NLMK

26 March 2013

Press-release

NLMK 12M 2012 and Q4 2012 Operating and Financial results [1]

12M 2012

- Sales revenue: US$12,157 million (+4% y-o-y)
- EBITDA: US$1,900 million (-16%)
- EBITDA margin: 15.6% (-3.6 p.p.)
- Net profit: US$596 million (-56%)
- Operating cash flow: US$1,825 million (+1%)
- Capital expenditure: US$1,453 million (-29%)
- Revenue per tonne of steel: US$801 (-12%)
- Steel output: 14.9 million tonnes (+25%)
- Steel product sales: 15.2 million tonnes (+18%)

Q4 2012

- Sales revenue: US$2,803 million (-7% q-o-q)
- EBITDA: US$390 million (-19%)
- EBITDA margin: 13.9% (-2.2 p.p.)
- Net loss: US$22 million
- Operating cash flow: US$333 million (-51%)
- Capital expenditure: US$296 million (-15%)
- Revenue per tonne of steel: US$762 (-3%)
- Steel output: 3.7 million tonnes (-3%)
- Steel product sales: 3.7 million tonnes (-4%)

OUTLOOK

- Q1 2013 steel output to remain flat
- Revenue in Q1 2013 is expected to decrease by up to 5% q-o-q
- Q1 2013 EBITDA is expected to be sequentially lower
- 2013 steel output to increase to 15.5 million tonnes
- Capital expenditure in 2013 is expected to drop by 20-25% y-o-y
- Leverage will not exceed 2012 level

CONFERENCE CALL DETAILS

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

Tuesday, 26 March, 2013

09:00 (New York)

13:00 (London)

17:00 (Moscow)

To join the conference call, please, register on-line:
https://eventreg1.conferencing.com/webportal3/reg.html?Acc=975352&Conf=187099

or dial

International Number: +44 (0) 20 7162 0025

US Number: +1 334 323 6201

Conference ID: 930582

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

The conference call replay will be available through 2 April 2013

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

US Replay Number: +1 954 334 0342

Replay Access Code: 930582

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

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KEY HIGHLIGHTS

'000 tonnes / US$ million	Q4 2012[1]	Q3 2012	Change %	12M 2012	12M 2011	Change %
Steel products sales	**3 678**	3 816	-4%	**15 184**	12 840	+18%
Incl. HVA[2]	**1 222**	1 351	-10%	**5 428**	4 508	+20%
Revenue	**2 803**	3 002	-7%	**12 157**	11 729	+4%
Operating profit	**191**	262	-27%	**1 133**	1 666	-32%
EBITDA[3]	**390**	483	-19%	**1 900**	2 254	-16%
EBITDA margin (%)	**14%**	16%		**16%**	19%	
Net profit/(loss)[4]	**(22)**	167		**596**	1 358	-56%
Net debt[5]	**3 574**	3 470	+3%	**3 574**	3 355	+7%
Net debt/EBITDA[6]	**1.88**	1.84		**1.88**	1.49	

Note:

[1] *Consolidated financial results are prepared based on US GAAP. Reporting periods of the Company are 12M and 9M 2012. Q4 figures are derived by computational method. The same assumption applies to the calculation of segmental financial results.*

[2] *High value added (HVA) products include plates, cold-rolled, galvanised, pre-painted and electrical steel, and metalware.*

[3] *EBITDA calculations are presented in the Appendix. EBITDA is calculated as operating profit adjusted to loss or gain from impairment losses (including goodwill) and depreciation and amortisation.*

[4] *Net profit attributable to NLMK shareholders.*

[5] *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.*

[6] *Net debt / EBITDA is represented by net debt as at the end of the period and EBITDA is presented as Last 12 months EBITDA.*

Grigory Fedorishin, Vice President for Finance and NLMK CFO, commented on the 2012 results:

"2012 proved to be challenging for the global steelmaking industry: the growth in prices we saw in the first half of the year gave way to a slump in consumption and prices on the back of weak macroeconomic conditions in the developed markets and the slowdown in the developing markets.

"Despite the weakening market conditions, NLMK Group managed to ensure a significant growth in sales, maintaining core asset utilization rates at almost 100% by relying on its efficient low-cost steel production and sustainable business model. Our sales grew 18% to 15.2 million tonnes, partially offsetting the slump in steel prices, driving the company revenue up 4% year-on-year to US$12.2 billion.

