

NLMK

Press release

18 April 2013

NLMK GROUP Q1 2013 TRADING UPDATE

Management comments

Q1 2013 NLMK steel output further increased to 3.7 m t, with steelmaking facilities running at close to maximum levels (94%). Finished steel production went up by 5% qoq to 3.8 m t.

Q1 sales sequentially increased to 3.8 m t (+2%) driven by the seasonal customer restocking. Rolled steel sales grew by c.8% qoq to 2.6 m t, while sales of value added products¹ increased by 9% qoq to 1.3 m t.

Sales in Russia exceeded the record levels set in the previous quarter, reaching 1.336 m t (+1% qoq), with Russian sales accounting for 36% of total sales. Key international markets were Europe, USA, South-East Asia, as well as the Middle East.

Outlook

Q2 2013 steel output growth is expected to be in the range of 4-5% at approximately 3.86 m t.

Q1 2013 highlights²

- Production*

- Steel production: 3.7 m t (+0.5% qoq **);
- Finished steel production: 3.8 m t (+5.3%).

- Sales

- Finished steel: 3.8 m t, +2%, including:
- Rolled steel products: 2.6 m t, +8%;
- High value added products: 1.3 m t, +9%;
- Flat steel: 2.2 m t, +7.8%;
- Long steel and metalware: 0.4 m t, +7.3%;
- Slabs: 1.1 m t, -8.5%.

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

² Q1 2013 data is preliminary and subject to further adjustment /change

*Production data for NLMK Group and its main site in Lipetsk (Novolipetsk) is presented in the appendix to this release

** Hereinafter, quarterly change if not stated otherwise

NLMK Group sales³

| m t | Q1 2013 | Q4 2012 | Q1 2012 | Q1 13 / Q4 12 | Q1 13/ Q1 12 |
|----------------------|------------|------------|------------|------------------|-----------------|
| Pig iron | 0.042 | 0.046 | 0.220 | -8.5% | -80.7% |
| Salable slabs | 1.130 | 1.235 | 0.892 | -8.5% | 26.8% |
| Flat steel | 2.151 | 1.996 | 2.371 | 7.8% | -9.3% |
| Long steel | 0.359 | 0.334 | 0.327 | 7.7% | 9.9% |
| Metalware | 0.071 | 0.067 | 0.063 | 5.2% | 12.7% |
| Total steel products | 3.753 | 3.678 | 3.872 | 2.0% | -3.1% |

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

NLMK Group highlights

Q1 2013 NLMK Group steel production marginally increased to 3.692 m t, (+0.5% qoq). Steelmaking operations were running at 94%, utilization rates at Novolipetsk remained sequentially flat at 97%, NLMK Long Steel run rates increased by 2 p.p. to 83%, while for NLMK's international operations run rates remained flat at c. 76%.

Q1 sales were 3.8 m t, a quarterly improvement of 2%. Rolled product sales were up by 8% qoq driven by the seasonal customer restocking. Value added steel sales increased by 9% qoq to 1.329 m t. Sales of both flat and long steel grew by 7.8% and 7.7%, respectively. Third party sales of slabs declined to 1.13 m t, a decrease of 8.5%, while slab sales in Russian grew more than two-fold to 151,000 t.

Sales in the Russian market continued to grow reaching 1.336 m t (+1% qoq). International sales remained largely unchanged, accounting for 64% of total sales. In Q1, the share of NLMK's international operations in total sales increased by 3 p.p. to 25%, with NLMK Europe accounting for 12.7% (+1.7 p.p.) and NLMK USA for 12.6% (+1 p.p.).

Europe, USA, South-East Asia and the Middle East remained the Group's key export markets.

Novolipetsk sales

| m t | Q1 2013 | Q4 2012 | Q1 2012 | Q1 13 / Q4 12 | Q1 13 / Q1 12 |
|---------------------------------------|------------|------------|------------|------------------|------------------|
| Pig iron | 0.088 | 0.043 | 0.211 | 104.6% | -58.4% |
| Salable slabs | 1.647 | 1.817 | 1.586 | -9.4% | 3.8% |
| incl. intercompany sales ⁴ | 0.513 | 0.638 | 0.714 | -19.7% | -28.1% |
| Hot-rolled steel⁵ | 0.589 | 0.562 | 0.520 | 4.7% | 13.3% |
| Cold-rolled steel | 0.366 | 0.366 | 0.380 | -0.2% | -3.7% |
| Galvanized steel | 0.121 | 0.120 | 0.145 | 1.4% | -16.5% |
| Pre-painted steel | 0.141 | 0.119 | 0.115 | 18.9% | 22.8% |
| Dynamo steel | 0.067 | 0.071 | 0.059 | -6.5% | 12.4% |
| Transformer steel | 0.021 | 0.019 | 0.018 | 14.3% | 18.2% |
| Total steel products | 3.039 | 3.117 | 3.034 | -2.5% | 0.2% |

⁴ Slabs produced at Novolipetsk are mainly sold by Group traders. See Appendix 2.

