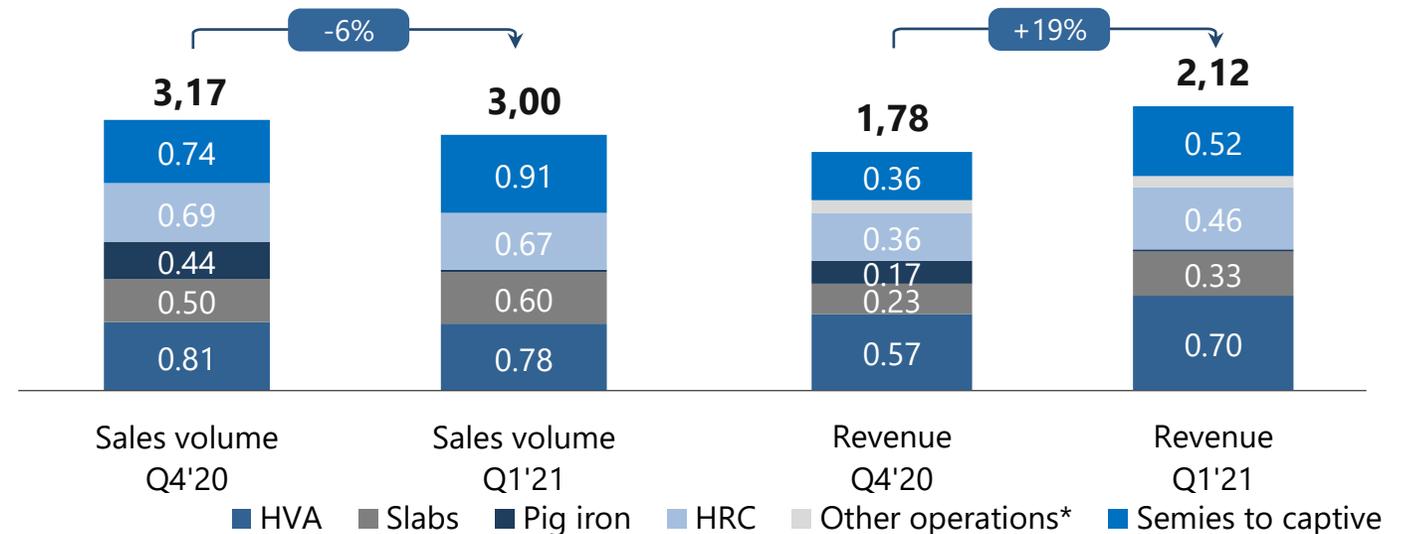
Revenue expanded to \$2.1 bn (+19% qoq)

