

Q1 2020 IFRS Results



30 April 2020

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- **Market review**
- **Operating highlights**
 - Q1'20 Financials
 - Business divisions results

**Grigory
Fedorishin**
CEO



Our priorities:

- Health and safety of our employees
- Maintaining flawless production

A wide set of precautionary measures implemented to ensure safe working conditions



5,000 people working remotely



>2,000 people staying at home (60+)



> 50,000 people
Regular distribution of personal protection equipment (PPE)
Regular disinfection



Working schedules and transportation routes adjusted

Strict safety protocols adjusted to local requirements and beyond



Providing PPE and medical equipment to local hospitals
Local communities support

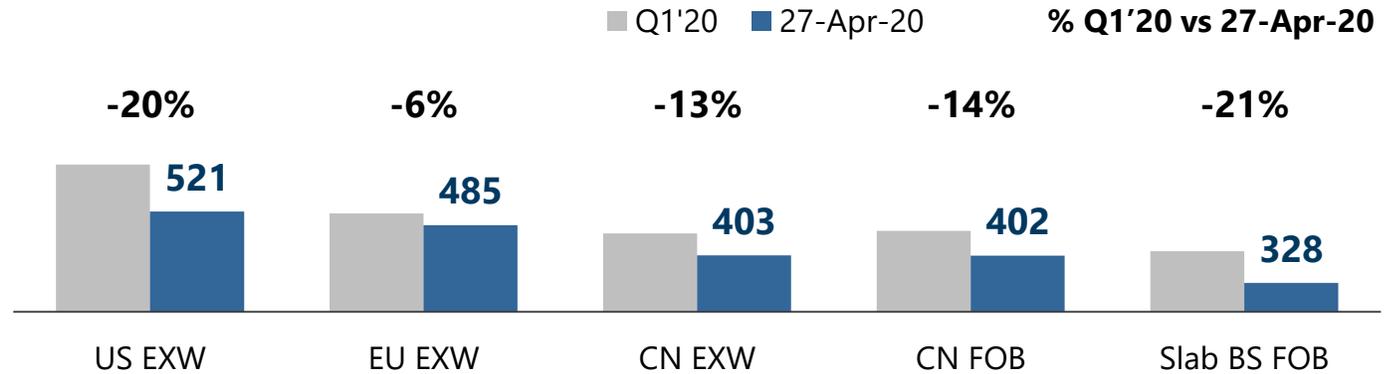
Steel prices were higher qoq in Q1'20, on average, despite the Covid-19 outbreak in the second half of the quarter:

- Between Jan and mid-Mar, prices were rising in the US, the EU and Russia on healthy demand
- Chinese prices have lost 10% since the start of the virus outbreak in late Jan and stabilized at c. \$450/t FOB until the end of March

As of today, prices in certain regions are down more than 20% vs Q1'20 average

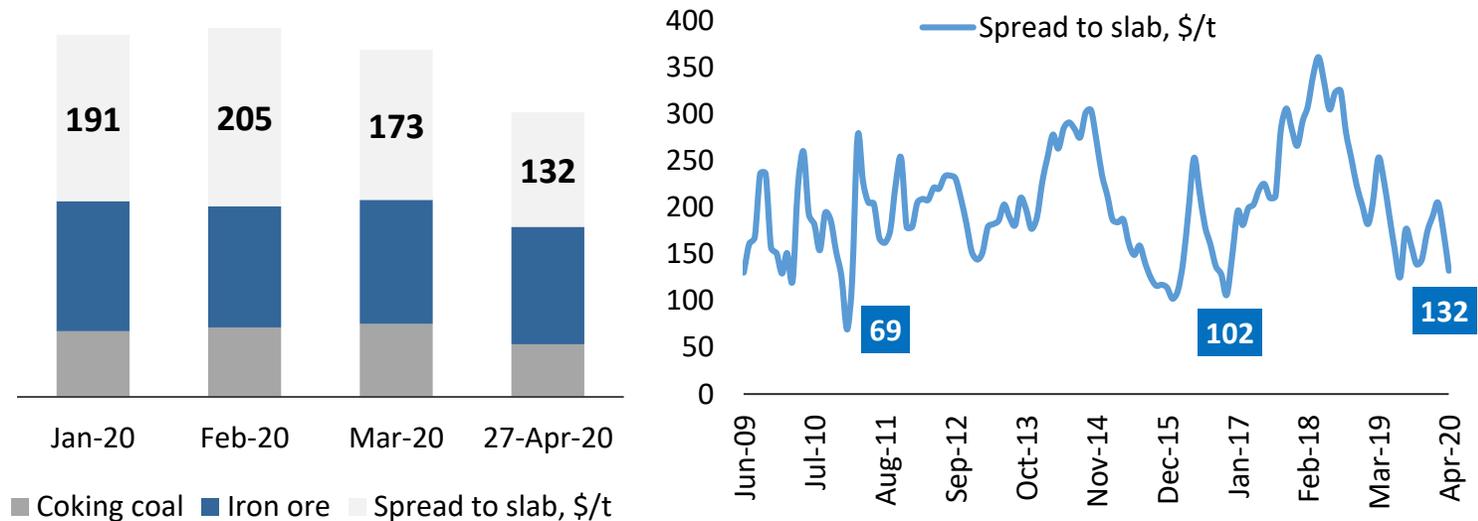
Decline in steel prices outpaced drop in raw material costs with spreads trending down ever since March

STEEL PRICES IN KEY REGIONS, \$/t



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

SLAB / RAW MATERIALS SPREADS, \$/t



Source: Metal Expert, Bloomberg

Raw materials basket is calculated using production ratios for one tonne of steel: iron ore price x 1.6+ coking coal price x 0.6

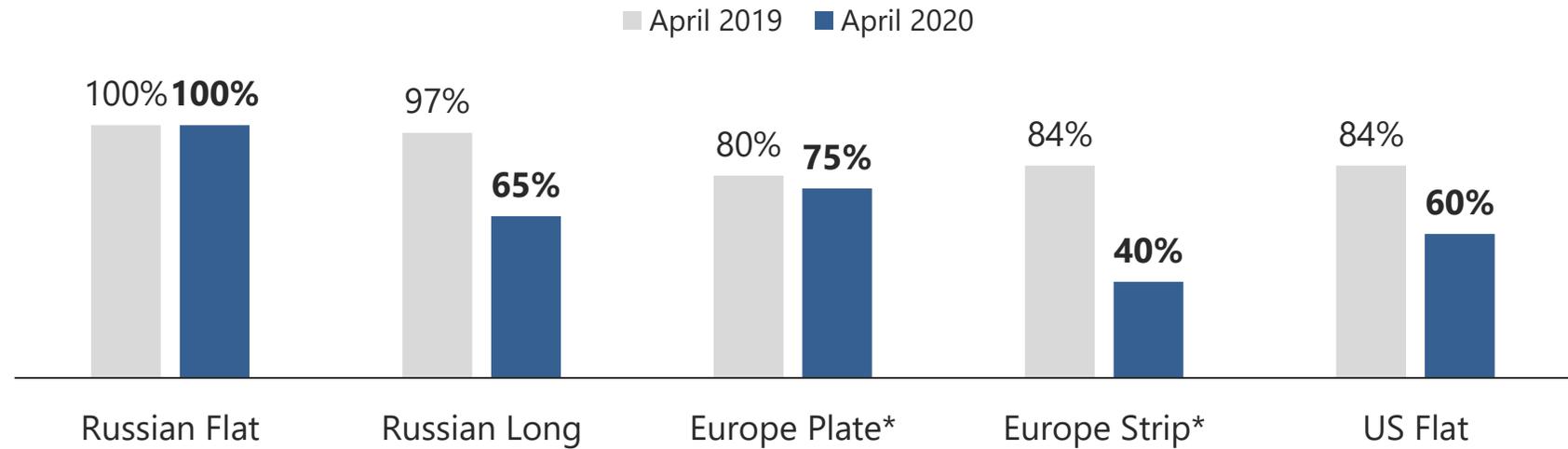
Russian assets

- NLMK Lipetsk site operates at 100% utilization
- Flat products volumes are currently being booked for June
- Long products - shortage of scrap and construction restrictions in Moscow weigh on the segment's utilization
- Export share has increased in an anticipation of slowdown on the Russian market

Europe Plate holding up well despite overall market slowdown

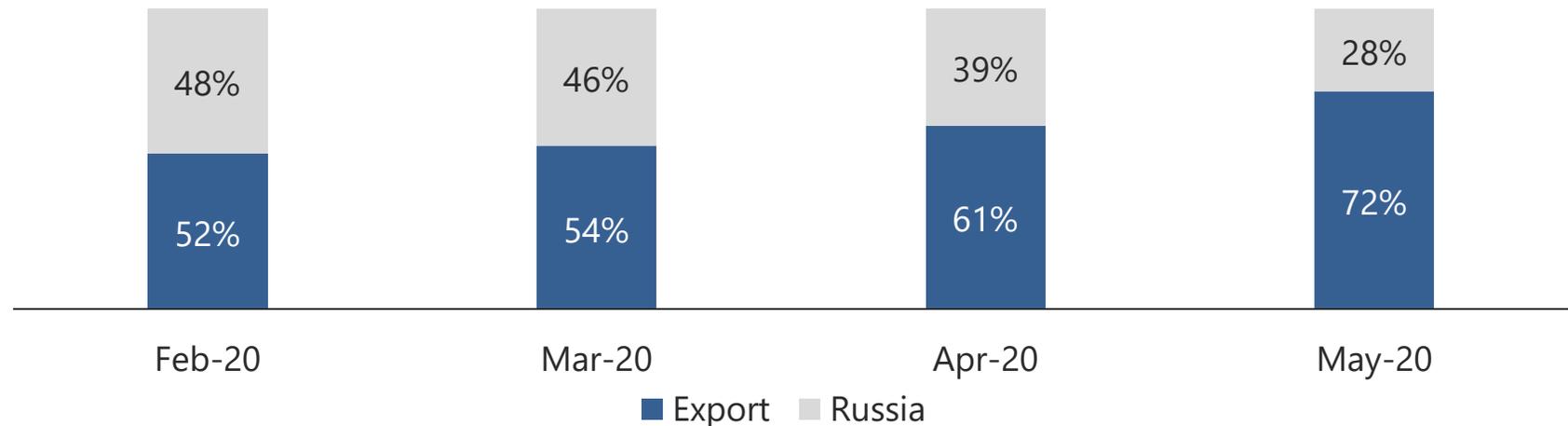
Europe Strip and US Flat adjusted output in line with widely anticipated drop in demand in Q2

CAPACITY UTILIZATION, %



* Part of Europe Plate (Clabecq and Verona mills) as well as Europe Strip are part of NBH

EXPORT SHARE IN NLMK'S RUSSIAN ASSETS SALES, %



Construction demand varies from region to region

- Moscow and the Moscow region suspended activities for 2.5 weeks in April causing almost twofold drop in demand in April
- Other regions didn't impose such strict measures
- Overall, we expect double-digit consumption decline in May and June for the whole sector

