

The background of the slide is a photograph of a welder working at night. The welder is wearing a blue protective helmet and is positioned on the left side of the frame. A bright, glowing arc of light from the welding torch extends from the welder towards the right, creating a large spray of sparks that fills the right half of the image. The overall scene is dark, with the primary light source being the intense heat of the welding process.

Q1 2015 US GAAP CONSOLIDATED FINANCIAL RESULTS

Moscow, 21 May 2015

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CONTENT

- **1. Key results**
- 2. Financial highlights
- 3. Segment results
- 4. Annex

Q1'15 SALES GROWTH

• Q1'15 STEEL SALES: 3.96 MT (+3% qoq, +2% yoy)

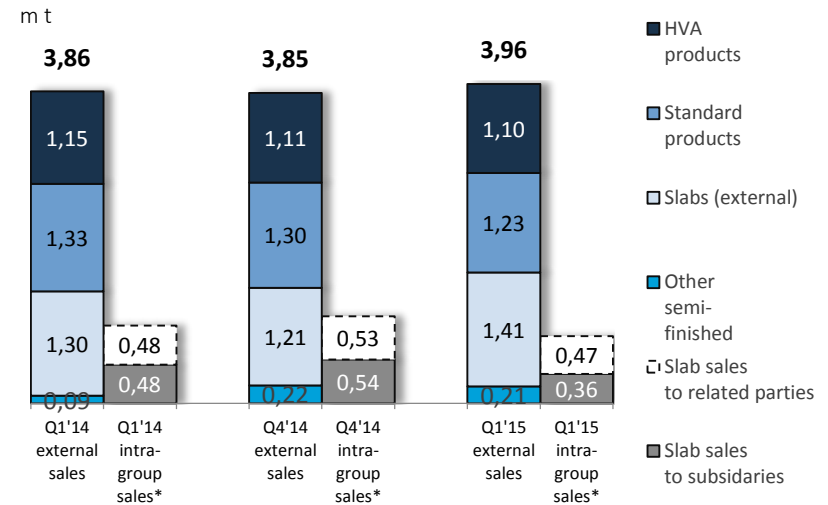
- Export sales up by 13% to 2.55 mt
- Revenue recognition for Q4'14 export sales

• EXPORTS SHARE IN SALES: 64% (+5% qoq)

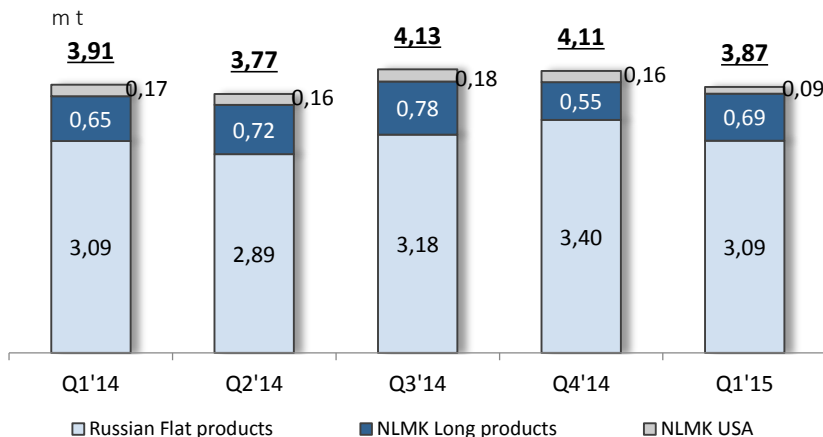
• STEEL OUTPUT: 3.87 MT (-6% qoq, -1% yoy)

- Major repairs at Russian Flat Products division and NLMK Indiana carried out in the period of seasonally soft demand
- Russian Long products division grew output by 25% qoq as Kaluga mill added new products

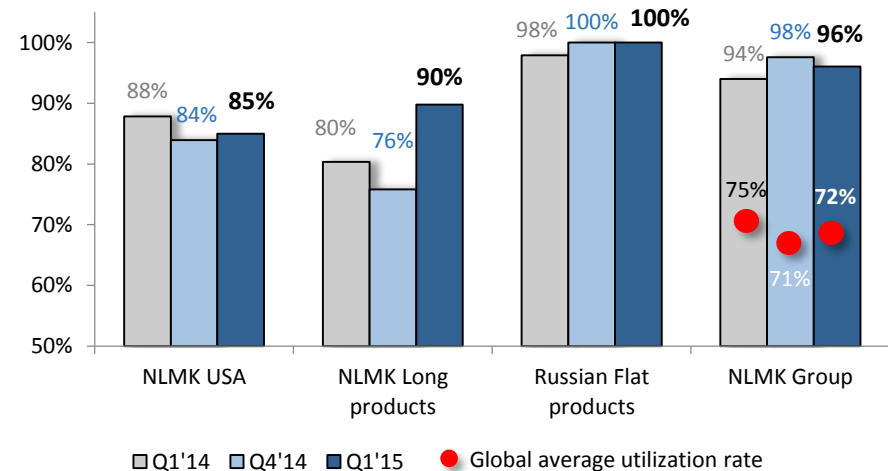
SALES



STEEL OUTPUT



UTILIZATION RATES BY DIVISION



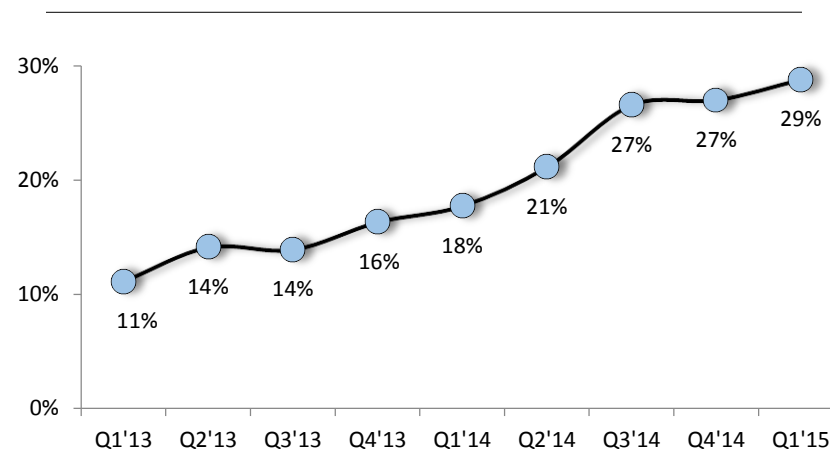
Strong sales primarily supported by exports

FINANCIAL HIGHLIGHTS

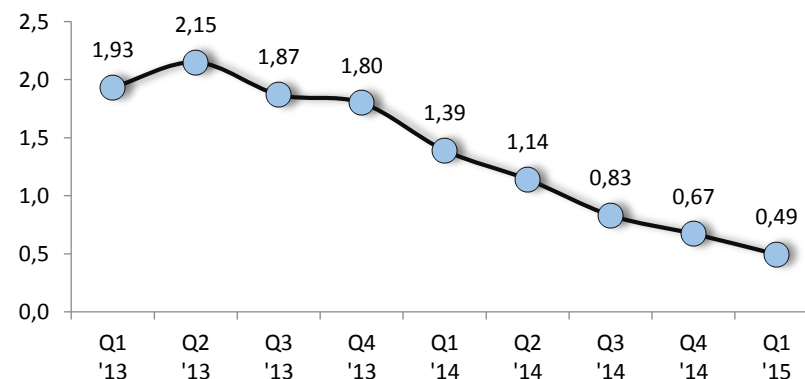
• Q1'15 HIGHLIGHTS

- Revenue: \$2,216 m (-5% qoq, -16% yoy)
- EBITDA: \$638 m (+2% qoq, +36% yoy)
- EBITDA margin: 29% (+2 p.p qoq, +11 p.p. yoy)
- EBITDA per tonne: \$161/t (-1% qoq, +33% yoy)
- Net income: \$321m (+39% qoq, +85% yoy)
- Capex: \$116 m (-5% qoq, -12% yoy)
- Free cash flow*: \$319 m (-16% qoq, +18% yoy)
- Net Debt: \$1,247 m (-22% qoq, -46% yoy)
- Net Debt/EBITDA: 0.49x (0.67x as of 31/12/14)

