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NLMK GROUP Q3 2018 IFRS FINANCIAL RESULTS¹

NLMK Group (MICEX and LSE: NLMK) is pleased to announce an EBITDA growth of 11% qoq to \$1,015 m. EBITDA margin was 32%. Net income grew by 11% qoq to \$646 m. Free cash flow doubled qoq to \$638 m. Net debt/EBITDA hit its minimum in a decade of 0.25x.

Q3 2018 key highlights

k t/\$ million	Q3 2018	Q2 2018	QoQ	Q3 2017	YoY	9M 2018	9M 2017	YoY
Sales volumes	4 418	4 384	1%	4 240	4%	12 948	12 109	7%
Revenue	3 127	3 112	0,5%	2 551	23%	9 033	7 250	25%
EBITDA ²	1 015	915	11%	648	57%	2 742	1 869	47%
EBITDA margin	32%	29%	+3 p.p.	25%	+7 p.p.	30%	26%	+4 p.p.
Profit for the period ³	646	581	11%	355	82%	1 729	1 022	69%
Free cash flow ⁴	638	288	2,2x	533	20%	1 525	1 066	43%
Net debt ⁵	865	976	-11%	743	16%	865	743	16%
Net debt/EBITDA ⁵	0.25x	0.31x		0.31x		0.25x	0.31x	

- **Group revenue in Q3 2018 totalled \$3.13 bn (+0.5% qoq, +23% yoy).** The decrease in average sales prices was offset by the 1% qoq growth in sales volumes and the increase in the share of HVA products in the Group's portfolio.
- **EBITDA growth by 11% qoq to \$1,015 m (+57% yoy)** was driven by product portfolio improvements, the drop in coal prices and the weakening of the ruble.
- **Net income grew by 11% qoq (+82% yoy),** driven by higher operating profit.
- **Q3 free cash flow increased 2.2-fold qoq to \$638 m,** impacted by the increase in EBITDA, and stable working capital.
- **Net debt/EBITDA decreased to 0.25x.**

¹ 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, including segmental results. Figures for comparable periods can differ from figures published earlier as a result of rounding off to whole numbers.

² EBITDA is defined as operating profit before equity share in the results of joint ventures, impairment of capital assets and losses from fixed assets retirement, adjusted to depreciation. EBITDA calculations and further details are presented in the Appendix.

³ Profit for the period attributable to NLMK shareholders.

⁴ Free cash flow is determined as net cash from operations plus interest received net of interest paid and capital investment. Free cash flow calculations are presented in the Appendix.

⁵ Net debt is calculated as the sum of long-term and short-term credits and loans less cash and cash equivalents, as well as short-term deposits 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. Net debt calculations are presented in the Appendix.

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NLMK GROUP Q3 2018 IFRS CONSOLIDATED FINANCIAL RESULTS

Key highlights

Comment from NLMK Group Deputy CFO Nelli Meshcheryakova:

“In Q3 2018, demand for steel products at our key international sales markets remained relatively stable. Russia saw a weakening in activity of rolled product buyers due to high stock levels at large traders. At the same time, the uptick in demand for long products enabled the Company to grow its consolidated sales qoq (growth of long product sales totalled 46% qoq), maintaining high steelmaking capacity utilization rates.

“Group revenue totalled \$3.1 billion, flat qoq. The decrease in average sales rates was offset by the seasonal growth of consolidated sales and product portfolio improvements.

“Company EBITDA was 11% higher than the record level set last quarter, reaching \$1,015 m. This is the best result since 2008. This growth was driven by product portfolio improvements, the decrease in coal prices, the weakening of the ruble, and impact from capex projects and operational efficiency programs. EBITDA margin was 32%.

“Free cash flow grew 2.2-fold qoq to \$638 m, driven by stable working capital, and record-high EBITDA.

“Net debt/EBITDA decreased to 0.25x, which is testimony to the Group’s financial stability. This is confirmed by NLMK’s investment grade credit ratings from Fitch, Moody’s and S&P. Moreover, NLMK was awarded a high ruAAA credit rating by RAEX (Expert RA) ([see Press Release](#)).”



TELECONFERENCE

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

Thursday, 25 October 2018

- 10:00 a.m. – USA (New York)
- 3:00 p.m. – Great Britain (London)
- 5:00 p.m. – Russia (Moscow)

To join the conference call and the webcast, participants are invited to dial:

US number:

+1 929-477-0402 (local access) // 888-208-1711 (toll free)

UK number:

+44 330 336 9128 (local access) // 0800 358 6377 (toll free)

Russian number:

+7 495 213 1767 (local access) // 8 800 500 9283 (toll free)

Conference code: 4058228

To join the webcast, please follow the link: <https://webcasts.egs.com/nlmk20181025>.

