

21 July 2014

Q2 2014 AND H1 2014 NLMK GROUP TRADING UPDATE

Q2 2014 highlights:

- Group sales remained at the high level of the previous quarter and totaled 3.854 m t.
- Rolled product sales grew by 11.9% q-o-q to 2.774 m t; the share of rolled product sales in total sales was 72% (+8 p.p.). The highest growth was recorded for long product sales: +15.9% q-o-q and 45.6% y-o-y, reaching a record 0.568 m t.
- Sales to the Russian market grew by 12% q-o-q to 1.735 m t driven by the seasonal growth in demand for the Company's products.
- In Q2 2014, Group steelmaking capacities were running at 94%; utilization rate at the main production site in Lipetsk was 98% ¹.
- NLMK Group steel output fell to 3.774 m t (-3.5% q-o-q) due to repair activities and the mastering of the pulverized coal injection (PCI) technology at the blast furnace operations at the Lipetsk site. In Q3, this reduction is expected to be offset by an increase in steel output to 4 m t.
- Rolled product output increased by 26.8% q-o-q to 3.105 m t on the back of high demand both in the domestic and export markets. Semi-finished product output decreased by 12.7% q-o-q to 990,000 t.

H1 2014 highlights:

- NLMK Group sales increased to 7.721 m t (+2.4% y-o-y). Sales to the Russian market grew by 20.3% y-o-y to 3.283 m t.
- NLMK Groups H1 2014 steel output increased to 7.682 m t (+2.7% y-o-y), driven mainly by the launch of NLMK Kaluga in mid-2013.

Q3 2014 outlook:

Q3 steel output is expected to grow to 4 m t.

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¹ Utilization rates taking into account repairs at the main plant

NLMK Group

Sales ^{2,3} , m t	Q2 2014	Q1 2014	Q2'14 / Q1'14	H1 2014	H1 2013	H1'14/ H1'13
Pig iron	0.004	0.006	-32.6%	0.011	0.133	-92.1%
Slabs	0.993	1.295	-23.4%	2.288	2.067	10.7%
Flat steel	2.119	1.911	10.8%	4.030	4.438	-9.2%
Billets	0.084	0.086	-3.0%	0.170	0.001	
Long products	0.568	0.490	15.9%	1.058	0.750	41.2%
Metalware	0.087	0.077	12.4%	0.164	0.149	10.6%
Total steel products	3.854	3.867	-0.3%	7.721	7.537	2.4%
<i>sales to the Russian market</i>	<i>45%</i>	<i>40%</i>		<i>43%</i>	<i>36%</i>	
<i>sales to the international markets from Russian operations</i>	<i>38%</i>	<i>46%</i>		<i>42%</i>	<i>39%</i>	
<i>Foreign rolled product segment sales</i>	<i>17%</i>	<i>14%</i>		<i>16%</i>	<i>25%</i>	
<i>For information: NBH sales deconsolidated since Q4 2013 (in H1 2013 were part of the Group sales)</i>	<i>0.431</i>	<i>0.472</i>	<i>-8.7%</i>	<i>0.903</i>	<i>0.828</i>	<i>9.0%</i>

² All Q2 2014 and H1 2014 production and sales data is preliminary and subject to further adjustment/change.

³ Excluding inter-group operations and including sales of trading companies

NLMK Group operating highlights*Q2 2014 overview:*

Steel output by the Group companies in Q2 2014 totaled 3.774 m t (-3.5% q-o-q). This q-o-q drop in output is associated with repairs and the installation of PCI systems at blast furnace operations at the Lipetsk site. Group's steelmaking capacities were running at 94%, including 98% at the main production site in Lipetsk (utilization rate with account for repairs); 86% at the Long Product Division companies (including 92% at NSMMZ; 77% at NLMK Kaluga); and 81% at NLMK USA.

Sales remained flat q-o-q: 3.854 m t (-0.3% q-o-q). Steel Segment sales were down by 8.1 q-o-q to 2.907 m t due to the high base in Q1 2014, when previously accumulated steel product inventories were sold as well as due to decline in pig iron output. Long Product Segment sales were up by 13.0% q-o-q to 0.739⁴ m t; Foreign Rolled Product Segment sales increased to 0.638 m t (+14.6% q-o-q)⁵.

Group Q2 sales to the Russian market increased by 12.0% to 1.735 m t on the back of the seasonal pick up in activity in the construction industry, totaling 45% of total sales.

