



**OJSC  
NOVOLIPETSK STEEL**

**INTERIM CONDENSED  
CONSOLIDATED FINANCIAL STATEMENTS**

**PREPARED IN ACCORDANCE WITH  
INTERNATIONAL FINANCIAL  
REPORTING STANDARDS**

**AS AT 30 SEPTEMBER 2015 AND 31 DECEMBER 2014  
AND FOR THE THREE AND THE NINE MONTHS ENDED 30 SEPTEMBER 2015 AND 30 SEPTEMBER 2014  
(UNAUDITED)**



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## ***Report on Review of Interim Condensed Consolidated Financial Statements***

To the Shareholders and Board of Directors of OJSC Novolipetsk Steel:

### **Introduction**

We have reviewed the accompanying interim condensed consolidated statement of financial position of OJSC Novolipetsk Steel and its subsidiaries (the "Group") as of 30 September 2015 and the related interim condensed consolidated statements of profit or loss, other comprehensive income for the three and nine-month periods then ended, and changes in equity and of cash flows for the nine-month period then ended. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

*AO PricewaterhouseCoopers Audit*

8 November 2015  
Moscow, Russian Federation

**OJSC Novolipetsk Steel**  
**Interim condensed consolidated statement of financial position**  
**as at 30 September 2015 (unaudited) and 31 December 2014**  
*(millions of US dollars)*



	Note	As at 30 September 2015	As at 31 December 2014
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	493.0	549.2
Short-term financial investments	5	876.6	621.3
Trade and other accounts receivable	6	1,074.8	1,122.5
Inventories	7	1,312.7	1,562.8
Other current assets		11.3	5.3
		<b>3,768.4</b>	<b>3,861.1</b>
<b>Non-current assets</b>			
Long-term financial investments	5	251.0	141.3
Investments in associates and other companies accounted for using the equity method of accounting	5	46.8	106.2
Property, plant and equipment	8	4,867.9	5,613.6
Goodwill	9	248.1	285.4
Other intangible assets	9	124.4	193.9
Deferred income tax assets		105.4	124.9
Other non-current assets		15.3	23.0
		<b>5,658.9</b>	<b>6,488.3</b>
<b>Total assets</b>		<b>9,427.3</b>	<b>10,349.4</b>
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Accounts payable and other liabilities	10	807.6	775.9
Short-term borrowings	11	739.7	804.3
Current income tax liability		30.5	47.5
		<b>1,577.8</b>	<b>1,627.7</b>
<b>Non-current liabilities</b>			
Long-term borrowings	11	1,701.0	1,964.2
Deferred income tax liability		364.9	407.4
Other long-term liabilities	5	11.7	93.4
		<b>2,077.6</b>	<b>2,465.0</b>
<b>Total liabilities</b>		<b>3,655.4</b>	<b>4,092.7</b>
<b>Equity attributable to NLMK shareholders</b>			
Common stock	12	221.2	221.2
Additional paid-in capital	16(e)	9.9	-
Accumulated other comprehensive loss		(6,444.3)	(5,491.9)
Retained earnings		11,971.3	11,512.7
		<b>5,758.1</b>	<b>6,242.0</b>
<b>Non-controlling interests</b>		<b>13.8</b>	<b>14.7</b>
<b>Total equity</b>		<b>5,771.9</b>	<b>6,256.7</b>
<b>Total liabilities and equity</b>		<b>9,427.3</b>	<b>10,349.4</b>

The consolidated financial statements as set out on pages 4 to 20 were approved on 8 November 2015.