EBITDA was down by 16% to US$1.9 billion on the back of growing prices for the key raw materials. EBITDA margin was down to 16% (as compared to 19% in 2011), however, it still remained one of the highest in the sector. Net profit was down to US$596 million (-56%).

"As we finalized our large-scale capacity expansion projects, investments in 2012 decreased by 29% to US$1.5 billion. In 2013, we expect our capex to further reduce to US$1.0-1.2 billion, including maintenance investments. NLMK has a selective approach towards capex projects, prioritizing those with a high return on invested capital, aimed at minimizing costs and maximizing business efficiency. This year we are planning to announce NLMK's key strategic directions and investment programme priorities for the next five years, with a focus on improved efficiency, production resource saving, and further product quality enhancements.

"Ensuring high financial stability is among the company's short-term priorities. Ensuring a net debt to EBITDA ratio of 1.0 remains our long-term objective. In 2013, we are not planning on growing our absolute debt levels; borrowings will be used to further improve the structure of our credit portfolio in terms of debt maturities and currency. We are fully committed to maintaining the company's investment rating.

"In Q1 2013, steel output is expected to remain flat quarter-on-quarter. At the beginning of 2013, steel product prices are picking up, supported by consumer restocking and increasing iron ore prices. It should be noted that due to a delay in the recognition of export sales, the company's Q1 2013 financials will be impacted by end of 2012 prices and sales structure. Q1 2013 revenue could be down up to 5% quarter-on-quarter; Q1 EBITDA will be lower quarter-on-quarter as revenue declines while raw material prices still remain at elevated levels.

"In 2013, we expect our steel production output to reach 15.5 million tonnes, as utilization rates grow at our existing and pre-launch steelmaking capacities."

MANAGEMENT COMMENTS

- **Market review**

  In the second half of 2012, the significant slowdown in the global economy negatively impacted steel demand, which translated into lower prices (a decrease of 10% in H2 2012 as compared to H1 2012) and triggered destocking by customers and trading/service centers. By the end of Q4 2012, steel stocks declined to minimal levels in 2012 leading to the stabilization of prices.

  In early 2013 steel prices edged up on the back of an increase in raw material prices and some steel stock replenishment.

- **Production and sales**

  2012 steel output grew by 25% y-o-y to 14.9 million tonnes driven by the launch of Blast Furnace #7 at the main production site in Lipetsk in the second half of 2011. NLMK's Russian operations produced 94% of the total output, or around 14 million tonnes. NLMK's share in the Russian steel output was 20%, making it the largest steelmaker in the country.

  Sales jumped by 18% y-o-y to 15.2 million tonnes driven by the high run rates at the new steelmaking facilities at its Lipetsk plant. Intercompany sales of slabs grew to 2.6 million tonnes, an increase of 47% y-o-y.

  Q4 steel output was 3.7 million tonnes (-3% q-o-q), which corresponds to 95% run rates at the steelmaking operations. This decline was due to the softening in demand in the international steel markets that coincided with the seasonal slowdown in buying activity in the Russian construction sector.

- **Sales geography**

  NLMK's diversified sales geography helped to flexibly react to the worsening market conditions in the second of 2012 by shifting volumes to markets with a better demand, as well as by changing the product mix structure. Sales in Russia went up by 14% y-o-y to 4.9 million tonnes, with over 80% of the sales being delivered to the construction and infrastructure sector. International sales represent approximately 68% of the total sales, with the key regions remaining Europe (19%), S.E.Asia (16%) and N.America (14%).

  In Q4 NLMK increased sales to the domestic market by 5% to 1.3 million tonnes, an all-time record. This growth was largely driven by a stable demand from the key customers, as well as the growth in the sales to pipe manufacturers.

- **Sales structure**

  2012 finished steel sales went up by 22% to the all-time record level of 10.6 million tonnes, accounting for approximately 70% of total sales, up from 68% in 2011. Sales of value added steel products increased by 20% y-o-y, representing 36% of the total sales. Merchant slab sales were 3.96 million tonnes (+27% y-o-y).

  In Russia, the company sold 4.9 million tonnes, of which 3.1 million tonnes were flat steel sales, whereas long steel and metalware sales accounted for 1.6 million tonnes. The share of value added sales in the domestic market represented 46%.

