NLMK

RNS Announcement

09 August 2012

NLMK GROUP CONSOLIDATED US GAAP RESULTS FOR H1 AND Q2 2012

FINANCIAL AND OPERATING RESULTS FOR H1 2012

- Revenue up 19% y-o-y (hereinafter compared against H1 2011) to US$6,351 million
- EBITDA down 27% to US$1,028 million, with an EBITDA margin of 16.2% (-10 p.p. y-o-y)
- Net profit down 54% to US$451 million
- Cash flow from operations down 2% to US$807 million
- Fixed capital expenditures down 12% y-o-y to US$810 million
- Revenue per tonne of steel in H1 down 9% to US$826
- Steel output up 27% to 7.5 million tonnes
- Total steel product sales up 30% to 7.7 million tonnes

FINANCIAL AND OPERATING RESULTS FOR Q2 2012

- Revenue up 5% q-o-q (hereinafter compared against Q1 2012) to US$3,257 million
- EBITDA up 38% to US$596 million, with an EBITDA margin of 18% (+4.4 p.p. q-o-q)
- Net profit up 61% to US$278 million
- Cash flow from operations down 39% to US$304 million
- Fixed capital expenditure up 27% to US$453 million
- Revenue per tonne of steel in Q2 up 7% to US$853
- Steel output up 6% to 3.8 million tonnes
- Steel product sales down 1% to 3.8 million tonnes

Ms Galina Aglyamova, Chief Financial Officer, commented:

"In Q2, the market conditions continued to be challenging. Despite the seasonal improvement in demand in the domestic market, mixed trends prevailed in the Group's sales markets, determined by the subdued macroeconomic conditions.

"Despite the challenges with demand, we managed to maintain our Q2 sales at 3.8 million tonnes, in line with Q1. Q2 revenue grew by 5% q-o-q to US$3.3 billion, driven by the better product mix and hence the slight strengthening of prices. An improved operating performance and reduced costs enabled a 38% increase in our Q2 EBITDA to US$596 million. The Q2 EBITDA margin was around 18%, 4 p.p. up q-o-q.

"During the quarter we continued to optimise our debt portfolio and to implement our development programme.

"In Q3, we are witnessing a slowdown in demand in export markets as macroeconomic conditions in developed countries continue to decline and growth in the developing economies slows down. However, we believe that in August prices almost hit the bottom given the current global steel production costs, and in September-October we expect pricing levels to stabilise. In this context, we expect our Q3 revenue to decrease 5-10%, while the sales volume will remain stable for the entire Group. At the same time, the effect of decreasing steel prices will be partially offset by the decrease in raw material prices. The EBITDA margin is expected to be in the range of 16-18%."

KEY HIGHLIGHTS

'000 tonnes / US$ million	**Q2 2012**[1]	Q1 2012	Change, %	**H1 2012**	H1 2011	Change, %
Steel products sales	**3,817**	3,872	-1%	**7,689**	5,902	+30%
Incl. HVA[2]	**1,450**	1,405	+3%	**2,855**	1,806	+58%
Revenue	**3,257**	3,094	+5%	**6,351**	5,341	+19%
Operating profit	**425**	255	67%	**680**	1,153	-41%
EBITDA[3]	**596**	432	38%	**1,028**	1,411	-27%
EBITDA margin (%)	**18.3%**	14.0%		**16.2%**	26.4%	
Net profit [4]	**278**	173	+61%	**451**	979	-54%
Net debt[5]	**3,564**	3,538	+1%	**3,564**	1,500	+138%
Net debt/EBITDA[6]	**1.90**	1.69		**1.90**	0.57	

Notes:

[1]Reporting periods of the Company are H1 and Q1 2012. Q2 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.

