NLMK

27 March 2015

Press release

FY2014 AND Q4 2014 CONSOLIDATED FINANCIAL RESULTS UNDER US GAAP

FY2014 highlights:

- Group's steelmaking capacities were running at 96%
- Steel output increased to a record 15.9 million tonnes, driven by higher output at the Lipetsk site and increased capacity utilization at NLMK Kaluga
- Sales increased by 2% year-on-year to 15.1 million tonnes
- 2014 revenue totaled $10,396 million (-5% year-on-year)
- EBITDA grew by 58% to $2,383 million
- EBITDA margin increased to 23% (from 14% in 2013)
- Investment was down by 26% to $560 million
- Free cash flow increased by 174% to $1,155 million on the back of profitability growth and lower investment
- Net debt reduced by 41% year-on-year to $1,590 million
- Net debt/EBITDA was 0.67x (1.8x at the end of 2013)
- Net income increased by 4.5 times year-on-year to $845 million

Q4 2014 highlights:

- Steelmaking capacities were running at 98%
- Steel output totalled 4.1 million tonnes (-1% quarter-on-quarter)
- Sales increased by 7% quarter-on-quarter to 3.8 million tonnes
- EBITDA was $627 million (-9% quarter-on-quarter and +53% year-on-year)
- EBITDA margin was 27% (flat quarter-on-quarter; +11 p.p. year-on-year), including 30% at the Steel Segment

Outlook

In Q1 2015, we expect stable operational and financial performance compared to Q4 2014.

TELECONFERENCE

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

Friday, 27 March, 2015.

- 09:00 (New York)
- 14:00 (London)
- 17:00 (Moscow)

To join the conference call, please, dial:

US Number:

+1 212 444 0895 (local access)

+1 877 280 2296 (toll free)

United Kingdom Number:

+44 20 3427 1916 (local access)

0800 279 4992 (toll free)

Russian Number:

+7 495 213 0979 (local access)

8 800 500 9311 (toll free)

Conference ID:

7981806

* We recommend that participants start dialing in 5-10 minutes prior to avoid waiting.

It is recommended that participants download the presentation in advance on NLMK's web-site www.nlmk.com

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Q4 AND 12M 2014 CONSOLIDATED FINANCIAL RESULTS UNDER US GAAP [1]

Key highlights

'000 t/$ million	Q4 2014	Q3 2014	Change qoq, %	Q4 2013	Change yoy, %	12M 2014	12M 2013	Change yoy, %
Sales volumes[2]	**3,846**	3,581	+7%	3,567	+8%	**15,126**	14,828	+2%
Revenue	**2,343**	2,607	-10%	2,505	-6%	**10,396**	10,909	-5%
EBITDA[3]	**627**	693	-9%	409	+53%	**2,383**	1,505	+58%
EBITDA margin (%)	**27%**	27%	0 p.p.	16%	+11 p.p.	**23%**	14%	+9 p.p.
Net income[4]	**232**	281	-17%	-21		**845**	189	+348%
Free cash flow[5]	**381**	36	x10	92	x4.1	**1,155**	421	+174%
Net debt[6]	**1,590**	1,803	-12%	2,702	-41%	**1,590**	2,702	-41%
Net debt/EBITDA[6]	**0.67x**	0.83x		1.80x		**0.67x**	1.80x	

Notes:

[1] 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.

[2] Up till and inclusive of Q3 2013, NLMK Belgium Holdings (hereinafter referred to as NBH) sales were included into the Group's consolidated sales. Starting from Q4 2013, NBH sales are shown separately.

[3] 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.

[4] Net profit attributable to NLMK shareholders.

[5] Free cash flow is determined as net cash from operational activity (with net interest expenses) net of capital investment.

[6] 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 CEO:

Commenting on NLMK 12M and Q4 2014 results, NLMK Group CEO Oleg Bagrin said:

"2014 was another challenging year for the global steel industry. For the first time over the last two decades, China that accounts for approximately half of global steel consumption, showed negative steel consumption growth due to the slowdown in economy. At the same time, we saw an increase in demand in developed markets that allowed partially offsetting the slowdown in demand in China and in a number of developing countries.

Steel consumption in 2014 continued to grow. At the same time, we saw a decrease in prices for steel products across all regions, related primarily to the reduction in raw material prices and intensified completion, coupled with a significant share of excess capacity on the world.

