



Q3 2016 AND 9M 2016 IFRS RESULTS

31 OCTOBER 2016

DISCLAIMER

This document is confidential and has been prepared by NLMK (the “Company”) solely for use at the presentation of the Company and may not be reproduced, retransmitted or further distributed to any other person or published, in whole or in part, for any other purpose.

This document does not constitute or form part of any advertisement of securities, any offer or invitation to sell or issue or any solicitation of any offer to purchase or subscribe for, any shares in the Company or Global Depositary Shares (GDSs), nor shall it or any part of it nor the fact of its presentation or distribution form the basis of, or be relied on in connection with, any contract or investment decision.

No reliance may be placed for any purpose whatsoever on the information contained in this document or on assumptions made as to its completeness. No representation or warranty, express or implied, is given by the Company, its subsidiaries or any of their respective advisers, officers, employees or agents, as to the accuracy of the information or opinions or for any loss howsoever arising, directly or indirectly, from any use of this presentation or its contents.

The distribution of this document in other jurisdictions may be restricted by law and any person into whose possession this document comes should inform themselves about, and observe, any such restrictions.

This document may include forward-looking statements. These forward-looking statements include matters that are not historical facts or statements regarding the Company’s intentions, beliefs or current expectations concerning, among other things, the Company’s results of operations, financial condition, liquidity, prospects, growth, strategies, and the industry in which the Company operates. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. The Company cautions you that forward-looking statements are not guarantees of future performance and that the Company’s actual results of operations, financial condition and liquidity and the development of the industry in which the Company operates may differ materially from those made in or suggested by the forward-looking statements contained in this document. In addition, even if the Company’s results of operations, financial condition and liquidity and the development of the industry in which the Company operates are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in future periods. The Company does not undertake any obligation to review or confirm analysts’ or any other third party expectations or estimates or to update any forward-looking statements to reflect events that occur or circumstances that arise after the date of this presentation.

By attending this presentation you agree to be bound by the foregoing terms.

CONTENTS

- **Performance and strategy overview**

Results and outlook

Segmental information

Annex

NLMK DELIVERED SUPERIOR RESULTS

• All-time record sales

- 9M'16 sales 12.3 mt, up 2% yoy
- Q3'16 sales 4.22 mt, up 7% yoy

• Improved profitability and cash flow

- Q3 revenue: \$2,225 m (+19% qoq; +10% yoy)
- Q3 EBITDA: \$673 m (+46% qoq; +32% yoy)
- Q3 EBITDA margin: 30% (+5 p.p. qoq; +5 p.p. yoy)
- Net profit: \$385 m (2.1x qoq; -6% yoy)
- Free cash flow*: \$474 m (3.0x qoq; +28% yoy)

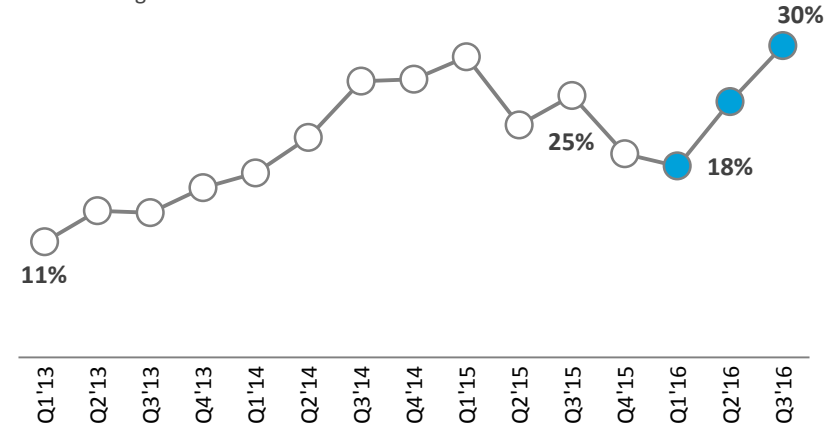
• Stronger balance sheet

- Net Debt: \$687 m (-41% qoq; -36% yoy)
- Net Debt/EBITDA: 0.39x (0.74x as of 30/06/16)

* Free cash flow = operational cash flow minus capex minus advances for VAT payments on imported equipment minus net interest payments

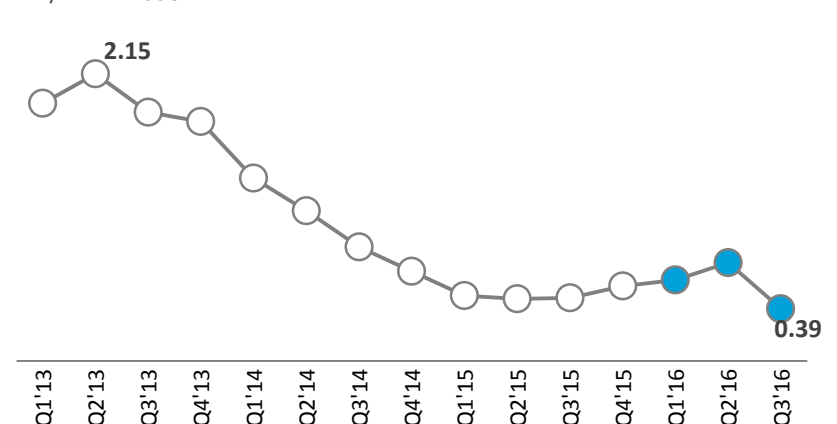
Highest profitability in 6 years

EBITDA margin



Very low leverage

ND/EBITDA ratio

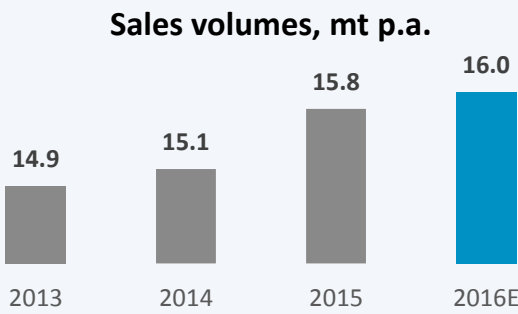


STRATEGY EXECUTION DRIVES STRONG PERFORMANCE

Strategic initiatives behind solid results:

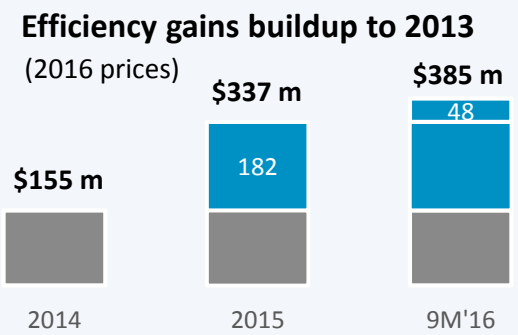
1 Market leadership (p.6)

- Continuing sales growth driven by the exposure to strategic home markets: Russia, EU, and USA
- Strong positions in the niche markets
- Growth in value added products sales



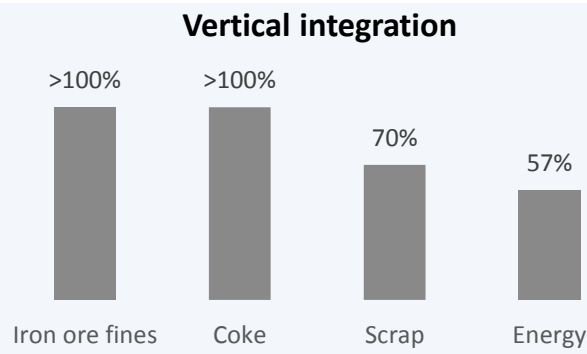
2 Operational efficiency (p.8)

- Efficiency gains over the last 3 years make up 27% of EBITDA
- Continuous cost reduction drives cost leadership



3 World-class resource base (p.10)

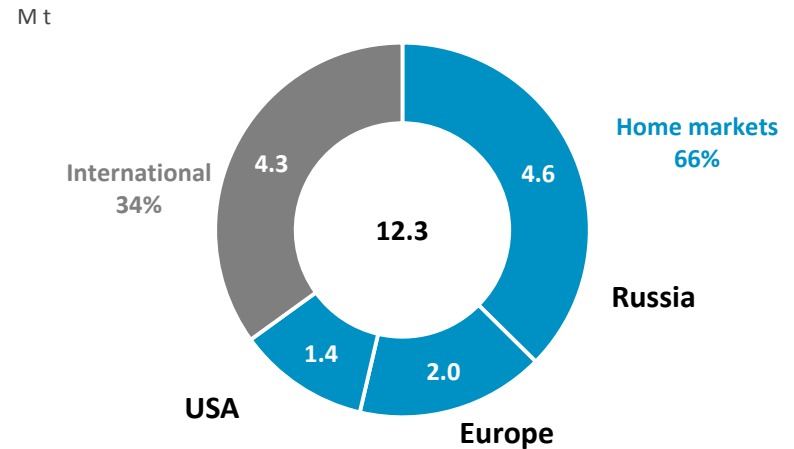
- Ongoing deepening of vertical integration
- Sufficiency in core raw materials at low cost



1 LOCAL MARKETS SECURE STRONGER SHIPMENTS...

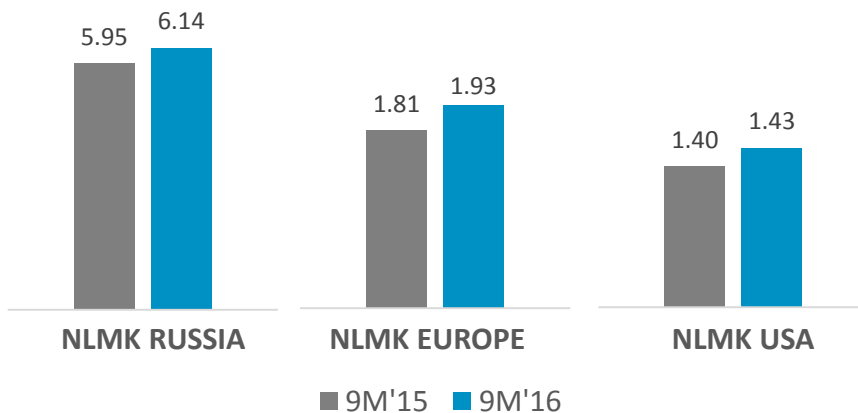
- **Exposure to local customers in home markets**
 - Through downstream assets in Russia, EU, and USA
 - 2/3 of steel sold where it is produced
 - Leading positions in the local markets and niche segments
- **Finished steel shipments grew across all divisions in absolute tons and relative to market**

