

Q2 2016 AND 6M 2016 IFRS RESULTS

27 JULY 2016

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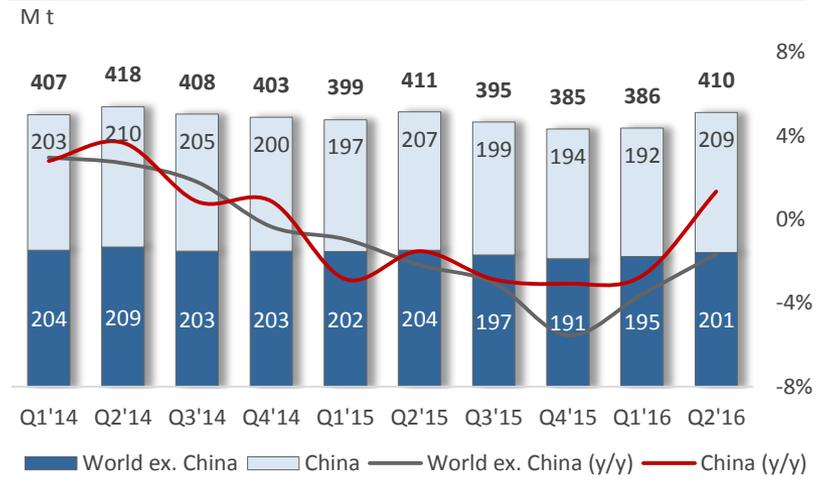
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Q2'16 GLOBAL STEEL MARKET TRENDS

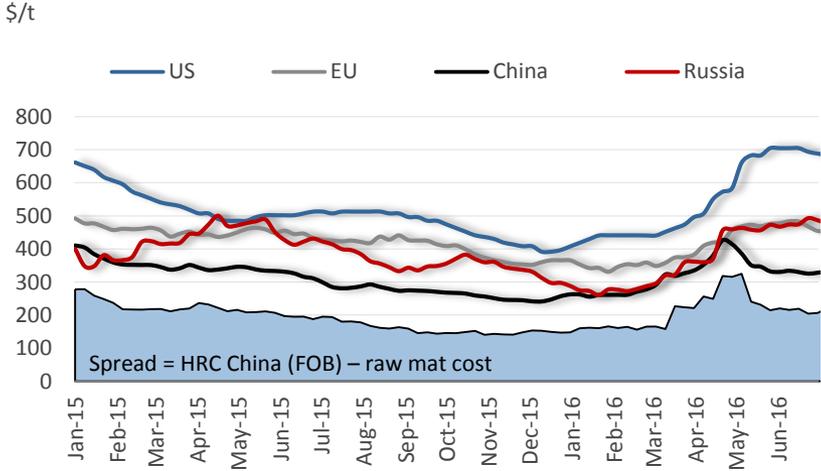
- **Global steel output up 6% qoq to 410 m t (-0,2% yoy)**
 - China output grew by 9% qoq (+1% yoy)
 - World ex-China increased output by 3% qoq (-2% yoy)
- **Chinese steel exports up 1.6 m t qoq to 29.4 m t**
- **Steel demand picture is mixed across regions**
- **Steel inventories remained low across regions**
- **Raw materials basket grew by 16% qoq**
- **Global steel prices up by over 30% qoq driven by cost push and low inventory levels**

STEEL OUTPUT



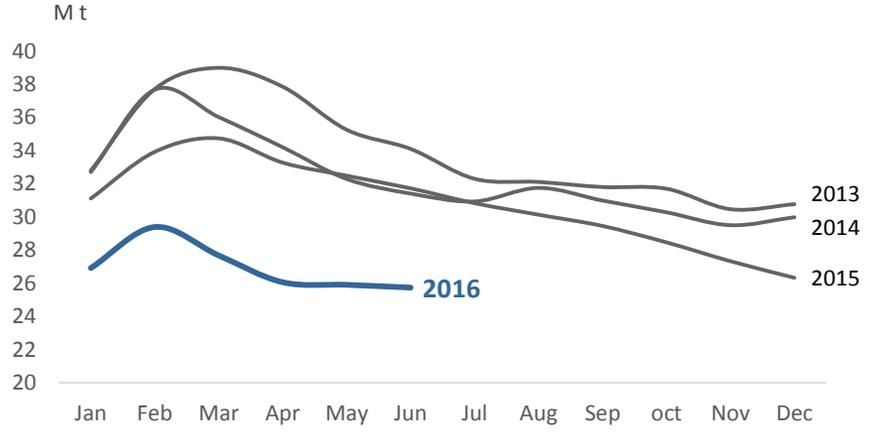
Source: Worldsteel

HRC PRICES (EXW) BY REGIONS



Source: Metal Bulletin

STEEL INVENTORIES REMAIN LOW



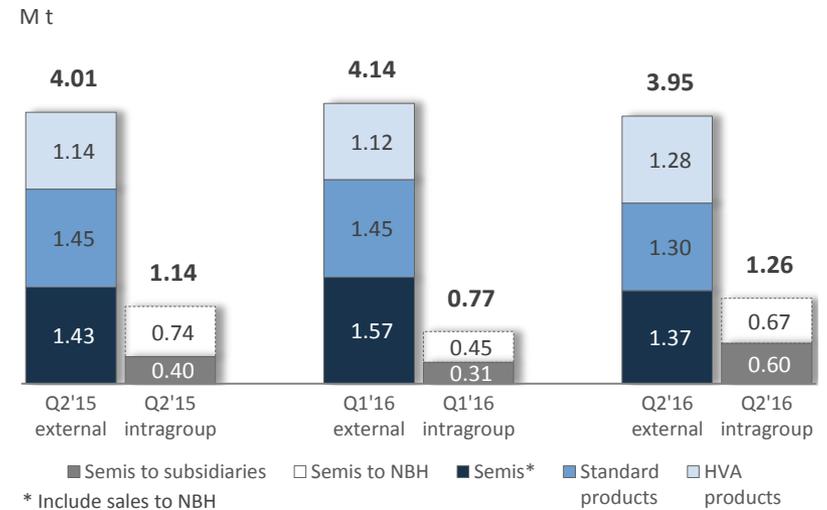
Source: Bloomberg

Steel prices recovered as a result of cost push and low inventories

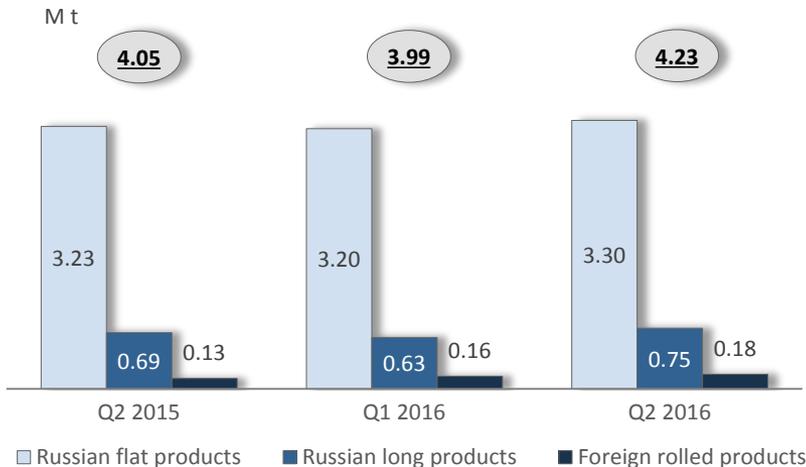
Q2'16 NLMK OUTPUT AND SALES

- **Group steel production grew by 6% qoq to a record level of 4.2 m t**
 - Significant production growth across all divisions
- **Group capacity utilization up by 6 pp to 100%**
 - Growth in utilization rates across all divisions
- **Steel sales down by 5% qoq to 4.0 m t as a result of intragroup sales surging 90%**
 - Sales of finished products flat qoq
 - HVA products sales up by 14% qoq to 1.1 m t
 - Slab sales to subsidiaries and associates: 1.3 m t (74% of total slab sales)

