



Strategy 2017 Results

2017 IFRS Financials

20 February 2018

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AGENDA

MARKET UPDATE

STRATEGY 2017 RESULTS

Turning strategic projects into shareholder returns

FINANCIAL RESULTS OF 2017

Strategy effects drive performance

Q&A

OLEG BAGRIN

President and
Chief Executive Officer

SERGEY KARATAEV

Acting Chief Financial Officer



■ Market Update and Strategy 2017 Results

Financial Highlights

Appendix

STRATEGY 2017 TARGETS RECAP

Strategy 2017 targets announced by Vladimir Lisin, Chairman of the Board of Directors, at 2014 Capital Markets Day

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

Strategy 2017 levers:

- ① **Operational efficiency:** best in class production costs and productivity
- ② **World class resource base:** efficient upstream integration, wider use of cheaper resources
- ③ **Market leadership:** improved utilization rates, sales growth in core markets
- ④ **Leadership in sustainability & safety:** minimal environmental footprint, safe operating practices, motivated and engaged workforce

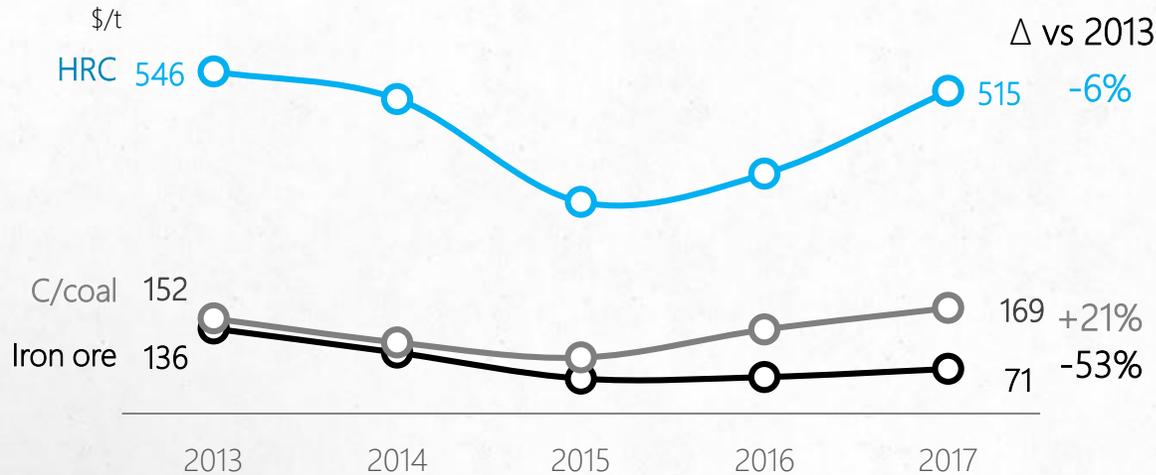
CHALLENGING BACKDROP FOR STRATEGY 2017 EXECUTION

Global steel demand failed to grow in 2014-2016

Chinese steel exports flooded markets (1.9x up in 2015 vs. 2013) triggering wave of trade measures globally

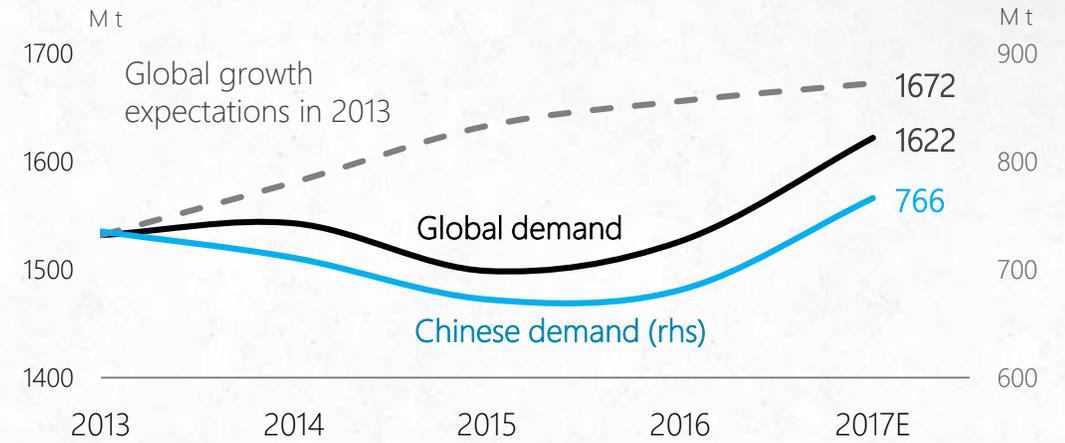
Prices dropped across the board in 2014-2016 with 2017 steel and iron ore prices still below 2013 levels

2017 steel and iron ore prices still below 2013 levels



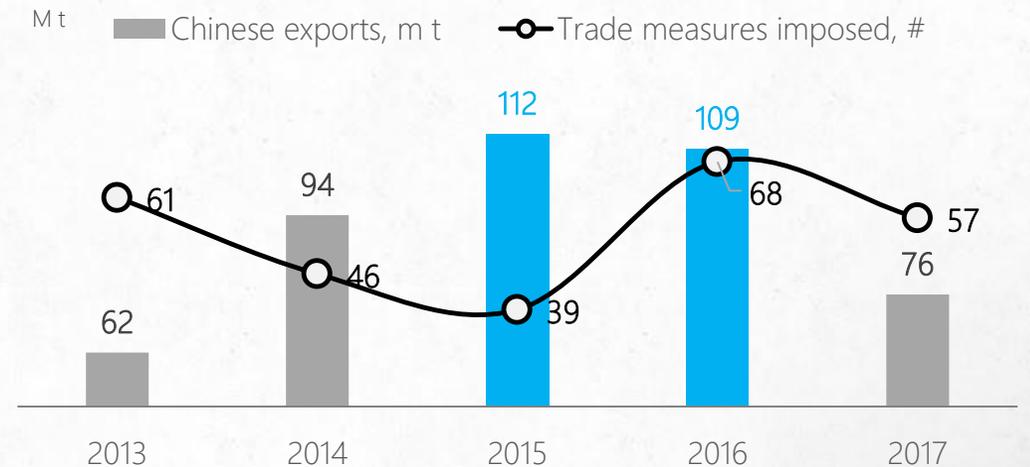
Source: Metal Bulletin

Demand turned less positive than expected



Source: Worldsteel, investment banks' estimates

Chinese export up 2x in 2013-15 causing protectionism wave



Source: Bloomberg, international trade organizations

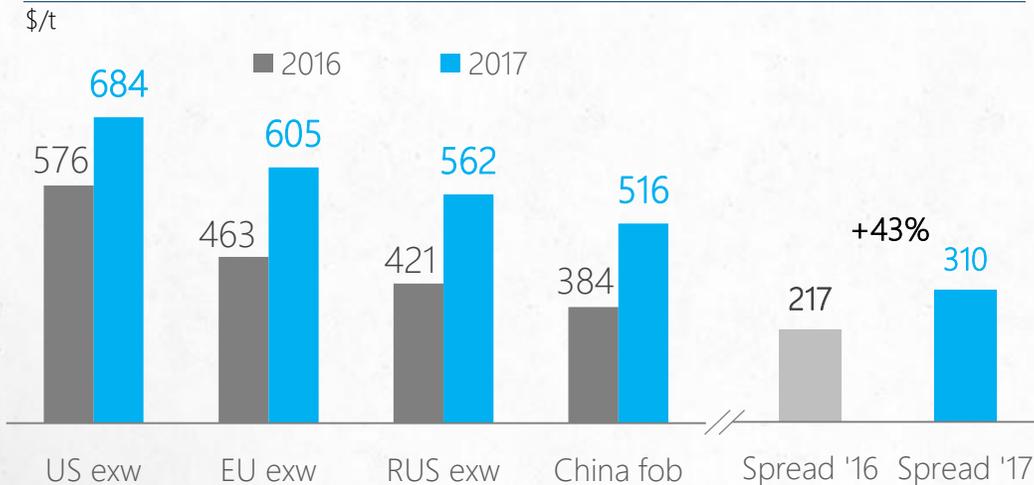
RECOVERY STARTED IN 2017 ON BETTER SUPPLY-DEMAND BALANCE

Demand in key markets started to grow in 2017 with positive momentum extending into 2018

2017 utilization rates improved on better supply discipline

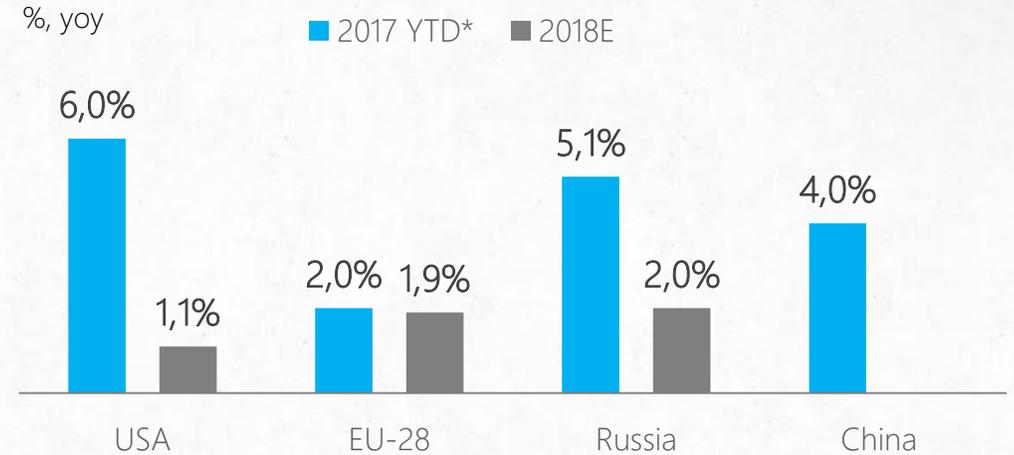
2017 prices recovered across all markets with steel and raw materials spreads widening by over 40% yoy

Recovery in prices and spreads across all the markets



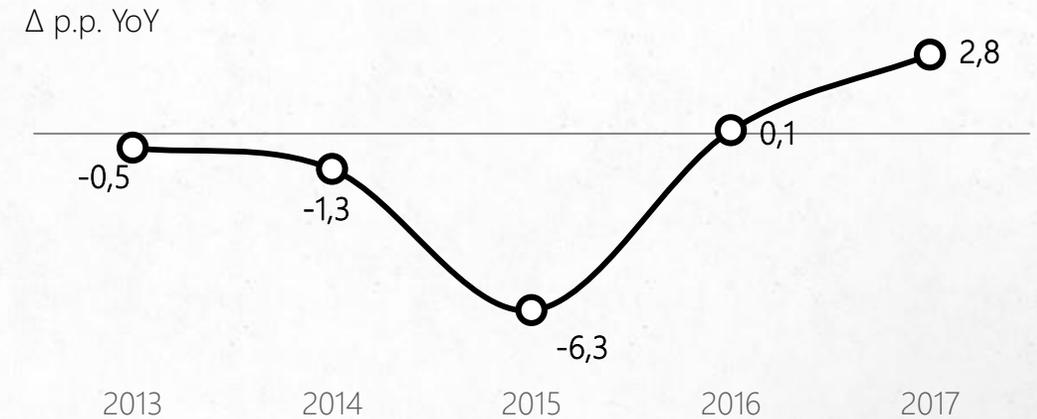
Source: Metal Bulletin

Steel demand growth across key markets



Source: Bloomberg, national statistics agencies, worldsteel, Metal Expert., Banks' reports
*10-12m'17 data

Global capacity utilization rates started to grow in 2017



Source: worldsteel, OECD, estimates

NLMK DELIVERS ANOTHER YEAR OF RECORD RESULTS

Strong sales and Strategy 2017 effects boost profitability

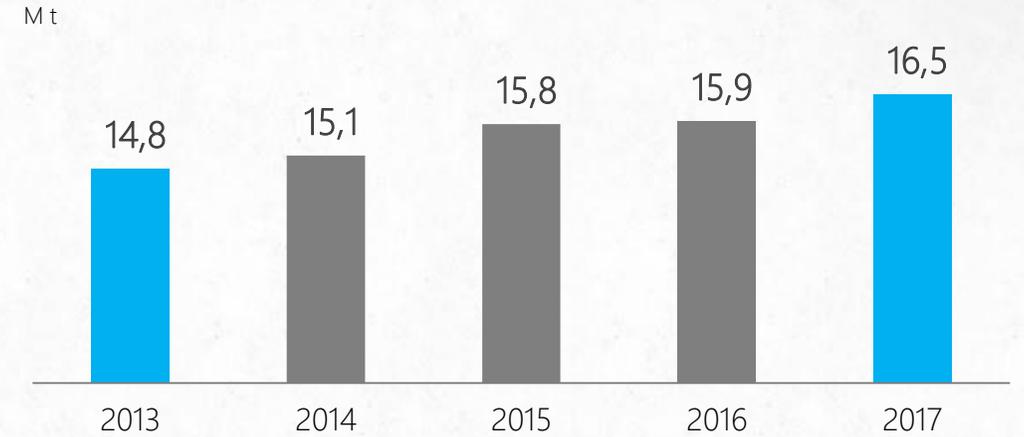
- Sales: 16.5 mt (+3% yoy)
- Revenue: \$10,065 m (+32% yoy)
- EBITDA: \$2,655 m (+37% yoy)
- EBITDA margin: 26% (+1 pp yoy)
- Net income: \$1,450 m (+55% yoy)

Robust CF generation drives superior shareholder returns

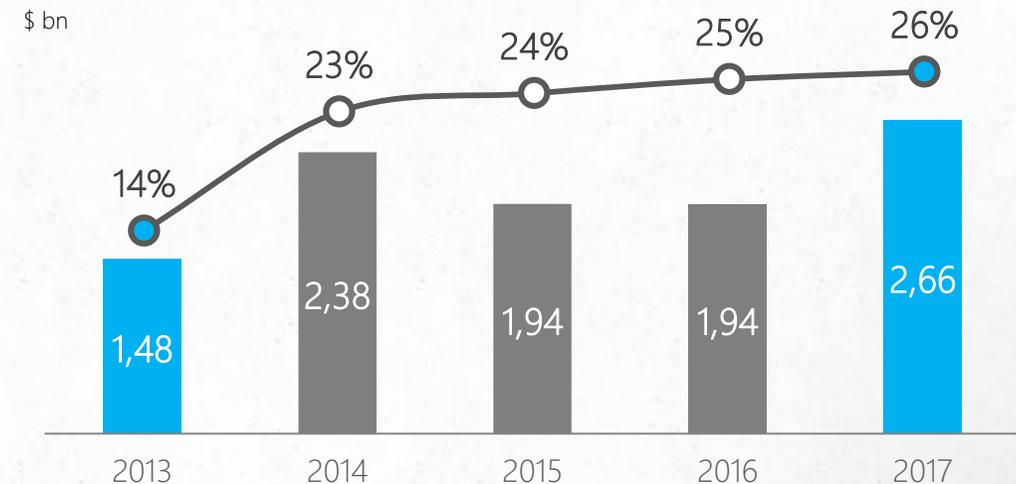
- Free cash flow* \$1,266 m (+16% yoy)
- Net debt / EBITDA: 0.35x (0,39x as at 31/12/2016)
- Dividends paid \$1,283 m (+120% yoy)

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

Sales increase for 5th year in a row



Margins continue to expand since Strategy inception



STRATEGY 2017 RESULTS FOR THE PERIOD 2014-2017

In 2014-2017 Strategy execution delivered \$1,019 m of gains, fully on target

In 2017, gains reached \$377 m exceeding guidance of \$260 m:

- \$169 m: iron ore pellets and concentrate production growth after new facilities commissioning
- \$20 m: PCI technology implementation
- \$11 m: slag processing facility launch
- \$97 m: other efficiency improvements (productivity growth, lower energy consumption, procurement and freight savings)

