



**OJSC
NOVOLIPETSK STEEL**

**INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

**PREPARED IN ACCORDANCE WITH
ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN
THE UNITED STATES OF AMERICA**

**AS AT MARCH 31, 2015 AND DECEMBER 31, 2014
AND FOR THE THREE MONTHS ENDED MARCH 31, 2015 AND 2014**

(UNAUDITED)

CONTENTS

Report of independent auditors	3
Interim condensed consolidated balance sheets	4
Interim condensed consolidated statements of income	5
Interim condensed consolidated statements of comprehensive income	6
Interim condensed consolidated statements of stockholders' equity	6
Interim condensed consolidated statements of cash flows	7
Notes to the interim condensed consolidated financial statements	8 – 18



Report of Independent Auditors

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

We have reviewed the accompanying interim condensed consolidated financial statements of OJSC Novolipetsk Steel (the "Company") and its subsidiaries (the "Group"), which comprise the interim condensed consolidated balance sheet as of March 31, 2015, and the related interim condensed consolidated statements of income, comprehensive income, stockholders' equity and cash flows for the three-month periods ended March 31, 2015 and March 31, 2014.

Management's Responsibility for the Interim Condensed Consolidated Financial Statements

The Company's management is responsible for the preparation and fair presentation of the interim condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this responsibility includes the design, implementation, and maintenance of internal control sufficient to provide a reasonable basis for the preparation and fair presentation of the interim condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States of America.

Auditors' Responsibility

Our responsibility is to conduct our review in accordance with auditing standards generally accepted in the United States of America applicable to reviews of interim financial statements. A review of interim financial statements consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim condensed consolidated financial statements for it to be in accordance with accounting principles generally accepted in the United States of America.

Other Matter

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of the Group and its subsidiaries as of December 31, 2014, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for the year then ended (not presented herein), and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated March 26, 2015. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2014, is consistent, in all material respects, with the audited consolidated balance sheet from which it has been derived.

ZAO PricewaterhouseCoopers Audit

May 20, 2015

OJSC Novolipetsk Steel
Interim condensed consolidated balance sheets
as at March 31, 2015 and December 31, 2014 (unaudited)
(thousands of US dollars)



	<u>Note</u>	<u>As at March 31, 2015</u>	<u>As at December 31, 2014</u>
ASSETS			
Current assets			
Cash and cash equivalents	2	614,894	549,210
Short-term investments	5	700,069	621,254
Accounts receivable and advances given, net	3	1,140,833	1,104,423
Inventories, net	4	1,407,527	1,560,091
Other current assets		10,187	5,252
Deferred income tax assets		73,295	75,169
		3,946,805	3,915,399
Non-current assets			
Long-term investments	5	251,273	247,448
Property, plant and equipment, net	6	5,624,152	5,866,669
Intangible assets, net		36,409	51,140
Goodwill		276,054	285,397
Deferred income tax assets		14,942	16,683
Other non-current assets		20,165	23,021
		6,222,995	6,490,358
Total assets		10,169,800	10,405,757
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Accounts payable and other liabilities	7	703,493	773,942
Short-term borrowings	8	667,700	798,608
Current income tax liability		15,862	47,529
		1,387,055	1,620,079
Non-current liabilities			
Deferred income tax liability		389,021	405,122
Long-term borrowings	8	1,894,054	1,961,600
Other long-term liabilities		11,197	96,044
		2,294,272	2,462,766
Total liabilities		3,681,327	4,082,845
Commitments and contingencies	15	-	-
Stockholders' equity			
NLMK stockholders' equity			
Common stock, 1 Russian ruble par value – 5,993,227,240 shares issued and outstanding at March 31, 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		(6,587,455)	(6,431,492)
Retained earnings		12,572,791	12,251,369
		6,473,698	6,308,239
Non-controlling interest		14,775	14,673
Total stockholders' equity		6,488,473	6,322,912
Total liabilities and stockholders' equity		10,169,800	10,405,757

OJSC Novolipetsk Steel
Interim condensed consolidated statements of income
for the three months ended March 31, 2015 and 2014 (unaudited)
(thousands of US dollars)



