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Q1 2018 NLMK GROUP TRADING UPDATE*

In Q1 2018, steel output totaled 4.33 m t, flat qoq (+3% yoy). Capacity utilization rate grew by 3 p.p. to 99%. Group sales in Q1 2018 totaled 4.15 m t, which is 13% higher than in Q1 2017 (-5% qoq).

Q1 2018 highlights:

- Steel output remained largely flat qoq. The 3% growth yoy to 4.33 m t was driven by high capacity utilization at NLMK Lipetsk and growth of output at NLMK Russia Long.
- Group sales decreased by 5% qoq to 4.15 m t due to growth in slab sales to captive rolling facilities for further processing (+32% qoq to 600,000 t) and the seasonal weakening in demand in Russia.
- Sales grew by 13% yoy, driven by the growth in demand in NLMK's home markets in Russia and the EU, and the increase in slab sales on the global market.
- Group sales in home markets accounted for 62% (-2 p.p. qoq and flat yoy) of total sales.

* Hereinafter, Q1 output and sales data is preliminary and can be updated. Hereinafter NLMK Group steel output and sales by market are shown taking into account NBH performance. Sales by product 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 2018 operating performance

Steel output remained flat qoq at 4.33 m t (+3% yoy).

Sales declined by 5% qoq due to the seasonal contraction of demand in the Russian market and a higher share of slab deliveries to NLMK USA supported by expected growth of demand.

13% yoy sales growth was due to an increase in long product sales in Russia and higher export sales of semi-finished products.

Sales breakdown: finished product sales decreased by 4% qoq to 2.50 m t due to the seasonal decline in demand for finished rolled products in Russia and growing slab deliveries to NLMK's subsidiaries.

Relative to Q1 2017, the 3% growth in sales of finished rolled products was driven by recovering demand for long products in the Russian market.

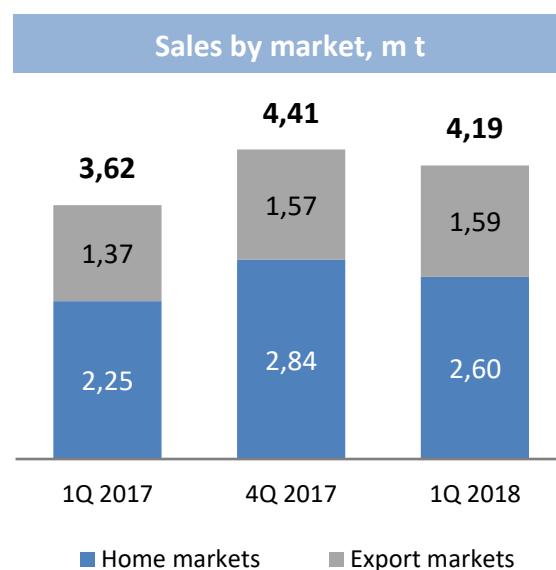
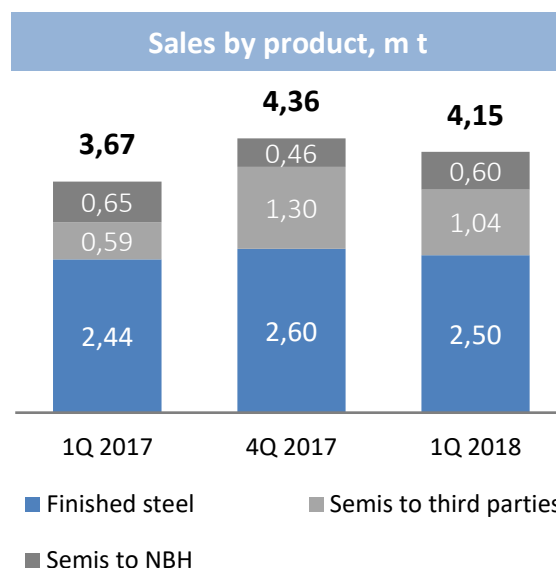
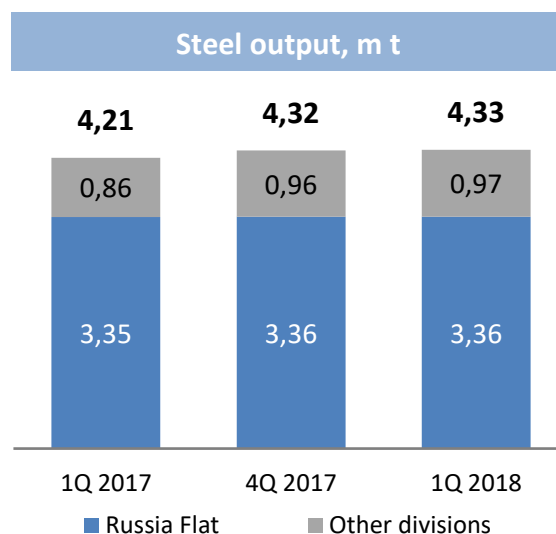
Semis sales to third parties dropped 20% qoq to 1.04 m t (+77% yoy) due to higher slab deliveries to the Group's subsidiaries ([Appendix 2](#), [Appendix 13](#)).

