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NLMK GROUP 12M AND Q4 2018 IFRS FINANCIAL RESULTS¹

NLMK Group (MICEX and LSE: NLMK) is pleased to announce an EBITDA growth of 35% yoy to \$3.6 bn in 2018. EBITDA margin hit a decade high at 30%. Free cash flow grew by 60% to \$2.0 bn.

Key highlights

k t/\$ million	Q4 2018	Q3 2018	QoQ	Q4 2017	YoY	2018	2017	YoY
Sales volumes	4,643	4,418	5%	4,360	6%	17,591	16,469	7%
Revenue	3,013	3,127	-4%	2,815	7%	12,046	10,065	20%
EBITDA ²	847	1,015	-17%	786	8%	3,589	2,655	35%
EBITDA margin	28%	32%	-4 p.p.	28%	0 p.p.	30%	26%	+4 p.p.
Profit for the period ³	509	646	-21%	428	19%	2,238	1,450	54%
Free cash flow ⁴	502	638	-21%	201	2.5x	2,027	1,266	60%
Net debt ⁵	891	865	3%	923	-3%	891	923	-3%
Net debt/EBITDA ⁵	0.25x	0.25x		0.35x		0.25x	0.35x	

12M 2018 key highlights

- **Group revenue in 12M 2018 totalled \$12.0 bn** (+20% yoy), driven by the growth of average sales prices and higher sales volumes.
- **EBITDA grew to \$3.6 bn** (+35% yoy), driven by higher revenue and operational efficiency gains in 2018.
- **Free cash flow increased by 60% yoy to \$2.0 bn**, due to the increase in profitability and a positive working capital trend vs. 2017.
- **Net income grew by 54% yoy to \$2.2 bn.**
- **Net debt/EBITDA decreased to 0.25x (0.35x at the end of 2017)**, driven by the increase in the Company's profitability and the decrease in net debt by 3% yoy.

Q4 2018 key highlights

- **Group revenue decreased by 4% qoq to \$3.0 bn** (+7% yoy), due to the drop in prices for steel products in the Company's key markets and the growth in the share of semi-finished products in its sales portfolio.
- **EBITDA totalled \$847 m** (-17% qoq), due to the narrowing of steel product/main raw material price spreads. EBITDA grew by +8% compared to Q4 2017.
- **Free cash flow decreased by 21% qoq to \$502 m** (+150% yoy), due to the decrease in revenue and EBITDA, and the growth of capex, driven by active settlements with equipment suppliers at the end of the financial year.
- **Net income dropped by 21% qoq to \$509 m** (+19% yoy) against the backdrop of lower operating profit.



NLMK GROUP 2018 AND Q4 2018 IFRS CONSOLIDATED FINANCIAL RESULTS¹

Comment from NLMK Group CFO Shamil Kurmashov:

“In 2018, demand for steel continued to recover, coupled with a rise in protectionism in key markets.

“In this context, NLMK Group’s flexible business model that helped it secure its presence in key sales markets, enabled the Company to grow its sales by 7% yoy (by 1.1 m t) to 17.6 m t, hitting an all-time high for the Company. NLMK Group retained its leadership on the Russian market in terms of steel output, and consolidated its positions on global markets. Revenue grew by 20% yoy to \$12.0 bn; NLMK’s EBITDA increased by 35% to \$3.6 bn, while its EBITDA margin grew to 30% (+4 p.p. yoy).

“In 2018, NLMK Group persisted with its consistent operational efficiency efforts. EBITDA gains from the operational efficiency programme totalled \$189 m to the 2017 cost base. The impact of capex projects executed as part of Strategy 2017 totalled an additional \$121 m. Total gains from Strategy 2017 in 2014-2018 were \$1,348 m, which is significantly in excess of the \$1 bn target⁶.

“EBITDA growth and the decrease in cash outflow to finance working capital supported a 60% increase in the Group’s free cash flow yoy to \$2.0 bn. Total debt decreased by 9% yoy, while the cost of financing reduced from 3.8% to 3.4%. The Company’s debt is at an all-time low: Net debt/EBITDA decreased to 0.25x by the end of 2018. Growth of free cash flow and low debt enabled the Company to keep dividends high despite the growth in capex.”

¹ 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.

² 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. EBITDA calculations and further details are presented in the [Appendix](#).

³ Profit for the period attributable to NLMK shareholders.

⁴ 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](#).

⁵ Net debt is calculated as the sum of long-term and short-term credits and loans less cash and cash equivalents, as well as short-term deposits 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](#).

⁶ Strategy gains are presented with NBH.



TELECONFERENCE

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

Thursday, 7 February 2019

- 09:00 a.m. – New York
- 2:00 p.m. – London
- 5:00 p.m. – Moscow

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

US number:

+1 929-477-0324 (local access) // 800-458-4148 (toll free)

UK number:

+44 330 336 9411 (local access) // 0800 279 7204 (toll free)

Russian number:

+7 495 646 9190 (local access) // 8 10 8002 8675011 (toll free)

Conference code: 6705381

To join the webcast, please follow the link:

<https://webcasts.egs.com/nlmk20190207>.

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

MANAGEMENT COMMENTS

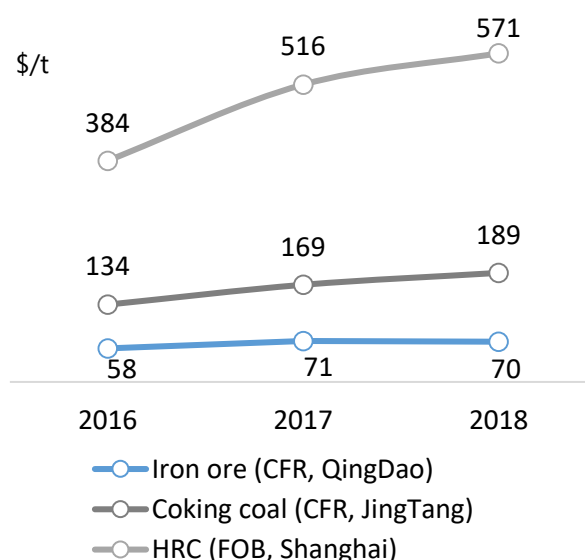
2018 market review

- **Global steel output grew** by 4.6% yoy to 1.81 bn t.
- **Steel exports from China** decreased by 8% yoy, due to the recovery in domestic demand for steel in China, the plan to cut inefficient steelmaking capacities, and the policy to curb steel output during the winter period.
- **Increase in demand in the Group's home markets (Russia, USA & EU)** continued, driven by economic growth. In Russia, demand remained practically flat year-on-year (+0.3% yoy), following a marked recovery in 2017.

2018 prices

- **Raw material prices:** average global coal prices grew by 12% yoy, impacted by weather and infrastructure constraints in Australia and the US in the course of the year. Iron ore prices decreased by 2% yoy.
- **Prices* for steel products grew yoy:** by 17-33% in the US, by 4-13% in Russia, and by 6-11% in the EU.
- **Export prices** (FOB Black Sea) grew by 10-17% yoy, following global prices.

