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## NLMK GROUP 12M AND Q4 2017 IFRS FINANCIAL RESULTS<sup>1</sup>

NLMK Group (MICEX and LSE: NLMK) is pleased to announce growth in 12M EBITDA by 37% yoy to \$2.66 bn. EBITDA margin grew by 1 p.p. to 26%. Free cash flow increased by 16% to \$1.27 bn.

### Key highlights

| k t/\$ million               | Q4<br>2017 | Q3<br>2017 | QoQ     | Q4<br>2016 | YoY     | 2017   | 2016   | YoY     |
|------------------------------|------------|------------|---------|------------|---------|--------|--------|---------|
| Steel product sales          | 4,360      | 4,240      | 3%      | 3,635      | 20%     | 16,469 | 15,925 | 3%      |
| Revenue                      | 2,815      | 2,551      | 10%     | 1,965      | 43%     | 10,065 | 7,636  | 32%     |
| EBITDA <sup>2</sup>          | 786        | 648        | 21%     | 520        | 51%     | 2,655  | 1,943  | 37%     |
| EBITDA margin                | 28%        | 25%        | +3 p.p. | 26%        | +2 p.p. | 26%    | 25%    | +1 p.p. |
| Net income <sup>3</sup>      | 428        | 357        | 20%     | 308        | 39%     | 1,450  | 935    | 55%     |
| Free cash flow <sup>4</sup>  | 200        | 533        | -62%    | 186        | +8%     | 1,266  | 1,092  | 16%     |
| Net debt <sup>5</sup>        | 923        | 743        | 24%     | 761        | 21%     | 923    | 761    | 21%     |
| Net debt/EBITDA <sup>5</sup> | 0.35x      | 0.31x      |         | 0.39x      |         | 0.35x  | 0.39x  |         |

### 12M 2017 key highlights

- **Group revenue in 12M 2017 totalled \$10.1 bn** (+32% yoy), driven by growth of average steel product prices, increase in volume and growth of share of finished product sales.
- **EBITDA grew to \$2.7 bn** (+37% yoy), driven by improved sales economics and Strategy 2017 effects.
- **Free cash flow increased by \$174 m to \$1.27 bn**, driven by growth of cash flow from operations (+12% yoy) and moderate growth of capex (+6% yoy).
- **Net income grew by 55% yoy to \$1.45 bn.**
- **Net debt/EBITDA decreased to 0.35x (0.39x in 2016)** on strong business profitability.

### Q4 2017 key highlights

- **Group revenue increased to \$2.8 bn** (+10% qoq) driven by growth of sales (+3% qoq) and growth of average sales prices.
- **Growth of EBITDA to \$786 m** (+21% qoq) on wider steel product / raw materials spreads.
- **Free cash flow totalled \$200 m** (-62% qoq), the decrease triggered by growth of capex (launch of BF-6 reconstruction at NLMK Lipetsk, and settlements related to the Pelletizer construction project), and an increase in working capital, against the backdrop of higher prices and stocks accumulated at ports to support exports increase.
- **Net income grew by 20% qoq to \$428 m**, driven by a significant growth of profitability in Q4.



# NLMK GROUP Q4 2017 IFRS CONSOLIDATED FINANCIAL RESULTS<sup>1</sup>

## Comment from NLMK Group acting CFO Sergey Karataev:

“In 2017, NLMK Group continued to consistently improve its operating and financial performance: NLMK sales hit an all-time high of 16.5 m t; profitability has been on the rise for five years running, hitting 26% in 2017. 2017 EBITDA grew by 37% yoy to \$2.7 bn, a record high since 2009.

“Successful execution of Strategy 2017 was the key driver behind improved financials, with net gains from strategy projects exceeding \$1 bn. Non-capital intensive operational efficiency projects accounted for more than half of Strategy 2017 gains.

“Growth of operating cash flow and conservative capex have enabled a 16% increase in free cash flow to \$1.3 bn.

“Proactive debt management over the year has enabled us to bring our ST debt down by 19%, and reduce our cost of financing to 3.8%.

“The company’s leverage is at an all-time low: Net debt/EBITDA decreased to 0.35x.

“NLMK Group’s high creditworthiness and the success of its business model received high acclaim from international rating agencies: NLMK’s credit ratings have been upgraded by S&P and Moody’s over the last 18 months. NLMK currently has investment grade ratings from all three international rating agencies.

“High level of free cash flow, low leverage and conservative capex enable the company to increase its dividend payments. 9M 2017 dividends totalled about \$1.1 bn.”

<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 operations plus interest received net of interest paid and capital investment. 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.



## TELECONFERENCE

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

Tuesday, 20 February 2018

- 09:00 a.m. – USA (New York)
- 2:00 p.m. – Great Britain (London)
- 5:00 p.m. – Russia (Moscow)

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

**US number:**

**+1 929-477-0449 (local access) // 800-239-9838 (toll free)**

**UK number:**

**+44 330 336 9105 (local access) // 0800 358 63 77 (toll free)**

**Russian number:**

**+7 495 213 17 67 (local access) // 8 800 500 93 02 (toll free)**

**Conference code: 2730807**

To connect to the webcast, please follow the link: <http://www.audio-webcast.com/cgi-bin/visitors.ssp?fn=visitor&id=5295>.

\* 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

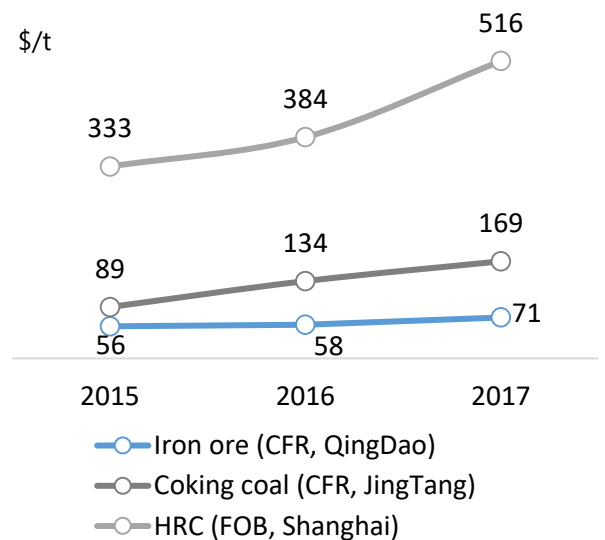
### 2017 market overview

- **Growth of global steel production** totalled +5% yoy to 1.69 bn t.
- **Steel exports from China decreased** by 30% yoy to 2012-2013 averages, due to the recovery of domestic demand for steel in China and the execution of its plan to reduce inefficient steelmaking capacities.
- **Increase of demand in home markets (Russia, the US and the EU)** continued against the backdrop of economic growth. The drop in demand in Russia in 2014-2016 gave way to an upward trend (+5%), driven by the construction, machine-building and pipe & tube sectors.

### 2017 prices

- **Growth of raw material prices:** average global coal and iron ore prices grew by 26% yoy and 22% yoy, respectively, driven by the growth in global demand for steel and a restored supply balance.
- **Growth of prices\* for steel products:** +15-20% yoy in the US; +20-30% in Russia and the EU.
- **Export prices** (FOB Black Sea) grew by 25-35%, due to lower Chinese export.

