

Q2'21 IFRS Results



22 July 2021

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- **Market review**
- **Operating highlights**
- **Strategy update**
 - **Q2'21 Financials**
 - **Business divisions results**



**Grigory
Fedorishin**
CEO

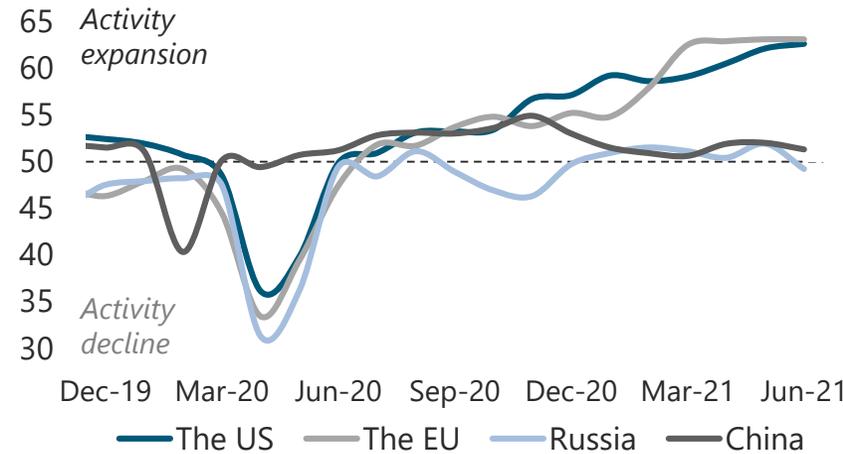
Business activity remained strong in DM, stabilized in Russia and China

Positive steel demand dynamics across geographies

- **In the US**, Q2'21 demand accelerated across all key steel-consuming sectors (construction, autos, machinery); the supply fully recovered to the pre-COVID levels
- **In the EU**, limited material availability was still in place in Q2'21. Steel consumption was fueled by pent up demand and government support
- **In Russia**, Q2'21 demand was up qoq driven by strong seasonality
- **In China**, steel demand remained strong although first signs of cooling started to emerge in construction

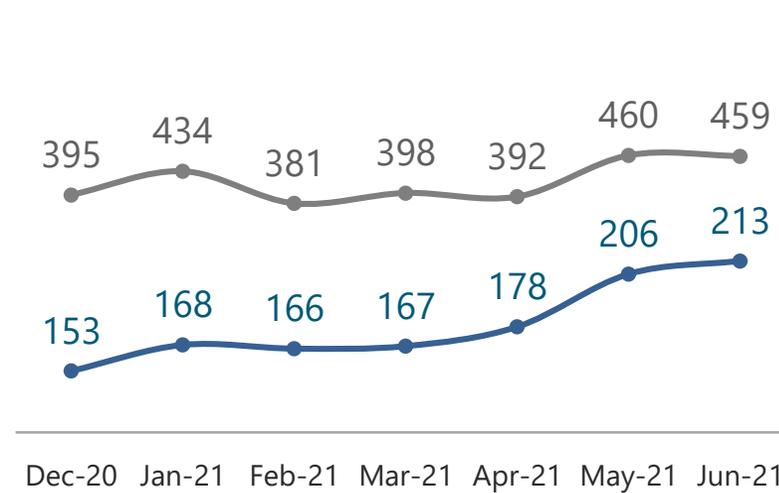
Iron ore and HCC prices were steadily moving up following solid demand from steel producers

MANUFACTURING PMI



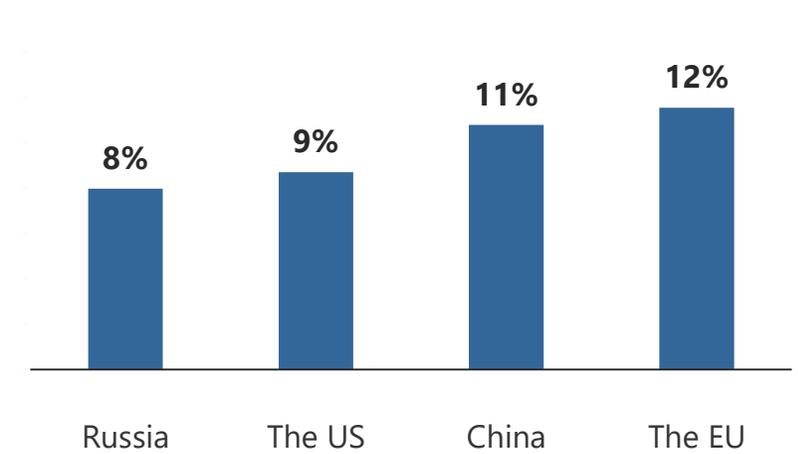
Source: Bloomberg

IRON ORE AND SCRAP PRICE



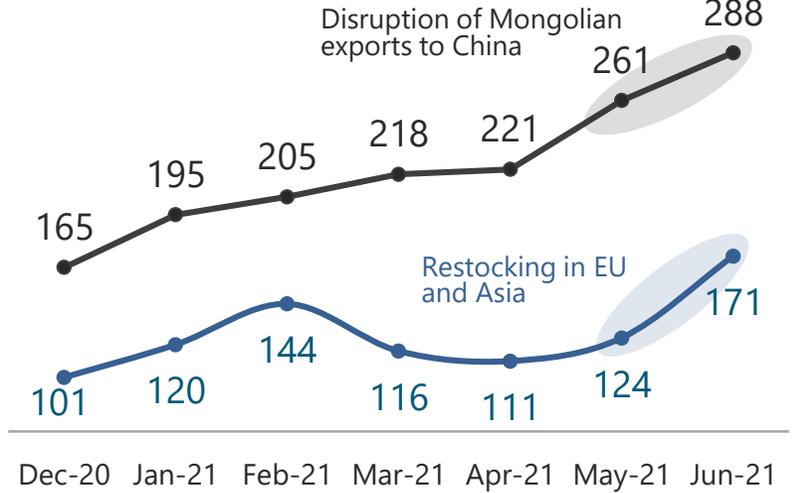
Source: Bloomberg

STEEL DEMAND IN KEY REGIONS, Q2'21, QoQ



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

HCC PRICES



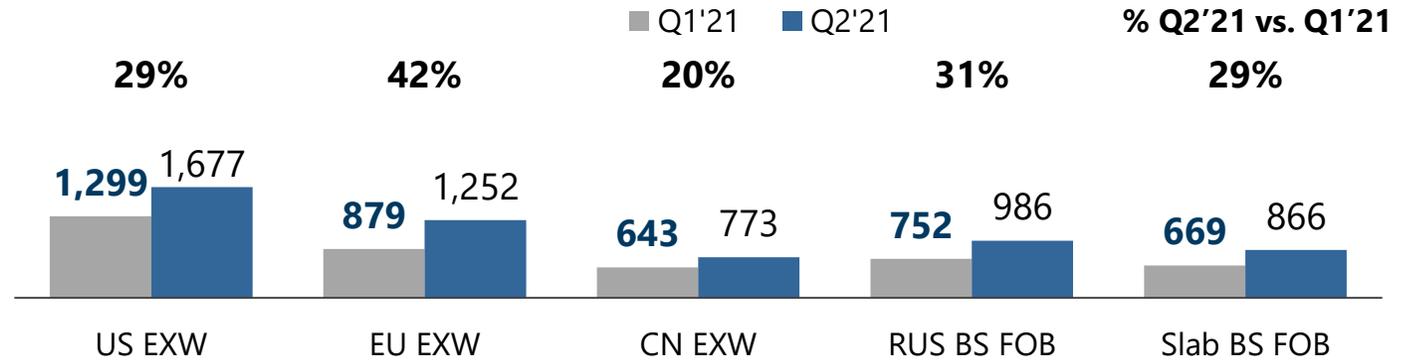
Source: Bloomberg

In Q2'21 steel prices advanced qoq in key regions supported by sustainable end-user demand

- **In China**, steel prices rose c.20% qoq driven by firm demand amid high activity in the construction sector. Towards the end of Q2'21 prices started to soften due to government regulations aimed to restrain inflation
- **In the EU and the US** pricing environment demonstrated strong sequential improvement backed by steel shortage albeit less pronounced in late Q2'21
- **In Russia**, HRC and slab export prices rose c.30% qoq following positive dynamics in key export markets; However, in Jul'21 the trend reversed

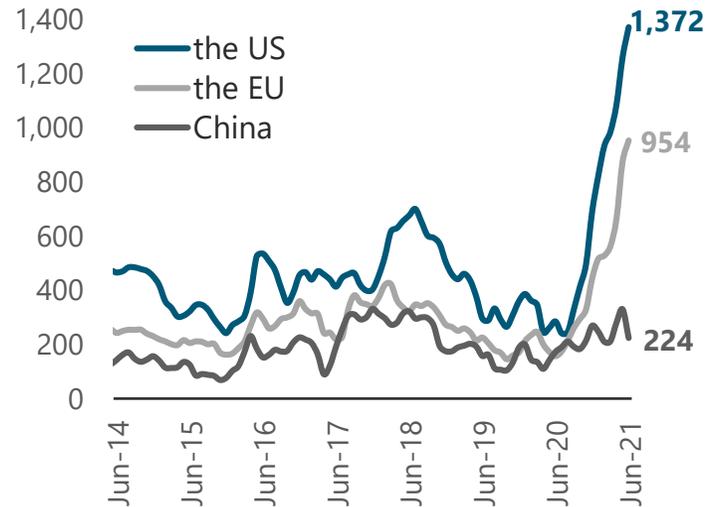
In Q2'21, steel mills' profitability in developed markets surged as steel prices growth exceeded higher raw material costs

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



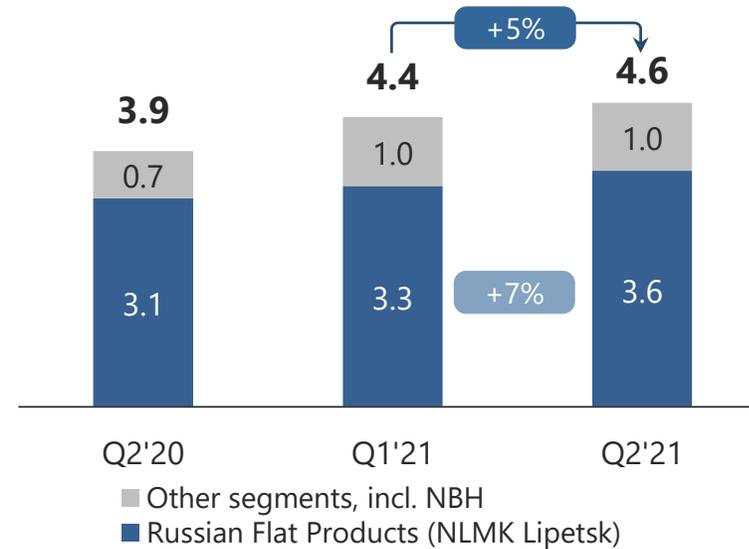
Source: Metal Expert, Bloomberg; Raw materials basket is calculated using production ratios for one tonne of steel: iron ore price x 1.6+ Chinese coking coal price x 0.6

Steel output rose 5% qoq to 4.6 m t with equipment ramp up at NLMK following steelmaking operations modernization

