Q3 2019 IFRS Results

24 October 2019
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• Market review
• Operating highlights
  • Q3’19 Financials
  • Business divisions results
MARKET UPDATE

Business activity has been slowing so far this year
- European PMI entered red zone in Feb’19, Russia’s PMI turned negative in Jun’19
- The US growth has been decelerating over the last 12M but PMI remains above 50

Apparent steel demand is expected to rise in 2019 in the US, China and Russia but not in the EU

Demand is projected to grow in 2020 across key regions - global consumption to rise 1.7%

Exports from China in Q3’19 were well below last year’s average numbers
- Exports were down 10% yoy
- Even though production was up 5% yoy

Iron ore prices retraced to $90/t in Sep’19 following resumption of iron ore exports from Brazil and Australia as well as increased output at Chinese mines

Coking coal prices fell 20% during Q3’19 to the $145/t level due to low demand in India and import restrictions in China
HRC prices were lower qoq in Q3’19 in most regions while Russian domestic prices were resilient
- Domestic prices in Russia were supported by seasonally strong demand
- The US HRC prices were softer qoq despite modest growth between the end of June and mid August
- Average prices in the EU were lower qoq on the back of summer slowdown and weak demand
- Chinese export prices decreased 7% qoq

Decline in steel prices outpaced drop in raw materials costs
- Spreads fell 20% qoq in Q3’19 and approached the minimal average level of the past five years

In the US and the EU, average gross profits per tonne of HRC remained depressed in Q3’19

Announced capacity closures in the EU amounted to 12 m t pa (6% of installed capacity) so far this year. As a result, 9M’19 production in the EU fell 3% yoy

HRC PRICES DOWN QOQ IN Q3’19 IN MOST GEOGRAPHIES; RUSSIAN RPICES REMAIN STABLE, $/t

<table>
<thead>
<tr>
<th>Region</th>
<th>Q2’19</th>
<th>Q3’19</th>
<th>%, qoq</th>
</tr>
</thead>
<tbody>
<tr>
<td>US EXW</td>
<td>629</td>
<td>522</td>
<td>-7%</td>
</tr>
<tr>
<td>EU EXW</td>
<td>575</td>
<td>475</td>
<td>-7%</td>
</tr>
<tr>
<td>RUS EXW</td>
<td>575</td>
<td>475</td>
<td>-7%</td>
</tr>
<tr>
<td>CN EXW</td>
<td>475</td>
<td>467</td>
<td>-3%</td>
</tr>
<tr>
<td>RUS BS FOB</td>
<td>484</td>
<td>407</td>
<td>-11%</td>
</tr>
<tr>
<td>CN FOB</td>
<td>484</td>
<td>407</td>
<td>-11%</td>
</tr>
<tr>
<td>Slab BS FOB</td>
<td>484</td>
<td>407</td>
<td>-11%</td>
</tr>
</tbody>
</table>

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

STEEL / RAW MATERIALS SPREADS, $/t

<table>
<thead>
<tr>
<th>Period</th>
<th>US average</th>
<th>EU average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3’18</td>
<td>311</td>
<td>149</td>
</tr>
<tr>
<td>Q4’18</td>
<td>225</td>
<td>311</td>
</tr>
<tr>
<td>Q1’19</td>
<td>217</td>
<td>225</td>
</tr>
<tr>
<td>Q2’19</td>
<td>192</td>
<td>217</td>
</tr>
<tr>
<td>Q3’19</td>
<td>155</td>
<td>192</td>
</tr>
</tbody>
</table>

Source: Bloomberg, CRU
Gross profit = HRC EXW – HRC production cost, incl. slab feedstock and labour

SOFTENING STEEL PRICES AND NARROWING MARGINS
Sales declined 6% qoq to 4 m t mainly on lower slab shipments driven by ongoing maintenance works at NLMK Lipetsk

- Russia’s share in total sales grew to 42% (+2 p.p. qoq)
- The share of finished and HVA products rose 4 p.p. and 3 p.p. qoq, respectively
- Slab sales to NBH decreased on the back of lower demand at NLMK’s European assets

Shipments by segments:

- Sales at Russia Flat dropped 9% qoq due to large-scale maintenance; product mix changed in favor of finished goods
- Deliveries of long products declined 3% qoq mainly due lower sales of billets
- US sales fell 6% qoq to 0.55 m t driven by weaker demand for HRC and HDG
- Shipments from Dansteel and NBH were down 14% and 13% qoq, respectively, due to planned maintenance during seasonally weak quarter
MARKETS

Russia: demand and prices to show seasonal weakness in Q4’19

The EU: prices’ weakness to persist due to sluggish underlying demand

China: local prices could be supported by limited supply during heating season and potential stimulus measures

USA: seasonally slow demand to restrain significant steel price moves, but lower scrap prices could improve margins

RESULTS OUTLOOK

Crude steel output is expected to increase due to the completion of overhauls of blast furnace and basic oxygen furnace operations at NLMK Lipetsk. Therefore, we plan to reach our previously announced 2019 production target of 12 m t at NLMK Lipetsk.
• Market review
• Operating highlights
• Q3’19 Financials
• Business divisions results
Revenue was down 8% qoq on lower shipments and steel prices

**EBITDA declined 11% qoq**
- Revenue: $2,576 m (-8% qoq, -18% yoy)
- EBITDA: $654 m (-11% qoq, -36% yoy)
- EBITDA margin: 25% (-1 p.p. qoq, -7 p.p. yoy)
- Net income*: $343 m (-17% qoq, -47% yoy)

**Net debt-to-EBITDA** stood at 0.59x

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*Profit for the period attributable to NLMK shareholders
**For detailed information and calculations for this indicator please refer to the Appendix
**Q3’19 PROFITABILITY SUPPRESSED BY NARROWING SPREADS FOR FLAT STEEL**

**Russian Flat products**: EBITDA decreased 20% qoq on narrower spreads and lower slab sales, partially offset by operational efficiency measures
- (-) Lower spreads driven by steel prices correction
- (-) Decreased slab sales on BF & BOF maintenance
- (+) Increased share of finished products in the mix
- (+) Operational efficiency program

**Russian Long products**: higher EBITDA qoq on better product mix
- (+) Better product mix: share of finished products up 2 p.p. qoq
- (-) Total sales volume down 3% qoq on lower export shipments

**NLMK USA**: EBITDA slipped to -$33 m due to lower prices and the use of higher value slabs accumulated in stock

**Mining**: EBITDA and the margin rose on higher prices, operational efficiency measures and sales growth

**NBH**: EBITDA fell to -$43 m affected by increased maintenance costs and lower shipments

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**EBITDA BY DIVISION, $ m**

<table>
<thead>
<tr>
<th>Division</th>
<th>Q3'19</th>
<th>Q2'19</th>
<th>Q3'18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russian Flat Products</td>
<td>636</td>
<td>455</td>
<td>363</td>
</tr>
<tr>
<td>Russian Long Products</td>
<td>70</td>
<td>36</td>
<td>46</td>
</tr>
<tr>
<td>NLMK USA</td>
<td>88</td>
<td>16</td>
<td>1,015</td>
</tr>
<tr>
<td>Mining</td>
<td>314</td>
<td>211232</td>
<td>735</td>
</tr>
<tr>
<td>Group</td>
<td>654</td>
<td>1,015</td>
<td></td>
</tr>
</tbody>
</table>

**EBITDA MARGIN BY DIVISION, %**

<table>
<thead>
<tr>
<th>Division</th>
<th>Q3'19</th>
<th>Q2'19</th>
<th>Q3'18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russian Flat Products</td>
<td>30%</td>
<td>24%</td>
<td>21%</td>
</tr>
<tr>
<td>Russian Long Products</td>
<td>11%</td>
<td>8%</td>
<td>9%</td>
</tr>
<tr>
<td>NLMK USA</td>
<td>9%</td>
<td>3%</td>
<td>32%</td>
</tr>
<tr>
<td>Mining</td>
<td>73%</td>
<td>73%</td>
<td>77%</td>
</tr>
<tr>
<td>Group</td>
<td>32%</td>
<td>26%</td>
<td>25%</td>
</tr>
</tbody>
</table>

*Excluding one-off non-operating accrual for NLMK Clabecq restructuring costs in the amount of $23 m*
Net operating cash flow increased by 15% qoq to $568m