- (+) Higher prices

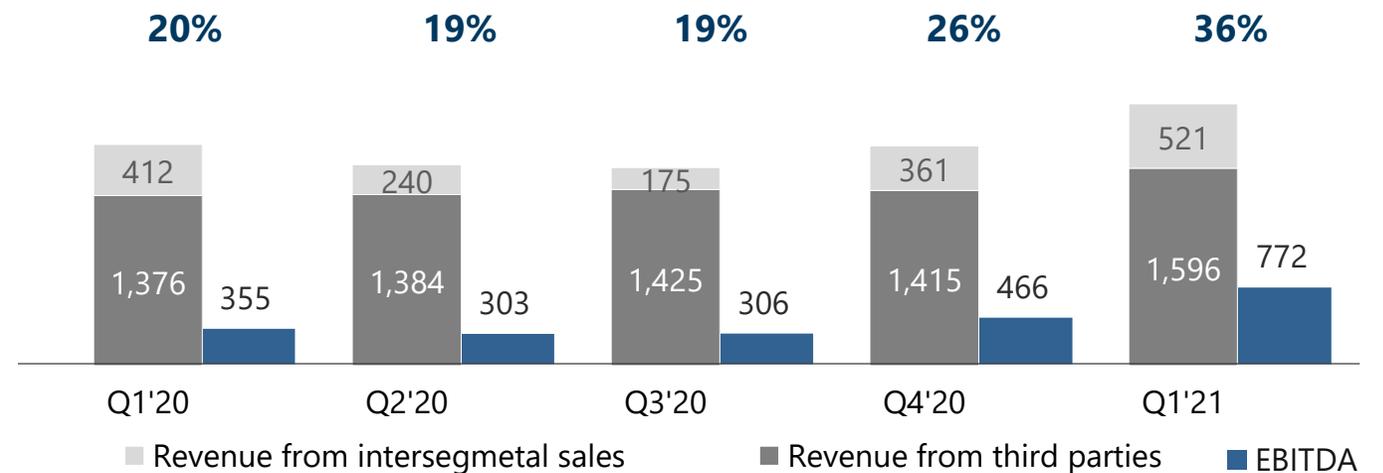
EBITDA grew by 66% qoq to \$772 m

- (+) 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

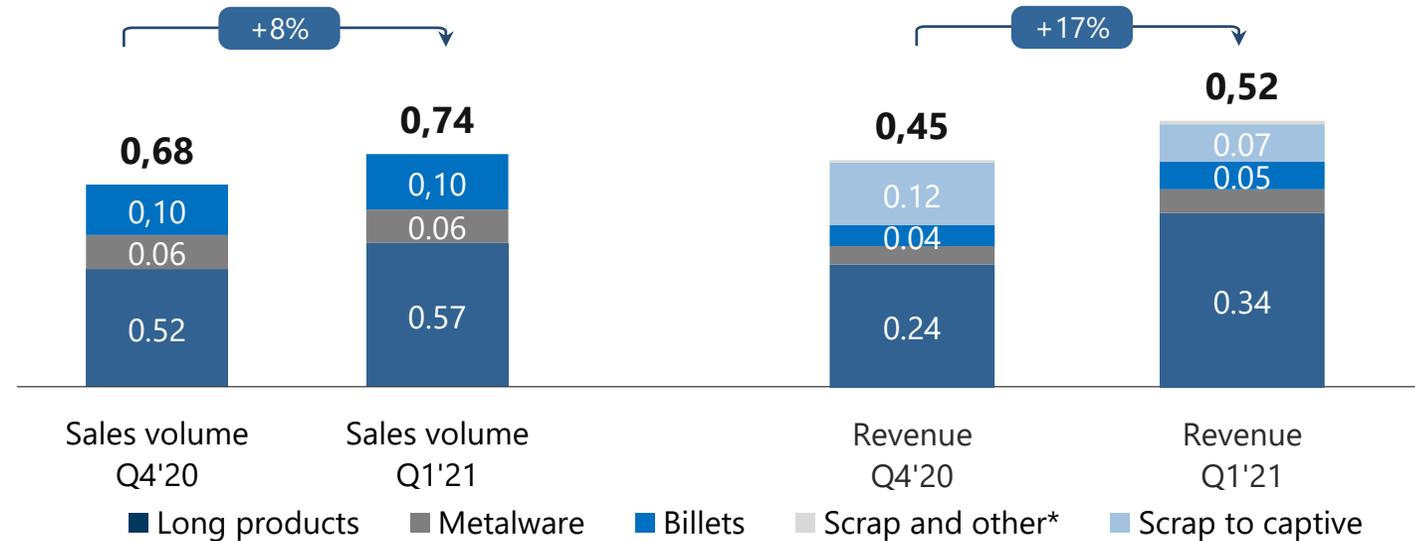
Revenue went up by 17% qoq

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

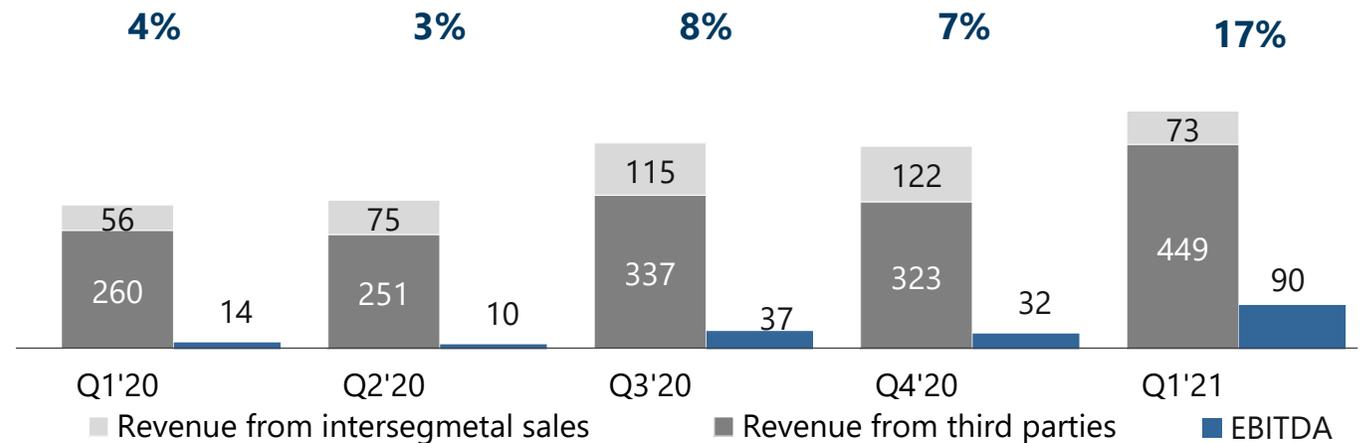
EBITDA grew to \$90 m (3x qoq)

- (+) 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

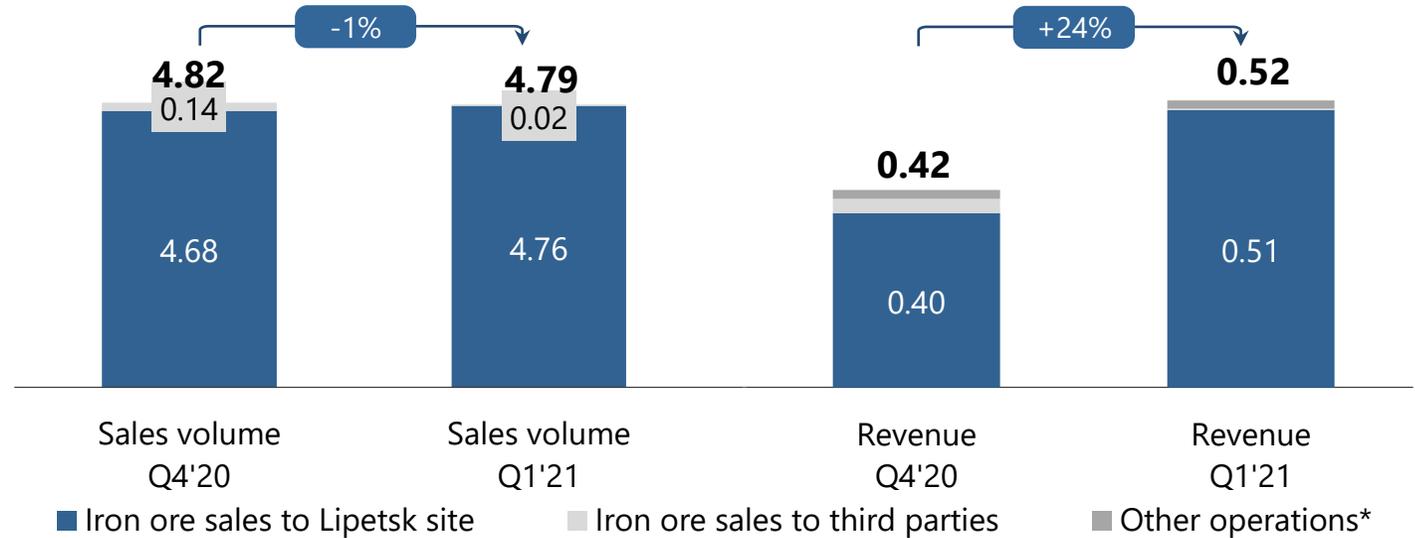
Deliveries decreased to 4.79 m t (-1% qoq) due to planned maintenance works

