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## Press release

9 November 2015

# Q3 2015 AND 9M 2015 NLMK GROUP CONSOLIDATED FINANCIAL RESULTS UNDER IFRS

**Q3 EBITDA increased by 6% qoq to \$508 million; EBITDA margin grew to 25%. Free cash flow increased by 100% qoq to \$372 million. Net profit for the period increased by 153% qoq to \$410 million**

**9M 2015 highlights:**

- Group sales increased by 7% yoy to 12.1 m t
- Revenue was \$6.371 billion (-21% yoy) due to lower steel prices
- EBITDA decreased by 7% yoy to \$1.628 billion
- Effect from operation efficiency programmes totaled \$163 million
- EBITDA margin expanded to 26% (+4 p.p. yoy)
- Capex totalled \$445 million (flat yoy)
- Free cash flow decreased by 6% yoy to \$886 billion
- Net debt declined by 41% yoy to \$1.071 billion
- Net debt/12M EBITDA was 0.5x
- Net profit increased by 32% yoy to \$891 million

**Q3 2015 highlights:**

- Sales increased by 3% qoq to 4.1 m t (+15% yoy)
- Revenue totalled \$2,016 million (-6% qoq and -23% yoy)
- EBITDA increased by 6% qoq to \$508 million (-25% yoy)
- EBITDA margin was 25% (+3 p.p. qoq and -1 p.p. yoy)
- Capex decreased to \$145 million (-15% qoq and -13% yoy)
- Free cash flow doubled qoq to \$372 million (+75% yoy)
- Net profit increased to \$410 million (+153% qoq and +27% yoy)

**Outlook**

- In Q4 2015 on the back of seasonally slowdown in steel demand and weak prices, we anticipate decline in operating and financial results in comparison with Q3 2015.



## TELECONFERENCE

NLMK is pleased to invite the investment community to a conference call with the management of NLMK:

Monday, 9 November 2015

- 9:00 am – USA (New York)
- 2:00 pm – UK (London)
- 5:00 pm – Russia (Moscow)

To join the conference call, please, dial:

**US Number:**

+1212 444 0895 (local access) // 1877 280 2342 (toll free)

**United Kingdom Number:**

+44(0)20 3427 1901 (local access) // 0800 279 5004 (toll free)

**Russian Number:**

+7495 705 9450 (local access) // 8 800 500 9311 (toll free)

**Conference ID:** 6382417

\* We recommend that participants start dialing in 5-10 minutes in advance to avoid waiting.

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



## Q3 AND 9M 2015 CONSOLIDATED FINANCIAL RESULTS UNDER IFRS<sup>1</sup>

### Key highlights

k t/\$ million	Q3 2015	Q2 2015	QoQ	Q3 2014	YoY	9M 2015	9M 2014	YoY
Sales volumes	4,123	4,012	3%	3,581	15%	12,092	11,280	7%
Revenue	2,016	2,140	-6%	2,607	-23%	6,371	8,053	-21%
EBITDA <sup>3</sup>	508	479	6%	675	-25%	1,628	1,744	-7%
EBITDA margin	25%	22%	+3 p.p.	26%	-1 p.p.	26%	22%	+4 p.p.
Profit for the period <sup>4</sup>	410	162	> 100%	323	27%	891	678	32%
Free cash flow <sup>5</sup>	372	186	100%	212	75%	886	944	-6%
Net debt <sup>6</sup>	1,071	1,133	-5%	1,818	-41%	1,071	1,818	-41%
Net debt/EBITDA <sup>6</sup>	0.48x	0.47x		0.85x		0.48x	0.85x	

#### Notes:

<sup>1</sup> Consolidated financial results are prepared under IFRS. 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> Финансовые показатели за 2 кв. 2015 г. и 3 кв. 2014 г. представлены по неаудированным управленческим данным

<sup>3</sup> EBITDA is calculated as operating profit adjusted to loss from impairment of investments, 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> Free cash flow is determined as net cash from operational activity (with net interest expenses) net of capital investment and changes in advances VAT payments on imported equipment. Free cash flow calculations are presented in the Appendix.

<sup>6</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.

### Comment from NLMK Group CFO Grigory Fedorishin:

“Key factors behind the slump in steel product prices included the decrease in raw material prices and an unprecedented spike in steel exports from China on the back of a significant fall in global demand for steel.