NLMK shipments by markets, 9M'16

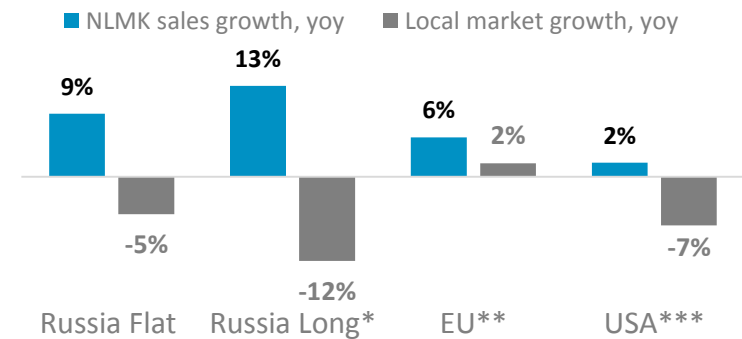


NLMK shipments of finished steel by divisions

M t



NLMK sales vs. local market growth, 9M'16



Russian market long products dynamics include rebar, wire rod and sections

* NLMK Russia Long total sales (incl. billets)

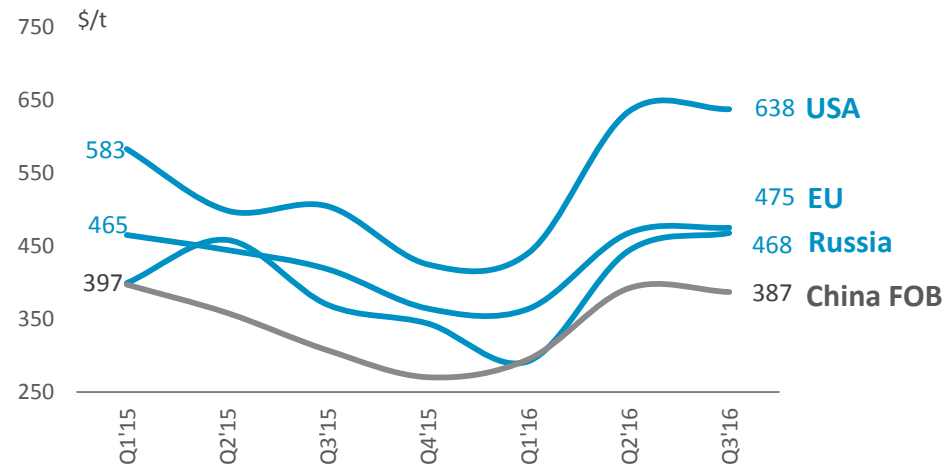
** NLMK Dansteel & NBH sales to EU *** NLMK USA sales to USA

Source: NLMK, worldsteel, Eurofer

1 ... WITH BETTER PRICING AND PRODUCT MIX

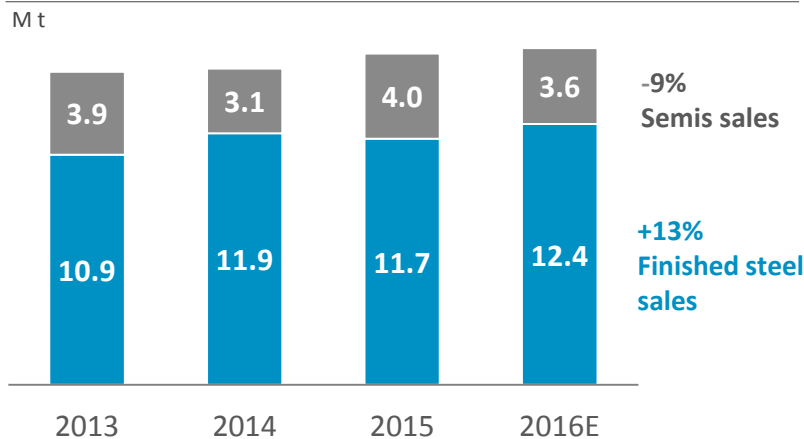
- NLMK's home markets offer price premiums to the benchmark
- Ongoing sales growth and product mix improvement contribute to higher profitability across all divisions

Prices at NLMK's home markets

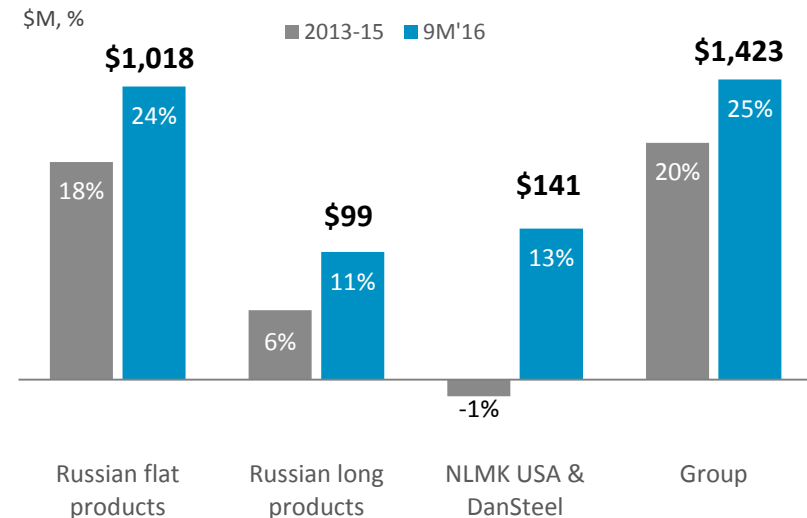


Source: Metal Bulletin, SBB

NLMK product mix



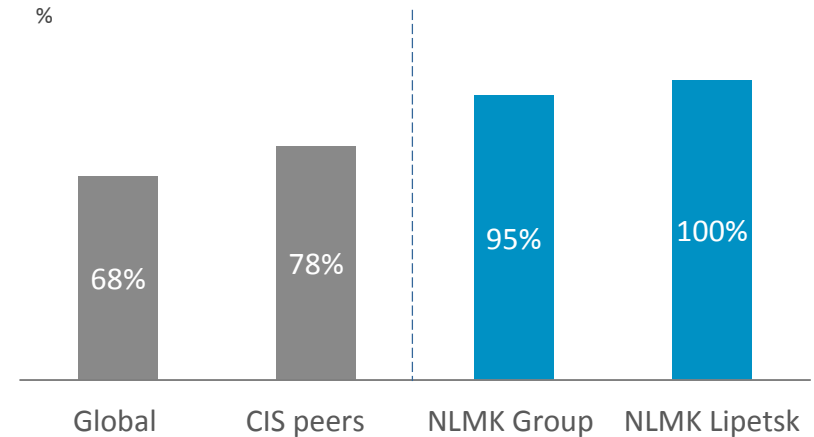
NLMK EBITDA by divisions



2 PRODUCTIVITY GAINS UNLOCK ADDITIONAL CAPACITY

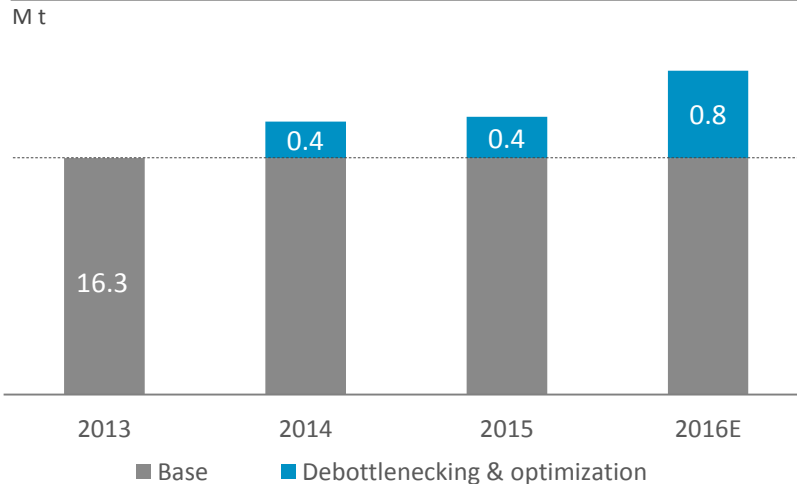
- Group operations are running at high rates
- Ongoing efficiency programs targeting productivity growth at zero capex
- Output growth is balanced across the entire production chain

