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Press release

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4Q 2016 AND 12M 2016 NLMK GROUP TRADING UPDATE*

In 2016, NLMK Group steel output increased by 4% yoy to a record 16.6 m t; sales totaled 15.9 m t (stable yoy). Group steelmaking capacities in 2016 were running at 96%, up by 3 p.p. yoy. 4Q 2016 sales totaled 3.6 m t (-4% yoy); steel output grew by 8% yoy to 4.2 m t.**

12M 2016 highlight:

- Crude steel output** grew by 4% yoy to 16.6 m t on the back of the increase in production across all sites.
- NLMK Group capacity utilization rates increased by 3 p.p. to 96%.
- NLMK Group sales totaled 15.9 m t (flat yoy).
- Share of finished product sales grew by 2 p.p. yoy to 64%.
- Market shares in NLMK Group total sales:
 - share of product sales by Group companies in regions where products are manufactured (hereinafter referred to as 'home markets') totaled 66% (flat yoy).
 - share of sales to third parties (except NBH) in markets external to countries where products are manufactured (hereinafter referred to as 'export markets') totaled 34% (flat yoy).

Q4 2016 highlights:

- Crude steel output** increased to 4.2 m t (+8% yoy and +3% qoq) following the completion of planned repairs at Novolipetsk in 3Q 2016.
- Steelmaking capacity utilization rates were up by 3 p.p. yoy to 95%.
- NLMK Group sales totaled 3.6 m t (-4% yoy and -15% qoq) due to the decrease in pig iron deliveries (-73% yoy and -61% qoq).
- Finished products accounted for 62% of total sales (+6 p.p. yoy and -3 p.p. qoq).

* Hereinafter 4Q 2016 and 12M 2016 output and sales figures are preliminary

** Steel output is given taking into account associated companies (NBH)



Steel output at Group sites reaches record high¹

Production, m t	Q4 2016	Q3 2016	QoQ	Q4 2015	YoY	2016	2015	YoY
Crude steel production (without NBH)	4.172	4.044	3%	3.864	8%	16.438	15.866	4%
Crude steel production (with NBH)	4.223	4.091	3%	3.904	8%	16.641	16.060	4%
Capacity utilization, %	95%	96%	-1 p.p.	92%	+3 p.p.	96%	93%	+3 p.p.
Consolidated sales								
Semi-finished steel ²	1.351	1.443	-6%	1.621	-17%	5.713	6.036	-5%
Finished steel	2.247	2.777	-19%	2.116	6%	10.174	9.793	4%
<i>Flat steel</i>	1.708	2.101	-19%	1.739	-2%	7.977	7.704	4%
<i>Long steel and metalware</i>	0.539	0.676	-20%	0.377	43%	2.197	2.089	5%
Total consolidated sales	3.598	4.220	-15%	3.737	-4%	15.888	15.829	0%
Sales to home markets of the Group ³	67%	66%	+1 p.p.	63%	+4 p.p.	66%	66%	0 p.p.
Sales to export markets	33%	34%	-1 p.p.	37%	-4 p.p.	34%	34%	0 p.p.
For information: slab sales to foreign subsidiaries and affiliates	0.915	1.015	-10%	0.893	3%	3.960	3.829	3%
Segment sales								
Russia Flat	2.896	3.302	-12%	3.250	-11%	12.691	13.029	-3%
Russia Long	0.680	0.869	-22%	0.494	38%	2.809	2.375	18%
Mining	4.345	4.636	-6%	4.485	-3%	17.273	17.014	2%
Foreign rolled products	0.504	0.541	-7%	0.469	8%	2.298	2.199	4%
For information: NBH sales	0.513	0.488	5%	0.436	18%	2.142	1.989	8%

¹ Hereinafter 4Q 2016 and 12M 2016 production and sales data is preliminary

² Including pig iron, slabs and billets

³ Home markets: Russia for the Russian assets of NLMK Group, North America for NLMK USA and the EU market for NLMK Dansteel and NBH

NLMK Group operating highlights

12M 2016 overview:

- **Crude steel output:** record high output of 16.64 m t (+4% yoy): growth across all NLMK Group sites on the back of the increase in equipment productivity (*see Appendix 1*).
- **Sales:** 15.89 m t, stable yoy.
- **Sales structure:** finished rolled product sales increased by 4% yoy to 10.17 m t, driven by a 5% yoy increase in long product sales (mainly exports) and a 4% increase in flat steel deliveries (predominantly in home markets in Russia, Europe, and the USA). Finished products accounted for 64% (+2 p.p. yoy).
- Sales of semi-finished products eased by 5% yoy to 5.71 m t, due to the decrease in pig iron sales (-44% yoy) and the increase in the volume of slabs rolled into finished products by NLMK Group facilities. Slab deliveries to Group facilities and associated companies grew by 3% yoy to 3.96 m t, or 60% of total Novolipetsk slab sales (+4 p.p. yoy).
- **Sales in home markets** climbed by 1% yoy to 10.46 m t, home sales accounting for 66%. Total sales in Russia eased by 3% yoy to 5.94 m t due to the decline in demand for long products in Russia. Sales of NLMK's international divisions (NLMK Europe and NLMK USA) in the European and US markets increased by 6% yoy to 4.44 m t;



- **Sales in NLMK Group's export markets** grew to 5.46 m t (+1% yoy), accounting for 34% of NLMK Group's total sales (with NBH). Key growth drivers included the increase in export long product sales.
- **Price trends:** Steel product prices in the global markets were recovering throughout the year on the back of the growth in prices for raw materials; a better-than-anticipated demand trend on China; and intensified trade restrictions in developed markets (including in Europe and the USA). Steel product prices in the Russian market in 2016 grew by 2-7% (in US\$). Average prices in the US grew by 15-20% yoy, and to 10% in the European market. Export market prices (FOB Black Sea) saw a variety of trends: from an insignificant decrease in billet prices (-2% yoy) to a 5-10% growth in slab and flat product prices.

4Q 2016 overview:

- **Crude steel output:** an 8% yoy increase in output to 4.22 m t (+3% qoq) across all sites of NLMK Group and associated companies, driven by improved equipment productivity; and strong demand for products, including billet exports. The drop in steel output at NLMK Russia Long Division sites vs. 3Q 2016 (-6% qoq) is associated with the seasonal decrease in demand for long products in Russia.
- **Sales:** 3.60 m t; a 4% drop yoy due to the decrease in semi-finished product sales (-17% yoy). The 15% qoq drop vs. 3Q 2016 is associated with the seasonal decrease in demand in the Russian market; and the high base effect in 3Q when finished product sales contracted in previous periods were accounted for.
- **Sales structure:** finished product sales increased by 6% yoy to 2.25 m t, due mainly to the 43% yoy growth in long steel sales. Finished products accounted for 62% (+6 p.p. yoy). The 19% decrease in finished product sales and a 4 p.p. decrease in their share vs. Q3 2016 was associated with the seasonal contraction in demand in Russia.
- **Sales in home markets:** climbed by 3% yoy to 2.42 m t, home sales accounting for 67% (+4 p.p. yoy). Sales in Russia eased by 3% yoy to 1.36 m due to the seasonal decline in demand. Sales of NLMK's international divisions in their home European and US markets increased by 8% yoy to 0.50 m t; NBH sales to the EU market gained 18% yoy to 0.51 m t. The 12% qoq drop in Group sales in its home markets was associated with the seasonal changes in demand in the Russian market.
- **Sales in NLMK Group's export markets** decreased by 12% yoy to 1.21 m t (-16% qoq), accounting for 33% of NLMK Group's total sales with NBH (-4 p.p. yoy and -1 p.p. qoq). Key factors behind the yoy decline included the increase in home flat steel sales, predominantly by NLMK's international companies. Key export destinations included European countries, North America and the Middle East.
- **Price trends:** The increase in raw material prices offset the seasonal fall in finished product prices, resulting in a 1-5% qoq (+15-40% yoy) increase in steel prices in Russia. Steel prices in the European market continued to grow by 3-14% qoq (30-45% yoy) following a seasonal drop in demand during the summer months. The US market saw the abnormally high premium to Chinese prices recede, resulting in a 5-8% qoq fall (vs. 35-45% growth yoy) in average prices. Prices throughout the quarter grew by 12-20% on the back of the increase in raw material prices. Export market prices (FOB Black Sea) climbed by 4-20% qoq (+30-60% yoy).