There was a reduction in steel consumption in the Russian market in 2014 that was offset by lower steel product imports. NLMK Group increased its share in the domestic market last year, growing its deliveries to Russian clients by 14%.

NLMK Group kept its key steelmaking capacities running at close to 100%. Due to the increase in capacity utilization at NMK Kaluga that was launched in mid-2013, and high production output at the Lipetsk site, the Group achieved record production volumes of 15.9 million tonnes, +3% year-on-year. We expect production output in 2015 to be comparable to 2014 levels.

A significant increase in cash flow from operations and conservative investment allowed NLMK to significantly reduce its debt leverage and increase dividend flexibility: interim dividends were announced for the first time since 2010. Net debt was down by 41% in 2014; Net debt/EBITDA was 0.7x, which is below the strategic goal set at of 1.0x.

The company continued to work on its operational efficiency programmes as part of NLMK Production System at all Group sites. Total gains from the programmes were $288 million compared to the 2013 cost base. Total operational efficiency programme gains in 2013-2014 exceed the goal level set by Strategy 2017 to be implemented until 2018. The Group will continue to work on maintaining the level of operational efficiency it has achieved and to develop new initiatives."

MANAGEMENT COMMENTS

- **Market overview**

  2014 overview

  Spreads between steel product prices and raw material prices widened in 2014. Prices for iron ore raw materials dropped by 47%, pressured by the spike in supply. At the same time, steel prices decreased by 5% on average year-on-year. Steel prices were supported by the increase in demand for steel, primarily in the developed markets, with intensified competition acting as a deterrent.

  Steel manufacturers were able to expand their presence in the Russian market due to the reduction of imports. As a result of the ruble devaluation, prices expressed in rubles were on average higher than last year; whereas prices expressed in dollars went down with the global downward trend.

  In the USA market, demand for steel products was growing confidently, supporting a favourable pricing environment throughout the year. In Europe, demand for steel recovered, particularly in the automotive sector. However, steel prices remained stable or declined compared to 2013 on the back of intensive competition.

  Q4 2014 review

  Q4 saw a seasonal decline in demand for steel; prices for key raw materials continued to decline; resulting in weaker prices for steel products in the main regional markets. Nonetheless, prices in the Russian market expressed in rubles increased or remained stable due to the discount of domestic prices vs. export prices as a result of the slump in the ruble.

- **Production and sales**

  2014 review

  NLMK Group steelmaking capacities in 2014 were running at 96% (+1% year-on-year), including 100% at the Lipetsk production site.

  2014 steel output increased by 3% year-on-year to 15.9 million tonnes, on the back of higher utilization rates at NLMK Kaluga that was launched in mid-2013; as well as the increase in output at the Lipetsk site that reached a record 12.6 million tonnes of steel output.

  2014 steel product sales totaled 15.1 million tonnes (+2% year-on-year). This increase in sales was driven by an increase in long product deliveries from NLMK Kaluga (x3 year-on-year); and an increase in pig iron sales (+56% year-on-year). Following the deconsolidation of NBH starting from Q4 2013, there was a shift in the sales of flat steel (-7% year-on-year) and slabs (+6% year-on-year). As a result, the share of high value added product sales decreased by 4 p.p. year-on-year to 31%.

  Q4 2014 review

  NLMK Group steelmaking capacities were running at 98% (+1 p.p. quarter-on-quarter), including 100% at the main production site in Lipetsk.

  Q4 steel output reduced by 1% quarter-on-quarter to 4.1 million tonnes, due to the seasonal decline in output at NLMK Long Products that was practically offset by the increase in output at the Lipetsk production site.

  Group sales increased to 3.8 million tonnes (+7% quarter-on-quarter), driven by increased export sales of semi-finished products and the recognition of a part of long product sales from the previous period.

- **Sales markets**

  2014 review

  Sales to the Russian market increased by 14% year-on-year to 6.6 million tonnes, primarily on the back of the increase in long product sales. The share of Russian sales was 43% of total sales, 4 p.p.

up vs. 2013. Export sales by the Group's Russian companies increased by 4% to 6.1 million tonnes, accounting for 41% of total sales, driven mostly by the increase in export sales of slabs and pig iron.

