



ANNUAL  
REPORT

2020

ABOUT  
THE COMPANY



# CONTENTS

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## **2 Statement by member of the Board of Directors**

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## **4 Strategy and business review**

- 4 2020 key performance indicators
- 6 About the Company
- 7 What we make
- 10 NLMK Group's business model
- 14 Assets structure
- 18 Where we make and market steel
- 20 Our Innovations
- 23 Cybersecurity
- 24 Our Strategy
- 28 Sustainability management

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## **34 Our results**

- 34 COVID-19 response
- 36 Market review
- 38 Operating performance
- 39 Financial results
- 41 Sustainability management
- 42 Contacts

---

## **43 Five-year highlights**

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# STATEMENT BY MEMBER OF NLMK BOARD OF DIRECTORS

GRI 102-14



## DEAR SHAREHOLDERS,

Here at NLMK Group, sustainable development considerations are embedded into the design of our long-term development strategy. This is how we make our contribution to the Sustainable Development Goals as a UN Global Compact participant.

Aware of the gravity of global climate change implications, we are committed to reducing our environmental footprint. This year NLMK Group published its first report in line with the recommendations of the Task Force on Climate-related Financial Disclosures. The report features a climate risk analysis and an updated target to reduce specific greenhouse gas emissions by 2023 (-3.5% vs. 2019). Over the past five years we have already reduced our CO<sub>2</sub> emissions per tonne of product<sup>1</sup> by 4%: from 1.98 in 2016 to 1.90<sup>2</sup> in 2020. The new target to cut greenhouse gas emissions is backed up by a portfolio of tangible projects designed to boost energy efficiency and reduce consumption of carbon-based fuels. In addition, we are testing out innovative decarbonization technologies and enhancing environmental and climate cooperation with our Russian and international partners.

In 2019–2020, we implemented several environmental projects at our flagship site in Lipetsk. Their controlled emission reduction effect (for substances other than CO<sub>2</sub>) totalled 9,000 tonnes (-3% vs. 2018). Upgrades at our blast furnace and steelmaking operations enabled these units to reduce their emissions by 95%. The projects involved best available technologies that can capture 99.9% of dust and reduce the Company's environmental impact despite growing output.

Substantial environmental investments (\$1.3 billion since 2000) halved NLMK Group's specific emissions: from 43.3 to 19.8 kg/tonne of steel. Total emissions decreased by 10%, even as steel output nearly doubled.

We have also made significant strides in other sustainable development areas. The Company completed a planned audit of management systems for the environment, energy efficiency, occupational health, and industrial safety. NLMK Group's Russian companies confirmed that their current management systems fully comply with all the requirements of international standards. In 2020, the Company continued to introduce new tools and programmes to improve safety. As a result, the rate of severe injuries among employees and contractors went down by 30% compared to 2019.

NLMK Group seeks to build long-term partnerships with stakeholders. In our cooperation we are mindful of all parties complying with legislation in the field of human rights, occupational health and safety, labour relations, and environmental protection.

The Company's performance was reflected in upgrades of our ESG ratings. In the Sustainalytics rating, NLMK ranks among the top 5 out of 142 companies<sup>1</sup>. Likewise, SAM S&P Global increased our sustainable development score year-on-year<sup>2</sup>. We also ranked sixth in the World Wildlife Fund (WWF) Russia and National Rating Agency's Environmental Transparency Rating of Mining & Metals Companies, improving our standing by three positions compared to 2019.

I would like to extend my sincere gratitude to all shareholders, clients, and partners who believe in us and work alongside us.

**Oleg Bagrin**  
Member of the NLMK Board of Directors

<sup>1</sup> Specific CO<sub>2</sub> emissions are calculated based on steel output taking into account pig iron production, since NLMK's commercial pig iron output increased significantly in 2020 compared to previous periods amid concurrent upgrades at steelmaking operations. Pig iron production and operations upstream of it account for the bulk of CO<sub>2</sub> emissions.

<sup>2</sup> Specific emissions without the influence of temporary factors associated with a decrease in production.

<sup>1</sup> <https://www.sustainalytics.com/esg-rating/novolipetsk-steel/1028285007/>  
<sup>2</sup> <https://www.spglobal.com/esg/csa/yearbook/ranking/>

# STRATEGY AND BUSINESS REVIEW

## 2020 KEY PERFORMANCE INDICATORS



### OPERATING INDICATORS 2020

Production

Sales to third parties



IRON ORE

**18.5** m t  
flat yoy

**0.8** m t  
+57% yoy


FLAT STEEL

**14.7** m t  
+8% yoy

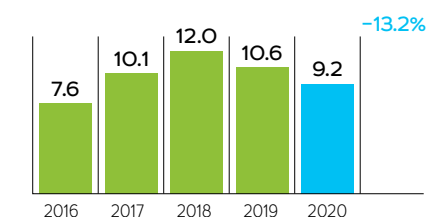
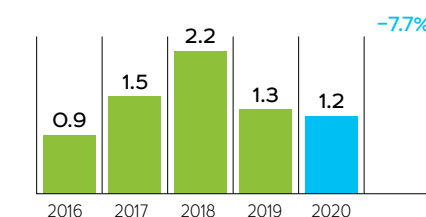
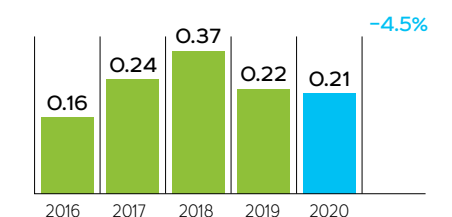
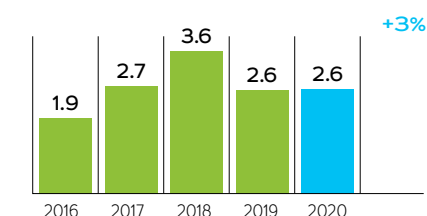
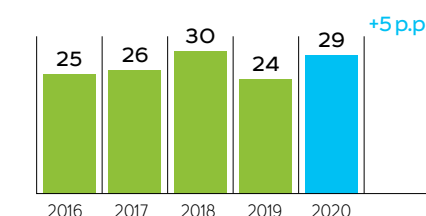
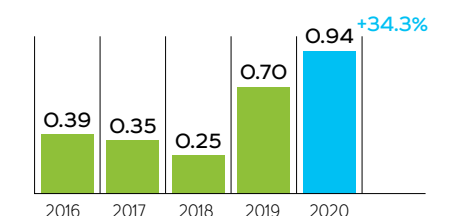
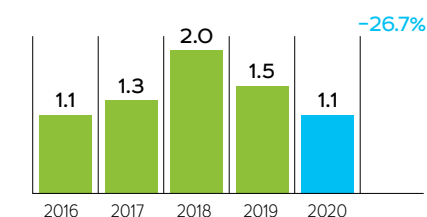
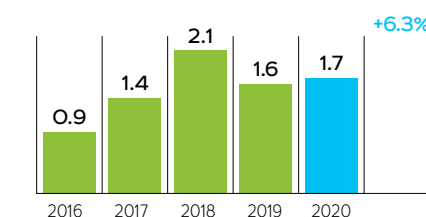
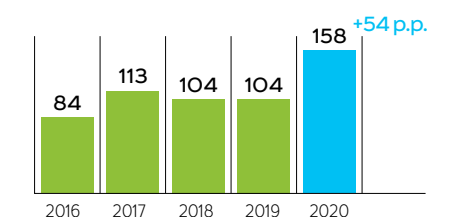
**14.9** m t  
+5% yoy


LONG STEEL

**2.7** m t  
-1% yoy

**2.6** m t  
-7% yoy

### FINANCIAL PERFORMANCE

REVENUE,  
\$ BNNET PROFIT,  
\$ BNEARNINGS PER SHARE,  
\$/SHAREEBITDA,  
\$ BNEBITDA MARGIN,  
%NET DEBT / EBITDA,  
XFREE CASH FLOW,  
\$ BNDIVIDENDS<sup>1</sup>,  
\$ BNDIVIDENDS / FCF,  
%

<sup>1</sup> Dividends accrued include Q4 2020 dividends in the amount of RUB 7.25 per share recommended by the Board of Directors for paying out on 11 February 2020 and are subject for approval by the Meeting of Shareholders.



# ABOUT THE COMPANY

GRI 102-7

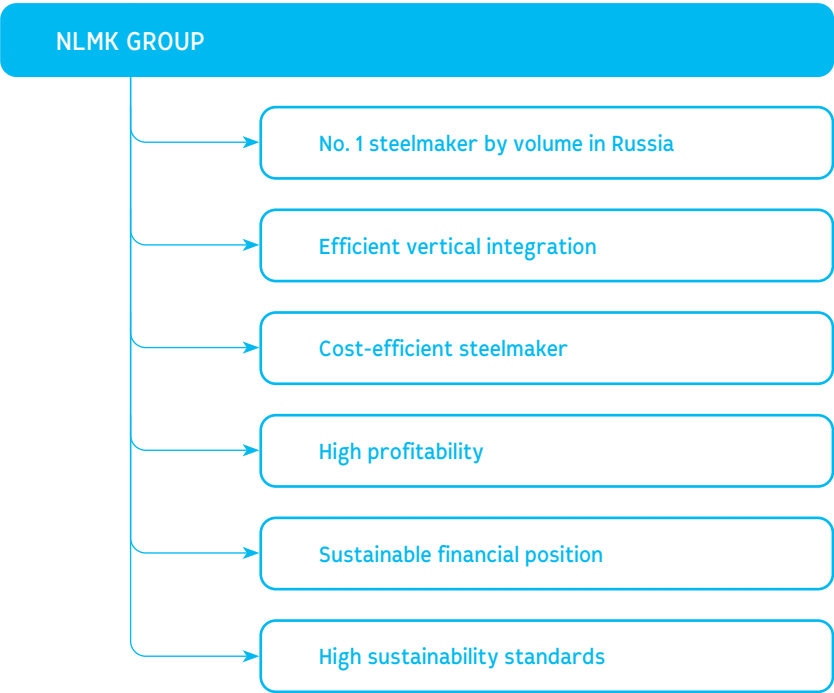
NLMK Group is the largest integrated steelmaker in Russia and one of the most efficient in the world [GRI 102-1](#).

NLMK Group's steel products are used in various industries, from construction and machine building to the manufacturing of power-generating equipment and offshore wind turbines.

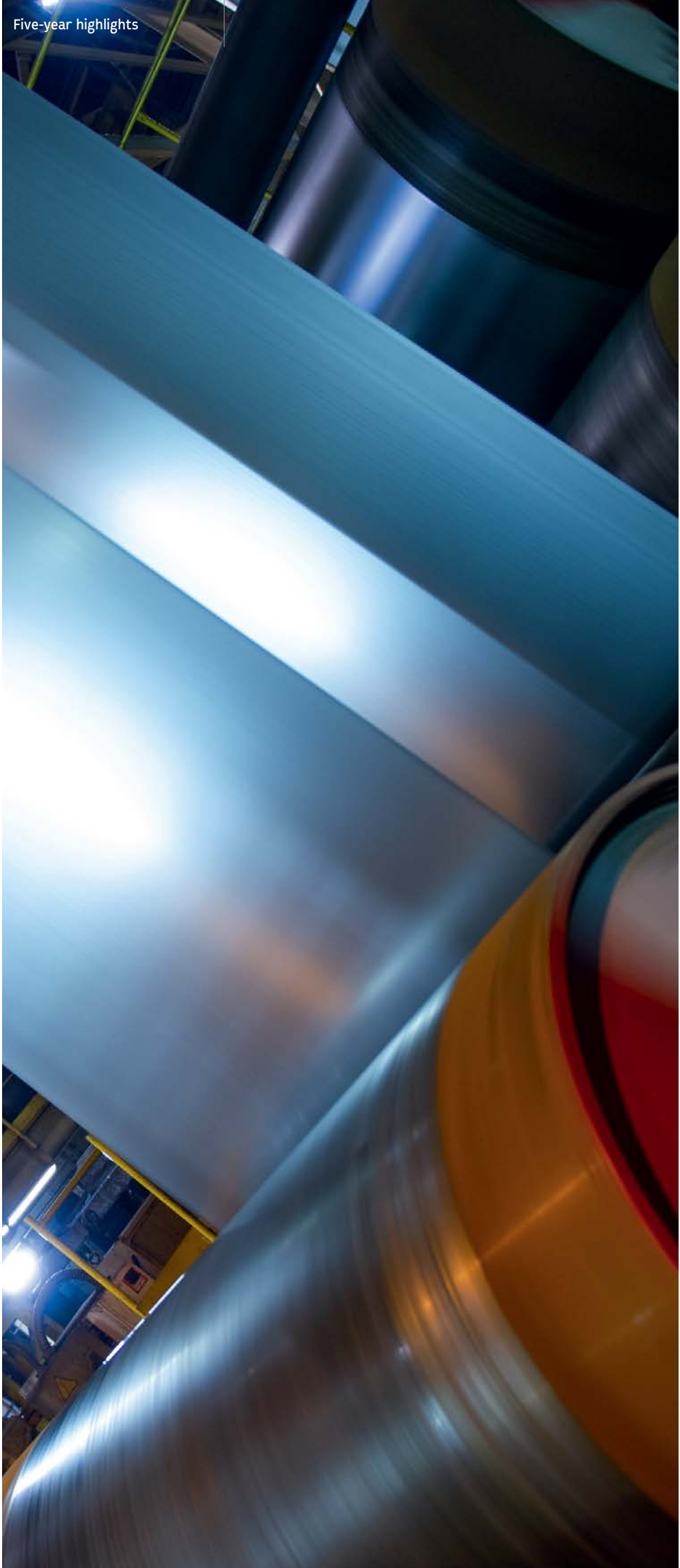
NLMK operates production facilities in Russia, Europe, and the United States. The Company's steel production capacity is 18.5 m t per year<sup>1</sup> [GRI 102-4](#).

