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## NLMK GROUP Q3 2019 IFRS FINANCIAL RESULTS

NLMK Group (LSE: NLMK, MOEX: NLMK) today announced its Q3 2019 financial results<sup>1</sup>. Revenue amounted to \$2,576 m (-8% qoq) with an EBITDA margin of 25%. Free cash flow totalled \$249 m (-3% qoq).

### Q3 2019 key highlights

k t/\$ million	Q3 2019	Q2 2019	QoQ	Q3 2018	YoY	9M 2019	9M 2018	YoY
Steel product sales	4,015	4,268	-6%	4,418	-9%	12,897	12,948	0%
Revenue	2,576	2,797	-8%	3,127	-18%	8,242	9,033	-9%
EBITDA <sup>2</sup>	654	735	-11%	1,015	-36%	2,084	2,742	-24%
EBITDA margin	25%	26%	-1 p.p.	32%	-7 p.p.	25%	30%	-5 p.p.
Profit for the period <sup>3</sup>	343	414	-17%	646	-47%	1,139	1,729	-34%
Free Cash Flow <sup>4</sup>	249	258	-3%	638	-61%	1,185	1,525	-22%
Net debt <sup>5</sup>	1,736	1,291	34%	865	2x	1,736	865	2x
Net debt/EBITDA <sup>5</sup>	0.59x	0.39x		0.25x		0.59x	0.25x	

- **Revenue decreased by 8% qoq (-18% yoy)** due to lower sales volumes (-6% qoq) against the backdrop of ongoing overhauls at NLMK Lipetsk blast furnace and basic oxygen furnace operations. Additionally, revenue was affected by the downward price movement on the international steel markets.
- **EBITDA totalled \$654 m (-11% qoq; -36% yoy)** against the backdrop of a decline in steel prices outstripping key raw material prices. EBITDA margin went down to 25% (-1 p.p qoq).
- **Free cash flow totalled \$249 m.** The qoq 3% decrease was associated with increased investment within the scope of Strategy 2022.

<sup>1</sup> Consolidated financial results are prepared under IFRS. Reporting periods of the Company are 3M, 6M, 9M and 12M. Quarterly figures are obtained by calculation, including in the segment reporting. Figures for comparable periods may differ from figures posted earlier because of rounding off to integers.

<sup>2</sup> EBITDA is the operating profit before equity share in financial results of joint ventures, impairment of capital assets and losses from retirement of fixed assets, allowed for amortization and depreciation. EBITDA calculations and further details are presented in 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 long-term and short-term borrowings 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 reporting period and EBITDA as last 12 months EBITDA. Net debt calculations are presented in the Appendix.

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## NLMK GROUP Q3 2019 IFRS CONSOLIDATED FINANCIAL RESULTS

### Key highlights

#### Comment from NLMK Group CFO Shamil Kurmashov:

"Q3 2019 saw the situation on the steel markets aggravate due to a weakening in demand and the resulting decline in steel prices, amid an economic growth slowdown in the Company's key international sales regions.

"NLMK continued overhauling its blast furnace and basic oxygen furnace operations, which will enable the Company to grow its steel output by 1 million tonnes by 2021 to 14.2 million tonnes per year. The overhauls drove the Company's steel product sales down by 6% qoq.

As a result, NLMK Group's revenue dropped by 8% qoq. EBITDA was down to \$654 m, while EBITDA margin stood at 25%, or 1 p.p. down from Q2, caused by narrower price spreads.

"Net debt/EBITDA stands at a comfortable 0.59x (0.39x as at the end of Q2 2019). This growth was driven by keeping dividend payments high against the backdrop of investment as part of executing NLMK Group's strategy.

"Free cash flow totalled \$249 m. Positive free cash flow, Net debt/EBITDA below 1.0x and dividend policy implementation enabled the Company's management to recommend NLMK's Board of Directors \$300 m in Q3 dividends."



## TELECONFERENCE

NLMK is pleased to invite the investment community to take part in a teleconference with the Company's Management:

Thursday, 24 October 2019

- 10:00 a.m. – New York
- 3:00 p.m. – London
- 5:00 p.m. – Moscow

To join the conference call and web-cast, the participants are invited to dial:

**US number:**

+1 334 -777-6978 (local access) // 800-367-2403 (toll free)

**UK number:**

+44 (20) 808 928 60 (local access) // 0800 756 33 33 (toll free)

**Russian number:**

+7 (499) 609 12 60 (local access) // 8 800 100 36 87 (toll free)

**Conference code: 5167079**

To join the webcast, please follow the link: <https://webcasts.egs.com/nlmk20191024>

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

## MANAGEMENT COMMENTS

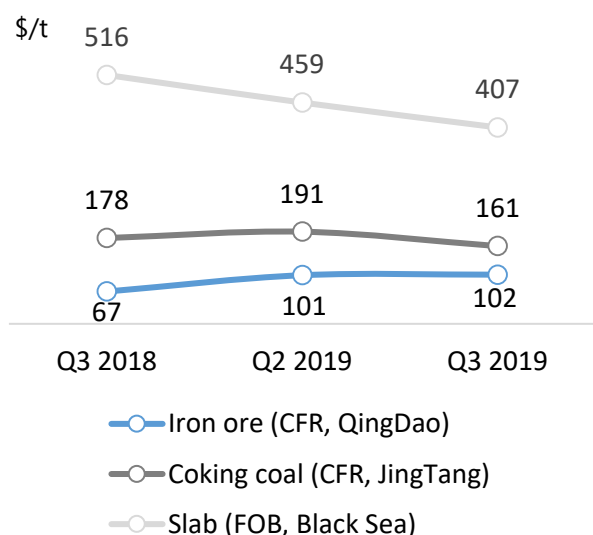
### Q3 2019 market review

- **Steel exports from China** decreased by 8.5% qoq (-10% yoy), supported by more favorable price conditions on the domestic market, and a reduction in steel output (-2% qoq).
- **Consumption in the US** fell by 0.5% qoq (-2% yoy)\* driven by a slowdown in demand from the machine-building, automobile and energy sectors.
- **European** demand declined by 0.5% qoq (flat yoy), pressured by weak consumption in the automobile and machine-building sectors.
- **In Russia**, demand remained flat (+8% yoy)\*, supported by demand from the construction and energy sectors.

