

NLMK

Capital Markets Day

London
30 March 2015

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TODAY'S SPEAKERS



HELMUT WIESER

*Independent
Director*



OLEG BAGRIN

*President and
Chief Executive Officer*



GRIGORY FEDORISHIN

Chief Financial Officer

AGENDA

8:30	DELIVERING ON STRATEGY 2017	OLEG BAGRIN President and Chief Executive Officer
9:00	FINANCIAL HIGHLIGHTS	GRIGORY FEDORISHIN Chief Financial Officer
9:20	CORPORATE GOVERNANCE & CONCLUDING REMARKS	HELMUT WIESER Independent Director
9:30	Q&A	

DELIVERING ON STRATEGY 2017

Oleg Bagrin

President and Chief Executive Officer

STRATEGY 2017: KEY TARGETS

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

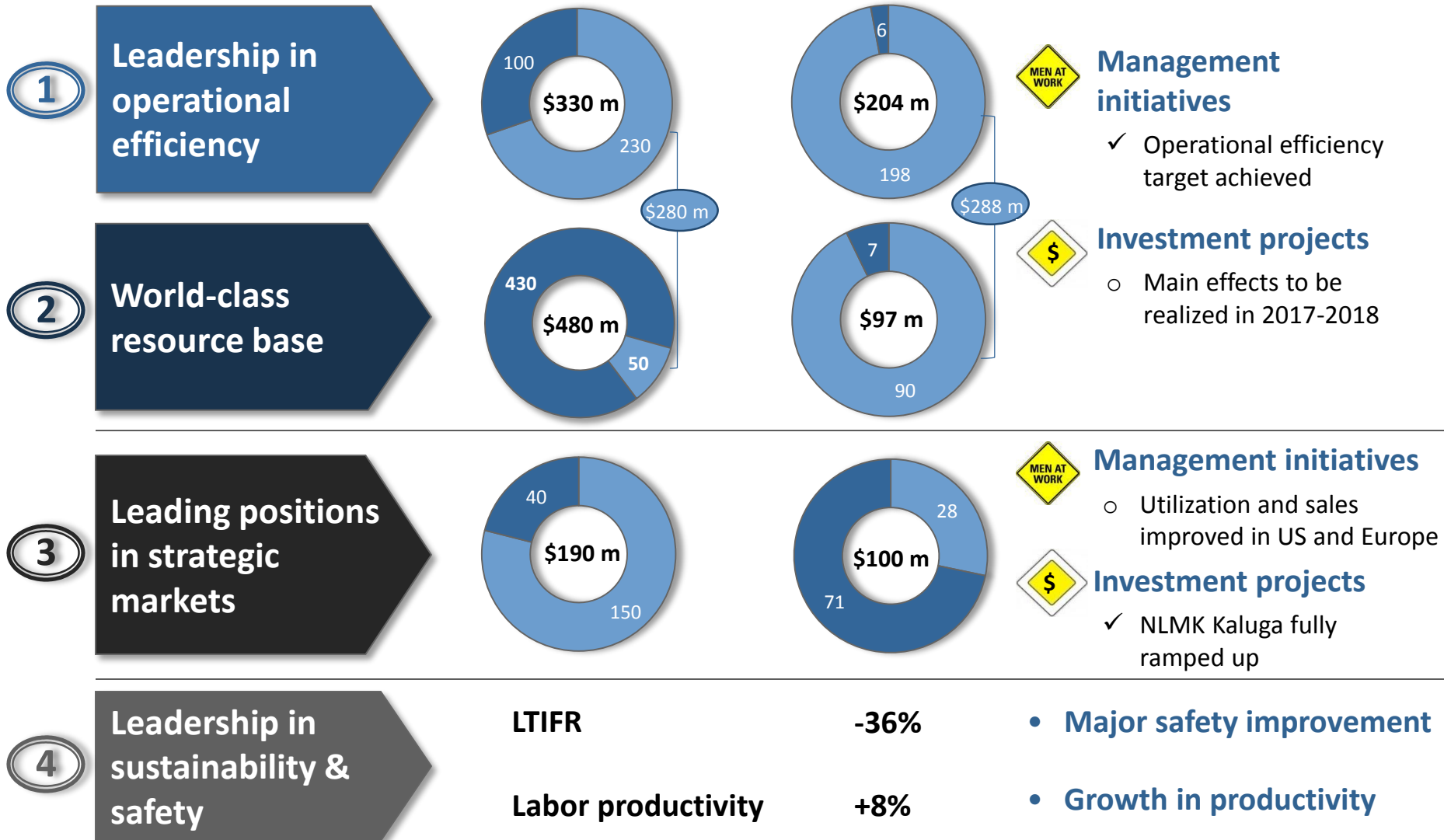


Vladimir Lisin
Capital Markets Day,
February 2014

STRATEGY 2017: 40% OF TARGETED GAINS REALIZED IN 2014

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

GAINS ACHIEVED IN 2014: \$400 M



Note: all numbers include NBH unless otherwise stated
LTIFR for Russian assets

Management initiatives Investment projects



TARGETED OPERATIONAL EFFICIENCY GAINS ACHIEVED

1

Leadership in operational efficiency

2

World-class resource base

- Flat Products division is a home to NLMK Production System**

- Productivity gains: +200 k t of pig iron, +150 k t of steel, +150 k t of HRC production
- Record steel output of 12.5 m t pa
- -20 kg/t drop in coking coal consumption
- +40% increase of recycled slag consumption
- -50% drop in non-prime HRC

- Long products division gains momentum after the new facilities ramp up**

- +30 k t of rebar production through productivity gains

- Mining division delivers best ever operational results**

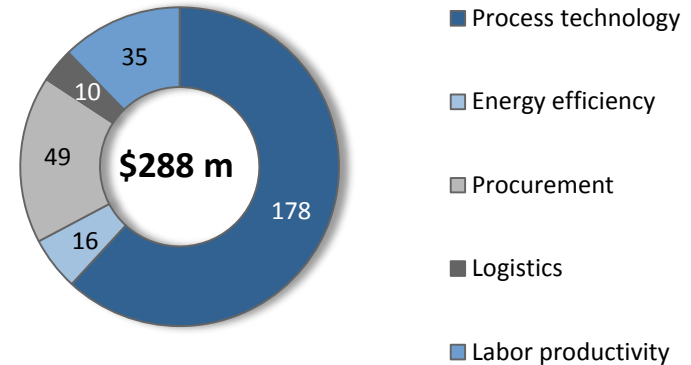
- +1 m tpa of iron ore concentrate through productivity gains

- European and US divisions follow suit**

- -8% personnel optimization at NBH companies
- -70% drop in non-prime HRC in the US division

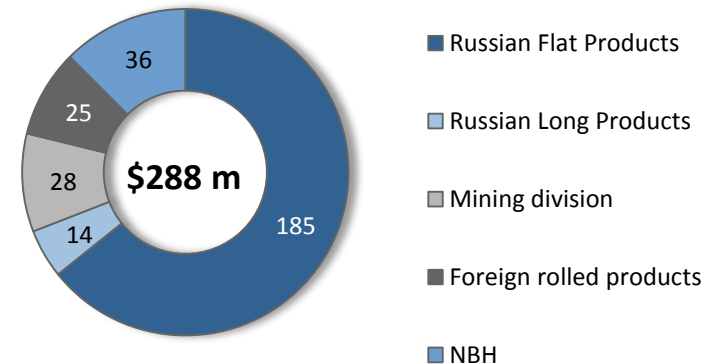
2014 STRUCTURAL GAINS BY PROCESS*

\$ m



2014 STRUCTURAL GAINS BY DIVISIONS*

\$ m



* Compared to 2013 cost base, net of investment projects effects



OPERATIONAL EFFICIENCY IS MANAGED AS A PROCESS

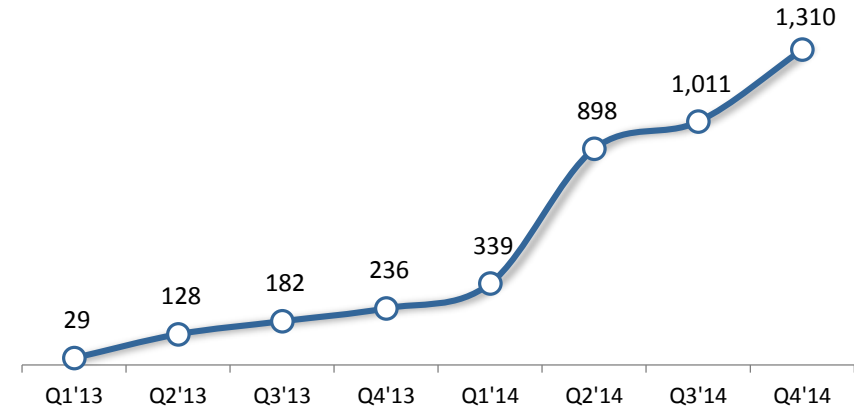


1 Leadership in operational efficiency

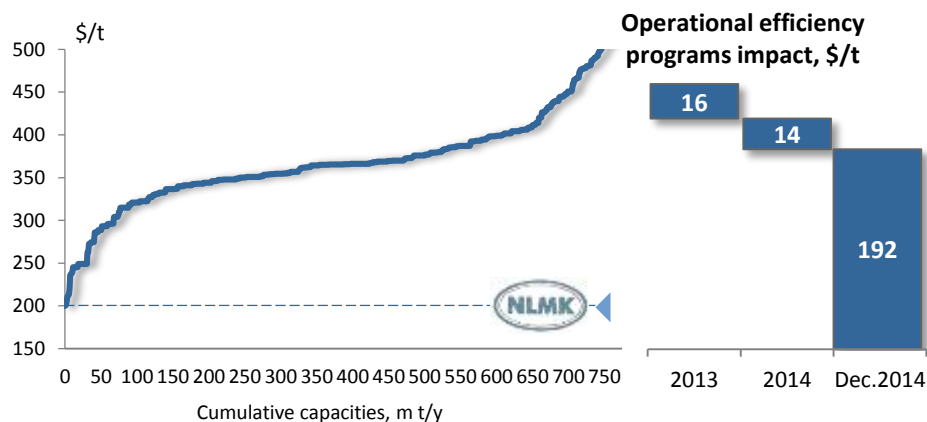
2 World-class resource base

- **NLMK Production System is being rolled out across all divisions and production sites**
- **Efficiency programs structure has changed**
 - Quick gains achieved
 - Number of projects increased to 1,300
 - 2014 new gains comparable to 2013 level
- **Further gains targeted**
 - More than \$100 m budgeted for 2015
 - Active management of efficiency projects pipeline by regular review of all production sites and processes