	Note	For the nine months ended 30 September 2015	For the nine months ended 30 September 2014	For the three months ended 30 September 2015	For the three months ended 30 September 2014
Revenue	15	6,371.2	8,053.0	2,015.5	2,607.0
Cost of sales		(4,310.7)	(5,854.6)	(1,381.2)	(1,780.8)
<b>Gross profit</b>		<b>2,060.5</b>	<b>2,198.4</b>	<b>634.3</b>	<b>826.2</b>
General and administrative expenses		(197.9)	(270.3)	(56.5)	(83.5)
Selling expenses		(626.0)	(690.7)	(198.0)	(226.3)
Other operating income / (expenses)		8.7	(9.4)	-	(16.3)
Taxes, other than income tax		(59.0)	(111.1)	(13.6)	(35.6)
<b>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</b>		<b>1,186.3</b>	<b>1,116.9</b>	<b>366.2</b>	<b>464.5</b>
Loss on disposals of property, plant and equipment		(1.3)	(13.0)	(1.7)	(8.5)
Impairment losses and write-off of assets		(1.2)	(89.8)	(0.6)	(84.3)
Share in net losses of associates and other companies accounted for using the equity method		(61.3)	(146.3)	(20.8)	(41.3)
Gains / (losses) on investments	5	52.2	41.3	(0.6)	37.6
Finance income		38.9	26.3	14.5	10.7
Finance costs		(65.4)	(105.0)	(16.7)	(38.0)
Foreign currency exchange gain, net	13	36.0	103.9	185.7	117.8
Other expenses, net		(24.5)	(25.0)	(7.5)	(8.9)
<b>Profit before income tax</b>		<b>1,159.7</b>	<b>909.3</b>	<b>518.5</b>	<b>449.6</b>
Income tax expense	14	(266.4)	(217.9)	(107.5)	(111.8)
<b>Profit for the period</b>		<b>893.3</b>	<b>691.4</b>	<b>411.0</b>	<b>337.8</b>
Profit attributable to:					
<b>NLMK shareholders</b>		<b>891.4</b>	<b>677.6</b>	<b>409.5</b>	<b>323.1</b>
<b>Non-controlling interests</b>		<b>1.9</b>	<b>13.8</b>	<b>1.5</b>	<b>14.7</b>
<b>Earnings per share – basic and diluted:</b>					
Earnings attributable to NLMK shareholders per share (US dollars)		0.1487	0.1131	0.0683	0.0539
Weighted-average shares outstanding: basic and diluted (in thousands)	12	5,993,227	5,993,227	5,993,227	5,993,227



Note	For the nine months ended 30 September 2015	For the nine months ended 30 September 2014	For the three months ended 30 September 2015	For the three months ended 30 September 2014
Profit for the period	893.3	691.4	411.0	337.8
Other comprehensive loss:				
Items that may be reclassified subsequently to profit or loss:				
Cumulative translation adjustment	(955.1)	(1,785.0)	(1,131.1)	(1,528.7)
<b>Total comprehensive loss for the period attributable to</b>	<b>(61.8)</b>	<b>(1,093.6)</b>	<b>(720.1)</b>	<b>(1,190.9)</b>
NLMK shareholders	(61.0)	(1,101.7)	(718.7)	(1,200.7)
Non-controlling interests	(0.8)	8.1	(1.4)	9.8

**OJSC Novolipetsk Steel**  
**Interim condensed consolidated statement of changes in equity**  
**for the nine months ended 30 September 2015 and 30 September 2014 (unaudited)**  
*(millions of US dollars)*



	Note	NLMK shareholders					Total equity
		Common stock	Additional paid-in capital	Accumulated other comprehensive loss	Retained earnings	Non-controlling interest	
<b>Balance at 31 December 2013</b>		<b>221.2</b>	-	<b>(839.9)</b>	<b>10,989.1</b>	<b>28.1</b>	<b>10,398.5</b>
Profit for the period		-	-	-	677.6	13.8	691.4
Cumulative translation adjustment		-	-	(1,779.3)	-	(5.7)	(1,785.0)
Dividends to shareholders	12	-	-	-	(248.9)	-	(248.9)
<b>Balance at 30 September 2014</b>		<b>221.2</b>	-	<b>(2,619.2)</b>	<b>11,417.8</b>	<b>36.2</b>	<b>9,056.0</b>
<b>Balance at 31 December 2014</b>		<b>221.2</b>	-	<b>(5,491.9)</b>	<b>11,512.7</b>	<b>14.7</b>	<b>6,256.7</b>
Profit for the period		-	-	-	891.4	1.9	893.3
Disposal of assets to an entity under common control	16(e)	-	9.9	-	-	(0.1)	9.8
Cumulative translation adjustment		-	-	(952.4)	-	(2.7)	(955.1)
Dividends to shareholders	12	-	-	-	(432.8)	-	(432.8)
<b>Balance at 30 September 2015</b>		<b>221.2</b>	<b>9.9</b>	<b>(6,444.3)</b>	<b>11,971.3</b>	<b>13.8</b>	<b>5,771.9</b>

**OJSC Novolipetsk Steel**  
**Interim condensed consolidated statement of cash flows**  
**for the nine months ended 30 September 2015 and 30 September 2014 (unaudited)**  
*(millions of US dollars)*



