



**NLMK**

**5 August 2015**

**Press release**

**Q2 and H1 2015 CONSOLIDATED FINANCIAL RESULTS UNDER US GAAP**

### **H1 2015 highlights**

- Sales increased to 7.97 m t (+4% yoy) due to growth in exports of semi-finished products
- Revenue was \$4,356 million (-20% yoy) due to lower steel prices
- EBITDA increased to \$1,115 million (+5% yoy)
- Effect from operation efficiency programmes totaled \$102 million
- EBITDA margin expanded to 26% (+6 p.p. yoy)
- Capex increased to \$293 million (+4% yoy)
- Free cash flow decreased to \$537 million (-27% yoy)
- Net debt dropped to \$1,133 million (-46% yoy)
- Net debt/EBITDA was 0.47x
- Net income increased to \$491 million (+48% yoy).

### **Q2 2015 highlights**

- Group utilization rate was 94% (flat qoq and yoy)
- Sales increased to 4.0 m t (+1% qoq)
- Revenue decreased to \$2,140 million (-3% qoq) driven by falling export prices
- EBITDA totaled \$476 million (-25% qoq)
- EBITDA margin was 22% (-7 p.p qoq)
- Free cash flow totaled \$218 million (-32% qoq)
- Net income decreased to \$170 million (-47% qoq)

### **Outlook**

In Q3 2015, we expect production and sales to grow. Financial results will be impacted by low spreads between raw materials and steel prices.

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## **TELECONFERENCE**

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

Wednesday, 5 August 2015

- 10:00 am – USA (New York)
- 3:00 pm – Great Britain (London)
- 5:00 pm – Russia (Moscow)

To join the conference call, please, dial:

**US Number:**

+1212 444 0895 (local access) // 1877 280 2296 (toll free)

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**Russian Number:**

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**Conference ID:** 5920315

\* 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)

**Q2 and H1 2015 CONSOLIDATED FINANCIAL RESULTS UNDER US GAAP <sup>1</sup>****Key highlights**

| k t/\$ million               | Q2 2015 | Q1 2015 | QoQ     | 6M 2015 | 6M 2014 | YoY     |
|------------------------------|---------|---------|---------|---------|---------|---------|
| Sales volumes                | 4,012   | 3,958   | 1%      | 7,970   | 7,699   | 4%      |
| Revenue                      | 2,140   | 2,216   | -3%     | 4,356   | 5,446   | -20%    |
| EBITDA <sup>2</sup>          | 476     | 638     | -25%    | 1,115   | 1,063   | 5%      |
| EBITDA margin                | 22%     | 29%     | -7 p.p. | 26%     | 20%     | +6 p.p. |
| Net income <sup>3</sup>      | 170     | 321     | -47%    | 491     | 332     | 48%     |
| Free cash flow <sup>4</sup>  | 218     | 319     | -32%    | 537     | 738     | -27%    |
| Net debt <sup>5</sup>        | 1,133   | 1,247   | -9%     | 1,133   | 2 103   | -46%    |
| Net debt/EBITDA <sup>5</sup> | 0.47x   | 0.49x   |         | 0.47x   | 1.14x   |         |

**Notes:**

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

<sup>2</sup> 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>3</sup> Net profit attributable to NLMK shareholders.

<sup>4</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>5</sup> Net debt is calculated as the sum of LT and ST credits and loans less cash and cash equivalents, as well as ST financial investments at period end. Net debt / EBITDA is represented by net debt as at the end of the period and EBITDA is presented as Last 12 months EBITDA.

**COMMENT FROM NLMK GROUP CFO**

"In Q2 2015, demand for steel products on our key markets was relatively stable.

"Price spreads in the export markets contracted significantly, due to lower raw material prices and an oversupply of steel products, including on the back of substantial export from China. In the Russian market an uptick in steel demand was supported by ruble appreciation, stock accumulation by customers and declining import. NLMK increased shipments to the domestic market by 10% qoq on the back of favorable market conditions.

"NLMK's flexible sales strategy helped maintain run rates at close to full capacity, increase output, and diversify sales.

"High utilization rates are vital for maximizing the potential of operation efficiency programmes. In H1 2015, effect from these programmes totaled \$102 million (compared to the 2014 cost base). NLMK Group continues to work on maintaining the already achieved operational efficiency gains and on developing new initiatives.

"Increased volumes and optimized diversification of sales coupled with gains from operation efficiency programmes partially offset the narrowing price spreads and ruble appreciation. EBITDA totaled \$476 million (-25% qoq), while EBITDA margin stood at 22%.

"Positive free cash flow supported a decrease in net debt to \$1.1 billion (-9% qoq) as at the end of Q2 2015. Net debt/EBITDA was 0.5x, one of the lowest in the industry.