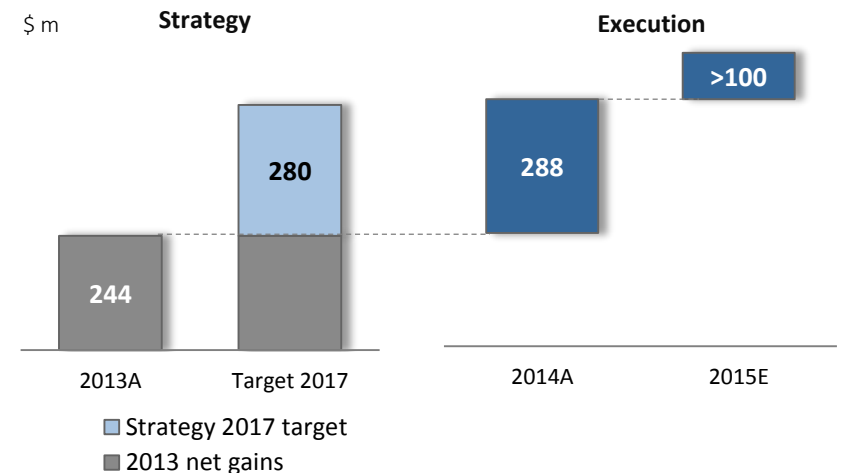
NUMBER OF LIVE OPERATIONAL EFFICIENCY PROJECTS, 2013-2014



IMPACT ON SLAB PRODUCTION COST*



CUMULATIVE OPERATIONAL EFFICIENCY GAINS



* World Steel Dynamics (WSD). For NLMK – consolidated slab cash cost Dec. 2014

Continuous improvement culture should unlock further cost cutting potential



RATIONALIZATION OF THE EUROPEAN DIVISION CONTINUES

1

Leadership in operational efficiency

• Restructuring in Europe in progress since 2009

- Full transition to re-rolling model, cost reduction through operational efficiency programs
- 2013: setup of NBH* and a participation of the Belgium state company SOGEPA in the capital of NBH (20.5%)

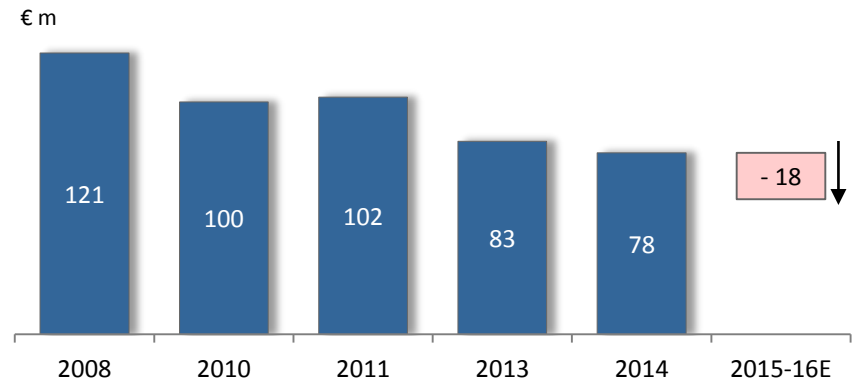
• Next step of NBH rationalization has started

- SOGEPA's equity stake up to 49% from 20.5%, SOGEPA's put options cancelled
- NLMK and SOGEPA made equity injection of €40 m
- 50% reduction of NLMK guarantees in favour of NBH under existing €500 m working capital line
- Further restructuring of EU Flat Products operations

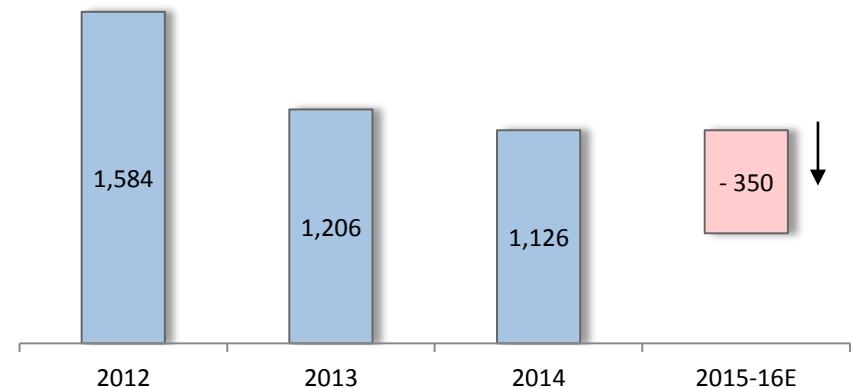
• Positive impact on NLMK European operations

- Structural EBITDA effect of €20 m
- EU Plate Products: zero or positive EBITDA 2015 expected
- EU Flat Products: clear path to breakeven in 2017

EU FLAT PRODUCTS: FIXED COSTS EVOLUTION



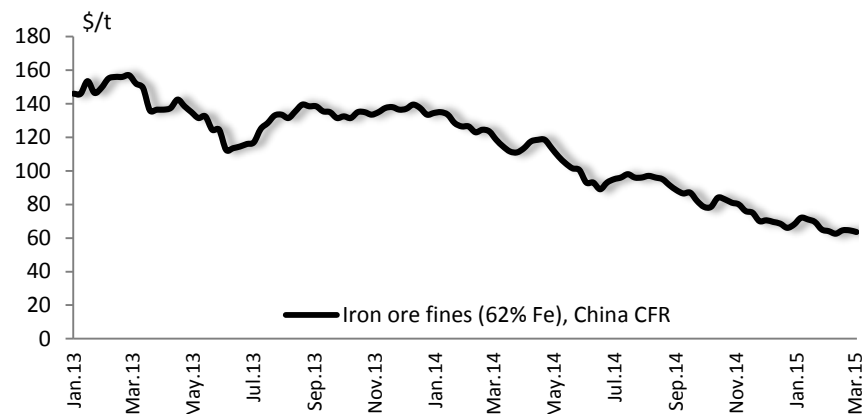
EU FLAT PRODUCTS: HEADCOUNT EVOLUTION



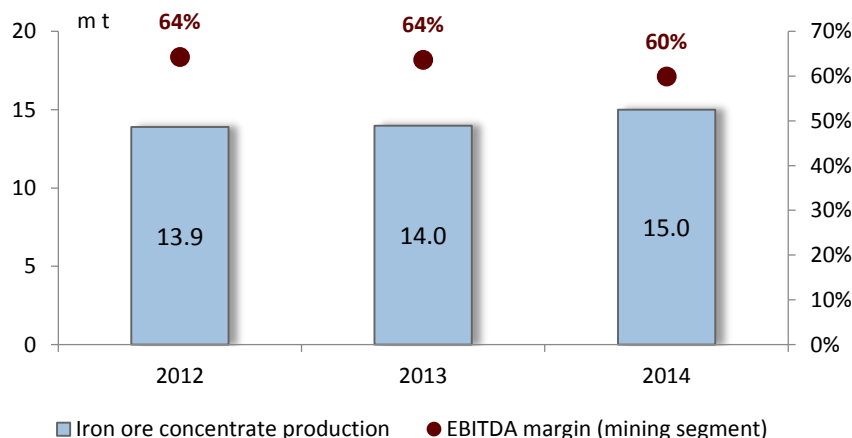
* NLMK Belgium Holdings (NBH) comprises NLMK La Louvière (Belgium), NLMK Coating (France), NLMK Strasbourg (France), NLMK Clabecq (Belgium), NLMK Verona (Italy) and a network of service centres. SOGEPA stands for Societe Wallonne de Gestion et de Participations S.A.

- Major episode of global iron ore market oversupply, leading to 50% price drop
- Stoilensky mine competitiveness remains intact
 - One of the lowest cost mining operations globally
 - 90% of costs in rubles
 - Productivity gains (+1.0 m tpa in 2014) drive down costs
 - Low maintenance capex (\$54 m in 2014)

IRON ORE PRICES

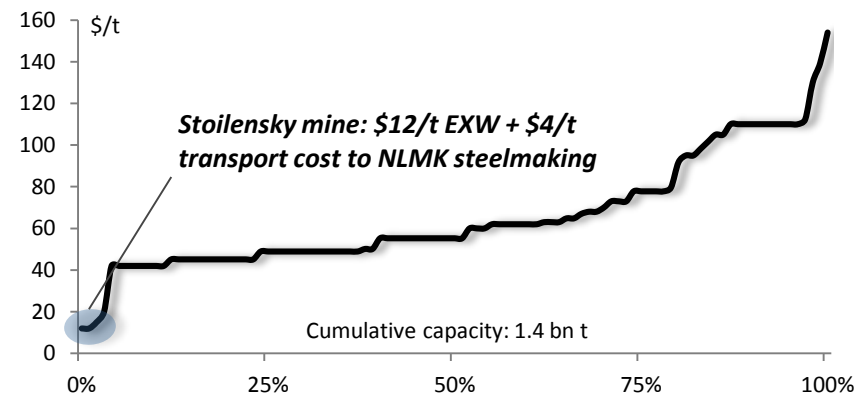


MINING DIVISION HIGHLIGHTS



* Bloomberg industries. Iron ore concentrate cash cost

IRON ORE COST CURVE*



* Bloomberg industries. Iron ore concentrate cash cost. Jan. 2015



Iron ore concentrate: more efficient growth

- Operational efficiency: +1.0 m tpa in 2014, +0.4 m tpa further potential
- Expansion project scaled down: debottlenecking of 1.8 m tpa vs. new 5.0 m tpa beneficiation facility
- Capex scaled down to \$120 m from \$570 m initially
- EBITDA impact (at \$60/t IO CFR China): \$110 m pa
- Launch: 2017-18

Pelletizing project well on track...

