



## Q3 AND 9M 2014 CONSOLIDATED FINANCIAL RESULTS UNDER US GAAP

## KEY HIGHLIGHTS

'000 t/\$ million	Q3 2014 <sup>1</sup>	Q2 2014 <sup>1</sup>	Change qoq, %	9M 2014	9M 2013 <sup>2</sup>	Change yoy, %
Sales volumes	3,583	3,835	-7%	11,285	11,261	+0%
Revenue	2,607	2,808	-7%	8,053	8,405	-4%
Operating profit	402	382	+5%	1,053	440	+139%
EBITDA <sup>3</sup>	693	594	+17%	1,756	1,096	+60%
EBITDA margin (%)	27%	21%	+6 p.p.	22%	13.0%	+9 p.p.
Net income <sup>4</sup>	281	158	+77%	613	209	+193%
Net debt <sup>5</sup>	1,803	2,103	-14%	1,803	2,772	-35%
Net debt / EBITDA <sup>5</sup>	0.83	1.14		0.83	1.87	

## Notes:

<sup>1</sup> Consolidated financial results are prepared based on US GAAP. Reporting periods of the Company are 3M, 6M, 9M and 12M. Quarterly figures are derived by computational method. The same assumption applies to the calculation of segmental financial result.

<sup>2</sup> Up till and inclusive of Q3 2013, NLMK Belgium Holdings (NBH) sales were included into the Group's consolidated sales. Starting from Q4 2013, NBH sales are shown separately

<sup>3</sup> EBITDA is calculated as operating profit adjusted to loss from impairment of fixed assets and intangible assets (including goodwill) and depreciation and amortization. EBITDA calculations are presented in the Appendix.

<sup>4</sup> Net profit attributable to NLMK shareholders.

<sup>5</sup> Net debt is calculated as the sum of LT and ST credits and loans less cash and cash equivalents, as well as ST financial investments at period end. Net debt / EBITDA is represented by net debt as at the end of the period and EBITDA is presented as Last 12 months EBITDA.

Q3 2014 EBITDA increased to \$693 million (+17% quarter-on-quarter), EBITDA margin expanded to 27% (+6 p.p. quarter-on-quarter) due to lower production costs driven by, among other factors, the positive effect from the operational efficiency programmes implemented at all the NLMK Group divisions.

Despite the weaker pricing environment and the resulting 4% year-on-year decrease in the 9M 2014 revenue to \$8.05 billion, 9M 2014 EBITDA grew by 60% year-on-year to \$1,756 million, EBITDA margin reached 22% (+9 p.p. year-on-year).

Net debt reduced by 14% quarter-on-quarter and by 35% year-on-year to \$1,803 million. Net debt/EBITDA stood at 0.83 (1.14 in Q2 2014 and 1.87 in Q3 2013).

## OUTLOOK

Q4 sales are expected to grow by 2-5% quarter-on-quarter, which will partially offset the seasonal softening in steel prices.

**Teleconference details:**

NLMK is pleased to invite the investment community to a conference call with the management of NLMK on Tuesday, November 11.

Tuesday, November 11, 2014

09:00 (New York)

14:00 (London)

17:00 (Moscow)

To join the conference call, please, dial

International Number: +44(0)20 3427 1918

US Number: +1 877 280 2296

Russian Number: +7 495 213 0979

Conference ID: 3585260

\*We recommend that participants start dialing in 10-15 minutes prior to ensure a timely start of the conference call.

The conference call replay will be available through November 24, 2014.

International Replay Number: + 44 (0) 20 3427 0598

US Replay Number: +1 347 366 9565

Russian Replay Number: +7 495 705 9453

Replay Access Code: 3585260

It is recommended that participants download presentation in advance on NLMK's web-site [www.nlmk.com](http://www.nlmk.com).

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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).

**Comments from NLMK Group CFO Grigory Fedorishin:**

“In Q3, demand in our key markets remained solid. As iron ore prices continued to deteriorate, steel and raw materials prices spreads sequentially widened or remained unchanged.

“NLMK Group’s steelmaking capacity utilization rates grew to 96% (+2 p.p. quarter-on-quarter). Steel production increased by 10% quarter-on-quarter to 4,131 million tonnes, driven by the increase in utilization rates at the NLMK Russia Flat division to 100% following repairs and the increase in steel output at the NLMK USA division (+12% quarter-on-quarter).

“Q3 NLMK Group sales decreased by 7% to 3.583 million tonnes, due to the delay in long product sales recognition as a part of products was sold through sales channels with a longer revenue recognition period. As corresponding sales are recognized and export deliveries grow, we expect our Q4 sales will grow.

