Country	Russia
Sector	Iron and steel

Three mills control 86% of Russia's flat steel market and all earn below their cost of capital

Russian steel emerged from the investment cycle with utilisation of 81–98%, rolled steel consumption down 14% in 2025 to 38.9m tonnes, and a required return of 25.4–25.8% a year in roubles. Through-cycle return on invested capital is 17.4% at Severstal, 10.6% at NLMK and 10.5% at MMK, respectively 8.5, 14.7 and 15.3 percentage points below their hurdles. Every covered company fails the four-test quality hurdle, leaving the best-ideas list empty. The report identifies the failed test and the level needed to pass for each stock.

The three calls at the 17 August 2026 closing prices diverge (Table 1). SELL Severstal with a target of RUB 516.92 per share versus 592.00 and a total return of −12.7%. HOLD NLMK with a target of RUB 83.21 versus 65.86 and a return of +32.6%, inside its 15.37–35.37% band. BUY MMK with a target of RUB 44.08 versus 19.07 and a return of +131.1%, classified as a special situation. The company fails the business quality hurdle and the opportunity rests on the balance sheet.

The coverage's revenues depend on the domestic premium to export parity and the report cannot establish who sets it. The three companies account for 86% of Russia's domestic flat steel shipments versus the 70% high concentration threshold in Section 7.2 of Federal Antimonopoly Service Order No. 220. The market premium for hot-rolled coil was $155/t in 2025, or 26% of the domestic price, versus 8–11% in 2021–2023. Our reverse calculation for all three companies gives a lower figure, $111/t volume-weighted using a common deduction and $121/t using measured freight routes. The market measure applies to one grade and ours to the whole sales basket. The previous edition calculated concentration on crude steel output, obtained an index of 863 and concluded that pricing power came from outside. The index did not describe the relevant market: the front-page argument states that semifinished steel is not sold domestically. On the relevant market there are three sellers, removing the basis for the earlier conclusion. The report measures company-specific premiums with the corrected pricing equation and finds them closer together than previously estimated. A uniform premium at three mills with 86% of the market behaves like a rent. A ±10% move in the premium is worth RUB 93.71 per Severstal share.

Four claims in this report are absent from company disclosures and analyst consensus, and each has a measured reversal threshold. First, the covered companies trade in Russian flat steel, a highly concentrated market. The top three account for 86% of shipments against the FAS threshold of 70%. Its index of 2,522–2,666 exceeds the 2,000 threshold. The previous 863 index measured crude steel output for the three companies alone, describing supply rather than competition for flat steel customers. Second, the rouble is the largest effective sensitivity. A ±5% move in USD/RUB moves Severstal's valuation by RUB 178.65 per share or 43.5%, NLMK's by RUB 29.68 and MMK's by RUB 10.13. A 5% weaker rouble changes Severstal from SELL to HOLD and currency can change NLMK's rating in either direction. The leverage is 8.7 to 1, with a five percent currency move producing a forty-three percent valuation move. Third, the coking coal price level has zero impact. Shifting its entire path by 10% moves the valuation by zero at all three companies because the model uses only year-on-year changes. Ore gives a similar asymmetry in reverse. Its level moves Severstal by RUB 3.53 and MMK by exactly zero. Its path moves MMK by RUB 3.40, which exceeds the effect of the level on any stock except Severstal. Fourth, a single research assumption determines the three ratings, the mid-cycle export price. NLMK's rating occupies a $17.5/t window around it, or 2.9%.

Each valuation range is broken down by source. None covers its share price, so all three point estimates are published. The part attributable to the difference between our price calculation and reported revenue varies threefold, at 25.8% of the price for Severstal, 7.2% for NLMK and 7.5% for MMK. Section 11 shows that the underlying gap at Severstal is twice NLMK's and had previously gone undisclosed to readers.

Table 1. Coverage: three different ratings and no company that passes the quality screen

Company	Price, RUB	Valuation, RUB	Target, RUB	Total return, %	Rating	Disclosure class	Cost rank	Horizon	Capital allocator
Severstal	592.00	410.79	516.92	−12.7	SELL	Partly reconstructed	2nd, 48.66	12 months	Trap
NLMK	65.86	69.65	83.21	+32.6	HOLD	Reconstructed	3rd, 50.44	12 months	Mature
MMK	19.07	35.03	44.08	+131.1	BUY, special situation	Disclosed	1st, 46.64	12 months	Trap

Hurdle H: 25.835%, 25.372% and 25.835%. Band B: 10.0 pp. Cost position in RUB thousand per tonne, 2026E. Share prices as of 17.08.2026.

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1. Russia's flat steel market is highly concentrated. The previous index measured a different market.

Analytical basis: concentration, for investors seeking sustainable returns on capital or assessing the pricing regime. The section also covers the industry life cycle.

Russia produced 67.9m tonnes of crude steel in 2025 and remained the fifth-largest producer, with global output of 1,849m tonnes. Domestic rolled steel consumption fell 14% to 38.9m tonnes, the steepest demand contraction in the observation period. Interest rates drove the fall. Construction and machinery account for most demand and face a policy rate that averages 13.5% in the model's 2026 path. Exports rose 13% to 12.1m tonnes and Russia ranked sixth among global suppliers. Mills that lost domestic customers turned to exports and received the foreign market price.

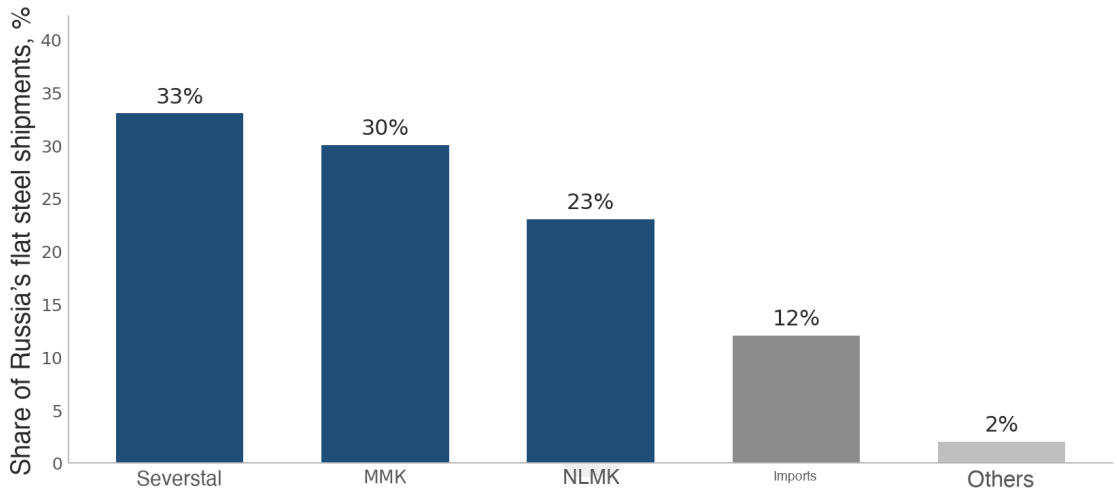
The earlier edition measured concentration on crude steel output and obtained 863 points. It measured who makes the steel, while competition is for buyers of rolled product. Semifinished steel does trade in substantial volumes in Russia. NLMK supplies slabs to OMK's Vyksa plant under a long-term contract, and the government bases the liquid steel excise on an observed slab price. Those customers operate in a different market, whose shares do not explain coil prices. The 863 points also sum the squared shares of just the three covered companies, excluding the other fourteen mills. The earlier edition estimated roughly 1,140 for the full market.

The covered companies compete in a highly concentrated flat steel market. Shares of 2025 shipments to Russia's domestic market were 33% Severstal, 30% MMK, 23% NLMK, 12% imports and 2% other suppliers (Figure 1). The top three account for 86%. Under Section 7.2 of FAS Order No. 220, Russia classifies concentration as high if the top three have at least 70% or the index reaches 2,000. Their combined share exceeds the threshold by 16 percentage points, a result robust to imprecision in the shares.

The index is reported as a range of 2,522–2,666. Imports account for 12% and come from several countries and many suppliers whose individual shares are unknown. The lower bound assumes imports are fully fragmented and make zero contribution to the index. The upper bound treats them as one supplier. Excluding imports and normalising domestic shares produces 3,257. All three estimates exceed 2,000 and support the same conclusion. The input shares are rounded to whole percentages. Moving each by half a point gives 2,435–2,609, also entirely above threshold. The first edition of this section used the 2,500 threshold from the 2010 DOJ and FTC guidelines. The 2023 edition reduced it to 1,800. The US threshold does not apply in Russia, where the top-three share is the leading measure.

This changes the argument for readers while leaving valuation unchanged. The earlier report inferred no seller pricing power from the number of sellers. Here there are three with 86%, so the contention that power comes from outside has to rest on import barriers. The evidence points to weakening protection: the import share rose from 11% to 12%, flat steel imports from China rose 28% year on year in the first quarter of 2026, and the Ministry of Finance is discussing an excise on imported steel from 2027, indicating that the government considers the barrier insufficient. Concentration is above the high threshold while import protection is lower and falling. Section 3 tests pricing power by measuring the premium.

Figure 1. The three covered stocks account for 86% of Russia's flat steel market, versus a 70% high-concentration threshold. Reversal threshold: the market ceases to qualify as highly concentrated when the top three fall below 70% and the index below 2,000. Current readings are 86% and 2,522–2,666.



Valuation impact: ±10% domestic premium = RUB 93.71 per Severstal share

Shares of domestic flat steel shipments in Russia in 2025: Severstal 33%, MMK 30%, NLMK 23%, imports 12% and other suppliers 2%. The concentration index is 2,522–2,666, versus a threshold of 2,000. A year earlier Severstal had 29% and MMK 34%, so the lead changed hands.

