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## Q2 2013 RAS Financial Results of NLMK Group's major Russian companies

**Note:** Russian accounting standards (RAS) results differ materially from US GAAP results and are not comparable to financial statements prepared in accordance with US GAAP. Reference should be made only to consolidated financial statements prepared in accordance with US GAAP for information with respect to NLMK Group's financial condition and results of operations to be published in August 2013.

### Novolipetsk (NLMK's main production site in Lipetsk)

'000 RUB	Q2 2013	Q1 2013	Q2 2012	Q2 13/ Q1 13	Q2 13/ Q2 12
Revenue	56,715,372	55,815,862	62,595,821	1.61%	-9.39%
Gross profit	8,706,071	6,645,490	11,426,387	31.01%	-23.81%
Operating profit	2,576,055	319,466	4,469,142	706.36%	-42.36%
Net profit	8,421,599	-274,363	10,609,017		-20.62%

Q2 revenue increased by 1.6% q-o-q due largely to an improved sales mix (finished product sales increased by 4% q-o-q, including a 5% growth in high value added product sales) while total sales declined slightly (the decline affected slab sales (-9% q-o-q) and pig iron sales (-60% q-o-q)). On a year-on-year basis, revenue decreased (-9.4%), pressured by lower steel product prices.

Gross profit increased by 31% q-o-q as production costs reduced while revenue grew marginally. These factors, alongside a q-o-q decrease in general and SG&A expenses, had an impact on the Company's operating profit.

Q2 net profit stood at RUB 8,422 billion. The significant q-o-q growth was related to Novolipetsk receiving dividend payments from its subsidiaries.

For more information:

Sergey Takhiev

Investor Relations

NLMK

+7 495 9151575

st@nlmk.com

## VIZ-Steel

'000 RUB	Q2 2013	Q1 2013	Q2 2012	Q2 13/ Q1 13	Q2 13/ Q2 12
Revenue	1,774,726	2,146,989	2,567,990	-17.34%	-30.89%
Gross profit	-18,718	-73,324	374,150	-74.47%	
Operating profit	-244,215	-311,671	150,265	-21.64%	
Net profit	-195,227	-282,811	222,877	-30.97%	

Revenue decreased q-o-q, pressured mainly by lower sales compared to the Q1 2013 high base effect when previous quarter sales were recognized.

Operating losses were reduced through decreasing production costs as part of the cost optimization measures.

The Company's lower operating loss and the positive impact of FX rate differences resulted in lower net losses in Q2 2013.

## Stoilensky

'000 RUB	Q2 2013	Q1 2013	Q2 2012	Q2 13/ Q1 13	Q2 13/ Q2 12
Revenue	10,553,555	9,854,255	10,691,825	7.10%	-1.29%
Gross profit	7,531,097	6,865,038	7,735,612	9.70%	-2.64%
Operating profit	6,748,031	6,023,296	7,061,863	12.03%	-4.44%
Net profit	6,865,970	5,040,757	7,346,281	36.21%	-6.54%

Q2 revenue increased by 7% q-o-q driven by higher sales (mainly to Novolipetsk) and higher iron ore prices.

Higher revenue and tight control over production and administrative costs had a positive impact of gross profit (+10% q-o-q) and operating profit (+12% q-o-q).

Alongside these factors, the 36% q-o-q increase in net profit was supported by positive FX rate differences being reflected in other income.

**Altai-Koks**

'000 RUB	Q2 2013	Q1 2013	Q2 2012	Q2 13/ Q1 13	Q2 13/ Q2 12
Revenue	7,474,571	8,261,694	10,388,923	-9.53%	-28.05%
Gross profit	1,156,740	875,321	2,266,491	32.15%	-48.96%
Operating profit	658,328	487,685	1,814,582	34.99%	-63.72%
Net profit	498,148	307,331	1,396,944	62.09%	-64.34%

Q2 revenue dropped by 10% q-o-q. This was largely the result of lower sales (the decline affected coke deliveries to Novolipetsk) and lower coke prices.

Gross profit and operating profit increased by 32% and 35%, respectively, driven, among other factors, by optimizing the composition of the input charge as part of the Management gains program being implemented at Novolipetsk and at Altai-Koks.

The Company's financial performance was weaker year-on-year, pressured by the narrowed coke/coal concentrate price spread.

**NSMMZ<sup>1</sup>**

'000 RUB	Q2 2013	Q1 2013	Q2 2012	Q2 13/ Q1 13	Q2 13/ Q2 12
Revenue	8,951,270	8,119,572	9,850,183	10.24%	-9.13%
Gross profit	1,078,253	773,503	1,875,680	39.40%	-42.51%
Operating profit	127,245	36,453	740,972	249.06%	-82.83%
Net profit	-783,562	-800,027	-65,345	97.94%	x 12

<sup>1</sup> NSMMZ is the key asset of the NLMK Long Products Division.

The 10% q-o-q increase in revenue was driven by higher long product sales (+9% q-o-q) due to the seasonal recovery in demand from the construction sector in the domestic market.

Gross profit and operating profit increased by RUB 305 million (+39% q-o-q) and RUB 91 million (x3.5 q-o-q), respectively.

The Company's net loss is still attributable to its high debt level. The year-on-year increase in NSMMZ loss resulted from the Company's overall weaker financial performance due to lower long products prices.

For more information:

Sergey Takhiev

Investor Relations

NLMK

+7 495 9151575

st@nlmk.com

*About NLMK*

*NLMK is one of the leading global steelmakers. Its 2012, steel output totalled 14.9 mt, with 94% produced in Russia, where the Company's share in steel production reached 20%.*

*In the Russian market, NLMK is a leading producer of cold-rolled, dynamo, transformer and pre-painted steel.*

*It is also one of the largest producers of galvanized steel and rebar.*

*The Company is a global leader in the slab and transformer steel markets.*