“Supported by the seasonal uptick in buyer activity from key consumers and the slump in steel imports, the situation in the Russian steel product market remained favourable, enabling NLMK to grow its domestic sales by 14% qoq.

“As a result, Q3 sales achieved a record 4.1 m t (+3% qoq); with capacities at the Group’s key assets running at 100%. Despite the slump in prices and lower revenue, EBITDA grew by 6% to \$508 million; EBITDA margin increased from 22% to 25%. This became possible due to an improved product mix in favour of HVA products, lower raw material prices, and ongoing cost optimization programmes.

“Gains from these programmes totalled \$163 million from the beginning of the year, including \$61 million in Q3 2015.

“Higher profitability and release of working capital in the amount of \$107 million allowed us to increase free cash flow by 100% qoq to \$372 million.

“Net debt at the end of Q3 2015 decreased to \$1.07 billion (-5% qoq); Net debt to EBITDA was 0.5x, one of the lowest ratios in the sector.

“NLMK continues to optimize its debt portfolio. In July and November NLMK issued ruble bonds for a total of 10 billion rubles and closed a 4-year USD 400 million loan facility. We have completed another step of NBH debt restructuring. As a result, NLMK guarantees for NBH liabilities decreased by 35% qoq to \$336 million.

“NLMK’s Extraordinary General Meeting of Shareholders held in September approved dividend payments for Q2 2015 in the amount of \$84 million, which corresponds to an annual dividend yield of 5.4%. In line with the dividend policy that presupposes quarterly dividend payments, NLMK’s Board of Directors will review management’s dividend recommendations for Q3 2015 on 18 November 2015.



“As required by Russian law, starting from 9M 2015 statements NLMK has transitioned to consolidated financial reporting based on International Financial Reporting Standards (IFRS). This transition to new reporting standards had no substantial impact on the Company’s financial performance.”

## MANAGEMENT COMMENTS

- **Market overview**

In Q3 2015, the decrease in demand in China was outstripping the decrease in its output. This resulted in a further growth of export (36 m t in Q3; +15% qoq; +26% yoy). This, coupled with the decrease in raw material prices (iron ore and coking coal prices dropped by 6% qoq and by 8% qoq, respectively) brought steel product prices down (by 10% qoq) and resulted in narrower finished product/raw material price spreads.

The 19% qoq fall of the ruble against the dollar; coupled with a 1-5% decrease in ruble steel prices; resulted in a significant drop in Russian market prices in dollar terms.

Demand in the US market was supported mainly by the construction and automotive sectors, with machine-building and energy sectors displaying a downward trend. In the European market, demand was supported mainly by the construction and machine-building sectors. In Russia, Q3 2015 demand recovered by 19% qoq (-4% yoy), also boosting import by 41% qoq (-18% yoy).

- **Production and sales**

Group Q3 2015 crude steel output increased to 4.08 m t (+1% qoq, -1% yoy). Group sales increased by 3% qoq and by 15% yoy to 4.12 m t.

Finished product shipments went up by 7% qoq (+8% yoy) to 2.76 m t, due mainly to the seasonal uptick in demand for flat steel in the Russian market. As a result, the share of semi-finished products in the sales mix dropped from 36% to 33%, with sales totalling 1.36 m t (-5% qoq, +33% yoy).

Group crude steel output in 9M 2015 increased by 2% to 12 m t, due to efforts aimed at boosting steelmaking equipment productivity at the Lipetsk site and higher utilization rates at NLMK Kaluga.

Group 9M 2015 sales increased by 7% yoy to 12.09 m t, mainly driven by higher sales in international markets that accounted for 61% of sales (+5 p.p. yoy).

- **Sales markets**

NLMK Group’s Q3 2015 sales to the Russian market increased by 14% qoq to 1.77 m t, or 43% of total sales (+5 p.p. qoq).

Deliveries to international markets totalled 2.36 m t (-4% qoq), or 57% of NLMK’s total sales, on the back of reduced semi-finished product sales.

Looking at sales to external markets, Foreign Rolled Products Segment sales decreased seasonally to 0.59 m t (-2% qoq); slab deliveries to NBH were 0.43 m t (-42% qoq). Exports from NLMK Group Russian assets to external consumers totalled 1.34 m t (+19% qoq). Key external destinations in Q3 2015 were Europe (17%), North America (21%), and the Middle East (including Turkey) (8%).