EBITDA MARGIN



NET DEBT/EBITDA



* Free cash flow to firm is determined as net cash from operational activity (with net interest expenses) net of capital investment

Q2'15 OUTLOOK

- **MARKET**

- Russia: muted demand due to distributors and service centers inventory overhang – to be followed by a seasonal improvement in July-September
- Europe: moderate demand improvement
- USA: steel demand and prices stabilize after deterioration early in 2015

- **OPERATIONAL RESULTS**

- Operating results are expected to sequentially improve

- **FINANCIAL RESULTS**

- Softening in steel pricing environment will continue to weigh on the financial performance
- Ongoing efficiency improvement programs to partially offset price pressure

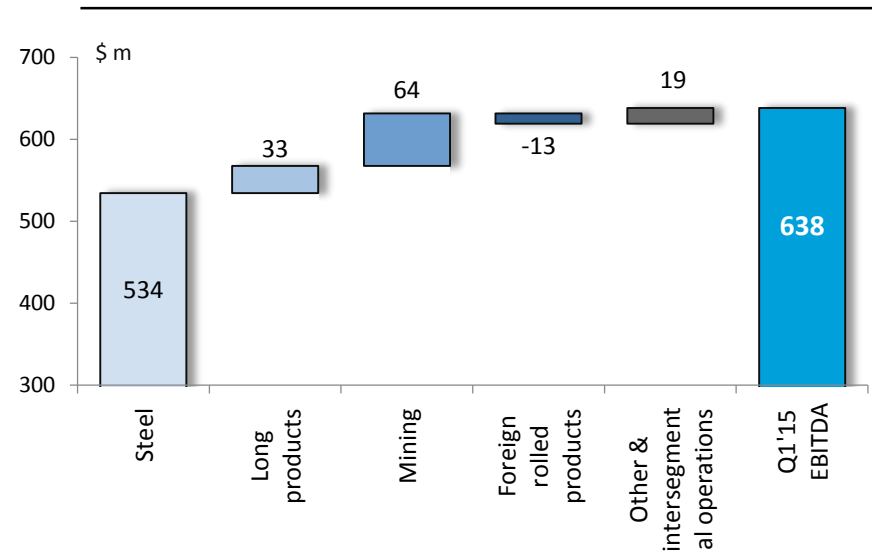
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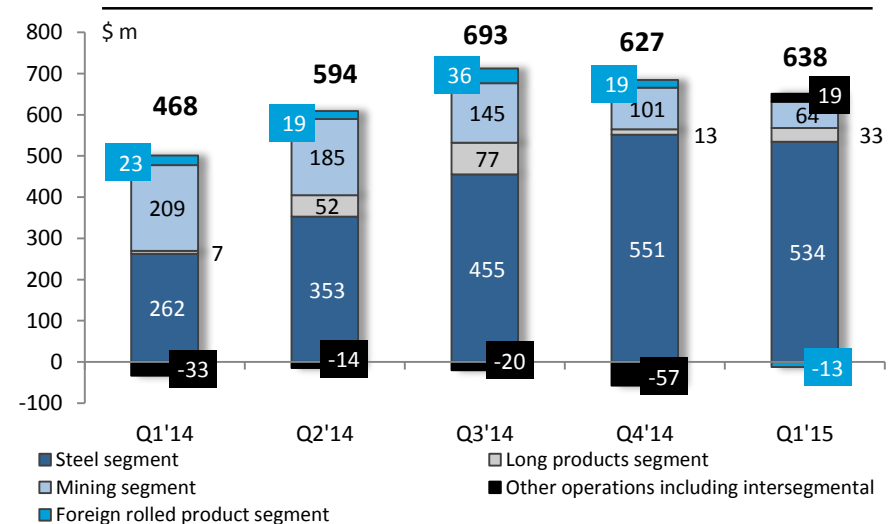
Q1'15 PROFITABILITY

- **Q1'15 EBITDA GREW TO \$638 M**
- **Q1'15 EBITDA MARGIN EXPANDED TO 29%**
- **STEEL SEGMENT: EBITDA MARGIN 33%**
 - (-) Narrowing of steel/raw materials spreads
 - (+) Stable demand in export markets
 - (+) Operational efficiency gains
- **LONG PRODUCTS SEGMENT**
 - (-) Seasonal reduction in sales volumes
 - (+) Widening of long product/scrap spreads
- **MINING SEGMENT**
 - (-) Price drop partly mitigated by cost productivity gains
- **FOREIGN ROLLED PRODUCTS SEGMENT**
 - (-) Soft demand and imports' pressure in the USA
 - (-) Negative results in US driven by a consumption of more expensive slabs accumulated in 2H'14 (respective profit posted in intersegmental)
 - (+) Stable market environment in Europe

SEGMENT CONTRIBUTION TO EBITDA



EBITDA CHANGE BY SEGMENT (QOQ)

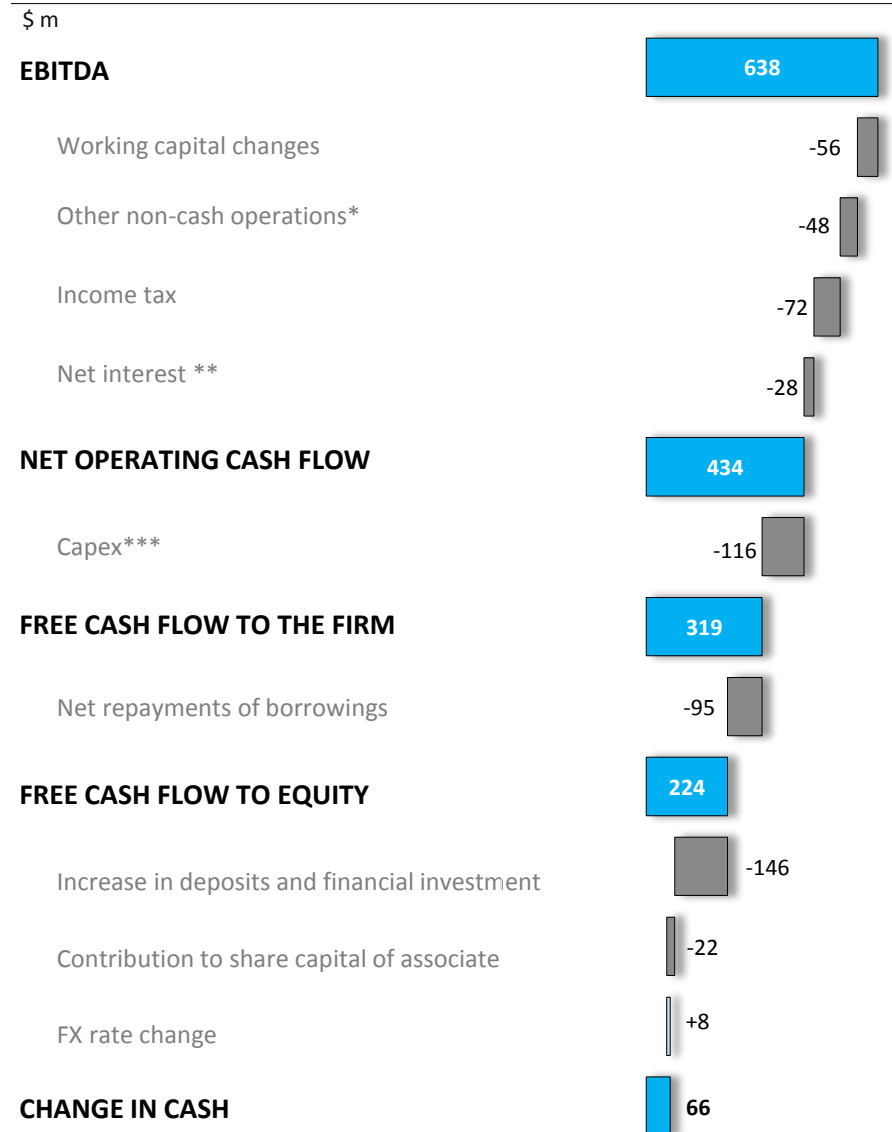


Further margins growth, steel segment profitability up to 33%

Q1'15 CASH FLOW

- **Q1'15 NET OPERATING CASH FLOW: \$434 M (-14% QOQ, +8% YOY)**
 - Growth in EBITDA to \$638 m
 - Net working capital increase by \$56 m:
 - (+) Increase of accounts receivable driven by the growth in export sales with longer settlement period
 - (-) Consumption of slab inventories accumulated in 2H'14 at foreign assets of NLMK Group
- **FURTHER DECELERATION OF CAPEX PROGRAM**
 - Q1'15 capex: \$116 m (-5% qoq)
 - Incl. maintenance capex: \$23 m
- **Q1'15 FREE CASH FLOW: \$319 M**

