



**Q3 AND 9M 2015 IFRS
CONSOLIDATED FINANCIAL RESULTS**

9 November 2015

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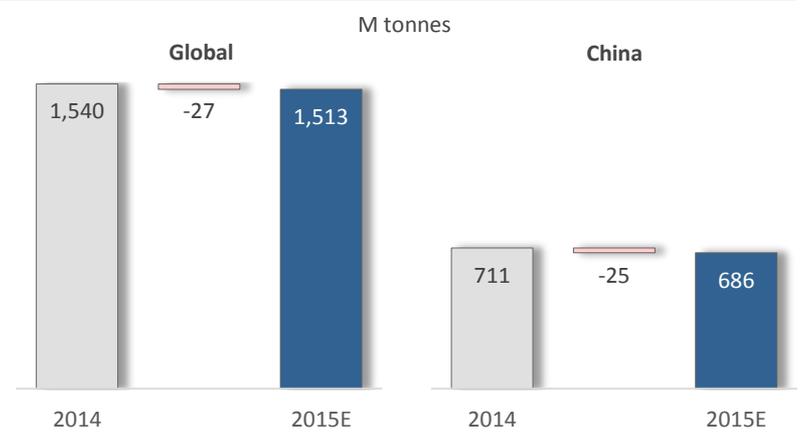
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GLOBAL STEEL MARKET

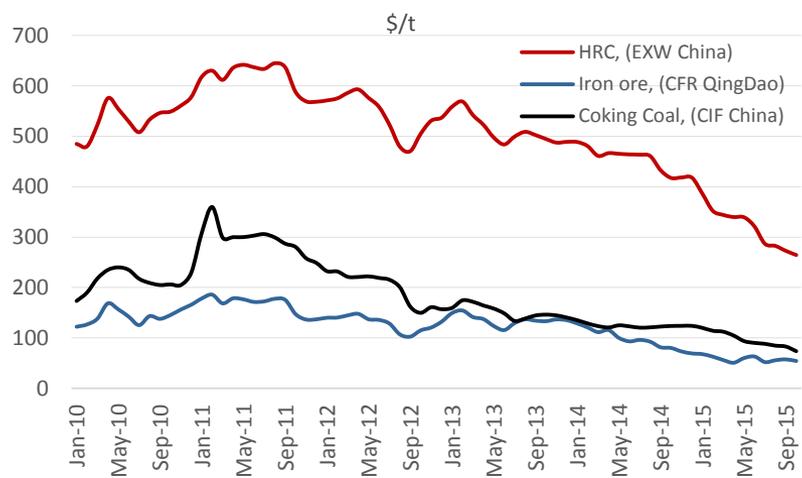
- **2015E GLOBAL STEEL DEMAND DOWN 1.7%**
- **EXPORTS FROM CHINA UP 27% YTD**
 - YTD'15 demand in China down 5.4%
 - YTD'15 output in China down 1.7%
- **STEEL PRICES COLLAPSED 37% YTD**
 - Driven by exports from China – up 22 mt to 116 mt
 - Drop in raw materials prices
 - Spread between HRC and raw materials prices narrowed to historically low \$130/t

STEEL DEMAND



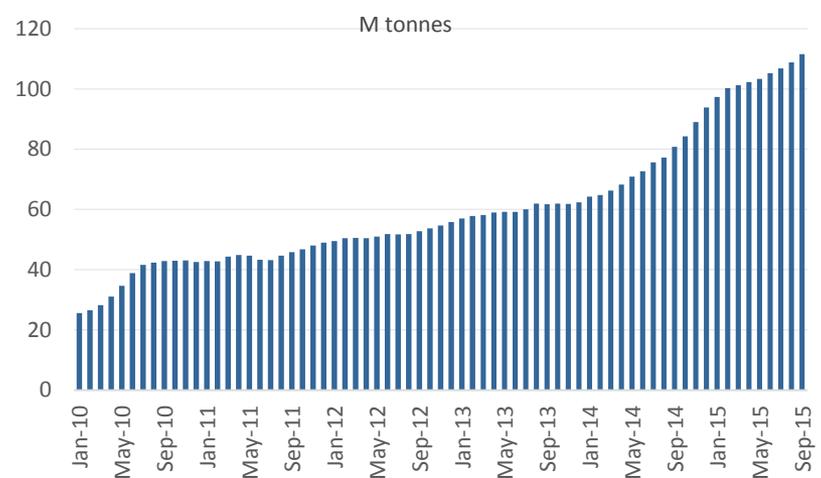
Source: World Steel Association

STEEL & RAW MATERIAL PRICES



Source: Metal Bulletin

LTM TRAILING EXPORTS FROM CHINA

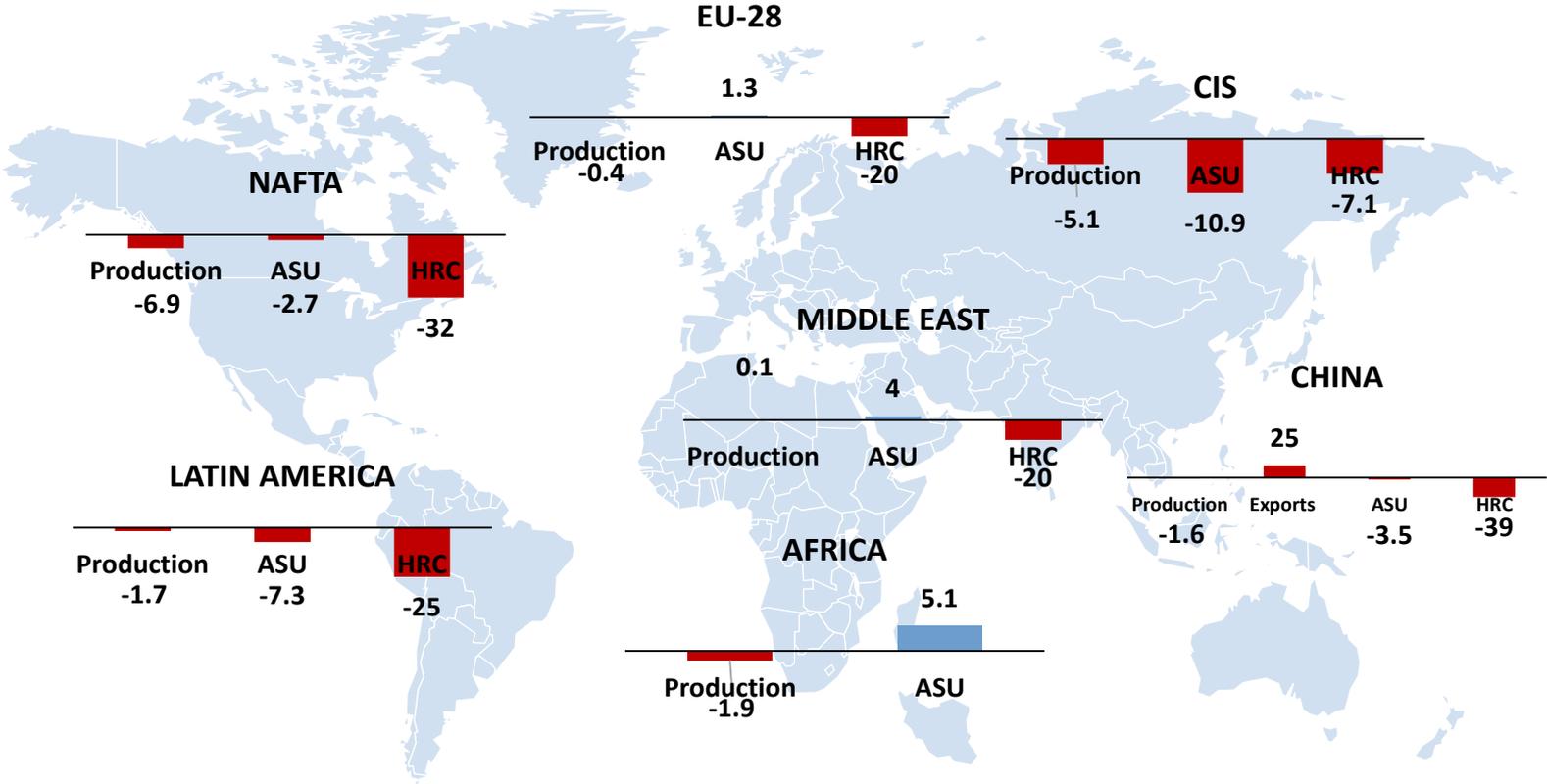


Source: Customs General Administration PRC

Flood of Chinese exports pushed steel prices to decade lows

GLOBAL STEEL MARKET LANDSCAPE

Production* (Y-o-Y, %), consumption (Y-o-Y, %) and HRC price (YTD**, %) dynamics in 2015