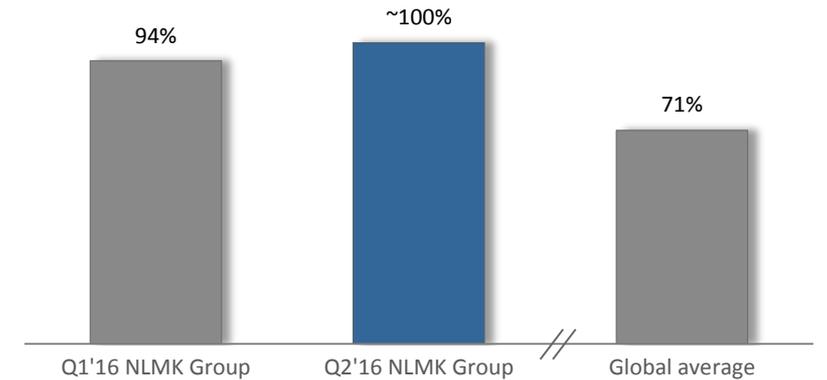
SALES STRUCTURE



STEEL PRODUCTION



NLMK GROUP UTILIZATION RATES



All-time record steel production delivered in Q2 2016

Q2'16 HIGHLIGHTS

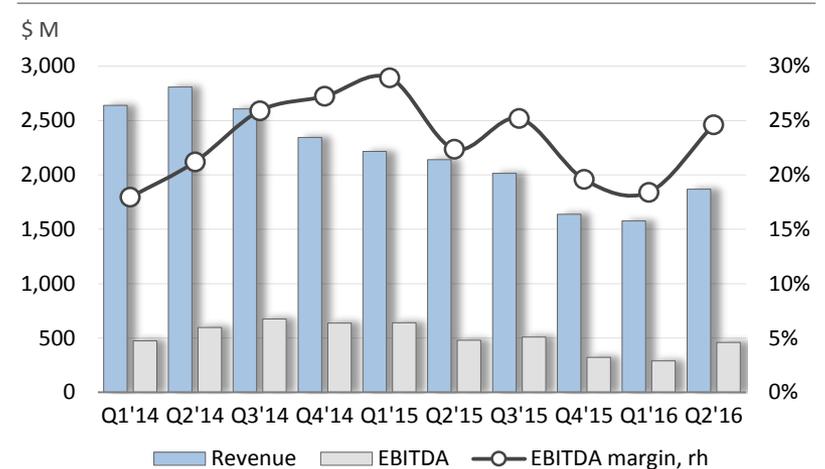
- Financial performance improved in Q2'16**

- Revenue: \$1,869 m (+19% qoq; -13% yoy)
- EBITDA: \$460 m (+59% qoq; -4% yoy)
- EBITDA margin: 25% (+7 p.p. qoq; +3 p.p. yoy)
- Net profit: \$185 m (3.3x qoq; +15 % yoy)
- Capex: \$160 m (+33% qoq; -13% yoy)
- Free cash flow*: \$158m (-43% qoq; -7% yoy)

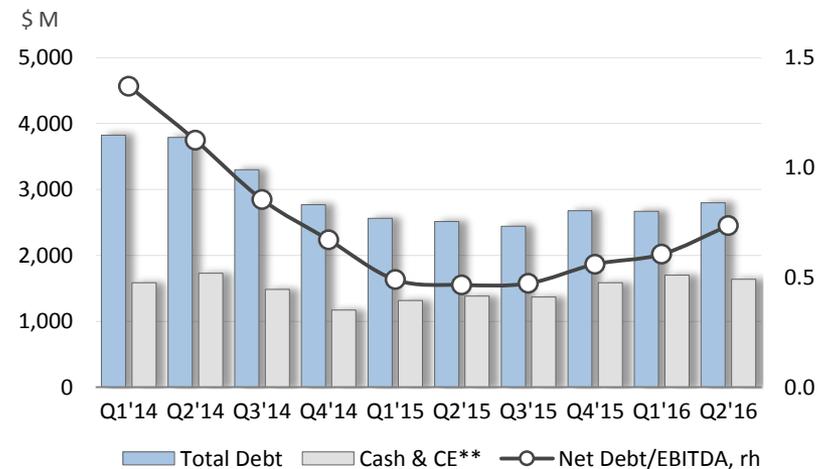
- Financial position remains strong**

- Net Debt: \$1,161 m (+20% qoq; +3% yoy)
- Net Debt/EBITDA: 0.7x (0.6x as of 31/12/15)

FINANCIAL PERFORMANCE



FINANCIAL POSITION



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

** Cash & CE stands for Cash & Cash Equivalents and short-term investments

Q3'16 OUTLOOK

- **MARKET**

- **Global market:** seasonal slowdown in Q3 with diverging macro trends across the international markets, Chinese steel exports are expected to decrease as export prices declined from peak levels of Q2
- **Russian market:** seasonally strong demand backed by improving construction and manufacturing activity will support domestic prices
- **European market:** seasonally weak steel consumption and competition with imports will weigh on local prices
- **US market:** growing local supply to cap price growth, yet no significant decline in prices is expected in Q3

- **OPERATIONAL RESULTS**

- Improved demand in the Group's local markets (Russia, EU, USA) to translate in stronger sales
- Group's capacity utilization to remain close to 100%

- **FINANCIAL RESULTS**

- Growth in volumes and spreads to improve financial performance further in Q3'16

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STRATEGY 2017: H1'16 UPDATE

1

Leadership in operational efficiency

- Achieve best-in-class operational efficiency standards across production chain

2

World-class resource base

- Scale up efficient iron ore mining platform
- Reduce consumption of expensive resources

3

Leading positions in strategic markets

- Increase market share in Russia/CIS
- Improve utilization rates at the US and European facilities

4

Leadership in sustainability & safety

- Minimize environmental footprint
- Promote safe operating practices
- Develop motivated and engaged workforce

1 LEADERSHIP IN OPERATIONAL EFFICIENCY

- Continued growth of efficiency projects portfolio

- 350 new projects launched in 6M'16

- 6M'16 savings: \$37 m

- Russian Flat Products

- Productivity improvements: +191 k t of pig iron, +113 k t of HRC output

- Russian Long Products

- Lower consumption of energy and materials
- Lower use of metallics in charge

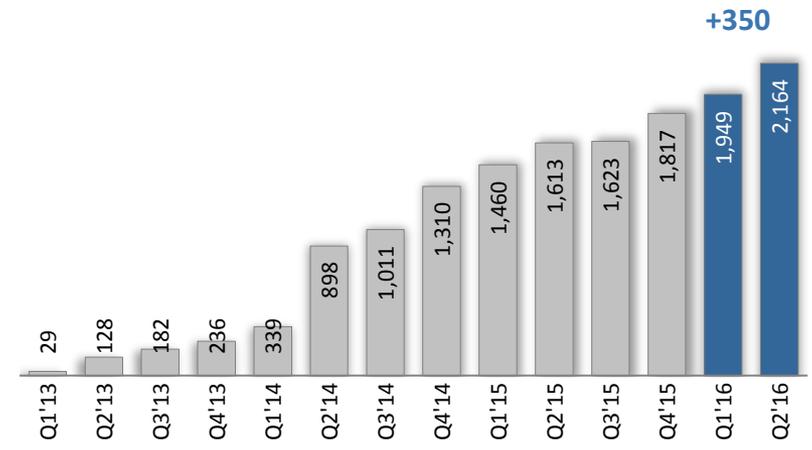
- Mining

- +55 k t of iron ore concentrate production

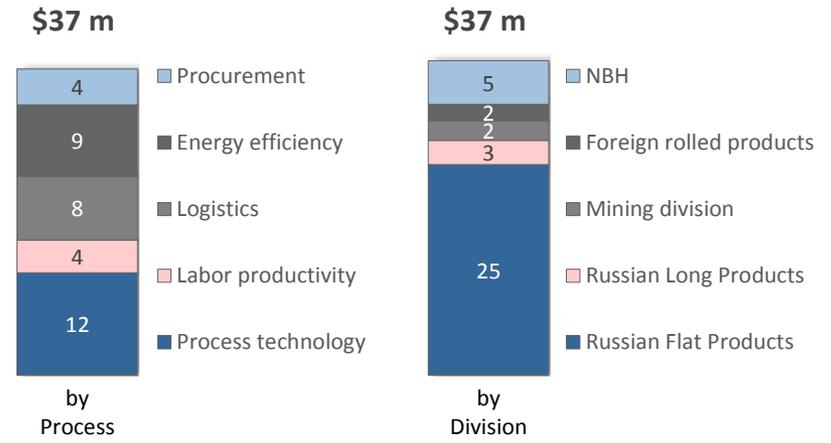
- International operations

- Best ever productivity and quality at EU Flat Products
- Significantly higher capacity utilization at US division
- Continued labor cost reduction

GROWING NUMBER OF EFFICIENCY PROJECTS



6M'16 OPERATIONAL EFFICIENCY GAINS*



* Using 6M'16 prices vs 2015 base level@ 70.26 USD/RUB exchange rate

2 WORLD CLASS RESOURCE BASE

- Growth in low cost iron ore concentrate production to feed new pellet plant

- Efficiency improvements:

- Cumulative 2 m tpa of additional concentrate output vs 2013 level
- New all-time production record in 6M'16
- Further productivity improvements targeted

- Debottlenecking adding additional 1.2 m tpa:

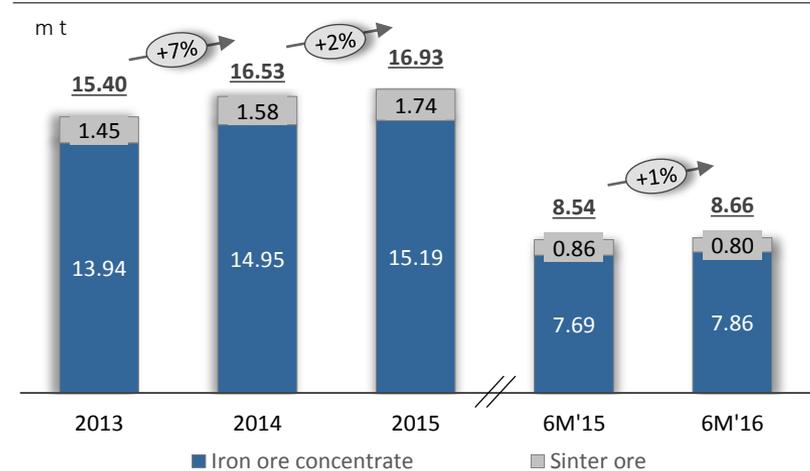
- 50% of crushing facilities equipped with HPGR* technology resulting in 10% productivity increase