  In Q4, due to seasonality factors coupled with the weaker market conditions in the international markets, finished steel sales decreased by 9% to 2.4 million tonnes. This decline was partially offset the increased sales of slabs that were more profitable at this time – third party sales went up by 26% y-o-y to 1.2 million tonnes.

In Russia, Q4 sales were 1.3 million tonnes, with flat steel sales growing 3% q-o-q to 0.8 million tonnes, while long steel and metalware sales were down to 0.4 million tonnes (-10% q-o-q). The domestic sales of value added steel represented 43%.

- **Pricing environment**

  In the second half of 2012 steel prices in the international markets were significantly lower, declining on average by 10-15% as compared to the first half. In Russia, prices remained relatively stable supported by better demand from the construction sector, with weakening mild softening towards the end of the year. On a year-on-year basis, 2012 steel prices declined by 5-10%.

  Q4 steel prices were 5-10% lower as compared to Q3 despite some stabilization in a number of regions. Domestic long steel and metalware prices declined in the range of 1% to 4% as demand from the construction market was seasonally weaker. Prices for value added flat steel products – CRC, galvanized and pre-painted steel - remained almost unchanged.

- **Investments**

  2012 Capex decreased by 29% y-o-y to US$1,453 million tonnes, with maintenance capex representing nearly 23%. The company continued its previously initiated capex projects aimed at improving business efficiency and decreasing production costs.

  Q4 Capex was down 15% y-o-y to US$296 million. In October 2012, NLMK Dansteel, a rolling asset producing thick plates in Europe, completed the modernization of a rolling mill to expand its product mix, adding new products that in Q4 accounted for 20% of the orders.

  Key investment projects in 2013:

  - NLMK-Kaluga, a mini-mill with 1.5 million tonnes of steelmaking and long steel production capacity, is planned to be launched in mid-2013. As a result, NLMK Long steel segment should increase its production by 20-25% y-o-y. The full ramp-up of the mill is expected in 2015.
  - Continued development of the iron ore facility, Stoilensky, with the expansion of the open pit mine, growth in beneficiation capacity by 4 million tonnes of iron ore concentrate per year and the construction of a pelletizing facility with an annual capacity of 6 million tonnes.
  - Installation of pulverized coal injection technology at blast furnace operations at the Lipetsk site. This technology is planned to be gradually implemented during 2013-2014 at up to 90% of the site’s blast furnace capacity.

- **Debt management**

  As at the end of 2012 financial debt of the company was US$4,632 million (+6% y-o-y), with short term debt representing 39%. Net debt to EBITDA was 1.88 (1.49 at the end of 2011). In 2012 the company was actively restructuring its debt portfolio:

  - Issuance of RUB-nominated bonds of a total RUB20 billion (or around US$660 million) at a coupon rate ranging from 8.25% to 8.50% with 3 year (issue BO-04) and 10 year (issues series NLMK 07 and NLMK 08) maturities.
  - In September 2012 the company raised US$500 million with a coupon rate of 4.95% through the issuance of its debut Eurobond program (NLMK 2019).

  Weighted-average maturity of outstanding debt as at the end of 2012 was 3.1 years.

At the end of 2012 the currency structure of debt in US$, Euro and RUB was 19%, 38% and 43%, respectively.

As at the end of Q4 2012, gross debt decreased by 12% q-o-q to $4.6 billion, short term debt declined by 25% q-o-q to US$1.82 billion. Net debt was US$3.57 billion (+3% q-o-q).

- **Subsequent events**

On February 20, 2013, the company successfully placed an US$800 million 5-year Eurobond issue with a coupon rate of 4.45% (link to press-release). Rating agencies Moody's and S&P confirmed NLMK's investment grade credit rating in February 2013. NLMK is the only company in the Russian metals and mining sector with an investment grade from three leading international rating agencies.

KEY FINANCIALS

- **Revenue**

  2012 revenue increased by 4% y-o-y to US$12,157 million. This was achieved despite the deteriorating conditions in the global markets and a weaker pricing environment through the growth in product sales by 18% y-o-y, the redirection of sales into the more attractive domestic market, and increased value added product sales that jumped by 20% y-o-y.

  Q4 revenue sequentially declined by 7% to US$2,803 million due to the seasonally weaker demand translating into lower sales (-4% q-o-q), price decline and growth in sales of ordinary grade products.

- **Operating profit**

  In 2012, operating profit was US$1,133 million, a decrease of 32% compared to 2011. This decline was driven by the marked deterioration in the steel market conditions in the second half of 2012, only partially offset by lower production costs.