Sales to the European market was 0.79 m t, 65% of which (0.52 m t) referred to activity of subsidiaries and associated companies; 35% (0.27 m t) was exported to end customers from Russian assets. NLMK USA direct sales in North America (domestic region for NLMK USA) amounted approximately 70% (or 0.54 m t out of 0.87 m t) of total NLMK Group sales in the region.

- **Prices**

Average prices for flat and long products in Russia decreased in US dollar terms by 16-20% qoq; prices in ruble terms declined by 1-5% qoq.



Export slab prices of the Group's Russian companies decreased by 4% qoq.

In Europe, prices in US dollar terms fell by 1-5% qoq. In the USA, prices for steel products increased by 1-2% qoq.

- **Operational efficiency programmes**

In 2015, NLMK continued to implement its operational efficiency programmes across all its business divisions. In 9M 2015, effect from operational efficiency programmes totaled \$163 million, including \$61 million in Q3 in comparison with the 2014 cost base.

- **Debt management**

As at the end of Q3 2015, net debt declined by 5% qoq to \$1.07 billion, driven by a higher free cash flow.

Net debt/EBITDA stood at 0.5x as at the end of Q3 2015.

In Q3 2015 financial debt increased by \$24 million.

Group's total debt in Q3 2015 decreased to \$2.44 billion (-3% qoq and -26% yoy), including 30% of short-term debt comprised mainly of ruble bonds and revolving credit lines for working capital financing.

In July 2015, NLMK issued ruble bonds with a value of 5 billion rubles (\$87 million), a maturity period of 10 years, an 11.5% coupon rate, and a put option in 1 year.

In July 2015, NLMK completed another step of NBH debt restructuring. As a result, NLMK guarantees for NBH liabilities decreased by 35% qoq to \$336 million.

In October 2015, NLMK issued ruble bonds with a value of 5 billion rubles, a maturity period of 10 years, an 11.1% coupon rate, and a put option in 2 years.

In November 2015, NLMK closed a 400 million dollar pre-export loan facility for a term of 4 years. The facility bears an interest of LIBOR + 3.0% p.a. The company plans to use the proceeds to refinance its short-term debt, as well as for general corporate purposes.

- **Capex**

In Q3 2015, capex contracted to \$145 million (-15% qoq and -13% yoy), including \$55 million maintenance capex.

A substantial share of capex (38%) was deployed in the development of Stoilensky, an open pit iron ore mine. As of the end of September, 93% of the technological equipment has been delivered and 55% of construction and assembly works have been performed as part of the pelletizing plant construction project. The launch of the plant is scheduled for H2 2016.

9M 2015 capex totalled \$445 million (flat yoy), including \$130 million of maintenance capex.

- **Dividends**

Main dividend payments for 2014 and Q1 2015 approved by the Annual Shareholder Meeting on 6 June 2015 were made in the course of Q3 2015. Dividend payments for the prior periods in Q3 totalled \$266 million.

In line with the [dividend policy](#), NLMK's Extraordinary General Meeting of Shareholders held on 30 September 2015 approved payment of dividends for Q2 2015 in the amount of 0.93 rubles per share. The total amount of announced dividends for Q2 2015 was \$84 million; main payments are expected in the course of Q4 2015.

- **Transition to IFRS**

NLMK is transitioning to IFRS to comply with the Federal Law 'On consolidated financial reporting', according to which NLMK has to pass to IFRS starting with 2015 statements.



1 January 2013 was determined as the date IFRS is first applied; the first reporting set under IFRS are consolidated financial statements for the year that ended 31 December 2014 compared with data for 2013. Transition to IFRS during this period has to do with the convergence of US GAAP and IFRS principles in 2012-2014. This resulted in better comparability of US GAAP and IFRS data; and an optimized transition process.

For more detailed information of the changes in financial performance in 2014 and 9M 2015 in relation to the transition to IFRS consolidated reporting, please see Appendix 2.

## KEY FINANCIALS

- **Revenue**

### *Q3 2015*

Q3 2015 revenue declined by 6% qoq (-23% yoy) to \$2,016 million due to the reduction in average sales prices. The decline in steel prices was partially offset by a 3% qoq increase in sales.

The share of revenue from sales to the Russian market was 41% (flat qoq and -6 p.p. yoy). Steady demand in the US market supported a 19% increase in the share of revenue from product sales to North America (+3 p.p. qoq) due mainly to sales and revenue of NLMK USA. NLMK USA accounts for 15% of total Group revenue and 80% of revenue in the US market.

