



NLMK

Q1 2018 IFRS Results

24 April 2018

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- The background image shows a close-up of a document, likely a shipping label or invoice, with a barcode and various text fields. The text on the document includes "EST", "REF: 1073917", "641350", "SUPPLIER ADDRESS", "MK LA LOUVIERE", "NET WEIGHT", "20390", "GROSS WEIGHT", "DESCRIPTION", "HE2800M", "HUILE", "2250/1250/610", "CHAUVEAU 108320", and "2.09".
- Market review
 - Operating highlights

Q1'18 Financials

Business divisions results

Annex

Q&A

Grigory Fedorishin
President and CEO

DEMAND GROWTH SUPPORTED BY RESTOCKING IN CHINA AND US

Global steel demand continues to recover driven by DM and China

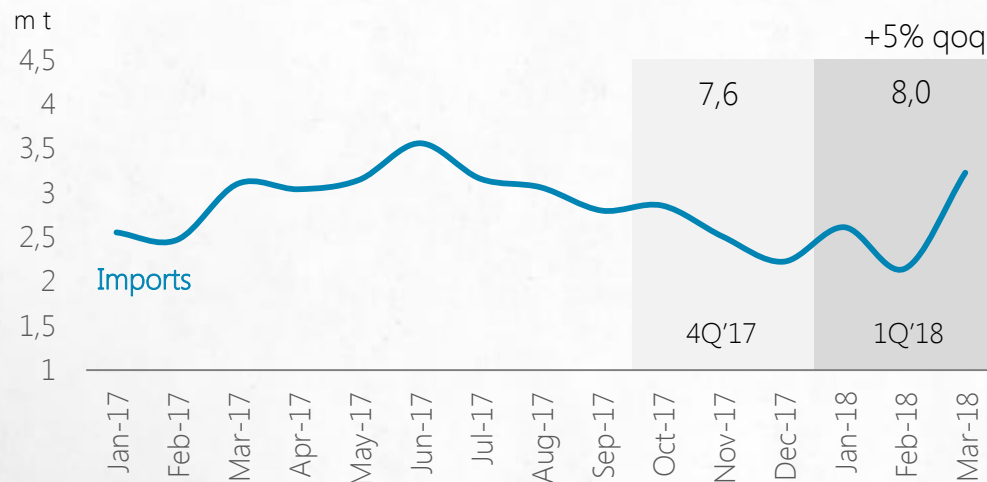
- Strong demand from steel consumers in EU and USA
- China: seasonal restocking (Lunar New Year)
- Russia: seasonal slowdown in consumption

Chinese exports dropped to 4-year low (~60 m t annualized)

US demand on imports surged on fears fueled by Section 232

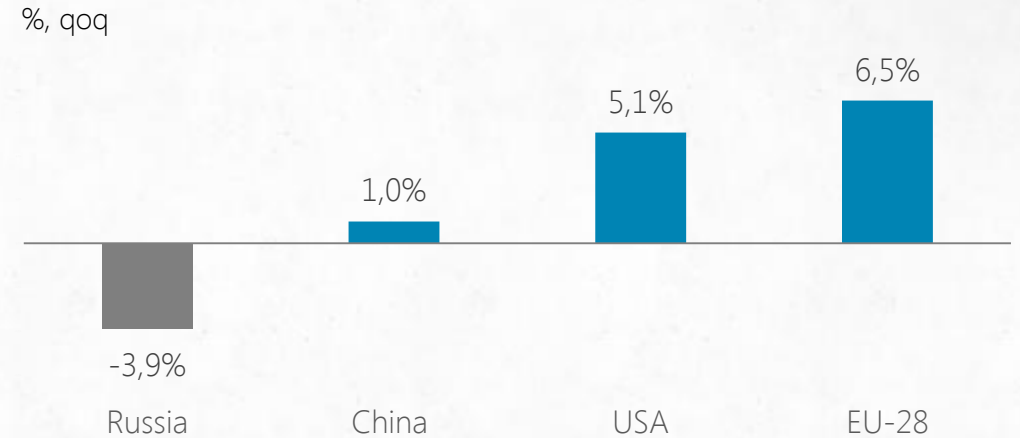
- The US decision: 25% tariff on all steel imports, while key importers are likely to be exempted (e.g. NAFTA)

USA imports rose on stocks build up before Section 232 decision



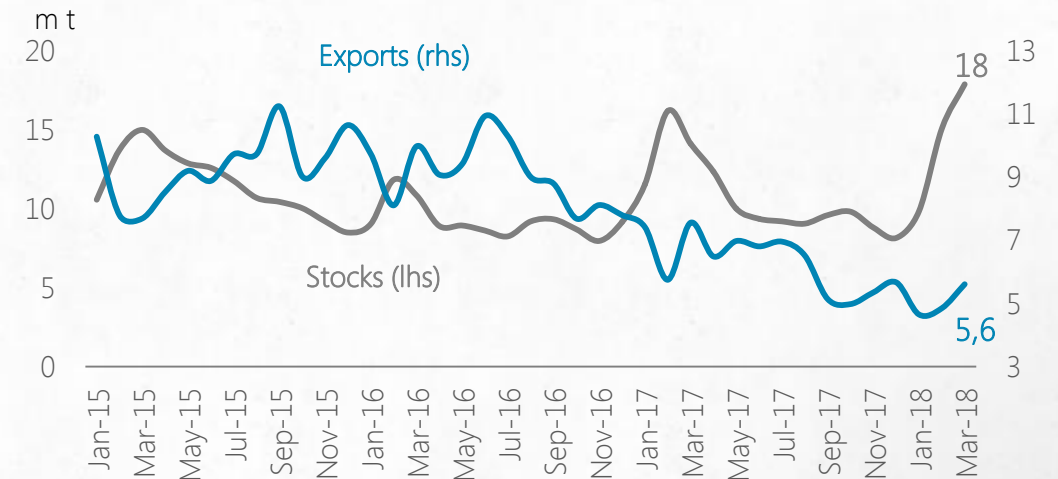
Source: Bloomberg, US DoC preliminary data

Q1'18 demand: the EU and US surprised on the upside



Source: worldsteel, Bloomberg, CRU, Eurofer, Metal Expert, estimates

Chinese exports slid further in Q1'18 due to restocking



Source: Bloomberg

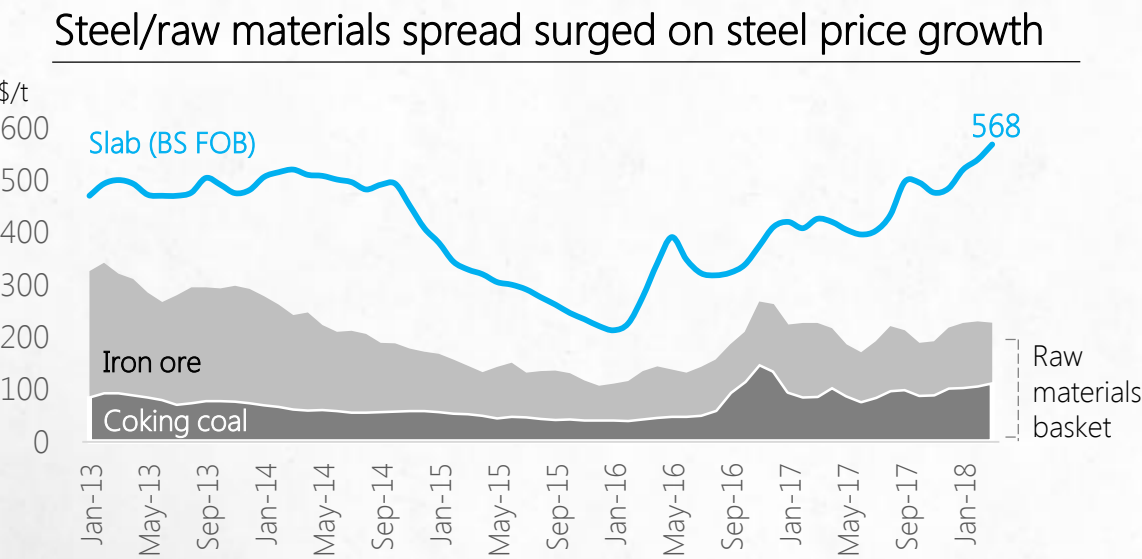
STEEL PRICES AND SPREADS INCREASED ON DEMAND GROWTH

Global steel prices were up on solid demand and supply disruptions fears

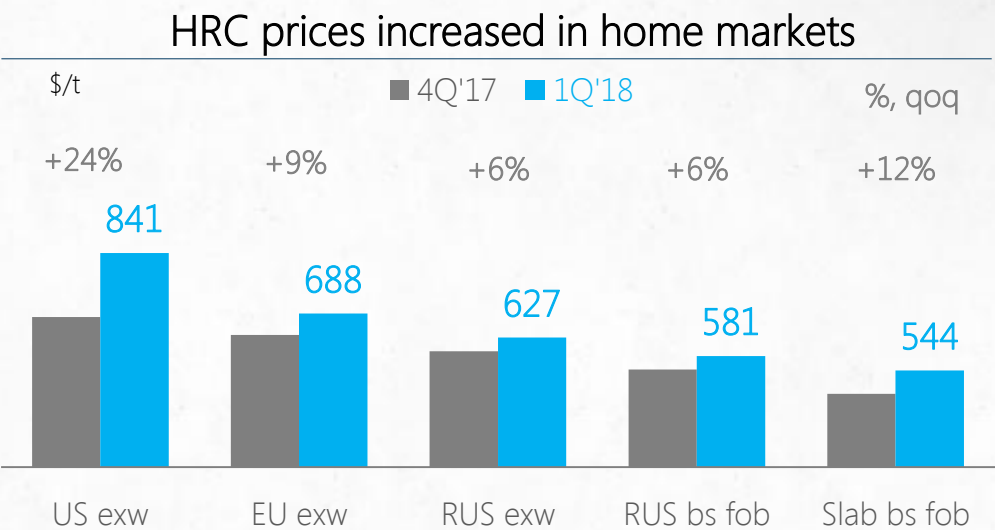
- The US prices jumped \$160/t on the Section 232 announcement
- Prices in the EU rose on robust consumption
- Russia: local prices increased steadily (defying seasonality) driven by export markets