Q1'15 CASH FLOW BRIDGE



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

** Including interest paid (w/o capitalized interest) of \$35 m and interest received of \$7 m

*** Including capitalized interest of \$7 m

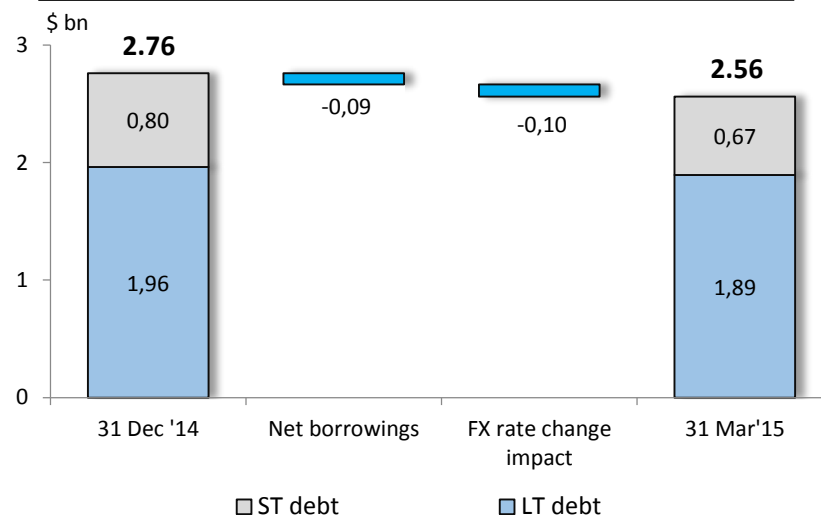
DEBT POSITION

• DEBT DECREASE AND LIQUIDITY GROWTH

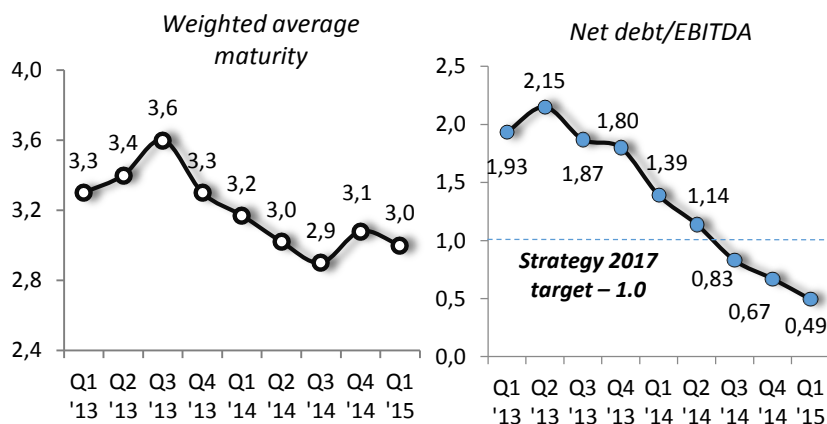
- Net Debt: \$1.25 bn (-22% qoq, -46% yoy)
- Total debt: \$2.56 bn (-7% qoq, -34% yoy)
- Cash and equivalents*: \$1.31 bn (+12% qoq, -17% yoy)

• NET DEBT / 12M EBITDA: 0.49x (-0.18 P. qoq)

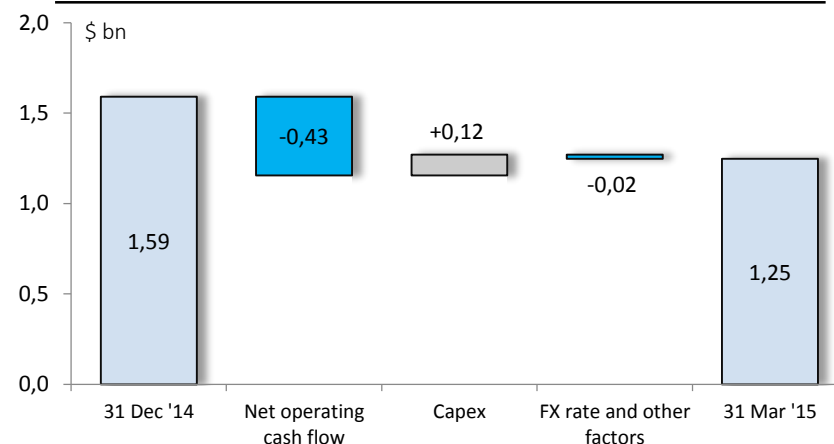
CHANGE IN DEBT IN Q1'15



DEBT MATURITY AND LEVERAGE



NET DEBT CHANGE IN Q1'15



* Cash and equivalents and short term investments

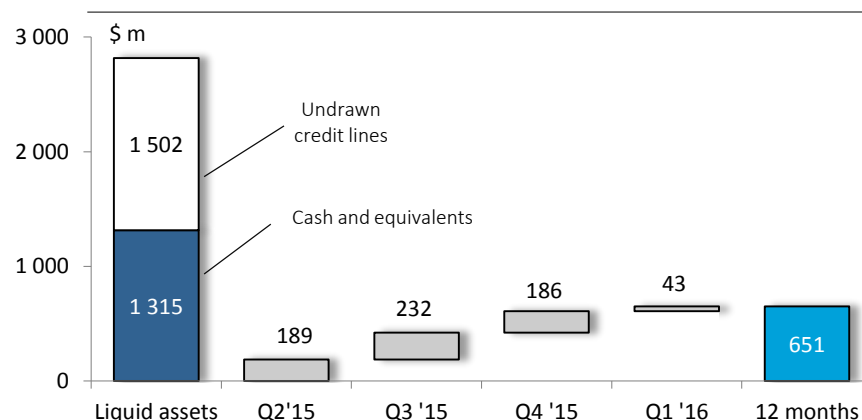
LIQUIDITY AND DEBT MATURITY PROFILE

- **STRONG LIQUIDITY POSITION OF \$1.31 BN**

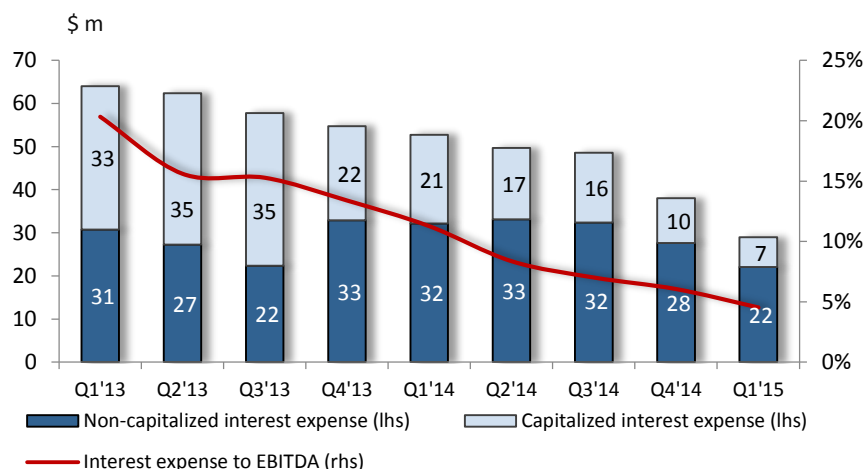
- **COMFORTABLE MATURITY PROFILE**

- Short term debt \$0.67 bn incl.:
 - Revolving credit lines for working capital financing
 - Ruble bonds
 - ECA financing
- Long term debt \$1.89 bn
 - Eurobonds and ruble bonds
 - Long term part of ECA financing

