

# NLMK

27 March 2014

Press release

## Q4 AND 12M 2013 CONSOLIDATED FINANCIAL RESULTS UNDER US GAAP<sup>1</sup>

### Key highlights

'000 t/\$ million	Q4 2013 <sup>2</sup>	Q3 2013	Changes, qoq in %	Q4 2012	Changes, yoy in %	12M 2013	12M 2012	Changes, qoq in %
Sales volumes	3,571	3,724	-4%	3,678	-3%	14,831	15,184	-2%
Revenue	2,505	2,720	-8%	2,803	-11%	10,909	12,157	-10%
Operating profit	204	149	+37%	191	+7%	644	1,133	-43%
EBITDA <sup>3</sup>	409	379	+8%	390	+5%	1 505	1,900	-21%
EBITDA margin (%)	16.3%	13.9%		13.9%		13.8%	15.6%	
Net income <sup>4</sup>	-21	138	-	-22	-	189	596	-68%
Net debt <sup>5</sup>	2,702	2,772	-3%	3,574	-24%	2,702	3,574	-24%
Net debt/EBITDA <sup>5</sup>	1.80	1.87		1.88		1.80	1.88	

### 2013

- Group's steelmaking capacities were running at 95%.
- Steel production grew by 3% year-on-year to 15,429 million tonnes, including a 24% year-on-year increase for the Long Products Segment (to 2,232 million tonnes).
- Revenue totaled \$10,909 million (-10% year-on-year).
- EBITDA was US\$ 1,505 million (-21% year-on-year). EBITDA margin was 13.8%.
- Net debt/EBITDA was 1.80 (1.88 in 2012).

### Q4 2013

- Group's steelmaking capacities were running at 96%.
- Steel production grew by 5% quarter-on-quarter to 4,064 million tonnes.
- Group's revenue totaled US\$ 2,505 million (-8% quarter-on-quarter).
- EBITDA grew by 8% quarter-on-quarter to US\$ 409 million. EBITDA margin was 16.3%.

### Outlook

- In Q1 2014, we expect stable steel production volumes and higher sales on the back of improved conditions in the external and internal markets.

### Notes:

<sup>1</sup> Consolidated financial results are prepared based on US GAAP. Reporting periods of the Company are 3M, 6M, 9M and 12M 2013. Q3 and Q4 figures are derived by computational method. The same assumption applies to the calculation of segmental financial results.

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

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

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

<sup>5</sup> Net debt and Net debt/EBITDA ratio as of 31 December 2013 do not include NLMK guarantees for NBH financial debt.

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.

## **CONFERENCE CALL**

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

Thursday, 27 March 2014

09:00 (New York)

13:00 (London)

17:00 (Moscow)

To join the conference call, please, register on-line:

<https://eventreg1.conferencing.com/webportal3/reg.html?Acc=975352&Conf=190126>

or dial

International Call-in Number: +44 (0)20 7162 0026

US Call-in Number: +1 334 323 6201

Conference ID: 943103

\*We recommend that participants register on-line to avoid waiting in a queue or to start dialing in 5-10 minutes prior to ensure a timely start to the conference call.

We recommend that participants download the presentation in advance on NLMK's web-site [www.nlmkgroup.com](http://www.nlmkgroup.com)

The conference call replay will be available through 3 April 2014:

International Replay Number: + 44 (0) 207 031 4064

US Replay Number: +1 954 334 0342

Replay Access Code: 943103

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## CEO COMMENTS:

Oleg Bagrin, NLMK President and CEO, commented on the 12M and Q4 2013 operating results:

“2013 was a challenging year for the global steelmaking industry: the supply/demand imbalance intensified on the back of the weak recovery in developed economies and the slow-down in economic growth in developing countries. As a result, steelmaking capacities were running at below the cycle average. This caused the raw materials/steel products price spreads to narrow, creating a drag on the profitability of the industry.

“In these conditions, NLMK Group managed to keep its main steelmaking capacities running at almost 100%. A new plant to produce long products, NLMK Kaluga, was launched, bringing NLMK’s total steel production to 15.4 million tonnes (+3%).

“NLMK continued to implement its efficiency enhancement programmes as part of NLMK Production System. Measures aimed at boosting process efficiency and optimizing costs led to a US\$ 244 million cut in costs year-on-year, allowing NLMK to retain its margins at above the industry average with a 14% EBITDA margin in 2013.

“In 2013, NLMK completed the capital-intensive stage of its investment cycle, cutting investments by 48% year-on-year to US\$ 756 million. Free cash flow grew by 63% year-on-year to US\$ 544 million. Net debt reduced by 24%, with the Net debt/EBITDA standing at 1.8 at the end of 2013.

“In 2014, NLMK plans to grow steel output on the back of higher utilization rates at NLMK Kaluga and consistently high steelmaking capacity utilization rates at the Group’s other sites. The Company will continue to develop NLMK Production System aimed at retaining the gains already made and at further operational efficiency enhancements. This will be one of the key drivers for profitability growth in 2014.

