NLMK

Q1 2016 IFRS RESULTS

17 MAY 2016

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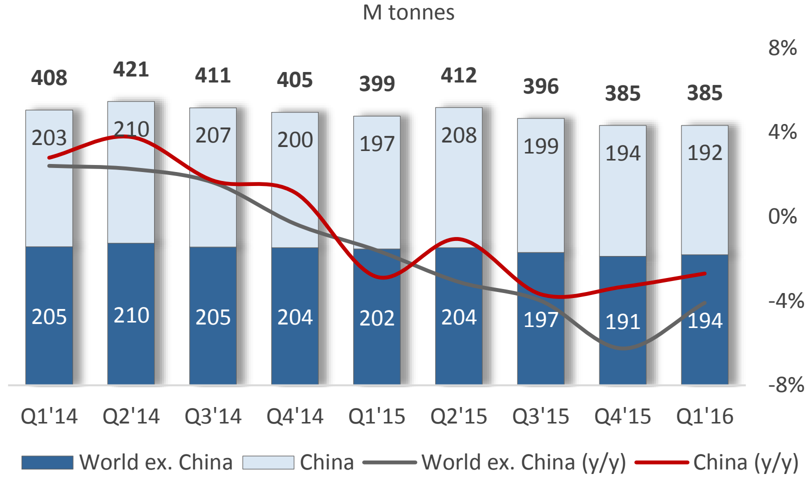
CONTENTS

Q1’16 GLOBAL STEEL MARKET TRENDS

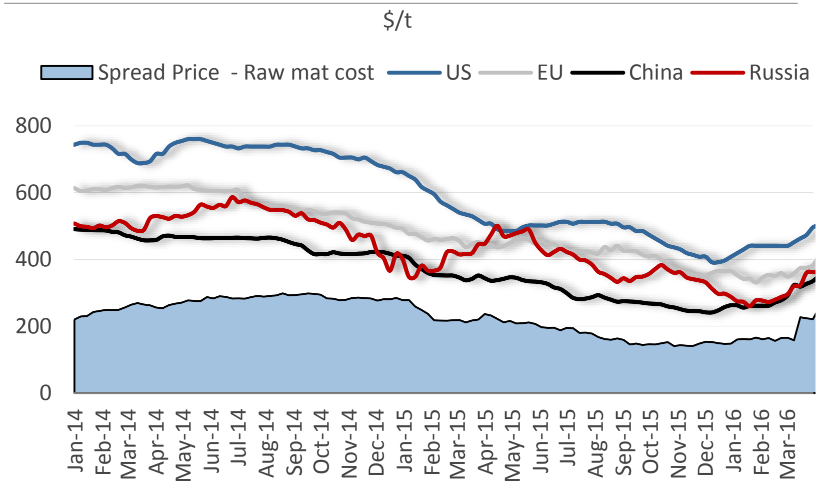
- **Global steel output stable qoq at 385.4 mt (-3.6% yoy)**
  - China output dropped by 2.7 % yoy
  - World ex-China (incl. DMs) showed qoq growth
- **Chinese steel exports down by 5% qoq to 27.8 mt**
- **Lower inventories prompted restocking cycle**
- **Growth in raw materials prices**
- **Steel prices grew +45% YTD across all regions supported by stronger demand and restocking**

STEEL OUTPUT



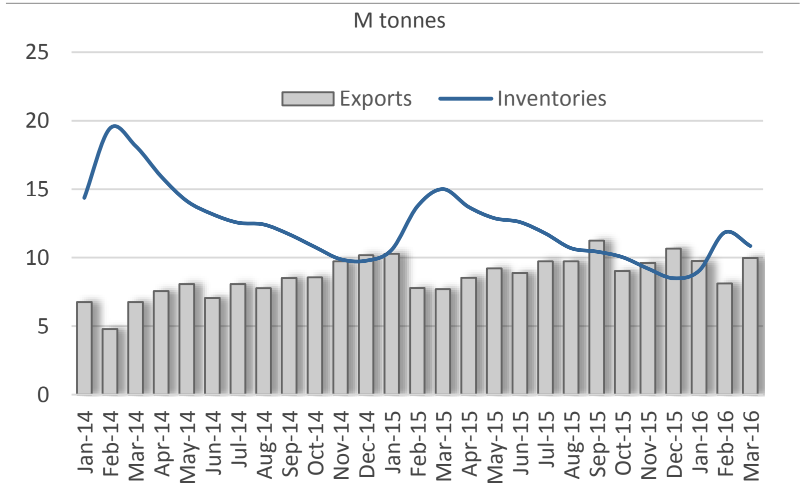
Source: Worldsteel

HRC PRICES (EXW) BY REGIONS



Source: Metal Bulletin

CHINESE STEEL EXPORTS & INVENTORIES



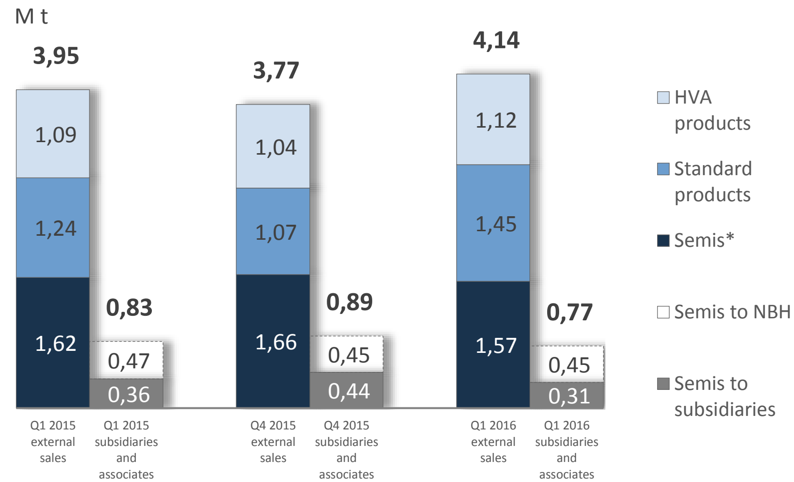
Source: Metal Bulletin

Improved supply discipline and restocking led to prices rise

Q1'16 NLMK OUTPUT AND SALES

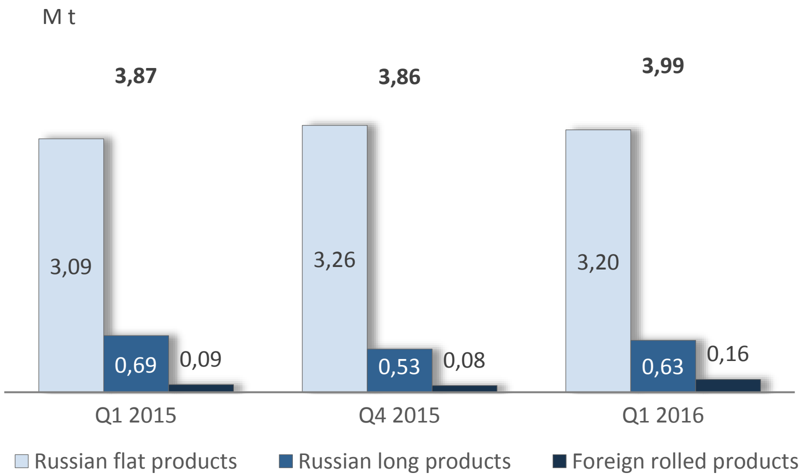
- **Steel sales increased by 10% qoq to 4.1 m t**
  - Product mixed improved: finished steel sales up by 22%
  - Standard products sales up by 36% driven by domestic and export sales of re-bars/billets (+31%) and HRC (+44%)
- **Steel output grew by 3% qoq to 4.0 m t**
  - Higher production at Russian Long Products and the US divisions
- **100% capacity utilization of the core assets**
- **Slab sales to international subsidiaries and associates: 0.8 m t (47% of total slab sales)**

