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Press release

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Q4 2015 AND 12M 2015 NLMK GROUP TRADING UPDATE

NLMK Group sales in 2015 increased by 5% to a record 15.9 million tonnes. Production stabilized at 15.9 million tonnes. Capacity utilization rates at NLMK Group production facilities exceeded 90%.

12M 2015 highlights:

- 2015 crude steel output remained stable yoy at 15.9 m t.
- In 2015, as a result of operational efficiency programmes, steel output at the Lipetsk site increased by 3% yoy to a record 12.87 m t.
- Stoilensky, an open pit iron ore mine, produced a record volume of concentrate: 15.2 m t, +2% yoy.
- NLMK Group capacities were running at 93% (-3 p.p. yoy), including 100% at the Lipetsk site.
- Group sales increased by 5% yoy to 15.9 m t, driven by growth of exports from Russian operations to end consumers (+27% yoy).

Q4 2015 highlights:

- NLMK Group steel output was down to 3.85 m t (-6% qoq) due to weaker demand in the Russian construction sector and the US market; as well as repairs at the Lipetsk site.
- NLMK Group steelmaking capacities were running at 92% (-1 p.p. qoq), including 100% at the Lipetsk site.
- Group sales were 3.8 m t (-9% qoq) on the back of a seasonal drop in demand in Russia and lower pig iron exports.
- The share of export sales increased to 62% (+5 p.p. qoq), supported by stable demand in international markets.



NLMK Group

Key operating data ¹

Production, m t	Q4 2015	Q3 2015	QoQ	Q4 2014	YoY	2015	2014	YoY
Crude steel production	3.853	4.079	-6%	4.108	-6%	15.855	15.921	0%
Capacity utilization	92%	93%	-1 p.p.	98%	-6 p.p.	93%	96%	-3 p.p.
Sales, m t								
Semi-finished steel ²	1.655	1.362	22%	1.431	16%	6.070	4.903	24%
Finished steel	2.112	2.761	-23%	2.415	-13%	9.790	10.222	-4%
<i>Flat</i>	1.735	2.167	-20%	1.845	-6%	7.700	7.886	-2%
<i>Long</i>	0.377	0.594	-36%	0.570	-34%	2.089	2.336	-11%
Total consolidated sales	3.767	4.123	-9%	3.846	-2%	15.859	15.125	5%
Sales to Russian market	38%	43%	-5 p.p.	41%	-3 p.p.	39%	43%	-4 p.p.
Sales to external markets, incl.:	62%	57%	+5 p.p.	59%	+3 p.p.	61%	57%	+4 p.p.
Export from Russian companies ³	37%	32%	+5 p.p.	29%	+8 p.p.	34%	28%	+6 p.p.
Slab sales to NBH	12%	10%	+2 p.p.	14%	-2 p.p.	13%	13%	0 p.p.
Foreign subsidiaries sales ⁴	13%	15%	-2 p.p.	16%	-3 p.p.	14%	16%	-2 p.p.
For information: slab sales to foreign subsidiaries and affiliates	0.893	0.972	-8%	1.078	-17%	3.829	4.051	-5%
Segment sales								
Russian Flat Products	3.253	3.437	-5%	3.161	3%	13.031	12.260	6%
Russian Long Products	0.494	0.638	-22%	0.635	-22%	2.376	2.636	-10%
Mining	4.485	4.352	3%	4.365	3%	17.014	16.209	5%
Foreign rolled products	0.468	0.588	-20%	0.589	-21%	2.192	2.407	-9%
For information: NBH Sales	0.436	0.469	-7%	0.472	-8%	1.991	1.808	10%

¹ Hereinafter Q4 2015 and FY 2015 production and sales data is preliminary

² Including pig iron, slabs and billets

³ Sales of Russian companies of the Group to end consumers in export markets, including sales of trading companies

⁴ Sales of foreign companies of the Group to external markets

Group operating highlights

Q4 2015 overview:

Group crude steel output in Q4 was down to 3.85 m t (-6% qoq, -6% yoy) due to a drop in demand in the Russian construction sector and the US market as well as planned repairs at the Lipetsk site.

