

**IR contact info:**

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

**Media contact info:**

Sergey Babichenko  
+7 (916) 824 6743  
[babichenko\\_sy@nlmk.com](mailto:babichenko_sy@nlmk.com)

## Press release

15 April 2019

# Q1 2019 NLMK GROUP TRADING UPDATE

**NLMK Group (LSE: NLMK, MOEX: NLMK), a vertically integrated steelmaker, has published today its preliminary Q1 2019 operating results\*.**

### Q1 2019 highlights:

- Steel output decreased by 4% qoq to 4.2 m t due to the overhauls at the Russian sites and seasonal factors. A 3% yoy steel output reduction is also due to the overhauls in Q1 2019.
- Steel capacity utilization remained high at 96% (-2 p.p. qoq).
- Sales remained almost flat qoq totalling 4.6 m t (-1% qoq) supported by the sales of inventories accumulated in the end of 2018. Group sales grew by 11% yoy on the back of low base effect, which was due to higher slab sales to captive rolling facilities in Q1 2018.
- Sales in home markets grew by 5% qoq (flat yoy) to 2.6 m t backed by higher slab sales in the Russian market. The share of Group sales in home markets increased to 56% (+1 p.p. qoq, -7 p.p. yoy).
- Group sales in export markets totalled 2.0 m t (-2% qoq; +32% yoy). The quarter-on-quarter export reduction was due to lower pig iron sales. Year-on-year export sales growth is mainly attributable to higher slab sales to third parties.

\* Hereinafter Q1 2019 output and sales figures are preliminary and can be updated. Hereinafter NLMK Group steel output and sales in 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 represent sales by NLMK Group companies in the regions where the products are produced in Russia, the EU and the USA.

## NLMK Group's Q1 2019 operating performance

**Steel output** decreased by 4% qoq (-3% yoy) to 4.18 m t driven by overhauls in NLMK's blast furnace operations as well as seasonally lower steel output at NLMK Russia Long.

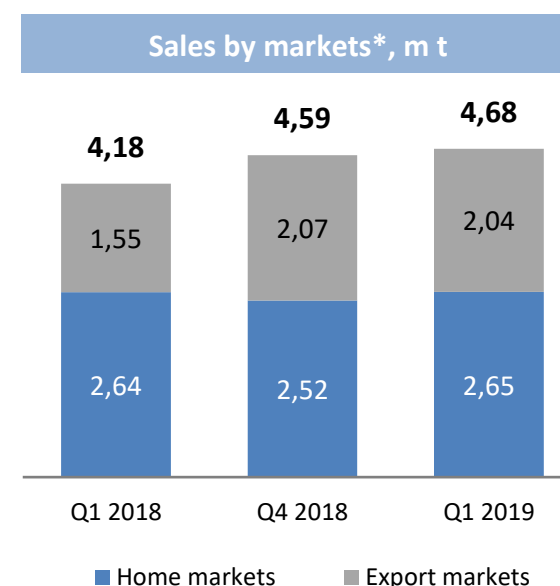
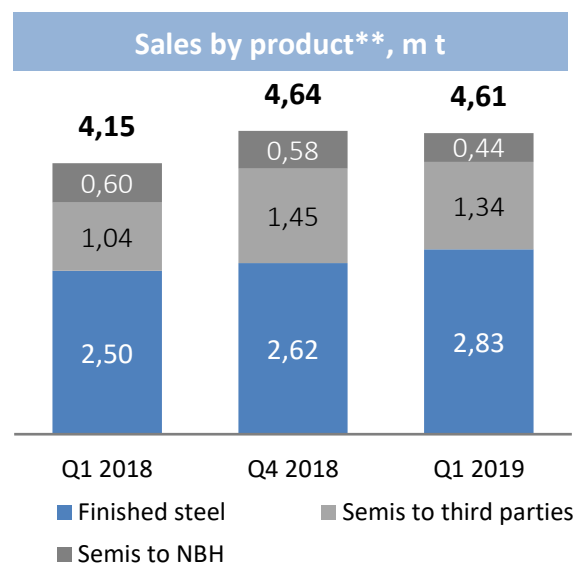
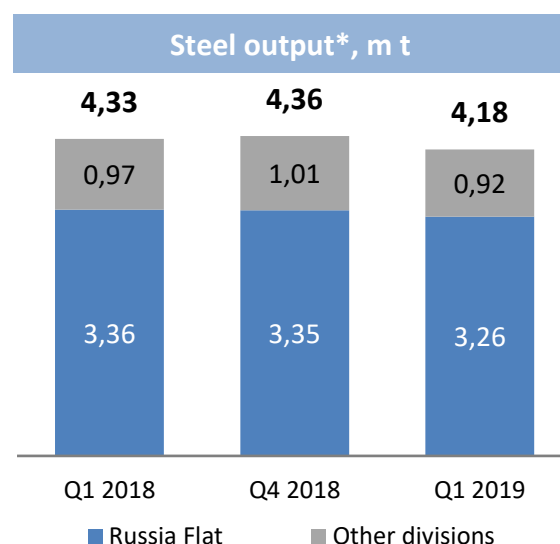
**Sales** remained almost flat qoq. Higher sales of flat steel and slabs accumulated in ports in late 2018 offset the seasonal reduction in long product sales and lower pig iron exports due to overhauls. Year-on-year sales grew by 11% on the back of low base effect, which was due to high slab sales to captive rolling facilities in Q1 2018. The growth was also supported by higher demand for flat steel in the pipe, machine building, and white goods sectors and construction industry.