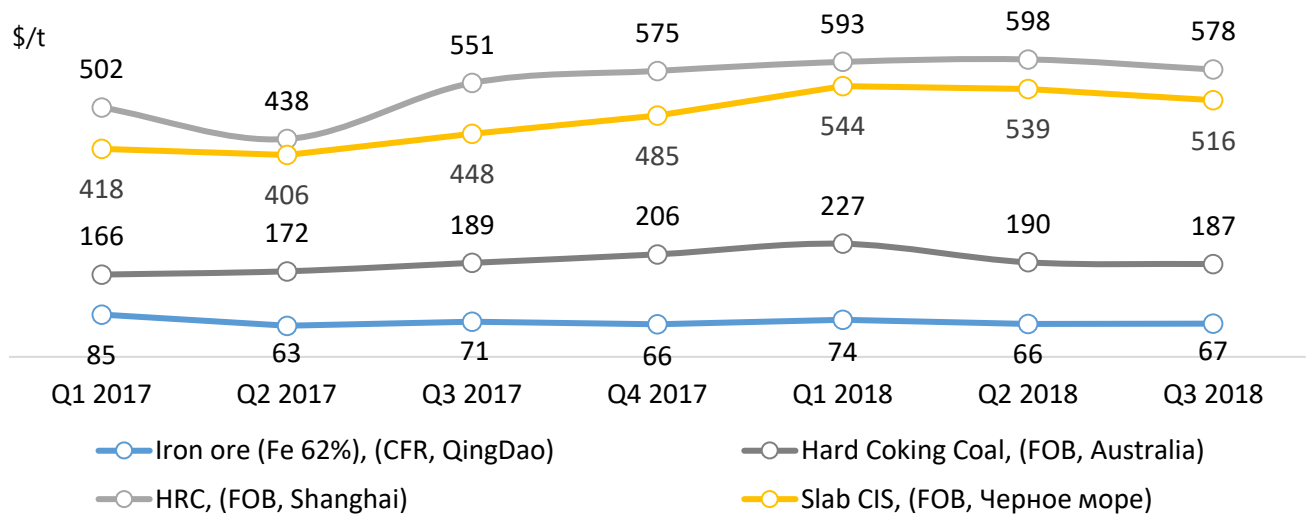
** We recommend participants start dialing in 5-10 minutes in advance to avoid waiting.*

We recommend participants download the presentation in advance from NLMK's website: www.nlmk.com



MANAGEMENT COMMENTS

GLOBAL PRICES



Source: Bloomberg

Q3 2018

- **Raw material prices:** average global coal prices decreased by 2% qoq (-1% yoy); average iron ore prices grew by 1% qoq (-6% yoy).
- **Market prices¹ for steel products:** 1% qoq decrease in the US (+22-41% yoy); 0-3% qoq decline in dollar terms in Europe (+4-8% yoy).
- **Prices for steel products in the Russian market** for uncoated rolled products in dollar terms dropped by 5-7% qoq (+10% yoy). Average rebar prices in dollar terms decreased by 4% qoq (+15% yoy).
- **Slab export prices** (FOB Black Sea) decreased by 4% qoq (+15% yoy).

MARKET REVIEW

Q3 2018

- **Steel exports from China** decreased by 13% qoq (-5% yoy) ahead of steel production restrictions during the heating season. Over 9M 2018, export dropped by 11%.
- **Demand in the US** grew by 2.5% qoq (+1% yoy in 9M 2018), driven by growth in the automotive and construction sectors.
- **Europe** saw a seasonal weakening in demand in Q3. Growth from year start was approximately 2.2%.
- **In Russia**, demand was flat qoq (flat yoy in 9M 2018).

¹ Market prices reflect the level of prices for a given calendar period and differ from the average sales prices of the Company and its segments due to the time lag of the production & sales cycle.



Output and sales

Q3 2018 highlights:

- **Steel output**² grew by 1% qoq to 4.42 m t (flat yoy). Group steelmaking capacity utilization rate³ was 99%.
- **Sales** totalled 4.42 m t (+1% qoq), due to the increase in long product sales as accumulated stocks were being sold off.
- **Finished steel sales** grew by 6% qoq to 2.91 m t (+5% yoy) as long product stocks were being sold off driven by the uptick in demand.
- **Sales of semis** to third parties totalled 0.97 m t (-2% qoq; -10% yoy) due to the drop in demand for slabs from the tube & pipe sector in Russia, and the decrease in pig iron export sales.
Slab deliveries to NBH, NLMK's joint venture, decreased by 18% qoq (+41% yoy) to 0.54 m t due to seasonal maintenance at the European sites.
- **Sales to home markets** in Q3 grew by 4% to 2.76 m t (-4% yoy), driven by the 15% qoq increase in sales in Russia. Local sales by NLMK Group's companies in the US decreased by 8% qoq, with consumers expecting the downward price trend that started in July to persist. Sales by European companies decreased by 10% qoq due to annual equipment maintenance.

