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## Press release

15 April 2020

### Q1 2020 NLMK Group Trading Update

**NLMK Group (LSE: NLMK, MOEX: NLMK) increased its steel output by 11% qoq to 4.2 m t, following the completion of the first stage of major repairs at NLMK Lipetsk BF and BOF operations. NLMK Group sales grew by 8% qoq to 4.5 m t.\***

#### Q1 2020 highlights:

- Steel output increased by 11% qoq to 4.2 m t due to the completion of major repairs at NLMK Lipetsk BF and BOF operations in Q4 2019. Steel output was up by 1% yoy.
- Sales grew by 8% qoq to 4.5 m t, due to the increase in the sales of both semi-finished and HVA products. Sales were down by 2% yoy due to a high base that was associated with the sale of previously accumulated stocks at the beginning of 2019.
- Sales to home markets grew by 4% qoq to 3 m t, driven by the growth in the sale of semis used for manufacturing oil and gas pipes in Russia. Group sales to home markets accounted for 68% (-1 p.p. qoq) of total sales.
- Sales on export markets totalled 1.4 m t (+7% qoq) amid higher sales volumes of finished HVA products to Turkey and the EU.

\* Hereinafter, Q1 2020 output and sales figures are preliminary and can be updated. Hereinafter, NLMK Group steel output and sales on 'home' markets are shown taking into account NBH performance. Product sales are shown without taking into account NBH performance. Sales to NLMK Group's 'home' markets are understood to be sales by NLMK Group companies in the regions where the products are produced in Russia, the EU, and the USA.



## NLMK Group's Q1 2020 operating performance

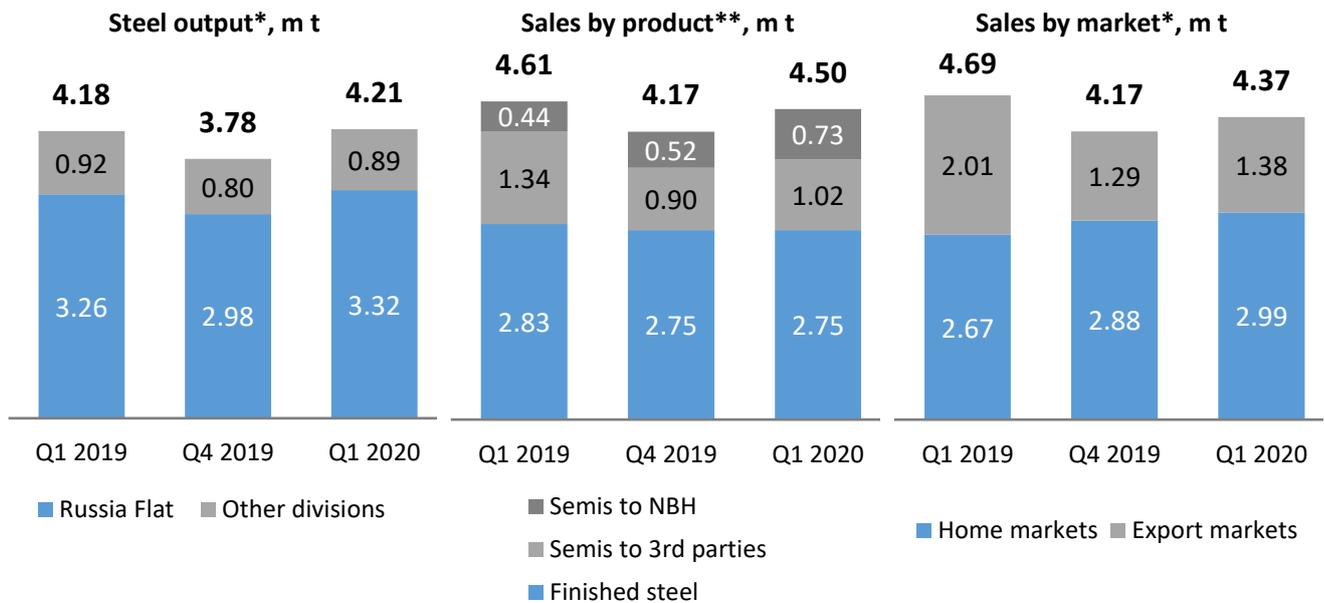
**Steel output** grew by 11% qoq to 4.2 m t. The biggest contribution in absolute terms came from NLMK Russia Flat due to the completion of the first stage of capital repairs at NLMK Lipetsk BF and BOF operations in Q4 2019.