SALES STRUCTURE

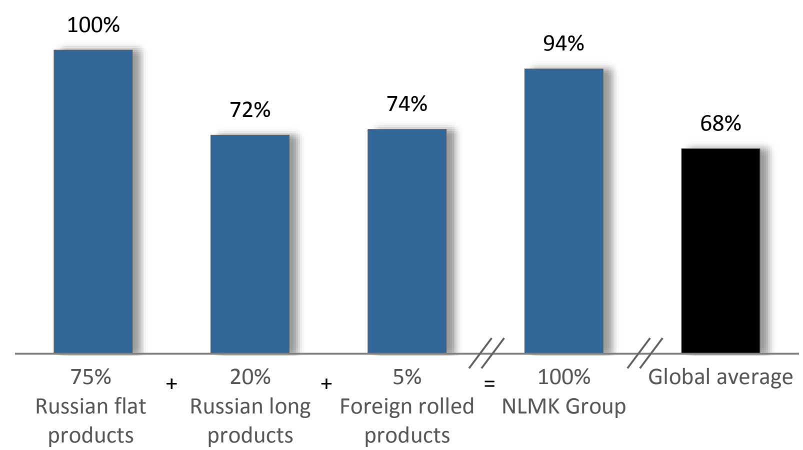


* Including sales to NBH

STEEL PRODUCTION



UTILIZATION RATES BY SEGMENT

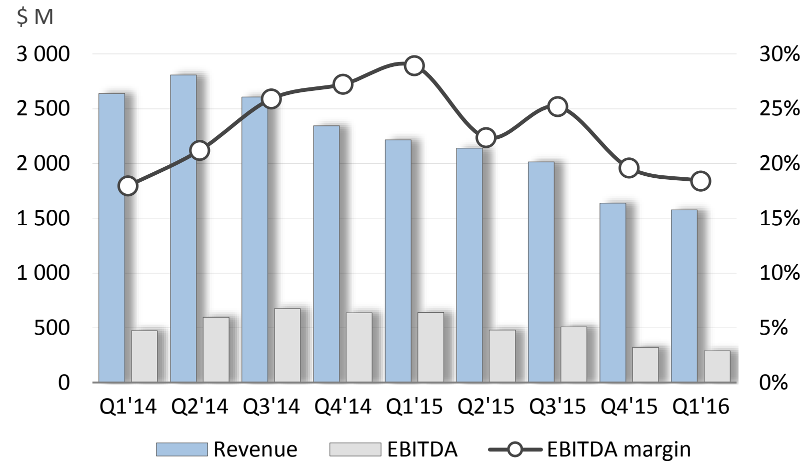


100% utilization rates at the the Group's core assets

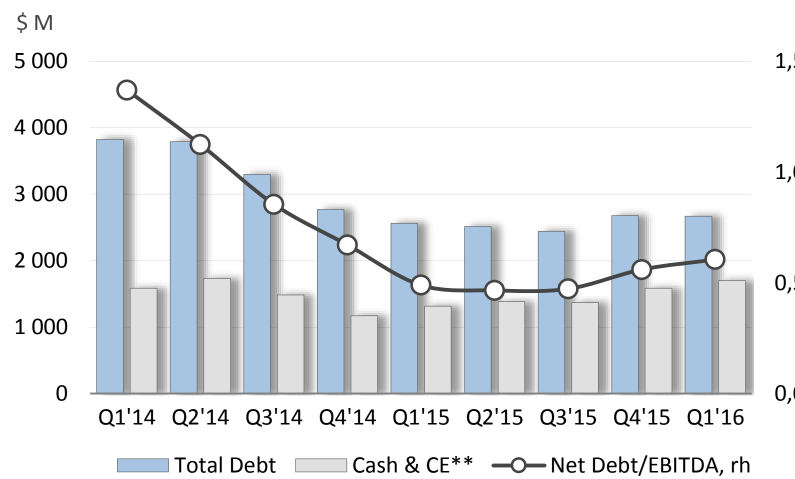
Q1’16 HIGHLIGHTS

- **Q1’16 KEY HIGHLIGHTS**
  - Revenue: $1,577 m (-4% qoq; -29% yoy)
  - EBITDA: $290 m (-10% qoq; -55% yoy)
  - EBITDA margin: 18% (-2 p.p. qoq; -11 p.p. yoy)
  - Net profit: $57 m (-25% qoq; -82% yoy)
  - Capex: $121 m (-19% qoq; +4% yoy)
  - Free cash flow*: $275m (+147% qoq; -21% yoy)
- **FINANCIAL POSITION AS OF 31/03/2016**
  - Net Debt: $967 m (-11% qoq; -22% yoy)
  - Net Debt/EBITDA: 0.6x (0.6x as of 31/12/15)
- **DECLARED DIVIDENDS**
  - Q4’15: 14,564 million rubles (2.43 rubles per share)
  - Q1’16: 6,772 million rubles (1.13 rubles per share)

FINANCIAL PERFORMANCE



FINANCIAL POSITION



* Free cash flow = operational cash flow minus capex minus advances for VAT payments on imported equipment minus net interest payments
** Cash & CE stands for Cash & Cash Equivalents and short-term investments

Solid performance against extremely weak global market

Q2'2016 OUTLOOK

- **MARKET**
  - **Global market:** world steel demand should stabilize in Q2 supported by better supply discipline, cost inflation and stronger demand in the global markets
  - **Russian market:** seasonal uptick in demand and global steel price trends continue to drive domestic prices up
  - **European market:** steel consumption growth is anticipated to seasonally restore supported by low inventory levels. Steel prices are driven by better demand, reduced competition from imports and cost push.
  - **US market:** steady demand in construction and car manufacturing to support steel consumption with energy sector to restrain growth. Weakening imports pressure and cost inflation to support steel prices

- **OPERATIONAL RESULTS**
  - Better demand in Russian and global markets to translate into stronger sales
  - The Group capacity utilization to remain above 90%

- **FINANCIAL RESULTS**
  - Improving market conditions in early 2016 to drive financial performance in Q2'16

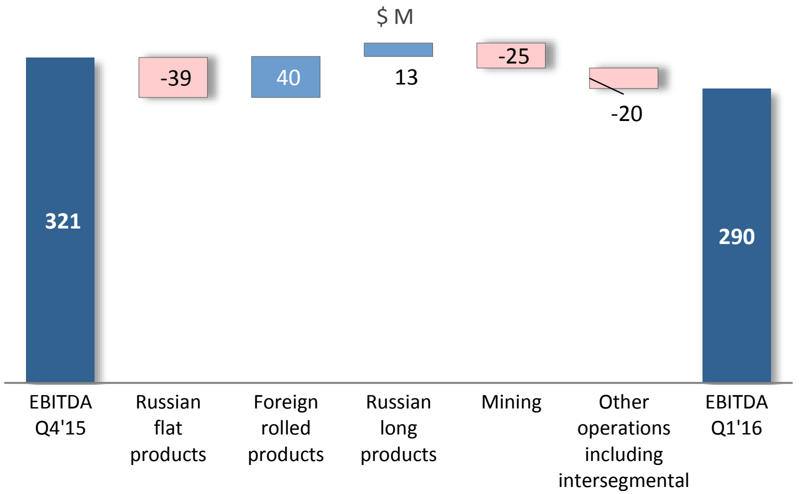
Q2 2016 performance will improve as the market recovers

