



# Investor presentation

October 2021

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# NLMK AT GLANCE

Market update

Strategy 2022 highlights

Strategy 2022 execution

Strategy 2030: focus areas

Capital allocation

NLMK's performance

Appendix





**#1 producer in Russia\***

**TOP-20 globally\***

**Strong positions on the domestic and global markets** (i.e. #1 in global slabs trade, TOP-5 in electrical steel\*\*)

**Balanced and diversified production chain**

- Vertical integration
- Steel production in Russia
- Downstream – in the EU, the US, Russia

**One of the most diversified steelmakers globally**

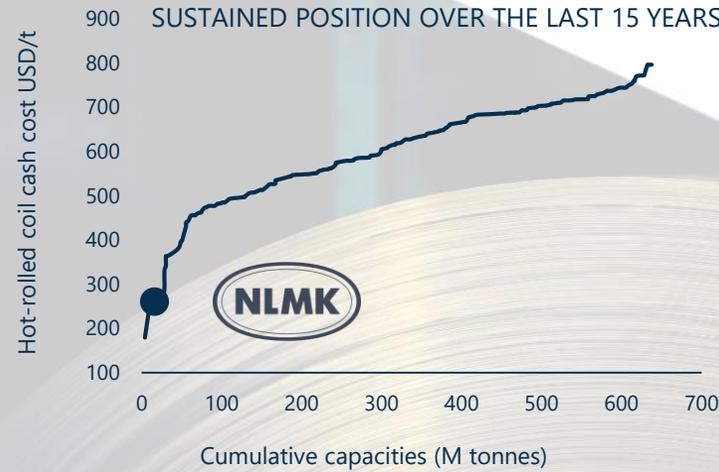
- Geography of operations
- Product portfolio
- Customers
- Sales regions (>70 countries)

**One of the most profitable globally**

**Investment grade ratings from Moody's, S&P and Fitch (Baa2/BBB-/BBB)**

\*in terms of crude steel production  
 \*\* electrical grain oriented (GO) steel

**NLMK IS ONE OF THE LOWEST COST STEEL PRODUCERS**

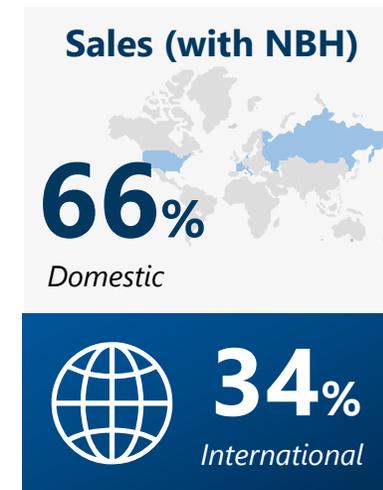
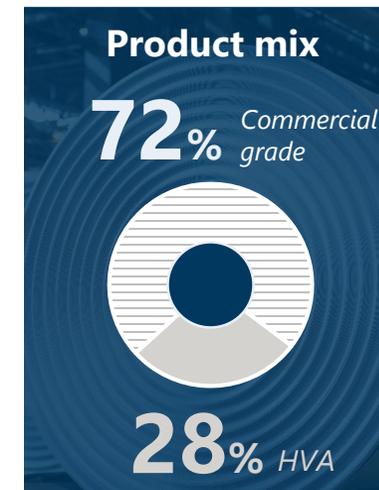
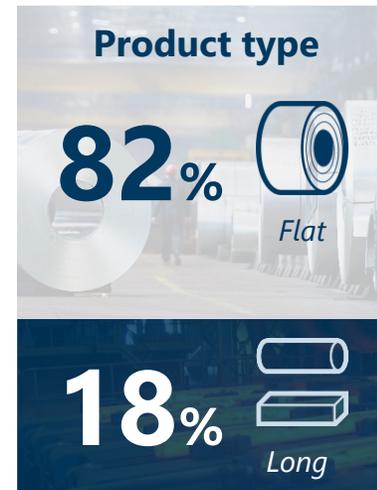


Source: World Steel Dynamics, Sep'21 data

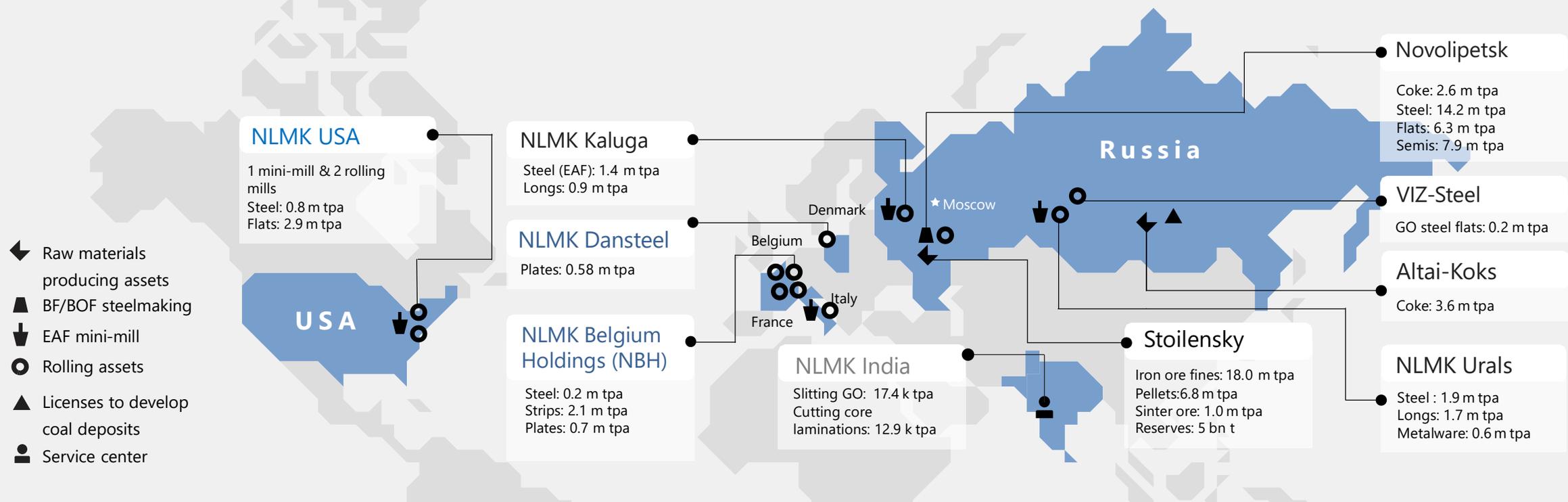
**Q3'21 LTM FINANCIALS SNAPSHOT**

**\$6.4 bn** EBITDA  
**46%** EBITDA MARGIN  
**\$2.7 bn** NET DEBT  
**0.43x** NET DEBT/EBITDA

**DIVERSIFIED BUSINESS MODEL, LTM**



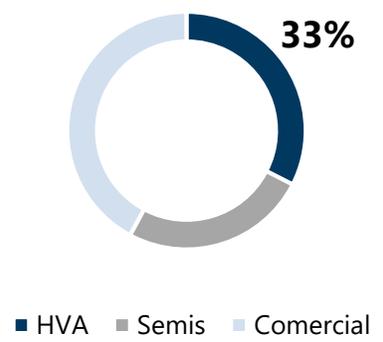
Source: NLMK data, financial and operating results as of Q3'21 (LTM)



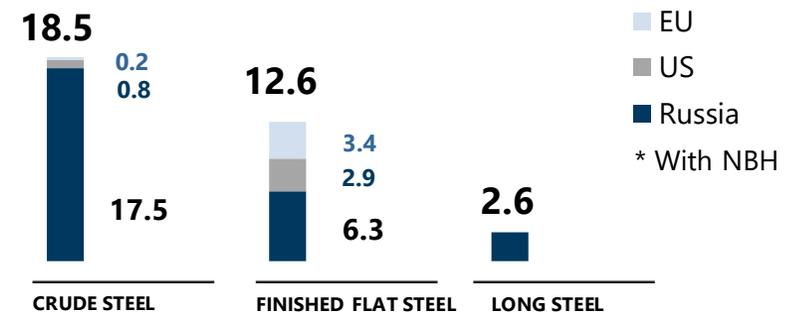
## RAW MATERIALS SUFFICIENCY



## HVA SHARE IN GROUP'S SALES\*, %



## CAPACITY STEEL VS DOWNSTREAM (WITH NBH), m t pa\*\*



\* With NBH  
\*\* Effective capacities, at current shifts and product mix

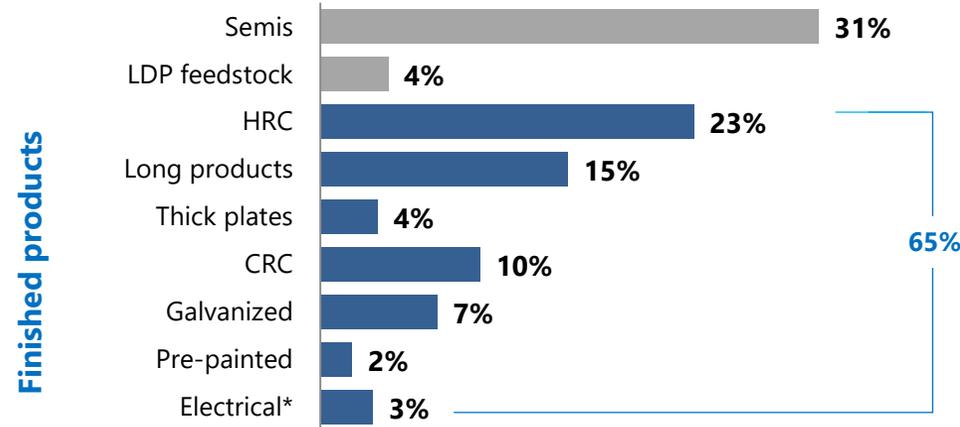
66% of NLMK's sales were made in markets where the Group operates (home markets)

### Global shipments with strong domestic footprint

- About 34% of NLMK's deliveries was export
- Well diversified geography of sales with customers in more than 70 countries

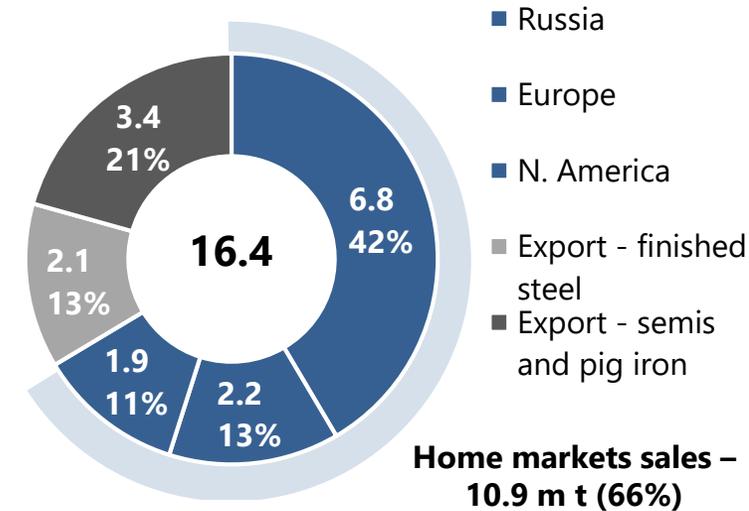
Finished steel was 65% of total shipments without NBH and 75% with NBH LTM

### ~65% OF GROUP'S SALES W/O NBH WERE FINISHED STEEL PRODUCTS

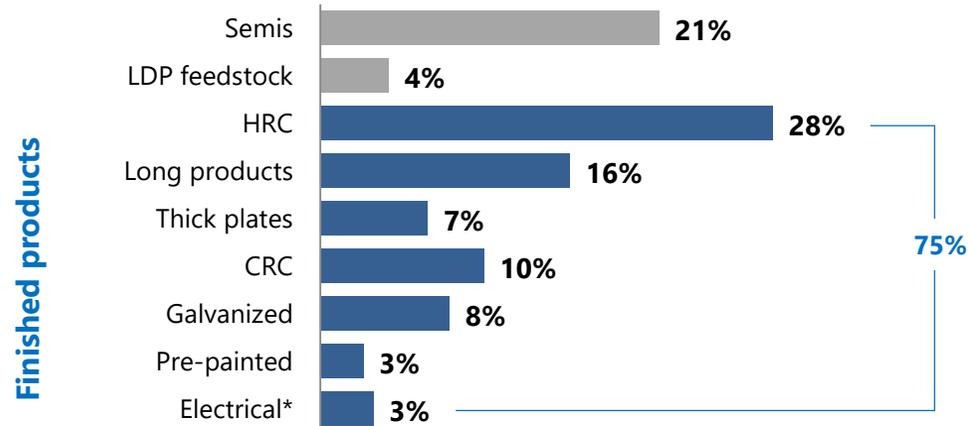


\*Transformer and dynamo steel

### NLMK: HOME MARKET SALES WITH NBH\*, m t



### 75% OF GROUP'S SALES WITH NBH WERE FINISHED STEEL PRODUCTS



\* Sales in the regions where the products are manufactured

## NLMK's key principles of sustainable development:

- Creating long-term shareholder value
- Caring about health, wellbeing and development of employees
- Treating environment responsibly
- Delivering value-added products to our customers
- Adhering to high ethical standards in conducting business
- Developing, supporting and respecting the interests of local communities
- Maintaining transparency & high quality information disclosure

**Selected non-financial indicators for 2020 were independently verified**

**SASB and TCFD recommendations were implemented in the 2020 disclosure**



**NLMK IS THE UN GLOBAL COMPACT'S PARTICIPANT**



### ENVIRONMENT

**\$183 m**

Allocated to projects with an environmental impact in 2020

**1.84 t/t**

NLMK's CO<sub>2</sub> specific emissions target by 2023 from 1.92 t/t\* in 2019

**97%**

of water used in production is recycled

**4th**

Every 4<sup>th</sup> t of steel is made of scrap

**95%**

of generated waste is reused



### HEALTH & SAFETY

**0.5**

LTIFR target in 2023 vs. 0.84 in 2018 as per WSA

**661k**

Overall hours of OHS training in 2020



### SOCIAL

**61**

Hours of total training programs per employee in 2020

**48%**

Of management and administrative staff are women

**6.0%**

Turnover rate in 2020

\* Per t of crude steel and commercial pig iron, for more details see ESG-presentation [here](#)

## Measurable target to reduce CO<sub>2</sub> emissions by 2023

NLMK blast furnaces are among the most efficient in the world in terms of CO<sub>2</sub> emissions

## Portfolio of projects for future footprint reduction

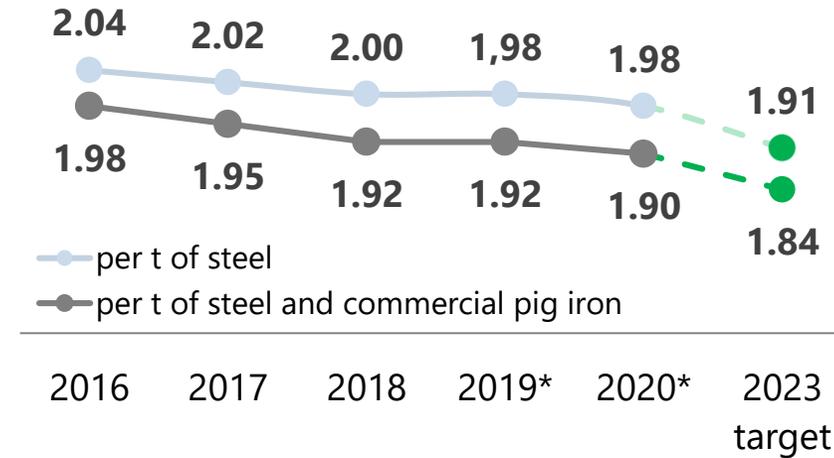
## NLMK actively enhances climate cooperation:

- Partnerships with industrial partners on CCUS and hydrogen use
- Worldsteel’s Step Up program participant to search ideas for further improvement of CO<sub>2</sub> efficiency
- The Net Zero Steel Pathway Methodology Project participant
- A strategic partner for Russia’s first green startup accelerator

## Climate risks assessment with the UK independent consultant in progress

### DIRECT & INDIRECT CO<sub>2</sub> EMISSIONS DYNAMICS

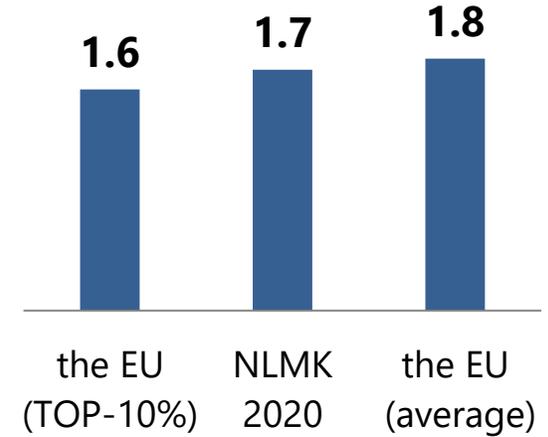
t CO<sub>2</sub> (scope 1 + scope 2)



### CO<sub>2</sub> EMISSIONS AT NLMK LIPETSK

EU ETS methodology,

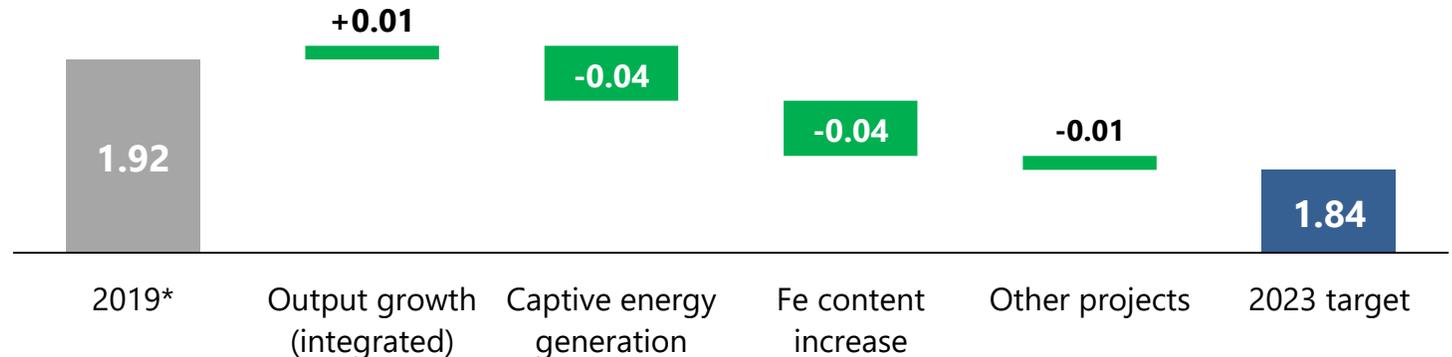
t CO<sub>2</sub> per t of steel (scope 1)



EU ETS = EU Emissions Trading System

### CO<sub>2</sub> EMISSIONS INTENSITY TARGET

T CO<sub>2</sub> per t of steel and commercial pig iron at NLMK Group, (Scope 1+2)



\* Adjusted for temporary production decrease at the Lipetsk site, based on the Group’s steel output in 2018