Source: Kommersant, 'Steelmakers divide up market share', 04.02.2026, citing market participants. Shares are seller-reported and have not been reconciled to customs statistics. Concentration and thresholds are research calculations under Section 7.2 of FAS Order No. 220, dated 19.08.2026.

The report deliberately omits a second market, long products. It is immaterial to the coverage. NLMK left its long products division in September 2023 by selling it to PMH Group. Severstal took its No. 150 long products mill out of service in 2026. Only MMK has a long products division. The market shares of the second and smaller sellers are not public. Only a lower bound to concentration can be measured, and the item is listed among outstanding work with its impact.

The number of sellers does not rule out pricing power. To assess it, measure the premium and who keeps it. Section 3 covers the premium that Russian mills earn above export prices.

The report assumes that the industry is mature. Forecast volumes are broadly flat: 11.24 to 11.40m tonnes at Severstal, 14.70 to 14.50 at NLMK and 9.85 to 10.06 at MMK. Terminal growth is 2.5%, no higher than long-term inflation. The framework has no independent measure and the register assigns it no investor audience. The model handover schedule records this and shows a half percentage point shift in terminal growth is worth RUB 4.80 per Severstal share.

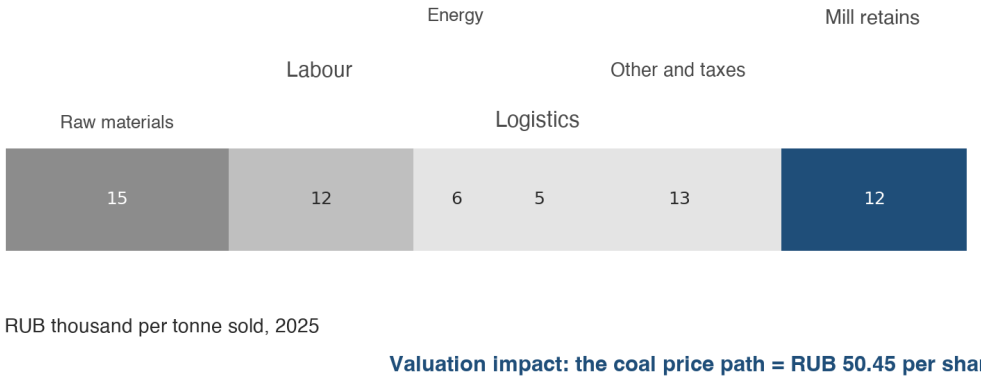
2. The mill retains one fifth of proceeds per tonne, and maintenance absorbs three quarters of that

Analytical basis: value chain and profit pools, for investors assessing what reaches minority shareholders after extraction. The register identifies no second audience for this measure.

Figure 2 shows how value is allocated along the steel value chain. Severstal earned RUB 63.43 thousand of revenue per tonne in 2025. Raw material suppliers took RUB 14.68 thousand, employees 12.22, utility suppliers 5.69, carriers 5.16, and repairs, other costs and fiscal levies 13.44. The mill retained RUB 12.24 thousand, or 19.3%

of revenue per tonne, a smaller pool than that of raw material suppliers. This is EBITDA per tonne, before interest, taxes, depreciation and amortisation, as well as spending required to maintain existing mills, covered in Section 7.

Figure 2. The mill retains RUB 12.24 thousand out of RUB 63.43 thousand per tonne, or one fifth. Reversal threshold: EBITDA below RUB 8.3 thousand per tonne eliminates Severstal's owner earnings.



Source: issuer models, 02_Operating worksheet, 2025 actuals from disclosed IFRS accounts.

The breakdown also locates the deduction discussed below. Logistics in mill costs is a disclosed figure. Freight to port in the pricing model is a research assumption about what it costs to transport a tonne to the export port. Reported logistics differ threefold: RUB 5.16 thousand/t at Severstal, 6.12 at NLMK and 1.94 at MMK, because MMK sells 91% of volume domestically, close to its own region. Model freight to port is RUB 2.83 thousand/t at all three. A mill with actual logistics three times cheaper than its peer has the same model freight cost as a peer on the Baltic.

The level of coking coal prices has no effect in the model. The models report analyst consensus of $230/220/215 per tonne and coal appears to be an important driver, with a 0.74 weight in the indexation of Severstal's purchased materials. The model uses the ratio of each year's price to the previous year, and the disclosed 2025 cost establishes the rouble base. Raising the entire coal path by 10% has exactly zero effect at all three stocks. Raising only the forecast years from 2027 with 2026 unchanged is worth RUB 50.45 per Severstal share, 4.65 at NLMK and 1.25 at MMK. The sensitivities distinguish the price level from the shape of the path. Investors tracking these stocks through the coal price should follow the annual changes.

The iron ore price was not published in earlier research, even though it is in the same models: 62% Fe CFR at $100/93/90 per tonne in 2026, 2027 and 2028, with no further series. The purchased material indexation weights are 0 at Severstal, 0 at NLMK and 0.42 at MMK. The split between level and trajectory gives the opposite result to coal. A +10% shift in the ore price level moves Severstal by RUB 3.53 per share through the mineral extraction tax. It mines its ore, so its ore purchase weight is zero. The same mechanism is worth RUB 0.59 at NLMK. At MMK the price level has exactly zero effect at a weight of 0.42 because indexation uses the year-on-year ratio. The shape of the ore curve from 2027 is worth RUB 3.40 per MMK share, more than the effect of the level on any stock except Severstal. Two of the nine inputs affect valuation through the trajectory only, and earlier releases did not reveal this distinction.

3. Export parity sets prices, with one freight deduction for three mills

Analytical basis: cost curve, for investors seeking sustainable returns on capital.

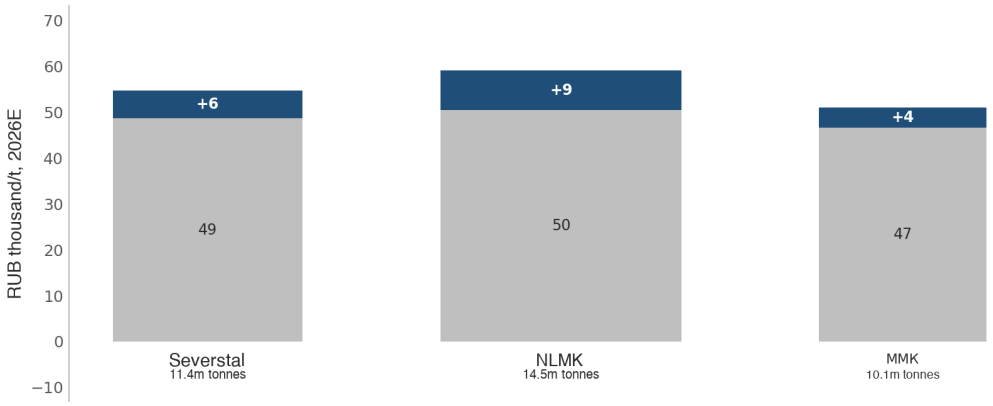
All three revenue models start with the Black Sea FOB export price of hot-rolled coil ($490/t in 2026), subtract freight to port, add the domestic premium to the netback, and apply the company's product basket coefficient.

This ties the domestic price to the world price through observable arbitrage. The problem lies in one component. On the cash cost curve (Figure 3), MMK ranks first at RUB 46.64 thousand/t, Severstal second at 48.66 and NLMK third at 50.44. The gap is RUB 3.80 thousand/t in costs and 4.27 in margins. The highest logistics costs determine the marginal producer among the three.

The $490/t export price reflects today's market. Steel mills operate for decades, so the price converges towards $600/t mid-cycle at 0.55 of the gap each year. Four fifths of value depends on the mid-cycle level. The assumption is the midpoint of the observed 2021–2025 range. The observed 2025 price was $560/t and the five-year average was about $590. The mid-cycle price is the decisive input for the coverage. An increase of $29/t moves Severstal from SELL to HOLD, and $50/t moves it to BUY. NLMK's entire rating range occupies a window of $17.5/t around the assumption.

The freight deduction is RUB 2.83 thousand per tonne in the Cherepovets, Lipetsk and Magnitogorsk models. A byte-by-byte comparison across all three models found four other identical inputs: the unit cost decline path, two capex lines with identical supporting text, and the debt repayment schedule. Freight to port is the most consequential of the five. Magnitogorsk is much farther from Black Sea ports than Cherepovets from Baltic ports. Research measured Russian Railways tariffs on 2 August 2026 and found that 2.83 fits none of the routes.

Figure 3. Cash cost curve: RUB 3.80 thousand/t separates the three mills in costs and 4.27 in margin. Reversal threshold: a RUB 4.38 thousand/t cost increase eliminates MMK's 2026 margin.



Valuation impact: ±RUB 0.20 thousand/t freight = RUB 0.93 per MMK share

Cash costs differ by RUB 3.80 thousand/t and margins by RUB 4.27 thousand/t, at volumes of 11.40m, 14.50m and 10.06m tonnes.