“In Q1 2014, we expect seasonal improvements in demand for steel products. Together with continued implementation of projects under NLMK Production System and the positive impact from the weakening of the rouble on our costs, this should result in improved financial performance quarter-on-quarter.”

## MANAGEMENT COMMENTS

- **Market review**

### *2013 overview*

In 2013, despite the global growth in steel consumption (+4% to 1,481 billion tonnes), steel product/raw materials price spreads continued to narrow as a result of an oversupply in the steel market. Average prices for steel products decreased by 6% year-on-year to US\$ 540/tonne, prices for iron ore concentrate increased by 3% year-on-year (import, China).

Prices for steel products in the Russian market also slumped (HRC prices were down by 15% year-on-year to US\$ 500/tonne) on the back of negative global price trends and import growth.

In the USA, prices remained stable on average throughout the year, with an upward trend recorded in H2. In Europe, the supply/demand imbalance persisted, with rolled steel prices decreasing by 6% year-on-year to US\$ 625/tonne.

### *Q4 2013 overview*

Q4 saw the seasonal decrease in demand from key consumers in Russia (construction and infrastructure sectors). This led to a price decrease in the long product market. European prices remained stable overall, or decreased insignificantly. In the USA, improved demand supported an increase in prices.

- **Production and sales structure**

### *2013 overview*

In 2013, NLMK Group grew its steel production by 3% year-on-year to 15,429 million tonnes. This was supported by high utilization rates at NLMK's steelmaking capacities and the launch of a new EAF mill, NLMK Kaluga.

In 2013, steel product sales totaled 14.8 million tonnes (-2% year-on-year). The year-on-year decrease was caused by lower commercial pig iron sales (-73% year-on-year to 169,000 tonnes) and lower finished product sales by NLMK Europe (see the *Segments* section for one-off and other factors). These factors were partially offset by higher sales by the Long Products Segment (+23% year-on-year to 2,104 million tonnes) and higher sales by NLMK USA (+4% year-on-year to 1,811 million tonnes). High value added product sales accounted for 35% (-1 p.p. year-on-year). This is explained by the deconsolidation of NBH results in Q4 2013.

### *Q4 2013 overview*

Increased utilization rates at NLMK Kaluga allowed increasing Q4 steel production to 4.1 million tonnes (+5% quarter-on-quarter). Group's steelmaking capacities were running at 96%, including 100% at NLMK's main production site in Lipetsk; 87% at Long Product Division sites; and 85% at NLMK USA.

Q4 sales totaled 3,571 million tonnes (-4% quarter-on-quarter). This decrease was caused by the seasonality factor and the accumulation of finished product reserves to be sold in Q1-2 2014 on the back of expected improvements in the market conditions.

Following the deconsolidation of NBH sales, the share of high value added products decreased by 7 p.p. to 31%.

- **Sales markets**

*2013 overview*

In 2013, NLMK's wide sales geography allowed the company to respond flexibly to the local changes in demand and to promptly redirect its deliveries to the most stable markets. NLMK sales in the Russian market grew to 19% year-on-year (to 5.8 million tonnes). NLMK was able to expand its presence on the Russian market through increased deliveries of semi-finished products to pipe and tube manufacturers, and through higher sales to construction and infrastructure companies (up to 75% of total Russian sales).

Traditionally, the key international markets were Europe (17% of total sales), North America (14%), Asia and Oceania (10%), and the Middle East, including Turkey (10%) (for more information see Item 3 in the Appendix – *Sales by region*).

*Q4 2013 overview*

NLMK sales to the Russian market decreased by 9% quarter-on-quarter to 1.5 million tonnes due to the seasonally weakened demand. The seasonality factor was partially offset by an increase in NLMK Kaluga sales.

Due to improved demand in the North American market, NLMK was able to grow sales to the region by 30% quarter-on-quarter to 0.7 million tonnes. Sales were also partially redirected from the Middle East (-41% quarter-on-quarter) to Europe and Asia (+10% and +13%, respectively).

- **Prices**

*2013 overview*

In 12M 2013, average sales prices for NLMK products dropped by 4-6% year-on-year.

The decrease in Steel Segment prices for semi-finished products and flat steel was largely in line with the global trends (by 4-6% year-on-year). Prices for long products in the Russian market were down by 10-11% year-on-year.

Sales price trends for our international assets were largely in line with the local market trends: average prices in Europe were down by 6-8%, and by 2-4% in the USA.

*Q4 2013 overview*

Average NLMK prices for flat and long products decreased by 2-5% quarter-on-quarter on the back of the seasonal weakening in demand from the construction sector. Q4 saw a positive trend in the USA market, where prices for flat steel increased by 2-5% on average quarter-on-quarter. In Europe, prices stabilized, with an upward trend for some of the products.