	Note	For the nine months ended 30 September 2015	For the nine months ended 30 September 2014
<b>Cash flows from operating activities</b>			
<b>Profit for the period</b>		<b>893.3</b>	<b>691.4</b>
<b>Adjustments to reconcile profit for the period to net cash provided by operating activities:</b>			
Depreciation and amortization		441.2	626.7
Loss on disposals of property, plant and equipment		1.3	13.0
Gains on investments		(52.2)	(41.3)
Finance income		(38.9)	(26.3)
Finance costs		65.4	105.0
Equity in net losses of associates and other companies accounted for using the equity method		61.3	146.3
Deferred income tax expense / (benefit)		19.9	(4.9)
Losses on derivatives		0.9	12.9
Impairment losses and write-off of assets		1.1	82.6
Unrealized gains on foreign currency exchange		(74.1)	(84.4)
Other adjustments		(1.3)	37.1
<b>Changes in operating assets and liabilities</b>			
Increase in trade and other accounts receivable		(0.4)	(101.7)
Decrease in inventories		65.2	34.5
Increase in other current assets		(7.2)	(4.2)
Increase / (decrease) in trade and other accounts payable		35.9	(52.5)
(Decrease) / increase in current income tax liability		(6.2)	35.8
<b>Net cash provided by operating activities</b>		<b>1,405.2</b>	<b>1,470.0</b>
<b>Cash flows from investing activities</b>			
Purchases and construction of property, plant and equipment		(445.1)	(446.2)
Proceeds from sale of property, plant and equipment		7.7	4.7
Purchases of investments and loans given, net		(114.4)	(13.5)
Placement of bank deposits, net		(254.7)	(213.4)
Interest received		23.9	23.5
Contribution to share capital of associate		(22.0)	-
Advance VAT payments on imported equipment		(26.4)	-
<b>Net cash used in investing activities</b>		<b>(831.0)</b>	<b>(644.9)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		178.3	30.4
Repayment of borrowings and capital lease payments		(342.9)	(617.5)
Interest paid		(71.9)	(103.2)
Dividends to shareholders		(307.7)	(114.5)
<b>Net cash used in financing activities</b>		<b>(544.2)</b>	<b>(804.8)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>30.0</b>	<b>20.3</b>
Effect of exchange rate changes on cash and cash equivalents		(86.2)	(175.6)
Cash and cash equivalents at the beginning of the year	4	549.2	970.0
<b>Cash and cash equivalents at the end of the period</b>	<b>4</b>	<b>493.0</b>	<b>814.7</b>
<b>Supplemental disclosures of cash flow information:</b>			
<b>Cash paid during the period for:</b>			
Income tax		(263.5)	(193.8)
Placements of bank deposits		(750.0)	(1,532.6)
Withdrawals of bank deposits		495.2	1,319.2



## 1 Background

OJSC Novolipetsk Steel (the “Parent Company”) and its subsidiaries (together – the “Group”) is one of the world’s leading steelmakers with facilities that allow it to operate an integrated steel production cycle. The Group is one of the leading global suppliers of slabs and transformer steel and one of the leading suppliers to the Russian market of high value added products including pre-painted, galvanized and electrical steel as well as a variety of long steel products. The Group also operates in the mining segment.

The Group’s main operations are in the Russian Federation, the European Union and the USA and are subject to the legislative requirements of the subsidiaries’ state and regional authorities. The Parent Company’s registered office is located at 2, Metallurgov sq., 398040, Lipetsk, Russian Federation.

## 2 Basis of preparation

These unaudited interim condensed consolidated financial statements has been prepared in accordance with IAS 34, “Interim Financial Reporting” and should be read in conjunction with the audited consolidated financial statements of the Group as at and for the year ended 31 December 2014, which have been prepared in accordance with IFRSs.

Functional currency of the majority of the Group entities is considered to be the Russian ruble. The functional currency of the foreign subsidiaries is their local currency.

The Central Bank of the Russian Federation’s Russian ruble to US dollar closing rates of exchange as at the reporting dates and the period weighted average exchange rates for corresponding reporting periods are indicated below.

	2015	2014
For the 1 <sup>st</sup> quarter	62.1919	34.9591
As at 31 March	58.4643	35.6871
For the 2 <sup>nd</sup> quarter	52.6543	34.9999
As at 30 June	55.5240	33.6306
For the 3 <sup>rd</sup> quarter	62.9784	36.1909
As at 30 September	66.2367	39.3866
As at 31 December	66.2367	56.2584

## 3 Significant accounting policies

The accounting policies applied are consistent with those of the consolidated financial statements for the year ended 31 December 2014. Amendments to IFRSs effective for the year ending 31 December 2015 are not expected to have a material impact on the Group.