- Pellet plant to be launched in Q3'16

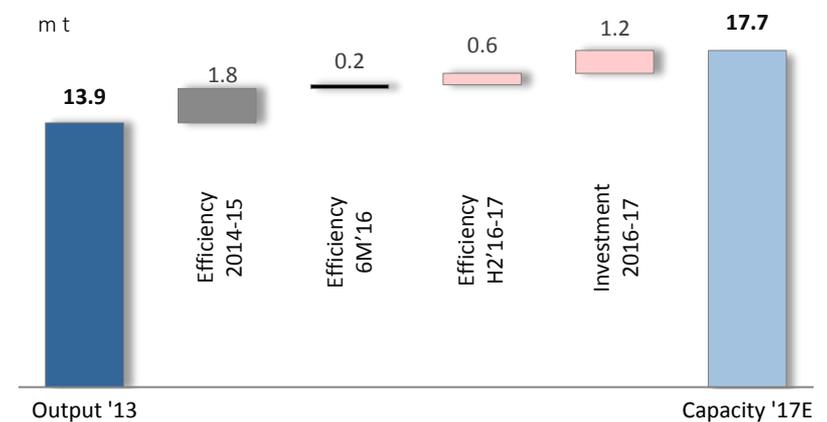
- Capex of \$650 m (81% invested as of June 2016)
- From 0% to 100% pellets needs of BF operations (~6 m tpa)
- Slabs cost reduction (~\$15/t)

- 90% of BF operations will be covered by PCI technology by H1'17

IRON ORE OUTPUT GROWTH



IRON ORE GROWTH TARGETS**



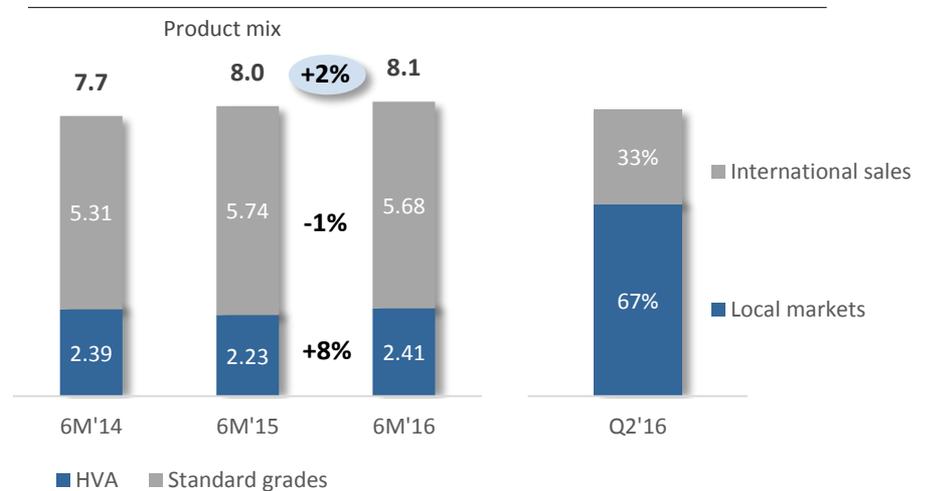
* HPGR = High Pressure Grinding Rolls

** By the end of 2017 total capacity of Stoilensky might be negatively impacted by 0.4Mt due to external factors, such as lower quality of iron ore

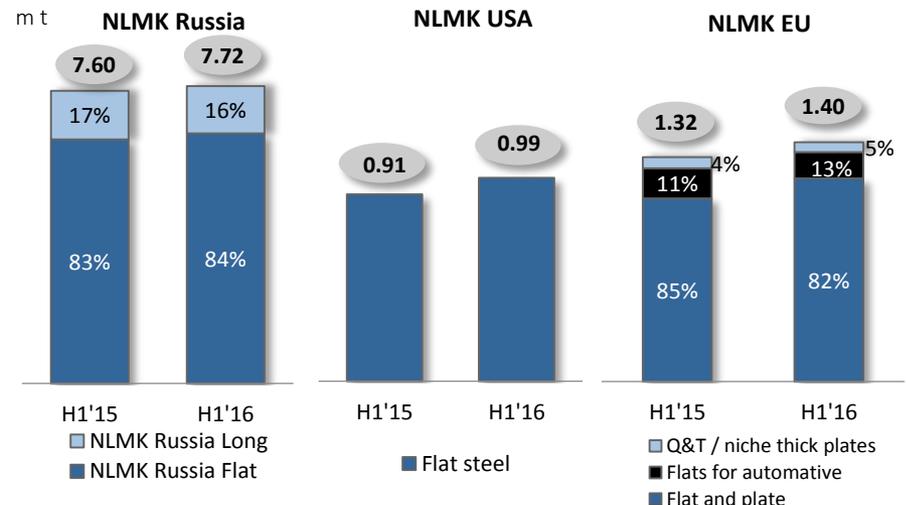
3 LEADERSHIP IN STRATEGIC MARKETS

- **6M'16 Group sales reached all time high**
 - Driven by sales growth in strategic markets and improved product mix
- **67% local sales in Russia, the EU and the US target end customers and value added products**
- **NLMK Russia: sales growth of 2%**
 - **Russian Flat Products:** 10% growth in local sales with a 3% growth in coated steels (and +43% qoq as the new HDG line is ramping up)
 - **Russian Long Products:** sales flat despite weaker market with 22% growth in sections
 - Markets: 70% of finished steel sold locally
- **NLMK Europe: sales growth of 6%**
 - **EU Plate Products:** 18% growth in Q&T plate sales
 - **EU Flat Products:** 13% growth in sales to automotive
 - Markets: 95% of sales to European automotive, construction and equipment manufacturing
- **NLMK USA: sales growth of 9%**
 - **US Flat Products** sales up by 9% yoy to 1 m t
 - Markets: 100% of sales to US customers in processing, pipe and automotive industries

NLMK GROUP SALES, 6M'16



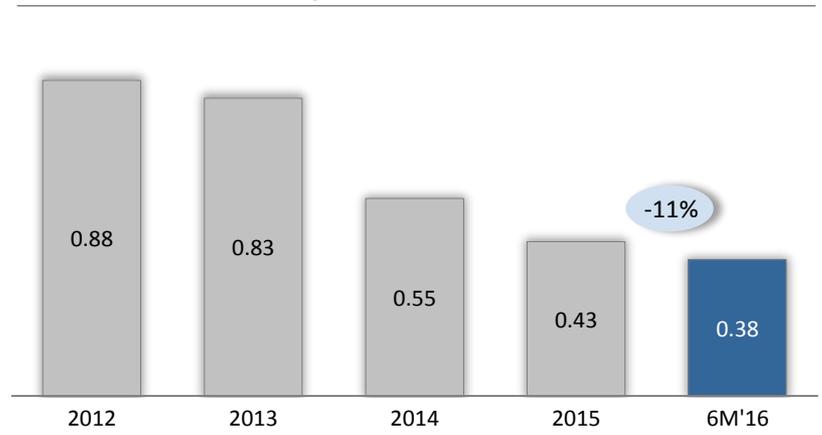
SALES BY DIVISION, 6M'16



4 LEADERSHIP IN SUSTAINABILITY AND SAFETY

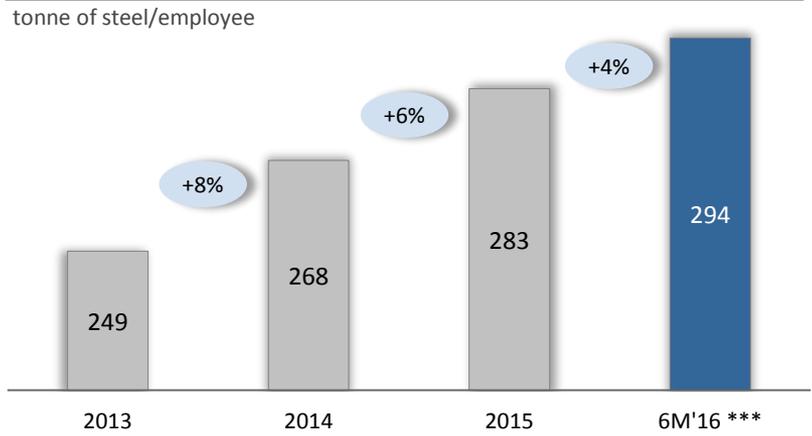
- **Relentless focus on safe operating practices**
 - Russian operations LTIFR* YTD 11% lower vs. 2015
 - Continued focus on accidents and fatalities prevention
 - Improvement of employees' H&S awareness, competence and motivation at all Group facilities
- **Further reduction of environmental footprint**
 - Stable air emissions at the main integrated plant
- **Labor productivity increased by another 4%**