Finished / semi-finished spreads surged in the US on Section 232 fears

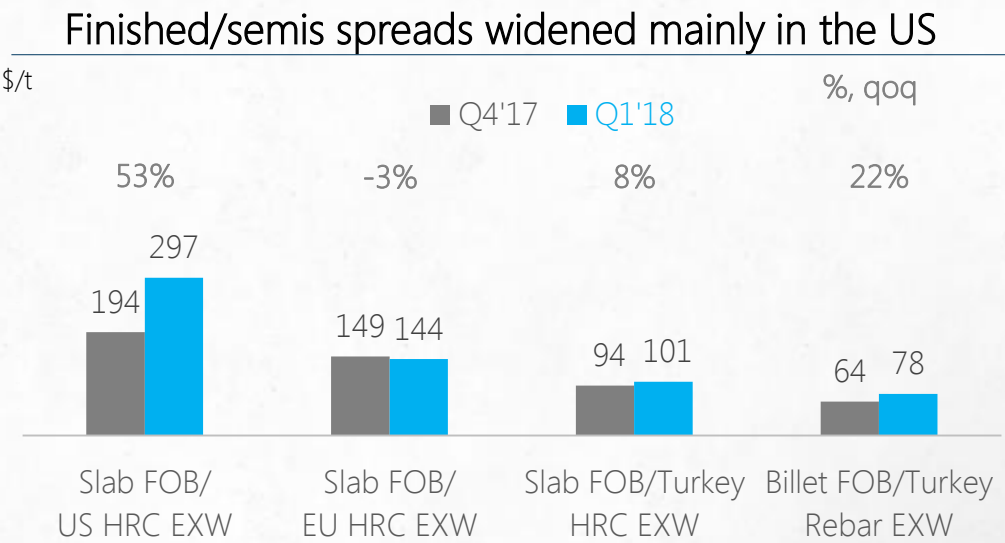
Steel / raw materials spreads expanded through the quarter



Source: Metal Bulletin
Raw materials basket is calculated using production ratios for one tonne of steel: iron ore price x 1,6 + coking coal price x 0,6



Source: SBB, Metal Bulletin, excl. VAT, quoted prices can be different from NLMK realized prices



Source: SBB, Metal Bulletin, excl. VAT, quoted prices can be different from NLMK realized prices,

STRONG Q1 SALES DESPITE SEASONALITY

16% yoy growth in sales* driven by strong exports and Russian sales

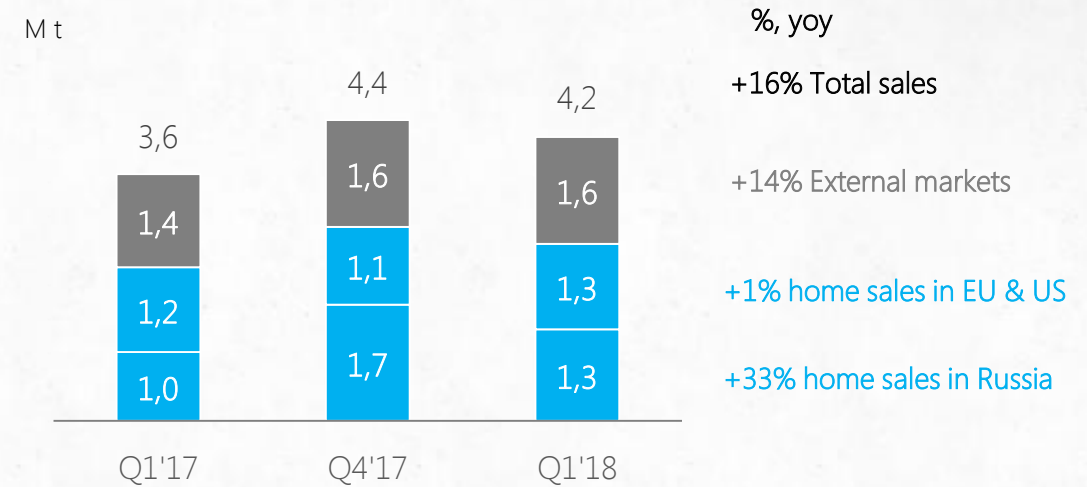
- Robust shipments of longs in Russia and semis to the overseas markets

Intragroup sales were up qoq to benefit from solid demand in EU and USA

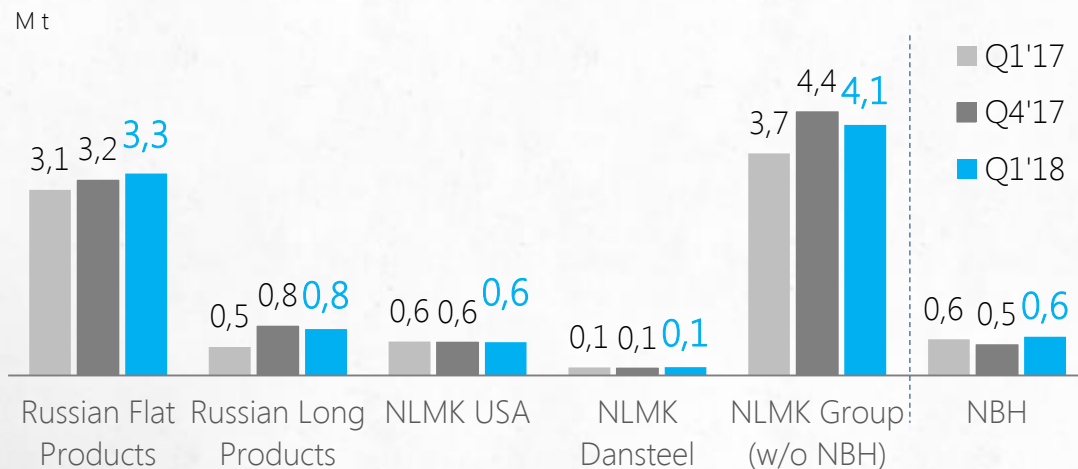
- Strong overseas markets drove demand up for slabs at NLMK's foreign assets
- Exports also increased due to seasonally lower demand in Russia

Q1 Divisions' sales were strong despite seasonality

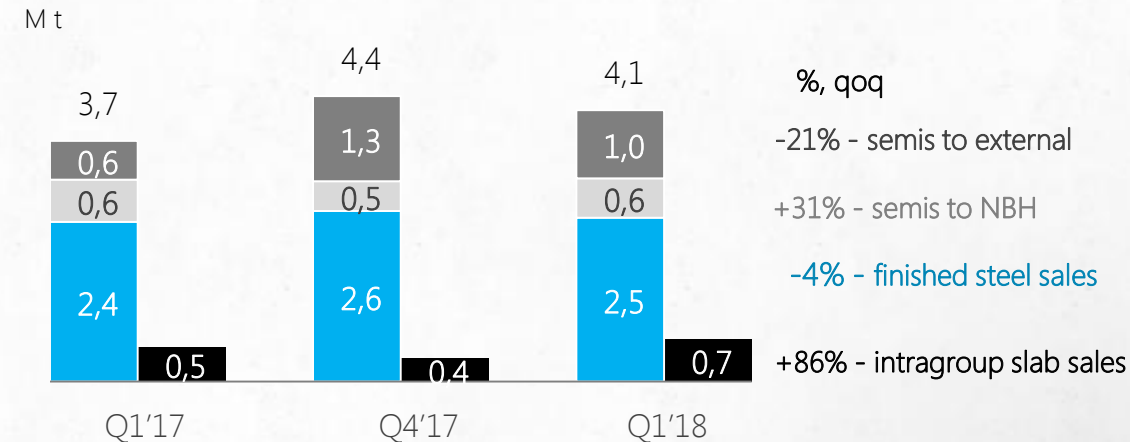
Higher sales* yoy driven by Russian divisions



Q1'18: another quarter of strong sales across divisions



Sales to captive assets rose 86% qoq on strong USA demand



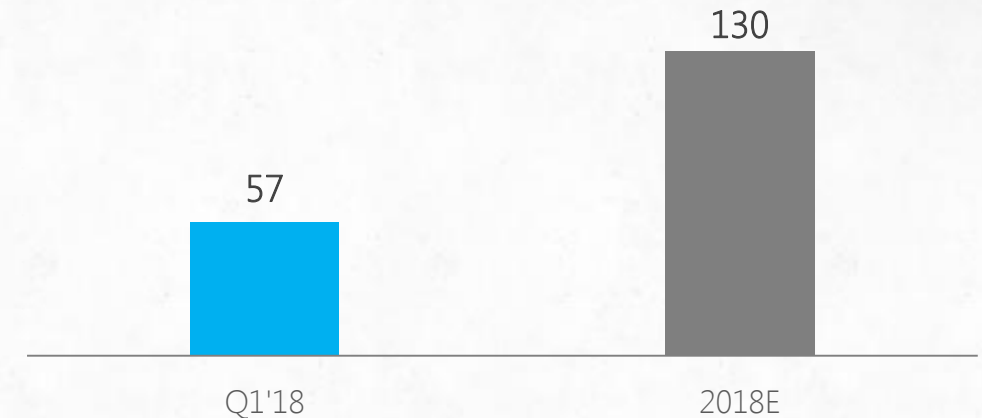
OPERATIONAL EFFICIENCY GAINS DELIVERED AHEAD OF SCHEDULE

Operational efficiency gains contributed \$57 m in 1Q'18, or 44% of the annual target

- Additional volumes of production (pellets and steel) are the key contributors to the gains
- 199 new projects were launched in 1Q'18
- Extra pellets output of 0.4 m t in 2018 is expected to come from the optimization of technology processes

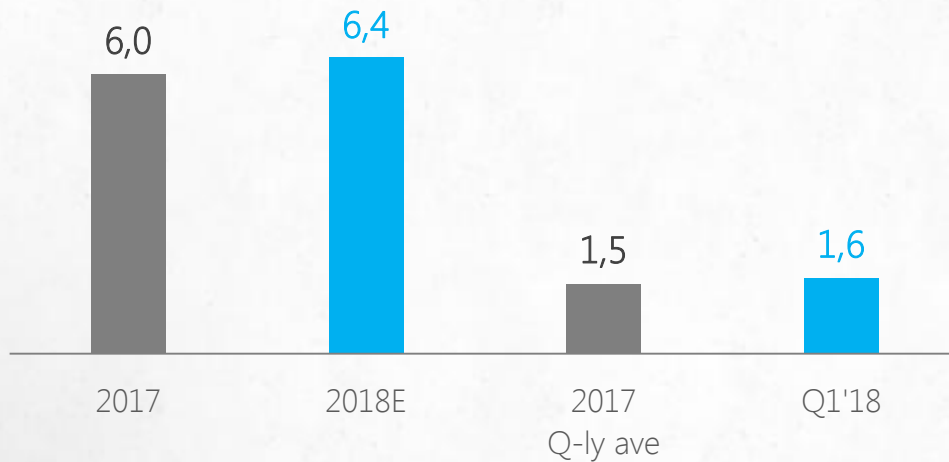
EBITDA gains from operational efficiency

