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## NLMK GROUP Q2 2017 IFRS FINANCIAL RESULTS<sup>1</sup>

NLMK Group (MICEX and LSE: NLMK) is pleased to announce a 56% sequential growth in free cash flow in Q2 2017.

### Key highlights

'000 t/\$ m	Q2 2017	Q1 2017	QoQ	Q2 2016	YoY	H1 2017	H1 2016	YoY
Steel product sales	4,194	3,679	14%	3,944	6%	7,873	8,070	-2%
Revenue	2,544	2,155	18%	1,869	36%	4,699	3,446	36%
EBITDA <sup>2</sup>	603	618	-2%	460	31%	1,221	749	63%
EBITDA margin	24%	29%	-5 p.p.	25%	-1 p.p.	26%	22%	+4 p.p.
Profit for the period <sup>3</sup>	342	323	6%	186	84%	665	241	2.8x
Free cash flow <sup>4</sup>	325	208	56%	160	2x	533	432	23%
Net debt <sup>5</sup>	1,045	937	12%	1,244	-16%	1,045	1,244	-16%
Net debt/EBITDA <sup>5</sup>	0.43x	0.41x		0.79x		0.43x	0.79x	

**Growth of revenue by 18% qoq in Q2** to \$2.54 bn, driven by a 14% qoq increase in sales and an improvement in the product mix (20% growth of finished product sales), against the backdrop of a fall in steel product prices.

- **Q2 EBITDA eased by 2% (growth by 31% yoy)** to \$603 m following the narrowing of spreads between steel product and raw material prices. H1 EBITDA climbed by 63% to \$1,221 m, supported by Strategy 2017 gains, and the recovery in steel product prices.
- **Growth of free cash flow Q2 by 56% qoq** to \$325 m due to the growth of inflow from operating activities. H1 FCF grew by 23% yoy to \$533, driven by lower capex and higher business profitability.
- **Debt leverage** remains low, Net debt/EBITDA at 0.4x.

<sup>1</sup> Consolidated financial results are prepared under IFRS. Reporting periods of the Company are 3M, 6M, 9M and 12M. Quarterly figures are derived by computational method, including segmental results. Figures for comparable periods can differ from figures published earlier as a result of rounding off to whole numbers.

<sup>2</sup> EBITDA is defined as operating profit before equity share in net losses of associates and other companies accounted for using the equity method, impairment and write-off of assets, adjusted to depreciation and amortization. For detailed information and calculations for this indicator please refer to the Appendix.

<sup>3</sup> Profit for the period attributable to NLMK shareholders

<sup>4</sup> Free cash flow is determined as net cash from operational plus interest received net of interest paid, capital investment and changes in advances made as part of investment activities. Free cash flow calculations are presented in the Appendix.

<sup>5</sup> Net debt is calculated as the sum of LT and ST credits and loans less cash and cash equivalents, as well as ST financial investments at period end. Net debt / EBITDA is represented by net debt as at the end of the period and EBITDA is presented as Last 12 months EBITDA. Net debt calculations are presented in the Appendix.



# NLMK GROUP Q2 2017 IFRS CONSOLIDATED FINANCIAL RESULTS

## Key highlights

### Comment from NLMK Group acting CFO Sergey Karataev:

"In Q2 2017, NLMK Group continued consolidating its positions in its home markets, where sales grew by 19% qoq, as well as expanding export deliveries of steel products from Russia.

"Group's capacity utilization gained +2 p.p. to 98%.

"Sales climbed by 14% qoq to 4.2 m t. High sales and an increase in the share of finished product deliveries supported an 18% qoq growth of revenue to \$2.54 bn.

"EBITDA reduced by 2% qoq to \$603 m, due to the sale of products manufactured from raw materials purchased during a period of higher prices in Q1.

"Effect from Strategy 2017 investment and operational efficiency projects totaling \$106 m had a significant impact on Q2 EBITDA. Total H1 gains from these projects were \$163 m, or 63% of the 2017 target.

"Following start-up activities, Stoilensky's Pelletizing Plant, launched at the end of 2016, reached its design capacity of 6 m t of pellets per year.

"Moreover, in Q2 2017 as part of Strategy 2017, pulverized coal injection units were successfully launched at Lipetsk site blast furnaces, namely BF-6 & BF-7. This will ensure a further reduction in the cash cost of pig iron starting from Q3 2017.

"Growth of cash flow from operations, control over working capital against the backdrop of the increase in revenue, and conservative capex in Q2 2017, ensured an increase in free cash flow by 56% qoq to \$325 m.

"Debt leverage remained at a comfortable Net debt/EBITDA of 0.4x."



## TELECONFERENCE

NLMK is pleased to invite the investment community to a conference call with the Company management:

Thursday, 27 April 2017

- 10:00 a.m. – USA (New York)
- 3:00 p.m. – Great Britain (London)
- 5:00 p.m. – Russia (Moscow)

To join the conference call, participants are invited to dial:

**US number:**

+1 719-325-2226 (local access) // 866-548-4713 (toll free)

**UK number:**

+44 (0)330 336 9105 (local access) // 0800 358 6377 (toll free)

**Russian number:**

+7 495 213 1767 (local access) // 8 800 500 9283 (toll free)

**Conference code:** 4247720

To connect to the webcast, please follow the link: <http://www.audio-webcast.com/cgi-bin/visitors.ssp?fn=visitor&id=4771>.

\* We recommend participants start dialing in 5-10 minutes in advance to avoid waiting.

We recommend participants download the presentation in advance from NLMK's website: [www.nlmk.com](http://www.nlmk.com)



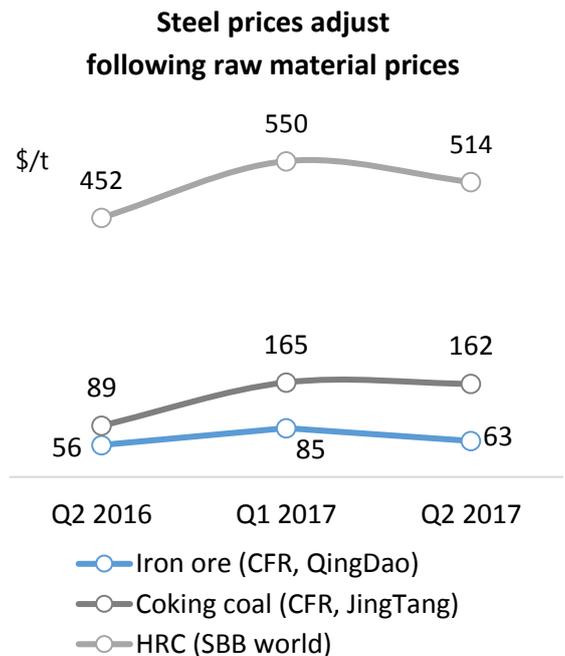
## MANAGEMENT COMMENTS

### Q2 2017 market overview

- **Global steel production** was up by +4.5% qoq to 427 m t.
- **Chinese steel exports** were down by 2% qoq and by 30% yoy against the backdrop of recovering internal demand, intensified trade restrictions, and cuts in inefficient steelmaking capacities.
- **Demand in the EU** improved driven by the seasonal uptick in end-customers activity.
- **Demand in the US** was up driven by stable demand from the construction, automotive and energy sectors.
- **Consumption in Russia** grew qoq against the backdrop of the recovery in demand towards the end of the quarter from the construction and pipe & tube sectors.
- **Steel output in Russia** decreased by 2% qoq to 17.5 m t; imports grew by 25% qoq to 1.7 m t\* supported by a stronger FX rate.

