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## Press release

27 July 2016

# Q2 AND 6M 2016 NLMK GROUP CONSOLIDATED FINANCIAL RESULTS UNDER IFRS

In Q2, steelmaking capacity utilization rates reached 100% (94% in Q1 2016). EBITDA increased by 59% qoq to \$460 m; EBITDA margin reached 25% (+7 p.p. qoq). Net debt / EBITDA stood at 0.7.

### Q2 2016 highlights

- Steel output increased by 6% qoq to 4.2 m t (+4% yoy), with Group's steelmaking capacities running at 100% (+6 p.p. qoq and yoy)
- Sales totalled 4.0 m t (-5% qoq and -1% yoy); with the share of finished products growing to 65% of total sales (+3 p.p. qoq and +1 p.p. yoy)
- Revenue grew to \$1,869 m (+19% qoq and -13% yoy), driven by the increase in steel prices
- EBITDA increased by 59% qoq to \$460 m (-4% yoy)
- EBITDA margin expanded to 25% (+7 p.p. qoq and +3 p.p. yoy)
- Net income\* increased to \$185 m (+225% qoq and +15% yoy)
- Capex totalled \$160 m (+33% qoq and -13% yoy) due to the construction of the pelletizing plant at Stoilensky
- Free cash flow totalled \$158 m (-43% qoq and -7% yoy)

### 6M 2016 highlights

- Group sales increased by 2% yoy to 8.1 m t
- Revenue totalled \$3,446 m (-21% yoy) due to the drop in steel prices
- EBITDA was \$750 m (-33% yoy)
- EBITDA margin contracted to 22% (-4 p.p. yoy)
- Operational efficiency gains: \$37 m
- Net debt was \$1.16 bn (+6% by the end of 2015)
- Net debt/EBITDA was 0.7x

\* Income for the period attributable to NLMK shareholders



## TELECONFERENCE

NLMK is pleased to invite the investment community to a conference call with the management of NLMK:

Wednesday, 27 July 2016

- 10:00 am (New York)
- 3:00 pm (London)
- 5:00 pm (Moscow)

To join the conference call, please, dial:

**US Number:**

+1212 444 0896 (Local access) // 1877 280 2342 (Toll free)

**United Kingdom Number:**

+44(0)20 3364 5381 (Local access) // 0800 279 4841 (Toll free)

**Russian Number:**

+7495 213 0979 (Local access) // 8 800 500 9312 (Toll free)

**Conference ID:** 806347

To join the webcast please follow the link: <http://www.audio-webcast.com/cgi-bin/visitors.ssp?fn=visitor&id=3825>.

\* We recommend participants start dialing in 5-10 minutes in advance to avoid waiting.

We recommend participants download the presentation in advance from NLMK's website [www.nlmk.com](http://www.nlmk.com)



# Q2 AND 6M 2016 CONSOLIDATED FINANCIAL RESULTS UNDER IFRS<sup>1</sup>

## Key highlights

k t/\$ million	Q2 2016	Q1 2016	QoQ	Q2 2015	YoY	6M 2016	6M 2015	YoY
Sales volumes	3,953	4,142	-5%	4,012	-1%	8,095	7,969	2%
Revenue	1,869	1,577	19%	2,140	-13%	3,446	4,356	-21%
EBITDA <sup>2</sup>	460	290	59%	479	-4%	750	1,120	-33%
EBITDA margin	25%	18%	+7 p.p.	22%	+3 p.p.	22%	26%	-4 p.p.
Profit for the period <sup>3</sup>	185	57	3.3x	162	15%	242	482	-50%
Free cash flow <sup>4</sup>	158	275	-43%	169	-7%	433	514	-16%
Net debt <sup>5</sup>	1,161	967	20%	1,133	3%	1,161	1,133	3%
Net debt/EBITDA <sup>5</sup>	0.74x	0.61x		0.47x		0.74x	0.47x	

### Notes:

<sup>1</sup> Consolidated financial results are prepared under IFRS. Reporting periods of the Company are 3M, 6M, 9M and 12M. Quarterly figures are derived by computational method. The same assumption applies to the calculation of segmental financial result. Q2 2015 financials are presented based on unaudited management accounts.