NLMK has a highly competitive cash cost among global manufacturers and one of the highest profitability levels in the industry. In 2020, the Company generated \$9.2 bn in revenue and \$2.6 bn in EBITDA. Net debt/EBITDA stood at 0.94x. The Company has investment grade credit ratings from S&P, Moody's, Fitch, and Expert RA.

NLMK's ordinary shares with a 20.7% free-float are traded on the Moscow Stock Exchange (ticker "NLMK") and its global depositary shares are traded on the London Stock Exchange (ticker "NLMK:LI"). The Company's share capital is divided into 5,993,227,240 shares with a par value of RUB 1.



<sup>1</sup> Taking into account the capacity growth at the Lipetsk site following the completion of two-year large-scale repairs in the end of 2020.



# WHAT WE MAKE

GRI 102-2

NLMK is a leading supplier of high-quality steel products in key sales markets. NLMK has a balanced product mix that includes semi-finished, high value-added, and niche products. Flat steel accounts for around 85% of total output, while long steel used in construction makes up 15% of production.




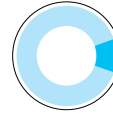




## NLMK SALES IN 2020<sup>1</sup>

		Sales, m t	Share in total sales, %
Pig iron	<div></div>	1.5	8
Slabs	<div></div>	3.1	18
Hot-rolled steel	<div></div>	4.9	28
Hot-rolled steel plate	<div></div>	1.0	5
Cold-rolled steel	<div></div>	1.9	11
Galvanized steel	<div></div>	1.4	8
Pre-painted steel	<div></div>	0.5	3
Non-grain-oriented electrical steel	<div></div>	0.3	2
Grain-oriented electrical steel	<div></div>	0.3	2
Billet	<div></div>	0.3	2
Long products	<div></div>	2.0	11
Metalware	<div></div>	0.3	2
Total		17.5	100

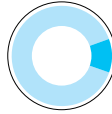
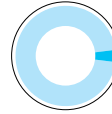
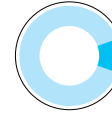








High value-added products

<sup>1</sup> NLMK sales to third parties (with NBH)

## OUR PRODUCTS

SEMIS	PLATE	HOT-ROLLED STEEL	COLD-ROLLED STEEL
<b>Share of total sales</b>			
 28%	 5%	 28%	 11%
<b>Description</b>			
Pig iron and semi-finished steel products for further processing: slabs are processed into flat steel products; billets are processed into long steel products. A wide range of semis, both standard and niche products with specific chemical composition, physical properties, and dimensions	Flat steel products with higher thickness than that of hot-rolled steel. A range of standard products and niche abrasion-resistant and high-strength plates. Produced at NLMK Group's European sites from slabs supplied by NLMK Lipetsk	Flat steel products that have been hot-rolled. A wide range of hot-rolled steel in sheets and coils with a variety of performance characteristics	Flat steel products that have been cold-rolled. A wide range of cold-rolled steel sheets and coils with a variety of performance characteristics, including niche high-ductility products
<b>Consumers</b>			
Steelmaking, pipe industry	Lifting and transport equipment, offshore wind turbines, drilling platforms, shipbuilding, pipelines, boilers, and tanks for aggressive environments (pressure, temperature, load, etc.)	Pipe industry, steel structures, shipbuilding, machine building, high-pressure vessels, yellow machinery, commercial, residential, and infrastructure construction	Automotive industry, machine building, pipe industry, yellow machinery and white goods, and commercial, residential, and infrastructure construction
<b>Sites</b>			
NLMK Lipetsk, NLMK Kaluga	NLMK DanSteel, NLMK Clabecq, NLMK Verona	NLMK Lipetsk, NLMK La Louvière, NLMK Indiana, NLMK Pennsylvania	NLMK Lipetsk, NLMK La Louvière, NLMK Pennsylvania
<b>Market share<sup>1</sup></b>			
 19% (slabs)	 11%	 13%	 25%

<sup>1</sup> NLMK share in apparent consumption.

COATED STEEL	ELECTRICAL STEEL	LONG PRODUCTS	METALWARE
<b>Share of total sales</b>			
 11%	 4%	 11%	 2%
<b>Description</b>			
Galvanized and pre-painted steel from hot-rolled and cold-rolled flats. Coatings are applied on a production line to protect the steel from corrosive environments. Available in coils, strip, and sheets	Dynamo (non-grain-oriented) and transformer (grain-oriented) electrical steel. Includes a range of standard products with conventional properties, and unique high-permeability steel (HGO). Available in coils, strip, and sheets	Rebar in rods and coils, wire rod, and sections	A wide range of low-carbon metalware. This includes wire and secondary products, with various coatings and surface finishes, nails, and fasteners
<b>Consumers</b>			
Automotive industry, yellow and white goods, construction, and facing materials.	Electrical machines, transformers, power engineering, and instrument making	Construction	Construction and machine building
<b>Sites</b>			
NLMK Lipetsk, NLMK Strasbourg, Sharon Coating	NLMK Lipetsk, VIZ-Steel	NLMK Ural, NLMK Kaluga	NLMK Metalware
<b>Market share<sup>1</sup></b>			
Galvanized steel  23%	NGO steel  99%	 18%	 19%
Pre-painted steel  22%	GO steel  ~100%		
	 11%		



# NLMK GROUP'S BUSINESS MODEL

NLMK is a vertically integrated group with a well-balanced value chain controlling every stage of steel

production, from the mining of raw materials through to finished high-tech product sales to end-users. During this process we operate with a commitment to corporate responsibility for all our people, our communities and our environment.

## NLMK Group's vertically integrated business model

NLMK has created a unique business model. A key factor is our ability to make the most of our strategic advantages based on the geographical location of our assets.

Mining and steel production (the most material- and resource-intensive aspects of the metallurgical process) are concentrated in low-cost regions, while finished products are manufactured much closer to the Group's client base. This allows NLMK to minimize expenditure on production and logistics while at the same time swiftly and flexibly adapting to the changing requirements of our end users and the situation in local sales markets.

### KEY ACTIVITIES IN OUR PRODUCTION CHAIN

UPSTREAM

MIDSTREAM

DOWNSTREAM








## UPSTREAM

The Company has achieved the status of one of the most cost-efficient steelmakers in the world through

a world-class resource base with leading-edge technology for mining and processing, an optimal process environment, and the NLMK team's high professionalism.

Up to 100% of raw materials produced are used in the steel production stage further along the value chain.

## SELF-SUFFICIENCY IN RESOURCES

ENERGY	SCRAP	COKE	PELLETS	IRON ORE CONCENTRATE
 64%	 64%	 100%	 95%	 100%
Captive electric power is generated primarily through the recovery of by-product gases from coke and blast furnace operations.	NLMK's scrap collection and processing network is the largest in Russia, ensuring the stable delivery of scrap to NLMK Group's Russian steelmaking facilities.	Captive coke production guarantees NLMK high-quality coke products, which boost the efficiency of operations further along the value chain.	Stoilensky is one of the most efficient iron ore producers in the world and is located 250 km from the Group's main production facility in Lipetsk. Stoilensky's iron ore reserves are upward of 5 bn t.	





## MIDSTREAM

Leading-edge equipment and finely tuned business processes enable the production of high-quality cost-efficient steel products. NLMK Group's steel production capacity amounts to 18.5 m t per year<sup>1</sup>, 95% of which is made in Russia.

**Cost leadership:** NLMK is among global leaders in cost. NLMK Group enjoys sustainable cost leadership through its high utilization rates, efficient vertical

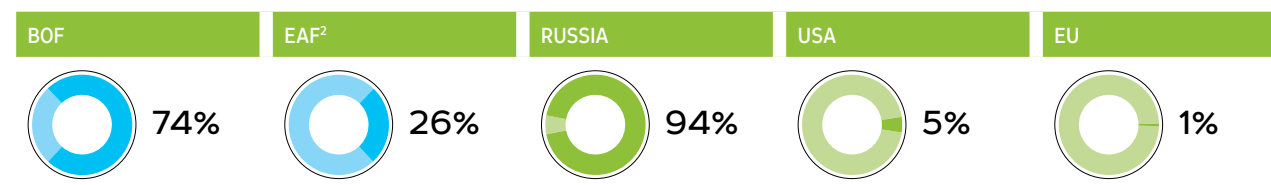
integration, and upgraded production capacities. The production cost of Lipetsk steel in 2020 was \$207/t.

**Sales vs. further processing:** 70% of NLMK steel is processed into finished products, while 30% is sold as semi-finished steel. NLMK produces both flat and long steel products, and our reputation as a reliable supplier ensures stable demand for the Group's product offering.

**High capacity utilization:** An expansive product offering and availability of the Company's rolling facilities in the regions of consumption, i.e. Russia, Europe, and the United States.

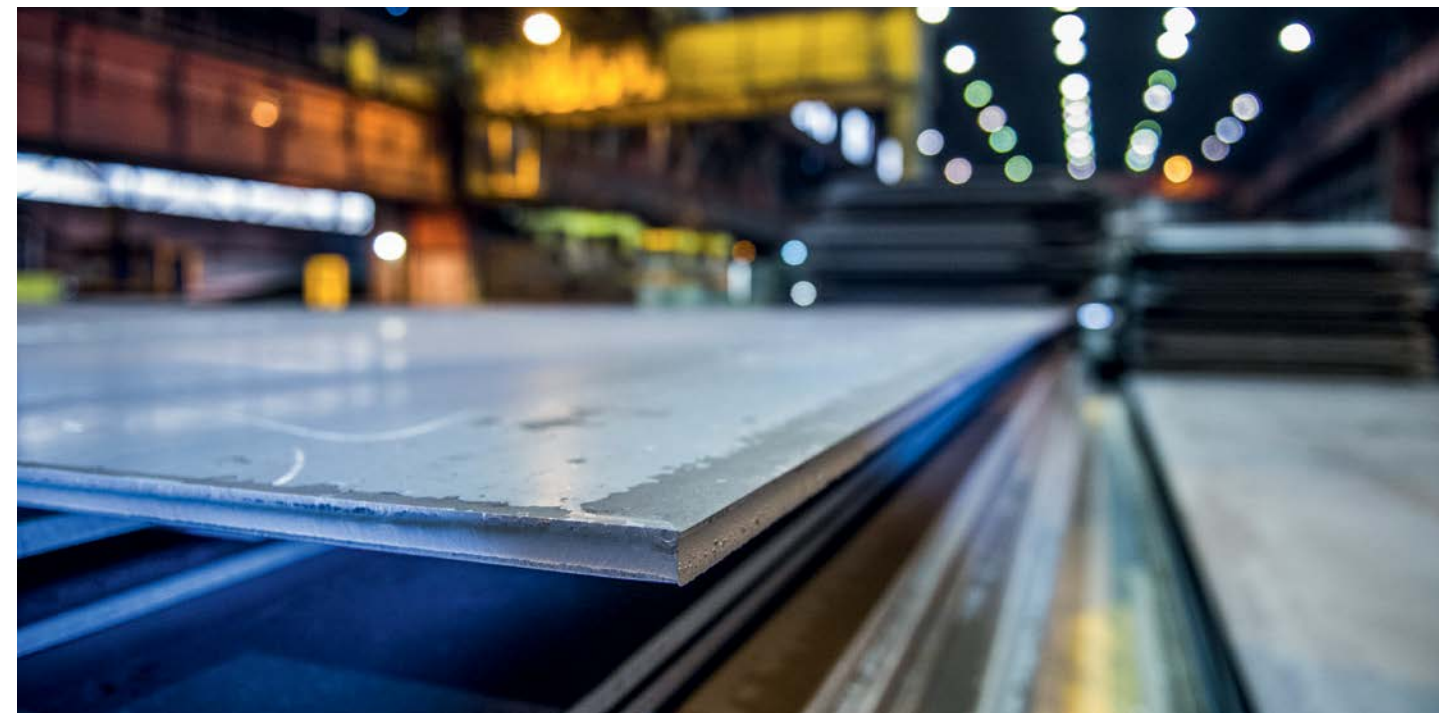
**Optimal logistics:** Production facilities located in regions with developed infrastructure and in close proximity to raw material sources lowers outlay on logistics as well as related risks.

### NLMK'S STEELMAKING CAPACITY



<sup>1</sup> Taking into account the capacity growth at the Lipetsk site following the completion of two-year large-scale repairs in the end of 2020.

<sup>2</sup> Electric arc furnace.



## DOWNSTREAM

Finished products are made locally in the Company's strategic markets of Russia, the EU, and the USA, in close proximity to consumers. With total production capacity of finished products standing at 15.3 m t, NLMK can process as much as 80% of captive crude steel at its own rolling facilities.