LTIFR*, RUSSIAN ASSETS



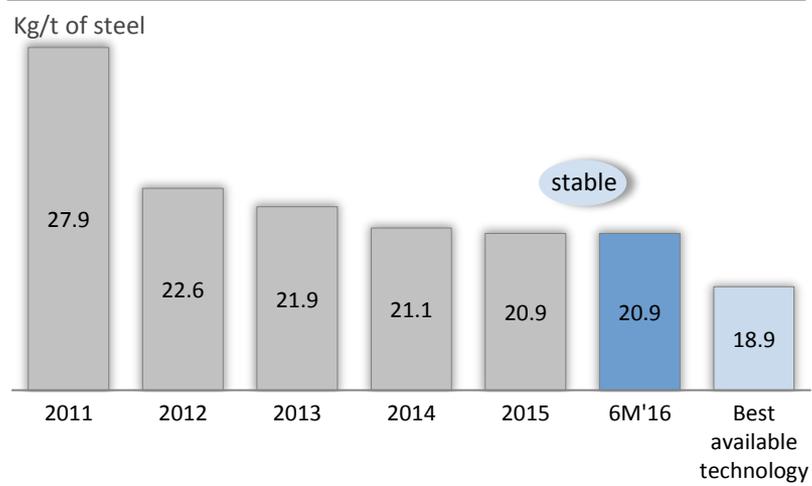
* LTIFR – Lost Time Injury Frequency Rate (per 1 mln man-hours worked). Russian assets include Russian Flat Products, Russian Long Products, Mining

LABOR PRODUCTIVITY**



** Productivity calculated as steel output divided by the number of employees
 *** Based on the annualized figure

AIR EMISSIONS, RUSSIAN ASSETS



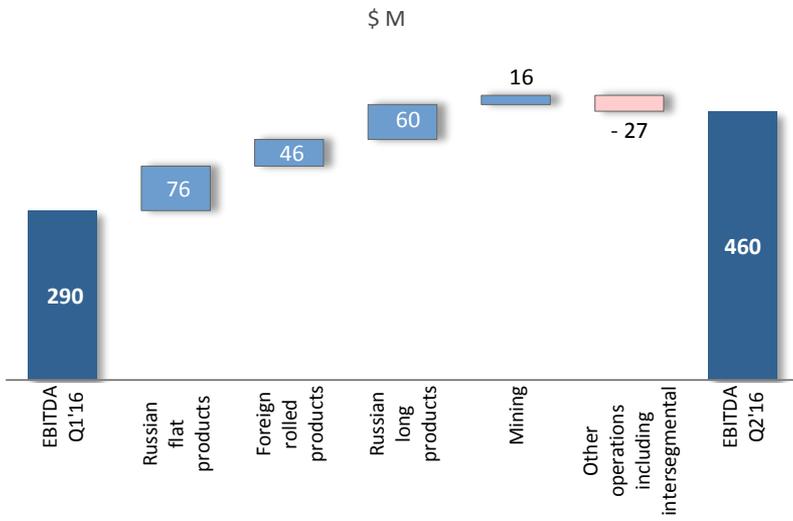
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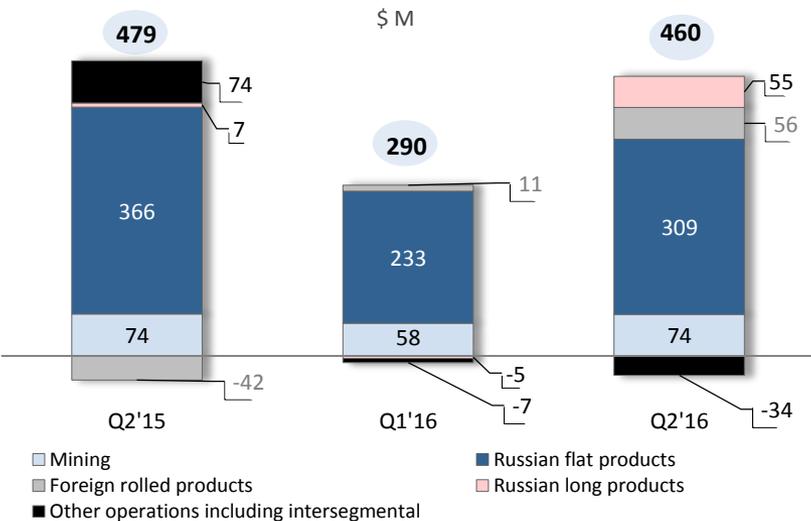
Q2'16 PROFITABILITY

- **EBITDA up by 59% qoq to \$460 m**
 - Due to widening price/cost spreads as sales prices recovered
- **(+) Russian Flat Products**
 - (+) Widening price spreads
 - (+) Cost efficiency programs
- **(+) Russian Long Products**
 - (+) Widening long products/scrap price spreads
- **(+) Mining**
 - (+) Increase in sales prices
 - (-) Lower iron ore sales volumes
- **(+) Foreign Rolled Products**
 - (+) Increase in sales volumes due to markets recovery
 - (+) Widening price spreads to semis, especially for NLMK USA

Q2'16/ Q1'16 EBITDA ANALYSIS



EBITDA BY SEGMENT



CASH FLOW

- **Q2'16 Net Operating Cash Flow: \$319 M**

- Working capital outflow of \$61 m
 - Normalizing of finished steel inventories at Russian Long Products segment
 - Seasonal increase of scrap inventories at Russian facilities
 - Normalizing of slab stock at NLMK USA
 - Growth of inventories and payables at NLMK USA due to increase of production

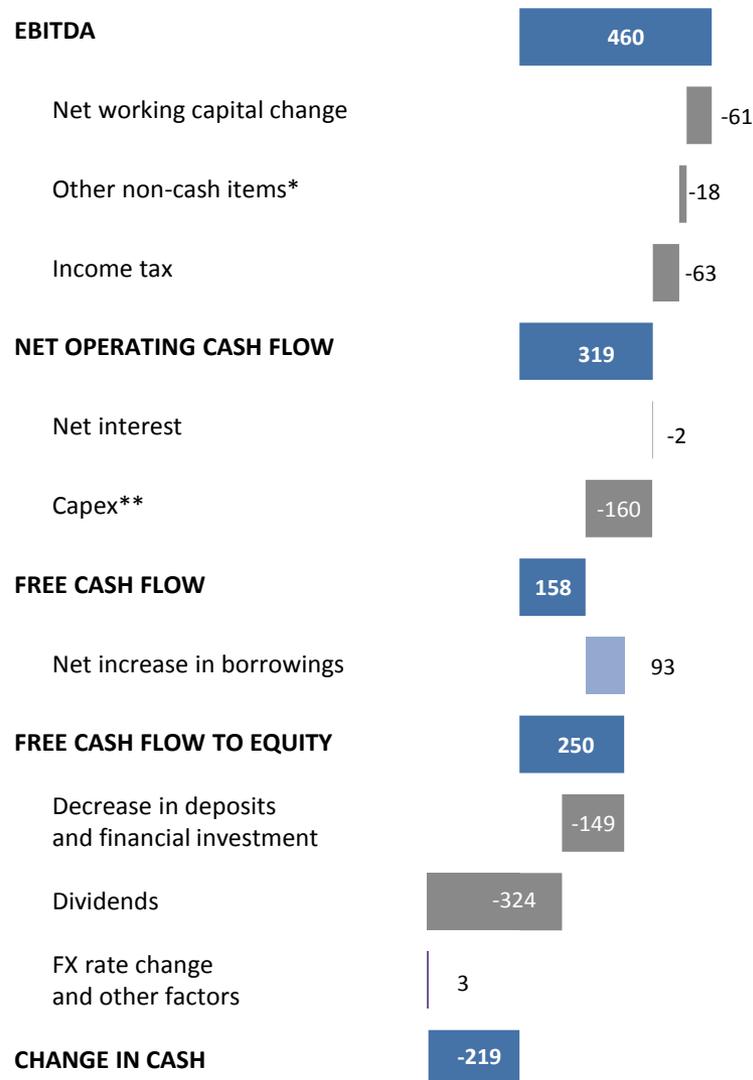
- **Q2'16 Capex: \$160 m (+33% qoq, -13% yoy)**

- Final phase of pelletizing plant construction

- **Strong Q2'16 Free Cash Flow**

- Supports Q4'15 and Q1'16 dividends payout
- Solid base for future dividends payouts

Q2'16 CASH FLOW BRIDGE, \$M



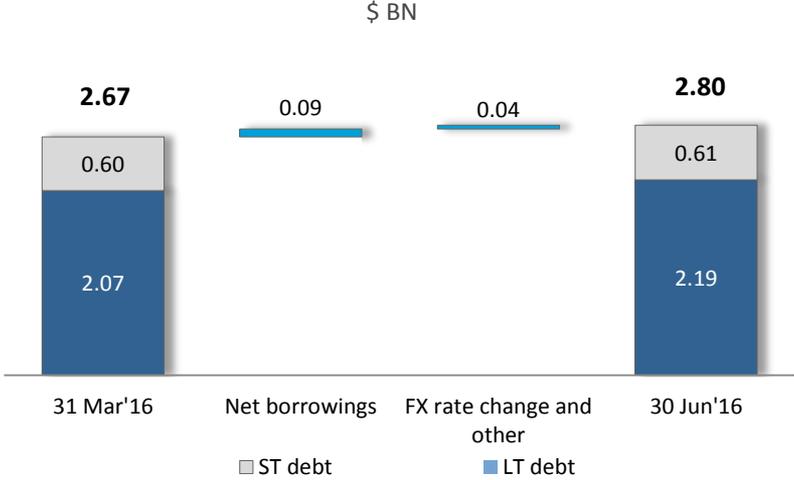
* Foreign currency exchange gains, other income/(expenses)