<sup>2</sup> EBITDA is calculated as operating profit adjusted to loss from impairment of investments, fixed assets and intangible assets (including goodwill) and depreciation and amortization. EBITDA calculations are presented in the Appendix.

<sup>3</sup> Net profit attributable to NLMK shareholders.

<sup>4</sup> Free cash flow is determined as net cash from operational activity (with net interest expenses) net of capital investment and changes in advances VAT payments on imported equipment. Free cash flow calculations are presented in the Appendix.

<sup>5</sup> Net debt is calculated as the sum of LT and ST credits and loans less cash and cash equivalents, as well as ST financial investments at period end. Net debt / EBITDA is represented by net debt as at the end of the period and EBITDA is presented as Last 12 months EBITDA.

### Comment from NLMK Group CFO Grigory Fedorishin:

"In Q2, prices for steel products recovered on a qoq basis on the back of the increase in raw material prices and restocking at customers. Company revenue increased by 19% to \$1.9 bn, despite the sales recognition lag in a growing market (for export operations it is up to 2 months after shipment). The bulk of products, up to 67%, was sold in the Group's local markets: the US, the EU, and Russia.

"As prices recovered from record lows at the end of the year, EBITDA increased by 59% qoq to \$460 m. Group EBITDA margin gained 7 p.p. qoq to 25%; EBITDA margin of the Group's international companies increased to 14%, hitting a peak since 2008.

"Gains from the operational efficiency programme totalled \$37 m, or 8% of EBITDA.

"Capex remained at a conservative level, totalling \$160 m in Q2, down by 13% yoy. On a qoq basis, capex increased by 33% on the back of active efforts to complete the construction of the pelletizing plant at Stoilensky. The launch of the plant is scheduled for the end of Q3 2016.

"Free cash flow totalled \$158 m on the back of a high operational cash flow and conservative capex level.

"Due to the payment of dividends in the amount of \$324 m in June, net debt as at 30<sup>th</sup> June 2016 increased by 6% compared to the end of 2015 to \$1.16 bn; net debt to EBITDA was 0.7x. NLMK's debt level remains one of the lowest in the industry.

"We continued to work actively on optimizing our debt portfolio. In June, we redeemed Eurobonds with maturities in 2018 and 2019 for a total of \$571 m. This was financed by a new issue of 7-year Eurobonds for a total of \$700 m with a coupon rate of 4.5%.



“NLMK’s Annual General Meeting of Shareholders held in June 2016 approved dividends for Q4 2015 in the amount of RUB 2.43 per share; and in the amount of RUB 1.13 per share for Q1 2016. Recommendations for Q2 2016 dividends will be reviewed by NLMK’s Board of Directors on August 12, 2016.”

## MANAGEMENT COMMENTS

- **Market overview**

Steel consumption in China remained flat yoy (-0.1%), supported by stronger activity in the construction and infrastructure sectors. Apparent steel use in the US and Europe somewhat softened as activity slowed in the machine-building sector. Demand in Russia climbed 6% yoy as industrial production recovered (including machine and equipment manufacturing); and trading and service companies replenished their steel product stocks. Steel output in Russia totalled 17.4 m t (+1.4% yoy), with imports dropping by 3% yoy. Steel product inventories at consumers and service companies in key consumption markets globally remained low.

- **Prices**

Prices for steel products in the global markets continued to recover sequentially from the drop in the second half of 2015.

Q2 2016 prices in the European Union and US markets increased in US dollar terms by 30-40% qoq, on the back of intensified demand from key consumers and weaker competition from imports.

The price environment in Russia improved on the back of the seasonal recovery in demand and positive trends in the global market. At the end of the quarter, there was a decline of export prices reflecting supply growth in the global market due to increased exports from China.

- **Production and sales**

### *Q2 2016*

Q2 2016 NLMK Group steel output increased by 6% qoq (+4% yoy) to a record 4.23 m t, driven by an increase in steel production across all Group companies. Group steelmaking capacity utilization rates increased by 6 p.p. qoq to 100%.