Source: Worldsteel association, Metal Bulletin, Metal Expert, Bloomberg

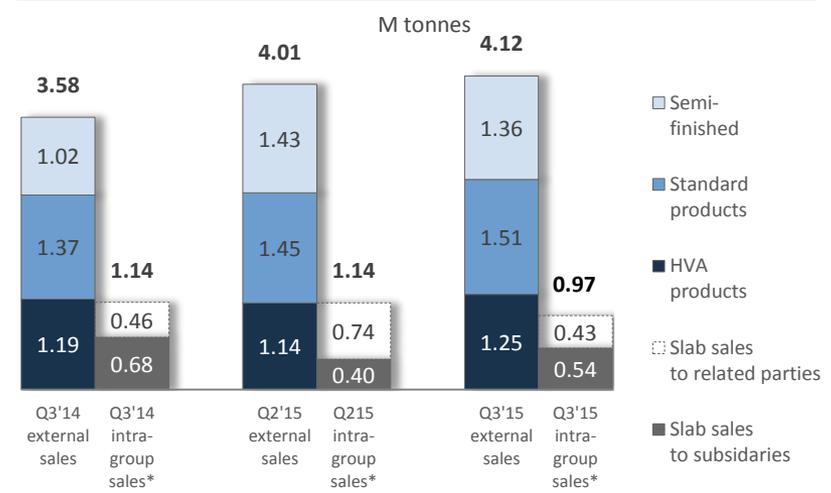
*Jan-Sep 2015 annualized

**As of end of Oct 2015

NLMK Q3'15 SALES AND OUTPUT GROWTH

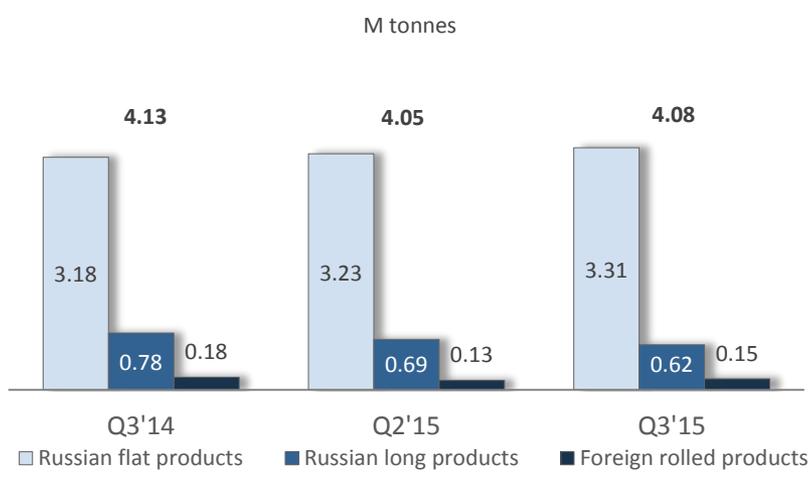
- Q3'15 SALES: 4.1 MT, +3% QoQ (+15% YoY)**
 - Improvement in product mix: finished steel sales up +7% qoq driven by a seasonal demand recovery in Russia
 - Sales to Russian market up 14% qoq, share of Russian steel sales up 5 p.p. to 43%
 - Intragroup sales down as subsidiaries destocked
- STEEL OUTPUT: 4.1 MT, +1% QoQ (-1% YoY)**
- FULL UTILIZATION OF THE MAIN PRODUCTION SITE**
- 9M'15: STABLE YoY SLAB SALES TO OWN ASSETS**
 - Sales to subsidiaries & NBH: 2.9 m t (58% of total slab sales)

SALES STRUCTURE

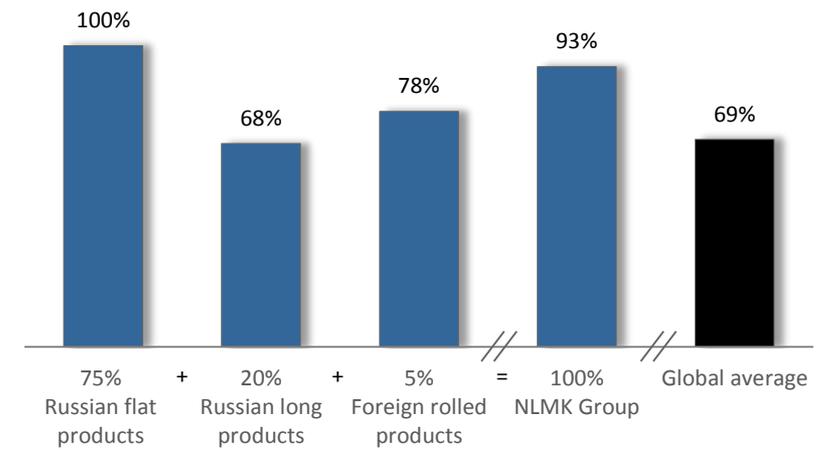


* sales of slabs to NBH (associating company) accounted as external sales

STEEL OUTPUT



Q3'15 RUN RATES BY SEGMENT



Q3'15 AND YTD FINANCIAL HIGHLIGHTS

9M'15 HIGHLIGHTS

- Revenue: \$6,371 m (-21% yoy)
- EBITDA: \$1,628 m (-7% yoy)
- EBITDA margin: 26% (+4% p.p. yoy)
- Free cash flow*: \$886 m (-6% yoy)
- Capex: \$445 m (flat yoy)

Q3'15 HIGHLIGHTS

- Revenue: \$2,016 m (-6% qoq)
- EBITDA: \$508 m (+6% qoq)
- EBITDA margin: 25% (+3 p.p. qoq)
- Net income: \$410 m (+154% qoq)
- Capex: \$145 m (-15% qoq)
- Free cash flow*: \$372 m (+100% qoq)

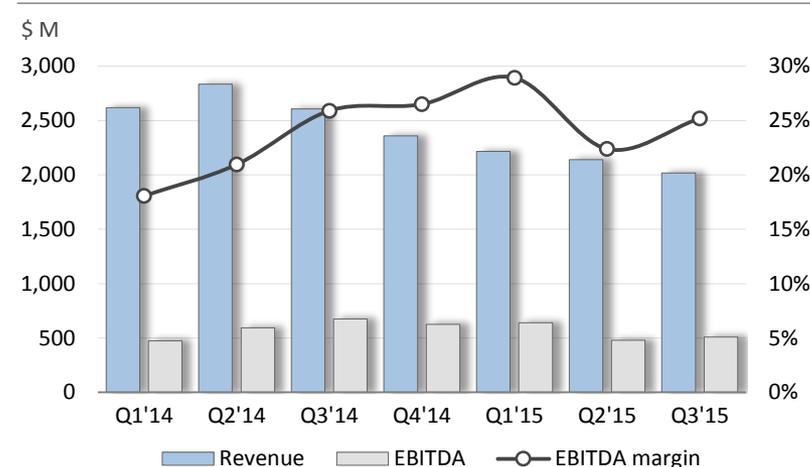
FINANCIAL POSITION AS OF 30/09/2015

- Net Debt: \$1,071 m (-5% qoq; -41% yoy)
- Net Debt/EBITDA: 0.48x (0.47x as of 30/06/15)

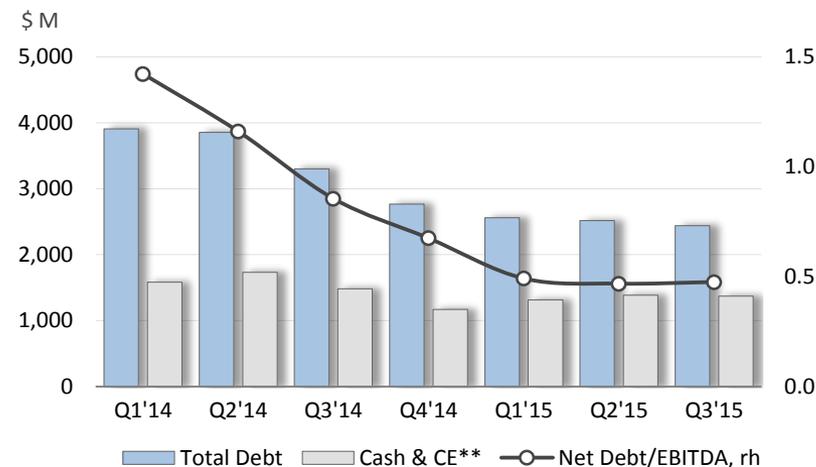
* Free cash flow = operational cash flow minus capex minus advances for VAT payments on imported equipment minus net interest payments

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

FINANCIAL PERFORMANCE



FINANCIAL POSITION



STRATEGY UPDATE

LEADERSHIP IN OPERATIONAL EFFICIENCY

- Efficiency gains in 9M 2015: +\$163 m
- Number of efficiency projects up to 1,623
- 9M'15 BOF crude steel output up 5%
- 9M'15 iron ore output up 3%

