

Management comments

In Q3 2013, NLMK Group steel output grew by 3% to 3.897 m t, driven among other factors by a 0.1 m t increase in output at NLMK Kaluga. Q3 steel product sales totaled 3.719 m t (-1.4% q-o-q). Finished product sales grew by 5.5% q-o-q to 2.896 m t; their share in total sales growing 5 p.p. to 78%. Sales of value added products¹ increased by 2.1% to 1.411 m t, accounting for c.50% of finished product sales.

Sales to the Russian market reached 43% (+5 p.p. q-o-q) of total sales with 1.610 m t (+14% q-o-q).

Traditionally, key export markets were Europe, USA, South-East Asia, as well as the Middle East.

Outlook

Q4 2013 steel output is expected to grow by 6% q-o-q to 4.1 m t, with approximately 290,000 t to be produced by NLMK Kaluga.

Finished product sales are expected to total approximately 3.9 m t (+5% q-o-q).

Q3 2013 HIGHLIGHTS²

Crude steel production:³ 3.897 m t (+3.0% q-o-q⁴)

- Finished steel production: 2.806 m t (+1.6%)⁵

Steel product sales: 3.719 m t (-1.4%), including

- Finished steel: 2.896 m t (+5.5%), including
 - High value added products: 1.411 m t (+2.1%)
 - Flat steel: 2.360 m t (+3.7%)
 - Long steel and metalware: 0.535 m t (+14.4%)
- Slabs: 0.780 m t (-16.8%).

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¹ High value added products include thick plates, CRC, HRC, galvanized, pre-painted steel, dynamo and transformer steel as well as metalware

² Q3 2013 production and sales data is preliminary and subject to further adjustment/change

³ Production data for NLMK Group and its companies is presented in the appendix

⁴ Hereinafter, quarterly change if not stated otherwise

⁵ Finished steel production includes all types of flat steel (HRC and further processed steel), long steel, and metalware

NLMK Group⁶

Sales, m t	Q3 2013	Q2 2013	Q3 13 / Q2 13	Q3 2012	Q3 13/ Q3 12
Commercial pig iron	0.009	0.091	-89.5%	0.207	-95.4%
Commercial slabs ⁷	0.814	0.938	-13.2%	0.977	-16.7%
Flat steel	2.360	2.277	3.7%	2.187	7.9%
Long steel	0.455	0.390	16.7%	0.366	24.3%
Metalware	0.080	0.078	2.6%	0.079	2.0%
Total steel products	3.719	3.774	-1.4%	3.816	-2.5%

⁶Excluding inter-group operations and including sales of trading companies

⁷Including billets. In Q3 2013, NLMK sold 34,000 t of billets. In previous periods, billet sales were insignificant.

NLMK Group highlights

In Q3, NLMK Group's steel output grew by 112,000 t to 3.897 m t, driven by consistently high steelmaking capacity utilization rates and higher steel output at NLMK Kaluga launched in June 2013. Steelmaking operations were running at 96%, including 99% at Novolipetsk, 90% at NLMK Long Products, and 76% at NLMK's international operations.

Total steel product sales were 3.719 m t, down 55,000 t q-o-q, due mostly to a 90% reduction (-82,000 t) in pig iron sales. Rolled product sales were up by 6% q-o-q to 2.896 m t driven by the seasonal increase in demand. Value added steel sales increased by 2.1% q-o-q to 1.411 m t. Long steel sales increased by 17%.

Sales in the Russian market increased to 1.610 m t (+14% q-o-q), due largely to a stronger demand for HRC and CRC.

Export sales from NLMK's Russian assets to third parties were 31% of the Group's total sales, or 1.170 m t (-18% q-o-q).

Third party sales of slabs declined by 17% to 0.780 m t. This is attributable to higher flat steel sales (+3.7% q-o-q) and a 0.933 m t increase in the sales to the EU and US-based rolling assets. Slab sales in Russia totaled 0.142 m t.

NLMK Group's international rolling assets accounted for 25% (flat q-o-q) of the Group's total steel product sales (0.940 m t), with NLMK Europe selling 0.485 m t (-4.7% q-o-q), and NLMK USA selling 0.451 m t (+5.1% q-o-q).