** Including capitalized interest of \$10 m for Q2'16

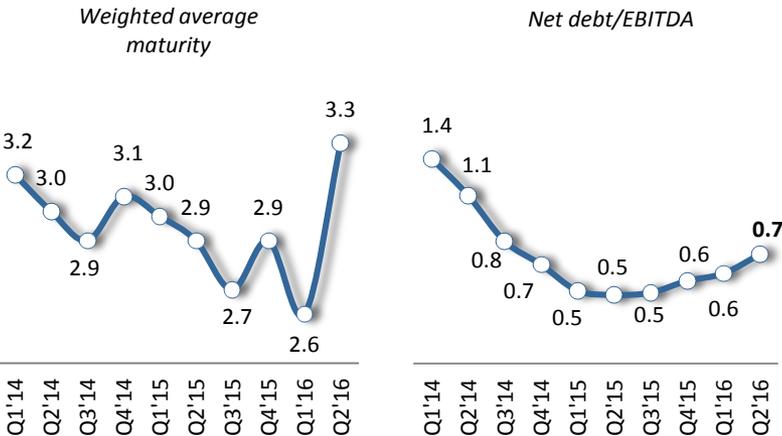
DEBT POSITION

- Improved maturity profile from 2.6 years to 3.3 years
- New Eurobond issued at record low coupon rate
 - \$700 m Eurobonds with coupon 4.5% and maturity in 2023
 - Refinanced of \$571 m of existed Eurobonds with maturity in 2017-18 and coupons of 4.95% and 4.45%
- Strong ex-dividend liquidity maintained with cash and equivalents of \$1.6 bn (-9% qoq, -2% yoy)
- Net Debt / 12M EBITDA: 0.7x (+0.1 p. qoq)
 - Net Debt: \$1.16 bn (+20% qoq, +3% yoy)
 - Total Debt: \$2.80 bn (+5% qoq, +5% yoy)

FINANCIAL DEBT CHANGE IN Q2'16

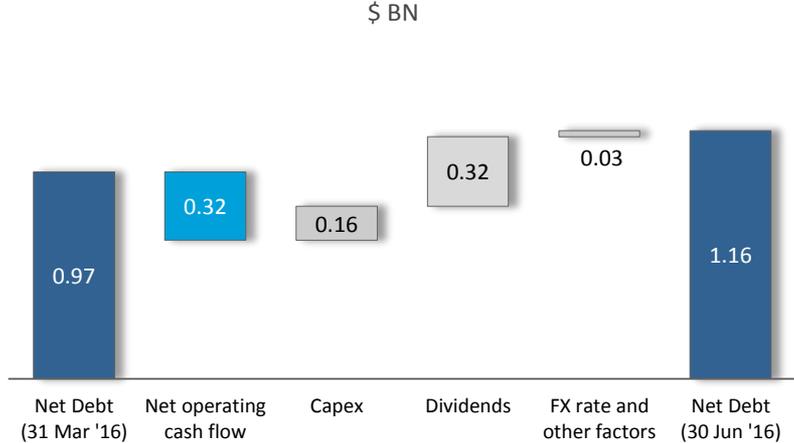


DEBT MATURITY AND LEVERAGE



* Cash and cash equivalents and short term investments
 ** include interest accrued

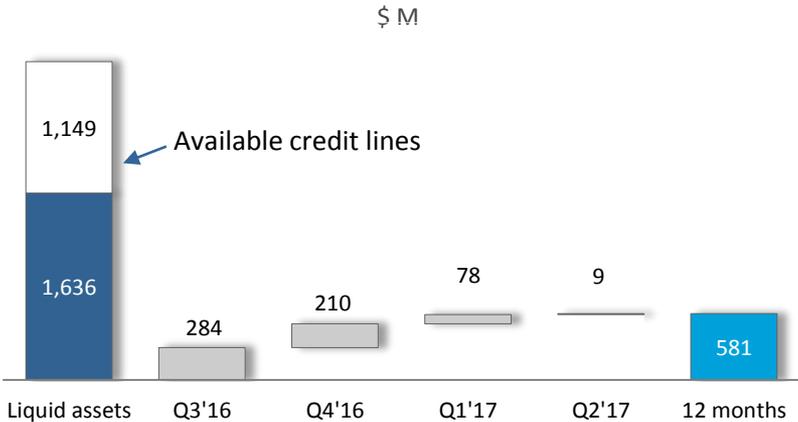
NET DEBT CHANGE IN Q2'16



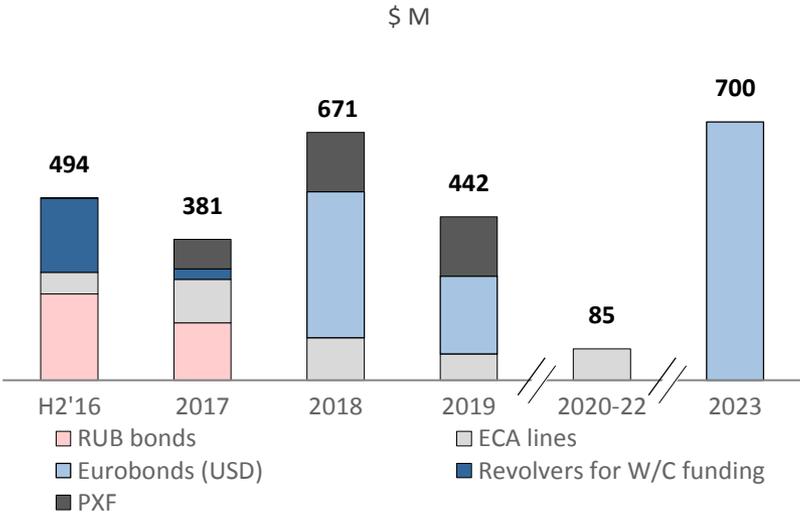
LIQUIDITY AND DEBT MATURITY PROFILE

- Strong liquidity position of \$1.6 bn with additional \$1.1 bn of credit lines
- Comfortable debt maturity profile
 - ST debt \$0.58 bn* incl. revolver lines for W/C financing, RUB bonds, short term part of ECA-backed financing
 - LT debt \$2.19 bn, incl. Eurobonds, RUB bonds, PXF and LT part of ECA-backed financing

LIQUIDITY AND ST-DEBT PAYMENTS*



DEBT MATURITY*



* - without interest payments

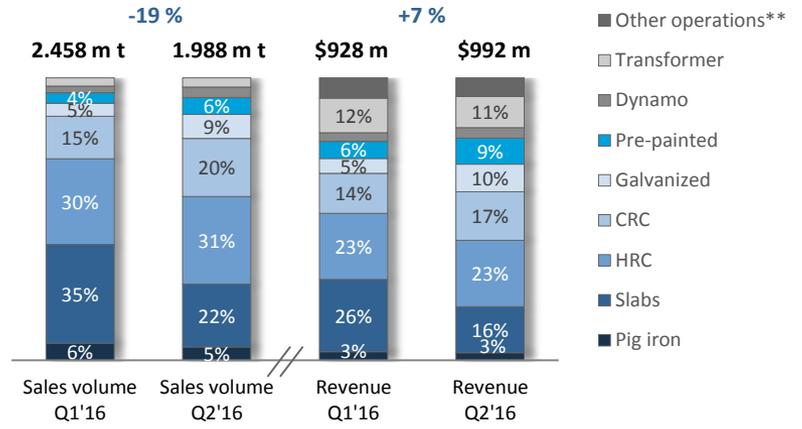
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RUSSIAN FLAT PRODUCTS

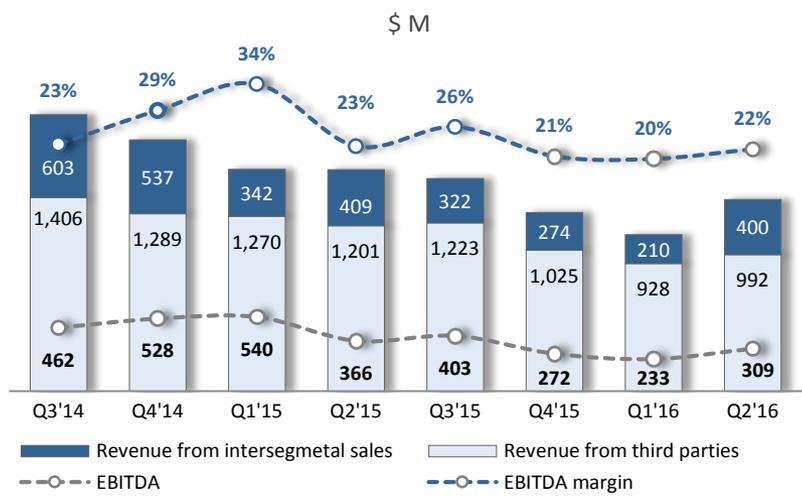
- **SALES TO 3RD PARTIES DOWN BY 19% QoQ**
 - (-) Sales down due to hike in inter segment slab sales up to 64% qoq
 - (+) 3rd party sales of HVA products up by 16%
- **EXTERNAL REVENUE UP BY 7% QoQ**
 - (+) Recovered prices both domestically and in the export markets
 - (+) Improved product mix (HVA products share is 42%)
- **EBITDA INCREASE TO \$309 M**
 - (+) Higher share of finished products
 - (+) Widened price spreads
 - (-) Ruble strengthening by 12% qoq