Steel prices grew in 2018 driven by higher demand and lower exports from China



* 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

2018 highlights:

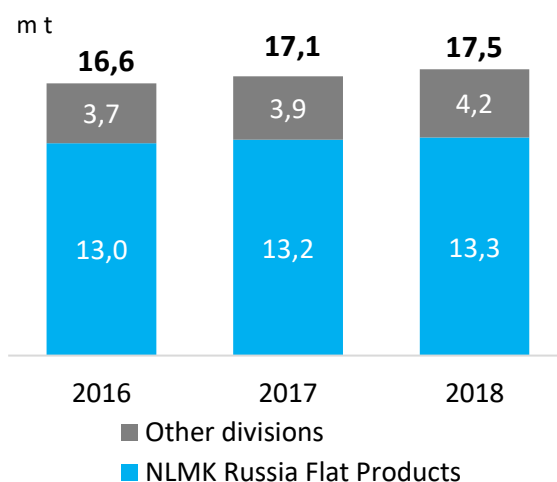
- **Steel output*** grew by 2% yoy to 17.49 m t, driven mainly by high output growth rates at NLMK Russia Long (+9% yoy). Output at NLMK Russia Flat grew by +1% yoy to 13.3 m t. Group steelmaking capacity utilization rate grew by 1 p.p. to 99%.
- **Sales***** grew by 7% yoy to 17.6 m t, against the backdrop of the growth in demand for semi-finished products and higher long product sales in Russia.
- **Sales breakdown:** sales of finished products remained flat yoy at 10.8 m t. HVA sales grew by 3% yoy to 5 m t. HVA share in total sales dropped by 1 p.p. to 29%, due to the outstripping growth of semi-finished product sales amid intensified demand for slabs and pig iron, and planned hot-rolling equipment upgrades at the Lipetsk site.
- **Sales by region:** sales in Russia decreased by 4% yoy (to 5.8 m t), as sales were shifted to export markets. US and EU sales increased by 16% and 10%, respectively. Sales to the Middle East (including Turkey) grew by 7% yoy. The highest growth rates were achieved in Asian and Oceanian markets (+89% yoy), driven by the increase in slab sales to Taiwan and Indonesia.
- **Sales to home markets** decreased to 10.56 m t (-1% yoy), as semi-finished product sales were shifted to export following the uptick in demand in Q4 2018. Home sales accounted for 61% (-4 p.p. yoy).
- **Sales to export markets** grew by 17% yoy to 6.86 m t, driven by higher sales of slabs and pig iron.

* Without production capacities that are undergoing planned maintenance

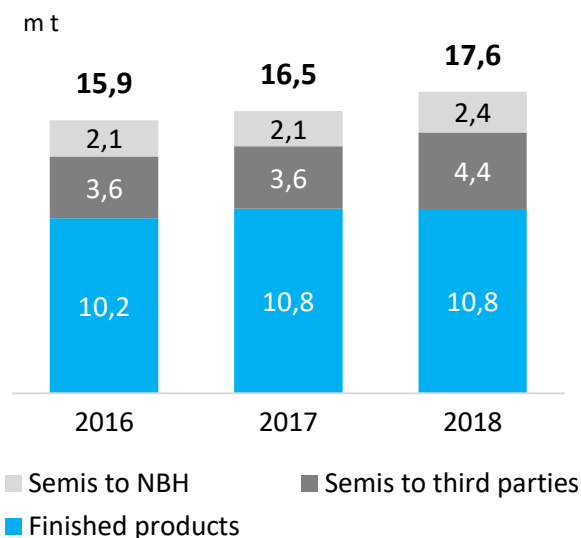
** Steel output - with NBH

*** Consolidated sales - without NBH

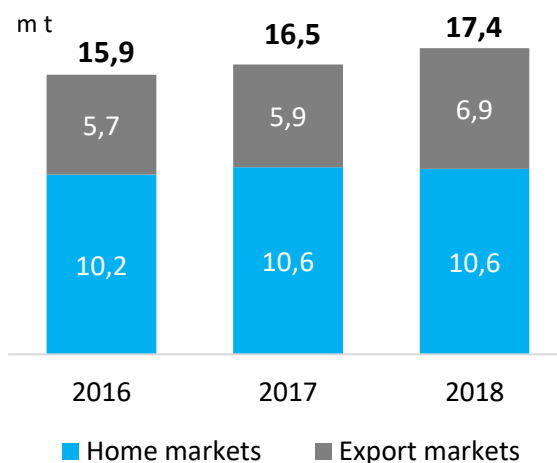
Growth of steel output yoy driven by intensified demand**:



Growth of sales by 7% yoy driven by higher sales of semi-finished products:



Growth of sales to home markets



NLMK GROUP'S KEY FINANCIALS

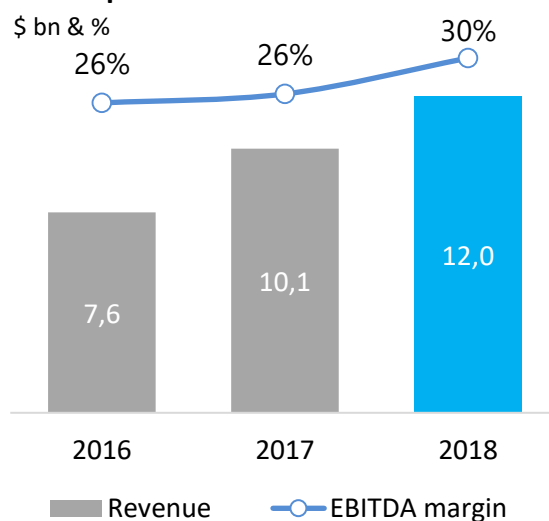
12M 2018 revenue

- Revenue increased to \$12 bn (+20% yoy) due to higher average sales prices.
- Revenue share from sales of finished steel declined yoy to 65% (-2 p.p. yoy).
- Revenue share (including NBH) from sales in home markets decreased by 3 p.p. yoy to 66%, against the backdrop of growing exports of semi-finished products.

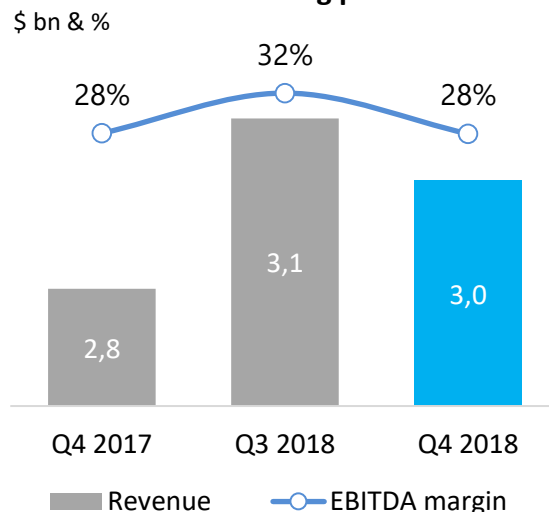
Q4 2018 revenue

- Revenue declined by 4% qoq to \$3 bn due to lower prices for steel products in the Company's key markets and an increase in the share of semi-finished products in the sales portfolio. Revenue increased by 7% yoy due to a 6% yoy growth in the sales of steel products.
- Revenue share from sales of finished steel decreased by 7 p.p. qoq to 62% (+1 p.p. yoy), due to a 34% qoq increase in the supply of semi-finished products.
- Revenue share from sales to home markets reduced to 61% (-7 p.p. qoq; -6% yoy), driven by the increase in export sales of semi-finished products (equipment upgrades at the Lipetsk site), the seasonal decline in revenue from sales in Russia (-16% qoq; -17% yoy), and a decrease in sales in the US (-17% qoq; +23% yoy) against the backdrop of customer expectations of further steel price adjustments.