9M 2018 highlights:

- **Steel output** grew by 3% yoy to 13.13 m t.
- **Sales** totalled 12.95 m t (+7% yoy) due to the increase in the sale of semi-finished products, driven by the uptick in demand in global markets.

NLMK Group's key financials

Revenue

Q3 2018 highlights:

- Q3 2018 revenue totalled \$3.13 bn (flat qoq). Reduction in average sales prices was offset by the 1% qoq increase in sales volumes and improvement in the sales portfolio breakdown. The 23% yoy growth in revenue is due to the growth of average prices for steel products and the 4% increase in sales volume.
- The share of finished steel in the revenue gained 3 p.p. qoq reaching 69%, following the 6% qoq increase in sales volume supported by the uptick in demand for long products.
- Revenue in Russia increased by 9% qoq to \$1.12 bn driven by seasonal demand growth. The share of the Russian market in the revenue increased by 3 p.p. qoq to 36%. The share of the US market in the Group's consolidated revenue remained flat qoq (22%), while the share of the EU reduced by 5 p.p. to 16%, driven by the drop in sales due to seasonal maintenance.

² Hereinafter NLMK Group steel output and local sales include NBH. Consolidated sales are given without NBH. Sales to home markets mean sales of the Group's companies in the regions where its production capacities are located in Russia, Europe and the USA.

³ Without production capacities that are undergoing planned maintenance.



- The Group's revenue from sales to home markets (Russia, the US and the EU), taking into account JV (NBH) sales, increased by 3% qoq to \$2.17 bn. At the same time, the share of local markets in the revenue increased by 2 p.p. qoq to 68% due to the seasonal decline in sales of European companies.

9M 2018 highlights:

- 9M 2018 revenue totalled \$9.03 bn (+25% yoy), supported by growing prices and sales volume.
- The shares of the EU and US markets in the Group's consolidated revenue increased by 1 p.p. and 2 p.p. yoy, respectively. Meanwhile, the share of the Russian market in the total revenue decreased by 4 p.p. yoy to 34%.
- Taking into account JV (NBH) sales, the share of sales to NLMK's home markets reduced by 2 p.p. yoy to 67% due to outstripping growth of export sales to Turkey and the countries of Central and South America.

Operating profit⁴

Q3 2018

- Operating profit* increased by 15% qoq to \$879 m (+75% yoy), driven by a 4% qoq reduction in the cost of sales (backed by coal price reduction), ruble devaluation, and gains from capex projects and operational efficiency programs.
- Commercial expenses reduced by 3% qoq (+6% yoy) to \$208 m, due to a drop in transportation costs caused by the weakening of the ruble.
- G&A expenses decreased by 7% qoq to \$87 m, due to the high base effect of the previous quarter, when an additional reserve for bonus payments was made.

9M 2018

- Operating profit increased by 62% yoy to \$2.30 bn, driven by the expansion of price spreads, the impact of currency rates, and gains from operational efficiency (\$138 m) and capex projects (\$107 m).
- Commercial expenses increased by 10% yoy to \$634 m due to the increase in sales.
- G&A expenses increased by 9% yoy to \$267 m due to payroll indexation.

Net profit⁵

- **Growth of net profit in Q3 2018 by 11% qoq (+82% yoy) to \$646 m.**
- **In 9M 2018 net profit increased by 69% yoy, also supported by growth of profit from operations.**

⁴Operating profit before equity share in results of joint ventures, impairment of capital assets and losses from fixed assets retirement

⁵ Profit for the period, attributable to NLMK shareholders



Free cash flow

Q3 2018

- **Free cash flow increased to \$638 m** (2.2x qoq and +20% yoy), supported by stable working capital, and record-high EBITDA values.
- **2x qoq growth of operating cash flow** (+25% yoy) to \$831 m is attributable to an increase in profit margins and working capital stabilization.
- **Cash outflows for working capital financing reduced two-fold qoq**, amounting to \$9 m, mostly driven by:
 - -\$49 m: a reduction in accounts receivable, due to faster inflow of payments from customers;
 - +\$57 m: an increase in stocks due to seasonal scrap accumulation at NLMK Russia Flat Products and NLMK Russia Long Products divisions.