### Growth of steel prices driven by stronger demand and lower Chinese export



\* Market prices reflect the level of prices for 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

### 2017 highlights:

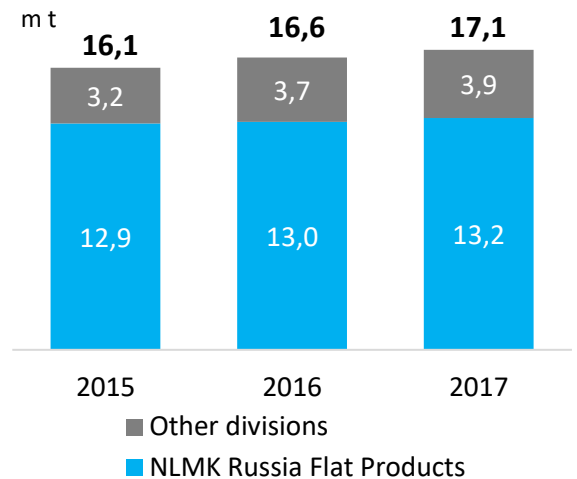
- **Growth of steel output\***: +3% yoy due to the growth in productivity at NLMK Lipetsk and the increase in capacity utilization rates at NLMK Russia Long Products and NLMK USA divisions. Group steelmaking capacity utilization rate grew by 3 p.p to 98%\*.
- **Growth of sales\*\*\***: +3% yoy, due to the growth in sales in home and export markets.
- **Sales breakdown**: growth of finished product sales by +5% yoy, accounted for mainly by HRC and HDG. The share of finished products in total sales increased to 65% (+1 p.p. yoy). Sales of semi-finished products remained flat yoy.
- **Sales breakdown by region**: sales in Russia and the US grew by 1% yoy (to 6 m t) and by 23% yoy (to 2.8 m t), respectively, driven by the growth of demand. Sales in the Middle East (incl. Turkey) grew by 40% yoy, which is practically in line with sales volumes to the US market.
- **Sales in home markets** grew by 4% to an all-time high of 10.7 m t, driven by stronger demand from key consumers in Russia and the US. Sales in the EU decreased by 3% yoy, as a result of competition with imports. Home markets accounted for 65% of totals sales (flat yoy).
- **Sales in export markets** grew to 5.7 m t (+3% yoy) due to the growth in the export of semis.

\* Without production capacities that are undergoing planned maintenance

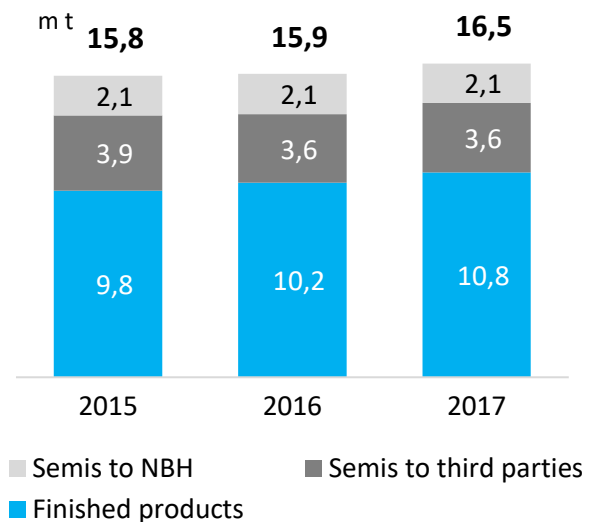
\*\* Steel output with NBH

\*\*\* Consolidated sales without NBH

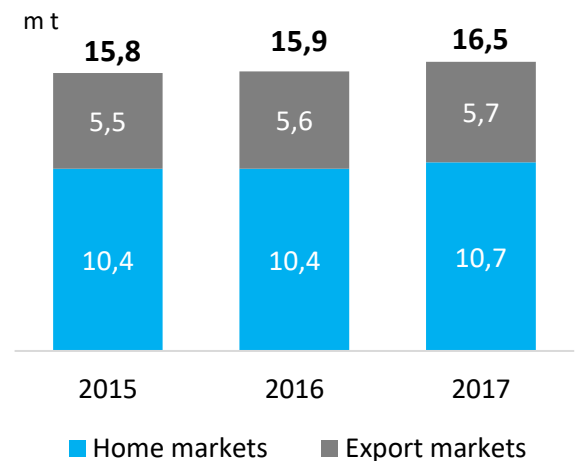
### Growth of steel output driven by stronger demand\*\*:



### Growth of sales by 3% driven by higher share of finished product sales



### Growth of sales in home markets





## NLMK GROUP KEY FINANCIALS

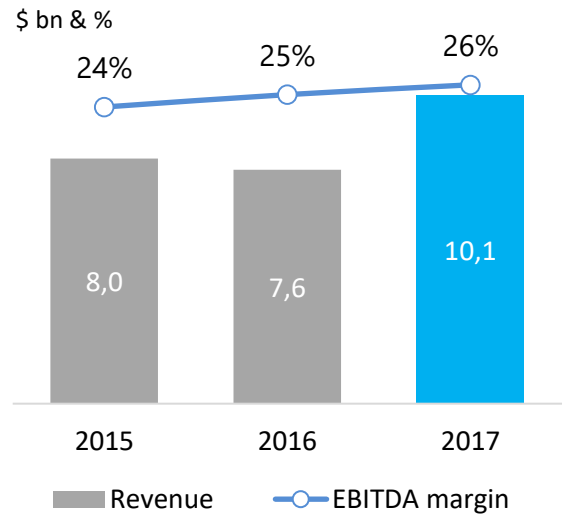
### 12M 2017 revenue

- Revenue grew to \$10.1 bn (+32% yoy), driven by growth of sales volumes and average sales prices.
- The share of revenue from finished product sales remained flat yoy at 67%.
- The share of Group's revenue (with NBH) from sales to home markets remained flat (69%).

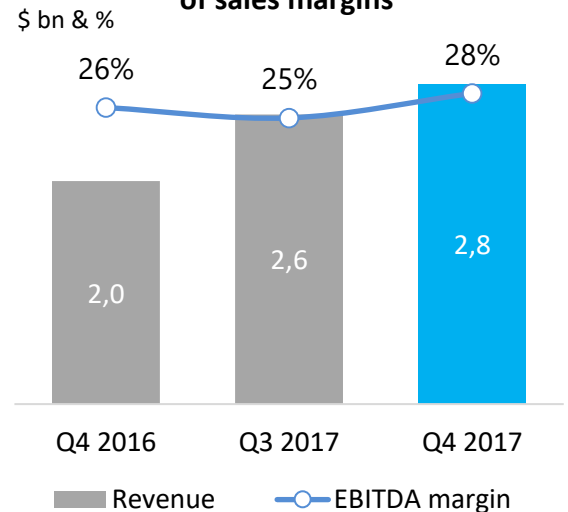
### Q4 2017 revenue

- Revenue grew by 10% qoq (+43% yoy) to \$2.82 bn, driven by the growth in prices and volume of sales (+3% qoq).
- The share of revenue from finished product sales dropped by 6 p.p. to 61%, due to the 20% qoq increase in the delivery of semis, supported by growth of sales margins for pig iron and slabs.
- The share of revenue from sales to home markets dropped to 67% (-4 p.p. qoq) due to the seasonal decrease in sales in Russia (-5% qoq) and the US (-3% qoq).

### Growth of revenue yoy driven by growth of prices and sales volumes



### Growth of revenue yoy driven by growth of sales margins





## 12M 2017 operating profit

- Operating profit\* grew by 37% yoy to \$2 bn, driven by the growth of steel product sales volumes and prices, and Strategy 2017 gains.
- Growth of commercial expenses by 13% yoy to \$795 m was associated with the strengthening of the ruble, and the increase in sales.
- G&A expenses grew by 15% yoy to \$364 m, due to indexation of wages and the impact of ruble strengthening.

