

Q3 and 9M 2014 NLMK GROUP TRADING UPDATE

Q3 2014 highlights:

- In Q3 2014, the Group's capacity utilization rate increased by 2 p.p. to 96%, with capacities at the main production site in Lipetsk running at 100%.
- NLMK Group's steel output increased by 9.5% q-o-q to 4.131 m t.
- Total sales decreased by 2.4% to 3.741 m t due to the fact that a part of long products was sold through sales channels with longer periods of revenue recognition. At the same time, Steel Segment (flat steel production) sales increased by 6.2% to 3.088 m t. In Q4, we expect Group sales to grow by 3-5% driven by recognition of the respective sales and exports growth.
- Semis sales grew by 11.3% to 1.181 m t, driven by the positive pricing trend in the pig iron market (sales grew to 151,000 t in Q3 vs. 4,000 t in the previous quarter) and planned maintenance works of the hot-rolling mill at the Lipetsk site in September. As a result, rolled product sales reduced by 7.7% q-o-q to 2.56 m t.

9M 2014 highlights:

- In 9M 2014 NLMK Group steel output increased by 3.9% y-o-y to 11.813m t.
- NLMK Group sales increased by 11.443 m t (+1.6% y-o-y). Sales to the Russian market grew by 15.0% y-o-y to 4.978 m t.

Q4 2014 outlook:

In Q4, we expect steel and rolled product output to decrease insignificantly due to planned maintenance works during the seasonal slowdown in demand in the domestic market, as well as resumed activities to master the production of sections at NLMK Kaluga.

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NLMK Group

Sales ^{1,2} , m t	Q3 2014	Q2 2014	Q3'14 / Q2'14	9M 2014	9M 2013	9M'14/ 9M'13
Pig iron	0.151	0.004	x 36	0.161	0.142	+13.3%
Slabs	0.965	0.973	-0.8%	3.234	2.847	+13.6%
Flat steel	2.016	2.119	-4.8%	6.046	6.803	-11.1%
Billets	0.065	0.084	-22.4%	0.235	0.036	+561.2%
Long products	0.459	0.568	-19.2%	1.517	1.205	+25.9%
Metalware	0.084	0.087	-3.2%	0.249	0.229	+8.7%
Total steel products	3.741	3.835	-2.4%	11.443	11.261	+1.6%
<i>sales to the Russian market</i>	<i>45%</i>	<i>45%</i>		<i>44%</i>	<i>38%</i>	
<i>sales to the international markets from Russian operations (without intra-group operations)</i>	<i>37%</i>	<i>38%</i>		<i>40%</i>	<i>36%</i>	
<i>Foreign rolled product segment sales</i>	<i>17%</i>	<i>17%</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>0.433</i>	<i>0.431</i>	<i>+0.4%</i>	<i>1.226</i>	<i>1.336</i>	<i>+9.0%</i>

¹ Q3 2014 and 9M 2014 production and sales data is preliminary and subject to further adjustment/change.

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

NLMK Group operating highlights*Q3 2014 overview:*

In Q3, NLMK Group's steel output increased by 9.5% q-o-q to 4.131 m t, driven by an increase in the utilization rates at the Lipetsk site following repairs in Q2 2014, and higher output at NLMK USA (+11.5% q-o-q).

The Group's capacities were running at 96% (+2 p.p. q-o-q), including 100% at the Lipetsk site (+2 p.p. q-o-q), 85% at the Long Products Division (including 90% at NSMMZ, and 77% at NLMK Kaluga), and 91% at NLMK USA (+10 p.p. q-o-q).

Sales were down by 2.4% to 3.741 m t, due to an increase in the share of long products through sales channels with a prolonged sales recognition period. Steel Segment sales grew by 6.2% q-o-q to 3.088 m t, driven by improved demand for commercial pig iron in the export markets and a 20.2% increase in the supply of slabs to the Group's foreign subsidiaries and to NBH. Long Products Segment sales dropped by 17.6% q-o-q to 0.608 m t, due to a delayed sales recognition. Foreign Rolled Product Segment sales were down to 0.621 m t (-3.1% q-o-q)³ due to the seasonal slowdown in demand in Europe.

The Group's sales to the Russian market in Q3 totaled 1.694 m t (-2.4% q-o-q). The decrease in long product sales in the domestic market due to a higher revenue recognition period was partially offset by higher flat steel sales. Russian sales accounted for 45% of total sales.

Key external destinations were North and South America, Europe and the Middle East. NLMK Russian production

assets' sales to third parties in external markets fell by 7.2% to 1.370 m t, due mostly to the redistribution of flat steel sales to the domestic market, while export deliveries of commercial pig iron grew.