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

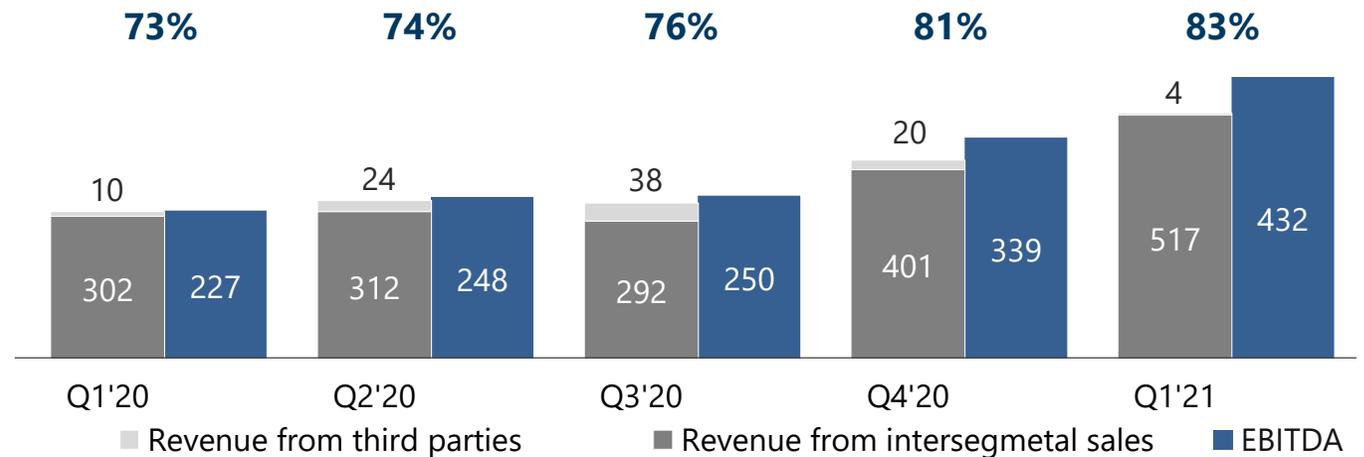
EBITDA increased to \$432 m (+27% qoq) on higher prices

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

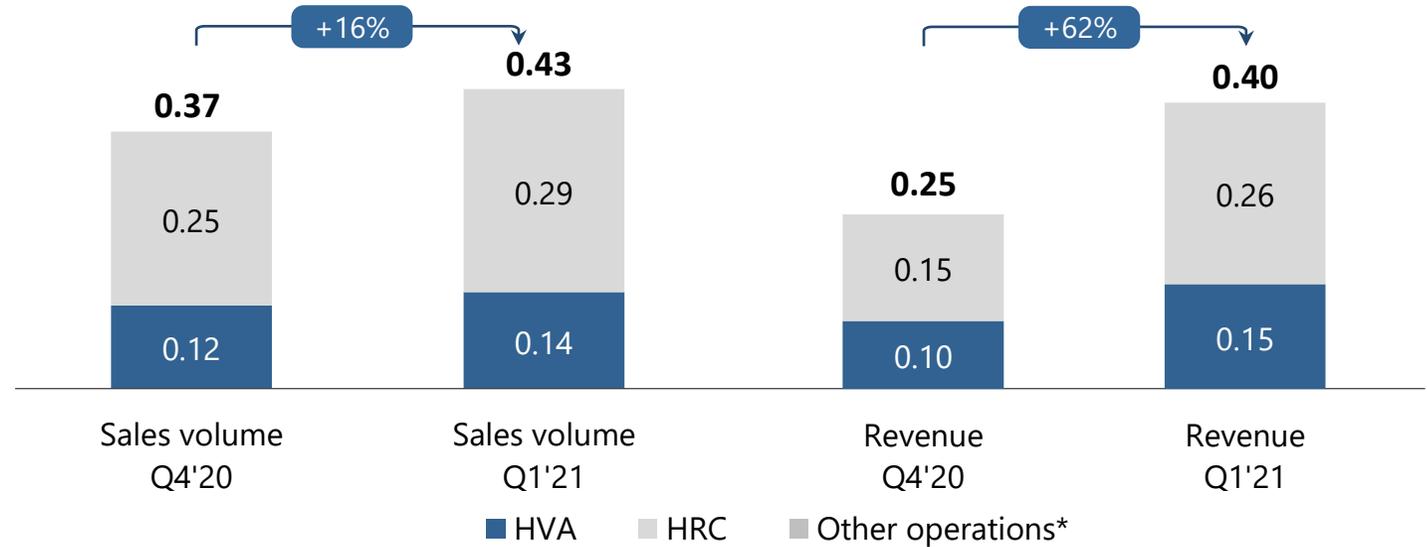
Revenue recovered to 0.4 bn (+62% qoq)