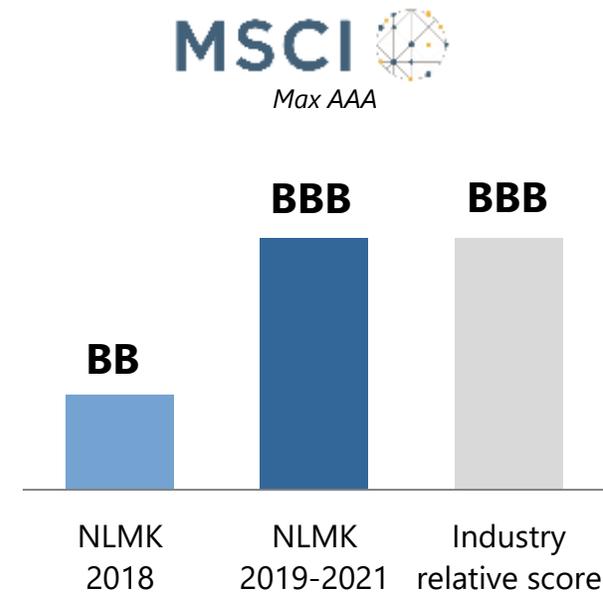
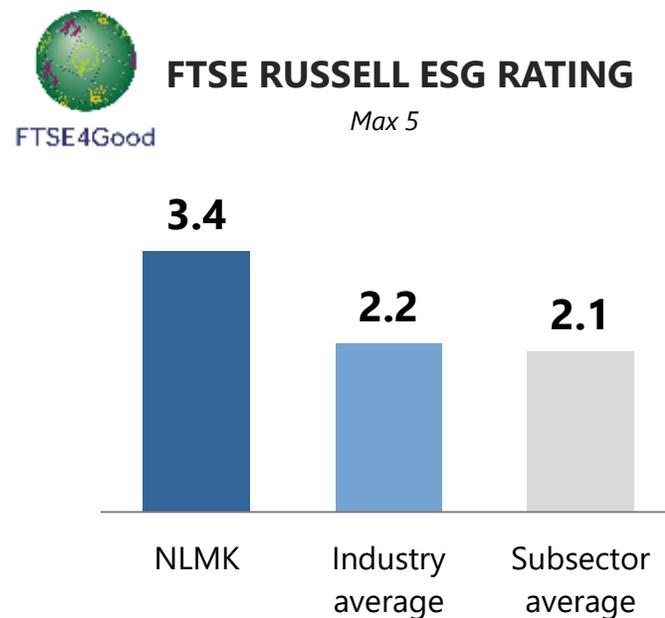
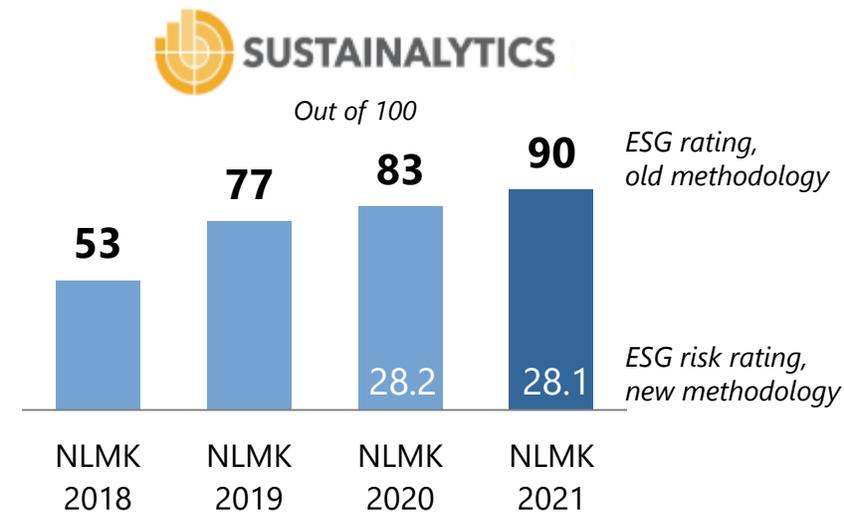
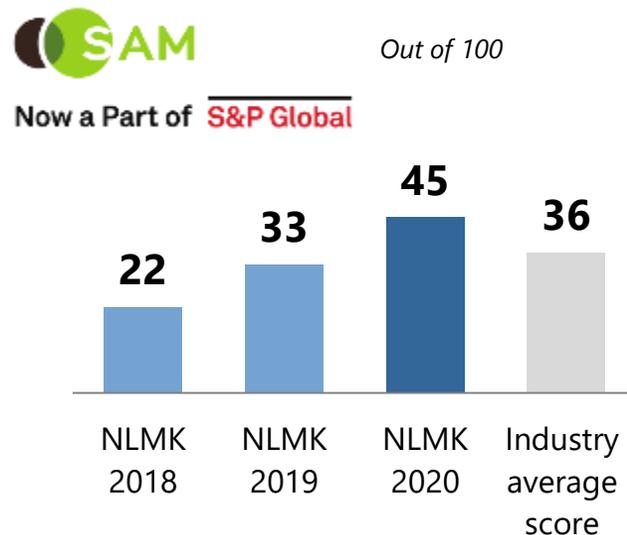
Continuous improvements across the board resulted in NLMK's ESG ratings upgrades by the leading rating agencies in the area of sustainability

Sustainalytics enhanced NLMK's ESG rating score to 28.1: the lower the number – the stronger the management of ESG issues by a company

NLMK is currently ranked among top-6 steel companies analyzed by Sustainalytics

NLMK remained a constituent of the FTSE4Good Index following the June 2020 review

NLMK was named a Sustainability Champion by Worldsteel in 2021



NLMK AT GLANCE

# Market update

Strategy 2022 highlights

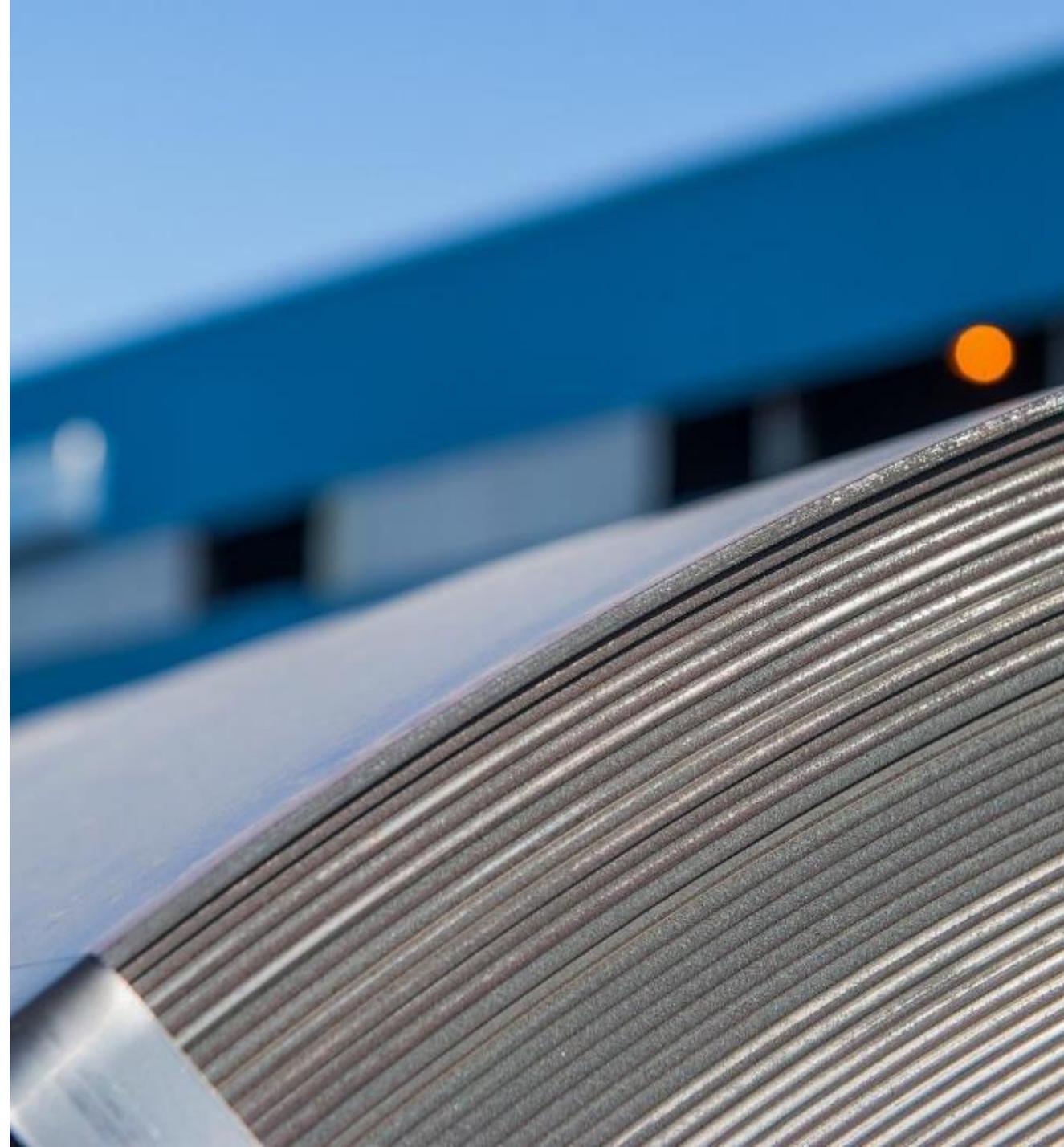
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Appendix



The pace of economic expansion in developed markets decelerated in Sep'21. Manufacturing in emerging markets is close to stagnation

Steel demand in Q3'21 was sequentially lower in most regions, except for the US

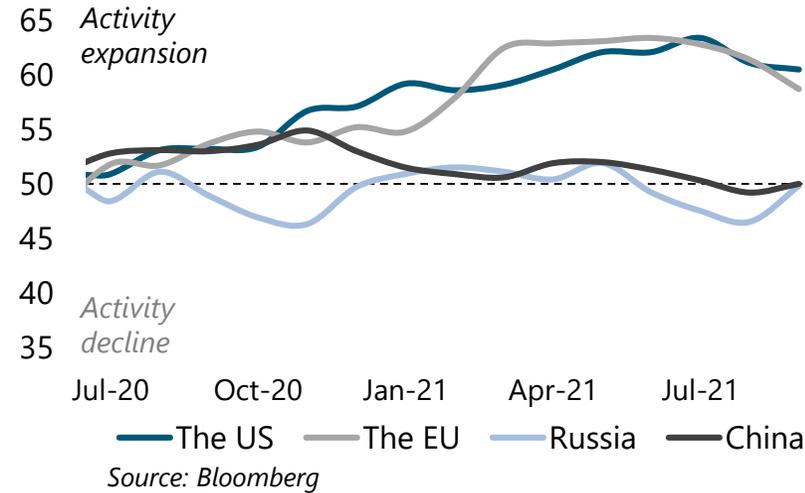
- **China:** seasonality and deceleration of property construction contributed to demand slowdown
- **Russia:** apparent consumption was lower qoq due to subdued dynamics in manufacturing and construction
- **The EU:** steel demand was seasonally weaker coupled with chip shortage impact on the automotive sector
- **The US:** consumption was supported by construction activities and manufacturing other than autos

Iron ore quotes dropped amid Chinese steel output restrictions

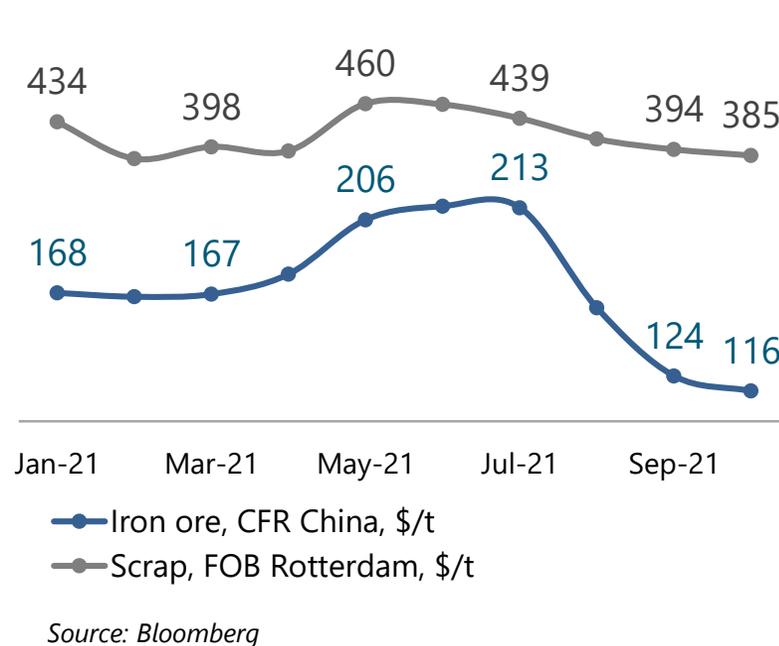
Coking coal prices in China surged due to tight supply, Australian prices improved on ex-China restocking...

...Russian coal prices' growth was less pronounced

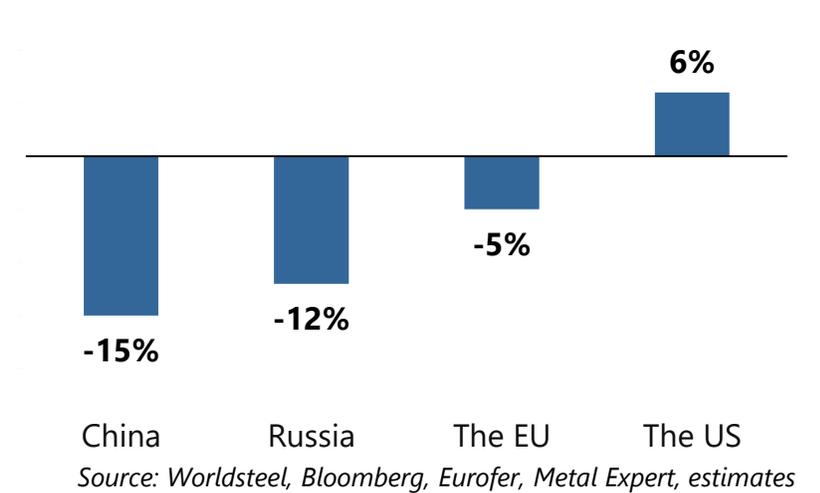
## MANUFACTURING PMI



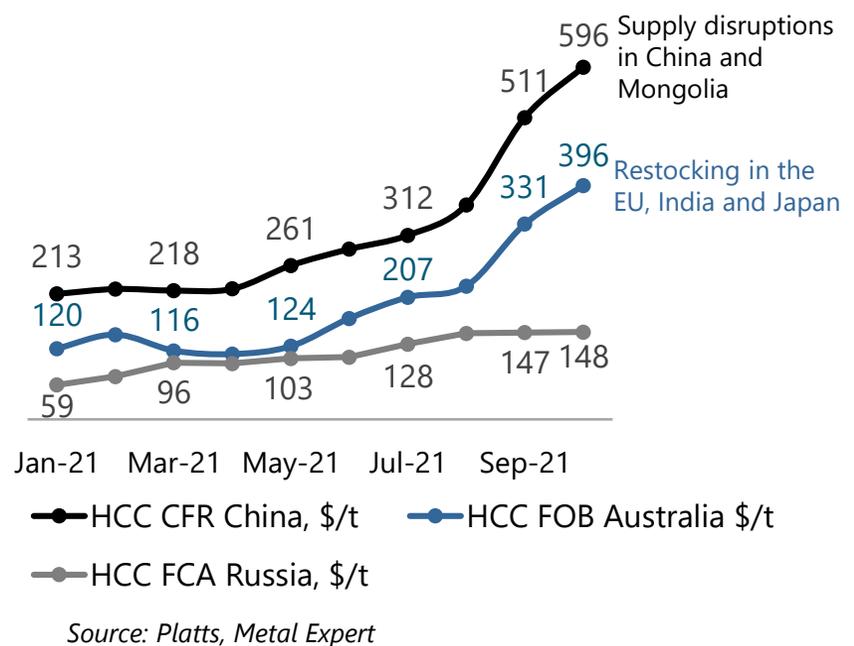
## IRON ORE AND SCRAP PRICE



## STEEL DEMAND IN KEY REGIONS, Q3'21, QoQ



## HCC PRICES

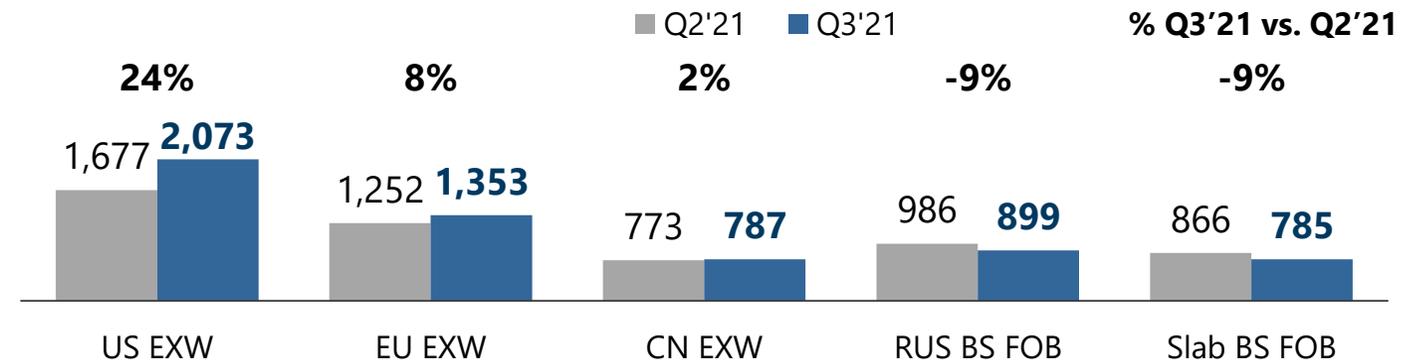


## During Q3'21 regional steel prices exhibited divergent trends on the back of government stimulus and policy restrictions

- **The US:** steel prices growth outperforming other countries. Strong demand supported by fiscal stimulus persists, while crude steel output has recovered to pre-pandemic levels
- **The EU:** price increase was backed by improved manufacturing activity although there was seasonal downturn in August
- **China:** steel prices rose c.2% qoq. Seasonal decline in consumption was offset by government program to limit steel supply
- **Russia:** HRC and slab export prices fell c.9% qoq following demand deceleration in key export markets; local HRC prices were down 3% reflecting weaker activity in the manufacturing and auto sectors spurred by expectations of higher domestic supply / lower prices due to the introduction of export duties

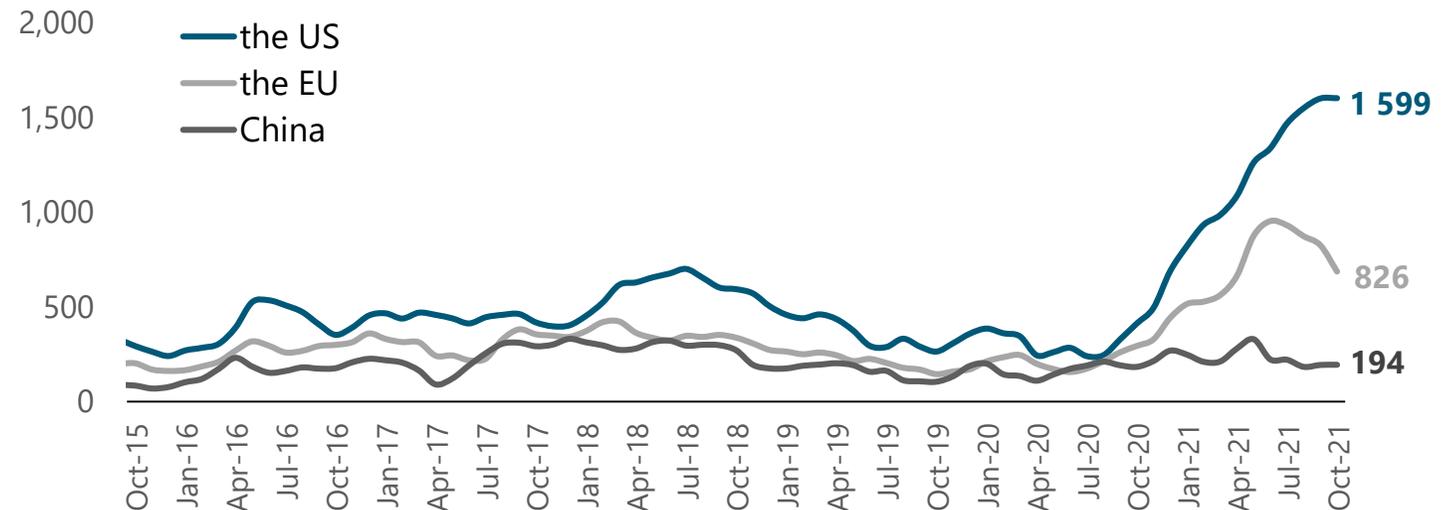
**Steel margins in the US and the EU remained elevated during Q3'21, while in October higher input costs (excluding energy) sent the EU gross margins 17% lower**

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



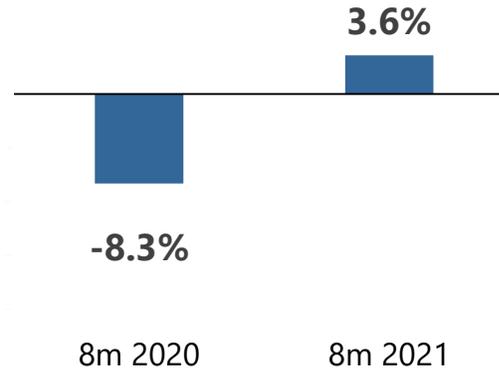
Source: SBB, CRU; Gross profit calculated as domestic HRC price less key raw material costs (iron ore, coal, metallics, and ferroalloys)

Apparent domestic steel consumption was up 3.6% yoy during 8m'21 amid higher CRC consumption (+17%) and coated steel (+11%)

Domestic flat prices softened in Q3'21 with manufacturing activity deceleration

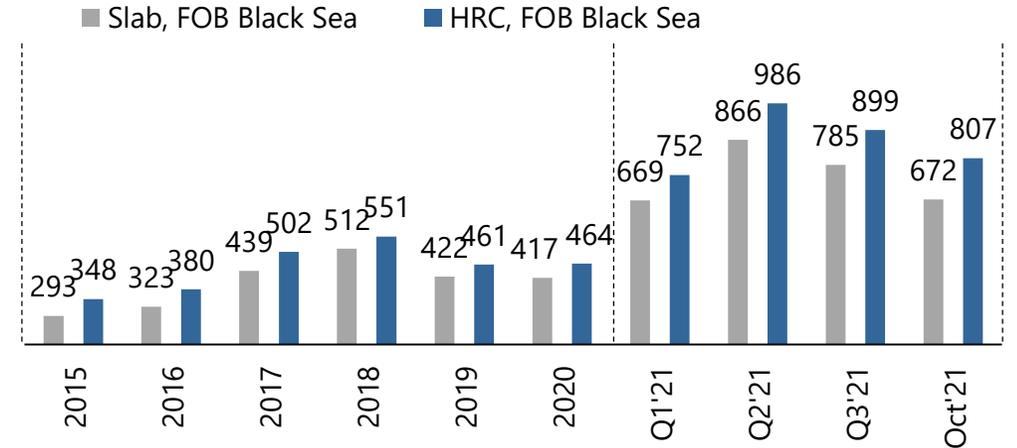
Export flat steel prices slid 9% qoq in Q3'21 due to saturation of pent up demand in key regions