Pressured by the seasonal weakening in demand, EU sales revenue share contracted to 20% (-4 p.p. qoq). Share of EU division and slab sales to NBH accounts for c. 50% of total revenue in EU market.

Middle East (including Turkey) accounted for 8% of the revenue (-2% p.p. qoq); other regions accounted for 12%.

### *9M 2015*

9M 2015 revenue totalled \$6,371 million (-21% yoy) due to a 25-50% yoy reduction in sales prices. This decline in steel prices was partially offset by a 7% yoy increase in sales.

- **Operating profit**

### *Q3 2015*

Q3 2015 operating profit\* grew by 15% qoq to \$366 million (-21% yoy), driven by a 3% qoq increase in sales; and the effect from operational efficiency programmes. These factors offset the narrowing spreads between raw material and finished product prices, increasing profitability. Weakening of the ruble also positively affected the operating profit.

Q3 2015 slab cash cost at the Lipetsk production site decreased to \$197/t (-27% qoq), driven by operational efficiency programmes at the Novolipetsk hot-end operations; low cost of in-house iron ore; and ruble devaluation. These factors offset the cost inflation associated with higher tariffs of natural monopolies.

The 27% qoq decrease in general and administrative expenses was driven by optimizing management expenses, as well as the fall in the ruble exchange rate.

The 12% qoq decrease in commercial expenses is associated with the currency factor; a 3% qoq increase in sales; and changes to the geography of sales.

### *9M 2015*

9M 2015 operating profit\* increased by 6% yoy to \$1,186 million. The key drivers for this growth were our efficiency enhancement programmes; a 7% yoy increase in sales; and the fall in the ruble vs. the US dollar exchange rate.



\* Operating profit before equity share in net losses of associates and other companies accounted for using the equity method of accounting, impairment and write-off of assets

- **Profit for a period**

*Q3 2015*

Profit for a period\* in Q3 2015 increased by a factor of 2.5 qoq to \$410 million (+27% yoy), driven by higher profit from operating activities; and a \$186 million positive exchange rate difference result (vs. a \$41 million loss in Q2).

*9M 2015*

Profit for a period in 9M 2015 totalled \$891 million (+32% yoy), due to increased profit from operating activities; a decline in “Share in net losses of associates and other companies accounted for using the equity method” losses that takes into account the financial performance of NBH; as well as \$84 million impairment losses charged in Q3 2014.

\* Profit attributable to NLMK shareholders

- **Cash flow**

*Q3 2015*

Net operating cash flow was \$537 million (+40% qoq and +31% yoy) due to increased profit from operating activities and release of working capital (+\$107 million vs. an increase of \$9 million in Q2 2015).

Capex dropped to \$145 million (-15% qoq, -7% yoy).

An increase in operating cash flow and a conservative investment policy supported a 100% increase in Q3 2015 free cash flow to \$372 million (+75% yoy).

*9M 2015*

9M 2015 net operating cash flow was \$1,402 million (-4% yoy).

Capex remained stable yoy at \$445 million.

In 9M 2015 free cash flow was \$886 million (-6% yoy). This enhanced the Company’s financial stability and gave it extra flexibility in terms of debt optimization and dividend payments.



## Russian Flat Products\*

k t/\$ million	Q3 2015	Q2 2015	QoQ	Q3 2014	YoY	9M 2015	9M 2014	YoY
Steel product sales, incl.:	3,474	3,176	9%	3,033	15%	9,859	9,097	8%
sales to third party	2,931	2,780	5%	2,349	25%	8,561	7,471	15%
Revenue, incl.:	1,545	1,610	-4%	2,009	-23%	4,766	6,046	-21%
external customers	1,223	1,201	2%	1,406	-13%	3,694	4,395	-16%
intersegmental operations	322	409	-21%	603	-47%	1,072	1,651	-35%
EBITDA	403	364	11%	462	-13%	1,308	1,082	21%
EBITDA margin	26%	23%	+3 p.p.	23%	+3 p.p.	27%	18%	+9 p.p.

### Q3 2015

Segment sales increased by 9% qoq to 3.5 m t (+15% yoy), including growth of shipments to third parties by 5% qoq to 2.9 m t (+25% yoy). Slab sales to subsidiaries and associated companies declined by 15% qoq to 1.0 m t (-15% yoy), which equals to 59% of total slab sales.

Total segments revenue was \$1.5 billion (-4% qoq and -13% yoy). Sales growth (+9% qoq and 15% yoy) and improved product mix partly offset impact of declining prices by 16-20% qoq (from -26% to -45% yoy).