### Q2 2017 prices

- **Raw material prices:** average global coal prices decreased by 1.5% (1.8x growth yoy); iron ore prices dropped by 26% qoq (+13% yoy).
- **Market prices\*\* for steel products:** 3-5% qoq decrease in the US & EU markets (+10-20% yoy) following prices for raw materials.
- **Prices in the Russian market** decreased by 5-10% qoq (+0-20% yoy), due to the delayed commencement of seasonal demand from the construction sector, among other factors.
- **Export prices** (FOB Black Sea) decreased by 2-10% qoq (+5-10% yoy).



\*Estimate based on data for 2M Q2 2017

\*\* Market prices reflect the level of prices as of a given calendar period and differ from the average sales prices of the Company and its segments due to the time lag of the production & sales cycle

## Output and sales mix

### Q2 2017 highlights:

- **Steel output** (including NBH) totaled 4.14 m t (-2% qoq & -3% yoy), an insignificant decrease in output as a result of planned maintenance downtime at NLMK Lipetsk, namely the successful completion of PCI (pulverized coal injection) unit start-up activities at BF-6 & BF-7.
- **Steelmaking capacity utilization rates\*** of the Group totaled 98% (+2 p.p. qoq & +1 p.p. yoy), including 100% at NLMK Lipetsk.
- **Growth of sales** by 14% qoq (+6% yoy) was attributable to the growth of deliveries to the Russian market (+48% qoq), due to the delay in the recognition of Q1 sales of 0.1 m t, among other factors.
- **Finished steel sales gained** 20% qoq to 2.94 m t (+14% yoy), driven by an 80% qoq (+59% yoy) growth in long steel deliveries, and an 10% qoq (+5% yoy) growth in flat steel deliveries, mainly in the Russian market. Finished product share in total sales grew to 70% (+4 p.p. qoq & +5 p.p. yoy).
- **Slab deliveries to Group companies and NBH** accounted for 77% of total slab sales by NLMK Lipetsk, the 8% qoq growth (+1% yoy) to 1.27 m t was associated to an increase in semis deliveries to NLMK USA.

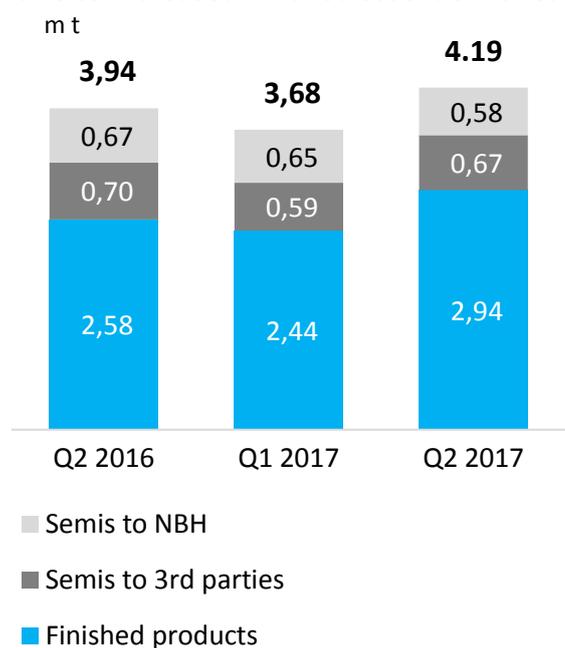
### H1 2017 highlights:

- **Steel output** (including NBH): flat at 8.35 m t, with capacities running at 97%.
- **Sales to external consumers** totaled 7.87 m t (-2% yoy) against the backdrop of the 21% yoy growth in slab deliveries to the Group's international companies and NBH to 2.45 m t.
- **Finished steel sales** increased by 4% yoy to 5.38 m t, due to the growth of long product deliveries by 16% yoy.

### Decrease in steel output due to maintenance at NLMK Lipetsk



### Growth of sales by 14% qoq (w/o NBH) due to increased finished steel deliveries



\* Without production capacities that are undergoing planned maintenance



## Sales markets (with NBH)

- Group sales to home markets increased by 19% qoq to 2.67 m t (+6% yoy) due to the recovery in demand from machine-builders and white goods manufacturers in Russia. Total sales to home markets accounted for 64% (+2 p.p. qoq & -1 p.p. yoy) of total Group sales.
- Sales to export markets grew by 9% qoq to 1.49 m t (+9% yoy), supported by higher export sales by NLMK Russia. Key export destinations were the Middle East (including Turkey), Europe and Latin America.

## Delivery of Strategy 2017

- In Q2 2017, total impact on EBITDA from the execution of Strategy 2017 was \$106 m.
- The main gain from Strategy 2017 execution was associated with capex projects (\$78 m), including \$75 m from Stoilensky projects (Pelletizer and HPGR technology at beneficiation sections 1&4).
- In H1 2017, execution of Strategy 2017 delivered savings of \$163 m vs. 2016 cost base, i.e. 63% of the target 2017 level.
- In Q2 2017, NLMK successfully completed activities leading up to the launch of pulverized coal injection (PCI) units at BF-6 & BF-7. Now more than 90% of the Group's blast furnace capacities are covered by this resource-saving technology, which will enable a decrease in the consumption of coke and natural gas, bringing down the cost of pig iron production by 5%.
- In Q2 2017, following the completion of start-up activities, Stoilensky's Pelletizing Plant reached its planned capacity. 2017 pellet output is planned at the level of 6 m t of pellets per year.
- Stoilensky further development projects have entered their active phase, namely mining capacity expansion to 37 m t of ore per year and implementation of high-pressure grinders at beneficiation sections 2 & 3, installed at sections 1&4 in 2016. Once completed, these projects will enable an increase in iron ore concentrate production by 0.7 m t starting from 2018 and fully cover iron ore needs of NLMK Lipetsk.

