



NLMK

07 August 2014

Press release

Q2 AND H1 2014 CONSOLIDATED FINANCIAL RESULTS UNDER US GAAP

Key highlights

'000 t/\$ million	Q2 2014¹	Q1 2014	Change qoq, %	H1 2014	H1 2013²	Change yoy, %
Sales volumes	3,835	3,867	-1%	7,702	7,537	+2%
Revenue	2,808	2,638	+6%	5,446	5,685	-4%
Operating profit	382	269	+42%	651	291	+124%
EBITDA ³	594	468	+27%	1,063	718	+48%
EBITDA margin (%)	21.2%	17.7%	+3.5 p.p.	19.5%	12.6%	+6.9 p.p.
Net income ⁴	158	174	-9%	332	72	+364%
Net debt ⁵	2,103	2,301	-9%	2,103	3,424	-39%
Net debt / EBITDA ⁵	1.14	1.39		1.14	2.15	

Примечания:

¹ Consolidated financial results are prepared based on US GAAP. Reporting periods of the Company are 3M, 6M, 9M and 12M. Quarterly figures (with the exception of Q1) are derived by computational method. The same assumption applies to the calculation of segmental financial results.

² 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.

³ 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.

⁴ Net profit attributable to NLMK shareholders.

⁵ 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..

Q2 2014 EBITDA jumped to \$594 million (+27% quarter-on-quarter), EBITDA margin went up to 21.2% (+3.5 p.p. quarter-on-quarter) driven by the positive effect from the ongoing operational efficiency programmes, improvements in market conditions and the structure of sales.

Despite the decrease in revenue in H1 2014 by 4% year-on-year to \$5.45 billion, 6M 2014 EBITDA grew by 48% year-on-year to \$1,063 million; EBITDA margin reached 19.5% (+6.9 p.p. year-on-year).

Net debt reduced by 9% quarter-on-quarter and by 39% year-on-year to \$2,103 million. Net debt/EBITDA stood at 1.14 (1.39 in Q1 2014 and 2.15 in Q2 2013).

OUTLOOK

According to preliminary estimates, in Q3 2014 steel production will grow to 4 million tonnes. Financial performance of the Group in Q3 2014 is expected to be in line with or marginally better than the Q2 results.

Disclaimer

This announcement may contain a number of forward-looking statements relating to, among others, the financial condition and results of operations of the Company. Such forward-looking statements involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by them and are based on assumptions regarding the Company's present and future business strategies and the environment in which the Company and its subsidiaries operate both now and in the future. Forward-looking statements speak only as at the date of this announcement and save as required by applicable legal and/or regulatory requirements the Company expressly disclaims any obligation to release publicly any updates or revisions to any forward-looking statements.

Conference call details

Thursday, August 07, 2014

09:00 (New York)

14:00 (London)

17:00 (Moscow)

To join the conference call, please, dial

International Number: +44 (0)145 255 55 66

US Number: +1 631 510 74 98

Russian Number: +7 499 677 10 36

Conference ID: 80469034

*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 August 14, 2014.

International Replay Number: + 44 (0)145 255 0000

US Replay Number: +1 (866) 247 4222

Russian Replay Number: +7 499 677 1064

Replay Access Code: 80469034

It is recommended that participants download presentation in advance on NLMK's web-site www.nlmk.com

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Comments from NLMK Group CFO Grigory Fedorishin:

“In Q2, demand from NLMK’s key customers in the domestic market – construction and infrastructure companies – showed a seasonal recovery; in the global markets demand for steel products stabilized at the level of the previous quarter.

“NLMK Group’s steelmaking capacities continues to run at close to maximum levels despite the decrease in steel production at the main site (-3% quarter-on-quarter) related to the repair activities at blast furnace operations. In Q3, this decrease is expected to be offset by a 5% quarter-on-quarter increase in steel production.