- **Operational efficiency programmes in 2013**

In 2013, NLMK continued to develop and implement a whole range of initiatives aimed at improving the efficiency across NLMK Group divisions ("NLMK Production System"). Over the course of the year, these initiatives led to structural savings of US\$ 244 million year-on-year, largely offsetting the softening in market conditions.

- **Debt management**

NLMK Group's net debt at the end of 2013 stood at US\$ 2,702 billion, decreasing by 3% quarter-on-quarter and by 24% year-on-year on the back of a positive free cash flow. The decrease in net debt to the beginning of the year was also caused by the deconsolidation of NBH financial obligations (see [press release](#)).

Net debt / EBITDA at the end of 2013 was 1.80. Cash and ST financial investments at the end of 2013 stood at US\$ \$1,455 million.

At the end of 2013, NLMK's financial debt was US\$ 4,157 million (+1% quarter-on-quarter and -10% year-on-year), with 27% being accounted for by ST obligations, represented mostly by rouble bonds and revolving credit lines to finance working capital.

In October 2013, NLMK closed the order book for its BO-13 exchange bond issues, with a value of RUB 5 billion, a maturity period of 10 years, and a put option in 4 years after the date of placement. The rate of coupons 1-8 for these issues will be 8.05%. Proceeds from the placement of the bonds will be used for refinancing current liabilities and other general corporate purposes.

## KEY FINANCIALS

- **Revenue**

*2013 overview*

2013 revenue decreased by 10% year-on-year to US\$ 10,909 million, due to a 4-6% year-on-year reduction in average sales prices, the deconsolidation of NBH results in Q4 2013, and a 2% reduction in steel product sales volumes (see the *Production and sales structure* section above), and a 4-6% (year-on-year) reduction in average sales prices, as well as the deconsolidation of NBH results in Q4 2013.

*Q4 2013 overview*

Q4 revenue decreased by 8% quarter-on-quarter to US\$2,505 million, due to the effect from the NBH deconsolidation and the seasonal weakening in demand and prices in the Russian market. On the back of increased production volumes in Q4, the Group has accumulated finished product reserves to be sold in Q1-2 2014.

- **Operating profit**

*2013 overview*

12M 2013 operating profit was US\$ 644 million, a decline of 43% year-on-year due largely to narrowed spreads for finished steel and raw materials prices.

2013 slab cash costs at NLMK's Lipetsk plant (representing 80% of crude steel production in 2013) dropped by 10% year-on-year to US\$ 348. This decrease was related to the savings achieved under efficiency gains programmes for upstream operations.

Amortization expenses in 2013 increased by 12% year-on-year to US\$ 862 million, due to the commissioning of new production facilities.

2013 general and administrative expenses fell by 5% year-on-year to US\$ 424 million driven mainly by the effect of the cost optimization programmes as well as by the deconsolidation of NBH results in Q4. Selling expenses dropped by 20% year-on-year to US\$ 917 million due to the change in the selling expenses recognition policy: part of transportation costs was reclassified as operating expenses.

*Q4 2013 overview*

Q4 operating profit jumped by 37% quarter-on-quarter to US\$ 204 million. This significant growth was driven by improved demand in the external markets, better sales and profitability of NLMK USA, and efficiency gains programmes. These factors offset the seasonal weakening in the Russian market that was behind the somewhat lower results of the Steel Segment and Long Steel Segment.

Q4 slab cash cost at the Lipetsk plant increased by 6% quarter-on-quarter to US\$ 349/tonne driven by increased prices for scrap and pellets.

Depreciation and amortization declined by 11% quarter-on-quarter to US\$ 205 million. This decline is mainly attributable to the deconsolidation of NBH results. This effect was partially offset by the launch of new facilities.

Q4 general and administrative expenses dropped by 21% quarter-on-quarter to US\$ 85 million driven by the effect of the cost optimization programme and NBH deconsolidation. Selling expenses increased by 4% quarter-on-quarter to US\$ 221 million due to a higher share of export sales from NLMK's Russian assets.

- **Net profit**

*2013 overview*

12M 2013 net profit dropped by 68% year-on-year to US\$ 189 million due reduced profits from core operations as market conditions deteriorated, and an increase in amortization expenses (+US\$ 94 million in 2013). An additional factor contributing to the decline in the profit was a higher share of

interest expenses recognized in the P&L while the share of capitalized interest expenses reduced accordingly. Total interest expenses (including capitalized interest expenses) declined by 9% year-on-year to US\$ 239 million.

The decline in the net profit was also attributable to the allowance for non-recoverability of previously accrued deferred tax assets of NLMK's foreign rolled assets in Q2 2013 as well as NBH losses in Q4 2013.

#### *Q4 2013 overview*

Q4 2013 net loss totaled (-)US\$ 21 million (net income in Q3 2013 totaled US\$ 138 million). One of the factors behind the net loss was the increase in other expenses represented by the additional tax charges (tax base correction after the introduction of new assets). Another factor is NBH loss represented by deferred income tax write-off that totaled US\$ 27 million. NLMK share in the net loss of NBH, that was indicated as net loss from associated companies, totaled US\$ 54 million.