Slab deliveries to NLMK's joint venture (NBH) grew by 32% qoq (-7% yoy) to 0.60 m t backed by NBH sales growing by 26% qoq (+7% yoy) ([Appendix 2](#)).

Sales to home markets went down by 9% qoq to 2.60 m t, driven by a seasonal reduction in the buying activity in Russia. Meanwhile, sales of our international companies in their respective home markets of Europe and the USA increased by 20% and 1% qoq, respectively ([Appendix 1](#)).

Sales to home markets increased by 15% yoy, supported mostly by growing sales in Russia and Europe.

Sales to external markets increased by 1% qoq to 1.59 m t. Year-on-year sales growth of 16% is associated with an increase in billet exports (3.5x qoq), mainly to Africa and the Middle East, incl. Turkey.





Price trends:

Q1 2018

Average raw material prices in the global market:

- Average coal price in the global market climbed by 14% qoq (+21% yoy), primarily due to infrastructure restrictions in Australia and restocking in China after the holidays.
- Average prices for iron ore grew by 13% qoq (-13% yoy) against the backdrop of growing demand from Chinese steelmakers.

Average steel product prices:

- Steel product prices in the US grew by 14-24% qoq (+10-20% yoy), backed by growing demand from key consumers and fears of steel import restrictions due to the Section 232 investigations.
- In the EU, steel product prices rose 7-9% qoq (+10-20% yoy), driven by better economics.
- In the Russian market, average prices for uncoated flat steel grew by 6% qoq (+0-8% yoy) in dollar terms, following global quotations. Average rebar prices climbed 8% qoq (+12% yoy).
- Export slab prices (FOB Black Sea) were up 12% qoq (+31% yoy), supported by growing demand for semis.

SEGMENTAL PERFORMANCE

NLMK RUSSIA FLAT PRODUCTS¹

Q1 2018 performance

Steel output totaled 3.36 m t (flat qoq and yoy).

Sales grew by 3% qoq, driven by the growth of pig iron sales in the US market and slab sales to NLMK's own international facilities ([Appendix 2](#)).

The 9% growth of sales yoy was supported mainly by the recovery in demand for HVA products and slabs for large-diameter tubes in Russia.

Sales breakdown: finished steel sales decreased by 9% qoq (-8% yoy), pressured by the seasonal drop in demand in Russia. NLMK used this slowdown in demand to carry out maintenance at galvanizing lines HDGL-1 and HDGL-3. Sales of semi-finished products grew by 12% qoq (+22% yoy), driven mainly by slab sales to NLMK Group's assets in the US and the EU.

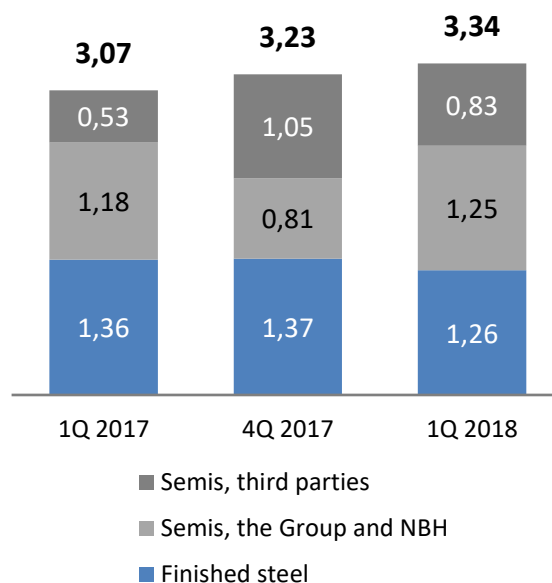
Sales markets: Sales in Russia decreased by 24% qoq, pressured by the seasonal weakening in demand and favourable conditions in export markets. Total sales in export markets grew by 22% qoq. Sales of semis to NLMK's own international facilities (+55% qoq), driven by the growth of demand in the EU and the US markets were the key driver behind export sales growth.