Automotive, white goods as well as the oil and gas segments also remain weak

Machinery sector looks relatively stronger

	% of NLMK sales in Russia	Q2'20 overall sector demand outlook*
	Construction 65%-70%	(-) 40-50%
	Oil and gas 20%	(-) 50%
	Automotive White goods 3%	(-) 35-45%
	Machinery 2%	(-) 10-15%

* Industry analysts' estimates: % change versus normalized levels observed during the second quarters

Capex plan c. 20% lower than originally guided: projects postponed + FX devaluation

Positive free cash flow remains a priority

BoD recommendation for Q4'19 dividends reduced to \$250 m

BoD recommendation for Q1'20 dividends amounts to \$250 m

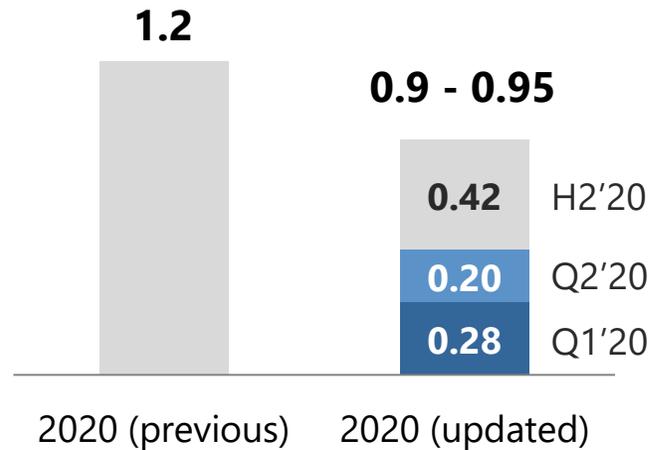
Dividend policy remains intact – targeting 100% of 2020 FCF

Liquidity was increased to preserve financial flexibility in light of market uncertainties

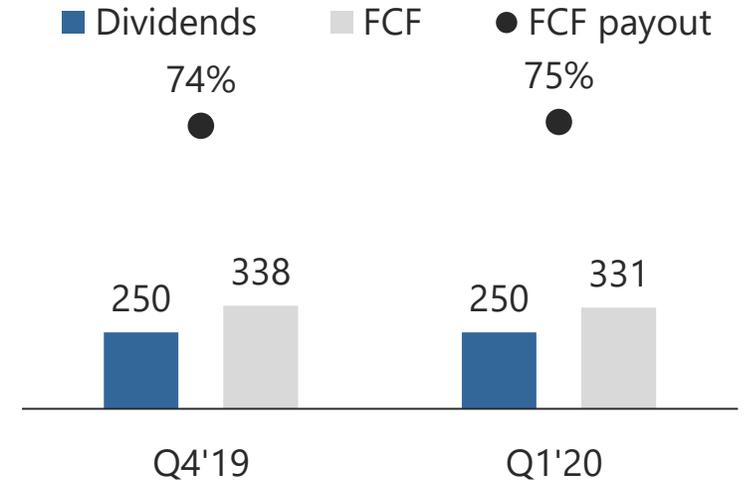
Working capital lines maturing in 2020 to be rolled over or refinanced:

- 40% of WC lines are being rolled over to 2021 and 2022
- 40% of WC lines to be refinanced and extended until 2024 and 2025

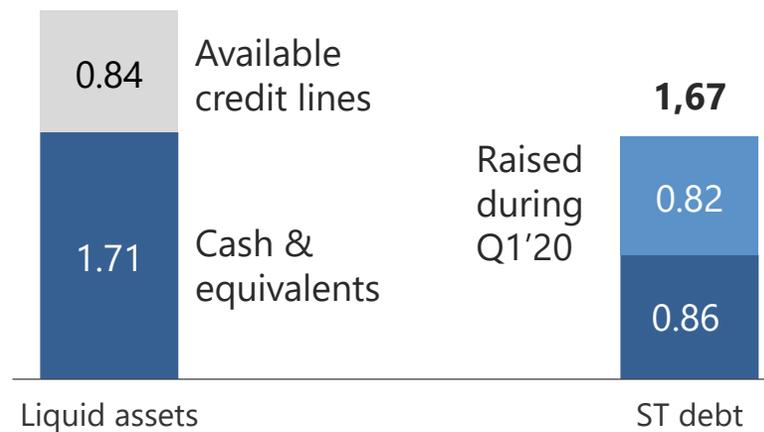
REVISED CAPEX PROGRAM, \$ bn



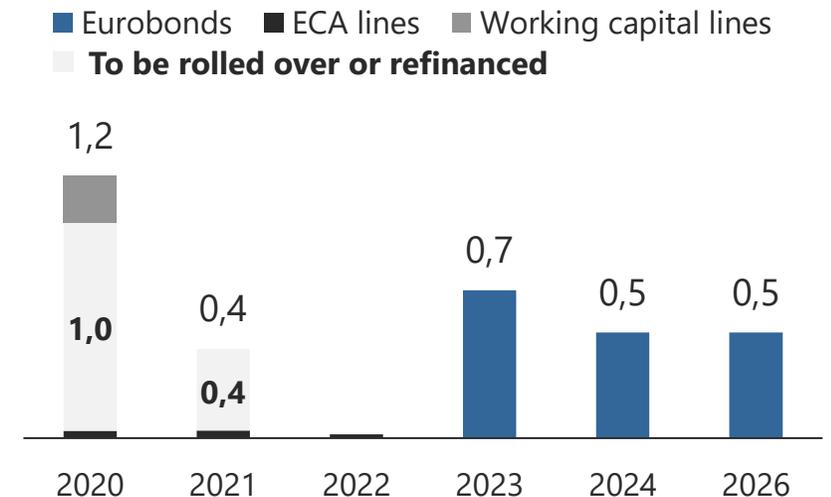
DIVIDENDS AND FCF PAYOUT, \$ m



LIQUIDITY AND SHORT-TERM DEBT*, \$ bn



DEBT MATURITY*, \$ bn



* As at March 31, 2020

MARKETS

The EU and the US: steel demand is expected to show double-digit decline qoq with economic activity starting to revive towards the end of Q2'20. Reduced output would provide some support to supply & demand balance and prices

China: manufacturing activity has largely resumed, government injections into economy and infrastructure should stimulate steel demand in the short-term

Russia: the outbreak and containment measures have started to affect domestic economy and businesses almost a month later than in the EU and the US suggesting the back-to-normal conditions to start resurfacing in late June

RESULTS OUTLOOK

Steel output at NLMK Lipetsk to be lower qoq due to the start of the second stage of overhauls at the site's BF and BOF operations

- Market review
- Operating highlights
- **Q1'20 Financials**
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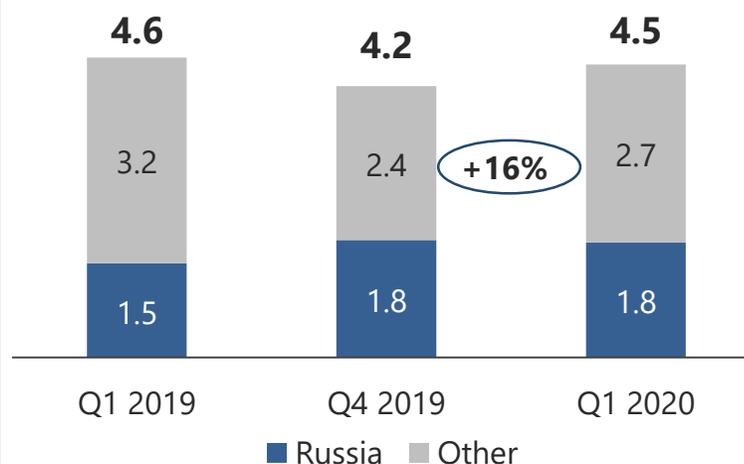


**Shamil
Kurmashov**
CFO

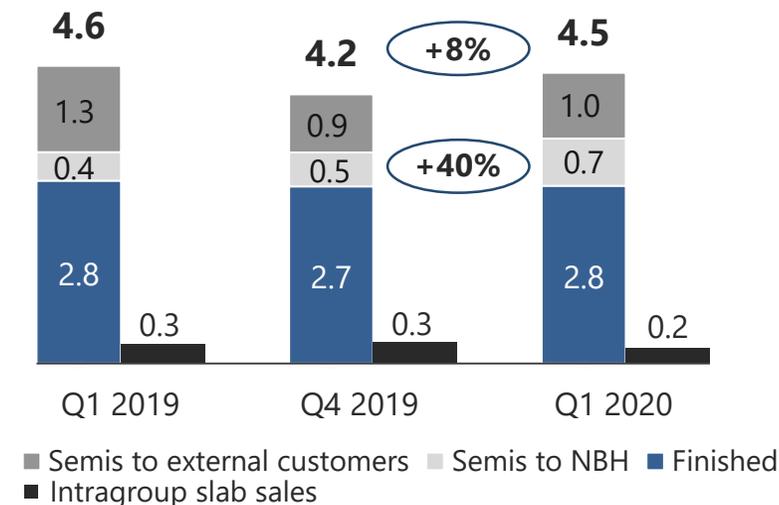
Shipments were up 8% qoq to 4.5 m t mainly on higher semis sales to export markets

- Main driver was Russia Flat division with sales up 8% qoq
- The completion of the first stage of BF/BOF repair works at NLMK led to growth in exports of semis
- Pig iron shipments were up 15% qoq
- Sales at NLMK's foreign divisions also grew on higher demand in Jan-Feb
- Finished steel sales were flat qoq
- HVA steel sales increased by 10% qoq

