



NLMK

Corporate Presentation

January 2018

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■ Market overview

About NLMK

NLMK Performance

Strategy execution and shareholders returns capability

Appendix

STEEL DEMAND RECOVERES WHILE CHINESE EXPORTS SUBSIDE

Steel demand recovered across key markets in 2017

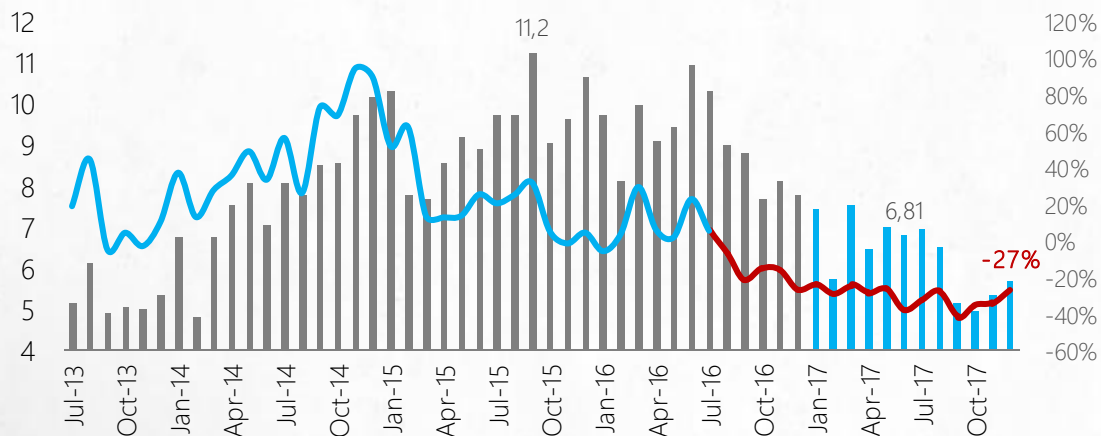
- USA: construction, automotive and energy
- EU: mechanical engineering, housing and non-residential
- Russia: machinery and construction
- China: infrastructure and machinery

Capacity cuts in China improve supply and demand balance

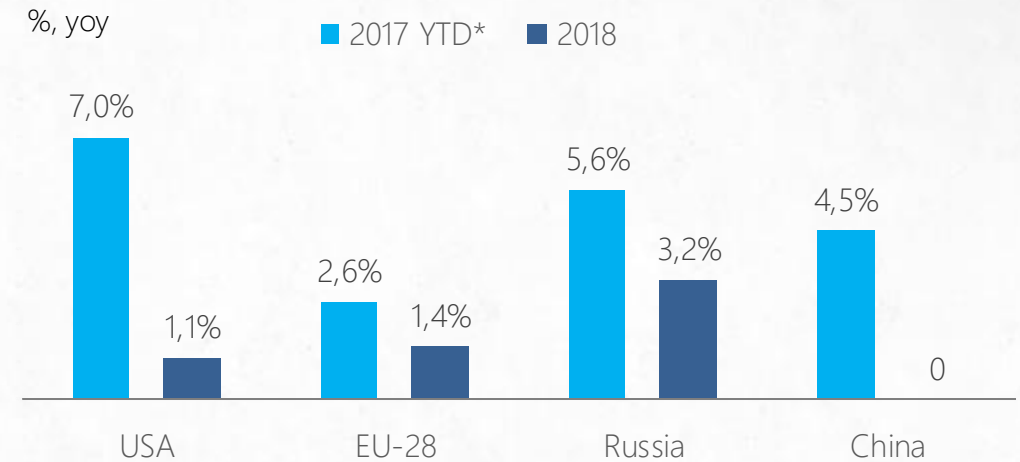
- 150 mt cuts according to long-term capacity reduction plan
- 35 mt cuts expected going forward due to stricter environmental policies

Chinese exports drop reduces imports pressure across NLMK markets

Chinese exports back to historical levels

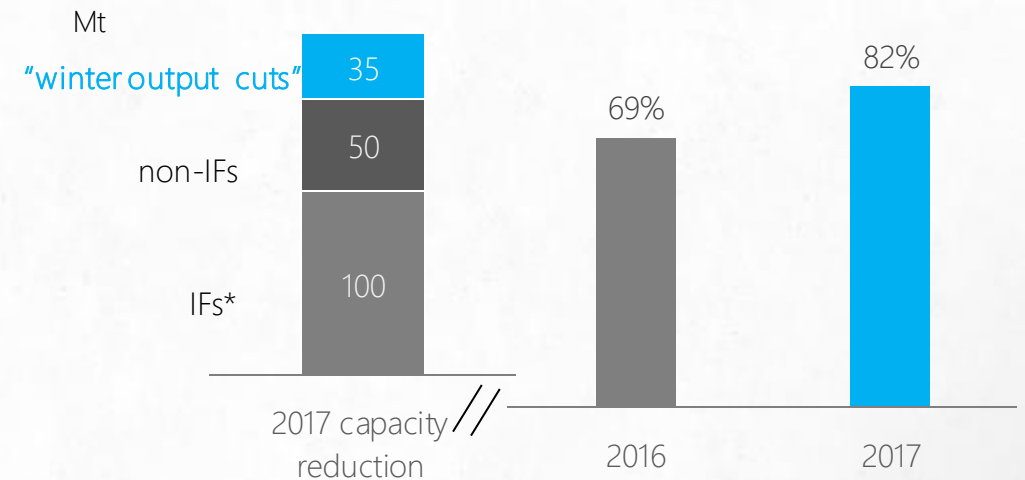


Growth in steel demand across key markets



Source: Bloomberg, national statistics agencies, worldsteel, Metal Expert., Banks' reports
*10-11m'17 data

Capacity cuts increase utilization rates in China



Source: Chinese officials, Banks' reports
*IFs = induction furnaces

PRICE SPREADS WIDEN ON DEMAND GROWTH

Chinese steel stocks level remains below 5Y average

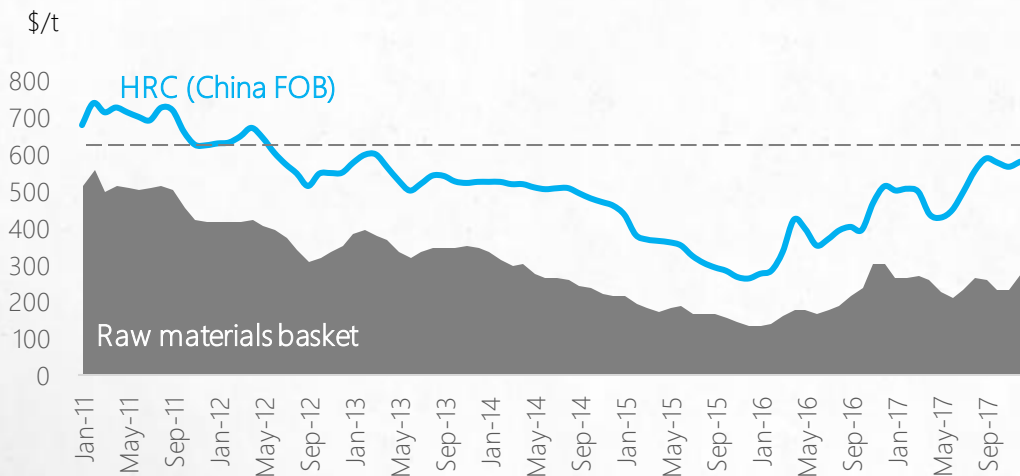
Steel prices react strongly to better supply/demand balance

- EU: prices improved on lower competition and cost push
- Russia: prices are set to grow in Jan/Feb
- China: FOB prices up on limited supply and raw materials growth

Raw material basket increase lags steel prices growth

- Steel / raw materials spread +43%
- Recent uptick is driven by lower inventories and one-off (congestions in ports in Australia)

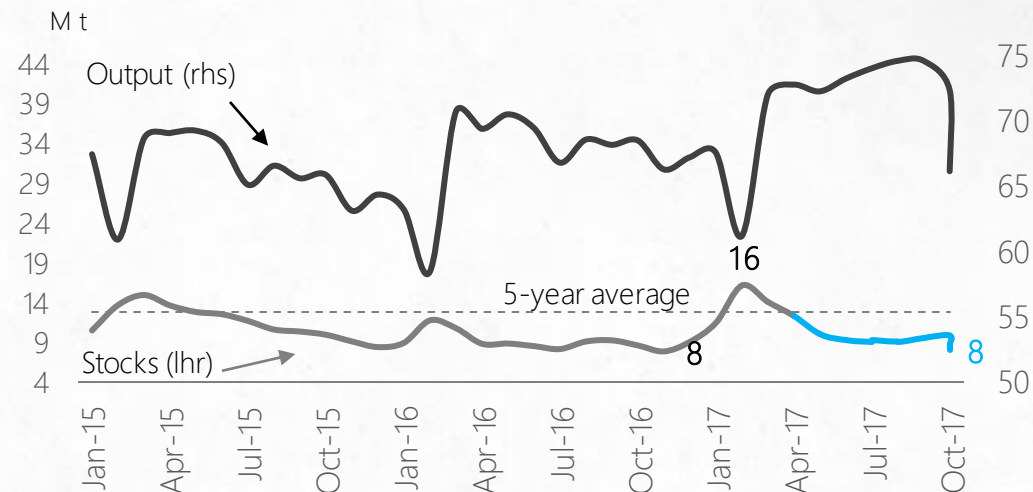
Steel spreads up on higher steel demand



Source: Metal Bulletin

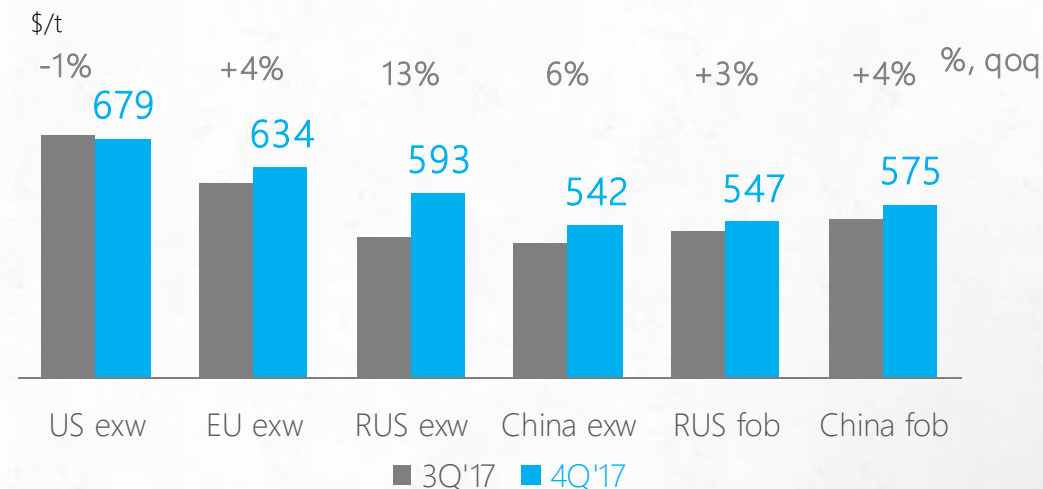
Raw materials basket is calculated as price for iron ore and coking coal multiplied using production ratios for 1 t of steel

Chinese steel stocks levels remain low while supply picks up



Source: Bloomberg (Chinese stocks and production data)

Price increases in key markets



Source: SBB, Metal Bulletin, excl. VAT, quoted prices can be different from NLMK realized prices

RUSSIAN STEEL MARKET - S/D AND PRICING

Supply improves on better export and domestic off-take

- YTD2017 steel supply down -1% yoy
- 11m'17 demand up 5.6% yoy

2017 steel demand is set to grow by 2.0 m t (+5-7% yoy)

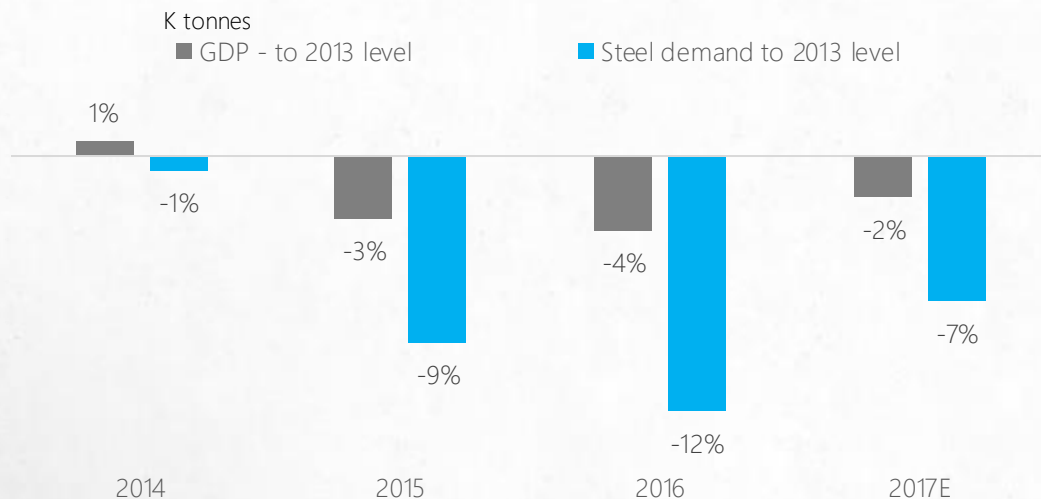
- Key drivers – construction, machinery building

Q4 prices seasonally low, Jan'18 prices up on better export prices

2018 outlook: +2-3% yoy demand growth

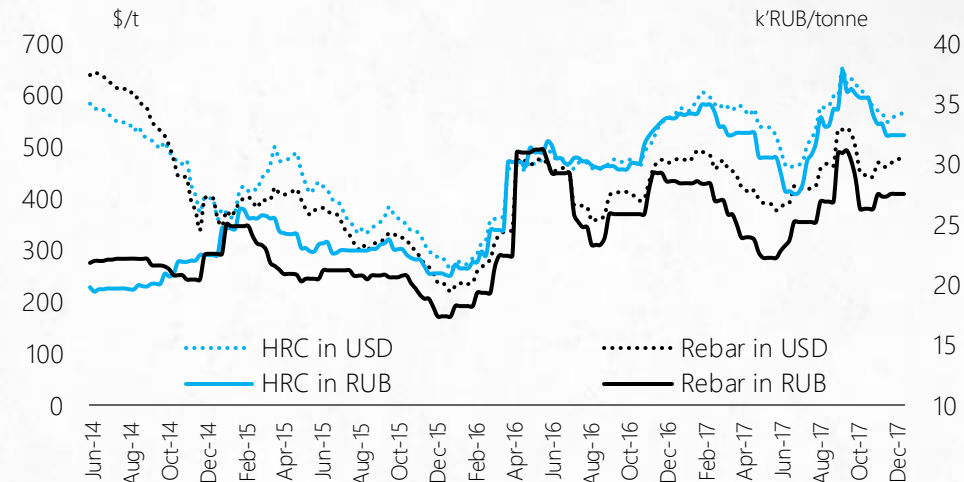
- Drivers - construction and machinery
- Trends to watch: sales investment apartments could deter construction activity acceleration

Steel demand drop overshoot GDP decline



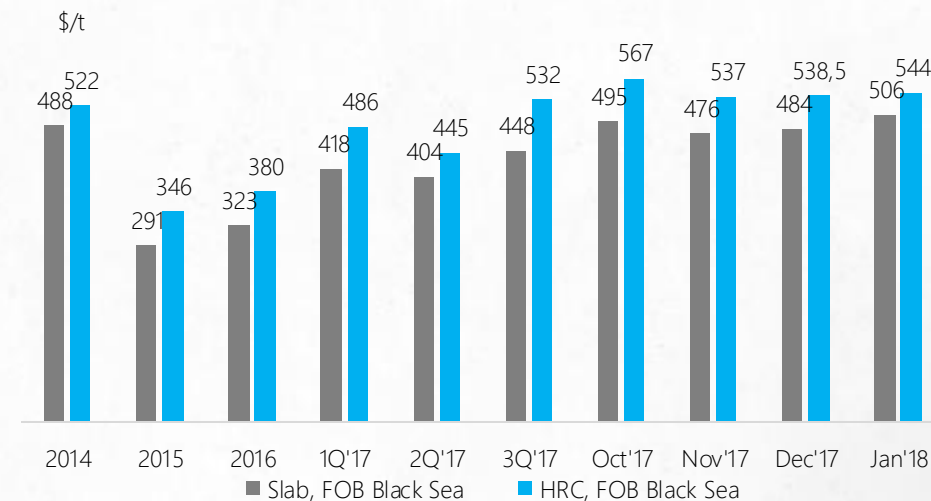
Source: Rosstat, Metal Expert

Russia: home steel prices catch up with global benchmarks



Source: Metal Bulletin, NLMK estimates. Prices excl. 18% VAT

Russian steel export prices



Source: Metal Bulletin

USA STEEL MARKET - S/D AND PRICING

Better demand and margins attracted imports

- 11m'17 demand up c. $\pm 7\%$ yoy to c. 90 m t
- 11m'17 imports surged to 32 m t (+17% yoy) however from a low base
- 11m'17 output increased to 75 m t (+4% yoy)

