



Q4 AND 12M 2015 IFRS RESULTS AND STRATEGY UPDATE

24 March 2016

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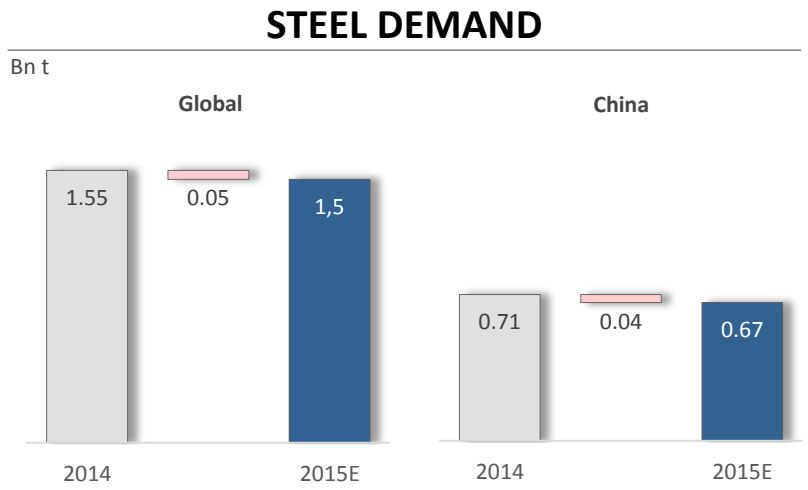
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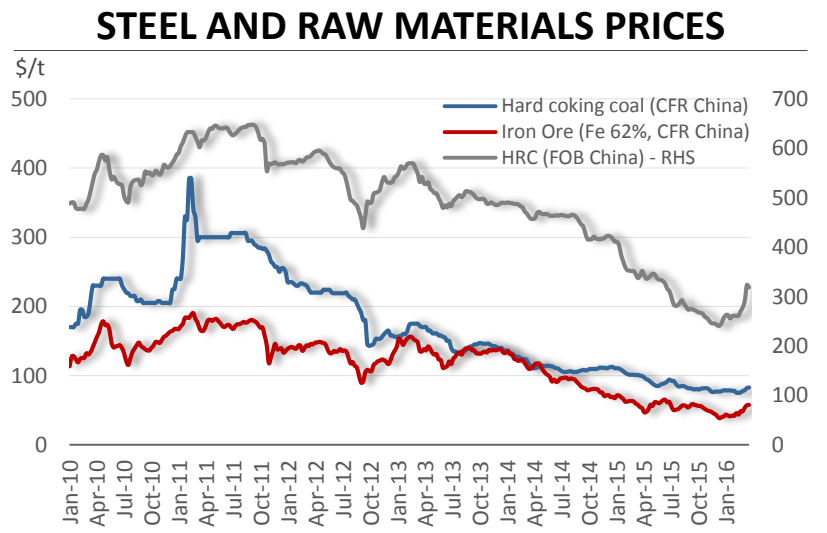
- **1. Market Update and Headline Numbers**
- 2. Strategy Update
- 3. Financial Highlights
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2015 GLOBAL STEEL MARKET TRENDS

- **Global steel demand declined by 3% yoy to 1.5 bn t**
 - Steel demand in China declined by 5% yoy
- **Global steel production declined by 3% yoy to 1.59 bn t**
- **Overcapacity continues driving down steel and raw materials prices**
 - Raw material basket price declined by 33% yoy
 - Steel prices dropped by 30-40% yoy
- **2016 steel demand is expected to further decline by 1% yoy due to China slowdown**



Source: Research agencies. Company estimates.

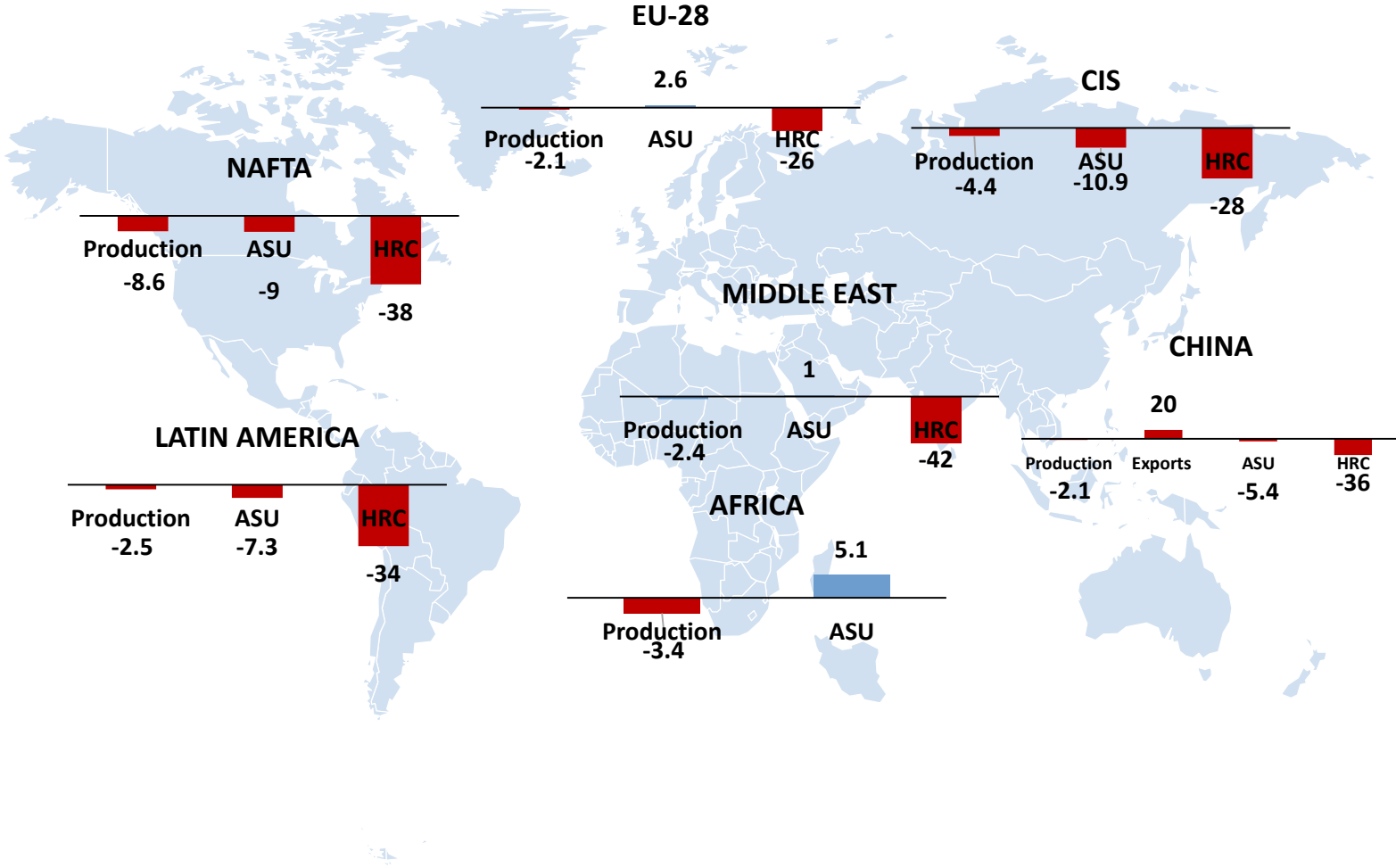


Source: Metal Bulletin

Weak demand and market imbalances pushed steel prices to decade lows

2015 GLOBAL STEEL MARKET LANDSCAPE

Production (Y-o-Y, %), consumption (Y-o-Y, %) and HRC price (Y-o-Y,%) changes in 2015



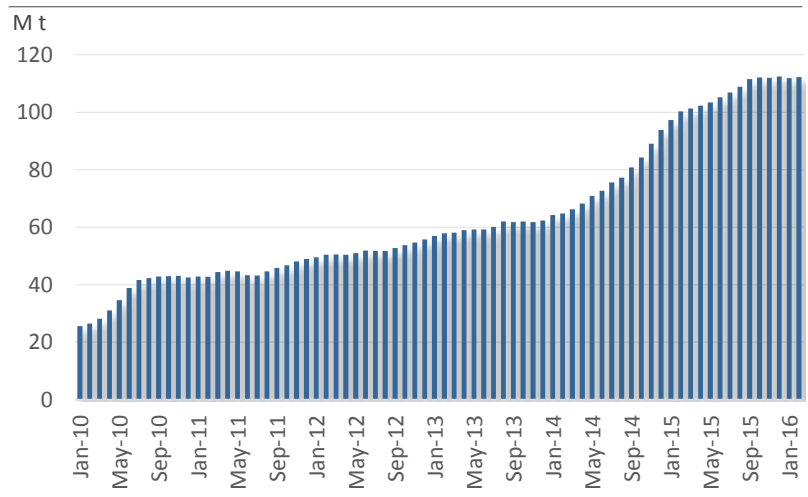
Source: Worldsteel association, Eurofer, NLMK estimates, Metal Bulletin, Metal Expert, Bloomberg

Demand softening across the board aggravated by growing Chinese exports

RISING PROTECTIONISM AROUND THE GLOBE

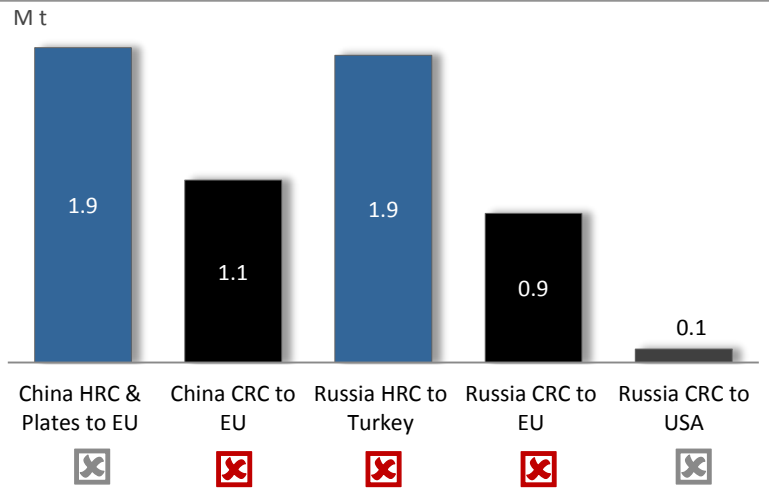
- **2015 Chinese exports soared by 20% yoy to 112 m t**
- **Protectionism is on the rise worldwide**
 - Trade barriers and anti-dumping measures mounted simultaneously with Chinese steel exports buildup
- **3 m t of Russian steel exports at risk due to recently imposed trade barriers**
 - EU (Feb'16): duty against Chinese and Russian CRC
 - EU (Feb'16): A/D investigation against Chinese HRC/Plates
 - Turkey (Jan'16): duty against Russian HRC
 - USA (Mar'15): A/D investigation against Chinese and Russian CRC

LTM TRAILING CHINESE EXPORTS



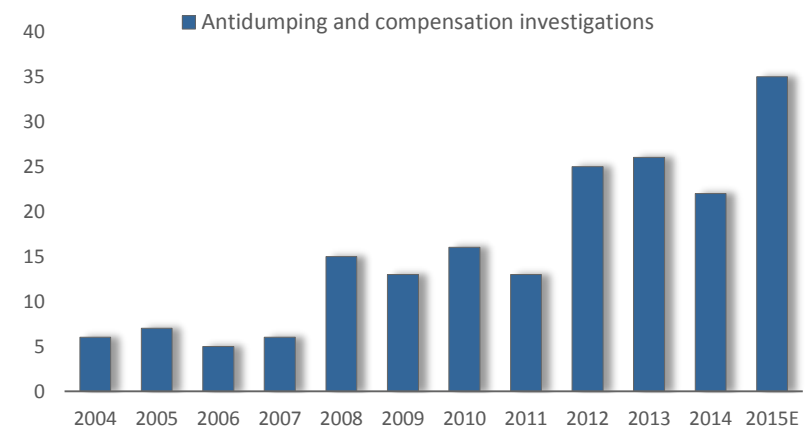
Source: PRC Customs General Administration