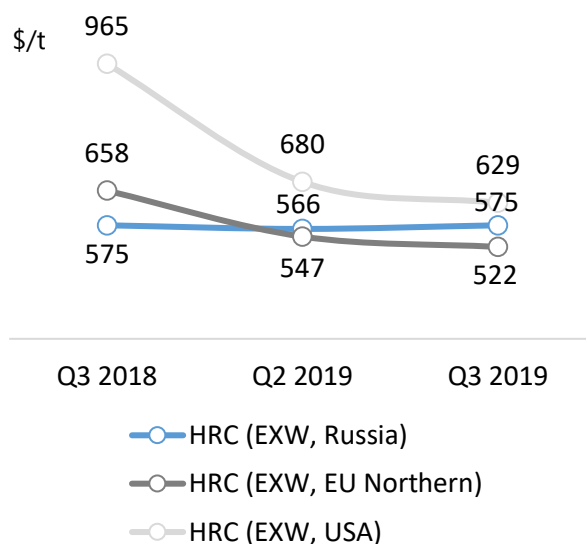
### Q3 2019 prices

- **Raw material prices:** average global coal prices slumped by 16% qoq (-9% yoy) due to the seasonal decline in demand in India and import restrictions in China; iron ore prices grew by 1% qoq (+36% yoy).
- **Market prices\*\* for flat products:** a 5-8% qoq decline in the US market (-26-35% yoy), a 3-6% qoq decline in Europe (-16-21% yoy).
- **In Russia**, prices for steel products in dollar terms grew by 1-2% qoq (+2% yoy) driven by the seasonal increase in demand and the limited supply.
- **Slab export prices** (FOB Black Sea) slumped by 11% qoq (-21% yoy) due to lower demand on the export markets.

### Q3 2019 coking coal and slab prices down qoq, iron ore prices up



### HRC prices displayed opposite trends in Russia and abroad



\*Data on trends for steel consumption in regional markets are estimates.

\*\* 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.

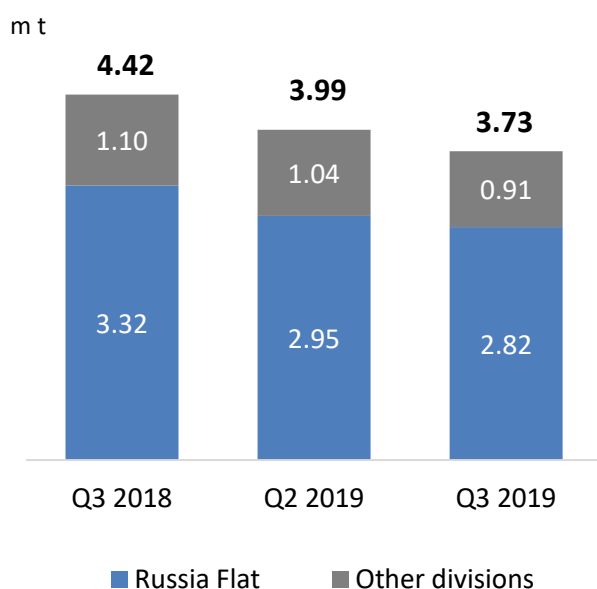
### Q3 2019 output and sales breakdown

- **Steel output\*** decreased by 6% qoq (-16% yoy) to 3.7 m t due to the overhauls at NLMK Lipetsk's blast furnace and basic oxygen furnace operations.
- **Sales** decreased by 6% qoq (-9% yoy) to 4.0 m t due to the decrease in the sales of semis following the overhauls, as well as lower slab consumption needs of the Group's European companies and the decrease in corresponding stocks.
- **Finished steel sales** remained flat qoq at 2.7 m t, increasing their share in total sales by 4 p.p. qoq (+2 p.p. yoy) to 68%.
- **Sales of semis** to third parties grew by 6% qoq to 0.9 m t, driven by increased slab deliveries to independent buyers. Slab deliveries to NBH, NLMK's joint venture, fell by 39% qoq to 0.43 m t, against the backdrop of lower NBH needs.
- **Sales on home markets (with NBH)** dropped by 5% qoq (+3% yoy) to 2.8 m t, driven mainly by the decline of sales in the US (-6% qoq) to 0.6 m t and in the EU (-13% qoq) to 0.6 m t, due to summer overhauls and lower demand for finished products. Sales in Russia decreased by 1% qoq (+4% yoy) against the backdrop of lower sales of long products.

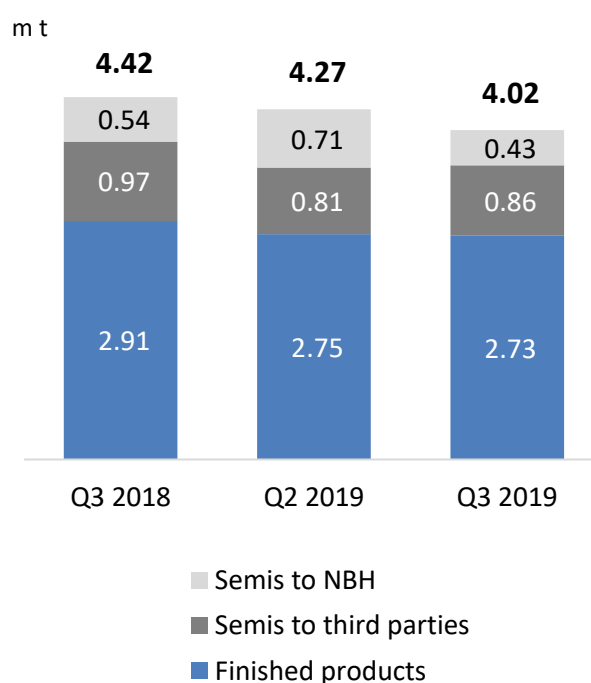
### 9M 2019 output and sales breakdown

- **Steel output\*** decreased by 9% yoy to 11.9 m t, due to ongoing overhauls at NLMK Lipetsk.
- **Sales** remained flat yoy at 12.9 m t.
- **Sales of finished products** climbed by 2% yoy to 8.3 m t, supported by increased shipments of flat and long products in H1 2019. The share of finished products in total sales grew by 1 p.p. qoq to 64%.

#### Q3 2019 steel output down due to overhauls\*



#### Sales down qoq and yoy due to lower slab deliveries to NBH



\*Hereinafter NLMK Group steel output and sales in home markets include NBH. Consolidated sales are given without NBH. Sales to home markets mean sales of the Group's companies in the regions, where production capacities are located in Russia, Europe and the USA.

## NLMK GROUP KEY FINANCIALS

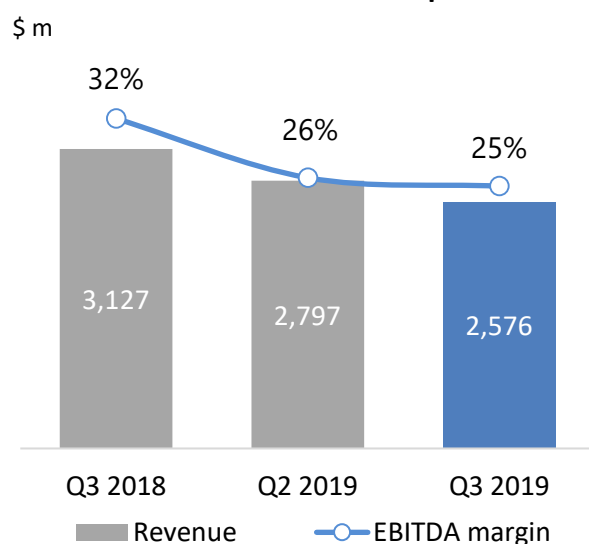
### Q3 2019 revenue

- Revenue totalled \$2.58 bn (-8% qoq; -18% yoy). The increase in the share of finished and HVA products in the sales mix partially offset the 6% qoq decrease in steel product sales volumes and the drop in prices.
- The share of finished steel in the revenue grew to 69% (+2 p.p. qoq; flat yoy). The share of HVA products grew by +2 p.p. qoq (+1 p.p. yoy). to 39% amid lower sales of semis.
- Revenue in the Russian market grew to \$1.17 bn (+1% qoq). The share of the Russian market in the consolidated revenue grew to 45% (+4 p.p. qoq). Revenue from sales in the US and the EU decreased to \$0.43 bn (-23% qoq) and \$0.38 bn (-40% qoq), respectively. The shares of sales in the EU and the US went down by 7 p.p. and 3 p.p. to 15% & 17%, respectively.
- The share of the Group's revenue from sales on its home markets (Russia, the US and the EU), including NBH JV sales, declined by 2 p.p. qoq to 72%, driven by lower volumes and average sales prices in the EU and US markets.