#### 4 Cash and cash equivalents

	As at 30 September 2015	As at 31 December 2014
<b>Cash</b>		
Russian rubles	26.9	20.3
US dollars	134.2	150.8
Euros	92.5	54.3
Other currencies	4.0	8.0
	<hr/>	<hr/>
<b>Deposits</b>		
Russian rubles	56.6	96.3
US dollars	122.2	158.0
Euros	54.9	53.6
Other currencies	1.5	7.8
	<hr/>	<hr/>
<b>Other cash equivalents</b>	0.2	0.1
	<hr/>	<hr/>
	<b>493.0</b>	<b>549.2</b>

#### 5 Investments

Classification of investments in the consolidated statement of financial position:

	As at 30 September 2015	As at 31 December 2014
<b>Short-term financial investments</b>		
Loans to related parties (Note 16(c))	64.5	68.4
Bank deposits and other short-term financial investments	812.1	552.9
	<hr/>	<hr/>
	876.6	621.3
	<hr/>	<hr/>
<b>Long-term financial investments</b>		
Loans to related parties (Note 16(c))	250.5	141.2
Bank deposits and other long-term financial investments	0.5	0.1
	<hr/>	<hr/>
	251.0	141.3
	<hr/>	<hr/>
<b>Total investments</b>	<b>1,127.6</b>	<b>762.6</b>

In the third quarter of 2014 the Group received about \$104.0 in course of bankruptcy proceedings which were the result of execution of the decision taken by Russian court in 2012 with regards to a non-controlling shareholder of subsidiary. This amount is included in "Gains / (losses) on investments" line in the interim condensed consolidated statements of profit or loss.



## 5 Investments (continued)

### *Investments in associates and other companies accounted for using the equity method of accounting*

	As at 30 September 2015 Ownership	As at 31 December 2014 Ownership	As at 30 September 2015	As at 31 December 2014
NLMK Belgium Holdings S.A.	51.00%	79.50%	37.8	97.3
TBEA & NLMK (Shenyang) Metal Product Co., Ltd.	50.00%	50.00%	9.0	8.9
			<b>46.8</b>	<b>106.2</b>

In September 2013, the Belgium state-owned company Walloon Region-owned Societe Wallonne de Gestion et de Participations S.A. ("SOGEPA") and the Group signed an option agreement, which provided call options for the Group and put options for SOGEPA over its 20.5% stake – 5.1% of the common shares of NLMK Belgium Holdings S.A. ("NBH") in each of 2016, 2017 and 2018, and any remaining stake after 2023. Under the option agreement the exercise price was based on the book value of NBH net assets, subject to a minimum value of 20.5% of the shares of EUR 91.1 million plus fixed interest. The options have been valued using standard, market-based valuation techniques and the level 3 inputs.

In March 2015, the Group and SOGEPA have signed an agreement providing for the increase of SOGEPA's stake in NBH from 20.5% to 49% and on joint management of NBH's businesses. The Group's and SOGEPA's existing respective put and call options over the SOGEPA shares were terminated. The Group reflected a disposal of 28.5% stake in NBH (loss on the disposal amounting to \$21.1) and derecognition of the options previously included in other long-term liabilities (gain amounting to \$76.0) in "Gains / (losses) on investments" line of the interim condensed consolidated statement of profit or loss for the nine months ended 30 September 2015 in the total amount of \$54.9.

In accordance with the agreement the Group and SOGEPA made additional pro-rata contributions to the share capital of NBH (EUR 20.4 million and EUR 19.6 million, respectively). The Group and SOGEPA also agreed to support NBH in obtaining financing of its working capital.

NBH board of directors was increased to include four representatives of the Group and three representatives of SOGEPA. SOGEPA also received board seats at the principal production subsidiaries of NBH.

The Group's management has also concluded that the signing of agreement did not change the decision making process in NBH and therefore accounting treatment of investments in NBH as investments in associated undertakings remained unchanged. Key management decisions are still taken by both parties by their representation on the Board of Directors of NBH.

Continuous trend of low prices for steel products in Europe in 2014 resulted in reassessment of impairment model of investments in NBH, which supported no impairment in previous periods. The revised model indicated an impairment loss on investments in NBH in the amount of \$82.6, which is included in "Impairment losses and write-off of assets" line in the consolidated statement of income for the period ended 30 September 2014. For impairment testing the Group used an income approach primarily with Level 3 inputs. The Group has estimated cash flows for 9 years for different groups of assets and respective cash flows in the post-forecast period. Prices for steel products in these estimates were determined on the basis of forecasts of investment banks' analysts. A discount rate of 8% was used.