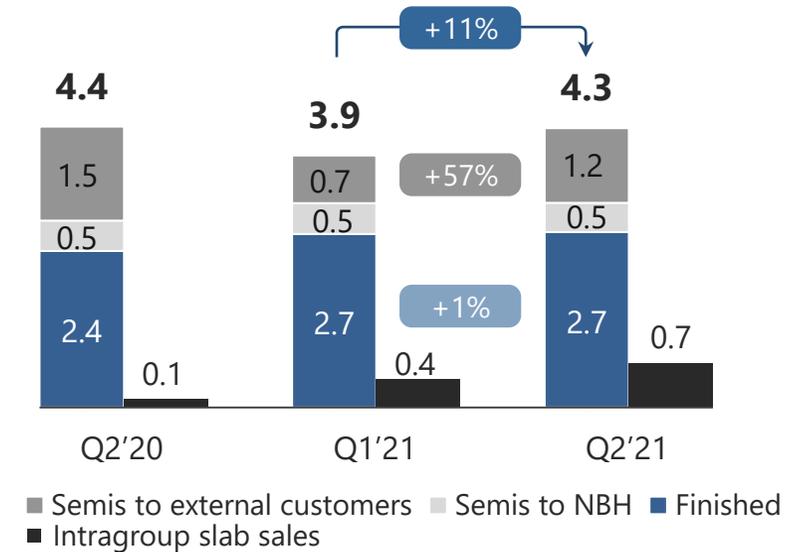
Shipments were up 11% qoq to 4.3 m t

- (+) Higher sales of slabs and pig iron to export markets
- (+) Increased slab deliveries due to the release of inventories, stockpiled in late Q1'21 amid adverse weather conditions
- (-) Higher shipments to NLMK USA (intragroup) following a strong consumption trend in the region

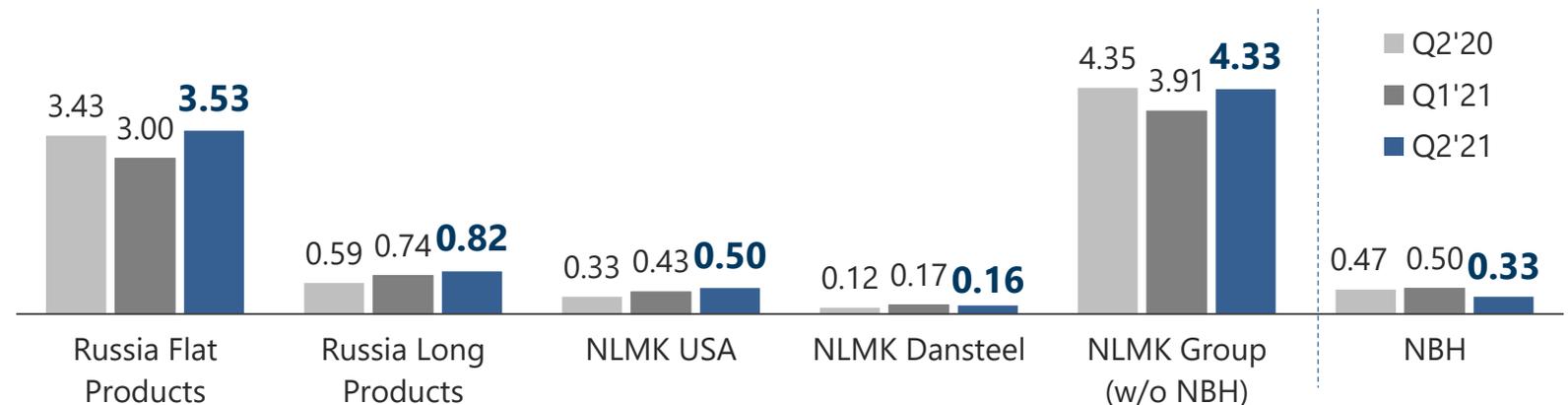
POST-UPGRADE RAMP-UP IN STEEL OUTPUT



HIGHER SALES AMID RECOVERY IN DEMAND



Q2'21: SEQUENTIAL INCREASE IN SALES BOOSTED BY RUSSIAN ASSETS



Effects of Strategy 2022 implementation totaled \$112 m in H1'21 to 2020 base

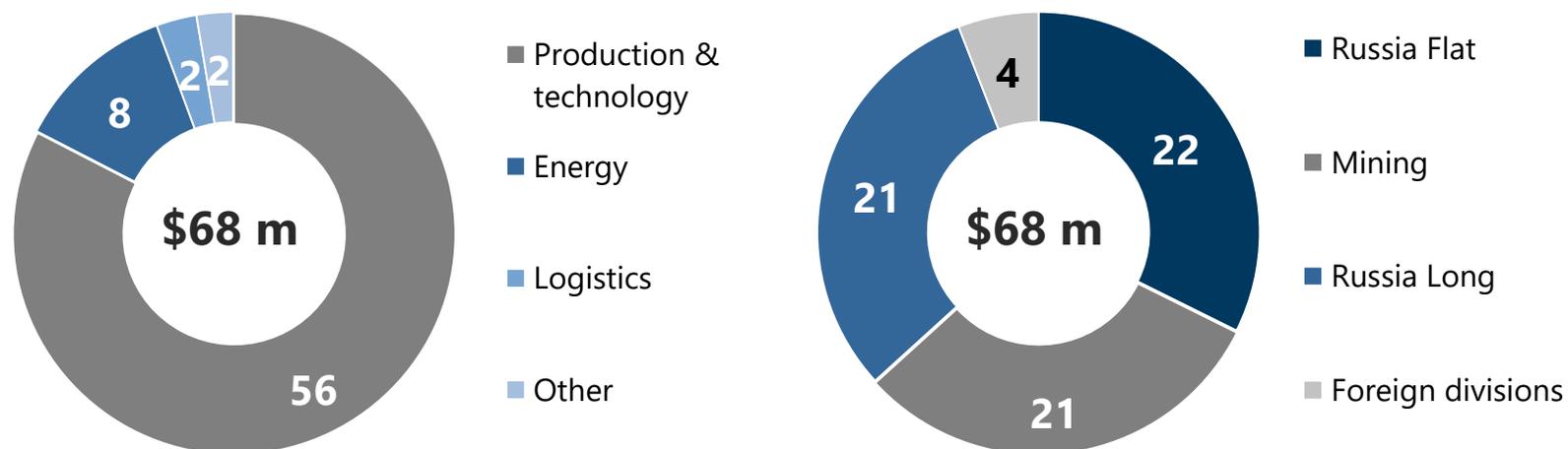
Operational efficiency programs contributed \$68 m, almost evenly split between Russia Flat, Russia Long and Mining divisions

Investment projects delivered \$44 m* due to the ramp-up of the new additional beneficiation section at Stoilensky as well as steelmaking equipment upgrades at NLMK Lipetsk

STRATEGY 2022 EFFECTS IN H1'21, \$ m pa



EBITDA GAINS FROM EFFICIENCY PROJECTS IN H1'21 VS 2020, BY AREA AND BY DIVISION, \$ m



* \$86 m excluding one-off negative effect related to the HSM modernization at La Louviere (adjustment for volumes lost during the period the mill was idled)

Equipment assembly at new captive power plant was started

- Capacity: 300 MW
- CAPEX: \$420 m
- Effects: growth in captive power generation from 64% to 95%, CO2 emission reduction by 650 kt pa
- To be commissioned in late 2023

Construction of the grain-oriented steel plant in India has commenced

- Capacity: 64,000 t
- CAPEX: \$100-150 m
- Effects: premium electrical steels and global market share growth
- To be commissioned in H1'22

Hot dip galvanizing line (HDGL) #5 at NLMK in progress

- Capacity: 450,000 t
- CAPEX: \$130 m
- Effects: Premium coatings and high strength grades
- To be commissioned in H2'22

Hot strip mill upgrade (HSM) at NLMK La Louviere in progress

- Capacity: growth from 1.7 to 2 m t
- CAPEX: €150 m
- Effects: expansion of the production of thinner, stronger and more environmentally friendly steel
- The first stage of upgrade is done, the second stage in 2022

CAPTIVE POWER PLANT AT LIPETSK



HDGL #5 AT LIPETSK SITE



GO STEEL PLANT IN INDIA



HSM LA LOUVIERE



MARKETS

The US: prices expected to stay elevated with market deficit to narrow due to imports and new capacity restarts towards 4Q'21

The EU: steel prices in 3Q'21 are expected to stay strong. We expect to see some pullback in August due to seasonal manufacturing deceleration and normalization of steel inventories

China: steel demand in 3Q'21 to soften following seasonal factors and deceleration of government stimulus momentum. Prices could be pressured by the Chinese state policy to contain inflation growth

Russia: seasonally high demand and infrastructure projects implementation to support steel consumption; pricing environment to remain stable

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**Shamil
Kurmashov**
CFO

Revenue increased by 44% qoq to \$4.1 bn due to production and shipments volume growth combined with improved prices

EBITDA surged 76% qoq to \$2.1 bn on the back of widening price spreads and higher sales volume

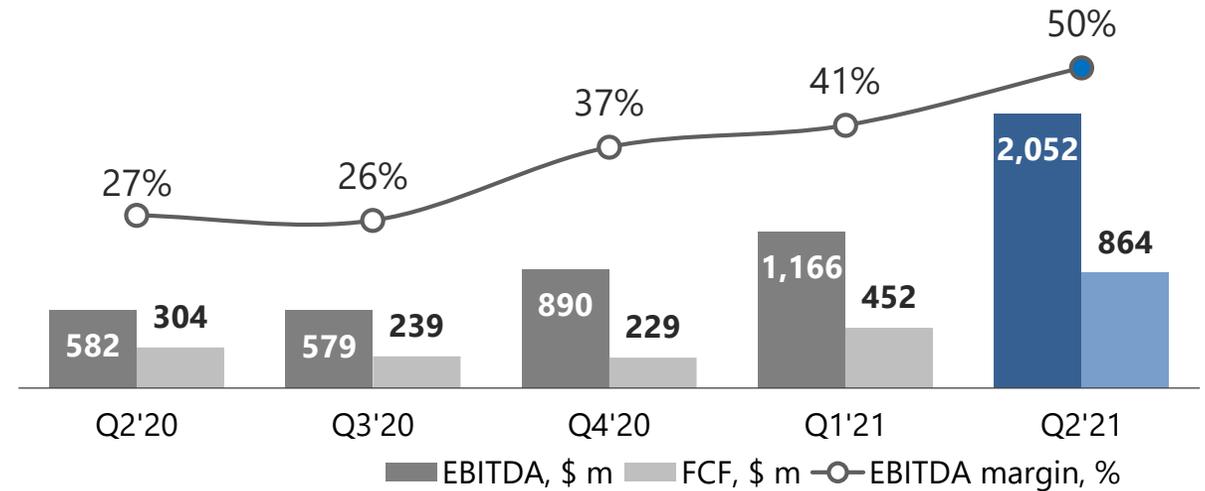
EBITDA margin reached 50%

- Revenue: \$4,139 m (+44% qoq, +90% yoy)
- EBITDA: \$2,052 m (+76% qoq, 3.5x yoy)
- EBITDA margin: 50% (+9 p.p. qoq, +23 p.p. yoy)
- FCF: \$864 m (+91% qoq; 2.8x yoy)