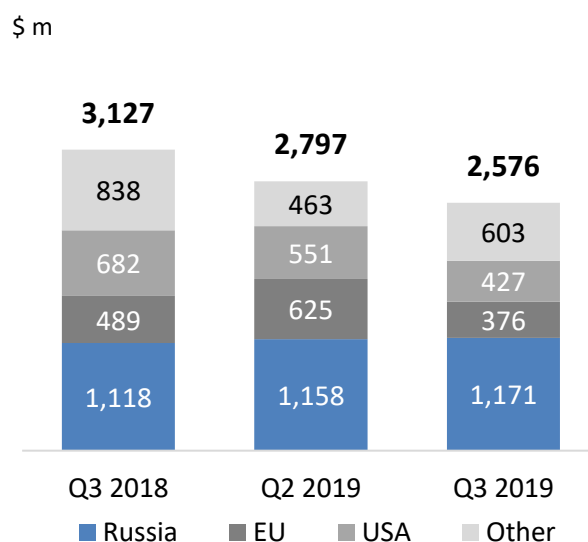
### 9M 2019 revenue

- Revenue totalled \$8.24 bn (-9% yoy) pressured by the decline in average sales prices by 8% yoy.
- The share of the Russian market in the Group's revenue grew by 6 p.p. yoy to 40%. The US share decreased by 2 p.p. yoy to 19% and EU share was flat yoy on 19%.
- The share of the Group's revenue from sales on its home markets, including NBH JV sales, grew by 3 p.p. yoy to 70%.

#### Q3 2019 revenue down by 8% qoq due to lower sales volumes and steel prices...



#### ...due to weaker demand in Europe and the US





### 3Q 2019 EBITDA

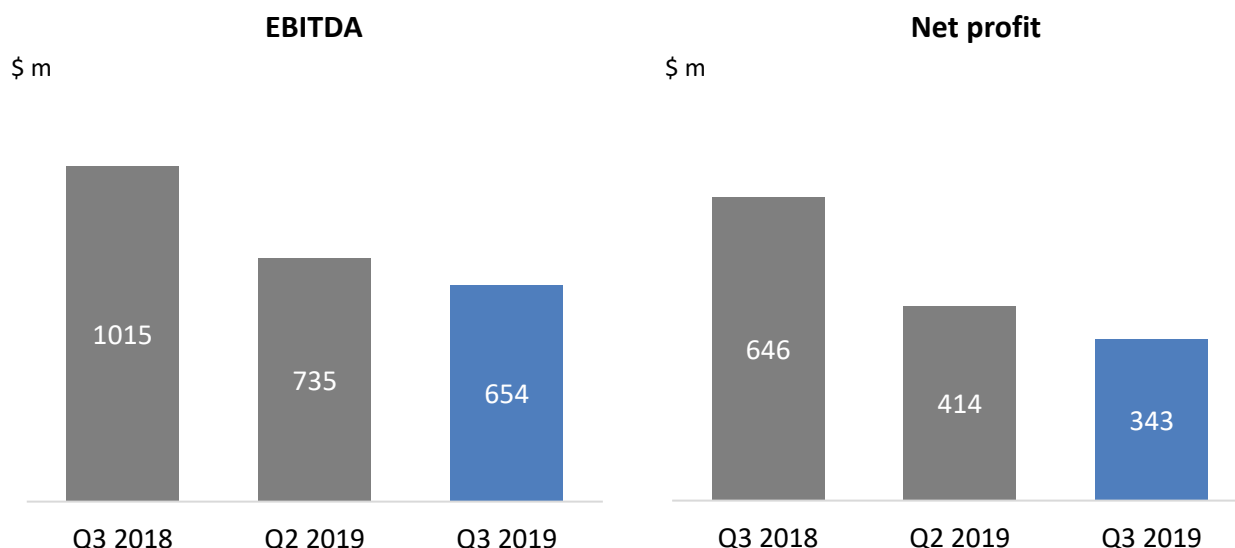
- EBITDA\* went down by 11% qoq (-36% yoy) to \$654 m, due mainly to the narrowing of steel / raw materials spread.
- Commercial expenses remained flat qoq at \$202 m. The 2% decrease yoy was associated with lower export volumes.
- G&A expenses not considering intangible asset depreciation remained flat qoq.

### 9M 2019 EBITDA

- EBITDA reduced by 24% yoy to \$2.08 bn following the narrowing of spreads.
- Commercial expenses remained flat yoy at \$630 m.
- G&A expenses decreased by 2% yoy to \$261 m due to cost optimization.

### Q3 2019 net profit

- Net profit\*\* decreased by 17% qoq to \$343 m, following the drop in operating profit and pressured by the higher effective income tax rate (NLMK USA loss).
- Net profit for 9M 2019 went down by 34% following the decline in operating profit.



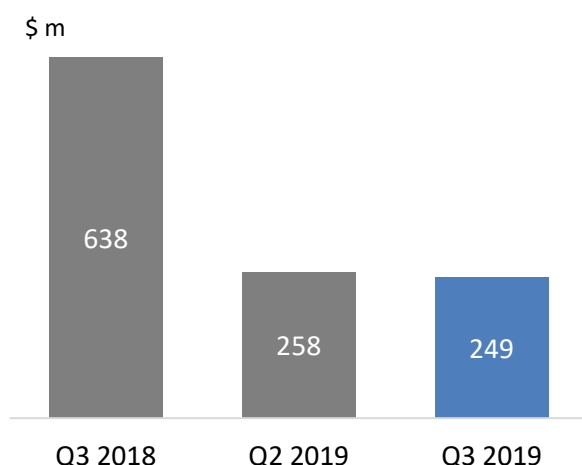
*\*EBITDA used in NLMK's financial releases is calculated as operating profit before equity share in net losses of associates and other companies accounted for using the equity method of accounting, impairment and write-off of assets, adjusted to depreciation and amortization. EBITDA is not an indicator 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.*