	Note	For the three months ended March 31, 2015	For the three months ended March 31, 2014
Revenue	12	2,215,676	2,637,829
Cost of sales			
Production cost		(1,307,534)	(1,824,844)
Depreciation and amortization		(139,169)	(199,214)
		(1,446,703)	(2,024,058)
Gross profit		768,973	613,771
General and administrative expenses		(66,251)	(92,474)
Selling expenses		(182,995)	(212,106)
Taxes other than income tax		(20,534)	(40,238)
Operating income		499,193	268,953
Loss on disposals of property, plant and equipment		(2,608)	(477)
Gains / (losses) on investments, net		59,672	(249)
Interest income		11,572	6,927
Interest expense		(22,046)	(32,145)
Foreign currency exchange (loss) / gain, net		(115,327)	46,215
Other expenses, net		(14,453)	(6,681)
Income before income tax		416,003	282,543
Income tax expense		(70,852)	(65,176)
Income, net of income tax		345,151	217,367
Equity in net losses of associates		(23,041)	(44,494)
Net income		322,110	172,873
Add: Net (income) / loss attributable to the non-controlling interest		(688)	1,012
Net income attributable to NLMK stockholders		321,422	173,885
Earnings per share – basic and diluted:			
Net earnings attributable to NLMK stockholders per share (US dollars)	9	0.0536	0.0290
Weighted-average shares outstanding, basic and diluted (in thousands)	9	5,993,227	5,993,227



Interim condensed consolidated statements of comprehensive income

	Net income	Cumulative translation adjustment	Comprehensive income / (loss)	Non-controlling interest	Comprehensive income / (loss) attributable to NLMK stockholders
For the three months ended March 31, 2014	172,873	(844,438)	(671,565)	(3,317)	(668,248)
For the three months ended March 31, 2015	322,110	(156,549)	165,561	102	165,459

Interim condensed consolidated statements of stockholders' equity

	NLMK stockholders						Total stockholders' equity
	Common stock	Statutory reserve	Additional paid-in capital	Accumulated other comprehensive loss	Retained earnings	Non-controlling interest	
Balance at December 31, 2013	221,173	10,267	256,922	(1,897,100)	11,655,490	28,057	10,274,809
Net income / (loss)	-	-	-	-	173,885	(1,012)	172,873
Cumulative translation adjustment	-	-	-	(842,133)	-	(2,305)	(844,438)
Balance at March 31, 2014	221,173	10,267	256,922	(2,739,233)	11,829,375	24,740	9,603,244
Balance at December 31, 2014	221,173	10,267	256,922	(6,431,492)	12,251,369	14,673	6,322,912
Net income	-	-	-	-	321,422	688	322,110
Cumulative translation adjustment	-	-	-	(155,963)	-	(586)	(156,549)
Balance at March 31, 2015	221,173	10,267	256,922	(6,587,455)	12,572,791	14,775	6,488,473

OJSC Novolipetsk Steel
Interim condensed consolidated statements of cash flows
for the three months ended March 31, 2015 and 2014 (unaudited)
(thousands of US dollars)