**Sales breakdown.** Finished steel sales grew by 8% qoq to 2.83 m t (+13% yoy), mainly due to the growth of hot-rolled steel sales post the completion of repairs at NLMK's hot-rolling mill. Sales of high value added (HVA) products increased 6% qoq to 1.29 m t (+10% yoy). Sales of semi-finished steel to third parties went down by 7% qoq to 1.3 m t (+28% yoy) amid lower pig iron sales. Slab deliveries to NBH went down by 24% qoq (-26% yoy) to 0.44 m t following lower slabs demand from European sites ([Appendix 2](#)).

**Sales in home markets** rose 5% qoq (flat yoy) to 2.64 m t: the growth in Russia was 3% qoq (+8% yoy) thanks to higher demand for slabs from oil & gas pipe manufacturers; in the US the sales increased by 19% qoq (+9% yoy) driven by higher demand for flat steel. The sales of the Group's European companies decreased by 3% qoq (-20% yoy) due to the strike at NLMK Clabecq and lower demand amid expectations for lower slab and finished steel prices ([Appendix 1](#)).

**Sales in export markets** went down by 2% qoq due to lower pig iron exports of NLMK Russia Flat, which was partially offset by an increase in finished steel exports. Year-on-year sales growth was 32%, mainly due to slab sales increase.

\*With NBH; \*\* Without NBH



## **Global prices:**

### **Q1 2019**

#### **Average raw material prices in the global market:**

- Average coal prices in the global market dropped by 7% qoq (-10% yoy) due to weak demand and recovering supply post irregular deliveries in the previous quarter. Average coal prices in Russia increased by 3% qoq (-15% yoy) following the dynamics of global prices in the previous quarter.
- Average iron ore prices grew 15% qoq (+11% yoy). Price growth was driven by the incident at the open pit mine of one of the largest iron ore producers in early February 2019 and expectations of limited supply in the market.
- Scrap prices in the US dropped by 5% qoq (-2% yoy) backed by rolled steel price normalization. In Europe, scrap prices went down by 6% qoq (-16% yoy) due to lower steel output in the region. A significant drop in scrap imports in Turkey driven by lower capacity utilization, also affected price declines in the global market. In Russia, the prices seasonally climbed 3% qoq (-2% yoy).

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

- In the Russian market, average prices for uncoated flat steel fell by 0.3-1% qoq (-12-16% yoy) in dollar terms following global prices. Average rebar prices in dollar terms dropped by 7% qoq (-12% yoy) amid seasonally low demand in January-February.
- Export slab prices (FOB Black Sea) climbed 1% qoq (-17% yoy) backed by expectations of limited supply in the first half of 2019 .
- Steel product prices in the US dropped by 8-12% qoq (-9-10% yoy). The price adjustment was associated with consumer expectations of further price reductions as well as steel supply normalization in the US market.
- In the EU, steel product prices dropped by 2-7% qoq (-10-16% yoy) in dollar terms, due to, among other things, weaker demand, higher imports from Turkey and moderate weakening of EUR against USD.

