



**Q2 AND H1 2015 US GAAP
CONSOLIDATED FINANCIAL RESULTS**

Moscow, 5 August 2015

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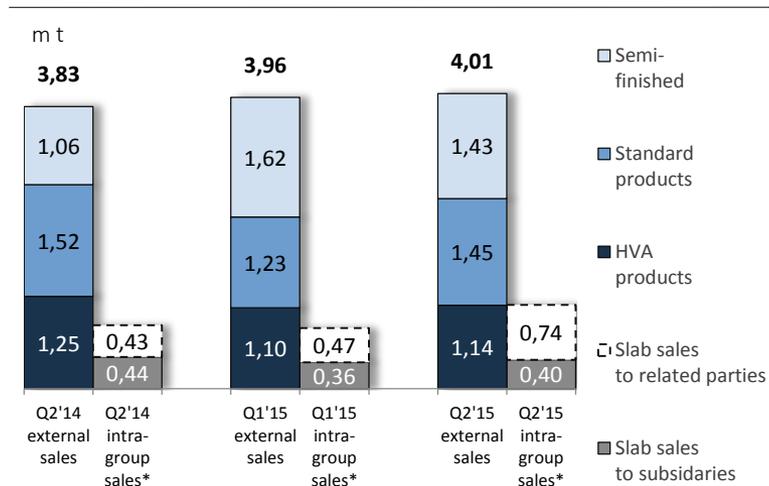
CONTENT

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

Q2'15 SALES GROWTH

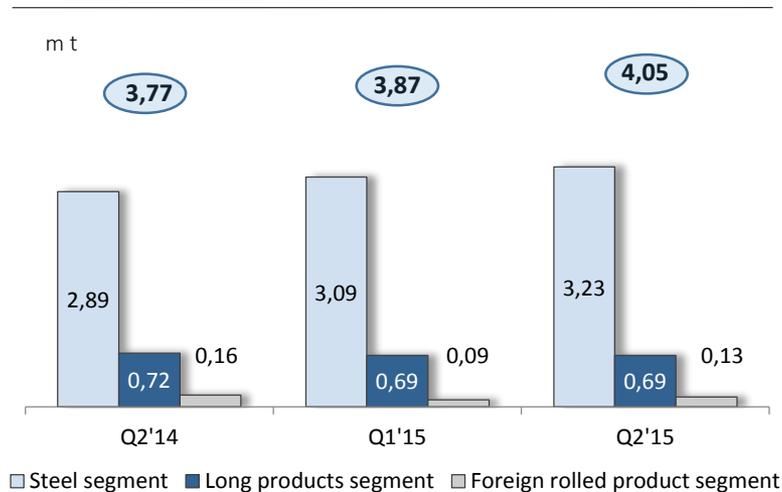
- **Q2'15 STEEL SALES UP +1% qoq (+4% yoy): 4 MT**
 - Driven by finished steel sales (+11% qoq)
 - Increase in slab sales to subsidiaries and NBH
- **SALES IN RUSSIA INCREASED BY 2 P.P. TO 38%**
 - ... in a move to capture local price premiums in Q2'15
- **STEEL OUTPUT UP 5% qoq (+7% yoy): 4.05 MT**
 - Supported by strong sales
 - Maintaining high utilization rates
 - Major repairs were made in Q1'15 (Russia & USA)

SALES

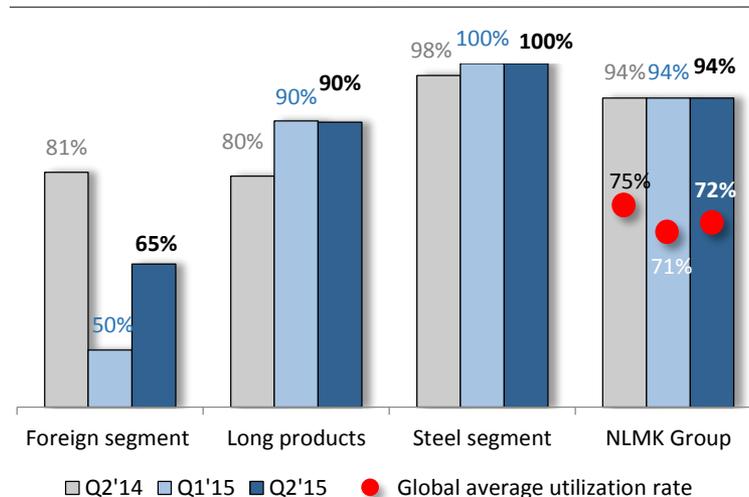


* since Q4'13 sales of slab to NBH (associating company) reclassified as external sales

STEEL OUTPUT



RUN RATES BY SEGMENT



Strong sales support maximum utilization rates

FINANCIAL HIGHLIGHTS

• H1'15 HIGHLIGHTS

- Revenue: \$4,356 m (-20% yoy)
- EBITDA: \$1,115 m (+5% yoy)
- EBITDA margin: 26% (+6% p.p. yoy)
- EBITDA per tonne: \$140/t (+1% yoy)

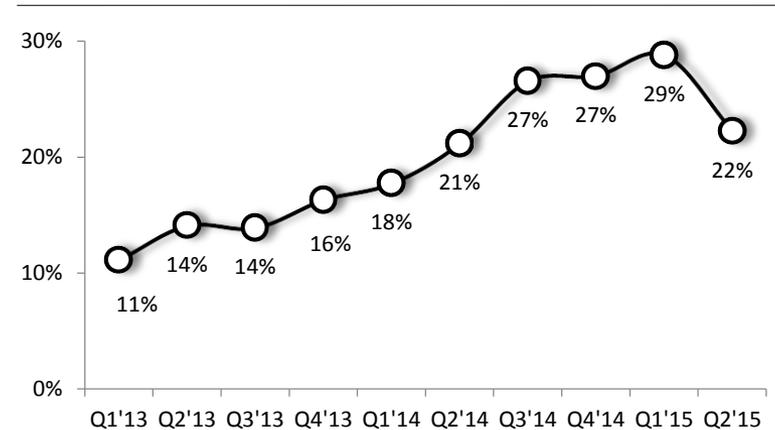
• Q2'15 HIGHLIGHTS

- Revenue: \$2,140 m (-3% qoq)
- EBITDA: \$476 m (-25% qoq)
- EBITDA margin: 22% (-7 p.p qoq)
- EBITDA per tonne: \$119/t (-26% qoq)
- Net income: \$170 m (-47% qoq)
- Capex: \$178 m (+54% qoq)
- Free cash flow*: \$218 m (-32% qoq)

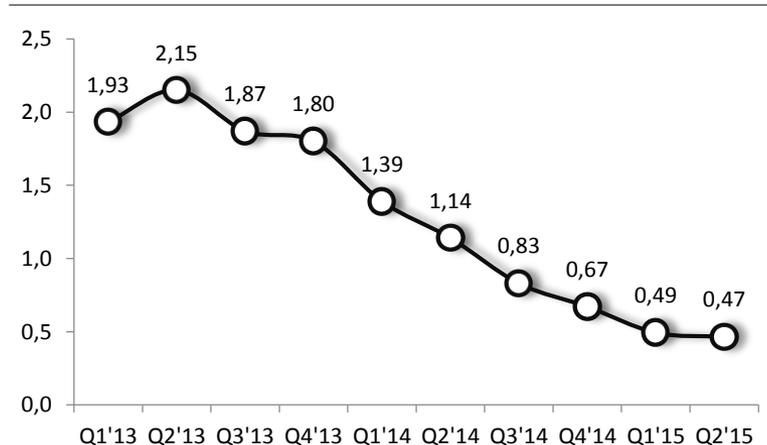
• FINANCIAL POSITION AS OF 30/06/2015

- Net Debt: \$1,133 m (-9% qoq; -46% yoy)
- Net Debt/EBITDA: 0.47x (0.49x as of 31/03/15)

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 and changes in statutory payments