Group sales were 3.77 m t (-9% qoq and -2% yoy) on the back of a seasonal weakening in demand in Russia and a substantial drop in export sales of pig iron.

Rolled steel sales were down to 2.11 m t (-23% qoq and -13% yoy) due to weaker demand and planned major repairs of rolling equipment at the Lipetsk site. This decrease was largely offset by an increase in slab sales (+23% qoq and +12% yoy). Total Russian Flat Products sales fell to 3.25 m t (-5% qoq).

Russian Long Products sales totaled 0.49 m t (-22% qoq and yoy) due to the seasonal slowdown and to an overall drop in demand in the Russian construction sector.

Foreign Rolled Products sales declined by 20% qoq to 0.47 m t (-21% yoy) due to intensified import competition in the US.

Q4 NBH sales were 0.44 m t (-7% qoq and -8% yoy), due to persistently stiff competition from imported rolled steel and a seasonal drop in demand.



Group sales outside Russia changed insignificantly to 2.32 m t (-2% qoq and +3% yoy), including 1.4 m t (+19% qoq and +67% yoy) exported from the Group's Russian assets to end consumers; 0.45 m t (+5% qoq and -16% yoy) slab sales to NBH; and 0.47 m t sales of Group's foreign companies (NLMK USA and NLMK Dansteel).

Key external destinations were Europe, North America, and the Middle East (including Turkey).

12M 2015 overview:

2015 Group crude steel output remained stable yoy at 15.9 m t; capacities were running at 93%. Group sales increased by 5% yoy to 15.9 m t due to higher sales in international markets (+13% yoy to 9.69 m t).

On the back of the weakening in demand, sales to Russia fell by 6% to 6.17 m t; export sales from Russian companies to external consumers increased by 27% yoy to 5.41 m t; sales of the Group's international companies totaled 2.20 m t (-9% yoy). Intragroup slab sales to Foreign Rolled Products companies were 1.74 m t (-19%); slab sales to NBH increased by 9% yoy to 2.09 m t.

Semi-finished product sales increased by 24% yoy to 6.07 m t. Total steel product sales (excluding slabs) fell by 4% to 9.79 m t, due primarily to the drop in demand from Russian customers.

Russian Flat Products ⁵

Sales, m t	Q4 2015	Q3 2015	QoQ	Q4 2014	YoY	2015	2014	YoY
Pig iron	0.187	0.222	-16%	0.156	19%	0.683	0.264	> 100%
Slabs incl.	1.793	1.637	10%	1.749	2%	6.834	6.489	5%
Slab sales to foreign subsidiaries and affiliates	0.893	0.972	-8%	1.078	-17%	3.829	4.051	-5%
to NLMK USA, NLMK Dansteel	0.442	0.543	-18%	0.543	-18%	1.741	2.141	-19%
to NBH	0.450	0.429	5%	0.535	-16%	2.089	1.910	9%
Hot-rolled steel	0.579	0.719	-19%	0.542	7%	2.510	2.406	4%
Cold-rolled steel	0.332	0.405	-18%	0.337	-2%	1.446	1.507	-4%
Galvanized steel	0.140	0.208	-33%	0.133	5%	0.648	0.588	10%
Pre-painted steel	0.086	0.111	-23%	0.133	-35%	0.377	0.514	-27%
Dynamo steel	0.064	0.067	-5%	0.044	43%	0.256	0.233	10%
Transformer steel	0.073	0.069	6%	0.066	11%	0.276	0.258	7%
incl. VIZ-Steel	0.048	0.046	3%	0.044	7%	0.180	0.172	4%
Total products	3.253	3.437	-5%	3.161	3%	13.031	12.260	6%
Coke sales from Altai-Koks ⁶	0.953	1.072	-11%	1.114	-15%	4.018	4.078	-1%
incl. to Novolipetsk	0.787	0.901	-13%	0.862	-9%	3.186	3.159	1%

⁵NLMK Russia Flat companies include Novolipetsk, VIZ-Steel, trading companies and Altai-Koks. Novolipetsk and VIZ-Steel sales are calculated including trading companies.

⁶Coke production and sales are shown in dry weight.