  Due to seasonally low demand and prices, Q4 operating profit decreased by 27% q-o-q to US$191 million.

  2012 production costs (ex D&A) were up 9% y-o-y to $8,494 million due to the growth in sales volumes, that was partially offset by lower input material prices and a cost cutting program initiated in the second half of 2012.

  Q4 production costs (ex D&A) were down by 5% q-o-q to US$1,984 million driven by a 4% decrease in sales volumes and a reduction in steel production costs. Despite the stronger RUB, overall production costs sequentially reduced by 5%, partially compensating for lower steel prices.

  In 2012, slab cash costs decreased by approximately 2% y-o-y from US$396/tonne in 2011 to US$388/tonne in 2012.

  Q4 2012 slab cash costs at the Lipetsk plant representing 82% of the Group's total steel production in 2012 decreased by 6% to US$361/tonne due to decreased raw material inventories formed at higher prices along with management measures focused on the strict control over operating costs.

  Depreciation and amortization in 2012 increased by 30% y-o-y to US$768 million, as the company started to depreciate the new equipment launched in 2012.

  Operating expenses in 12 months 2012 increased by 4% to US$1,762 million. General and administrative expenses dropped by 19% y-o-y to US$448 million driven by continued efforts to manage these expenses, as well as a changed approach to the recognition of allowances for doubtful accounts receivable. Selling expenses increased by 18% y-o-y driven by the growth in sales and changes in the sales geography.

  In Q4 general and administrative expenses went up by 15% q-o-q to US$113 million due to a change in the approach to the recognition of allowances for doubtful accounts receivable. Selling expenses declined by 2% q-o-q to US$273 million due to lower sales volumes and higher sales in the domestic market.

- **Net income**

  2012 net income declined by 56% to US$596 million due to weaker operating profit and the recognition of one-off provisions in Q4 2012.

  Q4 net loss was US$22 million due to lower operating profit and the recognition of non-cash provisions in other expenses in the amount of US$133 million related to the restructuring of the NLMK Europe business division (US$66 million) and the poor financial condition of a

contractor employed in a capex project (US$67 million). Net loss was also due to higher income tax (+US$19 million) at Stoilensky (iron ore mine) and NSMMZ (a key production asset of the NLMK Long Products Segment).
In 2012 nearly 75% of interest expenses were capitalized under US GAAP standards. Interest expenses in the amount of US$68 million were recognised in the P&L statement in 2012 due to the gradual commissioning of new equipment. Including the capitalisation effect, 2012 interest payments totalled US$266 million.

- **Cash flow from operations**

  2012 operating cash flow increased by 1% to US$1,825 million. Lower profit in 2012 was offset by working capital release, including a decrease in inventories by US$170 million and in accounts receivable by US$167 million. Operating cash flow allowed funding capex projects, paying 2011 dividends and making other payments, with practically no change in the net debt.

  Q4 operating cash flow decreased by 51% q-o-q to US$333 million impacted by lower profit and decrease in account payables due to seasonality.

- **Cash flow from investment activities**

  Capital expenditures decreased by 29% US$1,453 million as a number of projects under the development program was completed.

  Q4 capital expenditures dropped by 15% q-o-q to US$296 million as conditions in the key markets deteriorated, while key capex projects, including the construction of NLMK Kaluga, continued.

- **Cash flow from financial activities**

  Net outflow from financing activities in 2012 was US$119 million, with the key factors contributing to the indicator being net borrowing of US$21 million and dividend payments of US$117 million.

  Q4 net outflow from financing activities was US$754 million, as the company paid out financial debts, including two issues of ruble exchange notes (bonds).

Steel Segment*

US$ million	Q4 2012	Q3 2012	Change, %	12M 2012	12M 2011	Change, %
Steel sales, '000 tonnes	3 112	2 960	+5%	12 117	10 311	+18%
including third party sales, '000 tonnes	2 465	2 458	+0.3%	9 502	8 908	+7%
Revenue from external customers	1 703	1 836	-7%	7 150	8 043	-11%
Revenue from intersegmental operations	346	295	17%	1 526	985	+55%
Gross profit	376	438	-14%	1 728	2 186	-21%
Operating profit	84	152	-45%	551	1 075	-49%
Profit after income tax	108	248	-57%	817	1 160	-30%

Steel Segment sales grew 18% to 12.1 million tonnes. In 2012, the Segment's revenue decreased by 4%. There was a notable shift towards intersegmental sales: slab sales to the international rolling assets prior to their consolidation as part of the Group starting from July 1, 2011 were reflected as sales to external customers. The effect from the weakening of prices in 2012 was partially offset by the increase in the Segment sales.