	Note	For the three months ended March 31, 2015	For the three months ended March 31, 2014
CASH FLOWS			
FROM OPERATING ACTIVITIES			
Net income		322,110	172,873
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization		139,169	199,214
Loss on disposals of property, plant and equipment		2,608	477
(Gains) / losses on investments, net	5	(59,672)	249
Interest income		(11,572)	(6,927)
Interest expense		22,046	32,145
Equity in net losses of associates		23,041	44,494
Deferred income tax benefit		(1,525)	(8,041)
Losses on derivatives	11	111	6,035
Unrealized losses on foreign currency exchange		75,000	-
Other		7,131	(6,019)
Changes in operating assets and liabilities			
Increase in accounts receivable		(73,401)	(227,756)
Decrease in inventories		77,846	229,868
Increase in other current assets		(4,822)	(10,566)
Decrease in accounts payable and other liabilities		(27,749)	(2,903)
(Decrease) / increase in current income tax payable		(28,082)	13,173
Cash provided by operating activities		462,239	436,316
Interest received		6,708	5,388
Interest paid		(34,459)	(40,499)
Net cash provided by operating activities		434,488	401,205
CASH FLOWS			
FROM INVESTING ACTIVITIES			
Purchases and construction of property, plant and equipment		(115,572)	(130,664)
Proceeds from sale of property, plant and equipment		1,093	3,563
Investments and loans given, net		(54,801)	(69,331)
Placement of bank deposits, net		(90,824)	(183,318)
Contribution to share capital of associate	5	(22,034)	-
Net cash used in investing activities		(282,138)	(379,750)
CASH FLOWS			
FROM FINANCING ACTIVITIES			
Proceeds from borrowings and notes payable		42,147	1,972
Repayment of borrowings and notes payable		(137,025)	(148,632)
Capital lease payments		(1,134)	(5,750)
Dividends to shareholders		(6)	(16)
Net cash used in financing activities		(96,018)	(152,426)
Net decrease in cash and cash equivalents		56,332	(130,971)
Effect of exchange rate changes on cash and cash equivalents		9,352	(9,087)
Cash and cash equivalents at the beginning of the year	2	549,210	969,992
Cash and cash equivalents at the end of the period	2	614,894	829,934
Supplemental disclosures of cash flow information:			
Placements of bank deposits		(139,836)	(400,101)
Withdrawals of bank deposits		49,012	216,783



1 BASIS OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS PREPARATION

These unaudited interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Open Joint Stock Company Novolipetsk Steel (the “Parent Company”, or “NLMK”) and its subsidiaries (together – the “Group”) as at and for the year ended December 31, 2014.

The December 31, 2014 condensed consolidated balance sheet information has been derived from the audited consolidated financial statements, however, since it is presented on a condensed basis it does not include all disclosures required by accounting principles generally accepted in the United States of America for annual consolidated financial statements.

In the opinion of the Group’s management, the information furnished herein reflects all known accruals and adjustments necessary for a fair statement of the results for the periods reported herein. All such adjustments are of a normal recurring nature. The financial results of the periods reported herein are not necessarily indicative of future financial results.

Functional and reporting currency

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

The accompanying interim condensed consolidated financial statements have been prepared using the US dollar as the Group’s reporting currency, utilizing period-end exchange rates for assets and liabilities, corresponding period quarterly weighted average exchange rates for interim condensed consolidated statement of income accounts and historic rates for equity accounts in accordance with the relevant provisions of ASC No. 830, *Foreign currency matters*.

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.

	<u>2015</u>	<u>2014</u>
For the 1 st quarter	62.1919	34.9591
As at March 31	58.4643	35.6871
As at December 31	<u> </u>	<u>56.2584</u>

Recent accounting pronouncements

The Group’s management analyzed changes to accounting standards issued by FASB and effective in 2014 and after January 1, 2015 and concluded that none of these changes in standards had impacted the interim condensed consolidated financial statements.

The Group is transitioning to International Financial Reporting Standards, commencing the financial statements for the period ends December 31, 2015. Therefore, new pronouncements to US GAAP that are effective next year are not considered in the course of preparation of these interim condensed consolidated financial statements.



2 CASH AND CASH EQUIVALENTS

	As at March 31, 2015	As at December 31, 2014
Cash		
– Russian rubles	25,748	20,341
– US dollars	144,352	150,817
– Euro	152,556	54,306
– other currencies	4,998	7,936
Deposits		
– Russian rubles	26,791	96,307
– US dollars	141,996	158,011
– Euro	117,120	53,645
– other currencies	931	7,763
Other cash equivalents	402	84
	614,894	549,210

3 ACCOUNTS RECEIVABLE AND ADVANCES GIVEN

	As at March 31, 2015	As at December 31, 2014
Trade accounts receivable	796,615	794,511
Advances given to suppliers	104,795	77,677
VAT and other taxes receivable	253,512	250,618
Accounts receivable from employees	801	1,746
Other accounts receivable	73,404	74,634
	1,229,127	1,199,186
Allowance for doubtful debts	(88,294)	(94,763)
	1,140,833	1,104,423

As at March 31, 2015 and December 31, 2014, accounts receivable of \$132,419 and \$137,553, respectively, served as collateral for certain borrowings (Note 8).