CONTENTS

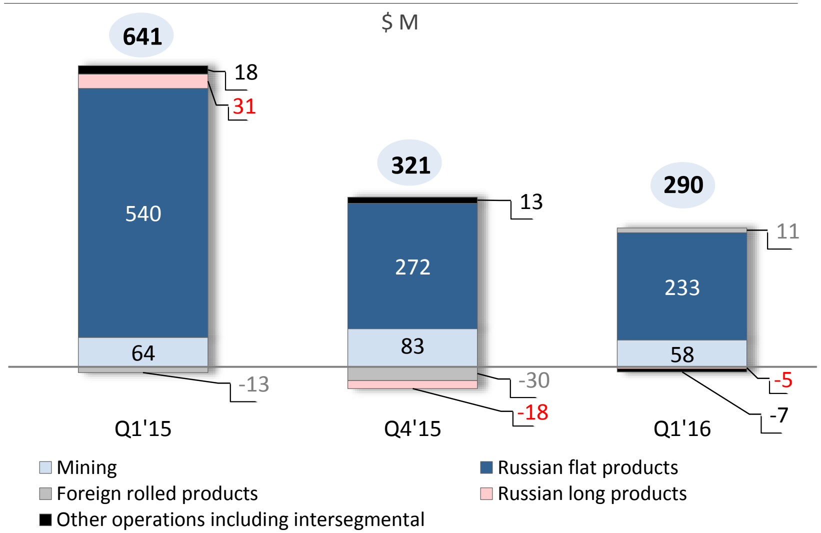
Q1'16 PROFITABILITY

- **EBITDA down by 10% qoq to $290 m**
  - Due to narrowing price/cost spreads as selling prices bottomed
- **(-) Russian Flat Products**
  - (-) Narrowed price spreads and price recognition lag effect
  - (+) Strong sales both in Russia and export markets
  - (+) Higher share of finished products
- **(+) Foreign Rolled Products**
  - (+) Demand growth in the US and EU market
  - (+) Widening price spreads to semis
- **(+) Russian Long Products**
  - (-) Narrowed long products/scrap price spreads
  - (+) Growth in sales volumes, mostly by a reduction in accumulated stocks of finished products
  - (+) Reduced costs in the periods of lower utilization rates
- **(-) Mining**
  - (-) Lower ruble prices
  - (-) Lower Q1 sales due to bottom level prices prompting growth in Q2 sales

Q1'16/ Q4'15 EBITDA ANALYSIS



EBITDA BY SEGMENT

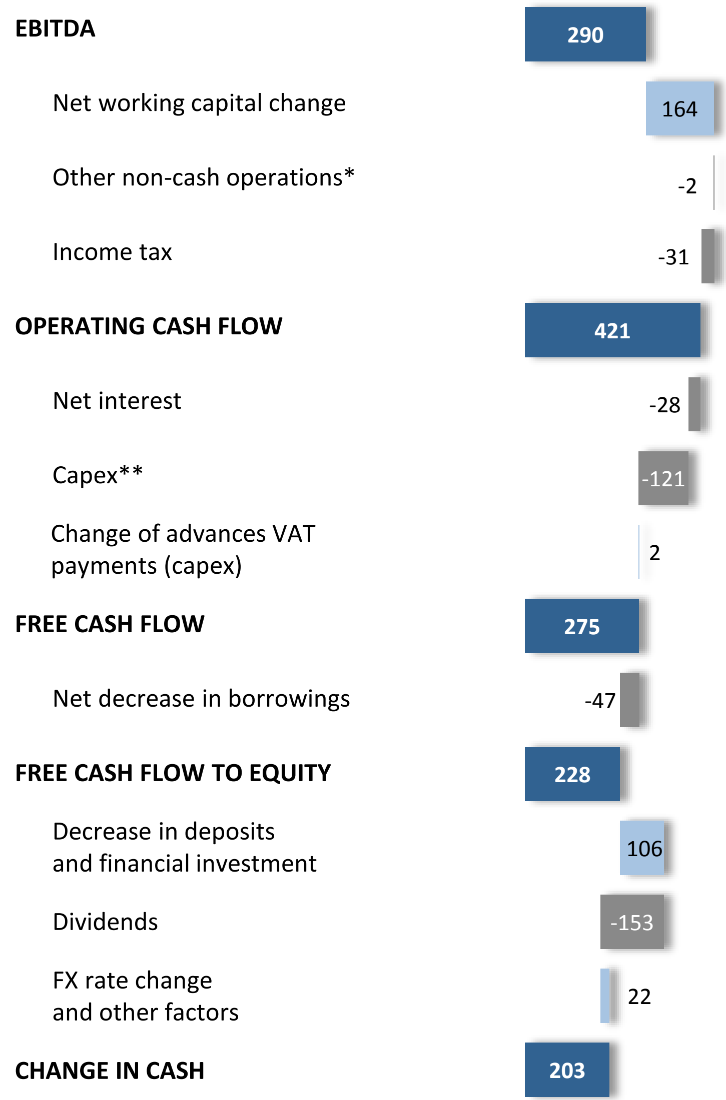


Strong sales partially offset price softening

CASH FLOW

- **Q1’16 Net Operating Cash Flow: $421 M**
  - Working capital release of $164 m
    - Decrease in slab stocks at NLMK USA due to higher sales
    - Usage of winter scrap inventories at Russian assets
    - Drop in finished steel inventories at Russian Long products segment due to higher sales
  - Q1’16 capex: $121 m
- **2.5X growth in Q1 FCF to $275 M**
  - Solid base for dividends payout
  - Leading to net debt reduction and improved liquidity

Q1’16 CASH FLOW BRIDGE, $M



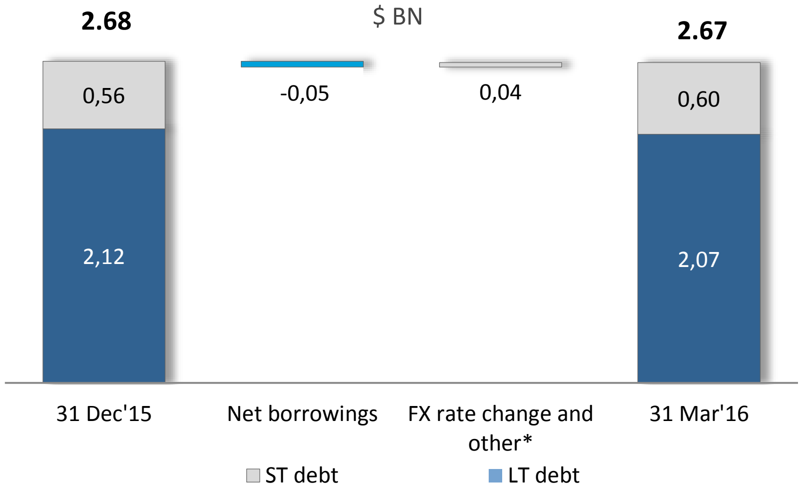
* Foreign currency exchange gains, other income/(expenses)
** Including capitalized interest of $9 m for Q1’16