CONFERENCE CALL DETAILS

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

Thursday, 09 August, 2012

09:00 am (New York)

14:00 pm (London)

17:00 pm (Moscow)

To join the conference call, please, register online: https://eventreg1.conferencing.com/webportal3/reg.html?Acc=493939&Conf=184804

or dial

International Call-in Number: +44 (0)20 7162 0025 US Call-in Number: +1 334 323 6201 Conference ID: 921119

*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 16 August 2012 International Replay Number: +44 (0) 20 7031 4064 US Replay Number: +1 954 334 0342

Replay Access Code: 921119

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

Contacts:

NLMK

Sergey Takhiev

Investor Relations

+7 495 915 1575

st@nlmk.com

About NLMK

NLMK is an international vertically-integrated steelmaking company with production facilities located in Russia, Europe and the US. The liquid steel capacity of its operating units exceeds 15mtpy. The Company generated $11.7 billion of revenues and a 19.5% EBITDA margin for the full year 2011. The Company's shares and GDSs are traded on the MICEX-RTS and LSE, respectively.

MANAGEMENT COMMENTS

- **Production and sales**
  NLMK Group's steel output totalled 3.8 million tonnes (+5.7%) as Novolipetsk continued to increase utilisation rates at its new Blast Furnace #7, and steel production recovered at all of NLMK's Long Product assets.
  In July, in response to the fading demand for commercial pig iron, NLMK decided to temporarily idle pig iron production at Blast Furnace #2 to restore the commercial pig iron balance in the market. This had no impact on steel production.
  In Q2, the Group sales decreased by 1% to 3.8 million tonnes.

- **Sales geography and markets**
  In Q2, the Russian market saw a seasonal recovery in demand from traders and service centres, the construction sector and machine building companies. This drove domestic sales up 9% to 1.2 million tonnes. NLMK's key consumers are concentrated in the European part of Russia.

  At the same time, some of the export markets saw a gradual slowdown in activity. As a result, NLMK redirected a part of its sales to the more stable domestic market, while the share of exports decreased by 3 p.p. to 68%. Competition among North American manufacturers intensified, resulting in a 3% decrease in sales in Q2.

  Sales to South East Asia decreased were pressured by increased exports of steel from China to the region. The Middle East accounted for around 9%, a decrease of 1 p.p. q-o-q as buying activity in the region slowed down ahead of the religious holidays.

- **Sales structure**
  In Q2, NLMK Group increased the share of value added products in its sales mix (38% in Q2 against 36% in Q1 2012). For instance, cold-rolled, galvanised and pre-painted steel sales grew both at the Lipetsk site and NLMK USA. NLMK Long Products significantly increased sales of long steel (+20% q-o-q) and metalware (+23% q-o-q) on the back of the seasonal pick-up of demand from the construction sector.
  As demand recovered from the machine-building sector in Russia and export deliveries increased, Novolipetsk and VIZ-Stal grew their sales of dynamo and transformer steel by 30% and 17%, respectively.
  Consolidated commercial slab and pig iron sales to third parties decreased by 4% and 36%, respectively.

- **Pricing trends**
  Taking into account the Group's production and sales cycle, and the delay in the recognition of export sales, Q2 sales prices were partially determined by high prices in the second half of Q1 and the first half of Q2.
  Moreover, the weakening of the RUB FX rate had a negative impact on the US$ nominated prices in the domestic market.
  Sales prices for NLMK Europe in dollar terms saw quarterly adjustments in the range between -1% and 7%, which was as a result of a fluctuation of EUR FX rate, among other factors.
  The Group's US assets decreased their sales prices by an average of 1-4%, in line with overall market trends in the region.

- **Stable production costs**
  The Group's production costs were in line with Q1, mostly due to the increased use of captive slabs within the Group, and the weakening of the RUB and EUR FX rate against US$ which affected production costs at the Group's Russian and European assets.

Slab production costs at the Lipetsk site increased by 4% to US$411/tonne, driven by high raw material prices.