Segments' operating highlights

NLMK Russia Flat⁴ grows sales of finished products in 2016

Sales, m t	4Q 2016	3Q 2016	QoQ	4Q 2015	YoY	2016	2015	YoY
Pig iron	0.086	0.105	-18%	0.187	-54%	0.435	0.683	-36%
Slabs incl.	1.605	1.632	-2%	1.793	-10%	6.567	6.834	-4%
Slab sales to foreign subsidiaries and affiliates, incl.	0.915	1.015	-10%	0.893	3%	3.960	3.829	3%
to NLMK USA, NLMK Dansteel	0.436	0.492	-11%	0.442	-1%	1.839	1.741	6%
to NBH	0.479	0.523	-8%	0.450	6%	2.121	2.089	2%
Hot-rolled steel	0.504	0.730	-31%	0.578	-13%	2.599	2.510	4%
Cold-rolled steel	0.300	0.387	-23%	0.331	-10%	1.479	1.446	2%
Galvanized steel	0.162	0.175	-7%	0.140	16%	0.620	0.648	-4%
Pre-painted steel	0.112	0.138	-19%	0.084	33%	0.459	0.375	23%
Dynamo steel	0.075	0.079	-6%	0.064	17%	0.285	0.256	11%
Transformer steel	0.054	0.055	-3%	0.074	-27%	0.245	0.277	-11%
incl. from VIZ-Steel	0.031	0.038	-19%	0.048	-35%	0.153	0.180	-15%
Total products	2.896	3.302	-12%	3.250	-11%	12.691	13.029	-3%
Coke sales from Altai-Koks ⁵	1.044	1.097	-5%	0.953	10%	4.074	4.018	1%
incl. to Novolipetsk	0.814	0.770	6%	0.787	4%	3.110	3.186	-2%

⁴ NLMK Russia Flat companies include Novolipetsk, VIZ-Steel, and Altai-Koks. Novolipetsk and VIZ-Steel sales are calculated including the corresponding share of trading companies.

⁵ Coke operating data is shown in dry weight.

- **12M 2016 overview:** Segment sales eased by 0.34 m t to 12.69 m t, due mainly to pig iron exports decreasing by 0.25 m t.
- **4Q 2016 overview:** Segment sales eased by 11% yoy to 2.90 m t (-12% qoq), due to pig iron exports slumping by 54% yoy (-18% qoq) and sales of slabs to third parties easing by 23% yoy (+12% qoq) to 0.69 m t.

NLMK Russia Long output and sales grew significantly in 2016⁶

Sales, m t	4Q 2016	3Q 2016	QoQ	4Q 2015	YoY	2016	2015	YoY
Commercial billet	0.141	0.193	-27%	0.117	20%	0.612	0.286	> 100%
Rebar	0.413	0.555	-26%	0.292	42%	1.727	1.690	2%
Sections	0.003	0.007	-58%	0.004	-31%	0.035	0.013	> 100%
Wire rod	0.058	0.045	30%	0.021	> 100%	0.176	0.115	53%
Metalware	0.065	0.069	-7%	0.060	8%	0.260	0.271	-4%
Total steel products	0.680	0.869	-22%	0.494	38%	2.809	2.375	18%
Ferrous and non-ferrous scrap, incl.	1.242	1.336	-7%	1.043	19%	4.587	4.218	9%
to NLMK Ural	0.396	0.470	-16%	0.340	16%	1.510	1.456	4%
to NLMK Kaluga	0.341	0.386	-12%	0.290	18%	1.337	1.131	18%
to Novolipetsk	0.489	0.463	6%	0.386	27%	1.648	1.519	8%

⁶ 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



- **12M 2016 overview:** Segment sales increased by 18% yoy to 2.81 m t, driven by export growth to 1.11 m t (+228% yoy).
- **4Q 2016 overview:** Segment sales shot up by 38% yoy to 0.68 m t, driven by export growth to 0.34 m t (x4.3 yoy). The 22% qoq decrease in long product sales was associated with the seasonal weakening in demand for construction products in Russia.