4 INVENTORIES

	As at March 31, 2015	As at December 31, 2014
Raw materials	561,123	620,412
Work in process	483,814	569,972
Finished goods and goods for resale	414,505	419,844
	1,459,442	1,610,228
Provision for obsolescence	(51,915)	(50,137)
	1,407,527	1,560,091

As at March 31, 2015 and December 31, 2014, inventories of \$451,451 and \$562,002, respectively, served as collateral for certain borrowings (Note 8).

5 INVESTMENTS

Balance sheet classification of investments:

	As at March 31, 2015	As at December 31, 2014
Short-term investments and current portion of long-term investments		
Loans to related parties (Note 14(b))	61,357	68,355
Bank deposits and other investments	638,712	552,899
	700,069	621,254
Long-term investments		
Loans to related parties (Note 14(b))	181,013	141,219
Investments in associates	70,191	106,161
Other	69	68
	251,273	247,448
Total investments	951,342	868,702

Investments in associates

	As at March 31, 2015 Ownership	As at December 31, 2014 Ownership	As at March 31, 2015	As at December 31, 2014
NLMK Belgium Holdings S.A.	51.00%	79.50%	61,245	97,264
TBEA & NLMK (Shenyang) Metal Product Co., Ltd.	50.00%	50.00%	8,946	8,897
			70,191	106,161

In March 2015 the Group and the Belgium state-owned company Walloon Region-owned Societe Wallonne de Gestion et de Participations S.A. (“SOGEPA”) have signed an agreement providing for the increase of SOGEPA’s stake in NLMK Belgium Holdings S.A. (“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 and derecognition of the options previously included in other long-term liabilities in “Gains / (losses) on investments, net” line of the interim condensed consolidated statement of income for the three months ended March 31, 2015 in the amount of \$54,856.

In accordance with the agreement the Group and SOGEPA made 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.



6 PROPERTY, PLANT AND EQUIPMENT

	As at March 31, 2015	As at December 31, 2014
Land	125,203	130,822
Mineral rights	297,927	309,609
Buildings	1,511,366	1,548,240
Land and buildings improvements	1,247,702	1,287,136
Machinery and equipment	5,552,645	5,756,241
Vehicles	216,349	218,564
Construction in progress and advances for construction and acquisition of property, plant and equipment	891,333	872,032
Leased assets	1,861	25,724
Other	76,647	77,206
	<u>9,921,033</u>	<u>10,225,574</u>
Accumulated depreciation	<u>(4,296,881)</u>	<u>(4,358,905)</u>
	<u>5,624,152</u>	<u>5,866,669</u>

The amount of interest capitalized was \$7,358 and \$20,161 for the three months ended March 31, 2015 and March 31, 2014, respectively.

Management has analyzed the performance of key reporting units in the first quarter of 2015 and believes that no changes to the estimates made as at December 31, 2014 regarding impairment of fixed assets and goodwill are required.

7 ACCOUNTS PAYABLE AND OTHER LIABILITIES

	As at March 31, 2015	As at December 31, 2014
Trade accounts payable	385,850	430,679
Advances received	59,111	97,847
Taxes payable other than income tax	79,291	77,278
Accounts payable and accrued liabilities to employees	139,460	128,695
Dividends payable	663	696
Short-term capital lease liability	25	5,656
Other accounts payable	39,093	33,091
	<u>703,493</u>	<u>773,942</u>



8 SHORT-TERM AND LONG-TERM BORROWINGS

Rates	Currency	Maturity	As at March 31, 2015	As at December 31, 2014
Bonds				
8% to 10%	RUR	2015-2017	437,908	543,943
4.45% to 4.95%	USD	2018-2019	<u>1,182,297</u>	<u>1,195,993</u>
Loans				
5% to 10%	RUR	2015-2017	23,434	24,463
LIBOR +1.375% to LIBOR +2.5%, PRIME+0.375%	USD	2015-2016	363,392	374,919
EURIBOR +0.9% to EURIBOR +2%	EUR	2015-2022	<u>554,723</u>	<u>620,890</u>
			<u>2,561,754</u>	<u>2,760,208</u>
Less: short-term loans and current maturities of long-term loans			<u>(667,700)</u>	<u>(798,608)</u>
Long-term borrowings			<u>1,894,054</u>	<u>1,961,600</u>

As at March 31, 2015 and December 31, 2014 long-term borrowings include fixed rate long-term bonds in the amount of \$1,434,866 and \$1,444,926 (at historic cost). The fair value of these bonds, determined using Level 1 inputs, is \$1,295,887 and \$1,278,645, respectively.

