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Press release

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NLMK Group (LSE: NLMK) announces results of its Strategy 2017 for the period 2014-2017

Strategy 2017 target of \$1 billion annual EBITDA gains has been achieved¹:

- Strategy 2017 delivered structural annual EBITDA gain of \$1,019 million.
- Management initiatives contributed around \$740 m (over 70%) to the result.
- The company expects additional gains of around \$160 million in 2018 generated by recently completed investment projects
- Full self-sufficiency in iron ore and pellets has been achieved with positive NPV on the investments

NLMK sales grew faster than respective markets across all Group divisions

Strategy 2017 gains are coming from the following sources:**Global leadership in operational efficiency**

Net gain of \$523 million per year, or 158% of announced target. This has led to a reduction in the production costs and an increase in productivity:

- Maintained cost leadership: 2017 cash cost per tonne of steel decreased by 12% from 2013 level (at constant prices). This secured NLMK's global cost leadership in the sector with cost advantage vs industry average widening from 29% in 2013 to 35% in 2017.
- Increased productivity: NLMK increased steel output by 0.8 million tonnes (+6%), HRC output grew by 0.5 million tonnes (+9%) per year from the 2013 levels through better practices.
- Increased efficiency of auxiliary operations (energy, logistics, procurement) driven by the roll-out of NLMK Production System resulted in additional gains of \$228 million.

¹ Hereinafter NLMK Group results are presented with NBH and cover 2014-2017 period

World-class resource base

Net gain of \$384 million per year:

- Over 50% of this result was delivered by ramp-up of the new pelletizing plant (commissioned in November 2016) and an increase of iron ore concentrate output at Stoilensky.
- Reduced consumption of expensive resources through new technologies introduced at NLMK Lipetsk: total energy consumption reduced by 6%, coking coal consumption – by 14%, and natural gas consumption – by 26%.

Additional carry-over effects from Strategy 2017 resource projects of \$160 are expected in 2018. In particular:

- NLMK will [increase output of iron ore concentrate](#) to 17.5 million t per year.
- [Coke consumption is set to decrease further](#) with the ramp-up of PCI systems at NLMK Lipetsk.

Leadership in strategic markets

Net gain was \$111 million, or 58% of the target level. Gains fell short of the target level due to the slump in the Russian steel market in 2014-2016, which was partly offset by:

- Sales hitting an all-time high of 16.5 million tonnes in 2017, climbing for the fourth year running (+11% vs. 2013).
- Sales in NLMK Group's home markets of Russia, the EU, and the USA grew by 12% vs. 2013 to 10.7 million tonnes. Sales growth by the Group's divisions significantly outperformed the steel consumption growth in its home markets. The share of home markets in total sales grew to 65% in 2017.
- Sales of finished products increased by 17%, from 10.9 million tonnes in 2013 to 12.8 million tonnes in 2017.

Leadership in sustainability and safety

- Lost-Time Frequency Rate (LTIFR) declined by 53% to 0.97 vs. 2013 for the Group, and by 41% to 0.51 for Russian operations.
- Specific air emissions were reduced by 6% to 20.5 kg/t vs. 2013 levels.
- Employee productivity grew by 29% vs. 2013, driven by process automation and increased output.

Strategy 2022: on to a new cycle

- NLMK is currently finalizing the development of Strategy 2022 to be presented in 2018.
- Strategy 2022 aims to maintain a balance between investment in growth projects, a conservative financial policy and high returns to NLMK shareholders.

Oleg Bagrin, NLMK Group CEO, said:

“NLMK Group has successfully completed this strategic cycle. Over these past years, we have consolidated NLMK’s leadership as one of the most efficient steel companies in the world.

“Last year’s results showed net gains from Strategy 2017 projects exceeded \$1 billion, with over 70% generated by management initiatives. This was not driven by the markets or pricing, this came about through the Group’s structural transformation. Over the last five years, we implemented over 100 investment projects and over 3,000 operational efficiency projects.

“We’ve grown steel output to an all-time high, while boosting profitability. Decreased leverage and structural increase in profitability enabled higher dividends. This would not have been possible without concerted effort of NLMK Group’s employees, all of our 55,000 people, working towards a common goal across 12 time zones. One of the most important outcomes of Strategy 2017 is clearly a step forward in developing NLMK as a single and committed team.

“NLMK has regained its leadership among Russian peers in terms of market value, and I am grateful to our shareholders for their trust.

“2018 sees the beginning of a new five-year strategic cycle. NLMK’s technology, the quality of our team, the scale of our business and, most importantly, the unique potential for growth and efficiency our company enjoys within the industry will open up a many new opportunities.”

About NLMK Group

NLMK Group is the largest steelmaker in Russia and one of the most efficient in the world.

NLMK Group's steel products are used in various industries, from construction and machine building to the manufacturing of power-generation equipment and offshore windmills.

NLMK operates production facilities in Russia, Europe and the United States. The Company's steel production capacity exceeds 17 million t per year.

NLMK has the most competitive cash cost among global manufacturers and one of the highest profitability levels in the industry. In 12M 2017, the Company generated \$10.07 billion in revenue and \$2.66 billion in EBITDA. As of 31 December 2017, Net debt/EBITDA stood at 0.35x. The company has investment grade credit ratings from S&P, Moody's and Fitch.

NLMK's ordinary shares with a 16% free-float are traded on the Moscow Stock Exchange (ticker "NLMK") and its global depositary shares are traded on the London Stock Exchange (ticker "NLMK:LI"). The share capital of the Company is divided into 5,993,227,240 shares with a par value of RUB1. For more details on NLMK shareholder capital, please follow the [link](#).

NLMK Group received the Steel Industry Leadership Award at the prestigious Platts Global Metals Awards held by S&P Global Platts, a leading international industry analytical periodical.

For more information on NLMK Group, please visit [our website](#).