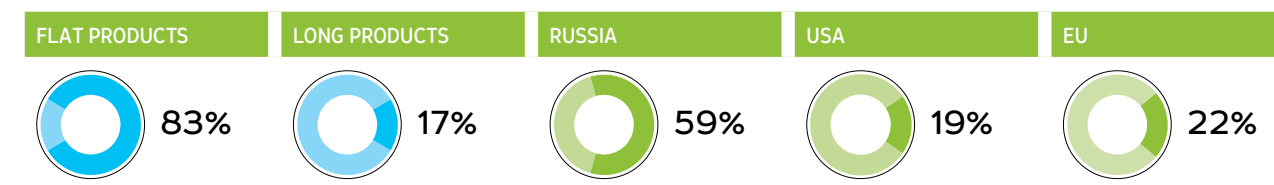
**High quality:** The use of captive raw materials in rolled steel production guarantees consistent high quality and short lead times. The Company's products are certified according to international standards.

**Optimal production footprint:** Due to the location of NLMK Group's rolling operations in strategic markets, 60% of steel is sold in the region where it was produced. This allows the Company to meet the customers' most challenging delivery timescales and respond promptly to fluctuations in local demand.

**Diversification of sales:** An expansive geographical breakdown of sales and a flexible marketing policy create a global footprint, with the agility to divert sales of steel products to the most attractive market, ensuring the full utilization of production capacity throughout the value chain.

**Balanced product portfolio:** NLMK's extensive steel product offering, from conventional hot-rolled steel to custom electrical steels and other niche products, allows the Company to diversify sales by sector, reducing the dependency of sales volume on demand fluctuations in individual sectors.

### ROLLING CAPACITY





# ASSETS STRUCTURE

## MINING



### PRODUCTION SITES

- Stoilensky
- Dolomit
- Stagdok

### FUNCTIONS

- Covers the Group's demand for raw materials

### PRODUCTS

- Iron ore concentrate, pellets, sinter ore, limestone, and dolomite

### CONSUMERS

- Internal: NLMK Lipetsk
- External: steelmakers, road construction, and agriculture

### HEADCOUNT

- 7,000 people

### PRODUCTION CAPACITY<sup>1</sup>, M T

2019/2020

Iron ore concentrate	17.9
Sinter ore	1.0
Pellets	6.8

### PRODUCTION, M T

Iron ore	18.5	0%
Fluxes	6.4	-4%

### INTRAGROUP SALES, M T

Iron ore concentrate	9.9	0%
Pellets	6.7	-4%
Sinter ore	1.0	0%
Limestone	2.8	-3%
Dolomite	1.5	-6%

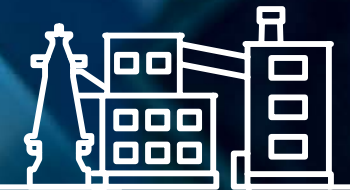
### SALES TO EXTERNAL CUSTOMERS, M T

Iron ore concentrate	0.8	+57%
Limestone	0.6	-40%
Dolomite	0.5	-33%

### FINANCIALS, \$ M

Revenue	1,399	+6%
EBITDA	1,064	+9%
Investments	202	-7%

## NLMK RUSSIA FLAT



### PRODUCTION SITES

- NLMK Lipetsk
- VIZ-Steel
- Altai-Koks

### FUNCTIONS

- Produces steel, including semis for international companies, flat products and coke

### PRODUCTS

- Coke, pig iron, slabs, hot-rolled steel, cold-rolled steel, galvanized steel, pre-painted steel, and grain-oriented and non-grain-oriented steel

### CONSUMERS

- Internal: international rolling divisions
- External: construction, pipe production, automotive industry, machine building, white goods, yellow machinery, power industry, and other sectors

### HEADCOUNT

- 30,600 people

### PRODUCTION CAPACITY, M T

2019/2020

Steel <sup>1</sup>	14.2
Flat products	6.3

### PRODUCTION, M T

Coke <sup>2</sup>	6.1	+4%
Pig iron	12.8	+9%
Steel	12.3	+2%
Commodity semis	7.1	+14%
Rolled products	6.1	+7%

### SALES TO EXTERNAL CUSTOMERS, M T

Commodity pig iron	1.5	+191%
Slabs	3.1	0%
Hot-rolled steel	2.8	+11%
Cold-rolled steel	1.5	-2%
Galvanized steel	0.8	+7%
Pre-painted steel	0.4	-3%
NGOES	0.3	+6%
GOES	0.3	+1%

### INTRAGROUP SALES, M T

Supplies to NLMK Europe	2.7	-3%
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### FINANCIALS, \$ M

Total revenue	6,788	-7%
EBITDA	1,430	-4%
Investments	806	-6%

<sup>1</sup> Hereinafter, current capacities are based on current shifts and product mix without the impact of overhauls.

<sup>2</sup> Taking into account the capacity growth at the Lipetsk site following the completion of two-year large-scale repairs in the end of 2020. 6% moisture.



## NLMK RUSSIA LONG

## PRODUCTION SITES

- NLMK Vtorchermet scrap collecting facilities
- NLMK Ural
- NLMK Kaluga
- NLMK Metalware

## FUNCTIONS

- Processes scrap for the Group's steelmaking facilities in Russia
- Produces long products and metalware

## PRODUCTS

- Scrap, billets, rebar, wire rod, sections, and metalware

## CONSUMERS

- Construction and machine building

## HEADCOUNT

- 8,300 people

## PRODUCTION CAPACITY, M T

2019/2020

Steel	3.3	
Long products	2.6	

## PRODUCTION, M T

Scrap processing	2.2	+3%
Steel	2.8	-2%
Long products	2.4	-1%
Metalware	0.3	-6%

## SALES, M T

Billets	0.3	+5%
Long products	2.1	-9%
Metalware	0.3	-8%

## FINANCIALS, \$ M

Total revenue	1,539	-12%
EBITDA	93	+4%
Investments	38	-24%

## NLMK DANSTEEL

## PRODUCTION SITES

- NLMK DanSteel

## FUNCTIONS

- Produces plates from NLMK Lipetsk and NLMK DanSteel semis

## PRODUCTS

- Niche steel semis and plates, including Q&T

## CONSUMERS

- Producers of heavy vehicles and loading equipment, offshore wind turbines, drilling rigs, shipbuilding sector, and producers of pipes, boilers, and reservoirs for hostile environments

## HEADCOUNT

- 400 people

## PRODUCTION CAPACITY, M T

2019/2020

Plate	0.6	
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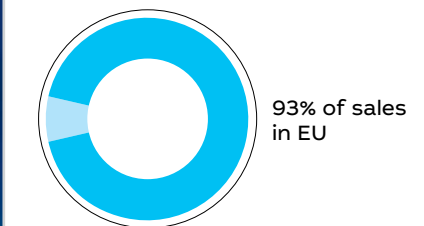
## PRODUCTION, M T

Plate	0.5	-8%
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## SALES, M T

Plate	0.5	-1%
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## SALES GEOGRAPHY



## NLMK USA

## PRODUCTION SITES

- NLMK Pennsylvania
- NLMK Indiana
- Sharon Coating

## FUNCTIONS

- Produces flat steel

## PRODUCTS

- Hot-rolled steel, cold-rolled steel, and galvanized steel

## CONSUMERS

- Construction, pipe production, automotive industry, machine building, white goods, and yellow machinery production

## HEADCOUNT

- 1,100 people

## PRODUCTION CAPACITY, M T

2019/2020

Steel	0.8	
Flat products	2.9	

## PRODUCTION, M T

Steel	0.6	-15%
Flat products	1.6	-25%

## SALES, M T

Hot-rolled steel	0.9	-25%
Cold-rolled steel	0.3	-31%
Galvanized steel	0.4	-28%

## FINANCIALS, \$ M

Total revenue	1,086	-37%
EBITDA	76	0%
Investments	49	+32%

## NBH

## PRODUCTION SITES

- NLMK La Louvière
- NLMK Strasbourg
- NLMK Clabecq
- NLMK Verona

## FUNCTIONS

- Produces flat steel from slabs coming from the Lipetsk site and from internally produced semis

## PRODUCTS

- Hot-rolled steel, cold-rolled steel, galvanized steel, and pre-painted steel

## CONSUMERS

- Producers of heavy vehicles and loading equipment, offshore wind turbines, drilling rigs, shipbuilding sector, and producers of pipes, boilers, and reservoirs for hostile environments, construction, pipe production, automotive industry, machine building, white goods.

## HEADCOUNT

- 1,700 people

## PRODUCTION CAPACITY, M T

2019/2020

Steel	0.2	
Flat products	2.8	

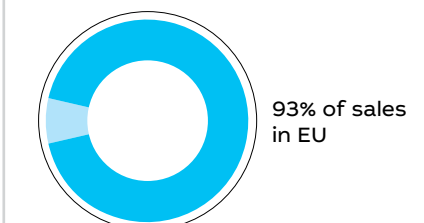
## PRODUCTION, M T

Steel	0.2	+1%
Flat products	2.1	-3%

## SALES, M T

Hot-rolled steel	1.2	-4%
Cold-rolled steel	0.03	-22%
Pre-painted steel	0.3	-14%
Plate	0.6	-1%

## SALES GEOGRAPHY

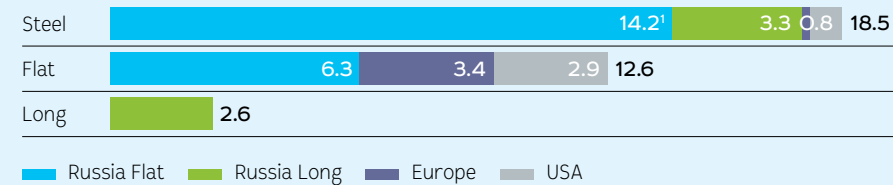




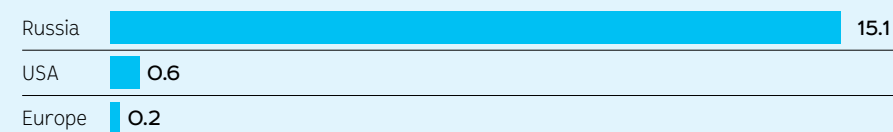
# WHERE WE MAKE AND MARKET STEEL

GRI 102-4, GRI 102-6

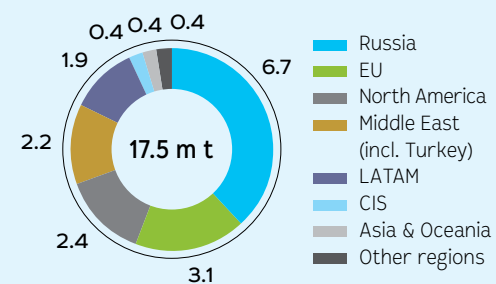
## PRODUCTION CAPACITY, M T



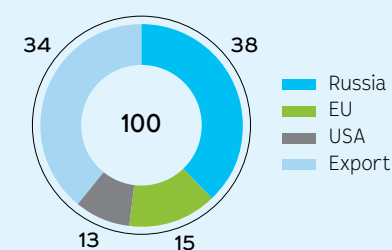
## STEEL PRODUCTION, M T



## SALES<sup>2</sup> IN 2020, M T



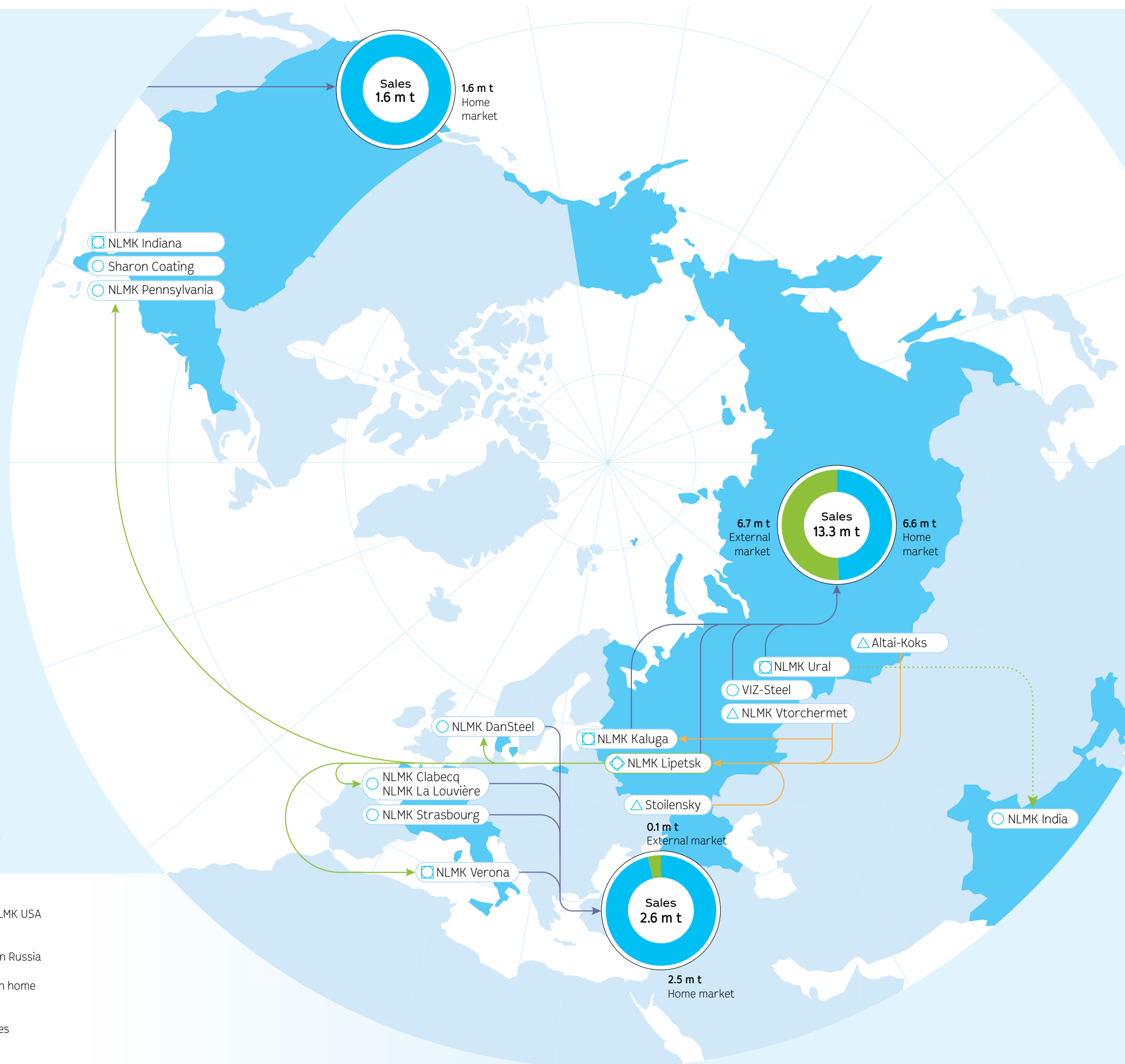
## SALES STRUCTURE BY LOCAL / EXPORT MARKETS, %



<sup>1</sup> Accounting for the Lipetsk site capacities growth following the completion of major repairs in the end of 2020  
<sup>2</sup> Sales with NBH

- △ Upstream assets
- ◇ BF & BOF Operations
- Rolling assets
- EAF

- Slab supplies from Lipetsk to NLMK USA and NLMK Europe
- Intragroup raw material flows in Russia
- Sales of steel to third parties on home and export markets
- Intragroup international supplies





# OUR INNOVATIONS

As a modern, high-tech company, NLMK Group's development is inextricably linked to innovation. For us, innovation is a means of attaining strategic goals. The Company focuses its resources on seeking and quickly integrating new technologies that boost the efficiency of business processes.