- **Capex programme**
  As construction and assembly activities picked up after the winter period, Q2 capital investments increased by 27% q-o-q. The Group's H1 investments totalled US$810 million.
  NLMK continues to implement its key Technical Upgrade Programme projects, including the construction of the Kaluga Mini Mill (1.5 million tonnes of steel and long products per year). The first stage is scheduled for launch at the beginning of 2013.
  Stoilensky, an open pit iron ore mine, continues the construction of its 6 mt/y capacity Pelletising Plant. Commissioning is expected by 2015.

- **Debt management**
  Throughout the quarter, the Group used some of its standing lines of credit to restructure its current ST financial debt.

  Net debt/ LTM EBITDA was at a comfortable 1.9 level.

- **AGM**
  On May 30, NLMK's Annual General Meeting of Shareholders approved the dividend payment for the financial year 2011 of RUB2.0 per ordinary share. Dividend payout totalled around US$376 million, or around 28% of the Group's net income for 2011.

NLMK's KEY FINANCIALS

- **Revenue**
  NLMK Group's Q2 2012 revenue increased to US$3,257 million (+5% q-o-q). The Steel, Foreign Rolled Product and Long Product segments accounted for 56%, 32% and 10% of the overall revenue.
  Revenue increased, driven by higher HVA product sales (+3% q-o-q) and an increase in domestic sales, with prices remaining relatively stable.
  The Mining segment accounted for around 3% of revenue (+2 p.p. q-o-q), supported by an increase in deliveries to third parties.

- **Production costs (COGS)**
  Q2 production costs (excluding depreciation and amortisation) were in line with Q1 at US$2,205 million, attributable to (a) an insignificant decrease in Group sales (-1% q-o-q); (b) an increase in downstream capacity utilisation rates; (c) weaker RUB FX rate against US$; (d) changes prices for input materials; and (e) changes in the input structure (an increase in pellet consumption and imported high-quality coal by the Steel segment).

- **Depreciation and amortisation**
  Amortisation charges in Q2 amounted to around US$171 million (-3.5% q-o-q), largely determined by FX changes.

- **SG&A**
  SG&A expenses remained in line with Q1 at US$456 million.
  Commercial expenses increased to US$312 million (+11% q-o-q), as a result of changes in the geography of sales and increased NLMK slab deliveries to the Group's international assets.
  The 21% increase in taxes to US$44 million, excluding income tax, is mostly associated with an increase in NLMK's property tax payments due to the Technical Upgrade Programme implementation.

- **Interest payments**
  Part of the interest payments were capitalised under US GAAP standards. US$14 million were recognised in the P&L statement in Q2 due to the gradual commissioning of new equipment.

- **Operating profit**
  Operational profit increased by 67% q-o-q to US$425 million, supported by an improved sales structure and stable production costs.
  Sales of iron ore concentrate produced in Q1 2012 external customers doubled q-o-q , also contributing to an increase in operational profit.

- **Net profit**
  Net profit increased by 61% q-o-q to US$278 million, with a net profit margin of 8.5%, (+2.9 p.p. q-o-q).

- **Working capital**
  The Group's total accounts receivable, inventory and accounts payable decreased by 8%, 6% and 11%, respectively, impacted mainly by the RUB and EUR FX rate weakening against US$.

- **Cash flow from operations**
  Cash flow from operations decreased by 39% q-o-q to US$304 million due to a slight increase in the working capital, determined, among other factors, by restocking following the end of the winter period and an increase in slab deliveries to the Group's international rolling assets.

- **Cash flow from investment activities**
  Net outflow amounted to US$603 million (4.9x q-o-q), including US$453 million (+27% q-o-q) in capital investments. In Q2 2012, NLMK paid the second installment under the agreement to purchase the rolling assets of Steel Invest and Finance, which was closed in 2011. This payment amounted to US$157 million with accrued interest. The other changes in the cash flow from investment activities were mostly associated with deposit movements.