2,5x growth in Free Cash Flow generation

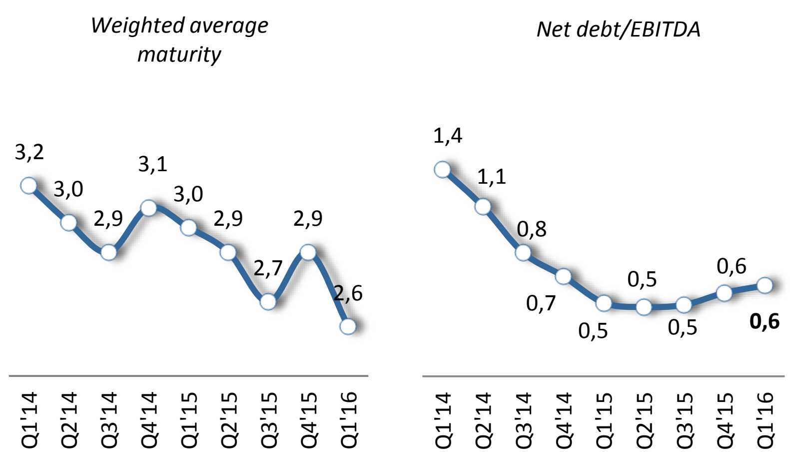
DEBT POSITION

- **Net debt reduction 11% qoq**
  - Net Debt: $0.97 bn (-11% qoq, -22% yoy)
  - Total debt: $2.67 bn (flat qoq, +4% yoy)
- **Strong liquidity maintained**
  - Cash and cash equivalents*: $1.7 bn (+7% qoq, +29% yoy)
- **NET DEBT / 12M EBITDA: 0.61x (+0.05 p. qoq)**

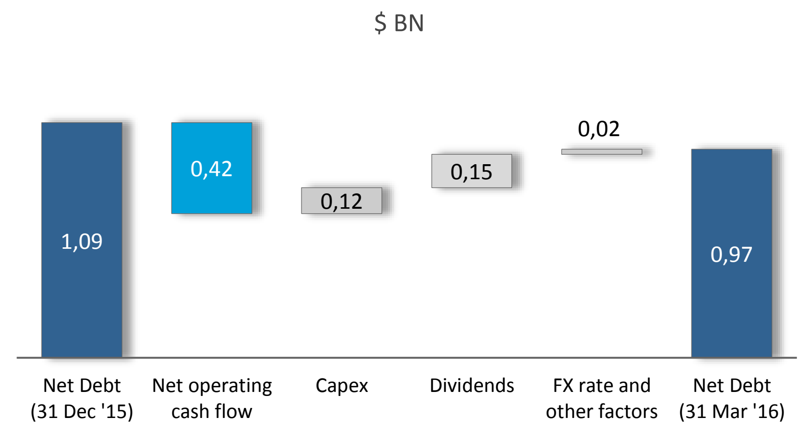
FINANCIAL DEBT CHANGE IN Q1'16



DEBT MATURITY AND LEVERAGE



NET DEBT CHANGE IN Q1'16



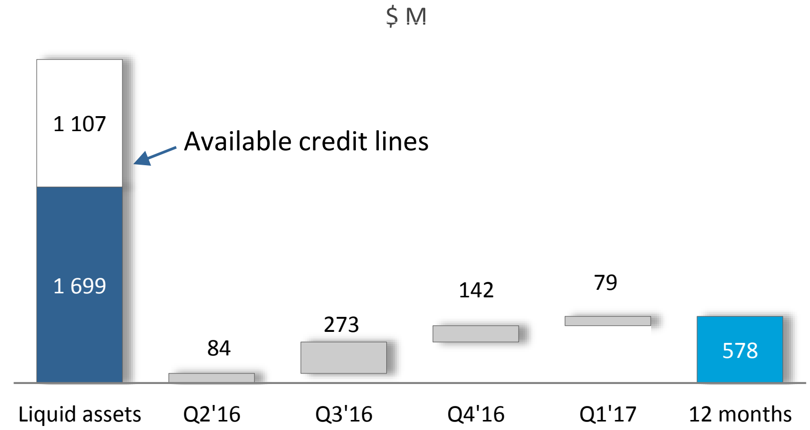
* Cash and cash equivalents and short term investments
** include interest accrued

Superior debt profile

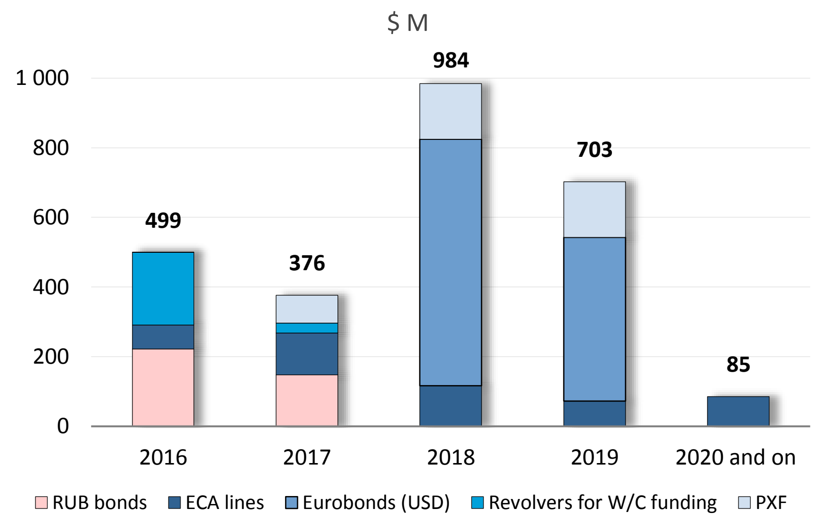
LIQUIDITY AND DEBT MATURITY PROFILE

- **Strong liquidity position of $1.7 bn with additional $1.1 bn of credit lines**
- **Comfortable debt maturity profile**
  - ST debt $0.58 bn* incl. revolver lines for W/C financing, RUB bonds, short term part of ECA-backed financing
  - LT debt $2.07 bn, incl. Eurobonds, RUB bonds, PXF and LT part of ECA-backed financing