Sales totalled 4.0 m t (-5% qoq and -1% yoy). Finished product sales remained flat at 2.58 m t (0% qoq and -1% yoy); including 1.28 m t (+14% qoq and +13% yoy) of HVA sales. Slab deliveries to Group’s international rolling companies increased by 64% qoq (+11% yoy) to 1.26 m t, accounting for 70% of all slab sales by the Group’s Russian companies, on the back of intensified demand and restocking by consumers and trading companies in the US and Europe. Slab sales to third parties dropped to 1.37 m t (-13% qoq and -4% yoy). Commercial pig iron sales dropped by 37% qoq (-22% yoy) due to lower demand for this product.

### *H1 2016*

H1 2016 Group steel output increased by 4% yoy to 8.22 m t; with steelmaking capacity utilization rates gaining 3 p.p. to 97%.

Group sales increased by 2% yoy to 8.1 m t, supported by a +10% yoy growth in flat steel sales in the Russian and international markets (to 4.2 m t).

Total finished steel sales grew by 5% to 5.15 m t due to higher deliveries to the Group’s local markets. Semi-finished products sales dropped by 4% yoy to 2.94 m t on the back of lower deliveries of commercial pig iron and slabs.



- **Sales markets**

'000 t	Total	Sales markets				
		Russia	EU	North America	Middle East	Other
NLMK Group	3,953	1,337	1,137	621	371	487
Deliveries to third parties:						
Russian Flat Products	2,005	977	118	99	372	440
Russian Long Products	619	360	44		20	195
International subsidiaries and affiliates, incl.:						
<i>NLMK USA</i>	522			522		
<i>European rolling assets (NLMK Dansteel and NBH)</i>	755		703	9	16	26

Local markets, i.e. Russia, the EU, and North America, where finished products are manufactured, account for 67% of the Group's sales (including NBH sales). A significant share of exports goes to the Middle East (including Turkey) and South East Asia.

- **Operational efficiency programmes**

In 2016, NLMK continued the implementation of its operational efficiency programmes. Over 2,000 optimization projects across all Group divisions delivered savings of \$37 m in H1 2016 (vs. the 2015 cost base).

- **Debt management**

NLMK continued to optimize its debt portfolio throughout Q2. In June, the Company announced a buyback offer for its outstanding Eurobonds (7-year bonds with a coupon rate of 4.95% for a total of \$500 m due in 2019 and 5-year bonds with a coupon rate of 4.45% for a total of \$800 m due in 2018). Investors took up the offer for a total of \$571 m. The buyback was financed by a new issue of 7-year Eurobonds for a total of \$700 m with a coupon rate of 4.5% due in 2023.

As a result, the average maturity of the Company's debt increased from 2.6 years to 3.3 years, optimizing the maturity schedule for the next few years.

Net debt at the end of Q2 2016 stood at \$1.16 bn (+6% to the beginning of 2016), the increase accounted for the payment of dividends for previous periods. Net debt/EBITDA at the end of Q2 2016 was 0.7x.

Group's total debt at the end of Q2 was \$2,797 m (+5% qoq), including 22% of short-term debt comprised of ruble bonds and revolving credit lines for working capital financing. The increase in total debt is associated with the difference between the new Eurobond issue (\$700 m) and the amount of redeemed Eurobonds from previous issues (\$571 m).

Financial guarantees for NBH liabilities totalled \$281 m (+1% qoq).

Interest payments in Q2 2016 were \$21 million, or 5% of EBITDA.

- **Capex**

Q2 2016 Group's capex totalled \$160 million (+33% qoq), including \$81 million maintenance capex. The sequential increase in capex was associated with active implementation of key Strategy 2017 investment projects.

Stoilensky accounted for the bulk of investment (approximately 44%). As of the end of Q2 2016, all process equipment has been delivered, and construction and assembly works are underway as part of the pelletizing plant construction project. The launch of the plant is scheduled for late Q3 2016.



- **Dividends**

At the Annual General Meeting held in June, NLMK shareholders approved the payment of dividends for Q4 2015 in the amount of 2.43 rubles per share; and for Q1 2016 in the amount of 1.13 per share.

Q2 2016 cash outflow for dividends totalled \$324 m.