RECENTLY AFFECTED PRODUCTS



Source: Metal Expert, Eurostat

NUMBER OF INVESTIGATIONS

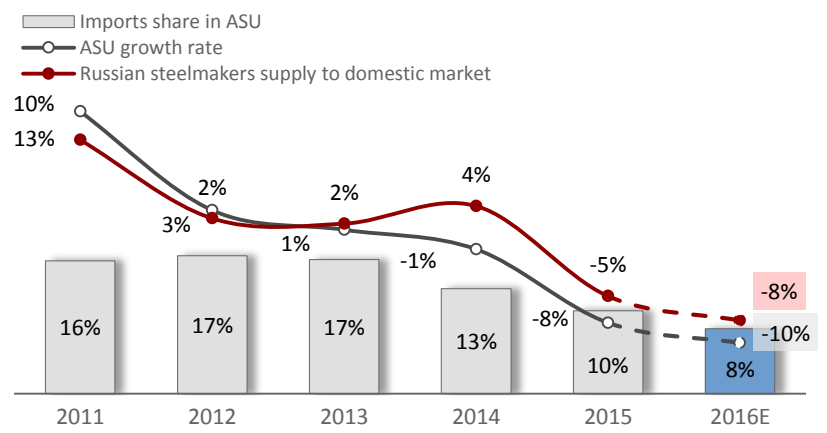


Source: World Bank

2015 RUSSIAN DOMESTIC MARKET TRENDS

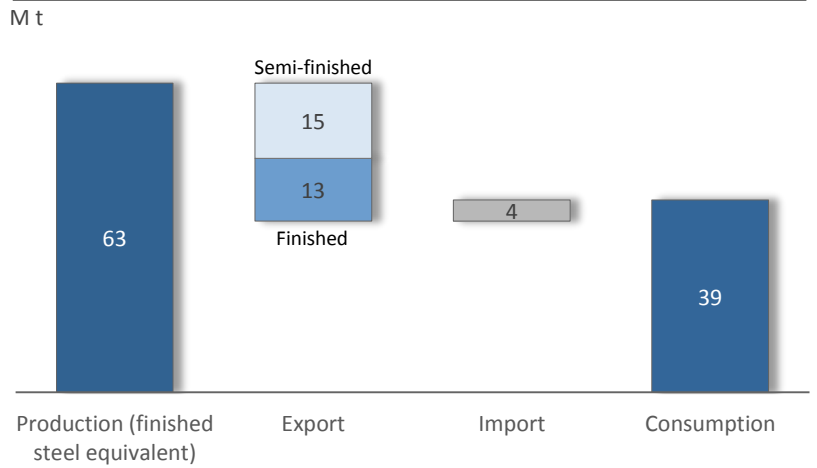
- **Steel demand decreased by 8% yoy to 39.4 m t following decline in fixed assets investment**
 - Flats products demand declined by 7.5% yoy
 - Long products demand declined by 14.5% yoy
 - Demand for pipes increased by 1% yoy mainly driven by domestic LDP projects
- **Russian steel imports down by 1.8 m t (-28% yoy) to 4.5 m t**
 - Imported steel share in consumption reduced to 10%
- **Crude steel output flat at 70.9 m t (-0.6% yoy) due to imports substitution**
- **Domestic HRC price premium \$30-40, in line with historical average**

STEEL CONSUMPTION & SUPPLY TRENDS



Source: Metal Expert, NLMK estimates

RUSSIAN STEEL MARKET BALANCE



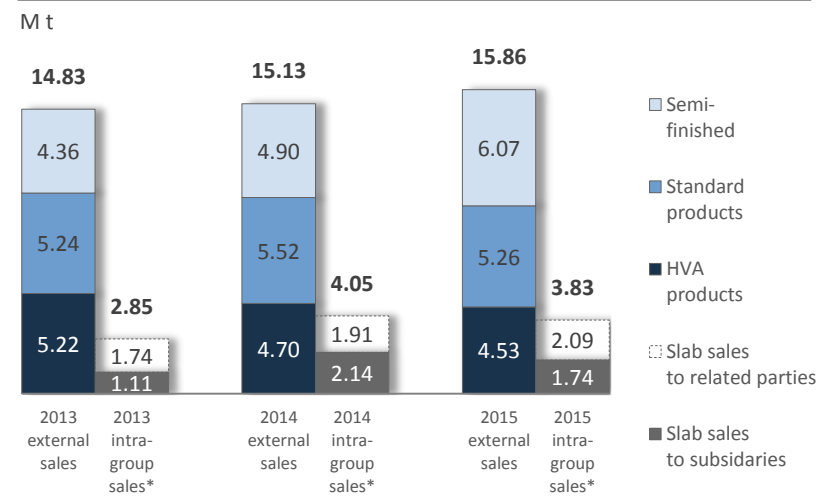
Source: Metal Expert, NLMK estimates

Imports substitution helped local producers to maintain output

NLMK 2015 PRODUCTION AND SALES

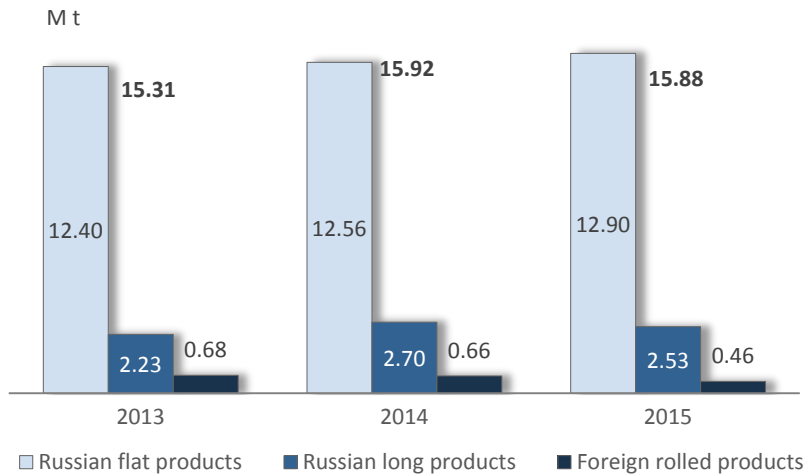
- **Steel sales: 15.9 m t (+5% yoy)**
 - Finished steel sales declined by 4% yoy due to weak Russian domestic market
 - Semi-finished steel sales to third parties grew by 33% yoy
- **Steel output: 15.9 m t (flat yoy)**
 - Output growth at the main site in Lipetsk fully offset production decline at other operations
- **Full utilization of the main production site**
- **Slab sales to international subsidiaries: 3.8 m t (56% of total slab sales)**

SALES STRUCTURE

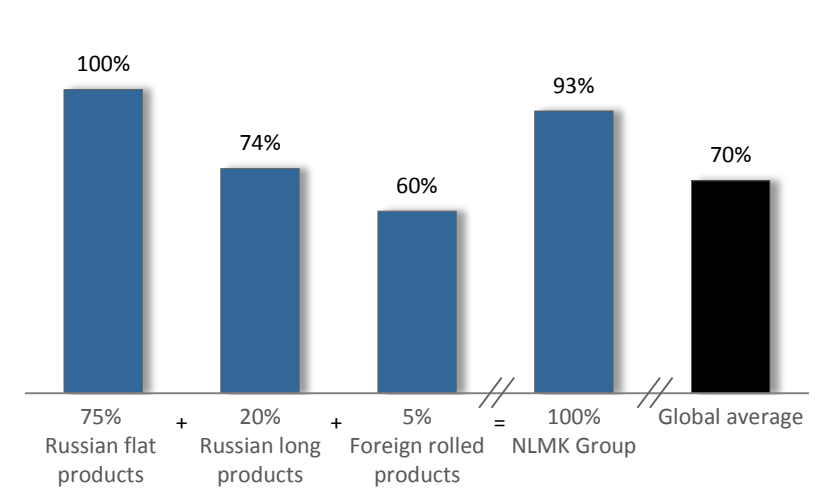


* sales of slabs to NBH (associated company) accounted as sales to the related parties

STEEL PRODUCTION



RUN RATES BY SEGMENT



100% utilization rates at the main production facilities

2015 HEADLINE NUMBERS

FINANCIAL PERFORMANCE

- Revenue: \$8,008 m (-23% yoy)
- EBITDA: \$1,948 m (-18% yoy)
- EBITDA margin: 24% (+1 p.p. yoy)
- Net income: \$967 m (+25% yoy)
- Capex: \$595 m (+6% yoy)
- Free cash flow*: \$997 m (-14% yoy)

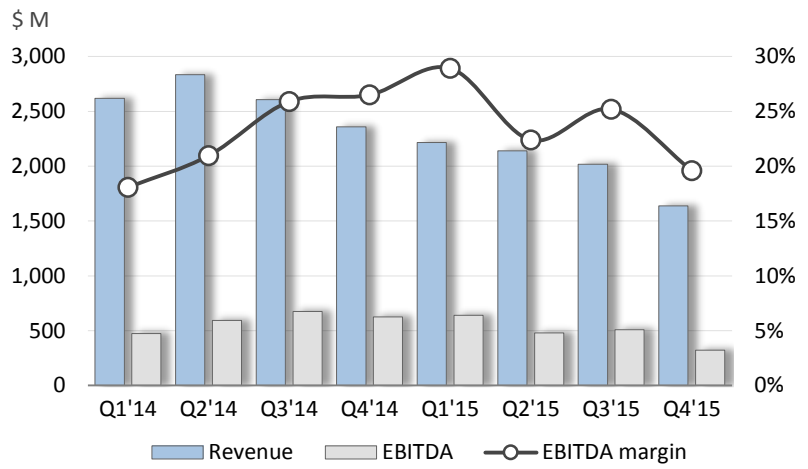
FINANCIAL POSITION AS OF 31/12/2015

- Net Debt: \$1,091 m (-32% yoy)
- Net Debt/EBITDA: 0.56x (0.67x as of 31/12/14)

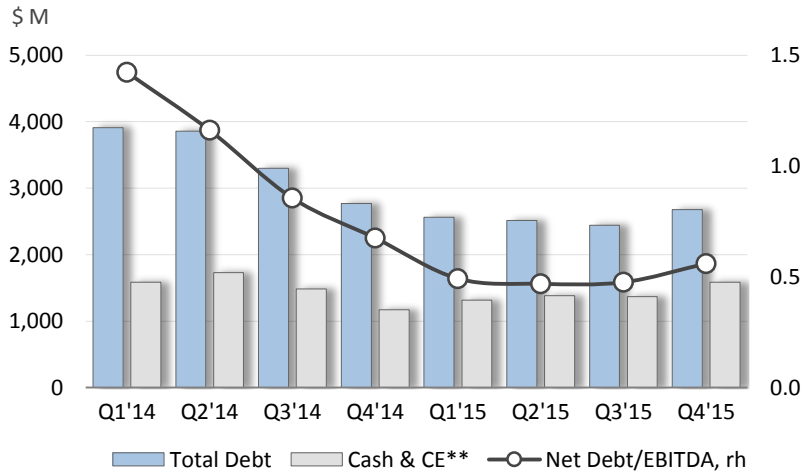
Q4'15 HEADLINE NUMBERS

- Revenue: \$1,637 m (-19% qoq)
- EBITDA: \$321 m (-37% qoq)
- EBITDA margin: 20% (-5 p.p. qoq)
- Net income: \$76 m (-81% qoq)
- Capex: \$150 m (+3% qoq)
- Free cash flow*: \$111 m (-70% qoq)

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

Q1'2016 OUTLOOK

- **MARKET**

- **Global market:** world steel demand will continue declining mainly due to weaker steel consumption in the emerging markets. Steel prices show uneven upward trend as trade barriers and antidumping measures mount in the developed countries discouraging exports
- **Russian market:** Russian steelmakers will face a combination of weak domestic demand, low prices and increasing competition on export markets
- **European market:** steel consumption is anticipated to expand further after steady 3% growth in 2015. Steel prices, however, will be low with a potential to recover after broad protectionist measures take effect
- **US market:** continued expansion in construction activity and car manufacturing to support steel demand. Capacity closures help balance out the market. Protectionist measures start bearing fruits: import continues to deteriorate driving prices up.