LIQUIDITY AND ST-DEBT PAYMENTS*



DEBT MATURITY*



Strong liquidity position and comfortable debt maturity profile

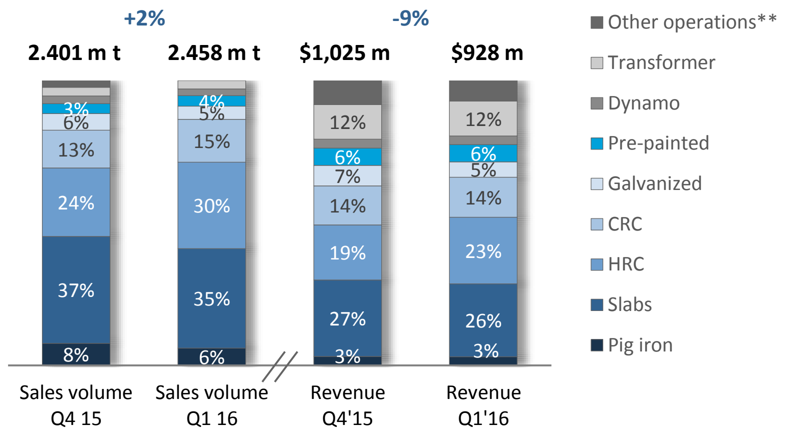
CONTENT

1. Market Update and Headline Numbers
2. Financial Highlights
3. **Segment Results**
4. Annex

RUSSIAN FLAT PRODUCTS

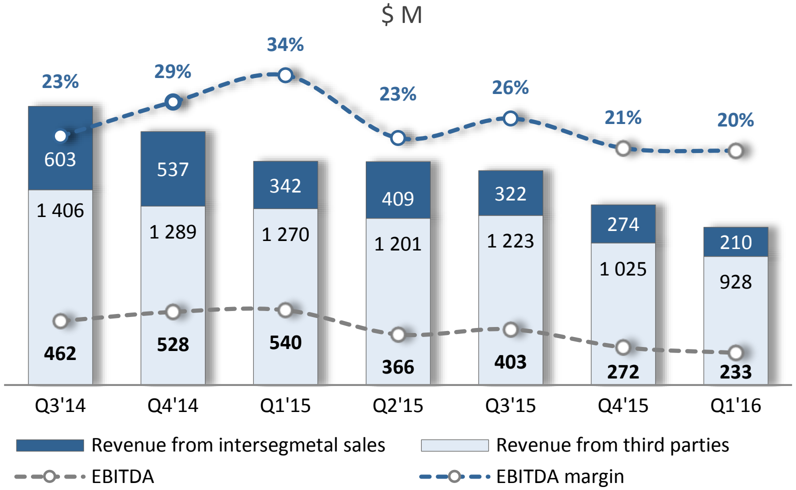
- **SALES TO 3RD PARTIES UP BY 2% QoQ**
  - (+) Improved demand in export markets
  - (+) Finished steel sales up 15% qoq
  - (-) Change in presentation of export sales*
- **EXTERNAL REVENUE DECREASE BY 9% QoQ**
  - (+) Increase in sales volumes
  - (-) Weak domestic prices and delayed exports sales recognition (better prices in Q2)
- **EBITDA REDUCTION TO $233 M**
  - (+) Higher share of finished products
  - (-) Narrowed price spreads

SALES & REVENUE FROM 3RD PARTIES

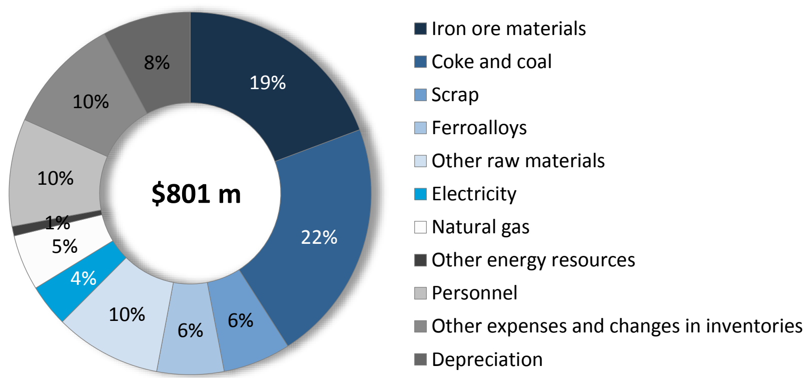


**Revenue from the sale of other products and services

SEGMENT REVENUE AND EBITDA



COST OF SALES IN Q1'16



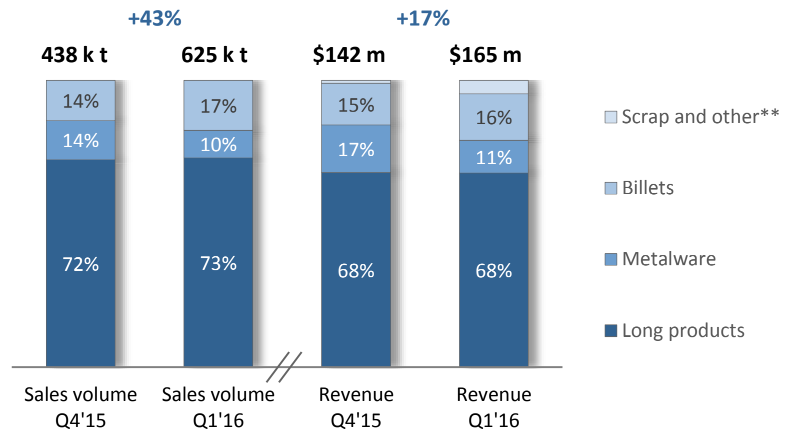
*Since Q1'16 export sales of other segments via traders have been accounted as sales of corresponding segments. Initially those shipments were accounted as sales of Russian Flat Product segment

Solid EBITDA margin even in weak price environment

RUSSIAN LONG PRODUCTS

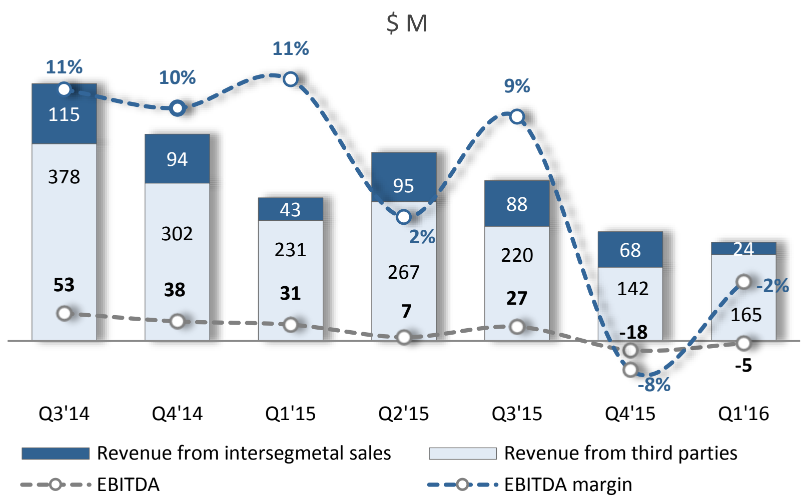
- **SALES TO 3RD PARTIES UP BY 43% QoQ**
  - (+) Higher exports of billets and long products
  - (+) Change in presentation of export sales*
- **EXTERNAL REVENUE UP BY 17% QoQ**
  - (+) Strong sales volumes
  - (-) Seasonally weak domestic prices and weak global prices
- **EBITDA IMPROVED BY 74% QoQ**
  - (-) Narrowed long products/scrap price spreads
  - (+) Growth in sales volumes, mostly by a reduction in accumulated stocks of finished products
  - (+) Reduced costs in the periods of lower utilization rates