"In April, NLMK Board of Directors approved the payment of dividends for 2014 and Q1 2015 in the amount of \$170 million and \$179 million, respectively. Annualised dividend yield was approximately 10%.

"In Q3 2015, we expect further growth in sales, while financial results will depend largely on price trends in our key markets."

## MANAGEMENT COMMENTS

- **Market overview**

In Q2 2015, price competition increased significantly in all major markets backed by slumping steel demand in China and outstandingly high export shipments from Chinese steelmakers. A fall in raw material prices (prices for iron ore and coking coal fell by 8% qoq and 12% qoq, respectively) served as an additional factor for the reduction in steel product prices.

In the Russian market, opposing currency exchange trends resulted in volatile prices for steel products, both in dollar and ruble terms.

Demand in developed markets, including Europe and the USA, continued to improve, driven mainly by machine-building and automotive sectors. In the USA market, destocking continued, with the situation stabilizing by the end of Q2 2015. Apparent steel use in Russia declined by 18% yoy, on the back of the recession and weaker investment activity; while import contracted by 43%.

- **Production and sales**

### *Q2 2015*

NLMK Group steelmaking capacities were running at 94% (flat qoq), including 100% at the Lipetsk production site.

Group crude steel output increased to 4.05 m t (+5% qoq), following the completion of maintenance works at the Lipetsk site (+4% qoq) and at NLMK USA (+39% qoq). Crude steel output at NLMK's Long Products Segment companies remained flat qoq.

Group sales increased to 4.0 m t (+1% qoq). Finished product shipments went up to 2.58 m t (+11% qoq) following the completion of current hot-rolling mill repairs performed at the end of the first quarter. As result of increased finished product sales, slab shipments dropped to 1.23 m t (-13% qoq).

Slab sales to NLMK's captive operations expanded to 1.1 m t (+37% qoq), or 70% of total slab shipments by the Steel Segment (+ 23 p.p. yoy).

### *H1 2015*

Group crude steel output in H1 2015 increased to 7.92 m t (+3% yoy), mainly due to efforts aimed at boosting steelmaking equipment productivity at the Lipetsk site and higher utilization rates at NLMK Kaluga.

Group sales totaled 7.97 m t (+4% yoy) on the back of an increase in export shipments of semi-finished products to NLMK's captive operations abroad, that offset of the decline in finished product sales (-6% yoy).

- **Sales markets**

NLMK's sales to the Russian market increased to 1.54 m t (+10% qoq), or 38% of total sales (+2 p.p qoq).

International sales totaled 2.47 m t (-3% qoq), or 62% of totals sales, due to the decline in semi-finished product shipments. Foreign Rolled Products Segment sales of finished products increased to 0.60 m t (+11% qoq), due mainly to growing demand in the USA. Key external destinations were Europe, North America, Middle East (including Turkey), Central and South Africa.

Steady demand for finished steel on the international market triggered an increase in export sales to 5.01 m t (+14% yoy), or 63% of total sales (+6 p.p. yoy).

- **Prices**

Average prices for flat and long products in Russia increased in US dollar terms by 4-18%, while prices in ruble terms declined by 2-12%.

Export slab prices of the Group's Russian companies decreased by 6%.

In Europe, prices in US dollar terms fell by 3-10% qoq, due mainly to the devaluation of the Euro against the US dollar. In the USA, high import volumes and lower scrap prices contributed to a price decline of 12-20% qoq.

- **Operational efficiency programmes**

In 2015, NLMK continued to implement its operational efficiency programmes across all its business divisions. In H1 2015, effect from operational efficiency programmes totaled \$102 million in comparison with the 2014 cost base.

- **Debt management**

As at the end of Q2 2015, net debt declined to \$1.13 billion (-9% qoq) on the back of a positive free cash flow.

Net debt/EBITDA stood at 0.5x.

Net debt repayment for Q2 2015 amounted to \$94 million.

Group's total debt in Q2 2015 decreased to \$2.52 billion (-2% qoq; -34% yoy). Short-term debt represents 23% of the total debt and is comprised of ruble bonds and revolving credit lines for working capital financing.

- **Capex**

In Q2 2015, capex was \$178 million (+54% qoq; +18% yoy), with maintenance capex representing \$50 million.

46% of the capex was deployed in the development of Stoilensky. As of the end of June, 80% of the technological equipment has been delivered and 40% 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.

- **Dividends**

On 5 June 2015, NLMK's Annual General Meeting, in accordance with new dividend policy, approved the payment of dividends for 2014 in the amount of 2.44 rubles per ordinary share (considering interim dividends paid for H1 2014 in the amount of 0.88 rubles per ordinary share). Shareholders also approved the payment of dividends for Q1 2015 in the amount of 1.64 rubles per ordinary share. Total amount of the declared dividends for 2014 (additional payment to the dividends declared earlier for H1 2014) and Q1 2015 is \$170 million and 179 million, respectively. Main dividend payments are expected in Q3 2015.