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

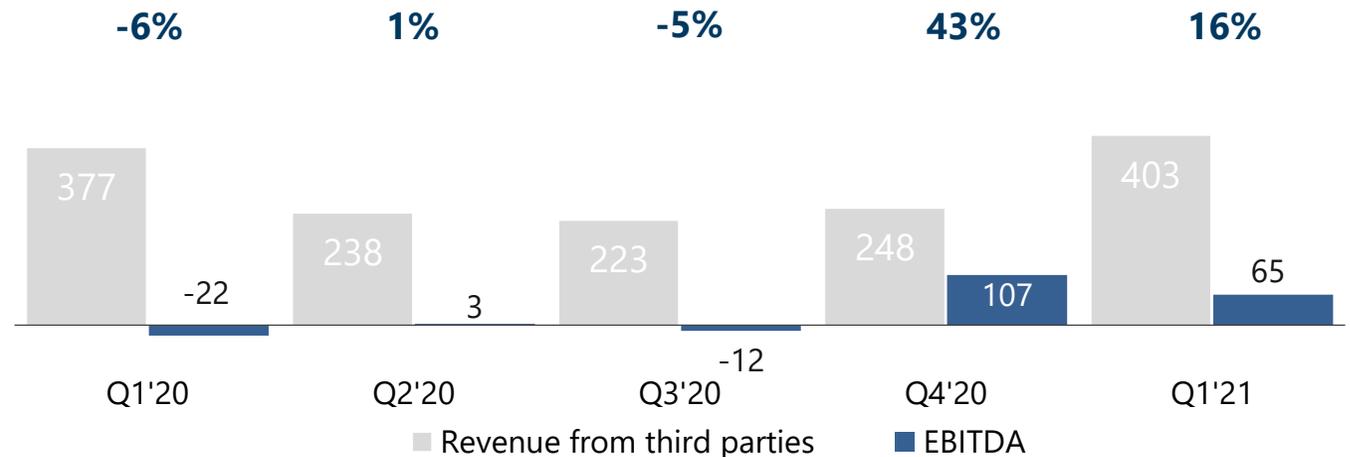
EBITDA amounted to \$65 m

- (+) 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

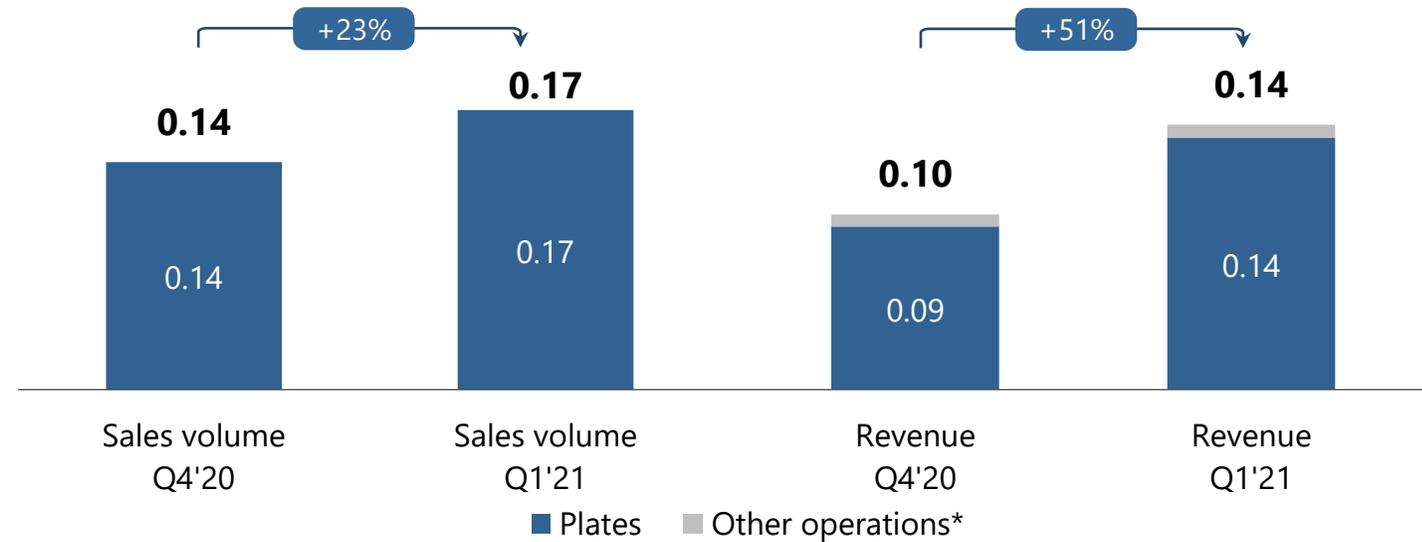
- (+) Improved demand from the wind energy and transport machine building sectors

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

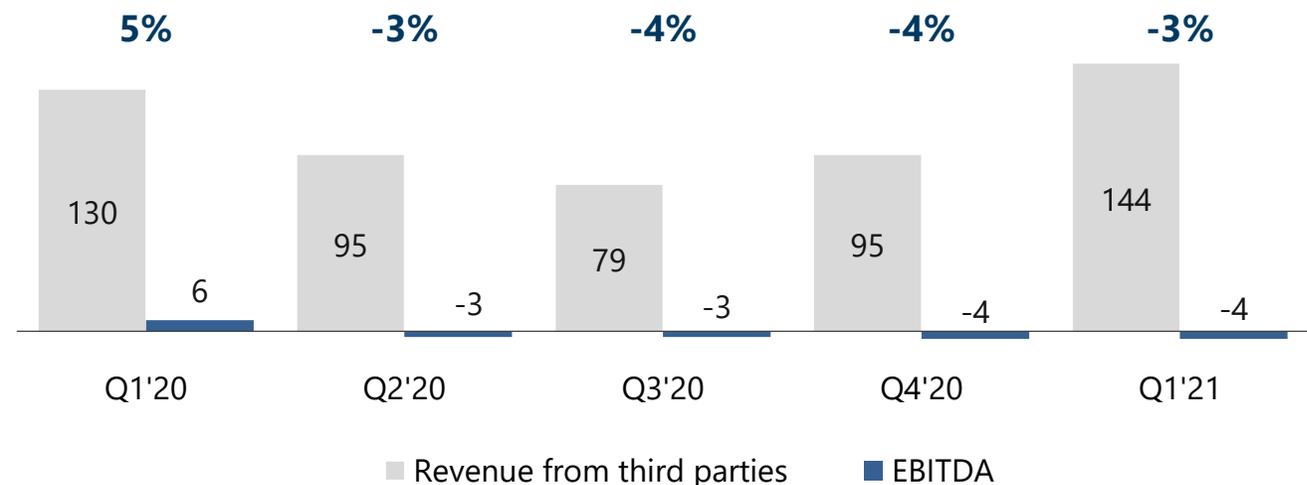
EBITDA stood at -\$4 m

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

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



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



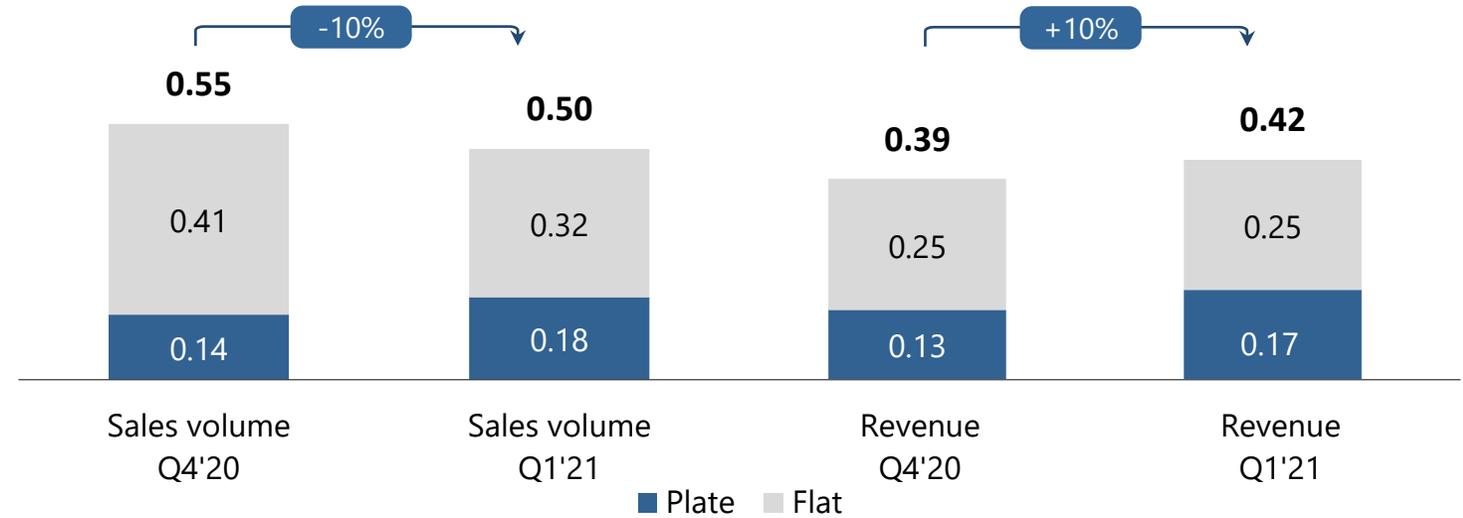
* Revenue from the sale of scrap, other products and services