“Q2 Group sales totaled 3.83 million tonnes, in line with the solid performance in the previous quarter. The share of high value added products on total sales increased by 9% quarter-on-quarter to 1.426 million tonnes.

“The change in the structure of sales and the increase in average sales prices supported a 6% quarter-on-quarter revenue growth to \$2.81 billion. EBITDA increased by 27% quarter-on-quarter to \$594 million, EBITDA margin went up to 21.2%.

“We continue to implement a set of operational efficiency improvement programmes based on implementing the NLMK Production System at all Group sites. The cost saving effect in Q2 was \$63 million (vs. 2013 level). Together with the effect achieved in Q1 2014 in the amount of \$70 million, in 6M 2014 we have achieved over 50% of the announced Strategy 2017 goal. We can therefore expect to achieve the target strategic level as early as 2014.

“Working capital optimization remains among NLMK’s priorities. In Q2, working capital decreased by \$144 million compared to Q1 levels.

“In Q2, investment totaled \$151 million, 15% higher quarter-on-quarter. Free cash flow went up by 73% quarter-on-quarter to \$467 million. This allowed reducing net debt by 9% to \$2.1 billion taking into account the payout of 2013 dividends in the amount of \$111 million. Cash funds at the end of Q2 stood at \$1.73 billion. Net debt/ EBITDA ratio reduced to 1.14, with the long-term target set at 1.0.

“As part of our active debt portfolio management, in July 2014 NLMK completed the partial redemption of bonds issued in 2012 and 2013 for a total of \$122 million. This allowed reducing the Company’s financial debt through excess liquidity.

“We expect the relatively stable demand in our key markets and our ongoing cost optimization programme to allow the Group to maintain a high level of financial performance in Q3 2014.”

MANAGEMENT COMMENTS

- **Market overview**

On the back of the seasonal increase in demand in Q2, global steel product prices remained resilient to the weakening in prices for raw materials.

Domestic market prices grew throughout the quarter, supported by the significant seasonal increase in demand for steel products, primarily from construction and infrastructure; as well as lower imports.

North America also saw an increase in prices and demand for steel products in some sectors. Demand in the European markets stabilized, demonstrating a positive year-on-year trend (+3%). In the Middle East, demand stabilized, while prices weakened insignificantly.

- **Production and sales**

Q2 2014

The Group's steelmaking capacities were running at 94% (+2 p.p. quarter-on-quarter, including 98% at NLMK's main production site in Lipetsk (a stable performance quarter-on-quarter considering the repairs); 81% (-6 p.p. quarter-on-quarter) at NLMK USA. Steelmaking capacity utilization rates at the Long Products Division sites increased by 13 p.p. to 86%, with all companies seeing an improvement: 92% (+7 p.p. quarter-on-quarter) at NSMMZ; 77% (+23 p.p. quarter-on-quarter) at NLMK Kaluga.

Q2 2014 steel output totaled 3.77 million tonnes (-3% quarter-on-quarter). This decline was mainly attributable to repair activities and the mastering of the pulverized coal injection (PCI) technologies at the Novolipetsk blast furnace operations.

Sales remained at the level of the previous quarter and totaled 3.83 million tonnes (-1% quarter-on-quarter). There was an increase in the share of high value added products, to 33% (+3 p.p. to 1.26 million tonnes; +9% quarter-on-quarter).

Finished product sales grew by 12% quarter-on-quarter to 2.77 million tonnes, or 72% of total sales. Slab sales totaled 0.97 million tonnes (-25% quarter-on-quarter), or 25% of total sales. The quarter-on-quarter decline in the sale of slabs is attributable to the high base effect in Q1 2014, when stock accumulated in the previous periods was sold.

H1 2014

H1 2014 steel output grew by 3% year-on-year to 7.68 million tonnes, driven by the growth in steel production at NLMK Kaluga.

Steel product sales increased by 2% year-on-year to 7.70 million tonnes due to the increase in the sales of long products on the back of a significant decrease in the sale of commercial pig iron.