## KEY FINANCIALS

- **Revenue**

### *Q2 2015*

Q2 2015 revenue declined to \$2,140 million (-3% qoq; -24% yoy) due to the reduction in average sales prices. The decline in steel prices was partially offset by a 1% qoq increase in sales.

The share of revenue from sales to the domestic market rose to 41% (+6 p.p. qoq) due to a solid price premium on the Russian market. Steady demand in the European market resulted in a 24% (+ 7p.p. qoq) increase in this market's sales revenue share; North America accounted for 16% (-2 p.p. qoq); Middle East (including Turkey) share in total revenue went up to 10% (+2 p.p. qoq); other regions accounted for 9% of total revenue.

The share of finished product sales in total revenue increased to 67% (+8 p.p. qoq).

### *H1 2015*

H1 2015 revenue declined to \$4,356 million (-20% yoy) due to a 15-30% yoy reduction in sales prices. This decline in steel prices was partially offset by a 4% yoy increase in sales.

- **Operating profit**

### *Q2 2015*

Q2 2015 operating profit totaled \$316 million (-37% qoq; -17% yoy). The qoq operating profit decline was caused by significantly narrowing spreads between raw material and steel prices in external markets, which was partially offset by the increase in sales volumes (+1% qoq) and the effect from operational efficiency programmes. Ruble appreciation against the US dollar by 15% qoq (52.65 RUB/USD in Q2 2015 vs. 62.19 USD/RUB in Q1 2015) also negatively affected operating profit.

Q2 2015 slab cash cost at the Lipetsk production site was \$238/t (+21% qoq). Cash cost growth was attributable to the increase in raw materials prices, and rising tariffs of natural monopolies that are denominated in rubles on the back of the ruble exchange rate appreciation.

Increase of commercial, general and administrative expenses in Q2 2015 by 12%, was due to rising sales volumes and ruble appreciation.

### *H1 2015*

H1 2015 operating profit increased to \$815 million (+25% yoy). The key drivers for this growth were our efficiency enhancement programmes; a 4% yoy increase in sales; the widening of spreads between prices for steel products and raw materials on the back of a slump in iron ore prices; and the fall in the average ruble vs. the US dollar exchange rate.

- **Net income**

### *Q2 2015*

Q2 2015 net income was \$170 million (-47% qoq). This is largely related to declining profit from operating activities and the high base effect in Q1 2015 on the back of income obtained from financial investments in the amount of \$60 million from the change in NBH equity share (Q2 2015 loss from financial investments totaled \$7 million).

### *H1 2015*

H1 2015 net income increased to \$491 million (+48% yoy) due mainly to increased profit from operating activities and a decline in "Equity in net losses of associates" losses. This item takes into account the financial performance of NBH in accordance with the stake held in the company as of the reporting date (79.5% at the end of H1 2014, and 51% at the end of H1 2015).

- **Cash flow**

*Q1 2015*

Cash flow from operations declined to \$426 million (-2% qoq; -31% yoy) on the back of declining income from operations.

Capex was \$178 million (+54% qoq; +18% yoy).

Free cash flow totaled \$218 million in Q2 2015.

*H1 2015*

Cash flow from operations in H1 2015 declined to \$860 million (-16% yoy).

Capex was \$293 million (+4% yoy).

Free cash flow declined to \$537 million (-27% yoy).

**Steel Segment\***

| k t/\$ million              | Q2 2015 | Q1 2015 | QoQ      | 6M 2015 | 6M 2014 | YoY      |
|-----------------------------|---------|---------|----------|---------|---------|----------|
| Steel product sales, incl.: | 3,176   | 3,209   | -1%      | 6,385   | 6,064   | 5%       |
| sales to third party        | 2,780   | 2,850   | -2%      | 5,630   | 5,122   | 10%      |
| Revenue, incl.:             | 1,610   | 1,611   | 0%       | 3,221   | 4,037   | -20%     |
| external customers          | 1,429   | 1,519   | -6%      | 2,948   | 3,470   | -15%     |
| intersegmental operations   | 181     | 93      | 96%      | 274     | 567     | -52%     |
| EBITDA                      | 370     | 534     | -31%     | 904     | 615     | 47%      |
| EBITDA margin               | 23%     | 33%     | -10 p.p. | 28%     | 15%     | +13 p.p. |

**Q2 2015**

Sales totaled 3.2 million tonnes (-1% qoq). Sales to third parties decreased by 2% to 2.8 million tonnes as sales of semi-finished products to NLMK's subsidiaries and affiliates in Europe and the USA grew.

Segment revenue totaled \$1.6 billion (flat qoq). The decrease in prices and sales was fully offset by product mix optimization.