Q4 2015 overview:

Crude steel output decreased by 2% qoq and by 4% yoy to 3.24 m t, due to steelmaking equipment repairs at the Lipetsk site.

Steel product output at the Lipetsk site decreased by 5% qoq and by 4% yoy to 3.26 m t, due largely to the 70% qoq (to 0.09 m t) decrease in merchant pig iron production.

Segment sales decreased to 3.25 m t (-5% qoq) on the back of reduced merchant pig iron sales (-16% qoq) and the seasonal weakening in demand in the Russian market.

Stable demand for semi-finished products in Q4 supported an increase in slab sales by 10% qoq (+2% yoy) to 1.79 m t. Sales to international subsidiaries and affiliates totaled 0.89 m t (-8% qoq and -17% yoy, 50% of total slab sales). The yoy reduction in slab deliveries to subsidiaries and affiliates is associated with the high 2014 base, when European and the US companies formed additional slab inventories.

Steel product sales were down to 1.27 m t (-19% qoq and +1% yoy) due to the seasonal weakening in demand in Russia and planned major repairs of rolling equipment at the Lipetsk site.

Sales outside Russia remained flat qoq at 2.23 m t (+4% yoy); their share growing by 3 p.p. qoq to 68% of Segment sales; deliveries to Russia were seasonally down by 15% qoq to 1.0 m t (flat yoy).

12M 2015 overview:

Crude steel output at the Lipetsk site in 2015 increased by 3% yoy to 12.9 m t on the back of efforts aimed at boosting equipment productivity as part of the operational efficiency programmes.

Sales of the Segment increased by 6% yoy to 13.0 m t, driven by higher export sales of hot-end products.



Slab sales in 2015 increased by 5% yoy to 6.8 m t. Slab deliveries to subsidiaries and affiliates in 2015 retreated by 5% yoy to 3.83 m t (56% of total slab sales) due to lower NLMK USA sales and additional slab inventories formed by subsidiaries at the end of 2014. Merchant pig iron sales increased by x2.6 yoy to 0.7 m t, taking into account the significant drop in pig iron sales at the end of the year. Finished product sales remained stable (yoy) at 5.5 m t.

Despite the slump in demand in Russia, NLMK's active efforts in the domestic market supported sales at 4.1 m t (-1% yoy).

Russian Long Products ⁷

Sales, m t	Q4 2015	Q3 2015	QoQ	Q4 2014	YoY	2015	2014	YoY
Billet	0.117	0.044	> 100%	0.065	80%	0.286	0.300	-5%
Rebar	0.292	0.486	-40%	0.458	-36%	1.690	1.890	-11%
Sections	0.004	0.005	-17%	0.002	> 100%	0.013	0.002	> 100%
Wire rod	0.021	0.030	-30%	0.027	-23%	0.115	0.112	3%
Metalware	0.060	0.073	-18%	0.083	-28%	0.271	0.331	-18%
Total steel products	0.494	0.638	-22%	0.635	-22%	2.376	2.636	-10%
Ferrous and non-ferrous scrap, incl.	1.043	1.338	-22%	1.137	-8%	4.218	4.426	-5%
to NSMMZ	0.340	0.427	-20%	0.344	-1%	1.456	1.798	-19%
to NLMK Kaluga	0.290	0.379	-23%	0.293	-1%	1.131	1.033	10%
to Novolipetsk	0.386	0.491	-22%	0.448	-14%	1.519	1.492	2%

⁷NLMK Russia Long companies include NSMMZ, NLMK Metalware, NLMK Kaluga and scrap collecting facilities.

Q4 2015 overview:

NLMK Russia Long crude steel output was 0.53 m t (-15% qoq and -4% yoy). Production decreased due to the seasonal slowdown in the Russian construction sector and the yoy slump in demand coupled with persistently intense competition among manufacturers.

Sales were down to 0.49 m t (-22% qoq and yoy). This decrease in sales was partially offset by increased commercial billet deliveries from NLMK Kaluga to export markets (to 0.12 m t; x2.7 qoq and +80% yoy).

The share of export shipments in Segment sales totaled 14% (+2 p.p. qoq).