NLMK Group's approach to innovation is based on quick project implementation and tolerance for the risk inherent in testing potential solutions and technologies. This approach helps reduce project implementation costs, catalyse the development and adoption of innovative solutions, and minimize innovation-related risks.

Innovation projects are pursued and implemented across all of the Company's main business processes: steel production, technologies and materials for repairs, customer service improvement, sustainable development, logistics, energy, HR.

One of the formats that NLMK is developing to seek out new ideas is open innovation: building up partnerships with universities, venture funds, development institutions, and technology parks both in Russia and abroad. Innovation-related changes are systemic in nature, shaping the culture and the innovation ecosystem that unites NLMK Group with its partners.

Additionally, NLMK sees innovation projects as a way to develop and fulfil our team's potential. Any employee can participate in such projects. The Company encourages initiative and provides opportunities for experimentation by simplifying the processes and mechanisms of innovation project implementation. The open innovation format also facilitates our employees' professional growth: partnerships with leading universities and venture funds open up new sources of ideas and access to one-of-a-kind projects.

Examples of innovative solutions and technologies that the Company adopted in 2020 include 3D printing, photographic mapping via drones, and new wear-resistant materials for mining and steelmaking. We have also taken the first steps to integrate robotics into the Group's production processes. Over 40 innovation projects are already being implemented.

In mid-2020, we launched the NLMK Innovation Lab online portal (<https://lab.nlmk.com/en/>). This new platform creates a simple and quick channel enabling all developers of innovative products and technologies to communicate with their end customers at NLMK. All projects are thoroughly evaluated, and efficient ones can then be implemented at NLMK Group sites. The portal has operated for less than six months and has already received over 100 applications, of which 50 are currently being analysed in-depth.

## NLMK expands use of drones

NLMK Group has established a centre to process and analyse data collected using unmanned aerial vehicles (UAVs) at its mining facilities. Drones will be used in the open-cast mine for prospecting and monitoring the condition of the roads, heat networks, power lines, and other infrastructure elements. The gain from expanding the use of UAV technology is estimated at RUB 100 million per year.

## RESEARCH AND DEVELOPMENT

The Company develops new products to respond to market demands, analyzing technological progress trends in the industry and determining the vector of innovation development. The life cycle of a new product development project includes computer and physical simulations and the use of advanced tools and methods to test laboratory prototypes before starting full-scale experiments on industrial equipment. This approach helps reduce project implementation costs, catalyse the development and adoption of innovative solutions, and minimise innovation-related risks.

To achieve the Strategy 2022 goals, the Company has set up an R&D department and a corporate Centre for Research and Development (R&D Centre) as part of its innovation activities. The department and centre possess the core capabilities and resources required to create digital and physical prototypes of new products and manufacture them at the Group's facilities. The R&D department operates in Russia and Belgium. The main laboratory research facility is located at the Lipetsk site, while computer modelling and premium coating development capabilities are based in La Louvière (Belgium).

In February 2020, microstructural analysis laboratories were opened at the Lipetsk site. Their purpose is to analyse the properties of steel produced during physical simulation and industrial experiments. The unit draws together unique research competencies and state-of-the-art measurement equipment. Several dozen high-precision devices support more than a thousand types of microscopy and chemical analysis measurements. This multi-method research will facilitate the development of new steel grades and products for the automotive, energy, and construction sectors.

In December 2020, three laboratories developing new coatings were opened at the La Louvière site, enabling a broad spectrum of physical, chemical, and analytical studies, simulation of various technologies and application modes, and tests of end products (coated steel).

Apart from researching new products, we also carry out studies in the domain of sustainable development. In December 2020, the Company became a member of K1-MET, Europe's leading metallurgical competence centre, and commenced a joint project with Voestalpine to process zinc-containing dust and sludge. Our industrial waste recycling project was backed by the Austrian government through the COMET programme (Competence Centers for Excellent Technologies).

NLMK interacts actively with the innovation ecosystem, creating mechanisms for cooperation with venture funds, development institutions, and technology parks both in Russia and abroad. The goal of these efforts is to create a constant flow of ideas and projects for subsequent integration and piloting at Group sites. The Company's main body in charge of innovations is the Innovation Projects Committee led by NLMK's CEO (Chairman of the Management Board). The Committee has been in operation since 2018.

In 2020, the number of projects in our research and development portfolio tripled. The portfolio primarily focuses on product innovations on the 2030 horizon. The goal is to ensure the Company's competitive advantage and steady technological development.

The Company's efforts to expand its product portfolio are anchored in the R&D development strategy, which was approved by the NLMK Board of Directors in 2018. The Company is actively developing its process base to regulate project management approaches in order to successfully implement R&D and innovation projects.

## TOP RESEARCH AND DEVELOPMENT PRIORITIES UNTIL 2022

Introduce product innovations

Establish a diversified product portfolio for the automotive, heavy engineering, energy, and industrial and civil construction industries

In 2020, we developed, patented, and produced a number of innovative steel grades:

- Ultra-high-strength cold-rolled steel with a tensile strength of over 1,000 MPa for safer car bodies
- High-strength ultra-low-carbon (non-ageing) steel with highly homogeneous properties manufactured using a cassette technology and annealed in bell-type furnaces for the production of extra-deep-drawing automotive parts and undercarriages
- Steel with an anti-corrosion coating of zinc, aluminium, magnesium, and a polymer finish, 2–3 times more durable than standard zinc coatings
- High-strength steel plate for manufacturing the nodes of heavy-duty vehicles, ensuring the equipment's operation under high static and dynamic loads and in temperatures below -50°C
- Plate for construction equipment with a strength of up to 1,200 MPa, high plasticity and toughness
- High-strength hot-rolled steel with good formability and increased resistance to cracking for structural car body elements

## NLMK DanSteel supplies steel heavy plates for next-generation floating offshore wind farm

NLMK DanSteel has supplied its heavy plate for the Wind Float Atlantic project, the first semi-submersible floating wind farm in the world, located off the north coast of Portugal. NLMK DanSteel's high-quality steel is used in the production of floating platforms and foundations.

Wind Float Atlantic comprises three wind turbines of 8.4 MW each, mounted on floating platforms. The wind farm will be able to generate enough energy to supply 60,000 households in Portugal and save almost 1.1 million tonnes of CO<sub>2</sub> emissions per year.

With the aim of participating in such innovative offshore projects, NLMK DanSteel has improved its production process and developed a special chemical composition of high-strength steel that ensures strong performance under high static and dynamic loads at low temperatures. Together with the American Bureau of Shipping (ABS), the plant has successfully completed product certification.



## DIGITALIZATION

The development of information technologies and digital solutions is an essential tool for attaining NLMK Group's strategic goals. Dozens of cross-functional teams are engaged in the development of over 90 digital products for production sites and corporate functions. Every digital solution is designed to achieve our first-priority goals and to eliminate faults. The Company employs machine learning and machine vision, advanced analytics, Industrial Internet of Things, unmanned aerial vehicles, additive and other technologies that are most relevant to every given task.

### Digitalization in the context of Strategy 2022

- **Leadership in efficiency.** Every year, NLMK Group increases its investment into the automation of production processes. Our teams create solutions to boost the efficiency of production, repairs, logistics, and energy. We are successfully implementing a one-of-a-kind set of calendar planning and scheduling programmes, which will enable reduced lead times for customers and higher capacity utilization. Mobile devices are used for planning and executing production equipment repairs. Over the course of the current strategy cycle, initiatives involving digital solutions will contribute at least \$50 million to the operational efficiency goal.
- **Development of low-cost steel production.** Our active use of BIM technologies in major investment projects has allowed for a significant decrease in the number of project collisions, optimization of construction timeframes, and the elimination of unforeseen risks related to construction and installation works.
- **Sustainable development.** The Company harnesses new technologies to increase production safety, reducing human participation in dangerous operations, improving automotive and railway transport safety, and providing employees with convenient tools for risk identification when executing dangerous work. In our efforts to deal with environmental concerns, we use technologies that help us more

efficiently clean emissions from harmful impurities. We have also integrated a digital system for environmental impact monitoring.

- **Sales development.** Our digital tools and services, including our online sales platform, ensure prompt customer interaction, increase loyalty, and shorten feedback loops with our customers. In-depth analytics allow us to build the sales system around customer experience, reduce order lead times, and create competitive advantages.

The digital ecosystem we have established ensures effective "ground rules" for cross-functional teams, sustainable solutions, knowledge accumulation in the Company, and a seamless collaboration environment with over 30 partner companies specializing in various subjects and technologies. In terms of digital ecosystem development, NLMK Group has reached two key objectives in 2020:

- **Stabilizing the organizational model of digital product creation and development.** The model is based on the iterative work of cross-functional teams comprising employees of specialized production units and functions along with technology, IT, and data specialists. The teams focus on identifying the digitalization potential of a given production unit or function and are in charge of the entire life cycle of the solutions they create. Dedicated teams work on end-to-end cross-functional digital products. The teams are reasonably autonomous, which means that they are able to experiment with innovative solutions and to engage and develop high-potential specialists.
- **Creating a machine learning platform,** which ensures that the dozens of Company solutions that involve AI technologies operate consistently and continue to develop. Our DSML (Data Science and Machine Learning) platform is a single environment for data scientists. It creates a feedback loop between mathematical models.

The Company is actively introducing digital and mobile services for employees. Such solutions support the full HR cycle: planning vacations and business trips, training, objective management, performance reviews, career track selection, and much more.

#### The digitalization of Stoilensky has allowed for an increase in iron ore output and an optimisation of the mine development plan

Calculating the optimal opencast mine development plan is always a challenge. The ore is not hosted evenly, and its ferrum content varies. We have built a digital 3D model of the mine, visualized the deposit structure and the ore bedding conditions, and used the model to develop a mining scenario for thirty years to come. Based on this data, we put together yearly and monthly plans with replacement tasks and adjust them automatically.

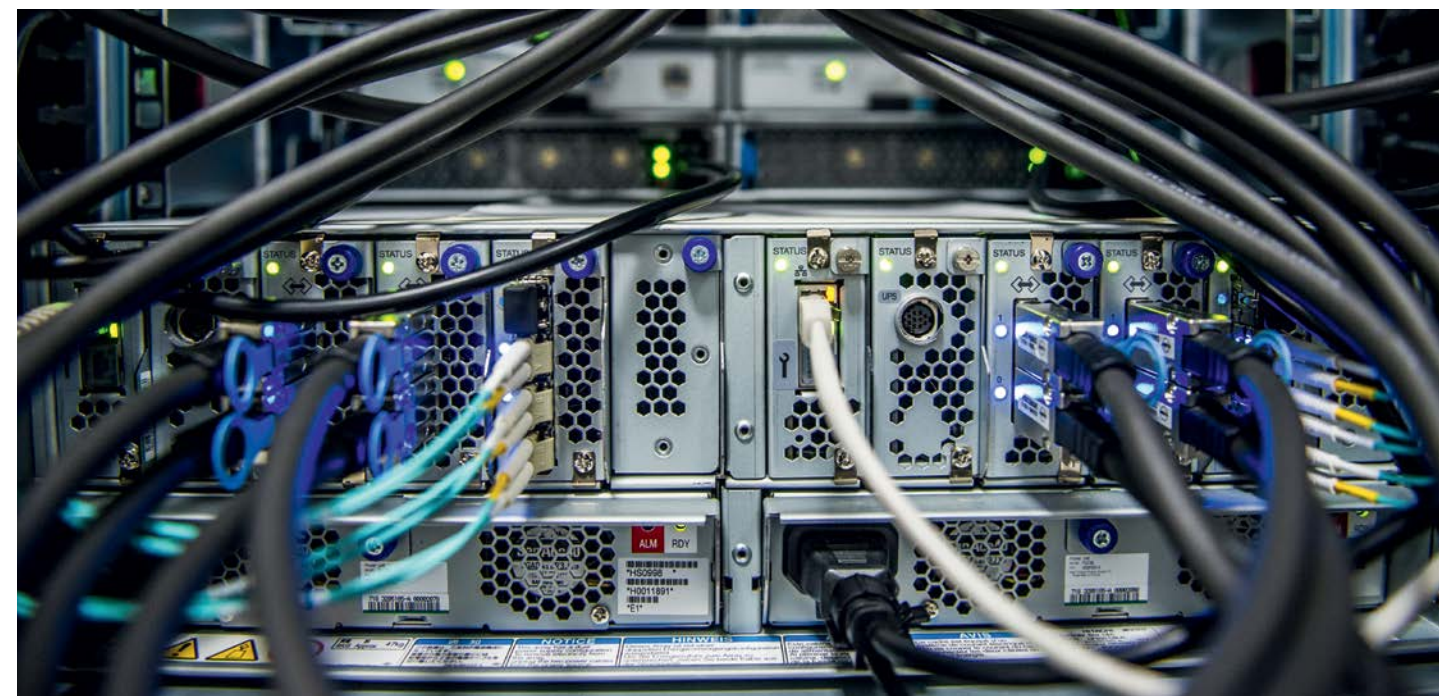
In addition, an optimizer system manages the transport flows in the mine. It sends messages to every driver, specifying where to load and unload their truck. The routes are distributed so that ores with different ferrum content levels are mixed together, forming a homogeneous mass.