Despite the seasonal weakening in demand, the Segment Q4 2012 sales to external customers were almost flat q-o-q at 2.5 million tonnes. Q4 revenue from external customers was down 7% q-o-q to US$1,703 million, pressured by lower prices and a higher share of non-high value-added steel products in the sales mix. Revenue from intragroup sales grew to US$346 million (+17% q-o-q), driven by increased slab supplies to the Group's international rolling assets (+26% to 628,000 tonnes), including to NLMK US.

Q4 EBITDA was down to US$197 million (-31% q-o-q), the EBITDA margin was 10% (-3 p.p. q-o-q). The Segment profit contracted, pressured by the slump in steel prices.

Outlook:

We are seeing a mild pick up in steel product demand and prices in the beginning of the year as customers restock. However, the Segment performance will be negatively impacted by the low prices at the end of 2012, and the Q4 sales mix as a result of a delay in the recognition of export operations.

**As part of the consolidation of Steel Invest and Finance rolling assets, the Group's segment reporting breakdown was adjusted (see Note #22 to Consolidated US GAAP Results for 12M 2011).*

- - A separate Foreign Rolled Products segment was formed, alongside Steel Invest and Finance comprising NLMK Indiana and NLMK DanSteel, which used to be included in the Steel segment (in H1 2011 results).

- Results for Altai-Koks were included in the Steel segment (it previously formed a separate Coke-chemical segment).
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*

US$ million	Q4 2012	Q3 2012	Change, %	12M 2012	12M 2011	Change, %
Long products and metalware sales, ‘000 tonnes	401	445	-10%	1 706	1 526	+12%
Revenue from external customers	281	314	-11%	1 199	1 154	+4%
Revenue from intersegmental operations	88	122	-28%	446	640	-30%
Gross profit	56	78	-28%	273	208	+31%
Operating profit	10	40	-76%	86	-55	
Profit after income tax	20	-7		-40	-317	-87%

Over the 12M 2012, almost all long products were sold in Russia, supported by increased demand from the local construction sector. Higher long product and metalware output in 12M 2012 (+13% to 1.7 million tonnes) was supported by the growing demand from the construction sector, and the successful re-launch following repairs of one of the electric-arc furnaces at the beginning of 2012. As export sales (done through traders that are part of the Steel Segment) contracted, revenue from intersegmental operations fell by 30% to US$446 million. 2012 EBITDA increased five-fold to US$170 million; the EBITDA margin was 10%, supported by higher average selling prices and lower operating expenses.

Losses after income tax were mostly associated with interest expenses from intercompany loans provided by the main production site in Lipetsk.

The decrease in sales and production of long steel and metalware in Q4 was due to the seasonality factor.

Q4 revenue was down 15% due to a sequential decrease in third party revenue by 11% as sales and prices were seasonally low. An additional factor of this decline was the drop in intersegmental revenue as scrap sales to the main production site in Lipetsk decreased as scrap was partially substituted by an increased use of pig iron in steelmaking.

Q4 EBITDA was US$31 million, down 48% q-o-q, Q4 EBITDA margin was 8%. The decline was attributable to the seasonal decline in demand and prices for long steel.

Outlook:

In Q1 2013, as demand from the construction sector remains seasonally low, we do not expect any material step-up in operating and financial performance of the segment.

** The Long Products Segment includes the financial performance of the Long Products Division companies: NSMMZ, UZPS, scrap collecting and processing facilities, and others. The core activities of these companies are steelmaking (EAF-based) and long products and metalware manufacturing, ferrous and non-ferrous scrap collection and processing.*

Mining Segment*

US$ million	Q4 2012	Q3 2012	Change, %	12M 2012	12M 2011	Change, %
Sales of iron ore concentrate and sinter ore, ‘000 tonnes	4 666	3 777	+24%	15 835	14 866	+7%
including third party sales, ‘000 tonnes**	1 511	1 051	+44%	3 944	2 506	+57%
Revenue from external Customers	127	93	+36%	341	149	+129%
Revenue from intersegmental operations	220	222	-1%	997	1 291	-23%
Gross profit	220	216	+2%	923	1 075	-14%
Operating profit	188	173	+9%	793	992	-20%
Profit after income tax	136	117	+16%	618	841	-26%