The decrease in the sales of finished rolled products (-2% year-on-year) to 5.25 million tonnes was mainly attributable to the deconsolidation of NBH results in Q4 2013. This factor was practically offset by the increase in long product deliveries from NLMK Kaluga.

- **Sales markets**

Group sales to the Russian market in Q2 increased by 12% quarter-on-quarter to 1.736 million tonnes on the back of the seasonal pickup in demand from the construction sector, accounting for 45% of total sales.

North America, Europe, the Middle East and South-East Asia were our key international sales destinations. Third-party sales from our Russian production assets to external markets decreased by 17% quarter-on-quarter to 1.456 million tonnes (in the previous quarter, export sales included the sales of accumulated stock by the Lipetsk site). In Q2, our international rolling assets accounted for 17% of sales (+3 p.p.).

- **Prices**

In Q2 2014, there were opposing trends for sales prices in different sales regions.

Average prices for standard flat and long products in Russia in USD terms increased by 5-15% as prices adjusted to export parity levels after the decrease in Q1 2014. The Group's Russian companies' export prices for slabs and standard products decreased insignificantly by 0-5% quarter-on-quarter.

In the US, average prices for flat products were in line with the previous quarter. In Europe, prices in dollar terms saw opposing trends: prices for thick plates increased by 1-2%, while coil prices were down by 1-2%.

- **Investment**

Q2 2014 investment totaled \$151 million (+15% quarter-on-quarter). This growth was related to implementing the portfolio of Strategy 2017 projects.

In H1 2014, investment was down by 25% year-on-year. This decrease in capital investment to \$281 million was associated with the completion of a number of large-scale projects in 2013, including the construction of NLMK Kaluga.

According to preliminary estimates, 2014 investment will total approximately \$850 million, approximately 30% of which will be directed towards maintenance. The main project in 2014 will be the construction of the Pelletizing Plant at Stoilensky.

- **Operational efficiency enhancement programme**

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

In Q2, the effect was \$63 million (in Q1 2014 the effect was \$70 million). The Steel Segment accounted for the bulk of savings in H1 (54%); the Mining Segment accounted for 13%.

- **Debt management**

As of 30 June 2014, NLMK Group's net debt was down by 9% quarter-on-quarter to \$2.1 billion. This reduction was accounted for by the stable positive free cash flow.

Net debt/EBITDA at the end of Q2 2014 stood at 1.14. Cash and ST financial investments were \$1.73 billion (+9% quarter-on-quarter).

Net settlement of financial debt in Q2 was \$135 million. The strengthening of the RUB against the dollar in the course of Q2 2014 (by 6% vs. the rate at 31 March 2014) had an additional impact on the amount of debt liabilities at the balance sheet date. This led to a corresponding increase in the cost of RUB liabilities in dollar terms (RUB bonds and LT loans for an amount of around RUB 50 billion).

Due to these factors, at the end of Q2 2014, NLMK's total financial debt was down by 1% to \$3.83 billion, including 30% of ST liabilities mostly represented by RUB bonds and revolving credit lines to finance working capital.

- **Dividend payout**

NLMK's Annual General Meeting of Shareholders was held on 6 June. The AGM decided to announce dividends for 2013 in the amount of RUB 0.67 per ordinary share. Dividend payments totaled \$115 million (FX rate as of the date of the AGM), or 35% of NLMK's US GAAP net profit for 2013, adjusted for one-off non-monetary factors (creating reserves), as well as expenses related to previous periods.

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

Subsequent events

- **Redemption of bonds**

On 17 July 2014, NLMK executed a partial early redemption of two Eurobond issues for a total of USD 122 million (\$92 million of bonds maturing in 2018; and \$29 million of bonds maturing in 2019).

After the redemption, the outstanding Eurobond amount totaled \$1,178 million (including \$707 million of bonds maturing in 2018; and \$471 million of bonds maturing in 2019).