#### The digitalization of NLMK's BOF operations has helped optimize ferroalloy consumption

NLMK produces hundreds of steel grades. In order to manufacture a particular grade, we need to ensure a certain concentration of the required chemical elements in the composition, which means adding the right amount of ferroalloys. Our ferroalloy consumption optimizer service determines the optimal composition and calculates the precise amount of the required additives. Through a user-friendly interface, it recommends the right amounts to the steel caster, which can add just enough ferroalloys for producing the steel grade in question. If there are several options, the most cost-effective one will be selected.

The solution is expected to generate a gain over RUB 90 million per year.

## CYBERSECURITY



NLMK Group follows a unified approach to countering cyber threats. To this effect, the Company has established a comprehensive information security system that has proven its reliability during the rollout of the remote work practice. This provides confirmation that the Company's cybersecurity management has taken effective measures, based on the principle of the top management's involvement in ensuring integrated and centralized information security management and risk-based approach implemented by the Risk Assessment and Management team.

The Company has adopted a practice of regular internal audits of compliance with trade secret and personal data processing requirements. The maturity

level of information security processes is also regularly evaluated in accordance with the COBIT 5 standard to make sure that the Company is well on track towards its target. As for the level of the corporate network's resilience to potential attacks, the Company plans to carry out regular external penetration testing (Pentest).

With a view to counteracting man-made cyber threats, all NLMK employees, when they join the company, are familiarized with internal regulatory documents on information security through the electronic document management system and the corporate portal. The Company also regularly carries out awareness-raising activities (including informing about incident-related procedures), which include online learning courses, phishing email recognition tests, publications on cybersecurity matters, and e-mail newsletters.

Each employee is personally responsible for compliance with the applicable information security requirements. Employees may be subject to disciplinary or other action for their violation.

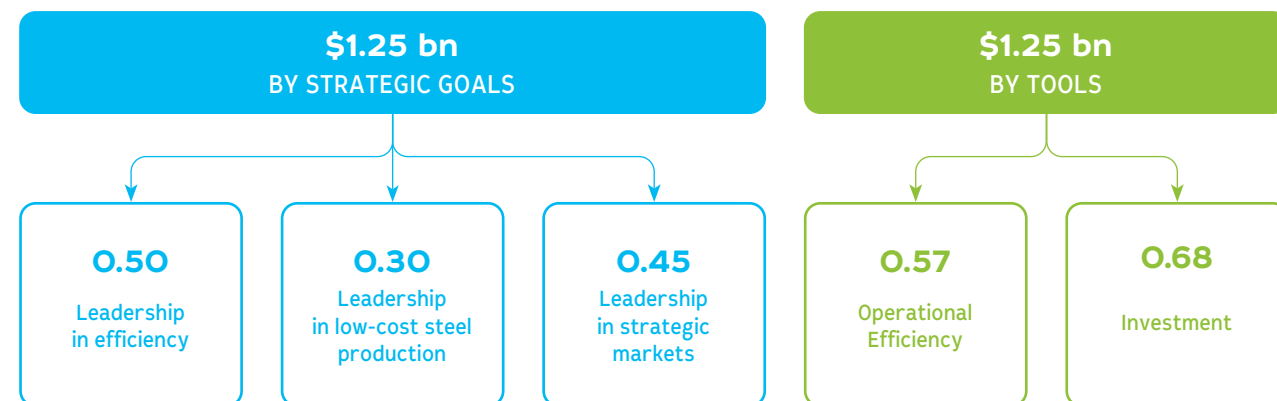
NLMK Group sets ambitious strategic goals for the development and digitalization of its operations, in which countering cyber threats will undoubtedly be of high importance. The Company will continue to focus on this area to improve the established information security risk management process.



# OUR STRATEGY

## STRATEGY 2022

Strategy 2022 is predicated on enhancing NLMK Group's competitive advantages through boosting operational efficiency across the entire production chain, growing cost-efficient steel production, enhancing vertical integration into key raw materials, increasing sales of high value-added (HVA) products, and pursuing environmental, safety, and human capital development programmes. Strategy 2022 targets net gains of +\$1.25 bn to EBITDA.



## KEY ELEMENTS OF STRATEGY 2022

1. LEADERSHIP IN OPERATIONAL EFFICIENCY	2. GROWTH IN LOW-COST STEEL PRODUCTION
<b>Goal:</b> Focus on operational efficiency and working towards best production practices; global leadership in the cash cost of steel production	<b>Goal:</b> Growth of steel output at NLMK Lipetsk; maintaining 100% self-sufficiency in iron ore; growth in energy self-sufficiency at NLMK Lipetsk; decrease in coal consumption, including deficit grades
Target structural EBITDA gain: <b>\$0.5 bn</b>	Target structural EBITDA gain: <b>\$0.3 bn</b>
Capex over the strategic period: <b>\$0.05 bn</b>	Capex over the strategic period: <b>\$1.0 bn</b>
3. WORLD-CLASS SALES PORTFOLIO	4. LEADERSHIP IN SUSTAINABILITY AND SAFETY
<b>Goal:</b> Growth of steel product sales; growth of high value-added (HVA) product output and sales	<b>Goal:</b> Minimizing environmental footprint and ensuring safe operations
Target structural EBITDA gain: <b>\$0.45 bn</b>	
Capex over the strategic period: <b>\$1.1 bn</b>	

## STRATEGY IN ACTION

### Operational efficiency

Target EBITDA gain by 2023  
**+\$570 m pa**

Total EBITDA gain in 2020 (vs. 2019)  
**+\$176 m**

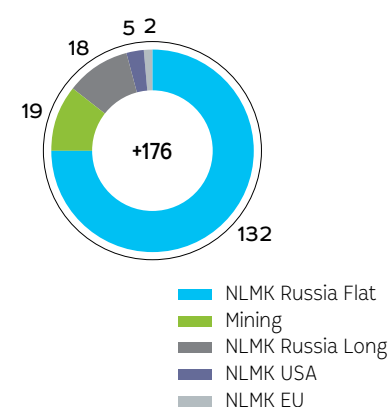
#### Goal:

Reduce cash cost and increase output across the entire integrated value chain

#### Results:

The structural gain to EBITDA from operational efficiency programmes amounted to \$176 m vs. the 2019 base

### EBITDA GAIN BY SEGMENT IN 2020, \$ M



**NLMK Russia Flat (+\$132 m):** lower expenses on coal charge structure; additional output of slabs, hot-rolled steel, and galvanized steel; optimization of metallic charge consumption; logistics and energy projects. Significant improvement in the surface quality of commercial grain-oriented steel.

**Stoilensky (+\$19 m):** increased output of concentrate and pellets.

**NLMK Russia Long (+\$18 m):** lower metallic charge consumption at NLMK Kaluga and NLMK Ural; process optimization at NLMK Metalware.

**NLMK USA (+\$5 m):** increased steel output; lower metallic charge consumption at the Indiana plant.

**NLMK EU (+\$2 m):** increased efficiency at the Verona plant.

These achievements were largely due to the development of NLMK Production System (NPS). In the reporting year NPS was rolled out to all Russian sites. At key sites, such as Sintering & Ironmaking and Stoilensky, projects were implemented to increase NPS maturity with a focus on consistent growth of ideas with an economic effect. Despite the pandemic, last year's number of initiatives was surpassed already in mid-November. Altogether, approximately 27,000 initiatives were submitted in 2020. The number of initiatives with an economic effect increased by 50%. 98% of ideas with gains exceeding RUB 100,000 were submitted by blue collars and line managers, which ensures the system's stability.

### Using the Control Charts NPS tool, the pelletizing and induration area of the Stoilensky Pellet Plant stabilized specific gas consumption per tonne of pellets

While analyzing control charts, specialists at the plant noticed that gas consumption rates went beyond the control limits, leading to significant overconsumption. This was due to a malfunction causing the induration unit to operate at the wrong speed. The speed of pallet cars is regulated by sensors that measure layer height. The incorrect readings of these sensors led to the machine's speed increasing above normal, causing the induration unit to stop. Measures were taken to determine and formalize the maximum levels of pellet layer height, and the sensors were recalibrated. This enabled the stabilization of pallet car speed. Specific gas consumption at the pelletizing and induration area has become more stable and manageable.

### Production System at NLMK Vtorchermet

In 2020 the managing company and four operation companies of NLMK Vtorchermet implemented the first wave of the NPS development project. This project has the most unique geography of all NPS projects in the Group: it involves 12 scrap collection facilities in the Ural region, Siberia, and Central Russia.

In 2020, a total of 47 initiatives were submitted (vs. 33 in 2019) with a confirmed economic effect of RUB 168 million (vs. RUB 43.5 million in 2019).

Operation companies that collect, process, and ship scrap mostly use standard technological processes and equipment, which enables the roll-out of related best practices across all NLMK Vtorchermet sites. The improvement projects will result in higher productivity and increased equipment reliability and safety.



## STRATEGY IN ACTION

### Investments

Target EBITDA gain by 2023

**+\$680 m pa**

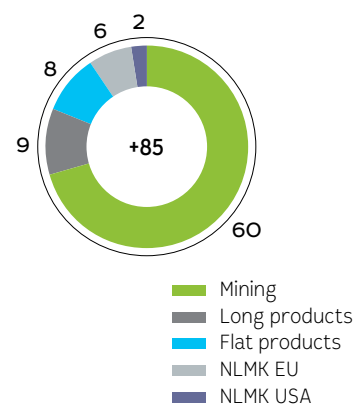
Total EBITDA gain in 2020 (vs. 2019)

**+\$85 m**

**Goal:**

Growth in low-cost steel production and growth of premium product output and sales

#### EBITDA GAIN BY SEGMENT IN 2020, \$ M



Over 90% of all gains were obtained at the Group's Russian companies:

**Stoilensky (+\$60 m):** launching the additional beneficiation section.

**NLMK Russia Long (+\$9 m):** commissioning new power complexes built in 2019. Power complexes are a new-type of mini power plants providing NLMK Russia Long sites with heating, hot water, and chemically purified water for processes, as well as captive electricity.

**NLMK Russia Flat (+\$8 m):** operation of the briquetting plant, which launched in May 2019; launch of the new logistics complex at the Lipetsk site.

In addition, a number of major projects were completed in 2020, and we expect to see their positive impact in 2021–2022. For example, NLMK Group completed a project to increase steelmaking capacities at the Lipetsk site by 1 million tonnes, up to 14.2 million tonnes per year.

- NLMK has relaunched Blast Furnace No. 4 (BF-4) following a large-scale upgrade. As a result, the maximum output of the furnace increased by 8% to 3.4 million tonnes of pig iron per year. A new air treatment system captures 99.9% of dust particles, keeping residual dust content at the level of best available technologies (BAT) of 5 mg/m<sup>3</sup>. All of the blast furnace gas formed as a by-product in the manufacturing of pig iron is used for energy generation at NLMK's cogeneration plant, while blast furnace slag is processed into construction materials. The total CAPEX for the project amounted to over RUB 35 billion. The furnace is equipped with an advanced automated control system with built-in artificial intelligence components. The system is able to autonomously select optimal process parameters, boosting blast furnace performance.
- NLMK has relaunched its Basic Oxygen Furnace No. 3, a steelmaking facility with a capacity of over 3 million tonnes per year, following an overhaul. The launch of a new dust and gas collection system in line with best available technologies (BAT) was tied in with the relaunch of the BOF.
- At NLMK Lipetsk, a new facility for the production of steel products, a continuous casting machine (CCM-9) was launched. The productivity of CCM-9 is 1.8 million tonnes of steel per year. The company plans to use the equipment to master the production of a premium mix of products that will be used to make wind turbine parts, marine vessels, oil drilling rigs, and large-diameter pipes.

#### Altai-Koks has launched coal stamp charging unit at an operational coke battery

Instead of using the top charging method, stamp charging involves feeding already compacted coal briquettes into the oven horizontally. The technology has been introduced at Coke Battery No. 5, the most advanced coke oven battery at Altai-Koks. It has a production capacity of 1.1 million tonnes of coke per year. The new unit is equipped with an advanced and efficient gas treatment system.