**Sales** grew by 8% qoq to 4.5 m t, driven by the increase in slab sales volumes following the growth of steel output, and the increase in flat steel sales, due to low stock levels in Europe and an uptick in demand in the USA at the beginning of Q1.

**Sales mix:** Finished steel sales totalled 2.7 m t (flat qoq), with an increase in the share of flat steel in the product mix. Sales of semi-finished steel to 3<sup>rd</sup> parties grew by 13% qoq to 1 m t, driven by the increase in the sales of slabs used to manufacture oil and gas pipes, and higher billet and pig iron sales. Slab deliveries to NBH grew by 40% qoq to 0.7 m t amid restocking and an increase in the Segment's sales in Q1 2020 ([Appendix 2](#)).

**Sales to home markets** grew by 4% qoq to 3 m t, driven by higher slab sales. Sales in Russia dropped by 2% qoq to 1.8 m t, due to the high base for long product sales in the previous quarter amid active destocking. Sales in the USA and EU grew by 14% and 15% qoq, respectively ([Appendix 14](#)).

**Sales to export markets** grew by 7% qoq to 1.4 m t, supported by the increase in the share of finished products in the export mix.



\*With NBH; \*\* Without NBH



### **Global prices in Q1 2020:**

- Q1 overall saw a variety of trends for raw material and steel product prices. Prices grew in the first half of the quarter, driven by an uptick in demand and restocking. Starting from mid-Q1, prices went down both for raw materials and for steel due to the impact of measures aimed at minimizing the consequences of the coronavirus pandemic.

### **Average raw material prices:**

- Coal prices in the global market grew by 10% qoq on average (-25% yoy) due to a new import quota allocation in China. Dollar-denominated coal prices in Russia decreased by 9% qoq (-29% yoy), due to the devaluation of the ruble, among other factors.
- Iron ore prices increased by 1.5% qoq (+10% yoy) amid a limited supply caused by weather conditions in Brazil and Australia, and the closure of a number of mines in China because of the coronavirus.
- Scrap prices in the US went up by 5% qoq on average (-19% yoy), amid higher prices for rolled products and an uptick in demand in the first half of the quarter. Prices in Russia grew by 3% qoq (-14% yoy).

### **Average steel product prices:**

- Average dollar-denominated prices for flat steel in Russia decreased by 1-5% qoq (to -10% yoy) amid the devaluation of the ruble. Ruble-denominated HRC prices grew by 2% qoq (flat yoy) amid limited supply. Dollar-denominated rebar prices decreased by 2% qoq (-9% yoy); growth in rubles totalled 1% qoq (-10% yoy).
- Export slab prices (FOB Black Sea) were up by 12% qoq (-9% yoy), driven by a recovery in demand on export markets and growth of finished product prices at the beginning of the year.
- Flat steel prices in the US grew by 6-11% qoq (-7-15% yoy) amid an uptick in demand from service centers, the automotive and construction sectors.
- In the EU, dollar-denominated prices for flat steel grew by 3-8% qoq (-18-24% yoy) amid consumer restocking.



## SEGMENTAL PERFORMANCE

### NLMK RUSSIA FLAT PRODUCTS<sup>1</sup>

#### Q1 2020 performance

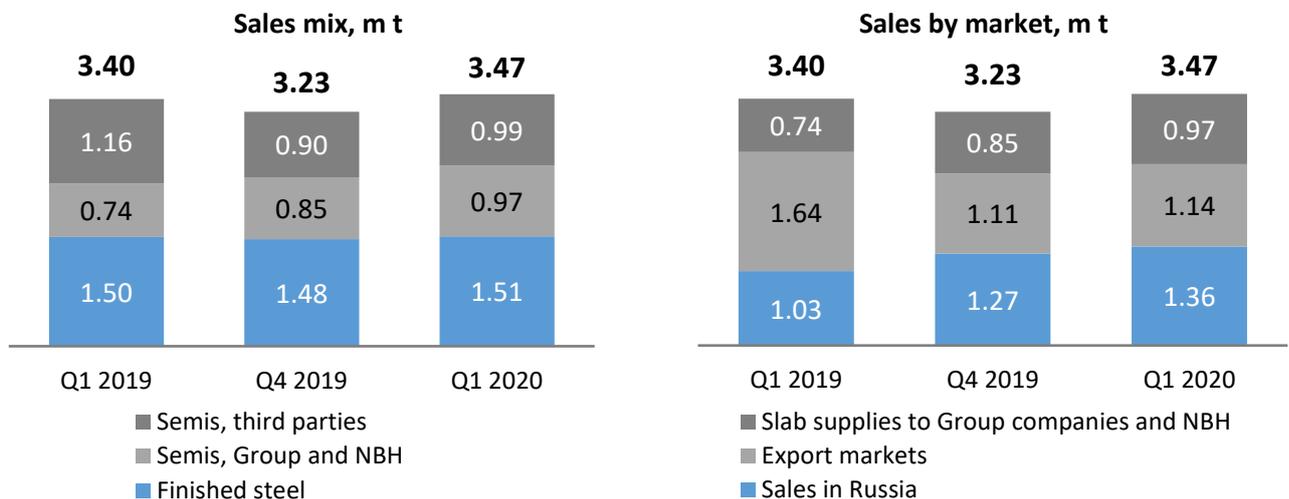
**Steel output** grew by 12% qoq to 3.3 m t ([Appendix 9](#)).