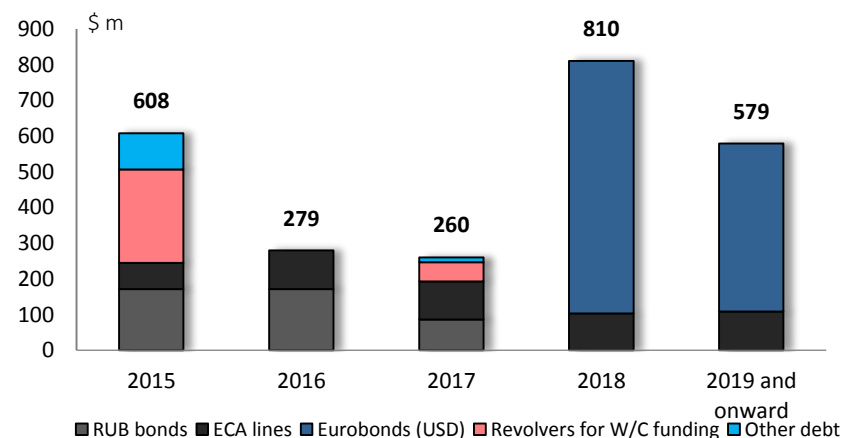
LIQUIDITY AND SHORT-TERM DEBT PAYMENTS*



INTEREST EXPENSES**



DEBT MATURITY*



* ST maturity payments without interest accrued

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

Comfortable maturity profile with strong liquidity position

NEW DIVIDEND POLICY

- **STRUCTURAL INCREASE IN FREE CASH FLOW**

- Improved profitability
- Less capital intensive growth

- **DEBT AT MINIMAL LEVELS**

- **NEW DIVIDEND POLICY**

- Quarterly dividend payments
- If Net debt/EBITDA < 1.0x dividend will be between 50% of FCF and 50% of Net income
- If Net debt/EBITDA > 1.0x dividend will be between 30% of FCF and 30% of Net income

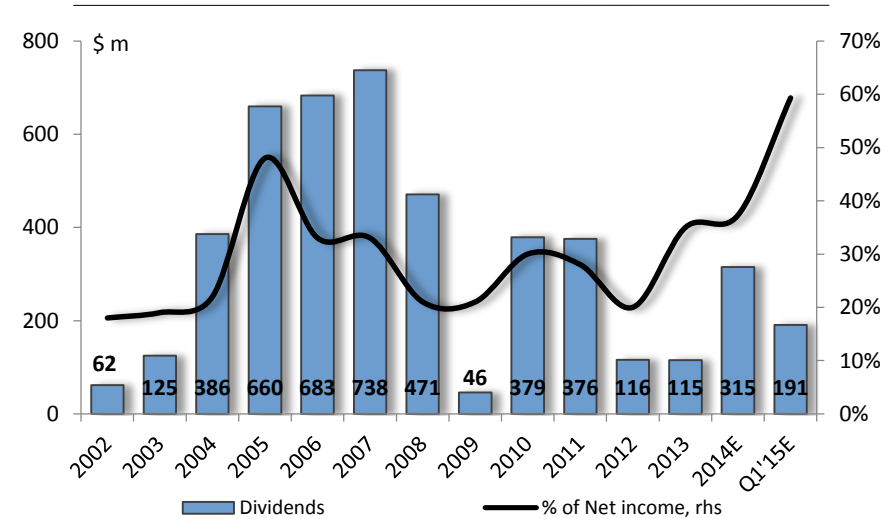
- **FY'14 DIVIDENDS: RUB2.44/SHARE**

- FY2014 dividends: 37% of 2014 earnings
- Estimated dividend yield: 4%

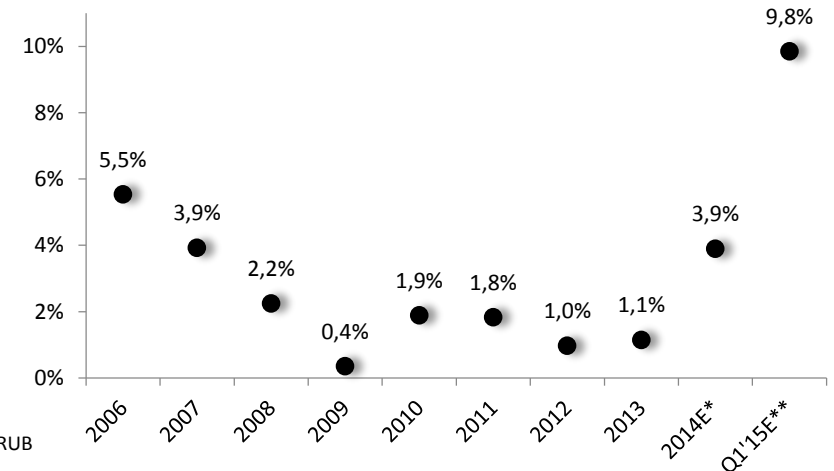
- **Q1'15 DIVIDENDS: RUB1.64/SHARE**

- c.60% of Q1'15 Net income
- Estimated dividend yield: 10%

DIVIDEND HISTORY



DIVIDEND YIELD



* Including dividends for H2 2014 recommended by NLMK Board, FX rate as at 24.04.15 @ 51,6 USD/RUB

** Annualized dividend payments for Q1 2015 recommended by NLMK Board, FX rate as at 24.04.15 @ 51,6 USD/RUB

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STEEL SEGMENT

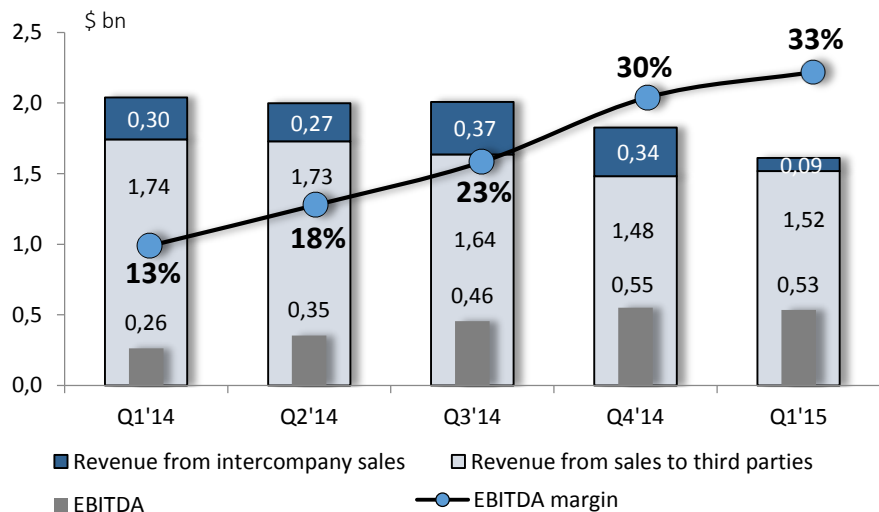
• Q1'15 SEGMENT'S REVENUE DECLINE BY 12% QOQ

- 2% qoq sales volumes growth (+9% qoq to the third parties)
- Lower average selling prices
- Revenue from sales to other segments reduced by 73%

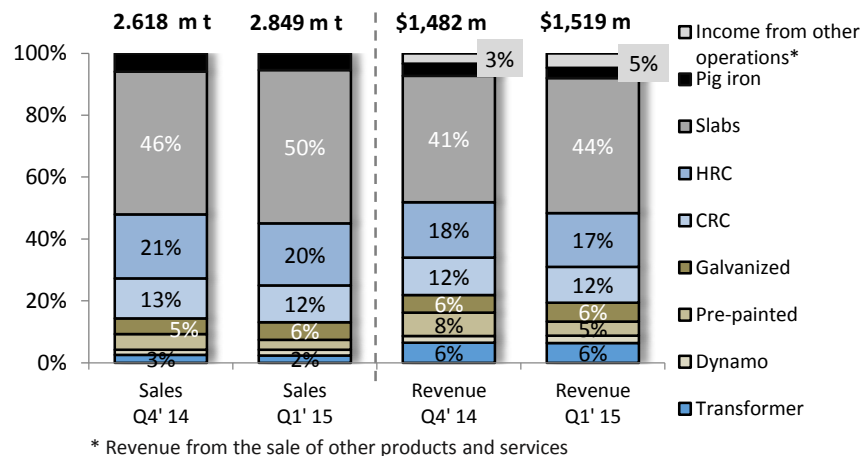
• EBITDA MARGIN INCREASED TO 33%

- (+) Close to maximum run rates
- (+) Sales volumes growth
- (+) Efficiency improvement program is on track
- (-) Narrowing of steel/raw materials spreads