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)

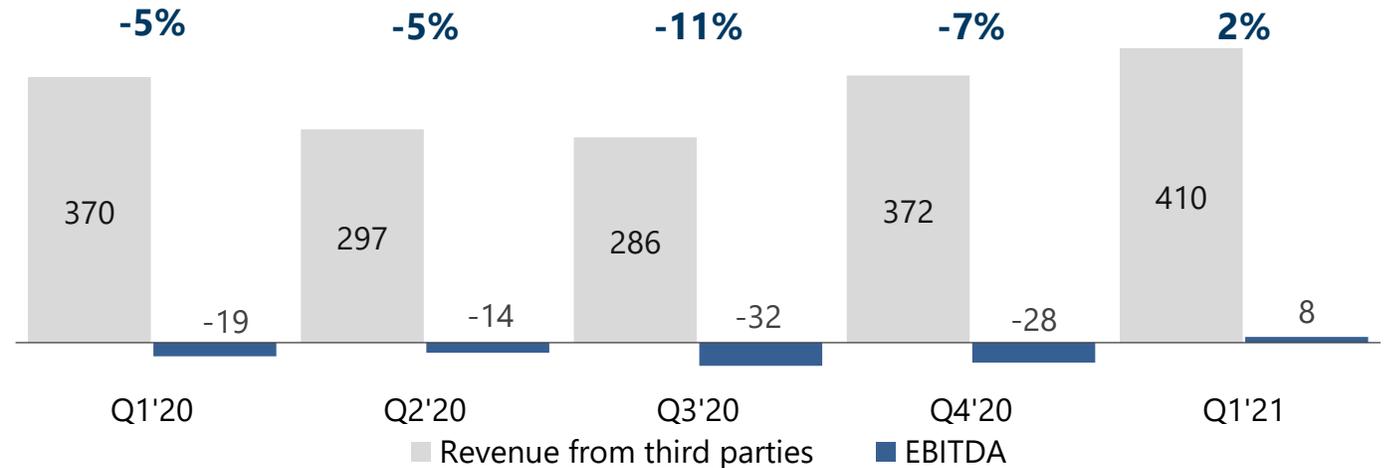
Revenue increased by 10% to \$0.42 bn following flat steel prices recovery on the EU market

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

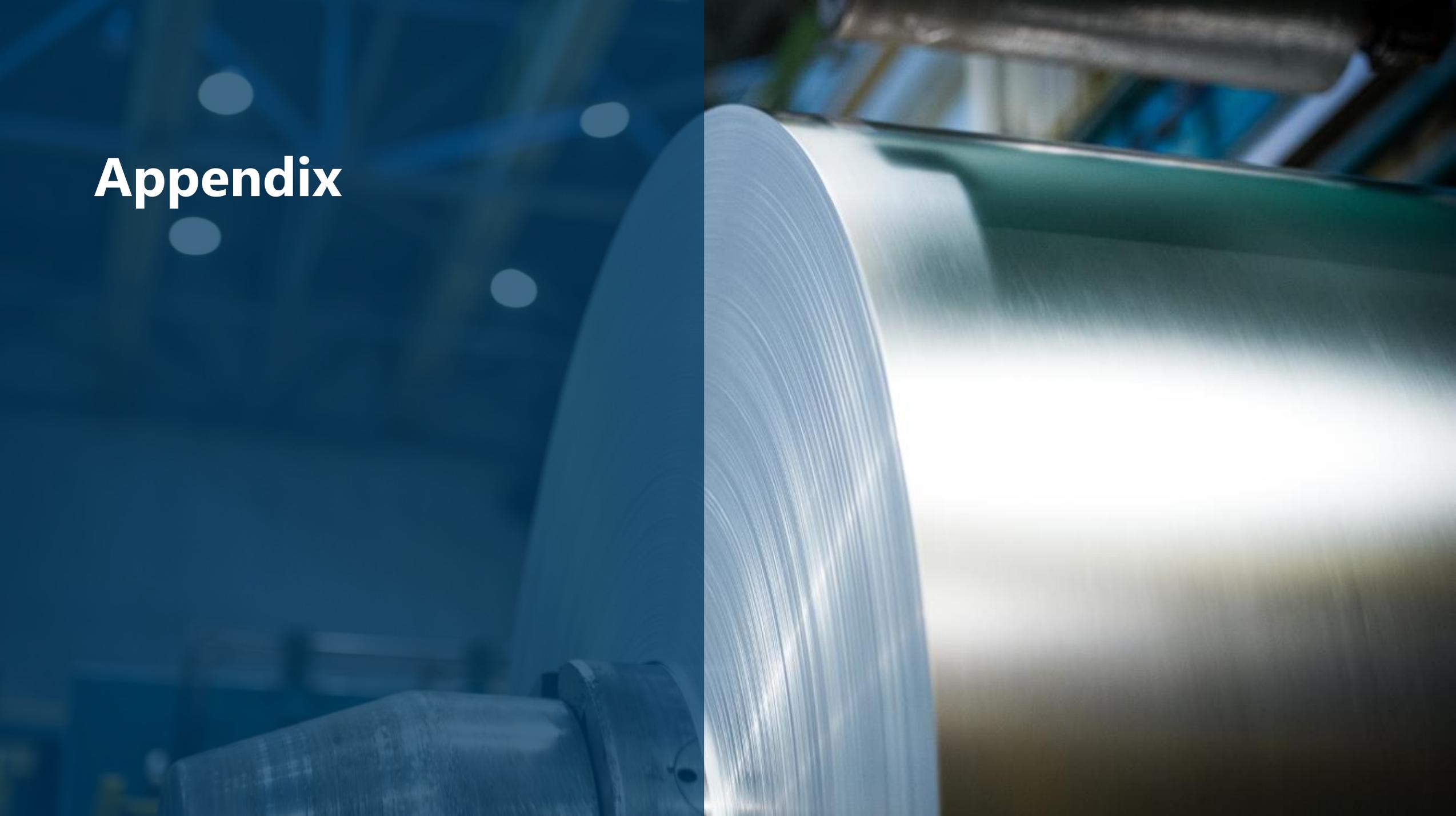
STEEL SHIPMENTS (m t) AND REVENUE (\$ bn)