- **OPERATIONAL RESULTS**

- Output and sales to be seasonally lower
- Run rate at Lipetsk site will stay above 90%

- **FINANCIAL RESULTS**

- Sharp decline in Russian and European steel prices in Q4'15 coupled with deterioration in the Russian domestic market will weight on financial performance in Q1'16
- Ongoing cost optimization programs to partially offset market impact
- Improving market conditions in the beginning of 2016 will support performance into Q2'16

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STRATEGY 2017: KEY TARGETS

TARGETED ANNUAL NET GAINS IN 2018 VS 2013: \$1,000 M



- ④ Leadership in sustainability & safety
- Minimize environmental footprint
 - Promote safe operating practices
 - Develop motivated and engaged workforce

STRATEGY 2017 TARGETS

- Net gains of \$1.0 bn pa. vs. 2013
- Reduction of annual capex to \$0.9 bn pa.
- Conservative leverage: Net debt/EBITDA of 1.0x
- Stable positive free cashflow
- 30% dividend payout throughout the cycle

Vladimir Lisin
 Capital Markets Day,
 February 2014

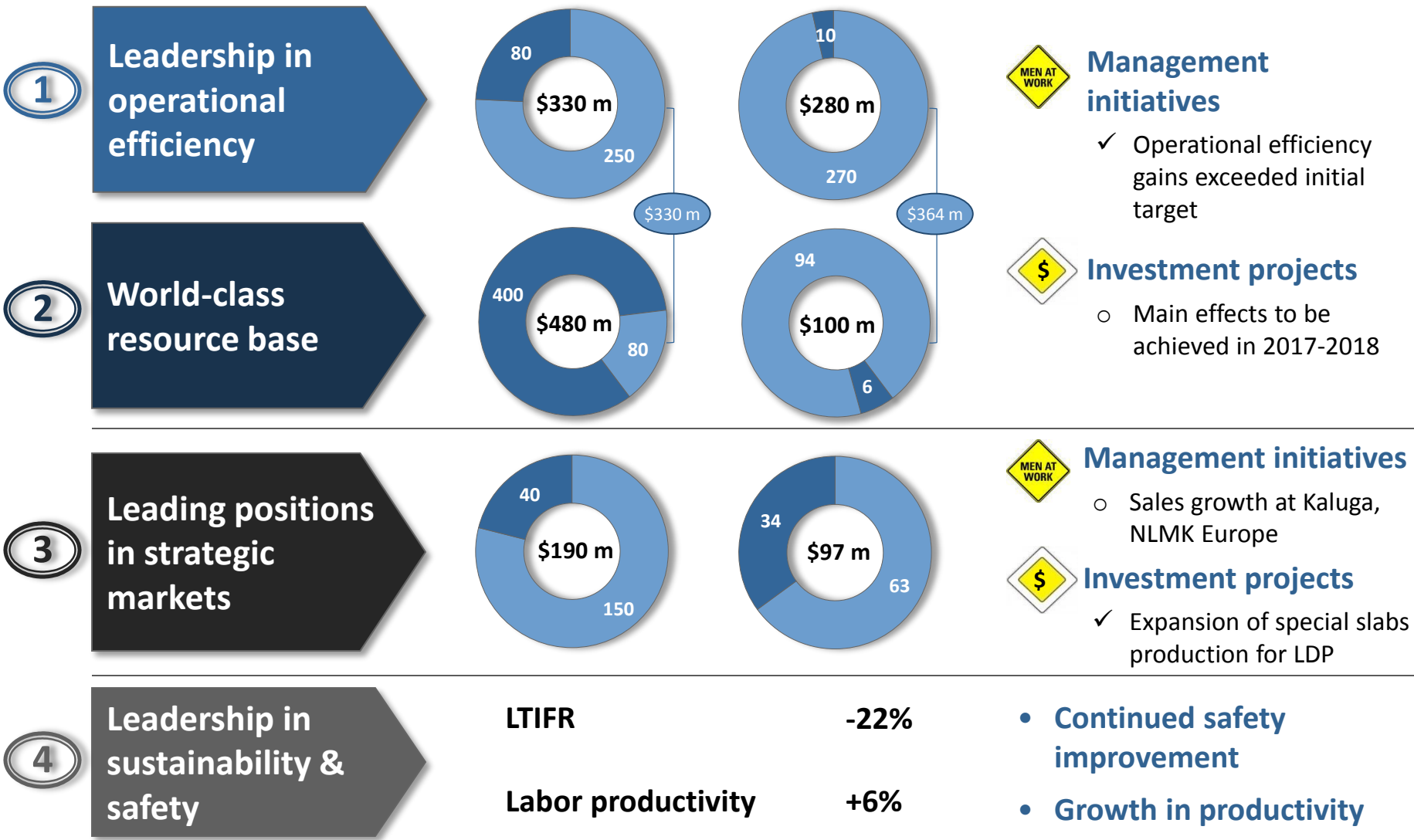
Note: all numbers include NBH unless otherwise stated

■ Management initiatives ■ Investment projects

STRATEGY 2017: 48% OF TARGETED GAINS REALIZED

TARGETED ANNUAL NET GAINS 2018/ 2013: \$1,000 M

GAINS ACHIEVED IN 2014-15: \$477 M



Note: all numbers include NBH unless otherwise stated

■ Management initiatives ■ Investment projects

1 LEADERSHIP IN OPERATIONAL EFFICIENCY

- Continued growth of efficiency projects portfolio

- Over 500 new projects commenced in 2015

- 12M'15 savings: \$197 m (2x 2015 target)

- Russian Flat Products

- Productivity improvements: +325k tpa of slabs and +124k tpa of hot rolled coil output
 - Lower resource utilization: -24 kg/t of coking coal consumption, -4 kg/t of metallics in charge
 - +113 MW/h (+3.2%) growth of energy generation

- Russian Long Products

- Lower consumption of energy and materials
 - Lower scrap use: -12 kg/t of steel at NLMK Kaluga and -7 kg/t at NSMMZ (Urals)

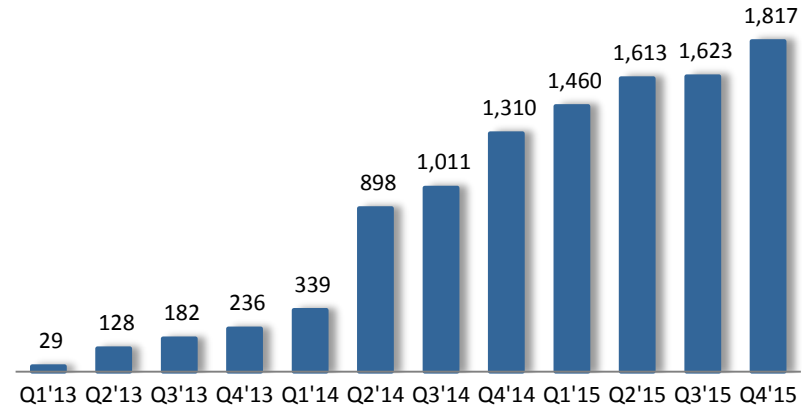
- Mining

- +0.8 Mtpa of iron ore concentrate production

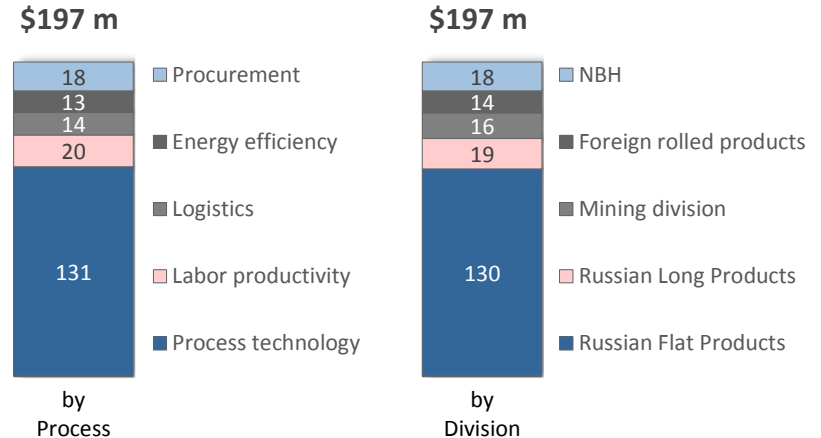
- International operations

- Best ever productivity and quality at EU Flat Products
 - Lower scrap use at NLMK USA: -12 kg/t of steel
 - Headcount optimization

GROWING NUMBER OF EFFICIENCY PROJECTS



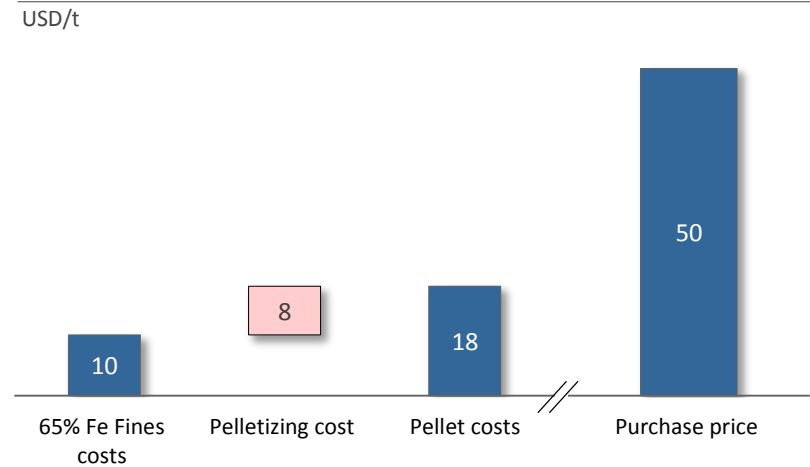
2015 OPERATIONAL EFFICIENCY GAINS



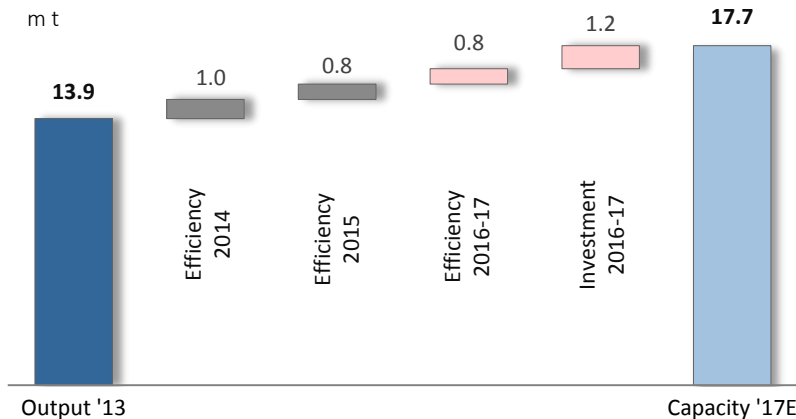
2 WORLD CLASS RESOURCE BASE

- **Stoilensky pellet plant to be commissioned in H2'16**
 - Capex of \$650 m (74% invested as of December 2015)
 - +\$30 m of gains to be achieved in 2016 (1.0 mt of pellets)
 - Annual gains of \$180 m to be fully achieved in 2017
- **Stoilensky mine development**
 - +2.0 m tpa of additional iron ore (IO) concentrate capacity in 2016-17 as a low capex option (c. \$120 m)
- **PCI technology to cover 100% of BF capacity in 2017**
- **Briquetting plant of 0.7 m tpa in 2018**
 - -0.5 m t of pellets and -70 kt coke consumption
 - +0.4 m t of Fe waste consumption