9M 2014 overview:

9M 2014 sales grew by 3.9% y-o-y to 11.813 m t, driven by higher output at NLMK Kaluga launched in mid-2013.

The Group's steel product sales grew by 1.6% y-o-y to 11.443 m t on the back of higher long product sales (Long Products Segment sales grew by 36.2% to 2.001 m t).

Sales to the Russian market on the back of increased deliveries of long products in 9M 2014 grew by 15.0% (y-o-y) and totaled 4.978 m t, or 44% of total sales.

The decrease in rolled product sales by the Foreign Rolled Product Segment (-36.0% y-o-y to 1.818 m t) was tied to the deconsolidation of NBH results starting from Q4 2013.

³ Sales of rolled steel.

Steel Segment ⁴

Sales, million t	Q3 2014	Q2 2014	Q3'14 / Q2'14	9M 2014	9M 2013	9M'14/ 9M'13
Pig iron	0.151	0.004		0.161	0.142	+13.3%
Slabs incl. ⁵	1.541	1.425	+8.2%	4.740	4.844	-2.2%
to NLMK USA, NLMK Dansteel	0.579	0.435	+33.0%	1.493	0.762	+96.0%
to NBH	0.461	0.430	+7.3%	1.375	1.300	+5.7%
Hot-rolled steel	0.601	0.646	-7.0%	1.864	1.741	+7.0%
Cold-rolled steel	0.407	0.397	+2.6%	1.170	1.152	+1.5%
Galvanized steel	0.147	0.162	-9.0%	0.456	0.437	+4.1%
Pre-painted steel	0.124	0.125	-0.5%	0.381	0.393	-3.1%
Dynamo steel	0.047	0.081	-42.4%	0.189	0.207	-8.8%
Transformer steel	0.070	0.067	+3.9%	0.197	0.190	+3.5%
Incl. VIZ-Steel	0.042	0.043	-1.6%	0.127	0.126	+1.1%
Total products	3.088	2.907	+6.2%	9.157	9.108	+0.5%
Coke sales from Altai-Koks ⁶	1.084	0.937	+15.7%	2.963	2.953	+0.3%
incl. to Novolipetsk	0.798	0.736	+8.5%	2.303	2.371	-2.9%

⁴Steel segment companies include Novolipetsk, VIZ-Steel, trading companies and Altai-Koks. Novolipetsk and VIZ-Steel sales are calculated including trading companies.

⁵Sales 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.

⁶Coke production and sales are shown in dry weight.

Q3 2014 overview:

Steel output at the Lipetsk site increased by 9.9% q-o-q to 3.181 m t on the back of an increase in capacity utilization rates following repairs and the implementation of the PCI technology in blast furnace (BF) operations at the Lipetsk site in Q2 2014. As demand for semi-finished products (pig iron and slabs) in the export market in Q3 2014 increased, BF#3 with a capacity of 1.5 m t was re-launched (it was idled in 2013), and produced additional pig iron volumes. Steel product output totaled 3,184 m t (+14.7% q-o-q).

Steel Segment sales fell by 6.2% q-o-q to 3.088 m t due to higher demand for semi-finished products and a favourable pricing environment. Additionally, slab deliveries to the Group's foreign companies and to NBH increased by 33.0% and 7.3%, respectively.

Pig iron sales totaled 151,000 t (4,000 t in Q2), due to higher demand in external markets.

Slab sales grew to 1.541 m t (+8.2% q-o-q), including 0.461 m t (+7.3% q-o-q) to NBH rolling assets. Slab sales in the Russian market totaled 0.155 m t (-8.4% q-o-q). The increase in slab deliveries to foreign rolling assets allowed offsetting the significant decrease in slab stock at these sites at the end of Q2 2014.

Finished product sales by the Steel Segment companies in Q3 2014 dropped to 1.396 m t (-5.6% q-o-q), due mainly to the decrease in hot-rolled steel sales (-7% q-o-q) and dynamo steel export sales (-42.4% q-o-q). This factor was partially offset by higher cold-rolled steel domestic sales.

In Q3, the Segment's domestic sales increased by 7.2% and totaled 1.113 m t, or 36% of the Segment's total sales.

9M 2014 overview:

9M 2014 steel output at the Lipetsk site totaled 9.160 m t (-0.5% q-o-q). Finished product output at the Lipetsk site totaled 8.877 m t (-0.8% q-o-q, including the 3.2% y-o-y decrease in merchant slab output).