⁵ Including hot-rolled pickled steel

In Q1, Novolipetsk steel output reached 3.0 m t, with the plant running at almost full capacity.

Sales totalled 3.0 m t (-2.5% qoq). Flat steel sales went up 3.8% to 1.3 m t driven by the seasonal recovery in demand from trading companies and the construction sector. Sales of high value added flat products grew 3.1%.

Slab sales decreased by 9.4% to 1.6 m t. 31% of total slab sales were supplied to the Group's own rolling assets in Europe and the USA. Sales to the domestic market went up to 0.151 m t (13% of total slab sales to third parties).

Hot-rolled steel sales increased by 4.7% to 0.589 m t, due mainly to exports. The share of hot-rolled steel sales in the domestic market totalled 59%. 9% was sold to one of the Group's subsidiaries, VIZ-Steel (electrical steel producer).

Cold-rolled steel sales totalled 0.366 m t (0% qoq) with approximately 56% sold domestically.

Hot-dip galvanized and pre-painted steel sales increased by 1.4% and 18.9%, respectively, driven by the seasonal pickup in demand from the construction sector.

VIZ-Steel sales

| m t | Q1 2013 | Q4 2012 | Q1 2012 | Q1 13/ Q4 12 | Q1 13/ Q1 12 |
|--------------------------|------------|------------|------------|-----------------|-----------------|
| Transformer steel | 0.046 | 0.038 | 0.036 | 18.9% | 26.8% |

Q1 production stood at 42,000 t (+2% qoq).

Sales increased by 19% to 46,000 t due to the recognition of previous quarter deliveries. The bulk of the product was exported to our traditional sales markets, including the EU, North America, the Middle East (including Turkey), and South-East Asia.

The company is now installing a steam reforming facility that will enable it to significantly decrease energy costs (see [press release](#)).

Stoilensky sales

| m t | Q1 2013 | Q4 2012 | Q1 2012 | Q1 13/ Q4 12 | Q1 13/ Q1 12 |
|-----------------------------|------------|------------|------------|-----------------|-----------------|
| Iron ore concentrate | 3.388 | 4.220 | 3.084 | -19.7% | 9.9% |
| incl. to Novolipetsk | 2.621 | 3.004 | 2.850 | -12.7% | -8.0% |
| Sinter ore | 0.359 | 0.446 | 0.398 | -19.5% | -9.8% |
| incl. to Novolipetsk | 0.150 | 0.150 | 0.150 | 0.1% | -0.1% |

In Q1, beneficiation facilities (with a capacity of approximately 14 m t per annum) were almost fully utilized with an output of 3.4 m t of iron ore concentrate. Sinter ore output was 363,000 t.

Sales of iron ore concentrate and sinter ore reached 3.388 m t (-19.7% qoq) and 359,000 t (-19.5% qoq), respectively. 77% of iron ore concentrate and 42% of sinter ore were sold to the main production site in Lipetsk.

Overall sales of iron ore concentrate decreased mainly due to the high base effect (Q3 2012 shipments to export markets were recognized in Q4 2012 sales).

Sales prices for third parties improved on the back of the strengthening iron ore prices in the international market.

Altai-Koks sales

| m t | Q1 2013 | Q4 2012 | Q1 2012 | Q1 13/ Q4 12 | Q1 13/ Q1 12 |
|----------------------|------------|------------|------------|-----------------|-----------------|
| Coke (dry) | 1.000 | 0.959 | 1.071 | 4.3% | -6.6% |
| incl. to Novolipetsk | 0.834 | 0.789 | 0.874 | 5.6% | -4.6% |

Q1 coke output went up by 5% qoq to 1.027 m t. Sales of coke increased by 4.3% qoq and totalled 1 m t, with nearly 834,000 t (+6% qoq) supplied to the main site in Lipetsk. Intersegmental sales increased slightly due to the seasonal increase in demand and crude steel production growth at Novolipetsk in Q2 2013. External sales totalled 166,000 t, of which 80% were export deliveries.