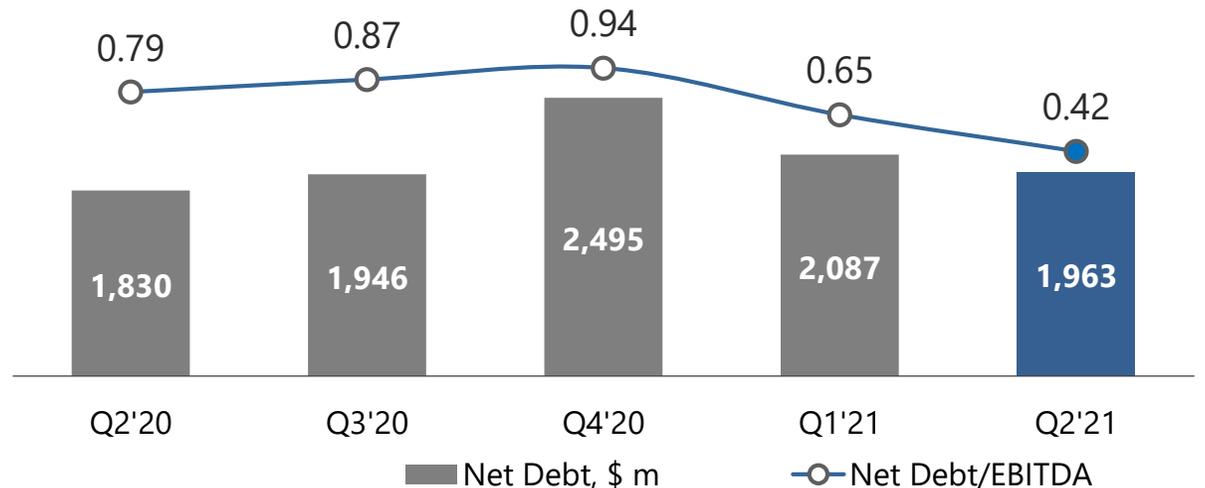
Net debt-to-EBITDA* ratio fell to 0.42x

- Net debt decreased by 6% qoq to \$2.0 bn on higher FCF and total debt reduction

FCF, EBITDA AND MARGIN DYNAMICS



LEVERAGE DYNAMICS



* For detailed information and calculations for this indicator please refer to the Appendix of NLMK Group Q2 2021 IFRS Financial Results press release

Note: the data on the slide are represented without NBH

Russian Flat products: EBITDA expanded to \$1,393 m

- (+) Increased price spreads
- (+) Higher shipments due to steel output growth (steelmaking production upgrade completed at NLMM) as well as increased pig iron sales to export markets
- (+) Operational improvements efficiency programs

Russian Long products: EBITDA grew to \$157 m

- (+) Improved spreads
- (+) Higher sales volumes due to an increase in shipments to the Russian market amid high seasonal demand

NLMK USA: EBITDA totaled \$213 m

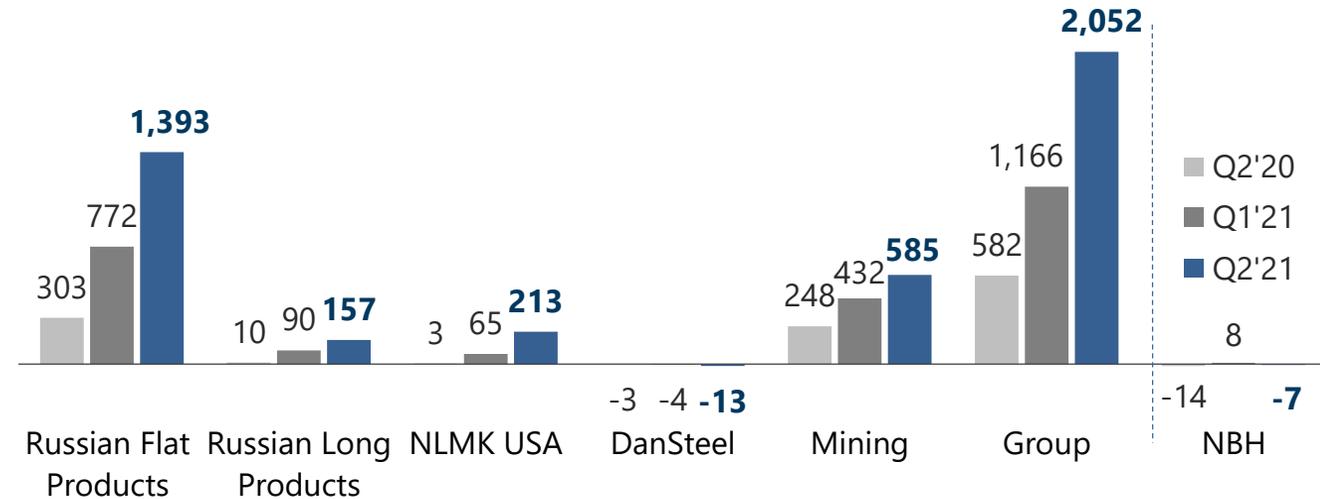
- (+) Growth in shipments due to increase in the supply of NLMK slabs and recovery of utilization rates
- (+) Improved price spreads (rolled products vs. feedstock)

Mining: EBITDA increased to \$585 m

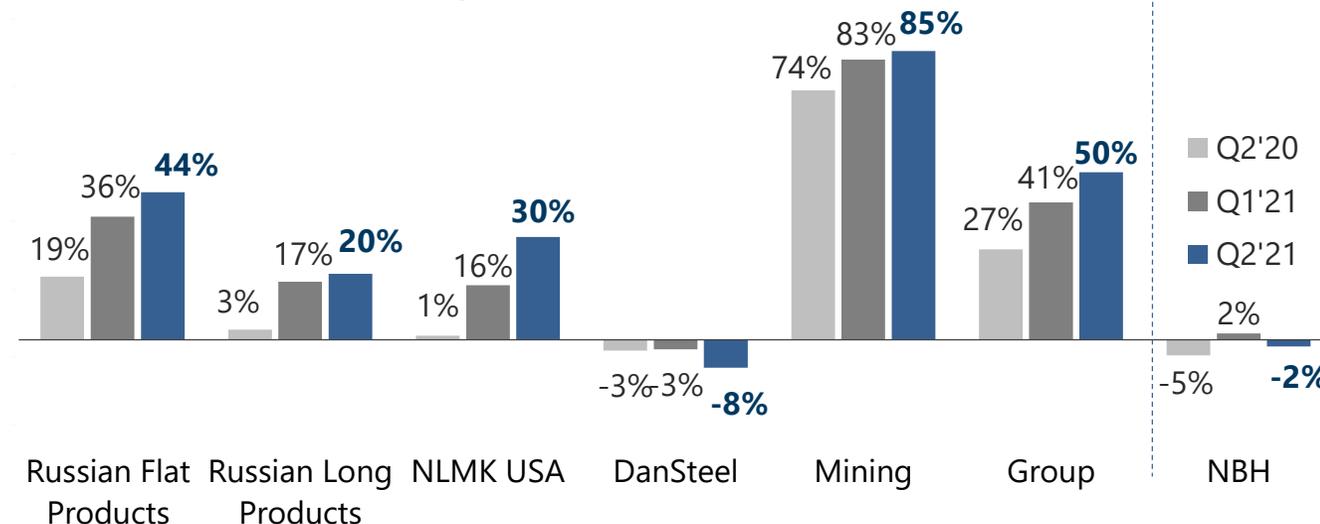
- (+) Higher iron ore prices
- (+) Increase in iron ore concentrate production due to operational efficiency and investment projects

NBH: EBITDA declined to -7\$ m due to scheduled rolling mill modernization at La Louviere

EBITDA BY DIVISION, \$ m



EBITDA MARGIN BY DIVISION, %



Working capital build-up amounted to \$430 m

- (-) \$290 m – receivables growth - higher prices for steel products
- (-) \$395 m: - inventories growth - inventories replenishment at NLMK USA ahead of production ramp-up in Q2 and Q3, seasonal scrap stocks build-up
- (+) \$252 m – payables growth - higher purchases of raw materials and slabs at NLMK USA, growth in advance payments received at NLMK, and increase in VAT arrears amid higher sales prices in Russia

Capex in Q2'21 rose to \$359 m (+55% qoq) in line with the budget and annual guidance

FCF grew by 91% qoq to \$864 m due to improved EBITDA

Q2'21 FCF BRIDGE, \$ m

EBITDA	2,052
Net working capital change	-430
Other non-cash items	-13
Income tax	-362
NET OCF	1,247
Net interest	-24
Cash capex	-352
Capitalized interest	-7
FCF	864

Total debt decreased by 3% qoq to \$2.8 bn

- Scheduled repayment of working capital lines

Liability management transaction in May'21 diversified debt portfolio:

- EUR 500 m 5-year Eurobond issue with 1.45% coupon
- The proceeds were used to repurchase \$471 m of 2023 and 2024 Eurobonds with coupon of 4.5% and 4.0%, respectively

Net debt / 12M EBITDA stood at 0.42x

- Net debt down 6% qoq to \$2.0 bn
- Liquidity of \$0.9 bn matches ST debt
- \$2.2 bn is available through undrawn credit lines

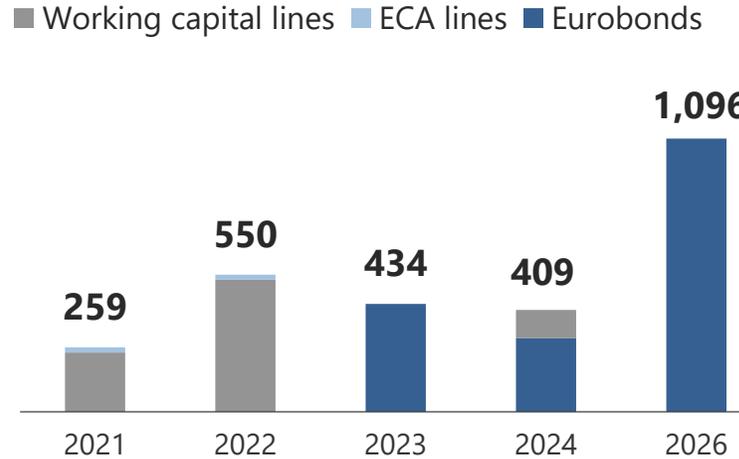
Working capital lines maturing in Q3'21-Q2'22 to be refinanced using

- €600 m revolving credit facility (RCF)
- €250 m ESG-rating-linked RCF

Average cost of debt declined to 2.7%

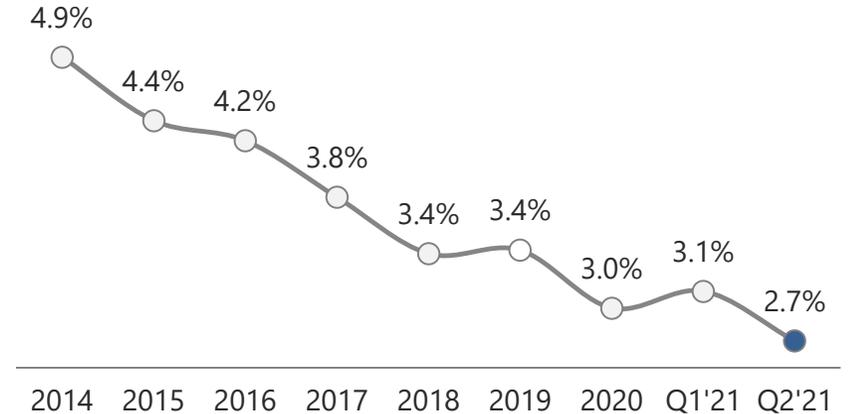
Note: the data on the slide are represented without NBH