Foreign Rolled Products improved their operating performance in 2016

- **12M 2016 overview:** Segment sales increased by 4% yoy to 2.30 m t, supported by stable demand in the USA and European markets.
- **4Q 2016 overview:** Segment sales increased to 0.50 m t (+8% yoy and -7% qoq), supported by improved market conditions in the US and the EU.

NLMK USA grows sales by 3% in 2016 on the back of fading demand in the US⁷

Sales, m t	4Q 2016	3Q 2016	QoQ	4Q 2015	YoY	2016	2015	YoY
Hot-rolled steel	0.175	0.210	-17%	0.176	-1%	0.905	0.936	-3%
Cold-rolled steel	0.114	0.141	-19%	0.103	10%	0.544	0.493	10%
Galvanized steel	0.093	0.089	4%	0.078	19%	0.359	0.328	10%
Total NLMK USA⁸	0.382	0.444	-14%	0.357	7%	1.817	1.764	3%

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

⁸ NLMK USA also sells non-significant volumes of merchant slabs not included into total rolled steel sales. In Q4'16, Q3'16, Q2'16 and Q1'16 slab sales totaled 1,000 t, 5,000 t, 1,000 t, and 2,000 t, respectively.

- The yoy sales growth was driven by stable demand from key consumers; restocking by trading companies; and trade restrictions targeting rolled steel imports in the American market.
- Slab shipments from the Lipetsk site increased by 4% yoy to 1.27 m t, including 0.29 m t in 4Q (-23% qoq and -10% yoy).

NLMK Dansteel 2016 sales outstrip EU market growth rates by more than two times

Sales, m t	4Q 2016	3Q 2016	QoQ	4Q 2015	YoY	2016	2015	YoY
Thick plates	0.121	0.097	25%	0.111	9%	0.481	0.435	11%

- Sales growth drivers included the recovery in demand from machine building and wind power industries; high competitiveness of products.

NLMK Belgium Holdings (NBH)⁹ 2016 sales up by 8%

Sales, m t	4Q 2016	3Q 2016	QoQ	4Q 2015	YoY	2016	2015	YoY
Hot-rolled steel	0.226	0.233	-3%	0.187	21%	0.967	0.873	11%
Cold-rolled steel	0.017	0.011	55%	0.009	76%	0.061	0.045	36%
Coated steel	0.086	0.077	12%	0.086	0%	0.347	0.374	-7%
Total flat steel	0.328	0.320	2%	0.282	16%	1.374	1.292	6%
Semi-finished (ingots)	0.018	0.017	5%	0.019	-6%	0.081	0.086	-6%
Thick plates	0.167	0.151	11%	0.135	24%	0.687	0.611	13%
Total steel products, including flats	0.513	0.488	5%	0.436	18%	2.142	1.989	8%

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



- **12M 2016 overview:** NBH steel output (NLMK Verona) increased by 5% yoy to 0.20 m t on the back of improved market conditions.
- Sales climbed by 8% on the back of the recovery in demand in Europe and weaker competition from rolled product imports.
- Sales growth drivers: recovery in demand from key consumers (machine building, automotive) and successful competitions with imports. 4Q sales grew by 18% qoq, including +16% yoy for flat products, driven by the launch of the second cold-rolling line with a capacity of 150,000 tpa;
- Slab deliveries from Novolipetsk to NBH for further processing totaled 2.12 m t (+2% yoy) in 12M 2016.
- **4Q 2016 overview:** Steel output increased by 28% yoy to 0.05 m t (+8% qoq). Sales climbed by 18% yoy to 0.51 m t (+5% qoq) on the back of the recovery in demand from key consumers (machine builders) in the EU.