## Debt management

- **Net debt:** growth of +12% qoq due to payment of dividends of \$370 m.
- **Net debt/EBITDA** was 0.4x, flat vs. Q1 2017.
- **Total debt grew by +3% qoq** (-14% yoy) to \$2,414 m, with \$915 m accounted for by short-term liabilities, including revolving credit lines to finance working capital, as well as short-term targeted investment loans, RUB bonds and Eurobonds. This growth in total debt was associated with NLMK USA drawing down its credit line against the backdrop of slab and finished product restocking.
- **Financial guarantees** for NBH liabilities totaled \$306 m (+22% qoq) due to the incremental increase in debt for lines to finance working capital against the backdrop of higher sales revenue.
- **Growth of interest payments** by 53% qoq to \$27 m due to coupon yield payments (done bi-annually).

## Investment

- NLMK Group Q2 2017 investment totalled \$110 m (+15% qoq). Capex growth vs. Q1 2017 was associated with the final implementation stage of a project to install a pulverized coal injection (PCI) system, as well as the growth of expenses related to major repairs of main equipment.
- The decrease in investment vs. H1 2016 (-26% yoy) was associated with the decrease of the active investment stage for Strategy 2017 projects in 2017.



## **Dividends**

- In June 2017, NLMK Group's Annual General Shareholders' Meeting approved Q4 2016 dividends in the amount of RUB 3.38 per share; and Q1 2017 dividends in the amount of RUB 2.35 per share.
- In Q2 2017, cash outflow for dividend payments totalled \$370 m, resulting in a +12% qoq increase in net debt.



## NLMK GROUP KEY FINANCIALS

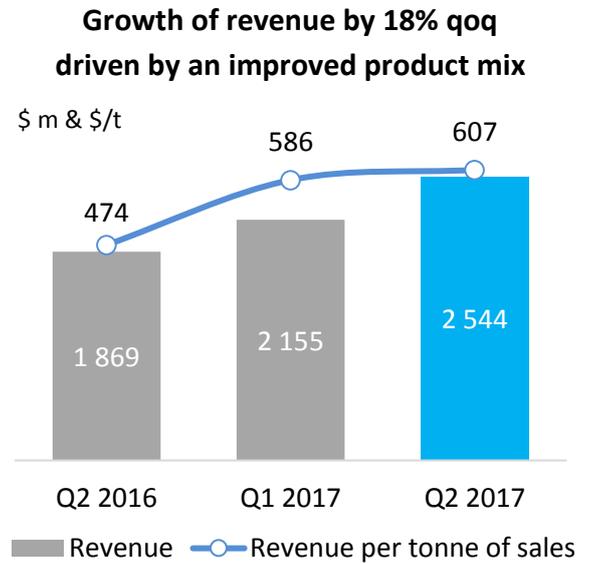
### Revenue

#### Q2 2017 highlights

- Growth of revenue in Q2 2017 by 18% qoq to \$2.54 bn (+36% yoy) was driven by a 14% qoq increase in sales volumen, including +20% of finished product sales.
- Revenue per tonne of steel products totaled \$607 (+4% qoq & +28% yoy), due to sales mix improvements against the backdrop of lower steel prices.
- Taking into account sales by associated companies making up NBH, sales to home markets remained flat qoq, accounting for 68% of revenue. Russian market share in the company's revenue increased by 4 p.p. qoq, driven by the seasonal uptick in Russian sales (36% of total sales: +4 p.p. qoq, flat yoy).

#### H1 2017 highlights

- Revenue in H1 2017 increased by 36% yoy to \$4.70 bn, driven by the yoy growth in steel product prices.
- Share of revenue from finished product sales totaled 69% (+1 p.p. yoy), due to the increase in flat product exports from Russia.
- Share of revenue from sales to home markets totaled 68% (-1 p.p. yoy), the decrease being accounted for by Russian and EU markets.





## Operating profit

### Q2 2017 highlights

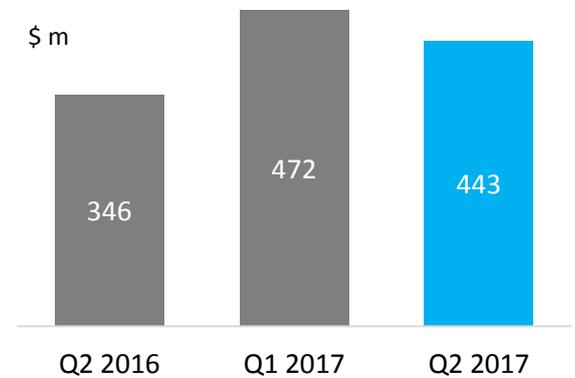
- Operating profit\* decreased by 6% qoq (+28% yoy), affected by expensive finished product stocks formed at high coal prices in Q1, partially offset by the growth of sales and increased gains from Strategy 2017 execution.
- Growth of commercial expenses by 5% qoq (+6% yoy) to \$195 m was associated with the 13% qoq increase in sales, including exports.
- Growth of G&A expenses by 22% qoq to \$90 m was associated mainly with the strengthening of the ruble exchange rate.

### H1 2017 highlights

- Operating profit\* increased by 71% yoy, due to gains from Strategy 2017 operational efficiency programmes and investment projects, and the widening of price spreads.
- Growth of commercial expenses by 15% yoy to \$380 m, coupled with an insignificant decrease in sales (-3% yoy), was due largely to the strengthening of the RUB FX rate by 17% yoy.
- The 9% yoy increase in G&A expenses to \$164 m was associated with salary indexation, and the strengthening of the ruble FX rate.

\* 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

### Decrease of operating profit by 6% qoq due to sale of expensive Q1 2017 stock



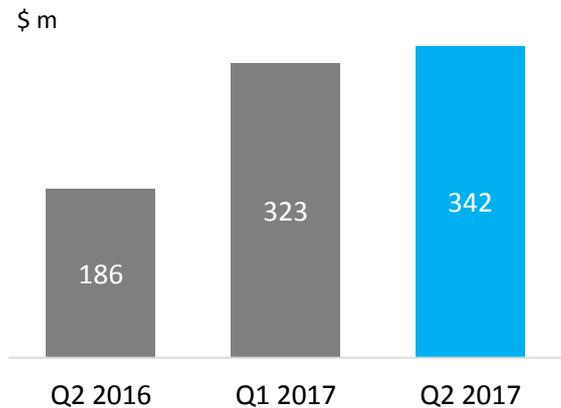


## Net profit \*

- **Growth of net profit in Q2 by 6% qoq** (84% yoy) to \$342 m was driven by positive exchange differences of \$36 m (vs. \$19 m loss in Q1 2017) against the backdrop of a stronger RUB FX rate.
- Net profit in **H1 2017 gained 173% yoy** due to higher profit from operations.