## KEY FINANCIALS

- **Revenue**

### *Q2 2016*

Q2 2016 revenue increased by 19% qoq to \$1,869 m (-13% yoy) due to the increase in sales prices and a 14% qoq growth in finished HVA steel sales. The yoy decline in revenue was associated with lower price levels in 2016.

Finished product sales accounted for 69% of total revenue (+4 p.p. qoq and +3 p.p. yoy). HVA sales accounted for 32% of total sales and for 41% of the revenue (+3 p.p. qoq and +4 p.p. yoy).

The share of revenue from sales to the Russian market grew to 39% (+2 p.p. qoq, -2 p.p. yoy). The share of revenue from sales to North America increased to 19% (+1 p.p. qoq and +3 p.p. yoy). The share of revenue from sales to the EU was 19% (-1 p.p. qoq and -5 p.p. yoy); the share of revenue from sales to the Middle East and Turkey was 9% (+1 p.p. qoq and -1 p.p. yoy). Considering the sales of NBH subsidiaries, the share of local markets in total revenue gained 6 p.p. to 67%.

### *H1 2016*

H1 2016 revenue dropped by 21% yoy to \$3,446 m due to the fall in average sales prices that were partially offset by a 2% yoy increase in sales.

The share of revenue from sales to the Russian market remained flat yoy at 38%; with sales to the European Union accounting for 19% (-1 p.p. yoy) of the revenue; and sales to the US accounting for 19% (+2 p.p. yoy) of the revenue. Exports to other markets accounted for 24% (-1 p.p. yoy), including 9% for the Middle East and Turkey (flat yoy).

- **Operating profit**

### *Q2 2016*

Q2 2016 operating profit\* spiked by 83% qoq to \$346 m (+8% yoy) due to the widening of spreads between raw material and finished product prices; as well as operational efficiency gains.

The increase in general and administrative expenses to \$96 m (+76% qoq and +25% yoy) was driven by the strengthening of the ruble exchange rate; and additional payments to employees based on 2015 performance.

The 25% qoq (-18% yoy) increase in commercial expenses was associated with an increase in export operations (+7% qoq); and the strengthening of the ruble exchange rate.

### *H1 2016*

H1 2016 operating profit\* fell by 35% yoy to \$535 m due to the narrowing of spreads between raw material and finished product prices, which was partially offset by operational efficiency gains and a 2% yoy sales growth.

\* Operating profit before equity share in net losses of associates and other companies accounted for using the equity method of accounting, impairment and write-off of assets



- **Net profit\***

Q2 2016 net profit was \$185 m, growing sequentially by a factor of 3.3 (+15% yoy) on the back of higher profit from operating activities.

H1 2016 net profit was \$242 m (-50% yoy) due to lower profit from operating activities.

\* Profit for a period attributable to key shareholders

- **Free cash flow**

*Q2 2016*

Q2 2016 free cash flow decreased to \$158 m (-43% qoq and -7% yoy). The decrease was associated with a 24% qoq (-16% yoy) reduction in operating cash flow and a 33% qoq capex growth.

Operating cash flow decreased qoq due to a high base: in Q1 2016 working capital decreased by \$164 m. Q2 working capital increased by \$61 m as slab stock levels at NLMK's foreign rolling companies normalized and stock value grew due to the increase in output and higher raw material prices.

*H1 2016*

H1 2016 free cash flow totalled \$432 m (-16% yoy) on the back of the decline in inflows from operating activities.



## Russian Flat Products\*

k t/\$ million	Q2 2016	Q1 2016	QoQ	Q2 2015	YoY	6M 2016	6M 2015	YoY
Steel product sales, incl.:	3,251	3,242	0%	3,132	4%	6,493	6,341	2%
external cutmores	1,989	2,458	-19%	1,993	0%	4,448	4,376	2%
semis to NBH	665	453	47%	743	-10%	1,119	1,209	-7%
intersegmental sales	596	330	81%	396	50%	926	756	23%
Revenue, incl.:	1,392	1,137	22%	1,610	-14%	2,529	3,221	-21%
external customers	992	928	7%	1,201	-17%	1,920	2,471	-22%
intersegmental operations	400	210	91%	409	-2%	610	750	-19%
EBITDA	309	233	33%	366	-16%	542	906	-40%
EBITDA margin	22%	20%	+2 p.p.	23%	-1 p.p.	21%	28%	-7 p.p.

