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## Press release

24 March 2016

# Q4 2015 AND 12M 2015 NLMK GROUP CONSOLIDATED FINANCIAL RESULTS UNDER IFRS

**NLMK FY2015 sales increased by 5% yoy to a record 15.9 m t. 2015 EBITDA margin grew by 1 p.p. to 24%.**

**NLMK Group's net profit increased by 25% to \$1.0 billion. Debt decreased by 32% to \$1.09 billion.**

### 12M 2015 highlights:

- Group sales increased by 5% yoy to 15.9 m t
- Revenue was \$8.0 billion (-23% yoy) due to lower steel prices
- EBITDA was \$1.948 billion (-18%)
- EBITDA margin increased to 24% (+1 p.p. yoy)
- Effect from operation efficiency programmes: \$197 million (up two-fold vs. 2015 plan)
- Capex totalled \$595 million (+6% yoy)
- Free cash flow was \$997 million (-14% yoy)
- Net debt declined by 32% yoy to \$1.091 billion
- Net debt/12M EBITDA decreased to 0.6x (vs. 0.7x at the end of 2014)
- Net profit increased by 25% yoy to \$967 million

### Q4 2015 highlights:

- Revenue decreased to \$1.637 billion (-19% qoq and -30% yoy) on the back of a slump in steel prices
- EBITDA decreased by 37% qoq to \$321 million (-50% yoy)
- EBITDA margin was 20% (-5 p.p. qoq and -7 p.p. yoy)
- Capex totalled \$150 million (+3% qoq и +29% yoy), due to active construction of the pelletizing plant at Stoilensky



## TELECONFERENCE

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

Thursday, 24 March 2016

- 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:**

+1646 254 3375 (local access) // 1855 217 7942 (toll free)

**United Kingdom Number:**

+44(0)20 3427 1928 (local access) // 0800 279 4842 (toll free)

**Russian Number:**

+7495 213 0981 (local access) // 8 800 500 9316 (toll free)

**Conference ID:** 5073194

\* 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)



# Q4 AND 12M 2015 CONSOLIDATED FINANCIAL RESULTS UNDER IFRS <sup>1</sup>

## Key highlights

k t/\$ million	Q4 2015	Q3 2015	QoQ	Q4 2014	YoY	2015	2014	YoY
Sales volumes	3,771	4,123	-9%	3,846	-2%	15,863	15,126	5%
Revenue	1,637	2,016	-19%	2,343	-30%	8,008	10,396	-23%
EBITDA <sup>3</sup>	321	508	-37%	638	-50%	1,948	2,381	-18%
EBITDA margin	20%	25%	-5 p.p.	27%	-7 p.p.	24%	23%	+1 p.p.
Profit for the period <sup>4</sup>	76	410	-81%	95	-20%	967	773	25%
Free cash flow <sup>5</sup>	111	372	-70%	209	-47%	997	1,153	-14%
Net debt <sup>6</sup>	1,091	1,071	2%	1,598	-32%	1,091	1,598	-32%
Net debt/EBITDA <sup>6</sup>	0.56x	0.47x		0.67x		0.56x	0.67x	

### 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> Q3 2015 financials are presented based on unaudited management accounts.

<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:

“In 2015, global steel consumption continued to decline, exacerbating the supply/ demand imbalance in the global market. Key factors behind the slump in steel product prices included an unprecedented spike in steel exports from China on the back of the continuing fall in demand and the dip in raw material prices.

“The deteriorating economic situation in Russia had a negative impact on steel consumption in the local market where demand dropped by approximately 9%.

“NLMK’s competitive advantage in terms of production costs and a presence in key sales markets supported a 5% increase in sales to a record 15.9 m t, while maintaining maximum utilization rates at key facilities.

“In 2015, NLMK continued to implement its large-scale operational efficiency programme, rolling it out to all Group sites. 1,800 optimization projects ensured a structural profit increase of \$197 million yoy in 2015, more than double the level that was planned initially.