## SEGMENT PERFORMANCE

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

#### Q1 2019 performance

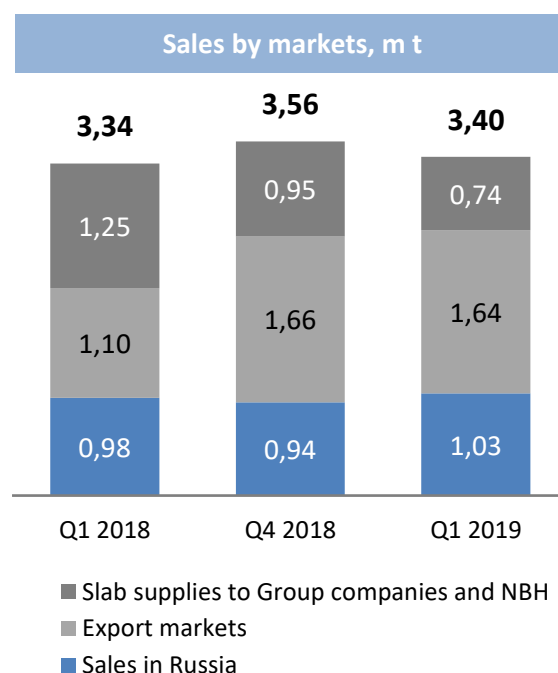
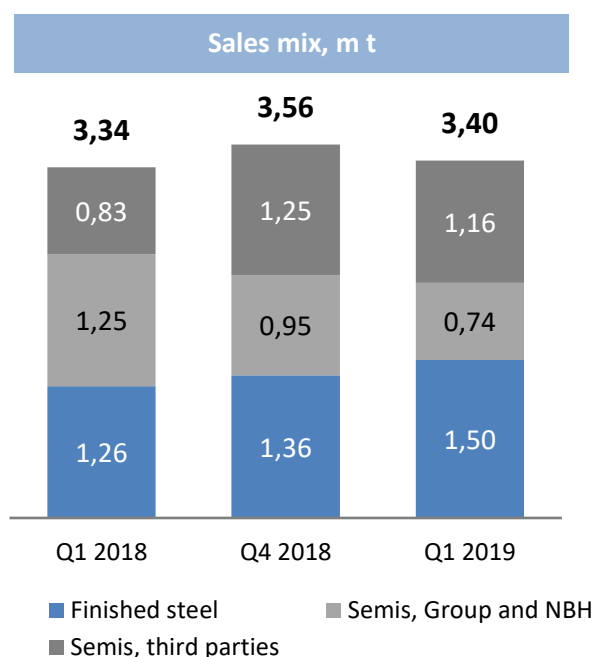
**Steel output** dropped by 3% qoq and yoy to 3.26 m t due to repairs at NLMK Lipetsk's blast furnace operations ([Appendix 9](#)).

**Sales** of the Segment dropped by 4% qoq due to reduced pig iron sales ([Appendix 2](#)). Year-on-year sales increased by 2% driven by the sales of inventories accumulated in ports in December 2018 and a higher demand for finished steel.

**Sales mix.** The sales structure changed with the share of finished steel increasing to 44% (+6 p.p. qoq and yoy). Finished steel sales grew by 11% qoq (+20% yoy) to 1.5 m t supported by the demand growth for hot-rolled and cold-rolled steel in foreign markets. HVA products sales totalled 0.82 m t. The 2% qoq growth was driven by higher exports supported by destocking. Year on year growth was 10% on the back of low base effect, when semi-finished steel deliveries to the Group companies and NBH accounted for the majority of sales in Q1 2018.

Sales of semi-finished steel dropped by 14% qoq (-9% yoy) to 1.9 m t due to lower slab sales to the Group's international companies, which dropped to 0.74 m t (-23% qoq) driven by the reduced demand by the Group's European companies and the impact of import duties in the US. In addition, sales of semi-finished steel to third parties dropped to 1.16 m t (-7% qoq) due to lower pig iron exports to the US market caused by repairs in the steelmaking operations.

**Sales markets.** Sales in Russia grew by 9% qoq to 1.03 m t driven by a stronger demand for slabs ([Appendix 3](#)). Export sales dropped by 9% qoq to 2.38 m t driven by lower sales of semis. The share of Segment's export sales amounted to 70% (-4 p.p. qoq and -1 p.p. yoy). Sales in Russia gained 4% yoy owing to higher demand for finished steel. Export increased by 1% yoy.



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

**Q1 2019 performance**

**Steel output** dropped by 16% qoq to 0.69 m t (-7% yoy), driven by a seasonally lower demand ([Appendix 9](#)).

**Sales** decreased by 9% qoq (-1% yoy) to 0.76 m t ([Appendix 4](#)). In addition to seasonal factors, lower export margins of billets drove the decrease, but were partially offset by the sales of inventories accumulated in ports in December 2018.