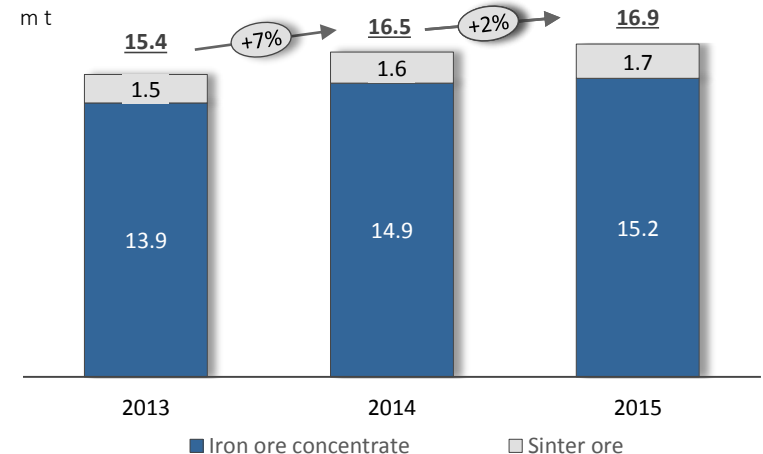
PELLETIZING PLANT ECONOMICS



IO CONCENTRATE CAPACITY GROWTH*



IRON ORE OUTPUT GROWTH

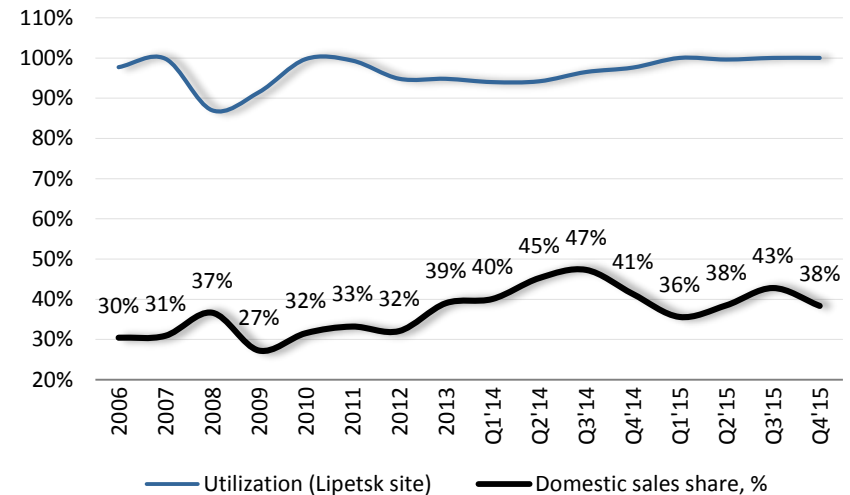


* By the end of 2017 total capacity of Stoilensky might be negatively impacted by 0.4Mt due to external factors, such as lower quality of iron ore

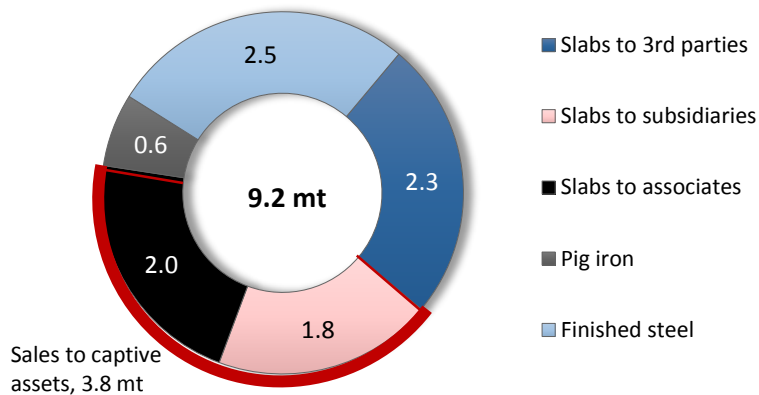
3 LEADERSHIP IN STRATEGIC MARKETS

- **Flexible sales structure drew sales up 5% YoY**
 - Actively managed sales with domestic sales share fluctuating between 30% and 50% through the cycle
- **Diversified product mix**
 - Russian market is strategic for downstream products
 - 75% of exports are not exposed to trade barriers
 - Up to 75% of slabs exports shipped to captive re-rollers
- **Growth in value added and niche product sales**
 - +27% yoy growth in special slab sales to LDP producers
 - NLMK Europe sales up 10% yoy
 - +120 kt of HDG in Q1'16 after HDG#1 line ramped-up

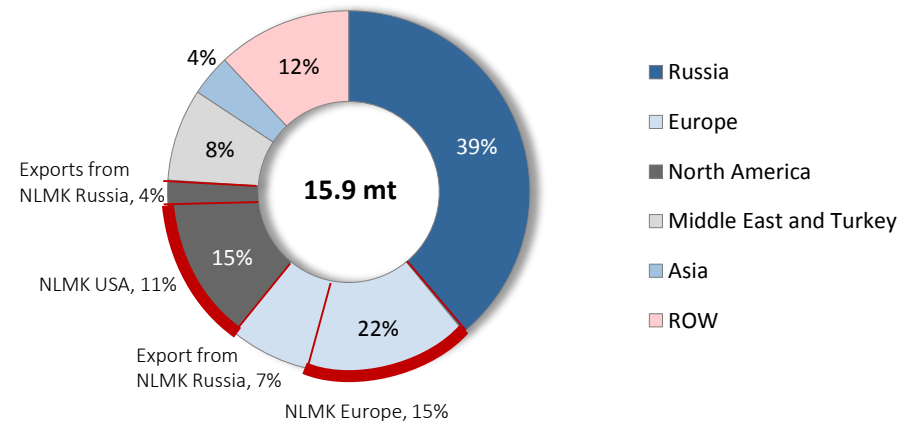
RUN RATE AND DOMESTIC SALES SHARE



EXPORTS FROM RUSSIAN ASSETS, 2015



SALES STRUCTURE BY REGIONS, 2015



4 LEADERSHIP IN SUSTAINABILITY AND SAFETY

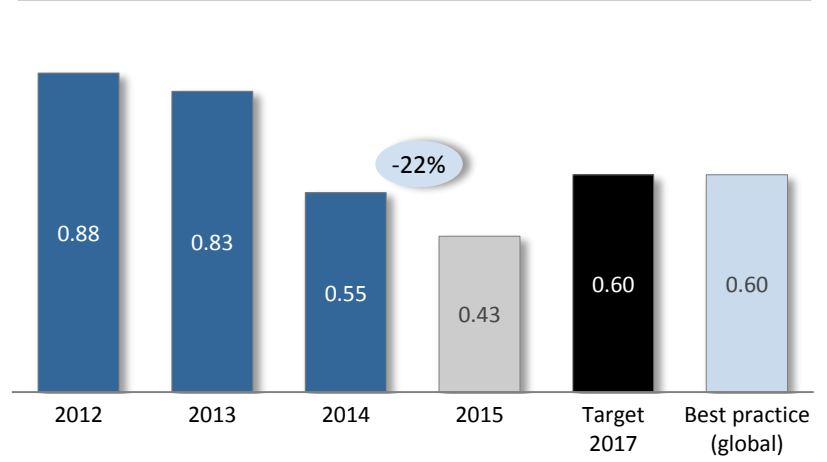
Relentless focus on safe operating practices

- Russian operations LTIFR* down by 22% yoy (at or better than global best practice level)
- Proactive management of risks to life and health of employees and contractors
- 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

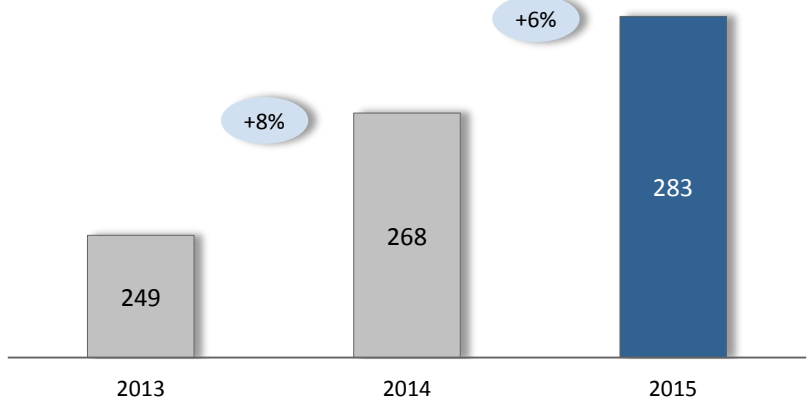
- Air emissions at the main integrated plant reduced by 1% while output increased

LTIFR*, RUSSIAN ASSETS



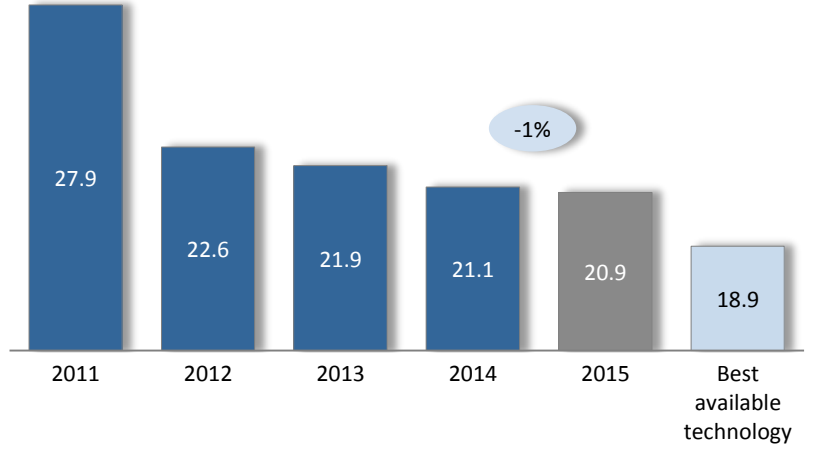
LABOR PRODUCTIVITY**

tonne of steel/employee



AIR EMISSIONS, RUSSIAN ASSETS

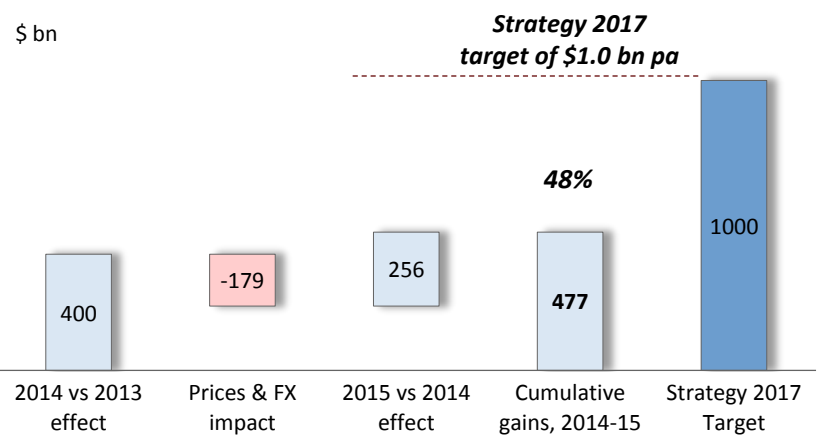
Kg/t of steel



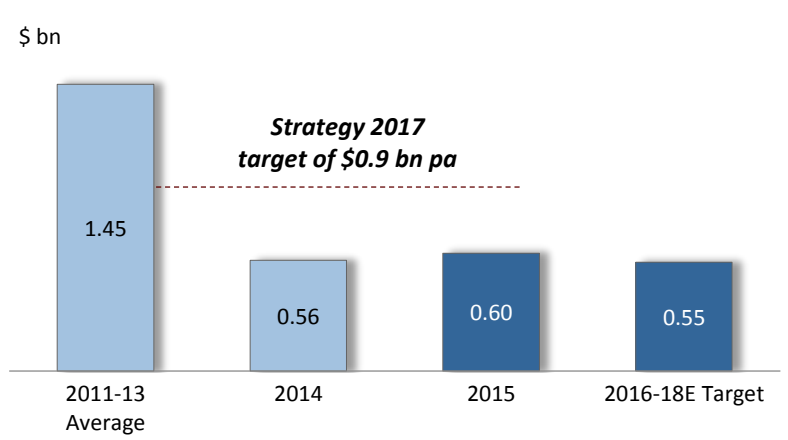
* LTIFR – Lost Time Injury Frequency Rate (per 1 mln man-hours worked). Russian assets include Russian Flat Products, Russian Long Products, Mining
 ** Productivity calculated as steel output divided by the number of employees