2012 iron ore concentrate and sinter ore sales were 14.1 million tonnes and 1.7 million tonnes, +7% and +2%, respectively. The Segment’s 12M 2012 operating performance increased year-on-year as the Group’s beneficiation capacities were expanded in mid-2011. Approximately 11.9 million tonnes of iron ore were supplied to Novolipetsk (part of the Steel Segment). Revenue was down by 7% to US$1.3 billion, pressured by weaker selling prices. 12M 2012 EBITDA was US$861 million (-17% year-on-year); the EBITDA margin was 64% (-8 p.p.). Profitability dropped, as iron ore prices weakened while production costs remained stable.

Q4 iron ore concentrate and sinter ore sales to external customers increased by 44% to 1.5 million tonnes. Q4 EBITDA grew to US$207 million (+9%); the EBITDA margin was 60%. The growth in EBITDA was driven by higher iron ore concentrate sales coupled with lower operating expenses.

Outlook:

The Division’s performance will largely depend on the conditions in the global raw material market. However, efficient control over costs supported by stable sales will allow the Segment to maintain high profitability.

** 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.*

*** Sales to third parties, including sales through traders that are part of the Steel Segment.*

Foreign Rolled Products Segment**

US$ million	Q4 2012	Q3 2012	Change, %	12M 2012	12M 2011	Change, %
Steel products sales, ‘000 tonnes	813	913	-11%	3 983	2 461	+62%
Revenue from external customers	692	759	-9%	3 467	2 382	+46%
Revenue from intersegmental operations		1	-100%	1	3	-58%
Gross profit	-60	-53	+13%	-72	-61	+18%
Operating profit	-118	-110	+6%	-347	-305	+14%
Profit after income tax	-197	-109	+81%	-430	-327	+32%

The significant improvement in the Segment’s year-on-year performance in 2012 is associated with the consolidation of the rolling assets of Steel Invest and Finance (JV with Duferco) starting from H2 2011.

Q4 sales decreased by 11% to 0.8 million tonnes, pressured by reduced demand from the steel-consuming industries on the back of weak marcoeconomic conditions in the European markets, coupled with seasonal factors.

In Q4 2012, steel prices fell, driving down the Segment’s revenue by 9% to US$692 million. There was a further increase in the Segment’s losses despite the measures to cut expenses and reduce the cost of slabs. Q4 2012 EBITDA was -US$72 million; the margin was -10%.

Outlook:

The Segment companies continue to work on cutting costs and increasing utilization rates, ensuring higher efficiency for the Segment in the mid-term. NLMK Europe Strip Products, a business division of NLMK, initiated a restructuring program for one of its rolling assets to cut fixed costs. Currently the management of the asset, trade union representatives and the local government are discussing the optimal design for the mentioned measures.

** The Foreign Rolled Products segment comprises steelmaking companies located outside Russia, including rolling assets in Europe (NLMK Europe) and the USA (NLMK USA), including those that became part of the Group starting from July 2011. NLMK Europe is represented by thick plates producers NLMK DanSteel (Denmark, the company was part of the Steel Segment until July 1, 2011), 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 (part of the Steel Segment until July 1, 2011)*

Appendix

(1) EBITDA*

$ million	12 M 2012	12 M 2011	Q4 2012	Q3 2012
Operating profit	1,133	1,666	191	262
Minus:				
Impairment losses				
Depreciation and Amortisation	768	589	199	221
EBITDA	**1,900**	**2,254**	**390**	**483**

*Note: * Effective from 2012 the Company is changing the formula for EBITDA calculation in order to simplify and make the calculation of this indicator more transparent for external users. From Q1 2012, EBITDA is calculated as operating profit adjusted to loss or gain from impairment losses (including goodwill) and depreciation and amortisation.*

(2) Sales by region in 2011-2012
(in ‘000 tonnes)

Region	12M 2012	12M 2011	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011
Russia	4,875	4,267	1,317	1,255	1,203	1,100	1,056
EU	2,824	2,865	597	639	754	834	561
Middle East incl. Turkey	1,280	1,606	303	270	327	379	341
North America	2,184	1,730	451	493	611	629	505
Asia and Oceania	2,413	1,334	508	730	549	627	827
Other regions	1,608	1,038	502	428	373	304	262
TOTAL	**15,184**	**12,840**	**3,678**	**3,816**	**3,818**	**3,872**	**3,552**