- **Cash flow from financial activities**
  Net inflow amounted to US$111 million (in Q1 2012 outflow amounted to US$183 million). Q2 net borrowing amounted to US$231 million (compared to net repayment of US$178 million in Q1). Moreover, the Group paid out 2011 dividends in Q2 in the amount of US$114 million.

Steel segment*

US$ million	Q2 2012	Q1 2012	Change, %	H1 2012	H1 2011	Change, %
Crude steel production, '000 tonnes	3,130	2,950	+6%	6,080	4,658	+31%
Coke production, '000 tonnes	1,823	1,796	+2%	3,619	3,187	+14%
Revenue from external customers	1,816	1,795	+1%	3,610	4,192	-14%
Revenue from intersegmental operations	462	423	+9%	885	293	+202%
Gross profit	536	378	+42%	914	1,168	-22%
Operating profit	237	78	+203%	315	658	-52%
Profit after income tax	348	113	+208%	462	692	-33%

In Q2 2012, revenue from external customers totalled US$1,816 million (+1% q-o-q). Revenue from intersegmental operations increased to US$462 million (+9% q-o-q), driven by larger slab deliveries to the Group's international rolling assets.

Q2 EBITDA increased to US$318 million (+91% q-o-q); the EBITDA margin was 14%. The growth was supported by an improved sales structure and reduced production costs on the back of the depletion of reserves formed in previous periods at higher raw material prices, as well as the cost optimisation programmes at the segment companies.

The segment's total H1 2012 revenue was in line with H1 2011. However, there was a shift towards intersegmetal sales, explained by the fact that slab sales to the international rolling assets prior to their acquisition (in Q3 2011) were reflected as sales to external customers. The effect from the significant increase in sales volumes in H1 2012 was almost completely offset by the fall in product prices.

H1 profit decreased y-o-y as a result of higher production costs due to increased consumption of more expensive raw materials – iron ore pellets and high quality coking coal – following the capacity expansion at the Lipetsk site.

Outlook:

We expect the segment's operating results in Q3 to remain at a high level, supported, among other factors, by slab supplies to the Group's international rolling assets.

**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-Stal (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	Q2 2012	Q1 2012	Change, %	H1 2012	H1 2011	Change, %
Long products and metalware production, '000 tonnes	443	420	+5%	863	831	+4%
Revenue from external customers	329	275	+20%	604	596	+1%
Revenue from intersegmental operations	162	73	+123%	235	310	-24%
Gross profit	84	54	+54%	139	124	+12%
Operating profit	29	7	+303%	36	11	+241%
Profit after income tax	-31	-23	+36%	-53	-97	-45%

Higher EAF utilisation rates at NSMMZ (the furnace was re-launched in Q1 following repairs), and the seasonal growth in demand from the construction sector resulted in increased output and sales in Q2.

Revenue from external customers grew 20% q-o-q supported by the seasonal increase in sales volumes. Intersegmental revenues were up, mostly as a result of larger volumes and higher prices for scrap deliveries to the Lipetsk site.

In H1 2012, almost all sales were domestic, supported by increased demand from the construction sector. As export sales (done through traders that are part of the Steel segment) contracted, revenue from intersegmental operations fell by 24% to US$235 million.

In Q2 2012, the Segment's increased revenue and lower production costs led to EBITDA of US$50 million (+73% q-o-q), and an EBITDA margin of 10% (+ 2 p.p. q-o-q). H1 EBITDA was US$79 million; the EBITDA margin was 9%. Losses after income tax were associated with interest expenses from intercompany loans provided by the main production site in Lipetsk.

Outlook:

Given the stable demand from the construction sector, we expect the segment to maintain a high level of operating performance in Q3.