Revenue growth yoy amid increasing prices and sales volumes



Revenue growth yoy amid increasing prices





12M 2018 operating profit

- Operating profit* increased by 48% yoy to \$3 bn, due to the growth in sales volumes, the expansion of price spreads, and operational efficiency programme gains.
- Commercial expenses grew by 12% yoy to \$886 m, driven by an increase in sales volumes.
- G&A expenses increased by 3% yoy to \$375 m, due to payroll indexation at the Group's Russian companies.

Q4 2018 operating profit

- Operating profit* reduced by 19% qoq, due to declining revenue and narrowing price spreads.
- Growth of commercial expenses by 24% qoq to \$256 m was associated mainly with a 12% qoq increase in the Group's export sales of steel products. The 19% increase yoy was also associated with sales growth and a higher share of exports, with a corresponding increase in the transport leg to sales markets.
- Growth of G&A expenses by 24% qoq to \$108 m was associated with the accrual of year-end bonus payments in Q4. The decrease in costs by 10% yoy was due to a one-off accrual of reserves for staff payments in Q4 2017.

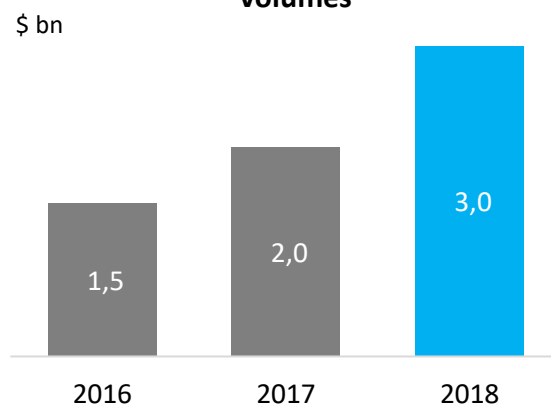
Net profit**

- **Growth of net profit by 54% yoy in 12M 2018** and by 19% yoy in Q4 was due to the growth of operating profit and a decrease in the effective income tax rate due to the recognition in Q4 2018 of tax losses incurred earlier by NLMK USA. Net profit decreased by 21% qoq following the decrease in operating profit.

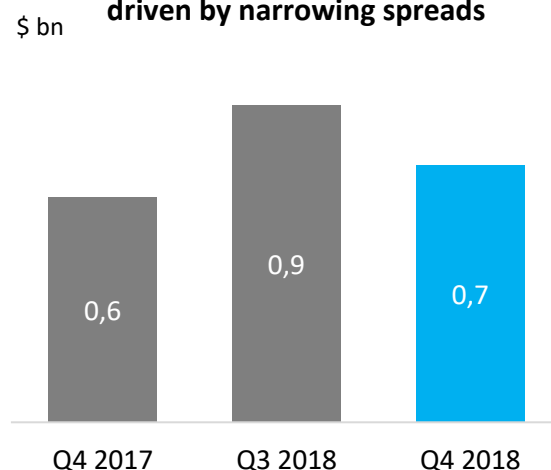
* Operating profit before equity share in results of joint ventures, impairment of capital assets and losses from fixed assets retirement

**Profit for the period attributable to NLMK shareholders

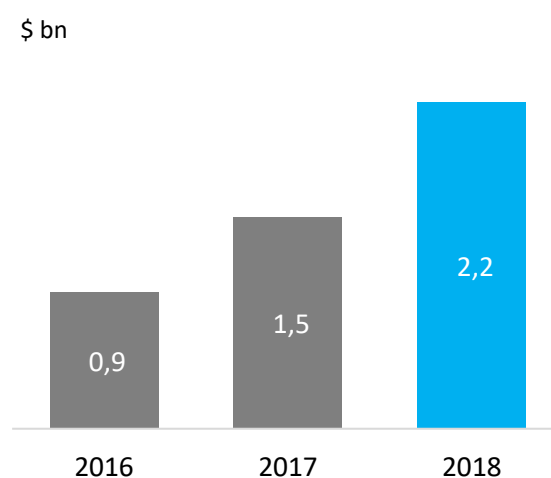
Operating profit increased by 48% yoy amid expanding spreads and growing sales volumes



Operating profit reduced by 19% qoq driven by narrowing spreads

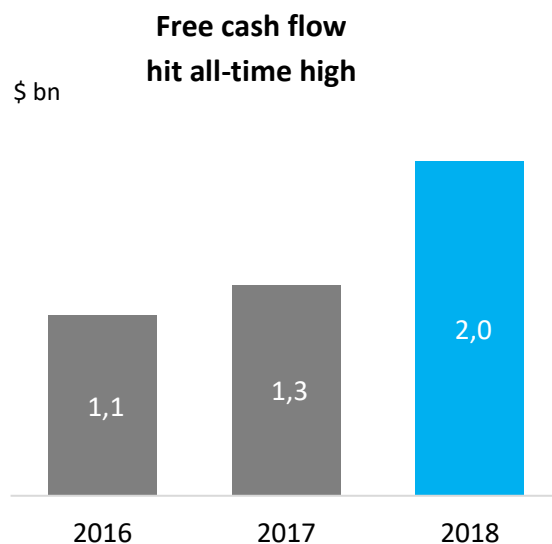


Net profit increase by 54% yoy due to reduced tax burden



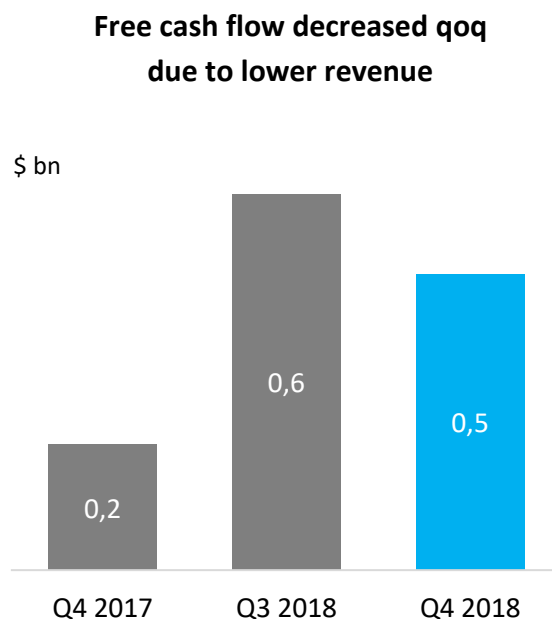
12M 2018 free cash flow

- **Free cash flow increased by 60% yoy to \$2 bn**, supported by growing EBITDA and decreasing cash outflow to finance working capital as compared to 2017.
- **The 44% yoy increase in operating cash flow** to \$2.7 bn was driven by increased sales profitability.
- **Cash outflow to finance working capital** was \$261 m (vs. \$380 m a year earlier):
 - -\$258 m: increase in receivables due to an increase in export sales and an increase in average sales prices;
 - -\$187 m: increase in stocks due to the increase in raw material and semi-finished product prices, including the rising cost of slabs in NLMK USA warehouses following the introduction of import duties on steel;
 - +\$177 m: increase in payables as a result of rising prices for raw materials and the growth of externally sourced slab purchases by NLMK USA.