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

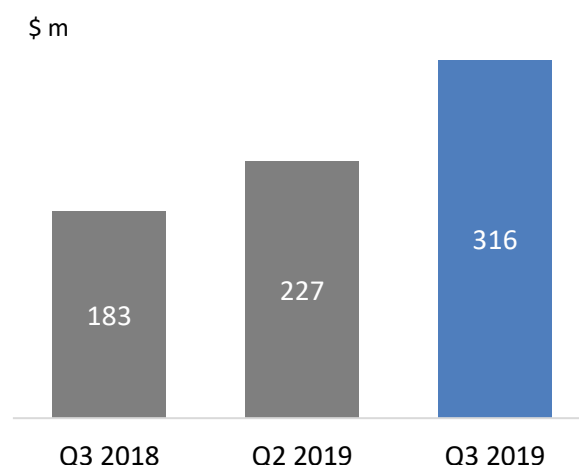
### Q3 2019 free cash flow

- Free cash flow decreased by 3% qoq to \$249 m (-61% yoy) due to increased financing of investments under Strategy 2022.
- Operating cash flow increased by 15% qoq (-32% yoy) to \$568 m as cash was released from working capital.
- **Cash inflow from working capital** totalled \$20 m (vs. an outflow of \$151 m in Q2 2019) due to:
  - +\$158 m: a decrease in receivables driven by lower slab sales to NBH;
  - +\$19 m: lower value of third party slab stocks at NLMK USA and decreased finished goods inventories and goods in transit at NLMK Lipetsk, which was partially offset by growing scrap stocks at NLMK Lipetsk and NLMK Russia Long ahead of the winter months;
  - -\$151 m: decreased payables driven by reduced volumes of slabs purchased from 3<sup>rd</sup> parties for NLMK USA.

#### Free cash flow in Q3 2019 reduced due to growing investment



#### Investment grew by 39% qoq as part of Strategy 2022 execution







### **Investment**

- NLMK Group's Q3 2019 investment increased by 39% qoq to \$316 m (+73% yoy).

### **Dividends**

- In Q3 2019, NLMK paid out \$601 m in dividends.
- On 24 October 2019, the Board of Directors recommended that shareholders approve the payment of Q3 2019 dividends in the amount of 3.22 rubles per share, which is equivalent to 120% of the free cash flow.

### **Debt management**

- **Total debt** decreased by 4% qoq to \$2,677 m (+26% yoy) due to the scheduled repayment of 7-year Eurobonds with an annual coupon rate of 4.95% for a total of \$146 m.
- **Net debt** grew by 34% qoq to \$1,736 m (+101% yoy), driven by cash outflow towards dividend payments and higher capex related to Strategy 2022 execution. Net debt/EBITDA is 0.59x (0.39x as at the end of the previous quarter).

### **Q4 2019 outlook**

- We expect steel output to increase following the completion of overhauls at NLMK Lipetsk blast furnace and basic oxygen furnace operations, with the Lipetsk site reaching planned output of 12 m t in 2019.

## NLMK Russia Flat Products

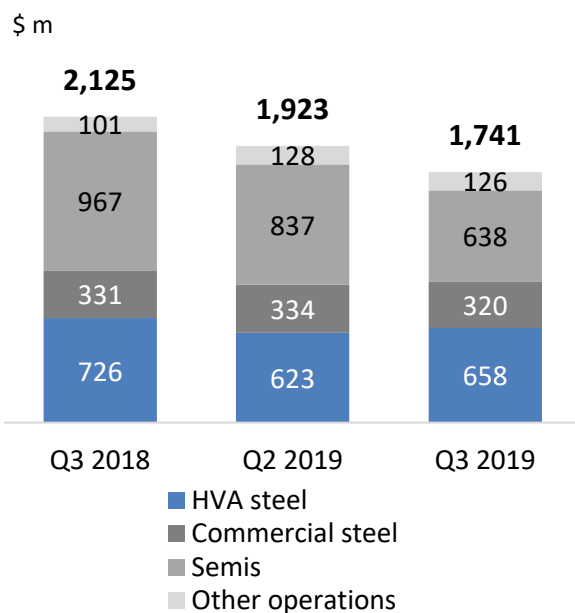
### Q3 2019 highlights:

- **Sales** decreased by 9% qoq (-13% yoy) amid ongoing overhauls at the blast furnace and basic oxygen furnace operations.
- **The Segment's revenue** fell in line with shipments by 9% qoq to \$1.74 bn (-18% yoy), pressured by lower semis sales to Group companies and NBH.
- **EBITDA** declined by 20% qoq to \$363 m due to narrower spreads and lower sales, which was partially offset by operational efficiency gains. The 43% EBITDA decrease yoy was caused by a stronger ruble, narrower spreads and lower steel product sales.

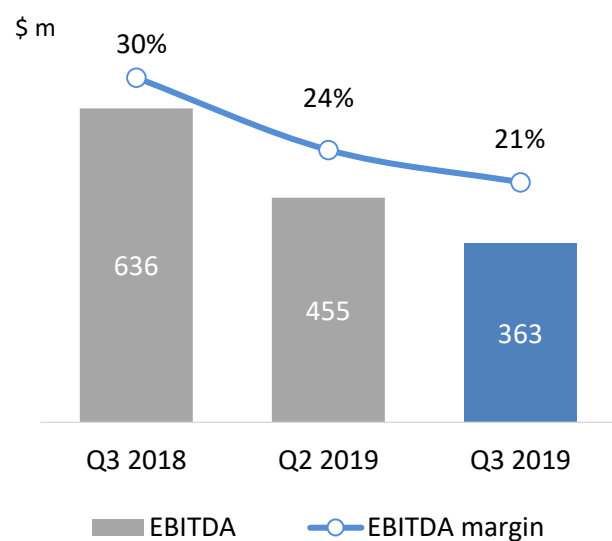
### 9M 2019 highlights:

- **Sales** decreased by 7% yoy to 9.23 m t against the backdrop of lower sales of pig iron and slabs to the Group companies and NBH.
- **Revenue** decreased by 14% yoy due to the decrease in steel product sales prices and volumes.
- **EBITDA** decreased by 30% yoy, impacted by narrower raw material/slab spreads.