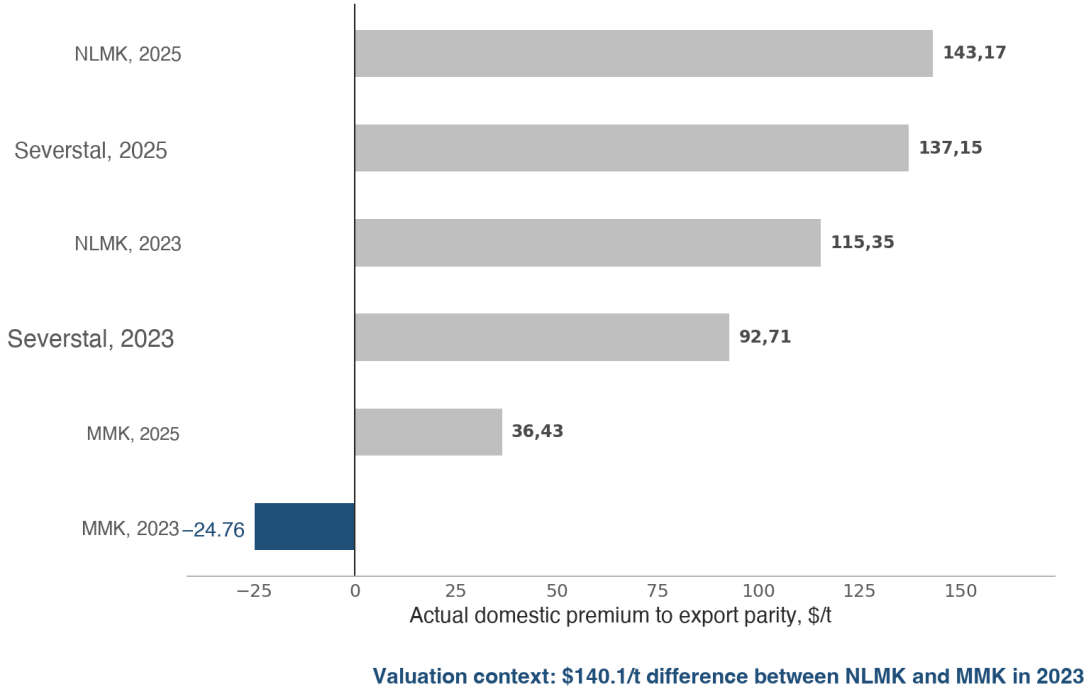
Source: company models, 02_Operating worksheet, 2026 forecast. Bar width corresponds to sales volume.

A RUB 0.20 thousand/t change in freight, or 7% of the constant, is worth RUB 16.07 per Severstal share, 0.96 at NLMK and 0.93 at MMK. It changes none of the three recommendations. At RUB 2.63 thousand/t, NLMK's total return rises from 32.6% to 34.4%, inside the 15.37–35.37% band. Contrary to expectations, applying the same constant to three locations has the quantified cost shown and leaves the calls intact. It had not previously been measured or reported, so readers could not assess it.

A reverse calculation from reported revenues gives the premium each mill received without using tariff tables (Figure 4). In 2023 it was +$92.7/t for Severstal, +$115.4 for NLMK and −$24.8 for MMK. A negative premium means the mill sold at home below what it could have received by exporting. In economic terms, this can only happen if the model understates its freight deduction. The difference between NLMK and MMK is $140.1/t in the same year against the uniform $95/t input.

A RUB 0.20 thousand/t shift changes 2026 profit by RUB 2.58bn at Severstal, 1.08bn at NLMK and 1.03bn at MMK. By 2028 the effects rise to 2.98bn, 1.27bn and 2.37bn because the deduction follows tariffs and grows faster than revenue. The 2026 free cash flow effects are RUB 1.43bn, 0.67bn and 0.64bn. Enterprise value changes by RUB 13.47bn, 5.76bn and 10.36bn, equivalent to RUB 16.07, 0.96 and 0.93 per share. The valuation effect is five times the annual earnings effect because the deduction more than doubles by the end of the forecast and terminal value capitalises that higher level.

Figure 4. MMK had a negative premium to parity of −$24.8/t in 2023, versus +$115.4 at NLMK. Reversal threshold: MMK's 2023 premium becomes non-negative at freight to port above RUB 4.94 thousand/t.



Source: reverse calculation from reported revenue, issuer models, 02_Operating worksheet, actual domestic market premium line.

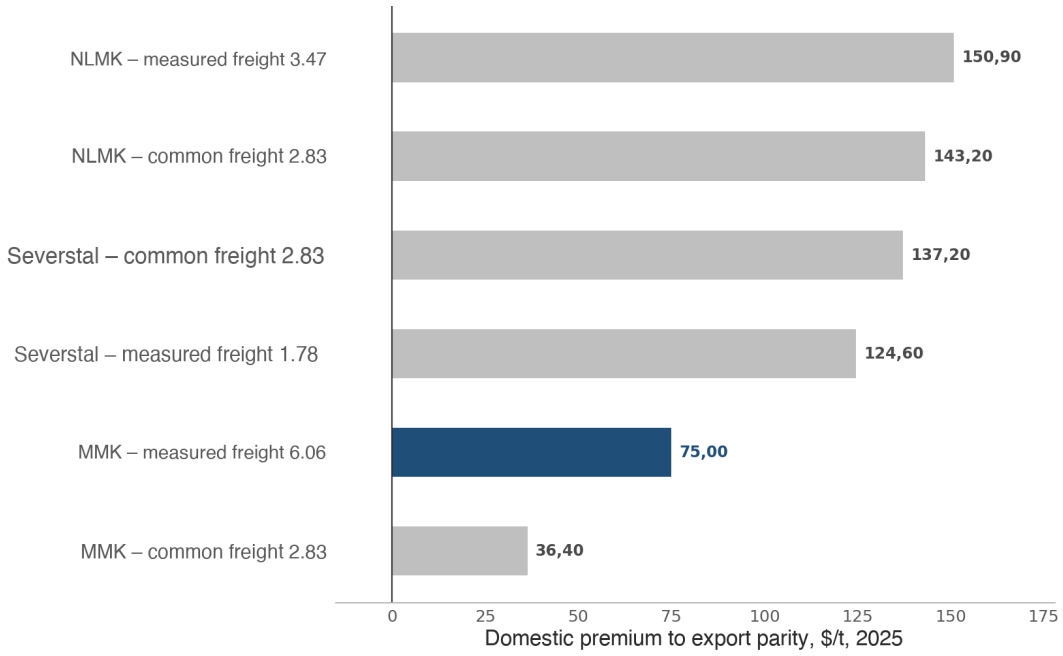
An independent market benchmark supports the scale of the premium but does not establish that it is the same at every mill. Consensus expects it to fall from $155/t in 2025 to $120/t in 2026, down 27%, with a domestic EXW price of $590/t and an export FOB price of $500/t. The models assume $150/t and $120/t. The gaps are 3% and zero.

Route-specific Russian Railways tariffs vary threefold. At the last published tariff index of 7.7474 on the 2003 base, the costs are RUB 1.78 thousand/t from Cherepovets, 3.47 from Lipetsk and 6.06 from Magnitogorsk. The 2026 index gives 1.98, 3.86 and 6.73. Replacing the single freight deduction with these costs changes the implied 2025 premiums to $124.6/t from $137.2 at Severstal, $150.9 from $143.2 at NLMK and $75.0 from $36.4 at MMK (Figure 5). The spread falls from $106.7/t to $75.8/t and the ratio of highest to lowest from 3.93 to 2.01. MMK's negative premium, previously attributed to an understated deduction, disappears. It becomes non-negative above RUB 4.94 thousand/t in 2023 and 4.32 in 2024, against a measured Magnitogorsk route cost of 6.06.

This changes the evidence on pricing power left open in Section 1. A more accurate price equation makes the premiums closer across the three stocks. Half of the earlier $140/t gap, previously treated as proof that the premium reflected geography, came from our constant. A similar premium across three mills with 86% of the market behaves like a market-wide measure. It supports the view that the premium is a concentration rent. It

does not establish it: $75.8/t of the spread remains unexplained, product mixes differ, and the railway tariff is a lower bound excluding handling, forwarding and railcar operator charges, none of which was measured. Both interpretations have a price. A ±10% move in the premium is worth RUB 93.71 per share at Severstal, 5.49 at NLMK and 5.24 at MMK. A $10/t move changes NLMK to BUY.

Figure 5. The ratio of the highest to lowest mill premium falls from 3.93 to 2.01 when route-specific costs replace one freight deduction. Reversal threshold: MMK's negative premiums in 2023 and 2024 disappear above RUB 4.94 and 4.32 thousand/t respectively. The measured Magnitogorsk tariff is 6.06.



Valuation impact: route costs add +68.65 / –4.90 / –18.18 RUB per share and flip MMK to SELL

2025 premium to export parity: $137.2/143.2/36.4 per tonne with a uniform deduction of RUB 2.83 thousand/t, and $124.6/150.9/75.0 with route costs of 1.78/3.47/6.06.

Source: reverse calculation from reported revenue, Russian Railways tariffs for the three routes measured on 02.08.2026, index 7.7474 under FAS Order No. 862/24. The tariff is the lower bound of the deduction. Handling and forwarding were not measured.

Two questions about freight need separate treatment to avoid counting it twice. For historical results, disclosed 2025 revenue is fixed. A different deduction changes the premium implied by that revenue, as Figure 5 shows, and has no effect on valuation. For the forecast, holding the premium at the published $150 and $120/t while changing the freight deduction lowers forecast prices and moves valuation. This is a scenario in which the freight deduction is too low and the premium input is correct.

The scenario was run through the models. The 2.83 constant was replaced with 1.98/3.86/6.73 using the 2026 tariff index. The 2025 reverse calculation above uses that year's index, 7.7474. LibreOffice recalculated all three models. Valuation changes by +RUB 68.65 at Severstal, −4.90 at NLMK and −18.18 at MMK. MMK changes from BUY to SELL: intrinsic value falls from RUB 35.03 to RUB 16.84 versus 19.07 in the market, and total return falls from 131.1% to 11.1% versus the 15.84% lower end of the band. The effect at MMK is 95% of its market cap, reason to leave the scenario out of the valuation. The tariff is a lower bound, routes were not checked against

Tariff Guide No. 4, the exceptional 50% discount from Magnitogorsk through 30.06.2027 was excluded, and 91% of MMK's sales never reach an export port. The outstanding work therefore has at least the cost of a rating reversal at one of the three stocks.