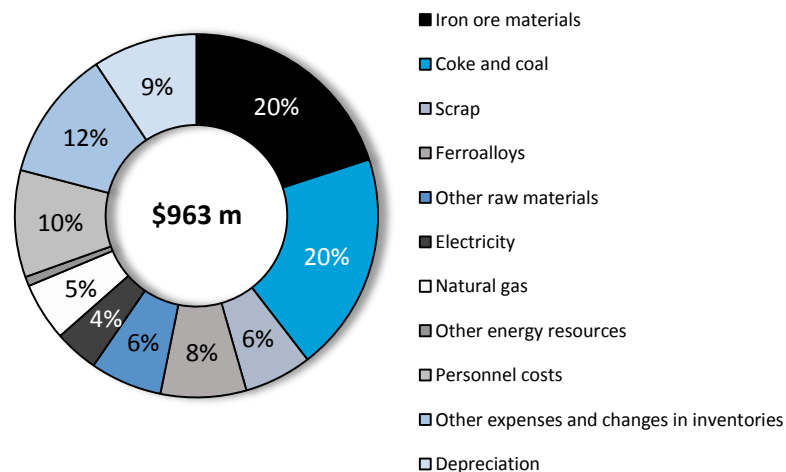
SEGMENT REVENUE AND EBITDA



SALES & REVENUE FROM 3RD PARTIES



COST OF SALES, Q1'15



LONG PRODUCTS SEGMENT

- SALES VOLUME DECREASE BY 11% QOQ**

- Seasonal decrease of consumption of construction products in Russia

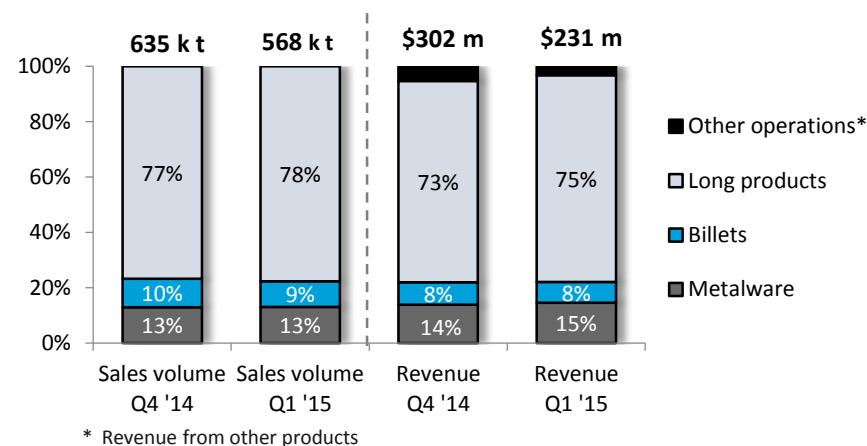
- EXTERNAL REVENUE DECREASE BY 24% QOQ**

- Decrease in sales and longs prices (USD denominated)

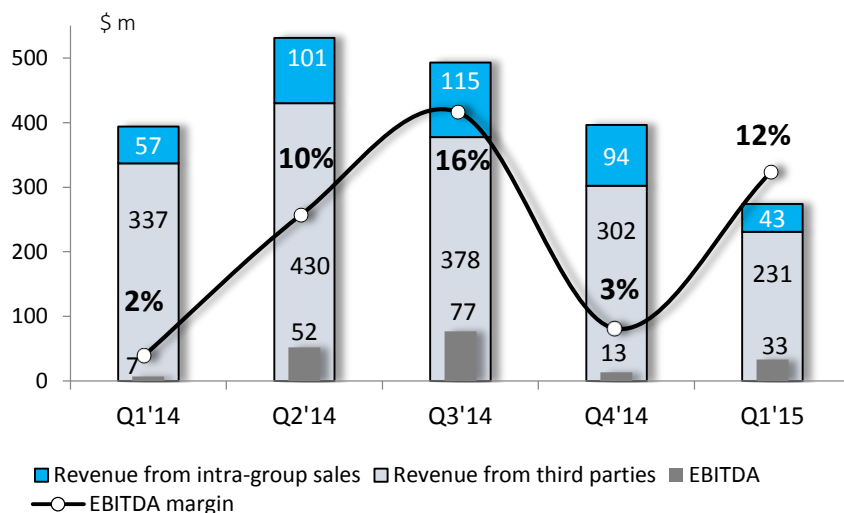
- EBITDA MARGIN UP TO 12%**

- (+) Widening of long product/scrap spreads: lower price feedstock inventory accumulated in Q3-Q4'14

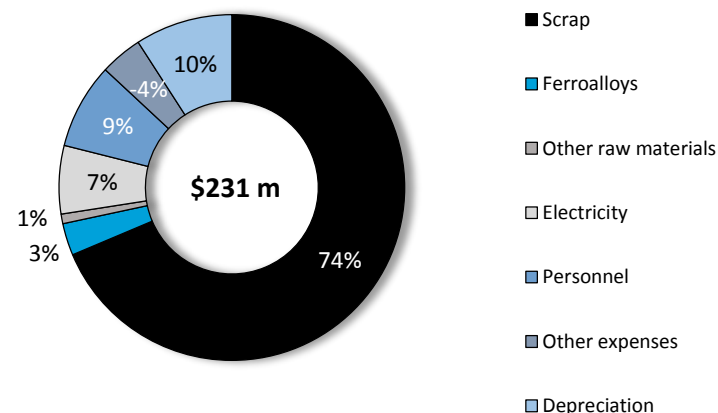
THIRD PARTY SALES AND REVENUE STRUCTURE



SEGMENT REVENUE AND EBITDA



COST OF SALES IN Q1'15



* Revenue from intra-group sales is represented mostly by ferrous scrap deliveries to the Lipetsk site

MINING SEGMENT

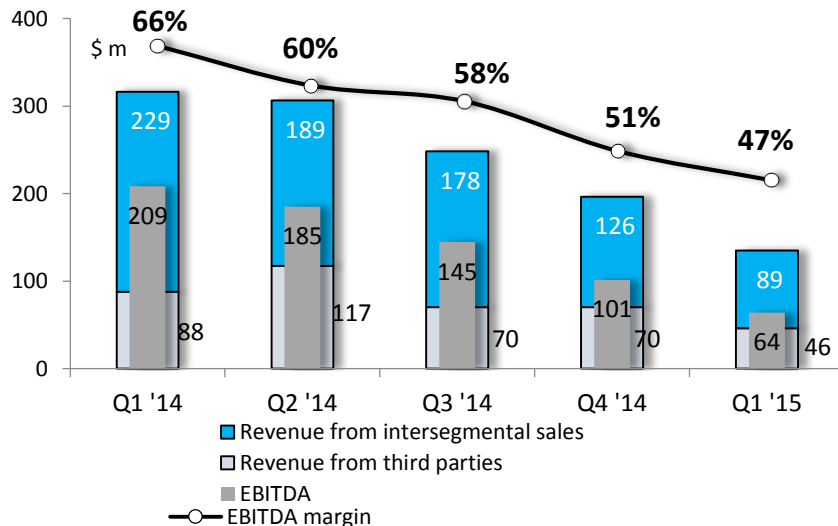
REVENUE DECLINE BY 37% QOQ

- Decline in iron ore prices
- Decrease in iron ore volumes by 12% qoq to 3.86 m t – sales to regions with longer revenue recognition period