### Q2 2016

Total steel product sales of the segment remained at the level of 3.25 m t (flat qoq and +4% yoy); with HVA sales growing and slab sales contracting.

Sales to third parties dropped by 19% qoq to 1.99 m t on the back of the increase in slab deliveries to subsidiaries (+90% qoq and +50% yoy) and affiliates (+47% qoq and -10% yoy).

The increase in sales prices was the key driver behind the growth of the segment's total revenue to \$1.39 bn (+22% qoq and -14% yoy). Revenue from third-party sales gained 7% qoq (-17% yoy) to \$992 m due to the price factor. Revenue from intersegmental operations spikes by 91% qoq, driven by higher volumes of intragroup shipments and higher slab prices.

Segment EBITDA increased by 33% qoq to \$309 m (-16% yoy) due to the widening of spreads between finished steel and raw material prices; and operational efficiency gains. Segment Q2 2016 EBITDA margin grew to 22% (+2 p.p. qoq and -1 p.p. yoy).

### H1 2016

Total sales of the segment increased by 2% yoy to 6.49 m t; including a 2% yoy increase in third-party sales (to 4.45 m t). This growth in sales was supported by higher finished product sales that offset the drop in commercial pig iron and slab sales.

Segment revenue totalled \$2.53 bn (-21% yoy), including \$1.92 bn (-22% yoy) from third-party sales. This decrease in revenue was associated with lower price levels in 2016.

Segment EBITDA plunged 40% yoy to \$542 m, due to the narrowing of spreads between finished steel and raw material prices that was partially offset by higher sales and structural gains from operational efficiency programmes. Segment H1 2016 EBITDA margin was 21% (-7 p.p. yoy).

\*The Russian Flat Products Segment comprises: Novolipetsk (Lipetsk site), VIZ-Steel (a producer of electrical steel), trading companies Novexco Limited, Cyprus and Novex Trading S.A., Switzerland, Altai-Koks (Russia's largest non-integrated coke manufacturer), as well as a number of service companies.



## Russian Long Products\*

k t/\$ million	Q2 2016	Q1 2016	QoQ	Q2 2015	YoY	6M 2016	6M 2015	YoY
Steel product sales	635	625	2%	675	-6%	1,260	1,243	1%
Revenue, incl.:	329	189	74%	361	-9%	519	635	-18%
external customers	250	165	51%	267	-6%	415	498	-17%
intersegmental operations	79	24	3.3x	95	-16%	104	137	-25%
EBITDA	55	(5)	12.2x	7	7.4x	51	39	30%
EBITDA margin	17%	-2%	+19 p.p.	2%	+15 p.p.	10%	6%	+4 p.p.

### Q2 2016

Segment sales totalled 0.64 m t (+2% qoq and -6% yoy).

Segment's total revenue spiked by 74% qoq to \$329 m (-9% yoy) supported by the increase in prices and volumes (+2% qoq) of long steel sales. The spike in revenue from intersegmental operations is associated with the seasonal pick-up in sales from scrap treatment activities.

The widening of long steel spreads in the Russian market was behind a positive EBITDA of \$55 m (vs. a \$5 m loss in Q1 2016); EBITDA margin reached 17% (+19 p.p. qoq and +15 p.p. yoy).

### H1 2016

Steel product sales stabilized at 1.26 m t.

Segment's total revenue for the reporting period dropped by 18% yoy to \$519 m due to lower price levels in 2016.

EBITDA grew to \$51 m (+30% yoy) supported by higher volumes (+1% qoq); the widening of spreads between long product and scrap prices; and gains from operational efficiency programmes. EBITDA margin was 10% (+4 p.p. yoy).