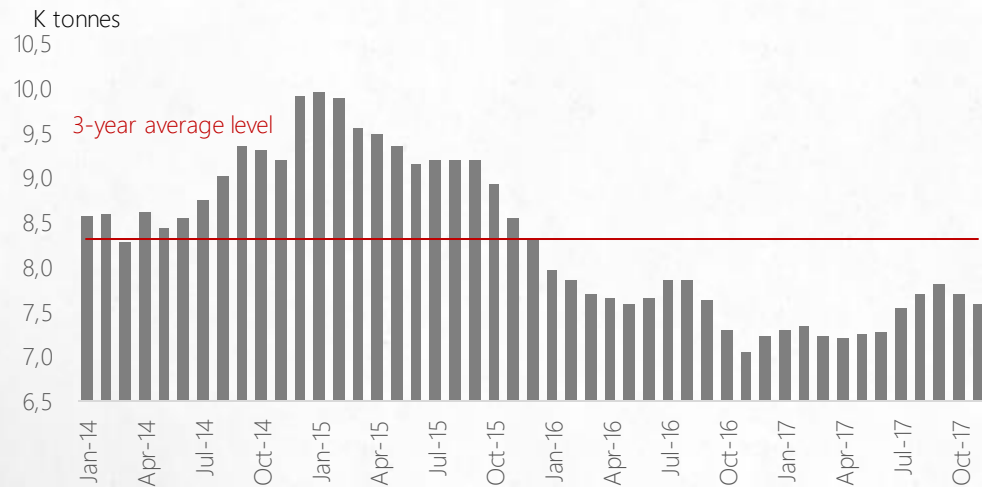
2017 steel demand is set to grow by 7%

- Key drivers – construction, machinery building and energy sector demand

Prices up after recent mills' hikes and the stocks started to rise

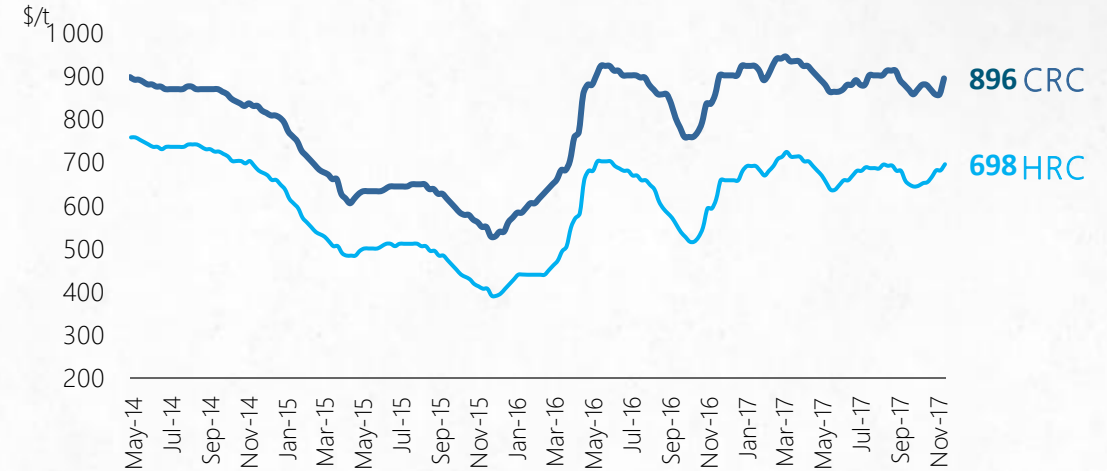
- HRC EXW +1% QTD
- CRC EXW +1 % QTD
- Spread to China still remains relatively low but on upward trend

Steel inventories



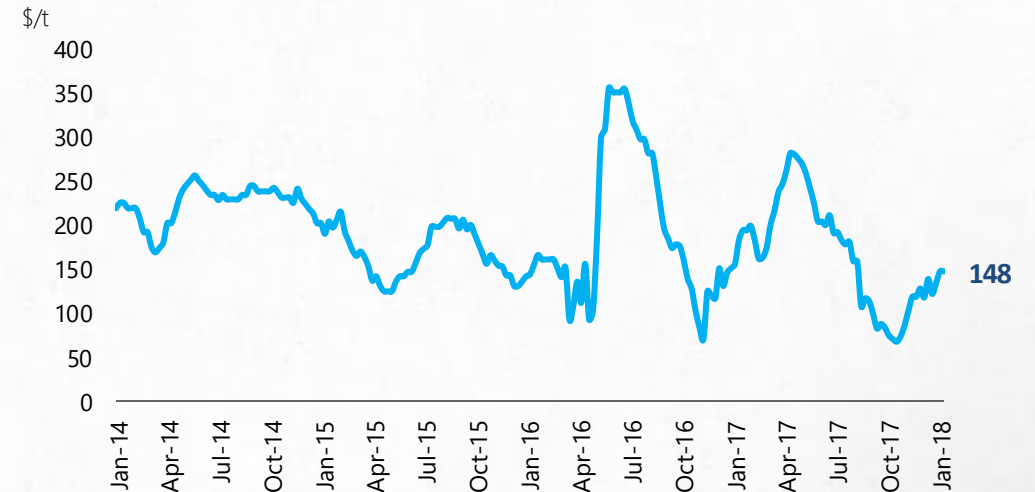
Source: Bloomberg

USA domestic steel prices (EXW)



Source: Metal Bulletin

USA HRC spread to China FOB prices



Source: Metal Bulletin

EU STEEL MARKET - S/D AND PRICING

Domestic supply catches up with demand growth of +2.5% yoy

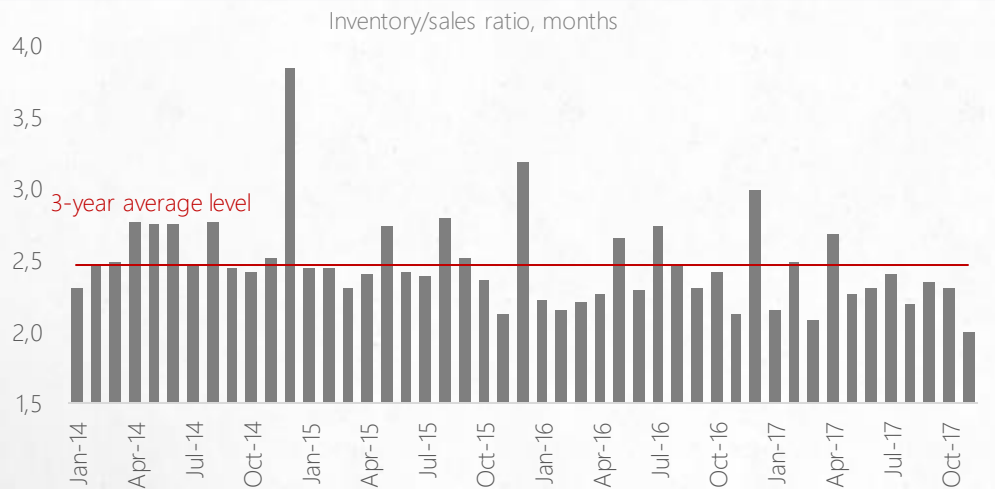
- Demand driven by construction, engineering, autos and tubes
- 11m'17 steel output grew to 140 m t (+4% yoy)
- 10m'17 imports up to 24 m t (+1% yoy)
- Prospects for 2018 are overall positive (1.4% projected growth)

Prices in USD up, while in EUR more or less stable

- EU HRC prices flat QTD
- EU Plate prices flat QTD

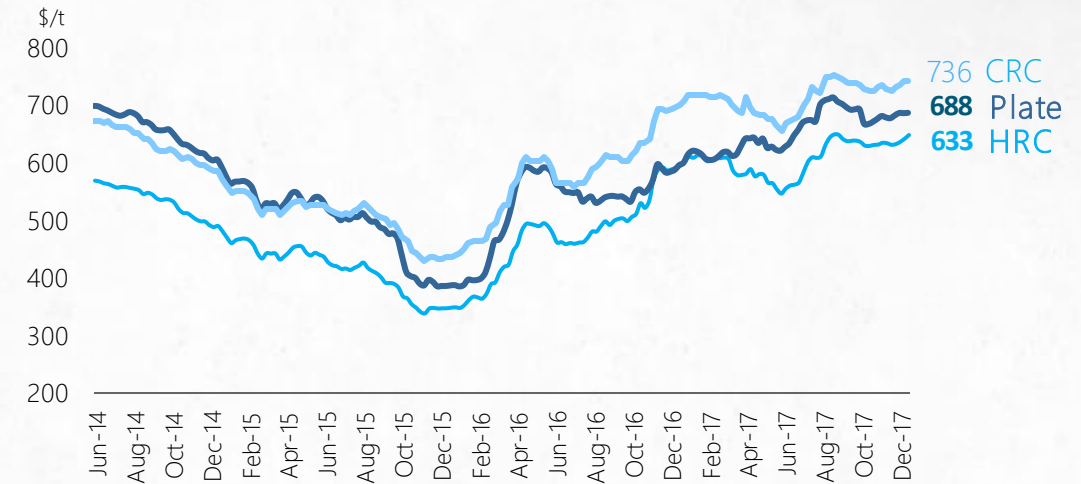
Inventories remain relatively low

Steel inventories (Germany)



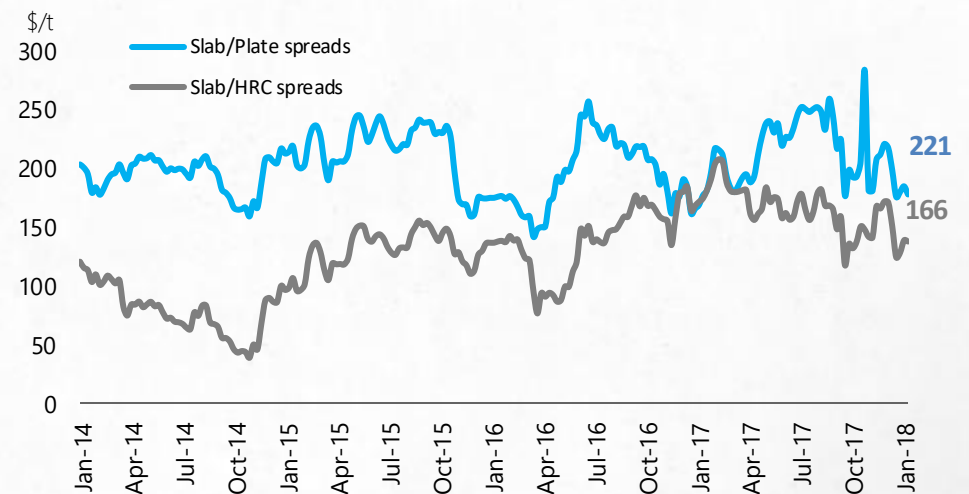
Source: CRU

EU domestic steel prices (EXW)



Source: Metal Bulletin, NLMK estimates. Prices excl. 18% VAT

Spreads to FOB BS slabs



Source: Metal Bulletin



Market overview

- **About NLMK**

NLMK Performance

Strategy execution and shareholders returns capability

Appendix

NLMK AT A GLANCE

#1 producer in Russia*

TOP-20 Globally*

Strong positions in local and global markets
(i.e. #1 in global slabs trade, TOP5 in electrical steel**)

Balanced and diversified production chain

- Vertical integration
- Steel production is in Russia
- Downstream – in EU, USA, Russia

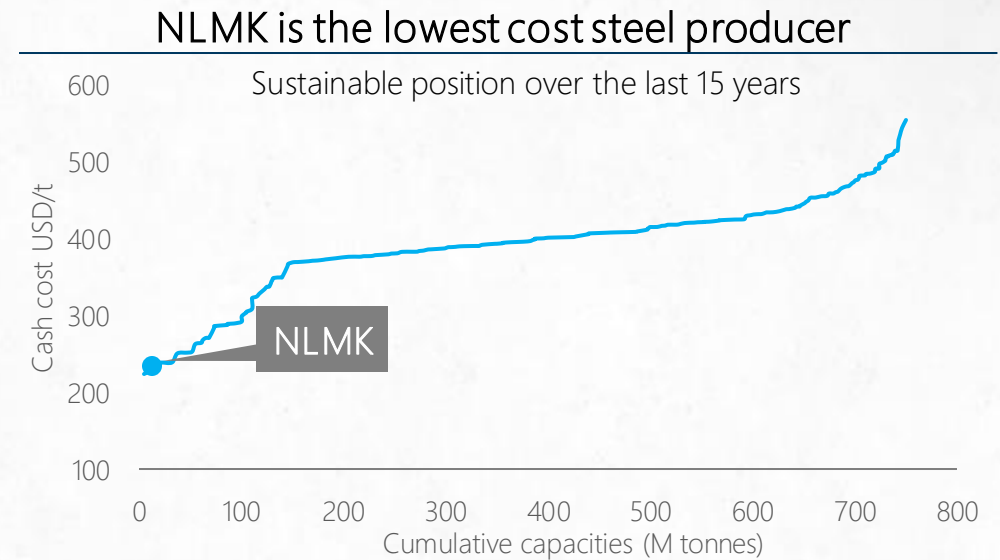
One of the most diversified steelmakers globally

- Geography of operations
- Product portfolio
- Customers
- Sales regions (70 countries)

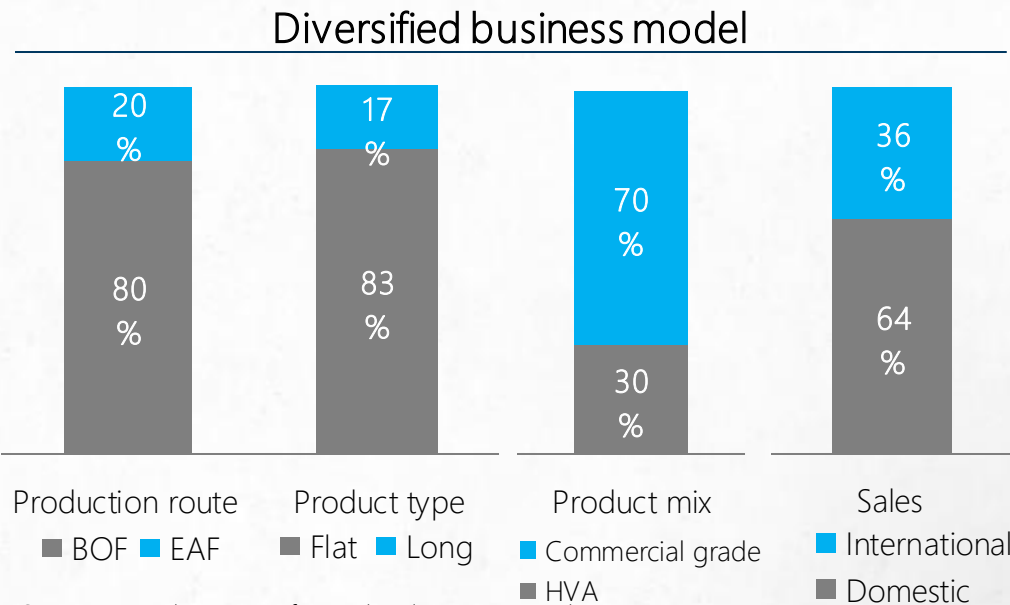
One of the most profitable globally

Investment grade from S&P and Fitch, rating from S&P above the sovereign (Ba1/BBB-/BBB- from Moody's/S&P/Fitch)

**in terms of crude steel production ** electrical grain oriented steel*

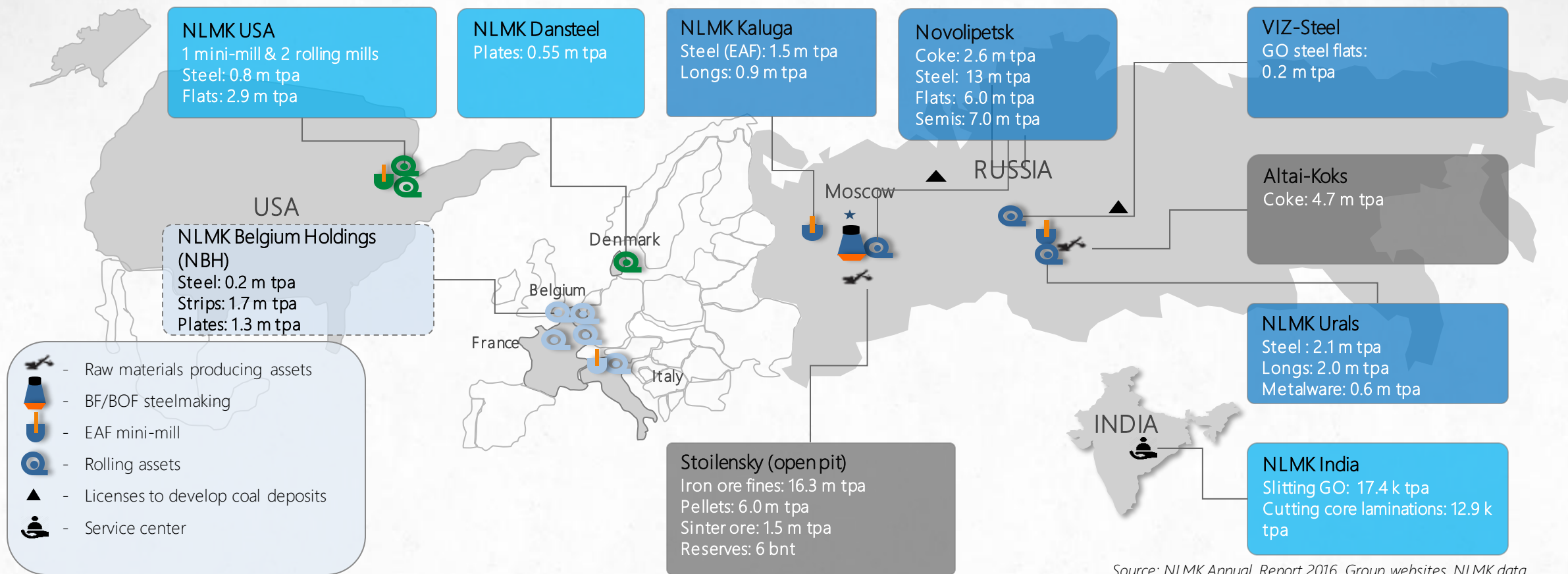


Source: World Steel Dynamics, Sep'17 data



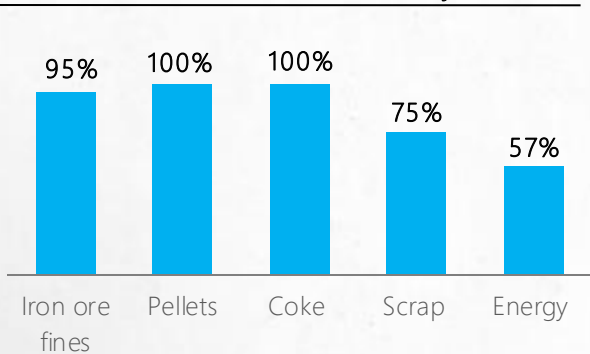
Source: NLMK data, NLMK financial and operating results