#### NLMK to increase galvanized steel production capacity

NLMK Lipetsk has embarked on a project to construct a new continuous hot-dip galvanizing line (HDGL-5) with a capacity of 450,000 tonnes of steel per year. The new line will produce high-quality steel for the construction, automotive, and white goods industries.

#### Stoilensky finished hot testing at new additional beneficiation section

Hot testing was performed at three new concentrate grinding lines. The commissioning of the new additional beneficiation section will enable Stoilensky to increase its concentrate output from 17.5 million tonnes to 20 million tonnes per year and its ore processing capacity from 37 million tonnes to 42 million tonnes by 2021.

### Leadership in sustainability and safety

**Goal:**

Minimize environmental footprint and ensure safe operations

Leadership in sustainability and safety remains a priority for NLMK Group. Priority areas include:

- Further minimization of our environmental footprint, including a reduction in specific emissions per tonne of steel at NLMK Russia to the level of the EU best available technologies
- Further reduction of injury rate to LTIFR<sup>1</sup> 0.5 for our own employees and contractors
- High level of social protection and employee engagement



<sup>1</sup> Lost Time Injury Frequency Rate.



# SUSTAINABILITY MANAGEMENT

## OUR APPROACH TO SUSTAINABILITY MANAGEMENT

As one of the largest international producers of steel and steel products, NLMK Group is aware of its responsibility towards society, nature, and future generations. Our team is united by corporate values that shape NLMK’s approach to responsible leadership.

A number of NLMK Group’s internal documents regulate sustainability measures. A more detailed list of these documents can be found further in the text of this Report.

Sustainability management is integrated into NLMK Group’s corporate governance system and is carried out at all the Group’s companies, including international ones. Sustainability issues consistently feature on the agenda of NLMK Group’s leadership. The Board of Directors, the Board’s committees, CEO (Chairman of the Management Board), and the Management Board determine strategic growth priorities and ensure overall sustainability management.

Vice presidents of functional units are responsible for identifying specific tasks and initiatives to manage the social, economic, and environmental aspects of the Group’s activities and monitor their implementation. Departments responsible for developing approaches and implementing measures in matters concerning sustainability report to these vice presidents.

The Group’s functional departments and teams are directly responsible for executing the tasks assigned to them and for the local management of sustainability issues at the Group’s companies.

The detection, monitoring, and management of sustainability risks is an integral part of the corporate risk management system (see the *Operational Control and Risk Management* section for more details).

### NLMK GROUP’S VALUES

GRI 102-16

Value	Description
Continuous improvement of processes	Continuous improvement of processes and technologies to ensure the sustainable production of steel products that help improve the quality of life
Client-oriented approach	Production of unique premium quality steel products and development of engineering solutions that help our customers be on the cutting edge of innovation and be leaders in their markets
Absolute priority of the health and safety of our employees	Unwavering commitment to protecting the health and safety of our employees and contractors and ensuring favourable working conditions that allow our employees to fulfil their potential for professional and personal growth
Ensuring equal opportunities for employee development	Ensuring equal opportunities for the professional and personal growth of our employees and motivating our employees to be proactive and innovation-driven
Sustainable use of resources	Sustainable use of resources and the pursuit of the best available environmental and energy efficiency standards, which we also expect our partners to comply with
Active approach to social responsibility	Active approach to social responsibility and care for cultural legacy in the regions where we operate

## SUSTAINABLE DEVELOPMENT POLICY

In 2019, NLMK’s Board of Directors approved the Company’s Sustainable Development Policy (the “Policy”). This Policy defines the Group’s principles, goals, and objectives in matter concerning sustainable development as well as the mechanism for managing the relevant agenda at the level of the Board of Directors. In particular, the Board’s Strategic Planning Committee is responsible for determining the Company’s goals and strategy for minimizing its environmental footprint, including greenhouse gas emissions, and reviewing and approving the relevant investment programme. The Board’s Audit Committee monitors the integrity of the disclosure of sustainable development information.

The relevant functions are set in regulations on Committees, which were approved at NLMK’s General Meeting of Shareholders. For more information, see the *Corporate Governance* section.

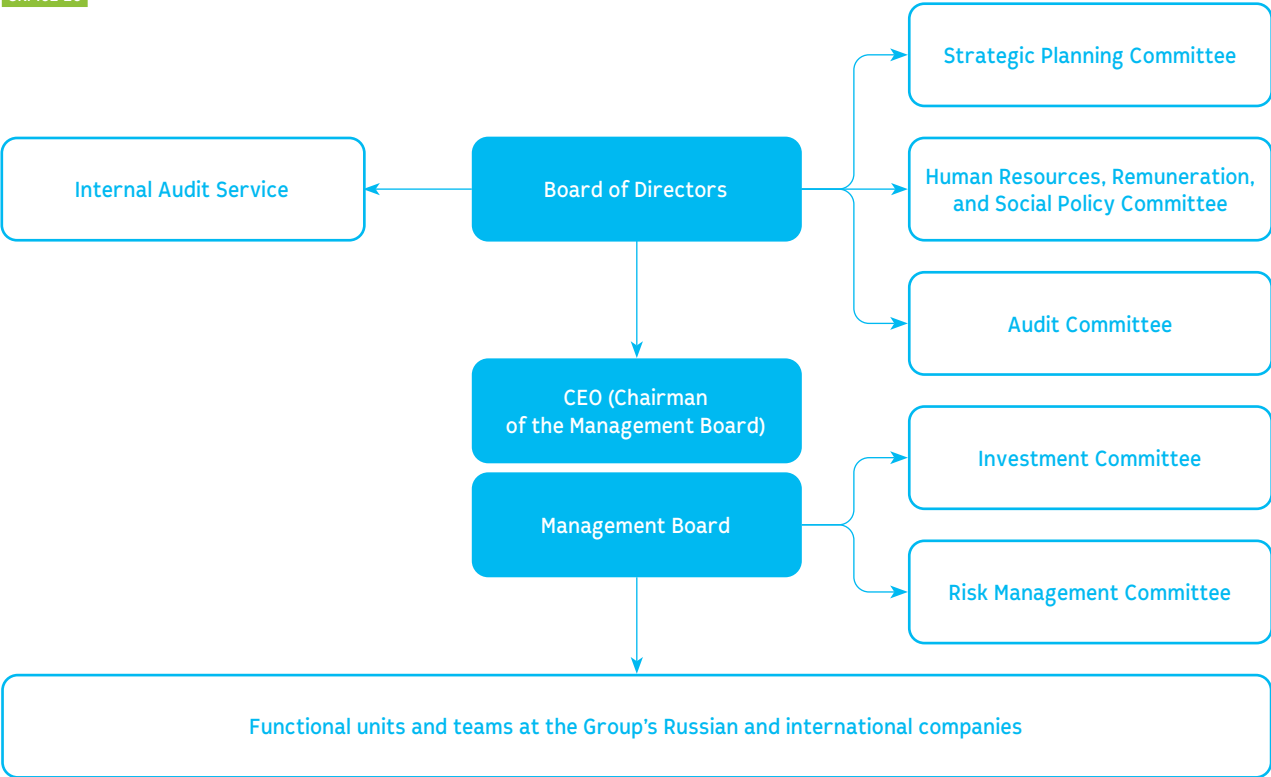
Leadership in sustainability and safety is one of the four main goals of NLMK Group’s Strategy 2022, and the changes that have been implemented will contribute to the successful achievement of this goal. The changes are in line with best international practices and stakeholder requirements, and confirm NLMK Group’s commitment to the principles and objectives of the UN Global Compact, to which the Company is a party.

## INTEGRATED MANAGEMENT SYSTEM

In 2020, NLMK Group approved its Integrated Management System Policy (IMS Policy). This Group-wide document lays out the Company’s intentions in the areas of quality (ISO 9001), environmental protection (ISO 14001), energy efficiency (ISO 50001), and occupational health and safety (ISO 45001). The Policy, approved as part of integrated management system development, complies with international standards and reflects best global practices of sustainable development. The full text of the Policy is available on the Company’s website via this [link](#).

### ORGANIZATIONAL STRUCTURE FOR MANAGING SUSTAINABILITY ISSUES AT NLMK

GRI 102-20





### Integrated Management System objectives:

- To be a global leader for the quality of our steel products and raw materials by continuously upgrading and expanding our product mix with the aim of increasing our customers' competitiveness
- To comply with industry best practice concerning the rational use of material and technical resources and the safety of our production processes for both human health and the environment

- To be a global leader in adopting best practices to make our operations more energy-efficient, and to reduce energy consumption and cost of production as far as is technologically and economically feasible
- To ensure efficient production with zero accidents, incidents, and near misses through global excellence in occupational health and safety and continuous development and promotion of a safety culture among NLMK Group's employees and contractors
- To ensure our operations do no harm to the environment or the climate, and to respond to changing environmental and climate conditions by balancing them with social and economic needs

Integrated Management System objectives and management liabilities are published at *NLMK Group's website*.

### SUSTAINABILITY AGENDA MANAGEMENT AT THE BOARD OF DIRECTORS LEVEL

Board Committees	Key aspect of sustainability
Strategic Planning Committee	<ul style="list-style-type: none"><li>• Sustainable development risk assessment</li><li>• Environment:<ul style="list-style-type: none"><li>– Air emissions</li><li>– Discharges and waste</li><li>– Use of resources</li><li>– Biological diversity</li><li>– Climate change</li></ul></li></ul>
Human Resources, Remuneration, and Social Policy Committee	<ul style="list-style-type: none"><li>• Integration of sustainable development KPIs in the remuneration system</li><li>• Social and employment:<ul style="list-style-type: none"><li>– Operational health and safety</li><li>– Training and development</li><li>– Social policy</li><li>– Diversity and equal opportunities</li><li>– Non-discrimination</li><li>– Local communities</li></ul></li></ul>
Audit Committee	<ul style="list-style-type: none"><li>• Performance monitoring and sustainability reporting</li></ul>
Board of Directors, Human Resources, Remuneration, and Social Policy Committee, Audit Committee	<ul style="list-style-type: none"><li>• Corporate governance:<ul style="list-style-type: none"><li>– Corporate governance</li><li>– Business ethics</li><li>– Anti-corruption</li></ul></li></ul>







### CONTRIBUTION TO THE ACHIEVEMENT OF THE SUSTAINABLE DEVELOPMENT GOALS ADOPTED BY THE UN GENERAL ASSEMBLY



NLMK Group supports the Sustainable Development Goals adopted by the UN General Assembly in 2015, which aim to address significant economic, social, and environmental issues faced by the global community.

We believe that the Group makes a valuable contribution to the achievement of global sustainability goals by engaging in responsible business and targeted activities that aim to reduce its environmental footprint, support local communities, and ensure safe and decent working conditions.

### NLMK GROUP'S CONTRIBUTION TO ACHIEVING UN SUSTAINABLE DEVELOPMENT GOALS

UN Goal	NLMK Group's contribution
	<b>Ensure healthy lives and promote wellbeing for all at all ages</b> <ul style="list-style-type: none"><li>• Implementing programmes aimed to help employees stay healthy and increasing the availability and quality of medical services for employees</li><li>• Informing the Group employees and contractors about occupational safety rules</li><li>• Implementing training programmes in occupational health and safety</li><li>• Implementing initiatives aimed at reducing water consumption, pollutant emissions, and overall waste</li></ul> <p><i>See the following chapters of the Report: Our team, Developing local communities, Occupational health and safety, Human rights, Supply chain management, Environmental protection</i></p>
	<b>Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</b> <ul style="list-style-type: none"><li>• Implementing training and development programmes to enhance professional skills of employees</li><li>• Implementing external social programmes aimed to support education in the regions where the Company operates</li><li>• Cooperating with educational institutions to improve the quality of training programmes and vocational training for future employment opportunities</li></ul> <p><i>See the following chapters of the Report: Our team, Developing local communities</i></p>
	<b>Ensure availability and sustainable management of water and sanitation for all</b> <ul style="list-style-type: none"><li>• Introducing water recycling systems</li><li>• Implementing water treatment technologies</li><li>• Reducing water intake through equipment upgrades</li><li>• Monitoring and disclosing information on the use of water resource</li></ul> <p><i>See the following chapters of the Report: Environmental protection</i></p>
	<b>Ensure access to affordable, reliable, sustainable, and modern energy for all</b> <ul style="list-style-type: none"><li>• Improving energy efficiency</li><li>• Transitioning to captive energy generation</li><li>• Consuming energy from secondary resources</li><li>• Monitoring and disclosing information on the volume of energy consumed</li></ul> <p><i>See the following chapters of the Report: Energy efficiency</i></p>