The scenario also changes the cost ranking above. MMK's RUB 3.90 thousand/t adjustment exceeds the entire RUB 3.80 thousand/t gap between first and third, moving MMK from lowest to highest cost on a netback basis. Figure 3 shows mill cash costs. The text records the difference separately.

4. The state takes its share before shareholders under a formula independent of profit

Analytical basis: PEST, covering four external environments for investors assessing what reaches minority shareholders and how prices are set. Politics covers duties, quotas, sanctions and delivery against announced targets. Law covers accounting.

Steel levies in Russia depend on prices and currency. The liquid steel excise is 2.7% of the slab price and only falls to zero below RUB 30 thousand/t. Iron ore mineral extraction tax applies a 0.05 coefficient to the ore price and exchange rate. In 2026, the levies total RUB 15.73bn at Severstal, 19.53bn at NLMK and 8.35bn at MMK, despite an MMK net loss forecast of −RUB 17.47bn. The corporate income tax rate rose to 25% in 2025. The model's effective rate of 26.5% includes a 1.5 percentage point allowance for non-deductible costs.

Three features of the local environment have a measurable cost. First, the currency-linked export duty was removed from 2025 and is absent from the base case. Reinstatement would cost about 4% of revenue through the netback, or roughly RUB 160 per Severstal share. Second, sanctions block the European route. NLMK classifies 64.7% of volume as overseas sales with prices reconstructed at a product basket coefficient of 1.45. This is an estimate and out-of-sample testing gives a −0.93% difference. Third, local accounting does not require disclosing this capital expenditure item. MMK alone discloses it directly, Severstal disclosed it once on 3 February 2026, and NLMK does not disclose it. Section 7 discusses the amount and its effect. The accounting rules allow the omission.

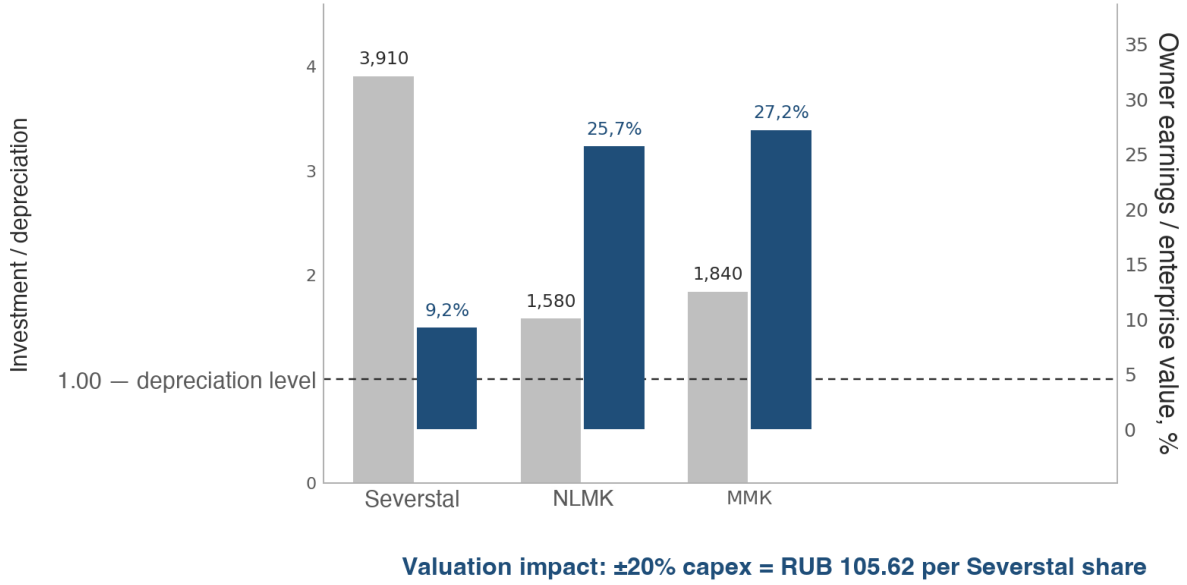
The track record for announced targets is verified on one illustrative item. Severstal announced a 2026 programme of RUB 147bn on 4 February 2026 and reduced it to RUB 112bn seven weeks later. The target is verifiable, at 76% of the announcement with a seven-week revision. It reflects a wider disclosure pattern. The 2025 plan was RUB 119bn and actual spending RUB 173.5bn. Section 5 examines how the amounts affect value.

5. The investment cycle absorbed owner returns, with the cost of capital at 25.8% a year

Analytical basis: the capital cycle, for investors assessing the pricing regime and position in the cycle. The section also covers the cost of capital and financing conditions.

The capital cycle (Figure 6) goes from returns to investment, capacity, supply, utilisation, margins and back to returns. In Russian steel it ended in lower returns. High 2023 returns of 44% at Severstal, 20% at NLMK and 18.4% at MMK triggered spending. Severstal lifted capex to RUB 173.5bn in 2025, or 3.91 times depreciation. New capacity met demand down 14%. NLMK utilisation fell to 81.2%, its margin dropped from 29.3% to 16.9%, and 2025 returns across the companies were 12.5%, 6.7% and 4.1%. The cycle took three years to complete.

Figure 6. Capital cycle: Severstal spends 3.91 times depreciation and generates a 9.2% owner earnings yield. Reversal threshold: capital expenditure below 2.0 times depreciation restores the yield above 18%.



Valuation impact: ±20% capex = RUB 105.62 per Severstal share

Source: company models, 06_Sched_PPE and 20_OwnerEconomics. Owner earnings yield uses the 17.08.2026 share price.

The current cycle adds little future supply. Capex trends down across the coverage: RUB 112bn to 85bn to 90bn at Severstal, 95bn to 88bn at NLMK, and 62bn to 47.1bn to 49.8bn at MMK. No capacity-adding project has named funding and permits, so the report counts none in future supply. A ±20% forecast capex shock is worth RUB 105.62 per Severstal share, 15.68 at NLMK and 5.47 at MMK. It flips the NLMK call in both directions, down to SELL and up to BUY.

Required equity return uses the 13.86% 10-year risk-free OFZ yield, a levered beta, 7.0% equity risk premium and 2.0% country premium. It is 25.835% for Severstal and MMK and 25.372% for NLMK. New borrowing costs the policy rate plus a 1.5 percentage point credit spread, or 15.0% before tax in 2026. The sector has primary market access at a cost. The gap between debt cost and required equity return is 10.8 percentage points, explaining why all three issuers prefer to retain cash. A +1 percentage point country premium is worth RUB 32.58 per Severstal share, 3.30 at NLMK and 1.79 at MMK.

Market summary: five forces and the measure for each

Table 2. Rivalry is the dominant force. A 10% price increase would not hold.

Force	Rating	Evidence	Discussed in
Rivalry (dominant)	Extreme	Three sellers with shares of 20.6%, 15.7% and 13.8% compete for demand down 14% to 38.9m tonnes. Utilisation is 81–98%.	1, 3
Supplier power	High	Purchased raw materials take 23.1% of Severstal's revenue and 43.7% of MMK's. None of a change in unit costs due to the coal price level passes through to buyers.	2
Buyer power	Moderate	Construction and machinery cut purchases by 14% in a year. They have no alternative domestic supplier.	1
New entrants	Weak	Structural barriers are access to ore and coke and a permitting regime. 0 funded entrants have been announced in 60 months, with a replacement cost of about $1,200 per tonne.	5

Force	Rating	Evidence	Discussed in
Substitutes	Weak	Substitution for rolled steel in Russia has not been measured. 0 observations over 60 months. Listed among outstanding work.	11

Table 2 summarises the forces. The test for the dominant force asks what would happen if Severstal raised prices by 10% tomorrow. Buyers would switch to NLMK or MMK, which have 2–19% spare capacity, and the price would fall back. The industry's long-term return is below its cost of capital, and the market structure offers no mechanism to close the gap. The model reflects this in a required return of 25.4–25.8% versus through-cycle returns of 10.5–17.4%.

6. Severstal's advantage in good years disappears in the weakest year

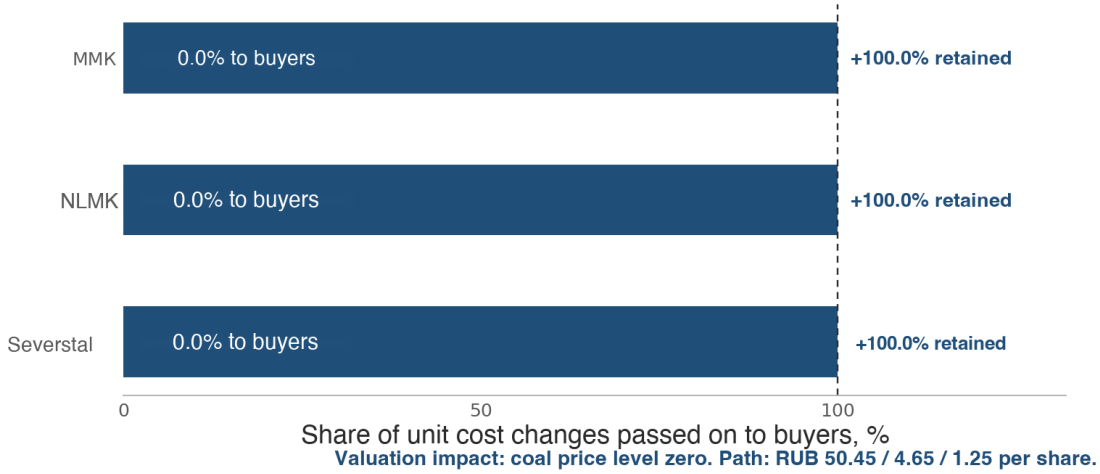
Analytical basis: company competitive position, for investors seeking sustainable returns on capital.