Key external destinations for the Group steel products were North America, Europe, the Middle East and South-East Asia. NLMK Russian production assets' sales to third parties in external markets fell by 16% to 1.476 m t – in the previous quarter, sales of accumulated inventories from the Lipetsk site were reflected in export sales. In Q2, international rolling assets accounted for 17% of sales (+3 p.p.).

H1 2014 overview:

H1 2014 steel output totaled 7.682 m t (+2.7% q-o-q). This growth was supported by the launch of NLMK Kaluga in mid-2013.

Steel product sales totaled 7.721 m t (+2.4% q-o-q), due to the increase in long product sales on the back of the slump in merchant pig iron sales.

The decrease in rolled product sales by the Foreign Rolled Product Segment (-37.1% y-o-y to 1.194 m t) was tied mainly to the deconsolidation of NBH results in Q4 2013.

The spike in Long Product Segment sales (+54.9% to 1.392 m t) is associated with the launch of NLMK Kaluga.

Sales to the Russian market on the back of increased deliveries to the construction industry in H1 2014 grew by 20.3% (y-o-y) and totaled 3.284 m t, or 43% of total sales.

⁴ Due to completion of hot-testing period at NLMK Kaluga steelmaking facilities.

⁵ Sales of rolled steel.

Steel Segment⁶

Sales, million t	Q2 2014	Q1 2014	Q2'14 / Q1'14	H1 2014	H1 2013	H1'14/ H1'13
Pig iron	0.004	0.006	-32.6%	0.011	0.133	-92.1%
Slabs incl. ⁷	1.425	1.774	-19.7%	3.199	3.154	1.4%
to NLMK USA, NLMK Dansteel	0.435	0.480	-9.4%	0.915	0.296	209.1%
to NBH	0.449	0.483	-6.9%	0.932	0.833	11.9%
Hot-rolled steel	0.646	0.617	4.8%	1.263	1.131	11.7%
Cold-rolled steel	0.397	0.366	8.4%	0.763	0.731	4.3%
Galvanized steel	0.162	0.146	10.9%	0.308	0.277	11.1%
Pre-painted steel	0.125	0.132	-5.8%	0.257	0.268	-4.0%
Dynamo steel	0.081	0.061	32.2%	0.142	0.143	-0.7%
Transformer steel	0.067	0.060	11.8%	0.127	0.127	0.1%
Incl. VIZ-Steel	0.043	0.043	0.4%	0.085	0.083	2.5%
Total products	2.907	3.163	-8.1%	6.070	5.965	1.8%
Coke sales from Altai-Koks ⁸	0.937	0.943	-0.7%	1.880	1.981	-5.1%
incl. to Novolipetsk	0.736	0.769	-4.2%	1.505	1.589	-5.3%

⁶Steel segment companies include Novolipetsk, VIZ-Steel, trading companies and Altai-Koks. Novolipetsk and VIZ-Steel sales are calculated including trading companies.

⁷Sales of slabs to NBH were reflected as intercompany sales until Q3 2013. Starting from Q4 slab sales to these assets are shown as sales to third parties due to the deconsolidation of NBH.

⁸Coke production and sales are shown in dry weight.

Q2 2014 overview:

Steel output at the Lipetsk site decreased by 6.2% q-o-q to 2.894 m t due to prolonged repair activities and the implementation of PCI systems at blast furnace operations at the Lipetsk site. Repairs activities were finished in 2014. Salable products output at the Lipetsk site totaled 2.761 m t (-5.4% q-o-q), due mainly to lower output of merchant slabs (-13% q-o-q).

Steel Segment sales fell by 256,000 t to 2.907 m t due to lower output of merchant slabs and the high base factor in Q1 2014 when accumulated steel product inventories were sold. Segment Q2 sales in the domestic market grew by 9% and totaled 1.138 m t, or 39% of Segment's total sales, on the back of the seasonal improvement in demand in Russia.

Steel Segment companies increased their rolled product sales by 6.9% to 1.478 m t on the back of the seasonal

improvement in demand. HRC (+4.8% q-o-q to 0.646 m t); CRC (+8.4% to 0.397 m t), HDG (+10.9% to 0.162 m t) and dynamo steel (+32.2 q-o-q to 0.081 m t) accounted for the bulk of the sales growth.

Slab sales were down by 1.425 m t (-19.7% q-o-q), with 0.449 m t (-6.9% q-o-q) sold to NBH rolling assets. Slab deliveries to NLMK Dansteel and NLMK USA fell by 9.4% to 0.435 m t. Slab sales to the Russian market totaled 0.169 m t.