Utilization rates, average 2013-9M'16

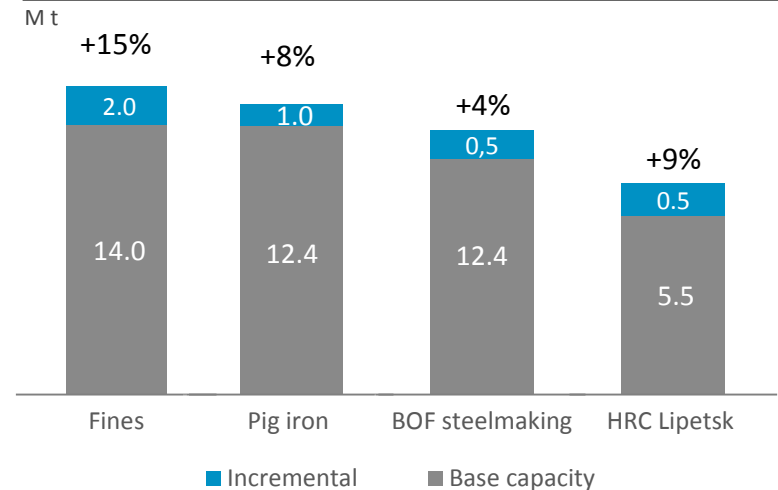


Source: NLMK, worldsteel

NLMK steel output growth to 2013 base



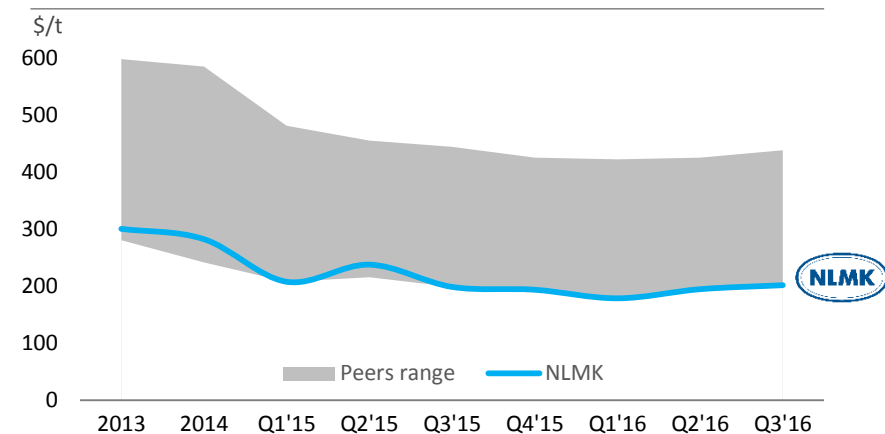
NLMK's capacity growth to 2013 base



2 EFFICIENCY PROJECTS STRUCTURALLY REDUCE COSTS

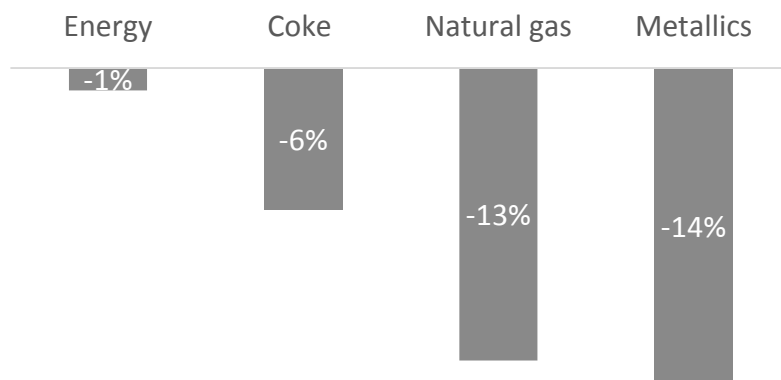
- **Consistent cost leadership through the cycle**
 - 40% cost advantage over average global steel producers
- **Lower consumption of energy and raw materials**
- **Slab cash costs fell almost 50% since 2013**

Steel production costs



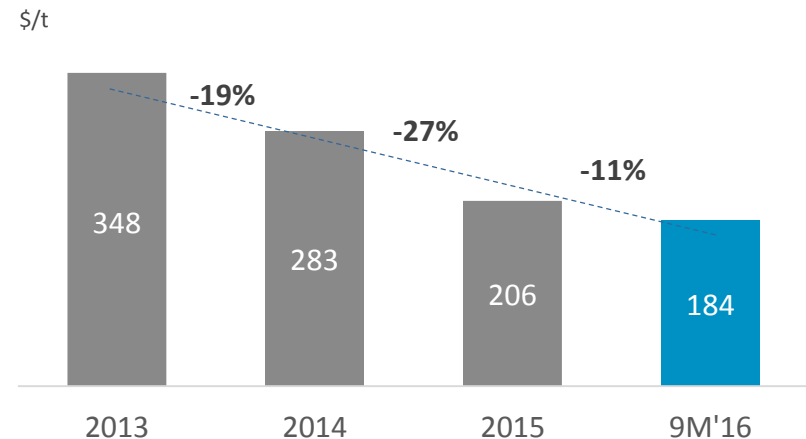
Source: WSD

NLMK unit consumption, 2016 vs. 2013



NLMK Russia production sites

NLMK slab production cost trend

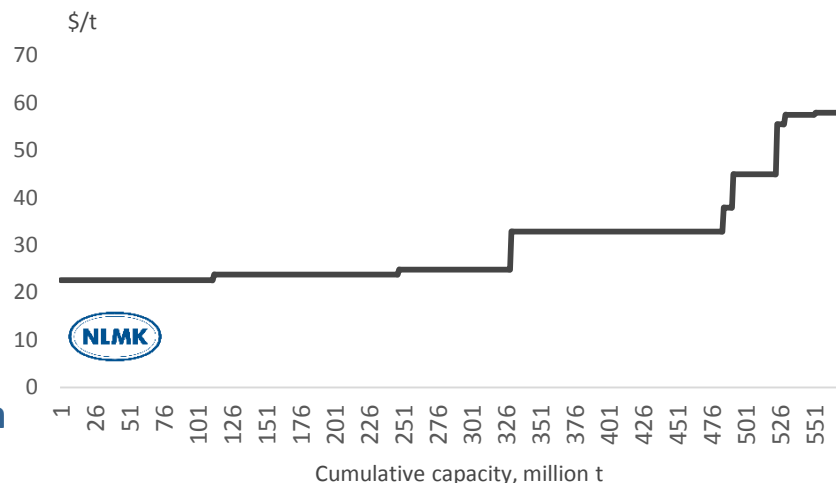


Source: NLMK

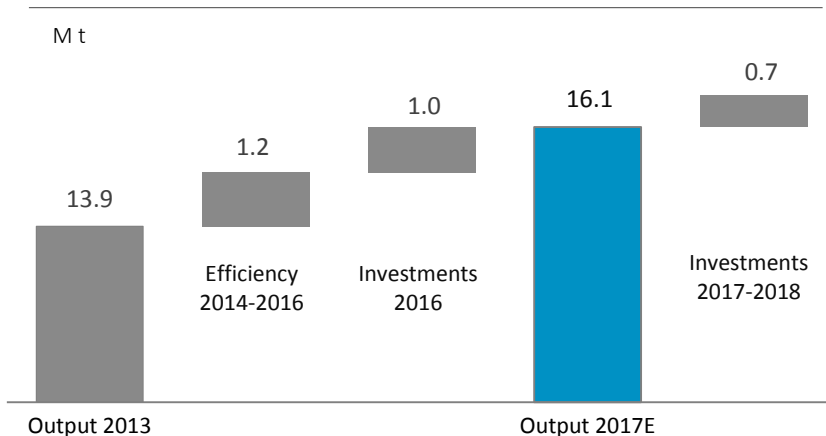
3 WORLD-CLASS RESOURCE BASE SECURES COST LEADERSHIP

- Vertical integration in the lowest cost iron ore
- 100% utilization rate at the core upstream asset
- Ongoing efficiency and capex projects increase iron ore supply...
 - +1.2 mt pa – efficiency gains* in 2014-2016
 - +1.7 mt pa – investments by 2018 (+1.0 mt pa in 2017)
 - More productivity improvements underway (2017-2018)
- ... translating into structural slab cash cost reduction

Iron ore fines production cost, 9M'16

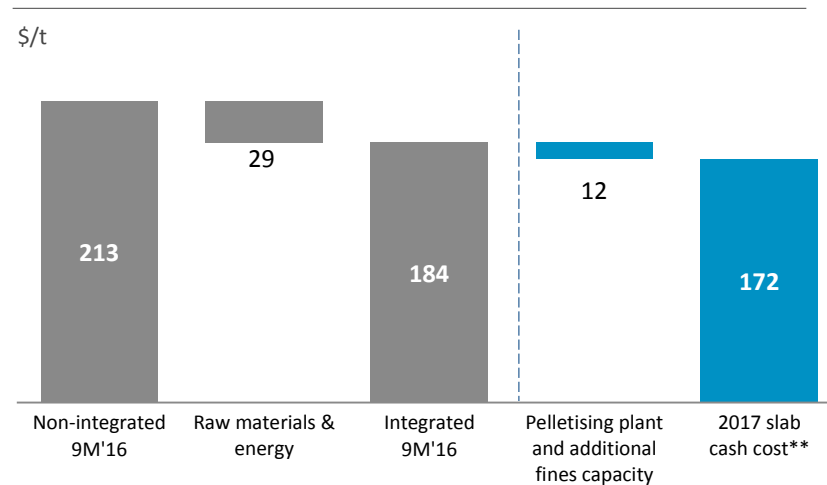


NLMK's iron ore fines production



* Output is also impacted by fluctuations in the maintenance cycles and iron ore quality

NLMK production cost per t of steel

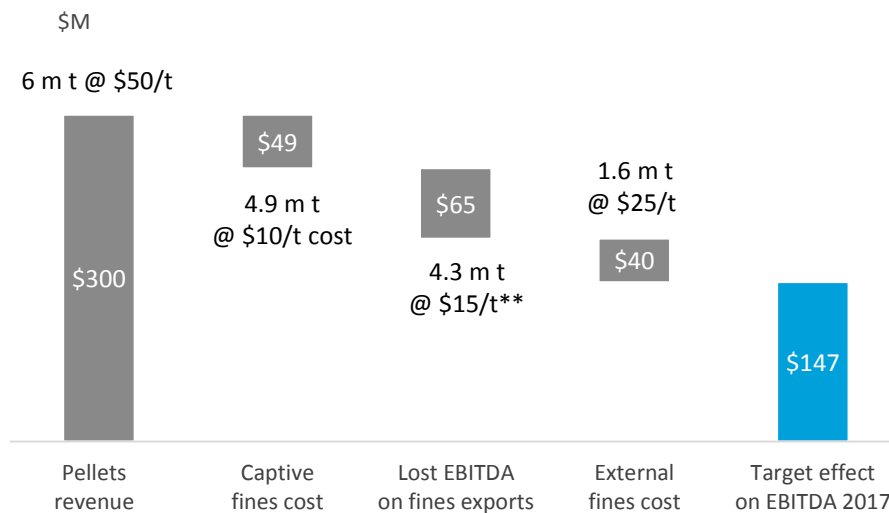


** In 2016 prices and costs

3 PELLET PLANT: PUSHING COSTS FURTHER DOWN

- New 6 mt p.a. pellet plant will be launched in November 2016
- Integration in pellets rises from 0% to 100%
- 2017 EBITDA impact c.\$150m
- Production will grow over time by 1.2 mt p.a. with a small capex
- Growing sufficiency in fines to further improve economics

NLMK pelletizing plant economics, 2017E*



* At current prices. ** Assumed 2016E export volumes.