Q4 2018 free cash flow

- **Free cash flow reduced to \$502 m (-21% qoq)** due to the decrease in operating financial performance.
- **Investments increased by 37% qoq (-6% yoy)** to \$250 m with the beginning of the active execution phase of the BF-6 and BOF Shop No.2 upgrades at the Lipetsk site.
- **Cash inflow from lower working capital amounted to \$46 m:**
 - + \$43 m: reduction of accounts receivable due to the high turnover level achieved and the decrease in prices;
 - -\$38 m: increase in stocks amid the seasonal growth in scrap stocks;
 - +\$37 m: increase in payables due mainly to an increase in the volume of externally sourced slabs by NLMK USA;





Strategy in action*

- In 2018, the Company continued to work on its operational efficiency programmes. Total EBITDA gains from these projects and initiatives amounted to \$189 m to the 2017 base level.
- In 2018, gains from capex projects executed as part of Strategy 2017 additionally amounted to \$121 m.
- Total gains from Strategy 2017 in 2014-2018 amounted to \$1,348 m, which is significantly in excess of the \$1 bn target.

Debt management

- **Total debt decreased by 9% yoy** to \$2.1 bn, due to the closing of a credit line for working capital financing in Q2 2018.
- **Net debt decreased by 3% yoy** to \$891 m due to reduced total debt. Net debt/EBITDA improved to 0.25x (vs. 0.35x last year), driven by increased profit from core activities.
- **Financial guarantees** for NBH liabilities totalled \$309 m (\$304 m at 2017 year-end).
- **Decrease in financial expenses** by 20% yoy to \$70 m was associated with the reduction in the average interest rate (from 3.8% in 2017 to 3.4% in 2018), and an overall reduction in debt.

Investment

- The Group's investments climbed by 15% to \$680 m in 2018, with the launch of projects as part of the new strategic cycle, and the start of BF-6 upgrades and major repairs of steelmaking equipment at NLMK Lipetsk.

Dividends

- At an Extraordinary General Shareholders' Meeting (EGM) held on 21 December 2018, NLMK shareholders approved the payment of Q3 2018 dividends of 6.04 rubles (\$0.09) per share. (See [press release](#)).

Q1 2019 outlook

- Steel output will reduce to the level of Q1 2018, impacted by the seasonal fall in demand for long steel and scheduled repairs at the Lipetsk site.
- Sales are expected to grow yoy, with an increase in the share of finished products in the sales portfolio.

* Strategy gains are presented with NBH.

NLMK Russia Flat Products

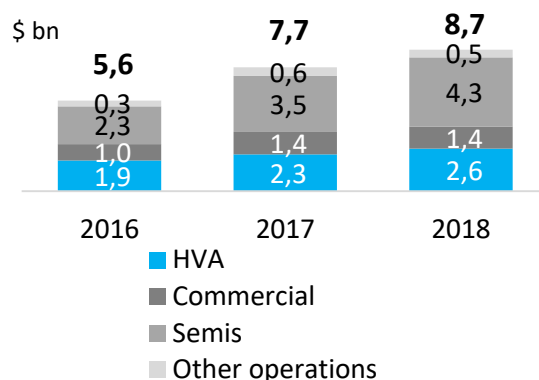
2018 highlights:

- **Sales increased** by 4% yoy to 13.52 m t amid a significant growth in demand for semi-finished products in export markets ([Appendix 2](#))
- **Total revenue** of the Segment grew by 14% yoy to \$8.7 bn amid growing sales of semi-finished products and average sales prices (by 5%-15%, depending on the type of product).
- **EBITDA** increased by 36% yoy to \$2.3 bn, due to the expansion of price spreads between steel and primary raw materials, as well as operational efficiency programme gains. The decrease in the ruble FX rate also supported the Segment's profitability amid growing export sales. These factors supported an EBITDA margin increase by 5 p.p. yoy to 27%.

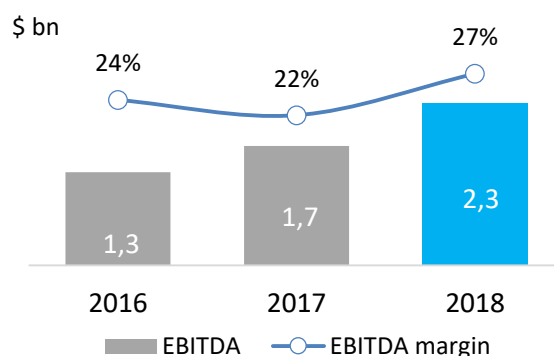
Q4 2018 highlights:

- **Segment sales** increased by 12% qoq and by 10% yoy to 3.56 m t, due to increased demand for semi-finished products in export markets.
- **Total revenue** climbed 1% qoq to \$ 2.2 bn, driven by the growth in export semi-finished product sales. Revenue increased by 5% yoy.
- **EBITDA** declined by 11% qoq to \$568 m amid narrowing spreads between steel and raw material prices. Year-on-year, EBITDA climbed by 2% due to higher prices and operational efficiency gains.

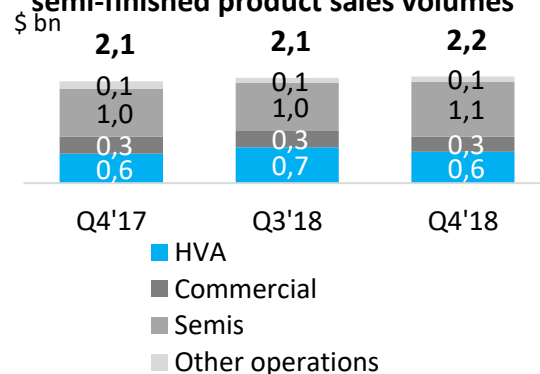
Revenue increased amid growing prices and sales volumes



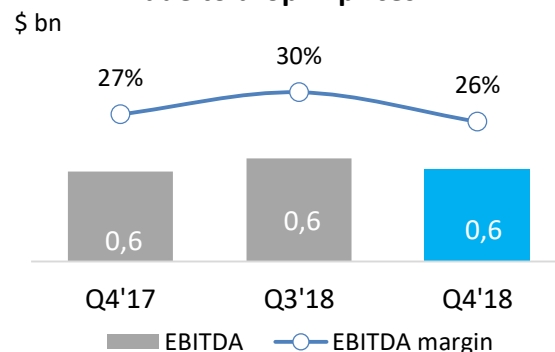
EBITDA increased by 36% yoy driven by expanding spreads



Revenue increased amid growing semi-finished product sales volumes



EBITDA decreased by 11% qoq due to drop in prices



NLMK Russia Long Products

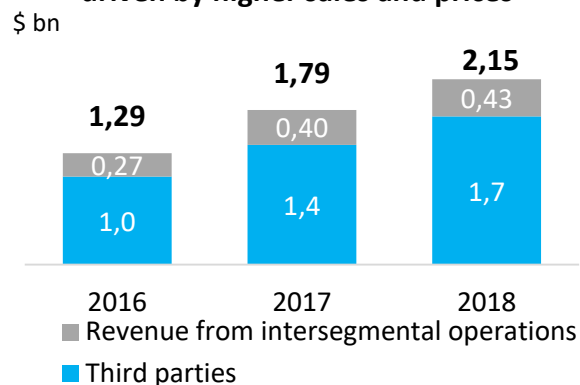
2018 highlights:

- **Sales** increased by 8% yoy to 3.18 m t amid growing demand for finished steel in the Russian market, and higher export billet sales, mainly to the Middle East ([Appendix 3](#))
- **Total revenue** in 2018 was \$2.2 bn (+20% yoy). Significant revenue growth was associated with an increase in sales and a favourable pricing environment (average prices increased by 12% yoy).
- **EBITDA** increased by 45% yoy to \$221 m. EBITDA margin climbed by 2 p.p. to 10%. EBITDA grew at a higher rate than the revenue due to operational efficiency gains, expansion of the price spreads and the change in exchange rates against the backdrop of increased exports.