## 6 Trade and other accounts receivable

	As at 30 September 2015	As at 31 December 2014
<b>Financial assets</b>		
Trade accounts receivable	737.0	802.0
Allowance for impairment of trade accounts receivable	(20.6)	(28.6)
Other accounts receivable	42.2	38.7
Allowance for impairment of other accounts receivable	(12.7)	(20.4)
	<u>745.9</u>	<u>791.7</u>
<b>Non-financial assets</b>		
Advances given to suppliers	75.5	69.7
Allowance for impairment of advances given to suppliers	(7.4)	(9.6)
VAT and other taxes receivable	260.0	269.0
Accounts receivable from employees	0.8	1.7
	<u>328.9</u>	<u>330.8</u>
	<u><b>1,074.8</b></u>	<u><b>1,122.5</b></u>

The carrying amounts of trade and other accounts receivable approximate their fair values.

As at 30 September 2015 and 31 December 2014, accounts receivable of \$122.6 and \$137.6, respectively, served as collateral for certain borrowings (Note 11).

## 7 Inventories

	As at 30 September 2015	As at 31 December 2014
Raw materials	573.7	623.1
Work in process	443.0	569.7
Finished goods and goods for resale	346.0	419.5
	<u>1,362.7</u>	<u>1,612.3</u>
Valuation to net realizable value	(50.0)	(49.5)
	<u><b>1,312.7</b></u>	<u><b>1,562.8</b></u>

As at 30 September 2015 and 31 December 2014, inventories of \$337.2 and \$562.0, respectively, served as collateral for certain borrowings (Note 11).



## 8 Property, plant and equipment

	As at 30 September 2015	As at 31 December 2014
Land	110.9	130.9
Buildings	1,377.8	1,583.7
Land and buildings improvements	1,184.4	1,378.7
Machinery and equipment	5,466.8	6,231.3
Vehicles	201.4	235.5
Construction in progress	970.3	905.6
Other	77.6	78.6
	<u>9,389.2</u>	<u>10,544.3</u>
Accumulated depreciation	<u>(4,521.3)</u>	<u>(4,930.7)</u>
	<b><u>4,867.9</u></b>	<b><u>5,613.6</u></b>

The amount of borrowing costs capitalized was \$38.4 and \$66.5 for the nine months ended 30 September 2015 and 30 September 2014, respectively.

The amount of borrowing costs capitalized was \$19.1 and \$24.8 for the three months ended 30 September 2015 and 30 September 2014, respectively.

Management has analysed the performance of key cash generating units in the nine months of 2015 and believes that no changes to the estimates made as at 31 December 2014 regarding impairment of fixed assets and goodwill are required.

## 9 Intangible assets

	As at 30 September 2015	As at 31 December 2014
Goodwill	248.1	285.4
Mineral rights	263.0	309.6
Customer base	138.9	147.6
Industrial intellectual property	25.8	30.4
Beneficial lease interest	8.7	8.7
	<u>684.5</u>	<u>781.7</u>
Accumulated amortization	<u>(312.0)</u>	<u>(302.4)</u>
	<b><u>372.5</u></b>	<b><u>479.3</u></b>



## 10 Trade and other accounts payable

	As at 30 September 2015	As at 31 December 2014
<b>Financial liabilities</b>		
Trade accounts payable	421.3	440.9
Dividends payable	88.4	0.7
Other accounts payable	17.1	23.1
	<u>526.8</u>	<u>464.7</u>
<b>Non-financial liabilities</b>		
Advances received	88.3	105.4
Taxes payable other than income tax	59.1	77.3
Accounts payable and accrued liabilities to employees	133.4	128.5
	<u>280.8</u>	<u>311.2</u>
	<u><b>807.6</b></u>	<u><b>775.9</b></u>

The estimated fair value of the trade and other accounts payable approximates their carrying value.

## 11 Short-term and long-term borrowings

Rates	Currency	Maturity	As at 30 September 2015	As at 31 December 2014
<b>Bonds</b>				
8% to 11.5%	RUR	2015-2017	464.1	543.9
4.45% to 4.95%	USD	2018-2019	1,182.3	1,196.1
<b>Loans</b>				
5% to 10%	RUR	2015-2019	1.1	23.1
LIBOR +1.375% to LIBOR +2.5%, PRIME+0.375%	USD	2015-2016	220.8	374.9
EURIBOR +0.9% to EURIBOR +2%	EUR	2015-2022	572.4	620.9
Short-term and long-term finance lease liability and other borrowings			-	9.6
			<u><b>2,440.7</b></u>	<u><b>2,768.5</b></u>
Less: short-term loans and current maturities of long-term loans			<u>(739.7)</u>	<u>(804.3)</u>
<b>Long-term borrowings</b>			<u><b>1,701.0</b></u>	<u><b>1,964.2</b></u>



## 11 Short-term and long-term borrowings (continued)

The carrying amounts and fair value of long-term bonds are as follows:

	As at 30 September 2015		As at 31 December 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Bonds	1,253.8	1,224.8	1,444.9	1,278.6

The fair value of short-term borrowings equals their carrying amount. The fair values of long-term borrowings and finance lease liabilities approximate their carrying amount. The fair values of bonds are based on cash flows discounted using an applicable rate and are within level 2 of the fair value hierarchy.