The redemption was aimed at reducing the debt leverage.

KEY FINANCIALS

- **Revenue**

Q2 2014

Q2 2014 revenue increased by 6% quarter-on-quarter to \$2,808 million due to the increase in the share of rolled products and the seasonal improvement in the pricing conditions in the domestic market.

H1 2014

The reduction in the revenue compared to the same period last year (-4% year-on-year) is associated with a drop in the prices for steel products that was partially offset by the increase in sales (+2% year-on-year).

- **Operating profit**

Q2 2014

Q2 2014 operating profit increased by 42% quarter-on-quarter to \$382 million due to an improved sales structure, the widening of the spreads between prices for finished products and key raw materials, as well as operational improvement programmes.

Slab cash cost at the Lipetsk site in Q2 2014 was down by \$2/t to \$308/t (-11% quarter-on-quarter) due to the reduction in iron ore prices.

General and administrative expenses decreased by 9% quarter-on-quarter to \$84 million, largely due to the high base effect in Q1 2014 when reserves were created in relation to doubtful accounts receivable and salary settlements. Commercial expenses were up to \$225 million (+6% quarter-on-quarter) on the back of changes in the geography of sales.

H1 2014

H1 2014 operating profit increased by 124% year-on-year to \$651 million. The key driver for this growth was our efficiency enhancement programme (with gains of approximately \$133 million compared to 2013 level); the widening of spreads between the prices for steel products and raw materials; and the fall in the average RUB rate vs. the USD.

The decrease in general and administrative expenses, as well as commercial expenses (-24% year-on-year and -10% year-on-year, respectively) was attributable mainly to the changes in the perimeter of the Group (the deconsolidation of NBH assets starting from Q4 2013) and the FX rate trends.

- **Net profit**

Q2 2014

Net profit reduced by 9% quarter-on-quarter to \$158 million. This is largely related to the negative FX rate differences (determined by the FX rate trends throughout the reporting quarter); and the increase in the losses of our affiliated company NBH whose results are reflected using the equity method.

H1 2014

In H1 2014, net profit grew by 4.6 times compared with the same period last year to \$332 million. This was due to the significant increase in profit from operations.

- **Operating cash flow**

Q2 2014

Q2 net operating cash flow increased by 54% quarter-on-quarter to \$618 million due to higher profitability, and working capital optimization which allowed releasing an additional \$146 million, including \$102 million through reducing inventories.

H1 2014

H1 net operating cash flow increased by 75% year-on-year to \$1.02 billion on the back of increased profit from operations and working capital optimization (+\$147 million in H1 2014 vs. -\$30 million in H1 2013 with the launch of NLMK Kaluga).

Steel Segment*

\$ million	Q2 2014	Q1 2014	Change qoq, %	H1 2014	H1 2013**	Change yoy, %
Steel product sales, '000 tonnes	2,894	3,173	-9%	6,070	5,965	+2%
including third party sales, '000 tonnes	2,459	2,665	-8%	5,125	4,738	+8%
Revenue, incl.	1,999	2,038	-2%	4,037	4,061	-1%
Revenue from external Customers	1,728	1,742	-1%	3,470	3,344	+4%
Revenue from intersegmental Operations	271	296	-8%	567	717	-21%
EBITDA	353	262	+34%	615	297	+107%
EBITDA margin	18%	13%	+5 p.p.	15%	7%	+8 p.p.

Q2 2014

In Q2 2014 overall segment sales totaled 2.9 million tonnes (-9% quarter-on-quarter), sales to third parties totaled 2.5 million tonnes (-8% quarter-on-quarter). Sales volumes went down due to the high base effect: in Q1 2014 the Segment sold stocks accumulated in the previous periods.

Segment total revenue declined by 2% quarter-on-quarter to \$1.999 billion. Sales portfolio optimization and a better pricing environment largely offset lower sales volumes.