Operational efficiency projects

- In 9M 2018, EBITDA gains from operational efficiency projects amounted to \$138 m; gains from capex projects amounted to \$107 m.

Debt management

- **Net debt** dropped by 11% qoq to \$865 m, backed by growing profits from operations and reduced loan payments. As a result, Net Debt / EBITDA ratio improved to 0.25x (vs 0.31x last quarter).
- **Total debt** increased slightly to \$2,123 m (1% qoq; -17% yoy).

Investment

- NLMK Group's Q3 2018 investment increased by 58% qoq to \$183 m.

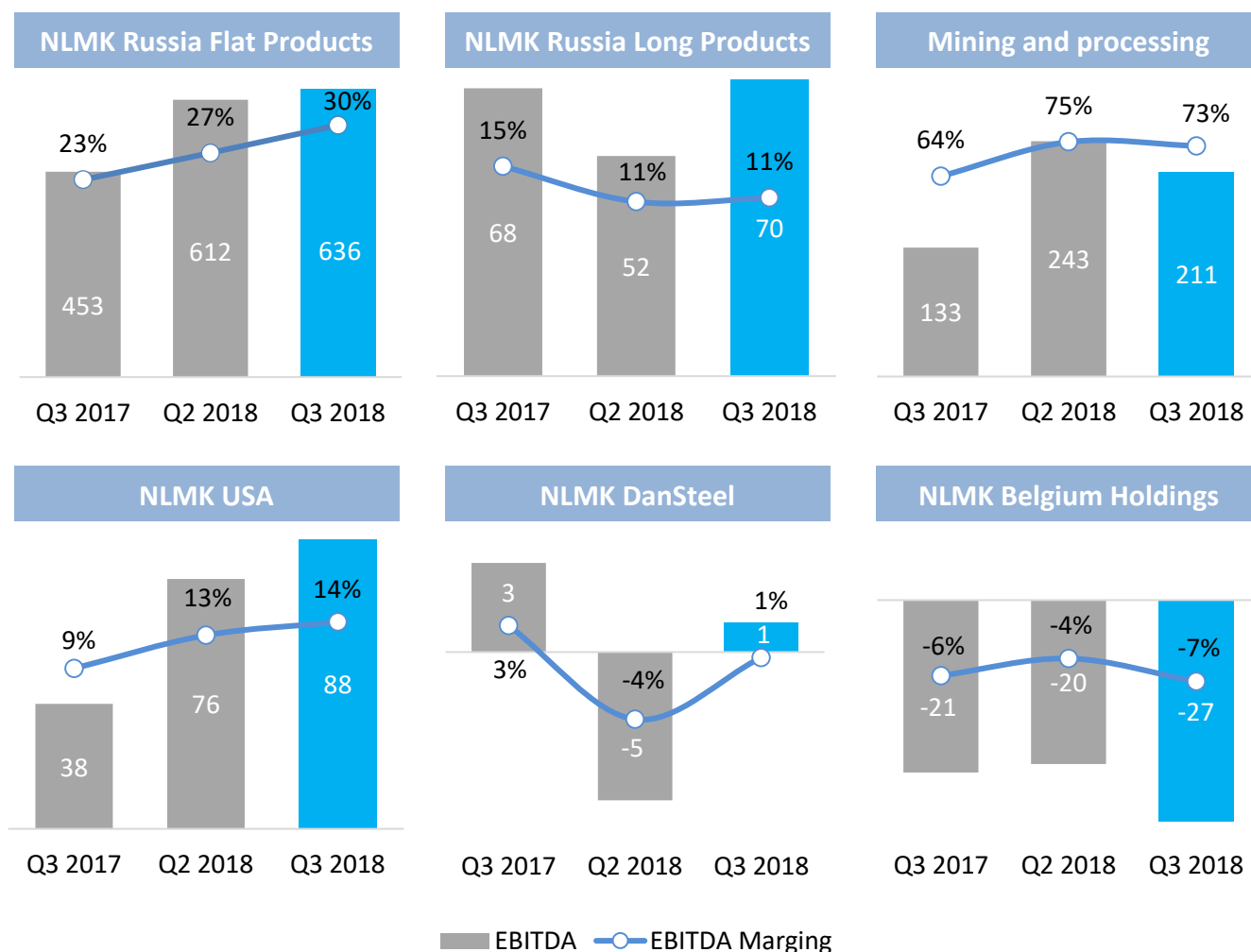
Dividends

- In Q3 2018, cash outflow for Q1 2018 dividend payments totaled \$482 m. At the Extraordinary General Shareholders' Meeting (EGM) held on 28 September 2018, NLMK shareholders approved the payment of Q2 2018 dividends of 5.24 rubles per share (for a total of \$477 m) ([See Press Release](#)).