Sales in Russia increased by 25% yoy: growth in HVA product sales totaled 21% yoy; growth in slab sales for the production of large-diameter tubes totaled 76% yoy ([Appendix 2](#)).

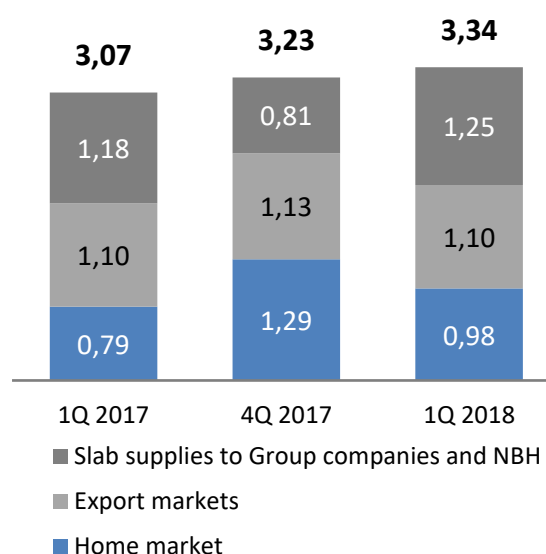
Total export sales grew by 3% yoy, driven mainly by the growth of pig iron sales (5-fold yoy).

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

1Q 2018: Sales breakdown, m t



1Q 2018: Sales by market, m t



NLMK RUSSIA LONG PRODUCTS²

Q1 2018 performance

Steel output decreased by 1% qoq to 0.75 m t (+20% yoy) due to the seasonal weakening in demand.

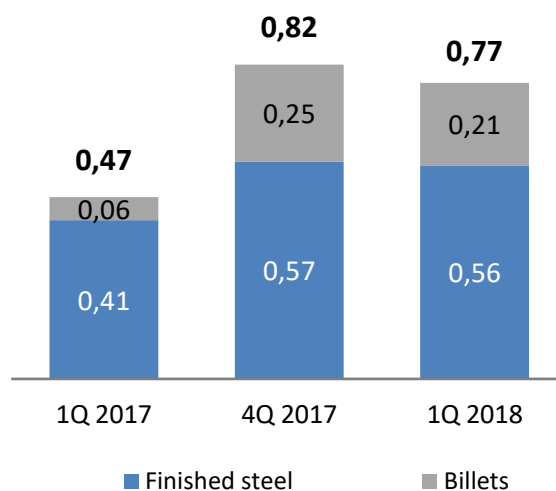
Sales dropped by 6% qoq ([Appendix 4](#)) due to the seasonal slowdown in buying activity on the Russian market (-13% qoq), which was partially offset by the increase in export sales (+2% qoq).

Segment sales grew by 63% yoy, driven by the increase in finished product sales on the domestic market, and the increase in export semis sales, mainly to Egypt and Turkey.

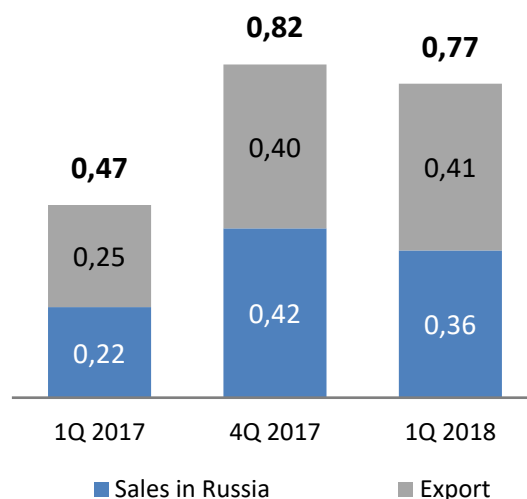
Sales markets: The share of export sales grew by 4 p.p. qoq to 53% (flat yoy). The breakdown of sales to external markets shifted towards an increase in finished product sales (+31% qoq), driven by the growth of export rebar prices. The share of finished products in the Segment's export sales reached 48% (+11 p.p. qoq).

