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Press release

16 October 2017

Q3 2017 NLMK GROUP TRADING UPDATE*

In Q3 2017, steel output increased by 6% qoq to 4.4 m t (+8% yoy); capacity utilization rate increased to 100%. NLMK Group sales grew by 1% qoq and yoy to 4.24 m t.

Q3 2017 highlights:

- Steel output grew to 4.4 m t (+6% qoq and +8% yoy) due to increased output at NLMK's Russian divisions driven by the seasonal uptick in demand in the Russian market.
- Group sales grew by 1% (qoq and yoy) to 4.24 m t. Key growth factors: seasonal growth in demand in the Russian market and improved conditions in the global market.
- NLMK Group sales in its 'home markets' hit an all-time high of 2.87 m t (+7% qoq) due to the +21% qoq (+5% yoy) growth of sales in Russia. The share of NLMK Group sales in 'home markets' grew to 67% (+3 p.p. qoq and +3 p.p. yoy).

* Hereinafter Q3 2017 & 9M 2017 output and sales figures are preliminary and can be updated. Hereinafter NLMK Group steel output is shown taking into account NBH performance. Sales to NLMK Group 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 Q3 2017 operating performance

Growth of steel output* +6% qoq and +8% yoy due to the increase in output at NLMK Lipetsk against a backdrop of the growth in demand in Russia and in international markets. NLMK Group's steelmaking capacity utilization rate gained 2 p.p. to 100%.

Growth of sales** +1% qoq and yoy, supported by the increase in sales in Russia (+21% qoq) against a backdrop of seasonally stronger activity of local customers, and higher exports of semis.

Sales breakdown: Sales of semi-finished products grew to 1.46 m t (+16% qoq, +1% yoy), due mainly to the increase in pig iron exports to 0.17 m t (3x qoq, +67% yoy) on better economics; and higher slab sales to pipe and tube manufacturers in Russia (+17% qoq and -1% yoy).

Finished product sales decreased by 5% qoq to 2.78 m t (flat yoy), due to the Q2 high base effect, and growth in semis sales. The share of finished products in total sales decreased to 66% (-4 p.p. qoq, flat yoy).

Slab deliveries to subsidiaries and affiliates (NBH) accounted for 56% of total slab sales by NLMK Lipetsk, the 25% qoq (-6% yoy) drop to 0.96 m t being associated with inventory normalization.

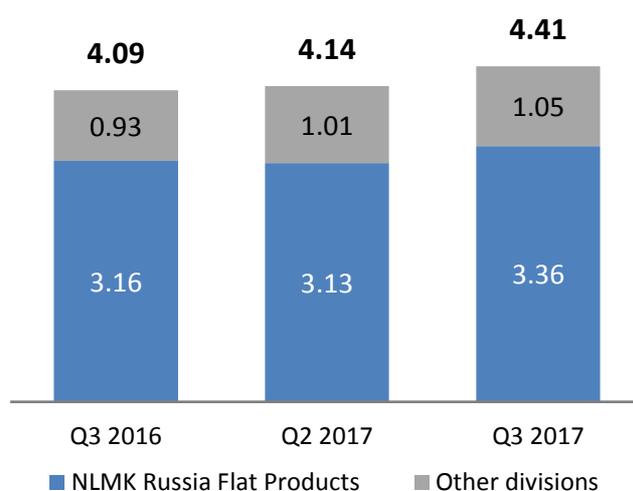
Sales in home markets* in Q3 hit an all-time high at 2.87 m t (+7% qoq and +7% yoy), supported by stable demand from pipe and tube, machine-building and "white goods" sectors in Russia. The share of 'home' sales grew to 67% (+3 p.p. qoq and +3 p.p. yoy).

Sales in external markets* totaled 1.44 m t (-3% qoq, -4% yoy), their share in total sales decreasing to 33%.

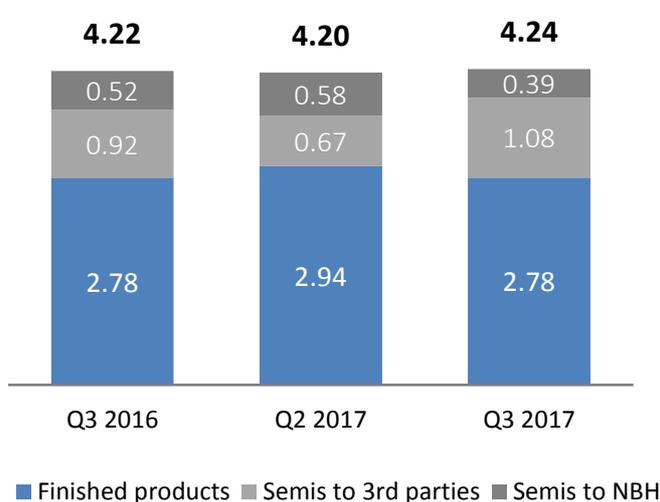
* Including NBH.