SALES & REVENUE FROM 3RD PARTIES

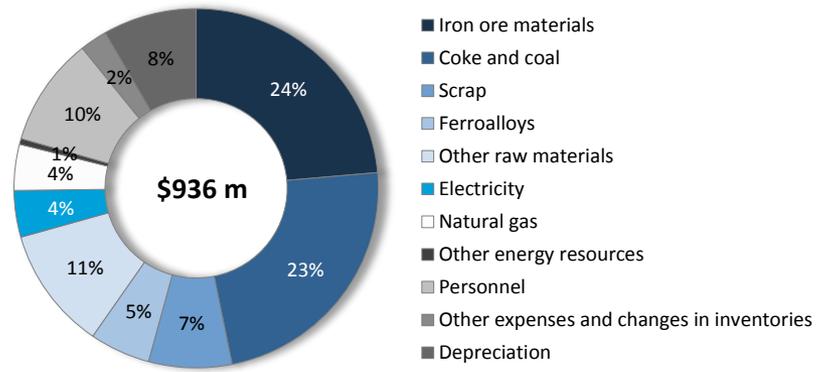


**Revenue from the sale of other products and services

SEGMENT REVENUE AND EBITDA



COST OF SALES IN Q2'16

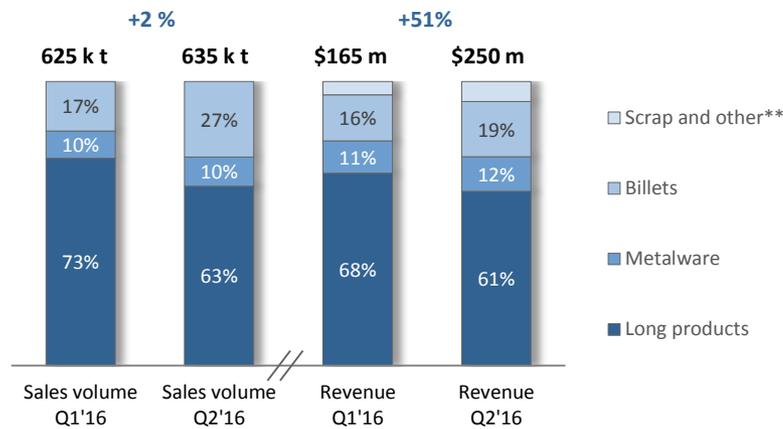


EBITDA growth driven by widening price spreads

RUSSIAN LONG PRODUCTS

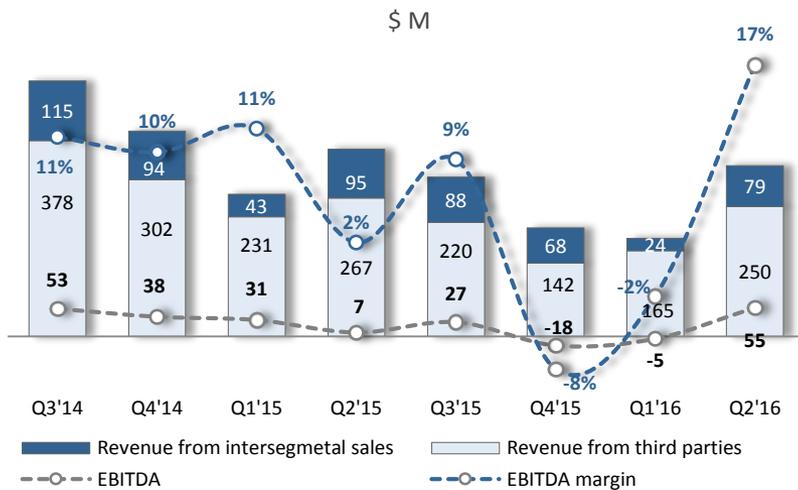
- **SALES TO 3RD PARTIES UP BY 2% QoQ**
 - (+) Higher exports of billets and long products
- **EXTERNAL REVENUE UP BY 51% QoQ**
 - (+) Increase in sales prices
- **EBITDA RETURNED TO POSITIVE TERRITORY**
 - (+) Widened long products/scrap price spreads
 - (-) Ruble strengthening by 12% qoq

SALES & REVENUE FROM 3RD PARTIES

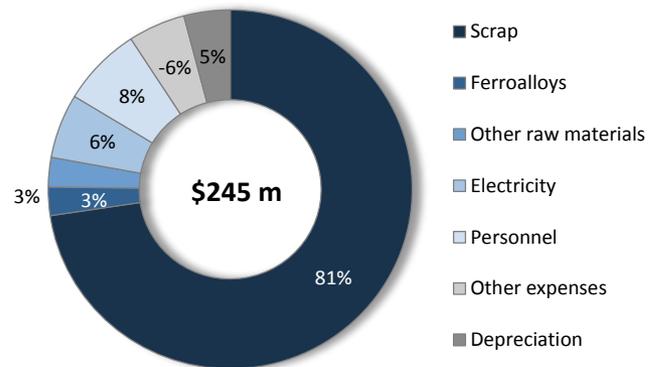


** Revenue from the sale of scrap, other products (ex. by-products) and services

SEGMENT REVENUE AND EBITDA



COST OF SALES IN Q2'16

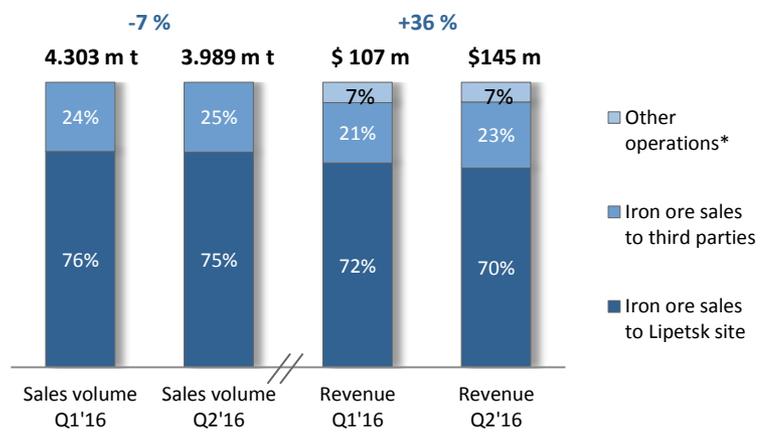


1.5x times increase of revenue from 3rd parties

MINING

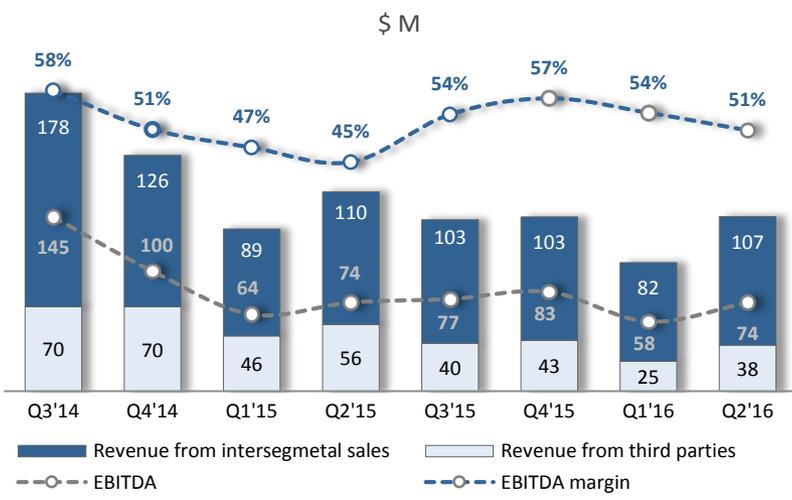
- **SALES VOLUMES DOWN BY 7% QoQ**
 - Due to stock build up before starting production of pellets
- **REVENUE UP BY 36% QoQ**
 - (+) Uptick in sales iron ore prices
 - (-) Lower sales volumes
- **EBITDA MARGIN AT 51%, EBITDA OF \$74 M**