** 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 ferrous and non-ferrous scrap collection and processing, steelmaking (EAF-based) and long products and metalware manufacturing.*

Mining segment*

US$ million	Q2 2012	Q1 2012	Change, %	H1 2012	H1 2011	Change, %
Sales of iron ore concentrate and sinter ore, '000 tonnes	3,910 (719)**	3,482 (397)	+12% (+81%)	7,392 (1,116)	7,200 (599)	+3% (+86%)
Revenue from external customers	86	36	+140%	121	56	+117%
Revenue from intersegmental operations	274	281	-2%	555	638	-13%
Gross profit	259	228	+14%	486	516	-6%
Operating profit	230	203	+14%	433	478	0%
Profit after income tax	238	127	+88%	365	383	-5%

Q2 iron ore concentrate sales increased by 12% to 3.9 million tonnes, driven mostly by the growth in the sales of products manufactured in Q1 to third parties.

The segment's H1 2012 performance improved y-o-y as the Group's beneficiation capacities were expanded in mid-2011.

The growth in sales pushed the segment's Q2 EBITDA up by 14% q-o-q to US$247 million; the EBITDA margin remained at the level of 69%. H1 EBITDA amounted to US$464 million; the EBITDA margin was 69%.

Outlook:

Constant control over production costs supported by stable sales should allow the segment to maintain high operating results and margins in Q3 2012.

**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.*

***In brackets – sales to third parties.*

Foreign rolled products segment*

US$ million	Q2 2012	Q1 2012	Change, %	H1 2012	H1 2011	Change, %
Steel products sales, '000 tonnes	1,128	1,129	0%	2,257	518	+336%
Revenue from external customers	1,026	989	+4%	2,015	497	+305%
Revenue from intersegmental operations	-	-		-	-	
Gross profit	23	17	+32%	40	35	+17%
Operating profit	-56	-63	-10%	-119	12	
Profit after income tax	-61	-63	-3%	-124	-2	

In Q2, the segment's sales stayed at the level of 1.1 million tonnes. As sales remained stable, Q2 revenue increased by 4% to US$1,026 million supported by a slight growth in average quarterly sales prices. The ongoing optimisation efforts and lower prices for purchased slabs resulted in a 32% increase in gross profit to US$23 million. Operating losses decreased by 10% to US$56 million.

The segment's Q2 EBITDA amounted to -US$5 million; the margin was around 0%.

The significant y-o-y change is associated with the consolidation of the rolling assets of Steel Invest and Finance (JV with Duferco) starting from July 2011.

Outlook:

The segment companies will continue to work on cutting costs, ensuring higher efficiency for the segment in the medium-term.

** 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	H1 2012	H1 2011	Q2 2012	Q1 2012
Operating profit	680	1,153	425	255
Minus:				
Impairment losses/income	-	-	-	-
Depreciation and amortisation	-348	-259	-171	-177
EBITDA	1,028	1,411	596	432

*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	H1 2012	H1 2011	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011
Russia	2,303	2,098	1,203	1,100	1,056	1,113	1,126
EU	1,588	1,629	754	834	561	676	997
Middle East incl. Turkey	706	792	327	379	341	473	324
North America	1,240	664	611	629	505	561	313
Asia and Oceania	1,175	305	549	627	827	202	130
Other regions	677	414	373	304	262	361	246
TOTAL	7,689	5,902	3,817	3,872	3,552	3,386	3,136

(3) Sales by products in 2011-2012

(in '000 tonnes)

Product type	H1 2012	H1 2011	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011
Pig iron	361	284	142	220	448	229	132
Slabs	1,749	1,871	858	892	698	561	1 156
Hot-rolled thick plates	552	209	260	292	243	244	106
Hot-rolled steel	2,002	1,159	974	1,029	817	892	504
Cold-rolled steel	1,023	718	521	501	402	502	371
Galvanised steel	607	264	302	305	341	313	124
Pre-painted steel	282	228	150	132	147	144	123
Transformer steel	117	111	63	54	66	62	55
Dynamo steel	135	154	76	59	63	60	76
Billets	0	74	0	0	0	10	29
Long products	721	707	394	327	281	299	389
Metalware	139	123	77	63	46	70	71
TOTAL	7,689	5,902	3,817	3,872	3,552	3,386	3,136