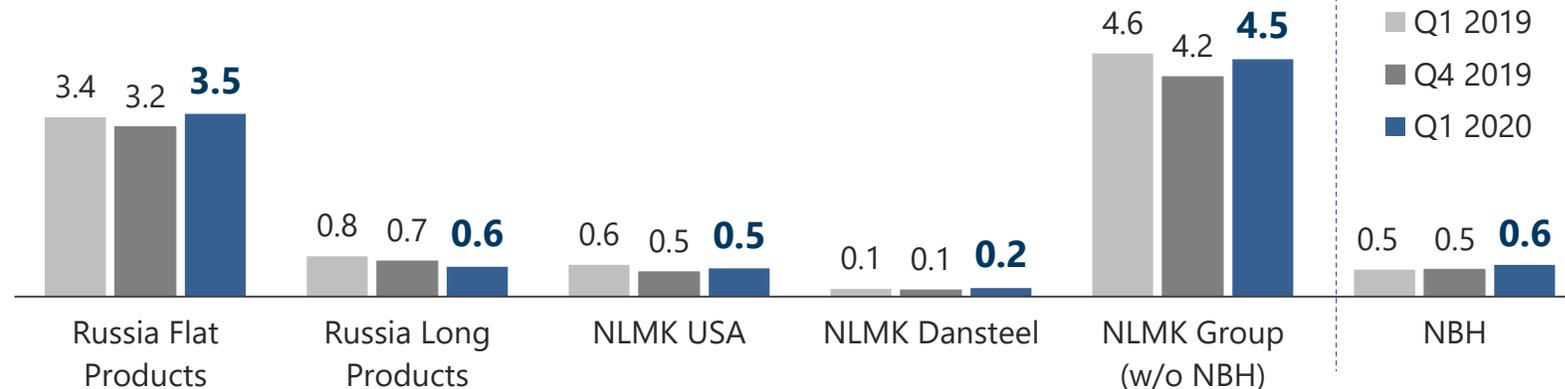
SHIPMENTS INCREASED ON EXPORTS OF SEMIS



SALES OF FINISHED PRODUCTS REMAINED STABLE



SALES ROSE QOQ DUE TO COMPLETION OF THE FIRST STAGE OF LARGE SCALE MAINTENANCE AT NLMK



Revenue increased by 6% qoq due to higher steel shipments

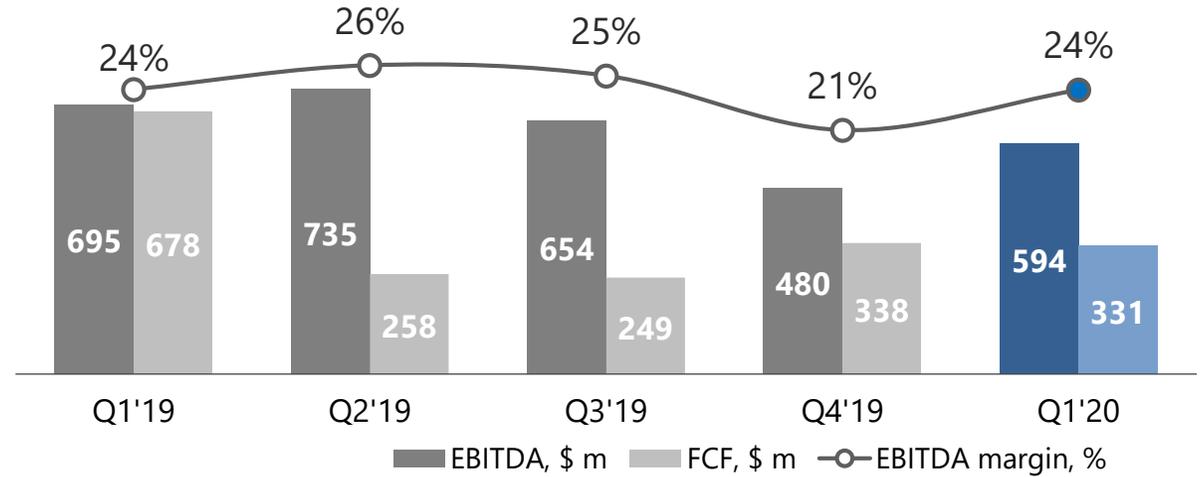
EBITDA improved strongly by 24% qoq

- Revenue: \$2,457 m (+6% qoq, -14% yoy)
- EBITDA: \$594 m (+24% qoq, -15% yoy)
- EBITDA margin: 24% (+3 p.p. qoq, flat yoy)
- Net income*: \$289 m (+45% qoq, -24% yoy)
- FCF: \$331 m (-2% qoq; -51% yoy)

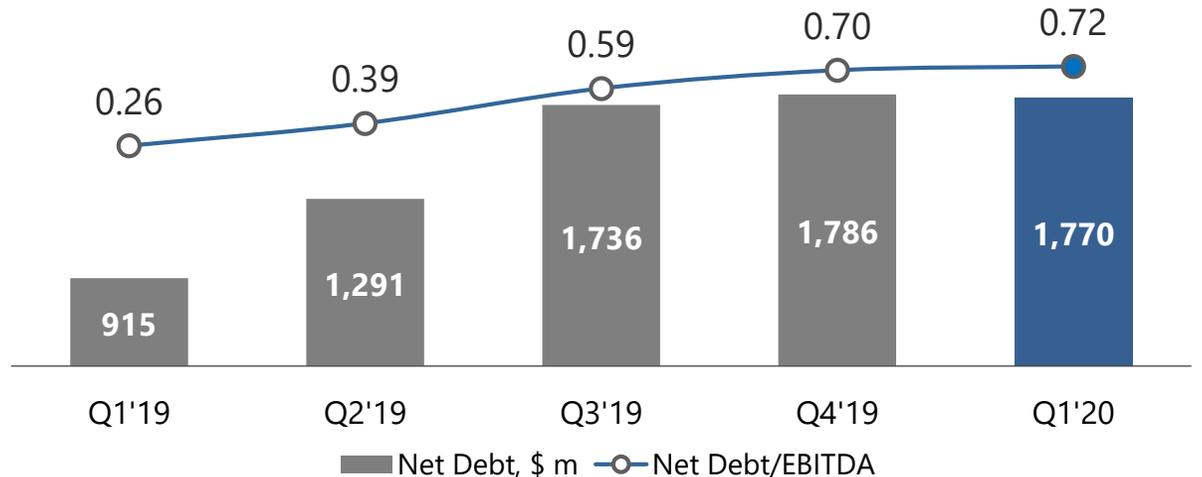
Net debt-to-EBITDA** was 0.72x, flat qoq

- Total debt: \$3.48 bn (+31% qoq)
- Net debt: \$1.77 bn (-1% qoq)

FCF, EBITDA AND MARGIN DYNAMICS



LEVERAGE DYNAMICS



* Profit for the period attributable to NLMK shareholders

** For detailed information and calculations for this indicator please refer to the Appendix

Russian Flat products: EBITDA rose 43% qoq due to wider spreads and elevated sales

- (+) Spreads improved due to higher steel prices while ruble depreciation supported the segment's results
- (+) Production increased following completion of the 1st stage of BF & BOF maintenance to support sales
- (+) Operational efficiency programs

Russian Long products: EBITDA increased by \$16 m qoq due to higher spreads

- (+) Rebar/scrap spreads supported EBITDA
- (-) Shipments volume decreased by 16% qoq

NLMK USA: EBITDA was at -\$22 m

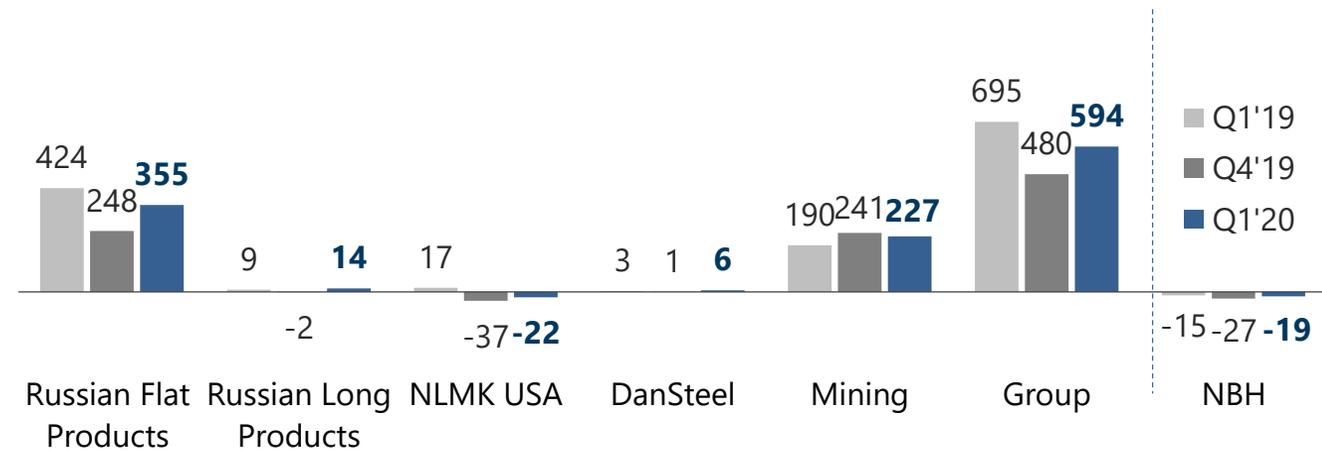
- (+) Spreads widening and sales increase reduced losses
- (-) Inventory mark-to-market provision of (-) \$15 m (non-monetary)

Mining: EBITDA declined qoq on weaker prices

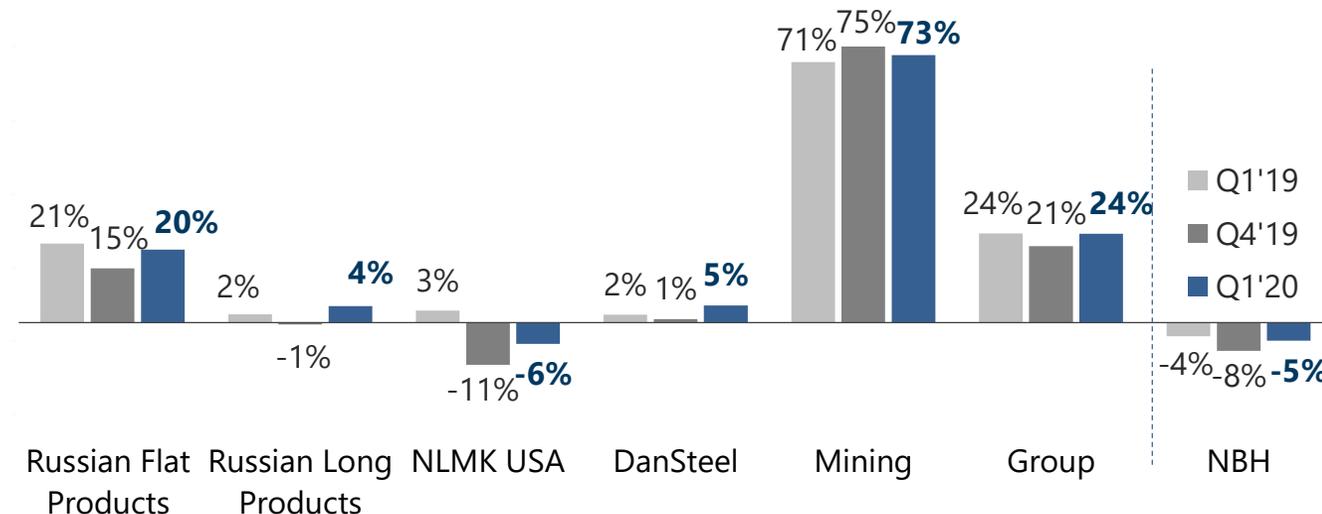
Dansteel: EBITDA increased to \$6 m, driven by HVA sales

NBH: EBITDA improved qoq but remained in negative territory due to tight slab/rolled steel spreads