The Group's long-term borrowings as at March 31, 2015 mature between 2 to 6 years.

Major terms of loan agreements

Certain of the loan agreements contain debt covenants that impose restrictions on the purposes for which the loans may be utilized, covenants with respect to disposal of assets, incurrence of additional liabilities, issuance of loans or guarantees, obligations in respect of any future reorganizations procedures or bankruptcy of borrowers, and also require that borrowers maintain pledged assets to their current value and conditions. In addition, these agreements contain covenants with respect to compliance with certain financial ratios, clauses in relation to performance of the borrowers, including cross default provisions, as well as legal claims in excess of certain amount, where reasonable expectations of a negative outcome exist, and covenants triggered by any failure of the borrower to fulfill contractual obligations. The Group companies are in compliance with all debt covenants as at March 31, 2015.

9 EARNINGS PER SHARE

	For the three months ended March 31, 2015	For the three months ended March 31, 2014
Net income (thousands of US dollars)	321,422	173,885
Weighted average number of shares	<u>5,993,227,240</u>	<u>5,993,227,240</u>
Basic and diluted net earnings per share (US dollars)	<u>0.0536</u>	<u>0.0290</u>

Basic net income per share of common stock is calculated by dividing net income by the weighted average number of shares of common stock outstanding during the reporting period. The Parent Company does not have potentially dilutive shares outstanding.

10 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 three months ended March 31, 2015 based on estimated annual income tax rate was adjusted for non-taxable gain on partial disposal of share in associate (Note 5), gains from non-taxable translation adjustment and disposal of investments in the total amount of \$56,443.

11 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

The Group holds and purchases derivative financial instruments for purposes other than trading to mitigate foreign currency exchange rate risk.

In accordance with ASC No. 820, *Fair value measurement*, the fair value of foreign currency derivatives is determined using Level 2 inputs. The inputs used include quoted prices for similar assets or liabilities in an active market.

As the Group's derivative financial instruments are not designated as hedges, gains or losses on derivative financial instruments are recognized in profit or loss (in accordance with ASC No. 815, *Derivatives and hedging*).

In the first half of 2012, the Group entered into Russian ruble / US dollar cross-currency interest rate swap agreements in conjunction with Russian ruble denominated bonds issued by the Group. As a result, the Group paid US dollars at fixed rates varying from 3.11% to 3.15% per annum and receives Russian rubles at a fixed rate of 8.95% per annum. Maturity of the swaps was linked to the Russian ruble denominated bonds redemption, which were settled in November 2014.

Fair value of the cross-currency interest rate swap contracts was determined as the sum of the discounted contractual cash flows in Russian rubles and US dollars as at the reporting date.

During the three months ended March 31, 2015 and March 31, 2014 gains / (losses) from the cross-currency interest rate swap contracts amounted to nil and \$(6,571), respectively. These gains and losses were included in "Foreign currency exchange (loss) / gain, net" line in the interim condensed consolidated statements of income.

In March 2015 the Group entered into two transactions for the purchase of foreign currency put options and selling call options in a total amount of EUR 135 million. The options can be exercised in the period from April to December 2015. Put options gives the Group the right to sell euros for US dollars at the strike price of 1.00. Call options give contractors the right to buy from the Group euros for US dollars at the strike price of 1.1240 and 1.1315.

During the three months ended March 31, 2015 losses from currency options agreements amounted to \$(111) and were included in "Foreign currency exchange (loss) / gain, net" line in the interim condensed consolidated statements of income.

12 SEGMENT INFORMATION

The Group has four reportable business segments: steel, foreign rolled products, long products and mining. These segments are combinations of subsidiaries, have separate management teams and offer different products and services. The above four 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 for determining a reportable segment. The investments in equity method investee and equity in net earnings / (losses) of associates are included in the steel and foreign rolled products segments.