DEBT* MATURITY, \$ m

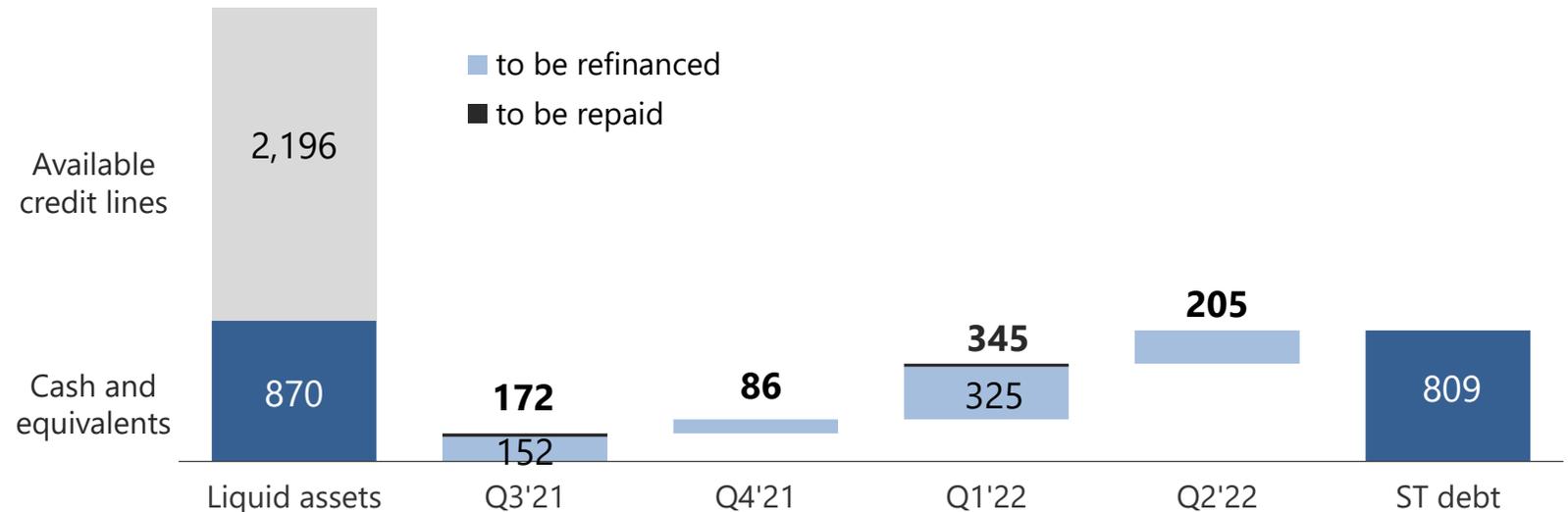


* Excluding interest payments

COST OF DEBT REMAINS LOW, %



LIQUIDITY AND SHORT-TERM DEBT, \$ m



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Steel output increased by 7% qoq to 3.6 m t supported by equipment ramp-up after the completion of steelmaking production upgrade at NLMK

Shipments increased by 18% qoq to 3.5 m t amid improved export sales of slabs and pig iron

- (+) Semis sales to 3rd parties rose 61% qoq
- (+) Slab sales to NLMK USA were up 111% qoq
- (-) Finished steel shipments decreased by 5% qoq driven by planned rolling mills overhauls

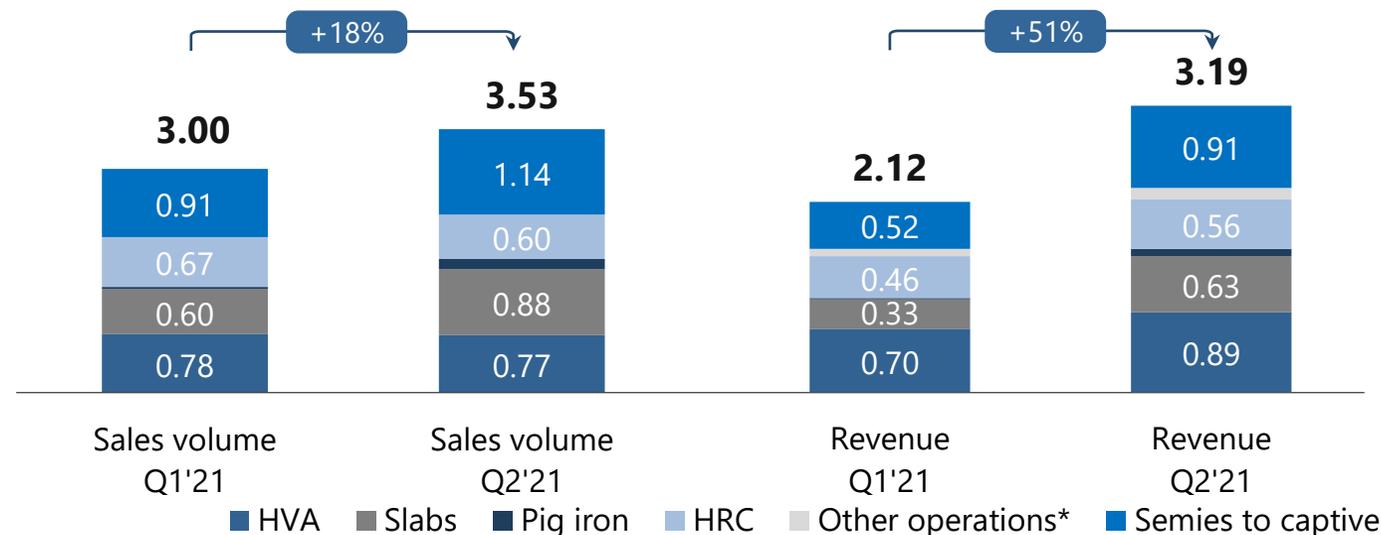
Revenue expanded to \$3.2 bn (+51% qoq)

- (+) Improved prices
- (+) Higher sales volume

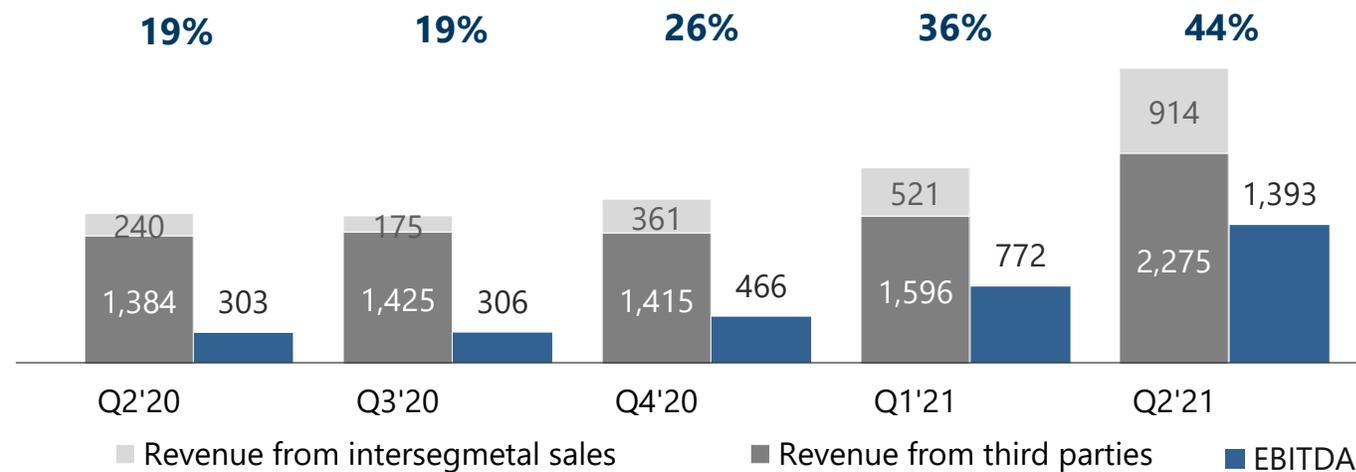
EBITDA grew by 80% qoq to \$1,4 bn

- (+) Wider price spreads
- (+) Increased shipments
- (+) Operational efficiency improvements
- (+) Higher output following steelmaking equipment upgrade (investment gains)

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 0.82 m t (+11% qoq)

- (+) Strong seasonal demand in Russia
- (+) Higher exports ahead of the start of the construction season

