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## Press release

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# Q1 2016 NLMK GROUP TRADING UPDATE

**NLMK Group sales in Q1 2016 increased by 7% qoq to 4.0 mln tonnes. Steel production increased by 3% qoq to 4.0 mln tonnes. Capacity utilization rates at NLMK Group exceeded 90%.**

**Q1 2016 highlights:**

- Crude steel output increased to 4.0 m t (+3% qoq and +3% yoy) driven by higher production at Russian Long Products segment and at NLMK USA.
- NLMK Group steelmaking capacities were running at 93% (+1 p.p. qoq and -1 p.p. yoy), including the Lipetsk site - 100%.
- Group sales increased to 4.0 m t (+7% qoq and +2% yoy) driven by Russian Long Products and Foreign Rolled Products segments sales.
- Market share of NLMK Group sales:
  - The share of sales in the home markets where the Group produces finished steel (hereinafter “the local markets”) increased to 53% (+2 p.p. qoq and +4 p.p. yoy)
  - The share of export sales to third parties (excluding sales to NBH), (hereinafter “the export markets”) decreased to 36% (-1 p.p. qoq and -3 p.p. yoy)
  - The share of sales to NBH totaled 11% (-1 p.p. qoq and yoy).
- Finished steel sales increased to 2.53 m t (+20% qoq and +8% yoy): shipments of flat products grew by 19% qoq and 14% yoy while sales of long products and metalware grew by +24% qoq (-10% yoy).



## NLMK Group

### Key operating data <sup>1</sup>

Production, m t	Q1 2016	Q4 2015	QoQ	Q1 2015	YoY
Crude steel production	3.976	3.864	3%	3.874	3%
Capacity utilization	93%	92%	+1 p.p.	94%	-1 p.p.
<b>Sales, m t</b>					
Semi-finished steel <sup>2</sup>	1.515	1.655	-8%	1.626	-7%
Finished steel	2.528	2.116	20%	2.332	8%
Flat	2.063	1.739	19%	1.816	14%
Long	0.465	0.377	24%	0.516	-10%
<b>Total consolidated sales</b>	<b>4.044</b>	<b>3.771</b>	<b>7%</b>	<b>3.958</b>	<b>2%</b>
Sales to local markets of the Group <sup>3</sup>	53%	51%	+2 p.p.	49%	+4 p.p.
Slabs sales to NBH	11%	12%	-1 p.p.	12%	-1 p.p.
Sales to external markets	36%	37%	-1 p.p.	39%	-3 p.p.
For information: slab sales to foreign subsidiaries and affiliates	0.768	0.893	-14%	0.826	-7%
<b>Segment sales</b>					
Russian Flat Products	3.196	3.250	-2%	3.209	0%
Russian Long Products	0.649	0.494	31%	0.568	14%
Mining	4.303	4.485	-4%	3.858	12%
Foreign rolled products	0.588	0.469	25%	0.539	9%
<b>For information: NBH Sales</b>	<b>0.527</b>	<b>0.436</b>	<b>21%</b>	<b>0.506</b>	<b>4%</b>

<sup>1</sup> Hereinafter Q1 2016 production and sales data are preliminary

<sup>2</sup> Including pig iron, slabs and billets

<sup>3</sup> Local markets: Russia for the Russian assets of NLMK Group Russia, North America for NLMK USA and the EU market for NLMK Dansteel (excl. of sales to NBH)

### Group operating highlights

#### Q1 2016 overview

Group crude steel output in Q1 was up to 3.98 m t (+3% qoq) driven by higher steel output at Russian Long Products and NLMK USA. Steel production also increased by 3% yoy, driven by increased production at the Lipetsk site and at NLMK USA.

Group sales increased to 4.04 m t (+7% qoq and +2% yoy) supported by recovering steel demand in North America and growth in billets exports.

Group strong position in its key markets prompted significant growth in finished steel sales reaching 2.53 m t (+20% qoq and +8% yoy): shipments of flat products grew by 19% qoq (+14% yoy) while sales of long products and metalware grew by 24% qoq (-10% yoy).