Segment EBITDA was \$370 million (-31% qoq). The decrease in profit was associated with the narrowing of spreads between product and raw material prices that was partially offset by the effect from operational efficiency programmes. Steel Segment's EBITDA margin was 23% (-10 p.p. qoq).

**H1 2015**

Steel Segment sales totaled 6.4 million tonnes (+5% yoy), including 5.6 million tonnes (+10% yoy) sold to third parties. The increase in sales was driven mostly by the increase in the sales of commercial pig iron in 2015 (up to 275,000 tonnes vs. 10,000 tonnes in H1 2014).

Segment revenue totaled \$3.2 billion (-20% yoy), including \$2.9 billion (-15% yoy) from sales to third parties. The decrease in product prices was partially offset by higher sales volumes.

Segment EBITDA grew by 47% yoy to \$904 million. Steel Segment EBITDA margin was 28% (+13 p.p. qoq).

**Outlook**

In Q3 2015, we expect an increase in the Segment's operational performance.

\*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.

**Long Products Segment\***

| <b>k t/\$ million</b>                     | <b>Q2 2015</b> | <b>Q1 2015</b> | <b>QoQ</b> | <b>6M 2015</b> | <b>6M 2014</b> | <b>YoY</b> |
|---|----------------|----------------|------------|----------------|----------------|------------|
| Long products and metalware product sales | 675            | 568            | 19%        | 1,243          | 1,392          | -11%       |
| Revenue, incl.:                           | 361            | 274            | 32%        | 635            | 925            | -31%       |
| external customers                        | 267            | 231            | 15%        | 498            | 767            | -35%       |
| intersegmental operations                 | 95             | 43             | > 100%     | 137            | 158            | -13%       |
| EBITDA                                    | 4              | 33             | -89%       | 37             | 59             | -37%       |
| EBITDA margin                             | 1%             | 12%            | -11 p.p.   | 6%             | 6%             | 0 p.p.     |

**Q2 2015**

Segment sales increased by 19% qoq to 0.67 million tonnes, due to restocking processes by trading and service companies in export markets.

Segment revenue increased by 32% qoq to \$361 million. Revenue from intersegmental operations increased by a factor of 2.2 to \$95 million on the back of higher scrap supplies to Steel Segment companies.

Q2 2015 EBITDA was \$4 million (-89% qoq). This had to do with the significant narrowing of spreads between scrap and long product prices.

**H1 2015**

Long product sales totaled 1.24 million tonnes (-11% yoy). This was associated with lower demand on the back of a weakening in business activity in the construction sector in Russia.

In the reporting period, Segment revenue totaled \$635 million (-31% yoy) due to lower sales and negative price trends.

H1 2015 EBITDA was \$37 million (-37% yoy) due to lower sales and the narrowing of the scrap/long product price spreads. EBITDA margin was 6%.

**Outlook**

Segment's Q3 2015 operating and financial performance will largely depend on construction sector activity and the efficiency of state support measures in the construction sector.

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

**Mining Segment\***

| <b>k t/\$ million</b>                             | <b>Q2 2015</b> | <b>Q1 2015</b> | <b>QoQ</b> | <b>6M 2015</b> | <b>6M 2014</b> | <b>YoY</b> |
|---|----------------|----------------|------------|----------------|----------------|------------|
| Iron ore concentrate and sinter ore sales, incl.: | 4,320          | 3,858          | 12%        | 8,178          | 7,875          | 4%         |
| sales to Lipetsk plant                            | 3,014          | 2,879          | 5%         | 5,893          | 5,649          | 4%         |
| Revenue, incl.:                                   | 166            | 135            | 23%        | 301            | 623            | -52%       |
| external customers                                | 56             | 46             | 21%        | 102            | 205            | -50%       |
| intersegmental operations                         | 110            | 89             | 24%        | 199            | 418            | -52%       |
| EBITDA  | 74             | 64             | 15%        | 138            | 394            | -65%       |
| EBITDA margin                                     | 44%            | 47%            | -3 p.p.    | 46%            | 63%            | -17 p.p.   |

**Q2 2015**

Iron ore concentrate and sinter ore sales increased by 4.32 million tonnes (+12% qoq), as Lipetsk site needs in iron ore raw materials increased and stocks were sold.

As sales increased and average sales prices in the Russian market grew, Segment revenue increased by 23% qoq to \$166 million.

Q2 2015 EBITDA increased by 15% qoq to \$74 million on the back of higher sales volumes and prices, and operational efficiency programme gains. EBITDA margin was 44% (-3 p.p. qoq), as the share of less profitable export sales increased.

**H1 2015**

Iron ore concentrate and sinter ore sales increased to 8.18 million tonnes (+4% qoq) on the back of higher iron ore deliveries to the Lipetsk site.

The slump in global iron ore prices resulted in the change in the Segment's total revenue: in H1 2015 it totaled \$301 million (-52% yoy).