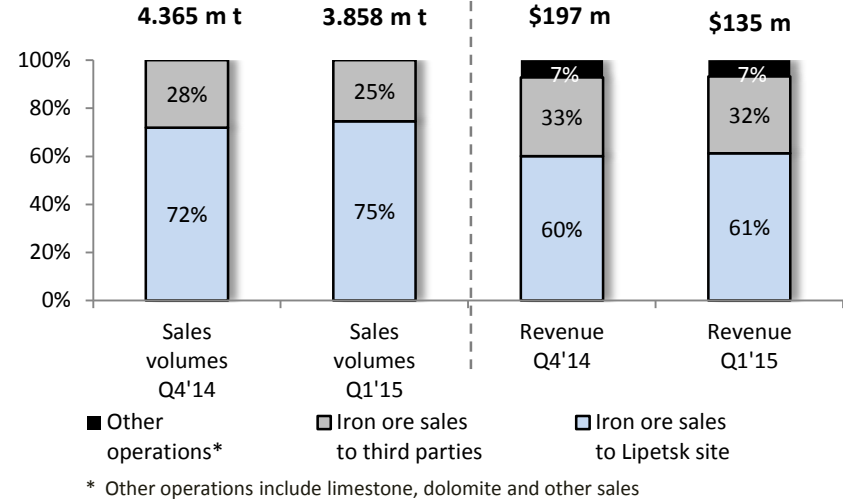
EBITDA MARGIN AT 47%

- (-) Lower global iron ore prices
- (+) Productivity gains

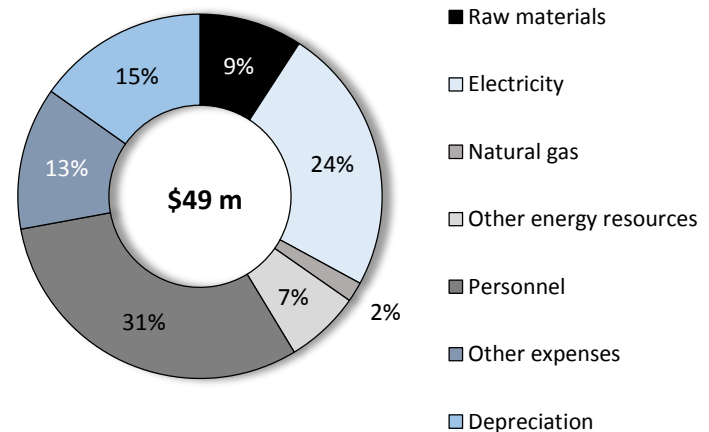
SEGMENT REVENUE AND EBITDA



SALES AND REVENUE STRUCTURE



COST OF SALES IN Q1'15



FOREIGN ROLLED PRODUCTS SEGMENT

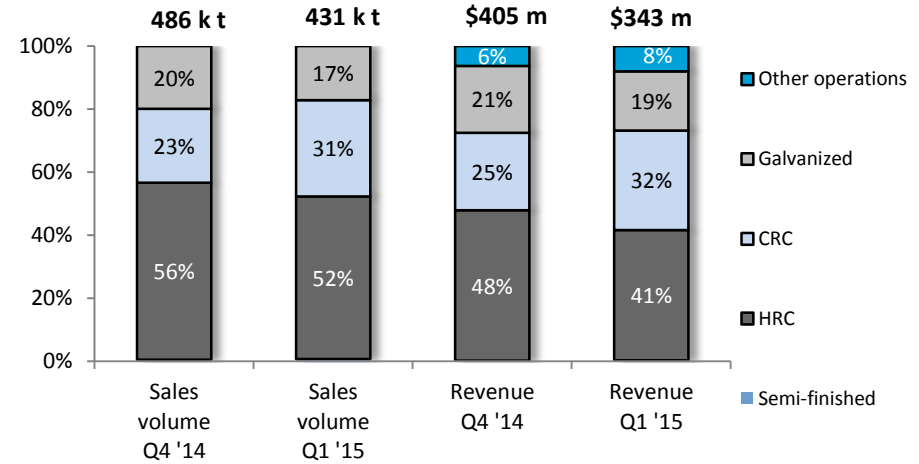
• SEGMENT SALES DECLINE BY 9% QOQ

- Increase of NLMK Dansteel sales by 3% qoq on the back of stable market conditions in Europe
- Decline in NLMK USA sales volumes by 11% qoq due to weakening demand in the North American market

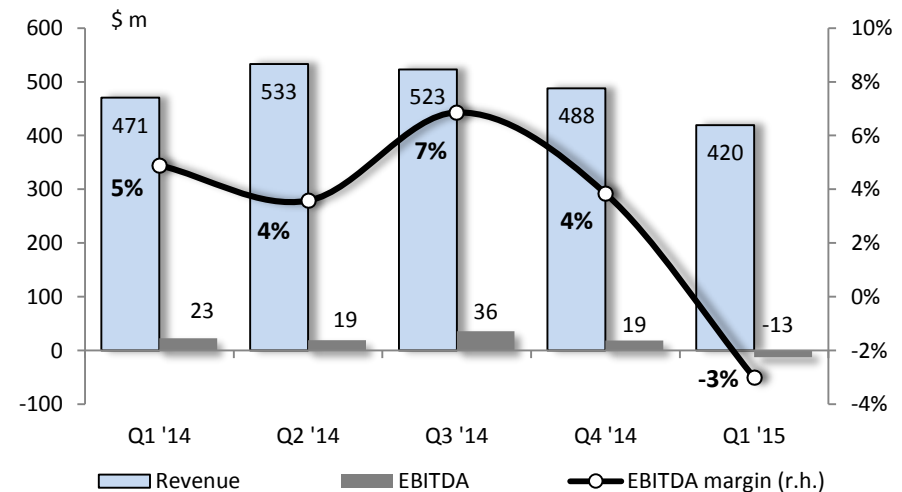
• DECLINE OF SEGMENT'S PROFITABILITY

- (-) Soft demand and imports' pressure in the USA
- (-) Negative results in US driven by a consumption of more expensive slabs accumulated in 2H'14 (respective profit posted in intersegmental)
- (+) Stable market environment in Europe

NLMK USA SALES & REVENUE STRUCTURE



SEGMENT REVENUE AND EBITDA



APPENDICES

STOILENSKY: PELLETIZING PLANT CONSTRUCTION

- **Pelletizing project status at the end of Q1'15**

- Project engineering ~75% complete
- Equipment supply ~50% complete
- Building and installation works ~25% complete
- Invested into the project as of March 2015: \$357 m

- **Details of the pelletizing plant project**

- Capacity: 6 m tpa with an option to grow to 7.2 m tpa
- Updated 2014-17 capex: \$520 m (incl. \$160 m in 2014)
- Launch: mid-2016
- 100% self-sufficiency in pellets vs 0% currently
- Pellets production cash cost ~\$20-25/t



[Video: pelletizing plant construction at SGOK](#)



SALES STRUCTURE

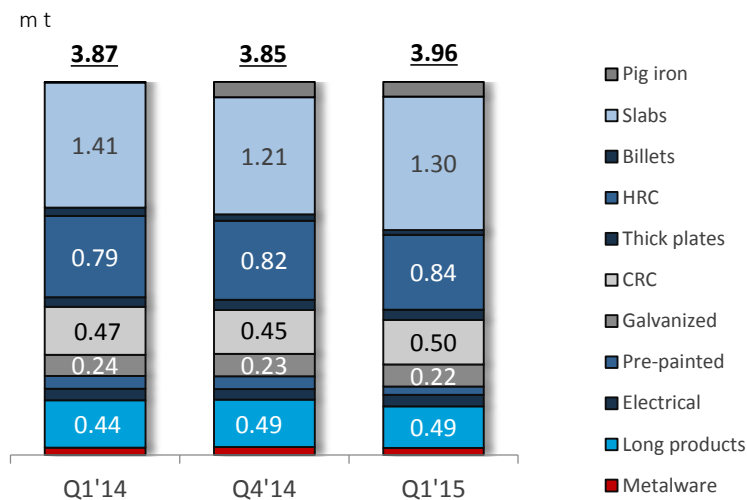
- Q1'15: SALES GROWTH BY 3% QOQ TO 4.0 MT**

- Slab sales growth by +17% qoq driven by export markets demand
- Seasonal decrease of finished product sales by 3% qoq
- Share of HVA products – 28% (-1 p.p. qoq)

