


IR contact info:

Dmitry Kolomytsyn, CFA
+7 (495) 504 0504
ir@nlmk.com

Media contact info:

Andrey Sogrin
+7 (495) 504 0504
sogrin_av@nlmk.com

NLMK GROUP Q2 2019 IFRS FINANCIAL RESULTS

NLMK Group (LSE: NLMK, MOEX: NLMK), a vertically integrated steel company, has published today its Q2 2019 financial results¹.

Q2 2019 key highlights:

k t/\$ million	Q2 2019	Q1 2019	QoQ	Q2 2018	YoY	6M 2019	6M 2018	YoY
Sales volumes	4,268	4,614	-7%	4,384	-3%	8,882	8,530	4%
Revenue	2,797	2,869	-3%	3,112	-10%	5,666	5,906	-4%
EBITDA ²	735	695	6%	915	-20%	1,430	1,727	-17%
EBITDA margin	26%	24%	+2 p.p.	29%	-3 p.p.	25%	29%	-4 p.p.
Profit for the period ³	414	382	8%	581	-29%	796	1,083	-27%
Free cash flow ⁴	258	678	-62%	288	-10%	936	887	6%
Net debt ⁵	1,291	915	41%	976	32%	1,291	976	32%
Net debt/EBITDA ⁵	0.39x	0.26x		0.31x		0.39x	0.31x	

- **Year-on-year, revenue decreased by 10%**, due to lower sales volumes (-3% yoy) as a result of overhauls at NLMK Lipetsk blast furnace (BF) and basic oxygen furnace (BOF) operations, and lower sales prices.
- **Group revenue** decreased by 3% qoq to \$2.8 bn. The decrease in output was partially offset by higher sales prices and sales mix improvements.
- **EBITDA grew by 6% qoq (-20% yoy) to \$735 m**, driven by the increase in the share of HVA products in total sales and by wider price spreads to raw materials. **EBITDA margin** increased by 2 p.p. qoq to **26%**.
- **Free cash flow totalled \$258 m in Q2 2019**. The QoQ trend was associated with the Q1 2019 high base effect driven by the sale of stocks accumulated at the end of 2018.

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 the results of joint ventures, impairment of capital assets and losses from fixed assets retirement, adjusted to depreciation and amortization. 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 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 Q2 2019 IFRS CONSOLIDATED FINANCIAL RESULTS

Key highlights

Comment from NLMK Group CFO Shamil Kurmashov:

"Q2 2019 saw the launch of overhauls at NLMK Lipetsk's blast furnace and basic oxygen furnace operations. These projects are key in our Strategy 2022, and will enable us to grow our steel output by 1 million tonnes by 2021 to 14.2 million tonnes per year.

"Despite the 7% qoq decrease in steel shipments driven mainly by overhauls at NLMK Lipetsk, the company's revenue was down only 3% qoq thanks to our flexible business model and proactive sales portfolio management. The seasonally strong demand growth in the Russian market served as an additional factor.

"EBITDA grew by 6% qoq, driven by product mix improvements and growth of average sales prices in the Russian market. Solid financial performance was also supported by 100% self-sufficiency in iron ore amid high prices for this type of raw material. Additionally, overall EBITDA gains from operational efficiency projects stood at \$72 m, including \$53 m in Q2 2019.

Free cash flow totalled \$258 m. The QoQ trend was associated with the Q1 high base effect, and the qoq growth of investment as part of Strategy 2022 and maintenance programme.

"Net debt/EBITDA continues to remain at a conservatively low level."



TELECONFERENCE

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

Friday, 26 July 2019

- 9:00 a.m. – New York
- 2:00 p.m. – London
- 4:00 p.m. – Moscow

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

U.S. number:

+1 646-828-8193 (local access) // 888-220-8451 (toll free)

UK number:

+44 330 336 9125 (local access) // 0800 358 6377 (toll free)

Russian number:

+7 495 213 1767 (local access) // 8 800 500 9283 (toll free)

Conference code: 4345418

To join the webcast, please follow the link:

<https://webcasts.egs.com/nlmk20190726>.

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

MANAGEMENT COMMENTS

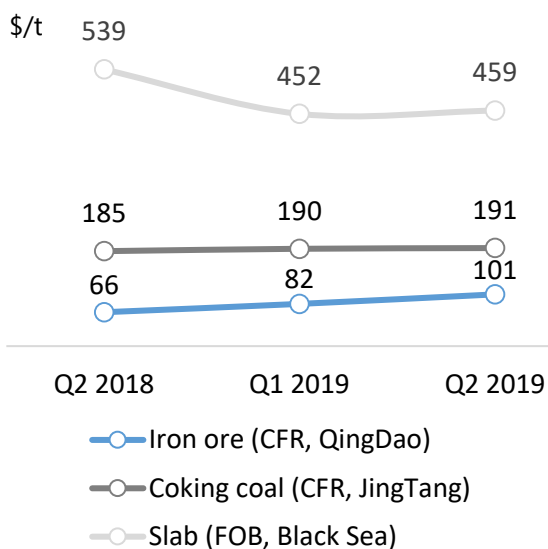
Q2 2019 market review

- **Steel exports from China** grew by 2% qoq (-14% yoy), driven by higher steel output.
- **Consumption in the US** remained flat qoq (+3% yoy)*, driven by demand from the machine-building, energy and construction sectors.
- **European** demand remained flat qoq (-1% yoy) due to weak consumption in the automobile and machine-building sectors.
- **In Russia**, demand grew by 7% qoq (+6% yoy), due to proactive developer efforts ahead of changes to equity-shared construction regulations, and the launch of new projects.