**Sales** of the Segment grew by 8% qoq to 3.5 m t, driven by the increase in steel output ([Appendix 2](#)).

**Sales mix:** Finished steel sales grew by 3% qoq to 1.5 m t, driven by an increase in CRC and electrical steel export sales. ([Appendix 3](#)).

Sales of semi-finished products to 3<sup>rd</sup> parties went up by 10% qoq to 1 m t due to higher slab sales on the Russian market. Sales of semis to the Group companies and NBH grew to 1 m t (+14% qoq).

**Sales markets:** sales in Russia grew by 8% qoq to 1.4 m t, driven by growth of demand for slabs ([Appendix 3](#)). Export sales to 3<sup>rd</sup> parties went up by 3% qoq to 1.1 m t, due to higher sales of HVA products. Coupled with the increase in slab supplies to the Group companies and NBH, this resulted in an 8% qoq export growth to 2.1 m t.



<sup>1</sup> NLMK Russia Flat companies include NLMK Lipetsk, VIZ-Steel, and Altai-Koks. Export sales are calculated including the corresponding share of trading companies.



## NLMK RUSSIA LONG PRODUCTS<sup>2</sup>

### Q1 2020 performance

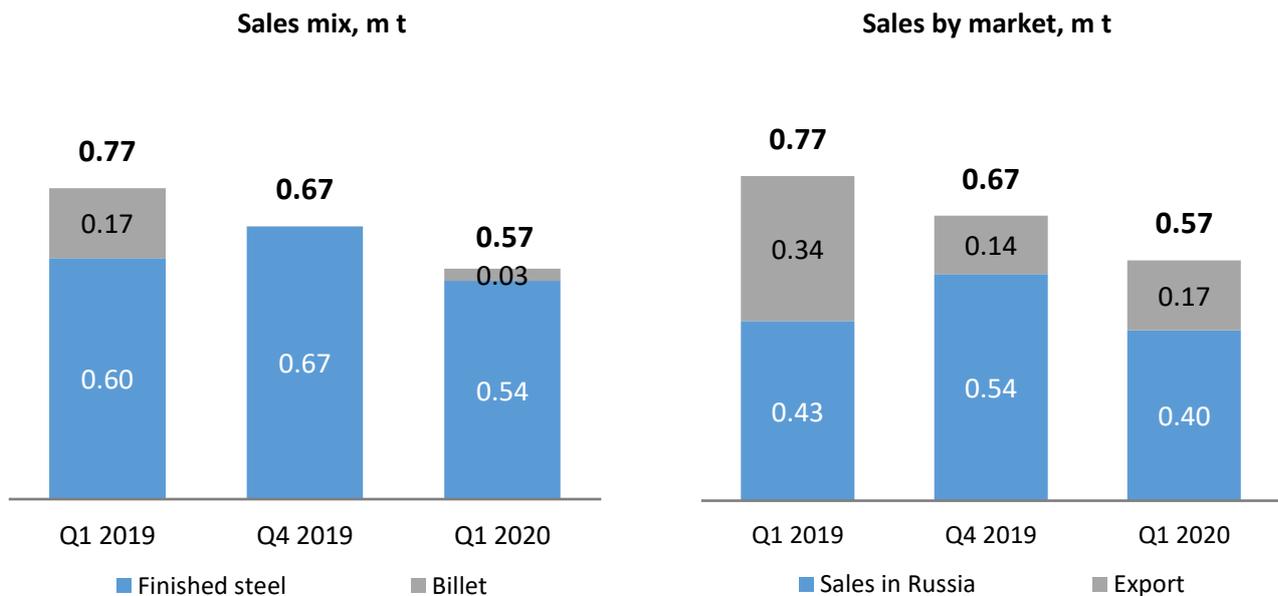
**Steel output** increased by 9% qoq to 0.7 m t ([Appendix 9](#)) due to finished product stockpiling internally ahead of the construction season.