EBITDA was \$138 million (-65% yoy); EBITDA margin was 46%.

**Outlook**

In Q3 2015, we expect the Segment to maintain its operational performance.

\* 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\***

| <b>k t/\$ million</b>     | <b>Q2 2015</b> | <b>Q1 2015</b> | <b>QoQ</b> | <b>6M 2015</b> | <b>6M 2014</b> | <b>YoY</b> |
|---------------------------|----------------|----------------|------------|----------------|----------------|------------|
| Steel product sales       | 601            | 539            | 11%        | 1,141          | 1,201          | -5%        |
| Revenue, incl.:           | 382            | 420            | -9%        | 802            | 1,004          | -20%       |
| external customers        | 382            | 420            | -9%        | 802            | 1,004          | -20%       |
| intersegmental operations | -              | -              | 0%         | -              | -              | 0%         |
| EBITDA                    | (44)           | (13)           | > 100%     | (57)           | 42             | -235%      |
| EBITDA margin             | -12%           | -3%            | -9 p.p.    | -7%            | 4%             | -11 p.p.   |

**Q2 2015**

The improvement in demand in the USA and the European markets supported an increase in Q2 2015 sales to 0.60 million tonnes (+11% yoy).

Severe competition and pressure from imports determined the negative price trend in the USA (-20% qoq). As a result, revenue dropped by 9% qoq to \$382 million.

The narrowing of spreads between prices for finished products and slabs led to an EBITDA loss of -\$44 million. This figure incorporates the use of expensive slab stock accumulated in H2 2014. If the division had rerolled slabs purchased at Q2 2015 spot prices, EBITDA would have been \$3 million.

**H1 2015**

Segment sales totaled 1.14 million tonnes (-5% yoy), due to the major repairs at NLMK USA companies at the beginning of 2015.

Revenue was down by 20% to \$802 million, as sales volumes and average sales prices dropped vs. last year.

H1 2015 EBITDA loss was \$57 million (with the use of slabs purchased at Q2 2015 spot prices, Segment EBITDA would have been \$21 million).

**NBH (associated company) results**

In Q2 2015, NBH sales increased by 14% to 0.58 million tonnes on the back of the recovery in demand for finished products from key consumers (primarily the automotive sector) in the EU market.

The increase in the volume of sales (+14% qoq) fully offset the reduction in prices for NBH products. As a result, Q2 2015 revenue increased by 6% qoq to \$381million.

NBH EBITDA loss reduced to -\$3 million (Q1 2015 loss was -\$15 million) on the back of wider spreads between prices for slabs and finished products in the European market, as well as operational efficiency programmes.

**Outlook**

In Q3 2015, we expect NLMK USA to post stable operational results. Our European production assets have scheduled repair activities for the period of a seasonal drop in demand.

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

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**Appendixes****(1) Sales by product**

| <b>k t</b>        | <b>Q2 2015</b> | <b>Q1 2015</b> | <b>Q4 2014</b> | <b>Q3 2014</b> | <b>Q2 2014</b> |
|-------------------|----------------|----------------|----------------|----------------|----------------|
| Pig iron          | 120            | 155            | 156            | 97             | 4              |
| Slabs             | 1,235          | 1,418          | 1,209          | 860            | 973            |
| Thick plates      | 121            | 109            | 106            | 90             | 103            |
| Hot-rolled steel  | 908            | 793            | 815            | 913            | 950            |
| Cold-rolled steel | 494            | 472            | 451            | 545            | 553            |
| Galvanized steel  | 225            | 236            | 229            | 229            | 240            |
| Pre-painted steel | 91             | 89             | 133            | 124            | 125            |
| Transformer steel | 71             | 64             | 66             | 69             | 66             |
| Dynamo steel      | 71             | 54             | 44             | 47             | 81             |
| Billet            | 72             | 52             | 65             | 65             | 84             |
| Long products     | 539            | 441            | 487            | 459            | 568            |
| Metalware         | 64             | 75             | 83             | 84             | 87             |
| <b>TOTAL</b>      | <b>4,012</b>   | <b>3,958</b>   | <b>3,846</b>   | <b>3,581</b>   | <b>3,834</b>   |

**(2) Sales by region**

| <b>k t</b>                    | <b>Q2 2015</b> | <b>Q1 2015</b> | <b>Q4 2014</b> | <b>Q3 2014</b> | <b>Q2 2014</b> |
|-------------------------------|----------------|----------------|----------------|----------------|----------------|
| Russia                        | 1,545          | 1,410          | 1,590          | 1,694          | 1,736          |
| EU                            | 1,122          | 809            | 756            | 674            | 706            |
| Middle East, including Turkey | 404            | 323            | 308            | 217            | 237            |
| North America                 | 617            | 530            | 698            | 701            | 639            |
| Asia and Oceania              | 23             | 331            | 67             | 164            | 159            |
| Rest of World                 | 302            | 555            | 427            | 130            | 356            |
| <b>TOTAL</b>                  | <b>4,012</b>   | <b>3,958</b>   | <b>3,846</b>   | <b>3,581</b>   | <b>3,834</b>   |