\$ m



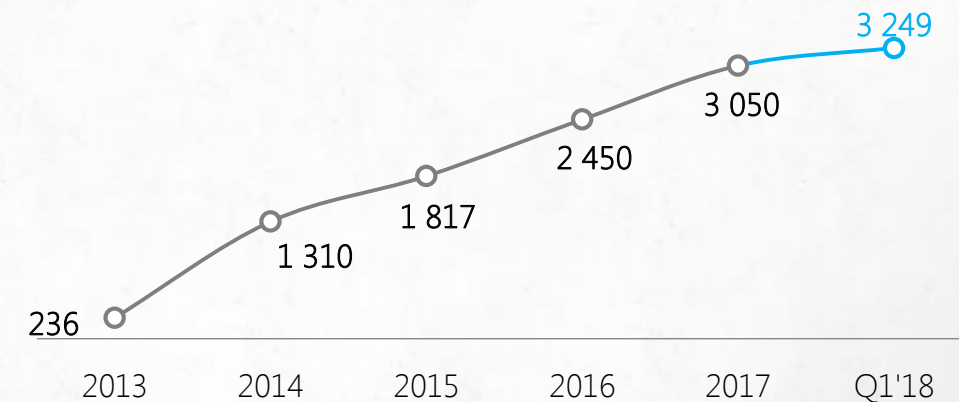
Pellets output growth is well on track

M t



The number of efficiency projects keeps rising

of projects cumulative



OUTLOOK

MARKETS

Steel demand continues to recover underpinned by economic growth across the board

Global pricing environment is expected to remain volatile on uncertainty from rising protectionism

Russia: seasonally better demand will provide support to domestic prices

Europe: continued demand increase with prices expected to stay firm until summer holidays

USA: decent underlying demand growth, the Section 232 news flow will be the key price-mover

Q2 RESULTS OUTLOOK

The Group's capacity utilization to remain high

Q2 sales will be strong driven by higher sales in home markets with seasonally stronger Russia and solid exports

Market review

Operating highlights

- Q1'18 Financials

Business divisions results

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Q&A

SERGEY KARATAEV

Acting CFO

Q1'18 FINANCIAL HIGHLIGHTS: 5-YEAR RECORD PROFITABILITY

Profitability reached 5-year record levels on better price recovery and continued cost control

- Revenue \$2,794 m (+30% yoy, -1% qoq)
- EBITDA: \$812 m (+31% yoy, +3% qoq)
- EBITDA margin: 29.1% (flat yoy, +1 pp qoq)
- Net income*: \$502 m (+56% yoy, +17% qoq)

Superior FCF generation on strong profitability and moderate capex

- Working capital release \$58 m
- Capex \$131 m (+36% yoy, -51% qoq)
- Free cash flow** \$599 m (+188% yoy, +200% qoq)
- Net debt / EBITDA***: 0.31x (-0.1 yoy, - 0.04 qoq)

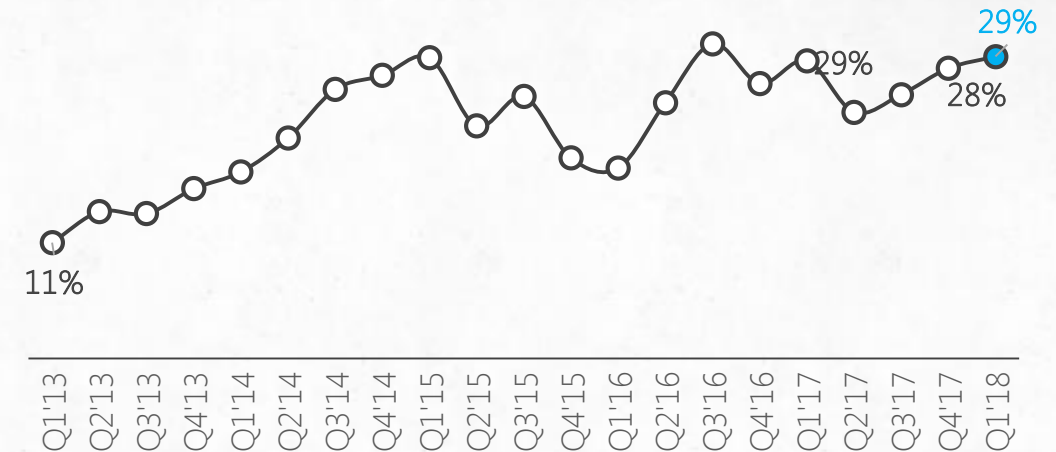
* Profit for the period attributable to NLMK shareholders

** Free cash flow = operational cash flow plus interest received net of interest paid and minus CAPEX

*** For detailed information and calculations for this indicator please refer to the Appendix of Financial release.

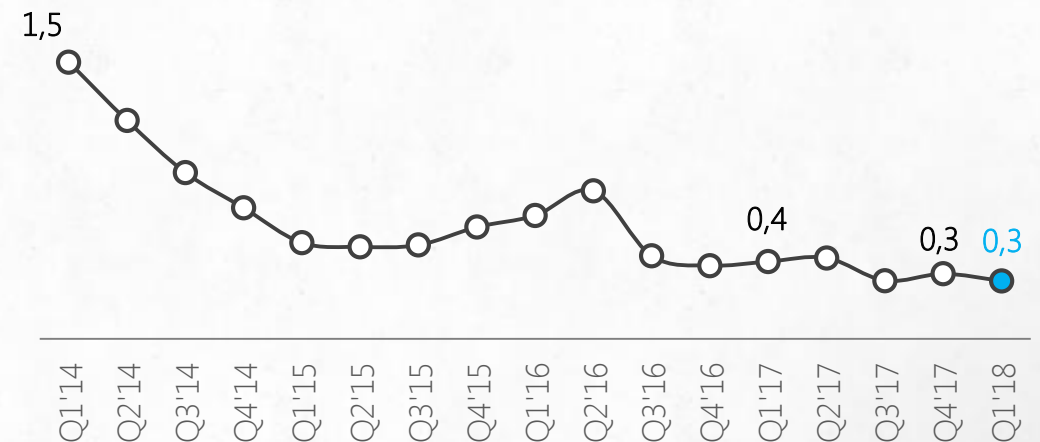
Profitability continued to expand defying seasonality

EBITDA margin



Q1'18 leverage remains low

Net debt / 12M EBITDA



MARGINS IMPROVED ON BETTER PRICING ENVIRONMENT

Group EBITDA up on higher price spreads despite lower sales qoq

Russian Flat Products: softer EBITDA on higher raw materials prices and higher sales of semis

- (-) Sales of semis up 12% qoq on strong demand from captive assets
- (-) Narrow spreads driven by iron ore and coking coal price inflation
- (+) Strong results yoy driven by improved market environment

Russian Long Products: profits up on better prices

- (+) Price increases expanded spreads offsetting lower sales volumes
- (-) Sales down 6% qoq due to seasonally low demand in construction

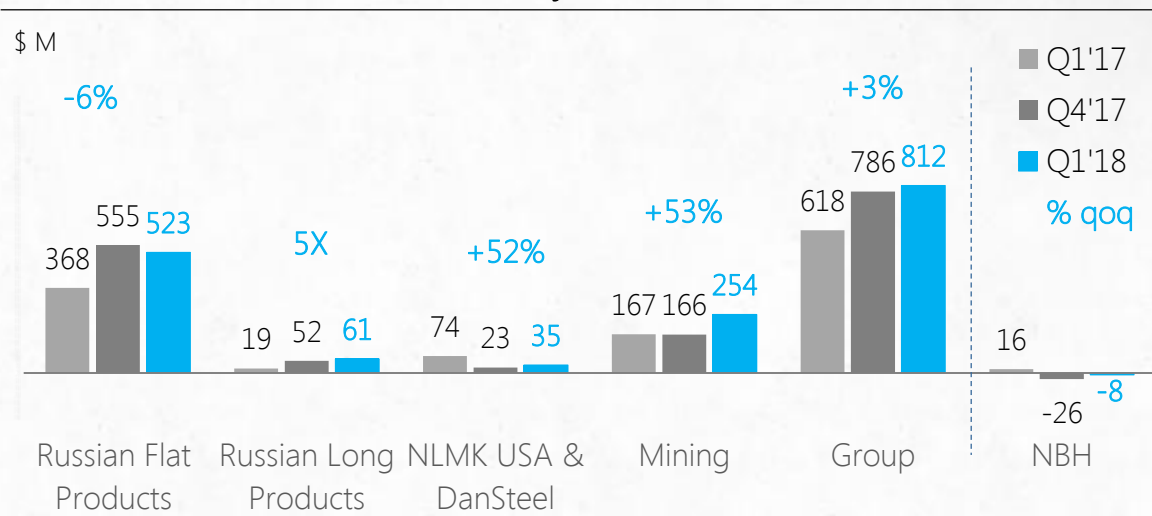
Mining: stronger sales and prices drove margins up

NLMK USA: widened price spreads supported profitability

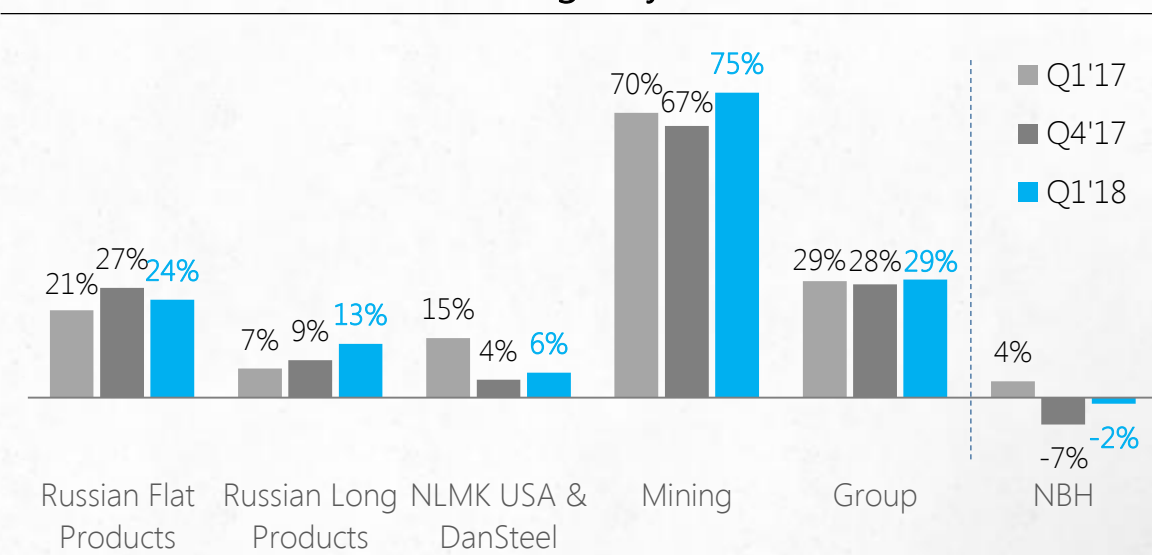
NLMK Dansteel: profitability slightly improved on better volumes and prices

