NLMK

WOOD's Emerging Europe Conference

December 2016

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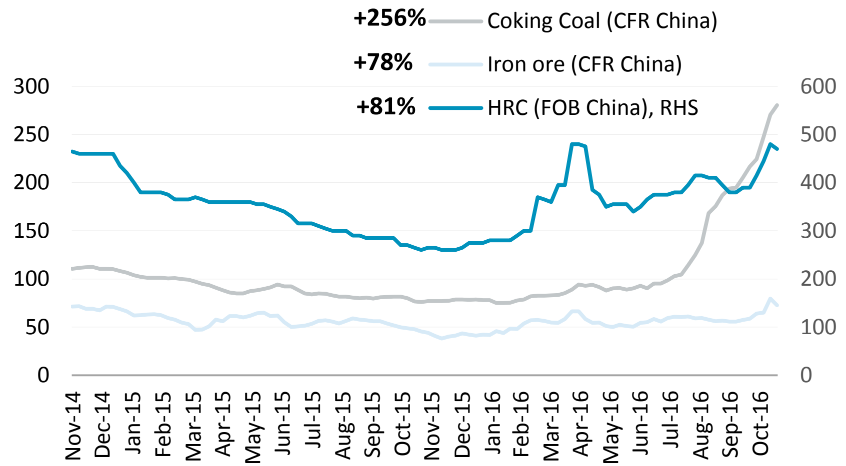
Q: STEEL PRICE DRIVERS AND OUTLOOK?

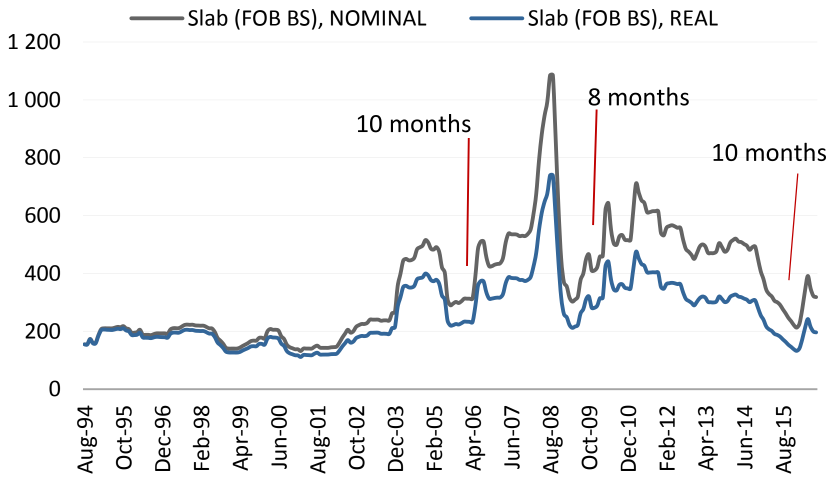
- **~80% YTD growth in steel & raw materials prices**
  - demand stabilization
- **Chinese steel exports declined in 3Q'16**
  - … and system accommodated to the new supply
- **Recent input price inflation provides cost push for steel**

Steel & raw materials prices up YTD



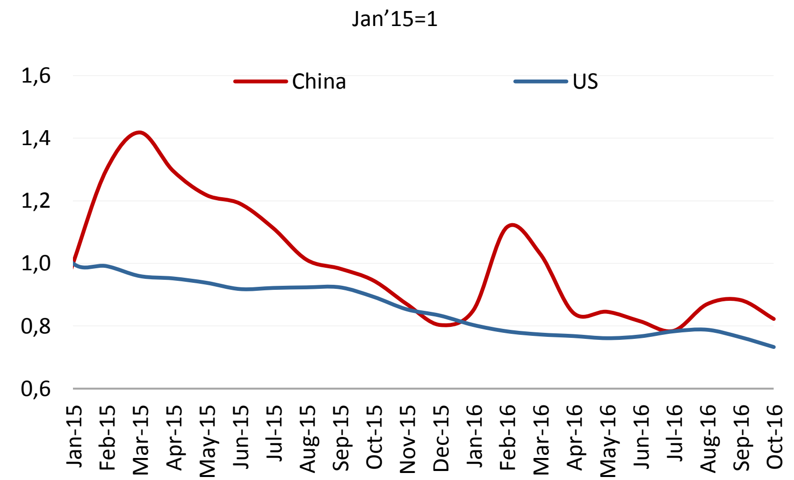
Source: Metal Bulletin, NLMK estimates. Prices excl. 18% VAT

Cyclical recovery



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

Steel inventories remain low



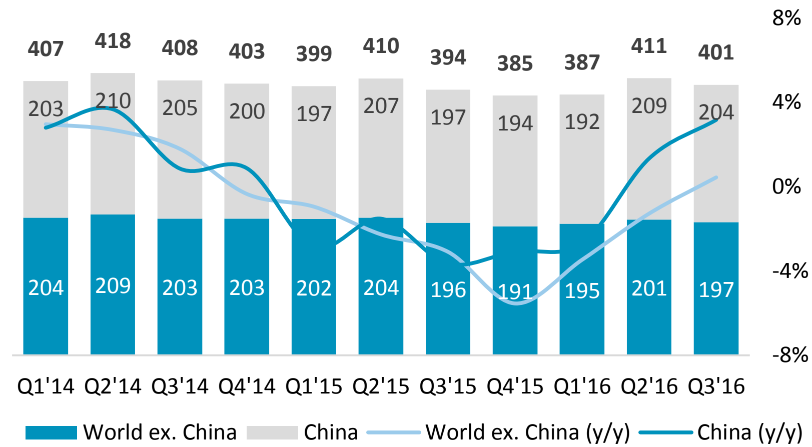
Source: Metal Bulletin, NLMK estimates. Prices excl. 18% VAT

Steel prices recovered as a result of cost push and low inventories

Q: ANY SUPPLY RESPONSE?

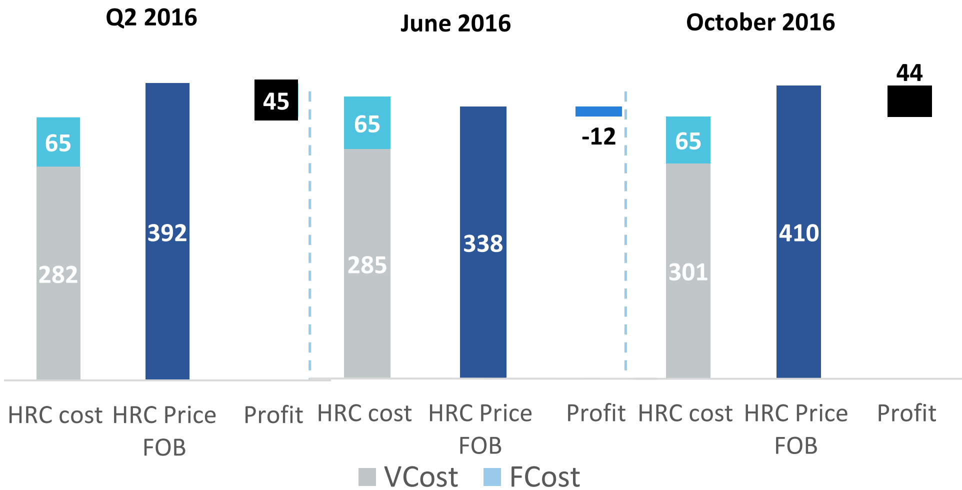
- **Q3 global steel output up 2% yoy to 401 mt**
  - Q3 Chinese output up by 3% yoy
  - World ex-China (incl. DMs) output up by 0.4 % yoy
  - Chinese steel exports down by 8% yoy to 28.1 mt
- **Supply response is limited**
  - China announced 21.3 mt cuts YTD (48% of target for 2016)
- **Chinese steel profitability improved while supply response is not significant**

Steel output up YoY

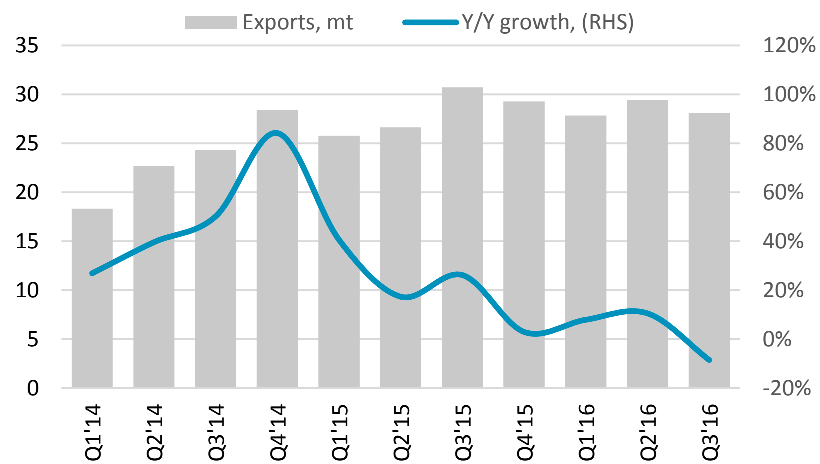


Source: Worldsteel

Chinese steel profitability improved



Chinese steel exports down YoY and QoQ

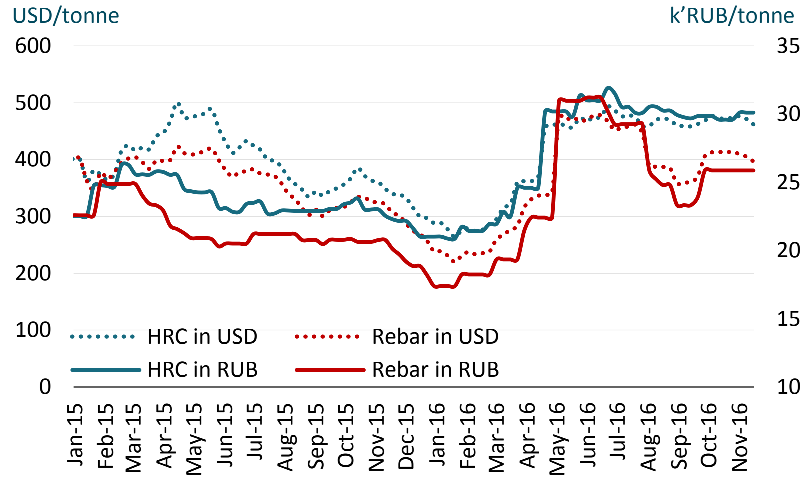


Profitability improved for marginal cost mills

Q: RUSSIAN STEEL MARKET S/D AND PRICING?

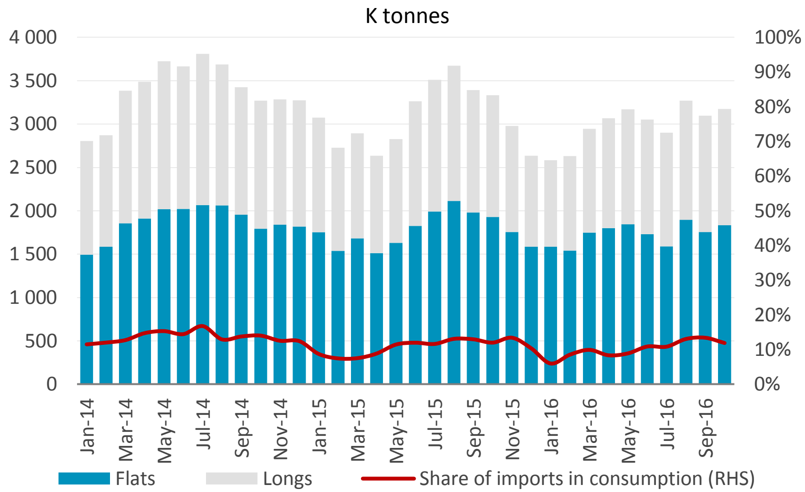
- **Supply / Demand remain balanced**
  - 10m'16 output was down to 58.6 m t (-1% yoy)
  - 10m'16 steel demand was 31.9 m t (-5.3% yoy)
  - Supply discipline and steel price growth in global markets continue to support domestic prices
  - NLMK response: 9m'16 flat domestic sales +9% yoy
- **Prices**
  - **+45-70%** YTD driven by a) growth in raw materials prices, b) restocking
  - **+2% EXW and +20% FOB QTD** due to a) improved demand on exports b) Chinese prices growth

Russia: steel prices (EXW)



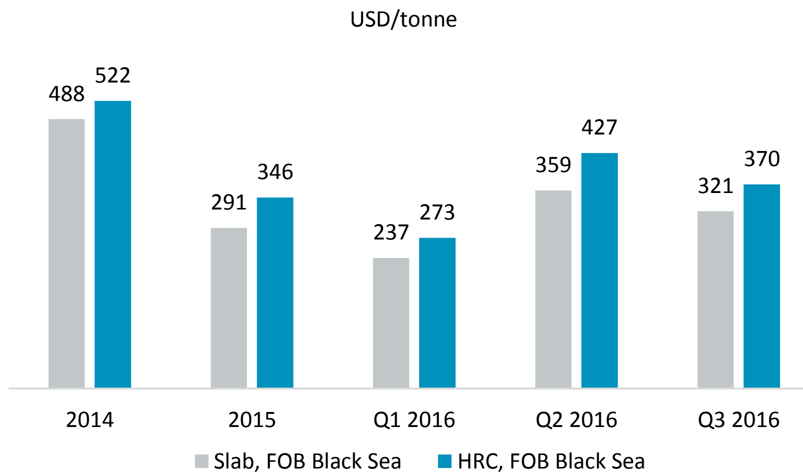
Source: Metal Bulletin, NLMK estimates. Prices excl. 18% VAT

Russia: flat & long steel consumption



Source: Metal Expert

Russian steel export prices



Source: Metal Bulletin

Demand downturn offset by lower imports

Q: RECENT PERFORMANCE

- **All-time record sales**
  - 9M'16 sales 12.3 mt, up 2% yoy
  - Q3'16 sales 4.22 mt, up 7% yoy