**(3) Revenue by region**

| <b>Region</b>                 | <b>Q2 2015</b>    |              | <b>Q1 2015</b>    |              | <b>Q4 2014</b>    |              |
|-------------------------------|-------------------|--------------|-------------------|--------------|-------------------|--------------|
|                               | <b>\$ million</b> | <b>share</b> | <b>\$ million</b> | <b>share</b> | <b>\$ million</b> | <b>share</b> |
| Russia                        | 874               | 41%          | 784               | 35%          | 905               | 39%          |
| EU                            | 509               | 24%          | 388               | 17%          | 537               | 23%          |
| Middle East, including Turkey | 212               | 10%          | 171               | 8%           | 208               | 9%           |
| North America                 | 338               | 16%          | 393               | 18%          | 344               | 15%          |
| Asia and Oceania              | 45                | 2%           | 175               | 8%           | 185               | 8%           |
| Rest of World                 | 162               | 8%           | 306               | 14%          | 164               | 7%           |
| <b>TOTAL</b>                  | <b>2,140</b>      | <b>100%</b>  | <b>2,216</b>      | <b>100%</b>  | <b>2,343</b>      | <b>100%</b>  |

**(4) EBITDA**

| <b>\$ million</b>             | <b>Q2 2015</b> | <b>Q1 2015</b> | <b>Q4 2014</b> | <b>Q3 2014</b> | <b>Q2 2014</b> |
|-------------------------------|----------------|----------------|----------------|----------------|----------------|
| Operating income              | 316            | 499            | 348            | 402            | 382            |
| minus:                        | -              | -              | -              | -              | -              |
| Impairment losses             | -              | -              | (114)          | (83)           | -              |
| Depreciation and amortization | (161)          | (139)          | (165)          | (208)          | (212)          |
| <b>EBITDA</b>                 | <b>476</b>     | <b>638</b>     | <b>627</b>     | <b>693</b>     | <b>594</b>     |

**(5) Free cash flow**

| <b>\$ million</b>   | <b>Q2 2015</b> | <b>Q1 2015</b> | <b>Q4 2014</b> | <b>Q3 2014</b> | <b>Q2 2014</b> |
|---|----------------|----------------|----------------|----------------|----------------|
| Net cash from operating activities (with net interest payments) | 426            | 434            | 503            | 194            | 618            |
| Advance VAT payments on imported equipment                      | (30)           | -              | -              | -              | -              |
| Capex   | (178)          | (116)          | (122)          | (158)          | (151)          |
| <b>Free Cash Flow</b>   | <b>218</b>     | <b>319</b>     | <b>381</b>     | <b>36</b>      | <b>467</b>     |

**(6) Production of main products**

| <b>k t</b>                        | <b>Q2 2015</b> | <b>Q1 2015</b> | <b>Q4 2014</b> | <b>Q3 2014</b> | <b>Q2 2014</b> |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|
| <b>Crude steel, incl.:</b>        | <b>4,049</b>   | <b>3,874</b>   | <b>4,108</b>   | <b>4,131</b>   | <b>3,773</b>   |
| Steel Segment                     | 3,227          | 3,090          | 3,396          | 3,181          | 2,894          |
| Long products Segment, incl.:     | 691            | 690            | 551            | 776            | 722            |
| NLMK Kaluga                       | 263            | 261            | 198            | 283            | 279            |
| Foreign Rolled Products Segment   | 131            | 94             | 162            | 175            | 157            |
| <b>Finished products, incl.:</b>  | <b>2,527</b>   | <b>2,584</b>   | <b>2,413</b>   | <b>2,638</b>   | <b>2,696</b>   |
| Flat steel                        | 2,000          | 1,977          | 1,930          | 1,972          | 2,067          |
| Long steel                        | 526            | 607            | 483            | 666            | 629            |
| <b>Coke (6% moisture), incl.:</b> | <b>1,724</b>   | <b>1,681</b>   | <b>1,837</b>   | <b>1,783</b>   | <b>1,581</b>   |
| Novolipetsk                       | 639            | 637            | 645            | 649            | 589            |
| Altai-Koks                        | 1,085          | 1,044          | 1,192          | 1,134          | 992            |