- 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

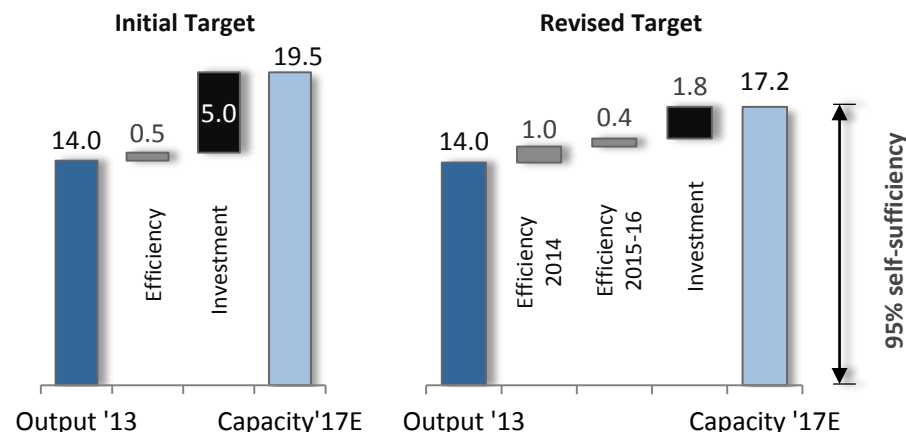
...and remains efficient even in current pricing environment

- Targeted EBITDA impact: \$130 m pa

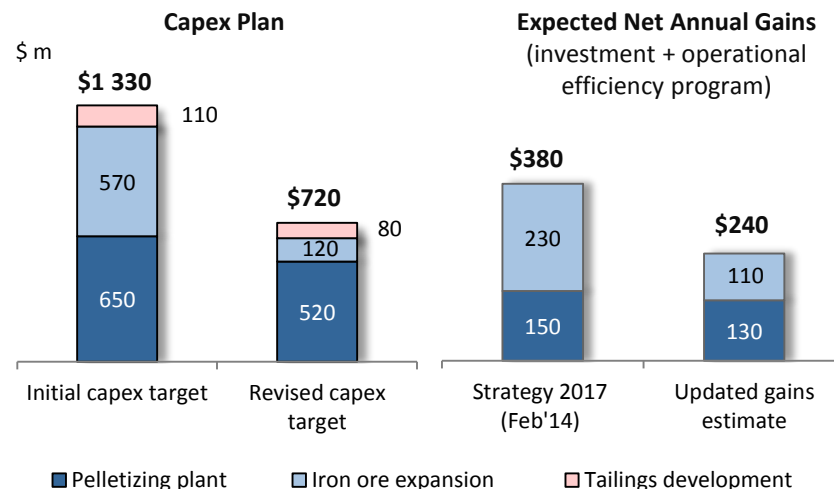
New targets for iron ore expansion

- Self-sufficiency: 95%
- 2014-17 capex: down from \$1,330 m to \$720 m (\$550 m in 2015-2017)
- Net gains of \$240 m at current prices

IRON ORE CONCENTRATE CAPACITY, M TPA



CAPEX AND NET GAINS UPDATE (2014-17)



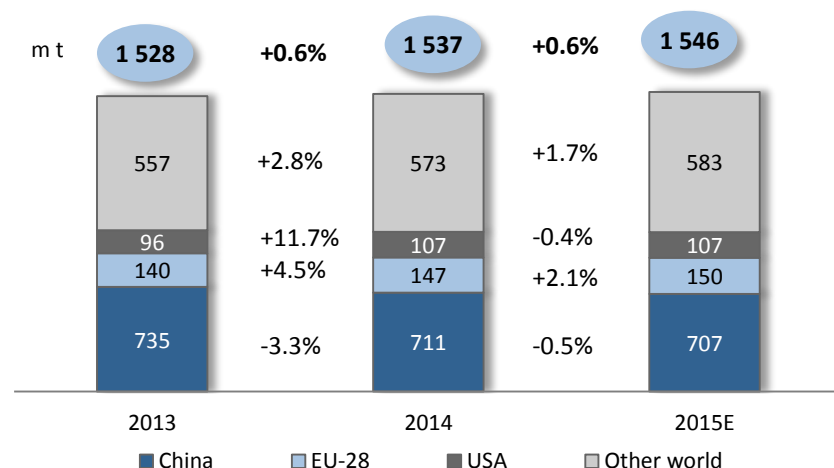
- **International markets: global steel demand will grow by 0.6% in 2015**

- NLMK core markets in the EU, MENA and the US continue to grow showing stable demand

- **Russian market outlook**

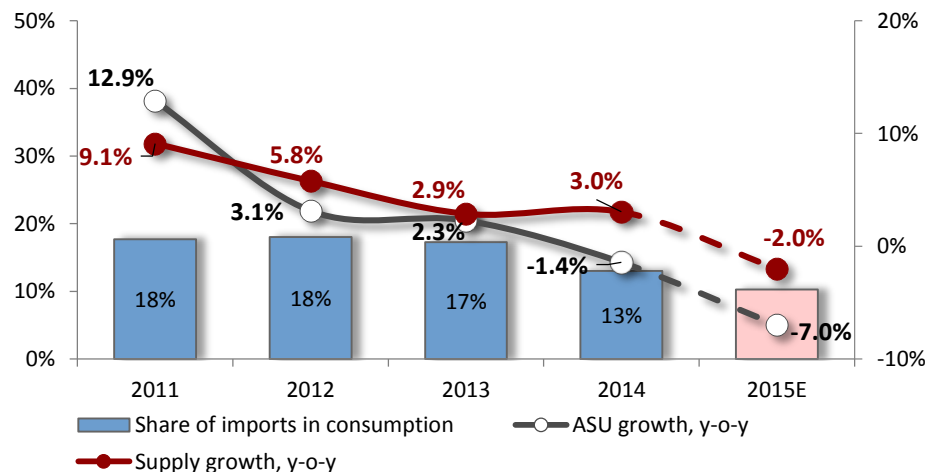
- Steel demand to soften by 7% in 2015, imports will fall by up to 50%
- Steel output is expected to decline 2% yoy, minor and long products producers most affected
- Sustainable demand in selected sectors:
 - Pipes consumption to grow +10-15%
 - Other infrastructure growth
 - Construction industry fundamentals are in place, decline is cyclical, not structural

GLOBAL MARKET: APPARENT STEEL USE



Source: World Steel Association

RUSSIAN MARKET: SUPPLY AND DEMAND



Source: WSA, NLMK estimates

DIVERSIFIED SALES AND BALANCED PRODUCT PORTFOLIO

3

Leading positions in strategic markets

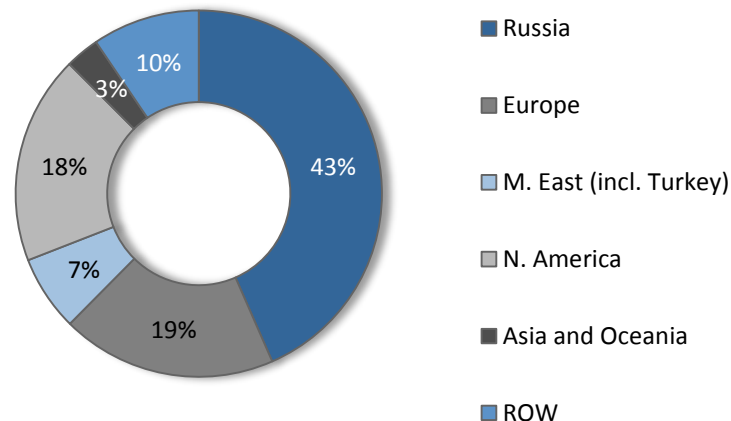
• Flexible sales structure

- Actively managed sales with exports share of 50-70%
- Wide exports geography of more than 70 countries
- In Q1'15 exports increased to 65% from 53% in 2014

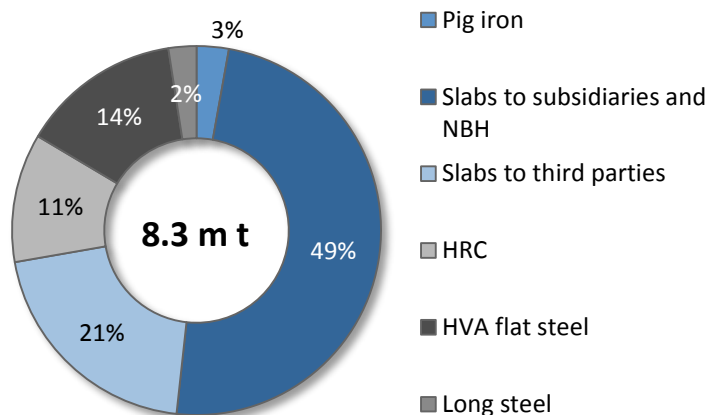
• Diversified product mix

- Russian market is strategic for downstream products
- Up to 75% of export sales are semi-finished steel not exposed to trade barriers
- Half of export sales are to captive re-rolling operations