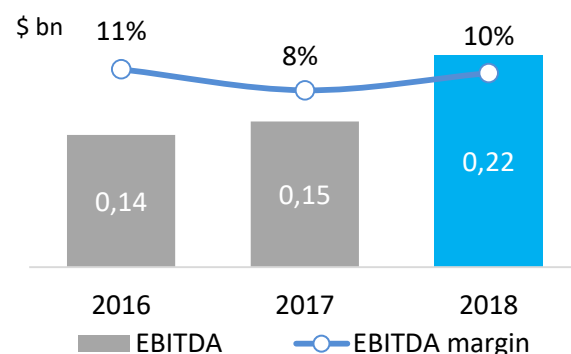
Q4 2018 highlights:

- **Sales** of long products declined by 10% qoq to 0.84 m t due to the seasonal decline in demand. Compared to Q4 2017, sales increased by 3% yoy due to an increase in demand for rebar and wire rod in the Russian market.
- **Revenue** also declined by 10% qoq to \$568 m, following the decline in sales. Revenue growth of 1% yoy occurred following an increase in sales.
- **Revenue from intersegmental operations** decreased by 3% qoq and by 12% yoy due to a decrease in prices for scrap.
- **Segment's EBITDA** declined by 46% qoq to \$38 m (-27% yoy), due to the seasonal narrowing of price spreads and a decrease in sales volumes.

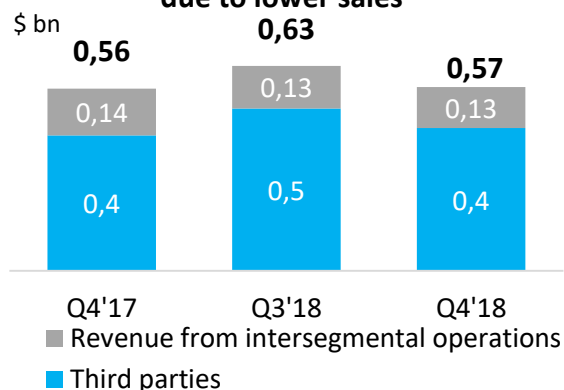
Revenue grew by 20% yoy driven by higher sales and prices



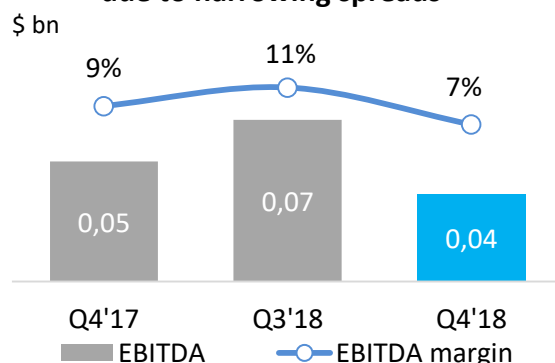
EBITDA growth driven by growth of export sales



Revenue decreased by 10% qoq due to lower sales



EBITDA decrease due to narrowing spreads



Mining and Processing of Raw Materials

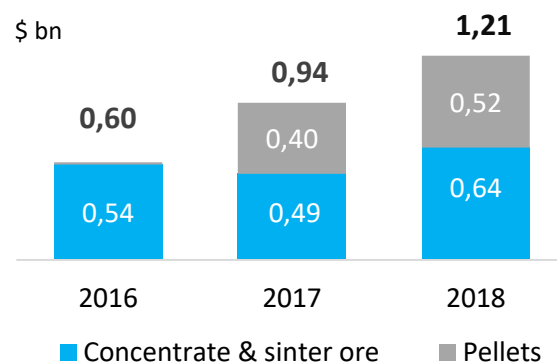
2018 highlights:

- **Sales** of iron ore totalled 18.4 m t (+7% yoy). Sales of pellets reached 6.7 m t (+13% yoy) ([Appendix 4](#)).
- **Revenue** climbed to \$1.21 bn (+28% yoy) amid growing sales and average sales prices, as well as due to an increased share of pellets in the sales structure (+2 p.p. yoy).
- **EBITDA** increased by 38% yoy to \$0.89 bn, with the completion of a number of capex projects, as well as due to the increase in the productivity of production.

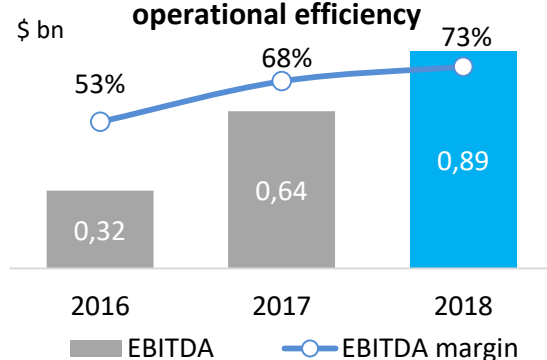
Q4 2018 highlights:

- **Iron ore sales** grew by 3% qoq to 4.75 m t (+12% yoy), due to an increase in steel output and growing share of captive iron ore in NLMK consumption.
- **Revenue** decreased by 10% qoq to \$259 m due to a decline in concentrate prices by 16% qoq and a decline in pellet prices by 7% qoq. The main driver behind the 4% growth yoy was the uptick in sales.
- **EBITDA** reduced to \$180 m (-15% qoq) due to the drop in iron ore prices. On a year-on-year basis, EBITDA increased by 8%.

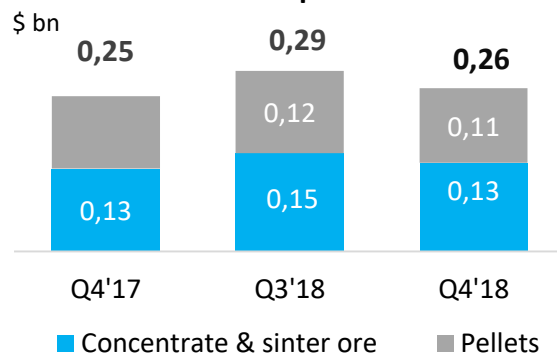
Sales revenue growth amid growth in sales of pellets



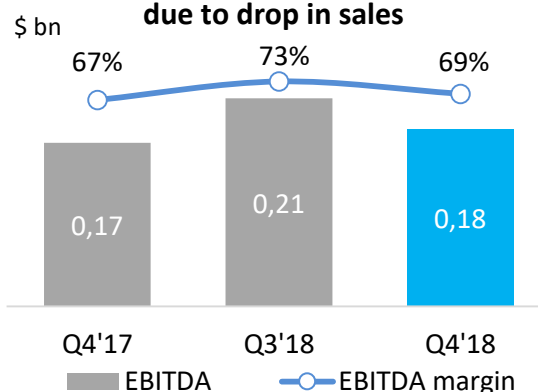
Profitability growth yoy due to higher sales prices and increased operational efficiency



Revenue decreased due to drop in sales



EBITDA fell by 15% qoq due to drop in sales



NLMK USA

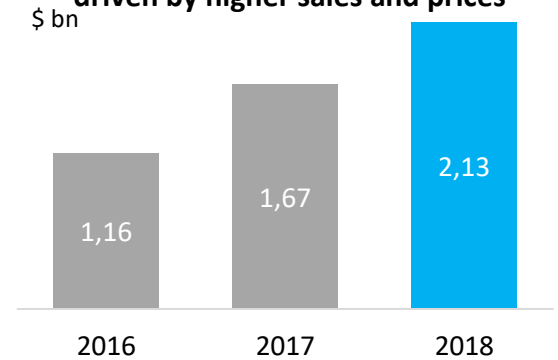
2018 highlights:

- **Sales increased** by 2% yoy to 2.3 m t, driven by the growth of HRC and HDG supplies against the backdrop of an uptick in activity in the construction and automotive sectors ([Appendix 5](#)).
- **Revenue** increased to \$2.1 bn (+ 28% yoy) following the increase in sales and a rise in average sales prices due to the introduction of import duties on steel products in March 2018, which had an impact on the redistribution of steel trade flows in the US market and end-user prices.
- **EBITDA** grew by 28% yoy to \$0.25 bn, due mainly to the growth of revenue.
- **EBITDA margin** remained flat yoy at 12%: revenue growth was offset by the growth of import duty related costs.