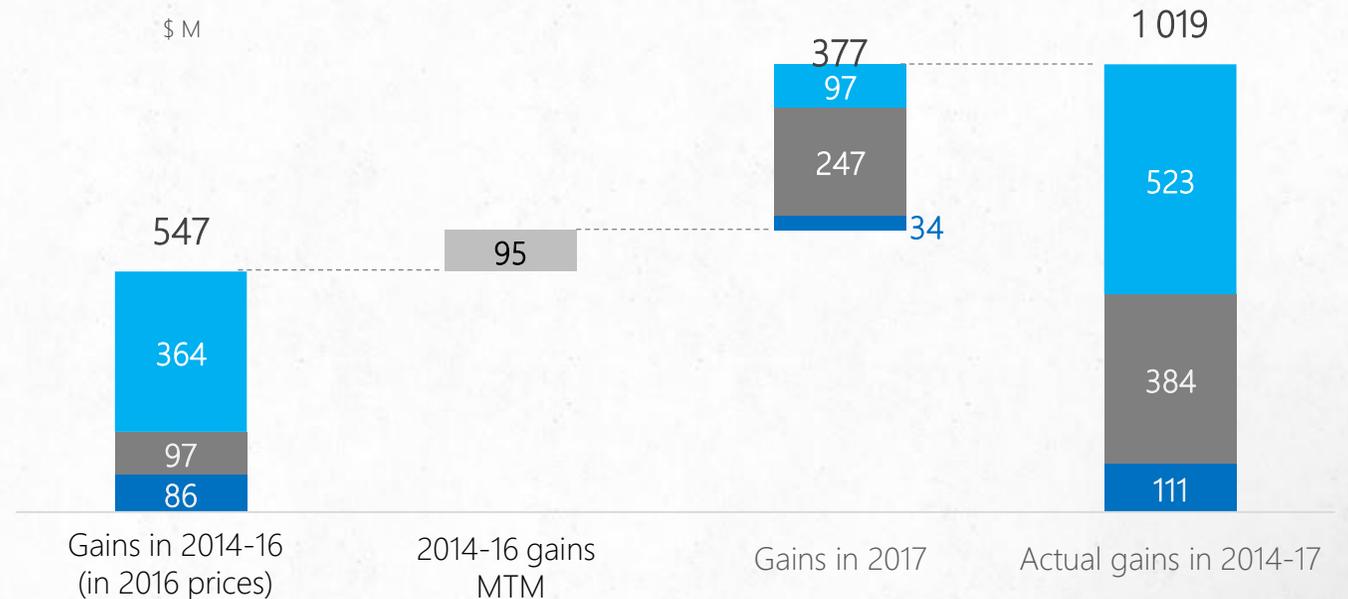
Better market conditions lifted the value of prior years gains by \$95 m



Strategy 2017 target net gains



Strategy 2017 results build-up in 2014-2017



1 OPERATIONAL EFFICIENCY IS A BACKBONE OF OUR STRATEGY

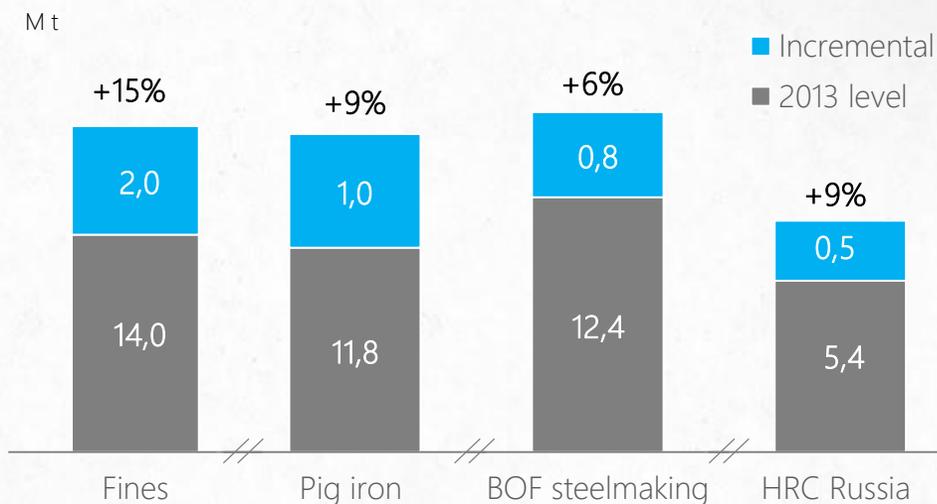
Operational efficiency contribution 2014-17: \$523 m pa, 158% of target

Number of efficiency projects grew 13x to 3,050 as NLMK Production System feeds through divisions and corporate functions

Productivity improvements across the entire production chain

Savings led to widening of NLMK's cost advantage vs the industry

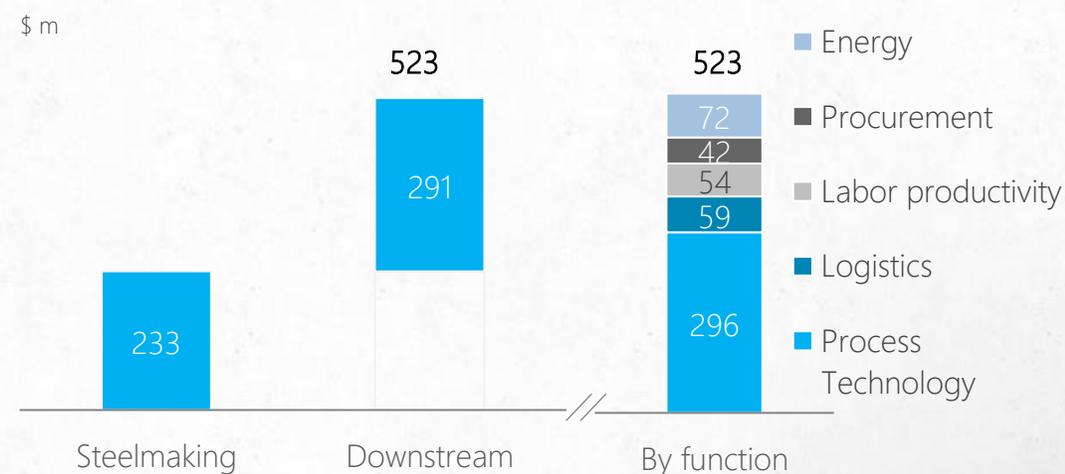
Productivity grows across production chain



Cost advantage expanded on Strategy gains



Efficiency gains by division/function



2 RESOURCE BASE: BETTER INTEGRATION, LOWER CONSUMPTION

Earnings impact in 2014-17: \$384 m pa (80% of target, target will be hit in 2018 as newly launched facilities ramp up)

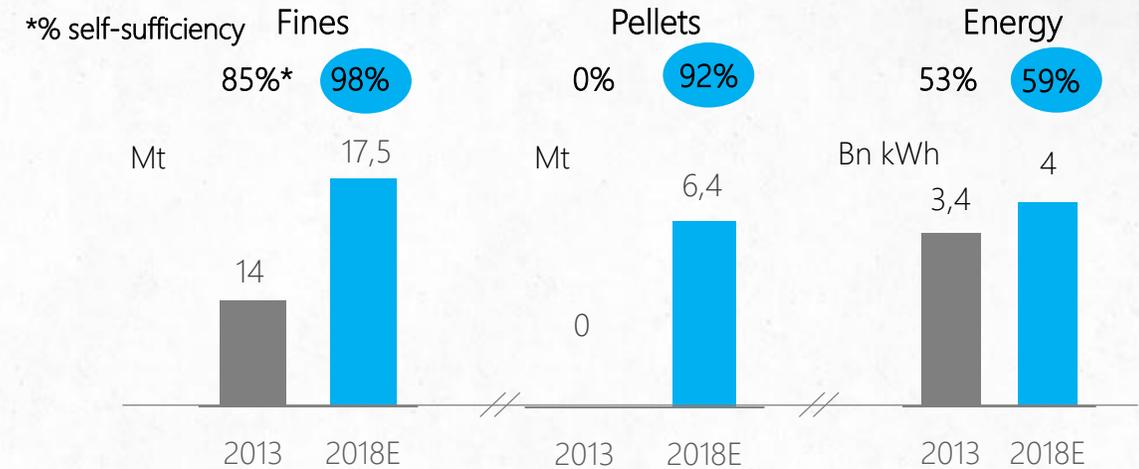
Better self-sufficiency in key resources through investments and productivity growth

- 6 m t of iron ore pellets produced at the new facility in 2017, sufficiency up from 0% to 92%
- Iron ore fines output is up by 2.1 m t to 16.1 m t pa in 2017
- Iron ore projects contributed \$250 m (65%) of upstream gains

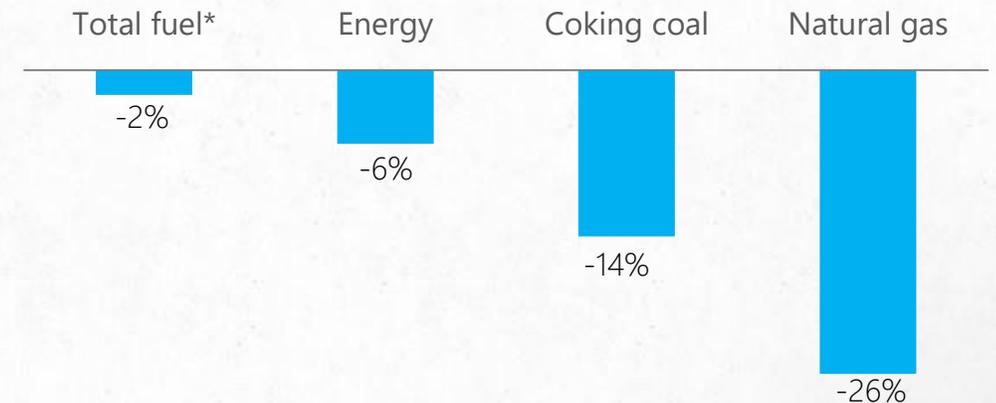
Lower consumption and replacement of expensive materials

- Purchased energy consumption down by 6% driven by co-generation and efficient by-products use
- Coking coal and natural gas usage dropped by 14% and 26% due to PCI technology roll-out
- Total specific fuel consumption decreased by 2% driven by process technology improvements

Self-sufficiency in key resources will improve further



Structural reduction in resource consumption



Note: NLMK Russia gross feedstock consumption, 2017 vs. 2013, in 2017 volumes
*per tonne of Fe-containing materials in BF production

3 NLMK'S SALES GREW FASTER THAN OUR MARKETS

Earnings impact in 2014-17: \$111 m pa (60% of target mainly due to deterioration of Russian market)

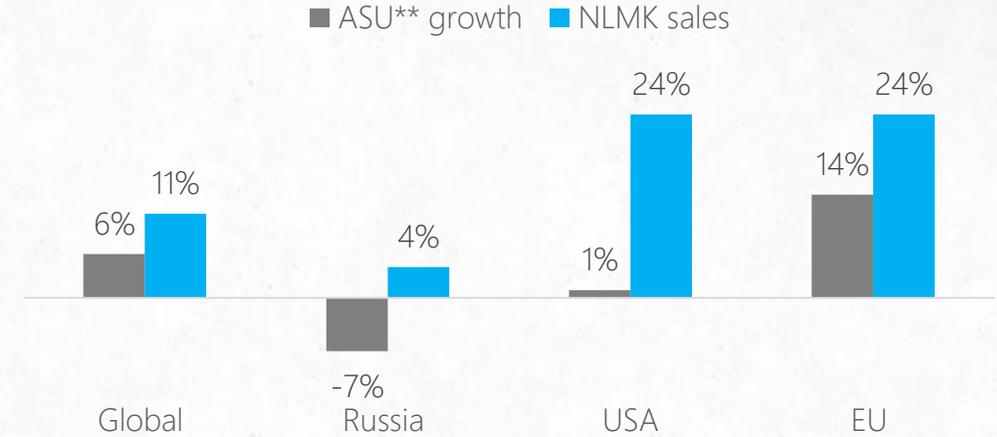
2017 sales to home markets increased by +1 m t vs 2013 levels

All business segments showed double-digit sales growth vs 2013 levels

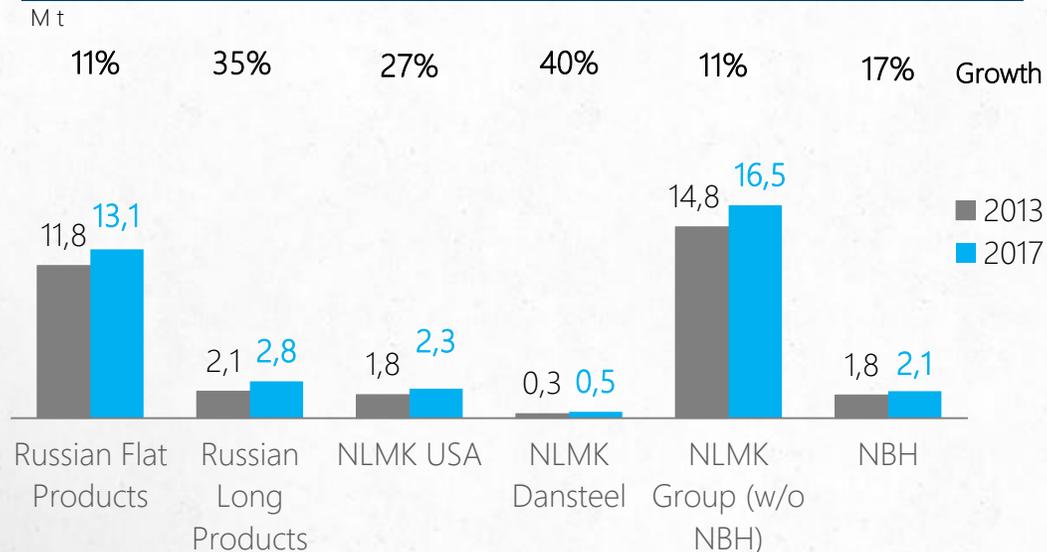
Better mix: sales growth vs 2013 comes only from finished products

NLMK sales* outpaced market growth

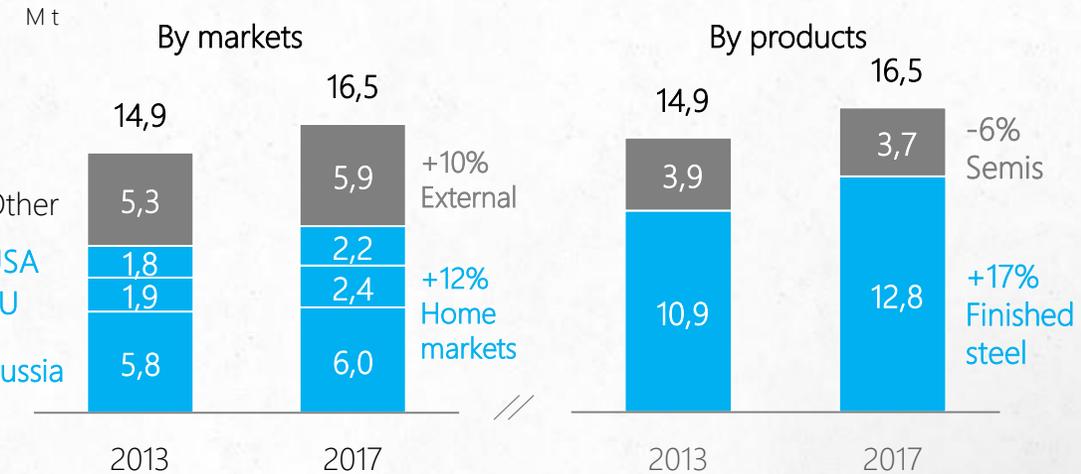
2017 vs 2013 levels



All divisions demonstrated strong growth vs 2013



Sales structure improved



* Including NBH sales
** ASU: apparent steel use

4 PEOPLE AND SUSTAINABILITY REMAIN OUR TOP PRIORITY

Relentless focus on safe operating practices

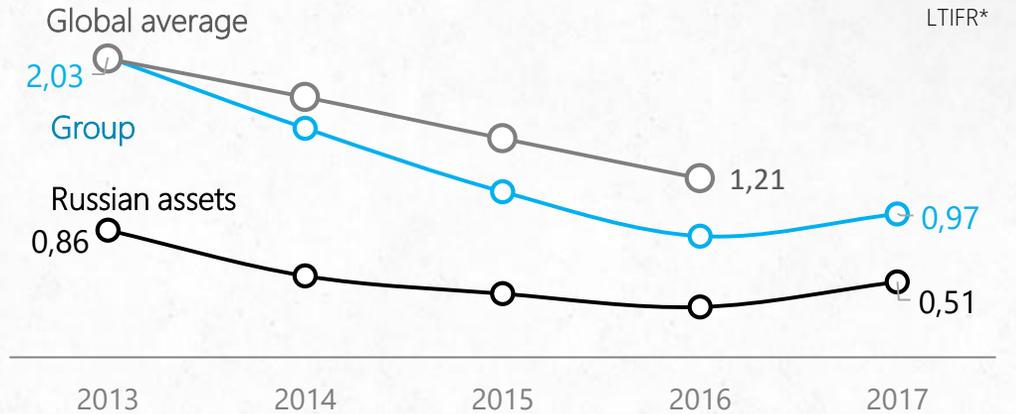
- LTIFR* of Group operations down by 53% vs 2013 level to 0,97
- LTIFR* of Russian operations down by 41% vs 2013 level to 0,51