NBH: strong volumes growth (+26% qoq) and better prices improved financial performance

EBITDA by divisions



EBITDA margin by divisions



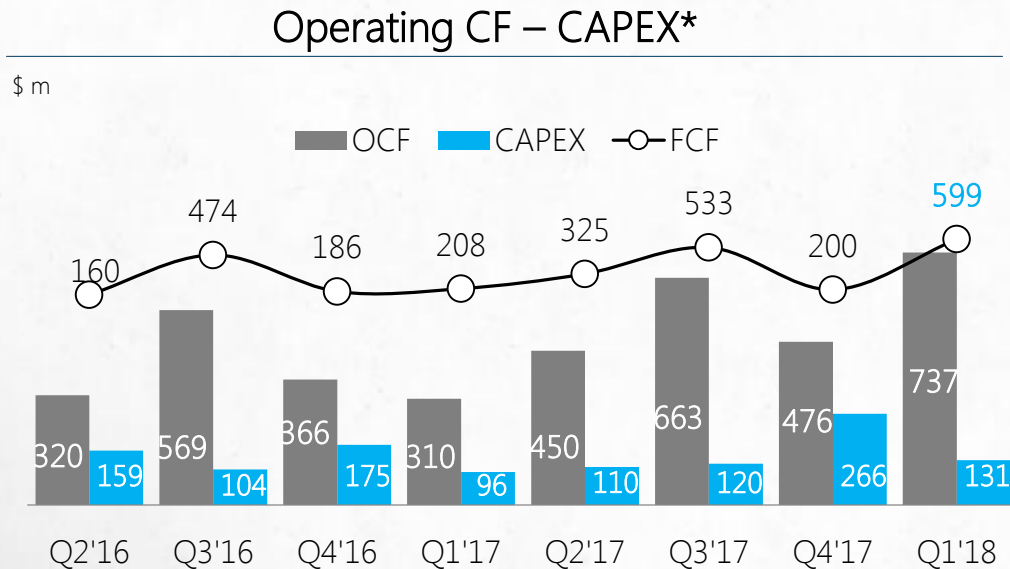
3X GROWTH IN FREE CASH FLOW

Net operating cash flow was up 55% qoq to \$737 m on strong profit and working capital release of \$58 m:

- (+) Coal prices' growth and FX movements (A/P increase)
- (+) Seasonal decline of scrap stock at Russian divisions (inventories decline)
- (-) A/R growth due to higher finished steel prices, changed sales mix
- (-) Higher inventories at NLMK USA and Lipetsk site

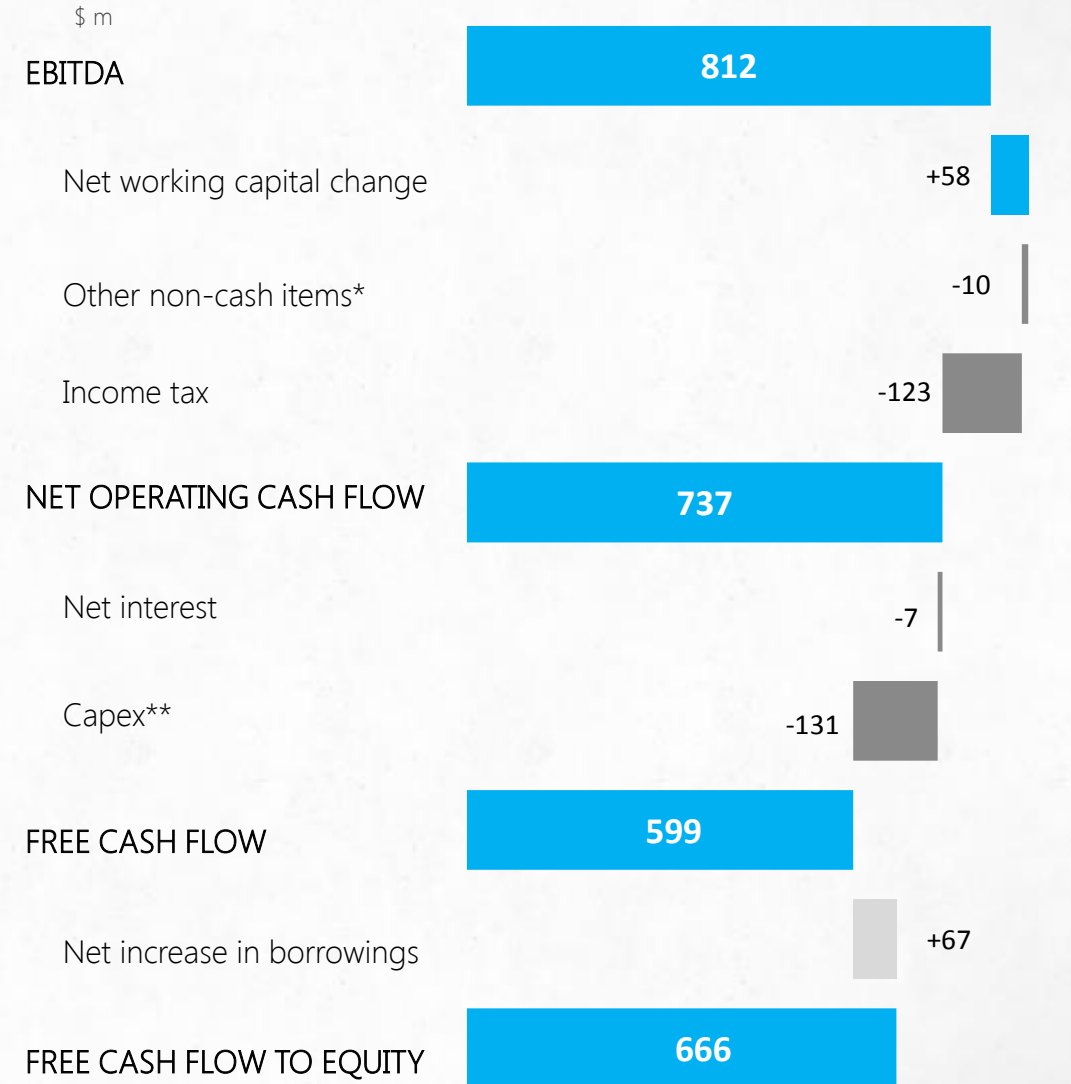
Capex was seasonally low at \$131 m (-51% qoq, +36% yoy)

Free cash flow increased by 200% qoq (+188% yoy) to \$599 m



* Excluding NBH

Q1'18 CF bridge



* Other income/(expenses)

** Including capitalized interest of \$6m

FURTHER IMPROVEMENTS IN LIQUIDITY

Net debt / 12M EBITDA dropped to 0.31x from 0.35x in 4Q'17

- Total debt rose to \$2.37bn (+4% qoq) due to W/C funding
- Net debt declined to \$0.88 bn (-4% qoq) on strong FCF generation
- Liquidity increased to \$1.5 bn (+8% qoq)

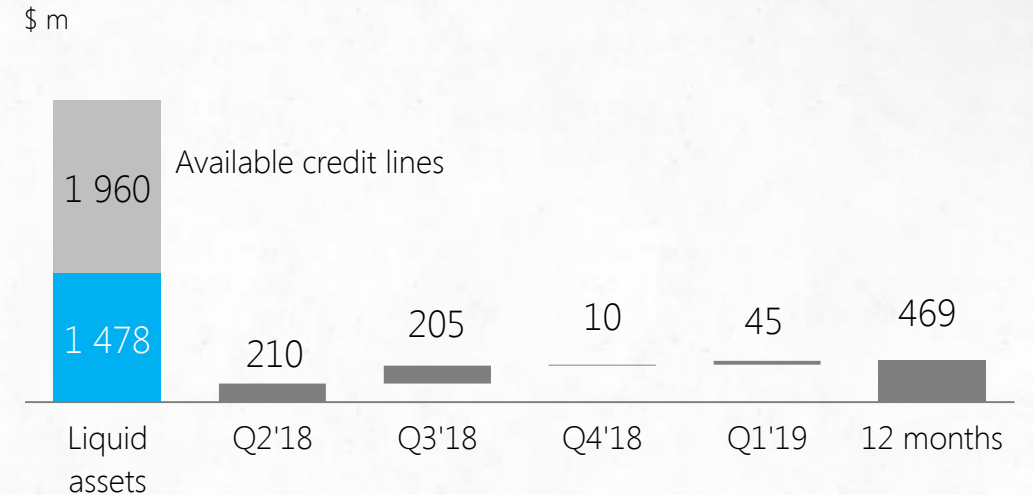
Scheduled \$144 m '18 Eurobonds redemption reduced cost of debt