SALES & REVENUE FROM 3RD PARTIES

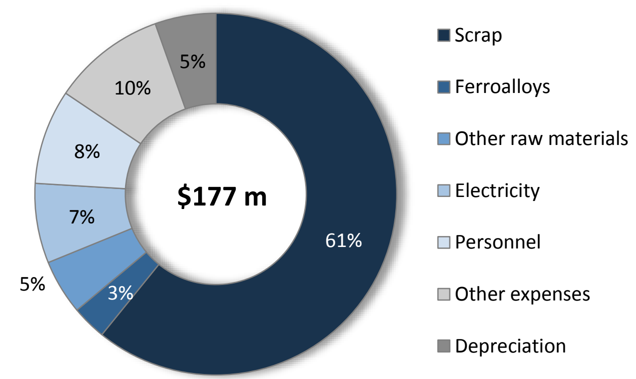


** Revenue from the sale of scrap, other products (ex. by-products) and services

SEGMENT REVENUE AND EBITDA



COST OF SALES IN Q1'16



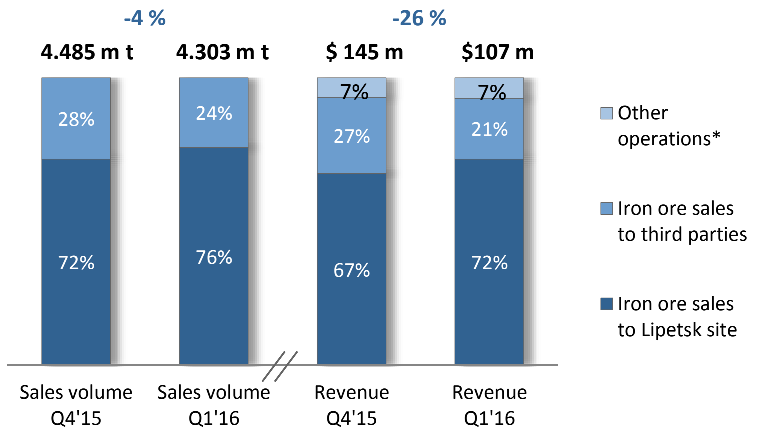
* Starting from Q1'16 export sales of long products through export traders are accounted as sales of Russian Long products segment

Increase in sales despite low seasonal activity in the Russian market

MINING

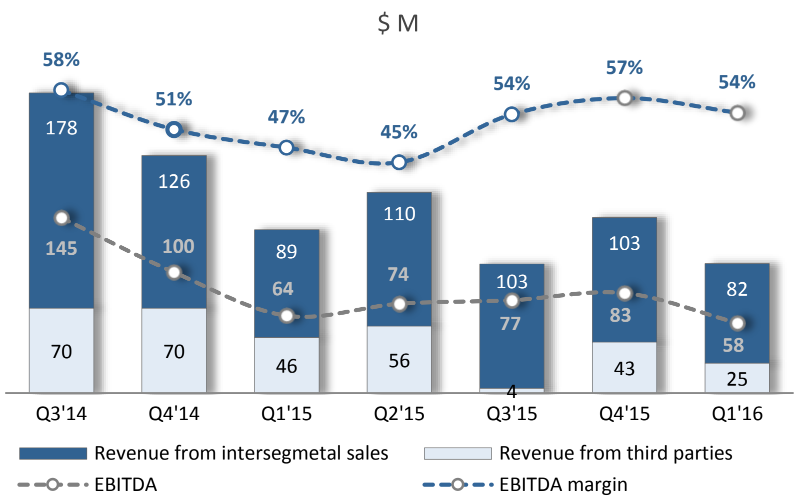
- **SALES VOLUMES DOWN BY 4% QoQ**
  - (-) Additional stock created to support Q2’16 volumes with higher prices
- **REVENUE DOWN BY 26% QoQ**
  - (-) Lower sales volumes
  - (-) Lower RUB prices
- **EBITDA MARGIN AT 54%, EBITDA OF $58 M**

SALES AND REVENUE

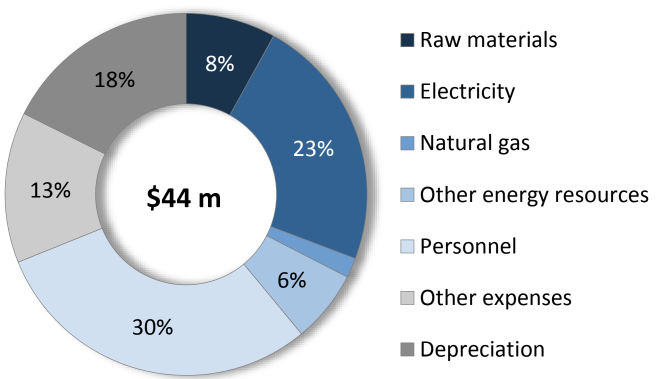


* Other operations include limestone, dolomite and other sales

SEGMENT REVENUE AND EBITDA



COST OF SALES IN Q1’16

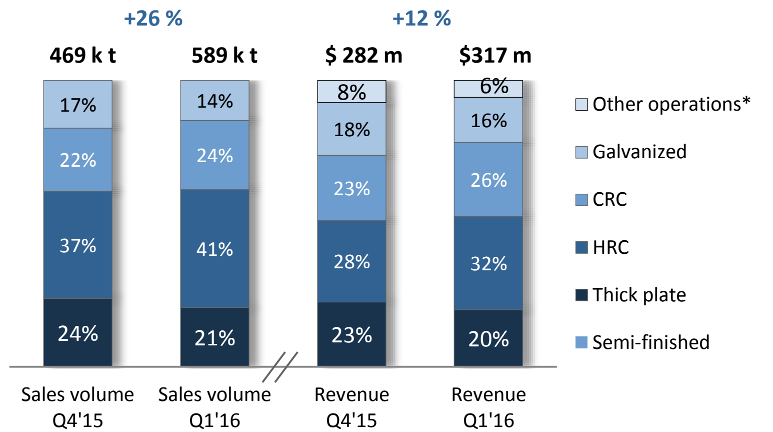


Extremely low iron ore prices drove EBITDA decline

FOREIGN ROLLED PRODUCTS

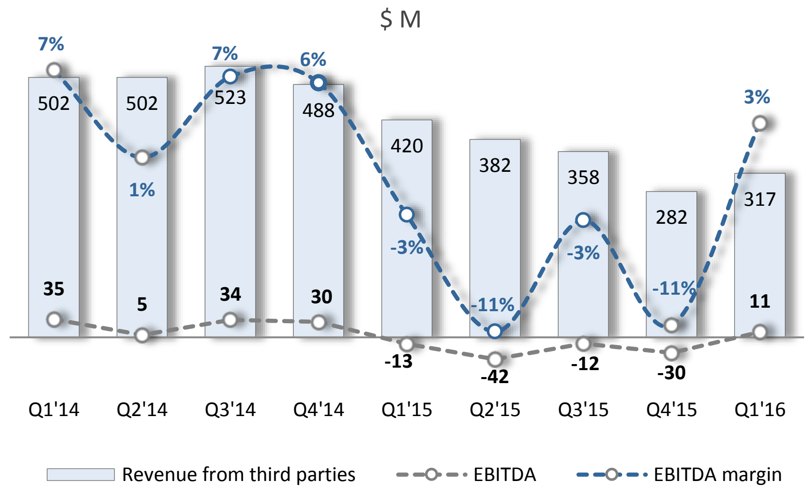
- **SEGMENT SALES UP BY 26% QoQ**
  - (+) NLMK Dansteel sales +9% qoq
  - (+) NLMK USA sales volumes + 31% qoq
- **SEGMENT'S PROFITABILITY IMPROVED**
  - (+) Increase in sales volumes
  - (+) Widening spreads b/w slabs and finished steel
  - (+) Inventory of expensive slabs exhausted (USA)