## Q4 2017 operating profit

- Operating profit\* increased by 23% qoq, driven by the increase in sales volumes, and the widening of price spreads.
- Growth of commercial expenses by 11% qoq to \$218 m was associated with the 12% qoq in the Group's export sales of steel products.
- G&A expenses grew by 50% qoq to \$120 m due to the annual bonuses accrued in Q4, and other payroll provisions.

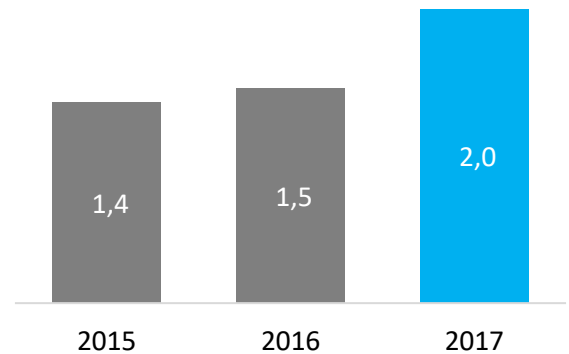
## Net profit\*\*

- **Growth of net profit in 12M 2017 by 55% yoy** and in Q4 by 20% yoy was driven by growth of profit from core operations.

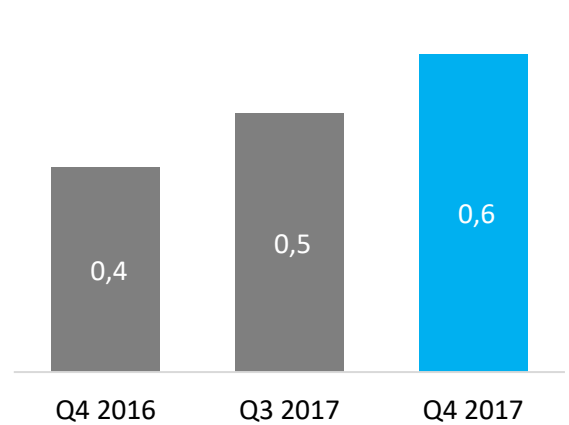
*\*Operating profit before equity share in net losses of associates and other companies accounted for using the equity method of accounting, impairment and write-off of assets*

*\*\*Profit for the period, attributable to NLMK shareholders*

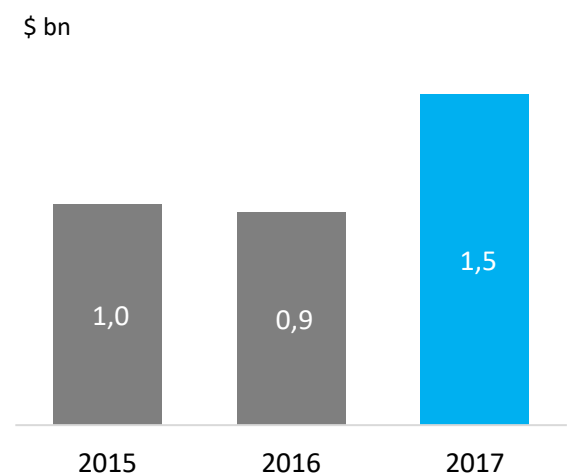
### Growth of operating profit by 37% yoy driven by widening of spreads and growth of sales



### Growth of operating profit by 23% qoq driven by growth of sales volumes and prices



### Growth of net profit by 55% yoy due to operating activities





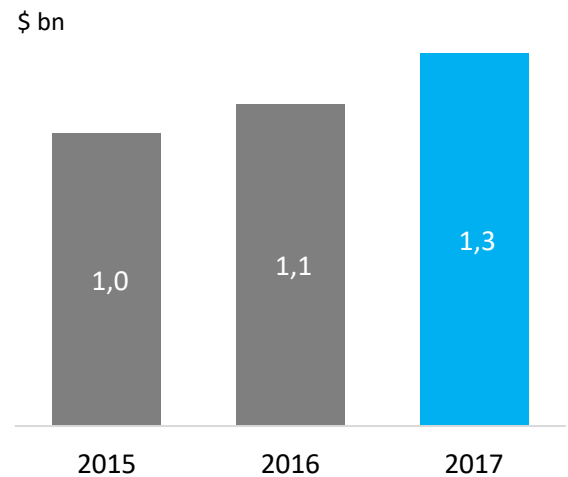
## 12M 2017 free cash flow

- **Free cash flow grew by 16% \$1.3 bn** due to the growth of inflow from operations.
- **Growth of operating cash flow** by 12% yoy to \$1.9 bn was driven by the increase in sales margins.
- **Outflow of cash funds due to increase in working capital** totalled \$380 m (vs. a release of \$37 m in 2016):
  - Growth of prices: increase in the cost of raw materials and WIP, resulting in an increase of \$221 m;
  - Growth of accounts receivable due to the growth of sales volumes;
  - Growth of slab inventories at European and US sites to support the growth in demand;
  - The abovementioned factors were partially offset by the decrease in raw material stocks, the decrease in stocks of finished products at NLMK Russia Long Products due to sales being shifted to export, and the growth of accounts payable.

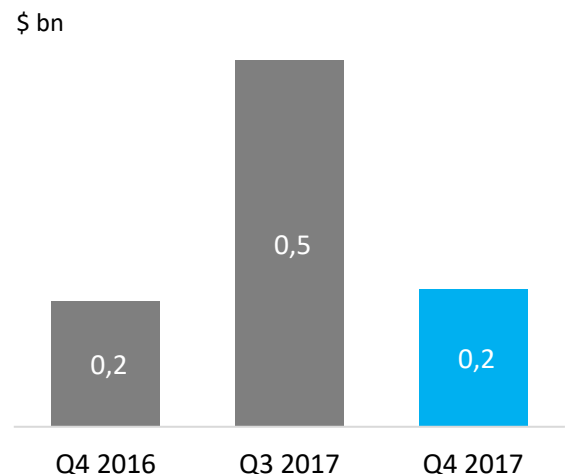
## Q4 2017 free cash flow

- **Free cash flow decreased to \$200 m** (-62% qoq and +8% yoy);
- **Investment increased** by 122% qoq and 52% yoy to \$266 m;
- **Cash outflow to finance working capital** of \$190 m:
  - Growth of prices for raw materials and steel products (+\$90 m);
  - Seasonal growth of scrap stocks;
  - Growth of accounts receivable driven by growth of sales volumes in December 2017;
  - Growth of product stocks at ports due to the increase in export sales and shipping delays caused by bad weather conditions (shipped in Q1).

## Free cash flow hit all-time high



## Free cash flow below Q3 levels due to growth of working capital







### Strategy 2017 deliverables

- Accumulated gains from Strategy 2017 in 2014-2017 (see press release for more detail) totalled \$1.02 bn (102% of the target).
- In 2017, total impact on EBITDA from the execution of Strategy 2017 projects was \$377 m, incl.:
  - *Gains from investment projects* of \$222 m, including \$170 m from Stoilensky projects: Pelletizer and High Pressure Grinding Rolls technology.
  - *Gains from operational efficiency projects* of \$155 m.