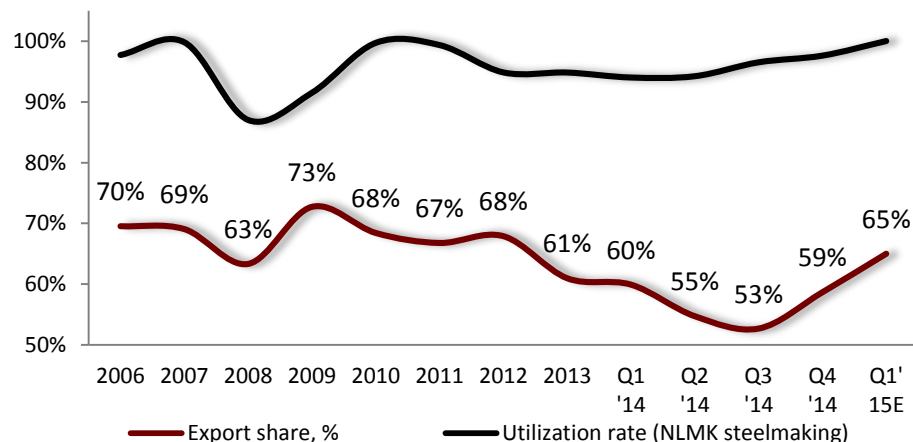
SALES STRUCTURE BY MARKETS, 2014



EXPORTS FROM RUSSIAN ASSETS, 2014



EXPORTS SHARE IN SALES





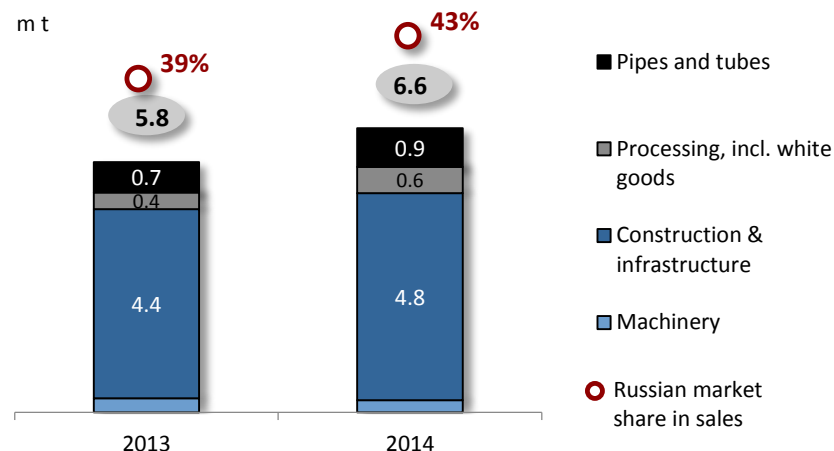
IMPROVED UTILIZATION AND PRODUCT MIX IN STRATEGIC MARKETS

3

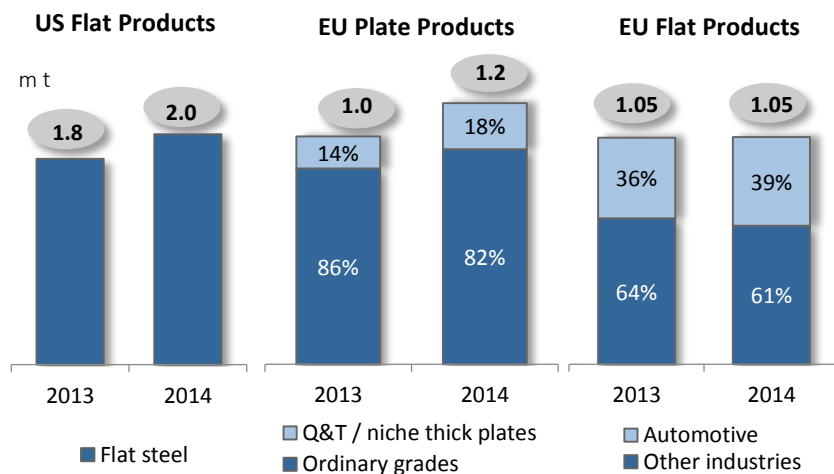
Leading positions in strategic markets

- **Benefiting from strong domestic demand in 2014**
 - Russian sales up 14% yoy capturing local price premium
 - NLMK Kaluga reached 100% capacity utilization
- **Building exposure to attractive niches in Russia**
 - Growing sales to pipe sector, including 800 kt of slabs supplied for LDP production in 2014
 - HDG facility upgrade in 2015: +0.12 m t
- **European market: HVA products growth**
 - EU Plate Products: 40% growth in Q&T plates sales
 - EU Flat Products: 10% growth in sales to automotive
- **Improved utilization in the growing US market**
 - US Flat Products sales up +11% yoy to 2.0 m t
 - NLMK US division benefits from increased protectionism
- **Net gains from market strategy in 2014: \$100 m**

SALES IN RUSSIA



US AND EU DIVISIONS SALES





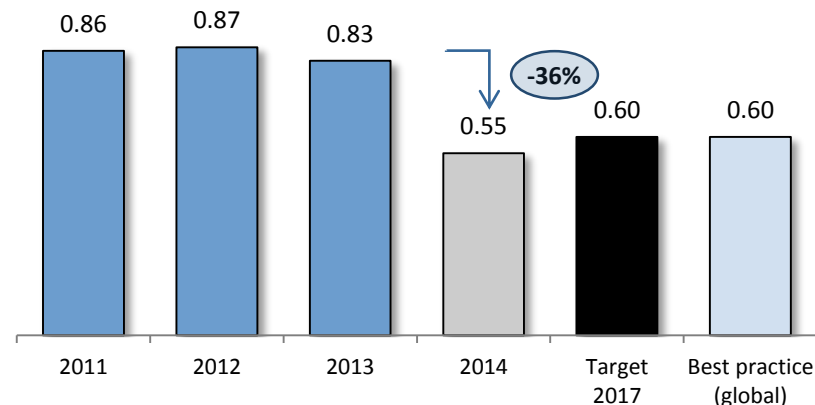
STRONG PROGRESS IN SAFETY AND SUSTAINABILITY

4

Leadership in sustainability and safety

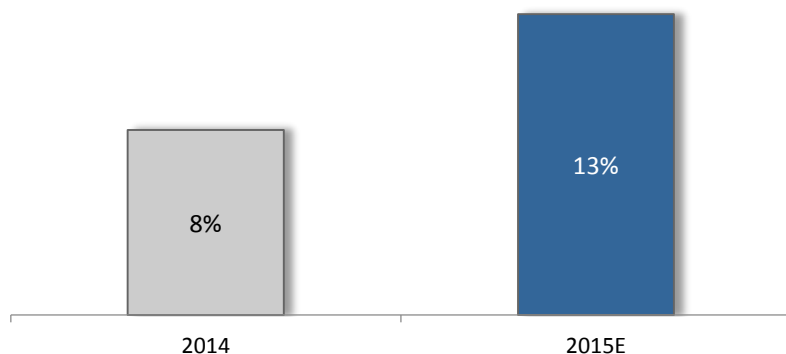
- **Relentless focus on safe operating practices**
 - Russian operations LTIFR* down by 36% to global best practice level
- **Further reduction of environmental footprint**
 - Specific air emissions reduced by 7% yoy to 20.3 kg/t
 - Off-gas treatment improved to a record 98.7%
- **Labor productivity grew 8% across the Group**
 - Reengineering of business processes, implementing best practices in HR
 - Outsourcing of maintenance and auxiliary processes

LTIFR*, RUSSIAN ASSETS



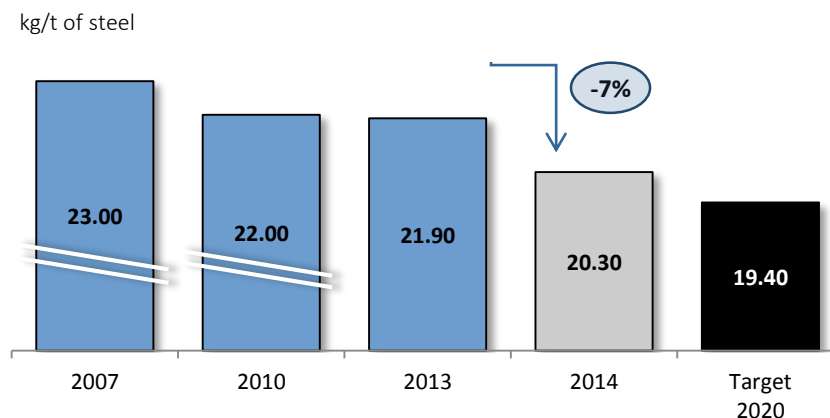
* LTIFR – Lost Time Injury Frequency Rate (per 1 mln man-hours worked). Russian assets include Russian Flat Products, Russian Long Products, Russian Mining