Scrap sales decreased by 22% qoq to 1.04 m t (-8% yoy), due to the seasonal factor. Intragroup sales totaled 97%, or 1.02 m t. In Q4 2015, NLMK's own capacities processed 0.5 m t (-22% qoq and -17% yoy).

12M 2015 overview:

Segment 2015 crude steel output dropped by 6% to 2.53 m t. Crude steel production at NLMK Kaluga grew by 14% (to 1.09 m t), partially offsetting the decline in crude steel output at NSMMZ (-18% yoy).

Sales were down by 10% to 2.38 m t. This reflects the overall trend in the Russian long steel market that saw a 17% yoy fall in consumption. The drop in demand in Russia was partially offset by the increase in export sales to 0.33 m t (+59% yoy).

2015 scrap sales were in line with consumption requirements for internal crude steel production and totaled 4.22 m t (-5% yoy). In 2015, NLMK's own capacities processed 2.19 m t (-6% yoy).

Mining

Sales, m t	Q4 2015	Q3 2015	QoQ	Q4 2014	YoY	2015	2014	YoY
Iron ore concentrate	3.947	3.879	2%	3.943	0%	15.238	14.706	4%
incl. to Novolipetsk	2.905	2.953	-2%	2.971	-2%	11.342	11.318	0%
Sinter ore	0.538	0.473	14%	0.422	27%	1.777	1.503	18%
incl. to Novolipetsk	0.339	0.319	6%	0.171	98%	1.067	0.624	71%

Q4 2015 overview:

Iron ore concentrate production increased to 3.97 m t (+12% qoq and +2% yoy); sinter ore production totaled 0.45 m t (+6% qoq and +2% yoy). Concentrate production increased following the completion of conveyor equipment upgrades in Q3 2015 and increased productivity as part of the Division's operational improvement programme.

Iron ore concentrate and sinter ore sales increased to 3.95 m t (+2% qoq and flat yoy) and to 0.54 m t (+14% qoq and +27% yoy), respectively. Concentrate sales to third parties that increased by 13% qoq and by 7% yoy were the key growth driver.

Concentrate sales to the Lipetsk site were down to 2.91 m t (-2% qoq and yoy); sinter ore sales totaled 0.31 m t (-3% qoq and +81% yoy).

12M 2015 overview:

Iron ore concentrate production increased by 2% to 15.19 m t; sinter ore production increased by 10% to 1.74 m t, supported by ongoing operational efficiency programmes.

Iron ore concentrate and sinter ore sales increased by 15.24 m t (+4% yoy) and by 1.78 m t (+18% yoy), respectively, driven, among other factors, by sales of previously accumulated stock.

Intragroup deliveries of iron ore concentrate remained flat at 11.34 m t (flat yoy); sinter ore deliveries increased to 1.04 m t (+66% yoy) on the back of stable capacity utilization rates at the Lipetsk site.



Foreign Rolled Products

NLMK USA ⁸

Sales, m t	Q4 2015	Q3 2015	QoQ	Q4 2014	YoY	2015	2014	YoY
Hot-rolled steel	0.176	0.271	-35%	0.273	-36%	0.936	1.140	-18%
Cold-rolled steel	0.103	0.133	-23%	0.114	-10%	0.493	0.539	-8%
Galvanized steel	0.078	0.089	-13%	0.097	-19%	0.328	0.330	-1%
Total rolled steel ⁹	0.357	0.494	-28%	0.483	-26%	1.757	2.009	-13%

⁸ NLMK USA includes NLMK Indiana, NLMK Pennsylvania, and Sharon Coating. Operating data for NLMK USA is presented in metric tonnes.

⁹ NLMK USA also sells non-significant volumes of merchant slabs not included into total rolled steel sales. In Q1'15, Q2'15, Q3'15 and Q4'15 slab sales totaled 3,000 t, 1,000 t, 2,000 t, and 1,000 t respectively.

Q4 2015 overview:

NLMK USA crude steel production totaled 0.08 m t (-46% qoq and -50% yoy); finished steel output fell to 0,35 m t (-30% qoq and -27% yoy), due to challenging market conditions and maintenance activities during the period.