- **Cash flow**

#### *2013 overview*

Operating cash flow in 2013 totaled US\$ 1,219 million (-33% year-on-year). This reduction is mostly attributable to lower operating profit and stable level of working capital (year-on-year) of the Group.

Capital expenditures in 2013 reduced by 48% to US \$756 million following the completion of major capital intensive projects.

Cash outflow from financing activities totaled (-) US\$ 128 million, represented by dividends of US\$ 114 million and net settlements of the debt portfolio.

Cash and equivalents and short term investments totaled US\$ 1.455 billion, including US\$ 0.485 billion of deposits and short term investments as of the end of 2013.

#### *Q4 2013 overview*

Operating cash flow in Q4 2013 went down by 58% to US\$ 189 million largely due to increased finished steel inventories at Novolipetsk. These inventories will be sold in Q1-Q2 2014. Inventories at NLMK Kaluga also went up (raw materials and finished steel) following the growth in the plant's run rates.

Investments totaled US\$ 98 million (-65% quarter-on-quarter). The reduction in investments allowed achieving positive free operating cash flow in Q4 that totaled US\$ 92 million.

## Steel Segment\*

\$ million	Q4 2013**	Q3 2013	Change, %	12M 2013	12M 2012	Change, %
Steel product sales, '000 tonnes	<b>2,731</b>	3,144	-13%	<b>11,840</b>	12,117	-2%
including third party sales, '000 tonnes	<b>2,395</b>	2,210	+8%	<b>9,342</b>	9,502	-2%
Revenue, incl.	<b>1,802</b>	2,002	-10%	<b>7,865</b>	8,676	-9%
Revenue from external customers	<b>1,595</b>	1,529	+4%	<b>6,468</b>	7,150	-10%
Revenue from intersegmental operations	<b>207</b>	472	-56%	<b>1,396</b>	1,526	-9%
EBITDA	<b>153</b>	187	-18%	<b>637</b>	968	-34%
EBITDA margin	<b>8%</b>	9%	-1 p.p.	<b>8%</b>	11%	-3 p.p.

### 2013 overview

In 2013, the Segment sales totaled 11,840 million tonnes (-2% year-on-year). Sales declined due mainly to lower pig iron sales (0.169 million tonnes in 2013, and 0.614 million tonnes in 2012).

The revenue of the Segment totaled US\$ 7,865 million t (-9% year-on-year). EBITDA went down to US\$ 637 million (-34% year-on-year). The financial results deteriorated due mostly to lower steel prices and narrowed spreads between steel and raw material prices and also due to higher expenses for the services of natural monopolies.

### Q4 2013 overview

In Q4 2013, the Segment sales totaled 2,731 million tonnes (-13% quarter-on-quarter). This reduction was factored by the seasonal decline in demand and the high base effect of the previous period. Sales to third parties in Q4 went up by 8% quarter-on-quarter to 2.395 million tonnes as a result of NBH deconsolidation and recognition of slab sales to NBH as sales to third parties.

Steel Segment revenue went down by 10% quarter-on-quarter to US\$ 1,802 million due to lower sales and reduced prices on the domestic market. EBITDA margin was 8% (-1 p.p.)

### Outlook

In Q1 2014, we expect growth in sales driven among other factors by inventory sales. The seasonal price improvement on the international markets together with lower iron ore prices will positively affect the Segment's financial results.

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

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

## Long Products Segment \*

\$ million	Q4 2013	Q3 2013	Change, %	12M 2013	12M 2012	Change, %
Long products and metalware sales, '000 tonnes	635	570	+11%	2,102	1,699	+24%
Revenue incl.	473	468	+1%	1,716	1,645	+4%
Revenue from external Customers	371	355	+5%	1,328	1,199	+11%
Revenue from intersegmental operations	102	114	-10%	388	446	-13%
EBITDA	12	40	-69%	95	171	-44%
EBITDA margin	3%	8%	-5 p.p.	6%	10%	- 4 p.p.

### 2013 overview

In 2013 overall sales of the Segment increased by 24% year-on-year to 2,102 million tonnes largely as a result of the NLMK Kaluga (new facility) launch. NLMK Kaluga sold 0.314 million tonnes of steel products (0.226 million tonnes were sold in Q4).

The revenue of the Segment went up by 4% year-on-year to US\$ 1,716 million driven by sales growth which offset the lower prices for long steel. EBITDA margin went down to 6% due to the narrowed spreads between steel and scrap prices, and to higher expenses for the services of natural monopolies.

### Q4 2013 overview

In Q4 2013, overall sales of the Segment increased by 11% quarter-on-quarter to 0,635 million tonnes. The revenue of the Segment went up by 1% as higher sales were offset by the sharp reduction in steel prices (5-10% quarter-on-quarter). EBITDA margin in Q4 declined to 3% as the reduction in steel prices was accompanied by seasonally high scrap prices.