### RUSSIAN STEEL DEMAND, % yoy



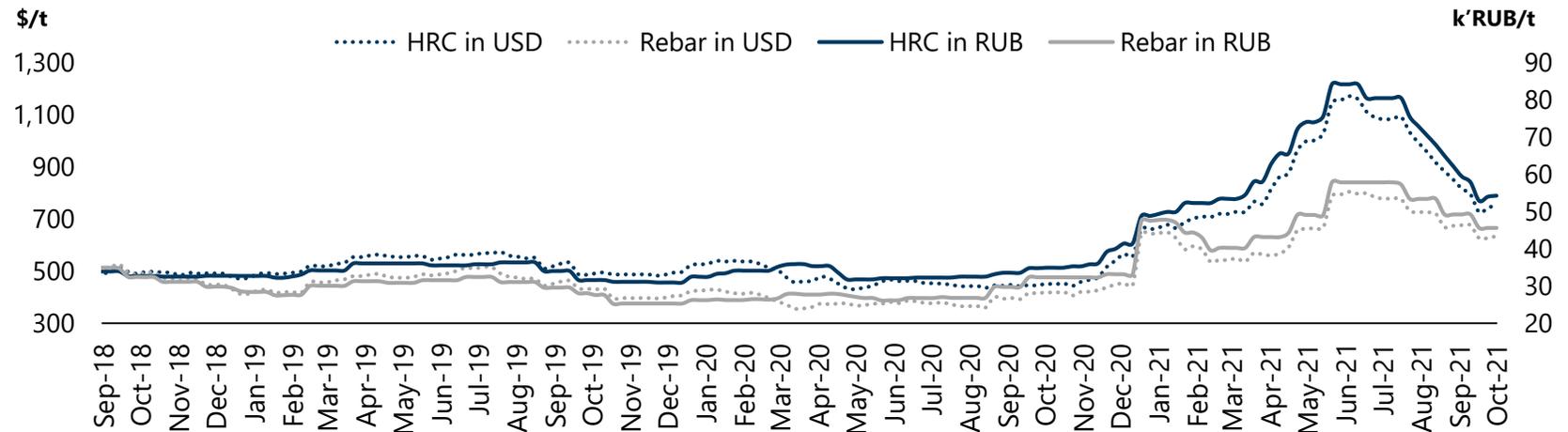
Source: Metal Expert, NLMK estimates

### RUSSIAN STEEL EXPORT PRICES, \$/t



Source: Metal Expert

### RUSSIAN DOMESTIC STEEL PRICES



Source: Metal Expert, NLMK estimates. Prices excl. VAT

NLMK AT GLANCE

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Appendix



Targeted structural effect of Strategy 2022 is extra \$1.25 bn of EBITDA

Operational efficiency improvements (no capex) to contribute almost half of the target

Effect is balanced across strategy targets that should reduce execution risks

Russian Flat division to generate 2/3 of target effect, however sizable gains targeted across the whole value chain

Slab cost reduction of \$27/t to be achieved through operational efficiency and investments

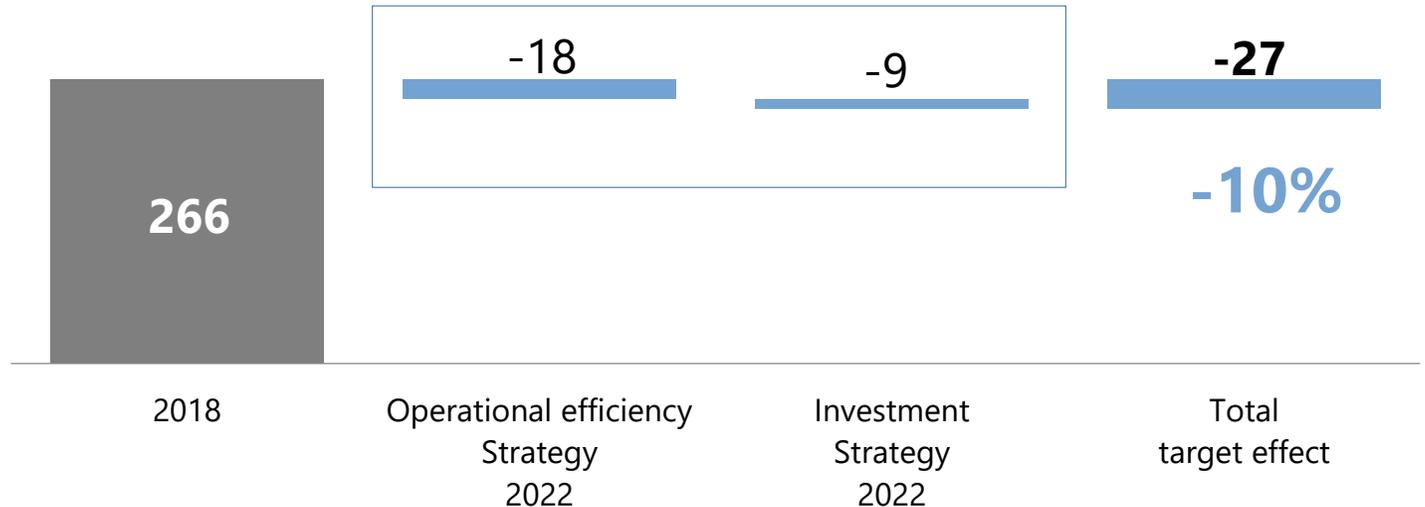
### BY STRATEGIC OBJECTIVE: \$1.25 bn



### BY SOURCE: \$1.25 bn



### EFFECT ON SLAB CASH COSTS BY 2022, \$/t



Note: the data on the slide are presented with NBH

Source: NLMK data, NLMK Annual Report 2018

Development capex under Strategy 2022 to total \$2.1 bn

Investment portfolio remains flexible

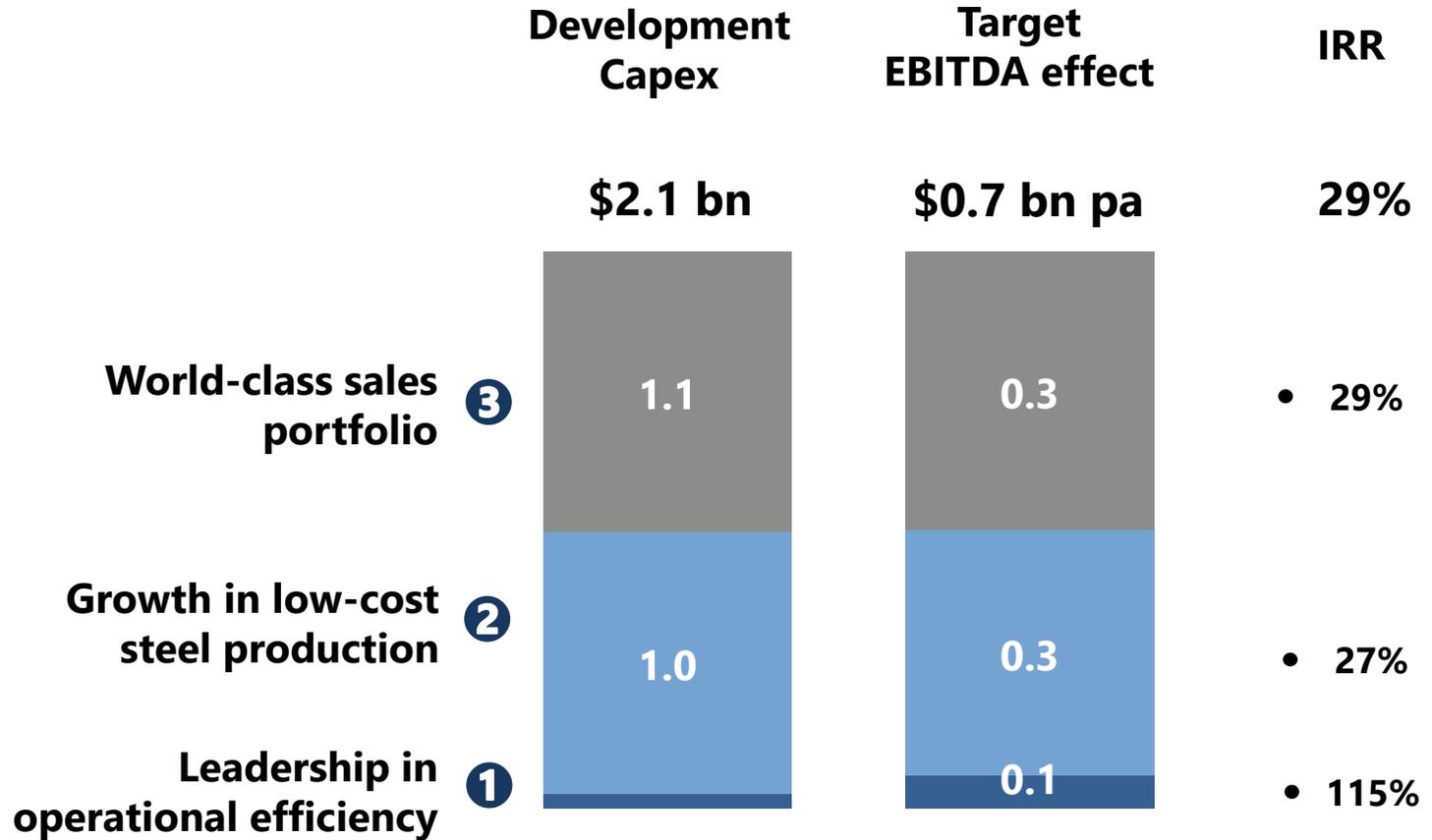
Focus is on low-risk projects that meet strict investment criteria

IRR is the key metric used to assess projects. Hurdle rate is 25%

Overall IRR for development capex program is 29%

Conservative pricing assumptions are used for key projects: forecasted prices and spreads at or below 5Y average

## CAPEX & EFFECTS, \$ bn



Source: NLMK data, NLMK Annual Report 2018

Note: the data on the slide are presented with NBH

## Key focus areas of operational improvements with zero or minor capex

- Production growth along integrated value chain
- Lower cost of steel - targeted slab cash cost reduction of \$18/t

## Target setting

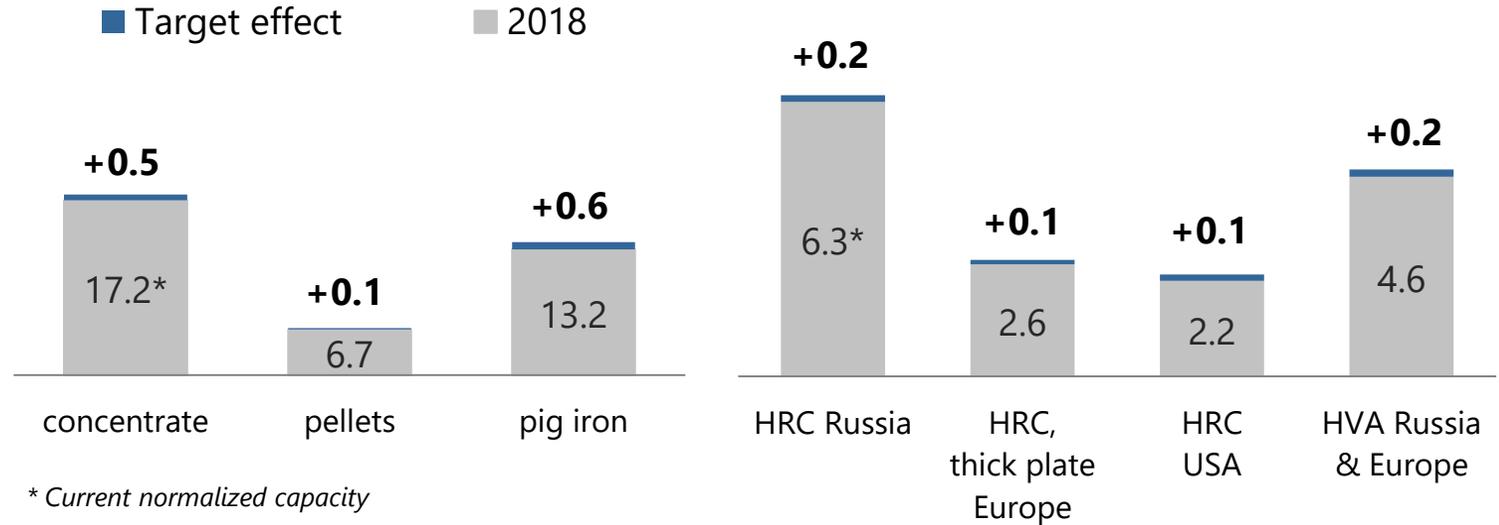
- Technology based
- Internal benchmarking
- Peers' best practice

## NLMK Production System to drive the process

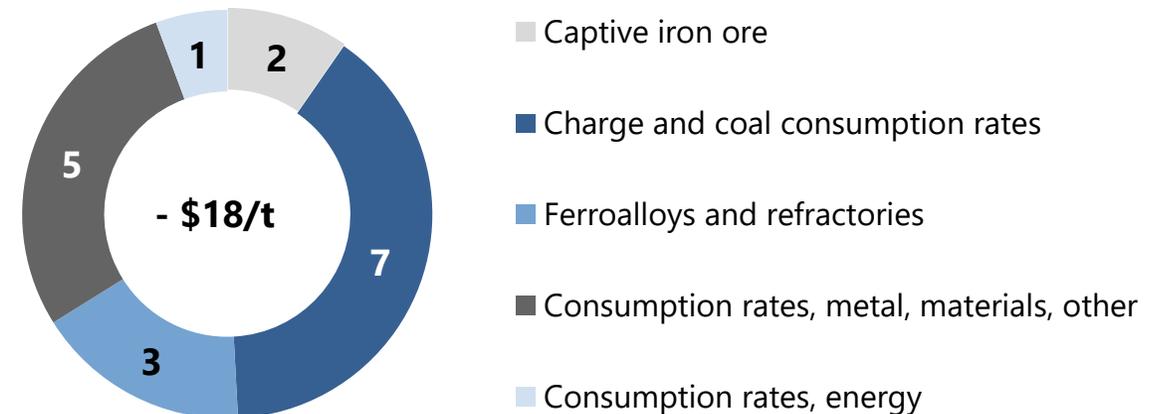
- Ongoing technology development with the highest impact in the hot end production
- High engagement of operational personnel

## Labor productivity to grow by 25% across the Group

## GROWTH IN PRODUCTION THROUGH IMPROVED OPERATIONAL EFFICIENCY, m t



## TARGETED REDUCTION IN SLAB CASH COSTS RELATIVE TO 2018, RUSSIA FLAT, \$/t



Source: NLMK data, NLMK Annual Report 2018

Note: the data on the slide are presented with NBH

**Target structural EBITDA gain of (+) \$500 m pa**

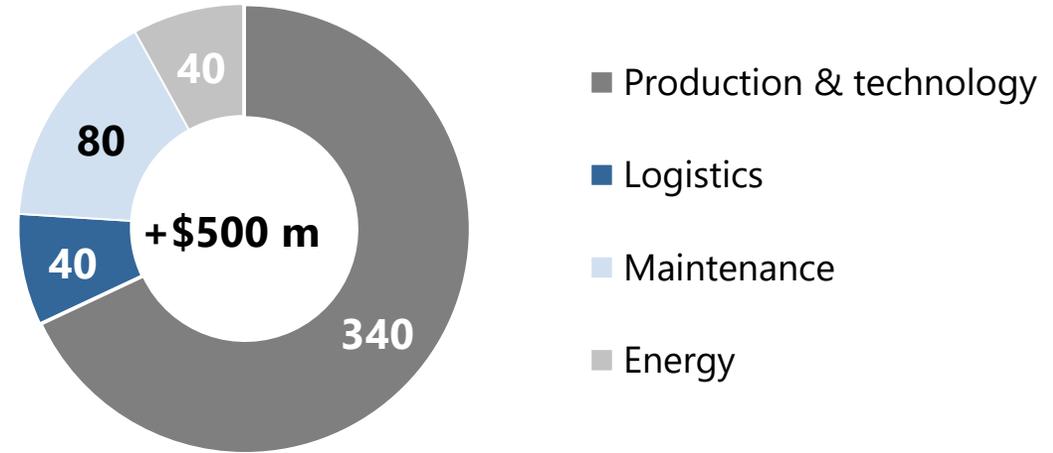
**Minor CAPEX requirements of \$50 m**

**The largest gains to come from production processes and technology**

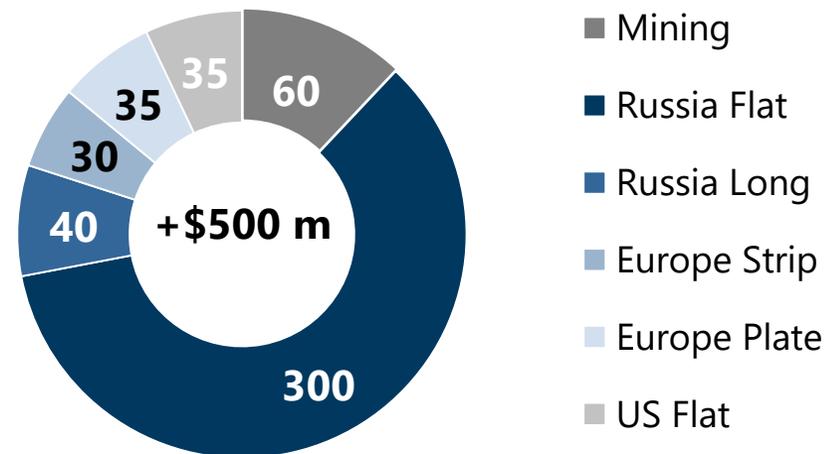
**Russia Flat division to contribute the most**

- Lower cost of steel
- Better yields
- Improved logistics and overhauls
- Removed bottlenecks
- Higher quality and productivity

**TARGET EBITDA GAIN BY 2023 VS 2018, BY AREA, \$ m pa**



**TARGET EBITDA GAIN BY 2023 VS 2018, BY DIVISION, \$ m pa**



Note: the data on the slide are presented with NBH

Source: NLMK data, NLMK Annual Report 2018

## 'No-regret' growth project to increase steel production to 14.2 m t pa (+1 m t)

- Continuous casting upgrade at NLMK Lipetsk - superior quality slabs
- Concentrate and pellets output to rise by 2.3 m t and 1.2 m t pa, respectively – 100% integration in iron ore
- Infrastructure debottlenecking

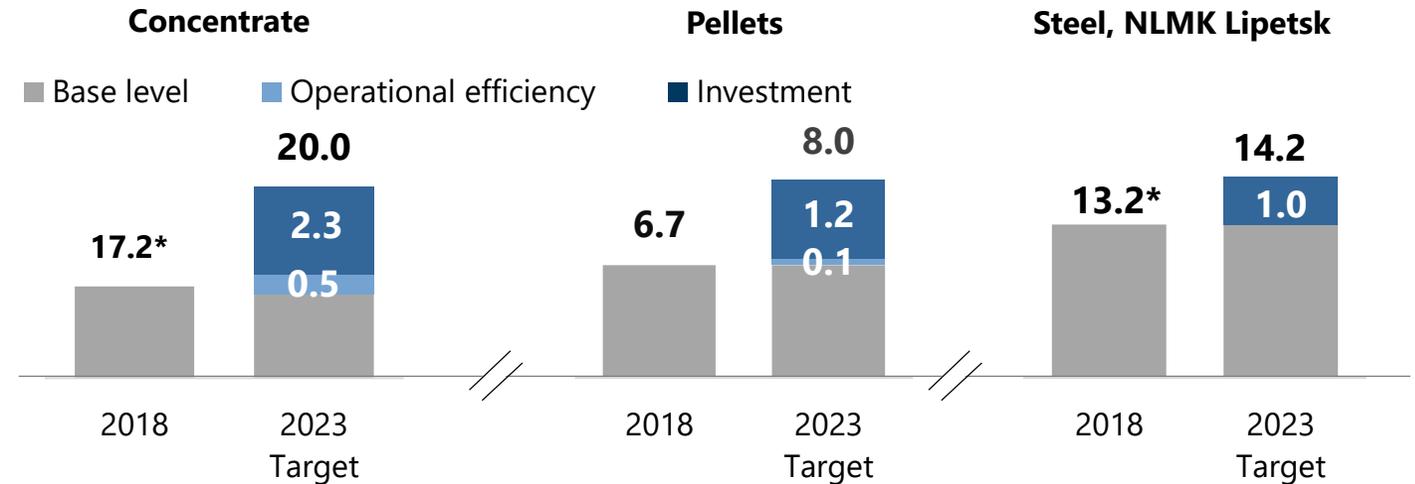
## Increase in energy self-sufficiency at Russia Flat

- A 300 MW power plant project to recover by-product fuel gases
- 94% energy self-sufficiency at NLMK Lipetsk

## Reduction of premium coal grades in total consumption

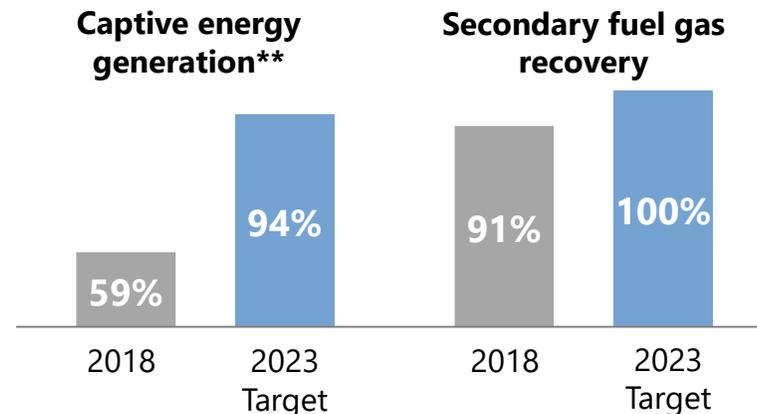
- Coal charge stamping project to reduce premium grades consumption from 4.2 m t to 3.8 m t (from 45% to 40%)