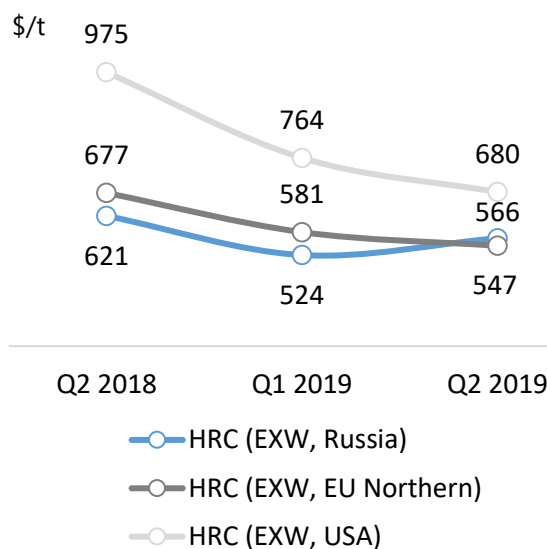
Q2 2019 prices

- **Raw material prices:** average global coal prices grew by 1% qoq (+3% yoy); iron ore prices grew by 23% qoq (+53% yoy) due to the uncertainty with Brazilian supplies.
- **Market prices** for steel products:** 6-11% qoq decline in the US market (-23-30% yoy), 3-6% qoq decline in Europe (-12-20% yoy).
- **In Russia**, prices for steel products in dollar terms grew by 6-11% qoq (-3-9% yoy) driven by the seasonal uptick in demand.
- **Slab export prices** (FOB Black Sea) grew by 1% qoq (-15% yoy) due to limited supply in H1 2019.

Coking coal, iron ore and slab prices increased qoq in Q2 2019



HRC prices, however, showed mixed dynamics 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.

Q2 2019 output and sales breakdown

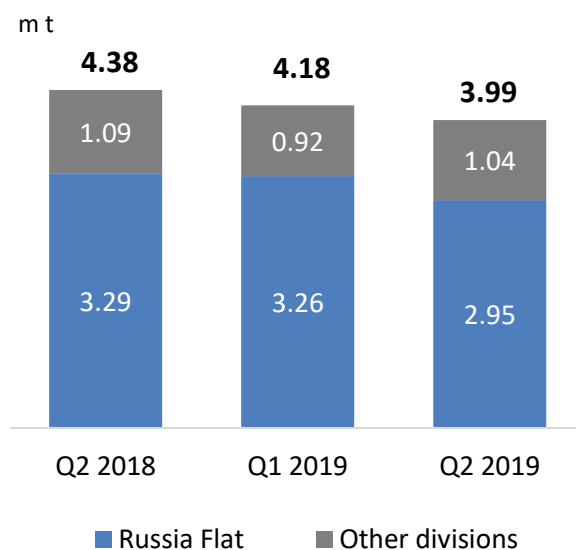
- **Steel output*** decreased by 5% qoq (-9% yoy) to 3.99 m t due to the launch of overhauls at NLMK Lipetsk's blast furnace and basic oxygen furnace operations.
- **Sales** decreased by 7% qoq (-3% yoy) to 4.27 m t due to the decrease in the output and sales of commercial slabs and billets.
- **Finished steel sales** decreased by 3% qoq to 2.75 m t, due mainly to the reduction of HRC export from Russia.
- **Sales of semis** to third parties dropped by 39% qoq to 0.81 m t (-18% yoy), due to the reduction in commercial slab output. Slab deliveries to NBH, NLMK's joint venture, grew by 61% qoq (+8% yoy) to 0.71 m t, driven by the uptick in Segment's sales.
- **Sales on home markets** (with NBH) grew by 12% qoq (+13% yoy) to 2.99 m t, driven mainly by the seasonal growth of sales in Russia to 1.7 m t (+17% qoq; +21% yoy), and by the increase in demand for semis used in the production of oil & gas pipes; sales in the US decreased by 3% qoq (-8% yoy) amid expectations of a further decrease in prices; sales of the Group's European companies grew by 9% qoq (+11% yoy), driven by the growth in rolled product output.

H1 2019 output and sales breakdown

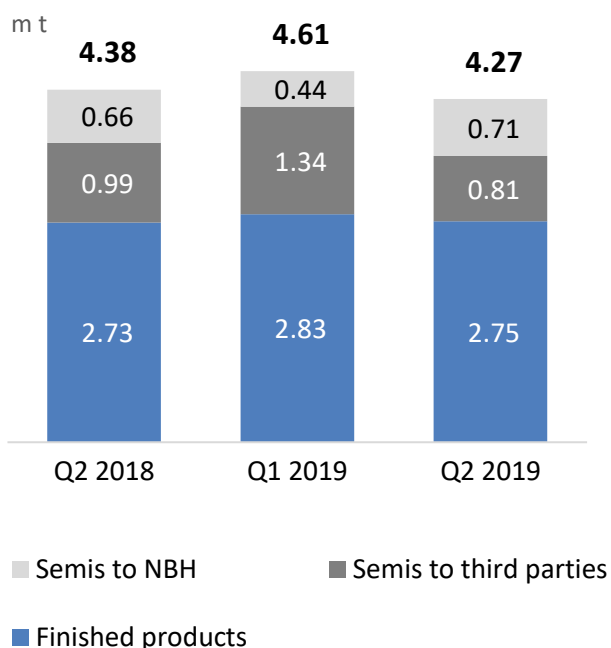
- **Steel output*** decreased by 6% yoy to 8.18 m t due to overhauls at NLMK Lipetsk's blast furnace and basic oxygen furnace operations, and the decrease in steel output at NLMK's Long Products Division, due to low demand for billets on export markets.

Sales grew by 4% yoy to 8.88 m t, supported by growth of demand for HRC, and the sale of flat steel and slab stocks accumulated at ports at the end of 2018 in Q1 2019.

Year-on-year steel output reduction due to overhauls*:



Consolidated sales decreased qoq due to exports



* 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

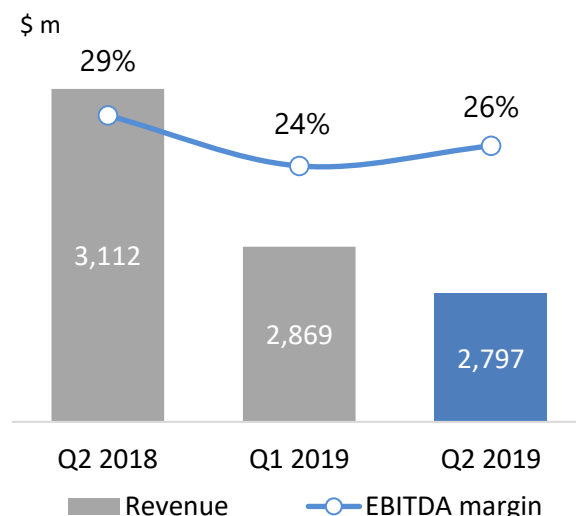
Q2 2019 revenue

- Revenue totalled \$2.8 bn (-3% qoq). This trend was associated with a 7% qoq decrease in sales, which was partially offset by the growth of prices in the Russian market, and the increase in the share of HVA products in total sales. The 10% yoy decrease in revenue was attributable to the decrease in steel product sales volumes and prices.
- The share of finished steel in the revenue grew to 67% (+1 p.p. qoq & yoy), with the share of high value added products also growing by 1 p.p. qoq amid the decrease in the sales of semi-finished products.
- The Russian, EU and US markets account for the most significant share in the Group's regional sales mix. The share of the Russian and the European markets in the Group's consolidated revenue increased by 9 p.p. & 4 p.p. to 41% & 22%, respectively. The share of the US market remained flat at 20%.
- The share of the Group's revenue from sales on its home markets (Russia, the US and the EU), including NBH JV sales, grew by 11 p.p. qoq to 74%, driven by an increase in sales by NLMK's Russian and European companies.

H1 2019 revenue

- Revenue totalled \$5.67 bn (-4% yoy), driven by an 8% decrease yoy in average sales prices, which was partially offset by the 4% yoy growth of sales volumes.
- The share of the Russian market in the Group's revenue grew by 3 p.p. yoy to 37%. The US and EU shares decreased by 1 p.p. yoy to 20% & 21%, respectively.
- The share of the Group's revenue from sales on its home markets, including NBH JV sales, grew by 2 p.p. yoy to 69%.

Reduction in revenue by 3% qoq due to lower sales volumes



Q2 2019 operating profit

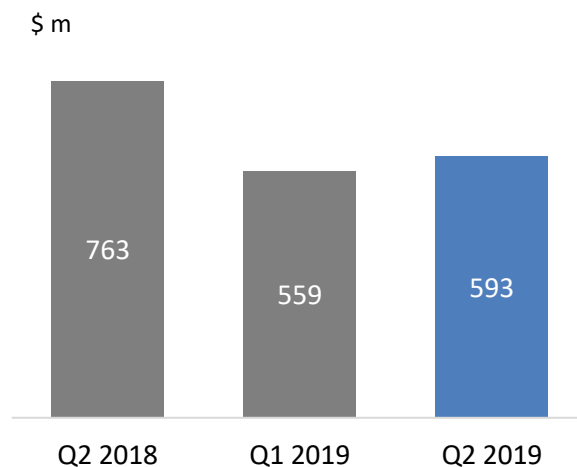
- Operating profit* grew by 6% qoq to \$593 m, driven mainly by the increase in the steel/raw materials price spreads. The 22% decrease yoy was driven by the drop in revenue due to the decrease in steel product volumes and prices.
- Commercial expenses declined by 11% qoq to \$202 m, driven by the decrease in the share of export sales. The 5% decrease yoy was also associated with lower export volumes.
- The 7% qoq growth of G&A expenses to \$88 m was driven mainly by the annual payroll indexation.

H1 2019 operating profit

- Operating profit* decreased by 19% yoy to \$1.15 bn, due mostly to the decrease in steel product prices.
- Commercial expenses grew by 1% yoy to \$428 m, driven by growth of sales volumes.
- G&A expenses decreased by 6% yoy to \$170 m due to the accrual of long-term incentive programme bonuses in Q2 2018.

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

Operating profit grew by 6% qoq



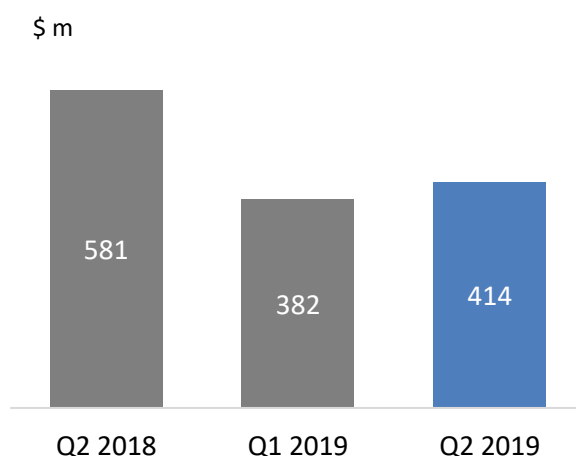
Q2 2019 net profit*

- **Net profit grew by 8% qoq** to \$414 m, driven by the growth of operating profit, which was partially offset by the higher effective income tax rate due to the change in the methodology for bonus, vacation and pension provisions that were included into deferred tax assets. The 29% decrease yoy was due to the decrease in operating profit.

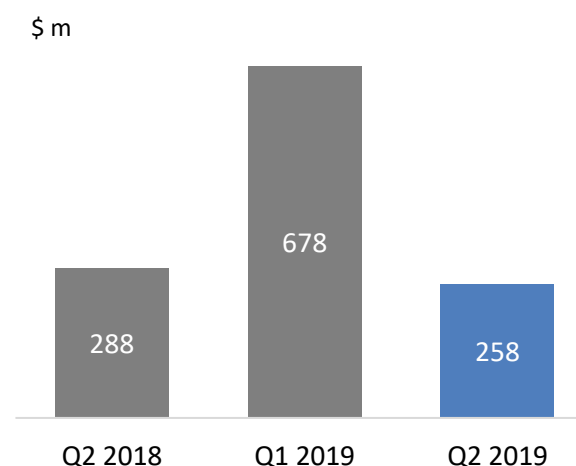
Q2 2019 free cash flow

- **Free cash flow decreased by 62% qoq** to \$258 m (-10% yoy) associated with the Q1 2019 high base effect driven by the sale of stocks accumulated at the end of 2018.
- **Operating cash flow** decreased by 42% qoq (+20% yoy) to \$494 m, due to the growth of working capital, associated mainly with the purchase of third-party slabs by NLMK USA.
- **Cash outflow from working capital** totalled \$151 m (vs. an inflow of \$262 m in Q1 2019) due to:
 - -\$147 m: an increase in receivables driven by the growth of flat and long steel sales in Russia;
 - -\$128 m: growth of raw material stocks, due to the seasonal stockpiling of scrap, the growth of iron ore stocks as a result of lower consumption during the overhaul period, and the increase in third party slab stocks at NLMK USA;
 - +\$122 m: growth of payables driven by the increase in third-party slab purchases by NLMK USA.