9M 2014 Steel Segment sales increased by 0.5% to 9.157 m t, driven, among other factors, by the sale of accumulated stock at the beginning of 2014. Rolled product sales increased by 3.3% to 4.256 m t.

Mining Segment (Stoilensky)

Sales, million t	Q3 2014	Q2 2014	Q3'14 / Q2'14	9M 2014	9M 2013	9M'14/ 9M'13
Iron ore concentrate	3.678	3.646	+0.9%	10.798	10.377	+4.1%
Incl. to Novolipetsk	2.977	2.576	+15.6%	8.347	8.140	+2.5%
Sinter ore	0.326	0.358	-8.7%	1.081	1.093	-1.1%
Incl. to Novolipetsk	0.174	0.133	+30.9%	0.453	0.450	+0.8%

Q3 2014 overview:

Iron ore concentrate production (hereinafter referred to as concentrate) went down by 2% q-o-q to 3.674 m t; sinter ore production totaled 0.378 m t (-0.5% q-o-q). This decrease in production was related to planned equipment repairs in Q3. This factor was partially offset by the improvement in equipment productivity achieved under the Division's optimization programme adopted in 2014.

Concentrate and sinter ore sales totaled 3.678 m t (+0.9% q-o-q) and 0.326 m t (-8.7% q-o-q), respectively. Concentrate and sinter ore sales to the Lipetsk site increased to 2.977 m t (+15.6% q-o-q) and 174,000 t (+30.9% q-o-q), respectively, driven by higher output (see comments for the Steel Segment).

On the back of higher inter-Group deliveries, sales of concentrate and sinter ore to third parties fell to 0.701 m t (-34.5% q-o-q) and 0.153 m t (-32.1% q-o-q), respectively.

9M 2014 overview:

The production of concentrate and sinter ore went up to 11.052 m t (+5.9% y-o-y) and 1.137 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 the Lipetsk site and to third parties concentrate sales went up to 10.798 m t (+4.1% y-o-y). Sinter ore sales remained at a level comparable to 2013, totaling 1.081 m t (-1.1% y-o-y).

Long Products Segment ⁷

Sales, million t	Q3 2014	Q2 2014	Q3'14 / Q2'14	9M 2014	9M 2013	9M'14/ 9M'13
Billet (NLMK Kaluga)	0.065	0.084	-22.4%	0.235	0.036	x 6.6
Rebar	0.435	0.539	-19.3%	1.433	1.123	+27.6%
incl. NLMK Kaluga	0.149	0.214	-30.4%	0.467	0.053	x 8.9
Wire rod	0.024	0.029	-17.0%	0.085	0.082	+2.8%
Metalware	0.084	0.087	-3.2%	0.249	0.229	+8.7%
Total steel products	0.608	0.739	-17.6%	2.001	1.469	+36.2%
Scrap incl.	1.505	1.179	+27.6%	3.304	2.588	+27.7%
to NSMMZ	0.707	0.480	+47.3%	1.446	1.416	+2.1%
to NLMK Kaluga	0.336	0.294	+14.5%	0.754	0.105	x 7.2
to Novolipetsk	0.435	0.389	+12.0%	1.048	1.001	+4.7%

⁷ Long Products Division includes: NSMMZ (the Urals based EAF mini-mill), NLMK Metalware, NLMK Kaluga (EAF mini-mill) and scrap collecting facilities.

Q3 2014 overview:

Segment crude steel production went up by 7.5% to 0.776 m t, mainly as a result of production output growth at NSMMZ to 0.493 m t (+11.4% q-o-q) following the completion of repairs done during Q2 2014. NLMK Kaluga output also grew by 1.3% to 0.283 m t.

Segment sales went down by 17.6% q-o-q to 0.608 m t, including NLMK Kaluga sales of 0.214 m t (-28.1% q-o-q).

The decrease in long product sales in Q3 2014 on the back of the end of the construction season was associated with a sequentially lower share of direct sales and a higher share of sales through sales channels (sales networks and distribution centres), characterized by a longer sales recognition period. At the end of Q2 2014, on the back of the significant increase in demand for long products, NLMK grew its direct sales with minimum sales recognition periods. Stocks formed in anticipation of NLMK Kaluga's activities to master new products served as an additional factor driving sales down.

Almost the entire volume of the Segment's long products (over 95%) was sold in the Russian market.

Scrap sales totaled 1.505 m t (+27.6% q-o-q), due to the seasonal factor – additional scrap stock is created in Q3 to support operations during the autumn-winter period. 98% of the volume was sold to the Group companies. In Q3 2014, our own capacities processed a total of 0.733 m t (+13.0% q-o-q).