EBITDA was \$403 million (+11% qoq and -23% yoy). Operational efficiency programs and ruble devaluation compensated narrowing spreads between steel and raw material prices. EBITDA margin was 26% (+3 p.p. qoq and +3 p.p. yoy).

### 9M 2015

Segment sales totaled 9.9 m t (+8% yoy), including sales to the third parties in amount of 8.6 m t (+15% yoy). Growth of sales was mainly driven by increase of pig iron (496,000 t in 9M 2015 vs 108,000 t in 9M 2014) and slabs (3.7 m t in 9M 2015 vs 3.1 m t in 9M 2014) shipments.

Segment revenue totaled \$4.8 billion (-21% yoy), including sales to the third parties in amount of \$3.7 billion (-16% yoy). Growth of shipments partly offset decline in steel prices.

Operational efficiency programs and ruble depreciation compensated narrowing spreads between steel and raw material prices. EBITDA increased by 21% yoy to 1,308 million, EBITDA margin was 27% (+9 p.p. yoy).

\*The Russian Flat Products 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.



## Russian Long Products\*

k t/\$ million	Q3 2015	Q2 2015	QoQ	Q3 2014	YoY	9M 2015	9M 2014	YoY
Long products and metalware product sales	638	675	-5%	608	5%	1,881	2,001	-6%
Revenue, incl.:	308	361	-15%	493	-38%	943	1,419	-34%
external customers	220	267	-18%	378	-42%	718	1,146	-37%
intersegmental operations	88	95	-7%	115	-24%	226	273	-17%
EBITDA	27	8	> 100%	53	-48%	66	114	-42%
EBITDA margin	9%	2%	+7 p.p.	11%	-2 p.p.	7%	8%	-1 p.p.

### Q3 2015

Segment sales declined by 5% qoq to 0.6 m t (+5% yoy) due to weakening in business activity in the Russian construction sector; and one of the two EAFs at NSMMZ being stopped for repairs.

Segment revenue declined by 15% qoq to \$308 million (-38% yoy) due to decrease of steel prices and sales volumes of long products. Intersegment revenue was \$88 million (-7% qoq and -23% yoy) on the back of declining scrap prices, which is supplied to the Lipetsk site.

Q3 2015 EBITDA was \$27 million (+234% qoq and -49% yoy) due to operational efficiency programs, widening spreads for long products in the Russian markets and growth of metalware sales.

### 9M 2015

Sales volumes were 1.9 m t (-6% yoy) as demand declined on the back of weakening in business activity in the Russian construction sector.

Segment revenue for the reporting period was \$943 million (-34% yoy) due to declining sales volumes and negative price trends for long products.

9M 2015 EBITDA was \$66 million (-42% yoy) as a result of decreasing sales and narrowing of price spreads between long products and scrap. EBITDA margin was 7% (-1 p.p. yoy).

\* The Russian Long Products: 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\*

k t/\$ million	Q3 2015	Q2 2015	QoQ	Q3 2014	YoY	9M 2015	9M 2014	YoY
Iron ore concentrate and sinter ore sales, incl.:	4,352	4,320	1%	3,970	10%	12,530	11,845	6%
sales to Lipetsk plant	3,272	3,014	9%	3,151	4%	9,165	8,800	4%
Revenue, incl.:	143	166	-14%	248	-42%	444	871	-49%
external customers	40	56	-28%	70	-43%	142	276	-49%
intersegmental operations	103	110	-7%	178	-42%	302	596	-49%
EBITDA	77	76	2%	145	-47%	215	540	-60%
EBITDA margin	54%	45%	+9 p.p.	58%	-4 p.p.	48%	62%	-14 p.p.

### Q3 2015

Iron ore concentrate and sinter ore sales increased to 4.4 m t (+1% qoq) due to growing production at the Lipetsk site and inventory sales.

Segment revenue decreased by 14% qoq to \$143 million due to falling sales prices.

In Q3 2015, segment's EBITDA increased by 1% qoq to \$77 million. EBITDA margin was 54% (+8 p.p. qoq) as high marginal intersegmental share of sales went up, while export sales to third parties declined.

### 9M 2015

Iron ore concentrate and sinter ore sales was up to 12.5 m t (+6% qoq) on the back of improved productivity a part of the Division's operational efficiency programme and growth of iron ore sales to the Lipetsk site.