(4) Revenue by region, H1 2012

Region	H1 2012		Q2 2012		Q1 2012	
	$ million	Share, %	$ million	Share, %	$ million	Share, %
Russia	2,221	35.0	1,163	35.7	1,057	34.2
EU	1,438	22.6	740	22.7	698	22.6
Middle East incl. Turkey	460	7.2	191	5.9	269	8.7
North America	952	15.0	494	15.2	458	14.8
Asia and Oceania	692	11.0	332	10.2	359	11.6
Other regions	589	9.3	347	10.3	253	8.2
TOTAL	6,351	100	3,257	100	3,094	100

(5) Working capital, 2011 and H1 2012

$ million	30.06. 2012	31.03. 2012	31.12. 2011	30.09. 2011	30.06. 2011	31.03. 2011	31.12. 2010
Current assets	5,230	5,714	5,504	5,644	4,811	4,438	4,105
Cash and cash equivalents	769	926	797	830	911	977	748
Short term investments	10	11	227	59	202	265	423
Accounts receivable	1,642	1,786	1,573	1,694	1,669	1,295	1,260
Inventories	2,733	2,904	2,828	2,939	1,923	1,784	1,580
Other current assets, net	76	87	78	122	106	116	95
Current liabilities	3,579	3,577	2,940	3,163	2,141	1,831	1,652
Accounts payable	1,582	1,783	1,623	2,098	1,535	1,252	1,107
Short-term debt	1,971	1,781	1,306	1,031	544	553	526
Other current liabilities	26	12	11	34	62	26	19
Working capital	1,651	2,137	2,564	2,481	2,670	2,607	2,453

(6) Consolidated production costs for products sold

$ million	H1 2012		Q2 2012		Q1 2012	
	$ million	Share, %	$ million	Share, %	$ million	Share, %
Iron ore	460	10	248	11	213	10
Coke and coal	814	18	410	19	404	18
Scrap	670	15	323	15	347	16
Ferroalloys	152	3	83	4	69	3
Other raw materials	646	15	391	18	255	12
Energy	332	8	156	7	176	8
Natural gas	161	4	77	4	84	4
Other fuel and energy resources	42	1	18	1	24	1
Labour expenses	513	12	263	12	250	11
Other expenses	547	12	276	13	271	12
Changes in the balance of semi-finished products, WIP and finished goods	78	2	-40	-2	117	5
Production costs	4,415	100	2,205	100	2,210	100

	As at June 30, 2012	As at December 31, 2011
ASSETS		
Current assets		
Cash and cash equivalents	769,159	797,169
Short-term investments	10,496	227,279
Accounts receivable and advances given, net	1,641,946	1,572,641
Inventories, net	2,732,839	2,828,433
Other current assets	47,227	59,355
Deferred income tax assets	28,327	18,887
	5,229,994	**5,503,764**
Non-current assets		
Long-term investments	8,820	8,420
Property, plant and equipment, net	10,716,421	10,569,828
Intangible assets, net	148,457	158,611
Goodwill	751,981	760,166
Deferred income tax assets	229,839	237,113
Other non-current assets	17,283	19,274
	11,872,801	**11,753,412**
Total assets	**17,102,795**	**17,257,176**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and other liabilities	1,581,793	1,622,679
Short-term borrowings	1,970,794	1,306,263
Current income tax liability	26,303	10,994
	3,578,890	**2,939,936**
Non-current liabilities		
Deferred income tax liability	690,112	713,666
Long-term borrowings	2,372,610	3,073,535
Other long-term liabilities	266,301	424,878
	3,329,023	**4,212,079**
Total liabilities	**6,907,913**	**7,152,015**
Commitments and contingencies	-	-
Stockholders' equity		
NLMK stockholders' equity		
Common stock, 1 Russian ruble par value – 5,993,227,240 shares issued and outstanding at June 30, 2012 and	221,173	221,173
Statutory reserve	10,267	10,267
Additional paid-in capital	306,391	306,391
Accumulated other comprehensive loss	(1,737,722)	(1,489,442)
Retained earnings	11,437,146	11,098,635
	10,237,255	**10,147,024**
Non-controlling interest	**(42,373)**	**(41,863)**
Total stockholders' equity	**10,194,882**	**10,105,161**
Total liabilities and stockholders' equity	**17,102,795**	**17,257,176**