CONTENTS

Performance and strategy overview

- **Results and outlook**

Segmental information

Annex

EST

DELIVERY PLACE (ZL)

SUPPLIER ADDRESS
NLNK LA LOUVIERE

NET WEIGHT (KG)
20390

GROSS WEIGHT (KG)

REFA/107391/

641350

DESCRIPTION HE280LM HUILE

2250/1250/610

RENAULT/106320C

2011 2.0i

Q3'16 PROFITABILITY: EBITDA RISES 46% QOQ

- **EBITDA up by 46% qoq to \$673 m**

- (+) Sales volumes growth
- (+) Product mix improvement
- (+) Higher average realized prices

- **(+) Russian Flat Products**

- (+) Widening price spreads
- (+) Higher sales in Russian market
- (+) Higher share of finished products

- **(+) Russian Long Products**

- (+) Sales volumes growth, including exports
- (-) Narrowing long products to scrap price spreads

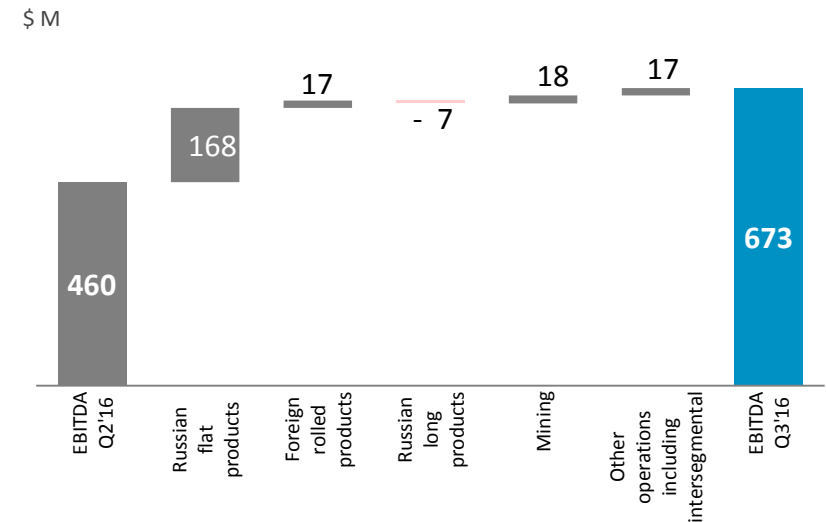
- **(+) Mining**

- (+) Better average realized prices
- (+) Higher sales volumes, including inventories sell down

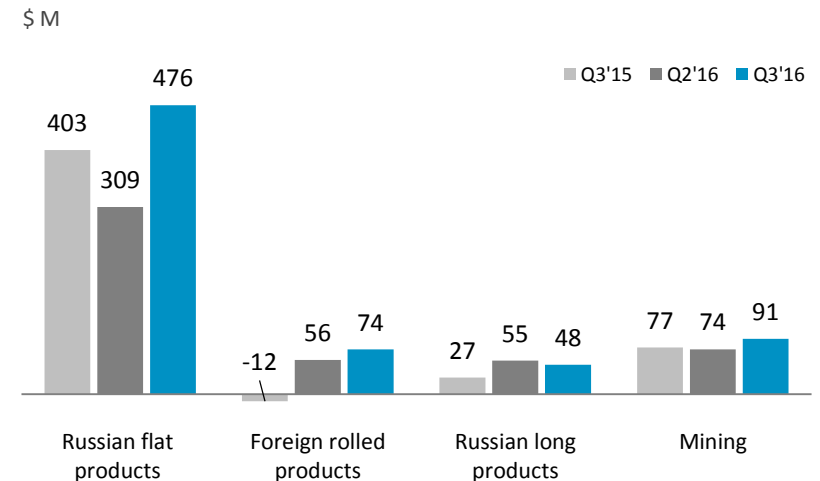
- **(+) NLMK USA and Dansteel**

- (+) Widening steel price spreads to semis (NLMK USA)
- (-) Lower sales volumes due to seasonality & imports pressure

Q3'16 / Q2'16 EBITDA analysis



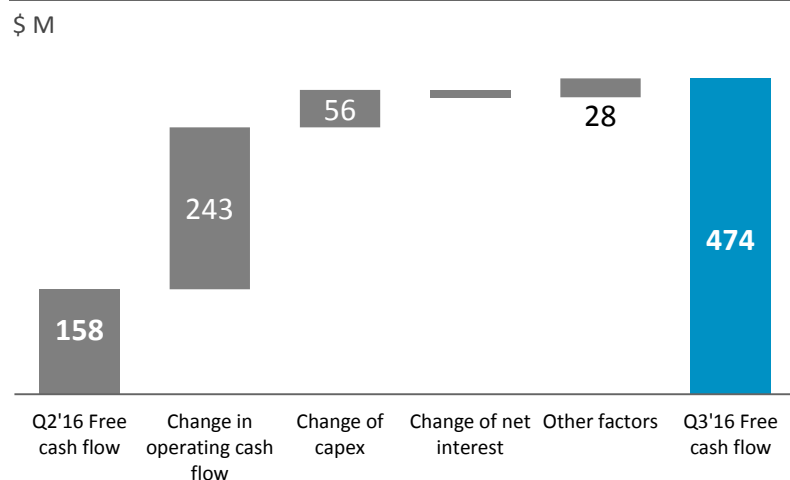
EBITDA by segments



FREE CASH FLOW: 3X GROWTH QOQ

- **Q3'16 Net Operating Cash Flow: \$562M**
- **Working capital flat:**
 - - \$61 m - increase of receivables (higher sales & prices)
 - + \$62 m - inventories reduction across the Group
- **Q3'16 Capex: \$104 m (-35% qoq, -29% yoy)**
 - Final phase of pelletizing plant construction
- **Q3'16 Free Cash Flow increased 3.0x qoq**
- **Solid base for dividends payments**

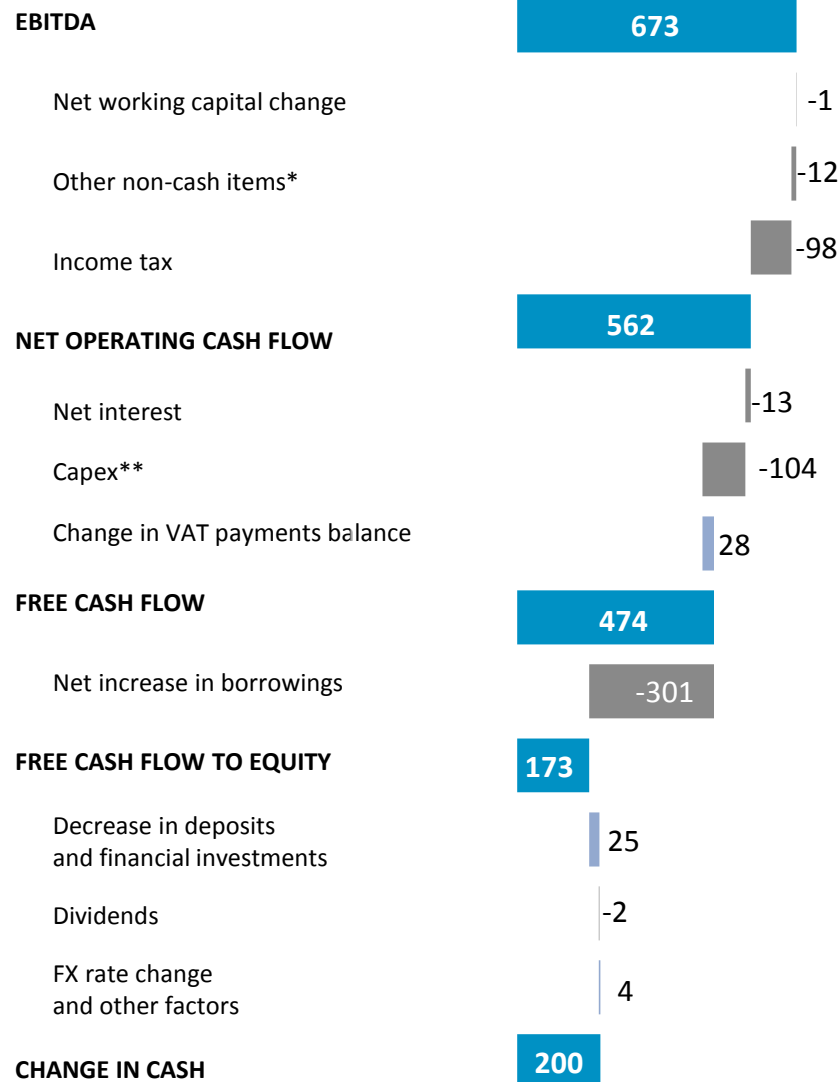
FCF change in Q3'16



* Foreign currency exchange gains, other income/(expenses)

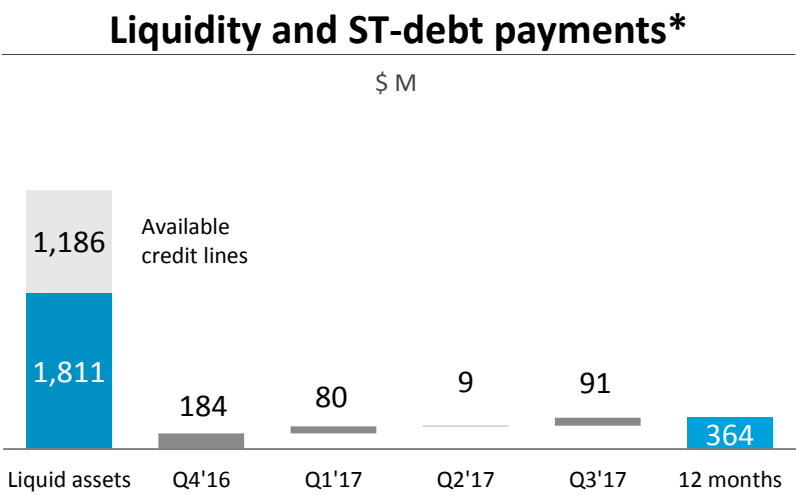
** Including capitalized interest of \$9 m for Q3'16