Significant decline in global iron ore prices triggered negative change in segment's revenue, which decreased to \$444 million (-49% yoy) during 9M 2015.

Under pressure from price trend EBITDA declined to \$215 million (-60% yoy), EBITDA margin was 48%.

\* 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\*

k t/\$ million	Q3 2015	Q2 2015	QoQ	Q3 2014	YoY	9M 2015	9M 2014	YoY
Steel product sales	590	601	-2%	624	-5%	1,731	1,821	-5%
Revenue, incl.:	359	382	-6%	523	-31%	1,160	1,527	-24%
external customers	359	382	-6%	523	-31%	1,160	1,527	-24%
intersegmental operations	-	-	0%	-	0%	-	-	0%
EBITDA	(12)	(42)	-71%	34	-135%	(67)	74	-190%
EBITDA margin	-3%	-11%	+8 p.p.	7%	-10 p.p.	-6%	5%	-11 p.p.

### Q3 2015

Q3 2015 Segment sales totalled 0.6 m t (-2% qoq and -5% yoy), pressured by the slowdown in demand in the European market.

A high level of supply on the back of growing imports predetermined a further reduction in steel prices in Europe (-3% qoq) and the US (-2% qoq). As a result, revenue dropped by 6% qoq to \$358 million (-32% yoy).

Gradual replenishment of expensive slab stock accumulated in H2 2014 and effect from operational efficiency programmes offset the narrowing of finished product/slab price spreads, reducing the Segment's EBITDA loss to \$12 million vs. \$42 million in Q2 2015. Had NLMK USA used slabs acquired at Q3 2015 spot prices, Segment EBITDA would have been \$13 million.

### 9M 2015

Segment sales in the reporting period totalled 1.7 m t (-5% yoy).

Segment revenue dropped by 24% to \$1,160 million, pressured by lower sales volumes and lower average sales prices yoy.

9M 2015 EBITDA loss was \$67 million, due largely to the use of expensive slabs accumulated at the end of 2014/beginning of 2015. With this factor eliminated, EBITDA would have been \$45 million.

### NBH (associated company) results

Q3 2015 NBH sales totalled 0.5 m t (-19% qoq and -9% yoy), pressured mainly by the seasonal weakening in demand in the EU market.

Lower sales volumes and prices for NBH products pushed Q3 revenue down to \$284 million (-24% qoq and -20% yoy).

NBH EBITDA loss was -\$19 million (Q2 2015 loss was -\$3 million). Key factors behind this figure were: lower sales and narrower spreads between prices for slabs acquired at higher prices during previous periods and finished products in the European market. Negative market factors were partially offset by operational efficiency programmes at NBH assets.

\* Foreign Rolled Products Segment is represented by NLMK USA and NLMK Dansteel (Denmark). NLMK USA includes NLMK Pennsylvania, Sharon Coating and NLMK Indiana.



## Appendix 1. Operating and financial results

### (1) Sales by product

k t	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014
Pig iron	222	120	155	156	97
Slabs	1,096	1,235	1,418	1,209	860
Thick plates	94	121	109	106	90
Hot-rolled steel	990	908	793	815	913
Cold-rolled steel	539	494	472	451	545
Galvanized steel	297	225	236	229	229
Pre-painted steel	111	91	89	133	124
Transformer steel	69	71	64	66	69
Dynamo steel	67	71	54	44	47
Billet	44	72	52	65	65
Long products	521	539	441	487	459
Metalware	73	64	75	83	84
<b>TOTAL</b>	<b>4,123</b>	<b>4,012</b>	<b>3,958</b>	<b>3,846</b>	<b>3,581</b>

### (2) Sales by region

k t	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014
Russia	1,765	1,545	1,410	1,590	1,694
Europe Union	785	1,122	809	756	674
Middle East, including Turkey	340	404	323	308	217
North America	769	617	530	698	701
Asia and Oceania	61	23	331	67	164
Rest of World	403	302	555	427	130
<b>TOTAL</b>	<b>4,123</b>	<b>4,012</b>	<b>3,958</b>	<b>3,846</b>	<b>3,581</b>

### (3) Revenue by region

Region	Q3 2015		Q2 2015		Q1 2015	
	\$ million	share	\$ million	share	\$ million	share
Russia	826	41%	874	41%	784	35%
Europe Union	397	20%	509	24%	388	17%
Middle East, including Turkey	162	8%	212	10%	171	8%
North America	390	19%	338	16%	393	18%
Asia and Oceania	64	3%	45	2%	175	8%
Rest of World	176	9%	162	8%	306	14%
<b>TOTAL</b>	<b>2,016</b>	<b>100%</b>	<b>2,140</b>	<b>100%</b>	<b>2,216</b>	<b>100%</b>