SALES & REVENUE FROM 3RD PARTIES



* Revenue from the sale of other products and services

SEGMENT REVENUE AND EBITDA



Widening spreads and higher sales resulted in a positive EBITDA

CONTENT

1. Market update & headline numbers

2. Financial highlights

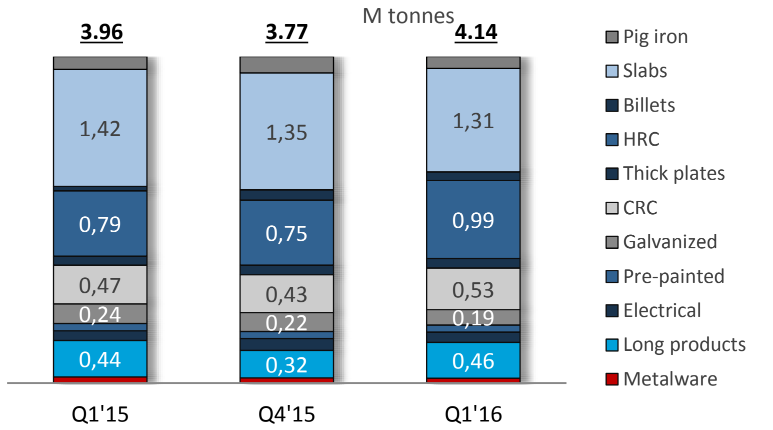
3. Segment results

- **4. Annex**

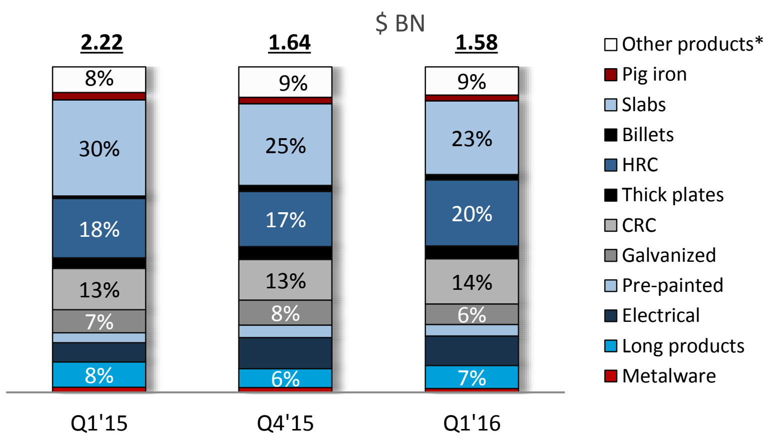
SALES STRUCTURE

- **Q1'16: SALES UP BY 10% QoQ TO 4.14 MT**
  - +37 % QoQ Longs
  - +18% QoQ Flats
  - +8% QoQ high value added products
  - -5% QoQ of semi-finished
- **Q1'16: REVENUE DOWN 4% QoQ TO $1.58 BN**
  - (-) Decrease in steel prices
- **PRICE ENVIRONMENT**
  - Russia: prices dropped by 5% QoQ
  - Russia export: prices declined by 1% QoQ
  - Europe: prices down by 5% QoQ
  - USA: prices increased by 5% QoQ

SALES STRUCTURE BY PRODUCT



REVENUE BY PRODUCT



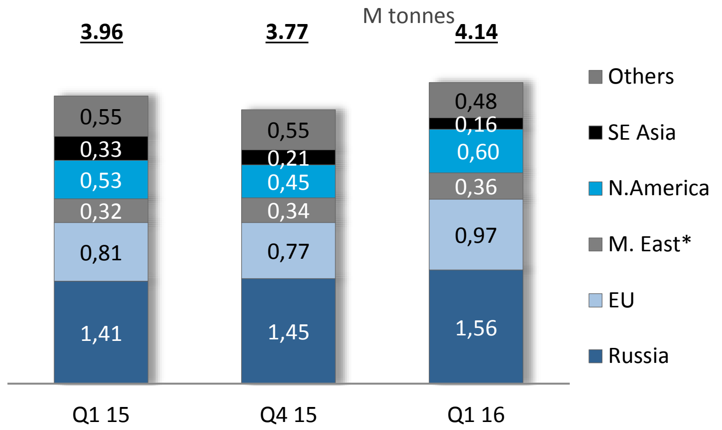
* Revenue from Other operations includes sales of other products (iron ore, coke, scrap and others)

Sales volumes followed market trends in the US and Russia

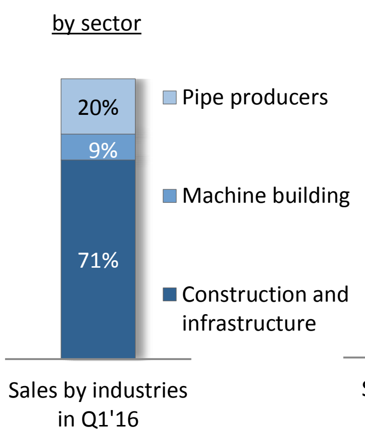
SALES GEOGRAPHY

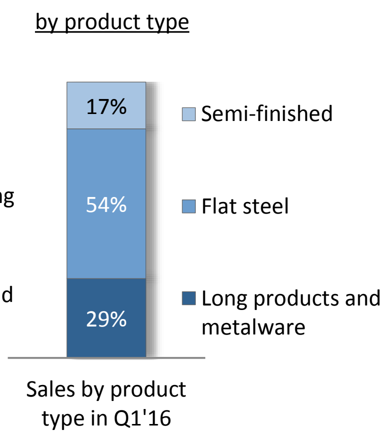
- **+11% QoQ GROWTH IN GLOBAL SALES**
  - +33% QoQ in North America
  - +26% QoQ in European Union
  - +7% YoY to Middle East, incl. Turkey
- **+8% QOQ - SALES TO RUSSIAN MARKET**
  - Despite seasonally weaker demand