Improved liquidity and balance sheet to support dividend payments

Cost of debt gradually declines

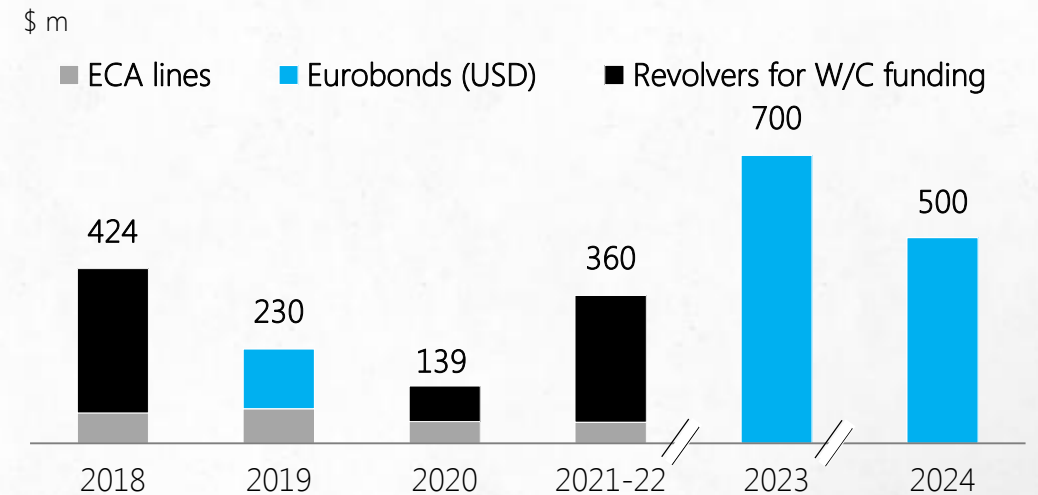


Liquidity and short-term debt*



*Excluding interest payments, incl. working capital lines

Debt maturity





Market review

Operating highlights

Q1'18 Financials

- **Business divisions results**

Annex

Q&A

Q1'18: RUSSIAN FLAT PRODUCTS

Sales increased by 3% qoq due to intersegmental sales of semis

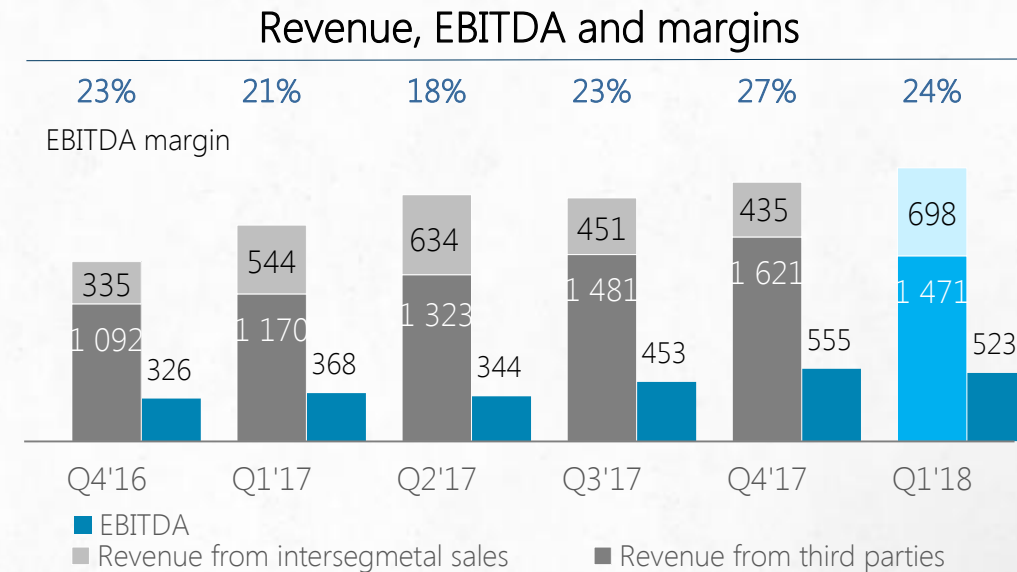
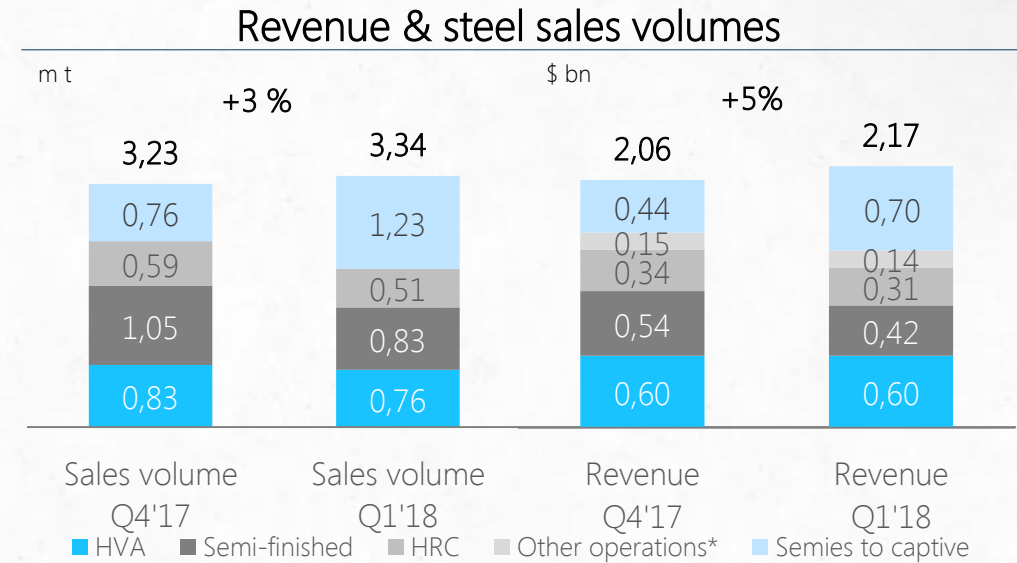
- (+) Semis sales up 12% qoq due to sales to captive assets (+55% qoq) on strong demand in the EU and the US
- (-) Finished steel sales down 9% qoq on seasonally low demand

Revenue grew by 5% qoq:

- (+) Average selling prices rose 2% qoq
- (+) Sales volumes were up 3% qoq

EBITDA decreased by 6% qoq to \$523 m on narrowed spreads

- (-) Growth in iron ore and coal squeezed spreads
- (-) Mix deteriorated with higher share of semis
- (+) Optimization program and investment projects partially offset decrease in EBITDA



*Revenue from the sale of other products and services

Q1'18: RUSSIAN LONG PRODUCTS

Sales down 6% qoq

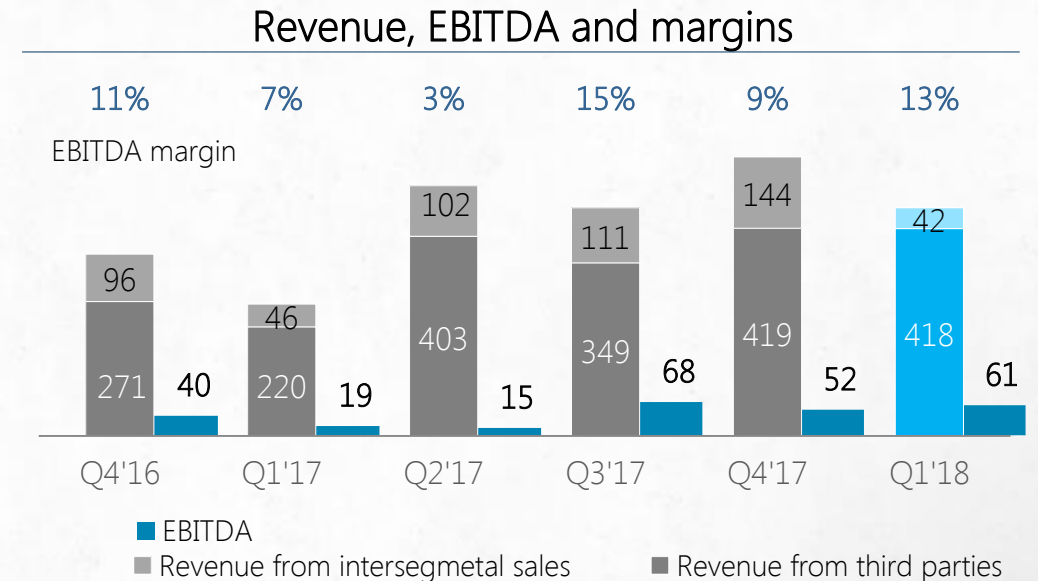
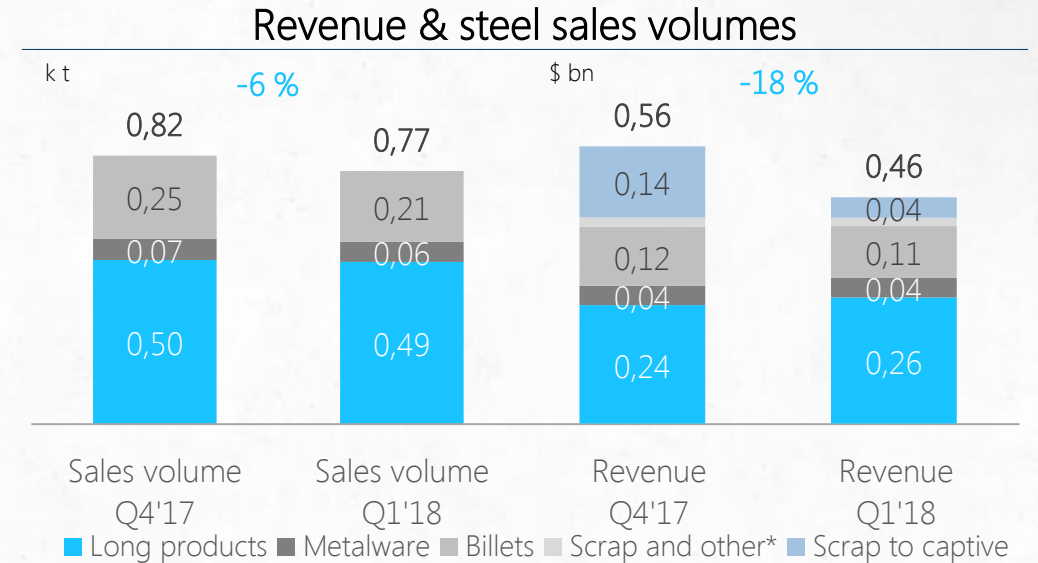
- (-) Seasonal slowdown in demand for longs in Russia
- (-) Q4 high base due to YE sell off
- (+) Sales to export markets

Revenue decreased by 18% on seasonal steel shipments slowdown coupled with lower intersegmental sales of scrap

- (-) Intersegmental scrap sales were seasonally down by 71% qoq
- (-) Steel sales volume decreased

EBITDA increased qoq to \$61 m (+17 %)

- (+) Spreads between scrap and rebar widened
- (-) Decrease in sales volumes suppressed EBITDA growth in Q1



* Revenue from the sale of scrap, other products (ex. by-products) and services

Q1'18: MINING

Sales volumes increased by 7% qoq

- (+) Concentrate and pellets sales rose 9% and 5% qoq, respectively, on increased consumption at the Lipetsk site