Mining Division's record operating performance in 2016

Sales, m t	4Q 2016	3Q 2016	QoQ	4Q 2015	YoY	2016	2015	YoY
Iron ore concentrate	3.709	4.225	-12%	3.947	-6%	15.399	15.238	1%
incl. to Novolipetsk	2.808	3.035	-7%	2.905	-3%	11.456	11.342	1%
Sinter ore	0.400	0.411	-3%	0.538	-26%	1.638	1.777	-8%
incl. to Novolipetsk	0.365	0.371	-2%	0.310	18%	1.389	1.038	34%
Pellets	0.236	0.000	-	0.000	-	0.236	0.000	-
incl. to Novolipetsk	0.236	0.000	-	0.000	-	0.236	0.000	-

- **12M 2016 overview:** Concentrate sales grew by 1% yoy, reaching a record high of 15.40 m t; sales of captive pellets totaled 0.24 m t.
- Output growth was driven by operational efficiency programmes and the launch of HPGR units. [See press release.](#)
- Launch of Stoilensky's Pelletizing Plant with a capacity of 6 m t per year in November 2016. Pellet sales since the launch of the Plant totaled 0.24 m t; the entire volume going to Novolipetsk. The share of IORM sales to third parties is expected to decline as the Plant ramps up.
- **4Q 2016 overview:** Transitioning to in-house pellets had an impact on concentrate sales: there was a 12% drop qoq to 3.7 m t.



Appendixes

Appendix 1. NLMK Group crude steel production

Production, m t	4Q 2016	3Q 2016	QoQ	4Q 2015	YoY	2016	2015	YoY
Lipetsk site	3.319	3.163	5%	3.255	2%	12.985	12.882	1%
NLMK Long Products	0.735	0.778	-6%	0.528	39%	2.892	2.527	14%
incl. NLMK Kaluga	0.347	0.354	-2%	0.284	22%	1.345	1.091	23%
NLMK Indiana (NLMK USA)	0.118	0.103	14%	0.081	45%	0.561	0.457	23%
NLMK Group (without NBH)	4.172	4.044	3%	3.864	8%	16.438	15.866	4%
<i>for information</i>								
NBH, NLMK Europe (EAF)	0.051	0.047	8%	0.040	28%	0.203	0.194	5%
NLMK Group (with NBH)	4.223	4.091	3%	3.904	8%	16.641	16.060	4%

Appendix 2. NLMK Group steel product output

Production, m t	4Q 2016	3Q 2016	QoQ	4Q 2015	YoY	2016	2015	YoY
Merchant pig iron	0.080	0.068	18%	0.090	-11%	0.462	0.629	-27%
Merchant slabs	1.337	1.027	30%	1.377	-3%	4.722	4.953	-5%
Flat steel	1.921	2.015	-5%	1.832	5%	8.084	7.855	3%
Merchant billets	0.140	0.194	-28%	0.104	34%	0.661	0.286	> 100%
Long products	0.513	0.501	2%	0.345	49%	1.915	1.890	1%
Metalware	0.066	0.065	1%	0.059	12%	0.260	0.273	-5%
Total steel products	4.057	3.870	5%	3.807	7%	16.103	15.887	1%

Appendix 3. Steel product sales by NLMK Russia Flat

Production, m t	4Q 2016	3Q 2016	QoQ	4Q 2015	YoY	2016	2015	YoY
Merchant pig iron	0.080	0.068	18%	0.090	-11%	0.462	0.629	-27%
Merchant slabs	1.773	1.519	17%	1.820	-3%	6.561	6.694	-2%
Hot-rolled steel	0.626	0.653	-4%	0.653	-4%	2.655	2.607	2%
Cold-rolled steel	0.329	0.392	-16%	0.357	-8%	1.512	1.494	1%
Galvanized steel	0.174	0.189	-8%	0.147	19%	0.654	0.664	-2%
Pre-painted steel	0.122	0.132	-8%	0.080	52%	0.466	0.377	24%
Dynamo steel	0.080	0.079	2%	0.060	34%	0.295	0.252	17%
Transformer steel	0.042	0.055	-24%	0.072	-41%	0.230	0.278	-17%
Total steel products	3.227	3.088	5%	3.278	-2%	12.836	12.996	-1%