The three mills sell different products to different customers. Figure 7 shows how the common scenario affects each. Severstal classifies 50% of its volume as high value-added products and sells mainly in Russia. NLMK classifies 64.7% as overseas sales, mainly semifinished steel for its own overseas operations. MMK sells 91% in Russia and the CIS, with 40.5% high value-added products. Procurement tells the opposite story. MMK buys nearly all raw materials externally, at 43.7% of revenue versus 23.1% for Severstal, which has captive ore and coal.

Competitive position is measured by EBITDA per tonne relative to the coverage average. In 2025 it was RUB 12.24 thousand at Severstal, 9.56 at NLMK and 8.20 at MMK versus 10.00 on average. Severstal led by +RUB 2.24 thousand/t, NLMK lagged by −0.44 and MMK by −1.80. The test extends beyond 2025. In the weakest year, 2026, average EBITDA falls to RUB 6.38 thousand/t and the ranking changes. Severstal moves to −0.285 and NLMK to +2.279. None of the three has a durable cost advantage. Severstal's advantage disappears when it matters most.

Severstal has the highest margins in a good year and the greatest operating leverage in a bad year. Its EBITDA margin falls from 36.0% in 2023 to 11.1% in 2026, down 24.9 percentage points. NLMK falls from 29.3% to 14.7%, down 14.6 points, and MMK from 27.2% to 8.6%, down 18.6 points. This leverage gives Severstal the largest absolute valuation move for a ±5% export benchmark shock: RUB 33.58 per share versus 11.90 at NLMK and 1.33 at MMK. Contrary to expectations, its valuation does not hit zero first. NLMK reaches that point at $346.7/t while Severstal reaches it at $189.9/t. MMK's value stays above zero at any export price because it rests on the balance sheet. Relative to its own valuation, the ±5% move affects NLMK most at 17.1%, versus 8.2% for Severstal and 3.8% for MMK.

Figure 7. Company sensitivity to the common scenario: the coal price level has zero pass-through to shareholders, 0 out of 100%. Reversal threshold: a +10% change to the path from 2027 is worth RUB 50.45 per Severstal share. The ore price level matters through tax, at RUB 3.53.



The share of any change in the coal price level reaching shareholders is 0 out of 100% at all three stocks. The shape of that same path is worth RUB 50.45, 4.65 and 1.25 per share.

Source: model recalculations with each input changed separately from the original baseline, company models, 18.08.2026.

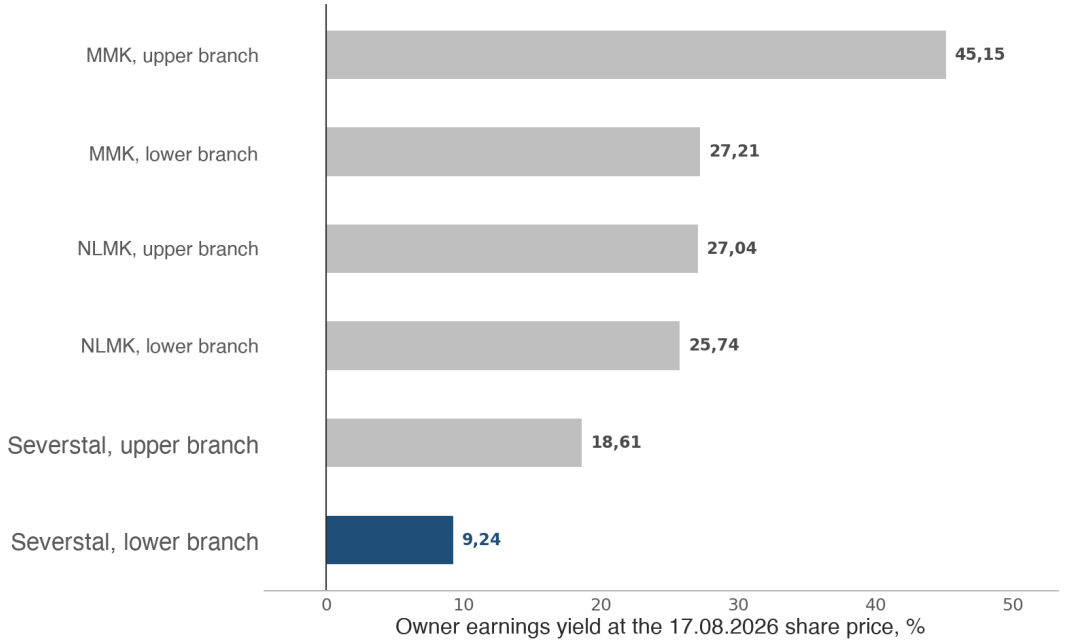
7. All three businesses earn below their hurdle

Analytical basis: owner earnings and capital allocation discipline, for investors seeking sustainable returns on capital or assessing what reaches minority shareholders.

Owner earnings (Figure 8) are profit plus non-cash charges less maintenance investment and maintenance working capital. In 2025 they ranged from RUB 54.67–110.18 per share at Severstal, 16.95–17.81 at NLMK and 5.19–8.61 at MMK. At 17 August closing prices, the yields are 9.2–18.6%, 25.7–27.0% and 27.2–45.2%. The most expensive mill on valuation multiples gives a shareholder one third the owner earnings yield of the cheapest.

That comparison depends on one branch of two branches. Severstal disclosed maintenance capex once, on 3 February 2026. The two estimates are RUB 58.99bn, 8.27% of revenue, and RUB 105.50bn, 14.80% of revenue. The 9.2% headline uses the high investment and low owner earnings branch. Quality Test 2 in Section 7 uses the other branch, comparing 8.27% with 8.5%. Both branches are legitimate and affect the interpretation. Under the lower investment branch used for Test 2, Severstal's yield is 18.6% versus 9.2%, and MMK's is one and a half times as high rather than three times. Section 5 retains the conservative high investment branch. The threefold comparison holds only there and fails under the Test 2 branch.

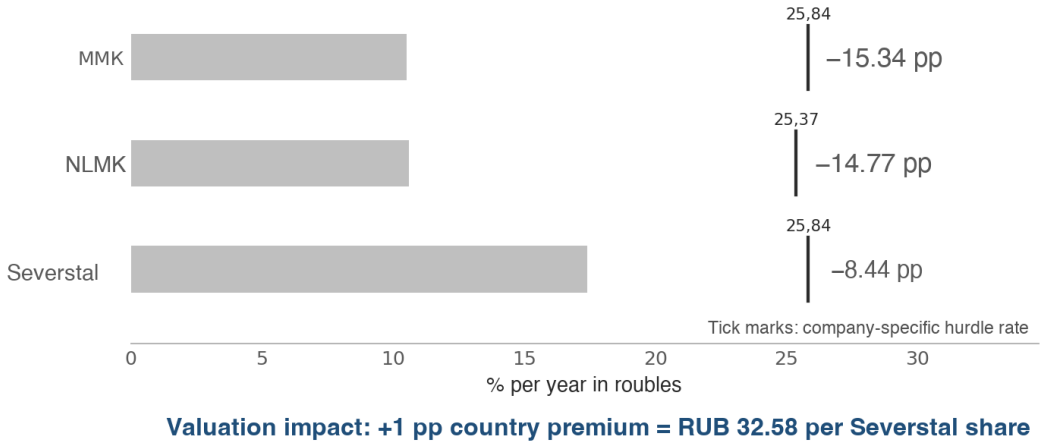
Figure 8. Severstal's 9.2% annual owner earnings yield is one third of MMK's 27.2%. Reversal threshold: a 25.8% hurdle rate, beyond both branches for Severstal.



Source: company models, 20_OwnerEconomics worksheet. The denominator is the share price on 17.08.2026.

Figure 9 compares returns with the hurdle. Through-cycle ROIC for 2023–2035 is 17.4% at Severstal, 10.6% at NLMK and 10.5% at MMK. Section 5 sets out each hurdle. Shortfalls of 8.5, 14.7 and 15.3 percentage points mean that each rouble invested in the industry over a full cycle returns less than it costs. Severstal alone reached the hurdle in two years, 2023 and 2024. None reaches it from 2025 to the end of the forecast. The reinvestment horizon above the hurdle is zero for all three. Adding 2021 and 2022, the most profitable observed years and unavailable from primary disclosures for NLMK and MMK, would raise Severstal's through-cycle return to about 21.7%, still below the hurdle.

Figure 9. All three earn below their cost of capital. The gaps are 8.5, 14.7 and 15.3 pp. Reversal threshold: a return of 25.8% closes Severstal's gap and requires EBITDA of RUB 18.5 thousand/t.