Foreign Rolled Products sales reduced (-29% year-on-year to 2.4 million tonnes) due to the deconsolidation of NBH starting from Q4 2013.

Key export destinations were the EU (19% of sales; +2 p.p. year-on-year) and the USA (+18% of sales; +4% p.p.). Sales to the Middle East (including Turkey) accounted for 7% (-3 p.p.); sales to Asia and Oceania accounted for 3% (-7 p.p.).

Q4 2014

Domestic sales reduced by 6% on the back of the seasonal drop in demand in the Russian market. This reduction was mostly accounted for by lower deliveries from the Lipetsk site.

Q4 external sales increased by 20% quarter-on-quarter to 2.3 million tonnes, driven by higher export deliveries by the Group's Russian companies. Foreign Rolled Products segment sales decreased by 5% quarter-on-quarter to 0.6 million tonnes of the back of the seasonal weakening in demand in the USA.

Key international sales destinations were Europe (20% of total sales), North America (18% of sales) and the Middle East (8% of sales).

- **Prices**

  2014 review

  Average NLMK Group prices for flat and long products in the Russian market in 2014 decreased in dollar terms by 9-11% year-on-year. In line with the global trend, export slab prices increased by 2% year-on-year; export prices for standard flat steel products decreased by 4-6%.

  Price trends for NLMK's foreign assets were largely in line with the trends in the local markets: average prices in Europe fell by 1-3% year-on-year; average prices in the USA increased by 6-8% year-on-year.

  Q4 2014 review

  Average prices for standard grades of flat and long products in Russia reduced in dollar terms by 20-25% quarter-on-quarter, due primarily to the slump in the ruble/dollar exchange rate (it fell by 24% quarter-on-quarter). NLMK Group Russian companies' export prices for slabs and standard grades of flat steel fell by an average 13-15% quarter-on-quarter, following the global price trend.

  Prices in Europe expressed in dollars fell by 4-6% quarter-on-quarter, due mostly to the weakening of the euro/dollar exchange rate. Prices in the USA fell by 1-3% quarter-on-quarter due to the seasonal weakening in demand and a decrease in scrap prices.

- **Debt management**

  NLMK Group net debt decreased by 41% in 2014 year-on-year to $1.6 billion on the back of a significant positive free cash flow. Q4 reduction was 12% quarter-on-quarter. An additional deleveraging factor was the weakening in the ruble exchange rate, and the corresponding reduction of ruble debt when converted in US dollars (ruble bonds and long-term loans); at the end of 2014, these totalled approximately 31 billion rubles ($549 million).

  Net debt/EBITDA at the end of 2014 was 0.67x which is below the target value set by Strategy 2017 at 1.0x.

  Net settlement of financial debt in Q4 was $782 million, including $210 million in Q4. Significant payments in Q4 included: repayment of ruble bonds for a total of 10 billion rubles ($215 million) and repayment of export traders' credit line for a total of $75 million.

  NLMK Group total debt in 2014 was down by 34% (year-on-year) to $2.8 billion, including 29% of ST liabilities mostly represented by RUB bonds and revolving credit lines to finance working capital.

In Q1 2015, NLMK is planning to buy back ruble bonds in the amount of 5 billion rubles and make all regular payments on long-term loans related to investment.

- **Investment**

  2014 investments were down by 26% to $560 million, including $206 million maintenance capex. More detailed information on the long-term investment programme and the implementation of Strategy 2017 will be presented at NLMK's Capital Markets Day on March 30th, 2015.

- **Subsequent events**

  In March 2015, NLMK Group and the Belgian state-owned SOGEPA (Societe Wallonne de Gestion et de Participations S.A.) signed an agreement providing for the increase of SOGEPA's stake in NLMK Belgium Holdings (NBH) from 20.5% to 49% and joint management of NBH's businesses. Under the agreement, NLMK Group's and SOGEPA's existing respective put and call options over the SOGEPA shares were terminated.

  NLMK Group and SOGEPA agreed to support NBH in obtaining financing of its working capital and pro-rata cash shareholder contributions to the capital of NBH.

  NLMK Group and SOGEPA also agreed on a new stage of operational improvement programmes, and the optimization of the structure of the entity's auxiliary strip production companies. See press release.