### Outlook

In Q1 2014, there is still a seasonally low level of demand and a high level of supply on the market that is weighing on the prices.

\* The Long Products Segment covers the financials of 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	Q4 2013	Q3 2013	Change, %	12M 2013	12M 2012	Change, %
Sales of iron ore concentrate and sinter ore , '000 tonnes	<b>3,964</b>	3,860	+3%	<b>15 434</b>	15 835	-3%
Incl. to Lipetsk plant	<b>3,051</b>	2,925	+4%	<b>11,641</b>	11,891	-2%
Revenue incl.	<b>353</b>	312	+13%	<b>1,351</b>	1,338	+1%
Revenue from external customers	<b>94</b>	86	+9%	<b>372</b>	341	+9%
Revenue from intersegmental operations	<b>259</b>	226	+14%	<b>979</b>	997	-2%
EBITDA	<b>228</b>	190	+20%	<b>860</b>	861	0%
EBITDA margin	<b>65%</b>	61%	+4 p.p.	<b>64%</b>	64%	-

### 2013 overview

In 2013, sales of iron ore concentrate and sinter ore totaled 13,981 million tonnes (-1% year-on-year) and 1,453 million tonnes (-16% year-on-year), respectively. 79% of iron ore concentrate and 41% of sinter ore were delivered to the Lipetsk plant.

Overall revenue of the Segment increased 1% year-on-year to US\$ 1,351 million driven by an increase in average iron ore prices offsetting lower sales volumes. EBITDA totaled US\$ 860 million, EBITDA margin was 64% (previous year level). Higher expenses for the services of natural monopolies were offset by tight control over other costs.

### Q4 2013 overview

Sales of iron ore concentrate and sinter ore totaled 3,604 million tonnes (+3% quarter-on-quarter) and 0,360 million tonnes (-1% quarter-on-quarter), respectively. 80% of iron ore concentrate and 42% of sinter ore were delivered to the Lipetsk plant.

The Segment revenue increased by 13% quarter-on-quarter to \$353 million supported mainly by an increase in iron ore prices. EBITDA margin went up by 4 p.p. to 65%.

### Outlook

In Q1 we expect revenue and profit to decline due to lower world prices for iron ore.

\* 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	Q4 2013*	Q3 2013	Change, %	12M 2013	12M 2012	Change, %
Steel products sales, '000 tonnes	541	945	-43%	3,386	3,983	-15%
Revenue incl.	445	750	-41%	2,742	3,468	-21%
Revenue from external customers	445	750	-41%	2,740	3,467	-21%
Revenue from intersegmental operations	-	1	-	2	1	+27%
EBITDA	30	-35	-	-94	-148	-

### 2013 overview

In 2013, Segment sales totaled 3,386 million tonnes (-15% year-on-year). The reduction was caused by the deconsolidation of NBH starting from Q4 2013. EBITDA loss was reduced to US\$ 94 million.

### Q4 2013 overview

In Q4 2013, Segment sales totaled 0,541 million tonnes (-43% quarter-on-quarter), revenue amounted to US\$ 445 million (-41% quarter-on-quarter). The sharp dip in sales and revenues was attributable to the deconsolidation of NBH results.

EBITDA of the Segment totaled US\$ 30 million versus a loss of US\$ 35 million in Q3 2013. The key contributor to the profit was NLMK USA which posted improved results on the back of strong market conditions. EBITDA of NLMK USA in Q4 totaled US\$ 33 million. NLMK Dansteel's EBITDA loss was US\$ 3 million.

### Outlook

In Q1 2014, we expect relatively stable sales and prices in Europe. In the USA, positive trends will persist.

\* The Foreign Rolled Products Segment before the 1<sup>st</sup> October 2013 comprised steelmaking companies located outside Russia. These are 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	Q4 2013	Q3 2013	12M 2013	12M 2012
Operating profit	204	149	644	1 133
Minus:				
Impairment losses	-	-	-	-
Depreciation and amortization	-205	-230	-862	-768
<b>EBITDA</b>	<b>409</b>	<b>379</b>	<b>1,505</b>	<b>1,900</b>

**(2) Sales by product**

('000 tonnes)

Product	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	12M 2013	12M 2012
Pig iron	26	9	91	42	46	169	615
Slabs	1,227	780	937	1,130	1,236	4,073	3,962
Thick plates	90	230	235	224	163	779	924
Hot-rolled steel	663	1,031	973	900	841	3,567	3,758
Cold-rolled steel	491	546	494	466	469	1,996	2,014
Galvanized steel	220	287	294	276	257	1,077	1,127
Pre-painted steel	99	144	145	161	142	549	576
Transformer steel	54	63	61	66	50	244	227
Dynamo steel	66	64	75	68	74	273	275
Billet	84	34	1	0	0	120	0
Long products	474	455	390	359	333	1,679	1,421
Metalware	77	80	78	71	67	305	285
<b>TOTAL</b>	<b>3,571</b>	<b>3,724</b>	<b>3,774</b>	<b>3,763</b>	<b>3,678</b>	<b>14,831</b>	<b>15,184</b>