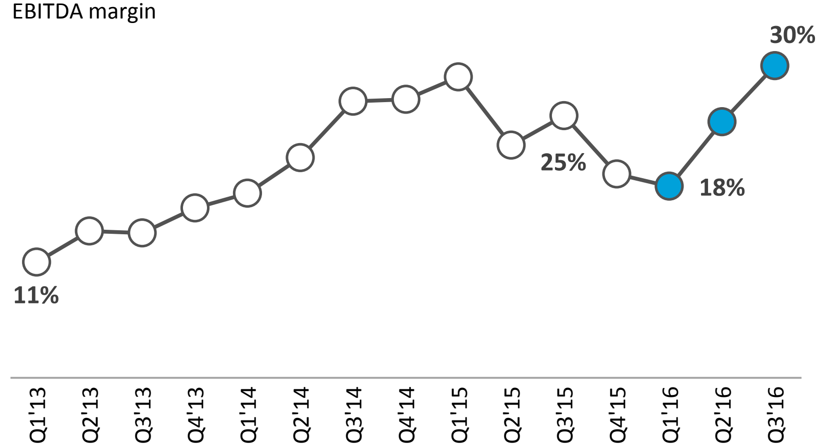
- **Improved profitability and cash flow**

Q3 revenue:	$2,225 m	(+19% qoq; +10% yoy)
Q3 EBITDA:	$673 m	(+46% qoq; +32% yoy)
Q3 EBITDA margin:	30%	(+5 p.p. qoq; +5 p.p. yoy)
Net profit:	$385 m	(2.1x qoq; -6% yoy)
Free cash flow*:	$474 m	(3.0x qoq; +28% yoy)

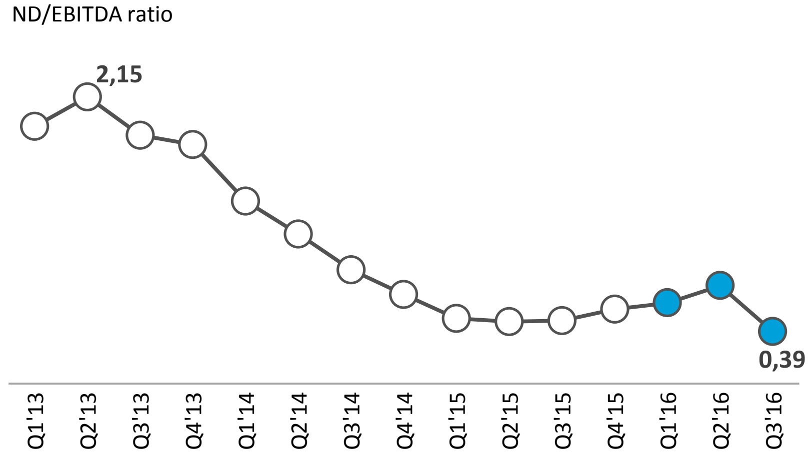
- **Stronger balance sheet**

Net Debt:	$687 m	(-41% qoq; -36% yoy)
Net Debt/EBITDA:	0.39x	(0.74x as of 30/06/16)

Highest profitability in 6 years



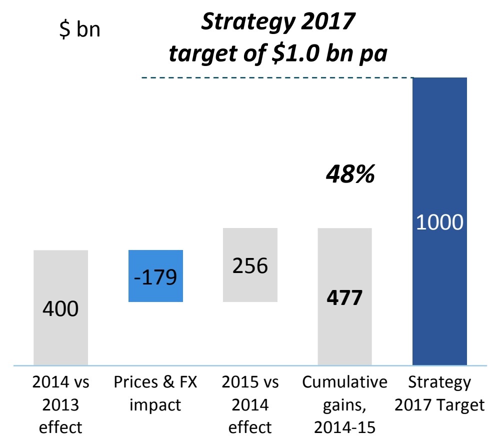
Very low leverage



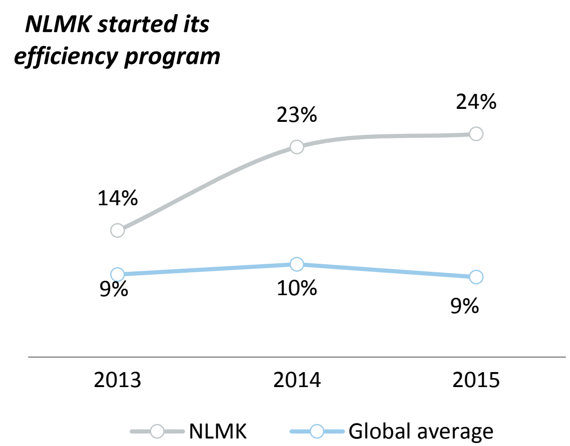
* Free cash flow = operational cash flow minus capex minus advances for VAT payments on imported equipment minus net interest payments

Q: WHAT IS YOUR STRATEGY EXECUTION PROGRESS?

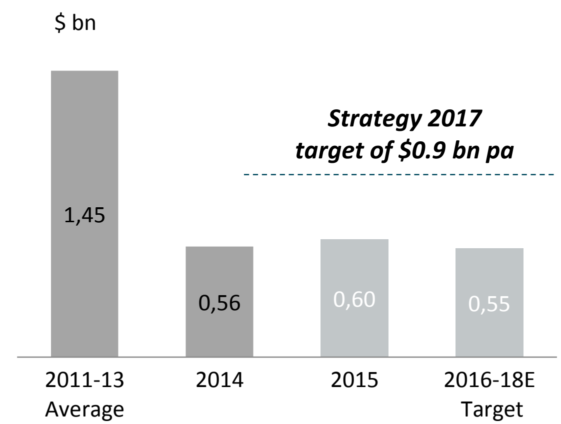
ANNUAL GAINS VS. 2013



PROFITABILITY GROWTH

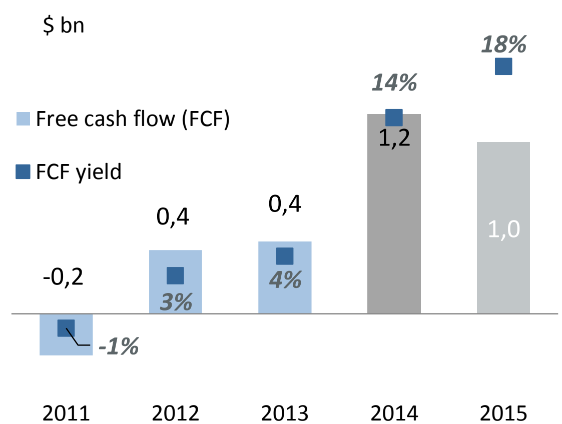


CAPEX REDUCTION

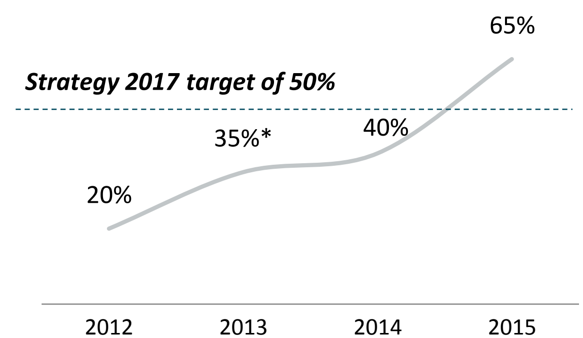


CONSERVATIVE LEVERAGE

SUSTAINABLE POSITIVE FCF*



INCREASED DIVIDEND PAYOUT



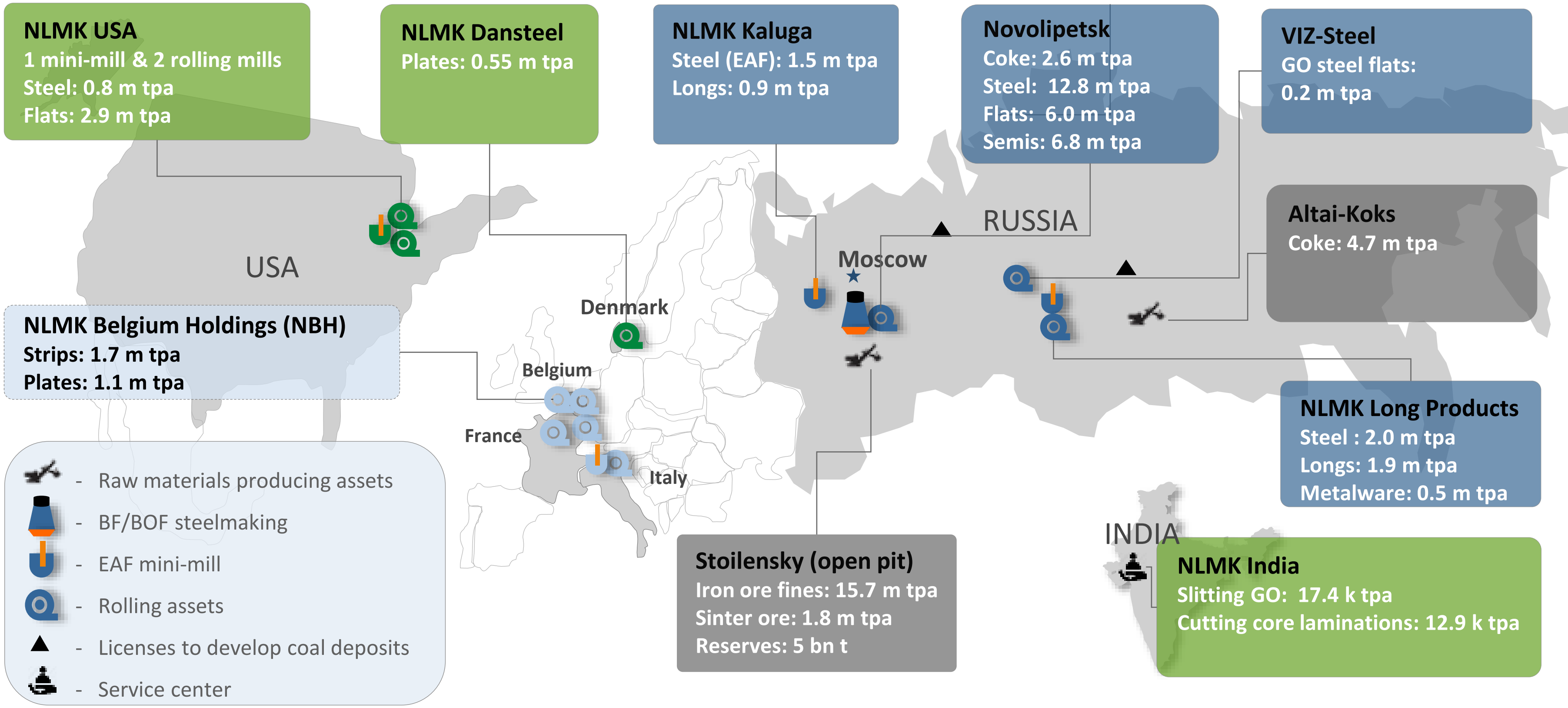
Source: Latest reported financials
* Based on Bloomberg Intelligence global steel producers index