“Delayed sales recognition in Q3 was the key factor impacting revenue that totaled \$2.6 billion (-7% quarter-on-quarter).

“EBITDA increased by 17% quarter-on-quarter to \$693 million; EBITDA margin went up to 27%. The continued growth in the Company’s profitability was supported mainly by the successful implementation of operational efficiency programmes at all NLMK Group divisions while maintaining high utilization rates. The corresponding cost saving effect in Q3 totaled \$50 million vs. 2013. In 9M 2014, costs were slashed by \$183 million vs. 2013.

“Q3 capex totaled \$158 million (+5% quarter-on-quarter); in 9M 2014 capex decreased to \$439 million, 33% lower quarter-on-quarter on the back of the fact that NLMK Kaluga construction was completed in mid-2013 and due to weaker USD/RUB FX rate. In 2014, investments will total \$650-700 million.

“Net debt decreased by 14% quarter-on-quarter to \$1.8 billion; net debt to EBITDA was down to 0.83, whereas the average long-term target is 1.0. On the back of solid financial performance, the Company was able to announce interim dividends for H1 2014 in the amount of \$134 million for the first time since 2011.

“In Q4, we expect a seasonal decline in demand for steel products, particularly in the domestic market.

“NLMK continues to focus on improving business process efficiency and cutting production costs. We expect that our Strategy 2017 target effect from operational efficiency programmes on our financial performance will be exceeded as early as the end of 2014.”

## MANAGEMENT COMMENTS

- **Market overview**

On the global steel market, resilient consumption and inventory/demand balance allowed a widening or stabilization of the level of spreads between prices for steel products and raw materials vs. Q2.

In Russia, the pricing environment was favourable driven by the seasonal increase in demand from the construction sector and the weakening in the ruble exchange rate that contributed to maintaining low imports.

In North America, the pricing environment remained stable supported by continued demand growth. In the European market, steel prices were kept under pressure despite the growing demand (+3%-4% year-on-year). The Middle East saw a seasonal increase in prices in August and September.

- **Production and sales**

### *Q3 2014*

The Group's steelmaking capacity was running at 96% (+2 p.p. quarter-on-quarter), including 100% NLMK's main production site in Lipetsk (+2 p.p. quarter-on-quarter), 85% at NLMK Long Products (including 90% at NSMMZ, 77% at NLMK Kaluga), and 91% at NLMK USA (+10 p.p. quarter-on-quarter).

Q3 2014 steel output grew by 10% quarter-on-quarter to 4,131 million tonnes, supported by the increase in utilization rates at the Lipetsk site following repairs in Q2 2014, and higher output at NLMK USA (+12% million tonnes).

Sales were down by 7% to 3,583 million tonnes, due to a higher share of long product sales through channels with a longer sales recognition period.

On the back of favourable pricing conditions in the external markets, pig iron sales increased to 97,000 tonnes (4,000 tonnes in Q2). Slab deliveries to the Group's international assets and NBH increased by 50% quarter-on-quarter and 7% quarter-on-quarter, respectively. Finished product sales were down by 8% quarter-on-quarter to 2.56 million tonnes, due mostly to the delayed recognition in NLMK Long Products sales and Hot-Strip Mill repairs at the Lipetsk site in September.

### *9M 2014*

9M 2014 steel output grew by 4% year-on-year to 11,813 million tonnes, driven by the growth in steel production at NLMK Kaluga.

Steel product sales remained stable at 11,285 million tonnes. The decrease in the sales of finished rolled products (-5% year-on-year) to 7,813 million tonnes was mainly attributable to the deconsolidation of NBH results in Q4 2013. This factor was largely offset by the increase in long product deliveries from NLMK Kaluga.

- **Sales markets**

Group sales to the Russian market in Q3 totaled 1,694 million tonnes (-2% quarter-on-quarter). The decrease in domestic long product sales due to a longer revenue recognition period was partially offset by higher flat steel deliveries. Russian sales accounted for 47% of total sales.

North America (20% of total sales), Europe (19%), the Middle East (6%) and South-East Asia (5%) were our key international sales destinations. Third-party sales from our Russian production assets to external markets decreased by 15% to 1,247 million tonnes, due mostly to the redistribution of flat steel sales to the domestic market and the increase in intra-group slab sales. Our international rolling assets accounted for 17% of sales (+1 p.p.).

- **Prices**

In Q3 2014, there were opposing trends for finished product sales prices in different sales regions.

Average prices for standard flat products in Russia in USD terms remained stable. Average prices for rebar increased by 5% supported by the seasonal pickup in demand. There were opposing trends for export prices depending on the sales market. The Group's Russian companies' export prices for slabs and standard products changed in the range between 0% and -5% compared to Q2.