\* Profit for the period, attributable to key shareholders

### Net profit up by 6% qoq due to positive exchange rate differences

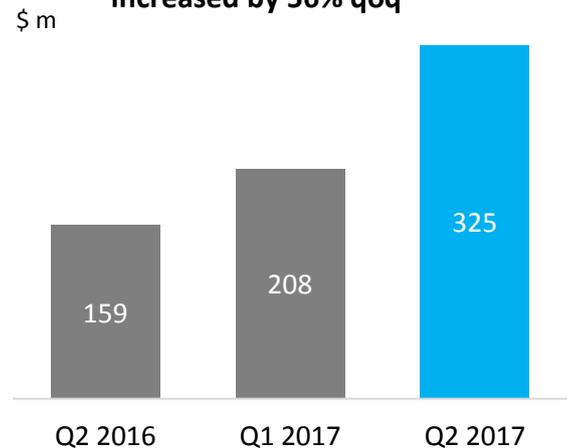


## Free cash flow

### Q2 2017 highlights

- **Growth of free cash flow by 56% qoq** (+104% yoy) to \$325 m, against the backdrop of the growth of inflow from operating activities.
- **Growth of operating cash flow** by 45% qoq (+41% yoy) to \$450 m was associated with control over working capital against the backdrop of growing sales, resulting in a decrease in cash outflow to replenish working capital to \$66 m (vs. an outflow of \$233 m in Q1 2017).
- **Growth of working capital** by \$66 m was driven by:
  - the increase in clients' accounts receivable against the backdrop of the increase in shipments at the end of Q2 2017 caused by the late start of the construction season in Russia;
  - decrease in payables for settlements with third party suppliers due to the drop in raw material prices;
  - temporary increase in stocks of semis at NLMK Group's international sites to cover the growing demands of its international rolling capacities, primarily in the USA.

### Free cash flow increased by 56% qoq



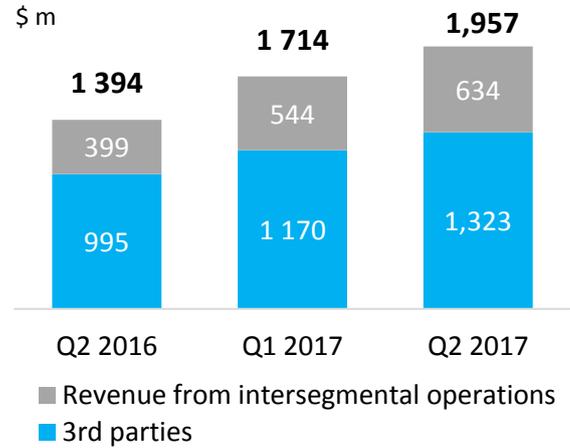


## NLMK Russia Flat

### Q2 2017 highlights:

- **Sales** in Q2 2017 increased by 8% qoq to 3.3 m t (+2% yoy), due to the increase in finished product deliveries to the Russian market, growth of slab deliveries to NLMK USA, and the delay in the recognition of export sales deals signed in Q1 2017.
- **Total revenue** of the segment increased by 14% qoq & 40% yoy, driven by the increase in sales, both to third parties and to Group companies & NBH, as well as higher average sales prices due to an improved sales mix.
- **EBITDA** dropped by 7% qoq, impacted by the sale of expensive stocks of finished products accumulated during a period of high coal prices in Q1.

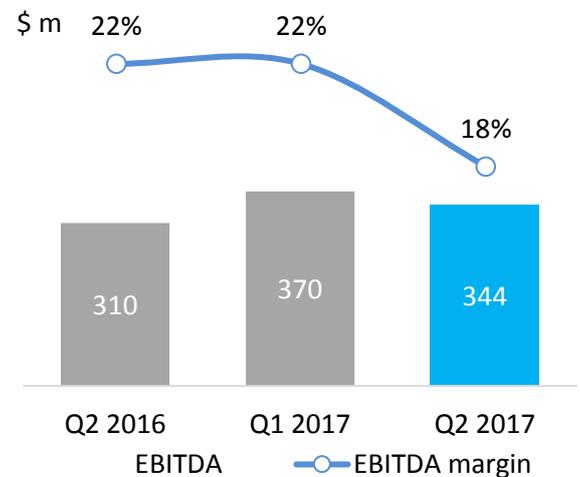
### Growth of average prices and sales driving revenue up



### H1 2017 highlights:

- **Sales** in H1 2017 dropped by 1% yoy to 6.4 m t, due to the decrease in commercial pig iron deliveries.
- **Total revenue** climbed 45% yoy, driven by the recovery in steel product prices vs. the relatively low levels at the beginning of 2016.
- **EBITDA** increased by 32% yoy as a result of price spreads widening and gains from Strategy 2017 projects.

### EBITDA down by 7% qoq due to using expensive stocks formed in Q1 2017



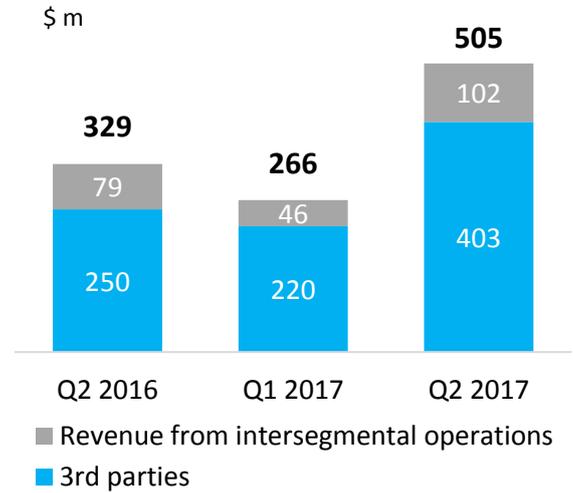


## NLMK Russia Long

### Q2 2017 highlights:

- **Sales** in Q2 2017 spiked by 98% qoq to 0.94 m t (+47% yoy), due to the seasonal uptick in demand in the Russian market, and improved conditions in export markets.
- **Revenue** in Q2 2017 totaled \$505 m (+90% qoq & +53% yoy), driven by the increase in sales.
- **Revenue from intersegmental operations** doubled qoq, supported by the seasonal increase in scrap supplies to NLMK Lipetsk.
- **Q2 2017 EBITDA** eased by 12% qoq to \$15 m, pressured by narrower price spreads. The drop in profit vs. Q2 2016 was also affected by the narrowing of scrap/long product price spreads.