**Sales** declined by 16% qoq to 0.6 m t amid high levels of long product stocks at trading companies, that were built up ahead of the expected early start to the construction season after a mild winter. Regional restrictions associated with the COVID-19 outbreak, and the overall global economic slowdown, prevented the full effect of the seasonal recovery in demand from being observed ([Appendix 4](#)). Finished product sales decreased by 20% qoq to 0.5 m t. The share of finished goods in total sales reached 95% (-5 p.p. qoq).

**Sales markets:** Sales in Russia accounted for 71% (-9 p.p. qoq) of total sales. Sales of long products in Russia decreased by 25% qoq, which was associated with the high base effect of the previous quarter, when the Company actively sold off its stocks.

Export sales grew by 20% qoq to 0.2 m t due to higher export profitability for Russian manufacturers associated with the weakening of the ruble.

**Scrap:** Scrap sales declined by 16% qoq to 0.7 m t, amid a reduction of scrap needs at NLMK Group sites toward the end of the quarter. Scrap sold to the Group's companies accounted for 97% ([Appendix 4](#)).



<sup>2</sup> NLMK Russia Long companies include NLMK Ural, NLMK Metalware, NLMK Kaluga and scrap collecting facilities. Export long product sales are calculated including the corresponding share of trading companies.

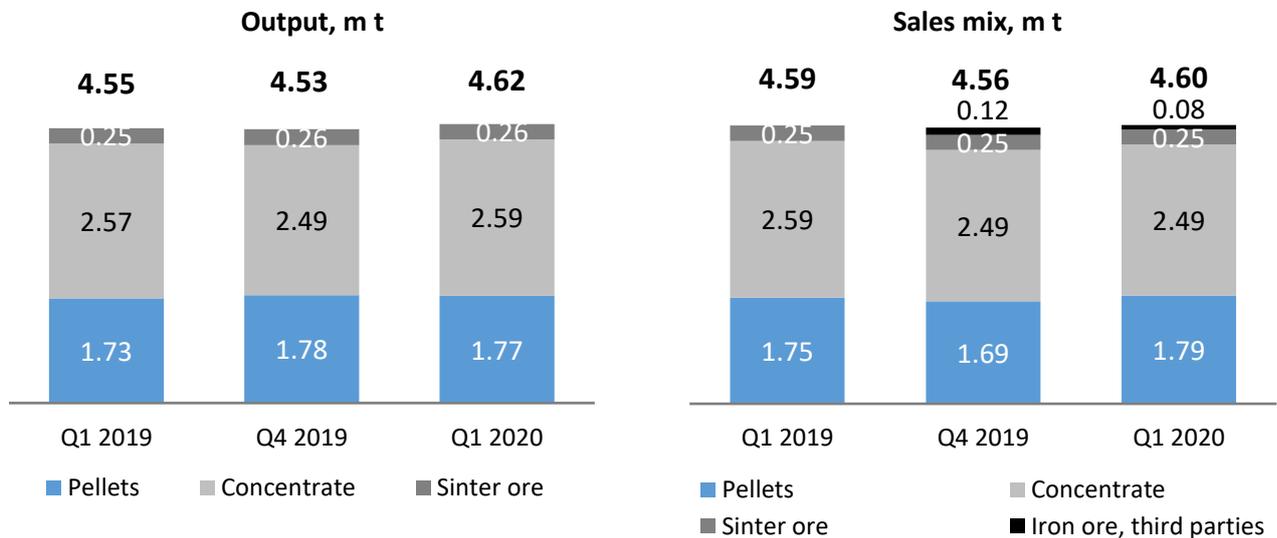


## MINING AND PROCESSING OF RAW MATERIALS

### Q1 2020 performance

**Output of iron ore** grew by 2% qoq to 4.6 m t, driven by growth of equipment productivity ([Appendix 12](#)). **Pellet output** totalled 1.8 m t (-1% qoq).

**Iron ore sales** remained flat qoq at 4.6 m t, with sales of concentrate to 3<sup>rd</sup> parties down to 75,000 t ([Appendix 5](#)).