WORLD CLASS RESOURCE BASE

- Pelletizing plant construction on budget on time
- As of 30 Sept. \$417 m* invested (64% of total capex)
- Launch: H2 2016
- Pelletizing project cost reduction effect at \$200 m/pa

LEADING POSITION IN STRATEGIC MARKETS

- Russian Flat Products run rate: 100%
- Thick plates sales up 11% yoy
- HDG line upgrade on Lipetsk site with 120 k tpa of new capacity available from Jan.'16

LEADERSHIP IN SUSTAINABILITY & SAFETY

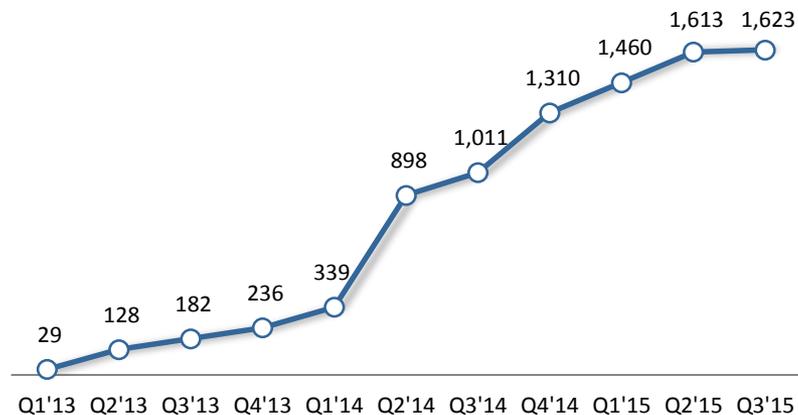
- Russian operations LTIFR** down by 20% YTD to 0.44 vs global best practice level of 0.6
- Air emissions at the main integrated plant reduced by 2% while crude steel output increased by 2% yoy

* Investment ex-VAT

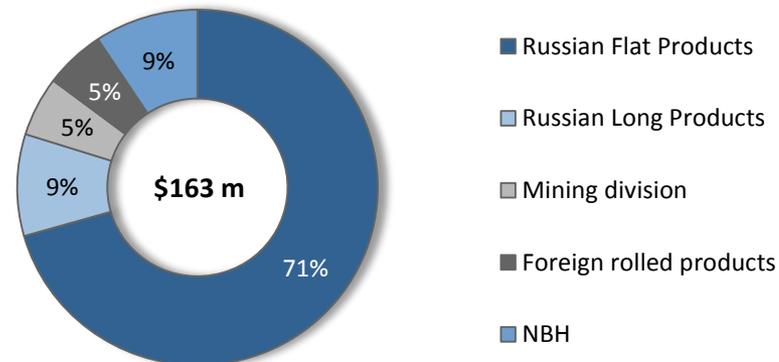
** LTIFR – Lost Time Injury Frequency Rate (per 1 mln man-hours worked).

Russian assets include Russian Flat Products, Russian Long Products, Mining

GROWING NUMBER OF EFFICIENCY PROJECTS



9M'15 STRUCTURAL GAINS BY DIVISIONS



Q4'15 OUTLOOK

- **MARKET**

- **Global:** world steel demand anticipated to decline by 1.7% at the end of 2015. Steel prices to remain under pressure mainly due to tide of exports from China and drop in raw materials prices.
- **Russia:** seasonally slowing demand in construction sector and flood of cheap steel from China caps both export and domestic steel prices
- **Europe:** consumer-related market segments drive pick-up in steel demand. Cheaper feedstock materials support profitability/competitiveness of our European finishing facilities
- **USA:** mild recovery in demand driven by growing construction spending and stable auto production. Pricing environment remains challenging due to lower scrap prices and high inventories.

- **OPERATIONAL RESULTS**

- Output and sales to be seasonally lower
- Run rates at Lipetsk site to remain above 90%

- **FINANCIAL RESULTS**

- Softening in global and Russian steel pricing environment will weigh on financial performance
- Ongoing cost optimization programs to partially offset challenging market conditions

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TRANSITION FROM US GAAP TO IFRS

- To comply with Russian federal laws NLMK is required to prepare financial statements under IFRS starting from December 31, 2015
- No material differences between IFRS and US GAAP financial statements

\$ mln	H1 2015 IFRS	H1 2015 US GAAP	Change	Note
Revenue	4,355.7	4,355.7	-	No change
EBITDA	1,119.7	1,114.6	+5.1	Reclassification of other expenses to other operating expenses
Profit for the year ¹	482.3	491.0	-8.7	Additional impairment of fixed assets and other factors
Cash flows from operating activities	821.7	860.2	-38.5	Reclassification of the interest paid and received to financial and investment activity, respectively. Reclassification of forex differences
Total assets ²	10,632.9	10,688.5	-55.6	Fixed assets impairment at NLMK Kaluga, NLMK Dansteel and NLMK USA. Effect was partly offset by hyperinflation adjustment of fixed assets base (2000-2003)
Financial debt ²	2,516.3	2,516.3	-	No change

Footnotes:

¹ Under IFRS: profit for the year, attributable to NLMK shareholders, under US GAAP: net income attributable to NLMK stockholders

² Balance sheet figures as at 31 December 2014

Comparison of transition from US GAAP to IFRS for 2014 is presented in the Financial Release

Q3'15 PROFITABILITY

- EBITDA UP BY 6% QoQ TO \$508M**

- Driven by improved product mix, cost optimization program & ruble devaluation

- RUSSIAN FLAT PRODUCTS: UPTICK IN PROFITABILITY**

- (+) Increase of sales volumes
- (+) Product mix improvement
- (-) Lower steel prices in rubles and US\$
- (+) Operational efficiency gains

- RUSSIAN LONG PRODUCTS: IMPROVED PROFITS**

- (-) Decline in demand for long products in Russia
- (+) Scrap/rebar spreads normalization

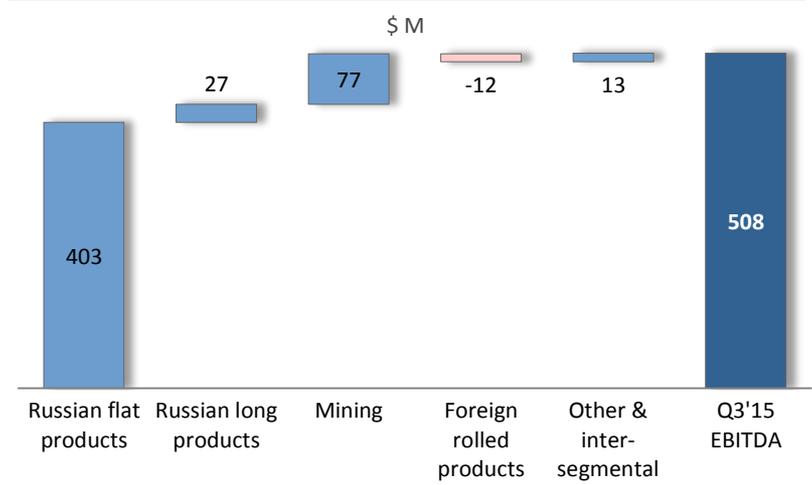
- MINING: BENEFITING FROM LOW COST POSITION**

- (+) Sales of inventories
- (+) Increase of sales to Lipetsk site
- (-) Reduction of sales prices

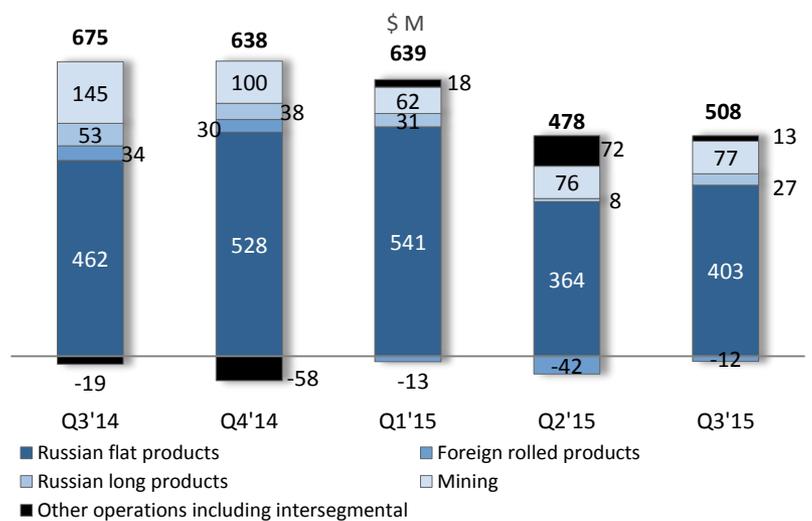
- FOREIGN ROLLED PRODUCTS**

- (-) Utilization of expensive slabs stocks built up in H2'14
- (-) Softened steel prices