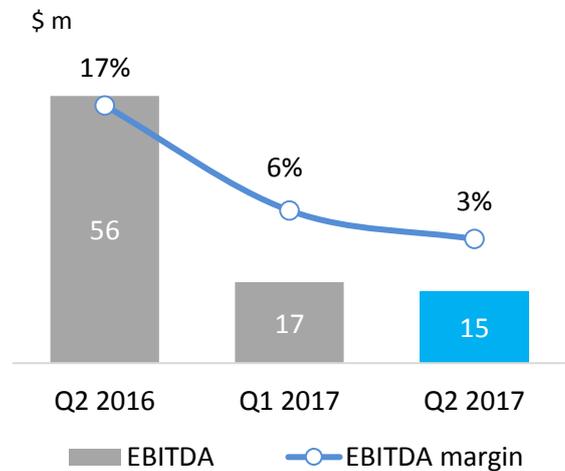
### Revenue doubled qoq driven by higher sales volumes



### H1 2017 highlights:

- **Sales** of long products grew by 12% yoy to 1.4 m t, driven by higher export sales against the backdrop of a more diversified geography of sales.
- **Revenue** in H1 2017 increased by 49% yoy to \$771 m, driven by higher sales and prices for long products yoy.
- **Revenue from intersegmental operations** increased by 44% yoy due to the increase in the price of scrap supplied to NLMK Lipetsk.
- **Segment EBITDA** was \$32 m, the 37% yoy drop being associated with the narrowing of price spreads.

### Profit dropped against backdrop of narrower price spreads



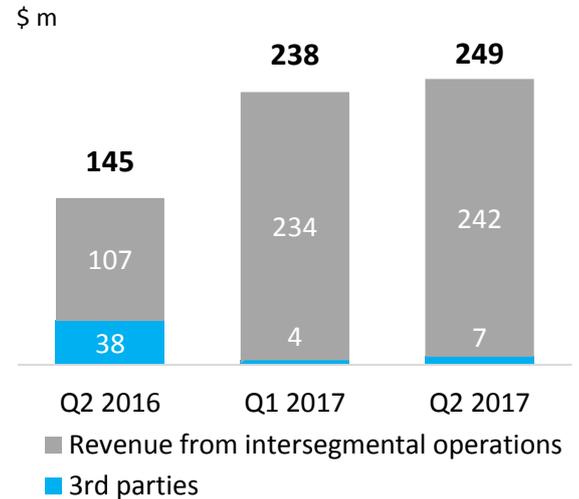


## Mining

### Q2 2017 highlights:

- **Sales** of iron ore in Q2 2017 totaled 4.39 m t (+6% qoq & +10% yoy), including 1.58 m t of pellets (+39% qoq).
- **Revenue** in Q2 2017 totaled \$249 m (+5% qoq & +72% yoy), against the backdrop of the increase in sales, and higher deliveries of pellets. Growth of revenue vs. Q1 2016 was also associated with higher iron ore prices yoy.
- **EBITDA** gained 4% qoq (doubled yoy), driven by higher iron ore sales and an increase in the share of pellet deliveries.
- **EBITDA margin** remained high at 70% in Q2 2017 against the backdrop of high iron ore prices and a growing share of pellet sales.

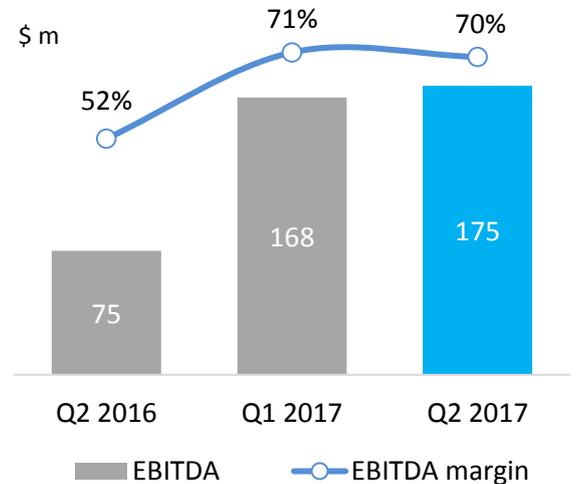
### Growth of revenue by 5% qoq driven by higher iron ore sales



### H1 2017 highlights:

- **Sales** of iron ore increased by 3% yoy to 8.52 m t, due to the expansion of beneficiation capacities following the launch of the HPGR technology at Stoilensky.
- **Revenue** grew by \$487 m (+93% yoy), driven by the increase in prices for iron ore, and pellets being added to the sales portfolio.
- **EBITDA** surged by 160% yoy to \$343 m, driven by the increase in prices for iron ore and pellet sales following the launch of the Pelletizer.

### Profitability maintained qoq driven by high iron ore prices and growth of pellet sales



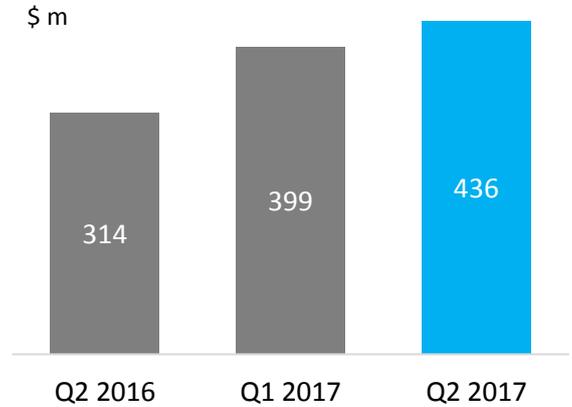


**NLMK USA**

**Q2 2017 highlights:**

- **Sales** remained flat qoq at 0.56 m t (+7% yoy), with HVA sales gaining 6% qoq (+8% yoy).
- **Revenue** +9% qoq (+39% yoy) to \$436 m, driven by the increase in steel product average sales prices and due to the share of HVA sales.
- **EBITDA** totaled \$62 m (-9% qoq) due to the narrowing of slab/finished product price spreads. Compared to Q2 2016, EBITDA grew by 19% yoy, driven by higher sales.
- **EBITDA margin** was 14% (-3 p.p. qoq & -3 p.p. yoy) against the backdrop of narrower price spreads qoq.