H1 2014 overview:

H1 2014 steel output at the Lipetsk site totaled 5.980 m t (-2.3% q-o-q), due to the Q2 2014 reduction in pig iron output (see comment above). Salable product output at the Lipetsk site totaled 5.907 m t (-1.7% q-o-q) due to the decrease in merchant pig iron output (-91.5% y-o-y).

H1 2014 Steel Segment sales increased by 1.8% to 6.070 m t; rolled product sales increased by 6.8% to 2.860 m t.

Mining Segment (Stoilensky)

Sales, million t	Q2 2014	Q1 2014	Q2'14 / Q1'14	H1 2014	H1 2013	H1'14/ H1'13
Iron ore concentrate	3.646	3.474	5.0%	7.120	6.881	3.5%
Incl. to Novolipetsk	2.576	2.793	-7.8%	5.369	5.365	0.1%
Sinter ore	0.358	0.397	-9.9%	0.755	0.729	3.5%
Incl. to Novolipetsk	0.133	0.147	-9.6%	0.280	0.300	-6.6%

Q2 2014 overview:

Iron ore concentrate production (hereinafter referred to as concentrate) went up by 3.3% q-o-q to 3.748 m t, sinter ore production totaled 0.380 m t (+0.3% q-o-q). This output growth was driven by the improvement in equipment productivity achieved under the Division's optimization programme adopted in 2014.

Concentrate and sinter ore sales totaled 3.646 m t (+5.0% q-o-q) and 0.358 m t (-9.9% q-o-q), respectively. Concentrate and sinter ore sales to the Lipetsk site totaled 2.576 m t (-7.8% q-o-q) and 0.133 m t (-9.6% q-o-q), respectively, due to lower pig iron production volumes in Q2 2014 (see comments for the Steel Segment).

Sales of concentrate and sinter ore to third parties totaled 1.070 m t (+57.2% q-o-q) and 0.225 m t (-10.0% q-o-q), respectively. The substantial increase in concentrate sales to third parties was driven by the start of sales to the Russian market and the increase in export sales.

H1 2014 overview:

The production of concentrate and sinter ore went up to 7.378 m t (+7.1% y-o-y) and 0.759 m t (+4.0% y-o-y), respectively. The increase in production volumes was driven by the improvement in equipment productivity achieved under the Division's optimization programmes. With higher deliveries to third parties concentrate and sinter ore sales went up to 7.120 m t (+3.5% y-o-y) and 0.755 m t (+3.5% y-o-y), respectively.

Long Products Segment ⁹

Sales, million t	Q2 2014	Q1 2014	Q2'14 / Q1'14	H1 2014	H1 2013	H1'14/ H1'13
Billet	0.084	0.086	-2.7%	0.170	0.001	
incl. NLMK Kaluga	0.084	0.086	-2.7%	0.170	0.001	
Rebar	0.539	0.458	+17.9%	0.997	0.695	+43.5%
incl. NLMK Kaluga	0.214	0.104	+106.6%	0.318	0.001	
Wire rod	0.029	0.032	-12.1%	0.061	0.055	+11.5%
Metalware	0.087	0.077	+12.4%	0.164	0.149	+16.6%
Total steel products	0.739	0.654	+13.0%	1.392	0.899	+54.9%
Scrap incl.	1.183	0.620	+90.9%	1.803	1.444	+24.8%
to NSMMZ	0.468	0.259	+80.8%	0.728	0.776	-6.2%
to NLMK Kaluga	0.308	0.124	+147.2%	0.432	0.047	X8 times
to Novolipetsk	0.390	0.224	+74.2%	0.614	0.583	+5.4%

⁹Long Products Division includes: NSMMZ (the Urals based EAF mini-mill), NLMK Metalware, NLMK Kaluga and scrap collecting facilities.

Q2 2014 overview:

Segment crude steel production went up by 10.5% q-o-q to 0.723 m t mainly as a result of NLMK Kaluga's run rates going up to 77% (+22 p.p. q-o-q) where production totaled 0.279 m t (+43.1% q-o-q). NLMK Kaluga output growth was driven by the mastering of sections in Q1 2014 and the seasonal improvement in demand in Q2 2014. NLMK Kaluga rolling mill achieved nearly 100% run rate in Q2 (capacity of the rolling mill is 0.9 m tpa of long products).

Segment sales went up by 13.0% q-o-q to 0.739 m t, including NLMK Kaluga sales of 0.298 m t (+57% q-o-q) on the back of improved demand in Russia. Rebar sales went up by 17.9% q-o-q to 0.539 m t. The bulk of the long products (95%) was sold to the domestic market.