GEOGRAPHY & BUSINESS MODEL

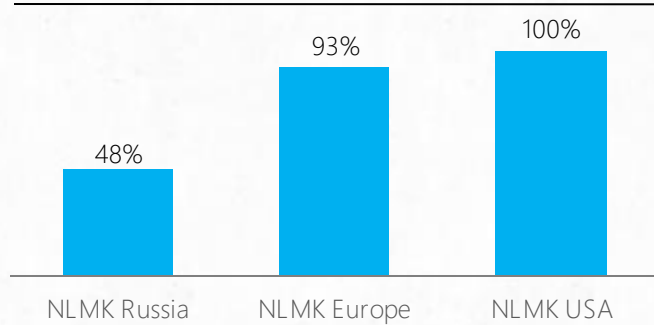


Source: NLMK Annual Report 2016, Group websites, NLMK data

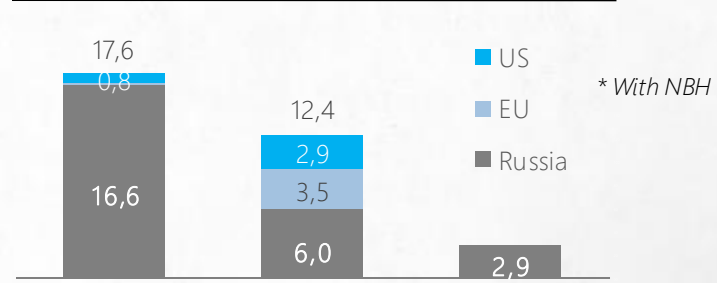
Raw materials sufficiency



"Domestic" sales, %



Capacity steel vs downstream, m tpa*



Source: NLMK financial and operating results, as of 1H '17, NLMK Annual Report 2016, NLMK data

NLMK BUSINESS MODEL OFFERING SALES RESILIENCE

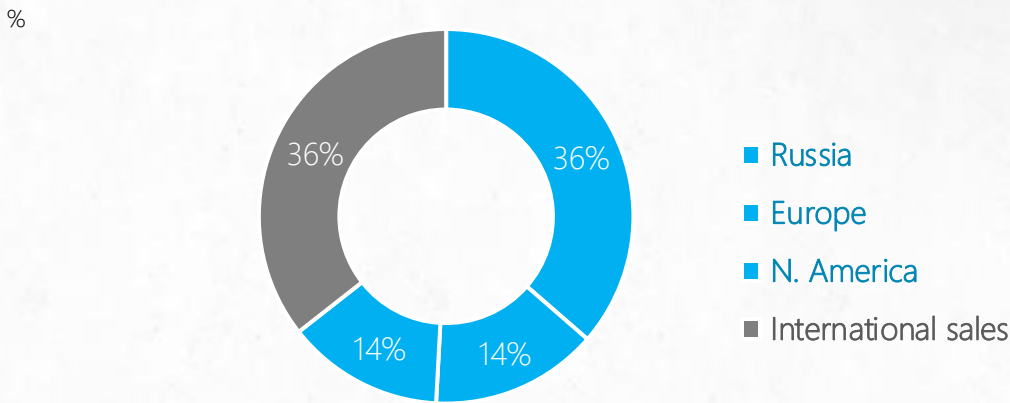
Increased international integration

- 63% of NLMK Russia slabs exports delivered to international subsidiaries
- Up to 90% of foreign subsidiaries slabs needs covered by NLMK Russia
- NLMK USA and NLMK Europe produce and sell locally downstream products made of mother-company feedstock

Flexibility to relocate shipments within export markets reflecting demand dynamics and trade restrictions

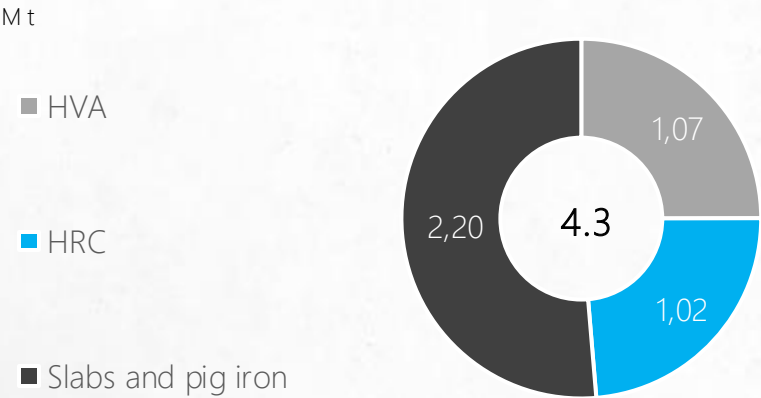
- Almost no shipments of recently affected products to EU and US

~65% of sales are made in home markets



Source: NLMK operating results for the 12M'17

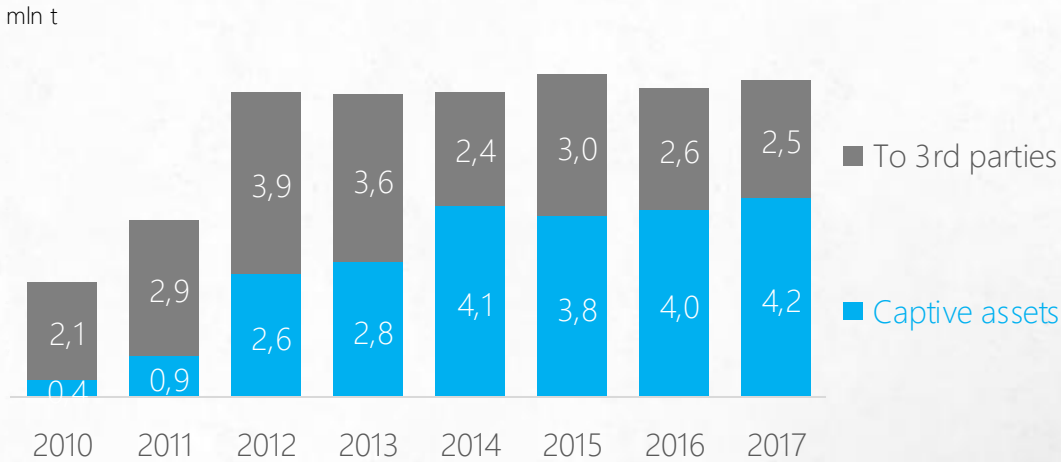
NLMK Russia flat exports to 3rd parties 2017



Excluding sales to NBH

Source: NLMK operating results

Slabs sales from Russian Flat Division



Source: NLMK operating results as of 12M'17



Market overview

About NLMK

- **NLMK Performance**

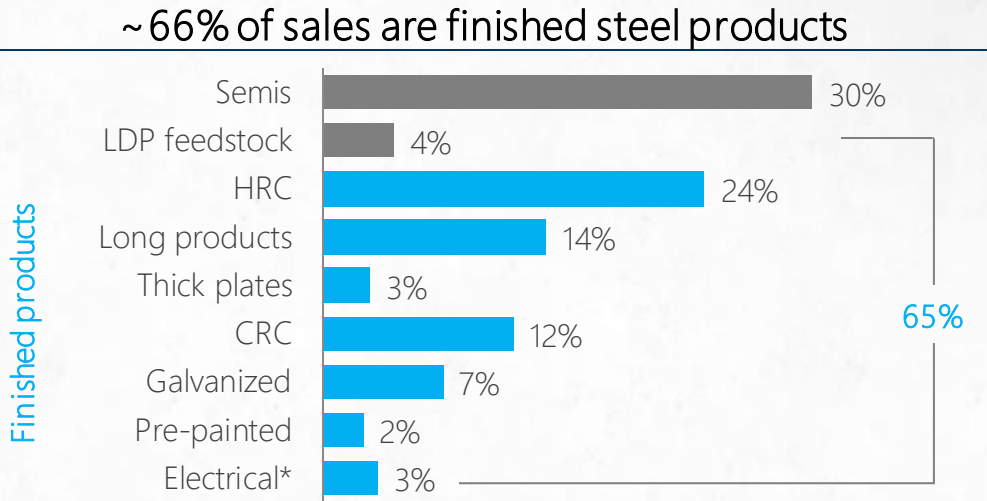
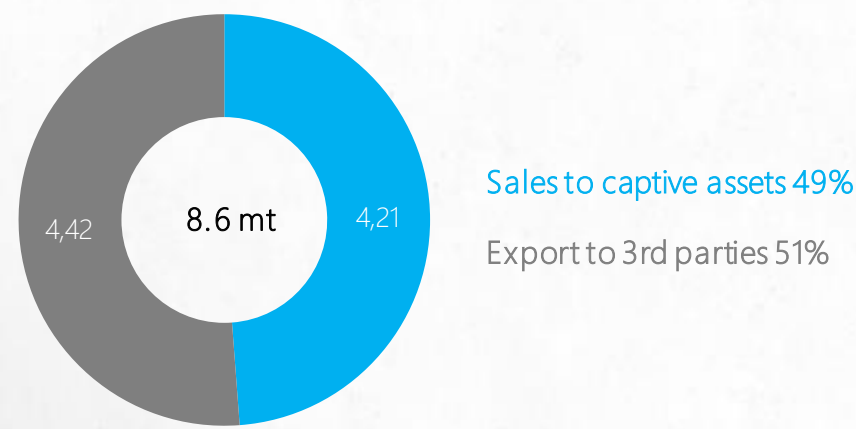
Strategy execution and shareholders returns capability

Appendix

SALES GREW ON STRONGER HOME MARKETS DEMAND

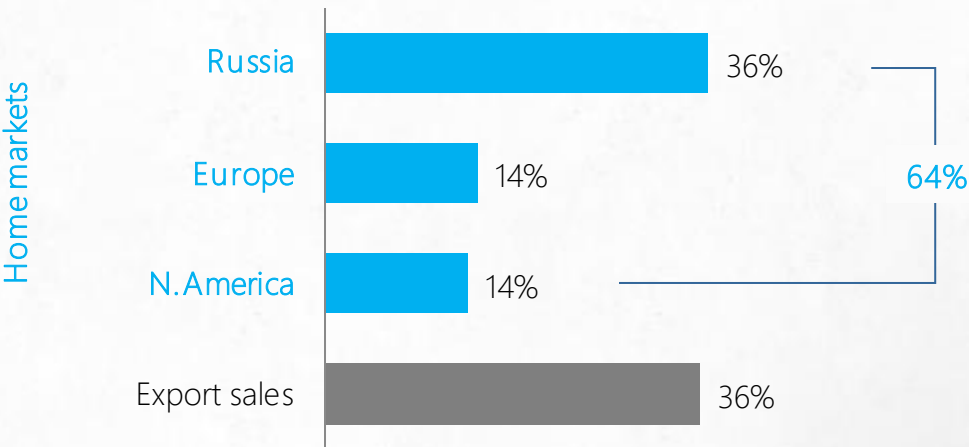
- 2017 Sales increased by 3% yoy to 16.5 Mt
- Finished steel is 65% (+1 pp) of the sales portfolio
- 30% of the finished steel sales are high value added products
- Global sales with strong domestic footprint with 64% of Group sales made in our home markets – Russian, Europe, USA
- Business model offers edge over peers leading to strong sales beating the market

~ 50% of NLMK Russia exports are sales to own assets



*Transformer and dynamo steel
Source: NLMK financial and operating results

2/3 of sales are made in markets where we operate



Source: 2017 NLMK operating results

Source: NLMK financial and operating results

SALES IN RUSSIA

NLMK has leading positions in value added product with demand outpacing supply

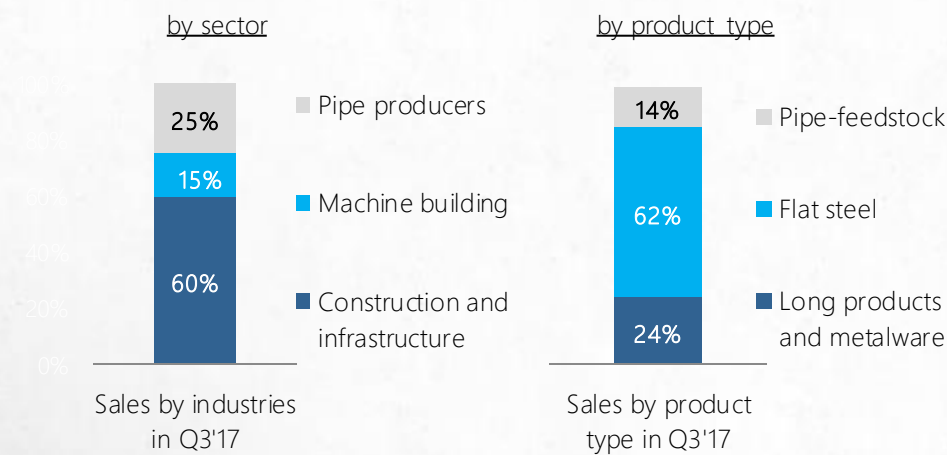
Exposure to niche products:

- (LDP feedstock) – long term contract till 2019
- The only electrical transformer steel producer

Diversification to flat / long products

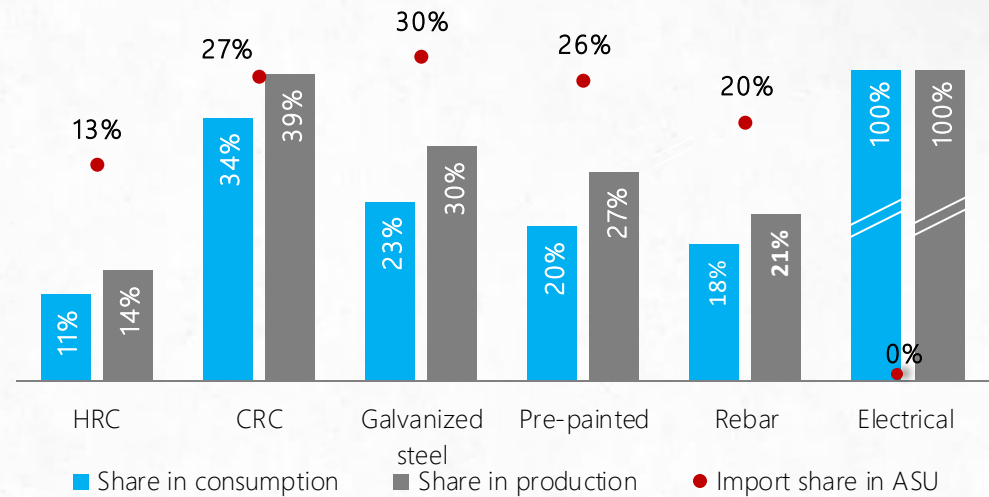
Flexibility to relocate shipments from domestic to export markets and vice versa

Sales to the Russian market



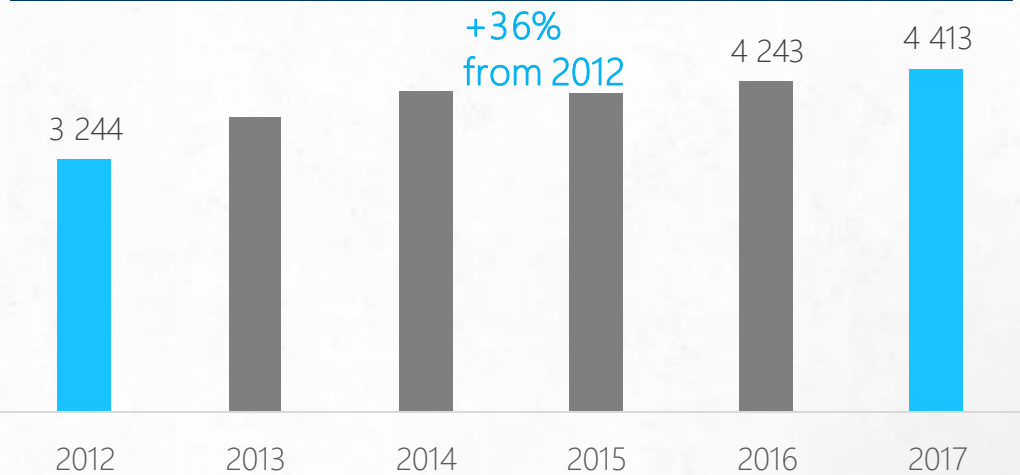
Source: NLMK financial and operating results