### Collateral

As at 30 September 2015 and 31 December 2014, the total amount of the Group companies' collateral was \$459.8 and \$699.6, respectively.

## 12 Earnings per share

	For the nine months ended 30 September 2015	For the nine months ended 30 September 2014
Profit for the period attributable to NLMK shareholders (millions of US dollars)	891.4	677.6
Weighted average number of shares	5,993,227,240	5,993,227,240
<b>Basic and diluted earnings per share (US dollars)</b>	<b>0.1487</b>	<b>0.1131</b>
	<b>For the three months ended 30 September 2015</b>	<b>For the three months ended 30 September 2014</b>
Profit for the period attributable to NLMK shareholders (millions of US dollars)	409.5	323.1
Weighted average number of shares	5,993,227,240	5,993,227,240
<b>Basic and diluted earnings per share (US dollars)</b>	<b>0.0683</b>	<b>0.0539</b>

Basic net earnings per share of common stock is calculated by dividing profit for the period attributable to NLMK shareholders by the weighted average number of shares of common stock outstanding during the reporting period. The Parent Company does not have potentially dilutive financial instruments outstanding.

In September 2015, the Parent Company declared dividends for the six months ended 30 June 2015 of 0.93 Russian ruble per share for the total of \$84.1 (at the historical rate as of the announcement date).

In June 2015, the Parent Company declared dividends for the year ended 31 December 2014 of 2.44 Russian rubles per share for the total of \$265.9 (including interim dividends for the six months ended 30 June 2014 of 0.88 Russian ruble per share for the total of \$133.9) translated at the historical rate as of the announcement date and for the three months ended 31 March 2015 of 1.64 Russian rubles per share for the total of \$178.7 (at the historical rate as of the announcement date).

In June 2014, the Parent Company declared dividends for the year ended 31 December 2013 of 0.67 Russian rubles per share for the total of \$115.0 (at the historical rate as of the announcement date).



### 13 Foreign currency exchange

	For the nine months ended 30 September 2015	For the nine months ended 30 September 2014
Foreign exchange (loss) / gain on cash and cash equivalents	(2.4)	71.8
Foreign exchange gain / (loss) on financial instruments	0.9	(14.7)
Foreign exchange gain on financial investments	288.3	382.9
Foreign exchange loss on debt financing	(212.8)	(297.2)
Foreign exchange loss on other assets and liabilities	(38.0)	(38.9)
	<b>36.0</b>	<b>103.9</b>

### 14 Income tax

Income tax expense is recognized based on management's estimate of the expected annual income tax rate. Income before income tax used for the calculation of the income tax charge for the nine months ended 30 September 2015 and 30 September 2014 based on estimated annual income tax rate was adjusted for non-taxable gain on partial disposal of share in associate (Note 5), share in net losses of associates and other companies accounted for using the equity method, income from non-taxable translation adjustment, income from disposal of investments and loss of foreign companies in the total amount of \$63.7 and \$38.6, respectively.

### 15 Segment information

The Group has five reportable business segments: Russian flat products, Foreign rolled products, Russian long products, Mining and Investments in associate entity NBH. These segments are combinations of subsidiaries, have separate management teams and offer different products and services. The above five segments meet the criteria for reportable segments. Subsidiaries are consolidated by the segment to which they belong based on their products and management.

Revenue from segments that does not exceed the quantitative thresholds is primarily attributable to two operating segments of the Group. Those segments include insurance and other services. None of these segments has met any of the quantitative thresholds to be reported separately. Equity in net earnings / (losses) of associates are included in the Russian flat products segment.

The Group's management determines intersegmental sales and transfers, as if the sales or transfers were to third parties. The Group's management evaluates performance of the segments based on segment revenues, gross profit, 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, and profit for the year.

Intersegmental operations and balances include elimination of intercompany dividends paid to Russian flat products segment by other segments and presented within line "Profit / (loss) for the period" together with other intercompany elimination adjustments, including elimination of NBH liabilities to the Group companies. NBH deconsolidation adjustments include full elimination of sales of NBH with further recognition of the Group's sales to NBH and elimination of unrealised profits, recognition of investment in associate, recognition of impairment and share of loss arising for NBH and other consolidation adjustments.