** Excluding NBH.

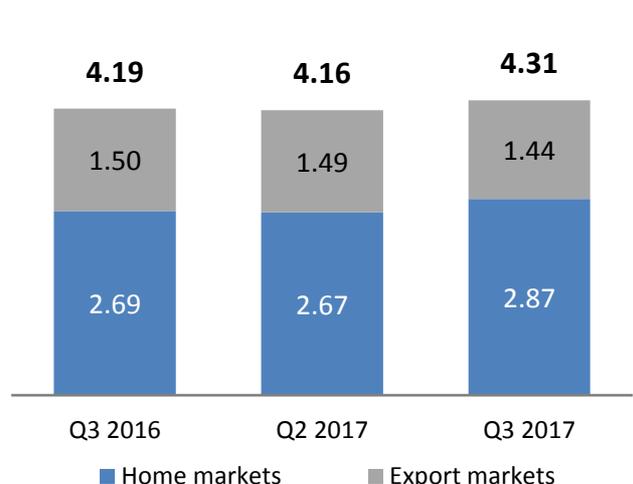
Steel output*, m t



Sales by product**, m t



Sales by market*, m t





Price trends:

Average raw material prices in the global market were higher compared to the previous quarter, with a downward trend starting from mid-Q3:

- Global coal prices climbed 7% qoq (+37% yoy).
- Iron ore prices grew by 13.1% qoq (+22% yoy).

Average steel product prices:

- Steel product prices in the US grew by 1.5% qoq (+2-8% yoy).
- In the EU, average prices gained 5-8% qoq (+24-28% yoy), despite the low season.
- The Russian market saw diverse price trends: average flat steel prices in dollar terms fell by 5-6% qoq (+3-12% yoy), while rebar prices increased by 6% qoq (+8% yoy).
- Export prices (FOB Black Sea) grew by 10-20% qoq (+39-43% yoy).



SEGMENTAL PERFORMANCE

NLMK RUSSIA FLAT PRODUCTS¹

Steel output at NLMK Lipetsk grew to 3.36 m t (+7% qoq and +6% yoy) with maintenance completed in Q2, and driven by increased equipment productivity.

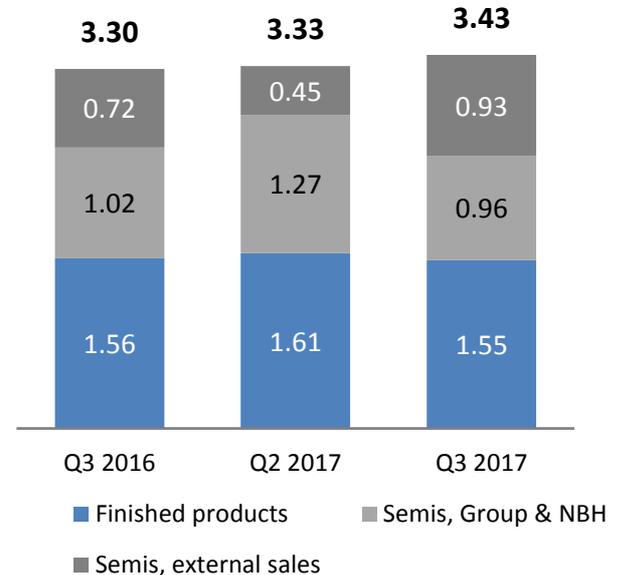
Growth of sales +3% qoq to 3.43 m t (+4% yoy) against a backdrop of stronger demand from the construction, railway car manufacturing and “white goods” sectors, the increase in pig iron export, and slab sales to the pipe and tube sector in the local market.