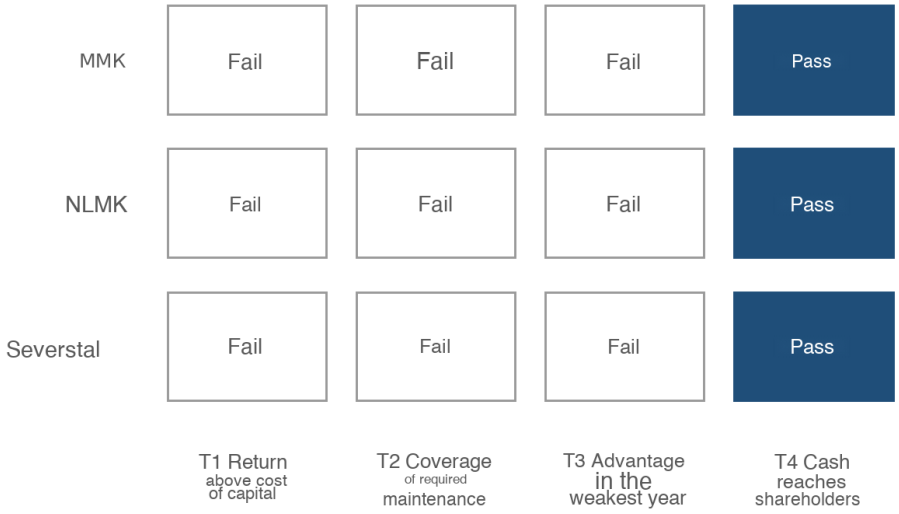
Valuation impact: +1 pp country premium = RUB 32.58 per Severstal share

Source: company models, 20_OwnerEconomics worksheet, through-cycle return. The hurdle is Ke in the same model, currency and date.

Cash reaches minority shareholders with delays of years and unevenly. In the available periods, 58.4% of earnings reached Severstal shareholders (2021–2025), 38.6% at NLMK and 44.9% at MMK (2023–2025), between one third and three fifths. All three pass the one-third threshold in decision map entry 79. It is the only quality test any stock passes. The rule requires a full industry cycle or five years, whichever is longer. NLMK and MMK did not disclose primary data for 2021–2022, so the test is undefined over the required period. The threshold was calibrated using the same three stocks over 5.5 years in version 9.6, which gave 58.7%, 41.4% and 30.3%. On the period prescribed by entry 79, MMK's weakest result comes out at 44.9% rather than 30.3%. The calibration used a different window from the one the rule requires.

Capital allocation discipline varies more than the underlying businesses. Severstal has RUB 19.53bn of liquidity, 3.9% of market cap and 0.43 months of operating expenses. In the bear case, operating cash coverage of maintenance investment is negative, from −0.96 to −0.58 times. NLMK holds RUB 80.33bn, 20.4% of market cap and 1.46 months. MMK holds RUB 135.6bn, 63.6% of market cap and 3.16 months. At the report date, Severstal had paid no dividends for seven quarters, NLMK for ten and MMK for eight.

Figure 10. No covered company meets the quality hurdle, and each passes 1 of 4 tests. Reversal threshold: Severstal would pass T1 at a 25.8% return versus 17.4% today.



Source: research calculations for the four quality tests under decision map entries 76, 79 and 81. These define the tests, numerical thresholds and requirement to pass all four.

The quality screen produces no best idea (Figure 10). No stock passes Test 1, a return above the Section 5 hurdle across the full cycle. Passing would require reaching the respective hurdles, increases of 8.5, 14.7 and 15.3 percentage points. No stock passes Test 2, maintenance spending coverage. Actual 2025 maintenance was 8.27% of revenue at Severstal on the low branch against 8.5%, 4.20–4.81% at NLMK versus 8.0%, and 5.34% at MMK versus 8.5%. They would pass at RUB 60.60bn, 66.51bn and 48.62bn versus actual spending of 58.99bn, 34.89bn and 30.53bn. No stock passes Test 3, maintaining an edge in the weakest year. Severstal loses its edge in 2026. NLMK has no advantage across the window, averaging −RUB 0.14 thousand/t, and MMK's is negative in every year. Passing would require additional EBITDA in the weakest year of RUB 3.25bn, 26.62bn and 35.90bn. All three pass Test 4 over the available window. Each meets only one of four tests, so the best-ideas list is empty.

Decision map entry 76, dated 17 August 2026, reformulated the quality hurdle after the first results were visible and applied it to the same observation window. Passing three of four was considered and not adopted. The procedural change leaves the Russia conclusions intact because all stocks fail Test 1 by at least 8.5 percentage points.

8. One scenario produces three different outcomes, driven by the balance sheets

All three companies use the same scenario: a $490/t export benchmark in 2026 converging on $600/t mid-cycle at 0.55 of the gap per year, RUB 78.40 per dollar, a 13.5% policy rate and a $120/t domestic premium. No issuer has a separate raw material price. Four things differ: operating leverage to price, cost position (Section 3), the investment programme (Section 5) and the balance sheet.

Figure 11 shows the outcome. In the common scenario, 12-month total return is −12.7% at Severstal, +32.6% at NLMK and +131.1% at MMK, with recommendation bands of 15.37–35.37% at NLMK and 15.84–35.84% at the other two. The 144 percentage point spread between the two stocks in the same industry, country and scenario comes from how the market prices their balance sheets. Section 6 covers differences between the plants.

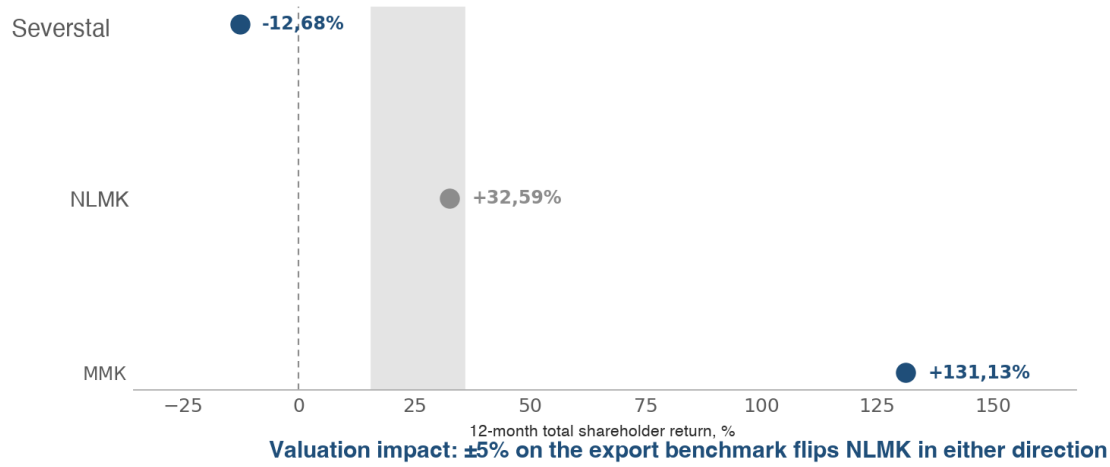
Severstal trades at RUB 592.00 with RUB 88.4bn of net debt. MMK trades at RUB 19.07 with RUB 80.7bn of net cash, worth RUB 7.23 of its RUB 35.03 intrinsic value, or one fifth.

The calls differ in all three cases and no single input produces the same sign. The nearest threshold is NLMK's, just 2.1% away from a BUY (RUB 64.50 against 65.86). Severstal is 24.6% from its nearest threshold and MMK 70.2%.

9. Market prices imply a $95/t spread in the mid-cycle price between stocks in the same industry

Solving for one input shows what today's shareholders are paying for. For each stock, find the export price at which the model reproduces the share price. Section 3 gives the construction. At RUB 592.00, Severstal implies $639/t, or 6.6% above our input. At RUB 65.86, NLMK implies $594/t, or 1.1% below. At RUB 19.07, MMK implies $544/t, or 9.3% below. The gap between Severstal and MMK is $95/t, or 16% of a benchmark that by definition is common to both.

Figure 11. Valuation against the band. Total return is −12.7%, +32.6% and +131.1%. NLMK's band is 15.37–35.37% and the other two bands are 15.84–35.84%. Reversal threshold: NLMK becomes a BUY at RUB 64.50, 2.1% below today's price.

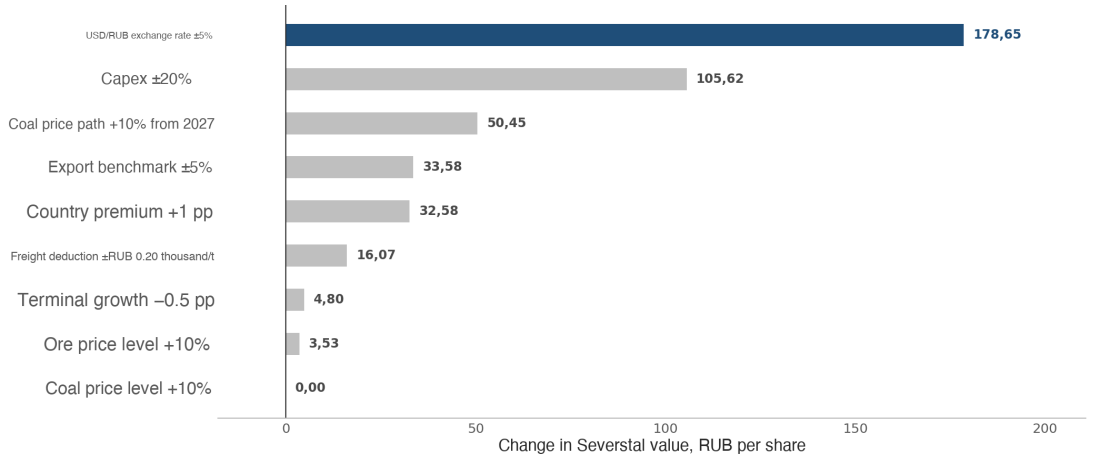


Total returns are −12.7%, +32.6% and +131.1%, versus a 15.37–35.37% band at NLMK and 15.84–35.84% at the other two. One stock is below its band, one inside and one above.

Source: model, 02_Valuation worksheet, share prices as of 17.08.2026.