### Debt management

- **Total debt grew by 1% yoy** to \$2.3 bn, with debt structure changing towards an increased share of LT debt to 83% in 2017 (vs. 79% in 2016). In September, NLMK Group bought back Eurobonds for a total of \$317 m, using proceeds from a new 7-year Eurobond placement for a total of \$500 m. In October 2017, NLMK repaid ruble bonds for a total of 10 bn rubles.
- **Net debt grew by 21% yoy** to \$923 m due to the decrease in cash and cash equivalents on the balance sheet, used for dividend payments. Net/EBITDA decreased to 0.35x compared to 0.39x in 2016 due to the increase in profitability.
- **Financial guarantees** for NBH liabilities totalled \$304 m (+19% yoy), including due to the strengthening of the EUR/US\$ FX rate.
- **Decrease of financial costs** by 17% yoy to \$87 m was associated with the reduction in the average debt portfolio rate (from 4.2% to 3.8% at the end of 2017).

### Investment

- NLMK Group 2017 investment grew by 6% to \$592 m, due to the launch of the BF-6 overhaul project at NLMK Lipetsk, and the growth in payments to contractors under the Pelletizing Plant construction project at Stoilensky.

### Dividends

- At the Extraordinary General Shareholder Meeting (EGM) held on December 22, 2017 shareholders approved payment of Q3 2017 dividends of RUB 5.13 per share. (See [press release](#))
- In 2017, dividend payments totalled \$1,283 m.

### Q1 2018 outlook

- Steel output is expected at Q1 2017 level of 4.2 m t, pressured by the seasonal slowdown in the market and planned maintenance at NLMK Lipetsk.



## NLMK Russia Flat Products

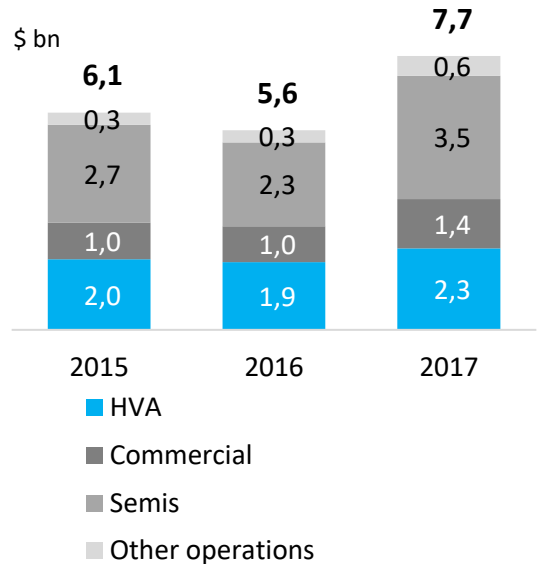
### 2017 highlights:

- **Sales grew** by 3% yoy to 13.1 m t, driven by the recovery in demand from end consumers in Russia and the increase in demand for semis in export markets. The share of HVA product sales grew to 25% (+1 p.p. yoy).
- **Total revenue** of the segment grew by 37% yoy to \$7.7 bn, driven by the growth in the volume of sales and average sales prices for semi-finished (by 40%-50%), and for rolled products (by 15%-35%).
- **EBITDA** climbed by 28% yoy to \$1.7 bn, driven by the widening of spreads between prices for steel and main raw materials, and Strategy 2017 gains. EBITDA margin was 22% (-2 p.p. yoy), triggered by the outstripping growth of raw material prices (primarily coking coal) and the strengthening of the ruble FX rate.

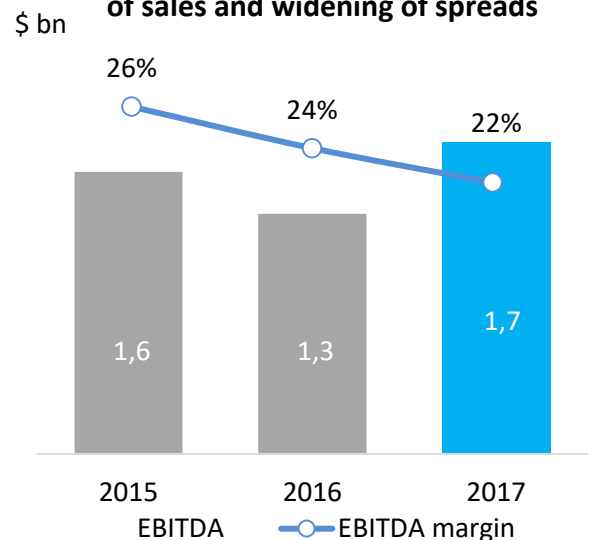
### Q4 2017 highlights:

- **Sales** of the segment dropped by 6% qoq due to the seasonal slow-down in demand in the Russian market.
- **Total revenue** climbed by 6% qoq to \$2.1 bn, impacted by the growth of finished product prices.
- **EBITDA** increased by 23% qoq to \$555 m, against the backdrop of widening spreads between prices for steel and raw materials.

### Revenue growth driven by growth of prices and sales volumes



### EBITDA up by 28% yoy driven by growth of sales and widening of spreads





## NLMK Russia Long Products

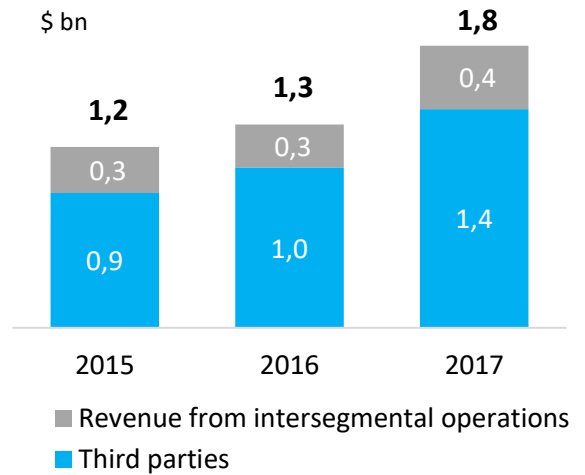
### 2017 highlights:

- **Sales** increased by 6% yoy to 3 m t, triggered by the growth of export deliveries.
- **Total revenue** in 2017 was \$1.8 bn (+39% yoy). This significant uptick in revenue was driven by the increase in sales (+6%) and favorable pricing conditions for export shipments.
- **EBITDA** increased by 10% to \$152 m. Lower growth rates compared to revenue were associated with the narrowing of spreads triggered by the late start to the construction season in Russia and growth of scrap prices. Growth of scrap prices outstripped the decrease in the EBITDA margin by 3 p.p. to 8%.

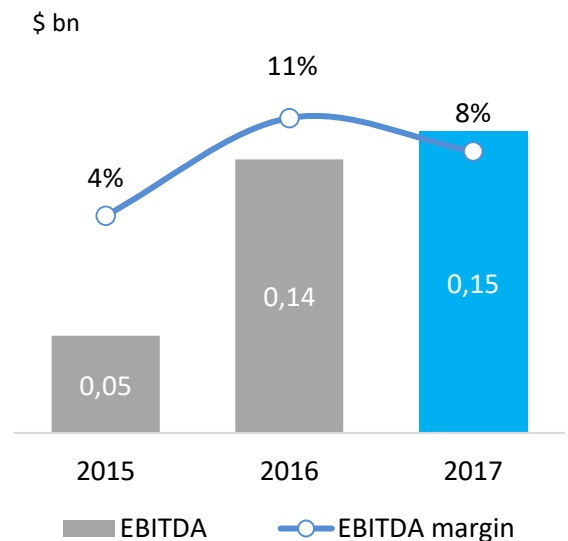
### Q4 2017 highlights:

- **Sales** of long products grew by 11% qoq to 0.82 m t due to growth of demand for billets in external markets, and the recognition of export sales carried over from Q3.
- **Revenue** increased by 22% qoq to \$563 mm driven by growth of sales and average steel product sales prices.
- **Revenue from intersegmental operations** increased by 30% qoq due to the seasonal increase in the price for scrap supplied to the Lipetsk site.
- **EBITDA** contracted by 24% qoq to \$52 m, (+30% yoy), pressured by the narrowing of spreads and growth of planned maintenance costs.