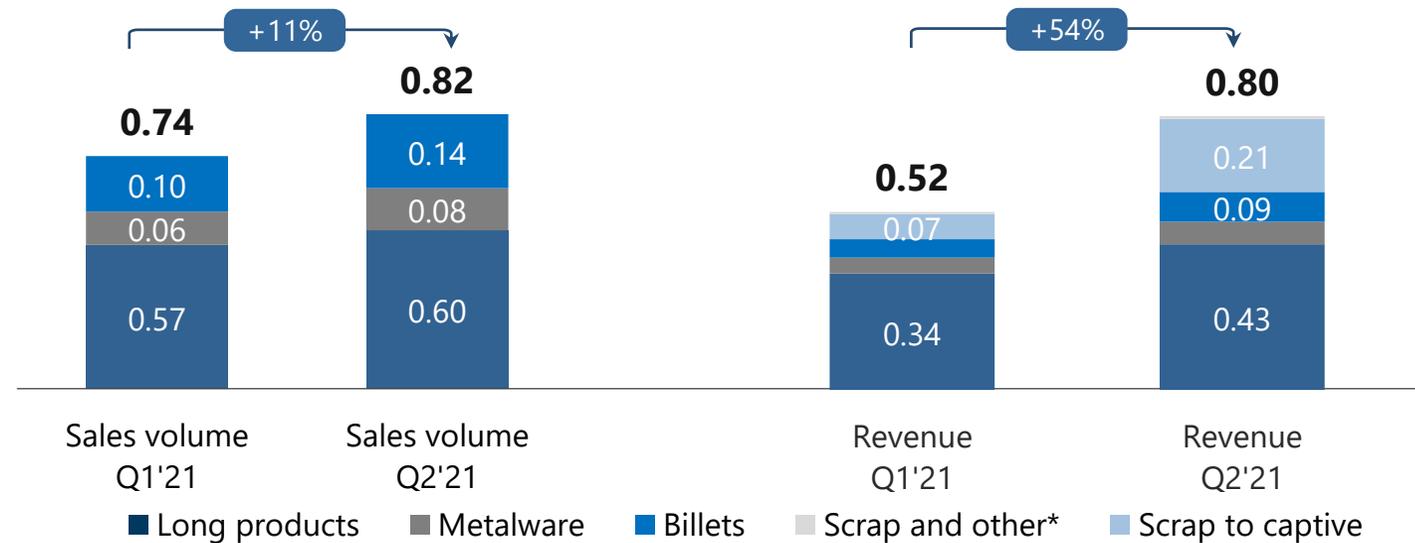
Revenue went up by 54% qoq to \$0.8 bn

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

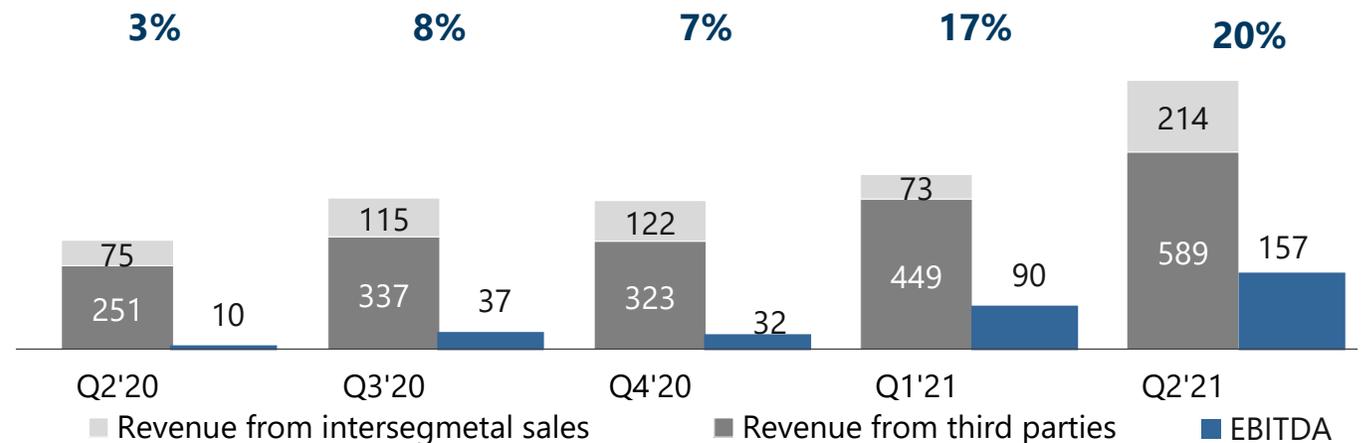
EBITDA grew to \$157 m (+74% qoq)

- (+) Widened price spreads
- (+) Higher sales

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

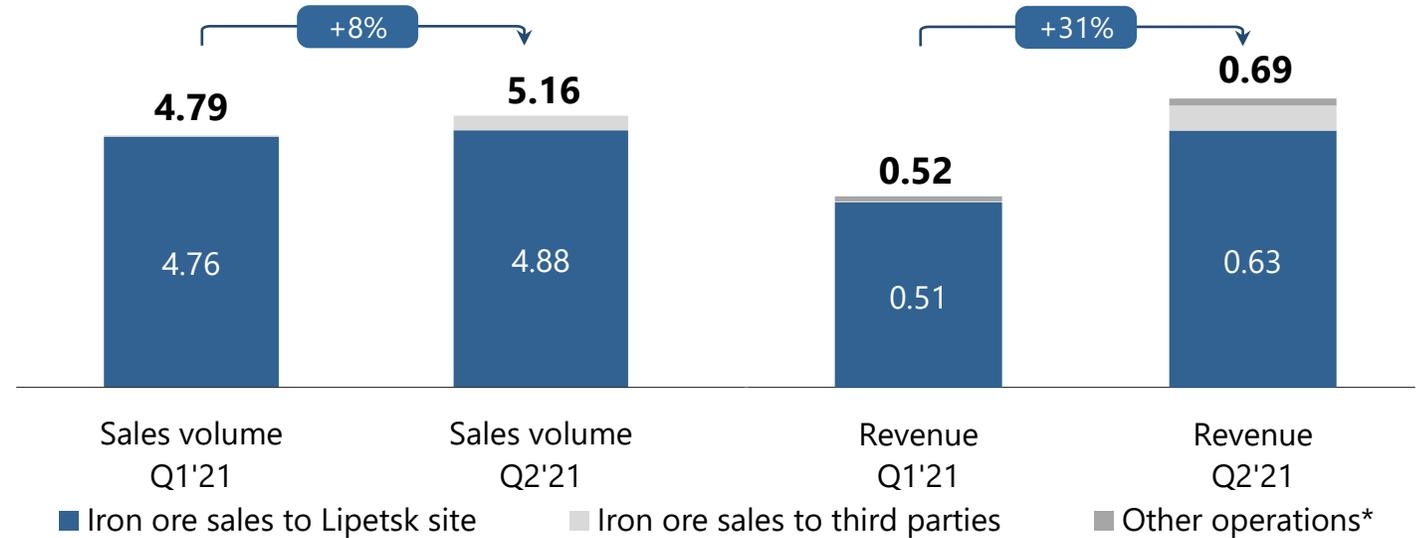
Deliveries grew 8% qoq to 5.16 m t due to higher production amid investment projects implementation as well as increased demand from the Lipetsk site

Revenue increased by 31% qoq to \$0.69 bn supported by higher prices and sales volume

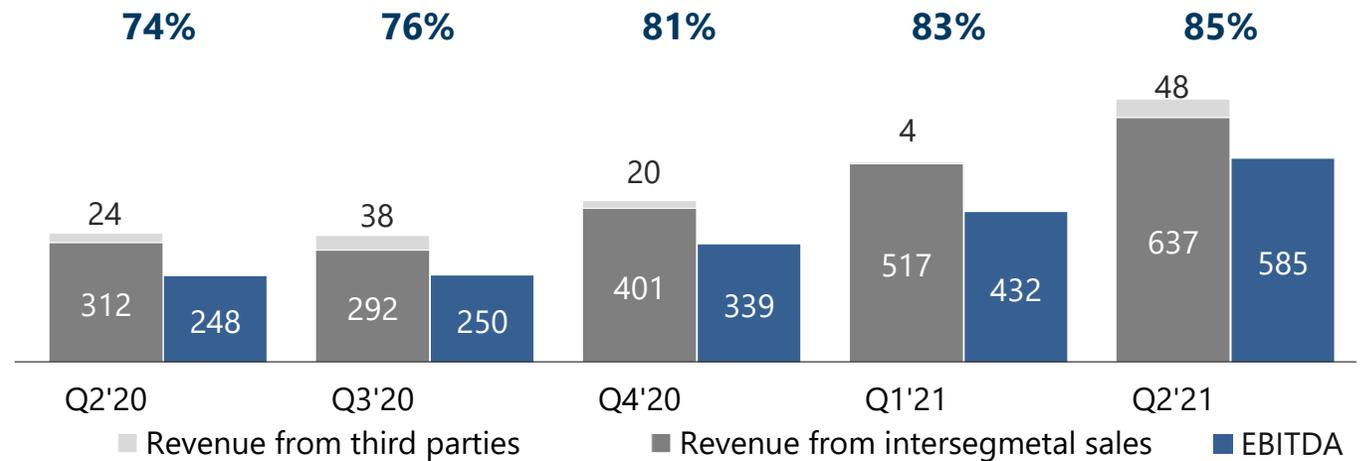
EBITDA grew 35% qoq to \$585 m on higher prices and shipments

EBITDA margin rose to 85% (+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 0.5 m t (+17% qoq)

- (+) Higher sales of both HRC and HVA on the back of strong demand
- (+) Increase in the supply of NLMK's slabs
- (+) Recovery in utilization rates

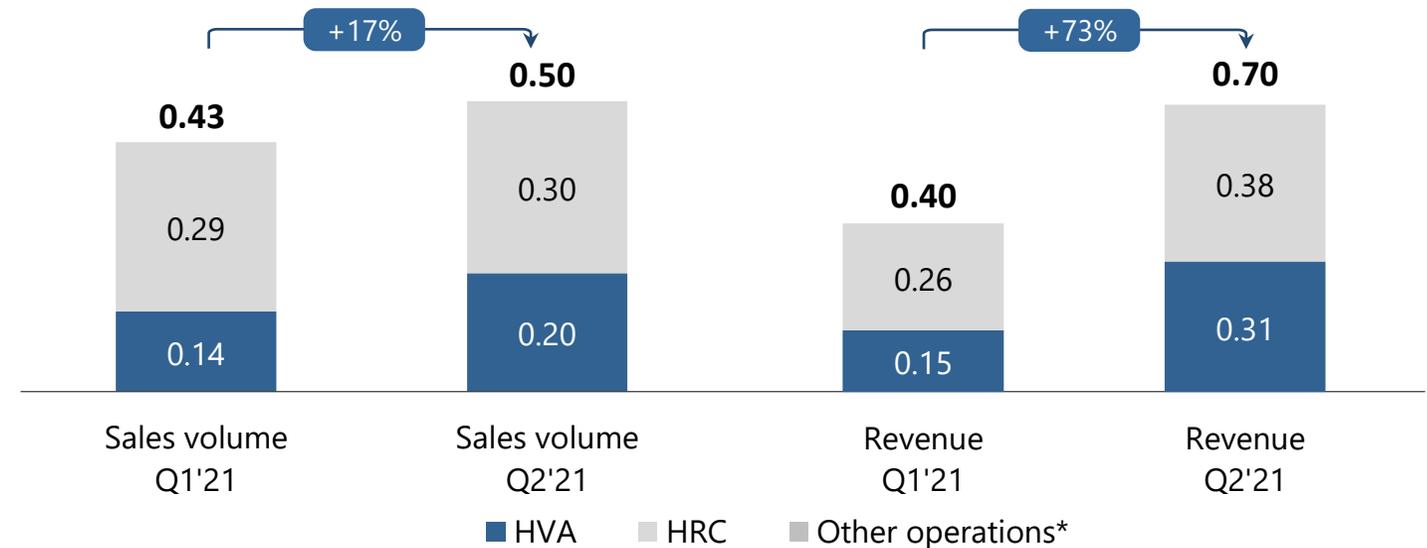
Revenue grew by 73% qoq to \$0.7 bn

- (+) Increased prices
- (+) Shipments growth
- (+) Higher share of HVA products in the revenue mix