STRATEGY 2017: EXECUTION CHECKPOINT

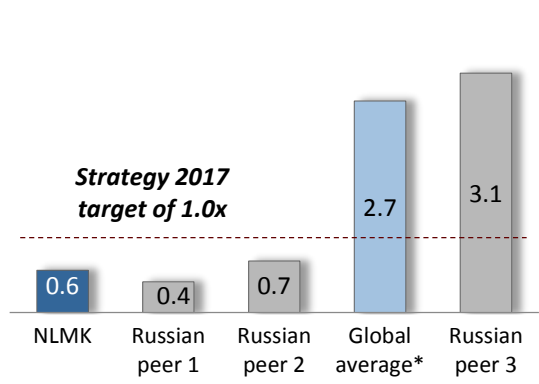
✓ ANNUAL GAINS BUILDUP VS. 2013



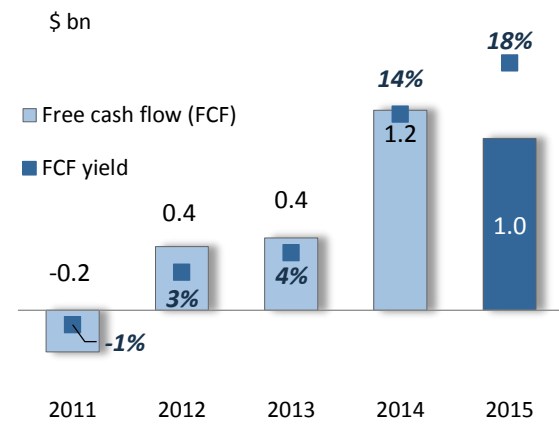
✓ CAPEX REDUCTION



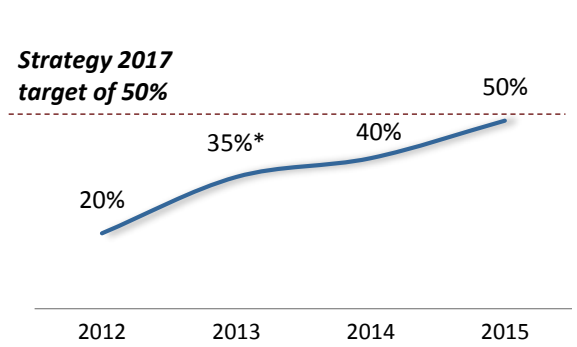
✓ CONSERVATIVE LEVERAGE



✓ STABLE POSITIVE FCF*



✓ HIGHER DIVIDEND PAYOUT



Source: Latest reported financials
* Based on Bloomberg Intelligence global steel producers index

*Free cash flow (available to shareholders and creditors) = operational cash flow minus capex minus net interest payments
FCF yield = Free cash flow / market cap

* In 2013 US GAAP consolidated net profit adjusted for one-off non-monetary factors (creation of reserves), and for expenses related to previous periods

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Q4'15 PROFITABILITY

- **EBITDA down by 37% QoQ to \$321 m**

- Driven by narrowed spreads between raw material and steel products prices

- **Russian Flat Products**

- (-) Weak demand in Russian market
- (-) Lower steel prices

- **Russian Long Products**

- (-) Sharp decline in demand for long products in Russia
- (-) Scrap/rebar spreads narrowing

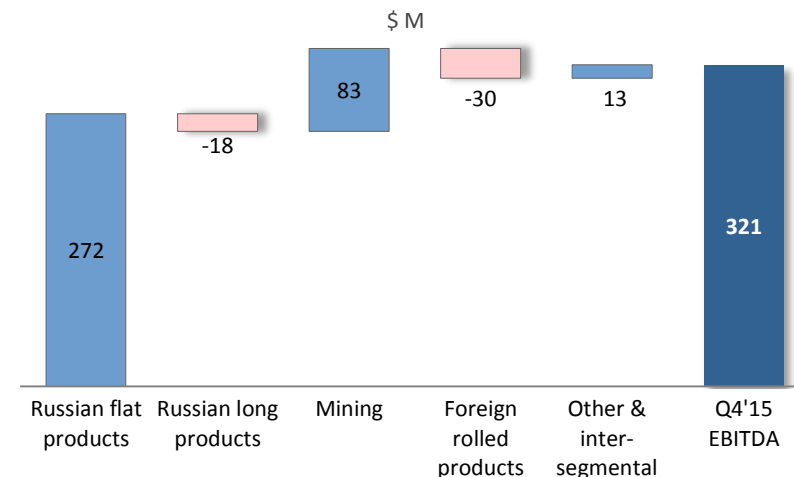
- **Mining**

- (+) Stabilization of iron ore prices
- (+) Increase in sales volumes

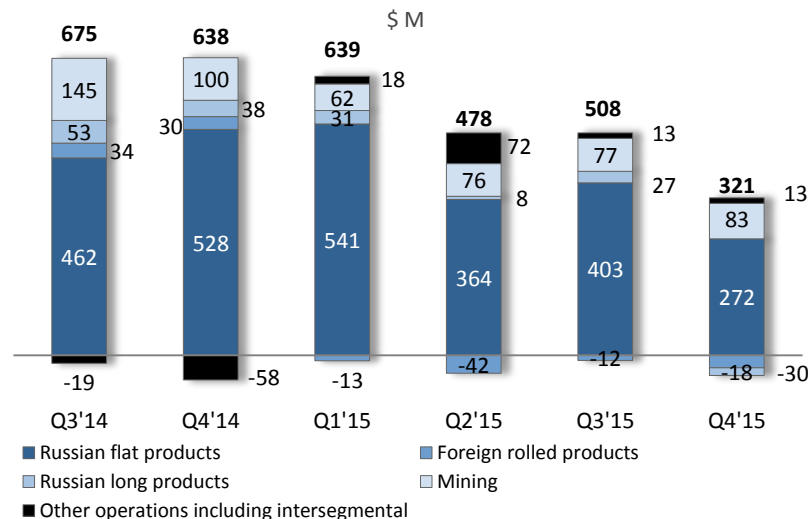
- **Foreign Rolled Products**

- (-) Demand implosion from the shale oil and gas industry in US
- (-) Softened steel prices
- (-) Continued consumption of accumulated slab stock at higher prices and revaluation of slab inventories (one-off factor)

Q4'15 EBITDA BY SEGMENT



EBITDA CHANGE BY SEGMENT (QOQ)



CASH FLOW

- **Q4'15 Net Operating Cash Flow: \$246 M**

- Neutral net working capital change – optimization measures fully offset of seasonal increase in material stocks (scrap, slabs, etc.)
- Q4'15 capex: \$150 m

- **Q4'15: Free Cash Flow: \$111 M**

- Base for dividends payout

- **12M'15 Net Operating Cash Flow: \$1,651 M**

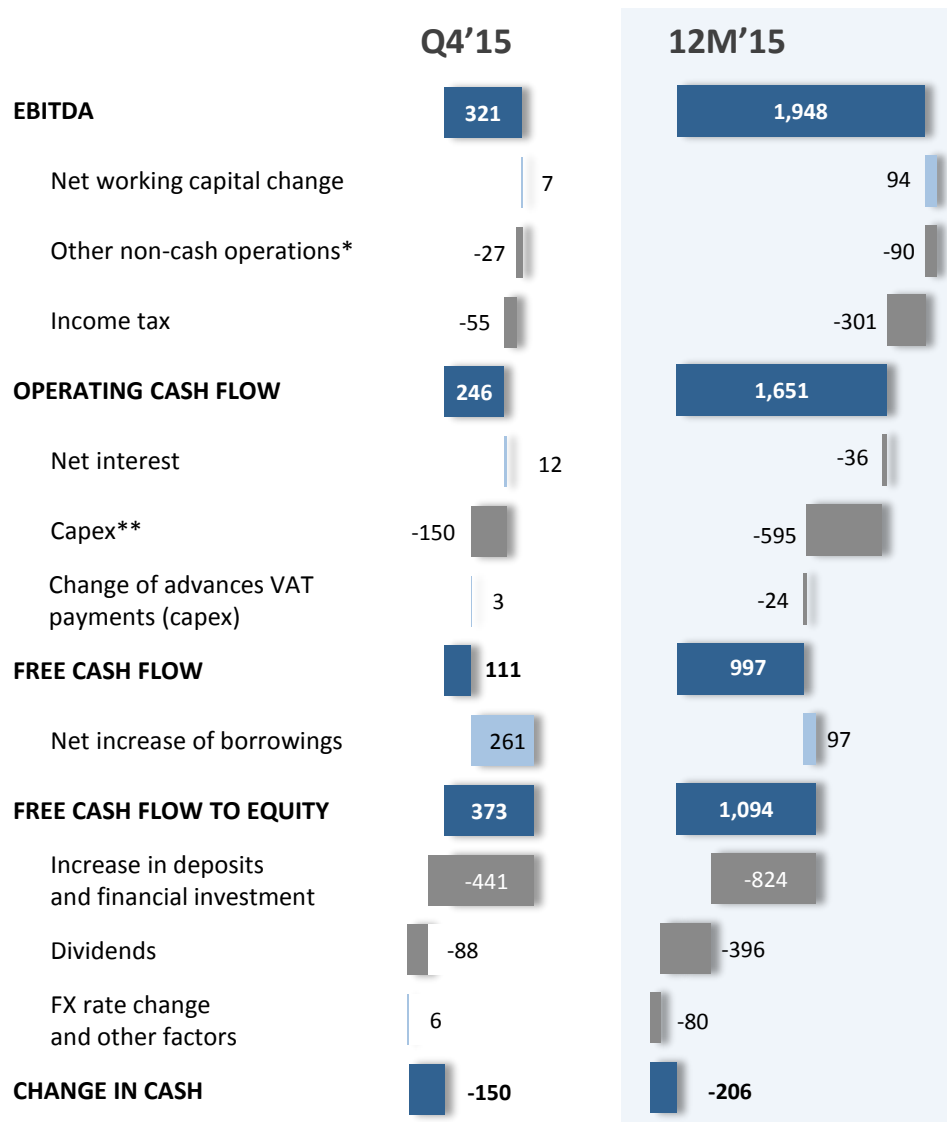
- \$90 M w/c release driven by destocking on foreign assets and optimization measures

- **12M'15 Conservative Capex: \$595 M**

- In line with Strategy 2017 guided capex
- Focus on strategic projects

- **12M'15 Free Cash Flow: \$1 Bn**

CASH FLOW BRIDGE, \$M



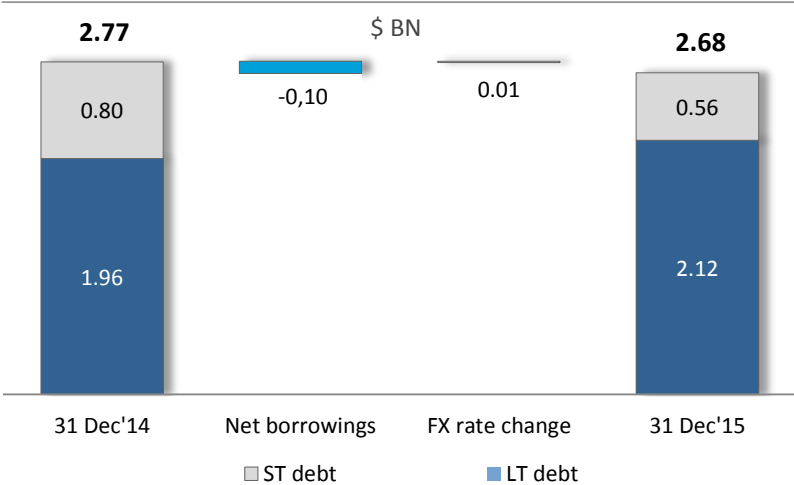
* Foreign currency exchange gains, other income/(expenses)

** Including capitalized interest of \$8 m for Q4 and of \$51 m for 12M'15

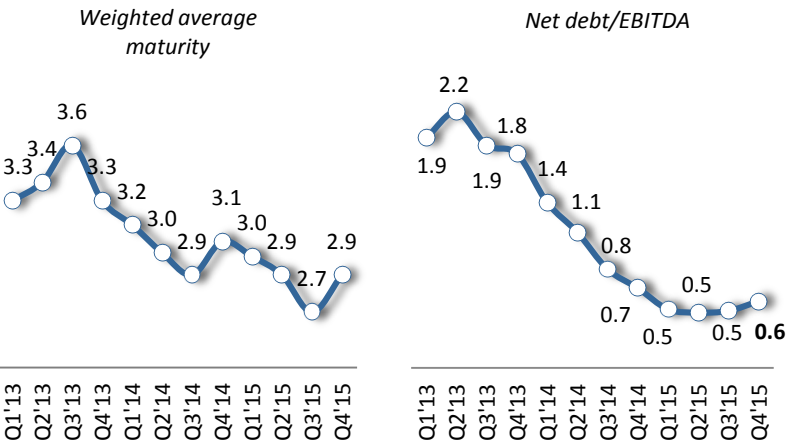
DEBT POSITION

- **Net debt reduction 32% yoy**
 - Net Debt: \$1.09 bn (+2% qoq, -32% yoy)
 - Total debt: \$2.68 bn (+10% qoq, -3% yoy)
- **Strong liquidity maintained**
 - Cash and equivalents*: \$1.59 bn (+16% qoq, +35% yoy)
- **NET DEBT / 12M EBITDA: 0.56x (-0.11 p. yoy)**
- **Active debt portfolio management**
 - 10Y RUB 5 bn bonds at 11.1% rate with 2Y put option
 - 4Y \$400 m PXF facility