EBITDA BY DIVISION, \$ m



EBITDA MARGIN BY DIVISION, %



Net operating cash flow decreased by 13% qoq to \$617 m

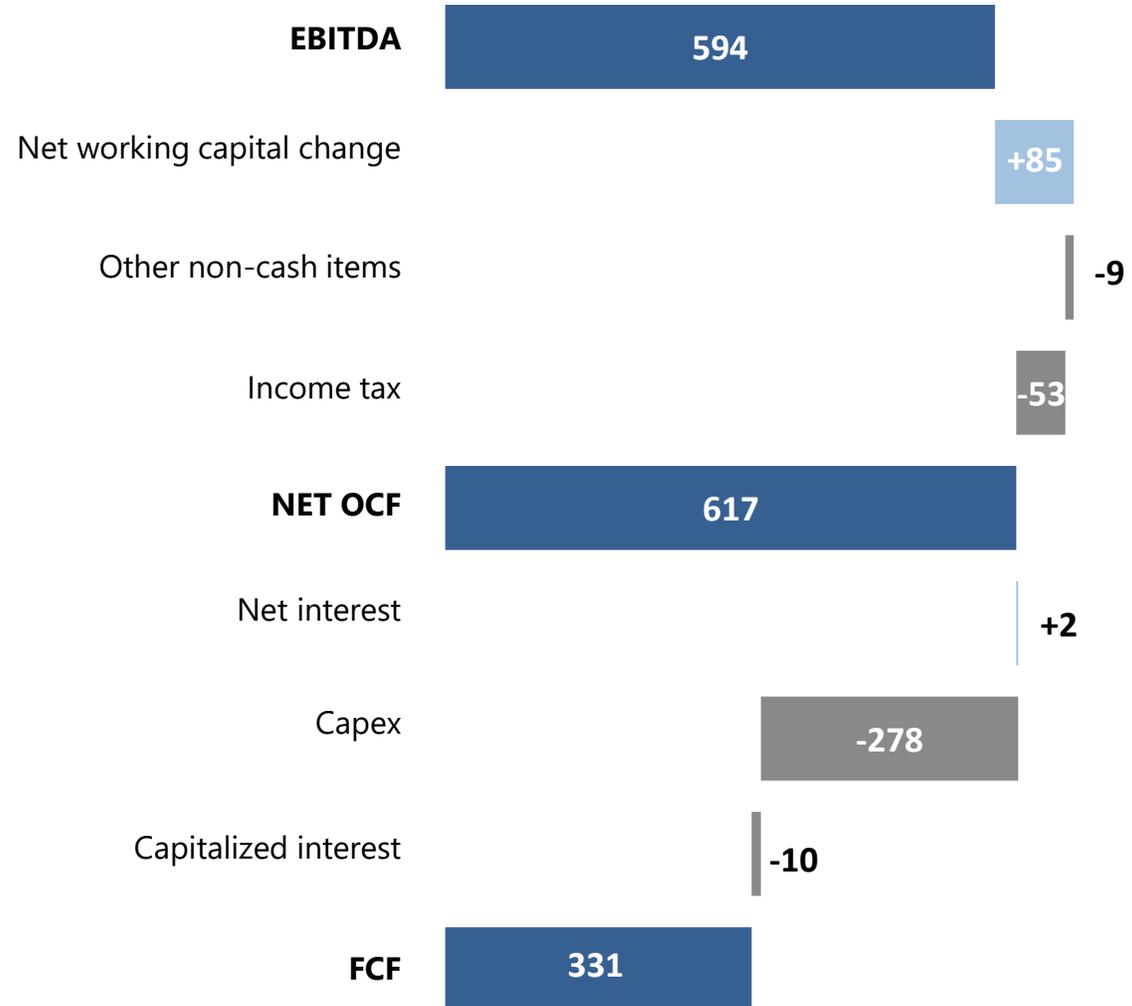
Working capital release amounted to \$85 m

- (-) \$44 m: increase in accounts receivables driven by higher sales
- (+) \$126 m: flat inventories of finished products despite increase in shipments; seasonal decrease in inventories of scrap; decline in iron ore stocks following the completion of the 1st stage of BF/BOF maintenance; ruble depreciation

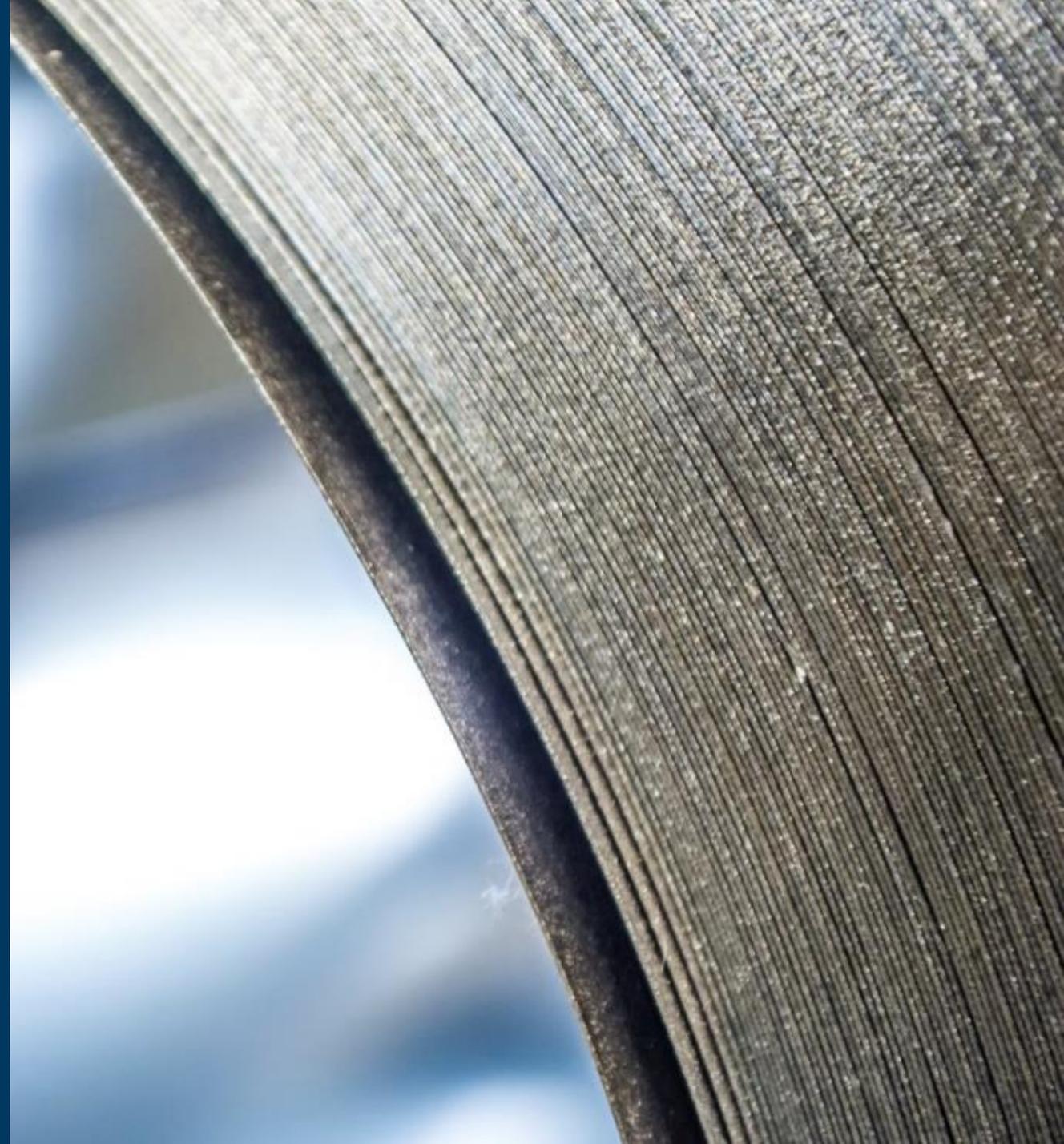
Capex went down to \$278 m in line with capital maintenance schedule at NLMK Lipetsk

Strong FCF of \$331 m

Q1'20 FCF BRIDGE, \$ m



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Shipments increased by 8% qoq due to higher semis sales after 1st stage overhauls completion

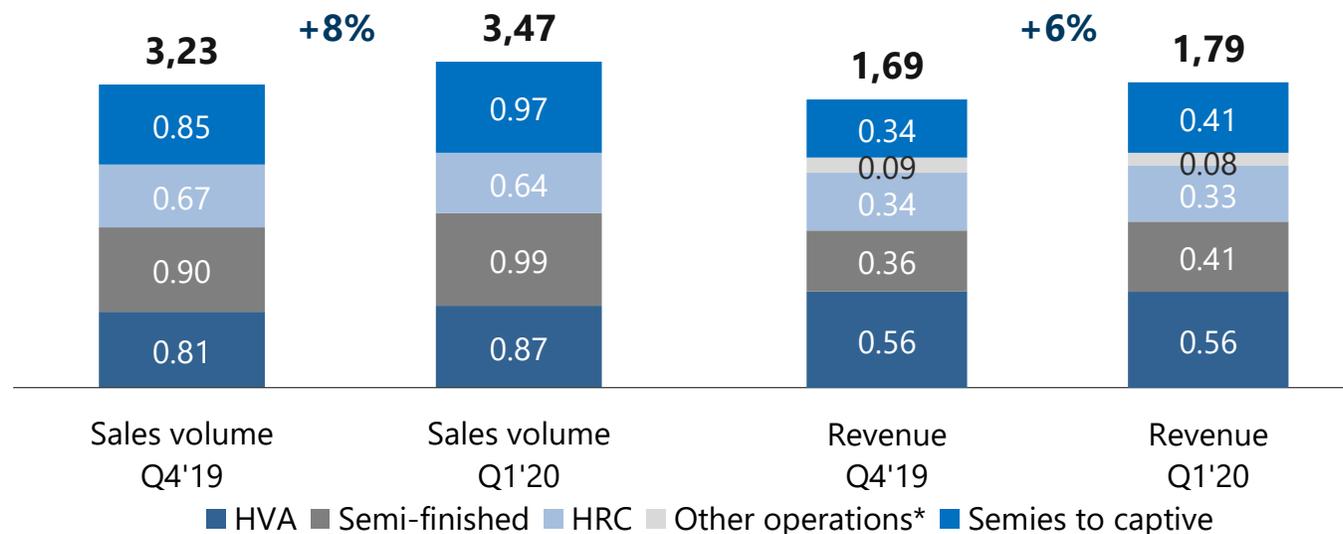
- (+) Semi-finished products sales to 3rd parties grew by 10% qoq
- (+) Semis sales to NBH up by 40% qoq
- (+) HVA sales increased by 8% qoq to 0.87 m t