NLMK Group's total coke (dry) output, including Novolipetsk, increased to 1.624 m t. 88% consumed internally.

Long Products Division sales⁶

| m t | Q1 2013 | Q4 2012 | Q1 2012 | Q1 13/ Q4 12 | Q1 13/ Q1 12 |
|------------------------------|------------|------------|------------|-----------------|-----------------|
| Rebar | 0.331 | 0.312 | 0.298 | 6.2% | 11.0% |
| Wire rod | 0.028 | 0.022 | 0.027 | 30.0% | 3.4% |
| Metalware | 0.071 | 0.067 | 0.063 | 5.2% | 12.7% |
| Ferrous and nonferrous scrap | 0.494 | 0.822 | 0.504 | -39.9% | -1.9% |

⁶The Long Products Division includes the following companies: NSMMZ, UZPS, NLMK Kaluga and scrap collecting facilities

In Q1, the Long Products Division output reached 0.450 m t (+3% qoq) of steel and 0.444 m t of steel products (+5.6% qoq). Its steelmaking and rolling capacities were running at 83% (+2 p.p.) and 96% (+2 p.p.), respectively.

The division's total sales went up to 0.43 m t (+7.3% qoq) due to a seasonal growth in demand in the construction sector. Almost all of the product was sold domestically.

Scrap collection and processing volumes were seasonally lower. In Q1, sales of processed scrap were almost flat qoq at 0.5 m t, with 97% consumed internally.

In Q2, NLMK Kaluga is planning to test launch its main production equipment, gradually increasing its utilization rate over the year.

NLMK Europe

In Q1 2013 NLMK Europe sales went up by 18% qoq as demand on the European flat steel market partially improved due to significant consumer destocking in the end of 2012.

NLMK Europe Strip sales

| m t | Q1 2013 | Q4 2012 | Q1 2012 | Q1 13 / Q4 12 | Q1 13/ Q1 12 |
|-------------------|------------|------------|------------|------------------|-----------------|
| Hot-rolled steel | 0.126 | 0.125 | 0.268 | 1.2% | -52.9% |
| Cold-rolled steel | 0.020 | 0.013 | 0.027 | 58.5% | -25.5% |
| Coated steel | 0.089 | 0.088 | 0.094 | 1.7% | -5.3% |
| Total sales | 0.235 | 0.225 | 0.389 | 4.7% | -39.5% |

Production and sales of finished steel went up by 7% and 5% to 0.216 m t and 0.235 m t, respectively. The increase was driven by end user and trader restocking in the beginning of the year.

European automotive manufacturers and the construction sector remained the subdivision's key consuming sectors in Q1. The largest consuming markets were Western and Northern European countries (France, Germany, Belgium, the Netherlands, and the United Kingdom).

NLMK Europe Plate

| m t | Q1 2013 | Q4 2012 | Q1 2012 | Q1 13 / Q4 12 | Q1 13/ Q1 12 |
|--------------|------------|------------|------------|------------------|-----------------|
| Thick plates | 0.222 | 0.163 | 0.292 | 36.4% | -23.9% |

Total plate output grew by 57% to 0.248 m t. NLMK DanSteel increased production at its new rolling mill 3.5-fold to 92,000 t. Currently, the plant is performing test rollings of new niche types of plates to be used in shipbuilding and in the construction of offshore drilling platforms.

Sales went up by 36.4% to 0,222 m t, including 72,000 t of sales performed by NLMK DanSteel (24,000 t in the previous quarter).

European counties remained the subdivision's key consuming region, including Italy, Germany, France, Netherlands, Belgium, Sweden, Denmark and others. Products were also sold on the international markets (about 11%), including the Middle East.

Key consuming industries are machine-building, including energy generation, yellow goods producers, shipbuilding and the construction sector.

NLMK USA sales ⁷

| m t | Q1 2013 | Q4 2012 | Q1 2012 | Q1 13 / Q4 12 | Q1 13/ Q1 12 |
|------------------|------------|------------|------------|------------------|-----------------|
| Hot-rolled steel | 0.274 | 0.231 | 0.245 | 18.4% | 11.7% |

| | | | | | |
|--------------------------|-------|-------|-------|-------|------|
| Cold-rolled steel | 0.116 | 0.103 | 0.105 | 12.1% | 9.9% |
| Galvanized steel | 0.082 | 0.073 | 0.082 | 12.5% | 0.1% |
| Total sales | 0.472 | 0.408 | 0.433 | 15.8% | 9.0% |

⁷ Operating data for NLMK USA is presented in metric tonnes

Finished product output totalled 0.457 m t (+1%). NLMK Indiana produced 0.170 m t of crude steel (-3%).