Scrap sales totaled 1.183 m t (+87.2% q-o-q), due mainly to the seasonal factor. 99% of the volume was sold to the Group companies. In Q2 2014, our own capacities processed a total of 0.657 m t (+97.4% q-o-q).

H1 2014 overview:

Segment crude steel production went up by 46.8% q-o-q to 1.377 m t driven by the launch of NLMK Kaluga plant in mid-2013. H1 2014 output of the new plant totaled 0.474 m t.

On the back of the increased capacities, Segment sales went up by 54.9% y-o-y to 1.392 m t, including NLMK Kaluga sales of 0.488 m t and NSMMZ (long products production site in the Urals, Russia) sales of 0.904 m t (+0.8% y-o-y).

Scrap sales totaled 1.803 m t (+24.8% y-o-y). This growth was driven by the increase in demand for raw materials from the Group steelmaking assets. Scrap processing at own capacities totaled 0.990 m t (+9.0% y-o-y).

Foreign Rolled Products Segment**NLMK USA ¹⁰**

Sales, million t	Q2 2014	Q1 2014	Q2'14 / Q1'14	H1 2014	H1 2013	H1'14/ H1'13
Hot-rolled steel	0.303	0.252	20.6%	0.555	0.543	2.3%
Cold-rolled steel	0.156	0.131	19.9%	0.287	0.227	26.5%
Galvanized steel	0.078	0.074	4.5%	0.152	0.134	13.9%
Totaled rolled steel ¹¹	0.538	0.457	17.8%	0.994	0.903	10.1%

¹⁰ NLMK USA includes NLMK Indiana, NLMK Pennsylvania, and Sharon Coating. Operating data for NLMK USA is presented in metric tonnes.

¹¹ NLMK USA also sell non-significant volumes of merchant slabs not included into total rolled steel sales. In Q1'14 and Q2'14 slab sales totaled 2,000 t and 3,000 t, respectively.

Q2 2014 overview:

Rolled steel output at NLMK USA went up by 19.7% q-o-q to 0.541 m t. Crude steel production at NLMK Indiana went down by 7.2% q-o-q to 0.157 m t, due to repairs of electrical equipment. Steelmaking capacities utilization rate totaled 81.4%.

Sales of rolled steel went up by 17.8% q-o-q to 0.538 m t due to low base effect (in Q1 2014 sales volumes were impacted by unfavorable weather conditions) and improved demand from key consumers in Q2.

H1 2014 overview:

Total production of rolled steel at NLMK USA went up by 11% to 0.933 m t. Crude steel production at NLMK Indiana totaled 0.326 m t (-3.5% y-o-y).

NLMK USA sales of rolled steel went up by 10% q-o-q to 0.994 m t on the back of stronger demand from the main consumers in USA.

In H1 2014, NLMK USA companies purchased 0.686 m t of slabs from the Lipetsk site for rerolling.

NLMK Dansteel

Sales, million t	Q2 2014	Q1 2014	Q2'14 / Q1'14	H1 2014	H1 2013	H1'14/ H1'13
Thick plates	0.100	0.100	-0.5%	0.200	0.167	19.4%

Q2 2014 overview:

Thick plate output was relatively stable and totaled 99,000 t (-1.6% q-o-q). Sales remained at a stable level and totaled 100,000 t (-0.5% q-o-q).

H1 2014 overview:

Thick plate output totaled 0.201 m t (+6.1% y-o-y). This output growth was attributable to the new rolling mill reaching design capacity in the beginning of 2013 following equipment upgrades.

Sales went up by 19.4% y-o-y to 0.200 m t.

In H1 2014 NLMK Dansteel purchased 0.228 m t of slabs from the Lipetsk site for rerolling.

Associated companies - NLMK Belgium Holdings (NBH) ¹³

Sales, million t	Q2 2014	Q1 2014	Q2'14 / Q1'14	H1 2014	H1 2013	H1'14/ H1'13
Hot-rolled steel	0.148	0.167	-11.3%	0.315	0.263	19.9%
Cold-rolled steel	0.016	0.019	-15.3%	0.038	0.034	9.6%
Coated steel	0.084	0.090	-6.6%	0.174	0.194	-12.1%
Total flat steel	0.248	0.275	-10.1%	0.523	0.498	4.9%
Semi-finished (ingots)	0.021	0.020	3.3%	0.041	0.038	7.0%
Thick plates	0.163	0.176	-7.9%	0.339	0.292	16.2%
Totals steel products including flat steel	0.431	0.472	-8.7%	0.902	0.817	10.3%

¹³ Production and sales of NLMK Belgium Holdings (NBH) steel products in 9M 2013 and 2012 were included in consolidated results of the Group. Starting from Q4 2013 NBH sales are disclosed separately. 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).