Revenue grew by 6% qoq due to increased sales

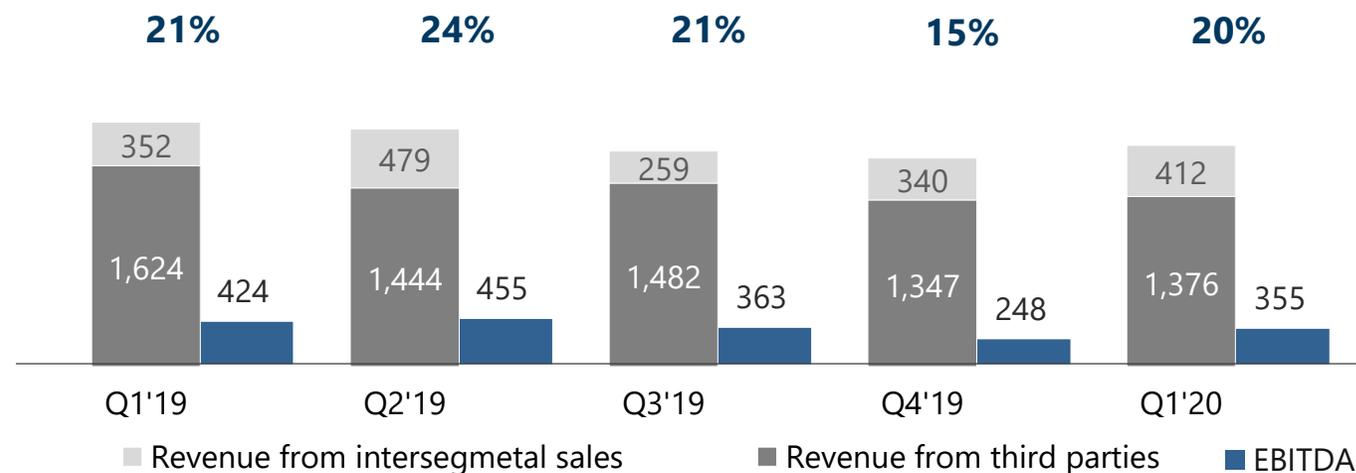
EBITDA was up by 43% qoq to \$355 m

- (+) Slab/raw material price spread widened
- (+) Production & sales increased
- (+) Ruble depreciation
- (+) 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 decreased by 16% qoq

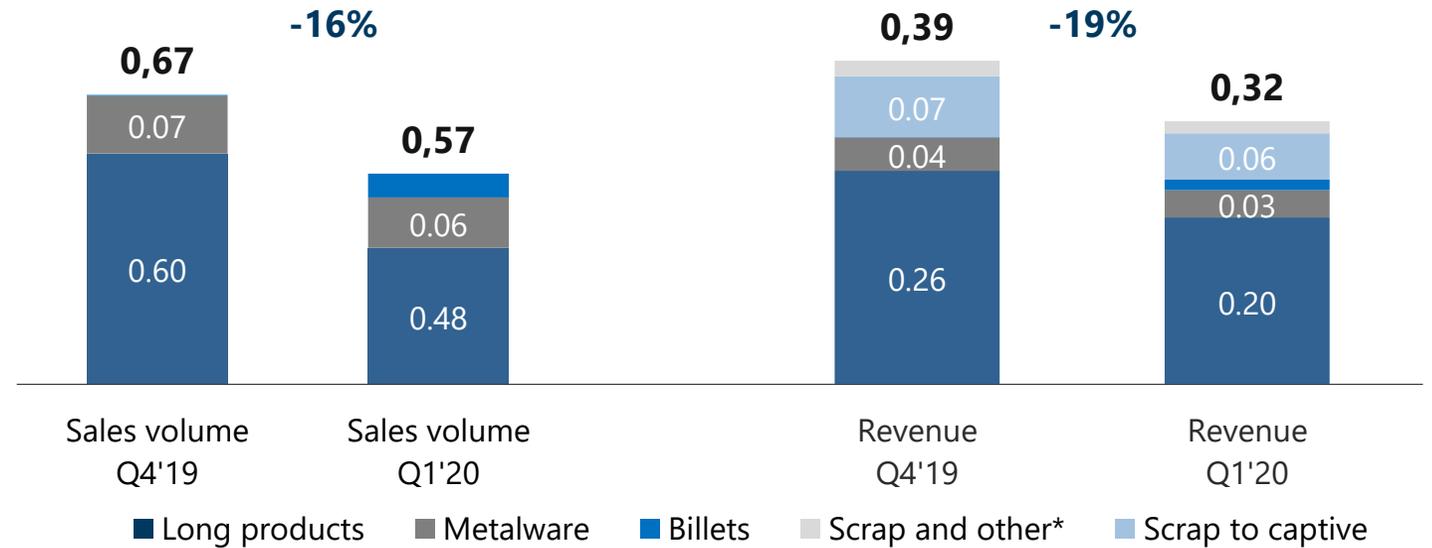
- (-) Long product sales were down by 20% qoq due to high basis of previous quarter with stock sales
- (+) Billet sales started on improved margins

Revenue fell by 19% qoq on sales decrease and low prices for long steel in Russia

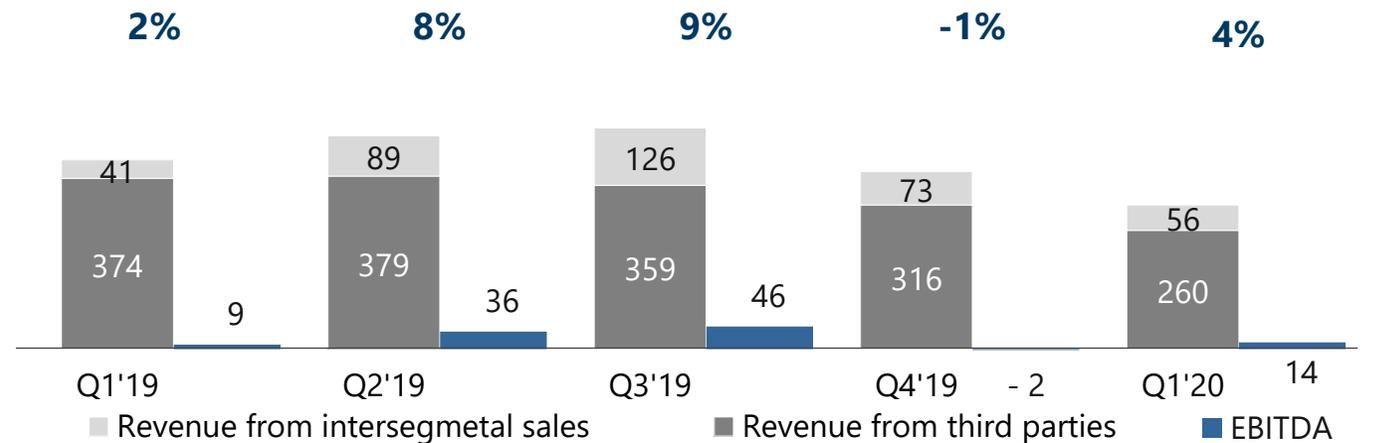
EBITDA increased to \$14 m

- (+) Rebar/scrap spreads improved
- (+) Operational efficiency gains
- (-) Shipments declined qoq

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

The mining segment's sales were almost flat at 4.6 m t (+1% qoq)

- Concentrate sales to 3rd parties amounted to 75 k t with no sales of pellets to 3rd parties
- Pellet sales to 3rd parties amounted to 71 k t

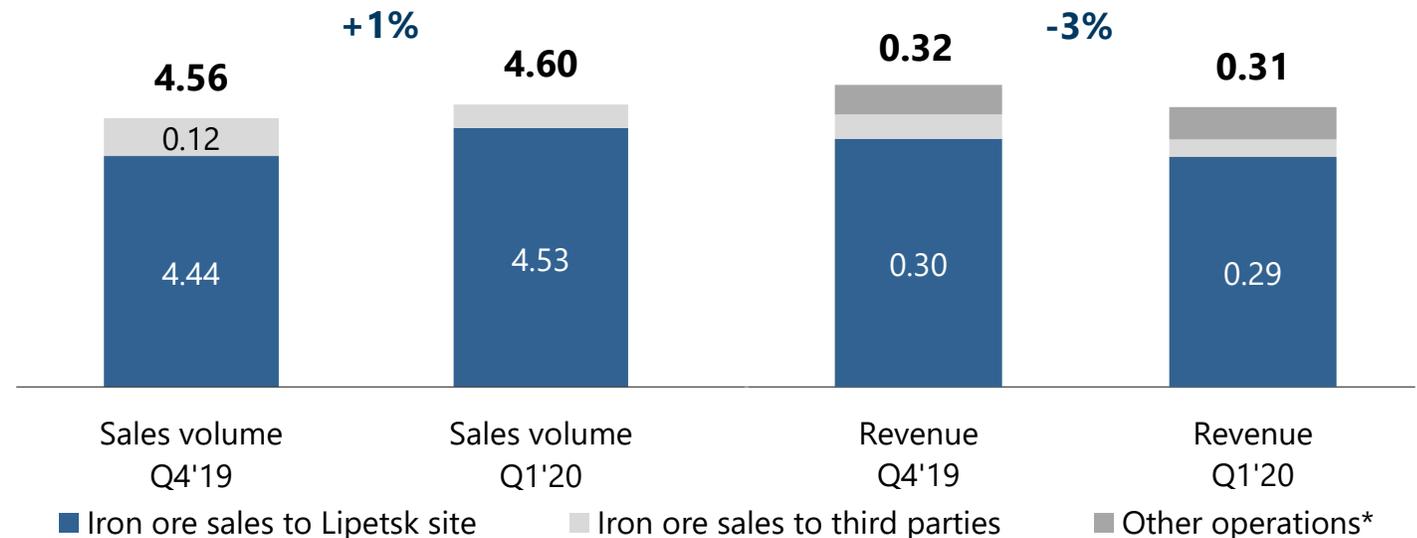
Revenue decreased by 3% qoq to \$312 m due to lower prices

EBITDA was down 6% qoq to \$227 m following revenue dynamics

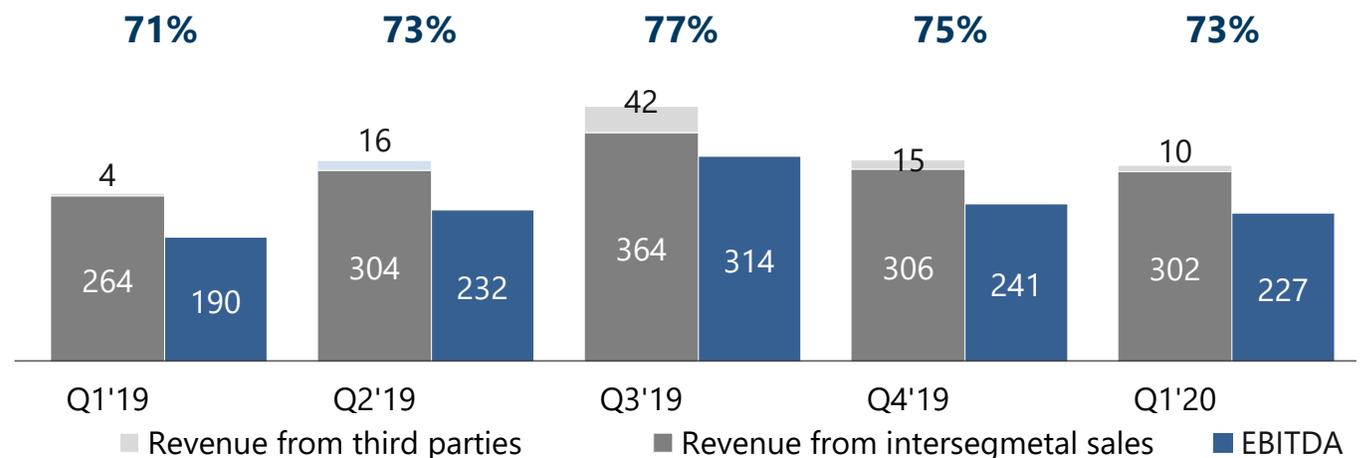
- (-) Decrease in iron ore prices
- (-) Maintenance costs increased qoq