SALES AND REVENUE

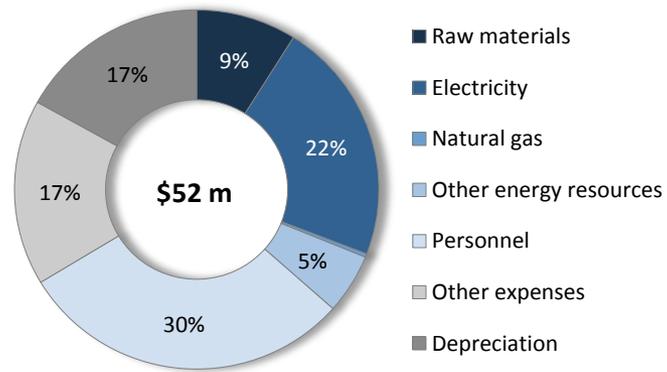


* Other operations include limestone, dolomite and other sales

SEGMENT REVENUE AND EBITDA



COST OF SALES IN Q2'16



Iron ore price increase translated into revenue and EBITDA growth

FOREIGN ROLLED PRODUCTS

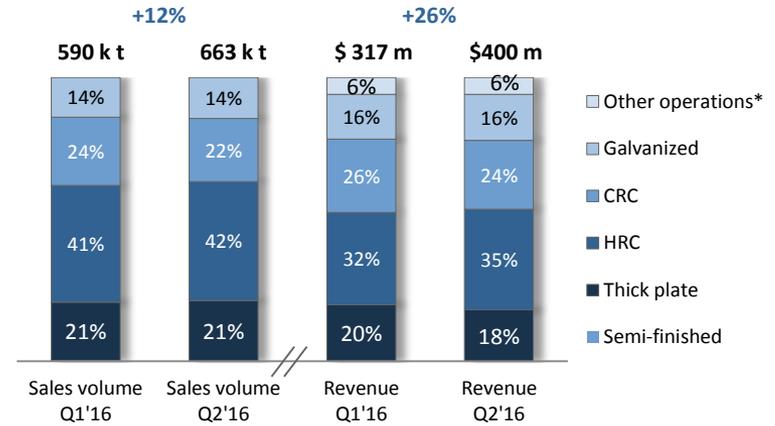
- **SEGMENT SALES UP BY 12% QoQ**

- (+) NLMK Dansteel sales +16% qoq
- (+) NLMK USA sales +11% qoq

- **SEGMENT'S PROFITABILITY IMPROVED**

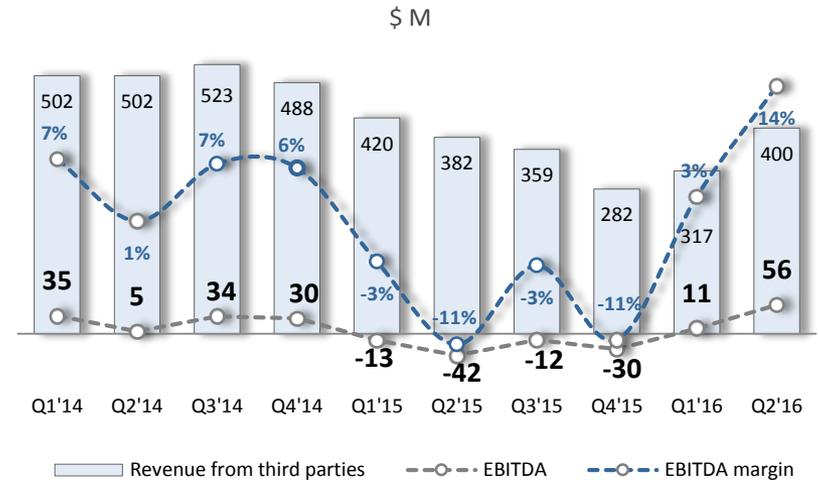
- (+) Increase in sales volumes
- (+) Widening spreads b/w slabs and finished steel, especially for NLMK USA

SALES & REVENUE FROM 3RD PARTIES



* Revenue from the sale of other products and services

SEGMENT REVENUE AND EBITDA



Widening spreads and higher sales resulted in a positive EBITDA

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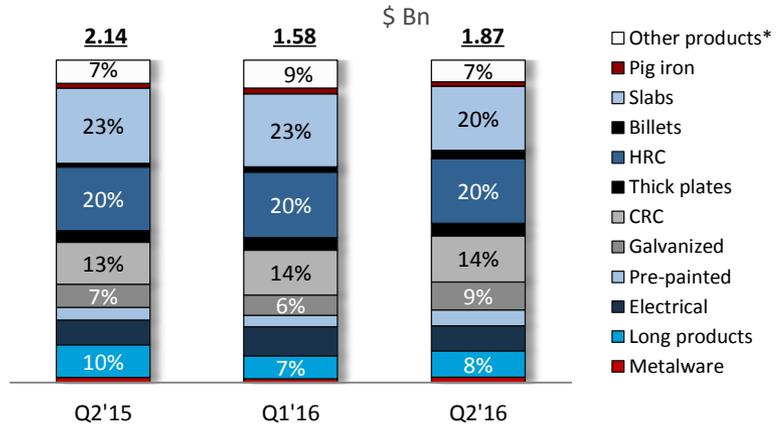
SALES STRUCTURE

- **Q2'16: SALES DECREASED BY 5% QoQ TO 3.95 MT**
 - -5% qoq of semi-finished
 - +8% qoq high value added products
 - +18% qoq Flats
 - +37% qoq Longs
- **Q2'16: REVENUE UP 18% QoQ TO \$1.87 BN**
 - (+) Uptick in steel prices

SALES STRUCTURE BY PRODUCT



REVENUE BY PRODUCT

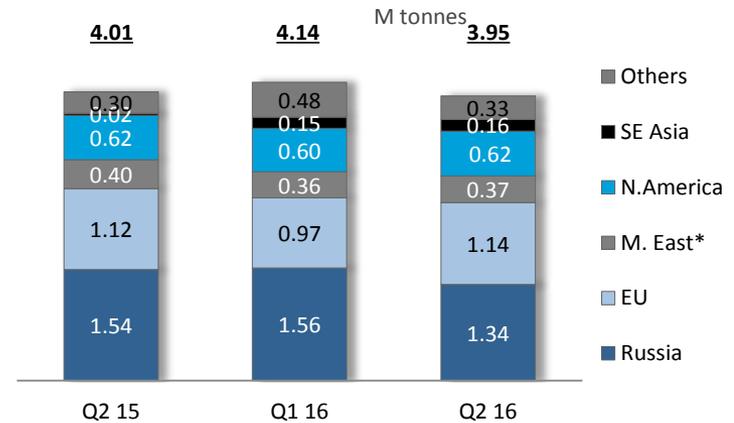


* Revenue from Other operations includes sales of other products (iron ore, coke, scrap and others)

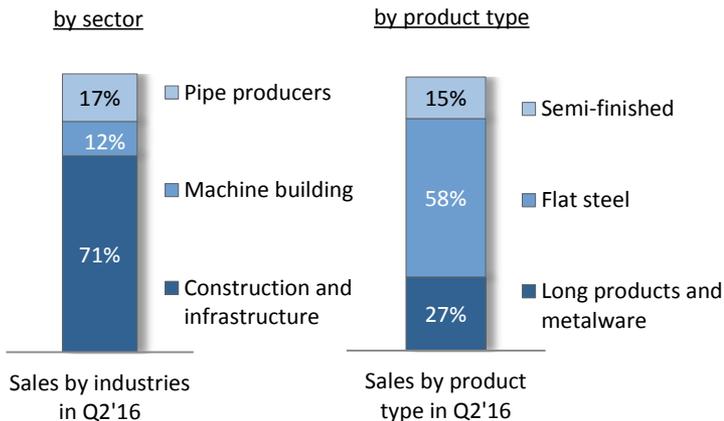
SALES GEOGRAPHY

- **GROUP SALES DOWN BY 5% QoQ**
- **SALES TO RUSSIAN MARKET DECLINED 14% QoQ...**
- **... WHILE GLOBAL SALES INCREASED BY 1% QoQ**
 - +3% qoq in North America
 - +17% qoq in European Union
 - +3% qoq to Middle East, incl. Turkey