Scrap: Scrap sales dropped by 51% qoq (+7% yoy) to 0.71 m t amid the seasonal decline in scrap collection. Sales breakdown remained unchanged, with 98% of scrap supplied to NLMK's own facilities in Russia ([Appendix 4](#)).

1Q 2018: Sales breakdown, m t



1Q 2018: Sales by market, m t



² 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

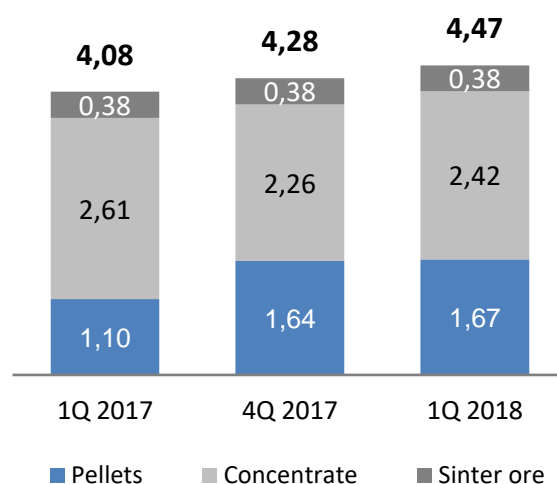
Q1 2018 performance

Output of iron ore totaled 4.47 m t (+4% qoq), due to the completion of assembly works to install HPGRs that resulted in increased productivity of the beneficiation plant ([Appendix 12](#)). In yoy terms, output was up 9%, driven by the growth of productivity of beneficiation equipment.

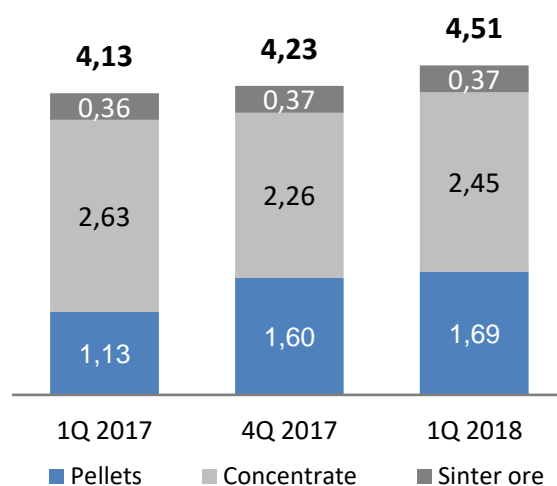
Pellet output totaled 1.67 m t (+2% qoq; +52% yoy).

Iron ore sales grew by 7% qoq to 4.51 m t (+9% yoy). This growth was supported by the increase in the share of in-house iron ore to cover NLMK Lipetsk needs. ([Appendix 5](#))

1Q 2018: Production, m t



1Q 18: Sales breakdown, m t





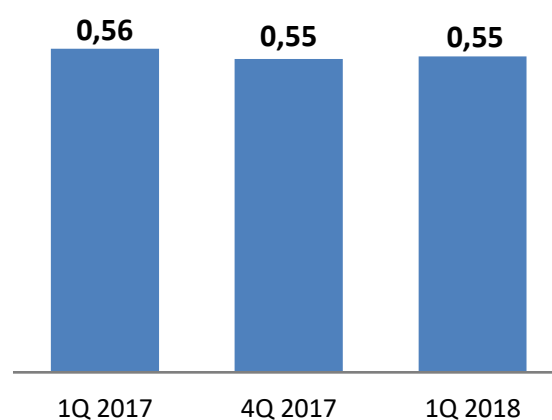
NLMK USA³

Q1 2018 performance

Sales: Increased by 1% qoq to 0.55 m t, driven by stronger demand on the US market ([Appendix 6](#)).

The 2% reduction year-on-year is attributable to the high base effect of 2017.