SEGMENTAL PERFORMANCE

EBITDA and profitability, \$ m and %



NLMK RUSSIA FLAT

Q3 2018 highlights:

- **Sales dropped by 7% qoq and yoy**, driven by lower slab deliveries to Europe and the US ([Appendix 2](#)) and reduced sales of HRC due to planned maintenance of NLMK Lipetsk Mill 2000.
- **Total revenue** of the Segment reduced by 7% qoq (+10% yoy) to \$2.1 bn, following the drop in sales. Year-on-year revenue growth was associated with an 18% increase in average sales prices driven by the growth in global prices.
- **EBITDA** grew by 4% qoq (+40% yoy) to \$636 m, driven mainly by price spread expansion.

9M 2018 highlights:

- **Sales** increased by 1% yoy to 9.96 m t, backed by stronger demand for slabs and pig iron in export markets.
- **Revenue** increased by 18% yoy to \$6,591, impacted by a rise in steel product prices.



- **EBITDA** increased by 52% yoy to \$1,771 m as a result of widening price spreads, foreign currency rates, and gains from capex project and operational efficiency programs.

NLMK RUSSIA LONG PRODUCTS

Q3 2018 highlights:

- **Sales** in Q3 2018 grew by 46% qoq (+27% yoy) to 0.93 m t, backed by recovering demand after the World Cup, as previously accumulated finished steel stocks were being sold off ([Appendix 3](#)).
- **Revenue** in Q3 2018 increased by 29% qoq to \$633 m (+38% yoy), supported by the growth of sales volumes, which was partially offset by a drop in average sales prices. The year-on-year increase in revenue was associated with higher sales of steel products and growth in average sales prices.
- **EBITDA** of the Segment in Q3 2018 increased by 35% qoq to \$70 m, supported by an increase in sales volumes with a growing share of finished steel, and impacted by foreign currency rates.

9M 2018 highlights:

- **Sales in 9M 2018** climbed by 9% yoy to 2.34 m t, backed by growing finished steel sales to the Russian market and semis exports.
- **Revenue** increased by 29% yoy to \$1,584 m, driven by an increase in sales volume and steel product price growth.
- **EBITDA** increased by 83% yoy to \$183 m as a result of an increase in sales volumes, widening price spreads and gains from efficiency improvement programs.

MINING AND PROCESSING OF RAW MATERIALS

Q3 2018 highlights:

- **Sales** of iron ore in Q3 2018 climbed by 2% to 4.60 m t (+5% yoy): pellet sales reached 1.71 m t (+2% qoq), concentrate sales reached 2.51 m t (+2% qoq) ([Appendix 4](#)).
- **Revenue** in Q3 2018 dropped by 12% qoq to \$288 m (+38% yoy), driven by a reduction in average sale prices. A year-on-year increase was associated with growing prices (+31%) following the growth in global prices, and higher sales volumes.
- **EBITDA** went down by 13% qoq to \$211 m (+59% yoy) following the change in revenue; EBITDA margin remained at a high level of 73%.

9M 2018 highlights:

- **Sales in 9M 2018** improved by 6% yoy to 13.63 m t, driven by increased equipment productivity.
- **Revenue** went up by 37% to \$952 m, driven by the growth of iron ore prices and a higher share of pellets in the Segment's sales.
- **EBITDA** increased by 49% yoy to \$708 m due to widening price spreads and gains from capex project.



NLMK USA

Q3 2018 highlights:

- **Sales dropped** by 8% qoq to 0.59 m t (+4% yoy), driven by weakening demand from consumers anticipating an adjustment in prices ([Appendix 5](#)).
- **Revenue** grew by 3% qoq to \$609 m following an average 12% increase in sales prices due to trade restrictions imposed on steel imports. Year-on-year revenue growth of 44% was attributable to the same factor.
- **EBITDA increased by 16% qoq** to \$88 m (2.3x yoy) against the widening spread between slab and finished steel prices. EBITDA margin gained 1 p.p. qoq.

9M 2018 highlights:

- **Sales in 9M 2018** climbed by 5% yoy to 1.78 m t, supported by increased HRC and HDG sales amid growing demand from consumers.
- **Revenue** increased by 29% yoy to \$1,630 m, driven by a rise in prices for steel products.
- **EBITDA** increased by 21% yoy to \$204 m, backed by expanding price spreads and volume growth.