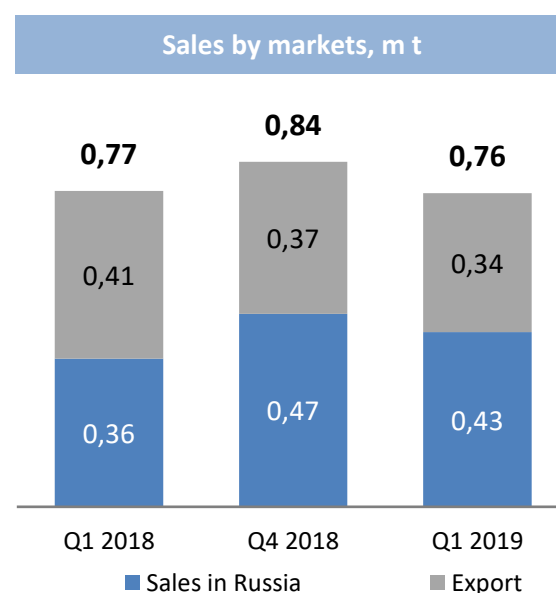
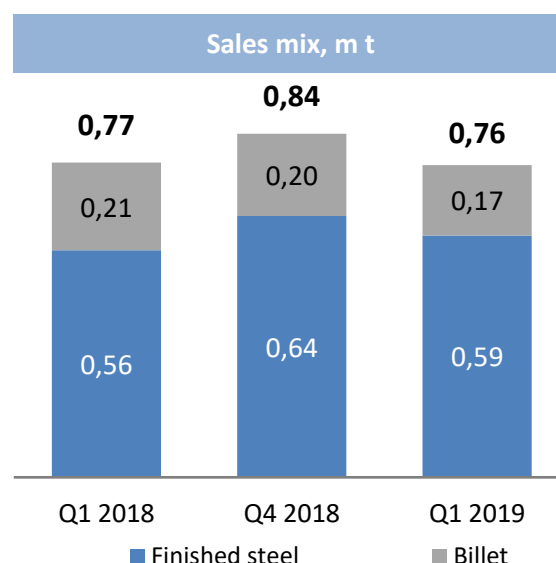
The share of finished steel sales totalled 77% (+1 p.p. qoq and +5 p.p. yoy).

**Sales markets.** The share of sales in Russia totalled 56% (flat qoq and yoy).

Driven by a seasonally lower demand from the construction industry, the quarter-on-quarter sales in Russia fell back by 10% to 0.43 m t. Year-on-year, sales in Russia grew by 18% attributable to higher demand for rebar.

Export sales dropped by 8% qoq (-17% yoy) to 0.34 m t due to lower volumes of billet sales.

**Scrap:** scrap sales were down 55% qoq (-5% yoy) to 0.67 m t due to seasonally lower demand of the Russian companies. Scrap is mainly sold to the Group's companies (98%) ([Appendix 4](#)).



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

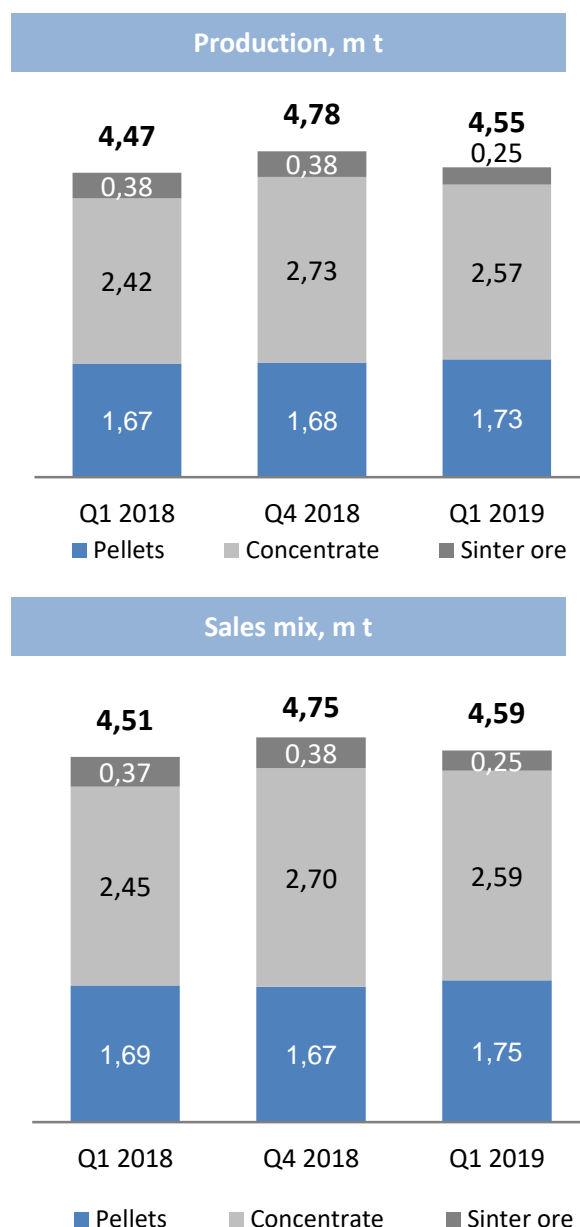
## MINING AND PROCESSING OF RAW MATERIALS