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

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

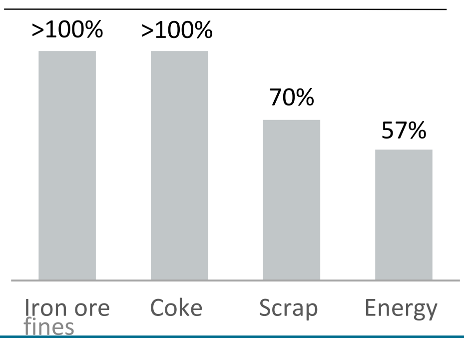
CONTENT

GEOGRAPHY & PRODUCTION CAPACITY

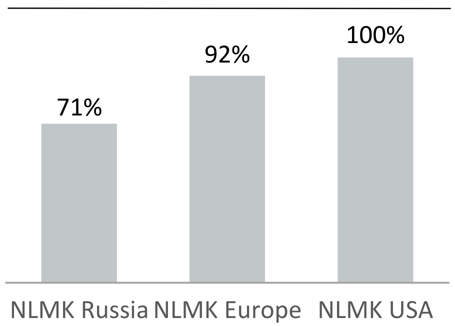


Source: Company data as of FY 2015; * Finished steel

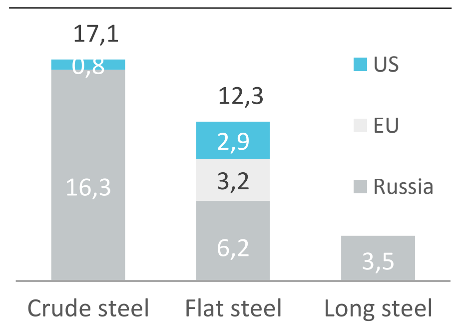
RAW MATERIALS SUFFICIENCY



"DOMESTIC" SALES*, %



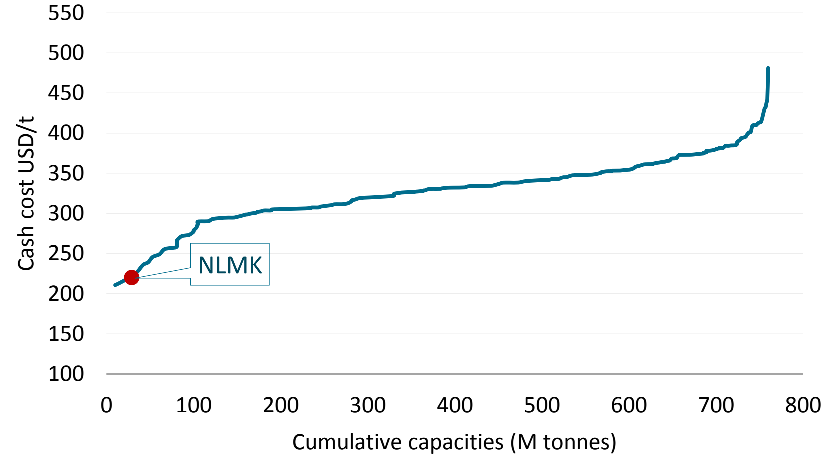
CAPACITY, M TPA



KEY COMPETITIVE ADVANTAGES

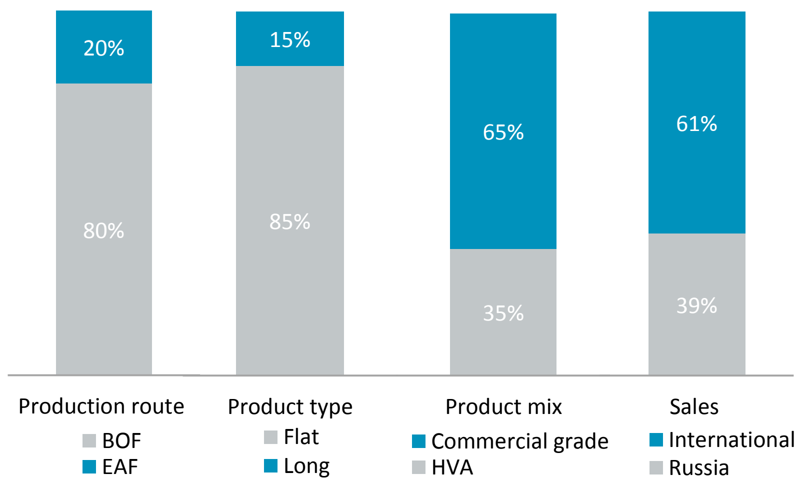
- **The largest steelmaker in Russia with 1st quartile costs and one of the highest profitability levels globally**
- **Balanced and diversified production chain**
  - All upstream assets and 95% of steelmaking capacity (80% BOF, 20% EAF) located in Russia
  - Self-sufficiency in raw materials: iron ore 85%, coke 100%, scrap 85%, energy 60% (Lipetsk Site)
  - 15 m tpa downstream facilities in Russia, EU and the US source slabs from Russian operations
- **One of the most diversified steelmakers globally**
  - Up to 100% of finished rolled products produced in Russia, EU and the US are sold locally
  - Diversified product portfolio (flat 82%, long 18%) with c. 30% of high value added
  - Diversified customer base (from infrastructure to automotive and energy) in more than 70 countries
- **100% utilization, 28 p.p. above industry average**
- **Low risk growth opportunities across the existing production platform**
  - Scalable value chain: growth options in upstream, midstream and downstream
  - Low capex due to organic/brownfield growth options

Slab production cost (Oct'16)



Source: World Steel Dynamics

Diversified business model



Well positioned to further enhance its competitive advantages

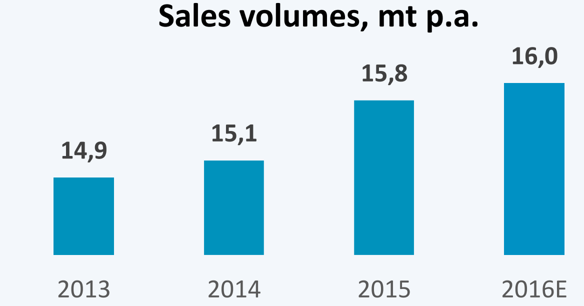
CONTENT

STRATEGY EXECUTION DRIVES STRONG PERFORMANCE

Strategic initiatives behind solid results:

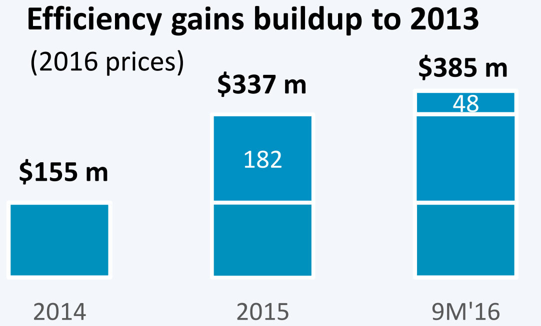
1 Market leadership

- Continuing sales growth driven by the exposure to strategic home markets: Russia, EU, and USA
- Strong positions in the niche markets
- Growth in value added products sales



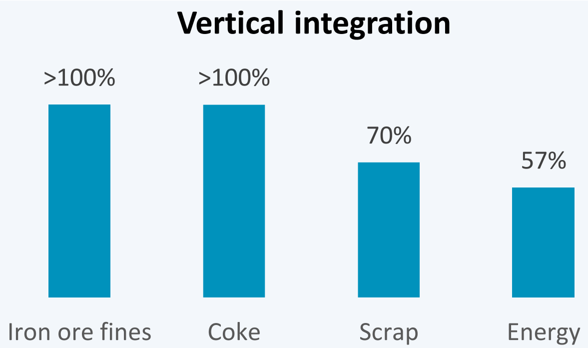
2 Operational efficiency

- Efficiency gains over the last 3 years make up 27% of EBITDA
- Continuous cost reduction drives cost leadership



3 World-class resource base

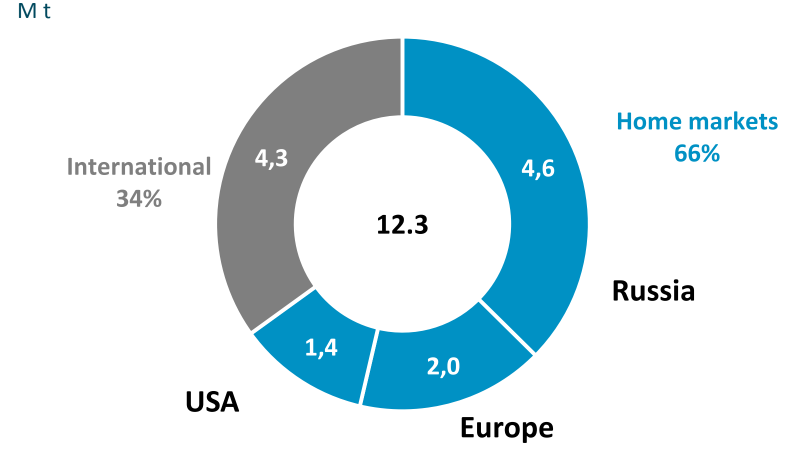
- Ongoing deepening of vertical integration
- Sufficiency in core raw materials at low cost



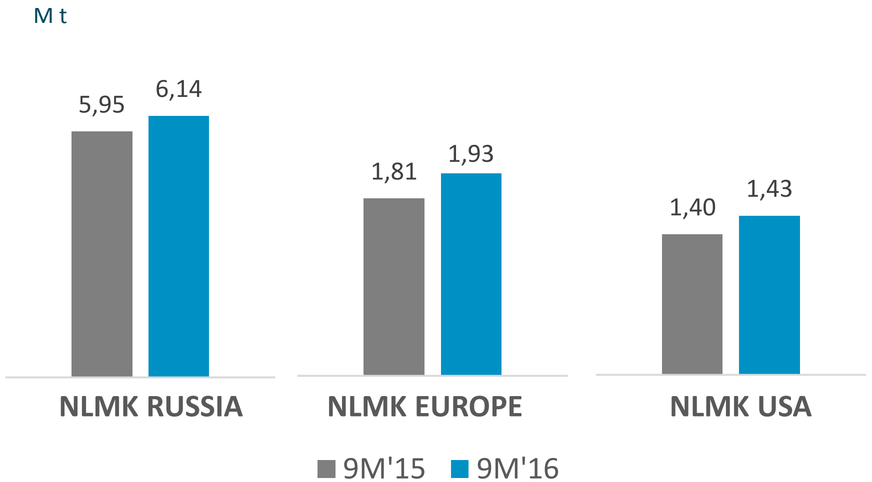
❶ LOCAL MARKETS SECURE STRONGER SHIPMENTS…

- **Exposure to local customers in home markets**
  - Through downstream assets in Russia, EU, and USA
  - 2/3 of steel sold where it is produced
  - Leading positions in the local markets and niche segments
- **Finished steel shipments grew across all divisions in absolute tons and relative to market**

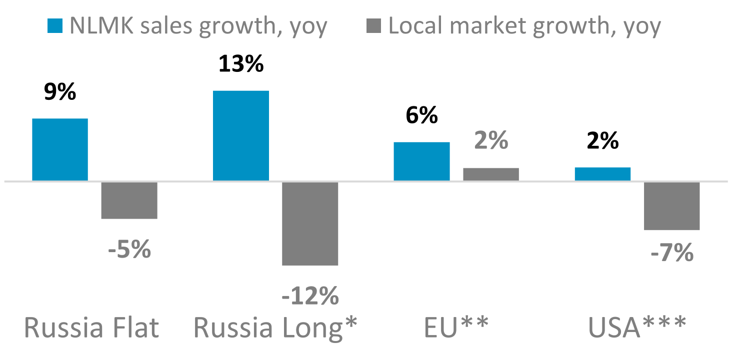
NLMK shipments by markets, 9M’16



NLMK shipments of finished steel by divisions



NLMK sales vs. local market growth, 9M’16

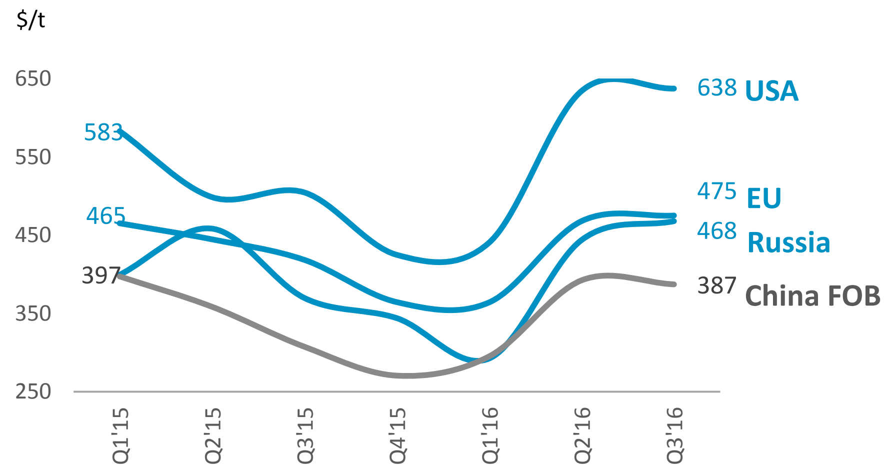


Russian market long products dynamics include rebar, wire rod and sections
* NLMK Russia Long total sales (incl. billets)
** NLMK Dansteel & NBH sales to EU *** NLMK USA sales to USA
Source: NLMK, worldsteel, Eurofer

❶ … WITH BETTER PRICING AND PRODUCT MIX

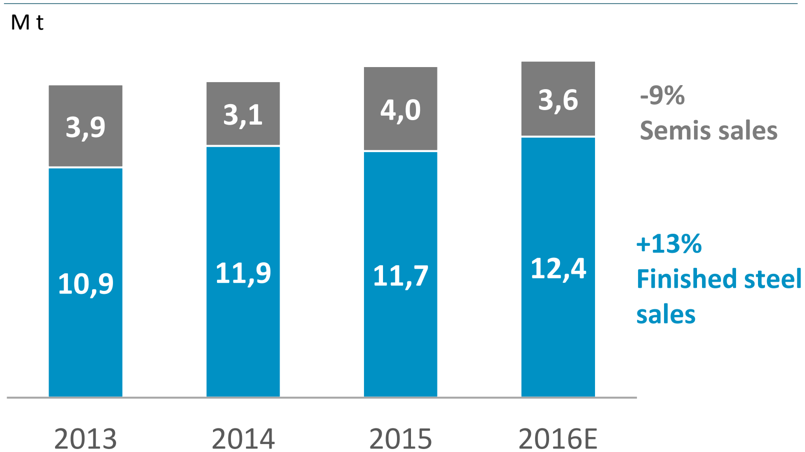
- **NLMK's home markets offer price premiums to the benchmark**
- **Ongoing sales growth and product mix improvement contribute to higher profitability across all divisions**

Prices at NLMK's home markets

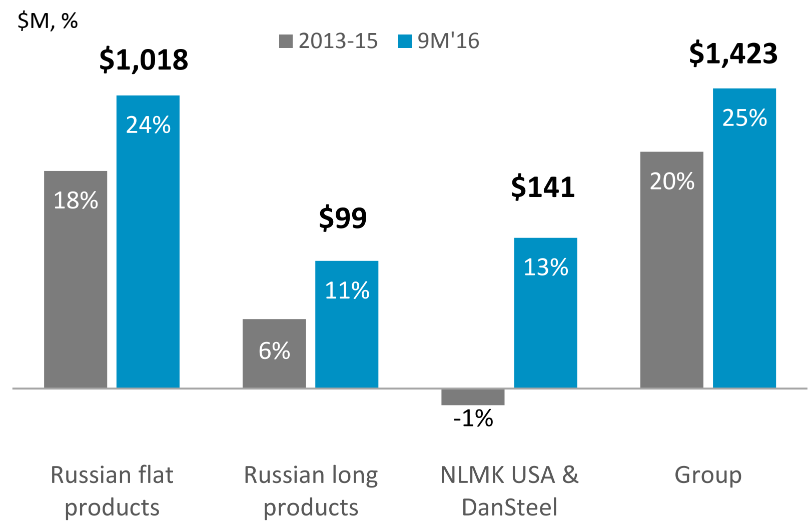


Source: Metal Bulletin, SBB

NLMK product mix



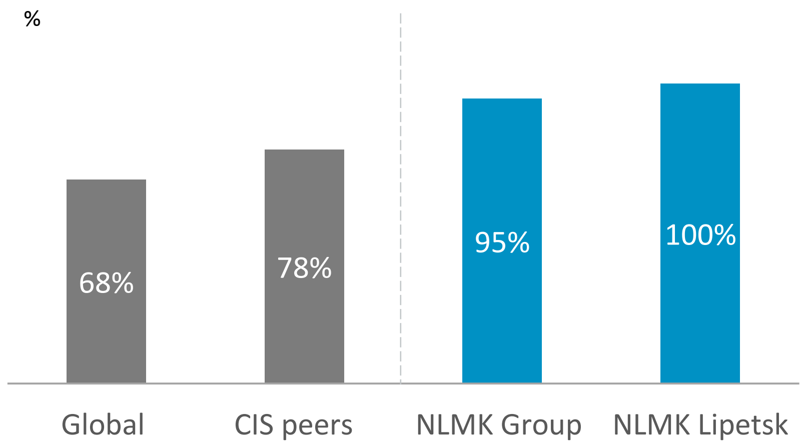
NLMK EBITDA by divisions



❷ PRODUCTIVITY GAINS UNLOCK ADDITIONAL CAPACITY

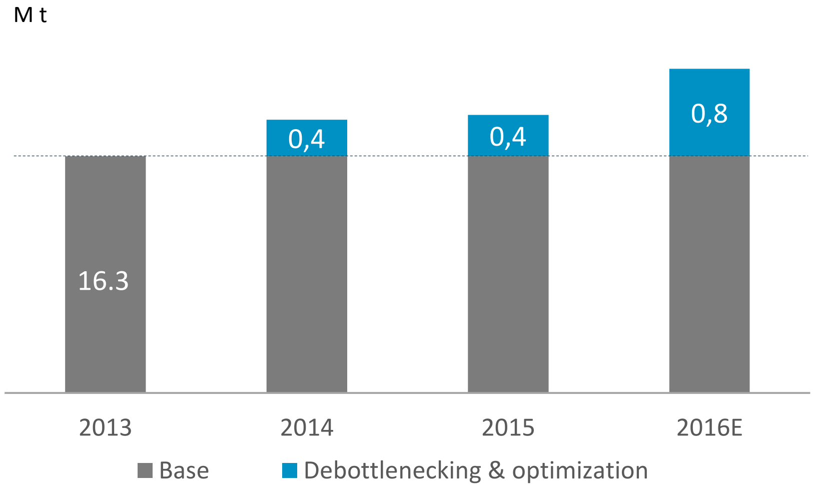
- Group operations are running at high rates
- Ongoing efficiency programs targeting productivity growth at zero capex
- Output growth is balanced across the entire production chain