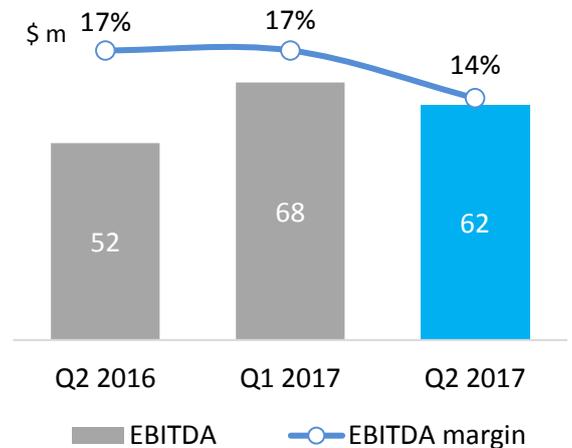
**Growth of revenue by 9% qoq driven by higher steel prices and sales portfolio improvement**



**H1 2017 highlights:**

- **Sales** gained 13% yoy to 1.12 m t due to the growth in demand in the US market.
- **Revenue:** +51% yoy to \$835 m, supported by the growth of prices, higher sales, and product portfolio improvements.
- **EBITDA** stood at \$130 m (doubled yoy), driven by higher sales, operational efficiency gains and the widening of price spreads.
- **EBITDA margin** expanded to 16% (+5 p.p. yoy).

**Profitability down to 14% against backdrop of narrower spreads**



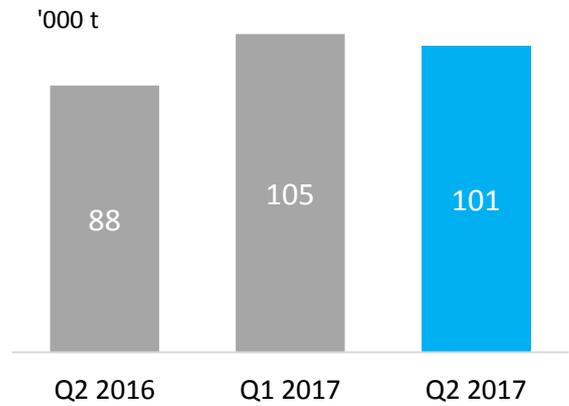


## NLMK Dansteel

### Q2 2017 highlights:

- **Sales** of thick plate dropped by 16% qoq (-21% yoy), due to the decrease in the amount of orders taken against the backdrop of maintenance activities at the end of Q1 2017.
- **Revenue:** -4% qoq (+15% yoy) due to the decrease in sales.
- **EBITDA:** \$0 m against the backdrop of lower revenue.

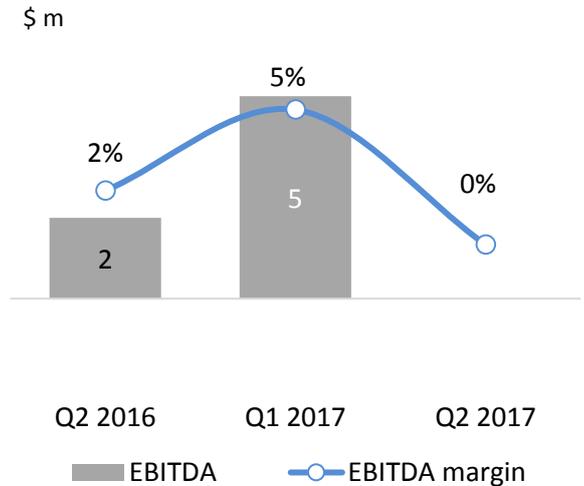
**Decrease in sales qoq due to planned maintenance**



### H1 2017 highlights:

- **Sales:** down by 6% yoy to 0.25 m t due to planned maintenance at the end of Q1 2017.
- **Revenue:** +24% yoy to \$206 m, supported by an increase in plate prices in key sales markets.
- **EBITDA:** \$5 m (+67% growth yoy) against the backdrop of wider price spreads.
- **EBITDA margin** remained flat at 2%.

**Lower profitability qoq due to a drop in sales**

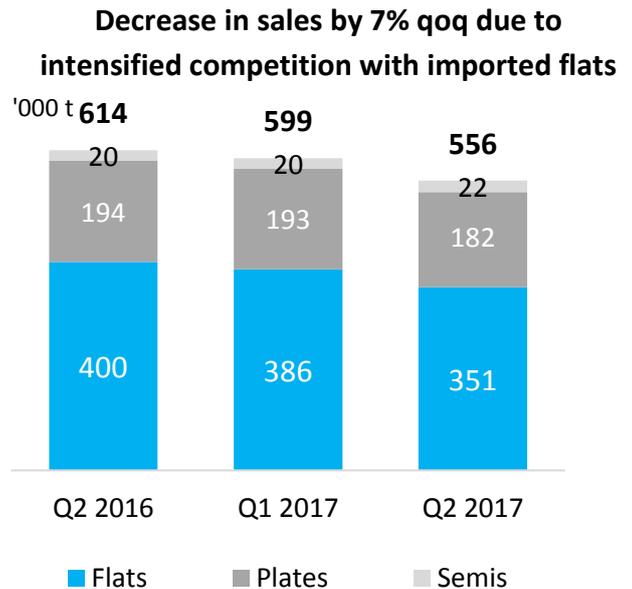




## Associated companies (NBH)

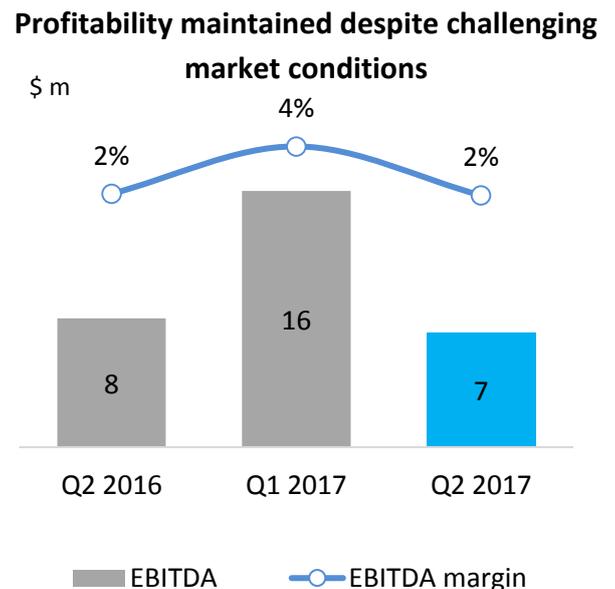
### Q2 2017 highlights:

- **NBH sales** decreased by 7% to 0.56 m t (-10% yoy) against the backdrop of intensified competition with flat steel imports in the European market.
- **Revenue:** up by 4% qoq to \$411 m (+23% yoy), driven by higher average sales prices.
- **NBH EBITDA** totaled \$7 m (-56% qoq) against the backdrop of narrower price spreads and intensified competition with imports.
- **EBITDA margin** was 2% (-2 p.p. qoq & flat yoy).