#### (4) EBITDA

\$ million	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014
Operating income	366.2	319.0	501.1	456.5	464.5
minus:	-	-	-	-	-
Depreciation and amortization	(141.6)	(159.8)	(139.8)	(166.8)	(210.6)
<b>EBITDA</b>	<b>507.8</b>	<b>478.8</b>	<b>640.9</b>	<b>623.3</b>	<b>675.1</b>

#### (5) Free cash flow

\$ million	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014
Net cash provided operating activities	537.2	382.9	485.1	258.1	411.3
Interest paid	(31.1)	(6.3)	(34.5)	(17.4)	(42.3)
Interest received	6.7	10.5	6.7	7.2	9.5
Advance VAT payments on imported equipment	3.7	(30.1)	-	-	-
Capex	(145.0)	(170.9)	(129.2)	(57.5)	(166.8)
<b>Free Cash Flow</b>	<b>371.5</b>	<b>186.1</b>	<b>328.1</b>	<b>190.4</b>	<b>211.7</b>

#### (6) Production of main products

k t	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014
<b>Crude steel, incl.:</b>	<b>4,079</b>	<b>4,049</b>	<b>3,874</b>	<b>4,108</b>	<b>4,131</b>
Steel Segment	3,310	3,227	3,090	3,396	3,181
Long products Segment, incl.:	619	691	690	551	776
NLMK-Kaluga	284	263	261	198	283
Foreign Rolled Products Segment	151	131	94	162	175
<b>Finished products, incl.:</b>	<b>2,676</b>	<b>2,527</b>	<b>2,584</b>	<b>2,413</b>	<b>2,638</b>
Flat steel	2,045	2,000	1,977	1,930	1,972
Long steel	631	526	607	483	666
<b>Coke (6% moisture), incl.:</b>	<b>1,792</b>	<b>1,724</b>	<b>1,681</b>	<b>1,837</b>	<b>1,783</b>
Novolipetsk	646	639	637	645	649
Altai-Koks	1,146	1,085	1,044	1,192	1,134

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

k t	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014
Sales to third parties, incl.:	1,096	1,235	1,418	1,209	860
Export, incl.:	844	1,005	1,178	1,002	703
Sales to NBH	429	743	466	535	461
Domestic market	250	228	238	205	155
Slab sales by NLMK USA	2	1	3	2	3
Sales to subsidiaries	543	396	359	543	684
<b>TOTAL</b>	<b>1,639</b>	<b>1,633</b>	<b>1,781</b>	<b>1,754</b>	<b>1,547</b>



## (8) Segments information

Q3 2015 \$ million	Russian flat products	Foreign rolled products	Russian long products	Mining	Investments in NBH	All other	Totals	Intersegmental operations and balances	NBH deconsoli- dation	Consolidated
Revenue from external customers	1,223	359	220	40	275	3	2,120	-	(104)	2,016
Intersegment revenue	322	-	88	103	9	0	521	(513)	(9)	(0)
Gross profit	530	(5)	43	86	34	1	688	(20)	(34)	634
Operating income/(loss)	304	(30)	14	66	(39)	1	316	12	39	366
Income / (loss) before minority interest	487	(39)	(2)	131	(41)	(10)	526	(135)	20	411
Segment assets including goodwill	7,659	1,147	1,101	1,557	1,603	17	13,085	(2,139)	(1,518)	9,427

<sup>1</sup> Balance figures presented as of September 30, 2015

Q2 2015 \$ million	Russian flat products	Foreign rolled products	Russian long products	Mining	Investments in NBH	All other	Totals	Intersegmental operations and balances	NBH deconsoli- dation	Consolidated
Revenue from external customers	1,201	382	267	56	362	7	2,275	-	(135)	2,140
Intersegment revenue	409	-	95	110	12	-	626	(614)	(12)	0
Gross profit	496	(33)	27	95	68	5	658	51	(68)	641
Operating income/(loss)	250	(59)	(8)	63	(22)	5	229	69	45	343
Income / (loss) before minority interest	182	(59)	(25)	26	(35)	4	95	42	17	153
Segment assets including goodwill	8,577	1,209	1,312	1,814	1,683	46	14,640	(2,408)	(1,599)	10,633