### Q1 2019 performance

**Output** of iron ore decreased by 5% qoq to 4.55 m t amid reduced sinter ore and concentrate output in line with NLMK needs for iron ore ([Appendix 12](#)). Year-on-year, iron ore output increased 2% thanks to higher equipment productivity and higher share of captive iron ore in NLMK Lipetsk's consumption.

**Pellet output** totalled 1.73 m t (+3% qoq and +4% yoy) driven by higher equipment productivity.

**Sales of iron ore** fell back by 3% qoq to 4.59 m t (+2% yoy). The quarter-on-quarter reduction is due to reduced concentrate and sinter ore deliveries to NLMK ([Appendix 5](#)).



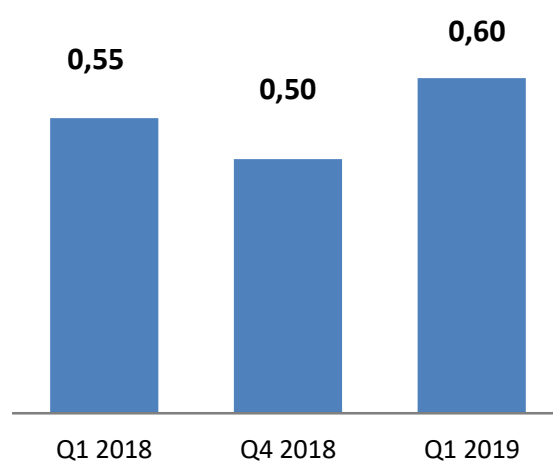


## NLMK USA <sup>3</sup>

### Q1 2019 performance

**Sales** grew by 19% qoq (+9% yoy) to 0.6 m t driven by higher demand for rolled steel from service centres, pipe and construction industries, and agricultural vehicles manufacturers ([Appendix 6](#)).

NLMK USA sales, m t

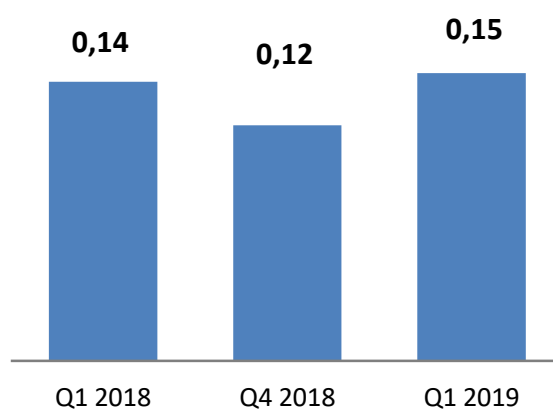


## NLMK DANSTEEL

### Q1 2019 performance

**Sales** of plate increased by 22% qoq (+3% yoy) to 0.15 m t thanks to seasonally strong plate demand ([Appendix 7](#)).

NLMK DanSteel sales, m t



<sup>3</sup> NLMK USA includes NLMK Indiana, NLMK Pennsylvania and Sharon Coating. Data for NLMK USA is presented in metric tonnes.

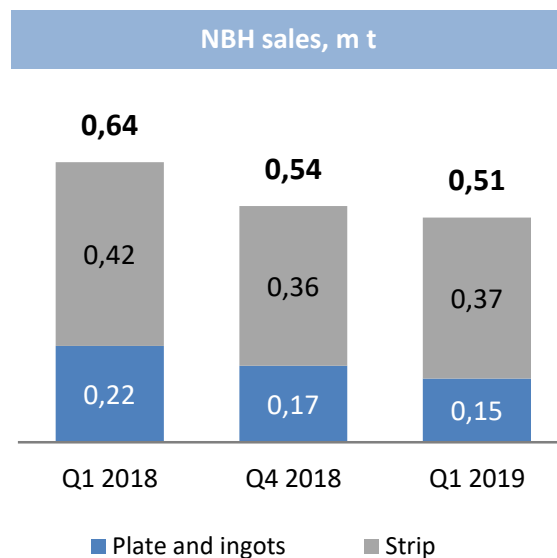


**JOINT VENTURE -  
NLMK Belgium Holdings (NBH)<sup>4</sup>**

**Q1 2019 performance**

**NBH sales** decreased by 5% qoq to 0.51 m t (-20% yoy) resulting from plate and ingot sales decline by 17% qoq to 0.15 m t caused in turn by low capacity utilization at NLMK Clabecq due to the strike ([Appendix 8](#)). Weaker demand from automotive industry also influenced the year-on-year sales trends.