STRATEGY 2017: 1H'15 UPDATE

1

Leadership in operational efficiency

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

2

World-class resource base

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

3

Leading positions in strategic markets

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

4

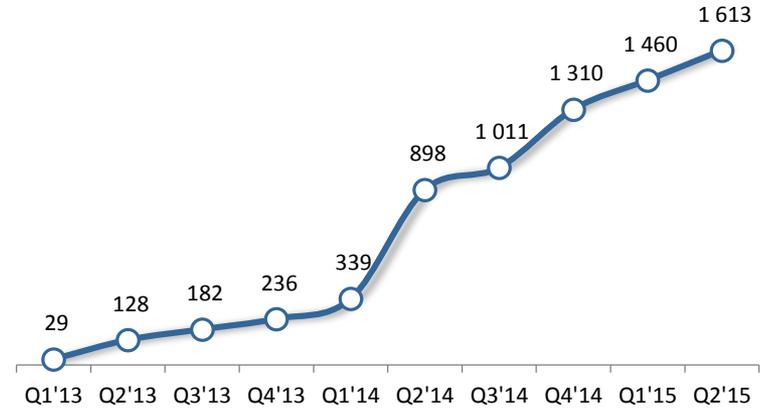
Leadership in sustainability & safety

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

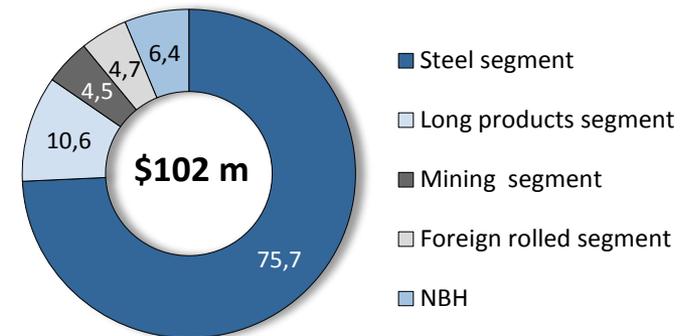
1 LEADERSHIP IN OPERATIONAL EFFICIENCY

- **Continued growth of efficiency projects portfolio**
 - Over 300 new efficiency projects initiated in H1'15
- **H1'15 savings totaled \$102m - 100% of 2015 target**
- **Steel segment¹**
 - Productivity improvements lead to +160 k tpa of slabs and +80 k tpa of hot-rolled coil output
 - Lower resource utilization:
 - -18 kg/t of coking coal consumption
 - -4 kg/t of iron ore, -4 kg/t of metallics in charge
- **Long products segment¹**
 - Optimized EAFs operations lead to lower consumption of energy and materials
- **Mining segment¹**
 - +300 k t of iron ore concentrate production
- **International operations**
 - Significant productivity and quality gains (c.1% to 98.9% of prime products) in EU Strip division
 - Yields improvement (-23% yields drop)
 - Headcount optimization

ONGOING EFFICIENCY PROJECTS, 2013-H1'15



H1'15 OPERATIONAL EFFICIENCY GAINS



¹ 6m2015 numbers, yoy change

2 WORLD CLASS RESOURCE BASE

• New pelletizing plant

- Project status at the end of June 2015:
 - Engineering and equipment supply: >80%
 - Building and installation works: 40%
 - Invested as at 30 June 2015: \$430 m
- Commissioning: 2H'16

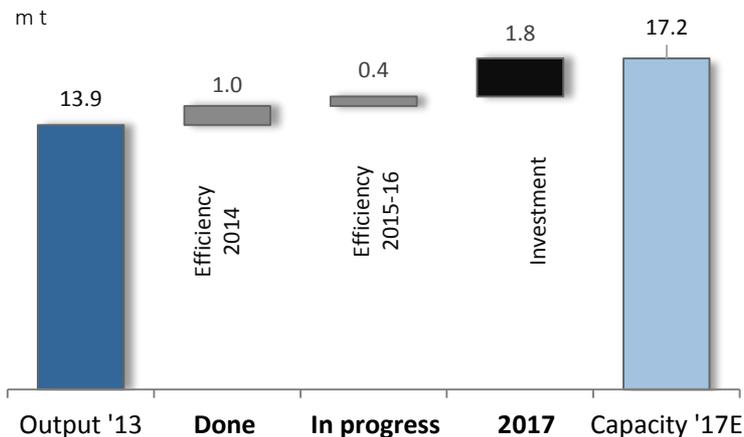
• Stoilensky mine development

- Iron ore production hit record level in H1'15 with output increased by 11% since 2012
- +1.8 m tpa of extra iron ore concentrate capacity in 2016-17 as a low capex option (c. \$120 m)

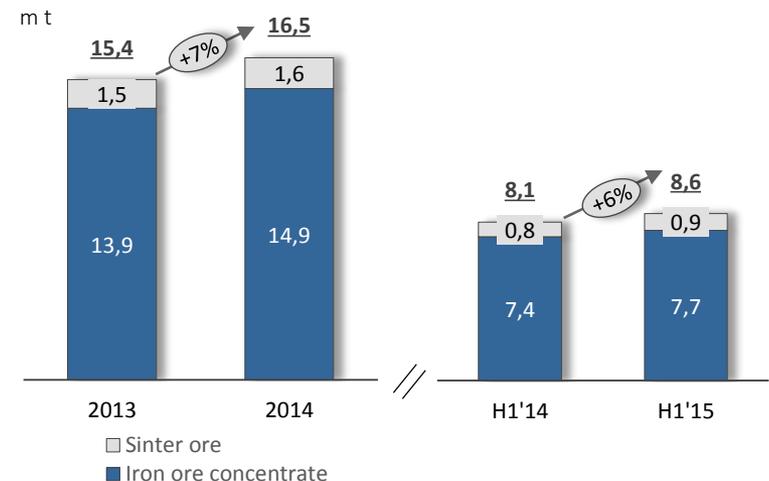
PELLETIZING PROJECT PROGRESS



IRON ORE CAPACITY GROWTH



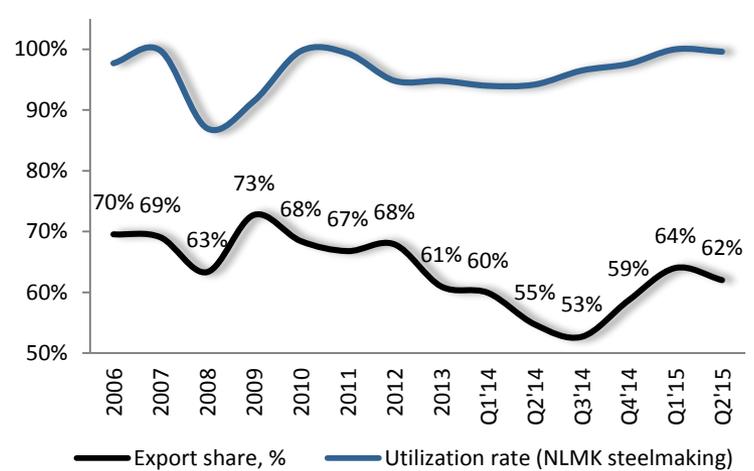
IRON ORE OUTPUT GROWTH



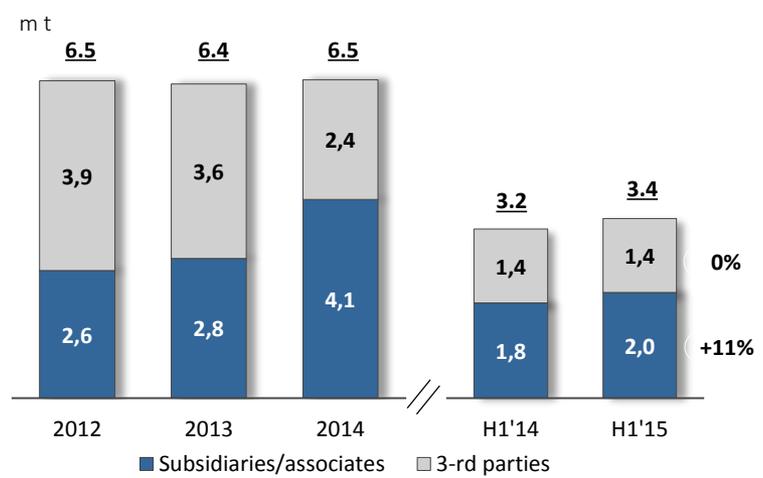
3 LEADERSHIP IN STRATEGIC MARKETS

- **+3% sales growth supported by flexible sales structure**
- **Captured price premium in the Russian market**
 - Q2'15 Russian sales share up 2 p.p. qoq to 38%
 - Flat steel, including HVA* products: +4% qoq
 - Long products driven by NLMK Kaluga: +33% qoq
- **Growth in slab sales to captive foreign assets**
 - 11% yoy growth in captive sales
- **Sales growth at international operations**
 - Supported by stable demand in developed markets
 - NLMK USA HVA products sales increased by 3% qoq