NLMK DanSteel⁶

Q3 2018 highlights:

- **Plate sales** dropped by 11% qoq due to planned maintenance (+14% yoy). Year-on-year sales increased, driven by stronger demand in the European market ([Appendix 6](#)).
- **Revenue reduced** by 5% qoq to \$125 m (+32% yoy) following weaker sales performance coupled with an increase in average plate prices. Year-on-year revenue growth was associated with an increase in the Segment's sales volume and price growth.
- **EBITDA** was \$1 m vs. \$5 m losses in the previous quarter, backed by expanding slab/thick plate price spread.

9M 2018 highlights:

- **Sales in 9M 2018** climbed by 13% yoy to 0.4 m t, supported by increased demand for plates.
- **Revenue** went up by 31% yoy to \$395 m, driven by rising prices for steel products (+16% yoy) and a 13% yoy growth in sales volume.
- **EBITDA** went down to (-) \$9 m due to the narrowing of the slab/plate price spread.

JV PERFORMANCE (NBH)

Q3 2018 highlights:

- **NBH sales** dropped by 18% to 0.47 m t (+5% yoy), driven by planned seasonal maintenance.
- **Revenue** reduced by 20% qoq to \$390 m (+15% yoy), driven by lower sales volumes.
- **NBH EBITDA** was (-) \$27 m vs. (-) \$20 m in Q2 2018 due to slumping sales.

⁶NLMK DanSteel and plate distribution network.



9M 2018 highlights:

- **NBH sales** increased by 5% yoy to 1.69 m t, backed by stronger demand for flat steel.
- **Revenue** increased by 22% qoq to \$1,401 m, supported by higher sales volume and price growth.
- **NBH EBITDA** was (-) \$55 m vs. \$2 m income in the same period a year ago, due to narrowing price spreads amid growing slab prices.



Appendix. Operating and financial results

(1) Sales markets

'000 t	Total	Sales markets					
		Russia	EU	North America	Middle East and Turkey	C.&S. America	Other markets
NLMK Group	4 346	1 618	707	743	555	312	411
Division sales to third parties:							
NLMK Russia Flat	2 228	1 040	55	143	524	303	162
NLMK Russia Long	934	578	98	0	23	6	230
International subsidiaries and affiliates, incl.:	1 183	0	554	599	9	2	19
<i>NLMK USA</i>	590	0	0	590	0	0	0
<i>European rolling facilities (NLMK Dansteel and NBH)</i>	593	0	554	9	9	2	19

(2) NLMK Russia Flat

k t/\$ million	Q3 2018	Q2 2018	QoQ	Q3 2017	YoY	9M 2018	9M 2017	YoY
Steel product sales, incl.:	3 189	3 433	-7%	3 425	-7%	9 959	9 822	1%
external customers	2 228	2 308	-3%	2 443	-9%	6 616	6 296	5%
semis to NBH	542	660	-18%	386	41%	1 801	1 615	12%
intersegmental sales	419	465	-10%	596	-30%	1 542	1 911	-19%
Revenue, incl.:	2 125	2 297	-7%	1 932	10%	6 591	5 604	18%
external customers	1 576	1 638	-4%	1 481	6%	4 685	3 975	18%
intersegmental operations	549	659	-17%	451	22%	1 906	1 629	17%
EBITDA	636	612	4%	453	40%	1 771	1 167	52%
EBITDA margin	30%	27%	+3 p.p.	23%	+7 p.p.	27%	21%	+6 p.p.

(3) NLMK Russia Long

k t/\$ million	Q3 2018	Q2 2018	QoQ	Q3 2017	YoY	9M 2018	9M 2017	YoY
Steel product sales	934	639	46%	737	27%	2 344	2 145	9%
Revenue, incl.:	633	491	29%	460	38%	1 584	1 231	29%
external customers	502	359	40%	349	44%	1 279	972	32%
intersegmental operations	131	132	-1%	111	18%	305	259	18%
EBITDA	70	52	35%	68	3%	183	100	83%
EBITDA margin	11%	11%	0 p.p.	15%	-4 p.p.	12%	8%	+4 p.p.



(4) Mining Segment

k t/\$ million	Q3 2018	Q2 2018	QoQ	Q3 2017	YoY	9M 2018	9M 2017	YoY
Iron ore products sales, incl.:	4 597	4 518	2%	4 387	5%	13 625	12 906	6%
sales to Lipetsk plant	4 597	4 518	2%	4 387	5%	13 625	12 897	6%
Revenue, incl.:	288	326	-12%	209	38%	952	696	37%
external customers	7	7	0%	7	0%	17	18	-6%
intersegmental operations	281	319	-12%	202	39%	935	678	38%
EBITDA	211	243	-13%	133	59%	708	476	49%
EBITDA margin	73%	75%	-2 p.p.	64%	+9 p.p.	74%	68%	+6 p.p.