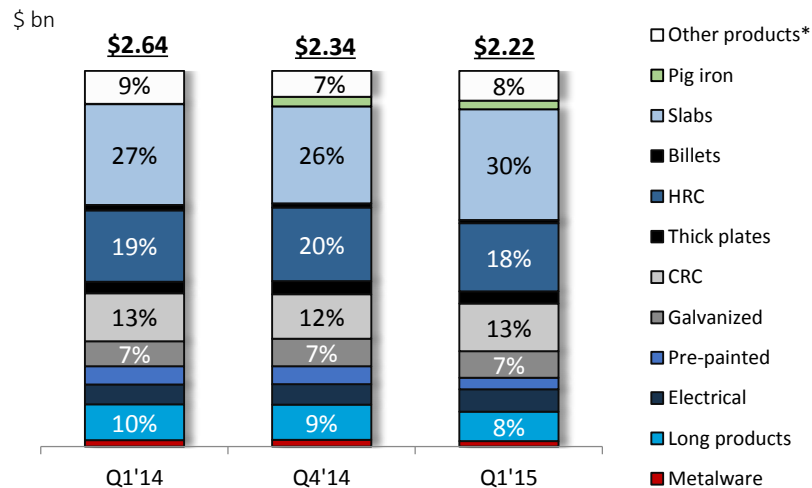
- Q1'15: REVENUE DECREASE BY 5% QOQ TO \$2.2 BN**

- Increase of semi finished product share to 33% (+4 p.p. qoq)
- CRC share increased by 1 p.p. to 13%

SALES STRUCTURE BY PRODUCT



REVENUE BY PRODUCT



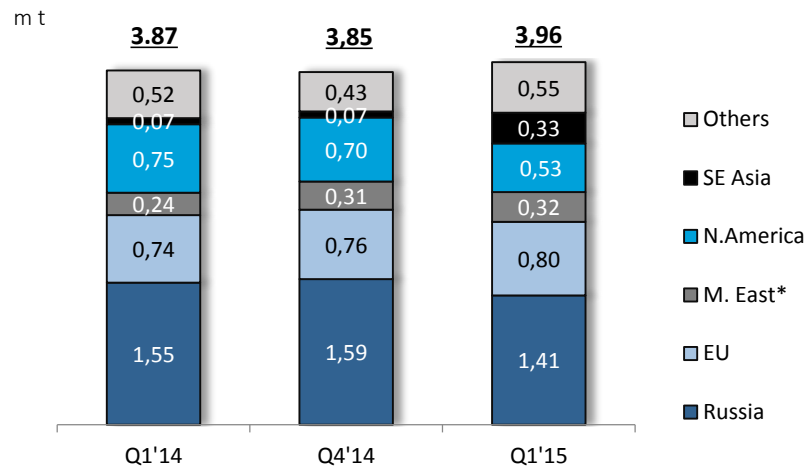
* Revenue from Other operations includes sales of other products (iron ore, coke, scrap and others)

SALES GEOGRAPHY

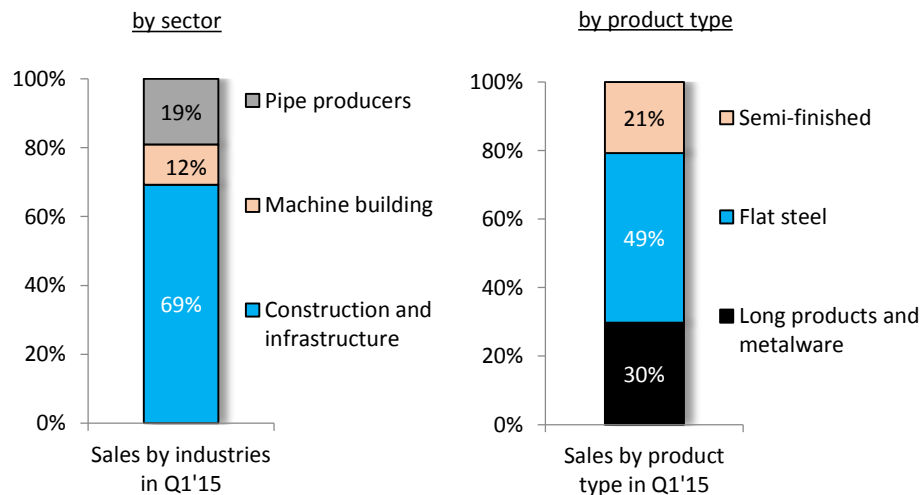
• SALES IN Q1'15: 4.0 M T (+3% QOQ)

- Seasonal decrease of sales to the Russian market: 1.4 m t (-11% qoq)
- Growth of sales to export markets by +13% qoq
 - Sales to South-East Asia up by 5 times (8% of total sales)
 - Sales to Europe increased (+6% qoq)
 - Sales to Middle East and Turkey increased (+5% qoq)