9M 2014 overview:

The 41.1% increase in steel output to 2.151 m t was driven by the launch of NLMK Kaluga plant in mid-2013. 9M 2014 output of the new plant totaled 0.757 m t (0.106 m t in 2013).

On the back of the increased capacities, Segment sales went up by 36.2% (y-o-y) to 2.001 m t, including NLMK Kaluga sales of 0.702 m t, and NLMK Long Products Ural sales of 1.299 m t (-5.9% y-o-y). The decrease in NSMMZ

performance is related to capital repairs at EAF operations in Q2 2014.

Scrap sales totaled 3.304 m t (+27.7% y-o-y). This growth was driven by the increase in demand for raw materials from the Group steelmaking assets, including following the launch of NLMK Kaluga. Scrap processing at own capacities totaled 1.714 m t (+8.0% y-o-y).

Foreign Rolled Products Segment

NLMK USA ⁹

Sales, million t	Q3 2014	Q2 2014	Q3'14 / Q2'14	9M 2014	9M 2013	9M'14/ 9M'13
Hot-rolled steel	0.312	0.303	+2.8%	0.867	0.818	+6.0%
Cold-rolled steel	0.138	0.156	-11.8%	0.425	0.338	+25.9%
Galvanized steel	0.081	0.078	+4.6%	0.233	0.198	+17.6%
Total rolled steel ¹⁰	0.531	0.538	-1.2%	1.525	1.354	+12.7%

⁹ NLMK USA includes NLMK Indiana, NLMK Pennsylvania, and Sharon Coating. Operating data for NLMK USA is presented in metric tonnes.

¹⁰ NLMK USA also sell non-significant volumes of merchant slabs not included into total rolled steel sales. In Q1'14, Q2'14 and Q3'14 slab sales totaled 2,000 t, 3,000 t and 3,000 t respectively.

Q3 2014 overview:

Crude steel production at NLMK Indiana grew by 11.5% q-o-q to 0.175 m t, with its steelmaking capacity utilization rate increasing to 91% (+10 p.p. q-o-q). Rolled steel output at NLMK USA totaled 0.515 m t (-4.9% q-o-q).

On the back of relatively stable demand, rolled steel sales totaled 0.531 m t (-1.2%) – the decrease in cold-rolled steel sales was practically offset by the increase in hot-rolled and galvanized steel sales.

9M 2014 overview:

Crude steel production at NLMK Indiana in 9M 2014 totaled 0.501 m t (-2.4% y-o-y). Total production of rolled steel at NLMK USA went up by 13.4% y-o-y to 1.507 m t.

NLMK USA sales of rolled steel went up by 12.7% y-o-y to 1.525 m t on the back of stronger demand.

NLMK Dansteel

Sales, million t	Q3 2014	Q2 2014	Q3'14 / Q2'14	9M 2014	9M 2013	9M'14/ 9M'13
Thick plates	0.090	0.103	-13.1%	0.292	0.259	+12.7%

Q3 2014 overview:

Thick plate output in Q 3 2014 totaled 90,000 t (-9.2% q-o-q), due to the seasonal slowdown in business activity in the European market. This brought sales down by 13.1% q-o-q to 90,000 t.

9M 2014 overview:

Thick plate output totaled 291,000 t (+3.5% y-o-y). This output growth was attributable to the equipment reaching design capacity in the beginning of 2013 following rolling mill upgrades.

Thick plate sales went up by 12.7% y-o-y to 292,000 t.

In 9M 2014 NLMK Dansteel purchased 0.334 m t of slabs from the Lipetsk site for rerolling

Associated companies - NLMK Belgium Holdings (NBH) ¹¹

Sales, million t	Q3 2014	Q2 2014	Q3'14 / Q2'14	9M 2014	9M 2013	9M'14/ 9M'13
Hot-rolled steel	0.161	0.148	+8.9%	0.477	0.409	+16.6%
Cold-rolled steel	0.011	0.016	-28.5%	0.045	0.052	-13.6%
Coated steel	0.073	0.084	-12.8%	0.247	0.278	-11.2%
Total flat steel	0.246	0.248	-0.8%	0.769	0.739	+4.0%
Semi-finished (ingots)	0.019	0.021	-7.5%	0.060	0.057	+5.0%
Thick plates	0.168	0.163	+3.4%	0.508	0.430	+18.1%
Totals steel products including flat steel	0.433	0.431	+0.4%	1.336	1.226	+9.0%

¹¹ Production and sales of NLMK Belgium Holdings (NBH) steel products in 9M 2013 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).