\* Russian Long Products: NLMK Ural (former NSMMZ), NLMK Metalware, NLMK Kaluga, and scrap treatment facilities. The core activities of these companies are steelmaking (EAF-based), long products and metalware manufacturing, and ferrous scrap collection and processing

\*\* Starting from Q1 2016, long product sales to external markets through export traders are reflected in Russian Long Products performance



## Mining Segment\*

k t/\$ million	Q2 2016	Q1 2016	QoQ	Q2 2015	YoY	6M 2016	6M 2015	YoY
Iron ore concentrate and sinter ore sales, incl.:	3,989	4,303	-7%	4,320	-8%	8,291	8,178	1%
sales to Lipetsk plant	3,010	3,258	-8%	3,014	0%	6,267	5,893	6%
Revenue, incl.:	145	107	36%	166	-12%	253	301	-16%
external customers	38	25	54%	56	-31%	63	102	-38%
intersegmental operations	107	82	30%	110	-3%	189	199	-5%
EBITDA	74	58	27%	74	0%	132	138	-4%
EBITDA margin	51%	54%	-3 p.p.	45%	+6 p.p.	52%	46%	+6 p.p.

### Q2 2016

Iron ore concentrate and sinter ore sales totalled 3.99 m t (-7% qoq and -8% yoy) due to the inventory optimization at the Lipetsk site and contraction of sales to other Russian clients. This was partially offset by an increase in exports.

Segment's total revenue went up by 36% qoq, supported by an increase in iron ore prices. The 12% yoy decline in revenue is associated with the price factor and an 8% yoy reduction in sales.

Segment's EBITDA increased to \$74 m (+27% qoq and flat yoy) on the back of the growth in revenue. EBITDA margin stood at 51% (-3 p.p. qoq and +6 p.p. yoy) due to the increase in the share of export operations with lower profitability and the strengthening of the ruble exchange rate.

### H1 2016

Iron ore concentrate and sinter ore sales climbed to 8.3 m t (+1% yoy), including 6.27 m t (+6% yoy) shipped to the Lipetsk site, on the back of operational efficiency programmes and beneficiation equipment upgrades.

The decline in average iron ore prices was the key factor pushing the segment's total revenue down by 16% yoy to \$253 m.

H1 2016 EBITDA was \$132 m (-4% yoy). The increase in sales volumes coupled with control over production costs and operational efficiency gains partially offset the decrease in product prices. EBITDA margin was 52% vs. 46% in H1 2015.

\*NLMK's Mining Segment comprises Stoilensky (the Group's key mining asset), Dolomit and Stagdok. These companies mainly supply raw materials to NLMK's production facilities in Lipetsk and also sell limited volumes outside the Group.



## Foreign Rolled Products Segment\*

k t/\$ million	Q2 2016	Q1 2016	QoQ	Q2 2015	YoY	6M 2016	6M 2015	YoY
Steel product sales	663	590	12%	601	10%	1,253	1,140	10%
Revenue, incl.:	400	317	26%	382	5%	717	802	-11%
external customers	400	317	26%	382	5%	717	802	-11%
intersegmental operations	-	-	0%	-	0%	-	-	0%
EBITDA	56	11	5.3x	(42)	1.3x	67	(55)	1.2x
EBITDA margin	14%	3%	+11 p.p.	-11%	+25 p.p.	9%	-7%	+16 p.p.

### Q2 2016

Segment's sales grew to 0.66 m t (+12% qoq and +10% yoy), driven by intensified demand; restocking by traders and service companies; and import restrictions in the European and American markets.

Segment's revenue grew by 26% to \$400 m (+5% yoy), supported by higher sales volumes and the recovery in steel product prices.

Segment's EBITDA was \$56 m (vs. \$11 m in Q1 2016 and a loss of \$42 m in Q2 2015), supported by higher sales volumes and the widening of spreads between finished product and slab prices. Segment's EBITDA margin was 14%.

### H1 2016

Segment's sales grew by 10% in the reporting period to 1.25 m t, driven by improved demand for steel in key sectors in the European and American markets.

Segment's revenue dropped by 11% yoy to \$717 m, pushed down by the fall in steel product prices. This was partially offset by a 10% yoy increase in sales.

H1 2016 EBITDA totalled \$67 m (vs. a loss of \$55 m in H1 2015) due to the widening of spreads and the increase in sales; EBITDA margin was 9%.

### NBH (associated company) results

NBH product sales increased by 16% qoq to 0.61 m t (+5% yoy) on the back of intensified demand for steel from local manufacturers in the European market and restocking by traders.