### Revenue up by 39% yoy supported by growth of sales and prices



### Growth of profit triggered by growth of exports





## Mining and Processing of Raw Materials

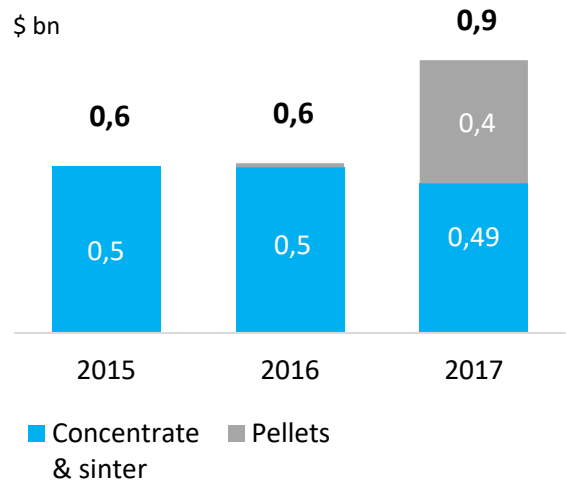
### 2017 highlights:

- **Sales** of iron ore totalled 17.1 m t (-1% yoy). Pellet sales reached 6 m t.
- **Revenue** grew to \$0.94 bn (+58% yoy), driven by growth of average sales prices, triggered by the increase in the share of pellets in total sales.
- **EBITDA** doubled yoy to \$0.64 bn, supported by growth of average prices and increase in the share of pellet supplies.

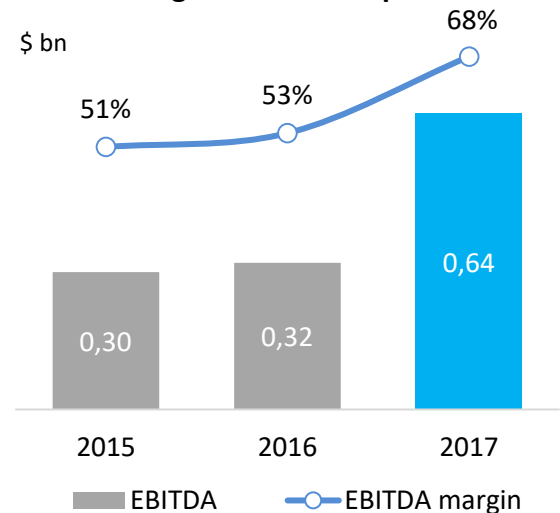
### Q4 2017 highlights:

- **Sales** of iron ore decreased by 4% qoq to 4.23 m t, due to the seasonal decrease in NLMK Lipetsk consumption.
- **Revenue** grew by 19% qoq (+42% yoy) to \$248 m due to the growth of concentrate prices by 31% qoq and growth of pellet prices by 16% qoq.
- **EBITDA** increased to \$166 m (+25% qoq and +73% yoy) due to growth of average sales prices.

### Growth of revenue supported by growth of pellet sales



### Growth of margin yoy due to growth of sales prices





## NLMK USA

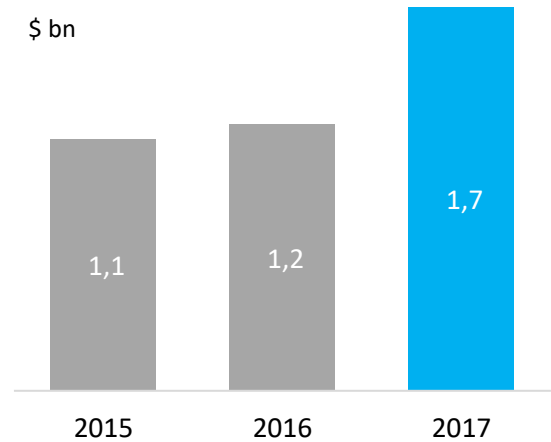
### 2017 highlights:

- **Sales** grew by 21% yoy to 2.24 m t, driven by growth of demand for the division's products.
- **Revenue** grew to \$1.67 bn (+44% yoy), triggered by growth of sales following the launch of Galvanizing Line No.2 and growth of average sales prices by 19%.
- **EBITDA** was \$0.2 bn (+11% yoy), supported by the growth of sales, partially offset by the narrowing of spreads.
- **EBITDA margin** decreased by 3 p.p. yoy against the backdrop of the narrowing of price spreads between slabs and steel products.

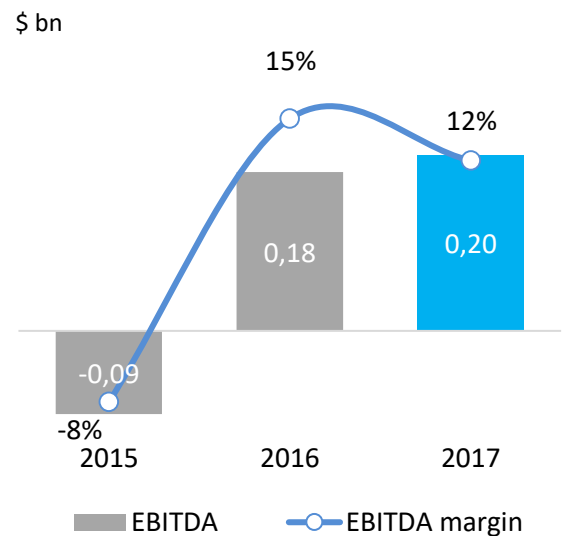
### Q4 2017 highlights:

- **Sales** dropped by 3% qoq (+31% yoy) to 0.55 m t, due to the seasonal weakening in demand and the decrease in buyer activity over the Christmas break.
- **Revenue** dropped by 3% qoq to \$0.41 bn, following the downward sales trend.
- **EBITDA** was \$29 m (-24% qoq and -19% yoy) due to the narrowing of price spreads between slabs and steel products, and the seasonal drop in sales.
- **EBITDA margin** decreased to 7% (-2 p.p. qoq).

### Growth of revenue by 44% yoy due to growth of sales and prices



### Margin dropped by 12% due to narrowing of spreads





## NLMK DanSteel

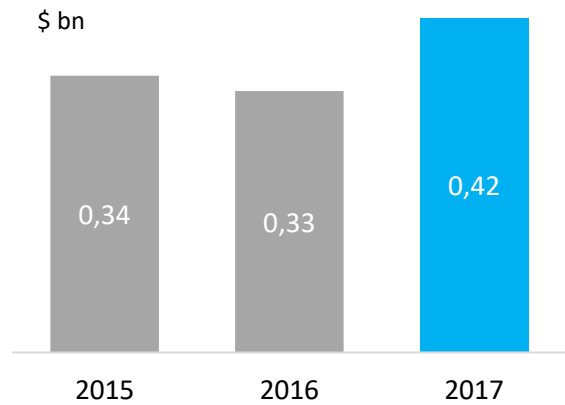
### 2017 highlights:

- **Sales** of thick plate decreased by 1% yoy, due to the intense competition in the EU market.
- **Revenue grew by 28% yoy** to \$0.42 bn due to a 30% growth of average sales prices.
- **EBITDA grew to \$2 m** due to the widening of the price spread between thick plate and slabs.

