NLMK

Corporate presentation

Credit and Equity Emerging Markets JP Morgan Conference

September 2018

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GLOBAL STEEL DEMAND REMAINS FIRM YTD

Demand across key markets improved further in 2018

- China: surge in apparent demand surprised on the upside
- Consumption continued to rise in the US and the EU
- Russia: demand to recover in 2H18 following FIFA World Cup completion

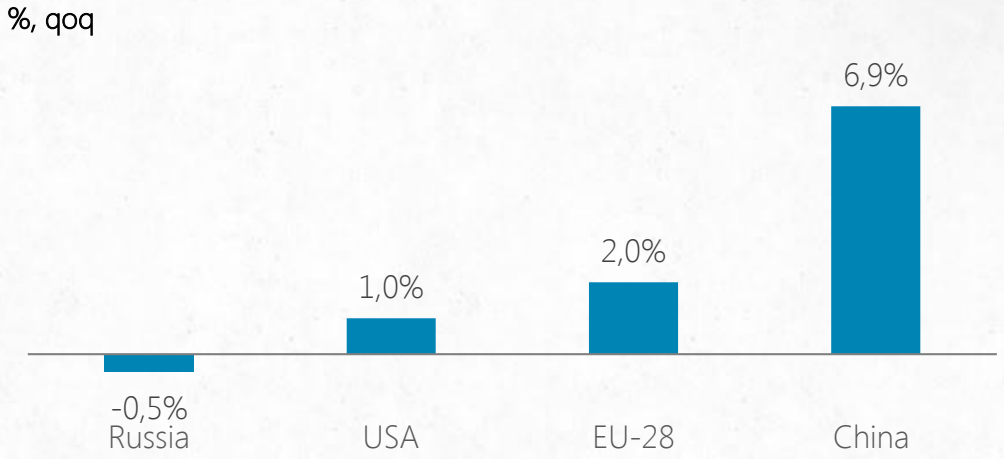
Chinese output and exports recovered in Q2'18 after winter cuts

- "Blue sky" measures and additional environmental checks to constrain output and exports in 2H18; exports already fell noticeably in July-Aug

US imports are capped by the section 232; European imports declined

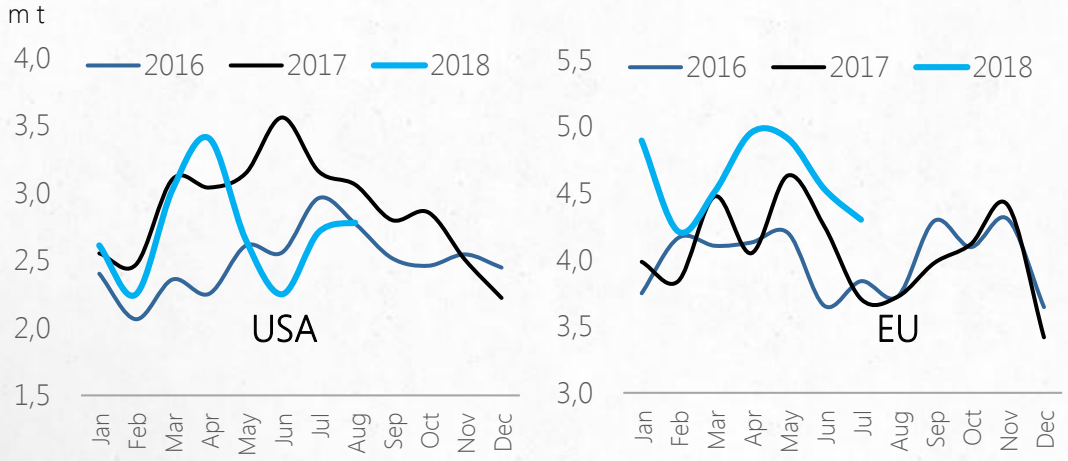
- The US supply and demand balance has been affected by tariffs implementation – imports stabilized in July-Aug
- Further changes expected in traditional global trade flows in 2H18

Growth in demand during 7M18 – China continues to surprise



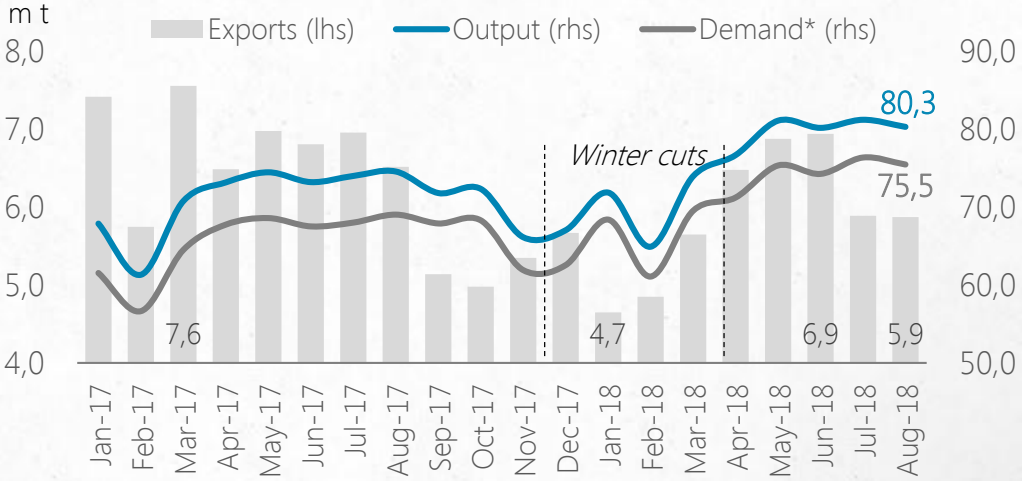
Source: worldsteel, Bloomberg, CRU, Eurofer, Metal Expert, estimates

US imports remain subdued; EU imports have dropped



Source: Bloomberg, US DoC preliminary data, Eurostat

Chinese exports were up in 2Q qoq but fell sharply in Jul-Aug



*Source: Bloomberg, *apparent crude steel demand estimates*

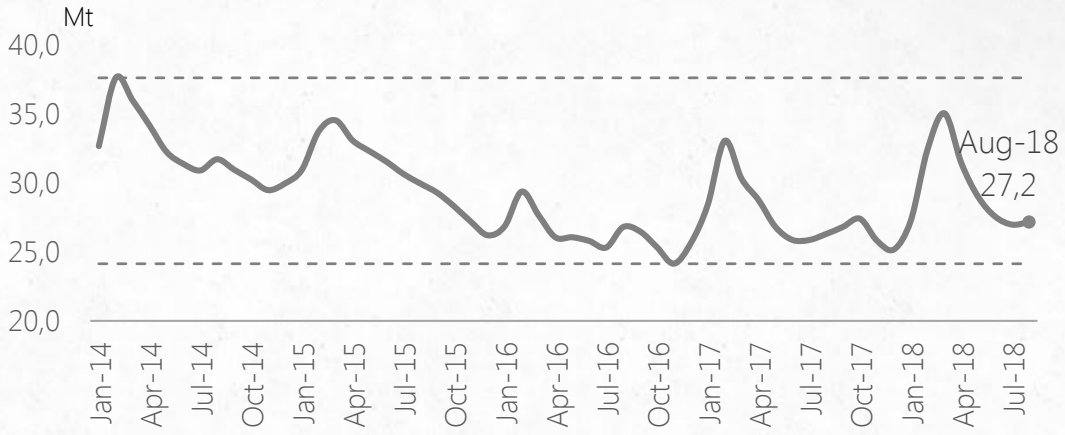
STEEL PRICES AND SPREADS ARE HOLDING UP; STOCKS DOWN

Global steel stocks are low, especially in China

Steel prices worldwide have declined slightly except for the US market

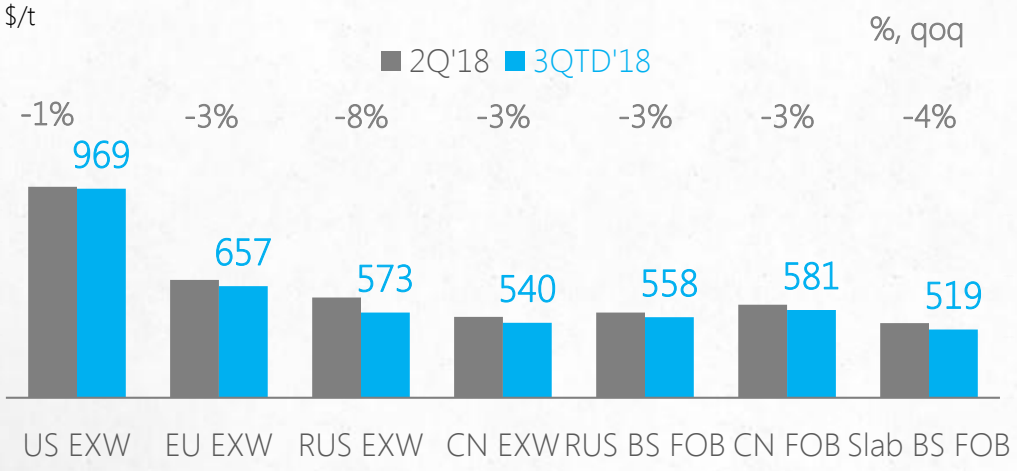
- The US prices remain high in Q3'18, but on a downward trend since late July towards normalized levels (currently at $916/t for HRC)
- Average prices in the EU are lower vs Q2'18 due to a seasonal slowdown during summer months; in September, prices have started to recover
- Russia: ruble prices increased to match with the USD prices; export prices are lower amid soft interest from the EU and Turkey
- Chinese export prices are down marginally

Global stocks remain tight



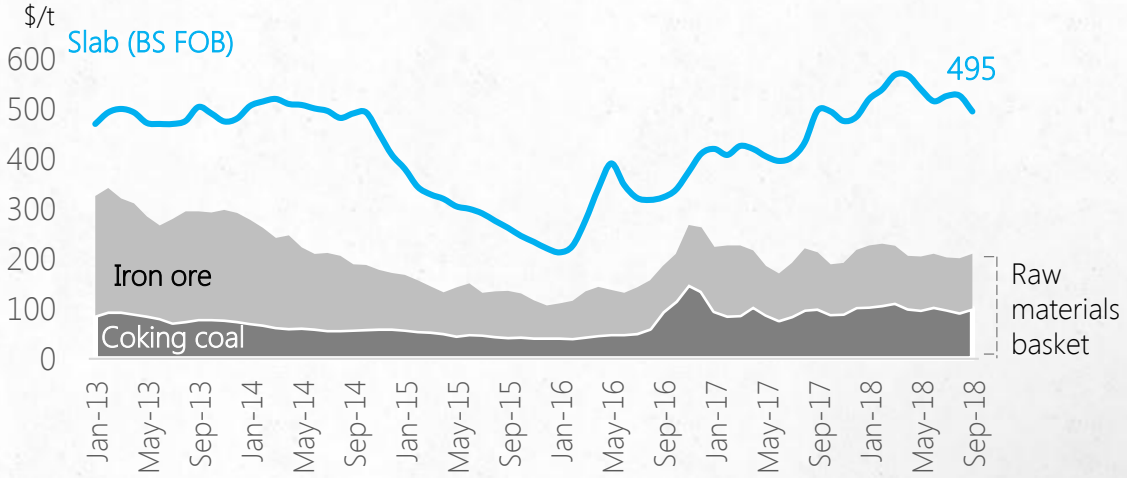
Source: Bloomberg. Chinese, US, Canadian, Japanese inventories

HRC prices have declined slightly, on average, in 3QTD



Excl. VAT. Quoted prices can be different from NLMK realized prices

Steel/raw materials spreads remain high



Raw materials basket is calculated using production ratios for one tonne of steel: iron ore price x 1,6 + coking coal price x 0,6

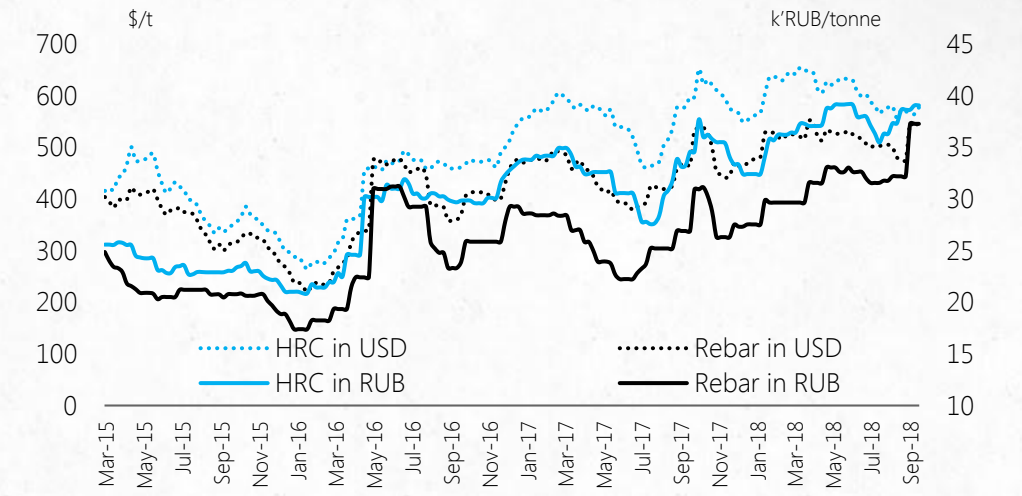
RUSSIAN STEEL MARKET – S&D AND PRICING

Domestic consumption was down 0.5% yoy during 7m'18; 2018 outlook remains positive (c.1% growth yoy)

3Q'18 domestic prices remain firm, RUB flat prices increased 3-4% mom, rebar prices jumped 16% mom in September

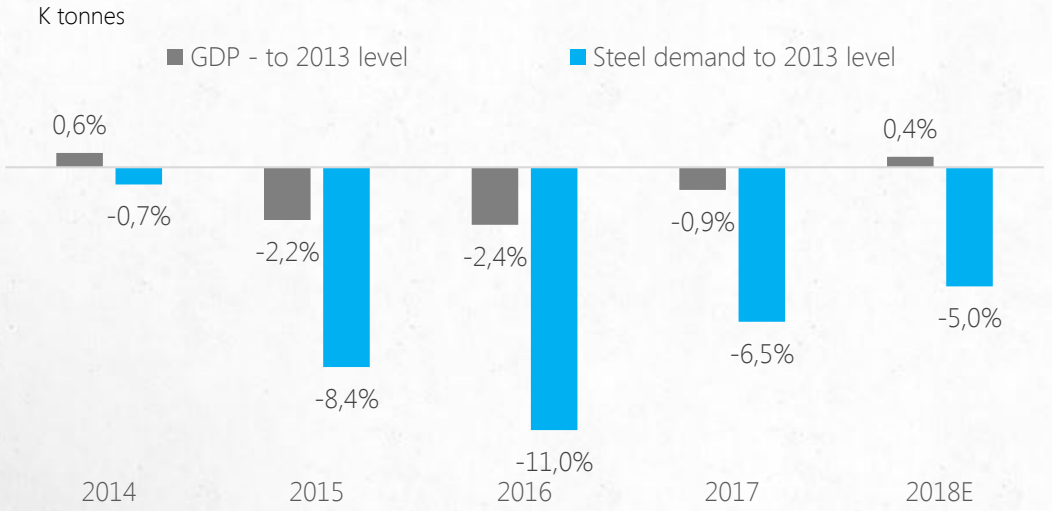
Export prices are down as trade tensions escalate and continuously evolve

Russia: home steel prices are tracking global benchmarks



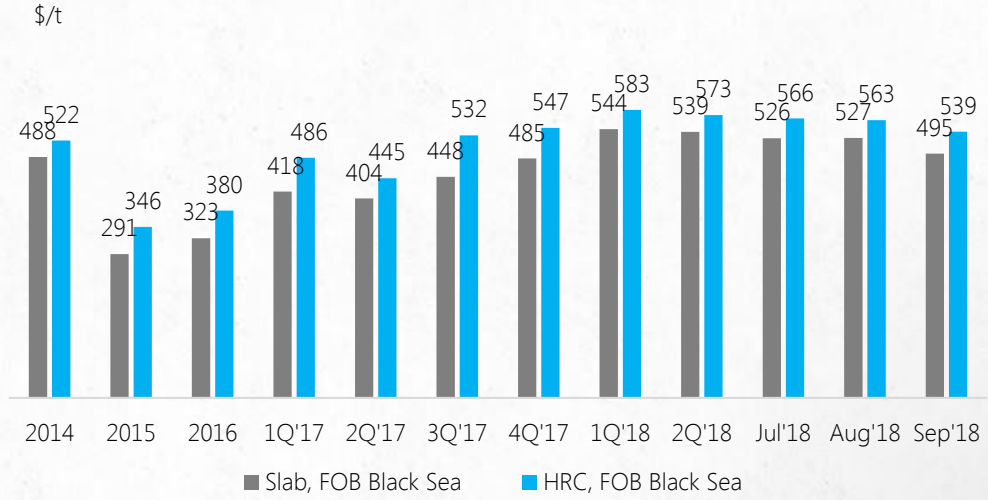
Source: NLMK estimates. Prices excl. 18% VAT

Russian steel demand drop overshoot GDP decline



Source: Rosstat, Metal Expert, Worldsteel

Russian steel export prices



MAY'18 ORDERS SUPPORTING CONSTRUCTION ACTIVITY

Current capex proposal to the government related to infrastructure spending is c. RUB 6.8 trn (~$100bn)

- Government plans to provide RUB 3.1 trn (~$46bn)
- Rail road development should be largely financed by RZhD

Plan	Sector	Implementation
To increase volumes of completed housing construction to 120m sq pa vs 80m sq pa currently	Real Estate	Renovation program in Moscow and its possible spreading to other regions; Ministry of Construction to propose instruments to reduce regulation burden. Up to 2.8 m t pa of extra steel demand is expected as a result by 2024
To modernize roads and double expenditure on road construction	Transportation	296 projects including bridges (river Lena bridge, Volga bridge in Nizhny Novgorod, etc.)
To lower mortgage rates below 8% by 2024	Real Estate	Currently c.9.4%
To grow capacity of BAM, Trans-Siberian 1.5x to 180mt in six years	Transportation	Estimated capex of RUB 550 bn ($8 bn)
Rail road projects	Transportation	104 projects including high-speed railroad Moscow-Kazan and Ekaterinburg – Chelyabinsk
To expand capacity of the Northern Sea Route traffic	Transportation	
Expand network of regional airports	Transportation	155 sites identified incl. Chelyabinsk. Stavropol, Voronezh, Orenburg, etc.
Sakhalin bridge (was proposed to be assessed in July by President Putin)	Transportation	Estimated capex of RUB 540 bn ($8 bn)
Housing construction based on project financing not purchaser financing (DDU)	Real Estate	Developed road-map, started in June , may lead to consolidation in the industry through better conditions for large developers (potential benefits in LR, possible adverse effect in SR)

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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, TOP-5 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

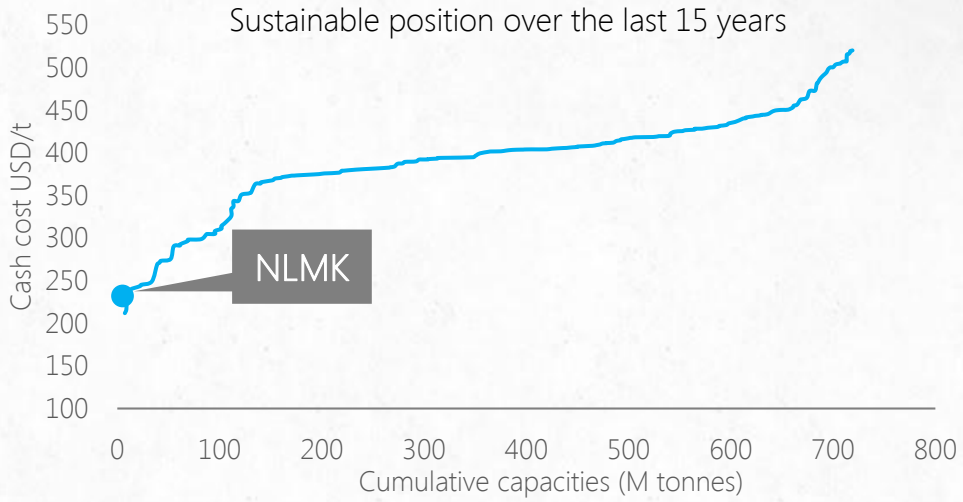
- Geography of operations
- Product portfolio
- Customers
- Sales regions (70 countries)

One of the most profitable globally

Investment grades from Moody's, S&P and Fitch (Baa3/BBB-/BBB-)