LABOR PRODUCTIVITY GROWTH VS 2013**



**Productivity calculated as steel output divided by the number of employees

AIR EMISSIONS, RUSSIAN ASSETS

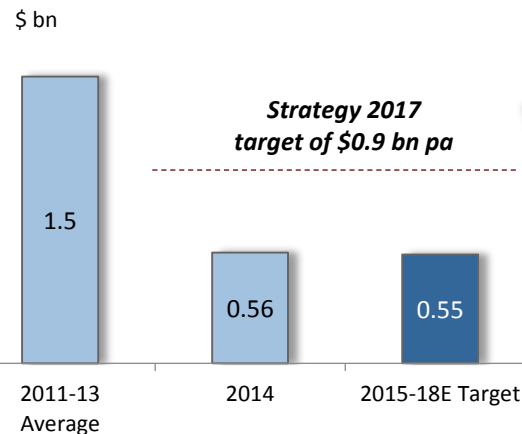


STRATEGY 2017: STRONG PROGRESS IN 2014

✓ NET ANNUAL GAINS VS. 2013



✓ CAPEX REDUCTION



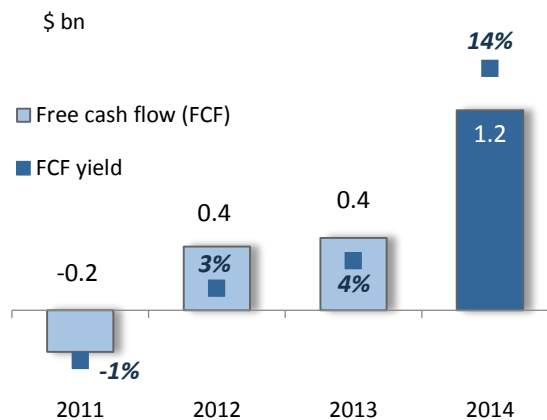
STRATEGY 2017 TARGETS

- 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

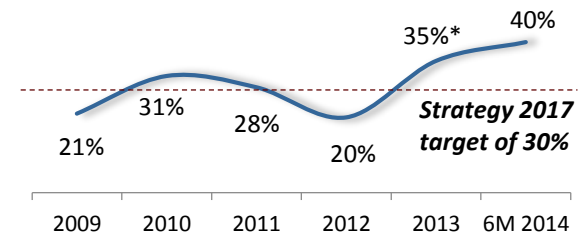
✓ CONSERVATIVE LEVERAGE



✓ 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

CEO REMARKS

- Management delivered good progress on strategy execution with \$400 m gains realized in 2014
- Future net gains target of \$1bn unchanged
- Increased contribution to come from operational efficiency projects as continuous improvement culture strengthens
- Iron ore expansion capex cut by c.50%, self-sufficiency target remains
- Balanced product mix and flexible sales to support utilization and top line
- Leading positions in sustainability and safety ensure long-term responsible growth





FINANCIAL POLICY

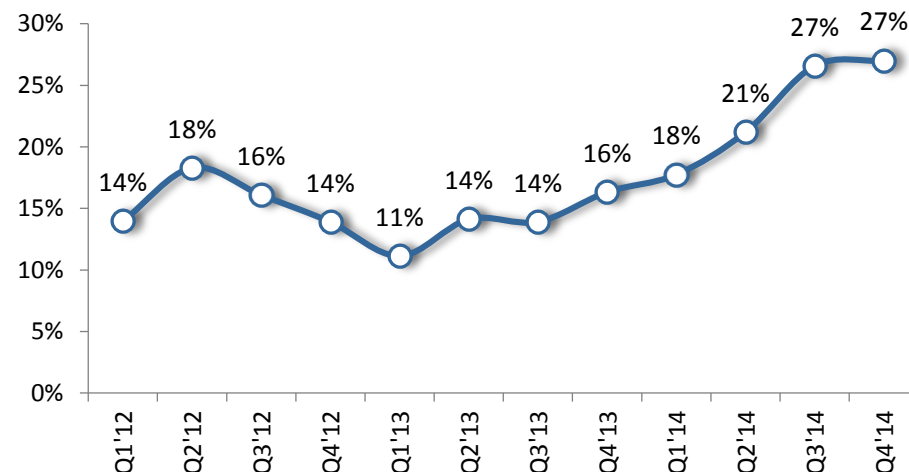
Grigory Fedorishin

Chief Financial Officer

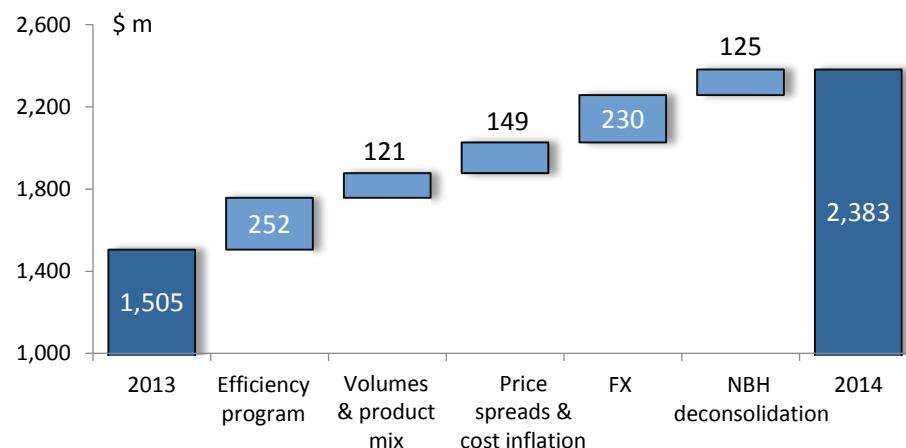
KEY 2014 NUMBERS

- **All time record steel output in 2014: 15.9 m t (+3% yoy)**
 - NLMK Kaluga ramp up
 - >100% utilization of steelmaking at Lipetsk site
- **Steel sales up 2% yoy to 15.1 m t**
- **FY'14 financial results**
 - Revenue \$10.4 bn (-5% yoy)
 - EBITDA \$2.4 bn (+57% yoy)
 - EBITDA margin 23% (+9 p.p. yoy)
 - FCF \$1.2 bn (+112% yoy)
 - Capex \$562 m (-26% yoy)
- **Consecutive growth of EBITDA margin**
- **Deleveraging target achieved**
 - Net debt \$1.6 bn (-41% yoy)
 - Gross debt \$2.8 bn (-34% yoy)
 - Net debt / LTM EBITDA 0.67x

EBITDA MARGIN 2012-2014



EBITDA BRIDGE, 2014/2013 *

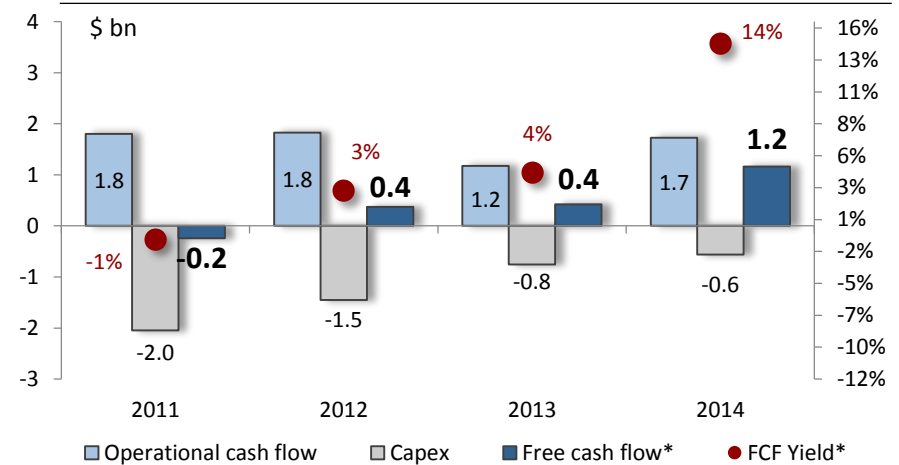


* Does not include NBH results and \$36 m efficiency gains at NBH

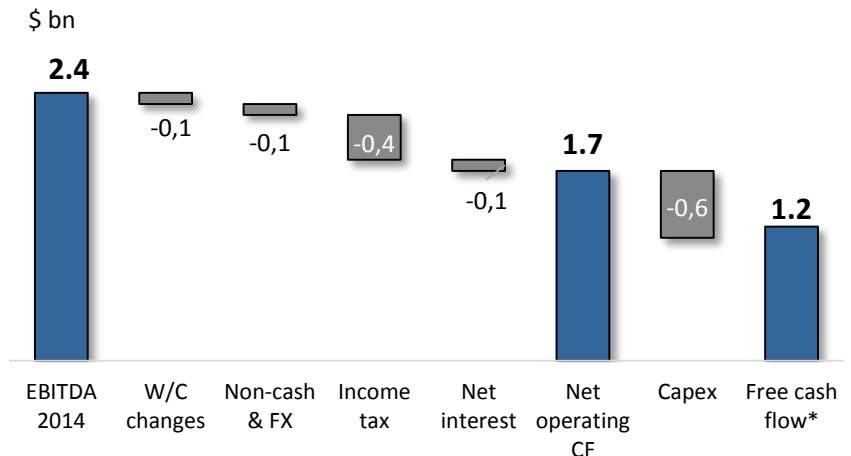
FREE CASH FLOW GROWTH

- **Structural growth in business profitability**
 - >\$500 m of annual net gains from operational efficiency programs generated in 2013-2014
 - Forthcoming gains from investment projects
- **Deleveraging completed**
 - Net Debt / EBITDA of 0.67x below target of 1.0x
- **Lower capital intensity of the business**
 - 2014 capex: \$0.56 bn
 - 2015-2018E average capex: \$0.55 bn
- **Free cash flow becomes available to shareholders: capability to sustainably increase dividends**

CASH FLOW TREND, 2011-2014



EBITDA TO FREE CASH FLOW BRIDGE, 2014



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

UPDATED CAPEX TARGET

- **Strategy 2017 development capex scaled down**

- -\$0.6 bn: iron ore capex reduction
- +\$0.1 bn: new projects (IRR>35%) offset by ruble devaluation effect on capex
- \$0.8 bn to invested in 2015-2018