UN Goal	NLMK Group's contribution
	<p><b>Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all</b></p> <ul style="list-style-type: none"><li>• Fulfilling tax obligations</li><li>• Ensuring equal access for all Group employees to social benefits and creating equal opportunities for high performance, professional growth, and the development of creative potential</li><li>• Creating jobs in the regions where we operate</li><li>• Implementing training and development programmes to enhance employees' professional skills</li><li>• Ensuring decent and safe working conditions</li><li>• Developing NLMK Group's human rights policy prohibiting forced and child labour, recognizing the right to a minimum wage, outlawing discrimination, and guaranteeing safe working conditions</li><li>• Ensuring the transparency of procurement procedures</li><li>• Supplier's Code of Business Conduct, which is binding for all counterparties</li><li>• Evaluating supplier compliance with applicable occupational health and safety standards as part of auditing and qualifying suppliers and contractors</li><li>• Implementing initiatives to minimize the Group's environmental footprint</li></ul> <p><i>See the following chapters of the Report: Our team, Developing local communities, Occupational health and safety, Human rights, Supply chain management, Environmental protection</i></p>
	<p><b>Ensure sustainable consumption and production patterns</b></p> <ul style="list-style-type: none"><li>• Increasing the efficiency of natural resource usage</li><li>• Recycling ferrous scrap</li><li>• Implementing a series of measures aimed at improving energy efficiency and the efficiency of resource use and reducing the environmental footprint of operations</li><li>• Upgrading equipment and improving technology in order to minimize their negative impact on human health and the environment</li></ul> <p><i>See the following chapters of the Report: Environmental protection</i></p>
	<p><b>Climate change</b></p> <ul style="list-style-type: none"><li>• Implementing a set of measures to reduce specific greenhouse gas emissions</li><li>• Sales of products that enable lower emissions on the consumer side</li><li>• International cooperation on projects aimed at reducing greenhouse gas emissions</li></ul> <p><i>See the following chapters of the Report: Environmental protection, Climate change</i></p>

UN Goal	NLMK Group's contribution
	<p><b>Promote peaceful and inclusive societies for sustainable development, provide access to justice for all, and build effective, accountable, and inclusive institutions at all levels</b></p> <ul style="list-style-type: none"><li>• Countering corruption and fraud and preventing conflicts of interest</li><li>• Introducing NLMK employees to the Code of Corporate Ethics and Anti-Corruption Policy</li><li>• Introducing counterparties to the Supplier's Code of Business Conduct</li><li>• Creating and continuously improving efficient corporate governance practices</li><li>• Creating and developing a system of government relations</li><li>• Ensuring human rights protection</li><li>• Complying with applicable laws, including occupational practices</li><li>• Openly interacting with stakeholders and informing stakeholders about the Company's positive and negative impacts</li><li>• Creating feedback channels</li><li>• Monitoring and regular reporting on the management of environmental aspects and disclosing information about legal non-compliance, including with environmental protection and labour laws</li></ul> <p><i>See the following chapters of the Report: Corporate governance, Operational control and risk management, Information for shareholders and investors, Environmental protection</i></p>
	<p><b>Strengthen the means of implementation and revitalize the global partnership for sustainable development</b></p> <ul style="list-style-type: none"><li>• Cooperating with government authorities to ensure that the interests of local communities are taken into account in decision-making</li><li>• Disclosing information about payments to the state budgets</li><li>• Concluding partnerships with NGOs to implement programmes which aim to develop local communities</li><li>• Supporting sustainability initiatives implemented by Russian and international industry organizations</li><li>• Strengthening partnerships with other companies in the industry</li></ul> <p><i>See the following chapters of the Report: Stakeholder dialogue, Developing local communities, Environmental protection, Supply Chain management, About the Report</i></p>



# OUR RESULTS

## COVID-19 RESPONSE

The Company focused all of its efforts on ensuring employee safety during the pandemic. In view of the epidemiological situation, a comprehensive programme to mitigate the impact of COVID-19 was initiated in March 2020. The programme covered all Group companies, whose total headcount exceeds 50,000 people, as well as certain categories in the communities of the regions where the companies operate, such as socially vulnerable groups and medical workers. The Group's Russian companies instituted an obligatory remote work mode for all employees over the age of 60. Approximately 5,000 people switched to working from home. The Company provided the necessary protective equipment and preventive medication, and organized regular tests both for employees and contractors. NLMK Group prohibited all mass gatherings, events, and meetings with over 15 people, and placed limits on business trips. New requirements included wearing masks, practising social distancing, measuring temperature, and obtaining a negative COVID-19 test result before returning to work after a long absence (vacation or sick leave). In addition, NLMK initiated supplementary assistance programmes in the regions where it operates, working in close cooperation with the municipal and regional authorities.

The Company attached particular importance to informing its employees about the current pandemic situation in a timely manner. One of NLMK's first response measures was the creation of a COVID-19 call centre that employees could contact in case of infection risk, as well as a crisis centre to prevent the spread of COVID-19. When the epidemiological situation was at its most difficult, NLMK Group's CEO published weekly addresses to employees on the corporate portal, providing them with the latest information about the pandemic and the Company's



### Employee safety

- Over 100,000 COVID-19 tests for employees
- 5,000 employees switched to working remotely
- >35,000 PPE units for employees
- Limiting business trips and in-person meetings, maximizing online training
- Changing work schedules to reduce workplace density
- More buses and routes to deliver employees to work
- RUB 30,000 in additional payments to staff to compensate for pandemic-related expenses

### Social assistance

- 67 ventilators
- 46 oxygen concentrators
- 4 PCR labs equipped
- >530,000 PPE units provided to medical facilities
- Vehicles for hospitals, X-ray machines, and other medical equipment
- 1,000 families of employees that have three or more underage children or are raising children with disabilities received financial support
- 25,000 food parcels were provided to elderly people, veterans, families with three or more underage children, and single parents in the regions where the Group operates

measures to protect employees' interests. Additionally, in August, at the live phone-in event with the CEO, he spoke about the way that the Company coped with the crisis period, and employees could pose their questions to him directly.

Many of our business processes have undergone changes. NLMK had two main goals: employee safety and production continuity. The Company was successful in adapting to the new conditions.

For instance, the NLMK Innovation Lab began holding its idea generation and project exploration sessions in an online format. In 2020 the Lab and the Sessions & Conferences department of the Corporate University organized four in-person events for Sintering & Ironmaking, Rolling Operations, Steelmaking, and the Procurement function.

The pandemic became a professional challenge for our IT departments, which had to urgently lay a technical foundation for effective remote work. It took the IT infrastructure team only two weeks to deploy remote access services on a mass scale.

In order to continuously develop our employees' qualifications, we transferred most training activities into an online format. The Corporate University team adapted the contents of its programmes accordingly.

The pandemic also spurred changes in the processes related to major repairs at NLMK's flagship Lipetsk site. We piloted the Virtual Line Walk system for monitoring construction and installation works and successfully

used it during the overhaul of a continuous casting machine in BOF Shop No. 2. The service is designed to oversee construction works, including those at remote facilities, compare the actual construction with the 3D project models, and collect retrospective data for subsequent analysis of the construction process.

The pandemic gave further impetus to the Company's digitalization process, stimulated the development of the corporate volunteer movement, with more volunteers joining its ranks at Company level, and shifted the focus of charitable activities towards supporting healthcare.

When it comes to the Company's economic and financial performance, the pandemic had an adverse impact on overall business activity in Q2 2020, leading to significantly weaker steel demand at our traditional sales markets and to lower steel product prices. In April 2020 we had to reduce output at our Long Products Division.

In order to sustain high capacity utilization at NLMK's flagship Lipetsk site, we adjusted our regional sales structure (in particular, increasing supplies to Asian markets in April and May) and diversified our product portfolio. NLMK Group's flexible business model enabled it to redirect its supplies, mainly to China, where steel demand had already started to recover.

We navigated the crisis with confidence by relying on our diversified product line-up and flexible supply chains. The Company proceeded with its main investment projects planned for 2020. In this difficult period, our financial performance remained stable.

In 2020, the total programme budget for various measures to combat the pandemic amounted to more than RUB 4.7 billion, including RUB 4.1 billion – for internal expenses (measures to reduce the risk of the spread of infection, social support for employees, etc.), RUB 0.6 billion - for external social expenses (support for the regions of presence).

### Stoilensky provides assistance to Stary Oskol medical professionals

Stoilensky Mining and Beneficiation Plant, an NLMK Group company, provided three ventilators to medical facilities in Stary Oskol. In order to curb the spread of COVID-19, the plant assisted the city in purchasing masks, gloves, and disinfectants for a total of RUB 1.5 million.

NLMK's social partner, the Miloserdnye Charity Fund, provided 500 protective suits to health professionals on the frontlines of the fight against the virus.

In order to sensitize local communities on how to prevent the spread of COVID-19, Stoilensky placed banners with information about key prevention measures around the city.

# MARKET REVIEW

The COVID-19 pandemic has had a significant impact on the global steel industry in 2020. A high level of uncertainty, restrictions to contain the spread of the infection, partial suspension of production chains, and turbulence on raw material markets have led to substantial supply and demand imbalances, changing the structure of global trade flows in all key regions.

The first country where business activity began to recover was China. A large-scale state programme to stimulate the economy and finance major infrastructure projects led to a surge in internal demand for steel products and, consequently, an increase in steel product prices globally.

Worldsteel Association estimates that in 2020 global steel production decreased by 1% yoy to 1.83 bn t, which was almost entirely offset by China's all-time-high steel output (+5% yoy, to 1.05 bn t). Average global steelmaking capacity utilization stood at 82%.

Global apparent demand decreased by 2% yoy, to 1.75 bn t, while in China it grew by 8% yoy to 1.02 bn t. At the same time, exports from China went down by 17% yoy to 54 m t.

## US MARKET

In 2020 steel output in the US decreased by 17% yoy to 73 m t. Capacity utilization rates averaged 67%, and remained lower than pre-crisis levels at the end of the reporting period.

Steel consumption in 2020 went down by 19% yoy to 86 m t amid limited demand from manufacturers due to the COVID-19 pandemic. Demand was recovering in the automotive and construction sectors towards the end of the reporting period, but steelmakers' lead times reached record highs: long-term contracts were prioritized and there was practically no steel supply on the spot market.

Steel imports in 2020 decreased by 21% yoy to 20 m t, while exports were down by 4% yoy to 6 m t.

## EU MARKET

Steel output decreased by 12% yoy to 139 m t. By the end of the year steel output bounced back to almost pre-crisis levels as production became highly marginal. Capacity utilization rates during the pandemic went down to nearly as low as 50%, but recovered to 70% by the end of the year.

Apparent steel product consumption in the EU was down by 12% yoy to 142 m t in 2020, as demand was low due to the COVID-19 pandemic and capacities had to be suspended. At the end of the reporting period demand was recovering in the automotive and machine building sectors.

Imports of flat and long steel were down by 17% yoy to 21 m t, while exports decreased by 13% yoy to 18 m t.

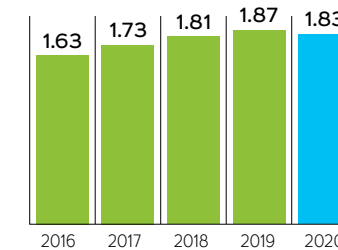
## RUSSIAN MARKET

In 2020 apparent consumption of finished steel products decreased by 3% yoy due to limited demand for flat and long products. Demand for coated steel grew by 4% due to an uptick in construction and renovation of country houses during the COVID-19 pandemic. Internal demand was supported by the state programme of discount mortgages and subsidies for the automotive industry.

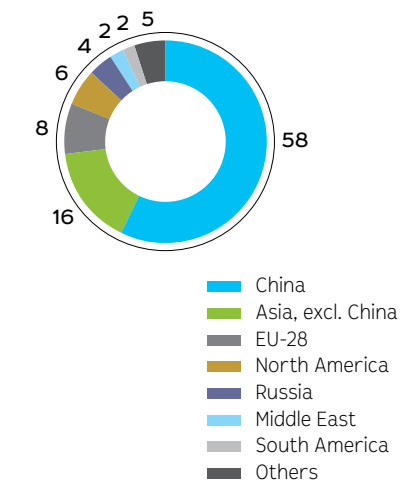
Steel output in Russia remained flat yoy in 2020, totalling 72 m t. Meanwhile, steel imports were down by 18% yoy to 5.1 m t, and finished steel exports increased by 6% yoy, reaching 13 m t.

Sources: Bloomberg, Worldsteel, Eurofer, Metal Expert. Preliminary data.