NLMK share in the Russian steel market



Source: NLMK operating results, Metal Expert

NLMK flat steel sales in Russia



Source: NLMK financial and operating results

FINANCIAL HIGHLIGHTS

2016 financials:

- Revenue \$7,636 m (-5 % yoy)
- EBITDA: \$1,941 m (flat yoy)
- EBITDA margin: 25% (+1 pp yoy)
- Net income**: \$935 m (-3% yoy)
- Capex \$559 m (-6% yoy)
- Free cash flow* \$1,089 m (+9% yoy)

Q3'17 financials:

- Revenue \$2,551 m (flat qoq)
- EBITDA: \$648 m (+7% qoq)
- EBITDA margin: 25% (+1 pp qoq)
- Net income**: \$357 m (+4% qoq)

Solid FCF generation on strong sales and working capital management

- Working capital release \$109 m (+265% qoq)
- Capex \$120 m (+9% qoq)
- Free cash flow* \$533 m (+64% qoq)
- Net debt / EBITDA***: 0.3x (-29% qoq)

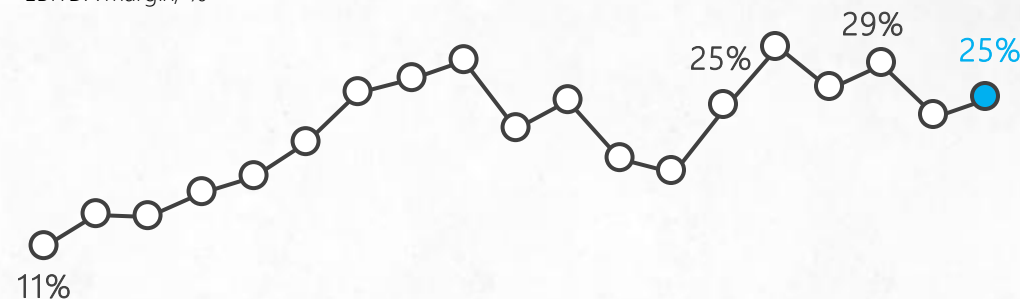
* Free cash flow = operational cash flow minus capex minus advances for VAT payments on imported equipment minus net interest payments

** Profit for the period, attributable to key shareholders

*** Hereinafter Net Debt / EBITDA ratios are calculated referring to Adjusted LTM EBITDA

Narrowing price/cost spreads weigh on margins

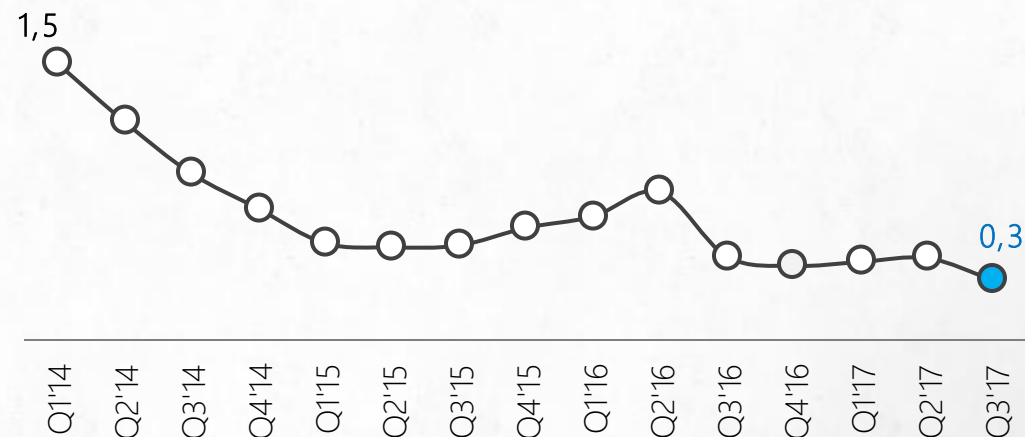
EBITDA margin, %



Source: NLMK financial results

Q3'17 leverage remains low

ND/EBITDA



Source: NLMK financial results

MARGINS' GROWTH ON BETTER PRICES AND COST IMPROVEMENTS

EBITDA expanded on stronger sales and price spreads growth

Russian Flat Products: EBITDA up +32% on strong sales

- (+) Seasonally strong demand drove volumes (+96 kt) and prices up
- (+) Strategy 2017 effects on costs reduction

Russian Long Products: profits up on better prices

- (-) Sales down (-21% qoq) due to high volumes in Q2 and destocking in the supply chain
- (+) Spreads expanded on better prices during construction season

Mining: sales mix improvement offset by softer prices

- (+) Volumes stable, better mix with pellets output growth
- (-) Lower sales prices

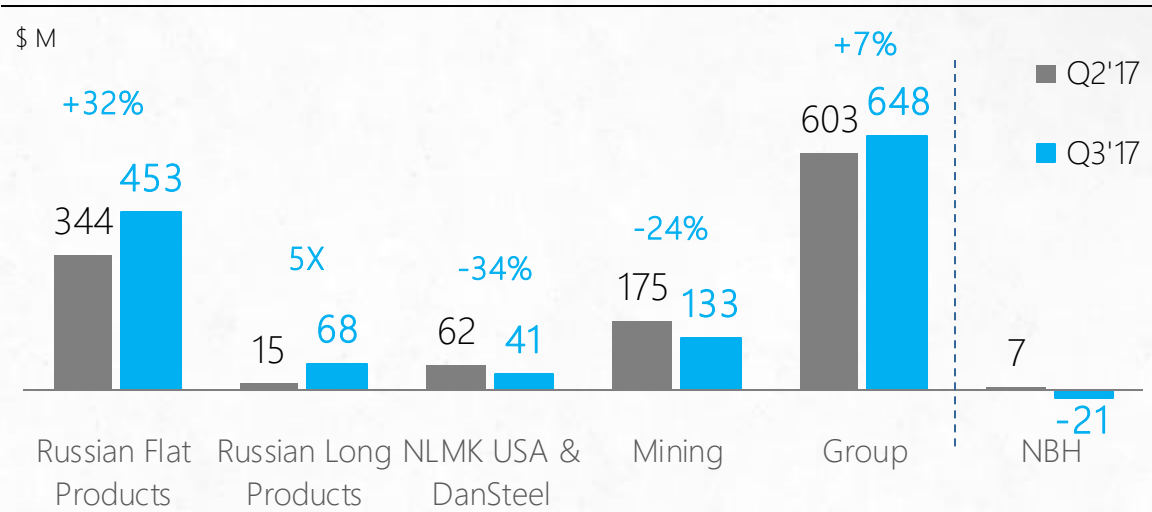
NLMK USA: expensive feedstock and softer prices eroded profitability

- (+) Sales volumes up on improved offtake from pipes and construction
- (-) Narrowed price spread on slab and finished products

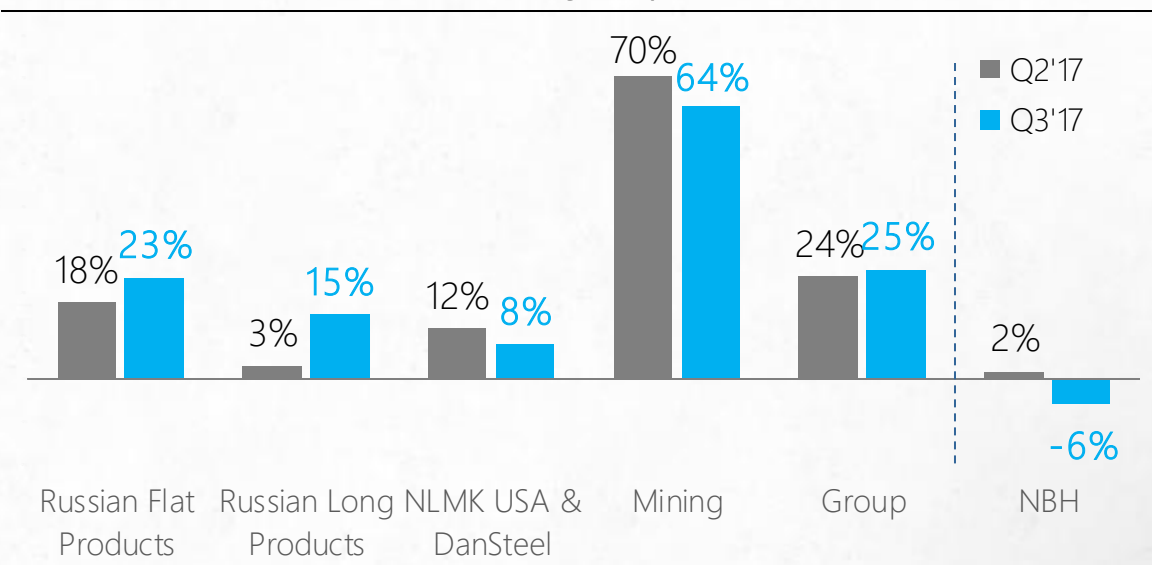
NLMK DanSteel profitability positive on widening price spreads

NBH: softer results due to seasonally lower sales and spreads to slabs squeeze

EBITDA by divisions



EBITDA margin by divisions



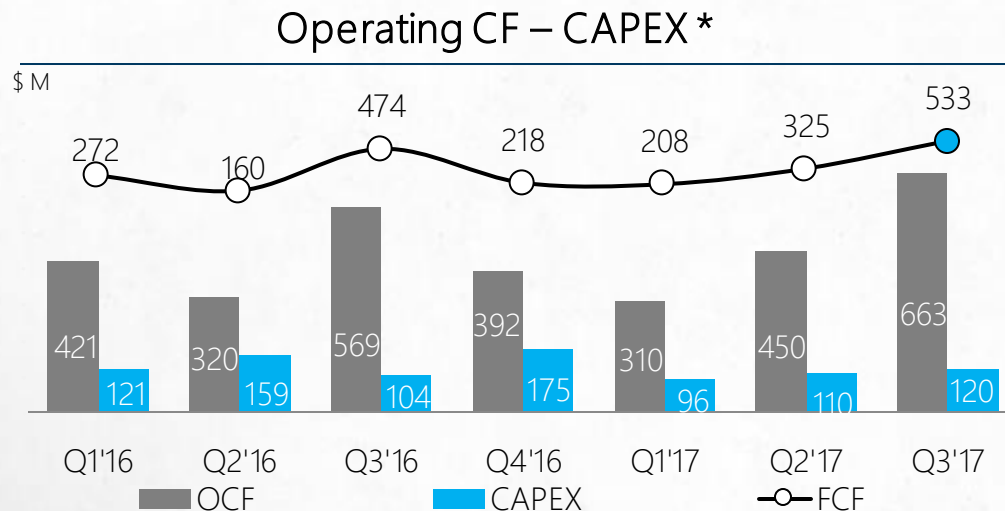
STRONG FREE CASH FLOW WITH 64% QOQ GROWTH

Net operating cash flow expanded by 47% qoq to \$663 m – working capital release of \$109 m

- (+) accounts receivables decreased on higher sales in Russia with better credit terms
- (-) inventory growth for semis in US and for “winter” scrap in Russia

Capex increased by 9% qoq to \$120 m

Free cash flow increased by 64% qoq to \$533 m



* Excluding NBH

Q3'17 CF bridge

\$ M	
EBITDA	648
Net working capital change	+109
Other non-cash items*	+3
Income tax	-97
NET OPERATING CASH FLOW	663
Net interest	-10
Capex**	-120
FREE CASH FLOW	533
Net increase in borrowings	+109
FREE CASH FLOW TO EQUITY	642

* Other income/(expenses)

** Including capitalized interest of \$6m

SALES GREW ON STRONGER HOME MARKETS DEMAND

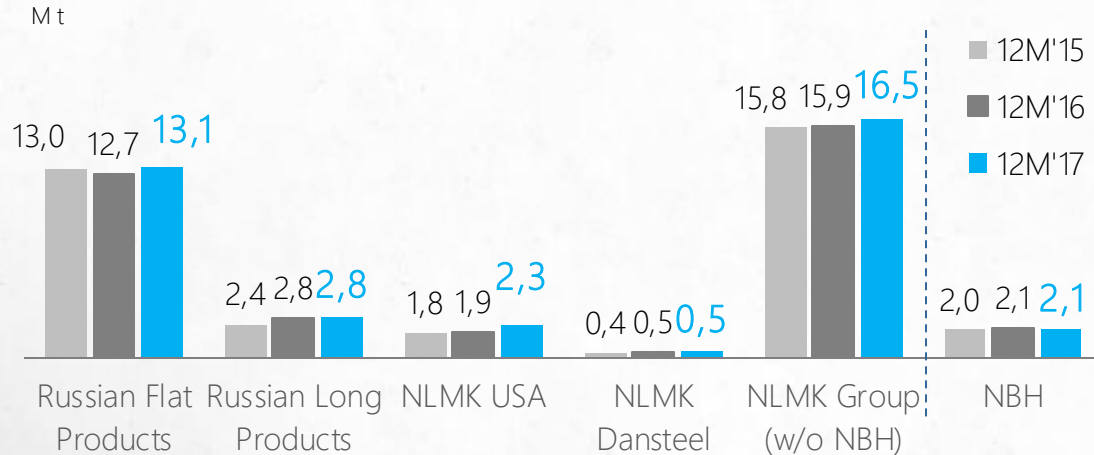
Sales* up +3% yoy driven by growth in home markets sales – in US (+21%) and in Russia (+2%)

Higher finished steel sales (+5%) on stronger domestic sales

Group sales growth driven by Russian Flat and NLMK USA

- Russian Flat Products (+3%): on better demand in Russia and strong export sales
- USA (+21%): strong demand from US customers
- Russian Long Products (+6%): on improved export sales (+24%)
- NBH sales down by -1% on steel imports pressure