Further reduction in environmental footprint

- Air emissions down by 6% from 2013 levels
- De-dusting units modernization, waterless slag cooling technology

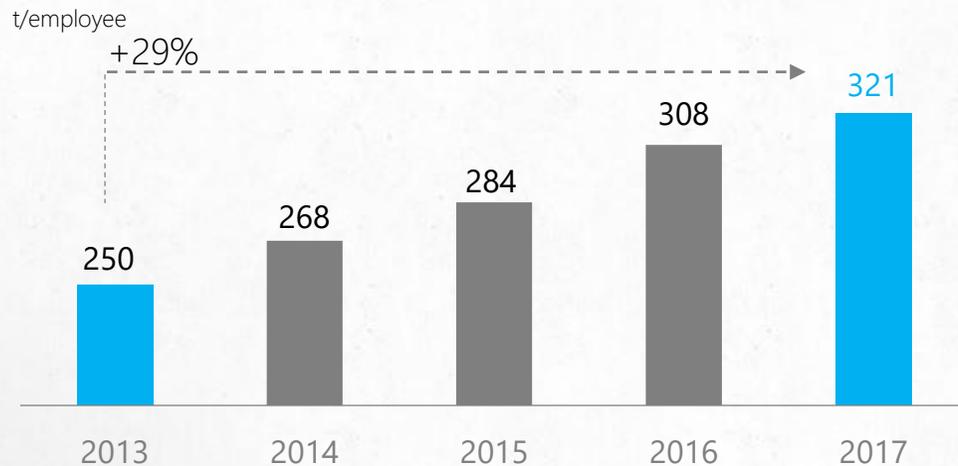
Labor productivity** rates improved by 29% vs 2013 level on the back of production growth and operational efficiency

Focus on safety translated into industry leading results

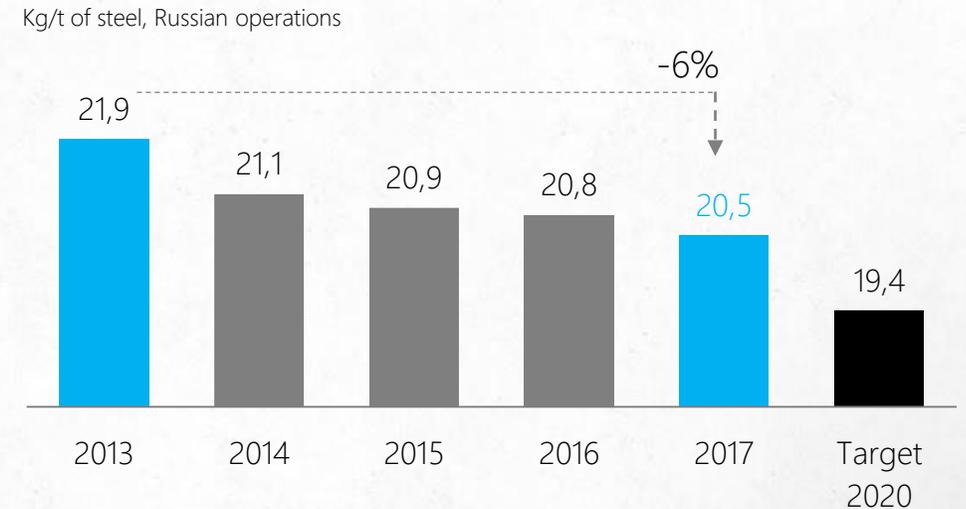


*LTIFR – Lost Time Injury Frequency Rate (per 1 mln man-hours worked) for Group employees . Russian assets include Russian Flat Products, Russian Long Products, Russian Mining

Labor productivity increased by 29%



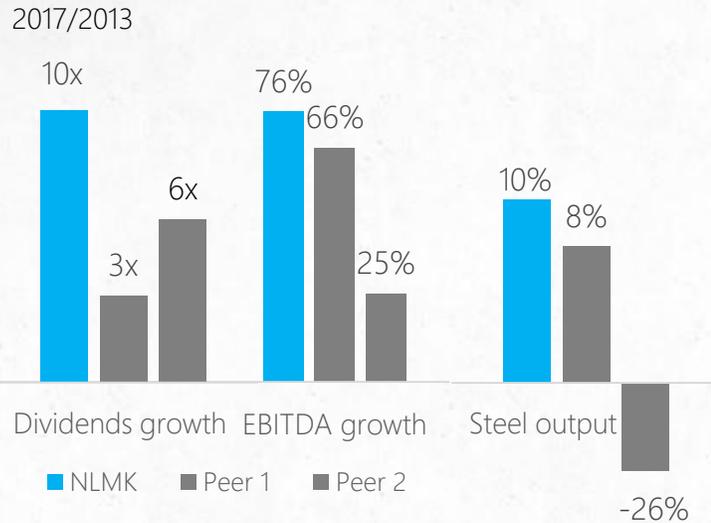
A 6% drop in air emissions since strategy inception



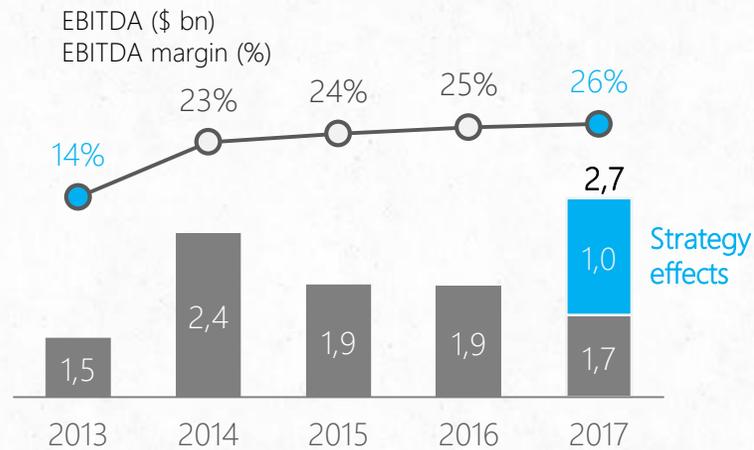
** Productivity calculated as steel output divided by the number of employees (including NBH)

KEY STRATEGY 2017 GOALS ACHIEVED

Impressive growth story



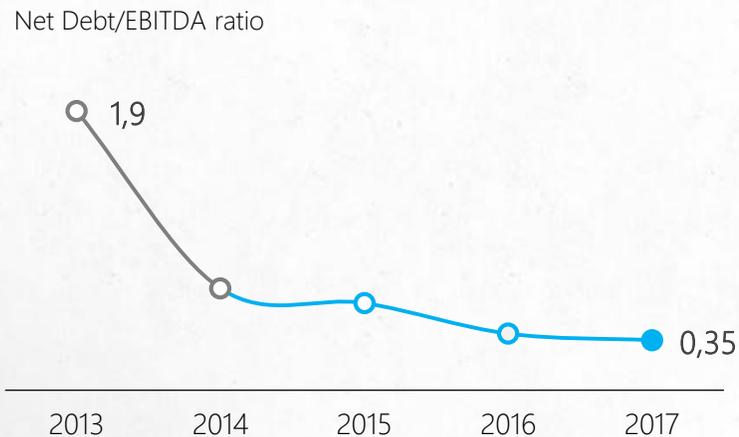
Structural profitability growth



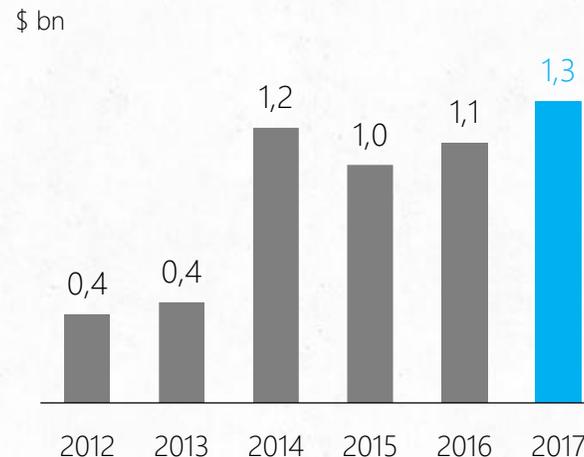
Conservative capex



Leverage below target level

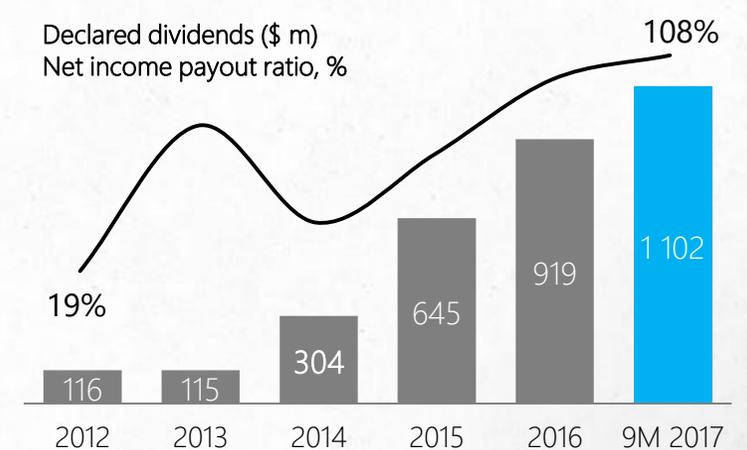


Stable positive FCF



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

Superior shareholder returns



STRATEGY GAINS WILL CARRY OVER INTO 2018

2014-2017: \$1,019 m gains exceed Strategy 2017 target of \$1,000 m

2018: gains of \$159 m from investments completed in 2016-17:

- c.\$63 m: iron ore fines output growth (+0.8 m tpa)
- c.\$57 m: PCI technology ramp-up (full calendar year effect)
- c.\$15 m: new energy generator launch
- c.\$9 m: slag briquetting plant launch

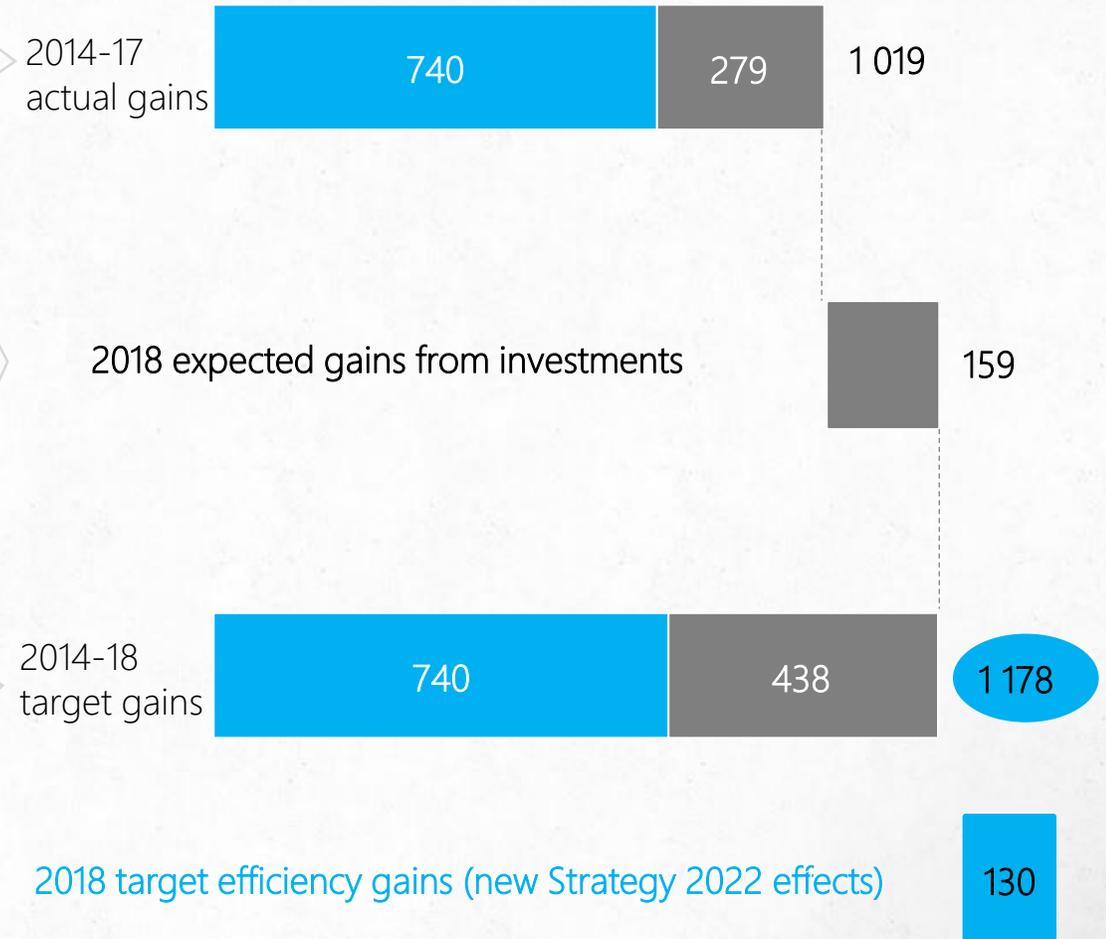
Total Strategy 2017 effect of ~\$1,180 m expected by the end of 2018

2018 operational efficiency gains of ~\$130 m will be reported as Strategy 2022 effects

Strategy 2017 net gains

\$ M

Management initiatives Investments



CEO CONCLUDING REMARKS

Strategy 2017 EBITDA target of \$ 1 bn achieved despite challenging market conditions

Over 70% of actual gains came from efficiency (zero-capex) projects generated by NLMK Production System

Self-sufficiency in key raw materials has been reached with positive NPV on the investments

NLMK business model outperformed the market with sales growth across all divisions and home markets

Record profits and free cash flow strengthened financial position and enabled high dividend distributions

NLMK became #1 by market capitalization among Russian peers

Strategy 2017 drove cultural change and formed a strong foundation for the new strategic cycle

Market Update and Strategy 2017 results

- Financial Highlights

Appendix

FINANCIAL HIGHLIGHTS

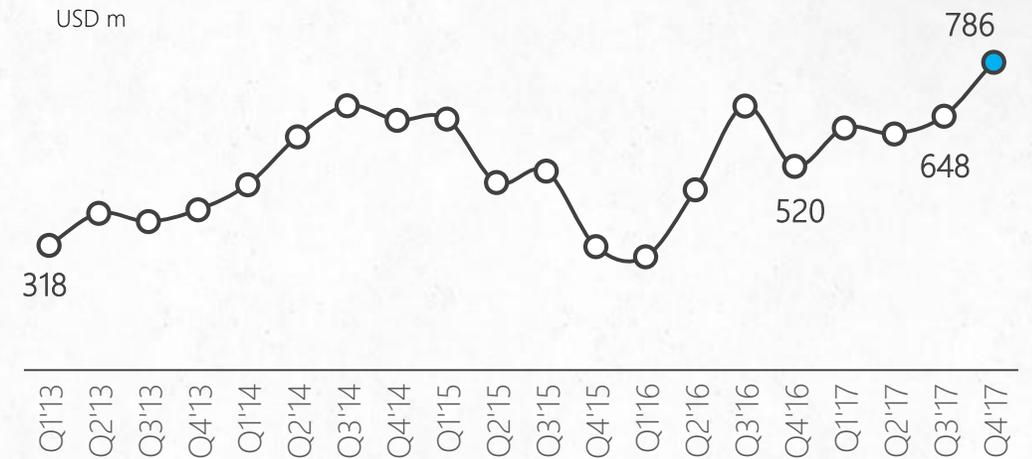
Strong results delivered in 2017

- Revenue: \$10,065 m (+32% yoy)
- EBITDA: \$2,655 m (+37% yoy)
- EBITDA margin: 26% (+1 pp yoy)
- Net income: \$1,450 m (+55% yoy)