### Q4 2017 highlights:

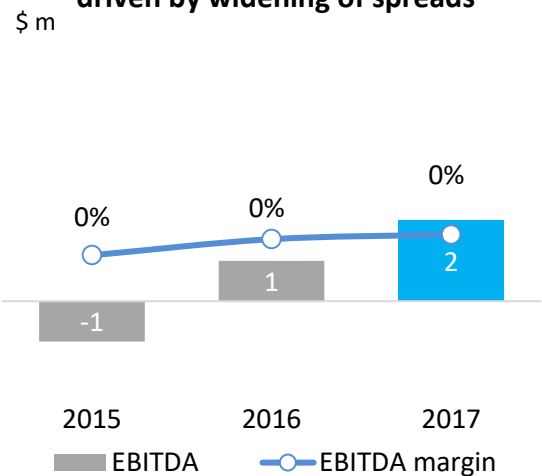
- **Sales:** grew by 14% qoq to 0.12 m t, driven by the seasonal uptick in the EU market.
- **Revenue:** +21% qoq to \$115 m, supported by sales growth and the increase in thick plate prices in key sales markets by 6%.
- **EBITDA** fell to -\$6 m, pressured by the narrowing of price spreads due to outstripping growth of slab prices.
- **EBITDA margin** was -5%.

### Growth of revenue by 28% yoy driven by recovery in prices



### EBITDA growth

#### driven by widening of spreads





## JV performance (NBH)

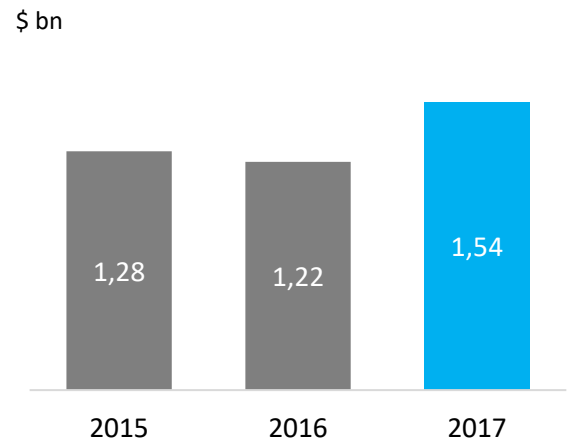
### 2017 highlights:

- **NBH sales** decreased by 2% yoy to 2.11 m t due to pressure from imports from Asia and the CIS (thick plate).
- **Revenue** grew by 26% yoy to \$1.54 bn, driven by higher sales prices.
- **NBH EBITDA** was -\$24 m, m, due mainly to the narrowing of price spreads between finished steel and slabs.

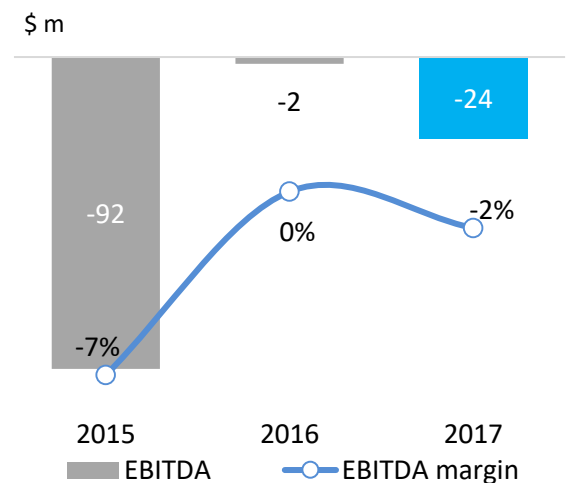
### Q4 2017 highlights:

- **Sales** grew by 14% qoq to 0.51 m t, driven by the seasonal uptick in demand in the construction sector.
- **Revenue** grew by 16% qoq (+23% yoy) to \$393 m, following the upward sales trend.
- **EBITDA** was -\$26 m vs. -\$21 m in the previous quarter, due to the narrowing of the spreads, pressured by outstripping growth of slab prices.

### Growth of revenue by 26% yoy supported by growth of prices



### Decrease in profitability due to seasonal market slow-down





## Appendix #1. Operating and financial results

### (1) Sales market

| k t  | Total | Sales markets |     |        |                        |        |
|--|-------|---------------|-----|--------|------------------------|--------|
|  |       | Russia        | EC  | Russia | Middle East and Turkey | Russia |
| NLMK Group   | 4,414 | 1,707         | 669 | 701    | 460                    | 878    |
| Division sales to third parties:                           |       |               |     |        |                        |        |
| NLMK Russia Flat   | 2,415 | 1,291         | 110 | 142    | 391                    | 481    |
| NLMK Russia Long   | 818   | 416           | -29 | 0      | 59                     | 372    |
| International subsidiaries and affiliates, incl.:          | 1,182 | 0             | 587 | 559    | 10                     | 26     |
| <i>NLMK USA</i>  | 550   | 0             | 0   | 550    | 0                      | 0      |
| <i>European rolling facilities (NLMK Dansteel and NBH)</i> | 631   | 0             | 587 | 9      | 10                     | 26     |

### (2) NLMK Russia Flat

| k t/\$ million              | Q4 2017 | Q3 2017 | QoQ     | Q4 2016 | YoY     | 2017   | 2016   | YoY     |
|-----------------------------|---------|---------|---------|---------|---------|--------|--------|---------|
| Steel product sales, incl.: | 3,229   | 3,425   | -6%     | 2,896   | 12%     | 13,051 | 12,691 | 3%      |
| external customers          | 2,415   | 2,443   | -1%     | 1,935   | 25%     | 8,711  | 8,645  | 1%      |
| semis to NBH                | 456     | 386     | 18%     | 479     | -5%     | 2,070  | 2,121  | -2%     |
| intersegmental sales        | 359     | 596     | -40%    | 481     | -25%    | 2,270  | 1,925  | 18%     |
| Revenue, incl.:             | 2,056   | 1,932   | 6%      | 1,427   | 44%     | 7,659  | 5,587  | 37%     |
| external customers          | 1,621   | 1,481   | 9%      | 1,092   | 48%     | 5,595  | 4,272  | 31%     |
| intersegmental operations   | 435     | 451     | -4%     | 335     | 30%     | 2,064  | 1,315  | 57%     |
| EBITDA                      | 555     | 453     | 23%     | 326     | 70%     | 1,722  | 1,344  | 28%     |
| EBITDA margin               | 27%     | 23%     | +4 p.p. | 23%     | +4 p.p. | 22%    | 24%    | -2 p.p. |

### (3) NLMK Russia Long

| k t/\$ million            | Q4 2017 | Q3 2017 | QoQ     | Q4 2016 | YoY     | 2017  | 2016  | YoY     |
|---------------------------|---------|---------|---------|---------|---------|-------|-------|---------|
| Steel product sales       | 818     | 737     | 11%     | 678     | 21%     | 2,962 | 2,807 | 6%      |
| Revenue, incl.:           | 563     | 460     | 22%     | 367     | 53%     | 1,794 | 1,294 | 39%     |
| external customers        | 419     | 349     | 20%     | 271     | 55%     | 1,391 | 1,020 | 36%     |
| intersegmental operations | 144     | 111     | 30%     | 96      | 50%     | 403   | 274   | 47%     |
| EBITDA                    | 52      | 68      | -24%    | 40      | 30%     | 152   | 138   | 10%     |
| EBITDA margin             | 9%      | 15%     | -6 p.p. | 11%     | -2 p.p. | 8%    | 11%   | -3 p.p. |