(5) NLMK USA

k t/\$ million	Q3 2018	Q2 2018	QoQ	Q3 2017	YoY	9M 2018	9M 2017	YoY
Steel product sales	590	638	-8%	568	4%	1 781	1 689	5%
Revenue, incl.:	609	590	3%	424	44%	1 630	1 259	29%
external customers	609	590	3%	424	44%	1 630	1 259	29%
intersegmental operations	-	-	0%	-	0%	-	-	0%
EBITDA	88	76	16%	38	2,3x	204	168	21%
EBITDA margin	14%	13%	+1 p.p.	9%	+5 p.p.	13%	13%	0 p.p.

(6) NLMK DanSteel

k t/\$ million	Q3 2018	Q2 2018	QoQ	Q3 2017	YoY	9M 2018	9M 2017	YoY
Steel product sales	121	137	-11%	107	14%	400	353	13%
Revenue, incl.:	125	132	-5%	95	32%	395	301	31%
external customers	124	132	-6%	94	32%	394	300	31%
intersegmental operations	1,0	-	0%	1,0	0%	1	1	0%
EBITDA	1	(5)	120%	3	-67%	(9)	8	-213%
EBITDA margin	1%	-4%	+5 p.p.	3%	-2 p.p.	-2%	3%	-5 p.p.



(7) Sales by product

k t	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Pig iron	142	201	258	141	176
Slabs	1 172	1 293	1 170	1 363	1 136
Thick plates	121	137	142	122	107
Hot-rolled steel	875	1 036	833	901	979
Cold-rolled steel	516	491	441	476	489
Galvanized steel	379	336	305	302	358
Pre-painted steel	128	101	87	96	133
Transformer steel	69	73	68	72	63
Dynamo steel	79	77	72	68	62
Billet	198	157	215	252	148
Long products	664	426	494	500	514
Metalware	73	56	62	65	75
TOTAL	4 418	4 384	4 146	4 360	4 240

(8) Sales by region

k t	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Russia	1 618	1 404	1 343	1 707	1 800
EU countries	810	913	920	761	664
Middle East, incl. Turkey	547	665	542	421	464
North America	738	841	813	696	776
Central and South America	310	297	213	228	228
CIS countries	118	87	91	102	126
Asia and Oceania	69	31	21	167	15
Other regions	208	146	203	278	166
TOTAL	4 418	4 384	4 146	4 360	4 240

(9) Revenue by region

Region	Q3 2018		Q2 2018		Q1 2018	
	\$ m	share	\$ m	share	\$ m	share
Russia	1 118	36%	1 024	33%	969	35%
EU countries	489	16%	662	21%	594	21%
Middle East, incl. Turkey	339	11%	413	13%	323	12%
North America	682	22%	696	22%	541	19%
Central and South America	185	6%	172	6%	121	4%
CIS countries	96	3%	79	3%	113	4%
Asia and Oceania	55	2%	46	1%	36	1%
Other regions	163	5%	20	1%	98	4%
TOTAL	3 127	100%	3 112	100%	2 794	100%



(10) EBITDA*

\$ million	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Operating income**	879	763	657	615	501
minus:	-	-	-	-	-
Depreciation and amortization	(136)	(152)	(155)	(171)	(147)
EBITDA	1 015	915	812	786	648

* EBITDA used in NLMK's financial releases is calculated as operating profit before share of results of joint ventures, impairment of non-current assets and loss on disposals of property, plant and equipment, adjusted to depreciation and amortization. EBITDA is not an indicator of operating profit, operating activity or liquidity under IFRS, and NLMK discloses it because equivalent indicators could be used by investors and analysts. That said, NLMK's EBITDA should not be viewed on a standalone basis, or in place of profit before tax, or cash flows from operations, as defined by IFRS, or as an indicator of operational efficiency, or as the sum of free cash funds that NLMK can invest into business development. NLMK's EBITDA margin and EBITDA might not be comparable to similar indicators disclosed by other companies as there are no commonly accepted rules for calculating them. For instance, NLMK's EBITDA is calculated similar to what is termed as 'Adjusted EBITDA' in other companies, as NLMK's EBITDA excludes other profit/loss items in addition to interest payments, income tax, depreciation and amortization.

** Operating profit before share of results of joint ventures, impairment of non-current assets and loss on disposals of property, plant and equipment.