NLMK USA sales fell by 28% qoq (-26% yoy) to 0.36 m t due to a slowdown in the buying activity of trading companies that were gradually decreasing steel product stock on the back of the weakening in prices for rolled steel.

12M 2015 overview:

Crude steel output was 0.46 m t (-31% yoy). Lower crude steel production was associated mainly with major repair works at NLMK Indiana steelmaking facilities conducted at the beginning of 2015; and reduced output at the end of the year.

Division sales declined by 13% to 1.76 m t, pressured by intensified competition from imported rolled products in the US market and stagnating steel consumption.

NLMK Dansteel

Sales, m t	Q4 2015	Q3 2015	QoQ	Q4 2014	YoY	2015	2014	YoY
Thick plates	0.111	0.094	18%	0.106	5%	0.435	0.398	9%

NLMK Dansteel Q4 thick plate sales totaled 0.11 m t (+18% qoq and +5% yoy), driven by recovered activity in the European market.

An uptick in demand from key thick plate consumers (in shipbuilding, power machine-building and construction sectors), as well as improved product quality and a wider sales mix allowed the company to successfully compete with local suppliers and imports. As a result, Dansteel 2015 sales grew by 9% to 0.44 m t.

Q4 2015 slab deliveries from the Lipetsk site totaled 0.12 m t (+5% qoq and +36% yoy); 2015 deliveries totaled 0.52 m t (+21% yoy).



Associated companies - NLMK Belgium Holdings (NBH) ¹⁰

Sales, m t	Q4 2015	Q3 2015	QoQ	Q4 2014	YoY	2015	2014	YoY
Hot-rolled steel	0.187	0.204	-9%	0.197	-5%	0.876	0.675	30%
Cold-rolled steel	0.009	0.008	14%	0.010	-5%	0.045	0.055	-19%
Coated steel	0.086	0.096	-10%	0.072	20%	0.374	0.319	17%
Total flat steel	0.282	0.309	-9%	0.279	1%	1.295	1.049	23%
Semi-finished (ingots)	0.019	0.019	-2%	0.022	-14%	0.086	0.082	5%
Thick plates	0.135	0.141	-5%	0.171	-21%	0.611	0.676	-10%
Total steel products	0.436	0.469	-7%	0.472	-8%	1.991	1.808	10%

¹⁰ 2NBH assets include producers of thick plates NLMK Clabecq (Belgium), NLMK Verona (Italy) and producers of flat steel NLMK La Louvière (Belgium), NLMK Coating (France) and NLMK Strasbourg (France)).

Steel product sales in Q4 2015 decreased by 7% qoq to 0.44 m t (-8% yoy). Q4 2015 slab deliveries from the Lipetsk site totaled 0.45 m t (+5% qoq and -16% yoy).

NBH sales in 2015 gained 10% to 1.99 m t, driven by a recovery in steel demand in Europe (+1.3% yoy).

In 2015, slab deliveries from the Lipetsk site to NBH companies for further processing at captive rolling capacities increased by 9% yoy to 2.09 m t.

Appendixes

Appendix 1. NLMK Group crude steel production

Production, m t	Q4 2015	Q3 2015	QoQ	Q4 2014	YoY	2015	2014	YoY
NLMK Group	3.853	4.079	-6%	4.108	-6%	15.855	15.921	0%
Lipetsk site	3.244	3.310	-2%	3.396	-4%	12.871	12.556	3%
NLMK Long Products	0.528	0.619	-15%	0.551	-4%	2.527	2.702	-6%
incl. NLMK Kaluga	0.284	0.284	0%	0.198	43%	1.091	0.955	14%
NLMK Indiana (NLMK USA)	0.081	0.151	-46%	0.162	-50%	0.457	0.663	-31%
<i>for information</i>								
NBH, NLMK Europe (EAF)	0.040	0.042	-5%	0.043	-6%	0.194	0.187	3%