With widened spreads between prices for steel products and raw materials and with the implementation of our operational efficiency programme, EBITDA of the segment went up by 34% quarter-on-quarter to \$353 million. EBITDA margin increased by 5 p.p. to 18%.

H1 2014

Due to increased sales of rolled steel total, Steel Segment sales went up by 2% year-on-year to 6.1 million tonnes. Sales to third parties increased largely due to the deconsolidation of NBH. Slab sales to NBH were reflected as third parties sales since Q4 2013.

Revenue trends in H1 2014 (-1% year-on-year) were largely determined by lower steel prices year-on-year despite the sales growth.

EBITDA increased twofold year-on-year to \$615 million driven by widened spreads between prices for steel products and raw materials and by a weakened RUR FX rate against the USD.

Outlook

In Q3, we expect a relatively stable demand for steel products in our key markets. After the completion of repair works at blast furnace operations during Q2 2014, we expect the Segment's operating results to improve. Ongoing operational efficiency programmes will maintain financial results at a strong level.

* 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	Q2 2014	Q1 2014	Change qoq, %	H1 2014	H1 2013	Change yoy, %
Long products and metalware sales, '000 tonnes	739	654	+13%	1,392	899	+55%
Revenue incl.	531	394	+35%	925	775	+19%
Revenue from external customers	430	337	+28%	767	602	+27%
Revenue from intersegmental operations	101	57	+77%	158	172	-8%
EBITDA	52	7	+630%	59	43	+37%
EBITDA margin	10%	2%	+8 p.p.	6%	6%	

Q2 2014

In Q2 2014, overall Segment sales went up by 13% quarter-on-quarter to 0.739 million tonnes, driven by increased utilization rates at NLMK Kaluga supported by improved seasonal demand in the domestic construction market.

With increased sales volumes and prices, the Segment revenue jumped by 35% quarter-on-quarter to \$531 million. The seasonal increase in intercompany scrap sales served as an additional factor of revenue growth (intercompany revenue went up by 77% quarter-on-quarter).

EBITDA in Q2 2014 went up to \$52 million (\$7 million in the previous quarter), EBITDA margin increased by 8 p.p. to 10%. Profitability improved with higher utilization rates and widened spreads between long product and raw material prices.

H1 2014

Segment revenue went up by 19% year-on-year to \$925 million driven by a 55% year-on-year sales growth to 1.329 million tonnes after the launch of NLMK Kaluga on the back of lower year-on-year long product prices.

Higher sales volumes and relatively stable profitability resulted in 37% EBITDA increase to \$59 million.

Outlook

In Q3, we expect relatively stable demand on the long product market. The seasonal in the price for scrap will put pressure on financial results that will be partially offset by higher NLMK Kaluga utilization rates and ongoing operational efficiency improvement programme.

* 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	Q2 2014	Q1 2014	Change qoq, %	H1 2014	H1 2013	Change yoy, %
Sales of iron ore concentrate and sinter ore, '000 tonnes	4,004	3,871	+3%	7,875	7,610	+3%
Incl. to Lipetsk plant	2,709	2,940	-8%	5,649	5,665	-0%
Revenue incl.	306	317	-3%	623	686	-9%
Revenue from external customers	117	88	+34%	205	192	+7%
Revenue from intersegmental operations	189	229	-17%	418	494	-15%
EBITDA	185	209	-11%	394	442	-11%
EBITDA margin	60%	66%	-6 p.p.	63%	64%	-1 p.p.

Q2 2014

Overall segment sales went up by 3% quarter-on-quarter in Q2 2014 driven by increased productivity achieved in the course of the operational efficiency programmes. Higher external sales were supported by an increase in output on the back of reduced deliveries to the Lipetsk production site.

Segment revenue totaled \$306 million (-3% quarter-on-quarter) due to lower iron ore prices (-5-10% quarter-on-quarter), that was partially offset by increased sales volumes.