EBITDA margin of 73% (-2 p.p. qoq)

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



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



* Other operations include limestone, dolomite and other sales

Shipments grew by 14% qoq

- (-) Uptick in demand in service centers, automotive and construction segments in January-February

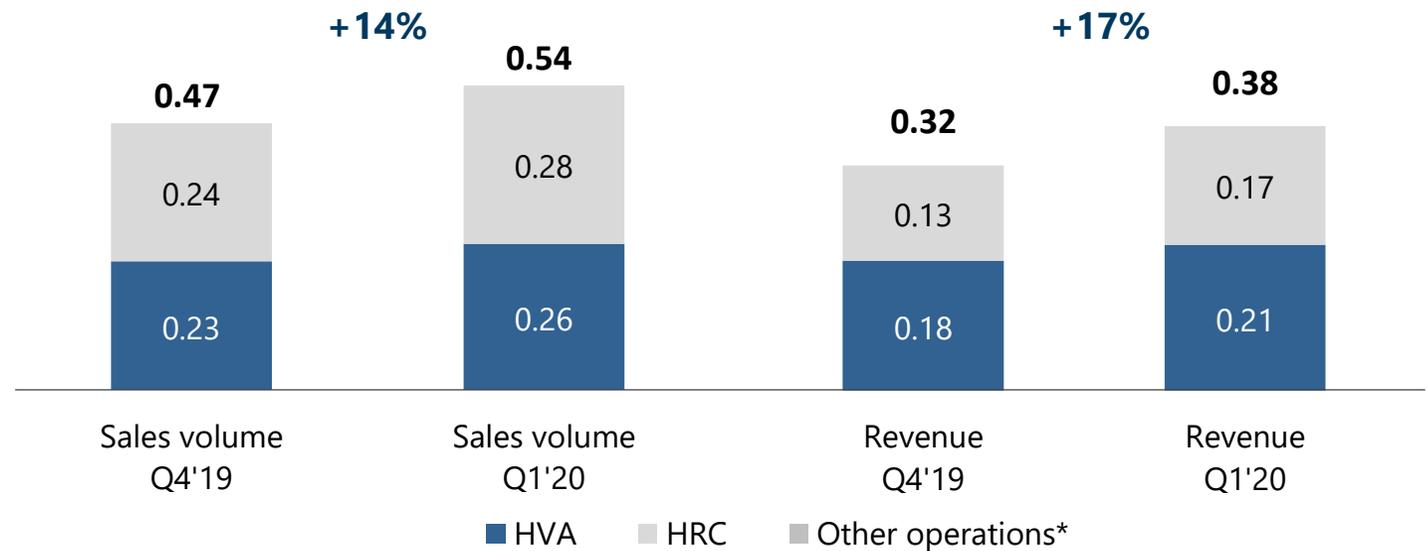
Revenue increased by 17% qoq on the back of shipments growth and stronger prices

- (+) Prices increased 3% qoq on average
- (+) Shipments grew qoq

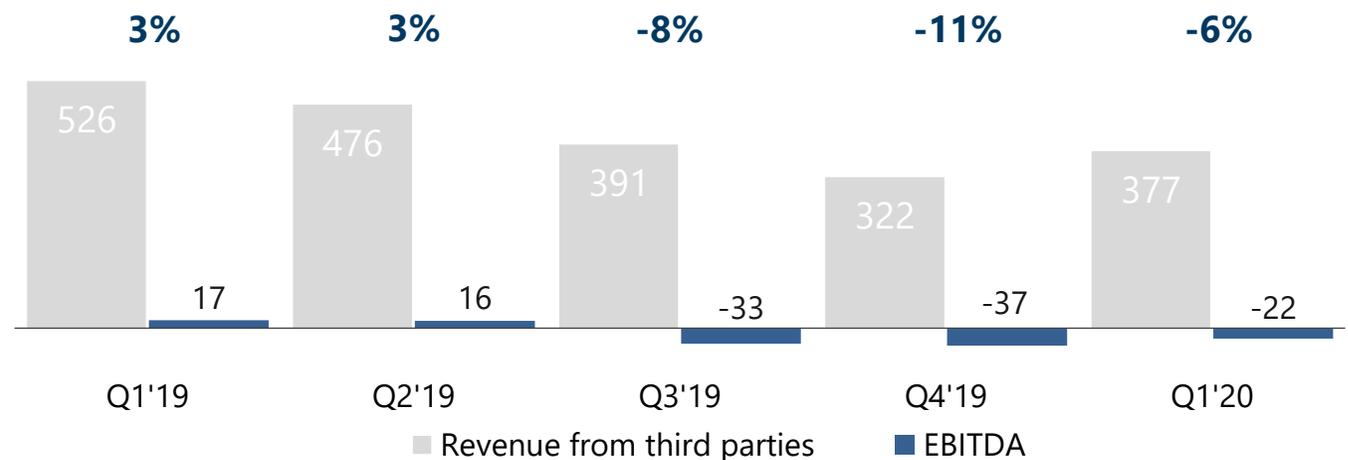
EBITDA amounted to (-) \$22 m

- (+) Price spreads widened
- (+) Product mix improved
- (+) Operational efficiency gains
- (-) Non-monetary inventory revaluation reserve of (-) \$15 m

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



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



* Revenue from the sale of other products and services

Shipments of plates grew by 28% qoq following the uptick in demand from wind energy, shipbuilding and infrastructure projects

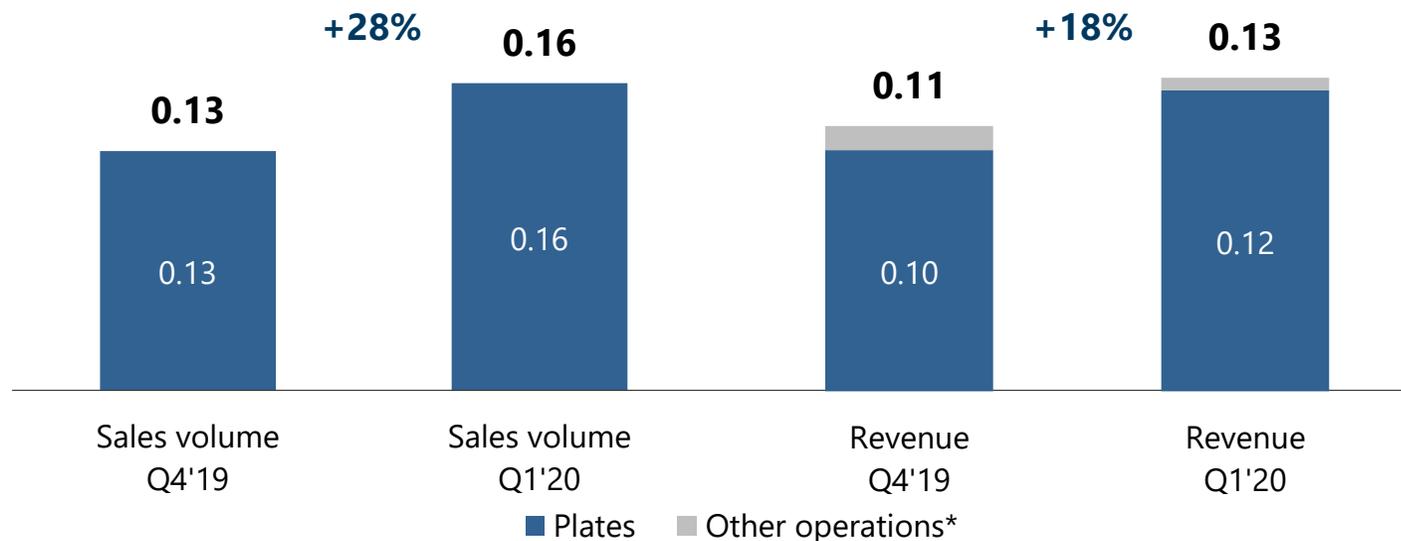
Revenue increased by 18% qoq

- (+) Shipments spiked +28% qoq
- (-) Plate prices correction partially offset revenue growth

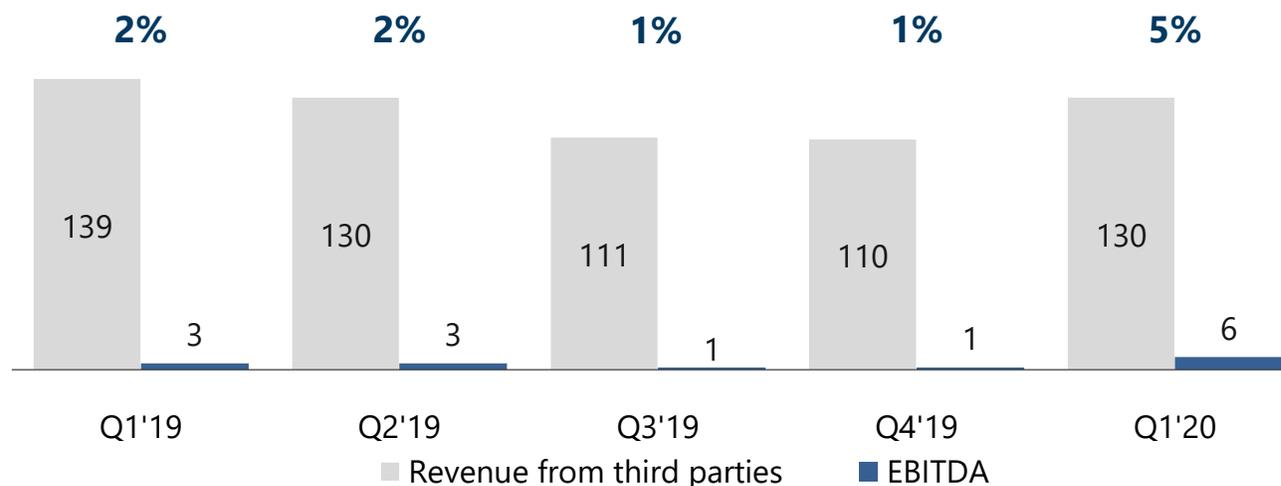
EBITDA amounted to \$6 m

- (+) Higher sales volumes
- (+) Operational efficiency gains

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



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



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

Shipments increased by 17% qoq due to uptick in demand and restocking of the consumers