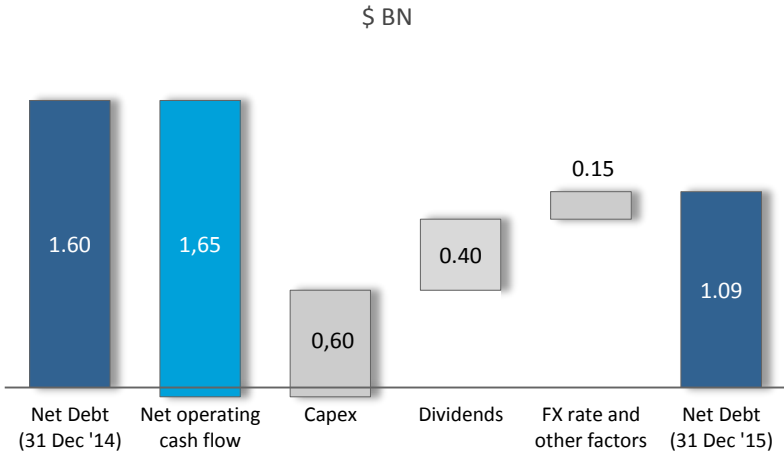
CHANGE IN DEBT IN 2015



DEBT MATURITY AND LEVERAGE



NET DEBT CHANGE IN 2015

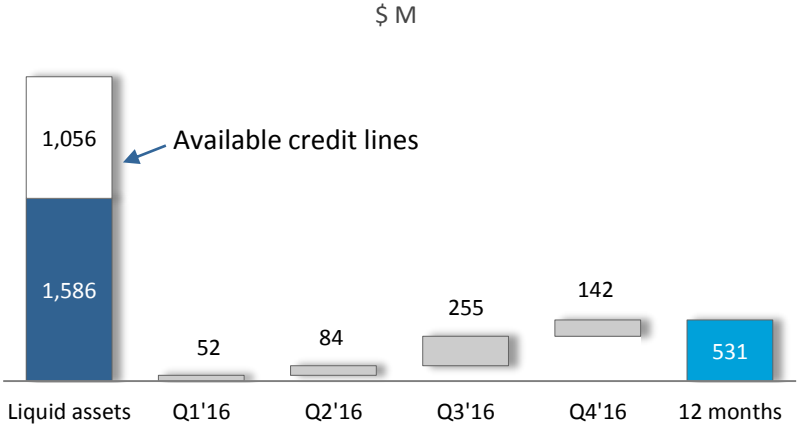


* Cash and cash equivalents and short term investments

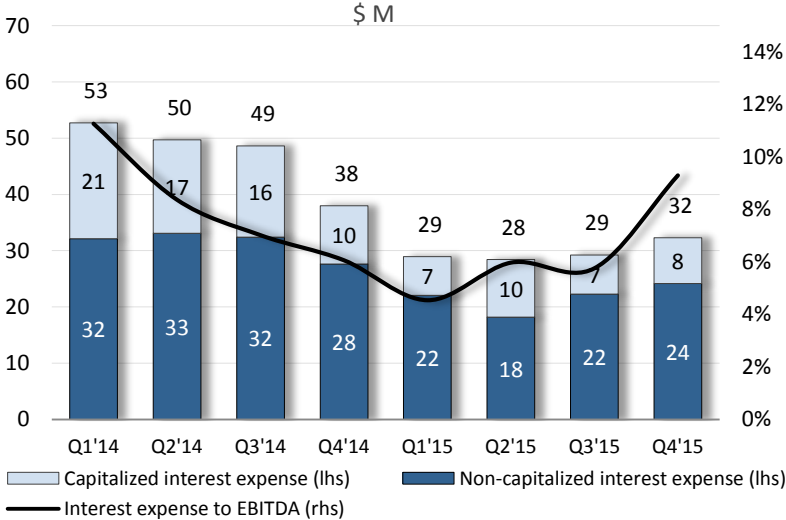
LIQUIDITY AND DEBT MATURITY PROFILE

- Strong liquidity position of \$1.59 bn
- Comfortable debt maturity profile
 - ST debt \$0.53 bn** incl. revolving credit lines for working capital financing, ruble bonds, short term part of ECA-backed financing
 - LT debt \$2.12 bn, incl. Eurobonds, ruble bonds, PXF and long term part of ECA-backed financing
- 2015 interest expense below 7% of EBITDA

LIQUIDITY AND ST-DEBT PAYMENTS**

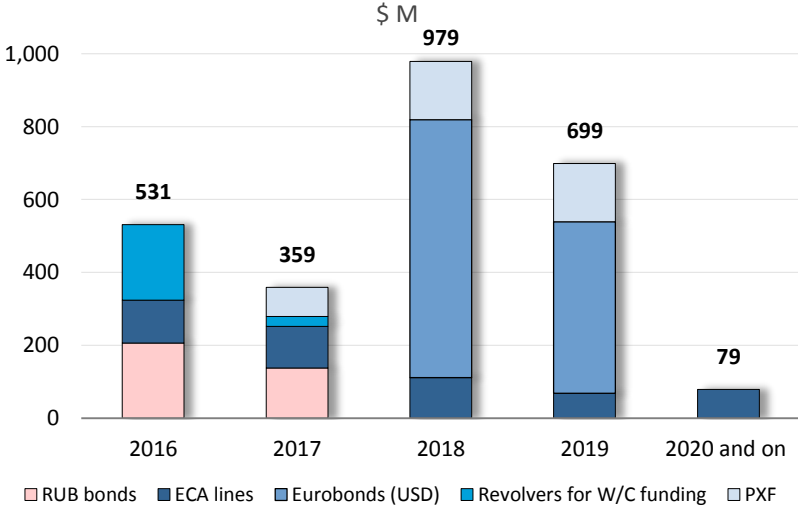


INTEREST EXPENSES*



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

DEBT MATURITY**



** Payments without interest accrued

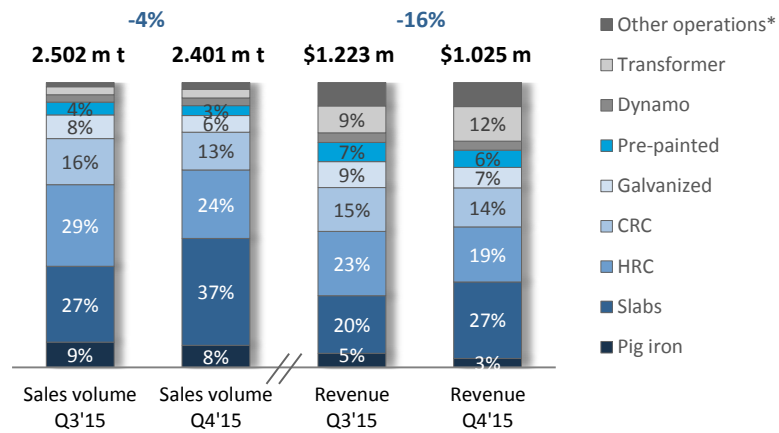
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RUSSIAN FLAT PRODUCTS

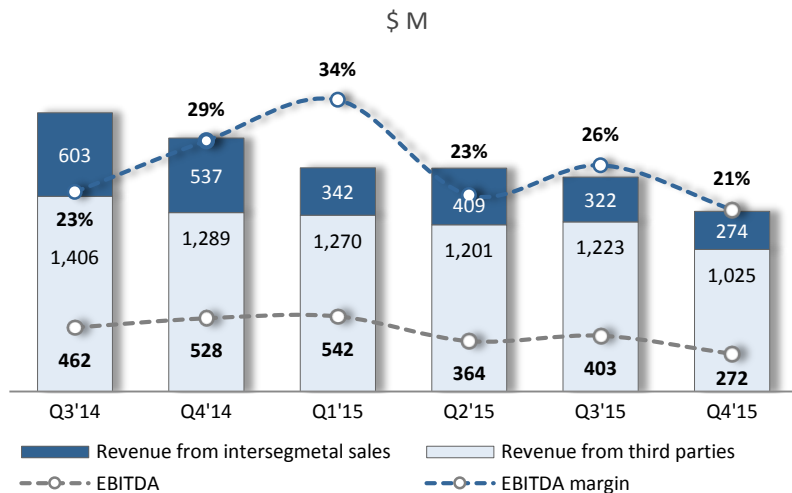
- Sales to 3rd parties down by 4% qoq
 - (-) Seasonal decrease in demand for flat steel in Russia
 - (+) Semi-finished steel sales up 22% QoQ
- External revenue decrease by 16% qoq
 - (-) Decrease of sales volumes
 - (-) Steel prices deterioration
- EBITDA reduction to \$272 m
 - (-) Higher share semi-finished products
 - (-) Narrowing of price spreads
 - (+) Operational efficiency gains of \$24 m in Q4'15

SALES & REVENUE FROM 3RD PARTIES

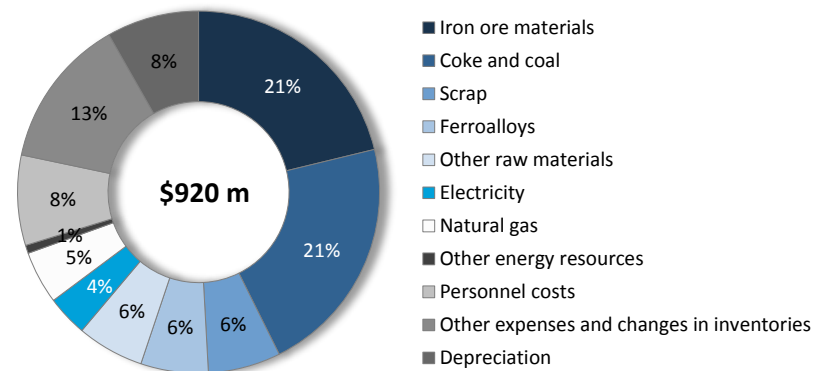


* Revenue from the sale of other products and services

SEGMENT REVENUE AND EBITDA



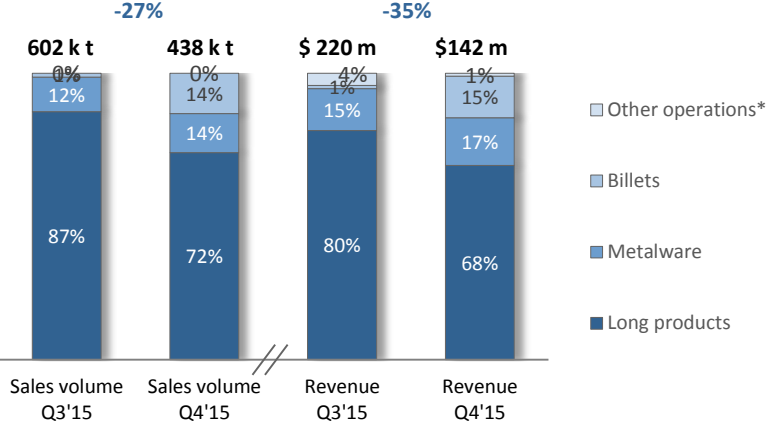
COST OF SALES IN Q4'15



RUSSIAN LONG PRODUCTS

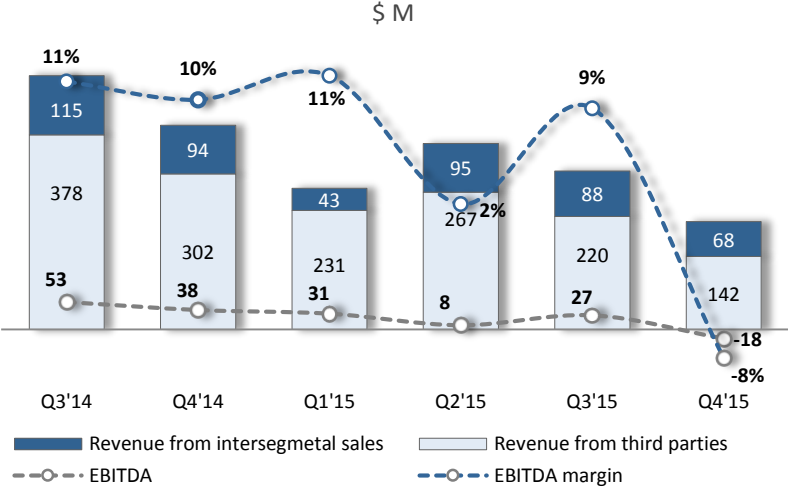
- Sales to 3rd parties down by 27% qoq
 - (-) Seasonal slowdown in Russian construction
- External revenue reduction by 35% qoq
- EBITDA decline to (-) \$18 m
 - (-) Narrowing spreads for long products/scrap prices
 - (+) Operational efficiency gains of \$4 M in Q4'15