EBITDA of the Segment in Q2 2014 totaled \$185 million (-11% quarter-on-quarter) due to lower prices. EBITDA margin was 60% (-6 p.p. quarter-on-quarter).

H1 2014

In 6M 2014, sales went up by 0.3 million tonnes to 7.9 million tonnes. This increase was driven by the ongoing equipment productivity improvement programme.

With decreased prices for iron ore, revenue went down by 9% year-on-year to \$623 million. This factor also determined the EBITDA decline of 11% year-on-year to \$394 million. The increase in operational efficiency of the Segment companies allowed maintaining its EBITDA margin at the level of 63% (-1 p.p. year-on-year).

Outlook

In Q3 2014 we expect iron ore sales to the Lipetsk production site to increase. Ongoing efficiency programme implementation will partially offset the average quarterly reduction in iron ore 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	Q2 2014	Q1 2014	Change qoq, %	H1 2014	H1 2013	Change yoy, %
Steel products sales, '000 tonnes	644	558	+15%	1,202	1,900	-37%
Revenue incl.	553	471	+13%	1,004	1,547	-35%
Revenue from external customers	553	471	+13%	1,004	1,546	-35%
Revenue from intersegmental operations	-	-		-	1	-100%
EBITDA	19	23	-17%	42	-89	
EBITDA margin	4%	5%	-1 p.p.	4%	-6%	+10 p.p.

In Q2 2014, Segment sales went up by 15% quarter-on-quarter to 0.644 million tonnes driven by improved demand in the USA and EU markets. Higher sales volumes were the key factor behind the revenue growth of 13% quarter-on-quarter to \$533 million.

Segment EBITDA totaled \$19 million (-17% quarter-on-quarter). The reduction in profit was associated with narrowed spreads between rolled product and semi-finished steel prices (slab prices were high during the period). EBITDA margin was at 4% (-1 p.p. quarter-on-quarter).

NBH deconsolidation largely determined the significant change in operational and financial results versus H1 2013.

Outlook

In Q3 2014, we expect a seasonal decline in steel consumer activity in Europe. In the USA, we expect demand to remain high and expect the pricing environment to be relatively stable.

** 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	Q2 2014	Q1 2014	H1 2014	H1 2013
Operating income	382	269	651	291
minus:				
Impairment losses	-	-	-	-
Depreciation and amortization	-212	-199	-411	-427
EBITDA	594	468	1,063	718

(2) Sales by product

('000 tonnes)	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013
Pig iron	4	6	26	9	91
Slabs	973	1 295	1 228	780	937
Thick plates	103	100	90	230	235
Hot-rolled steel	950	841	661	1,031	973
Cold-rolled steel	553	497	490	546	494
Galvanized steel	240	221	220	287	294
Pre-painted steel	125	132	99	144	145
Transformer steel	67	60	54	63	61
Dynamo steel	81	61	66	64	75
Billet	84	86	84	34	1
Long products	568	490	472	455	390
Metalware	87	77	77	80	78
TOTAL	3,835	3,867	3,567	3,724	3,774

(3) Sales by region

('000 tonnes)	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013
Russia	1,736	1,549	1,460	1,597	1,411
EU	706	736	662	599	615
Middle East incl. Turkey	237	245	254	431	419
North America	639	749	669	513	438
Asia and Oceania	160	69	248	220	457
Other regions	356	519	274	363	435
TOTAL	3,835	3,867	3,567	3,724	3,774

(4) Revenue by region

Region	Q2 2014		Q1 2014		Q4 2013	
	\$ million	share, %	\$ million	share, %	\$ million	share, %
Russia	1,197	43%	1,034	39%	1,049	42%
EU	491	17%	452	17%	404	16%
Middle East incl. Turkey	150	5%	145	6%	152	6%
North America	638	23%	512	19%	484	19%
Asia and Oceania	50	2%	44	2%	150	6%
Other regions	283	10%	450	17%	266	11%
TOTAL	2,808	100%	2,638	100%	2,505	100%