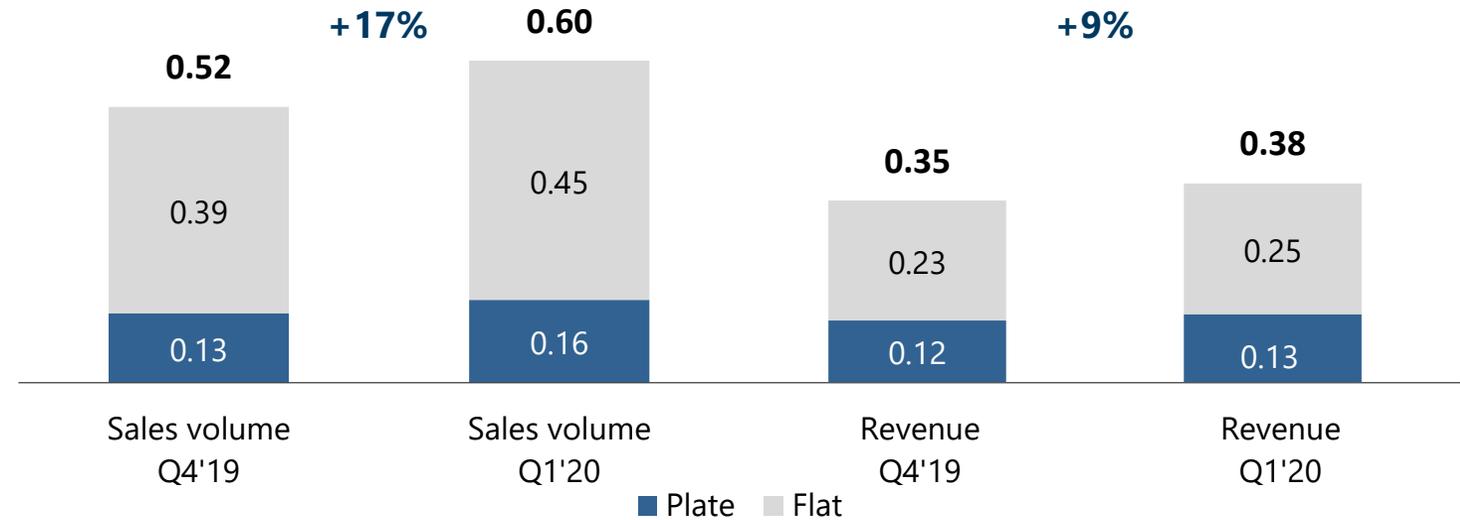
Revenue up by 9% qoq following bigger shipments

- (+) Shipments grew by 17% qoq
- (-) Average sales prices declined qoq

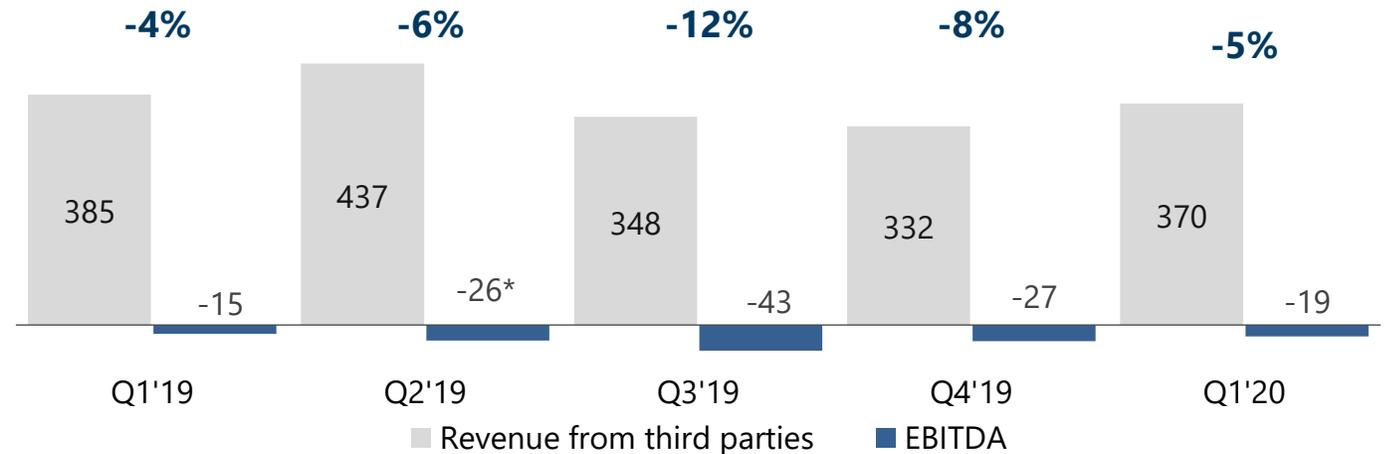
EBITDA reached (-) \$19 m

- (+) Price spreads improved
- (+) Operational efficiency gains

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



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

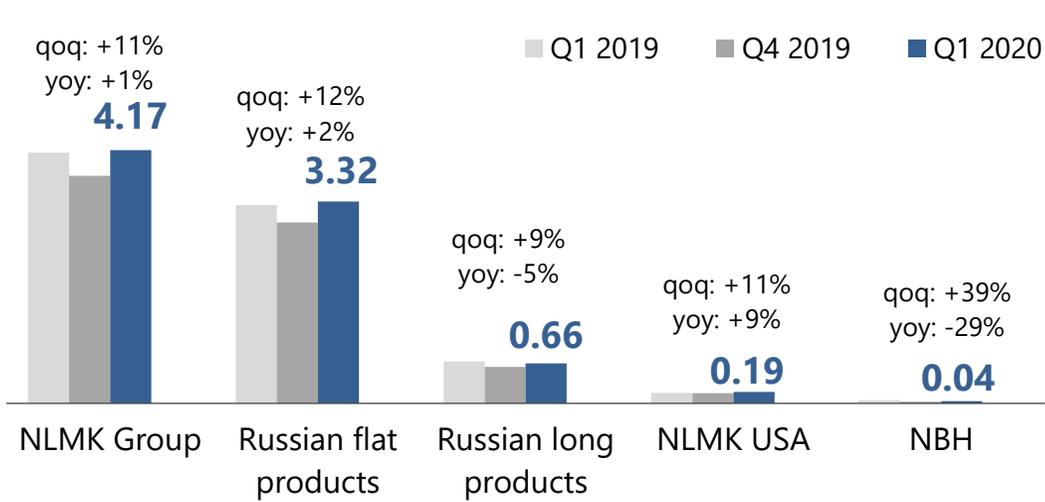


* Excluding one-off non-operating accrual for NLMK Clabecq restructuring costs in the amount of \$23 m

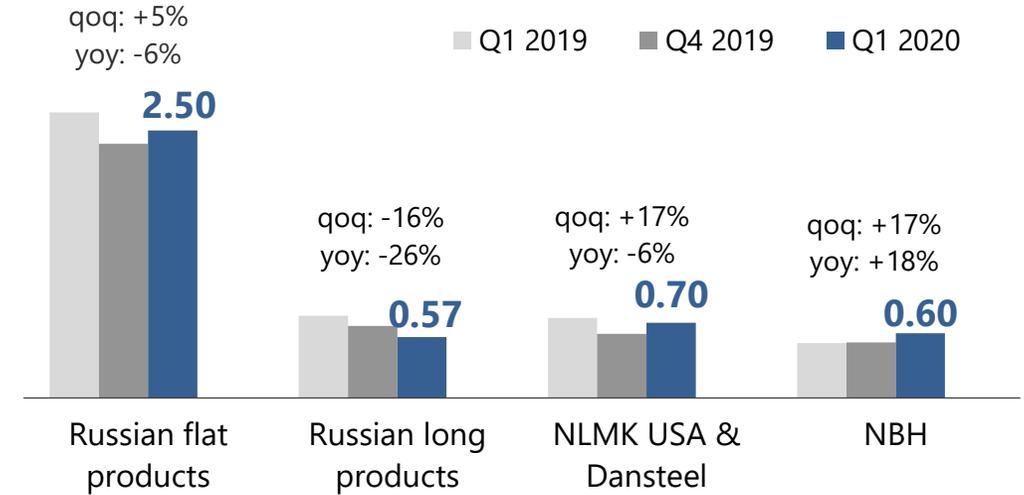
Appendix



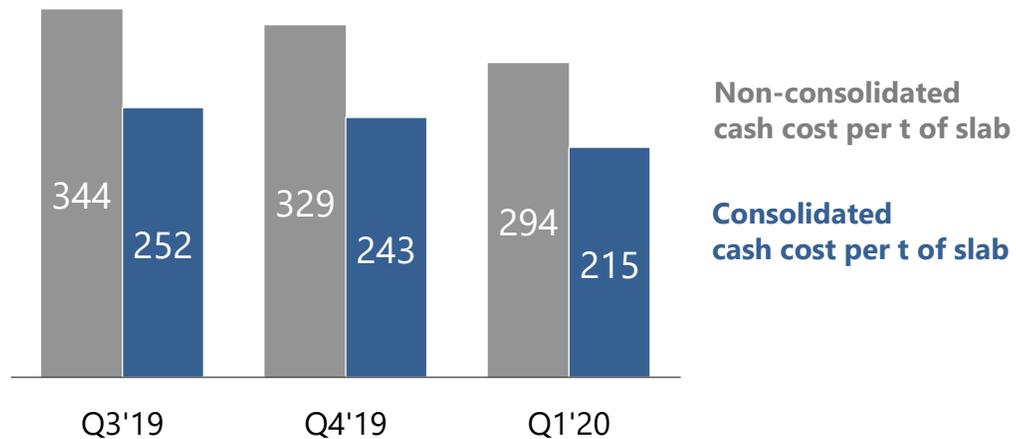
STEEL PRODUCTION, m t



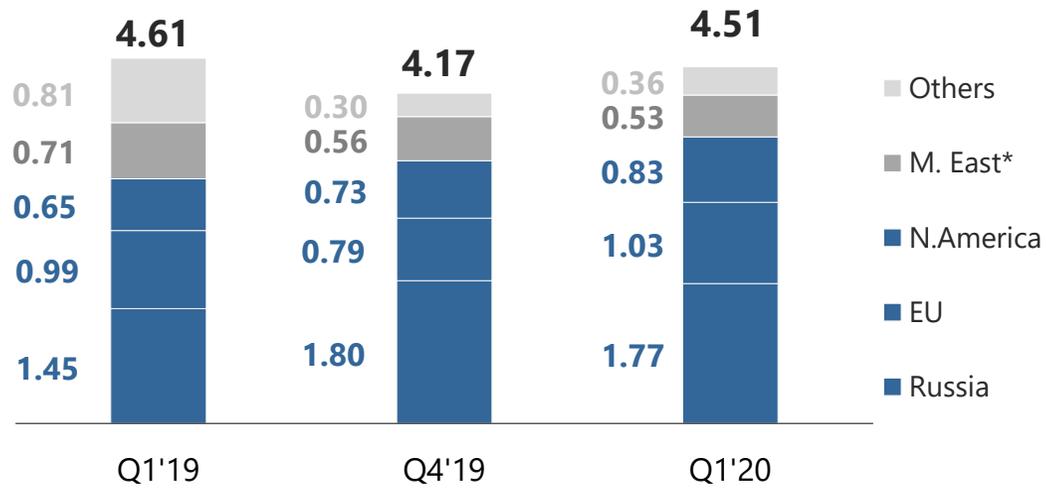
GROUP SHIPMENTS TO EXTERNAL CUSTOMERS BY SEGMENT, m t