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

| <b>k t</b>                     | <b>Q2 2015</b> | <b>Q1 2015</b> | <b>Q4 2014</b> | <b>Q3 2014</b> | <b>Q2 2014</b> |
|--------------------------------|----------------|----------------|----------------|----------------|----------------|
| Sales to third parties, incl.: | 1,235          | 1,418          | 1,209          | 860            | 973            |
| Export, incl.:                 | 1,005          | 1,178          | 1,002          | 703            | 801            |
| Sales to NBH                   | 743            | 466            | 535            | 461            | 430            |
| Domestic market                | 228            | 238            | 205            | 155            | 169            |
| Slab sales by NLMK USA         | 1              | 3              | 2              | 3              | 3              |
| Sales to subsidiaries          | 396            | 359            | 543            | 684            | 454            |
| <b>TOTAL</b>                   | <b>1,633</b>   | <b>1,780</b>   | <b>1,754</b>   | <b>1,547</b>   | <b>1,430</b>   |

|  | As at<br>June 30, 2015 | As at<br>December 31, 2014 |
|--|------------------------|----------------------------|
| <b>ASSETS</b>  |                        |                            |
| <b>Current assets</b>  |                        |                            |
| Cash and cash equivalents  | 749,200                | 549,210                    |
| Short-term investments   | 634,365                | 621,254                    |
| Accounts receivable and advances given, net  | 1,256,617              | 1,104,423                  |
| Inventories, net   | 1,458,191              | 1,560,091                  |
| Other current assets   | 8,738                  | 5,252                      |
| Deferred income tax assets   | 62,695                 | 75,169                     |
|  | <b>4,169,806</b>       | <b>3,915,399</b>           |
| <b>Non-current assets</b>  |                        |                            |
| Long-term investments  | 258,483                | 247,448                    |
| Property, plant and equipment, net   | 5,913,790              | 5,866,669                  |
| Intangible assets, net   | 22,414                 | 51,140                     |
| Goodwill   | 288,672                | 285,397                    |
| Deferred income tax assets   | 15,394                 | 16,683                     |
| Other non-current assets   | 19,987                 | 23,021                     |
|  | <b>6,518,740</b>       | <b>6,490,358</b>           |
| <b>Total assets</b>  | <b>10,688,546</b>      | <b>10,405,757</b>          |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |                        |                            |
| <b>Current liabilities</b>   |                        |                            |
| Accounts payable and other liabilities   | 1,069,683              | 773,942                    |
| Short-term borrowings  | 577,720                | 798,608                    |
| Current income tax liability   | 42,877                 | 47,529                     |
|  | <b>1,690,280</b>       | <b>1,620,079</b>           |
| <b>Non-current liabilities</b>   |                        |                            |
| Deferred income tax liability  | 407,757                | 405,122                    |
| Long-term borrowings   | 1,938,586              | 1,961,600                  |
| Other long-term liabilities  | 11,426                 | 96,044                     |
|  | <b>2,357,769</b>       | <b>2,462,766</b>           |
| <b>Total liabilities</b>   | <b>4,048,049</b>       | <b>4,082,845</b>           |
| <b>Commitments and contingencies</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 June 30, 2015 and December 31, 2014 | 221,173                | 221,173                    |
| Statutory reserve  | 10,267                 | 10,267                     |
| Additional paid-in capital   | 256,922                | 256,922                    |
| Accumulated other comprehensive loss   | (6,256,706)            | (6,431,492)                |
| Retained earnings  | 12,393,614             | 12,251,369                 |
|  | <b>6,625,270</b>       | <b>6,308,239</b>           |
| <b>Non-controlling interest</b>  | <b>15,227</b>          | <b>14,673</b>              |
| <b>Total stockholders' equity</b>  | <b>6,640,497</b>       | <b>6,322,912</b>           |
| <b>Total liabilities and stockholders' equity</b>  | <b>10,688,546</b>      | <b>10,405,757</b>          |

|   | <b>For the six<br/>months ended<br/>June 30, 2015</b> | <b>For the six<br/>months ended<br/>June 30, 2014</b> |
|---|---|---|
| <b>Revenue</b>  | <b>4,355,657</b>                                      | <b>5,446,019</b>                                      |
| <b>Cost of sales</b>  |   |   |
| Production cost   | (2,666,781)   | (3,694,085)   |
| Depreciation and amortization   | (299,734)   | (411,425)   |
|   | <b>(2,966,515)</b>                                    | <b>(4,105,510)</b>                                    |
| <b>Gross profit</b>   | <b>1,389,142</b>                                      | <b>1,340,509</b>                                      |
| General and administrative expenses                                   | (140,541)   | (176,792)   |
| Selling expenses  | (388,504)   | (437,389)   |
| Taxes other than income tax   | (45,192)  | (75,162)  |
| <b>Operating income</b>   | <b>814,905</b>  | <b>651,166</b>  |
| Loss on disposals of property, plant and equipment                    | (64)  | (3,794)   |
| Gains on investments, net   | 52,756  | 3,655   |
| Interest income   | 24,367  | 15,585  |
| Interest expense  | (40,224)  | (65,264)  |
| Foreign currency exchange loss, net                                   | (157,395)   | (15,928)  |
| Other expenses, net   | (16,257)  | (18,041)  |
| <b>Income before income tax</b>                                       | <b>678,088</b>  | <b>567,379</b>  |
| Income tax expense  | (146,230)   | (131,035)   |
| <b>Income, net of income tax</b>                                      | <b>531,858</b>  | <b>436,344</b>  |
| Equity in net losses of associates                                    | (40,519)  | (104,945)   |
| <b>Net income</b>   | <b>491,339</b>  | <b>331,399</b>  |
| <b>Add: Net (income) / loss attributable to the non-controlling</b>   | <b>(339)</b>  | <b>891</b>  |
| <b>Net income attributable to NLMK stockholders</b>                   | <b>491,000</b>  | <b>332,290</b>  |
| <b>Earnings per share – basic and diluted:</b>                        |   |   |
| Net earnings attributable to NLMK stockholders per share (US dollars) | 0.0819  | 0.0554  |
| Weighted-average shares outstanding, basic and diluted (in thousands) | 5,993,227   | 5,993,227   |