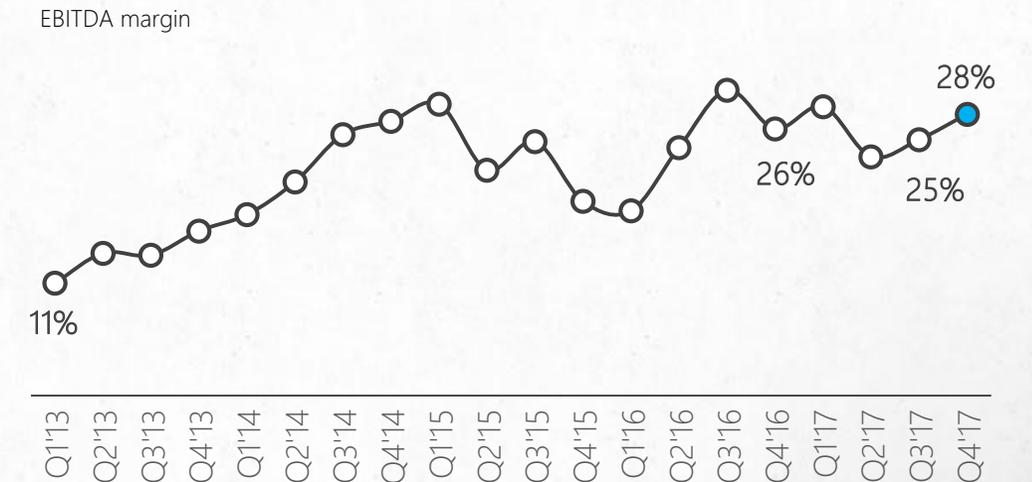
Q4 2017 - Profitability continues to climb up

- Revenue \$2,815 m (+10% qoq)
- EBITDA: \$786 m (+21% qoq)
- EBITDA margin: 28% (+4 pp qoq)
- Net debt / EBITDA^{**}: 0.35x (0,31x as at 30/09/2017)

EBITDA growth



Margins widened on better prices and costs reduction



* Profit for the period attributable to NLMK shareholders

** For detailed information and calculations for this indicator please refer to the Appendix of Financial release.

2017: PROFITS GROWTH ON WIDER SPREADS AND STRONG SALES

EBITDA expanded on record sales and Strategy 2017 effects

Russian Flat Products: EBITDA up +28% on strong sales

- (+) Demand recovery drove volumes (+360 kt) up
- (+) Better product mix and prices supported EBITDA growth
- (-) EBITDA margin 2 p.p. down on coal price hikes and FX

Russian Long Products: profits up on increased export volumes

- (+) Sales up (+6% yoy) on improved demand in export markets
- (-) Spread narrowed on softer Russian sales price due to construction season delay in H1'2017

Mining: sales mix improvement supported by higher av. prices

- (+) Improved product mix on pellets production increase
- (+) Productivity improvements

NLMK USA: profitability up by 11% on record sales

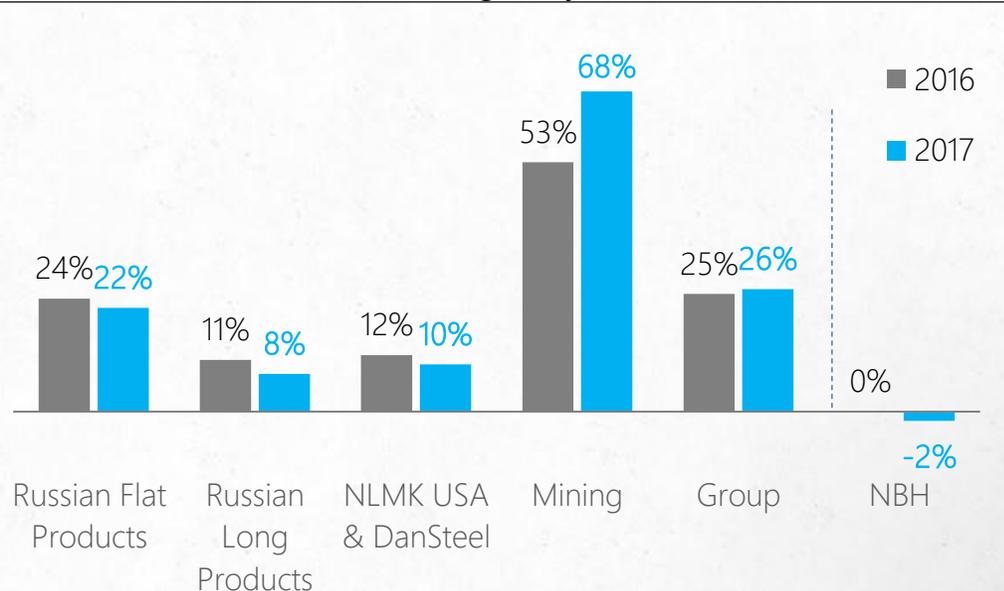
- (+) Sales volumes up by 21% yoy
- (+) Improved product mix on galvanizing line restart

NBH: softer results due to slabs cost increase

EBITDA by divisions



EBITDA margin by divisions



2017: SOLID FREE CASH FLOW WITH 16% YOY GROWTH

Net operating cash flow expanded by 12% yoy to \$1,9 bn

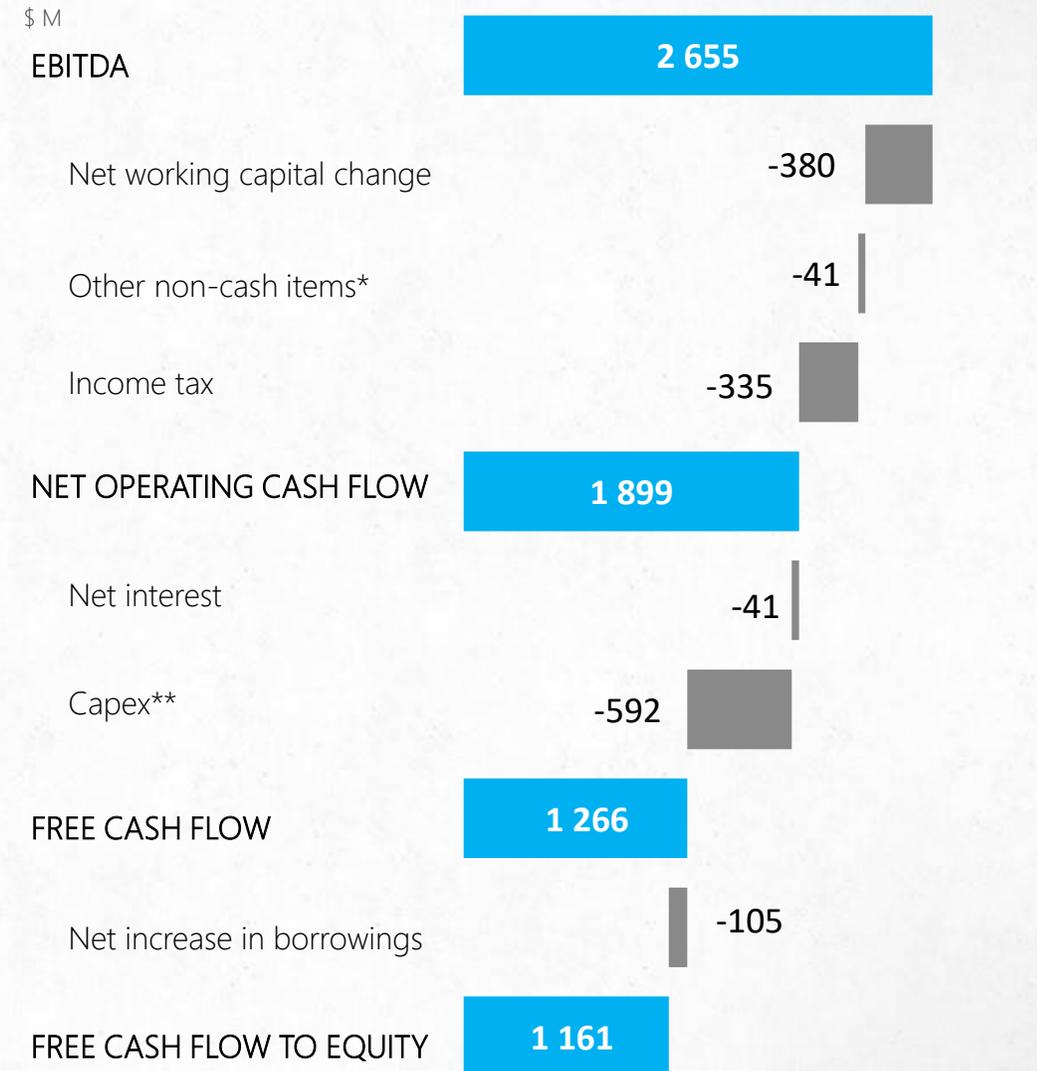
- (+) Stronger sales supported higher earnings
- (-) Working capital buildup of \$380m:
 - Higher inventories on price inflation (\$221m)
 - A/R growth driven by higher sales and prices
 - Seaport stocks higher on exports & inventories growth

Capex stood at \$592 m (+6% yoy)

- (+) Start of BFs major overhaul and pellets plant payments
- (-) Capex carry-overs to 2018 of ~\$100 m

Free cash flow increased by 16% yoy to \$1,266 m, a 5 years record

2017 CF bridge



* Other income/(expenses)

** Including capitalized interest of \$6m

2017 DEBT MATURITY IMPROVED, COST OF DEBT DECLINED

Superior liquidity on profitability growth and moderate capex

Debt maturities extended with -20% short-term debt reduction...

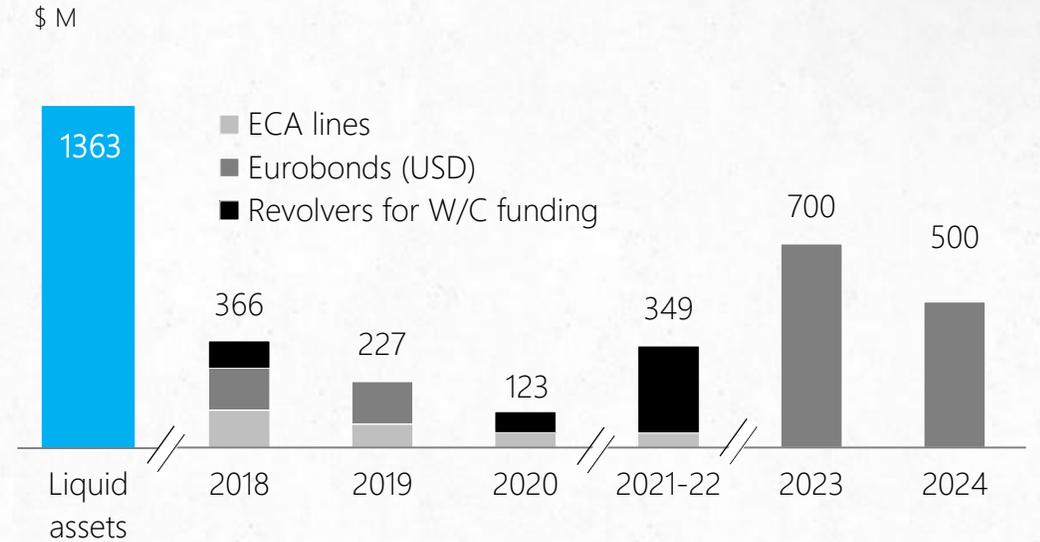
- Sep'17: \$317 m repurchase of '18 and '19 Eurobonds with coupons 4.45-4.95%
- Sep'17: New \$500 m 7Y Eurobond issue with 4.0% coupon
- Oct'17: \$172 m repayment of ruble BO-08 and BO-13 series

... and further decrease in cost of financing to 3.8%

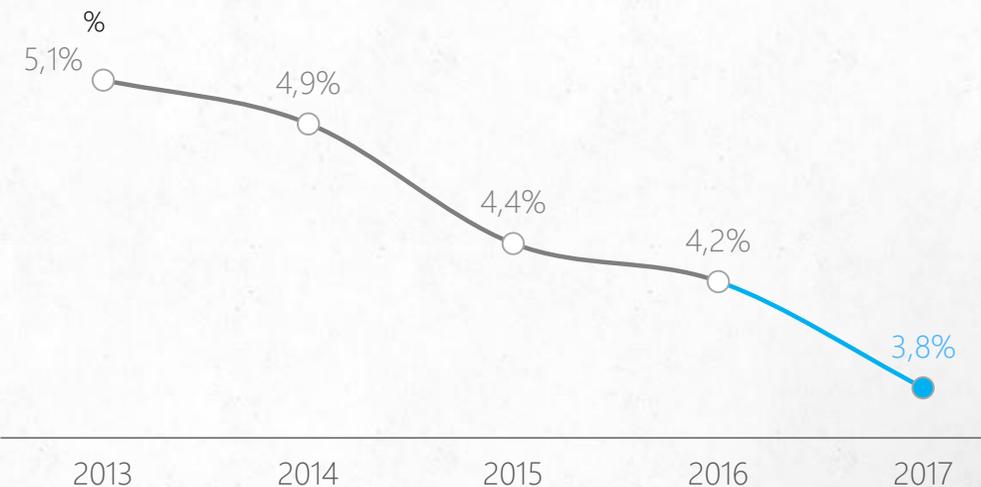
Investment grade credit rating confirmed by Fitch, S&P and Moody's

- Aug'16: S&P raised rating to investment grade
- Aug'17: Fitch investment grade reconfirmed
- Jan'18: Moody's upgrade to investment grade with positive outlook

Liquidity and Debt maturity



Cost of debt declines



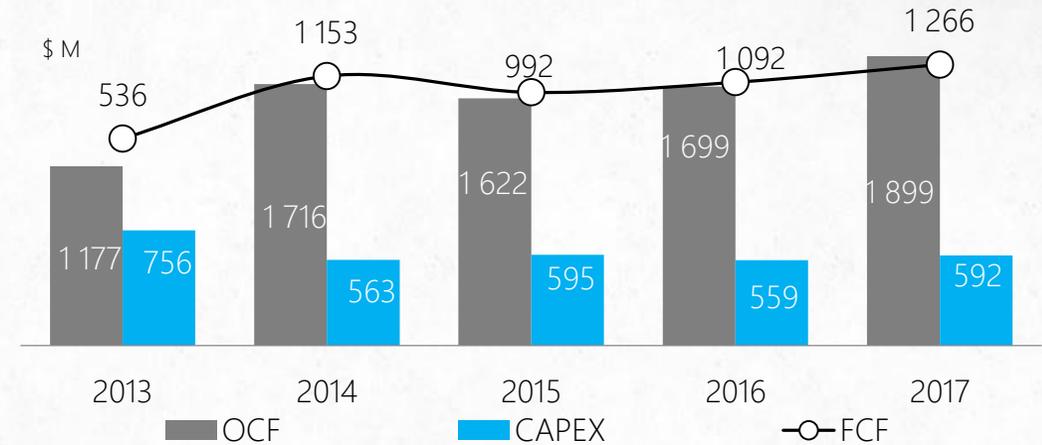
BALANCED APPROACH TO CAPITAL ALLOCATION IN 2014-2017

Free cash flow grew in 2015-2017 on stronger cash flow from operations and disciplined capex