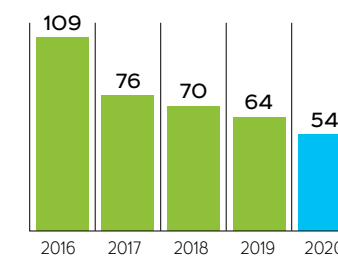
## GLOBAL STEEL PRODUCTION, BN T



## STEEL PRODUCTION BY REGION, %



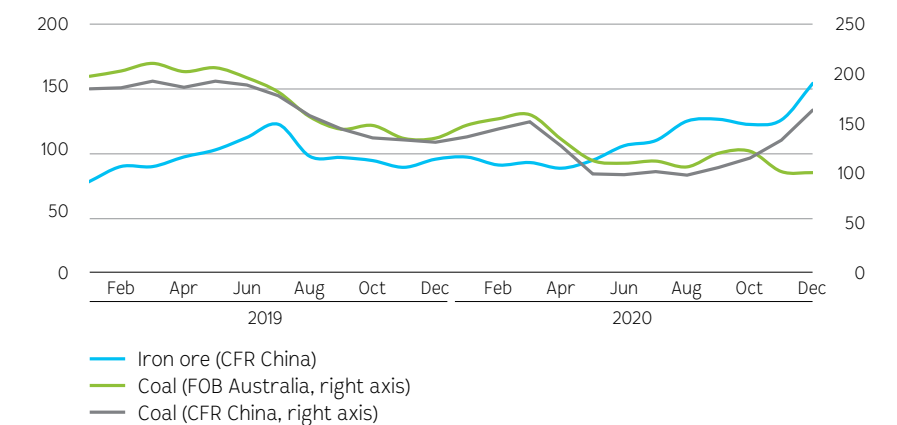
## EXPORTS FROM CHINA, M T



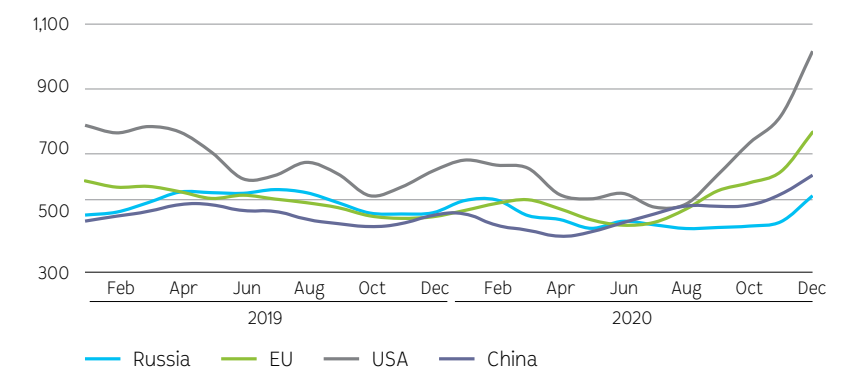
## PRICE TRENDS

Average global coal prices decreased by 29% yoy in 2020 due to weak demand from the steel industry during the pandemic and China's restrictions on imports of Australian coal. Iron ore prices grew by 15% yoy due to high demand from Chinese steelmakers amid forecasts of lower raw material supplies from Brazil and Australia. Market prices for flat products in the US were down by 2% yoy, hitting a local minimum in early Q3 2020 and later rebounding sharply to multi-year highs. The decrease in European prices averaged 5% yoy, but starting from early Q3 the region saw dramatic growth as well. Dollar-denominated steel product prices on the Russian market decreased by 9-13% yoy following global prices and a weaker ruble.

## GLOBAL RAW MATERIALS PRICES, \$/T



## HOT-ROLLED STEEL PRICES, EXW, \$/T



Source: Bloomberg



## OPERATING PERFORMANCE

Steel output grew by 1% yoy to 3.9 m t (+3% yoy) following the increase in productivity. NLMK Lipetsk capacity utilization rate remained high at 98%. Russian Long Products capacities were running at 84%. The utilization rate of NLMK's European companies was 79%.

Consolidated sales grew by 3% yoy to 17.5 m t supported by a three-fold yoy increase in pig iron sales to 1.5 m t amid higher steel output during BOF overhauls at NLMK Lipetsk. Sales of semi-finished products to third parties grew by 25% yoy to 4.9 m t due to higher pig iron and billet exports. Slab sales to NBH totalled 2.1 m t (flat yoy). Finished rolled steel sales declined by 5% yoy to 10.5 m t amid weak demand in April-May 2020 and sales redistribution to semi-finished products.

Sales on 'home' markets reduced by 6% yoy to 10.7 m t, which was mostly due to lower sales of NLMK USA. Sales in Russia remained flat year-on-year at 6.7 m t. Sales on export markets grew by 17% yoy to 6.8 m t, due mainly to higher pig iron and billet exports.

Sales in the NLMK Russia Flat Products segment increased by 7% yoy to 13.4 m t as export sales of pig iron grew, along with hot-rolled steel sales on the Russian market. Sales of finished steel reached 6.1 m t (+5% yoy) amid the completion of repairs at NLMK's Hot Strip Mill. Sales of semis to third parties went up by 27% yoy to 4.6 m t, driven mainly by higher export sales of pig iron. Sales of semis



to NLMK Group and NBH companies totalled 2.7 m t (-12% yoy) due to lower slab demand from NLMK's European companies and suspended slab supplies to NLMK USA.

NLMK Russia Long Products segment sales went down by 7% yoy to 2.6 m t due to lower demand for long products in 2020. Sales of long products in Russia went down by 12% yoy to 1.8 m t amid the COVID-19 pandemic. Export sales increased by 4% yoy to 0.9 m t due to higher billet sales to Turkey, China, and African markets.

Performance of NLMK's international companies was influenced by the COVID-19 pandemic: NLMK USA sales stood at 1.6 m t (-27% yoy). NLMK Dansteel Sales went down by 1% yoy to 0.52 m t. NBH deliveries decreased by 5% yoy to 2.1 m t sales.

Iron ore sales from the Mining segment remained flat year-on-year at 18.4 m t. Sales of iron ore to third parties totalled 0.8 m t (+57% yoy).

## FINANCIAL RESULTS

### REVENUE

Revenue reduced by 12% yoy to \$9.2 bn, due to a reduction in steel product prices and an increase in the share of semi-finished products in total sales.

The share of semi-finished products in the revenue grew by 30% yoy to 4 p.p. due to higher pig iron and billet exports; the share of finished products decreased by 3 p.p. to 65%. The share of high value-added products decreased by 2 p.p. to 36%.

The share of the Russian market in the revenue totalled 41% (flat yoy). The EU and US share decreased to 17% and 15% accordingly (-1 p.p. yoy; -3 p.p. yoy).

### EBITDA<sup>1</sup>

EBITDA reached \$2.6 bn (+3% yoy). Strategy 2022 programme gains, the accrued refund from the US Department of Commerce in line with the settlement agreement, and a weaker ruble fully offset the narrower slab/uncoated flat steel spread and the negative impact of the incident at Stoilensky in September 2020.

Commercial expenses totalled \$845 m (flat yoy). General and administrative expenses decreased by 2% yoy to \$346 m.

### NET PROFIT

Net profit reduced by 8% yoy to \$1.2 bn mainly due to the recognition of the NBH investment value impairment in the amount of \$120 m in Q2 2020. Without the impact of this non-cash transaction, net profit would have stood at \$1.3 bn.

### FREE CASH FLOW

Free cash flow decreased by 28% yoy to \$1.1 bn due to working capital financing as receivables grew.

Cash outflow from working capital totalled \$16 m due to:

1. - \$177 m: an increase in receivables due to higher prices and increased slab sales to NBH
2. + \$117 m: a decrease in raw material and finished product stocks
3. + \$46 m: an increase in payables

### INVESTMENT

The Group's investment went up by 4% yoy to \$1.1 m in line with the previous guidance. The increase of investment was due to the completion of large-scale upgrade projects at the NLMK Lipetsk blast furnace operations and active phase of investment programme implementation in line with Strategy 2022.

### DIVIDENDS

On 11 February 2021, the Board of Directors recommended that shareholders approve the payment of Q4 2020 dividends in the amount of RUB 7.25 per share (for a total of \$570 m). Consequently, the Company can accrue 12M 2020 dividends in the amount of RUB 21.64 per share.

### DEBT MANAGEMENT

Total debt in 2020 grew by 31% yoy to \$3.5 bn.

Net debt increased by 40% yoy to \$2.5 bn due to cash outflow to dividend payments and increase of investment. Net debt/EBITDA was 0.94x.

<sup>1</sup> EBITDA used in NLMK's financial releases is calculated as operating profit before equity share in net losses of associates and other companies accounted for using the equity method of accounting, impairment and write-off of assets, adjusted to depreciation and amortization. EBITDA is not an indicator of operating profit, operating activity or liquidity under IFRS, and NLMK discloses it because equivalent indicators could be used by investors and analysts. That said, NLMK's EBITDA should not be viewed on a standalone basis, or in place of profit before tax, or cash flows from operations, as defined by IFRS, or as an indicator of operational efficiency, or as the sum of free cash funds that NLMK can invest into business development. NLMK's EBITDA margin and EBITDA might not be comparable to similar indicators disclosed by other companies as there are no commonly accepted rules for calculating them. For instance, NLMK's EBITDA is calculated similar to what is termed as 'Adjusted EBITDA' in other companies, as NLMK's EBITDA excludes other profit/loss items in addition to interest payments, income tax, depreciation and amortization.



## SEGMENT RESULTS

NLMK Russia Flat Products	EBITDA decreased by 4% yoy to \$1.4 bn amid narrowing price spreads and higher personnel costs due to additional one-off payments to employees as part of the COVID-19 pandemic support.
NLMK Russia Long Products	EBITDA grew by 4% yoy to \$93 m due to operational efficiency programme gains and a weaker ruble, as the share of billet exports increased.
Mining and Processing of Raw Materials	EBITDA increased by 9% yoy to \$1.1 bn due to higher iron ore prices, a weaker ruble, and gains from investment and operational efficiency programmes that offset production losses associated with the September 2020 incident.
NLMK USA	EBITDA grew to \$76 m, vs. -\$37 m in 2019. Without the accrued refund in line with the settlement agreement with the US Department of Commerce, the Segment's EBITDA was -\$21 m amid lower output and sales.
NLMK DanSteel and plate distribution network	EBITDA decreased to -\$4 m (vs. \$8 m the previous year) due to lower plate prices.
JV performance (NBH)	EBITDA totalled -\$93 m vs. -\$134 m the previous year. Losses in the Segment were due to low prices for end products coupled with a decrease in output and sales amid the COVID-19 pandemic. The relative decrease in losses vs. the previous year was due, among other factors, to last year's accrual of non-operating provisions for NLMK Clabecq restructuring.

# SUSTAINABILITY MANAGEMENT

## GENERATING ECONOMIC VALUE

By implementing its activities in various areas of sustainable development, NLMK Group generates additional value for its stakeholders. In 2020, the volume of distributed economic value amounted to \$ 9,230 m<sup>1</sup>.

### ECONOMIC VALUE GENERATED AND DISTRIBUTED, \$ M GRI 201-1

Indicator	Stakeholder group	2017	2018	2019	2020
Generated direct economic value		10,104	12,069	10,578	9,274
Revenue	Wide range of stakeholders	10,065	12,046	10,554	9,245
Revenue from financial investments		29	21	18	18
Income from sale of assets		10	2	6	11
Distributed economic value		(9,773)	(11,565)	(11,111)	(9,230)
Operating expenses	Wide range of stakeholders	(6,994)	(7,967)	(7,516)	(6,201)
Employee wages and other payments and benefits paid to employees	Employees	(960)	(979)	(970)	(909)
Payments to providers of capital	Shareholders and investors	(1,354)	(1,946)	(2,169)	(1,702)
including dividends paid		(1,285)	(1,890)	(2,120)	(1,638)
including interests paid to creditors		(69)	(56)	(49)	(64)
Payments to government	Government authorities	(454)	(662)	(445)	(372)
Community investments	Local communities	(11)	(11)	(11)	(46)
Non-distributed economic value		331	504	(533)	44

<sup>1</sup> Calculated as required by GRI Standard 201.



## SUSTAINABLE DEVELOPMENT RATINGS

The high positions of NLMK Group in the ratings of the leading international ESG agencies reflect the efforts of the NLMK Group management in the field of sustainable development.



### 45/100 – score in 2020

The score increased by 12 points yoy – to a level higher than the industry average



### 3,5/5 – score in 2020

NLMK's assessment is higher than the industry average. The Company's shares continue to be part of the FTSE4Good index following the June 2020 revision.



### 28/100 – score in 2020<sup>2</sup>

The score improved by 3.3 points yoy. NLMK is in the top-5 among 140 metals & mining companies analysed by the agency



### BBB – score in 2019 and 2020

(where CCC – the lowest score, AAA – the highest)  
NLMK's rating is at the industry average level.

## CONTACTS

We will be happy to answer additional questions regarding this Report as well as to receive feedback from our stakeholders in order to further develop and improve the content of the Company's future public reports

GRI 102-53

### Contact person

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### NLMK Representative Office in Moscow

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GRI 102-3

## FIVE-YEAR HIGHLIGHTS

Indicators	2016	2017	2018	2019	2020
<b>Financial performance,<sup>1</sup> \$ m</b>					
Revenue	7,636	10,065	12,046	10,554	9,245
Net profit <sup>2</sup>	935	1,450	2,238	1,339	1,236
EBITDA	1,943	2,655	3,589	2,564	2,645
EBITDA margin	25%	26%	30%	24%	29%
Operating cash flow	1,699	1,899	2,741	2,623	2,281
Investment	559	592	680	1,080	1,124
Net debt	761	923	891	1,786	2,495
Free cash flow	1,092	1,266	2,027	1,523	1,103
Dividends, \$ per share	0.1535	0.2383	0.3525	0.2630	–
<b>Operating performance,<sup>2</sup> '000 t</b>					
Steel output	16,438	16,850	17,285	15,531	15,667
Steel output (with NBH)	16,641	17,076	17,493	15,696	15,833
Steel product sales	15,925	16,469	17,591	17,069	17,520
Finished steel sales	10,211	10,759	10,762	11,056	10,535
Sales to home markets	10,225	10,650	10,573	11,376	10,744
<b>Sustainability performance</b>					
NLMK Group headcount, '000 people	54.0	53.2	53.4	52.8	51.9
Labour productivity, t of steel/pers., NLMK Lipetsk	482	502	503	448	461
Specific air emissions, kg/t of steel	20.0	19.5	18.9	20.2 (18.9) <sup>3</sup>	19.8 (18.6) <sup>3</sup>
Specific CO <sub>2</sub> emissions, t/t of steel + merchant pig iron (Scope 1)	1.76	1.73	1.70	1.75	1.72

<sup>1</sup> Excluding NBH, unless otherwise specified.

<sup>2</sup> Net profit attributable to NLMK shareholders.

<sup>3</sup> Specific emissions without influence of temporary factors associated with steel output reduction.

<sup>1</sup> The lower the score, the better the company manages sustainability issues.