

Q1 2015 NLMK GROUP TRADING UPDATE

Key highlights:

- Q1'15 steelmaking utilization rates of the Group were 96%, including 100% at the Lipetsk site.
- Q1'15 Group's steel output was 3.87 mln t (-6% qoq). Q2'15 steel output will grow, offsetting the Q1 decline driven by scheduled maintenance works at NLMK USA and the Lipetsk plant.
- Growth in Q1'15 sales of 3% qoq to 3.96 mln t was supported by stable demand in the international markets.
- International sales (ex. Russia) increased by 13% qoq to 2.55 mln t; their share in the sales mix sequentially increased from 59% to 64%.

Outlook:

Q2'15 operating results are expected to grow driven, among other factors, by the seasonally improved buying activity in the Russian market.

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NLMK Group

Sales ^{1,2} , m t	Q1 2015	Q4 2014	Q1'15 / Q4'14 (qoq)	Q1 2014	Q1'15 / Q1'14 (yoy)
Pig iron	0.155	0.156	-1%	0.006	x 24
Slabs	1.414	1.209	+17%	1.295	+9%
Flat steel	1.820	1.845	-1%	1.909	-5%
Billets	0.052	0.065	-20%	0.086	-39%
Long products	0.441	0.487	-9%	0.490	-10%
Metalware	0.075	0.083	-10%	0.077	-3%
Total steel product sales	3.957	3.846	+3%	3.865	+2%
<i>to the Russian market</i>	<i>36%</i>	<i>41%</i>		<i>40%</i>	
<i>to the international markets from Russian operations (without intra-group operations)</i>	<i>55%</i>	<i>43%</i>		<i>45%</i>	
<i>foreign rolled product segment</i>	<i>10%</i>	<i>15%</i>		<i>14%</i>	
For information: NBH sales deconsolidated since Q4 2013 (9M 2013 were part of the Group)	<i>0.513</i>	<i>0.472</i>	<i>+9%</i>	<i>0.472</i>	<i>+9%</i>

¹ Q1 2015 production and sales data is preliminary and subject to further adjustment/change.

² Excluding inter-group operations and including sales of trading companies

Q1'15 NLMK Group operating results

NLMK Group steel output declined by 6% qoq and by 1% yoy to 3.87 mln t due to scheduled maintenance at BF and BOF shops at the Lipetsk plant and at the EAF at NLMK USA during the seasonally low market. This decline was partially offset by higher output at NLMK Long Products.

Steelmaking capacity utilization rates of the Group were 96% (-2 p.p. qoq and +2 p.p. yoy), including 100% at the Lipetsk site (sequentially flat, and +2 p.p. yoy), and 90% at NLMK Long Products (+14 p.p. qoq and +10 p.p. yoy).

Sales increased by 3% qoq and by 2% yoy to 3.96 mln t, driven by exports to third party customers.

Steel segment sales increased by 2% qoq and by 2% yoy to 3.21 mln t driven by the growth in export sales to third party clients fully offsetting seasonally weak demand in Russia. Long steel sales were 0.57 mln t (-11% qoq and -13% yoy) due to lower demand from distributors as they built stocks in the end of 2014.

Foreign Rolled Product Segment sales were 540,000 t (-9% qoq and -3% yoy) as apparent demand in the U.S. softened on the back of higher stocks at end-users.

International sales of the Group increased by 13% qoq and by 10% yoy to 2.55 mln t; their share in total sales was 64% (up 5 p.p. qoq and 4 p.p. yoy). This growth was driven by higher demand for semis in the international markets.

Key external destinations were Europe, North and South America, and the Middle East, and South-East Asia.