Q3 2014 overview:

Rolled product output totaled 0.415 m t (+1.3% q-o-q). Utilization rates for HRC and thick plate rolling capacities were 69% (-2 p.p.) and 91% (+9 p.p.), respectively. The reduction in hot-rolling capacity utilization rate was associated with planned equipment maintenance during the seasonal decline in demand for steel products in Europe.

Despite the seasonal decline in demand for steel products, NBH sales increased by 0.4% q-o-q to 0.433 m t. Sales of flat steel totaled 0.246 m t (-0.8% q-o-q); sales of thick plates totaled 0.168 m t (+3.4% q-o-q).

There was a shift in the structure of flat steel sales in favour of hot-rolled steel (+8.9% q-o-q) at the expense of

other products.

9M 2014 overview:

Steel product sales totaled 1.266 m t (+8.1% y-o-y).

Sales went up by 9.0% y-o-y to 1.336 m t driven by increased demand from key consumers in Europe (machine building and automotive) in Europe.

In 9M 2014, NBH companies purchased 1.375 m t of slabs from the Lipetsk site for rerolling (+5.7% y-o-y).

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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	Q3 2014	Q2 2014	Q3'14 / Q2'14	9M 2014	9M 2013	9M'14/ 9M'13
NLMK Group	4.131	3.773	+9.5%	11.813	11.365	+3.9%
Lipetsk site	3.181	2.894	+9.9%	9.160	9.207	-0.5%
NLMK Long Products	0.776	0.722	+7.5%	2.151	1.525	+41.1%
incl. NLMK Kaluga	0.283	0.279	+1.3%	0.757	0.106	+617.2%
NLMK Indiana (NLMK USA)	0.175	0.157	+11.5%	0.501	0.514	-2.5%
<i>for information</i>						
NBH, NLMK Europe (EAF) ¹²	0.044	0.054	-19.3%	0.145	0.120	+20.8%

¹² NLMK Verona is a part of NBH, that was deconsolidated since Q4 2013.

Appendix 2. NLMK Group products output

Production, million t	Q3 2014	Q2 2014	Q3'14 / Q2'14	9M 2014	9M 2013	9M'14/ 9M'13
Merchant pig iron	0.151	0.004	x 36	0.161	0.137	+17.9%
Merchant slabs	1.081	0.905	+19.5%	3.046	2.702	+12.8%
Flat steel	1.972	2.067	-4.6%	5.943	6.788	-12.4%
Merchant billets	0,065	0.085	-23.2%	0.224	0.060	+276.7%
Long products	0.580	0.542	+7.0%	1.589	1.196	+32.9%
Metalware	0.086	0.087	-0.5%	0.251	0.231	+8.8%
Total products	3.936	3.690	+6.7%	11.215	11.112	+0.9%

Appendix 3. Novolipetsk product output

Production, million t	Q3 2014	Q2 2014	Q3'14 / Q2'14	9M 2014	9M 2013	9M'14/ 9M'13
Merchant pig iron	0.151	0.004	x 36	0.161	0.137	+17.9%
Merchant slabs	1.660	1.340	+23.9%	4.540	4.691	-3.2%
Hot-rolled steel	0.631	0.657	-3.9%	1.913	1.878	+1.9%
Cold-rolled steel	0.394	0.398	-1.0%	1.175	1.153	+2.0%
Galvanised steel	0.156	0.166	-5.8%	0.468	0.445	+5.2%
Pre-painted steel	0.125	0.117	+6.8%	0.366	0.385	-5.0%
Dynamo steel	0.043	0.072	-40.1%	0.187	0.206	-9.0%
Transformer steel	0.024	0.023	+8.0%	0.067	0.059	+14.3%
Total steel products	3.184	2.775	+14.7%	8.877	8.953	-0.8%

Appendix 4. Main raw materials production

Production, million t	Q3 2014	Q2 2014	Q3'14 / Q2'14	9M 2014	9M 2013	9M'14/ 9M'13
Coke (dry weight)	1.676	1.486	+12.8%	4.695	4.720	-0.5%
Novolipetsk	0.610	0.554	+10.1%	1.748	1.795	-2.6%
Altai-Koks	1.066	0.932	+14.3%	2.947	2.925	+0.7%
Iron ore	4.052	4.128	-1.8%	12.189	11.534	+5.7%
Iron ore concentrate	3.674	3.748	-2.0%	11.052	10.441	+5.9%
Sinter ore	0.378	0.380	-0.5%	1.137	1.093	+4.0%
Scrap	0.733	0.649	+13.0%	1.714	1.587	+8.0%