“Higher sales volumes and gains from optimization programmes allowed maintaining the EBITDA margin at a high level of 24% (+1 p.p. yoy).

“In 2015, active construction began of our new pelletizing plant at Stoilensky. Launch is planned for H2 2016. This factor pushed capex up to \$595 million.

“Significant cash flow and conservative investment supported a positive free cash flow of \$1.0 billion, consolidating the company’s financial stability and ensuring the possibility of high dividend payout.



“2015 net debt decreased by 32% to \$1.1 billion; Net debt to EBITDA was 0.6x, one of the lowest ratios in the sector. We continue to actively manage our debt portfolio: at the end of the year NLMK issued ruble bonds for a total of 10 billion rubles and closed a 4-year \$400 million loan facility secured by export revenue.

“In 2015, NLMK shareholders approved a new dividend policy that presupposes quarterly dividend payments. In 2015, NLMK paid \$395 million in dividends. NLMK’s Board of Directors will review management’s dividend recommendations for Q1 2016 in April 2016.”

## MANAGEMENT COMMENTS

- **Market overview**

In 2015, demand for steel products in China contracted by 5%, while production decreased by just 2%, resulting in an increase in steel export from China to a historical high of 112 m t (+20% yoy). This, coupled with the decrease in raw material prices (iron ore and coking coal prices dropped by 43% yoy and by 21% yoy, respectively) brought steel product prices down (by 30% yoy) and resulted in narrower finished product/raw material price spreads.

The decrease in demand in the USA was associated with the slowdown in the machine-building and OCTG sectors on the back of low prices for energy products. The 3% yoy increase in demand for steel in Europe was supported by a pick-up in the construction and machine-building sectors.

In 2015, demand in Russia fell by 9% yoy, due mainly to the slowdown in the construction and machine-building sectors. Steel production in Russia totalled 71.1 m t (-0.5% yoy). Production levels were maintained by stable deliveries to the domestic market and higher exports on the back of a 30% fall in steel product imports.

- **Prices**

In 2015, average prices for standard grades of flat and long products in Russia decreased in US dollar terms by 17-32% yoy; prices in ruble terms increase by 8-30% yoy on the back of the ruble devaluation.

In Europe, prices in US dollar terms fell by 25% yoy. In the USA, prices for steel products decreased by 31% yoy.

- **Production and sales**

Despite the significant slowdown in the market, NLMK maintained high capacity utilization rates. NLMK Group 2015 steel output remained stable yoy at 15.9 m t. The decrease in steel output at NLMK Russia Long Products and NLMK USA companies on the back of the market disruption was fully offset by the increase in productivity at the Lipetsk site.

Group sales reached a record 15.9 m t (+5% yoy).

Supported by stable demand in external markets, semi-finished product deliveries increased by 24% yoy, mainly on the back of the increase in export sales of commercial pig iron (+159% yoy) and slabs (+18% yoy) to end consumers.

The decrease in finished product shipments (-4% yoy) was associated largely with the fall in steel consumption in the Russian market and the weakening in demand in the USA, where a significant part of finished products is sold.

NLMK Group Q4 steel output fell to 3.85 m t (-5% qoq, -6% yoy) due to the drop in demand in the Russian construction sector and in the USA market, as well as planned repairs at the Lipetsk site.

NLMK Group Q4 sales totalled 3.78 m t (-9% qoq, -2% yoy) on the back of the seasonal slowdown in demand in Russia and a slump in pig iron export.



- **Sales markets**

'000 t	Total	Sales markets				
		Russia	EU	North America	Middle East	Other
NLMK Group	15,863	6,166	3,489	2,370	1,403	2,435
Deliveries to third parties:						
Russian Flat Products	9,330	4,123	952	594	1,359	2,302
Russian Long Products	2,376	2,043	193	-	37	103
International subsidiaries and affiliates, incl.:	4,191	-	2,243	1,804	46	99
<i>NLMK USA</i>	<i>1,764</i>			<i>1,764</i>		
<i>European rolling assets (NLMK Dansteel and NBH)</i>			<i>2,243</i>	<i>40</i>	<i>46</i>	<i>98</i>

Local markets, i.e. Russia, the EU, and North America, where finished products are manufactured, account for the bulk of sales. A significant share of exports goes to the Middle East (including Turkey), and South East Asia.