Sales breakdown: the drop in finished product sales (-4% qoq, -1% yoy) was due to the build-up of HRC stock for further processing ahead of major repairs at Mill-2000 in Q4, and the recognition of a part of NLMK Lipetsk deliveries being carried over to the next quarter. Strong demand for semis in export markets and in Russia (pipe and tube sector) drove third party slab sales to 0.75 m t (+92% qoq, +21% yoy), and pig iron exports to 0.17 m t (+226% qoq). Slab sales to Group companies and NBH dropped to 0.96 m t (-25% qoq and -6% yoy) as they were normalizing stocks.

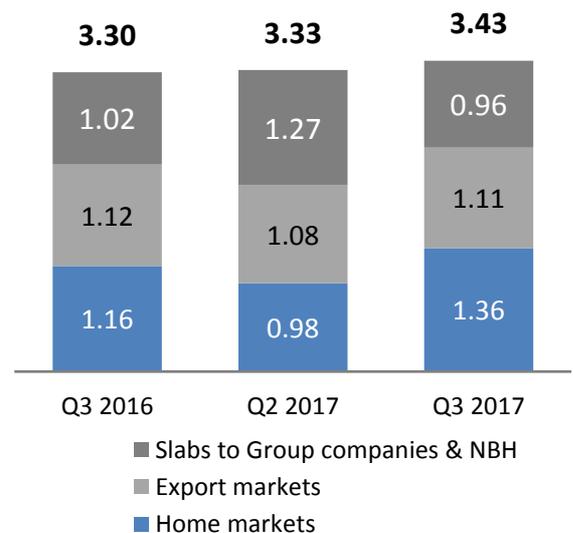
Sales of high value added products grew by 3% qoq (+6% yoy) to 0.9 m t.

Sales markets: The seasonal uptick in demand and the decrease in flat steel consumer stocks drove sales in Russia up to 1.36 m t (+40% qoq, +17% yoy), with Russian sales accounting for 40% of total Segment sales (+11 p.p. qoq and +5 p.p. yoy). Export deliveries (w/o intragroup sales) gained 3%.

Sales breakdown, m t



Sales by market, m t



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



NLMK RUSSIA LONG PRODUCTS²

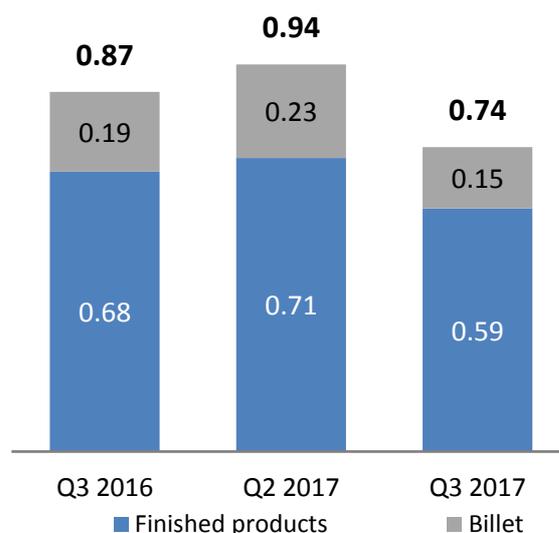
Steel output increased to 0.86 m t (+ 8% qoq and + 11% yoy) due to the Segment's restocking of finished steel against a backdrop of higher sales in Q2.

Sales were down by 21% qoq (-15% yoy) to 0.74 m t, due to the high base effect of Q2 (with sales reaching an all-time high of 0.94 m t) and less intensive purchasing by trading companies ahead of the construction season wind-down.

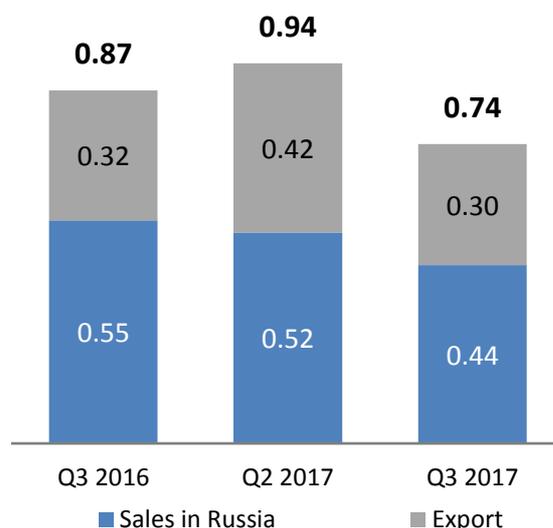
Sales breakdown: Russian sales were down by 16% qoq to 0.44 m (-20% yoy), to 59% of sales (+4 p.p. qoq and -4 p.p. yoy). Export sales dropped to 0.3 m t (-28% qoq and -7% yoy) against a backdrop of lower billet sales. Key export destinations were the Middle East (including Turkey) and North Africa.