In the US in Q3, prices stabilized. In Europe, plate prices in dollar terms remained stable; coil prices were down by 3-6%, due mostly to the euro weakening against the dollar.

- **Investment**

Q3 2014 investment totaled \$158 million (+5% quarter-on-quarter). In Q3, construction of the pelletizing plant at Stoilensky (one of the most capital-intensive projects in the Group's investment programme) entered its active phase. The project is being implemented in line with the schedule; investment into the plant construction and associated projects at the end of Q3 totaled approximately \$250 million.

In 9M 2014, investment was down by 33% year-on-year to \$439 million. This decrease in capital investment was associated with the completion of a number of large-scale projects in 2013, including the construction of NLMK Kaluga, as well as RUB weakening.

According to preliminary estimates, 2014 investments will total approximately \$650-700 million, approximately 40% of which will be spent on maintenance.

- **Operational efficiency enhancement programme**

In 2014, we continued to implement programmes aimed at improving the operational efficiency at all NLMK Group divisions as part of Strategy 2017.

In Q3, the effect was \$50 million (in Q1 2014 the effect was \$70 million; in Q2 – \$63 million). The Steel Segment accounted for the bulk of savings in 9M (61%).

- **Debt management**

In Q3, NLMK Group's net debt was down by 14% quarter-on-quarter to \$1.8 billion. This reduction was accounted for by the stable positive free cash flow, and the positive impact of the changes in the currency exchange rate.

Net debt/EBITDA at the end of Q3 2014 stood at 0.83, which is lower than the Strategy 2017 target value set by the management at 1.0. At the end of Q3, cash and ST financial investments were \$1.48 billion.

Net settlement of financial debt in Q3 was \$290 million. During the quarter, NLMK paid off its RUB liabilities for a total of RUB 5 billion (\$144 million); and executed an early redemption of its euro liabilities for a total of \$122 million.

The changes in total debt were additionally impacted by the decrease in the ruble rate – over Q3, it amounted to 17% (exchange rate as of 30.09.2014 vs. exchange rate as of 30.06.2014 r.). This led to a corresponding decrease in the value of ruble obligations in dollar terms (ruble bonds and LT loans for a total of approximately RUB 41 billion).

Due to these factors, at the end of Q3 2014, NLMK's total financial debt was down by 14% to \$3.29 billion, including 28% of ST liabilities mostly represented by RUB bonds and revolving credit lines to finance working capital.

In Q4, NLMK is planning to repay its series BO-07 bonds for a total of RUB 10 billion (\$276 million at the 30.09.14 exchange rate) according to the emission documents schedule.

- **Dividend payout**

NLMK's Extraordinary General Meeting of Shareholders was held on 30 September. For the first time since 2011, the AGM decided to announce interim dividends for H1 2014 in the amount of RUB 0.88 per ordinary share. Dividend payments totaled \$134 million (FX rate as of the date of the EGM), or 40% of NLMK's US GAAP net profit for the period.

The announced dividends are in line with NLMK Group's dividend policy and the announced targets of its Strategy 2017.

**KEY FINANCIALS**

- **Revenue**

## Q3 2014

Q3 2014 revenue decreased by 7% quarter-on-quarter to \$2,607 million due to lower sales (-7% quarter-on-quarter) as long steel was sold through the trading companies which delayed sales revenue recognition. Average sales prices remained largely stable compared to Q2.

## 9M 2014

The reduction in the revenue compared to the same period last year (-4% year-on-year) is associated with softening in steel prices.

- **Operating profit**

## Q3 2014

Q3 2014 operating profit increased by 5% quarter-on-quarter to \$402 million driven by the effect from the operational efficiency enhancement programmes, as well as the impact of the spreads between prices for steel and key raw material. High profitability was additionally supported by the weakening in the ruble exchange rate: export sales represent 53% of the revenue, while 80% of the Group costs are denominated in rubles.

These factors were partially offset by an incurred impairment loss from investments in NBH in the amount of \$83 million (see Note 5 of the consolidated financial statements for 9 months of 2014).

Slab cash cost at the Lipetsk site in Q3 2014 was down by 4% quarter-on-quarter to \$295/t as productivity grew and costs decreased.

General and administrative expenses decreased by 5% quarter-on-quarter to \$80 million due to continued implementation of the efficiency enhancement programme and the impact from the change in the ruble exchange rate. Commercial expenses were down by 8% to \$207 million due to lower sales volumes and changes in the geography of sales.

## 9M 2014

9M 2014 operating profit increased by 139% year-on-year to \$1,053 million. The key drivers for this growth were our efficiency enhancement programmes (with gains of approximately \$183 million compared to 2013 level); the widening of spreads between the prices for steel products and raw materials; and the fall in the average ruble rate against the dollar.