Working capital release of $20 m:
- (+) $158 m decrease in accounts receivables driven by lower slab sales to NBH
- (+) $19 m decrease in inventories: lower slab stock from 3rd parties at NLMK USA and decreased finished goods inventories at NLMK Lipetsk
- (-) $151 m drop in accounts payables due to lower slab purchases from 3rd parties at NLMK USA

Capex increased to $316 m in 3Q’19 driven by the active phase of BF-6 revamp and CCM-9 upgrade

As a result, FCF decreased slightly qoq to $249 m
Total debt down 4% qoq to $2.68 bn
- Scheduled repayment of $146 m of 7-year Eurobond with an annual coupon rate of 4.95%

Net debt / 12M EBITDA stayed at comfortable level of 0.59x
- Net debt rose to $1.74 bn on high dividends outflows during 9M19
- Liquidity of $0.94 bn is substantially above ST debt

LIQUIDITY AND SHORT-TERM DEBT*, $ m

- Available credit lines
- Cash and equivalents
- Liquid assets
- ST debt

DEBT* MATURITY, $ m

- Working capital lines
- Eurobonds
- ECA lines

COST OF DEBT REMAINS LOW, %

- Excluding interest payments
• Market review
• Operating highlights
• Q3’19 Financials

• Business divisions results
Q3’19: RUSSIAN FLAT PRODUCTS

Shipments down 9% qoq amid ongoing overhauls at the blast furnace and basic oxygen furnace
- (-) Semi-finished products down 19% qoq
- (+) Share of finished steels increased to 52%
- (+) HVA sales grew by 8% qoq to 0.87 m t, driven by growth in demand in Russia

Revenue down 9% qoq due to lower shipments to Group companies and NBH

EBITDA declined 20% qoq to $363 m on narrower spreads and lower sales
- (-) Lower slab / raw material price spread
- (-) Lower steel sales
- (+) Lower coking coal prices
- (+) Operational efficiency gains

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

<table>
<thead>
<tr>
<th></th>
<th>Sales volume Q2'19</th>
<th>Sales volume Q3'19</th>
<th>Revenue Q2'19</th>
<th>Revenue Q3'19</th>
</tr>
</thead>
<tbody>
<tr>
<td>HVA</td>
<td>0.93</td>
<td>0.55</td>
<td>0.48</td>
<td>0.26</td>
</tr>
<tr>
<td>Semi-finished</td>
<td>0.59</td>
<td>0.56</td>
<td>0.13</td>
<td>0.13</td>
</tr>
<tr>
<td>HRC</td>
<td>0.73</td>
<td>0.79</td>
<td>0.36</td>
<td>0.38</td>
</tr>
<tr>
<td>Other operations*</td>
<td>0.80</td>
<td>0.87</td>
<td>0.62</td>
<td>0.66</td>
</tr>
<tr>
<td>Semi to captive</td>
<td>0.0</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>Q3’18</th>
<th>Q4’18</th>
<th>Q1’19</th>
<th>Q2’19</th>
<th>Q3’19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue from intersegmental sales</td>
<td>1,576</td>
<td>1,642</td>
<td>1,624</td>
<td>1,444</td>
<td>1,482</td>
</tr>
<tr>
<td>EBITDA</td>
<td>549</td>
<td>510</td>
<td>352</td>
<td>479</td>
<td>259</td>
</tr>
<tr>
<td>Revenue from third parties</td>
<td>636</td>
<td>568</td>
<td>424</td>
<td>455</td>
<td>363</td>
</tr>
</tbody>
</table>

EBITDA margin (%)
- 30% Q3’18
- 26% Q4’18
- 21% Q1’19
- 24% Q2’19
- 21% Q3’19

*Revenue from the sale of other products and services
Q3’19: RUSSIAN LONG PRODUCTS

**Shipments were down 3% qoq**
- (-) Lower exports of billets due to softer margins
- (+) Increased share of finished steel (+2 p.p. qoq)