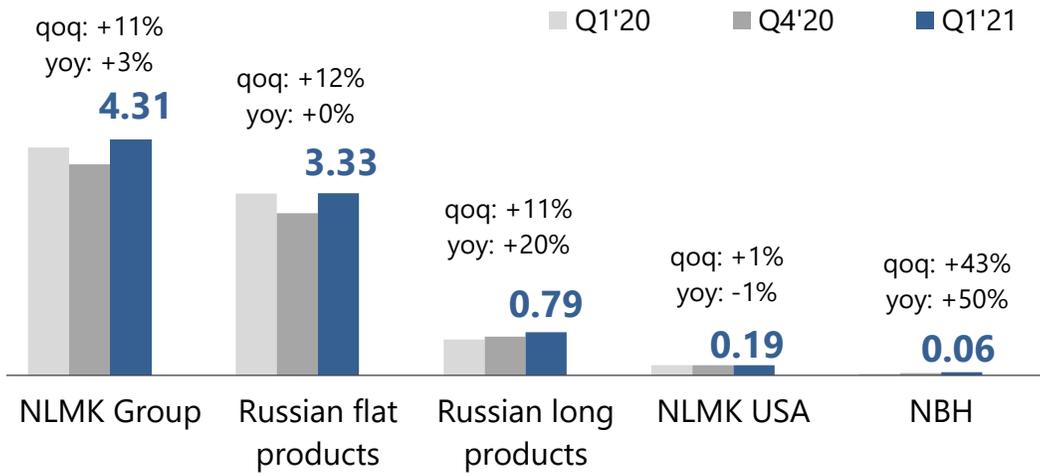
REVENUE, EBITDA (\$ m) AND EBITDA MARGIN (%)



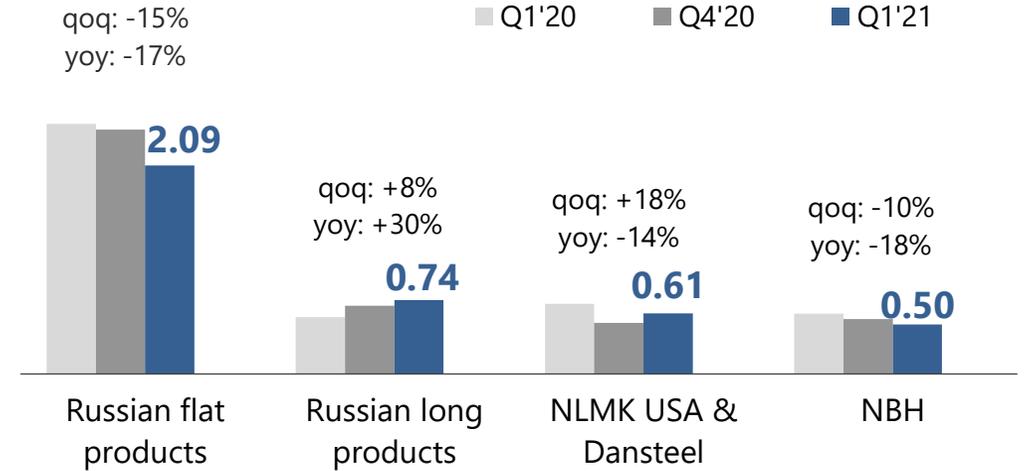
Appendix



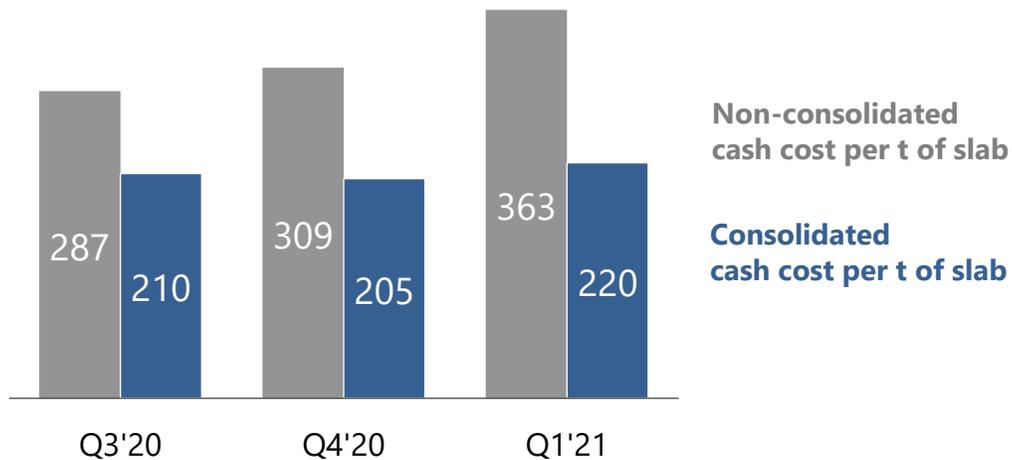
STEEL PRODUCTION, m t



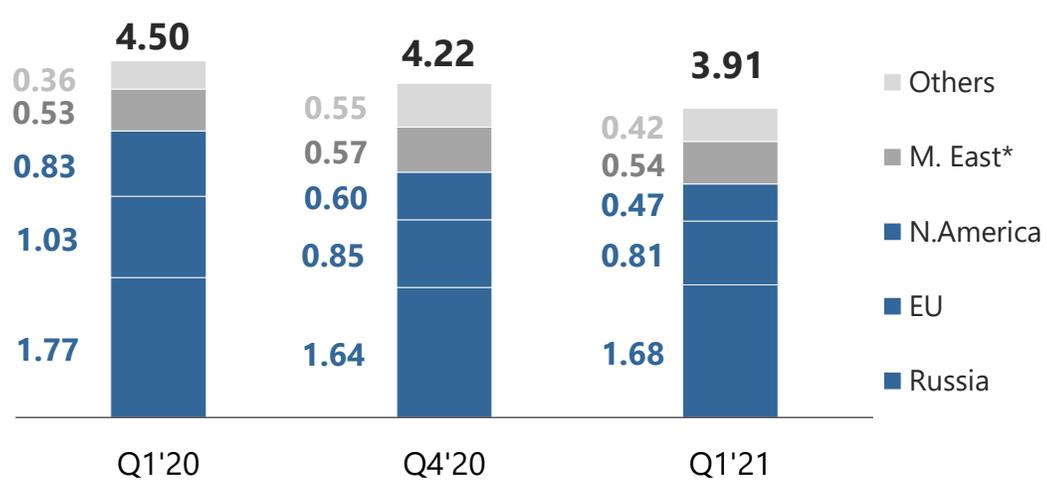
GROUP SHIPMENTS TO EXTERNAL CUSTOMERS BY SEGMENT, m t