Sales of finished products went up 15.8% to 0.472 m t. Key consuming sectors included the automotive and construction sectors, tube and pipe manufacturers, service and trading centers.

Sales of hot-rolled steel went up by 18.4% to 0.274 m t. Cold-rolled (including full-hard) and galvanized steel sales went up by over 12% and totalled 0.116 and 0.082 m t, respectively.

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About NLMK

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

The crude steel capacity of its operating units exceeds 15 mtpa. The Company generated \$12.2 billion of revenues and \$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

Q1 2013 NLMK Group crude steel production

| m t | Q1 2013 | Q4 2012 | Q1 2012 | Q1 13 / Q4 12 | Q1 13/ Q1 12 |
|---|------------|------------|------------|------------------|-----------------|
| NLMK Group | 3.692 | 3.674 | 3.635 | 0.5% | 1.6% |
| Novolipetsk | 3.031 | 3.027 | 2.950 | 0.1% | 2.7% |
| NLMK Long Products | 0.450 | 0.436 | 0.423 | 3.1% | 6.3% |
| NLMK Verona (NLMK Europe Plates) | 0.042 | 0.036 | 0.066 | 14.8% | -36.7% |
| NLMK Indiana (NLMK USA) | 0.170 | 0.174 | 0.196 | -2.7% | -13.4% |

Appendix 2

Intercompany slab sales

| m t | Q1 2013 | Q4 2012 | Q1 2012 | Q1 13 / Q4 12 | Q1 13/ Q1 12 |
|---|------------|------------|------------|------------------|-----------------|
| Slab sales to NLMK Europe and NLMK USA | 0.513 | 0.628 | 0.699 | -18.3% | -26.7% |

Appendix 3

NLMK Group production volumes in Q1 2013

| m t | Q1 2013 | Q4 2012 | Q1 2012 | Q1 13 / Q4 12 | Q1 13/ Q1 12 |
|-----------------------------|------------|------------|------------|------------------|-----------------|
| Pig iron | 3.003 | 2.878 | 2.926 | 4.3% | 2.6% |
| Crude steel | 3.692 | 3.674 | 3.635 | 0.5% | 1.6% |
| Salable pig iron | 0.103 | 0.043 | 0.209 | 139.4% | -50.7% |
| Salable slabs | 1.071 | 1.101 | 0.724 | -2.7% | 47.9% |
| Flat products | 2.211 | 2.071 | 2.422 | 6.8% | -8.7% |
| Long products | 0.373 | 0.354 | 0.355 | 5.4% | 5.0% |
| Metalware | 0.071 | 0.067 | 0.065 | 6.8% | 10.3% |
| Total steel products | 3.829 | 3.635 | 3.775 | 5.3% | 1.4% |

Q1 2013 Novolipetsk production

| m t | Q1 2013 | Q4 2012 | Q1 2012 | Q1 13 / Q4 12 | Q1 13/ Q1 12 |
|--------------------------------------|------------|------------|------------|------------------|-----------------|
| Pig iron | 3.003 | 2.878 | 2.926 | 4% | 2.6% |
| Crude steel | 3.031 | 3.027 | 2.950 | 0% | 2.7% |
| Salable slabs | 1.565 | 1.694 | 1.402 | -8% | 11.7% |
| Hot-rolled steel ⁸ | 0.632 | 0.544 | 0.570 | 16% | 10.8% |
| Cold-rolled steel | 0.387 | 0.369 | 0.381 | 5% | 1.6% |
| Hot-dip galvanized steel | 0.134 | 0.142 | 0.154 | -6% | -13.2% |
| Pre-painted steel | 0.137 | 0.133 | 0.125 | 3% | 9.3% |
| Dynamo steel | 0.068 | 0.068 | 0.075 | 0% | -8.8% |
| Transformer steel | 0.020 | 0.019 | 0.019 | 5% | 5.8% |
| Total steel products | 2.949 | 2.969 | 2.726 | -0.9% | 8.0% |

⁸ Including hot-rolled pickled steel