## NLMK USA

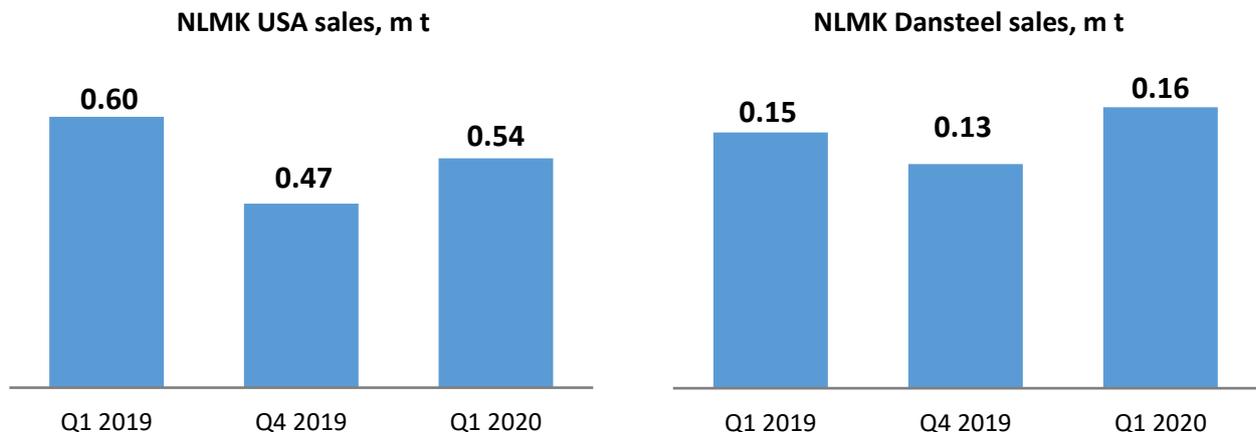
### Q1 2020 performance

Sales grew by 14% qoq to 0.54 m t, supported by higher demand from service centers, the automotive and construction sectors ([Appendix 6](#)).

## NLMK DANSTEEL

### Q1 2020 performance

Sales increased by 25% qoq to 0.16 m t, driven by growth of demand from the wind energy and shipbuilding sectors, and infrastructure projects in January and February ([Appendix 7](#)).

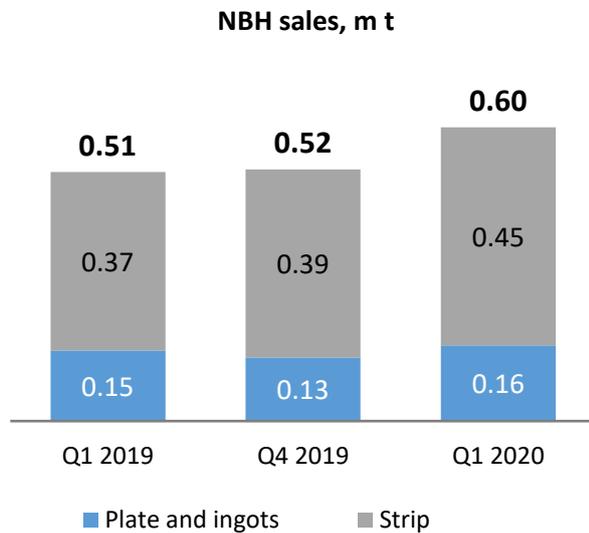




## JOINT VENTURE – NLMK Belgium Holdings (NBH)<sup>3</sup>

### Q1 2020 performance

Sales grew by 17% qoq to 0.6 m t amid intensified demand for plate and strip products in January and February 2020. ([Appendix 8](#)).



*Note: detailed data are provided in the Appendix; also available in a separate excel sheet.*

<sup>3</sup> NBH assets include producers of plates - NLMK Clabecq (Belgium), NLMK Verona (Italy) - and producers of flat steel - NLMK La Louvière (Belgium) and NLMK Strasbourg (France).