Net profit grew by 8% qoq



Free cash flow reduced due to high base effect



* Profit for the period, attributable to NLMK shareholders



Investment

- NLMK Group's Q2 2019 investment increased by 28% qoq to \$227 m (+96% yoy) due to the relatively low base of the previous quarter and the start-up of activities related to new strategic cycle projects.

Operational efficiency projects

- As part of Strategy 2022, NLMK Group continued to work on its operational efficiency programmes. The overall EBITDA gains from operation efficiency projects in 6M 2019 totalled \$72 m, including \$53 in Q2. Operational efficiency projects for the Mining and Raw Material Processing Segment accounted for over 40% of these gains.

Dividends

- In Q2 2019, NLMK paid out \$615 m in dividends.
- At an Extraordinary General Shareholders' Meeting (EGM) held on 7 June 2019, NLMK shareholders approved the payment of Q1 2019 dividends of 7.34 rubles per share, or 100% of NLMK Group's free cash flow over the period.
- On 25 July 2019, the Board of Directors recommended that shareholders approve the payment of Q2 2019 dividends in the amount of 3.68 rubles per share, which is equivalent to 136% of the free cash flow.

Debt management

- **Total debt** grew by 34% qoq to \$2,801 m (+33% yoy) due to the placement of 7-year \$500 m Eurobonds with an annual coupon rate of 4.7% in May 2019, and the use of its ST revolving loan facility to finance NLMK Trading for a total of \$319 m.
- **Net debt** grew by 41% qoq to \$1,291 m (+32% yoy). Net debt/EBITDA stood at 0.39x (vs. 0.26x at the end of the previous quarter).

Q3 2019 outlook

- We expect steel output to reduce by 2-3% qoq due to the overhauls at NLMK Lipetsk blast furnace and basic oxygen furnace operations. We expect a corresponding qoq reduction in sales volumes, coupled with an increase in the share of finished and HVA products in our sales mix.

NLMK Russia Flat Products

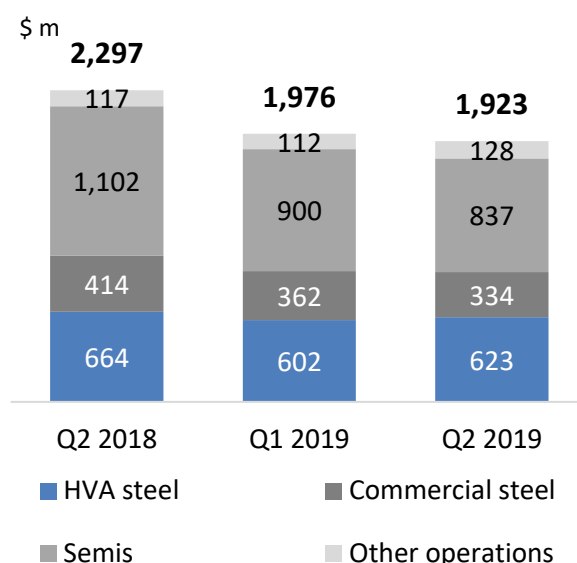
Q2 2019 highlights:

- **Sales** decreased by 10% qoq (-11% yoy) due to lower steel output.
- **Revenue** of the Segment decreased by 3% qoq to \$1.92 bn due to the qoq decline in sales, which was partially offset by higher slab and finished product prices. The 16% decrease in revenue yoy is attributable to the reduction in steel product prices coupled with lower sales volumes.
- **EBITDA** grew by 7% qoq to \$455 m due to the growth in prices, sales mix improvements, and operational efficiency gains. The 26% decrease in EBITDA yoy is attributable to lower steel product sales volumes and prices.

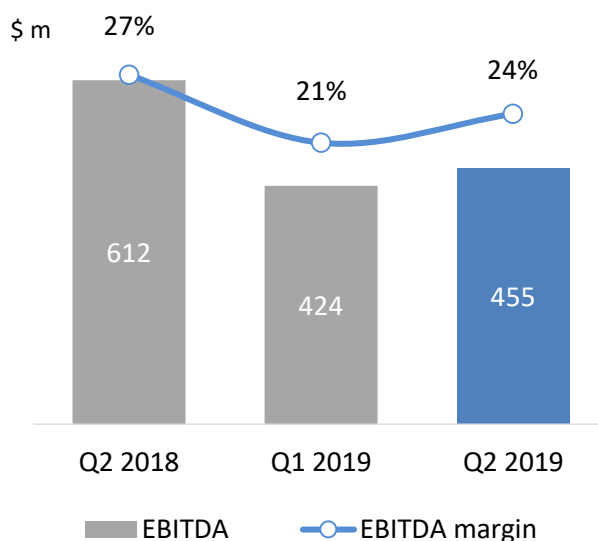
H1 2019 highlights:

- **Sales** decreased by 5% yoy to 6.46 m t, due to the decrease in semis sales to the Group's companies and NBH.
- **Revenue** decreased by 13% yoy due to the decrease in steel product sales prices and volumes.
- **EBITDA** decreased by 23% yoy due to the narrowing of price spreads.

Revenue decreased by 3% qoq due to lower sales



EBITDA grew by 7% qoq driven by growth in prices and sales mix improvements



NLMK Russia Long Products

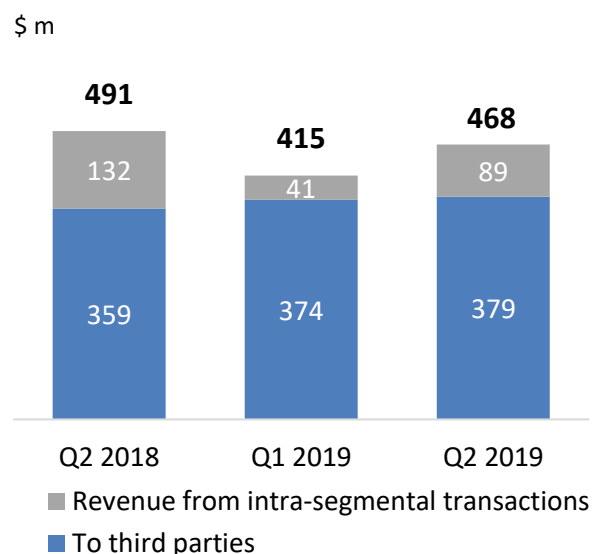
Q2 2019 highlights:

- **Sales** in Q2 2019 reduced by 7% qoq to 0.72 m t, due mostly to the decrease in export sales, which was partially offset by higher demand on the domestic market. The 12% growth of sales yoy is attributable to the low base effect.
- **Revenue** in Q2 2019 grew by 13% qoq to \$468 m due to higher average sales prices and the increase in the share of finished products in the sales mix. The yoy decrease in revenue resulted from the drop in long product prices.
- **EBITDA** of the Segment in Q2 2019 increased to \$36 m, impacted by higher prices and product mix improvements. The decrease in EBITDA yoy (-31%) was associated with the narrowing of rebar/scrap price spreads.