Intragroup slab sales to NLMK's international subsidiaries and affiliates in 2015 totalled 3.8 million tonnes (-6% yoy).

- **Operational efficiency programmes**

In 2015, NLMK continued to implement its operational efficiency programmes. Over 1,800 optimization projects across all NLMK business divisions ensured an economic effect of \$197 million (vs. the 2014 cost base), including \$34 million in Q4. For more detailed information on the progress of Strategy 2017, please see our presentation.

- **Debt management**

Net debt in 2015 declined by 32% yoy to \$1.09 billion due to NLMK's conservative financial policy and significant free cash flow.

Net debt/EBITDA stood at 0.6x as at the end of 2015 (vs. 0.7x at the end of 2014).

Net changes in financial liabilities in 2015 totalled \$97 million, including \$261 million in Q4 2015.

NLMK Group's total debt in 2015 decreased by 3% to \$2.68 billion, including 21% of short-term debt comprised mainly of ruble bonds and revolving credit lines for working capital financing.

In the course of 2015, NLMK used the following financial instruments to refinance its short-term debt, as well as for general corporate purposes:

- In July 2015, NLMK issued ruble bonds with a value of 5 billion rubles, a maturity period of 10 years, an 11.5% coupon rate, and a put option in 1 year.
- In October, 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, NLMK closed a \$400 million pre-export loan facility for a term of 4 years.

In Q3 2015, NLMK completed another step of NBH debt restructuring. As a result, NLMK guarantees for NBH liabilities decreased at the end of the year by 55% qoq to \$273 million.

In Q4 2015, in line with the put option terms, NLMK Groups paid off its series NLMK-08 ruble bonds for a total of RUB10 billion, issued in 2012.

Interest expenses in 2015 totalled \$119 million (-34% yoy), including \$32 million of capitalized interest expenses accounted for as part of capex.



- **Capex**

2015 NLMK Group capex totalled \$595 million (+6% yoy), including \$193 million maintenance capex.

The yoy increase in capex was associated with key Strategy 2017 investment projects entering an active phase.

A substantial share of capex (46%) was deployed in the development of Stoilensky, an open pit iron ore mine. As of the end of 2015, 97% of the technological equipment has been delivered and over 70% 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.

Q4 2015 capex totalled \$150 million, including \$64 million of maintenance capex. The 3% qoq increase in capex was associated with the construction of the pelletizing plant and major repairs at the Lipetsk site (steelmaking equipment, hot rolling mill 2000 repairs). Another factor behind this increase was the reconstruction of the hot dip galvanizing unit. As a result, NLMK Group's HDG capacity increased by 120,000 tonnes. The upgraded facility was launched in February 2016.

- **Dividends**

A structural profit increase and stable free cash flow ensured NLMK's flexibility in terms of profit distribution.

In March 2015, NLMK announced its new dividend policy that presupposes quarterly dividend payments determined based on net profit and free cash flow. Total dividend-related cash flow in 2015 was \$395 million. It included main 2014 payments, as well as Q1 and Q2 2015 dividends.

NLMK's Extraordinary General Meeting of Shareholders held on 21 December 2015 approved payment of dividends for Q3 2015 in the amount of 1.95 rubles per share. The total amount of announced dividends for Q3 2015 was \$164 million; main payments were made in January 2016.

- **Transition to IFRS**

Starting with 9M 2015 statements, NLMK has transitioned to IFRS consolidated reporting. There have been no significant changes when recalculating historical periods as compared to the previously disclosed US GAAP data.