Sales of strip increased 1% qoq to 0.37 m t (-13% yoy) mainly supported by growing cold-rolled steel sales.



*Note: detailed data are provided in the Appendix; also available in a separate excel sheet on the Company's web-site.*

<sup>4</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 2019	Q4 2018	qoq	Q1 2018	yoy
Crude steel production (without NBH)	4.128	4.314	-4%	4.269	-3%
Crude steel production (with NBH)	4.183	4.364	-4%	4.326	-3%
Capacity utilization, %	96%	98%	-2 p.p.	99%	-3 p.p.
<b>Consolidated sales</b>					
Semi-finished steel <sup>5</sup>	1.779	2.023	-12%	1.643	8%
Finished steel	2.831	2.620	8%	2.503	13%
Flat steel	2.239	1.980	13%	1.948	15%
Longs & metalware	0.592	0.640	-7%	0.556	7%
<b>Total consolidated sales</b>	<b>4.610</b>	<b>4.643</b>	<b>-1%</b>	<b>4.146</b>	<b>11%</b>
Share of sales in home markets of the Group <sup>6</sup>	56%	54%	+2 p.p.	62%	-6 p.p.
Share of sales in export markets	44%	46%	-2 p.p.	38%	+6 p.p.
For information: slab sales to foreign subsidiaries and affiliates	0.735	0.954	-23%	1.254	-41%
<b>Segment sales</b>					
NLMK Russia Flat	3.403	3.557	-4%	3.338	2%
NLMK Russia Long	0.765	0.841	-9%	0.770	-1%
Mining and processing	4.589	4.751	-3%	4.510	2%
NLMK USA	0.601	0.504	19%	0.553	9%
NLMK Dansteel	0.146	0.120	22%	0.142	3%
<b>For information: NBH sales</b>	<b>0.513</b>	<b>0.540</b>	<b>-5%</b>	<b>0.640</b>	<b>-20%</b>

<sup>5</sup> Including commercial pig iron, slabs and billets

<sup>6</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 2019	Q4 2018	qoq	Q1 2018	yoy
Pig iron	0.047	0.297	-84%	0.260	-82%
Slabs, incl.	1.852	1.902	-3%	1.823	2%
Slab sales to foreign subsidiaries and affiliates	0.735	0.954	-23%	1.254	-41%
to NLMK USA, NLMK Dansteel	0.294	0.376	-22%	0.655	-55%
to NBH	0.441	0.577	-24%	0.600	-26%
Hot-rolled steel	0.686	0.556	23%	0.514	33%
Cold-rolled steel	0.402	0.379	6%	0.318	27%
Galvanized steel	0.195	0.190	3%	0.197	-1%
Pre-painted steel	0.089	0.111	-20%	0.087	3%
Dynamo steel	0.061	0.053	15%	0.072	-16%
Transformer steel	0.071	0.070	2%	0.068	5%
incl. VIZ-Steel	0.043	0.041	6%	0.041	5%
<b>Total steel products</b>	<b>3.403</b>	<b>3.557</b>	<b>-4%</b>	<b>3.338</b>	<b>2%</b>
Coke sales from Altai-Koks <sup>5</sup>	0.872	0.895	-3%	0.897	-3%
incl. to NLMK Lipetsk	0.653	0.663	-2%	0.673	-3%

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

Sales, m t	Q1 2019	Q4 2018	qoq	Q1 2018	yoy
<b>Russian market</b>	<b>1.026</b>	<b>0.938</b>	<b>9%</b>	<b>0.983</b>	<b>4%</b>
Semi-finished products	0.167	0.055	> 100%	0.204	-18%
Hot-rolled steel	0.374	0.364	3%	0.303	23%
Cold-rolled steel	0.205	0.213	-4%	0.202	2%
Galvanized steel	0.167	0.169	-1%	0.167	0%
Pre-painted steel	0.088	0.109	-19%	0.085	4%
Dynamo steel	0.016	0.016	2%	0.012	29%
Transformer steel	0.009	0.012	-27%	0.009	3%
<b>Export markets</b>	<b>2.377</b>	<b>2.618</b>	<b>-9%</b>	<b>2.355</b>	<b>1%</b>
Semi-finished products	1.732	2.144	-19%	1.879	-8%
Hot-rolled steel	0.312	0.192	62%	0.211	48%
Cold-rolled steel	0.197	0.165	19%	0.115	71%
Galvanized steel	0.029	0.021	39%	0.030	-3%
Pre-painted steel	0.001	0.002	-32%	0.002	-40%
Dynamo steel	0.045	0.037	21%	0.060	-25%
Transformer steel	0.062	0.057	8%	0.059	5%
<b>Total sales</b>	<b>3.403</b>	<b>3.557</b>	<b>-4%</b>	<b>3.338</b>	<b>2%</b>