Strong sales driven by Russian Flat and NLMK USA

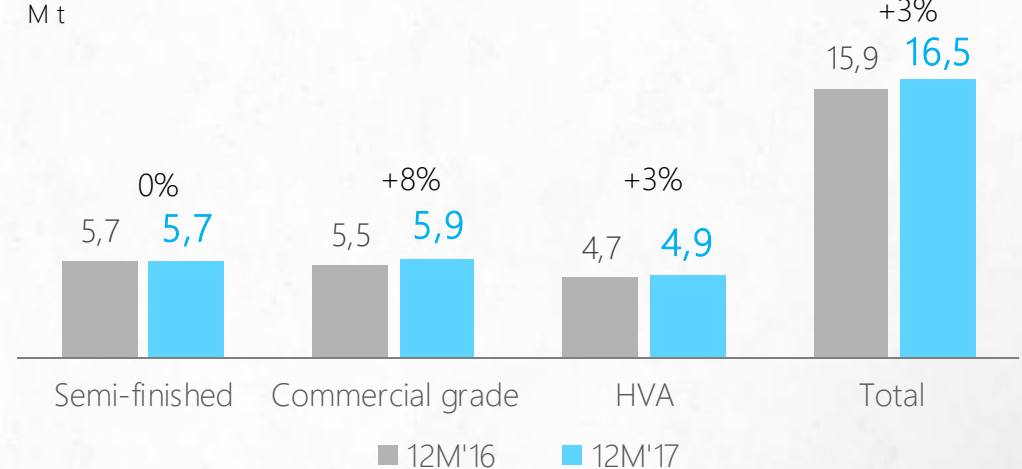


* Including NBH; ** HVA – high value added products

Shipments growth driven by sales to home markets*

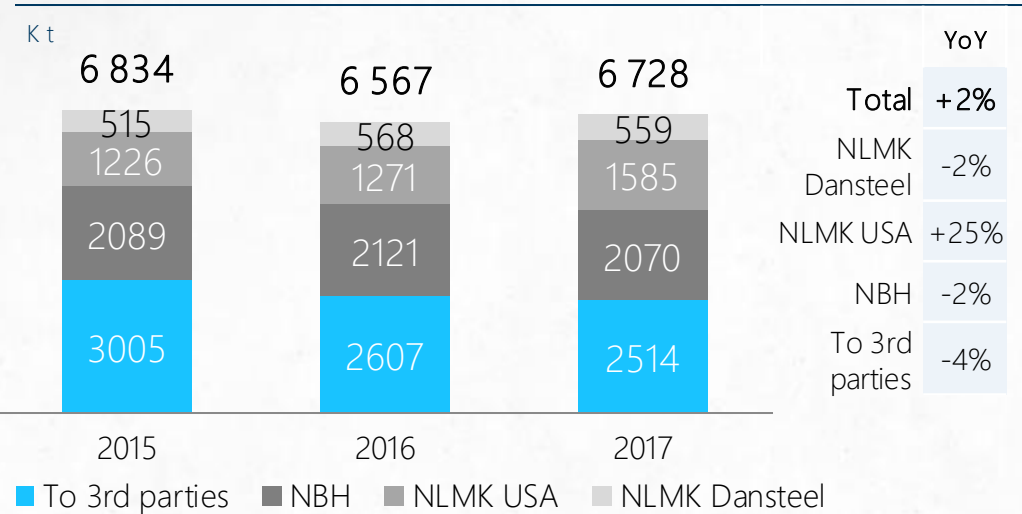


Growth in HVA and semis with focus on better economics

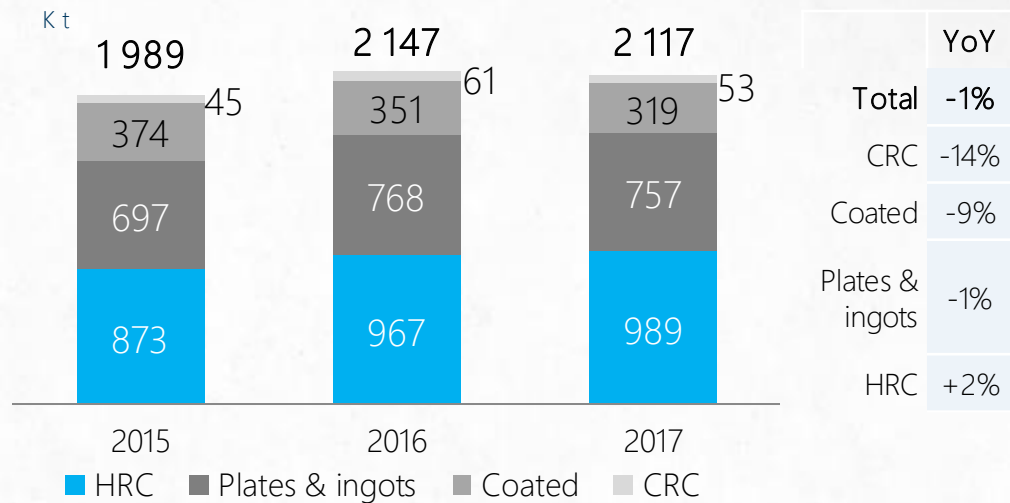


FOREIGN ASSETS PERFORMANCE

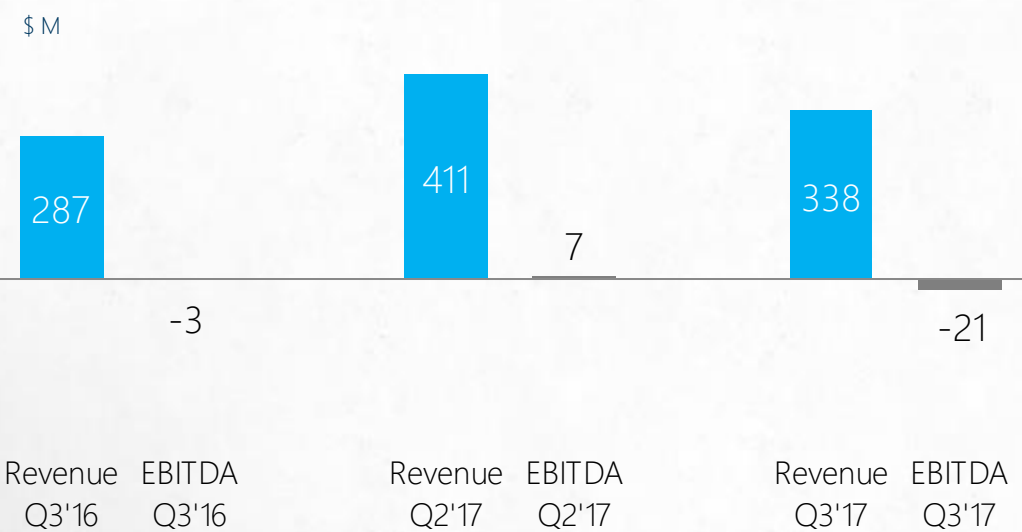
Slabs sales from Russian Flat Division



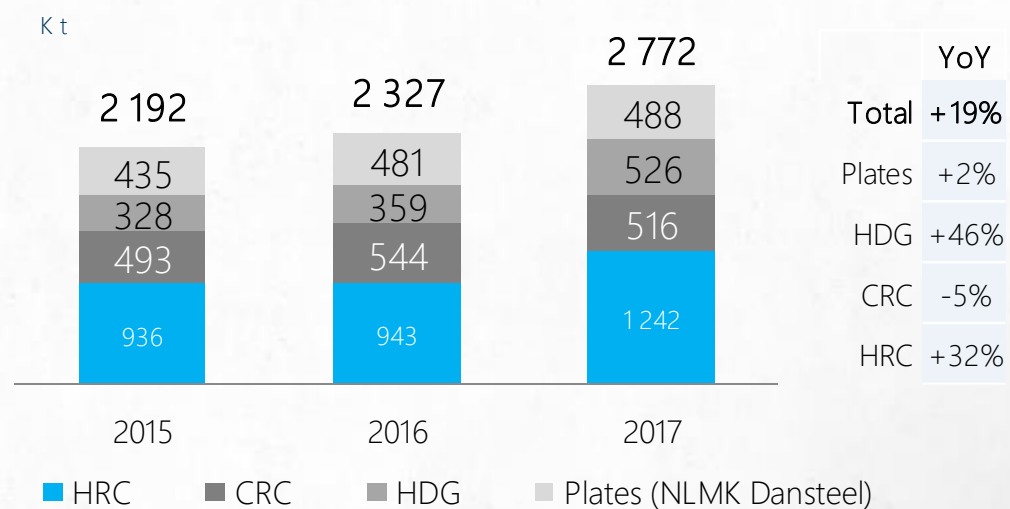
NBH Rolled product sales



NBH financial results



NLMK USA and NLMK Dansteel sales



A wide-angle photograph of a large industrial facility, likely a steel mill or refinery. The scene is filled with complex machinery, including large rollers, conveyor belts, and structural steel frameworks. Numerous yellow safety railings and walkways are visible throughout the facility. Large pipes and ducts run across the upper levels. The lighting is industrial, with some areas brightly lit and others in shadow. The overall impression is one of a massive, active manufacturing plant.

Market overview

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NLMK performance

- Strategy execution and shareholders returns capability

Appendix

STRATEGY 2017 TARGETS RECAP

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

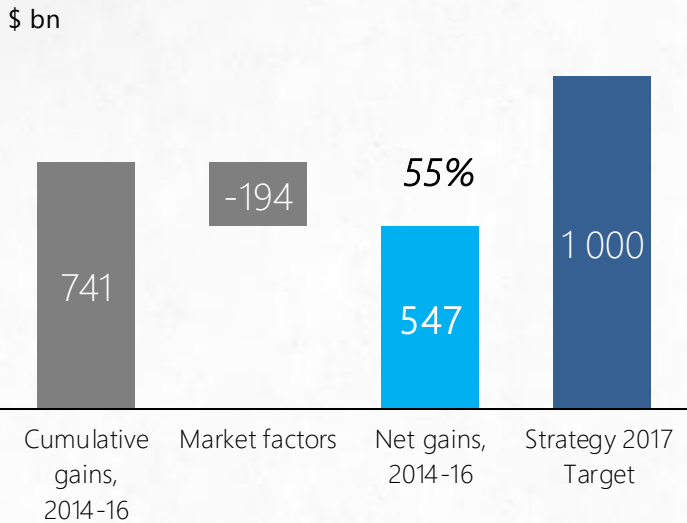
STRATEGY 2017 TARGETS

- 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

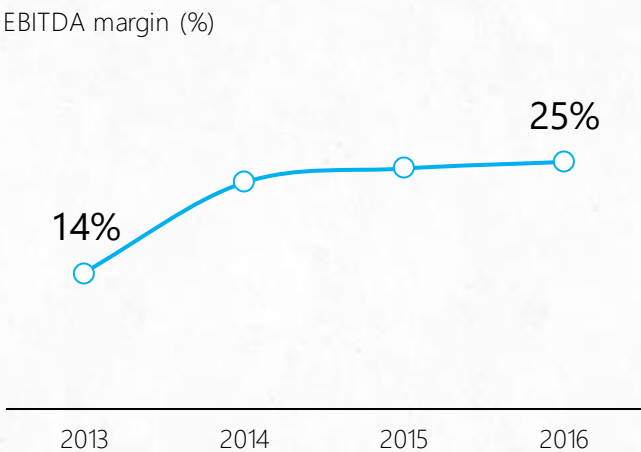
STRATEGY 2017 PROGRESS: INTERIM OVERVIEW



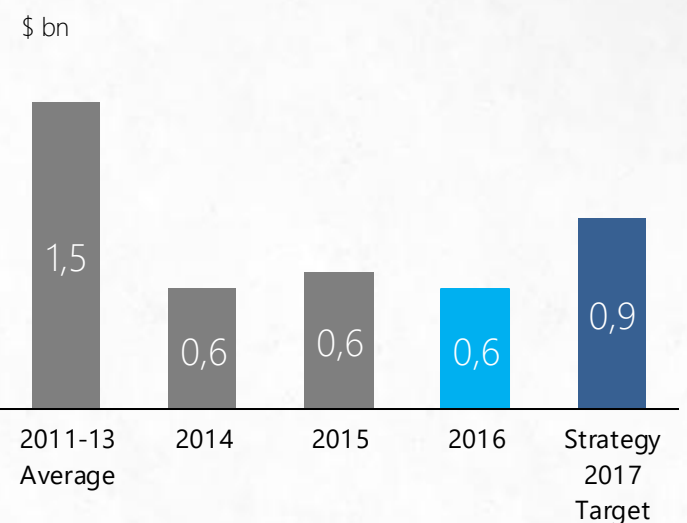
Annual gains vs. 2013



Structural profitability growth



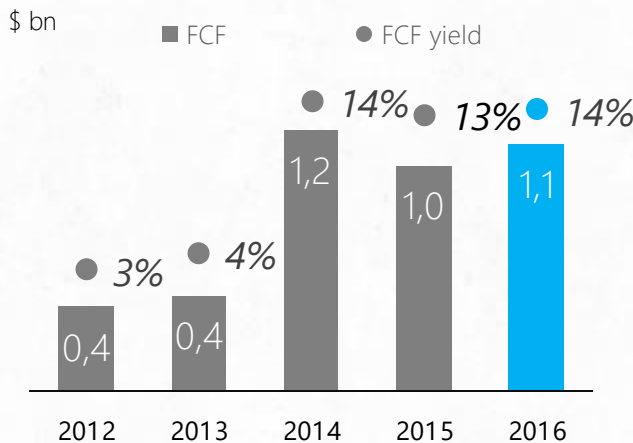
Capex below target level



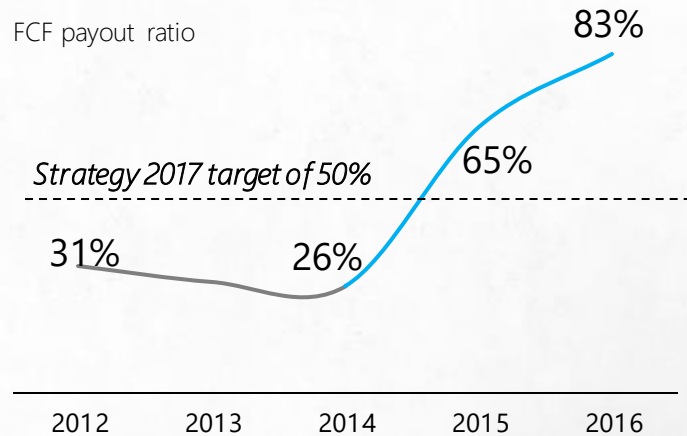
Leverage below target level



Stable positive FCF



Improved dividend payout



Source: NLMK financial and operating results

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

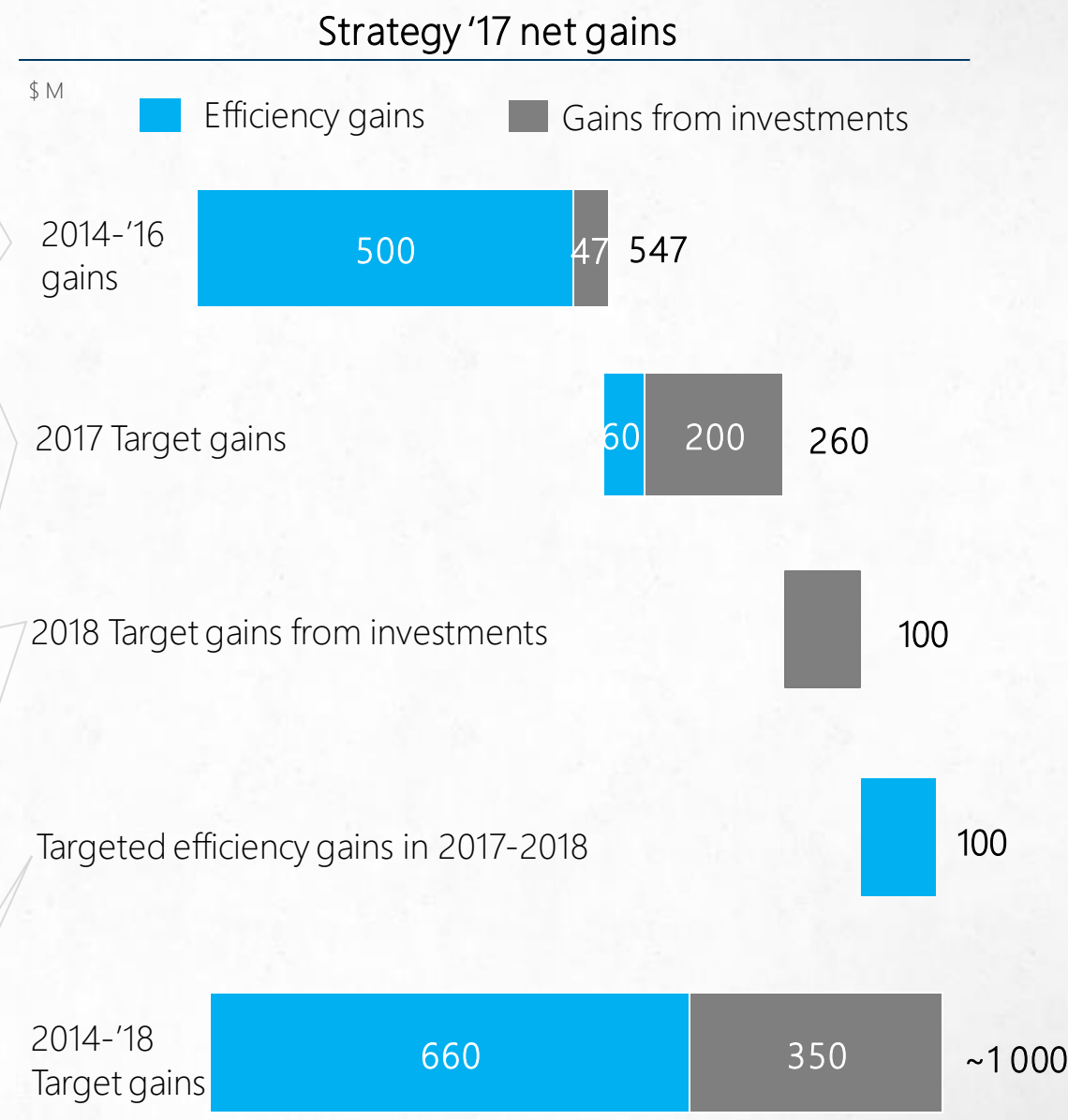
WE REMAIN COMMITTED TO \$1 BN STRATEGY 2017 TARGET

\$547 m in 2014-16: efficiency gains (~70% of total) were front-loaded

- c. \$260 m in 2017, including gains from 2014-16 investment projects:
- \$150 m: pellet plant and iron ore fines production growth
 - \$15 m: revamped HDG line #1 in Russia
 - \$15 m: steelmaking slag processing
 - \$10 m: PCI technology launch

- c. \$100 m in 2018 from 2016-17 investment projects:
- c.\$25 m: iron ore fines output growth
 - c.\$20 m: PCI technology ramp up
 - c.\$20 m: slag briquetting plant launch
 - c.\$15 m: NLMK Pennsylvania reheating furnace ramp up
 - c.\$10 m: new energy generator launch

c.\$100 m in 2018 from additional efficiency initiatives in 2017-2018



Source: NLMK data, financial and operating results

FURTHER IMPROVEMENTS IN DEBT PORTFOLIO AND LIQUIDITY

Net debt / 12M EBITDA: 0.3x (down from 0.4x qoq)