Utilization rates, average 2013-9M'16

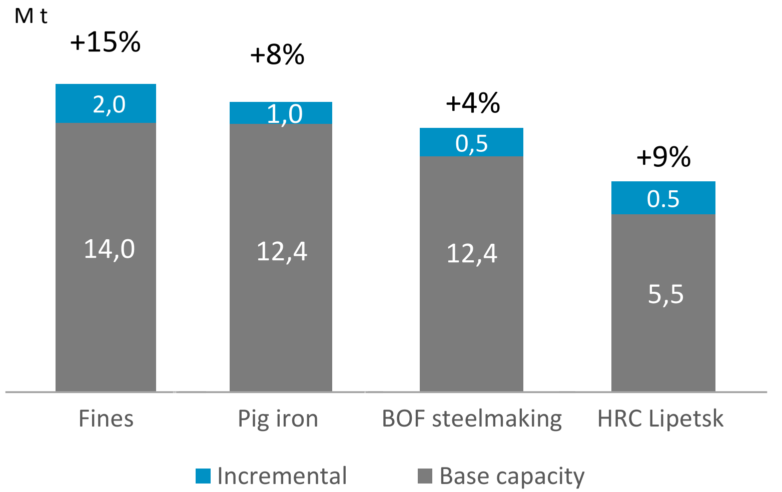


Source: NLMK, worldsteel

NLMK steel output growth to 2013 base



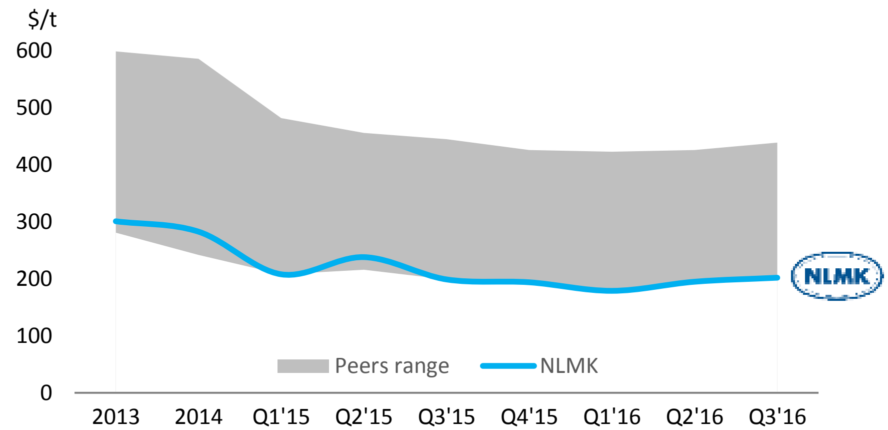
NLMK's capacity growth to 2013 base



❷ EFFICIENCY PROJECTS STRUCTURALLY REDUCE COSTS

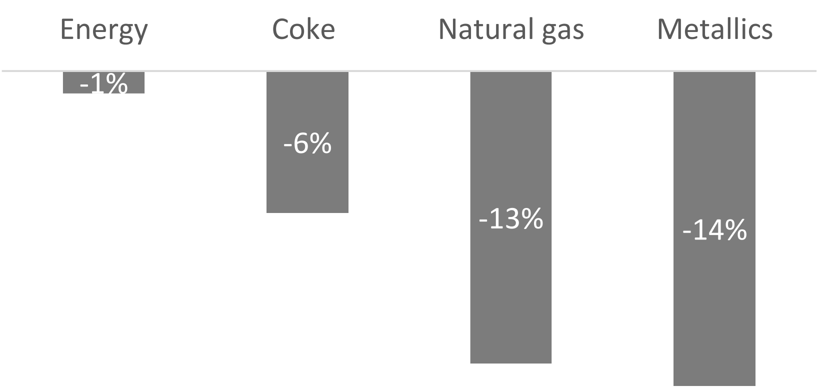
- **Consistent cost leadership through the cycle**
  - 40% cost advantage over average global steel producers
- **Lower consumption of energy and raw materials**
- **Slab cash costs fell almost 50% since 2013**

Steel production costs



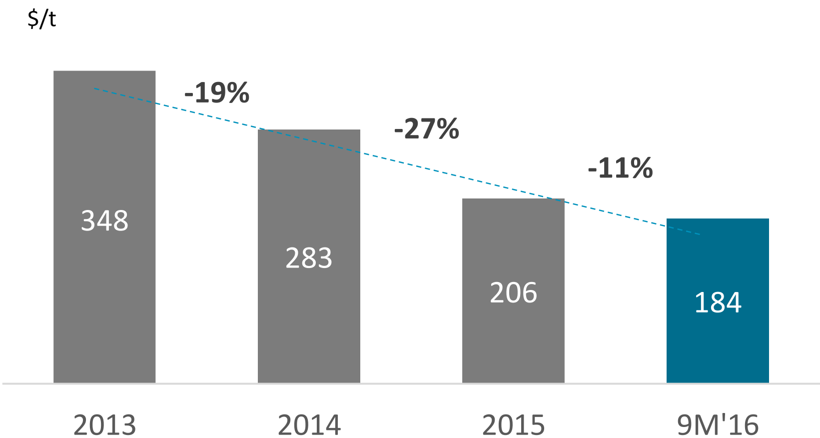
Source: WSD

NLMK unit consumption, 2016 vs. 2013



NLMK Russia production sites

NLMK slab production cost trend

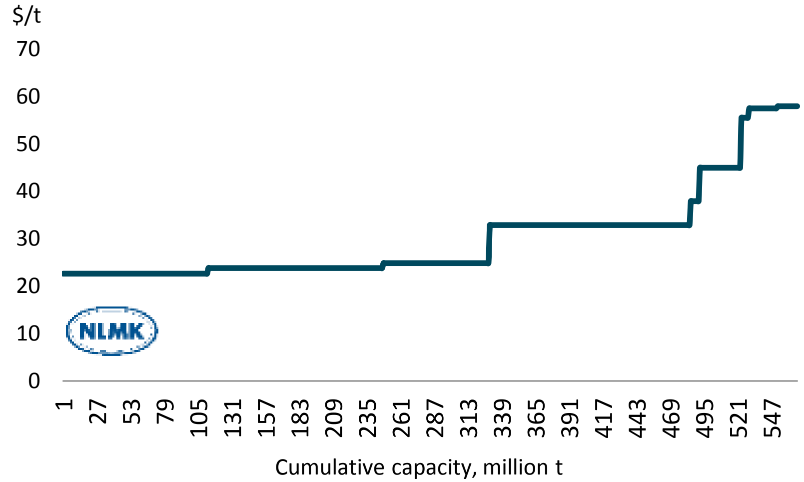


Source: NLMK

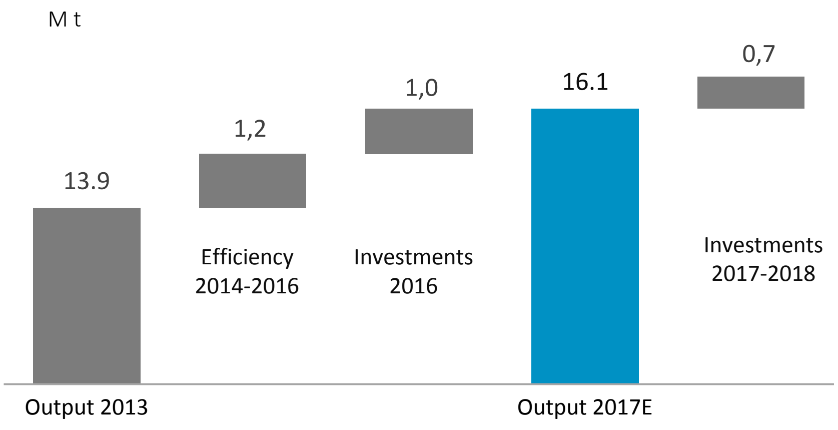
❸ WORLD-CLASS RESOURCE BASE SECURES COST LEADERSHIP

- **Vertical integration in the lowest cost iron ore**
- **100% utilization rate at the core upstream asset**
- **Ongoing efficiency and capex projects increase iron ore supply…**
  - +1.2 mt pa – efficiency gains* in 2014-2016
  - +1.7 mt pa – investments by 2018 (+1.0 mt pa in 2017)
  - More productivity improvements underway (2017-2018)
- **… translating into structural slab cash cost reduction**

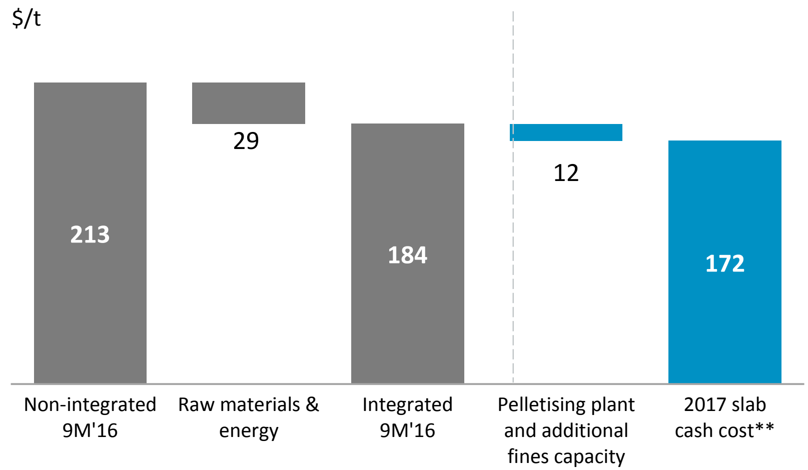
Iron ore fines production cost, 9M'16



NLMK's iron ore fines production



NLMK production cost per t of steel



* Output is also impacted by fluctuations in the maintenance cycles and iron ore quality

** In 2016 prices and costs

❸ PELLET PLANT: PUSHING COSTS FURTHER DOWN

- New 6 mt p.a. pellet plant will be launched in November 2016
- Integration in pellets rises from 0% to 100%
- 2017 EBITDA impact c.$150m
- Production will grow over time by 1.2 mt p.a. with a small capex
- Growing sufficiency in fines to further improve economics

NLMK pelletizing plant economics, 2017E*

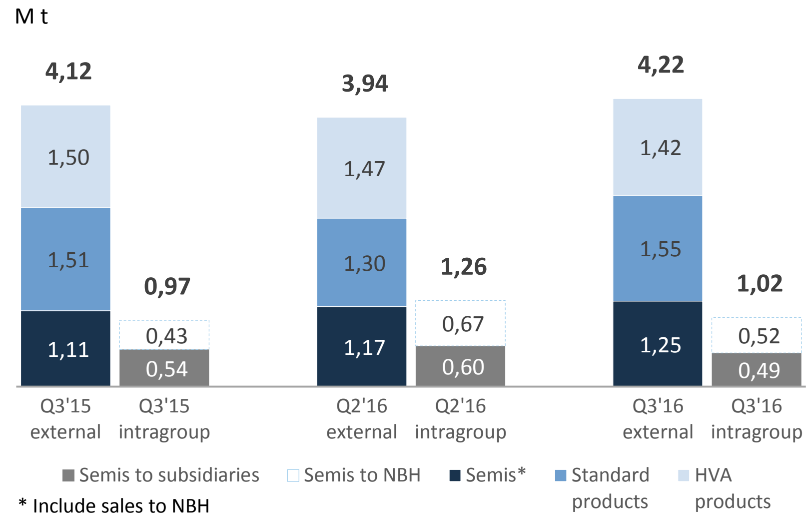
* At current prices. ** Assumed 2016E export volumes.