Q3'15 EBITDA BRIDGE BY SEGMENT



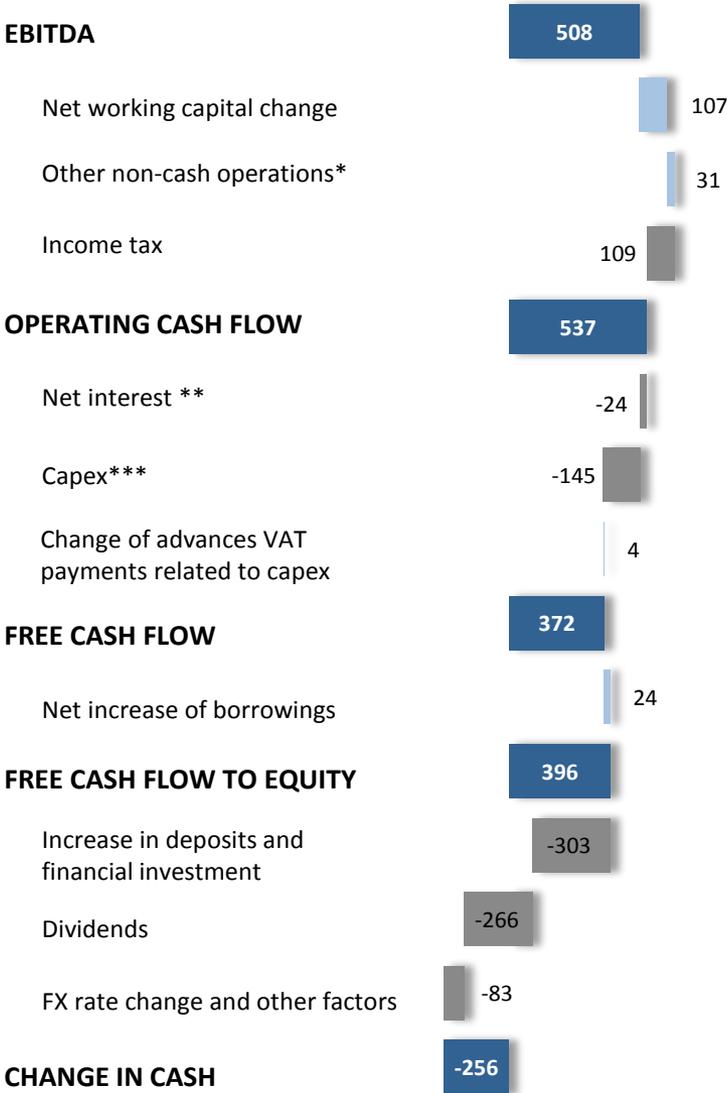
EBITDA CHANGE BY SEGMENT (QOQ)



Q3'15 CASH FLOW

- GROWTH IN NET OPERATING CASH FLOW: \$537 M (+\$154 m or +40% QoQ)**
 - Net working capital release due to seasonally high sales
- CONSERVATIVE CAPEX**
 - Q3'15 capex: \$145 m (-15% qoq; -13% yoy)***
- 2X GROWTH IN FREE CASH FLOW TO \$372 M**
 - Driven by better profitability and working capital release
 - Sufficient base for dividends payout

Q3'15 CASH FLOW BRIDGE, \$M

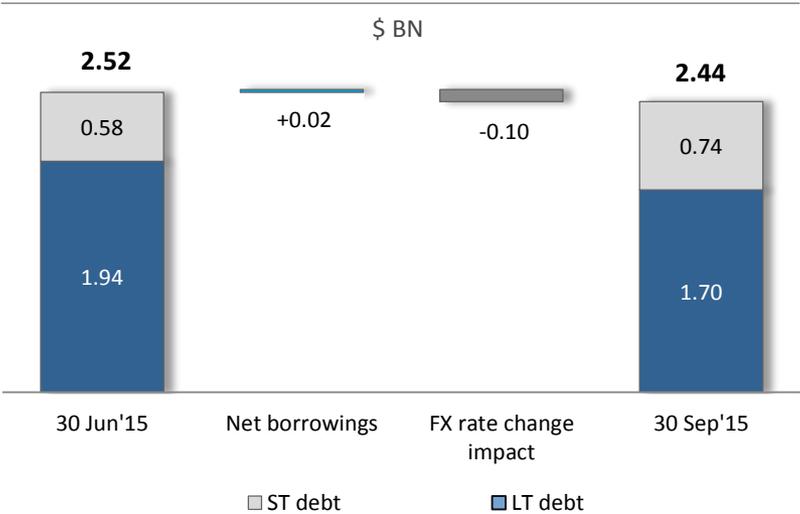


* Foreign currency exchange gains, other income/(expenses)
 ** Including interest paid (w/o capitalized interest) of \$31 m and interest received of \$7 m
 *** Including capitalized interest of \$15 m

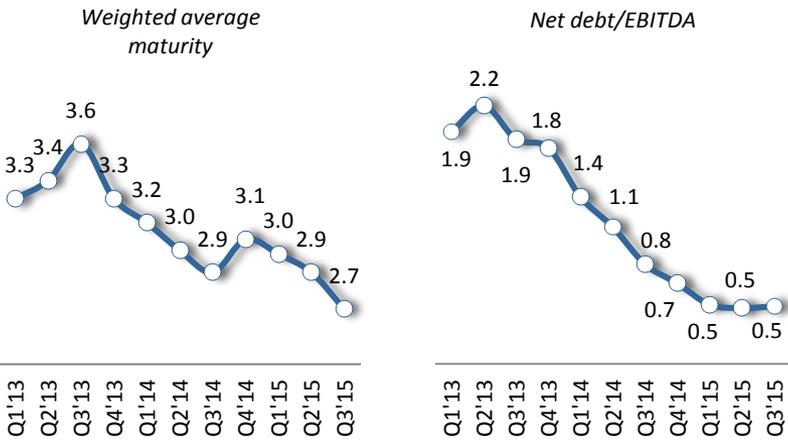
DEBT POSITION

- NET DEBT REDUCTION 5% QoQ**
 - Net Debt: \$1.07 bn (-5% qoq, -41% yoy)
 - Total debt: \$2.44 bn (-3% qoq, -26% yoy)
- STRONG LIQUIDITY MAINTAINED**
 - Cash and equivalents*: \$1.37 bn (-1% qoq, -8% yoy)
- NET DEBT / 12M EBITDA: 0.48x (+0.01 p. qoq)**
- RECENT EVENTS (OCTOBER 2015)**
 - 10Y RUB 5 bn bonds at 11.1% rate with 2Y put option
 - 4Y \$400 m PXF facility (LIBOR +3.0%)