### PRODUCTION VOLUMES, m t

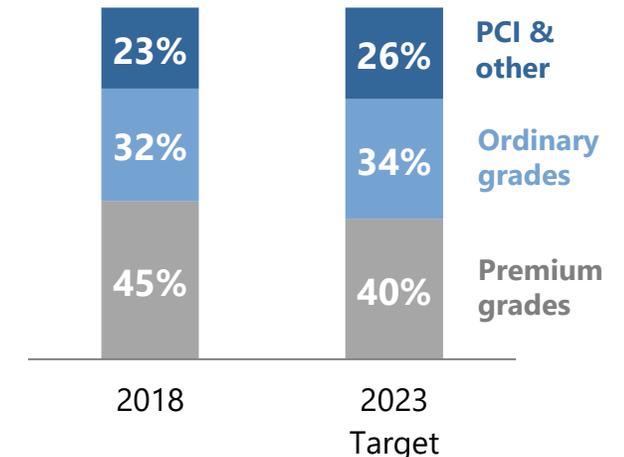


\* Normalized capacity

### ENERGY SELF-SUFFICIENCY TARGETS, NLMK LIPETSK



### COAL CONSUMPTION BY GRADE



Source: NLMK data, NLMK Annual Report 2018

\*\* Electricity generation at NLMK's own facilities

**Target structural EBITDA gain of (+) \$300 m pa**

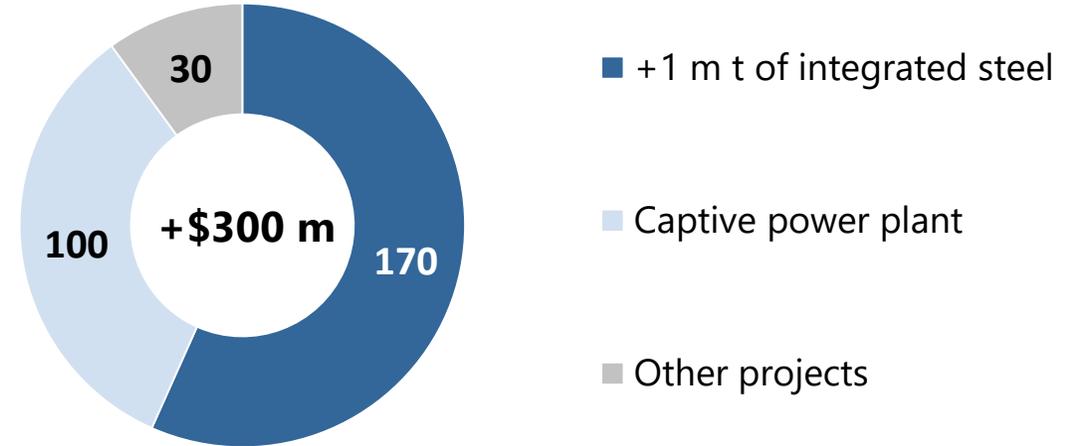
**Targeted slab cash cost reduction of \$9/t**

**CAPEX requirement: \$990 m**

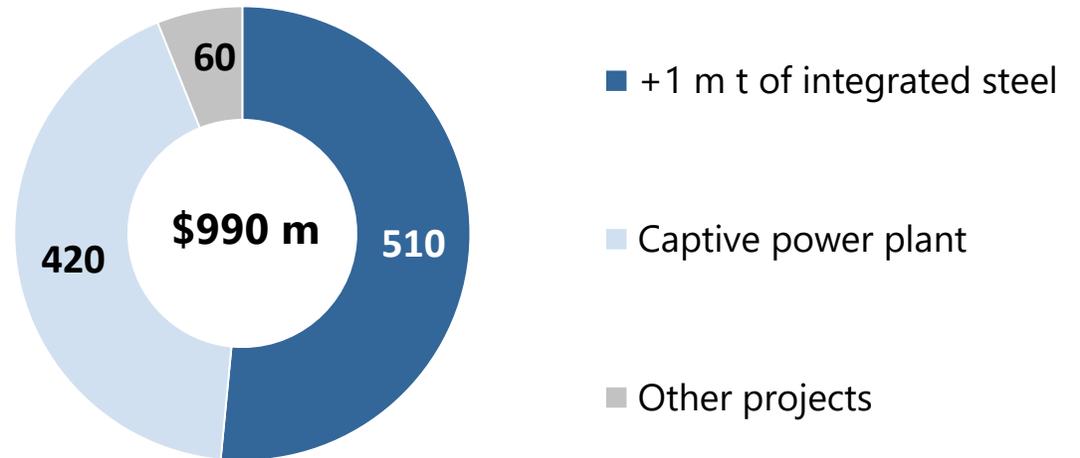
- +1 m t of integrated steel: \$510 m
- Captive power plant\*: \$420 m

**IRR on investments: 27%**

**TARGET EBITDA GAIN BY 2023 VS 2018, \$ m pa**



**TOTAL REQUIRED CAPEX 2019-2023, \$ m**



*Note: the data on the slide are presented with NBH  
\* Energy generation at NLMK's own facilities*

*Source: NLMK data, NLMK Annual Report 2018*

## Targeted structural EBITDA gain of (+) \$450 m pa

- 60% of the effect to be generated by the Russian divisions and 40% by the European and the US divisions

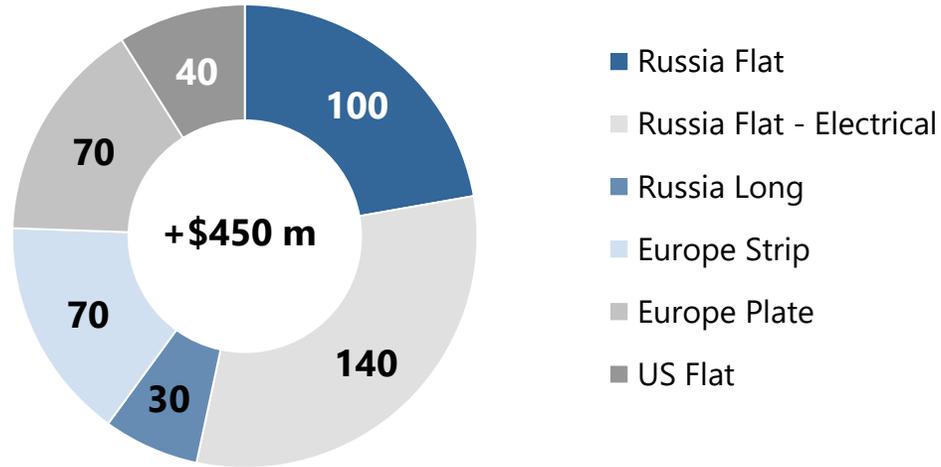
**CAPEX requirement: \$1,060 m**

**IRR on investments: 29%**

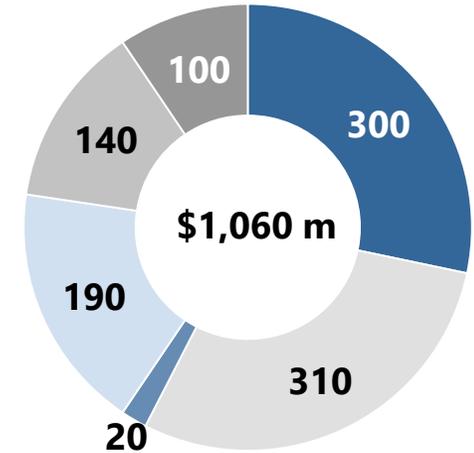
## HVA products development – key objectives:

- To ensure an offtake for increased steel volumes
- To generate additional margins
- To reduce volatility of commodity segments

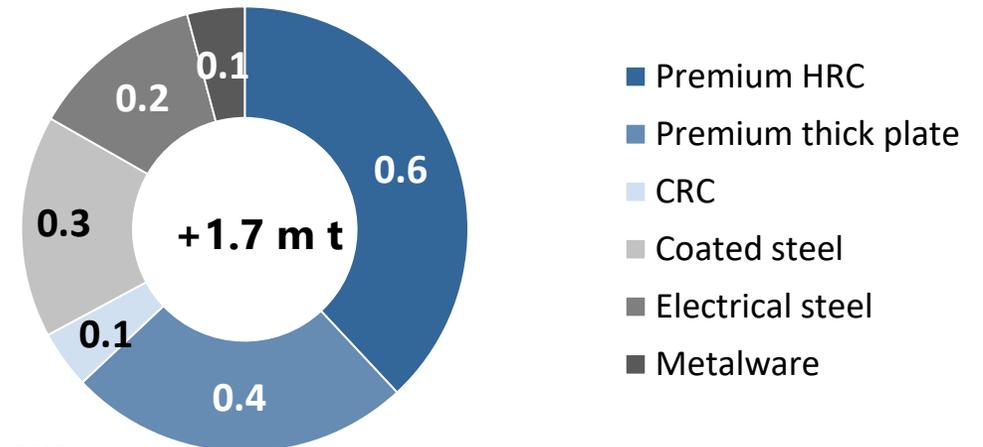
TARGETED EBITDA GAIN BY 2023 VS 2018, \$ m pa



TOTAL REQUIRED CAPEX, 2019-2023, \$ m



TARGETED INCREASE IN HVA PRODUCTS BY 2023, m t



Note: the data on the slide are presented with NBH

Source: NLMK data, NLMK Annual Report 2018

## Russia Flat: New galvanizing line at NLMK Lipetsk

- Rising demand for coated products in Russia
- Additional HDG capacity of +0.4 m t to be partially used to feed existing pre-painted capacity
- Premium coatings and high strength grades

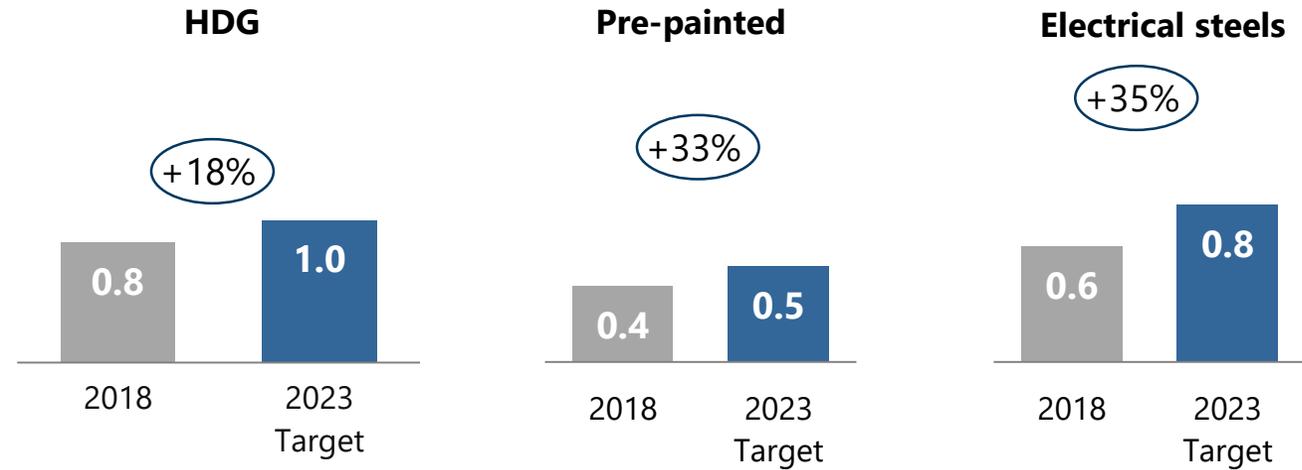
## Russia Flat: Increased electrical steel output (GO and NGO) for the global market

- Expected boom in global production of EVs, energy-efficient equipment and transformers
- High grade GO output: +0.1 m t
- Premium grade NGO production for electric vehicles & energy-efficient motors: +0.1 m t

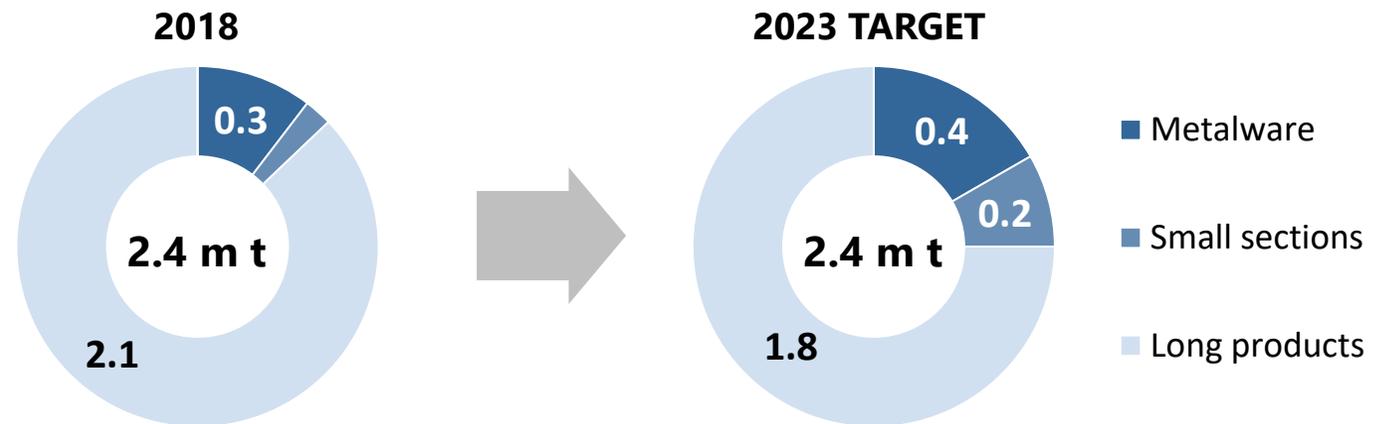
## Russia Long: Improved product mix

- Switch from rebar to higher margin shapes: +0.2 m t, advanced metalware products: +65 k t
- Volumes to the Russian market: +0.5 m t (+28%)
- Direct rebar sales to construction end-users to achieve 33% of the portfolio (2018: 25%)

### SALES TARGETS FOR SELECTED HVA PRODUCTS, RUSSIA FLAT, m t



### TARGETED LONG PRODUCT MIX IMPROVEMENT, m t



Home markets sales – 1.7 m t

Home markets sales – 2.2 m t

Source: NLMK data, NLMK Annual Report 2018

## Europe Strip: Increased exposure to fast growing premium segments

- Sales of thin and high-strength steel +0.6 m t. Wider accessible market, market share stays at the same level. Premium coatings: +0.1 m t
- Upgrade of hot strip mill and HDG line
- Europe Strip capacity utilization to reach 80-85%

## Europe Plate: Premium plates at Dansteel

- Additional demand for thick plates for windmills production: 8-11 m t until 2023 and another 12-20 m t in 2023-2030
- +0.2 m t of thick plates for wind generation & pressure vessels at Dansteel
- Key projects: accelerated cooling system and new reheating furnace

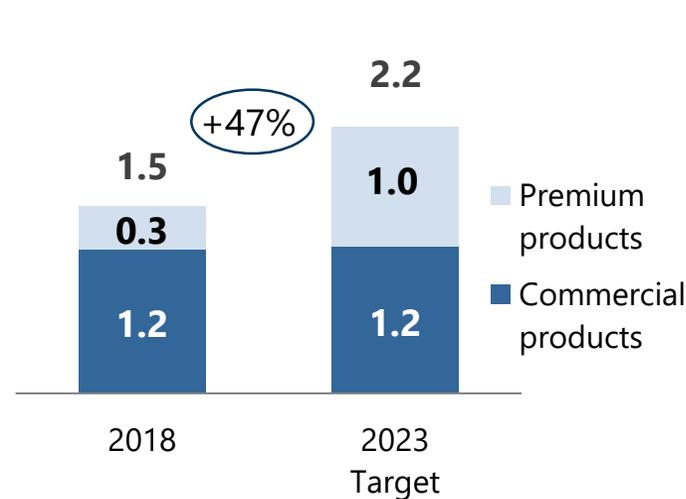
## Europe Plate: Mix improvement at Clabecq & Verona

- +0.2 m t of Q&T and DQ plates at Clabecq with corresponding reduction in commercial grades
- Europe Plate capacity utilization to reach 80%

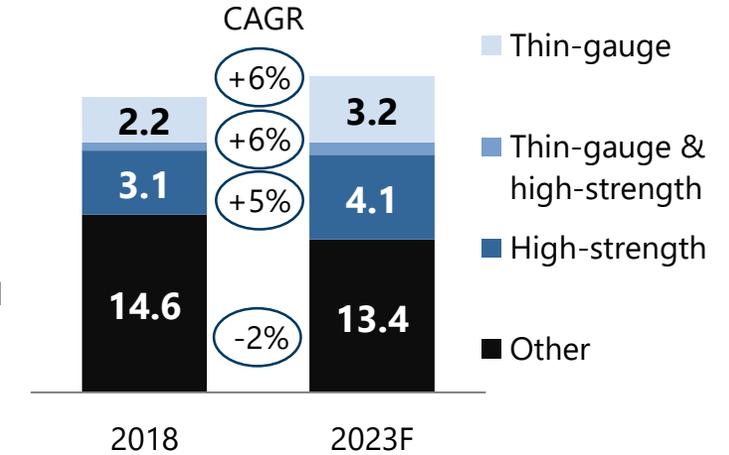
## US division's strategy is under review

Note: the data on the slide are presented with NBH

EUROPE STRIP TARGET SALES, m t

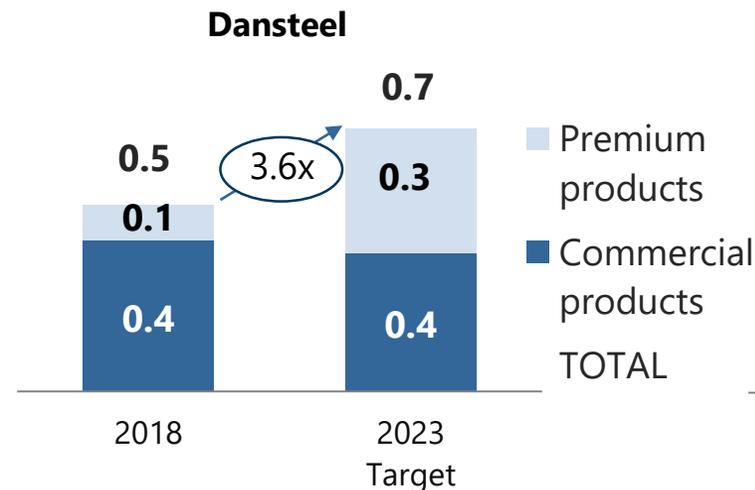


HR STEEL DEMAND FORECAST, EU-12, m t

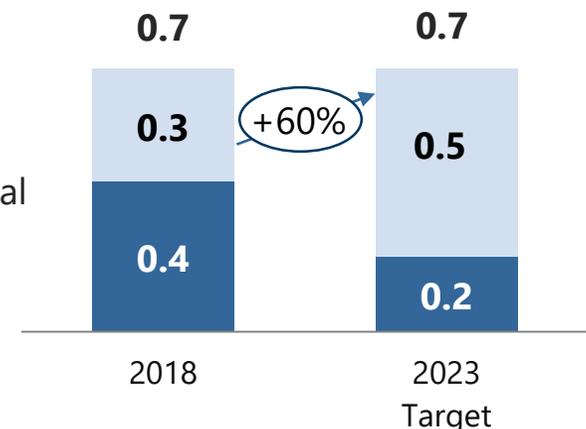


Source: CRU, customers data

TARGET PLATES SALES, m t



Clabecq & Verona (NBH)



Source: NLMK data, NLMK Annual Report 2018

## Safety development programs

- Safety culture programs & communications
- Contractors management
- Safety risk management

**Concealment prevention program launched in late 2019 led to improved light injury registration (finger injuries, slips, etc.)**

**Targeted 35% drop in LTIFR relative to 2018 and zero fatalities**

- LTIFR of 0.5 corresponds to TOP-20 steel companies, as per 2017 WSA ranking

## Environmental programs' focus

- Further reduction in environmental footprint
- Waste recycling: metallurgical briquette plant with a capacity of 700 kt pa

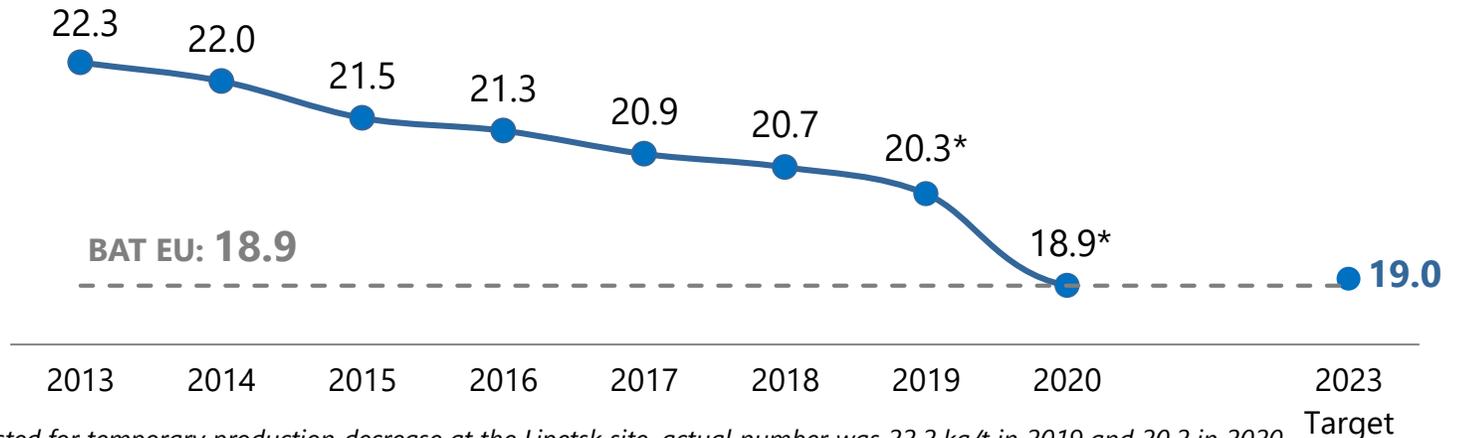
**Specific air emissions to reach 19.0 kg/t of steel at NLMK Lipetsk**