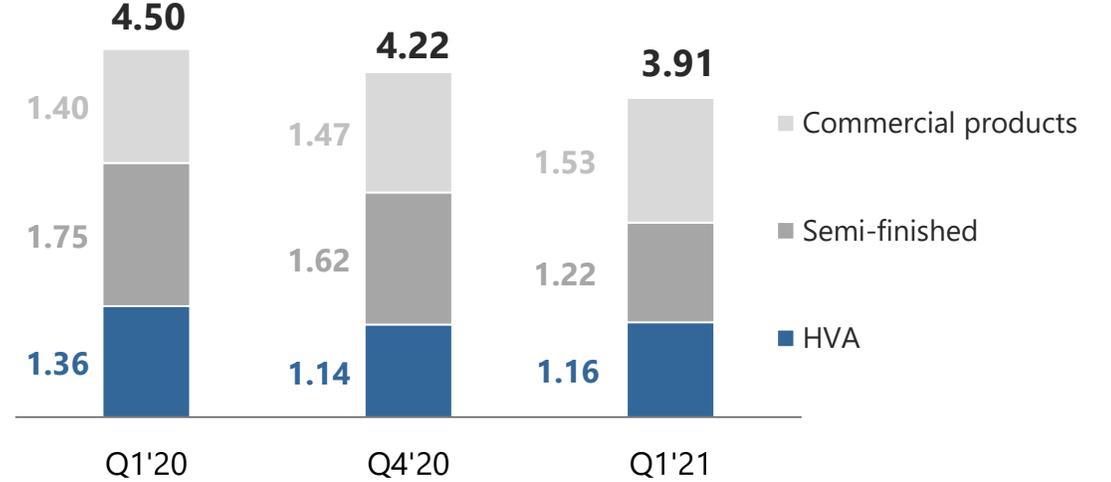
NLMK RUSSIAN FLAT PRODUCTS - CASH COSTS OF SLABS, \$/t