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 income and income, net of income tax.

12 SEGMENT INFORMATION (continued)

Segmental information for the three months ended March 31, 2015 and their assets as at March 31, 2015 is as follows:

	Steel	Foreign rolled products	Long products	Mining	All other	Totals	Inter- segmental operations and balances	Consolidated
Revenue from external customers	1,518,841	419,596	231,141	46,098	-	2,215,676	-	2,215,676
Intersegment revenue	92,560	-	42,857	88,995	-	224,412	(224,412)	-
Gross profit / (loss)	648,267	(8,558)	43,204	86,260	(327)	768,846	127	768,973
Operating income / (loss)	444,722	(31,649)	10,618	56,716	(503)	479,904	19,289	499,193
Income / (loss), net of income tax	298,562	(21,777)	3,357	53,968	803	334,913	10,238	345,151
Segment assets, including goodwill	8,054,704	1,474,499	1,369,626	1,732,482	96,397	12,727,708	(2,557,908)	10,169,800

Segmental information for the three months ended March 31, 2014 and their assets as at December 31, 2014 is as follows:

	Steel	Foreign rolled products	Long products	Mining	All other	Totals	Inter- segmental operations and balances	Consolidated
Revenue from external customers	1,742,414	470,561	337,078	87,740	36	2,637,829	-	2,637,829
Intersegment revenue	295,909	-	57,040	228,776	-	581,725	(581,725)	-
Gross profit	406,036	31,570	20,847	225,717	(243)	683,927	(70,156)	613,771
Operating income / (loss)	128,107	2,796	(21,632)	192,811	(817)	301,265	(32,312)	268,953
Income / (loss), net of income tax	101,170	(6,515)	(57,508)	204,339	(379)	241,107	(23,740)	217,367
Segment assets, including goodwill	8,792,244	1,696,666	1,486,842	1,934,766	99,565	14,010,083	(3,604,326)	10,405,757

13 RISKS AND UNCERTAINTIES

(a) Operating environment of the Group

The Russian Federation's economy continues to display some characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that in practice is not freely convertible in most countries outside the Russian Federation and relatively high inflation. The legal, tax and regulatory frameworks continue to develop and are subject to varying interpretations.

The future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory, and political developments.

The detailed information for the operating environment of the Group, including recent relevant political developments, is presented in the consolidated financial statements of the Group as at and for the year ended December 31, 2014, and is largely unchanged.

Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business.

The major financial risks inherent to the Group's operations are those related to market risk, credit risk and liquidity risk. The objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits.

13 RISKS AND UNCERTAINTIES (continued)

(b) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three types of risk: interest rate risk, foreign currency risk and commodity price risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. To manage this risk the Group analyzes interest rate risks on a regular basis. The Group reduces its exposure to this risk by having a balanced portfolio of fixed and variable rate loans.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The export-oriented companies of the Group are exposed to foreign currency risks. To minimize foreign currency risks the export program is designed taking into account potential (forecast) major foreign currencies' exchange fluctuations. The Group diversifies its revenues in different currencies. In its export contracts the Group controls the balance of currency positions: payments in foreign currency are settled with export revenues in the same currency. At the same time standard hedging instruments to manage foreign currency risk might be used.

Commodity price risk

Commodity price risk is a risk arising from possible changes in price of raw materials and metal products, and their impact on the Group's future performance and the Group's operational results.

The Group minimizes its risks, related to production distribution, by having a wide range of geographical zones for sales, which allows the Group to respond quickly to changes in the situation on one or more sales markets on the basis of an analysis of the existing and prospective markets. The Group's sales outside the Russian Federation in monetary terms for the three months ended March 31, 2015 and March 31, 2014 were 65% and 61% of the total sales, respectively.

One of the commodity price risk management instruments is vertical integration. A high degree of vertical integration allows cost control and effective management of the entire process of production: from mining of raw materials and generation of electric and heat energy to production, processing and distribution of metal products.

(c) Credit risk

Credit risk is the risk when counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management.

The Group structures the levels of credit risk it undertakes by assessing the degree of risk for each counterparty or groups of parties. Such risks are monitored on a revolving basis and are subject to a quarterly, or more frequent, review.