SALES & REVENUE FROM 3RD PARTIES

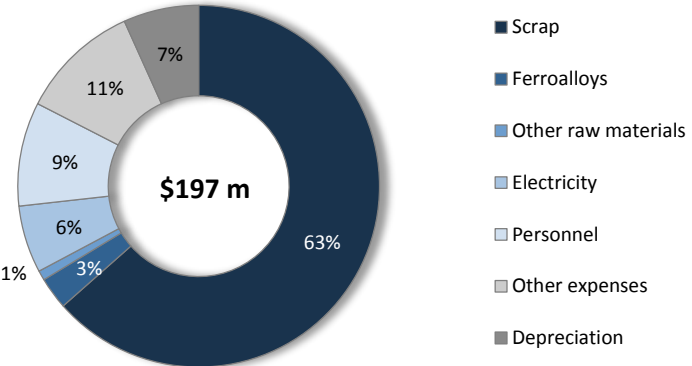


* Revenue from the sale of other products and services

SEGMENT REVENUE AND EBITDA



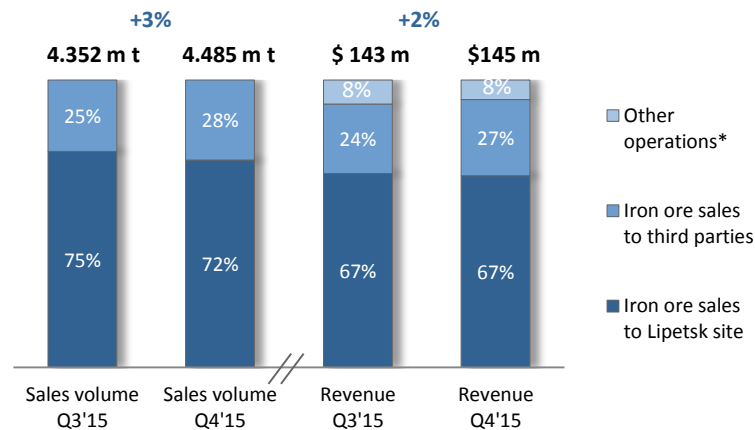
COST OF SALES IN Q4'15



MINING

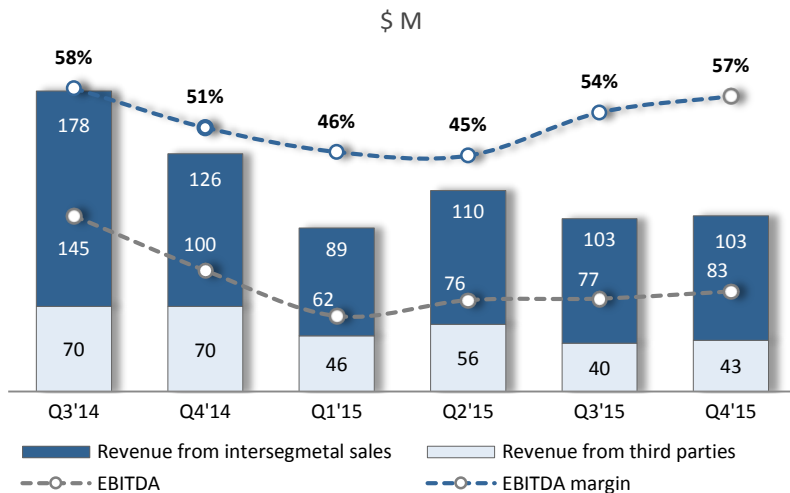
- **Sales volumes up by 3% qoq**
 - (+) Productivity improvement
- **Revenue increased by 2% qoq**
 - (+) Growing sales volumes
 - (+) Stabilization of iron ore prices QoQ
- **EBITDA Margin at 57%, EBITDA up to \$83 m**
 - (+) Improved cost base due to ruble devaluation
 - (+) Productivity and efficiency gains of \$5 m in Q4'15

SALES AND REVENUE

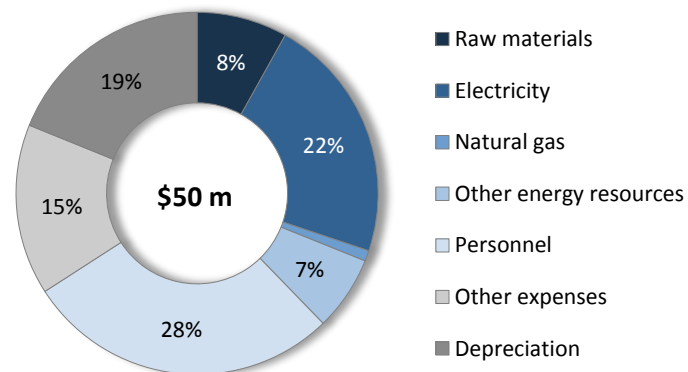


* Other operations include limestone, dolomite and other sales

SEGMENT REVENUE AND EBITDA



COST OF SALES IN Q4'15

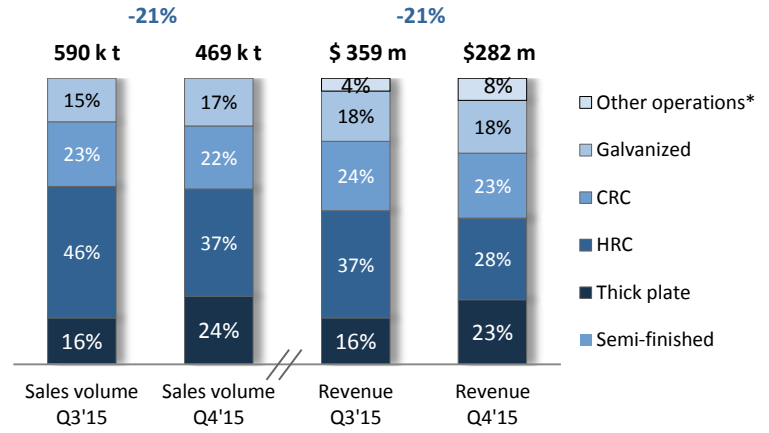


Sales growth and cost reduction drove EBITDA margin expansion

FOREIGN ROLLED PRODUCTS

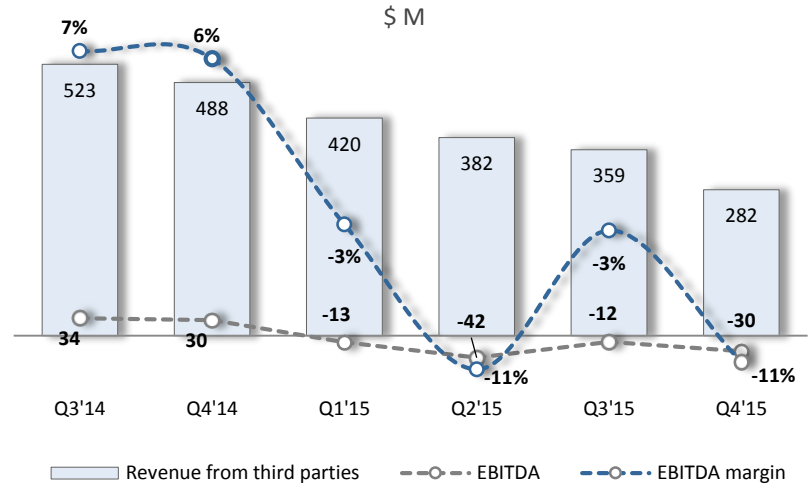
- **Segment sales down by 21% qoq**
 - (+) NLMK Dansteel sales +18% qoq
 - (-) NLMK USA sales volumes down by 28% qoq to 0.4 Mt driven by demand implosion from the shale oil and gas industry
- **Segment's profitability**
 - (-) Decrease in sales volumes
 - (-) Prices lower both qoq and yoy
 - (-) Accumulated slab stock consumption and revaluation
- **EBITDA with slabs marked to market: +\$4 m**
 - Provided feedstock is revalued at Q4'15 prices

SALES & REVENUE FROM 3RD PARTIES



* Revenue from the sale of other products and services

SEGMENT REVENUE AND EBITDA



CONTENT

1. Market update & headline numbers
2. Strategy update
3. Financial highlights
4. Segment results
- **5. Annex**

SALES STRUCTURE

- **2015: SALES DOWN UP 5% YoY TO 15.9 MT**

- +24% YoY of semi-finished
- -4% YoY high value added products
- -5% YoY HRC and long

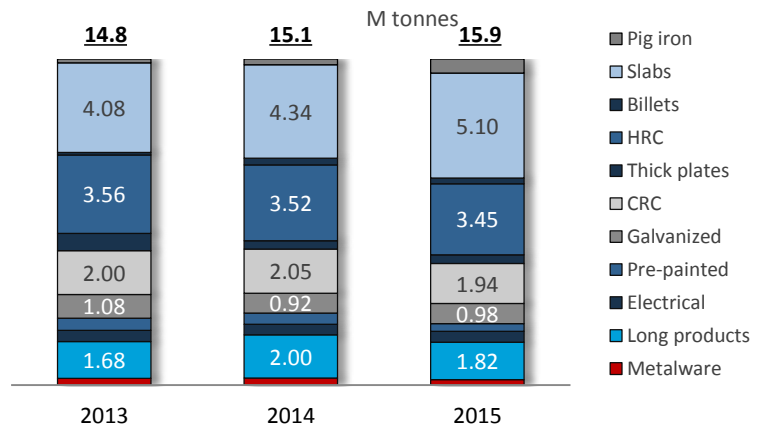
- **2015: REVENUE DOWN 23% YoY TO \$8.0 BN**

- (-) Drop in steel prices
- (-) Flat and long steel sales down

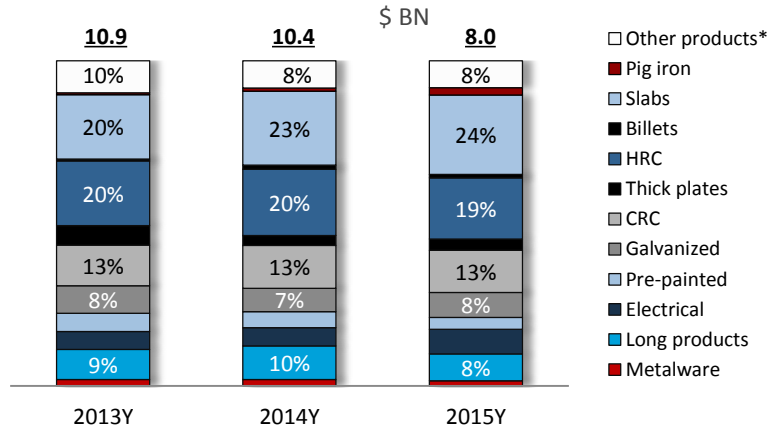
- **PRICE ENVIRONMENT**

- **Russia:** prices dropped by 24% YoY
- **Russia export:** prices declined by 33% YoY
- **Europe:** prices down by 26% YoY
- **USA:** prices decreased by 31% YoY