## KEY FINANCIALS

- **Revenue**

### *12M 2015*

2015 revenue declined by 23% to \$8,008 million due to the 30-40% yoy reduction in prices that was partially offset by a 5% yoy increase in sales.

Pressured by the price factor, revenue from sales to international markets decreased by 18% yoy to \$4.9 billion, with the bulk of deliveries going to the EU (20%), the USA (17%), Middle East and Turkey (9%). The share of revenue from sales to the Russian market fell to 39% (-4 p.p. yoy) due to a 6% yoy decrease in shipments to Russia and the significant devaluation of the Russian ruble.

Sales of semi-finished products to external consumers accounted for 19% of the revenue (+3 p.p. yoy); sales of semi-finished products to related parties accounted for 9% (flat yoy); sales of HRC and long products accounted for 27% (-4% yoy).

The share of revenue from sales of HVA products was 37% (+1% yoy). There was an increase in revenue from sales of premium products, with revenue from transformer steel sales increasing by 22% yoy.



#### Q4 2015

Q4 2015 revenue declined by 19% qoq to \$1,637 million (-30% yoy) due to the 9% qoq reduction in average sales prices and volumes.

The share of revenue from sales to the Russian market fell to 37% (-4 p.p. qoq and -2 p.p. yoy) due to the seasonal factor. The share of revenue from sales to the EU was 23%; the USA accounted for 14%; and the Middle East and Turkey accounted for 9%.

- **Operating profit**

#### 12M 2015

2015 operating profit\* fell by 13% yoy to \$1,388 million due to the narrowing of spreads between raw material and finished product prices. This factor was partially offset by the effect from operational efficiency programmes, a 5% yoy increase in sales, as well as the weakening of the ruble against the dollar.

The 28% yoy decrease in general and administrative expenses was driven by optimizing management expenses, as well as the fall in the ruble exchange rate.

The 13% yoy decrease in commercial expenses was associated mainly with the currency factor that was partially offset by a 5% yoy increase in sales and an increase in the share of shipments to international markets with higher transportation costs.

#### Q4 2015

Q4 2015 operating profit\* fell by 45% qoq to \$202 million (-57% yoy) due to the significant narrowing of spreads between raw material and finished product prices, and a 9% qoq (-2% yoy) decrease in sales.

\* 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

- **Net profit\***

#### 12M 2015

2015 net profit was \$967 million (+25% yoy), the increase being associated with the low base of 2014 when significant impairment losses were accounted for (\$657 million vs. \$86 million in 2015). The decrease in NBH losses (\$103 million in 2015 vs. \$193 million in 2014) also had a positive effect on the profit. NBH results are accounted for using the equity method.

#### Q4 2015

Q4 2015 net profit fell by 81% qoq to \$76 million (-20% yoy) due to lower profit from operating activities and the decrease in positive exchange rate differences (\$74 million in Q4 vs. \$186 million in Q3 2015).

\*Profit for a period attributable to key shareholders

- **Free cash flow**

2015 free cash flow was \$997 million (-14% yoy).

Q4 2015 free cash flow was \$111 million (-70% qoq, -47% yoy) due to increased profit from operating activities on the back of a stable working capital.



## Russian Flat Products\*

k t/\$ million	Q4 2015	Q3 2015	QoQ	Q4 2014	YoY	2015	2014	YoY
Steel product sales, incl.:	3,306	3,474	-5%	3,161	5%	13,165	12,258	7%
sales to third party	2,401	2,502	-4%	2,084	15%	9,324	8,180	14%
Revenue, incl.:	1,299	1,545	-16%	1,826	-29%	6,065	7,872	-23%
external customers	1,025	1,223	-16%	1,289	-20%	4,719	5,684	-17%
intersegmental operations	274	322	-15%	537	-49%	1,346	2,188	-38%
EBITDA	272	403	-32%	528	-48%	1,581	1,609	-2%
EBITDA margin	21%	26%	-5 p.p.	29%	-8 p.p.	26%	20%	+6 p.p.