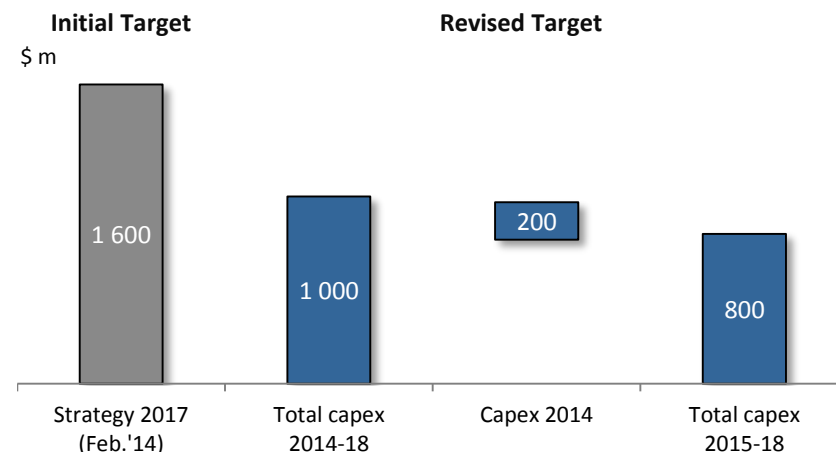
- **Mid-term total average annual capex of \$0.55 bn (down from \$0.9 bn)**

- \$0.2 bn pa. – Strategy 2017 projects capex
- \$0.25 bn pa. – structural maintenance and environmental capex
- \$0.1 bn pa. – one-off BF and BOF capital repairs program of 2015-2018

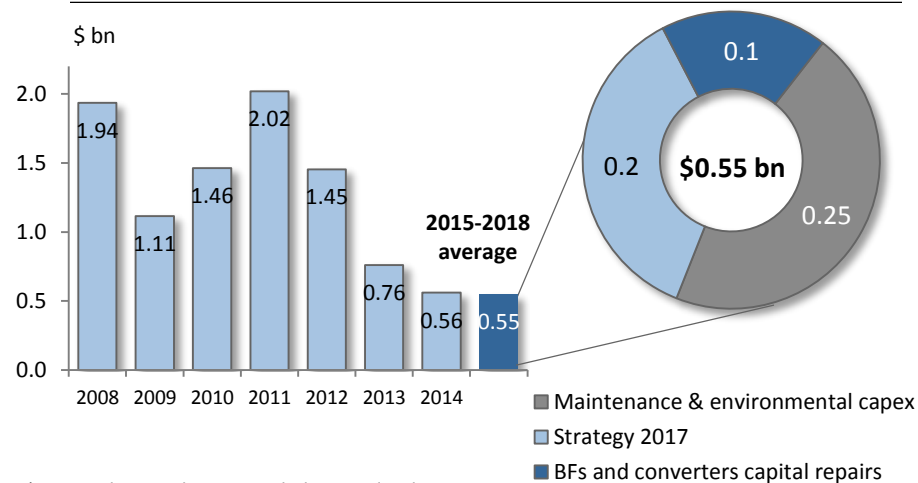
- **Capex 2015E of \$600-700 m**

- \$0.25 bn – active phase of pelletizing project
- 2014 capex carryovers

STRATEGY 2017 TOTAL REQUIRED CAPEX



ANNUAL CAPEX HISTORY AND PROJECTIONS



*Required capex does not include capitalized interest

DELEVERAGING TARGET ACHIEVED

- Maintaining leverage at comfortable level**

- Strategic target of Net debt / EBITDA of 1.0x achieved
- No plans for further deleveraging

- Efficient debt structure**

- Strong liquidity position**

- \$1.1 bn of cash, 90% \$ or € denominated
- \$1.9 bn of committed credit lines, >50% from Russian state-owned banks
- Liquidity comfortably covers short-term debt

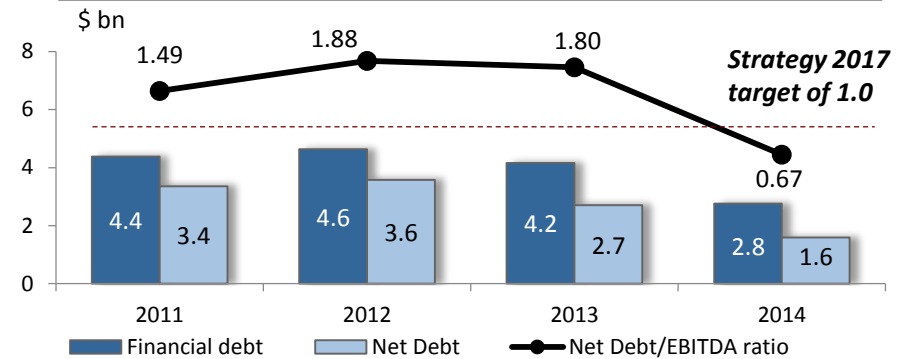
- Modest level of short-term debt**

- \$0.25 bn of refinanced/rolled over debt
- \$0.5 bn to be covered by operational cash flow or refinanced

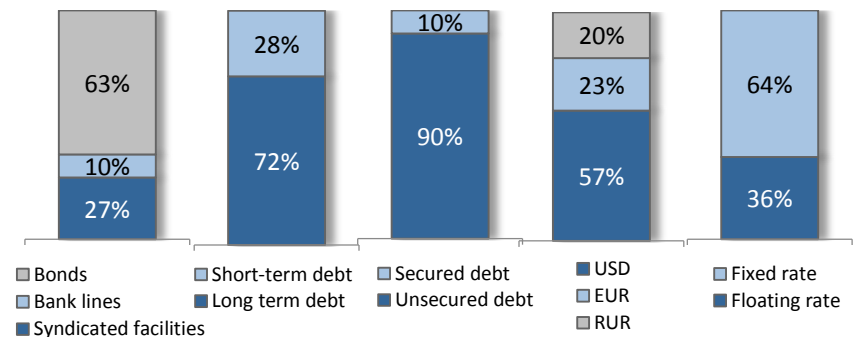
- Commitment to investment grade rating**

- Sovereign rating pressure
- In constant dialogue with major credit ratings agencies

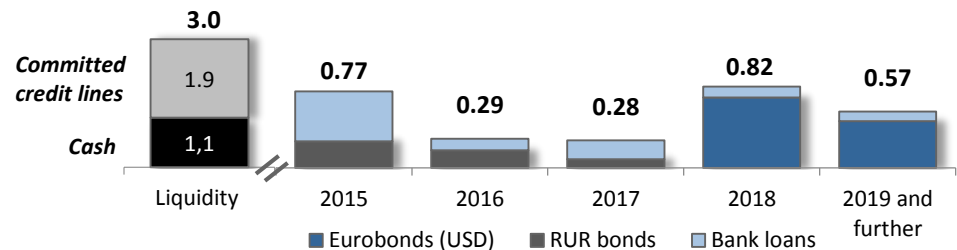
FINANCIAL DEBT, YEAR END



FINANCIAL DEBT STRUCTURE, 2014



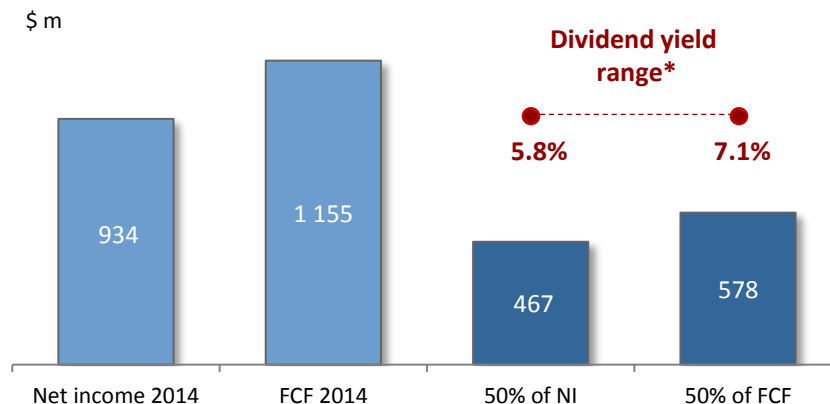
DEBT STRUCTURE AND MATURITY, 2014



NEW DIVIDEND POLICY

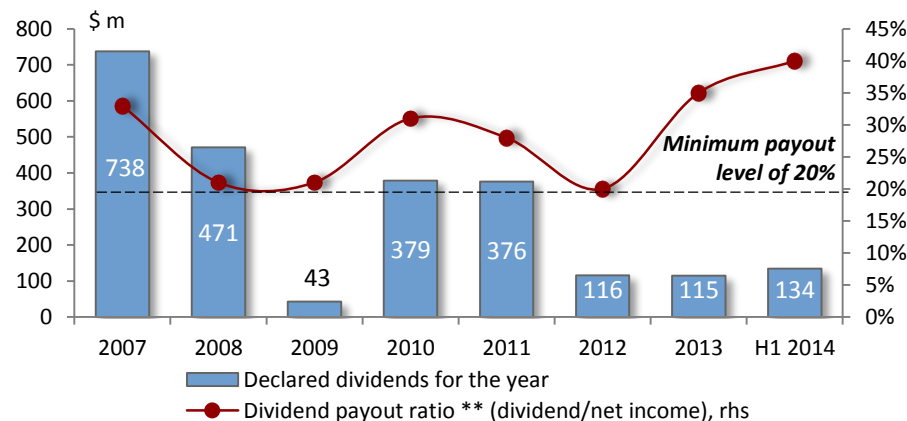
- Quarterly dividend payments
- Based on Net income (non-cash) and Free cash flow (cash) indicators
- Adjusts for leverage (Net debt/EBITDA)
- Net debt/EBITDA of 1.0x or less
 - Dividend payout in the range of 50% of Net income and 50% of Free cash flow
- Net debt/EBITDA exceeding 1.0x
 - Dividend payout in the range of 30% of Net income and 30% of Free cash flow

NEW DIVIDEND POLICY EXAMPLE



*Dividend yield calculation is based on the average 2014 market cap

DIVIDEND HISTORY



** In 2013 dividend payout amounted 35% of US GAAP consolidated net profit adjusted for one-off non-monetary factors (creation of reserves), and for expenses related to previous periods