**Revenue was up 4% qoq on higher scrap sales to NLMK Lipetsk for winter stockpiling**

**EBITDA increased to $46 m (+28% qoq)**
- (-) Shipments decreased 3% qoq
- (+) Product mix improved

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

<table>
<thead>
<tr>
<th></th>
<th>Sales volume Q2’19</th>
<th>Sales volume Q3’19</th>
<th>Revenue Q2’19</th>
<th>Revenue Q3’19</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales volume</strong></td>
<td>0.72 (−3%)</td>
<td>0.69 (−3%)</td>
<td>0.47 (−4%)</td>
<td>0.49 (−4%)</td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td>0.08</td>
<td>0.07</td>
<td>0.09</td>
<td>0.13</td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td>0.57</td>
<td>0.57</td>
<td>0.28</td>
<td>0.27</td>
</tr>
</tbody>
</table>

- **Long products**
- **Metalware**
- **Billets**
- **Scrap and other**
- **Scrap to captive**

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

<table>
<thead>
<tr>
<th></th>
<th>Q3’18</th>
<th>Q4’18</th>
<th>Q1’19</th>
<th>Q2’19</th>
<th>Q3’19</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>131</td>
<td>127</td>
<td>41</td>
<td>89</td>
<td>126</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>502</td>
<td>441</td>
<td>374</td>
<td>379</td>
<td>359</td>
</tr>
<tr>
<td><strong>EBITDA margin</strong></td>
<td>11%</td>
<td>7%</td>
<td>2%</td>
<td>8%</td>
<td>9%</td>
</tr>
</tbody>
</table>

- **Revenue from intersegmental sales**
- **EBITDA**
- **Revenue from third parties**

*Revenue from the sale of scrap, other products (ex. by-products) and services*
The mining segment’s sales increased 6% qoq
- Deliveries of iron ore concentrate rose due to higher sales to the 3rd parties

Revenue was up 27% qoq to $406 m due to higher shipments and prices

EBITDA was up 35% qoq to $314 m on higher revenue
- (+) Increase in iron ore prices
- (+) Investment program gains

EBITDA margin of 77% (+4 p.p. qoq)
Shipments down 6% qoq
- (-) Weaker demand in pipe manufacturing and construction segments

Revenue fell 18% qoq due to lower prices
- (-) Prices dropped 13% qoq
- (-) Shipments declined

EBITDA decreased qoq to -$33 m as price spreads narrowed
- (-) Decline in prices for finished rolled products
- (-) Use of accumulated stocks of high value slabs

Q3’19: NLMK USA

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

<table>
<thead>
<tr>
<th>Sales volume</th>
<th>Q2’19</th>
<th>-6%</th>
<th>Sales volume</th>
<th>Q3’19</th>
<th>-18%</th>
<th>Revenue Q2’19</th>
<th>Q3’19</th>
</tr>
</thead>
<tbody>
<tr>
<td>HVA</td>
<td>0.31</td>
<td></td>
<td>HRC</td>
<td>0.29</td>
<td></td>
<td>0.22</td>
<td>0.21</td>
</tr>
<tr>
<td>Other operations*</td>
<td>0.27</td>
<td></td>
<td></td>
<td>0.26</td>
<td></td>
<td>0.25</td>
<td>0.21</td>
</tr>
<tr>
<td>Revenue Q3’19</td>
<td>0.39</td>
<td></td>
<td></td>
<td>0.18</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Q3’18</th>
<th>Q4’18</th>
<th>Q1’19</th>
<th>Q2’19</th>
<th>Q3’19</th>
</tr>
</thead>
<tbody>
<tr>
<td>609</td>
<td>504</td>
<td>526</td>
<td>476</td>
<td>391</td>
</tr>
</tbody>
</table>

* Revenue from the sale of other products and services
Shipments of thick plates fell 14% qoq on planned summer maintenance during seasonally weak quarter

Revenue decreased 15% qoq following lower deliveries
- (-) Shipments declined 14% qoq
- (-) Plate prices slightly decreased qoq

EBITDA contracted to $1 m on narrower spreads and lower plate sales
Sales volumes decreased 13% qoq due to planned summer maintenance

Revenue down 18% qoq due to lower sales and lower prices
  - (-) Shipments decreased 13% qoq
  - (-) Average prices dropped 5% qoq

EBITDA of (-) $43 m
  - (-) Maintenance costs increased on planned summer maintenance
  - (-) Deliveries fell by 13% qoq

* Excluding one-off non-operating accrual for NLMK Clabecq restructuring costs in the amount of $23 m
Appendix
Q3’19: NLMK OUTPUT, SHIPMENTS, SLAB CASH COSTS