The report records the disagreement with the market in seven fields. Figure 12 gives each declared input's value impact. The market implies $639/t for Severstal and $544/t for MMK. We use a common Section 3 input. The market is pricing the probability of each producer surviving to mid-cycle with its share intact and pays for balance sheet strength. Severstal has net debt and MMK a net cash position equal to 63.6% of market cap. The difference enters the model in line 88 of the assumptions worksheet, which sets the export price convergence level (Section 3). The evidence is the reverse valuation. The strongest alternative is that the market is right about Severstal's product basket and our 0.83 coefficient is too low. The 2026 results due February 2027 will settle the question. At $629/t Severstal changes from SELL to HOLD. At $649.8/t it becomes a BUY. At $549.3/t MMK loses its BUY. NLMK's rating depends on the $17.5 window between $584.7 and $602.2/t.

Figure 12. Valuation sensitivity: RUB 0.00 from the coal price level, 3.53 from the iron ore price level and 178.65 from currency. Reversal threshold: split any input that gives zero impact when shocked. Here 1 of 9 meets that condition.



Valuation impact: coal level zero, ore level 3.53, coal path RUB 50.45 per share

Valuation impact per share is RUB 0.00 for the coal price level, 3.53 for the ore price level, 16.07 for freight to port, 105.62 for capex and 178.65 for currency.

Source: model recalculations with each input changed separately from the original baseline, 06_Input_Sensitivities worksheet.

For Severstal holders, the market pays more than the business economics justify at our cycle assumption. The nearest reversal is 24.6% away, leaving a margin for error. NLMK is close to the boundary at 2.1% from a BUY, and the freight assumption would change the rating before a change in the business. At MMK the gap is large and rests on the balance sheet. Section 10 gives the catalyst, outside the 12-month horizon.

10. Calendar of turning points

Table 3 closes with what to watch and when. Each turning point has an observable threshold and a valuation impact.

Table 3. Eleven turning points, five of them due in February–April 2027

Date or window	Event	Measure to watch	What would change
October 2026	Q3 2026 operating results for the three issuers	Sales volume and revenue per tonne against forecast RUB 54.75/59.10/51.02 thousand/t	A 3% change in sales volume moves Severstal by RUB 117.72 per share. A 3% change in export prices moves it by RUB 20.17.
October 2026	Bank of Russia policy rate meeting	Rate path against the model's 13.5% for 2026 and 11.5% for 2027	−1 pp on the country premium is worth RUB 32.58 per Severstal share.
February 2027	2026 results and 2027 capex announcement	Severstal capex against RUB 85bn. The track record points to revisions of 24–46%.	±20% capex is worth RUB 105.62 per Severstal share and reverses the NLMK call.
February–April 2027	MMK board decision on the 2026 dividend	2026 free cash flow against −RUB 4.70bn. The dividend policy requires net debt/EBITDA below 1.0, versus −1.74 now.	Resuming dividends within 12 months is the only named mechanism to close MMK's discount.

Date or window	Event	Measure to watch	What would change
February–April 2027	Severstal board decision on the dividend	First payout in the model: 2028. Eighth and ninth quarters without a dividend.	A payout one year earlier requires 2027 capex below RUB 68bn.
Continuous	USD/RUB versus the model's RUB 85.24 per dollar for 2026	Any move greater than 5% in either direction	±5% is worth RUB 178.65/29.68/10.13 per share. A 5% weaker rouble moves Severstal to HOLD and NLMK can change in either direction. The domain ends at RUB 75.1/USD for Severstal and 74.9 for NLMK.
Continuous	Black Sea FOB HRC export price versus $490/t	Published market series diverges more than 2.04% from our input	±5% is worth RUB 33.58/11.90/1.33 per share and reverses NLMK in either direction. The lower bound is $346.7/t at NLMK and $189.9 at Severstal.
Continuous	Domestic premium to parity versus $120/t in 2026	Consensus expects a 27% fall from $155/t	Regime change: below $90/t the premium no longer supports a case for pricing power.
Continuous	Import share of flat steel supply versus 12%	Ministry of Finance is discussing an import excise from 2027. Flat steel imports from China were +28% in Q1 2026.	Import protection is the only thing between concentration of 2,522 and a $155/t premium.
Risk to the thesis	Reinstatement of currency-linked export duty	Any discussion in the autumn 2026 budget cycle	About 4% of sales, or RUB 160 per Severstal share.
Regime change	More flat steel consolidation versus an index of 2,522	Mergers and capacity closures at the top three	Makes the parity premium a measured industry outcome rather than a model input.

11. What remains unknown and what it costs

Outstanding work. Each item must have a quantified impact to be listed.

Freight to port has not been measured by route in the valuation. One constant of RUB 2.83 thousand/t applies to three mills. A change of RUB 0.20 thousand/t is worth RUB 16.07 per Severstal share, 0.96 at NLMK and 0.93 at MMK. No rating reverses.

The iron ore price level affects one stock and has no effect at another, a distinction first measured in this window. A 10% shift in the full path moves Severstal by RUB 3.53 per share through mineral extraction tax, NLMK by 0.59 and MMK by exactly zero. A change in the path from 2027 alone moves MMK by RUB 3.40, more than the level does at any stock except Severstal. The impacts of splitting the input are RUB 3.53/0.59/3.40 per share.

Our price calculation differs most from reported revenue where we previously had the highest confidence. Until this window the three models tested different years. The test now uses a common 2025 anchor with 1.00% tolerance. The differences are +1.94% at Severstal, +1.02% at NLMK and −0.31% at MMK. Two fail and Severstal has the largest gap, though it passed under the old convention. Issuer model statuses are incomparable and omitted. The published statuses are taken from worksheet 11 of the coverage model. Impact: RUB 153.01 per Severstal share (25.8% of the quote), 4.75 at NLMK (7.2%) and 1.42 at MMK (7.5%).

The report has not measured concentration in China, India, Brazil or Turkey. Valuation impact: zero. No comparison is available for Russia, so Section 1 rests on the threshold.

The long products market has no quantified impact because shares below the market leader are undisclosed. The published share is Promsort's 40% of construction rebar. The FAS considers four companies jointly dominant. A 40% leader gives an index floor of 1,600 even with a fully fragmented rest of the market. It

cannot be unconcentrated, but the index itself is unmeasured. The valuation impact is zero given the coverage's limited presence. The two Russian markets cannot be compared.

The Russian Railways tariff is a lower bound to freight to port. Handling, forwarding and the operator's railcar component were not measured. Routes were not checked under Tariff Guide No. 4. The model excludes a 50% exceptional discount on ferrous products from Magnitogorsk through 30.06.2027. Replacing 2.83 with measured freight moves valuation by +RUB 68.65, −4.90 and −18.18 per share and changes MMK to SELL. This is a lower bound to the impact.

Substitutes for rolled steel were not measured. Valuation impact: zero. Substitutes received an unmeasured qualitative rating that could only be published because it was weak.

Primary disclosures for NLMK and MMK in 2021–2022 are unavailable. Quality Test 4 is undefined over the required five-year window for two of the three stocks. Rating impact: zero because none passes Test 1. The confidence class is lower for both.

The coking coal price level has zero impact. The shape of the path is worth RUB 50.45/4.65/1.25 per share.

The life-cycle analysis supplies no model input. The research team selected the stage without an independent measure and the register names no investor audience. A 0.5 pp change in terminal growth is worth RUB 4.80/0.34/0.31 per share.

The 2026 export benchmark differs from the published market series by 2.04%. The model uses $490/t and the market $500/t. The common input across the four Global Steel countries prevents changing it in one release alone without departing from the Chinese, Indian, Brazilian and Turkish models. Impact: RUB 13.74 per Severstal share and a reversal to BUY at NLMK, with total return of 41.83% versus the 35.37% upper bound.

The common inputs table gives the risk-free rate path. Its impact was unmeasured before this window. The model takes the rate from 13.86% in 2026 to 9.75% by 2030. Freezing it at today's level costs RUB 100.00 per Severstal share, 9.87 at NLMK and 5.55 at MMK, reversing NLMK to SELL.

NLMK's export basket coefficient of 1.454 is reconstructed and drives 66.7% of revenue. A ±5% shock gives ∓RUB 23.55 per share, or 4.96 times the company's full published range.

Research added a 1.5 pp uplift to the statutory tax rate. It was absent from the input table until this window. Impact: RUB 13.77/1.71/0.68 per share.

Valuation is not smooth against the mid-cycle price. At $490/t, the multiplier reaches the 600/490 ratio and the slope changes. Below that point it is 10.8% steeper. The published RUB 4.60/0.60/0.285 per share per dollar applies to the upward branch only. A bear-case figure calculated with those slopes below 490 is understated by about one eleventh.

The 1.22449 cycle multiplier cap is an identity, equal to 600/490, the ratio of two model inputs. The earlier edition compared this with 560/459 = 1.22004 and 640/523 = 1.22371 and noted the similarity. It reflects the choice of inputs. The numerical impact is zero and the entire argument for a specification defect depends on it.

The observed premium cycle trough of RUB 9.41 thousand/t matches the model's own 2026 output of 9.4086. The alleged observation was calibrated to the model output, giving a cycle position check of zero by construction. Impact: the full premium trajectory from 2027.

A two-factor reverse valuation is underidentified. Severstal's price is explained equally by a $600/t mid-cycle price with RUB 2.378 thousand/t freight deduction or $639.4/t with 2.83. There are two free parameters and one observation. The report uses the one-factor result. The two-factor interpretation favours geography over two different world prices and reduces the reported market disagreement to zero. Impact: up to RUB 181.21 per Severstal share, the full difference.