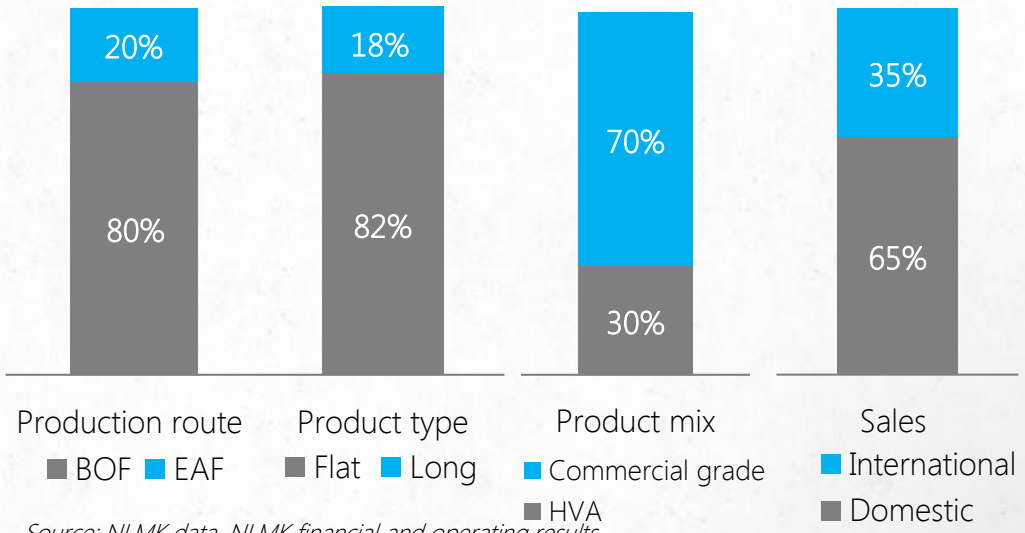
*in terms of crude steel production ** electrical grain oriented steel

NLMK is the lowest cost steel producer



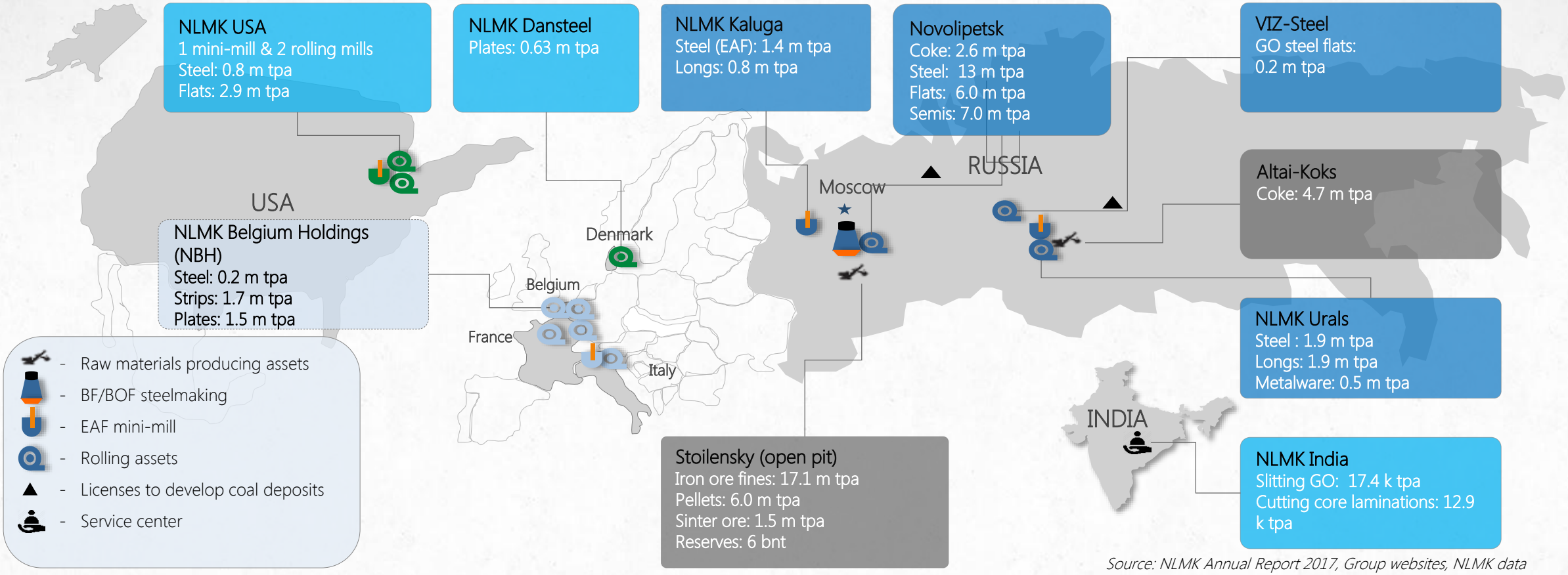
Source: World Steel Dynamics, Jul'18 data

Diversified business model



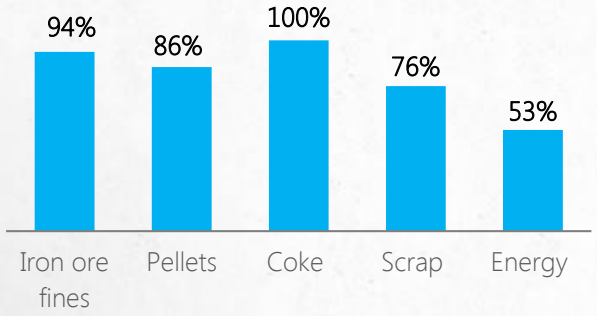
Source: NLMK data, NLMK financial and operating results

GEOGRAPHY & BUSINESS MODEL

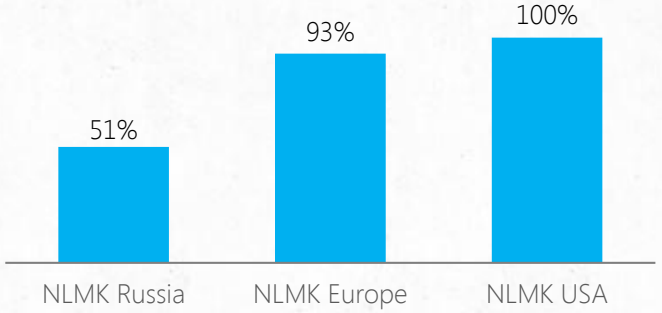


Source: NLMK Annual Report 2017, Group websites, NLMK data

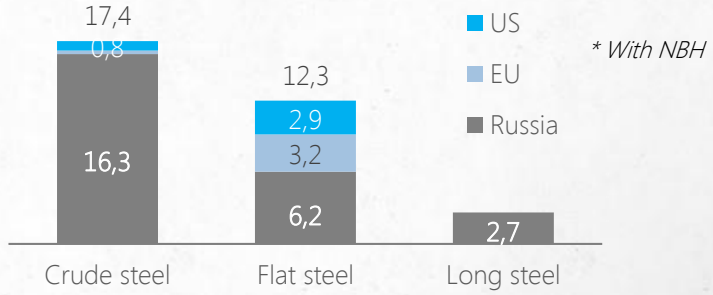
Raw materials sufficiency



"Domestic" sales, %



Capacity steel vs downstream, m tpa*



** With NBH*

NLMK BUSINESS MODEL OFFERING SALES RESILIENCE

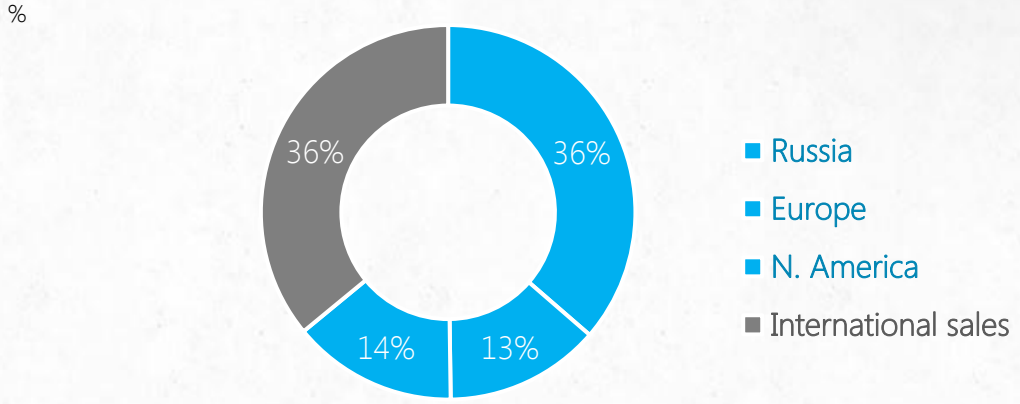
Increased international integration

- About 2/3 of NLMK Russia's slabs exports are delivered to its international subsidiaries
- Up to 90% of foreign subsidiaries' slabs needs are covered by NLMK Russia
- NLMK USA and NLMK Europe produce and sell locally downstream products made of mother-company's feedstock

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

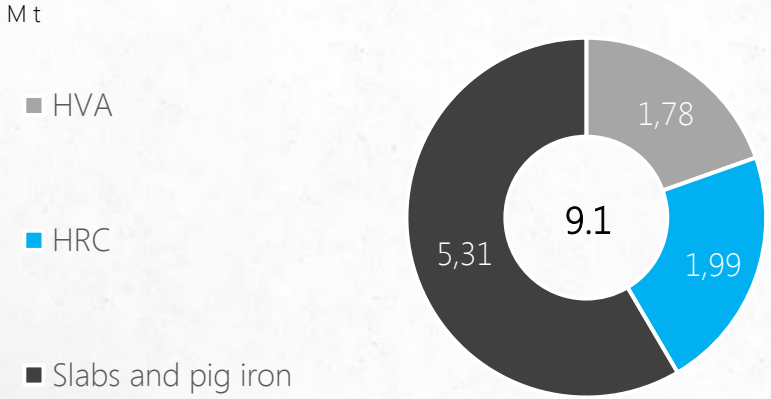
- Almost no shipments of recently affected products to the EU and the USA

64% of sales are made in home markets, LTM



Source: NLMK operating results

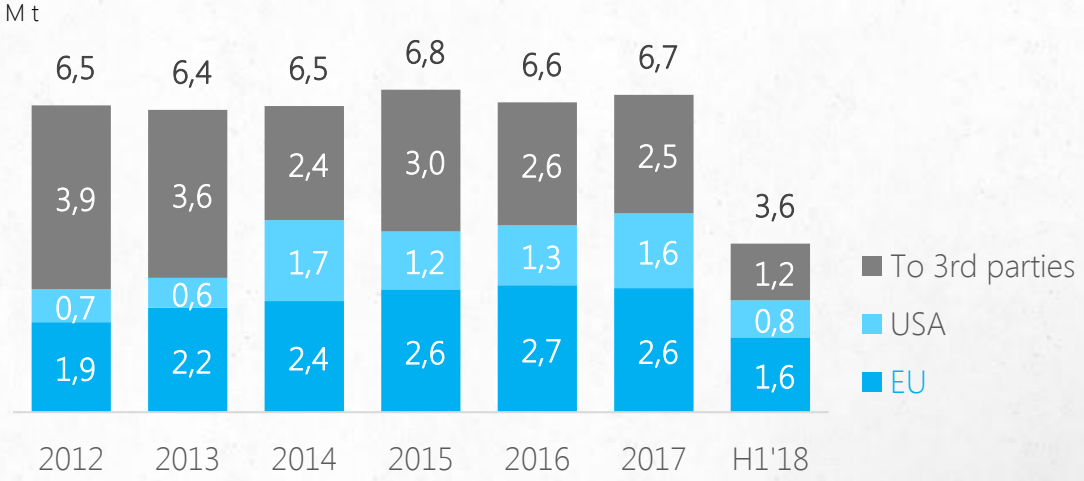
NLMK Russia flat exports to 3rd parties, LTM



Excluding sales to NBH

Source: NLMK operating results

Slabs sales from NLMK's Russian Flat Division



Source: NLMK operating results

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Q2'18 SHIPMENTS GREW ON STRONGER HOME MARKETS DEMAND

Q2 2018 Sales increased by 6% qoq (+4% yoy) to 4.4 Mt

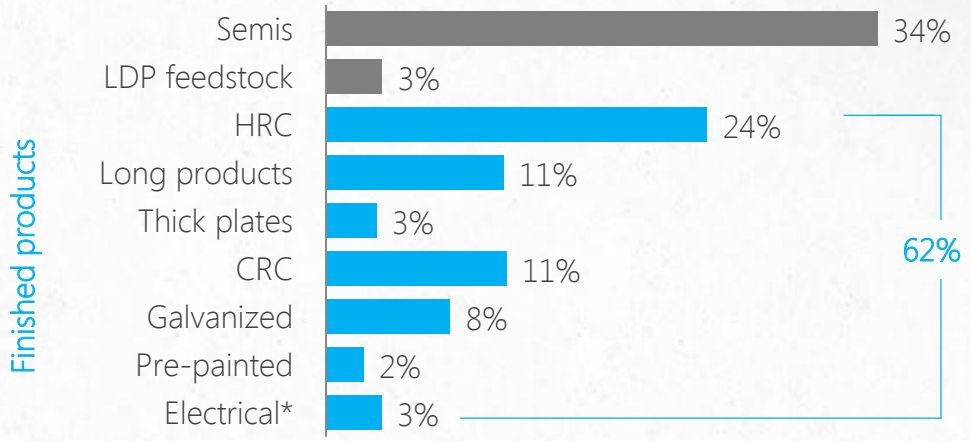
Finished steel is 62% (+2 pp qoq, -8 pp yoy) of the sales portfolio

32% of the sales are high value added products

Global sales with strong domestic footprint with 62% of the Group's sales made in our home markets – Russia, Europe, the US

Business model offers the edge over peers leading to strong sales beating the market

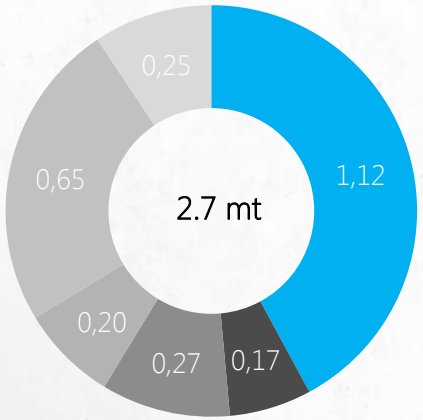
~62% of sales are finished steel products



*Transformer and dynamo steel

Source: NLMK financial and operating results

~42% of NLMK Russia's exports are sales to own assets



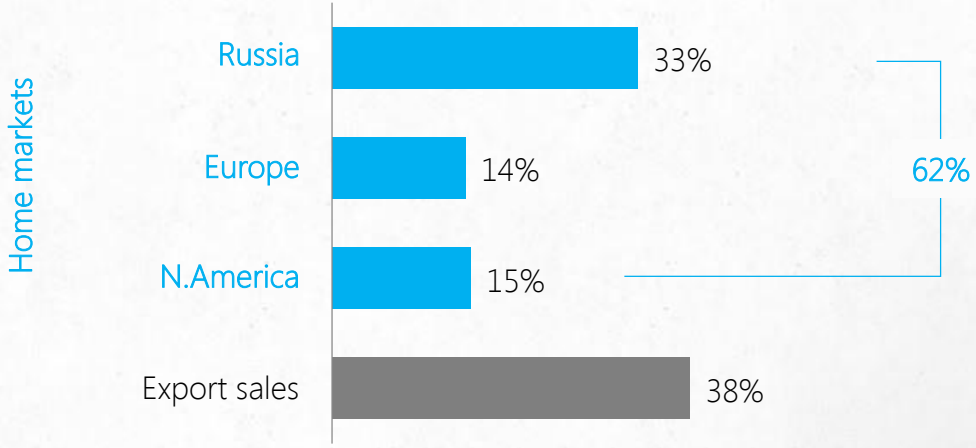
Sales to captive assets 42%

Export to 3rd parties 58%

- EU
- S.&C. America
- N. America
- M.East and Turkey
- Other regions

Source: NLMK financial and operating results

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



Source: 2018 NLMK operating results

STRONG Q2'18 SALES: IMPROVED SALES MIX AND VOLUMES

Shipments increased 6% qoq on the back of robust demand

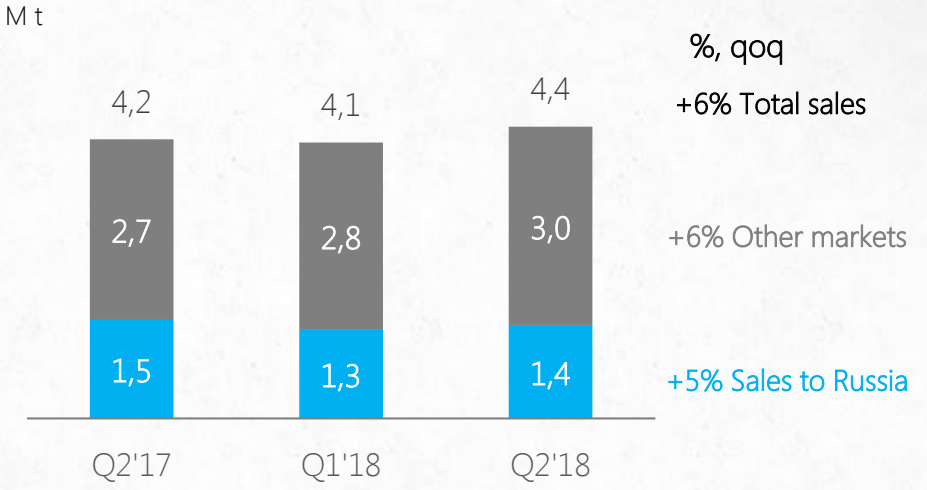
Product mix improved with 9% qoq growth in finished steel sales

- Seasonal recovery of demand in Russia
- Pick-up of business activity in the US

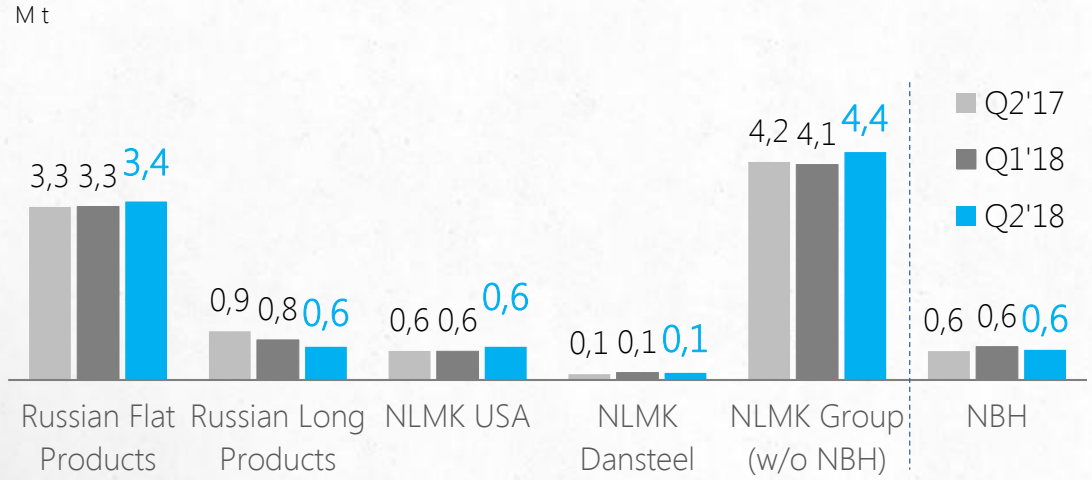
Strong shipments of Russian flat products and NLMK USA offset a decline in sales of other divisions

- Softer sales of long products due to high base of Q1 and slowdown during World Cup period
- Lower sales by the European divisions due to the seasonally weak demand