Leverage improved on earnings expansion and strong FCF

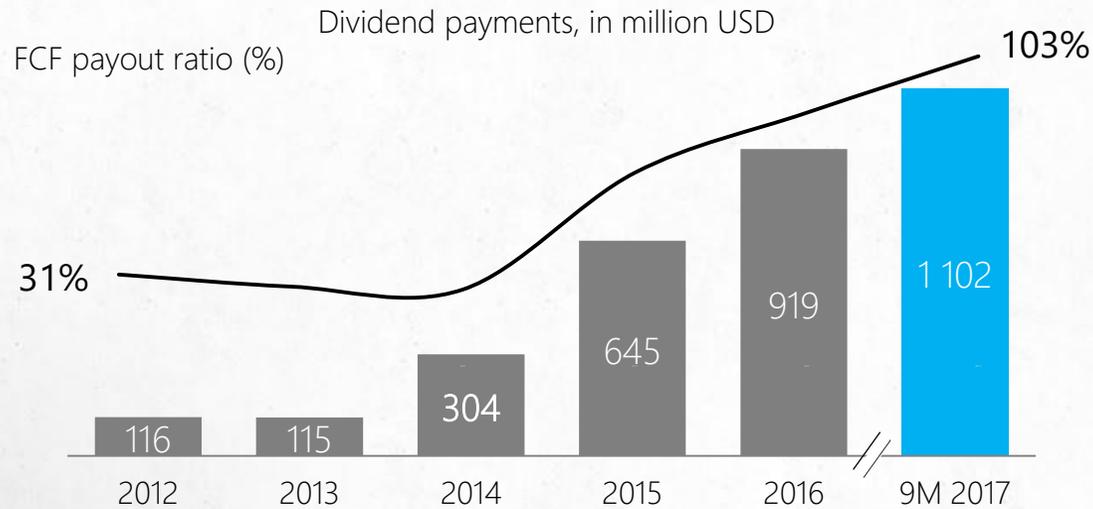
Conservative balance sheet structure and strong cash generation enabled superior shareholder returns

Disciplined CAPEX contributed to higher FCF



* Excluding NBH

Higher FCF and lower leverage boosted dividends



Leverage reduced on EBITDA and FCF growth



CFO CONCLUDING REMARKS

Strategy 2017 projects improved CF generation and enabled **record dividends w/o compromising growth**

Disciplined approach to capital allocation resulted in **Investment grade from S&P, Moody's and Fitch**

NLMK **cost of debt reduced** through active debt portfolio management and conservative capital structure

Improved liquidity position secures financial stability and development needs through the cycle

Debt maturity profile supports further growth needs and dividend payouts in the new strategic phase

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Financial Highlights

- Appendix

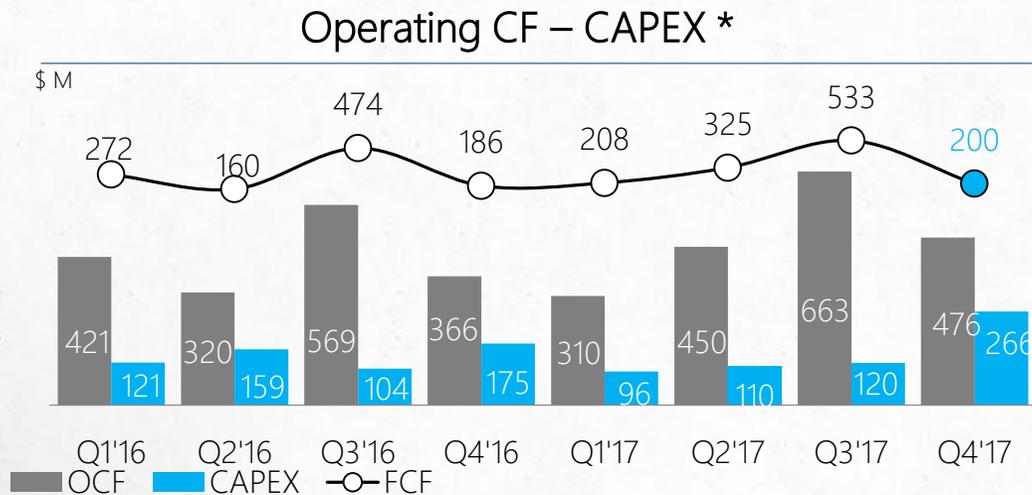
Q4 FREE CASH FLOW SEASONALLY LOWER

Net operating cash flow was down by 28% qoq to \$476 m on working capital buildup of \$190 m

- (+) prices growth influenced on inventories value (\$90 m)
- (+) accounts receivables increased on higher Dec'17 sales
- (+) seasonal increase in raw materials inventories

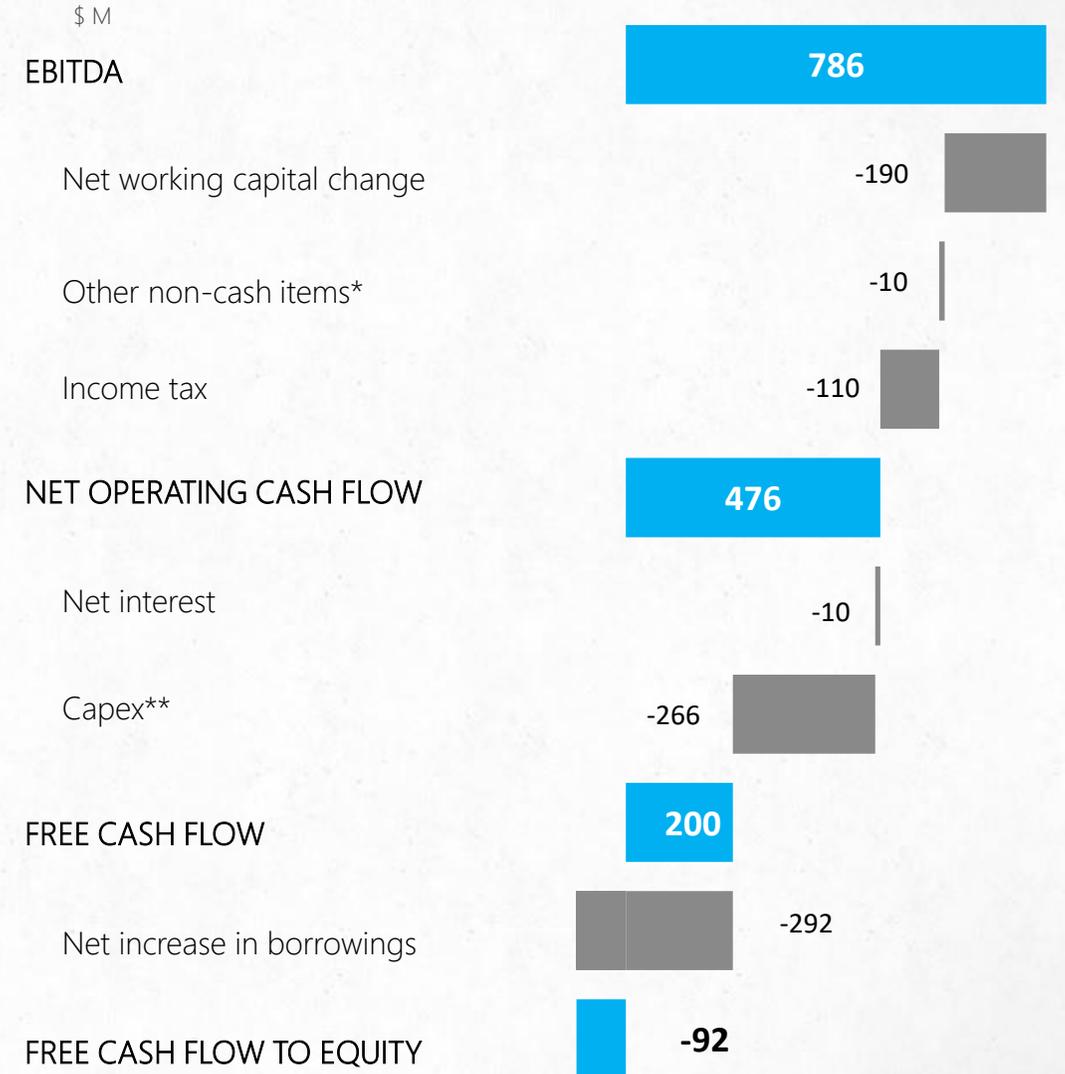
Capex increased to \$266 m on BF-6 repairs and final payments for pelletizer (+122% qoq, +52% yoy)

Free cash flow came lower by 62% qoq (+8% yoy) to \$200 m



* Excluding NBH

Q4'17 CF bridge



* Other income/(expenses)

** Including capitalized interest of \$6m

Q4: RUSSIAN FLAT PRODUCTS

Sales dropped by 6% qoq on seasonal slowdown in demand

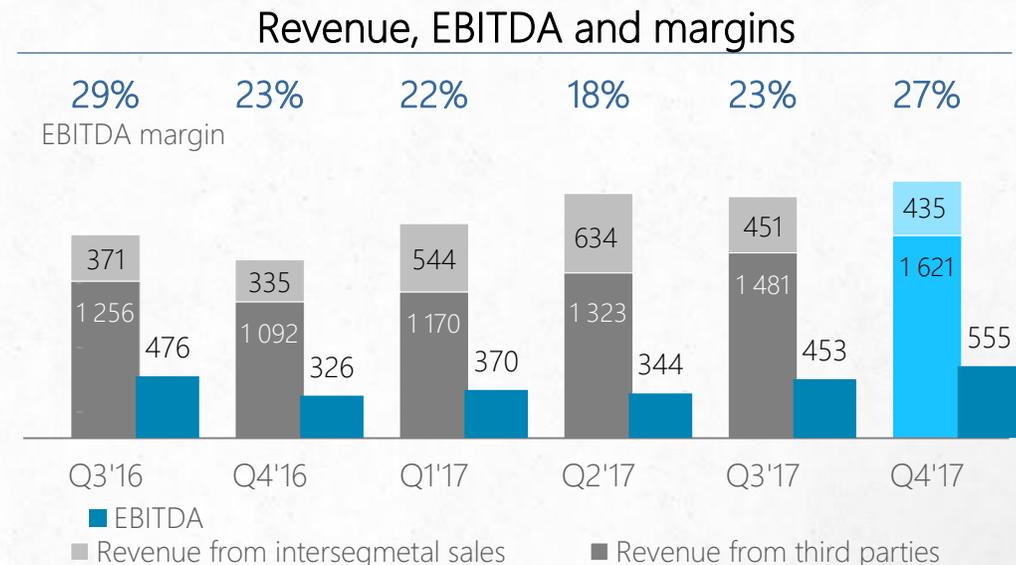
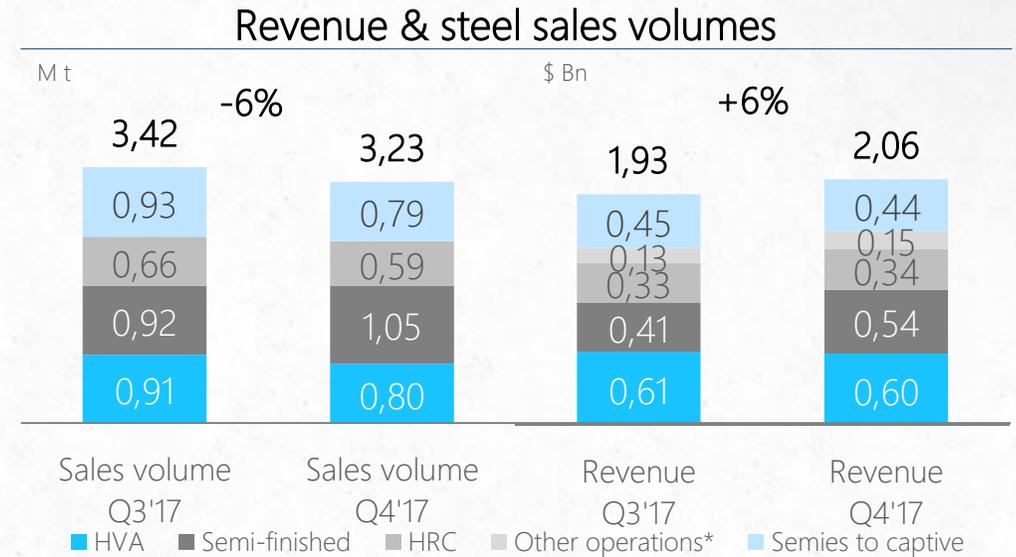
- (+) Slabs sales grew on better exports sales & domestic pipe sector
- (-) Semis sales to captive assets down by 16% qoq as stocks normalized
- (-) Finished steel sales down on seasonally low demand and Mill-2000 repairs

Revenue grew by 6% qoq:

- (+) Average selling prices up by 13% qoq
- (-) Lower sales volumes on seasonal slowdown and lag in exports recognition

EBITDA increased by 23% qoq to \$555 m on spreads expansion

- (+) Price spread widening on better selling prices
- (+) Optimization & investment programs effect supported EBITDA growth
- (-) Sales decrease & product mix (increase of semis share in sales)



*Revenue from the sale of other products and services

Q4: RUSSIAN LONG PRODUCTS

Sales increased by 11% qoq

- (-) Seasonal slowdown in demand for longs in Russia, relatively high level of inventories
- (+) Strong demand in export markets fully offset low season in Russia

Revenue up by 22% qoq as prices increase enhance volume effect

- (+) Average selling prices up by 8%
- (+) Sales volume up

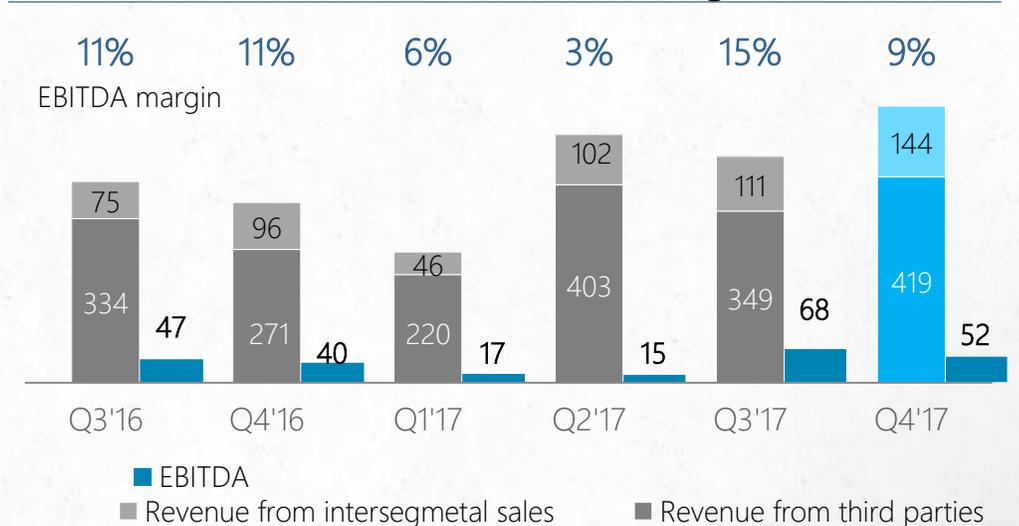
EBITDA decreased qoq to \$52 m (-24%)

- (-) Spread narrowed on scrap price inflation faster than prices growth
- (+) Sales volumes supported EBITDA in Q4

Revenue & steel sales volumes



Revenue, EBITDA and margins



* Revenue from the sale of scrap, other products (ex. by-products) and services

Q4: MINING

Lower sales volumes (-4%), mix improved on stronger pellets sales (+6%)