(5) Working capital

\$ million	30.06.14	31.03.14	31.12.13	30.09.13	30.06.13
Current assets	5,138	4,966	5,102	4,918	5,537
Cash and cash equivalents	939	830	970	835	1,241
Short term investments	792	753	485	516	121
Accounts receivable	1,561	1,544	1,438	1,540	1,497
Inventories	1,735	1,731	2,124	1,897	2,530
Other current assets, net	111	107	85	129	148
Current liabilities	2,307	2,242	2,317	1,760	2,647
Accounts payable	1,125	1,068	1,176	1,104	1,609
Short-term debt	1,157	1,141	1,119	616	994
Other current liabilities	25	33	22	40	44
Working capital	2,831	2,724	2,785	3,158	2,890

(6) Production of main products

('000 tonnes)	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013
Coke 6% moisture, incl.	1,581	1,631	1,668	1,666	1,628
Novolipetsk	589	621	620	651	625
Altai-Koks	992	1,009	1,048	1,016	1,004
Crude steel, incl.	3,774	3,909	4,064	3,887	3,785
Steel Segment	2,894	3,086	3,193	3,089	3,086
Long Products Segment	723	654	707	587	488
Incl. NLMK-Kaluga	279	195	253	95	11
Foreign Rolled Products Segment	157	169	164	211	211
Rolled products / finished products, incl.	2,696	2,450	2,424	2 800	2,741
Flat steel	2,067	1,904	1,834	2 271	2,289
Long steel	629	545	590	529	453

(7) Slab sales, including to NLMK Group companies

(‘000 tonnes)	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013
Sales to third parties, incl.	973	1,295	1,228	780	937
<i>Export</i>	801	1,103	1,107	634	753
<i>Incl. sales to NBH</i>	430	483	446		
<i>Domestic market</i>	169	191	119	142	181
<i>Slab sales by NLMK USA</i>	3	2	2	4	3
Sales to subsidiaries	454	480	337	933	616
Total	1,428	1,776	1,565	1,713	1,553

OJSC Novolipetsk Steel
Interim condensed consolidated balance sheets
as at June 30, 2014 and December 31, 2013 (unaudited)
(thousands of US dollars)

	As at June 30, 2014	As at December 31, 2013
ASSETS		
Current assets		
Cash and cash equivalents	939,067	969,992
Short-term investments	791,624	484,981
Accounts receivable and advances given, net	1,561,154	1,437,697
Inventories, net	1,735,344	2,123,755
Other current assets	15,513	7,578
Deferred income tax assets	95,784	77,864
	5,138,486	5,101,867
Non-current assets		
Long-term investments	465,882	501,074
Property, plant and equipment, net	9,609,510	10,002,996
Intangible assets, net	93,118	115,958
Goodwill	452,001	463,409
Deferred income tax assets	61,703	58,585
Other non-current assets	42,707	40,192
	10,724,921	11,182,214
Total assets	15,863,407	16,284,081
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and other liabilities	1,124,922	1,175,709
Short-term borrowings	1,157,068	1,119,286
Current income tax liability	24,746	21,553
	2,306,736	2,316,548
Non-current liabilities		
Deferred income tax liability	601,672	599,250
Long-term borrowings	2,676,290	3,038,041
Other long-term liabilities	50,590	55,433
	3,328,552	3,692,724
Total liabilities	5,635,288	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 June 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	(2,159,360)	(1,897,100)
Retained earnings	11,872,738	11,655,490
	10,201,740	10,246,752
Non-controlling interest	26,379	28,057
Total stockholders' equity	10,228,119	10,274,809
Total liabilities and stockholders' equity	15,863,407	16,284,081

OJSC Novolipetsk Steel
Interim condensed consolidated statements of income
for the six months ended June 30, 2014 and 2013 (unaudited)
(thousands of US dollars)