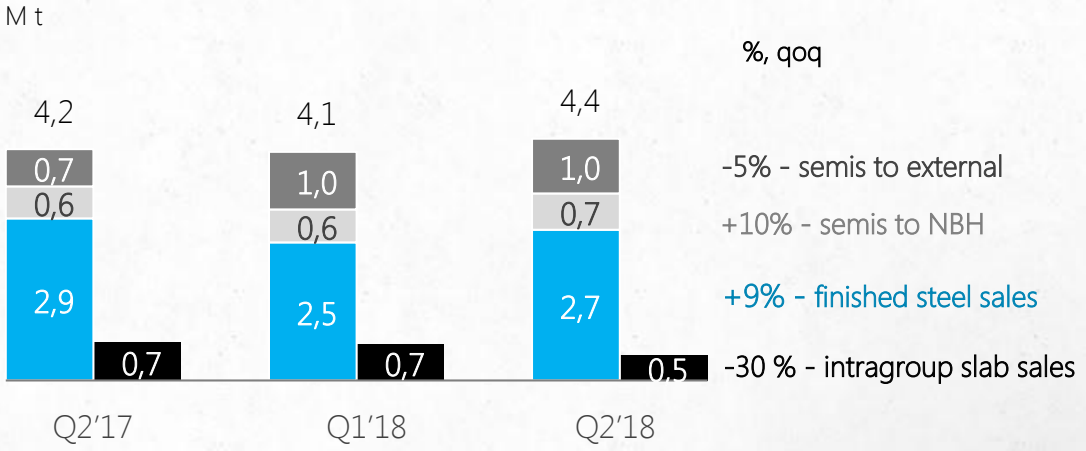
Shipments growth qoq on higher demand



Q2'18: another quarter of strong sales across divisions



Rising sales and mix improvement



Q2'18 FINANCIAL HIGHLIGHTS: 10-YEAR RECORD EBITDA

Revenue was up 11% qoq backed by higher shipments and prices as well as improved product mix

EBITDA hit 10-year record level on better prices and increased sales

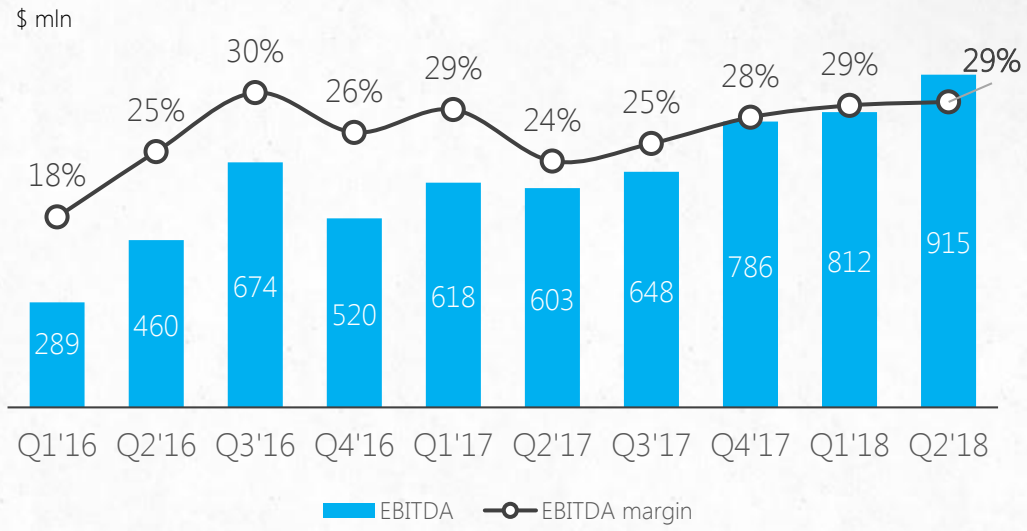
- Revenue $3,112 m (+11 % qoq, +22% yoy)
- EBITDA: $915 m (+13% qoq, +52% yoy)
- EBITDA margin: 29.4 % (flat qoq, +5pp yoy)
- Net income*: $581 m (+16% qoq, +70% yoy)

Net debt increased 11% qoq on the back of dividend payments

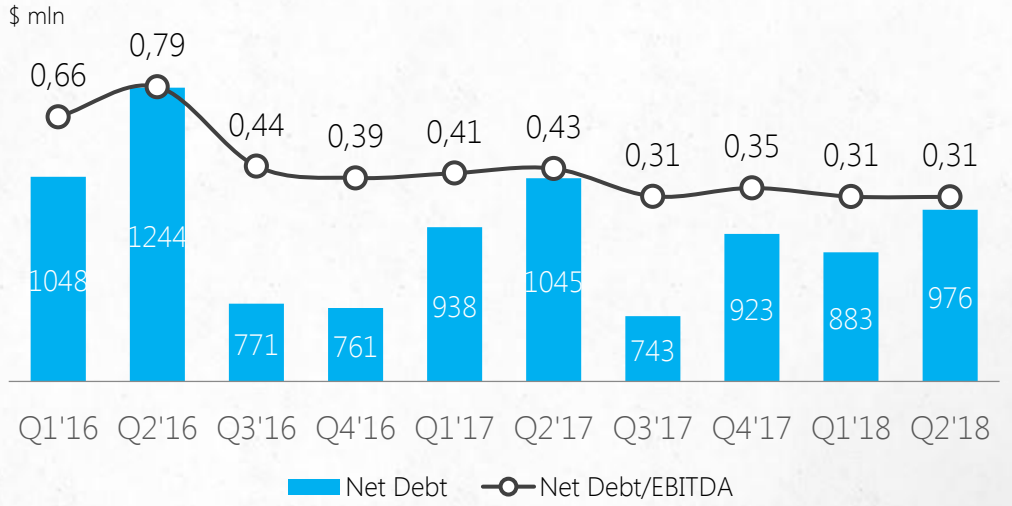
Net debt to EBITDA stayed at historically low level

- Net debt / EBITDA**: 0.31x (flat qoq, -0.12 yoy)
- Sequentially higher Q2'18 EBITDA fully offset qoq increase in net debt

Profitability continued to expand defying seasonality



Q2'18 leverage remains low



* *Profit for the period attributable to NLMK shareholders*

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

MARGINS IMPROVED ON VOLUME AND PRICES

Russian Flat Products: EBITDA up on expanding price spreads supported by ruble depreciation and rising share of finished steel

- (+) Sales of finished steel up 18% qoq on strong demand
- (+) Wider spreads driven by growing steel prices and reduced iron ore and coking coal prices
- (+) Sales volumes up 3% qoq

Russian Long Products: profits down on weaker sales

- (-) Sales down 17% qoq due to active sales in 1Q18 and lower construction demand during World Cup period
- (-) Price spreads narrowed despite increase in long steel prices by 4% qoq
- -) FX effect reduced profitability further on lower share of export sales

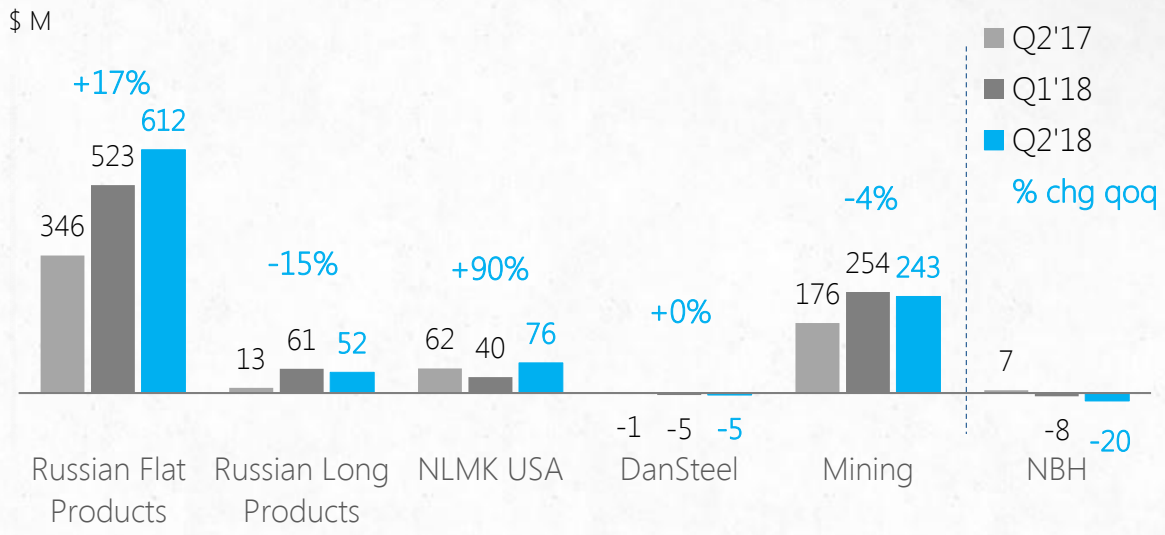
Mining: margins remained at historically record levels

NLMK USA: sales growth on the back of market strength, higher prices due to import trade barriers

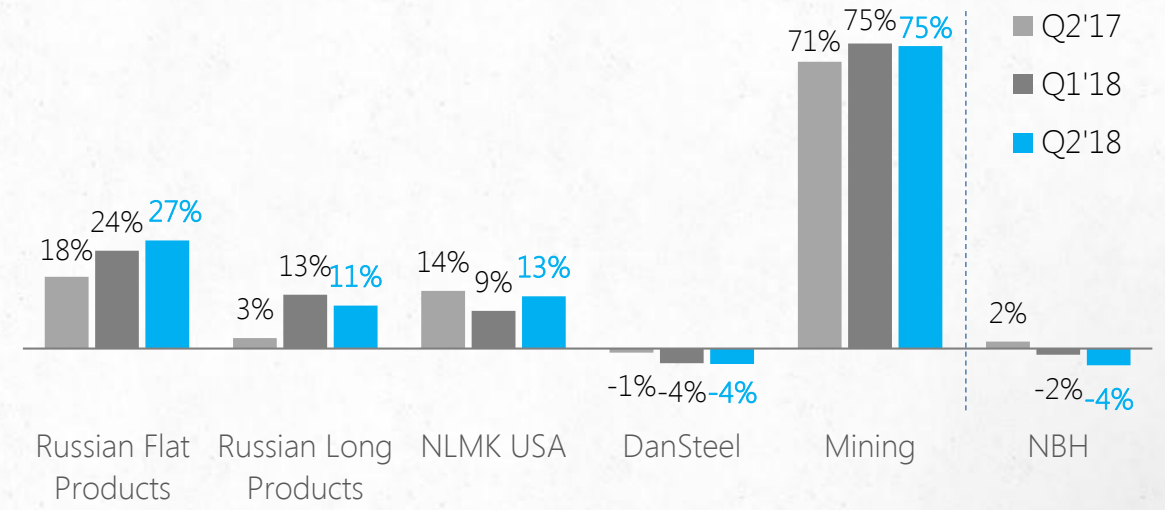
NLMK Dansteel: EBITDA remained negative as price spread between plates and slabs narrowed

NBH: EBITDA declined on seasonally lower sales and higher slab prices

EBITDA by divisions



EBITDA margin by divisions



FREE CASH FLOW DOWN ON WORKING CAPITAL BUILDUP

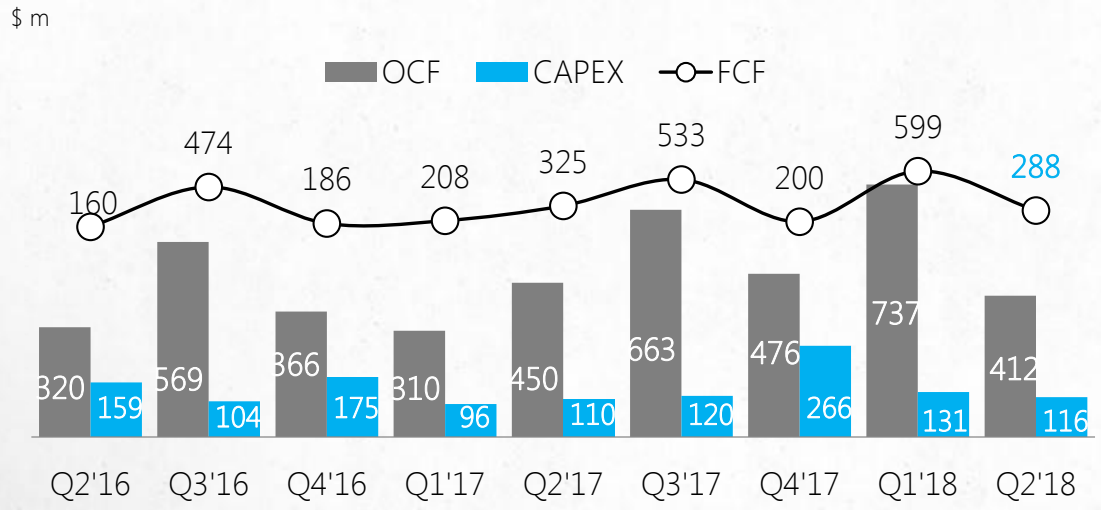
Free cash flow of $288 m

Net operating cash flow down 44% qoq to $412 m on working capital build-up of $356 m:

- (-) $272 m increase in A/R on higher shipments and prices growth
- (-) $127 m increase in inventories due mainly to stocking of scrap to support growing steel production at Lipetsk in 2H18, and accumulated stocks of long products. Comparable inventory release is expected in 3Q18
- (+) $42 m A/P decrease due to decline in raw materials purchases prices

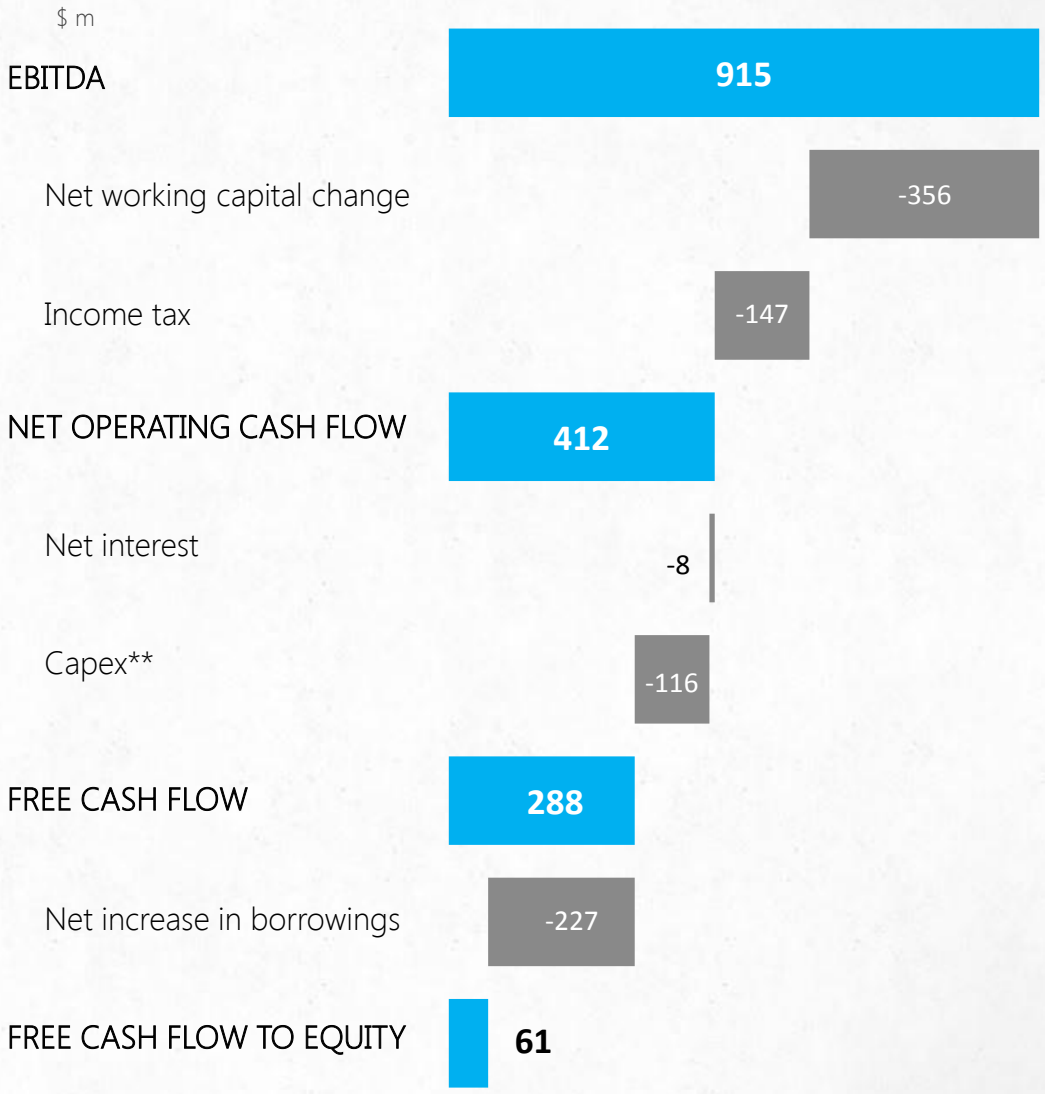
Capex fell to $116 m (-11% qoq) – projects of Strategy 2017 mainly completed, projects of new investment program at the preparatory phase

Operating CF – CAPEX*



** Excluding NBH*

Q2'18 CF bridge



** Oher income/(expenses)*
*** Including capitalized interest of $6m*

SALES IN RUSSIA

NLMK has leading positions in value added products with demand outstripping supply

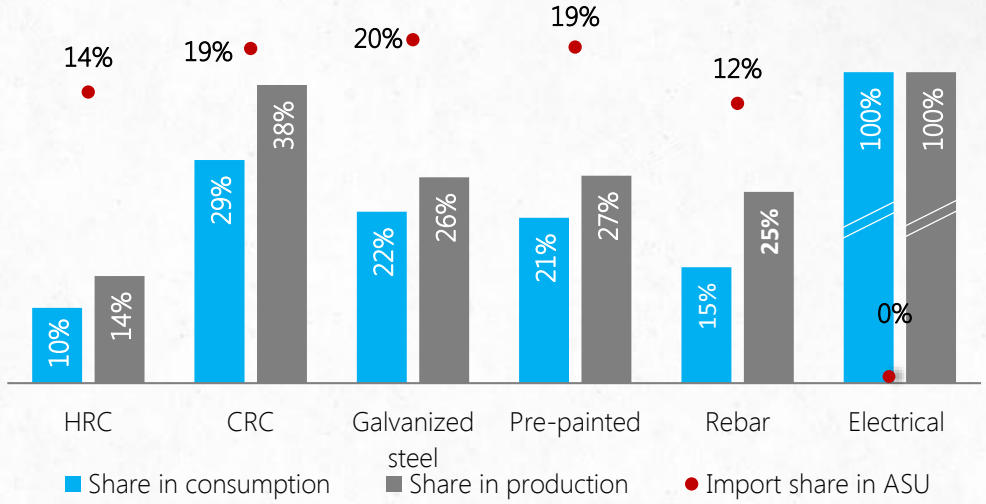
The company has exposure to niche products:

- LDP feedstock
- The only transformer steel producer in Russia

This is further supported by diversification into flat / long products

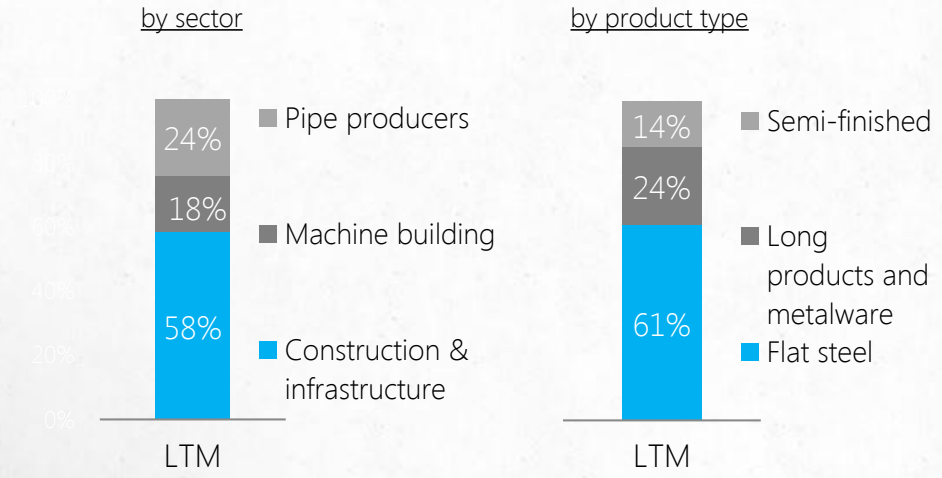
NLMK also has the flexibility to relocate shipments from domestic to export markets and vice versa

NLMK's share on the Russian steel market



Source: NLMK operating results, Metal Expert, H1'18

NLMK: sales to the Russian market



Source: NLMK's financial and operating results

NLMK: flat steel sales in Russia

Source: NLMK financial and operating results

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- Strategy execution and shareholders returns capability