The decrease in general and administrative expenses, as well as commercial expenses (-24% year-on-year and -8% year-on-year) is attributable to the changes in the perimeter of the Group (the deconsolidation of NBH assets starting from Q4 2013) and the ruble exchange rate trends.

- **Net profit**

## Q3 2014

Net profit increased by 77% quarter-on-quarter to \$281 million. This is largely related to the increase in the profit from operations.

## 9M 2014

In 9M 2014, net profit grew by 2.9 times year-on-year to \$613 million. This was due to the significant increase in profit from operations.

- **Cash flows**

## Q3 2014

Q3 net operating cash flow decreased by 69% quarter-on-quarter to \$194 million due to a cash outflow to finance working capital. The increase in the working capital was attributable to the following factors:

- planned growth in the feedstock inventory to ensure uninterrupted operations during the autumn-winter period;
- higher long product sales through sales channels with a longer revenue recognition period (trade networks and distribution centres);
- creation of inventories prior to activities aimed at mastering new product types at NLMK Kaluga;
- impact of the change in the ruble exchange rate.

#### 9M 2014

9M net operating cash flow increased by 23% year-on-year to \$1.213 billion on the back of increased profit from operations.



**Steel Segment\***

\$ million	Q3 2014	Q2 2014	Change qoq, %	9M 2014	9M 2013	Change yoy, %
Steel product sales, '000 tonnes	3,035	2,894	+5%	9,102	9,108	-0%
including third party sales, '000 tonnes	2,351	2,459	-4%	7,476	6,947	+8%
Revenue, incl.	2,009	1,999	+0%	6,046	6,063	-0%
Revenue from external customers	1,636	1,728	-5%	5,106	4,873	+5%
Revenue from intersegmental operations	373	271	+37%	940	1,189	-21%
EBITDA	455	353	+29%	1,070	484	+121%
EBITDA margin	23%	18%	+5 p.p.	18%	8%	+10 p.p.

**Q3 2014**

In Q3 2014 overall segment sales totaled 3.0 million tonnes (+5% quarter-on-quarter), sales to third parties totaled 2.4 million tonnes (-4% quarter-on-quarter). Sales volumes went up, supported by an increased demand for semi-finished products and a favourable price trend. External sales went down due to an increase in slab deliveries to the Group's international companies and NBH by 50% and 7%, respectively.

Total revenue of the Segment remained at a stable level of \$2.0 billion; the increase in sales completely offset the decrease in average sales prices.

With widened spreads between prices for steel products and raw materials and with the implementation of our operational efficiency programmes, EBITDA of the Steel Segment went up by 29% quarter-on-quarter to \$455 million. EBITDA margin increased by 5 p.p. to 23%.

**9M 2014**

Steel Segment sales remained stable at 9.1 million tonnes. Sales to third parties increased due to the deconsolidation of NBH rolling asset results – slab sales to NBH are reflected as external sales since Q4 2013.

Total 9M revenue remained stable at \$6.05 billion. Due to the fact that slab deliveries to NBH in 2014 are classified as external sales, there was a shift in revenue in favour of third-party deliveries.

EBITDA increased by 121% year-on-year to \$1,070 million driven by lower production costs (effect from the efficiency programme), widened spreads between prices for steel products and raw materials, and the impact of the change in the currency exchange rate.

**Outlook**

In Q4 2014 we expect a seasonal weakening of demand from the construction industry in Russia. This factor will be partially offset by the effect from the ongoing operational efficiency programmes that will allow maintaining the Segment's strong financial results.

\* The Steel Segment comprises: Novolipetsk (Lipetsk site), VIZ-Steel (a producer of electrical steel), trading companies Novexco Limited, Cyprus and Novex Trading S.A., Switzerland, Altai-Koks (Russia's largest non-integrated coke manufacturer), as well as a number of service companies.

\*\* Slab sales to NLMK Belgium Holdings (NBH) till Q3 2013 were included in intercompany sales of the Steel segment. Starting from Q4 2013 these sales were considered as third parties sales.

**Long Products Segment \***

\$ million	Q3 2014	Q2 2014	Change qoq, %	9M 2014	9M 2013	Change yoy, %
Long products and metalware sales, '000 tonnes	608	739	-18%	2,001	1,469	+36%
Revenue incl.	493	531	-7%	1,418	1,243	+14%
Revenue from external customers	378	430	-12%	1,145	957	+20%
Revenue from intersegmental operations	115	101	+14%	273	286	-4%
EBITDA	77	52	+48%	136	83	+64%
EBITDA margin	16%	10%	+6 p.p.	10%	7%	+3 p.p.