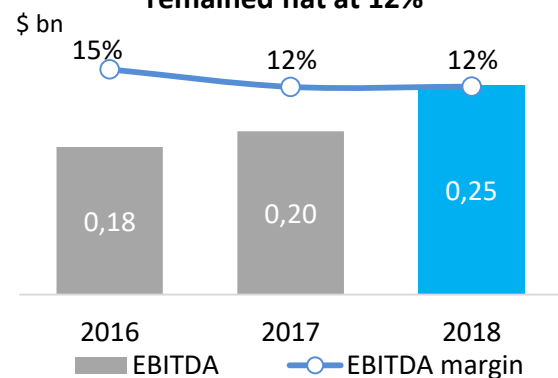
Q4 2018 highlights:

- **Sales** decreased by 15% qoq (-8% yoy) to 0.5 m t, driven by customer expectations of further price reductions.
- **Revenue** fell to \$0.5 bn due to lower sales volumes and a 17% drop qoq in sales prices. The 23% growth yoy was due to significantly higher sales prices.
- **EBITDA** dropped to \$49 m (-44% qoq) due to narrowing price spreads between slabs and finished products, as well as lower sales volumes. Year-on-year growth totalled 69%.
- **EBITDA margin** declined to 10% (-4 p.p. qoq). Year-on-year, profitability increased by 3 p.p.

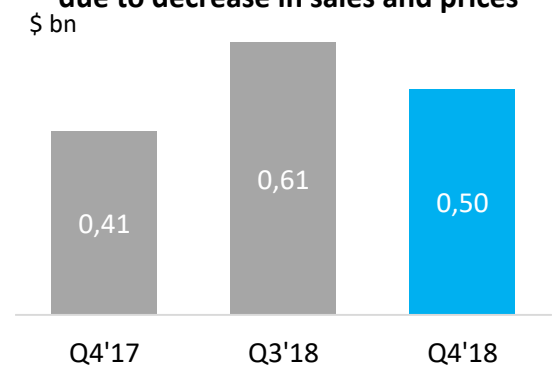
Revenue grew by 28% yoy driven by higher sales and prices



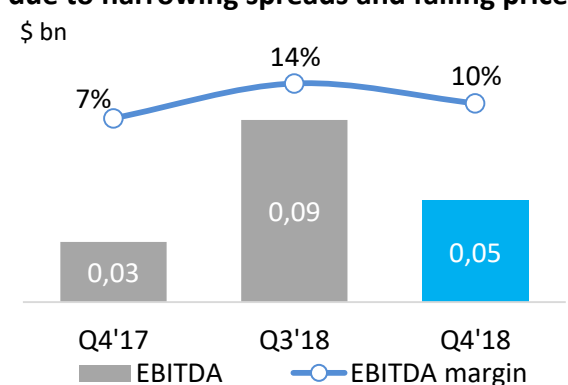
Profitability in 2018 remained flat at 12%



Drop in revenue by 17% qoq due to decrease in sales and prices



EBITDA decreased by 44% qoq due to narrowing spreads and falling prices



NLMK DanSteel

2018 highlights:

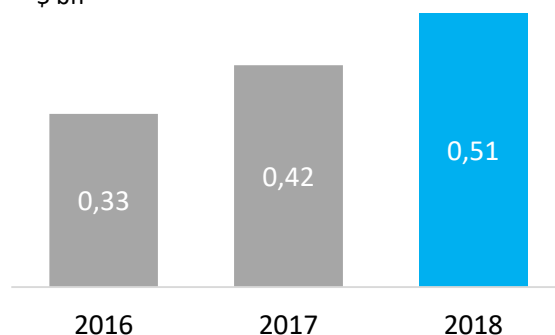
- **Sales** of plate increased by 9% yoy, driven by the increase in capacity utilization rates, amid growing demand for plate steel in export markets (the Middle East, Central and South America) ([Appendix 6](#)).
- **Revenue increased by 24% yoy** to \$0.51 bn due to the growth in sales volumes and average sales prices (+13%).
- **EBITDA fell** to (-) \$17 m (vs. (+) \$2 m last year), due to the narrowing of price spread between slabs and plate, against the backdrop of the outstripping growth of slab prices.
- **EBITDA margin** totalled -3%.

Q4 2018 highlights:

- **Sales:** decreased by 2% qoq and yoy to 0.12 m t, driven by consumer expectations of further price reductions.
- **Revenue fell** by 5% qoq to \$119 m due to a decrease in sales volumes, and a 3% fall qoq in plate prices on average in key sales markets. Revenue growth totalled 3% yoy due to higher prices.
- **EBITDA** reduced to (-) \$8 m (vs. (+) \$1 m in Q3 2018 and (-) \$6 m in Q4 2017), driven by narrowing price spreads due to the use of stocks of expensive slabs purchased earlier.
- **EBITDA margin** amounted to -7% (-8 p.p. qoq, -2 p.p. yoy).

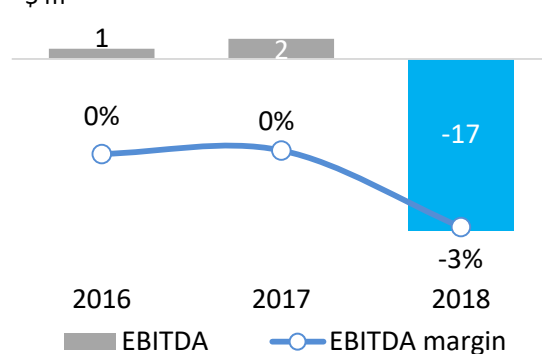
Revenue grew by 24% yoy driven by higher volumes and prices

\$ bn



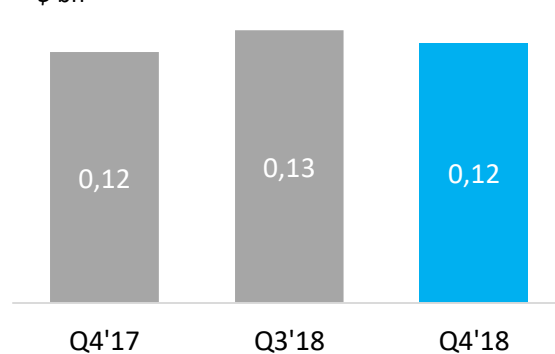
EBITDA decline amid narrowing spreads

\$ m



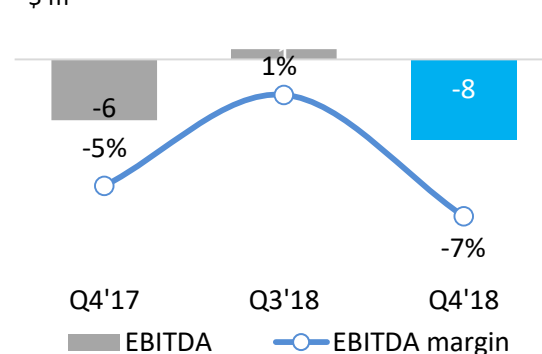
Decrease in revenue by 5% qoq due to drop in prices