ESG

Appendix

STRONG DEBT PORTFOLIO AND LIQUIDITY POSITION

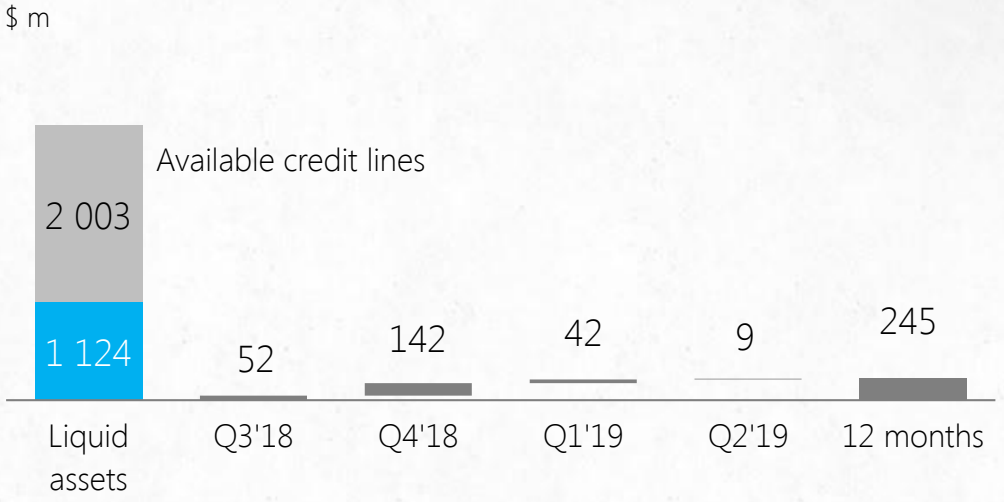
Net debt / 12M EBITDA stood at 0.31x in Q2'18 (flat qoq)

- Total debt decreased to $2.1 bn (-11 % qoq) due to working capital funding repayment
- Net debt increased to $0.976 bn (+11 % qoq)
- Liquidity amounted to $1.1 bn (-24 % qoq) on the back of dividend payments

Low short-term debt requirement

Distributed debt maturity with solid refinancing and redemption opportunities

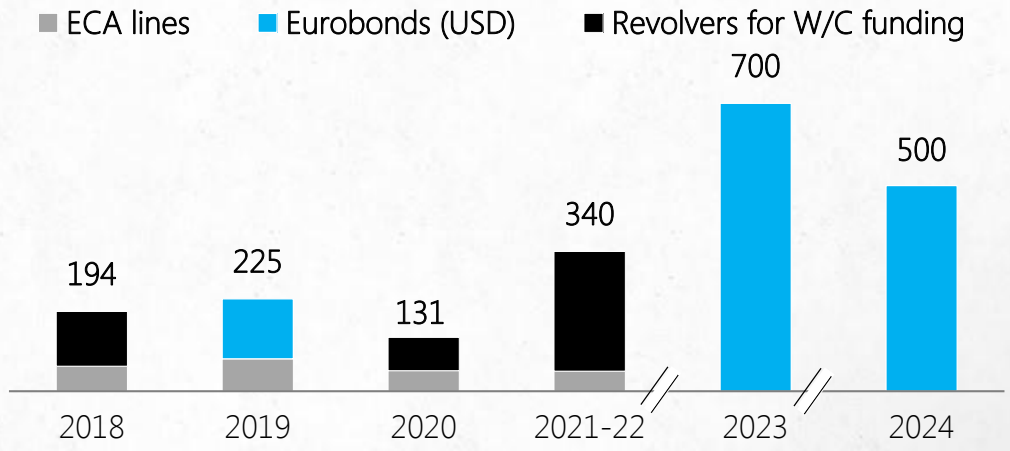
Liquidity and short-term debt*



** Excluding interest payments, incl. working capital lines*

Cost of debt remains low

Debt** maturity



*** Excluding interest payments*

CAPEX OUTLOOK

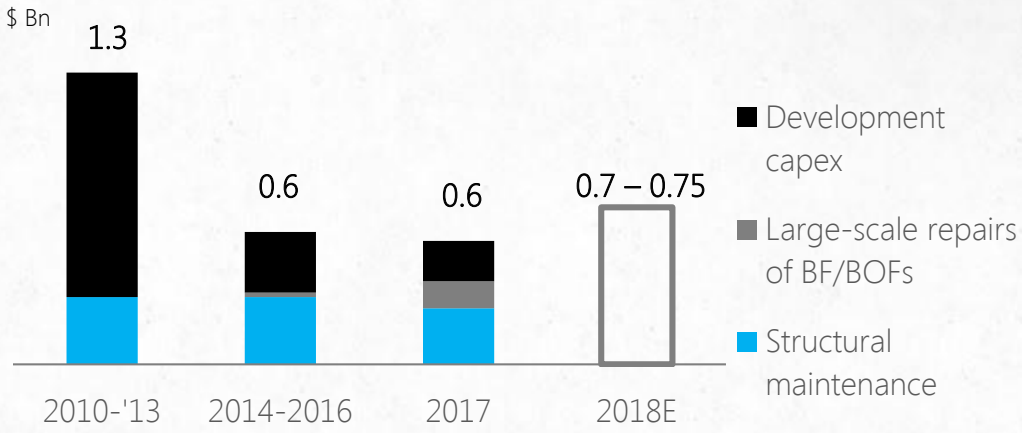
2018 capex estimate of $0.7-0.75 bn

- $350 m: structural (core) maintenance capex
- c.$100 m: large-scale repairs of Lipetsk BF/BOFs
- $250-300 m: development capex
  - incl. final payments for Strategy 2017

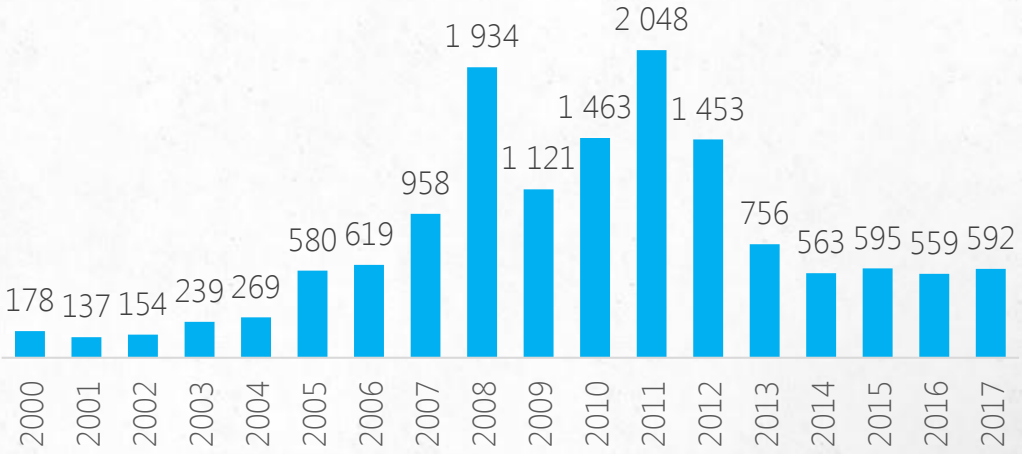
2019-22 maintenance + extra repairs at $0.4 bn pa

- Structural maintenance capex at $280-320 m pa
- Large-scale BF/BOFs repairs at the Lipetsk site of $150 m pa on average, including BF#6 in 2019 and BF#4 in 2020
- Development capex to include "no-regret growth" projects, including continuous casting machine (CCM-9) and expansion at SGOK

Total annual CAPEX (p.a.)



NLMK consistently reinvests capital in development



DIVIDENDS

Accumulated liquidity is used as a source to pay dividends

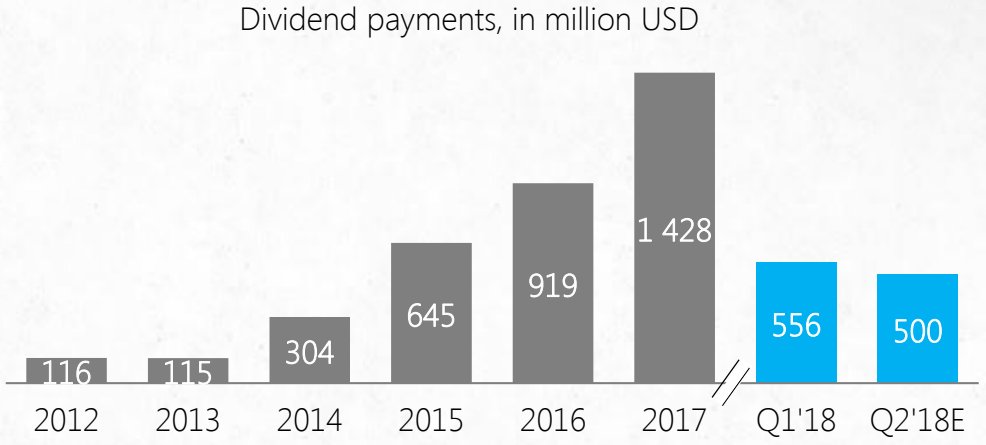
The company will stick to its current dividend policy of paying 50% of NI/FCF if NLMK's ND/EBITDA is below 1.0x

Approved 2017 dividends: c. $1 405 m

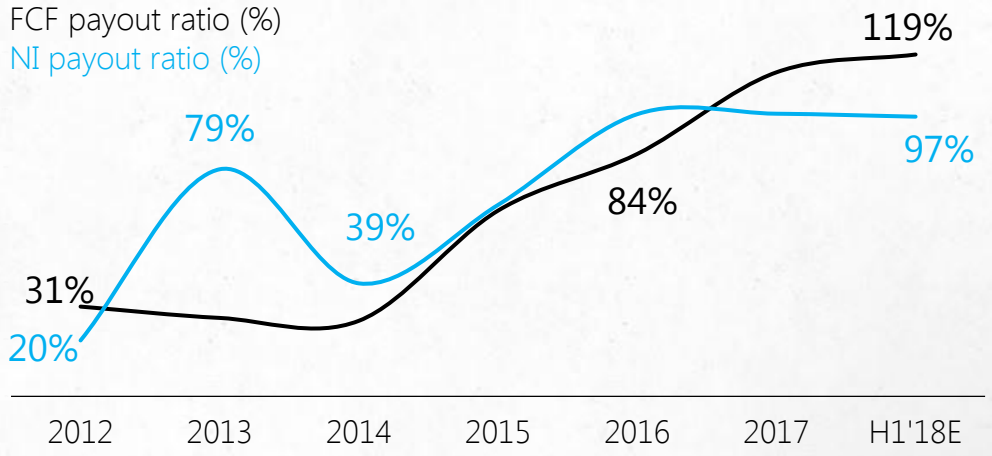
Approved Q1'18 dividends: c. $556 m

Recommended Q2'18 dividends: c. $500 m, annualized yield* of 14%

Growth in FCF resulted in higher dividends



Dividends payout



*Dividend yield is calculated as the sum of dividends for the period converted at the exchange rate at the end of the reporting period, annualized by multiplying the amount for the quarter by 4 and divided by the total market capitalization of the company on the last day of the relevant period.

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

STRATEGY 2017 RESULTS FOR THE PERIOD 2014-2017

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

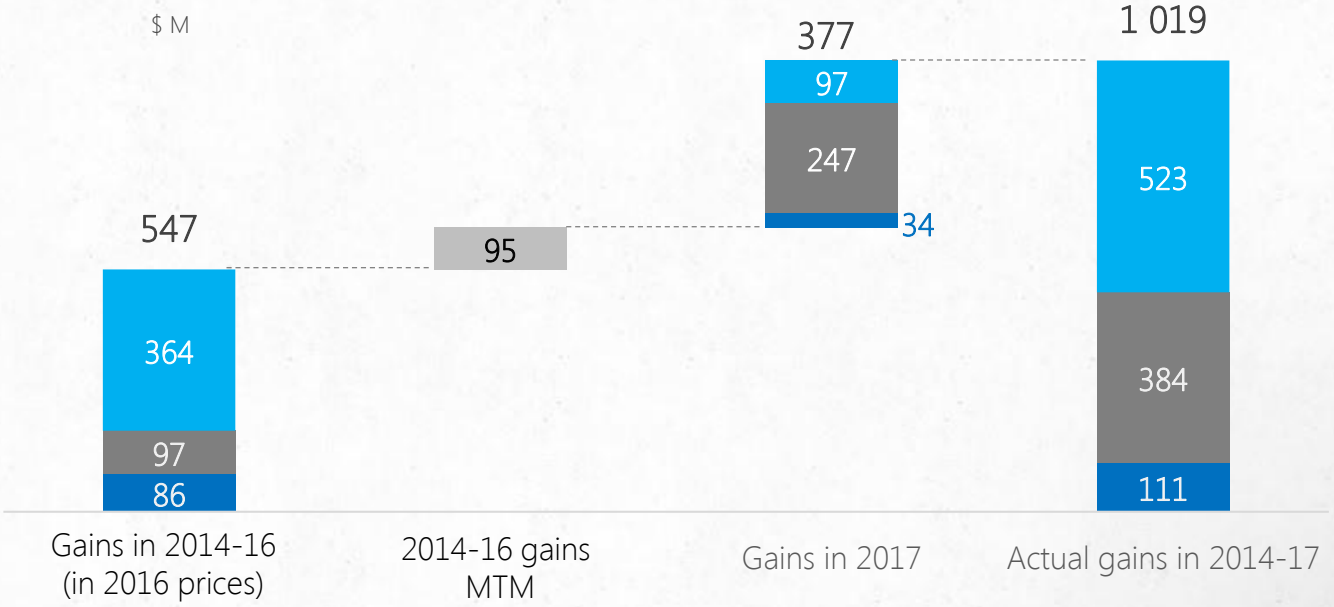
In 2017, gains reached $377 m exceeding guidance of $260 m:

- $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



❶ OPERATIONAL EFFICIENCY IS A BACKBONE OF OUR STRATEGY

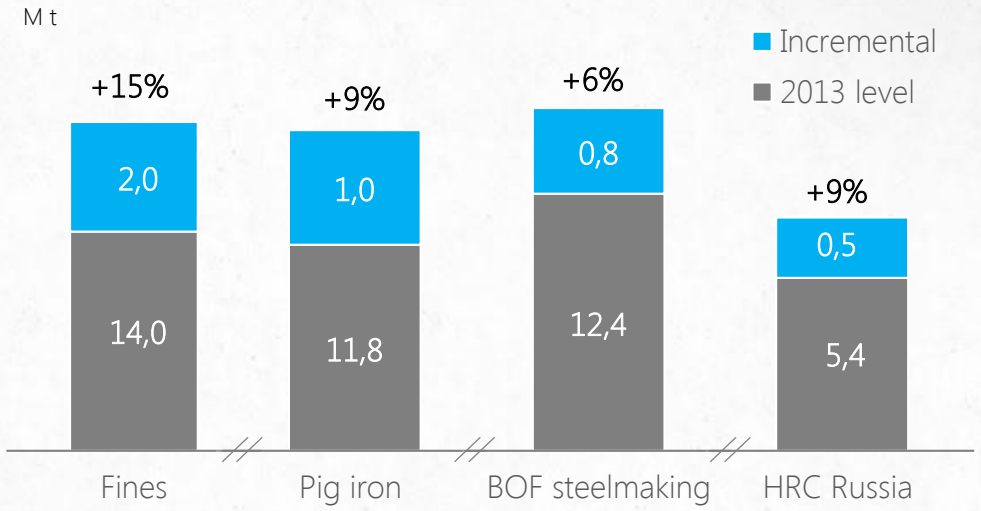
Operational efficiency contribution 2014-17: $523 m pa, 158% of target

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

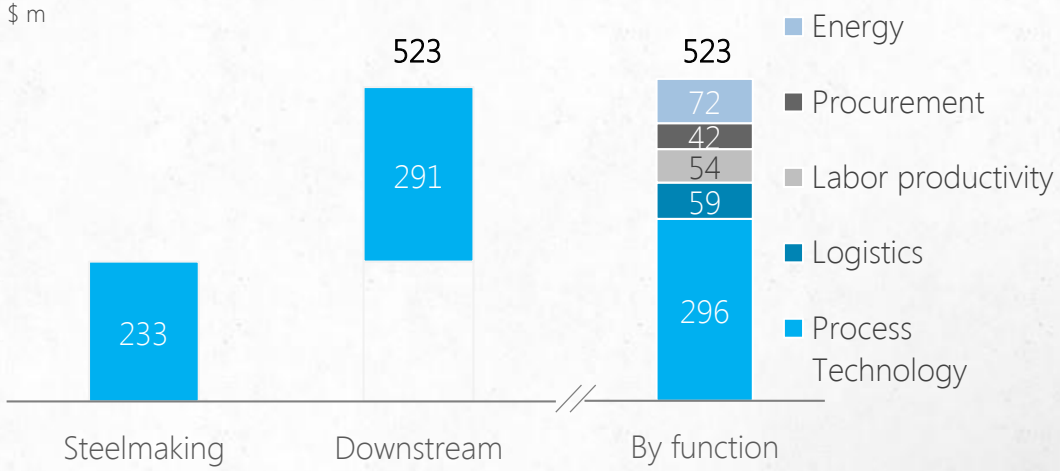
Savings led to widening of NLMK's cost advantage vs the industry

Productivity grows across production chain



Cost advantage expanded on Strategy gains

Efficiency gains by division/function



❷ 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)

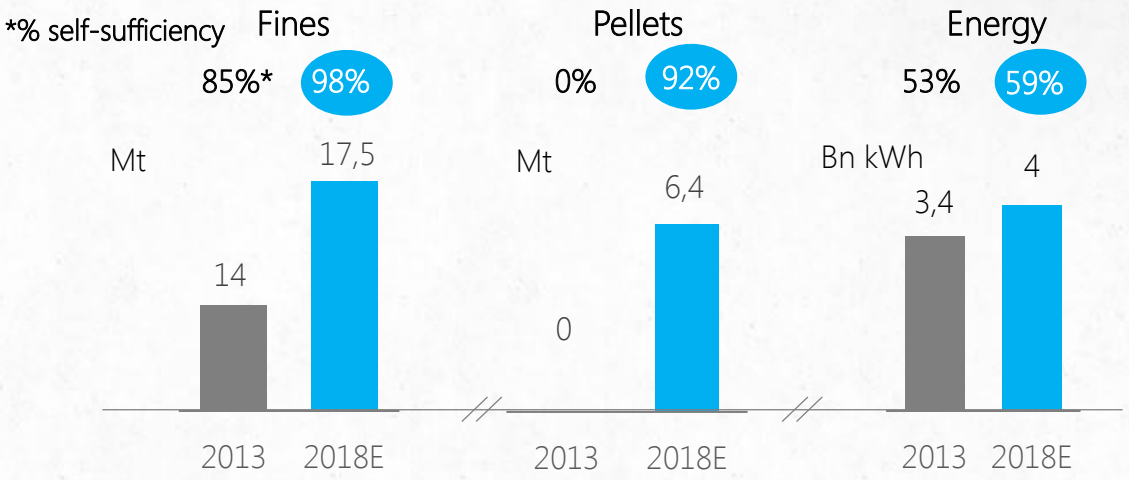
Better self-sufficiency in key resources through investments and productivity growth

- 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

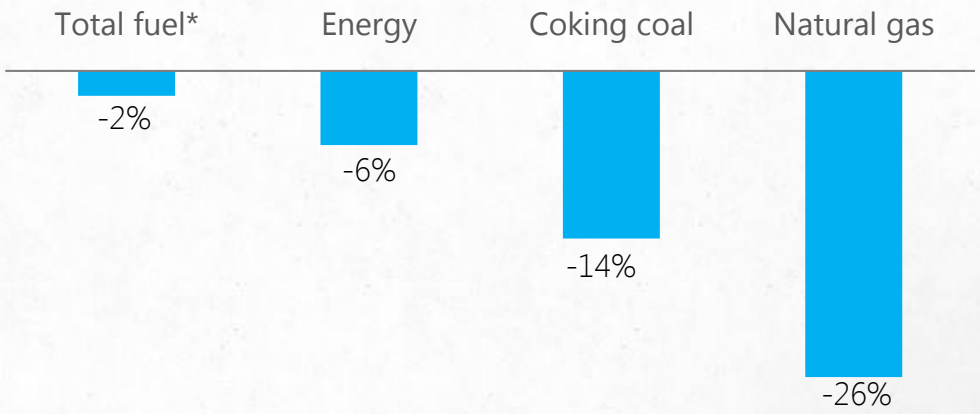
Lower consumption and replacement of expensive materials