SHARE OF EXPORTS VS RUN RATES

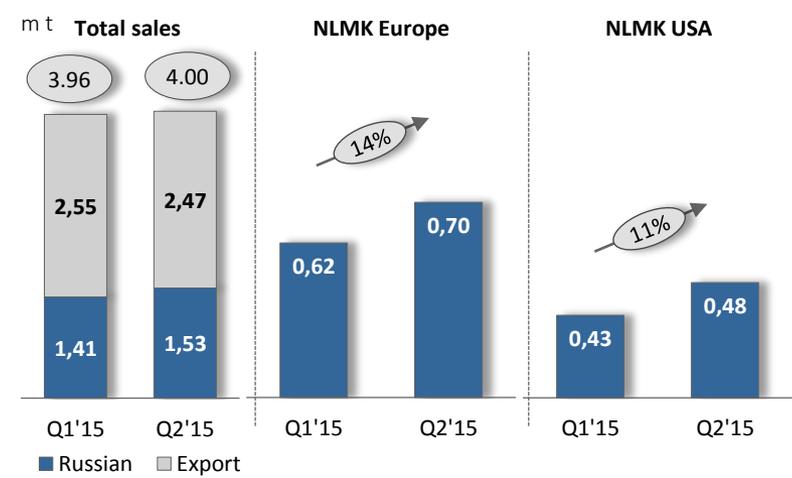


SLABS SALES STRUCTURE



*HVA - high value added products. HVA includes cold-rolled, galvanized, pre-painted and electrical steel

Q1-Q2'15 SALES BREAKDOWN



4 LEADERSHIP IN SUSTAINABILITY AND SAFETY

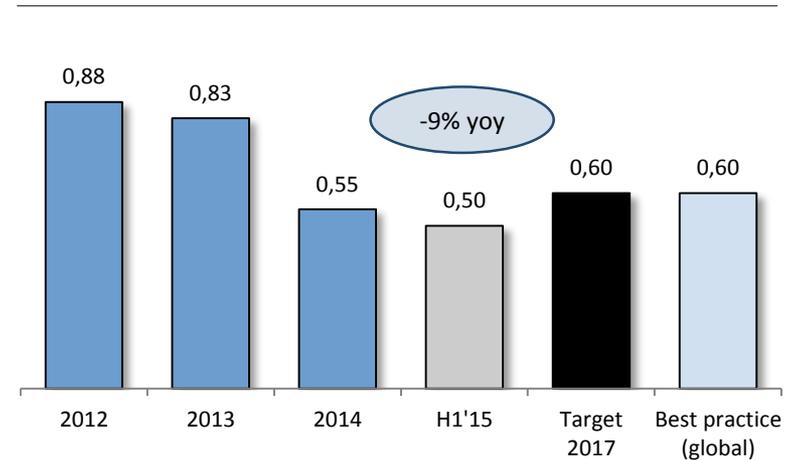
• Relentless focus on safe operating practices

- Russian operations LTIFR* down by 9% yoy – below 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

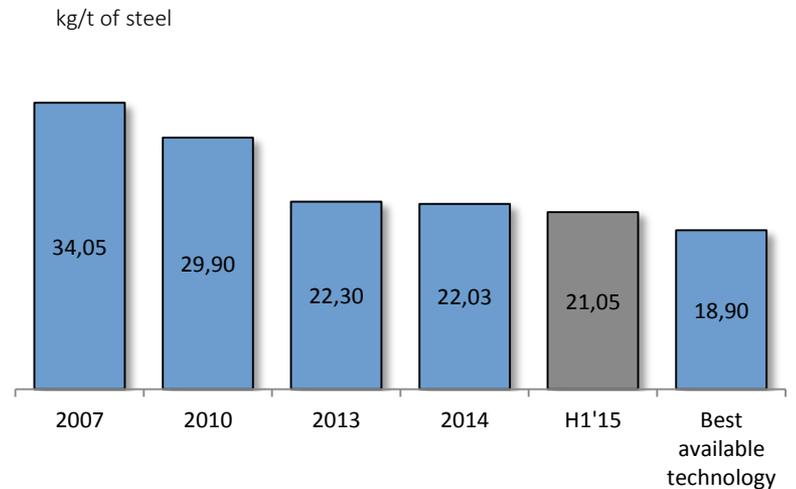
• Further reduction of environmental footprint

- Air emissions at the main integrated plant reduced by 4.4% while output increased
- Key environmental projects on track:
 - **Air:** gas-treatment facilities upgrade at Lipetsk and Long steel plants
 - **Water:** biochemical water treatment facility
 - **Waste:** BF slag handling facility at Lipetsk

LTIFR*, RUSSIAN ASSETS



AIR EMISSIONS (LIPETSK SITE)



Q3'15 OUTLOOK

- **MARKET**

- Russia: expected stable demand supported by seasonal factors and collapse of imports
- Europe: pricing seasonally softer but fundamental demand is structural and continues to improve
- USA: expected re-stocking supported by stable demand, lower inventories and higher risk of imports

- **OPERATIONAL RESULTS**

- Utilization rates to remain at maximum levels
- Output and sales are expected to grow further

- **FINANCIAL RESULTS**

- Softening in global steel pricing environment will continue to weigh on financial performance
- Ongoing efficiency improvement programs to support profitability of operations

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Q2'15 PROFITABILITY

• Q2'15 EBITDA FELL TO \$476 M

- Impacted by narrowing of steel/raw materials spreads on key markets

• STEEL SEGMENT: REDUCTION OF PROFITABILITY

- (-) Narrowing of steel/raw materials spreads
- (+) Operational efficiency gains

• LONG PRODUCTS SEGMENT: POSITIVE RESULTS

- (+) Seasonal increase of sales on domestic market
- (-) Narrowing of spreads (1Q'15 results generated on cheaper scrap stock accumulated in 4Q'14)

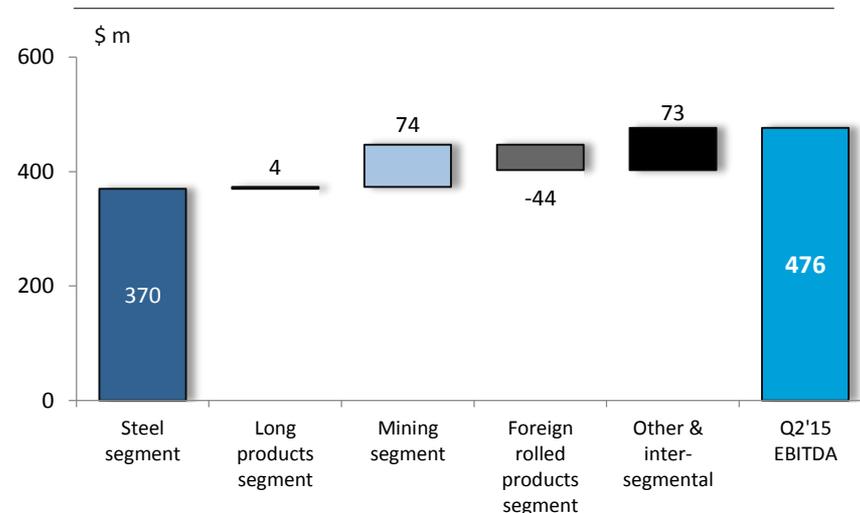
• MINING SEGMENT: USING COST ADVANTAGE

- (+) Increase of sales prices and sales volumes
- (+) Productivity gains
- (-) Increase of export sales with lower profitability

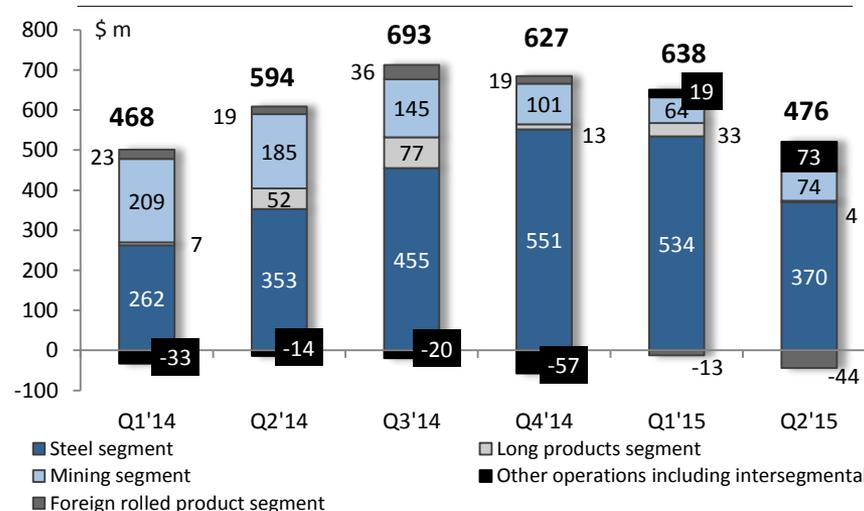
• FOREIGN ROLLED PRODUCTS SEGMENT

- (-) Price drop on US market due to high imports' pressure
- (-) Negative results in US driven by a consumption of expensive slabs accumulated in 2H'14
- (+) Favorable market environment in Europe

Q2'15 EBITDA BRIDGE BY SEGMENT



EBITDA CHANGE BY SEGMENT (QOQ)