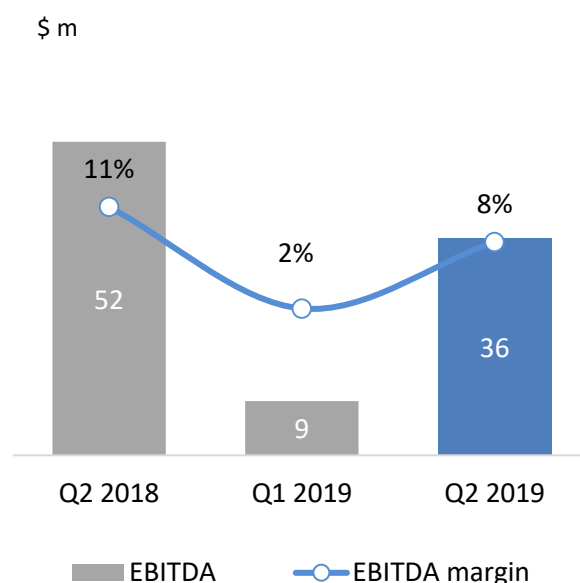
H1 2019 highlights:

- **Sales** grew by 5% yoy to 1.48 m t.
- **Revenue** decreased by 7% yoy due to a decline in rebar and metalware prices.
- **EBITDA** decreased by 60% yoy due to the narrowing of the rebar/scrap price spreads, which was partially offset by sales mix improvements.

Revenue increased by 13% qoq due to higher prices



Growth of EBITDA qoq supported by widening price spreads



Mining and Processing of Raw Materials

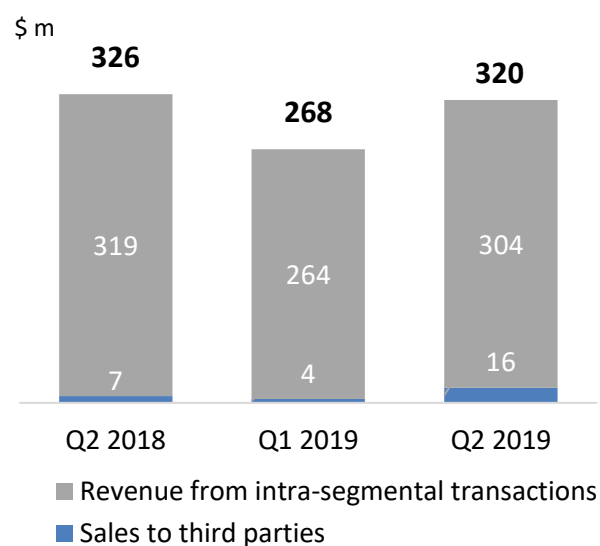
Q2 2019 highlights:

- **Sales** of iron ore in Q2 2019 decreased by 2% qoq to 4.51 m t (flat yoy). The qoq decrease was associated with a reduction in concentrate and sinter ore shipments to NLMK Lipetsk due to ongoing overhauls. As a result, the Segment resumed sales to third parties. These totalled 0.11 m t in Q2.
- **Revenue** in Q2 2019 increased by 19% qoq to \$320 m, supported by growing average sales prices.
- **EBITDA** increased by 22% qoq to \$232 m, driven by growth of prices and operational efficiency programmes. Q2 2019 EBITDA margin grew to 73%.

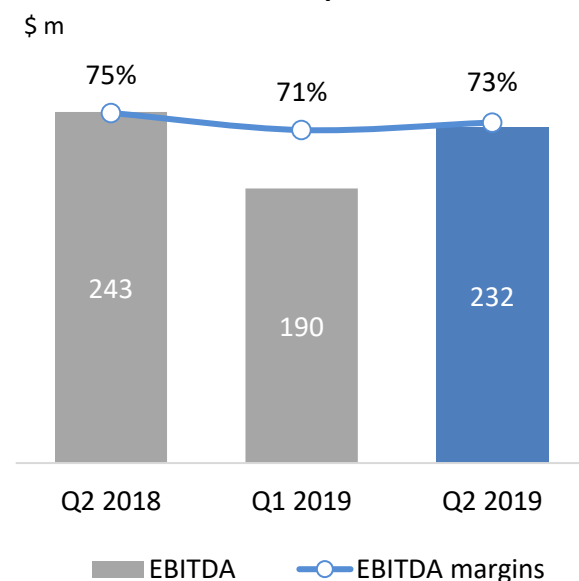
H1 2019 highlights:

- **Sales** grew by 1% yoy to 9.1 m t, driven by the growth in equipment performance.
- **Revenue** decreased by 11% yoy, pressured by the decrease in average iron ore prices.
- **EBITDA** decreased by 15% yoy following the decline in revenue.