- 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*

❸ NLMK'S SALES GREW FASTER THAN OUR MARKETS

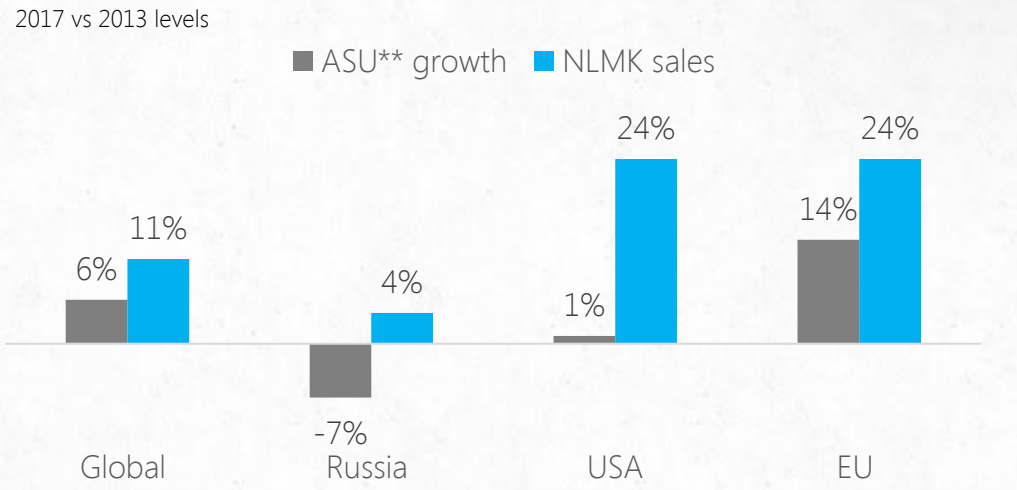
Earnings impact in 2014-17: $111 m pa (60% of target mainly due to deterioration of the Russian market)

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

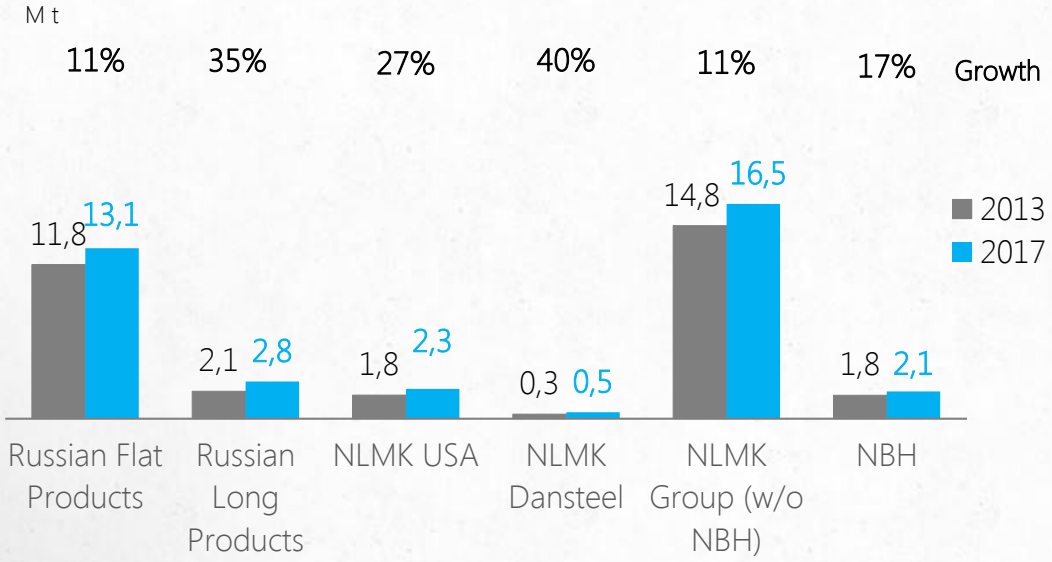
All business segments showed double-digit sales growth vs the 2013 level

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

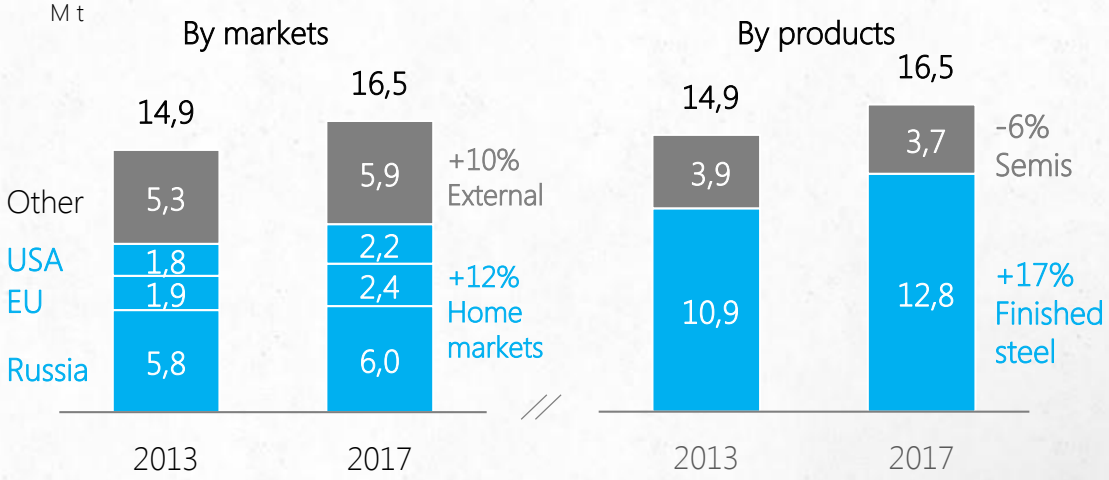
NLMK sales* outpaced market growth



All divisions demonstrated strong growth vs 2013



Sales structure improved



** Including NBH sales*
*** ASU: apparent steel use*

❹ PEOPLE AND SUSTAINABILITY REMAIN OUR TOP PRIORITY

Relentless focus on safe operating practices

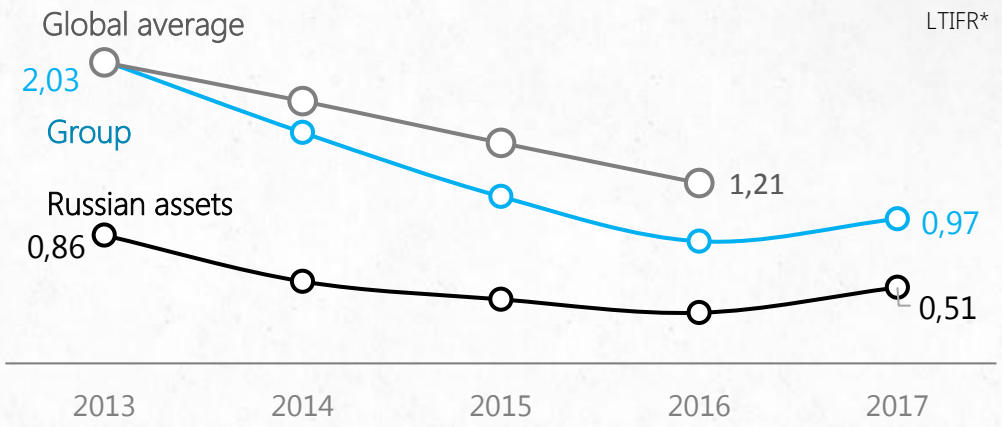
- LTIFR* of Group operations down by 53% vs 2013 level to 0,97
- LTIFR* of Russian operations down by 41% vs 2013 level to 0,51

Further reduction in environmental footprint

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

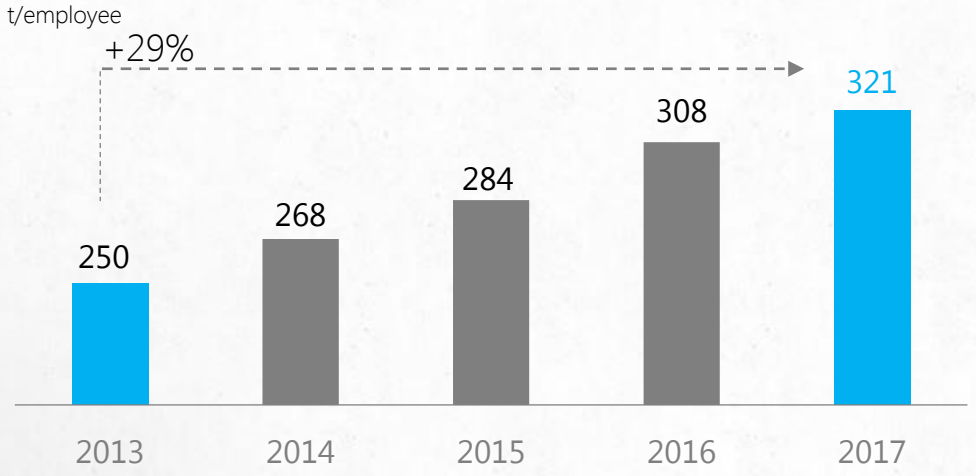
Labor productivity** rates improved by 29% vs 2013 level on the back of production growth and operational efficiency

Focus on safety translated into industry leading results

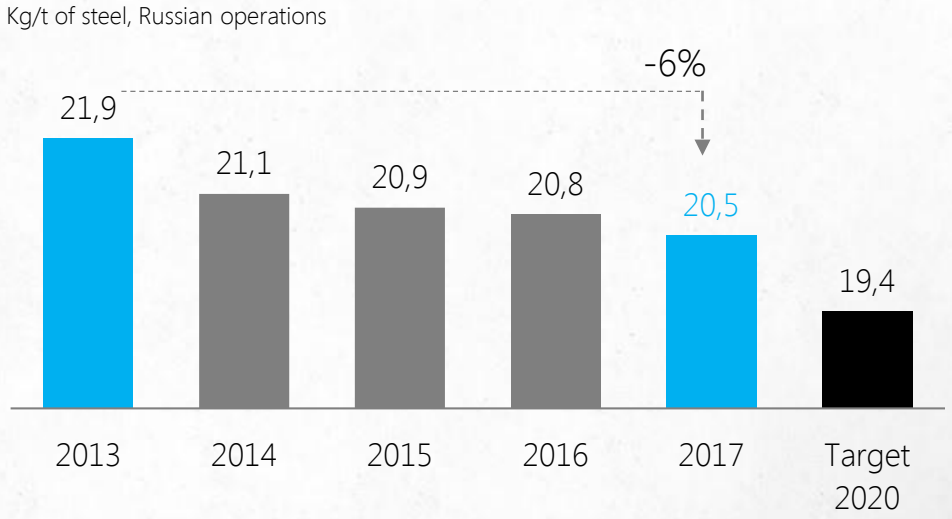


LTIFR – Lost Time Injury Frequency Rate (per 1 mln man-hours worked) for Group employees . Russian assets include Russian Flat Products, Russian Long Products, Russian Mining

Labor productivity increased by 29%



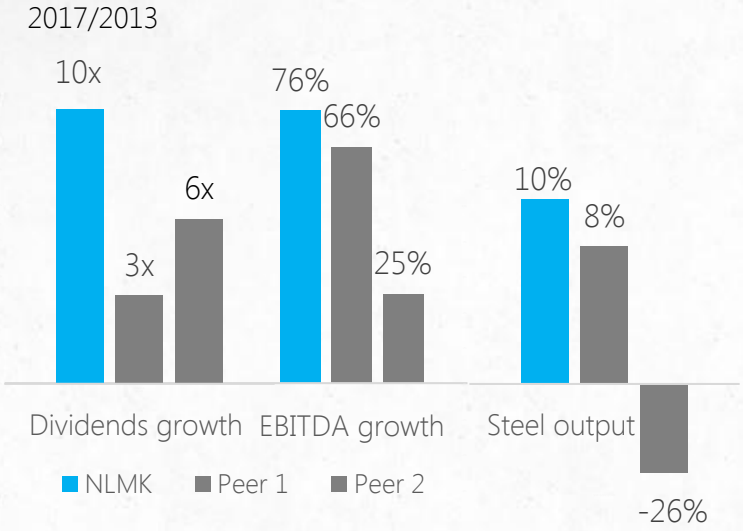
A 6% drop in air emissions since strategy inception



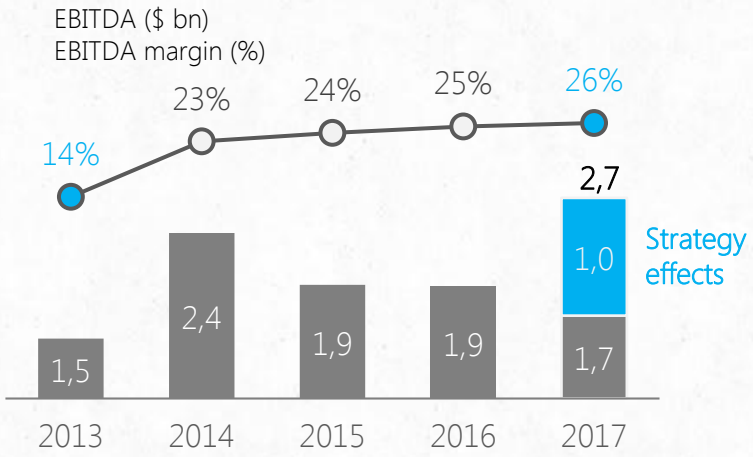
** Productivity calculated as steel output divided by the number of employees (including NBH)*

KEY STRATEGY 2017 GOALS ACHIEVED

Impressive growth story

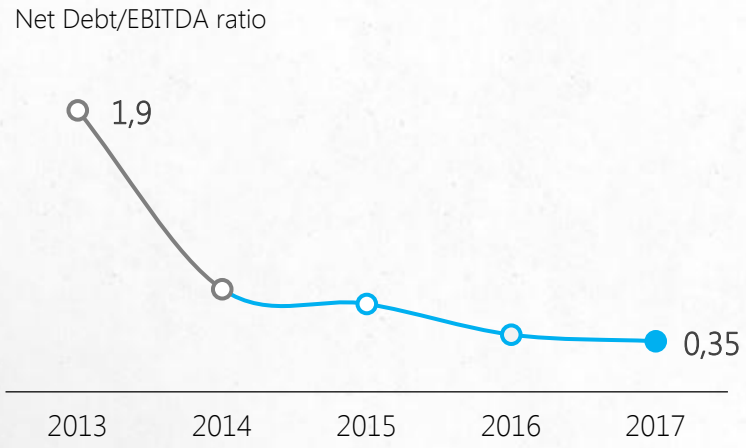


Structural profitability growth

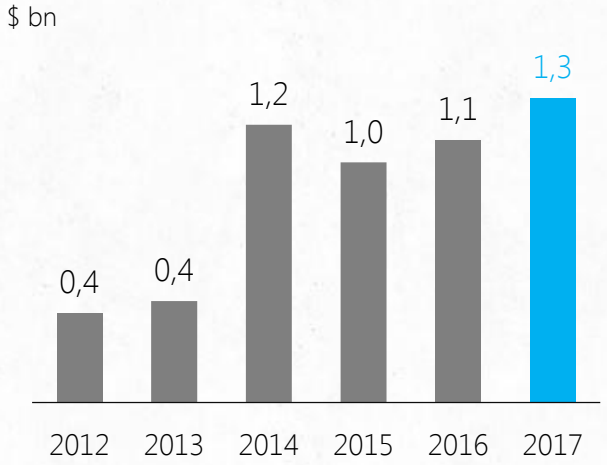


Conservative capex

Leverage below target level

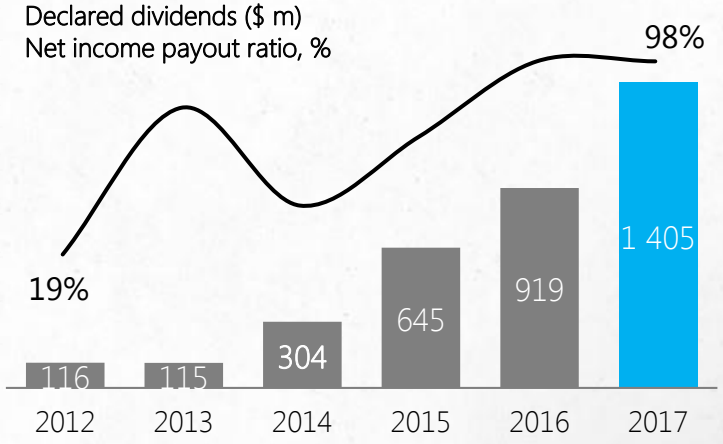


Stable positive FCF



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

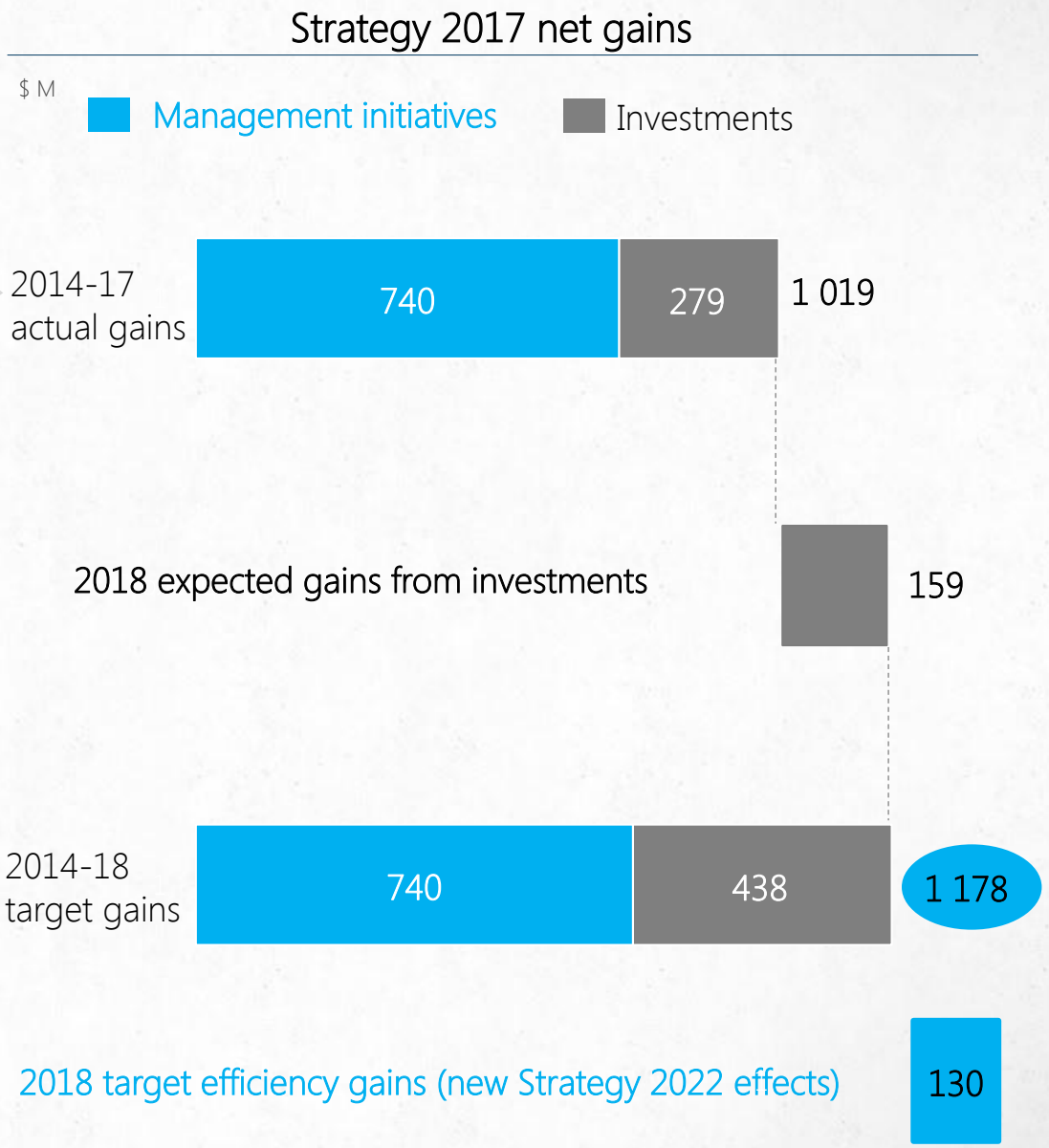
2014-2017: $1,019 m gains exceed Strategy 2017 target of $1,000 m

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 2022: FOCUS AREAS

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

Innovations

New B2B channels and digital interfaces

Digital technologies in operations

Human capital development to support innovative growth

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

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

Sustainability

New health & safety programs

New program on environmental footprint reduction

‘NO-REGRET’ GROWTH: UNLOCKING CAPACITY ALONG THE CHAIN

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

How: debottlenecking of steel-making…

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

… supplemented by low cost raw materials

- Brownfield expansion of iron ore fines output to 19.7 mt pa
- Pushing pelletizer capacity up to 7.3 mt pa