(11) Free cash flow

\$ million	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Net cash provided operating activities	831	412	737	476	663
Interest paid	(13)	(14)	(17)	(21)	(16)
Interest received	3	6	10	11	6
Advance VAT payments on imported equipment	-	-	-	-	-
Capex	(183)	(116)	(131)	(266)	(120)
Free Cash Flow	638	288	599	200	533

(12) Net debt

\$ million	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Short-term borrowings	429	256	481	380	653
Long-term borrowings	1 694	1 844	1 884	1 901	1 902
Cash and cash equivalents	(1 196)	(962)	(732)	(301)	(598)
Short-term deposits	(62)	(162)	(750)	(1 057)	(1 214)
Net debt	865	976	883	923	743



(13) Production of main products

k t	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Crude steel, incl.:	4 377	4 326	4 269	4 253	4 363
Steel Segment	3 320	3 294	3 359	3 356	3 356
Long products Segment, incl.:	885	851	746	755	860
NLMK-Kaluga	376	375	325	347	375
Foreign Rolled Products Segment	172	181	164	142	146
Finished products, incl.:	2 734	2 869	2 724	2 595	2 743
Flat steel	2 088	2 229	2 162	2 079	2 125
Long steel	646	640	562	515	618
Coke (6% moisture), incl.:	1 635	1 556	1 603	1 667	1 768
Novolipetsk	656	648	637	655	667
Altai-Koks	979	909	966	1012	1 100

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

k t	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Sales to 3rd parties, incl.:	630	634	571	908	751
Export	537	480	368	640	504
Sales to subsidiaries & associates	956	1 118	1 254	807	958
Sales to NBH	542	660	600	456	386
TOTAL	1 586	1 751	1 825	1 714	1 709

(15) Export shipments of steel products from Russian assets of the Group to third party consumers

k t	Q3 2018	Q2 2018	QoQ	Q3 2017	YoY	9M 2018	9M 2017	YoY
Semi-finished products	861	832	4%	816	5%	2 529	1 856	36%
Pig iron	140	199	-29%	174	-19%	596	278	2,1x
Slabs	537	480	12%	504	6%	1 385	1 156	20%
Billets	184	152	21%	138	34%	549	423	30%
Flat products	512	556	-8%	402	28%	1 544	1 741	-11%
HRC	209	257	-18%	147	42%	677	885	-24%
CRC	165	155	7%	112	47%	435	433	0%
HDG	15	19	-22%	38	-61%	63	66	-4%
Coated	2	2	1%	3	-47%	6	9	-38%
Dynamo	62	61	2%	49	27%	183	191	-4%
Transformer	59	62	-5%	52	13%	180	156	15%
Long products	173	158	9%	160	8%	527	542	-3%
Total	1 546	1 545	0%	1 379	12%	4 601	4 139	11%



(16) Segmental information

Q3 2018										
\$ million	Russian Flat Steel	Russian Long Products	Mining	NLMK USA	NLMK DanSteel and Plates Distribution Network	Investments in NBH	Totals	Intersegmental operations and balances	NBH deconsolidation	Consolidated
Revenue from external customers	1 576	502	7	609	124	373	3 191	-	(64)	3 127
Intersegment revenue	549	131	281	-	1	17	979	(962)	(17)	-
Gross profit	799	117	198	93	13	(1)	1 219	7	(28)	1 198
Operating income/(loss)	557	56	184	74	(1)	(46)	824	38	17	879
Income / (loss) before minority interest	555	48	169	71	(4)	(46)	793	(109)	(36)	648
Segment assets including goodwill	7 428	1 204	2 146	1 048	352	1 633	13 811	(2 043)	(1 441)	10 327

Balance figures presented as of 30.09.2018

Q2 2018										
\$ million	Russian Flat Steel	Russian Long Products	Mining	NLMK USA	NLMK DanSteel and Plates Distribution Network	Investments in NBH	Totals	Intersegmental operations and balances	NBH deconsolidation	Consolidated
Revenue from external customers	1 638	359	7	590	132	469	3 195	-	(83)	3 112
Intersegment revenue	659	132	319	-	-	17	1 127	(1 110)	(17)	-
Gross profit	782	86	230	81	9	15	1 203	(75)	(34)	1 094
Operating income/(loss)	523	36	214	61	(8)	(38)	788	(44)	19	763
Income / (loss) before minority interest	429	55	200	59	(8)	(43)	692	(93)	(17)	582
Segment assets including goodwill	7 438	1 308	2 128	1 037	351	1 667	13 929	(2 004)	(1 454)	10 471

Balance figures presented as of 30.06.2018