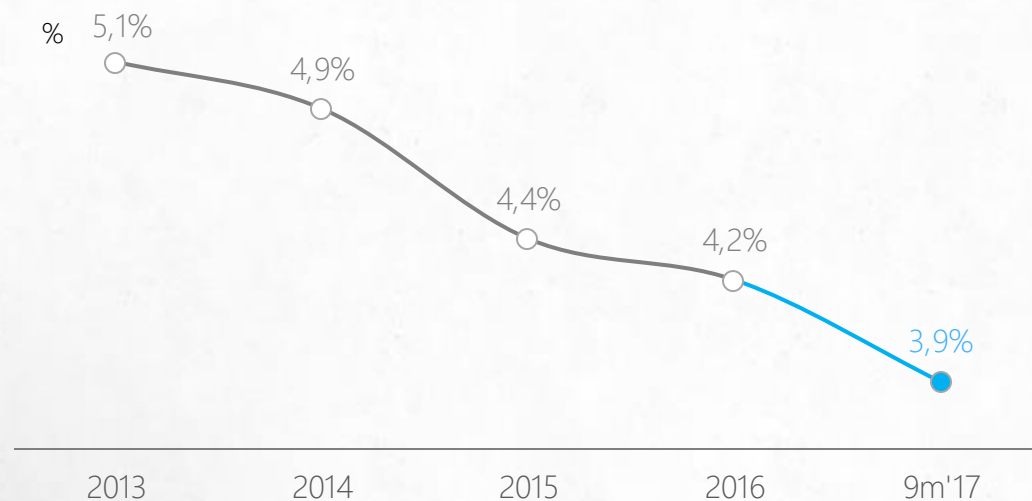
- Net debt: \$0.74 bn (-29 % qoq)
- Total debt: \$2.56bn (+6% qoq)
- Liquidity: \$1.8 bn (+32% qoq) on strong FCF generation

Liability management transaction in Sept'17 improved debt portfolio:

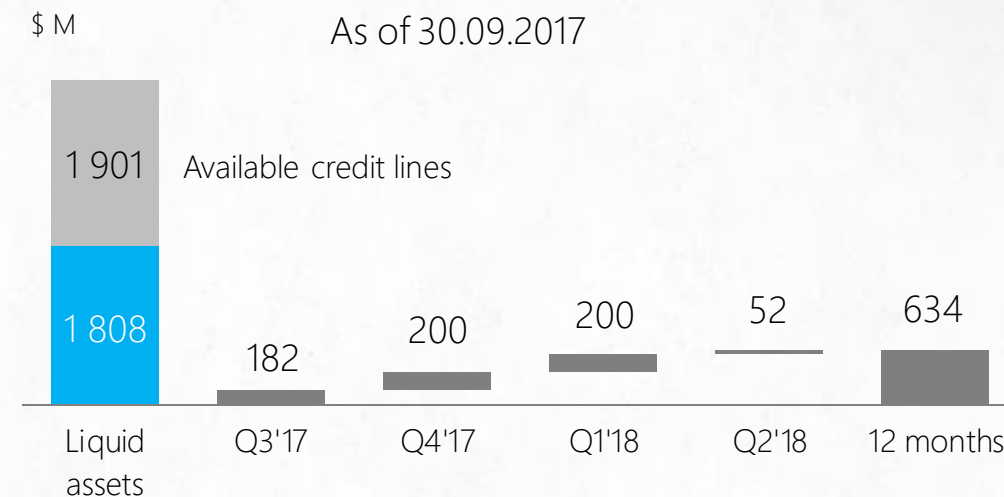
- \$317 m repurchase of '18 and '19 Eurobonds with coupon of 4.45% and 4.95%
- New \$500 m 7Y Eurobond issue with 4.0% coupon

Improved liquidity and debt maturity to support dividend payments

Cost of debt gradually declines

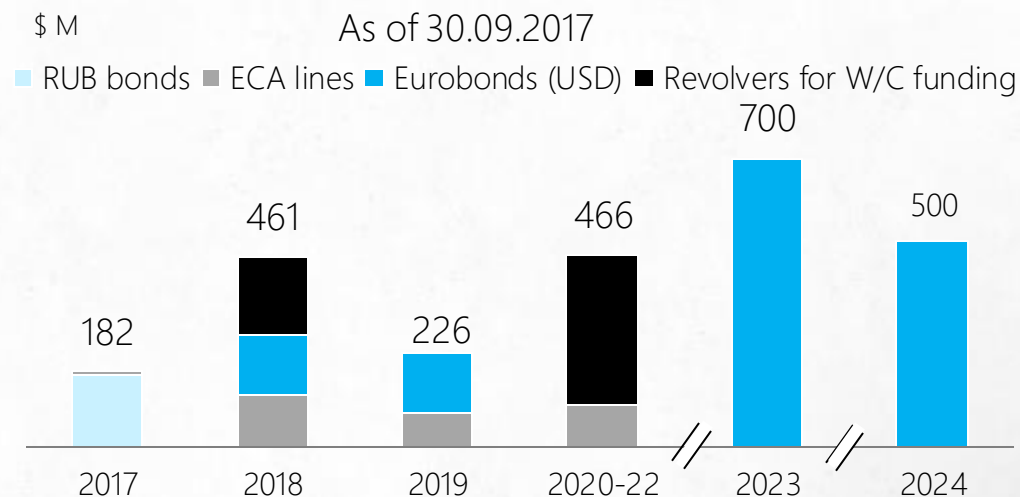


Liquidity and short-term debt*



*Excluding interest payments, incl. working capital lines

Debt maturity



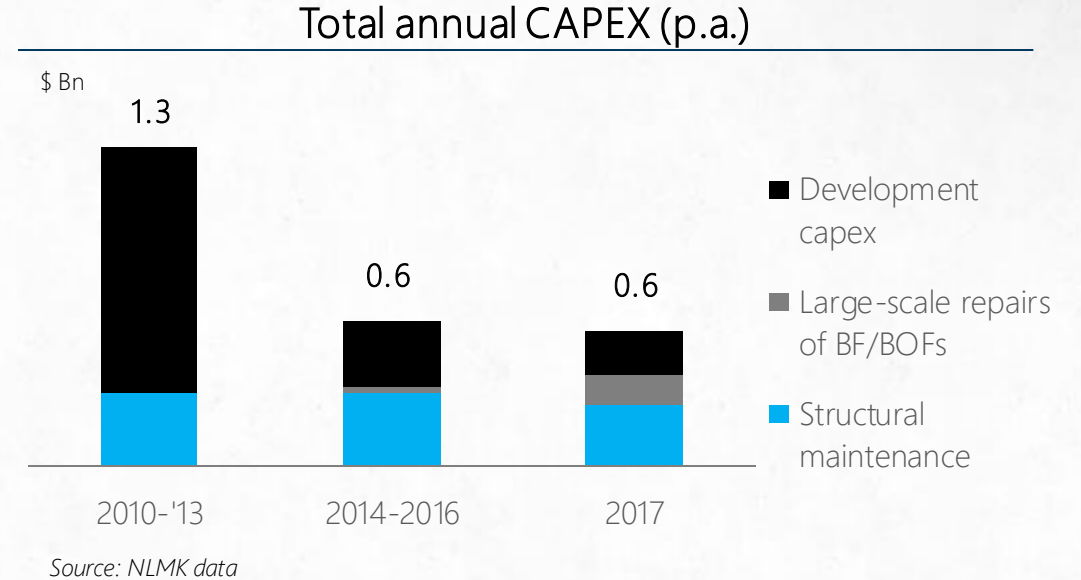
CAPEX OUTLOOK

2017 capex estimate of \$0.6 bn

- \$250 m: structural (core) maintenance capex
- \$120 m: large-scale repairs of Lipetsk BF/BOFs
- \$180 m: Strategy 2017 development capex, including final payments for the pelletizer and HPGR at Stoilensky

2018-22 maintenance + extra repairs at \$0.5 bn pa

- Structural maintenance capex remains unchanged at \$320 m pa
- Large-scale BF/BOFs repairs on Lipetsk site of \$180 m pa on average



DIVIDENDS

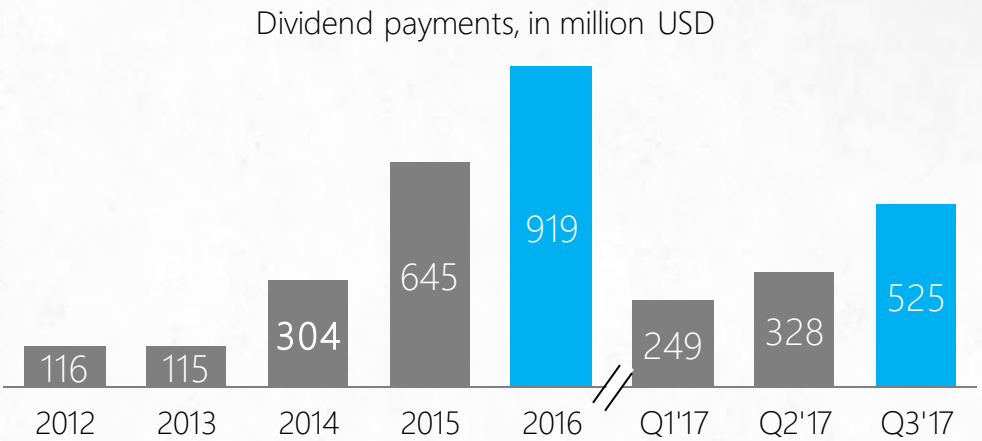
Accumulated liquidity used as a source for higher dividends

Company to stick to the current dividend policy 50% of NI/FCF if NLMK ND/EBITDA is not higher than 1.0x

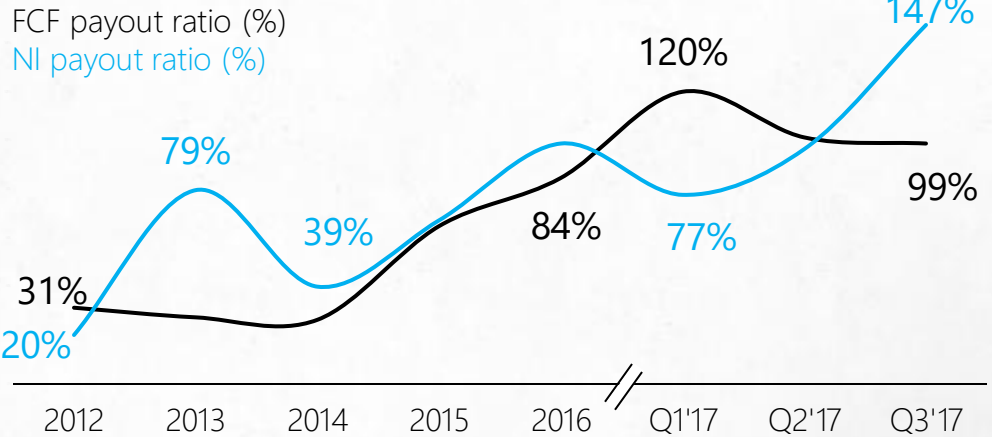
Approved Q2'17 dividends: c. \$328 m, annualized yield of 11.3%

Recommended Q3'17 dividends: c. \$525 m, annualized yield of 16%

Growth in FCF realized in higher dividends



Dividends payout*



STRATEGY 2017: 103% OF ANNUAL GOAL ACHIEVED IN 9M'17

In 9M'17 NLMK hit 103% of its Strategy 2017 target for the year

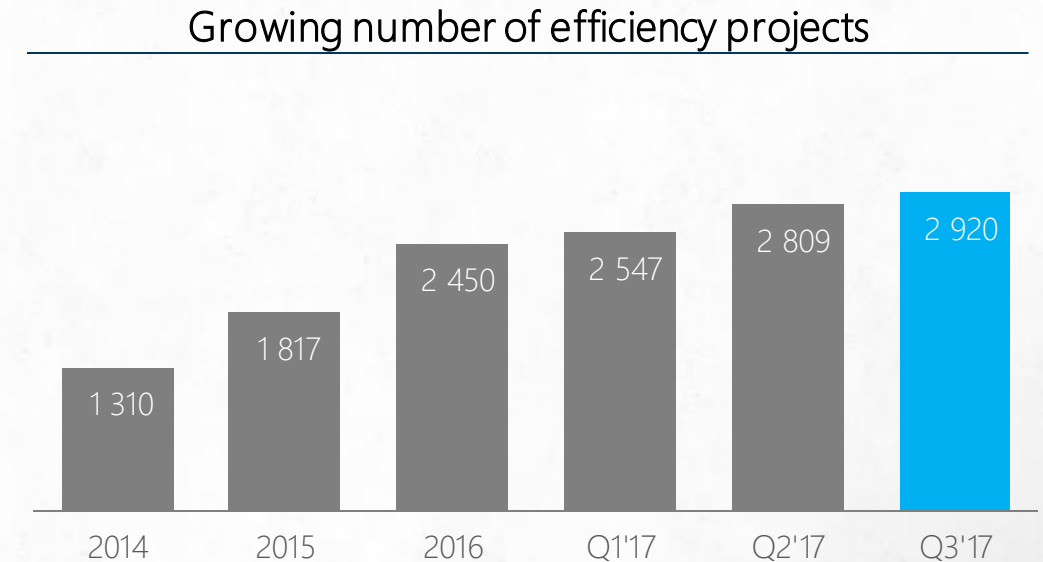
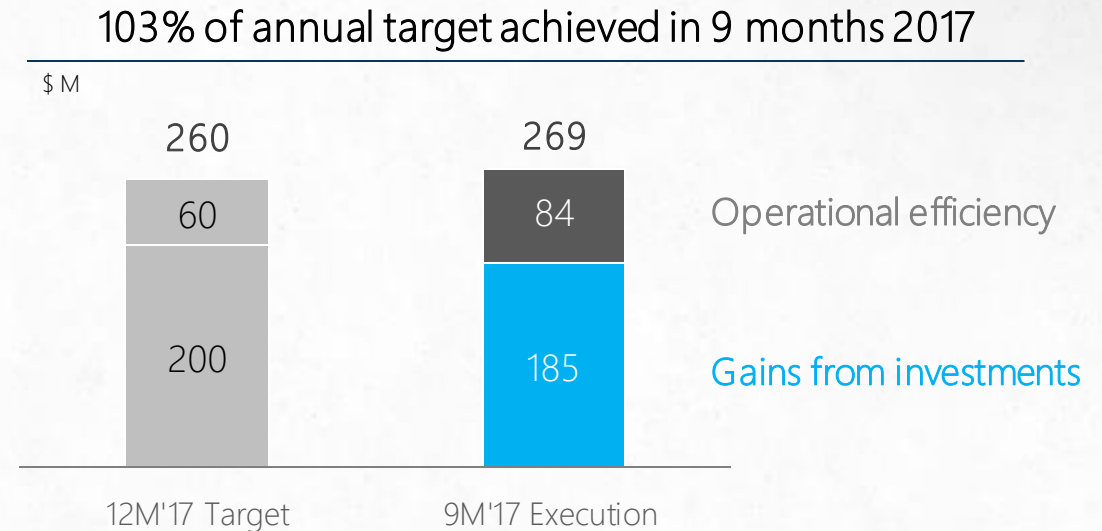
- \$105 m gains achieved in Q3'17 (vs \$106 m in Q2'17) as a result of new projects

\$84 m gains from operational efficiency projects in 9M'17:

- 470 new projects launched in 9M'17
- \$68 m of savings from technology / energy, including productivity growth with +100 kt of slabs output in 9m2017
- \$16 m of savings from auxiliary processes

\$185 m gains from investment projects realized in 9M'17 incl.:

- \$164 m from new pellet plant and HPGR technology
- \$8 m from steelmaking slag processing
- \$6 m from PCI technology in Lipetsk



PELLETIZING PLANT AND FINES OUTPUT GROWTH

Pelletizing plant operates at full capacity

- May-June '17 average utilization is ~100% with max. daily output of 20 kt

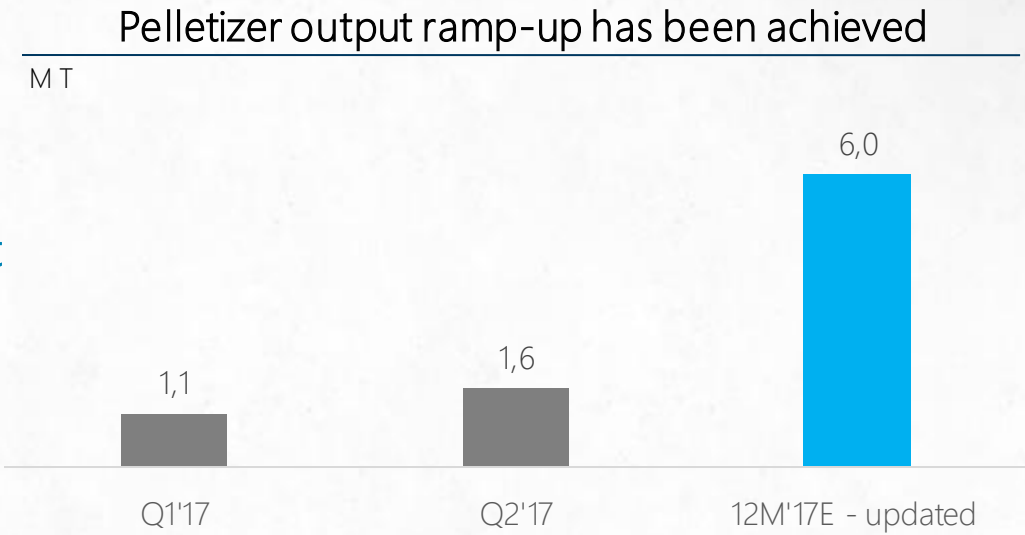
Growth in pellet output: 2017 production target revised upwards to 6 mt