Scrap: Scrap sales increased by 8% qoq (+9% yoy) to 1.45 m t against a backdrop of stronger demand from NLMK Group companies (intragroup sales accounting for 99%).

Sales breakdown, m t



Sales by market, m t



² NLMK Russia Long Products 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

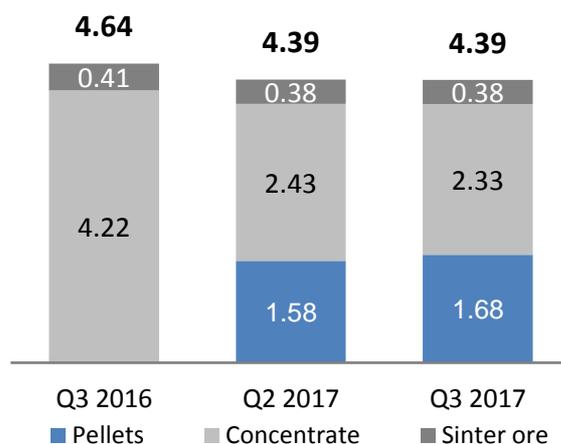
Iron ore output was down by 3% qoq (flat yoy) due to planned High Pressure Grinding Rolls installation as part of the project aimed at increasing beneficiation plant productivity by 800,000 t per year (see [press release](#)).

Pellet output increased to 1.66 m t (+3% qoq), in line with the plan.

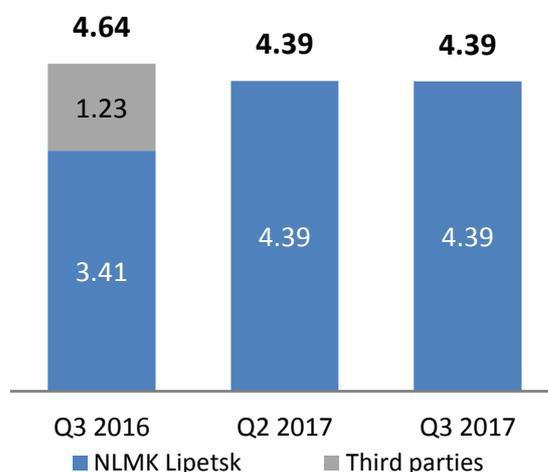
Iron ore sales totaled 4.39 m t (flat qoq and -5% yoy), including pellet sales of 1.68 m t (+ 6% qoq).

Sales breakdown: 100% of Stoilensky's products in Q3 2017 were supplied to NLMK Lipetsk site.

Sales breakdown, m t



Sales by destination, m t





NLMK USA³

Crude steel output decreased by 5% qoq to 0.15 m t (+41% yoy), due to increased use of Lipetsk slabs stocks.

Finished steel output increased by 5% qoq to 0.57 m t (+37% yoy) driven by finished product restocking in Q3 and stable demand in the local market.

Sales increased by 2% qoq to 0.57 m t (+28% yoy) driven by high demand in the local market, including from oil & gas pipe manufacturers.

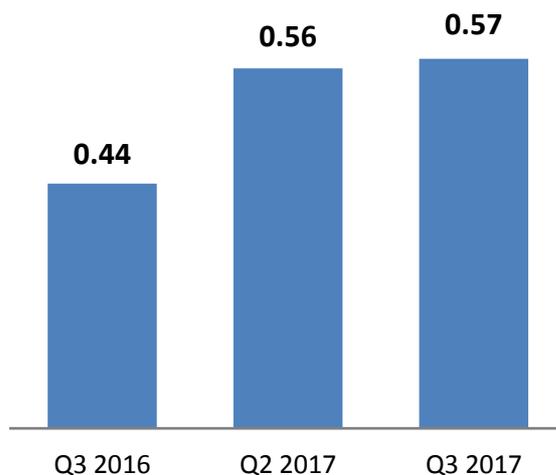
Slab supplies from NLMK Lipetsk were down by 18% qoq to 0.45 m t (+21% yoy), driven by the levelling out of semis stocks.