Appendix 2. NLMK Group product output

Production, m t	Q4 2015	Q3 2015	QoQ	Q4 2014	YoY	2015	2014	YoY
Merchant pig iron	0.091	0.306	-70%	0.157	-42%	0.631	0.318	98%
Merchant slabs	1.324	1.133	17%	1.360	-3%	4.900	4.301	14%
Flat steel	1.809	2.045	-12%	1.930	-6%	7.832	7.873	-1%
Merchant billets	0.104	0.056	86%	0.064	62%	0.286	0.289	-1%
Long products	0.344	0.551	-38%	0.404	-15%	1.888	1.993	-5%
Metalware	0.059	0.075	-22%	0.079	-26%	0.273	0.330	-17%
Total products	3.730	4.166	-10%	3.995	-7%	15.810	15.105	5%

Appendix 3. Novolipetsk product output

Production, m t	Q4 2015	Q3 2015	QoQ	Q4 2014	YoY	2015	2014	YoY
Merchant pig iron	0.091	0.306	-70%	0.157	-42%	0.631	0.318	98%
Merchant slabs	1.816	1.675	8%	1.903	-5%	6.691	6.442	4%
Hot-rolled steel	0.687	0.689	0%	0.633	9%	2.795	2.546	10%
Cold-rolled steel	0.360	0.398	-10%	0.347	4%	1.496	1.522	-2%
Galvanized steel	0.136	0.197	-31%	0.148	-8%	0.653	0.616	6%
Pre-painted steel	0.082	0.090	-8%	0.141	-42%	0.379	0.506	-25%
Dynamo steel	0.058	0.064	-10%	0.052	11%	0.250	0.239	5%
Transformer steel	0.028	0.024	12%	0.024	14%	0.102	0.091	12%
Total products	3.257	3.443	-5%	3.405	-4%	12.997	12.281	6%

Appendix 4. Main raw materials production

Production, m t	Q4 2015	Q3 2015	QoQ	Q4 2014	YoY	2015	2014	YoY
Coke	1.564	1.684	-7%	1.727	-9%	6.448	6.421	0%
Novolipetsk	0.612	0.607	1%	0.606	1%	2.418	2.354	3%
Altai-Koks	0.952	1.077	-12%	1.120	-15%	4.030	4.067	-1%
Iron ore	4.428	3.961	12%	4.341	2%	16.931	16.530	2%
Iron ore concentrate	3.974	3.533	12%	3.896	2%	15.194	14.948	2%
Sinter ore	0.454	0.428	6%	0.445	2%	1.737	1.582	10%
Scrap	0.528	0.665	-21%	0.635	-17%	2.185	2.324	-6%

Appendix 5. NLMK Group product sales

Sales, m t	Q4 2015	Q3 2015	QoQ	Q4 2014	YoY	2015	2014	YoY
Semi-finished	1.655	1.362	22%	1.431	16%	6.070	4.903	24%
Pig iron	0.187	0.222	-16%	0.156	19%	0.683	0.264	> 100%
Slabs	1.351	1.096	23%	1.209	12%	5.100	4.338	18%
Billet	0.117	0.044	> 100%	0.065	80%	0.286	0.300	-5%
Flat steel	1.735	2.167	-20%	1.845	-6%	7.700	7.886	-2%
Plate	0.111	0.094	18%	0.106	5%	0.435	0.398	9%
Hot-rolled steel	0.755	0.990	-24%	0.815	-7%	3.447	3.519	-2%
Cold-rolled steel	0.429	0.539	-20%	0.451	-5%	1.934	2.046	-5%
Galvanized steel	0.218	0.297	-27%	0.229	-5%	0.976	0.918	6%
Pre-painted steel	0.086	0.111	-23%	0.133	-35%	0.377	0.514	-27%
Transformer steel	0.073	0.069	6%	0.066	11%	0.276	0.258	7%
Dynamo steel	0.064	0.067	-5%	0.044	43%	0.256	0.233	10%
Long products	0.377	0.594	-36%	0.570	-34%	2.089	2.336	-11%
Long	0.317	0.521	-39%	0.487	-35%	1.818	2.005	-9%
Metalware	0.060	0.073	-18%	0.083	-28%	0.271	0.331	-18%
Total steel products	3.767	4.123	-9%	3.846	-2%	15.859	15.125	5%