**Steel Production, m t**

- **NLMK Group**: qoq: -6%, yoy: -15%
- **Russian flat products**: qoq: -12%, yoy: -20%
- **Russian long products**: qoq: -5%, yoy: +3%
- **NLMK USA**: qoq: -43%, yoy: -33%
- **NBH**: qoq: -8%, yoy: -26%

**Group Shipments to External Customers by Segment, m t**

- **Russian flat products**: qoq: +5%, yoy: 0%
- **Russian long products**: qoq: -3%, yoy: -26%
- **NLMK USA & Dansteel**: qoq: -8%, yoy: -6%
- **NBH**: qoq: -13%, yoy: +14%

**NLMK Russian Flat Products - Cash Costs of Slabs, $/t**

- **Q1’19**: Non-consolidated cash cost per t of slab: 319, Consolidated cash cost per t of slab: 262
- **Q2’19**: Non-consolidated cash cost per t of slab: 340, Consolidated cash cost per t of slab: 265
- **Q3’19**: Non-consolidated cash cost per t of slab: 344, Consolidated cash cost per t of slab: 252
**FOREIGN ASSETS PERFORMANCE**

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

- NLMK Dansteel
- NLMK USA
- NBH
- To 3rd parties

<table>
<thead>
<tr>
<th></th>
<th>Q3'18</th>
<th>Q2'19</th>
<th>Q3'19</th>
</tr>
</thead>
<tbody>
<tr>
<td>NLMK Dansteel</td>
<td>1,585</td>
<td>1,510</td>
<td>1,290</td>
</tr>
<tr>
<td>NLMK USA</td>
<td>288</td>
<td>709</td>
<td>430</td>
</tr>
<tr>
<td>NBH</td>
<td>542</td>
<td>577</td>
<td>740</td>
</tr>
<tr>
<td>To 3rd parties</td>
<td>629</td>
<td>119</td>
<td>119</td>
</tr>
</tbody>
</table>

QoQ:
- Total: -15%
- NLMK Dansteel: -29%
- NLMK USA: -100%
- NBH: -39%
- To 3rd parties: +28%

**NBH ROLLED PRODUCTS SALES, k t**

- CRC
- Coated
- Plates & ingots
- HRC

<table>
<thead>
<tr>
<th></th>
<th>Q3'18</th>
<th>Q2'19</th>
<th>Q3'19</th>
</tr>
</thead>
<tbody>
<tr>
<td>CRC</td>
<td>8</td>
<td>472</td>
<td>618</td>
</tr>
<tr>
<td>Coated</td>
<td>67</td>
<td>169</td>
<td>80</td>
</tr>
<tr>
<td>Plates &amp; ingots</td>
<td>156</td>
<td>356</td>
<td>321</td>
</tr>
<tr>
<td>HRC</td>
<td>240</td>
<td>130</td>
<td>537</td>
</tr>
</tbody>
</table>

QoQ:
- Total: -13%
- CRC: -57%
- Coated: +2%
- Plates & ingots: -23%
- HRC: -10%

**NBH FINANCIAL RESULTS, $ m**

- Revenue Q3'18: 390
- EBITDA Q3'18: 448
- Revenue Q2'19: 369
- EBITDA Q2'19: 369

**NLMK USA AND NLMK DANSTEEL SALES, k t**

- HRC
- CRC
- HDG
- Plates (NLMK Dansteel)

<table>
<thead>
<tr>
<th></th>
<th>Q3'18</th>
<th>Q2'19</th>
<th>Q3'19</th>
</tr>
</thead>
<tbody>
<tr>
<td>HRC</td>
<td>711</td>
<td>721</td>
<td>666</td>
</tr>
<tr>
<td>CRC</td>
<td>309</td>
<td>313</td>
<td>289</td>
</tr>
<tr>
<td>HDG</td>
<td>152</td>
<td>158</td>
<td>158</td>
</tr>
<tr>
<td>Plates (NLMK Dansteel)</td>
<td>128</td>
<td>137</td>
<td>118</td>
</tr>
</tbody>
</table>

QoQ:
- Total: -8%
- Plates: -14%
- HDG: -13%
- CRC: +7%
- HRC: -8%

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