The 2026 currency anchor is RUB 78.4049 per dollar versus a measured 76.55 average. It comes from version 9.6 and was not reassessed in this window. The cost is at least RUB 1.46 per NLMK share, its full distance to BUY. The disclosed ±5% currency shock gives NLMK +RUB 132.2 and −84.3 per share.

No pessimism ranking has been constructed. The coverage has two observation dates, 24.07.2026 and 17.08.2026, and no series covering the cycle. Valuation impact: zero.

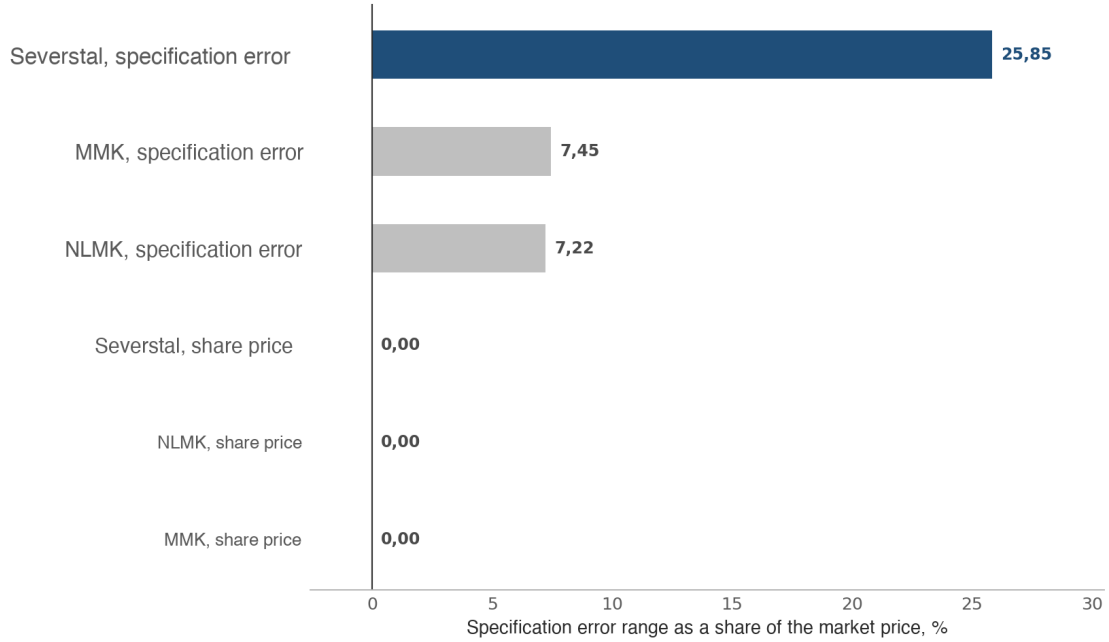
Eight byte-identical lines across the three company models have not been differentiated. The report now quantifies one. Other than freight to port, they are the path of unit cost reductions (ten values, −15.2% to −22.7%), two capex lines with their supporting text, the debt repayment schedule, and three items found in review: the 8% share of other revenue, 0.2 target capital structure and 9.5% depreciation rate. An additional 1 percentage point of unit cost savings is worth RUB 29.02 per Severstal share, 5.03 at NLMK and 1.95 at MMK. It changes NLMK to BUY. MMK's cost path is identical to Severstal's, while NLMK's own path is weaker (−12.5% to −20.0%). Moving MMK to NLMK's path lowers its valuation from RUB 35.03 to 29.75 per share, down 15.1%. The weakest business on all four quality tests was assigned the best cost decline by copying a line. MMK's entire comparables worksheet was also copied from Severstal's. The three items found in review are worth RUB 8.51, 2.92 and 0.22 per MMK share. Under the target capital structure, MMK has the same hurdle with net cash as Severstal with net debt.

The valuation ranges and publication rule are shown in Figure 13. Specification error is the difference from out-of-sample disclosures with inputs fixed. It gives RUB 335.09–488.10 for Severstal, 67.28–72.03 for NLMK and 34.32–35.74 for MMK. None covers the market price, so the report publishes all three point estimates.

NLMK's range covers the rating threshold. HOLD changes to BUY at an intrinsic value of RUB 71.11. The upper bound of the specification error range is RUB 72.03 using the domestic price only, or 71.63 using both price components, with residuals of +1.02% domestic and −0.93% export. The upper bounds exceed the threshold by RUB 0.92 and 0.52 per share. The analysis cannot distinguish HOLD from BUY for NLMK. The point estimate of RUB 69.65 is published because the range does not cover the RUB 65.86 price, though both ratings are possible within it. Position size should not depend on the distinction. For the other stocks the range falls short of the closest rating threshold, with headroom of RUB 56.85 at Severstal and 13.73 at MMK.

Publication of NLMK's point estimate depends on the band convention. Its verification residuals have opposite signs: +1.02% domestic and −0.93% export. Under the adopted convention they offset. The range is RUB 67.28–72.03 domestic-only and 67.65–71.70 for both, neither covering the 65.86 price. Treating errors as moving in the same direction, on the grounds that both come from the basket reconstruction, gives RUB 62.90–76.47, which covers the price. Under that convention the NLMK point is withheld and the window's count becomes 3·2·1 instead of 3·3·1. We use the offset convention because the measured signs are opposite. Both conventions are published because the choice governs publication. Outcome uncertainty, the change in valuation with the stated inputs, is wider at all three stocks. It is published alongside the specification error and does not block a point estimate. Currency and the export benchmark can change ratings, in both directions at NLMK and from SELL to HOLD at Severstal on a 5% weaker rouble. The model remains within its domain, which extends down to RUB 75.1 per dollar and $189.9/t at Severstal, and RUB 74.9 per dollar and $346.7/t at NLMK.

Figure 13. Severstal's specification error range is 25.8% of the quote, about three times NLMK's 7.2%. Reversal threshold: a range wider than 100% of the share price covers the price and blocks the point estimate. The current maximum is 25.8% at Severstal.



Valuation impact: 1.94% verification residual = RUB 153.01 per Severstal share

Specification error ranges as a share of the market price: 25.8% at Severstal, 7.2% at NLMK and 7.5% at MMK.

Source: model, 03_Range worksheet, passing the anchor-year verification residual through the pricing equation.

12. Coverage universe, common inputs and sources

The intended investor, a global institution without jurisdictional restrictions, was defined before selection. Priorities are trading turnover, free float, market cap and disclosure quality. Severstal PJSC, NLMK PJSC and MMK PJSC are Russia's only publicly traded integrated steelmakers with continuous IFRS reporting. Their free floats are 21.15%, 20.7% and 20.2%. Mechel was excluded for intermittent disclosure and an incomparable capital structure. TMK and OMK focus on pipes, a separate market. Metalloinvest is unlisted and Evraz after its separation has no comparable reporting perimeter in the series. Production size does not determine inclusion.

Table 4 lists common inputs: the rouble exchange rate, policy rate, export benchmark and dates. The company models inherit them unchanged. A departure from the table is a defect.

Table 4. Twenty-four common inputs, of which eleven are research assumptions

Input	Value	Owner	Derivation
Common market price date	17.08.2026, Moscow Exchange close	Country report	Disclosed
Valuation date	17.08.2026	Country report	Disclosed
USD/RUB, 2026	78.4049 ₽/$	Macro	Research assumption
Russian CPI, 2026, Dec/Dec	6.5%	Macro	Research assumption
Central bank policy rate, 2026 average	13.5%	Macro	Research assumption

Input	Value	Owner	Derivation
10-year risk-free OFZ yield, 2026	13.86%	Macro	Research assumption
Equity risk premium	7.0%	Macro	Research assumption
Unlevered sector beta	1.20	Macro	Research assumption
Sanctions and country premium	2.0%	Macro	Research assumption
Recommendation band B	10.0 pp	Core methodology 10.8	User decision
Terminal growth g	2.5%	Macro	Research assumption
Black Sea FOB HRC exports, 2026	$490/t	Country report	Research assumption
Mid-cycle benchmark	$600/t	Country report	Research assumption
Speed of convergence to mid-cycle	0.55 of the gap a year	Country report	Research assumption
Australian HCC coking coal, 2026	$230/t	Country report	Research assumption
62% Fe CFR iron ore, 2026	$100/t	Country report	Research assumption
Domestic premium to parity, 2026	$120/t	Country report	Research assumption
Freight to port deduction from netback	RUB 2.83 thousand/t	Country report	Research assumption
Corporate income tax rate from 2025	25%	Law	Law
Uplift to statutory tax rate	1.5 pp	Macro	Derived
Risk-free rate path to 2030	13.86% → 9.75%	Macro	Research assumption
Target capital structure D/(D+E)	20%	Macro	Research assumption
Liquid steel excise	2.7% of the slab price	Law	Law
Iron ore mineral extraction tax, coefficient K_ore	0.05	Law	Law

Directional conclusion count. 3 companies covered, 3 with a sign and 0 deemed undetermined with the five required elements.

Primary sources. IFRS disclosures for 2023–2025 and H1 2026, operational reports and earnings press releases from Severstal PJSC, NLMK PJSC and MMK PJSC. Share prices: Moscow Exchange closes on 17.08.2026. Global and Russian 2025 steel output: Worldsteel via the 26.01.2026 industry publication, at 1,849m tonnes globally and 67.9m tonnes in Russia, fifth worldwide. Russian rolled steel consumption, exports and domestic premium: 2026 market review, with consumption of 38.9m tonnes (−14%), exports of 12.1m tonnes (+13%), premium from $155 to $120/t, domestic EXW at $590/t and export FOB at $500/t. Rail tariffs: Russian Railways tariff schedule, research measurement on 02.08.2026. Macro inputs: macro_assumptions.xlsx, version 07.08.2026.