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

Sales, m t	Q1 2019	Q4 2018	qoq	Q1 2018	yoy
Commercial billet	0.173	0.201	-14%	0.215	-20%
Rebar	0.393	0.485	-19%	0.387	1%
Sections	0.026	0.005	> 100%	0.016	67%
Wire rod	0.104	0.089	17%	0.091	15%
Metalware	0.069	0.062	13%	0.062	12%
<b>Total steel products</b>	<b>0.765</b>	<b>0.841</b>	<b>-9%</b>	<b>0.770</b>	<b>-1%</b>
<b>Ferrous and non-ferrous scrap, incl.</b>	<b>0.674</b>	<b>1.490</b>	<b>-55%</b>	<b>0.712</b>	<b>-5%</b>
to NLMK Ural	0.267	0.565	-53%	0.276	-3%
to NLMK Kaluga	0.242	0.437	-45%	0.263	-8%
to NLMK Lipetsk	0.150	0.469	-68%	0.157	-4%

### Appendix 5. Mining Division sales

Sales, m t	Q1 2019	Q4 2018	qoq	Q1 2018	yoy
<b>Iron ore concentrate</b>	<b>2.587</b>	<b>2.698</b>	<b>-4%</b>	<b>2.452</b>	<b>5%</b>
incl. to NLMK Lipetsk	2.587	2.698	-4%	2.452	5%
<b>Pellets</b>	<b>1.751</b>	<b>1.672</b>	<b>5%</b>	<b>1.690</b>	<b>4%</b>
incl. to NLMK Lipetsk	1.751	1.672	5%	1.690	4%
<b>Sinter ore</b>	<b>0.251</b>	<b>0.382</b>	<b>-34%</b>	<b>0.368</b>	<b>-32%</b>
incl. to NLMK Lipetsk	0.251	0.382	-34%	0.368	-32%

## Appendix 6. NLMK USA sales

Sales, m t	Q1 2019	Q4 2018	qoq	Q1 2018	yoy
Hot-rolled steel	0.330	0.270	22%	0.319	3%
Cold-rolled steel	0.117	0.097	20%	0.124	-6%
Galvanized steel	0.153	0.136	13%	0.108	41%
<b>Total NLMK USA <sup>7</sup></b>	<b>0.601</b>	<b>0.504</b>	<b>19%</b>	<b>0.553</b>	<b>9%</b>

<sup>7</sup> Alongside finished steel, NLMK USA also sells non-significant volumes of commercial slabs, not included into total rolled steel sales. In Q1 2019 slab sales totalled 1,400 t

## Appendix 7. DanSteel sales

Sales, m t	Q1 2019	Q4 2018	qoq	Q1 2018	yoy
Plate	0.146	0.120	22%	0.142	3%

## Appendix 8. NBH (associated companies) sales

Sales, m t	Q1 2019	Q4 2018	qoq	Q1 2018	yoy
Hot-rolled steel	0.283	0.287	-1%	0.322	-12%
Cold-rolled steel	0.012	0.008	43%	0.011	10%
Pre-painted steel	0.073	0.070	4%	0.088	-17%
<b>Total flat steel</b>	<b>0.367</b>	<b>0.365</b>	<b>1%</b>	<b>0.420</b>	<b>-13%</b>
Semi-finished (ingots)	0.018	0.014	25%	0.021	-14%
Plate	0.128	0.160	-20%	0.199	-36%
<b>Total steel products, including flat steel</b>	<b>0.513</b>	<b>0.540</b>	<b>-5%</b>	<b>0.640</b>	<b>-20%</b>