### 12M 2015

Segment sales in 2015 were 13.2 m t (+7% yoy), including 9.3 m t (+14% yoy) shipped to third parties. This increase in sales was driven mostly by higher semi-finished product shipments: +0.7 m t of commercial pig iron (vs. 0.3 m t in 2014) and +3.0 m t of slabs (vs. 2.4 m t in 2014).

Total Segment revenue was \$6.1 billion (-23% yoy), including \$4.7 billion (-17% yoy) from sales to third parties. The 20-30% slump in prices was partially offset by an increase in the volume of sales.

Structural gain from operational efficiency programmes and the devaluation of the Russian ruble supported an increase in Segment profitability to 26% (+6 p.p. yoy), at the same time practically offsetting the impact from the narrowing of spreads between steel and raw material prices. While steel prices dipped 20-30%, 2015 EBITDA declined by 2% yoy to \$1,581 million.

### Q4 2015

Segment sales decreased to 3.3 m t (-5% qoq) on the back of contracting commercial pig iron sales (-16% qoq) and the seasonal drop in demand in the Russian market.

Total Segment revenue fell by 16% qoq and by 29% yoy to \$1.3 billion, pressured by the drop in steel product prices; the weakening of the Russian ruble; and lower shipments.

Segment EBITDA decreased to \$272 million (-32% qoq and -48% yoy) due to the narrowing of spreads between steel and raw material prices that was partially offset by the effect from operational efficiency programmes. A weak pricing environment had a negative impact on Segment profitability: EBITDA margin was 21% (-5 p.p. qoq and -8 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	Q4 2015	Q3 2015	QoQ	Q4 2014	YoY	2015	2014	YoY
Steel product sales, incl.:	494	638	-23%	635	-22%	2,375	2,636	-10%
sales to third party	438	602	-27%	635	-31%	2,239	2,619	-15%
Revenue, incl.:	209	308	-32%	396	-47%	1,152	1,815	-36%
external customers	142	220	-35%	302	-53%	859	1,447	-41%
intersegmental operations	68	88	-23%	94	-28%	293	368	-20%
EBITDA	(18)	27	-164%	38	-147%	49	152	-68%
EBITDA margin	-8%	9%	-17 p.p.	10%	-18 p.p.	4%	8%	-4 p.p.

### 12M 2015

Segment sales declined by 10% to 2.38 m t, an improvement on the trend seen in the Russian long product market where consumption dipped by 17% yoy. The decrease in demand in Russia was partially offset by an increase in export sales to 0.28 m t (+37% yoy).

Total Segment revenue in the reporting period was \$1,152 million (-36% yoy) due to the decrease in sales volumes and a negative pricing trend for long products.

2015 EBITDA was \$49 million (-68% yoy) due to the decrease in sales and the narrowing of spreads between long product and scrap prices. EBITDA margin was 4% (-4 p.p. yoy).

### Q4 2015

Segment sales declined by 23% qoq to 0.5 m t (-22% yoy) due to the seasonal weakening in business activity in the Russian construction sector and a significant yoy contraction in demand coupled with persistently intense competition.

Segment revenue declined by 32% qoq to \$209 million (-47% yoy) due to the decrease in long product prices and sales. With winter scrap stoking over, revenue from intersegmental operations decreased, also impacted by the weakening of the Russian ruble exchange rate.

The narrowing of spreads for long products in the Russian market and lower sales brought Segment profit down. Q4 2015 EBITDA loss was \$18 million.

\*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	Q4 2015	Q3 2015	QoQ	Q4 2014	YoY	2015	2014	YoY
Iron ore concentrate and sinter ore sales, incl.:	4,485	4,352	3%	4,365	3%	17,014	16,209	5%
sales to Lipetsk plant	3,215	3,272	-2%	3,142	2%	12,380	11,942	4%
Revenue, incl.:	145	143	2%	197	-26%	589	1,068	-45%
external customers	43	40	6%	70	-40%	184	346	-47%
intersegmental operations	103	103	0%	126	-19%	405	722	-44%
EBITDA	83	77	8%	100	-17%	297	640	-54%
EBITDA margin	57%	54%	+3 p.p.	51%	+6 p.p.	50%	60%	-10 p.p.