KEY FINANCIALS

- **Revenue**

  2014 review

  2014 revenue totaled $10,396 million (-5% year-on-year). The 2% year-on-year increase in sales partially offset the 3-5% year-on-year decrease in average sales prices and the impact from NBH deconsolidation starting from Q4 2013. The change in revenue for a comparable NLMK Group asset structure (with NBH results excluded for 9M 2013) would have been (-)2%.

  Revenue from the sale of finished products accounted for 67% (-2 p.p. year-on-year). This decrease was related to the deconsolidation of NBH, following which internal slab deliveries to European rolling assets are counted as external sales.

  Revenue from Russian sales totaled 42% (+2 p.p. year-on-year); sales to the European Union and to North America accounted for 18% (-1 p.p.) and 20% (+6 p.p.) respectively.

  Q4 2014 review

  Q4 revenue was down by 10% quarter-on-quarter to $2,343 million due to the reduction in average sales prices, pressured, among other factors, by the devaluation of the ruble: Q4 average exchange rate was 47.4 ruble/dollar; Q3 average exchange rate was 36.2 ruble/dollar. The price factor was partially offset by the 7% quarter-on-quarter increase in sales.

  Revenue from finished product sales accounted for 64% (-6 p.p. quarter-on-quarter) on the back of higher semi-finished product sales.

  Revenue from domestic sales accounted for 39% (-8 p.p. quarter-on-quarter) on the back of the seasonal drop in demand in the domestic market and the weakening of the ruble. Revenue from sales in the North American market contracted to 15% (-8 p.p.) on the back of the local weakening in demand. Revenue share from sales to Europe increased by 7 p.p. to 23%.

- **Operating profit**

  2014 review

  2014 operating profit increased by 130% year-on-year to $1,484 million. Key growth factors were: NLMK's operational efficiency programme (with gains without NBH indicators totaling $252 million compared to 2013 level); widening of the spreads between prices for steel products and prices for raw materials; and a 2% year-on-year increase in sales. Operating profit was negatively impacted by non-cash losses from impairment of investments into Long Product Segment companies in the amount of $114 million.

  General & administrative and commercial expenses were down (-18% year-on-year and -7% year-on-year) due to cost optimization initiatives; as well as the change in the NLMK Group asset structure (NBH deconsolidation starting from Q4 2013), and the impact from the change in the ruble exchange rate.

  Q4 2014 review

  Q4 operating profit decreased by 13% quarter-on-quarter to $348 million. This decrease in operating profit was largely driven by Q4 non-cash losses from impairment of investments in Long Products Segment companies in the amount of $114 million. The seasonal narrowing of spreads between prices for finished products and prices for raw materials were offset by the 7% quarter-on-quarter increase in sales.

  Q4 slab cash cost at the Lipetsk site was down by 24% quarter-on-quarter to $225/tonne, supported by operational improvement programmes; the increase in steel output (by 7% quarter-on-quarter); and the weakening of the ruble exchange rate. In December 2014, this indicator was $192/tonne.

  Q4 general and administrative expenses increased by 12% quarter-on-quarter, and by 5% year-on-year, on the back of accrual of provision for annual bonuses and doubtful accounts receivable.

Commercial expenses grew by 3% quarter-on-quarter to $213 million due to a 7% quarter-on-quarter increase in steel product deliveries; changes in the geography of sales (20% quarter-on-quarter increase in sales to external markets); as well as an increase in iron ore export delivery costs on the back of higher delivery volumes.

- **Net profit**

  2014 review

  Net profit increased by 4.5 times year-on-year to $845 million. This was largely related to the significant increase in the profit from operations, significant positive exchange rate differences on the back of the ruble weakening ($418 million compared to $38 million in 2013), and non-cash losses from impairment of investments in the amount of $439 million.

  Q4 2014 review

  Q4 2014 net profit decreased by 17% quarter-on-quarter to $232 million. This was largely due to non-cash losses from impairment of financial investments for a total of $356 million (Q3 impairment loss was $83 million); and positive exchange rate differences in the amount of $361 million (Q3 exchange rate differences were $73 million).