Growth of revenue by 19% qoq supported by higher iron ore prices



EBITDA margin grew qoq, driven by growth of iron ore prices



NLMK USA

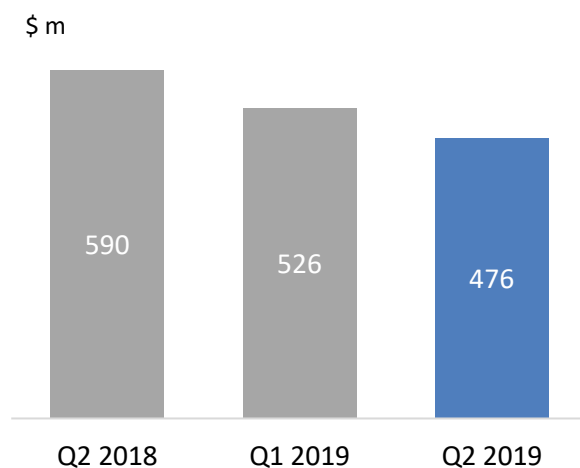
Q2 2019 highlights:

- **Sales decreased** by 3% qoq to 0.58 m t (-8% yoy) amid consumer expectations of a further decline in prices.
- **Revenue decreased** by 10% qoq to \$476 m (-19% yoy), due to ongoing price adjustments on the US market.
- **EBITDA decreased** by 6% qoq to \$16 m, driven by lower sales for finished products and the use of more expensive accumulated slab stocks.

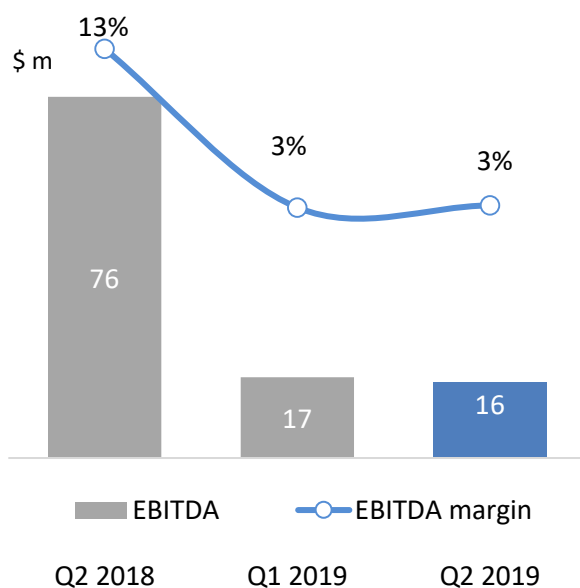
H1 2019 highlights:

- **Sales** remained practically flat at 1.19 m t.
- **Revenue** reduced by 2% yoy due to steel price adjustments in the US.
- **EBITDA** decreased to \$33 m due to the significant decrease in prices for steel products.

Decrease in revenue by 10% qoq due to lower sales prices



EBITDA decreased due to narrowing spreads



NLMK Dansteel*

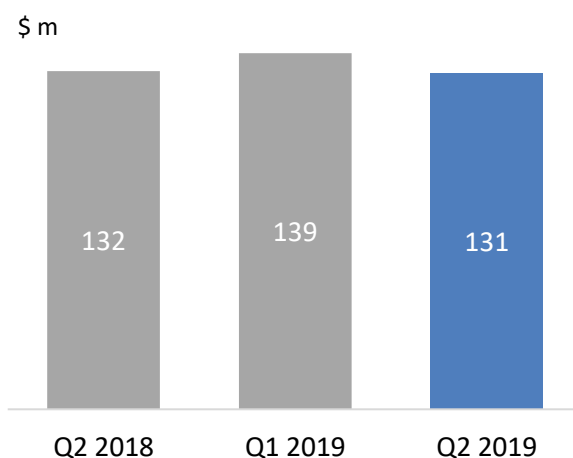
Q2 2019 highlights:

- **Sales** of thick plate reduced by 6% qoq (flat yoy) to 0.14 m t due to high consumer stock levels.
- **Revenue decreased by 6% qoq** to \$131 m (-1% yoy) following the drop in sales volumes.
- **EBITDA** remained flat qoq amid the decrease in natural gas prices and current maintenance expenses.

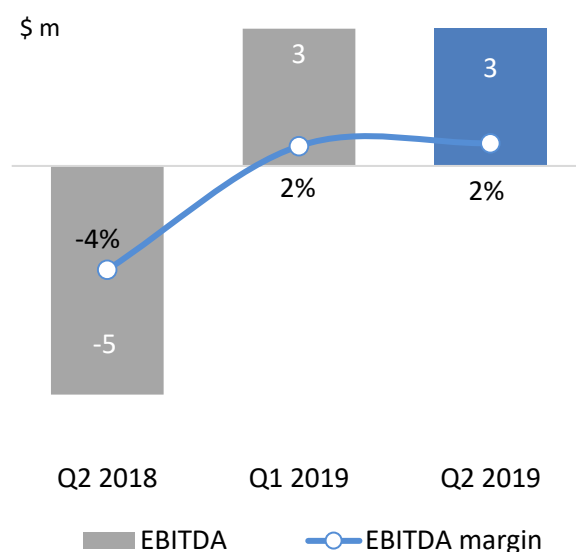
H1 2019 highlights:

- **Sales** grew by 2% yoy to 0.28 m t driven by stronger demand.
- **Revenue** remained flat yoy due to the decrease in steel product prices.
- **EBITDA** totalled \$6 m (vs. a \$10 m loss in 2018), supported by plate/slab price spread expansion.

Decrease in revenue by 6% qoq due to drop in prices



EBITDA flat qoq despite lower sales



*NLMK DanSteel and plate distribution network.

JV performance (NBH)

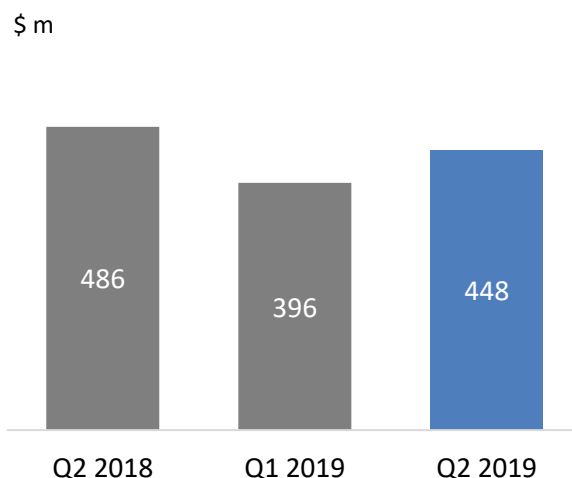
Q2 2019 highlights:

- **NBH sales** grew by 20% to 0.62 m t (+7% yoy), driven by higher flat steel output and restored capacity utilization after the strike at NLMK Clabecq.
- **Revenue** increased by 13% qoq to \$0.45 bn driven by a stronger sales performance, which was partially offset by the decrease in average sales prices. The 8% decrease yoy was also attributable to the drop in prices.
- **EBITDA** totalled (-) \$49 m vs. (-) \$15 m & (-) \$20 m in Q1 2019 & Q2 2018, respectively. Q2 losses include the one-off accrual of non-operating provisions for NLMK Clabecq restructuring costs for several years in the amount of \$23 m.