## Appendix 9. NLMK Group steel output

Production, m t	Q1 2019	Q4 2018	qoq	Q1 2018	yoy
NLMK Lipetsk	3.263	3.350	-3%	3.359	-3%
NLMK Long	0.693	0.823	-16%	0.746	-7%
incl NLMK Kaluga	0.276	0.363	-24%	0.325	-15%
NLMK Indiana (NLMK USA)	0.171	0.141	21%	0.164	5%
<b>NLMK Group (without NBH)</b>	<b>4.128</b>	<b>4.314</b>	<b>-4%</b>	<b>4.269</b>	<b>-3%</b>
<i>For information</i>					
NBH, NLMK Europe (EAF)	0.055	0.050	9%	0.058	-5%
<b>NLMK Group (with NBH)</b>	<b>4.183</b>	<b>4.364</b>	<b>-4%</b>	<b>4.326</b>	<b>-3%</b>

## Appendix 10. NLMK Group steel product output

Production, m t	Q1 2019	Q4 2018	qoq	Q1 2018	yoy
Commercial pig iron	0.085	0.205	-58%	0.165	-48%
Commercial slab	1.389	1.438	-3%	1.135	22%
Flat steel	2.128	2.023	5%	2.162	-2%
Commercial billet	0.089	0.199	-55%	0.170	-47%
Long products	0.521	0.543	-4%	0.497	5%
Metalware	0.071	0.058	22%	0.064	10%
<b>Total steel products</b>	<b>4.283</b>	<b>4.466</b>	<b>-4%</b>	<b>4.194</b>	<b>2%</b>

## Appendix 11. NLMK Russia Flat steel product output

Production, m t	Q1 2019	Q4 2018	qoq	Q1 2018	yoy
Commercial pig iron	0.085	0.205	-58%	0.165	-48%
Commercial slab	1.683	1.815	-7%	1.790	-6%
Hot-rolled steel	0.617	0.601	3%	0.635	-3%
Cold-rolled steel	0.394	0.358	10%	0.378	5%
Galvanized steel	0.191	0.189	1%	0.203	-6%
Pre-painted steel	0.103	0.100	2%	0.102	1%
Dynamo steel	0.065	0.070	-8%	0.075	-14%
Transformer steel	0.071	0.075	-5%	0.070	1%
<b>Total steel products</b>	<b>3.210</b>	<b>3.413</b>	<b>-6%</b>	<b>3.417</b>	<b>-6%</b>

## Appendix 12. Output of the main raw materials

Production, m t	Q1 2019	Q4 2018	qoq	Q1 2018	yoy
<b>Coke (dry weight)</b>	<b>1.440</b>	<b>1.525</b>	<b>-6%</b>	<b>1.507</b>	<b>-4%</b>
NLMK Lipetsk	0.596	0.611	-3%	0.599	0%
Altai-Koks	0.844	0.914	-8%	0.908	-7%
<b>Iron ore</b>	<b>4.546</b>	<b>4.782</b>	<b>-5%</b>	<b>4.467</b>	<b>2%</b>
Iron ore concentrate	2.566	2.725	-6%	2.423	6%
Sinter ore	0.250	0.375	-33%	0.376	-34%
Pellets	1.730	1.682	3%	1.668	4%
<b>Ferrous scrap</b>	<b>0.344</b>	<b>0.665</b>	<b>-48%</b>	<b>0.322</b>	<b>7%</b>

### Appendix 13. NLMK Group steel product sales (without NBH)

Sales, m t	Q1 2019	Q4 2018	qoq	Q1 2018	yoy
<b>Semi-finished products</b>	<b>1.779</b>	<b>2.023</b>	<b>-12%</b>	<b>1.643</b>	<b>8%</b>
Pig iron	0.047	0.295	-84%	0.258	-82%
Slabs	1.559	1.527	2%	1.170	33%
Billet	0.173	0.201	-14%	0.215	-20%
<b>Flat steel</b>	<b>2.239</b>	<b>1.980</b>	<b>13%</b>	<b>1.948</b>	<b>15%</b>
Plate	0.146	0.120	22%	0.142	3%
Hot-rolled steel	1.016	0.827	23%	0.833	22%
Cold-rolled steel	0.509	0.476	7%	0.441	15%
Galvanized steel	0.348	0.325	7%	0.305	14%
Pre-painted steel	0.089	0.111	-20%	0.087	3%
Transformer steel	0.071	0.070	2%	0.068	5%
Dynamo steel	0.061	0.053	15%	0.072	-16%
<b>Long products</b>	<b>0.592</b>	<b>0.640</b>	<b>-7%</b>	<b>0.556</b>	<b>7%</b>
Long products	0.522	0.578	-10%	0.494	6%
Metalware	0.069	0.062	13%	0.062	12%
<b>Steel product sales</b>	<b>4.610</b>	<b>4.643</b>	<b>-1%</b>	<b>4.146</b>	<b>11%</b>