SALES STRUCTURE BY PRODUCT



REVENUE BY PRODUCT

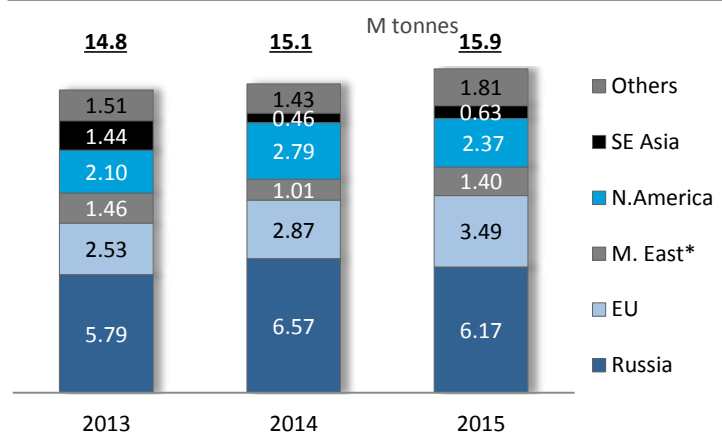


* Revenue from Other operations includes sales of other products (iron ore, coke, scrap and others)

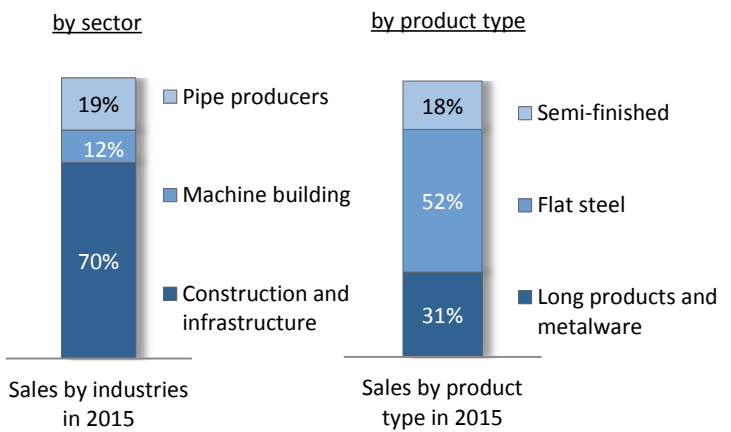
SALES GEOGRAPHY

- **+13% YoY GROWTH IN EXPORT SALES**
 - +39% YoY to Middle East, including Turkey
 - +37% YoY to Asia
 - +21% YoY to Europe
- **SALES TO RUSSIAN MARKET: 6.2Mt (-6% YoY)**
 - While demand in domestic market contracted by 9%

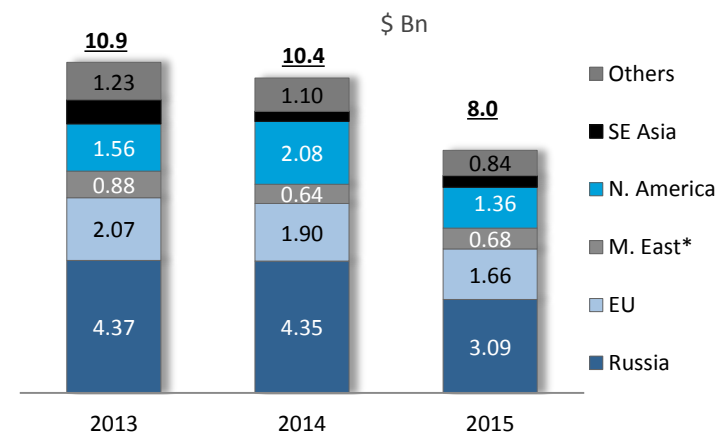
STEEL PRODUCT SALES BY REGION



NLMK SALES TO THE RUSSIAN MARKET



REVENUE BY REGION

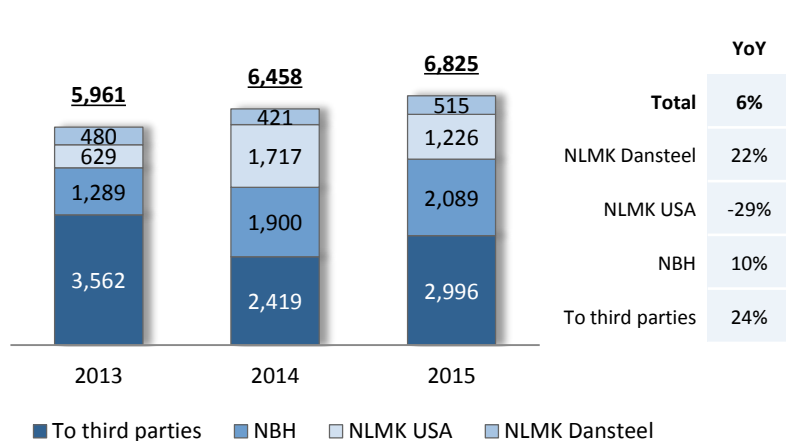


* incl. Turkey

FOREIGN ASSETS PERFORMANCE

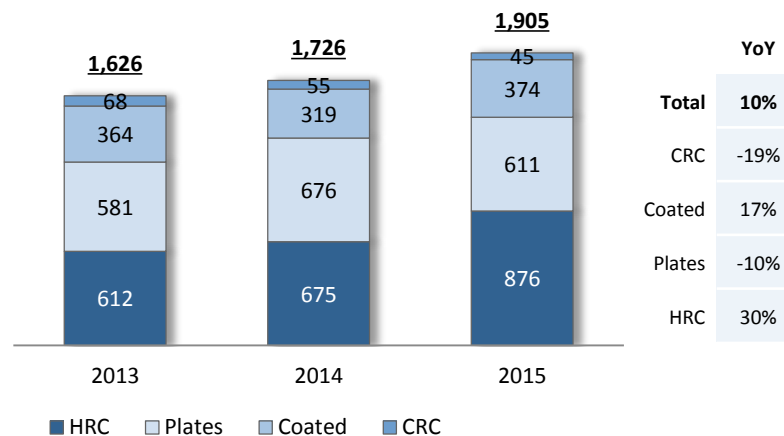
SLABS SALES FROM RUSSIAN FLAT DIVISION

K tonnes



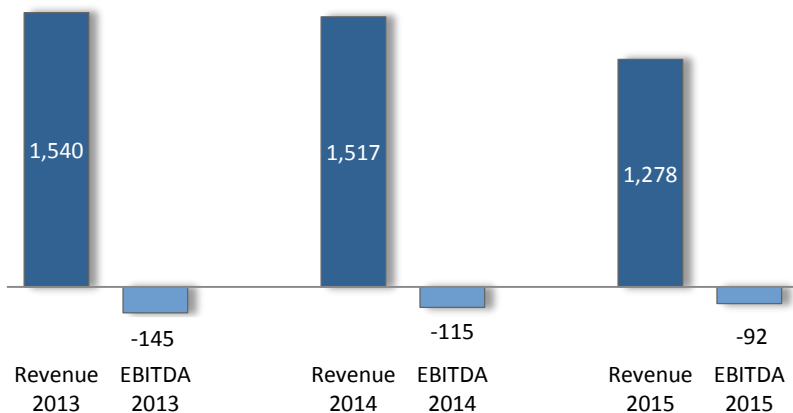
NBH ROLLED PRODUCT SALES

K tonnes



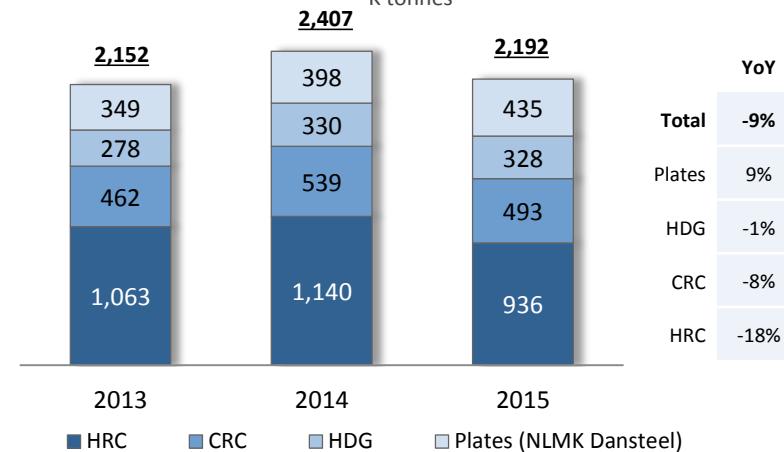
NBH FINANCIAL RESULTS

\$ M



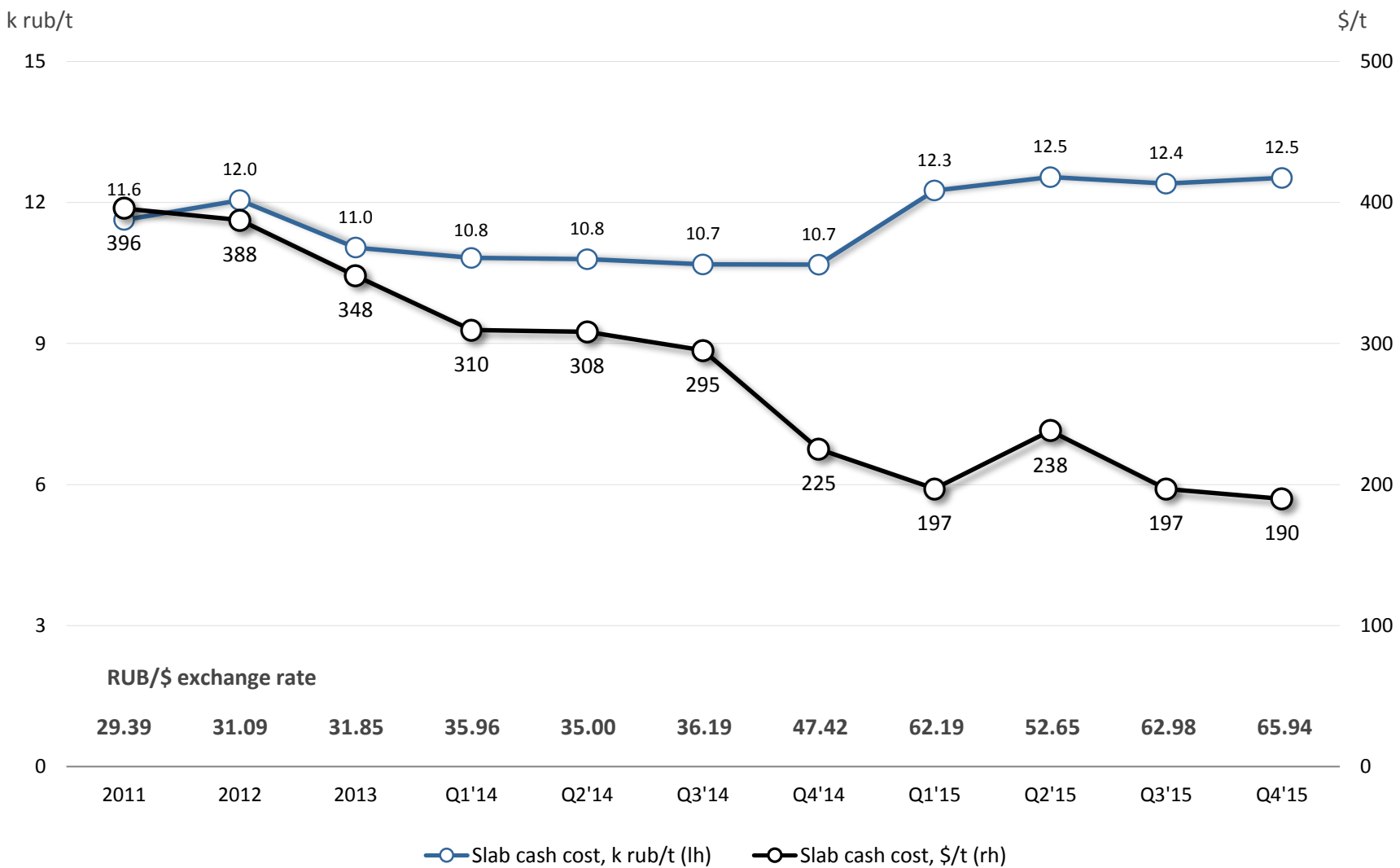
NLMK USA AND NLMK DANSTEEL SALES

K tonnes



Seasonally weak demand in EU offset by growing sales in the US

CASH COST OF SLAB



Note: consolidated cash cost of slab at Lipetsk site.

NLMK has one of the lowest slab cash cost globally



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