The Group's management reviews ageing analysis of outstanding trade receivables and follows up on past due balances.

13 RISKS AND UNCERTAINTIES (continued)

(d) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group is exposed to daily calls on its available cash resources.

The Group monitors its risk to a shortage of funds using a regular cash flow forecast. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, debentures, finance leases. To provide for sufficient cash balances required for settlement of its obligations in time the Group uses detailed budgeting and cash flow forecasting instruments.

(e) Insurance

To minimize risks the Group concludes insurance policies which cover property damages and business interruptions, freightage, general liability and vehicles. In respect of legislation requirements, the Group purchases compulsory motor third party liability insurance and insurance of civil liability of organizations operating hazardous facilities. The Group also buys directors and officers liability insurance, civil liability insurance of the members of self-regulatory organizations, voluntary health insurance for employees of the Group.

14 RELATED PARTY TRANSACTIONS

Related parties relationships are determined with reference to ASC No. 850, *Related Party Disclosures*. Balances as at March 31, 2015 and December 31, 2014 and transactions for the three months ended March 31, 2015 and March 31, 2014 with related parties of the Group consist of the following:

(a) Sales to and purchases from related parties

Sales

Sales to NBH group were \$182,908 and \$259,306 for the three months ended March 31, 2015 and March 31, 2014, respectively. Sales to other related parties were \$748 and \$1,593 for the three months ended March 31, 2015 and March 31, 2014, respectively.

Accounts receivable and advances given to NBH group equaled \$221,250 and \$300,912 as at March 31, 2015 and December 31, 2014, respectively. Accounts receivable and advances given to other related parties equaled \$23,627 and \$17,488 as at March 31, 2015 and December 31, 2014, respectively.

Purchases

Purchases from companies under common control (transportation services rendered by companies of Universal Cargo Logistics Holding group) were \$63,018 and \$102,786 for the three months ended March 31, 2015 and March 31, 2014, respectively. Purchases from other related parties were \$24,030 and \$9,219 for the three months ended March 31, 2015 and March 31, 2014, respectively.

Accounts payable to related parties were \$19,379 and \$27,479 as at March 31, 2015 and December 31, 2014, respectively.

(b) Financial transactions

Loans, issued to NBH group companies and accounted for under short-term and long-term investments, amounted to \$242,370 and \$209,574 as at March 31, 2015 and December 31, 2014, respectively.

Deposits and current accounts of the Group companies in banks under significant influence of the Group's controlling shareholder (OJSC Bank ZENIT and OJSC Lipetskombank) amounted to \$14,400 and \$36,530 as at March 31, 2015 and December 31, 2014, respectively. Related interest income from these deposits and current accounts for the three months ended March 31, 2015 and March 31, 2014 amounted to \$891 and \$716, respectively.

14 RELATED PARTY TRANSACTIONS (continued)

(c) Financial guarantees issued

As at March 31, 2015 and December 31, 2014 guarantees issued by the Group for borrowings of NBH group companies' amounted to \$528,784 and \$611,644, respectively, which is the maximum potential amount of future payments. 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.

15 COMMITMENTS AND CONTINGENCIES

(a) Anti-dumping investigations

The Group's export trading activities are subject from time to time to compliance reviews of importers' regulatory authorities. The Group's export sales were considered within several anti-dumping investigation frameworks. The Group takes steps to address negative effects of the current and potential anti-dumping investigations and participates in the settlement efforts coordinated through the Russian authorities. No provision arising from any possible agreements as a result of anti-dumping investigations has been made in the accompanying interim condensed consolidated financial statements.

(b) Litigation

The Group, in the ordinary course of business, is the subject of, or party to, various pending or threatened legal actions. The Group's management believes that any ultimate liability resulting from these legal actions will not significantly affect its financial position or results of operations, and no amount has been accrued in the accompanying interim condensed consolidated financial statements.

Initiated in January 2010 by the non-controlling shareholder of OJSC Maxi-Group, court proceeding at the International Commercial Arbitration Court at the Chamber of Commerce and Industry of the Russian Federation (hereinafter, ICA Court) regarding the enforcement of the additional payment by the Parent Company for the shares of OJSC Maxi-Group ended in January 2012 in favor to the Parent Company.