Total sales of the Russian Flat Products segment was 3.2 m t (-2% qoq and flat yoy) as slabs sales to the Group international subsidiaries sequentially declined.

Russian long products sales increased to 0.65 m t (+31% qoq and +14% yoy) driven by growth in billets exports and increased domestic sales of rebar (0.36 m t, +25% qoq).

Foreign rolled product sales increased by 25% qoq to 0.59 m t (+9% yoy) due to the recovery of demand in the US market and better demand for plates in Europe.



Q1 NBH demonstrated strong growth in sales to 0.53 m t (+21% qoq and +4% yoy), underpinned by the growing demand in the construction and automotive sectors and restocking at trading companies in Europe.

Group companies sales in their home markets increased to 2.15 m t (+12% qoq and +10% yoy), accounting for 53% of total sales. Q1 2016 NBH slab sales were 0.45 m t (+1% qoq and -3% yoy), accounting for 11% of the Group's total sales volume. The share of sales to NBH totaled 36% of NLMK Group's export slab sales.

Q1 export sales of the Russian steel operations of the Group and NLMK Dansteel (up to 7% of its sales are exported) to third parties totaled 1.44 m t (+2% qoq and -6% yoy), or 34% of total sales.

Key external destinations were Europe, North America and the Middle East (including Turkey).

## Russian Flat Products <sup>4</sup>

Sales, m t	Q1 2016	Q4 2015	QoQ	Q1 2015	YoY
Pig iron	0.141	0.187	-25%	0.155	-9%
Slabs incl.	1.580	1.793	-12%	1.775	-11%
Slab sales to foreign subsidiaries and affiliates	0.768	0.893	-14%	0.826	-7%
to NLMK USA, NLMK Dansteel	0.315	0.442	-29%	0.359	-12%
to NBH	0.453	0.450	1%	0.466	-3%
Hot-rolled steel	0.768	0.578	33%	0.571	35%
Cold-rolled steel	0.369	0.331	11%	0.340	8%
Galvanized steel	0.112	0.140	-20%	0.162	-31%
Pre-painted steel	0.091	0.084	9%	0.089	3%
Dynamo steel	0.066	0.064	4%	0.054	22%
Transformer steel	0.070	0.074	-5%	0.064	10%
incl. VIZ-Steel	0.042	0.048	-12%	0.042	0%
<b>Total products</b>	<b>3.196</b>	<b>3.250</b>	<b>-2%</b>	<b>3.209</b>	<b>0%</b>
Coke sales from Altai-Koks <sup>5</sup>	0.885	0.953	-7%	0.977	-9%
incl. to Novolipetsk	0.693	0.787	-12%	0.699	-1%

<sup>4</sup> NLMK Russia Flat companies include Novolipetsk, VIZ-Steel, trading companies and Altai-Koks. Novolipetsk and VIZ-Steel sales are calculated including trading companies.

<sup>5</sup> Coke production and sales are shown in dry weight.

### Q1 2016 overview

Lipetsk site crude steel output decreased by 2% qoq to 3.1 mt (+4% yoy) due to scheduled repairs of steelmaking and blast furnace operations.

Lipetsk site steel output decreased by 2% qoq to 3.21 m t (+4% yoy), due to the decrease of slab production by 12% qoq to 1.61 m t.

Segment sales decreased by 2% qoq to 3.2 m t (flat yoy) mainly due to a 25% decrease in pig iron exports and lower sales of merchant slabs (-12% qoq) as accumulated slab stock was used in production.

Finished steel sales grew to 1.48 m t (+16% qoq and +15% yoy), mainly driven by the growing export sales. Sales of semis decreased by 13% qoq to 1.72 m t (-11% yoy).

Slab sales to international subsidiaries and affiliates were 0.77 m t or 49% of total slabs sales (-14% qoq and -7% yoy).

Domestic sales increased by 8% to 1.11 m t (+19% yoy) despite seasonal slowdown in demand in Russia; segment's domestic sales share grew to 35% (+3 p.p. qoq +6 p.p. yoy). The increase was driven by re-stocking at customers and trading companies amid the recent steel prices uptrend.