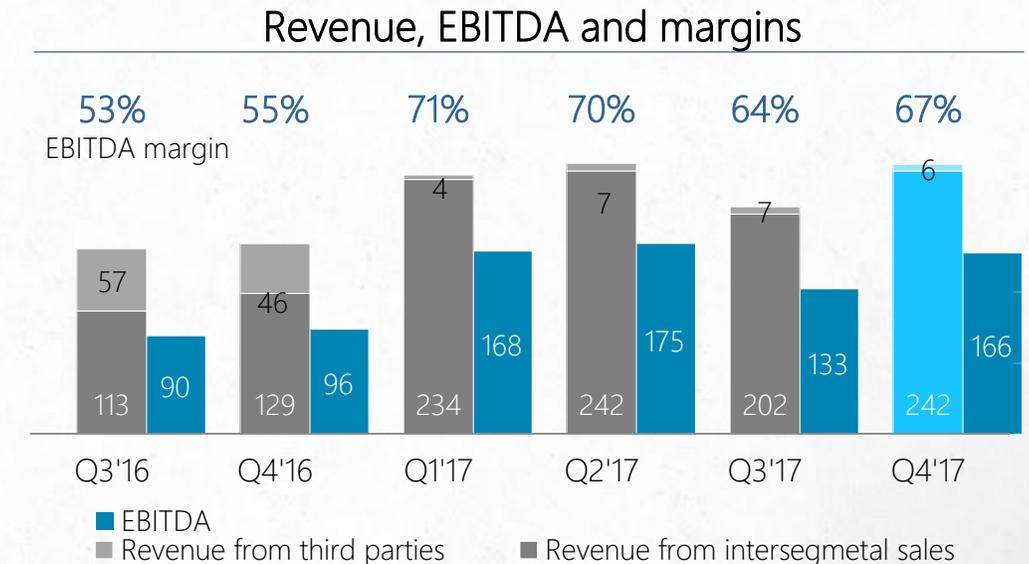
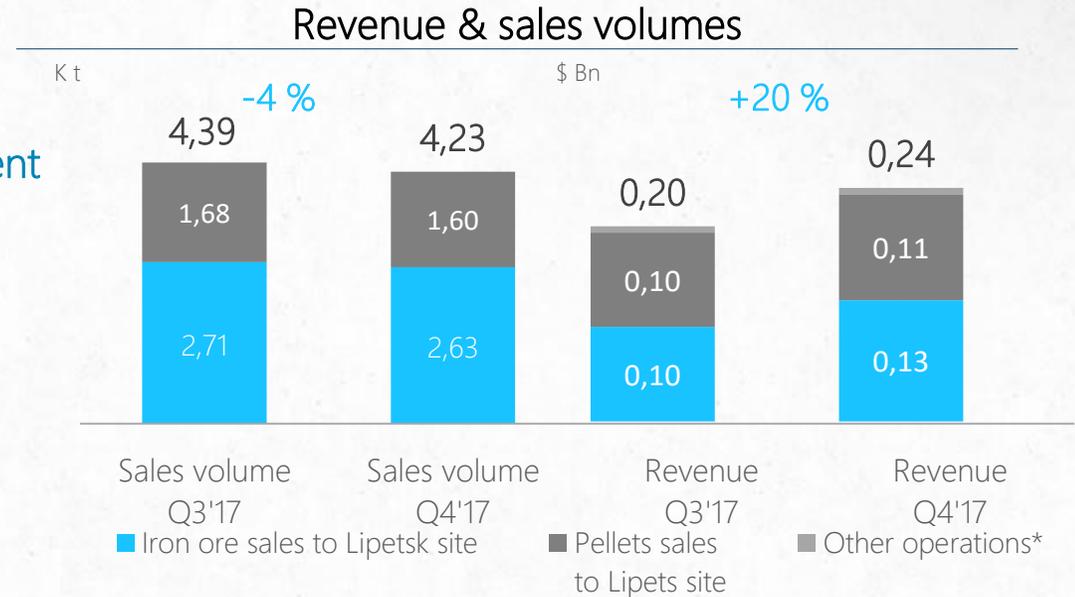
- (-) Lower concentrate sales (-3%) due to lower offtake from Lipetsk

Revenue increased by 20% qoq on higher selling prices and mix improvement

- (+) Selling prices were up by 16%

EBITDA margin up by 3 pp to 67%

- (+) Price spreads widening on better iron ore prices



* Other operations include limestone, dolomite and other sales

Q4: NLMK USA

Sales seasonally decreased by 3% qoq

- (-) HRC sales dropped by 4% qoq
- (+) HVA sales share grew in the sales mix

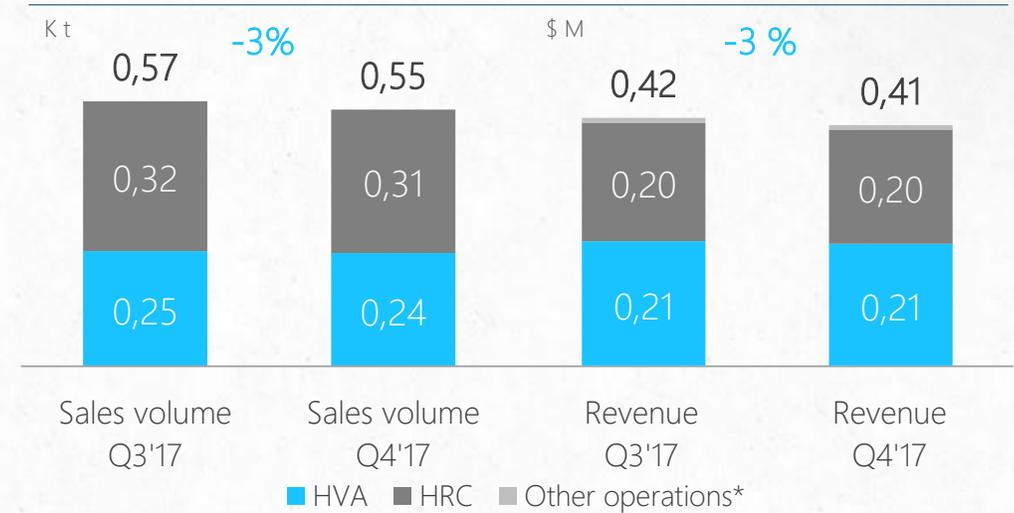
Revenue decreased by 3% qoq on volumes decline

- (~) Sales prices flat on Section 232 decision pending
- (-) Sales volume decreased by 3%

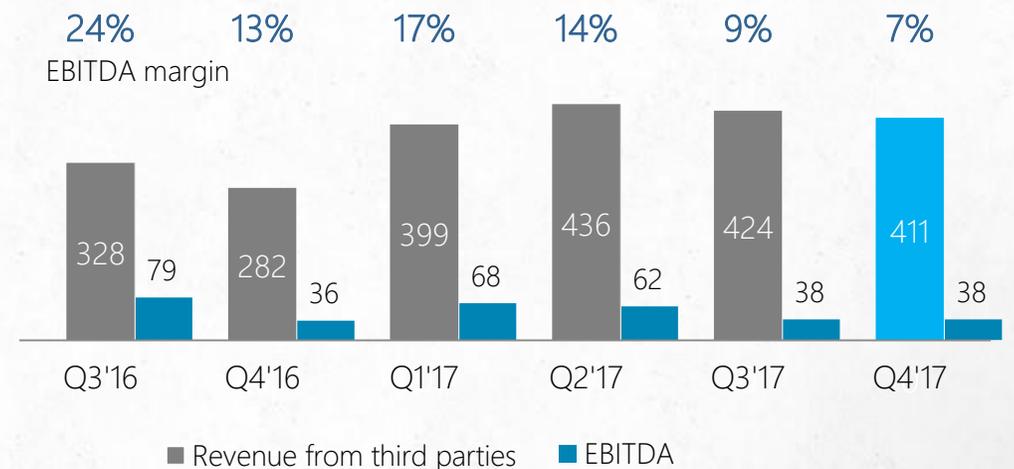
EBITDA down by 24% qoq on narrowing price spreads

- (-) Price spreads narrowed
- (-) Sales volumes down
- (-) Expenses on natural gas hedges

Revenue & steel sales volumes



Revenue, EBITDA and margins



* Revenue from the sale of other products and services

Q4: NLMK DANSTEEL

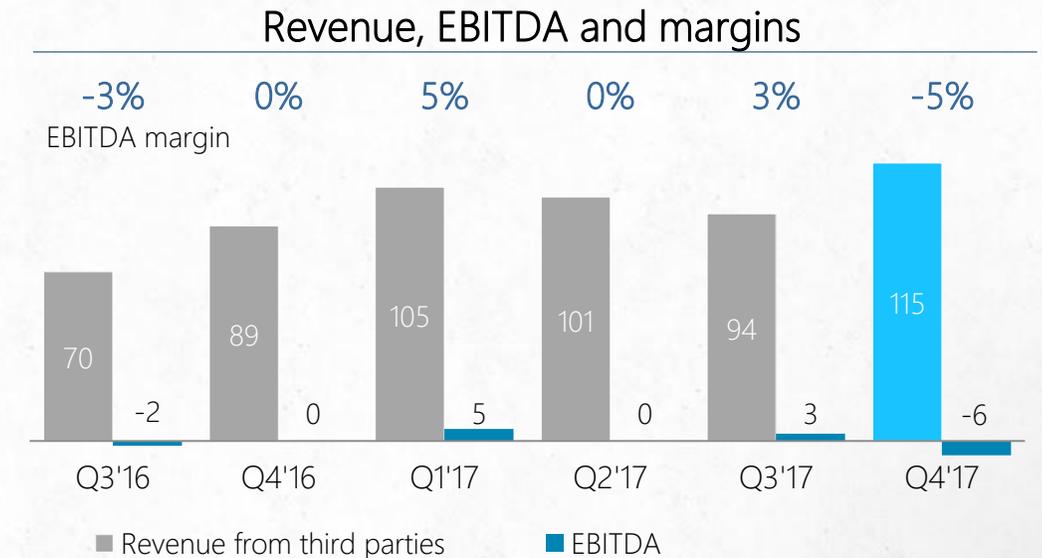
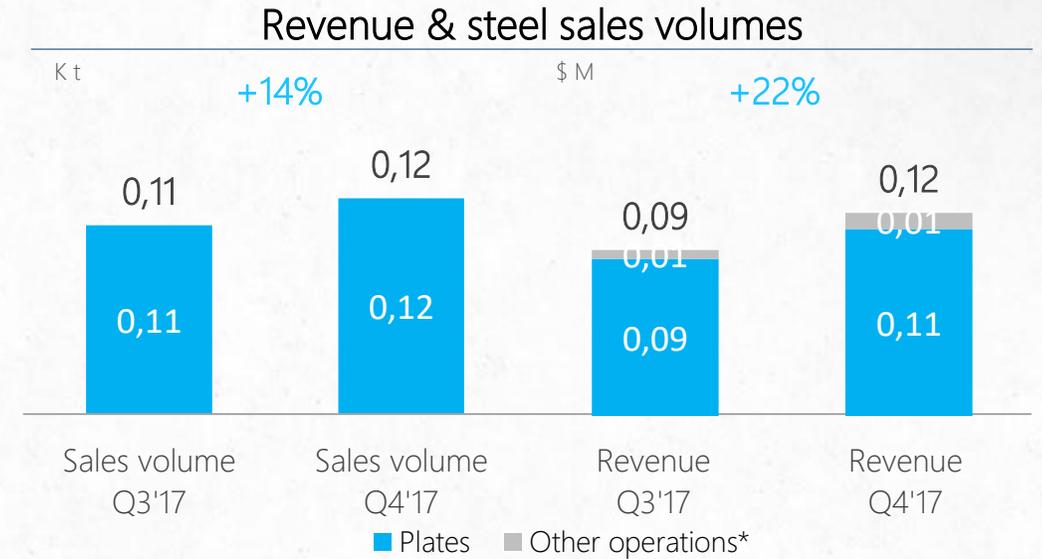
Sales seasonally increased by 14% qoq

Revenue up by 22% qoq

- (+) Sales volumes seasonally grew by 14%
- (+) Selling prices increased by 7%

EBITDA down on poor price/cost spreads

- (-) Price spreads narrowing on expensive feedstock



* Revenue from the sale of scrap, other products and services

2017: RUSSIAN FLAT PRODUCTS

Sales grew by 3% yoy on stronger finished product sales and increased demand for semis

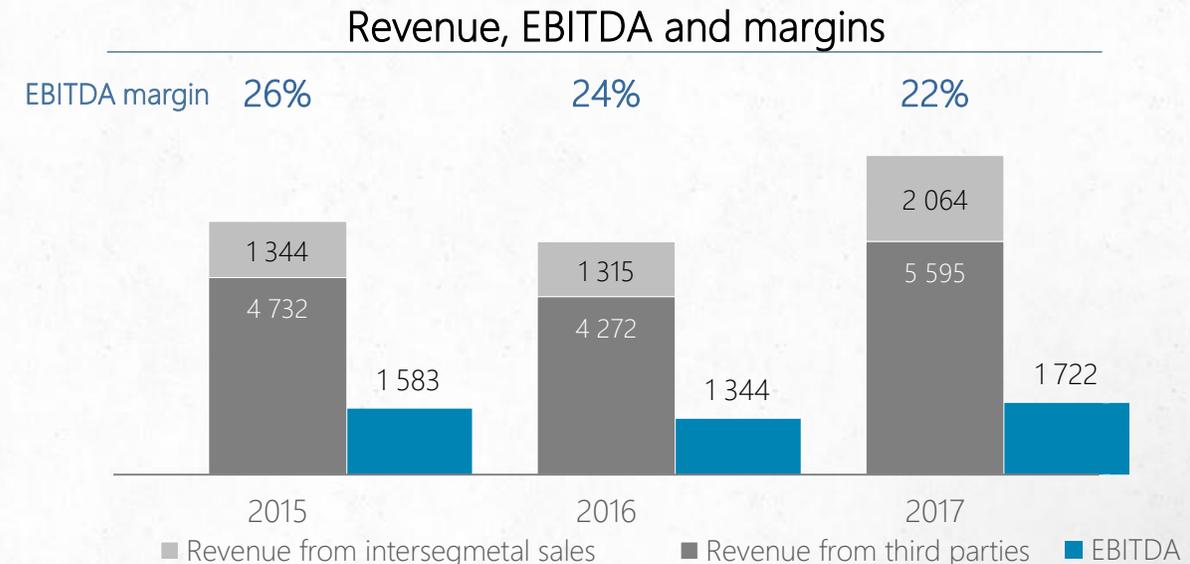
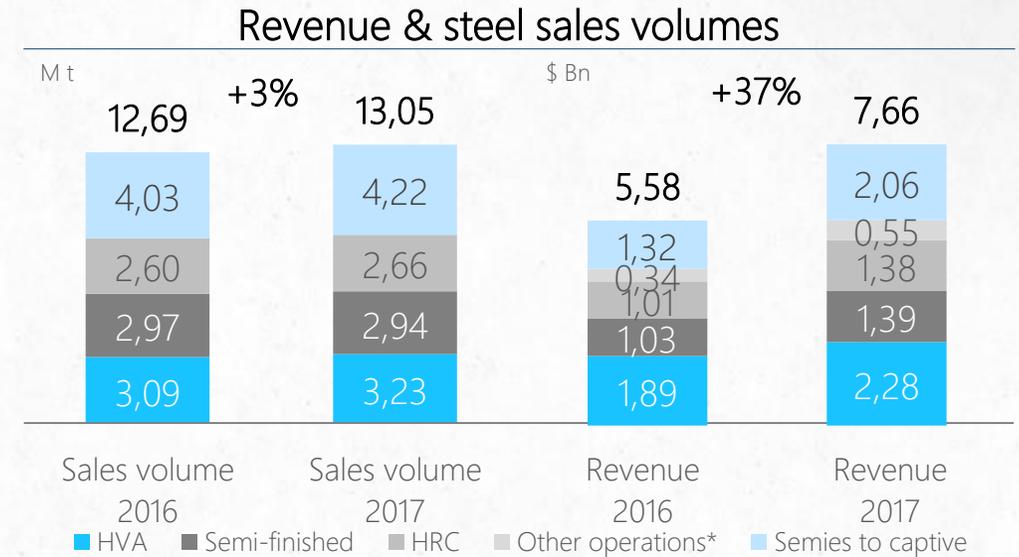
- (+) Slabs sales to captive assets grew by 5% on better demand on home markets
- (+) HVA sales grew by 5% on strong demand in Russia
- (+) Total finished steel sales were up by 4% yoy

Revenue surged to \$7.7 bn (up by 37% yoy) due to:

- (+) Average selling prices growth on improved product mix and market conditions
- (+) Sales volumes increase

EBITDA increased by 28% yoy to \$1,7 bn on Strategy 2017 effects and prices growth

- (+) Sales volume and improved product mix supported by selling prices growth
- (-) Cost inflation on raw materials



*Revenue from the sale of other products and services

2017: RUSSIAN LONG PRODUCTS

Sales increased by 6%

- (+) Sales up on higher demand on export markets

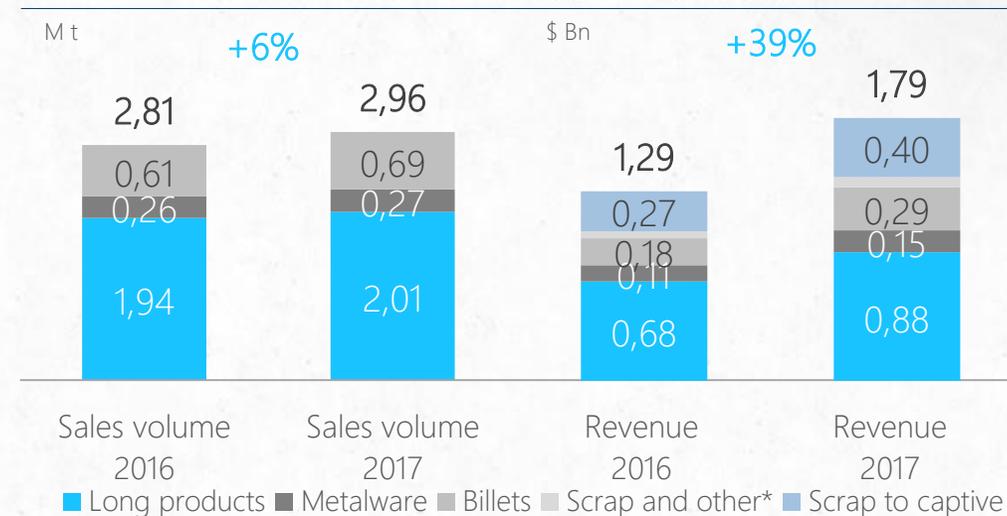
Revenue up by 39% yoy on volume and price improvements

- (+) Sales prices grew on strong demand in export markets
- (+) Sales up followed by better economics of semis

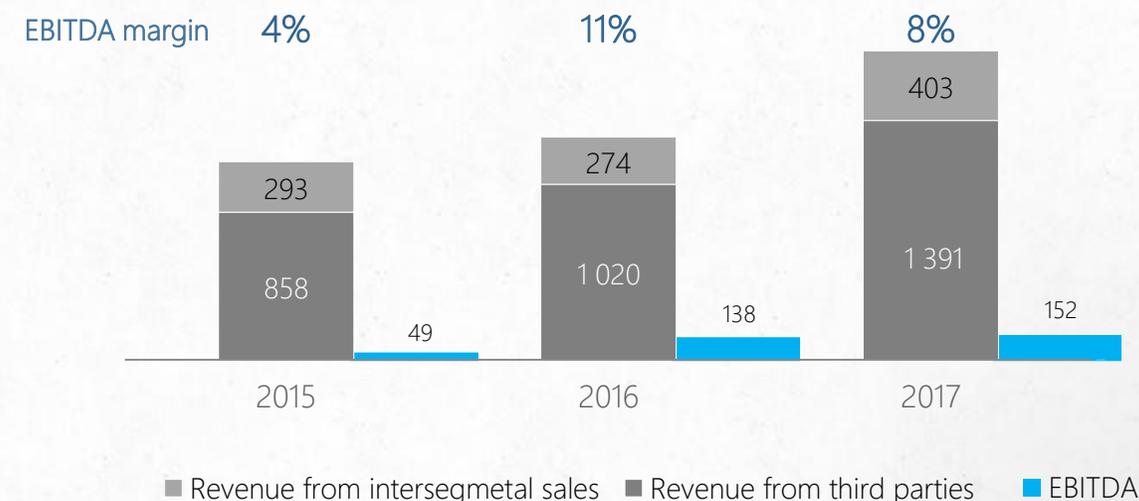
EBITDA 10% higher yoy on spreads and optimization effect

- (+) EBITDA improvement on increased sales volumes
- (+) Optimization program support profitability
- (-) Spread narrowed on softer Russian sales price due to construction season delay

Revenue & steel sales volumes



Revenue, EBITDA and margins



* Revenue from the sale of scrap, other products (ex. by-products) and services

2017: MINING

Sales volumes decreased slightly by 1% yoy as product mix changed

- (+) Pellets sales up with pelletizer reached 100% capacity utilization

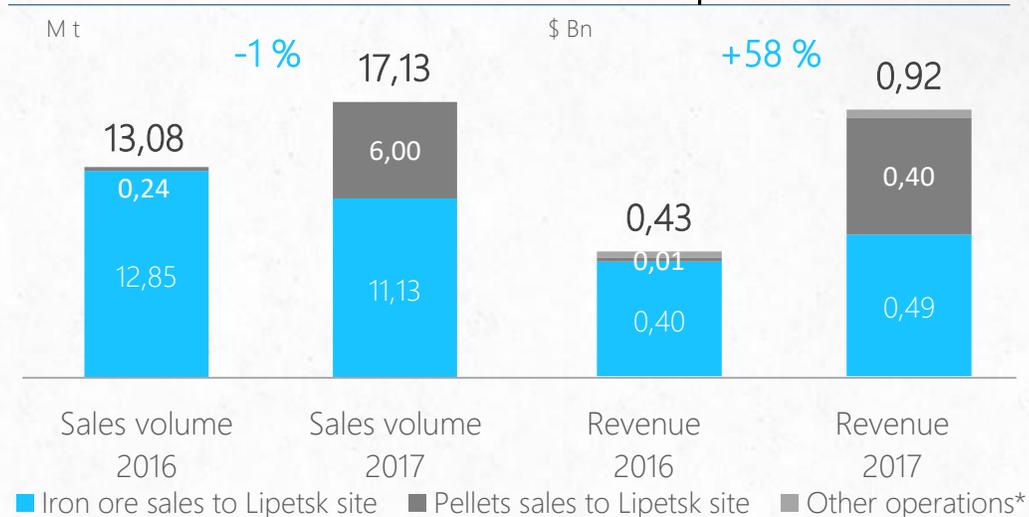
Revenue up by 58% yoy on selling prices hike

- (+) Improved product mix as pelletizing plant reached full capacity
- (+) Selling prices up along with global benchmarks

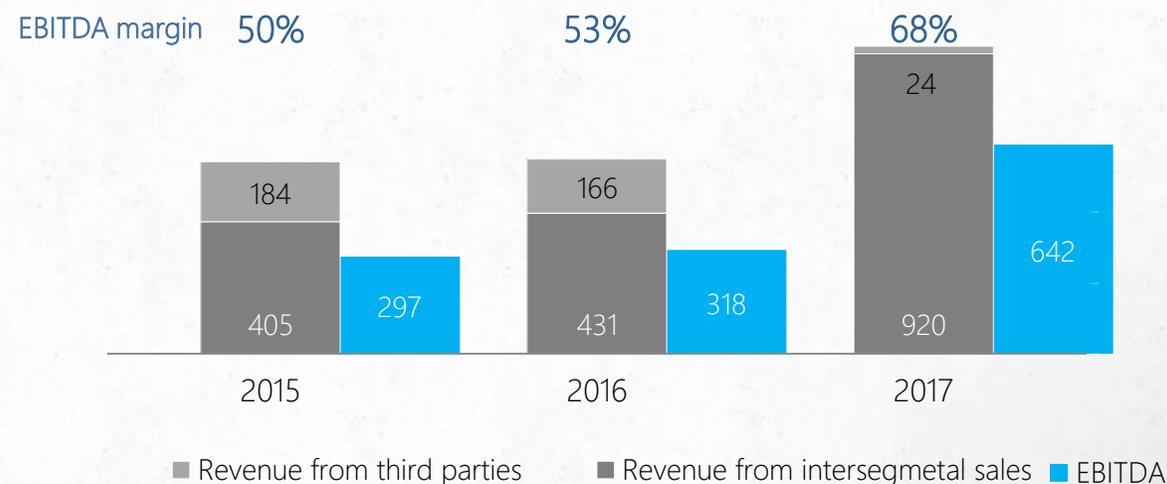
EBITDA margin up by +15 pp to 68%

- (+) Favorable market conditions with sharp rise in prices
- (+) Better product mix

Revenue & sales volumes to Lipetsk site



Revenue, EBITDA and margins



* HPGR – high pressure grinding rollers

* Other operations include limestone, dolomite and other sales

2017: NLMK USA

Sales increased by 21% yoy to an all-time high 2.24 m

- (+) Improved demand for HRC and HDG from key clients
- (+) additional galvanizing line start

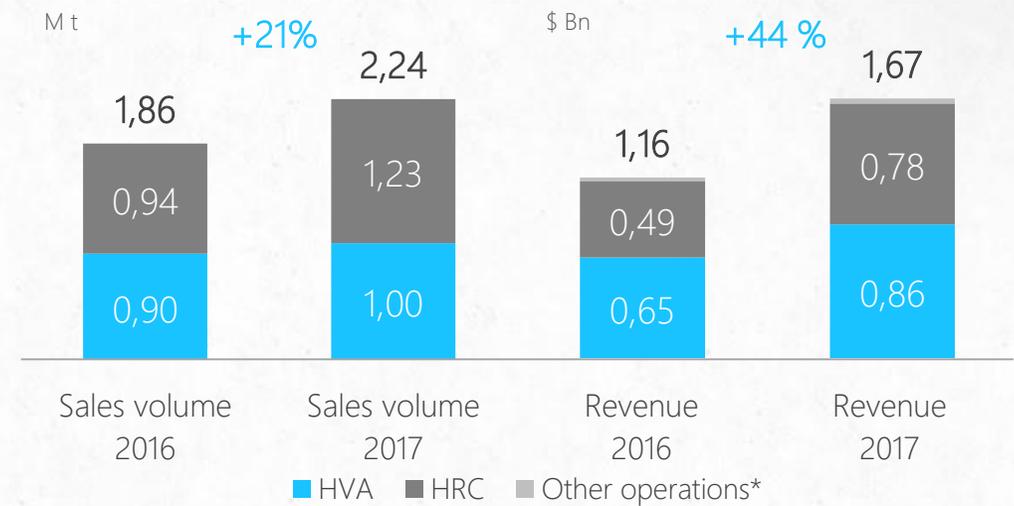
Revenue increased by 44% yoy

- (+) Average prices improved by 19% on better product mix
- (+) Sales volume increased

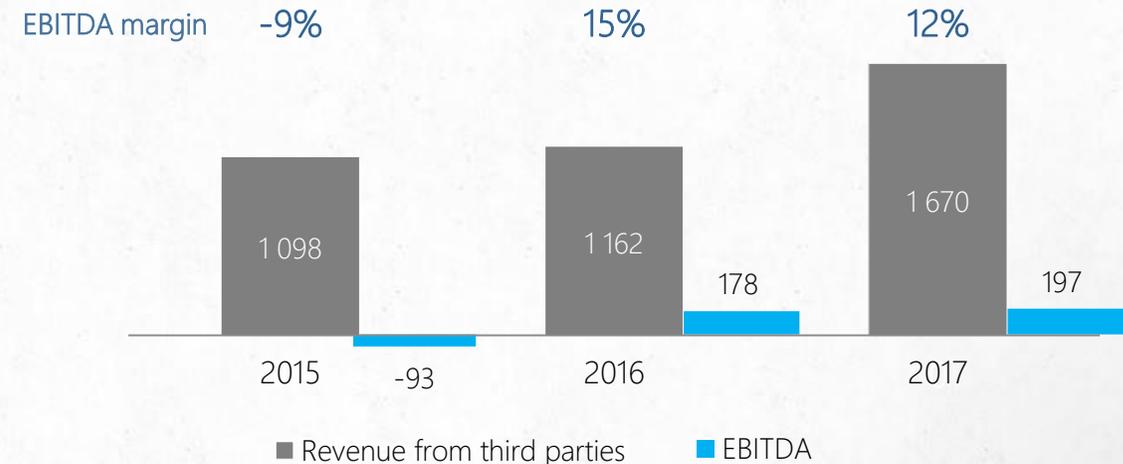
EBITDA up by 11% yoy slowed down by narrowing price spreads

- (+) Sales volume increase and better product mix
- (-) Scrap and slab prices growth narrowed spreads

Revenue & steel sales volumes



Revenue, EBITDA and margins



* Revenue from the sale of other products and services

2017: NLMK DANSTEEL

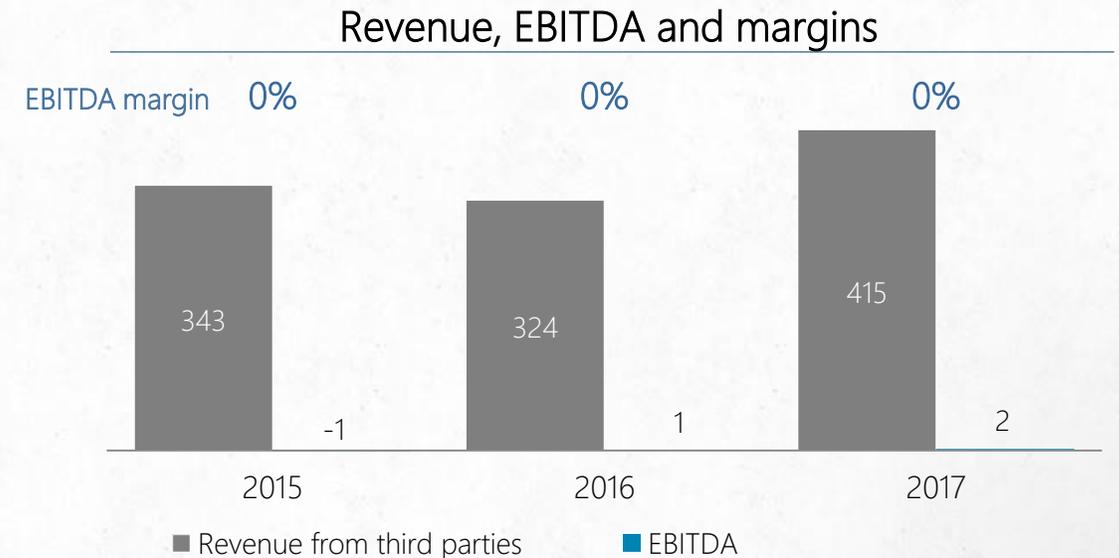
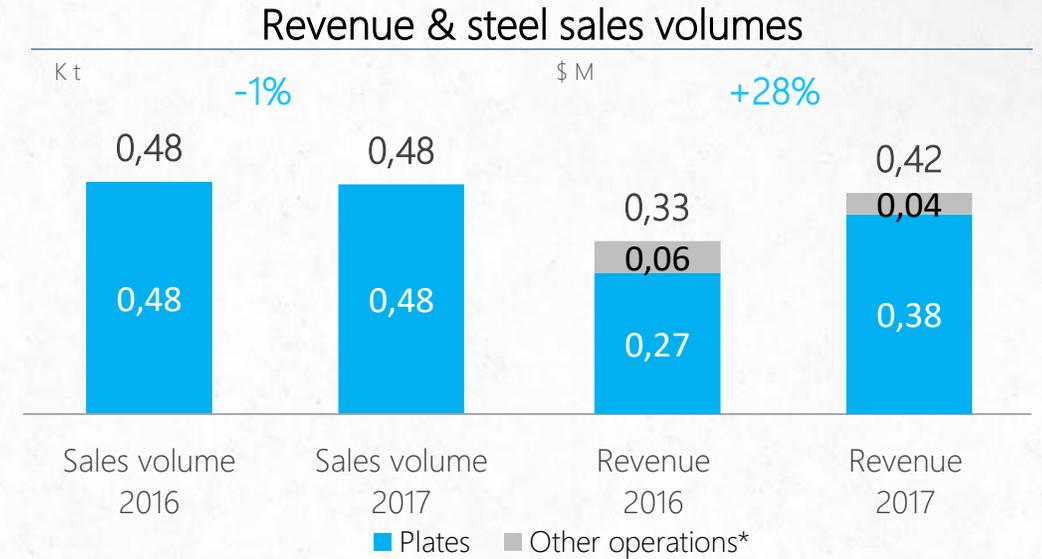
Sales down by 1% yoy due to sharp competition with imported thick plate from Asia and the CIS