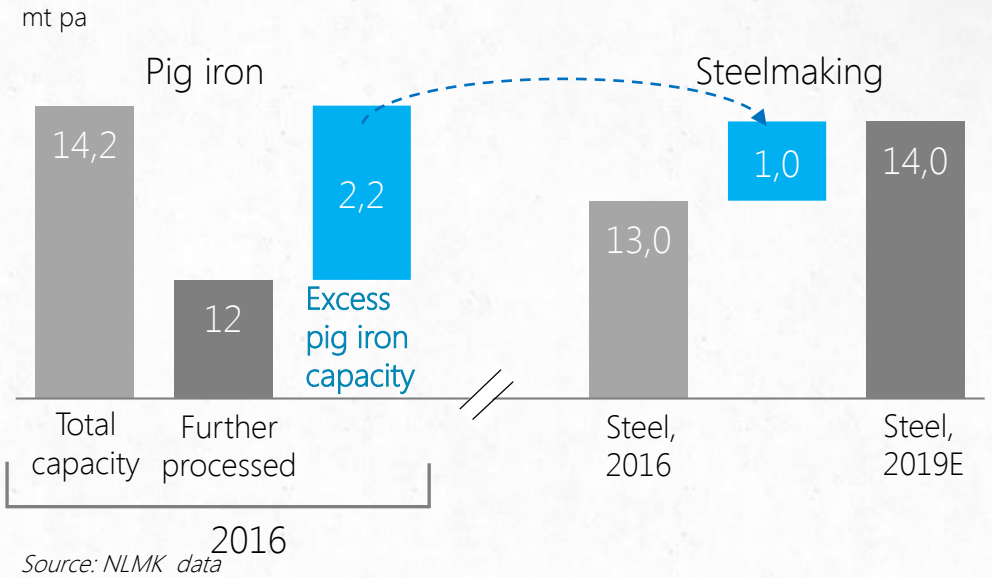
Economics:

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

Markets for new volumes:

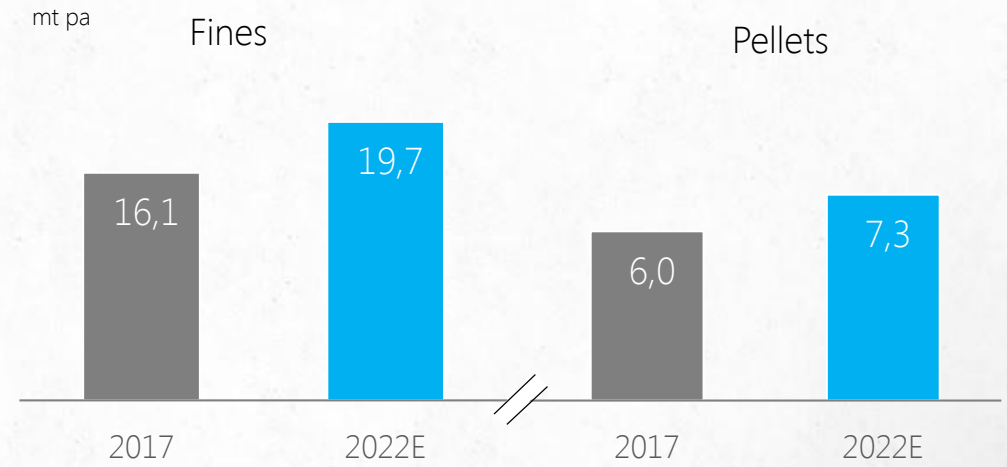
- Growing sales to captive downstream assets in in the EU and the USA
- Selling new volumes to the merchant slabs market
- Acquiring efficient re-rolling capacity in growing markets

Debottlenecking of steel capacity at the Russian Flat Division



Source: NLMK data

Production growth at SGOK



Source: NLMK data

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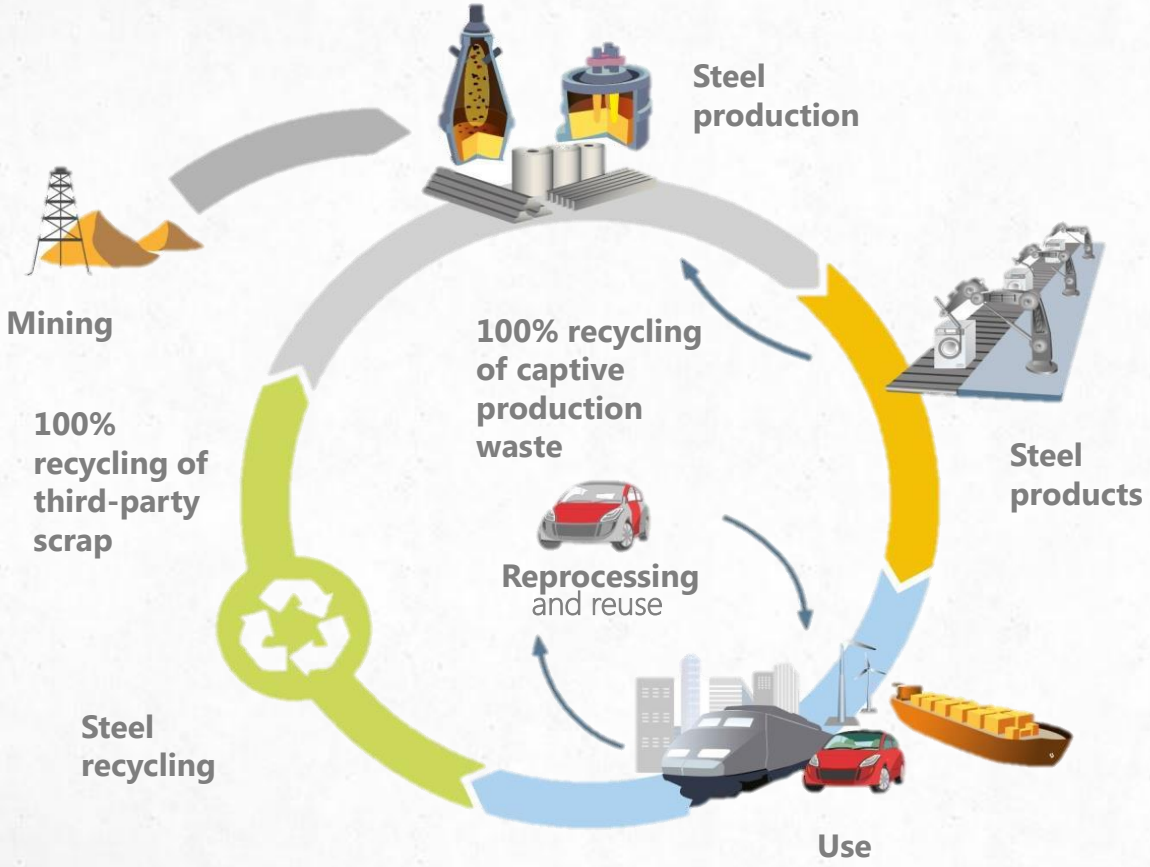
EVERY 4TH TONNE OF NLMK'S STEEL IS MADE OF SCRAP



Source: worldsteel

LONG-TERM USE OF PRODUCTS AND RESOURCES THANKS TO:

RECOVERY AND RE-USE

REPAIR AND UPGRADES

RECYCLING

- Reduced environmental footprint
- Economic stability in access to resources
- New business opportunities
- Employment boost

NLMK'S ESG RATINGS VERSUS ITS PEERS

CSR HUB (08/2018)

Company	Score
China Steel Corp	60
POSCO	58
NLMK	56
Severstal	51
US steel	47

Sustainalytics (08/2018)

Company	Score
China Steel Corp	78
NLMK	65
JFE Holdings	60
Severstal	54
Nucor Corp	50

MSCI (07/2018)

Company	Score
China Steel Corp	BBB
POSCO	BBB
NLMK	BB
ArcelorMittal	B
Severstal	CCC

FTSE4Good (07/2018)

Company	Score*
Tata Steel	3.9
NLMK	3.2
Norilsk Nickel	3.1
Basic Materials Avg	2.5
Iron&Steel Avg	2

*Score / Rating: 0 to 5 (higher scores are better)

Currently NLMK has a solid ESG position compared to peers. We aim to improve it through the implementation of Strategy 2022

Sources: CSRHub, Sustainalytics, MSCI, FTSE

ENVIRONMENTAL FOOTPRINT

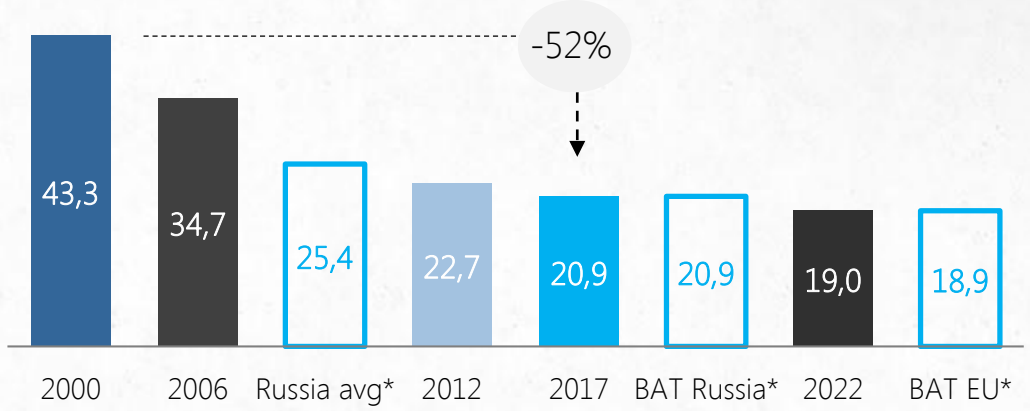
Air quality in Lipetsk has substantially improved in the past 17 years

- Lipetsk is currently one of cleanest cities based on Russian official air quality index
- At the same time, about 80% of NLMK's emissions consist of CO, which is not deemed as dangerous in many developed countries
- Specific air emissions have dropped 52% since 2000 and further 9% reduction is targeted by 2022

NLMK Group has invested more than RUB 28 bn in projects aimed at reducing environmental footprint since 2013

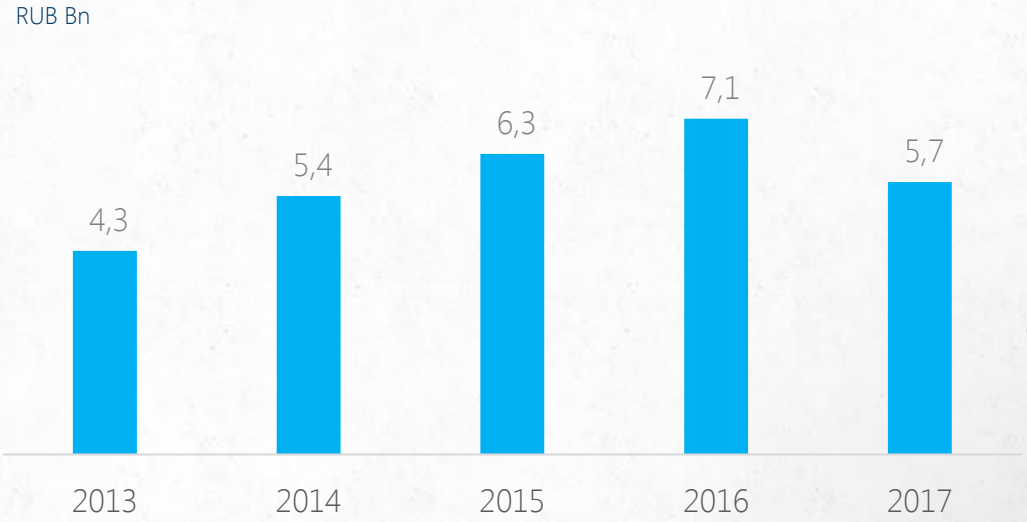
- Closed water loop system, where the water used in the production process is treated and then recycled
- Green energy facility (top-pressure recovery turbine) that generates energy using excess blast furnace gas pressure

NLMK's Lipetsk site: specific air emissions dynamics, kg/t



**for the steel industry*

NLMK*: investments in environmental projects



* NLMK's Russian assets only

WORLD CLASS CORPORATE GOVERNANCE PRACTICES

Growing involvement of independent directors

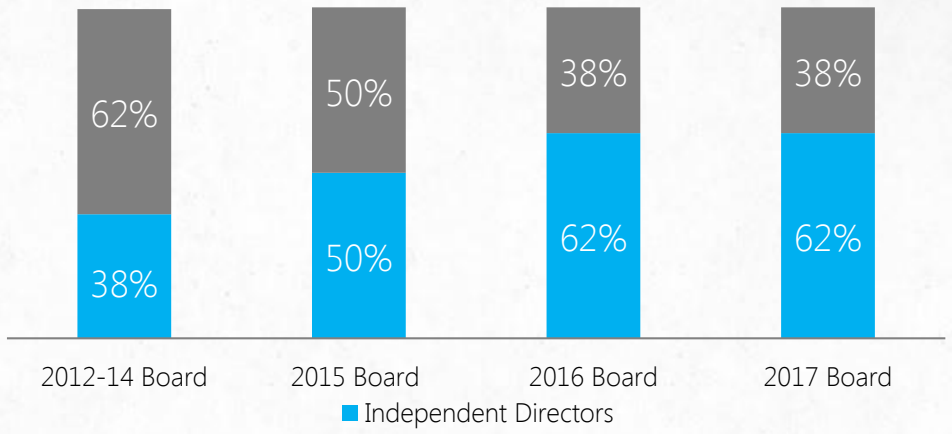
- The number of Independent Directors has increased
- Audit Committee, HR, Remunerations and Social Policy Committee are chaired by Independent Directors
- Independent Directors make up the majority in each of the committees

One of the industry's most transparent companies

- Europe 500 – the Best European Investor Relations, according to the Survey by Extel in 2014-2015 (ranked in top 100)
- IR Magazine perception study 2017:
  - Among leading exponents of investor relations in the European steel sector
  - Top-3 'Best in country' among Russian companies
- FTSE4Good index constituent according to the latest review (JuL'18)

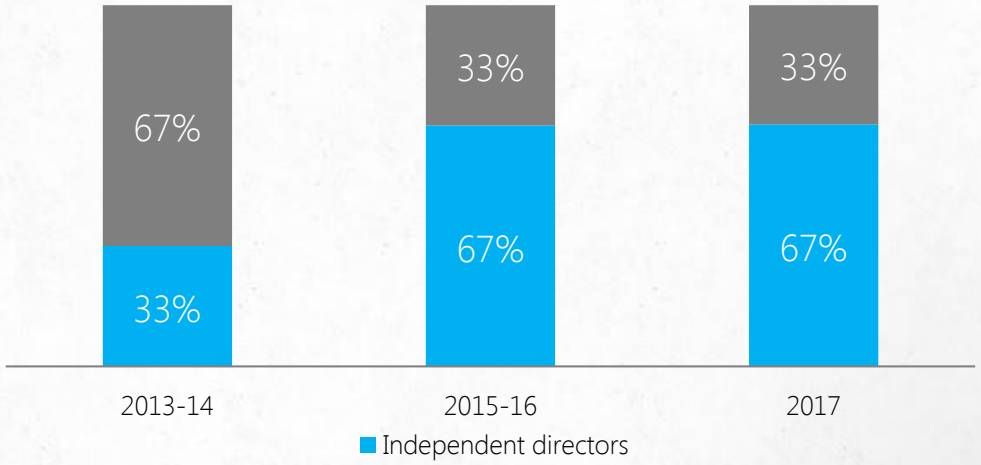
Dividend policy provides visibility and predictability for debt- and equity holders

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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2017 SALES GREW ON STRONGER HOME MARKETS DEMAND

2017 Sales increased by 3% yoy to 16.5 Mt

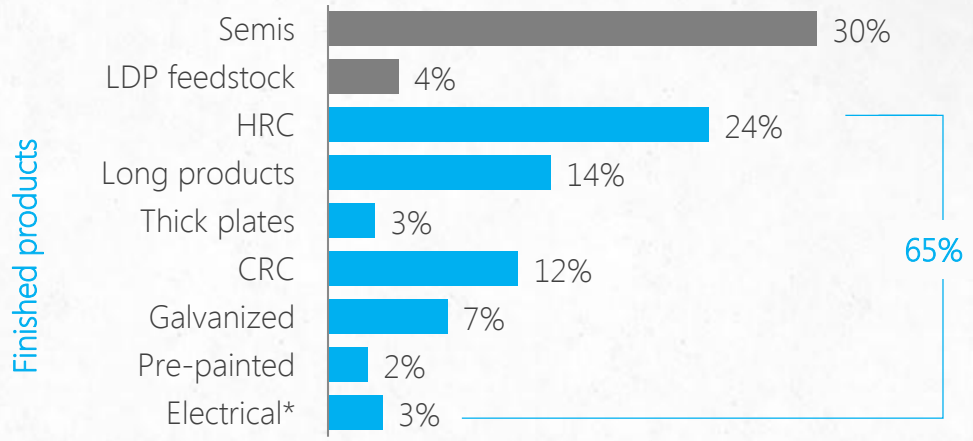
Finished steel is 65% (+1 pp) of the sales portfolio

30% of the finished steel sales are high value added products

Global sales with strong domestic footprint with 65% of the Group's sales made in our home markets – Russian, Europe, USA

Business model offers the edge over peers leading to strong sales beating the market

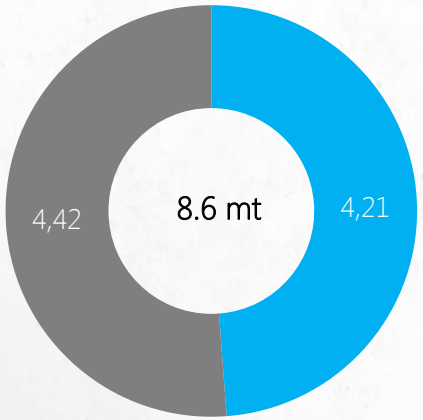
~66% of sales are finished steel products



*Transformer and dynamo steel

Source: NLMK financial and operating results

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

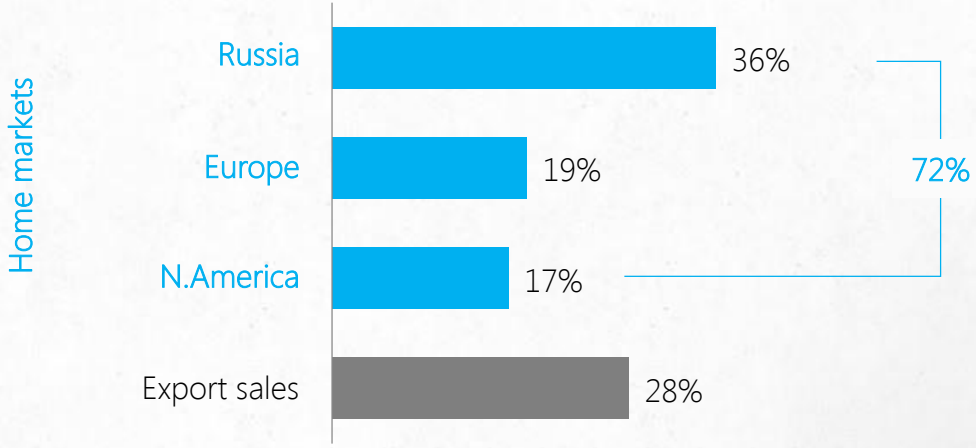


Sales to captive assets 49%

Export to 3rd parties 51%

Source: NLMK financial and operating results

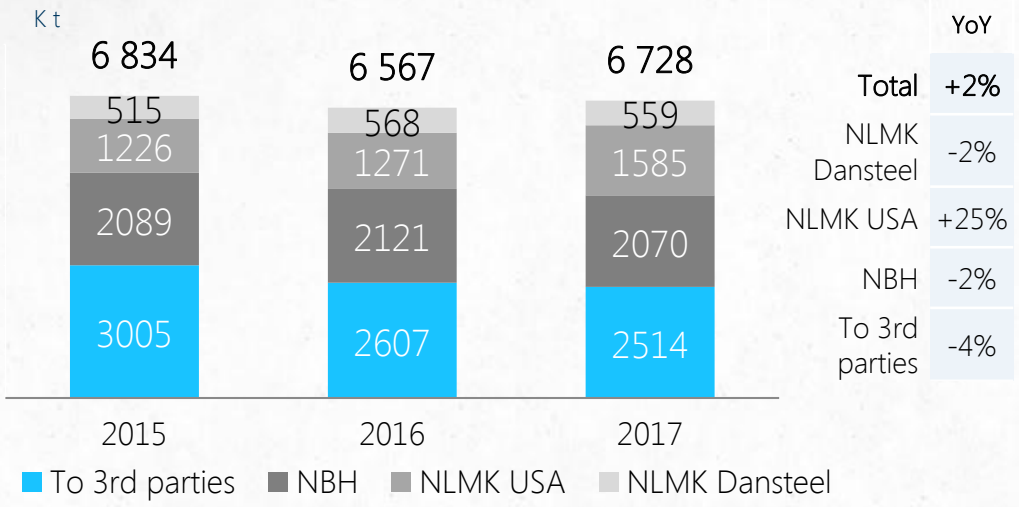
2/3 of sales are made in markets where we operate