#### (4) Mining Segment

| k t/\$ million                  | Q4 2017 | Q3 2017 | QoQ     | Q4 2016 | YoY      | 2017   | 2016   | YoY      |
|---------------------------------|---------|---------|---------|---------|----------|--------|--------|----------|
| Iron ore products sales, incl.: | 4,231   | 4,387   | -4%     | 4,345   | -3%      | 17,137 | 17,273 | -1%      |
| sales to Lipetsk plant          | 4,231   | 4,387   | -4%     | 3,408   | 24%      | 17,128 | 13,081 | 31%      |
| Revenue, incl.:                 | 248     | 209     | 19%     | 175     | 42%      | 944    | 597    | 58%      |
| external customers              | 6       | 7       | -14%    | 46      | -87%     | 24     | 166    | -86%     |
| intersegmental operations       | 242     | 202     | 20%     | 129     | 88%      | 920    | 431    | 2.1x     |
| EBITDA                          | 166     | 133     | 25%     | 96      | 73%      | 642    | 318    | 2x       |
| EBITDA margin                   | 67%     | 64%     | +3 p.p. | 55%     | +12 p.p. | 68%    | 53%    | +15 p.p. |

#### (5) NLMK USA

| k t/\$ million            | Q4 2017 | Q3 2017 | QoQ     | Q4 2016 | YoY     | 2017  | 2016  | YoY     |
|---------------------------|---------|---------|---------|---------|---------|-------|-------|---------|
| Steel product sales       | 550     | 568     | -3%     | 421     | 31%     | 2,239 | 1,856 | 21%     |
| Revenue, incl.:           | 411     | 424     | -3%     | 282     | 46%     | 1,670 | 1,162 | 44%     |
| external customers        | 411     | 424     | -3%     | 282     | 46%     | 1,670 | 1,162 | 44%     |
| intersegmental operations | -       | -       | 0%      | -       | 0%      | -     | -     | 0%      |
| EBITDA                    | 29      | 38      | -24%    | 36      | -19%    | 197   | 178   | 11%     |
| EBITDA margin             | 7%      | 9%      | -2 p.p. | 13%     | -6 p.p. | 12%   | 15%   | -3 p.p. |

#### (6) NLMK DanSteel

| k t/\$ million            | Q4 2017 | Q3 2017 | QoQ     | Q4 2016 | YoY     | 2017 | 2016 | YoY    |
|---------------------------|---------|---------|---------|---------|---------|------|------|--------|
| Steel product sales       | 122     | 107     | 14%     | 121     | 1%      | 475  | 481  | -1%    |
| Revenue, incl.:           | 115     | 95      | 21%     | 89      | 29%     | 416  | 325  | 28%    |
| external customers        | 115     | 94      | 22%     | 89      | 29%     | 415  | 324  | 28%    |
| intersegmental operations | -       | 1.0     | -100%   | -       | 0%      | 1    | 1    | 0%     |
| EBITDA                    | (6)     | 3       | -2x     | -       | 0%      | 2    | 1    | 100%   |
| EBITDA margin             | -5%     | 3%      | -8 p.p. | 0%      | -5 p.p. | 0%   | 0%   | 0 p.p. |



### (7) Sales by product

| k t               | Q4 2017      | Q3 2017      | Q2 2017      | Q1 2017      | Q4 2016      |
|-------------------|--------------|--------------|--------------|--------------|--------------|
| Pig iron          | 141          | 176          | 57           | 54           | 41           |
| Slabs             | 1,363        | 1,136        | 974          | 1,122        | 1,170        |
| Thick plates      | 122          | 107          | 112          | 134          | 121          |
| Hot-rolled steel  | 901          | 979          | 1 046        | 962          | 717          |
| Cold-rolled steel | 476          | 489          | 515          | 460          | 413          |
| Galvanized steel  | 302          | 358          | 300          | 256          | 255          |
| Pre-painted steel | 96           | 133          | 102          | 75           | 112          |
| Transformer steel | 72           | 63           | 66           | 56           | 54           |
| Dynamo steel      | 68           | 62           | 87           | 82           | 75           |
| Billet            | 252          | 148          | 226          | 60           | 141          |
| Long products     | 500          | 514          | 638          | 355          | 472          |
| Metalware         | 65           | 75           | 72           | 59           | 65           |
| <b>TOTAL</b>      | <b>4,360</b> | <b>4,240</b> | <b>4,195</b> | <b>3,674</b> | <b>3,635</b> |

### (8) Sales by region

| k t                           | Q4 2017      | Q3 2017      | Q2 2017      | Q1 2017      | Q4 2016      |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|
| Russia                        | 1,707        | 1,800        | 1,493        | 1,008        | 1,357        |
| Europe Union                  | 649          | 626          | 866          | 910          | 774          |
| Middle East, including Turkey | 451          | 494          | 571          | 704          | 468          |
| North America                 | 696          | 776          | 649          | 645          | 456          |
| Asia and Oceania              | 167          | 15           | 309          | 45           | 115          |
| Rest of World                 | 691          | 528          | 307          | 362          | 465          |
| <b>TOTAL</b>                  | <b>4,360</b> | <b>4,240</b> | <b>4,195</b> | <b>3,674</b> | <b>3,635</b> |

### (9) Revenue by region

| Region                        | Q4 2017      |             | Q3 2017      |             | Q2 2017      |             |
|-------------------------------|--------------|-------------|--------------|-------------|--------------|-------------|
|                               | \$ million   | share       | \$ million   | share       | \$ million   | share       |
| Russia                        | 1,134        | 40%         | 1,116        | 44%         | 928          | 36%         |
| Europe Union                  | 469          | 17%         | 388          | 15%         | 461          | 18%         |
| Middle East, including Turkey | 237          | 8%          | 227          | 9%          | 283          | 11%         |
| North America                 | 478          | 17%         | 519          | 20%         | 486          | 19%         |
| Asia and Oceania              | 109          | 4%          | 25           | 1%          | 99           | 4%          |
| Rest of World                 | 387          | 14%         | 276          | 11%         | 287          | 11%         |
| <b>TOTAL</b>                  | <b>2,815</b> | <b>100%</b> | <b>2,551</b> | <b>100%</b> | <b>2,544</b> | <b>100%</b> |



### (10) EBITDA\*

| \$ m                          | Q4 2017    | Q3 2017    | Q2 2017    | Q1 2017    | Q4 2016    |
|-------------------------------|------------|------------|------------|------------|------------|
| Operating income**            | 615        | 501        | 443        | 472        | 396        |
| minus:                        | -          | -          | -          | -          | -          |
| Depreciation and amortization | (171)      | (147)      | (160)      | (146)      | (124)      |
| <b>EBITDA</b>                 | <b>786</b> | <b>648</b> | <b>603</b> | <b>618</b> | <b>520</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                               | Q4 2017    | Q3 2017    | Q2 2017    | Q1 2017    | Q4 2016    |
|------------------------------------|------------|------------|------------|------------|------------|
| Net cash from operating activities | 476        | 663        | 450        | 310        | 366        |
| Interest paid                      | (21)       | (16)       | (21)       | (11)       | (20)       |
| Interest received                  | 11         | 6          | 6          | 5          | 15         |
| Capex                              | (266)      | (120)      | (110)      | (96)       | (175)      |
| <b>Free Cash Flow</b>              | <b>200</b> | <b>533</b> | <b>325</b> | <b>208</b> | <b>186</b> |

### (12) Net debt

| \$ m                      | Q4 2017    | Q3 2017    | Q2 2017      | Q1 2017    | Q4 2016    |
|---------------------------|------------|------------|--------------|------------|------------|
| Short-term borrowings     | 380        | 653        | 915          | 872        | 468        |
| Long-term borrowings      | 1,901      | 1,902      | 1,499        | 1,471      | 1,801      |
| Cash and cash equivalents | (301)      | (598)      | (760)        | (610)      | (610)      |
| Short-term deposits       | (1,057)    | (1,214)    | (609)        | (796)      | (898)      |
| <b>Net debt</b>           | <b>923</b> | <b>743</b> | <b>1,045</b> | <b>938</b> | <b>761</b> |