### 12M 2015

Iron ore concentrate and sinter ore sales in 2015 increased to 17 m t (+5% yoy) on the back of improved equipment productivity and an increase in iron ore shipments to the Lipetsk site (by 4% yoy to 12.4 m t).

A two-fold reduction in global iron ore prices determined the Segment's downward revenue trend: in 2015 it totalled \$589 million (-45% yoy).

Pressured by the price factor that was partially offset by the effect from operational efficiency programmes and higher sales volumes, EBITDA was \$297 million (-54% yoy); and EBITDA margin was 50% (-10 p.p. yoy).

### Q4 2015

Iron ore concentrate and sinter ore sales increased to 4.5 m t (+3% qoq и yoy) due to equipment productivity improvements. Intra-group deliveries of iron ore were in line with Lipetsk site requirements.

Relatively stable prices for iron ore supported a 2% qoq increase in Segment revenue (-26% yoy) to \$145 million.

The weakening of the Russian ruble in Q4 2015 and strict control over operating expenses supported an 8% qoq increase in Segment EBITDA to \$83 million; EBITDA margin was 57% (+3 p.p. qoq and +6 p.p. yoy).

\*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	Q4 2015	Q3 2015	QoQ	Q4 2014	YoY	2015	2014	YoY
Steel product sales	469	590	-21%	592	-21%	2,199	2,412	-9%
Revenue, incl.:	282	359	-21%	488	-42%	1,442	2,015	-28%
external customers	282	359	-21%	488	-42%	1,442	2,015	-28%
intersegmental operations	-	-	0%	-	0%	-	-	0%
EBITDA	(30)	(12)	> 100%	30	-200%	(96)	104	-193%
EBITDA margin	-11%	-3%	-8 p.p.	6%	-17 p.p.	-7%	5%	-12 p.p.

### 12M 2015

2015 segment sales totalled 2.2 m t (-9% yoy) due to intensified competition with import deliveries and a drop in demand from OCTG and machine-building companies in the US market.

Segment revenue was down by 28% yoy to \$1,442 million due to the yoy fall in average sales prices and reduced sales volumes.

2015 EBITDA loss was -\$96 million. This was associated mainly with the use of expensive slabs accumulated at the end of 2014 and beginning of 2015. Without this factor (assuming slabs were purchased at current market prices) Segment EBITDA would have been +\$25 million.

### Q4 2015

As conditions deteriorated in the US market, Q4 2015 Segment sales were 0.5 m t (-21% qoq and yoy). Pressured by the change in sales volumes, Segment revenue fell by 21% qoq to \$282 million (-42% yoy).

The narrowing of spreads between finished product and slab prices resulted in a higher EBITDA loss for the Segment: -\$30 million vs. -\$12 million in Q3 2015. Without the impact of accumulated stocks of slabs supplied from Russia, Segment Q4 EBITDA would have been +\$4 million.

In Q4, slab and scrap inventories were reevaluated to market value. This had a negative impact on Segment EBITDA: -\$16 million.

### NBH (associated company) results

Increased demand for steel from key sectors in the European market in 2015 drove NBH sales up by 10% to 2.0 m t.

NBH revenue declined by 18% yoy to \$1.3 billion due to the fall in prices for finished products.

2015 EBITDA loss of \$92 million (vs. \$115 million in 2014) was determined by narrow spreads between prices for semi-finished and finished products, the latter being partially offset by the increase in sales volumes and the effect from operational efficiency programmes.

In Q4 2015, NBH sales totalled 0.4 m t (-7% qoq and -8% yoy) due to intensified competition with imported goods.