**GROUP SAFETY TARGETS, LTIFR\*, EMPLOYEES & CONTRACTORS**



\* LTIFR refers to Lost Time Injury Frequency Rate, the number of lost time injuries occurring in a workplace per 1 million man-hours worked, employees and contractors

**SPECIFIC AIR EMISSIONS, NLMK LIPETSK, kg/t of steel**



\*adjusted for temporary production decrease at the Lipetsk site, actual number was 22.2 kg/t in 2019 and 20.2 in 2020  
Source: NLMK data, NLMK Annual Report 2019

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Effects of Strategy 2022 implementation totaled \$248 m in 9M'21 to 2020 base

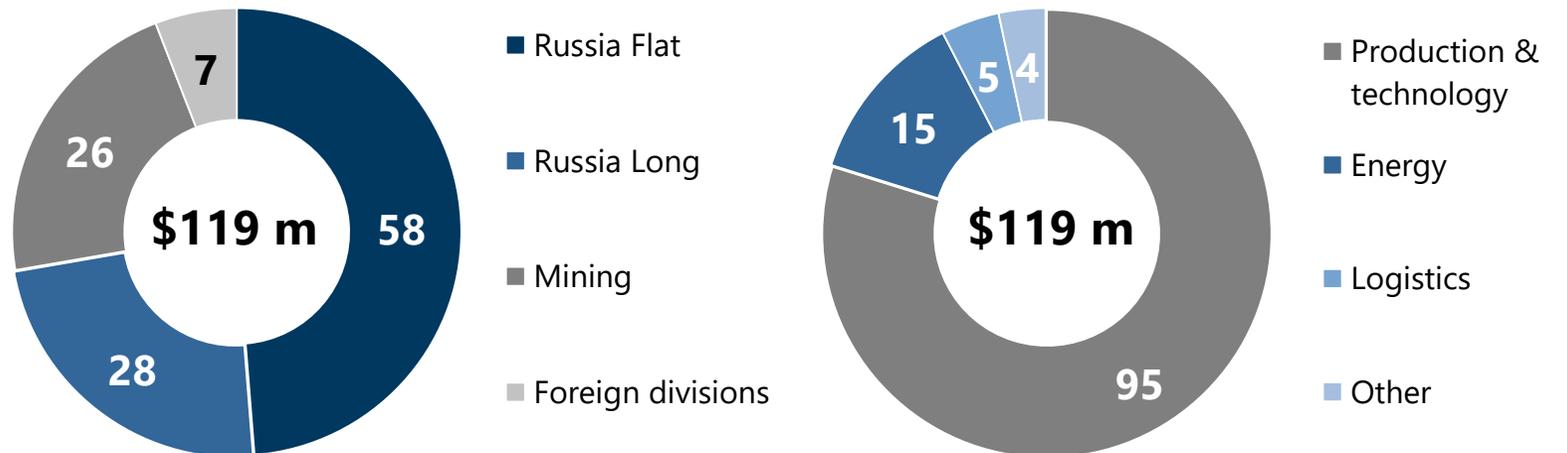
Operational efficiency programs contributed \$119 m driven by Russian Flat, Russian Long and Mining divisions

Investment projects delivered \$129 m\* due to the ramp-up of the new additional beneficiation section at Stoilensky (\$56 m) as well as steelmaking equipment upgrades at NLMK Lipetsk (\$101 m)

STRATEGY 2022 EFFECTS IN 9M'21, \$ m pa



EBITDA GAINS FROM EFFICIENCY PROJECTS DURING 9M'21 TO 2020 BASE, 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)

## 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

\* Energy generation at NLMK's own facilities

### CAPTIVE POWER PLANT AT LIPETSK



### HDGL #5 AT LIPETSK SITE



### GO STEEL PLANT IN INDIA



### HSM LA LOUVIERE



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 **\$3.5 bn** investments



**Increasing ore extraction and processing**

**+24 m tonnes of ore**



**Building new ore beneficiation capacities**

**+10 m tonnes of concentrate**



**Building new capacities for producing pellets with a high Fe content**

**+9 m tonnes of pellets**



**Setting up a facility for hot-briquetted iron production**

**+2.5 m tonnes of HBI**

Commissioning

2027

2028



HBI is a cutting-edge raw material for green steel production



The downward CO<sub>2</sub> emission trend drives global demand for HBI

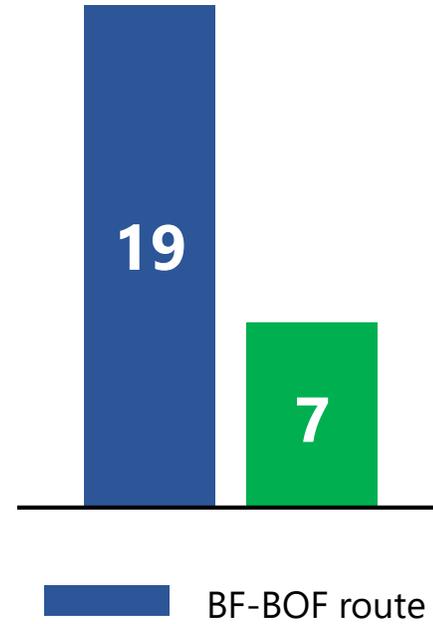


High added value: replacing pig iron and scrap

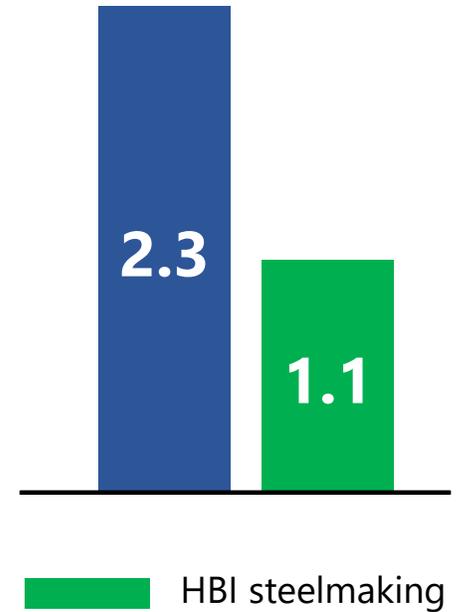
**+ 1** million tonnes per year  
export volume of HBI

**- 3** million tonnes per year  
reduction in CO<sub>2</sub> emissions at the HBI consumers' level

Average specific emissions of pollutants, kg/t of steel



Average specific CO<sub>2</sub> emissions, t/t of steel





## CONVEYOR TRANSPORTATION FROM OPEN-PIT MINE

**x2** reduction  
in emissions\*



## MAXIMUM UTILIZATION OF RECYCLED RAW MATERIALS



## CLOSED LOOP WATER SYSTEM



## EFFECTIVE GAS PURIFICATION

**99%**

\* compared to diesel locomotives

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## Dividend policy remains intact

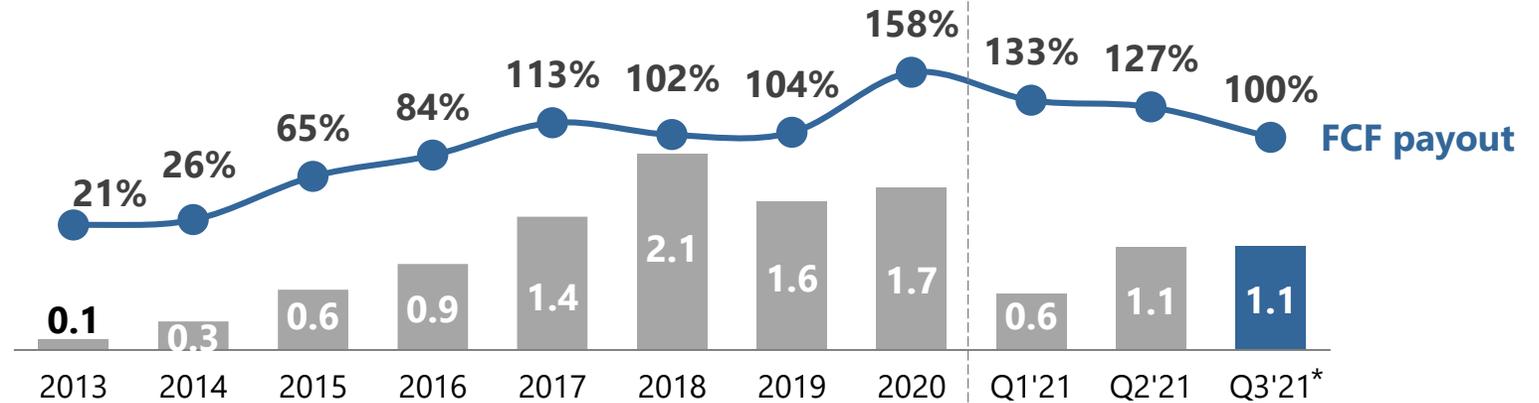
- Minimum 100% of FCF if ND/EBITDA is below 1.0x
- Minimum 50% of FCF if ND/EBITDA is above 1.0x

## Higher capex during the strategy cycle is not affecting dividend payments

- Free cash flow to be calculated assuming normalized capex of \$0.7 bn pa for the purposes of dividend payments

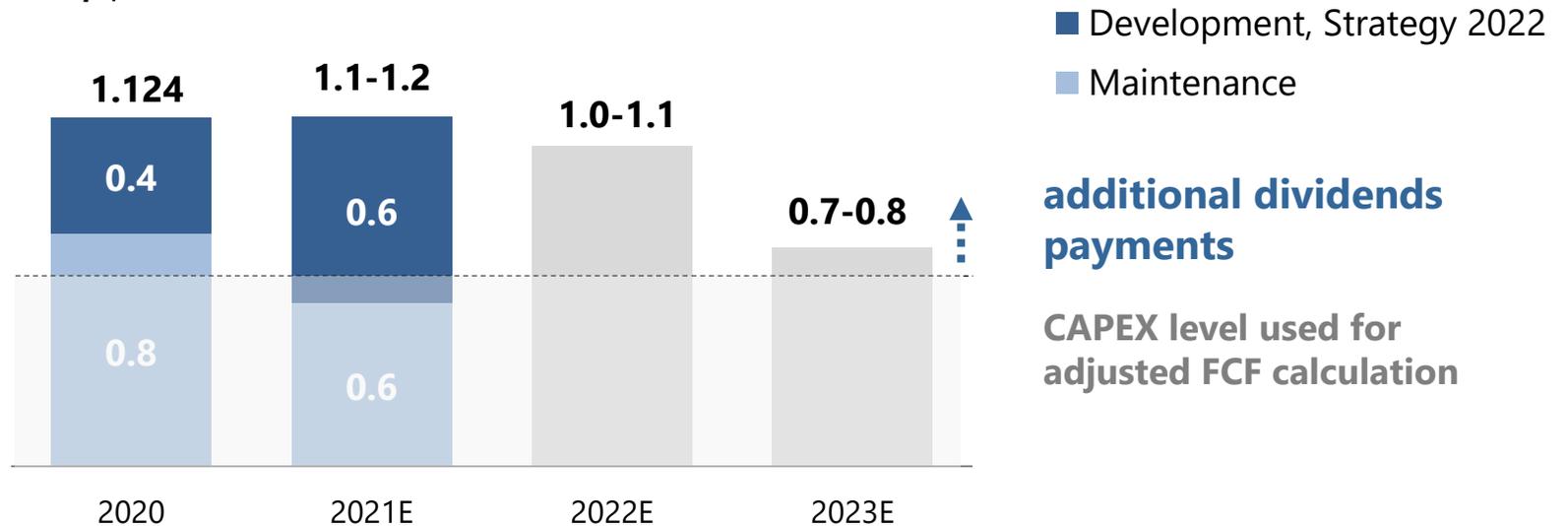
## Investments to peak in 2021 due to completion of large maintenance projects and active phase of Strategy 2022 execution

DIVIDENDS, \$ bn



\*Subject to approval at shareholders' meeting

CAPEX, \$ bn



additional dividends payments

CAPEX level used for adjusted FCF calculation

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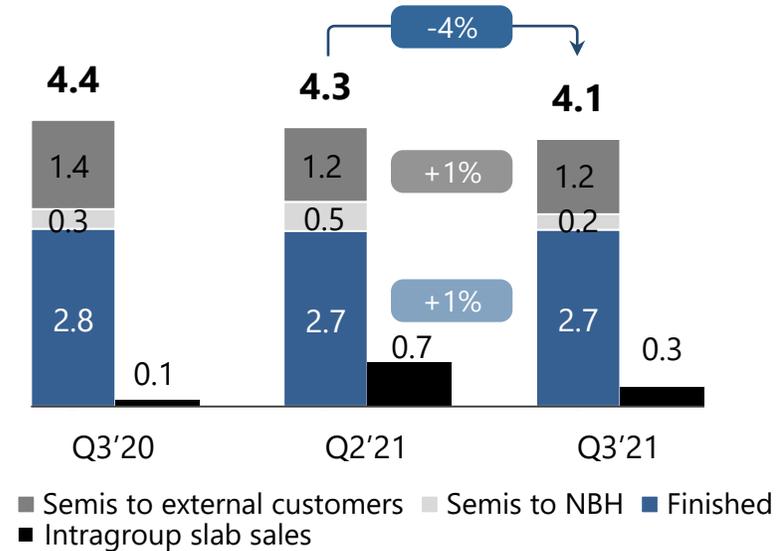
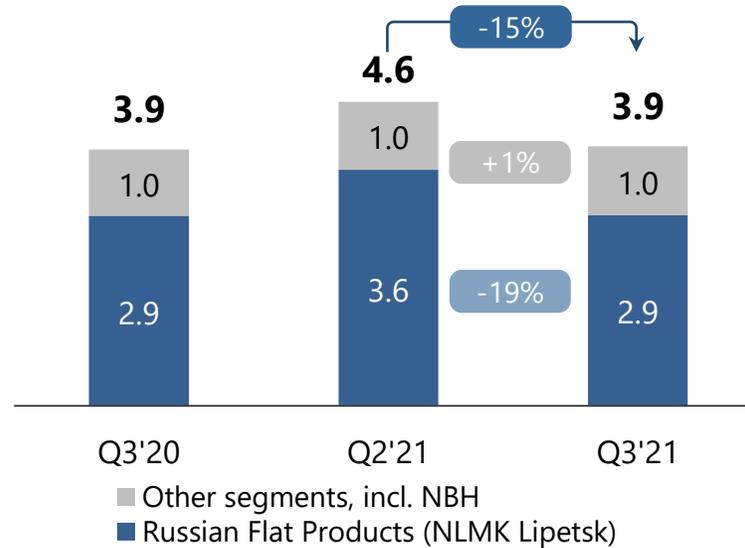
## Output decreased by 15% qoq to 3.9 m t

- (-) Incident in the oxygen supply infrastructure of the steelmaking production at the Lipetsk site (Aug'21) and the subsequent repair works
- (-) Planned BF and BOF overhauls

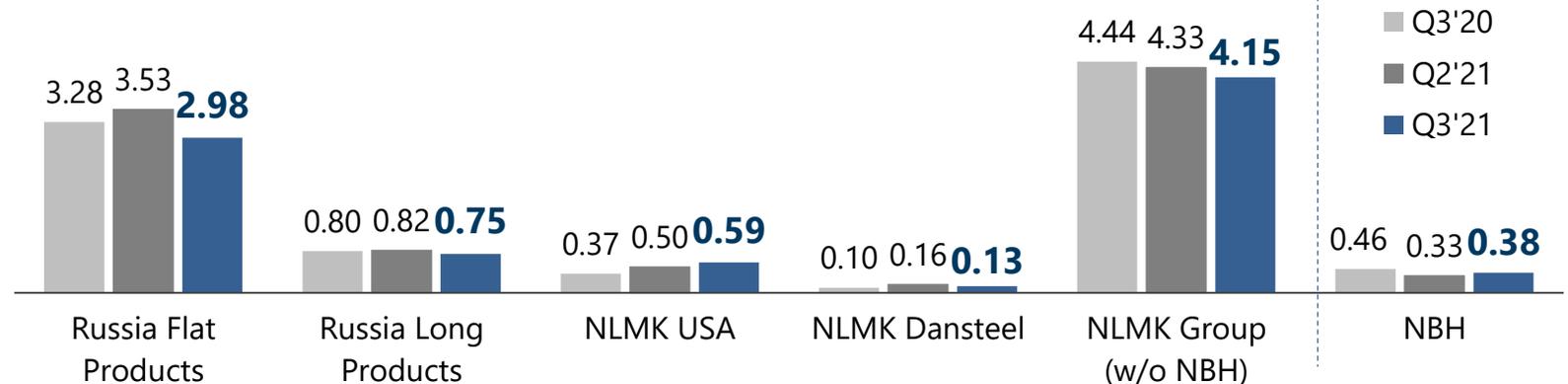
## Shipments were down 4% qoq to 4.1 m t

- (-) Lower sales to NBH amid one-off steel output reduction
- (+) Higher shipments of semis to external customers mainly due to increased pig iron deliveries
- (+) Increased sales of finished products supported by stable final demand in key markets

## ONE-OFF DECLINE IN STEEL OUTPUT AT THE LIPETSK SITE... ... LED TO LOWER SEMIS SALES TO CAPTIVE ASSETS



## Q3'21: SALES DOWN QOQ DUE TO A TEMPORARY PRODUCTION DECLINE AT THE RUSSIA FLAT DIVISION



**Revenue increased by 10% qoq to \$4.6 bn due to higher steel prices**

**EBITDA rose 11% qoq to \$2.3 bn on the back of widening price spreads**

**EBITDA margin stood at 50%**

- Revenue: \$4,560 m (+10% qoq, 2x yoy)
- EBITDA: \$2,287 m (+11% qoq, 3.9x yoy)
- EBITDA margin: 50% (flat qoq, +24 p.p. yoy)
- FCF: \$1,114 m (+29% qoq; 4.7x yoy)

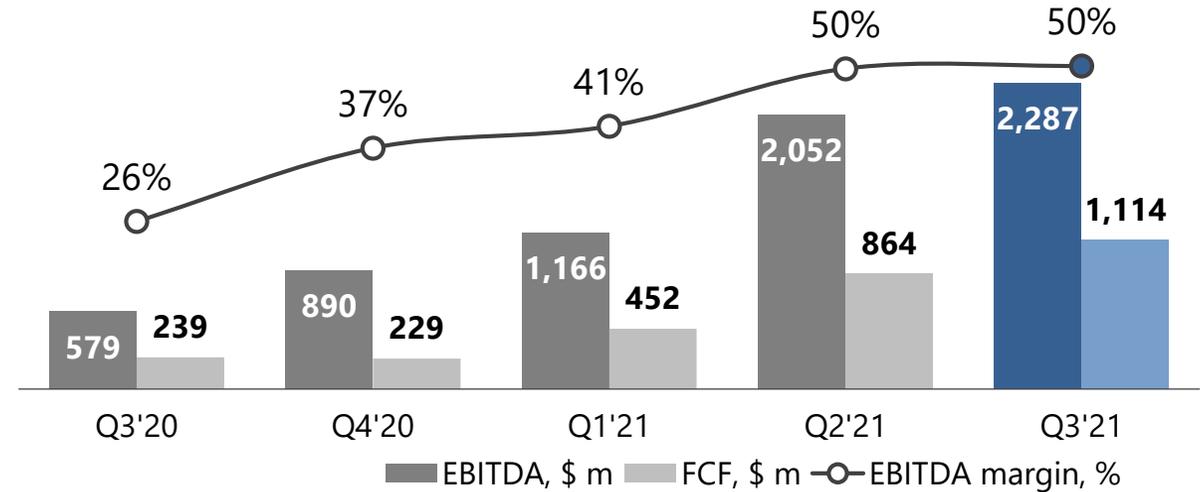
**Net debt-to-EBITDA\* reached 0.43x**

- Net debt increased by 40% qoq to \$2.7 bn on dividend outflows and working capital buildup as a result of strong market conditions