Segment's exports declined to 2.08 m t (-6% qoq and -8% yoy). Sales to Group's subsidiaries and affiliates accounted for 37% of segment's exports (-3 p.p. and +1 p.p. yoy).

## Russian Long Products <sup>6</sup>

Sales, m t	Q1 2016	Q4 2015	QoQ	Q1 2015	YoY
Billet	0.169	0.117	44%	0.052	> 100%
Rebar	0.364	0.292	25%	0.407	-11%
Sections	0.015	0.004	> 100%	0.001	> 100%
Wire rod	0.042	0.021	> 100%	0.033	27%
Metalware	0.059	0.060	-2%	0.075	-21%
<b>Total steel products</b>	<b>0.649</b>	<b>0.494</b>	<b>31%</b>	<b>0.568</b>	<b>14%</b>
<b>Ferrous and non-ferrous scrap, incl.</b>	<b>0.697</b>	<b>1.043</b>	<b>-33%</b>	<b>0.690</b>	<b>1%</b>
to NSMMZ	0.217	0.340	-36%	0.228	-5%
to NLMK Kaluga	0.236	0.290	-19%	0.212	11%
to Novolipetsk	0.229	0.386	-41%	0.230	0%

<sup>6</sup> NLMK Russia Long companies include NSMMZ, NLMK Metalware, NLMK Kaluga and scrap collecting facilities.

### Q1 2016 overview

Segment's steel output increased by 17% qoq to 0.62 m t (-11% yoy) driven by higher exports of billets and better demand for long products in the domestic market.

Q1 sales jumped by 31% qoq to 0.65 m t (+14% yoy) supported by growth in billets exports (0.17 m t in Q1'16 compared to 0.05 m t in Q4'15) and a 25% sequential increase in rebar sales as domestic trading and distribution companies were replenishing low inventories.

Exports share increased to 27% of total sales (+11 p.p. qoq and +10 p.p. yoy).

Sales of long products (rebar, wire rod, sections, metalware) increased by 27% qoq (-7% yoy) to 0.48 m t driven by an improved buying activity ahead of the construction season.

Sales of scrap seasonally decreased by 33% qoq to 0.7 m t (+1% yoy). Intragroup sales totaled 98% or 0.68 m t. Total volume of scrap processed internally was 0.30 m t (-38% qoq and -11% yoy).



## Mining

Sales, m t	Q1 2016	Q4 2015	QoQ	Q1 2015	YoY
<b>Iron ore concentrate</b>	<b>3.829</b>	<b>3.947</b>	<b>-3%</b>	<b>3.497</b>	<b>10%</b>
incl. to Novolipetsk	2.934	2.905	1%	2.724	8%
<b>Sinter ore</b>	<b>0.473</b>	<b>0.538</b>	<b>-12%</b>	<b>0.361</b>	<b>31%</b>
incl. to Novolipetsk	0.323	0.310	4%	0.155	> 100%

### Q1 2016 overview

Iron ore concentrate production totaled 3.91 m t (-1% qoq and +2% yoy). Sinter ore production decreased to 0.41 m t (-11% qoq and -5% yoy).

Iron ore concentrate and sinter ore sales totaled 3.83 m t (-3% qoq and +10% yoy) and 0.47 m t (-12% qoq and +31% yoy), respectively. This decline was mainly attributable to decrease in sales to third parties with concentrate and sinter ore third party sales decline of 14% qoq and 34% qoq, respectively.

Concentrate sales to Lipetsk site increased to 2.93 m t (+1% qoq and +8% yoy), sinter ore sales totaled 0.32 m t (+4% qoq and 2x yoy).



## Foreign Rolled Products

### NLMK USA <sup>7</sup>

Sales, m t	Q1 2016	Q4 2015	QoQ	Q1 2015	YoY
Hot-rolled steel	0.242	0.176	38%	0.222	9%
Cold-rolled steel	0.142	0.103	38%	0.132	8%
Galvanized steel	0.082	0.078	5%	0.074	11%
<b>Total rolled steel <sup>8</sup></b>	<b>0.467</b>	<b>0.357</b>	<b>31%</b>	<b>0.431</b>	<b>8%</b>

<sup>7</sup> NLMK USA includes NLMK Indiana, NLMK Pennsylvania, and Sharon Coating. Operating data for NLMK USA is presented in metric tonnes.