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

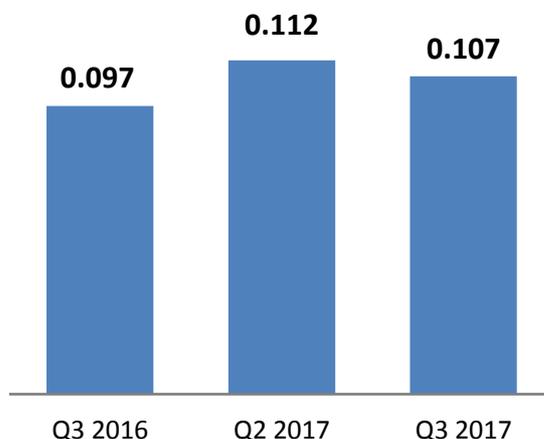
NLMK DANSTEEL

Thick plate sales were down by 5% qoq (+10% yoy) due to the seasonal weakening of demand in the European market.

NLMK USA sales, m t



NLMK DanSteel sales, m t





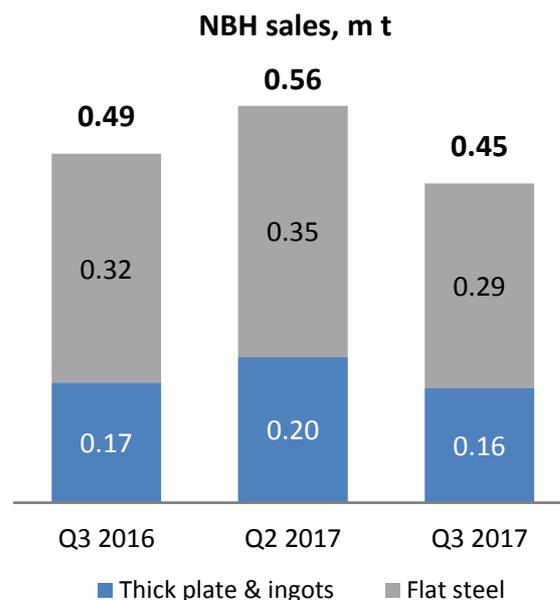
ASSOCIATED COMPANIES - NLMK Belgium Holdings (NBH)⁴

NBH sales were down by 20% qoq to 0.45 m t (-8% yoy) due to the seasonal slowdown in demand, and intensified competition with imports from Turkey, India and S. Korea in the European market.

Flat steel sales decreased to 0.29 m t (-19% qoq and -11% yoy).

Thick plate and ingot sales dropped by 21% qoq to 0.16 m t.

Slab supplies from NLMK Lipetsk in Q3 2017 totalled 0.39 m t (-34% qoq and -26% yoy) to ensure optimal inventory levels.



⁴NBH 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).

Note: All 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	Q3 2017	Q2 2017	QoQ	Q3 2016	YoY	9M 2017	9M 2016	YoY
Crude steel production (without NBH)	4.363	4.082	7%	4.044	8%	12.597	12.266	3%
Crude steel production (with NBH)	4.406	4.144	6%	4.092	8%	12.761	12.418	3%
Capacity utilization	100%	98%	+2 p.p.	95%	+5 p.p.	98%	95%	+3 p.p.
Sales, m t								
Semi-finished steel ⁵	1.461	1.257	16%	1.443	1%	3.953	4.362	-9%
Finished steel	2.784	2.939	-5%	2.777	0%	8.161	7.928	3%
<i>Flat</i>	2.197	2.229	-1%	2.101	5%	6.451	6.269	3%
<i>Longs and metalware</i>	0.587	0.710	-17%	0.676	-13%	1.710	1.658	3%
Total consolidated sales	4.245	4.195	1%	4.220	1%	12.114	12.290	-1%
Sales to home markets of the Group ⁶	67%	64%	+3 p.p.	64%	+3 p.p.	64%	64%	0 p.p.
Sales to external markets	33%	36%	-3 p.p.	36%	-3 p.p.	36%	36%	0 p.p.
For reference: slab sales to foreign subsidiaries and affiliates	0.958	1.270	-25%	1.015	-6%	3.408	3.044	12%
Segment sales								
NLMK Russia Flat Products	3.431	3.328	3%	3.302	4%	9.828	9.795	0%
NLMK Russia Long Products	0.735	0.935	-21%	0.869	-15%	2.143	2.129	1%
Mining and Processing of Raw Materials	4.387	4.392	0%	4.636	-5%	12.906	12.928	0%
NLMK USA	0.568	0.559	2%	0.444	28%	1.689	1.435	18%
Dansteel	0.107	0.112	-5%	0.097	10%	0.353	0.359	-2%
For reference: NBH sales	0.447	0.556	-20%	0.488	-8%	1.602	1.629	-2%