Source: 2017 NLMK operating results

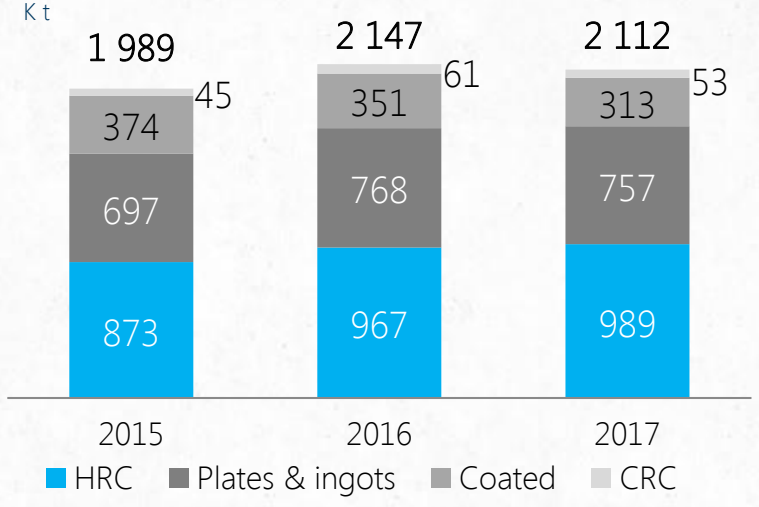
FOREIGN ASSETS PERFORMANCE IN 2017

Slabs sales from Russian Flat Division



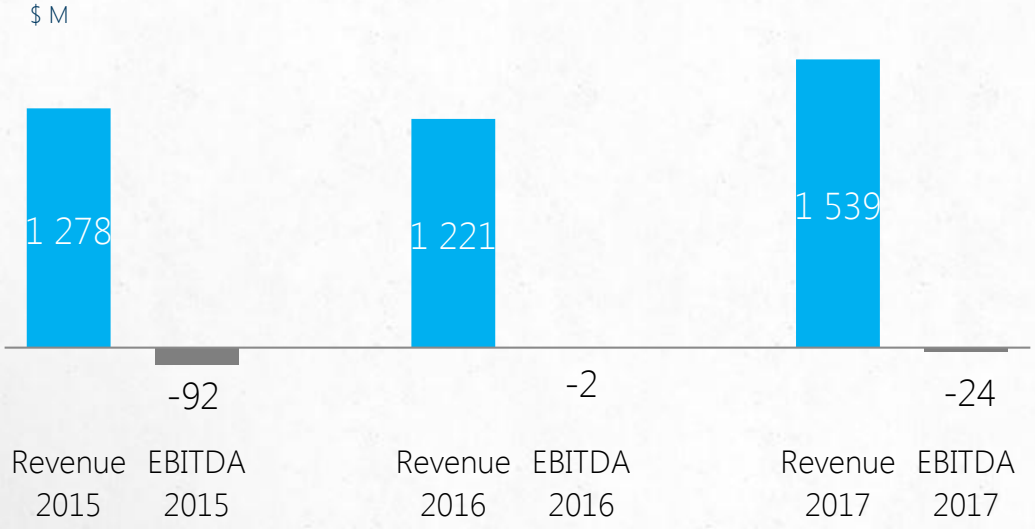
	YoY
Total	+2%
NLMK Dansteel	-2%
NLMK USA	+25%
NBH	-2%
To 3rd parties	-4%

NBH Rolled product sales

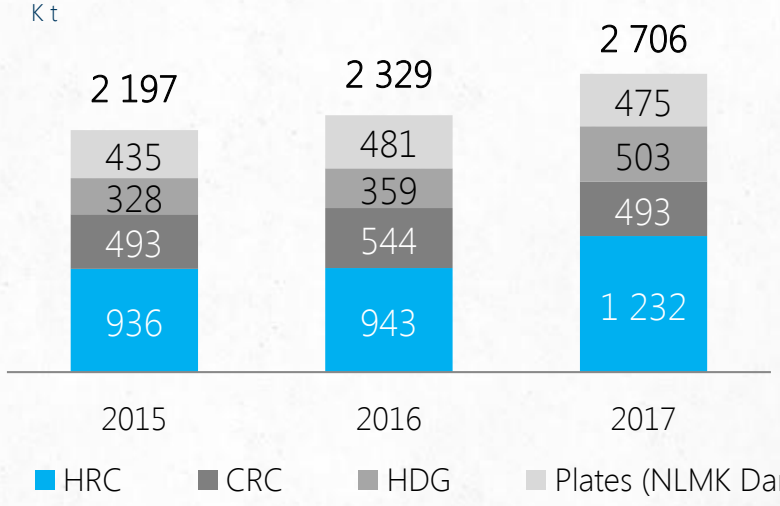


	YoY
Total	-2%
CRC	-14%
Coated	-11%
Plates & ingots	-1%
HRC	+2%

NBH financial results



NLMK USA and NLMK Dansteel sales



	YoY
Total	+16%
Plates	-1%
HDG	+40%
CRC	-9%
HRC	+31%

NLMK KEY HIGHLIGHTS: 2013-2017

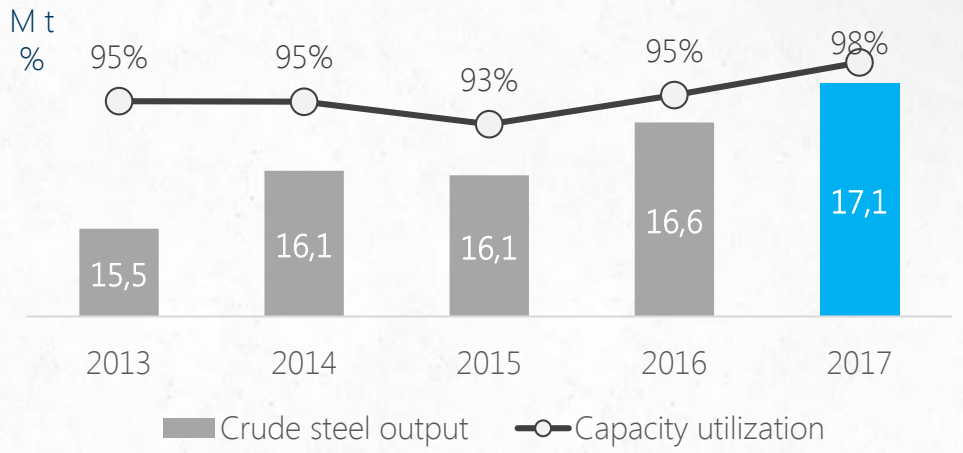
Steel capacity utilization is well above 90% through the cycle

Steel output growth driven by efficiency improvements

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

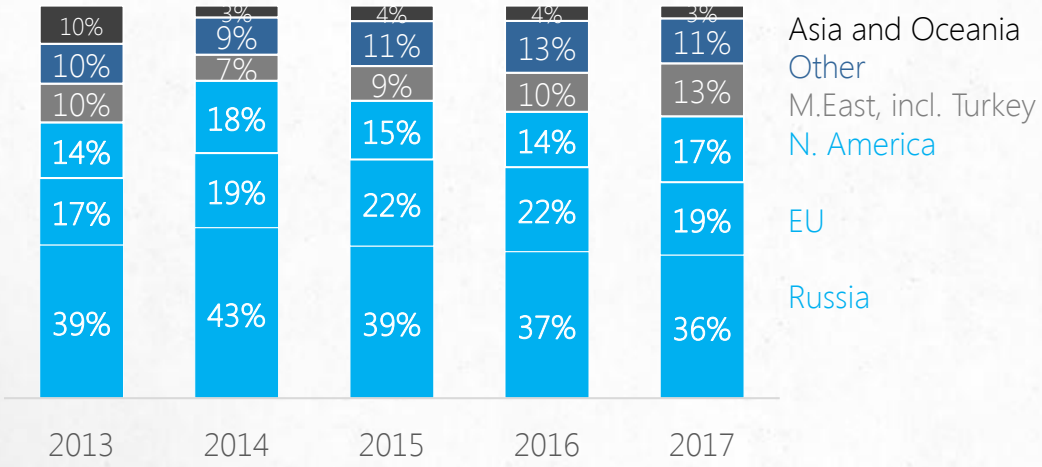
Strong domestic footprint with 2/3 of sales made in our home markets – Russian, Europe, USA

Steel production, 2013-2017



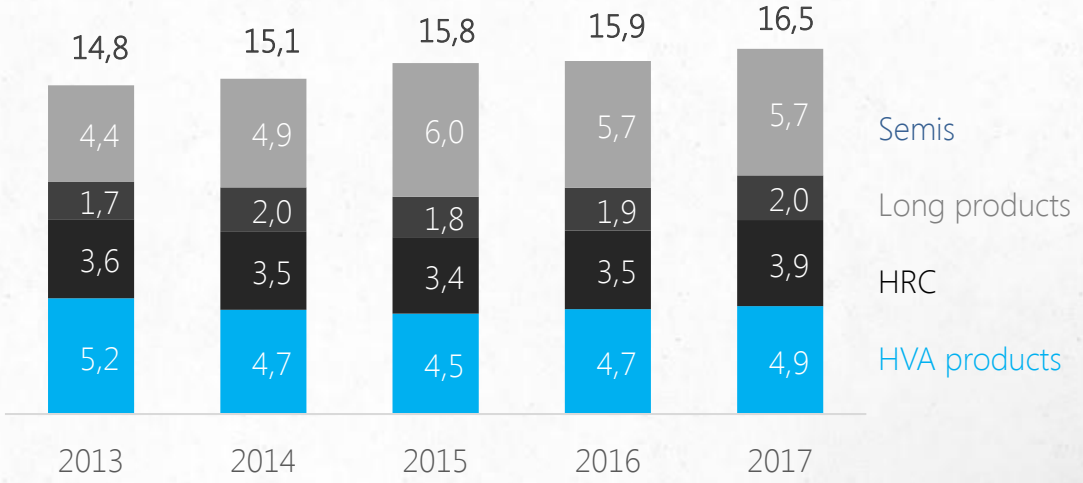
Source: NLMK operating results, with NBH

Sales structure by regions, 2013-2017



Source: NLMK operating results

Sales structure by product, 2013-2017



Source: NLMK operating results

2017: SOLID FREE CASH FLOW WITH 16% YOY GROWTH

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

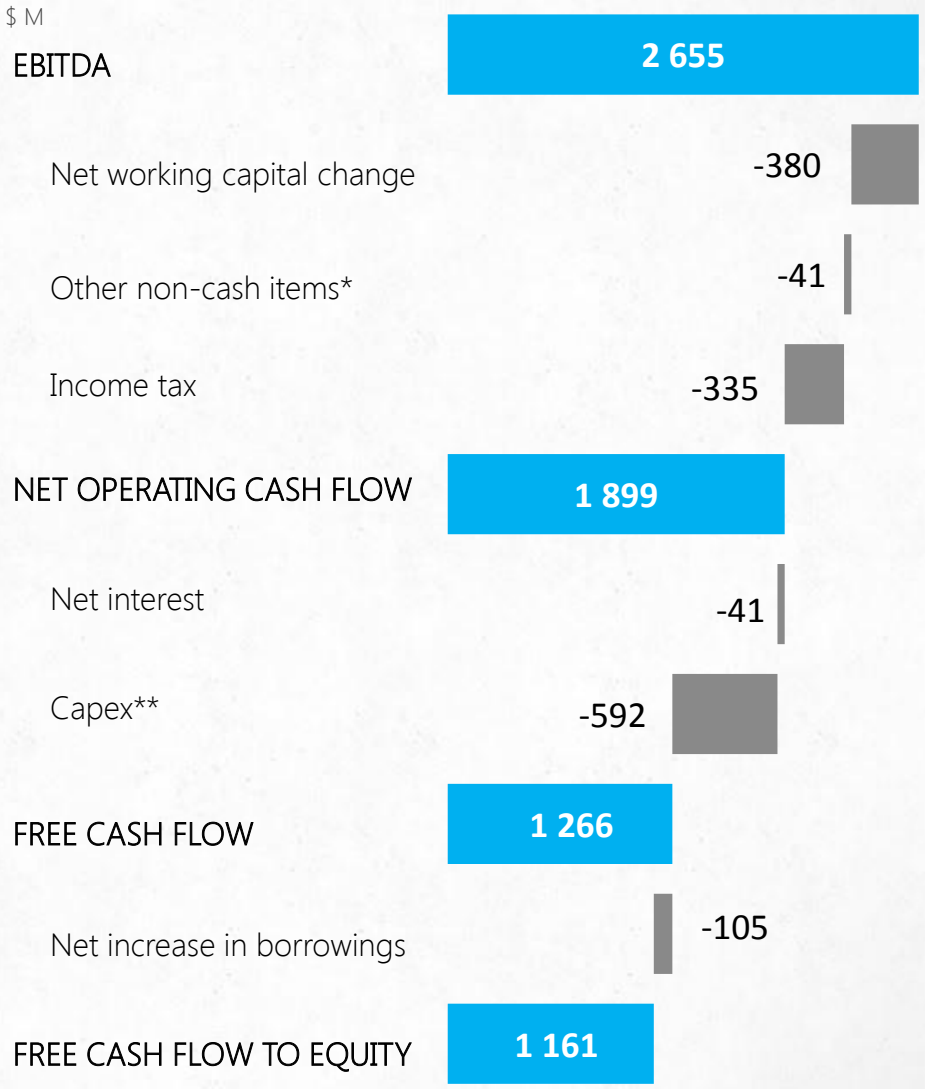
- (+) Stronger sales supported higher earnings
- (-) Working capital buildup of $380m:
  - Higher inventories on price inflation ($221m)
  - A/R growth driven by higher sales and prices
  - Seaport stocks higher on exports & inventories growth

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



** Oher income/(expenses)*
*** Including capitalized interest of $6m*

EXPOSURE TO FX RATES?

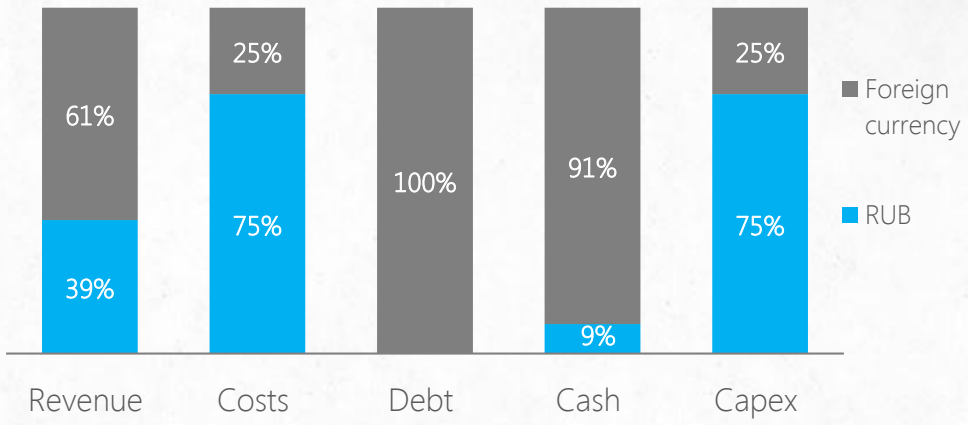
Revenue/Cost FX split provides a solid cushion in volatile commodity prices fluctuation

NLMK's EBITDA sensitivity to 1% FX change is c. $8 m; 1 RUB change translates into $14 m effect on EBITDA

The company's flexibility in sales mix (by product and region) allows to react quickly to FX rate changes

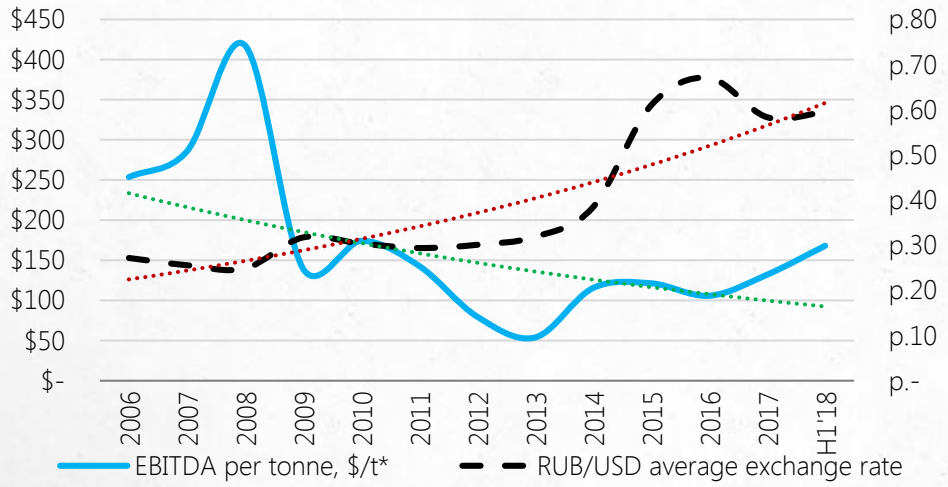
No hedging instruments used

Financial results and balance sheet currency structure



Source: 2017 data

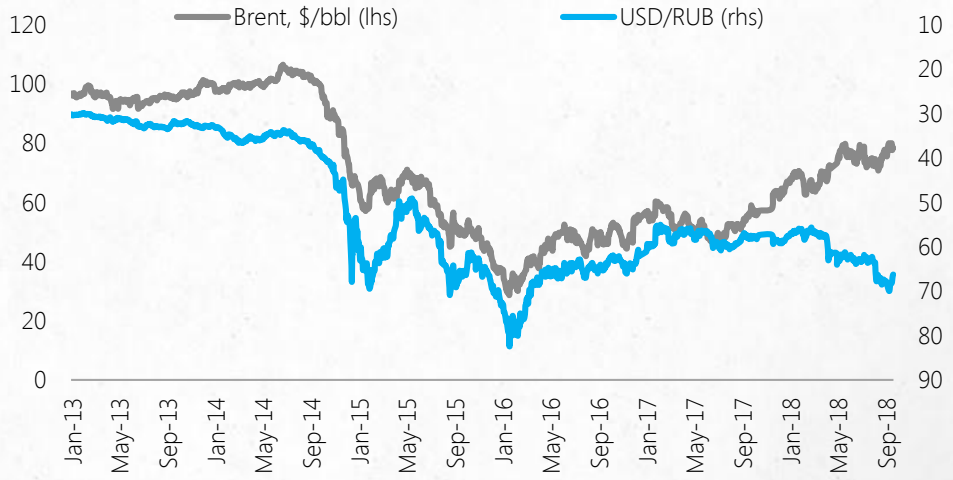
Historical data



* Russian Flat Products data

Source: NLMK data

$/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 Russian coking coal trades with a 30-40% discount vs global

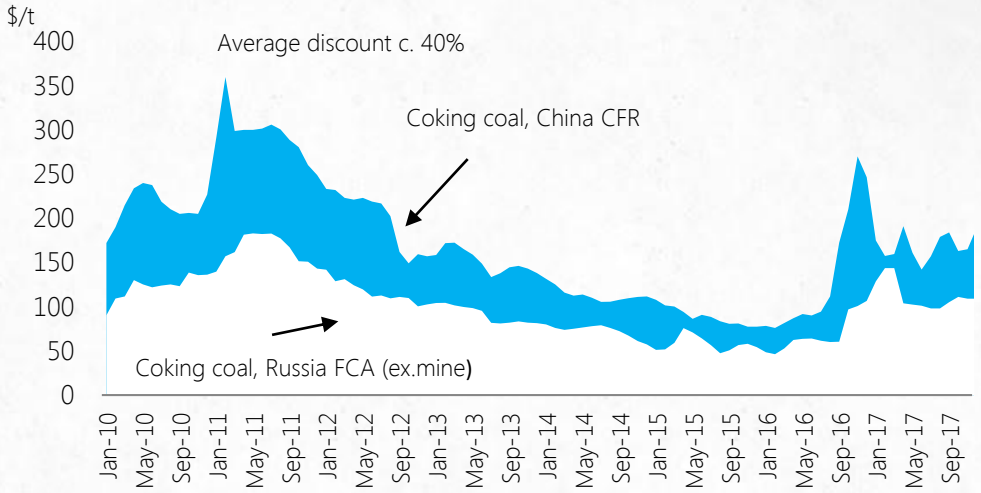
NLMK relies on Russian coal suppliers

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

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

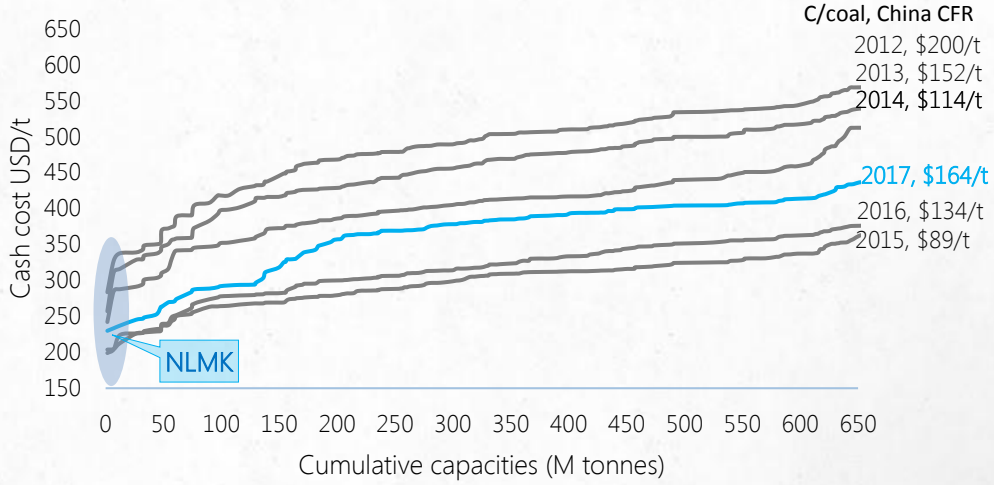
- PCI reduces consumption of coke and natural gas by 30-50%