### H1 2017 highlights:

- **Sales** in H1 2017 gained 1% yoy to 1.15 m t against the backdrop of stable demand in Europe that accounted for over 90% of deliveries.
- **Revenue:** up by 31% yoy to \$808 m, driven by higher sales prices.
- **EBITDA** increased to \$23 m in an improved pricing environment in Q1 2017.
- **EBITDA margin** increased to 3% due to improved market conditions and operational efficiency gains.





## Appendix #1. Operating and financial results

### (1) Sales markets

'000 t	Total	Sales markets				
		Russia	EU	North America	Middle East and Turkey	Other markets
NLMK Group	4,165	1,493	799	655	578	640
Division sales to third parties:						
NLMK Russia Flat	2,003	974	97	58	507	367
NLMK Russia Long	935	519	81	28	65	242
International subsidiaries and affiliates, incl.:	1,227	0	621	569	7	30
NLMK USA	559	0	0	559	0	0
European rolling facilities (NLMK Dansteel and NBH)	668	0	621	10	7	30

### (2) NLMK Russia Flat

'000 t/\$ m	Q2 2017	Q1 2017	QoQ	Q2 2016	YoY	H1 2017	H1 2016	YoY
Steel product sales, incl.:	3,327	3,074	8%	3,251	2%	6,401	6,493	-1%
external customers	2,003	1,855	8%	1,979	1%	3,857	4,422	-13%
semis to NBH	582	647	-10%	665	-13%	1,229	1,119	10%
intersegmental sales	743	572	30%	606	22%	1,314	952	38%
Revenue, incl.:	1,957	1,714	14%	1,394	40%	3,671	2,533	45%
external customers	1,323	1,170	13%	995	33%	2,493	1,924	30%
intersegmental operations	634	544	17%	399	59%	1,178	609	93%
EBITDA	344	370	-7%	310	11%	714	542	32%
EBITDA margin	18%	22%	-4 p.p.	22%	-4 p.p.	19%	21%	-2 p.p.

### (3) NLMK Russia Long

'000 t/\$ m	Q2 2017	Q1 2017	QoQ	Q2 2016	YoY	H1 2017	H1 2016	YoY
Steel product sales	935	473	98%	635	47%	1,408	1,260	12%
Revenue, incl.:	505	266	90%	329	53%	771	518	49%
external customers	403	220	83%	250	61%	623	415	50%
intersegmental operations	102	46	2,2x	79	29%	148	103	44%
EBITDA	15	17	-12%	56	-73%	32	51	-37%
EBITDA margin	3%	6%	-3 p.p.	17%	-14 p.p.	4%	10%	-6 p.p.



#### (4) Mining Segment

'000 t/\$ m	Q2 2017	Q1 2017	QoQ	Q2 2016	YoY	H1 2017	H1 2016	YoY
Iron ore products sales, incl.:	4,392	4,127	6%	3,989	10%	8,519	8,291	3%
sales to NLMK Lipetsk	4,392	4,118	7%	3,010	46%	8,510	6,267	36%
Revenue, incl.:	249	238	5%	145	72%	487	252	93%
external customers	7	4	75%	38	-82%	11	63	-83%
intersegmental operations	242	234	3%	107	2.3x	476	189	2.5x
EBITDA	175	168	4%	75	2.3x	343	132	2.6x
EBITDA margin	70%	71%	-1 p.p.	52%	+18 p.p.	70%	52%	+18 p.p.

#### (5) NLMK USA

'000 t/\$ m	Q2 2017	Q1 2017	QoQ	Q2 2016	YoY	H1 2017	H1 2016	YoY
Steel product sales	559	562	0%	522	7%	1,120	991	13%
Revenue, incl.:	436	399	9%	314	39%	835	552	51%
external customers	436	399	9%	314	39%	835	552	51%
intersegmental operations	-	-	0%	-	0%	-	-	0%
EBITDA	62	68	-9%	52	19%	130	63	2.1x
EBITDA margin	14%	17%	-3 p.p.	17%	-3 p.p.	16%	11%	+5 p.p.

#### (6) NLMK DanSteel

'000 t/\$ m	Q2 2017	Q1 2017	QoQ	Q2 2016	YoY	H1 2017	H1 2016	YoY
Steel product sales	112	134	-16%	141	-21%	246	263	-6%
Revenue, incl.:	101	105	-4%	88	15%	206	166	24%
external customers	101	105	-4%	87	16%	206	165	25%
intersegmental operations	-	-	0%	1	-100%	-	1	-100%
EBITDA	-	5	-100%	2	-100%	5	3	67%
EBITDA margin	0%	5%	-5 p.p.	2%	-2 p.p.	2%	2%	0 p.p.



### (7) Sales by product

'000 t	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Pig iron	57	54	41	105	84
Slabs	974	1,122	1,170	1,145	1,110
Thick plates	112	134	121	97	141
Hot-rolled steel	1,045	964	717	940	896
Cold-rolled steel	516	461	413	527	555
Galvanized steel	300	257	255	264	267
Pre-painted steel	102	75	112	138	119
Transformer steel	67	56	54	55	64
Dynamo steel	87	82	75	79	73
Billet	226	60	141	193	169
Long products	638	355	472	607	401
Metalware	72	59	65	69	65
<b>TOTAL</b>	<b>4,194</b>	<b>3,679</b>	<b>3,635</b>	<b>4,220</b>	<b>3,944</b>

\* w/o NBH

### (8) Sales by region

'000 t	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Russia	1,493	1,008	1,357	1,714	1,327
Europe Union	866	910	774	873	958
Middle East (incl. Turkey)	571	704	468	321	398
North America	649	645	456	567	622
Asia and Oceania	309	45	115	152	200
Rest of World	306	367	465	593	439
<b>TOTAL</b>	<b>4,194</b>	<b>3,679</b>	<b>3,635</b>	<b>4,220</b>	<b>3,944</b>

### (9) Revenue by region

Region	Q2 2017		Q1 2017		Q4 2016	
	\$ m	share	\$ m	share	\$ m	share
Russia	928	36%	710	33%	828	42%
Europe Union	461	18%	413	19%	351	18%
Middle East (incl. Turkey)	283	11%	336	16%	184	9%
North America	486	19%	448	21%	308	16%
Asia and Oceania	99	4%	43	2%	68	3%
Rest of World	287	11%	206	10%	225	11%
<b>TOTAL</b>	<b>2,544</b>	<b>100%</b>	<b>2,155</b>	<b>100%</b>	<b>1,965</b>	<b>100%</b>



### (10) EBITDA\*

\$ m	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Operating income**	443	472	397	557	346
minus:	-	-	-	-	-
Depreciation and amortization	(160)	(146)	(121)	(117)	(114)
<b>EBITDA</b>	<b>603</b>	<b>618</b>	<b>518</b>	<b>674</b>	<b>460</b>

\* 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.