CFO REMARKS

- **Cost control and operational efficiency to support profitability**
- **Conservative capex with high return hurdles**
- **No need for further deleveraging**
- **Structurally higher free cash flow available for shareholders**
- **New dividend policy to improve visibility of payments and to increase payout**
- **Generating superior shareholder returns remains top priority**



CORPORATE GOVERNANCE

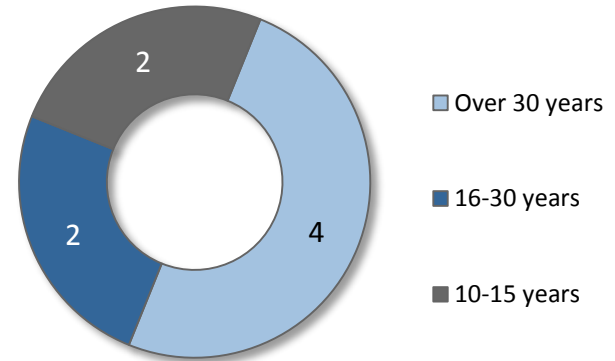
Helmut Wieser

Independent Director

COMMITMENT TO SOLID CORPORATE GOVERNANCE

- **Experienced and involved Board**
- **Three independent directors**
- **Board committees meet on a regular basis**
 - Strategic Planning Committee
 - Audit Committee
 - HR, Remuneration and Social Policies Committee
- **Corporate governance is based on best practices**
- **Management is focused on governance**
 - Internal controls and risk management set as a group function reporting to the Audit Committee
 - Corporate Secretary set as a group function
- **One of the industry's most transparent companies**
 - Top 10 in Best Financial Disclosure and Best Investor Relations in Europe and Russia
 - 2008-2014 awards include Institutional Investor and Extel Survey Awards for Best IR (Equity and Debt)
- **New dividend policy demonstrates commitment to all shareholders**

DIRECTORS' EXPERIENCE IN METAL & MINING



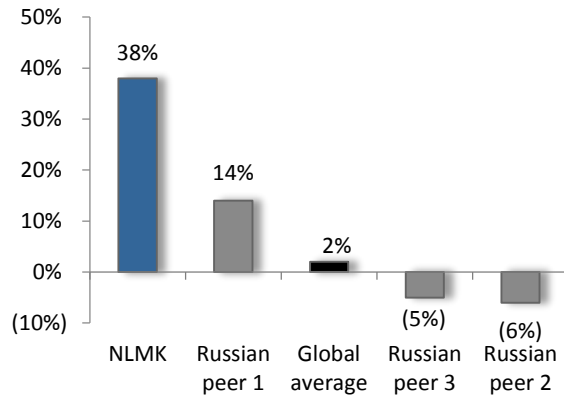
ENGAGING WITH SHAREHOLDERS



LEADING POSITIONS TO TRANSLATE INTO SHAREHOLDERS RETURNS

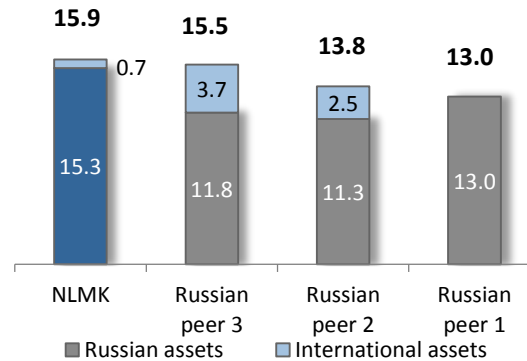
IMPRESSIVE GROWTH STORY

2010-2014 Steel output growth



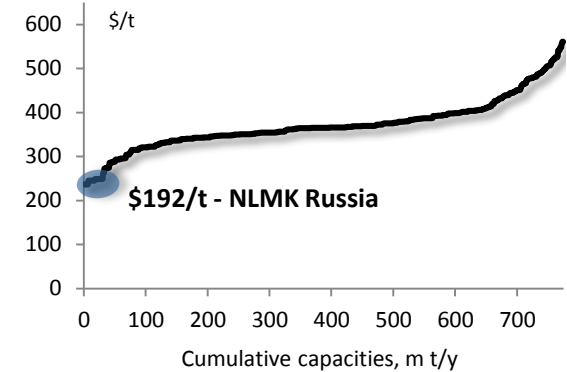
LARGEST STEELMAKER IN RUSSIA

2014 Steel output, m t



1ST QUARTILE COST POSITION

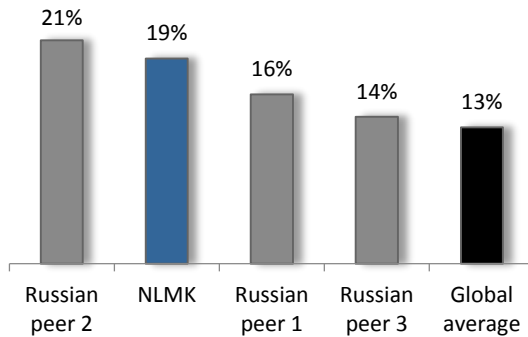
Global cost curve, Dec'14



Source: WSD Dec'14 cost curve; consolidated slab cash cost at NLMK Russian Flat Products as of Dec'14

TOP TIER PROFITABILITY

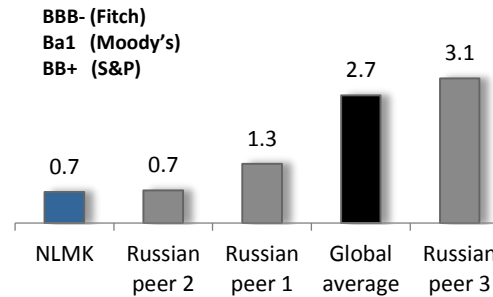
2010-2014 EBITDA margin*



Source: Latest reported financials

CONSISTENTLY LOW LEVERAGE

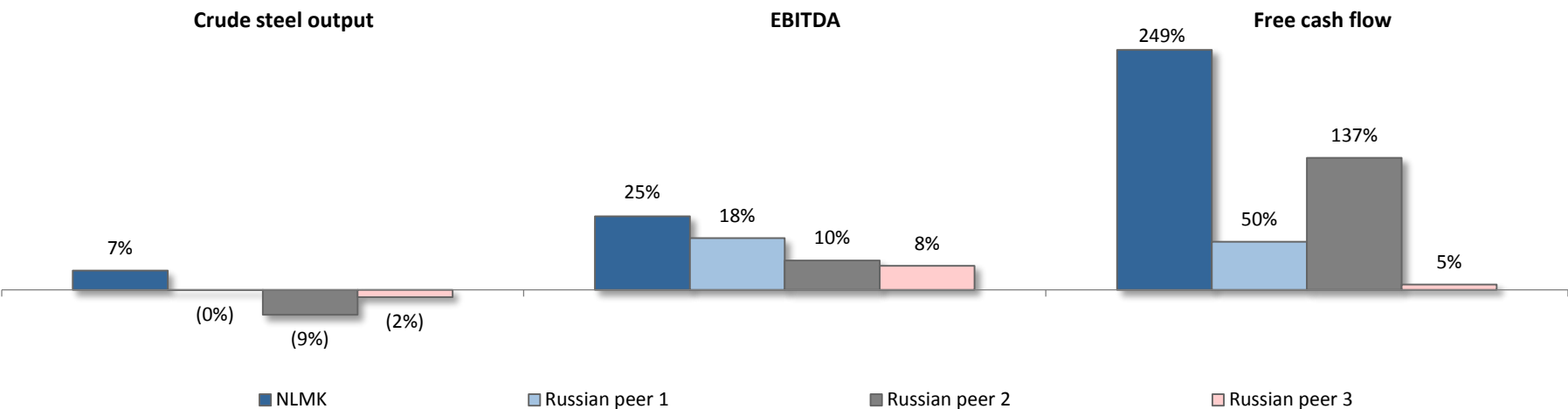
12M 2014 Net debt / LTM EBITDA



Source: Latest reported financials

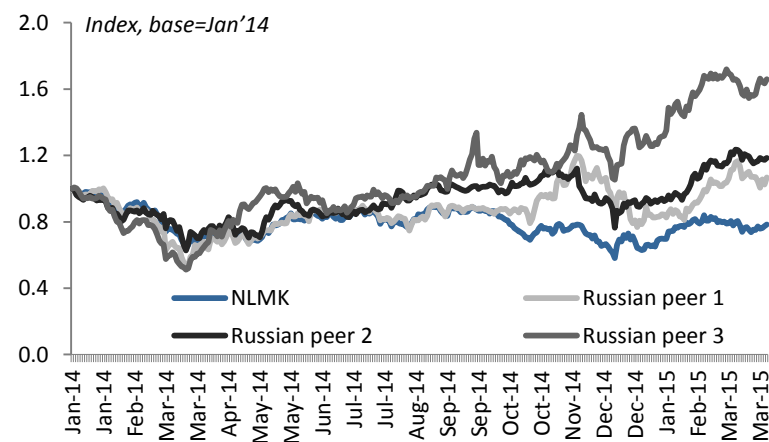
LEADING POSITIONS TO TRANSLATE INTO SHAREHOLDERS RETURNS

GROWTH RATES 2014/2012



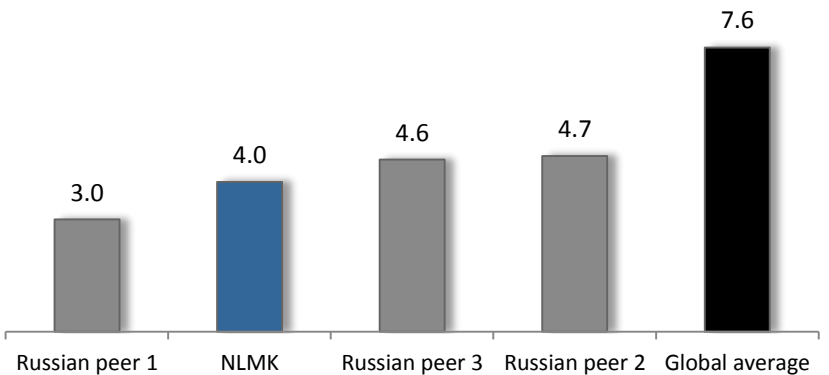
Source: Companies' data, Bloomberg as of March'15