## Appendices

### Appendix 1. NLMK Group operating highlights

Production, m t	Q1 2020	Q4 2019	QoQ	Q1 2019	YoY
Crude steel production (without NBH)	4.171	3.749	11%	4.128	1%
Crude steel production (with NBH)	4.210	3.778	11%	4.183	1%
Capacity utilization	93%	89%	+4 p.p.	96%	-3 p.p.
<b>Sales, m t</b>					
Semi-finished steel <sup>4</sup>	1.754	1.425	23%	1.779	-1%
Finished steel	2.749	2.747	0%	2.835	-3%
<i>Flat</i>	2.210	2.074	7%	2.239	-1%
<i>Longs and metalware</i>	0.539	0.674	-20%	0.595	-9%
<b>Total consolidated sales</b>	<b>4.503</b>	<b>4.172</b>	<b>8%</b>	<b>4.614</b>	<b>-2%</b>
Sales to home markets of the Group <sup>5</sup>	68%	69%	-1 p.p.	57%	+11 p.p.
Sales to external markets	32%	31%	+1 p.p.	43%	-11 p.p.
For information: slab sales to foreign subsidiaries and affiliates	0.970	0.851	14%	0.735	32%
<b>Segment sales</b>					
Russian Flat Products	3.469	3.226	8%	3.403	2%
Russian Long Products	0.569	0.674	-16%	0.768	-26%
Mining	4.604	4.560	1%	4.589	0%
NLMK USA	0.539	0.472	14%	0.601	-10%
Dansteel	0.160	0.128	25%	0.146	10%
<b>For information: NBH sales</b>	<b>0.605</b>	<b>0.518</b>	<b>17%</b>	<b>0.513</b>	<b>18%</b>

<sup>4</sup>Including commercial pig iron, slabs and billets

<sup>5</sup>Home markets: Russia for the Russian assets of NLMK Group, North America for NLMK USA and the EU market for NLMK Dansteel and NBH

### Appendix 2. NLMK Russia Flat sales by product

Sales, m t	Q1 2020	Q4 2019	QoQ	Q1 2019	YoY
Pig iron	0.292	0.253	15%	0.047	> 100%
Slabs incl.	1.665	1.497	11%	1.852	-10%
Slab sales to foreign subsidiaries and affiliates	0.970	0.851	14%	0.735	32%
to NLMK USA, NLMK Dansteel	0.235	0.328	-28%	0.294	-20%
to NBH	0.734	0.523	40%	0.441	66%
Hot-rolled steel	0.641	0.669	-4%	0.686	-6%
Cold-rolled steel	0.416	0.364	14%	0.402	4%
Galvanized steel	0.216	0.213	1%	0.195	10%
Pre-painted steel	0.097	0.113	-14%	0.089	9%
Dynamo steel	0.072	0.050	44%	0.061	19%
Transformer steel	0.070	0.066	5%	0.071	-2%
incl. VIZ-Steel	0.037	0.035	7%	0.043	-14%
<b>Total products</b>	<b>3.469</b>	<b>3.226</b>	<b>8%</b>	<b>3.403</b>	<b>2%</b>
Coke sales from Altai-Koks	0.829	0.799	4%	0.872	-5%
incl. to NLMK Lipetsk	0.689	0.627	10%	0.653	5%



### Appendix 3. NLMK Russia Flat sales by region and product

Sales, m t	Q1 2020	Q4 2019	QoQ	Q1 2019	YoY
<b>Russian market</b>	<b>1.363</b>	<b>1.268</b>	<b>8%</b>	<b>1.026</b>	<b>33%</b>
Semi-finished products	0.289	0.173	67%	0.167	74%
Hot-rolled steel	0.493	0.518	-5%	0.374	32%
Cold-rolled steel	0.257	0.234	10%	0.205	25%
Galvanized steel	0.199	0.201	-1%	0.167	19%
Pre-painted steel	0.097	0.112	-14%	0.088	10%
Dynamo steel	0.018	0.017	9%	0.016	15%
Transformer steel	0.010	0.012	-22%	0.009	6%
<b>Export markets</b>	<b>2.106</b>	<b>1.958</b>	<b>8%</b>	<b>2.377</b>	<b>-11%</b>
Semi-finished products	1.668	1.577	6%	1.732	-4%
Hot-rolled steel	0.148	0.151	-2%	0.312	-53%
Cold-rolled steel	0.159	0.130	22%	0.197	-19%
Galvanized steel	0.017	0.012	40%	0.029	-42%
Pre-painted steel	0.000	0.001	-32%	0.001	-68%
Dynamo steel	0.054	0.033	63%	0.045	20%
Transformer steel	0.060	0.054	11%	0.062	-3%
<b>Total sales</b>	<b>3.469</b>	<b>3.226</b>	<b>8%</b>	<b>3.403</b>	<b>2%</b>