Q2'15 CASH FLOW

- Q2'15 NET OPERATING CASH FLOW: \$426 M (-2% QOQ)**

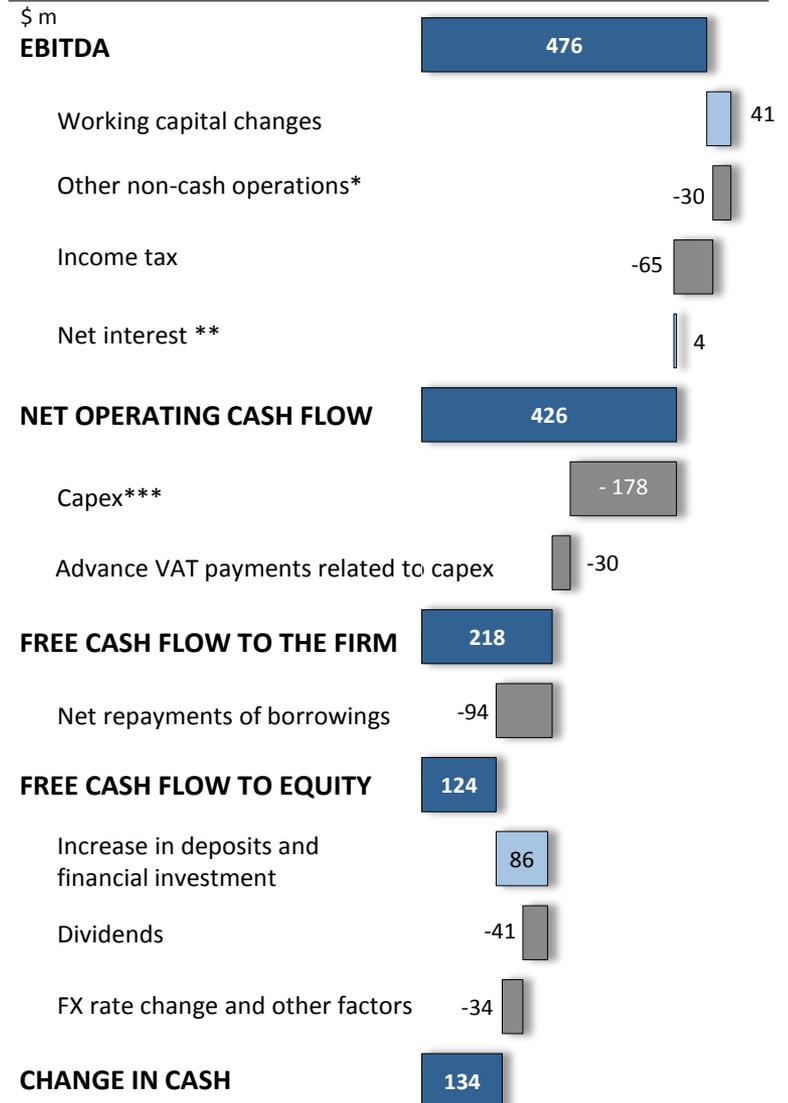
- Decrease in EBITDA to \$476 m
- Net working capital inflow by \$41 m

- CONSERVATIVE CAPEX PROGRAM**

- Q2'15 capex: \$178 m (+54% qoq; +18% yoy)***
 - Active phase of SGOK development is on track
 - Incl. maintenance capex: \$50 m

- Q2'15 FREE CASH FLOW: \$218 M**

Q2'15 CASH FLOW BRIDGE



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

** Including interest paid (w/o capitalized interest) of \$6 m and interest received of \$10 m

*** Including capitalized interest of \$10 m

DEBT POSITION

DEBT REDUCTION AND LIQUIDITY GROWTH

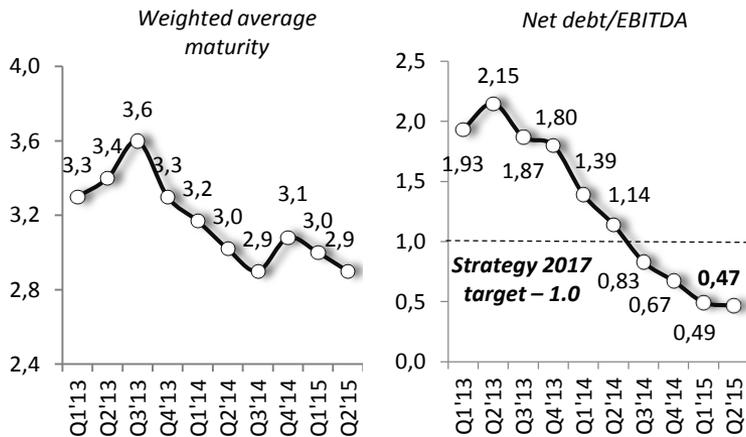
- Net Debt: \$1.13 bn (-9% qoq, -46% yoy)
- Total debt: \$2.52 bn (-2% qoq, -34% yoy)
- Cash and equivalents*: \$1.38 bn (+5% qoq, -20% yoy)

NET DEBT / 12M EBITDA: 0.47x (-0.02 p. qoq)

RECENT EVENTS (JULY, 2015)

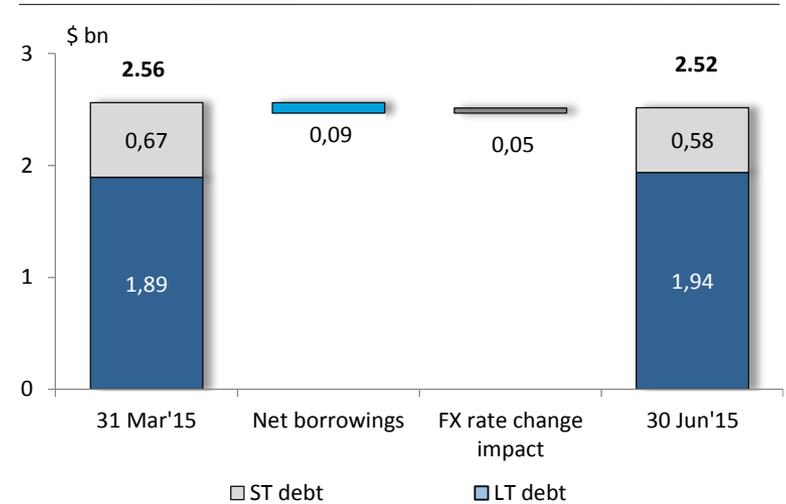
- NLMK guarantees for NBH reduced by \$144 m to \$366 m following NBH debt restructuring
- Placement of 10Y RUB 5 bn (\$87 m) bonds, 11.5% coupon rate with 1 year put option