NBH revenue increased by 18% yoy to \$333 m, driven by higher sales volumes and higher prices for finished products in the European market.

Higher sales volumes and the widening of spreads between finished product and steel prices resulted in a positive EBITDA for Q2 2016 in the amount of \$6 m (vs. a loss of \$7 m in Q1 2016 and a loss of \$3 m in Q2 2015).

NBH steel product sales in H1 2016 grew by 5% yoy to 1.14 m t, driven by improved market conditions in Europe. EBITDA loss was \$1 m; vs. \$18 m in 2015.

\*Foreign Rolled Products Segment is represented by NLMK USA and NLMK Dansteel (Denmark). NLMK USA includes NLMK Pennsylvania, Sharon Coating and NLMK Indiana.



## Appendix 1. Operating and financial results

### (1) Sales by product

k t	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
Pig iron	94	150	187	222	120
Slabs	1,110	1,313	1,351	1,096	1,235
Thick plates	141	121	111	94	121
Hot-rolled steel	896	990	754	990	908
Cold-rolled steel	555	528	435	539	494
Galvanized steel	267	194	218	297	225
Pre-painted steel	119	91	84	111	91
Transformer steel	64	72	74	69	71
Dynamo steel	73	58	64	67	71
Billet	169	109	117	44	72
Long products	401	456	317	521	539
Metalware	65	60	60	73	64
<b>TOTAL</b>	<b>3,953</b>	<b>4,142</b>	<b>3,771</b>	<b>4,123</b>	<b>4,012</b>

### (2) Sales by region

k t	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
Russia	1,337	1,564	1,446	1,765	1,545
Europe Union	1,137	974	773	785	1,122
Middle East, including Turkey	371	361	336	340	404
North America	621	603	454	769	617
Asia and Oceania	159	155	210	61	23
Rest of World	327	485	551	403	302
<b>TOTAL</b>	<b>3,953</b>	<b>4,142</b>	<b>3,771</b>	<b>4,123</b>	<b>4,012</b>

### (3) Revenue by region

Region	Q2 2016		Q1 2016		Q4 2015	
	\$ million	share	\$ million	share	\$ million	share
Russia	724	39%	588	37%	606	37%
Europe Union	352	19%	316	20%	370	23%
Middle East, including Turkey	164	9%	133	8%	139	8%
North America	360	19%	283	18%	236	14%
Asia and Oceania	93	5%	76	5%	93	6%
Rest of World	177	9%	182	12%	193	12%
<b>TOTAL</b>	<b>1,869</b>	<b>100%</b>	<b>1,577</b>	<b>100%</b>	<b>1,637</b>	<b>100%</b>



#### (4) EBITDA

\$ million	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
Operating income	346.1	189.0	202.0	366.2	319.0
minus:	-	-	-	-	-
Depreciation and amortization	(114.0)	(101.2)	(118.8)	(141.6)	(159.8)
<b>EBITDA</b>	<b>460.1</b>	<b>290.2</b>	<b>320.8</b>	<b>507.8</b>	<b>478.8</b>

#### (5) Free cash flow

\$ million	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
Net cash provided operating activities	319.1	421.1	246.0	537.2	379.0
Interest paid	(10.7)	(31.7)	(7.5)	(31.1)	(6.3)
Interest received	8.9	3.4	19.7	6.7	10.5
Advance VAT payments on imported equipment	-	2.2	2.6	3.7	(30.1)
Capex	(159.7)	(120.5)	(149.6)	(145.0)	(184.5)
<b>Free Cash Flow</b>	<b>157.6</b>	<b>274.5</b>	<b>111.2</b>	<b>371.5</b>	<b>168.6</b>

#### (6) Production of main products

k t	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
<b>Crude steel, incl.:</b>	<b>4,227</b>	<b>3,995</b>	<b>3,864</b>	<b>4,079</b>	<b>4,049</b>
Steel Segment	3,301	3,202	3,255	3,310	3,227
Long products Segment, incl.:	745	634	528	619	691
NLMK-Kaluga	342	301	284	284	263
Foreign Rolled Products Segment	181	158	81	151	131
<b>Finished products, incl.:</b>	<b>2,703</b>	<b>2,474</b>	<b>2,236</b>	<b>2,671</b>	<b>2,527</b>
Flat steel	2,134	2,013	1,832	2,045	2,000
Long steel	569	461	404	626	526
<b>Coke (6% moisture), incl.:</b>	<b>650</b>	<b>654</b>	<b>657</b>	<b>648</b>	<b>640</b>
Novolipetsk	647	652	655	646	639
Altai-Koks	3	2	3	2	2