|  | <b>For the six<br/>months ended<br/>June 30, 2015</b> | <b>For the six<br/>months ended<br/>June 30, 2014</b> |
|--|---|---|
| <b>CASH FLOWS<br/>FROM OPERATING ACTIVITIES</b>  |   |   |
| <b>Net income</b>  | <b>491,339</b>  | <b>331,399</b>  |
| <b>Adjustments to reconcile net income to net cash provided<br/>by operating activities:</b> |   |   |
| Depreciation and amortization  | 299,734   | 411,425   |
| Loss on disposals of property, plant and equipment   | 64  | 3,794   |
| Gains on investments, net  | (52,756)  | (3,655)   |
| Interest income  | (24,367)  | (15,585)  |
| Interest expense   | 40,224  | 65,264  |
| Equity in net losses of associates   | 40,519  | 104,945   |
| Deferred income tax benefit  | 8,759   | 19,455  |
| Losses on derivatives  | 1,767   | 2,116   |
| Unrealized losses on foreign currency exchange   | 98,468  | -   |
| Other  | (4,448)   | 966   |
| <b>Changes in operating assets and liabilities</b>   |   |   |
| Increase in accounts receivable  | (101,728)   | (155,919)   |
| Decrease in inventories  | 87,399  | 331,808   |
| Increase in other current assets   | (2,730)   | (7,832)   |
| Increase / (decrease) in accounts payable and other liabilities                              | 1,988   | (25,729)  |
| (Decrease) / increase in current income tax payable  | (480)   | 3,638   |
| <b>Cash provided by operating activities</b>   | <b>883,752</b>  | <b>1,066,090</b>                                      |
| Interest received  | 17,170  | 14,024  |
| Interest paid  | (40,727)  | (60,921)  |
| <b>Net cash provided by operating activities</b>   | <b>860,195</b>  | <b>1,019,193</b>                                      |
| <b>CASH FLOWS<br/>FROM INVESTING ACTIVITIES</b>  |   |   |
| Purchases and construction of property, plant and equipment                                  | (293,416)   | (281,230)   |
| Proceeds from sale of property, plant and equipment  | 9,354   | 6,373   |
| Investments and loans given, net   | (58,099)  | (58,107)  |
| Placement of bank deposits, net  | (9,577)   | (322,510)   |
| Contribution to share capital of associate   | (22,034)  | -   |
| Advance VAT payments on imported equipment   | (30,062)  | -   |
| <b>Net cash used in investing activities</b>   | <b>(403,834)</b>                                      | <b>(655,474)</b>                                      |
| <b>CASH FLOWS<br/>FROM FINANCING ACTIVITIES</b>  |   |   |
| Proceeds from borrowings and notes payable   | 86,024  | 11,169  |
| Repayment of borrowings and notes payable  | (274,743)   | (292,559)   |
| Capital lease payments   | (1,162)   | (11,405)  |
| Dividends to shareholders  | (41,350)  | (111,193)   |
| <b>Net cash used in financing activities</b>   | <b>(231,231)</b>                                      | <b>(403,988)</b>                                      |
| <b>Net increase / (decrease) in cash and cash equivalents</b>                                | <b>225,130</b>  | <b>(40,269)</b>                                       |
| Effect of exchange rate changes on cash and cash equivalents                                 | (25,140)  | 9,344   |
| Cash and cash equivalents at the beginning of the year                                       | 549,210   | 969,992   |
| <b>Cash and cash equivalents at the end of the period</b>                                    | <b>749,200</b>  | <b>939,067</b>  |
| <b>Supplemental disclosures of cash flow information:</b>                                    |   |   |
| Placements of bank deposits  | (346,244)   | (1,063,004)   |
| Withdrawals of bank deposits   | 336,667   | 740,495   |