\$ bn



Decrease in EBITDA due to narrowing of spreads

\$ m



JV performance (NBH)

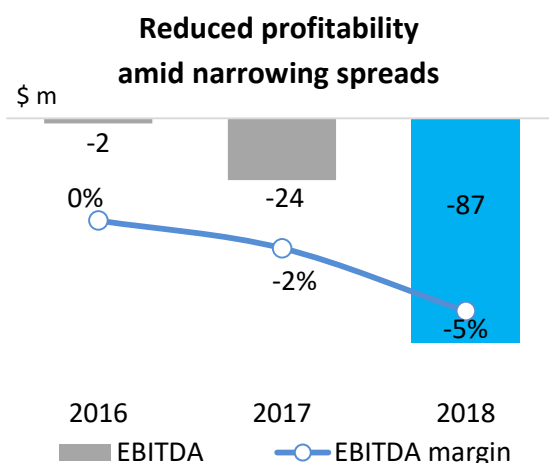
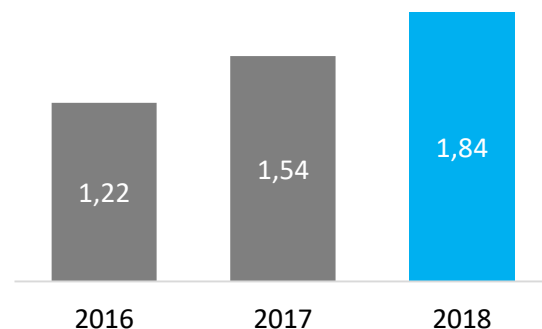
2018 highlights:

- **NBH sales** increased by 6% yoy to 2.23 m t, due mainly to the growth in sales of hot-rolled steel coupled with an uptick in demand from the construction sector and industrial producers.
- **Revenue** increased by 19% yoy to \$1.84 bn against the backdrop of rising sales prices and volumes.
- NBH **EBITDA** decreased to (-) \$87 m, due to the narrowing of price spreads between rolled steel and slabs, against the backdrop of a spike in slab prices in 2018.

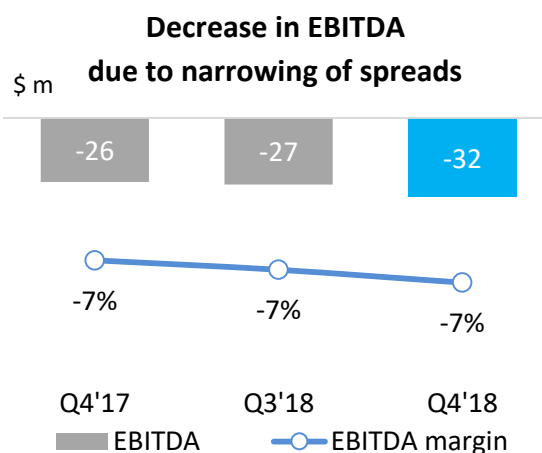
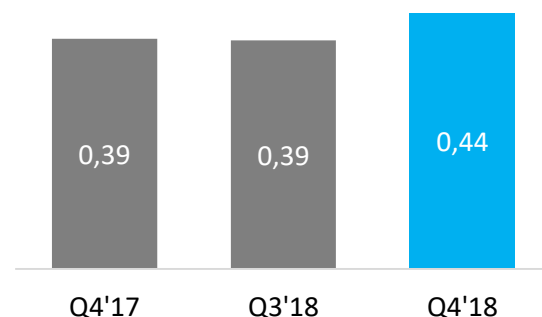
Q4 2018 highlights:

- **Sales** climbed by 14% qoq (+6% yoy) to 0.54 m t, supported by the completion of scheduled repairs.
- **Revenue** increased by 12% qoq to \$436 m, following stronger sales performance. The 11% increase yoy was also supported by higher prices.
- **EBITDA** amounted to (-) \$32 m vs. (-) \$27 m and (-) \$26 m in Q3 2018 and Q4 2017, respectively, against the backdrop of narrowing price spreads due to using stocks of expensive slabs purchased earlier.

**Revenue grew by 19% yoy
driven by higher prices and volumes**
\$ bn



**Growth of revenue by 12% qoq
following growth of volumes**
\$ bn



Appendixes. Operating and financial results

(1) Sales markets

'000 t	Total	Sales markets					
		Russia	EU	North America	Middle East and Turkey	C.&S. America	Other markets
NLMK Group	4,592	1,407	795	810	528	129	924
Division sales to third parties:							
NLMK Russia Flat	2,588	936	110	297	499	110	636
NLMK Russia Long	841	471	75	0	22	13	259
International subsidiaries and affiliates, incl.:	1,163	0	610	513	7	5	28
<i>NLMK USA</i>	504	0	0	504	0	0	0
<i>European rolling facilities (NLMK Dansteel and NBH)</i>	659	0	610	9	7	5	28

(2) NLMK Russia Flat

k t/\$ million	Q4 2018	Q3 2018	QoQ	Q4 2017	YoY	2018	2017	YoY
Steel product sales, incl.:	3,557	3,189	12%	3,229	10%	13,516	13,051	4%
external customers	2,588	2,228	16%	2,415	7%	9,203	8,711	6%
semis to NBH	577	542	7%	456	27%	2,379	2,070	15%
intersegmental sales	392	419	-7%	359	9%	1,934	2,270	-15%
Revenue, incl.:	2,152	2,125	1%	2,056	5%	8,743	7,660	14%
external customers	1,642	1,576	4%	1,621	1%	6,327	5,596	13%
intersegmental operations	510	549	-7%	435	17%	2,416	2,064	17%
EBITDA	568	636	-11%	555	2%	2,339	1,722	36%
EBITDA margin	26%	30%	-4 p.p.	27%	-1 p.p.	27%	22%	+5 p.p.

(3) NLMK Russia Long

k t/\$ million	Q4 2018	Q3 2018	QoQ	Q4 2017	YoY	2018	2017	YoY
Steel product sales	841	934	-10%	818	3%	3,185	2,962	8%
Revenue, incl.:	568	633	-10%	563	1%	2,152	1,794	20%
external customers	441	502	-12%	419	5%	1,720	1,391	24%
intersegmental operations	127	131	-3%	144	-12%	432	403	7%
EBITDA	38	70	-46%	52	-27%	221	152	45%
EBITDA margin	7%	11%	-4 p.p.	9%	-2 p.p.	10%	8%	+2 p.p.

(4) Mining Segment

k t/\$ million	Q4 2018	Q3 2018	QoQ	Q4 2017	YoY	2018	2017	YoY
Iron ore products sales, incl.:	4,751	4,597	3%	4,231	12%	18,377	17,137	7%
sales to NLMK Lipetsk	4,751	4,597	3%	4,231	12%	18,377	17,128	7%
Revenue, incl.:	259	288	-10%	248	4%	1,211	944	28%
external customers	5	7	-29%	6	-17%	22	24	-8%
intersegmental operations	254	281	-10%	242	5%	1,189	920	29%
EBITDA	180	211	-15%	166	8%	888	642	38%
EBITDA margin	69%	73%	-4 p.p.	67%	+2 p.p.	73%	68%	+5 p.p.