### (13) Production of main products

| k t                               | Q4 2017      | Q3 2017      | Q2 2017      | Q1 2017      | Q4 2016      |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|
| <b>Crude steel, incl.:</b>        | <b>4,253</b> | <b>4,363</b> | <b>4,082</b> | <b>4,152</b> | <b>4,172</b> |
| Steel Segment                     | 3,356        | 3,356        | 3,134        | 3,352        | 3,319        |
| Long products Segment, incl.:     | 755          | 860          | 795          | 619          | 735          |
| NLMK Kaluga                       | 347          | 375          | 361          | 271          | 347          |
| Foreign Rolled Products Segment   | 142          | 146          | 153          | 181          | 118          |
| <b>Finished products, incl.:</b>  | <b>2,596</b> | <b>2,743</b> | <b>2,793</b> | <b>2,594</b> | <b>2,497</b> |
| Flat steel                        | 2,081        | 2,125        | 2,189        | 2,114        | 1,918        |
| Long steel                        | 515          | 618          | 604          | 480          | 579          |
| <b>Coke (6% moisture), incl.:</b> | <b>1 646</b> | <b>1 670</b> | <b>1 635</b> | <b>1 605</b> | <b>1 602</b> |
| NLMK Lipetsk                      | 655          | 667          | 654          | 644          | 652          |
| Altai-Koks                        | 991          | 1 002        | 981          | 960          | 949          |

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

| k t                                | Q4 2017      | Q3 2017      | Q2 2017      | Q1 2017      | Q4 2016      |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Sales to 3rd parties, incl.:       | 908          | 751          | 392          | 475          | 691          |
| Export                             | 640          | 504          | 295          | 356          | 460          |
| Sales to subsidiaries & associates | 807          | 958          | 1,270        | 1,180        | 915          |
| Sales to NBH                       | 456          | 386          | 582          | 647          | 479          |
| <b>TOTAL</b>                       | <b>1,714</b> | <b>1,709</b> | <b>1,661</b> | <b>1,655</b> | <b>1,606</b> |

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

| k t                           | Q4 2017      | Q3 2017      | QoQ         | Q4 2016      | YoY         | 2017         | 2016         | YoY        |
|-------------------------------|--------------|--------------|-------------|--------------|-------------|--------------|--------------|------------|
| <b>Semi-finished products</b> | <b>1,031</b> | <b>816</b>   | <b>26%</b>  | <b>639</b>   | <b>61%</b>  | <b>2,887</b> | <b>2,717</b> | <b>6%</b>  |
| Pig iron                      | 140          | 174          | -20%        | 37           | 3.7x        | 417          | 357          | 17%        |
| Slabs                         | 640          | 504          | 27%         | 460          | 39%         | 1,796        | 1,749        | 3%         |
| Billets                       | 251          | 138          | 83%         | 141          | 78%         | 674          | 611          | 10%        |
| <b>Flat products</b>          | <b>344</b>   | <b>402</b>   | <b>-14%</b> | <b>425</b>   | <b>-19%</b> | <b>2,085</b> | <b>2,296</b> | <b>-9%</b> |
| HRC                           | 129          | 147          | -12%        | 198          | -35%        | 1,014        | 1,141        | -11%       |
| CRC                           | 86           | 112          | -23%        | 110          | -22%        | 519          | 673          | -23%       |
| HDG                           | 14           | 38           | -63%        | 11           | 31%         | 80           | 37           | 2.1x       |
| Coated                        | 3            | 3            | -18%        | 2            | 29%         | 12           | 9            | 38%        |
| Dynamo                        | 53           | 49           | 8%          | 61           | -12%        | 244          | 231          | 6%         |
| Transformer                   | 60           | 52           | 14%         | 43           | 38%         | 216          | 205          | 5%         |
| <b>Long products</b>          | <b>153</b>   | <b>161</b>   | <b>-5%</b>  | <b>199</b>   | <b>-23%</b> | <b>683</b>   | <b>512</b>   | <b>33%</b> |
| <b>Total</b>                  | <b>1,529</b> | <b>1,379</b> | <b>11%</b>  | <b>1,262</b> | <b>21%</b>  | <b>5,656</b> | <b>5,525</b> | <b>2%</b>  |



**(16) Segmental information**

| <b>Q4 2017</b>                           | <b>Russian Flat Steel</b> | <b>Russian Long Products</b> | <b>Mining</b> | <b>NLMK USA</b> | <b>NLMK DanSteel</b> | <b>Investments in NBH</b> | <b>Intersegmental operations and balances</b> | <b>NBH deconsolidation</b> | <b>Consolidated</b> |
|--|---------------------------|------------------------------|---------------|-----------------|----------------------|---------------------------|---|----------------------------|---------------------|
| <b>\$ million</b>                        |                           |                              |               |                 |                      |                           |   |                            |                     |
| Revenue from external customers          | 1,621                     | 419                          | 6             | 411             | 115                  | 386                       | -   | (143)                      | 2,815               |
| Intersegment revenue                     | 435                       | 144                          | 242           | -               | -                    | 7                         | (821)   | (7)                        | -                   |
| Gross profit                             | 723                       | 87                           | 154           | 32              | 7                    | (12)                      | (3)   | (15)                       | 973                 |
| Operating income/(loss)                  | 468                       | 33                           | 137           | 14              | (8)                  | (46)                      | (17)  | 19                         | 615                 |
| Income / (loss) before minority interest | 468                       | 26                           | 107           | 11              | (29)                 | (64)                      | (66)  | (24)                       | 429                 |
| Segment assets, including goodwill       | 7,990                     | 1,210                        | 2,041         | 891             | 339                  | 1,626                     | (1,728)                                       | (1,373)                    | 10,996              |

*Balance figures presented as of 31.12.2017*

| <b>Q3 2017</b>                           | <b>Russian Flat Steel</b> | <b>Russian Long Products</b> | <b>Mining</b> | <b>NLMK USA</b> | <b>NLMK DanSteel</b> | <b>Investments in NBH</b> | <b>Intersegmental operations and balances</b> | <b>NBH deconsolidation</b> | <b>Consolidated</b> |
|--|---------------------------|------------------------------|---------------|-----------------|----------------------|---------------------------|---|----------------------------|---------------------|
| <b>\$ million</b>                        |                           |                              |               |                 |                      |                           |   |                            |                     |
| Revenue from external customers          | 1,481                     | 349                          | 7             | 424             | 94                   | 333                       | -   | (137)                      | 2,551               |
| Intersegment revenue                     | 451                       | 111                          | 202           | -               | 1                    | 5                         | (765)   | (5)                        | -                   |
| Gross profit                             | 604                       | 97                           | 124           | 40              | 12                   | (10)                      | (80)  | 10                         | 797                 |
| Operating income/(loss)                  | 367                       | 49                           | 107           | 24              | 1                    | (40)                      | (47)  | 40                         | 501                 |
| Income / (loss) before minority interest | 541                       | 41                           | 82            | 23              | (1)                  | (42)                      | (306)   | 20                         | 358                 |
| Segment assets, including goodwill       | 8,291                     | 1,231                        | 2,186         | 989             | 321                  | 1,625                     | (2,050)                                       | (1,429)                    | 11,164              |

*Balance figures presented as of 30.09.2017*