Steel Segment³

Sales, million t	Q1 2015	Q4 2014	Q1'15 / Q4'14 (qoq)	Q1 2014	Q1'15 / Q1'14 (yoy)
Pig iron	0.155	0.156	-1%	0.006	x 24
Slabs incl. ⁴	1.775	1.749	+1%	1.774	0%
to NLMK USA, NLMK Dansteel	0.213	0.543	-61%	0.480	-56%
to NBH	0.446	0.535	-17%	0.483	-8%
Hot-rolled steel	0.571	0.542	+5%	0.617	-7%
Cold-rolled steel	0.340	0.337	+1%	0.366	-7%
Galvanized steel	0.162	0.133	+22%	0.146	+11%
Pre-painted steel	0.089	0.133	-33%	0.132	-33%
Dynamo steel	0.054	0.044	+22%	0.061	-12%
Transformer steel	0.066	0.066	+1%	0.058	+14%
incl. VIZ-Steel	0.042	0.044	-6%	0.043	-2%
Total products	3.212	3.161	+2%	3.161	+2%
Coke sales from Altai-Koks ⁵	0.977	1.114	-12%	0.943	+4%
incl. to Novolipetsk	0.699	0.862	-19%	0.769	-9%

³Steel Segment companies include Novolipetsk, VIZ-Steel, trading companies and Altai-Koks. Novolipetsk and VIZ-Steel sales are calculated including trading companies.

⁴Sales of slabs to NBH are shown as sales to third parties starting from Q4 2013.

⁵Coke production and sales are shown in dry weight.

Lipetsk site steel output was 3.09 mln t (-9% qoq, flat yoy) due to large-scale BF and BOF shop maintenance conducted during a seasonally softer demand in Russia. Metal products output was 3.09 mln t (-9% qoq and +6% yoy).

Steel Segment sales increased by 2% qoq and by 2% yoy to 3.21 mln t due to the growth in exports to third party clients offsetting seasonally softer demand in the domestic market.

The company increased its sales by 2% qoq driven by a sustainable demand in the export markets. Slab sales were up 1% qoq and flat yoy, while slab sales to third party clients (excluding sales to NBH) increased by 66% to 1.1 mln t.

Total exports of the Steel Segment increased to 2.27 mln t including sales to NLMK subsidiaries (NLMK USA, NLMK DanSteel) of 210,000 t (-53% qoq), and sales to NBH associated companies of 450,000 t (-17% qoq).

Segment sales to Russian customers were seasonally lower by 8% qoq (-2% yoy) to 0.94 mln t.

Q2'15 outlook

Lipetsk site production results in Q2'15 are set to grow following major maintenance works. Q2'15 sales are expected to grow driven by the seasonal improvement in demand in Russia.

Mining Segment (Stoilensky)

Sales, million t	Q1 2015	Q4 2014	Q1'15 / Q4'14 (qoq)	Q1 2014	Q1'15 / Q1'14 (yoy)
Iron ore concentrate	3.496	3.943	-11%	3.474	+1%
incl. to Novolipetsk	2.724	2.971	-8%	2.793	-2%
Sinter ore	0.362	0.422	-14%	0.397	-9%
incl. to Novolipetsk	0.156	0.171	-9%	0.147	+6%

Iron ore concentrate production was 3.85 mln t (-1% qoq, +6% yoy), sinter ore production was 427,000 t (-4% qoq, +13% yoy). The year-on-year growth was due to the improvement in equipment productivity achieved under the Division's optimization programme.

Concentrate sales were 3.5 mln t (-11% qoq, +1% yoy), sinter ore sales were 362,000 t (-14% qoq, -9% yoy) as export sales with a longer sales recognition period grew.

Lower sales of iron ore to the Lipetsk site was due to lower requirement for iron ore feedstock as production at BF and BOF shops reduced.

Q2'15 outlook

Q2 sales are expected to grow due to, among other factors, Q1 sales recognition.

Long Products Segment ⁶

Sales, million t	Q1 2015	Q4 2014	Q1'15 / Q4'14 (qoq)	Q1 2014	Q1'15 / Q1'14 (yoy)
Billet (NLMK Kaluga)	0.052	0.065	-20%	0.086	-39%
Rebar	0.407	0.458	-11%	0.458	-11%
incl. NLMK Kaluga	0.144	0.159	-9%	0.104	+39%
Sections (NLMK Kaluga)	0.001	0.002	-46%	0.000	
Wire rod	0.033	0.027	+22%	0.032	+3%
Metalware	0.075	0.083	-10%	0.077	-3%
Total steel products	0.568	0.635	-11%	0.654	-13%
Ferrous and non-ferrous scrap, incl.	0.622	1.137	-45%	0.620	0%
to NSMMZ	0.212	0.344	-38%	0.259	-18%
to NLMK Kaluga	0.173	0.293	-41%	0.124	+39%
to Novolipetsk	0.220	0.448	-51%	0.224	-2%

⁶ Long Products Division includes: NSMMZ (the Urals based EAF mini-mill), NLMK Metalware, NLMK Kaluga (EAF mini-mill) and scrap collecting facilities.