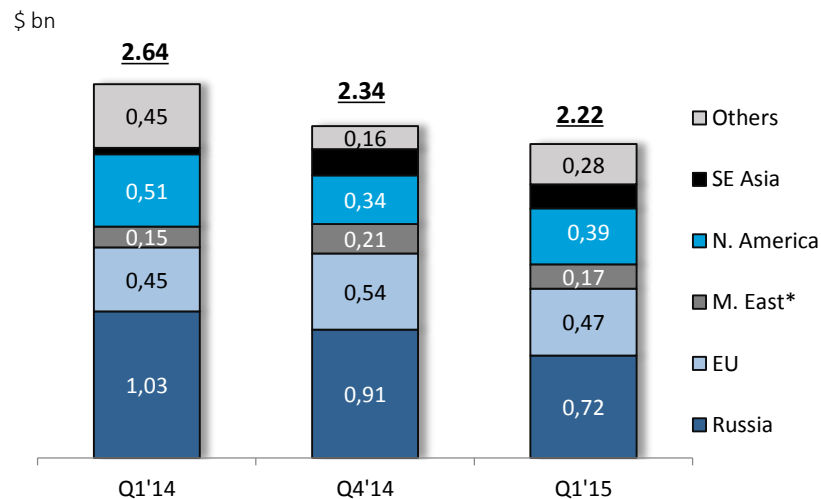
STEEL PRODUCT SALES BY REGION



NLMK SALES TO THE RUSSIAN MARKET



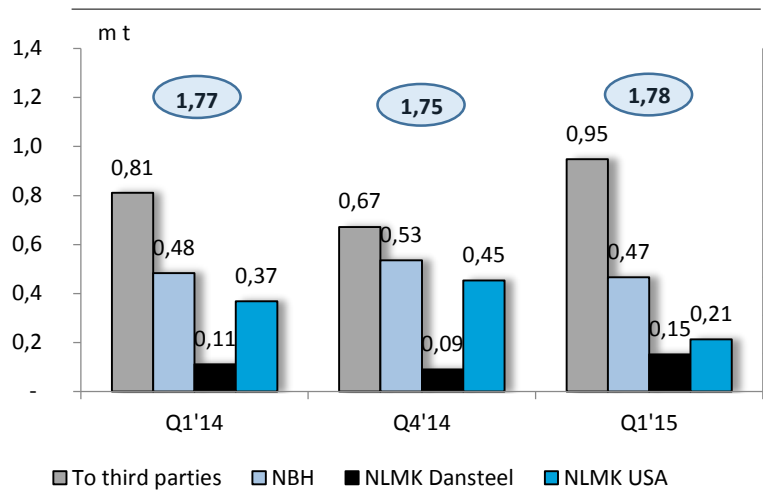
REVENUE BY REGION



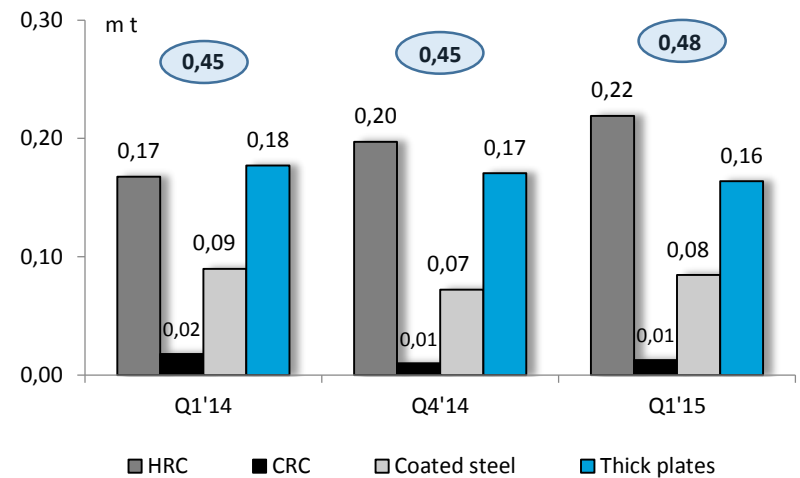
* incl. Turkey

FOREIGN ASSETS PERFORMANCE

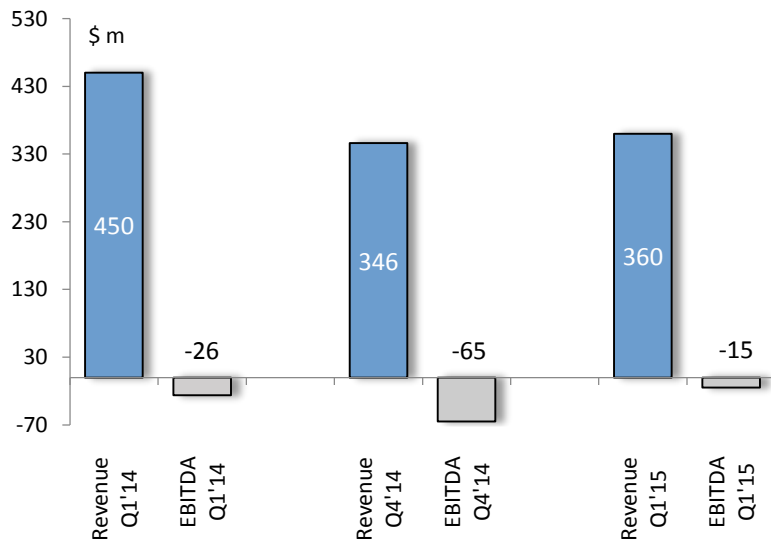
SLAB SALES



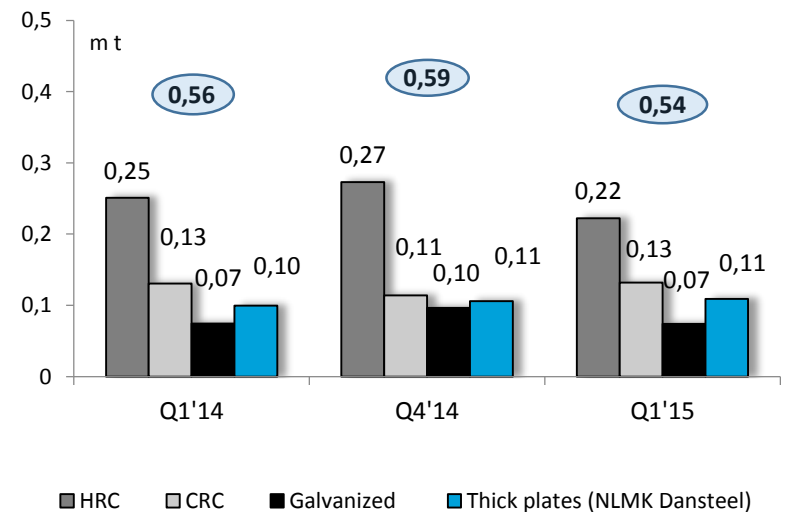
NBH ROLLED PRODUCT SALES



NBH FINANCIAL RESULTS

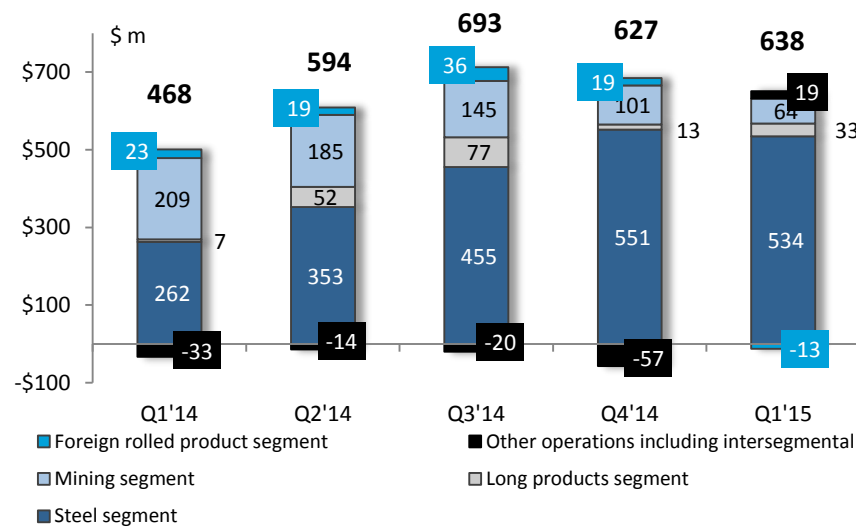


NLMK USA AND NLMK DANSTEEL ROLLED PRODUCT SALES

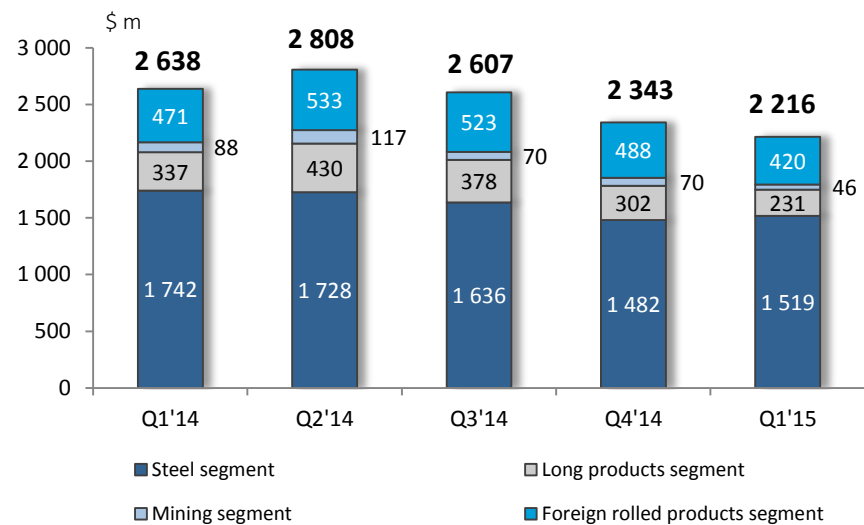


SEGMENT RESULTS OVERVIEW

EBITDA BY SEGMENT 2014-2015



REVENUE FROM THIRD PARTIES BY SEGMENT



CASH COST OF SLABS

**SLAB CONSOLIDATED CASH COST STRUCTURE
(RUSSIAN FLAT PRODUCTS)**

| Cost item | Q1'15 (‘000 RUR/t) | Q1'15 (\$/t) | Q4'14 (\$/t) | Δ, \$/t |
|----------------------|--------------------------|-----------------|-----------------|--------------|
| Coke and coking coal | 3.2 | \$51 | \$57 | -\$6 |
| Iron ore | 2.1 | \$33 | \$34 | -\$1 |
| Scrap | 1.2 | \$20 | \$24 | -\$4 |
| Other materials | 1.4 | \$22 | \$22 | \$0 |
| Electricity | 0.6 | \$10 | \$14 | -\$4 |
| Natural gas | 0.8 | \$13 | \$15 | -\$2 |
| Personnel | 1.1 | \$18 | \$24 | -\$6 |
| Other expenses | 1.9 | \$30 | \$35 | -\$5 |
| Total | 12.3 | \$197 | \$225 | -\$28 |

**CASH COST OF SLABS, 2012-2015
(RUSSIAN FLAT PRODUCTS)**

| Period | \$/t |
|-------------|--------------|
| 2012 | \$388 |
| Q1'13 | \$364 |
| Q2'13 | \$348 |
| Q3'13 | \$329 |
| Q4'13 | \$349 |
| 2013 | \$348 |
| Q1'14 | \$310 |
| Q2'14 | \$308 |
| Q3'14 | \$295 |
| Q4'14 | \$225 |
| 2014 | \$283 |
| Q1'15 | \$197 |



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