**(3) Sales by region**

('000 tonnes)

Region	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	12M 2013	12M 2012
Russia	1,460	1,597	1,411	1,320	1,317	5,788	4,875
EU	662	599	615	653	597	2,529	2,824
Middle East incl. Turkey	254	431	419	360	303	1,463	1,280
North America	669	513	438	482	451	2,102	2,184
Asia and Oceania	248	220	457	515	508	1,440	2,413
Other regions	278	363	435	435	502	1,511	1,608
<b>ИТОГО</b>	<b>3,571</b>	<b>3,724</b>	<b>3,774</b>	<b>3,763</b>	<b>3,678</b>	<b>14,831</b>	<b>15,184</b>

#### (4) Revenue by region

Region	Q4 2013		Q3 2013		12M 2013		12M 2012	
	\$ million	share, %	\$ million	share, %	\$ million	share, %	\$ million	share, %
Russia	1,048	42%	1,179	43%	4,373	40%	4,398	36%
EU	404	16%	540	20%	2,074	19%	2,539	21%
Middle East incl. Turkey	152	6%	247	9%	875	8%	902	7%
North America	485	19%	378	14%	1,559	14%	1,647	14%
Asia and Oceania	150	6%	120	4%	794	7%	1,365	11%
Other regions	266	11%	256	10%	1,234	11%	1,305	11%
<b>ITOGO</b>	<b>2,505</b>	<b>100%</b>	<b>2,720</b>	<b>100%</b>	<b>10,909</b>	<b>100%</b>	<b>12,157</b>	<b>100%</b>

#### (5) Working capital

\$ million	31.12. 2013	30.09. 2013	30.06. 2013	31.03. 2013	31.12. 2012	31.12. 2011
<b>Current assets</b>	<b>5,102</b>	<b>4,918</b>	<b>5,537</b>	<b>5,834</b>	<b>5,469</b>	<b>5,504</b>
Cash and cash equivalents	970	835	1,241	1,220	951	797
Short term investments	485	516	121	271	107	227
Accounts receivable	1,438	1,540	1,497	1,557	1,491	1,573
Inventories	2,124	1,897	2,530	2,689	2,827	2,828
Other current assets, net	85	129	148	97	93	78
<b>Current liabilities</b>	<b>2,317</b>	<b>1,760</b>	<b>2,647</b>	<b>2,940</b>	<b>3,302</b>	<b>2,940</b>
Accounts payable	1,176	1,104	1,609	1,412	1,462	1,623
Short-term debt	1,119	616	994	1,484	1,816	1,306
Other current liabilities	22	40	44	45	24	11
<b>Working capital</b>	<b>2,785</b>	<b>3,158</b>	<b>2,890</b>	<b>2,894</b>	<b>2,167</b>	<b>2,564</b>

#### (6) Production of main products 2012-2013

('000 tonnes)

Products	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	2013	2012
<b>Coke 6% moisture, incl.</b>	<b>1,668</b>	<b>1,666</b>	<b>1,628</b>	<b>1,727</b>	<b>1,692</b>	<b>6,689</b>	<b>7,116</b>
Novolipetsk	620	651	625	635	650	2,530	2,591
Altai-Koks	1,048	1,016	1,004	1,093	1,041	4,160	4,525
<b>Crude steel, incl..</b>	<b>4,064</b>	<b>3,887</b>	<b>3,785</b>	<b>3,693</b>	<b>3,674</b>	<b>15,429</b>	<b>14,923</b>
Steel Segment	3,193	3,089	3,086	3,032	3,027	12,400	12,184
Long Products Segment	707	587	488	450	436	2,232	1,804
Incl. NLMK-Kaluga	253	95	11			359	
Foreign Rolled Products Segment	164	211	211	211	211	797	935
<b>Rolled products / finished products, incl.</b>	<b>2,424</b>	<b>2,800</b>	<b>2,741</b>	<b>2,673</b>	<b>2,491</b>	<b>10,638</b>	<b>10,738</b>
Flat steel	1,834	2,271	2,289	2,229	2,071	8,622	8,997
Long steel	590	529	453	444	421	2,016	1,740

**(7) Slab sales, including to NLMK Group companies**  
('000 tonnes)

	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	2013	2012
Sales to third parties, incl.	1,227	780	937	1,129	1,236	4,073	3,962
Export	1,108	638	756	978	1,173	3,479	3,884
<i>Incl. sales to NBH</i>	446					446	
Domestic market	119	142	181	151	63	594	78
Sales to subsidiaries	337	933	616	513	628	2,399	2,577
<b>Total</b>	<b>1,563</b>	<b>1,713</b>	<b>1,553</b>	<b>1,643</b>	<b>1,864</b>	<b>6,472</b>	<b>6,539</b>

**OJSC Novolipetsk Steel**  
**Consolidated balance sheets**  
**as at December 31, 2013, 2012 and 2011**  
*(thousands of US dollars)*