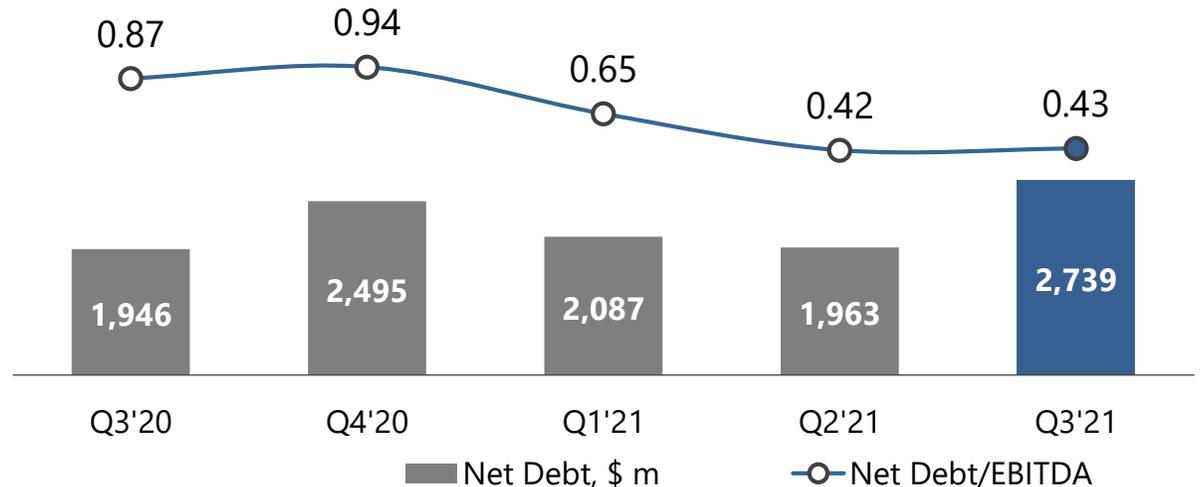
\* For detailed information and calculations for this indicator please refer to the Appendix of NLMK Group Q3 2021 IFRS Financial Results press release

Note: the data on the slide are represented without NBH

## FCF, EBITDA AND MARGIN DYNAMICS



## LEVERAGE DYNAMICS



## Russian Flat products: EBITDA softened to \$1,154 m

- (-) Decrease in shipments – one-off steel production loss
- (-) Export duties accrual
- (+) Investment projects gains

## Russian Long products: EBITDA was almost flat at \$158 m

- (+) Improved spreads
- (-) Lower billet shipments amid export duty introduction in Russia starting 1<sup>st</sup> Aug'21

## NLMK USA: EBITDA totaled \$354 m

- (+) Growth in shipments
- (+) Improved spreads between rolled products and feedstock

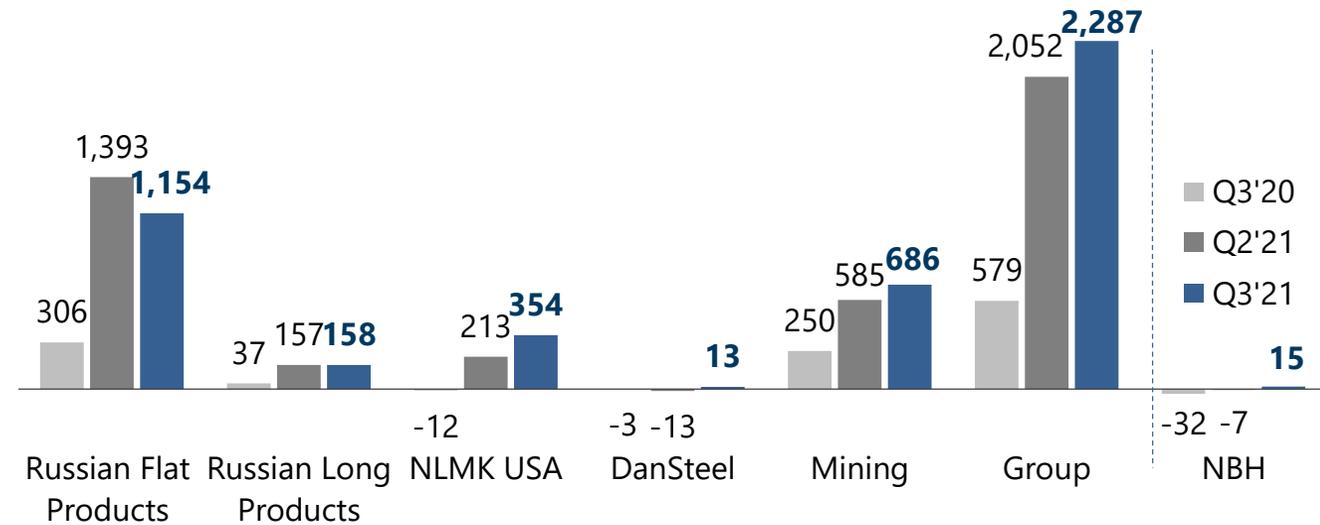
## Mining: EBITDA increased to \$686 m

- (+) Higher iron ore prices

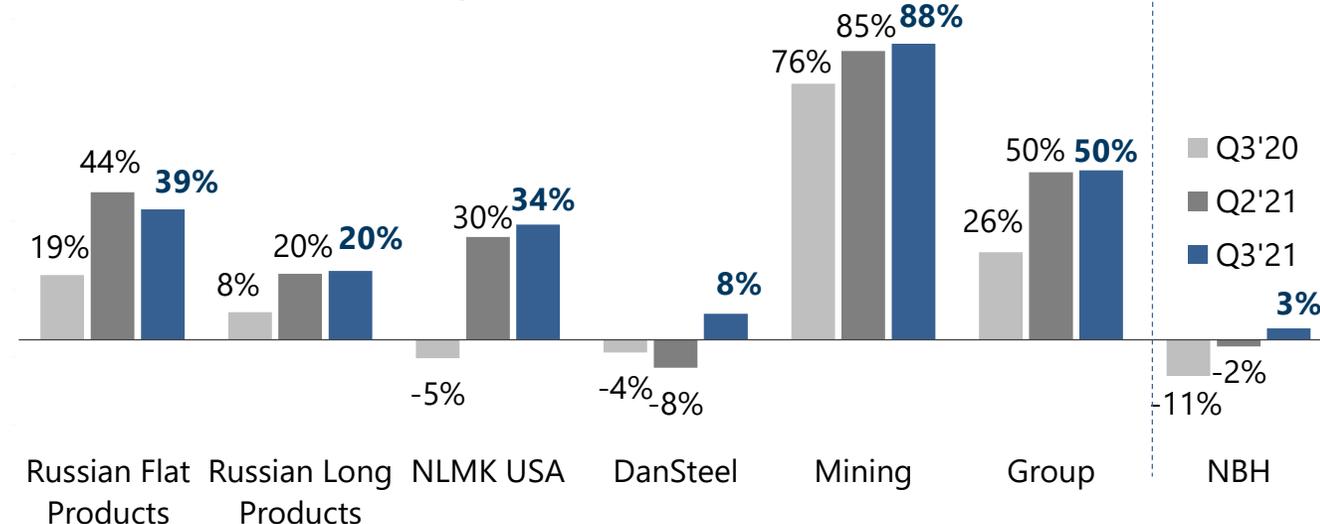
## Dansteel: EBITDA reached \$13 m supported by price spreads growth despite seasonally weaker sales

## NBH: EBITDA rose to \$15 m on higher price spreads and shipments

EBITDA BY DIVISION, \$ m



EBITDA MARGIN BY DIVISION, %



## Working capital build-up amounted to \$451 m

- (-) \$223 m – increase in receivables
  - (-) advance payments for export duties (\$139 m)
  - (-) increase in accrued VAT refund as a result of lower steel prices coupled with higher raw materials prices (\$113 m)
  - (-) higher steel prices (\$116 m)
  - (+) advanced payments from clients (\$181 m)
- (-) \$262 – inventories growth
  - (-) higher raw material prices (\$135 m)
  - (-) seasonal growth of scrap stocks (\$77 m)
- (+) \$50 – increase in payables – coking coal price increase

## Capex in Q3'21 declined to \$272 m (-24% qoq)

- High base effect of Q2'21
- Partial shift of investment load at NBH to Q3'21

## In 2021, capex to reach \$1.2 bn, in line with the original guidance

**FCF grew by 29% qoq to \$1,114 m due to higher EBITDA and capex reduction, which was partially offset by increase in working capital**

## Q3'21 FCF BRIDGE, \$ m

<b>EBITDA</b>	<b>2,287</b>
Net working capital change	<b>-451</b>
Other non-cash items	<b>-13</b>
Income tax	<b>-435</b>
<b>NET OCF</b>	<b>1,388</b>
Net interest	<b>-2</b>
Cash capex	<b>-265</b>
Capitalized interest	<b>-7</b>
<b>FCF</b>	<b>1,114</b>

Note: the data on the slide are represented without NBH

**Total debt increased by 20% qoq to \$3.4 bn**

**Net debt / 12M EBITDA stood at 0.43x**

- Net debt up 40% qoq to \$2.7 bn
- Liquidity was at the \$0.7 bn level
- \$1.5 bn is available through undrawn credit lines

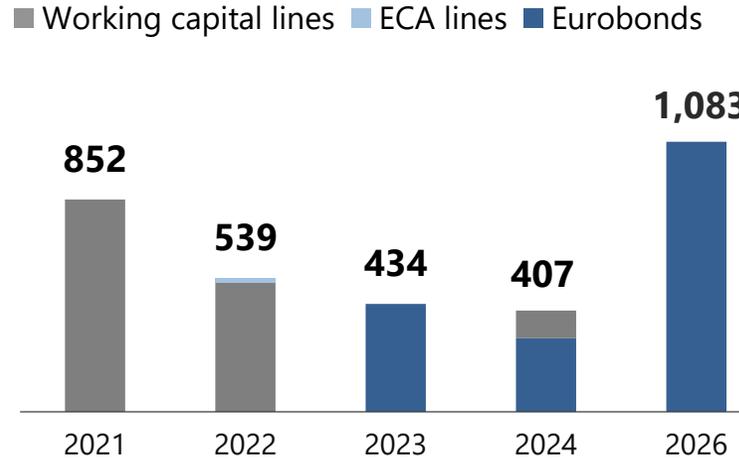
**Working capital lines maturing in Q4'21 – Q3'22 to be repaid or refinanced:**

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

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

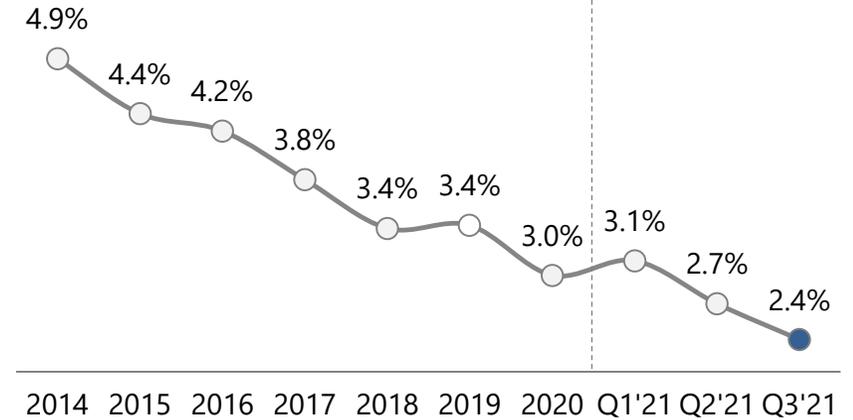
**Average cost of debt declined to historically low level of 2.4%**

**DEBT\* MATURITY, \$ m**

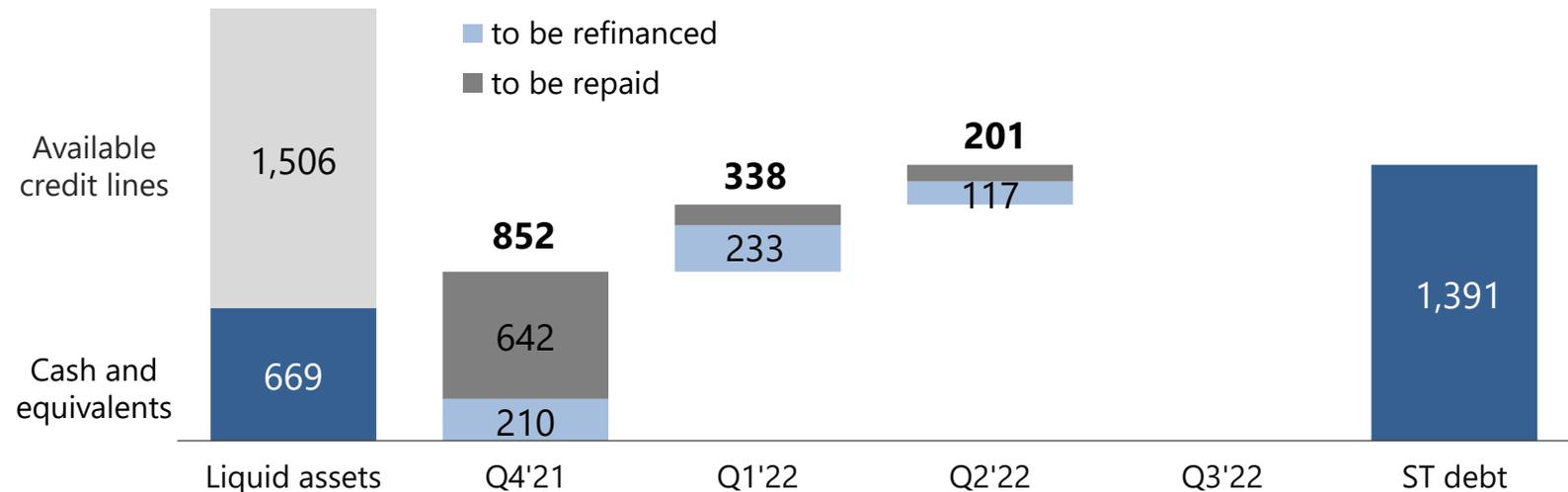


\* Excluding interest payments

**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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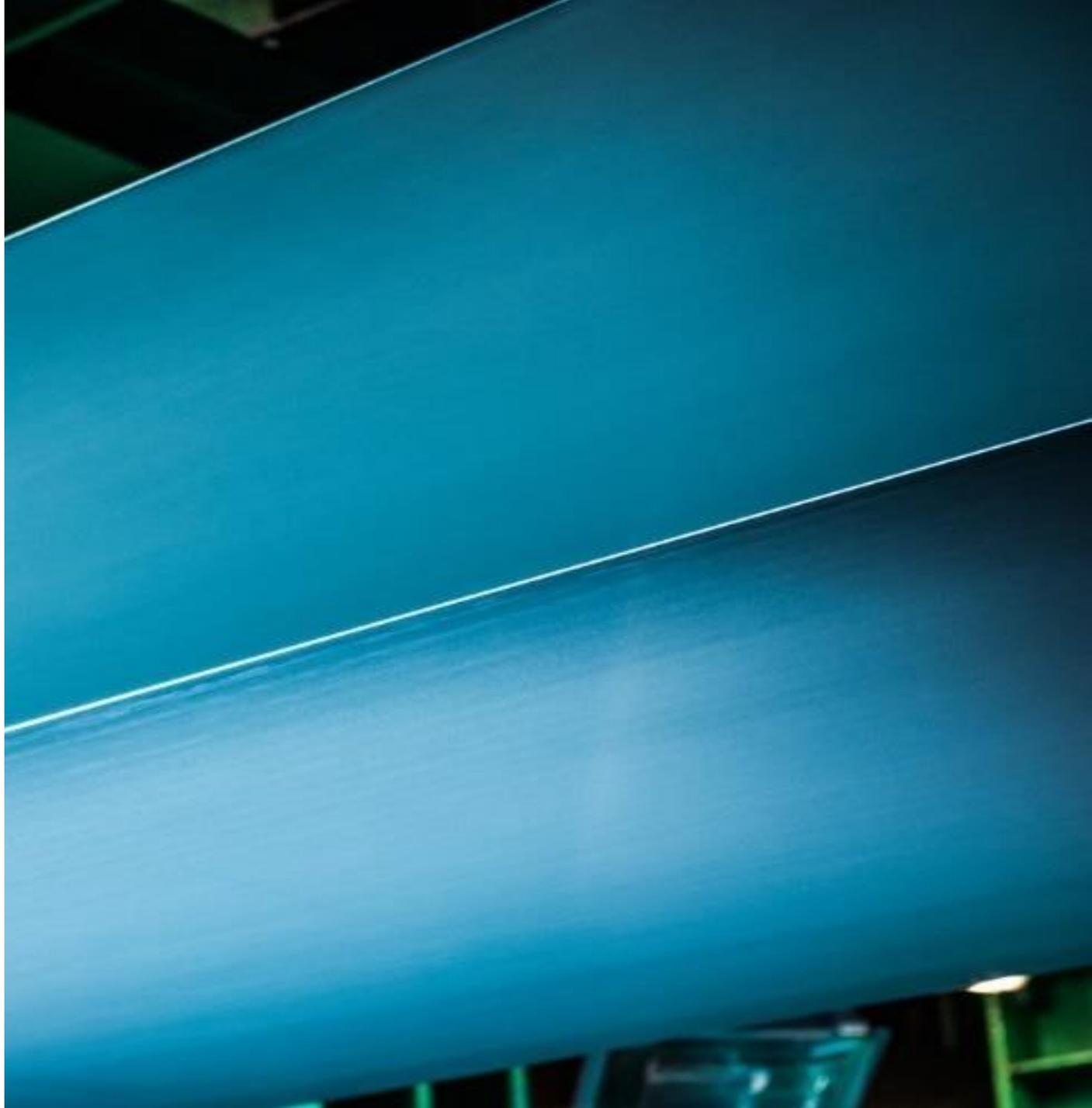
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**Steel capacity utilization is above 90% through the cycle**

**Steel output growth in 2013-2018 driven by efficiency improvements**

**Lower steel production in 2019-2020 due to major overhauls at the Lipetsk site**

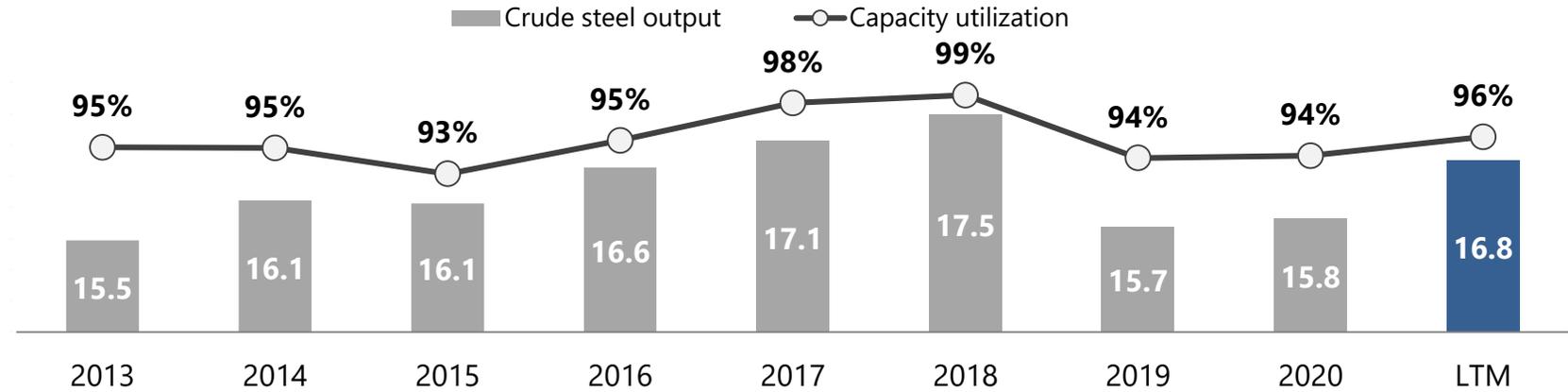
**65% of sales are finished products**

**43% of finished products sales are high value added products at NLMK Group**

**39% of finished steel sales in Russia are HVA products**

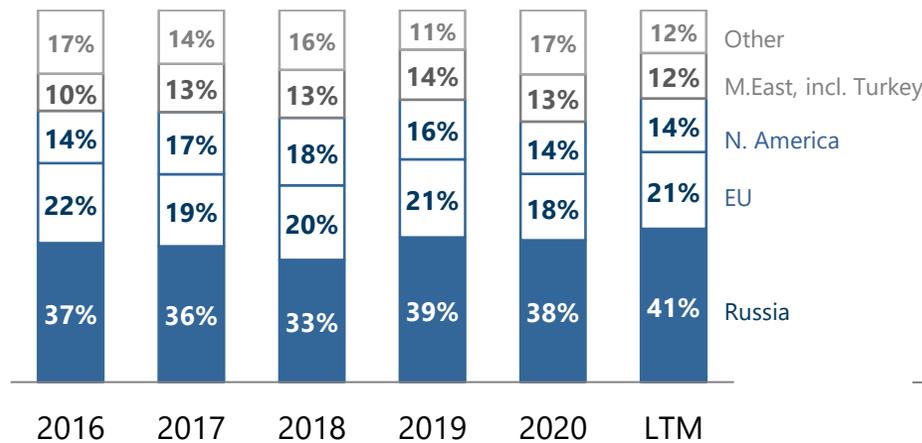
**Strong domestic footprint with more than 2/3 of sales made in our home markets – Russia, Europe, USA**