1Q 2018: NLMK USA sales, m t

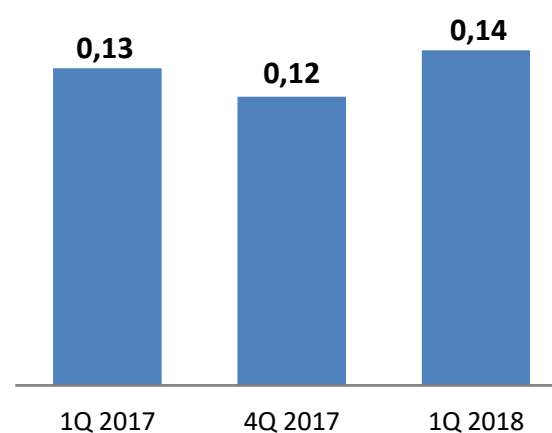


NLMK DANSTEEL

Q1 2018 performance

Sales of plate rose 16% qoq (+6% yoy), supported by rising demand from the shipbuilding, energy and construction sectors ([Appendix 7](#)).

1Q 2018: NLMK DanSteel sales, m t



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



ASSOCIATED COMPANIES - NLMK Belgium Holdings (NBH)⁴

Q1 2018 performance

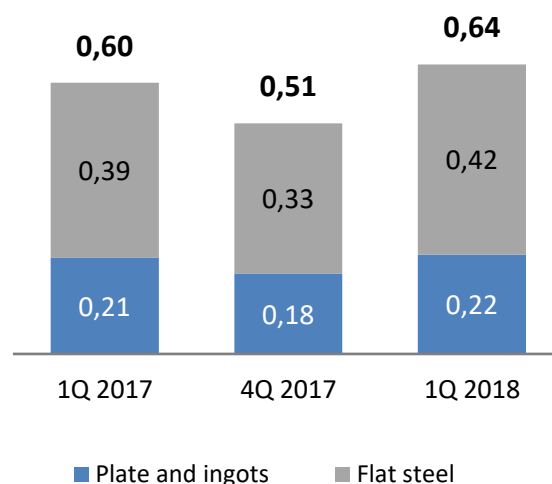
NBH sales increased by 26% qoq to 0.64 m t (+7% yoy), driven by growing business activity in the European market ([Appendix 8](#)).

Sales of flat steel grew to 0.42 m t (+27% qoq and +9% yoy) due to the increase in deliveries to the pipe and machine-building sectors.

Sales of plate and ingots increased by 23% qoq to 0.22 m t (+3% yoy) thanks to the growing demand from the shipbuilding and construction sectors.

Slab supplies from NLMK Lipetsk in Q1 2018 increased by 32% qoq to 0.6 m t (-7% yoy), driven by higher sales of the Segment ([Appendix 2](#)).

1Q 2018: NBH sales, m t



⁴ 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).

Note: figures from the diagrams can be found in the tables in the Appendix. They can also be downloaded as a separate Excel file.

Appendices

Appendix 1. NLMK Group operating highlights

Production, m t	Q1 2018	Q4 2017	QoQ	Q1 2017	YoY
Crude steel production (without NBH)	4.268	4.253	0%	4.152	3%
Crude steel production (with NBH)	4.326	4.315	0%	4.210	3%
Capacity utilization	99%	99%	0 p.p.	96%	+3 p.p.
Sales, m t					
Semi-finished steel ¹	1.643	1.757	-6%	1.236	33%
Finished steel	2.503	2.603	-4%	2.438	3%
Flat	1.948	2.038	-4%	2.025	-4%
Longs and metalware	0.556	0.565	-2%	0.413	34%
Total consolidated sales	4.146	4.360	-5%	3.674	13%
Sales to home markets of the Group ²	62%	64%	-2 p.p.	62%	0 p.p.
Sales to external markets	38%	36%	+2 p.p.	38%	0 p.p.
For information: slab sales to foreign subsidiaries and affiliates	1.254	0.807	55%	1.180	6%
Segment sales					
Russian Flat Products	3.338	3.229	3%	3.069	9%
Russian Long Products	0.770	0.818	-6%	0.473	63%
Mining	4.510	4.231	7%	4.127	9%
NLMK USA	0.553	0.550	1%	0.562	-2%
Dansteel	0.142	0.122	16%	0.134	6%
For reference: NBH sales	0.640	0.509	26%	0.599	7%