### Appendix 4. NLMK Russia Long sales by product

Sales, m t	Q1 2020	Q4 2019	QoQ	Q1 2019	YoY
Billet	0.030	0.001	> 100%	0.173	-83%
Rebar	0.389	0.517	-25%	0.406	-4%
Sections	0.028	0.019	49%	0.026	8%
Wire rod	0.057	0.061	-6%	0.094	-39%
Metalware	0.065	0.077	-16%	0.069	-7%
<b>Total steel products</b>	<b>0.569</b>	<b>0.674</b>	<b>-16%</b>	<b>0.768</b>	<b>-26%</b>
<b>Ferrous and non-ferrous scrap, incl.</b>	<b>0.747</b>	<b>0.892</b>	<b>-16%</b>	<b>0.674</b>	<b>11%</b>
to NLMK Ural	0.328	0.358	-8%	0.267	23%
to NLMK Kaluga	0.172	0.186	-8%	0.242	-29%
to NLMK Lipetsk	0.227	0.325	-30%	0.150	51%

### Appendix 5. Mining Division sales

Sales, m t	Q1 2020	Q4 2019	QoQ	Q1 2019	YoY
<b>Iron ore concentrate</b>	<b>2.566</b>	<b>2.544</b>	<b>1%</b>	<b>2.587</b>	<b>-1%</b>
incl. to NLMK Lipetsk	2.491	2.494	0%	2.587	-4%
<b>Pellets</b>	<b>1.788</b>	<b>1.766</b>	<b>1%</b>	<b>1.751</b>	<b>2%</b>
incl. to NLMK Lipetsk	1.788	1.695	5%	1.751	2%
<b>Sinter ore</b>	<b>0.250</b>	<b>0.251</b>	<b>0%</b>	<b>0.251</b>	<b>0%</b>
incl. to NLMK Lipetsk	0.250	0.251	0%	0.251	0%



## Appendix 6. NLMK USA sales

Sales, m t	Q1 2020	Q4 2019	QoQ	Q1 2019	YoY
Hot-rolled steel	0.280	0.243	15%	0.330	-15%
Cold-rolled steel	0.111	0.109	2%	0.117	-4%
Galvanized steel	0.146	0.118	24%	0.153	-4%
<b>Total NLMK USA <sup>6</sup></b>	<b>0.539</b>	<b>0.472</b>	<b>14%</b>	<b>0.601</b>	<b>-10%</b>

<sup>6</sup> NLMK USA also sells non-significant volumes of merchant slabs not included into total rolled steel sales. In Q1 2020 slab sales totaled 2,000 t.

## Appendix 7. Dansteel sales

Sales, m t	Q1 2020	Q4 2019	QoQ	Q1 2019	YoY
Thick plates	0.160	0.128	25%	0.146	10%

## Appendix 8. NBH (JV) sales

Sales, m t	Q1 2020	Q4 2019	QoQ	Q1 2019	YoY
Hot-rolled steel	0.362	0.298	21%	0.283	28%
Cold-rolled steel	0.010	0.010	-1%	0.012	-17%
Coated steel	0.077	0.079	-2%	0.073	6%
<b>Total flat steel</b>	<b>0.449</b>	<b>0.387</b>	<b>16%</b>	<b>0.367</b>	<b>22%</b>
Semi-finished (ingots)	0.014	0.011	33%	0.018	-19%
Thick plates	0.141	0.120	18%	0.127	11%
<b>Total steel products</b>	<b>0.605</b>	<b>0.518</b>	<b>17%</b>	<b>0.513</b>	<b>18%</b>

## Appendix 9. NLMK Group steel output

Production, m t	Q1 2020	Q4 2019	QoQ	Q1 2019	YoY
NLMK Lipetsk	3.325	2.977	12%	3.264	2%
NLMK Long Products	0.659	0.603	9%	0.693	-5%
incl. NLMK Kaluga	0.256	0.215	19%	0.276	-7%
NLMK Indiana (NLMK USA)	0.188	0.169	11%	0.171	9%
<b>NLMK Group (without NBH)</b>	<b>4.171</b>	<b>3.749</b>	<b>11%</b>	<b>4.128</b>	<b>1%</b>
<i>for information</i>					
NBH, NLMK Europe (EAF)	0.039	0.028	39%	0.055	-29%
<b>NLMK Group (with NBH)</b>	<b>4.210</b>	<b>3.778</b>	<b>11%</b>	<b>4.183</b>	<b>1%</b>