Q3'16 cash flow bridge, \$m

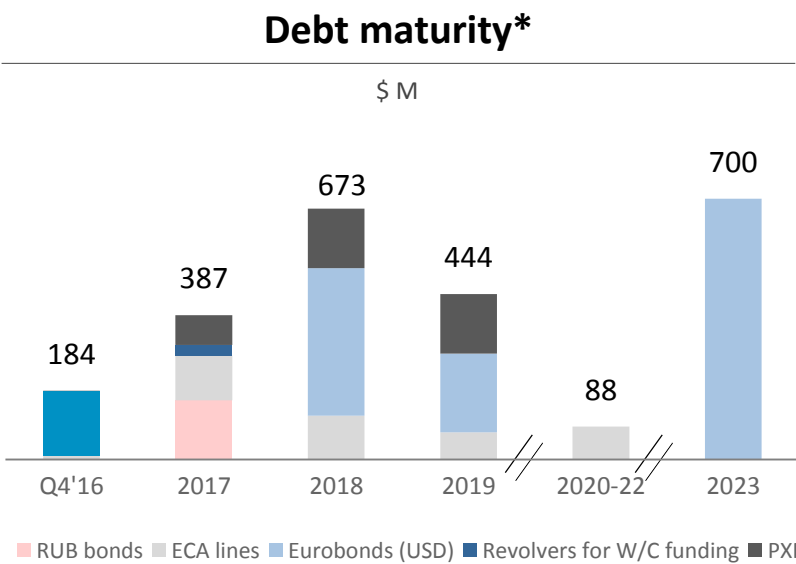
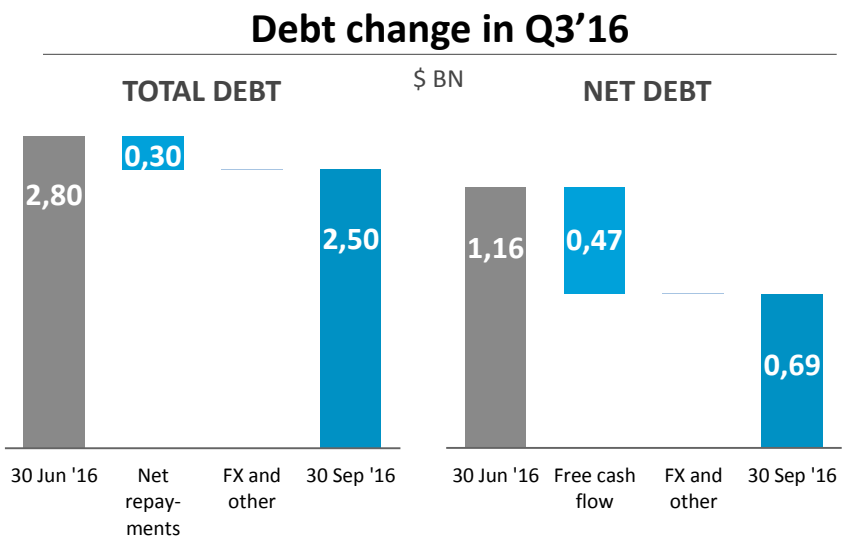


DEBT POSITION: NET DEBT DOWN BY 41% QOQ

- Liquidity position of \$1.8 bn
- Comfortable debt maturity profile
 - ST debt \$0.36 bn
 - LT debt \$2.11 bn
- Net Debt / 12M EBITDA: 0.39x
 - Net Debt: \$0.69 bn (-41% qoq, -37% yoy)
 - Total Debt: \$2.50 bn (-11 % qoq, -7% ytd)
- Investment grade ratings from Fitch and S&P



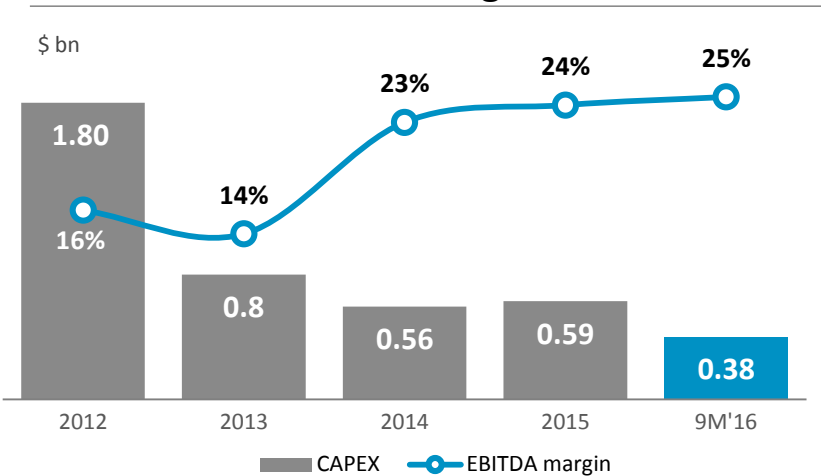
* Without interest payments



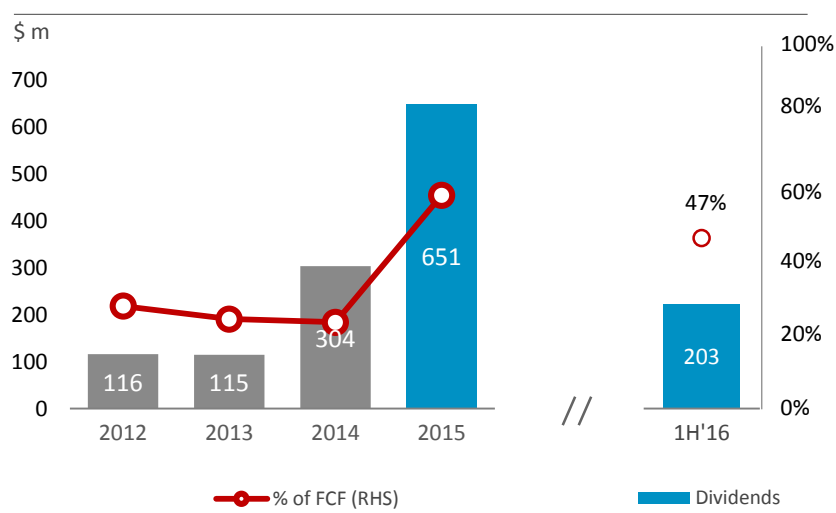
STRATEGY EXECUTION DRIVES SHAREHOLDER RETURNS

- Structural growth in profitability and reduction in capex
- Sustainable free cash flow generation
- Strong balance sheet
- Higher dividend payout

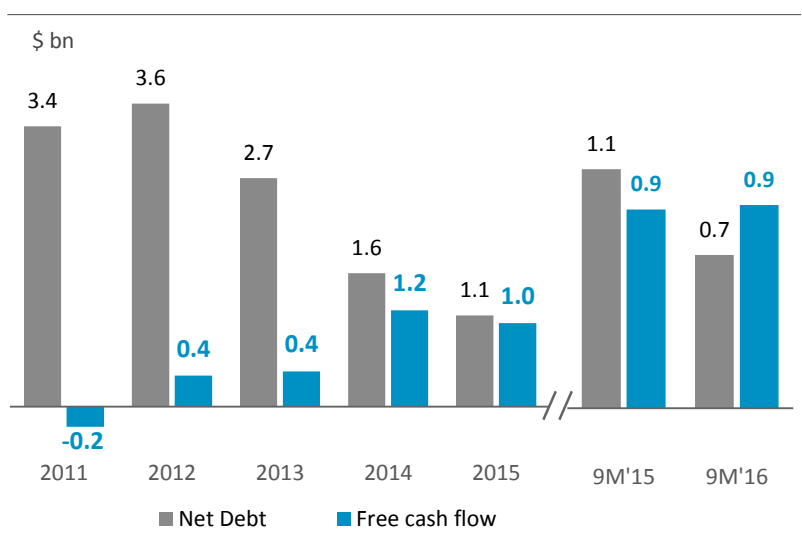
NLMK EBITDA Margin & CAPEX



NLMK Dividends



NLMK Net Debt & FCF



Q4'16 OUTLOOK

- **MARKETS**

- **Russia:** seasonally slower buying activity and fairly stable local prices due to low imports
- **Europe:** demand recovery on the back of supportive regional fundamentals and restocking after summer lull
- **USA:** cost push, supply discipline and ongoing trade actions to support pricing environment by the year end

- **OPERATIONAL RESULTS**

- Group's capacity utilization to remain above 90%
- Crude steel output projected to recover qoq after completion of scheduled maintenance at Lipetsk site

- **FINANCIAL RESULTS**

- Results will be lower into a low season but profitability will improve on yearly basis on the back of better markets and stronger business fundamentals