Segment crude steel production jumped by 25% qoq to 0.69 mln t, including output growth at NLMK Kaluga of 32% to 0.26 mln t. Significant growth in output was due to the stabilization of capacity utilization rates following maintenance works in Q4'14.

Segment sales were 0.57 mln t (-11% qoq, -13% yoy). This decline was due to seasonally weaker demand from the construction sector in Russia, as well as to higher inventories at distributors following restocking in the end of 2014.

Q1 exports increased by 40% qoq to 0.1 mln t; exports represented 17% of total sales.

Scrap sales were down by 45% qoq to 0.6 mln t due to seasonality factors and higher inventories, while on a year-on-year basis sales remained unchanged. NLMK's own capacities processed 0.4 mln t (-42% qoq, +10% yoy) of scrap.

Q2'15 outlook

Q2'15 operating results will largely depend on the start-up of new construction projects during the seasonal pick-up in demand from the construction sector.

Foreign Rolled Products Segment

NLMK USA ⁷

Sales, million t	Q1 2015	Q4 2014	Q1'15 / Q4'14 (qoq)	Q1 2014	Q1'15 / Q1'14 (yoy)
Hot-rolled steel	0.222	0.273	-18%	0.252	-12%
Cold-rolled steel	0.132	0.114	+15%	0.131	+1%
Galvanized steel	0.074	0.097	-23%	0.074	-1%
Total rolled steel ⁸	0.428	0.483	-11%	0.457	-6%

⁷ NLMK USA includes NLMK Indiana, NLMK Pennsylvania, and Sharon Coating. Operating data for NLMK USA is presented in metric tonnes.

⁸ NLMK USA also sell non-significant volumes of merchant slabs not included into total rolled steel sales. In 12M'14 and Q1'15 slab sales totaled 9,000 t and 3,000 t respectively.

Crude steel output at NLMK Indiana was down by 42% qoq and by 44% yoy to 0.09 mln t due to major maintenance works at the EAF conducted during a seasonally softer demand in USA. Lower output was offset by increased processing of semis stocks delivered from Lipetsk that were built in the end of 2014.

Finished steel sales decreased by 11% qoq and by 6% yoy to 0.43 mln t as competition from imports persisted. The drop in HRC and galvanized steel sales of -18% qoq and -23% qoq respectively was partially compensated by increased sales of CRC (+15% qoq).

NLMK Dansteel

Sales, million t	Q1 2015	Q4 2014	Q1'15 / Q4'14 (qoq)	Q1 2014	Q1'15 / Q1'14 (yoy)
Thick plates	0.109	0.106	+3%	0.100	+9%

Thick plate sales were up 3% qoq to 109,000 t supported by stable demand from European customers. On a year-on-year basis, sales increased by 9%.

Q2'15 outlook

NLMK USA is expected to post stable operating results in Q2'15, while pressure from imports will persist.

NLMK Dansteel operating results in Q2 will remain stable.

Associated companies - NLMK Belgium Holdings (NBH) ⁹

Sales, million t	Q1 2015	Q4 2014	Q1'15 / Q4'14 (qoq)	Q1 2014	Q1'15 / Q1'14 (yoy)
Hot-rolled steel	0.220	0.197	+12%	0.168	+31%
Cold-rolled steel	0.014	0.010	+44%	0.018	-20%
Coated steel	0.089	0.072	+23%	0.090	-1%
Total flat steel	0.324	0.279	+16%	0.275	+18%
Semi-finished (ingots)	0.026	0.022	+20%	0.020	+32%
Thick plates	0.163	0.171	-4%	0.177	-8%
Total steel products	0.513	0.472	+9%	0.472	+9%

⁹ NBH assets include producers of thick plates NLMK Clabecq (Belgium), NLMK Verona (Italy) and producers of flat steel NLMK La Louvière (Belgium), NLMK Coating (France) и NLMK Strasbourg (France).