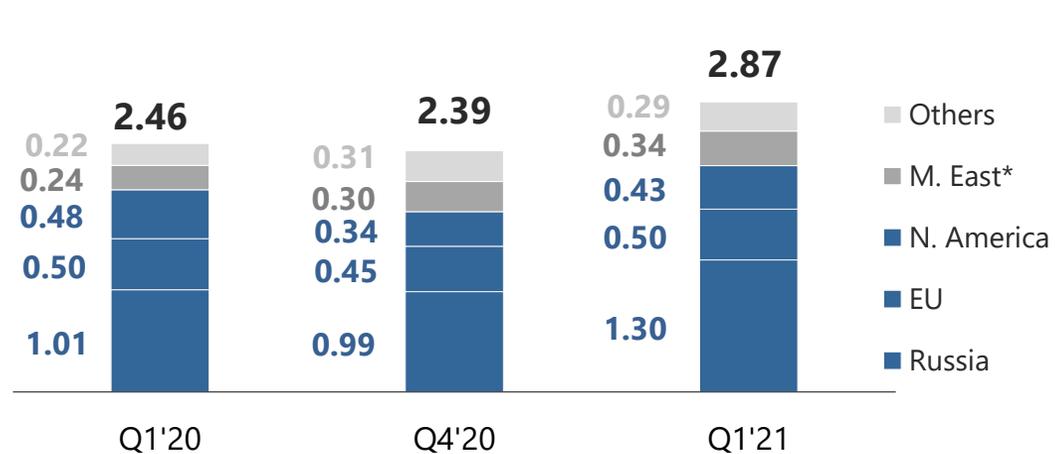
STEEL PRODUCT SALES BY REGION, m t



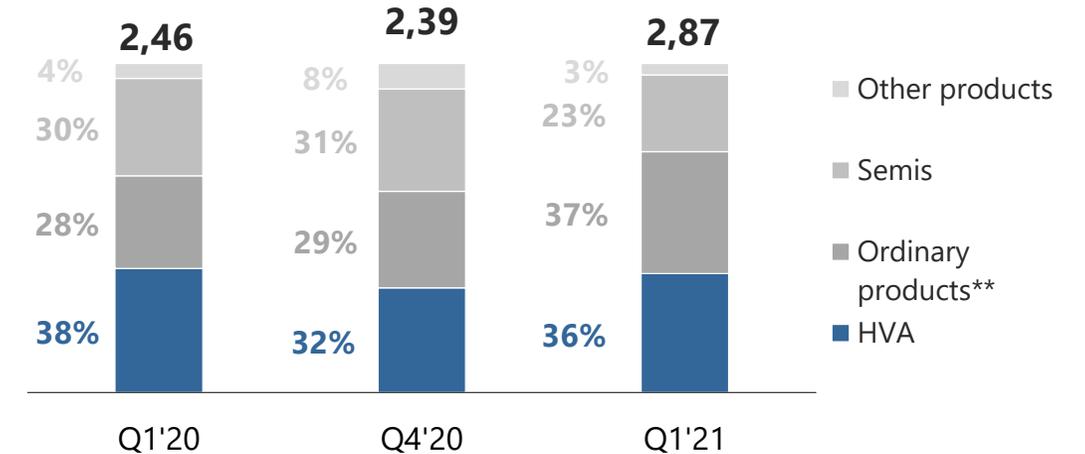
SALES STRUCTURE BY PRODUCT, m t



REVENUE BY REGION, \$ bn

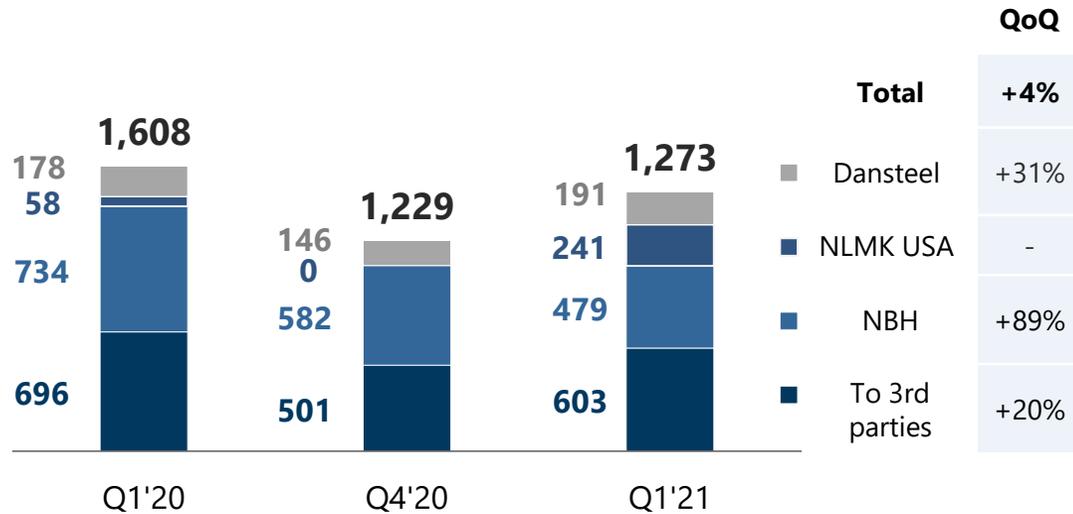


REVENUE BY PRODUCT, \$ bn

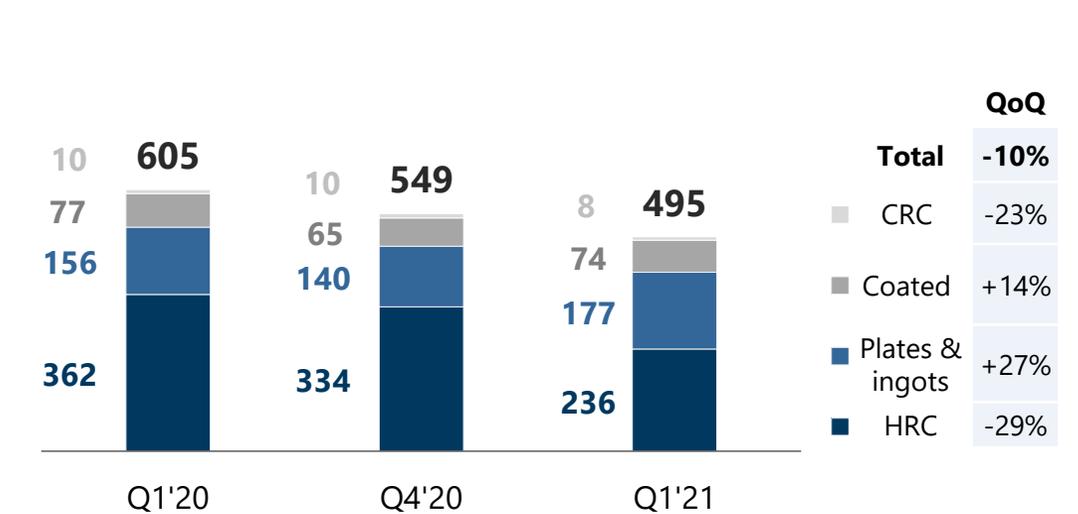


* Incl. Turkey. ** HRC and Long products

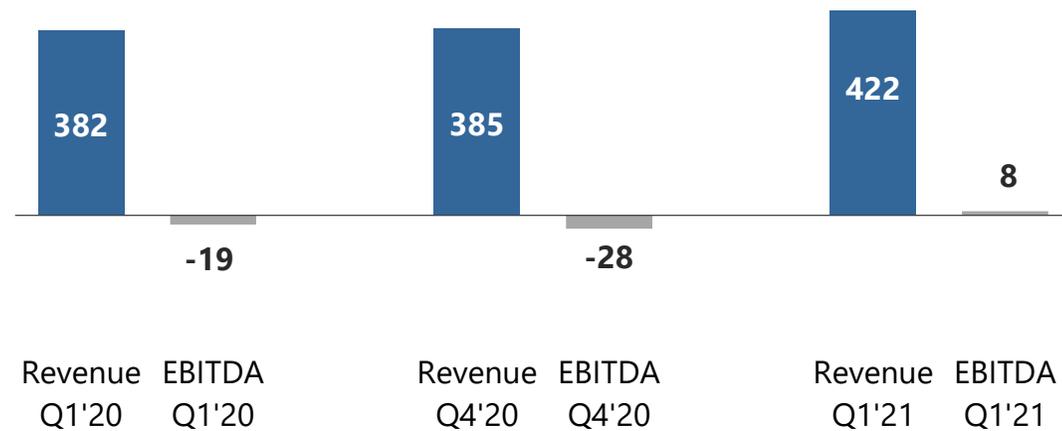
SLABS SALES FROM THE RUSSIAN FLAT PRODUCTS DIVISION, k t



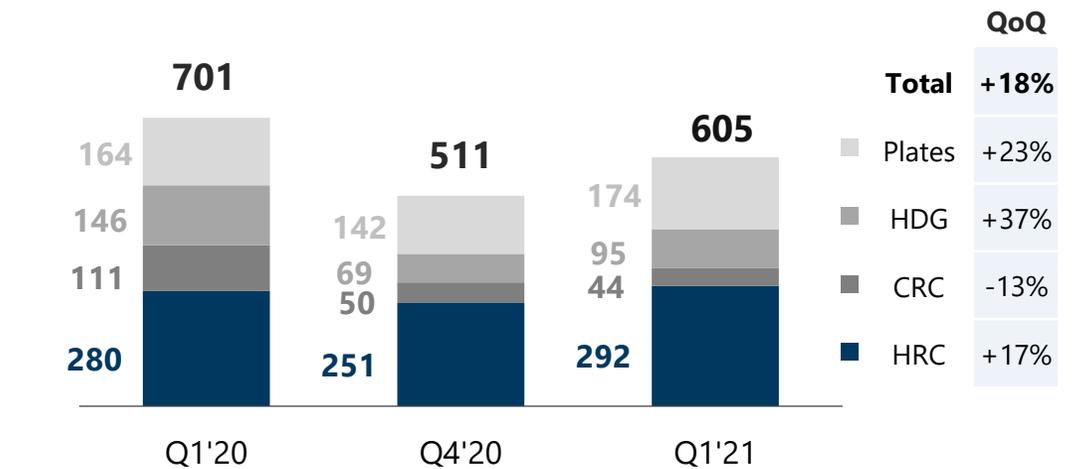
NBH ROLLED PRODUCTS SALES, k t



NBH FINANCIAL RESULTS, \$ m



NLMK USA AND NLMK DANSTEEL SALES, k t





Dmitriy Kolomytsyn, CFA
Director, Corporate Finance, IR
Ekaterina Kokareva, CFA
Head of IR



Address

40, Bolshaya Ordynka Str., Bldg. 3
Moscow, 119017, Russia



IR E-mail Address

ir@nlmk.com



Phone Number

Office: +7 495 504 05 04



nlmkonair



nlmk_group



nlmk group