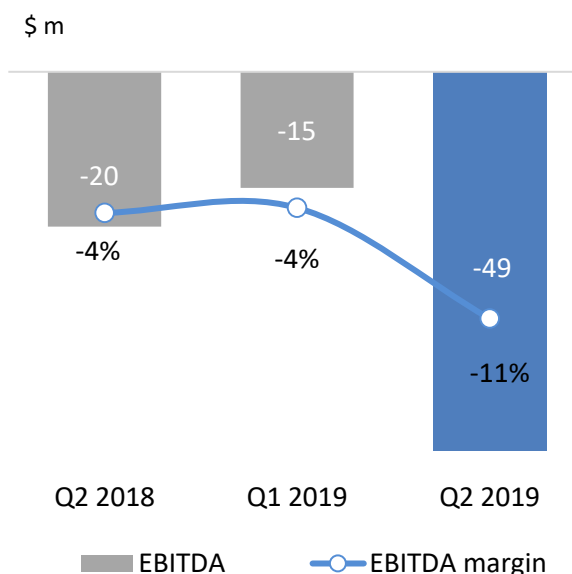
H1 2019 highlights:

- **NBH sales** decreased by 7% to 1.13 m t due to low capacity utilization rates in Q1 2019.
- **Revenue** decreased by 17% yoy to \$0.84 bn due to the decrease in sales volumes and prices.
- **EBITDA** totalled (-) \$64 m vs. (-) \$28 m in 2018 due to accrued provisions (see above).

Increase in revenue by 13% qoq driven by growth of output and sales



Narrowing spreads impact EBITDA



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)	4,176	1,704	994	753	418	28	279
Division sales to third parties:							
NLMK Russia Flat	2,122	1,162	234	159	389	16	164
NLMK Russia Long	715	542	62	0	20	9	81
International subsidiaries and affiliates, incl.:	1,339	0	698	594	9	3	34
NLMK USA	584	0	0	584	0	0	0
European rolling facilities (NLMK DanSteel and NBH)	754	0	698	10	9	3	34

(2) NLMK Russia Flat

k t/\$ million	Q2 2019	Q1 2019	QoQ	Q2 2018	YoY	6M 2019	6M 2018	YoY
Steel product sales, incl.:	3,055	3,403	-10%	3,433	-11%	6,458	6,770	-5%
external cutmores	2,122	2,658	-20%	2,308	-8%	4,780	4,388	9%
semis to NBH	709	441	61%	660	8%	1,150	1,259	-9%
intersegmental sales	224	304	-26%	465	-52%	528	1,123	-53%
Revenue, incl.:	1,923	1,976	-3%	2,297	-16%	3,899	4,466	-13%
external customers	1,444	1,624	-11%	1,638	-12%	3,068	3,109	-1%
intersegmental operations	479	352	36%	659	-27%	831	1,357	-39%
EBITDA	455	424	7%	612	-26%	879	1,135	-23%
EBITDA margin	24%	21%	+3 p.p.	27%	-3 p.p.	23%	25%	-2 p.p.

(3) NLMK Russia Long

k t/\$ million	Q2 2019	Q1 2019	QoQ	Q2 2018	YoY	6M 2019	6M 2018	YoY
Steel product sales	715	768	-7%	639	12%	1,484	1,409	5%
Revenue, incl.:	468	415	13%	491	-5%	883	951	-7%
external customers	379	374	1%	359	6%	753	777	-3%
intersegmental operations	89	41	2,2x	132	-33%	130	174	-25%
EBITDA	36	9	4x	52	-31%	45	113	-60%
EBITDA margin	8%	2%	+6 p.p.	11%	-3 p.p.	5%	12%	-7 p.p.

(4) Mining Segment

k t/\$ million	Q2 2019	Q1 2019	QoQ	Q2 2018	YoY	6M 2019	6M 2018	YoY
Iron ore products sales, incl.:	4,513	4,589	-2%	4,518	0%	9,102	9,028	1%
sales to Lipetsk plant	4,401	4,589	-4%	4,518	-3%	8,990	9,028	0%
Revenue, incl.:	320	268	19%	326	-2%	588	664	-11%
external customers	16	4	4x	7	2,3x	20	10	100%
intersegmental operations	304	264	15%	319	-5%	568	654	-13%
EBITDA	232	190	22%	243	-5%	422	497	-15%
EBITDA margin	73%	71%	+2 p.p.	75%	-2 p.p.	72%	75%	-3 p.p.

(5) NLMK USA

k t/\$ million	Q2 2019	Q1 2019	QoQ	Q2 2018	YoY	6M 2019	6M 2018	YoY
Steel product sales	584	601	-3%	638	-8%	1,185	1,191	-1%
Revenue, incl.:	476	526	-10%	590	-19%	1,002	1,021	-2%
external customers	476	526	-10%	590	-19%	1,002	1,021	-2%
intersegmental operations	-	-	0%	-	0%	-	-	0%
EBITDA	16	17	-6%	76	-79%	33	116	-72%
EBITDA margin	3%	3%	0 p.p.	13%	-10 p.p.	3%	11%	-8 p.p.

(6) NLMK DanSteel

k t/\$ million	Q2 2019	Q1 2019	QoQ	Q2 2018	YoY	6M 2019	6M 2018	YoY
Steel product sales	137	146	-6%	137	0%	283	278	2%
Revenue, incl.:	131	139	-6%	132	-1%	270	270	0%
external customers	130	139	-6%	132	-2%	269	270	0%
intersegmental operations	1	-	0%	-	0%	1	-	0%
EBITDA	3	3	0%	(5)	160%	6	(10)	160%
EBITDA margin	2%	2%	0 p.p.	-4%	+6 p.p.	2%	-4%	+6 p.p.