**Q3 2014**

In Q3 2014, overall Segment sales went down by 18% quarter-on-quarter to 608,000 tonnes. This decrease in long product sales in Q3 2014 on the back of the end of the construction season is associated with the reduction in the share of direct sales and the increase in the share of 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 direct sales with minimum revenue recognition periods. Additionally, the decrease in sales was related to forming inventories prior to resuming activities related to mastering section production at NLMK Kaluga.

The Segment's total revenue fell by 7% quarter-on-quarter to \$493 million due to lower sales volumes. Revenue from intra-group operations increase due to higher scrap deliveries to the Lipetsk site (the Steel Segment).

EBITDA in Q3 2014 went up by 48% to \$77 million, EBITDA margin increased by 6 p.p. to 16%. Profitability improved supported by widened spreads between long product and raw material prices, and the effect from launching the operational efficiency programme.

**9M 2014**

Segment revenue went up by 14% year-on-year to \$1,418 million driven by a 36% year-on-year sales growth to 2,001 million tonnes after the launch of NLMK Kaluga on the back of lower year-on-year long product prices.

Higher sales volumes resulted in 64% EBITDA increase (year-on-year) to \$136 million; EBITDA margin was 10% (+3 p.p. year-on-year).

**Outlook**

In Q4 2014, we expect a seasonal reduction in demand in the Russian long products market. Over this period, NLMK Kaluga is going to continue mastering new types of long products (sections).

\* The Long Products Segment: NSMMZ, NLMK Metalware, NLMK Kaluga, and scrap treatment facilities. The core activities of these companies are steelmaking (EAF-based), long products and metalware manufacturing, and ferrous scrap collection and processing.

**Mining Segment \***

\$ million	Q3 2014	Q2 2014	Change qoq, %	9M 2014	9M 2013	Change yoy, %
Sales of iron ore concentrate and sinter ore, '000 tonnes	<b>3,970</b>	4,004	1%	<b>11,845</b>	11,471	+3%
incl. to Lipetsk plant	<b>3,151</b>	2,708	+16%	<b>8,800</b>	8,590	+2%
Revenue incl.	<b>248</b>	306	-19%	<b>871</b>	998	-13%
Revenue from external customers	<b>70</b>	117	-40%	<b>276</b>	278	-1%
Revenue from intersegmental operations	<b>178</b>	189	-6%	<b>596</b>	720	-17%
EBITDA	<b>145</b>	185	-22%	<b>539</b>	632	-15%
EBITDA margin	<b>58%</b>	60%	-2 p.p.	<b>62%</b>	63%	-1 p.p.

**Q3 2014**

The increase in the sale of iron ore to the Lipetsk site in Q3 2014 (+16% quarter-on-quarter) was attributable to the growth in consumption rates on the back of higher production volumes.

Segment revenue went down to \$248 million (-19% quarter-on-quarter) due to the negative iron ore price trend.

EBITDA of the Segment in Q3 2014 totaled \$145 million (-22% quarter-on-quarter) due to the continuing decrease in prices for iron ore in the global market that was partially offset by the effect from the operational efficiency enhancement programmes. EBITDA margin of the Segment was 58% (-2 p.p. quarter-on-quarter).

**9M 2014**

In 9M 2014, iron ore sales grew by 0.4 million tonnes year-on-year to 11.8 million tonnes. This increase was driven by the successful implementation of the beneficiation equipment productivity improvement programme.

With decreased prices for the Segment's products, total revenue went down by 13% year-on-year to \$871 million. This factor also determined the EBITDA decline of 15% year-on-year to \$539 million, the EBITDA margin was 62% (-1 p.p. year-on-year).

**Outlook**

In Q4 2014 we expect iron ore sales to increase, primarily to external customers, which will offset the reduction in average quarterly sales prices.

\* NLMK's Mining Segment comprises Stoilensky (the Group's key mining asset), Dolomit and Stagdok. These companies mainly supply raw materials to NLMK's production facilities in Lipetsk and also sell limited volumes outside the Group.

**Foreign Rolled Products Segment \***

\$ million	Q3 2014	Q2 2014	Change qoq, %	9M 2014	9M 2013	Change yoy, %
Steel products sales, '000 tonnes	624	644	-3%	1,825	2,845	-36%
Revenue incl.	523	533	-2%	1,527	2,297	-34%
Revenue from external customers	523	533	-2%	1,527	2,295	-33%
Revenue from intersegmental operations	-	-	-	-	2	-100%
EBITDA	36	19	+88%	78	-124	
EBITDA margin	7%	4%	+3 p.p.	5%	-5%	+10 p.p.