⁵ Including commercial pig iron, slabs and billets

⁶ 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 Products sales by product

Sales, m t	Q3 2017	Q2 2017	QoQ	Q3 2016	YoY	9M 2017	9M 2016	YoY
Pig iron	0.178	0.059	> 100%	0.105	69%	0.292	0.349	-16%
Slabs incl.	1.706	1.659	3%	1.632	5%	5.016	4.963	1%
Slab sales to foreign subsidiaries and affiliates	0.958	1.270	-25%	1.015	-6%	3.408	3.044	12%
to NLMK USA, NLMK Dansteel	0.572	0.688	-17%	0.492	16%	1.793	1.403	28%
to NBH	0.386	0.582	-34%	0.523	-26%	1.615	1.642	-2%
Hot-rolled steel	0.662	0.751	-12%	0.730	-9%	2.064	2.095	-2%
Cold-rolled steel	0.397	0.438	-9%	0.387	3%	1.189	1.180	1%
Galvanized steel	0.228	0.165	38%	0.175	30%	0.538	0.458	17%
Pre-painted steel	0.133	0.102	31%	0.138	-3%	0.310	0.348	-11%
Dynamo steel	0.062	0.087	-29%	0.079	-22%	0.231	0.211	10%
Transformer steel	0.065	0.066	-2%	0.055	17%	0.187	0.191	-2%
incl. VIZ-Steel	0.041	0.040	1%	0.038	6%	0.117	0.122	-4%
Total products	3.431	3.328	3%	3.302	4%	9.828	9.795	0%
Coke sales from Altai-Koks	1.029	1.037	-1%	1.097	-6%	3.078	3.030	2%
incl. to NLMK Lipetsk	0.743	0.749	-1%	0.770	-3%	2.302	2.296	0%



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

Sales, m t	Q3 2017	Q2 2017	QoQ	Q3 2016	YoY	9M 2017	9M 2016	YoY
Russian market	1.364	0.975	40%	1.165	17%	3.127	3.255	-4%
Semi-finished products	0.247	0.100	> 100%	0.191	29%	0.468	0.659	-29%
Hot-rolled steel	0.512	0.391	31%	0.418	23%	1.176	1.152	2%
Cold-rolled steel	0.261	0.213	23%	0.232	13%	0.642	0.601	7%
Galvanized steel	0.190	0.148	28%	0.164	16%	0.471	0.431	9%
Pre-painted steel	0.129	0.101	29%	0.135	-4%	0.301	0.342	-12%
Dynamo steel	0.013	0.014	-8%	0.015	-13%	0.040	0.040	0%
Transformer steel	0.011	0.009	18%	0.010	7%	0.030	0.030	0%
Export markets	2.067	2.353	-12%	2.137	-3%	6.701	6.539	2%
Semi-finished products	1.637	1.618	1%	1.546	6%	4.841	4.652	4%
Hot-rolled steel	0.150	0.360	-58%	0.313	-52%	0.888	0.943	-6%
Cold-rolled steel	0.135	0.225	-40%	0.155	-13%	0.547	0.579	-5%
Galvanized steel	0.038	0.018	> 100%	0.011	> 100%	0.067	0.027	> 100%
Pre-painted steel	0.004	0.002	> 100%	0.003	43%	0.010	0.006	55%
Dynamo steel	0.049	0.073	-33%	0.064	-24%	0.191	0.171	12%
Transformer steel	0.054	0.057	-6%	0.045	20%	0.158	0.162	-2%
Total sales	3.431	3.328	3%	3.302	4%	9.828	9.795	0%