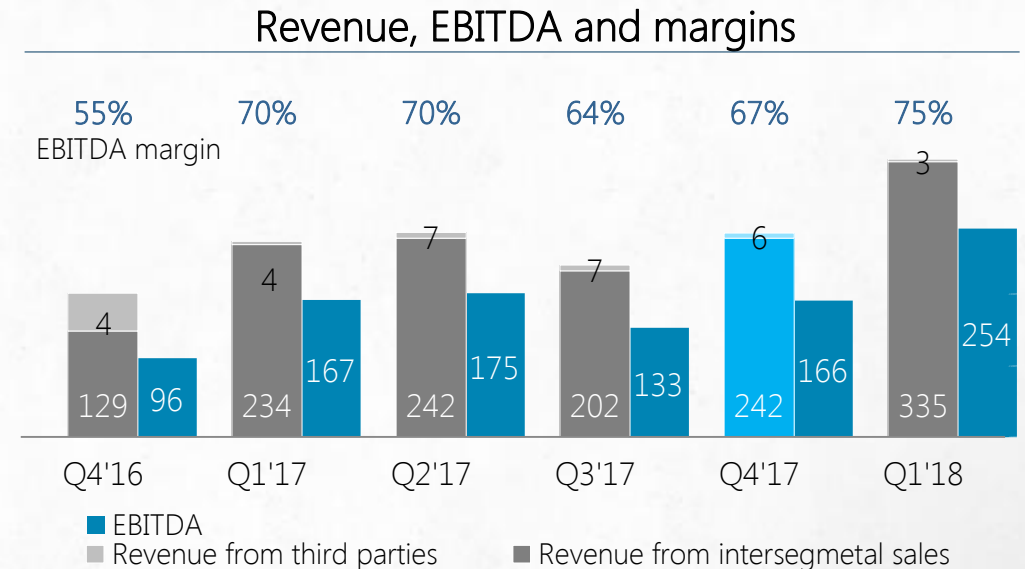
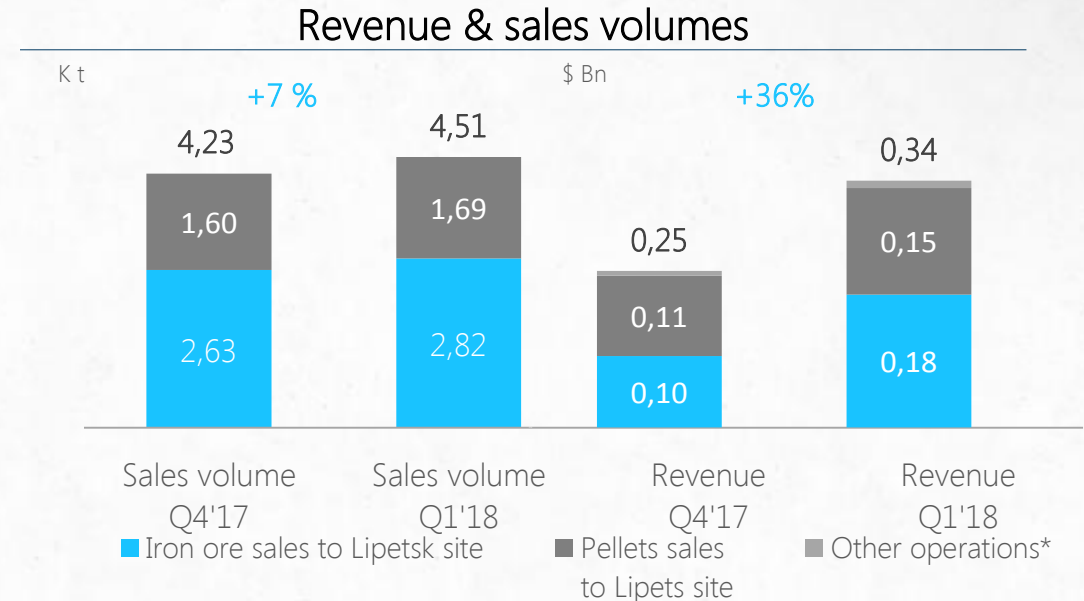
Revenue increased by 36% qoq on higher selling prices and mix improvement

- (+) Selling prices were up 16% qoq
- (+) Higher share of pellets in the sales mix
- (+) Volumes up 7% qoq

EBITDA up by 53% qoq to \$254 m

- (+) Price spreads widening on better iron ore prices
- (+) Modernized equipment and optimization programs lifted EBITDA higher

EBITDA margin up by 8 pp qoq to 75%



* Other operations include limestone, dolomite and other sales

Q1'18: NLMK USA

Sales seasonally increased by 1% qoq

- (+) HRC & CRC sales drove segment sales up on demand growth

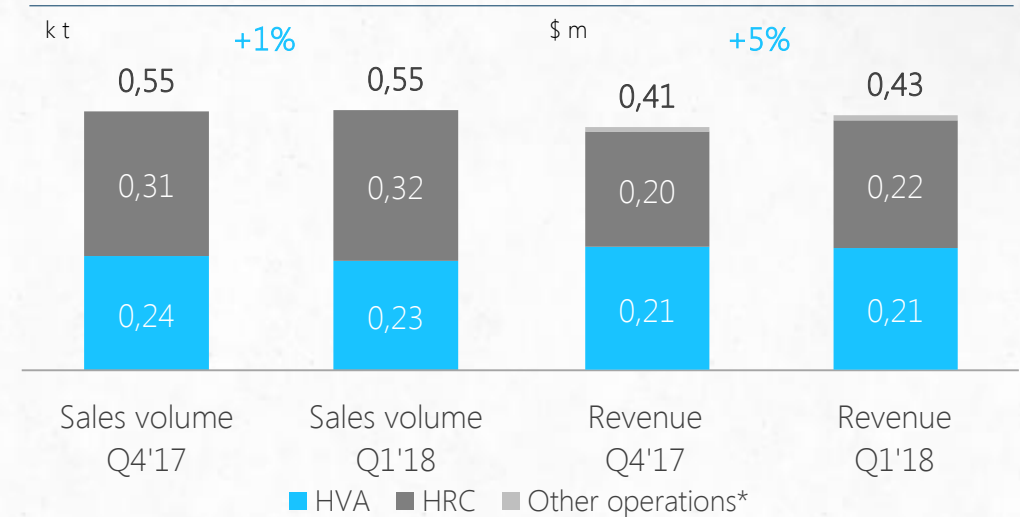
Revenue up by 5% qoq

- (+) Average selling prices increased by 4% qoq on the back of the Section 232 resolution
- (+) Sales volume increased by 1% qoq

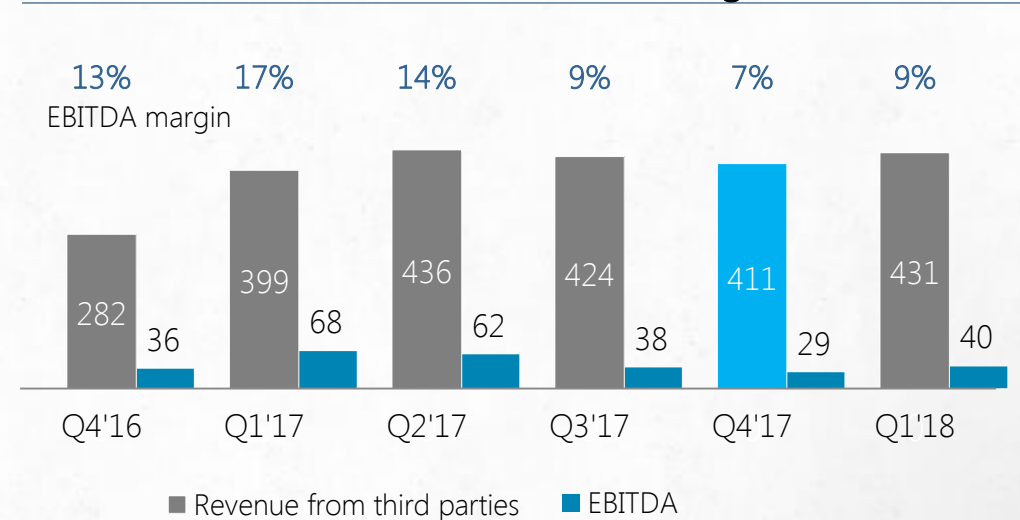
EBITDA increased by 38% qoq to \$ 40 m on ...

- (+) Widening price spreads due to stock effect on slab feedstock
- (+) Increasing sales volumes

Revenue & steel sales volumes



Revenue, EBITDA and margins



* Revenue from the sale of other products and services

Q1'18: NLMK DANSTEEL

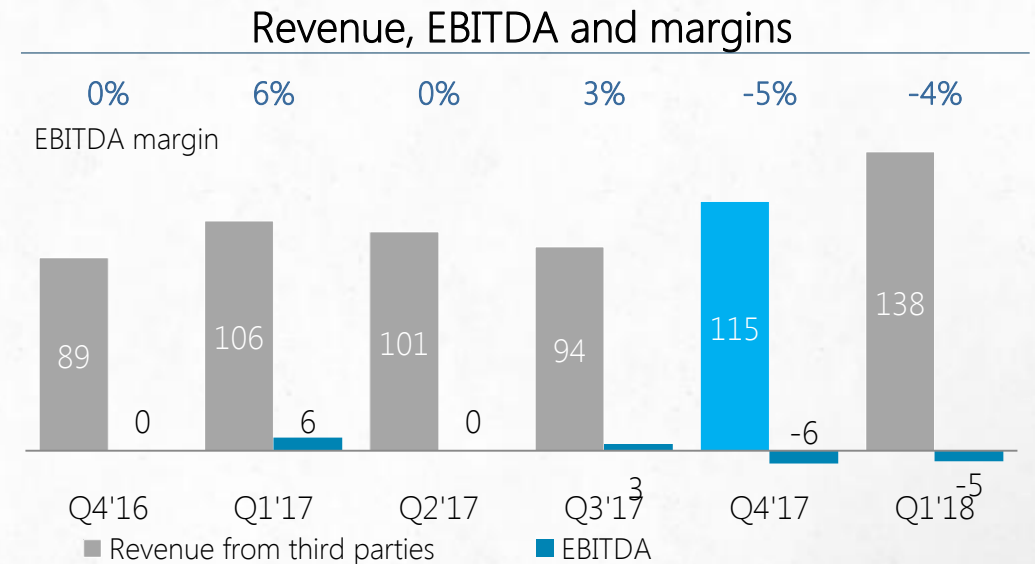
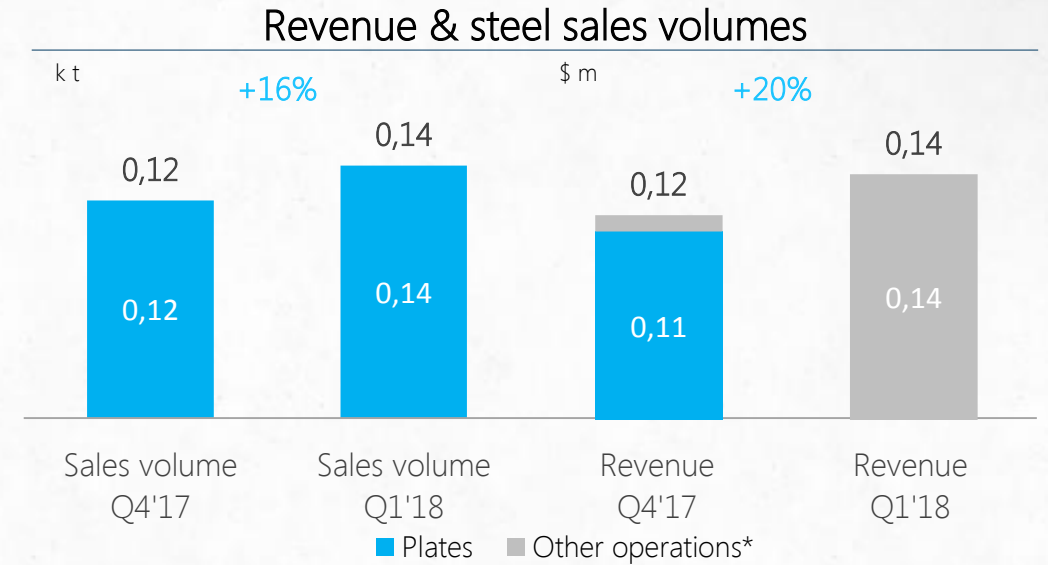
Sales jumped 16% qoq driven by increase in demand