Q2'17 pellets cash costs: \$26/t delivered to steel mill

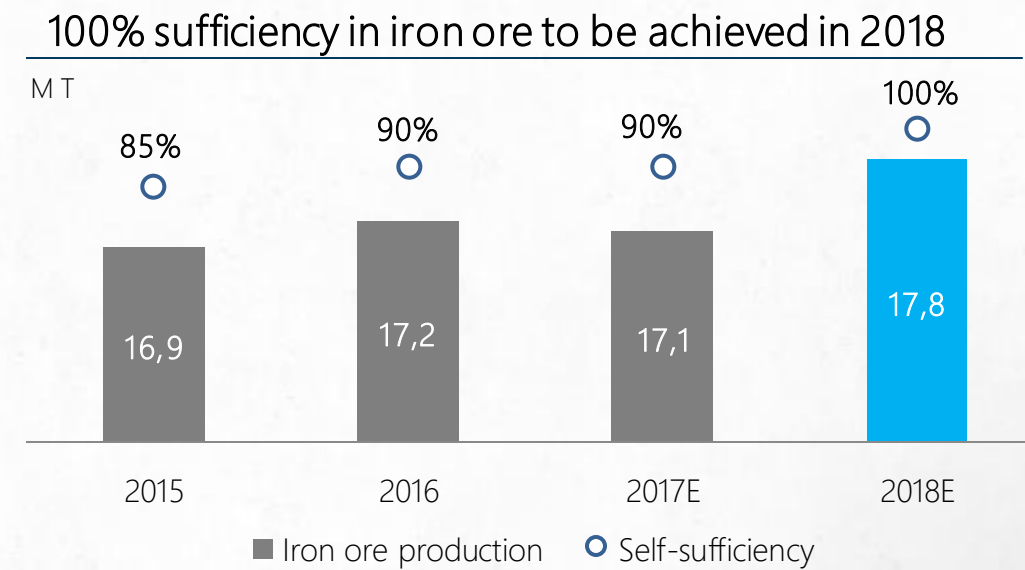
Pelletizing plant's profitability (EBITDA) of \$45/t in Q2'17

Further production growth to ensure full sufficiency in fines and pellets

- Phase 2 of high pressure grinders project started in Q2'17 targeting additional capacity of 0.7 mtpa in 2018 (~100% coverage in iron ore concentrate)
- Launch: Q4'17
- Estimated EBITDA contribution: c.\$25 m in 2018



Source: NLMK financial and operating results



Source: NLMK financial and operating results

STRATEGY 2022: FOCUS AREAS

Combination of efficiency, growth and innovations backed by sustainability and safety

Operational efficiency & commercial excellence



- NLMK Production System development
- Coke making technology upgrade to reduce consumption of deficit coal grades
- New investment program aimed to reduce raw materials & energy consumption
- Supply chain optimization
- Customer service development
- Expansion of distribution & service networks

Value-creative growth



- Brownfield development of integrated steel value chain based on low-cost resource base
- Growth in selected high value added products
- Downstream integration to protect value and capture extra margin
- Market share increase in attractive markets

Sustainability



- New health & safety programs
- New program on environmental footprint reduction

Innovations



- New B2B channels and digital interfaces
- Digital technologies in operations
- Human capital development to support innovative growth

'NO-REGRET' GROWTH: UNLOCKING CAPACITY ALONG THE CHAIN

Target: to reach 14 m t pa of crude steel (+ 1 m t pa)

How: debottlenecking of steel-making...

- Unutilized pig iron capacity at Russian Flat
- Upgrade of continuous-casting machines & infrastructure

... supplemented by low cost raw materials

- Brownfield expansion of iron ore fines output to 19.7 m tpa
- Pushing pelletizer capacity up to 7.3 m tpa

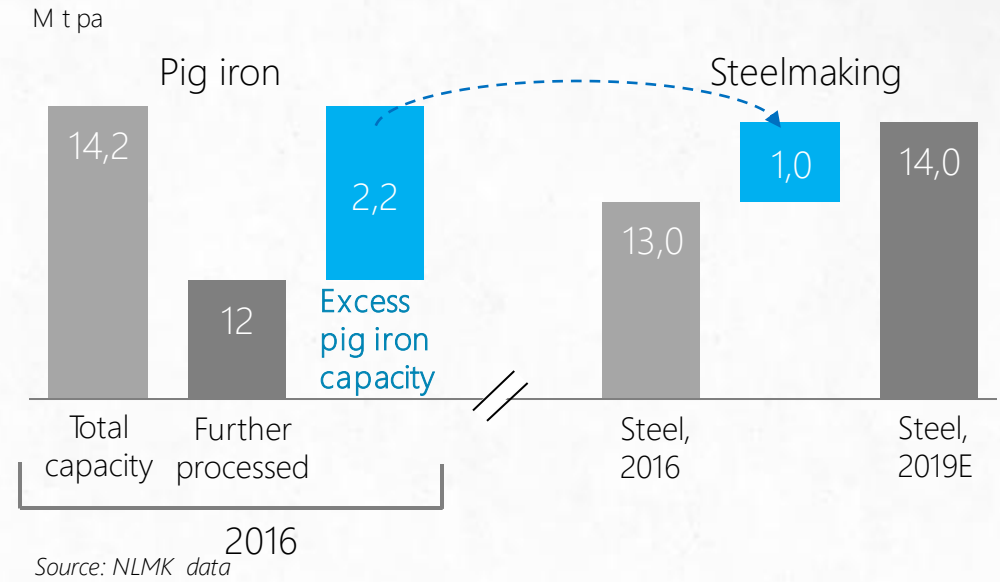
Economics:

- Additional output: 1 m t pa of low cost steel (slabs)
- Total capex for steelmaking and raw materials: \$400-500 m (\$400-500/t)
- Impact on EBITDA: \$100-150 m (in 2016 prices)
- Launch date: 2019

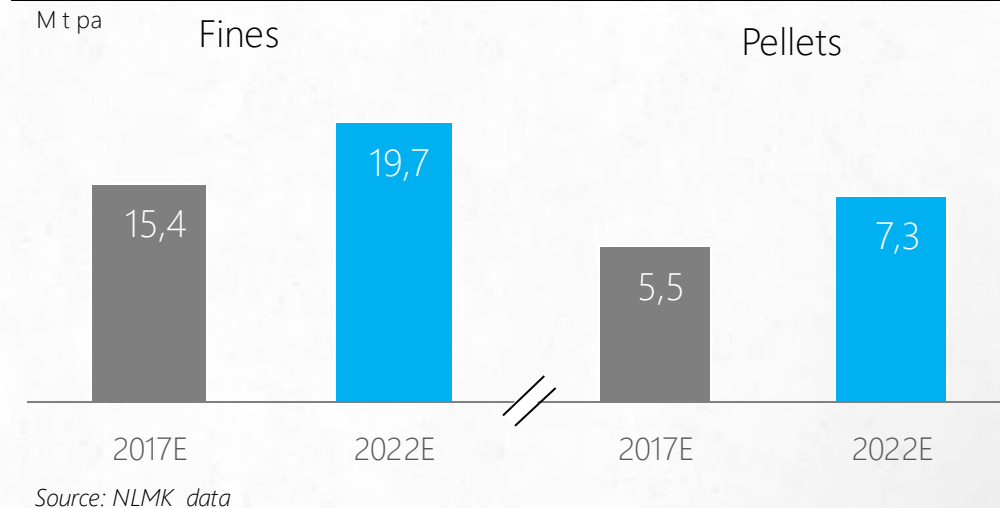
Markets for new volumes:

- Growing sales to captive downstream in EU and USA
- Selling new volumes to merchant slabs market
- Acquiring efficient re-rolling capacity in growing markets

Debottlenecking of steel capacity at Russian Flat



Iron ore production growth



FURTHER GROWTH: CAREFUL CONSIDERATION REQUIRED

Further growth is possible: integrated expansion along the value chain to bring Russian flat capacity to over 15 m t pa

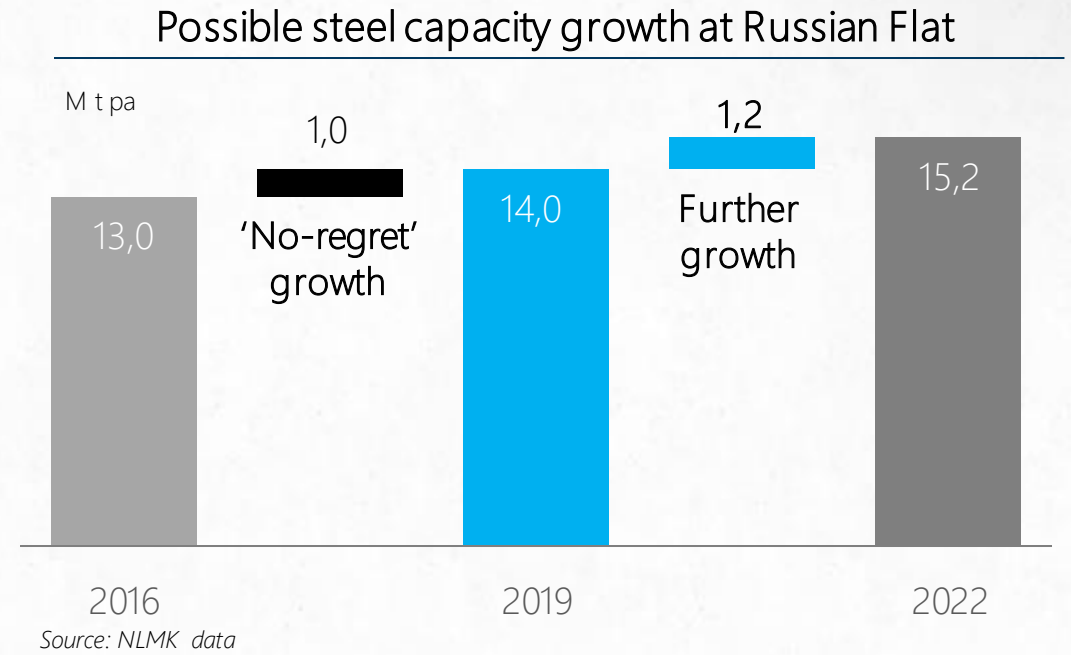
Our upstream production can be expanded to bring required resources

Additional 1.2 m t pa output can be realized in different products

- Slabs, billets or hot-rolled coils (via continuous strip production)

Markets for new volumes are yet to be found

Capex per t is higher comparing to 'no-regret' option



Market overview

About NLMK

NLMK Performance

Strategy execution and shareholders returns capability

- **Appendix**

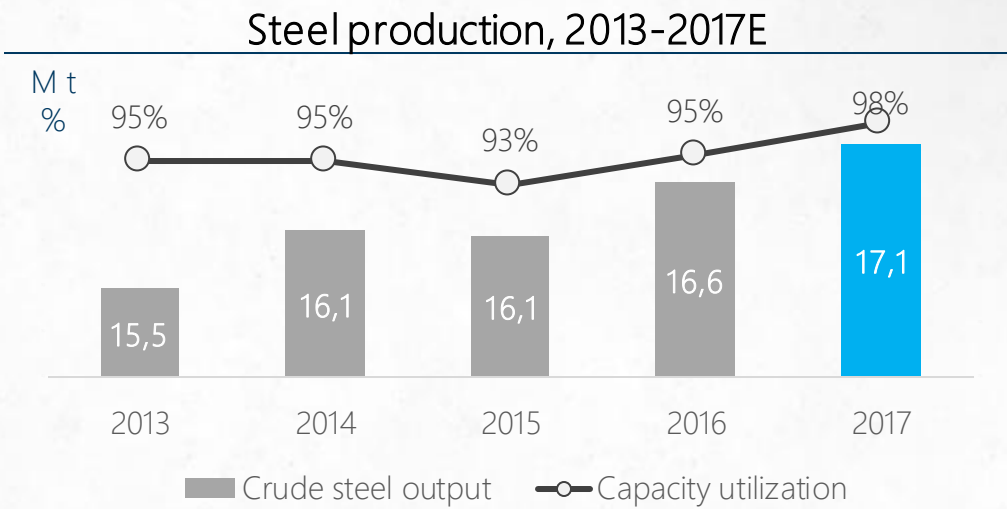
NLMK KEY HIGHLIGHTS

Steel capacity utilization is well above 90% through the cycle

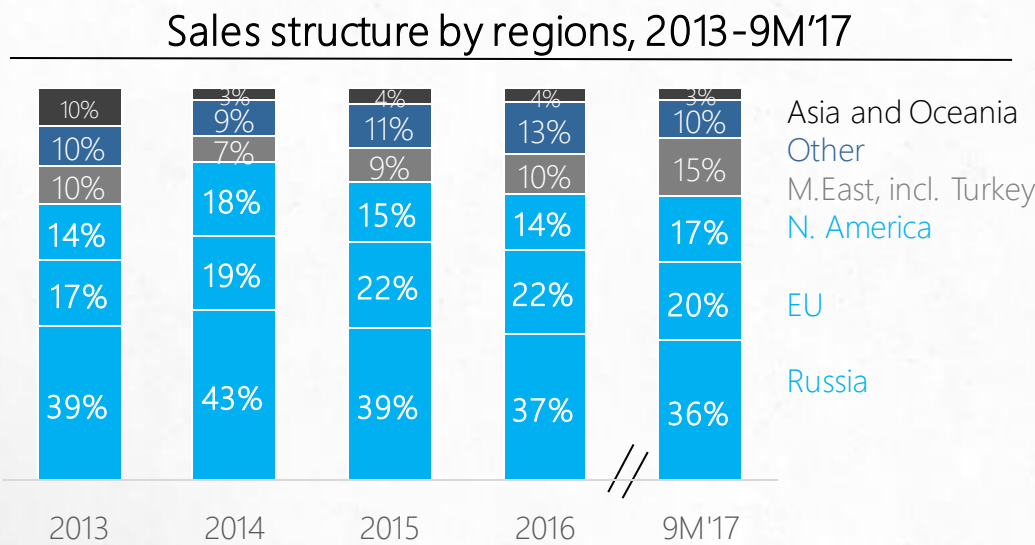
Steel output growth driven by efficiency improvements

45% of the finished steel sales are high value added products

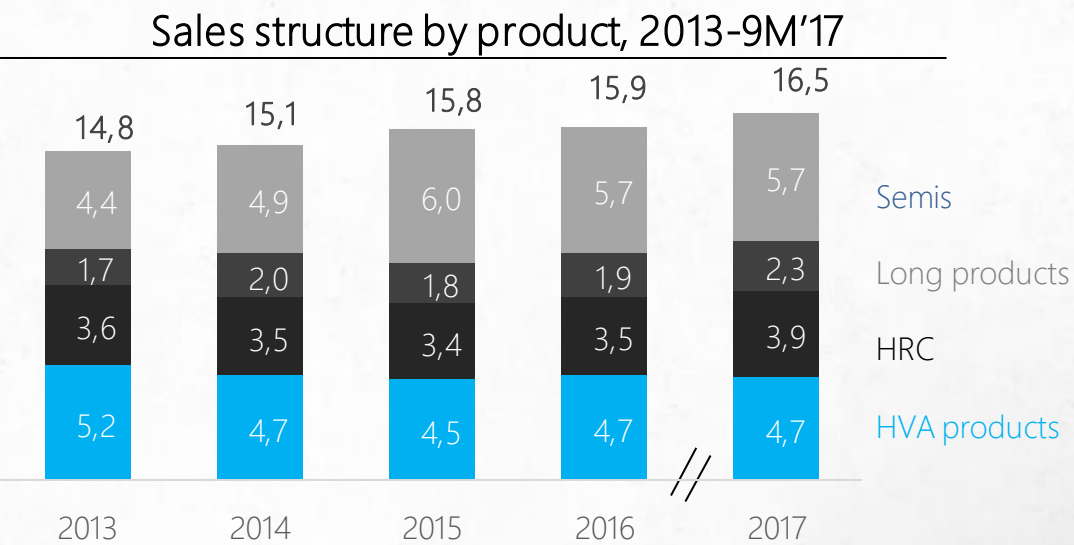
Strong domestic footprint with 2/3 of sales made in our home markets – Russian, Europe, USA



Source: NLMK operating results, with NBH



Source: NLMK operating results



Source: NLMK operating results

EXPOSURE TO FX RATES?