STEEL PRODUCT SALES BY REGION

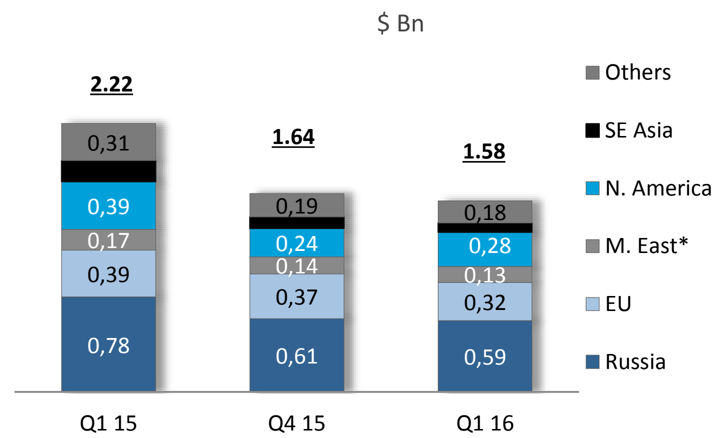


NLMK SALES TO THE RUSSIAN MARKET





REVENUE BY REGION

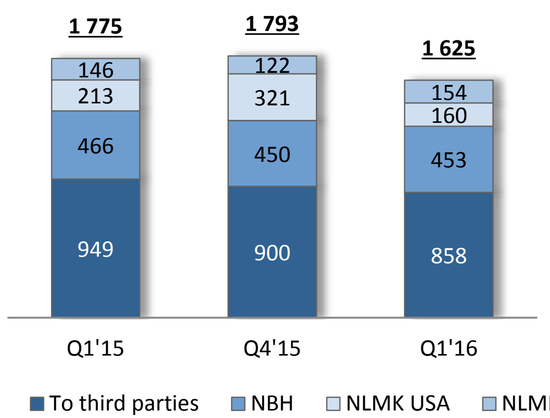


* incl. Turkey

FOREIGN ASSETS PERFORMANCE

SLABS SALES FROM RUSSIAN FLAT DIVISION

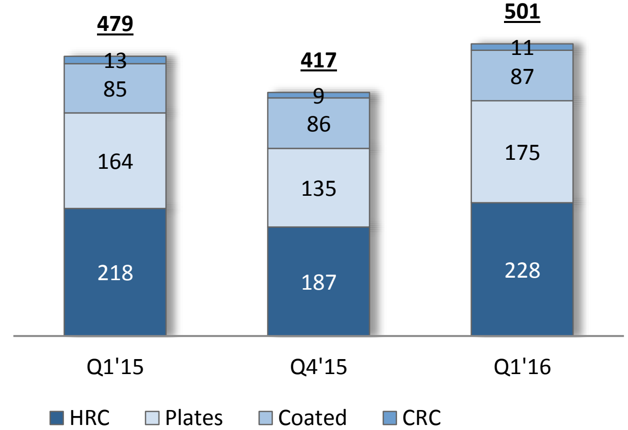
K tonnes



	QoQ
Total	**-9%**
NLMK Dansteel	27%
NLMK USA	-50%
NBH	1%
To third parties	-5%

NBH ROLLED PRODUCT SALES

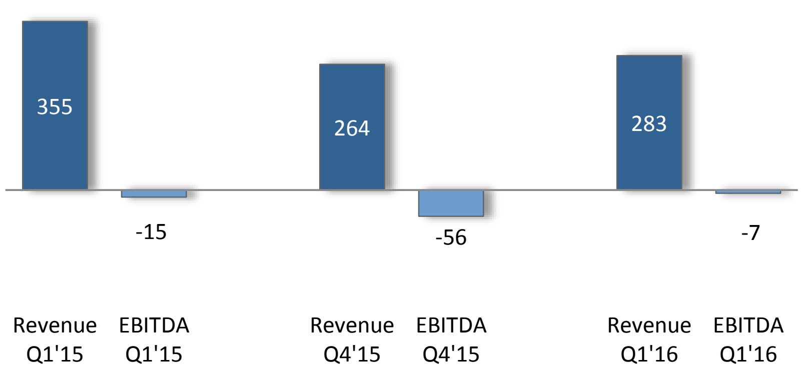
K tonnes



	QoQ
Total	**20%**
CRC	16%
Coated	1%
Plates	30%
HRC	22%

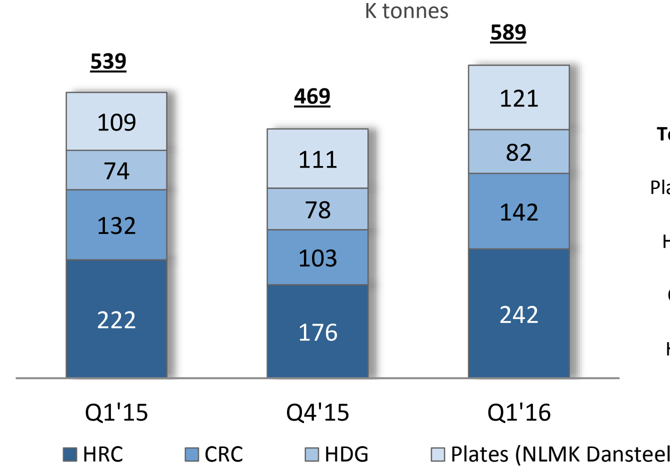
NBH FINANCIAL RESULTS

$ M



NLMK USA AND NLMK DANSTEEL SALES

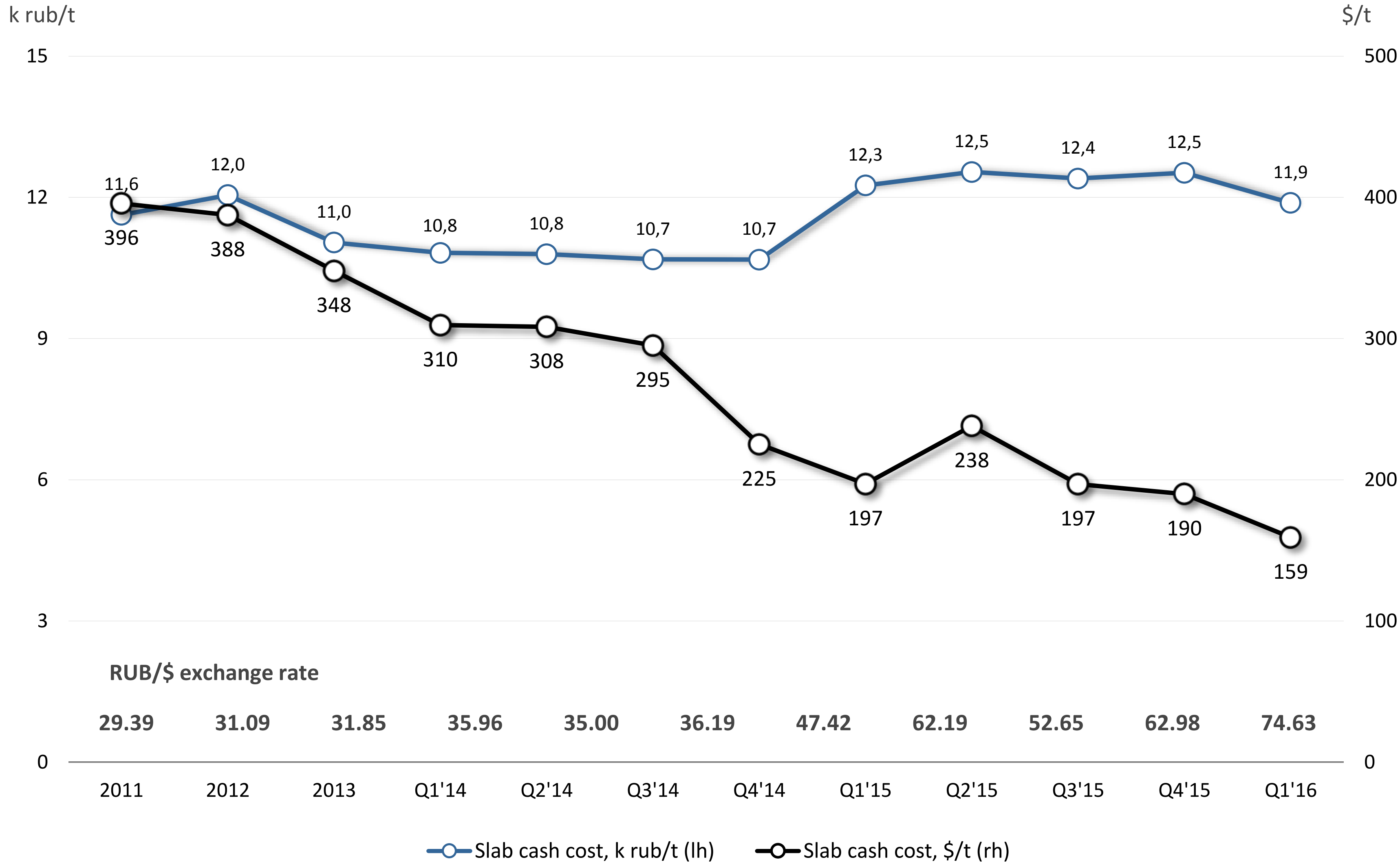
K tonnes



	QoQ
Total	**26%**
Plates	9%
HDG	5%
CRC	38%
HRC	38%

Uptick in sales both in the US and Europe markets

CASH COST OF SLAB



Note: consolidated cash cost of slab at Lipetsk site.

NLMK has one of the lowest slab cash cost globally

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