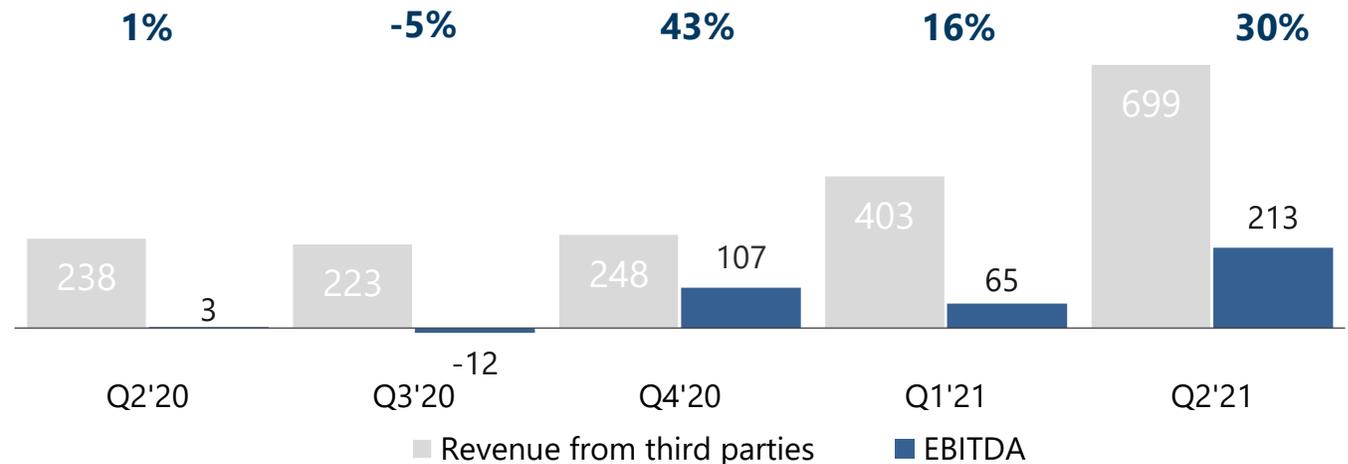
EBITDA soared 3.3 times to \$213 m

- (+) Wider price spreads to slabs and scrap
- (+) Operational efficiency gains

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



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



* Revenue from the sale of other products and services

Shipments declined by 7% qoq to 0.16 m t

- (-) Order book optimization and high base effect of Q1'21

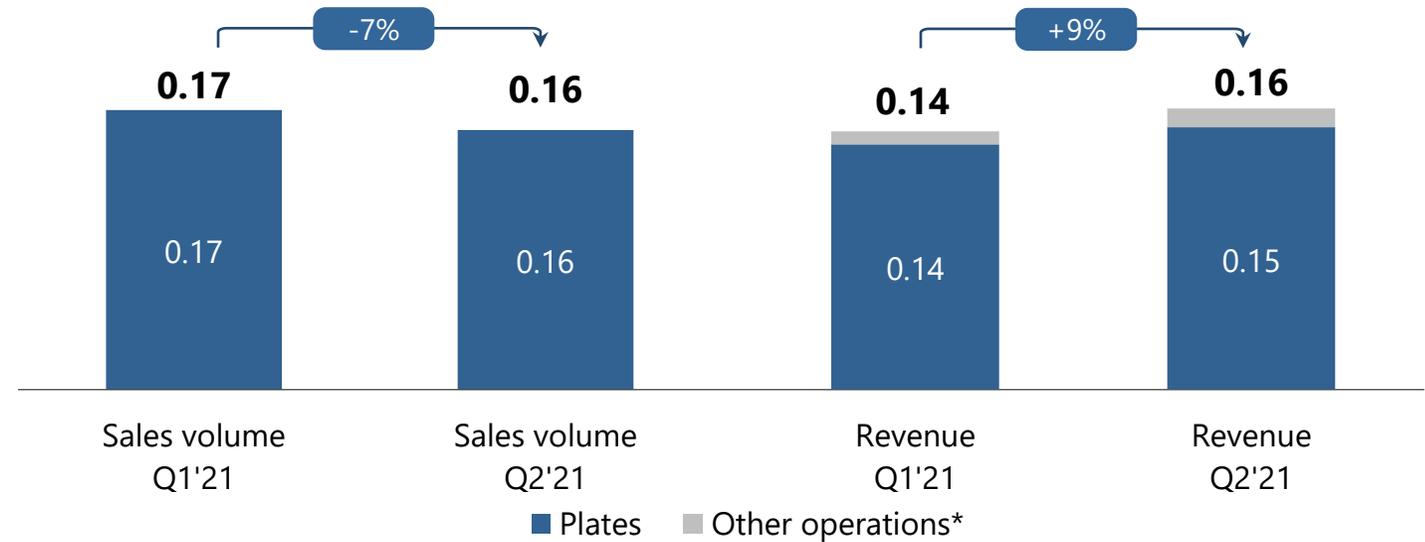
Revenue increased to \$0.16 bn (+9% qoq)

- (+) Increased prices
- (-) Declined shipments

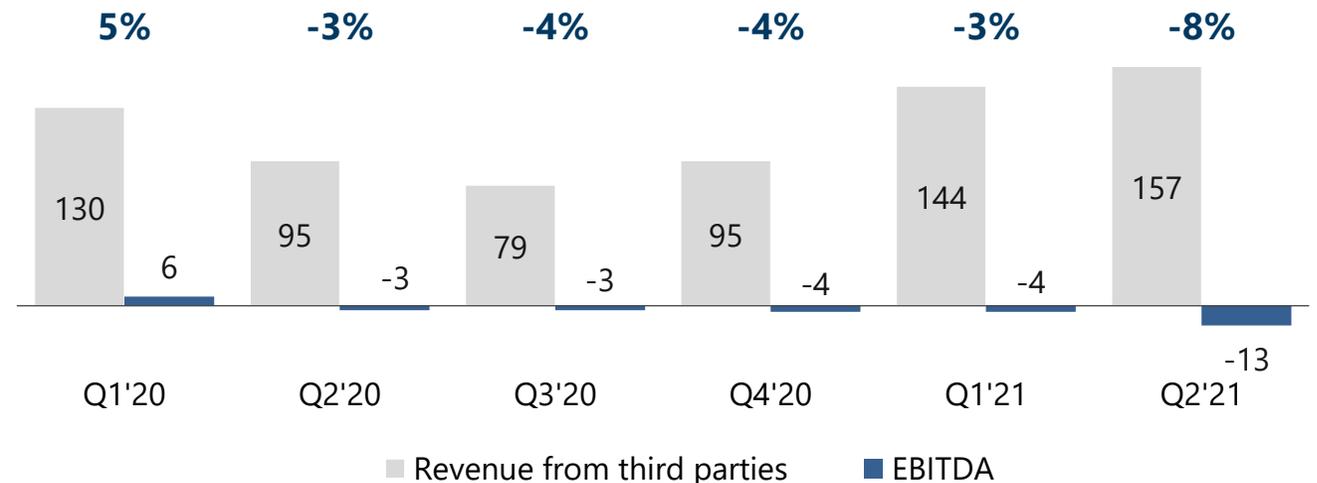
EBITDA fell to -\$13 m

- (-) Shipments under long-term contracts concluded before price hike vs growing slab prices

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



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



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

Shipments decreased by 34% qoq to 0.33 m t due to the modernization of hot strip mill (HSM) at NLMK La Louvière (Strategy 2022 project)

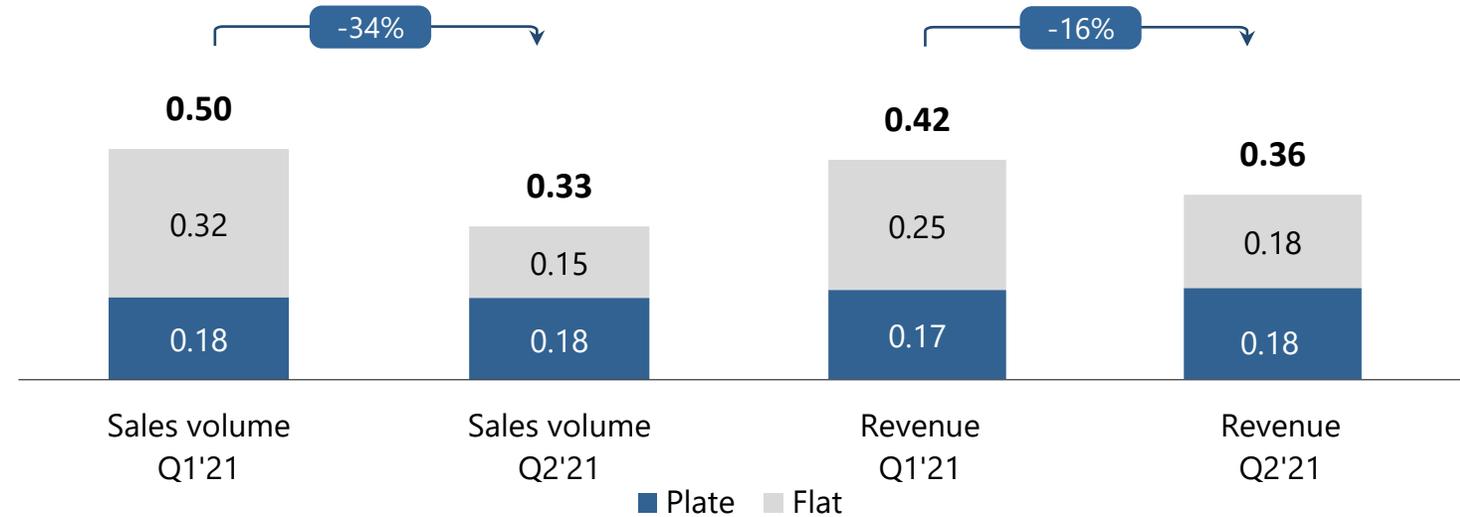
HSM's ramp-up is scheduled for early Q3'21

Revenue fell by 16% to \$0.36 bn

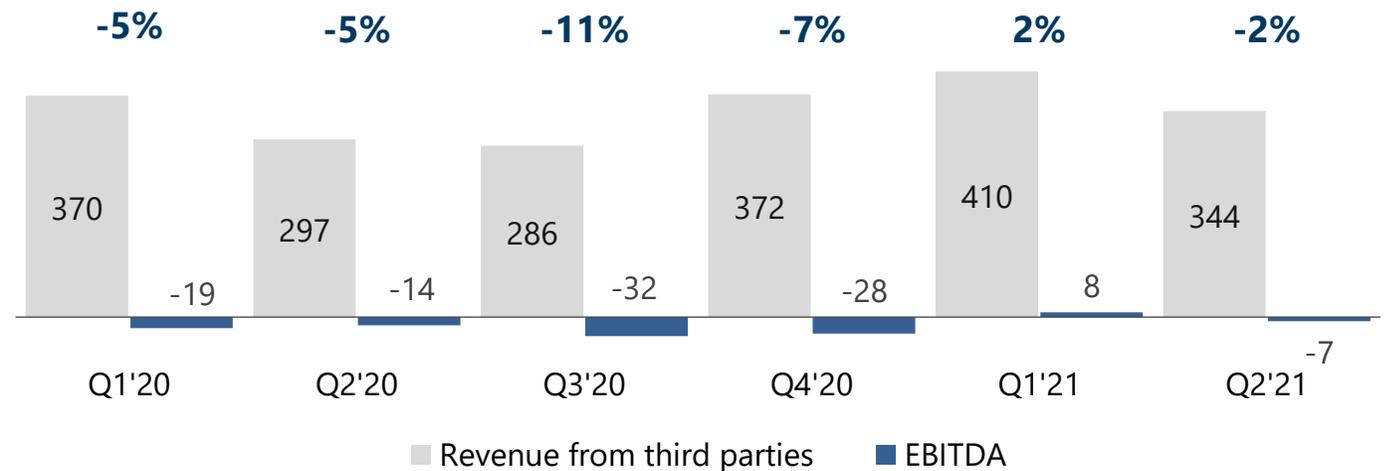
- (-) Shipments decline
- (+) Increased prices for finished products