In Q3 2014, on the back of the seasonal slowdown in demand in the European markets and the stable situation in the USA, Segment sales went down by 3% quarter-on-quarter to 624,000 tonnes. This was the key factor behind the 3% quarter-on-quarter reduction in revenue to \$523 million.

Segment EBITDA increased by 88% quarter-on-quarter to \$36 million. This was associated with the widening of spreads between prices for finished and semi-finished products, as well as the operational efficiency programmes. EBITDA margin was 7% (+3 p.p. quarter-on-quarter).

NLMK Belgium Holdings (NBH) deconsolidation largely determined the significant change in operational and financial results versus 9M 2013.

**Outlook**

In Q4 2014, we expect a pick-up in steel consumer activity in Europe, and a relatively stable market environment in the USA, that will support high capacity utilization rates of the Segment. This allows us to expect the Segment to maintain stable results.

*\* The Foreign Rolled Products Segment before the 1st October 2013 was represented by rolling assets in Europe (NLMK Europe) and the USA (NLMK USA). NLMK Europe is represented by thick plate producers NLMK Dansteel (Denmark), NLMK Clabecq (Belgium), NLMK Verona (Italy) and strip product producers NLMK La Louvière (Belgium), NLMK Coating (France), NLMK Strasbourg (France). NLMK USA includes NLMK Pennsylvania, Sharon Coating, NLMK Indiana.*

*Following the deconsolidation of NBH starting from Q4 2013 the segment includes NLMK USA division companies and NLMK Dansteel.*

## Appendix

### (1) EBITDA

\$ million	Q3 2014	Q2 2014	9M 2014	9M 2013
Operating income	402	382	1 053	440
minus:				
Impairment losses	-83	-	-83	-
Depreciation and amortization	-208	-212	-620	-656
<b>EBITDA</b>	<b>693</b>	<b>594</b>	<b>1 756</b>	<b>1,096</b>

### (2) Sales by product

'000 tonnes	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013
Pig iron	97	4	6	26	9
Slabs	860	973	1,295	1,228	780
Thick plates	90	103	100	90	230
Hot-rolled steel	913	950	841	661	1,031
Cold-rolled steel	545	553	497	490	546
Galvanized steel	229	240	221	220	287
Pre-painted steel	124	125	132	99	144
Transformer steel	71	67	60	54	63
Dynamo steel	47	81	61	66	64
Billet	65	84	86	84	34
Long products	459	568	490	472	455
Metalware	84	87	77	77	80
<b>TOTAL</b>	<b>3,583</b>	<b>3,835</b>	<b>3,867</b>	<b>3,567</b>	<b>3,724</b>

### (3) Sales by region

'000 tonnes	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013
Russia	1,694	1,736	1,549	1,460	1,597
EU	674	706	736	662	599
Middle East incl. Turkey	217	237	245	254	431
North America	701	639	749	669	513
Asia and Oceania	166	160	69	248	220
Other regions	130	356	519	274	363
<b>TOTAL</b>	<b>3,583</b>	<b>3,835</b>	<b>3,867</b>	<b>3,567</b>	<b>3,724</b>

**(4) Revenue by region**

Region	Q3 2014		Q2 2014		Q1 2014	
	\$ million	share, %	\$ million	share, %	\$ million	share, %
Russia	1,216	47%	1,197	43%	1,034	39%
EU	421	16%	491	17%	452	17%
Middle East incl. Turkey	133	5%	150	5%	145	6%
North America	592	23%	638	23%	512	19%
Asia and Oceania	41	2%	50	2%	44	2%
Other regions	205	8%	283	10%	450	17%
<b>TOTAL</b>	<b>2,607</b>	<b>100%</b>	<b>2,808</b>	<b>100%</b>	<b>2,638</b>	<b>100%</b>

**(5) Working capital**

\$ million	30.09.14	30.06.14	31.03.14	31.12.13	30.09.13
<b>Current assets</b>	<b>4,787</b>	<b>5,138</b>	<b>4,966</b>	<b>5,102</b>	<b>4,918</b>
Cash and cash equivalents	815	939	830	970	835
Short term investments	668	792	753	485	516
Accounts receivable	1,378	1,561	1,544	1,438	1,540
Inventories	1,822	1,735	1,731	2,124	1,897
Other current assets, net	105	111	107	85	129
<b>Current liabilities</b>	<b>2,096</b>	<b>2,307</b>	<b>2,242</b>	<b>2,317</b>	<b>1,760</b>
Accounts payable	1,114	1,125	1,068	1,176	1,104
Short-term debt	930	1,157	1,141	1,119	616
Other current liabilities	51	25	33	22	40
<b>Working capital</b>	<b>2,691</b>	<b>2,831</b>	<b>2,724</b>	<b>2,785</b>	<b>3,158</b>