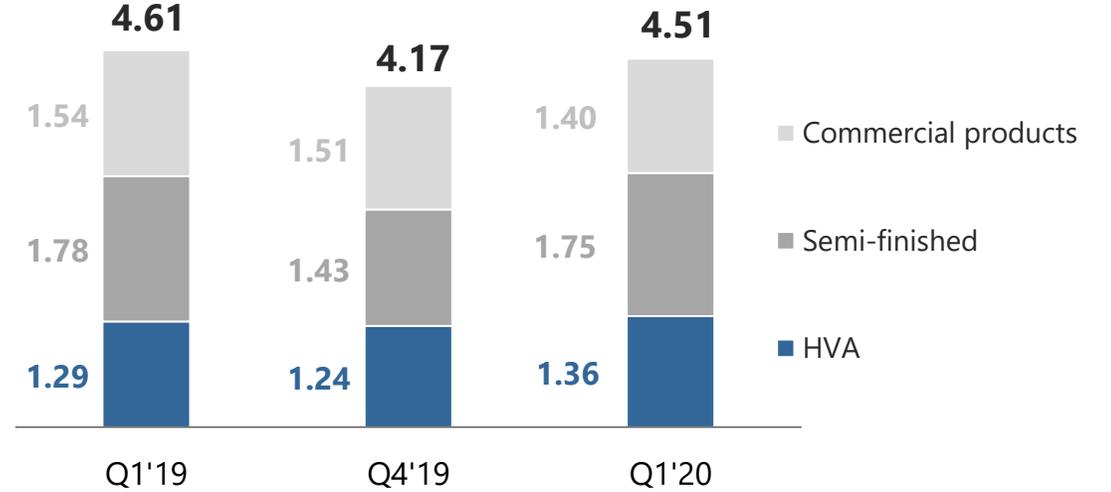
NLMK RUSSIAN FLAT PRODUCTS - CASH COSTS OF SLABS, \$/t



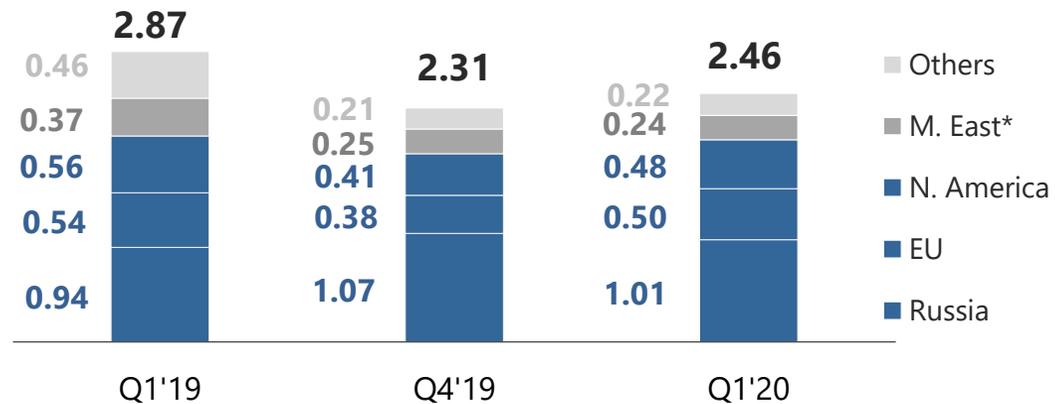
STEEL PRODUCT SALES BY REGION, m t



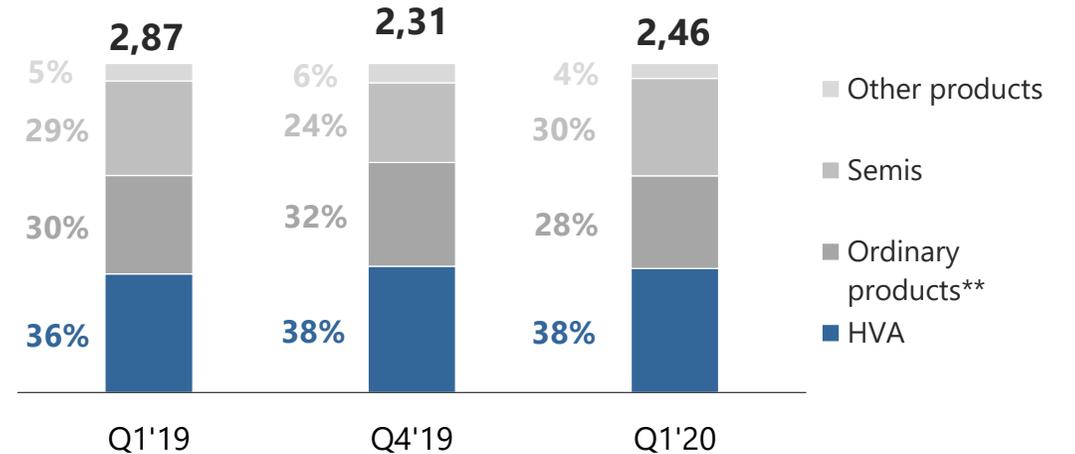
SALES STRUCTURE BY PRODUCT, m t



REVENUE BY REGION, \$ bn



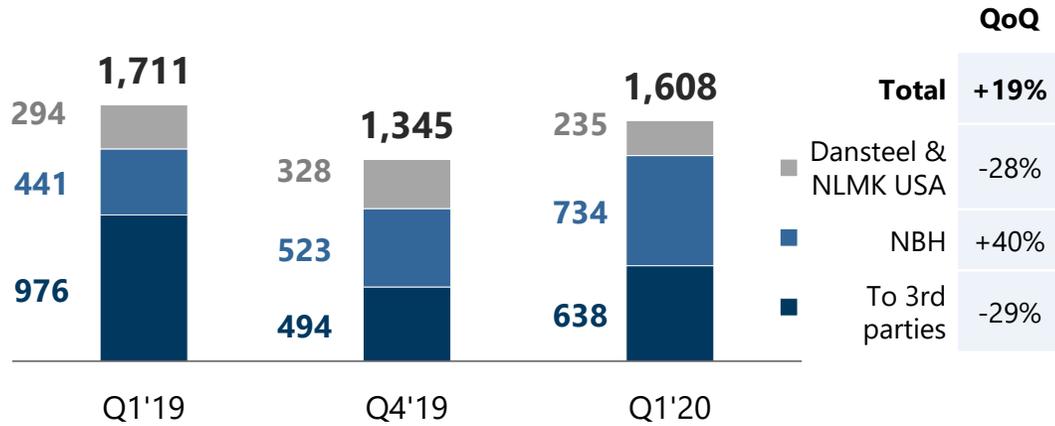
REVENUE BY PRODUCT, \$ bn



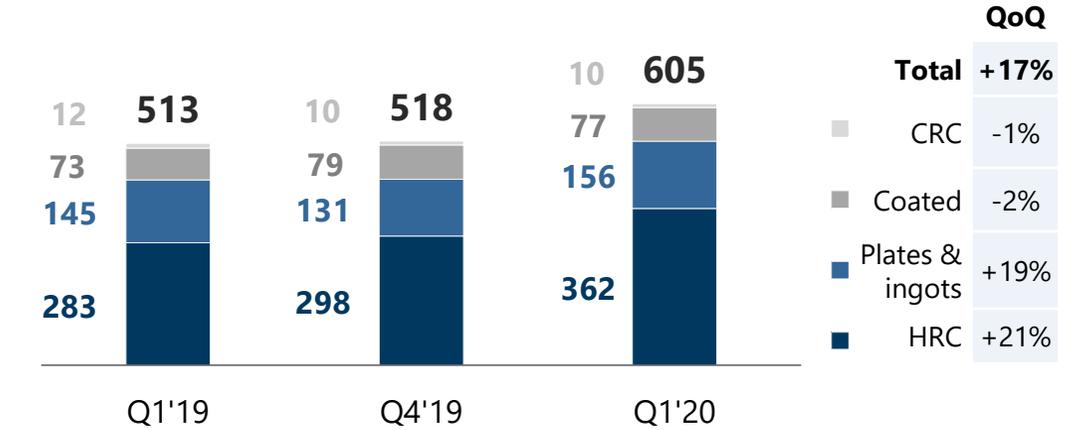
* Incl. Turkey

** HRC and Long products

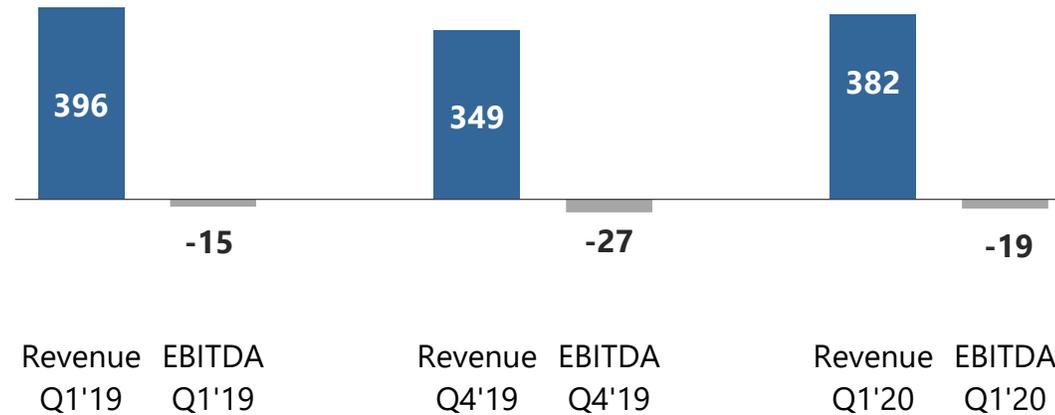
SLABS SALES FROM THE RUSSIAN FLAT PRODUCTS DIVISION, k t



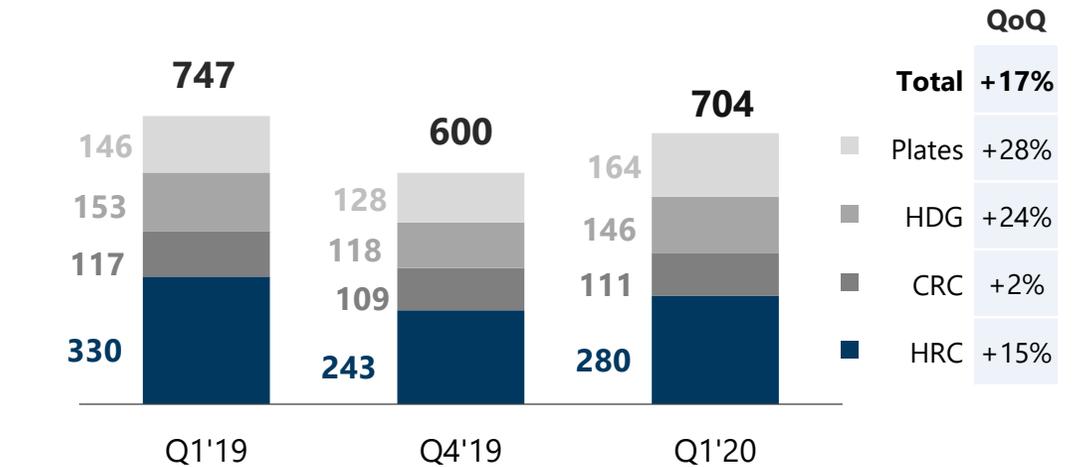
NBH ROLLED PRODUCTS SALES, k t



NBH FINANCIAL RESULTS, \$ m



NLMK USA AND NLMK DANSTEEL SALES, k t





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