DEBT MATURITY AND LEVERAGE

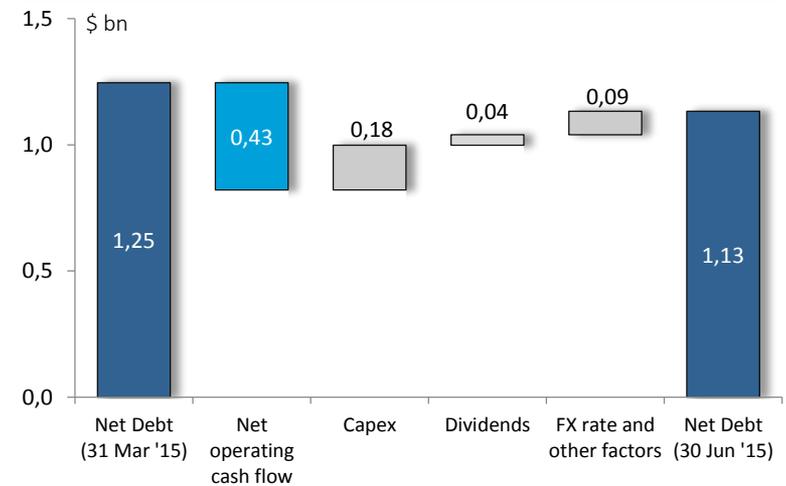


* Cash and equivalents and short term investments

CHANGE IN DEBT IN Q2'15



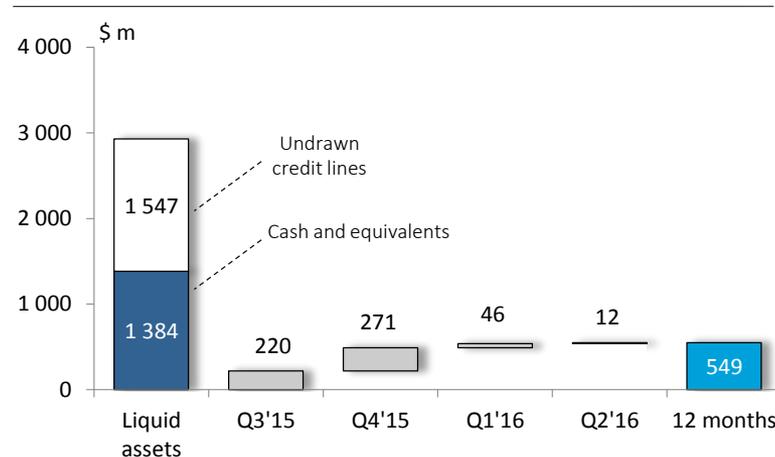
NET DEBT CHANGE IN Q2'15



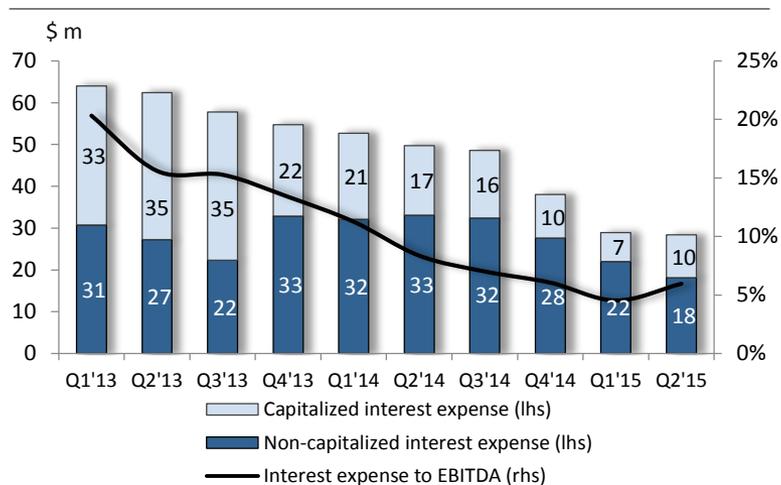
LIQUIDITY AND DEBT MATURITY PROFILE

- **STRONG LIQUIDITY POSITION OF \$1.38 BN**
- **COMFORTABLE MATURITY PROFILE**
 - Short term debt \$0.55 bn incl. revolving credit lines for working capital financing, ruble bonds, ECA financing
 - Long term debt \$1.94 bn, incl. Eurobonds, ruble bonds, long term part of ECA financing

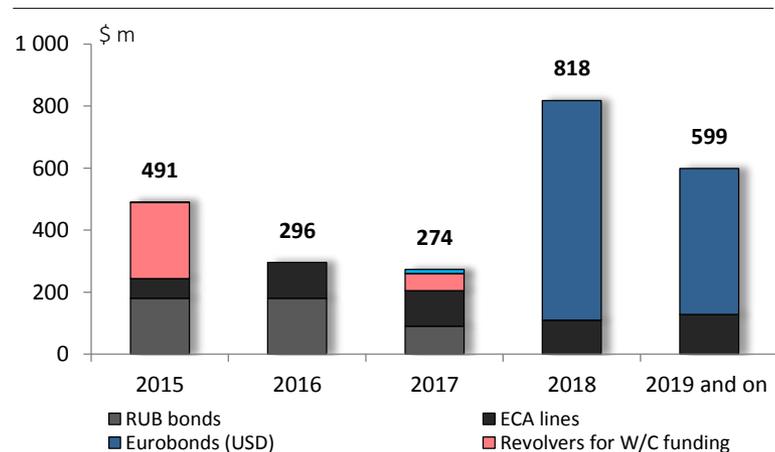
LIQUIDITY AND SHORT-TERM DEBT PAYMENTS*



INTEREST EXPENSES**



DEBT MATURITY*



* ST debt and maturity payments excluded interest accrued

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

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STEEL SEGMENT

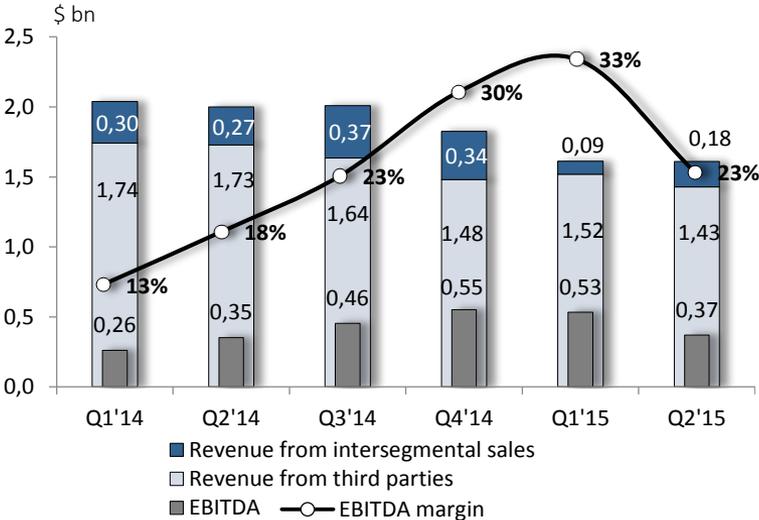
Q2'15: REVENUE MARGINALLY DOWN

- Total sales volumes decline by 1% (-2% qoq to the third parties)
- Lower export selling prices
- Increase in domestic sales prices

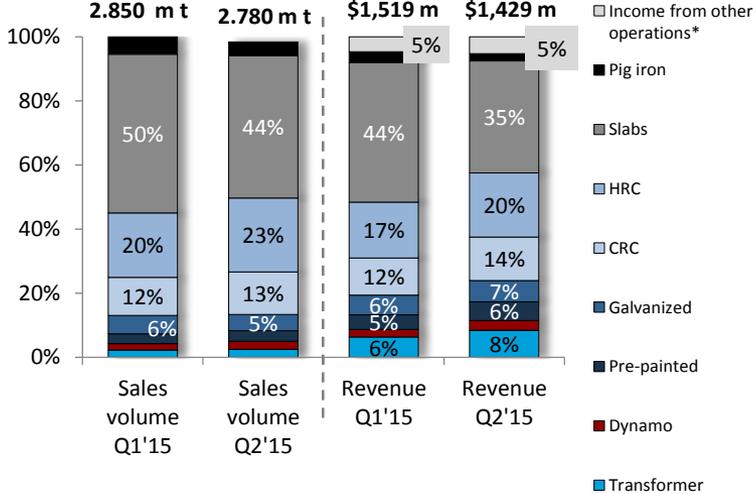
EBITDA MARGIN – 23%

- (-) Narrowing of steel/raw materials spreads
- (-) Sales volumes decrease
- (+) Close to maximum run rates (restocking of NBH and foreign rolled products segment)
- (+) Efficiency improvement program is on track

SEGMENT REVENUE AND EBITDA

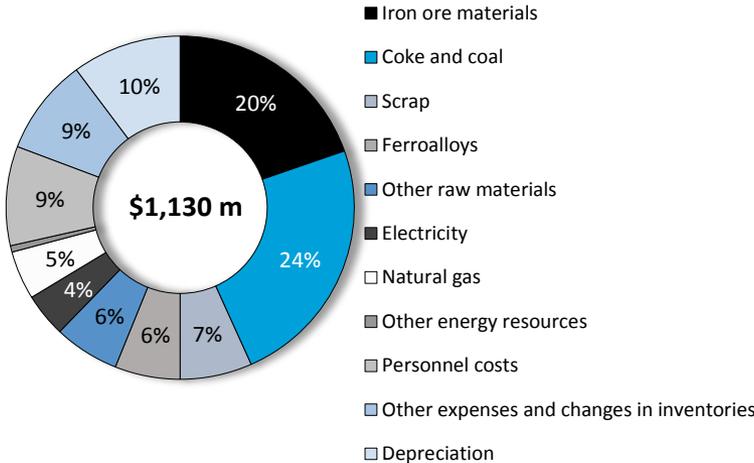


SALES & REVENUE FROM 3RD PARTIES



* Revenue from the sale of other products and services

COST OF SALES IN Q2'15



LONG PRODUCTS SEGMENT

- **SALES TO 3RD PARTIES INCREASE BY 11% QOQ**

- Seasonal increase of consumption of construction products in Russia

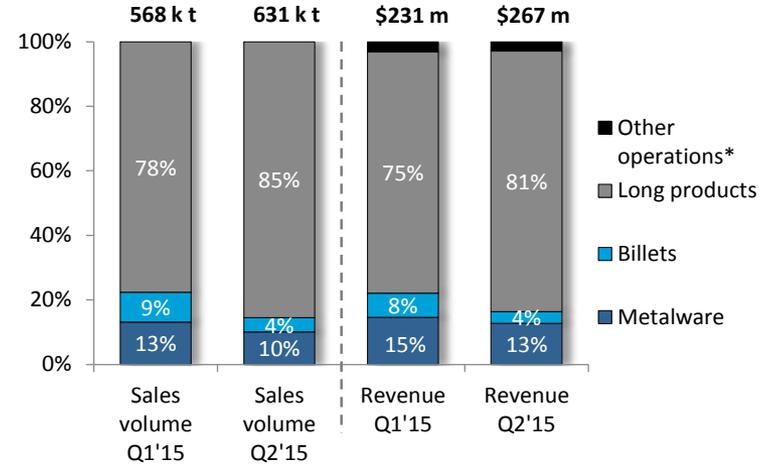
- **EXTERNAL REVENUE INCREASE BY 15% QOQ**