#### (7) Slab sales, including intra-group sales to NLMK Group companies

k t	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
Sales to 3rd parties, incl.:	444	860	901	667	492
Export	253	609	703	415	262
Sales to subsidiaries & associates	1,262	768	893	972	1,139
Sales to NBH	665	453	450	429	743
<b>TOTAL</b>	<b>1,706</b>	<b>1,627</b>	<b>1,793</b>	<b>1,639</b>	<b>1,631</b>



**(8) Export shipments from Russian assets of the Group to third parties**

k t	Q2 2016	Q1 2016	QoQ	Q2 2015	YoY	6M 2016	6M 2015	YoY
<b>Semi-finished products</b>	<b>503</b>	<b>851</b>	<b>-41%</b>	<b>426</b>	<b>18%</b>	<b>1,354</b>	<b>1,289</b>	<b>5%</b>
Pig iron	82	133	-38%	119	-31%	215	271	-20%
Slabs	253	609	-59%	262	-4%	861	974	-12%
Billets	169	109	55%	44	3.8x	278	44	6.3x
<b>Flat products</b>	<b>678</b>	<b>603</b>	<b>13%</b>	<b>655</b>	<b>3%</b>	<b>1,281</b>	<b>1,237</b>	<b>3%</b>
HRC	335	296	13%	292	15%	630	591	7%
CRC	216	192	12%	225	-4%	408	401	2%
HDG	12	4	2.9x	12	-5%	16	19	-17%
Coated	3	1	5.5x	1	2.8x	3	2	38%
Dynamo	59	47	27%	62	-4%	106	105	1%
Transformer	54	63	-15%	62	-14%	117	118	-1%
<b>Long products</b>	<b>107</b>	<b>66</b>	<b>61%</b>	<b>43</b>	<b>2.5x</b>	<b>174</b>	<b>139</b>	<b>25%</b>
<b>Total</b>	<b>1,289</b>	<b>1,520</b>	<b>-15%</b>	<b>1,124</b>	<b>15%</b>	<b>2,809</b>	<b>2,665</b>	<b>5%</b>



## (9) Segments information

Q2 2016 \$ million	Russian flat products	Foreign rolled products	Russian long products	Mining	Investments in NBH	All other	Totals	Intersegmental operations and balances	NBH deconsoli- dation	Consolidated
Revenue from external customers	992	400	250	38	321	3	2,005	-	(135)	1,869
Intersegment revenue	400	-	79	107	12	-	598	(586)	(12)	(0)
Gross profit	456	66	85	93	14	1	713	(63)	(14)	637
Operating income/(loss)	236	38	43	63	(13)	0	367	(34)	13	346
Income / (loss) before minority interest	141	35	38	45	(42)	0	216	(51)	21	187
Segment assets including goodwill	7,175	1,082	1,051	1,792	1,471	12	12,584	(1,598)	(1,234)	9,752

<sup>1</sup> Balance figures presented as of June 30, 2016

Q1 2016 \$ million	Russian flat products	Foreign rolled products	Russian long products	Mining	Investments in NBH	All other	Totals	Intersegmental operations and balances	NBH deconsoli- dation	Consolidated
Revenue from external customers	928	317	165	25	274	1	1,710	-	(133)	1,577
Intersegment revenue	210	-	24	82	8	-	324	(316)	(8)	(0)
Gross profit	336	17	13	63	19	0	448	(20)	(19)	410
Operating income/(loss)	169	(7)	(15)	49	(25)	0	171	(7)	25	189
Income / (loss) before minority interest	82	(16)	(8)	36	(32)	0	62	(21)	16	56
Segment assets including goodwill	7,730	1,001	956	1,564	1,460	12	12,724	(2,016)	(1,345)	9,363

<sup>1</sup> Balance figures presented as of March 31, 2016