### Q3 2019 revenue decreased by 9% qoq due to lower sales of semi-finished products



### EBITDA decreased by 20% qoq amid narrower spreads



## NLMK Russia Long Products

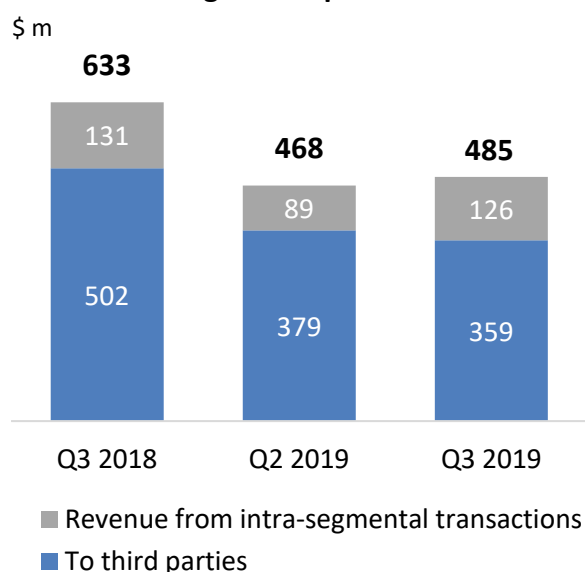
### Q3 2019 highlights:

- **Sales** went down by 3% qoq to 0.69 m t, following an ongoing decline in export billet sales. Sales decreased by 26% yoy due to the Q3 2018 high base caused by selling off stocks accumulated in H1 2018.
- **Revenue** in Q3 2019 grew by 4% qoq to \$485 m, driven by higher scrap sales to NLMK Lipetsk for winter stockpiling. Revenue reduced by 23% yoy due to lower long product prices and reduced steel product sales.
- **EBITDA** of the Segment grew to \$46 m (+28% qoq), following sales mix change towards a larger share of finished products. EBITDA went down by 34% yoy amid lower billet sales, a stronger ruble and a narrower scrap/rebar spread.

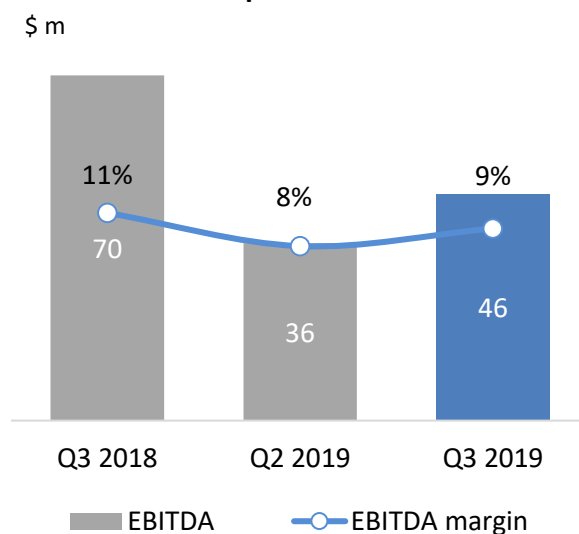
### 9M 2019 highlights:

- **Sales** decreased by 7% yoy to 2.18 m t as billet exports became less lucrative.
- **Revenue** decreased by 14% yoy due to a decline in long product prices.
- **EBITDA** reduced by 50% yoy, depressed by narrower spreads. This was partially offset operational efficiency gains and FX rate impact.

#### Q3 2019 revenue increased by 4% qoq due to higher scrap sales



#### EBITDA grew qoq supported by sales mix improvements



## Mining Segment

### Q3 2019 highlights:

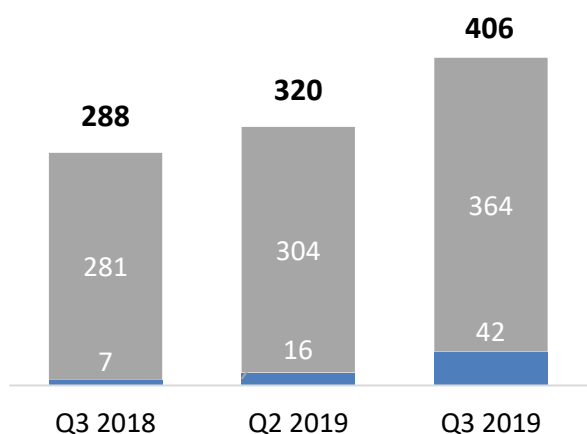
- **Sales** of iron ore increased by 6% qoq to 4.78 m t (+4% yoy), driven by increased shipments of iron ore concentrate to 3<sup>rd</sup> parties amid a temporary slump in demand from NLMK Lipetsk.
- **Revenue** increased by 27% qoq to \$406 m, driven by higher delivery volumes and average sales prices.
- **EBITDA** increased by 35% qoq to \$314 m due to higher prices, sales volume and investment programme gains. EBITDA margin grew to 77%.

### 9M 2019 highlights:

- **Sales** increased by 2% yoy to 13.87 m t, driven by higher iron ore sales to 3<sup>rd</sup> parties during the period of reduced NLMK Lipetsk demand against the backdrop of output growth.
- **Revenue** increased by 4% yoy, supported by higher sales and iron ore prices.
- **EBITDA** increased by 4% yoy, following revenue up.