#### Appendix 10. NLMK Group steel product output

Production, m t	Q1 2020	Q4 2019	QoQ	Q1 2019	YoY
Merchant pig iron	0.342	0.254	34%	0.085	> 100%
Merchant slabs	1.413	1.066	33%	1.389	2%
Flat steel	2.221	2.058	8%	2.129	4%
Merchant billets	0.040	0.021	93%	0.089	-55%
Long products	0.544	0.514	6%	0.517	5%
Metalware	0.068	0.070	-3%	0.071	-4%
<b>Total products</b>	<b>4.628</b>	<b>3.983</b>	<b>16%</b>	<b>4.281</b>	<b>8%</b>

#### Appendix 11. NLMK Russia Flat steel product output

Production, m t	Q1 2020	Q4 2019	QoQ	Q1 2019	YoY
Merchant pig iron	0.342	0.254	34%	0.085	> 100%
Merchant slabs	1.649	1.394	18%	1.683	-2%
Hot-rolled steel	0.674	0.621	9%	0.617	9%
Cold-rolled steel	0.403	0.379	6%	0.394	2%
Galvanized steel	0.209	0.218	-4%	0.191	9%
Pre-painted steel	0.109	0.107	3%	0.103	6%
Dynamo steel	0.062	0.057	9%	0.065	-4%
Transformer steel	0.065	0.065	-1%	0.071	-9%
<b>Total steel products</b>	<b>3.513</b>	<b>3.095</b>	<b>14%</b>	<b>3.210</b>	<b>9%</b>

#### Appendix 12. Output of main raw materials

Production, m t	Q1 2020	Q4 2019	QoQ	Q1 2019	YoY
<b>Coke</b>	<b>1.446</b>	<b>1.397</b>	<b>3%</b>	<b>1.440</b>	<b>0%</b>
NLMK Lipetsk	0.605	0.613	-1%	0.596	1%
Altai-Koks	0.841	0.784	7%	0.844	0%
<b>Iron ore</b>	<b>4.618</b>	<b>4.532</b>	<b>2%</b>	<b>4.546</b>	<b>2%</b>
Iron ore concentrate	2.589	2.486	4%	2.566	1%
Sinter ore	0.255	0.263	-3%	0.250	2%
Pellets	1.774	1.783	-1%	1.730	3%
<b>Scrap</b>	<b>0.379</b>	<b>0.438</b>	<b>-14%</b>	<b>0.344</b>	<b>10%</b>



### Appendix 13. NLMK Group steel product sales

Sales, m t	Q1 2020	Q4 2019	QoQ	Q1 2019	YoY
<b>Semi-finished</b>	<b>1.754</b>	<b>1.425</b>	<b>23%</b>	<b>1.779</b>	<b>-1%</b>
Pig iron	0.292	0.253	15%	0.047	> 100%
Slabs	1.432	1.172	22%	1.559	-8%
Billet	0.030	0.001	> 100%	0.173	-83%
<b>Flat steel</b>	<b>2.210</b>	<b>2.074</b>	<b>7%</b>	<b>2.239</b>	<b>-1%</b>
Plate	0.160	0.128	25%	0.146	10%
Hot-rolled steel	0.921	0.912	1%	1.016	-9%
Cold-rolled steel	0.528	0.473	12%	0.509	4%
Galvanized steel	0.362	0.331	9%	0.348	4%
Pre-painted steel	0.097	0.113	-14%	0.089	9%
Transformer steel	0.070	0.066	5%	0.071	-2%
Dynamo steel	0.072	0.050	44%	0.061	19%
<b>Long products</b>	<b>0.539</b>	<b>0.674</b>	<b>-20%</b>	<b>0.595</b>	<b>-9%</b>
Long	0.474	0.596	-20%	0.526	-10%
Metalware	0.065	0.077	-16%	0.069	-7%
<b>Total steel products</b>	<b>4.503</b>	<b>4.172</b>	<b>8%</b>	<b>4.614</b>	<b>-2%</b>

### Appendix 14. NLMK Group home and export steel product sales (with NBH)

Sales, m t	Q1 2020	Q4 2019	QoQ	Q1 2019	YoY
<b>Home markets</b>	<b>2.995</b>	<b>2.877</b>	<b>4%</b>	<b>2.674</b>	<b>12%</b>
Russia	1.767	1.804	-2%	1.451	22%
USA	0.539	0.472	14%	0.601	-10%
EU	0.689	0.601	15%	0.622	11%
<b>Export markets</b>	<b>1.379</b>	<b>1.289</b>	<b>7%</b>	<b>2.011</b>	<b>-31%</b>
<b>Total steel products</b>	<b>4.373</b>	<b>4.166</b>	<b>5%</b>	<b>4.685</b>	<b>-7%</b>