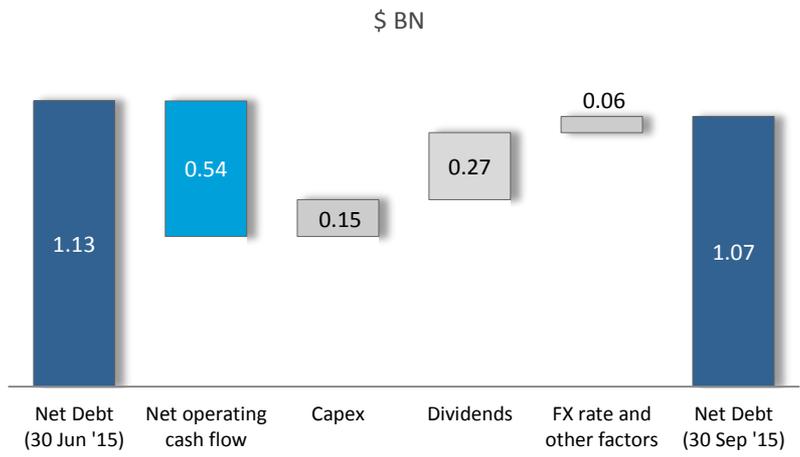
CHANGE IN DEBT IN Q3'15



DEBT MATURITY AND LEVERAGE



NET DEBT CHANGE IN Q3'15

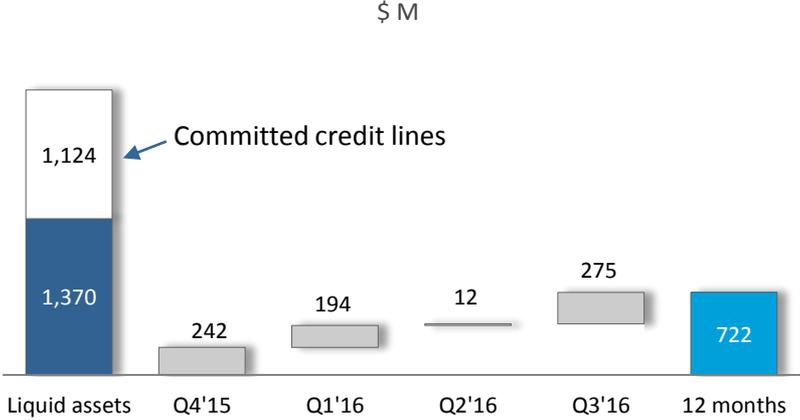


* Cash and cash equivalents and short term investments

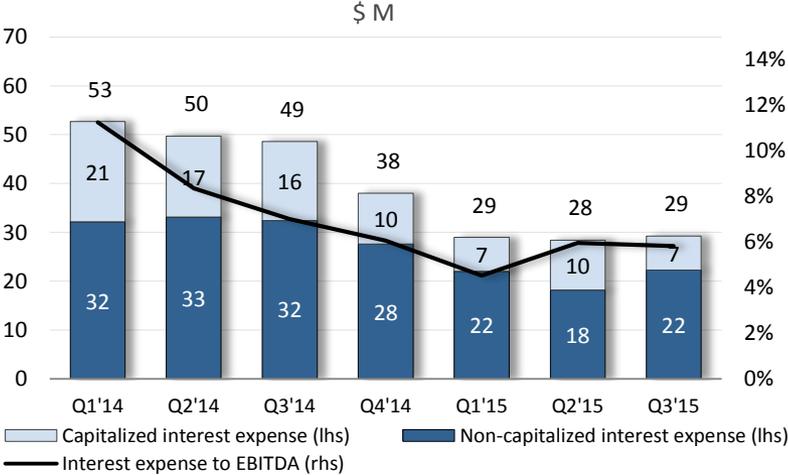
LIQUIDITY AND DEBT MATURITY PROFILE

- **STRONG LIQUIDITY POSITION OF \$1.37 BN**
- **COMFORTABLE MATURITY PROFILE**
 - ST debt \$0.72 bn** incl. revolving credit lines for working capital financing, ruble bonds, short term part of ECA-backed financing
 - LT debt \$1.7 bn, incl. Eurobonds, ruble bonds, long term part of ECA-backed financing
- **2015 INTEREST EXPENSE BELOW 6% OF EBITDA**

LIQUIDITY AND ST-DEBT PAYMENTS**

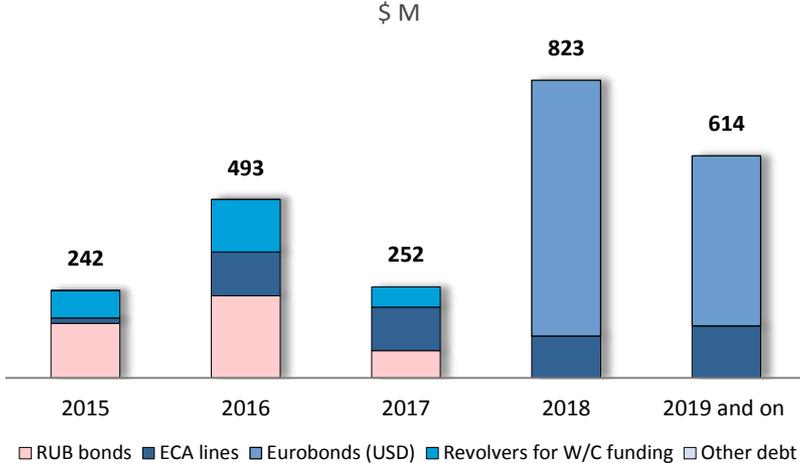


INTEREST EXPENSES*



* Quarterly numbers are derived by computational method on the basis of quarterly reports

DEBT MATURITY**



** Payments without interest accrued

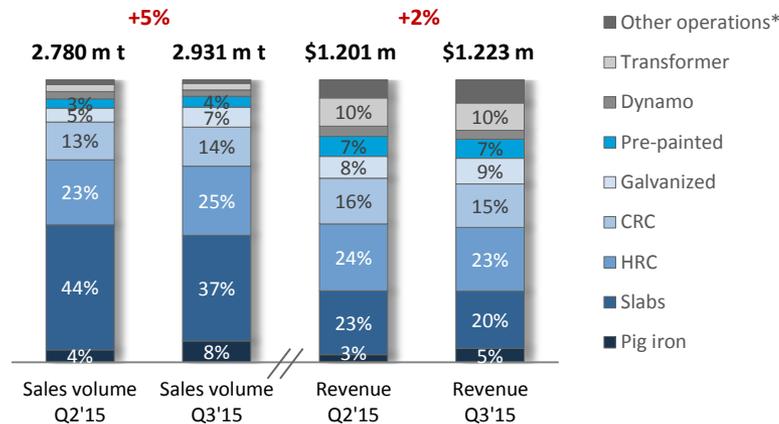
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RUSSIAN FLAT PRODUCTS

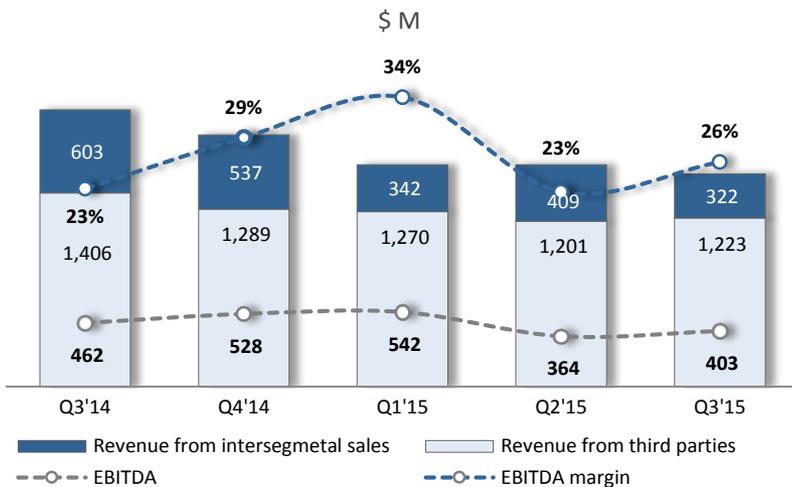
- **SALES TO 3RD PARTIES UP BY 5% QoQ**
 - (+) Seasonal increase in demand for flat steel in Russia
- **EXTERNAL REVENUE INCREASE BY 2% QoQ**
 - (+) Increase of sales volumes
 - (+) Improved product mix
 - (-) Steel prices
- **EBITDA INCREASE TO \$403 M**
 - (+) Product portfolio shift to HVA products
 - (+) Efficiency gains of \$114 m, incl. \$42 m in Q3'15

SALES & REVENUE FROM 3RD PARTIES

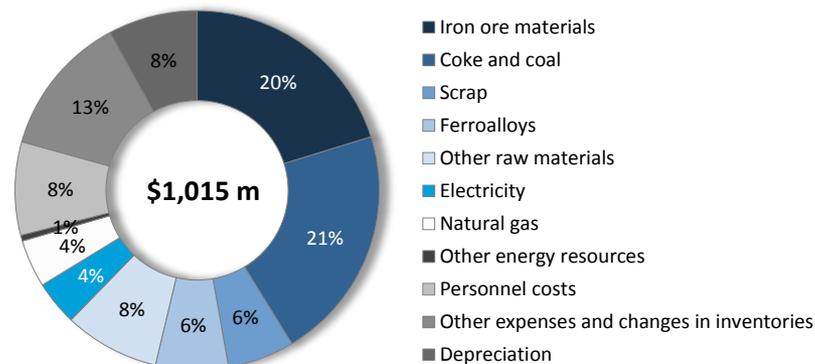


* Revenue from the sale of other products and services

SEGMENT REVENUE AND EBITDA



COST OF SALES IN Q3'15



Improved product mix and lower costs drove profitability up

RUSSIAN LONG PRODUCTS

- **SALES TO 3RD PARTIES DOWN BY 5% QoQ**

- (-) Slowdown in construction & higher customers stocks
- Full utilization rates of NLMK Kaluga
- Urals assets output adjusted to lower regional demand

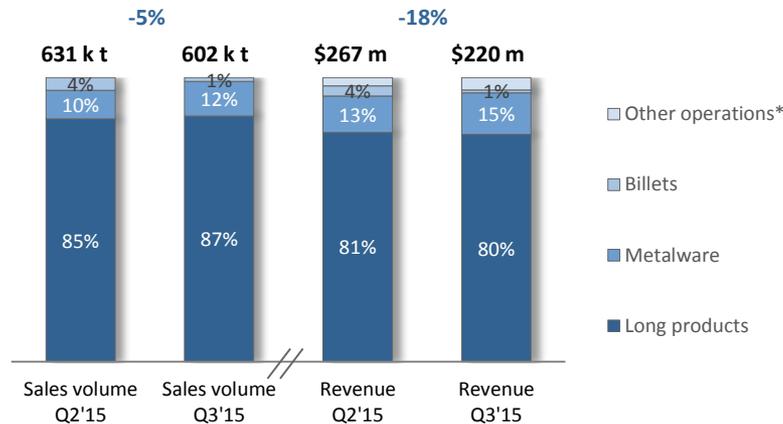
- **EXTERNAL REVENUE DECREASE BY 18% QoQ**