¹ Including commercial pig iron, slabs and billets

² 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 2018	Q4 2017	QoQ	Q1 2017	YoY
Pig iron	0.260	0.143	82%	0.056	> 100%
Slabs incl.	1.823	1.712	6%	1.651	10%
Slab sales to foreign subsidiaries and affiliates	1.254	0.807	55%	1.180	6%
to NLMK USA, NLMK Dansteel	0.655	0.351	86%	0.533	23%
to NBH	0.600	0.456	32%	0.647	-7%
Hot-rolled steel	0.514	0.595	-14%	0.651	-21%
Cold-rolled steel	0.318	0.367	-14%	0.355	-10%
Galvanized steel	0.197	0.176	12%	0.145	36%
Pre-painted steel	0.087	0.096	-10%	0.075	16%
Dynamo steel	0.072	0.068	6%	0.082	-12%
Transformer steel	0.068	0.072	-6%	0.056	21%
incl. VIZ-Steel	0.041	0.044	-7%	0.036	13%
Total products	3.338	3.229	3%	3.069	9%
Coke sales from Altai-Koks	0.897	0.949	-5%	1.012	-11%
incl. to Novolipetsk	0.673	0.662	2%	0.810	-17%

Appendix 3. NLMK Russia Flat sales by region and product

Sales, m t	Q1 2018	Q4 2017	QoQ	Q1 2017	YoY
Russian market	0.983	1.292	-24%	0.788	25%
Semi-finished products	0.204	0.269	-24%	0.120	70%
Hot-rolled steel	0.303	0.466	-35%	0.273	11%
Cold-rolled steel	0.202	0.275	-27%	0.167	21%
Galvanized steel	0.167	0.162	3%	0.134	25%
Pre-painted steel	0.085	0.094	-9%	0.071	20%
Dynamo steel	0.012	0.015	-17%	0.013	-6%
Transformer steel	0.009	0.012	-28%	0.009	-5%
Export markets	2.355	1.937	22%	2.282	3%
Semi-finished products	1.879	1.587	18%	1.586	18%
Hot-rolled steel	0.211	0.129	64%	0.378	-44%
Cold-rolled steel	0.115	0.092	25%	0.187	-39%
Galvanized steel	0.030	0.014	> 100%	0.011	> 100%
Pre-painted steel	0.002	0.003	-29%	0.004	-50%
Dynamo steel	0.060	0.053	12%	0.069	-13%
Transformer steel	0.059	0.060	-1%	0.047	26%
Total sales	3.338	3.229	3%	3.069	9%

Appendix 4 NLMK Russia Long sales by product

Sales, m t	Q1 2018	Q4 2017	QoQ	Q1 2017	YoY
Billet	0.215	0.252	-15%	0.060	> 100%
Rebar	0.387	0.419	-8%	0.297	31%
Sections	0.016	0.015	4%	0.003	> 100%
Wire rod	0.091	0.066	38%	0.055	65%
Metalware	0.062	0.065	-5%	0.059	6%
Total steel products	0.770	0.818	-6%	0.473	63%
Ferrous and non-ferrous scrap, incl.	0.712	1.448	-51%	0.666	7%
to NLMK Ural	0.276	0.454	-39%	0.242	14%
to NLMK Kaluga	0.263	0.413	-36%	0.204	29%
to Novolipetsk	0.157	0.555	-72%	0.203	-22%

Appendix 5. Mining Division sales

Sales, m t	Q1 2018	Q4 2017	QoQ	Q1 2017	YoY
Iron ore concentrate	2.452	2.259	9%	2.630	-7%
incl. to Novolipetsk	2.452	2.259	9%	2.620	-6%
Pellets	1.690	1.605	5%	1.134	49%
incl. to Novolipetsk	1.690	1.605	5%	1.134	49%
Sinter ore	0.368	0.367	0%	0.364	1%
incl. to Novolipetsk	0.368	0.367	0%	0.364	1%

Appendix 6. NLMK USA sales

Sales, m t	Q1 2018	Q4 2017	QoQ	Q1 2017	YoY
Hot-rolled steel	0.319	0.306	4%	0.311	2%
Cold-rolled steel	0.124	0.115	7%	0.135	-9%
Galvanized steel	0.108	0.126	-14%	0.111	-2%
Total NLMK USA ³	0.553	0.550	1%	0.562	-2%

³ NLMK USA also sells non-significant volumes of merchant slabs not included into total rolled steel sales. In 1Q 2018 slab sales totaled 2,000 t