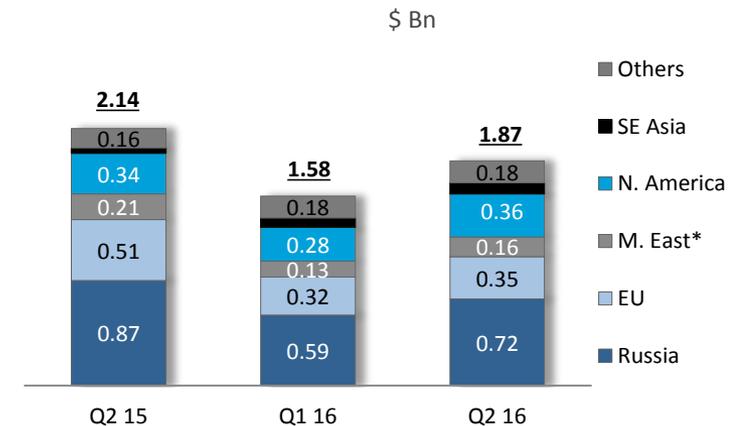
STEEL PRODUCT SALES BY REGION



NLMK SALES TO THE RUSSIAN MARKET



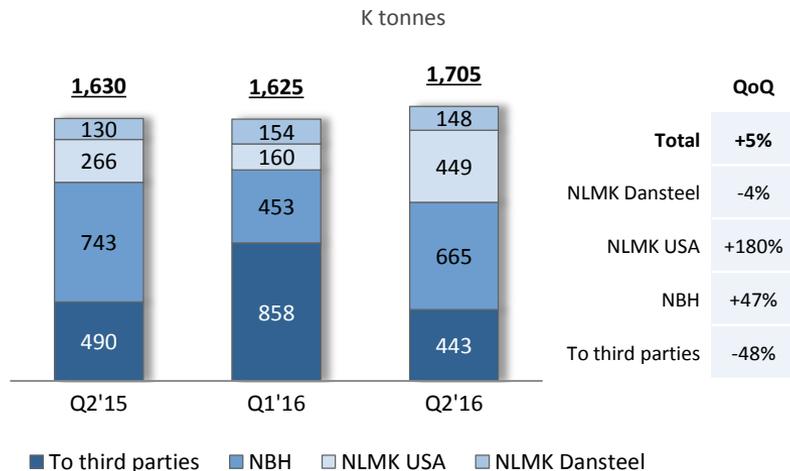
REVENUE BY REGION



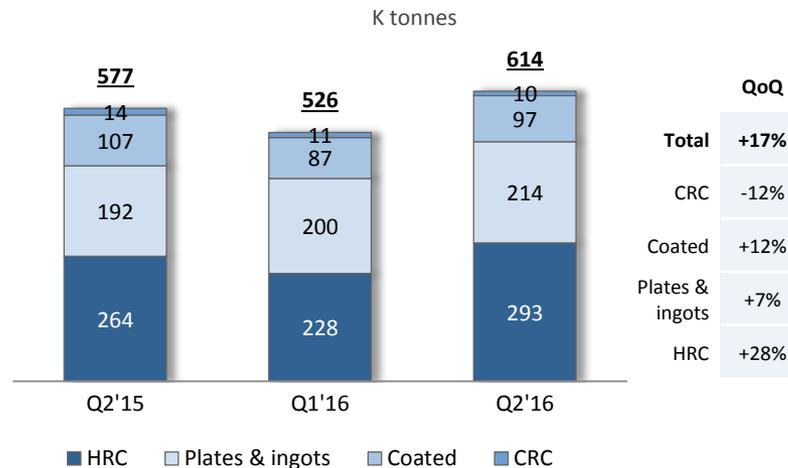
* incl. Turkey

FOREIGN ASSETS PERFORMANCE

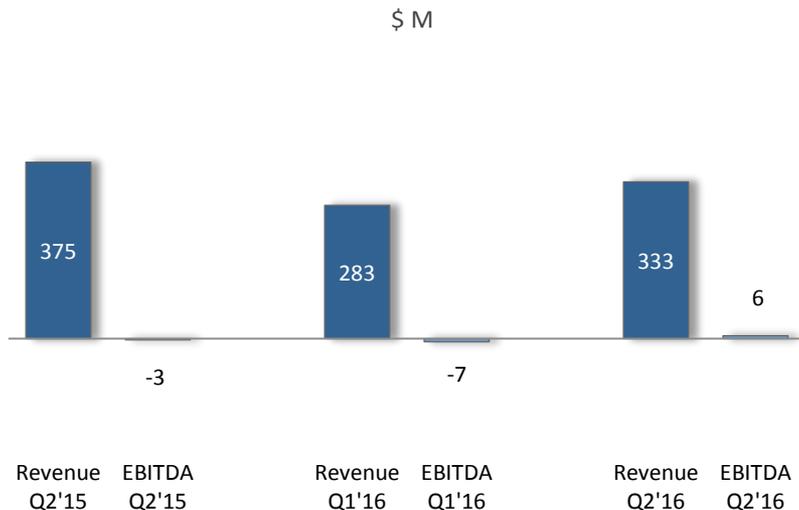
SLABS SALES FROM RUSSIAN FLAT DIVISION



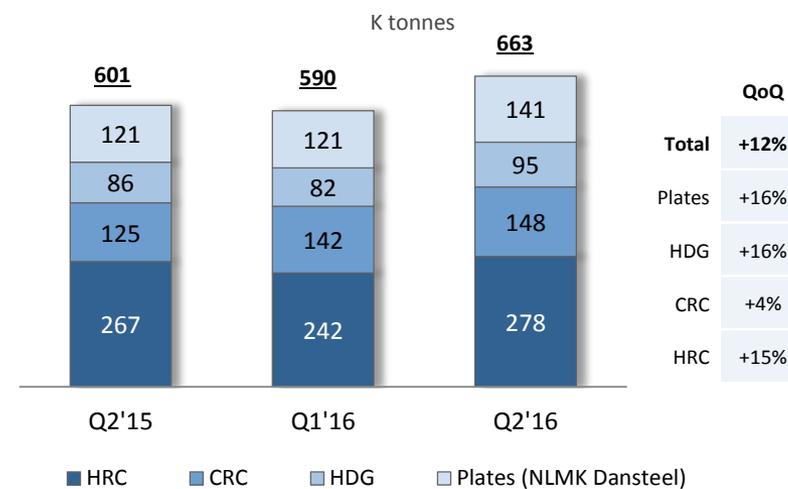
NBH ROLLED PRODUCT SALES



NBH FINANCIAL RESULTS

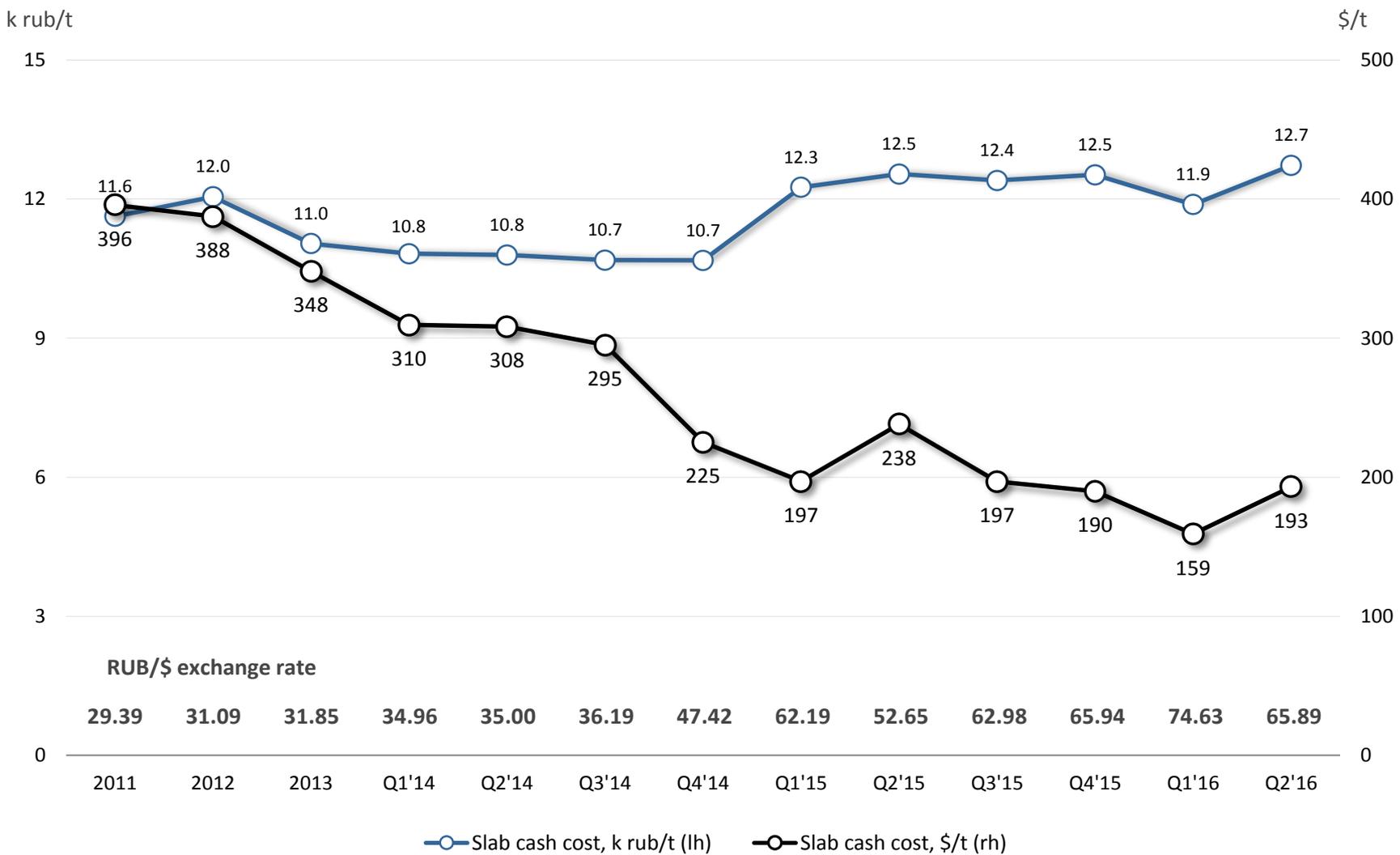


NLMK USA AND NLMK DANSTEEL SALES



Uptick in sales both in the US and Europe markets

CASH COST OF SLAB



Note: consolidated cash cost of slab at Lipetsk site.



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