- (-) Decline of long steel prices in Russia
- (-) Decline in sales volumes

- **EBITDA INCREASE TO \$27 M**

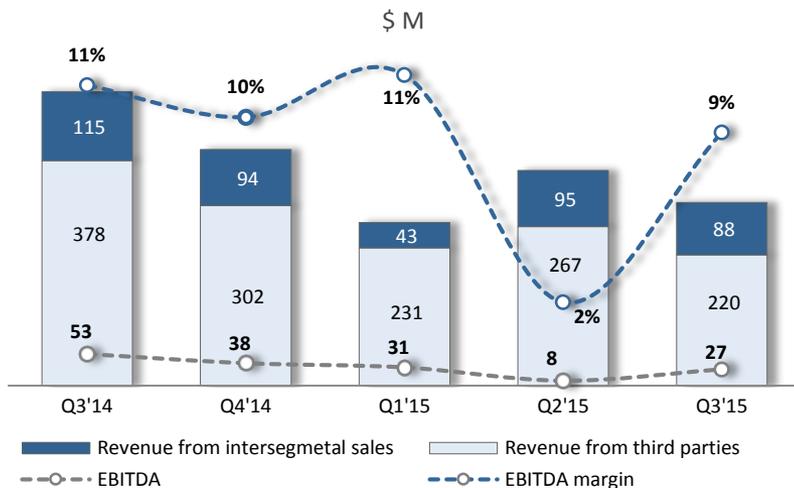
- (+) Widening spreads for long products/scrap prices in rubles
- (+) Operational efficiency program \$15 m, incl. \$5m in Q3'15

SALES & REVENUE FROM 3RD PARTIES

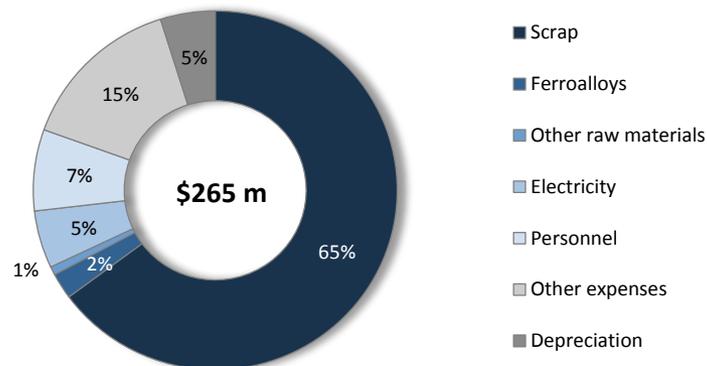


* Revenue from the sale of other products and services

SEGMENT REVENUE AND EBITDA



Q3'15 COST OF SALES



MINING

- SALES VOLUMES UP BY 1% QoQ**

- (+) Recognition of Q2'15 sales
- (+) Sales to Lipetsk site increased by 9% qoq

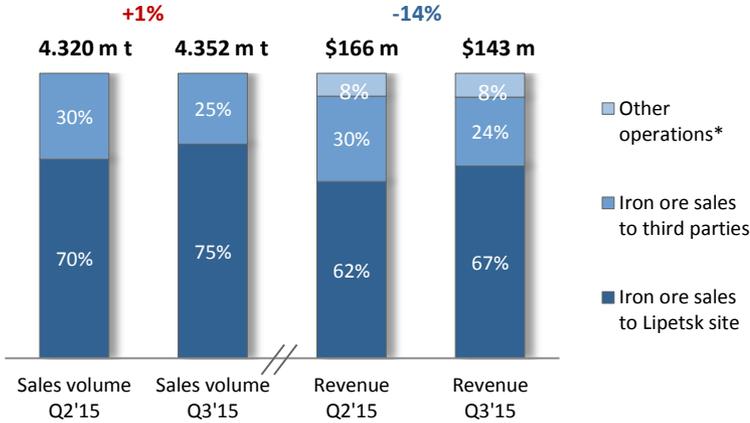
- REVENUE DECREASED BY 14% QoQ**

- (+) Increase of sales volumes
- (-) Decrease of sales prices qoq

- EBITDA MARGIN AT 54%, EBITDA UP TO \$77 M**

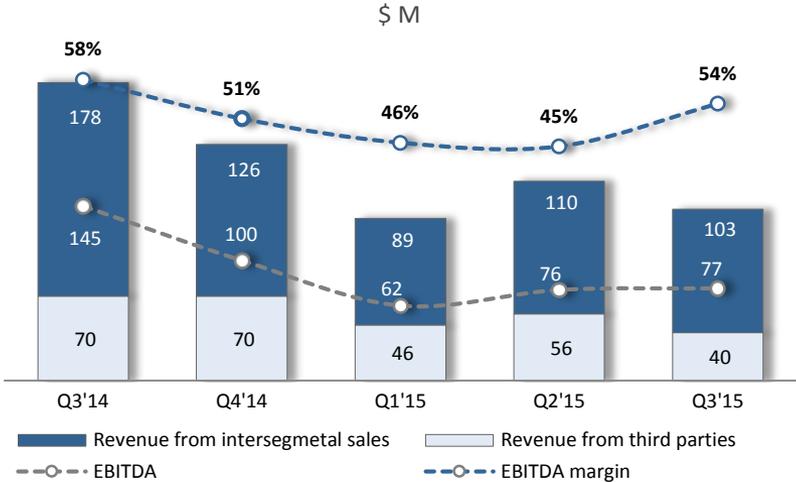
- (+) Increase of domestic sales with higher profitability
- (+) Productivity and efficiency gains of \$11 m, incl. \$6 m in Q3'15