Appendix 4 NLMK Russia Long Products sales by product

Sales, m t	Q3 2017	Q2 2017	QoQ	Q3 2016	YoY	9M 2017	9M 2016	YoY
Billet	0.148	0.226	-34%	0.193	-23%	0.434	0.471	-8%
Rebar	0.433	0.536	-19%	0.555	-22%	1.266	1.314	-4%
Sections	0.011	0.009	17%	0.007	50%	0.023	0.032	-29%
Wire rod	0.069	0.093	-26%	0.045	55%	0.216	0.118	83%
Metalware	0.075	0.072	5%	0.069	8%	0.205	0.195	5%
Total steel products	0.735	0.935	-21%	0.869	-15%	2.143	2.129	1%
Ferrous and non-ferrous scrap, incl.	1.451	1.342	8%	1.336	9%	3.459	3.345	3%
to NLMK Ural	0.558	0.454	23%	0.470	19%	1.254	1.114	13%
to NLMK Kaluga	0.397	0.395	0%	0.386	3%	0.997	0.996	0%
to NLMK Lipetsk	0.482	0.476	1%	0.463	4%	1.160	1.159	0%



Appendix 5. Mining and Processing of Raw Materials Division sales

Sales, m t	Q3 2017	Q2 2017	QoQ	Q3 2016	YoY	9M 2017	9M 2016	YoY
Iron ore concentrate	2.333	2.434	-4%	4.225	-45%	7.397	11.690	-37%
incl. to NLMK Lipetsk	2.333	2.434	-4%	3.035	-23%	7.388	8.648	-15%
Pellets	1.675	1.581	6%	0.000	-	4.391	0.000	-
incl. to NLMK Lipetsk	1.675	1.581	6%	0.000	-	4.391	0.000	-
Sinter ore	0.378	0.377	0%	0.411	-8%	1.118	1.238	-10%
incl. to NLMK Lipetsk	0.378	0.377	0%	0.371	2%	1.118	1.025	9%

Appendix 6. NLMK USA sales

Sales, m t	Q3 2017	Q2 2017	QoQ	Q3 2016	YoY	9M 2017	9M 2016	YoY
Hot-rolled steel	0.320	0.295	9%	0.210	53%	0.926	0.730	27%
Cold-rolled steel	0.115	0.127	-9%	0.141	-18%	0.378	0.430	-12%
Galvanized steel	0.131	0.135	-3%	0.089	47%	0.377	0.266	41%
Total NLMK USA ⁷	0.568	0.559	2%	0.444	28%	1.689	1.435	18%

⁷ NLMK USA also sells non-significant volumes of merchant slabs not included into total rolled steel sales. In Q3 2017 slab sales totaled 3,000 t

Appendix 7. DanSteel sales

Sales, m t	Q3 2017	Q2 2017	QoQ	Q3 2016	YoY	9M 2017	9M 2016	YoY
Thick plate	0.107	0.112	-5%	0.097	10%	0.353	0.359	-2%

Appendix 8. NBH (associated companies) sales

Sales, m t	Q3 2017	Q2 2017	QoQ	Q3 2016	YoY	9M 2017	9M 2016	YoY
Hot-rolled steel	0.214	0.257	-17%	0.233	-8%	0.749	0.741	1%
Cold-rolled steel	0.009	0.015	-37%	0.011	-13%	0.040	0.044	-8%
Coated steel	0.063	0.080	-22%	0.077	-19%	0.234	0.261	-10%
Total flat steel	0.286	0.351	-19%	0.320	-11%	1.023	1.046	-2%
Semi-finished (ingots)	0.017	0.022	-22%	0.017	2%	0.060	0.063	-5%
Thick plate	0.144	0.182	-21%	0.151	-5%	0.519	0.520	0%
Total steel products	0.447	0.556	-20%	0.488	-8%	1.602	1.629	-2%

Appendix 9. NLMK Group steel output

Production, m t	Q3 2017	Q2 2017	QoQ	Q3 2016	YoY	9M 2017	9M 2016	YoY
NLMK Lipetsk	3.357	3.134	7%	3.163	6%	9.842	9.666	2%
NLMK Long Products	0.860	0.795	8%	0.778	11%	2.274	2.157	5%
incl. NLMK Kaluga	0.375	0.361	4%	0.354	6%	1.007	0.998	1%
NLMK Indiana (NLMK USA)	0.146	0.153	-5%	0.103	41%	0.481	0.443	9%
NLMK Group (without NBH)	4.363	4.082	7%	4.044	8%	12.597	12.266	3%
<i>for reference</i>								
NBH, NLMK Europe (EAF)	0.043	0.062	-31%	0.047	-9%	0.163	0.152	8%
NLMK Group (with NBH)	4.406	4.144	6%	4.092	8%	12.761	12.418	3%



Appendix 10. NLMK Group steel product output (w/o NBH)