Initiated in December 2012 by the non-controlling shareholder of OJSC Maxi-Group, court proceeding at ICA Court regarding the loss of assets in connection with a share-purchase agreement ended in January 2014. Arbitrators stated that ICA Court lacks jurisdiction to adjudicate the claim of Maxi-Group's non-controlling shareholder against the Parent Company and terminated examinations.

No further appeal is possible in these claims.

Recently there are still certain court proceedings initiated by the non-controlling shareholder of OJSC Maxi-Group going on in European courts and related to the claim filed to ICA Court in January 2010. In April 2014 the French court decided to execute a decision of the court of Russia (which was cancelled in Russia) on the territory of France. In December 2014 the Parent Company claimed the appeal on this decision. The Group's management considers the probability of unfavorable outcome and cash outflow in connection with these court proceedings is low and accordingly, no accruals in relation to these claims were made in these interim condensed consolidated financial statements.

(c) Environmental matters

The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognized immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be reasonably estimated. In the current enforcement climate under existing legislation, management believes that the Group has met the Government's federal and regional requirements concerning environmental matters, therefore there are no significant liabilities for environmental damage or remediation.

15 COMMITMENTS AND CONTINGENCIES (continued)

(d) Capital commitments

Management estimates the outstanding agreements in connection with equipment supply and construction works amounted to \$436,774 and \$481,487 as at March 31, 2015 and December 31, 2014, respectively.

(e) Social commitments

The Group makes contributions to mandatory and voluntary social programs. The Group's social assets, as well as local social programs, benefit the community at large and are not normally restricted to the Group's employees. The Group has transferred certain social operations and assets to local authorities, however, management expects that the Group will continue to fund certain social programs through the foreseeable future. These costs are recorded in the period they are incurred.

(f) Tax contingencies

Russian tax, currency and customs legislation is subject to varying interpretations and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities, including certain operation of intercompany financing of Russian subsidiaries within the Group, that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed, and certain expenses used for profit tax calculation may be excluded from tax returns. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Russian transfer pricing legislation was amended starting from January 1, 2012. The new transfer pricing rules appear to be more technically elaborate and, to a certain extent, better aligned with the international principles. The new legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (defined by applicable legislation), provided that the transaction price is not arm's length. Management exercises its judgment about whether or not the transfer pricing documentation that the entity has prepared, as required by the new legislation, provides sufficient evidence to support the Group's tax positions.

Starting from January 1, 2015 new provisions aimed at deoffshorisation of Russian economy were included in Russian tax legislation. Particularly, the following new concepts were introduced: controlled foreign companies' rules, beneficial ownership concept for applying the preferential terms of international tax treaties concluded by Russian Federation, Russian tax residency concept for foreign entities, taxation of indirect sale of immovable property located in Russia. Management analyses the impact of new tax provisions on Group's activity and implements the required actions in order to comply with new Russian tax requirements. Given that the practice of implementation of new provisions aimed at deoffshorisation of Russian economy has not yet formed, the impact of these changes on the financial position and the results of the Group's operations cannot be reliably estimated.

As at March 31, 2015, management believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency and customs positions will be sustained.

16 SUBSEQUENT EVENTS

In April 2015, the Board of Directors of the Parent Company proposed dividends for the year ended December 31, 2014 of 2.44 Russian rubles per share in the total amount of Russian rubles of 14,623,474 thousand (\$293,821 at the exchange rate as at March 31, 2015, including interim dividends for the six months ended June 30, 2014 of 0.88 Russian ruble per share for the total of \$133,904, translated at the historical rate) and for the three months ended March 31, 2015 of 1.64 Russian rubles per share in the total amount of Russian rubles of 9,828,893 thousand (\$168,118 at the exchange rate as at March 31, 2015). The final amount of dividends is subject to the approval by an Annual General Stockholders' Meeting.

The Group's management has performed an evaluation of subsequent events and did not find any, except mentioned above, through the period from April 1, 2015 to May 20, 2015, which is the date when these interim condensed consolidated financial statements were available to be issued.