SALES AND REVENUE

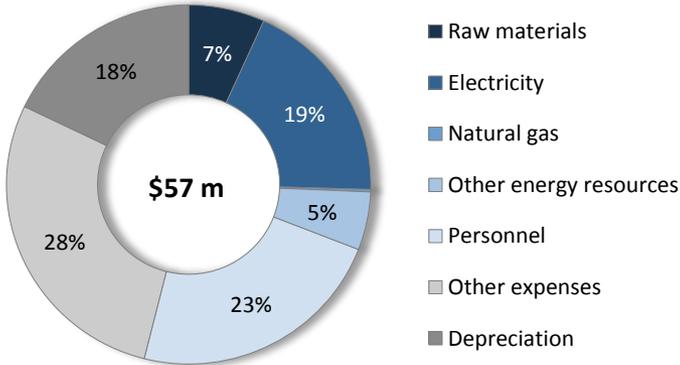


* Other operations include limestone, dolomite and other sales

SEGMENT REVENUE AND EBITDA



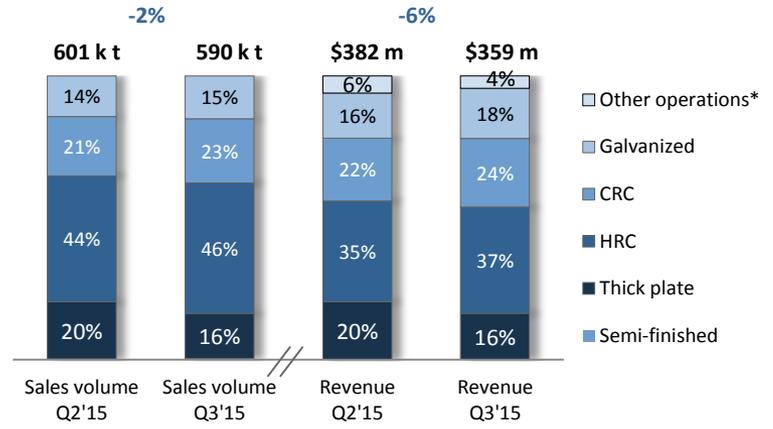
Q3'15 COST OF SALES



FOREIGN ROLLED PRODUCTS

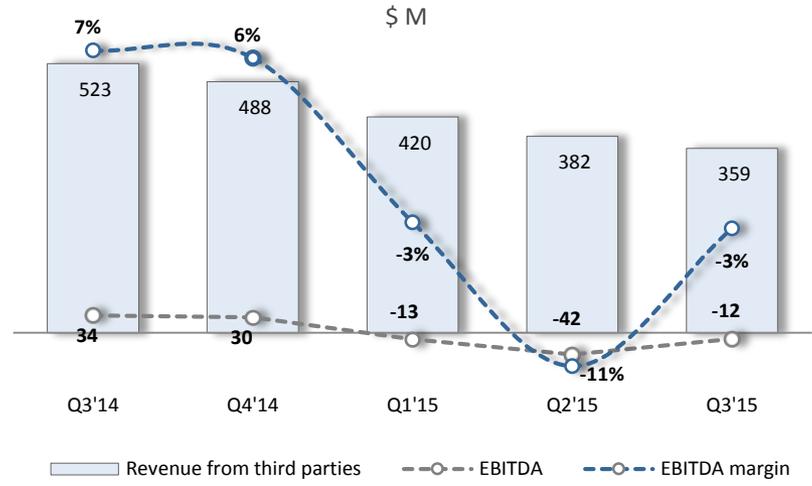
- **SEGMENT SALES DOWN BY 2% QoQ**
 - (-) NLMK Dansteel sales seasonally weaker -22% qoq
 - (+) NLMK USA sales volumes up by 3% qoq to 0.5 Mt driven by re-stocking / stable demand in US market
- **SEGMENT'S PROFITABILITY**
 - (-) Use of expensive slab inventory built up in H2'14
 - (-) Lower prices yoy and seasonally qoq
 - (+) Productivity and efficiency gains of \$12 m, incl \$3 m in Q3'15
- **RESULTS WITH SLABS MARKED TO MARKET: +\$13M**
 - Provided feedstock is revalued at Q3'15 prices

SALES & REVENUE FROM 3RD PARTIES



* Revenue from the sale of other products and services

SEGMENT REVENUE AND EBITDA



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SALES STRUCTURE

- Q3'15: SALES GROWTH BY 3% QoQ TO 4.1MT**

- Finished products sales growth by +7% qoq driven by seasonal recovery on domestic market
- Decrease of semi-finished sales by 5% qoq
- Share of HVA products – 30% (+2 p.p. qoq)

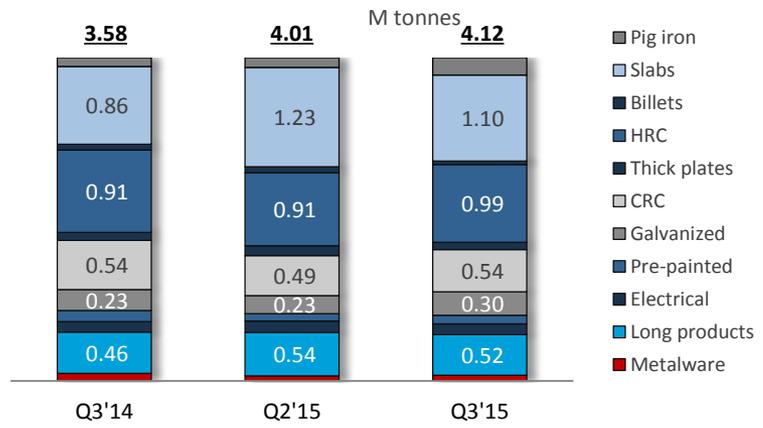
- Q3'15: REVENUE DECREASE BY 6% QoQ TO \$2 BN**

- Increase of finished product share to 68% (+1 p.p. qoq)
- Share of HVA products in revenue – 39% (+2 p.p. qoq)

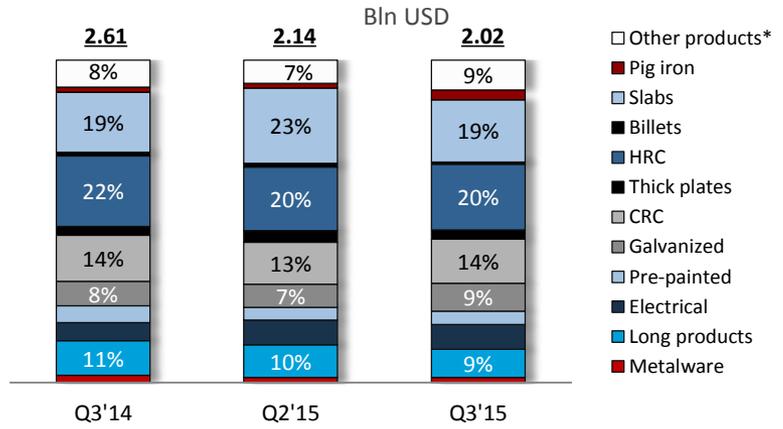
- DECLINE IN PRICES OFFSET BY HIGHER VOLUMES / BETTER PRODUCT MIX**

- **Russia:** prices dropped by 21% qoq (-39% yoy)
- **Russia export:** prices declined by 7% qoq (-29% yoy)
- **Europe:** flat prices qoq (-22% yoy)
- **USA:** prices decreased by 2% qoq (-27% yoy)

SALES STRUCTURE BY PRODUCT



REVENUE BY PRODUCT

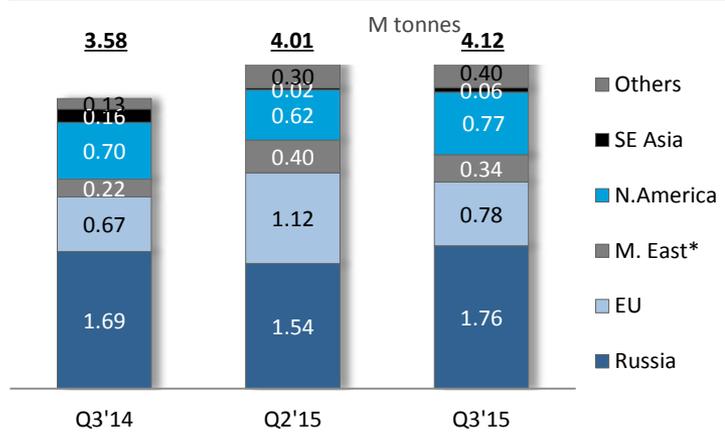


* Revenue from Other operations includes sales of other products (iron ore, coke, scrap and others)

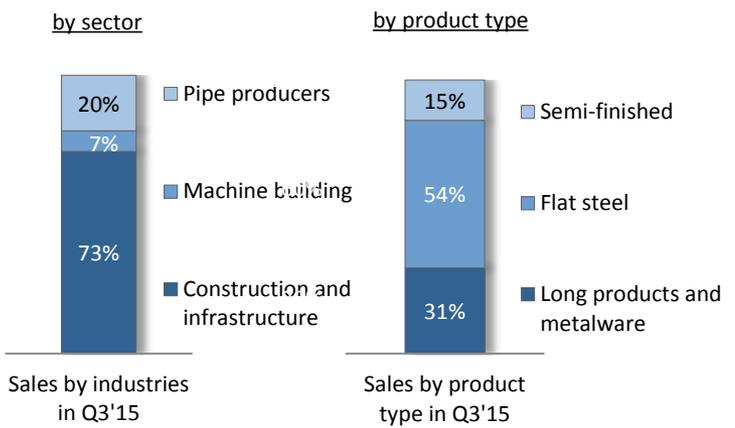
SALES GEOGRAPHY

- **14% QoQ GROWTH IN SALES TO RUSSIA**
 - Sales to Russia increased due to seasonally better demand and lower competition from imports
- **SALES TO GLOBAL MARKETS: 2.4 m t (-4% qoq)**
 - NLMK Europe sales in EU seasonally lower 30% qoq to 0.8Mt
 - Sales in N America jumped by 25% qoq to 0.8 m t due to restocking/better operating performance of local assets
 - Sales to M East and Turkey – 0.3Mt (-16% qoq) given a strong competition from China and CIS