Production, m t	Q3 2017	Q2 2017	QoQ	Q3 2016	YoY	9M 2017	9M 2016	YoY
Merchant pig iron	0.187	0.103	82%	0.068	> 100%	0.319	0.382	-16%
Merchant slabs	1.105	0.810	36%	1.027	8%	3.094	3.385	-9%
Flat steel	2.123	2.189	-3%	2.015	5%	6.426	6.163	4%
Merchant billets	0.219	0.195	13%	0.194	13%	0.507	0.521	-3%
Long products	0.544	0.533	2%	0.501	9%	1.498	1.401	7%
Metalware	0.077	0.072	8%	0.065	19%	0.208	0.194	7%
Total products	4.256	3.901	9%	3.870	10%	12.051	12.047	0%

Appendix 11. NLMK Russia Flat Products steel product output

Production, m t	Q3 2017	Q2 2017	QoQ	Q3 2016	YoY	9M 2017	9M 2016	YoY
Merchant pig iron	0.187	0.103	82%	0.068	> 100%	0.319	0.382	-16%
Merchant slabs	1.677	1.498	12%	1.519	10%	4.887	4.788	2%
Hot-rolled steel	0.620	0.686	-10%	0.653	-5%	1.993	2.029	-2%
Cold-rolled steel	0.392	0.405	-3%	0.392	0%	1.167	1.183	-1%
Galvanized steel	0.193	0.181	7%	0.189	2%	0.550	0.479	15%
Pre-painted steel	0.102	0.112	-9%	0.132	-23%	0.319	0.345	-7%
Dynamo steel	0.072	0.079	-9%	0.079	-9%	0.228	0.215	6%
Transformer steel	0.067	0.061	10%	0.055	21%	0.186	0.188	-1%
Total steel products	3.310	3.125	6%	3.088	7%	9.649	9.609	0%

Appendix 12. Output of main raw materials

Production, m t	Q3 2017	Q2 2017	QoQ	Q3 2016	YoY	9M 2017	9M 2016	YoY
Coke (dry weight)	1.662	1.631	2%	1.702	-2%	4.925	4.860	1%
NLMK Lipetsk	0.627	0.615	2%	0.618	2%	1.848	1.839	0%
Altai-Koks	1.034	1.016	2%	1.084	-5%	3.078	3.021	2%
Iron ore	4.316	4.433	-3%	4.318	0%	12.833	12.975	-1%
Iron ore concentrate	2.270	2.433	-7%	3.935	-42%	7.312	11.794	-38%
Sinter ore	0.382	0.379	1%	0.383	0%	1.140	1.181	-3%
Pellets	1.664	1.621	3%	0.000	0%	4.381	0.000	0%
Ferrous scrap	0.661	0.618	7%	0.622	6%	1.613	1.520	6%



Appendix 13. NLMK Group steel product sales (w/o NBH)

Sales, m t	Q3 2017	Q2 2017	QoQ	Q3 2016	YoY	9M 2017	9M 2016	YoY
Semi-finished	1.461	1.257	16%	1.443	1%	3.953	4.362	-9%
Pig iron	0.176	0.057	> 100%	0.105	67%	0.287	0.324	-11%
Slabs	1.136	0.974	17%	1.145	-1%	3.232	3.567	-9%
Billet	0.148	0.226	-34%	0.193	-23%	0.434	0.471	-8%
Flat steel	2.197	2.229	-1%	2.101	5%	6.451	6.269	3%
Plate	0.107	0.112	-5%	0.097	10%	0.353	0.359	-2%
Hot-rolled steel	0.982	1.046	-6%	0.940	4%	2.990	2.826	6%
Cold-rolled steel	0.489	0.515	-5%	0.527	-7%	1.465	1.610	-9%
Galvanized steel	0.359	0.300	20%	0.264	36%	0.915	0.724	26%
Pre-painted steel	0.133	0.102	31%	0.138	-3%	0.310	0.348	-11%
Transformer steel	0.065	0.066	-2%	0.055	17%	0.187	0.191	-2%
Dynamo steel	0.062	0.087	-29%	0.079	-22%	0.231	0.211	10%
Long products	0.587	0.710	-17%	0.676	-13%	1.710	1.658	3%
Long	0.512	0.638	-20%	0.607	-16%	1.505	1.463	3%
Metalware	0.075	0.072	5%	0.069	8%	0.205	0.195	5%
Total steel products	4.245	4.195	1%	4.220	1%	12.114	12.290	-1%