CONTENTS

Performance and strategy overview

Results and outlook

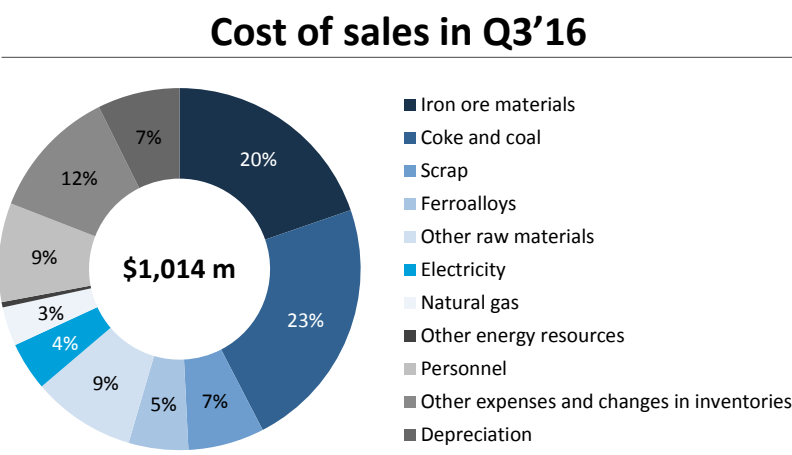
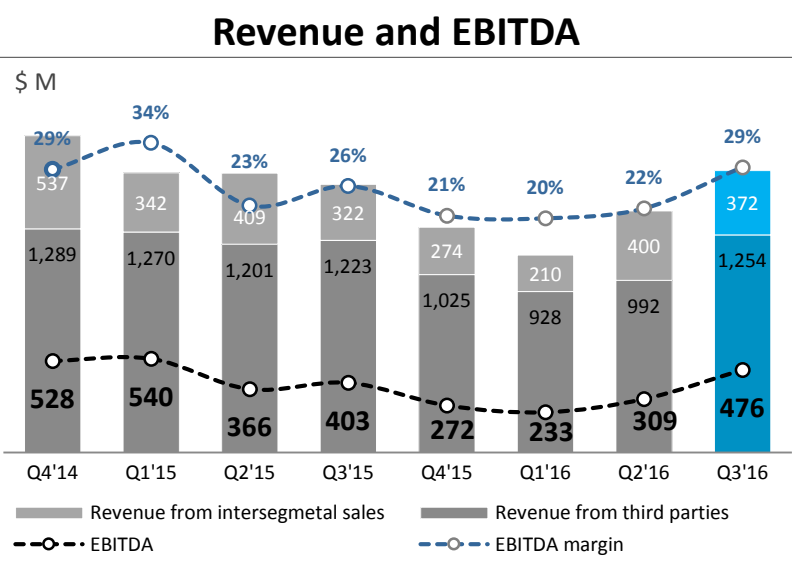
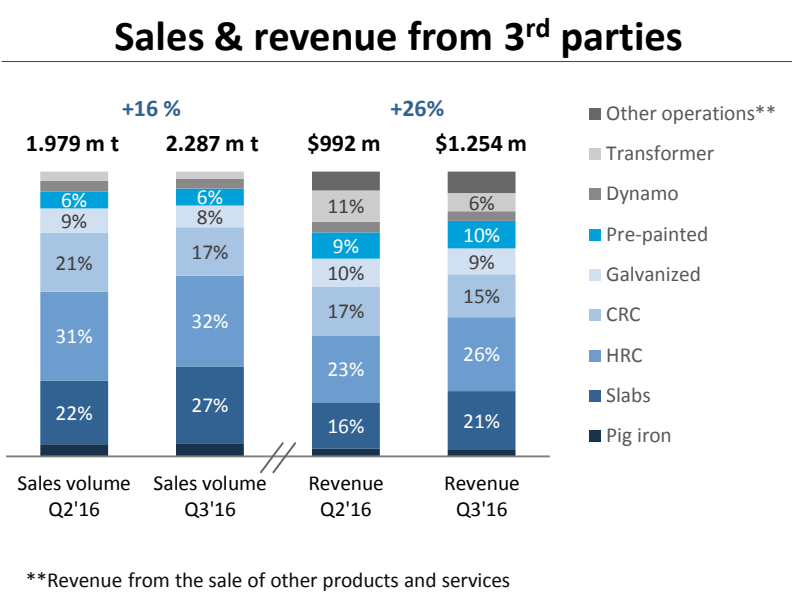
- **Segmental information**

Annex



RUSSIAN FLAT PRODUCTS

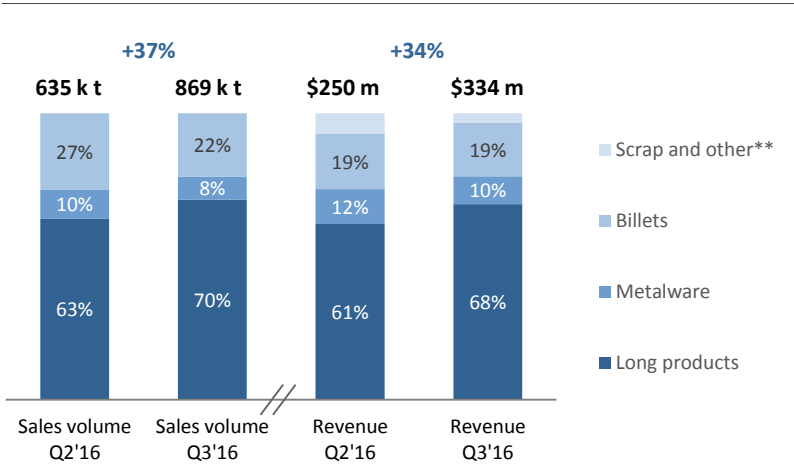
- SALES TO 3RD PARTIES UP BY 16% QoQ**
 - (+) Sales up due to seasonally high demand in Russia
 - (+) 3rd party sales of HVA products in Russia +13% qoq
- EXTERNAL REVENUE UP BY 26% QoQ**
 - (+) Recovered prices in local markets
 - (+) Revenue from HVA sales up 8% qoq
- EBITDA INCREASED TO \$476 M**
 - (+) Higher share of finished products
 - (+) Widening price spreads
 - EBITDA per t of steel sales: \$144/t (+52% qoq)



RUSSIAN LONG PRODUCTS

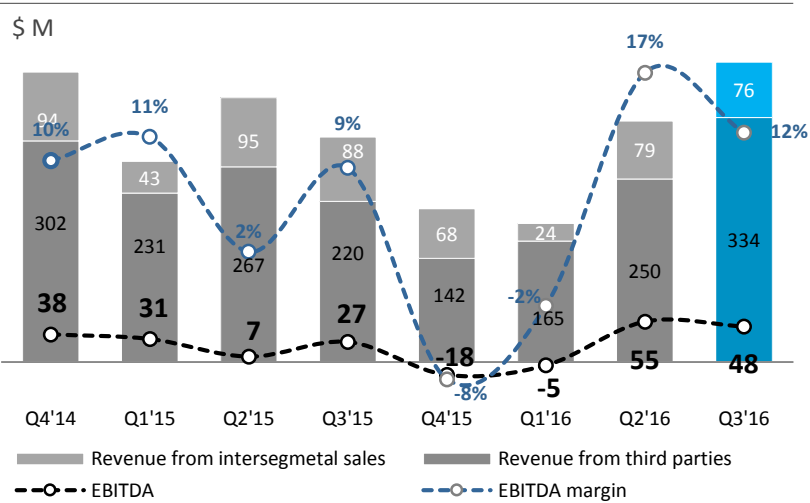
- **SALES TO 3RD PARTIES UP BY 37% QoQ**
 - (+) Higher exports of billets and long products
 - (+) Seasonally strong demand in Russia
- **EXTERNAL REVENUE UP BY 34% QoQ**
 - (+) Increase in sales volumes
 - (-) Narrowing long products/scrap price spreads
- **EBITDA TOTALED \$48 M**
 - (-) Narrowing long products/scrap price spreads
 - EBITDA per t of steel sales: \$56/t (-36% qoq)

Sales & revenue from 3rd parties

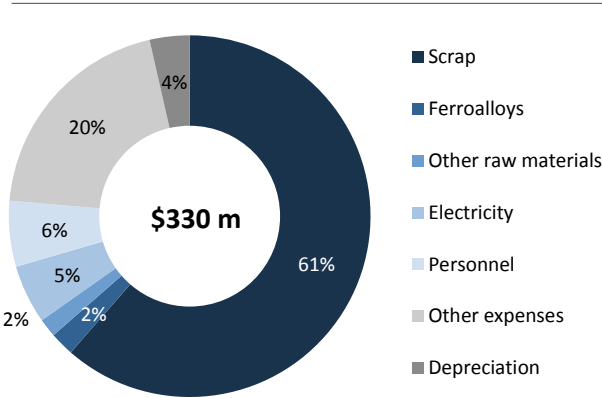


** Revenue from the sale of scrap, other products (ex. by-products) and services

Revenue and EBITDA



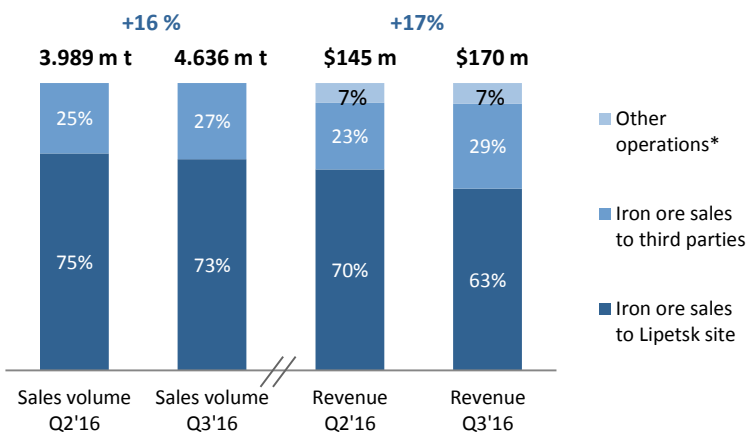
Cost of sales in Q3'16



MINING

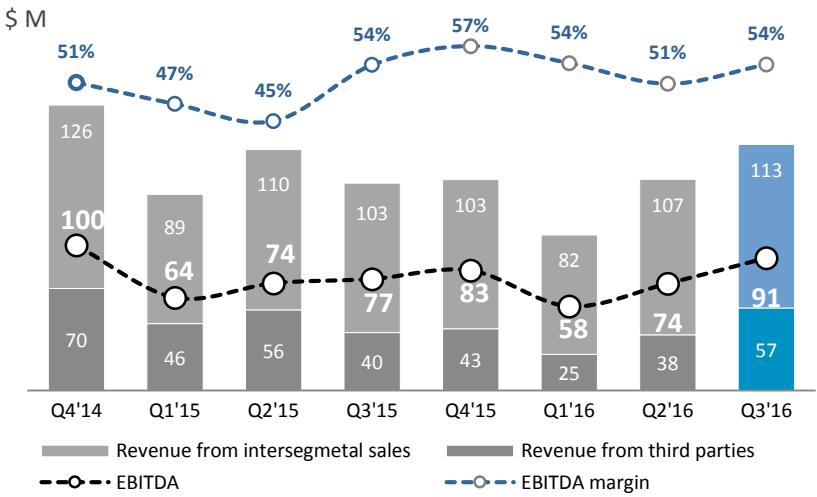
- **SALES VOLUMES UP BY 16% QoQ**
 - 3rd party sales up 24% qoq to 1.19 m t
 - Sales to Novolipetsk grew 13% qoq to 3.04 m t
- **REVENUE UP BY 17% QoQ**
 - (+) Uptick in sales prices
 - (+) Higher iron ore sales volumes
- **EBITDA MARGIN AT 54%, EBITDA OF \$91 M**
 - EBITDA per t of sales: \$20/t (+77% qoq)