- Increase of sales volumes and steel prices on domestic market

- **EBITDA DECREASE TO \$4 M**

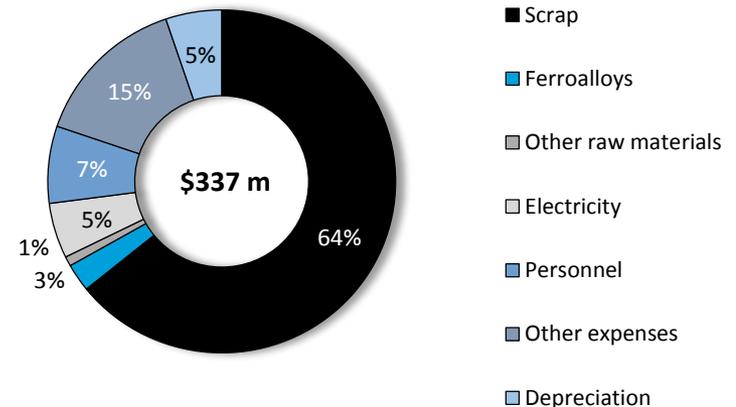
- (-) Narrowing of long product/scrap spreads (1Q'15 results generated on cheaper scrap stock accumulated in 4Q'14)
- (+) Efficiency improvement program is on track

SALES & REVENUE FROM 3RD PARTIES

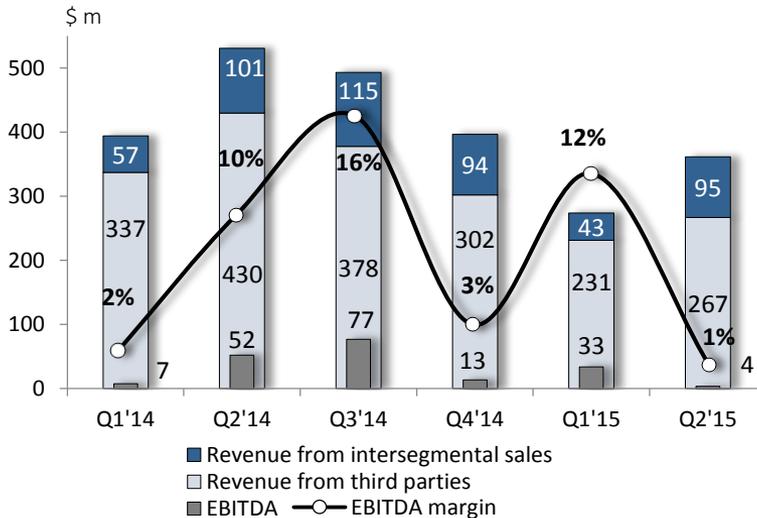


* Revenue from the sale of other products and services

COST OF SALES IN Q2'15



SEGMENT REVENUE AND EBITDA

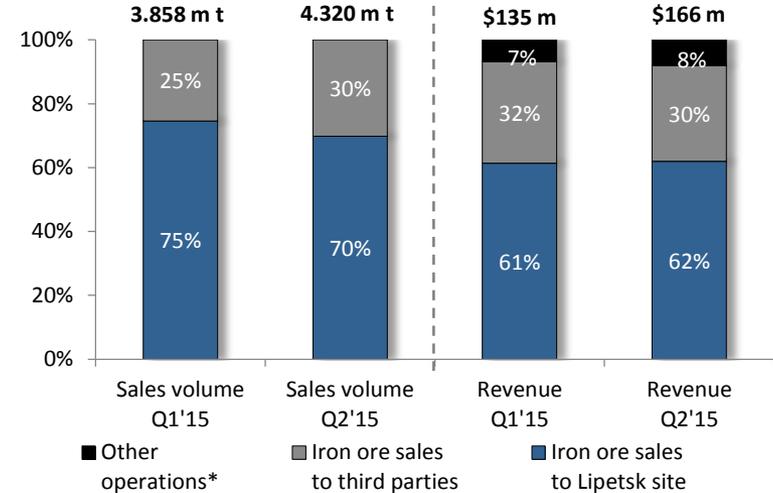


* Revenue from intra-group sales is represented mostly by ferrous scrap deliveries to the Lipetsk site

MINING SEGMENT

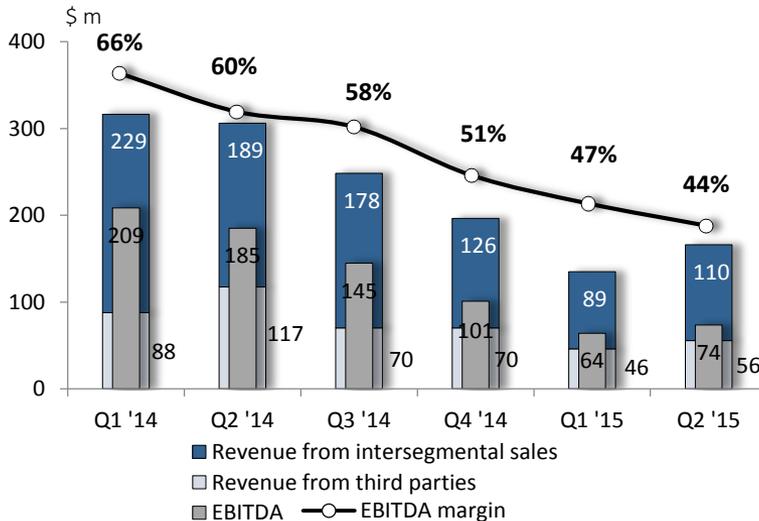
- **SALES VOLUMES INCREASED BY 12% QOQ**
 - Sales of accumulated inventories to domestic and export markets
 - Sales to Lipetsk site increase by 5% qoq
- **REVENUE INCREASED BY 23% QOQ**
 - Increase of sales prices qoq
- **EBITDA MARGIN AT 44%, EBITDA UP TO \$74 M**
 - (+) Higher iron ore prices
 - (+) Productivity gains
 - (-) Increase of export sales with lower profitability

SALES AND REVENUE STRUCTURE

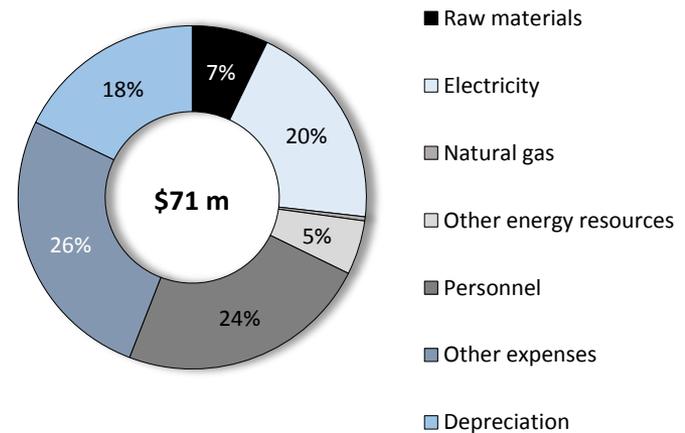


* Other operations include limestone, dolomite and other sales

SEGMENT REVENUE AND EBITDA



COST OF SALES IN Q2'15



FOREIGN ROLLED PRODUCTS SEGMENT

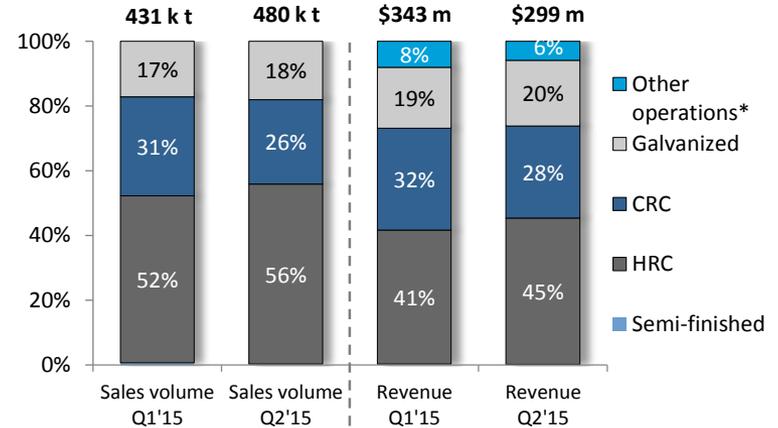
• SEGMENT SALES UP BY 11% QOQ

- NLMK Dansteel sales up +11% qoq driven by better demand and market share expansion
- Increase in NLMK USA sales volumes by 11% qoq due to re-stocking/better demand
- Completion of maintenance works at NLMK USA