Appendix 4. Main raw materials production

Production, m t	4Q 2016	3Q 2016	QoQ	4Q 2015	YoY	2016	2015	YoY
Coke (dry weight)	1.651	1.702	-3%	1.568	5%	6.512	6.452	1%
Novolipetsk	0.613	0.618	-1%	0.616	0%	2.452	2.422	1%
Altai-Koks	1.038	1.084	-4%	0.952	9%	4.059	4.030	1%
Iron ore	3.920	4.318	-9%	4.428	-11%	16.894	16.931	0%
Iron ore concentrate	3.518	3.935	-11%	3.974	-11%	15.311	15.194	1%
Sinter ore	0.402	0.383	5%	0.454	-11%	1.583	1.737	-9%
Pellets	0.288	0.000	0%	0.000	0%	0.288	0.000	0%
Ferrous scrap	0.573	0.622	-8%	0.538	6%	2.092	2.195	-5%

Appendix 5. NLMK Group steel product sales

Sales, m t	4Q 2016	3Q 2016	QoQ	4Q 2015	YoY	2016	2015	YoY
Semi-finished	1.351	1.443	-6%	1.621	-17%	5.713	6.036	-5%
Pig iron	0.041	0.105	-61%	0.153	-73%	0.365	0.649	-44%
Slabs	1.170	1.145	2%	1.351	-13%	4.737	5.100	-7%
Billet	0.141	0.193	-27%	0.117	20%	0.612	0.286	> 100%
Flat steel	1.708	2.101	-19%	1.739	-2%	7.977	7.704	4%
Plate	0.121	0.097	25%	0.111	9%	0.481	0.435	11%
Hot-rolled steel	0.678	0.940	-28%	0.754	-10%	3.504	3.446	2%
Cold-rolled steel	0.413	0.527	-22%	0.435	-5%	2.024	1.940	4%
Galvanized steel	0.255	0.264	-3%	0.218	17%	0.979	0.976	0%
Pre-painted steel	0.112	0.138	-19%	0.084	33%	0.459	0.375	23%
Transformer steel	0.054	0.055	-3%	0.074	-27%	0.245	0.277	-11%
Dynamo steel	0.075	0.079	-6%	0.064	17%	0.285	0.256	11%
Long products	0.539	0.676	-20%	0.377	43%	2.197	2.089	5%
Long steel	0.474	0.607	-22%	0.317	50%	1.937	1.818	7%
Metalware	0.065	0.069	-7%	0.060	8%	0.260	0.271	-4%
Steel product sales	3.598	4.220	-15%	3.737	-4%	15.888	15.829	0%



Appendix 6. NLMK Russia Flat sales structure

Sales, m t	4Q 2016	3Q 2016	QoQ	4Q 2015	YoY	2016	2015	YoY
Russian market	1.058	1.165	-9%	1.026	3%	4.313	4.123	5%
Semi-finished products	0.278	0.191	45%	0.233	19%	0.937	0.954	-2%
Hot-rolled steel	0.306	0.418	-27%	0.351	-13%	1.458	1.415	3%
Cold-rolled steel	0.189	0.232	-18%	0.199	-5%	0.790	0.706	12%
Galvanized steel	0.151	0.164	-8%	0.133	14%	0.582	0.594	-2%
Pre-painted steel	0.109	0.135	-19%	0.083	32%	0.451	0.370	22%
Dynamo steel	0.014	0.015	-5%	0.013	6%	0.054	0.044	23%
Transformer steel	0.010	0.010	-1%	0.014	-26%	0.040	0.040	1%
Export markets	1.838	2.137	-14%	2.225	-17%	8.377	8.906	-6%
Semi-finished products	1.413	1.546	-9%	1.747	-19%	6.065	6.563	-8%
Hot-rolled steel	0.198	0.313	-37%	0.227	-13%	1.141	1.095	4%
Cold-rolled steel	0.110	0.155	-29%	0.132	-17%	0.689	0.740	-7%
Galvanized steel	0.011	0.011	-1%	0.007	54%	0.037	0.054	-31%
Pre-painted steel	0.002	0.003	-28%	0.001	86%	0.009	0.005	64%
Dynamo steel	0.061	0.064	-6%	0.050	20%	0.231	0.212	9%
Transformer steel	0.044	0.045	-3%	0.060	-27%	0.205	0.237	-13%
Total sales	2.896	3.302	-12%	3.250	-11%	12.691	13.029	-3%