(5) NLMK USA

k t/\$ million	Q4 2018	Q3 2018	QoQ	Q4 2017	YoY	2018	2017	YoY
Steel product sales	504	590	-15%	550	-8%	2,285	2,239	2%
Revenue, incl.:	504	609	-17%	411	23%	2,134	1,670	28%
external customers	504	609	-17%	411	23%	2,134	1,670	28%
intersegmental operations	-	-	0%	-	0%	-	-	0%
EBITDA	49	88	-44%	29	69%	253	197	28%
EBITDA margin	10%	14%	-4 p.p.	7%	+3 p.p.	12%	12%	0 p.p.

(6) NLMK DanSteel

k t/\$ million	Q4 2018	Q3 2018	QoQ	Q4 2017	YoY	2018	2017	YoY
Steel product sales	120	121	-2%	122	-2%	520	475	9%
Revenue, incl.:	119	125	-5%	115	3%	514	416	24%
external customers	119	124	-4%	115	3%	513	415	24%
intersegmental operations	-	1.0	-100%	-	0%	1	1	0%
EBITDA	(8)	1	-8x	(6)	33%	(17)	2	-8.5x
EBITDA margin	-7%	1%	-8 p.p.	-5%	-2 p.p.	-3%	0%	-3 p.p.

(7) Sales by product

k t	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Pig iron	295	142	201	258	141
Slabs	1,527	1,172	1,293	1,170	1,363
Thick plates	120	121	137	142	122
Hot-rolled steel	827	875	1,036	833	901
Cold-rolled steel	476	516	491	441	476
Galvanized steel	325	379	336	305	302
Pre-painted steel	111	128	101	87	96
Transformer steel	70	69	73	68	72
Dynamo steel	53	79	77	72	68
Billet	201	198	157	215	252
Long products	578	664	426	494	500
Metalware	62	73	56	62	65
TOTAL	4,643	4,418	4,384	4,146	4,360

(8) Sales by region

EBITDA	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Russia	1,407	1,618	1,404	1,343	1,707
European Union	886	810	913	920	761
Middle East, including Turkey	521	547	665	542	421
North America	806	738	841	813	696
Central and South America	124	310	297	213	228
CHΓ	135	118	87	91	102
Asia and Oceania	639	69	31	21	167
Rest of World	126	208	146	203	278
TOTAL	4,643	4,418	4,384	4,146	4,360

(9) Revenue by region

Region	Q4 2018		Q3 2018		Q2 2018	
	\$ million	share	\$ million	share	\$ million	share
Russia	940	31%	1,118	36%	1,024	33%
European Union	522	17%	489	16%	662	21%
Middle East, including Turkey	300	10%	339	11%	413	13%
North America	637	21%	682	22%	696	22%
Central and South America	78	3%	185	6%	172	6%
CHΓ	118	4%	95	3%	79	3%
Asia and Oceania	353	12%	55	2%	46	1%
Rest of World	64	2%	163	5%	20	1%
TOTAL	3,013	100%	3,127	100%	3,112	100%

(10) EBITDA*

\$ million	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Operating income**	713	879	763	657	615
minus:					
Depreciation and amortization	(134)	(136)	(152)	(155)	(171)
EBITDA	847	1,015	915	812	786

* 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

\$ million	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Net cash provided operating activities	761	831	412	737	477
Interest paid	(12)	(13)	(14)	(17)	(21)
Interest received	3	3	6	10	11
Capex	(250)	(183)	(116)	(131)	(266)
Free Cash Flow	502	638	288	599	201

(12) Net debt

\$ million	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Short-term borrowings	398	429	256	481	380
Long-term borrowings	1,677	1,694	1,844	1,884	1,901
Cash and cash equivalents	(1,179)	(1,196)	(962)	(732)	(301)
Short-term deposits	(5)	(62)	(162)	(750)	(1,057)
Net debt	891	865	976	883	923

(13) Production of main products

k t	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Crude steel, incl.:	4,314	4,377	4,326	4,269	4,253
Steel Segment	3,350	3,320	3,294	3,359	3,356
Long products Segment, incl.:	823	885	851	746	755
NLMK Kaluga	363	376	375	325	347
Foreign Rolled Products Segment	141	172	181	164	142
Finished products, incl.:	2,624	2,734	2,869	2,724	2,595
Flat steel	2,023	2,088	2,229	2,162	2,079
Long steel	601	646	640	562	515
Coke (6% moisture), incl.:	1,622	1,635	1,556	1,603	1,667
NLMK Lipetsk	650	656	648	637	655
Altai-Koks	972	979	909	966	1,012

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

k t	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Sales to 3rd parties, incl.:	949	630	634	571	908
Export	896	537	480	368	640
Sales to subsidiaries & associates	954	956	1,118	1,254	807
Sales to NBH	577	542	660	600	456
TOTAL	1,903	1,586	1,751	1,825	1,714

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

k t	Q4 2018	Q3 2018	QoQ	Q4 2017	YoY	2018	2017	YoY
Semi-finished products	1,387	861	61%	1,031	34%	3,916	2,887	36%
Pig iron	295	140	2.1x	140	2.1x	890	417	2.1x
Slabs	896	537	67%	640	40%	2,281	1,796	27%
Billets	196	184	7%	251	-22%	745	674	10%
Flat products	474	512	-7%	344	38%	2,019	2,085	-3%
HRC	192	209	-8%	129	49%	869	1,014	-14%
CRC	165	165	0%	86	93%	601	519	16%
HDG	21	15	39%	14	48%	84	80	5%
Coated	2	2	-3%	3	-37%	7	12	-38%
Dynamo	37	62	-41%	53	-31%	220	244	-10%
Transformer	57	59	-3%	60	-4%	237	216	10%
Long products	174	173	1%	150	16%	701	692	1%
Total	2,035	1,546	32%	1,526	33%	6,636	5,665	17%

(16) Segmental information

Q4 2018 \$ million	Russia Flat Products	Russia Long Products	Mining	NLMK USA	NLMK DanSteel	Investment in NBH	Total	Intersegmental operations and balances	NBH deconsolidation	Consolidated data
Revenue from external customers	1,642	441	5	504	119	426	3,137	-	(124)	3,013
Intersegment revenue	510	127	254	-	-	10	901	(891)	(10)	-
Gross profit / (loss)	785	80	165	55	9	(7)	1,087	(16)	24	1,095
Operating income / (loss)	492	25	151	35	(10)	(50)	643	3	67	713
Income / (loss) before minority interest	507	21	156	100	(14)	(121)	649	(150)	10	509
Segment assets including goodwill	6,822	1,150	2,081	1,019	373	1,531	12,976	(1,748)	(1,284)	9,944

Balance figures presented as of 31.12.2018

Q3 2018 \$ million	Russia Flat Products	Russia Long Products	Mining	NLMK USA	NLMK DanSteel	Investment in NBH	Total	Intersegmental operations and balances	NBH deconsolidation	Consolidated data
Revenue from external customers	1,576	502	7	609	124	373	3,191	-	(64)	3,127
Intersegment revenue	549	131	281	-	1	17	979	(962)	(17)	-
Gross profit / (loss)	799	117	198	93	13	(1)	1,219	7	(28)	1,198
Operating income / (loss)	557	56	184	74	(1)	(46)	824	38	17	879
Income / (loss) before minority interest	555	48	169	71	(4)	(46)	793	(109)	(36)	648
Segment assets including goodwill	7,428	1,204	2,146	1,048	352	1,633	13,811	(2,043)	(1,441)	10,327

Balance figures presented as of 30.09.2018