- **Cash flow**

  2014 review

  2014 net operating cash flow was $1,716 million (+46% year-on-year), the increase being attributable to increased profit from operations. The $595 increase in working capital was due primarily to the impact of exchange rate differences when recalculating financial reporting indicators from the functional currency to presentation currency (estimated at $465 million); as well as the creation of an additional stock of slabs at the Group's USA assets in the amount of $140 million that will be sold in the course of Q1 (50%) and Q2 (50%) 2015. On-balance working capital value at the end of 2014 decreased by $490 million compared to the end of 2013, primarily due to the recalculation of NLMK Group's Russian companies' stock into dollars at a higher exchange rate.

  2014 investments decreased by 26% year-on-year to $560 million, including $206 million maintenance capex.

  Free cash flow (see calculation in Appendix #2) totaled $1,155 million. This has allowed the company to significantly deleverage; and to increase dividend payments (H1 dividends totaled $134 million; interim dividends were paid for the first time since 2011).

  Q4 2014 review

  Q4 net operating cash flow increased by 2.6 times quarter-on-quarter to $503 million. The $377 million increase in working capital was due to the impact of exchange rate differences on financial reporting (estimated at $310 million); and the creation of a stock of slabs at NLMK Group's USA assets ($140 million).

  Q4 investments were down by 23% quarter-on-quarter to $122 million, largely under the impact of the decline in the ruble exchange rate.

  Significant operating cash flow and conservative investments allowed the Company to increase its free cash flow: in Q4 it totaled $381 million ($36 million in Q3).

Steel Segment*

$ million	**Q4 2014**	Q3 2014	Change qoq, %	Q4 2013	Change yoy, %	**12M 2014**	12M 2013	Change yoy, %
Steel product sales, ‘000 tonnes	**3,074**	3,033	+1%	2,730	+13%	**12,171**	11,838	+3%
including third party sales, ‘000 tonnes	**2,618**	2,349	+11%	2,393	+9%	**10,090**	9,341	+8%
Revenue, incl.	**1,826**	2,009	-9%	1,802	+2%	**7,872**	7,865	0%
Revenue from external customers	**1,482**	1,636	-9%	1,595	-7%	**6,588**	6,468	+2%
Revenue from intersegmental operations	**344**	373	-8%	207	+66%	**1,284**	1,396	-8%
EBITDA	**551**	455	+21%	153	+261%	**1,621**	637	+155%
EBITDA margin	**30%**	23%	+7 p.p.	8%	+22 p.p.	**21%**	8%	+13 p.p.

2014 review

Segment sales increased by 3% to 12.2 million tonnes, on the back of increased deliveries of pig iron, hot- and cold-rolled steel. Sales to external customers increased by 8% year-on-year, due to the company’s increased market share; and to the impact from the deconsolidation of NBH rolling assets, following which slab deliveries to NBH companies are counted as external sales (starting from Q4 2013).

Q4 revenue totaled $7.9 billion (flat year-on-year). The decrease in average sales prices was fully offset by the increase in sales volumes and changes in the structure of sales.

EBITDA increased by 155% year-on-year to $1,621 million, supported by lower production costs as a result of the operational efficiency programmes at the main sites of the Segment. The widening of spreads between steel product prices and raw material prices; and the changes in the currency exchange rate served as additional profitability growth factors.

Q4 2014 review

Segment’s Q4 2014 total sales increased by 1% quarter-on-quarter to 3.1 million tonnes; sales to third parties increased to 2.6 million tonnes (+11% quarter-on-quarter). This increase in sales was attributable to higher deliveries from hot-end operations on the back of stable demand for steel products.

Steel Segment’s total revenue was $1.8 billion (-9% quarter-on-quarter). The decrease in average sales prices and the impact from the dollar exchange rate were partially offset by higher sales.

Steel Segment’s EBITDA increased by 21% quarter-on-quarter to $551 million, primarily as a result of the operational efficiency programmes. EBITDA margin gained 7 p.p. and totaled 30%.

Outlook

We expect an increase in the share of export sales in Q1 2015 on the back of the seasonal slowdown in demand in the domestic market. A flexible sales policy and strict cost control will allow maintaining high sales efficiency of the Segment companies.