Revenue up 20% qoq following growth in deliveries

- (+) Shipments were up 16% qoq
- (+) Selling prices increased by 3% qoq

EBITDA increased by \$ 1 m due to sales growth

- (+) EBITDA increased in line with growth in sales



* Revenue from the sale of scrap, other products and services



Market review

Operating highlights

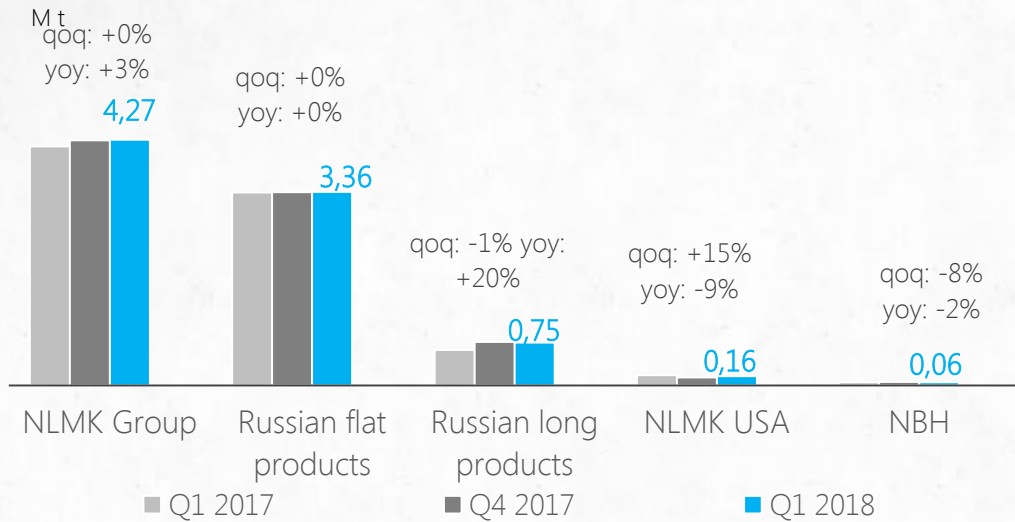
Q1'18 Financials

Business divisions results

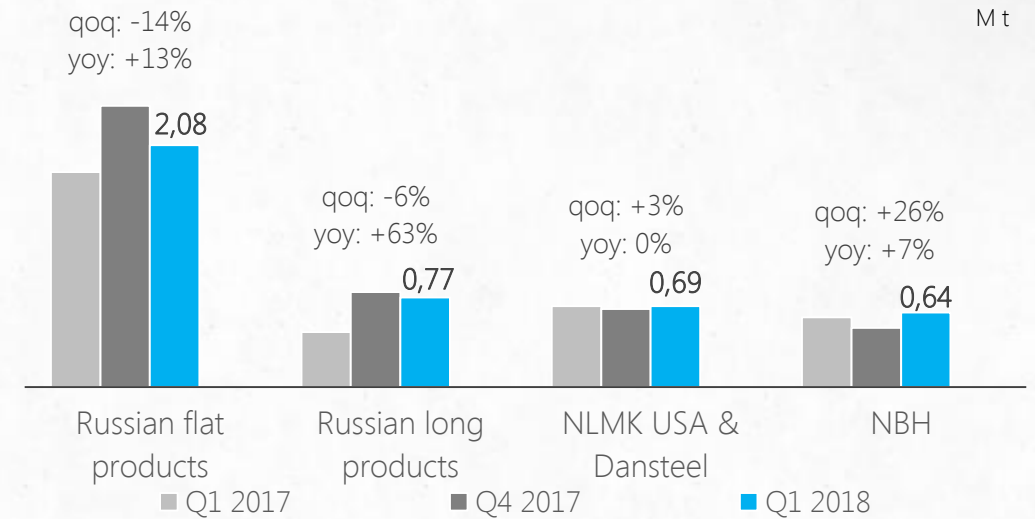
- Annex
- Q&A

Q1'18 NLMK SALES, OUTPUT, LIPETSK SLABS COSTS

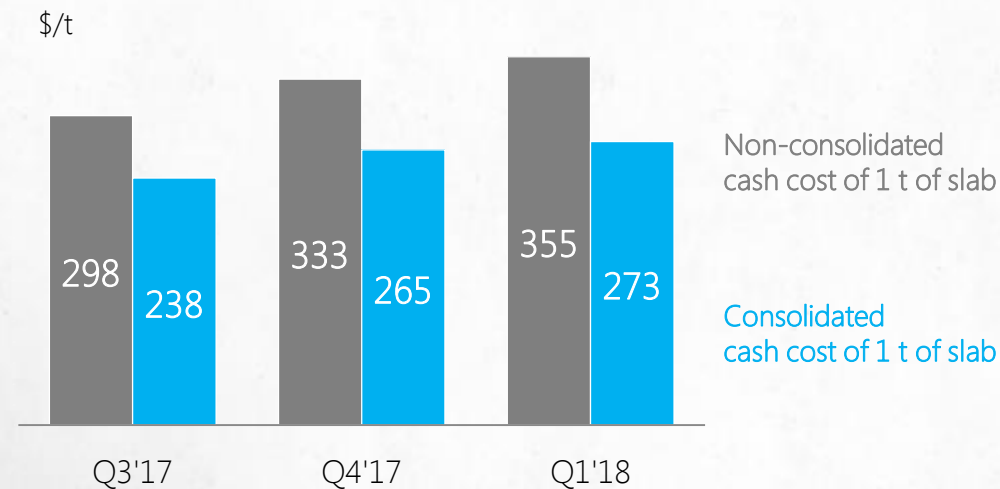
Steel production



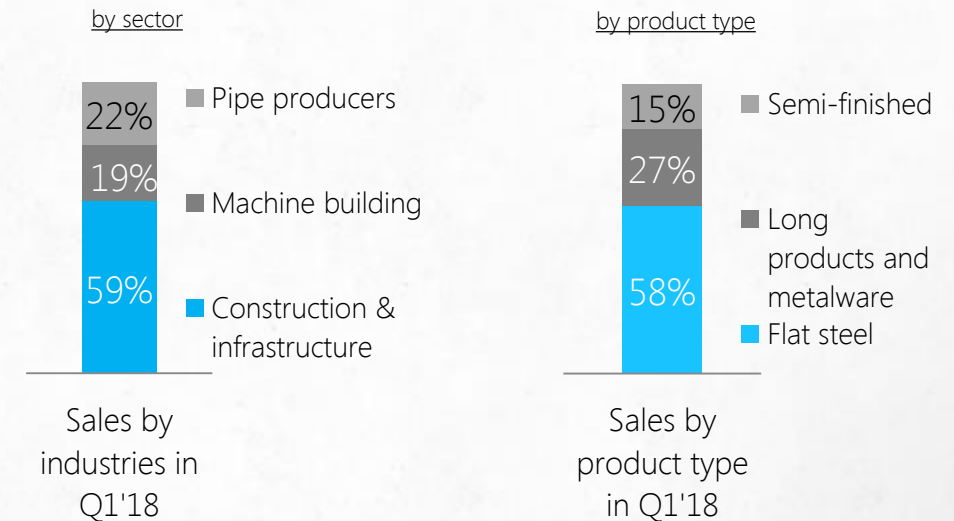
Group sales to external customers by segments