Russian coal prices are 40% cheaper vs global



Source: Metal Expert

NLMK remains cost leader at any coal price



Source: WSD

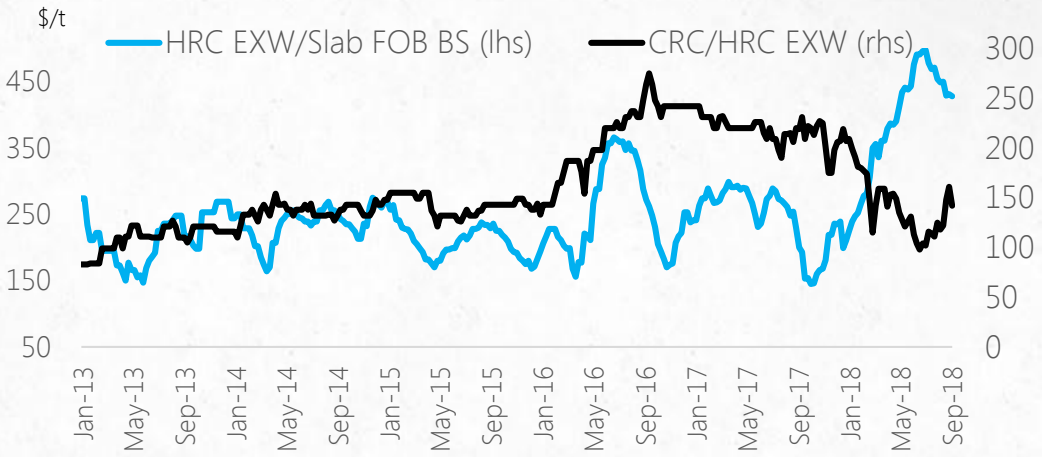
STEEL PRICES AND SPREADS

Domestic price premium on the Russian market has recovered from recent trough caused by sharp FX depreciation

In the US, spreads between domestic HRC and imported slab have expanded dramatically (on a spot basis) since the end of 2017

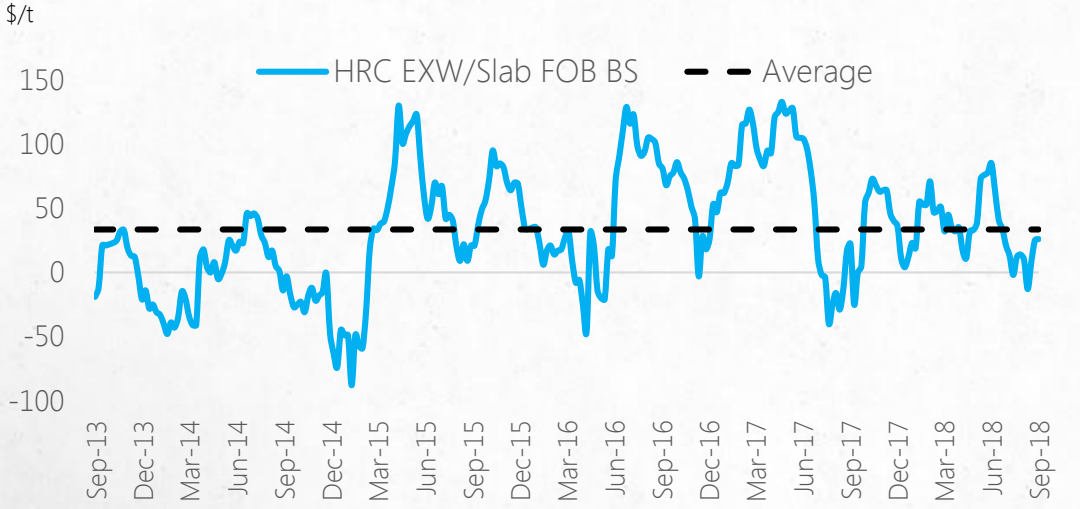
Steel spreads in EU are improving on the back of strong local prices and marginally softening slab prices

Steel spreads in the US



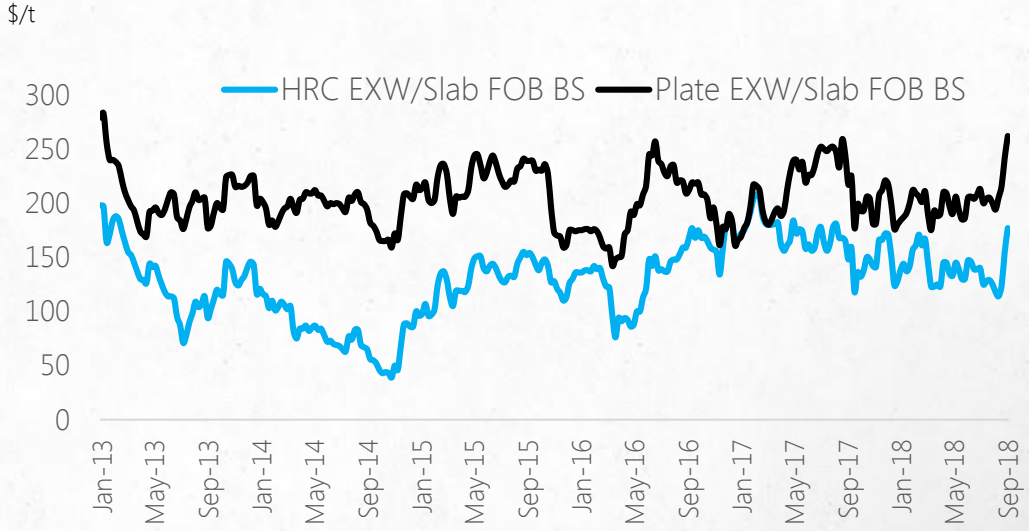
Source: Metal Expert

Domestic price premium in Russia



Source: Metal Expert

Steel spreads in the EU



Source: Metal Expert

LESS RELIANCE ON VOLATILE COMMODITY MARKETS

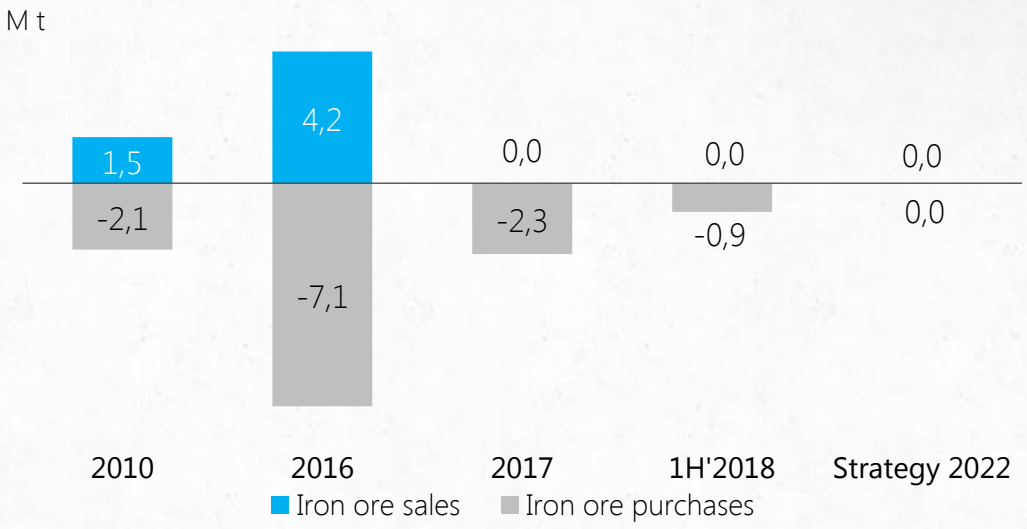
Gradual decline in reliance on volatile iron ore market

- No iron ore supplies to the third parties in 2017- 1H'2018 after the launch of the pelletizing plant
- Reduced purchases of third-party's iron ore
- Strategy 2022: 100% self-sufficiency with growing output at the Lipetsk site

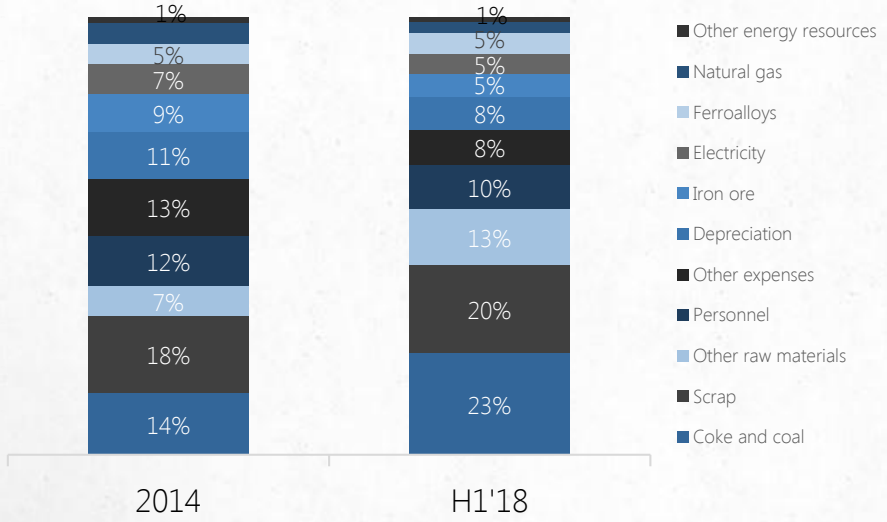
Consistent optimization of coking coal consumption

- Phase 1: to substitute imported coking coal with the Russian grades after the launch of optimization measures at the Lipetsk site with no loss in coke quality
- Phase 2: to roll out the PCI technology and introduce coking additives to optimize feedstock consumption as well as to raise coke quality
- Next steps: develop upstream technologies (charge stamping, PCI rollout)

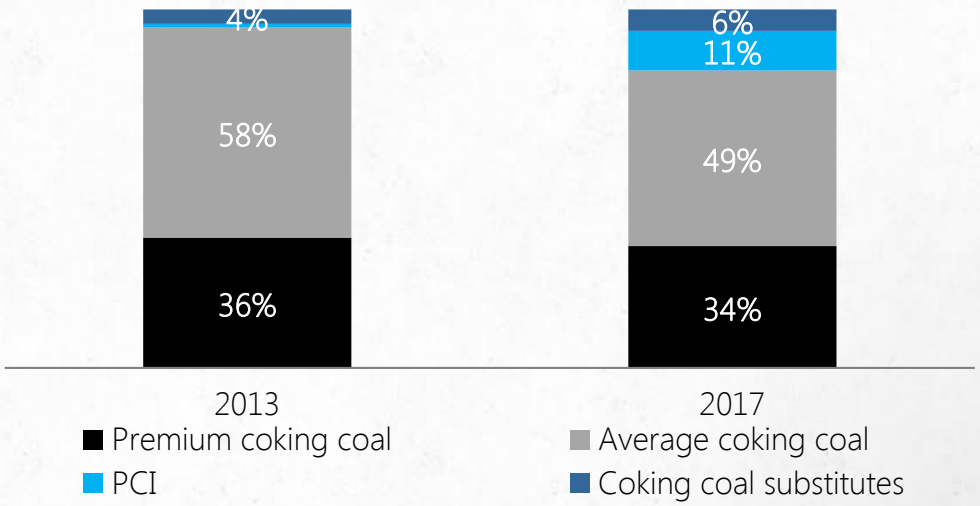
NLMK's iron ore balance



NLMK: cost of sales structure



NLMK: coking coal purchases



TRADE BARRIERS

EU recent trade barriers

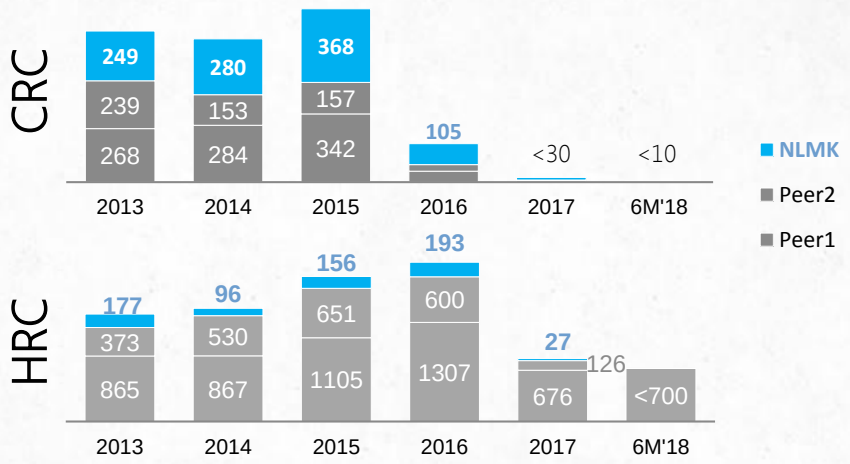
- The safeguard measures (quota limits), set to last 200 days (until Feb'19), slabs are excluded
- HRC from 5 countries: fixed charge per tonne on HRC import prices

USA recent trade barriers: Section 232, 25% tariff on all shipments from Russia

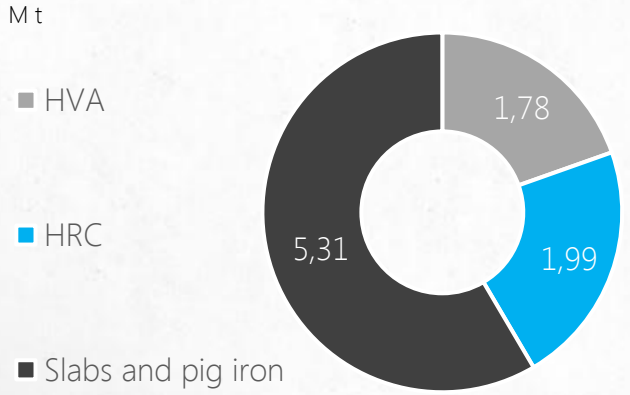
For reference: NLMK International (EU & USA) rolling capacity

- 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 capacity)

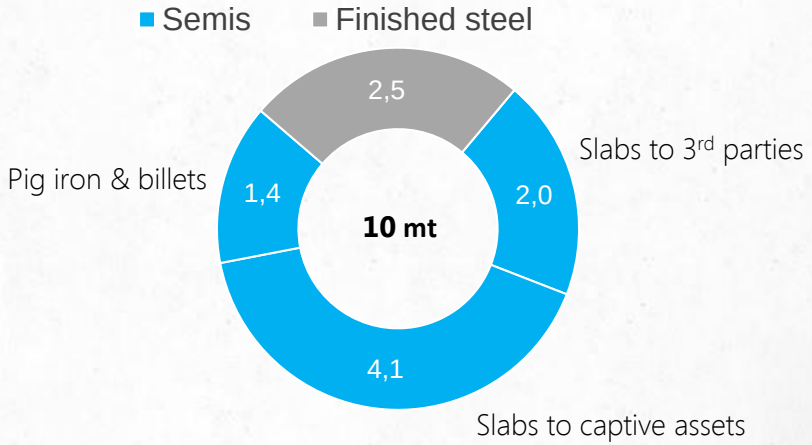
EU: Russian exports by peers, kt



NLMK Russia flat exports to 3rd parties LTM



NLMK: total exports from Russian assets, LTM



KEY FINANCIALS SUMMARY

	2013	2014	2015	2016	2017	H1'18
Income Statement ($ m)						
Revenue	10 818	10 396	8 008	7 636	10 065	5 906
Cost of sales	(8 666)	(7 389)	(5 496)	(5 074)	(6 798)	(3 833)
Gross profit	2 153	3 007	2 512	2 562	3 267	2 073
SG&A	(1 544)	(1 419)	(1 125)	(1 075)	(1 236)	(653)
EBITDA	1 480	2 381	1 943	1 943	2 655	1 727
Operating income	609	1 588	1 387	1 487	2 031	1 420
Finance expenses	(122)	(137)	(95)	(105)	(87)	(39)
Other expense/income	(68)	(315)	29	(210)	(121)	(33)
Pre-tax income	419	1 136	1 321	1 172	1 823	1 348
Income tax	(255)	(362)	(353)	(233)	(371)	(262)
Minority	19	1	1	4	2	3
Net income	145	773	967	935	1 450	1 083
EBITDA margin	14%	23%	24%	25%	26%	29%
EBITDA/t sales	100	157	123	122	161	202
EPS	0,02	0,13	0,16	0,16	0,24	0,18

	2013	2014	2015	2016	2017	H1'18
Production (m t)						
Crude steel						
Group	15.5	15.9	15.9	16.4	16.9	8.6
With NBH	15.5	16.1	16.0	16.6	17.1	8.7
Sales						
Semi-finished steel	4.4	4.9	6.0	5.7	5.7	3.3
Finished steel	10.5	10.2	9.8	10.2	10.8	5.2
Flat	8.5	7.9	7.7	8.0	8.5	4.2
Longs and metalware	2.0	2.3	2.1	2.2	2.3	1.0
Total consolidated sales	14.8	15.1	15.8	15.9	16.5	8.5
For info: NBH Sales	1.7	1.8	2.0	2.2	2.1	1.2
Slabs sales to NLMK USA and Dansteel	1.1	2.2	1.7	1.8	2.1	1.1
Slabs to NBH	1.7	1.9	2.1	2.1	2.1	1.3

	2013	2014	2015	2016	2017	H1'18
Balance Sheet ($ m)						
Cash	1 455	1 171	1 586	1 580	1 585	1 342
Inventories	2 124	1 563	1 205	1 549	1 879	1 863
Accounts receivable	1 459	1 123	921	955	1 215	1 473
Other current assets	8	5	9	19	32	26
Fixed assets	9 892	5 614	4 452	5 328	5 549	5 109
Investments	419	106	118	181	205	140
Other non-current assets	1 096	768	627	627	531	518
Total assets	16 453	10 349	8 918	10 239	10 996	10 471
Short-term debt	1 137	804	560	468	380	256
Accounts payable	1 162	776	565	888	1 029	1 150
Other current liabilities	22	47	189	373	590	554
Long-term debt	3 054	1 964	2 116	1 801	1 901	1 844
Other non-current liabilities	681	501	351	399	450	398
Minority interest	28	15	12	18	17	15
Total shareholders' equity	10 399	6 257	5 137	6 310	6 646	6 269
Total liabilities and equity	16 453	10 349	8 918	10 239	10 996	10 471
Net Debt	2 843	1 666	1 161	761	923	976
Cash flow statement ($ m)						
Net income	164	774	968	939	1 452	1 086
Depreciation	871	794	556	456	624	307
Changes in working capital	(11)	(128)	(11)	37	(380)	(298)
Other	309	367	109	267	203	54
Operating cash flow	1 333	1 806	1 622	1 699	1 899	1 149
Capex	(756)	(563)	(595)	(559)	(592)	(247)
Acquisitions	0	0	0	0	(1)	(3)
Other	(259)	(383)	(780)	249	(165)	905
Investing cash flow	(1 016)	(946)	(1 375)	(310)	(758)	655
Change in debt	(20)	(801)	97	(453)	(105)	(160)
Dividends	(114)	(226)	(395)	(583)	(1 283)	(928)
Other	(91)	(121)	(79)	(84)	(71)	(32)
Financing cash flow	(224)	(1 147)	(377)	(1 120)	(1 459)	(1 120)
Effect of Forex	(75)	(134)	(76)	(2)	9	(23)
Free cash flow	536	1 153	992	1 092	1 266	887

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