**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*

$ million	**Q4 2014**	Q3 2014	Change qoq, %	Q4 2013	Change yoy, %	**12M 2014**	12M 2013	Change yoy, %
Long products and billet sales, ‘000 tonnes	**635**	608	+4%	633	+0%	**2,636**	2,102	+25%
Revenue, incl.	**396**	493	-20%	474	-16%	**1,815**	1,716	+6%
Revenue from external customers	**302**	378	-20%	371	-19%	**1,447**	1,328	+9%
Revenue from intersegmental operations	**94**	115	-18%	102	+9%	**368**	388	-5%
EBITDA	**13**	77	-83%	12	-36%	**149**	95	+57%
EBITDA margin	**3%**	16%	-13 p.p.	3%	0 p.p.	**8%**	6%	+2 p.p.

2014 review

Sales increased by 25% to 2.636 million tonnes, supported by the increase in capacity utilization at NLMK Kaluga and the growth in the Segment’s share in the Russian long products market.

Segment revenue was up by 6% year-on-year to $1,815 million of the back of higher sales (+25% year-on-year). This allowed fully offsetting the decrease in long product prices denominated in dollars.

The increase in sales; and operational efficiency programmes allowed a 57% increase year-on-year in the Segment’s EBITDA (to $149 million); EBITDA margin was 8% (+2 p.p. year-on-year).

Q4 2014 review

Segment Q4 2014 sales grew by 4% quarter-on-quarter to 635,000 tonnes due to the delayed recognition of Q3 sales, offsetting the seasonal decline in demand for construction long products in the domestic market (approximately 90% of Segment sales go to the construction sector).

Segment’s total revenue dropped by 20% quarter-on-quarter to $396 million. This was attributable to the significant ruble devaluation and the consequent drop in prices for long products in dollar terms.

Q4 2014 EBITDA contracted by 83% to $13 million; EBITDA margin was 3%. Key factors behind the decline in Segment profitability were: significant narrowing of spreads between prices for raw materials and long products on the back of higher scrap prices (seasonality factor and increase in ruble export prices); and impact from the decline in the ruble exchange rate.

Outlook

In Q1 2015, we expect a seasonal reduction in demand in the domestic market. Over this period, NLMK Kaluga is going to continue mastering new types of long products (growing its offering of sections). This will allow expanding the product mix during the period of seasonal demand growth. Segment’s financial results are expected to increase compared to Q4 2014 on the back of higher average sales prices for finished products, and increased export sales.

**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*

$ million	Q4 2014	Q3 2014	Change qoq, %	Q4 2013	Change yoy, %	12M 2014	12M 2013	Change yoy, %
Sales of iron ore concentrate and sinter ore, '000 tonnes	**4,365**	3,970	+10%	3,964	+10%	**16,209**	15,434	+5%
incl. to Lipetsk plant	**3,142**	3,151	-0%	3,051	+3%	**11,942**	11,641	+3%
Revenue, incl.	**197**	248	-21%	353	-44%	**1,068**	1,351	-21%
Revenue from external customers	**70**	70	0%	94	-25%	**346**	372	-7%
Revenue from intersegmental operations	**126**	178	-29%	259	-51%	**722**	979	-26%
EBITDA	**101**	145	-30%	228	-56%	**640**	860	-26%
EBITDA margin	**51%**	58%	-7 p.p.	65%	-14 p.p.	**60%**	64%	-4 p.p.

2014 review

Iron ore sales increased by 0.8 million tonnes year-on-year to 16.2 million tonnes. This increase was supported by operational efficiency programmes for beneficiation equipment; and process optimization.

Total revenue dropped by 21% year-on-year to $1,068 million due to the slump in prices for the Segment's products. The price factor was also behind the 26% year-on-year reduction in the Segment's EBITDA to $640 million. Operational efficiency programmes allowed maintaining the EBITDA margin at a high level of 60% (-4 p.p. year-on-year).

Q4 2014 review

Iron ore sales increased by 10% quarter-on-quarter. Segment revenue totaled $197 million (-21% quarter-on-quarter) due to the decrease in iron ore prices.

Q4 2014 EBITDA was $101 million (-30% quarter-on-quarter) due to the ongoing reduction of iron ore prices in the global market. EBITDA margin was 51% (-7 p.p. quarter-on-quarter).

Outlook

We expect stable operational performance from the Segment in Q1 2015. Further reduction of iron ore prices could have a negative impact of the Segment's financial results.