	For the six months ended June 30, 2012	For the six months ended June 30, 2011
Revenue	**6,351,484**	**5,341,145**
Cost of sales		
Production cost	(4,414,759)	(3,250,461)
Depreciation and amortization	(348,024)	(258,638)
	(4,762,783)	**(3,509,099)**
Gross profit	**1,588,701**	**1,832,046**
General and administrative expenses	(236,520)	(181,094)
Selling expenses	(591,641)	(427,248)
Taxes other than income tax	(80,524)	(71,188)
Operating income	**680,016**	**1,152,516**
Loss on disposals of property, plant and equipment	(37,461)	(22,239)
Losses on investments, net	(946)	(13,288)
Interest income	12,350	18,836
Interest expense	(14,293)	-
Foreign currency exchange gain / (loss), net	2,472	31,044
Other income / (expenses), net	(32,463)	3,229
Income before income tax	**609,675**	**1,170,098**
Income tax expense	(160,781)	(251,564)
Income, net of income tax	**448,894**	**918,534**
Equity in net earnings of associates	349	53,260
Net income	**449,243**	**971,794**
Add: Net loss attributable to the non-controlling interest	**1,340**	**7,611**
Net income attributable to NLMK stockholders	**450,583**	**979,405**
Income per share – basic and diluted:		
Net income attributable to NLMK stockholders per share (US dollars)	0.0752	0.1634
Weighted-average shares outstanding, basic and diluted	5,993,227	5,993,227

	For the six months ended June 30, 2012	For the six months ended June 30, 2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	**449,243**	**971,794**
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	348,024	258,638
Loss on disposals of property, plant and equipment	37,461	22,239
Losses on investments, net	946	13,288
Equity in net earnings of associates	(349)	(53,260)
Deferred income tax (income) / expense	(5,250)	5,968
(Gains) / losses on derivative financial instruments	(409)	4,819
Other	(20,129)	(1,840)
Changes in operating assets and liabilities		
Increase in accounts receivable	(106,074)	(389,384)
Decrease / (increase) in inventories	49,245	(205,709)
Decrease / (increase) in other current assets	11,688	(5,160)
Increase in accounts payable and other liabilities	25,928	161,958
Increase in current income tax payable	16,427	43,173
Net cash provided by operating activities	**806,751**	**826,524**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases and construction of property, plant and	(810,378)	(921,615)
Proceeds from sale of property, plant and equipment	9,961	7,274
Purchases of investments and placement of bank deposits	(19,553)	(257,846)
Withdrawal of bank deposits, proceeds from sale of other investments and loans settled	250,211	517,435
Payments for acquisition of interests in new subsidiaries	(156,510)	(150,000)
Net cash used in investing activities	**(726,269)**	**(804,752)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings and notes payable	436,595	249,839
Repayment of borrowings and notes payable	(384,076)	(354,093)
Capital lease payments	(10,719)	(25,458)
Dividends to shareholders	(113,835)	(3,748)
Proceeds from disposal of assets to the company under common control	-	313,246
Net cash (used in) / provided by financing activities	**(72,035)**	**179,786**
Net increase in cash and cash equivalents	**8,447**	**201,558**
Effect of exchange rate changes on cash and cash equivalents	(36,457)	(38,102)
Cash and cash equivalents at the beginning of the year	797,169	747,979
Cash and cash equivalents at the end of the period	**769,159**	**911,435**