Key export destinations for the Group's products were Europe, the US, the Middle East and South-East Asia.

Novolipetsk (main production site in Lipetsk)⁸

Sales, m t	Q3 2013	Q2 2013	Q3 13 / Q2 13	Q3 2012	Q3 13/ Q3 12
Pig iron	0.009	0.091	-89.5%	0.207	-95.4%
Slabs	1.690	1.519	11.3%	1.463	15.5%
incl. intercompany sales ⁹	0.933	0.616	51.4%	0.500	86.7%
Hot-rolled steel¹⁰	0.662	0.622	6.4%	0.547	20.9%
incl. intercompany sales (VIZ-Steel)	0.051	0.038	34.5%	0.049	4.6%
Cold-rolled steel	0.425	0.377	12.7%	0.397	6.9%
Galvanized steel	0.160	0.156	2.5%	0.134	19.5%
Pre-painted steel	0.126	0.127	-0.9%	0.138	-9.1%
Dynamo steel	0.064	0.075	-14.8%	0.066	-3.3%
Transformer steel	0.020	0.020	-2.2%	0.021	-6.6%
Total steel products	3.155	2.986	5.7%	2.974	6.1%

⁸ Novolipetsk sales are calculated as Novolipetsk and trading companies' consolidated sales

⁹ Including hot-rolled pickled steel

¹⁰ Sales of slabs produced at Novolipetsk to the Group's international assets are mainly done by the Group traders.

In Q3, Novolipetsk steel output was 3.089 m t (flat q-o-q), with the plant running at almost full capacity. Q3 sales increased by 5.7% q-o-q to 3.155 m t, with the main upward driver being the seasonal growth in demand in the domestic and export markets.

Slab sales increased by 11% to 1.690 m t, including 0.933 m t (+51% q-o-q) being supplied to the Group's rolling assets in Europe and the USA. Among other factors, this growth was associated with a delay in the recognition of Q2 slab sales to the US-based rolling assets.

Finished product sales grew by 5.7% q-o-q to 1.456 m t, driven mainly by the seasonal increase in demand from the domestic market. This led to a 5.2% q-o-q increase in high value added product sales to 0.794 m t, accounting for 54% of total rolled product sales.

Hot-rolled steel sales increased by 6.4% q-o-q to 0.662 m t, with approximately 63% sold domestically. 12% was sold to one of the Group's subsidiaries, VIZ-Steel (electrical steel producer). Cold-rolled steel sales increased to 0.425 m t (+12.7% q-o-q), with approximately 55% sold domestically.

Almost all of galvanized and pre-painted steel products are sold in the Russian market. Galvanized steel sales increased marginally (+2.5%), driven by higher demand from the construction sector. Dynamo and transformer steel sales decreased to 64,000 t and 20,000 t. The bulk of these products (75% and 79%, respectively) was sold to the export markets.

VIZ-Steel

Sales, m t	Q3 2013	Q2 2013	Q3 13 / Q2 13	Q3 2012	Q3 13/ Q3 12
Transformer steel	0.043	0.038	13.7%	0.038	13.4%

Q3 transformer steel output totaled 44,000 t (+29% q-o-q). This increase is related to Q2 upgrading activities.

Transformer steel sales increased by 14% to 43,000 t due to the recognition of Q2 deliveries and a stronger demand in the Russian and CIS markets.

Approximately 80% were export sales.

Stoilensky

Sales, m t	Q3 2013	Q2 2013	Q3 13 / Q2 13	Q3 2012	Q3 13/ Q3 12
Iron ore concentrate	3.497	3.493	0.1%	3.313	5.5%
incl. to Novolipetsk	2.775	2.743	1.2%	2.572	7.9%
Sinter ore	0.364	0.370	-1.8%	0.464	-21.6%
incl. to Novolipetsk	0.150	0.150	-0.1%	0.154	-2.7%

In Q3, beneficiation facilities were almost fully utilized with an output of 3.6 m t of iron ore concentrate. Sinter ore output was 0.363 m t.