	As at December 31, 2013	As at December 31, 2012	As at December 31, 2011
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	969,992	951,247	797,169
Short-term investments	484,981	106,906	227,279
Accounts receivable and advances given, net	1,437,697	1,490,951	1,572,641
Inventories, net	2,123,755	2,826,933	2,828,433
Other current assets	7,578	30,394	59,355
Deferred income tax assets	77,864	62,959	18,887
	<b>5,101,867</b>	<b>5,469,390</b>	<b>5,503,764</b>
<b>Non-current assets</b>			
Long-term investments	501,074	19,293	8,420
Property, plant and equipment, net	10,002,996	11,753,157	10,569,828
Intangible assets, net	115,958	141,922	158,611
Goodwill	463,409	786,141	760,166
Deferred income tax assets	58,585	249,565	237,113
Other non-current assets	40,192	38,052	19,274
	<b>11,182,214</b>	<b>12,988,130</b>	<b>11,753,412</b>
<b>Total assets</b>	<b>16,284,081</b>	<b>18,457,520</b>	<b>17,257,176</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and other liabilities	1,175,709	1,462,105	1,622,679
Short-term borrowings	1,119,286	1,816,169	1,306,263
Current income tax liability	21,553	23,800	10,994
	<b>2,316,548</b>	<b>3,302,074</b>	<b>2,939,936</b>
<b>Non-current liabilities</b>			
Deferred income tax liability	599,250	792,240	713,666
Long-term borrowings	3,038,041	2,815,554	3,073,535
Other long-term liabilities	55,433	457,362	424,878
	<b>3,692,724</b>	<b>4,065,156</b>	<b>4,212,079</b>
<b>Total liabilities</b>	<b>6,009,272</b>	<b>7,367,230</b>	<b>7,152,015</b>
<b>Commitments and contingencies</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Stockholders' equity</b>			
<b>NLMK stockholders' equity</b>			
Common stock, 1 Russian ruble par value – 5,993,227,240 shares issued and outstanding at December 31, 2013, 2012 and 2011	221,173	221,173	221,173
Statutory reserve	10,267	10,267	10,267
Additional paid-in capital	256,922	306,391	306,391
Accumulated other comprehensive loss	(1,897,100)	(997,035)	(1,489,442)
Retained earnings	11,655,490	11,582,368	11,098,635
	<b>10,246,752</b>	<b>11,123,164</b>	<b>10,147,024</b>
<b>Non-controlling interest</b>	<b>28,057</b>	<b>(32,874)</b>	<b>(41,863)</b>
<b>Total stockholders' equity</b>	<b>10,274,809</b>	<b>11,090,290</b>	<b>10,105,161</b>
<b>Total liabilities and stockholders' equity</b>	<b>16,284,081</b>	<b>18,457,520</b>	<b>17,257,176</b>

**OJSC Novolipetsk Steel**  
**Consolidated statements of income**  
**for the years ended December 31, 2013, 2012**  
**and 2011 (thousands of US dollars)**

	For the year ended December 31, 2013	For the year ended December 31, 2012	For the year ended December 31, 2011
<b>Revenue</b>	<b>10,909,442</b>	<b>12,156,592</b>	<b>11,728,556</b>
<b>Cost of sales</b>			
Production cost	(7,928,521)	(8,494,438)	(7,780,243)
Depreciation and amortization	(861,516)	(767,715)	(588,707)
	<b>(8,790,037)</b>	<b>(9,262,153)</b>	<b>(8,368,950)</b>
<b>Gross profit</b>	<b>2,119,405</b>	<b>2,894,439</b>	<b>3,359,606</b>
General and administrative expenses	(424,185)	(448,268)	(556,169)
Selling expenses	(917,270)	(1,143,610)	(972,685)
Taxes other than income tax	(134,134)	(169,786)	(165,073)
<b>Operating income</b>	<b>643,816</b>	<b>1,132,775</b>	<b>1,665,679</b>
Loss on disposals of property, plant and equipment	(22,413)	(38,051)	(29,293)
Gains / (losses) on investments, net	21,124	(2,828)	11,922
Interest income	40,241	28,581	29,531
Interest expense	(113,869)	(68,462)	-
Foreign currency exchange gain, net	37,804	3,282	18,662
Other expenses, net	(123,222)	(140,428)	(14,337)
<b>Income before income tax</b>	<b>483,481</b>	<b>914,869</b>	<b>1,682,164</b>
Income tax expense	(221,937)	(304,712)	(421,034)
<b>Income, net of income tax</b>	<b>261,544</b>	<b>610,157</b>	<b>1,261,130</b>
Equity in net (losses) / earnings of associates	(53,958)	276	54,272
<b>Net income</b>	<b>207,586</b>	<b>610,433</b>	<b>1,315,402</b>
<b>Add: Net (income) / loss attributable to the non-controlling interest</b>	<b>(18,846)</b>	<b>(14,628)</b>	<b>42,192</b>
<b>Net income attributable to NLMK stockholders</b>	<b>188,740</b>	<b>595,805</b>	<b>1,357,594</b>
<b>Earnings per share – basic and diluted:</b>			
Net earnings attributable to NLMK stockholders per share (US dollars)	0.0315	0.0994	0.2265
Weighted-average shares outstanding: basic and diluted (in thousands)	5,993,227	5,993,227	5,993,227