Revenue/Cost FX split provides a solid cushion in volatile commodity prices fluctuation

At current rate levels (~ 60 RUB/\$)

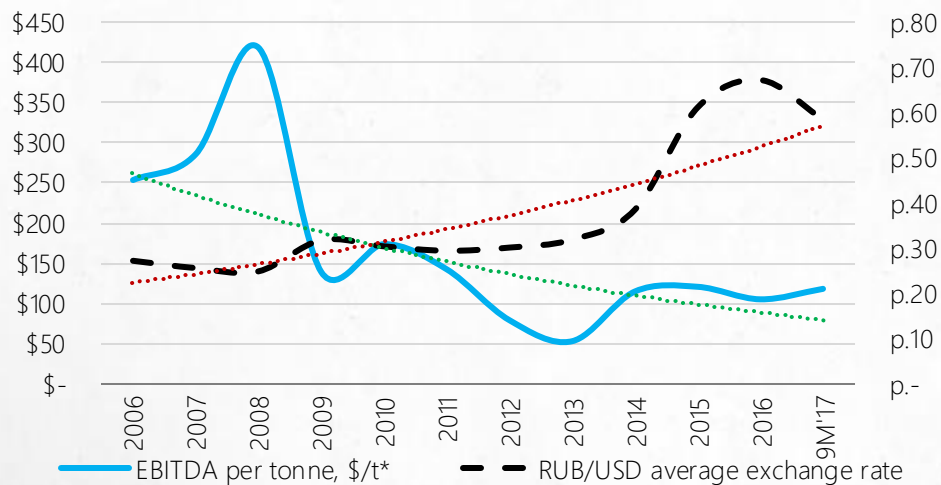
1 RUB/\$ movement translates into ~ \$10 m pa. of EBITDA effect

2016 EBITDA sensitivity to 1% FX change is c. 0.4%

Flexibility in sales mix (by product and region) allows to react quickly to FX rate changes

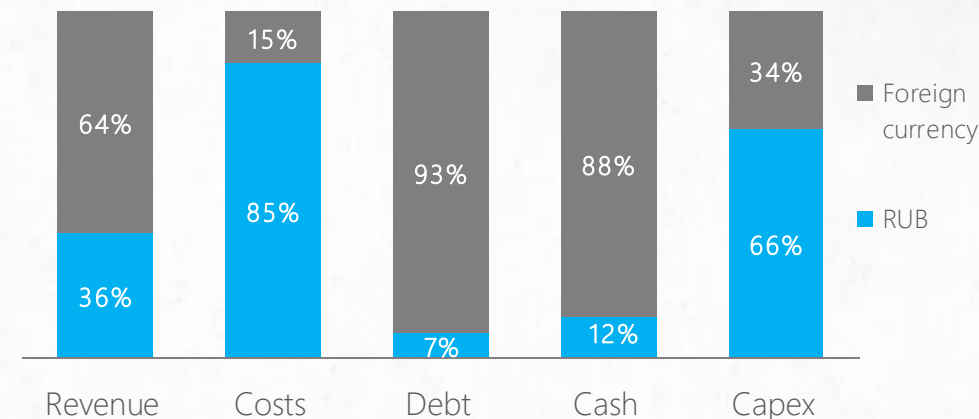
No hedging instruments used

Historical data



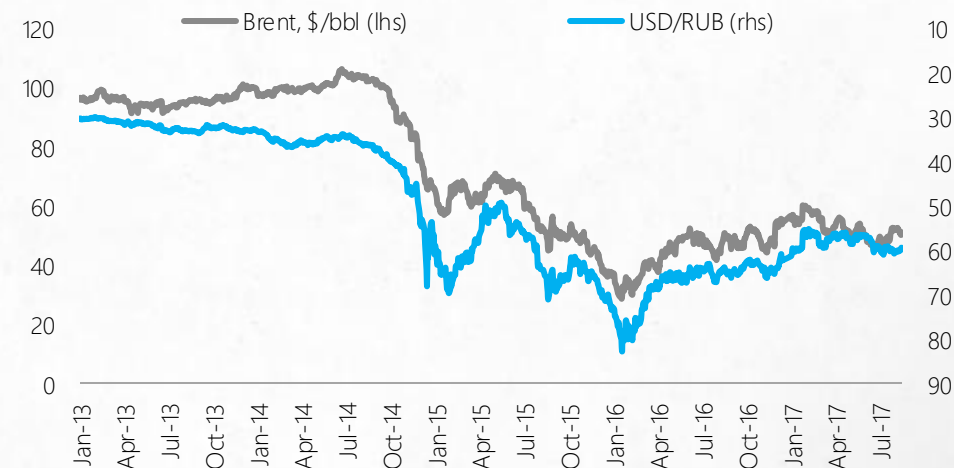
Source: NLMK data

Financial results and balance sheet currency structure



Source: NLMK data as of 9M'17

\$/RUB FX Rate vs oil price



Source: Bloomberg

COAL PRICES AND IMPLICATIONS FOR NLMK

Russian coal market is oversupplied with 30% of output exported

- ... hence RUS c/coal trades with a 40% to 50% discount vs global

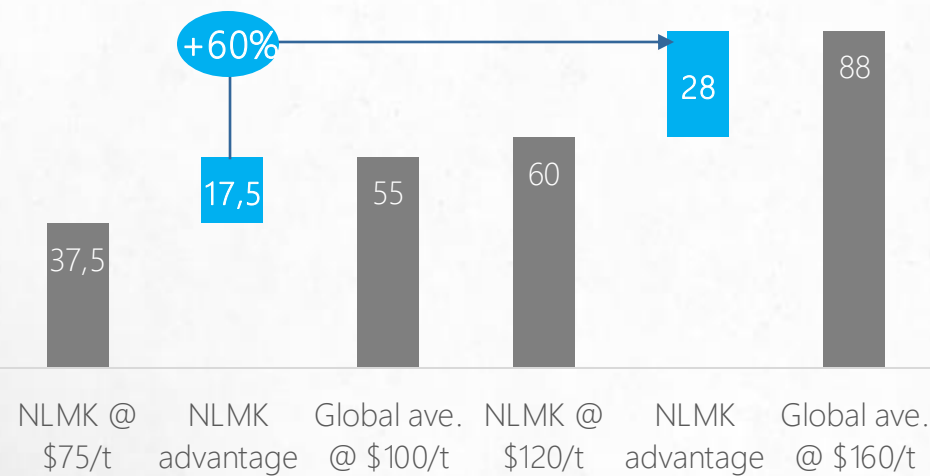
NLMK relies on Russian coal suppliers

NLMK has over 100% sufficiency in coke (coal processing)

Since Q2'17 90% of BF's are equipped with Pulverized Coal Injection (PCI) technology

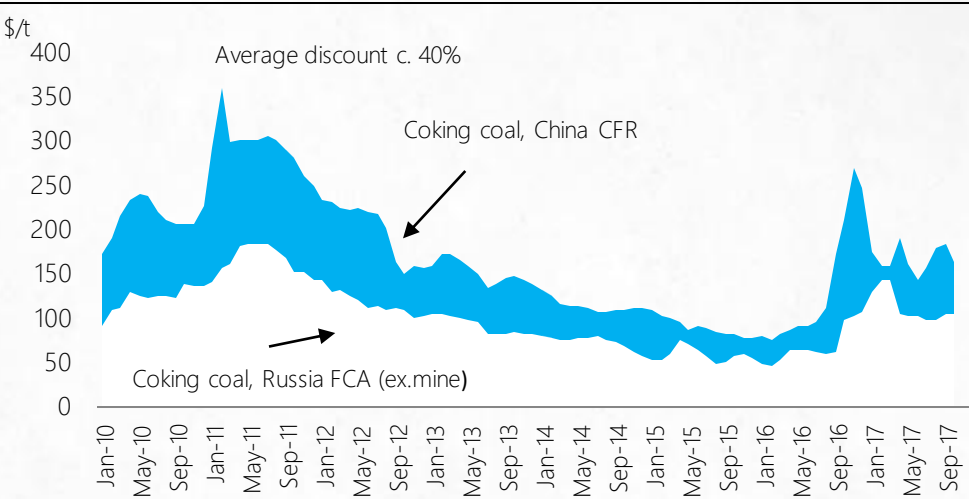
- PCI reduces consumption of coke and nat gas by up to 30% and 50%

Coking coal share in steel costs, \$/t



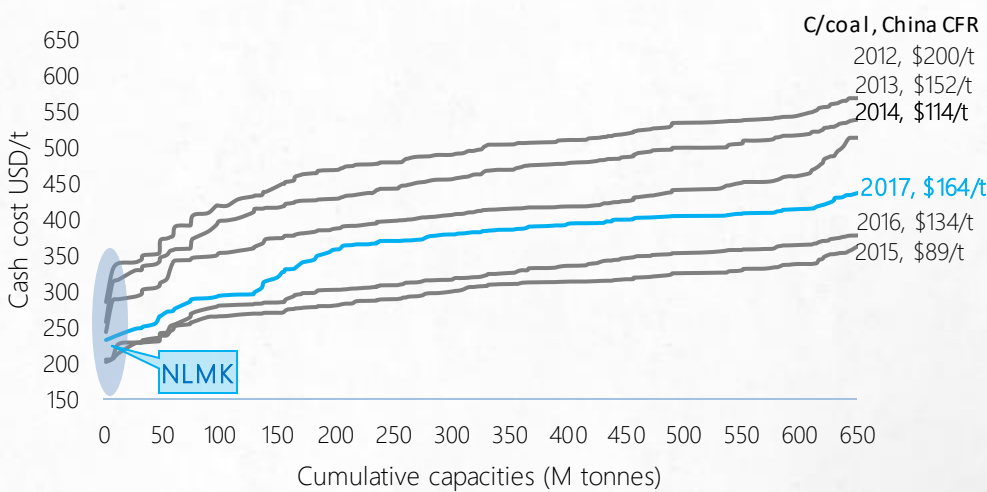
Source: NLMK estimates

Rus coal 40% cheaper vs global



Source: Metal Bulletin, Metal Expert

NLMK remains cost leader at any coal price



Source: WSD, Metal Bulletin

TRADE BARRIERS

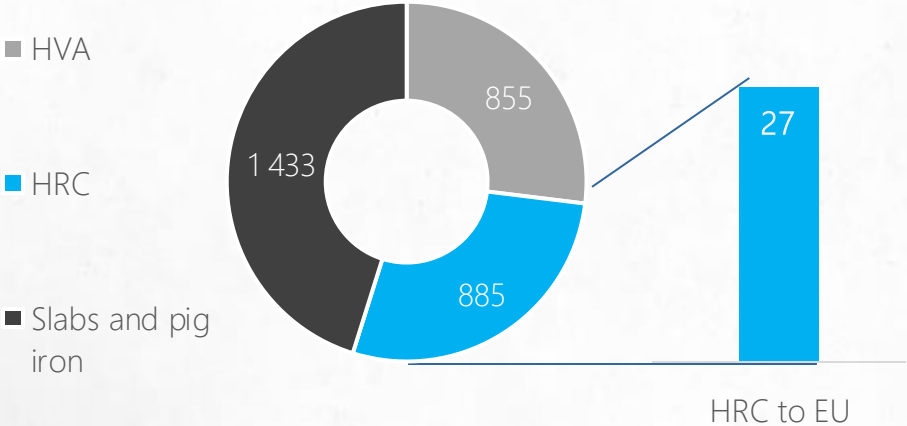
EU recent trade barriers: case for HRC imports

- HRC from 5 countries (18% of imports in 2016): fixed charge per tonne on HRC import prices

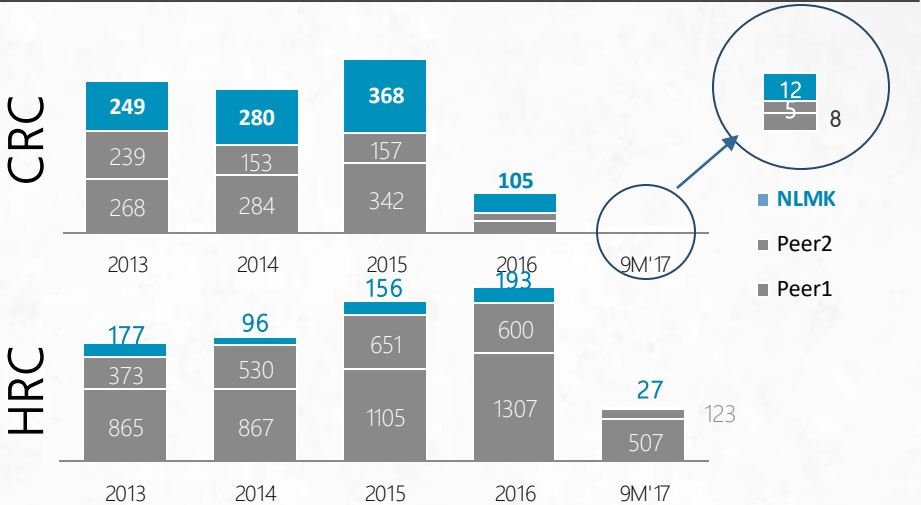
For reference: NLMK International (EU & USA) rolling capacity

- NLMK EU HRC capacity: 1.7 m t @ current shifts (installed 2.2 m tpa)
- NLMK EU CRC capacity: 0.7 m t @ current shifts
- NLMK EU Plate capacity: 1.8 m t
- NLMK USA HRC capacity: 2.9 m tpa (with 0.8 m tpa of captive EAF steel capacity)

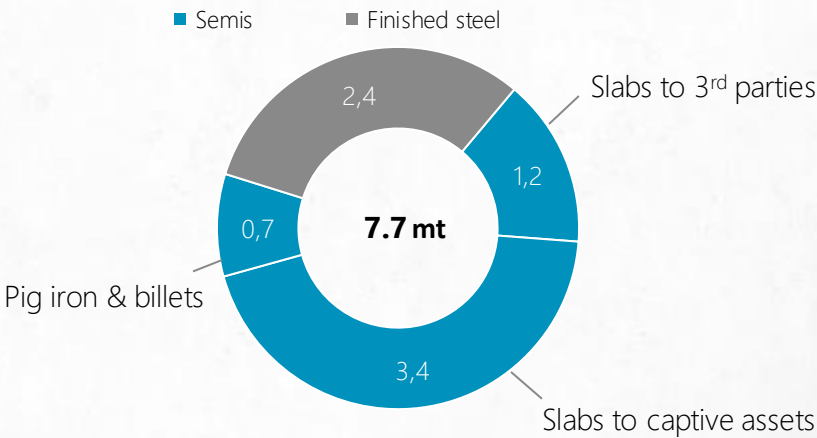
NLMK Russia flat exports to 3rd parties 9M'2017



EU: Russian exports by peers



NLMK: total exports from Russian assets, 9M'2017



WORLD CLASS CORPORATE GOVERNANCE PRACTICES

Growing involvement of independent directors

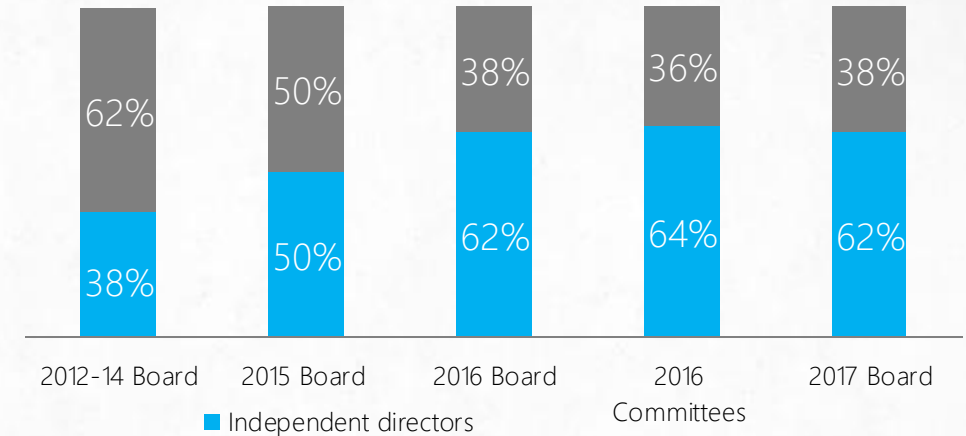
- Number of Independent Directors increased
- Audit Committee; HR, Remunerations and Social Policy Committee are chaired by Independent Directors
- Independent Directors make up the majority in each of the committees

One of the industry's most transparent companies

- Europe 500 – Best European Investor Relations Survey by Extel in 2014-2015 (ranked in top 100)
- IR Magazine perception study 2017:
 - among leading exponents of investor relations in European steel sector and
 - top-3 'Best in country' among Russian companies
- FTSE4Good index constituent according to the latest review (Jun'17)

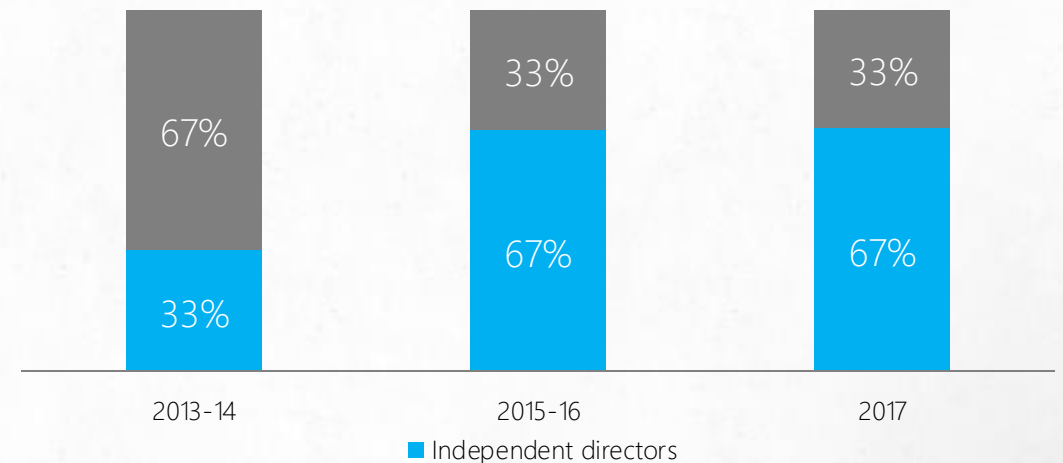
Dividend policy provides visibility and predictability for debt- and equity holders

Board: % of independent directors



Source: NLMK annual reports, without Chairman of the BoD

% of committees chaired by an independent director



Source: NLMK annual reports, without Chairman of the BoD

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