Sales of iron ore concentrate were flat q-o-q at 3.497 m t; sales of sinter ore totaled 0.364 m t. 79% of iron ore concentrate and 41% of sinter ore were sold to the main production site in Lipetsk. Concentrate sales to the main production site went up due to increased consumption volumes.

The entire volume of concentrate sold to third parties was exported, with key export markets being the CIS and Eastern Europe.

Altai-Koks

Sales, m t	Q3 2013	Q2 2013	Q3 13 / Q2 13	Q3 2012	Q3 13/ Q3 12
Coke (dry)	0.972	0.981	-0.9%	1.074	-9.5%
incl. to Novolipetsk	0.782	0.755	3.5%	0.819	-4.6%

Coke output totaled 0.955 m t (+1% q-o-q).

Coke sales stood at 0.972 m t (flat q-o-q), with approximately 0.782 m t (+4% q-o-q) supplied to the main site

in Lipetsk. Sales to third parties totaled 0.191 m t, of which 74% were export deliveries.

NLMK Group's total coke (dry) output, including Novolipetsk, amounted to 1.565 m t. 89% was consumed internally.

Long Products Division¹¹

Sales, m t	Q3 2013	Q2 2013	Q3 13 / Q2 13	Q3 2012	Q3 13/ Q3 12
Commercial billets	0.034	0.001			
Rebar	0.428	0.364	17.6%	0.342	24.9%
Wire rod	0.028	0.026	5.1%	0.024	15.8%
Metalware	0.080	0.078	2.6%	0.079	2.0%
Total steel products	0.570	0.469	21.5%	0.445	28.1%
Ferrous and nonferrous scrap	1.144	0.976	17.2%	1.025	11.6%

¹¹The Long Products Division includes the following companies: NSMMZ, NLMK Metalware, NLMK Kaluga and scrap collecting facilities.

In Q3, the Long Products Division output of steel and rolled products increased by 22% and 17%, respectively. NSMMZ's steel output was 0.492 m t (+3% q-o-q), with capacities running at 90%. Over Q3, NLMK Kaluga's steelmaking capacities reached their design capacity, with steel output totaling 105,000 t (vs. 11,000 t in Q2).

The Division's Q3 steel product sales went up to 0.570 m t (+21% q-o-q). Key growth drivers were the seasonal growth in demand in the Russian construction sector, and additional sales for NLMK Kaluga. Almost all of the long products were sold in the Russian market. Approximately 75% of NLMK Kaluga products were sold to clients in Moscow and the Moscow Region.

In Q3, scrap processing and sales volumes increased by 17% q-o-q and 12% y-o-y. In Q4, we expect a seasonal decline in scrap processing volumes. 98% was consumed internally.

NLMK Europe

In Q3, NLMK Europe's sales decreased by 4.7% to 0.485 m t. The key downward driver was the seasonal weakening in demand from July to September.

NLMK Europe Strip

Sales, m t	Q3 2013	Q2 2013	Q3 13 / Q2 13	Q3 2012	Q3 13/ Q3 12
Hot-rolled steel	0.145	0.128	12.5%	0.180	-19.5%
Cold-rolled steel	0.015	0.021	-26.9%	0.021	-27.4%
Coated steel	0.080	0.105	-24.2%	0.075	5.8%
Total sales	0.240	0.255	-5.9%	0.276	-13.2%

Finished steel output decreased by 17%, pressured by the seasonal weakening in demand in Q3.

Sales decreased by 6% q-o-q to 0.240 m t due to the seasonal weakening in demand for rolled products; HVA steel sales declined by 25%, associated with the Pickling Line repairs, among other factors.

The bulk of the product went towards automotive and construction companies in Western and Northern Europe (France, Germany, The Netherlands, Belgium and Great Britain).

NLMK Europe Plate

Sales, m t	Q3 2013	Q2 2013	Q3 13 / Q2 13	Q3 2012	Q3 13/ Q3 12
Thick plates	0.227	0.235	-3.5%	0.209	8.4%
Incl. NLMK Dansteel	0.084	0.094	-10.2%	0.068	23.8%

In Q3, thick plate output was 0.227 m t (-4% q-o-q); sales fell by 3% q-o-q to 0.227 m t, pressured by the seasonal weakening in demand from consumers in Europe.