**OJSC Novolipetsk Steel**  
**Consolidated statements of cash flows**  
**for the years ended December 31, 2013, 2012**  
**and 2011 (thousands of US dollars)**

	For the year ended December 31, 2013	For the year ended December 31, 2012	For the year ended December 31, 2011
<b>CASH FLOWS</b>			
<b>FROM OPERATING ACTIVITIES</b>			
Net income	207,586	610,433	1,315,402
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>			
Depreciation and amortization	861,516	767,715	588,707
Loss on disposals of property, plant and equipment	22,413	38,051	29,293
(Gains) / losses on investments, net	(21,124)	2,828	(11,922)
Interest income	(40,241)	-	-
Interest expense	113,869	68,462	-
Equity in net losses / (earnings) of associates	53,958	(276)	(54,272)
Deferred income tax expense	80,867	20,933	45,643
(Gains) / losses on derivatives	(455)	(8,522)	4,819
Other	(48,623)	14,293	24,967
<b>Changes in operating assets and liabilities</b>			
(Increase) / decrease in accounts receivable	(337,090)	166,715	130,417
(Increase) / decrease in inventories	(95,777)	169,858	(368,932)
Decrease in other current assets	7,351	31,628	13,495
Increase / (decrease) in accounts payable and other liabilities	412,147	(69,932)	97,616
Increase / (decrease) in current income tax payable	2,104	12,471	(10,118)
<b>Cash provided by operating activities</b>	<b>1,218,501</b>	<b>1,824,657</b>	<b>1,805,115</b>
Interest received	40,433	-	-
Interest paid	(81,486)	-	-
<b>Net cash provided by operating activities</b>	<b>1,177,448</b>	<b>1,824,657</b>	<b>1,805,115</b>
<b>CASH FLOWS</b>			
<b>FROM INVESTING ACTIVITIES</b>			
Purchases and construction of property, plant and equipment	(756,290)	(1,453,386)	(2,047,852)
Proceeds from sale of property, plant and equipment	6,371	28,692	26,980
(Purchases) / proceeds from sale of investments and loans given, net	(87,368)	13,334	1,568
(Placement) / withdrawal of bank deposits, net	(264,412)	124,986	192,310
Acquisition of additional stake in existing subsidiary	(9,609)	-	-
Disposal of investment in subsidiary	46,169	-	-
Acquisitions of subsidiaries, net of cash acquired of \$112,806 in 2011	-	(156,510)	(41,751)
<b>Net cash used in investing activities</b>	<b>(1,065,139)</b>	<b>(1,442,884)</b>	<b>(1,868,745)</b>
<b>CASH FLOWS</b>			
<b>FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings and notes payable	2,005,458	1,819,425	1,967,362
Repayment of borrowings and notes payable	(1,995,800)	(1,798,836)	(1,683,536)
Capital lease payments	(24,400)	(23,116)	(32,525)
Dividends to shareholders	(113,613)	(116,529)	(516,335)
Proceeds from disposal of assets to an entity under common control	-	-	313,246
<b>Net cash (used in) / provided by financing activities</b>	<b>(128,355)</b>	<b>(119,056)</b>	<b>48,212</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(16,046)</b>	<b>262,717</b>	<b>(15,418)</b>
Effect of exchange rate changes on cash and cash equivalents	34,791	(108,639)	64,608
Cash and cash equivalents at the beginning of the year	951,247	797,169	747,979
<b>Cash and cash equivalents at the end of the year</b>	<b>969,992</b>	<b>951,247</b>	<b>797,169</b>

**OJSC Novolipetsk Steel**  
**Consolidated statements of cash flows**  
**for the years ended December 31, 2013, 2012**  
**and 2011** (*thousands of US dollars*)

	<u>For the year ended December 31, 2013</u>	<u>For the year ended December 31, 2012</u>	<u>For the year ended December 31, 2011</u>
 <b>Supplemental disclosures of cash flow information:</b>			
 <b>Cash paid during the year for:</b>			
Income tax	(143,317)	(271,224)	(374,523)
Interest (excluding capitalized interest)	(81,486)	(68,462)	-
Placements of bank deposits	(1,231,976)	(144,315)	(528,737)
Withdrawals of bank deposits	967,564	269,301	721,047
 <b>Non cash investing activities:</b>			
Capital lease liabilities incurred	17,108	29,869	18,430
Fair value of assets disposed in course of partial disposal of investment	867,320	-	-
Fair value of net assets acquired from third parties in new subsidiaries, net of cash acquired of \$112,806 in 2011	-	-	464,511