#### Q3 revenue grew by 27% qoq amid higher prices

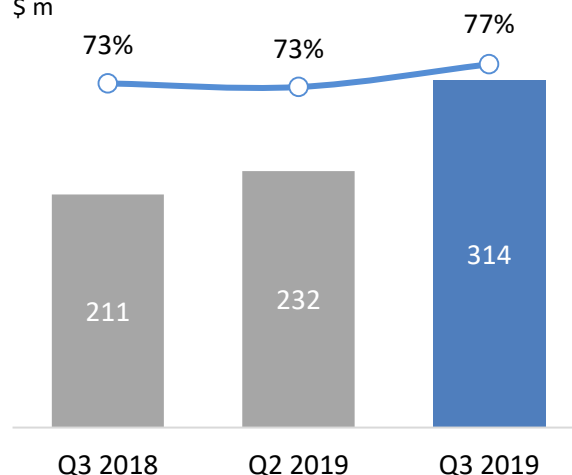
\$ m



■ Revenue from intra-segmental transactions  
■ To third parties

#### Q3 EBITDA up qoq due to higher sales and ore prices

\$ m



■ EBITDA      —○— EBITDA margin



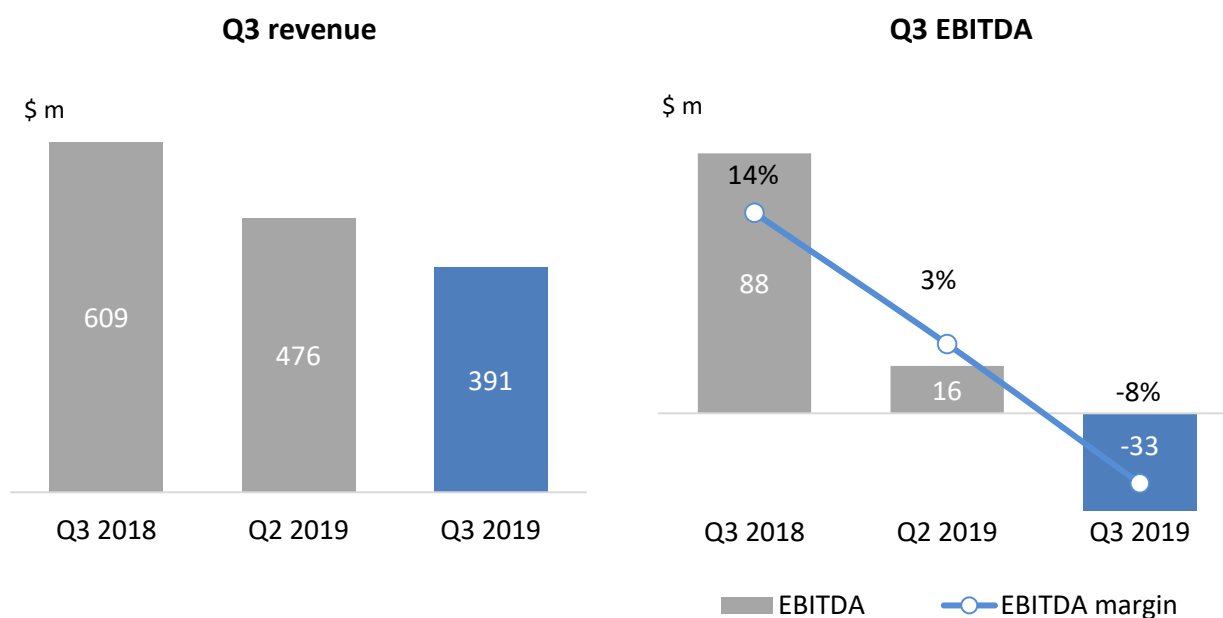
## NLMK USA

### Q3 2019 highlights:

- **Sales** decreased by 6% qoq to 0.55 m t (-7% yoy) amid weaker demand in pipe manufacturing and construction.
- **Revenue** decreased by 18% qoq to \$391 m (-36% yoy) amid continued price adjustments on the US market and a decline in sales.
- **EBITDA** decreased to -\$33 m (vs. a \$16 m profit last quarter), following the decline in prices for finished rolled products and the use of accumulated stocks of more expensive slabs.

### 9M 2019 highlights:

- **Sales** decreased by 3% yoy to 1.73 m t, due to the drop in HRC and HDG sales amid weak demand.
- **Revenue** reduced by 15% yoy, due to steel price adjustments in the US.
- **EBITDA** decreased to \$0 m, pressured by the slump in steel product prices.



## NLMK Dansteel\*

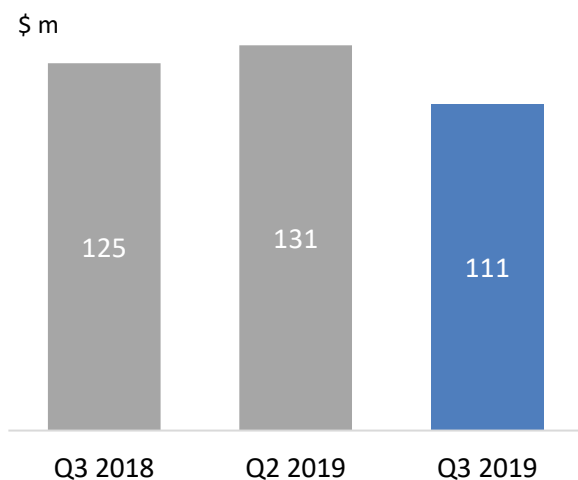
### Q3 2019 highlights:

- **Sales** of thick plate reduced by 14% qoq to 0.12 m t due to planned maintenance.
- **Revenue** decreased by 15% qoq to \$111 m (-11% yoy) following the drop in sales volumes.
- **EBITDA** reduced to \$1 m (-67% qoq) amid narrower spreads and lower plate sales.

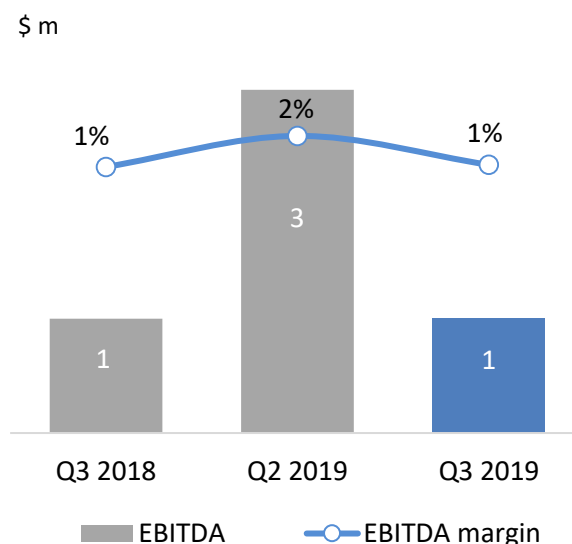
### 9M 2019 highlights:

- **Sales** remained flat yoy at 0.4 m t.
- **Revenue** decreased by 4% yoy, pressured by the decrease in steel product prices.
- **EBITDA** totalled \$7 m (vs. a \$9 m loss a year earlier), supported by a wider plate/slab price spread and investment programme gains.

### Q3 2019 revenue down 15% qoq due to decline in sales volume



### EBITDA decreased qoq amid narrower spreads



\*NLMK Dansteel and plate distribution network

## JV performance (NBH)

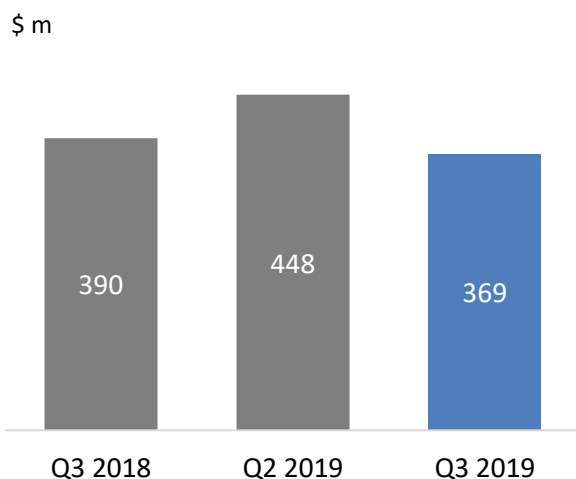
### Q3 2019 highlights:

- **NBH sales** decreased by 13% qoq to 0.54 m t due to planned summer maintenance. Sales volumes grew by 14% yoy, driven by elimination of unplanned downtime.
- **Revenue** decreased by 18% qoq \$0.37 bn, due to lower sales and average sales prices. The 5% decrease yoy was also attributable to the drop in prices.
- **EBITDA** totalled (-) \$43 m vs. (-) \$49 m in Q2 2019.

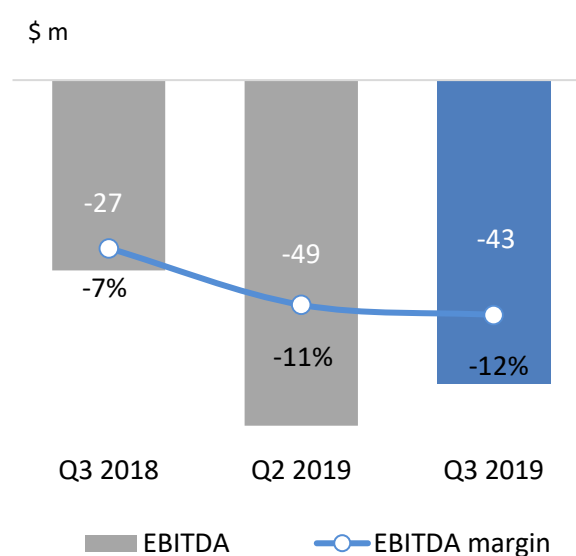
### 9M 2019 highlights:

- **NBH sales** decreased by 1% to 1.67 m t, due to low capacity utilization rates in Q1 2019.
- **Revenue** decreased by 13% yoy to \$1.21 bn, due to lower steel product sales prices.
- **EBITDA** totalled (-) \$107 m (-\$84 without the non-operating provisions for NLMK Clabecq accrued in Q2) vs. (-) \$55 m the previous year against the backdrop of narrower rolled product/slab price spreads.