Q2 2014 overview:

Rolled product output totaled 0.435 m t (-6.5% q-o-q). Utilization rates for HRC and thick plate rolling capacities were 71% and 83%, respectively.

Sales went down by 8.7% q-o-q to 0.431 m t due to narrowed spreads between raw material prices and steel prices. Sales of flat steel (thin coils) totaled 0.248 m t (-10.1% q-o-q). Sales of thick plates totaled 0.163 m t (-7.9% y-o-y).

H1 2014 overview:

Rolled product output totaled 0.899 m t (+6.1% y-o-y).

Sales went up by 9.0% y-o-y to 0.902 m t driven by increased demand from key consumers in Europe (machine building and automotive).

In H1 2014, NBH companies purchased 0.449 m t of slabs from the Lipetsk site for rerolling.

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About NLMK Group:

NLMK Group is a vertically integrated steel company and Russia's leading steel maker and manufacturer of rolled products with high added value. 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 located in Russia. The Company generated US\$ 10.9 billion in revenue, and EBITDA of US\$ 1.5 billion in 2013.

NLMK's ordinary shares are traded on the Moscow Stock Exchange (MICEX-RTS, 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	Q2 2014	Q1 2014	Q2'14 / Q1'14	H1 2014	H1 2013	H1'14/ H1'13
NLMK Group	3.774	3.909	-3.5%	7.682	7.478	2.7%
Lipetsk site	2.894	3.086	-6.2%	5.980	6.117	-2.3%
NLMK Long Products	0.723	0.654	10.5%	1.377	0.938	46.8%
incl. NLMK Kaluga	0.279	0.195	43.1%	0.474	0.011	
NLMK Indiana (NLMK USA)	0.157	0.169	-7.2%	0.326	0.338	-3.5%
<i>for information</i>						
NBH, NLMK Europe (EAF) ¹	0.054	0.047	14.9%	0.101	0.085	19.4%

¹ NLMK Verona is a part of NBH, that was deconsolidated since Q4 2013.

Appendix 2. NLMK Group products output

Production, million t	Q2 2014	Q1 2014	Q2'14 / Q1'14	H1 2014	H1 2013	H1'14/ H1'13
Merchant pig iron	0.004	0.006	-32.3%	0.011	0.123	-91.5%
Merchant slabs	0.905	1.060	-14.6%	1.965	2.069	-5.0%
Flat steel	2.067	1.904	8.6%	3.971	4.517	-12.1%
Merchant billets	0.085	0.074	14.3%	0.159	0.002	
Long products	0.542	0.468	15.9%	1.010	0.748	35.0%
Metalware	0.087	0.078	11.7%	0.165	0.149	10.5
Total products	3.690	3.590	2.8%	7.280	7.608	-4.3%

Appendix 3. Novolipetsk product output

Production, million t	Q2 2014	Q1 2014	Q2'14 / Q1'14	H1 2014	H1 2013	H1'14/ H1'13
Merchant slabs	1.340	1.540	-13.0%	2.880	3.144	-8.4%
Hot-rolled steel	0.652	0.625	4.2%	1.277	1.265	0.9%
Cold-rolled steel	0.396	0.384	3.3%	0.780	0.746	4.6%
Galvanised steel	0.159	0.146	8.7%	0.305	0.291	4.9%
Pre-painted steel	0.115	0.124	-7.3%	0.240	0.261	-8.1%
Dynamo steel	0.072	0.073	-1.4%	0.144	0.137	5.2%
Transformer steel	0.023	0.020	13.8%	0.043	0.039	8.2%
Total steel products²	2.761	2.918	-5.4%	5.907	6.006	-1.7%

² Including merchant pig iron

Appendix 4. Main raw materials production

Production, million t	Q2 2014	Q1 2014	Q2'14 / Q1'14	H1 2014	H1 2013	H1'14/ H1'13
Coke (dry weight)	1.486	1.530	-3.1%	3.019	3.154	-4.3%
Novolipetsk	0.554	0.584	-5.2%	1.138	1.184	-3.9%
Altai-Koks	0.932	0.949	-1.7%	1.881	1.971	-4.6%
Iron ore	4.128	4.009	3.0%	8.137	7.621	6.8%
Iron ore concentrate	3.748	3.630	3.3%	7.378	6.891	7.1%
Sinter ore	0.380	0.379	0.3%	0.759	0.730	4.0%
Scrap	0.657	0.339	97.4%	0.990	0.909	9.0%