• DECLINE OF SEGMENT'S PROFITABILITY

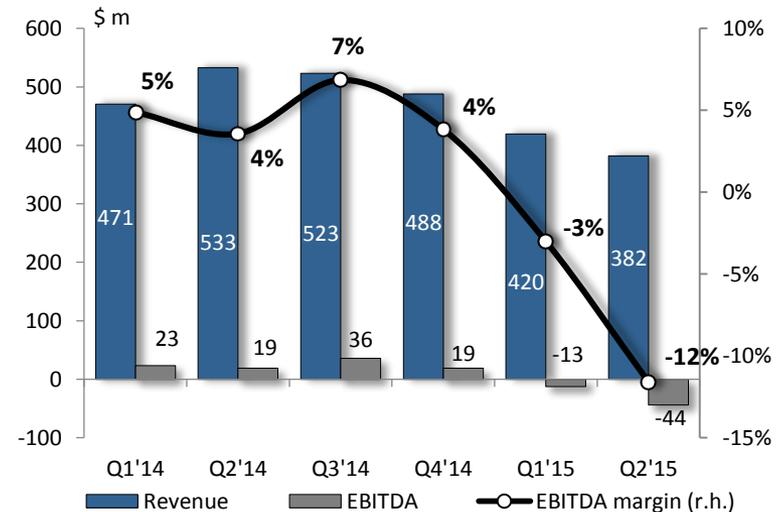
- (+) Stable market environment in Europe
- (-) Narrowing of steel/feedstock spreads as US prices were under pressure from imports
- (-) US division results impacted by accounting for more expensive slabs accumulated in the end of '14 (respective profit posted in intersegmental)
 - Mark-to-market EBITDA in 2Q'15 EBITDA was + \$3 m
 - Mark-to-market EBITDA in 1H'15 EBITDA was + \$21 m

NLMK USA SALES & REVENUE STRUCTURE



* Revenue from the sale of other products and services

SEGMENT REVENUE AND EBITDA



APPENDICES

SALES STRUCTURE

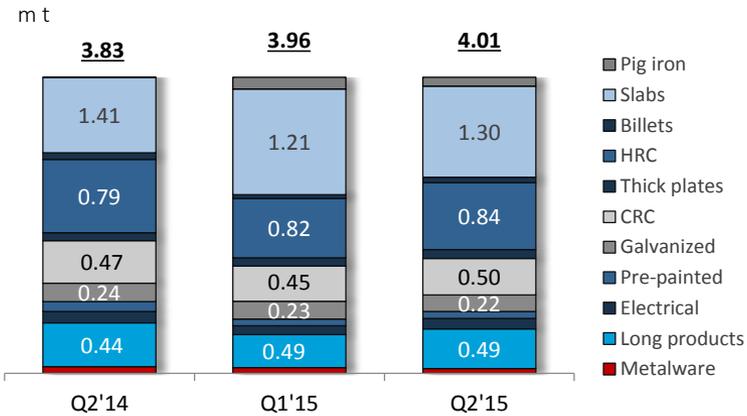
- Q2'15: SALES GROWTH BY 1% QOQ TO 4.0 MT**

- Finished products sales growth by +11% qoq driven by seasonal recovery on domestic market
- Decrease of semi-finished sales by 12% qoq
- Share of HVA products – 28% (flat qoq)

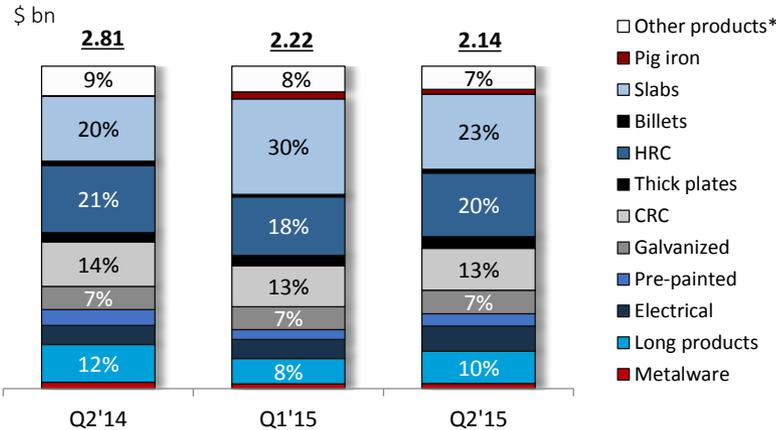
- Q2'15: REVENUE DECREASE BY 4% QOQ TO \$2.1 BN**

- Increase of finished product share to 67% (+8 p.p. qoq)
- Share of HVA products in revenue – 37% (+3 p.p. qoq)

SALES STRUCTURE BY PRODUCT



REVENUE BY PRODUCT



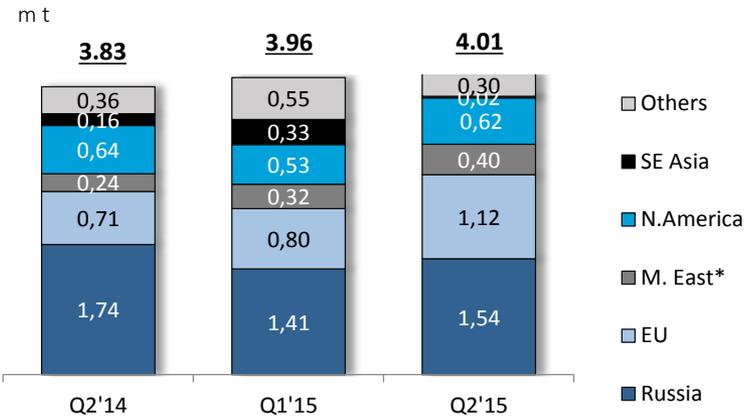
* Revenue from Other operations includes sales of other products (iron ore, coke, scrap and others)

SALES GEOGRAPHY

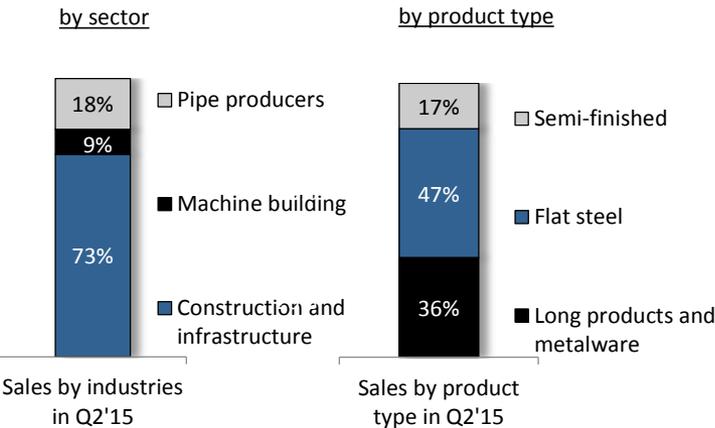
SALES IN Q2'15: 4.0 M T (+1% QOQ)

- Seasonal increase of sales to the Russian market: 1.5 m t (+10% qoq)
- Sales to export markets – 2,5 m t (-3% qoq)
 - Sales to EU increased by 39% qoq tot 1.1 m t, share of total sales – 28%
 - Sales to North America – 0.6 m t (+16% qoq), share – 15%
 - Sales to Middle East and Turkey – 0.4 m t (+25% qoq), share – 10%