**(6) Production of main products**

'000 tonnes	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013
<b>Coke 6% moisture, incl.</b>	<b>1,783</b>	<b>1,581</b>	<b>1,631</b>	<b>1,668</b>	<b>1,666</b>
Novolipetsk	649	589	621	620	651
Altai-Koks	1,134	992	1,009	1,048	1,016
<b>Crude steel, incl.</b>	<b>4,131</b>	<b>3,773</b>	<b>3,909</b>	<b>4,064</b>	<b>3,887</b>
Steel Segment	3,181	2,894	3,086	3,193	3,089
Long Products Segment	776	722	654	707	587
incl. NLMK Kaluga	283	279	195	253	95
Foreign Rolled Products Segment	175	157	169	164	211
<b>Rolled products / finished products, incl.</b>	<b>2,638</b>	<b>2,696</b>	<b>2,449</b>	<b>2,424</b>	<b>2,800</b>
Flat steel	1,972	2,067	1,904	1,834	2,271
Long steel	665	629	545	590	529

**(7) Slab sales, including intra-group sales to NLMK Group companies**

<b>'000 tonnes</b>	<b>Q3 2014</b>	<b>Q2 2014</b>	<b>Q1 2014</b>	<b>Q4 2013</b>	<b>Q3 2013</b>
Sales to third parties, incl.	860	973	1,295	1,228	780
<i>Export</i>	703	801	1,103	1,107	634
<i>Incl. sales to NBH</i>	461	430	483	446	
<i>Domestic market</i>	155	169	191	119	142
<i>Slab sales by NLMK USA</i>	3	3	2	2	4
Sales to subsidiaries	684	454	480	337	933
<b>Total</b>	<b>1,544</b>	<b>1,428</b>	<b>1,776</b>	<b>1,565</b>	<b>1,713</b>

**Interim condensed consolidated statements of income  
for the nine months ended September 30, 2014 and 2013 (unaudited)**  
*(thousands of US dollars)*

**ASSETS**

**Current assets**

	As at September 30, 2014	As at December 31, 2013
Cash and cash equivalents	814,676	969,992
Short-term investments	667,943	484,981
Accounts receivable and advances given, net	1,371,342	1,437,697
Inventories, net	1,821,981	2,123,755
Other current assets	10,439	7,578
Deferred income tax assets	94,599	77,864
	<b>4,780,980</b>	<b>5,101,867</b>

**Non-current assets**

Long-term investments	414,787	501,074
Property, plant and equipment, net	8,259,050	10,002,996
Intangible assets, net	77,522	115,958
Goodwill	391,466	463,409
Deferred income tax assets	54,899	58,585
Other non-current assets	34,795	40,192
	<b>9,232,519</b>	<b>11,182,214</b>

**Total assets**

**14,013,499**      **16,284,081**

**LIABILITIES AND STOCKHOLDERS' EQUITY**

**Current liabilities**

Accounts payable and other liabilities	1,113,448	1,175,709
Short-term borrowings	930,446	1,119,286
Current income tax liability	50,644	21,553
	<b>2,094,538</b>	<b>2,316,548</b>

**Non-current liabilities**

Deferred income tax liability	540,507	599,250
Long-term borrowings	2,355,217	3,038,041
Other long-term liabilities	100,928	55,433
	<b>2,996,652</b>	<b>3,692,724</b>

**Total liabilities**

**5,091,190**      **6,009,272**

**Commitments and contingencies**

-      -

**Stockholders' equity**

**NLMK stockholders' equity**

Common stock, 1 Russian ruble par value – 5,993,227,240 shares issued and outstanding at September 30, 2014 and December 31, 2013	221,173	221,173
Statutory reserve	10,267	10,267
Additional paid-in capital	256,922	256,922
Accumulated other comprehensive loss	(3,621,304)	(1,897,100)
Retained earnings	12,019,092	11,655,490
	<b>8,886,150</b>	<b>10,246,752</b>

**Non-controlling interest**

**36,159**      **28,057**

**Total stockholders' equity**

**8,922,309**      **10,274,809**

**Total liabilities and stockholders' equity**

**14,013,499**      **16,284,081**



**Interim condensed consolidated statements of comprehensive income and statements of stockholders' equity for the nine months ended September 30, 2014 and 2013 (unaudited)**  
*(thousands of US dollars)*