<sup>8</sup> In addition to finished steel NLMK USA sales insignificant volumes of commercial slabs not included in the total sales volume of rolled products. In Q1 2016 slab sales totaled 0.1 kt. In Q1'15, Q2'15, Q3'15 and Q4'15 slab sales totaled 3,000 t, 1,000 t, 2,000 t, and 1,000 t, respectively.

#### Q1 2016 overview:

NLMK USA crude steel production increased to 0.16 m t (+94% qoq and +68% yoy); finished steel output grew to 0.46 m t (+31% qoq and +11% yoy). This growth was due to a re-launch of the steelmaking facility following its repairs in the end of 2015 coupled with a recovery in steel demand in the USA. Steelmaking capacity utilization improved to 82% (+40 p.p. qoq and +33 p.p. yoy).

NLMK USA sales increased by 31% qoq to 0.47 m t (+8% yoy). The key drivers of this growth were the growing demand from the construction and automotive industries.

Q1 slabs shipments from the Lipetsk site declined to 0.16 m t (-50% qoq and -25% yoy) as NLMK USA operations were optimizing its slabs stocks levels and due to growth in steel output at NLMK Indiana.

### NLMK Dansteel

Sales, m t	Q1 2016	Q4 2015	QoQ	Q1 2015	YoY
Thick plates	0.121	0.111	9%	0.109	11%

Q1 capacity utilization rate of the rolling mill at NLMK Dansteel was 100%.

NLMK Dansteel Q1 2016 thick plates sales increased by 9% qoq to 0.12 m t (+11% yoy) driven by the growing demand from the construction and shipbuilding sectors.

Q1 slab shipments from the Lipetsk site increased to 0.15 m t (+27% qoq and +6% yoy).



### Associated companies - *NLMK Belgium Holdings (NBH)* <sup>9</sup>

Sales, m t	Q1 2016	Q4 2015	QoQ	Q1 2015	YoY
Hot-rolled steel	0.226	0.187	21%	0.218	4%
Cold-rolled steel	0.011	0.009	21%	0.013	-9%
Coated steel	0.088	0.086	2%	0.085	4%
<b>Total flat steel</b>	<b>0.326</b>	<b>0.282</b>	<b>15%</b>	<b>0.316</b>	<b>3%</b>
Semi-finished (ingots)	0.026	0.019	36%	0.027	-3%
Thick plates	0.175	0.135	30%	0.164	7%
<b>Total steel products</b>	<b>0.527</b>	<b>0.436</b>	<b>21%</b>	<b>0.506</b>	<b>4%</b>

<sup>9</sup> NBH assets include producers of thick plates NLMK Clabecq (Belgium), NLMK Verona (Italy) and producers of flat steel NLMK La Louvière (Belgium), NLMK Coating (France) and NLMK Strasbourg (France)).

Q1 sales increased by 21% qoq to 0.53 m t (+4% yoy).

Flat product sales increased by 15% qoq to 0.33 m t (+3% yoy), driven by a sustainably growing demand from the construction and automotive industries.

Sales of plates and ingots increased by 30% qoq and 36% qoq, respectively. Sales increase was mainly driven by trading companies restocking inventories amid anticipation of further price increase.

Q1 slab shipments from the Lipetsk site sequentially increased by 1% to 0.45 m t (-3% yoy).