\*\* 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

### (11) Free cash flow

\$ m	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Net cash from operating activities	450	310	392	563	320
Interest paid	(21)	(11)	(20)	(22)	(10)
Interest received	6	5	15	9	9
Advance VAT payments on imported equipment	-	-	(31)	29	-
Capex	(110)	(96)	(175)	(104)	(159)
<b>Free cash flow</b>	<b>325</b>	<b>208</b>	<b>182</b>	<b>474</b>	<b>160</b>

### (12) Net debt

\$ m	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Short-term borrowings	915	872	468	386	608
Long-term borrowings	1,499	1,471	1,801	2,112	2,190
Cash and cash equivalents	(760)	(610)	(610)	(527)	(327)
Short-term bank deposits	(609)	(796)	(898)	(1,200)	(1,227)
<b>Net debt</b>	<b>1,045</b>	<b>937</b>	<b>761</b>	<b>771</b>	<b>1,244</b>



### (13) Production of main products

'000 t	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
<b>Crude steel, incl.:</b>	<b>4,082</b>	<b>4,152</b>	<b>4,172</b>	<b>4,044</b>	<b>4,228</b>
Steel Segment	3,133	3 352	3,319	3,163	3 301
Long Products Segment, incl.:	795	619	735	778	745
NLMK Kaluga	361	271	347	354	342
Foreign Rolled Products Segment	153	181	118	103	181
<b>Finished products, incl.:</b>	<b>2,793</b>	<b>2,594</b>	<b>2,497</b>	<b>2,581</b>	<b>2,703</b>
Flat steel	2,189	2,114	1,918	2,015	2,134
Long steel	604	480	579	566	569
<b>Coke (6% moisture), incl.:</b>	<b>1,634</b>	<b>1,599</b>	<b>1,597</b>	<b>1,610</b>	<b>1,619</b>
NLMK Lipetsk	654	644	652	657	647
Altai-Koks	980	955	944	953	972

### (14) Slab sales, including intra-group sales to NLMK Group companies

'000 t	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Sales to 3 <sup>rd</sup> parties, incl.:	392	475	691	622	444
Export	295	356	460	427	253
Sales to subsidiaries & associates	1,270	1,180	915	1,015	1,262
Sales to NBH	582	647	479	523	665
<b>TOTAL</b>	<b>1,661</b>	<b>1,655</b>	<b>1,606</b>	<b>1,637</b>	<b>1,706</b>

### (15) Export shipments of steel products from Russian assets of the Group to third party consumers

'000 t	Q2 2017	Q1 2017	QoQ	Q2 2016	YoY	H1 2017	H1 2016	YoY
<b>Semi-finished products</b>	<b>574</b>	<b>466</b>	<b>23%</b>	<b>503</b>	<b>14%</b>	<b>1,040</b>	<b>1,354</b>	<b>-23%</b>
Pig iron	54	50	7%	82	-35%	103	215	-52%
Slabs	295	356	-17%	253	17%	651	861	-24%
Billets	226	60	3,8x	169	34%	285	278	3%
<b>Flat products</b>	<b>730</b>	<b>692</b>	<b>6%</b>	<b>678</b>	<b>8%</b>	<b>1,422</b>	<b>1,281</b>	<b>11%</b>
HRC	360	380	-5%	335	7%	739	630	17%
CRC	222	180	23%	216	3%	402	408	-1%
HDG	17	12	43%	12	43%	29	16	81%
Coated	1	5	-76%	3	-60%	6	3	71%
Dynamo	73	69	7%	59	24%	142	106	34%
Transformer	57	47	22%	53	7%	104	117	-11%
<b>Long products</b>	<b>165</b>	<b>204</b>	<b>-19%</b>	<b>97</b>	<b>70%</b>	<b>369</b>	<b>178</b>	<b>2,1x</b>
<b>Total</b>	<b>1,470</b>	<b>1,362</b>	<b>8%</b>	<b>1,279</b>	<b>15%</b>	<b>2,831</b>	<b>2,814</b>	<b>1%</b>



**(16) Segmental information**

<b>Q2 2017</b>	<b>NLMK Russia Flat</b>	<b>NLMK Russia Long</b>	<b>Mining</b>	<b>NLMK USA</b>	<b>NLMK DanSteel</b>	<b>Investments in NBH</b>	<b>Total</b>	<b>Intersegmental operations and balances</b>	<b>NBH deconsoli- dation</b>	<b>Consolidated</b>
<b>\$ m</b>										
Revenue external customers	1,323	403	7	436	101	384	2 654	-	(110)	2,545
Revenue intersegmental operations	634	102	242	-	-	27	1 005	(978)	(27)	-
Gross profit / (loss)	505	49	152	65	10	30	811	(35)	(30)	746
Operating income/(loss)	256	(5)	140	47	(2)	(11)	425	7	11	443
Income / (loss) before income tax	376	(6)	112	45	(3)	(11)	513	(176)	5	342
Segment assets including goodwill	7,497	1,205	2,071	949	314	1,646	13,682	(1,645)	(1 442)	10,595

*Balance figures presented as of 30.06.2017*

<b>Q1 2017</b>	<b>NLMK Russia Flat</b>	<b>NLMK Russia Long</b>	<b>Mining</b>	<b>NLMK USA</b>	<b>NLMK DanSteel</b>	<b>Investments in NBH</b>	<b>Total</b>	<b>Intersegmental operations and balances</b>	<b>NBH deconsoli- dation</b>	<b>Consolidated</b>
<b>\$ m</b>										
Revenue external customers	1,170	220	4	399	105	370	2,268	-	(113)	2 155
Revenue intersegmental operations	544	46	234	-	-	27	851	(824)	(27)	-
Gross profit / (loss)	507	39	158	74	15	36	829	(42)	(36)	751
Operating income/(loss)	285	-	140	54	3	(2)	480	(10)	2	472
Income / (loss) before income tax	201	(5)	102	54	1	(5)	348	(28)	3	323
Segment assets including goodwill	7,937	1,220	2,146	831	294	1,529	13,957	(1,669)	(1,335)	10,953

*Balance figures presented as of 31.03.2017*