Sales revenue and EBITDA from 3rd parties

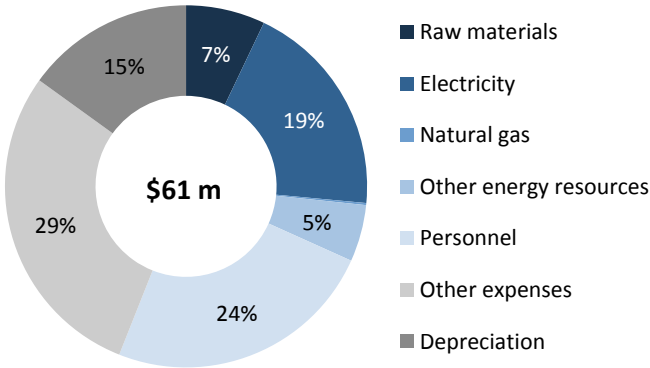


* Other operations include limestone, dolomite and other sales

Revenue and EBITDA



Cost of sales in Q3'16



FOREIGN ROLLED PRODUCTS

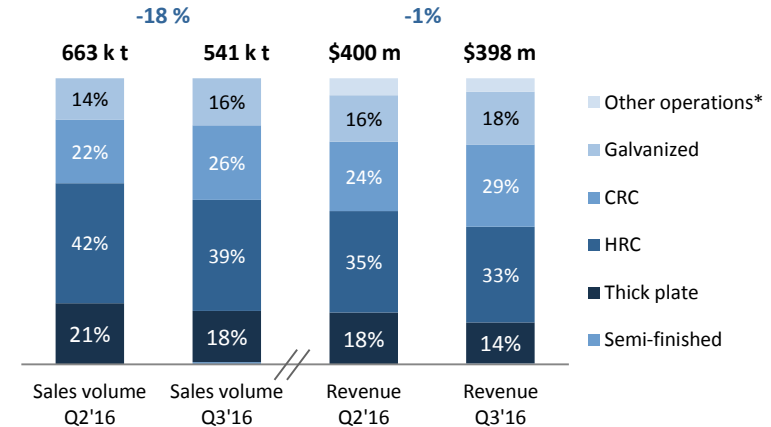
- Q3 SEGMENT SALES DOWN BY 18% QoQ**

- (-) Seasonal drop in demand for plates in the EU
- (-) Softer demand in USA

- SEGMENT'S PROFITABILITY IMPROVED**

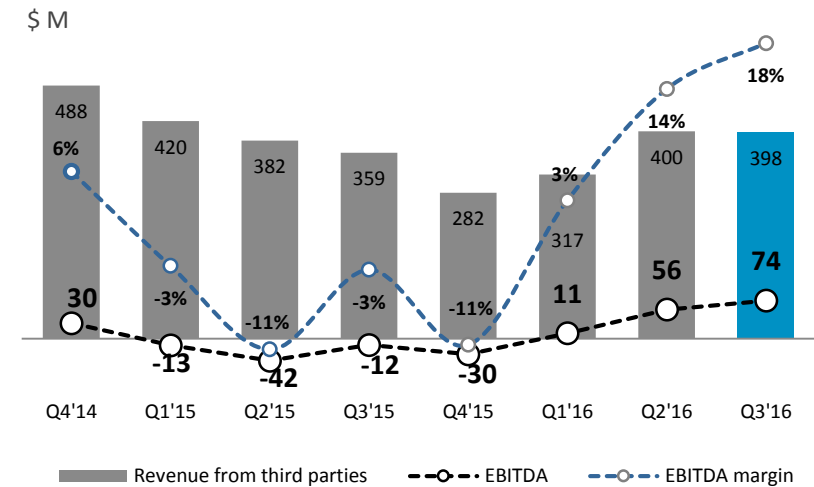
- (+) Widening spreads b/w slabs and finished steel, especially for NLMK USA

Sales & Revenue from 3rd parties



* Revenue from the sale of other products and services

Revenue and EBITDA



CONTENTS

A large roll of red material, possibly a film or fabric, is being processed in a factory. The roll is mounted on a large metal frame and is being unspooled. The background shows the industrial structure of the factory with blue and yellow beams.

Performance and strategy overview

Results and outlook

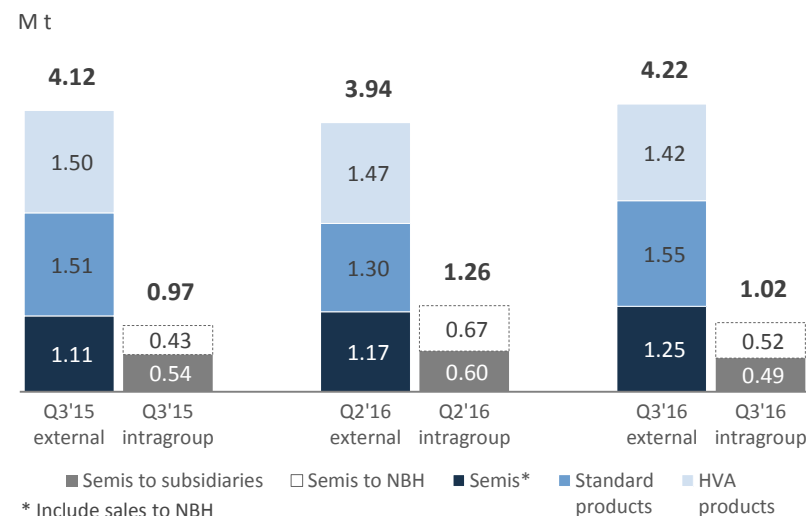
Segmental information

- **Annex**

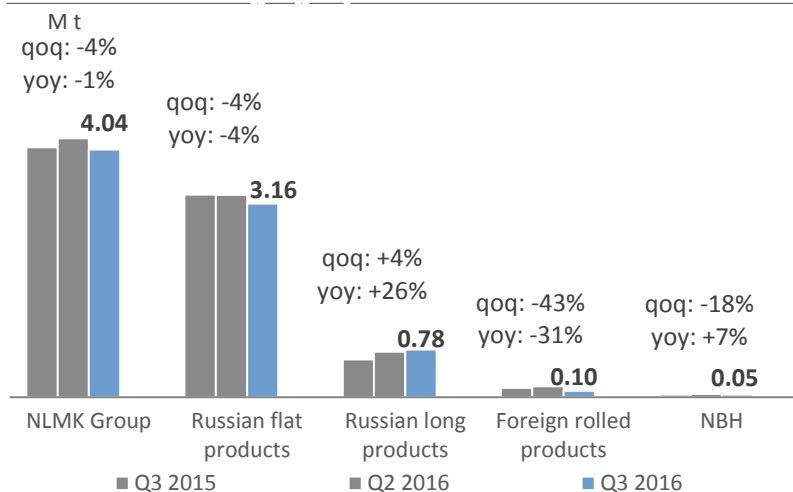
Q3'16 NLMK SALES AND OUTPUT

- **Sales grew to 4.2 m t (+7% qoq) driven by:**
 - Finished products up by 8% qoq due to strong Russian demand and better exports of longs
 - Growth in semis driven by strong demand for billets
- **Uptick in sales driven by Russian assets:**
 - Flat steel sales driven by construction, machinery and pipes sectors in Russian market
 - Long steel sales benefitted from exports to M East and N Africa
- **Group steel output of 4.0 m t (-4% qoq)**
 - Decline was due to scheduled repairs of BF #6

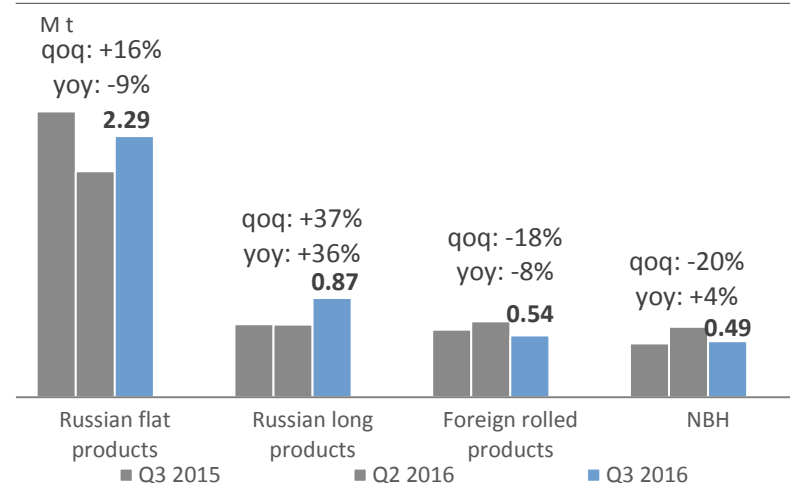
Group sales structure



Steel production

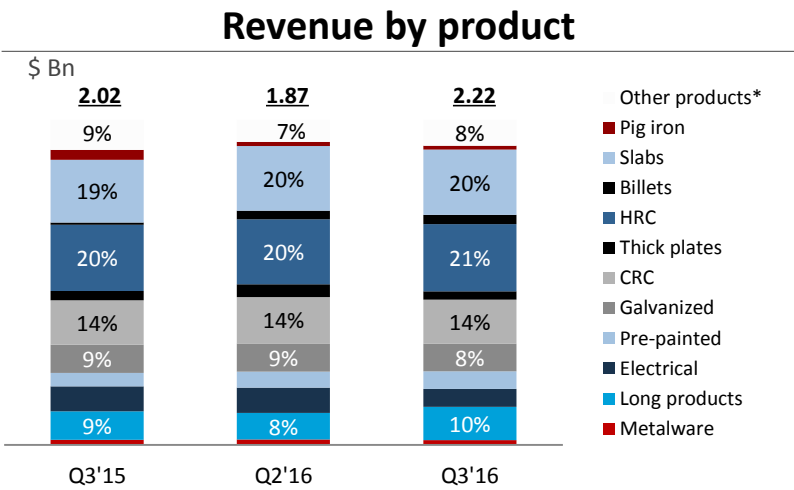
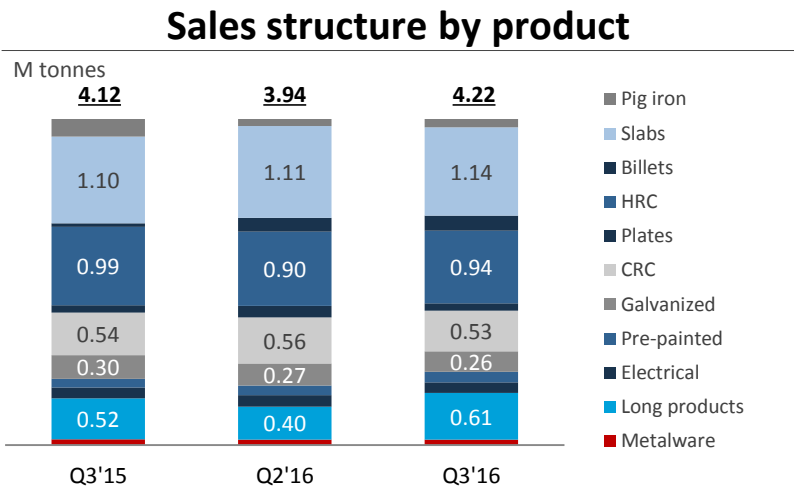