CONTENT

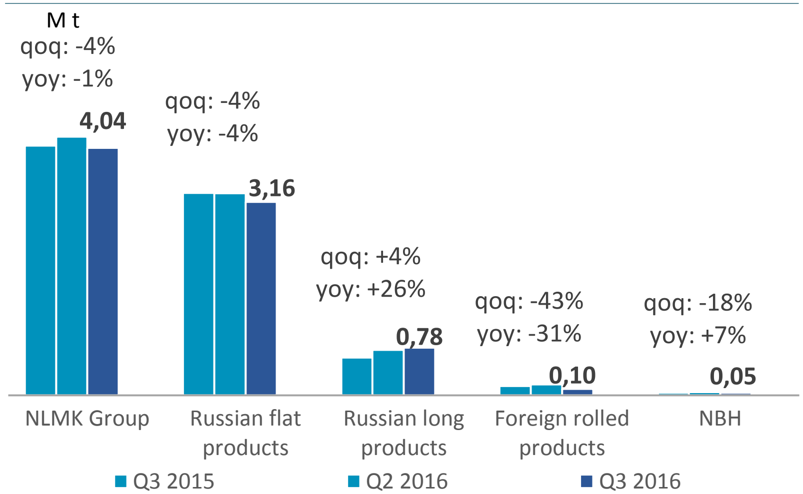
Q3’16 NLMK SALES AND OUTPUT

- **Sales grew to 4.2 m t (+7% qoq) driven by:**
  - Finished products up by 8% qoq due to strong Russian demand and better exports of longs
  - Growth in semis driven by strong demand for billets
- **Uptick in sales driven by Russian assets:**
  - Flat steel sales driven by construction, machinery and pipes sectors in Russian market
  - Long steel sales benefitted from exports to M East and N Africa
- **Group steel output of 4.0 m t (-4% qoq)**
  - Decline was due to scheduled repairs of BF #6

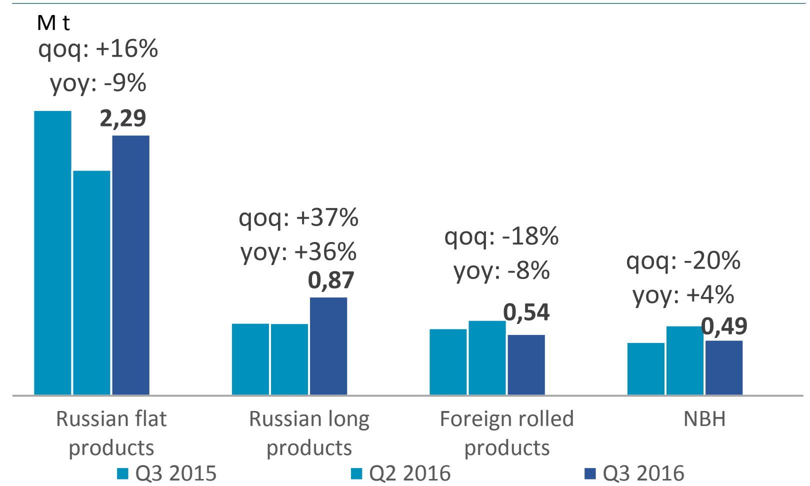
Group sales structure



Steel production



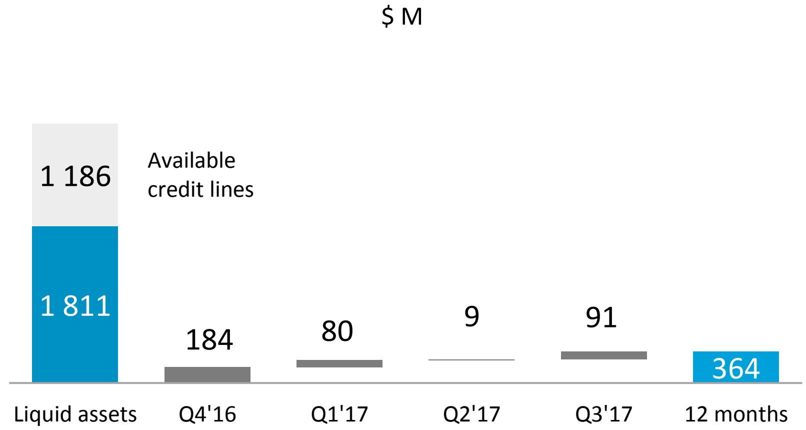
Sales by segments



DEBT POSITION: NET DEBT DOWN BY 41% QOQ

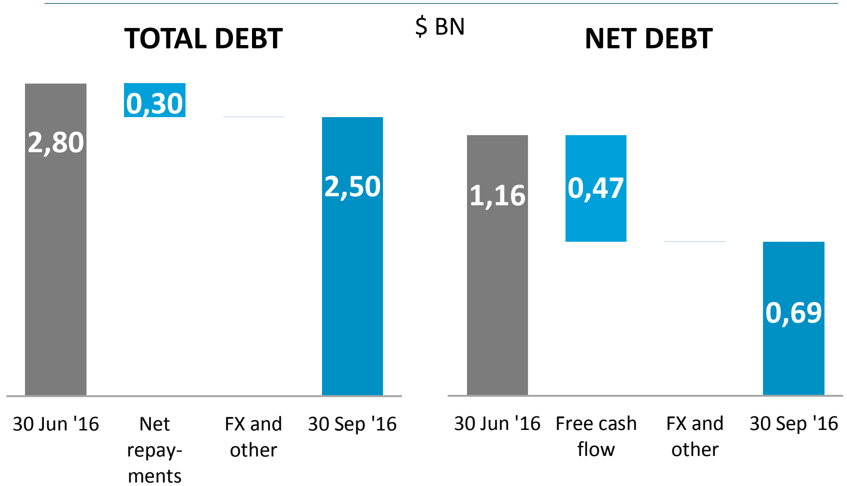
- **Liquidity position of $1.8 bn**
- **Comfortable debt maturity profile**
  - ST debt $0.36 bn
  - LT debt $2.11 bn
- **Net Debt / 12M EBITDA: 0.39x**
  - Net Debt: $0.69 bn (-41% qoq, -37% yoy)
  - Total Debt: $2.50 bn (-11 % qoq, -7% ytd)
- **Investment grade ratings from Fitch and S&P**

Liquidity and ST-debt payments*

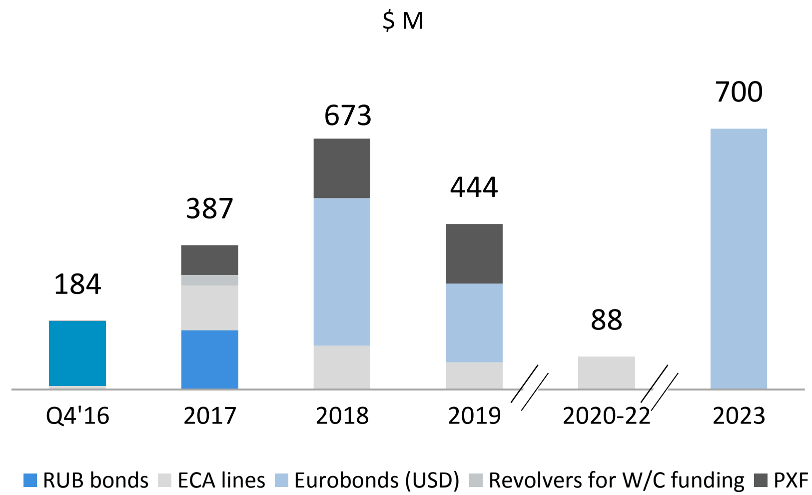


* Without interest payments

Debt change in Q3'16



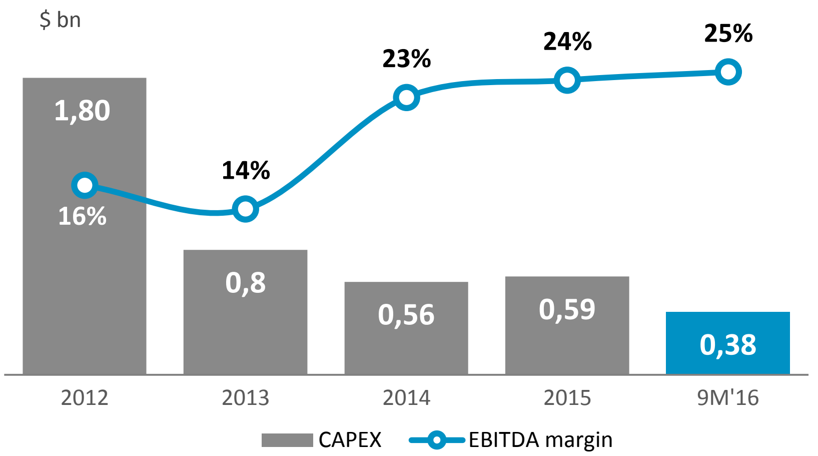
Debt maturity*



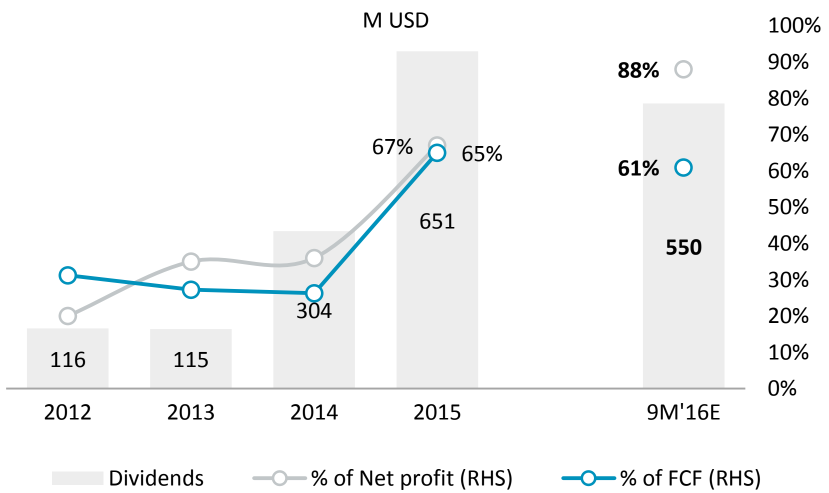
STRATEGY EXECUTION DRIVES SHAREHOLDER RETURNS

- Structural growth in profitability and reduction in capex
- Sustainable free cash flow generation
- Strong balance sheet
- Higher dividend payout

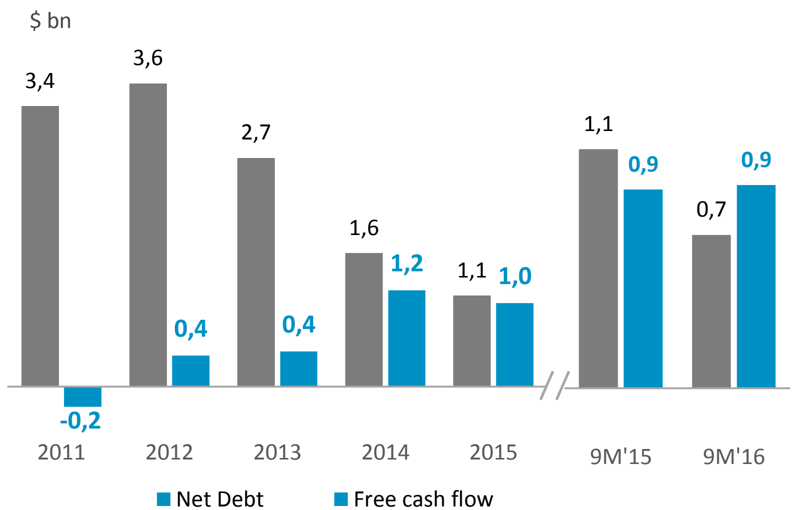
NLMK EBITDA Margin & CAPEX



DIVIDEND HISTORY



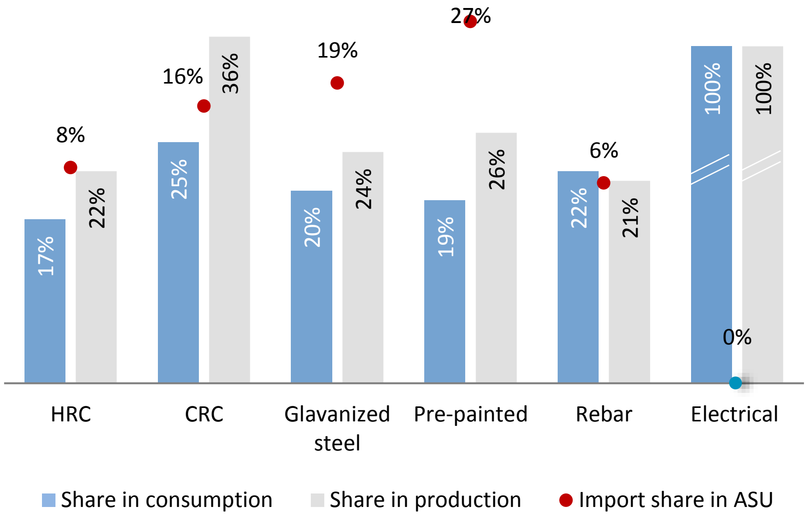
NLMK Net Debt & FCF



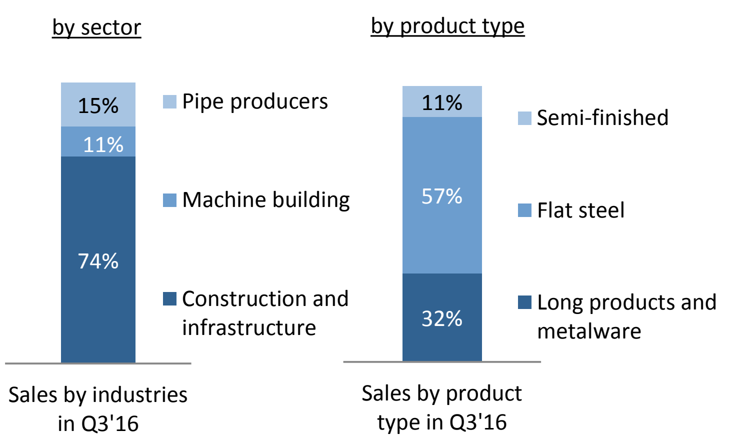
SALES IN RUSSIA

- **NLMK has leading positions in value added product with demand outpacing supply**
- **Exposure to niche products:**
  - (LDP feedstock) – long term contract till 2019
  - Monopolist at electrical steel market (high value added product with the highest margin)
- **Diversification to flat / long products**
- **Flexibility to relocate shipments from domestic to export markets and vice versa**