	For the six months ended June 30, 2014	For the six months ended June 30, 2013
Revenue	5,446,019	5,685,024
Cost of sales		
Production cost	(3,694,085)	(4,182,578)
Depreciation and amortization	(411,425)	(426,928)
	(4,105,510)	(4,609,506)
Gross profit	1,340,509	1,075,518
General and administrative expenses	(176,792)	(231,441)
Selling expenses	(437,389)	(484,356)
Taxes other than income tax	(75,162)	(68,894)
Operating income	651,166	290,827
Loss on disposals of property, plant and equipment	(3,794)	(5,623)
Gains / (losses) on investments, net	3,655	(3,535)
Interest income	15,585	21,964
Interest expense	(65,264)	(58,041)
Foreign currency exchange loss, net	(15,928)	(31,676)
Other expenses, net	(18,041)	(18,450)
Income before income tax	567,379	195,466
Income tax expense	(131,035)	(127,169)
Income, net of income tax	436,344	68,297
Equity in net (losses) / earnings of associates	(104,945)	151
Net income	331,399	68,448
Add: Net loss attributable to the non-controlling interest	891	3,149
Net income attributable to NLMK stockholders	332,290	71,597
Earnings per share – basic and diluted:		
Net earnings attributable to NLMK stockholders per share (US dollars)	0.0554	0.0119
Weighted-average shares outstanding, basic and diluted (in thousands)	5,993,227	5,993,227

OJSC Novolipetsk Steel
Interim condensed consolidated statements of cash flows
for the six months ended June 30, 2014 and 2013 (unaudited)
(thousands of US dollars)

	For the six months ended June 30, 2014	For the six months ended June 30, 2013
CASH FLOWS		
FROM OPERATING ACTIVITIES		
Net income	331,399	68,448
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	411,425	426,928
Loss on disposals of property, plant and equipment	3,794	5,623
(Gains) / losses on investments, net	(3,655)	3,535
Interest income	(15,585)	(21,964)
Interest expense	65,264	58,041
Equity in net losses / (earnings) of associates	104,945	(151)
Deferred income tax loss	19,455	735
Losses on derivatives	2,116	8,234
Other	966	61,444
Changes in operating assets and liabilities		
Increase in accounts receivable	(155,919)	(122,067)
Decrease in inventories	331,808	100,948
(Increase) / decrease in other current assets	(7,832)	1,879
Decrease in accounts payable and other liabilities	(25,729)	(34,820)
Increase in current income tax payable	3,638	23,709
Cash provided by operating activities	1,066,090	580,522
Interest received	14,024	-
Interest paid	(60,921)	-
Net cash provided by operating activities	1,019,193	580,522
CASH FLOWS		
FROM INVESTING ACTIVITIES		
Purchases and construction of property, plant and equipment	(281,230)	(374,979)
Proceeds from sale of property, plant and equipment	6,373	1,300
(Purchases) / proceeds from sale of investments and loans given, net	(58,107)	30,535
Placement of bank deposits, net	(322,510)	(21,658)
Acquisition of additional stake in existing subsidiary	-	(9,609)
Net cash used in investing activities	(655,474)	(374,411)
CASH FLOWS		
FROM FINANCING ACTIVITIES		
Proceeds from borrowings and notes payable	11,169	1,213,946
Repayment of borrowings and notes payable	(292,559)	(1,064,811)
Capital lease payments	(11,405)	(12,551)
Dividends to shareholders	(111,193)	(110,855)
Net cash (used in) / provided by financing activities	(403,988)	25,729
Net (decrease) / increase in cash and cash equivalents	(40,269)	231,840
Effect of exchange rate changes on cash and cash equivalents	9,344	57,637
Cash and cash equivalents at the beginning of the year	969,992	951,247
Cash and cash equivalents at the end of the period	939,067	1,240,724
Supplemental disclosures of cash flow information:		
Placements of bank deposits	(1,063,004)	(392,260)
Withdrawals of bank deposits	740,495	370,601