**STEEL PRODUCTION, m t**

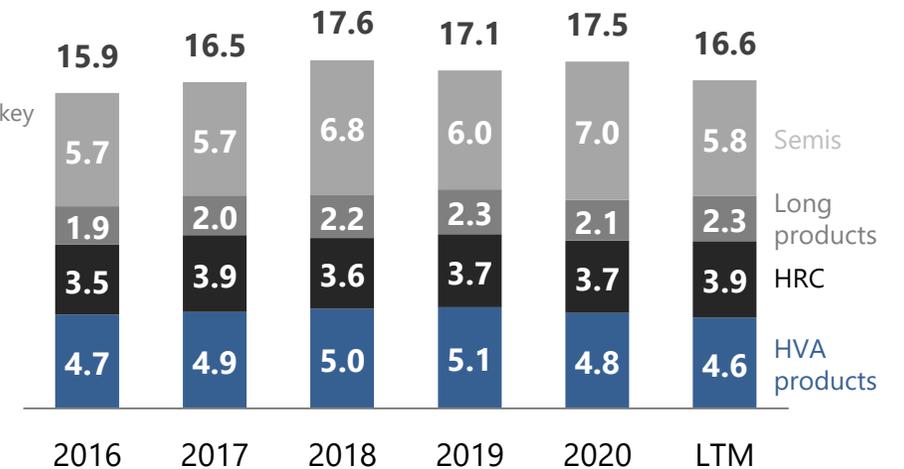


Source: NLMK operating results, with NBH

**SHIPMENTS STRUCTURE W/O NBH BY REGIONS**



**GROUP'S SALES STRUCTURE W/O NBH BY PRODUCT, m t**



**NLMK holds leading positions in Russia in HVA production**

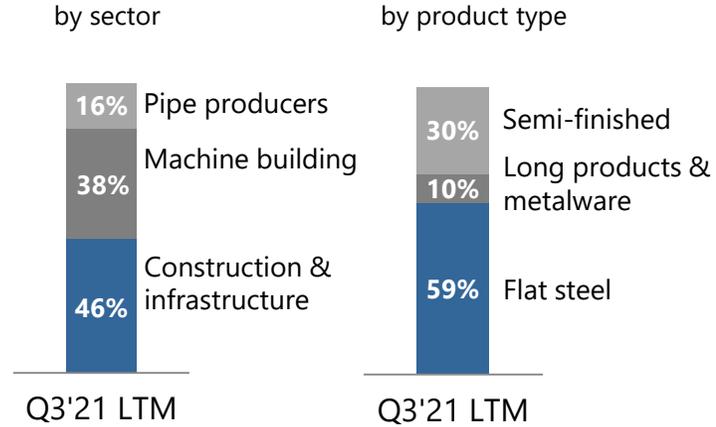
**The company has exposure to niche products:**

- LDP feedstock
- The only transformer steel producer in Russia

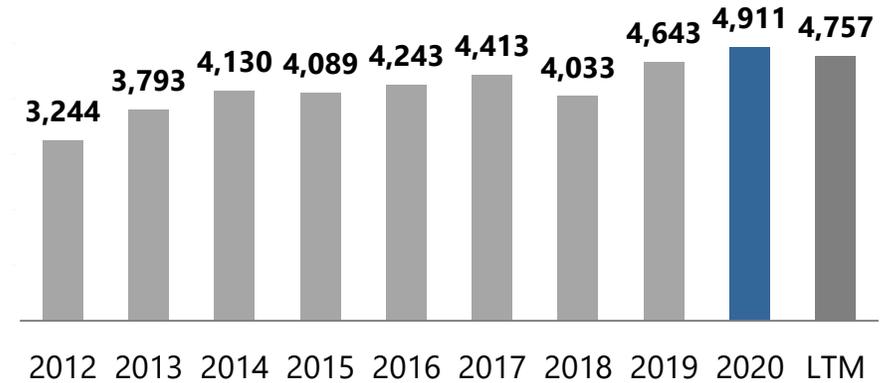
**This is further supported by diversification into flat / long products**

**NLMK also has the flexibility to relocate shipments from domestic to export markets and vice versa**

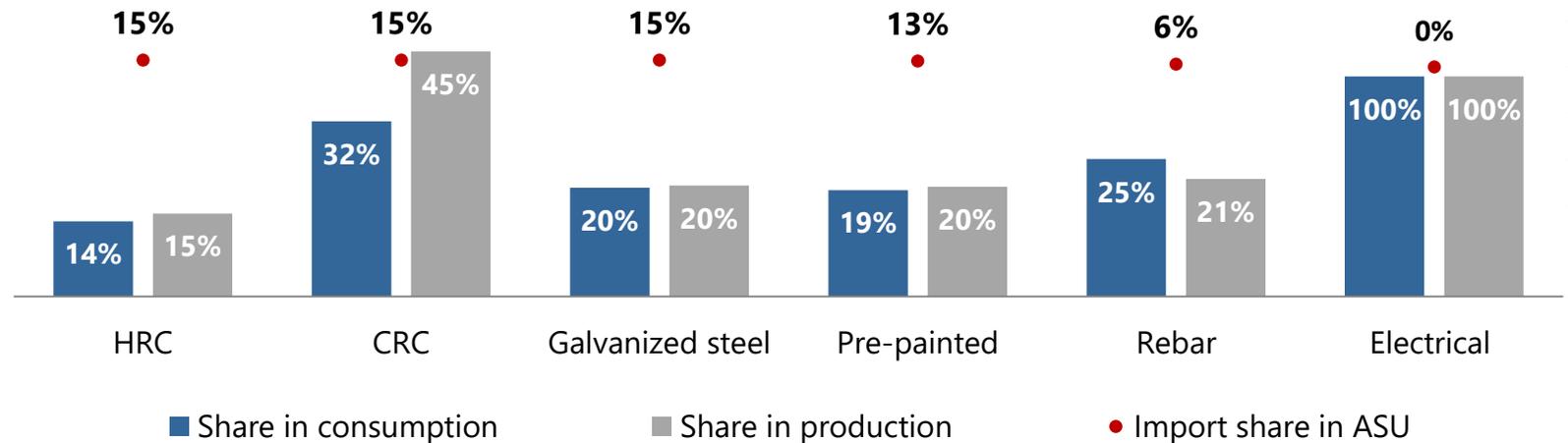
**NLMK: SALES TO THE RUSSIAN MARKET**



**NLMK: FLAT STEEL SALES IN RUSSIA, m t**

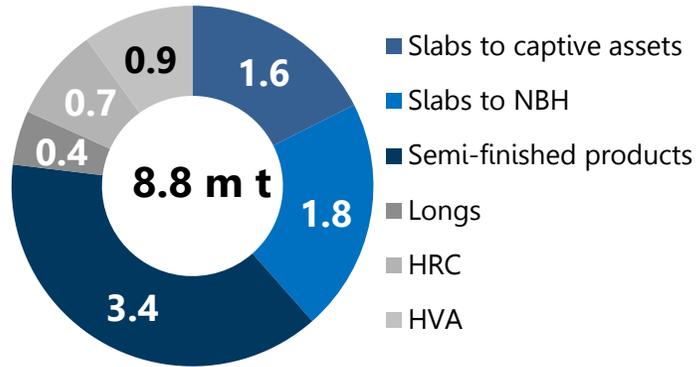


**NLMK'S SHARE ON THE RUSSIAN STEEL MARKET, LTM\***



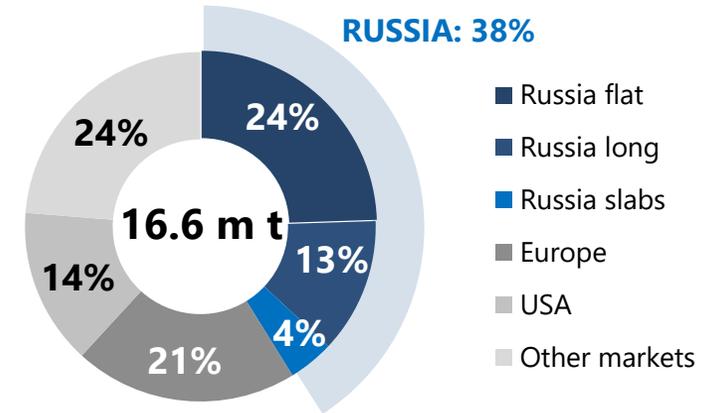
Source: NLMK financial and operating results for Q3'21, management data, Metal Expert

NLMK - EXPORTS FROM RUSSIA BY PRODUCT, Q3'21 LTM, m t



Source: NLMK financial and operating results as of Q3'21 (LTM)

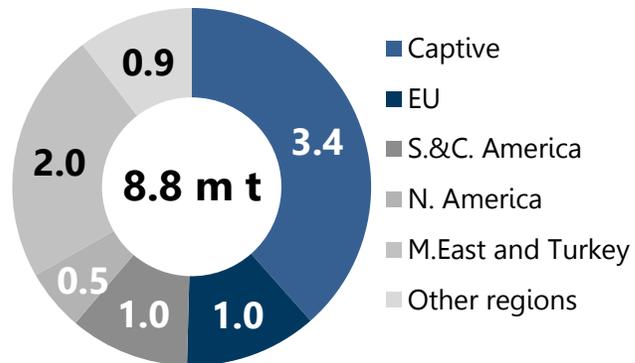
NLMK GROUP - SALES BREAKDOWN W/O NBH, Q3'21 LTM, m t



Source: NLMK financial and operating results as of Q3'21 (LTM)

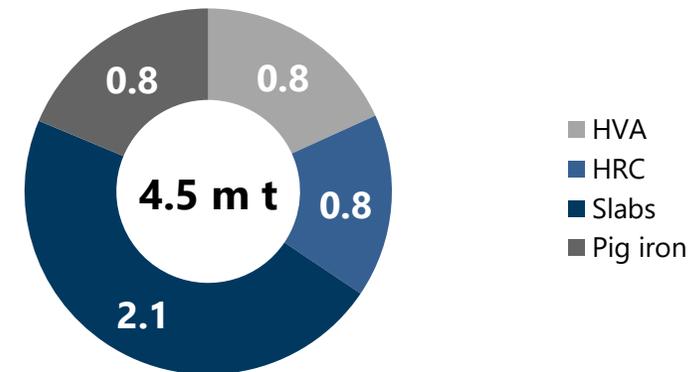
NLMK - EXPORTS FROM RUSSIA BY DESTINATION, Q3'21 LTM, m t

**SALES TO CAPTIVE ASSETS\* 35%**  
EXPORTS TO 3RD PARTIES 65%



Source: NLMK financial and operating results as of Q3'21 (LTM)  
\* NLMK's own facilities in the US and the EU (NLMK USA, Dansteel, NBH)

NLMK - FLAT EXPORTS FROM RUSSIA TO 3RD PARTIES, Q3'21 LTM, m t



Source: NLMK financial and operating results as of Q3'21 (LTM)

## Significant portion of NLMK's exports and total shipments is not subject to import restrictions

- Semis are usually not subject to trade measures
- Sales in home markets from local assets are free from barriers

## Recent trade barriers in the EU

- Specific trade restriction measures, including quotas were implemented in Feb 2019 and prolonged in Jun 2021 for additional 3 year period (till 2024)

## USA trade barriers: section 232, 25% tariff on almost all shipments from Russia

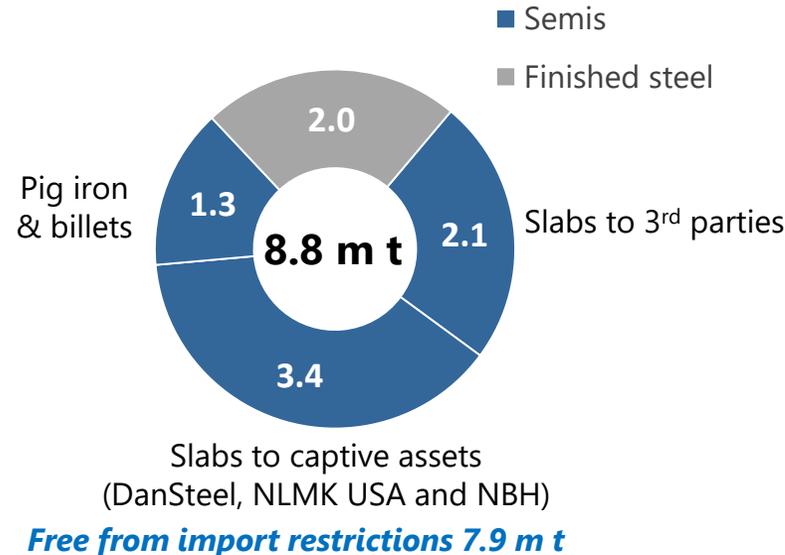
## For reference: NLMK International (EU & US) rolling capacity

- NLMK EU HRC capacity: 2.2 m t\* (installed 2.2 m tpa)
- NLMK EU CRC capacity: 0.4 m t\*
- NLMK EU Plate capacity: 1.4 m t\*
- NLMK USA HRC capacity: 2.9 m t\* (with 0.8 m tpa of captive EAF capacity\*\*)

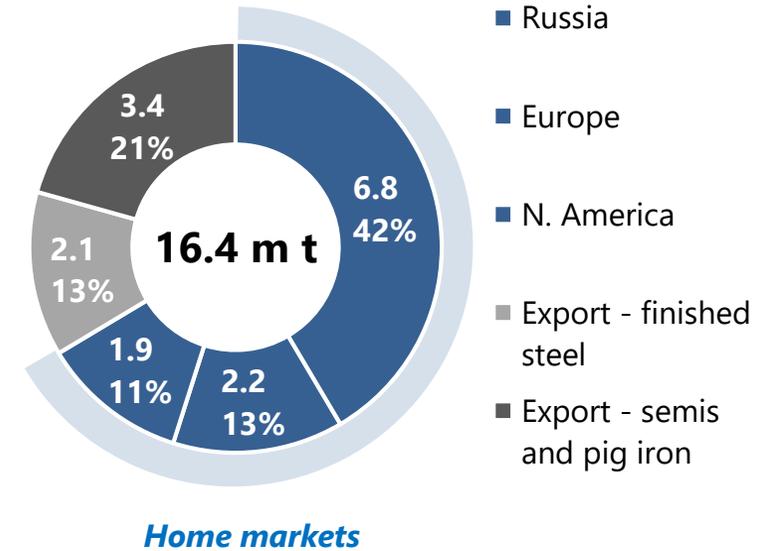
\* @current shifts

\*\* NLMK USA own steel production capacity via EAF

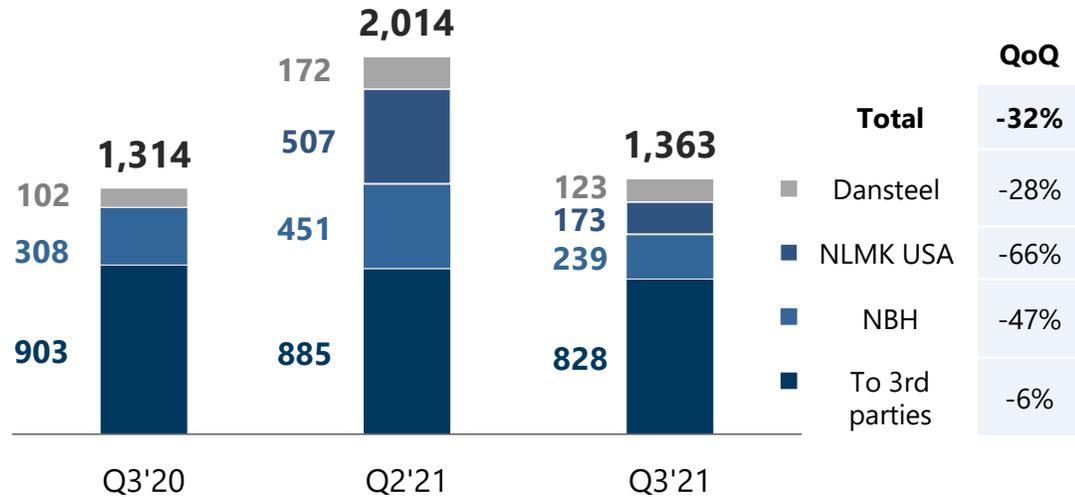
## 90% OF NLMK'S EXPORTS FROM RUSSIA WAS NOT SUBJECT TO IMPORT RESTRICTIONS, Q3'21 (LTM), m t



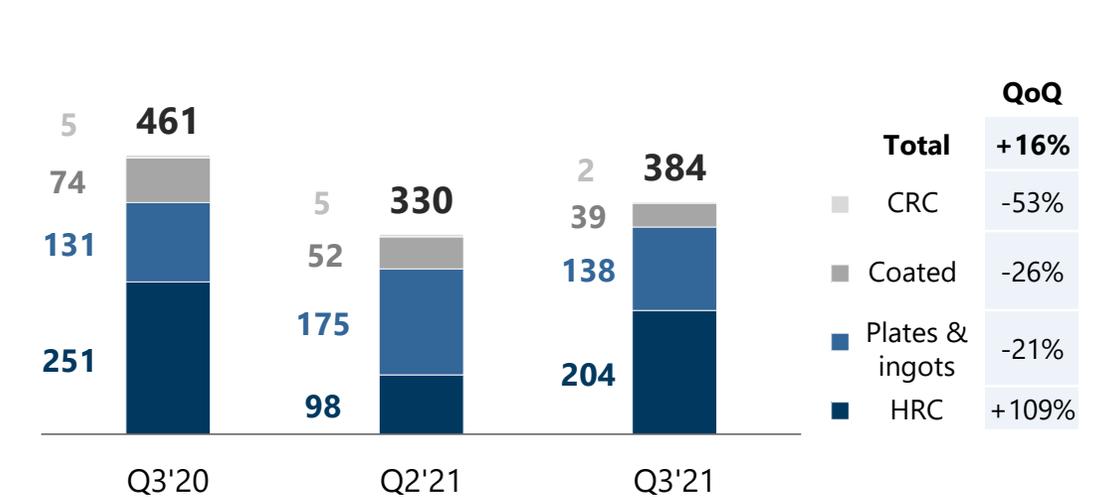
## GROUP'S SALES BY REGION (WITH NBH), Q3'21 LTM, m t



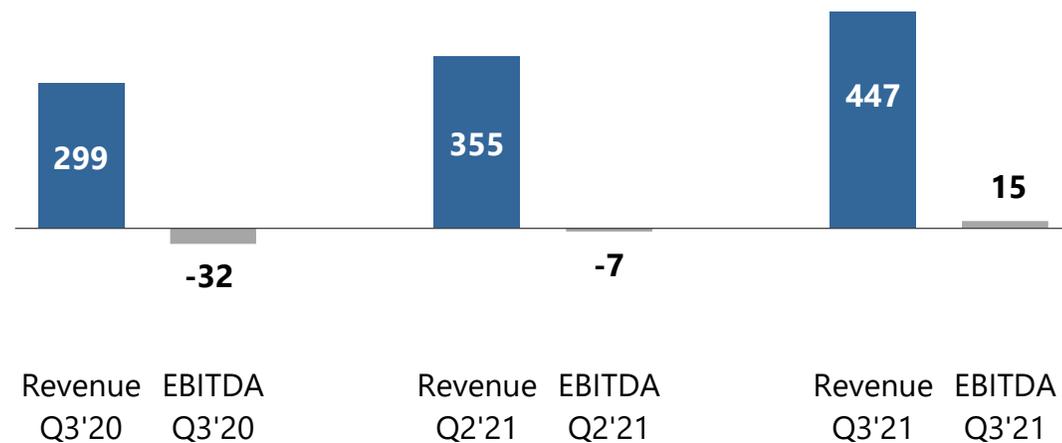
### SLABS SALES FROM THE RUSSIAN FLAT PRODUCTS DIVISION, k t



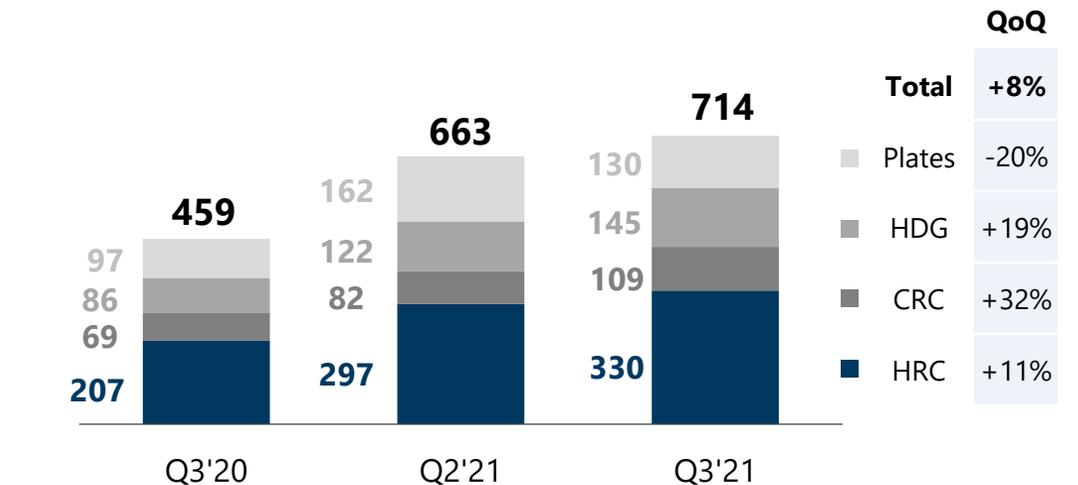
### NBH ROLLED PRODUCTS SALES, k t



### NBH FINANCIAL RESULTS, \$ m



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



**Revenue/cost FX split provides a solid cushion in volatile commodity prices fluctuation**

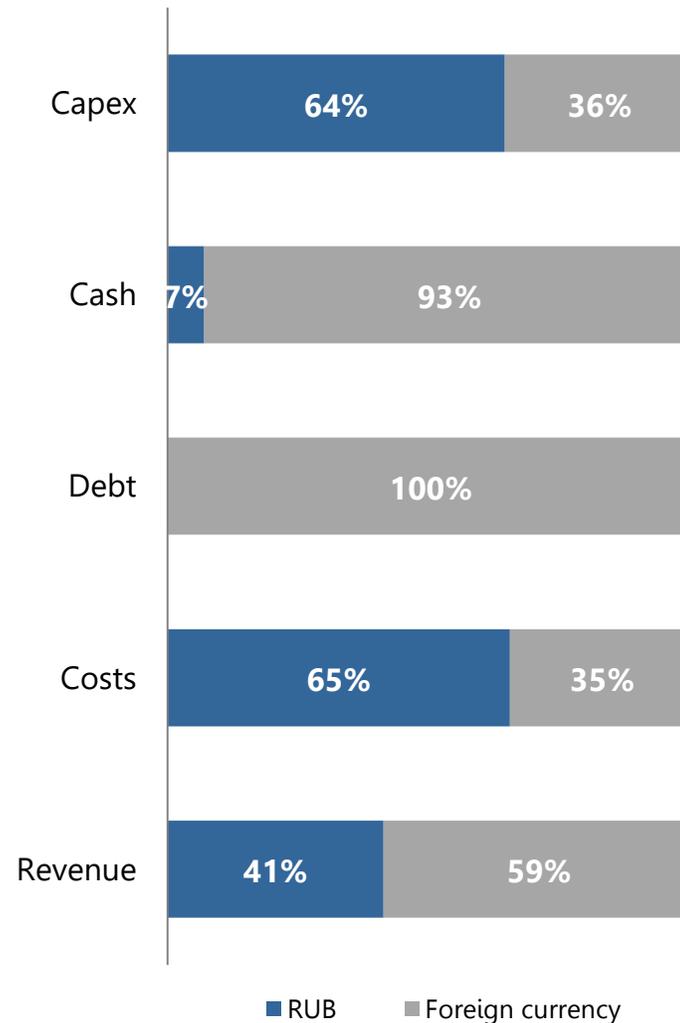
**NLMK's EBITDA sensitivity to 1 rub change translates into \$2.8 m effect on EBITDA on annual basis**