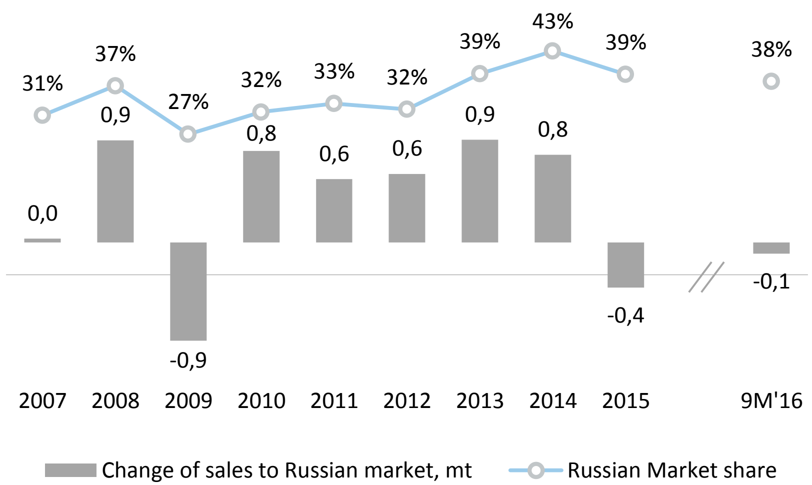
NLMK share in the Russian steel market



Sales by sector and product



Share of Russian market in total sales



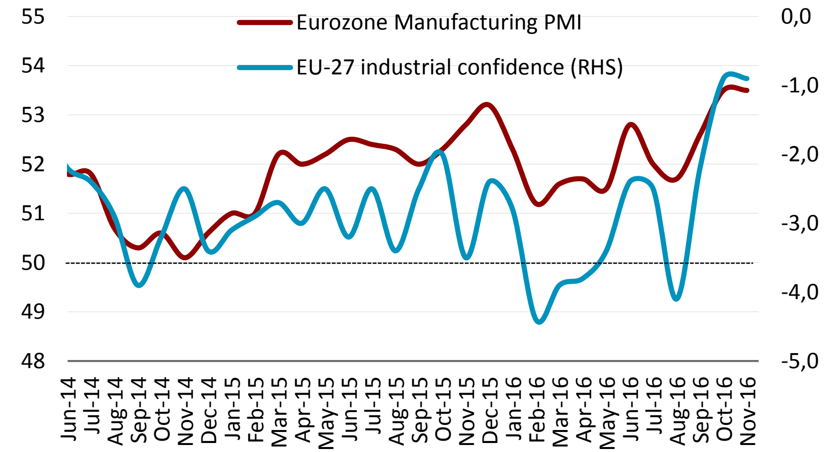
Exposure to diverse and niche customer base

CONTENT

EUROPEAN STEEL MARKET

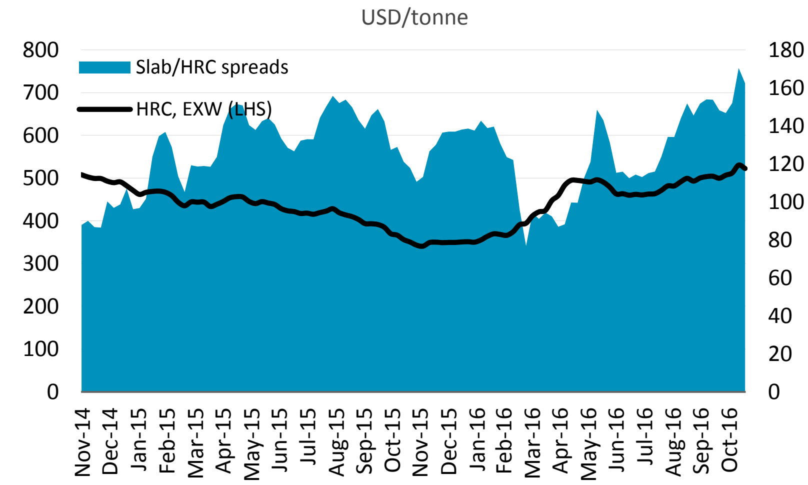
- **Supply / Demand**
  - 10m’16 steel output declined to 135.4 m t (-4% yoy)
  - Oct’16 output was 14.1 m t (+5% mom; flat yoy)
  - 2016 ASU is anticipated to grow by 1.1% driven by improved underlying demand owing to the consumer spending strengthening
  - Manufacturing PMI strengthened in Sep-Oct’16
  - 8m’16 imports up by 12% yoy (in Aug’16 up by 24% yoy)
- **Prices**
  - After 2 summer months prices have improved notably
  - EU HRC prices +50% YTD (+4% QTD)
  - EU Plate prices +42% YTD (+1% QTD)

INDUSTRIAL SECTOR INDICATORS



Source: Eurostat

HRC SPREADS



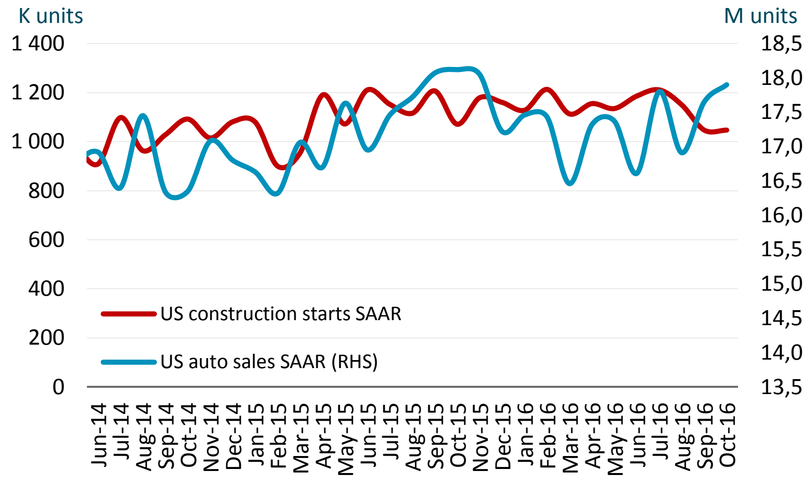
Source: Metal Bulletin

Single-digit growth due to pent up demand / improved fundamentals

US STEEL MARKET

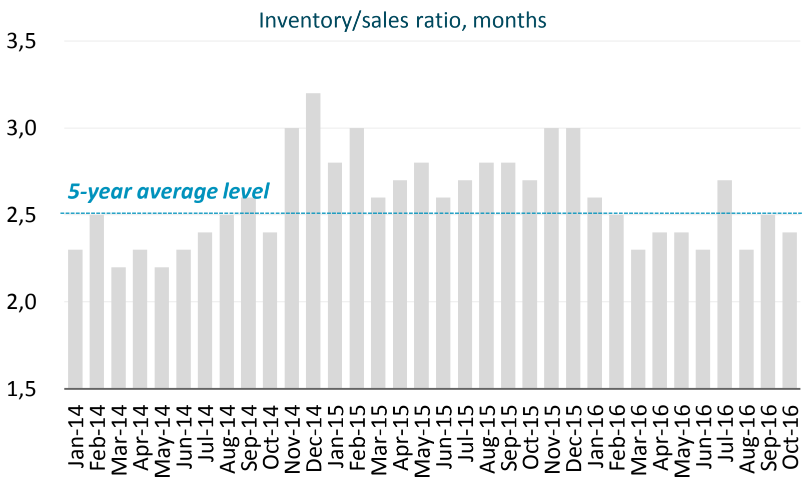
- **Supply / Demand**
  - 10m'16 production was 66.0 m t (-2% yoy)
  - Oct'16 output was 6.4 m t (+3% mom; -2% yoy)
  - 9m'16 imports down 20%
  - Autos remain a bright spot, construction grows but at a slower pace
- **Prices**
  - Domestic price improvements:
    - HRC prices up by 50% YTD (+7% QTD)
    - CRC prices up by 55% YTD (+4% QTD)
- **Inventories**
  - Inventories buildup amid falling import volumes

CONSUMING SECTORS INDICATORS



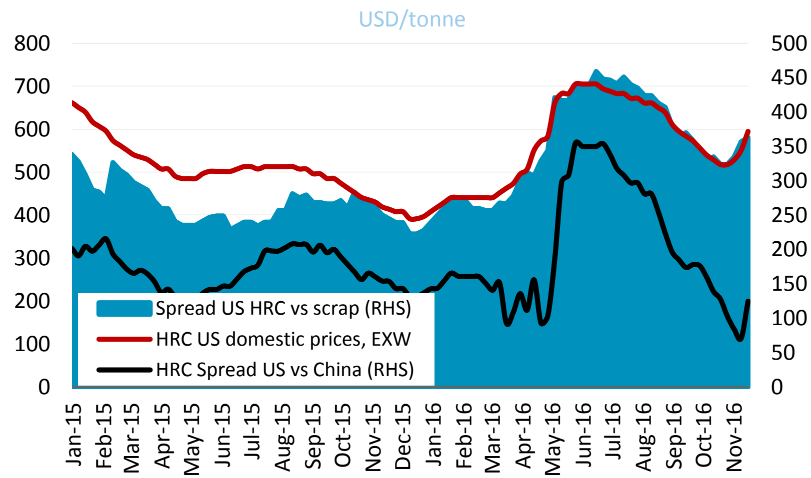
Source: US Census Bureau, Ward's Automotive Group

STEEL INVENTORIES



Source: Bloomberg

US STEEL PRICES



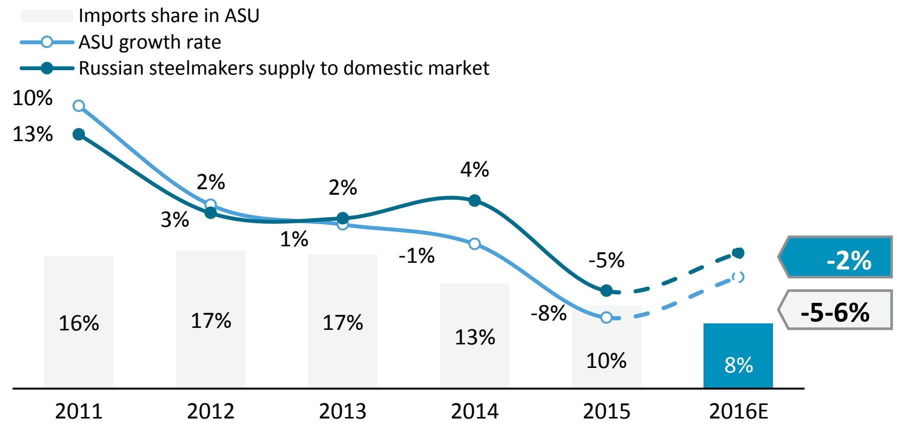
Source: Metal Bulletin

Stabilized demand to support prices and drive profits

RUSSIA: SIGNIFICANT IMPROVEMENT IN PRICES

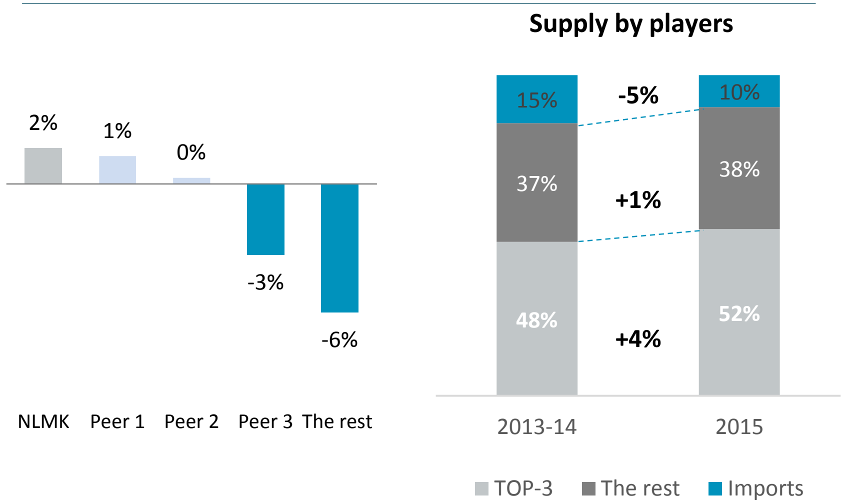
- **'16 outlook improved**
  - Demand to decline by 5-6% (instead of -10% in Dec'15)
  - Output unevenly declines (TOP-3 maintain volumes, increase market share) leading to price/supply discipline
  - Imports to further decline driven by better global prices, FX volatility, tariffs raised by Russia
- **NLMK strengthens its positions in Russia**
  - Including niche and premium sectors such as wide slabs for LDP, coated steel and transformer steel