<sup>1</sup> Balance figures presented as of June 30, 2015



## Appendix 2. Key financials under IFRS and US GAAP for the year ended December 31, 2014

### Key financials for the year ended December 31, 2014:

\$ million	IFRS	US GAAP	Difference	Comments
Revenue	<b>10,395.7</b>	10,395.7	-	No changes
EBITDA	<b>2,381.4</b>	2,382.7	-1.3	Partial reclassification of the "other income expenses" into "other operational expenses"
Net income <sup>1</sup>	<b>772.5</b>	844.8	-72.3	Additional impairment of the property, plant and equipment and other factors
Net cash provided by operating activities	<b>1,805.7</b>	1,715.9	+89.8	Changes in methodology of foreign exchange difference recognition and reclassification of interest paid/received
Total assets <sup>2</sup>	<b>10,349.4</b>	10,405.8	-56.4	Additional impairment of the property, plant and equipment and other factors
Financial debt <sup>2</sup>	<b>2,768.5</b>	2,760.2	+8.3	Reclassification of the financial lease obligations into borrowings

<sup>1</sup>Net income under both IFRS and US GAAP refers to Net income attributable to NLMK shareholders

<sup>2</sup>Balance figures presented as of December 31, 2014

### Key financials for the six months ended June 30, 2015:

\$ million	IFRS	US GAAP	Difference	Comments
Revenue	4,355.7	4,355.7	-	No changes
EBITDA	1,119.7	1,114.6	5.1	Partial reclassification of the "other income expenses" into "other operational expenses"
Net income <sup>1</sup>	482.3	491.0	-8.7	Additional impairment of the property, plant and equipment and other factors
Net cash provided by operating activities	821.7	860.2	-38.5	Changes in methodology of foreign exchange difference recognition and reclassification of interest paid/received
Total assets <sup>2</sup>	10,632.9	10,688.5	-55.6	Additional impairment of the property, plant and equipment and other factors
Financial debt <sup>2</sup>	2,516.3	2,516.3	-	No changes

<sup>1</sup>Net income under both IFRS and US GAAP refers to Net income attributable to NLMK shareholders

<sup>2</sup>Balance figures presented as of June 30, 2015



### **Key factors affected the change of Net Income**

<b>\$ mln</b>	<b>IFRS</b>	<b>US GAAP</b>	<b>Difference</b>
<b>Net income<sup>1</sup></b>	<b>772.5</b>	<b>844.8</b>	<b>-72.3</b>
Additional impairment of property, plant and equipment in 2014 (NLMK Kaluga and NLMK DanSteel A/S)			-157.6
Reclassification of some intercompany transactions into cumulative transition adjustment			+46.3
Capitalization of the foreign exchange differences into construction in progress			+20.0
Changes in methodology of determination of tax expenses related to non-realized profit			+18.5
Additional accrual of depreciation due to hyperinflation and deferred tax affects			-10.4
Other changes			+10.9

<sup>1</sup>Net income under both IFRS and US GAAP refers to Net income attributable to NLMK shareholders

### **Key factors affected the change of Net cash flow from operating activities**

<b>\$ mln</b>	<b>IFRS</b>	<b>US GAAP</b>	<b>Difference</b>
<b>Net cash flow from operating activities</b>	<b>1,805.7</b>	<b>1,715.9</b>	<b>+89.8</b>
Reclassification of the interest paid into net cash flow from financial activity			+120.6
Reclassification of the interest received into net cash flow from investment activity			-30.7
Other changes			-0.1

### **Key factors affected the change of Total assets**

<b>\$ mln</b>	<b>IFRS</b>	<b>US GAAP</b>	<b>Difference</b>
<b>Total assets as of December 31, 2014</b>	<b>10,349.4</b>	<b>10,405.8</b>	<b>-56.4</b>
Additional impairment of property, plant and equipment in 2014 (NLMK Kaluga and NLMK DanSteel A/S)			-177.3
Recalculation of the property, plant and equipment value due to hyperinflation affect			+72.2
Capitalization of the foreign exchange differences into construction in progress			+41.4
Property, plant and equipment impairment in 2013 (NLMK Pennsylvania)			-29.1
Changes in methodology of assets and obligations eliminations			+17.9
Changes in methodology of determination of tax expenses related to non-realized profit			+16.2
Other changes			+2.3