EBITDA turned negative (-\$7 m) on lower sales volume

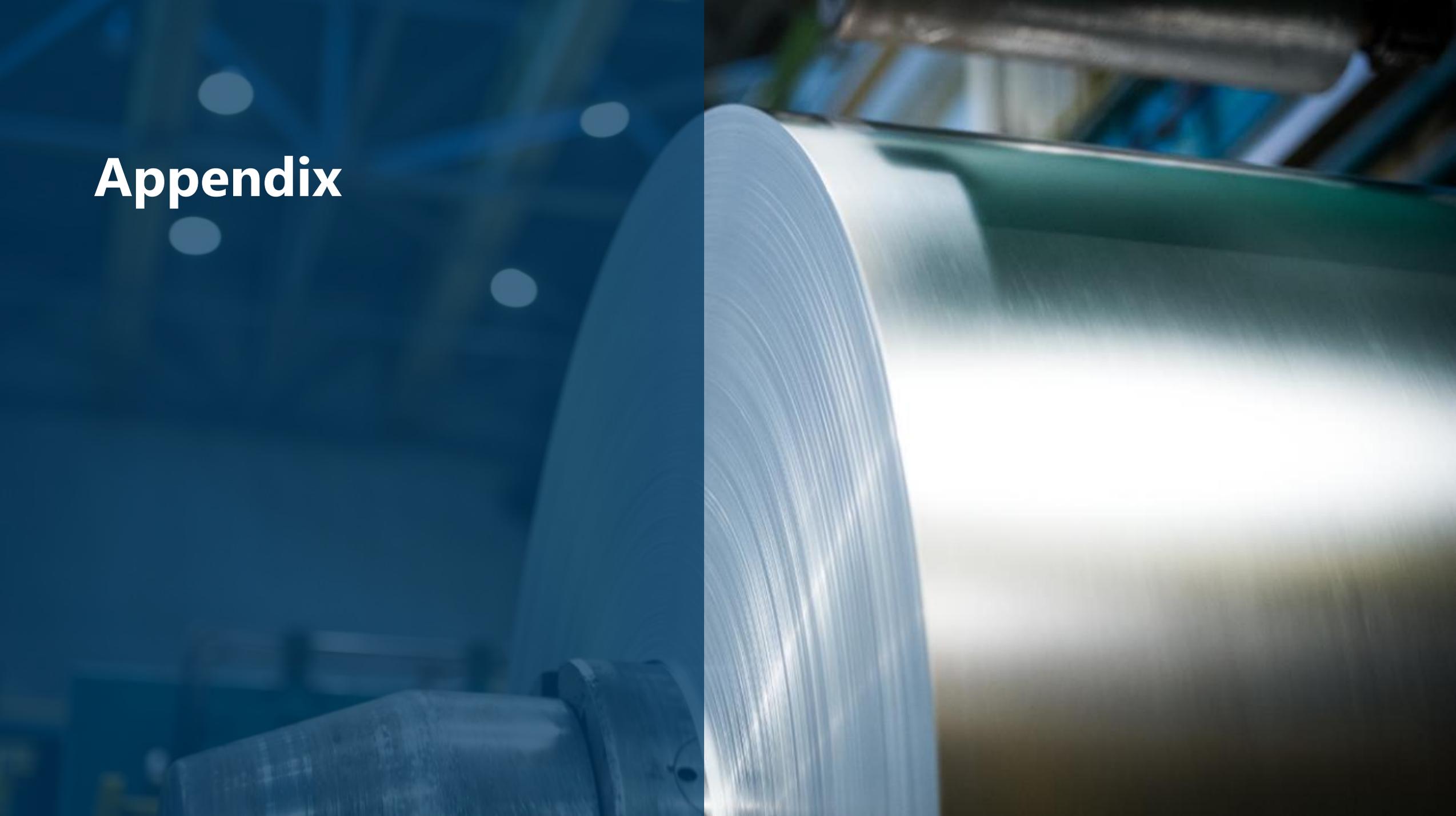
STEEL SHIPMENTS (m t) AND REVENUE (\$ bn)



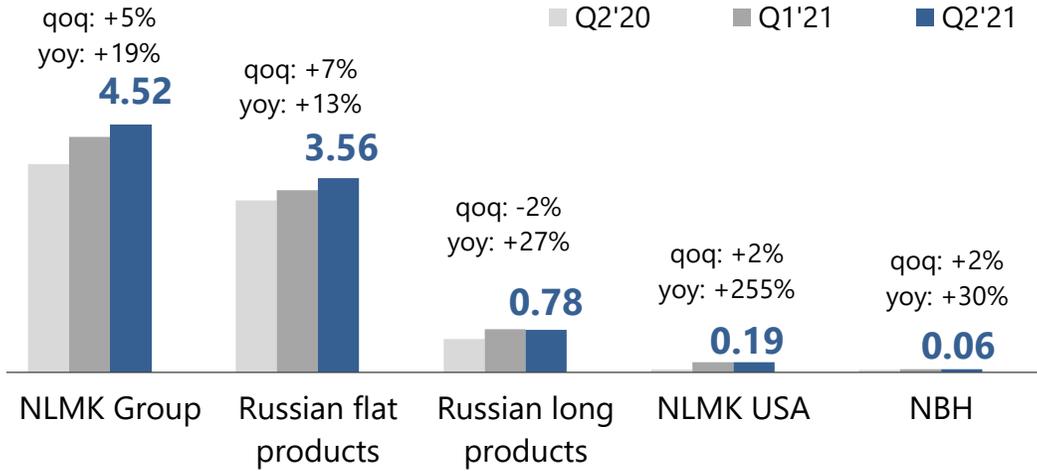
REVENUE, EBITDA (\$ m) AND EBITDA MARGIN (%)



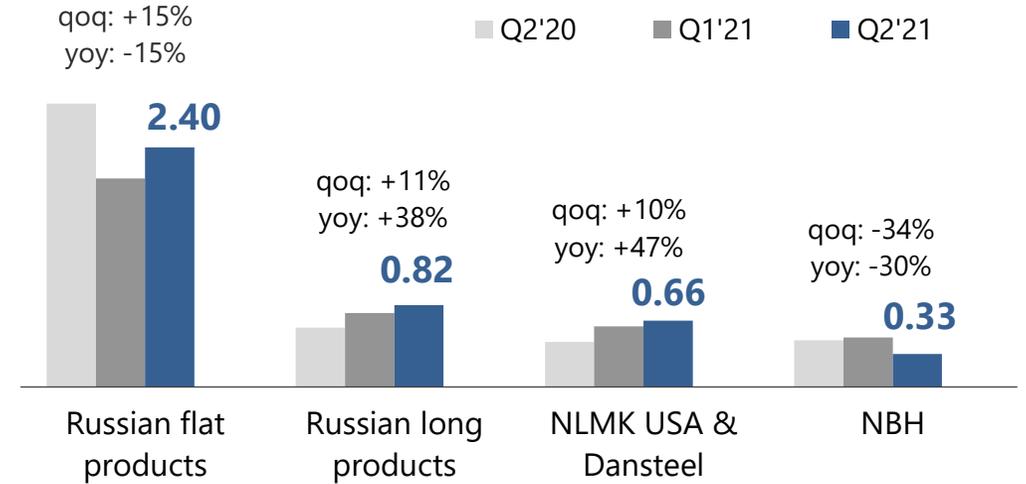
Appendix



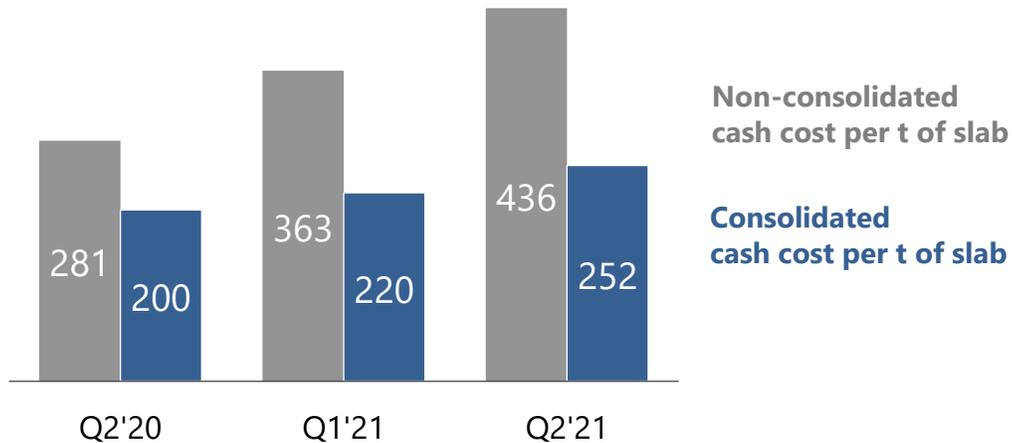
STEEL PRODUCTION, m t



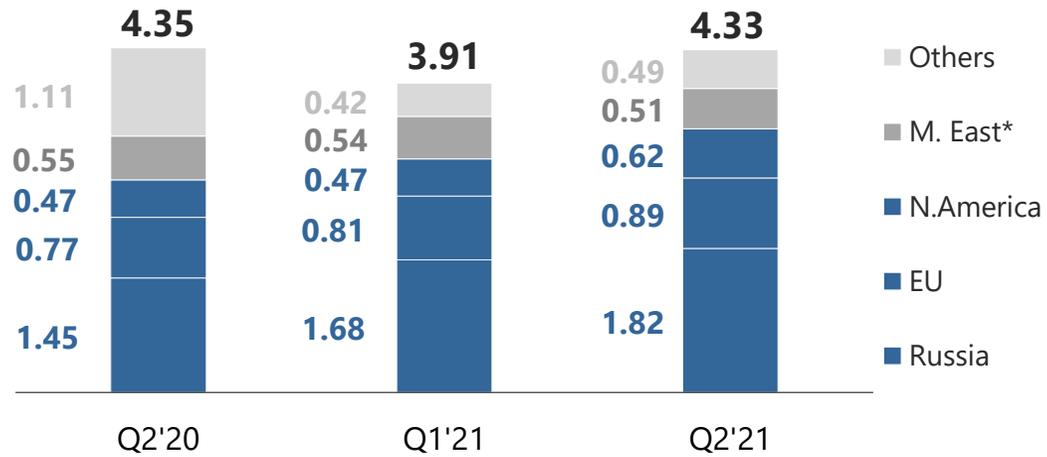
GROUP SHIPMENTS TO EXTERNAL CUSTOMERS BY SEGMENT, m t



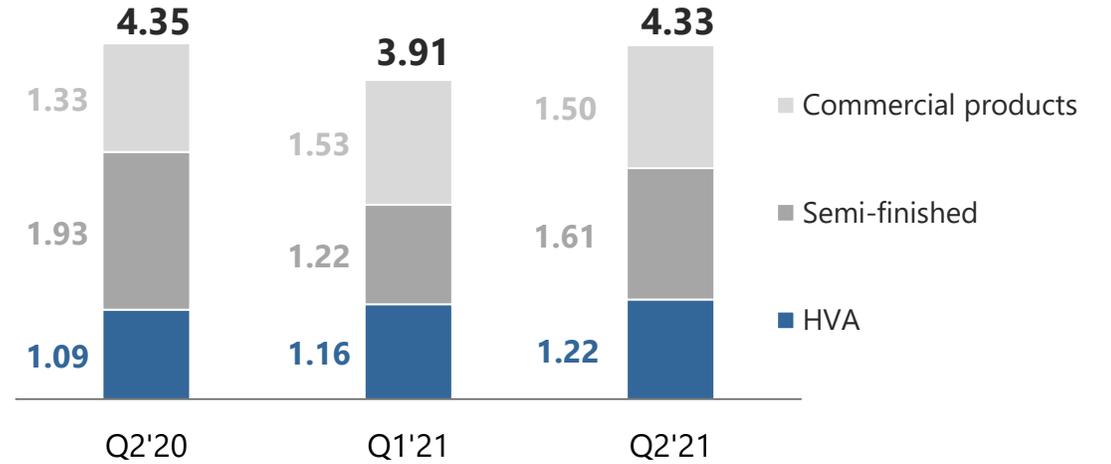
NLMK RUSSIAN FLAT PRODUCTS - CASH COSTS OF SLABS, \$/t