Revenue increased by 28% yoy

- (-) Sales volumes down by 1%
- (+) Selling prices supported revenue growth

EBITDA up on improved price/cost spreads

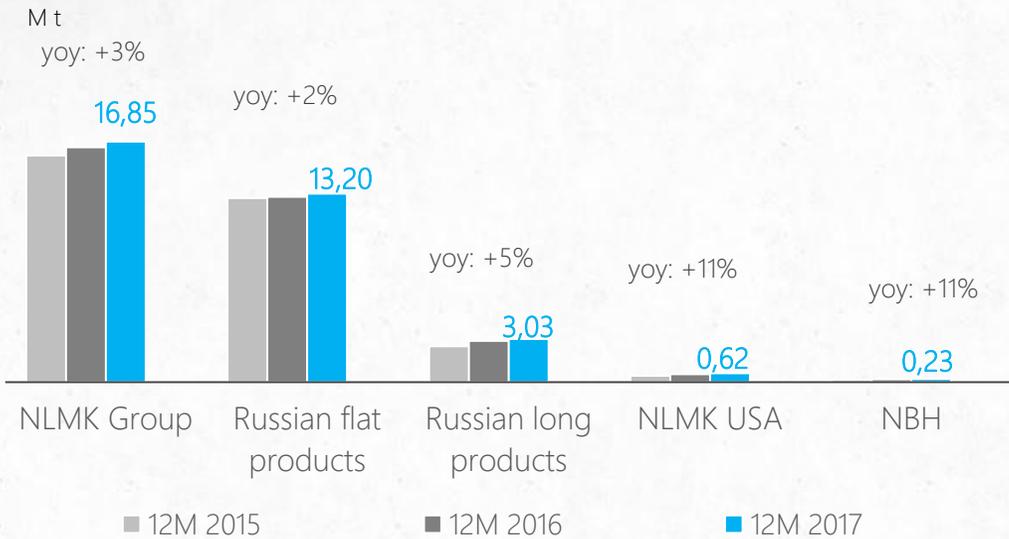
- (+) Spread widened on finished steel price increase outpaced that of slab prices



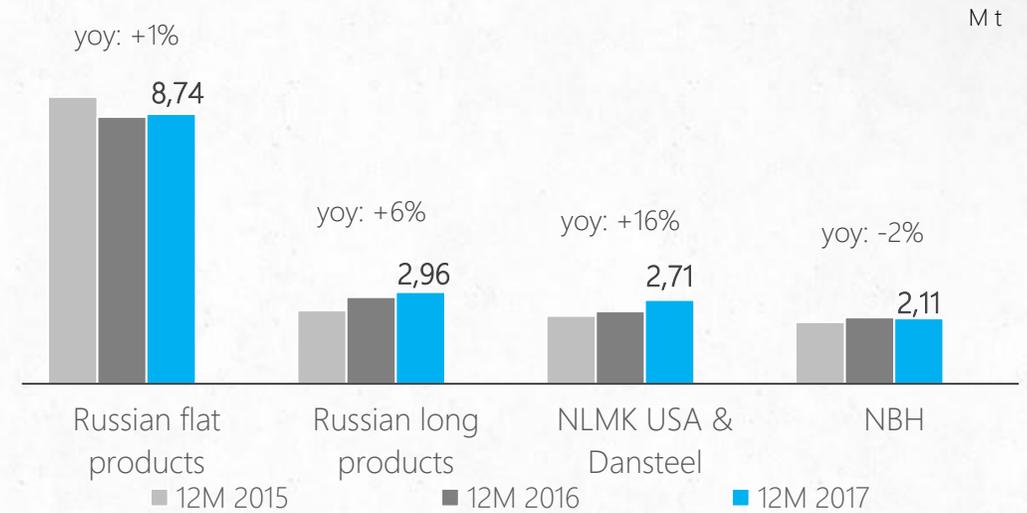
* Revenue from the sale of scrap, other products and services

2017 NLMK SALES, OUTPUT, LIPETSK SLABS COSTS

Steel production



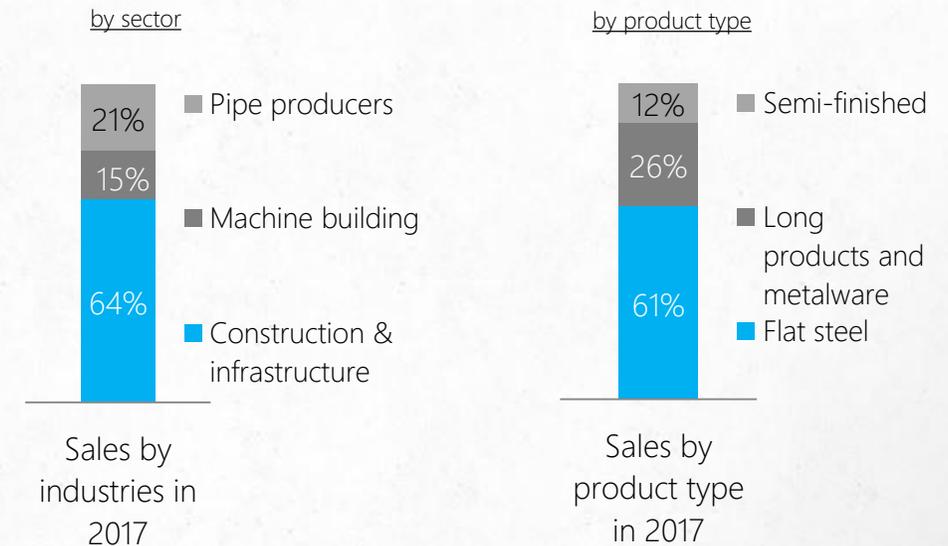
Group sales to external customers by segments



NLMK Russian Flat Products cash cost of slabs



NLMK Russian Flat & Long Divisions sales to the Russian market



2017: SALES GEOGRAPHY AND PRODUCT MIX

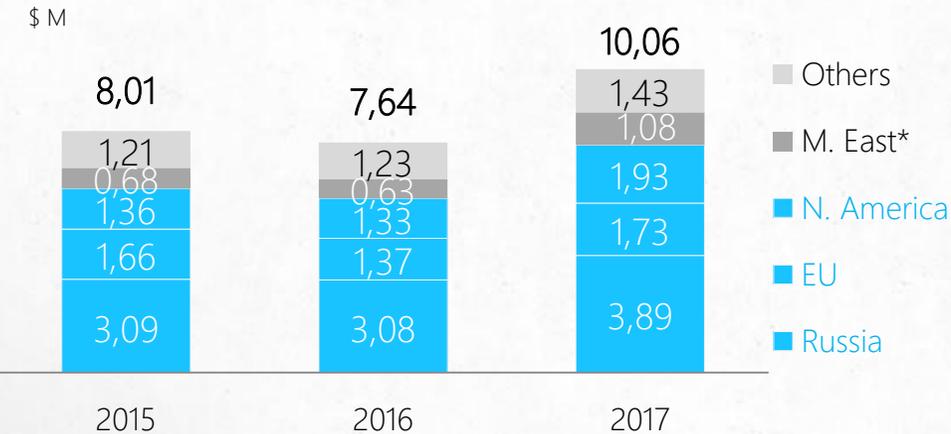
Steel product sales by region



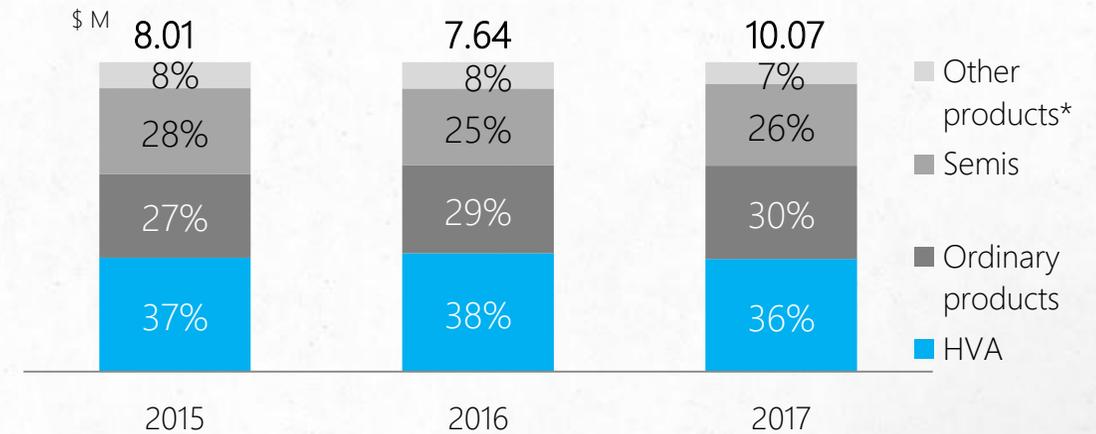
Sales structure by product



Revenue by region

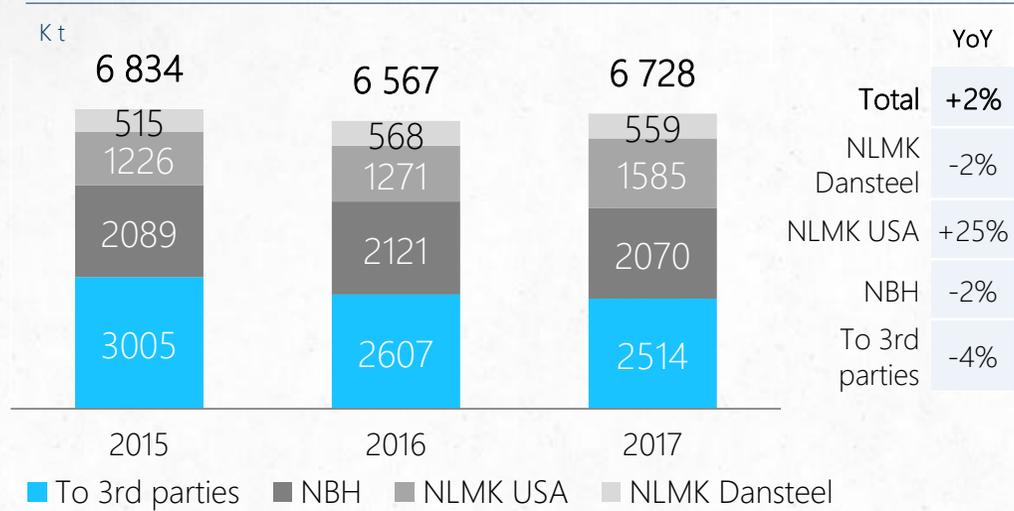


Revenue by product

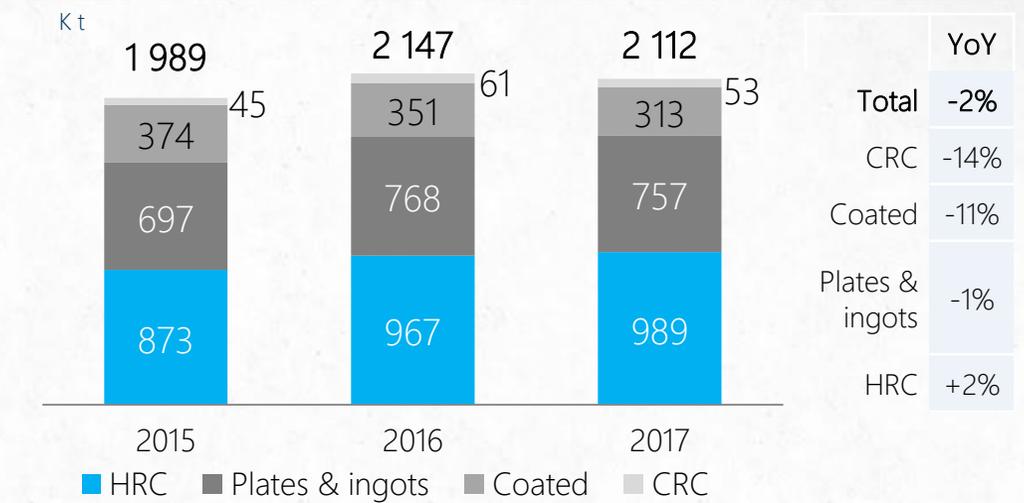


FOREIGN ASSETS PERFORMANCE

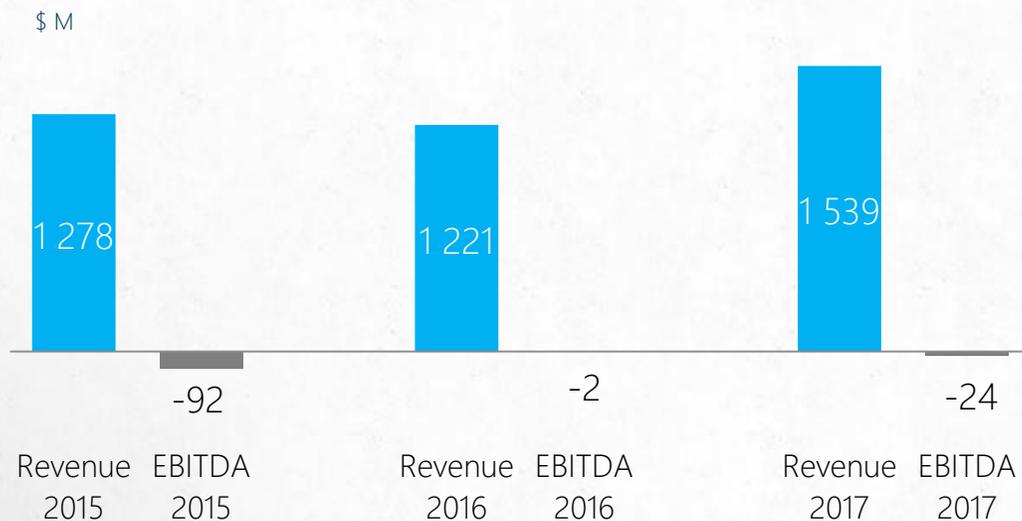
Slabs sales from Russian Flat Division



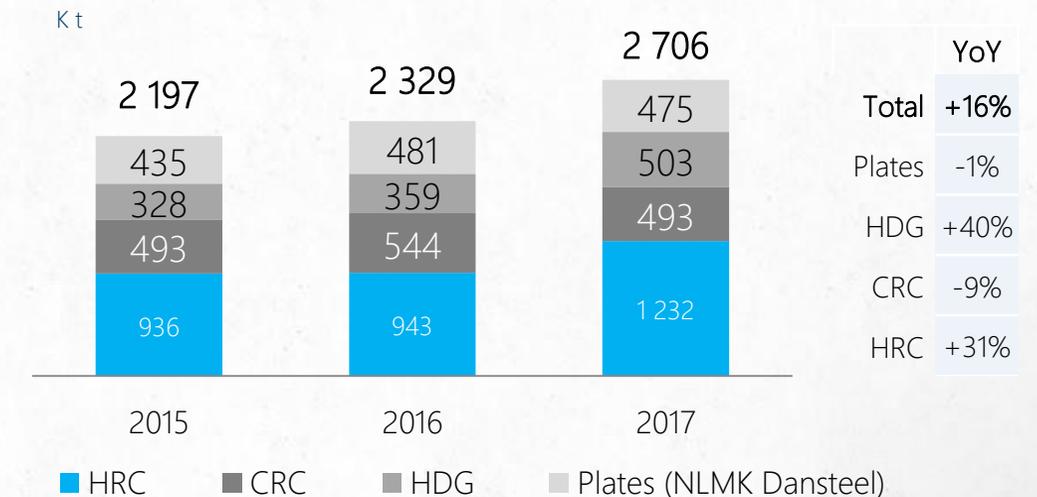
NBH Rolled product sales



NBH financial results



NLMK USA and NLMK Dansteel sales



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