Steel consumption & supply trends



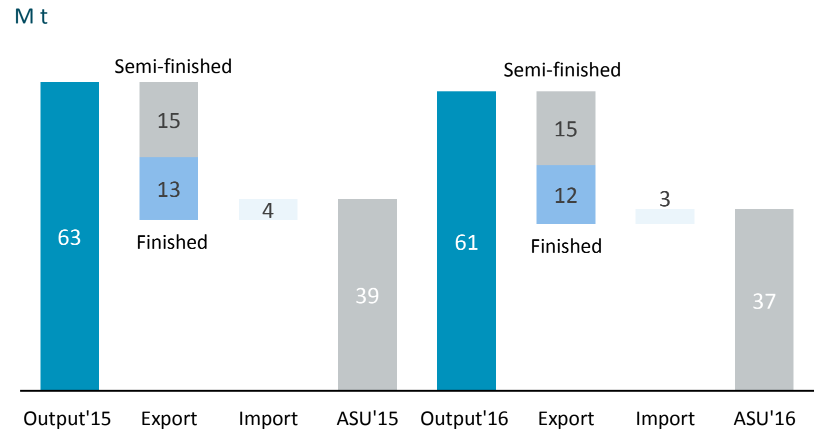
Source: Metal Expert, NLMK estimates

Russian majors 2015 (YOY) steel output



Source: Russian assets companies' data

Russian steel market balance



Source: Metal Expert, NLMK estimates

Imports substitution helped majors to grip market share and raise prices

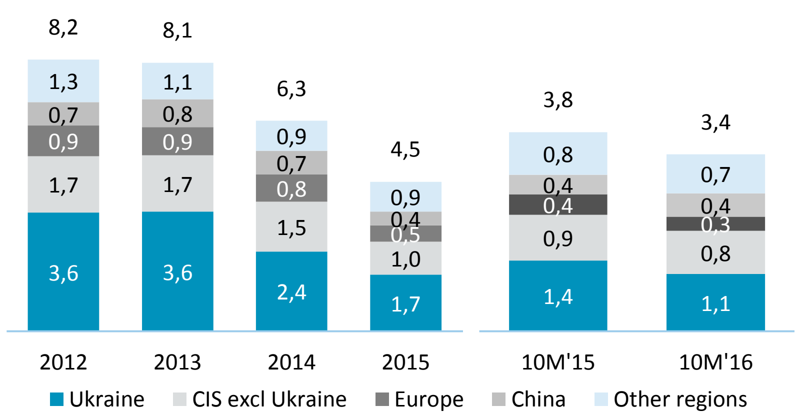
STEEL IMPORTS IN RUSSIA

- **Imports structure**
  - 2015 Flats / longs / pipes: 55% / 35% / 10%
  - 10m'16 Flats / longs / pipes: 68% / 20% / 12%
- **Imports declined in 2015…**
  - 2015 imports declined by 28% yoy to 4.5 m t (from Ukraine dropped by 30% yoy to 1.7 m t)
  - 10m'16 imports decreased by 8% yoy to 3,4 m t
- **…driven by**
  - RUB weakening led to softer pricing environment making imports less attractive
  - New capacity added competing with imports

Russian steel market balance 10m'16

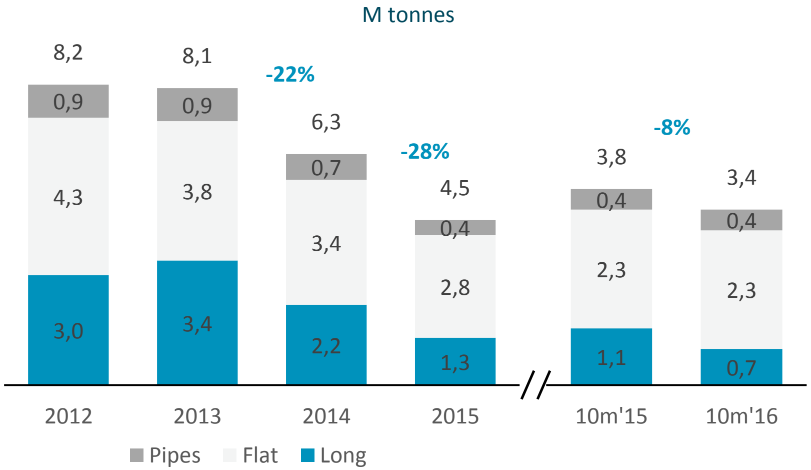
Source: Metal Expert, NLMK estimates

Steel imports by region 10m'16



Source: Metal Expert, Federal Customs Service, Comtrade, NLMK estimates

Steel imports by product 10m'16



Source: Metal Expert, NLMK estimates

Ruble devaluation makes imports less attractive

CONTENT

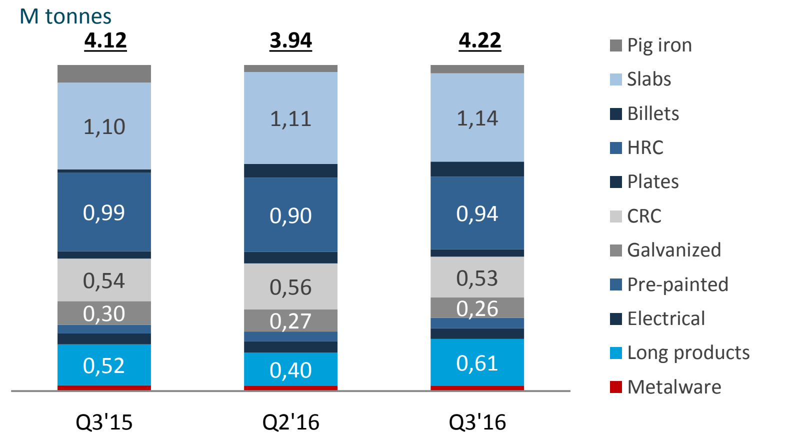
Slab production at Novolipetsk

For more visuals go to *instagram.com/nlmk_group*

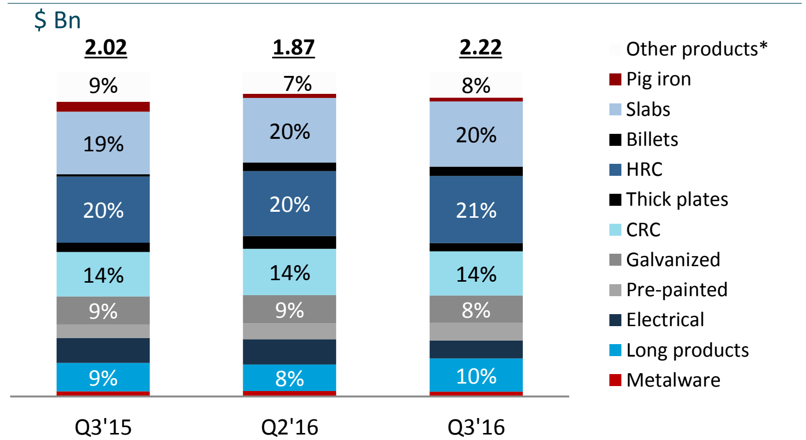
SALES STRUCTURE

- **Q3'16: SALES UP BY 7% QoQ TO 4.22 MT**
  - +8% qoq finished steel
  - +6% qoq of semi-finished
  - +45% qoq Longs
  - -1% qoq Flats
  - -4% qoq HVA products
- **Q3'16: REVENUE UP 19% QoQ TO $2.22 BN**
  - (+) Increase of sales volumes
  - (+) Uptick in steel prices

Sales structure by product



Revenue by product

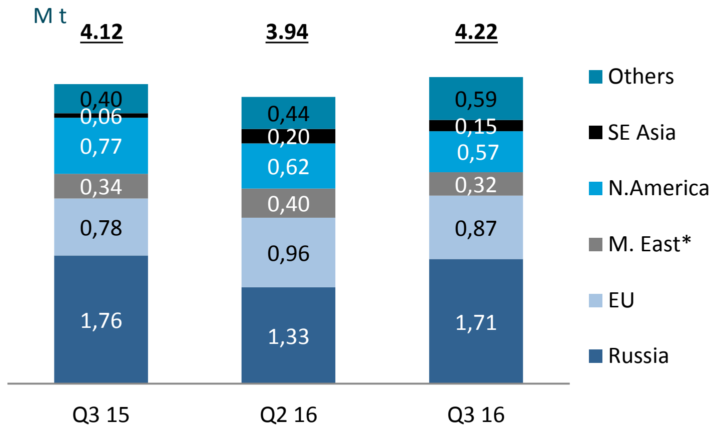


* Revenue from Other operations includes sales of other products (iron ore, coke, scrap and others)

SALES GEOGRAPHY

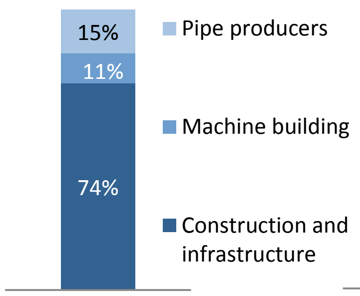
- **GROUP SALES UP BY 7% QoQ**
- **SALES TO LOCAL MARKETS INCREASED 4% QOQ**
  - +29% qoq in Russian market
  - -9 % qoq in North America
  - -9% qoq in European Union
- **SALES TO EXTERNAL MARKETS UP BY 12 % QoQ**

Steel product sales by region



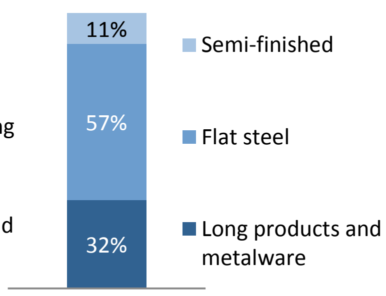
NLMK sales to the Russian market

by sector



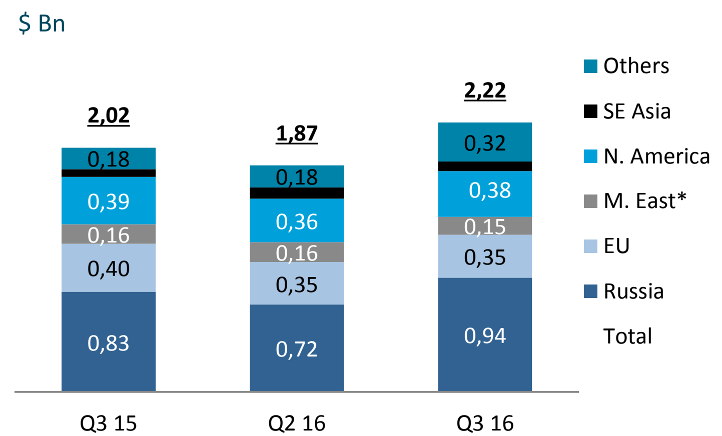
Sales by industries in Q3'16

by product type



Sales by product type in Q3'16

Revenue by region

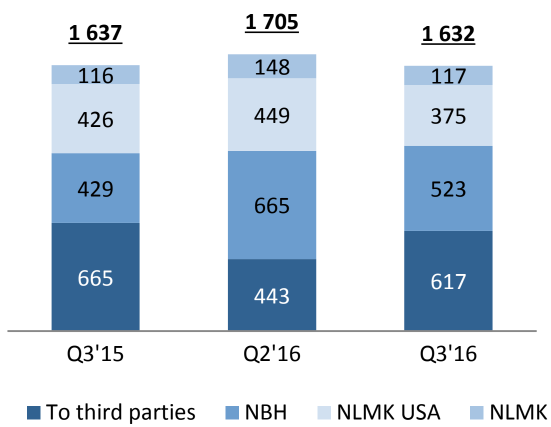


* incl. Turkey

FOREIGN ASSETS PERFORMANCE

Slabs sales from Russian Flat Division

K t



	QoQ
Total	**-4%**
NLMK Dansteel	-20%
NLMK USA	-16%
NBH	-21%
To third parties	+39%

NBH Rolled product sales

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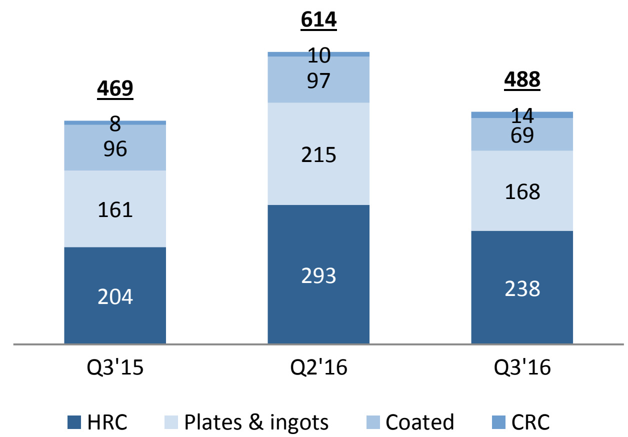
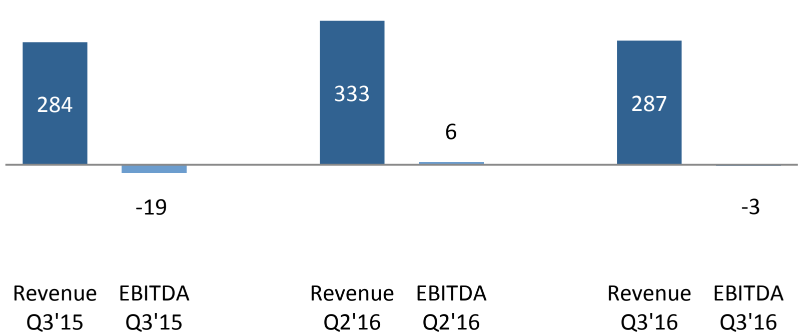


	QoQ
Total	**-21%**
CRC	+12%
Coated	-30%
Plates & ingots	-22%
HRC	-19%

NBH financial results

$ M



NLMK USA and NLMK Dansteel sales

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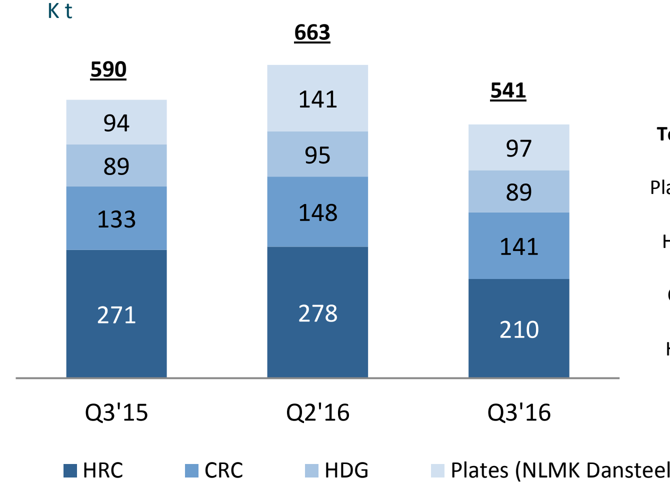
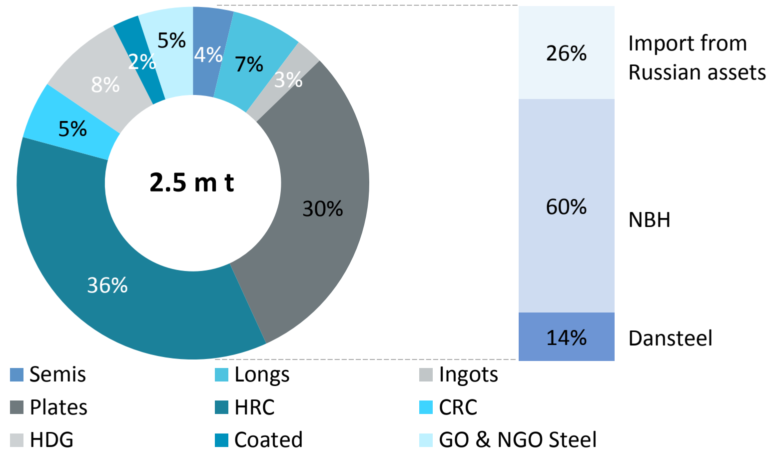