** NLMK's Mining Segment comprises Stoilensky (the Group's key mining asset), Dolomit and Stagdok. These companies mainly supply raw materials to NLMK's production facilities in Lipetsk and also sell limited volumes outside the Group.*

Foreign Rolled Products Segment*

$ million	Q4 2014	Q3 2014	Change qoq, %	Q4 2013	Change yoy, %	12M 2014	12M 2013	Change yoy, %
Steel products sales, '000 tonnes	**592**	624	-5%	541	+9%	**2,416**	3,386	-29%
Revenue, incl.	**488**	523	-7%	445	+10%	**2,015**	2,742	-27%
Revenue from external customers	**488**	523	-7%	445	+10%	**2,015**	2,740	-26%
Revenue from intersegmental operations	**-**	-	-	-	-	**-**	2	-100%
EBITDA	**19**	36	-48%	30	-37%	**97**	-94	+203%
EBITDA margin	**4%**	7%	-3 p.p.	7%	-3 p.p.	**5%**	-3%	+8 p.p.

2014 review

The significant changes in the Segment's operational and financial performance compared to 9M 2013 are related to NBH deconsolidation.

Companies that were part of the Segment in 2014

2014 NLMK USA sales gained 11% year-on-year and reached 2.0 million tonnes on the back of improved market conditions in the USA. NLMK Dansteel plate sales increased by 14% year-on-year to 0.4 million tonnes.

NLMK USA EBITDA spiked 130% year-on-year to $109 million on the back of operation efficiency programmes; increased capacity utilization; and the widening of spreads between prices for slabs and prices for finished products.

NLMK Dansteel EBITDA loss decreased to (-)$10 million (in 2013, it was (-)$17 million) on the back of higher capacity utilization; higher sales of niche plates; and operational efficiency programme gains.

Associated companies

2014 EBITDA of companies that comprise NBH totaled (-)$146 million (-10% year-on-year), pressured by the narrowing of spreads between slab and flat steel prices in the European market. This factor was partially offset by a 7% increase in sales and operational efficiency programme gains.

Q4 2014 review

Q4 2014 Segment sales declined by 5% quarter-on-quarter to 592,000 tonnes on the back of the weakening in demand in the US market and a stable situation in Europe. This was the key factor behind the 7% quarter-on-quarter decline in revenue to $488 million. Segment EBITDA was down by 48% quarter-on-quarter to $19 million. EBITDA margin was 4% (-3 p.p. quarter-on-quarter).

Outlook

We expect the market situation in Europe in Q1 2015 to be stable with a potential improvement in NLMK Dansteel and NBH performance of the back of widened spreads between slabs and finished products. At the same time, we expect NLMK USA financial results to deteriorate on the back of weaker demand and a reduction in finished product prices.

** The Foreign Rolled Products Segment before the 1st October 2013 was represented by rolling assets in Europe (NLMK Europe) and the USA (NLMK USA). NLMK Europe is represented by thick plate producers NLMK Dansteel (Denmark), NLMK Clabecq (Belgium), NLMK Verona (Italy) and strip product producers NLMK La Louvière (Belgium), NLMK Coating (France), NLMK Strasbourg (France). NLMK USA includes NLMK Pennsylvania, Sharon Coating, NLMK Indiana.*

Following the deconsolidation of NBH starting from Q4 2013 the segment includes NLMK USA division companies and NLMK Dansteel.

Appendixes

(1) EBITDA

$ million	**Q4 2014**	**Q3 2014**	**12M 2014**	**12M 2013**
Operating income	348	402	-1 484	644
minus:				
Impairment losses	-114	-83*	-114	-
Depreciation and amortization	-165	-208	-785	-862
EBITDA	**627**	**693**	**2,383**	**1,505**

*Impairment losses from financial investments into NBH in the amount of $83 m, reported in the financial statements of 9M 2014 were reclassified in the financial statements of 12M 2014 as “Impairment of investment in associate”

(2) Free cash flow

$ млн	**Q4 2014**	**Q3 2014**	**12M 2014**	**12M 2013**
Net cash from operating activities (with net interest payments)	503	194	1,716	1,177
Capex	-122	-158	-560	-756
Free cash flow	**381**	**36**	**1,155**	**421**