The decrease in sales volumes and prices for NBH products drove Q4 2015 revenue down to \$241 million (-15% qoq and -33% yoy).

NBH EBITDA loss was -\$51 million (Q3 2015 loss was -\$19 million) on the back of lower sales and narrower spreads between semi-finished products (including stocks of slabs supplied at higher prices in Q3) and finished products in the European market.

\*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	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Pig iron	187	222	120	155	156
Slabs	1,351	1,096	1,235	1,418	1,209
Thick plates	111	94	121	109	106
Hot-rolled steel	754	990	908	793	815
Cold-rolled steel	435	539	494	472	451
Galvanized steel	218	297	225	236	229
Pre-painted steel	84	111	91	89	133
Transformer steel	74	69	71	64	66
Dynamo steel	64	67	71	54	44
Billet	117	44	72	52	65
Long products	317	521	539	441	487
Metalware	60	73	64	75	83
<b>TOTAL</b>	<b>3,771</b>	<b>4,123</b>	<b>4,012</b>	<b>3,958</b>	<b>3,846</b>

### (2) Sales by region

k t	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Russia	1,446	1,765	1,545	1,410	1,590
Europe Union	773	785	1,122	809	756
Middle East, including Turkey	336	340	404	323	308
North America	454	769	617	530	698
Asia and Oceania	210	61	23	331	67
Rest of World	551	403	302	555	427
<b>TOTAL</b>	<b>3,771</b>	<b>4,123</b>	<b>4,012</b>	<b>3,958</b>	<b>3,846</b>

### (3) Revenue by region

Region	Q4 2015		Q3 2015		Q2 2015	
	\$ million	share	\$ million	share	\$ million	share
Russia	606	37%	826	41%	874	41%
Europe Union	370	23%	397	20%	509	24%
Middle East, including Turkey	139	8%	162	8%	212	10%
North America	236	14%	390	19%	338	16%
Asia and Oceania	93	6%	64	3%	45	2%
Rest of World	193	12%	176	9%	162	8%
<b>TOTAL</b>	<b>1,637</b>	<b>100%</b>	<b>2,016</b>	<b>100%</b>	<b>2,140</b>	<b>100%</b>



#### (4) EBITDA

\$ million	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Operating income	202.0	366.2	319.0	501.1	471.0
minus:	-	-	-	-	-
Depreciation and amortization	(118,8)	(141.6)	(159.8)	(139.8)	(166.8)
<b>EBITDA</b>	<b>320.8</b>	<b>507.8</b>	<b>478.8</b>	<b>640.9</b>	<b>637.8</b>

#### (5) Free cash flow

\$ million	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Net cash provided operating activities	246.0	537.2	382.9	485.1	335.7
Interest paid	(7.5)	(31.1)	(6.3)	(34.5)	(17.4)
Interest received	19.7	6.7	10.5	6.7	7.2
Advance VAT payments on imported equipment	2.6	3.7	(30.1)	-	-
Capex	(149.6)	(145.0)	(170.9)	(129.2)	(116.4)
<b>Free Cash Flow</b>	<b>111.2</b>	<b>371.5</b>	<b>186.1</b>	<b>328.1</b>	<b>209.1</b>

#### (6) Production of main products

k t	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
<b>Crude steel, incl.:</b>	<b>3,864</b>	<b>4,079</b>	<b>4,049</b>	<b>3,874</b>	<b>4,108</b>
Steel Segment	3,255	3,310	3,227	3,090	3,396
Long products Segment, incl.:	528	619	691	690	551
NLMK-Kaluga	284	284	263	261	198
Foreign Rolled Products Segment	81	151	131	94	162
<b>Finished products, incl.:</b>	<b>2,236</b>	<b>2,671</b>	<b>2,527</b>	<b>2,584</b>	<b>2,413</b>
Flat steel	1,832	2,045	2,000	1,977	1,930
Long steel	404	626	526	607	483
<b>Coke (6% moisture), incl.:</b>	<b>1,668</b>	<b>1,792</b>	<b>1,724</b>	<b>1,681</b>	<b>1,837</b>
Novolipetsk	655	646	639	637	645
Altai-Koks	1,013	1,146	1,085	1,044	1,192