NLMK Russian Flat Products cash cost of slabs

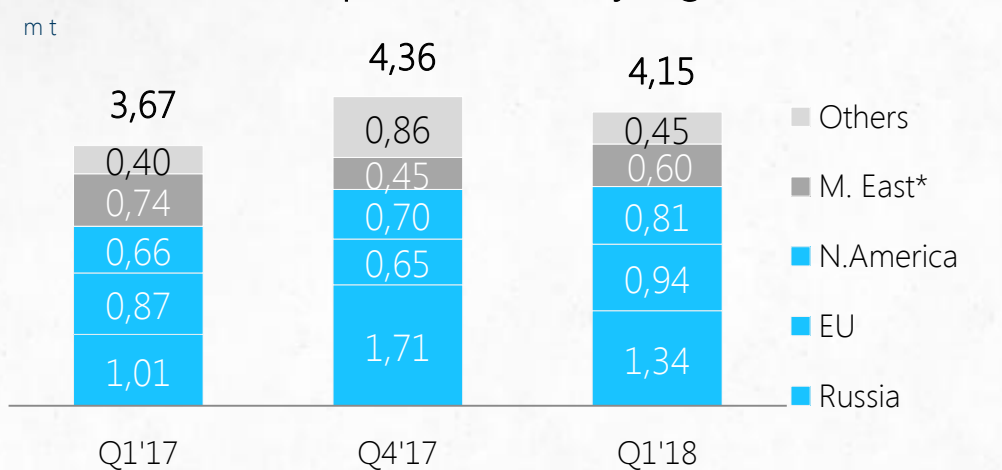


NLMK Russian Flat & Long Divisions sales to the Russian market

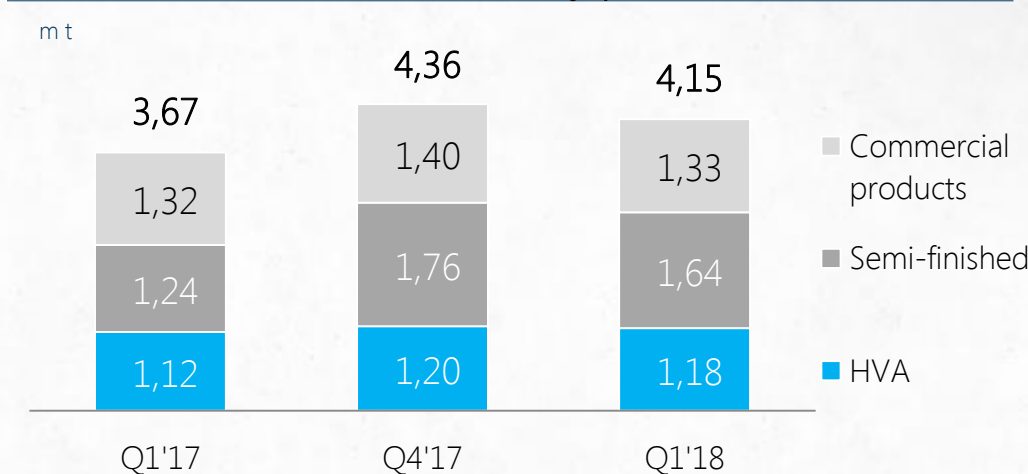


SALES GEOGRAPHY AND PRODUCT MIX

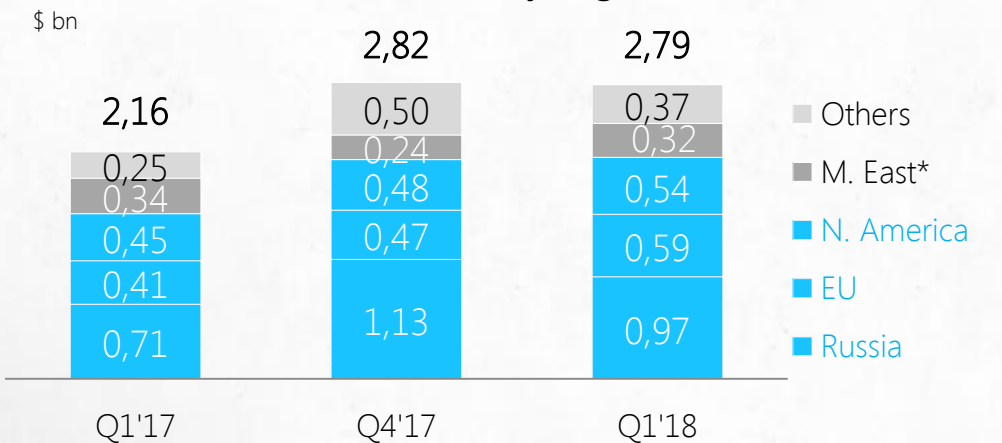
Steel product sales by region



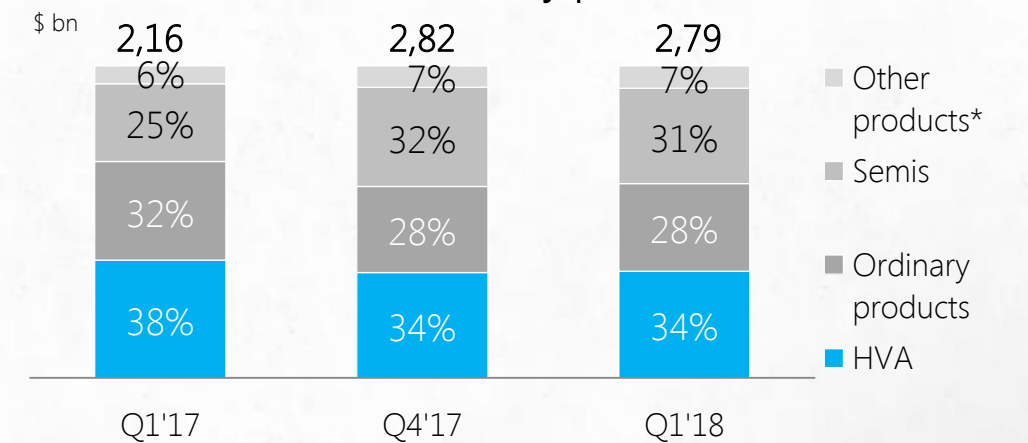
Sales structure by product



Revenue by region

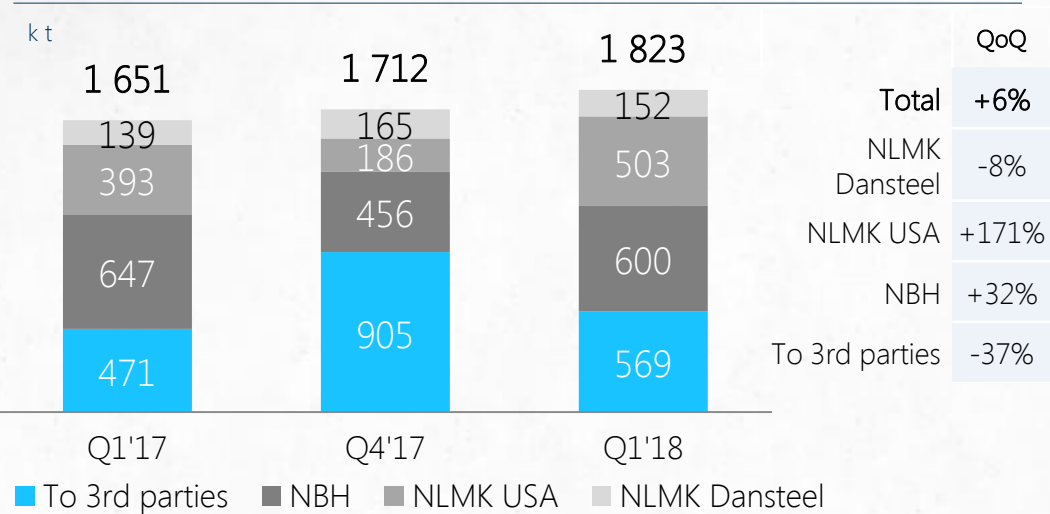


Revenue by product

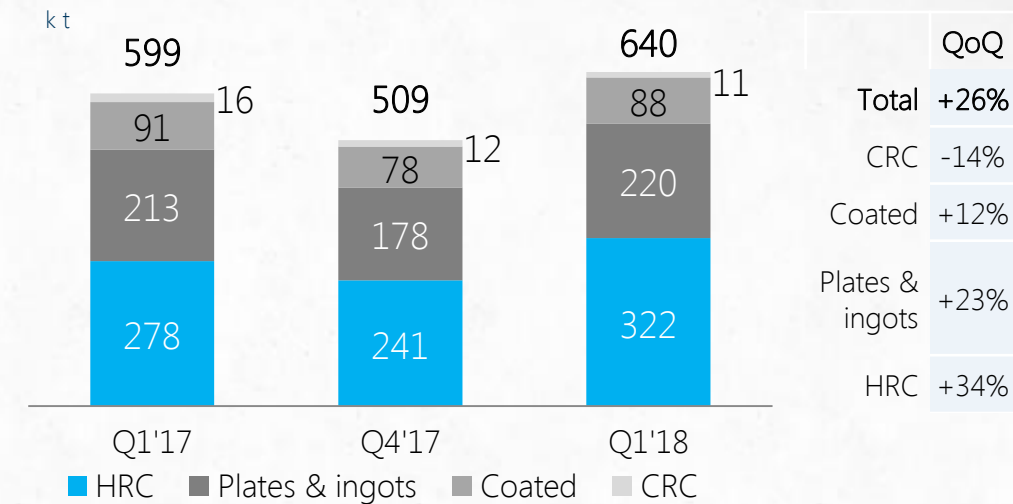


FOREIGN ASSETS PERFORMANCE

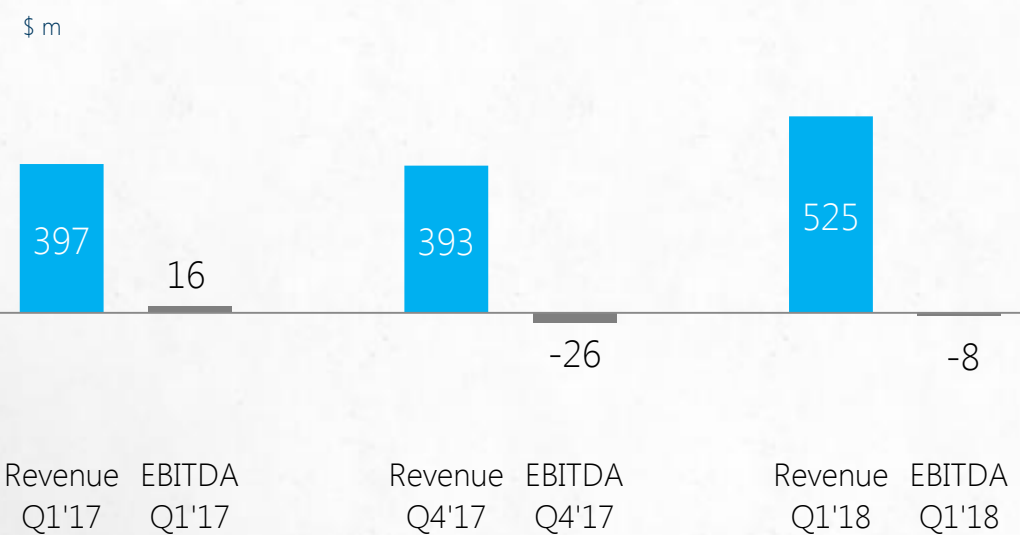
Slabs sales from Russian Flat Division



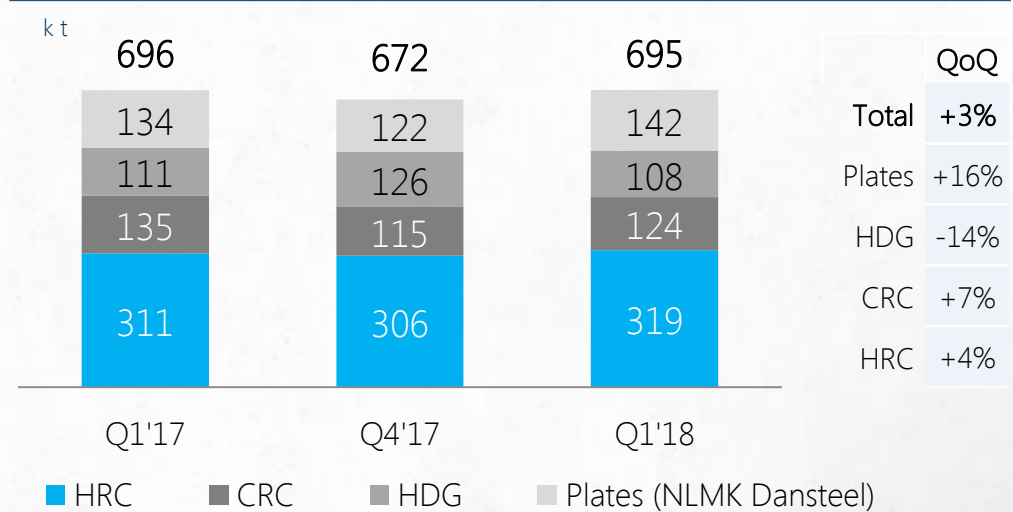
NBH Rolled product sales



NBH financial results



NLMK USA and NLMK Dansteel sales



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