

NLMK Group Strategic Suppliers
Online Conference



STRATEGY 2030

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Key macroeconomic tendencies

Trends

Indicators

1

Growth of raw material prices

Growth by 10-90%

2

Economic incentives globally

Economic incentives: approximately 28% of GDP
Economic incentives in the US: \$4 trillion USA
Savings: \$5 trillion USA

3

Labour market shrinking

Unemployment: 2% higher than before the COVID-19 pandemic

4

Disrupted logistics and procurement systems are at planned load level

Growth of maritime logistics tariffs: by 100%
Payroll growth: by 15-30%

5

Intensified pressure due to transition to environmentally safe development

66% of consumers are ready to pay more for eco-friendly goods

Global trends in steelmaking

- 1 Lower growth rates of global steel demand
- 2 Structural changes in the global raw materials market
- 3 Intensified protectionism in global steel markets
- 4 Tighter regulation of CO₂ emissions

Impact of megatrends

	①. Lower growth rates of global steel demand	②. Structural changes in the global raw materials market	③. Intensified protectionism	④. Tighter regulation of CO ₂ emissions
Russia:	<ul style="list-style-type: none"> Exceeding the baseline CAGR ~1.5 vs. global average 	<ul style="list-style-type: none"> Leading players still self-sufficient in raw materials 	<ul style="list-style-type: none"> High dependency on exports 	<ul style="list-style-type: none"> Risk of tariffs being introduced on CO₂ emissions
Europe:	<ul style="list-style-type: none"> Strong impact of COVID-19: slow recovery of demand by 2030 Lower consumption of flat steel 	<ul style="list-style-type: none"> Increased consumption of pellets replacing sinter to reduce CO₂ emissions Increased scrap consumption to boost EAF productivity 	<ul style="list-style-type: none"> Continued protectionism to support industry amid weak demand and higher CO₂ emission tariffs 	<ul style="list-style-type: none"> Intensified trade of CO₂ emission permits Introduction of a carbon import tax by 2026 Industry disintegration
N. America:	<ul style="list-style-type: none"> Consumption centres shifted to the southern states and Mexico Demand recovering from COVID-19 by 2023 	<ul style="list-style-type: none"> More scrap generation with lower quality Higher demand for HBI and commercial pig iron to ensure steel output growth in EAFs 	<ul style="list-style-type: none"> Section 232 or similar conditions still in place Imports remaining low 	<ul style="list-style-type: none"> No payment for CO₂ emissions by 2025 Stricter shareholder requirements for business sustainability Focus on carbon-neutral energy sources for EAFs
India:	<ul style="list-style-type: none"> Growing urbanization and middle class Emerging surplus of steelmaking capacities 	<ul style="list-style-type: none"> Development of integrated production based on captive iron ore amid a scrap deficit and high cost of electricity 	<ul style="list-style-type: none"> Intensified protectionism to support excess capacities 	<ul style="list-style-type: none"> Limited probability of a tariff on CO₂ emissions being introduced
China:	<ul style="list-style-type: none"> Demand maintained until 2025 due to high investment activity and growth of indirect exports Lower consumption after 2025 	<ul style="list-style-type: none"> Growth of steel output in EAFs leads to lower global exports of iron ore Increased generation of amortization scrap 	<ul style="list-style-type: none"> Net exports remaining at 60 m t, limited by protectionism Growth of indirect exports 	<ul style="list-style-type: none"> Potential tariff on CO₂ emissions for the steel industry
The trend's impact on the region		Strong	Medium	Low

NEW STRATEGIC CYCLE

2018

2023

2023

2030

Strategy 2022

Strategy 2030

The current strategic cycle will be complete in 2023

New strategic cycle: 2023-2030

Why such a long-term horizon?



Long-term investment projects for upstream development



Long-term horizon of process development programmes:
R&D in new products and processes



Varying degrees of granularity for goals depending on the horizon:
the current degree of granularity over a 5-year horizon will be retained



External challenges: environmental and climate strategy

Key strategic cycle programmes



Upstream (Stoilensky and NLMK Lipetsk)

- Possibilities and options of increasing upstream production capacities
- Optimal production process chain hypotheses



Coal and coke

- Further reduction and optimization of the consumption structure
- Long-term partnerships with strategic suppliers



Process development

- New production technologies to boost efficiency and sustainability
- Processes and competencies required to support technology development



Product portfolio development

- Analysing the attractiveness of product segments based on big trends
- Portfolio of new products to master



Environmental and climate programme

- Long-term goals and risk management

Key strategic cycle programmes (2)



Positioning in key markets (Russia, EU, USA, Turkey)

- Asset integration and configuration hypotheses



Sales portfolio

- Targets for products and industries
- Sales channels and models
- Developing customer focus
- Processes and competencies required



Downstream development

- Investment programmes for divisions



Operational efficiency improvement

- Programmes and vectors for divisions