#### Q3 revenue down by 18% qoq following decline in output and sales



#### Q3 EBITDA up to -\$43 m driven by wider spreads



## Appendix. Operating and financial results

### (1) Sales markets

k t	Total	Sales markets					
		Russia	EU	North America	Middle East and Turkey	C. and S. America	Other
NLMK Group (with NBH)	4,122	1,682	748	610	636	168	279
Division sales to third parties:							
NLMK Russia Flat	2,226	1,188	37	57	630	156	159
NLMK Russia Long	693	494	102	0	2	0	95
International subsidiaries and affiliates, incl.:	1,203	0	609	553	4	12	25
NLMK USA	549	0	0	549	0	0	0
European rolling facilities (NLMK DanSteel and NBH)	655	0	609	4	4	12	25

### (2) NLMK Russia Flat

k t/\$ million	Q3 2019	Q2 2019	QoQ	Q3 2018	YoY	9M 2019	9M 2018	YoY
Steel product sales, incl.:	2,776	3,055	-9%	3,189	-13%	9,234	9,959	-7%
external customers	2,226	2,122	5%	2,228	0%	7,006	6,616	6%
semis to NBH	430	709	-39%	542	-21%	1,580	1,801	-12%
intersegmental sales	119	224	-47%	419	-71%	647	1,542	-58%
Revenue, incl.:	1,741	1,923	-9%	2,125	-18%	5,640	6,591	-14%
external customers	1,482	1,444	3%	1,576	-6%	4,550	4,685	-3%
intersegmental operations	259	479	-46%	549	-53%	1,090	1,906	-43%
EBITDA	363	455	-20%	636	-43%	1,242	1,771	-30%
EBITDA margin	21%	24%	-3 p.p.	30%	-9 p.p.	22%	27%	-5 p.p.

### (3) NLMK Russia Long

k t/\$ million	Q3 2019	Q2 2019	QoQ	Q3 2018	YoY	9M 2019	9M 2018	YoY
Steel product sales	693	715	-3%	934	-26%	2,176	2,344	-7%
Revenue, incl.:	485	468	4%	633	-23%	1,368	1,584	-14%
external customers	359	379	-5%	502	-28%	1,112	1,279	-13%
intersegmental operations	126	89	42%	131	-4%	256	305	-16%
EBITDA	46	36	28%	70	-34%	91	183	-50%
EBITDA margin	9%	8%	+1 p.p.	11%	-2 p.p.	7%	12%	-5 p.p.



#### (4) Mining Segment

k t/\$ million	Q3 2019	Q2 2019	QoQ	Q3 2018	YoY	9M 2019	9M 2018	YoY
Iron ore products sales, incl.:	4,784	4,513	6%	4,597	4%	13,886	13,625	2%
sales to Lipetsk plant	4,420	4,401	0%	4,597	-4%	13,411	13,625	-2%
Revenue, incl.:	406	320	27%	288	41%	994	952	4%
external customers	42	16	2.6x	7	6x	62	17	3.6x
intersegmental operations	364	304	20%	281	30%	932	935	0%
EBITDA	314	232	35%	211	49%	736	708	4%
EBITDA margin	77%	73%	+4 p.p.	73%	+4 p.p.	74%	74%	0 p.p.

#### (5) NLMK USA

k t/\$ million	Q3 2019	Q2 2019	QoQ	Q3 2018	YoY	9M 2019	9M 2018	YoY
Steel product sales	549	584	-6%	590	-7%	1,733	1,781	-3%
Revenue, incl.:	391	476	-18%	609	-36%	1,393	1,630	-15%
external customers	391	476	-18%	609	-36%	1,393	1,630	-15%
intersegmental operations	-	-	0%	-	0%	-	-	0%
EBITDA	(33)	16	-2.1x	88	-0.4x	-	204	-100%
EBITDA margin	-8%	3%	-11 p.p.	14%	-22 p.p.	0%	13%	-13 p.p.

#### (6) NLMK DanSteel

k t/\$ million	Q3 2019	Q2 2019	QoQ	Q3 2018	YoY	9M 2019	9M 2018	YoY
Steel product sales	118	137	-14%	121	-3%	401	400	0%
Revenue, incl.:	111	131	-15%	125	-11%	381	395	-4%
external customers	111	130	-15%	124	-10%	380	394	-4%
intersegmental operations	-	1	-100%	1.0	-100%	1	1	0%
EBITDA	1	3	-67%	1	0%	7	(9)	78%
EBITDA margin	1%	2%	-1 p.p.	1%	0 p.p.	2%	-2%	+4 p.p.

#### (7) NBH

k t/\$ million	Q3 2019	Q2 2019	QoQ	Q3 2018	YoY	9M 2019	9M 2018	YoY
Steel product sales	537	618	-13%	472	14%	1 667	1 690	-1%
Revenue, incl.:	369	448	-18%	390	-5%	1 213	1 401	-13%
external customers	348	437	-20%	373	-7%	1 170	1 346	-13%
intersegmental operations	21	11	91%	17	24%	43	55	-22%
EBITDA	(43)	(49)	-12%	(27)	59%	(107)	(55)	95%
EBITDA margin	-12%	-11%	-1 p.p.	-7%	-5 p.p.	-9%	-4%	-5 p.p.

## (8) Sales by product

k t	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Pig iron	54	156	47	295	142
Slabs	1,173	1,288	1,559	1,527	1,172
Thick plates	118	137	146	120	121
Hot-rolled steel	852	901	1,016	827	875
Cold-rolled steel	533	498	509	476	516
Galvanized steel	338	331	348	325	379
Pre-painted steel	117	100	89	111	128
Transformer steel	63	74	71	70	69
Dynamo steel	75	68	61	53	79
Billet	60	78	173	201	198
Long products	568	570	526	578	664
Metalware	65	68	69	62	73
<b>TOTAL</b>	<b>4,015</b>	<b>4,268</b>	<b>4,614</b>	<b>4,643</b>	<b>4,418</b>

## (9) Sales by region

k t	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Russia	1,682	1,704	1,451	1,407	1,618
European Union	674	1,130	987	886	810
Middle East, including Turkey	633	409	709	521	547
North America	606	748	654	806	738
Central and South America	164	24	246	124	310
CIS	114	106	122	135	118
Asia and Oceania	21	61	180	639	69
Rest of World	122	85	264	126	208
<b>TOTAL</b>	<b>4,015</b>	<b>4,268</b>	<b>4,614</b>	<b>4,643</b>	<b>4,418</b>