MARKET CAPITALIZATION



Source: Bloomberg as of March'15

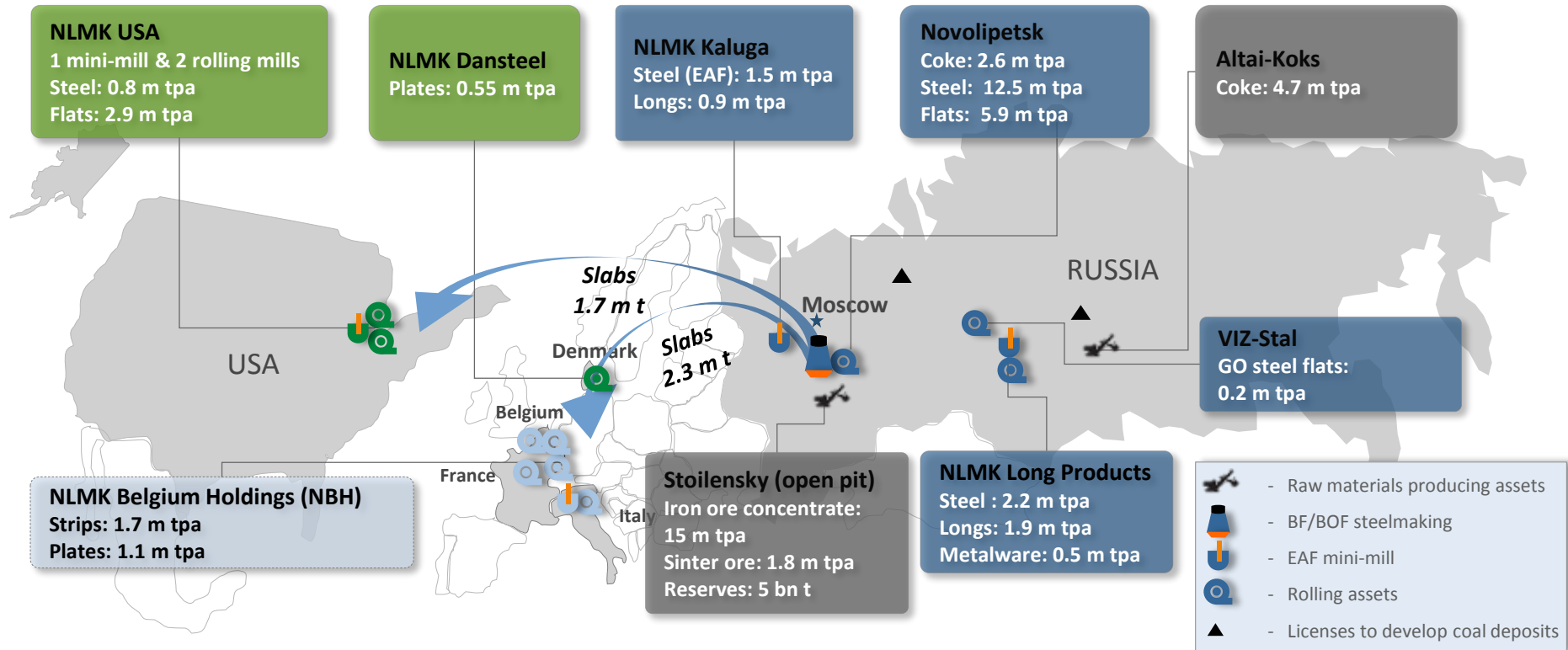
EV/ EBITDA, MARCH 2015



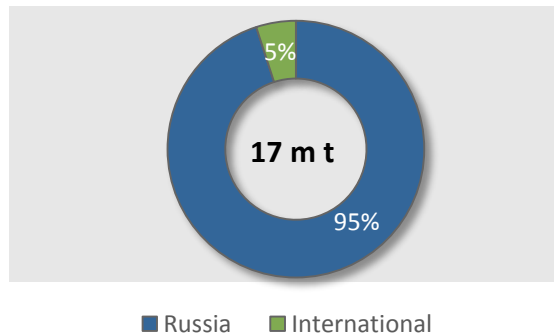
Source: Companies' data, Bloomberg as of March'15
Global average based on Bloomberg Intelligence index

APPENDIX

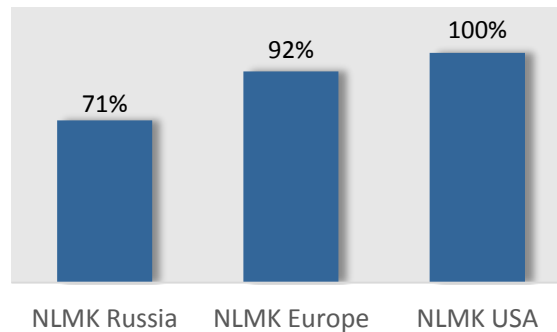
BALANCED ASSET PORTFOLIO



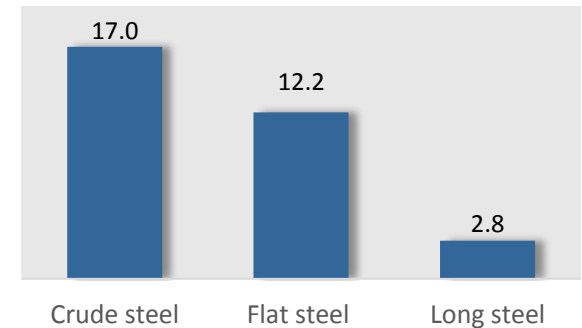
NLMK crude steel capacity



Share of "domestic" sales of finished steel



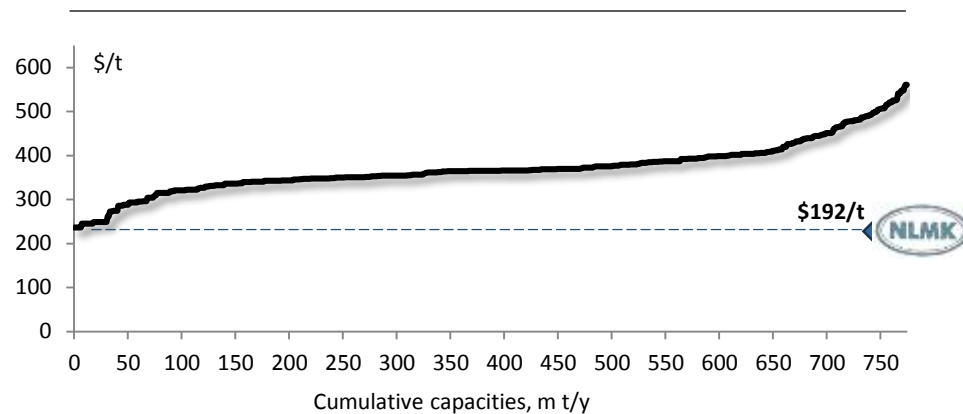
Production capacity, m t pa.



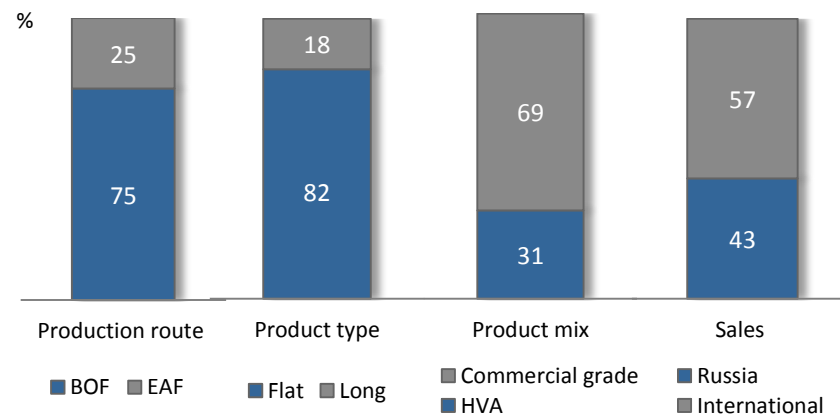
NLMK CORE COMPETITIVE ADVANTAGES

- **The largest steelmaker in Russia with 1st quartile costs and one of the highest profitability globally**
- **Balanced and diversified production chain**
 - All upstream assets and 95% of steelmaking capacity (75% BOF, 25% EAF) located in Russia
 - Self-sufficiency in raw materials: iron ore 100%, coke >100%, scrap 85%, energy 60%
 - 15 mln t pa. downstream facilities in Russia, EU and the US source crude steel from Russia
- **One of the most diversified steelmakers globally**
 - Up to 100% of finished rolled products produced in Russia, EU and the US are sold locally
 - Diversified product portfolio (flat 85%, long 15%) with over 35% of high value added
 - Diversified customer base (from infrastructure to autos and energy) in more than 70 countries
- **100% utilization, 25 p.p. above industry average**
- **Low risk growth opportunities across the existing production platform**
 - Scalable value chain: growth options in upstream, steelmaking and downstream
 - Low capex due to organic/brownfield growth options

DECEMBER 2014 SLAB PRODUCTION COST*



DIVERSIFIED BUSINESS



Note: 2014 sales, tonnes, excluding NBH

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