Q1 steel output at NLMK Verona increased by 33% qoq to 57,000 t. As demand in the European market improved, NBH sales grew by 9% (both on a quarterly and on a year-on-year basis) to 0.51 mln t. Strip product sales jumped by 16% qoq to 0.32 mln t with growth across all product lines. Thick plate sales softened by 4% qoq to 0.16 mln t as imports continued to exert pressure.

Q2'15 outlook

NBH is expected to post stable Q2 operating results supported by stable demand in Europe.

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About NLMK Group

NLMK Group is the largest steelmaker in Russia and one of the most efficient in the world. NLMK's high-quality metal products are used in various industries, from construction and engineering to the manufacture of power-generating equipment and offshore wind turbines.

NLMK's production assets are located in Russia, Europe, and the United States. The Company's liquid steel production capacity is over 17 million tonnes per year, of which about 16 million tonnes are produced in Russia. Sales in 2014 were 15.1 million tonnes (+2% year-on-year). 2014 revenue totaled \$10,396 million, EBITDA grew by 58% to \$2,383 million, EBITDA margin was 23% (up from 14% in 2013). In 2014 net debt dropped by 41% year-on-year to \$1,590 million.

NLMK's ordinary shares are traded on the Moscow Stock Exchange (ticker symbol: NLMK), and its global depositary shares are traded on the London Stock Exchange (ticker symbol: NLMK:LI).

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Appendixes

Appendix 1. NLMK Group crude steel production

Production, million t	Q1 2015	Q4 2014	Q1'15 / Q4'14 (qoq)	Q1 2014	Q1'15 / Q1'14 (yoy)
NLMK Group	3.874	4.108	-6%	3.909	-1%
Lipetsk site	3.090	3.396	-9%	3.086	0%
NLMK Long Products	0.690	0.551	+25%	0.654	+6%
incl. NLMK Kaluga	0.261	0.198	+32%	0.195	+34%
NLMK Indiana (NLMK USA)	0.094	0.162	-42%	0.169	-44%
<i>for information</i>					
NBH, NLMK Europe (EAF)	0.057	0.043	+33%	0.047	+21%

Appendix 2. NLMK Group products output

Production, million t	Q1 2015	Q4 2014	Q1'15 / Q4'14 (qoq)	Q1 2014	Q1'15 / Q1'14 (yoy)
Merchant pig iron	0.101	0.157	-36%	0.006	x 16
Merchant slabs	1.163	1.360	-14%	1.060	+10%
Flat steel	1.977	1.930	+2%	1.904	+4%
Merchant billets	0.052	0.064	-19%	0.074	-29%
Long products	0.529	0.404	+31%	0.468	+13%
Metalware	0.078	0.079	-1%	0.078	0%
Total products	3.900	3.995	-2%	3.589	+9%

Appendix 3. Novolipetsk product output

Production, million t	Q1 2015	Q4 2014	Q1'15 / Q4'14 (qoq)	Q1 2014	Q1'15 / Q1'14 (yoy)
Merchant pig iron	0.101	0.157	-36%	0.006	x 16
Merchant slabs	1.527	1.903	-20%	1.540	-1%
Hot-rolled steel	0.717	0.633	+13%	0.625	+15%
Cold-rolled steel	0.388	0.347	+12%	0.384	+1%
Galvanized steel	0.168	0.148	+14%	0.146	+15%
Pre-painted steel	0.104	0.141	-26%	0.124	-16%
Dynamo steel	0.059	0.052	+13%	0.072	-19%
Transformer steel	0.025	0.024	+3%	0.020	+25%
Total steel products	3.089	3.405	-9%	2.918	+6%

Appendix 4. Main raw materials production

Production, million t	Q1 2015	Q4 2014	Q1'15 / Q4'14 (qoq)	Q1 2014	Q1'15 / Q1'14 (yoy)
Coke	1.580	1.727	-9%	1.533	+3%
Novolipetsk	0.598	0.606	-1%	0.584	+2%
Altai-Koks	0.981	1.120	-12%	0.949	+3%
Iron ore	4.281	4.341	-1%	4.009	+7%
Iron ore concentrate	3.854	3.896	-1%	3.630	+6%
Sinter ore	0.427	0.445	-4%	0.379	+13%
Scrap	0.367	0.635	-42%	0.333	+10%