Sales by segments



SALES STRUCTURE

- Q3'16: SALES UP BY 7% QoQ TO 4.22 MT**
 - +8% qoq finished steel
 - +6% qoq of semi-finished
 - +45% qoq Longs
 - 1% qoq Flats
 - 4% qoq HVA products
- Q3'16: REVENUE UP 19% QoQ TO \$2.22 BN**
 - (+) Increase of sales volumes
 - (+) Uptick in steel prices

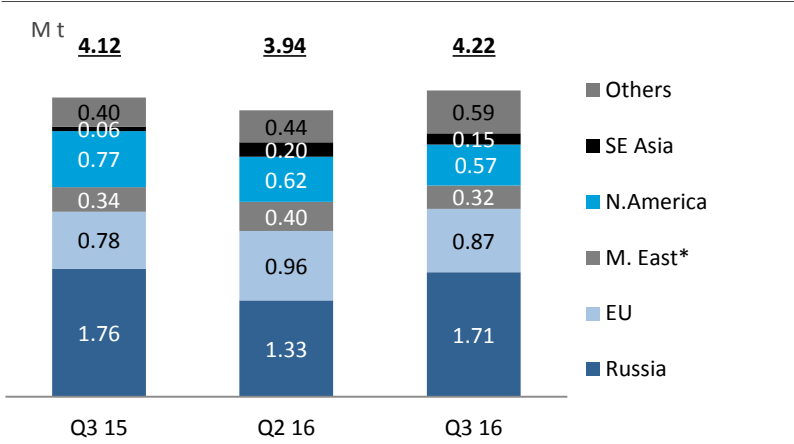


* Revenue from Other operations includes sales of other products (iron ore, coke, scrap and others)

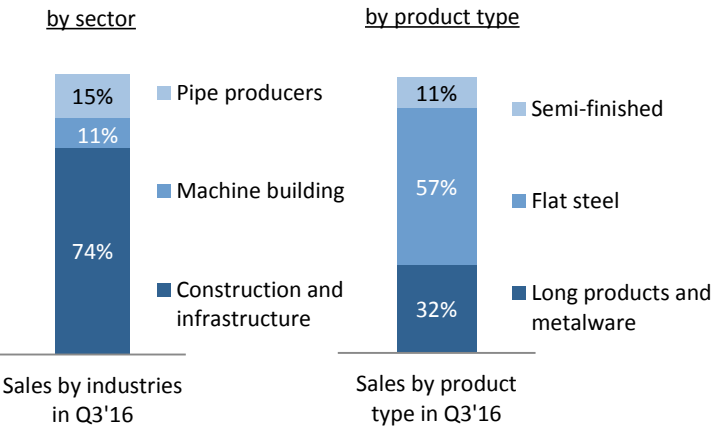
SALES GEOGRAPHY

- **GROUP SALES UP BY 7% QoQ**
- **SALES TO LOCAL MARKETS INCREASED 4% QOQ**
 - +29% qoq in Russian market
 - -9 % qoq in North America
 - -9% qoq in European Union
- **SALES TO EXTERNAL MARKETS UP BY 12 % QoQ**

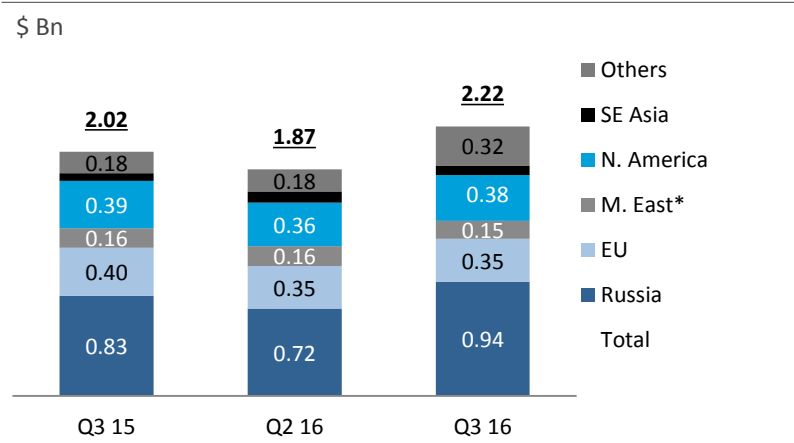
Steel product sales by region



NLMK sales to the Russian market



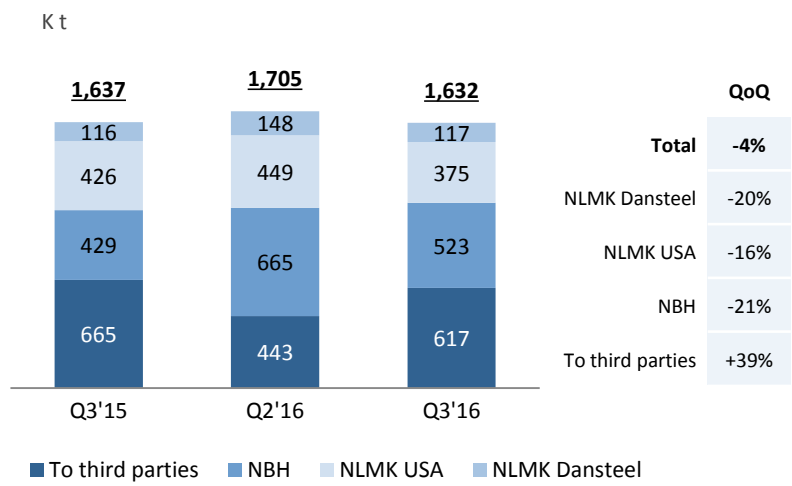
Revenue by region



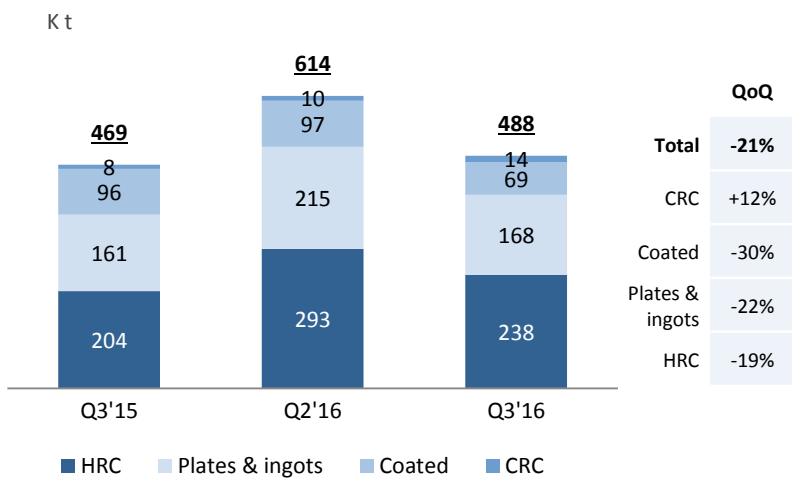
* incl. Turkey

FOREIGN ASSETS PERFORMANCE

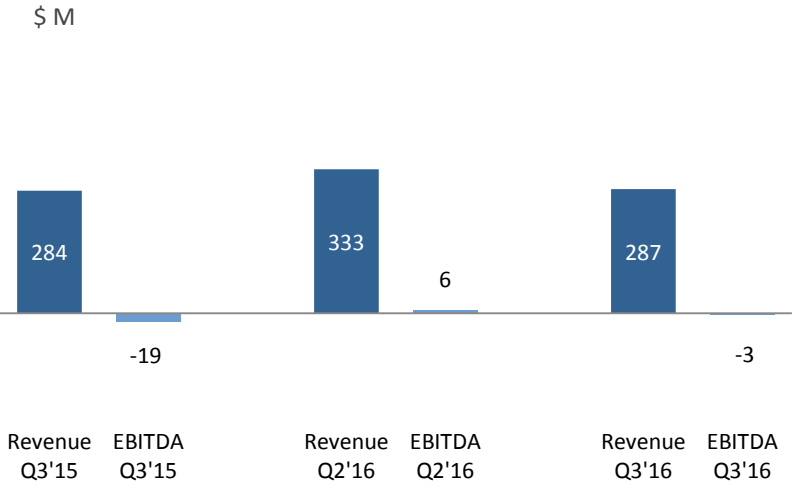
Slabs sales from Russian Flat Division



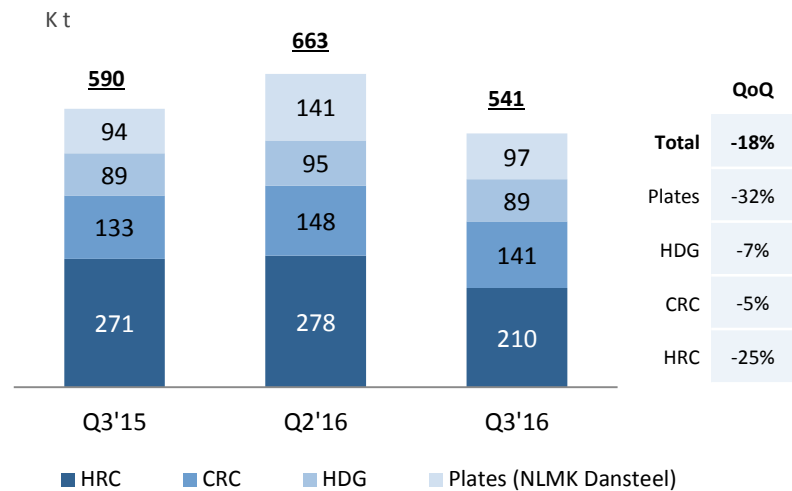
NBH Rolled product sales



NBH financial results



NLMK USA and NLMK Dansteel sales





Sergey Takhiev

NLMK

Investor Relations

40, Bolshaya Ordynka Str., Bldg. 3
Moscow, 119017, Russia

t. +7 495 504 05 04

m.+7 985 760 55 74

st@nlnk.com