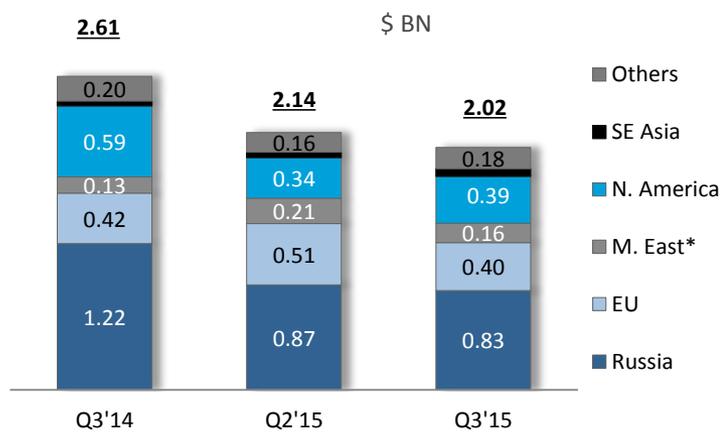
STEEL PRODUCT SALES BY REGION



NLMK SALES TO THE RUSSIAN MARKET



REVENUE BY REGION

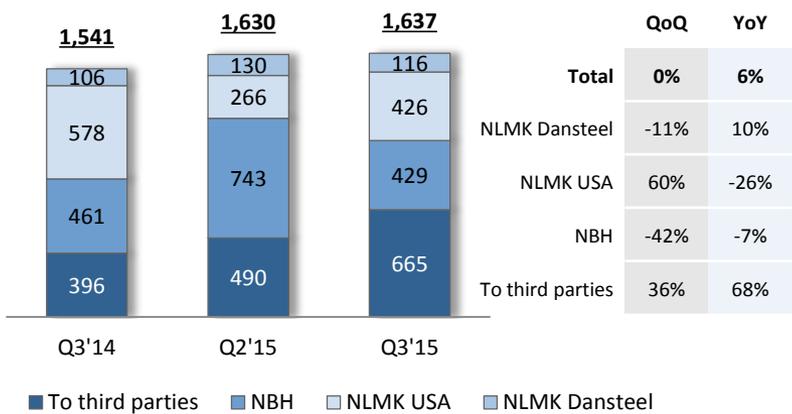


* incl. Turkey

FOREIGN ASSETS PERFORMANCE

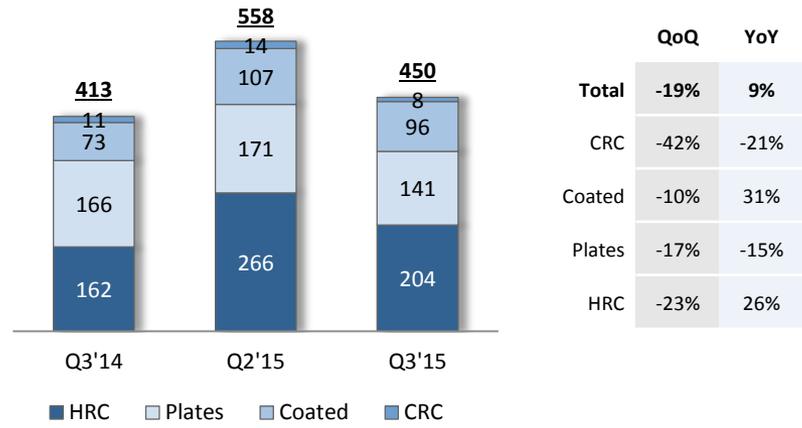
RUSSIAN FLAT PRODUCTS: SLAB SALES

K tonnes



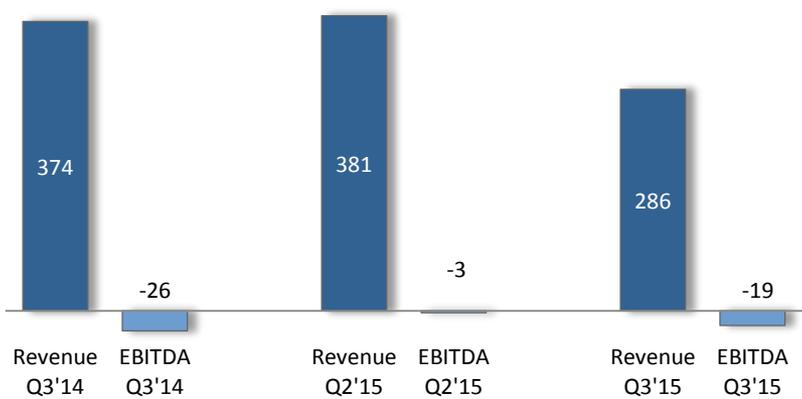
NBH ROLLED PRODUCT SALES

K tonnes



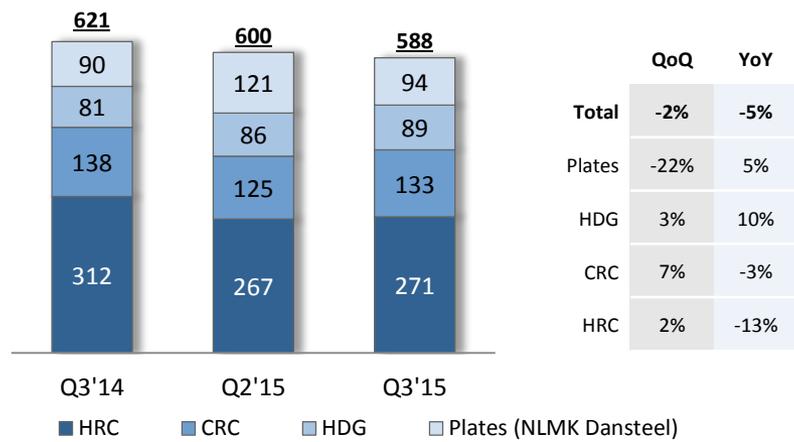
NBH FINANCIAL RESULTS

\$ M

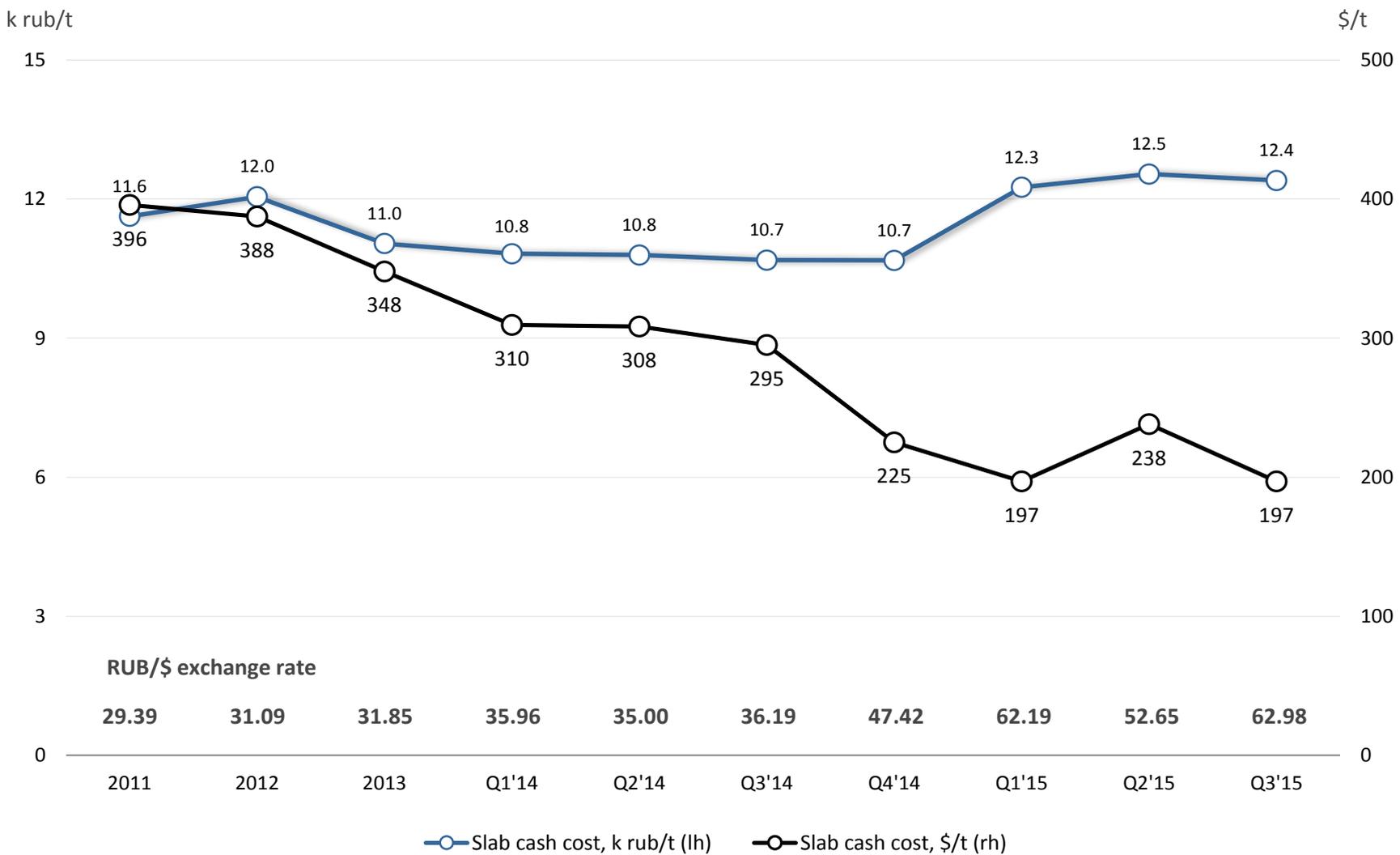


NLMK USA AND NLMK DANSTEEL SALES

K tonnes



CASH COST OF SLAB



Note: consolidated cash cost of slab at Lipetsk site.



Sergey Takhiev
NLMK
Investor Relations

Russia, 115054, Moscow
18, Bakhrushina str, bldg 1
t. +7 495 915 15 75
m.+7 985 760 55 74
st@nlmk.com

www.nlmk.com