	<b>For the nine months ended September 30, 2014</b>	<b>For the nine months ended September 30, 2013</b>
<b>Revenue</b>	<b>8,053,020</b>	<b>8,404,675</b>
<b>Cost of sales</b>		
Production cost	(5,286,059)	(6,175,357)
Depreciation and amortization	(619,742)	(656,430)
	<b>(5,905,801)</b>	<b>(6,831,787)</b>
<b>Gross profit</b>	<b>2,147,219</b>	<b>1,572,888</b>
General and administrative expenses	(256,848)	(339,308)
Selling expenses	(644,036)	(696,447)
Taxes other than income tax	(110,498)	(97,294)
Impairment losses	(82,635)	-
<b>Operating income</b>	<b>1,053,202</b>	<b>439,839</b>
Loss on disposals of property, plant and equipment	(12,268)	(16,888)
Gains on investments, net	41,265	22,958
Interest income	26,272	32,063
Interest expense	(99,194)	(80,380)
Foreign currency exchange gain, net	56,589	20,647
Other expenses, net	(50,464)	(25,663)
<b>Income before income tax</b>	<b>1,015,402</b>	<b>392,576</b>
Income tax expense	(242,319)	(185,976)
<b>Income, net of income tax</b>	<b>773,083</b>	<b>206,600</b>
Equity in net (losses) / earnings of associates	(146,196)	221
<b>Net income</b>	<b>626,887</b>	<b>206,821</b>
<b>Add: (Net income) / net loss attributable to the non-controlling interest</b>	<b>(13,763)</b>	<b>2,451</b>
<b>Net income attributable to NLMK stockholders</b>	<b>613,124</b>	<b>209,272</b>
<b>Earnings per share – basic and diluted:</b>		
Net earnings attributable to NLMK stockholders per share (US dollars)	0.1023	0.0349
Weighted-average shares outstanding, basic and diluted (in thousands)	5,993,227	5,993,227

**Interim condensed consolidated statements of cash flows  
for the nine months ended September 30, 2014 and 2013 (unaudited)**  
*(thousands of US dollars)*

**CASH FLOWS**

**FROM OPERATING ACTIVITIES**

	<b>For the nine months ended September 30, 2014</b>	<b>For the nine months ended September 30, 2013</b>
<b>Net income</b>	<b>626,887</b>	<b>206,821</b>
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Depreciation and amortization	619,742	656,430
Loss on disposals of property, plant and equipment	12,268	16,888
Gains on investments, net	(41,265)	(22,958)
Interest income	(26,272)	(32,063)
Interest expense	99,194	80,380
Equity in net losses / (earnings) of associates	146,196	(221)
Deferred income tax loss	19,517	20,283
Losses / (gains) on derivatives	12,884	(7,292)
Impairment losses	82,635	-
Other	(41,187)	16,602
<b>Changes in operating assets and liabilities</b>		
Increase in accounts receivable	(197,641)	(417,120)
(Increase) / decrease in inventories	(34,376)	152,304
(Increase) / decrease in other current assets	(4,778)	5,720
(Decrease) / increase in accounts payable and other liabilities	(16,661)	333,344
Increase in current income tax payable	35,758	20,672
<b>Cash provided by operating activities</b>	<b>1,292,901</b>	<b>1,029,790</b>
Interest received	23,571	28,266
Interest paid	(103,193)	(71,074)
<b>Net cash provided by operating activities</b>	<b>1,213,279</b>	<b>986,982</b>

**CASH FLOWS**

**FROM INVESTING ACTIVITIES**

Purchases and construction of property, plant and equipment	(438,863)	(657,880)
Proceeds from sale of property, plant and equipment	5,364	3,028
(Purchases) / proceeds from sale of investments and loans given, net	(13,504)	19,311
Placement of bank deposits, net	(213,396)	(403,089)
Acquisition of additional stake in existing subsidiary	-	(9,609)
Disposal of investment in subsidiary	-	46,169
<b>Net cash used in investing activities</b>	<b>(660,399)</b>	<b>(1,002,070)</b>

**CASH FLOWS**

**FROM FINANCING ACTIVITIES**

Proceeds from borrowings and notes payable	30,403	1,663,967
Repayment of borrowings and notes payable	(602,217)	(1,665,923)
Capital lease payments	(15,218)	(19,495)
Dividends to shareholders	(114,534)	(113,441)
<b>Net cash used in financing activities</b>	<b>(701,566)</b>	<b>(134,892)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(148,686)</b>	<b>(149,980)</b>
Effect of exchange rate changes on cash and cash equivalents	(6,630)	34,088
Cash and cash equivalents at the beginning of the year	969,992	951,247
<b>Cash and cash equivalents at the end of the period</b>	<b>814,676</b>	<b>835,355</b>

**Supplemental disclosures of cash flow information:**

Placements of bank deposits	(1,532,628)	(856,257)
Withdrawals of bank deposits	1,319,232	453,169