(3) Sales by product

‘000 tonnes	**Q4 2014**	Q3 2014	Q2 2014	Q1 2014	Q4 2013
Pig iron	**156**	97	4	6	26
Slabs	**1,209**	860	973	1,295	1,228
Thick plates	**106**	90	103	100	90
Hot-rolled steel	**815**	913	950	841	661
Cold-rolled steel	**451**	545	553	497	490
Galvanized steel	**229**	229	240	221	220
Pre-painted steel	**133**	124	125	132	99
Transformer steel	**66**	69	66	58	54
Dynamo steel	**44**	47	81	61	66
Billet	**65**	65	84	86	84
Long products	**487**	459	568	490	472
Metalware	**83**	84	87	77	77
TOTAL	**3,846**	**3,581**	**3,834**	**3,865**	**3,567**

(4) Sales by region

‘000 tonnes	**Q4 2014**	**Q3 2014**	**Q2 2014**	**Q1 2014**	**Q4 2013**
Russia	1,590	1,694	1,736	1,549	1,460
EU	756	674	706	736	662
Middle East (incl. Turkey)	308	217	237	245	254
North America	698	701	639	749	669
Asia and Oceania	67	164	159	67	248
Other regions	427	130	356	519	275
TOTAL	**3,846**	**3,581**	**3,834**	**3,865**	**3,567**

(5) Revenue by region

Region	Q4 2014		Q3 2014		2014		2013	
	$ million	**share, %**	$ million	share, %	**$ million**	**share, %**	$ million	share, %
Russia	905	39%	1,216	47%	4,352	42%	4,373	40%
EU	537	23%	421	16%	1,902	18%	2,074	19%
Middle East (incl. Turkey)	208	9%	133	5%	637	6%	875	8%
North America	344	15%	592	23%	2,085	20%	1,559	14%
Asia and Oceania	185	8%	41	2%	319	3%	794	7%
Other regions	164	7%	205	8%	1,101	11%	1,234	11%
TOTAL	**2,343**		**2,607**		**10,396**		**10,909**	

(6) Working capital

$ million	**30.12.14**	**30.09.14**	**30.06.14**	**31.03.14**	**31.12.13**
Current assets	**3,915**	**4,781**	**5,138**	**4,966**	**5,102**
Cash and cash equivalents	549	815	939	830	970
Short term investments	621	668	792	753	485
Accounts receivable	1,104	1,371	1,561	1,544	1,438
Inventories	1,560	1,822	1,735	1,731	2,124
Other current assets, net	80	105	111	107	85
Current liabilities	**1,620**	**2,095**	**2,307**	**2,242**	**2,317**
Accounts payable	774	1,113	1,125	1,068	1,176
Short-term debt	799	930	1,157	1,141	1,119
Other current liabilities	48	51	25	33	22
Working capital	**2,295**	**2,686**	**2,831**	**2,724**	**2,785**

(7) Production of main products

‘000 tonnes	**Q4 2014**	**Q3 2014**	**Q2 2014**	**Q1 2014**	**Q4 2013**
Coke 6% moisture, incl.	**1,837**	**1,783**	**1,581**	**1,631**	**1,668**
Novolipetsk	645	649	589	621	620
Altai-Koks	1,192	1,134	992	1,009	1,048
Crude steel, incl.	**4,108**	**4,131**	**3,773**	**3,909**	**4,064**
Steel Segment	3,396	3,181	2,894	3,086	3,193
Long Products Segment	551	776	722	654	707
incl. NLMK Kaluga	198	283	279	195	253
Foreign Rolled Products Segment	162	175	157	169	164
Rolled products / finished products, incl.	**2,413**	**2,638**	**2,696**	**2,449**	**2,424**
Flat steel	1,930	1,972	2,067	1,904	1,834
Long steel	483	665	629	545	590

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

'000 tonnes	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013
Sales to third parties, incl.	1,209	860	973	1,295	1,228
Export	*1,002*	*703*	*801*	*1,103*	*1,107*
Incl. sales to NBH	*535*	*461*	*430*	*483*	*446*
Domestic market	*205*	*155*	*169*	*191*	*119*
Slab sales by NLMK USA	*2*	*3*	*3*	*2*	*2*
Sales to subsidiaries	543	684	454	480	337
Total	**1,752**	**1,544**	**1,428**	**1,776**	**1,565**