## (10) Revenue by region

Region	Q3 2019		Q2 2019		Q1 2019	
	\$ million	share	\$ million	share	\$ million	share
Russia	1,171	45%	1,158	41%	935	33%
European Union	376	15%	625	22%	539	19%
Middle East, including Turkey	321	12%	230	8%	372	13%
North America	426	17%	552	20%	561	20%
Central and South America	94	4%	24	1%	127	4%
CIS	100	4%	110	4%	106	4%
Asia and Oceania	30	1%	55	2%	106	4%
Rest of World	58	2%	43	2%	123	4%
<b>TOTAL</b>	<b>2,576</b>	<b>100%</b>	<b>2,797</b>	<b>100%</b>	<b>2,869</b>	<b>100%</b>



### (11) EBITDA\*

\$ million	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Operating income**	512	593	559	713	879
minus:					
Depreciation and amortization	(142)	(142)	(136)	(134)	(136)
<b>EBITDA</b>	<b>654</b>	<b>735</b>	<b>695</b>	<b>847</b>	<b>1,015</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

### (12) Free cash flow

\$ million	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Net cash provided operating activities	568	494	851	761	831
Interest paid	(4)	(12)	(11)	(12)	(13)
Interest received	1	3	16	3	3
Capex	(316)	(227)	(178)	(250)	(183)
<b>Free Cash Flow</b>	<b>249</b>	<b>258</b>	<b>678</b>	<b>502</b>	<b>638</b>

### (13) Net debt

\$ million	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Short-term borrowings	389	544	224	398	429
Long-term borrowings	2,288	2,257	1,872	1,677	1,694
Cash and cash equivalents	(421)	(1,142)	(736)	(1,179)	(1,196)
Short-term deposits	(520)	(368)	(445)	(5)	(62)
<b>Net debt</b>	<b>1,736</b>	<b>1,291</b>	<b>915</b>	<b>891</b>	<b>865</b>

#### (14) Production of main products

k t	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
<b>Crude steel, incl.:</b>	<b>3,703</b>	<b>3,940</b>	<b>4,128</b>	<b>4,314</b>	<b>4,377</b>
Steel Segment	2,818	2,952	3,264	3,350	3,320
Long products Segment, incl.:	708	802	693	823	885
NLMK-Kaluga	256	349	276	363	376
Foreign Rolled Products Segment	176	185	171	141	172
<b>Finished products, incl.:</b>	<b>2,725</b>	<b>2,784</b>	<b>2,721</b>	<b>2,624</b>	<b>2,734</b>
Flat steel	2,071	2,129	2,129	2,023	2,088
Long steel	653	655	592	601	646
<b>Coke (6% moisture), incl.:</b>	<b>1,394</b>	<b>1,417</b>	<b>1,531</b>	<b>1,622</b>	<b>1,635</b>
Novolipetsk	655	644	634	650	656
Altai-Koks	739	774	897	972	979

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

k t	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Sales to 3rd parties, incl.:	743	579	1,118	949	630
Export	532	314	950	896	537
Sales to subsidiaries & associates	550	933	735	954	956
Sales to NBH	430	709	441	577	542
<b>TOTAL</b>	<b>1,292</b>	<b>1,512</b>	<b>1,853</b>	<b>1,903</b>	<b>1,586</b>

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

k t	Q3 2019	Q2 2019	QoQ	Q3 2018	YoY	9M 2019	9M 2018	YoY
<b>Semi-finished products</b>	<b>641</b>	<b>540</b>	<b>19%</b>	<b>861</b>	<b>-26%</b>	<b>2,347</b>	<b>2,529</b>	<b>-7%</b>
Pig iron	54	156	-65%	140	-62%	257	596	-57%
Slabs	532	314	69%	537	-1%	1,797	1,385	30%
Billets	55	70	-21%	184	-70%	293	549	-47%
<b>Flat products</b>	<b>452</b>	<b>490</b>	<b>-8%</b>	<b>512</b>	<b>-12%</b>	<b>1,578</b>	<b>1,544</b>	<b>2%</b>
HRC	183	208	-12%	209	-12%	703	677	4%
CRC	158	158	0%	165	-4%	503	435	15%
HDG	5	8	-33%	15	-65%	42	63	-35%
Coated	1	2	-44%	2	-48%	4	6	-32%
Dynamo	54	51	5%	62	-14%	149	183	-18%
Transformer	51	64	-20%	59	-13%	177	180	-1%
<b>Long products</b>	<b>144</b>	<b>104</b>	<b>39%</b>	<b>173</b>	<b>-17%</b>	<b>422</b>	<b>527</b>	<b>-20%</b>
<b>Total</b>	<b>1,237</b>	<b>1,134</b>	<b>9%</b>	<b>1,546</b>	<b>-20%</b>	<b>4,346</b>	<b>4,601</b>	<b>-6%</b>



## (17) Segmental information

<b>Q3 2019</b>					<b>NLMK DanSteel and Plates Distribution Network</b>	<b>Investments in NBH</b>			<b>NBH deconsoli- dation</b>	<b>Consolidated</b>
<b>\$ million</b>	<b>Russian Flat Steel</b>	<b>Russian Long Products</b>	<b>Mining</b>	<b>NLMK USA</b>			<b>Totals</b>	<b>Intersegmental operations and balances</b>		
Revenue from external customers	1,482	359	42	391	111	348	2,733	-	(157)	2,576
Intersegment revenue	259	126	364	-	-	21	770	(749)	(21)	-
Gross profit	504	72	309	(26)	11	(13)	857	(73)	38	822
Operating income/(loss)	280	34	285	(48)	(2)	(53)	496	(62)	78	512
Income / (loss) before minority interest	660	26	232	(50)	(3)	(52)	813	(545)	76	344
Segment assets including goodwill	7,499	1,201	2,360	921	361	1,330	13,672	(2,126)	(1,168)	10,378

Balance figures presented as of 30.09.2019

<b>Q2 2019</b>					<b>NLMK DanSteel and Plates Distribution Network</b>	<b>Investments in NBH</b>			<b>NBH deconsoli- dation</b>	<b>Consolidated</b>
<b>\$ million</b>	<b>Russian Flat Steel</b>	<b>Russian Long Products</b>	<b>Mining</b>	<b>NLMK USA</b>			<b>Totals</b>	<b>Intersegmental operations and balances</b>		
Revenue from external customers	1,444	379	16	476	130	437	2,882	-	(85)	2,797
Intersegment revenue	479	89	304	-	1	11	884	(873)	(11)	-
Gross profit	595	66	220	22	18	-	921	(7)	(15)	899
Operating income/(loss)	369	24	204	2	1	(66)	534	8	51	593
Income / (loss) before minority interest	580	15	151	1	1	(69)	679	(268)	4	415
Segment assets including goodwill	7,629	1,170	2,175	1,029	400	1,562	13,965	(1,567)	(1,364)	11,034

Balance figures presented as of 30.06.2019