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

k t	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Sales to third parties, incl.:	1,351	1,096	1,235	1,418	1,209
Export, incl.:	1,154	844	1,005	1,178	1,002
Sales to NBH	450	429	743	466	535
Slab sales by NLMK USA	1	2	1	3	2
Sales to subsidiaries	442	543	396	359	543
<b>TOTAL</b>	<b>1,793</b>	<b>1,639</b>	<b>1,633</b>	<b>1,781</b>	<b>1,754</b>



**(8) Export shipments from the Russian assets of the Group\***

k t	Q4 2015	Q3 2015	QoQ	Q4 2014	YoY	2015	2014	YoY
<b>Semi-finished products</b>	<b>1,802</b>	<b>1,638</b>	<b>10%</b>	<b>1,689</b>	<b>7%</b>	<b>6,690</b>	<b>5,999</b>	<b>12%</b>
Pig iron	150	220	-32%	147	2%	641	233	> 100%
Slabs	1,596	1,382	15%	1,542	4%	5,913	5,738	3%
Billets	56	36	54%	-	0%	136	28	> 100%
<b>Flat products</b>	<b>478</b>	<b>628</b>	<b>-24%</b>	<b>446</b>	<b>7%</b>	<b>2,343</b>	<b>2,122</b>	<b>10%</b>
HRC	227	276	-18%	200	14%	1,095	961	14%
CRC	132	207	-36%	147	-10%	740	714	4%
HDG	7	28	-75%	5	51%	54	23	> 100%
Coated	1	2	-27%	3	-62%	5	12	-57%
Dynamo	50	56	-11%	34	46%	212	190	11%
Transformer	60	59	2%	57	5%	237	222	7%
<b>Long products</b>	<b>22</b>	<b>40</b>	<b>-44%</b>	<b>67</b>	<b>-67%</b>	<b>201</b>	<b>175</b>	<b>15%</b>
<b>Total</b>	<b>2,303</b>	<b>2,306</b>	<b>0%</b>	<b>2,202</b>	<b>5%</b>	<b>9,234</b>	<b>8,296</b>	<b>11%</b>

\*Export shipments of the Russian Flat Products and the Russian Long Products Segments. Export sales include deliveries to subsidiaries and associated companies of the Group.



**(9) Segments information**

<b>Q4 2015</b>	<b>Russian flat products</b>	<b>Foreign rolled products</b>	<b>Russian long products</b>	<b>Mining</b>	<b>Investments in NBH</b>	<b>All other</b>	<b>Totals</b>	<b>Intersegmental operations and balances</b>	<b>NBH deconsolidation</b>	<b>Consolidated</b>
<b>\$ million</b>										
Revenue from external customers	1,025	282	142	43	243	2	1,736	-	(99)	1,637
Intersegment revenue	274	-	68	103	21	-	465	(445)	(21)	0
Gross profit	379	(26)	12	95	6	0	467	(9)	(6)	452
Operating income/(loss)	194	(47)	(31)	73	(76)	(1)	112	14	76	202
Income / (loss) before minority interest	316	(86)	(71)	75	(82)	(1)	153	(118)	40	75
Segment assets including goodwill	7,510	1,037	953	1,477	1,485	12	12,473	(2,196)	(1,358)	8,919

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

<b>Q3 2015</b>	<b>Russian flat products</b>	<b>Foreign rolled products</b>	<b>Russian long products</b>	<b>Mining</b>	<b>Investments in NBH</b>	<b>All other</b>	<b>Totals</b>	<b>Intersegmental operations and balances</b>	<b>NBH deconsolidation</b>	<b>Consolidated</b>
<b>\$ million</b>										
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 June 30, 2015