Appendix 7. Dansteel sales

Sales, m t	Q1 2018	Q4 2017	QoQ	Q1 2017	YoY
Thick plates	0.142	0.122	16%	0.134	6%

Appendix 8. NBH (associated companies) sales

Sales, m t	Q1 2018	Q4 2017	QoQ	Q1 2017	YoY
Hot-rolled steel	0.322	0.241	34%	0.278	16%
Cold-rolled steel	0.011	0.012	-14%	0.016	-36%
Coated steel	0.088	0.078	12%	0.091	-4%
Total flat steel	0.420	0.331	27%	0.386	9%
Semi-finished (ingots)	0.021	0.021	-3%	0.020	2%
Thick plates	0.199	0.157	27%	0.193	3%
Total steel products	0.640	0.509	26%	0.599	7%

Appendix 9. NLMK Group steel output

Production, m t	Q1 2018	Q4 2017	QoQ	Q1 2017	YoY
Lipetsk site	3.359	3.356	0%	3.352	0%
NLMK Long Products	0.746	0.755	-1%	0.619	20%
incl. NLMK Kaluga	0.325	0.347	-6%	0.271	20%
NLMK Indiana (NLMK USA)	0.164	0.142	15%	0.181	-9%
NLMK Group (without NBH)	4.268	4.253	0%	4.152	3%
<i>for information</i>					
NBH, NLMK Europe (EAF)	0.058	0.062	-8%	0.059	-2%
NLMK Group (with NBH)	4.326	4.315	0%	4.210	3%

Appendix 10. NLMK Group steel product output

Production, m t	Q1 2018	Q4 2017	QoQ	Q1 2017	YoY
Merchant pig iron	0.165	0.254	-35%	0.029	> 100%
Merchant slabs	1.135	1.495	-24%	1.179	-4%
Flat steel	2.162	2.079	4%	2.114	2%
Merchant billets	0.170	0.229	-26%	0.093	83%
Long products	0.497	0.453	10%	0.421	18%
Metalware	0.064	0.063	3%	0.059	10%
Total products	4.194	4.572	-8%	3.894	8%

Appendix 11. NLMK Russia Flat steel product output

Production, m t	Q1 2018	Q4 2017	QoQ	Q1 2017	YoY
Merchant pig iron	0.165	0.254	-35%	0.029	> 100%
Merchant slabs	1.790	1.846	-3%	1.711	5%
Hot-rolled steel	0.635	0.625	2%	0.688	-8%
Cold-rolled steel	0.378	0.361	5%	0.370	2%
Galvanized steel	0.203	0.204	-1%	0.176	15%
Pre-painted steel	0.102	0.094	8%	0.106	-4%
Dynamo steel	0.075	0.071	5%	0.077	-3%
Transformer steel	0.070	0.072	-2%	0.058	21%
Total steel products	3.417	3.528	-3%	3.215	6%

Appendix 12. Output of main raw materials

Production, m t	Q1 2018	Q4 2017	QoQ	Q1 2017	YoY
Coke	1.507	1.567	-4%	1.632	-8%
Novolipetsk	0.599	0.616	-3%	0.606	-1%
Altai-Koks	0.908	0.951	-5%	1.027	-12%
Iron ore	4.467	4.279	4%	4.085	9%
Iron ore concentrate	2.423	2.262	7%	2.610	-7%
Sinter ore	0.376	0.375	0%	0.379	-1%
Pellets	1.668	1.642	2%	1.096	52%
Scrap	0.322	0.671	-52%	0.333	-3%

Appendix 13. NLMK Group steel product sales

Sales, m t	Q1 2018	Q4 2017	QoQ	Q1 2017	YoY
Semi-finished	1.643	1.757	-6%	1.236	33%
Pig iron	0.258	0.141	82%	0.054	> 100%
Slabs	1.170	1.363	-14%	1.122	4%
Billet	0.215	0.252	-15%	0.060	> 100%
Flat steel	1.948	2.038	-4%	2.025	-4%
Plate	0.142	0.122	16%	0.134	6%
Hot-rolled steel	0.833	0.901	-8%	0.962	-13%
Cold-rolled steel	0.441	0.476	-7%	0.460	-4%
Galvanized steel	0.305	0.302	1%	0.256	19%
Pre-painted steel	0.087	0.096	-10%	0.075	16%
Transformer steel	0.068	0.072	-6%	0.056	21%
Dynamo steel	0.072	0.068	6%	0.082	-12%
Long products	0.556	0.565	-2%	0.413	34%
Long	0.494	0.500	-1%	0.355	39%
Metalware	0.062	0.065	-5%	0.059	6%
Total steel products	4.146	4.360	-5%	3.674	13%