(3) Sales by products in 2011-2012
(in ‘000 tonnes)

Product type	12M 2012	12M 2011	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011
Pig iron	615	962	46	207	142	220	448
Slabs	3,962	3,130	1,236	977	858	892	698
Hot-rolled thick plates	924	696	163	209	260	292	243
Hot-rolled steel	3,758	2,868	841	914	975	1,029	817
Cold-rolled steel	2,014	1,621	469	522	521	501	402
Galvanised steel	1,127	917	257	263	302	305	341
Pre-painted steel	576	518	142	153	150	132	147
Transformer steel	227	239	50	60	63	54	66
Dynamo steel	275	277	74	66	76	59	63
Billets	0	84	0	0	0	0	0
Long products	1,421	1,287	333	366	394	327	281
Metalware	285	239	67	78	77	63	46
TOTAL	**15,184**	**12,840**	**3,678**	**3,816**	**3,818**	**3,872**	**3,552**

(4) Revenue by region

Region	12M 2012		Q4 2012		Q3 2012	
	$ million	share, %	$ million	share, %	$ million	share, %
Russia	4,398	36.2	1,087	38.8	1,091	36.3
EU	2,539	20.9	519	18.5	582	19.4
Middle East incl. Turkey	902	7.4	242	8.6	201	6.7
North America	1,647	13.5	296	10.6	400	13.3
Asia and Oceania	1,365	11.2	256	9.1	418	13.9
Other regions	1,305	10.8	402	14.4	310	10.4
TOTAL	12,157	100	2,803	100	3,002	100

(5) Working capital

$ million	31.12. 2012	30.09. 2012	30.06. 2012	31.03. 2012	31.12. 2011	30.09. 2011	30.06. 2011
Current assets	5,469	6,287	5,230	5,714	5,504	5,644	4,811
Cash and cash equivalents	951	1,803	769	926	797	830	911
Short term investments	107	11	10	11	227	59	202
Accounts receivable	1,491	1,559	1,642	1,786	1,573	1,694	1,669
Inventories	2,827	2,819	2,733	2,904	2,828	2,939	1,923
Other current assets, net	93	96	76	87	78	122	106
Current liabilities	3,302	4,155	3,579	3,577	2,940	3,163	2,141
Accounts payable	1,462	1,713	1,582	1,783	1,623	2,098	1,535
Short-term debt	1,816	2,434	1,971	1,781	1,306	1,031	544
Other current liabilities	24	9	26	12	11	34	62
Working capital	**2,167**	**2,133**	**1,651**	**2,137**	**2,564**	**2,481**	**2,670**

(6) Production of major steel products in 2011-2012

('000 tonnes)

Products	12M 2012	12M 2011	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011
Coke 6% moisture, incl.	**7,116**	**6,580**	**1,692**	**1,805**	**1,823**	**1,796**	**1,687**
Novolipetsk	2,591	2,554	650	649	649	644	626
Altai-Koks	4,525	4,026	1,041	1,157	1,175	1,152	1,061
Crude steel, incl	**14,923**	**11,968**	**3,674**	**3,772**	**3,843**	**3,635**	**3,172**
Steel segment	12,184	9,760	3,027	3,076	3,130	2,950	2,700
Long products segment	1,804	1,471	436	479	465	423	276
Foreign rolled products segment	935	737	211	216	247	262	196
Rolled products, incl.	**10,737**	**8,802**	**2,493**	**2,603**	**2,800**	**2,842**	**2,448**
Flat steel	8,997	7,256	2,072	2,146	2,357	2,422	2,100
Long steel	1,740	1,545	421	457	443	420	348

(7) Consolidated production costs for products sold

$ million	12M 2012		Q4 2012		Q3 2012	
	$ million	share, %	$ million	share, %	$ million	share, %
Iron ore	862	10%	175	9%	226	11%
Coke/coal	1 521	18%	349	18%	358	17%
Scrap	1 282	15%	301	15%	311	15%
Ferroalloys	289	3%	60	3%	77	4%
Labour expenses	958	11%	197	10%	248	12%
Energy	1 045	12%	259	13%	252	12%
Other expenses	2 537	30%	643	32%	623	30%
Production costs	**8 494**	**100%**	**1 984**	**100%**	**2 095**	**100%**