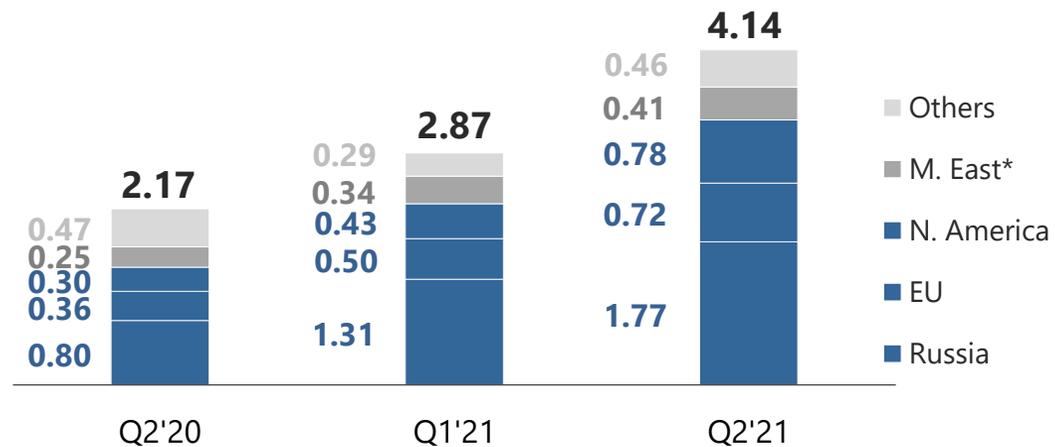
STEEL PRODUCT SALES BY REGION, m t



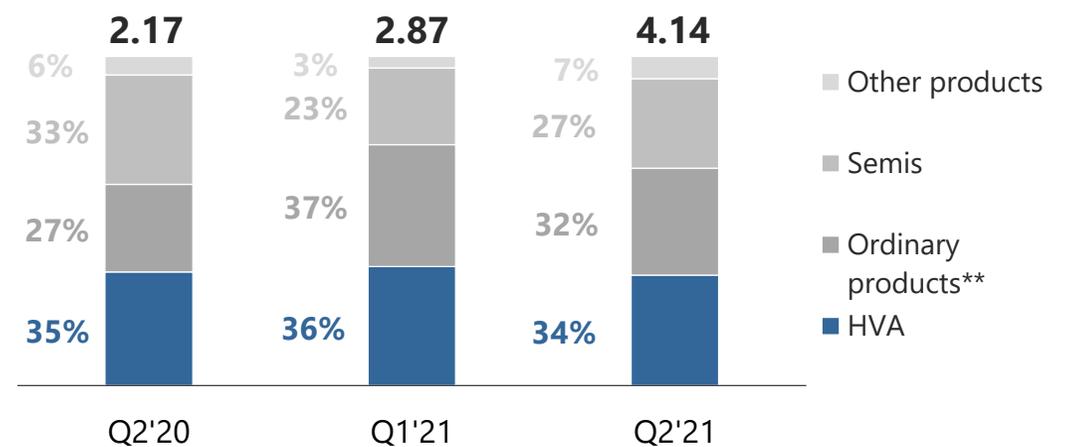
SALES STRUCTURE BY PRODUCT, m t



REVENUE BY REGION, \$ bn

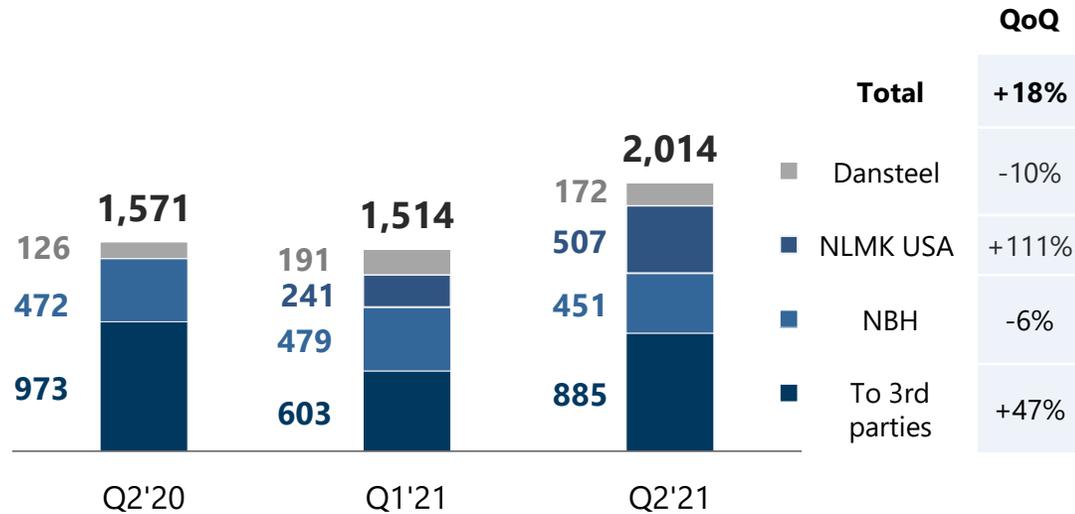


REVENUE BY PRODUCT, \$ bn

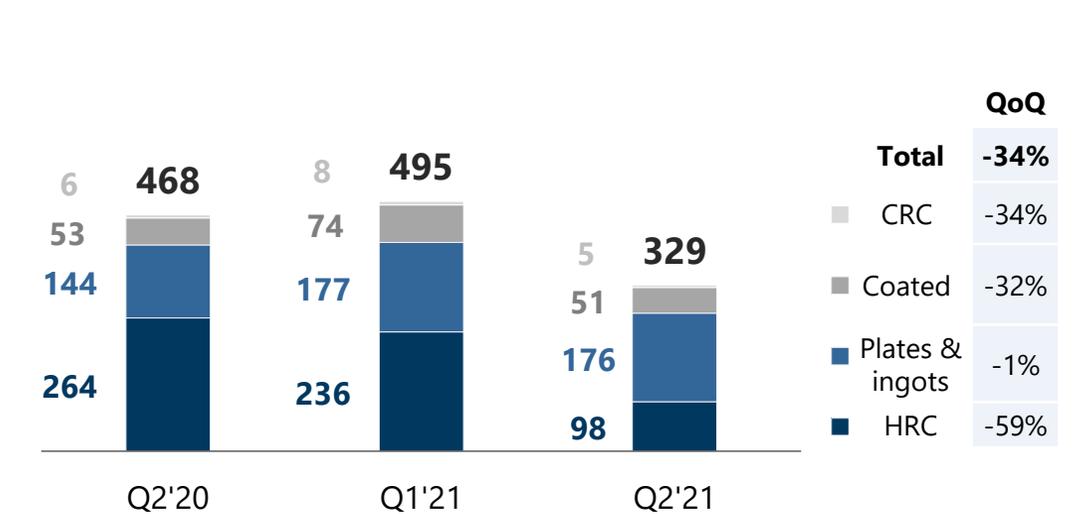


* Incl. Turkey. ** HRC and Long products

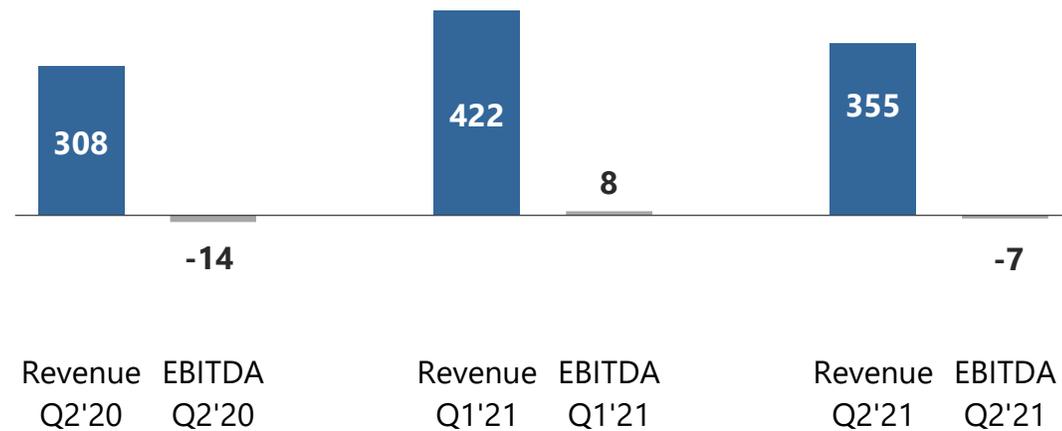
SLABS SALES FROM THE RUSSIAN FLAT PRODUCTS DIVISION, k t



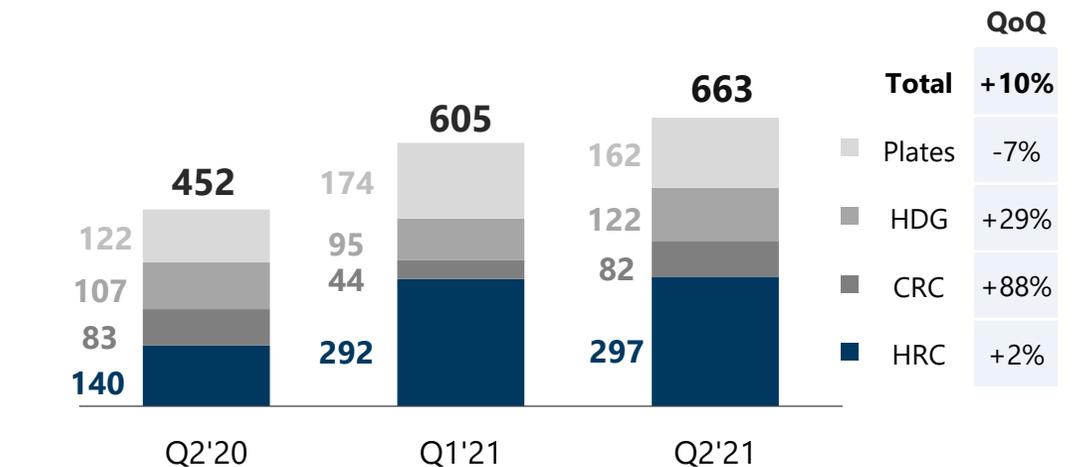
NBH ROLLED PRODUCTS SALES, k t



NBH FINANCIAL RESULTS, \$ m



NLMK USA AND NLMK DANSTEEL SALES, k t





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