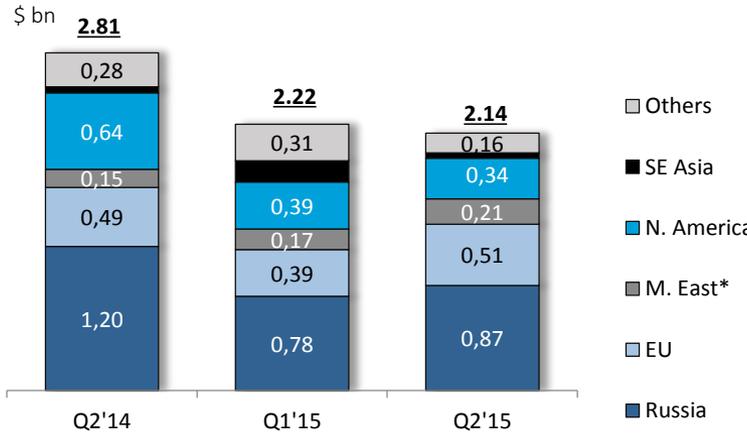
STEEL PRODUCT SALES BY REGION



NLMK SALES TO THE RUSSIAN MARKET



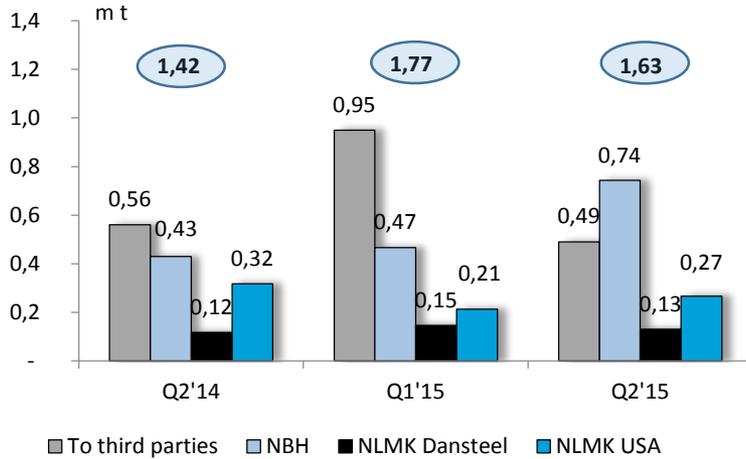
REVENUE BY REGION



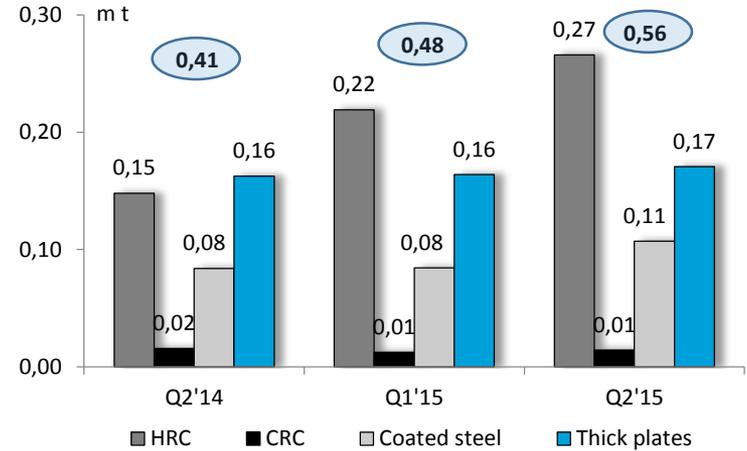
* incl. Turkey

FOREIGN ASSETS PERFORMANCE

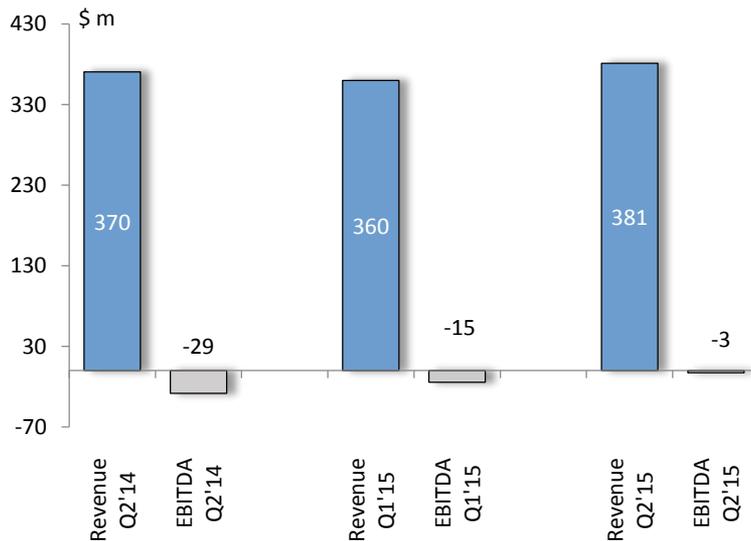
SLAB SALES



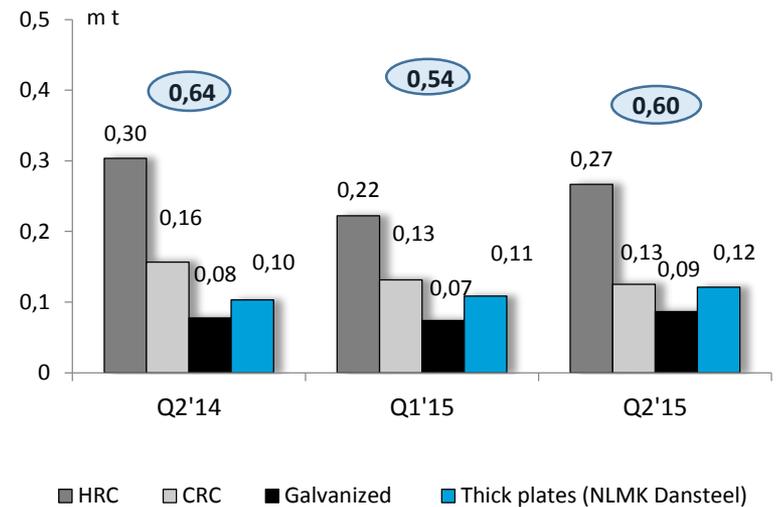
NBH ROLLED PRODUCT SALES



NBH FINANCIAL RESULTS

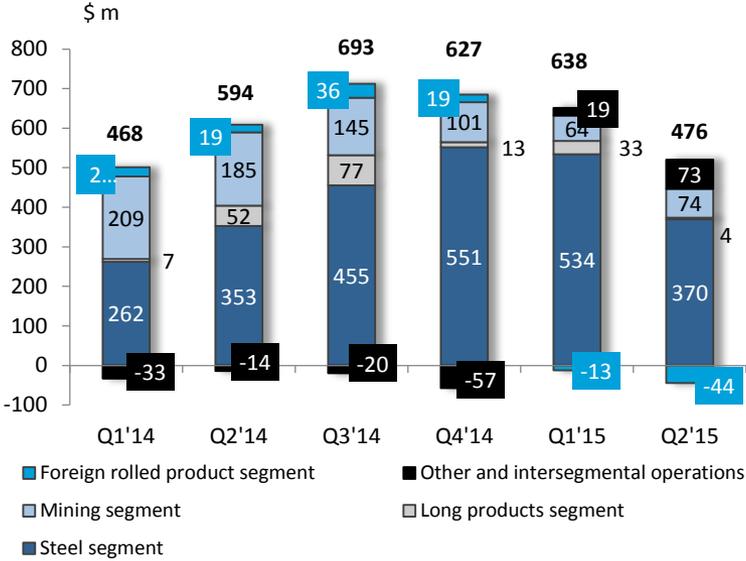


NLMK USA AND NLMK DANSTEEL ROLLED PRODUCT SALES

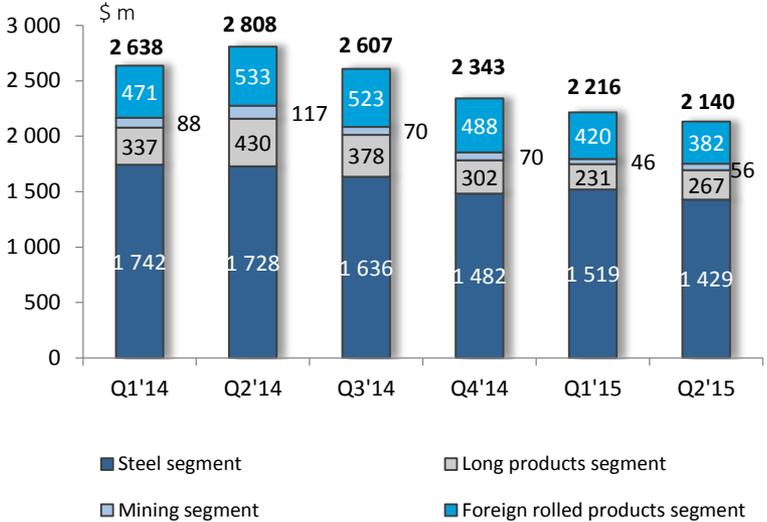


SEGMENT RESULTS OVERVIEW

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	Q2'15 (^{'000} RUR/t)	Q2'15 (\$/t)	Q1'15 (\$/t)	Δ, \$/t
Coke and coking coal	3.7	\$70	\$51	+\$19
Iron ore	1.9	\$36	\$33	+\$3
Scrap	1.2	\$24	\$20	+\$4
Other materials	1.4	\$27	\$23	+\$4
Electricity	0.6	\$11	\$10	+\$1
Natural gas	0.7	\$13	\$12	+\$1
Personnel	1.1	\$21	\$18	+\$3
Other expenses	1.9	\$37	\$30	+\$7
Total	12.5	\$238	\$197	+\$41

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
Q2'15	\$238



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