In Q3, 82% of sales went towards European consumers (Italy, Germany, France, Sweden, Denmark, The Netherlands, etc.).

Key consumers of the Division are machine building companies, including energy, construction machinery, ship builders, as well as the construction sector.

NLMK USA¹²

Sales, m t	Q3 2013	Q2 2013	Q3 13 / Q2 13	Q3 2012	Q3 13/ Q3 12
Hot-rolled steel	0.275	0.268	2.7%	0.238	15.8%
Cold-rolled steel	0.111	0.110	0.4%	0.109	2.0%
Galvanized steel	0.065	0.051	28.2%	0.069	-5.3%
Total sales	0.451	0.429	5.1%	0.415	8.7%

¹² Operating data for NLMK USA is presented in metric tonnes

Rolled product output totaled 0.442 m t (-4% q-o-q). This insignificant decrease was due largely to the Q2 high base effect. In Q3 NLMK Indiana's Melt Shop produced 0.176 m t of steel (+5% q-o-q).

Rolled product sales increased by 5% to 0.451 m t, mostly for HRC (to 0.275 m t; +3%) and galvanized steel (to 65,000 t; +28%) due to a strengthening in demand in the US market. CRC sales grew marginally to 111,000 t.

In Q3, the Division supplied most of its product to service centers (40%). Direct sales were made to tube and pipe (30%), construction and automotive companies.

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About NLMK:

NLMK is a vertically-integrated steelmaking company with production facilities located in Russia, Europe and the US.

The crude steel capacity of its operating units is approximately 17 m tpa. The Company generated US\$ 12.2 billion of revenues and US\$ 1.9 billion of EBITDA in 2012. The Company's ordinary shares and GDSs are traded on the Moscow Stock Exchange (MICEX-RTS) and LSE, respectively.

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Appendix 1

NLMK Group crude steel production

m t	Q3 2013	Q2 2013	Q3 13 / Q2 13	Q3 2012	Q3 13/ Q3 12
NLMK Group	3.897	3.785	3.0%	3.772	3.3%
Novolipetsk	3.089	3.086	0.1%	3.076	0.4%
NLMK Long Products	0.597	0.488	22.3%	0.479	24.6%
NLMK Verona (NLMK Europe Plates)	0.035	0.043	-18.6%	0.041	-14.4%
NLMK Indiana (NLMK USA)	0.176	0.168	4.8%	0.175	0.8%

Appendix 2

NLMK Group production volumes

m t	Q3 2013	Q2 2013	Q3 13 / Q2 13	Q3 2012	Q3 13/ Q3 12
Crude steel	3.897	3.785	3.0%	3.772	3.3%
Commercial pig iron	0.014	0.020	-31.4%	0.110	-87.3%
Commercial slabs¹³	0.669	1.000	-33.1%	1.049	-36.2%
Flat products	2.277	2.309	-1.4%	2.148	6.0%
Long products	0.448	0.375	19.5%	0.378	18.6%
Metalware	0.082	0.078	5.4%	0.079	4.0%
Total steel products	3.489	3.781	-7.7%	3.763	-7.3%

¹³ Including commercial billet produced at Long products division (in Q3 2013 37,000 t of billets were produced)

Novolipetsk (main production site in Lipetsk) production

m t	Q3 2013	Q2 2013	Q3 13 / Q2 13	Q3 2012	Q3 13/ Q3 12
Crude steel	3.089	3.086	0.1%	3.076	0.4%
Commercial slabs	1.547	1.579	-2.0%	1.533	0.9%
Hot-rolled steel¹⁴	0.612	0.633	-3.3%	0.589	4.0%
Cold-rolled steel	0.407	0.359	13.3%	0.366	11.0%
Hot-dip galvanized steel	0.154	0.157	-1.8%	0.140	9.9%
Pre-painted steel	0.124	0.124	0.0%	0.130	-4.8%
Dynamo steel	0.069	0.069	-0.7%	0.070	-1.5%
Transformer steel	0.019	0.019	-0.6%	0.021	-7.0%
Total steel products¹⁵	2.946	2.961	-0.5%	2.959	-0.4%

¹⁴ Including hot-rolled pickled steel

¹⁵ Including commercial pig iron