## Appendixes

### Appendix 1. NLMK Group crude steel production

Production, m t	Q1 2016	Q4 2015	QoQ	Q1 2015	YoY
<b>NLMK Group</b>	<b>3.976</b>	<b>3.864</b>	<b>3%</b>	<b>3.874</b>	<b>3%</b>
Lipetsk site	3.202	3.255	-2%	3.090	4%
NLMK Long Products	0.615	0.528	17%	0.690	-11%
incl. NLMK Kaluga	0.283	0.284	0%	0.261	8%
NLMK Indiana (NLMK USA)	0.158	0.081	94%	0.094	68%
<i>for information</i>					
NBH, NLMK Europe (EAF)	0.048	0.040	21%	0.057	-15%

### Appendix 2. NLMK Group product output

Production, m t	Q1 2016	Q4 2015	QoQ	Q1 2015	YoY
Merchant pig iron	0.159	0.090	78%	0.101	59%
Merchant slabs	1.222	1.377	-11%	1.168	5%
Flat steel	2.013	1.832	10%	1.977	2%
Merchant billets	0.174	0.104	67%	0.052	> 100%
Long products	0.393	0.345	14%	0.529	-26%
Metalware	0.059	0.059	0%	0.078	-24%
<b>Total products</b>	<b>4.021</b>	<b>3.807</b>	<b>6%</b>	<b>3.905</b>	<b>3%</b>

### Appendix 3. Novolipetsk product output

Production, m t	Q1 2016	Q4 2015	QoQ	Q1 2015	YoY
Merchant pig iron	0.159	0.090	78%	0.101	59%
Merchant slabs	1.606	1.820	-12%	1.527	5%
Hot-rolled steel	0.738	0.703	5%	0.717	3%
Cold-rolled steel	0.402	0.357	13%	0.388	4%
Galvanized steel	0.116	0.147	-21%	0.168	-31%
Pre-painted steel	0.099	0.080	24%	0.104	-6%
Dynamo steel	0.060	0.060	0%	0.059	3%
Transformer steel	0.024	0.026	-8%	0.025	-4%
<b>Total steel products</b>	<b>3.205</b>	<b>3.283</b>	<b>-2%</b>	<b>3.089</b>	<b>4%</b>

#### Appendix 4. Main raw materials production

Production, m t	Q1 2016	Q4 2015	QoQ	Q1 2015	YoY
<b>Coke</b>	<b>1.484</b>	<b>1.568</b>	<b>-5%</b>	<b>1.580</b>	<b>-6%</b>
Novolipetsk	0.613	0.616	0%	0.598	2%
Altai-Koks	0.871	0.952	-8%	0.981	-11%
<b>Iron ore</b>	<b>4.336</b>	<b>4.428</b>	<b>-2%</b>	<b>4.281</b>	<b>1%</b>
Iron ore concentrate	3.931	3.974	-1%	3.854	2%
Sinter ore	0.405	0.454	-11%	0.427	-5%
<b>Scrap</b>	<b>0.296</b>	<b>0.538</b>	<b>-45%</b>	<b>0.374</b>	<b>-21%</b>

#### Appendix 5. NLMK Group product sales

Sales, m t	Q1 2016	Q4 2015	QoQ	Q1 2015	YoY
<b>Semi-finished</b>	<b>1.515</b>	<b>1.655</b>	<b>-8%</b>	<b>1.626</b>	<b>-7%</b>
Pig iron	0.141	0.187	-25%	0.155	-9%
Slabs	1.265	1.351	-6%	1.418	-11%
Billet	0.109	0.117	-7%	0.052	> 100%
<b>Flat steel</b>	<b>2.063</b>	<b>1.739</b>	<b>19%</b>	<b>1.816</b>	<b>14%</b>
Plate	0.121	0.111	9%	0.109	11%
Hot-rolled steel	1.010	0.754	34%	0.793	27%
Cold-rolled steel	0.511	0.435	18%	0.472	8%
Galvanized steel	0.194	0.218	-11%	0.236	-18%
Pre-painted steel	0.091	0.084	9%	0.089	3%
Transformer steel	0.070	0.074	-5%	0.064	10%
Dynamo steel	0.066	0.064	4%	0.054	22%
<b>Long products</b>	<b>0.466</b>	<b>0.377</b>	<b>24%</b>	<b>0.516</b>	<b>-10%</b>
Long	0.406	0.317	28%	0.441	-8%
Metalware	0.059	0.060	-2%	0.075	-21%
<b>Total steel products</b>	<b>4.044</b>	<b>3.771</b>	<b>7%</b>	<b>3.958</b>	<b>2%</b>