**Hedging accounting: the amount of hedged revenue aligns the amount of payments on bonds and bonds' coupons**

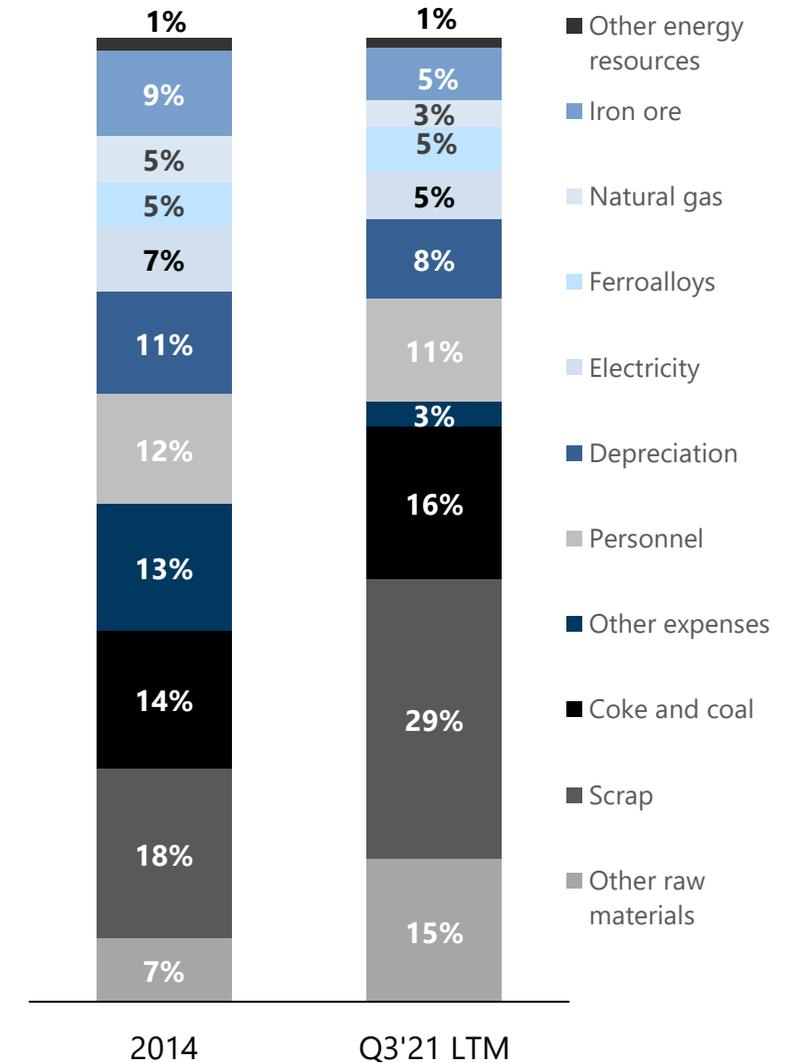
**Consistent optimization of coking coal consumption**

- Phase 1 - done: substituted imported coking coal with Russian grades after the launch of optimization measures at the Lipetsk site with no loss in coke quality
- Phase 2 - done: to roll out the PCI technology and introduce coking additives to optimize feedstock consumption as well as to raise coke quality
- Phase 3 – done: develop upstream technologies (charge stamping commissioned in Q3'2020 )

## FINANCIAL RESULTS AND BALANCE SHEET CURRENCY STRUCTURE, AS AT 30 SEPTEMBER 2021



## COST OF SALES STRUCTURE



Source: NLMK financial and operating results for Q3'21 LTM

**Russian coal market is oversupplied with >30% of output exported...**

- ... hence, Russian coking coal trades with c. 40% discount vs global (on long-term average)

**NLMK relies on Russian coal suppliers**

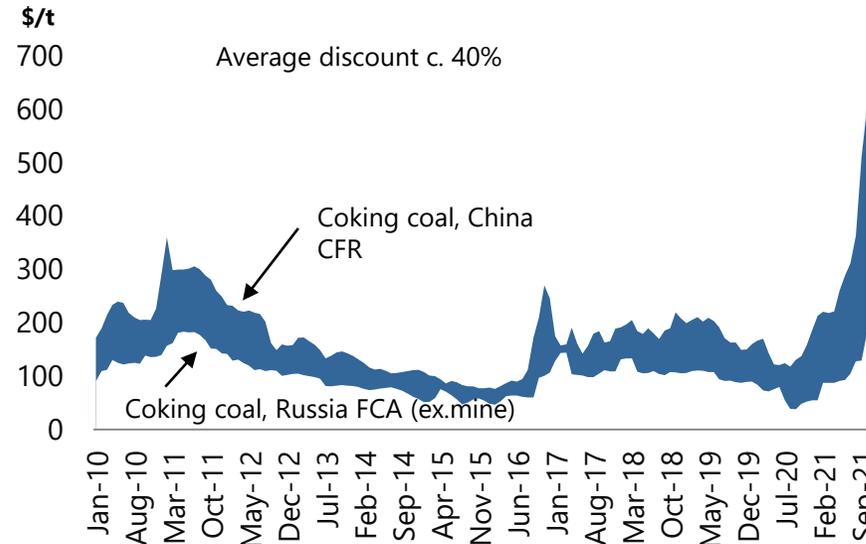
**NLMK has over 100% sufficiency in coke (coal processing)**

**Since Q2'17 90% of BF's at Lipetsk are equipped with pulverized coal injection (PCI) technology**

- PCI reduces consumption of coke and natural gas by 30-50%

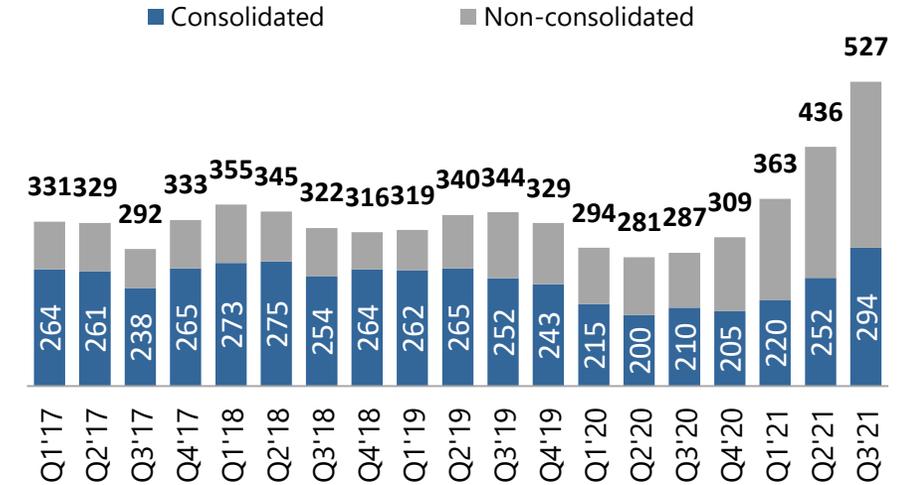
**Coal charge stamping commissioned in Q3'2020**

## RUSSIAN COAL PRICES ARE 40% LOWER VS GLOBAL

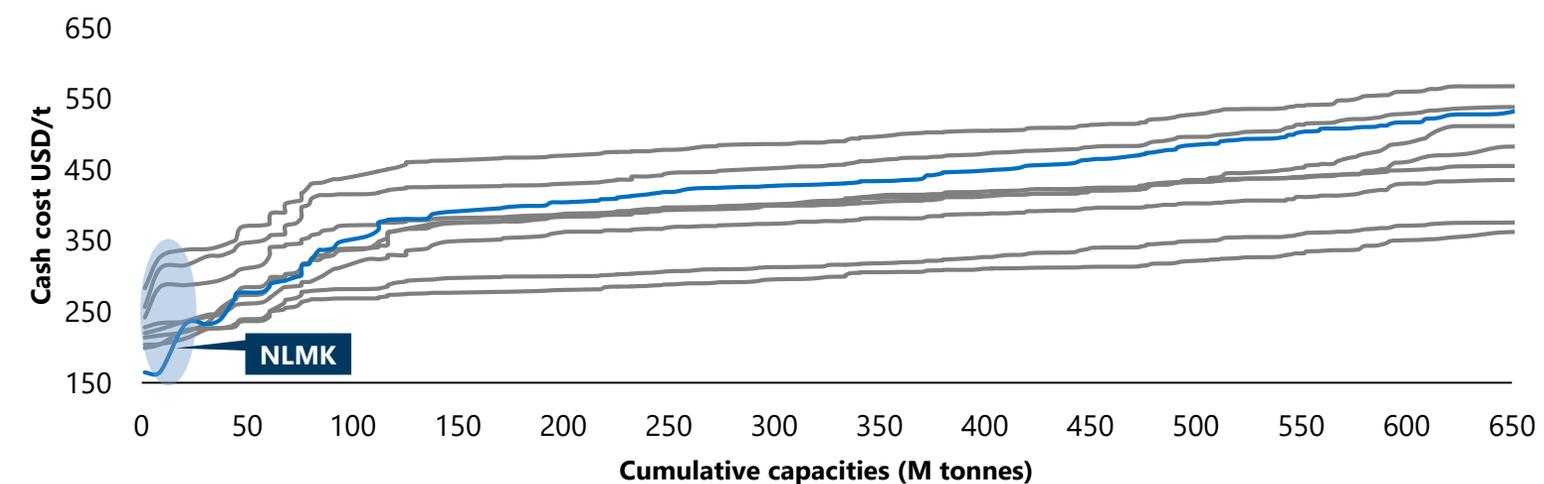


Source: Metal Expert

## NLMK'S CASH COST OF SLABS



## NLMK REMAINS COST LEADER AT ANY COAL PRICE



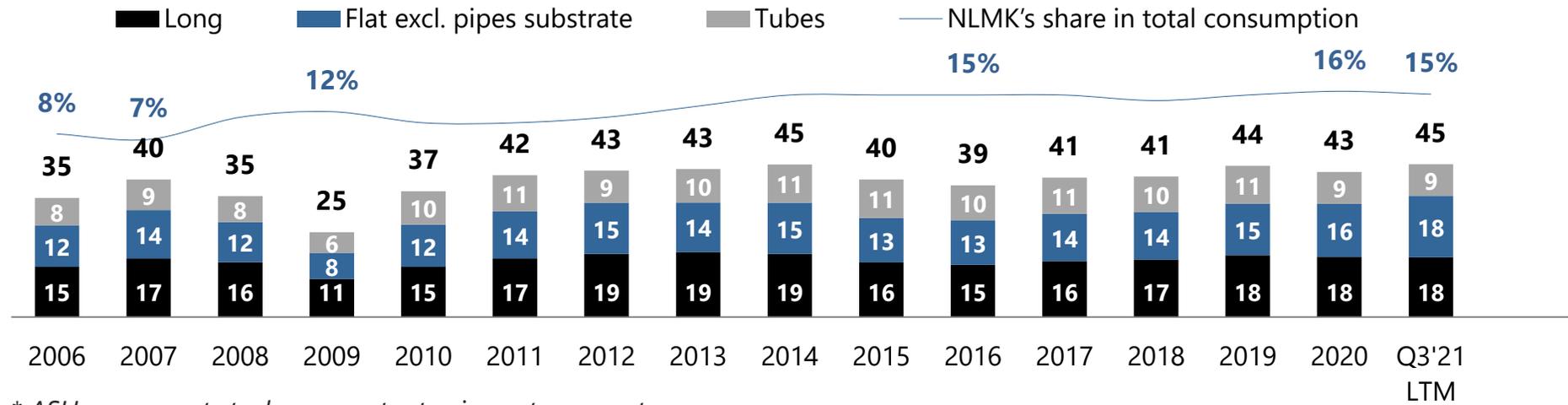
Source: WSD

In 2009, the GFC shed almost 10 m t of Russian demand for steel. COVID-19 has had much smaller impact on steel consumption in Russia thus far (mainly in tubes segment)

During economic downturns (usually accompanied by FX devaluation) import's share in Russia's ASU tends to decline, c. 12% in ASU currently

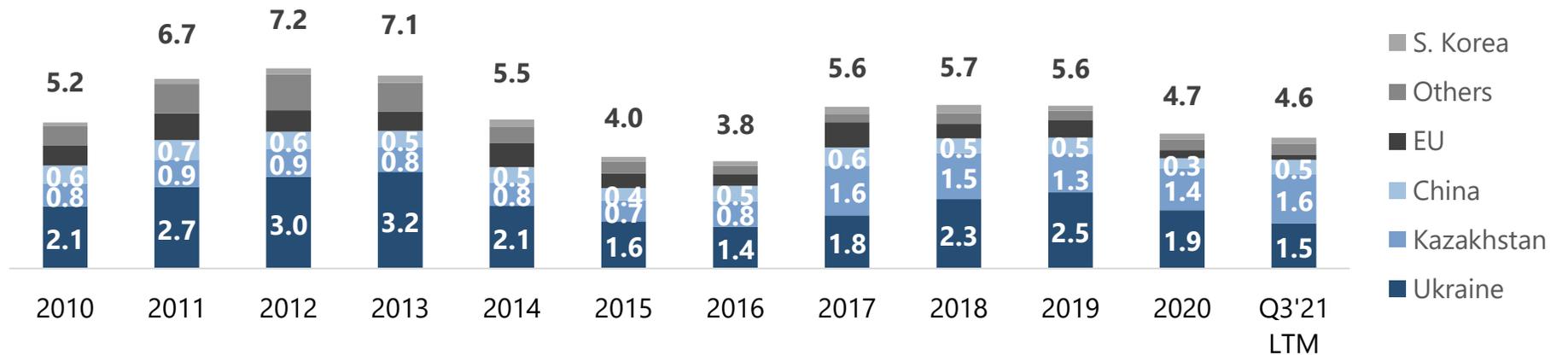
- Ukraine is the main steel importer into Russia (36% of imports LTM), particularly of long products
- Kazakhstan is the second largest importer (33% of imports), predominately of flat steel

APPARENT STEEL USAGE (ASU)\* IN RUSSIA, m t



\* ASU – apparent steel use = output + imports - exports

TOTAL IMPORTS (excl. pipes), m t



Source: Metal Expert

(\$ m)	2015	2016	2017	2018	2019	2020	LTM
<b>Income Statement</b>							
Revenue	8,008	7,636	10,065	12,046	10,554	9,245	13,951
Cost of sales	-5,496	-5,074	-6,798	-7,680	-7,303	-5,920	-6,768
Gross profit	2,512	2,562	3,267	4,366	3,251	3,325	7,183
SG&A	-1,125	-1,075	-1,236	-1,354	-1,249	-1,254	-1,378
<b>EBITDA</b>	<b>1,943</b>	<b>1,943</b>	<b>2,655</b>	<b>3,589</b>	<b>2,564</b>	<b>2,645</b>	<b>6,395</b>
Operating income	1,387	1,487	2,031	3,012	2,002	2,071	5,805
Finance expenses	-95	-105	-87	-70	-68	-90	-116
Other expense/income	29	-210	-121	-213	-140	-401	-365
Pre-tax income	1,321	1,172	1,823	2,729	1,794	1,580	5,324
Income tax	-353	-233	-371	-486	-453	-343	-995
Minority	1	4	2	5	2	1	15
<b>Net income</b>	<b>967</b>	<b>935</b>	<b>1,450</b>	<b>2,238</b>	<b>1,339</b>	<b>1,236</b>	<b>4,314</b>

<b>EBITDA margin</b>	<b>24%</b>	<b>25%</b>	<b>26%</b>	<b>30%</b>	<b>24%</b>	<b>29%</b>	<b>46%</b>
EBITDA/t sales	123	122	161	204	150	151	385
EPS	0.16	0.16	0.24	0.37	0.22	0.21	0.72

(m t)	2015	2016	2017	2018	2019	2020	LTM
<b>Production</b>							
Crude steel							
Group	15.9	16.4	16.9	17.3	15.5	15.7	16.6
With NBH	16.0	16.6	17.1	17.5	15.7	15.8	16.8
<b>Sales</b>							
Semi-finished steel	6.0	5.7	5.7	6.8	6.0	7.0	5.8
Finished steel	9.8	10.2	10.8	10.8	11.1	10.5	10.8
Flat	7.7	8.0	8.5	8.4	8.5	8.2	8.2
Longs and metalware	2.1	2.2	2.3	2.4	2.5	2.3	2.6
<b>Total consolidated sales</b>	<b>15.8</b>	<b>15.9</b>	<b>16.5</b>	<b>17.6</b>	<b>17.1</b>	<b>17.5</b>	<b>16.6</b>
For info: NBH Sales	2.0	2.2	2.1	2.2	2.2	2.1	1.1
Slabs sales to NLMK USA and Dansteel	1.7	1.8	2.1	1.9	1.0	0.6	1.6
Slabs to NBH	2.1	2.1	2.1	2.4	2.1	2.1	1.8

(\$ m)	2015	2016	2017	2018	2019	2020	LTM
<b>Balance Sheet</b>							
Cash	1,515	1,508	1,358	1,184	870	991	669
Inventories	1,205	1,549	1,879	1,816	1,634	1,373	2,166
Accounts receivable	921	955	1,228	1,326	1,047	1,148	1,947
Other current assets	9	19	19	10	14	16	132
Fixed assets	4,452	5,328	5,549	4,807	6,039	5,659	6,930
Investments	118	181	205	159	223	131	10
Other non-current assets	627	627	531	628	527	502	-10
<b>Total assets</b>	<b>8,918</b>	<b>10,239</b>	<b>10,996</b>	<b>9,944</b>	<b>10,484</b>	<b>9,862</b>	<b>11,844</b>
Short-term debt	560	468	380	398	468	1,054	1,423
Accounts payable	565	888	1,029	1,122	1,124	1,065	1,492
Other current liabilities	189	373	590	553	350	163	170
Long-term debt	2,116	1,801	1,901	1,677	2,188	2,432	1,985
Other non-current liabilities	351	399	450	360	407	407	422
Minority interest	12	18	17	15	17	11	25
Total shareholders' equity	5,137	6,310	6,646	5,834	5,947	4,741	6,352
<b>Total liabilities and equity</b>	<b>8,918</b>	<b>10,239</b>	<b>10,996</b>	<b>9,944</b>	<b>10,484</b>	<b>9,862</b>	<b>11,844</b>
<b>Net Debt</b>	<b>1,161</b>	<b>761</b>	<b>923</b>	<b>891</b>	<b>1,786</b>	<b>2,495</b>	<b>2,739</b>
<b>Cash flow statement</b>							
<b>Net income</b>	<b>968</b>	<b>939</b>	<b>1,452</b>	<b>2,243</b>	<b>1,341</b>	<b>1,237</b>	<b>4,329</b>
Depreciation	556	456	624	577	562	574	590
Changes in working capital	-11	37	-380	-261	465	-16	-1426
Other	109	267	203	182	255	486	357
<b>Operating cash flow</b>	<b>1,622</b>	<b>1,699</b>	<b>1,899</b>	<b>2,741</b>	<b>2,623</b>	<b>2,281</b>	<b>3,850</b>
Capex	-595	-559	-592	-680	-1,080	-1,124	-1,136
Acquisitions	0	0	-1	-4	-1	0	0
Other	-780	249	-165	974	-330	-8	190
<b>Investing cash flow</b>	<b>-1,375</b>	<b>-310</b>	<b>-758</b>	<b>290</b>	<b>-1,411</b>	<b>-1,132</b>	<b>-946</b>
Change in debt	97	-453	-105	-173	515	718	248
Dividends	-395	-583	-1,283	-1,888	-2,120	-1,637	-792
Other	-79	-84	-71	-58	-63	-101	-2,568
<b>Financing cash flow</b>	<b>-377</b>	<b>-1,120</b>	<b>-1,459</b>	<b>-2,119</b>	<b>-1,668</b>	<b>-1,020</b>	<b>-3,112</b>
Effect of Forex	-76	-2	9	-34	-10	0	-5
<b>Free cash flow</b>	<b>992</b>	<b>1,092</b>	<b>1,266</b>	<b>2,027</b>	<b>1,523</b>	<b>1,103</b>	<b>2,659</b>



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