## 15 Segment information (continued)

Information on segments' profit or loss for the nine months ended 30 September 2015 and their assets and liabilities on this date is as follows:

	Mining	Russian flat products	Russian long products	Foreign rolled products	Investments in associate entity NBH	All other	Inter-segmental operations and balances	NBH deconsolidation adjustments	Total
Revenue from external customers	141.7	3,694.0	717.4	1,160.1	969.4	10.0	-	(321.4)	6,371.2
Intersegment revenue	302.2	1,072.0	225.5	-	44.0	0.1	(1,599.8)	(44.0)	-
Gross profit / (loss)	268.0	1,685.7	113.8	(44.8)	150.0	6.4	31.4	(150.0)	2,060.5
Operating profit / (loss)*	184.0	1,002.0	14.4	(119.0)	(95.8)	6.0	98.9	95.8	1,186.3
Profit / (loss) for the period	203.9	974.1	(22.2)	(118.3)	(109.5)	(4.6)	(77.9)	47.8	893.3
Segment assets	1,557.0	7,659.4	1,101.3	1,167.1	1,602.5	17.4	(2,138.9)	(1,538.5)	9,427.3
Segment liabilities	(263.5)	(3,402.5)	(597.0)	(1,514.4)	(1,423.2)	(3.1)	2,696.5	851.8	(3,655.4)
Depreciation and amortization	(30.7)	(306.3)	(51.8)	(52.4)	(59.4)	-	-	59.4	(441.2)

Information on segments' profit or loss for the nine months ended 30 September 2014 and their assets and liabilities as at 31 December 2014 is as follows:

	Mining	Russian flat products	Russian long products	Foreign rolled products	Investments in associate entity NBH	All other	Inter-segmental operations and balances	NBH deconsolidation adjustments	Total
Revenue from external customers	275.6	4,395.2	1,144.7	1,526.9	1,122.5	0.1	-	(412.0)	8,053.0
Intersegment revenue	595.6	1,650.7	273.5	-	36.4	-	(2,519.8)	(36.4)	-
Gross profit / (loss)	595.9	1,483.9	198.4	99.2	116.4	-	(179.0)	(116.4)	2,198.4
Operating profit / (loss)*	489.8	451.5	226.0	17.5	(158.5)	(2.2)	(65.7)	158.5	1,116.9
Profit / (loss) for the period	474.9	980.4	173.8	(91.7)	(184.3)	0.5	(617.4)	(44.8)	691.4
Segment assets	1,948.9	8,902.9	1,367.9	1,491.9	1,857.2	99.7	(3,611.8)	(1,707.3)	10,349.4
Segment liabilities	(480.0)	(4,138.9)	(996.3)	(1,956.0)	(1,542.9)	(27.6)	4,016.6	1,032.4	(4,092.7)
Depreciation and amortization	(50.1)	(433.4)	(85.2)	(56.7)	(78.1)	(1.3)	-	78.1	(626.7)

\* Operating profit / (loss) 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

15 Segment information (continued)

Information on segments' profit or loss for the three months ended 30 September 2015 is as follows:

	Mining	Russian flat products	Russian long products	Foreign rolled products	Investments in associate entity NBH	All other	Inter-segmental operations and balances	NBH deconsolidation adjustments	Total
Revenue from external customers	40.0	1,222.9	219.5	358.5	275.2	3.4	-	(104.0)	2,015.5
Intersegment revenue	102.8	321.6	88.1	-	8.5	0.1	(512.6)	(8.5)	-
Gross profit / (loss)	86.1	529.8	42.6	(5.4)	33.8	1.1	(19.9)	(33.8)	634.3
Operating profit / (loss)*	66.2	303.6	13.8	(30.3)	(38.6)	1.0	11.9	38.6	366.2
Profit / (loss) for the period	131.2	486.5	(2.0)	(39.3)	(41.1)	(9.6)	(134.8)	20.1	411.0
Depreciation and amortization	(10.6)	(95.9)	(13.6)	(18.3)	(19.7)	(3.2)	-	19.7	(141.6)

Information on segments' profit or loss for the three months ended 30 September 2014 is as follows:

	Mining	Russian flat products	Russian long products	Foreign rolled products	Investments in associate entity NBH	All other	Inter-segmental operations and balances	NBH deconsolidation adjustments	Total
Revenue from external customers	70.4	1,405.7	377.7	523.2	339.4	-	-	(109.4)	2,607.0
Intersegment revenue	177.9	602.9	115.4	-	17.1	-	(896.2)	(17.1)	-
Gross profit / (loss)	160.1	592.2	97.5	40.9	28.1	-	(64.5)	(28.1)	826.2
Operating profit / (loss)*	127.5	119.0	222.0	15.5	(52.7)	(0.8)	(18.7)	52.7	464.5
Profit / (loss) for the period	179.0	407.0	233.3	(75.2)	(52.0)	0.3	(282.6)	(72.0)	337.8
Depreciation and amortization	(17.6)	(146.1)	(27.7)	(18.7)	(26.6)	(0.5)	-	26.6	(210.6)

\* Operating profit / (loss) 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



## 16 Related party transactions

Parties are considered to be related if one party has the ability to control the other party, is under common control or can exercise significant influence, or joint control over the other party in making financial or operational decisions as defined by IAS 24, "Related Party Disclosures". In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. The Group carries out operations with related parties on arm's length.