	QoQ
Total	**-18%**
Plates	-32%
HDG	-7%
CRC	-5%
HRC	-25%

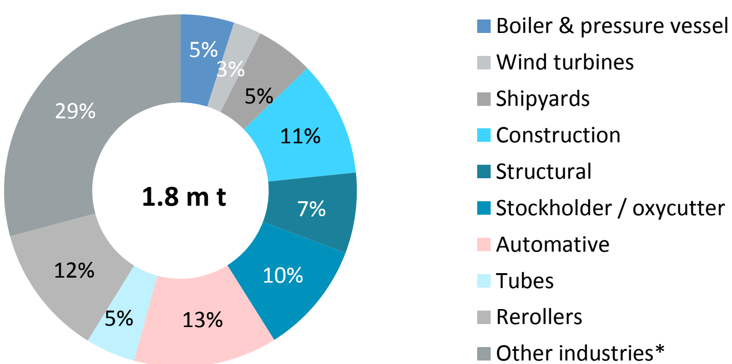
SALES IN EUROPE

- **74% of sales in EU market – products manufactured in Europe (DanSteel & NBH)**
- **93% of all manufactured steel sold locally**
- **Highly diversified product mix with ~55% of HVA**
- **Diverse industry exposure**
  - Machinery, automotive, wind-mills
  - Key clients: Daimler-Crysler, Volvo, Fiat, PSA, Renault, VW, Caterpillar, Dong Energy
  - DanSteel controls 1/3 of plates supply to German shipbuilders, with sales booked up to 2018

Sales by product & producer, 9m’16

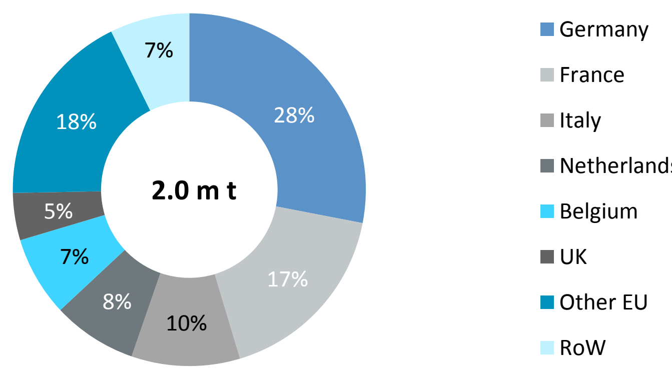


Dansteel & NBH sales by industry in EU, 9m’16



* incl. SSC & Merchants

Dansteel & NBH Sales by country, 9m’16

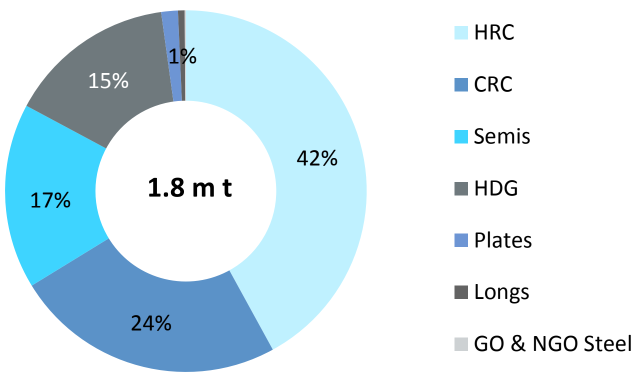


Strong position in high growth segments

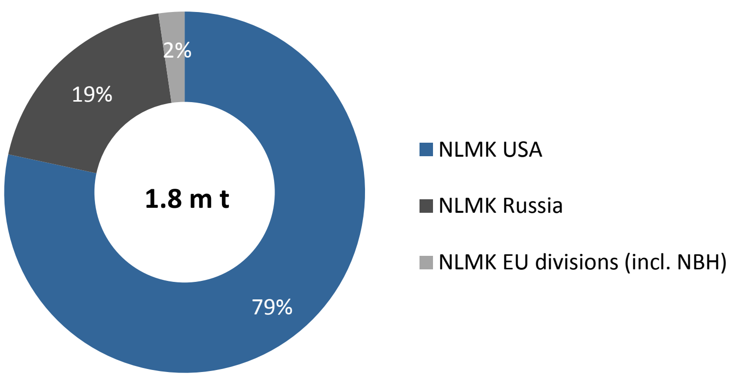
SALES IN THE US

- 100% of locally produced products sold locally
- 79% of USA sales produced by NLMK USA division
- ~83% of product mix – finished steel, incl. 41% - HVA products
- Well-diversified product mix of NLMK USA by industry

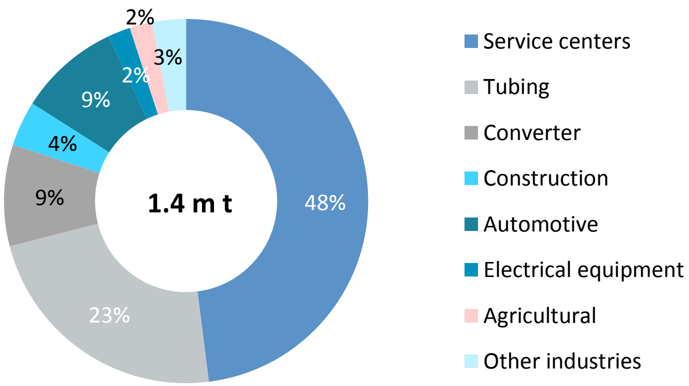
Sales by product in the US, 9m'16



Sales in the US by source, 9m'16



Sales by industry, 9m'16

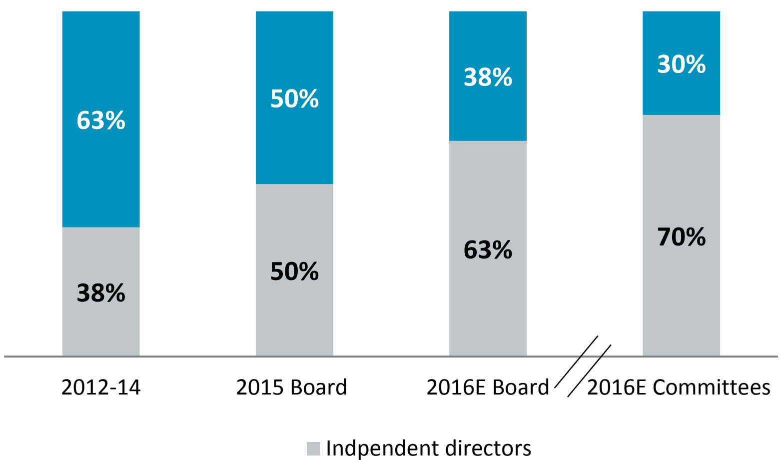


Strong positions in the local U.S. market

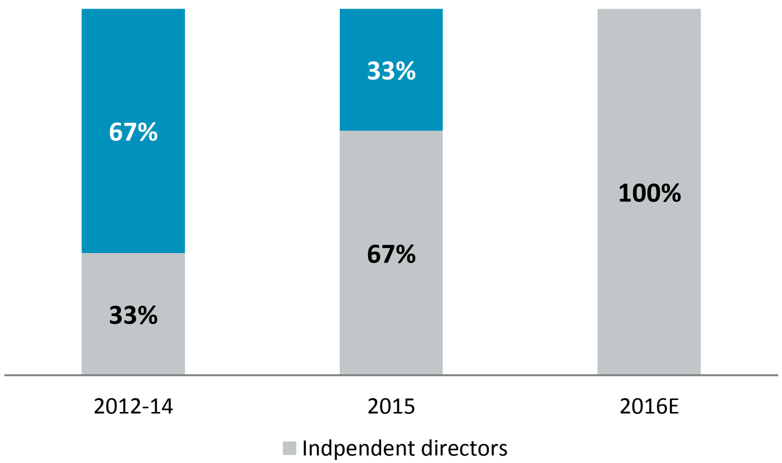
WORLD CLASS CORPORATE GOVERNANCE PRACTICES

- **Growing involvement of independent directors**
  - Increase in the number of Independent Directors in 2015
  - Audit Committee; HR, Remunerations and Social Policy Committee are chaired by Independent Directors
  - Independent Directors make up the majority in each of the committees
- **Board committees meet on a regular basis**
- **Accountable management team focused on governance**
  - Long-term remuneration with clear KPIs set
  - Internal controls and risk management set as a group function reporting to the Audit Committee chaired by Independent director
  - Corporate Secretary set as a group function
- **One of the industry's most transparent companies**
  - Europe 500 – Best European Shareholder Relations Survey by Extel in 2014-2015 (ranked in top 100)
- **New dividend policy improves visibility and predictability for debt- and equity holders**

Board: % of independent directors



% of committees with ID majority

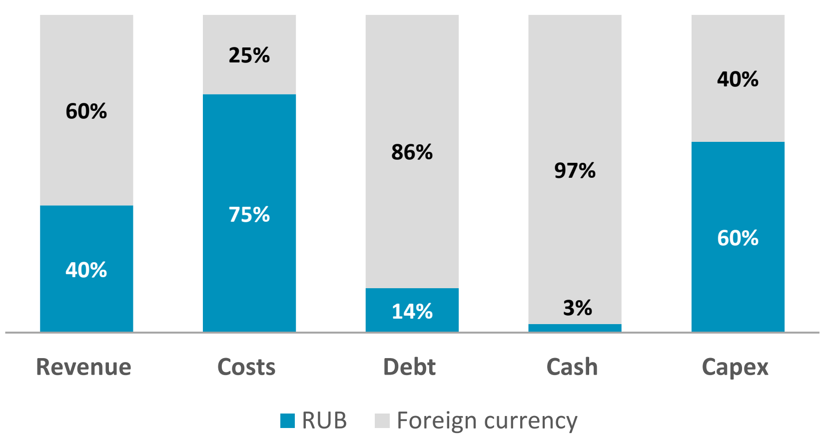


Continuous progress in corporate governance practices

Q: EXPOSURE TO FX RATES?

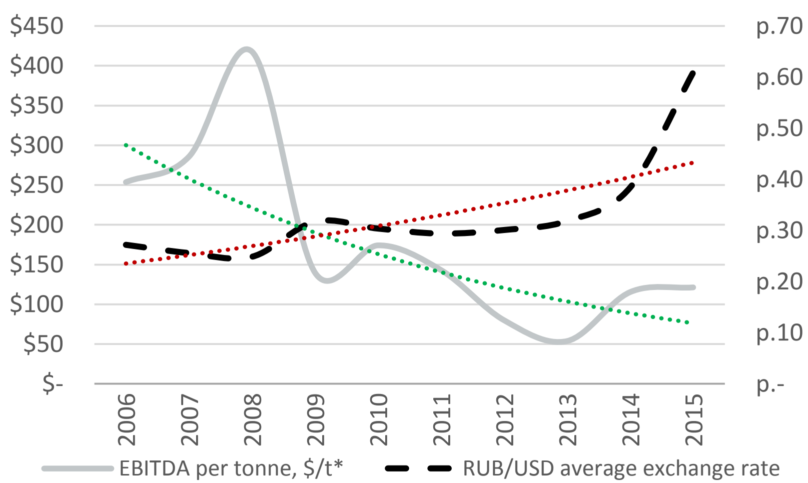
- Revenue/Cost FX split provides a solid cushion in volatile commodity prices fluctuation
- At current rate levels (~65 RUB/$) 1 RUB/$ movement translates into ≈$10 m pa. of EBITDA effect
- Flexibility in sales mix (by product and region) allows to react quickly to FX rate changes
- No hedging instruments used

FINANCIAL RESULTS AND BALANCE SHEET CURRENCY STRUCTURE



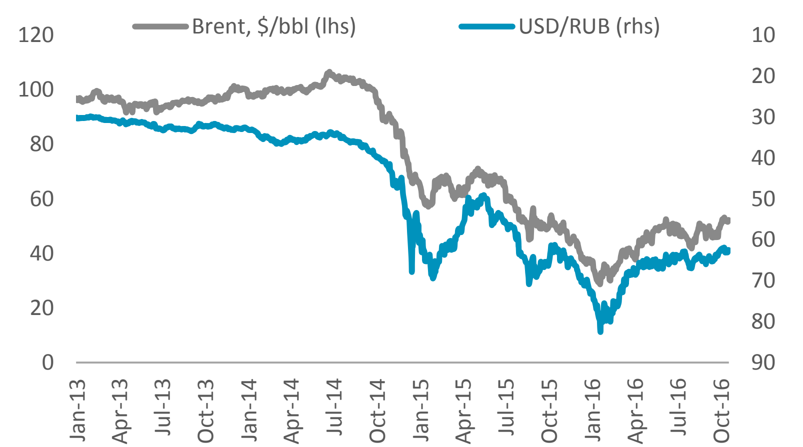
Source: NLMK

HISTORICAL DATA



* Russian Flat Products data

$/RUB FX RATE VS OIL PRICE



Source: Bloomberg

Favorable currency exposure

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