(7) NBH

k t/\$ million	Q2 2019	Q1 2019	QoQ	Q2 2018	YoY	6M 2019	6M 2018	YoY
Steel product sales	618	513	20%	578	7%	1,130	1,218	-7%
Revenue, incl.:	448	396	13%	486	-8%	844	1,011	-17%
external customers	437	385	14%	469	-7%	822	973	-16%
intersegmental operations	11	11	0%	17	-35%	22	38	-42%
EBITDA	(49)	(15)	3,3x	(20)	2,5x	(64)	(28)	2,3x
EBITDA margin	-11%	-4%	-7 p.p.	-4%	-7 p.p.	-8%	-3%	-5 p.p.

(8) Sales by product

k t	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Pig iron	156	47	295	142	201
Slabs	1,288	1,559	1,527	1,172	1,293
Thick plates	137	146	120	121	137
Hot-rolled steel	901	1,016	827	875	1,036
Cold-rolled steel	498	509	476	516	491
Galvanized steel	331	348	325	379	336
Pre-painted steel	100	89	111	128	101
Transformer steel	74	71	70	69	73
Dynamo steel	68	61	53	79	77
Billet	78	173	201	198	157
Long products	570	526	578	664	426
Metalware	68	69	62	73	56
TOTAL	4,268	4,614	4,643	4,418	4,384

(9) Sales by region

k t	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Russia	1,704	1,451	1,407	1,618	1,404
European Union	1,130	987	886	810	913
Middle East, including Turkey	409	709	521	547	665
North America	748	654	806	738	841
Central and South America	24	246	124	310	297
CIS	106	122	135	118	87
Asia and Oceania	61	180	639	69	31
Rest of World	85	264	126	208	146
TOTAL	4,268	4,614	4,643	4,418	4,384

(10) Revenue by region

Region	Q2 2019		Q1 2019		Q4 2018	
	\$ million	share	\$ million	share	\$ million	share
Russia	1,158	41%	935	33%	940	31%
European Union	625	22%	539	19%	522	17%
Middle East, including Turkey	230	8%	372	13%	300	10%
North America	552	20%	561	20%	637	21%
Central and South America	24	1%	127	4%	78	3%
CIS	110	4%	106	4%	118	4%
Asia and Oceania	55	2%	106	4%	353	12%
Rest of World	43	2%	123	4%	64	2%
TOTAL	2,797	100%	2,869	100%	3,013	100%



(11) EBITDA*

\$ million	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Operating income**	593	559	713	879	763
minus:					
Depreciation and amortization	(142)	(136)	(134)	(136)	(152)
EBITDA	735	695	847	1,015	915

* 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	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Net cash provided operating activities	494	851	761	831	412
Interest paid	(12)	(11)	(12)	(13)	(14)
Interest received	3	16	3	3	6
Capex	(227)	(178)	(250)	(183)	(116)
Free Cash Flow	258	678	502	638	288

(13) Net debt

\$ million	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Short-term borrowings	544	224	398	429	256
Long-term borrowings	2,257	1,872	1,677	1,694	1,844
Cash and cash equivalents	(1,142)	(736)	(1,179)	(1,196)	(962)
Short-term deposits	(368)	(445)	(5)	(62)	(162)
Net debt	1,291	915	891	865	976

(14) Production of main products

k t	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Crude steel, incl.:	3,940	4,128	4,314	4,377	4,326
Steel Segment	2,952	3,264	3,350	3,320	3,294
Long products Segment, incl.:	802	693	823	885	851
NLMK-Kaluga	349	276	363	376	375
Foreign Rolled Products Segment	185	171	141	172	181
Finished products, incl.:	2,783	2,719	2,624	2,734	2,868
Flat steel	2,128	2,128	2,023	2,088	2,228
Long steel	655	592	601	646	640
Coke (6% moisture), incl.:	1,417	1,531	1,622	1,635	1,556
Novolipetsk	644	634	650	656	648
Altai-Koks	774	897	972	979	909

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

k t	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Sales to 3rd parties, incl.:	579	1,118	949	630	634
Export	314	950	896	537	480
Sales to subsidiaries & associates	933	735	954	956	1,118
Sales to NBH	709	441	577	542	660
TOTAL	1,512	1,853	1,903	1,586	1,751

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

k t	Q2 2019	Q1 2019	QoQ	Q2 2018	YoY	6M 2019	6M 2018	YoY
Semi-finished products	540	1,166	-54%	832	-35%	1,706	1,668	2%
Pig iron	156	47	3,3x	199	-22%	203	455	-55%
Slabs	314	950	-67%	480	-35%	1,264	848	49%
Billets	70	169	-59%	152	-54%	238	365	-35%
Flat products	490	635	-23%	556	-12%	1,125	1,032	9%
HRC	208	312	-33%	257	-19%	520	468	11%
CRC	158	186	-15%	155	2%	345	270	28%
HDG	8	29	-73%	19	-60%	36	49	-25%
Coated	2	1	40%	2	-6%	3	4	-24%
Dynamo	51	45	14%	61	-17%	96	121	-21%
Transformer	64	62	3%	62	3%	126	121	4%
Long products	104	174	-40%	158	-34%	278	355	-22%
Total	1,134	1,975	-43%	1,545	-27%	3,109	3,055	2%



(17) Segmental information

Q2 2019					NLMK DanSteel and Plates Distribution Network	Investments in NBH	Totals	Intersegmental operations and balances	NBH deconsoli- dation	Consolidated
\$ million	Russian Flat Steel	Russian Long Products	Mining	NLMK USA						
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

Q1 2019					NLMK DanSteel and Plates Distribution Network	Investments in NBH	Totals	Intersegmental operations and balances	NBH deconsoli- dation	Consolidated
\$ million	Russian Flat Steel	Russian Long Products	Mining	NLMK USA						
Revenue from external customers	1,624	374	4	526	139	385	3,052	-	(183)	2,869
Intersegment revenue	352	41	264	-	-	11	668	(657)	(11)	-
Gross profit	594	41	175	24	14	14	862	13	6	881
Operating income/(loss)	346	(4)	163	2	-	(31)	476	32	51	559
Income / (loss) before minority interest	239	(10)	106	3	(1)	(33)	304	20	58	382
Segment assets including goodwill	6,891	1,124	2,185	980	382	1,455	13,017	(1,615)	(1,228)	10,174

Balance figures presented as of 31.03.2019