### (a) Sales to and purchases from related parties

	<b>For the nine months ended 30 September 2015</b>	<b>For the nine months ended 30 September 2014</b>
<b>Sales</b>		
NLMK Belgium Holdings S.A. group companies (associates)	591.5	731.9
Other related parties	3.1	5.7
<b>Purchases</b>		
Universal Cargo Logistics Holding group companies (companies under the common control of beneficial owner)	251.6	288.5
Other related parties	49.3	40.7
	<b>For the three months ended 30 September 2015</b>	<b>For the three months ended 30 September 2014</b>
<b>Sales</b>		
NLMK Belgium Holdings S.A. group companies (associates)	143.6	239.5
Other related parties	1.0	2.1
<b>Purchases</b>		
Universal Cargo Logistics Holding group companies (companies under the common control of beneficial owner)	96.4	94.0
Other related parties	9.9	18.4

### (b) Accounts receivable from and accounts payable to related parties

	<b>As at 30 September 2015</b>	<b>As at 31 December 2014</b>
<b>Accounts receivable and advances given</b>		
NLMK Belgium Holdings S.A. group companies (associates)	256.4	300.9
Other related parties	33.6	17.9
<b>Accounts payable</b>		
Universal Cargo Logistics Holding group companies (companies under the common control of beneficial owner)	10.9	2.3
Other related parties	19.7	25.4

### (c) Financial transactions

	<b>As at 30 September 2015</b>	<b>As at 31 December 2014</b>
Loans, issued to NLMK Belgium Holdings S.A. group companies (associates)	315.0	209.6
Deposits and current accounts in PJSC Bank ZENIT and OJSC Lipetskombank (companies under the significant influence of the Group's controlling shareholder)	37.9	36.5



## 16 Related party transactions (continued)

### (d) Financial guarantees issued

As at 30 September 2015 and 31 December 2014 guarantees issued by the Group for borrowings of NLMK Belgium Holdings S.A. group companies' amounted to \$335.8 and \$611.6, respectively, which is the maximum potential amount of future payments, paid on demand of the guarantee. No amount has been accrued in these interim condensed consolidated financial statements for the Group's obligation under these guarantees as the Group assesses probability of cash outflows, related to these guarantees, as low.

The maturity of the guaranteed obligations is as follows:

	As at 30 September 2015	As at 31 December 2014
Less than 1 year	85.5	528.9
From 1 to 2 years	47.1	61.8
Over 2 years	203.2	20.9
	<b>335.8</b>	<b>611.6</b>

### (e) Common control transfers

In September 2015, the Parent Company completed the sales of its full controlling interest in OJSC North Oil and Gas Company (51.0%) for \$10.1 cash consideration received in October 2015 from a company under common control. Disposal of OJSC North Oil and Gas Company resulted in deconsolidation of assets amounting to \$20.4 and liabilities amounting to \$20.1. Net assets of the entity as of the date of disposal were \$0.3.

The difference between transaction price and value of net assets is recorded in line item "Disposal of assets to an entity under common control" of consolidated statement of changes in equity. Revenue and profit for the period of OJSC North Oil and Gas Company for the nine months ended 30 September 2015 are not material.

This transaction was carried out in line with the Group's management of none-core assets portfolio.

## 17 Subsequent events

In October 2015, the Parent Company has closed the order book for issuing bonds with a nominal value of 1,000 Russian rubles per each bond (total value of 5 billion Russian rubles), with a maturity period of 10 years and a coupon rate of 11.1% per annum. The terms of issuing provide put option in 2 years.

In November 2015, the Parent Company has closed a 4-year \$400.0 pre-export loan facility at LIBOR +3%. The Group plans to use the proceeds to refinance its short-term debt, as well as for general corporate purposes.

The Group's management has performed an evaluation of subsequent events and did not find any, except mentioned above, through the period from 1 October 2015 to 8 November 2015, which is the date when these interim condensed consolidated financial statements were available to be issued.